

O2 Telefónica Deutschland Finanzierungs GmbH Munich

**Financial Statements and management report
31 December 2020**

Translation from the German Language¹

¹ This report was published in German and English.
In case of doubt please refer to the German version which is mandatory.

Management Report

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Management Report for the Financial Year 2020

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 long-term future development of business 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. 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.

Overall economic development in Germany strongly influenced by the COVID-19 pandemic ¹

Since spring 2020, the COVID-19 pandemic has had a major influence on the global economy. The measures to contain the pandemic resulted in a deep recession in the German and global economies in 2020. The outbreak of the pandemic and the first lockdown in spring 2020 led to a historical drop in gross domestic product (GDP) in the second quarter of 2020 by 9.8% quarter-on-quarter. Towards the end of the year, the strong recovery experienced in the summer of 2020 was inhibited by the second wave of the COVID-19 pandemic and the renewed lockdown. According to information from the Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie – BMWI), GDP fell by 5.0% (on a price-adjusted basis) in 2020 as compared to the previous year.

The COVID-19 pandemic left clear traces in virtually all economic sectors. According to the Federal Statistical Office, the economic drop in the service sectors, such as retail, transport and the hospitality

¹ Sources: Federal Statistical Office (Statistisches Bundesamt – Destatis): Press release no. 465 (24 November 2020) and no. 020 /GDP press conference (14 January 2021); Council of Experts: Annual Expert Report 2020/21 (11 November 2020); Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie – BMWI): Press Release on Economic Situation and Cyclical Development (27 January 2021); GfK Consumer Sentiment Index (22 October and 26 November 2020); Federal Employment Agency (Bundesanstalt für Arbeit): Monthly Report December 2019 and 2020 (January & December 2020)

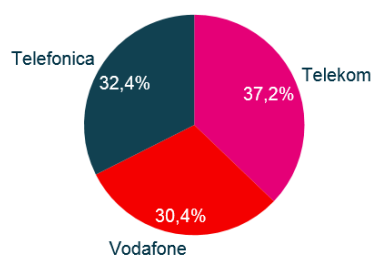
industry was particularly marked. There were, however, also conflicting developments. Online trade gained significantly in a year-on-year comparison, while stationary retail showed a huge deficit. The consumer prices in Germany grew only moderately in 2020 and increased only by an annual average of 0.5%, according to estimates of the Federal Statistical Office. The temporary reduction of the value-added tax rates was one reason for this, amongst other things.

The impact of the COVID-19 pandemic is also apparent in the German labour market. According to the German Federal Employment Office, the number of unemployed rose from 2.23 million at the end of 2019 to 2.71 million in December 2020. During this period, the unemployment rate increased from 4.9% to 5.9%. However, the massive use of short-time work in the first half of 2020 and from autumn 2020 onwards had a stabilising effect on the labour market here. Due to the above-mentioned developments as well as the "second wave" and the lockdown implemented in response, consumer sentiment has also dampened further in autumn 2020, according to the market research institute GfK. According to the GfK, economic and income expectations as well as the propensity to buy are declining.

The German mobile telecommunications market is an established market

The German mobile telecommunications market currently consists of three network operators and several service providers or mobile virtual network operators (MVNOs). At the 5G frequency auction, which ended in June 2019, the provider 1&1 Drillisch acquired frequencies and plans to establish itself as the fourth mobile network operator in the future. In the third quarter of 2020, Telefónica Deutschland Group had a market share of 32.4% in terms of mobile service revenues, making it the number 2 in the German market.

Graphic: Market shares in the mobile communications market based on service revenue (in %) 3rd quarter 2020



Growth in German fixed line broadband market continues²

Growth in fixed line broadband connections continued unabated: VATM estimates that the number of

² Sources: VATM: "Telecommunications Market Study 2020" (06 October 2020); Vodafone press releases: "Proposed Unitymedia takeover: Proposed measures to the EU Commission may take competition to a new level" (7 May 2019); "Vodafone-Unitymedia Gigabit Republic" (18 July 2019); Telefónica Deutschland Holding AG press releases: "High-speed internet via cable: Telefónica Deutschland and Vodafone cooperate in fast cable connections" (7 May 2019) and „For accelerated growth in the fixed network: O₂ reinvents the Home-Internet" (20 October 2020); Tele Columbus: Press release: "Tele Columbus signs agreement about a long-term wholesale cooperation with Telefónica Deutschland" (30 October 2019);

connections increased by around 3% year-on-year to approx. 36.2 million at the end of 2020. With approximately 8.7 million active broadband connections at the end of 2020, cable now accounts for a share of around 24% of the total market. The takeover of the cable provider Unitymedia by Vodafone in summer 2019 created a nationwide cable provider in Germany. "Real" fibre optic connections (FTTH/FTTB) continue to gain in importance. According to VATM 2020, they have increased by more than 30% compared to the previous year and now account for more than 5% of active broadband connections. The Telefónica Deutschland Group focuses on partnerships in the fixed line business. Based on the infrastructure of Deutsche Telekom, the Group reaches around 34 million households with VDSL and perspectivevely further households with fibre (FTTH). The partnership with Vodafone will allow the Group to reach around 24 million households and with Tele Columbus to reach further 2.3 million households with broadband cable in the future.

2. 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.

On 10 February 2014, TDF issued a five-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 also in the regulated market of the Luxembourg Stock Exchange. The bond matures on 5 July 2025.

The net proceeds from the issue of this bonds were transferred in full to the parent company Telefónica Germany GmbH & Co. OHG, Munich, in the form of intercompany loans.

3. Net assets, results of operations and financial position

Net assets

The assets are presented in the following table:

Balance sheet item	31 Dec. 2020 EUR thousand	31 Dec. 2019 EUR thousand	Change EUR thousand
Financial assets	1,100,000	1,100,000	0
Intercompany Receivables	15,935	15,860	75
Other assets	12	0	12
Prepaid expenses	1,512	2,296	-784
Total Assets	1,117,459	1,118,156	-697

The financial assets as of 31 December 2020 consist unchanged compared to the previous year 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 intercompany receivables EUR 15,935 thousand (previous year EUR 15,860 thousand) consist mainly of interest receivables from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich, in the amount of EUR 15,738 thousand (previous year: EUR 15,724 thousand) and developed as in the previous year.

Equity and liabilities are presented in the following table:

Balance sheet item	31 Dec. 2020 EUR thousand	31 Dec. 2019 EUR thousand	Change in EUR thousand
Equity	175	25	150
Other provisions	33	57	-24
Bonds	1,100,000	1,100,000	0
Liabilities to affiliated companies	0	54	-54
Other liabilities	15,738	15,724	14
Deferred income	1,512	2,296	-784
Total Equity and liabilities	1,117,459	1,118,156	-697

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. In the 2020 financial year, a contribution to the capital reserve of EUR 150 thousand was made by the shareholder.

The category Bonds include bonds with a nominal value of EUR 1,100,000 thousand in total. The seven-year bond of EUR 500,000 thousand issued in 2014 has a remaining term of less than one year as of December 31, 2020 and matures on 10 February 2021. The repayment took place on 10 February 2021. The second bond of a nominal value EUR 600,000 thousand has a remaining maturity of less than five years.

The other liabilities include current interest bearing liabilities relating to the bonds that will not be paid until the following year and are almost unchanged from the previous year.

Results of operations

In the financial year ending 31 December 2020, TDF reported a profit/(loss) after tax as well as a profit/(loss) for the period of EUR 0.00 (previous year: EUR 0.00).

The main items from income statement are as follows:

Income statement item	1 Jan. 2020 31 Dec. 2020 EUR thousand	1 Jan. 2019 31 Dec. 2019 EUR thousand	Change EUR thousand
Other operating income	80	87	-7
Other operating expenses	-80	-87	7
Income from financial assets - loans	22,389	22,361	28
Other interest and similar income	784	784	0
Interest and similar expenses	-23,173	-23,145	-28
Profit/(loss) after tax	0	0	0
Profit/(loss) for the period	0	0	0

Income from financial assets – loans of EUR 22,389 thousand (previous year: EUR 22,361 thousand) results from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich. The development was similar to previous year.

Interest and similar expenses in the amount of EUR 23,173 thousand (previous year: EUR 23,145 thousand) mainly include, unchanged compared to the previous year, interest expense from the bonds of EUR 22,389 thousand (previous year: EUR 22,361 thousand).

The profit/(loss) after tax and the profit/(loss) for the period in 2020 amounted to EUR 0.00 and thus corresponds to the forecast made in the previous year for the current financial year ("unchanged from the previous year").

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 these 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 (previous year: EUR 0 thousand) and also cash-pooling receivables from Telfisa Global B.V, Amsterdam, the Netherlands in the amount of EUR 163 thousand (previous year: EUR 60 thousand).

During the financial year 2020, TDF reported a negative cash flow from **operating** activity in the amount of EUR 47 thousand, in previous year TDF reported a positive cash flow from operating activities in the amount of EUR 44 thousand. The deviation compared to the previous year results mainly from the cost charging with OHG.

Cash flow from **investing** activities amounted to EUR 22,375 thousand in the financial year 2020 (previous year: EUR 22,375 thousand) and result from received interest payments made by the borrower Telefónica Germany GmbH & Co. OHG, Munich unchanged to the previous year

Cash flow from **financing** activities in the reporting period amounted to EUR -22,225 thousand (previous year: EUR -22,375 thousand) and result from interest payments made unchanged to the previous year.

The total changes result in a positive cash flow of EUR 103 thousand for the current financial year.

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 loans 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 organisational, strategic and financial decisions made and precautions taken by us.

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

Risk management is a component of the decision-making processes within the Telefónica Deutschland Group. The procedure ensures that risk evaluations are taken into account in decision-making and measures to minimise and deal with risks are taken at an early stage. This is based on the evaluation, communication and management of risks by the Company's managers. A lower limit for the recognition of risks is generally not set. The risk management department compiles the Company's Risk Register,

which also covers the subsidiaries. As part of the creation of the Risk Register, it is ensured that risks of a similar type or of cumulative effect are aggregated and thus provided for overall consideration. In

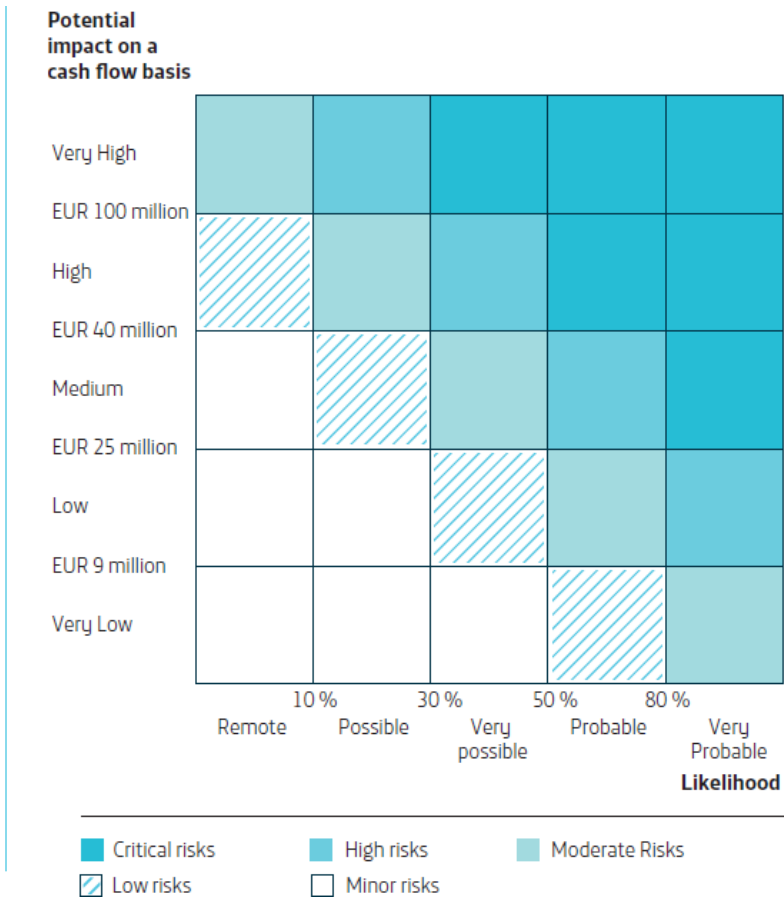
addition, this bottom-up approach, i.e. the identification of risks by the operating units, is complemented by a top-down approach in order to ensure a cross-business risk perspective. The purpose of the top-down approach is to ensure that risks that can only be identified at the highest management level or on the basis of a group-wide consideration, are discussed with the operationally responsible units. This is intended to enable full classification and integrated management as well as the evaluation of relevance for future reporting. Risk management is in continuous contact with all areas of the Company and our risk coordinators in order to continuously pursue and evaluate risks and their management and development. Responsible employees are trained individually in order to ensure a uniform, structured process of risk identification and evaluation. In addition, fundamental training is available to all employees in order to raise their general awareness of risk management.

Risks are evaluated with regard to their impact on our business goals from an operational and financial point of view. The Risk Register is supported by a database that contains all identified risks, their status, the measures already taken and defined action plans. In a formal forward-looking process, the Risk Register of Telefónica Deutschland Group is the subject of regular reporting to the Management Board. The Supervisory Board (Audit Committee) is regularly informed about risks and their development. Opportunities are not recorded in the risk management system.

Risk evaluation

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

Graphic: Risk profile



Minor risks are not included in the reporting to the Management Board and therefore are not included in the risk summary in the following section except Risks from financial instruments. Such risks are identified, documented and administered by the relevant management levels as part of the risk management process.

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

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

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 and are therefore presented individually below. The assessment of the individual risks according to the risk profile is shown in brackets.

- Business risks
 - Competitive markets and changing customer demands (critical)
 - COVID-19 pandemic (critical)
 - Geopolitical risks (moderate)
 - Market acceptance and technological transformation (low)
 - Regulatory environment (low to moderate)
 - Insurances (low)
- Operational risks
 - Reliability of our services (high to critical)
 - Supply chain disruptions (moderate)
 - Loss of advantages in the event of reduced integration in the Telefónica, S.A. Group (low to moderate)
 - Legal risks (low to moderate)
- Financial risks
 - Taxes (low)
- Risks from Financial Instruments (minor)
 - Market Risk
 - Currency Risk
 - Interest rate risk
 - Inflation risk
 - Credit risk
 - Liquidity risk

Derived from the risks presented above, the specific risk of TDF arises in relation to the loans issued to OHG and the associated recoverability. This is classified as low risk by the management due to the good credit rating of the Telefónica Deutschland Group, which is also confirmed by external rating agencies.

Opportunity 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.

5. Accounting-Related Internal Control and Risk Management System

The following statements contain information in accordance with section 289 (4) HGB.

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

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

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

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

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

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

The Supervisory Board of Telefónica Deutschland is involved in the ICS in part via the Audit Committee in accordance with section 171 (1) AktG in conjunction with section 107 (3) AktG. In particular, the Audit Committee is responsible for monitoring the accounting process, the effectiveness of the ICS, the risk management and internal audit systems, and the audit of the financial statements. It also reviews the

documents for the Annual Financial Statements of Telefónica Deutschland and the Consolidated Financial Statements and discusses the financial statements with the Management Board and the external auditor.

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

For the Company the conceptual framework described above is supplemented by a HGB chart of accounts.

O2 Telefónica Deutschland Finanzierungs GmbH does not have its own internal control system, but is included into the aforementioned Group-wide accounting-related internal control system described above. Telefónica Germany GmbH & Co. OHG, operates the internal control system for the Company.

6. Principals of the remuneration system

The Managing Directors do not receive any remuneration from TDF.

7. Forecast report 2021

The forecast report describes the probable development of TDF in the course of the financial year 2021. 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 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 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 summarised below.

Economic outlook

The economic development in Germany continues to be influenced by the COVID-19 pandemic and the measures taken to contain it. According to information from the Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie – BMWI), gross domestic product (GDP) fell by 5.0% (on a price-adjusted basis) in 2020 as compared to the previous year. The BMWI predicts

with regard to 2021 growth of 3.0%. With COVID-19 infection rates remaining high, the economic situation remains fragile. According to the Council of Experts, the decisive factors for further development are how the pandemic can be contained and on developments in foreign economies. Due to the most recent lockdown, the experts of the Ifo Institute expect a delay in the economic recovery for 2021. With the loosening of the lockdown, according to information from the Ifo Institute, a rapid and strong recovery is then expected. The Ifo experts anticipate that the behaviour of consumers should largely normalise during summer, amongst other things because the vaccinations against COVID-19 should have progressed significantly by then. The impact of the COVID-19 pandemic is also apparent in the German labour market. According to the German Federal Employment Office, the number of unemployed rose from 2.23 million at the end of 2019 to 2.71 million in December 2020. During this period, the unemployment rate increased from 4.9% to 5.9%. For 2021, the BMWI expects an unemployment rate of 5.8%. Many companies countered the declining economic output at the end of 2020 with short-time work, as they did in the spring, which results in a smaller decline in employment.³

Graphic: GDP growth 2019 – 2021 Germany (price-adjusted)

in %	2019	2020	2021
Germany	0.6	-5.0	3.0

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. The expansion of the fibre-optic network and the 5G mobile communications standard will be decisive for further digitalisation in Germany. The market research specialists at Analysys Mason expect the number of 5G connections to increase from 1.3 million at the end of 2020 to around 6.0 million by the end of 2021. The experts also expect data traffic to continue to grow, which is reflected in increased average data consumption per customer.⁴

Management summary

On the basis of the emissions issued and the repayment of the loan of EUR 500,000,000 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

³ Sources: Council of Experts – Economy: Annual Expert Report 2020/21 (11 November 2020); Ifo Institute: Press Release dated 14 January 2021; Federal Employment Agency (Bundesanstalt für Arbeit): Monthly Report December 2019/December 2020 (January & December 2020); Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie – BMWI): Press Release on Economic Situation and Cyclical Development (27 January 2021)

⁴ Sources: Bitkom: Press Release on Digitalisation (15 June 2020); Wuppertal Institute: Interim report on COVID-19 (11 June 2020); PwC: German Entertainment and Media Outlook (GEMO) 2020-2024 (November 2020); Analysys Mason: "Western European telecoms market: trends and forecasts 2020-2025" (18 November 2020)

EUR 500,000,000 on 10 February 2021, the management of TDF considers the overall business development to be favourable and does not expect any significant changes in the net assets, financial position and results of operations compared to 2020.

Munich, 19 March 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 31 December 2020

Assets	31.12.2020 EUR	31.12.2019 EUR	Equity and liabilities	31.12.2020 EUR	31.12.2019 EUR
A. Fixed assets			A. Equity		
Financial assets			I. Nominal Capital	25,000.00	25,000.00
Loans to affiliated companies	1,100,000,000.00	1,100,000,000.00	II. Capital reserve	150,000.00	0.00
	1,100,000,000.00	1,100,000,000.00	B. Provisions	175,000.00	25,000.00
B. Current assets			Other provisions	33,290.25	57,112.00
Receivables and other assets				33,290.25	57,112.00
1. Receivables from affiliated companies	15,934,550.59	15,859,943.72	C. Liabilities		
2. Other assets	11,808.00	0.00	1. Bonds	1,100,000,000.00	1,100,000,000.00
	15,946,358.59	15,859,943.72	thereof with a remaining term of more than 1 year EUR 600,000,000.00 (previous year EUR 1,100,000,000.00)		
C. Prepaid expenses			thereof with a remaining term of less than 1 year EUR 500,000,000.00 (previous year EUR 0.00)		
	1,512,357.10	2,296,214.26	2. Liabilities to affiliated companies	211.65	54,044.20
			thereof with a remaining term of less than 1 year EUR 211.65 (previous year EUR 54,044.20)		
			3. Other liabilities	15,737,856.69	15,723,787.52
			thereof with a remaining term of less than 1 year EUR 15,737,856.69 (previous year EUR 15,723,787.52)		
				1,115,738,068.34	1,115,777,831.72
			D. Deferred income	1,512,357.10	2,296,214.26
Total assets	1,117,458,715.69	1,118,156,157.98	Total equity and liabilities	1,117,458,715.69	1,118,156,157.98

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

**Income Statement
for the Reporting Period from 1 January 2020 to 31 December 2020**

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
1. Other operating income	79,590.26	87,450.23
2. Other operating expenses	-79,590.26	-87,408.18
3. Income from financial assets - loans thereof from affiliated companies EUR 22,389,069.17 (previous year: EUR 22,360,930.79)	22,389,069.17	22,360,930.79
4. Other interest and similar income thereof from affiliated companies EUR 783,857.16 (previous year EUR 783,857.20)	783,857.16	783,857.20
5. Interest and similar expenses	-23,172,926.33	-23,144,830.04
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 2020 to 31 December 2020

	Share capital	Capital reserve	Net income for the period	Equity
	EUR	EUR	EUR	EUR
As of 1 January 2020	25.000,00	0,00	0,00	25.000,00
Proceeds from Shareholders	0,00	150.000,00	0,00	150.000,00
As of 31 December 2020	25.000,00	150.000,00	0,00	175.000,00
As of 1 January 2019	25.000,00	0,00	0,00	25.000,00
As of 31 December 2019	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 2020 to 31 December 2020**

	01.01.2020- 31.12.2020 EUR	01.01.2019- 31.12.2019 EUR
1. Cash flow from operating activities		
Profit/(loss) after tax	0,00	0,00
Increase (+)/decrease (-) in provisions	-23.821,75	-58.055,82
Increase (-)/decrease (+) in receivables from affiliated companies and other assets	800.511,84	1.328.631,59
Increase (+)/decrease (-) in trade payables and other liabilities	-823.620,54	-1.226.123,69
Cash flow from operating activities	-46.930,45	44.452,08
2. Cash flow from investing activities		
Interest received (+)	22.375.000,00	22.375.000,00
Cash flow from investing activities	22.375.000,00	22.375.000,00
3. Cash flow from financing activities		
Proceeds (+) from equity contributions from shareholders	150.000,00	0,00
Interest paid (-)	-22.375.000,00	-22.375.000,00
Cash flow from financing activities	-22.225.000,00	-22.375.000,00
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents	103.069,55	44.452,08
Cash and cash equivalents at the beginning of the period	60.053,17	15.601,09
Cash and cash equivalents at the end of the period	163.122,72	60.053,17
5. Composition of cash and cash equivalents		
Cash equivalents	163.122,72	60.053,17
Cash and cash equivalents at the end of the period	163.122,72	60.053,17

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Notes to the Financial Statements for the Financial Year 2020

I. GENERAL INFORMATION ON THE ANNUAL 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 net proceeds from each bond were directly passed from TDF to Telefónica Germany GmbH & Co. OHG, Munich.

The annual financial statements of TDF for the financial year 2020 have been prepared in accordance with the accounting principles of the German Commercial Code (HGB) as well as the GmbH Act.

As of 31 December 2020, 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 annual financial statements for the period ending 31 December 2020 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 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.

9. Other operating income

Other operating income includes recharging of costs to Telefónica Germany GmbH & Co. OHG, Munich according to the agreement.

10. Income from financial assets - loans

Income from loans from financial assets includes interest income from the loans granted by Telefónica Germany GmbH & Co. OHG, Munich.

11. Interest and similar expenses

Interest and similar expenses mainly comprise interest expenses from bonds.

III. NOTES TO THE BALANCE SHEET

1. Financial assets

The financial assets as of 31 December 2020 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. The loan in the amount of EUR 500,000 thousand continues to be reported under fixed assets as of 31 December 2020 due to the unchanged character.

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

Statements of Changes in Financial Assets for the Reporting Period from 1 January to 31 December 2020

	Acquisition costs				Accumulated depreciations				Carrying amounts	
	01.01.2020	Additions	Disposals	31.12.2020	01.01.2020	Additions	Disposals	31.12.2020	31.12.2020	31.12.2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	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 from affiliated companies

The receivables from affiliated companies amount to EUR 15,935 thousand (previous year: EUR 15,860 thousand), of which EUR 15,771 thousand (previous year: EUR 15,795 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 15,738 thousand (previous year: EUR 15,724 thousand). The remaining EUR 197 thousand mainly represent receivables from Telfisa Global B.V., Amsterdam, Netherlands from the cash pooling in the amount of EUR 163 thousand (previous year: EUR 60 thousand). The maturity of these receivables is less than one year.

3. Prepaid expenses

This item includes mainly the amortised disgios of EUR 1,512 thousand 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. Equity

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. In the 2020 financial year, 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 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.

6. Other liabilities

The other liabilities include short-term interest payables in relation to the bonds in the amount of EUR 15,738 thousand (previous year: EUR 15,724 thousand).

IV. NOTES TO THE INCOME STATEMENT

Financial result

Income from financial assets – loans in the amount of EUR 22,389 thousand (previous year: EUR 22,361 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 23,173 thousand (previous year: EUR 23,145 thousand) include mainly interest expense from the bonds of EUR 22,389 thousand (previous year: EUR 22,361 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 financial year 2020 and in 2019 the Company 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 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 15 thousand for their work in 2020.

Auditor's fee

In accordance with section 285 no. 17 HGB, the total fee for the auditor of TDF will not be disclosed as the Company is part of the consolidation group of Telefónica Deutschland Holding AG, Munich, (Telefónica Deutschland Group) and the information is already included in the Consolidated Financial Statements.

Subsequent events

On February 10, 2021, the company repaid in full, as scheduled, a seven-year senior unsecured bond issued on the regulated market of the Luxembourg Stock Ex-change with a nominal amount of EUR 500,000 thousand. Furthermore the repayment of the loan issued to OHG took place in the same amount.

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, 19 March 2021

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 financial reporting and with generally accepted accounting principles, the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the 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, 19 March 2021

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Managing Director

Markus Haas

Managing Director

Markus Rolle

Managing Director

Albert Graf

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the annual financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

To O2 Telefónica Deutschland Finanzierungs GmbH, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, which comprise the balance sheet as at 31 December 2020, the statement of profit and loss, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of O2 Telefónica Deutschland Finanzierungs GmbH for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

① Recoverability of loans to affiliated companies

Our presentation of this key audit matter has been structured as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matter:

① Recoverability of loans to affiliated companies

- ① In the Company's annual financial statements, loans to affiliated companies amounting to € 1.1 billion (98% of total assets) are reported under the "Financial assets" balance sheet item. This relates to two loans granted to the sole shareholder Telefónica Germany GmbH & Co.

OHG, Munich, with nominal values of € 500 million and € 600 million that are due for repayment in February 2021 and July 2025 respectively. In both cases, the conditions and amounts of the loans correspond to the underlying seven-year bonds, which are reported on the liabilities side under the balance sheet item "Bonds" in the amount of € 1.1 billion (98% of the balance sheet total). Loans to affiliated companies are measured in accordance with German commercial law based on the acquisition cost or, provided there are indications for an impairment, based on the lower fair value. Indications for an impairment of other loans are deemed to exist if there are signs for a deterioration in the economic situation of Telefónica Germany GmbH & Co. OHG, Munich, that result in liquidity or solvency in relation to the bonds being limited. Recoverability is evaluated primarily on the basis of the assessment of the operational business as well as the solvency of Telefónica Germany GmbH & Co. OHG, Munich. Because the estimates of the executive directors are required for the assessment of the loans and due to their significance in terms of the amount for the assets, liabilities and financial performance of the Company, this matter was of particular importance for our audit.

- ② As part of our audit, we examined and assessed, among other matters, the procedure for evaluating and assessing the presence of indications for an impairment of the loans to affiliated companies held. We also assessed, in particular, the information upon which the executive directors based their assessment. In addition, we have examined the anticipated future income from the operating business activities using the business plan of Telefónica Germany GmbH & Co. OHG, Munich. In doing so, we assessed the appropriateness of the assumptions and expectations underlying the business plan, including, in particular, with respect to the further implementation of planned measures and the anticipated growth rate, and considered whether the business plan was drawn up properly on this basis. Furthermore, we assessed the possibilities for the financing of the Telefónica Deutschland Group and especially of Telefónica Germany GmbH & Co. OHG, Munich, including, in particular, against the backdrop of the availability of credit lines not drawn down (unutilized credit facilities). Based on the audit procedures performed, we were able to satisfy ourselves that the information underlying the measurement assumptions made by the executive directors is, on the whole, suitable for carrying out an assessment on the presence of indications for value impairments of the loans to affiliated companies in an appropriate manner.
- ③ The Company's disclosures relating to the financial assets are contained in section "III/1. Financial assets" of the notes to the financial statements.

Responsibilities of the Executive Directors and the Audit Committee for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The audit committee is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file [O2_Telefonica_Deutschland_Finanzierungs_GmbH_JA_LB_ESEF-2020-12-31.ZIP] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the “Auditor’s Responsibilities for the Assurance Engagement on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Audit Committee for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The audit committee is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances,

but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the shareholder meeting on 19 November 2020. We were engaged by the audit committee on 25 November 2020. We have been the auditor of the O2 Telefónica Deutschland Finanzierungs GmbH, Munich without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefano Mulas.

Munich, March 19, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Stefano Mulas)
Wirtschaftsprüfer
(German Public Auditor)

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