Registered Number: 04247143

O2 (Europe) Limited

Annual Report and Financial Statements
Year ended 31 December 2018

O2 (Europe) Limited

Registered number: 04247143

Contents

O2 (Europe) Limited
Company Information

Registered number: 04247143

Directors

Robert Harwood
Enrique Medina Malo
Mark Hardman

Secretary

O2 Secretaries Limited

Registered office

260 Bath Road
Slough
Berkshire
SL1 4DX
UK

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Strategic Report

Strategy

O2 (Europe) Limited ("the Company") is a wholly owned subsidiary within the Telefónica Group of Companies, a private limited company and the ultimate parent company is Telefónica S.A., a company incorporated in Spain and primarily listed on the Spanish stock exchange. The Company does not have any trading activities and acts as a holding company with the Telefonica Group of Companies. The Company does not have any customers, employees or suppliers and principal activity is being a parent of Telefonica Deutschland Holding AG and its subsidiary companies (Telefonica Deutschland Group or the Group), in which a 69.22%(2017: 69.22%) stake is held. As such the strategy of the Company is integral with that of the Telefonica Deutschland Group.

Telefonica Deutschland Group

Telefónica Deutschland Group is one of the three leading integrated network operators in Germany with 47.1 million customer accesses as of 31 December 2018. Telefónica Deutschland Group offers mobile and fixed services for private and business customers as well as innovative digital products and services in the area of IoT (Internet of Things) Advanced Data Analytics. The Group's aim is to become a "Mobile Customer & Digital Champion" and the freedom campaign – Mobile Freedom handmade for me was a key milestone on the journey towards the goal. Mobile communication has become an integral part of individual lifestyles and a factor of commercial success in the centre of society. The increasing number of mobile devices are part and parcel of people's everyday life. The trend towards increased data usage and more devices opens up great opportunities for Telefonica Deutschland Group.

A consistent and focused multi-brand strategy is regarded as the key success factor to the marketing and sales approach. This enables the Group to address the whole spectrum of customers with tailored product offerings, sales and marketing thereby increasing its potential revenue, Telefonica Deutschland Group offers private and business customers a wide range of quality mobile services and fixed line product with the core brand O2. Large international business are addressed through the Telefonica brands and with its secondary and partner brands and through wholesale channels Telefonica Deutschland Group is able to reach further large groups of customers that it does not target with the O2 brand, The secondary brands includes Blau, AY YILDIZ and Ortel Mobile, In addition, by means of joint activities and strategic partnerships the group is able to offer further mobile services brands such as TCHIBO mobile or ALDI TALK, in cooperation with MEDION mobile.

In 2018, at 5,267 million EUR, mobile services were the most important revenue stream for the Telefónica Deutschland Group (72% of total volume). The basis for this being the state of the art network that provides high quality network experience particularly in urban and suburban areas. Customers benefit from the increased combined strength of the O2 and E-Plus networks which have now largely been merged and can make even better use of mobile data applications. The combined UMTS/LTE coverage for mobile internet is approximately 95%. The Telefónica Deutschland Group has also consistently continued the expansion of its LTE network. As of the end of December 2018, the Company achieved a Germany-wide LTE coverage rate of 88%.

The performance of the Company is dependent on the financial performance of its investment in Telefonica Deutschland Group. Financial KPIs of Telefonica Deutschland Group include Mobile Service Revenue, Operating results adjusted for exceptional items and capital expenditure and free cash flow. Other non-financial KPIs are net leverage ratio, net additional customers in mobile communication business, customer satisfaction and employee satisfaction. In 2018, in response to the increasing demand on large data bundles the O2 Free portfolio was updated to incorporate "O2 Free Boost", "O2 Free Connect" and "O2 Free Unlimited" setting new standards for the mobile freedom of Telefonica Deutschland Group's customers. The group is focusing on stimulating customer data usage and continue to invest in the core brand thus strengthening its market positioning.

Strategic Report (continued)

In 2019, the aim is to continue to make the customers the focus of the business. In particular, Telefonica Deutschland Group want to meet their customers' needs with regard to the network and service. Their aim is to be better, quicker and simpler for their customers. To achieve this, Telefonica Deutschland Group has a clear strategy in place. Initially, the aim is to create the foundation for optimising the customer experience by optimising the fundamental success factors of the business. This in particular includes very strong performance in the areas of network and customer service in addition to stable IT systems and effective organisation.

Key Financial Performance Indicators

Revenues
The development of revenues is a key indicator of the success of the Telefonica Deutschland Group. Revenues depict the total value of the operational activity and are therefore a crucial indicator of the success of the products' and services' sales on the market.

Operating results (OIBDA) adjusted for exceptional effects
The OIBDA corresponds to the operating income before amortisation of intangible assets and depreciation on property, plant and equipment. On the basis of the OIBDA, we measure the profitability of the operating activities

Investment Ratio (CapEx/Sales ratio)
The investment ratio (CapEx/ Sales ratio) essentially serves to secure future business activities and reflects the percentage share of investments in revenue. Capital expenditure (CapEx) consists of the additions to property, plant and equipment and other intangible assets. The investments in property, plant and equipment are primarily to expand the coverage and capacity of the network (particularly for Long Term Evolution and Universal Mobile Telecommunications System) as well as product development.

Other Financial and Non-Financial Performance Indicators

Mobile service revenues
The development of mobile service revenues is a key indicator of the success of the group. Mobile service revenues are largely generated by base fees and the fees levied for voice, short message and mobile data services, as well as the revenue from services contracts

Free Cash Flow
The internal monitoring parameter of free cash flow pre dividends and payments for spectrum is defined as the sum of the cash flows from operating activities and investing activities. Free cash flow implicitly provides information about the change in working capital.

Net Leverage ratio
The net leverage ratio is defined as the quotient of the net financial debt and the operating result before depreciation and amortisation (OIBDA) adjusted for exceptional effects for the last twelve months.

Mobile net adds in mobile communication business
New customers in the period less those customers leaving the company are designated as net additional customers ("net adds"). A positive number of net adds leads to a growing customer base

Customer satisfaction
Customer satisfaction is among the most important priorities of the group's business. The objective is to serve the most satisfied customers on the German telecommunications market with the most popular brands.

Strategic Report (continued)

Employee satisfaction
The success of Telefónica Deutschland Group is largely based on the commitment and professional qualifications of the company's employees.

Financial Performance

The financial performance of the company is reported in the Director's Report

Risks and uncertainties

The Directors have satisfied themselves that it is not essential for the Company to have a separate risk management system since the Company's risk and uncertainties are integral to the principal risks and uncertainties of the Telefonica Deutschland Group.

The risk management framework is a component of the decision-making processes within the Telefonica Deutschland Group. The procedure ensures that risk evaluations are taken into account in decision-making and measures to minimise and deal with risks are taken at an early stage.

The risk management framework is designed to identify, assess, manage, monitor and mitigate significant risks that could adversely affect the future success of the subsidiaries through a well-established network of risk managers' bottom up approach who comply with the unified Risk Register guidance. As part of the creation of the Risk Register, it is ensured that risks of a similar type or of cumulative effect are aggregated and thus provided for overall consideration. In addition, the top down approach ensures that risk which can only be identified at the highest level or on the basis of group-wide considerations are also captured. In a formal forward-looking process, the risk register of Telefonica Deutschland Group is the subject of regular reporting to the Management Board. The Supervisory Board (Audit Committee) is regularly informed about risks and their development.

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

The principal risks and uncertainties of the Telefonica Deutschland Group are:

Business Risks

Competitive markets and changing customer demands

Telefonica Deutschland Group operate in markets characterised by a high level of competition and continuous technological developments. The Group faces increasing competition from alternative telecommunications service providers – among them cable operators, MVNOs and entertainment electronics companies – and also competes with alternative telecommunications services like OTT (over-the-top). There is the risk that growth targets and planned revenues will not be reached. In order to prevail against these companies and developments, the Group must also continue to provide competitive services and successfully market products in the future. In doing so, the group must systematically observe new customers' needs, competitors' business activities, technological changes, and take into account with planning, the general economic, political and social conditions. This risk is classified as significant.

Strategic Report (continued)

Market acceptance and technological transformation

In an environment characterised by major technological transformation, there is the risk that we will not be able to anticipate and implement technical requirements and customers' requirements in time. False interpretations or incorrect decisions could harbour the risk of negatively influencing the acceptance of our products by customers and could lead to us not reaching our growth and earnings targets. The Group counters this moderate risk by monitoring the gross margin, churn rates and through extensive market research activities.

Regulatory environment

The Group operates in a strongly regulated market environment. Decisions made by the regulatory authorities can directly and critically influence services, products and prices.

Licences and frequencies

The licences and frequency usage rights are limited in time and depend on a preceding assignment, which represents a significant risk to the operation and development of the network. If the Group does not extend or cannot newly obtain the licences and frequency usage rights necessary for its business or if the financial conditions for the use of these licences and rights change significantly, this will lead to higher investment costs than planned. The potential delay to the network expansion resulting from this could also have a negative impact on expected revenues. This is classified as a significant risk.

Regulatory requirements in connection with the acquisition of the E-Plus Group

In approving the acquisition of the E-Plus Group, the European Commission obligated the Telefónica Deutschland Group to meet various requirements. This includes an obligation to provide frequencies, infrastructure and network capacities to a potential new mobile network operator in exchange for payment. There were no new market participants in the 2015 frequency auction and the Group has not been otherwise called upon to meet this requirement to date. To meet another requirement of the European Commission, the group entered into extensive agreements with the Drillisch Group on the provision of network capacities and services. An extensive project was launched to ensure strict compliance with the contracts concluded and hence prevent the possibility of significant fines. The group classify this risk as moderate.

Regulatory influences on our transmission power

The electromagnetic compatibility of transmitters could be subject to new regulations due to potential, as yet unproven, health risks. In this case, if the requirements regarding maximum permitted transmission power were changed this would negatively affect the performance and expansion of our mobile network. The group classifies this as a moderate risk.

Insurance

Considering the existing opportunities and evaluating financial efficiency, the Telefónica Deutschland Group counters risks by concluding comprehensive insurance contracts. In particular, this substantially reduces risks that might arise from the operation of the technical infrastructure as well as from potential violations of the copyrights or patent rights. Despite this, unforeseen events could, inter alia, result in financial losses if the insurance protection or the provisions should prove to be insufficient. As part of the management of our insurance cover, a regular review takes place in order to achieve the best possible and most economical cover. This risk has been classified as moderate.

Strategic Report (continued)

Operational Risks

Reliability of our services

Attracting and retaining customers

The success of the Group's business activity depends on our ability to attract new customers and retain existing customers. In an environment characterized by continuous further development of products, services and tariffs the Group mist also keep an eye on the performance of the network and that of the competitors. The group counters this significant risk by intensively monitoring and evaluating customers' satisfaction and by extensively monitoring the network elements.

Damage caused by cyber attacks

Cyber-attacks on our network or our IT systems that are not detected or averted in good time could lead to disruptions or damage that could also affect our services and thus result in lost revenue and customer dissatisfaction. The availability and confidentiality of data that we process may be impacted by these attacks. In addition to reputational losses, legal consequences would also be possible, and the group could be fined. This risk is countered on the one hand by analyzing and reducing weaknesses and focusing on an early warning system, and on the other hand the group is constantly improving its systems for rectifying faults and establishing increased risk awareness among its employees with regards to cyber-attacks. The group classifies this risk as moderate.

Technical fault

There is a significant risk that lasting or repeated disturbances or damage to the Group's mobile telecommunications or fixed networks and in the Group's technical facilities could have a negative influence on customer satisfaction and result in a loss of customers or service revenue losses. The Group implements extensive monitoring of the network elements and systems in addition, insurable risks are covered by the insurance program. This risk is considered to be significant because even minor faults can result in substantial losses in sales.

Dependence on the majority shareholder Telefónica, S.A.

Use of trademark rights
The use of the core brand O2 in Germany is the subject of a licensing agreement with O2 Worldwide Ltd., a subsidiary of Telefónica S.A. The trademark rights are of major significance for our business activity. The loss of a brand in particular could have a negative impact on customer growth, and hence on our revenues. We classify this risk as significant, even if there are no indications of future disruptions to the contractual relationships.

Use of services
The Telefónica Deutschland Group still obtains material services_and inputs from the Telefónica, S.A. Group to a significant extent._There are a range of contracts, particularly in the areas of financial management and IT services. If inputs from the Telefónica, S.A.Group are no longer provided, there is the moderate risk of not being_able to procure them on the market, or not at the same favourable conditions. Likewise, there are no indications of future disruptions to_these service relationships.

Strategic Report (continued)

Financial risks

Taxes

Like every company, The Group is 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 business activities as well as on the financial position and results of operations. The Group strive to counter this moderate risk by taking part in expert discussions and working groups on a regular basis in order to be able to identify changes regarding the interpretation of the tax laws at an early stage.

General financial market risks

The Telefónica Deutschland Group is exposed to various financial market risks as part of its business activity. In the context of the above-mentioned the risk management process, these risks are regarded as low. Should these financial market risks occur, they could have a negative effect on the net assets, financial position and results of operations of the Group and are therefore presented individually below. The Telefónica Deutschland Group has developed guidelines for risk management processes and for the use of financial instruments including a clear separation of tasks with respect to financial activities, invoicing, financial reporting and associated controlling. Derivative financial instruments are used solely to manage interest rate and currency risks. The Telefónica Deutschland Group has developed guidelines derived from established standards for the evaluation of risks and monitoring with regard to the use of financial derivatives.

Legal Risks

In order to avoid legal risks, particularly from competition and data protection law, the Telefónica Deutschland Group has established a compliance management system. Components of this management system include the applicable business principles, a number of guidelines and ongoing employee training with regard to the main legal provisions and standards, in particular also the new basic data privacy regulation and the topic of information security. In supplement, legal risks are covered by insurance to the extent permitted. The Telefónica Deutschland Group also maintains an internal compliance and legal department, and enters into continuous contact with external law firms, authorities, associations and official groups.

Data privacy regulations

As part of its business activity, the Telefonica Deutschland Group is required to comply with a large number of laws. An infringement of legal provisions poses an intrinsic risk to the business activities, success and reputation of the company

In the course of the business activities, the Telefonica Deutschland Group also collect and handle customer data and other personal data. There is the risk of misuse or loss of these data. This could represent a breach of the relevant laws and provisions and result in fines, loss of reputation and the migration of customers, and hence the loss of revenues. There may be delays in the implementation of these measures, in particular, in the light of the General Data Protection Regulation and, consequently, the Telefonica Deutschland Group may be obliged to pay a signficant fine.

Strategic Report (continued)

Full details of Telefonica Deutschland Group annual report and financial statement can be found at https://www.telefonica.de/investor-relations-en/annual-report.html

The Strategic Report has been approved by the Board on 25 July 2019
By Order of the Board

Robert Harwood
For and on behalf of O2 Secretaries Limited
Company Secretary

Directors' Report

Legal Form & Principal Activity

O2 (Europe) Limited ("the Company") is a private limited company registered in England under the number 04247143. The registered address is 260 Bath Road, Slough, Berkshire SL1 4DX. It is a wholly owned subsidiary of Telefónica S.A., a company incorporated in Spain.

The Company is an intermediate holding company in the Telefónica Group. At 31 December 2018, Telefonica Germany Holdings Limited (fully owned subsidiary of O2 (Europe) Ltd) directly owns 69.22% of Telefonica Deutschland Holding AG, a company listed on the German stock exchange.

Directors and Secretary

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Robert Harwood
Enrique Medina Malo
Mark Hardman

The Secretary who held office during the year was O2 Secretaries Limited.

Directors' liability insurance and indemnities

Telefónica S.A., the Company's parent company, maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against Directors of companies within the Telefónica Group and the Directors of the Company are covered by this Insurance.

Financial Performance

The Company's total comprehensive income for the year ended 31 December 2018 was €143,498,000 (31 December 2017: income €368,113,000).

The Company's profit before taxation for the year ended 31 December 2018 was €140,992,000 (31 December 2017: profit €363,770,000).

The Company incurred an operating loss of €107,000 during the year ended 31 December 2018 (31 December 2017; loss €86,000)

The net assets of the Company as at 31 December 2018 were €5,017,798,000
(31 December 2017: €4,874,300,000).

The Directors are of the opinion that analysis using key performance indicators is not necessary for understanding the Company's business itself.

Future development of the company

The Directors believe the operating result will not change materially in 2019 as it is likely to remain a non-trading company.

Dividend

The Company did not pay a dividend for the year ended 31 December 2018 (2017 €nil).

Directors' Report (continued)

Financial risk management objectives, policies and exposure

Details of the Group's approach to financial risk management are set out in note 1 of the financial statements.

Political contributions

The Company made no political contributions during the year ended 31 December 2018 (31 December 2017: €nil).

Going concern

The financial position of the Company is described above. In addition, note 1 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk. Consequently, the Directors believe that the Company is well placed to manage its business risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, Telefonica Group has the ability and willingness to provide continued support to the Company and hence provided the Company with a letter of support, and thus the Directors have adopted the going concern basis of accounting in preparing the annual financial statements

Statement as to disclosure to Auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

During the year, PricewaterhouseCoopers LLP were appointed as auditors in accordance with section 485 of the Companies Act 2006. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The Directors' Report was approved by the Board on 25 July 2019
By Order of the Board

Robert Harwood
For and on behalf of O2 Secretaries Limited
Company Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of O2 Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, O2 (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditor's Report to the members of O2 Europe Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
25 July 2019

Statement of comprehensive income
Year ended 31 December 2018

	Note	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Administrative expenses		(107)	(86)
Operating loss		**(107)**	**(86)**
Financial income	3	161,557	385,230
Financial expense	3	(20,458)	(21,374)
Profit before taxation		**140,992**	**363,770**
Taxation credit	4	2,506	4,343
Profit and total comprehensive income for the year attributable to equity shareholders of the parent		**143,498**	**368,113**

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

O2 (Europe) Limited

Registered number: 04247143

Statement of financial position
As at 31 December 2018

	Note	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Non-current assets			
Investments in subsidiary undertakings	5	7,027,749	7,027,749
Current assets			
Trade and other receivables	6	6,880	4,343
Cash and cash equivalents	7	169,196	32,666
Current liabilities			
Trade and other payables	8	(74)	(4,505)
Net current assets		**176,002**	**32,504**
Non-current liabilities			
Borrowings	9	(2,185,953)	(2,185,953)
Net assets		**5,017,798**	**4,874,300**
Equity			
Share capital	10	1,239,007	1,239,007
Retained earnings		3,778,791	3,635,293
Total equity		**5,017,798**	**4,874,300**

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

These financial statements on pages 16 to 33 were approved and authorised for issue by the Board of Directors on 25 July 2019 and signed on its behalf by:

Robert Harwood
Director

Statement of changes in equity
Year ended 31 December 2018

	Called up share capital €'000	Retained earnings €'000	Total Equity €'000
At 1 January 2017	1,239,007	3,267,180	4,506,187
Total comprehensive profit for the year	-	368,113	368,113
At 31 December 2017	1,239,007	3,635,293	4,874,300
Total comprehensive profit for the year	-	143,498	143,498
At 31 December 2018	1,239,007	3,778,791	5,017,798

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

O2 (Europe) Limited
Statement of cash flows
Year ended 31 December 2018

Registered number: 04247143

	Note	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Profit before taxation		140,992	363,770
Adjustments to reconcile profit before tax to net cash flows:			
Financial income	3	(161,557)	(385,230)
Financial expenses	3	20,458	21,374
Operating loss before adjustments for working capital changes		**(107)**	**(86)**
Increase in trade and other receivables	6	-	-
(Decrease) in trade and other payables	8	(4,430)	(68)
Other non-cash movements	5	-	-
Net cash flow from operating activities		**(4,537)**	**(154)**
Financial income received	3	107	229
Investments in subsidiary companies	5	-	-
Dividends received from subsidiaries	3	161,000	15,000
Movement on hedges		(691)	737
Net cash flow used in investing activities		**160,416**	**15,966**
Advance received from subsidiary company		-	-
New of borrowings		-	29,684
Interest paid	3	(20,002)	(20,002)
Net cash flow used in financing activities		**(20,002)**	**9,682**
Exchange (gain)/loss on cash and cash equivalents		**653**	**(751)**
Net change in cash and cash equivalents		136,530	24,743
Cash and cash equivalents at start of the year	7	32,666	7,923
Cash and cash equivalents at end of the year	7	**169,196**	**32,666**

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

1 Accounting policies

Authorisation of financial statements

O2 (Europe) Limited is a private company limited by shares incorporated in England. Its registered address is 260 Bath Road, Slough, Berkshire SL1 4DX.

The Company's financial statements are presented in Euros and all values are rounded to the nearest thousand Euros (€000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary. These financial statements present information about the Company as an individual undertaking and not about its group.

The results of O2 (Europe) Limited are included in the consolidated financial statements of Telefónica, S.A. which are available at Gran Via 28, 28013, Madrid, Spain.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted for use in the EU. In addition the financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared using historical cost principles.

The principal accounting policies of the Company applied in the preparation of these financial statements are set out below. The IFRS accounting policies have been applied consistently to all periods presented.

Going concern

The financial position of the Company is described in the Strategic report. In addition, note 1 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk. Consequently, the Directors believe that the Company is well placed to manage its business risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, Telefonica Group has the ability and willingness to provide continued support to the Company and hence provided the Company with a letter of support, and thus the Directors have adopted the going concern basis of accounting in preparing the annual financial statements

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1. Accounting policies (continued)

Taxation

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed.

Deferred income tax is provided in full, using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax and current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Income tax relating to items recognised directly in other comprehensive income is also recognised directly in other comprehensive income.

Investments

Investments are stated at cost less provision for impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets with a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units").

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Income is recognised when the company's rights to receive the payment is established. Dividends received from subsidiary companies are recognised as finance income in the Company's financial statements in the period in which the dividends are received.

Trade and other receivables

Trade and other receivables are carried at original invoice amount less provision for doubtful debts.

A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Provisions are made based on an analysis of balances by age, previous losses experienced, disputes and ability to pay. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Changes in the provision against receivables are recognised in the statement of comprehensive income within cost of goods sold.

1 Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rate on the day the transaction occurred to the functional currency of the entity. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income and allocated to categories most appropriate for the nature of the underlying transaction. Non-monetary assets and liabilities denominated in foreign currency are translated at the foreign currency exchange rate ruling at the dates the non-monetary assets and liabilities are recognised.

Financial risk factors and management

The Company's operations expose it to a variety of financial risks including interest rate risk, credit risk, liquidity risk and risk related to the fair value of financial instruments.

The principal financial risks of the Company and how the Company managed these risks are discussed below.

Credit risk

The Company does not have a significant exposure to credit risk. All of the Company's credit balances are held with companies within the Telefónica Group.

Liquidity risk

Management of the Company's liquidity risk is achieved mostly through being a part of the larger Telefónica Group, which operates group wide policies in this area. The Company also maintains its own committed borrowing facilities, and holds financial assets primarily in short-term deposits with a central Telefónica Group company that are readily convertible to known amounts of cash. These measures help keep liquidity risk low.

Interest rate risk

The Company's interest rate risk arises primarily from the effects of movements in interest rates on the value of the Company's borrowings and financial assets. During the year it was policy to fix or protect expected interest flows where Company profits or key financial ratios would be materially at risk from interest rate movements.

Fair value of financial instruments

The carrying value and fair value of the Company's financial assets and financial liabilities are not deemed to be materially different at 31 December 2018 and 31 December 2017.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1. Accounting policies (continued)

New and amended standards adopted by the company

New Standards and amendments		Effective date: annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenues from Contracts with Customers	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based payment Transactions	1 January 2018
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements 2014–2016 cycle		

Based on the analyses made to date, the Company estimates that the adoption of most of these standards, amendments and improvements will not have a significant impact on the financial statements in the initial period of application. The Company is currently assessing the impact of the application of IFRS 15 but given the nature of the business do not foresee any material impact from the application of IFRS 15.

New standards and interpretations not yet adopted

IFRS 16 requires the company to report on the statement of financial position lease assets and lease liabilities for all leases (other than short-term leases and leases of low-value assets). This standard is not expected to have a significant impact in the Company's financial statements.

Critical judgements and estimates in applying accounting policies

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. A significant change in the facts and circumstances on which these estimates and judgements are based could have a material impact on the Company's earnings and financial position. There are no areas involving a higher degree of judgement or complexity which could result in a material impact in the financial statements. The estimates and assumptions which are significant to the financial statements are discussed below.

Impairment of investments- Critical accounting estimate

An impairment exists when the carrying value of an investment exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from forecasts. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected cash inflows and the growth rate used for extrapolation purposes.

2 Directors' emoluments and employees

No emoluments or other benefits were paid to the Directors for services to the Company during the year ended 31 December 2018 (2017: nil). The Directors are employees of other companies in the Telefónica Group, and are remunerated by other companies within the Telefónica Group for their services to the Telefónica Group.

During the year, three directors accrued retirement benefits under a defined contribution pension plan.

The Company had no employees during the year ended 31 December 2018 (2017: nil).

3 Net financial (expenses)/income

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Interest income from group undertakings	107	261
Dividend received from subsidiary companies	161,000	384,000
Foreign exchange gains	353	969
Interest income	97	-
Financial income	**161,557**	**385,230**
Interest expense from group undertakings	(20,002)	(20,002)
Foreign exchange loss	(443)	(1,145)
Interest expenses on financial liability	-	(226)
Other interest expenses	(13)	(1)
Financial expense	**(20,458)**	**(21,374)**
Net financial income	**141,099**	**363,856**

4 Taxation

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Current tax charge	(3,230)	(3,603)
Adjustments in respect of prior periods: (credit)/charge	724	(740)
Current Tax credit	**(2,506)**	**(4,343)**

The tax assessed for the year varied from the amount computed by applying the UK statutory tax rate to profit or loss on ordinary activities before taxation. The differences were attributable to the following factors:

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Profit before taxation	**140,992**	**363,770**
Profit before taxation multiplied by rate of Corporation tax in the UK of 19% (2017: 19.25%)	26,789	70,026
Effects of:		
Expenses not deductible	365	368
Income not taxable	(30,590)	(73,920)
Foreign exchange movements	206	(77)
Prior year adjustments	724	(740)
Taxation charge/(credit) for the year	**(2,506)**	**(4,343)**

Finance Act 2013 reduced the main rate of corporation tax to 20% with effect from 1 April 2015. Finance Act 2015 further reduced the rate to 19% with effect from 1 April 2017.

5 Investments in subsidiary undertakings

Cost	Shares in subsidiary undertakings €'000
At 1 January 2017	10,197,180
Movement during the year	-
At 31 December 2017	**10,197,180**
Movement during the year	-
At 31 December 2018	**10,197,180**
Impairment	
At 1 January 2017	3,169,431
Movement during the year	-
At 31 December 2017	**3,169,431**
Movement during the year	-
At 31 December 2018	**3,169,431**
Net book value	
At 31 December 2018	**7,027,749**
At 31 December 2017	**7,027,749**

Investments in subsidiary undertakings are tested for impairment annually or more frequently if there are certain events or changes indicating the possibility that the carrying amount may not be fully recoverable. The potential impairment loss is determined by assessing the recoverable amount of the investments in subsidiary undertakings. If this recoverable amount is less than the carrying amount, an impairment loss is recognised.

At the end of the year ended 31 December 2018, the Company conducted an impairment test on its investment in Telefonica Deutschland A.G. using the discounted future cash flows and concluded that there is no impairment to be recorded (2017: Impairment of €nil).

The recoverable amount of the investments in Telefonica Deutschland A.G has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period, applying a pre-tax discount rate of 5.15% (2017: 4.72%) and a perpetuity growth rate of 1.04% (2017: 1.01%)

5 Investments in subsidiary undertakings (Continued)

Sensitivity to changes in assumptions

The Group carries out its sensitivity analysis of the impairment test by considering reasonable changes in the main assumptions used in calculating value in use assuming the following increases or decreases in the assumptions, expressed in percentage points:

Assumption	Change	Valuation impact (€'000)	Change	Valuation impact (€'000)
Discount rate	0.5%	(1,888,000)	-0.5%	2,411,000
Perpetuity growth rates	0.25%	982,000	-0.25%	(870,000)
Terminal OIBDA Margin	1.25%	1,267,000	-1.25%	(1,267,000)
Terminal ratio of CAPEX / Revenues	0.63%	(634,000)	-0.63%	633,000

Other than as disclosed above, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

A complete list of the Company's subsidiary undertakings at 31 December 2018 is given below.

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
Telefonica Germany Holdings limited	260 Bath Road , Berkshire SL1 4DX	Intermediate holding company	100
Minodes GmbH, Berlin(1)	Germany Charlottenstraße 4, 10969 Berlin	Digital marketing solutions	69.22
Telefonica Germany Management GmbH(1)	Germany Georg-Brauchle Ring 50, 80992 München	Holding company	69.22
TGCS Rostock GmbH(1)	Germany Georg-Brauchle-Ring 50 80992 München Deutschland	Customer care	69.22
Co-trade GmbH, Munich(1)	Germany Münchner Str. 113, 85774 Unterföhring	Operation of services	69.22
Shortcut I GmbH & Co. KG (1)	Germany Barmbeker Straße 5a, 22303 Hamburg	Venture capitalist entity	69.22
Telefonica Deutschland Holding AG(1)	Germany Georg-Brauchle Ring 50, 80992 München	Holding company	69.22

5 Investments in subsidiary undertakings (Continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
TGCS Bremen GmbH[1]	Germany Georg-Brauchle Ring 50, 80992 München	Customer care	69.22
TGSC Hamburg GmbH[1]	Germany Überseering 33, 22297 Hamburg	Customer care	69.22
Telefonica Germany GmbH & Co OHG[1]	Germany Georg-Brauchle Ring 50, 80992 München	Mobile cellular telephone system provider and operator	69.22
Telefonica Germany 1. Beteiligungs-gesellschaft GmbH[1]	Germany Georg-Brauchle Ring 50, 80992 München	Holding company	69.22
Wayra Deutschland GmbH[1]	Germany Georg-Brauchle Ring 50, 80992 München	Venture capitalist entity	69.22
Telefonica Germany Next GmbH[1]	Germany Georg-Brauchle Ring 50, 80992 München	Sale of Hard – and Software, ADA (Advanced Data Analytics) related services incl., IoT (Internet of Things)	69.22
Tchibo Mobilfunk GmbH & Co KG[1]	Germany Überseering 18, 22297 Hamburg	Telecommunications equipment retailer	34.61
Tchibo Mobilfunk Beteiligungs GmbH[1]	Germany Überseering 18, 22297 Hamburg	Holding company	34.61
O2 Telefonica Deutschland Finanzierungs GmbH[1]	Germany Georg-Brauchle Ring 50, 80992 München	Provision of funds to finance Germany business	69.22
TGCS Essen & Potsdam GmbH[1]	Germany Edison Allee 1, 14473 Potsdam	Customer care	69.22
E-Plus Services Treuhand GmbH[1]	Germany E-Plus-Straße 1 40472 Düsseldorf	Provision of Telecommunication	69.22

5 Investments in subsidiary undertakings (Continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
TGCS Berlin GmbH(1)	Germany Lützowstraße 105-106 10785 Berlin	Customer care	69.22
TFS Potsdam GmbH(1)	Germany Edison Allee 1, 14473 Potsdam	Operation of services	69.22
Telefonica Germany Retail GmbH (1)	Germany E-Plus-Straße 1 40472 Düsseldorf	Telecommunications equipment retailer	69.22
Erste MVV Mobilfunk Vermögensverwaltungsgesellschaft mbHf(1)	Germany E-Plus-Straße 1 40472 Düsseldorf	Operation of services	69.22
AY YILDIZ Communications GmbH(1)	Germany E-Plus-Straße 1 40472 Düsseldorf	Operation of services	69.22
TGCS Nümberg GmbH(1)	Germany Georg-Brauchle Ring 23-25, 80992 München	Customer care	69.22
Ortel Mobile GmbH(1)	Germany E-Plus-Straße 1 40472 Düsseldorf	Operation of services	69.22
O2 International Holdings Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Intermediate holding company	100
Kilmaine Limited	Isle of Man	Active non- trading	100
Telefonica Financial Services UK Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Dormant	100
O2 Pine Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Active non-trading	100
O2 Willow Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Active non-trading	100
The Link Stores Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Dormant	100

5 Investments in subsidiary undertakings (Continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
Telefonica (UK) Holdings Limited [1]	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Active non-trading	100
O2 (Online) Netherlands BV[1]	Netherlands	Intermediate holding company	100
O2 Credit Vouchers	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Dormant	100
Telefonica O2 (UK) Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Dormant	100
O2 (Online) Limited	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Intermediate holding company	100
O2 (Online) Hong Kong Limited[1]	Hong Kong	Dormant	100
O2 Limited[1]	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Active non-trading	100
O2 UK Limited[1]	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Dormant	100
Lumina Holdings Limited[1]	England and Wales 260 Bath Road, Slough, Berkshire SL1 4DX	Active non-trading	100

[1] Investments are indirect.

5 Trade and other receivables

	31 December 2018 €'000	31 December 2017 €'000
Amounts owed by Group undertakings for tax losses surrendered	6,849	4,343
Other Receivables	31	-
Trade and other receivables	**6,880**	**4,343**

6 Cash and cash equivalents

	31 December 2018 €'000	31 December 2017 €'000
Short term deposits	169,196	32,666
Cash and cash equivalents	**169,196**	**32,666**

The Company's short term deposits are deposited with Telfisa Global BV, a related party.

7 Trade and other payables

	31 December 2018 €'000	31 December 2017 €'000
Amounts owed to Group undertakings for tax losses surrendered	-	4,117
Other amounts owed to Group undertakings	74	74
Other payables	-	314
Trade and other payables	**74**	**4,505**

During the year ended 31 December 2018 Telefonica Germany Holdings Limited, a subsidiary company declared dividends of €161 million to the Company. Part of this dividend was used to clear the payable against the same company.

8 Borrowings

	31 December 2018 €'000	31 December 2017 €'000
Amounts owed to Group undertakings	2,185,953	2,185,953
Non-current borrowings	**2,185,953**	**2,185,953**

Amounts owed to Group undertakings represents Euro denominated loan from Telfin Ireland Limited with the maturity date in May 2020. The effective interest rate during 2018 was 0.9025% (2017: 0.66%).

9 Share capital

	31 December 2018 €'000	31 December 2017 €'000
Issued		
Ordinary shares of €1 each	1,239,007	1,239,007
Called up and fully paid		
Ordinary shares of €1 each	1,239,007	1,239,007

The Company has one class of issued share capital, comprising ordinary shares of €1 each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder: the right to receive notice of and vote at general meetings of the Company; the right to receive any surplus assets on a winding-up of the Company; and an entitlement to receive any dividend declared on ordinary shares.

Capital management

The Company's capital comprises share capital, share premium and retained earnings.

The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate as a going concern, to maintain optimal capital structure commensurate with risk and return and to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay dividends to its shareholders, return capital to its shareholders, issue new shares or sell assets to reduce debt or draw down more debt.

10 Related party disclosures

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Financial income from related parties		
Telefonica Germany Holdings Limited	161,000	384,000
Telfisa Global	1	10
Other subsidiary companies	556	1,220
Total financial income from related parties	**161,557**	**385,230**
Financial expense with related parties		
Telfisa Global	(443)	(1,372)
Telfin Ireland Ltd	(20,002)	(20,002)
Total financial expense from related parties	**(20,445)**	**(21,374)**

Financial assets with related parties		
O2 Holdings Limited		
Telefonica UK Limited	6,849	4,343
Other Group companies	31	-
Telfisa Global	169,196	32,666
Total receivables from related parties	**176,076**	**37,009**
Financial liabilities with related parties		
Telfin Ireland Ltd[1]	(2,185,953)	(2,185,953)
Other Group companies	(74)	(4,505)
Total payables to related parties	**(2,186,027)**	**(2,190,458)**

[1]This is an interest only intercompany loan with an interest rate of 0.9025% and with a maturity date of May 2020

11 Auditors' remuneration

Audit fees for the Company were borne by another company within the Telefónica Group and have been allocated across the group.

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Audit of financial statements	10	11

12 Parent company and controlling party

At 31 December 2018, the immediate parent company and ultimate controlling party was Telefónica S.A., a company incorporated in Spain. Telefónica, S.A. is the largest and smallest group for which group financial statement are drawn up and of which the company is a member. Copies of the financial statements of Telefónica S.A. can be obtained from Gran Via 28, Madrid, Spain.