Registered Number: 04247143

O2 (Europe) Limited

Annual Report and Financial Statements
Year ended 31 December 2020

O2 (Europe) Limited

Registered number: 04247143

Contents

O2 (Europe) Limited

Company Information

Registered number: 04247143

Directors and Advisers

Tom de Albuquerque
Guillermo Martinez Maside

Registered office

260 Bath Road
Slough
Berkshire
SL1 4DX
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road,
Watford, WD17 1JJ
United Kingdom

Strategic report for the year ended 31 December 2020

Strategy

O2 (Europe) Limited ("the Company") is a wholly owned subsidiary within the Telefónica Group, 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 ("the Group"), in which a 69.22% (2019: 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 48 million accesses as of 31 December 2020. The Company offers mobile and fixed services for private and business customers. as well as innovative digital products and services. In addition, Telefónica Deutschland Group provides extensive mobile communications services to wholesale partners.

The basis for digital participation of all people are high-performance telecommunications networks. As a full range provider, the Group offers both mobile and fixed solutions, via its own networks of through cooperative partnerships. A high-performance network and a reliable IT architecture form the basis of business success. The Group is expanding the 4G network in such a way that perspectively everyone can enjoy fast mobile communications over a wide area while regulatory network expansion requirements are met. 5G services are available since October. IT systems are in continuous improvement to enable it to work more efficiently and in a more targeted manner. Significant investments will be made in software, hardware and further standardization, replacing the previous multi-layered IT landscape. As a result, these future-proof solutions will enable a faster, more efficient and cost-effective operation. The proven multi-brand strategy will be continued, touching customers in their day-to-day lives and providing them with an offer that is right to them. For further services, target groups and sales channels, the Group consistently relies on partnerships with well-established partners.

In 2020, at 5.307 million EUR, mobile services were the most important revenue stream for the Group (70,5% of total volume). The basis for this being our mobile communications network, whose LTE capability has been expanded and improved during 2020, providing with stable data connections, very good quality and significant improved network coverage. The Group activated its 5G offering in October 2020 for residential and business customers of O2 brand in the largest cities of Germany, and will drive the roll-out of 5G in urban and rural areas in 2021.

The Group also offers national fixed services, complementing the mobile offering. This offering is based on the strategic partnership with Telekom Deutschland GmbH and access agreements with Vodafone and Tele Columbus. In 2020 the Group entered into an agreement with Telefonica Infra SLU and Allianz Group to establish a joint venture to roll-out fiber-to-the-home (FFTH) accesses in Germany, to further improve this line of business.

The performance of the Company is dependent on the financial performance of its investment in Telefonica Deutschland Group. The KPIs used for internal management in Telefonica Deutschland Group include Revenue, OIBDA adjusted for exceptional items and investment ratio (Capex/Sales ratio). Other relevant KPIs are free cash flow and net leverage ratio.

Strategic report
for the year ended 31 December 2020 (continued)

Telefonica Deutschland Group (continued)

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

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.

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.

Risks and uncertainties (continued)

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 significant risks and uncertainties of the Telefonica Deutschland Group are:

Business Risks

Competitive markets and changing customer demands

The Group operates 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 the general economic, political and social conditions and take into account in planning.

COVID-19 pandemic

COVID-19 spread globally in 2020 and has had an appreciable impact on the business operations. Due to the economic downturn, companies might not be able to compensate for the consequences of the pandemic. Any resulting payment difficulties or changes in demand on the part of our customers could impact he Group business activities. Future business activities are also dependent on overall economic recovery and normalization of public life. The Group is countering the risk with a number of measures, including a top-level pandemic plan as part of the emergency and crisis management, which is constantly being adapted to changes in the situation. The plan also defines the steps for gradual return to normal business operations.

In order to prevent the virus from spreading, employees are working mostly from home, in those areas where it is possible. Business trips have been suspended until further notice. Inventories have been optimized to be prepared for potential shortages. The efficiency of online and remote channels has been enhanced, to compensate for limitations in traditional physical channels. In addition, the controlling department ensures extensive monitoring. This makes possible to take actions in good time to avoid any divergence form defined targets.

UK exit from the European Union

The impact of the UK's exit from the European Union is being closely monitored by the Telefonica Deutschland Group, with particular focus on implications for withholding tax, UK bank financing, UK investors, VAT and supplier agreements. The overall operational risks for the Telefonica Deutschland Group and the Company are considered to be low. The position in respect of withholding tax on dividends received by Company from the Telefonica Deutschland Group is being kept under review but withholding tax is not currently applicable. No material risks have been identified in relation to existing bank financing agreements and supplier agreements, and the VAT tax code applicable to the UK as a third country has been updated for 1 January 2021 onwards. The situation in respect of investor uncertainty is being monitored but is not assessed as being of material risk.

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 must also keep an eye on the performance of the network and that of the competitors. The Group counters this risk by intensively monitoring and evaluating customer satisfaction and by extensive monitoring of 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 analysing 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.

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 and systems could have a negative influence on customer satisfaction and result in a loss of customers or revenue losses. The Group implements extensive monitoring of the network elements and systems. In addition, insurable risks are covered by the insurance program.

Strategic Report
for the year ended 31 December 2020 (continued)

Section 172 Statement

The Company has practices and procedures in place to ensure the matters set out in Section 172(1) of the Companies Act 2006. During the year the Directors reminded of the directors' duties, in particular the matters which should be considered when fulfilling the obligation to promote the Company's success. As a matter of routine Board agendas periodically feature stakeholders matters and board briefings have been updated to include analysis of the consideration of these matters:

- The likely consequences of any decisions in the long term;
- The interests of employees;
- The need to foster the Company's business relationship with suppliers, customers and others;
- The impact of the Company's operation on the community and environment;
- The desire of the Company maintaining a reputation of high standard of business conduct; and
- The need to act fairly between shareholders of the Company (There are no minority shareholders).

The Company does not trade and does not have any customers, employees or suppliers. The 172 (1) The significant arrangement during the period is in respect of the payment of dividend to its sole shareholders The directors of the Company are of the opinion that they fulfilled their obligations when determining the amount of dividend distribution, in particular taking into account the long term consequences of paying the dividend in regard to the Company's future and contingent liabilities. In doing so the directors ensured that proposed dividend amount was lawful and that the Company *continues to be well positioned to meet its obligations in the near future*

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 01 July 2021.

By Order of the Board

Tom de Albuquerque
Director

Directors' Report
for the year ended 31 December 2020

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Legal Form and principal activities

O2 (Europe) Limited ("the Company") is a private limited company registered in the United Kingdom 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 2020, Telefonica Germany Holdings Limited (fully owned subsidiary of O2 (Europe) Limited 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:

Edward Smith	(Appointed 27 March 2020) / (Resigned 17 June 2021)
Enrique Medina Malo	(Resigned 17 June 2021)
Mark Hardman	(Resigned 17 June 2021)
Robert Harwood	(Resigned 27 March 2020)
Tom de Albuquerque	(Appointed 17 June 2021)
Guillermo Martinez Maside	(Appointed 17 June 2021)

The Secretary who held office during the year was O2 Secretaries Limited. (Resigned 17 June 2021)

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. This indemnity was in force during the financial year and at the date of approval of the financial statements.

Financial Performance

The Company's total comprehensive loss for the year ended 31 December 2020 was €867,727,000 (31 December 2019: income €622,134,000).

The Company's loss before taxation for the year ended 31 December 2020 was €873,902,000 (31 December 2019: loss €625,483,000).

The Company incurred an operating loss of €837,317,000 during the year ended 31 December 2020 (31 December 2019; operating loss €752,326,000) the increase is due to an impairment loss of €837,227,000 (31 December 2019: €752,216,000) on the Company investments. This impairment is caused by the revaluation of capex requirements of Telefónica Deutschland Group and, to a lesser extent, to an increase in working capital requirements and a decrease in operational profit.

The net assets of the Company as at 31 December 2020 were €3,527,937 (31 December 2019: €4,395,664,000).

Directors' Report
for the year ended 31 December 2020 (continued)

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 2022 as it is likely to remain a non-trading company.

Dividend

The Company did not pay a dividend for the year ended 31 December 2020 (2019 €nil).

Financial risk management objectives, policies and exposure

Details of the Group's approach to financial risk management are set out in note 3 of the financial statements.

Political contributions

The Company made no political contributions during the year ended 31 December 2020 (31 December 2019: €nil).

Going concern

The financial position of the Company is described above. In addition, note 3 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 S.A, the ultimate parent company, has the ability and willingness to provide continued support to the Company and hence provided the Company with a letter of support for at least 12 months from the date of these accounts, and thus the Directors have adopted the going concern basis of accounting in preparing the annual financial statements

Statement as to disclosure to independent 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.

Directors' Report
for the year ended 31 December 2020 (continued)

Independent Auditors

Pursuant to section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The Directors' Report was approved by the Board on 01 July 2021.

By Order of the Board

Tom de Albuquerque
Director

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 accounting standards in conformity with the requirements of the Companies Act 2006.

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 International accounting standards in conformity with the requirements of the Companies Act 2006 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.

The Statement of Directors' responsibilities was approved by the Board on 01 July 2021.

By Order of the Board

Tom de Albuquerque
Director

Independent auditors' 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 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Independent auditors' report to the members of O2 (Europe) Limited (continued)

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.
Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation,, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the carrying value of investments; and
- Review of board minutes for consideration of known or suspected instances of non-compliance with laws and regulations or fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent auditors' report to the members of O2 (Europe) Limited (continued)

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 obtained 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.

Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
02 July 2021

Statement of comprehensive income
Year ended 31 December 2020

	Note	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Administrative expenses		(90)	(110)
Impairment on Investments	7	(837,227)	(752,216)
Operating loss		**(837,317)**	**(752,326)**
Financial income	5	302	147,496
Financial expenses	5	(36,887)	(20,653)
Loss before taxation		**(873,902)**	**(625,483)**
Tax on loss	6	6,175	3,349
Loss and total comprehensive expense for the year attributable to equity shareholders of the parent		**(867,727)**	**(622,134)**

The accompanying notes on pages 20 to 34 are an integral part of these financial statements.

O2 (Europe) Limited

Registered number: 04247143

Statement of financial position
As at 31 December 2020

	Note	31 December 2020 €'000	31 December 2019 €'000
Non-current assets			
Investments in subsidiary undertakings	7	5,438,306	6,275,533
Current assets			
Trade and other receivables	8	9,311	7,069
Cash and cash equivalents	9	266,419	299,157
Total current assets		**275,730**	**306,226**
Current liabilities			
Trade and other payables	10	(146)	(142)
Short term borrowings	11	-	(2,185,953)
Total current liabilities		**(146)**	**(2,186,095)**
Net current assets/(liabilities)		**275,584**	**(1,879,869)**
Non-current liabilities			
Long term borrowings	11	(2,185,953)	-
Net assets		**3,527,937**	**4,395,664**
Equity			
Share capital	12	1,239,007	1,239,007
Retained earnings		2,288,930	3,156,657
Total equity		**3,527,937**	**4,395,664**

The accompanying notes on pages 20 to 34 are an integral part of these financial statements.

These financial statements on pages 16 to 34 were approved and authorised for issue by the Board of Directors on 01 July 2021 and signed on its behalf by:

Tom de Albuquerque
Director

Statement of changes in equity
Year ended 31 December 2020

	Called up share capital	Retained earnings	Total Equity
	€'000	€'000	€'000
At 1 January 2019	1,239,007	**3,778,791**	**5,017,798**
Total comprehensive expense for the year	-	(622,134)	(622,134)
At 31 December 2019	**1,239,007**	**3,156,657**	**4,395,664**
Total comprehensive expense for the year	-	(867,727)	(867,727)
At 31 December 2020	**1,239,007**	**2,288,930**	**3,527,937**

The accompanying notes on pages 20 to 34 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2020

	Note	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Loss before taxation		(873,902)	(625,483)
Adjustments to reconcile profit before tax to net cash flows:			
Financial income	5	(302)	(147,496)
Financial expenses	5	36,887	20,653
Impairment on investment	7	837,227	752,216
Operating loss before adjustments for working capital changes		**(90)**	**(110)**
Cash flows from operating activities:			
Decrease in trade and other receivables	8	3,319	3,607
Increase in trade and other payables	10	4	68
Net cash flow from/(used in) operating activities		**3,233**	**3,565**
Cash flows from investing activities:			
Interest income from group undertakings	5	-	110
Dividends received from subsidiaries	5	-	147,000
Movement on hedges		619	(809)
Net cash flow from investing activities		**619**	**146,301**
Cash flows from financial activities:			
Interest paid	3	(36,617)	(20,002)
Net cash flow (used in) financing activities		**(36,617)**	**(20,002)**
Net change in cash and cash equivalents		**(32,765)**	**129,864**
Exchange gain/(loss) on cash and cash equivalents	5	27	97
Cash and cash equivalents at start of the year	9	299,157	169,196
Cash and cash equivalents at end of the year	**9**	**266,419**	**299,157**

The accompanying notes on pages 20 to 34 are an integral part of these financial statements

Notes to the financial statements

1. General information

O2 (Europe) Limited is a private company limited by shares incorporated in the United Kingdom. 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.

2. Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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.

3. Accounting policies

Functional Currency

The Company financial statements are presented in euros, which is also the functional currency.

Going concern

The financial position of the Company is described in the Strategic report. In addition, note 3 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

Taxation

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

3. Accounting policies (continued)

Taxation (continued)

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.

3. 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 2020 and 31 December 2019

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.

3. Accounting policies (continued)

New and amended standards adopted by the company

The accounting policies applied in the preparation of the financial statements for the year ended December 31, 2020 are consistent with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2019, with the exception of the following new standards and amendments to existing standards in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 which are mandatory for annual periods beginning on or after January 1, 2020.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company's current approach is consistent with these requirements, so the application of these amendments did not have a significant impact on the Company's financial position or results in the period.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. This amendment did not have a significant impact on the Company's financial position or results in the period.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: (i) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and (ii) the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Company's current practices are in line with these criteria, so the application of these amendments did not have an impact on the Company's financial position or results in the period, nor are they expected to do so in the future.

3. Accounting policies (continued)

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts, such as removing the probability threshold for recognition and adding guidance on derecognition, or adding guidance on different measurement basis. No changes were made to any of the current accounting standards. The Company´s accounting policies are still appropriate under the revised Framework, so these amendments had no impact on the Company´s financial position or results in the period.

Amendments to IFRS 16: Covid19-related Rent Concessions

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions (such as rent holidays or rent reductions for a period of time) arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification and therefore account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. In accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, companies shall apply the amendment, at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020. This amendment had no impact on the consolidated financial statements of the Company.

New standards and amendments to standards issued but not effected as of December 31, 2020.

At the date of preparation of the financial statements, the following IFRS *and amendments to existing* standards had been published, but their application is not mandatory:

Standards and amendments		Mandatory application: annual periods beginning on or after
Amendments to IFRS 4	*Deferral of IFRS 9*	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to IAS 37	*Cost of Fulfilling a Contract*	January 1, 2022
Amendments to IFRS 3	*Reference to the Conceptual Framework*	January 1, 2022
Annual Improvements 2018-2020 Cycle		January 1, 2022
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023

Based on the assessment made to date, the Company estimates that the adoption of these new pronouncements will not have a significant impact on the financial statements in the initial period of application.

3. Accounting policies (continued)

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.

4. 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 2020 (2019: €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, two directors accrued retirement benefits under a defined contribution pension plan.

The Company had no employees during the year ended 31 December 2020 (2019: nil).

5. Net Financial (expense)/income

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Interest income from group undertakings	-	110
Dividend received from subsidiary companies	-	147,000
Foreign exchange gains	302	386
Financial income	**302**	**147,496**
Interest expense from group undertakings	(36,617)	(20,002)
Foreign exchange loss	(20)	(289)
Interest expenses on financial liability	-	(121)
Other interest expenses	(250)	(241)
Financial expense	**(36,887)**	**(20,653)**
Net financial (expense)/income	**(36,585)**	**126,843**

6. Tax on (loss)/profit

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Current tax credit	(6,072)	(3,349)
Adjustments in respect of prior periods: charge/(credit)	(103)	-
Current Tax credit	**(6,175)**	**(3,349)**

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 2020 €'000	Year ended 31 December 2019 €'000
Profit before taxation	**(873,902)**	**(625,483)**
Profit before taxation multiplied by rate of Corporation tax in the UK of 19% (2019: 19%)	(166,041)	(118,841)
Effects of:		
Expenses not deductible	159,741	143,286
Income not taxable	-	(27,930)
Foreign exchange movements	228	136
Prior year adjustments	(103)	-
Taxation charge/(credit) for the year	**(6,175)**	**(3,349)**

Finance Act 2015 set the main rate of corporation tax to 19% with effect from 1 April 2017. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, the change, had it been substantively enacted by the balance sheet date, would have no material impact on these financial statements.

7. Investments in subsidiary undertakings

	Shares in subsidiary undertakings
Cost	**€'000**
At 1 January 2019	10,197,180
Movement during the year	-
At 31 December 2019	**10,197,180**
Movement during the year	-
At 31 December 2020	**10,197,180**
Impairment	
At 1 January 2019	**3,169,431**
Movement during the year	752,216
At 31 December 2019	**3,921,647**
Movement during the year	837,227
At 31 December 2020	**4,758,874**
Net book amount	
At 31 December 2020	**5,438,306**
At 31 December 2019	**6,275,533**

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 2020, 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 an impairment of €834,232,000 to be recorded (2019: €743,498,000).

The recoverable amount of the investments in Telefónica 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 4.80% (2019: 4.90%), perpetuity growth rate of 1% (2019: 1.13%), terminal OIBDA Margin of 31.6% (2019: 32.40%) and terminal Capex/Revenues rate of -14.80% (2019: -13.05%).

The Company also recognised an impairment loss of €2,996,000 (2019: €8,718,000) in relation to its investments in O2 International Holdings Limited.

7. 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%	(1,479,000)	-0.5%	1,925,000
Perpetuity growth rates	0.25%	786,000	-0.25%	(690,000)
Terminal OIBDA Margin	1.50%	1,803,000	-1.50%	(1,804,000)
Terminal ratio of CAPEX / Revenues	0.75%	(1,317,000)	-0.75%	1,316,000

After considering the different sensitives outlined above, management has considered that no additional impairment is deemed necessary in the current year.

A complete list of the Company's subsidiary undertakings at 31 December 2020 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
Telefónica Germany GmbH&Co OHG [1]	Germany 1, E-Plus-Str, 40472 Düsseldorf	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

7. Investments in subsidiary undertakings (continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
Telefonica Deutschland Holding AG[1]	Germany Georg-Brauchle Ring 50, 80992 München	Holding company	69.22
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 Business Sales 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

7. Investments in subsidiary undertakings (continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
E-Plus Services Treuhand GmbH[1]	Germany E-Plus-Straße 1 40472 Düsseldorf	Provision of Telecommunication	69.22
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

7. Investments in subsidiary undertakings (continued)

Name	Country of incorporation and registered office	Principal activity	Shareholding (%)
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
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.

8. Trade and other receivables

	31 December 2020 €'000	31 December 2019 €'000
Amounts owed by Group undertakings for tax losses surrendered	9,293	6,853
Other Receivables	18	216
Trade and other receivables	**9,311**	**7,069**

Amounts owed by Group undertakings relate to receivable for tax losses surrendered by way of group relief. Other receivables are in relation to financial securities (derivatives).

9. Cash and cash equivalents

	31 December 2020 €'000	31 December 2019 €'000
Short term deposits	266,419	299,157
Cash and cash equivalents	**266,419**	**299,157**

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

10. Trade and other payables

	31 December 2020 €'000	31 December 2019 €'000
Other amounts owed to Group undertakings	76	76
Other payables	70	66
Trade and other payables	**146**	**142**

11. Borrowings

	31 December 2020 €'000	31 December 2019 €'000
Short-term amounts owed to Group undertakings	-	2,185,953
Current borrowings	**-**	**2,185,953**
Long-term amounts owed to Group undertakings	2,185,953	-
Non-current borrowings	**2,185,953**	**-**

In May 2020, the Company extended its existing loan agreement with Telfin Ireland Limited for a further 10 years, with the maturity date in 22 May 2030.

12. Share capital

	31 December 2020 €'000	31 December 2019 €'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.

13. Related party disclosure

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Financial income from related parties		
Telefonica Germany Holdings Limited	-	147,000
Other subsidiary companies	302	496
Total financial income from related parties	**302**	**147,496**
Financial expense with related parties		
Telfisa Global B.V	(178)	(289)
Telfin Ireland Limited	(36,617)	(20,002)
Other subsidiary companies	(92)	(121)
Total financial expenses from related parties	**(36,887)**	**(20,412)**

13. Related party disclosure (continued)

	31 December 2020 €'000	31 December 2019 €'000
Financial assets with related parties		
Telefonica UK Limited	9,293	6,853
Other Group companies	-	192
Telfisa Global B.V	266,419	299,157
Total receivables from related parties	**275,712**	**306,202**
Financial liabilities with related parties		
Telfin Ireland Limited [1]	(2,185,953)	(2,185,953)
Other Group companies	(76)	(76)
Total payables to related parties	**(2,186,029)**	**(2,186,029)**

[1]This is an interest only intercompany loan with an interest rate of 0.9025% and with a maturity date of May 2030

14. Auditors' remuneration

Audit fees incurred during the year for audit and other services are analysed below:

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Audit of financial statements	10	10

15. Parent company and controlling party

At 31 December 2020, the immediate and ultimate parent company and 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.

16. Subsequent Events

On 26 May 2021, the Company received a capital increase of €5.6bn from its immediate parent company Telefónica S.A. The Company transferred €3.4bn to its subsidiary Telefonica Germany Holdings Limited as capital increase. The Company also repaid its outstanding €2.2bn loan with Telfin Ireland Limited.

There are no other material subsequent events after the balance sheet date.