

*Telefónica*

**Deutschland**

**O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH**

(incorporated with limited liability under the laws of the Federal Republic of Germany,  
having its corporate domicile in Munich, Federal Republic of Germany)

**€ 600,000,000 1.750 per cent Notes due 5 July 2025**

unconditionally and irrevocably guaranteed by

**Telefónica Deutschland Holding AG**

(a stock corporation incorporated under the laws of the Federal Republic of Germany,  
having its corporate domicile in Munich, Federal Republic of Germany)

Issue Price: 99.628 per cent

O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH (the "**Issuer**") will issue on 5 July 2018 (the "**Issue Date**") € 600,000,000 1.750 per cent Notes due 5 July 2025 (the "**Notes**") under the unconditional and irrevocable guarantee (the "**Guarantee**") of Telefónica Deutschland Holding AG (the "**Guarantor**"). The Notes will be redeemed at par on 5 July 2025 (the "**Maturity Date**") subject to an early redemption as described in the terms and conditions of the Notes ("**Terms and Conditions**"). The Notes will bear interest from and including 5 July 2018 to, but excluding, the Maturity Date at a rate of 1.750 per cent *per annum*, payable annually in arrear on 5 July in each year, commencing on 5 July 2019.

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended from time to time (the "**Prospectus Directive**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg law relating to prospectuses for securities, as amended (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières* – the "**Prospectus Law**"), which implements the Prospectus Directive into Luxembourg law.

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") on markets in financial instruments.

The Notes are issued in bearer form with a denomination of € 100,000 each.

The Notes have been assigned the following securities codes: ISIN XS1851313863, Common Code 185131386, WKN A2NBGF.

*Joint Lead Managers*

**BNP Paribas**

**MUFG**

**Commerzbank**

**UniCredit Bank**

## RESPONSIBILITY STATEMENT

Each of O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH (the "**Issuer**") with its corporate domicile in Munich, Federal Republic of Germany ("**Germany**") and Telefónica Deutschland Holding AG (the "**Guarantor**", together with its direct and indirect subsidiaries and joint ventures collectively also referred to as "**we**", "**our**", "**us**" or "**Telefónica Deutschland**") having its corporate domicile in Munich, Germany, accepts responsibility for the information contained in and incorporated by reference into this Prospectus including the English language translations of the Terms and Conditions and the Guarantee and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

Each of the Issuer and the Guarantor further confirms that (i) this Prospectus contains all information with respect to the Issuer as well as to the Guarantor and their respective subsidiaries and affiliates and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer, the Guarantor and the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Guarantor and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantor and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

As per Article 7(7) of the Prospectus Law, the CSSF gives no undertaking as to the economic and financial soundness of the issue of the Notes and the quality or solvency of the Issuer.

## NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers (as defined in "SUBSCRIPTION AND SALE"). Neither the delivery of this Prospectus nor any offering or sale of any Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

This Prospectus contains certain forward-looking statements, in particular statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "GENERAL INFORMATION ON THE ISSUER – Business", under the caption "GENERAL INFORMATION ON THE GUARANTOR - Business" and statements elsewhere in this Prospectus relating to plans and expectations regarding developments in the business of the Issuer and the Guarantor, as the case may be. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer and the Guarantor, as the case may be, to be materially different from or worse than those expressed or implied by these forward-looking statements. Neither the Issuer nor the Guarantor do assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other documents incorporated herein by reference.

To the fullest extent permitted by law, neither the Joint Lead Managers nor any other person mentioned in this Prospectus, except for the Issuer and the Guarantor, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Lead Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and of the Guarantor. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Guarantor or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States of America ("**United States**") or to U.S. persons. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION, SALE AND OFFER OF THE NOTES – Selling Restrictions."

**IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE**

**CONDUCTED BY BNP PARIBAS (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

In this Prospectus all references to "**€**", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Retail investors are not target market for the Notes. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document within the meaning of Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") has been prepared.

This Prospectus contains or refers to numerical data, market data, analyst reports, and other publicly available information about our industry and estimates that we have made based largely on published market data or on numerical data derived from publicly available sources.

We have accurately reproduced such third-party information and, as far as we are aware and are able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Investors are nevertheless advised to consider the information derived from third parties with caution. Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. This Prospectus also contains estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies or verified the external sources on which our own estimates are based. We can therefore not guarantee or assume responsibility for the accuracy of the information from third-party studies presented in this Prospectus or for the accuracy of the information on which these estimates are based.

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## RISK FACTORS

*Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. The following statements are not exhaustive. Should one or more of the risks described below materialise, this may have a material adverse effect on the cash flows, results of operations and financial condition of the Issuer or the Guarantor. Moreover, if any of these risks materialises, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the holders of the Notes (the "**Holders**") could lose all or part of their investments. Investors should note that the risks discussed below may not prove to be exhaustive and, therefore, may not be the only risks to which the Issuer and the Guarantor are exposed. Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could likewise impair the business operations of the Issuer or the Guarantor and have a material adverse effect on their business, cash flows, results of operations and their financial condition. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the cash flows, results of operations and financial condition of the Issuer or the Guarantor. In addition, investors should be aware that the risks described might combine and thus intensify one another.*

*The Guarantor, together with its direct and indirect subsidiaries and joint ventures, including the Issuer, is referred to as "**we**", "**our**", "**us**" or "**Telefónica Deutschland**". Telefónica, S.A., collectively with its direct and indirect subsidiaries - excluding the Guarantor together with its direct and indirect subsidiaries - is referred to as the "**Telefónica, S.A. Group**".*

### **Risks relating to the Issuer**

The Issuer acts at present solely to facilitate the financing of Telefónica Germany GmbH & Co. OHG ("**Telefónica Germany OHG**"). Its main assets are and are expected to be one or more loans granted to Telefónica Germany OHG. The Issuer's continued operations will depend on the ability of Telefónica Germany OHG to meet its payment obligations under these loans. All debt securities of the Issuer (such as the Notes) are wholly, unconditionally and irrevocably guaranteed by the Guarantor in respect of principal and interest payments. This guarantee is enforceable under the laws of Germany. For the risk factors regarding the Guarantor, please see the section below.

### **Risks relating to the Guarantor**

#### ***Future recessionary conditions in Germany could adversely affect our business, financial condition and results of operations***

As our operations are concentrated on Germany, reduced German consumer spending and, in particular, spending on telecommunications services and products, may adversely impact our customer numbers and revenues.

Macroeconomic factors may impair growth prospects in the German telecommunications market in terms of the penetration of new value-added services and traffic, Average Revenue Per User ("**ARPU**") and number of customers. Recessionary conditions may also increase the number of defaults and/or delays in payments from our customers, increase churn and prevent us from attracting new customers.

The materialisation of these economic risks could have a material adverse effect on our business, financial condition and results of operations.

#### ***The German telecommunications market is characterised by high levels of competition from existing and potential new mobile network operators, alternative telecommunications providers, such as cable companies and consumer electronics companies, providers of alternative telecommunications services, such as over-the-top ("**OTT**")***

We operate in markets characterised by a high level of competition and continuous technological developments. Our main competitors in the German mobile and fixed-line telecommunications market are other network operators such as Deutsche Telekom and Vodafone. Our company faces increasing competition from alternative telecommunications service providers – among them cable operators, Mobile Virtual Network Operators ("**MVNOs**") and entertainment electronics companies – and also competes with alternative telecommunications services like OTT. In some instances, we compete against companies with greater scale, stronger financial positions, easier access to financing, more comprehensive product offerings, greater personnel resources, greater brand name recognition and experience or longer-established relationships with customers.

In order to prevail against these competitors, we must continue to provide competitive services and successfully market our products in the future. Our future competitive position in the mobile and fixed-line telecommunications market in Germany will be affected by factors such as pricing, network speed and reliability, services offered, customer support and our ability to be technologically adept and innovative. Increasing competitive pressure due to factors beyond our control, such as consolidation among market participants and consumer trends for the use of new technology, could lead

to a loss of our market share. Our possible inability to compete with other network operators and alternative services could have a material adverse effect on our business, financial condition and results of operations.

***The telecommunications industry has been, and will continue to be, affected by rapid technological change, market trends and changes in customer demand and we may not be able to effectively anticipate or react to these changes***

The telecommunications industry is subject to constant technological development and related changes in customer demand for new products and services. New products and technologies are constantly being developed and demanded by customers, which can render obsolete the products and services we offer and the technology we use. In a rapidly developing technological landscape, we may not be able to accurately predict which technology will prove to be the most economical, efficient or capable of attracting customers or stimulating usage. There is also a risk that we will not identify market trends or changes in customer demand correctly, or that we will not be able to bring new services to market as quickly or price-competitively as our competitors.

Our failure to accurately identify and predict technological or other market trends or changes in customer demand and preferences could negatively influence the acceptance of our products which could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to extensive regulation which can and will continue to impact our business, financial condition and results of operations***

Our activities are subject to extensive regulation and supervision, *inter alia*, by the Federal Network Agency ("FNA") in Germany and European authorities such as the European Commission. As we have been designated by the FNA as a network operator with significant market power in the voice call termination markets for both mobile and fixed-line services, we are subject to the strict regulatory provisions of the German Telecommunications Act (*Telekommunikationsgesetz*) and, *inter alia*, have to provide access on a non-discriminatory, fair and reasonable basis to other network operators to our mobile and fixed-line networks at prices determined by the FNA. Our price-regulated services also include international roaming of voice, SMS and data services within roaming. With the European Telecoms Single Market Regulation (TSM-R), which came into force in November 2015, the European Commission has resolved the gradual removal of roaming charges for end-customers in addition to their domestic tariff ("Roam-like-home") by 15 June 2017. Regulatory authorities may also impose obligations on us in relation to, among other things, requirements to keep and obtain frequency allocations, certain tariff reductions, consumer protection measures, and privacy including data protection and public safety provisions. If we fail to comply with applicable regulations as interpreted by the relevant authorities or obligations imposed relevant authorities, we may be subject to sanctions, which may have an adverse effect on our business.

The regulatory authorities could take additional measures at any time in order to further curtail roaming tariffs and fixed or mobile telecommunications termination rates even more. They could similarly oblige us to grant third parties access to our networks at reduced prices. Decisions made by the regulatory authorities can also directly and critically influence the scope of our products and services.

We could also be affected by regulatory actions carried out by antitrust or competition bodies. These authorities could prohibit certain actions, such as acquisitions or specific services or practices.

Any such regulatory measures or a change in regulation could have a material adverse effect on our business, financial condition and results of operations.

***Our licenses and assigned frequency usage rights have finite terms, and any inability to renew or obtain new licenses and frequency usage rights necessary for our business could adversely affect our operations***

Our mobile operations rely on the availability of frequency spectrum. The use of frequencies requires a prior frequency assignment by the FNA. Frequency usage rights are usually awarded by auction and have finite terms. Any participation in an auction may result in us not being able to renew frequency usage rights or obtain new frequency usage rights, which may potentially be required in connection with updating the mobile network to new technologies, on equivalent or satisfactory terms, or at all. Even if we are successful in an auction, the renewal of any licenses or assignment of frequency usage rights may come at significant cost particularly in the case of highly valuable licenses or frequency usage rights such as those used for our Global System for Mobile communication "GSM", Universal Mobile Telecommunications Service "UMTS" and Long Term Evolution "LTE" networks. Furthermore, payments for the extension of licenses or future frequency usage rights may be required to be effected much earlier than the actual usage of such rights.

Certain of our frequency usage rights expire at the end of the years 2020 and 2025. In 2016, the FNA has initiated a process to provide new frequencies for the further development of digital infrastructures. Over the time, it has developed and publicly consulted several papers. *Inter alia*, the FNA published a position paper on key elements on 27 June 2017 and, at the same time, initiated a procedure for determining the frequency demand for nationwide assignments in the 2 GHz (expiring 2020 and 2025) and 3.6 GHz bands. On 29 January 2018, the FNA published for consultation draft decisions in which it concludes that spectrum is scarce and that the spectrum shall be awarded by way

of an auction. On 16 May 2018, the FNA decided to order an auction comprising 2x60 MHz of nationwide 2.0 GHz and 1x300 MHz of nationwide 3.6 GHz spectrum and announced that it expects this auction to take place at the beginning of 2019. Thus, FNA announced to run an allocation process for 1x100 MHz of 3.6 GHz spectrum for regional usage. The 3.6 GHz frequencies are particularly well suited for 5G technology. It is expected that, besides network operators, also players from other industries could be particularly interested in the 3.6 GHz frequency usage rights which are foreseen for regional usage.

If we cannot extend or newly obtain sufficient frequency usage rights, this could prevent us from expanding and developing our mobile network as intended or even continuing our business operations at the current scope which could have a detrimental effect on our revenues. If the financial conditions for the use of these frequency usage rights change significantly to our detriment, this would lead to significantly higher investment costs than planned which would have a detrimental effect on our profitability.

A potential change to the scope or the costs of our frequency position could have a material adverse effect on our business, financial condition and results of operations.

***Our acquisition of the E-Plus Group resulted in certain restrictions and conditions imposed by the competent competition or regulatory authority. In addition, we could be unable to realise the currently expected level of synergies.***

In approving the acquisition of the E-Plus Group, the European Commission obligated us to meet various requirements.

We had to make available to one or more (up to three) third parties a total of 20 per cent of the network capacity of the mobile networks of both Telefónica Deutschland and the E-Plus Group and had to grant such third party the right to acquire additional network capacity of up to an aggregate of 10 per cent of the combined network capacity. To meet a respective requirement, we made a total of 20 per cent of the network capacity of our mobile network available to a subsidiary of Drillisch AG ("**Drillisch**") and provide related services on terms and conditions set by the European Commission. In the meantime, the majority in Drillisch was acquired by United Internet AG and Drillisch was renamed to 1&1 Drillisch AG. In addition, if we fail to ensure strict compliance with the contracts concluded we could face significant fines.

We have further incurred the obligation to provide 2,600 MHz spectrum as well as 2,100 MHz spectrum on the basis of a lease agreement at pre-determined prices and for a term compliant with the expiry of the relevant frequency usage rights to potential new market entrants. In addition, we are obliged to offer national roaming services, and/or to agree to a passive radio network sharing to such new market entrant. As there were no new market participants in the 2015 frequency usage right auction, this obligation only continues to exist towards Drillisch.

Finally, we are obligated to offer to all MVNOs and service providers which procured 2G/3G/4G services from Telefónica Deutschland and/or the E-Plus Group at the time of the merger to prolong their existing contracts until the end of 2025 (or such earlier date on which Telefónica Deutschland may cease to offer 2G/3G or 4G services to its own customers). In addition, Telefónica Deutschland is obligated to waive any obligations of MVNOs and service providers which currently procure 2G/3G/4G services from Telefónica Deutschland and/or the E-Plus Group according to which the respective MVNO or service provider has to transfer its customer base to Telefónica Deutschland and/or the E-Plus Group in case of a change of network or change of business model. Both obligations have been fulfilled in early 2015 by respective self-commitment letters provided to the respective MVNOs and service providers. In addition, Telefónica Deutschland is obligated to provide access to 4G services on the basis of agreements to all MVNOs and service providers within twelve months after the start of the performance of the agreement concluded with the MBA MVNOs with terms at least until the end of 2025 (or such earlier date on which Telefónica Deutschland ceases to offer 4G services to its own customers). This offer has to be made at prices to be determined on a benchmark basis. Access to 2G/3G/4G services is available since 1 July 2016 on basis of a standard offer including a retail-minus and a pay-go model.

Our compliance with the above obligations limits and may potentially further limit the capacity of our mobile network available to us which may affect the network quality and availability and, thus, customer satisfaction.

Three years after the merger, we have already realised synergies of approximately € 670 million in our annual operating cash flow. Our remaining core project is the network consolidation. There can be no assurance that we will be successful in completing the network integration by the end of 2018. Further, there can be no assurance that we will be successful in achieving our synergy target by 2019 or at all. Furthermore, it cannot be excluded that the assumptions used as basis for estimating the outstanding synergy effects turn out to be inappropriate or incorrect. The estimation of potential synergy effects is forward-looking and therefore subject to changes in a large number of factors, such as the general economical, industry, legal and tax environment, in consumer behaviour, changes in technology, in the successful development or product portfolio, the retention of key personnel and changes in our business strategy, development and investment plans.



The materialisation of any of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

***We may be adversely affected by public perception of alleged health risks associated with electromagnetic radio emissions and wireless communications devices and antennas***

There is certain public concern regarding alleged potential effects of electromagnetic fields emitted by mobile telephones and base stations on human health. Governmental authorities may impose significant restrictions on the location and operation of antennas or cell sites, in particular, by limiting the permissible transmission power, which could lead to our inability to further expand and upgrade our mobile network. Additionally, should the FNA lower the limits on exposure to electromagnetic fields, we would have to invest in network reconstruction in order to adhere to such guidelines.

The materialisation of this risk could have a material adverse effect on our business, financial condition and results of operations.

***The funding that we may need to acquire additional or renew existing frequency usage rights or to update our mobile network to new technologies such as 5G may not be available to us***

Our business is capital intensive and requires significant amounts of investments. In addition to the implementation of our capital expenditure program for the regular maintenance and optimisation of our mobile network which will continue to require cash outlays in the foreseeable future, technological updates of our mobile network to new technologies, such as 5G, are very likely to require significant investments. In addition, the acquisition of additional frequency usage rights or the extension of the use of our existing frequency usage rights (see "*Our licenses and assigned frequency usage rights have finite terms, and any inability to renew or obtain new licenses and frequency usage rights necessary for our business could adversely affect our operations*") may also require significant funds.

We may not be able to generate sufficient cash flows in the future to meet the respective investments needs. Therefore, we may require additional sources of funding. Consequently, we may need to raise additional debt or equity financing in amounts that could be substantial and which could not be available to us when required.

Our ability to raise additional capital to fund our investments into frequency usage rights and technological updates of our mobile network could be further influenced by factors such as changing market interest rates, restrictive covenants in our debt instruments or negative changes in our credit rating or the credit rating of our majority shareholder. Future debt agreements we may enter into may include provisions restricting our ability to raise financing or to make certain business changes.

The materialisation of any of the above-mentioned risks could have a material adverse effect on our business, financial condition and results of operations.

***Unexpected events may result in our insurance coverage being inadequate***

We have various insurance policies necessary for our ongoing business operations, in particular, to protect us against risks arising from the operation of technical infrastructure as well as from potential violations of third-party copyrights or patent rights. However, we may incur damages for which we have no or insufficient coverage, which could have a material adverse effect on our business, financial position and results of operations.

***The success of our business operations depends on our ability to attract and retain customers***

Our ability to attract and retain subscribers will depend in large part on convincing subscribers to switch from competing operators to our services and our ability to minimise subscriber deactivation rates, referred to as customer "churn". Churn may also rise if the actual or perceived quality of our services in particular of our network (see "*Sustained or repeated disruptions or damage to our mobile or fixed-line networks and technical systems may lead to the loss of customers or a decrease in revenues and require costly repairs*") is insufficient or if we are unable to provide our subscribers with attractive portfolios of products and services.

Our inability to attract or retain customers due to these and other factors outside our control could have a material adverse effect on our business, financial condition and results of operations.

***Poor network quality and sustained or repeated disruptions or damage to our mobile or fixed-line networks and technical systems may lead to the loss of customers or a decrease in revenues and require costly repairs***

Our business is dependent on the functioning of our mobile and fixed-line networks and on certain central systems and service platforms. If any part of our mobile or fixed-line network or technical systems is subject to lasting or repeated interruptions, disturbances or damages, our operations and customer relations could be materially and adversely affected. In case of such interruptions, disturbances or damages, we could experience a higher churn rate due to a perception of a lower network performance compared to our competitors.

The current integration of the former network of the E-Plus Group has caused and may continue to cause regional disturbances of our access network. In addition, the network quality regarding voice and data services might decrease should we not be able to expand our network and IT capacity, for example, due to a lack of profitability of sufficient funding options to finance such expansion (see "*The funding that we may need to acquire additional or renew existing frequency usage rights or to update our mobile network to new technologies such as 5G may not be available to us*").

If we fail to maintain, expand and upgrade our networks and are unable to offer our customers continuously high quality and value, we may not be able to retain customers or attract new customers.

***Cyber-attacks or other unauthorised access to our systems with the aim of stealing data and know-how and/or sabotaging our operations could delay or interrupt the services to our customers, harm our reputation, or subject us to significant liability and fake payment instructions could subject us to significant losses***

Our success depends on our ability to protect our operations from interruptions or damages resulting from unauthorised entry or computer viruses. Cyber-attacks are intentional infections and infiltrations by hackers which could affect our IT systems and the IT systems used by our customers. These hackers can be individuals or well-funded organisations. Common threat vectors would be infections by internet browsing (drive-by-infection) and e-mail. Infections can be "en masse" or targeted.

Possible consequences of cyber-attacks include the loss and disclosure of sensitive corporate or personal data of our employees and customers as well as extortion via ransomware. The corruption of business or customer data may go unnoticed for a long time and could make back-ups useless and cost efficient repair impossible. Any system failure or security breach that causes interruptions or data loss in our operations or in the IT systems used by our customers or leads to the misappropriation of our customers' confidential or personal information, could result in significant liability to us. Cyber-attacks could also result in the loss of internal communication or communication with our customers and business partners via our networks and downtime of our systems and services (e.g. denial of service) which may result in reduced productivity and a loss of revenues. In addition, it could cause our service to be perceived as not being safe thereby harming our reputation and deterring current and potential customers from using our services.

In addition, we cannot exclude that we could become the victim of the frequently used criminal scheme of fake payment instructions. Should we become the victim of such fake payment instruction scheme, this could subject us to significant losses.

#### ***We rely heavily on certain suppliers and service providers***

Like other companies in the telecommunications industry, we are heavily dependent on certain of our suppliers. For example, for the provision of fixed-line services we rely on the network of our competitor Deutsche Telekom. Additionally, we have entered into standard agreements with Deutsche Telekom for access to Deutsche Telekom's "unbundled local loop" ("ULL"). We also depend on suppliers and service providers in connection with the installation and operation of our IT and network infrastructure. We further rely on our ability to interconnect with the networks of other network operators and on third-party operators for the provision of international roaming services for our mobile customers. We have outsourced parts of our operations, including most of our technical services and the maintenance of our networks. We have also outsourced a significant portion of our IT services and infrastructure.

We also depend on BT Germany GmbH & Co. OHG in connection with the installation and operation of our IT and communications equipment and the support of infrastructure as well as with housing of our core and access sites and on Atos Information Technology GmbH to which we have outsourced certain of our IT assets and processes. In addition, we lease a significant portion of the tower sites for our mobile network infrastructure from American Tower Corporation and from Telxius S.A., an entity of the Telefónica, S.A. Group, to whom we have sold these sites in sale and lease back transactions.

With regard to the handset devices we sell to our customers, we rely on very few suppliers of very popular devices. If one of these suppliers were to exercise its market position to exert pressure on us with regard to the supply prices or conditions, this could have a material adverse effect on our profitability.

Consequently, our ability to offer our services to our customers depends on the performance of these suppliers and service providers of their respective obligations under existing arrangements. Should any of our suppliers not deliver services to us in the agreed quality, at the required time and in the required quantity, this could have a negative impact on the services that we provide to our customers and could negatively impact our revenues and customer satisfaction levels. In addition, we may not be able to replace the respective supplier or service provider in a timely and cost efficient manner, or at all.

Our relationships with important suppliers could deteriorate or the relevant agreements could be terminated, and we may not be able to find a suitable alternatives at comparable cost, within a reasonable timeframe, or at all.

The risks associated with our reliance on these suppliers could have a material adverse effect on our business, financial condition and results of operations.

***We license the use of our primary brand O<sub>2</sub> from Telefónica, S.A. Group and could be limited in our usage by the terms of the license agreements or for any other reason***

We currently market the majority of our products and services under the O<sub>2</sub> brand and intend to continue to do so in the future. We license the use of the O<sub>2</sub> brand from the Telefónica, S.A. Group. Rights to use the O<sub>2</sub> brand are provided under a license agreement with O<sub>2</sub> Worldwide, the legal owner of the rights to the brand and an entity of the Telefónica, S.A. Group. The term of the license is indefinite, but it may be terminated for good cause, including if we experience a take-over. If we were unable to continue to use the O<sub>2</sub> brand due to a termination of the license or for any other reason, significant time, effort and resources would be required to establish a new brand identity. This could cause a material adverse effect on our business, financial condition and results of operations.

***We are dependent on Telefónica, S.A. Group for essential services. Failure to renew existing service agreements with Telefónica, S.A., at all or under favourable terms, could adversely affect our business, financial condition and results of operations***

We are dependent on the Telefónica, S.A. Group for our ability to source network equipment under the Telefónica, S.A. Group's global purchasing contracts and access to premium devices and cost benefits from shared services and functions at attractive prices. Telefónica, S.A. Group companies provide us with certain services and resources that are necessary for our operations and to maintain service quality levels. We rely on these to support our business activities and to help us remain competitive.

In particular, we have entered into agreements for the use of the Telefónica and O<sub>2</sub> brands in Germany, cost sharing and service arrangements in relation to areas of innovation, agreements for technology charges and an agreement for human resource-related services. We participate in the procurement process of Telefónica, S.A. Group and interact with subsidiaries of Telefónica, S.A. Group in connection with large multinational business customers. We procure insurance service from Telefónica, S.A. Group's entities in relation to insurance premiums and we have entered into loan agreements with Telefónica, S.A. Group entities as lenders. Any termination of or failure to renew existing agreements in terms of provision of services could have a material adverse effect on our business, financial condition and results of operations.

In addition, we participate in the cash management system used by the Telefónica, S.A. Group under deposit and cash management agreements. Our remaining repayment claims under the deposit and cash management agreements may not be fully recoverable if Telefónica, S.A. defaults.

The occurrence of any of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

***We could infringe data, consumer protection and competition laws which could result in fines, loss of reputation and customer churn***

We collect, store and use data in the ordinary course of our operating business that is protected by data protection laws. With effect as of May 2018 our operations and services need to comply with the new General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**"), which harmonises the data protection regulations throughout the European Union and implements a stricter data protection compliance regime and substantially increases the fines for a breach of data protection law. Data protection agencies have the right to audit us and impose orders and fines if they find that we have not complied with applicable laws and adequately protected customer data. Any limitations imposed by stricter interpretation of the existing requirements or by future modifications of the data protection laws could have a significant impact on our business operations and our ability to market products and services to existing or potential customers.

It may not be possible to prevent cases of data leakage or the misuse of data as a result of human error, technological failure or other factors outside of our control. We may also be subject to consumer data leakage from cyber-attacks on our data systems or criminal activities by our employees or service providers.

Consumer protection associations or entities regularly monitor the conditions we impose on, and our interactions with, our customers. These consumer protection associations or entities could file claims against us claiming the invalidity of provisions in our general terms and conditions on the basis that these provisions unreasonably disadvantage the consumer contrary to good faith principles. We may further inadvertently infringe laws prohibiting aggressive phone marketing methods, known as "cold calling" and other direct marketing methods. Within the EU, the Directive on Privacy in Electronic Communications, and within Germany, the UWG (*Gesetz gegen den unlauteren Wettbewerb*) and the Telecommunications Act (*Telekommunikationsgesetz*), make it unlawful for us to approach prospective customers for direct marketing purposes via telephone without the express prior written consent of the customer. Consumer protection associations or entities could file claims against us seeking, among other things, the disgorgement of profits made with the alleged breach of these laws or provisions in our general terms and conditions they consider void.

Violation of data protection laws or the infringement of consumer protection or competition laws may result, *inter alia*, in fines and customer churn, as well as an irrecoverable loss of our reputation in the market. In addition, data leakage may lead to the obligation to inform the individuals affected.

***We are and may become involved in legal proceedings which may expose us to substantial liability or adversely impact our business***

We are and expect to be involved in litigation in the ordinary course of our business (for example, with regard to contractual damage claims, employment matters or infringements on intellectual property). It may be expensive and time consuming for us to bring or defend against such claims, which could result in settlement or damages.

For example, in 2016, 1&1 Telecom GmbH, Mass Response Services GmbH, Vienna, and Multiconnect GmbH, Munich, have filed complaints against statements by the European Commission on the extent of our 4G access obligations. Oral hearings at the European Court have taken place in December 2017, final judgements are still pending.

The involvement in litigation could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to claims that we infringe the intellectual property rights of others and may be unable to adequately protect our own intellectual property rights***

We use technologies that make use of intellectual property held by third parties. Increasing dependence of the telecommunications equipment industry on technology protected by intellectual property rights increases the possibility that we will be exposed to litigation or other proceedings to defend against alleged infringements of, or disputes in relation to, the intellectual property rights of others. Furthermore, we may be forced to acquire additional and costly technology licenses in the future or to pay additional royalties for technologies employed. The contractual obligations set up in order to protect ourselves include indemnification claims against our suppliers. However, these may be out of business or otherwise fail to fulfil their indemnification obligations when we call upon them. Furthermore holders of intellectual property considered infringed by a competent court may claim significant compensation for damages and also require us to cease the use of protected technology which in turn may cause us to shutdown functions, parts of or our networks as a whole.

We have a combination of patents, licenses, copyrights, trademarks, trade secrets and contractual obligations in place to protect the intellectual property and know-how which we use to provide our products and services. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property and know-how, we could suffer losses in revenues and profits due to competitive products and services unlawfully offered based on our intellectual property or know-how. Litigation or other proceedings may be necessary for us to enforce and protect our intellectual property rights. Any such intellectual property litigation or proceeding could be costly. An unfavourable court decision in any litigation or proceeding could result in the loss of our intellectual property, which could subject us to significant liabilities or disrupt our business operations.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

***We could be subject to damage claims or contractual penalties if we do not comply with our contractual and legal obligations***

We have entered into contractual relationships, including these with our customers, suppliers and service providers and wholesale and other distribution partners. For example, certain of our supply contracts contain provisions on minimum purchase volume requirements. If we fail to order handsets or smartphones in the agreed volumes, we may be subject to contractual penalties or liability claims.

If we breach any of the contractual or other legal obligations arising from or in connection with these contractual relationships, this could have material adverse effect on our business, financial condition and results of operations.

***We could be obliged to pay additional taxes as a result of tax audits and unfavourable changes in tax environment***

Like every company, we are subject to regular tax audits. These include an intrinsic risk that higher subsequent tax payments for prior tax periods may be imposed if the tax authorities have a divergent opinion about the interpretations and calculation principles that form the basis of our tax declaration. Furthermore, changes in tax laws or in the interpretation of existing regulations by courts or tax authorities may also have an adverse effect on our business activities as well as on our financial position and results of operations.

***We may not be in a position to use the full amount of our tax losses carried forward***

As of 31 December 2017, Telefónica Deutschland reported trade tax losses carried forward – for which no deferred tax assets are recognised – in the amount of € 14.1 billion. However, as it is a limited partnership, it is not subject to corporate income tax. Only its partners are subject to corporate income tax. As of 31 December 2017, reported corporate income tax losses carried forward – for which no deferred tax assets are recognised –, in the amount of € 14.4 billion, were primarily attributed to the Guarantor and Telefónica Germany Management GmbH as partners of

Telefónica Germany OHG. All trade and corporate income tax losses carried forward – irrespective of whether or not deferred tax assets are recognised – could be forfeited in the future, in part or in full, at the level of the Guarantor, Telefónica Germany Management GmbH or Telefónica Germany OHG if, *inter alia*, an acquirer, a person affiliated with such acquirer or a group of acquirers with similar interest acquires directly or indirectly more than 25 per cent of the company's shares within five years. The tax losses carried forward and losses existing at the time the threshold is exceeded could be forfeited on a pro rata basis. If such an acquisition relates to more than 50 per cent of the company's shares, the tax losses carried forward could be forfeited completely. As a consequence, the Guarantor, Telefónica Germany Management GmbH and Telefónica Germany OHG may no longer be able to use tax losses, or may only be able to use them to a limited extent. This will result in a higher tax burden. Irrespective of the above, if we decide to implement a change in the partnership structure, this could also result in the forfeiture of trade tax losses carried forward. This may have a material adverse effect on our business, financial condition and results of operations.

***We face liquidity risks associated with financing our ongoing operations***

We face significant funding requirements associated with the deployment, operation and maintenance of our existing mobile and fixed-line networks. These costs form a significant portion of our total cost base and may increase in the future. We work on our liquidity management closely with the Telefónica, S.A. Group and, in accordance with the corporate policy, have concluded cash-pooling and deposit agreements with Telfisa Global B.V., The Netherlands, a member of the Telefónica, S.A. Group. However we may not be able to generate sufficient cash flows in the future to meet our respective capital expenditure needs. Therefore, we may need to raise additional debt or equity financing in amounts that could be substantial.

Our ability to raise additional capital to fund our operations could be influenced by factors such as adversely changing credit markets, increasing interest rates and credit spreads, restrictive covenants in our debt instruments or negative changes in our credit rating. Future debt agreements we may enter into may include provisions restricting our ability to raise financing or to make certain business changes.

The materialisation of any of the above-mentioned risks could have a material adverse effect on our business, financial condition and results of operations.

***Changes in the business perspective may result in impairments of the carrying amounts of certain of our assets.***

The carrying amounts of our assets and the Guarantor's subsidiaries are reviewed periodically. In addition to the regular annual measurements, specific impairment tests may be carried out, where changes in the business perspectives suggest that the carrying amounts of goodwill, intangible assets or property, plant and equipment, investments accounted for using the equity method, or other financial assets might have decreased. These tests may lead to the recognition of impairment losses that do not, however, result in cash outflows. This could impact our results to a considerable extent which in turn may negatively affect the price of the Notes.

***We are subject to counterparty risk***

Telefónica Deutschland may be exposed to financial losses due to the inability of contractual partners to repay or service debts in accordance with their contractual obligations. This risk exists particularly with regard to the payment obligations of the subscribers of our services and our wholesale partners. To control credit risk, we regularly conduct an analysis of the maturity structure of trade receivables and recognise adjustments on doubtful receivables with a credit risk provision. A significant increase in contractual partners defaulting on their contractual obligations towards us, could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to the risk of changes in general market interest rates***

Future cash flows or the fair value of financial instruments could fluctuate as a result of changes in market interest rates. Although we manage our interest rate risk by seeking to ensure we have a balanced portfolio of fixed-interest and variable-interest financing instruments. Where necessary, interest rate swaps are used in achieving this aim. Telefónica Deutschland is exposed to interest rate risks as a borrower mainly due to loan agreements at variable interest rates and to interest rate swaps, as well as to the variable interest rate cash pool accounts with Telfisa Global B.V. To reduce the existing interest rate risk, interest rate swaps in connection with the issue of bonds were concluded on a partial amount of the nominal value of the bonds issued in November 2013 and in February 2014. An increase in general market interest rates could lead to an increase in our overall interest payment burden which could have material adverse effect on our business, financial condition and results of operations.

## **Risks relating to the Notes**

An investment in the Notes involves certain risks associated with the characteristics, specification and type of the Notes which could lead to substantial losses that Holders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, *inter alia*, the following risks:

### ***Notes may not be a suitable investment for all investors***

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including cases in which the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and the content of this Prospectus; and
- (v) be able to evaluate, either alone or with the help of a financial adviser, possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Liquidity risk***

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. However, there is a risk that no liquid secondary market for the Notes will develop or, if it does develop, that it will not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted notes. In an illiquid market, an investor is subject to the risk that he will not be able to sell its Notes at any time or at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

### ***Risk of early redemption***

The Notes may be redeemed at the option of the Issuer (in whole, but not in part) at the principal amount plus accrued interest to the date fixed for redemption for reasons of taxation and during a period of three-months prior to the Maturity Date. Further, the Notes may be redeemed at the option of the Issuer for reasons of minimal outstanding amount Redemption Price (as defined in the Terms and Conditions) or in case of a change of control event at 101 per cent of the principal amount, in each case plus accrued interest to the date fixed for redemption, as more fully described in the Terms and Conditions. In addition, the Notes may be redeemed at the option of the Issuer (in whole or in part) at the make whole redemption amount, plus accrued interest to the date fixed for redemption, as more fully described in the Terms and Conditions. In the event that the Issuer exercises the option to redeem the Notes, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

### ***No Early Redemption option for Holders in case of change of control***

In case of a change of control in the Guarantor, the Holders have no right pursuant to the Terms and Conditions to request the early redemption of the Notes and thus may be subject to the risk that the creditworthiness of the person having control over the Issuer or the Guarantor after the occurrence of the change of control differs from the creditworthiness of the Issuer and the Guarantor. As a consequence, the yield of the Notes may no longer reflect the risks associated with an investment in the Notes.

### ***Market price risk***

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Note. The Holders are therefore exposed to the risk of an unfavourable development of market prices of their Notes which materialise if the Holders sell the Notes prior to the final maturity. If a Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the principal amount of the Notes.

### ***Creditworthiness of the Guarantor***

If, e.g., because of the materialisation of any of the risks regarding the Guarantor, the likelihood that the Guarantor will be in a position to fully perform all obligations under the Notes when they fall due decreases, the market value of the Notes will suffer. In addition, even if the likelihood that the Guarantor will be in a position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a

different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as Telefónica Deutschland could adversely change.

If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialisation of said risk. Under these circumstances, the market value of the Notes will decrease.

#### ***Currency risk***

The Notes are denominated in Euro. If such currency represents a foreign currency to a Holder, such Holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes in the currency of the Holder. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

#### ***Fixed rate notes***

The Notes bear interest at a fixed rate. A Holder of fixed rate Notes is particularly exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed rate Note as specified in the Terms and Conditions is fixed during the life of the Notes, the current interest rate on the capital market typically changes on a daily basis. As the market interest rate changes, the price of fixed rate Notes also changes, but in the opposite direction. If the market interest rate increases, the price of fixed rate Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate of comparable issues. If the market interest rate falls, the price of fixed rate Notes typically increases, until the yield of such Notes is approximately equal to the market interest rate of comparable issues. If a Holder holds its Notes until maturity, changes in the market interest rate are without relevance to such Holder as the Notes will be redeemed at the principal amount of the Notes.

#### ***Resolutions of Holders***

Since the Notes provide for meetings of Holders or the taking of votes without a meeting, a Holder is subject to the risk of being outvoted by a majority resolution of the Holders. As such majority resolution is binding on all Holders, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled.

#### ***Holdings' Representative***

Since the Notes provide for the appointment of a Holdings' representative (*gemeinsamer Vertreter*), it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, such right passing to the Holdings' representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

#### ***Risk of potential Conflicts of Interest***

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business.

#### ***Risks in connection with the application of the German Act on Issues of Debt Securities (Gesetz über Schuldverschreibungen aus Gesamtemissionen, "SchVG")***

A Holder is subject to the risk to be outvoted and to lose rights towards the Issuer against his will in the case that Holders agree pursuant to the Terms and Conditions to amendments of the Terms and Conditions by majority vote according to the SchVG. As resolutions properly adopted are binding on all Holders, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled. In the case of an appointment of a noteholders' representative for all Holders a particular Holder may lose, in whole or in part, the possibility to pursue, enforce and claim his rights under the Terms and Conditions against the Issuer regardless of other Holders, such rights passing to the Holdings' Representative who is then responsible to claim and enforce the rights of all Holders.

#### ***Changes in Accounting Standards***

The Issuer's annual financial statements are prepared in accordance with the accounting principles of the German commercial code (*Handelsgesetzbuch, "HGB"*) and the Guarantor's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). New or changed accounting standards may lead to adjustments in the financial statements and specific line items of the Issuer and the Guarantor. This might lead to a different perception of the market regarding the Issuer's and the Guarantor's creditworthiness. As a result, there is a risk that the market value of the Notes might decrease.

***No restriction on the amount of debt which the Issuer or the Guarantor may incur in the future***

There is no restriction on the amount of debt which the Issuer or the Guarantor may issue which ranks equal to the Notes. Such issuance of further debt may reduce the amount recoverable by the Holders upon winding-up or insolvency of the Issuer or the Guarantor.



## **USE OF PROCEEDS**

The Issuer intends to transfer the net proceeds from the offering of the Notes by way of an upstream-loan to its shareholder Telefónica Germany OHG which intends to use the net proceeds for the refinancing of existing debt and its general corporate purposes.

## INFORMATION ON THE GUARANTOR

### Formation, registered office and duration

Telefónica Deutschland Holding AG is incorporated in Germany as a German stock corporation (*Aktiengesellschaft*) organised and operating under German law. It was founded as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) by KPMG Unternehmensberatung GmbH by notarial deed No. 409/1995-s dated 29 November 1995 by notary public Dr. Klaus Fischer and was registered in the commercial register on 28 February 1996. The Guarantor's change of legal form from a German limited liability company (*Gesellschaft mit beschränkter Haftung*) into a German stock corporation (*Aktiengesellschaft*) was resolved by the general shareholders' meeting on 18 September 2012 and was registered in the commercial register on 26 September 2012. Since that date, the Guarantor has existed as a German stock corporation (*Aktiengesellschaft*).

The legal and business name (*Firma*) of the Guarantor is "Telefónica Deutschland Holding AG". The legal seat (*Satzungssitz*) is in Munich, Germany. The Guarantor is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) in Munich under registration number HRB 201055 and has its business address at Georg-Brauchle-Ring 50, 80992 Munich, Germany (telephone number: +49 (0) 89 2442-0; www.telefonica.de). The Guarantor has been established for an unlimited period of time.

### Financial year

The Guarantor's financial year is the calendar year (1 January through 31 December).

### Corporate object of the Guarantor

The business purpose (*Unternehmensgegenstand*) of the Guarantor as set forth in section A "General Provisions" paragraph 2 of its articles of association (*Satzung*) is:

- (i) The object of the Guarantor is to engage in Germany and abroad in the areas of telecommunications and information technology, multimedia, information and entertainment, mobile payment and other payment solutions as well as the provision of distribution and brokerage services and any services connected or related with any of these areas, including the distribution of hardware and insurance solutions.
- (ii) The Guarantor is entitled to carry out all measures and business transactions which appear necessary and useful to achieve and realise the object of the Guarantor as described in (i). In particular it may for this purpose establish branches in Germany and abroad; it may found or acquire companies of the same or similar type in Germany and abroad, or acquire an interest in such companies; it may demerge parts of its business to associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings. Furthermore, the Guarantor may itself operate in the fields of business set forth in sub-clause (i) above.

### Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich Office, Arnulfstrasse 59, 80636 Munich, Germany ("EY"), independent auditors, have audited in accordance with Section 317 of the of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) the Guarantor's consolidated financial statements as of and for the year ended 31 December 2016, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the HGB, and issued an unqualified audit opinion. EY is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

In 2016, the Guarantor initiated a process in accordance with EU directive 537/2014 to change the auditor for Telefónica Deutschland as part of the regular change of auditor. EY had been the auditor of Telefónica Deutschland since the short financial year ended 31 December 2006. Upon completion of the bidding process PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected by the Guarantor's Annual General Meeting on 9 May 2017 as auditor of Telefónica Deutschland for the financial year ended 31 December 2017.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**"), independent auditors, have audited in accordance with Section 317 of the HGB and the EU Audit Regulation (No.537/2014) and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) the Guarantor's consolidated financial statements as of and for the year ended 31 December 2017, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the HGB, and issued an unqualified auditor's report. PwC is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

## Business Description

### Overview

With over 47.6 million customer accesses as of 31 December 2017, we are one of the three leading integrated network operators in Germany. In the mobile sector, we serve the increasing demand for mobile services as a consequence of the digitalisation of ever more areas of life. With a total of 43.2 million mobile accesses as of 31 December 2017, we are one of the leaders in the German mobile market. We are a part of Telefónica, S.A. Group, one of the biggest telecommunications companies in the world.

The integration of the former E-Plus Group is progressing in line with our plans and expectations. We have completed the migration of >25 million customers to a common IT-stack and the finalisation of the brand portfolio in 2016 and by the end of 2017 we have largely completed several integration projects, such as the employee restructuring program and the optimisation of our shop and facility footprint. As a result, we have achieved the synergy targets set at the beginning of 2017. Three years after the merger, we have already realised ~75 per cent (approximately € 670 million) of the cumulative operative cash flow savings target of € 900 million. Our remaining core project, the network consolidation also progressed significantly. By year end 2017 we have decommissioned approx. 8,000 sites and have been more than 50 per cent through the consolidation process. We will continue with our region-by-region approach with a focus on access and reliability for the majority of German consumers. We are on track to largely complete the network integration by the end of 2018, while aiming for steady quality gains and keeping the focus on the subsequent LTE<sup>1</sup> rollout.

### Key markets

Germany is one of the largest telecommunications markets in Europe both in terms of accesses and revenue. The German telecommunications sector generated retail revenue of € 39.7 billion during 2017. Of this, € 19.2 billion (48 per cent) are derived from mobile services and € 20.4 billion (52 per cent) from fixed-line services (*Source: Analysys Mason*).

#### German Mobile Market

With 116.7 million customers (SIM cards) at the end of December 2017, the German mobile telecommunications market is the largest in the EU. The notional mobile penetration rate was 141 per cent, i.e. each German citizen had an average of 1.4 mobile SIM cards. The customer growth in 2017 was attributable primarily to the more valuable postpaid sector. Overall, postpaid customers accounted for 55.2 per cent of total connections as of the end of December 2017. This share was 53.5 per cent at the end of December 2016. The mobile telecommunications market continued to develop dynamically in 2017, driven primarily by the strong demand for attractive smartphones and smartphone tariffs. According to a survey by the industry association Bitkom, 81 per cent of German citizens aged 14 or older currently use a smartphone in 2017. However, a slowdown in the growth of the smartphone device market can be observed, driven by its increasing saturation and the fact that smartphones are being used for longer. According to the German Association for Consumer and Communication Electronics (gfu), around 23.0 million smartphones were sold in 2017, equating to a drop of 1.0 per cent compared with the previous year. According to the same study the average price of smartphones, in contrast, increased by 5.7 per cent to € 436. The driver of this development is the increasing demand for high-quality devices. Mobile media use resulted in growing mobile data usage. According to the German Association of Providers of Telecommunication and Value Added Services ("VATM"), 1,350 million GB of data will be transmitted over mobile networks in 2017. This is 50 per cent more than in 2016 (902 million GB). The increasing penetration of mobile end-devices with internet capability, such as smartphones or tablets, and the increasing use of mobile data services are also evident in the strong growth of revenues from mobile data in the German telecommunications market. According to Analysys Mason estimates, mobile data revenues increased by 5.6 per cent in 2017 compared with the same period in the previous year. By contrast, revenues from mobile telephony and SMS have fallen, driven by price decline, regulatory effects and changes in customer behaviour (*Source: Company Data, Analysys Mason, Bitkom, VATM, Federal Statistical Office*).

#### German Fixed-Line Market

The German fixed-line market with total retail revenue of € 20.4 billion in 2017 is split between voice (28 per cent, or € 5.7 billion) and broadband and other revenue (72 per cent or € 14.8 billion). Fixed broadband revenue in 2017 totals to € 8.4 billion with 80 per cent or € 6.7 billion from digital subscriber line ("DSL").

The main broadband access line technologies are DSL and cable. DSL continues to be the dominant technology in the broadband market, with 24.3 million of the total 32.6 million subscribers in 2017 using DSL, generating DSL revenue of € 6.7 billion. DSL growth is driven by rising number of Very High Speed Digital Subscriber Line ("VDSL") connections which grew in 2017 by 34 per cent compared to previous year. According to Analysys Mason, there were

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<sup>1</sup> Long Term Evolution ("LTE") is a 4G wireless broadband technology.

10 million VDSL connections in the market at the end of 2017, representing more than 40 per cent of total DSL connections. In 2017, cable connected 7.9 million broadband customers in Germany.

### **Competition**

#### **Mobile**

Following the merger of Telefónica Deutschland with the E-Plus Group, the German mobile telecommunications market consists of three network operators and several service providers and MVNOs. As of the end of December 2017, Telefónica Deutschland had a market share of 37.0 per cent with around 43.2 million connections in total. In terms of mobile service revenues, Telefónica Deutschland had a market share of 29.2 per cent for the three months ended 31 December 2017.

#### **Fixed-Line**

Intense competition also still prevails on the German market for fixed-line broadband services. The number of connections increased by more than 3 per cent year-on-year; the customer base is therefore estimated to have grown to more than 32.6 million by the end of 2017. The growth is mainly driven by cable and VDSL connections, which is in turn based on changed customer behaviour and the increased demand for high speeds. At the end of 2017, 28.2 per cent of fixed-line customers used connections of at least 50 Mbit/s; at the end of 2016 this was still at 23.8 per cent. The increased customer demand for more bandwidth is also reflected in the data volume generated per broadband connection and month. According to VATM, this increased by 33.2 per cent in 2017 to an average of 79 GB per connection (*Source: Analysys Mason, VATM*).

### **Products and Services**

We offer comprehensive mobile and fixed-line services for consumers and business customers and an extensive portfolio of mobile services to wholesale partners. We also provide handsets and other hardware. In addition we offer digital services including new business models in the fields of Internet of Things ("**IoT**") and intelligent data analysis, or advanced data analytics ("**ADA**").

As of 31 December 2017, we had more than 47.6 million accesses consisting of approximately 43.2 million mobile service accesses (21.3 million on a post-paid and 21.9 million on a pre-paid basis) and approximately 4.5 million fixed-line telephony and high-speed Internet accesses (2.0 million telephony accesses, 2.3 million Internet and data accesses and 0.2 million wholesale accesses).

#### **Mobile Services**

We offer mobile voice, messaging (SMS & MMS) and data services for private, business and wholesale customers. We focus especially on the promotion of data-centric mobile services. We also provide value-added services (for example, voice mail, call forwarding and three-way calling). We provide extensive post- and prepaid tariffs based on GPRS, UMTS and LTE technology for all market segments. We own frequency spectrum that puts us in a very good position to provide mobile connectivity services to the German market based on all relevant current and future technologies. Our roaming agreements allow our customers to use their mobile handsets when they travel internationally and are outside of our service territory.

#### **Fixed-line Services**

We offer nationwide fixed-line services to complement our mobile services. The offer is based on our strategic partnership with Telekom Deutschland GmbH, Bonn. It grants us long-term access to future-proof next-generation fixed-line infrastructure, currently supplying a total of more than 28 million households in Germany with VDSL internet access. In addition, the co-operation positions us to benefit from all of Deutsche Telekom's future network improvements such as an increase in VDSL coverage and higher speeds based on new technologies like FTTX (a generic term for any broadband network architecture using optical fibre to provide all or part of the local loop used for last mile telecommunications). With these advantages, we are in a very good position to provide full service offerings to both residential and business customers.

#### **Handset Business**

Through our "O<sub>2</sub> My Handy" model launched in May 2009, we sell a wide variety of handsets incl. the latest premium devices and other hardware to our O<sub>2</sub> customers. The customer can choose to pay the entire price upfront or to make a down payment and pay the remaining purchase price in 24 subsequent monthly instalments. This provides the customer with attractive payment terms and with transparency regarding the costs of the mobile handset and the costs of the mobile services. Additionally, we cover the growing demand from our secondary brand customers for more mobile data services with a wide range of affordable smartphones. We also supply our partners with hardware to some extent and support them as needed in the sales and marketing of the hardware to their customers. Our most important suppliers for mobile handsets are the manufacturers Samsung, Apple, Huawei and Sony. We focus in particular on the sale of LTE-enabled smartphones. As a result, the number of customers with LTE-enabled devices and LTE tariffs grew by 10

percentage points compared to 31 December 2016 to around 37 per cent of our customer base as at 31 December 2017. Finally, we added innovative hardware like virtual reality glasses and smart watches to our portfolio in order to support the growth of data consumption.

### ***Digital services***

We offer services such as smartphone insurance services or antivirus protection that complement our mobile handset portfolio. We also offer digital applications that make our customers' life easier and more secure in many areas. Examples are music streaming, gaming or fitness applications. Additionally we offer the O<sub>2</sub> Banking proposition, the O<sub>2</sub> TV & Video app and our partnership with Sky that provides O<sub>2</sub> customers with access to exclusive content (movies, TV series, sports events).

Furthermore, we have entered the digital markets for IoT and ADA. Regarding IoT, we focus on the consumer segment with a combination of hardware-driven offerings (for example, trackers), service-driven offerings and an IoT ecosystem. With the help of ADA we generate new insights for business and society in the areas of transport, retail and advertising. Additionally we offer data anonymisation services.

### **Market areas**

#### ***Consumer***

Our core business is our consumer business and this primarily involves providing customers with mobile voice, messaging and data services, fixed-line telephony as well as high-speed Internet access. In addition, we provide digital services such as banking, music, TV & Video, gaming, fitness and security solutions. As a pioneer in the German market, our strategic focus is on the sale of data-centric mobile communications contracts to smartphone users.

Under the O<sub>2</sub> brand, we mainly sell mobile voice, messaging and data services to consumers on a post-paid basis, but we also market pre-paid services. We also offer fixed-line services to consumers and converged offers consisting of attractive bundles of mobile and fixed-line services. We realise our focus on data-centric mobile post-paid products by offering tariffs such as our O<sub>2</sub> Free which was launched on the market in October 2016 for the first time. We have incorporated large data packages into the new O<sub>2</sub> Free pricing structure for our O<sub>2</sub> customers, winning them over with good value for money. This way we fuel the growing use of mobile data services. Since our customers are also increasingly using LTE-enabled devices that further promote data use, we are able to achieve above average revenues per customer compared to users without a smartphone. We are also seeing rising interest in smartphones and the use of mobile data in the prepaid area. Here, we offer special tariffs for smartphone users.

Mobile services under our secondary brands are generally also offered on a post-paid and pre-paid basis. We primarily sell pre-paid mobile voice, data and messaging services under our secondary brands. However, customer demand with our secondary brands increasingly shifts from pre- to post-paid tariffs and mobile data services.

#### ***Business***

We address SMEs (small and medium enterprises) as well as SoHo (small office/home office) customers through our core brand O<sub>2</sub>. We provide them with mobile and fixed connectivity and offer innovative tariffs and products like "O<sub>2</sub> Free Business", "O<sub>2</sub> Unite" or "Digital Phone". Digital Phone is a cloud-based telephony system that allows customers flexible use irrespective of location and hardware, as well as secure communication via German data centres. Within the business customer market area we also offer our M2M (machine-to-machine-communication) managed connectivity services. This business line currently contributes to mobile service revenues to a minor extent. However, we intend to develop this further in the future. Managed connectivity, part of the IoT, is a very dynamic market. Finally we address large national companies and multinational corporations through the global Telefónica Business Solutions brand of our ultimate parent company, Telefónica, S.A.

#### ***Wholesale***

Our partner business is an important pillar of our multi-brand approach. We offer a comprehensive portfolio of mobile, fixed-line and value-added services to our wholesale partners. Depending on the type of cooperation with our wholesale partners, we provide either: (i) mobile voice, messaging and data services to the end-customer under a services contract between the end-customer and us; or (ii) access to our mobile network and infrastructure (including the usage of roaming arrangements and the termination of voice minutes, data traffic and messages) to the wholesale partner to enable it to service the end-customer.

Our largest partners include MEDIONmobile (ALDI TALK), 1&1 Drillisch, mobilcom/debitel and cable providers. As part of the merger with E-Plus we have committed to selling 20 per cent of our mobile network capacity via mobile bitstream access (MBA) to Drillisch Online AG (formerly: MS Mobile Service GmbH), which now belongs to the United Internet AG group companies. Drillisch Online AG has the option to acquire up to 10 per cent of additional network capacity.

In the fixed-line business, we offer our existing wholesale partners a range of ULL services, including fixed-line telephony and high-speed internet. However, we will phase out this model by 2019 as part of the transition to the next generation fixed network of Telekom Deutschland GmbH.

**New business: IoT and ADA**

We are tapping the major economic, social and ecological potentials of the IoT and ADA. We are currently developing new business models in these fields and, in the process of doing so, we make use of both agile methods as well as the strengths of the Telefónica, S.A. Group. We intend to open up the growth area of the IoT for all market segments that we already serve with our core business. We further aim to play a leading role in the consumer IoT area, by offering an attractive range of IoT hardware and software and our own consumer IoT platform.

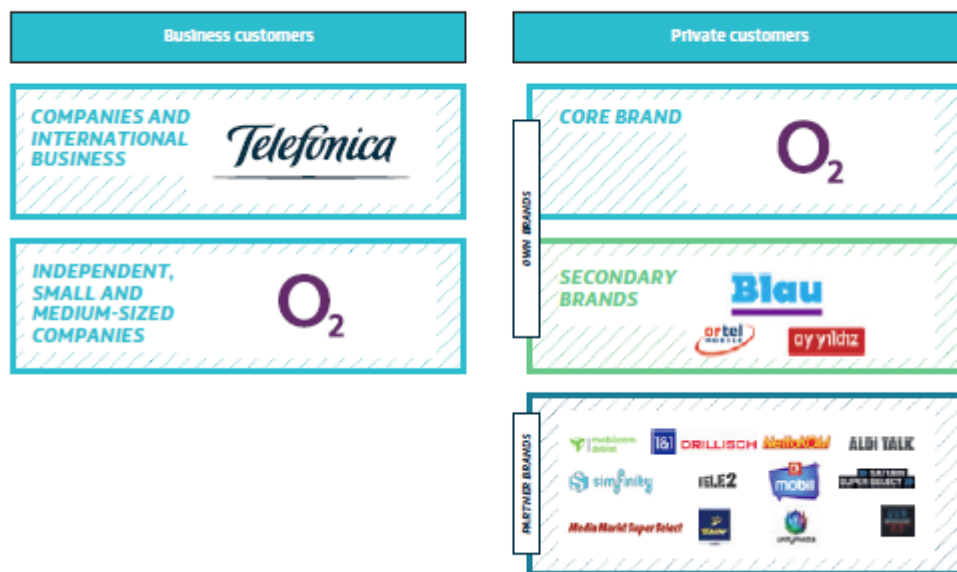
**Brand and Marketing Strategy**

Our marketing strategy follows a consistent and focused multi-brand strategy. We offer private and business customers a wide range of high-quality mobile services and fixed-line products with our core brand, O<sub>2</sub>. Large international businesses are addressed through the Telefónica brand. With our secondary and partner brands and through our wholesale channels, we reach further large groups of customers that we do not target with our O<sub>2</sub> brand. Our secondary brands include Blau, AY YILDIZ and Ortel Mobile. In addition, by means of joint activities and strategic partnerships, we offer further mobile services brands. These include, for example, ALDI TALK, in cooperation with MEDIONmobile, and TCHIBO mobil. Our multi-brand approach enables us to address the whole spectrum of customers with tailored product offerings, sales and marketing, thereby increasing our potential revenue.

The following charts provides an overview of our own and partner brands:

Our brands: Covering all market areas & customer needs

G 01 — Our brands<sup>1</sup>



<sup>1</sup> Example illustration of the brands of the secondary and partner brands.

**Sales and Distribution Strategy**

We market our products using a multi-channel sales approach in order to maximise customer growth and economies of scale. Our sales landscape includes direct sales channels such as own shops, a countrywide network of independently operated franchise and premium partner shops as well as online and telesales channels. Indirect sales channels such as partnerships and co-operations with retailers via physical and online channels complement our sales approach.

**Network Infrastructure and Spectrum Position**

We are one of the three integrated telecommunications network operators with nationwide mobile and fixed-line networks in Germany. We have a competitive network infrastructure and a sufficient amount of frequency spectrum which enable us to cope with future capacity and service quality requirements. Furthermore, we benefit from Telefónica, S.A. Group's buying power and its global expertise in network design and operations.

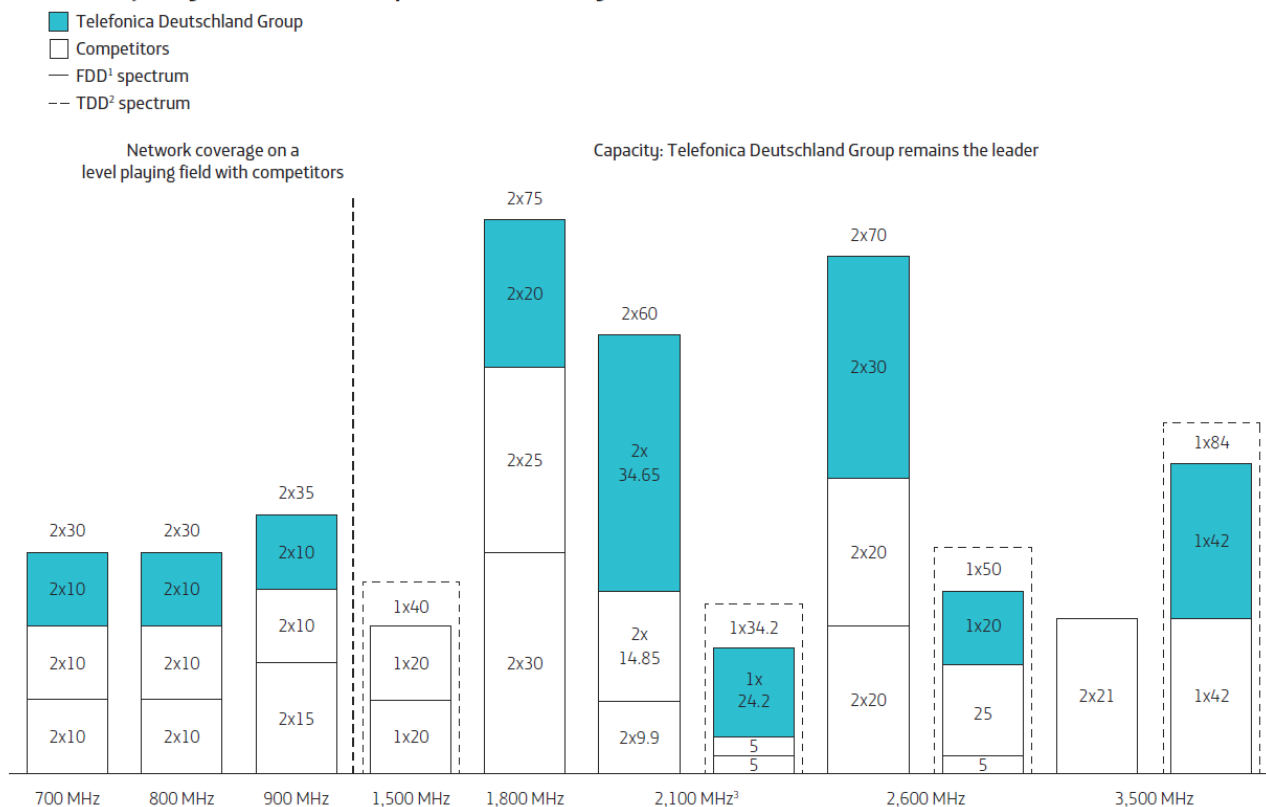
We operate a state-of-the-art mobile network. Our customers benefit from the combined strength of the O<sub>2</sub> and E-Plus networks and can make even better use of mobile data applications. As at 31 December 2017, the combined UMTS

network infrastructure reached around 89 per cent of the population in Germany. In order to improve the network experience beyond using mobile data on UMTS, we have also further continued the deployment of our LTE network. As at 31 December 2017, we achieved a Germany-wide LTE coverage rate of more than 80 per cent. We are also pressing ahead with the consolidation of the O<sub>2</sub> and E-Plus LTE networks, which we aim to complete no later than by the end of 2018.

We are also in a very good position with respect to our spectrum portfolio. As at 31 December 2017, we had access to 315.5 MHz of spectrum with a good balance between frequencies providing coverage (low frequencies) and those providing capacity (high frequencies).

The following table shows our spectrum position and the spectrum position of the other mobile network operators in Germany as at 31 December 2017:

### G 02 — Frequency bands for mobile operators in Germany



1 FDD = Frequency division duplex  
 2 TDD = Time division duplex  
 3 UMTS core band also identified as "2 GHz band" by BnetZA (German Federal Network Agency)

### Information Technology Systems

In order to provide a good customer experience, our business operations are highly dependent on the functionalities, availability, security, and continuous development of sophisticated and advanced IT systems.

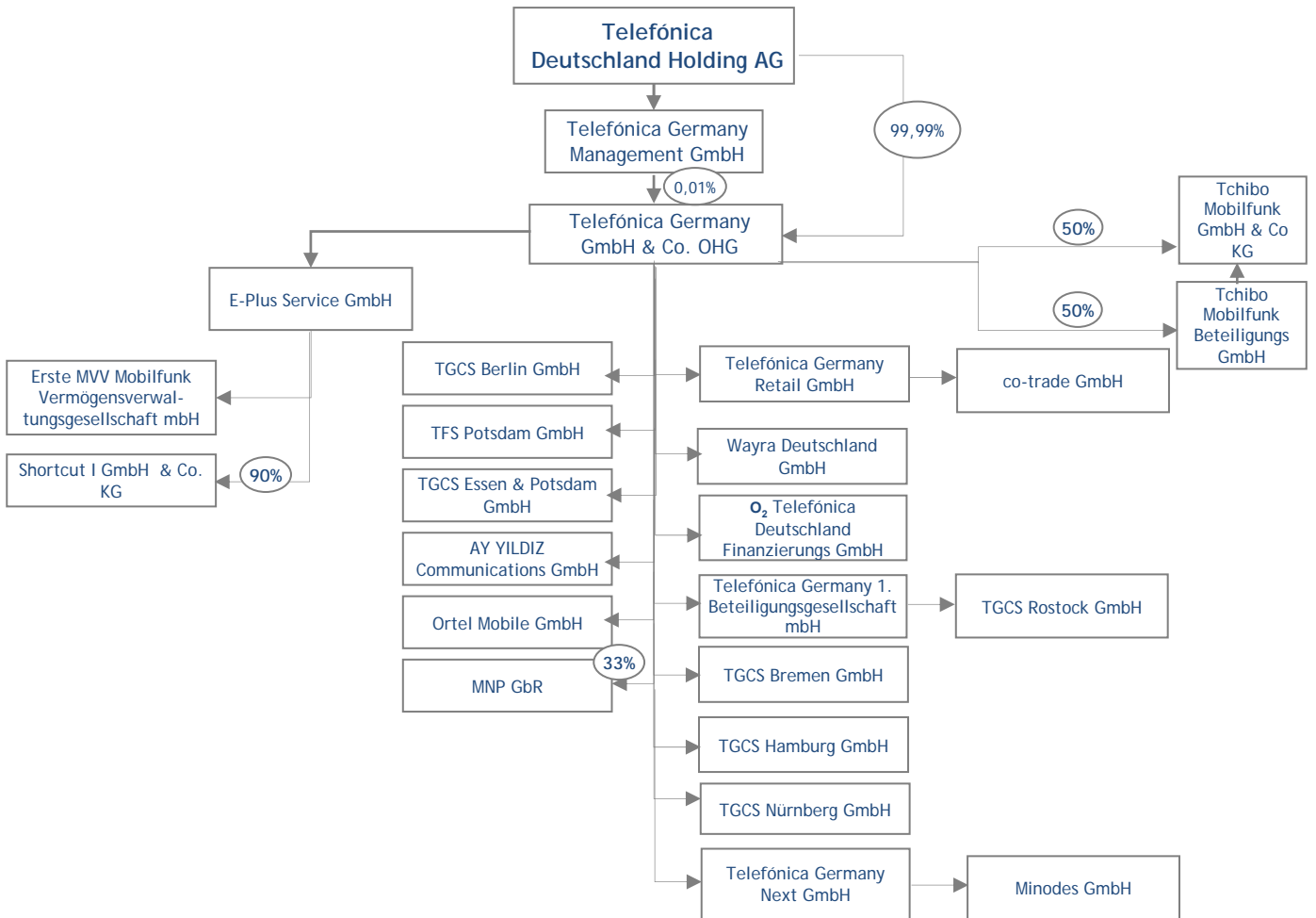
Our IT systems are integral to our business and provide the required capabilities for all fixed, mobile and digital services, such as online services point-of-sales support, third party integration of sales channels and resellers, service provisioning, billing, customer relationship management, data ware-housing and enterprise resource management, data analytics, and workplace support.

We have adapted our operating model and we are transforming our IT systems in order to create a high-performing, uniform IT landscape across all market segments and distribution paths, thereby improving the stability, availability, and efficiency of our IT services through increased standardisation, simplification, consolidation and virtualisation as well as improving effectiveness through seamless and flexible integration of third parties and digital OTT services.

In consideration of the importance of data security and data sovereignty to our business we are increasing our investments in cyber security and further enhance our security strategies to protect our customers' data and our infrastructure from the increasing risks of cyber-attacks.

## Major Subsidiaries and Organisational Structure

The following table shows the current group structure of Telefónica Deutschland:





## **Litigation and arbitration**

From time to time, we are party to governmental, legal and arbitration proceedings arising in the ordinary course of our business. Other than as discussed below, we are currently not, nor have we been in the past 12 months, party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Indirect claims against the frequency allocation at 800 MHz, 1.8 GHz, 2.0 GHz and 2.6 GHz could result in the reassignment of the 800 MHz, 1.8 GHz, 2.0 GHz and 2.6 GHz frequencies purchased at the 2010 frequency auction. This ends the legal disputes before the administrative courts. The possibility of additional legal proceedings due to as yet unasserted third-party claims against frequency allocations in 800 MHz in connection with the aforementioned legal action cannot be ruled out. If the appeals are successful, this could result in the reassignment of the frequencies for 800 MHz acquired at the 2010 frequency auction.

Commencing in December 2006, we filed several administrative claims with the Administrative Court of Cologne (*Verwaltungsgericht Köln*) against administrative acts in which the FNA set mobile termination rates ("MTR") for certain periods. We filed the claims for precautionary reasons. In our claims, we requested higher maximum mobile termination rates and contested the methodology of the calculation of the rates set by the FNA. The administrative claims regarding the MTR for the periods from December 2012 until November 2019 are still pending. However, even if we prevail in these proceedings, we will not be able – except for the currently applicable MTR – to retroactively claim the difference between the higher MTR set forth in our interconnection agreements and the lower rates set by the FNA because the relevant periods lie in the past. If we succeed, the FNA would possibly change its future methodology for setting MTR. We have withdrawn some of the claims since the methodology is not relevant anymore and we do not see any legal risks concerning the MTR in those periods anymore.

Since September 2015 Telefónica Germany OHG has been sued in a total of 13 still pending cases of alleged patent infringement by companies of the Intellectual Ventures group. An additional three cases were dismissed by the court with no appeal filed by the plaintiff. Furthermore Telefónica Germany OHG has recently received third-party notices issued by resellers of mobile devices in four cases of alleged patent infringement by Fundamental innovations Systems International and joined these cases as intervenor.

## **Material Contracts**

The following summarises contracts which we deem to have a material effect on us.

### ***Agreement with Drillisch on Usage of our Mobile Network***

As part of the remedies that we offered to the European Commission for obtaining merger clearance of the acquisition of the E-Plus Group, we entered into an agreement with Drillisch in June 2014 on terms and conditions set by the European Commission pursuant to which we are obligated to make available to Drillisch a total of 20 per cent of the network capacity of our mobile network. Drillisch is further entitled to acquire additional network capacity of up to an aggregate of 10 per cent of our mobile network capacity. Mobile network capacity, in this context, includes data throughput capacity, data volume capacity, voice capacity and capacity for SMS. The volume of capacity to be made available is subject to a glide path mechanism, i.e. the network capacity made available will increase consistently during the term of the agreement until it reaches 20 per cent or, in case Drillisch should acquire the additional network capacity, 30 per cent of the network capacity, such 30 per cent including the capacity required to serve existing customers of Drillisch on our mobile network. The term of the agreement ends on 30 June 2020, with Drillisch being entitled to extend the term of the agreement for two additional five-year periods.

### ***Backhaul Contract with Deutsche Telekom***

In order to enhance our mobile backhaul capacity and to avoid a costly expansion of our own network, we entered into an agreement with Telekom Deutschland GmbH on 23 December 2011 related to the use of parts of Deutsche Telekom's fibre-infrastructure in Germany to backhaul mobile data traffic. The first operative connection under this agreement was in April 2012. Under this agreement, Deutsche Telekom provides transportation of our mobile data between our local points of concentration and our fixed-line network components at their antennas. The agreement may not be terminated without cause prior to 31 December 2031. After that date, the agreement may be terminated with six months' prior written notice, effective at the end of each calendar year. The current intention is to connect approximately 2,000 points of concentration sites to Deutsche Telekom's fibre infrastructure. In most cases, Deutsche Telekom is obligated to deliver the link to our network within six months after we have placed an order. If we fail to order the agreed amount of connections, a contractual penalty will be due. The same is applicable to Deutsche Telekom if it fails to provide the connections in time. We are required to make a one-time payment for the point of concentration site connection and monthly payments for the use of the connection.

### ***ULL Contracts with Deutsche Telekom***

We have entered into standard agreements with Telekom Deutschland GmbH regarding access to Deutsche Telekom's ULL. Because our network does not have many access lines to customer premises, such lines and other wholesale products of Deutsche Telekom (including bit stream access) are essential for our fixed-line business. These agreements can be terminated by either party at any time with three months' prior written notice. However, Deutsche Telekom is under the regulatory obligation to grant access to its ULL at a rate regulated by the FNA. Therefore, in the event of a termination of the agreement, Deutsche Telekom is obligated to provide us with an alternative contract offer to secure service continuity.

### ***Internet and IP-Bitstream Contracts with Deutsche Telekom***

We have entered into standard agreements with Telekom Deutschland GmbH regarding wholesale internet access and IP bitstream access. Such contracts have been renewed in December 2012 and provide us with access to Deutsche Telekom's xDSL connections. These agreements can be terminated by either party at any time with six months' prior written notice. However, Deutsche Telekom is under the regulatory obligation to grant access to its DSL services at a rate regulated by the FNA. Therefore, in the event of a termination of an agreement, Deutsche Telekom is obligated to provide us with an alternative contract offer to secure service continuity.

### ***VDSL Contingency Model with Deutsche Telekom***

We have entered into an agreement with Telekom Deutschland GmbH on 6 December 2012 regarding the provision of accesses to VDSL connections of Deutsche Telekom. The agreement is based upon the VDSL contingency model approved by FNA pursuant to which the rate for the provision of VDSL connections is reduced for a contingent determined at the conclusion of the contract. Pursuant to the agreement, the pre-determined contingent can be increased to accesses to up to 11 million VDSL connections. The agreement has a fixed term until 31 March 2024.

### ***NGA cooperation with Deutsche Telekom***

Subsequent to signing a "memorandum of understanding" on 2 May 2013, we have entered into a final agreement with Telekom Deutschland GmbH on 20 December 2013 broadening our cooperation with regard to fixed-line services. The agreement provides for the transition from our ADSL infrastructure to the advanced network infrastructure of Telekom Deutschland (the so-called "next generation access platform" or NGA platform) and shall enable us to offer our customers high-speed internet products with data transfer rates of up to 100Mbit/s. The completion of the transition to Telekom Deutschland's NGA platform is expected for 2019.

### ***Agreement with Atos on outsourcing of parts of the IT***

In December 2015 Telefónica Germany OHG entered into an agreement with Atos Information Technology GmbH on the outsourcing of certain IT processes and the operation of such processes by Atos over a minimum term of five years. The services include workplace services and service desk operation, data-center and network services, application operations services, operation integration services as well as call center and shop services.

### ***Telefónica Brand***

We license Telefónica brand rights from Telefónica, S.A. pursuant to a license agreement dated 1 January 2011, for which we pay a royalty fee. Telefónica, S.A. manages the Telefónica trademarks and grants us rights to use and sublicense such trademarks in Germany in order to promote our products and services and to be identified as part of the Telefónica, S.A. Group. The license is of unlimited duration and may only be terminated for good cause or if Telefónica, S.A. reduces its shareholding in the Guarantor to under 51 per cent. In connection with the license, we have also agreed to indemnify Telefónica, S.A. against losses incurred from third party claims relating to our use of the trademarks under the license agreement or losses caused by our failure to comply with applicable laws and regulations in Germany, our breach of the license agreement and our unauthorised use of the trademarks.

### ***O<sub>2</sub> Brand***

We license the O<sub>2</sub> brand from O<sub>2</sub> Worldwide pursuant to a license agreement and participate in a group cost share agreement with O<sub>2</sub> Worldwide and other Telefónica, S.A. Group entities, both dated 15 October 2007. These agreements have been amended on 29 August 2012 and 20 June 2013. O<sub>2</sub> Worldwide owns and is responsible for, and bears the costs of central management and development and protection of the O<sub>2</sub> brand rights. The other parties, including us, contribute to the costs incurred by O<sub>2</sub> Worldwide as owner and manager of such brand rights. We do not pay a royalty for the use of the O<sub>2</sub> brand pursuant to the license agreement. The license territory is Germany and the license includes the right to sublicense. The terms of both the cost share agreement and the license agreement are indefinite, and each may only be terminated for good cause, including if we experience a take-over. If the license and/or the group cost share agreement are terminated due to a breach by us of the license agreement and/or group cost share agreement or due to a change of control –in the event of a hostile take-over – we will have a minimum period of six months to wind down use of the related brand rights. In the event of a change of control, other than a hostile take-over,

there will be a renegotiation of the license terms but no termination of the license, whereas the cost share agreement may also be terminated due to a change of control that is not a hostile take-over.

This license is of critical importance to our business. If it is terminated, we could be materially adversely affected (see "*Risk Factors – We license the use of our primary brand O<sub>2</sub> from Telefónica, S.A. Group and could be limited in our usage by the terms of the license agreement or for any other reason*").

### **Procurement**

We have entered into a services agreement with Telefónica Global Services GmbH ("**TGS**") dated 6 October 2010, pursuant to which we have outsourced our procurement process to TGS. The agreement has been restated and amended by a version effective as of 1 January 2016 which is updated regularly. Pursuant to the agreement, TGS conducts the purchase of all kinds of goods and services and performs all related procurement processes including tenders, evaluations and negotiations on our behalf. TGS also performs upfront planning, supplier management, contract management and reporting for us. For these services, we are required to pay TGS a market-based fee. The agreement is for an indefinite term and can be terminated with twelve months' prior notice. The agreement may also be terminated for good cause.

### **Cash Pooling Agreements**

We have entered into certain agreements for deposits and liquidity management with Telfisa Global B.V. The liquidity of the entire Telefónica, S.A. Group is centralised by means of such agreements. This allows Telefónica Deutschland to benefit from the economies of scale of the entire Telefónica, S.A. Group. In addition the cash pool provides access to short-term overdraft facilities up to a maximum of € 55 million. Telefónica, S.A. has guaranteed the performance of Telfisa Global B.V.'s obligations arising from the cash pooling agreements.

### **Financing Agreements**

On 31 July 2017, Telefónica Germany OHG concluded a bilateral revolving credit facility with Telfisa Global B.V. which amounted to € 500 million. It serves general business purposes and has a term of one year.

On 22 March 2016, Telefónica Germany OHG agreed to a syndicated loan facility of € 750 million, which had not been utilised as of 31 December 2017. It serves general business purposes and has an original term of five years. The term of this syndicated loan facility was extended in February 2018 until March 2023.

On 13 June 2016, Telefónica Germany OHG signed its first financial agreement with the European Investment Bank ("**EIB**"), which amounted to € 450 million. The facility is intended to finance the consolidation, modernisation and expansion of the Telefónica Deutschland's mobile network after the acquisition of the E-Plus Group and was fully utilised as of 31 December 2017. The funds provided by the EIB have terms of up to eight years and amortisation of the loan starts in 2019.

On 13 March 2015 Telefónica Germany OHG completed an initial placement of promissory notes and registered bonds with different maturities from 2020 to 2032 and a total volume of € 300 million. In February 2018 Telefónica Germany OHG finalised another placement of promissory notes and registered bonds with different maturities from 2019 to 2033 and a total volume of € 250 million.

In November 2013, the Issuer placed a bond with a nominal amount of € 600 million and a term of five years. In February 2014, the Issuer placed a bond with a nominal amount of € 500 million and a term of seven years. The Issuer transferred the net proceeds on the issue of the bond to its shareholder Telefónica Germany OHG as a loan. Both of the bonds are guaranteed by Telefónica Deutschland Holding AG.

Telefónica Germany OHG has also entered into and has available several unused bilateral revolving credit facilities with various banks to the total value of € 710 million with a remaining term of more than two years.

### **Management and Administrative Bodies of Telefónica Deutschland Holding AG**

The Guarantor's governing bodies are the management board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The powers of these governing bodies are determined by the German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), the Guarantor's articles of association and the by-laws of both the management board and the supervisory board. In general, the management board is responsible for managing the company in accordance with applicable law, the Guarantor's articles of association and its by-laws. The management board represents the Guarantor in dealings with third parties.

According to its articles of association, the Guarantor is legally represented by two members of the management board acting jointly or by one member acting jointly with one authorised signatory (*Prokurist*). If only one person is appointed to the management board, that person is entitled to represent the Guarantor solely.

## Members of the Management Board

At the date of the Prospectus, the Guarantor's management board comprises eight members. The following table shows the members of the management board as of the date of this Prospectus, their position as well as their current other mandates outside the Guarantor:

Name	Responsibilities	Other mandates
<b>Markus Haas</b>	Chief Executive Officer (CEO) (Vorstandsvorsitzender)	-
<b>Markus Rolle</b>	Chief Financial Officer (CFO)	-
<b>Wolfgang Metze</b>	Chief Consumer Officer (CCO)	-
<b>Alfons Lösing</b>	Chief Partner and Business Officer	-
<b>Cayetano Carbajo Martin</b>	Chief Technology Officer (CTO)	-
<b>Guido Eidmann</b>	Chief Information Officer (CIO)	-
<b>Valentina Daiber</b>	Chief Officer for Legal and Corporate Affairs	-
<b>Nicole Gerhardt</b>	Chief Human Resources Officer (CHRO)	-

The members of the management board may be reached at the Guarantor's business address.

### **Shareholdings of the Management Board Members**

Some of our management board members hold shares in the Guarantor and Telefónica, S.A.

### **Conflict of Interest**

Markus Haas holds a position within Telefónica, S.A. Group that is outside Telefónica Deutschland. Cayetano Carbajo Martin has an employment agreement with an entity of Telefónica, S.A. Group, which is suspended as long as he is a member of the Guarantor's management board and can be reinstated thereafter if certain conditions are met. In addition, the variable components of the management board members' remuneration depend in part on the performance of Telefónica, S.A. Group. Therefore, conflicts of interest could arise for all members of the Guarantor's management board between their duties towards Telefónica, S.A. Group and its interest as the Guarantor's main shareholder on the one hand and their duties as members of the Guarantor's management board and its interests on the other hand. However, the cash variable components of the management board members' remuneration depend to a larger extent on the business performance of the Guarantor. Other than mentioned in this paragraph, there are no conflicts between any duties of the members of the Management Board to the Issuer, their private interests and other duties.

### **Members of the Supervisory Board**

The Guarantor's supervisory board appoints the members of the management board and is entitled to dismiss them for good cause (*aus wichtigem Grund*). As set out in the AktG, the supervisory board advises on, and supervises, the management board's management of the company, but is not itself authorised to manage the Guarantor.

In accordance with the Guarantor's articles of association and sections 95 and 96 of the AktG and applicable provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*), the Guarantor's supervisory board consists of 16 members (eight shareholder representatives and eight employee representatives). The following table lists the members of the supervisory board as of the date of this Prospectus, their positions and other current mandates outside the Guarantor:

Name	Responsibilities	Other mandates
Laura Abasolo García de Baquedano	Chairperson	<ul style="list-style-type: none"> <li>Chief Finance and Control Officer, Telefónica, S.A.</li> <li>Acerinox, S.A., Member of the Board of Directors and Chairperson of the Audit Committee</li> </ul>
Christoph Braun*	Deputy Chairperson	
María García-Legaz Ponce**	Member	<ul style="list-style-type: none"> <li>Chief of Staff of Chairman of Telefónica, S.A., member of the Executive Committee</li> </ul>
Sally Anne Ashford	Member	
Patricia Cobián González	Member	<ul style="list-style-type: none"> <li>Telefónica UK Ltd, CFO</li> <li>Lumia Capital – Advisory Board Member</li> <li>Wayra Investigación y Desarrollo, Member of the Board</li> </ul>
Peter Erskine	Member	<ul style="list-style-type: none"> <li>Non-Executive Director of Telefónica, S.A.</li> <li>Chairman of the Strategy and Innovation Committee of Telefónica, S.A.</li> </ul>
Michael Hoffmann	Member	
Sandra Hofmann*	Member	
Julio Linares López	Member	<ul style="list-style-type: none"> <li>Non-Executive Director of Telefónica, S.A.</li> <li>Telefónica Brasil, Member of the Board</li> </ul>
Enrique Medina Malo	Member	<ul style="list-style-type: none"> <li>Telefónica Germany Holdings Limited, Member of the Board of Directors</li> <li>O<sub>2</sub> International Holdings Limited, Member of the Board of Directors</li> </ul>
Thomas Pfeil*	Member	
Joachim Rieger*	Member	
Jürgen Thierfelder*	Member	
Martin Butz*	Member	
Dr. Jan-Erik Walter*	Member	
Claudia Weber*	Member	<ul style="list-style-type: none"> <li>Deputy Managing Director of Unified Service Sector Union, ver.di, Munich</li> <li>Member of the Supervisory Board of SWM GmbH, Munich</li> </ul>

\* employee representatives

\*\* by court appointment on 7 June 2018

The members of the supervisory board may be reached at the Guarantor's business address.

#### ***Shareholdings and Options of the Supervisory Board***

Some of our supervisory board members hold shares in the Guarantor.

### **Conflicts of Interest of the Supervisory Board**

The shareholder representatives in the Guarantor's supervisory board, except for Michael Hoffmann and Sally Anne Ashford, also have other roles within the Telefónica, S.A. Group that are outside Telefónica Deutschland. Therefore, conflicts of interest could arise for those members of the supervisory board, except for Michael Hoffmann and Sally Anne Ashford, between their duties towards Telefónica, S.A. Group and Telefónica, S.A.'s interest as the indirect main shareholder on the one hand and their duties as members of the supervisory board and the interests of Telefónica Deutschland on the other. For the members of the supervisory board who are employees' representatives conflicts of interest could arise between their duties as employees of Telefónica Deutschland and their duties as supervisory board members. Other than mentioned in this paragraph, there are no conflicts between any duties of the members of the Supervisory Board to the Issuer, their private interests and other duties.

### **Share Capital**

As of 31 March 2018, the registered share capital (*gezeichnetes Grundkapital*) of the Guarantor amounts to € 2,974,554,993, and is divided into 2,974,554,993 shares with no-par-value and a notional amount of the registered share capital of € 1.00 each. The Guarantor's registered share capital is fully paid up.

The Guarantor has Authorised Capital of € 1,487,277,496 (authorised capital 2016/I).

The Guarantor's share capital is conditionally increased by up to € 558,472,700 by issuing up to 558,472,700 no-par-value registered shares (Conditional Capital 2014/I) at the date of this Prospectus.

### **Major Shareholders**

The following table provides an overview of the shareholding structure of the Guarantor as at 31 December 2017:

Name of shareholder	Shareholdings	
	Ordinary registered shares	in %
Telefónica Germany Holdings Limited <sup>1</sup>	2,059,117,075	69.22
Koninklijke KPN N.V.	255,844,578	8.60
Freefloat	659,593,340	22.18
<b>Total</b>	<b>2,974,554,993</b>	<b>100.00</b>

<sup>1</sup> Telefónica Germany Holdings Limited is an indirect wholly-owned subsidiary of Telefónica, S.A.

### **Employees**

In 2017 we had 9,405 employees (end of 2016: 9,272 employees) based on an average calculation of the number of employees at the end of each quarter in 2017 and 2016, respectively. As at the reporting date of 31 December 2017, we employed 9,281 employees (end of 2016: 9,476 employees). The employee turnover rate was 17.4 per cent (end of 2016: 17.9 per cent). The fluctuation during the financial year is primarily caused by the implementation of the restructuring plan. This is offset mainly by the insource of external consultants, particularly in customer service.

## Key Performance Indicators (KPI)

In addition to the financial performance measures established by IFRS, this Prospectus contains certain financial measures that are presented for the purpose of assisting securities analysts, investors and other interested parties in understanding our financial performance. Also, these are supplemental measures of our performance that are used for management purposes and should not be considered in isolation or as alternative to any performance measure derived in accordance with IFRS. These are alternative performance measures ("APMs") as defined in the guidelines issued by the European Securities and Markets Authority ("ESMA") on 5 October 2015 on alternative performance measures (the "ESMA Guidelines"). We present these alternative performance measures as supplemental information for the specific reasons outlined below with respect to certain measures. We believe that the presentation of the alternative performance measures included in this Prospectus complies with the ESMA Guidelines. The relevant metrics are APMs as we define them may not be comparable to other similarly titled measures used by other companies. APMs are: Operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects, net financial debt, net leverage ratio, free cash flow pre dividends and payments for spectrum and capital expenditure (CapEx).

Where financial information in the tables in this section is labelled "audited", this means that it was taken from the Guarantor's consolidated financial statements as of and for the year ended 31 December 2016, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the HGB, or from the Guarantor's consolidated financial statements as of and for the year ended 31 December 2017, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the HGB. The label "unaudited" is used in the tables in this section to indicate financial information that was not taken, but derived from the consolidated financial statements mentioned above, taken or derived from the Guarantor's unaudited interim condensed consolidated financial statements as of and for the three months ended 31 March 2018, with comparative financial information for the three month period ended 31 March 2017 prepared in accordance with IFRS applicable to interim financial reporting, or taken or derived from the Guarantor's accounting records or internal management reporting systems.

In the unaudited interim condensed consolidated financial statements as of and for the three months ended 31 March 2018 the Guarantor has applied IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" since 1 January 2018. The comparability of certain financial statements line items between the periods presented below might therefore be limited. For a detailed description of the first time adoption effects please refer to the condensed notes to the interim condensed consolidated financial statements as of and for the three months ended 31 March 2018.

The following table presents certain of our financial key performance indicators for each of the periods or reporting dates presented:

	As of and for the year ended 31 December		As of and for the first quarter ended 31 March	
	2016	2017	2017	2018
	(in € million, unless otherwise indicated)		(in € million, unless otherwise indicated)	
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>	
<b>Revenues</b>	7,503	7,296	1,771	1,767
<b>thereof mobile business revenues</b>	6,498	6,415	1,545	1,566
<i>thereof mobile service revenues</i>	5,437 <sup>1</sup>	5,287 <sup>1</sup>	1,292	1,287
<i>thereof handset revenues</i>	1,061	1,128	252	280
<b>thereof fixed-line/DSL business revenues</b>	981	862	223	199
<b>thereof other revenues</b>	23	19	4	2
<b>Operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects (unaudited)</b>	1,805	1,840	401	408

	As of and for the year ended 31 December		As of and for the first quarter ended 31 March	
	2016	2017	2017	2018
	(in € million, unless otherwise indicated)		(in € million, unless otherwise indicated)	
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>	
<b>Net financial debt (unaudited)<sup>2</sup></b>	798	1,064	n.m.	1,085
<b>Net leverage ratio (unaudited)<sup>3</sup></b>	0.4x	0.6x	n.m.	0.6x
<b>Free cash flow pre dividends and payments for spectrum (unaudited)<sup>4</sup></b>	1,408	680	(1)	15
<b>Capital expenditure (CapEx) (unaudited)<sup>5,6</sup></b>	1,102	950	208	197

1 Adjusted for the effect of decreases in the mobile termination rates in December 2016 and December 2017, our mobile service revenues would have been € 5,437 million in 2016 and € 5,433 million in 2017.

2 Net financial debt includes current and non-current financial debt (interest-bearing financial debt) minus cash and cash equivalents as well as current and non-current financial assets (interest bearing financial assets).

3 The net leverage ratio is defined as the quotient of net financial debt and the operating result before depreciation and amortisation (OIBDA) adjusted for exceptional effects for the twelve month period ended at the respective reporting date.

4 Free cash flow pre dividends and payments for spectrum is defined as the sum of cash flows from operating activities and cash flows from investing activities and does not contain payments on investments relating to mobile phone frequency auctions, including related interest payments. It includes net cash inflow of € 587 million from the sale of passive tower infrastructure to Telxius, S.A. in 2016 and € 29 million of cash outflows used for the acquisition of companies, net of cash acquired in 2017.

5 Capital expenditure (CapEx) is defined as additions to property, plant and equipment and other intangible assets, excluding additions from business combinations of € - million in 2016, € 3 million in 2017, € - million in the three months ended 31 March 2017 and € - million in the three months ended 31 March 2018 and capitalised borrowing costs for licenses in mobile phone frequency usage rights of € 6 million in 2016, € 1 million in 2017, € - million in the three months ended 31 March 2017 and € - million in the three months ended 31 March 2018.

6 Additions to property, plant and equipment amounts to € 126 million in the three months ended 31 March 2017 and € 134 million in the three months ended 31 March 2018 and the additions to intangible assets amounts to € 82 million in the three months ended 31 March 2017 and € 63 million in the three months ended 31 March 2018.

### ***Operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects***

We believe that operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects is useful in identifying underlying trends in our business that otherwise would be masked by the effect of one-time and other special items that we exclude in operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects. Exceptional effects consist of certain items in the financial statements whose exclusion from operating income before depreciation and amortisation (OIBDA), in our opinion, enables a better assessment of our economic performance.



The following table presents our reconciliation of operating income, the most comparable IFRS financial subtotal line item to operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects for each of the periods presented:

	For the year ended 31 December		For the first quarter ended 31 March	
	2016	2017	2017	2018
	(in € million, unless otherwise indicated)		(in € million, unless otherwise indicated)	
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>	
<b>Operating income</b>	(50)	(84)	(91)	(73)
Depreciation and amortisation	2,118	1,869	481	467
<b>Operating income before depreciation and amortisation (OIBDA)</b>	2,069	1,785	390	394
<b>Exceptional effects:</b>				
Restructuring expenses (unaudited)	89	82	11	14
Acquisition related consultancy fees (unaudited)	-	2	-	-
Income from the sale of intangible assets (unaudited)	-	(28)	-	-
Net capital gain from the sale of passive tower infrastructure to Telxius S.A. (unaudited)	(352)	-	-	-
<b>Operating income before depreciation and amortisation (OIBDA) adjusted for exceptional effects (unaudited)</b>	1,805	1,840	401	408

#### *Net financial debt*

We believe that net financial debt is useful as an additional indicator to assess our financing structure and level of indebtedness.

The following table presents our calculation of net financial debt for each of the reporting dates presented:

	As of 31 December		As of 31 March
	2016	2017	2018
	(in € million, unless otherwise indicated)		(in € million, unless otherwise indicated)
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>

	As of 31 December		As of 31 March
	2016	2017	2018
	(in € million, unless otherwise indicated)		(in € million, unless otherwise indicated)
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>
Current financial debt (unaudited) <sup>1</sup>	31	635	629
Non-current financial debt (unaudited) <sup>1</sup>	1,721	1,268	1,527
Minus:			
Cash and cash equivalents	613	587	840
Current financial assets (unaudited) <sup>2</sup>	251	177	161
Non-current financial assets (unaudited) <sup>2</sup>	89	75	70
<b>Net financial debt (unaudited)</b>	<b>798</b>	<b>1,064</b>	<b>1,085</b>

<sup>1</sup> Current and non-current financial debt includes bonds, promissory notes and registered bonds, loans and finance leases liabilities.

<sup>2</sup> Current and non-current financial assets include handset receivables not yet due (current: € 245 million as of 31 December 2016, € 172 million as of 31 December 2017 and € 158 million as of 31 March 2018; non-current: € 77 million as of 31 December 2016, € 69 million as of 31 December 2017 and € 64 million as of 31 March 2018), the positive performance of the fair value hedges for fixed interest financial debt (current: € 2 million as of 31 December 2016, € 4 million as of 31 December 2017 and € 3 million as of 31 March 2018; non-current: € 12 million as of 31 December 2016, € 6 million as of 31 December 2017 and € 6 million as of 31 March 2018) and loans issued to third parties (current: € 4 million as of 31 December 2016, € 1 million as of 31 December 2017 and € 1 million as of 31 March 2018; non-current: € - million as of 31 December 2016, € - million as of 31 December 2017 and € - million as of 31 March 2018).

### *Net leverage ratio*

We believe that net leverage ratio is useful in indicating our debt reduction ability. We are actively monitoring the capital structure with the objective of keeping the net leverage at or below 1.0x in the medium term (target level).

### *Free cash flow pre dividends and payments for spectrum*

We believe that free cash flow pre dividends and payments for spectrum is useful in indicating the change in financial liquidity from operational inflows and outflows of funds as well as all investment-related inflows and outflows that were made for the maintenance or expansion of the business. It gives information about the change in our available financial funds, which enable us to make investments in growth or to pay dividends or service debt, for example.

The following table presents a calculation of free cash flow pre dividends and payments for spectrum for each of the periods presented:

	For the year ended 31 December		For the first quarter ended 31 March	
	2016	2017	2017	2018
	<b>(in € million, unless otherwise indicated)</b>		<b>(in € million, unless otherwise indicated)</b>	
	<i>(audited, unless otherwise indicated)</i>		<i>(unaudited)</i>	
Cash flow from operating activities <sup>1</sup>	1,859	1,702	257	233
Cash flow from investing activities <sup>2</sup>	(455)	(1,022)	(258)	(219)
Payments on investments relating to mobile phone frequency auctions	4	-	-	-
<b>Free cash flow pre dividends and payments for spectrum (unaudited)<sup>3</sup></b>	<b>1,408</b>	<b>680</b>	<b>(1)</b>	<b>15</b>

<sup>1</sup> Shown as cash flows provided by operating activities in the Guarantor's consolidated financial statements as of and for the year ended 31 December 2016.

<sup>2</sup> Shown as cash flows used in investing activities in the Guarantor's consolidated financial statements as of and for the year ended 31 December 2016.

<sup>3</sup> Includes net cash inflow of € 587 million from the sale of passive tower infrastructure to Telxius, S.A. in 2016 and € 29 million of cash outflows used for the acquisition of companies, net of cash acquired in 2017.

### Capital expenditure (CapEx)

We believe that capital expenditure is useful in indicating the investment into the expansion of the coverage and capacity of our mobile network and into product development.

### Other operative performance indicators

The following table presents certain operative performance indicators for each of the periods presented:

	For the year ended 31 December		For the first quarter ended 31 March	
	2016	2017	2017	2018
	<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>LTE 4G Customers<sup>1</sup> (in thousands)</b>	12.063	15.759	13.968	16.094
<b>Data Traffic (TB)<sup>2</sup></b>	81.641	122.367	86.423	126.040
<b>LTE 4G Coverage (pop outdoor 800 MHz) - TDE</b>	79%	82%	79%	82%
<b>Average Data Usage (in GB)<sup>3</sup></b>	1.6 GB	2.8 GB	1.8 GB	2.8 GB
<b>Total ARPU (in €)<sup>4</sup></b>	10.3	9.7	9.6	9.8
<i>Pre-paid</i>	5.6	5.6	5.0	5.6
<i>Post-paid ex M2M</i>	16.0	15.2	15.5	14.8

1 LTE customer defined as a customer with LTE enabled handset & LTE tariff.

2 Data traffic is defined as Terabytes used by Telefónica Deutschland's customers, both upload and download (1TByte = 10<sup>12</sup> bytes). Promotional traffic is included. Traffic not associated to Telefónica Deutschland's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic Volume is non-rounded.

3 Q4 figures: for O2 consumer postpaid LTE customers.

4 Average revenue per user (ARPU).

## INFORMATION ON THE ISSUER

### Formation, registered office and duration

O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH ("**Finanzierungs GmbH**" or the "**Issuer**") is a German limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Germany and organised and operating under German law.

The legal and business name (*Firma*) is O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH. The legal seat (*Satzungssitz*) is in Munich, Germany. The Issuer is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) in Munich under registration number HRB 204122. The Issuer has its business address at Georg-Brauchle-Ring 50, 80992 Munich, Germany (telephone number: +49 (0) 89 2442-0). The Issuer has been established for an unlimited period of time.

### Financial Year

The Issuer's financial year is the calendar year (1 January through 31 December).

### Corporate object of the Issuer

The business purpose (*Unternehmensgegenstand*) of the Issuer as set forth in section 2 of its articles of association (*Satzung*) is:

- (i) The financing of Telefónica Deutschland Holding AG and its group companies according to section 15 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*). The funds required for such financing may be raised by the Issuer, *inter alia*, by issuing debt securities tradable on the capital markets.
- (ii) The Issuer is authorised to perform all legal transactions and acts which it deems useful for achieving directly or indirectly the purpose of the Issuer. In particular, it may establish, acquire, participate in, or govern other enterprises or restrict itself to managing such interests in other enterprises.

### Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich Office, Arnulfstrasse 59, 80636 Munich, Germany ("**EY**"), independent auditors, have audited in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) the Issuer's annual financial statements as of and for the year ended 31 December 2016, prepared in accordance with the HGB, and issued an unqualified audit opinion. EY is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

In 2016, the Issuer initiated a tender process to change the auditor in line with its regular change of auditor. EY had been auditor to the Issuer since its foundation. Upon completion of the bidding process PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected by the shareholders' meeting of the Issuer upon recommendation by its audit committee.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich Office, Bernhard-Wicki-Straße 8, 80636 Munich, Germany ("**PwC**"), independent auditors, have audited in accordance with Section 317 of the HGB and the EU Audit Regulation (No.537/2014) and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) the Issuer's annual financial statements as of and for the year ended 31 December 2017, prepared in accordance with German generally accepted accounting principles, and issued an unqualified auditor's report. PwC is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

### Business Description

The Issuer was founded solely to provide liquid funds to finance our operations through, among others, the issuing of bonds and has no other business operations. On 22 November 2013, Finanzierungs GmbH issued 1.875 per cent senior, unsecured notes in a total nominal amount of € 600 million due on 22 November 2018 which are unconditionally and irrevocably guaranteed by Telefónica Deutschland Holding AG. On 10 February 2014, Finanzierungs GmbH issued 2.375 per cent senior, unsecured notes in a total nominal amount of € 500 million due on 10 February 2021 which are unconditionally and irrevocably guaranteed by Telefónica Deutschland Holding AG. The net proceeds of both bond issuances were transferred to Telefónica Germany OHG based on inter-company loan agreements (for further details on the inter-company loan agreements, please see "*Material Contracts*").

### Organisational Structure

The Issuer is a wholly-owned subsidiary of Telefónica Germany OHG. For more information on the Issuer's position within Telefónica Deutschland, please see "*Information on the Guarantor – Major Subsidiaries and Organisational Structure*".

## Legal and Arbitration Proceedings

As of the date of this Prospectus, the Issuer is not and has not been in the past 12 months, party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on its financial position or profitability.

## Material Contracts

The Issuer entered into a Profit-and-Loss-Pooling Agreement with Telefónica Germany OHG with an indefinite term.

The Issuer entered into a domination agreement with Telefónica Germany OHG with an indefinite term on 20 March 2013.

The Issuer has entered into a cost reimbursement agreement on 20 March 2013, amended on 23 March 2014, with Telefónica Germany OHG covering for all cost occurring in relation with the bond issuance.

On 22 November 2013, the Issuer as lender entered into an inter-company loan agreement with Telefónica Germany OHG as borrower based on which the Issuer transferred the proceeds from the offering of the notes issued on 22 November 2013 to Telefónica Germany OHG. The inter-company loan has a total loan amount of € 600 million with a fixed maturity on 22 November 2018. The loan amount bears a fixed interest rate of 1.875 per cent. The inter-company loan agreement provides for an increase in the interest rate to 3.125 per cent in case of the occurrence of a change of control event, matching the terms and conditions of the notes issued by the Issuer on 22 November 2013. Pursuant to the inter-company loan, the Issuer is entitled to cancel the loan in whole or in part at any time without compliance with any time period for good cause, in particular in case of the occurrence of an early repayment event under the notes issued by the Issuer on 22 November 2013.

On 10 February 2014, the Issuer as lender entered into an inter-company loan agreement with Telefónica Germany OHG as borrower based on which the Issuer transferred the proceeds from the offering of the notes issued on 10 February 2014 to Telefónica Germany OHG. The inter-company loan has a total loan amount of € 500 million with a fixed maturity on 10 February 2021. The loan amount bears a fixed interest rate of 2.375 per cent. The inter-company loan agreement provides for an increase in the interest rate to 3.625 per cent in case of the occurrence of a change of control event, matching the terms and conditions of the notes issued by the Issuer on 10 February 2014. Pursuant to the inter-company loan, the Issuer is entitled to cancel the loan in whole or in part at any time without compliance with any time period for good cause, in particular in case of the occurrence of an early repayment event under the notes issued by the Issuer on 10 February 2014.

As of the date of this Prospectus, the Issuer has not entered into any further contracts outside its ordinary course of business which could result in an obligation or entitlement of Telefónica Deutschland that is material to the Issuer's financial situation or profitability.

## Executive Bodies

At the date of the Prospectus, the Issuer is managed by three directors (*Geschäftsführer*).

The general shareholders' meeting (*Gesellschafterversammlung*) determines, among other things, the number of board members, the appointment as well as the dismissal of board members.

### Board of Directors

The Issuer is represented by one director as of the date of this Prospectus (section 6 paragraph 4 of its articles of association). The following directors are appointed:

- Markus Haas
- Markus Rolle
- Albert Graf

The members of the board of directors can be reached at the Issuer's business address.

### ***Shareholdings and Options of the Supervisory Board***

Some of our board members and members of the Audit Committee hold shares in the Guarantor and/or in Telefónica, S.A.

#### ***Conflicts of Interest***

The directors are directors and management board members in other companies of Telefónica Deutschland (please also see: "*Information on the Guarantor – Management and Administrative Bodies of Telefónica Deutschland Holding AG – Members of the Management Board – Conflict of Interest*", Albert Graf is a director at Telefónica Germany OHG). Their shareholdings in the Guarantor and/or in Telefónica, S.A. could also subject the directors and management board members to conflicts of interest. Other than mentioned in this paragraph there are no conflicts between any duties of the directors to the Issuer and their private interests or other duties.

#### ***Board Practises***

As of the date of the Prospectus, the Issuer has established an audit committee. The members of the audit committee are:

- Eckart Kurze
- Marcel Ritter
- Dieter Gauglitz

All members apart from Dieter Gauglitz are directors of Telefónica Germany OHG.

#### ***Conflicts of Interest***

For the members of the audit committee who are employees of Telefónica Germany OHG, conflicts of interest could arise between their duties as employees of Telefónica Germany OHG and their duties as audit committee members. Other than mentioned in this paragraph, there are no conflicts between any duties of the members of the audit committee to the Issuer, their private interests and other duties.

### **Share Capital**

The registered and fully paid up share capital of the Issuer is € 25,000, it consists of one share (*Gesellschaftsanteil*).

### **Major Shareholders**

The Issuer is a wholly-owned subsidiary of Telefónica Germany OHG. Telefónica Germany OHG directly holds all shares in the Issuer.

## TERMS AND CONDITIONS

### Anleihebedingungen

### Conditions of Issue

#### § 1

#### WÄHRUNG, NENNBETRAG, FORM, BESTIMMTE DEFINITIONEN

#### § 1

#### CURRENCY, PRINCIPAL AMOUNT, FORM, CERTAIN DEFINITIONS

(1) *Währung; Nennbetrag; Übertragung.* Diese Anleihe der O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH (die "**Emittentin**"), begeben am 5. Juli 2018 (der "**Begebungstag**") im Gesamtnennbetrag (vorbehaltlich § 1 Absatz (6)) von € 600.000.000 ist eingeteilt in 6.000 unter sich gleichberechtigte, auf den Inhaber lautende Schuldverschreibungen (die "**Schuldverschreibungen**") im Nennbetrag von je € 100.000 (die "**festgelegte Stückelung**" oder auch der "**Nennbetrag**" bzw. der "**Nominalbetrag**" einer Schuldverschreibung).

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in der festgelegten Stückelung, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die Unterschriften ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind mit einer eigenhändigen Kontrollunterschrift der Hauptzahlstelle oder in deren Namen versehen. Einzelkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Begebungstag der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen liegt. Der Austauschtag darf nicht weniger als 40 Tage nach dem Begebungstag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbrieft Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist für jede solche

(1) *Currency; Principal Amount; Transfer.* This issue by O<sub>2</sub> Telefónica Deutschland Finanzierungs GmbH (the "**Issuer**") issued on 5 July 2018 (the "**Issue Date**") in the aggregate principal amount, subject to § 1(6) of € 600,000,000 is divided into 6,000 notes in the principal amount of € 100,000 (the "**Specified Denomination**", or also the "**Nominal Amount**" or "**Principal Amount**" of a Note) each payable to bearer and ranking *pari passu* with each other (the "**Notes**").

(2) *Form.* The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without interest coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**") without interest coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall bear a manual control signature of or on behalf of the Principal Paying Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the Issue Date of the Notes represented by the Temporary Global Note. The Exchange Date will not be earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the Issue Date of the Notes represented by the Temporary Global Note will be treated as a



Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Begebungstag der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz (3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten geliefert werden.

Für die Zwecke dieser Anleihebedingungen bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Clearingsystem.* Die jeweilige Globalurkunde, welche die Schuldverschreibungen verbrieft, wird von einem oder für ein Clearingsystem verwahrt. "**Clearingsystem**" bedeutet jeweils folgendes: Clearstream Banking S.A. (42 Avenue JF Kennedy, 1855 Luxemburg, Luxemburg) ("**CBL**") und Euroclear Bank SA/NV (1 Boulevard du Roi Albert II, 1210 Brüssel, Belgien) ("**Euroclear**") (CBL und Euroclear jeweils ein International Central Securities Depository "**ICSD**" und zusammen die "**ICSDs**") sowie jeder Funktionsnachfolger.

Die Schuldverschreibungen werden in Form einer New Global Note ("**NGN**") ausgegeben und von einem common safekeeper im Namen beider ICSDs verwahrt.

(5) *Gläubiger von Schuldverschreibungen.* "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

(6) *Register der ICSDs.* Der Gesamtnennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind maßgeblicher Nachweis über den Gesamtnennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen, und eine für zu diesem Zweck von einem ICSD jeweils ausgestellte Bescheinigung mit dem Betrag der so verbrieften Schuldverschreibungen ist ein maßgeblicher Nachweis des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.

Bei jeder Tilgung oder einer Zinszahlung auf die durch die Globalurkunde verbrieften Schuldverschreibungen bzw. beim Kauf und der

request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States.

For the purposes of these Conditions of Issue, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Clearing System.* The respective global note representing the Notes will be kept in custody on behalf of the Clearing System. "**Clearing System**" means each of the following: Clearstream Banking S.A. (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) ("**CBL**") and Euroclear Bank SA/NV (1 Boulevard du Roi Albert II, 1210 Brussels, Belgium) ("**Euroclear**") (CBL and Euroclear each an International Central Securities Depository "**ICSD**" and together the "**ICSDs**") and any successor in such capacity.

The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

(6) *Register of ICSDs.* The aggregate principal amount of Notes represented by the global note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the aggregate principal amount of Notes represented by the global note and, for these purposes, a statement issued by an ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the global note the Issuer

Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten der Rückzahlung, Zahlung oder des Kaufs und der Entwertung bezüglich der Globalurkunde entsprechend in die Unterlagen der ICSDs eingetragen werden, und dass nach dieser Eintragung vom Gesamtnennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen abgezogen wird.

Bei Austausch nur eines Teils von Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs entsprechend in die Register der ICSDs aufgenommen werden.

## § 2

### STATUS, NEGATIVVERPFLICHTUNG, GARANTIE UND NEGATIVVERPFLICHTUNG DER GARANTIN

(1) *Status.* Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen, die gemäß den Schuldverschreibungen zu zahlen sind, der Hauptzahlstelle zur Verfügung gestellt worden sind, keine Grund- und Mobiliarpfandrechte, sonstige Pfandrechte oder sonstige dingliche Sicherungsrechte (jedes ein "**Sicherungsrecht**") in Bezug auf ihr gesamtes Vermögen oder Teile davon zur Besicherung von Kapitalmarktverbindlichkeiten (wie unten definiert) zu gewähren ohne gleichzeitig die Gläubiger gleichrangig an einem solchen Sicherungsrecht zu beteiligen oder ihnen ein gleichwertiges Sicherungsrecht zu gewähren. Diese Verpflichtung gilt jedoch nicht für (i) zum Zeitpunkt des Erwerbs von Vermögenswerten bereits an solchen Vermögenswerten bestehende Sicherungsrechte, soweit solche Sicherungsrechte nicht im Zusammenhang mit dem Erwerb oder in Erwartung des Erwerbs des jeweiligen Vermögenswerts bestellt wurden und der durch das Sicherungsrecht besicherte Betrag nicht nach Erwerb des betreffenden Vermögenswertes erhöht wird, (ii) Sicherungsrechte, die aufgrund von zwingend anwendbarem Recht geschaffen wurden oder werden oder um behördliche oder staatliche Genehmigungen oder Erlaubnisse zu

shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the global note shall be entered accordingly in the records of the ICSDs and, upon any such entry being made, the aggregate principal amount of the Notes recorded in the records of the ICSDs and represented by the global note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered accordingly in the records of the ICSDs.

## § 2

### STATUS, NEGATIVE PLEDGE, GUARANTEE AND NEGATIVE PLEDGE OF THE GUARANTOR

(1) *Status.* The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge.* The Issuer undertakes, as long as any Notes are outstanding, but only up to the time all amounts of principal and interest payable under the Notes have been placed at the disposal of the Principal Paying Agent, not to provide or maintain any mortgage, charge, pledge, lien or other form of encumbrance or *in rem* security interest (each a "**Security Interest**") over the whole or any part of its assets to secure any Capital Market Indebtedness (as defined below) without at the same time letting the Holders share *pari passu* in such Security Interest or giving to the Holders an equivalent Security Interest. This undertaking shall not apply with respect to (i) any Security Interest existing on property at the time of the acquisition thereof, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property, (ii) any Security Interest which is created or will be created due to mandatory provisions of law or in order to obtain administrative or governmental authorisations or permits and (iii) any Security Interest to the extent that the secured nominal outstanding amount of the Capital Market Indebtedness does not exceed 5 per cent of the Net Tangible Assets (as defined below) of the Issuer, as

erhalten und (iii) Sicherungsrechte, sofern der ausstehende Nominalbetrag der besicherten Kapitalmarktverbindlichkeiten 5 % der Nettosachanlagen (wie nachstehend definiert) der Emittentin, wie in der aktuellsten Bilanz der Emittentin reflektiert (erstellt im Einklang mit deutschen generell akzeptierten Prüfungsstandards), zum Zeitpunkt zu dem die Sicherungsrechte zur Verfügung gestellt oder aufrechterhalten werden, nicht übersteigt.

Eine nach diesem Absatz (2) zu leistende Sicherheit kann auch zu Gunsten der Person eines Treuhänders der Gläubiger bestellt werden.

**"Kapitalmarktverbindlichkeit"** bezeichnet jede bestehende oder zukünftige Verbindlichkeit (gleich ob Kapital, Aufgeld, Zinsen oder andere Beträge) bezüglich Geldaufnahmen in Form von, oder verbrieft durch, Schuldverschreibungen, Anleihen oder ähnliche Wertpapiere, sofern sie an einer Börse oder einem anderen anerkannten und regulierten Wertpapiermarkt notiert sind oder gehandelt werden oder werden können oder deutschem Recht unterliegende Schuldscheindarlehen mit einer Laufzeit von mehr als einem Jahr, sofern der zurückzuzahlende Betrag € 40.000.000 übersteigt. Von der Definition Kapitalmarktverbindlichkeiten sind solche Verbindlichkeiten ausgenommen, die aus der Verbriefung von Forderungen, besonders denjenigen aus dem O<sub>2</sub> My Handy Geschäft, stammen.

**"Nettosachanlagen"** bezeichnet den Gesamtbetrag der Vermögenswerte der Emittentin nach Abzug der immateriellen Vermögenswerte.

(3) *Garantie und Negativverpflichtung der Garantin.* Telefónica Deutschland Holding AG (die "**Garantin**") hat die unbedingte und unwiderrufliche Garantie (die "**Garantien**") für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen und sonstiger auf die Schuldverschreibungen zahlbarer Beträge übernommen. Die Garantin hat sich außerdem in einer Negativverpflichtung (die "**Garantennegativverpflichtung**") verpflichtet, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, keine Sicherungsrechte in Bezug auf ihr gesamtes Vermögen oder Teile davon zur Sicherung von Kapitalmarktverbindlichkeiten zu gewähren und ihre Wesentliche Tochtergesellschaft (wie unten definiert) zu veranlassen (es sei denn, dies ist rechtlich nicht möglich oder unzulässig), keine solchen Sicherungsrechte für Kapitalmarktverbindlichkeiten zu gewähren, ohne gleichzeitig die Gläubiger gleichrangig an einem solchen Sicherungsrecht zu beteiligen oder ihnen ein gleichwertiges Sicherungsrecht zu gewähren; diese Verpflichtung gilt jedoch nicht für (i) zum Zeitpunkt des Erwerbs von Vermögenswerten durch die Garantin bereits an

reflected in the Issuers most recent statement of financial position (prepared in accordance with German generally accepted auditing principles) at the time the Security Interest is provided or maintained.

Any security which is to be provided pursuant to this subsection (2) may also be provided to a person acting as trustee for the Holders.

**"Capital Market Indebtedness"** shall mean any present or future indebtedness (whether being principal, premium, interest or other amounts) in respect of borrowed money which is in the form of, or represented by, bonds, notes or any similar securities which are or are capable of being quoted, listed or traded on any stock exchange or other recognised and regulated securities market or German law governed certificates of indebtedness (*Schuldscheindarlehen*), with an original maturity of more than one year, where the repayable amount exceeds € 40,000,000, provided that obligations resulting from the securitisations of trade receivables, in particular those attributed to the O<sub>2</sub> My Handy business model, shall not qualify as Capital Market Indebtedness.

**"Net Tangible Assets"** means the total amount of assets of the Issuer after deduction of the intangible assets.

(3) *Guarantee and Negative Pledge of the Guarantor.* Telefónica Deutschland Holding AG (the "**Guarantor**") has given an unconditional and irrevocable guarantee (the "**Guarantees**") for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Note. The Guarantor has further undertaken in a negative pledge (the "**Guarantor Negative Pledge**"), so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to provide any Security Interest over the whole or any part of its assets to secure any Capital Markets Indebtedness and to procure (unless this is legally impossible or illegal) that its Material Subsidiary (as defined below) will not provide Security Interests over its assets to secure Capital Markets Indebtedness without at the same time letting the Holders share *pari passu* in such Security Interest or giving to the Holders an equivalent Security Interest, provided, however, that this undertaking shall not apply with respect to (i) any Security Interest existing on property at the time of the acquisition thereof by the Guarantor, provided that such Security Interest was not created in connection with or in contemplation of

solchen Vermögenswerten bestehende Sicherungsrechte, soweit solche Sicherungsrechte nicht im Zusammenhang mit dem Erwerb oder in Erwartung des Erwerbs des jeweiligen Vermögenswerts bestellt wurden und der durch das Sicherungsrecht besicherte Betrag nicht nach Erwerb des betreffenden Vermögenswertes erhöht wird, (ii) Sicherungsrechte, die aufgrund von zwingend anwendbarem Recht geschaffen wurden oder werden oder um behördliche oder staatliche Genehmigungen oder Erlaubnisse zu erhalten und (iii) Sicherungsrechte, sofern der ausstehende Nominalbetrag der besicherten Kapitalmarktverbindlichkeiten 5 % der Konsolidierten Nettosachanlagen der Garantin (wie nachstehend definiert), wie in der aktuellsten Bilanz der Garantin reflektiert (erstellt im Einklang mit von der Europäischen Union übernommenen IFRS), zum Zeitpunkt zu dem die Sicherungsrechte zur Verfügung gestellt oder aufrechterhalten werden, nicht übersteigt.

Die Garantie und die Garantennegativverpflichtung stellen einen Vertrag zugunsten jedes Gläubigers als begünstigtem Dritten gemäß § 328 BGB dar, welcher das Recht jedes Gläubigers begründet, Erfüllung aus der Garantie und Garantennegativverpflichtung unmittelbar von der Garantin zu verlangen und die Garantie und Garantennegativverpflichtung unmittelbar gegen die Garantin durchzusetzen.

**"Konsolidierte Nettosachanlagen der Garantin"** bezeichnet den Gesamtbetrag der Vermögenswerte der Garantin und ihrer konsolidierten Tochtergesellschaften (wie nachstehend definiert), einschließlich Investitionen in nicht konsolidierte Tochtergesellschaften nach Abzug (i) von ideellem Firmenwert (*goodwill*) und (ii) immateriellen Vermögenswerten.

**"Tochtergesellschaft"** bezeichnet jede Gesellschaft an der die Garantin direkt oder indirekt mehr als die Hälfte der stimmberechtigten Anteile hält oder wenn die Garantin die Hälfte oder weniger der Stimmrechte hält, aber die jeweilige Gesellschaft kontrolliert, d.h. die Berechtigung hat, die finanziellen und operativen Strategien der jeweiligen Gesellschaft zu bestimmen und Vorteile hieraus zu erhalten.

**"Wesentliche Tochtergesellschaft"** bezeichnet die Telefónica Germany GmbH & Co. OHG.

### § 3 ZINSEN

(1) *Zinssatz und Zinszahlungstage.*

(a) Die Schuldverschreibungen werden bezogen auf ihre festgelegte Stückelung verzinst, und zwar vom 5. Juli 2018 (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz (1) definiert) (ausschließlich) mit

such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property, (ii) any Security Interest which is created or will be created due to mandatory provisions of law or in order to obtain administrative or governmental authorisations or permits and (iii) any Security Interest to the extent that the nominal outstanding amount of the secured Capital Market Indebtedness does not exceed 5 per cent of the Consolidated Net Tangible Assets (as defined below) of the Guarantor, as reflected in the Guarantors most recent statement of financial position (prepared in accordance with IFRS adopted by the European Union) at the time the Security Interest is provided or maintained.

The Guarantee and Guarantor Negative Pledge constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328 of the German Civil Code (*Bürgerliches Gesetzbuch, BGB*), giving rise to the right of each Holder to require performance of the Guarantee and Guarantor Negative Pledge directly from the Guarantor and to enforce the Guarantee and Guarantor Negative Pledge directly against the Guarantor.

**"Consolidated Net Tangible Assets of the Guarantor"** means the total amount of assets of the Guarantor and its consolidated Subsidiaries (as defined below), including investments in unconsolidated Subsidiaries, after deduction of (i) goodwill and (ii) other intangible assets.

**"Subsidiary"** means any company in respect of which the Guarantor owns, directly or indirectly, more than half of the voting rights of the shares of such company, or when the Guarantor owns half or less of the voting power but controls such company, i.e. has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

**"Material Subsidiary"** means Telefónica Germany GmbH & Co. OHG.

### § 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates.*

(a) The Notes shall bear interest on their Specified Denomination at the rate of 1.750 per cent *per annum* ("**Interest Rate**") from (and including) 5 July 2018 to (but excluding) the Maturity Date (as defined in

jährlich 1,750 % (der "**Zinssatz**"). Die Zinsen sind nachträglich am 5. Juli eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Der erste Zinszahlungstag ist der 5. Juli 2019.

(b) Abweichend von Absatz (a) erhöht sich die Verzinsung der Schuldverschreibungen nach Eintritt eines Kontrollwechselereignis auf 4,750 % *per annum* (der "**Erhöhte Zinssatz**"). Der Erhöhte Zinssatz ist erstmals für die Zinsperiode, die an dem Zinszahlungstag beginnt, der dem Kontrollwechselereignis folgt, zu zahlen. Der Erhöhte Zinssatz gilt bis zum Fälligkeitstag. Ferner verpflichtet sich die Emittentin den Anleihegläubigern und der Hauptzahlstelle unverzüglich durch Mitteilung gemäß § 13 den Eintritt eines Kontrollwechsels bekannt zu machen (die "**Kontrollwechselereignis-Mitteilung**"). Die Verzinsung der Schuldverschreibungen erhöht sich nicht, falls die Emittentin vor dem Zinszahlungstag unmittelbar infolge des Kontrollwechselereignisses gemäß § 5(3) kündigt.

Für Zwecke dieses Absatz (b):

tritt ein "**Kontrollwechselereignis**" ein, wenn ein Kontrollwechsel (wie nachstehend definiert) eintritt und es innerhalb des Kontrollwechselzeitraums zu einer Absenkung des Ratings kommt.

gilt eine "**Absenkung des Ratings**" als eingetreten, wenn ein Kontrollwechsel vorliegt und wenn innerhalb des Kontrollwechselzeitraums ein vorher für die Garantin oder ein für die ausstehenden langfristigen Verbindlichkeiten der Garantin vergebenes Rating einer Rating Agentur (andere als unaufgeforderte Ratings) (oder falls die Ratings durch alle drei Rating Agenturen vergeben wurden, zumindest die Ratings von zwei Rating Agenturen) (A) zurückgezogen, (B) von einem Investment Grade Rating (BBB- von S&P, BBB- von Fitch oder Baa3 von Moody's oder jeweils gleichwertig, oder besser) in ein non-Investment Grade Rating (BB+ von S&P, BB+ von Fitch oder Ba1 von Moody's oder jeweils gleichwertig, oder schlechter) geändert wird oder (C) (wenn das vorherige vergebene Rating durch eine Rating Agentur (oder falls die Ratings durch alle drei Rating Agenturen vergeben wurden, zumindest die Ratings von zwei Rating Agenturen) unter einem Investment Grade Rating (wie oben beschrieben) um eine Ratingkategorie herabgestuft wurde (z.B. von BB+ zu BB oder einem solchen geringeren oder gleichwertigen Rating).

bezeichnet "**Rating Agentur**" Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), Moody's Investors Services Limited ("**Moody's**"), Fitch Ratings ("**Fitch**") oder eine ihrer jeweiligen Nachfolgesellschaften.

§ 5(1)). Interest shall be payable in arrear on 5 July in each year (each such date, an "**Interest Payment Date**"). The first Interest Payment Date shall be 5 July 2019.

(b) In deviation of paragraph (a) the interest rate payable on the Notes shall increase to 4.750 per cent per annum (the "**Increased Coupon**") upon the occurrence of a Change of Control Event. The Increased Coupon shall be payable for the first time for the interest period commencing with the Interest Payment Date immediately following the occurrence of a Change of Control Event. The Increased Coupon shall be applicable until the Maturity Date. Further, the Issuer undertakes to give notice to the Noteholders in accordance with § 13 and to the Principal Paying Agent of the occurrence of the Change of Control Event (the "**Change of Control Event Notice**") without undue delay (*unverzüglich*). The interest rate payable on the Notes shall not increase in case the Issuer gives a notice of redemption pursuant to § 5 (3) prior to the Interest Payment Date immediately following the occurrence of a Change of Control Event.

For the purposes of this paragraph (b):

A "**Change of Control Event**" occurs if a Change of Control (as defined below) occurs and within the Change of Control Period a Rating Downgrade occurs.

A "**Rating Downgrade**" shall be deemed to have occurred if a Change of Control has occurred and if within the Change of Control Period any rating previously assigned to the Guarantor or the outstanding long-dated liabilities of the Guarantor by any Rating Agency (other than unsolicited ratings) is (or, in case ratings are assigned by all three Rating Agencies, at least the ratings assigned by two Ratings Agencies are) (A) withdrawn, (B) changed from an investment grade rating (BBB- by S&P, BBB- by Fitch or Baa3 by Moody's, or its equivalent for the time being, or better) to a non-investment grade rating (BB+ by S&P, BB+ by Fitch or Ba1 by Moody's, or its equivalent for the time being, or worse) or (C) (if the rating previously assigned by a Rating Agency was (or, in case ratings are assigned by all three Rating Agencies, at least the ratings assigned by two Ratings Agencies were) below an investment grade rating (as described above)) lowered one full rating category (e.g. from BB+ to BB or such similar lower or equivalent rating).

"**Rating Agency**" means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), Moody's Investors Services Limited ("**Moody's**"), Fitch Ratings ("**Fitch**") or any of their respective successors.

gilt ein "**Kontrollwechsel**" als eingetreten, wenn eine Person oder mehrere Personen – ausgenommen Telefónica, S.A. oder eine ihrer Tochtergesellschaften –, die im Sinne von § 34 Absatz 2 WpHG abgestimmt handeln, mittelbar oder unmittelbar (unabhängig davon, ob der Vorstand oder der Aufsichtsrat der Garantin seine Zustimmung erteilt hat) eine solche Anzahl von Aktien der Garantin hält bzw. halten oder erworben hat bzw. haben, auf die 50 % oder mehr der Stimmrechte entfallen.

bezeichnet "**Kontrollwechselzeitraum**" einen Zeitraum beginnend mit (i) einer öffentlichen Bekanntmachung oder Erklärung der Garantin oder einer anderen maßgeblichen Person in Bezug auf jeden potentiellen Kontrollwechsel oder (ii) dem Tag der ersten öffentlichen Bekanntmachung, dass der Kontrollwechsel eingetreten ist, bis zum 60. Tag (einschließlich) nach Eintritt des maßgeblichen Kontrollwechsels.

(2) *Auflaufende Zinsen.* Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, erfolgt die Verzinsung der Schuldverschreibungen vom Tag der Fälligkeit bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen zum Zinssatz oder bei Eintritt eines Kontrollwechselereignisses zum Erhöhten Zinssatz plus 1 % des Nennbetrags der Schuldverschreibungen *per annum*.

(3) *Berechnung der Zinsen für Teile von Zeiträumen.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

"**Zinstagequotient**" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**") die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl von Tagen in der jeweiligen Zinsperiode.

#### § 4 ZAHLUNGEN

(1) *Zahlungen von Kapital und Zinsen.* Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes (2) an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz (2) an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des

A "**Change of Control**" shall be deemed to have occurred at the time that any person or persons – other than Telefónica, S.A. or any of its subsidiaries – acting in concert within the meaning of section 34 para 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) directly or indirectly acquire(s) or come(s) to own such number of the shares in the capital of the Guarantor carrying 50 per cent or more of the voting rights (whether or not approved by the Management Board or Supervisory Board of the Guarantor).

"**Change of Control Period**" means the period commencing on the earlier of (i) any public announcement or statement of the Guarantor or any relevant person relating to any potential Change of Control or (ii) the date of the first public announcement of the Change of Control having occurred and ending on the 60th day (inclusive) after the occurrence of the relevant Change of Control.

(2) *Accrual of Interest.* If the Issuer fails to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes at the Interest Rate or, in case a Change of Control Event occurred, Increased Coupon plus 1 per cent of the principal amount of the Notes per annum.

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

"**Day Count Fraction**" means with regard to the calculation of interest on any Note for any period of time (the "**Calculation Period**") the actual number of days in the Calculation Period divided by the actual number of days in the respective interest period.

#### § 4 PAYMENTS

(1) *Payment of Principal and Interest.* Payment of principal and interest in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided

Clearingsystems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz (3)(b). in § 1(3)(b).

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in euro.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearingsystem oder dessen Order von ihrer Zahlungspflicht befreit.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day and shall not be entitled to further interest or other payment in respect of such delay.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem das Clearingsystem sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") betriebsbereit sind, um die betreffende Zahlung weiterzuleiten.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) ("**TARGET**") are operational to forward the relevant payment.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen, den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen sowie jeden Aufschlag und sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Anleihebedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

(5) *References to Principal and Interest.* References in these Conditions of Issue to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes, the Early Redemption Amount of the Notes and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Conditions of Issue to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht München Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the local court (*Amtsgericht*) in Munich principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## § 5 RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 5. Juli 2025 (der "**Fälligkeitstag**") zurückgezahlt.

## § 5 REDEMPTION

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 5 July 2025 (the "**Maturity Date**"). The Final Redemption Amount in respect of each Note shall be

Der Rückzahlungsbetrag in Bezug auf jede Schuldverschreibung entspricht der festgelegten Stückelung der Schuldverschreibungen zuzüglich aller bis zum Fälligkeitstag aufgelaufener und noch nicht gezahlter Zinsen.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gegenüber den Gläubigern vorzeitig gekündigt und zum Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin oder eine Garantin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die Schuldverschreibungen begeben werden, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz (1) definiert) zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin oder einer Garantin zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin oder die Garantin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umständen darlegt.

(3) *Vorzeitige Rückzahlung nach Wahl der Emittentin infolge eines Kontrollwechselereignisses.*

Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gegenüber den Gläubigern vorzeitig gekündigt und zu 101 % des Nennbetrags zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls ein

its Specified Denomination and any unpaid interest, accrued until the Maturity Date.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the Notes were issued, the Issuer or a Guarantor is required to pay Additional Amounts (as defined in § 7 herein) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or a Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and to the Holders, at the principal amount together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Early Redemption at the Option of the Issuer following a Change of Control Event.*

If a Change of Control Event occurs, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and to the Holders, at 101 per cent of the principal amount together with interest accrued to the date fixed for redemption.



Kontrollwechselereignis eintritt.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich und muss den für die Rückzahlung festgelegten Termin nennen.

Any such notice shall be given in accordance with § 13. It shall be irrevocable and must specify the date fixed for redemption.

(4) *Vorzeitige Rückzahlung nach Wahl der Emittentin zum Wahl-Rückzahlungsbetrag (Make Whole)*

(4) *Early Redemption at the Option of the Issuer at the Call Redemption Amount (Make Whole)*

(a) Die Emittentin kann jederzeit sämtliche Schuldverschreibungen (ganz oder teilweise) nach ihrer Wahl mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen durch Erklärung gemäß § 13 gegenüber den Gläubigern kündigen und an einem von ihr anzugebenden Tag (der "**Wahl-Rückzahlungstag (Make Whole)**") zu ihrem Wahl-Rückzahlungsbetrag (Make Whole) (zuzüglich etwaigen bis zum betreffenden Wahl-Rückzahlungstag (Make Whole) (ausschließlich) aufgelaufenen aber noch nicht gezahlten Zinsen) zurückzahlen.

(a) The Issuer may at any time, upon not less than 30 days' nor more than 60 days' prior notice of redemption given in accordance with § 13, to the Holders redeem on any date specified by it (the "**Call Redemption Date (Make Whole)**"), at its option, all of the Notes (in whole or in part), at their Call Redemption Amount (Make Whole) together with accrued but unpaid interest, if any, to (but excluding) the relevant Call Redemption Date (Make Whole).

Der "**Wahl-Rückzahlungsbetrag (Make Whole)**" je Schuldverschreibung entspricht dem höheren der folgenden Beträge:

The "**Call Redemption Amount (Make Whole)**" per Note shall be the higher of:

(i) dem Nennbetrag der zurückzuzahlenden Schuldverschreibung (bzw., im Falle einer teilweisen Rückzahlung der betreffenden Schuldverschreibung, dem zurückzuzahlenden Anteil ihres Nennbetrages (der "**Teil-Nennbetrag**", sowie der nach einer solchen teilweisen Rückzahlung verbleibende Teil des Nennbetrags der "**Verbleibende Nennbetrag**")); oder

(i) the Principal Amount of the relevant Note to be redeemed (or, in case of a partial redemption of the relevant Note, the repayable part of its Principal Amount (the "**Partial Nominal Amount**", and the part of the Principal Amount remaining upon such partial redemption: the "**Remaining Principal Amount**")); or

(ii) dem Abgezinsten Marktwert.

(ii) the Present Value.

Der Wahl-Rückzahlungsbetrag (Make Whole) wird von der Berechnungsstelle berechnet und ist den Gläubigern unverzüglich nach dem Rückzahlungsberechnungstag durch die Emittentin gemäß § 13 bekanntzugeben.

The Call Redemption Amount (Make Whole) shall be calculated by the Calculation Agent and notified by the Issuer to the Holders in accordance with § 13 without undue delay after the Redemption Calculation Date.

"**Berechnungsstelle**" bezeichnet einen anerkannten Dienstleister, der von der Emittentin zu diesem Zweck mandatiert wird.

"**Calculation Agent**" means any recognised service provider to be mandated by the Issuer at any time for such purpose.

Der "**Abgezinsten Marktwert**" wird von der Berechnungsstelle berechnet, indem die Summe des Nennbetrags (bzw. des Teil-Nennbetrags) der zurückzuzahlenden Schuldverschreibung und der verbleibenden Zinszahlungen auf den Nennbetrag (bzw. den Teil-Nennbetrag) bis zum Fälligkeitstag auf einer jährlichen Basis, bei Annahme eines 365-Tage Jahres bzw. eines 366-Tage Jahres und der tatsächlichen Anzahl von Tagen, die in einem solchen Jahr abgelaufen sind, unter Anwendung der Benchmark-Rendite zuzüglich 0,30 % auf den Wahl-Rückzahlungstag (Make Whole) abgezinst werden.

The "**Present Value**" will be calculated by the Calculation Agent by discounting to the Call Redemption Date (Make Whole) the sum of the Principal Amount (or, respectively, the Partial Nominal Amount) of the relevant Note to be redeemed and the remaining interest payments to the Maturity Date on the Nominal Amount (or, respectively, the Partial Nominal Amount) on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Benchmark Yield plus 0.30 per cent.

Die "**Benchmark-Rendite**" bezeichnet die Rendite am Rückzahlungsberechnungstag der 0,500 %

The "**Benchmark Yield**" means the yield at the Redemption Calculation Date of the 0.500 per cent.

Anleihe der Bundesrepublik Deutschland fällig 15. Februar 2025, ISIN: DE0001102374, basierend auf dem Referenzpreis für diese Referenz-Anleihe an diesem Tag, um oder gegen 12:00 Uhr mittags (Frankfurter Zeit) auf der Bloomberg Seite PXGE Govt HP (unter Nutzung der Einstellung "Fixing Price" und der Preisquelle "FRNK") ersichtlich, oder wie aus einer anderen, von der Berechnungsstelle bestimmten Quelle hergeleitet oder durch diese Quelle veröffentlicht. Sollte die Renditeangabe zu diesem Zeitpunkt nicht verfügbar sein, bezeichnet die Benchmark-Rendite eine durch die Berechnungsstelle ersatzweise bestimmte Referenzanleihe, deren Laufzeit mit der verbleibenden Restlaufzeit der Schuldverschreibung zum Fälligkeitstag vergleichbar ist, und zum Zeitpunkt ihrer Bestimmung entsprechend der üblichen Finanzmarktpraxis zur Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit einer bis zum Fälligkeitstag der Schuldverschreibung vergleichbaren Laufzeit verwendet würde. Sollte jedoch die Zeitspanne vom jeweiligen Wahl-Rückzahlungstag (Make Whole) bis zum Fälligkeitstag nicht der Festlaufzeit einer solchen Anleihe der Bundesrepublik Deutschland entsprechen, für die eine wöchentliche Durchschnittsrendite angegeben wird, so ist die Benchmark-Rendite im Wege der linearen Interpolation (berechnet auf das nächste Zwölftel eines Jahres) aus den wöchentlichen Durchschnittsrenditen einer Anleihe der Bundesrepublik Deutschland zu ermitteln, für die solche Renditen angegeben werden.

**"Rückzahlungs-Berechnungstag"** ist der sechste Geschäftstag vor dem Tag, an dem die Schuldverschreibungen gemäß diesem § 5(4) zurückgezahlt werden.

(b) Die Kündigung ist den Gläubigern durch die Emittentin gemäß § 13 bekanntzugeben. Sie muss die folgenden Angaben enthalten:

(i) die Angabe, ob die Schuldverschreibungen vollständig oder lediglich teilweise zurückgezahlt werden und, in letzterem Fall, den zurückzahlenden Teil-Nennbetrag; und

(ii) den Wahl-Rückzahlungstag (Make Whole).

(c) *Änderung von Bezugnahmen:* Falls die Emittentin im Fall einer vorzeitigen Rückzahlung gemäß diesem Absatz (4) wahlweise nur einen Teil-Nennbetrag pro Schuldverschreibung zurückzahlt, gelten nach einer solchen teilweisen Rückzahlung sämtliche Bezugnahmen in diesen Bedingungen auf die festgelegte Stückelung, den Nennbetrag bzw. Nominalbetrag einer Schuldverschreibung jeweils als Bezugnahmen auf den Verbleibenden Nennbetrag dieser Schuldverschreibung.

(5) *Vorzeitige Rückzahlung im Falle geringfügigen*

bonds of the Federal Republic of Germany due 15 February 2025, ISIN DE0001102374, based on the reference price for such benchmark security on such day observed at or about noon (Frankfurt time) on Bloomberg page PXGE Govt HP (using the setting "Fixing Price" and the pricing source "FRNK"), or as derived or published by such other source as determined by the Calculation Agent. If such indication of yield is not available at that time the Benchmark Yield shall be the yield of a substitute benchmark security chosen by the Calculation Agent, having a maturity comparable to the remaining term of the Note to the Maturity Date, that would be used at the time of selection and in accordance with customary financial market practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date. If the period from the relevant Call Redemption Date (Make Whole) to the Maturity Date is not equal to the constant maturity of bonds of the Federal Republic of Germany for which a weekly average yield is given, the Benchmark Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of bonds of the Federal Republic of Germany for which such yields are given.

**"Redemption Calculation Date"** means the sixth Business Day prior to the date on which the Notes are redeemed in accordance with this § 5(4).

(b) Notice of redemption shall be given by the Issuer to the Holders in accordance with § 13. Such notice shall specify:

(i) the information as to whether the Notes shall be redeemed in whole or in part only and, if in part only, the Partial Nominal Amount to be redeemed; and

(ii) the Call Redemption Date (Make Whole).

(c) *Change of references:* If, in the case of an early redemption pursuant to this subsection (4), the Issuer opts for a repayment of a Partial Nominal Amount per Note only, then upon such partial repayment all references in these Conditions to the Specified Denomination, the Nominal Amount or the Principal Amount of each Note are to be read and construed as references to the Remaining Principal Amount of such Note.

(5) *Early Redemption in case of minimal outstanding*

*ausstehenden Gesamtnennbetrags*

Wenn 80 % oder mehr des Gesamtnennbetrags der ursprünglich begebenen Schuldverschreibungen zurückgezahlt oder zurückgekauft und entwertet wurden, ist die Emittentin berechtigt, die verbleibenden Schuldverschreibungen (ganz, jedoch nicht teilweise) durch eine Bekanntmachung an die Gläubiger gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zum Rückzahlungsbetrag zuzüglich der bis zum Rückzahlungstermin (ausschließlich) aufgelaufenen Zinsen zurück zu zahlen.

**"Rückzahlungsbetrag"** bezeichnet (i) falls die Emittentin, eine mit ihr verbundene Gesellschaft oder ein Dritter, der für Rechnung der Emittentin oder einer mit ihr verbundenen Gesellschaft handelt, die entwerteten Schuldverschreibungen im Zuge eines öffentlichen Rückkaufangebotes erworben hatte, den an die Gläubiger nach Maßgabe des Rückkaufangebots gezahlten Kaufpreis je Schuldverschreibung, mindestens jedoch der Nennbetrag, und (ii) in allen anderen Fällen den Nennbetrag.

*(6) Vorzeitige Rückzahlung nach Wahl der Emittentin während des Wahl-Rückzahlungszeitraums*

(a) Die Emittentin kann, nachdem sie gemäß Absatz (b) gekündigt hat, die Schuldverschreibungen insgesamt aber nicht teilweise innerhalb des Wahl-Rückzahlungszeitraums am Wahl-Rückzahlungstag zum Nennbetrag nebst etwaigen bis zum Wahl-Rückzahlungstag (ausschließlich) aufgelaufenen Zinsen zurückzahlen. Der Wahl-Rückzahlungstag darf nicht weniger als 15 und nicht mehr als 30 Tage auf den Tag der Kündigung durch die Emittentin gegenüber den Gläubigern folgen.

**"Wahl-Rückzahlungszeitraum"** bezeichnet den Zeitraum ab dem 5. April 2025 (einschließlich) bis zum Fälligkeitstag (ausschließlich).

(b) Die Kündigung ist den Gläubigern der Schuldverschreibungen durch die Emittentin gemäß § 13 bekannt zu geben. Sie beinhaltet die folgenden Angaben:

(i) die genaue Bezeichnung der zurückzuzahlenden Schuldverschreibungen; und

(ii) den Tag innerhalb des Wahl-Rückzahlungszeitraums, an dem die Rückzahlung erfolgen wird (der **"Wahl-Rückzahlungstag"**).

*aggregate principal amount*

If 80 per cent. or more in aggregate principal amount of the Notes initially issued have been redeemed or repurchased and cancelled, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with § 13, call, at its option, the remaining Notes (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice. In the case such call notice is given, the Issuer shall redeem the remaining Notes on the specified redemption date at their Redemption Price together with interest accrued to but excluding the redemption date.

**"Redemption Price"** means, (i) in the event the Issuer or an affiliate of the Issuer or any third party acting for the account of the Issuer or an affiliate of the Issuer had purchased the Notes subsequently cancelled by way of a public tender offer to the Holders, the higher of the purchase price per Note paid to the Holders in tender offer and the Principal Amount, and (ii) in all other cases the Principal Amount.

*(6) Early Redemption at the Option of the Issuer during the Call Redemption Period*

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all of the Notes but not some of the Notes only within the Call Redemption Period on the Call Redemption Date at par together with accrued interest, if any, to (but excluding) the Call Redemption Date. The Call Redemption Date may not be less than 15 nor more than 30 days after the date on which notice is given by the Issuer to the Holders.

**"Call Redemption Period"** means the period from, and including 5 April 2025 to, but excluding, the Maturity Date.

(b) Notice of redemption shall be given by the Issuer to the Holders in accordance with § 13. Such notice shall specify:

(i) the exact specification of the Notes subject to redemption; and

(ii) the date within the Call Redemption Period on which the redemption will occur (the **"Call Redemption Date"**).

**§ 6**  
**DIE HAUPTZAHLSTELLE UND DIE**  
**ZAHLSTELLE**

(1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Hauptzahlstelle und deren bezeichnete Geschäftsstellen lauten wie folgt:

Hauptzahlstelle:           BNP Paribas Securities  
                                  Services  
                                  60, Avenue John F.  
                                  Kennedy 1855  
                                  Luxembourg

Die Hauptzahlstelle behält sich das Recht vor, jederzeit ihre bezeichnete Geschäftsstelle durch eine andere Geschäftsstelle in demselben Land zu ersetzen. Eine solche Änderung ist den Gläubigern unverzüglich nach § 13 anzuzeigen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle oder zusätzliche Zahlstellen zu bestellen. Die Emittentin wird eine Hauptzahlstelle unterhalten solange die Schuldverschreibungen ausstehen. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Erfüllungsgehilfe(n) der Emittentin.* Die Hauptzahlstelle handelt ausschließlich als Erfüllungsgehilfe der Emittentin und übernimmt keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihr und den Gläubigern begründet.

**§ 7**  
**STEUERN**

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. Ist ein solcher Einbehalt gesetzlich vorgeschrieben, so wird die Emittentin diejenigen zusätzlichen Beträge (die "**zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären;

**§ 6**  
**THE PRINCIPAL PAYING AGENT AND THE**  
**PAYING AGENT**

(1) *Appointment; Specified Office.* The initial Principal Paying Agent and its initial specified offices shall be:

Principal Paying Agent    BNP Paribas Securities  
                                  Services  
                                  60, Avenue John F.  
                                  Kennedy 1855  
                                  Luxembourg

The Principal Paying Agent reserves the right at any time to change its specified office to some other office in the same country. Notice of such change shall be given to the Holders in accordance with § 13 without undue delay.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint another Principal Paying Agent or additional Paying Agents. The Issuer shall for so long as the Notes are outstanding maintain a Principal Paying Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

(3) *Agent of the Issuer.* The Principal Paying Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Holder.

**§ 7**  
**TAXATION**

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Issuer will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird; oder

(e) von einer Zahlstelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können.

(f) aufgrund der Tatsache an einen Gläubiger, oder einen Dritten im Namen des Gläubigers, zu zahlen sind, dass die Emittentin nicht rechtzeitig die Informationen über die Schuldverschreibungen oder den Gläubiger erhält, die aufgrund einschlägiger deutscher Steuergesetze und -verordnungen notwendig sind.

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, Germany, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 13, whichever occurs later, or

(e) are withheld or deducted by a paying agent from a payment if the payment could have been made by another paying agent without such withholding or deduction.

(f) are payable to, or to a third party on behalf of, a Holder if the Issuer does not receive in a timely manner certain information about the Notes of such Holder as is required by applicable German tax laws and regulations.

## **§ 8 VORLEGUNGSFRIST**

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

## **§ 9**

## **§ 8 PRESENTATION PERIOD**

The presentation period provided in § 801 paragraph 1, sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch, BGB*) is reduced to ten years for the Notes.

## **§ 9**

## KÜNDIGUNG

(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibung zu kündigen und deren sofortige Rückzahlung zu ihrem Nennbetrag zuzüglich (etwaiger) bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

(a) Nichtzahlung: die Emittentin auf die Schuldverschreibungen zahlbares Kapital oder Zinsen nicht innerhalb von 21 Tagen nach dem betreffenden Fälligkeitsdatum zahlt; oder

(b) Verletzung einer sonstigen Verpflichtung: die Emittentin die ordnungsgemäße Erfüllung einer anderen Verpflichtung aus den Schuldverschreibungen oder die Garantin die Erfüllung einer Verpflichtung aus der Garantie unterlässt und diese Unterlassung länger als 60 Tage fort dauert, nachdem die Hauptzahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder

(c) Drittverzugs Klausel: (i) eine andere Kapitalmarktverbindlichkeit der Emittentin, der Garantin oder der Wesentlichen Tochtergesellschaft bei Fälligkeit bzw. nicht innerhalb von 30 Tagen, oder, falls länger, nach Ablauf einer etwaigen Nachfrist nicht bezahlt wird, oder (ii) eine Kapitalmarktverbindlichkeit der Emittentin, der Garantin oder der Wesentlichen Tochtergesellschaft vor dem vorgesehenen Fälligkeitstermin aufgrund des Vorliegens eines Kündigungsgrundes wegen Nichterfüllung von Zahlungsverpflichtungen vorzeitig fällig gestellt wird, oder (iii) die Emittentin, die Garantin oder die Wesentliche Tochtergesellschaft einen Betrag, der unter einer bestehenden oder zukünftigen Garantie oder Gewährleistung im Zusammenhang mit einer Kapitalmarktverbindlichkeit zu zahlen ist, innerhalb von 30 Tagen oder, falls länger, der zutreffenden Nachfrist nicht zahlt, jeweils vorausgesetzt, dass der Gesamtbetrag der betreffenden Kapitalmarktverbindlichkeit, bezüglich derer eines oder mehrere der in diesem Absatz (c) genannten Ereignisse eintritt, mindestens dem Betrag von € 40.000.000 (oder dessen entsprechenden Gegenwert in einer oder mehreren anderen Währung(en)) entspricht oder diesen übersteigt; oder

(d) Zahlungseinstellung: die Emittentin, die Garantin oder eine ihrer Wesentlichen Tochtergesellschaften ihre Zahlungsunfähigkeit bekannt gibt oder ihre Zahlungen allgemein einstellt; oder

(e) Insolvenz u.ä.: ein Gericht ein Insolvenzverfahren gegen die Emittentin, die Garantin oder ihre Wesentliche Tochtergesellschaft eröffnet, oder die Emittentin, die Garantin oder ihre Wesentliche Tochtergesellschaft ein solches Verfahren einleitet oder beantragt oder eine

## EVENTS OF DEFAULT

(1) *Events of default.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at par plus accrued interest (if any) to the date of repayment, in the event that

(a) Non-Payment: the Issuer fails to pay principal or interest due on the Notes within 21 days after the relevant due date, or

(b) Breach of other Obligation: the Issuer fails to duly perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee and such failure continues unremedied for more than 60 days after the Principal Paying Agent has received notice thereof from a Holder, or

(c) Cross-Default: (i) any other Capital Market Indebtedness of the Issuer, the Guarantor or the Material Subsidiary is not paid when due or, as the case may be, within 30 days or, if longer, any originally applicable grace period or (ii) any Capital Market Indebtedness of the Issuer, the Guarantor or the Material Subsidiary is declared to be due and payable prior to its specified maturity for reason of the occurrence of an event of default due to non-compliance with payment obligations, or (iii) the Issuer, the Guarantor or the Material Subsidiary fails to pay within 30 days or, if longer, any applicable grace period any amount payable by it under any present or future guarantee or indemnity for any Capital Market Indebtedness when due or, provided in each case that the relevant aggregate amount of all such Capital Market Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) has or have occurred equals or exceeds € 40,000,000 or its equivalent in any other currency; or

(d) Cessation of Payment: the Issuer, the Guarantor or its Material Subsidiary announces its inability to meet its financial obligations or ceases its payments generally; or

(e) Insolvency etc.: a court opens insolvency proceedings against the Issuer, the Guarantor or its Material Subsidiary or the Issuer, the Guarantor or its Material Subsidiary applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or a third party

allgemeine Schuldenregelung zu Gunsten ihrer Gläubiger anbietet oder trifft, oder ein Dritter ein Insolvenzverfahren gegen die Emittentin, die Garantin oder ihre Wesentliche Tochtergesellschaft beantragt und ein solches Verfahren nicht innerhalb einer Frist von 60 Tagen aufgehoben oder ausgesetzt worden ist; oder

(f) Liquidation: die Emittentin, die Garantin oder ihre Wesentliche Tochtergesellschaft in Liquidation tritt (es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft oder im Zusammenhang mit einer Umwandlung, sofern die andere oder neue Gesellschaft oder gegebenenfalls die anderen neuen Gesellschaften im Wesentlichen alle Aktiva und Passiva der Emittentin, der Garantin oder ihrer Wesentlichen Tochtergesellschaft übernimmt oder übernehmen); oder

(g) Erlöschen der Garantie: die Garantie nicht länger rechtswirksam und bindend ist (ausgenommen als Folge einer Verschmelzung der Garantin mit der Emittentin) oder die Garantin ihre Verpflichtungen aus der Garantie nicht erfüllt.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Benachrichtigung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß Absatz (1) ist schriftlich in deutscher oder englischer Sprache gegenüber der Hauptzahlstelle zu erklären zusammen mit dem Nachweis durch eine Bescheinigung der Depotbank (wie in § 14 Absatz (3) definiert) oder in einer anderen geeigneten Weise, dass der Benachrichtigende zum Zeitpunkt der Benachrichtigung ein Gläubiger der betreffenden Schuldverschreibung ist und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln.

## § 10 ERSETZUNG

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger ein mit der Emittentin verbundenes Unternehmen (wie unten definiert), an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

(a) die Nachfolgeschuldnerin alle

applies for insolvency proceedings against the Issuer, the Guarantor or its Material Subsidiary and such proceedings are not discharged or stayed within 60 days, or

(f) Liquidation: the Issuer, the Guarantor or its Material Subsidiary enters into liquidation (except in connection with a merger or other form of combination with another company or in connection with a reconstruction and such other or new company or, as the case may be, companies effectively assume substantially all of the assets and liabilities of the Issuer, the Guarantor or its Material Subsidiary), or

(g) Expiration of the Guarantee: the Guarantee cease to be legally valid and binding (other than as a result of a merger of the Guarantor with the Issuer) or the Guarantor fails to fulfil its obligations under the Guarantee.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Principal Paying Agent together with a proof that such notifying Holder at the time of such notice is a holder of the relevant Notes by means of a statement of his Custodian (as defined in § 14(3)) or any other appropriate manner.

## § 10 SUBSTITUTION

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal or of interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate (as defined below) of the Issuer as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:

(a) the Substitute Debtor assumes all obligations

Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;

(b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten hat und berechtigt ist, an die Hauptzahlstelle die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;

(c) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden;

(d) die Garantin eine Garantie zugunsten der Anleihegläubiger für Verbindlichkeiten der Nachfolgeschuldnerin unter den Schuldverschreibungen abgegeben hat; und

(e) der Hauptzahlstelle jeweils eine Bestätigung bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wird, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

Für die Zwecke dieses § 10 bedeutet "**verbundenes Unternehmen**" ein verbundenes Unternehmen im Sinne von § 15 Aktiengesetz.

(2) *Bekanntmachung*. Jede Ersetzung ist gemäß § 13 bekannt zu machen.

(3) *Änderung von Bezugnahmen*. Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des Weiteren gilt im Fall einer Ersetzung Folgendes:

In § 7 und § 5 Absatz (2) gilt eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).

of the Issuer in respect of the Notes;

(b) the Substitute Debtor has obtained all necessary authorisations and may transfer to the Principal Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;

(c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;

(d) the Guarantor has granted a guarantee for the benefit of the Noteholders guaranteeing the obligations of the Substitute Debtor under the Notes; and

(e) there shall have been delivered to the Principal Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

For purposes of this § 10, "**Affiliate**" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of § 15 of the German Stock Corporation Act (*Aktiengesetz*).

(2) *Notice*. Notice of any such substitution shall be published in accordance with § 13.

(3) *Change of References*. In the event of any such substitution, any reference in these Conditions of Issue to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

In § 7 and § 5(2) an alternative reference to Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.



**§ 11**  
**BEGEBUNG WEITERER**  
**SCHULDVERSCHREIBUNGEN UND ANKAUF**

(1) *Begebung* weiterer Schuldverschreibungen. Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf*. Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Hauptzahlstelle zwecks Entwertung eingereicht werden.

**§ 12**  
**ÄNDERUNG DER ANLEIHEBEDINGUNGEN,**  
**GEMEINSAMER VERTRETER, ÄNDERUNG**  
**DER GARANTIE**

(1) *Änderung der Anleihebedingungen*. Die Gläubiger können entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (*Schuldverschreibungsgesetz – "SchVG"*) durch einen Beschluss mit der in Absatz 2 bestimmten Mehrheit über einen im SchVG zugelassenen Gegenstand eine Änderung der Anleihebedingungen mit der Emittentin vereinbaren. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse*. Die Gläubiger entscheiden mit einer Mehrheit von 75 Prozent der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand der § 5 Absatz 3, Nr. 1 bis Nr. 8 des SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(3) *Abstimmung ohne Versammlung*. Alle Abstimmungen werden ausschließlich im Wege der Abstimmung ohne Versammlung durchgeführt. Eine Gläubigerversammlung und eine Übernahme der Kosten für eine solche Versammlung durch die Emittentin findet ausschließlich im Fall des § 18 Absatz 4, Satz 2 SchVG statt.

(4) *Leitung der Abstimmung*. Die Abstimmung wird von einem von der Emittentin beauftragten in- oder ausländischen Notar oder, falls der gemeinsame

**§ 11**  
**FURTHER ISSUES AND PURCHASES**

(1) *Further Issues*. The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases*. The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation.

**§ 12**  
**AMENDMENT OF THE CONDITIONS OF**  
**ISSUE, HOLDERS' REPRESENTATIVE,**  
**AMENDMENT OF THE GUARANTEE**

(1) *Amendment of the Conditions of Issue*. In accordance with the Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz aus Gesamtemissionen – "SchVG"*) the Holders may agree with the Issuer on amendments of the Conditions of Issue with regard to matters permitted by the SchVG by resolution with the majority specified in subparagraph (2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority*. Resolutions shall be passed by a majority of not less than 75 per cent of the votes cast. Resolutions relating to amendments of the Conditions of Issue which are not material and which do not relate to the matters listed in § 5 paragraph 3, Nos. 1 to 8 of the SchVG require a simple majority of the votes cast.

(3) *Vote without a meeting*. All votes will be taken exclusively by vote taken without a meeting. A meeting of Holders and the assumption of the fees by the Issuer for such a meeting will only take place in the circumstances of § 18 paragraph 4, sentence 2 of the SchVG.

(4) *Chair of the vote*. The vote will be chaired by a German or foreign notary appointed by the Issuer or, if the Holders' Representative (as defined below) has

Vertreter zur Abstimmung aufgefordert hat, vom gemeinsamen Vertreter geleitet.

(5) *Stimmrecht.* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil. Gläubiger müssen den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung zum Zeitpunkt der Stimmabgabe durch eine Bescheinigung der Depotbank, wie in § 14 (3) geregelt und die Vorlage einer Sperranweisung der Depotbank zugunsten der Zahlstelle als Hinterlegungsstelle für den Zeitraum der Stimmabgabe nachweisen.

(6) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter für alle Gläubiger bestellen (der "**Gemeinsame Vertreter**"). Der Gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Er hat die Weisungen der Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der gemeinsame Vertreter den Gläubigern zu berichten. Für die Abberufung und die sonstigen Rechte und Pflichten des Gemeinsamen Vertreters gelten die Vorschriften des SchVG.

(7) *Änderung der Garantie.* Die oben aufgeführten auf die Schuldverschreibungen anwendbaren Bestimmungen finden sinngemäß auf die Bestimmungen der Garantie Anwendung.

### § 13 MITTEILUNGEN

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen erfolgen im Bundesanzeiger und durch elektronische Publikation auf der Internetseite der Luxemburger Börse ([www.bourse.lu](http://www.bourse.lu)). Jede Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung als wirksam erfolgt.

(2) *Mitteilungen an das Clearingsystem.* Solange Schuldverschreibungen an der Luxemburger Börse notiert sind, findet Absatz (1) Anwendung. Soweit die Regeln der Luxemburger Börse dies sonst zulassen oder die gesetzlichen Bestimmungen nichts anderes vorsehen, kann die Emittentin eine Veröffentlichung nach Absatz (1) durch eine Mitteilung an das Clearingsystem zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearingsystem als den Gläubigern mitgeteilt.

convened the vote, by the Holders' Representative.

(5) *Voting rights.* Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes. Holders must demonstrate their eligibility to participate in the vote at the time of voting by means of a special confirmation of the Custodian in accordance with § 14(3) hereof and by submission of a blocking instruction by the Custodian for the benefit of the Paying Agent as depository (*Hinterlegungsstelle*) for the voting period.

(6) *Holders' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder. The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.

(7) *Amendment of the Guarantee.* The provisions set out above applicable to the Notes shall apply mutatis mutandis to the Guarantee.

### § 13 NOTICES

(1) *Publication.* All notices concerning the Notes will be made in the Federal Gazette and by means of electronic publication on the internet website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Notes are listed on the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit or statutory provisions do not stipulate differently, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.

(3) *Form der Mitteilung.* Mitteilungen, die von einem Gläubiger gemacht werden, müssen in Textform erfolgen und zusammen mit der oder den betreffenden Schuldverschreibung(en) per Kurier oder per Einschreiben an die Hauptzahlstelle geleitet werden. Solange Schuldverschreibungen durch eine Globalurkunde verbrieft sind, kann eine solche Mitteilung von einem Gläubiger an die Hauptzahlstelle über das Clearingsystem in der von der Hauptzahlstelle und dem Clearingsystem dafür vorgesehenen Weise erfolgen.

#### § 14

#### ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht unter Ausschluss des Kollisionsrechts.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeit**") ist das Landgericht München. Das Amtsgericht München ist gemäß § 9 Abs. 3 SchVG zuständig für alle Verfahren nach §§ 9 Abs. 2, 13 Abs. 3 und 18 Abs. 2 SchVG. Das Landgericht München ist gemäß § 20 Abs. 3 SchVG ausschließlich zuständig für Klagen im Zusammenhang mit der Anfechtung von Beschlüssen der Gläubiger.

(3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jede Rechtsstreitigkeit gegen die Emittentin oder in jeder Rechtsstreitigkeit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearingsystem eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbrieften Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearingsystems oder des Verwahrers des Clearingsystems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbrieften

(3) *Form of Notice.* Notices to be given by any Holder shall be made by means of a declaration in text form to be delivered by hand or registered mail together with the relevant Note or Notes to the Principal Paying Agent. So long as any of the Notes are represented by a global note, such notice may be given by any Holder of a Note to the Principal Paying Agent through the Clearing System in such manner as the Principal Paying Agent and the Clearing System may approve for such purpose.

#### § 14

#### APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law without regard to principles of conflict of laws.

(2) *Submission to Jurisdiction.* The District Court (*Landgericht*) in Munich shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes. The local court (*Amtsgericht*) in Munich shall, pursuant to section 9 para 3 of the SchVG, have jurisdiction for all judgements in accordance with sections 9 para 2, 13 para 3 and 18 para 2 of the SchVG. The District Court (*Landgericht*) in Munich shall have exclusive jurisdiction for all judgments over contested resolutions by Noteholders SchVG in accordance with section 20 para 3 of the SchVG.

(3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted

Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearingsystems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

**§ 15  
SPRACHE**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

in the country of the Proceedings.

**§ 15  
LANGUAGE**

These Conditions of Issue are written in the German language. The German text shall be controlling and binding. The English language translation is provided for convenience only.

## MUSTER DER GARANTIE

### FORM OF GUARANTEE

Die deutsche Version dieser Garantie ist bindend. Die englische Übersetzung dient nur Informationszwecken. *The German text of this Guarantee is binding. The English translation is for information purposes only.*

#### GARANTIE

der

**TELEFÓNICA DEUTSCHLAND  
HOLDING AG**

(die "**Garantin**")

zugunsten der Gläubiger der € 600.000.000  
1,750 Prozent Schuldverschreibungen fällig  
5. Juli 2025 der

**O<sub>2</sub> TELEFÓNICA DEUTSCHLAND  
FINANZIERUNGS GMBH**

(die "**Emittentin**")

ISIN XS1851313863  
(die "**Schuldverschreibungen**").

#### 1. Definitionen

Die in dieser Garantie verwendeten und nicht anders definierten Begriffe haben die ihnen in den Anleihebedingungen der Schuldverschreibungen zugewiesene Bedeutung.

#### 2. Garantie

(a) Die Garantin übernimmt gegenüber jedem Inhaber einer Schuldverschreibung (jeweils ein "**Gläubiger**") die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung aller nach Maßgabe der Anleihebedingungen von der Emittentin oder einer Nachfolgeschuldnerin auf die Schuldverschreibungen zu zahlenden Beträge. Diese Garantie begründet eine selbständige Verpflichtung der Garantin, deren Bestand unabhängig von der rechtlichen Beziehung zwischen der Emittentin und den Gläubigern ist, und die insbesondere nicht von der Wirksamkeit oder der Durchsetzbarkeit der Ansprüche gegen die Emittentin aus den Schuldverschreibungen abhängt.

(b) Diese Garantie begründet unmittelbare, unbedingte und nicht nachrangige Verbindlichkeiten der Garantin, die mindestens im gleichen Rang mit allen anderen gegenwärtigen und zukünftigen

#### GUARANTEE

of

**TELEFÓNICA DEUTSCHLAND  
HOLDING AG**

(the "**Guarantor**")

for the benefit of the holders of the € 600,000,000  
1.750 per cent Notes due 5 July 2025 issued by

**O<sub>2</sub> TELEFÓNICA DEUTSCHLAND  
FINANZIERUNGS GMBH**

(the "**Issuer**")

ISIN XS1851313863  
(the "**Notes**").

#### 1. Definitions

Terms used in this Guarantee and not otherwise defined herein shall have the meaning attributed to them in the Conditions of Issue of the Notes.

#### 2. Guarantee

(a) The Guarantor unconditionally and irrevocably assumes towards each holder of a Note (each a "**Holder**"), the unconditional and irrevocable guarantee for the due and punctual payment of any amounts payable by the Issuer or any Substitute Debtor in respect of the Notes pursuant to the Conditions of Issue. This Guarantee constitutes an independent obligation of the Guarantor, which is independent from the legal relationship between the Issuer and the Holders, and which is in particular independent from the validity or the enforceability of the claims against the Issuer under the Notes.

(b) This Guarantee constitutes direct, unconditional and unsubordinated obligations of the Guarantor ranking at least *pari passu* with all other unsubordinated obligations of the

nicht nachrangigen und nicht besicherten Verbindlichkeiten der Garantin stehen mit Ausnahme von Verbindlichkeiten, die aufgrund zwingenden Rechts vorrangig sind. Zugleich mit der Erfüllung einer Zahlungsverpflichtung der Garantin zugunsten eines Gläubigers aus der Garantie erlischt das jeweilige garantierte Recht eines Gläubigers aus den Anleihebedingungen.

### 3. Negativverpflichtung

Die Garantin verpflichtet sich, solange Schuldverschreibungen ausstehen jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, keine Sicherungsrechte in Bezug auf ihr gesamtes Vermögen oder Teile davon zur Sicherung von Kapitalmarktverbindlichkeiten zu gewähren und ihre Wesentliche Tochtergesellschaft (wie unten definiert) zu veranlassen (es sei denn, dies ist rechtlich nicht möglich oder unzulässig), keine solchen Sicherungsrechte für Kapitalmarktverbindlichkeiten zu gewähren, ohne gleichzeitig die Gläubiger gleichrangig an einem solchen Sicherungsrecht zu beteiligen oder ihnen ein gleichwertiges Sicherungsrecht zu gewähren; diese Verpflichtung gilt jedoch nicht (i) für zum Zeitpunkt des Erwerbs von Vermögenswerten durch die Garantin bereits an solchen Vermögenswerten bestehende Sicherungsrechte, soweit solche Sicherungsrechte nicht im Zusammenhang mit dem Erwerb oder in Erwartung des Erwerbs des jeweiligen Vermögenswerts bestellt wurden und der durch das Sicherungsrecht besicherte Betrag nicht nach Erwerb des betreffenden Vermögenswertes erhöht wird, (ii) Sicherungsrechte, die aufgrund von zwingend anwendbarem Recht geschaffen wurden oder werden oder um behördliche oder staatliche Genehmigungen oder Erlaubnisse zu erhalten und (iii) Sicherungsrechte, sofern der ausstehende Nominalbetrag der besicherten Kapitalmarktverbindlichkeiten 5 % der Konsolidierten Nettosachanlagen der Garantin (wie nachstehend definiert), wie in der aktuellsten Bilanz der Garantin reflektiert (erstellt im Einklang mit von der Europäischen Union übernommenen IFRS), zum Zeitpunkt zu dem die Sicherungsrechte zur Verfügung

Guarantor, present and future save for such obligations which may be preferred by applicable mandatory law. Upon discharge of any payment obligation of the Guarantor subsisting under the Guarantee in favour of any Holder, the relevant guaranteed right of such Holder under the Conditions of Issue will cease to exist.

### 3. Negative Pledge

The Guarantor undertakes, for so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to provide any Security Interest over the whole or any part of its assets to secure any Capital Markets Indebtedness and to procure (unless this is legally impossible or illegal) that its Material Subsidiary (as defined below) will not provide Security Interests over its assets to secure Capital Markets Indebtedness without at the same time letting the Holders share *pari passu* in such Security Interest or giving to the Holders an equivalent Security Interest, provided, however, that this undertaking shall not apply with respect to (i) any Security Interest existing on property at the time of the acquisition thereof by the Guarantor, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property, (ii) any Security Interest which is created or will be created due to mandatory provisions of law or in order to obtain administrative or governmental authorisations or permits and (iii) any Security Interest to the extent that the nominal outstanding amount of the secured Capital Market Indebtedness does not exceed 5 per cent of the Consolidated Net Tangible Assets (as defined below) of the Guarantor, as reflected in the Guarantors most recent statement of financial position (prepared in accordance with IFRS adopted by the European Union) at the time the Security Interest is provided or maintained.

gestellt oder aufrechterhalten werden, nicht übersteigt.

**"Konsolidierte Nettosachanlagen der Garantin"** bezeichnet den Gesamtbetrag der Vermögenswerte der Garantin und ihrer konsolidierten Tochtergesellschaften (wie nachstehend definiert), einschließlich Investitionen in nicht konsolidierte Tochtergesellschaften nach Abzug (i) von ideellem Firmenwert (*goodwill*) und (ii) immateriellen Vermögenswerten.

**"Tochtergesellschaft"** bezeichnet jede Gesellschaft an der die Garantin direkt oder indirekt mehr als die Hälfte der stimmberechtigten Anteile hält oder wenn die Garantin die Hälfte oder weniger der Stimmrechte hält, aber die jeweilige Gesellschaft kontrolliert, d.h. die Berechtigung hat, die finanziellen und operativen Strategien der jeweiligen Gesellschaft zu bestimmen und Vorteile hieraus zu erhalten.

Eine nach dieser Ziffer 3 zu leistende Sicherheit kann auch zu Gunsten der Person eines Treuhänders der Gläubiger bestellt werden.

**"Kapitalmarktverbindlichkeit"** bezeichnet jede bestehende oder zukünftige Verbindlichkeit (gleich ob Kapital, Aufgeld, Zinsen oder andere Beträge) bezüglich Geldaufnahmen in Form von, oder verbrieft durch, Schuldverschreibungen, Anleihen oder ähnliche Wertpapiere, sofern sie an einer Börse oder einem anderen anerkannten und regulierten Wertpapiermarkt notiert sind oder gehandelt werden oder werden können oder Schuldscheindarlehen nach deutschem Recht mit einer Laufzeit von mehr als einem Jahr, sofern der zurückzuzahlende Betrag € 40.000.000 übersteigt. Von der Definition Kapitalmarktverbindlichkeiten sind solche Verbindlichkeiten ausgenommen, die aus der Verbriefung von Forderungen, besonders denjenigen aus dem O<sub>2</sub> My Handy Geschäft, stammen.

**"Wesentliche Tochtergesellschaft"** bezeichnet Telefónica Germany GmbH & Co. OHG.

4. Steuern

(a) Sämtliche Zahlungen der Garantin aus der Garantie sind ohne Einbehalt oder Abzug aufgrund von oder wegen irgendwelchen gegenwärtigen oder zukünftigen Steuern, Abgaben gleich

**"Consolidated Net Tangible Assets of the Guarantor"** means the total amount of assets of the Guarantor and its consolidated Subsidiaries (as defined below), including investments in unconsolidated Subsidiaries, after deduction of (i) goodwill and (ii) other intangible assets.

**"Subsidiary"** means any company in respect of which the Guarantor owns, directly or indirectly, more than half of the voting rights of the shares of such company, or when the Guarantor owns half or less of the voting power but controls such company, i.e. has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

Any security which is to be provided pursuant to this item 3 may also be provided to a person acting as trustee for the Holders.

**"Capital Market Indebtedness"** shall mean any present or future indebtedness (whether being principal, premium, interest or other amounts) in respect of borrowed money which is in the form of, or represented by, bonds, notes or any similar securities which are or are capable of being quoted, listed or traded on any stock exchange or other recognised and regulated securities market or certificates of indebtedness (*Schuldscheindarlehen*) governed by German law, with an original maturity of more than one year, where the repayable amount exceeds € 40,000,000, provided that obligations resulting from the securitisations of trade receivables, in particular those attributed to the O<sub>2</sub> My Handy business model, shall not qualify as Capital Market Indebtedness.

**"Material Subsidiary"** means Telefónica Germany GmbH & Co. OHG.

4. Taxes

(a) All payments by the Guarantor in respect of the Guarantee will be made without with-holding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or

welcher Art, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden ("**Quellensteuern**"), zu zahlen, es sei denn, eine solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem Fall wird die Garantin, vorbehaltlich der Ausnahmen gemäß § 7 der Anleihebedingungen, diejenigen zusätzlichen Beträge (die "**zusätzlichen Beträge**") zahlen, die zu zahlen gewesen wären, wenn ein solcher Einbehalt oder Abzug nicht notwendig gewesen wäre.

levied by way of withholding or deduction by or on behalf of Germany or any political sub-division or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Guarantor will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable by the Guarantor if the exemptions in § 7 of the Conditions of the Issue are applicable

(b) Falls die Garantin ihren satzungsmäßigen Sitz oder ihren Verwaltungssitz in ein anderes Land als die Bundesrepublik Deutschland verlegt oder auf eine Gesellschaft verschmolzen wird, die ihren satzungsmäßigen Sitz oder ihren Verwaltungssitz in einem solchen anderen Land hat, gelten die Bestimmungen gemäß Ziffer 4(a) auch für Quellensteuern, die durch oder für dieses andere Land oder eine dort zur Steuererhebung ermächtigte Stelle auferlegt oder erhoben werden.

(b) In the event that the Guarantor moves its domicile or residence or is merged into a company with domicile or residence in a country other than Germany, the provisions of Clause 4(a) above shall apply also to Taxes imposed or levied by or behalf of such other country or any taxing authority therein.

(c) Soweit in dieser Garantie von Zinsen und Kapital die Rede ist, sind damit auch die gemäß dieser Ziffer 4 zu zahlenden Zusätzlichen Beträge gemeint.

(c) Any reference in this Guarantee to interest and principal shall be deemed also to refer to any Additional Amounts which may be payable under this Clause 4.

5. Diese Garantie und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der jeweiligen Gläubiger als begünstigte Dritte gemäß § 328 Absatz 1 Bürgerliches Gesetzbuch (BGB) dar. Sie begründen das Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen. Gläubiger, die Verpflichtungen gegenüber der Garantin durchsetzen wollen, haben die Garantin von dieser Durchsetzung zu informieren (diese Information ist die "**Vollstreckungsanzeige**")

5. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch - BGB*). They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor. Holders who want to enforce obligations have to notify the Guarantor of such enforcement (such notification the "**Enforcement Notice**").

6. Verschiedene Bestimmungen

6. Miscellaneous Provisions

(a) Diese Garantie unterliegt deutschem

(a) This Guarantee shall be governed by, and



- |  |  |
|--|--|
| <p>Recht unter Ausschluss des Kollisionsrechts.</p>  | <p>construed in accordance with, German law without regard to principles of conflicts of law.</p>  |
| <p>(b) Erfüllungsort ist München.</p>  | <p>(b) Place of performance shall be Munich.</p>   |
| <p>(c) Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit der Garantie entstehenden Klagen oder sonstige Verfahren ist das Landgericht München.</p>  | <p>(c) The District Court (<i>Landgericht</i>) in Munich shall have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Guarantee.</p>   |
| <p>(d) Jeder Gläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der BNP Paribas Securities Services Luxembourg Branch beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.</p> | <p>(d) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of BNP Paribas Securities Services Luxembourg Branch, each Holder may protect and enforce in its own name its rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for presentation of this Guarantee in such proceedings.</p> |
| <p>(e) Die BNP Paribas Securities Services Luxembourg Branch verpflichtet sich, das Original dieser Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Garantie zu verwahren.</p>  | <p>(e) BNP Paribas Securities Services Luxembourg Branch agrees to hold the original copy of this Guarantee in custody until all obligations under the Notes and this Guarantee have been fulfilled.</p>   |
| <p>(f) Die BNP Paribas Securities Services Luxembourg Branch handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Gläubiger.</p>   | <p>(f) BNP Paribas Securities Services Luxembourg Branch does not act in a fiduciary or in any other similar capacity for the Holders.</p>   |
| <p>7. Für Änderungen der Bedingungen der Garantie durch Beschluss der Gläubiger mit Zustimmung der Garantin gilt § 14 der Anleihebedingungen der Schuldverschreibungen entsprechend.</p>   | <p>7. In relation to amendments of the terms of the Guarantee by resolution of the Holders with the consent of the Guarantor, § 14 of the Conditions of Issue of the Notes applies <i>mutatis mutandis</i>.</p>  |
| <p>8. Die deutsche Version dieser Garantie ist bindend. Die englische Übersetzung dient nur Informationszwecken.</p>   | <p>8. The German text of this Guarantee is binding. The English translation is for information purposes only.</p>  |

## TAXATION

The following is a general description of certain tax considerations relating to the Notes in Germany and the Grand Duchy of Luxembourg ("**Luxembourg**"). It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of Germany and Luxembourg currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

**PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF GERMANY AND LUXEMBOURG OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY INFORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.**

### Federal Republic of Germany

#### Income tax

##### Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (*Privatvermögen*)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

##### - Income

Payments of interest on the Notes qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*).

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as (negative) savings income. If similar Notes kept or administered in the same custodial account have been acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to taxation. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 18 January 2016, as amended from time to time, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. With respect to a bad debt loss, the German Federal Fiscal Court (*Bundesfinanzhof*) has recently objected the view expressed by the Federal Ministry of Finance. However, the Federal Ministry of Finance has not yet updated the aforementioned tax decree in this respect.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

#### - Taxation of income

Savings income (*Kapitalerträge*), e.g. interest or capital gains, is taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*), which is 26.375 per cent (including solidarity surcharge (*Solidaritätszuschlag*)) plus, if applicable, church tax. When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of € 801 (€ 1,602 in the case of jointly assessed spouses or registered life partners) will be deducted. The deduction of the actual income related expenses, if any, is excluded. The taxation of savings income shall take place mainly by way of levying withholding tax (please see below). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor's income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. However, the separate tax rate for savings income applies in most cases also within the assessment procedure. In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate.

#### - German withholding tax (*Kapitalertragsteuer*)

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings. The tax base is, in principle, equal to the taxable gross income as set out above (i.e. the interest or capital gains prior to withholding). However, in the case of capital gains, if the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law (i.e. if the Notes are transferred from a non-EU custodial account), withholding tax is applied to 30 per cent of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income or accrued interest paid of the same calendar year or of previous calendar years.

German withholding tax will be levied at a flat withholding tax rate of 26.375 per cent (including solidarity surcharge) plus, if applicable, church tax. Church tax, if applicable, will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. In such case, the withholding tax rate is reduced by 25 per cent of the church tax due on the savings income. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. In this case, church tax is deductible as a special expense (*Sonderausgabe*). A German tax bill (*Beitreibungsrichtliniengesetz*) introduced as of 2014 an electronic information system for German credit institutions as regards church withholding tax with the effect that a written application for church withholding tax is no longer necessary. Accordingly, the obligation to include savings income in the tax return for church tax purposes will no longer apply once this electronic information system is established and church tax is actually withheld.

No German withholding tax will be levied if the investor filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the maximum exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is € 801 (€ 1,602 in the case of jointly assessed spouses or registered life partners). Similarly, no withholding tax will be levied if the investor has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

#### Taxation if the Notes are held as business assets (*Betriebsvermögen*)

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15 per cent or income tax at a rate of up to 45 per cent, as the case may be (in each case plus 5.5 per cent solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Capital losses may be ring-fenced. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax apply, in principle, as set out above in relation to private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent.

Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a company satisfying the requirements of section 43 para 2 sentence 3 no 1 ITA or

(b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

#### Non-residents

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person.

#### ***Inheritance and Gift Tax***

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed. In addition, certain German expatriates will be subject to inheritance and gift tax.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and former German citizens.

#### Other Taxes

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögenssteuer*) is not levied in Germany. It is intended to introduce a financial transaction tax (FTT). However, it is unclear if and in what form such tax will be actually introduced (please see below).

#### **Luxembourg**

##### ***Withholding Tax***

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended, which has introduced a 20 per cent withholding tax on savings income.

Pursuant to the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals can opt to self-declare and pay a 20 per cent tax (the "**Levy**") on interest payments made by paying agents located outside Luxembourg, in a Member State of either the European Union or the European Economic Area.

The 20 per cent withholding tax as described above or the Levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg law of 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of this law and not by the Issuer.

#### **The Proposed EU Financial Transaction Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**") and Estonia. However, Estonia has since stated that it will not participate in the proposal.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a

financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

**Prospective investors of the Notes are advised to seek their own professional advice in relation to the FTT.**

## SUBSCRIPTION AND SALE

### General

The Issuer has entered into a subscription agreement on 2 July 2018 (the "**Subscription Agreement**") to sell to BNP Paribas, Commerzbank Aktiengesellschaft, MUFG Securities EMEA plc and UniCredit Bank AG (the "**Joint Lead Managers**") and the Joint Lead Managers agreed, subject to certain customary closing conditions, to purchase the Notes on 5 July 2018 at a price of 99.628 per cent of their principal amount (the "**Issue Price**"). Proceeds to the Issuer will be net of commissions payable to the Joint Lead Managers. The Issuer has furthermore agreed to reimburse the Joint Lead Managers for certain expenses incurred in connection with the issue of the Notes.

The Joint Lead Managers are entitled, under certain circumstances, to terminate the agreement reached with the Issuer. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

The Joint Lead Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Telefónica Germany GmbH & Co. OHG will receive the proceeds from the issue of the Notes based on an upstream-loan and, hence, has an interest in the offer. Otherwise, there are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones, that are material to the issue.

### Selling Restrictions

#### General

Each Joint Lead Manager has represented, warranted and undertaken that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes the Prospectus or any related offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Joint Lead Manager shall have any responsibility therefor.

#### European Economic Area

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression *retail investor* means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### United States of America and its Territories

- (a) With regard to each series, each Joint Lead Manager has acknowledged that the Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, and agreed that that neither it nor any persons acting on its behalf has offered, sold or delivered and will not offer,

sell or deliver any Note constituting part of its allotment within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Joint Lead Manager has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note. Terms used in this subparagraph have the meaning given to them by Regulation S.

- (b) The Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**") (or, any successor rules in substantially the same form as the D Rules, as applicable, for purposes of section 4701 of the U.S. Internal Revenue Code).
- a. Except to the extent permitted under the D Rules, each Joint Lead Manager has represented that (i) it has not offered, sold or delivered and agrees that during the restricted period it will not offer, sell or deliver such Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions such Notes that are sold during the restricted period;
  - b. Each Joint Lead Manager has represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling such Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
  - c. If it is a United States person, each Joint Lead Manager has represented that it is acquiring such Notes for purposes of resale in connection with their original issuance and if it retains such Notes for its own account, it will only do so in accordance with the requirements of the D Rules;
  - d. With respect to each affiliate that acquires such Notes from a Joint Lead Manager for the purpose of offering or selling such Notes during the restricted period, such Joint Lead Manager has either: (i) repeated and confirmed the representations and agreements contained in paragraphs a., b. and c. above on such affiliate's behalf; or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs a., b. and c. above; and

Each Joint Lead Manager has represented that it will obtain from any distributor (within the meaning of the D Rules) that purchases any such Notes from it pursuant to a written contract with such Joint Lead Manager (except a distributor that is one of its affiliates or is another Joint Lead Manager), for the benefit of the Issuer and each other Joint Lead Manager, the representations contained in, and such distributor's agreement to comply with, the provisions of paragraphs a., b., c. and d. above insofar as they relate to the D Rules, as if such distributor were a Joint Lead Manager.

***United Kingdom of Great Britain and Northern Ireland***

Each Joint Lead Manager has represented and agreed, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION / INCORPORATION BY REFERENCE

### Authorisation and Issue Date

The creation and issue of the Notes has been authorised by resolutions of the Issuer's directors dated 14 May 2018 and 11 June 2018 and by resolutions of the Issuer's shareholder dated 14 May 2018 and 11 June 2018. The creation and issue of the Guarantee has been authorised by resolutions by the Guarantor's management board dated as of 14 May 2018 and 11 June 2018 and the Guarantor's supervisory board dated as of 24 April 2017 and 18 December 2017 and as of 23 April 2018. The Issue Date of the Notes is expected to be 5 July 2018.

### Clearing and Settlement

The Notes have been accepted for clearance through Euroclear Bank SA/NV (1 Boulevard du Roi Albert II, B - 1210 Brussels, Belgium) and Clearstream Banking S.A., Luxembourg (42 Avenue JF Kennedy, L-1855 Luxembourg). The Notes have been assigned the following securities codes:

The Notes have been assigned ISIN XS1851313863, common code 185131386 and WKN A2NBGF. The Notes are issued in New Global Note form and are intended to be held in a manner which would allow Eurosystem eligibility.

The Notes are intended upon issue to be deposited with Clearstream Banking S.A. as common safekeeper which does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that the Eurosystem eligibility criteria have been met.

The Legal Entity Identifier (LEI) of the Guarantor is 391200ECRPJ3SWQJUM30.

The Legal Entity Identifier (LEI) of the Issuer is 391200FDN4TJLX3JE169.

### Form of the Notes

The Notes are issued in bearer form. The Notes are freely transferable.

### Yield

The yield of the Notes is 1.807 per cent *per annum*, provided that the interest rate is not increased because of a change of control event. Such yield is calculated in accordance with the International Capital Market Association (ICMA) method on the Issue Date on the basis of the Issue Price and is not an indication of any future yields.

### Expenses

The total expenses related to the admission of trading are expected to amount to approximately EUR 5,400.

### Ratings

The Guarantor's Long-Term Issuer Default Rating ("**IDR**") is 'BBB' with a Positive Outlook<sup>1</sup> by Fitch Ratings.

Credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss.

IDRs provide an ordinal ranking of issuers based on the Fitch Rating's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default. Fitch Ratings uses ratings which rank from "AAA" to "D", whereas "AAA" ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events and "D" ratings indicate an issuer that in Fitch Ratings' opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

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<sup>1</sup> Fitch Ratings is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 March 2011 (the "**CRA Regulation**"). The European Securities and Markets Authority publishes on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) a list of credit rating agencies registered in accordance with the CRA Regulation. A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be subject to revision, withdrawal or suspension at any time by the assigning rating agency.



A rating of "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'.

**Third Party Information**

Any information sourced from a third party contained in this Prospectus has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**Significant change in the financial or trading position**

There has been no significant change in the financial or trading position of the Issuer since 31 December 2017.

There has been no significant change in the financial or trading position of the Guarantor since 31 March 2018.

**Trend Information**

There has been no material adverse change in the prospects of the Issuer since 31 December 2017.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2017.

## Incorporation by Reference

The specified pages of the following documents which have previously been published or are published simultaneously with this Prospectus and which have been filed with the CSSF are incorporated by reference into and form part of this Prospectus:

- (1) The audited non-consolidated financial statements of the Issuer as of and for the year ended 31 December 2016 (non-binding translation from the German language) included in the English language document "O2 Telefónica Deutschland Finanzierungs GmbH Munich - Financial statements and management report 31 December 2016" (the "**Issuer Annual Report 2016**") consisting of
  - Statement of Financial Position as of 31 December 2016 (page 2 in the Issuer Annual Report 2016),
  - Income Statement (page 3 in the Issuer Annual Report 2016),
  - Statement of Cash Flows (page 4 in the Issuer Annual Report 2016),
  - Statement of Changes in Equity (page 5 in the Issuer Annual Report 2016),
  - Notes to the Financial Statements (pages 6 to 13 in the Issuer Annual Report 2016),
  - Audit Opinion<sup>1</sup> (page 39 in the Issuer Annual Report 2016).
- (2) The audited non-consolidated financial statements of the Issuer as of and for the financial year ended on 31 December 2017 (non-binding translation from the German language) included in the English language document "O2 Telefónica Deutschland Finanzierungs GmbH Munich - Financial statements and management report for the fiscal year 1 January to 31 December 2017" (the "**Issuer Annual Report 2017**") consisting of
  - Statement of Financial Position as of 31 December 2017 (page 2 in the Issuer Annual Report 2017),
  - Income Statement (page 3 in the Issuer Annual Report 2017),
  - Statement of Cash Flows (page 4 in the Issuer Annual Report 2017),
  - Statement of Changes in Equity (page 5 in the Issuer Annual Report 2017),
  - Notes to the Financial Statements (pages 6 to 11 in the Issuer Annual Report 2017),
  - Independent Auditor's Report<sup>2</sup> (pages 37 to 42 in the Issuer Annual Report 2017).
- (3) The audited consolidated financial statements of the Guarantor as of and for the year ended 31 December 2016 (non-binding translation from the German language) included in the English language document "Annual Report 2016 - Telefonica Deutschland" (the "**Guarantor Annual Report 2016**") consisting of
  - Consolidated Statements of Financial Position (page 73 in the Guarantor Annual Report 2016),
  - Consolidated Income Statements (page 74 in the Guarantor Annual Report 2016),
  - Consolidated Statements of Comprehensive Income (page 75 in the Guarantor Annual Report 2016),
  - Consolidated Statement of Changes in Equity (page 76 in the Guarantor Annual Report 2016),
  - Consolidated Statement of Cash Flows (page 77 in the Guarantor Annual Report 2016),
  - Notes to the Consolidated Financial Statements (pages 78 – 155 in the Guarantor Annual Report 2016),
  - Audit Opinion<sup>3</sup> (page 159 in the Guarantor Annual Report 2016).

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<sup>1</sup> The audit opinion is a translation of the German language audit opinion (*Bestätigungsvermerk*) which refers to the non-consolidated financial statements and the management report of the Issuer as of and for the year ended 31 December 2016 as a whole and not solely to the financial statements incorporated by reference. The management report is neither included nor incorporated by reference in this Prospectus.

<sup>2</sup> The independent auditor's report (*Bestätigungsvermerk des unabhängigen Wirtschaftsprüfers*) has been issued in accordance with Section 322 of the HGB on the non-consolidated financial statements and management report (*Lagebericht*) of O2 Telefónica Deutschland Finanzierungs GmbH as of and for the year ended 31 December 2017. The management report is neither included nor incorporated by reference in this Prospectus.

<sup>3</sup> The audit opinion is a translation of the German language audit opinion (*Bestätigungsvermerk*) which refers to the consolidated financial statements and the combined management report of the Guarantor as of and for the year ended 31 December 2016 as a whole and not solely to the consolidated financial statements incorporated by reference. The combined management report is neither included nor incorporated by reference in this Prospectus.

- (4) The audited consolidated financial statements of the Guarantor as of and for the year ended 31 December 2017 (non-binding translation from the German language) contained in the English language Guarantors annual report for the fiscal year 1 January to 31 December 2017 (the "**Guarantor Annual Report 2017**") consisting of
- Consolidated Statement of Financial Position (page 62 in the Guarantor Annual Report 2017),
  - Consolidated Income Statement (page 63 in the Guarantor Annual Report 2017),
  - Consolidated Statement of Comprehensive Income (page 64 in the Guarantor Annual Report 2017),
  - Consolidated Statement of Changes in Equity (page 65 in the Guarantor Annual Report 2017),
  - Consolidated Statement of Cash Flows (page 66 in the Guarantor Annual Report 2017),
  - Notes to the Consolidated Financial Statements (pages 67 – 114 in the Guarantor Annual Report 2017),
  - Independent Auditor's Report<sup>1</sup> (pages 118 to 125 in the Guarantor Annual Report 2017).
- (5) The unaudited interim condensed consolidated financial statements of the Guarantor as of and for the three months ended 31 March 2018 (non-binding translation from the German language)
- Consolidated Statement of Financial Position (page 1),
  - Consolidated Income Statement (page 2),
  - Consolidated Statement of Comprehensive Income (page 3),
  - Consolidated Statement of Changes in Equity (page 4),
  - Consolidated Statement of Cash Flows (page 5),
  - Condensed Notes to the Interim Consolidated Financial Statements (pages 6 – 23).

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

The documents incorporated by reference are available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) for the time of the validity of the Prospectus.

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<sup>1</sup> The independent auditor's report (*Bestätigungsvermerk des unabhängigen Wirtschaftsprüfers*) has been issued in accordance with Section 322 of the HGB on the consolidated financial statements and group management report (*Konzernlagebericht*) of Telefónica Deutschland Holding AG as of and for the year ended 31 December 2017. The group management report is neither included nor incorporated by reference in this Prospectus.

**Documents on Display**

For the time of the validity of the Prospectus, copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent and as long as the Notes are listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange the documents set out under (d) and (e) below will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)):

- (a) the articles of association of the Issuer;
- (b) the articles of association of the Guarantor;
- (c) the Guarantee;
- (d) the Prospectus;
- (e) the documents incorporated by reference set out above.

## NAMES AND ADDRESSES

### ISSUER

**O2 Telefónica Deutschland Finanzierungs GmbH**  
Georg-Brauchle-Ring 50  
80992 München  
Germany

### GUARANTOR

**Telefónica Deutschland Holding AG**  
Georg-Brauchle-Ring 50  
80992 München  
Germany

## JOINT LEAD MANAGERS

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Germany

**MUFG Securities EMEA plc**  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

**UniCredit Bank AG**  
Arabellastraße 12  
81925 Munich  
Germany

## PRINCIPAL PAYING AGENT

**BNP Paribas Securities Services  
Luxembourg Branch**  
60, Avenue John F. Kennedy  
1855 Luxembourg  
Luxembourg

## LISTING AGENT

**BNP Paribas Securities Services  
Luxembourg Branch**  
60, Avenue John F. Kennedy  
1855 Luxembourg  
Luxembourg

## LEGAL ADVISERS

To the Joint Lead Managers  
**Clifford Chance Deutschland LLP**  
Mainzer Landstraße 46  
60325 Frankfurt am Main  
Germany

To the Issuer and to the Guarantor  
**CMS Hasche Sigle  
Partnerschaft von Rechtsanwälten und  
Steuerberatern mbB**  
Neue Mainzer Str. 2-4  
60311 Frankfurt am Main  
Germany

## AUDITORS

To the Issuer and to the Guarantor

**PricewaterhouseCoopers GmbH**  
**Wirtschaftsprüfungsgesellschaft**  
Frankfurt am Main, Munich Office  
Bernhard-Wicki-Straße 8  
80636 Munich  
Germany