

**O2 Telefónica Deutschland  
Finanzierungs GmbH  
Munich**

**Interim condensed financial statements and  
interim management report**

**30 June 2018**

## O2 Telefónica Deutschland Finanzierungs GmbH

## Munich

## Statement of Financial Position as of 30 June 2018

Assets	30.06.2018 EUR	31.12.2017 EUR	Equity and liabilities	30.06.2018 EUR	31.12.2017 EUR
<b>A. Fixed assets</b>			<b>A. Equity</b>		
Financial assets			Nominal capital	25,000.00	25,000.00
Loans to affiliated companies	1,100,000,000.00	1,100,000,000.00		<b>25,000.00</b>	<b>25,000.00</b>
	<b>1,100,000,000.00</b>	<b>1,100,000,000.00</b>	<b>B. Provisions</b>		
<b>B. Current assets</b>			Other provisions	76,928.00	57,119.00
Receivables and other assets				<b>76,928.00</b>	<b>57,119.00</b>
Receivables from affiliated companies	11,596,719.65	11,900,123.85	<b>C. Liabilities</b>		
--thereof due from shareholders EUR 11,585,008.03 (previous year EUR 11,865,314.06)--			1. Bonds	1,100,000,000.00	1,100,000,000.00
	<b>11,596,719.65</b>	<b>11,900,123.85</b>	--thereof with a remaining term of less than one year EUR 600,000,000.00 (previous year EUR 0)--		
			--thereof with a remaining term of more than one and less than five years EUR 500,000,000.00 (previous year EUR 1,100,000,000.00)--		
<b>C. Prepaid Expenses</b>			2. Trade payables	0.00	10,192.00
	<b>1,796,500.00</b>	<b>2,696,800.00</b>	--thereof with a remaining term of less than one year EUR 0.00 (previous year EUR 10,192.00)--		
			3. Other liabilities	11,494,791.65	11,807,812.85
			--thereof with a remaining term of less than one year EUR 11,494,791.65 (previous year EUR 11,807,812.85)--		
				<b>1,111,494,791.65</b>	<b>1,111,818,004.85</b>
			<b>D. Deferred income</b>	<b>1,796,500.00</b>	<b>2,696,800.00</b>
<b>Total assets</b>	<b>1,113,393,219.65</b>	<b>1,114,596,923.85</b>	<b>Total equity and liabilities</b>	<b>1,113,393,219.65</b>	<b>1,114,596,923.85</b>

**O2 Telefónica Deutschland Finanzierungs GmbH****Munich****Income Statement****for the Reporting Period from 1 January 2018 to 30 June 2018**

	<b>01.01.2018 - 30.06.2018</b>	<b>01.01.2017 - 30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
1. Other operating income	42,188.67	103,390.21
2. Other operating expenses	-42,188.67	-103,390.21
3. Other interest and similiar income --thereof from affiliated companies EUR 25,100,119.44 (previous year 25,088,369.05)--	12,462,799.97	12,549,342.48
4. Interest and similiar expenses	-12,462,799.97	-12,549,342.48
<b>5. Result after tax</b>	<b>0</b>	<b>0</b>
6. Income from profit-and-loss transfer	0	0
<b>7. Result</b>	<b>0</b>	<b>0</b>

**O2 Telefónica Deutschland Finanzierungs GmbH****Munich****Statement of Cash Flows  
for the Financial Year from 1 January 2018 to 30 June 2018**

	<b>01.01.2018- 30.06.2018 EUR</b>	<b>01.01.2017- 30.06.2017 EUR</b>
<b>1. Cash flow from operating activities</b>		
Increase (+)/decrease (-) in other provisions	19,809.00	-51,542.00
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets	1,181,127.22	357,563.55
Increase (+)/decrease (-) in trade accounts payable and other liabilities	-1,223,513.20	-317,260.00
Cash flow from operating activities	-22,576.98	-11,238.45
<b>2. Cash flow from investing activities</b>		
Interest received (+)	11,875,000.00	11,875,000.00
Cash flow from investing activities	11,875,000.00	11,875,000.00
<b>3. Cash flow from financing activities</b>		
Interest paid (-)	-11,875,000.00	-11,875,000.00
Cash flow from financing activities	-11,875,000.00	-11,875,000.00
<b>4. Cash and cash equivalents at the end of the period</b>		
Cash-effective change in cash and cash equivalents	-22,576.98	-11,238.45
Cash and cash equivalents at the beginning of the period	29,528.59	21,508.40
Cash and cash equivalents at the end of the period	6,951.61	10,269.95
<b>5. Composition of cash and cash equivalents</b>		
Cash equivalents	6,951.61	10,269.95
Cash and cash equivalents at the end of the period	6,951.61	10,269.95

**O2 Telefónica Deutschland Finanzierungs GmbH****Munich****Statement of Changes in Equity  
for the Financial Year from 1 January 2018 to 30 June 2018**

	Nominal capital	Net income for the year	Equity
	EUR	EUR	EUR
As of 1 January 2018	25,000.00	0.00	25,000.00
As of 30 June 2018	25,000.00	0.00	25,000.00
As of 1 January 2017	25,000.00	0.00	25,000.00
As of 30 June 2017	25,000.00	0.00	25,000.00

## **O2 Telefónica Deutschland Finanzierungs GmbH, Munich**

### **Condensed Notes to the Interim Financial Statements for the reporting period from 1 January 2018 to 30 June 2018**

#### **I. GENERAL INFORMATION ABOUT 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 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 November 2013, TDF issued a five-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 600,000 thousand and a maturity on 22 November 2018 in the regulated market of the Luxembourg Stock Exchange.

Furthermore, 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.

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 2018 to 30 June 2018 have been prepared in accordance with the accounting principles of the German Commercial Code (HGB) in the Version of the Accounting Directive Implementation Act (BilRUG) as well as the GmbH Act (Act relating to limited liability companies, GmbHG).

As of 30 June 2018, 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.

The income statement has been prepared using the nature of expense method in accordance with section 275 (2) HGB.

The figures in the following have been rounded in accordance with established commercial practice. Figures or additions within a table may therefore lead to results other than the totals presented in the respective tables.

## **II. ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim financial statements for the interim period ending 30 June 2018 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 GmbHG. The accounting policies did not change year on year.

The interim statement of financial position presented in these interim financial statements relates to information as of 30 June 2018, which is compared against information as of the previous year-end, 31 December 2017. The income statement as well as the result covers the interim six-month periods ended 30 June 2018 and 30 June 2017 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.

### III. NOTES TO THE BALANCE SHEET

#### 1. Financial assets

The financial assets as of 30 June 2018 consist of two loans in the amount of EUR 600,000 thousand and EUR 500,000 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 five- and seven-year bonds which TDF issued on 22 November 2013 and 10 February 2014 respectively. The loans have fixed terms until the date of maturity of the underlying bonds on 22 November 2018 and 10 February 2021 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 1.875 % and 2.375 % respectively and are payable annually on 22 November and 10 February respectively.

Please see the statement of changes in fixed assets for further information:

*Statement of Changes in Fixed Assets for the Reporting Period from 1 January 2018 to 30 June 2018*

	Acquisition costs				Accumulated depreciation				Carrying amounts	
	01.01.2018 EUR	Additions EUR	Disposals EUR	30.06.2018 EUR	01.01.2018 EUR	Additions EUR	Disposals EUR	30.06.2018 EUR	30.06.2018 EUR	01.01.2018 EUR
<b>Financial assets</b>										
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 due from affiliated companies amount to EUR 11,597 thousand (31 December 2017: EUR 11,900 thousand), of which EUR 11,585 thousand (31 December 2017: EUR 11,865 thousand) relates to receivables due from the shareholder Telefónica Germany GmbH & Co. OHG, Munich. These comprise claims to interest from loans issued to the shareholder in the amount of EUR 11,495 thousand (31 December 2017: EUR 11,807 thousand).

The maturity of these receivables is less than one year.

#### 3. Prepaid expenses

This item includes the amortised disgios from the issuance of the bonds for the five-year bond issued in November 2013 and for the seven-year bond issued in February 2014. All elements are released on a pro-rata basis over the terms of the underlying bonds until 22 November 2018 and until 10 February 2021 respectively.

#### 4. Nominal capital

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.

#### 5. Provisions

Other provisions in the amount of EUR 77 thousand (31 December 2017: EUR 57 thousand) mainly results from consultancy and audit fees.



## **6. Liabilities**

The liabilities include two bonds with a nominal value of EUR 1,100,000 thousand in total. Thereof the five-year bond amounts to EUR 600,000 thousand with a maturity on 22 November 2018. Besides, the seven-year bond amounts to EUR 500,000 thousand with a maturity on 10 February 2021, constituting a liability with a remaining period of less than five years. Both bonds are guaranteed by Telefónica Deutschland Holding AG, Munich.

The other liabilities include interest payable in relation to the bonds in the amount of EUR 11,495 thousand (31 December 2017: EUR 11,807 thousand).

## **7. Deferred income**

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

#### **IV. NOTES TO THE INCOME STATEMENT**

##### **Other operating income and expenses**

Other operating income amounting to EUR 42 thousand (30 June 2017: EUR 103 thousand) mainly results from cost transfers to Telefonica Germany GmbH & Co. OHG, Munich. Other operating expenses that relate to the transferred costs amount to EUR 42 thousand (30 June 2017: EUR 103 thousand) and mainly consist of audit and consultancy fees.

##### **Financial result**

Other interest and similar income in the amount of EUR 12,463 thousand (30 June 2017: EUR 12,549 thousand) mainly result from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich, EUR 11,562 thousand (30 June 2017: EUR 11,649 thousand). Furthermore, EUR 900 thousand (30 June 2017: EUR 900 thousand) result from the release of the deferred income.

Interest and similar expenses in the amount of EUR 12,643 thousand (30 June 2017: EUR 12,549 thousand) include interest expense from the bonds of EUR 11,562 thousand (30 June 2017: EUR 11,649 thousand) and the release of prepaid expenses in relation to the two disagios of EUR 900 thousand (30 June 2017: EUR 900 thousand) until the date of maturity of the bonds.

#### **V. ADDITIONAL DISCLOSURES ON THE CONDENSED NOTES**

##### **Report of events after the reporting period**

TDF placed a 7 years unsecured bond with a volume of EUR 600 million on 5 July 2018. The bond will mature on 5 July 2025 and is guaranteed by Telefónica Deutschland Holding AG. The annual coupon of the fixed-interest bond, which has to be paid yearly, amounts to 1.75% and the issue price is 99.628%. The bond has a denomination of EUR 100,000 and was issued on the basis of a bond prospectus. The bond serves to refinance the bond due in November and is for general corporate purposes.

There were no more significant events after the reporting period.

##### **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 can be viewed there and on the website [www.telefonica.de](http://www.telefonica.de). 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](http://www.telefonica.com).

**Cost reimbursement agreement**

There is an agreement between TDF and Telefónica Germany GmbH & Co. OHG, Munich, for costs to be transferred 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.

The result after tax at the end of the financial year 2018 will be transferred to or taken over by Telefónica Germany GmbH & Co. OHG, Munich.

Munich, 07 August 2018

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Markus Haas

Markus Rolle

Albert Graf

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# Interim Management Report

## O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Management Report for the Interim Reporting Period from 1 January 2018 to 30 June 2018

### 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 transacts major financing activities of the Telefónica Deutschland Group. The necessary resources can be financed and procured by way of issuing bonds eligible for trading 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 and acquire other companies, to obtain equity participations in other companies, to manage such companies or restrict its activities to managing such participations.

On 22 November 2013, TDF issued a five-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 600,000 thousand and a maturity on 22 November 2018 in the regulated market of the Luxembourg Stock Exchange. The annual nominal interest of the bond is 1.875%. Furthermore, as of 10 February 2014 and in the same regulated market of the Luxembourg Stock Exchange, TDF issued a seven-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 500,000 thousand, an annual nominal interest of 2.375% and a maturity on 10 February 2021.

The bonds represent unsecured and senior liabilities of TDF, which are of equal ranking with each other and with all other unsecured and senior liabilities of TDF, unless these liabilities enjoy priority as a result of mandatory stipulations. Each bond is repaid on the due date in the amount of its specified denomination, unless it has been previously repaid or purchased and invalidated.

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

The net proceeds from each bond were directly passed from TDF to Telefónica Germany GmbH & Co. OHG, Munich, based on loan agreements with concurrent terms and conditions.

## 2. Net assets, results of operations and financial position

### Net assets

The assets are presented in the following table:

<b>Balance sheet item</b>	<b>30 Jun 2018 EUR thousand</b>	<b>31 Dec 2017 EUR thousand</b>	<b>Change EUR thousand</b>
Financial assets	1,100,000	1,100,000	-
Receivables and other assets	11,597	11,900	-303
Prepaid expenses	1,797	2,697	-900
<b>Total assets</b>	<b>1,113,393</b>	<b>1,114,597</b>	<b>-1,203</b>

The financial assets as of 30 June 2018 consist of two loans in the amount of EUR 600,000 thousand and EUR 500,000 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 five- and seven-year bonds which TDF issued on 22 November 2013 and 10 February 2014 respectively. The loans have fixed terms until the date of maturity of the underlying bonds on 22 November 2018 and 10 February 2021 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 11,597 thousand (31 December 2017: EUR 11,900 thousand) consist mainly of interest receivables from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich, in the amount of EUR 11,495 thousand (31 December 2017: EUR 11,807 thousand) and remained on the previous year level. The underlying interest rates are 1.875 % and 2.375 % respectively and are payable annually on 22 November and 10 February respectively.

As of 30 June 2018, prepaid expenses included the amortised disgios from the issuance of the bonds for the five-year bond issued in November 2013 and for the seven-year bond issued in February 2014. The change in prepaid expenses results from the straight line reversal of the components over the terms of the underlying bonds until 22 November 2018 and 10 February 2021 respectively.

Equity and liabilities are presented in the following table:

<b>Balance sheet item</b>	<b>30 Jun 2018 EUR thousand</b>	<b>31 Dec 2017 EUR thousand</b>	<b>Change in EUR thousand</b>
Equity	25	25	-
Bonds	1,100,000	1,100,000	-
Other provisions	77	57	+20
Trade payables	0	10	-10
Other liabilities	11,495	11,808	-313
Deferred income	1,797	2,697	-900
<b>Total equity and liabilities</b>	<b>1,113,393</b>	<b>1,114,597</b>	<b>-1,203</b>

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 77 thousand (31 December 2017: EUR 57 thousand) mainly relate to consultancy and audit fees.

The liabilities include two bonds with a nominal value of EUR 1,100,000 thousand in total. Thereof the five-year bond amounts to EUR 600,000 thousand, with a maturity on 22 November 2018. Besides, the seven-year bond amounts to EUR 500,000 thousand with a maturity on 10 February 2021. Both bonds had a remaining term of less than five years as of 30 June 2018 and are guaranteed by Telefónica Deutschland Holding AG, Munich.

The other liabilities include current interest 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 items are released over the term of the underlying five- and seven-year loan.

## Results of operations

For the interim financial reporting period ended 30 June 2018, TDF reported a result after tax of EUR 0 (30 June 2017: EUR 0).

The main profit and loss items are as follows:

<b>Profit and loss item</b>	<b>1 Jan 2018 - 30 Jun 2018 EUR thousand</b>	<b>1 Jan 2017 - 30 Jun 2017 EUR thousand</b>	<b>Change EUR thousand</b>
Other operating income	42	103	-61
Other operating expenses	- 42	-103	61
Other interest and similar income	12,463	12,549	-87
Interest and similar expenses	-12,463	-12,549	87
<b>Result after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit share to which Telefónica Germany GmbH & Co OHG entitled in event of profit transfer based on profit	0	0	0
<b>Result</b>	<b>0</b>	<b>0</b>	<b>0</b>

The other operating income amounting to EUR 42 thousand (30 June 2017: EUR 103 thousand) mainly results from cost transfers to Telefonica Germany GmbH & Co. OHG, Munich. Other operating expenses that relate to the transferred costs amount to EUR 42 thousand (30 June 2017: EUR 103 thousand) and mainly consist of audit and consultancy fees which have increased marginally in comparison to the previous period.

Other interest and similar income in the amount of EUR 12,463 thousand (30 June 2017: EUR 12,549 thousand) mainly result from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich, EUR 11,562 thousand (30 June 2017: EUR 11,649 thousand). Furthermore, EUR 900 thousand (30 June 2017: EUR 900 thousand) result from the release of the deferred income over the term of the underlying loan.

Interest and similar expenses in the amount of EUR 12,463 thousand (30 June 2017: EUR 12,549 thousand) include interest expense from the bonds of EUR 11,562 thousand (30 June 2017: EUR 11,649 thousand) and the release of prepaid expenses in relation to the two disagios of EUR 900 thousand (30 June 2017: EUR 900 thousand).

## **Financial position**

### **Principles and aims of the finance management**

The risk control and a central steering are core principles of the TDF finance management. The objective of the finance management are to permanently provide sufficient financial liquidity and stability. Risk monitoring is used to anticipate potential risks and counteract them with according measures. We are not aware of any circumstances which would hinder TDF to 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 contain receivables from cash pooling with Telfisa Global B.V., Amsterdam, Netherlands.

During the interim reporting period from 1 January 2018 to 30 June 2018, TDF reported a negative cash flow from operating activities in the amount of EUR 23 thousand (30 June 2017: EUR 11 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 outgoing payments in the cash flow from financing activities amounted to EUR 11,875 thousand as of 30 June 2018 and resulted from the interest payments for the bonds issued.

As of 30 June 2018, TDF had an unused credit facility amounting to EUR 6 thousand (previous year: EUR 6 thousand).



### **3. Opportunity and Risk Report**

TDF currently restricts its activities exclusively to financing the Telefónica Deutschland Group. The main elements of the assets of TDF are the loans granted to Telefónica Germany GmbH & Co. OHG, Munich. The economic existence of TDF is thus primarily dependent on whether Telefónica Germany GmbH & Co. OHG, Munich, is able to meet its obligations in relation to these loans. All interest and capital payments relating to all debt securities currently issued by TDF are secured by a full and unlimited guarantee by the guarantor Telefónica Deutschland Holding AG. These guarantees are enforceable in accordance with the law of the Federal Republic of Germany.

Accordingly, 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 detailed in the combined management report as of 31 December 2017.

In view of the above and as of the time of preparing this report, management has identified no further significant risks or opportunities in the reporting period in addition to those already presented in the management report of TDF for the 2017 financial year. Other risks and opportunities not currently known to us or that we presently consider to be immaterial could also influence our business activities. We do not anticipate the occurrence of any risks that, individually or in combination with other risks, could endanger the future of our company as a going concern.

#### **4. Forecast Report 2018**

The forecast report describes the probable development of TDF in the course of the second half year of 2018. The report contains comments and information regarding future events. Forward looking comments and information are based on expectations and assumptions of the Company at the time when this management and forecast report is published, on the basis of known and unknown opportunities and risks. The success of the Company, the business strategy and also the results of the Company are influenced by a wide range of factors outside the control of the Company.

If such opportunities or risks occur or if uncertain factors materialise, or if it becomes apparent that one of the underlying assumptions was not correct, the actual development of the Company may differ (positively as well as negatively) from the expectations and assumptions in the forward-looking comments and information set out in this forecast report.

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 general 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.

##### *Economic outlook*

As of June 30, 2018, there were no material changes in net assets, financial position and results of operations compared to the end of 2017.

At present, there are no facts that the forecasts as published in the TDF Management Report 2017 have changed significantly.

## 5. Management Summary

In its capacity as a financing company, TDF currently restricts its activities exclusively to financing the Telefónica Deutschland Group. In 2013 and 2014 and in line with its business purpose, TDF successfully issued two bonds with a nominal value of EUR 600,000 thousand and EUR 500,000 thousand and a maturity on 22 November 2018 and 10 February 2021 respectively. TDF transferred the proceeds based on the same conditions in the form of two loans to Telefónica Germany GmbH & Co. OHG, Munich. The bonds are guaranteed by Telefónica Deutschland Holding AG, Munich. TDF currently does not have any own employees. 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 Telefónica Deutschland Holding AG, Munich. The management of TDF considers the overall business development to be favourable.

Munich, 07 August 2018

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Markus Haas

Markus Rolle

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, 07 August 2018

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

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Managing Director

Markus Haas

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Managing Director

Markus Rolle

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Managing Director

Albert Graf



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
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## **O2 Telefónica Deutschland Finanzierungs GmbH**

Mr. Markus Haas

*Member of the Management Board*

Mr. Markus Rolle

*Member of the Management Board*

Mr. Albert Graf

*Member of the Management Board*

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## ***Review Report***

To O2 Telefónica Deutschland Finanzierungs GmbH, Munich

We have reviewed the Condensed Interim Financial Statements - comprising the balance sheet, income statement, statement of cash flows, statement of changes in equity and condensed notes - and the Interim Management Report of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, for the period from 1 January 2018 to 30 June 2018 which are part of the half-year financial report pursuant to § 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 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

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Vorsitzender des Aufsichtsrats: WP StB Dr. Norbert Vogelpoth

Geschäftsführer: WP StB Prof. Dr. Norbert Winkeljohann, WP StB Dr. Peter Bartels, WP StB CPA Markus Burghardt, Dr. Klaus-Peter Gushurst, WP StB Petra Justenhoven,

WP StB Harald Kayser, StB Marius Möller, StB Petra Raspels, WP StB Martin Scholich

Sitz der Gesellschaft: Frankfurt am Main, Amtsgericht Frankfurt am Main HRB 107858

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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 7, 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Stefano Mulas  
Wirtschaftsprüfer

ppa. Gabor Krüpl  
Wirtschaftsprüfer