

**O2 Telefónica Deutschland
Finanzierungs GmbH
Munich**

**Interim Financial Statements and
Interim Management Report**

30 June 2021

Interim Management Report

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Management Report for the Interim Reporting Period from 1 January 2021 to 30 June 2021

1. Business and general conditions

O2 Telefónica Deutschland Finanzierungs GmbH, Munich (referred to as “TDF” or the “Company”) acts as the financing company for the Telefónica Deutschland Group (Telefónica Deutschland Holding AG, Munich, and subsidiaries and joint operations) and its operating entities.

The future business development therefore depends largely on the development and ability to meet financial obligations of the operating companies of the Telefónica Deutschland Group, in particular Telefónica Deutschland GmbH & Co. OHG (referred to as “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 expected to be zero. In addition, TDF signed a profit and loss transfer agreement with Telefónica Germany GmbH & Co. OHG, Munich, on 20 March 2013.

The company does not have any significant KPIs relevant to management because it works as a financing company for the Telefónica Deutschland Group and raises funds on the capital market. Consequently, due to the lack of operating activities, there is no management control at the individual company level.

The following overall economic and legal conditions for the operating entities are thus indirectly also relevant for TDF.

The German economy leaves the crises behind¹

The German economy continued to suffer from the COVID-19 pandemic and government measures to contain the virus in the first quarter of 2021. According to most recent figures from the Federal Statistical Office, the gross domestic product (GDP) fell by 2.1% in the first quarter of 2021 compared to the previous quarter. In the second quarter the German economy recovered again and as stated from preliminary data it grew by 1.5% compared to the previous quarter. This was mainly due to higher household and government consumption expenditure.

Since April 2021, however, COVID-19 infection rates in Germany have slowed down considerably and the situation is improving. Sharp drops in the number of cases combined with significant progress in the vaccination programme are allowing more widespread easing and re-opening. The sectors that are

¹ Sources: Deutsche Bundesbank “Monthly Report June 2021” (21 June 2021); GfK Consumer Climate June 2021 (26 June 2021); Federal Statistical Office: Gross domestic product in the 2nd quarter 2021 (30 July 2021); ifo Institute: Press release on economic forecast (16 June 2021); Federal Employment Agency: The employment market in June, Press Release No. 25 and Monthly Report June 2021 (30 June 2021)

benefiting include many service industries such as hospitality, cultural life and retail. Holidays are now also possible again. This is resulting in rising optimism, as reflected in an improvement in consumer sentiment. GfK reports that the consumer climate index reached its highest level since August 2020.

On the other hand, economic activity is being negatively affected by some bottlenecks in the supply of intermediate goods. These are limited, however, since the latest surveys by the ifo Institute suggest that most industrial companies expect further improvement in their business activities.

The Federal Employment Agency has reported that the situation on the labour market is also improving. The unemployment rate has dropped from 6.4% (June 2020) to 5.9% (June 2021) within the past twelve months. Firms are continuing to reduce short-time working and are increasingly looking for new staff again.

According to the Federal Statistical Office (Destatis), however, the inflation rate has been rising more rapidly since the start of 2021, standing at +2.5% in May 2021. This means that the inflation rate has risen for the fifth month in succession. The ifo Institute has identified two main factors in this trend: firstly, the rise in value added tax at the beginning of 2021, which in itself pushed the rate of inflation up by just over one percentage point in January; secondly, energy prices increased substantially compared to the previous year.

2. Areas of operation

TDF was established as a wholly owned subsidiary of OHG, on 26 February 2013. It is thus part of the Telefónica Deutschland Group. TDF handles major financing activities of the Telefónica Deutschland Group.

On 10 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. This bond was repaid to investors as scheduled on 10 February 2021.

Furthermore TDF issued on 5 July 2018 a seven-year unsecured bond (Senior 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 bond is guaranteed by Telefónica Deutschland Holding AG, Munich.

The net proceeds from the issuance of these bonds were transferred in full to the parent company Telefónica Germany GmbH & Co. OHG, Munich, in the form of intercompany loans. In the reporting period, OHG repaid the intercompany loan to the Company in the amount of EUR 500,000 thousand.

3. Net assets, results of operations and financial position

Net assets

The assets are presented in the following table:

Balance sheet item	30 June 2021 EUR thousand	31 Dec. 2020 EUR thousand	Change EUR thousand
Financial assets	600,000	1,100,000	-500,000
Receivables from affiliated companies	10,562	15,935	-5,372
Other Assets	0	12	-12
Prepaid expenses	1,275	1,512	-237
Total Assets	611,838	1,117,459	-505,621

The financial assets as of 30 June 2021 consist of one loan in the amount of EUR 600,000 thousand, granted by TDF to OHG. The change compared to the previous year results from the repayment of a loan in the amount of EUR 500,000 thousand by OHG on 10 February 2021.

The receivables from affiliated companies of EUR 10,562 thousand (31.12.2020 EUR 15,935 thousand) consist mainly of interest receivables from the loans granted to OHG, in the amount of EUR 10,356 thousand (31.12.2020: EUR 15,738 thousand). The change compared to the previous year results from the decrease in interest receivables from OHG due to the scheduled repayment of a loan in the amount of EUR 500,000 thousand by OHG on 10 February 2021.

Equity and liabilities are presented in the following table:

Balance sheet item	30 June 2021 EUR thousand	31 Dec. 2020 EUR thousand	Change in EUR thousand
Equity	175	175	0
Other provisions	31	33	-2
Bonds	600,000	1,100,000	-500,000
Liabilities to affiliated companies	0	0	0
Other liabilities	10,356	15,738	-5,382
Deferred income	1,275	1,512	-237
Total Equity and liabilities	611,838	1,117,459	-505,621

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. Furthermore, as in the previous year, there is a capital reserve of EUR 150,000.

The category Bonds includes one bond with a nominal value of EUR 600,000 thousand in total. The remaining term of this bond is less than five years. The seven-year bond of EUR 500,000 thousand issued in 2014 was repaid as scheduled on 10 February 2021.

Other liabilities include short-term interest liabilities from the bond that will not be paid until after the reporting period. The change compared to the previous year results from the decrease in interest payable to investors due to the scheduled repayment of a bond in the amount of EUR 500,000 thousand by the company on 10 February 2021.

Results of operations

In the reporting period ending 30 June 2021, TDF reported a profit/(loss) after tax of EUR 0 (30.06.2020: EUR 0).

The main items from income statement are as follows:

Income statement item	1 Jan. 2021	1 Jan. 2020	Change
	30 June 2021	30 June 2020	
	EUR thousand	EUR thousand	EUR thousand
Other operating income	36	42	-6
Other operating expenses	-36	-42	6
Income from financial assets - loans	6,493	11,159	-4,666
Other interest and similar income	237	392	-155
Interest and similar expenses	-6,730	-11,551	4,821
Profit/(loss) after tax	0	0	0
Profit/(loss) for the period	0	0	0

The income from financial assets – loans of of EUR 6,493 thousand (previous year: EUR 11,159 thousand) results from interest income from the loans issued to OHG. The change compared to the previous year results from the scheduled repayment of a loan of EUR 500,000 thousand by OHG on 10 February 2021.

Interest and similar expenses of EUR 6,730 thousand (previous year: EUR 11,551 thousand) include EUR 6,493 thousand (previous year: EUR 11,159 thousand) of interest expenses from the bond that

has not yet been repaid. The change compared to the previous year results from the scheduled repayment of the bond in the amount of EUR 500,000 thousand by the company on 10 February 2021.

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 known 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 includes cash-pooling receivables from Telfisa Global B.V, Amsterdam, the Netherlands in the amount of EUR 149 thousand (30.06.2020: EUR 11 thousand). There were no freely available bank and cash balances at the end of the reporting period (as in the previous year).

In the first half-year 2021, TDF reported a negative cash flow from **operating activity** in the amount of EUR 14 thousand, in the comparative period as of 30 June 2020 TDF reported a negative cash flow from operating activities in the amount of EUR 49 thousand.

Cash flow from **investing activities** amounted to EUR 511,875 thousand in the reporting period (previous year: EUR 11,875 thousand). The cash inflows from investing activities result from the scheduled repayment of the loan of EUR 500,000 thousand in the reporting period and the interest payments of EUR 11,875 thousand received from the borrower OHG.

The cash outflow in cash flow from **financing activities** in the half year ending 30 June 2021 amounted to 511,875 thousand (30.06.2020: EUR 11,875 thousand). The payments result from the bond in the amount of EUR 500,000 thousand which was repaid in full and on schedule on 10 February 2021, as well as from the interest payment in the amount of EUR 11,875 thousand for this bond.

The changes in total result in a negative cash flow of EUR 14 thousand for the reporting period.

4. Opportunity and risk report

TDF currently restricts its activities exclusively to financing the Telefónica Deutschland Group and especially the OHG. The entire operating business of the Telefónica Deutschland Group is conducted directly or indirectly (via subsidiaries) through OHG. The most significant and direct risk of the company therefore consists in the default of the loan issued to OHG. Thus, all other risks of TDF, as well as the measures and processes for dealing with these risks, correspond indirectly to those of the Telefónica Deutschland Group and thus in particular to those of OHG. The risks of the Telefónica Deutschland Group are presented below.

Fundamental risk management principles

In the course of our business activities, the Telefónica Deutschland Group is confronted with various business, operational, financial and other (global) risks. We provide our services on the basis of the organizational, strategic and financial decisions made and precautions taken by us.

During the reporting period we have not identified any other material risks and opportunities apart from those presented in the Management Report of the Company for the 2020 financial year.

In the case of the following risk, however, there have been changes with regard to the assessment or the likelihood of occurrence compared to the 2020 financial year.

COVID-19 pandemic

The restrictions caused by the pandemic in many countries continue to affect international travel and retail. Due to the more positive starting position compared to last year, especially due to the available vaccines, we do not expect to be affected to the same extent.

With a lower potential loss volume, we no longer classify the risk as critical, but as high.

Opportunities Management

Due to the structural circumstances and the financing character of TDF, there are no specific opportunities for the company. The structure of the contracts with OHG provides on the one hand for a remaining annual result to be charged to OHG by means of a profit and loss transfer agreement. Secondly, all operating costs incurred by TDF are reimbursed by OHG.

The opportunities for focusing on our business activities and growth strategy improved further in the first half of 2021.

The contractually agreed sale of major parts of the business operations of rooftop sites to Telxius in the previous year has significantly increased the Telefónica Deutschland Group's financial flexibility, giving it much greater freedom in its business operations. The first part of the transaction was completed on 1

September 2020, when 6,033 sites were successfully transferred. The transaction was completed as it became effective on 1 August 2021, when a further 4,080 sites were transferred to Telxius.

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

5. Principals of the remuneration system

The Managing Directors do not receive any remuneration from TDF.

6. Forecast report 2021

As a result of the close personnel and economic links between TDF and the Telefónica Deutschland Group, TDF is subject to the same business and framework conditions as well as the same regulatory environment as the Telefónica Deutschland Group. The future development of TDF is very much dependent on the capital requirements and the form of financing chosen by the Telefónica Deutschland Group. The assessment of the future development of TDF is therefore based on forecasts of the business developments of the Telefónica Deutschland Group, which is summarized below.

Economic Outlook

The Deutsche Bundesbank expects that the German economy is leaving the pandemic-related crisis behind and currently stands at the start of a strong upswing. A key driver of economic performance will be consumer spending, which experts believe will expand sharply in the rest of this year and in 2022. It will receive an additional boost from consumers spending some of the savings involuntarily put away during the pandemic. The recovery will also be driven by exports. Under these conditions, the Deutsche Bundesbank expects gross domestic product (GDP), adjusted for calendar effects, to grow in real terms by 3.7% in 2021 and by 5.2% in 2022.

The inflation rate will rise at a faster pace temporarily, from +0.6% last year to an estimated +2.6% in 2021. The main factors in this respect are higher energy prices and the rise in value added tax. The increase in consumer prices is then expected to level off again at +1.9% in 2022.

The further course of the pandemic and its macroeconomic consequences remain very difficult to assess. According to the Deutsche Bundesbank, however, the uncertainty in this respect has already declined considerably, due primarily to the ongoing vaccination campaign. Setbacks could nevertheless occur throughout the entire foreseeable period if the virus mutates in a way that substantially reduces the effectiveness of the vaccines. This risk is all the greater the longer it takes to conquer the pandemic

worldwide. In addition to weaker demand from abroad, direct protective measures could again adversely affect the German economy.²

T 01 – GDP Growth 2020 – 2022 (Germany, calendar-adjusted)

In % compared to previous year	2020	2021	2022
Germany	-5.1	3.7	5.2

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. A survey by digital association Bitkom indicates that 61% of companies intend to push ahead with digitalisation over the long term as a consequence of COVID-19, while 62% see a trigger to innovation for their own firm. According to a study by the German Federal Office for Information Security (BSI), home office working will play a much greater role than was the case before COVID-19: even after the crisis, 58% of companies intend to retain home office working, teleworking and mobile working to the current extent, or even extend the options. Only one in six firms wishes to then discontinue home office arrangements.³ Modern methods of payment have also been boosted by the COVID-19 pandemic: a Postbank study reveals that 56% of Germans now make contactless payments using their bank card, smartphone (mobile payment) or both. It was only 47% in the previous year. Experts at Postbank expect that Germans will continue to use contactless methods of payment even after the pandemic. This is because the advantages outweigh the disadvantages and there is less need for cash due to the rise of online shopping.⁴

² Source: Deutsche Bundesbank: Monthly Report June 2021: "Outlook for the German economy in the period 2021 to 2023" (21 June 2021)

³ Sources: Bitkom: Press releases "Digitalisierung findet mehr Zuspruch" (Digitalisation gains more popularity) (16 June 2020) and "Corona leads to boost for digitalisation in German industry" (7 April 2021); German Federal Office for Information Security (BSI): Press release for the study entitled "IT security in the home office in 2020" (15 April 2021)

⁴ Source: Press release on Postbank study: "More than half of Germans use contactless payment methods" (8 July 2021)

Management summary

On the basis of the issuances carried out so far and the repayment of the loan of EUR 500,000 thousand issued to OHG in 2021, as well as the subsequent scheduled repayment of the unsecured seven-year bond issued on the regulated market of the Luxembourg Stock Exchange (Senior Unsecured Bond) in the amount of EUR 500,000 thousand on 10 February 2021, the management of TDF considers the overall business development to be favorable and does not expect any significant changes in the net assets, financial position and results of operations for the second half of 2021.

Munich, 10 August 2021

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 2021

Assets	30.06.2021 EUR	31.12.2020 EUR	Equity and liabilities	30.06.2021 EUR	31.12.2020 EUR
A. Fixed assets			A. Equity		
Financial assets			I. Nominal capital	25,000.00	25,000.00
Loans to affiliated companies	600,000,000	110,000,000	II. Capital reserve	150,000.00	150,000.00
	600,000,000	110,000,000	B. Provisions	175,000.00	175,000.00
			Other provisions	31,148.75	33,290.25
B. Current assets				31,148.75	33,290.25
Receivables and other assets			C. Liabilities		
1. Receivables from affiliated companies	10,562,314.08	15,934,550.59	1. Bonds	600,000,000.00	1,100,000,000.00
2. Other Assets	0.00	11,808.00	--thereof with a remaining term of more than 1 year EUR 600,000,000.00 (previous year: EUR 600,000,000.00)--		
	10,562,314.08	15,946,358.59	--thereof with a remaining term of less than 1 year EUR 0.00 (previous year: EUR 500,000,000.00)--		
C. Prepaid expenses			2. Liabilities to affiliated companies	0.00	211.65
	1,275,428.52	1,512,357.1	--thereof with a remaining term of less than 1 year EUR 0 (previous year: EUR 211.65)--		
			3. Other liabilities	10,356,164.33	15,737,856.69
			--thereof with a remaining term of less than 1 year EUR 10,356,164.33 (previous year: EUR 15,737,856.69)--		
			D. Deferred Income	610,356,164.33	1,115,738,068.34
				1,275,428.52	1,512,357.10
Total assets	611,837,742.60	1,117,458,715.89	Total equity and liabilities	611,837,742.60	1,117,458,715.89

O2 Telefónica Deutschland Finanzierungs GmbH**Munich****Income Statement
for the Reporting Period from 1 January 2021 to 30 June 2021**

	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
	EUR	EUR
1. Other operating income	36,129.15	41,676.18
2. Other operating expenses	-36,129.15	-41,676.18
3. Income from financial assets - loans -thereof from affiliated companies EUR 6,493,307.64 (previous year: EUR 11,158,811.48)-	6,493,307.64	11,158,811.48
4. Other interest and similar income -thereof from affiliated companies EUR 236,928.58 (previous year: EUR 391,928.57)-	236,928.58	391,928.57
5. Interest and similar expenses	-6,730,236.22	-11,550,740.05
6. Profit/(loss) after tax	0,00	0,00
7. Profit/(loss) for the period	0,00	0,00

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

Statement of Changes in Equity

for the Reporting Period from 1 January 2021 to 30 June 2021

	Share capital	Capital reserve	Net income for the period	Equity
	EUR	EUR	EUR	EUR
As of 1 January 2021	25,000.00	150,000.00	0.00	175,000.00
As of 30 June 2021	25,000.00	150,000.00	0.00	175,000.00
As of 1 January 2020	25,000.00	0.00	0.00	25,000.00
As of 30 June 2020	25,000.00	0.00	0.00	25,000.00

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

Statement of Cash Flows

for the Reporting Period from 1 January 2021 to 30 June 2021

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
1. Cash flow from operating activities		
Increase (+)/decrease (-) in provisions	-2,140.50	-19,806.00
Increase (+)/decrease (-) in receivables from affiliated companies and other assets	5,607,229.83	1,130,981.55
Increase (+)/decrease (-) in trade payables and other liabilities	-5,618,832.59	-1,160,343.12
Cash flow from operating activities	-13,743.26	-49,167.57
2. Cash flow from investing activities		
Proceeds (+) from disposal of long-term financial assets	500,000,000.00	0,00
Interest received (+)	11,875,000.00	11,875,000.00
Cash flow from investing activities	511,875,000.00	11,875,000.00
3. Cash flow from financing activities		
Cash repayments (-) of bonds and borrowings	-500,000,000.00	0,00
Interest paid (-)	-11,875,000.00	-11,875,000.00
Cash flow from financing activities	-511,875,000.00	-11,875,000.00
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents	-13,743.26	-49,167.57
Cash and cash equivalents at the beginning of the period	163,122.72	60,053.17
Cash and cash equivalents at the end of the period	149,379.46	10,885.60
5. Composition of cash and cash equivalents		
Cash equivalents	149,379.46	10,885.60
Cash and cash equivalents at the end of the period	149,379.46	10,885.60

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Notes to the Interim Financial Statements for the reporting period from 1 January 2021 to 30 June 2021

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. This was repaid as scheduled on 10 February 2021.

Furthermore TDF issued on 5 July 2018 a seven-year non-subordinated 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 net proceeds from each bond were directly passed from TDF to Telefónica Germany GmbH & Co. OHG, Munich. In the reporting period, OHG repaid the intercompany loan of EUR 500,000 thousand to the Company.

The interim financial statements of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, for the reporting period from 1 January 2021 to 30 June 2021 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 2021, 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 2021 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.

2. Fixed assets

Within the financial assets, loans are shown at the nominal value or if the impairment is expected to be permanent at the lower 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.

9. Other operating income

Under other operating income, the company shows the income from the cost transfer to Telefónica Germany GmbH & Co. OHG, Munich, in accordance with the agreement between the parties.

10. Income from financial assets – loans

This item includes interest income from the loans granted by Telefónica Germany GmbH & Co. OHG, Munich.

11. Other interest and similar income

Interest and similar expenses mainly comprise interest expenses from bonds.

III. NOTES TO THE BALANCE SHEET

1. Financial assets

The financial assets as of 30 June 2021 consist of one loan in the amount of EUR 600,000 thousand, granted by TDF to its shareholder Telefónica Germany GmbH & Co. OHG, Munich. The terms of the loan correspond to the terms of the underlying seven-year bond which TDF issued on 5 July 2018. The loan has fixed terms until the date of maturity of the underlying bond on 5 July 2025 and is repayable in one amount on the due date, including all interest and costs which have not yet been paid. The underlying interest rate is 1.750 % and is payable annually on 5 July.

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 2021

	Acquisition costs				Accumulated depreciations				Carrying amounts	
	01.01.2021	Additions	Disposals	30.06.2021	01.01.2021	Additions	Disposals	30.06.2021	30.06.2021	31.12.2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial Assets										
Loans to affiliated companies	1.100.000.000,00	0,00	500.000.000,00	600.000.000,00	0,00	0,00	0,00	0,00	600.000.000,00	1.100.000.000,00
	1.100.000.000,00	0,00	500.000.000,00	600.000.000,00	0,00	0,00	0,00	0,00	600.000.000,00	1.100.000.000,00

2. Receivables and other assets

The receivables from affiliated companies amount to EUR 10,562 thousand (31.12.2020: EUR 15,935 thousand), of which EUR 10,413 thousand (31.12.2020: EUR 15,771 thousand) relate to receivables from the shareholder Telefónica Germany GmbH & Co. OHG, Munich. These comprise interests from the loan issued to the shareholder in the amount of EUR 10,356 thousand (31.12.2020: EUR 15,738 thousand). The remaining EUR 149 thousand (31.12.2020: EUR 163 thousand) represent receivables from Telfisa Global B.V., Amsterdam, Netherlands from the cash pooling. The maturity of these receivables is less than one year.

3. Prepaid expenses

This item includes the amortised disagio from the issuance of the seven-year bond in July 2018 in the amount of EUR 1,275 thousand (31.12.2020: EUR 1,512 thousand). The prepaid expenses will be released over the terms of the underlying bond on a straight-line basis until 5 July 2025.

4. Equity

The nominal capital remains unchanged, amounts to EUR 25 thousand and is fully paid. It is held entirely by Telefónica Germany GmbH & Co. OHG, Munich. In the financial year 2020, a contribution to the

capital reserve of EUR 150 thousand according to section 272 (2) no. 4 HGB was made by the shareholder.

5. Bonds

The category Bonds includes one bond with a nominal value of EUR 600,000 thousand (31.12.2020: two bonds EUR 1,100,000 thousand). The bond is guaranteed by Telefónica Deutschland Holding AG, Munich.

6. Other liabilities

The other liabilities include short-term interest payables in relation to the bond in the amount of EUR 10,356 thousand (31.12.2020: EUR 15,738 thousand).

7. Deferred income

Deferred income results from the differences between the nominal value of the underlying loan 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

Financial result

Income from financial assets – loans in the amount of EUR 6,493 thousand (30.06.2020: EUR 11,159 thousand) result from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich.

Interest and similar expenses in the amount of EUR 6,730 thousand (30.06.2020: EUR 11,551 thousand) mainly include interest expense from the bonds of EUR 6,493 thousand (30.06.2020: EUR 11,159 thousand).

V. ADDITIONAL DISCLOSURES TO THE NOTES

Additional disclosures to the cash flow statement

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 2021 TDF had no employees.

Management

The Managing Directors in the financial year were:

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

Markus Rolle, Board of Directors, CFO Telefónica Deutschland Holding AG, Munich.
Albert Graf, Director Corporate Finance & Tax Telefónica Germany GmbH & Co. OHG, 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 and as of 14 September 2018 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 8 thousand for their work in the reporting period.

Total fee of the auditor

The information regarding the total fee of the auditor of the TDF in accordance with Section 285 No. 17 HGB is not stated as the company is included in the consolidated financial statements of Telefónica Deutschland Holding AG, Munich (Telefónica Deutschland Group) and the information is contained in the consolidated financial statements.

Subsequent event

There were no significant events after the end of the reporting period 30 June 2021 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 all costs of TDF 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. As in previous years, the profit and loss transfer agreement was also executed for the 2020 financial year.

Munich, 10 August 2021

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, 10 August 2021

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Managing Director

Markus Haas

Managing Director

Markus Rolle

Managing Director

Albert Graf



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Bernhard-Wicki-Straße 8, 80636 München

O2 Telefónica Deutschland Finanzierungs GmbH

Mr. Dieter Gauglitz
Chairman of the Audit Committee
Georg-Brauchle-Ring 50
80992 München

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Review Report

(Translation – the German text is authoritative)

To O2 Telefónica Deutschland Finanzierungs GmbH, Munich

We have reviewed the condensed Interim Financial Statements - comprising the statement of financial position, 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 2021 to 30 June 2021 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed 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 condensed Interim Financial Statements and on the Interim Management Report based on our review.

We conducted our review of the condensed 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 condensed interim financial statements have not been prepared, in all material respects, in accordance with German com-

...

mercial 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 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 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 10, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefano Mulas
Wirtschaftsprüfer
(German Public Auditor)

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

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.