TELEFÓNICA EUROPE B.V.
(Amsterdam)

INTERIM FINANCIAL STATEMENTS
June 30, 2013

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Managing Director's Report

The management herewith submits the Interim Financial Statements of Telefónica Europe, B.V. ("the Company") for the half year ended on June 30, 2013.

Result

During the period under review, the Company recorded a profit of EUR 345 thousand (01/01/12 - 30/06/12: EUR 894 thousand), which is set out in detail in the enclosed Interim Statement of Income and Expenses.

On February 14, 2013, Euro Medium Term Notes for a nominal value of EUR 1,500,000 thousand were repaid upon maturity.

The total Syndicated Facility (originally signed on October 31, 2005 as amended on December 7, 2006) amounts as per June 30, 2013 are: (i) A drawn amount of GBP 100,000 thousand, which in total is equivalent to EUR 116,659 thousand (30/06/12: EUR 3,293,759 thousand) and (ii) An undrawn amount of GBP 2,000 million. Originally, the total amount for the Syndicated Facility was GBP 18,500 million.

On March 2, 2012 the Company, formalized several agreements where the active tranches of the Syndicated Facility (D and E) where partially refinanced by several new forward start facilities. As result, two new tranches were agreed: (i) a forward start facility (or Tranche D1) for a notional amount equal to the Euro equivalent of GBP 632,992 thousand (EUR 801,158 thousand equivalent) and the purpose of partly extending Tranche D under the Syndicated Facility, as it reached maturity on December 14, 2012 and (ii) a new revolving credit facility (or Tranche E1) and a revolving multicurrency forward start credit facility agreement (or Tranche E2) for the purpose of partly extending Tranche E (revolving) under the current Syndicated Facility. Tranche E1 was agreed in the form of revolving credit facility for EUR 756,242 thousand, available as from March 9, 2012 and maturing March 2, 2017 and Tranche E2 agreed in the form of multicurrency forward start credit facility agreement for the Euro equivalent of GBP 1,468,614 thousand, available from December 13, 2013 and maturing in March 2017.

The forward start facility Tranche D1 is fully drawn. At the end of the period, there were two loans outstanding under the tranche: (i) EUR 500,000 thousand and (ii) EUR 301,158 thousand.

As per June 30, 2013, one loan of (i) GBP 100,000 thousand (equivalent to EUR 116,659 thousand) remains drawn under the GBP 2,100 million revolving credit facility (Tranche E).

On June 24, 2013, USD 300,000 thousand were drawn by the Company from the USD 1,200,000 thousand facility agreement dated August 28, 2012. The proceeds of the Facility Agreement, which matures on June 24, 2023, were lent on to Telefónica S.A. for the ultimate purpose of financing the procurement of telecommunications equipment and related services by the Telefónica Group. As of the date of this report, USD 900,000 thousand remain available to be drawn under this facility.

During first half of 2013 the Company has continued its activity in the Euro Commercial Paper Market issuing 122 ECP, placed among several investors under its EUR 3,000,000 thousand ECP Programme, for a total notional amount of EUR 4,546,500 thousand, figure larger to that issued during first half of 2012 (EUR 3,086,000 thousand, with 39 ECP issued). The notional outstanding at June 30, 2013 is EUR 1,645,000 thousand (30/06/12: EUR 1,423,000 thousand).

The Financial Margin has decreased, from EUR 1,534 thousand on June 30, 2012 to EUR 783 thousand on June 30, 2013, mainly due to decreases in borrowed and on-lent volumes in average terms.

Operational expenses increased by 4%, when compared to the same period of 2012, primarily due to a normalization in the costs for financial securities.

Subsequent events

No material subsequent events, affecting these Financial Statements, have taken place until date of this report.

Future developments

The Company will continue to seek and prospect for new markets and sources of finance for the Telefónica Group, in order to extend its investor base, subject always to market conditions.

Risks and uncertainties

The main risks and uncertainties the Company will face in the second year half are the following:

Liquidity and credit risk:

The Company has invested the funds borrowed, in Telefónica, S.A., or in other companies of the group, furthermore most of external debt and bonds issued by the Company are guaranteed by Telefónica, S.A. In addition, the Company tries to diversify the holding of cash positions, by investing them in various financial institutions, with stable and adequate credit ratings.

In summary, any substantial credit or liquidity risk would be related to credit risk of Telefónica, S.A. group.

Interest rate and Foreign Exchange risk:

The Company lends money to related companies denominated in the same currency as the funds it arises in the funding markets. Therefore, the Company implements a natural hedge.

The Company may have, though, limited foreign exchange risk due to the financial margin earned in several currencies different from Euro (mainly GBP, JPY and USD), and also due to some cash positions held in foreign currencies (JPY, USD and GBP). Consequently, foreign exchange fluctuation in exchange rates may have a limited impact on its result.

Currently, the Company policy is to hedge any interest rate exposure arising from funding raised, by investing on the same terms (tenors and type of interest, whether it may be floating or fixed interest rates). Nevertheless, if that would not be eventually possible, or the Company may not consider it appropriate, the Company may look to mitigate any interest rate risk in other ways (by using derivatives or any other suitable instrument), or eventually not to hedge it.

Signing of the interim financial statements

The members of the Management Board have signed these interim financial statements pursuant to their statutory obligations under art. 5:25c(2) (c) Financial Markets Supervision Act. To the best of their knowledge, the financial statements give a true and fair value of the assets, liabilities, financial position and profit or loss of the company in accordance with Title 9 Book 2 of the Dutch Civil Code, and the management board's report gives a true and fair view of the position and performance of the business of the company, and reflects the significant risks related to the business.

Amsterdam, August 27, 2013

E.J. Álvarez Gómez

/s/

C.D. Maroto Sobrado

/s/

M.C. van der Sluijs-Plantz

/s/

A.J. Aleix Argüelles

/s/

(Expressed in Thousands of Euro)

TELEFÓNICA EUROPE B.V.
(Amsterdam)

INTERIM BALANCE SHEET
June 30, 2013
(before appropriation of the result)

ASSETS

	Note		30/06/13		30/06/12
FIXED ASSETS					
Tangible fixed assets	(1)	1		3	
Financial fixed assets	(2)	3,014,818		3,421,276	
			3,014,819		3,421,279
CURRENT ASSETS					
Loans receivable	(3)	1,724,908		7,057,048	
Interest receivable		42,471		97,316	
Corporate income tax		228		147	
Other current assets		912		340	
Cash at bank	(4)	3,688		4,940	
			1,772,207		7,159,791
TOTAL ASSETS			**4,787,026**		**10,581,070**

SHAREHOLDER'S EQUITY AND LIABILITIES

	Note		30/06/13		30/06/12
SHAREHOLDER'S EQUITY	(5)				
Issued share capital		46		46	
Retained earnings		6,255		4,700	
Result for the period		345		894	
			6,646		5,640
LONG TERM LIABILITIES					
Bonds and loans	(6)		3,014,801		3,421,247
CURRENT LIABILITIES					
Short term loans and bonds	(7)	1,722,908		7,057,051	
Interest payable		42,187		96,649	
Value added & wage tax payable		18		43	
Other debts and accrued liabilities		466		440	
			1,765,579		7,154,183
TOTAL EQUITY & LIABILITIES			**4,787,026**		**10,581,070**

(Expressed in Thousands of Euro)

TELEFÓNICA EUROPE B.V.
(Amsterdam)

INTERIM STATEMENT OF INCOME AND EXPENSES
for the period ended June 30, 2013

			01/01/13-30/06/13		**01/01/12-30/06/12**
FINANCIAL INCOME & EXPENSES:	(8)		783		1,534
Net financial result					
OPERATIONAL INCOME & EXPENSES:					
Personnel expenses		(80)		(80)	
Administrative expenses		(250)		(239)	
Result from ordinary activities before taxation			453		1,215
Taxation	(9)		(108)		(321)
Result after taxation			**345**		**894**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

General

Telefónica Europe, B.V. ("the Company"), having its statutory seat and registered office in Amsterdam, the Netherlands, is engaged in holding and financing activities for related companies. The main office of the Company is located in Amsterdam, The Netherlands.

The Company is a wholly-owned subsidiary of Telefónica, S.A., located in Madrid, Spain. Direct or indirect subsidiaries of Telefónica, S.A. are referred to as related companies.

The Company was incorporated on October 31, 1996.

The authorized share capital of the Company consists of 100 shares with a par value of EUR 460 each (EUR 46,000). On June 30, 2013 and 2012, the issued capital of the Company consists of 100 shares, which have been fully paid and which represent a total paid up capital in the amount of EUR 46,000.

These interim financial statements are prepared in accordance with Title 9, Book 2, of the Dutch Civil Code.

(Expressed in Thousands of Euro)

Euro Medium Term Note Debt Programme

In 1996, the Company entered into a USD 1,500 million EMTN Debt Issuance Programme, arranged by Morgan Stanley & Co. International Limited, irrevocably guaranteed by Telefónica, S.A. Under the Programme, the Company may from time to time issue instruments in different currencies up to a maximum aggregate principal amount of USD 1,500 million. The total maximum aggregate principal amount was increased in 1998 to USD 2,000 million. In 2000, the total maximum aggregate principal amount was increased to EUR 8,000 million and finally, in July 2003, the maximum aggregate principal amount was increased again to EUR 10,000 million. The proceeds of the notes issued are lent on to the parent company or to other related companies within the group of the parent company (Telefónica, S.A.).

Euro Medium Term Notes for a nominal value of EUR 1,500,000,000 were repaid on February 14, 2013, upon their maturity.

As at June 30, 2013, the EMTN Debt Issuance Programme includes:

Euro Notes due 2033	EUR	500,000,000

The notes are listed on the London Stock Exchange. The Company has not issued any notes under this programme since 2003.

Global bonds

On September 21, 2000, Telefónica Europe, B.V. issued notes with an application to be listed on the Luxembourg Stock Exchange (guaranteed as to the payment of principal and interest by Telefónica, S.A.) for the amounts of USD 1,250,000,000 7.35% and EUR 1,000,000,000 6.125% due and repaid in 2005, USD 2,500,000,000 7.75% due and repaid in 2010 and USD 1,250,000,000 8.25% due 2030. These bonds are irrevocably guaranteed by the parent company (Telefónica, S.A.).

As at June 30, 2013, the Company’s Global Notes outstanding include:

USD Global Notes due 2030	USD 1,250,000,000

Euro Commercial Paper Programme

On June 29, 2000, the Company entered into a Euro Commercial Paper Programme with a maximum aggregate principal amount of EUR 2,000,000,000 or its equivalent in alternative currencies. The Programme was updated in May 2005 and in May 2012, when its maximum aggregate principal amount outstanding was raised from EUR 2,000,000,000 to EUR 3,000,000,000 or its equivalent in alternative currencies.

The first Commercial Paper issue took place in February 2001 and such Programme is currently active. The Euro Commercial Paper issues are unconditionally and irrevocably guaranteed by the parent company. Notes may have any denomination, subject to compliance with any applicable legal and regulatory requirements. The initial minimum denominations are EUR 500,000, USD 500,000, JPY 100,000,000, and GBP100,000. The tenor of the notes shall be not less than one nor more than 365 days.

The notional outstanding amount as at June 30, 2013 is EUR 1,645 million. In the balance sheet the outstanding ECP issues are stated at their discounted notional amounts and were accounting for EUR 1,643 million at half year end.

JPY Dual Currency Loan

The Company borrowed a total of JPY 15,000 million in three loans from a Japanese investor with a maturity on July 2037. Under this agreement interests are payable in USD on a semi-annual basis at a fix annual rate of 4.75%.

USD 375 million Facility Agreement

A new facility agreement of USD 375,000 thousand with an international financial institution was entered into January 5, 2012 at a variable annual interest rate, and fully drawn from February 15, 2012. The proceeds of the Facility Agreement were used to lend to Telefónica S.A. for the ultimate purpose of financing the procurement of telecommunications equipment and related services by the Telefónica Group. The Facility matures January 31, 2022.

USD 1,200 million Facility Agreement

A new facility agreement of USD 1,200,000 thousand with two international financial institutions was entered into August 28, 2012 at a variable annual interest rate, and partially drawn at the amount of USD 300,000 thousand from June 24, 2013. The proceeds of the Facility Agreement issued were on-lent to Telefónica S.A. for the ultimate purpose of financing the procurement of telecommunications equipment and related services by the Telefónica Group. The Facility matures June 24, 2023.

Intercompany loans

The Company received EUR 58,765 thousand through a term loan agreement dated on December 30, 2012, from its subsidiary Telefónica Finance USA LLC, with a term of 5 years.

Intercompany Credit Facilities

On April 10, 2003, the Company entered into a short-term credit facility agreement of EUR 100 million. The lender is Casiopea RE S.A., an insurance company belonging to the same group of companies as Telefónica Europe, B.V. The drawn amount as at June 30, 2013 was EUR 80 million.

Multicurrency Syndicated Facility

The Company signed on October 31, 2005 a multicurrency facility agreement with Citibank Global Markets Ltd., Goldman Sachs International and Royal Bank of Scotland Plc, as Underwriters, and Guaranteed by Telefónica, S.A. with a total amount of GBP 18,500 million.

The purpose of the Syndicated Facility was to finance the acquisition of O2 directly or indirectly. The Syndicated Facility was divided in two facilities with different maturities: (i) Facility A with maturity of October 31, 2006, but extendable at the option of the Company for up to an additional period of 18 months and (ii) Facility B with Maturity on October 31, 2008.

The Syndicated Facility was syndicated among other Banks in two stages: (i) Sub-Underwriters Syndication, stage that was successfully finished on December 14, 2005 and (ii) General Syndication which was finalized on February 17, 2006. The initial limit of the Syndicated Facility was reduced on December 14, 2005 from GBP 18,500 million to GBP 18,000 million, and subsequently the limit amount of the Syndicated Facility was reduced to GBP 14,325 million on February 3, 2006. Furthermore the limit of the Syndicated Facility was reduced to GBP 14,175 million on February 16, 2006.

As of April 28, 2006 the Company amortized, and cancelled an amount of EUR 758 million corresponding to Facility A. Subsequently, as of June 30, 2006 the Company amortized EUR 3,700 million of Facility B.

As of December 14, 2006 the Syndicated Facility Agreement was amended in order to include three more tranches, increase maturities of all tranches and revise the margin to be paid.

On December 14, 2009 the Company amortized Tranche B reducing the outstanding amount by EUR 1,196 Million.

On March 2, 2012 the Company entered into a forward start syndicated facility agreement for the Euro equivalent of GBP 633 million (Tranche D1), with the purpose of partially extending Tranche D of the Syndicated Facility Agreement upon its maturity. On the same date, the Company also entered into a forward start multicurrency revolving credit facility for the Euro equivalent of GBP 1,469 million (Tranche E2) with the purpose of partly extending Tranche E under the current Syndicated Facility, upon its maturity. In addition, a new revolving credit facility contract (Tranche E1), available from March 9, 2012 and maturing March 2, 2017, was entered into for the amount of EUR 756 million.

The total amounts as at June 30, 2013 under the Syndicated Facilitiy are (i) a drawn amount of GBP 100,000 thousand equivalent to EUR 116,659 thousand (30/06/2012: EUR 3,293,759 thousand) and (ii) an undrawn amount of GBP 2,000 million.

The outstanding amounts under the forward start facility amounted to EUR 801,158 thousand (30/06/2012: EUR 0).

Investments of the Company

Substantially all the proceeds from the principal or notional amounts obtained or borrowed by the Company under its financing activities have been lent on to the parent company or to companies belonging to the Telefónica Group.

Cash flow statement

No cash flow statement is presented in these financial statements as the ultimate parent company provides all the capital of the Company and the financial statements of the ultimate parent company, containing a cash flow statement, are available at the Company's office in the Netherlands.

Accounting policies

General

These financial statements have been prepared in accordance with the Dutch generally accepted accounting principles and guidelines.

The accounting principles of the Company are summarized below. These accounting principles have all been applied consistently throughout the year and the preceding year.

Assets and liabilities are stated at face value, unless indicated otherwise.

Foreign currencies

Assets and liabilities, denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing at the Balance Sheet date. Any resulting exchange differences are recorded in the Statement of Income and Expenses.

Revenues and expenses in the year under review, which are denominated in foreign currencies, are translated into the reporting currency at exchange rates in effect on the transaction date.

Tangible fixed assets

Tangible fixed assets are stated at their historical cost less accumulated depreciation. Depreciation is provided over the expected useful life of the related asset under the straight-line method. The estimated useful lives are:

Furniture and office equipment: 3 to 5 years

Financial fixed assets

Investments in participating interest are stated at acquisition cost or, in case of a permanent impairment of the value, at lower equity value as determined on the basis of the financial statements of the participating interest.

Long term receivables from related companies

Long term receivables from related companies are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans are derecognized or impaired, as well as through the amortization process.

Bonds and loans

Bonds and loans are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Accounting policies in respect of result determination

Result

Profits on transactions are recognized in the year they are realized. Losses are recognized when foreseen.

Other operating expenses

Expenses are based on the historical cost convention and attributed to the financial year to which they pertain.

Taxation

Taxation is calculated on the reported pre-tax result, at the prevailing tax rates, taking account of any losses carried forward from previous financial years and tax-exempt items and non-deductible expenses and using tax facilities.

Temporary differences between taxation on the result as shown in the Statement of Income and Expense and the taxation on the fiscal result are added or deducted from the provision for deferred taxation.

Financial Instruments

General

The information included in the notes for financial instruments is useful to estimate the extent of risks relating to on-balance sheet financial instruments.

The Company's primary financial instruments, not being derivatives, serve to finance the Telefónica Group's operating activities. The principal risks, arising from the Company's financing operations are, liquidity, credit, interest and foreign exchange risks. These risks to mitigate are set out in detail below:

Liquidity and credit risk

The Company has invested the funds borrowed, in Telefónica, S.A., furthermore most of external debt and loans issued by the Company are guaranteed by Telefónica, S.A. In addition, the Company tries to diversify the holding of cash positions, by investing them in various financial institutions, with adequate credit ratings. Summarizing, any substantial credit or liquidity risk would be related to credit risk of Telefónica, S.A. group.

Interest rate and Foreign Exchange risk

The Company lends money denominated in the same currency as the funds it raises in the funding markets. Therefore, the Company implements a natural hedge.

The Company may have, though, limited foreign exchange risk due to the financial margin earned in several currencies different from Euro (mainly GBP, JPY and USD), and also due to some cash positions held in foreign currencies (JPY, USD and GBP). Consequently, foreign exchange fluctuation in exchange rates may have a very limited impact on its result.

Currently, the Company policy is to hedge any interest rate exposure arising from funding raised, by investing on the same terms (tenors and type of interest, whether it may be floating or fixed interest rates). In any case the Company may decide to change or vary the current policy mentioned at any time

(Expressed in Thousands of Euro)

(1) Tangible fixed assets

The tangible fixed assets are comprised as follows:

	30/06/13	30/06/12
The tangible fixed assets:	**1**	**3**

The movement in the tangible fixed assets is as follows:

	01/01/13-30/06/13	01/01/12-30/06/12
Carrying value		
Balance January 1	82	81
Additions	-	-
Balance June 30	82	81
Accumulated amortization		
Balance January 1	(81)	(76)
Change for the period	(0)	(2)
Balance June 30	(81)	(78)
Net book value June 30	**1**	**3**

(2) Financial fixed assets

	30/06/13	30/06/12
Long term receivables from related companies	3,014,818	3,421,276
Holdings in group companies (A)	-	-
	3,014,818	**3,421,276**

The movement in the financial fixed assets is as follows:

	01/01/13-30/06/13	01/01/12-30/06/12
Balance January 1	2,790,998	3,557,088
Deferred Commissions amortization	4,648	(31,070)
Repayments	-	(462,947)
New Loans	229,260	1,036,434
Foreign Exchange result	(10,102)	37,021
Reclassification to short term	14	(715,250)
Balance June 30	**3,014,818**	**3,421,276**

(A) The Company is wholly-owner of Telefónica Finance USA L.L.C., entity having its statutory seat in Delaware, incorporated and existing under the laws of the State of Delaware (USA).

Since the holding in Telefónica Finance USA L.L.C. is valued at less than 1000 Euros no amount is disclosed in the Financial Statements.

(Expressed in Thousands of Euro)

Long term receivables from related companies

The Long Term Receivables from related companies represent loans to the shareholder and are comprised as follows:

	30/06/13	30/06/12
EUR 58,765,000, Euribor3M +4.853% Effective Annual Rate, maturity December 30, 2017	58,765	-
USD 1,250,000,000, 8.28125%, maturity September 15, 2030	948,205	984,954
EUR 500,000,000, 5.90625%, maturity February 14, 2033	492,329	492,099
Revolving Intercompany loans, maturity December 13, 2013(B)	93,939	719,351
Intercompany loans, maturity December 14, 2015	796,335	-
Intercompany loans, maturity December 14, 2012 (C)	-	779,322
JPY 5,000,000,000/USD 42,640,287, 4.77408% on USD basis, maturity July 27, 2037	38,451	49,682
JPY 5,000,000,000/USD 42,640,287, 4.77408% on USD basis, maturity July 27, 2037	38,451	49,682
JPY 5,000,000,000/USD 42,640,287, 4.77408% on USD basis, maturity July 27, 2037	38,451	49,682
USD 375,000,000, Libor +2.17159%, maturity January 31, 2022	285,338	296,504
USD 1,200,000,000, Libor +2.77159%, maturity June 24, 2023	224,553	-
Total Long term receivable from related companies	**3,014,818**	**3,421,276**

(B) On March 2, 2012, revolving intercompany loans, maturing on December 13, 2013, were partially refinanced by a new forward starting intercompany agreement and therefore the amount refinanced was reclassified from short to long term.

(C) 30/06/2012: On March 2, 2012, intercompany loans, maturing on December 14, 2012, were partially refinanced by a new forward starting intercompany agreement and therefore the amount refinanced was reclassified from short to long term.

The valuation of the funds from the Intercompany loans and the Revolving Intercompany loans includes a fee income. The fee income is deferred and amortised to the profit and loss account over the period of the underlying transactions.

(Expressed in Thousands of Euro)

(3) Loans receivable

The loans receivable are comprised as follows:

	30/06/13	30/06/12
Short Term Loans to Telefónica, S.A. (Agreement May 10, 2012)	1,644,908	1,419,932
EUR 100,000,000 Credit Facility Euribor + 0.03159%	80,000	80,000
EUR 2,000,000,000, Euribor +0.63825, maturity December 30, 2012	-	2,000,000
EUR 1,500,000,000, 5.15625%, maturity February 14, 2013	-	1,499,022
Intercompany loans, maturity December 14, 2012	-	1,758,492
JPY 15,000,000,000, 2.138%, maturity July 19, 2012	-	149,802
JPY 15,000,000,000, Libor + 0.425%, maturity July 19, 2012	-	149,800
Total loans receivable	**1,724,908**	**7,057,048**

(4) Cash at bank

The cash at bank balances on June 30, 2013 does not include deposits (30/06/2012: EUR 1 million) which have maturity date within three months and are at free disposal of the Company, subject to any other legal or contractual obligation that the Company may have. The Cash at Bank is comprised as follows:

	30/06/13	30/06/12
Current bank account balances	3,688	4,940

(Expressed in Thousands of Euro)

(5) Shareholder's equity

The movements in the Shareholder's Equity are comprised as follows:

	Issued share capital	Retained earnings	Result for the period	Total
Balance as at January 1, 2012	46	4,700	1,595	6,341
Allocation of result	-	1,595	(1,595)	-
Result for the period	-	-	894	894
Dividend payment	-	(1,595)	-	(1,595)
Balance as at June 30, 2012	**46**	**4,700**	**894**	**5,640**
Balance as at January 1, 2013	46	4,700	1,555	6,301
Allocation of result	-	1,555	(1,555)	-
Result for the period	-	-	345	345
Dividend payment	-	-	-	-
Balance as at June 30, 2013	**46**	**6,255**	**345**	**6,646**

(Expressed in Thousands of Euro)

(6) Bonds and loans

The movement in long term liabilities is as follows:

	30/06/13	30/06/12
Long term bonds and loans	3,014,801	3,421,247

The movement in long term liabilities is as follows:

	01/01/2013-30/06/2013	01/01/2012-30/06/2012
Balance January 1	2,790,973	3,557,103
Prepaid Commissions amortization	4,656	(31,110)
Repayments	-	(462,947)
New loans	229,260	1,036,434
Foreign Exchange result	(10,102)	37,020
Reclassification to short term (D)	14	(715,253)
Balance June 30	**3,014,801**	**3,421,247**

(D) 30/06/2012: Amount corresponding to Tranche D1 of the O2 forward start facility. On March 2, 2012, Tranche D of the Syndicated Facility, which matured on December 14, 2012, was partially refinanced by a new forward start facility and therefore the amount refinanced was reclassified from short to long term.

Bonds and Loans are comprised as follows:

	30/06/13	30/06/12
Term Loan EUR 58,765,000, Euribor3M +4.82% Effective Annual Rate, maturity December 30, 2017	58,765	-
Global USD 1,250,000,000, 8.25%, maturity September 15, 2030	948,212	984,960
EMTN EUR 500,000,000, 5.8750%, maturity February 14, 2033	492,335	492,104
Syndicated Facility, Tranche E, maturity December 13, 2013 (E)	93,904	719,306
Forward start facility, Tranche D1, maturity December 14, 2015	796,335	-
Syndicated Facility, Tranche D, maturity December 14, 2012 (F)	-	779,322
JPY/USD Dual Currency Loan A JPY 5,000,000,000/USD 42,640,287, 4.75% on USD basis, maturity July 27, 2037	38,451	49,682
JPY/USD Dual Currency Loan B JPY 5,000,000,000/USD 42,640,287, 4.75% on USD basis, maturity July 27, 2037	38,451	49,682

(Expressed in Thousands of Euro)

JPY/USD Dual Currency Loan C JPY 5,000,000,000/USD 42,640,287, 4.75% on USD basis, maturity July 27, 2037	38,451	49,682
USD Facility, USD 375,000,000, Libor (6 Month) +2.14%, maturity January 31, 2022	285,343	296,509
USD Facility, USD 1,200,000,000, Libor (6 Month) +2.74%, maturity June24, 2023	224,554	-
Total long term bonds and loans	**3,014,801**	**3,421,247**

(E) The amount shown in this table corresponds to the Syndicated Facility revolving amount being refinanced through the forward start facility Tranche E2.

(F) The amount shown in this table corresponds to the Syndicated Facility amount refinanced through the forward start facility Tranche D1.

The valuation of the Syndicated Loan Facility and the forward start facility includes the issuance costs, discounts, fees and commissions paid in connection with the offering of the Syndicated Loan Facility and the forward start facility. Such costs are amortised on a straight line basis over the period up to the maturity date of the loans.

(7) Short term loans and bonds

	30/06/13	**30/06/12**
EUR 100,000,000 Credit Facility, 1 year Euribor	80,000	80,000
EUR 3,000,000,000 ST European Commercial Paper Program	1,642,908	1,419,932
Loan EUR 2,000,000,000, 3m-Euribor + 0.607%, maturity December 30, 2012	-	2,000,000
EMTN EUR 1,500,000,000, 5.125%, maturity February 14, 2013	-	1,499,025
Syndicated Facility, Tranche D, maturity December 14, 2012	-	1,758,492
JPY 'Samurai' Bond JPY 15,000,000,000, 2,11%, maturity July 19, 2012	-	149,802
JPY 'Samurai' Bond JPY 15,000,000,000, Libor + 0.40%, maturity July 19, 2012	-	149,800
Balance June 30	**1,722,908**	**7,057,051**

(Expressed in Thousands of Euro)

(8) Net financial result

The Net Financial Result is comprised as follows:	01/01/2013-30/06/2013	01/01/2012-30/06/2012
Interest income	101,614	189,954
Interest expense	(100,833)	(188,434)
Currency exchange result	2	14
	783	1,534

(9) Taxation

The tax charge on the profit can be broken down as follows:

	01/01/2013-30/06/2013	01/01/2012-30/06/2012
Corporate income tax 2013	109	-
Corporate income tax 2012	(2)	321
Corporate income tax 2011	1	-
Total	108	321

The Company is subject to Dutch taxation and tax calculations are made in accordance with an Advance Pricing Agreement signed with the Tax Authorities, which has entered into effect as of January 1, 2005, as amended in February 2006, and in October 2010.

Other notes

Average number of employees

During the period under review the Company employed on average 2 persons (2012: 2).

Subsequent events

No material subsequent events, affecting the interim financial statements, have occurred to date.

Board of directors

The Company’s board of directors consists of 4 directors, who served without remuneration (2012: 4).

Amsterdam, August 27, 2013

E.J. Álvarez Gómez	C.D. Maroto Sobrado
/s/	/s/
M.C. van der Sluijs-Plantz	A.J. Aleix Argüelles
/s/	/s/

TELEFÓNICA EUROPE B.V.
(Amsterdam)
OTHER INFORMATION
June 30, 2013

Auditor's report

These interim financial statements have not been audited or reviewed by the auditors of the Company.

TELEFÓNICA EUROPE B.V.
(Amsterdam)

RESPONSIBILITY STATEMENT FOR THE INTERIM FINANCIAL REPORT

The members of the Telefónica Europe, B.V. Board of Directors hereby declare that, to the best of their knowledge, the interim financial statements for the half-year ended June 30, 2013, are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Telefónica Europe, B.V., and the management report includes a fair review of the development and performance of the business and the position of Telefónica Europe, B.V. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that Telefónica Europe, B.V. faces.

Amsterdam, August 27, 2013

E.J. Álvarez Gómez
Director

/s/

C.D.Maroto Sobrado
Director

/s/

M.C. van der Sluijs-Plantz
Director

/s/

A.J. Aleix Argüelles
Director

/s/