

# O2 Telefónica Deutschland Finanzierungs GmbH

Financial Statements and management report for  
reporting year 2023

*Translation from the German Language<sup>1</sup>*

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

The following figures have been rounded according to established commercial principles. Additions of the figures may therefore lead to different totals than those also shown in the table.

Furthermore, we would like to point out that absolute amounts of less than 500 euros are indicated either as "0" or "(0)" depending on the sign. On the other hand, for items that have no value, the indication of an error is made with "

# Management Report

for financial year 2023

## 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 and Industry Conditions

#### The German economy continues to stagnate<sup>1</sup>

The consequences of global crises, such as the energy crisis, and geopolitical tensions continued to weigh on the German economy. According to preliminary calculations by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) fell by 0.3% in 2023. Industry suffered from weak foreign demand and as a consequence of the previous energy shocks. Increased financing costs continue to dampen private investment and thus also domestic demand for industrial goods and especially for construction services. Furthermore, private consumption remained sluggish. Despite strong wage increases, declining inflation rates and stable employment, consumers still held back from additional spending. On the other hand, the service sector was quite robust in this difficult environment. Most service sectors were once again able to expand their economic activities compared to the previous year and supported the economy in 2023. However, the overall increase was weaker than in the previous two years.

The labour market is proving to be robust and economic weakness is currently not reflected in the unemployment figures. According to the Council of Economic Experts, this is due to the countervailing effects of the weakening economy and the increasing labour shortage that are significantly amplified by the demographic shift. Accordingly, the labour market is losing momentum but has not recorded a larger reduction in employment. Overall the economic performance was generated by an average of approximately 45.9 million employed persons working in Germany in 2023, according to statements of the Federal Statistical Office. This constitutes 0.7% or 333,000 more workers than in the previous year and the highest number ever recorded in Germany. According to reports by the Federal Employment Agency, the unemployment rate nevertheless rose by 0.4 percentage points to an annual average of 5.7% compared to the previous year.

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<sup>1</sup> Sources: Council of Economic Experts: “Annual expert reports 2023/24: Germany Must Invest In The Future In Order To Overcome Its Weak Growth” (8 November 2023); Deutsche Bundesbank: Monthly report 2023 “The Economic Situation in Germany in the Autumn of 2023” (20 November 2023); Federal Ministry for Economic Affairs and Climate Action (BMWK): Press release “Economic Situation in Germany in November 2023” (14 November 2023); Federal Statistical Office (Destatis): Press release No. 451 “Gross Domestic Product: Detailed Results on Economic Performance in the 3rd Quarter 2023” (24 November 2023), Press release No. 466 “Inflation Rate in November at 3.2%” (8 December 2023), Press release No. 019 “Gross domestic product down 0.3% in 2023” (15 January 2024) and press release No. 020 “Inflation rate at +5.9% in 2023” (16 January 2024); Federal Employment Agency: Press release No. 52 “Annual Review 2023” (30 November 2023) and press release No. 2 “Annual Review 2023” (3 January 2024); ifo Institute: Press releases Business Climate Germany: “ifo Business Climate Index Rises” (24 November 2023) and “ifo Business Climate Index Falls” (18 December 2023); GfK Consumer Confidence (powered by NIM): Press releases “Consumer Confidence: Downward trend stopped for now” (28 November 2023) and “Consumer Climate: Light at the end of the tunnel?” (20 December 2023)

Inflation in Germany, measured by the national Consumer Price Index (CPI) clearly decreased in the course of 2023 from 8.7% in January 2023 to 3.7% in December 2023. On average, consumer prices in Germany increased by 5.9% in 2023 compared to 2022. As in the previous year, inflation in 2023 was influenced by the effects of the war and crisis situation, which shaped price developments on all economic levels. Food prices rose particularly sharply by an average of 12.4% in 2023, while energy products rose in price by 5.3% in 2023 compared to the previous year, following a huge increase of 29.7% in 2022. The annual inflation rate excluding energy and food, often referred to as core inflation, was +5.1% in 2023.

The sentiment among companies has become gloomier. The ifo Institute reports that the sentiment among companies measured in the ifo Business Climate Index fell to 86.4 points in December 2023, from 87.2 points (seasonally adjusted) in November. The slightly positive trend from October (86.9 points) to November was therefore not sustained. Companies were less satisfied with current business. They were also more sceptical about the coming months. Consumer sentiment in Germany, as measured by the GfK consumer climate index, brightened somewhat at the end of the year: both income expectations and the propensity to buy increased noticeably. The economic outlook also improved slightly.

### **Technology trends bring growth potential for the telecommunications market<sup>2</sup>**

The telecommunications industry, with its broadband transmission networks and ultra-fast internet access, plays a key role as an enabler of digitalisation. With a gigabit coverage rate of 75%, a fibre-optic coverage rate of 35% and more than 92% 5G outdoor network coverage, the telecommunications industry is driving the digital catch-up race in Germany with the expansion of 5G and fibre optics, as the VATM's Market Analysis 2023 shows. 5G technology is a high-performance, mobile-communications-based alternative to wired networks and offers a wide range of application possibilities in both the private and business sectors. It is regarded as a key technology for the digitalisation of industry because it promotes efficiency, transparency, automation and flexibility in logistics, according to the Digital Association Bitkom. The growing range of 5G-capable smartphones and attractive tariffs is also driving the adoption of the new mobile communications standard. Fibre-optic connections are becoming increasingly important for fixed broadband connections. According to VATM there are now 16.2 million available fibre-optic connections in Germany.

The fact that people are increasingly using the internet on the move is reflected in the increased data usage in both mobile and fixed networks: according to VATM data, the average monthly data consumption per mobile phone customer increased from 5.4 GB in 2022 to 6.6 GB in 2023. This corresponds to an increase of 22%. The average volume of data per fixed broadband connection per month is 321 GB, which is an increase of 16% compared to 2022.

The use of smartphones as end devices is steadily increasing. The reason for this, according to a study by Deloitte, is due not least to the extraordinarily wide range of applications of the smartphone. For example, 60% of smartphones in the country are now used to measure, store and analyse fitness, vital signs and health data, such as steps taken per day or the tracking of one's training status. In interaction with smart watches it has long been possible to measure heart rate or oxygen saturation with a high degree of accuracy. Smartphones have also long been established as a cash substitute for payments on-site. Across all age groups, every second person has already used such payment services, with 26% of smartphone users even using them always or very often. In the youngest age segment, from 18 to 24, the percentage of users of smartphone- or smart watch-based payment providers is, however, four times higher than in the 65+ generation.

The Internet of Things (IoT) and the smart networking of objects play an important role not only in the transformation of companies and infrastructures: They have now become part of consumers' everyday lives. In addition to the use of smartwatches and fitness trackers, smart home technologies are becoming increasingly popular. According to a study by the digital association Bitkom, more than 30 million people now use smart home applications. Home and garden as well as security are the most important applications. 37% of Germans use smart lighting systems and 31% already use smart heating thermostats. Smart blinds and awnings are used by 23%, and 16% use intelligent consumption metres for electricity, gas or water. Smart assistants for home and garden are also popular: 23% use vacuum cleaner robots and 18% use lawn mower robots.

The television market in Germany is also in a state of upheaval. The consumption of films, series and video clips via the internet has become an integral part of everyday media use and is also an essential driver of data usage. According to a video trend study by the media agencies, around 74% of TV households in Germany have access to a TV set connected to the internet (connected TV). Approximately 5 million persons live in so-called "Connected TV Only" households, i.e. they no longer receive their TV programmes on a TV via "traditional" reception, but exclusively via the internet. The use of video content on the internet continues to rise: 57.7 million persons from 14 years old in Germany regularly view online videos. That is three percentage points more than in the previous year. The growth is mainly attributed to older age groups. Use of video content from the internet is not only growing across all age groups but the frequency is also increasing. More than half now consume Over The Top (OTT) content (almost) daily.

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<sup>2</sup> Sources: VATM: "25th Telekom Market Study Germany 2023" (29 November 2023); Deloitte Study: "Smartphone User Trends 2023" (23 November 2023) and "Digital Consumer Trends Survey 2023: Results for the German market" (23 October 2023); The media organisations: Study "Video Trends 2023" (25 October 2023); Digital association Bitkom: Press release: "More than 30 Million Germans Use Smart-Home Applications: (31 August 2023), press release "Three Quarters of Germans See AI as an Opportunity" (7 November 2023), press release "One Year of ChatGPT: One In Three Have Already Tried The AI Chatbot" (16 November 2023); Federal Statistical Office: Press release No. 453 "Approximately One in Eight Companies Uses Artificial Intelligence" (27 November 2023); Smartweb: Press article "Mobile Communications Market 2023" (29 August 2023)

Nearly two-thirds of persons from 14 years of age in Germany regularly use video sharing services such as YouTube (63%) or Twitch (10%). Six out of ten persons regularly watch videos from streaming services such as Netflix, Amazon Prime Video or Disney+.

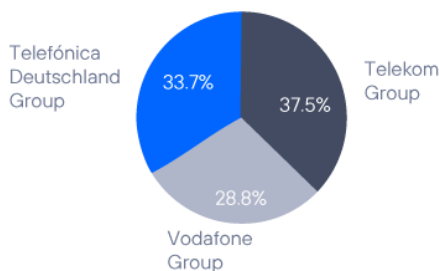
### Telefónica Deutschland Group continues to gain service revenue market share in the German mobile network operator market<sup>3</sup>

The German mobile communications market currently consists essentially of three network operators and several service providers and mobile virtual network operators (MVNOs). At the 5G spectrum auction, which ended in June 2019, the provider 1&1 acquired frequencies and took the first steps to establishing itself as the fourth mobile network operator and building its own mobile network. There is a long-term partnership between Telefónica Deutschland Group and 1&1 Group, under which the MBA MVNO agreement was converted into a National Roaming Agreement (NRA) in May 2021. This National Roaming Agreement was extended to 5G mobile services in 2023. At the same time as the start of 1&1 Group's own mobile communications network on 8 December 2023, the national roaming services were also put into operation. The NRA has a term until at least mid-2025. 1&1 Group announced the conclusion of an additional NRA with another German network operator. However, until the end of the NRA with Telefónica Deutschland Group, 1&1 Group has continuing contractual obligations to Telefónica Deutschland Group.

Despite the difficult macroeconomic market environment, the mobile communications market continued to perform well in terms of both SIM cards and revenue.

According to VATM data, the number of SIM cards on the market at the end of 2023, including M2M or IoT cards, was 181.9 million (end of 2022: 169.0 million). The strong SIM card growth is due to M2M and IoT cards: According to VATM, at the end of 2023, around 70.3 million SIM cards were in use for M2M and IoT applications, compared to 58.3 million SIM cards at the end of 2022. These M2M or IoT cards accounted for approximately 39% of all SIM cards on the market by the end of 2023. Mobile service revenue in the German mobile communications market grew by 1.4% in 2023 compared to the prior-year period. Telefónica Deutschland Group increased its market share in mobile network operator service revenue from 33.3% in 2022 to 33.7% in 2023, making it the number two player in the German market.

### G 01 - MARKET SHARE IN THE MOBILE COMMUNICATIONS MARKET BASED ON NETWORK OPERATOR SERVICE REVENUE IN 2023 (IN %)



### Growth in German fixed broadband market continues<sup>4</sup>

The number of fixed broadband connections grew only slightly in 2023. VATM estimates that the number of accesses at the end of 2023 increased by around 0.5% year on year to approx. 37.0 million. DSL continues to be the dominant technology, with a share of approx. 66% of fixed broadband connections. With 8.5 million active broadband connections at the end of 2023, cable now accounts for a share of around 23% of the total market. "Real" fibre-optic connections (FTTH/FTTB) continue to gain importance: According to VATM in 2023, they have increased by more than 24% compared to the previous year and now account for almost 11% of active broadband connections. Telefónica Deutschland Group relies on cooperations in its fixed business. Our strategic partnership with Telekom Deutschland GmbH ("Telekom") grants Telefónica Deutschland Group access to around 36 million households in Germany with future-proof, next-generation high-speed internet access. Since November 2022, Telefónica Deutschland Group has also offered the fibre-to-the-home (FTTH) of Telekom. Telefónica Deutschland Group provides its customers with internet via broadband cable through its cooperations with the Vodafone Group and Tele Columbus. Through this partnership, Telefónica Deutschland Group reaches more than 26 million households with fixed networks via cable connections.<sup>5</sup> Telefónica Deutschland Group connects additional households with advanced FTTH connectivity through a partnership with Unsere Grüne Glasfaser (UGG), which

<sup>3</sup> Sources: VATM: "25th Telekom Market Study 2023" (29 November 2023); Company data and own calculations: Deutsche Telekom AG Investor Relations: Publication of the Q3 2022 results "Back Up" (10 November 2022) and publication of Q3 2023 results "Back Up" (9 November 2023); Vodafone Group Investor Relations: July-September 2023/1 HY 23/24 Results "Excel Spreadsheet and Analyst Presentation" (14 November 2023); 1&1 AG: Press release "1&1 AG: 1&1 sets course for nationwide 5G" (2 August 2023) and press release "1&1 O-RAN: Start of Mobile Service in Europe's Most Modern 5G Network" (8 December 2023); Telefónica Deutschland: Press release "National Roaming: Telefónica Deutschland Confirms Outlook for Financial Year 2023" (2 August 2023)

<sup>4</sup> Sources: VATM: "25th Telekom Market Study Germany 2023" (29 November 2023); Deutsche Telekom: Press release "Broadband Expansion: Telekom Now Provides Over 7 Million Pure Fibre-Optic Connections" (28 November 2023)

<sup>5</sup> The number of households that can be reached as part of the cooperations should not be considered cumulatively due to overlaps.

was established in 2020 as an independent wholesale company by Telefónica, S.A. Group/Telefónica Deutschland Group and Allianz Group, with Telefónica Deutschland Group holding 10% of shares. Overall, the trend towards higher-speed connections continues in Germany. According to VATM estimates, around 62% of customers with a broadband connection should have already been using maximum reception data rates of more than 50 Mbps by the end of 2023, compared to around 59% at the end of 2022.

## 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.

TDF issued on 5 July 2018 a seven-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 600,000 thousand also in the regulated market of the Luxembourg Stock Exchange. The bond matures on 5 July 2025. The bond is guaranteed by Telefónica Deutschland Holding AG, Munich.

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

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

### Net assets

The development of net assets is as follows:

Balance sheet item	31 Dec. 2023 EUR thousand	31 Dec. 2022 EUR thousand	Change EUR thousand
Financial assets	600,000	600,000	-
Receivables from affiliated companies	5,359	5,363	-4
Other assets	-	0	0
Prepaid expenses	478	797	-319
<b>Total Assets</b>	<b>605,837</b>	<b>606,160</b>	<b>-323</b>

The financial assets as of 31 December 2023 consist of one loan in the amount of EUR 600,000 thousand, issued by TDF to its shareholder Telefónica Germany GmbH & Co. OHG, Munich.

The receivables from affiliated companies of EUR 5,359 thousand (previous year: EUR 5,363 thousand) consist mainly of interest receivables from the loan issued to OHG, in the amount of EUR 5,135 thousand (previous year: EUR 5,149 thousand).

Equity and liabilities are presented in the following table:

Balance sheet item	31 Dec. 2023 EUR thousand	31 Dec. 2022 EUR thousand	Change in EUR thousand
Equity	175	175	-
Other provisions	48	35	14
Bonds	600,000	600,000	-
Trade payables	-	3	-3
Liabilities to affiliated companies	-	1	-1
Other liabilities	5,135	5,149	-18
Deferred income	478	797	-319
<b>Total Equity and liabilities</b>	<b>605,837</b>	<b>606,160</b>	<b>-323</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. Furthermore, as in the previous year, there is a capital reserve of EUR 150,000.

The category Bonds includes one bond with a nominal value of EUR 600,000 thousand in total. The remaining term of this bond is more than one year but less than five years.

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

## Results of operations

In the financial year ending 31 December 2023, 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. 2023	1 Jan. 2022	Change
	31 Dec. 2023	31 Dec. 2022	
	EUR thousand	EUR thousand	EUR thousand
Other operating income	159	158	0
Other operating expenses	-163	-158	-4
Income from financial assets - loans	10.486	10.500	-14
Other interest and similar income	323	319	4
Interest and similar expenses	-10.805	-10.819	14
<b>Profit/(loss) after tax</b>	-	-	-
Income from loss transfer / profit transferred due to a profit and loss transfer agreement	-	-	-
<b>Profit/(loss) for the period</b>	-	-	-

Income from financial assets – loans in the amount of EUR 10,486 thousand (previous year: EUR 10,500 thousand) result from interests income from the existing loan at the end of the reporting period.

Interests and similar expenses in the amount of EUR 10,805 thousand (previous year: EUR 10,819 thousand) include mainly interest expense in the amount of EUR 10,486 thousand (previous year: EUR 10,500 thousand) from the bond existing at the end of the reporting period.

## 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 cash-pooling receivables from Telfisa Global B.V, Amsterdam, the Netherlands in the amount of EUR 149 thousand (previous year: EUR 64 thousand). There were no freely available bank and cash balances at the end of the reporting period (as in the previous year).

During the financial year 2023, TDF generated a positive cash flow from **operating** activity in the amount of EUR 85 thousand, in previous year TDF generated a negative cash flow from operating activities in the amount of EUR 82 thousand.

Cash flow from **investing** activities amounted to EUR 10,500 thousand in the financial year 2023 (previous year: EUR 10,500 thousand). The cash inflows from investing activities result from received interest payments of EUR 10,500 thousand from the borrower OHG.

Cash flow from **financing** activities in the reporting period amounted to EUR -10,500 thousand (previous year: EUR -10,500 thousand). The payments result from the interest payment in the amount of TEUR 10,500 for the issued bond.

The total changes result in a positive cash flow of EUR 85 thousand for the financial year 2023 (previous year: EUR -82 thousand).

## 4. Opportunity and risk report

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

### Fundamental risk management principles

Every business activity involves risks that can impair the process of target 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 an integral part of the decision-making processes within 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 manager of the Telefónica Deutschland Group. A minimum threshold 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 identify risks at the highest management level or on the basis of a group-wide consideration, and to discuss 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.

An overall risk profile is aggregated from identified risks to assess the extent to which the net assets, financial position and results of operations of the Telefónica Deutschland Group are at risk, which is then compared with the capacity to bear risk in a regular analysis.

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 and the Audit Committee are regularly informed about risks and their development.

The TDF Audit Committee is informed about risks through regular meetings with the management and the auditor as well as through direct discussions with responsible employees.

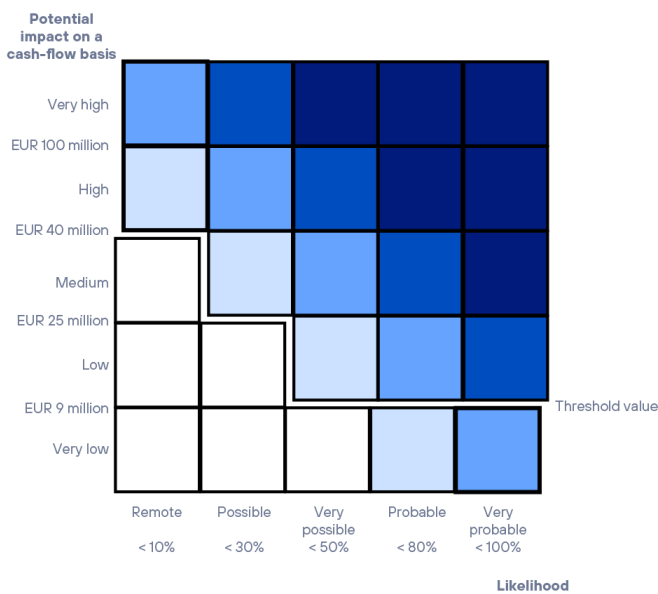
Opportunities are not recorded in the risk management system

### Risk evaluation

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

To identify the risks illustrated in the following with material influence on business development, we use a 5x5 matrix as a starting point, within which the potential level of impact and the relevant likelihood of occurrence are each divided into five categories:

#### G02 – RISK PROFILE



#### Categories

Minor risks
Low risks
Moderate Risks
High risks
Critical risks

Based on the combination of the potential level of impact and the estimated likelihood of occurrence, the individual risks are divided into five categories (critical, high, moderate, low and minor risks).

Risks that have a very high potential level of impact of more than EUR 100 million and whose likelihood of occurrence is rated as at least “very possible” are considered critical. With a growing likelihood of occurrence, risks with a high or medium potential level of impact also fall into this category. As the probability of occurrence and level of impact decrease, the risks fall into the corresponding categories below.

Minor risks and all risks whose potential level of impact is estimated at less than EUR 9 million are not reported to the Management Board and therefore are not included in the risk summary in the following chapter. Such risks are identified, documented and administered by the relevant management levels as part of the risk management process. The threshold value for reporting risks is represented by the space in the matrix.

Our Group 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.

For internal use and reporting within the Group, risks are divided into business risks, operational risks and financial 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.

The main element of the assets of TDF is the loan 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 this loan. 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)
  - Geopolitical risks (critical)
  - Macroeconomic factors (high)
  - Market acceptance and technological transformation (low)
  - Regulatory environment (low to high)
- 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)
  - Adjustments to increased ESG requirements (low)
  - Development of customer base (low)
  - Legal risks (moderate to high)
- Financial Risks
  - Higher market interest rates (moderate)

Derived from the risks presented above, the specific risk of TDF arises in relation to the loan 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, incl. OHG, 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 and section 315 (4) HGB.

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

The risk management system described in the chapter >Management Report REPORT ON RISKS AND OPPORTUNITIES 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 Stock Corporation Act (AktG) and 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 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, Telefónica Deutschland Group's ICS reflects 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 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.

The data basis for the preparation of the Consolidated Financial Statements consists of the financial statement information reported by Telefónica Deutschland, its subsidiaries and joint ventures and associated companies, which in turn is based on the accounting entries recorded within the companies. The financial reporting of the individual companies is performed either by the Finance & Accounting department or in close cooperation with it. For certain topics requiring specialist knowledge, such as the valuation of pension obligations, we draw upon the support of external service providers. The Consolidated Financial Statements are prepared within our consolidation system on the basis of the reported financial statement information. The steps to be taken when preparing the Consolidated Financial Statements are subject to both manual and system-based controls at all levels. The Supervisory Board reviews the financial statements itself, taking into account the recommendations of the Audit Committee and the auditor's report, and approves them after its own review.

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.

The Supervisory Board of Telefónica Deutschland is informed about the effectiveness of the ICS in part via the Audit Committee in accordance with section 171 (1) AktG in conjunction with section 107 (3) AktG and therefore also monitors the appropriateness of the system that has been established. 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. For the annual financial statements of the TDF, the tasks of the Audit Committee described above are assumed by the Audit Committee of the TDF.

## 6. Principals of the remuneration system

The Managing Directors do not receive any remuneration from TDF.

## 7. Forecast report 2024

Due to the fact that the company does not have any separate key performance indicators and the company has also concluded a profit and loss transfer agreement with OHG, a forecast of earnings and profits is not made. 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<sup>6</sup>

According to the German Federal Statistical Office (Destatis), the consequences of the energy crisis and higher inflation have left their mark on the German economy in 2023. Although there has been no sharp decline in economic output so far, the economy as a whole has not yet returned to a growth path. According to initial estimates by Destatis, German GDP shrank by 0.3% in 2023 compared to the previous year. Experts at the ifo Institute predict only a slow recovery over the forecast horizon. In view of the muted global economy and the tightening of monetary policy in the advanced economies, foreign trade and capital expenditure are not expected to provide any expansionary impetus in 2024. However, private consumer spending is likely to recover in the forecast horizon up to the end of 2024 as real incomes rise again. For 2024, the ifo Institute expects GDP growth to show a slightly positive trend and amount to 0.2%.

Inflation in Germany, as measured by the national consumer price index (CPI), fell significantly over the course of 2023, from 8.7% (year on year) in January 2023 to 3.7% in December 2023. On average, consumer prices in Germany increased by 5.9% in 2023 compared to 2022. Experts at the Council of Economic Experts predict that inflation will continue to fall. For 2024, they are forecasting an average inflation rate of 2.6%.

According to the Council of Economic Experts, the economic weakness is not currently reflected in unemployment figures. This is due to the opposing effects of the weakening economy and increasing labour shortages, which are being exacerbated significantly by demographic change. Accordingly, the labour market is losing momentum, but there are no signs of a major reduction in employment. According to reports by the Federal Employment Agency, the unemployment rate averaged 5.7% in 2023. Experts at the Council of Economic Experts are forecasting an unemployment rate of 5.5% for 2024.

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<sup>6</sup> Sources: ifo Institute: Press release "ifo Institute Cuts Growth Forecast for Germany to 0.2%" (6 March 2024); Council of Economic Experts: Annual Report 2023/24 "Overcoming weak growth - investing in the future" (8 November 2023); German Federal Statistical Office (Destatis): Press release No. 019 "Gross domestic product down 0.3% in 2023" (15 January 2024) and press release No. 020 "Inflation rate at +5.9% in 2023" (16 January 2024); Federal Employment Agency: Press release No. 2 "Annual Review 2023" (3 January 2024)

## T 01 – GDP GROWTH 2022 – 2024 GERMANY (PRICE-ADJUSTED) <sup>7</sup>

In % compared to previous year	2022	2023	2024
Germany	1.8	-0.3	0.2

## Market Expectations<sup>8</sup>

Digitalisation is now an integral part of our everyday lives and will continue to gain in importance for consumers and commercial enterprises. According to a survey by the digital association Bitkom, 87% of companies are convinced that the use of digital technologies plays a decisive role in the competitiveness of the German economy. Digital technologies are very relevant for companies, but there is still a lot of potential for their utilisation: 92% of respondents attach great importance to data analyses and Big Data, but only 39% use them. Robotics is considered important by 86%, but only 40% use the technology. The situation is similar for the Internet of Things (84% major importance, 36% use), 3D printing (74% versus 23%) as well as virtual and augmented reality (67% versus 24%). Blockchain technology is considered to be very important by 67% and the metaverse by 36%, but only very few use these technologies.

By using digital technologies, sustainable development can be supported and accelerated in many areas – be it through data-driven efficiency increases or digital innovations. New opportunities are also opening up for education, health and social innovation. According to a study by the digital association Bitkom, 80% of companies in Germany see digitalisation as an opportunity for greater sustainability and climate protection, while 89% see a long-term competitive advantage for those companies that invest in sustainable technologies. Every second company sees digitalisation as an opportunity for new, climate-friendly business models.

The expansion of the fibre-optic network and the 5G mobile communications standard will be decisive for further digitalisation in Germany. According to the German Entertainment and Media Outlook (GEMO) study, total data traffic is expected to increase by an additional 20% to 152,743 petabytes in 2024. The main drivers for the demand for broadband services include streaming, the use of especially video-intensive social networks and the increase in gaming. The video segment, with a share of around 80% of data consumption, accounts for the majority of this. The demand for fast internet access will increase as more high-quality games are developed in conjunction with virtual reality (VR) or augmented reality (AR). Analysys Mason estimates that a mobile customer's data consumption will increase by over 33% from 2023 to 2024 to 9.8 GB per month. The rollout of fibre optics is also progressing. The German government's gigabit strategy aims to triple the number of fibre-optic connections by 2025, so that half of all households will have a fibre-optic connection. Deutsche Telekom alone is planning to provide ten million households with an FTTH connection by the end of 2024. Telefónica Deutschland Group aims to create up to 2.2 million fibre-optic accesses with the joint venture "Unsere Grüne Glasfaser (UGG)".

Artificial Intelligence (AI) is fundamentally changing our economy and society. According to the digital association Bitkom, two thirds of companies in Germany see AI as the most important technology of the future, but only 15% are using it. The current boom in artificial intelligence is leading to a sharp rise in demand on the German market. Spending on AI software, services and corresponding hardware rose to EUR 6.3 billion in 2023. This is an increase of 32% compared to 2022. This was announced by the digital association Bitkom on the basis of data from the market research company IDC. In 2024, spending is expected to rise again by 30% to EUR 8.2 billion. Another trend is the metaverse. The new virtual 3D worlds, in which users can move around using their avatars and interact with others, are a further development of the advancing digitalisation of all areas of life. The boundaries between the real and virtual worlds are becoming increasingly blurred. According to KPMG Germany, companies can benefit from the metaverse in a variety of ways. While the metaverse can take various forms, according to the digital association Bitkom, the industrial metaverse is specifically geared towards industrial applications and the industrial use of virtual worlds. The industrial metaverse offers a wide range of possible applications, such as digital twins. Digital twins are digital images of physical objects that can be used in different scenarios. From education and training under simulated conditions to construction, maintenance, repair and virtual product testing, the industrial metaverse opens up numerous possibilities for the industry. Hologram communication is considered an important 5G use case for the near future. Business partners from all over the world will see themselves as virtual avatars in telephone and video conferences. Company team meetings take place around a digital conference table. Holograms allow friends and relatives from afar to join you in your living room. Telefónica Deutschland Group is working on further developing the application, integrating it into the network and establishing interfaces with other network operators.

<sup>7</sup> Sources: ifo Institute: Press release "ifo Institute Cuts Growth Forecast for Germany to 0.2%" (6 March 2024); German Federal Statistical Office (Destatis): Press release No. 019 "Gross domestic product down 0.3% in 2023" (15 January 2024)

<sup>8</sup> Sources: Digital association Bitkom: Press release "Digitalised companies pull away from the competition" (22 June 2023), Guide: "How companies can use the metaverse to their advantage" (23 September 2023), press release "Industry sees opportunities for climate protection in digitalisation" (15 November 2023) and press release "German AI market grows by a third" (29 November 2023); PwC: German Entertainment and Media Outlook (GEMO) 2023-2027 (12 September 2023); Analysys Mason: Hub Query Telco Forecasts (16 November 2023); KPMG Germany website: "The Metaverse - Opportunities and Strategies" (internet query from 7 December 2023); Bearing Point: Press release "Web 3.0 - How companies benefit from the new internet" (14 September 2023); Telefónica Deutschland Holding AG: Press release "Markus Söder makes first holographic phone call over O<sub>2</sub> Telefónica 5G network" (4 December 2023)

Web 3.0 is described as the next stage in the development of the internet and is based on the decentralisation of data, identity and transactions. According to a study by technology consultants Bearing Point and the IIHD Institute, Web 3.0 offers companies great opportunities, such as new business models, efficient business processes and cost savings. However, Web 3.0 is still in its early stages. The increased use of networks for new applications with an increasing demand for data requires seamless processes to an even greater degree and shifts the demands to network operators.

## Financial Outlook

The Telefónica Deutschland Group expects for financial year 2024 slightly positive year-on-year revenue growth. For EBITDA<sup>9</sup> adjusted for exceptional effects is expected to grow in low to low-mid single-digit percentage year-on-year. Telefónica Deutschland Group expects for financial year 2024 a Capex/Sales ratio of 13% to 14%.

## Management summary

On the basis of the bond emissions issued the management of TDF considers the overall business development to be favourable and does not expect any significant changes for the financial year 2024 in the net assets, financial position and results of operations compared to 2023.

Munich, 18 March 2024

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Markus Haas

Markus Rolle

Albert Graf

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<sup>9</sup> To improve comparability, Telefónica Deutschland Group is adapting its reporting to general market standards by renaming 'OIBDA' to 'EBITDA' with effect as of 1 January 2024.

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

Statement of Financial Position as of 31 December 2023

Assets	31.12.2023 EUR	31.12.2022 EUR	Equity and liabilities	31.12.2023 EUR	31.12.2022 EUR
<b>A. Fixed assets</b>			<b>A. Equity</b>		
Financial assets			I. Subscribed capital	25.000,00	25.000,00
Loans to affiliated companies	600.000.000,00	600.000.000,00	II. Capital reserve	150.000,00	150.000,00
	<b>600.000.000,00</b>	<b>600.000.000,00</b>		<b>175.000,00</b>	<b>175.000,00</b>
<b>B. Current assets</b>			<b>B. Provisions</b>		
Receivables and other assets			Other provisions	48.365,98	34.679,02
1. Receivables from affiliated companies	5.358.543,82	5.362.904,27		<b>48.365,98</b>	<b>34.679,02</b>
2. Other assets	0,00	166,00	<b>C. Liabilities</b>		
	<b>5.358.543,82</b>	<b>5.363.070,27</b>	1. Bonds	600.000.000,00	600.000.000,00
<b>C. Prepaid expenses</b>	<b>478.285,62</b>	<b>797.142,78</b>	thereof with a remaining term of more than 1 year EUR 600,000,000.00 (previous year EUR 600,000,000.00)		
			2. Trade payables	0,00	2.651,20
			thereof with a remaining term of less than 1 year EUR 0,00 (previous year EUR 2.651,20)		
			3. Liabilities to affiliated companies	0,00	1.425,00
			thereof with a remaining term of less than 1 year EUR 0,00 (previous year EUR 1.425,00)		
			4. Other liabilities	5.135.177,84	5.149.315,05
			thereof with a remaining term of less than 1 year EUR 5.135.177,84 (previous year EUR 5.149.315,06)		
			thereof from taxes (EUR -68,06 (previous year EUR 0,00))		
				<b>605.135.177,84</b>	<b>605.153.391,25</b>
			<b>D. Deferred income</b>	<b>478.285,62</b>	<b>797.142,78</b>
<b>Total assets</b>	<b>605.836.829,44</b>	<b>606.160.213,05</b>	<b>Total equity and liabilities</b>	<b>605.836.829,44</b>	<b>606.160.213,05</b>

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

**Income Statement**

for the Reporting Period from 1 January 2023 to 31 December 2023

	01.01.2022 - 31.12.2023	01.01.2022 - 31.12.2022
	EUR	EUR
1. Other operating income	158.540,24	158.250,94
2. Other operating expenses	-162.862,75	-158.454,83
3. Income from financial assets - loans	10.485.930,83	10.499.999,99
thereof from affiliated companies EUR 10.485.930,83 (previous year: EUR 10.499.999,99)		
4. Other interest and similar income	323.179,69	319.061,05
thereof from affiliated companies EUR 323.179,69 (previous year EUR 319.061,05)		
5. Interest and similar expenses	-10.804.788,01	-10.818.857,15
<b>6. Profit/(loss) after tax</b>	<b>0,00</b>	<b>0,00</b>
7. Income from loss transfer / profit transferred due to a profit and loss transfer agreement	0,00	0,00
<b>8. Profit/(loss) for the period</b>	<b>0,00</b>	<b>0,00</b>



O2 Telefónica Deutschland Finanzierungs GmbH

Munich

Statement of Changes in Equity  
for the Reporting Period from 1 January 2023 to 31 December 2023

	Subscribed capital	Capital reserve	Profit/(loss) for the period	Equity
	EUR	EUR	EUR	EUR
As of 1 January 2023	25.000,00	150.000,00	0,00	175.000,00
As of 31 December 2023	25.000,00	150.000,00	0,00	175.000,00
As of 1 January 2022	25.000,00	150.000,00	0,00	175.000,00
As of 31 December 2022	25.000,00	150.000,00	0,00	175.000,00

## Statement of Cash Flows

for the Reporting Period from 1 January 2023 to 31 December 2023

	01.01.2023- 31.12.2023 EUR	01.01.2022- 31.12.2022 EUR
<b>1. Cash flow from operating activities</b>		
Profit/(loss) after tax	0,00	0,00
Increase (+)/decrease (-) in provisions	13.686,96	-1.447,98
Increase (-)/decrease (+) in receivables from affiliated companies and other assets	408.498,61	234.049,53
Increase (+)/decrease (-) in other liabilities and other equity and liabilities	-337.070,57	-314.780,97
Cash flow from operating activities	85.115,00	-82.179,42
<b>2. Cash flow from investing activities</b>		
Proceeds (+) from disposal of long-term financial assets	0,00	0,00
Interest received (+)	10.500.000,00	10.500.000,00
Cash flow from investing activities	10.500.000,00	10.500.000,00
<b>3. Cash flow from financing activities</b>		
Cash repayments (-) of bonds and borrowings	0,00	0,00
Interest paid (-)	-10.500.000,00	-10.500.000,00
Cash flow from financing activities	-10.500.000,00	-10.500.000,00
<b>4. Cash and cash equivalents at the end of the period</b>		
Net change in cash and cash equivalents	85.115,00	-82.179,42
Cash and cash equivalents at the beginning of the period	63.885,39	146.064,81
Cash and cash equivalents at the end of the period	149.000,39	63.885,39
<b>5. Composition of cash and cash equivalents</b>		
Cash equivalents	149.000,39	63.885,39
Cash and cash equivalents at the end of the period	149.000,39	63.885,39

# Notes

for financial year 2023

## 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.

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 the bond were directly passed from TDF to Telefónica Germany GmbH & Co. OHG, Munich (hereinafter also “OHG”).

The annual financial statements of TDF for the financial year 2023 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 2023, 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 2023 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

Financial assets are generally recognised at nominal value or - if the impairment is expected to be permanent - at the lower fair value.

### 3. Current assets

The receivables and other assets 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 OHG, according to the agreement.

### 10. Income from financial assets - loans

Income from loans from financial assets includes interest income from the loan granted by OHG.

### 11. Interest and similar expenses

Interest and similar expenses mainly comprise interest expenses from bond.

### III. NOTES TO THE BALANCE SHEET

#### 1. Financial assets

The financial assets as of 31 December 2023 consist of one loan in the amount of EUR 600,000 thousand, granted by TDF to its shareholder Telefónica Germany GmbH & Co. OHG, Munich. The terms of the loan correspond to the terms of the underlying seven-year bond which TDF issued on 5 July 2018. The loan has fixed terms until the date of maturity of the underlying bond on 5 July 2025 and is repayable in one amount on the due date, including all interest and costs which have not yet been paid. The underlying interest rates is 1.750 % and is payable annually on 5 July. The loan in the amount of EUR 600,000 thousand continues to be reported under fixed assets as of 31 December 2023 due to the unchanged character.

##### *Statements of Changes in Financial Assets for the Reporting Period from 1 January to 31 December 2023*

	Acquisition costs				Accumulated depreciations				Carrying amounts	
	01.01.2023	Additions	Disposals	31.12.2023	01.01.2023	Additions	Disposals	31.12.2023	31.12.2023	31.12.2022
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Financial Assets</b>										
Loans to affiliated companies	600.000.000,00	0,00	0,00	600.000.000,00	0,00	0,00	0,00	0,00	600.000.000,00	600.000.000,00
	600.000.000,00	0,00	0,00	600.000.000,00	0,00	0,00	0,00	0,00	600.000.000,00	600.000.000,00

#### 2. Receivables from affiliated companies

The receivables from affiliated companies amount to EUR 5,359 thousand (previous year: EUR 5,363 thousand), of which EUR 5,204 thousand (previous year: EUR 5,299 thousand) relates to receivables from the shareholder Telefónica Germany GmbH & Co. OHG, Munich. These comprise interest from loan issued to the shareholder in the amount of EUR 5,135 thousand (previous year: EUR 5,149 thousand).

Furthermore, EUR 149 thousand (previous year: EUR 64 thousand) are included in receivables from affiliated companies which represent receivables from Telfisa Global B.V., Amsterdam, Netherlands from the cash pooling. The maturity of these receivables is less than one year.

#### 3. Prepaid expenses

This item includes mainly the amortised disagio of EUR 478 thousand (previous year: EUR 797 thousand) from the issuance of the seven-year bond in July 2018. The prepaid expenses will be released over the terms of the underlying bond on a straight-line basis until 5 July 2025.

#### 4. Equity

The subscribed capital remains unchanged, amounts to EUR 25 thousand and is fully paid. It is held entirely by Telefónica Germany GmbH & Co. OHG, Munich. The capital reserve consists of a contribution to the capital reserve of EUR 150 thousand according to section 272 (2) no. 4 HGB made by the shareholder.

#### 5. Bonds

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

#### 6. Other liabilities

The other liabilities include short-term interest payables in relation to the bond in the amount of EUR 5,135 thousand (previous year: EUR 5,149 thousand).

#### 7. Deferred income

Deferred income results from the differences between the nominal value of the underlying loan and the amount paid out to Telefónica Germany GmbH & Co. OHG, Munich. The deferred income is released on a straight-line basis over the term of the underlying seven-year loan.

## IV. NOTES TO THE INCOME STATEMENT

### Financial result

Income from financial assets – loans in the amount of EUR 10,486 thousand (previous year: EUR 10,500 thousand) result from interests income from the existing loan at the end of the reporting period.

Interests and similar expenses in the amount of EUR 10,805 thousand (previous year: EUR 10,819 thousand) include mainly interest expense in the amount of EUR 10,486 thousand (previous year: EUR 10,500 thousand) from the bond existing at the end of the reporting period.

## V. ADDITIONAL DISCLOSURES

### International conflicts

The war in Ukraine and the conflict in the Middle East had a negative impact on the global economy in 2023. However, this had no significant impact on the financial figures of TDF.

Since the beginning of the conflicts, the management team has continuously been monitoring, analysing and assessing their development and impact on TDF.

### Climate change

Climate change had no significant impact on TDF's financials.

### 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 2023 and in 2022 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 shareholder resolution of 20 December 2022 the following members of the Audit Committee were elected with effect from January 1, 2023 in accordance with Section 324 HGB:

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

Julia Müller-Schlereth  
Board member  
Senior Specialist Credit Analysis Global Corporates, BayernLB  
Resident in Munich

The term of office of the members of the Audit Committee amounts to four financial years (until 31 December 2026).

### Remuneration of governing bodies

The members of the Audit Committee received a total remuneration of EUR 21 thousand (previous year: EUR 15 thousand) for their work in 2023.

By shareholder resolution of 20 December 2022, the remuneration for the members of the Audit Committee was adjusted. The remuneration as of 01 January 2023 amounts to TEUR 21.

### 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

There were no significant events after the end of the reporting period 31 December 2023 which would need to be disclosed.

### Consolidated financial statements

The company that prepares the consolidated financial statements for the smallest group of companies in which the Company is included is Telefónica Deutschland Holding AG, Munich. The consolidated financial statements are published in the Company Register and are available there and at the [www.telefonica.de](http://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](http://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, 18 March 2024

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, 18 March 2024

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

## **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 2023, the statement of profit and loss, statement of changes in equity and cash flow statement for the financial year from 1 January to 31 December 2023 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 2023.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 2023. 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 € 600 million (99 % of total assets) are reported under the "Financial assets" balance sheet item. This relates to the loan granted to the sole shareholder Telefónica Germany GmbH & Co. OHG, Munich, with a nominal value of € 600 million that is due for repayment in July 2025. The conditions and the amount of the loan correspond to the underlying seven-year bond, which is reported on the liabilities side under the balance sheet item "Bonds" in the amount of € 600 million (99 % of total assets). 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 with respect to revenue and operating income before depreciation and amortization (OIBDA), 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, actions taken to eliminate threats or safeguards applied.

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***

***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as auditor by the shareholder meeting on 23 November 2023. We were engaged by the audit committee on 27 November 2023. 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 Holger Lutz.

Munich, 18 March, 2024

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

(sgd. Holger Lutz)  
Wirtschaftsprüfer  
(German Public Auditor)

(sgd. ppa. Annika Sicking)  
Wirtschaftsprüfer  
(German Public Auditor)