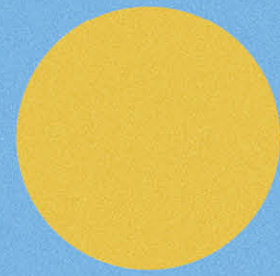


Telefónica S.A.



Individual Annual Report 2024





This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the shareholders of Telefónica, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Telefónica, S.A. (the Company), which comprise the balance sheet as at 31 December 2024, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2024, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2.a of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
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Measurement of non-current investments in Group companies and associates

A relevant part of Telefónica, S.A.'s assets consist of equity investments in Group companies and associates. As described in note 8, non-current investments in Group companies and associates (equity instruments) amount to € 49,650 million at 31 December 2024.

To assess if there is an impairment in the investments in Group companies and associates, management conducts an impairment test at least annually or more frequently if events or circumstances indicate the carrying value may not be fully recoverable. Management calculates the recoverable amount at the lower of the fair value less costs to sell and the value in use to which the investment relates.

As described in notes 4.c) and 8.2, when the recoverable amount is determined by calculating the present value of projected cash flows from the investments, management refers to the strategic plans approved by the Board of Directors covering a three-year period including the closing year.

Management's cash flows projections involved significant judgements when considering significant assumptions such as revenue growth, long-term EBITDA margin, long-term capital expenditure ratio, discount rates and perpetuity growth rates which could be significantly affected by the future trends in the economic, competitive, regulatory and technological environment in each of the countries.

As described in note 8.2, a net write down of impairment provision of €4,405 million has been recognised in the income statement for the year.

We identify this as a key audit matter due to the significant judgements made by management when estimating the significant assumptions that supports the recoverable amount of the investments in Group companies and associates which in turn led to a high degree of auditor judgement and audit effort in evaluating these assumptions.

We have performed audit procedures over the process followed by the directors and management to determine the recoverable amount of the investments in Group companies and associates, including:

- Understanding of the control environment, assessment and testing of the relevant controls over the Company's process for calculating the present value of future cash flows from investments in Group companies and associates.
- Verification of the consistency of the data used in the calculation of the actual value with respect to the strategic plans approved by the Board of Directors.
- Evaluation of the cash flow discount model used, for which we have had the collaboration of our valuation experts.
- Analysis of the degree of budget achievement with respect to the strategic plan approved in the previous year, as well as historical achievement.
- Assessment of the significant assumptions used to determine the recoverable amount, testing reasonableness. We have had the collaboration of our valuation experts in evaluating the discount rates and perpetual growth rates considered by management.
- Evaluation of the adequacy of the disclosures included in the annual accounts in accordance with the applicable regulations.

Based on the procedures performed, we consider management's assessment to be reasonable and its conclusions on the value of investments in Group companies and associates are consistent with the information contained in the accompanying annual accounts

Other information: Management report

Other information comprises only the management report for the 2024 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Remuneration of the Directors, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2024 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, 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 has no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 legislation governing the audit practice in Spain 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with ethical requirements relating to independence and we communicate with the aforementioned those matters that may reasonably be considered to threaten our independence and, where applicable, the safeguards adopted to eliminate or reduce such threat.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Telefónica, S.A. for the 2024 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.



Telefónica, S.A.

The directors of Telefónica, S.A. are responsible for presenting the annual financial report for 2024 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 25 February 2025.

Appointment period

The General Ordinary Shareholders' Meeting held on 12 April 2024 appointed us as auditors for a period of one year, for the year ended 31 December 2024.

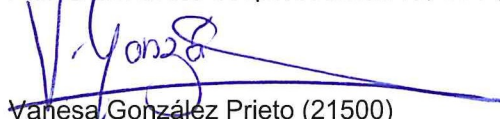
Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the audited entity for services other than the audit of the accounts are disclosed in note 20.g) to the annual accounts.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 27 February 2025 on the consolidated annual accounts of Telefónica, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)



Vanesa González Prieto (21500)

27 February 2025



Telefónica S.A.



Telefónica

Annual financial statements and management report

for the year ended

2024

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Telefónica, S.A.

Balance sheet at December 31

Millions of euros

ASSETS	Notes	2024	2023
NON-CURRENT ASSETS		55,304	57,729
Intangible assets	5	12	15
Software		9	10
Other intangible assets		3	5
Property, plant and equipment	6	137	129
Land and buildings		81	76
Plant and other property, plant and equipment items		54	51
Property, plant and equipment under construction and prepayments		2	2
Investment property	7	288	299
Land		100	100
Buildings		188	199
Non-current investments in Group companies and associates	8	50,100	53,407
Equity instruments		49,650	52,966
Loans to Group companies and associates		442	432
Other financial assets		8	9
Financial investments	9	3,007	2,621
Equity instruments	9	417	466
Derivatives	16	2,474	1,873
Other financial assets	9	116	282
Deferred tax assets	17	1,725	1,224
Non current account receivables and other		35	34
CURRENT ASSETS		8,149	7,271
Trade and other receivables	10	265	500
Current investments in Group companies and associates	8	1,917	1,694
Loans to Group companies and associates		1,865	1,625
Derivatives	16	6	3
Other financial assets		46	66
Investments	9	941	402
Loans to companies		531	7
Derivatives	16	368	340
Other financial assets		42	55
Current deferred expenses		11	7
Cash and cash equivalents		5,015	4,668
TOTAL ASSETS		63,453	65,000

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these balance sheets.

Millions of euros

EQUITY AND LIABILITIES	Notes	2024	2023
EQUITY		18,465	20,077
CAPITAL AND RESERVES		18,155	19,707
Share capital	11	5,670	5,750
Share premium	11	3,522	3,752
Reserves	11	8,507	8,482
Legal & Statutory		1,199	1,110
Other reserves		7,308	7,372
Treasury shares and own equity instruments	11	(107)	(430)
Profit (Loss) for the year	3	563	2,153
UNREALIZED GAINS (LOSSES) RESERVE	11	310	370
Financial assets at fair value with changes through equity		144	101
Hedging instruments		166	269
NON-CURRENT LIABILITIES		39,096	36,824
Non-current provisions	18	1,387	609
Non-current borrowings	12	3,206	2,592
Bank borrowings	14	828	513
Derivatives	16	1,702	1,532
Other debts		676	547
Non-current borrowings from Group companies and associates	15	33,893	33,482
Deferred tax liabilities	17	576	95
Long term deferred revenues		34	46
CURRENT LIABILITIES		5,892	8,099
Current provisions	18	31	36
Current borrowings	12	302	322
Bonds and other marketable debt securities	13	35	—
Bank borrowings	14	87	141
Derivatives	16	179	179
Other financial liabilities	14	1	2
Current borrowings from Group companies and associates	15	5,260	7,353
Trade and other payables	18	287	371
Current deferred revenues		12	17
TOTAL EQUITY AND LIABILITIES		63,453	65,000

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these balance sheets.

Telefónica, S.A.

Income statements for the years ended December 31

Millions of euros	Notes	2024	2023
Revenue	19	6,429	4,362
Rendering of services to Group companies and associates		509	464
Rendering of services to non-group companies		11	11
Dividends from Group companies and associates		5,879	3,859
Interest income on loans to Group companies and associates		30	28
Impairment and gains (losses) on disposal of financial instruments	8	(4,480)	(1,207)
Impairment losses and other losses		(4,405)	(1,208)
Gains (losses) on disposal and other gains and losses		(75)	1
Other operating income	19	399	41
Non-core and other current operating revenue - Group companies and associates		30	33
Non-core and other current operating revenue - non-group companies		369	8
Personnel expenses	19	(196)	(232)
Wages, salaries and others		(161)	(199)
Social security costs		(35)	(33)
Other operational expense		(338)	(382)
External services - Group companies and associates	19	(93)	(114)
External services - non-group companies	19	(234)	(258)
Taxes other than income tax		(11)	(10)
Depreciation and amortization	5, 6 and 7	(25)	(25)
OPERATING PROFIT (LOSS)		1,789	2,557
Finance revenue	19	540	516
Finance costs	19	(1,892)	(1,935)
Change in fair value of financial instruments		53	0
Net result on sales of financial assets at fair value with changes through equity	9 and 11	53	2
Exchange rate gains (losses)	19	22	(11)
NET FINANCIAL EXPENSE		(1,277)	(1,428)
PROFIT (LOSS) BEFORE TAX	21	512	1,129
Income tax	17	51	1,024
PROFIT (LOSS) FOR THE YEAR		563	2,153

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these income statements

Telefónica, S.A.

Statements of changes in equity for the years ended December 31

A) Statement of recognized income and expense for the years ended December 31

Millions of euros	Notes	2024	2023
Profit (Loss) for the period		563	2,153
Total income and expense recognized directly in equity	11	417	(210)
From valuation of financial assets at fair value with impact in equity		96	115
From cash flow hedges		428	(432)
Income tax impact		(107)	107
Total amounts transferred to income statement	11	(477)	48
From valuation of financial assets at fair value with changes through equity		(53)	2
From cash flow hedges		(565)	63
Income tax impact		141	(17)
TOTAL RECOGNIZED INCOME AND EXPENSE		503	1,991

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these statements of changes in equity.

B) Statements of total changes in equity for the years ended December 31

Millions of euros	Share capital	Share premium and Reserves	Treasury shares	Profit (Loss) for the year	Net unrealized gains (losses) reserve	Total
Balance at December 31, 2022	5,775	15,239	(341)	(880)	532	20,325
Total recognized income and expense	–	–	–	2,153	(162)	1,991
Transactions with shareholders and owners	(25)	(1,706)	(89)	–	–	(1,820)
Capital decreases (Note 11)	(25)	(73)	98	–	–	–
Dividend distributions (Note 11)	–	(1,698)	–	–	–	(1,698)
Other transactions with shareholders and owners	–	65	(187)	–	–	(122)
Other movements	–	(419)	–	–	–	(419)
Appropriation of prior year profit (loss)	–	(880)	–	880	–	–
Balance at December 31, 2023	5,750	12,234	(430)	2,153	370	20,077
Total recognized income and expense	–	–	–	563	(60)	503
Transactions with shareholders and owners	(80)	(1,978)	323	–	–	(1,735)
Capital decreases (Note 11)	(80)	(230)	310	–	–	–
Dividend distributions (Note 11)	–	(1,693)	–	–	–	(1,693)
Other transactions with shareholders and owners (Nota 11)	–	(55)	13	–	–	(42)
Other movements (Note 11)	–	(380)	–	–	–	(380)
Appropriation of prior year profit (loss)	–	2,153	–	(2,153)	–	–
Balance at December 31, 2024	5,670	12,029	(107)	563	310	18,465

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these statements of changes in equity.

Telefónica, S.A.

Cash flow statements for the years ended December 31

Millions of euros	Notes	2024	2023
A) CASH FLOWS FROM OPERATING ACTIVITIES		4,547	1,720
Profit (Loss) before tax		512	1,129
Adjustments to net results:		(490)	(1,190)
Depreciation and amortization	5, 6 and 7	25	25
Impairment of investments in Group companies and associates	8	4,405	1,208
Change in long term provisions		(5)	35,528
Losses on the sale of financial assets		75	—
Financial assets registered as other operating income		(358)	—
Dividends from Group companies and associates	19	(5,879)	(3,859)
Interest income on loans to Group companies and associates	19	(30)	(28)
Net financial expense		1,277	1,428
Change in working capital		(48)	(15)
Trade and other receivables		26	(54)
Other current assets		(44)	32
Trade and other payables		(30)	7
Other cash flows from operating activities	21	4,573	1,796
Net interest paid		(1,365)	(1,495)
Dividends received and other		5,703	2,835
Income tax receipts		235	456
B) CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		(397)	1,761
Payments on investments	21	(3,829)	(3,958)
Proceeds from disposals	21	3,432	5,719
C) CASH FLOWS USED IN FINANCING ACTIVITIES		(3,762)	(3,834)
Proceeds from equity instruments	11	87	23
(Payments) / Proceeds from financial liabilities	21	(1,984)	(1,933)
Debt issues		3,758	3,425
Repayment and redemption of debt		(5,742)	(5,358)
Acquisition of treasury shares		(145)	(223)
Dividends paid	21	(1,720)	(1,701)
D) NET FOREIGN EXCHANGE DIFFERENCE		(41)	32
E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		347	(321)
Cash and cash equivalents at January 1		4,668	4,989
Cash and cash equivalents at December 31		5,015	4,668

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these cash flow statements.

Telefónica, S.A.

Annual financial statements for the ended December 31, 2024

Note 1. Introduction and general information

Telefónica, S.A. ("Telefónica" or "the Company") is a public limited company incorporated for an indefinite period on April 19, 1924, under the corporate name of Compañía Telefónica Nacional de España, S.A. It adopted its present name in April 1998.

The Company's registered office is at Gran Vía 28, Madrid (Spain) and its Employer Identification Number (CIF) is A-28/015865.

Telefónica's basic corporate purpose, pursuant to Article 4 of its Bylaws, is the provision of all manner of public or private telecommunications services, including ancillary or complementary telecommunications services or related services. All the business activities that constitute this stated corporate purpose may be performed either in Spain or abroad and wholly or partially by the Company, either through shareholdings or equity interests in other companies or legal entities with an identical or a similar corporate purpose.

In keeping with the above, Telefónica is currently the parent company of a group that offers both fix and mobile telecommunications with the aim to turn the challenges of the new digital business into reality and being one of the most important players. The objective of the Telefónica Group is positioning as a Company with an active role in the digital business taking advantage of the opportunities of its size and industrial and strategic alliances.

The Company is taxed under the general tax regime established by the Spanish State, the Spanish Autonomous Communities and local governments, and files consolidated tax returns with most of the Spanish subsidiaries of its Group under the consolidated tax regime applicable to corporate groups.

Note 2. Basis of presentation

a) True and fair view

These financial statements have been prepared from Telefónica, S.A.'s accounting records by the Company's Directors in accordance with the accounting principles and standards contained in the Spanish GAAP in force approved by Royal Decree 1514/2007, on November 16 (PGC 2007), modified by Royal Decree (RD) 602/2016, dated December 2, 2016, and by Royal Decree (RD) 1/2021, dated January 12, 2021, and other prevailing legislation at the date of these financial statements, to give a true and fair view of the Company's equity, financial position, income statements and of the cash flows obtained and applied in 2024.

The accompanying financial statements for the year ended December 31, 2024 were prepared by the Company's Board of Directors at its meeting on February 26, 2025 for submission for approval at the General Shareholders' Meeting, which is expected to occur without modification.

The figures in these financial statements are expressed in millions of euros, unless indicated otherwise, and therefore may be rounded. The euro is the Company's functional currency.

b) Comparison of information

Accounting policies applied in 2024 are consistent with those applied in 2023. 2023 figures are included in these financial statements for comparison purposes.

c) Materiality

These financial statements do not include any information or disclosures that, not requiring presentation due to their qualitative significance, have been determined as immaterial or of no relevance pursuant to the concepts of *materiality* or *relevance* defined in the PGC 2007 conceptual framework.

d) Use of estimates

The financial statements have been prepared using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying value of assets and liabilities, which is not readily apparent from other sources, was established based on these estimates. The Company periodically reviews these estimates.

A significant change in the facts and circumstances on which these estimates are based could have an impact on the Company's results and financial position.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the financial statements of the following year are discussed below.

Provisions for impairment of investments in Group companies and associates

Investments in group companies, joint ventures and associates are tested for impairment at each year end to determine whether an impairment loss must be recognized in the income statement or a previously recognized impairment loss be reversed. The decision to recognize an impairment loss (or a reversal) involves estimates of the reasons for the potential impairment (or recovery), as well as the timing and amount. In note 8.2 it is assessed the impairment of these investments.

There is a significant element of judgment involved in the estimates required to determine recoverable amount and the assumptions regarding the performance of these investments, since the timing and scope of future changes in the business are difficult to predict.

Deferred taxes

The Company assesses the recoverability of deferred tax assets based on estimates of future earnings, and of all the options available to achieve an outcome, it considers the most efficient one in terms of tax within the legal framework the Company is subject to. The ability to recover these taxes depends ultimately on the Company's ability to generate taxable earnings over the period for which the deferred tax assets remain deductible. This analysis is based on the estimated schedule for reversing deferred tax liabilities, the expected outcome from pending lawsuits affecting the estimations as well as estimates of taxable earnings, which are sourced from internal projections and are continuously updated to reflect the latest trends.

The appropriate valuation of tax assets and liabilities depends on a series of factors, including estimates as to the timing and realization of deferred tax assets and the projected tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by the Company as a result of changes in tax legislation, the outcome of ongoing tax proceedings or



unforeseen future transactions that could affect tax balances. The information about deferred tax assets and unused tax credits for loss carryforwards, whose effect has been registered when necessary in balance, is included in note 17.

Note 3. Proposed appropriation of net results

Telefónica, S.A. obtained a profit of 563 million euros in 2024.

Accordingly, the Company's Board of Directors will submit the following proposed appropriation of 2024 net results for approval at the General Shareholders' Meeting:

Millions of euros	
Proposed appropriation:	
Profit for the year	563
Distribution to:	
Legal reserve	—
Unrestricted reserves	563

Note 4. Recognition and measurement accounting policies

As stated in note 2, the Company's financial statements have been prepared in accordance with the accounting principles and standards contained in the Código de Comercio, which are further developed in the Plan General de Contabilidad currently in force (PGC 2007), modified by RD 602/2016 and RD 1/2021 as well as any commercial regulation in force at the reporting date.

Accordingly, only the most significant accounting policies used in preparing the accompanying financial statements are set out below, in light of the nature of the Company's activities as a holding.

a) Intangible assets

Intangible assets are stated at acquisition or production cost, less any accumulated amortization or any accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their useful lives. The most significant items included in this caption are computer software, which are generally amortized on a straight-line basis over three years.

b) Property, plant and equipment and investment property

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment in value.

The Company depreciates its property, plant and equipment once the assets are in full working conditions using the straight-line method based on the assets' estimated useful lives, calculated in accordance with technical studies which are revised periodically based on technological advances and the rate of dismantling, as follows:

Estimated useful life	Years
Buildings	40
Plant and machinery	3 - 25
Other plant or equipment, furniture and office equipment	10
Other items of property, plant and equipment	4 - 10

Investment property is measured and depreciated using the same criteria described for land and buildings for own use.

c) Impairment of non-current assets

Non-current assets are assessed at each reporting date for indicators of impairment. If such indicators exist, or if an asset's nature requires an annual impairment test, the Company estimates the asset's recoverable amount as the higher of its fair value less costs of disposal and the present value of expected future cash flows.

For investments in equity instruments, cash flows may be estimated on the basis of expected dividends and the investment's disposal value, or based on the share of cash flows generated by the investee. In the absence of better evidence of the recoverable amount, the investee's net equity, adjusted for after-tax existing unrealised gains, is considered. If the investee holds investments in other entities, the consolidated net equity under Spanish accounting standards is used as a reference.

Impairment is recognised as an expense in the income statement and, in the event of reversal, it is recorded as income, without exceeding the carrying amount that the investment would have had if it had never been impaired.

d) Financial assets and liabilities

The main future assumptions as well as other uncertainties related to estimations at year end which could cause a significant effect in the financial statements are disclosed below.

Financial investments

"Investments in group companies, joint ventures and associates" are classified into a category of the same name and are shown at cost less any impairment loss (see note 4.c). Group companies are those over which the Company exercises control, either by exercising effective control or by virtue of agreements with the other shareholders. Joint ventures are companies which are jointly controlled with third parties. Associates are companies in which there is significant influence, but not control or joint control with third parties. Telefónica assesses the existence of significant influence not only

in terms of percentage ownership but also in qualitative terms such as presence on the board of directors, involvement in decision-making, the exchange of management personnel, and access to technical information.

Financial investments which the Company intends to hold for an unspecified period of time and could be sold at any time to meet specific liquidity requirements or in response to interest rate movements and which have not been included in the other categories of financial assets defined in the RD 1/2021, which amends PGC 2007, are classified as *financial assets at fair value through equity*. These investments are recorded under "Non-current assets," unless it is probable and feasible that they will be sold within 12 months.

Derivative financial instruments and hedge accounting

When Telefónica chooses not to apply hedge accounting criteria but economic hedging, gains or losses resulting from changes in the fair value of derivatives are taken directly to the income statement.

e) Revenue and expenses

Revenue and expenses are recognized on the income statement based on an accrual basis; i.e. when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

A distribution of unrestricted reserves is considered as dividend distribution, and therefore, is registered as dividend revenue in the accounting of the receiving Company whenever the distributing company and/or any of its group's subsidiaries have gathered profits above the amount of equity distributed.

When the Company receives free-allotment rights, known as scrip dividends, that can be used to acquire new shares at no cost or be sold in the market or to the distributing company, it accounts for the concept as dividend revenue with a counterpart of account receivable on the distribution date.

The income obtained by the Company in dividends received from Group companies and associates, and from the interest accrued on loans and credits given to them, are included in revenue in compliance with the provisions of consultation No. 2 of BOICAC 79, published on September 30, 2009.

f) Related party transactions

In business merger or spin-off transactions involving the parent company and its direct or indirect subsidiary, as well as in the case of non-monetary contributions of business units between Group companies and in the case of in-kind dividend distributions, the valuation of

the assets and liabilities should be done in accordance with the Standards on Preparing Consolidated Financial Statements (Spanish "NOFCAC"), at their pre-transaction carrying amount in the consolidated financial statements of the group or subgroup with a Spanish parent company.

In the particular case of a contribution to a group company of the shares of another group company, the pre-transaction carrying amount in the standalone financial statements of the contributing company could be used, unless the net equity amount was higher, in which case this amount was used.

The change in value arising in the contributing company as a result of the above accounting treatment is recognized in reserves.

g) Financial guarantees

The Company has provided guarantees to a number of subsidiaries to secure their transactions with third parties (see note 20.a). Where financial guarantees provided have a counter-guarantee on the Company's balance sheet, the value of the counter-guarantee is estimated to be equal to the guarantee given, with no additional liability recognized as a result.

Guarantees provided for which there is no item on the Company's balance sheet acting as a counter-guarantee are initially measured at fair value which, unless there is evidence to the contrary, is the same as the premium received plus the present value of any premiums receivable. After initial recognition, these are subsequently measured at the higher of:

- i) The amount resulting from the application of the rules for measuring provisions and contingencies.
- ii) The amount initially recognized less, when applicable, any amounts taken to the income statement corresponding to accrued income.

h) Consolidated data

As required under prevailing legislation, the Company has prepared separate consolidated annual financial statements, drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The balances of the main headings of the Telefónica Group's consolidated financial statements for 2024 and 2023 are as follows:

Millions of euros

Item	2024	2023
Total assets	100,502	104,324
Equity:	22,749	27,096
Attributable to equity holders of the parent	19,347	21,852
Attributable to minority interests	3,402	5,244
Revenue from operations	41,315	40,652
Profit for the year:	209	(574)
Attributable to equity holders of the parent	(49)	(892)
Attributable to minority interests	258	318

Note 5. Intangible assets

The movements in the items composing intangible assets and the related accumulated amortization in 2024 and 2023 are as follows:

2024

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INTANGIBLE ASSETS, GROSS	285	6	(64)	(2)	225
Software	180	4	–	1	185
Other intangible assets	105	2	(64)	(3)	40
ACCUMULATED AMORTIZATION	(262)	(7)	56	–	(213)
Software	(170)	(6)	–	–	(176)
Other intangible assets	(92)	(1)	56	–	(37)
DEPRECIATION ACCRUAL	(8)	–	8	–	–
NET CARRYING AMOUNT	15	(1)	–	(2)	12

2023

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INTANGIBLE ASSETS, GROSS	276	9	–	–	285
Software	172	6	–	2	180
Other intangible assets	104	3	–	(2)	105
ACCUMULATED AMORTIZATION	(255)	(7)	–	–	(262)
Software	(165)	(5)	–	–	(170)
Other intangible assets	(90)	(2)	–	–	(92)
DEPRECIATION ACCRUAL	(8)	–	–	–	(8)
NET CARRYING AMOUNT	13	2	–	–	15

As of December 31, 2024 and 2023 commitments to acquire intangible assets amount to 0.4 and 0.6 million euros, respectively.

As of December 31, 2024 and 2023, the Company had 204 and 254 million euros, respectively, of fully amortized intangible assets in use. During 2024, some fully amortized intangible assets no longer in use have been written off. The impact is shown as Disposal of gross and accumulated amortization captions in the 2024 chart of movements.

Note 6. Property, plant and equipment

The movements in the items composing property, plant and equipment (PP&E) and the related accumulated depreciation in 2024 and 2023 are as follows:

2024

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
PROPERTY, PLANT AND EQUIPMENT, GROSS	573	12	—	5	590
Land and buildings	207	3	—	4	214
Plant and other PP&E items	364	8	—	2	374
PP&E under construction and prepayments	2	1	—	(1)	2
ACCUMULATED DEPRECIATION	(444)	(10)	—	1	(453)
Buildings	(131)	(3)	—	1	(133)
Plant and other PP&E items	(313)	(7)	—	—	(320)
NET CARRYING AMOUNT	129	2	—	6	137

2023

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
PROPERTY, PLANT AND EQUIPMENT, GROSS	559	6	—	8	573
Land and buildings	199	—	—	8	207
Plant and other PP&E items	356	5	—	3	364
PP&E under construction and prepayments	4	1	—	(3)	2
ACCUMULATED DEPRECIATION	(428)	(10)	—	(6)	(444)
Buildings	(122)	(3)	—	(6)	(131)
Plant and other PP&E items	(306)	(7)	—	—	(313)
NET CARRYING AMOUNT	131	(4)	—	2	129

Firm commitments to acquire property, plant and equipment at December 31, 2024 and 2023 amounted to 0.4 and 0.5 million euros, respectively.

At December 31, 2024 and 2023, the Company had 359 and 353 million euros, respectively, of fully depreciated items of property, plant and equipment.

Telefónica, S.A. has taken on insurance policies with appropriate limits to cover the potential risks which could affect its property, plant and equipment.

“Property, plant and equipment” includes the net carrying amount of the land and buildings occupied by Telefónica, S.A. at its Distrito Telefónica headquarters, amounting to 60 and 61 million euros at 2024 and 2023 year-ends, respectively. It also includes the net carrying amount of the remaining assets in this site (mainly property, plant and equipment items) of 22 and 21 million euros at December 31, 2024 and 2023, respectively.

Note 7. Investment properties

The movements in the items composing investment properties in 2024 and 2023 and the related accumulated depreciation are as follows:

2024

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INVESTMENT PROPERTIES, GROSS	437	–	–	(2)	435
Land	100	–	–	–	100
Buildings	337	–	–	(2)	335
ACCUMULATED DEPRECIATION	(138)	(8)	–	(1)	(147)
Buildings	(138)	(8)	–	(1)	(147)
NET CARRYING AMOUNT	299	(8)	–	(3)	288

2023

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INVESTMENT PROPERTIES, GROSS	439	–	–	(2)	437
Land	100	–	–	–	100
Buildings	339	–	–	(2)	337
ACCUMULATED DEPRECIATION	(130)	(8)	–	–	(138)
Buildings	(130)	(8)	–	–	(138)
NET CARRYING AMOUNT	309	(8)	–	(2)	299

“Investment properties” mainly includes in both 2024 and 2023 the value of land and buildings leased by Telefónica, S.A. to other Group companies in Distrito Telefónica, the operational headquarters in Madrid.

In 2024 the Company has buildings with a total area of 263,320 square meters (263,325 square meters in 2023) leased to several Telefónica Group companies, equivalent to an occupancy rate of 73.65% of the buildings it has earmarked for lease (75.21% in 2023).

Total income from leased buildings in 2024 and 2023 (see note 19.1.a) amounted to 34 million euros for both years.

Future minimum rentals receivable under non-cancellable leases are as follows:

Millions of euros	2024	2023
	Future minimum recoveries	Future minimum recoveries
Up to one year	30	29
Between two and five years	–	–
Total	30	29

The most significant lease contracts held with subsidiaries occupying Distrito Telefónica have been renewed in 2024 for a non-cancellable period of 12 months.

The main operating leases in which Telefónica, S.A. acts as lessee are described in note 19.5.

Note 8. Investments in group companies and associates

8.1. Detail and evolution of investment in group companies and associates:

2024

Millions of euros	Opening balance	Additions	Disposals	Transfers	Exchange rate impacts	Dividends	Net investment hedges	Closing balance	Fair value
Equity instruments (Net) ⁽¹⁾	52,966	(2,132)	(1,438)	743	—	(87)	(402)	49,650	77,615
Equity instruments (Cost)	91,449	2,273	(1,548)	—	—	(87)	(402)	91,685	
Impairment losses	(38,483)	(4,405)	110	743	—	—	—	(42,035)	
Loans to Group companies and associates	432	4	—	—	6	—	—	442	447
Other financial assets	9	16	—	(17)	—	—	—	8	8
Total non-current investment in Group companies and associates	53,407	(2,112)	(1,438)	726	6	(87)	(402)	50,100	78,069
Loans to Group companies and associates	1,625	1,946	(1,699)	—	(7)	—	—	1,865	1,865
Derivatives	3	3	—	—	—	—	—	6	6
Other financial assets	66	43	(80)	17	—	—	—	46	46
Total current investments in Group companies and associates	1,694	1,992	(1,779)	17	(7)	—	—	1,917	1,917

⁽¹⁾ Fair value at December 31, 2024 of Group companies and associates quoted in an active market (Telefónica Brasil, S.A.) was calculated taking the listing of the investments on the last day of the year; the rest of the shareholdings are stated at the value of discounted cash flows based on those entities business plans.

2023

Millions of euros	Opening balance	Additions	Disposals	Transfers	Exchange losses	Dividends	Net investment hedges	Closing balance	Fair value
Equity instruments (Net) ⁽¹⁾	55,445	345	(425)	—	—	(2,491)	92	52,966	78,437
Equity instruments (Cost)	92,810	1,553	(515)	—	—	(2,491)	92	91,449	
Impairment losses	(37,365)	(1,208)	90	—	—	—	—	(38,483)	
Loans to Group companies and associates	245	235	(1)	(50)	3	—	—	432	437
Other financial assets	15	26	(3)	(29)	—	—	—	9	9
Total non-current investment in Group companies and associates	55,705	606	(429)	(79)	3	(2,491)	92	53,407	78,883
Loans to Group companies and associates	1,470	1,885	(1,786)	50	6	—	—	1,625	1,624
Derivatives	5	—	(2)	—	—	—	—	3	3
Other financial assets	55	8	(26)	29	—	—	—	66	66
Total current investments in Group companies and associates	1,530	1,893	(1,814)	79	6	—	—	1,694	1,693

⁽¹⁾ Fair value at December 31, 2023 of Group companies and associates quoted in an active market (Telefónica Brasil, S.A. and Telefónica Deutschland Holding, A.G.) was calculated taking the listing of the investments on the last day of the year; the rest of the shareholdings are stated at the value of discounted cash flows based on those entities business plans.

a) Most significant transactions

The most significant transactions occurred in 2024 and 2023 as well as their accounting impacts are described below:

2024

On November 7, 2023, Telefónica, through its subsidiary Telefónica Local Services GmbH, launched a partial voluntary public tender offer for shares of Telefónica Deutschland Holding AG ("Telefónica Deutschland"). The Offer acceptance period began on December 5, 2023 and ended on January 17, 2024 (both inclusive). When the acceptance period was over, on January 23, 2024, with the aim of funding the payment to the shareholders' who agreed to the offer, Telefónica Local Services, GmbH launched a capital increase fully subscribed and disbursed by Telefónica, S.A. amounting to 550 million euros.

On March 20, 2024, Telefónica launched a public delisting offer with the objective of acquiring the shares of Telefónica Deutschland that were not directly or indirectly owned by Telefónica at that time (the "Delisting Offer"). The offer closed on April 18, 2024. Needing to raise funding for the additional payment to shareholders, Telefónica Local Services, GmbH (TLS) on April 23, 2024 completed an additional capital increase of 111 million euros fully subscribed and paid by Telefónica, S.A.

Simultaneously, during 2024 Telefónica, S.A. continued acquiring in the stock market shares of Telefónica Deutschland totaling 256 million euros. Additionally, the Company executed an equity swap purchasing additional shares with a total cost of 92 million euros.

Once the delisting process of the affiliate was finalized, Telefónica decided to transfer its direct stake in Telefónica Deutschland, to its subsidiary TLS. As a consequence, on May 23, 2024 Telefónica, S.A. carried out an in-kind contribution of its investment in Telefónica Deutschland to TLS. In accordance with the accounting principles, the disposal has been registered by the net carrying value (amounting to 1,255 million euros), and shown as Disposal in 2024 chart of movements. On the other hand, the impact in TLS investment has been shown as Addition at its consolidated book value as adjusted to Spanish standards, 875 million euros in 2024 chart of movements. The difference between both amounts has been recorded in Other reserves as mentioned in note 11.

2023

On January 18, 2023 the shareholders of Pontel Participaciones, S.L., an affiliated company of Telefónica, S.A. (with a 83.35% ownership as of that date), approved a capital increase of 223 million euros. Telefónica, S.A. contributed with 111 million euros, decreasing its percentage of ownership in the subsidiary to 70%. The

transaction is reflected as Additions in the 2023 chart of movements. On February 7, 2023 the general shareholders' meeting of Pontel Participaciones, S.L. agreed to an additional paid-in capital and reserves distribution of 688 million euros. Telefónica, S.A. received 551 millions of euros and according to the accounting principles, 492 million were registered as investment reimbursement and this movement shown as Dividends in 2023 chart of movements. On March 16, 2023 and accounting effects January 1, 2023 Telxius Telecom, S.A. (absorbing entity) and Pontel Participaciones, S.L. (absorbed entity) carried out a merger. The effect of the transaction, amounting to 403 million euros is shown as Disposals in 2023 chart of movements.

On February 2, 2023 Telefónica, S.A. granted a credit facility of 175 million euros to Pontel Participaciones, S.L.. The credit was cancelled on March 16, 2023, the date of the above mentioned merger. These transactions are shown as Additions and Disposals in 2023 chart of movements.

On January 18, 2023 in order to rebalance the equity situation, Telefónica Innovación Digital, S.L. (previously Telefónica Digital España, S.L.) carried out a capital increase of 45 million euros subscribed and paid in full by Telefónica, S.A. On October 31, 2023 the merger between Telefónica Innovación Digital, S.L. as absorbing entity and Telefónica Investigación y Desarrollo, S.A. (absorbed entity) was filed to the Commercial Registry. Telefónica, S.A. was the sole shareholder in both companies. With accounting effects on January 1, 2023 and according to the accounting principles, a disposal was registered and shown as Disposals in 2023 chart of movements (32 million euros of cost and 18 million euros of impairment). The cost of the investment in the absorbing entity was increased by 13 million euros and shown as Additions in 2023 chart of movements.

In January 2023, the Company sold its investment in Telefónica Ingeniería de Seguridad, S.A. to Telefónica Filiales España, S.A. by 6 million euros. The sale is reflected in 2023 chart of movements as Disposals (under the caption cost of the investment by 78 million euros and 72 million euros under the impairment caption).

All the aforementioned transactions in 2024 and 2023 have been valued in accordance with the accounting principles.

b) Acquisitions of investments and capital increases (Additions)

Millions of euros

Companies	2024	2023
TLH HOLDCO, S.L.	–	38
Telefónica Hispanoamérica, S.A.	220	380
Telefónica Local Services, GmbH	1,536	–
Telefónica Tech, S.L.	–	36
Telefónica Infra, S.L.	133	103
Telefónica Deutschland Holding, A.G.	348	813
Pontel Participaciones, S.L.	–	111
Telefónica Innovación Digital, S.L. (previously Telefónica Digital España, S.L.)	–	58
Other companies	36	14
Total group and associated companies	2,273	1,553

2024

On March 18, 2024 Telefónica Hispanoamérica, S.A. has completed a capital increase by 220 million euros, fully subscribed and paid by Telefónica, S.A.

In 2024 the Company has carried out several contributions to the reserves of Telefónica Infra, S.L. in March, June, September and December totaling 133 million euros. These contributions to distributable reserves have had no issuance of new shares.

The amounts regarding TLS and Telefónica Deutschland Holding, A.G. have been disclosed at the beginning of this note.

2023

On March 21, 2023 Telefónica Hispanoamérica, S.A. completed a share capital increase of 380 million euros totally subscribed and disbursed by Telefónica, S.A.

In 2023 the Company carried out several contributions to the reserves of Telefónica Infra, S.L. in March, June, August, October and December totaling 103 million euros. These contributions to distributable reserves had no issuance of new shares.

During 2023 the Company acquired in the stock market shares of Telefónica Deutschland Holding, A.G. (352 million shares for a total amount of 813 million euros).

The amount corresponding to Pontel Participaciones, S.L. is framed within the transactions detailed at the beginning of this note.

The figure shown for Telefónica Innovación Digital, S.L. (previously Telefónica Digital España, S.L.) is disclosed at the beginning of this note.

c) Disposals of investments and capital decreases

Millions of euros

Companies	2024	2023
Telefónica Deutschland Holding, A.G.	1,255	–
Telefónica de Brasil, S.A.	292	–
Pontel Participaciones, S.L.	–	403
Telefónica Investigación y Desarrollo, S.A.	–	32
Telefónica Ingeniería de Seguridad, S.A.	–	78
Other companies	1	2
Total group and associated companies	1,548	515

2024

Pursuant to the agreement of the General Shareholders' Meeting held on November 8, 2023, on March 25, 2024 Telefónica de Brasil, S.A. carried out a reduction of its share capital with a return of contributions to the shareholders' by 1,500 million Brazilian Reais of which Telefónica, S.A. was entitled, based on its percentage of ownership, to 576 million Brazilian Reais, equivalent to 107 million euros. In accordance with the accounting principles, the transaction has been reflected as Disposal both in the cost of the investment by 292 million euros and in the impairment accrual by 110 million euros within the 2024 chart of movements. Moreover, a negative impact of 75 million euros has been expensed under the caption "Losses on disposals and other" of the income statement.

The amount shown for Telefónica Deutschland Holding, A.G. refers to the in-kind contribution carried out by Telefónica, S.A. to TLS as explained in the beginning of this note.

2023

The amount referring to Pontel Participaciones, S.L. related to the merger with Telxius Telecom, S.A. detailed at the beginning of this note.

The disposal of Telefónica Investigación y Desarrollo, S.A. related to the cost of the investment in the merger with Telefónica Innovación Digital, S.L. (previously Telefónica Digital España, S.L.) detailed at the beginning of the note.

The amount corresponding to Telefónica Ingeniería de Seguridad, S.A. was disclosed at the beginning of this note.

d) Other movements

On December 10, 2024 Telefónica Local Services, GmbH has distributed a 145 million dividend. After completing an accounting assesment, 83 million euros have been registered as investment reimbursement and shown as Dividends in 2024 chart of movements. The

remaining amount has been registered as dividend revenue (see note 19).

On December 22, 2023 Telefónica Latinoamérica Holding, S.L. completed a dividend distribution by 1,994 million euros. After completing an accounting assessment, the transaction has been registered as investment reimbursement as Dividends in 2023 chart of movements.

8.2. Assessment of impairment of investments in group companies, joint ventures and associates

At each year end, the Company re-estimates the future cash flows derived from its investments in Group companies and associates. The estimation is calculated based on the subsidiaries' business plans approved by the Board of Telefónica, S.A.

The business plans of the subsidiaries covers a three-year period, including the closing year. In order to complete the five years of cash flows after the closing year, an additional normalization period is added to the business plans on the operating ratios until the terminal parameters are reached. The consensus' forecasts are used as a reference. For specific cases, extended business plans are used to cover the five-year period of cash flows, when the normalization period does not properly reflect the expected evolution of the business.

In the specific case of the indirect investment in the JV in the United Kingdom, the future cash flows used in the calculation of the value in use carried out by the JV are based on ten-year financial forecasts included as a part of the latest business plan approved by the Board of Directors of VMED O2 UK Limited (VMO2) for use in goodwill impairment testing, considering that in such period the operating variables until the perpetuity parameters are reached. This time horizon has been used to properly reflect capital-intensive projects, such as the fiber rollout plan.

The estimated value is based on the business plans of each subsidiary expressed in its functional currency, discounted using the appropriate rate, net of the liabilities associated with each investment (mainly net debt), considering the percentage of ownership in each subsidiary and translated to euros at the official closing rate of each currency at December 31. The main assessments used to determine the discounted cash flows are the revenue growth, the long term EBITDA margin, the long term investment ratio, the weighted average cost of capital (WACC) and the perpetual growth rate, indicators employed by the Group in its investments valuation.

Moreover, and only for the companies where discounted cash flow analysis is not available due to the

specific nature of their businesses, the impairment is calculated by comparing their equity figure as of the end of the period and the net book value of those investments.

As a result of these estimations and the effect of the net investment hedge, in 2024 an impairment provision of 4,405 million euros was recognized (1,208 million euros in 2023). This amount derives mainly from the following companies:

- a. a write down reversal, net of hedges, of 931 million euros for Telefónica O2 Holdings, Ltd. (write down of 3,169 million euros, net of hedges, was registered in 2023) due to the outcome of the impairment test carried out at year-end as well as the positive evolution of the pound sterling exchange rate in 2024 (see note 19.8).
 - b. a write down reversal for TLH HOLDCO, S.L. amounting to 134 million euros. In 2023 a write down of 660 million euros was registered due to the Argentinian peso devaluation in December 2023.
 - c. a write down, net of hedges, of 604 million euros for Telefónica Brasil, S.A. (1,215 million euros of write down reversal in 2023).
 - d. a write down by 2,481 million euros for Telefónica Hispanoamérica, S.A. (348 million euros in 2023) mainly due to the fall in the valuation of the investments in Peru, Chile, and Colombia.
- The aforementioned write off has set the carrying value of the investment in Telefónica Hispanoamérica, S.A. in a negative amount of 743 million euros as of December 31, 2024. Therefore, the concept has been reclassified as a non current provision (note 18) and shown as Transfers in the 2024 chart of movements included at the beginning of this note.
- e. a write down of 1,772 million euros for Telefónica Latinoamérica Holding, S.L. (write down reversal by 1,770 million euros in 2023) mainly due to the valuation of its investment in Brazil.
 - f. a write down of 667 million euros for O2 Europe, Ltd. mainly caused by the dividend distributed by the subsidiary with the corresponding decrease in its net cash figure. The dividend has been registered as Dividend revenue (see note 19.1). There was no write down in 2023 related to this investment.

Main assumptions used for the calculation of the discounted cash flows of investments

United Kingdom

Long term growth and operational ratios considered in the assessment of the value in use of VMO2 are aligned within analyst ranges for peer companies in the region.

In terms of revenues, despite challenges in the competitive environment, the strategic plan reflects a trend of growth in the long term projections, in line with the estimated industry evolution in the UK. Regarding EBITDA margin over a two-year horizon, analysts' estimates for peer companies in Europe range between 32% to 41%, while the analysts long-term capex to revenue ratio range within 12% to 15%. The WACC (Weighted average cost of capital) used to discount the cash flows is 7.7% as of December 2024. Terminal growth rate is set at 1%, below the real terminal growth forecasted for the UK economy.

Brazil

The country has once again surprised the market in 2024 in terms of economic growth. The country will grow for the fourth year in a row, clearly above its potential, thanks to the boost from private consumption and, although to a lesser extent, investment. However, this dynamism is largely explained by the expansion of public spending that the government is carrying out, which has led to an increase in the inflation rate and greater distrust in fiscal credibility and sustainability, which has forced the Central Bank to a sharp rise in the interest rates. This will have a negative impact in the medium term via both the need for a future adjustment or through more restrictive financial conditions.

As far as the relevant variables considered in the calculation of the value in use are concerned, the long-term EBITDA margin two-year estimates of Telefónica Group's analysts for the operator in Brazil, it is in a range within 41% to 44%. Regarding investments, the operator will invest in the horizon of the projected plan a percentage that is aligned with the investment needs planned for the development of its business, which is located in a range between 10% and 16%. The WACC after taxes used for year-end 2024 is 11.5% (12% in 2023). The perpetual growth rate has stabilized in 4% since 2023.

Moreover, the depreciation of Brazilian real against euro by 16.88% has been noteworthy causing a relevant negative impact, net of hedges, in the value of the investment (see note 19.8).

Chile

The economic growth of Chilean economy remains at a low rate with financial stress and still suffering from the impacts of the recent inflationary and cost crisis, which prevents greater monetary ease.

With this economic scenario, internal demand is expected to remain weak and competitive intensity will remain strong. Due to all this, the growth of the main operating variables has been lower comparing to the prior year impairment analysis. The discount rate (WACC) used to calculate the value in use as of December 31, 2024 has been 8.5% after taxes (10.4% pre-taxes and the perpetuity growth rate used in the valuations has been 2.8%.

8.3. Detail of subsidiaries and associates

The detail of subsidiaries and associates is shown in Appendix I.

8.4. Transactions protected for tax purposes

Transactions carried out in 2024 that qualify for special tax regime, as defined in Articles 76 and 87, as applicable, of Chapter VII of Title VII of Legislative Royal Decree 27/2014 of November 27 approving the Spanish Corporate Income Tax Law, are detailed in the following paragraphs. Transactions qualified for special tax regime carried out in prior years are disclosed in the financial statements for those years.

On January 1, 2024, the merger by absorption between Telefónica Móviles de Argentina S.A. and Telefónica de Argentina S.A. took effect for operations, accounting and tax purposes, and all assets and liabilities, including registrable assets, rights and obligations belonging to Telefónica de Argentina S.A., as the absorbed company, were incorporated into the equity of Telefónica Móviles de Argentina S.A., in its capacity of absorbing and continuing company. The net carrying value of the absorbed company, Telefónica Argentina, S.A., amounted to 125,028 thousand euros, and said value being the same as that for the shares received in the merged company. The tax value of the shares delivered and received amounted to 388,411 thousand euros.

8.5. Maturity of loans to Group companies and associates

The breakdown and maturity of loans to Group companies and associates in 2024 and 2023 are as follows:

2024

Millions of euros

Company	2025	2026	2027	2028	2029	2030 and subsequent years	Final balance, current and non-current
Telefónica Móviles España, S.A.U.	677	–	–	–	–	–	677
Telefónica Cybersecurity & Cloud Tech, S.L.	1	–	121	–	–	–	122
Telefónica de España, S.A.U.	827	–	–	–	–	–	827
Telxius Telecom, S.A.	2	50	–	–	235	–	287
Telefónica Brasil, S.A.	115	–	–	–	–	–	115
Telefónica Finanzas, S.A.U.	159	–	–	–	–	–	159
Other companies	84	–	–	–	–	36	120
Total	1,865	50	121	–	235	36	2,307

2023

Millions of euros

Company	2024	2025	2026	2027	2028	2029 and subsequent years	Final balance, current and non-current
Telefónica Móviles España, S.A.U.	776	–	–	–	–	–	776
Telefónica Cybersecurity & Cloud Tech, S.L.	4	–	–	116	–	–	120
Telefónica de España, S.A.U.	473	–	–	–	–	–	473
Telxius Telecom, S.A.	50	–	50	–	235	–	335
Telefónica Brasil, S.A.	133	–	–	–	–	–	133
Telefónica Finanzas, S.A.U.	138	–	–	–	–	–	138
Other companies	51	–	–	–	–	31	82
Total	1,625	–	50	116	235	31	2,057

The main loans granted to Group and associated companies are described below:

- The outstanding balance with Telefónica Móviles España, S.A.U. in 2024 includes dividends distributed in December 2024, amounting to 522 million euros and uncollected as of the date of these financial statements.

In addition, in 2024 there are 155 million euros of tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return (99 million euros in 2023).

- On March 21, 2022 the Company granted a credit to its subsidiary Telefónica Cybersecurity & Cloud Tech, S.L. of 140 million pounds sterling and maturity date on June 21, 2022. At maturity date, the credit was partially cancelled and the outstanding amount, 100 million pounds sterling, extended its maturity date until 2027. The equivalent amount of this credit at year end amounts to 121 million euros (116 million euros in 2023). Moreover, there are uncollected interests accounted as current amounting to 1 million euros both in 2024 and 2023.

In 2024 there are no tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return (3 million euros of tax amounts outstanding in 2023).

- The balance of Telefónica de España, S.A.U. in 2024 includes an amount of 815 million euros of dividends distributed in December 2024 and uncollected as of the date of these financial statements.

In 2024 there are 12 million euros corresponding to tax receivables from the subsidiary for its tax expense declared in the consolidated tax return. There were no outstanding amounts to be collected in 2023 for this concept.

- In 2024 the installment by 50 million euros granted in 2016 to Telxius Telecom, S.A. was cancelled according to its maturity date (see note 21). As far as the credits granted to the subsidiary in 2016 are concerned, the only outstanding amount is 50 million euros with a maturity date in 2026 as shown in the disclosure.

In December 2023 a new loan was granted with a total figure of 235 million euros and a variable interest rate. It was disbursed in two tranches by 153 and 82 million euros, respectively. The maturity date of the loan was



originally December 2028, with an additional one-year extension at grantee request. This option has been exercised in 2024 and the maturity has been extended until December 2029.

- The balance totaling 115 million euros shown in 2024 with Telefônica Brasil, S.A. entirely corresponds to dividends agreed by the subsidiary and unpaid at year end (133 million euros in December 2023).
- The balance of Telefônica Finanzas, S.A.U. in December 2024 includes dividends distributed and uncollected at year end amounting to 115 million euros (118 million euros in 2023).

Moreover, in 2024 there are uncollected balances of 44 million euros of tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return (20 million euros in 2023).

In the 2024 chart of movements, additions of current loans to group companies and associates comprise 292 million euros (161 million euros in 2023) of loans in connection with the taxation of Telefônica, S.A. as the head of the tax group pursuant to the consolidated tax regime applicable to corporate groups (see note 17). The most significant amounts have already been disclosed through this note. All these amounts fall due in the short term.

Disposals of current loans to group companies and associates includes the cancellation of balances receivable from subsidiaries on account of their membership of Telefônica, S.A.'s tax group totaling 161 million euros (548 million euros in 2023).

Total accrued interest receivable at December 31, 2024 and 2023 included under the caption Current loans to group companies and associates amount to 2.4 and 2.3 million euros, respectively.

8.6. Other financial assets with Group companies and associates

This includes rights to collect amounts from other Group companies related to share-based payment plans involving Telefônica, S.A. shares offered by subsidiaries to their employees.

Invoices of share plans that were already vested and are outstanding at year end are shown as other current financial assets. Amounts derived from the new share plans launched in 2024 and 2023 with a maturity date longer than 2024 are included as other non-current financial assets (see note 19.3).

Note 9. Financial investments

9.1. The breakdown of “Financial investments” at December 31, 2024 and 2023 is as follows:

2024

Millions of euros	Assets at fair value							Assets at amortized cost					
	Financial Assets at fair value with changes through equity	Financial assets at fair value with changes through income statement	Hedges with changes through equity	Subtotal assets at fair value	Measurement hierarchy			Financial assets at amortized cost	Other financial assets at amortized cost	Subtotal financial assets at amortized cost	Fair value	Total carrying amount	Total fair value
					Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on observable market data						
Non-current financial investments	417	752	1,722	2,891	417	2,474	—	116	—	116	116	3,007	3,007
Equity instruments	417	—	—	417	417	—	—	—	—	—	—	417	417
Derivatives (Note 16)	—	752	1,722	2,474	—	2,474	—	—	—	—	—	2,474	2,474
Loans to third parties and other financial assets	—	—	—	—	—	—	—	116	—	116	116	116	116
Current financial investments	—	91	277	368	—	368	—	531	42	573	573	941	941
Loans to third parties and other financial assets	—	—	—	—	—	—	—	531	42	573	573	573	573
Derivatives (Note 16)	—	91	277	368	—	368	—	—	—	—	—	368	368
Total financial investments	417	843	1,999	3,259	417	2,842	—	647	42	689	689	3,948	3,948

2023

Millions of euros	Assets at fair value							Assets at amortized cost					
	Financial Assets at fair value with changes through equity	Financial assets at fair value with changes through income statement	Hedges with changes through equity	Subtotal assets at fair value	Measurement hierarchy			Financial assets at amortized cost	Other financial assets at amortized cost	Subtotal assets at amortized cost	Fair value	Total carrying amount	Total fair value
					Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on observable market data						
Non-current financial investments	466	508	1,365	2,339	466	1,873	–	282	–	282	282	2,621	2,621
Equity instruments	466	–	–	466	466	–	–	–	–	–	–	466	466
Derivatives (Note 16)	–	508	1,365	1,873	–	1,873	–	–	–	–	–	1,873	1,873
Loans to third parties and other financial assets	–	–	–	–	–	–	–	282	–	282	282	282	282
Current financial investments	–	96	244	340	–	340	–	62	–	62	62	402	402
Loans to third parties and other financial assets	–	–	–	–	–	–	–	62	–	62	62	62	62
Derivatives (Note 16)	–	96	244	340	–	340	–	–	–	–	–	340	340
Total financial investments	466	604	1,609	2,679	466	2,213	–	344	–	344	344	3,023	3,023

Derivatives are measured using the valuation techniques and models normally used in the market, based on money-market curves and volatility prices available in the market.

Additionally, on this valuation, the credit valuation adjustment or CVA net for counterparty (CVA + DVA), which is the methodology used to measure the credit risk of the counterparties and of Telefónica itself is calculated to adjust the fair value determination of the derivatives. This adjustment reflects the possibility of insolvency or deterioration of the credit quality of the counterparty and Telefónica.

9.2 Financial assets at fair value with changes through income statement and hedges with changes through equity

These two asset categories include the fair value of outstanding derivative financial instruments at December 31, 2024 and 2023 (see note 16).

December 31, 2024

Millions of euros	Opening balance	Disposals	Fair value adjustments	Closing balance
Banco Bilbao Vizcaya Argentaria, S.A.	363	–	54	417
China Unicom (Hong Kong), Ltd.	103	(144)	41	–
Total	466	(144)	95	417

December 31, 2023

Millions of euros	Opening balance	Disposals	Fair value adjustments	Closing balance
Banco Bilbao Vizcaya Argentaria, S.A.	249	–	114	363
China Unicom (Hong Kong), Ltd.	105	–	(2)	103
Promotora de Informaciones, S.A. (PRISA)	4	(5)	1	–
Total	358	(5)	113	466

Banco Bilbao Vizcaya Argentaria, S.A. (BBVA)

At December 31, 2024 and 2023 Telefónica, S.A.'s investment in BBVA represents 0.766% and 0.756%, respectively, of that company's share capital at each year-end.

China Unicom (Hong Kong), Ltd.

The investment in China Unicom (Hong Kong), Ltd. (182 million shares) in 2023 represented 0.593% of that company's share capital. The shares are quoted in Hong Kong stock exchange.

9.3 Financial assets at fair value with changes through equity

This category mainly includes the fair value of investments in listed companies (equity instruments) over which the Company does not have significant control or influence. The movement of items composing this category at December 31, 2024 and 2023 are as follows:

During the second half of 2024 the Company has traded in the market the total amount of its shares in this investment achieving an aggregate profit of 53 million euros included under the caption "Net result on financial assets at fair value with changes through equity" of the income statement.

The impacts shown in the column Fair value adjustments on both years include the fair value adjustments in the quotation of these investments. These impacts are registered in the equity of the Company (note 11.2).

9.4 Financial assets at amortized cost

The breakdown of investments included in this category at December 31, 2024 and 2023 is as follows:

Millions of euros	2024	2023
Financial assets at amortized cost, non-current:		
Deposits related to real state properties	6	6
Collateral guarantees	108	273
Marketable debt securities	2	3
Financial assets at amortized cost, current:		
Loans to third parties	526	5
Collateral guarantees	39	55
Other current financial assets	8	2
Total	689	344

Collateral guarantees are comprised in both years under the caption Financial assets at amortized cost and classified in accordance with the maturity of the underlying derivative instruments which they relate to.

In relation with collateral contracts, there is an additional guarantee of 59,808 bonds issued by Telefónica Emisiones, S.A.U. deposited in a securities account owned by Telefónica, S.A. with a notional of 58 million euros as of December 31, 2024 (there were 51,988 bonds with a notional of 47 million euros as of December 31, 2023).

As detailed in note 20 b) of these financial statements, on November 12, 2024, Telefónica has obtained a favorable award regarding the investment dispute submitted to the International Centre for Settlement of Investment Disputes ("ICSID") against the Republic of Colombia. The Court has stated that the Republic of Colombia failed to comply with its obligation to grant fair and equitable treatment to Telefónica's investments under Article 2(3) of the APPRI, and has ordered it to pay the amount of 380 million U.S. dollars (equivalent to 365 million euros converted at year-end exchange rates) plus compound interest at a rate of 5% as compensation for the damages caused. Total accumulated accrued interest as of December 31, 2024 amounts to 164 million US dollars (equivalent to 158 million euros).

Moreover, the Company is entitled to be reimbursed for the legal costs suffered during the proceeding.

Once the decision was received and following the legal analysis carried out, Telefónica's management considers that the decision represents a firm right of collection and therefore, it has been recorded in the financial statements as of December 31, 2024 under the heading loans to third parties in the 2024 column of the attached table.

As indicated in note 20 b) the execution of the decision is provisionally suspended until the court's decision, which is expected in the short term.

In 2023 the concept of loans to third parties included the uncollected amounts from financial entities as a result of the maturity of derivative instruments.

Other current financial assets include in 2024 and 2023 the uncollected revenues from bank accounts.

Note 10. Trade and other receivables

The breakdown of "Trade and other receivables" at December 31, 2024 and 2023 is as follows:

Millions of euros	2024	2023
Trade receivables	30	28
Trade receivables from Group companies and associates	211	233
Other receivables	–	1
Employee benefits receivable	1	1
Tax receivables (Note 17)	23	237
Total	265	500

"Trade receivables from Group companies and associates" mainly includes amounts receivable from subsidiaries for the impact of the rights to use the Telefónica brand and the monthly office rental fees (see note 7).

Trade receivables and Trade receivables from Group companies and associates in 2024 and 2023 include balances in foreign currency equivalent to 104 and 98 million euros, respectively.

In 2024 and 2023 these amounts relate to receivables in US dollars and pounds sterling.

These balances give rise to positive exchange rate differences in the income statement by 5 and 3 million euros in 2024 and 2023.

Note 11. Equity

11.1 Capital and reserves

a) Share capital

2024

At December 31, 2024, Telefónica, S.A.'s share capital amounted to 5,670,161,554 euros and is divided into 5,670,161,554 common shares, of a single series and with a par value of 1 euro each, fully paid in. All the shares of the Company have the same characteristics and carry the same rights and obligations.

The Board of Directors of Telefónica, S.A. at its meeting held on April 12, 2024, resolved to carry out the implementation of the share capital reduction through the cancellation of own shares approved by the Annual General Shareholders' Meeting held on the same day.

The share capital of Telefónica, S.A. was reduced in the amount of 80,296,591 euros, through the cancellation of 80,296,591 own shares of the Company held as treasury stock, with a nominal value of one euro each. The share capital of the Company resulting from the reduction was set at 5,670,161,554 euros corresponding to 5,670,161,554 shares with a nominal value of one euro each. Related to the capital reduction the share premium was reduced by 230 million euros.

The reduction did not entail the return of contributions to the shareholders since the Company was the owner of the cancelled shares. The reduction was carried out with a charge to unrestricted reserves, through the allocation of a reserve for cancelled share capital in an amount equal to the nominal value of the cancelled shares (i.e. for an amount of 80,296,591 euros). This reserve for cancelled share capital can only be used if the same requirements as those applicable to the reduction of share capital are met. Therefore, in accordance with the Section 335.c) of the Corporate Enterprises Act, the creditors of the Company cannot claim the opposition right disclosed in article 334 of the Corporate Enterprise Act.

On May 13, 2024, the deed relating to the share capital reduction was registered in the Commercial Registry of Madrid.

The shares of Telefónica, S.A. are represented by book entries that are listed on the Spanish Electronic Market (within the selective Ibex 35 index) and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao), as well as on the New York and Lima Stock

Exchanges (on these latter two Exchanges through American Depositary Shares (ADSs), with each ADS representing one share of the Company).

2023

As of December 31, 2023, the share capital of Telefónica, S.A. was set at 5,750,458,145 euros and was divided into 5,750,458,145 common shares, of a single series and with a par value of 1 euro each, fully paid in. All the shares of the Company have the same characteristics and carry the same rights and obligations.

The impacts in 2023 share capital are detailed below:

On March 31, 2023 the Board of Directors of Telefónica, S.A. agreed to carry out the share capital reduction with treasury share amortization previously approved by the General Shareholders' Meeting, held on the same date.

The share capital was reduced by 24,779,409 euros after the amortization of 24,779,409 treasury shares, with a par value of 1 euro each. The share capital of the Company was set at 5,750,458,145 euros, corresponding to 5,750,458,145 shares with a par value of 1 euro each. As a consequence of this transaction, the share premium reserve was reduced by 73 million euros.

The reduction of capital did not entail the return of contributions to the shareholders since the Company was the owner of the cancelled shares. The reduction was carried out with a charge to unrestricted reserves, through the allocation of a reserve for cancelled share capital in an amount equal to the nominal value of the cancelled shares (i.e. for an amount of 24,779,409 euros). This reserve for cancelled share capital could only be used if the same requirements as those applicable to the reduction of share capital were met. Therefore, in accordance with the Section 335.c) of the Corporate Enterprises Act, the creditors of the Company could not claim the opposition right disclosed in article 334 of the Corporate Enterprise Act.

On April 17, 2023 the deed of the share capital reduction was registered in the Commercial Registry of Madrid.

Authorizations by Shareholders' Meeting

As regards the authorizations conferred in respect of the share capital, the shareholders acting at the Ordinary General Shareholders' Meeting held on June 12, 2020 resolved to delegate to the Board of Directors, as broadly as required by Law, pursuant to the provisions of Section 297.1.b) of the Companies Act, the power to increase the share capital on one or more occasions and

at any time, within a period of five years from the date of adoption of such resolution, by the maximum nominal amount of 2,596,065,843 euros, equal to one-half of the share capital of the Company on the date of adoption of the resolution at the General Shareholders' Meeting, issuing and floating the respective new shares for such purpose with or without a premium, the consideration for which will consist of monetary contributions, with express provision for incomplete subscription of the shares to be issued. The Board of Directors was also authorized to exclude pre-emptive rights in whole or in part, as provided in section 506 of the Corporate Enterprises Act. However, the power to exclude pre-emptive rights is limited to 20% of the share capital on the date on which the resolution is adopted. In accordance with the above-mentioned authorization, as of the end of fiscal year 2024, the Board would be authorized to increase the share capital by the maximum nominal amount of 2,596,065,843 euros.

Furthermore, the Ordinary General Shareholders' Meeting of Telefónica, S.A. held on June 12, 2020 delegated to the Board of Directors, in accordance with the general rules governing the issuance of debentures and pursuant to the provisions of applicable law and the Company's By-Laws, the power to issue securities, including preferred shares and warrants, with the power to exclude the pre-emptive rights of shareholders. The aforementioned securities may be issued on one or more occasions, within a maximum period of five years as from the date of adoption of the resolution. The securities issued may be debentures, bonds, notes and other fixed-income securities, or debt instruments of a similar nature, or hybrid instruments in any of the forms admitted by Law (including, among others, preferred interests) both simple and, in the case of debentures, bonds and hybrid instruments, convertible into shares of the Company and/or exchangeable for shares of the Company, of any of the companies of its Group or of any other company, and/or giving the holders thereof an

interest in the corporate earnings. Such delegation also includes warrants or other similar instruments that may entitle the holders thereof, directly or indirectly, to subscribe for or acquire newly-issued or outstanding shares, payable by physical delivery or through differences. The aggregate amount of the issuance or issuances of instruments that may be approved in reliance on this delegation may not exceed, at any time, 25,000 million euros or the equivalent thereof in another currency. In the case of notes and for purposes of the above-mentioned limits, the outstanding balance of those issued in reliance on the delegation shall be computed. In the case of warrants, and also for the purpose of such limit, the sum of the premiums and exercise prices of each issuance shall be taken into account. Moreover, under the aforementioned delegation resolution, the shareholders at the Ordinary General Shareholders' Meeting of Telefónica, S.A. resolved to authorize the Board of Directors to guarantee, in the name of the Company, the issuance of the aforementioned instruments issued by the companies belonging to its Group of companies, within a maximum period of five years as from the date of adoption of the resolution.

On the other hand, on March 31, 2023, shareholders voted to authorize the acquisition by the Board of Directors of Telefónica, S.A. treasury shares, up to the limits and pursuant to the terms and conditions established at the Shareholders' Meeting, within a maximum five-year period from that date. However, it specified that in no circumstances could the par value of the shares acquired, added to that of the treasury shares already held by Telefónica, S.A. and by any of its controlled subsidiaries, exceed the maximum legal percentage at any time.

On December 31, 2024 and 2023, Telefónica, S.A. held the following treasury shares:

	Number of shares	Euros per share		Market value (*)	%
		Acquisition price	Trading price		
Treasury shares at Dec 31 2023	111,099,480	3.87	3.53	393	1.932 %
Treasury shares at Dec 31 2024	26,874,751	3.97	3.94	106	0.474 %

(*) Millions of euros

The movement in treasury shares of Telefónica, S.A. during the years 2024 and 2023 is as follows:

	Number of shares
Treasury shares at 12/31/22	85,217,621
Acquisitions	60,070,274
Share capital reduction	(24,779,409)
Employee share option plan (See Note 19.3)	(8,845,558)
Other movements	(563,448)
Treasury shares at 12/31/23	111,099,480
Acquisitions	36,525,204
Disposals	(20,543,444)
Share capital reduction	(80,296,591)
Employee share option plan (See Note 19.3)	(19,909,898)
Treasury shares at 12/31/24	26,874,751

Acquisitions

In 2024 and 2023 acquisition of treasury shares amounting to 145 and 223 million euros respectively, have been registered (see note 21).

Share redemption

On April 24, 2024, following the agreement of the General Shareholders' Meeting held on the same date, the share capital reduction was carried out through the cancellation of 80,296,591 own shares with an impact of 310 million euros.

On March 31, 2023 following the agreement of the General Shareholders' Meeting held on the same date, the share capital reduction was carried out with the amortization of 24,779,409 treasury shares with an impact of 98 million euros.

Disposals

The amount recorded for sales of treasury shares in 2024 amounts to 81 million euros. The difference with the proceeds from the sale has been recorded under the unrestricted reserves caption.

Employee share option plan

Treasury shares related to share plans redemptions in 2024 and 2023 amount to 78 and 35 million euros, respectively.

Other instruments

The Company also has different derivative instruments, to be settled by offset, on a nominal value equivalent to 173 million of Telefónica shares, mainly contracted through Banco Bilbao Vizcaya, recorded in the balance sheet at December 31, 2024 in accordance with their maturity date and fair value (193 million euros at December 31, 2023).

b) Legal reserve

According to the text of the Corporate Enterprises Act, companies must transfer 10% of profit for the year to a

legal reserve until this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital by the amount exceeding 10% of the increased share capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available. The General Shareholders' meeting of April 12, 2024 approved an increase of 91 million euros in the legal reserve as a result of the 2023 profit distribution. On December 31, 2024 and 2023, this reserve amounted to 1,150 and 1,059 million euros representing 20.28% and 18.42% of the share capital at both year ends, respectively.

c) Other reserves

The concepts included under this caption are:

- The Revaluation reserve which arose as a result of the revaluation made pursuant to Royal Decree-Law 7/1996 dated June 7. The revaluation reserve may be used, free of tax, to offset any losses incurred in the future and to increase capital. From January 1, 2007, it may be allocated to unrestricted reserves, provided that the capital gain has been realized. The capital gain will be deemed to have been realized in respect of the portion on which the depreciation has been recorded for accounting purposes or when the revalued assets have been transferred or derecognized. In this respect, at the end of 2024 and 2023, an amount of 2 and 3 million euros, corresponding to revaluation reserves subsequently considered unrestricted has been reclassified to Other reserves. The balance of this reserve at December 31, 2024 and 2023 was 49 and 51 million euros, respectively.
- Reserve for cancelled share capital: In accordance with Section 335.c) of the Corporate Enterprises Act and to render null and void the right of opposition provided for in Section 334 of the same Act, whenever the Company carries out a share capital reduction, it records a reserve for cancelled share capital for an amount equal to the par value of the cancelled shares, which can only be used if the same requirements as those applicable to the reduction of share capital are met. The cumulative amount of the reserve for cancelled share capital at December 31, 2024 and 2023 totals 1,059 and 978 million euros, respectively.
- In addition to the restricted reserves explained above, Other reserves includes unrestricted reserves from gains obtained by the Company in prior years. In addition, this caption includes the equity impacts of the corporate transactions described in note 8. Thus, in 2024 the negative impact of the in-kind contribution of the Telefónica Deutschland Holding, A.G. shares to Telefónica Local Services GmbH (see note 8) amounting to 380 million euros is shown under the caption Other movements of the statement of changes in equity.

In 2023 the reverse merger between Pontel Participaciones, S.L. and Telxius Telecom, S.A. with absorption of the first entity by the latter generated a negative impact by 418 million euros in the statement of changes in equity under the "other movements" caption. The merger between Telefónica Innovación Digital, S.L. (previously Telefónica Digital España, S.L.) and Telefónica Investigación y Desarrollo, S.A. has an effect of 1 million euros registered under the same caption.

d) Dividends

Dividend distribution in 2024

Approval was given at the General Shareholders' Meeting of April 12, 2024 to pay a dividend in cash charge to unrestricted reserves amounting to 0.30 euros per share payable in two tranches.

On June 20, 2024, cash dividend of 0.15 euros per share was paid, for a total amount of 846

million euros, and on December 19, 2024, a second payment of 0.15 euros amounting to 847 million euros.

Dividend distribution in 2023

Approval was given at the General Shareholders' Meeting of March 31, 2023 to pay a dividend in cash charge to unrestricted reserves, in two tranches, for an approximate amount of 0.30 euros per share.

On June 15, 2023, 0.15 euros per share was paid, for a total amount of 851 million euros, and on December 14, 2023, a second payment of 0.15 euros amounting to 847 million euros.

11.2 Unrealized gains (losses) reserve

The movements in the items composing "Unrealized gains (losses) reserve" in 2024 and 2023 are as follows:

2024

Millions of euros	Opening balance	Valuation at market value	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Financial assets at fair value with changes through equity (Note 9.3)	101	96	–	(53)	–	144
Cash flow hedges	269	428	(107)	(565)	141	166
Total	370	524	(107)	(618)	141	310

2023

Millions of euros	Opening balance	Valuation at market value	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Financial assets at fair value with changes through equity (Note 9.3)	(14)	113	–	2	–	101
Cash flow hedges	546	(432)	109	63	(17)	269
Total	532	(319)	109	65	(17)	370

Since 2018, the Company includes the fair value hedges, whose impacts are generated and transferred to the income statement in the same period, in the statement of recognized income and expense in equity, and transfers the amounts to the income statement of the same period. The impacts are shown in the column Valuation at market value and with the opposite sign in the column Amounts transferred to income statement of the tables above.

Note 12. Financial liabilities

The breakdown of “Financial liabilities” at December 31, 2024 and 2023 is as follows:

2024

Millions of euros	LIABILITIES AT FAIR VALUE						LIABILITIES AT AMORTIZED COST			
	Financial liabilities with changes through income statement	Hedges with changes through equity	Subtotal financial liabilities at fair value	MEASUREMENT HIERARCHY			Financial liabilities at amortized cost	Fair value of financial liabilities	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE
				Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on other directly observable market data				
Non-current financial liabilities	599	1,103	1,702	—	1,702	—	35,397	36,724	37,099	36,724
Payable to Group companies and associates	—	—	—	—	—	—	33,893	33,508	33,893	33,508
Bank borrowings	—	—	—	—	—	—	828	838	828	838
Derivatives (Note 16)	599	1,103	1,702	—	1,702	—	—	1,702	1,702	1,702
Other financial liabilities	—	—	—	—	—	—	676	676	676	676
Current financial liabilities	160	19	179	—	179	—	5,383	5,514	5,562	5,514
Payable to Group companies and associates	—	—	—	—	—	—	5,260	5,212	5,260	5,212
Bank borrowings	—	—	—	—	—	—	87	87	87	87
Bonds and other marketable debt securities	—	—	—	—	—	—	35	35	35	35
Derivatives (Note 16)	160	19	179	—	179	—	—	179	179	179
Other financial liabilities	—	—	—	—	—	—	1	1	1	1
Total financial liabilities	759	1,122	1,881	—	1,881	—	40,780	42,238	42,661	42,238

2023	LIABILITIES AT FAIR VALUE						LIABILITIES AT AMORTIZED COST			
	MEASUREMENT HIERARCHY						Financial liabilities at amortized cost	Fair value of financial liabilities	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE
	Financial liabilities with changes through income statement	Hedges with changes through equity	Subtotal financial liabilities at fair value	Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on other directly observable market data				
Millions of euros										
Non-current financial liabilities	597	935	1,532	–	1,532	–	34,542	35,556	36,074	35,556
Payable to Group companies and associates	–	–	–	–	–	–	33,482	32,933	33,482	32,933
Loans with financial entities	–	–	–	–	–	–	513	544	513	544
Derivatives (Note 16)	597	935	1,532	–	1,532	–	–	1,532	1,532	1,532
Other financial liabilities	–	–	–	–	–	–	547	547	547	547
Current financial liabilities	149	30	179	–	179	–	7,496	7,674	7,675	7,674
Payable to Group companies and associates	–	–	–	–	–	–	7,353	7,351	7,353	7,351
Loans with financial entities	–	–	–	–	–	–	141	142	141	142
Derivatives (Note 16)	149	30	179	–	179	–	–	179	179	179
Other financial liabilities	–	–	–	–	–	–	2	2	2	2
Total financial liabilities	746	965	1,711	–	1,711	–	42,038	43,230	43,749	43,230

Derivatives are measured using the valuation techniques and models normally used in the market, based on money-market curves and volatility prices available in the market.

Additionally, on this valuation, the credit valuation adjustment or CVA net for counterparty (CVA + DVA), which is the methodology used to measure the credit risk of the counterparties and of Telefónica itself is calculated to adjust the fair value determination of the derivatives. This adjustment reflects the possibility of insolvency or deterioration of the credit quality of the counterparty and Telefónica. The calculation of the fair values of the Company's financial debt instruments required an estimate for each currency of a credit spread curve using the prices of the Company's bonds and credit derivatives.

Note 13. Bonds and other marketable debt securities

This caption, at December 31, 2024 and 2023, only includes a promissory notes program.

The features of the 2024 and 2023 programs are the same and the detail is as follows:

Amount	Placement system	Nominal amount of the Promissory notes	Terms of the Promissory notes	Placement
500 millions of euros	Auctions	100,000 euros	30, 60, 90, 180 and 364 days	Competitive auctions
	Tailored	100,000 euros	Between 3 and 364 days	Specific transactions

The balances and movements of the financial instruments included under this caption at December 31, 2024 and 2023 are as follows:

Millions of euros	2024	2023
	Other marketable debt securities (Promissory notes)	Other marketable debt securities (Promissory notes)
Opening balance	—	—
Additions	63	29
Disposals	(28)	(29)
Closing balance	35	—
Details of maturities:		
Non-current	—	—
Current	35	—

The average interest rate for promissory notes in 2024 has been 3.646% (3.256% in 2023).

Note 14. Interest-bearing debt and derivatives

14.1 Detail of debt balances

The balances at December 31, 2024 and 2023 are as follows:

December 31, 2024

Millions of euros	Current	Non-current	Total
Loans with financial entities (Note 12)	87	828	915
Derivatives (Note 16)	179	1,702	1,881
Total	266	2,530	2,796

December 31, 2023

Millions of euros	Current	Non-current	Total
Loans with financial entities (Note 12)	141	513	654
Derivatives (Note 16)	179	1,532	1,711
Total	320	2,045	2,365

14.2 Disclosure of nominal amount of debts

The nominal values of the main interest-bearing debts at December 31, 2024 and 2023 is as follows:

2024

Description	Value Date	Maturity Date	Currency	Limit 12/31/2024 (millions of local currency)	Balance (millions of euros)
Bilateral Loan	11/21/2024	12/16/2031	EUR	100	100
Bilateral Loan	10/09/2024	10/31/2031	EUR	140	140
Bilateral Loan	03/27/2024	07/31/2034	EUR	150	150
Bilateral Loan	02/14/2023	09/29/2033	EUR	150	150
Bilateral Loan	12/23/2022	06/15/2033	EUR	125	125
Bilateral Loan	09/26/2022	12/15/2032	EUR	150	150

2023

Description	Value Date	Maturity Date	Currency	Limit 12/31/2023 (millions of local currency)	Balance (millions of euros)
Structured Financing (*)	12/11/2015	03/11/2026	USD	150	136
Structured Financing (*)	12/11/2015	03/11/2026	EUR	101	101
Bilateral loan	09/26/2022	12/15/2032	EUR	150	150
Bilateral loan	12/23/2022	06/15/2033	EUR	125	125
Bilateral loan	02/14/2023	09/29/2033	EUR	150	150

(*) Facilities with amortization schedule, showing in the column "Limit 12/31/2023" the outstanding amount.

14.3 Maturities of balances

The maturity of balances at December 31, 2024 and 2023 are as follows:

December 31, 2024	Maturity						
	2025	2026	2027	2028	2029	Subsequent years	Closing balance
Millions of euros							
Loans with financial entities	87	15	(2)	—	—	815	915
Derivatives (Note 16)	179	45	531	353	265	508	1,881
Total	266	60	529	353	265	1,323	2,796

December 31, 2023	Maturity						
	2024	2025	2026	2027	2028	Subsequent years	Closing balance
Millions of euros							
Loans with financial entities	141	46	45	(3)	—	425	654
Derivatives (Note 16)	179	71	58	568	247	588	1,711
Total	320	117	103	565	247	1,013	2,365

14.4 Interest-bearing debt arranged or repaid in 2024

The most significant transactions in 2024 mainly includes the following:

Description	Limit 12/31/2024 (*) (millions)	Currency	Outstanding balance Dec 31 2024 (million euros)	Arrangement date	Maturity date	Drawdown 2024 (million euros)	Repayment 2024 (million euros)
Telefónica, S.A.							
Green Syndicated ⁽¹⁾	5,500	EUR	—	03/15/2018	01/13/2029	—	—
Bilateral loan	—	EUR	150	3/27/2024	07/31/2034	150	—
Bilateral loan	—	EUR	140	10/09/2024	10/31/2031	140	—
Bilateral loan	—	EUR	100	11/21/2024	12/16/2031	100	—

⁽¹⁾ The second one year extension option of the 5,500 million euros green syndicated credit facility of Telefonica, S.A., was executed on January 13, 2024 with a maximum maturity up to 2029.

(*) Undrawn limit.



14.5 Average interest on loans and borrowings

The average interest rate in 2024 on loans and borrowings denominated in euros was 4.223% (3.281% in 2023) and 2.4% (2.6% in 2023) for foreign-currency loans and borrowings.

14.6 Unused credit facilities

The balances of loans and borrowings only relate to drawn down amounts.

At December 31, 2024 and 2023, Telefónica had undrawn credit facilities amounting to 9,524 million euros and 9,688 million euros, respectively.

Financing arranged by Telefónica, S.A. at December 31, 2024 and 2023 is not subject to compliance with financial ratios (covenants).

Note 15. Payable to group companies and associates

15.1 Detail of group debts

The breakdown of payable to group companies and associates at the 2024 and 2023 year ends is as follows:

December 31, 2024

Millions of euros	Non-current	Current	Total
Loans	33,882	5,048	38,930
Trade payables to Group companies and associates	11	111	122
Derivatives (Note 16)	–	5	5
Tax Group payables to subsidiaries	–	96	96
Total	33,893	5,260	39,153

December 31, 2023

Millions of euros	Non-current	Current	Total
Loans	33,473	7,103	40,576
Trade payables to Group companies and associates	9	107	116
Derivatives (Note 16)	–	15	15
Tax Group payables to subsidiaries	–	128	128
Total	33,482	7,353	40,835

The maturity of these loans at the 2024 and 2023 year ends is as follows (figures in millions of euros):

December 31, 2024

Company	2025	2026	2027	2028	2029	2030 and subsequent years	Final balance, current and non-current
Telefónica Emisiones, S.A.U.	2,375	1,881	3,445	1,940	2,528	14,630	26,799
Telefónica Europe, B.V.	1,388	998	998	1,493	997	4,852	10,726
Telfisa Global, B.V.	1,285	–	–	–	–	–	1,285
Telefónica Móviles Argentina, S.A.	–	–	–	–	120	–	120
Total	5,048	2,879	4,443	3,433	3,645	19,482	38,930

**December 31, 2023**

Company	2024	2025	2026	2027	2028	2029 and subsequent years	Final balance, current and non-current
Telefónica Emisiones, S.A.U.	1,298	2,013	1,853	3,367	1,935	15,049	25,515
Telefónica Europe, B.V.	1,225	1,298	998	997	1,491	4,472	10,481
Telfisa Global, B.V.	4,580	—	—	—	—	—	4,580
Total	7,103	3,311	2,851	4,364	3,426	19,521	40,576

Financing raised by Telefónica, S.A. through its subsidiary Telefónica Europe, B.V. at December 31, 2024 amounting 10,726 million euros (10,481 million euros in 2023). This financing entails a number of loans paying market interest rates calculated on a Euribor plus spread basis, with average interest rates at December 31, 2024 of 5.23% (4.75% in 2023). The main source of this financing was the funds obtained through the issuance of undated deeply subordinated reset rate guaranteed securities amounting to 7,578 million euros (7,656 million euros in 2023), bonds and debentures amounting to 1,656 million euros in 2024 y 2023 and commercial paper amounting to 1,165 million euros (1,000 million euros in 2023).

Financing raised by Telefónica, S.A. through Telefónica Emisiones, S.A.U. at December 31, 2024 was 26,799 million euros (25,515 million euros in 2023). This financing is arranged as loans between these companies on the similar terms and conditions as those of the notes issued under the debt issuance programs of Telefónica Emisiones, S.A.U. The average interest rate in 2024 was 3.33% (3.08% in 2023). The financing arranged includes, as a related cost, the fees or premiums taken to the income statement for the period corresponding to the financing based on the corresponding effective interest rates. Telefónica Emisiones, S.A.U. raised financing in 2024 by tapping the European capital markets, issuing bonds totaling 1,750 million euros (850 million euros in 2023).

Part of the amount owed by Telefónica, S.A. to Telefónica Emisiones, S.A.U. and to Telefónica Europe, B.V. includes adjustments to amortized cost at December 31, 2024 and 2023 as a result of fair value interest rate and exchange rate hedges.

In January 2024 Telefónica Móviles Argentina, S.A. granted a 117 million US dollars loan to Telefónica, S.A. with maturity date in 2029. The payment of interests was originally established to be biannual but in July 2024 the contract was amended so that the interests will be paid at maturity.

Telfisa Global, B.V. centralizes and handles cash management and flows for the Telefónica Group in Latin America, the United States, Europe and Spain. The balance payable to this subsidiary is formalized through several deposit agreements accruing interest at market rates and amounting to 1,285 million euros in 2024 (4,580 million euros in 2023).

15.2 Tax liabilities

The balance of "Payable to subsidiaries due to taxation on a consolidated basis" was 96 and 128 million euros at December 31, 2024 and 2023, respectively. This basically includes payables to Group companies for their contribution of taxable income (tax loss carryforwards) to the tax group headed by Telefónica, S.A. (see note 17). The current or non-current classification is based on the Company's projection of maturities.

The most significant balances in 2024 correspond to Telefónica Hispanoamérica, S.L. amounting to 40 million euros and Telefónica Latinoamérica Holding, S.L. amounting to 24 million euros.

The most significant balances in 2023 corresponded to Telefónica Latinoamérica Holding, S.L. amounting to 38 million euros and 73 million euros for Telefónica de España, S.A.

Note 16. Derivative financial instruments and risk management policies

a) Derivative financial instruments

During 2024, the Group continued to use derivatives to limit interest and exchange rate risk on otherwise unhedged positions, and to adapt its debt structure to market conditions.

At December 31, 2024, the total outstanding balance of derivatives transactions was 68,590 million euros (64,139 million euros in 2023), of which 50,369 million euros are related to interest rate risk and 18,221 million euros to foreign currency risk. In 2023 there were, 44,719 million euros related to interest rate risk and 19,420 million euros to foreign currency risk.

This figure is inflated by the use, in some cases, of several levels of derivatives applied to the nominal value of a single underlying liability. For example, a foreign currency loan can be hedged into floating rate, and then each interest rate period can be fixed using a fixed rate hedge, or FRA (forward rate agreement). The high volume is also due to the fact that when a derivative transaction is cancelled, the Company may either cancel the derivative or take the opposite position, which cancels out the variability thereof. The second option is usually chosen in order to cut costs. Even using such techniques to reduce the position, it is still necessary to take extreme care in the use of derivatives to avoid potential problems arising through error or a failure to understand the real position and its associated risks.

It should be noted that on December 31, 2024, Telefónica, S.A. had transactions with financial institutions to hedge exchange rate risk for other Telefónica Group companies amounting to 774 million euros (636 million euros in 2023). At year-end 2024 and 2023, the Company had no transactions to hedge interest rate risk for other Group companies. These external trades are matched by intragroup hedges with identical terms and maturities between Telefónica, S.A. and Group companies, and therefore involve no risk for the Company. External derivatives not backed by identical intragroup transactions consist of hedges on net investment and future acquisitions that, by their nature, cannot be transferred to Group companies and/or transactions to hedge financing raised by Telefónica, S.A. as parent company of the Telefónica Group, which are transferred to Group subsidiaries in the form of financing rather than via derivative transactions.

The breakdown of Telefónica, S.A.'s interest rate and exchange rate derivatives at December 31, 2024, their notional amounts at year end and the expected maturity schedule is as follows:

2024

Type of risk	Value in Euros	Telefónica receives		Telefónica pays	
		Carrying	Currency	Carrying	Currency
Euro interest rate swaps	36,286				
Fixed to floating	12,928	12,928	EUR	12,928	EUR
Floating to fixed	13,860	13,860	EUR	13,860	EUR
Floating to floating	9,498	9,498	EUR	9,498	EUR
Foreign currency interest rate swaps	14,083				
Fixed to floating					
GBPGBP	482	400	GBP	400	GBP
USDUSD	13,601	14,138	USD	14,138	USD
Exchange rate swaps	13,090				
Fixed to fixed					
GBPEUR	582	500	GBP	582	EUR
Fixed to floating					
JPYEUR	95	15,000	JPY	95	EUR
Floating to floating					
EURUSD	260	260	EUR	270	USD
GBPEUR	448	400	GBP	448	EUR
USDEUR	11,705	12,938	USD	11,705	EUR
Forwards	5,131				
BRLEUR	16	101	BRL	16	EUR
EURPEN	160	160	EUR	627	PEN
CZKEUR	92	2,340	CZK	92	EUR
EURBRL	2,804	2,804	EUR	18,047	BRL
EURCLP	1	1	EUR	1,075	CLP
EURGBP	221	221	EUR	183	GBP
EURMXN	1	1	EUR	11	MXN
EURUSD	1,079	1,079	EUR	1,122	USD
GBPEUR	23	19	GBP	23	EUR
USDBRL	20	22	USD	128	BRL
USDCLP	3	4	USD	3,281	CLP
USDCOP	3	3	USD	12,682	COP
USDEUR	698	740	USD	698	EUR
USDPEN	2	2	USD	9	PEN
CLPUSD	1	756	CLP	1	USD
BRLUSD	7	44	BRL	8	USD
Total	68,590				

The breakdown by average maturity is as follows:

Millions of euros					
Hedged underlying item	Notional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Pension Plans	5,966	935	2,507	1,367	1,157
Loans	719	96	278	–	345
In national currency	250	–	–	–	250
In foreign currencies	469	96	278	–	95
Debentures and bonds MtM	48,074	4,992	12,120	1,105	29,857
In national currency	13,288	4,175	100	175	8,838
In foreign currencies	34,786	817	12,020	930	21,019
Other underlying (*)	13,831	9,852	279	–	3,700
Forward	5,131	4,852	279	–	–
IRS	8,700	5,000	–	–	3,700
Total	68,590	15,875	15,184	2,472	35,059

(*) Most of these transactions are related to economic hedges of investments, assets and liabilities of subsidiaries.

The breakdown of Telefónica, S.A.'s derivatives in 2023, their notional amounts at year end and the expected maturity schedule is as follows:

2023

Type of risk	Value in Euros	Telefónica receives		Telefónica pays	
		Carrying	Currency	Carrying	Currency
Euro interest rate swaps	31,386				
Fixed to floating	11,208	11,208	EUR	11,208	EUR
Floating to fixed	12,580	12,580	EUR	12,580	EUR
Floating to floating	7,598	7,598	EUR	7,598	EUR
Foreign currency interest rate swaps	13,333				
Fixed to floating					
GBPGBP	460	400	GBP	400	GBP
USDUSD	12,873	14,226	USD	14,226	USD
Exchange rate swaps	12,910				
Fixed to fixed					
GBPEUR	582	500	GBP	582	EUR
Fixed to floating					
JPYEUR	95	15,000	JPY	95	EUR
Floating to floating					
GBPEUR	448	400	GBP	448	EUR
USDEUR	11,785	13,026	USD	11,785	EUR
Forwards	6,510				
BRLEUR	39	210	BRL	39	EUR
EURPEN	95	95	EUR	391	PEN
CZKEUR	95	2,339	CZK	95	EUR
EURBRL	3,194	3,194	EUR	17,088	BRL
EURCLP	58	58	EUR	56,635	CLP
EURGBP	324	324	EUR	282	GBP
EURMXN	1	1	EUR	15	MXN
EURUSD	1,415	1,415	EUR	1,563	USD
GBPEUR	12	10	GBP	12	EUR
USDBRL	26	27	USD	138	BRL
USDCLP	4	5	USD	4,315	CLP
USDCOP	3	3	USD	13,885	COP
USDEUR	1,237	1,358	USD	1,237	EUR
USDPEN	3	3	USD	12	PEN
CLPUSD	1	872	CLP	1	USD
BRLUSD	2	9	BRL	2	USD
COPUSD	1	4,027	COP	1	USD
PENUSD	—	2	PEN	—	USD
Subtotal	64,139				



The breakdown by average maturity is as follows:

Millions of euros					
Hedged underlying item	Notional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Pension plans	6,254	1,138	2,627	1,445	1,044
Loans	765	560	111	—	94
In national currency	400	400	—	—	—
In foreign currencies	365	160	111	—	94
Debentures and bonds MtM	42,609	3,298	4,636	7,859	26,816
In national currency	8,650	2,850	125	275	5,400
In foreign currencies	33,959	448	4,511	7,584	21,416
Other underlying (*)	14,511	10,811	—	—	3,700
Forward	6,511	6,511	—	—	—
IRS	8,000	4,300	—	—	3,700
Total	64,139	15,807	7,374	9,304	31,654

(*) Most of these transactions are related to economic hedges of investments, assets and liabilities of subsidiaries.

The debentures and bonds hedged relate to intragroup loans on the same terms as the issues of Telefónica Europe, B.V. and Telefónica Emisiones, S.A.U.

b) Risk management policy

Telefónica, S.A. is exposed to various financial market risks as a result of: (i) its ordinary business activity, (ii) debt incurred to finance its business, (iii) its investments in companies, and (iv) other financial instruments related to the above commitments.

The main market risks affecting Telefónica are as follows:

Exchange rate risk

Foreign currency risk primarily arises in connection with: (i) Telefónica's international presence, through its investments and businesses in countries that use currencies other than euro (primarily in Latin America and in the United Kingdom), and (ii) debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt and (iii) due to those accounts payable or receivable referred to the entity that has registered the transaction.

Interest rate risk

Interest rate risk arises primarily in connection with changes in interest rates affecting (i) financial expenses on floating rate debt (or short-term debt likely to be renewed), (ii) the value of non-current liabilities at fixed interest rates and (iii) financial expenses and principal payments of inflation-linked financial instruments, considering interest rate risk as the impact of changes in inflation rates.

Share price risk

Share price risk arises primarily from changes in the value of the equity investments (that may be bought, sold or otherwise involved in transactions), from changes in the value of derivatives associated with such investments, from changes in the value of treasury shares and from derivatives on treasury shares.

Other risks

Telefónica, S.A. is also exposed to liquidity risk if a mismatch arises between its financing needs (operating and financial expense, investment, debt redemptions and dividend commitments) and its sources of finance (revenues, divestments, credit lines from financial institutions and capital market operations). The cost of finance could also be affected by changes in the credit spreads (over benchmark rates) demanded by lenders.

Credit risk appears when a counterparty fails to meet or delays its payment obligations in accordance with the agreed terms, driving an impairment in an asset due to: (i) solvency issues, or (ii) no intention to pay.

Finally, Telefónica is exposed to country risk (which overlaps with market and liquidity risks). This refers to the possible decline in the value of assets, cash flows generated, or cash flows returned to the parent company as a result of political, economic or social instability in the countries where Telefónica, S.A. operates, especially in Latin America.

Risk management

Telefónica, S.A. actively manages these risks through the use of derivatives (primarily on exchange rates, interest rates, credit and share prices) and by incurring debt in local currencies, where appropriate, with a view to optimize the financial cost and to stabilizing cash flows, the income statement and investments. In this



way, Telefónica attempts to protect its solvency, facilitate financial planning and take advantage of investment opportunities.

Telefónica manages its exchange rate risk and interest rate risk in terms of net debt and net financial debt internally calculated. Telefónica believes that these parameters are more appropriate to understand its debt position. Net debt and net financial debt take into account the impact of the Group's cash and cash equivalents balances including derivative positions with a positive value linked to liabilities. Neither net debt nor net financial debt as calculated by Telefónica should be considered an alternative to gross financial debt (the sum of current and non-current interest-bearing debt).

Exchange rate risk

The fundamental objective of the exchange rate risk management policy is that, in case of depreciation in foreign currencies relative to the euro, any potential losses is hedged in the value of the business investment in foreign currency. The degree of exchange rate hedging employed varies depending on the type of investment. For transactions of purchase or sale of a business in currencies other than euro, additional hedges can be made based on the estimate prices of the transactions or on estimated cash flows.

Telefónica occasionally takes out dollar-denominated debt to hedge the euro-dollar intermediate component in the relation euro-Latin American currencies, either in Spain (where such debt is associated with an investment as long as it is considered to be an effective hedge) or in the country itself, where the market for local currency financing or hedges may be inadequate or non-existent.

At December 31, 2024, net financial debt in pounds sterling was equivalent to 46 million euros (82 million euros at December 31, 2023). The synthetic debt target denominated in pounds sterling will be directly related to the flows that are expected to be repatriated from VMED O2 UK.

Telefónica also manages its exchange rate risk seeking to significantly reduce the negative impact of any currency exposure on the income statement, both from transactions recognized on the balance sheet and those classified as highly probable, regardless of whether or not open positions are held. Such open position exposure can arise for any of three reasons: (i) a thin market for local derivatives or difficulty in obtaining funding in the local currency, making it impossible to arrange a low-cost hedge (as in Argentina and Venezuela); (ii) financing through intra-group loans, where the accounting treatment of exchange rate risk is different from that for funding through capital contributions, and (iii) as the result of a deliberate policy decision, to avoid the high cost of hedges that are not warranted by expectations or high depreciation risks.

The main transactions that generate or may generate exchange rate risk (regardless of whether or not they have an impact on the income statement) are, among others: bond issuances in currencies other than the euro, which is Telefónica, S.A.'s functional currency, highly probable transactions in other currencies, future cash inflows in other currencies, investments and divestments, provisions for collections or payments and collections in foreign currency, the actual value of the investments (subsidiaries) in currencies other than the euro.

Interest rate risk

Telefónica's financial expenses are exposed to changes in interest rates. In 2024 the euro, Brazilian real, pounds sterling and the US dollar were the short term rates that accounted for most of the exposure. Telefónica manages its interest rate risk by entering into derivative financial instruments, primarily swaps and interest rate options.

Telefónica analyzes its exposure to changes in interest rates at the Telefónica Group level. The table illustrates the sensitivity of finance costs and the balance sheet to variability in interest rates at Group and Telefónica, S.A. level.

	Impact on Consolidated P/L	Impact on Telefónica, S.A. P/L	Impact on Consolidated Equity	Impact on Telefónica, S.A. Equity
+100bp	(41)	(14)	533	363
-100bp	41	14	(533)	(363)

To calculate the sensitivity of the income statement, a 100 basis point rise in interest rates in all currencies in which there are financial positions at December 31, 2024 has been assumed, as well as a 100 basis point decrease in all currencies in order to avoid negative rates. The constant position equivalent to that prevailing at the end of the year has also been assumed.

To calculate the sensitivity of equity to variability in interest rates, a 100 basis point increase in interest rates in all currencies and terms in which there are financial positions at December 31, 2024 was assumed, as well as a 100 basis point decrease in all currencies and terms. Cash flow hedge positions were also considered as they are the only positions where changes in market value due to interest-rate fluctuations are recognized in equity.



In both cases, only transactions with external counterparties have been considered.

Share price risk

The Telefónica Group is exposed to changes in the value of equity investments, of derivatives associated with such investments, of share-based payments plans, of treasury shares and of equity derivatives over treasury shares.

According to the share-based payments plans (see note 19) the shares to be delivered to employees under such plan may be either the parent company treasury shares, acquired by Telefónica or any of its Group companies; or newly-issued shares. The possibility of delivering shares to beneficiaries of the plan in the future implies a risk since there could be an obligation to hand over the maximum number of shares granted at the end of each cycle, whose acquisition (in the event of acquisition in the market) in the future could imply a higher cash outflow than required on the start date of each cycle if the share price at the vesting date is above the price at the start of the cycle. In the event that new shares are issued for delivery to the beneficiaries of the plan, there would be a dilutive effect for ordinary shareholders of Telefónica as a result of the higher number of shares delivered under such plan outstanding.

In 2021, the General Shareholder's Meeting approved a long-term incentive plan consisting of the delivery of shares of Telefónica, S.A. allocated to executives and managers of the Telefónica Group.

Additionally, the 2022 Shareholder's Meeting approved a share plan for the incentivized purchase of shares for employees of the Telefónica Group, which was implemented in June 2022.

Finally, in 2024 the General Shareholders' Meeting approved a long-term incentive plan consisting of the delivery of shares of Telefónica, S.A. allocated to executives and managers of the Telefónica Group.

The characteristics of these above mentioned plans are described in note 19.

To reduce the risk associated with variations in share price under these plans, Telefónica could acquire instruments that hedge the risk profile of some of these plans.

In addition, part of the treasury shares of Telefónica, S.A. held at December 31, 2024 might be used to hedge the shares deliverable under the new plans. The fair value of the treasury shares at liquidation moment could increase or decrease depending on the variations in Telefónica, S.A.'s share quotation.

Liquidity risk

Telefónica seeks to match the schedule for its debt maturity payments to its capacity to generate cash flows to meet these maturities, while allowing for some flexibility. In practice, this has been translated into two key principles:

1. Telefónica's average maturity of net financial debt is intended to stay above 6 years, or be restored above that threshold in a reasonable period of time if it eventually falls below it. This principle is considered as a guideline when managing debt and access to credit markets, but not a rigid requirement. When calculating the average maturity for the net financial debt and part of the undrawn credit lines can be considered as offsetting the shorter debt maturities, and extension options on some financing facilities may be considered as exercised, for calculation purposes.
2. Telefónica must be able to pay all commitments over the next 12 months without accessing new borrowing or tapping the capital markets (drawing upon firm credit lines arranged with banks), assuming budget projections are met.

Country risk

Telefónica managed or mitigated country risk by pursuing two lines of action (in addition to its normal business practices):

1. Partly matching assets to liabilities (those not guaranteed by the parent company) in the Latin American companies so that any potential asset impairment would be accompanied by a reduction in liabilities; and,
2. Repatriating funds generated in Latin America that are not required for the pursuit of new, profitable business development opportunities in the region.

Credit risk

The Telefónica Group trades in derivatives with creditworthy counterparties. Therefore, Telefónica, S.A. generally trades with credit entities whose "senior debt" ratings are of at least "A-" or in case of Spanish entities in line with the credit rating of the Kingdom of Spain. In Spain, where most of the Group's derivatives portfolio is held, there are netting agreements with financial institutions, with debtor or creditor positions offset in case of bankruptcy, limiting the risk to the net position. In addition, the CDS (Credit Default Swap) of all the counterparties with which Telefónica, S.A. operates is monitored at all times in order to assess the maximum allowable CDS for operating at any given time. Transactions are generally only carried out with counterparties whose CDS is below the threshold.



CVA or net *Credit Valuation Adjustment* (CVA+DVA) by is the method used to measure credit risk for both counterparties and Telefónica in order to determine the fair value of the derivatives portfolio. This adjustment reflects the probability of default or the deterioration of the credit quality of both Telefónica and its counterparties. The simplified formula to calculate CVA is Expected Exposure times Probability of Default times Loss Given Default (LGD). In order to calculate these variables standard market practices are used.

When managing credit risk, Telefónica considers the use of CDS, novations, derivatives with break clauses and signing CSAs under certain conditions as well as derivatives with early termination conditions.

For other subsidiaries, particularly those in Latin America, assuming a stable sovereign rating provides a ceiling which is below "A", trades are with local financial entities whose rating by local standards is considered to be of high creditworthiness.

Meanwhile, with credit risk arising from cash and cash equivalents, the Telefónica Group places its cash surpluses in high quality money-market assets. These placements are regulated by a general framework, revised annually. Counterparties are chosen according to criteria of liquidity, solvency and diversification based on the conditions of the market and countries where the Group operates. The general framework sets: the maximum amounts to be invested by counterparty based on its rating (long-term debt rating); the counterparty-related CDS compared with the banks which Telefónica S.A. operates with (on analogue way as to the derivatives) and the instruments in which the surpluses may be invested (money-market instruments).

Formal delegation of authority procedures and management practices are implemented in the different Group companies, taking into account benchmark risk management techniques but adapted to the local characteristics of each market. Commercial debtors that may cause a relevant impact on the individual financial statements and increased risk profile products - due to customer target, term, channels or other commercial characteristics - are subject to specific management practices in order to mitigate the exposure to credit risk.

This customer credit risk management model is embedded in the day-to-day operational processes of the different companies, where the credit risk assessment guides both the product and services available for the different customers and the collection strategy.

Telefónica's maximum exposure to credit risk is initially represented by the carrying amounts of the assets (see notes 8 and 9) and the guarantees given by Telefónica (see note 20).

Capital management

Telefónica's corporate finance department takes into consideration several factors for the evaluation of the capital structure of the Company, with the aim of maintaining the solvency and creating value to the shareholders.

The corporate finance department estimates the cost of capital on a continuous basis through the monitoring of the financial markets and the application of standard industry approaches for calculating weighted average cost of capital, or WACC, so that it can be applied in the valuation of businesses in course and in the evaluation of investment projects. Telefónica also uses as reference a certain level of net financial debt (excluding items of a non-recurring or exceptional nature) that allows a comfortable investment grade credit rating as assigned by credit rating agencies, aiming at protecting credit solvency and making it compatible with alternative uses of cash flow that could arise at any time.

These general principles are refined by other considerations and the application of specific variables, such as country risk in the broadest sense, or the volatility in cash flow generation that are considered, when evaluating the financial structure of the Telefónica Group and its different business units.

Interest rate benchmark reform and associated risks

In 2022, the transition was made to the new reference indexes affected as of December 31, 2022 (GBP Libor and CHF Libor) and in June 2023 the one related to USD Libor. Due to the need to incorporate substitute indexes (known as fallbacks) of the reference rates used in the contracts, in 2021 Telefónica, S.A. decided not to adhere to the ISDA Protocol and has since negotiated bilateral contracts with each affected counterparty. Thanks to the decisions agreed in 2021 to manage the changes in Libor, there have been no impacts from these changes, no contractual modifications of derivative instruments nor impact on hedging relationships directly affected by the reform. Thus, since June 2023, all Libor indexes have been replaced by Libor fallbacks for the entire portfolio outstanding on that date.

Derivatives Policy

Telefónica's derivatives policy emphasizes the following points:

- Derivatives based on a clearly identified underlying.
- Matching of the underlying to one side of the derivative.
- Matching the company contracting the derivative and the company that owns the underlying.
- Ability to measure the derivative's fair value using the valuation systems available to the Telefónica Group.



- Sale of options only when there is an underlying exposure.

Hedge accounting

Hedges can be of three types:

- Fair value hedges.
- Cash flow hedges. Such hedges can be set at any value of the risk to be hedged (interest rates, exchange rates, etc.) or for a defined range (interest rates between 2% and 4%, above 4%, etc.). In this last case, the hedging instruments used are options and only the intrinsic value of the option is recognized as an effective hedge. The changes in the temporal value of the option are registered in the income statement.
- Net investment hedges in consolidated foreign subsidiaries. Generally, such hedges are arranged by the parent company. Wherever possible, these hedges are implemented through real debt in foreign currency. However, this is not always possible as many Latin American currencies are non-convertible, making it impossible for non-resident companies to issue local currency debt. It might also occur that the local debt market is not deep enough to accommodate the required hedge, or that an acquisition is made in cash with no need for market financing. In these circumstances, derivatives, either forwards or cross-currency swaps, are mainly used to hedge the net investment.

Hedges can comprise a combination of different derivatives.

There is no reason to suppose management of accounting hedges will be static, with an unchanging hedging relationship lasting right through maturity. Hedging relationships may change to allow appropriate management that serves our stated principles of stabilizing cash flows, stabilizing net financial income/expense and protecting our equity. The designation of hedges may therefore be cancelled, before maturity, because of a change in the underlying, a change in the perceived risk on the underlying or a change in market view. The hedges must meet the effectiveness test and be well documented. To gauge the efficiency of transactions defined as accounting hedges, Telefónica analyzes the extent to which the changes in the fair

value or in the cash flows attributable to the hedging instrument would offset the changes in fair value or cash flows attributable to the hedged risk using a linear regression model for both forward- and backward-looking analysis.

The possible sources of ineffectiveness that might arise when designing a hedging relationship and that will be considered when establishing the hedging rationale are:

- The hedging instrument and the hedged item have different maturity dates, initial dates, contract dates, repricing dates, etc.
- The hedging instrument starts with initial value and a financing effect is produced.
- When the underlying items have different sensitivity and are not homogeneous, for example EURIBOR 3M versus EURIBOR 6M.

The main guiding principles for risk management are laid down by Telefónica's finance department (who are responsible for balancing the interests of the companies in a standalone basis and those of the Telefónica Group). The Corporate finance department may allow exceptions to this policy where these can be justified, normally when the market is too thin for the volume of transactions required or on clearly limited and small risks.

In 2024 the Company recognized a loss of 0.6 million euros for the ineffective part of cash flow hedges (a loss of 2.8 million euros in 2023).

The fair value of Telefónica, S.A.'s derivatives with third parties amounted to a positive MtM (accounts receivable) of 961 million euros in 2024 (502 million euros in 2023).

The fair value of Telefónica, S.A.'s intragroup derivatives amounted to a positive MtM minor than 1 million euros in 2024 (accounts payable of 12 million euros in 2023).

The breakdown of the Company's derivatives with third party counterparties at December 31, 2024 and 2023 by type of hedge, their fair value at year end and the expected maturity schedule of the notional amounts is as follows:

2024

Millions of euros

Derivatives	Fair value (**)	Notional amount maturities (*)				
		2025	2026	2027	Subsequent years	Total
Interest rate hedges	(224)	(1,802)	–	381	(4,565)	(5,986)
Cash flow hedges	23	(2,327)	–	–	3,627	1,300
Fair value hedges	(247)	525	–	381	(8,192)	(7,286)
Exchange rate hedges	(578)	–	582	714	4,699	5,996
Cash flow hedges	(578)	–	582	714	4,699	5,996
Interest and exchange rate hedges	(5)	46	9	472	279	806
Cash flow hedges	(5)	46	9	472	279	806
Net investment Hedges	(69)	(2,595)	–	–	–	(2,595)
Other derivatives	(84)	(553)	895	(325)	(1,628)	(1,612)
Interest rate	163	(348)	(738)	(325)	(2,253)	(3,664)
Exchange rate	(347)	(588)	1,240	–	625	1,277
Other	100	382	393	–	–	775

(*) For interest rate hedges, the positive amount is in terms of fixed "payment." For foreign currency hedges, a positive amount means payment in functional versus foreign currency.

(**) Positive amounts indicate payables.

2023

Millions of euros

Derivatives	Fair value (**)	Notional amount maturities (*)				
		2024	2025	2026	Subsequent years	Total
Interest rate hedges	(300)	(1,200)	(302)	–	(3,849)	(5,351)
Cash flow hedges	21	(1,500)	(827)	–	2,627	300
Fair value hedges	(321)	300	525	–	(6,476)	(5,651)
Exchange rate hedges	(381)	(81)	–	582	5,413	5,914
Cash flow hedges	(377)	–	–	582	5,413	5,995
Fair value hedges	(4)	(81)	–	–	–	(81)
Interest and exchange rate hedges	30	80	46	9	751	886
Cash flow hedges	30	80	46	9	751	886
Net investment Hedges	6	(2,965)	–	–	–	(2,965)
Other derivatives	143	(168)	(239)	1,023	(1,032)	(416)
Interest rate	109	(288)	(348)	(738)	(1,657)	(3,031)
Exchange rate	(110)	(687)	–	1,761	625	1,699
Other	144	807	109	–	–	916

(*) For interest rate hedges, the positive amount is in terms of fixed "payment." For foreign currency hedges, a positive amount means payment in functional versus foreign currency.

(**) Positive amounts indicate payables.

Note 17. Income tax

Pursuant to a Ministerial Order dated December 27, 1989, Telefónica, S.A. has filed consolidated tax returns with certain Group companies. The consolidated tax group in 2024 and 2023 comprised 47 and 45 companies, respectively.

This tax consolidation regime applies indefinitely providing the companies continue to meet the requirements set down in prevailing legislation, and that application of the regime is not expressly waived.

Tax balances as of December 31, 2024 and 2023 are as follows:

Millions of euros	2024	2023
Tax receivables:	1,748	1,460
Deferred tax assets:	1,725	1,224
Deferred income tax (income)	518	371
Long-term tax credits for loss carryforwards	823	658
Unused tax deductions	384	195
Current tax receivables (Note 10):	23	236
Withholdings	5	10
Corporate income tax receivable	11	216
VAT and Canary Islands general indirect tax refundable	7	10
Tax payable:	696	252
Deferred tax liabilities:	576	95
Current payables to public administrations (Note 18):	120	157
Personnel income tax withholdings	5	5
Withholding on investment income, VAT and other	113	150
Social security	2	2

Telefónica, S.A., considers that unused tax loss carryforwards in Spain, taking into account tax litigation in which the Group is involved, amount to 3,687 million euros at December 31, 2024.

Dec 31 2024	Total carry-forwards	Less than 1 year	More than 1 year	Total recognized
Tax Group tax credits for loss carryforwards	3,439	868	2,571	3,294
Prior to Tax Group loss carryforwards (*)	248	—	248	—

(*) Unused tax credits for loss carryforwards

Total tax credits based on the taxable income recognized in the balance sheet at December 31, 2024 amounts to 823 million euros (658 million euros in 2023).

During 2024, Telefónica, S.A., as head of the Telefónica tax group, made no payments on account of income tax (198 million euros in 2023).



17.1 Movement in deferred tax assets and liabilities

The balances and movements in deferred tax assets and liabilities for Telefónica, S.A. at December 31, 2024 and 2023 are as follows:

2024

Millions of euros	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Deferred tax liabilities
Opening balance	658	371	195	1,224	95
Additions	178	193	176	546	515
Disposals	(13)	(45)	(20)	(78)	(34)
Transfers to the tax Group's net position	—	—	33	33	—
Closing balance	823	518	384	1,725	576

2023

Millions of euros	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Deferred tax liabilities
Opening balance	38	118	267	423	189
Additions	702	273	23	998	4
Disposals	(80)	(19)	(119)	(218)	(96)
Transfers to the tax Group's net position	(1)	—	24	23	(2)
Closing balance	658	371	195	1,224	95

The company assesses the recoverability of deferred tax assets based on the future activities carried out by the different companies that conform the Tax Group, on the Spanish tax regulation and on the strategic decisions affecting the companies. On December 31, 2024 the estimate of the recoverability of deferred tax assets has been assessed taking into account, (i) the estimated Tax Group companies result, (ii) the regulatory changes caused by the entry into force of Law 38/2022 setting a limit to the compensation of loss within subsidiaries within Consolidated Tax Groups and (iii) the impacts of RD 3/2016 (see Sentence of the Constitutional Court over the Royal Decree 3/2016 at the end of this note) and (iv) the impact of Law 7/2024.

The aforementioned Law 7/2024 of December 20, also restores the obligation of reversal for impairment losses on investments that had been tax deductible prior to 2013 and that were pending of reversal as of January 1, 2024 (see section Constitutional Court Ruling on Royal Decree Law 3/2016 in this note). The reversal must be carried out, at a minimum, in equal parts for each of the first three fiscal years beginning after January 1, 2024, which has entailed the accounting of a deferred tax liability of 535 million euros for the outstanding balance at the beginning of fiscal year 2024. In addition, in its analysis of the recoverability of deferred tax assets at the end of 2024, the Company has taken into account the amount of impairment losses deducted before 2013

that are pending of reversal, quantifying the effects on the following years.

Pursuant to this analysis, in 2024 an activation of deferred tax assets for loss carryforwards amounting to 174 million euros and deductions amounting to 147 million euros have been recorded with a balancing entry to the deferred income tax caption by a total of 321 million euros.

In addition, deferred tax assets were recorded corresponding to deductible temporary differences amounting to 165 million euros, under the same Law, which also establishes the extension to the years 2024 and 2025 of the 50% limitation on the use of standalone tax loss carryforwards for the year, which must be reversed in equal parts during each of the ten years following its application.

As a consequence of the ruling by the EU General Court (TGEU) on September 27, 2023 finally cancelling the Third Decision 2015/314 of the European Commission (see note 17.3 Tax deductibility of financial goodwill in Spain), an addition of tax credits for loss carryforwards was recorded in 2023 by 334 million euros with an entry in deferred income tax.

Moreover, in 2023 a long term tax provisions (see note 18) and the related deferred tax assets were reversed by 49 million euros after the decision about the state aid recuperation procedure corresponding to the tax deductibility of financial goodwill from 2019 and 2020 (see note 17.3 Tax deductibility of financial goodwill in Spain).

Furthermore, in 2024 there has been a reversal in the deferred tax liabilities caption caused by the accounting of the tax effect in the valuation of financial derivative instruments with changes through equity amounting to 29 million euros (a reversal of 96 million euros in 2023).

17.2 Reconciliation of accounting profit (loss) to taxable income and income tax expense to income tax payable

The calculation of the income tax expense and income tax payable for 2024 and 2023 is as follows.

Millions of euros	2024	2023
Accounting profit (loss) before tax	512	1,129
Permanent differences	(1,799)	(3,102)
Temporary differences:	(34)	(7)
Arising in the year	39	61
Arising in prior years	(73)	(68)
Tax result	(1,321)	(1,980)
Gross tax payable	(330)	(495)
Corporate income tax refundable	(330)	(495)
Activation/Reversal of loss carryforwards and/or deductions	(335)	(655)
Temporary differences for tax valuation	9	2
Other effects	572	93
Corporate income tax accrued in Spain	(84)	(1,055)
Foreign taxes	31	31
Minimum complementary tax	2	—
Income tax	(51)	(1,024)
Current income tax	(155)	(244)
Deferred income tax	102	(780)

The permanent differences mainly correspond to the impairment of the investments in Group companies, to the non-taxable dividends received and to the financial goodwill.

The heading Activation/Reversal of loss carryforwards and/or deductions mainly includes the activation of loss carryforwards by 174 million euros as described at the beginning of this note (activation of loss carryforwards by 702 million euros in 2023) and the activation of

deductions by 147 million euros in 2024 (70 million euros of deduction reversals in 2023).

The "Other impacts" caption mainly includes the effects of the reversal of impairment losses deducted before 2013 and the inclusion of the years 2016 to 2021 as described in note 17.1, giving rise to a deferred tax liability of 535 million euros.

The caption "minimum complementary tax" arises from Law 7/2024, which implements the European regulation Pillar Two in Spain, establishing, with a retroactive effect for fiscal years starting on January 1, 2024, a complementary tax ensuring that large multinational groups are taxed at a minimum effective rate of 15% wherever they operate. The impact of this tax, which is no relevant in 2024, is shown in the chart above.

17.3 Tax inspections and tax-related lawsuits

In July 2019, new inspection proceedings were initiated with respect to several of the companies belonging to tax group 24/90, of which Telefónica, S.A. is the dominant company. The taxes and period being audited were corporate income tax for the years 2014 to 2017.

In January 2022 the tax inspection proceeding was closed after the reception of the resolution agreement. The Company filed an appeal against this resolution to the Economic-Administrative Central court including the non-agreed adjustments, mainly corresponding to the "juros over equity". In December 2022 the Company received a rejected resolution by the Economic-Administrative Central court which was appealed by the Company to the Contencioso-Administrativo court in the Spanish Audiencia Nacional in February 2023.

With respect to the inspection proceedings for the years 2008-2011, in July 2022 a Supreme Court resolution was notified with the dismissal of the appeal filed by the Government lawyers against the resolution of the Spanish Audiencia Nacional dated October 29, 2021, which validated the liquidation usage criteria of negative loss carryforwards and deductions used by Telefónica, S.A. in the inspections agreements of those years.

On October 24, 2022 an execution agreement filed by the Spanish Audiencia Nacional ordered a payment to Telefónica, S.A. amounting to 790 million euros as notional of the taxes as well as 526 million euros of interests.

In July 2023 new inspection proceedings were initiated with respect to several of the companies belonging to tax group 24/90, of which Telefónica, S.A. is the dominant company. The taxes and period being audited were as follows: corporate income tax for the years 2018 to 2021 and value added tax for period between May to December 2019 as well as the years 2020 and 2021.



At year-end of 2024, even if there are inspection proceedings ongoing, tax-related lawsuits to be concluded and additional years to be inspected yet, it was determined that there was no need to record additional liabilities to those already described in these financial statements.

Constitutional Court Ruling on Royal Decree Law 3/2016

On January 18, 2024, the plenary session of the Constitutional Court of Spain ("TC") unanimously declared unconstitutional certain measures introduced by Royal Decree-Law 3/2016 of December 2 on corporate income tax. Specifically, the TC declared unconstitutional the setting of stricter ceilings for the offsetting of tax loss carryforwards, the introduction ex novo of a limit on the application of double taxation deductions, and the obligation to automatically integrate into the tax base of the tax the impairment of holdings that had been deducted in previous years. This ruling, following the trend of previous TC rulings, points out that, in the interest of legal certainty, the effects of the declaration of unconstitutionality are limited.

However, because Telefónica has submitted letters of request for rectification for the financial years 2016 onwards of both the consolidated self-assessment tax returns (Form 220) of the Tax Group 24/90 and the individual self-assessment tax returns (Form 200) of the Group companies affected by the measures deemed to be unconstitutional, Telefónica would not be affected by any such limitation on the scope of the declaration of unconstitutionality.

Furthermore, on December 21, 2024, Law 7/2024 of December 20 was published in the Official State Gazette (BOE), which, in addition to regulating a complementary tax ensuring a minimum global tax rate for multinational groups (transposing European Council Directive 2022/2523 of December 15), introduces other changes to the corporate income tax in order to reverse the effects of the partial annulment of the tax measures introduced by Royal Decree-Law 3/2016 of December 2.

With effect from tax periods starting on or after January 1, 2024 and not yet concluded at the time the Law 7/2024 comes into force, the mandatory reversal regime for impairments of securities on share capital or equity that had been fiscally deductible prior to 2013 is reinstated.

Specifically, the total amount of impairments that were deductible before 2013 and are pending reversal as of January 1, 2024 must be included in the tax base.

The reversal must be made, at a minimum, in equal parts during each of the first three financial years starting from January 1, 2024. It will be possible to offset the positive income arising from this mandatory reversal with tax loss carryforwards generated in years prior to

2021, without the application of the 25% and 50% limits mentioned earlier (although the general 70% limit will still apply).

As a result, the corporate income tax returns of the fiscal group in Spain for the years 2016 to 2021 will be affected by the aforementioned ruling. Given the current status of the litigation related to the corporate income tax for 2016-2017 before the Spanish National Court, and the conclusion of the tax inspection process for the years 2018 to 2021, it is expected that the Spanish tax authorities will issue the corresponding enforcement agreements when the inspection procedure concludes in 2025.

Accordingly, Telefónica, with the support of its external advisors, based on the applicable financial reporting framework, has taken into account the effects of the unconstitutionality of Royal Decree-Law 3/2016 and Law 7/2024.

The effects are disclosed at the beginning of note 17.1 Movement in deferred tax assets and liabilities.

As a result of the execution of this TC ruling, as well as the ruling from the General Court of the European Union regarding the amortization of goodwill, Telefónica could once again have available (in addition to the 334 million euros, either in whole or in part, the following tax credits for negative tax bases and deductions used in the assessments of those years: for negative tax bases of the years 2002, 247 million euros; 2004, 21 million euros; 2011, 615 million euros; and 2015, 1,503 million euros; and for deductions: for double taxation for the years 2010 to 2020, 952 million euros; for reinvestment for the years 2003 and 2011 to 2013, 23 million euros; for investments from 2003 to 2013, 476 million euros; for donations from the years 2009 to 2018, 260 million euros; for fixed assets in the Canary Islands from 2010 to 2020, 101 million euros and due to the reversal of temporary measures from 2015 to 2020, 29 million euros.

Tax deductibility of financial goodwill in Spain

The tax regulations added article 12.5 to the Spanish Corporate Income Tax Law, which came into force on January 1, 2002. The article regulated the deductibility of tax amortization of financial goodwill (fondo de comercio) arising from the acquisition of non-Spanish companies, which could be amortized over 20 years at 5% per annum.

Following the entry into force of the Laws 9/2011 of August 19, 2011 and 16/2013 of October 29, 2013, the amount of goodwill amortization deductible for tax purposes under article 12.5 for the years 2011 to 2015 was reduced from 5% to 1%. The effect is temporary because the 4% not amortized for five years (20% in total) will be recovered extending the deduction period from the initial 20 years to 25 years.



The Telefónica Group, under this regulation, has been amortizing for tax purposes the financial goodwill from its investments, both direct and indirect, in O2, BellSouth and Colombia Telecomunicaciones (prior to December 21, 2007) and Vivo (acquired in 2010). The positive accumulated effect of the corresponding settlements of corporate income tax from 2004 to the closing of December 31, 2024, was 2,368 million euros.

In relation to this tax incentive, the European Commission (EC) has in recent years commenced three proceedings against the Spanish State, as it deems that this tax benefit could constitute an example of state aid. Although the EC itself acknowledged the validity of the tax incentive for those investors that invested in European companies for operations carried out before December 21, 2007 in the first decision, and before May 21, 2011 for investments in other countries in the second decision, in its third decision issued on October 15, 2014 it calls into question the applicability of the principle of legitimate expectations in the application of the incentive for indirect acquisitions, whatever the date of acquisition may have been.

There are also doubts in the Spanish Courts about the classification of the incentive as a deduction and its maintenance in the case of subsequent transmission.

On October 6, 2021, the Court of Justice of the European Union concluded that the European Commission correctly classified the Spanish tax depreciation scheme of the Fondo de Comercio as State aid incompatible with the internal market for the First and Second Decisions.

With regard to the recognition of legitimate expectations for the First and Second decisions, the Court of Justice of the European Union confirms its applicability.

The proceedings initiated on the Third Decision, suspended until the resolution of the 1st and the 2nd Decisions resumed on October 19, 2021. The General Court of the Court of Justice of the European Union issued a ruling on September 27, 2023 annulling the Commission's Third Decision (EU) 2015/314, effective as of the day of its publication. However, the proceedings have not been finally concluded as the European Commission appealed the ruling to the Court of Justice of the European Union on December 14, 2023.

As a result of the execution of this Sentence, in accordance with the opinion of the Company and its advisors as to the likely outcome of the aforementioned appeal, as well as that of the Constitutional Court on Royal Decree Law 3/2016, Telefónica could once again have available (in addition to the 334 million euros from 2023), totally or partially, the tax credits for tax loss carryforwards and deductions described under

"Constitutional Court Ruling on Royal Decree Law 3/2016" of this note.

The "Tax and Customs Control Unit of the Spanish Tax Authority" (Dependencia de Control Tributario y Aduanero de la Agencia Tributaria), in compliance with the obligation set out in the EC Decision (EU) 2015/314, recovered in March 2019, February 2021 and July 2023, the amounts that had been deducted in connection with the amortization of goodwill for the indirect acquisition of non-resident companies from 2005 to 2015, 2016 to 2018 and 2019 to 2020, respectively. The amount paid by Telefónica after offsetting outstanding tax credits (tax losses carryforward and deductions) amounted to 13.4 million euros. All settlements have been appealed by the Company in the Spanish courts.

Notwithstanding the fact that Telefónica understands that the principle of legitimate expectations in relation to this tax incentive applies, in relation to tax-amortized goodwill through the purchase of some companies for which the applicability of the legitimate expectations principle is questioned, mainly Vivo, the Group has decided to continue provisioning the amount of the goodwill amortized for tax purposes, and not recovered by the Administration which amounted to 480 million euros as of December 31, 2024 (419 million euros as of December 31, 2023).

Minimum complementary tax (Pillar Two)

On December 21, 2024, the Official State Gazette published Law 7/2024 of December 20, which establishes a Complementary Tax to guarantee a minimum global level of taxation for multinational groups and large domestic groups, a Tax on the margin of interest and fees of certain financial entities, and a Tax on liquids for electronic cigarettes and other tobacco-related products, as well as amendments to other tax regulations (hereinafter, "Law 7/2024").

Law 7/2024 implements Pillar Two in Spain, establishing, with retroactive effect for fiscal years starting on January 1, 2024, a Complementary Tax that ensures large multinational groups are taxed at a minimum effective rate of 15% wherever they operate.

The Telefónica Group, as a large multinational group, is subject to this Complementary Tax.

In this regard, the group has conducted an analysis of the potential impacts that may arise from the application of this tax in the 2024 financial year in those jurisdictions where it is present, considering the application of the Transitional Safe Harbours outlined in the Fourth Transitional Provision of Law 7/2024 and, where applicable, the full calculation.

These Transitional Safe Harbours aim to facilitate adaptation to the Pillar Two regulations by stipulating



that the Complementary Tax will be zero if any of the three regulated tests are met..

The tax expense in the financial statements for 2024 related to jurisdictions where none of the safe harbor tests are met does not have a significant impact, in accordance with the application of the Pillar Two legislation.

The exception applies to recognise and disclose information on deferred tax assets and liabilities arising from the implementation of Law 7/2024, as provided in the Eighth Transitory Disposition of Royal Decree 1514/2007, of November, 16 approving the Plan General de Contabilidad, in force through Law 7/2024.



Note 18. Trade, other payables and provisions

A) Trade and other payables

The breakdown of "Trade and other payables" is as follows:

Millions of euros	2024	2023
Suppliers	121	156
Accounts payable to personnel	39	46
Other payables	7	12
Other payables to public administrations (Note 17)	120	157
Total	287	371

Information on deferred payments to third parties. Third additional provision, "Information requirement" of Law 15/2010 of July, 5, amended by Law 28/2022 of September, 28

In accordance with the aforementioned Law, the following information corresponding to the Company is disclosed:

	2024	2023
	Number of days	Number of days
Weighted average maturity period	22	22
Ratio of payments	23	23
Ratio of outstanding invoices	11	20
	Millions of euros	Millions of euros
Total Payments	274	215
Outstanding invoices	27	33

Telefónica, S.A. has adapted its internal processes and payment schedules to the provisions of Law 15/2010 (amended by Law 31/2014) and Royal Decree 4/2013, amending Law 3/2004, establishing measures against late payment in commercial transactions. Engagement conditions with commercial suppliers, as contractually agreed with them, in 2024 included payment periods with a maximum of 60 days.

For reasons of efficiency and in line with general practice in the business, the Company has set payment schedules, whereby payments are made on set days.

Invoices falling due between two payment days are settled on the following payment date in the schedule.

Payments to Spanish suppliers in 2024 surpassing the legal limit were due to circumstances or incidents beyond the payment policies, mainly the delay in the billing process (a legal obligation for the supplier), the closing of agreements with suppliers over the delivery of goods or the rendering of services, or occasional processing issues.

Additional information required by Law 18/2022, amending the third additional provision of Law 15/2020 is disclosed below:

	2024	2023
Monetary volume of invoices paid in a period less than the maximum established in the regulations (millions of euros)	242	183
Percentage over total payments	89 %	85 %
Number of invoices paid in a period less than the maximum established in the regulations	4,818	4,411
Percentage over the total number of invoices paid	63 %	60 %

B) Provisions

In 2024 and 2023 the concepts and amounts under the provisions caption are the following:

2024			
Millions of euros	Non-current	Current	Total
Tax Provisions	481	—	481
Other responsibilities (Note 8)	743	—	743
Termination plans (Note 19)	59	31	90
Other provisions	104	—	104
Total	1,387	31	1,418

2023

Millions of euros	Non-current	Current	Total
Tax Provisions	419	—	419
Termination plans (Note 19)	81	36	117
Other provisions	109	—	109
Total	609	36	645

Movements in the provisions during 2024 and 2023 are disclosed below:

Millions of euros	2024	2023
Opening balance:	645	629
Additions	69	111
Amortization and reversals	(39)	(92)
Transfers (note 8)	743	—
Fair value adjustments and others	—	(3)
Closing balance:	1,418	645
Non-current	1,387	609
Current	31	36

In 2024 and 2023 the caption "Additions" included 62 million euros in both years, of tax provisions for the article 12.5 of the Spanish Corporate Tax Law related to the acquisition of Vivo (see note 17). In 2024, no additional movements have been recorded to this allocation in the tax provision. In 2023, after the recovery of the amortization of financial goodwill made by Spanish Tax Authorities detailed in note 17.3, the Company amortized an amount of 49 million euros of long term tax accrual for this concept. The amortization is shown as Amortization and reversals in 2023 chart of movements.

In 2023 the Company launched a new voluntary termination plan for the employees who meet certain requirements regarding the age of the employee and the seniority in the Company. The program was implemented during the first months of 2024. An accrual of 34 million euros corresponding to this plan was registered in 2023 income statement. In addition, in 2024, an accrual of 7 million euros corresponding to certain employee layoffs has been registered (see note 19).

In 2024 and 2023 amortization of 34 and 21 million euros, respectively, related to the different programs launched in previous years have been registered.

Note 19. Revenue and expenses

19.1 Revenue

a) Rendering of services

Telefónica, S.A. has contracts for the right to use the Telefónica brand with Group companies which use the license. The amount each subsidiary must recognize as a cost for use of the license is stipulated in the contract as a percentage of income obtained by the licensor. In 2024 and 2023, "Rendering of services to Group companies and associates" included 398 and 399 million euros, respectively, for this item.

Telefónica, S.A. has signed contracts to provide management support services to several subsidiaries. Revenues received for this concept in 2024 and 2023 amount to 37 and 26 million euros, respectively, and are recognized under "Rendering of services to Group companies and associates".

Revenues in 2024 and 2023 also include property rental income amounting to 34 million euros in both years, mainly generated from the lease of office space in Distrito Telefónica to several Telefónica Group companies (see note 7).

b) Dividends from Group companies and associates

The detail of the main amounts recognized in 2024 and 2023 is as follows:

Millions of euros	2024	2023
O2 Europe, Ltd.	2,200	—
Telefónica Latinoamérica Holdings, S.L.	1,000	—
Telefónica de España, S.A.U.	815	473
Telefónica Móviles España, S.A.U.	522	677
Telefónica O2 Holdings Limited	512	1,153
Telfisa Global, B.V.	435	1,042
Telefónica Brasil, S.A.	202	242
Telefónica Finanzas, S.A.U.	115	118
Telefónica Local Services, GmbH	62	—
Telxius Telecom, S.A.U.	2	140
Other companies	14	14
Total	5,879	3,859

c) Interest income on loans to Group companies and associates

This heading includes the return obtained on loans granted to subsidiaries to carry out their business (see note 8.5). The breakdown of the most significant amounts is as follows:

Millions of euros	2024	2023
Telefónica Cybersecurity & Cloud Tech, S.L.	6	5
Telfisa Global, B.V.	10	13
Telxius Telecom, S.A.U.	13	4
Telefónica Europe, B.V.	1	2
Other companies	—	4
Total	30	28

As described in note 15.1, Telfisa Global, B.V. is in charge of the cash pooling services of the Group. In 2021, and based on the recommendations by the OECD Transfer Pricing Guidance on Financial Transactions, the Company signed an agreement to partially share the financial profit or loss raised by its subsidiary within its operations. In 2024 and 2023 the impact has been a revenue shown in the chart above.

19.2 Non-core and other current operating revenues

Non-core and other current operating revenues – Group companies relates to revenues on centralized services that Telefónica, S.A., as head of the Group, provides to its subsidiaries. Telefónica, S.A. bears the full cost of these services and then charges each individual subsidiary for the applicable portion.

This caption includes in 2024 the notional amount of the ICSID award dated November 12, granted to Telefónica, S.A. amounting to 380 million US dollars equivalent to 358 million euros at that date (see notes 9.4 and 20.b).



19.3 Personnel expenses and employee benefits

The breakdown of Personnel expenses is as follows:

Millions of euros	2024	2023
Wages, salaries and other personnel expenses	161	199
Pension plans	9	7
Social security costs	26	26
Total	196	232

In 2024 and 2023, Wages, salaries and other personnel expenses includes compensation accruals amounting to 7 million euros (34 million euros in 2023) as described in note 18.

Telefónica has reached an agreement with its staff to provide an Occupational Pension Plan pursuant to Legislative Royal Decree 1/2002, of November 29, approving the revised Pension Plans and Funds Law. The features of this plan are as follows:

- Defined contribution of 4.51% of the participating employees' base salary. The defined contributions of employees transferred to Telefónica from other Group companies with different defined contributions (e.g. 6.87% in the case of Telefónica de España, S.A.U.) will be maintained.
- Mandatory contribution by participants of a minimum of 2.2% of their base salary.
- Individual and financial capitalization systems.

This fund was outsourced to Telefónica's subsidiary, Fonditel Entidad Gestora de Fondos de Pensiones, S.A., which has added the pension fund assets to its Fonditel B fund.

At December 31, 2024, 2,428 participants have signed up for the plan (2,334 participants in 2023). This figure includes both active employees, employees under termination plans and former employees who voluntarily decided to maintain the plan, as provided for in Royal Decree 304/2004 approving the regulations for Pension Plans and Funds. The cost for the Company amounted to 3.5 and 4 million euros in 2024 and 2023, respectively.

In 2006, a Pension Plan for Senior Executives, wholly funded by the Company, was created and complements the previous plan and involves additional defined contributions at a certain percentage of the executive's fixed remuneration, based on professional category, plus some extraordinary contributions depending on the circumstances of each executive, payable in accordance with the terms of the plan.

Telefónica, S.A. has recorded costs related to the contributions to this executive plan of 7 million euros in both 2024 and 2023. In 2024 and 2023 some executives under this Pension Plan for Senior Executives left the Company, and accordingly their accumulated contributions were retrieved by Telefónica, S.A. and registered as a decrease in the expense totaling 3 and 5 million euros, respectively.

No provision was made for this plan as it has been fully externalized.

The main share-based payment plans in place in the 2024 and 2023 period are as follows:

Long-term incentive plan based on Telefónica, S.A. shares: Performance Share Plan 2021-2025

At the General Shareholders' Meeting held on April 23, 2021, a long-term incentive plan was approved, consisting of the delivery of shares of Telefónica, S.A. aimed at senior executive officers of the Telefónica Group, including the Executive Directors of Telefónica, S.A. The plan consists of the delivery to the participants of a certain number of shares of Telefónica, S.A. based on compliance with the objectives established for each of the cycles into which the plan is divided.

The number of shares to be delivered depends (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 10% on CO₂ Emission Neutralization, in line with the goal set by the Company.

The plan has a duration of five years and is divided into three cycles of three years. Performance assessment has been carried out based on the evolution of the stock price and on the audited results of the Company (audited both by internal and external audit teams) prior to the approval by the Nominating, Compensation and Corporate Governance Committee.

The first cycle commenced on January 1, 2021 and ended on December 31, 2023. The maximum number of shares assigned to this cycle of the plan was 19,425,499 and the outstanding shares at December 31, 2023 were 17,728,523 with the following breakdown:

First cycle	No. of shares assigned	Outstanding shares at 12/31/2023	Unit fair value (euros)
TSR Objective	9,712,749	8,864,262	2.64
FCF Objective	7,770,200	7,091,409	3.15
CO ₂ E.N. Objective	1,942,550	1,772,852	3.15



Out of this total, the maximum number of shares assigned to Telefónica, S.A.'s employees amounted to 7,831,873 euros (outstanding shares were 7,615,700). Once considered the target fulfillment levels, a weighted achievement ratio of 89.45% was fulfilled.

The second cycle commenced on January 1, 2022 and ended on December 31, 2024. The maximum number of shares assigned to this cycle of the plan was 15,069,650 and the outstanding shares at December 31, 2024 were 13,851,509 with the following breakdown:

Second cycle	No. of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	7,534,825	6,925,755	2.43
FCF Objective	6,027,860	5,540,604	2.95
CO ₂ E.N. Objective	1,506,965	1,385,150	2.95

The maximum number of shares assigned to Telefónica, S.A.'s employees amounted to 7,209,211 (outstanding shares as of December 31, 2024 amounting to 6,795,543). Once considered the target fulfillment levels, a weighted achievement ratio of 100% has been fulfilled.

The third cycle commenced on January 1, 2023 and it will end on December 31, 2025. The maximum number of shares assigned to this cycle of the plan was 16,618,564 and the outstanding shares at December 31, 2024 were 15,856,658, with the following breakdown:

Third cycle	Nº of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	8,309,282	7,928,329	1.77
FCF Objective	6,647,426	6,342,664	2.81
N.E. CO ₂ Objective	1,661,856	1,585,665	2.81

The maximum number of shares assigned to Telefónica, S.A.'s employees amounts to 7,874,832 (outstanding shares as of December 31, 2024 amounting to 7,562,239).

Long-term incentive plan based on Telefónica, S.A. shares: Performance Share Plan 2024-2028

At the General Shareholders' Meeting held on April 12, 2024, a long-term incentive plan was approved, consisting of the delivery of shares of Telefónica, S.A. aimed at senior executive officers of the Telefónica Group, including the Executive Directors of Telefónica, S.A. The plan consists of the delivery to the participants of a certain number of shares of Telefónica, S.A. based on compliance with the objectives established for each of the cycles into which the plan is divided.

The number of shares to be delivered depends (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 5% on CO₂ Emission Neutralization, in line with the goal set by the Company and (iv) 5% on the number of women in executive positions, aligned with the target set by the Company.

The plan has a duration of five years and is divided into three cycles of three years. Performance assessment has been carried out based on the evolution of the stock price and on the audited results of the Company (audited both by internal and external audit teams) prior to the approval by the Nominating, Compensation and Corporate Governance Committee.

The first cycle commenced on January 1, 2024 and will end on December 31, 2026. The maximum number of shares assigned to this cycle of the plan was 15,353,759 and the outstanding shares at December 31, 2024 were 15,317,175, with the following breakdown:

First cycle	Nº of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	7,676,879	7,658,587	2.85
FCF Objective	6,141,504	6,126,870	3.42
N.E. CO ₂ Objective	767,688	765,859	3.42
Women executives	767,688	765,859	3.42

The maximum number of shares assigned to Telefónica, S.A.'s employees amounts to 7,105,106 (outstanding shares as of December 31, 2024 amounting to 6,948,729).

Long-term incentive plan based on Telefónica, S.A. shares: Talent for the Future Share Plan 2021-2025 (TFSP)

At its meeting on March 17, 2021, the Telefónica, S.A.'s Board of Directors agreed to launch a new installment of the long-term incentive plan "Talent for the Future Share Plan".

As in the case of the Performance Share Plan 2021-2025 described above, the number of shares to be delivered will depend (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 10% on CO₂ Emission Neutralization, in line with the goal set by the Company.



The plan has a duration of five years and is divided into three cycles of three years. Performance assessment has been carried out based on the evolution of the stock price and on the audited results of the Company (audited both by internal and external audit teams) prior to the approval by the Nominating, Compensation and Corporate Governance Committee.

The first cycle commenced on January 1, 2021 and ended on December 31, 2023. The maximum number of shares assigned to this cycle of the plan was 1,751,500 and the outstanding shares at December 31, 2023 were 1,557,000 with the following breakdown:

First cycle	No. of shares assigned	Outstanding shares at 12/31/2023	Unit fair value (euros)
TSR Objective	875,750	778,500	2.64
FCF Objective	700,600	622,800	3.15
CO ₂ E.N. Objective	175,150	155,700	3.15

From this total, the shares assigned to Telefónica, S.A.'s employees were 232,500. The outstanding shares as of December 31, 2023 were 203,000. Once considered the target fulfillment levels, a weighted achievement ratio of 89.45% was reached.

The second cycle commenced on January 1, 2022 and ended on December 31, 2024. The maximum number of shares assigned to this cycle of the plan was 1,646,500 and the outstanding shares at December 31, 2024 was 1,458,000 with the following breakdown:

Second cycle	No. of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	823,250	729,000	2.43
FCF Objective	658,600	583,200	2.95
CO ₂ E.N. Objective	164,650	145,800	2.95

From this total, the shares assigned to Telefónica, S.A.'s employees were 219,000. The outstanding shares as of December 31, 2023 were 214,000. Once considered the target fulfillment levels, a weighted achievement ratio of 100% has been reached.

The third cycle commenced on January 1, 2023 and it will end on December 31, 2025. The maximum number of shares assigned to this cycle of the plan was 1,771,500 and the outstanding shares at December 31, 2024 was 1,663,000, with the following breakdown:

Third cycle	Nº of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	885,750	831,500	1.77
FCF Objective	708,600	665,200	2.81
N.E. CO ₂ Objective	177,150	166,300	2.81

From this total, the shares assigned to Telefónica, S.A.'s employees are 239,000. The outstanding shares as of December 31, 2023 are 244,000.

Long-term incentive plan based on Telefónica, S.A. shares: Talent for the Future Share Plan 2024-2028 (TFSP)

At its meeting on April 12, 2024, the Telefónica, S.A.'s Board of Directors agreed to launch a new installment of the long-term incentive plan "Talent for the Future Share Plan".

As in the case of the Performance Share Plan 2024-2028 described above, the number of shares to be delivered will depend (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 5% on CO₂ Emission Neutralization, in line with the goal set by the Company and (iv) 5% on the number of women in executive positions aligned with the target set by the Company.

The plan has a duration of five years and is divided into three cycles of three years. Performance assessment has been carried out based on the evolution of the stock price and on the audited results of the Company (audited both by internal and external audit teams) prior to the approval by the Nominating, Compensation and Corporate Governance Committee.

The first cycle commenced on January 1, 2024 and will end on December 31, 2026. The maximum number of shares assigned to this cycle of the plan was 1,530,500 and the outstanding shares at December 31, 2024 were 1,513,500 with the following breakdown:

First cycle	Nº of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	765,250	756,750	2.85
FCF Objective	612,200	605,400	3.42
N.E. CO ₂ Objective	76,525	75,675	3.42
Women executives	76,525	75,675	3.42



From this total, the shares assigned to Telefónica, S.A.'s employees are 206,000. The outstanding shares as of December 31, 2023 are 202,500.

Telefónica, S.A. global share plans: Global Employee Share Plans

The Telefónica, S.A.'s Ordinary General Shareholders' Meeting on April 8, 2022 approved a new voluntary plan for incentivized purchases of shares of Telefónica, S.A. for the employees of the Group. Under this Plan, employees were offered the option to acquire Telefónica, S.A. shares during a twelve-month period, with the company undertaking to deliver a certain number of free shares to participants, subject to certain requirements.

The maximum amount that each employee can invest is limited to 1,800 euros. Nevertheless, the total free shares to be delivered can not exceed 0.38% of the share capital of Telefónica, S.A. as of the approval date in 2022 General Shareholders' meeting.

The purchase period commenced in October 2022 and ended in September 2023. In March 2024 the vesting period of the plan ended and 10,255,044 shares were distributed to the Group employees. From this total, 303,747 shares corresponded to Telefónica, S.A.'s employees.

19.4 Average number of employees in 2024 and 2023 and number of employees at year-end

2024

Professional category	Employees at 12/31/24			Average no. of employees in 2024		
	Females	Males	Total	Females	Males	Total
Head of departments	49	93	142	49	102	151
Managers	140	160	300	139	144	283
Mid range managers	117	141	258	139	167	306
Other professionals	281	173	454	242	135	377
Total	587	567	1,154	569	548	1,117

2023

Professional category	Employees at 12/31/2023			Average no. of employees in 2023		
	Females	Males	Total	Females	Males	Total
Head of departments	50	107	157	50	106	156
Managers	141	141	282	144	140	284
Mid range managers	137	167	304	140	164	304
Other professionals	251	138	389	250	143	393
Total	579	553	1,132	584	553	1,137

According to the requirement of the Spanish Companies Law established in article 260, the average number of employees with disability of 33% or higher, establishing the categories to which they belong are the following:

Professional category	Average number of employees
Managers	2
Other professionals	6
Total	8

19.5 External services

The items composing External services are as follows:

Millions of euros	2024	2023
Rent	4	4
Independent professional services	95	127
Donations	41	48
Marketing and advertising	140	158
Other expenses	47	35
Total	327	372

In 2024 and 2023 the caption donations includes funds contributed and paid to Fundación Telefónica amounting to 39 and 47 million euros.



On May 30, 2019, Telefónica, S.A. signed a 10-year contract to rent Diagonal 00 building, owned by the Company until that moment, due in 2029, renewable for another 6 years.

Future minimum rentals payable under non-cancellable operating leases without penalization at December 31, 2024 and 2023 are as follows:

Millions of euros	Total	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Future compromised payments 2024	12	3	5	4	—
Future compromised payments 2023	23	4	10	8	1

19.6 Finance revenue

The items composing Finance revenue are as follows:

Millions of euros	2024	2023
Dividends from other companies	39	28
Other third parties financial revenues and gains on derivative instruments	501	488
Total	540	516

In 2024 other financial income from third parties includes the interest revenue from the ICSID award detailed in note 9.4 and note 20.b) for a total amount of 164 million euros (equivalent to 154 million euros).

Other third parties financial revenues and gains on derivative instruments includes the effect of the financial hedges arranged to unwind positions for 2024 and 2023, which have the same amount under Finance costs payable to third parties and losses on interest rates of financial hedges and therefore do not have a net impact in the income statement.

19.7 Finance costs

The breakdown of "Finance costs" is as follows:

Millions of euros	2024	2023
Interest on borrowings from Group companies and associates	1,573	1,487
Finance costs payable to third parties and losses on interest rates of financial hedges	319	448
Total	1,892	1,935

The breakdown by Group company of debt interest expenses is as follows:

Millions of euros	2024	2023
Telefónica Europe, B.V.	542	510
Telefónica Emisiones, S.A.U.	865	766
Other companies	166	211
Total	1,573	1,487

Other companies includes financial costs with Telfisa Global, B.V. related to current payables for specific cash needs.

The amount included as Finance costs payable to third parties and losses on interest rate of financial hedges refers to fair value effects in the measurement of derivative instruments described in note 16, together with the effect of the debt interest rates' trend during the year.

19.8 Exchange differences

The breakdown of exchange gains recognized in the income statement is as follows:

Millions of euros	2024	2023
On current operations	34	39
On loans and borrowings	21	1
On derivatives	461	383
On other items	12	23
Total	528	447

The breakdown of exchange losses recognized in the income statement is as follows:

Millions of euros	2024	2023
On current operations	45	37
On loans and borrowings	15	8
On derivatives	406	400
On other items	41	13
Total	506	458

The variation in exchange gains and losses is due to the fluctuations in the main currencies the Company works with. In 2024 euro exchange rate has depreciated against US dollar (6.32%) and pound sterling (4.78%). However, euro exchange rate has appreciated against Brazilian real (16.88%).

In 2023 euro exchange rate has appreciated against US dollar 3.4%. However, euro exchange rate has depreciated against Brazilian real (4.11%) and pound sterling (2.1%).

These impacts are offset by the hedges contracted to mitigate exchange rate fluctuations.



Note 20. Other information

a) Financial guarantees

At December 31, 2024, Telefónica, S.A. had provided financial guarantees for its subsidiaries and affiliates to secure their transactions with third parties amounting to 36,853 million euros (35,374 million euros at December 31, 2023). These guarantees are measured as indicated in note 4.g).

Millions of euros		
Nominal Amount	2024	2023
Debentures and bonds and equity instruments	35,596	34,778
Loans and other payables	92	96
Other marketable debt securities	1,165	500
Total	36,853	35,374

The debentures, bonds and equity instruments in circulation at December 31, 2024 issued by Telefónica Emisiones, S.A.U., and Telefónica Europe, B.V. were guaranteed by Telefónica, S.A. The nominal amount guaranteed was equivalent to 35,596 million euros at December 31, 2024 (34,778 million euros at December 31, 2023). During 2024 Telefónica Emisiones, S.A.U. issued 1,750 million euros of instruments on capital markets (850 million euros in 2023) and 1,000 million euros matured during 2024 (1,705 million euros during 2023).

Other marketable debt securities includes the guarantee of Telefónica, S.A. relating to the commercial paper issue program of Telefónica Europe, B.V. The outstanding balance of commercial paper in circulation issued through this program at December 31, 2024 was 1,165 million euros and 500 million euros in 2023

Telefónica, S.A. provides operating guarantees granted by external counterparties, which are offered during its normal commercial activity. At December 31, 2024 these guarantees amounted to approximately 29 million euros (31 million euros in 2023).

b) Litigation and arbitration

Telefónica and its group companies are party to several legal proceedings which are currently in progress in the courts of law and the arbitration bodies of the various countries in which Telefónica Group is present.

Based on the advice of our legal counsel it is reasonable to assume that these legal proceedings will not materially affect the financial condition or solvency of Telefónica, S.A.

It is worth highlighting the following aspects relating to the unresolved legal proceedings or those underway during 2024 (see note 17 for details of tax-related cases):

Decision by the High Court regarding the acquisition by Telefónica of shares in Český Telecom by way of a tender offer

Venten Management Limited ("Venten") and Lexburg Enterprises Limited ("Lexburg") were non-controlling shareholders of Český Telecom. In September 2005, both companies sold their shares to Telefónica in a mandatory tender offer. Subsequently, Venten and Lexburg, in 2006 and 2009, respectively, filed actions against Telefónica claiming a higher price than the price for which they sold their shares in the mandatory tender offer.

On August 5, 2016, the hearing before the High Court in Prague took place in order to decide the appeal against the second decision of the Municipal Court, which had been favorable to Telefónica's position (as was also the case with the first decision of the Municipal Court). At the end of the hearing, the High Court announced the second appellate decision by which it reversed the second decision of the Municipal Court and ordered Telefónica to pay 644 million Czech korunas (approximately 23 million euros) to Venten and 227 million Czech korunas (approximately 8 million euros) to Lexburg, in each case plus interest.

On December 28, 2016, the decision was notified to Telefónica. Telefónica filed an extraordinary appeal, requesting the suspension of the effects of the decision.

In March 2017, Telefónica was notified of the decision of the Supreme Court, which ordered the suspension of the effects of the unfavorable decision to Telefónica issued by the High Court.

Venten and Lexburg filed with the Supreme Court a motion to partially abolish the suspension of



enforceability of the Decision of the High Court in Prague. On January 17, 2018, Telefónica filed its response seeking dismissal of such motion for lack of legal basis.

On February 14, 2019, notification was given to Telefónica of the resolution of the Supreme Court which, based on the extraordinary appeal filed by Telefónica, abolished the decision of the High Court in Prague dated August 5, 2016 and remanded the case back to the High Court.

In December 2021, the High Court of Prague confirmed its appointment of an expert in order to produce a new expert report to assess the reliability of market-based price criteria used in the mandatory tender offer and further technical issues discussed in this litigation, including a new discounted cashflow valuation of the shares of Český Telecom in 2005.

After receiving the expert report, Telefónica challenged its findings on April 30, 2023. Hearings with respect to this challenge were held in the High Court of Prague in November and December 2023.

On February 20, 2025 a hearing of closing arguments was held before the High Court of Prague.

ICSID Arbitration Telefónica, S.A. vs. Republic of Colombia

In the local arbitration brought by Colombia against Colombia Telecomunicaciones, on July 25, 2017, the local arbitration tribunal ordered Colombia Telecomunicaciones to pay 470 million euros as economic compensation for the reversion of assets related to voice services in relation to the concession granted between 1994 and 2013.

On August 29, 2017, Colombia Telecomunicaciones's share capital was increased in order to make the payment ordered by the local arbitral award; Telefónica, S.A. contributed and disbursed an amount equivalent to 67.5% of the award's amount (317 million euros) and the Colombian Government contributed an amount equivalent to the remaining 32.5% (153 million euros).

On February 1, 2018, Telefónica, S.A. filed a Request for Arbitration against Colombia at the International Centre for Settlement of Investment Disputes ("ICSID"), which was formally registered on February 20, 2018.

The ICSID tribunal was constituted on February 26, 2019.

Colombia filed Preliminary Objections on Jurisdiction on August 5, 2019. Telefónica, S.A. responded to Colombia's objections in its Claimant's Memorial on September 23, 2019, in which it also requested that Colombia pay compensation for damages caused to Telefónica, S.A.

On October 23, 2019, Colombia submitted its Complementary Objections on Jurisdiction as well as a request for Bifurcation, to which Telefónica, S.A. responded on November 29, 2019.

On January 24, 2020, the tribunal dismissed the request for Bifurcation presented by Colombia, ordering the continuation of the proceeding. A decision on the merits of Telefónica, S.A.'s claim is pending.

On July 3, 2020, Colombia filed its reply to the claim filed by Telefónica before the ICSID.

On November 2, 2020, Telefónica presented its response to Colombia's reply.

After the hearing held in April 2021, on July 27, 2021 the hearing of closing arguments was held.

On November 12, 2024, the tribunal issued an arbitration award favorable to the interests of Telefónica, determining that Colombia failed to comply with its obligation to grant fair and equitable treatment to Telefónica's investments under the applicable investment treaty and ordering Colombia to pay the amount of 380 million U.S. dollars (approximately 358 million euros at the exchange rate of November 12, 2024) plus compound interest at a rate of 5% per year as compensation for the damages caused (i.e., the entire principal amount and interest sought by Telefónica in the dispute). In addition, the tribunal ordered Colombia to pay Telefónica's attorneys' fees with respect to the arbitration proceedings, together with the corresponding interest.

On November 27, 2024, the Republic of Colombia filed a request with the ICSID to annul and suspend the award. According to ICSID procedures, the request for a stay of enforcement in the annulment proceeding provisionally suspends the enforcement of the award until the new tribunal decides on the request within a maximum period of 30 days from its constitution. As of the date of preparation of this Annual Report, the new tribunal has not been constituted. The account receivable associated with this award, amounting to 544 million U.S. dollars (523 million euros based on the exchange rate as of December 31, 2024), is recorded under "Short-term credits".

Telefónica's lawsuit against Millicom International Cellular for default in the sale of Telefónica de Costa Rica

Telefónica, S.A. (Telefónica) and Millicom International Cellular, S.A. (Millicom) reached an agreement on February 20, 2019 for the purchase and sale of the entire capital stock of Telefónica de Costa Rica TC, S.A.

In March 2020, Telefónica informed Millicom that, once the pertinent regulatory authorizations had been obtained and all the other conditions established in the



aforementioned agreement for the execution of the sale had been completed, the execution of the contract and the closing of the transaction should be in April 2020.

Millicom expressed its refusal to proceed with the closing, arguing that the competent Costa Rican administrative authorities had not issued the appropriate authorization.

On May 25, 2020, Telefónica filed a lawsuit against Millicom before the New York Supreme Court, considering that Millicom had breached the terms and conditions established in the sale contract, demanding compliance with the provisions of the aforementioned agreement, and compensation for all damages that this unjustified breach could cause to Telefónica.

On June 29, 2020, Millicom filed a Motion to Dismiss, to which Telefónica replied on July 8, 2020.

On August 3, 2020, Telefónica submitted an amendment to the lawsuit, removing the requirement to comply with the provisions of the sale and purchase contract and requesting only compensation for all damages that the unjustified breach of said agreement could cause to Telefónica.

On January 5, 2021, the Motion to Dismiss filed by Millicom in June 2020 was dismissed by the New York Supreme Court.

On February 24, 2023, both parties filed a "motion for summary judgment" once the discovery period had ended.

On February 13, 2024, the New York Supreme Court issued a decision granting Telefónica's motion for partial summary judgment, concluding that Telefónica is entitled to compensatory damages and prejudgment interest (approximately 140 million U.S. dollars) from Millicom.

On August 5, 2024, Millicom filed its appellate brief with the Appellate Division of the New York Supreme Court, and Telefónica filed its response on September 4, 2024.

On December 17, 2024, the Appellate Division issued a decision and order upholding Telefónica's entitlement to summary judgment, but decided that the Supreme Court had calculated the prejudgment interest incorrectly and reduced the amount to be awarded to Telefónica accordingly.

On January 21, 2025, Telefónica filed an appeal against the decision of the Appellate Division of the New York Supreme Court.

ICSID Arbitration Telefónica, S.A. vs. Republic of Peru

On February 5, 2021, Telefónica filed a request for arbitration against the Republic of Peru at the ICSID, which was formally registered on March 12, 2021.

Telefónica bases its claims on the Agreement for the Promotion and Reciprocal Protection of Investments between the Kingdom of Spain and the Republic of Peru ("APRPI") signed on November 17, 1994. Telefónica argues that the Peruvian tax administration (called Superintendencia Nacional de Aduanas y de Administración Tributaria, known as "SUNAT") and other state bodies have failed to comply with the obligations established in the APRPI, including by adopting arbitrary and discriminatory actions.

It is requested that the defendant be ordered to fully compensate Telefónica for all damages suffered.

Once the Tribunal was constituted, on February 9, 2023, Telefónica filed a request for urgent injunctive relief together with a request for injunctive relief, requesting the suspension of the administrative litigation (*acción contencioso-administrativa* or *ACA*) related to the income tax for the years 1998, 2000 and 2001, as well as the extension of the deadline for submission by Telefónica of the memorial or claim. Following response of Peru, on February 16, 2023, the Tribunal ruled to dismiss Telefónica's request for urgent injunctive relief, to establish the procedural calendar to process the request for injunctive relief and to grant Telefónica two additional weeks to file the memorial or claim.

On March 2, 2023, Telefónica filed a memorial on the merits. On that date, the Republic of Peru filed observations on the claimant's request for provisional measures submitted by Telefónica on February 9, 2023.

On March 24, 2023, the Tribunal held a hearing on the claimant's request for provisional measures.

On May 11, 2023, the Tribunal issued Procedural Order No. 5 concerning the defendant's request to address the objections to jurisdiction as a preliminary question. As a result, the objections to jurisdiction were joined to the merits of the dispute.

On September 18, 2023, the defendant filed a counter-memorial on the merits and a memorial on jurisdiction.

On December 22, 2023, the Tribunal issued Procedural Order No. 6 concerning production of documents.

On March 29, 2024, Telefónica filed a reply on the merits, and on June 28, 2024, the Republic of Peru filed a rejoinder on the merits and a reply on jurisdiction.

On July 16, 2024, following the resignation of the arbitrator appointed by Peru, the Acting Secretary-



General notified the parties of the vacancy on the Tribunal and the proceeding was temporarily suspended pursuant to ICSID Arbitration Rule 10 (2).

On August 12, 2024, the proceedings resumed under ICSID Arbitration Rule 12, following the appointment of the new arbitrator by the Republic of Peru.

On August 20, 2024, the defendant filed a submission on quantum.

The final hearing was held in the last weeks of February 2025.

UK High Court claim by Phones 4 U Limited against various mobile network operators and other companies, among others, Telefónica, S.A., Telefonica O2 Holdings Limited and Telefonica UK Limited

In late 2018, Phones 4U Limited (in administration) ("P4U") commenced a claim in the English High Court in London against various mobile network operators: Everything Everywhere, Deutsche Telekom, Orange, Vodafone, Telefónica, S.A., Telefonica O2 Holdings Limited and Telefonica UK Limited (together the "Defendants").

P4U carried on a business of selling mobile phones and connections to the public, such connections being supplied by mobile network operators including the Defendants. In 2013 and 2014, the Defendants declined to extend and / or terminated their contracts to supply connections to P4U.

P4U went into administration in September 2014.

P4U alleges that the Defendants ceased to supply connections because they had colluded between themselves in contravention of the United Kingdom and the European Union competition laws and asserts that it has a basis to claim damages for breach of competition law by all the Defendants. The Defendants deny all P4U's allegations.

The claim commenced on December 18, 2018 by P4U. The Defendants filed their initial defenses in the course of April and May 2019, with P4U filing replies on October 18, 2019. The first case management conference took place on March 2, 2020.

The trial was held between May and July 2022. On November 10, 2023 the court issued a judgment, concluding that none of the Defendants was in breach of either UK or EU competition law.

On April 10, 2024, P4U filed an appeal, and the Defendants filed a response on June 28, 2024.

The oral argument for the appeal is scheduled for May 2025.

c) Other contingencies

In October 2024, Telefónica Venezolana, C.A., Telefónica, S.A. and the United States Department of Justice ("DOJ") entered into a Deferred Prosecution Agreement ("DPA") to resolve a single charge of conspiracy to violate the anti-bribery provisions of the FCPA. The charge, made against Telefónica Venezolana, C.A., concerns conduct in and around 2014 and 2015 related to a Venezuelan government-sponsored currency auction.

Telefónica, S.A., is not a defendant in the matter but as parent company of the Telefónica Group has agreed to certain terms and conditions under the DPA.

The terms of the DPA include, among other things, requirements concerning a corporate compliance program, annual reports concerning that program during the term of the DPA and a monetary penalty of \$85,260,000 U.S. dollars (approximately 81 million euros at payment date). The DOJ has agreed that if all the obligations under the DPA are fully complied with, then DOJ will seek dismissal with prejudice of the charge described above after the DPA concludes.

d) Commitments

Agreement for the sale of the shares of Telefónica Gestión de Servicios Compartidos España, S.A.U., Telefónica Gestión de Servicios Compartidos Argentina, S.A. and T-Gestiona Servicios Contables y Capital Humano, S.A.C.

On March 1, 2016, a share purchase agreement between, on one hand, Telefónica, S.A., Telefónica Servicios Globales, S.L.U. and Telefónica Gestión de Servicios Compartidos Perú, S.A.C. (as sellers), and, on the other hand, IBM Global Services España, S.A., IBM del Perú, S.A.C., IBM Canada Limited and IBM Americas Holding, LLC (as purchasers) for the sale of the companies Telefónica Gestión de Servicios Compartidos España, S.A.U., Telefónica Gestión de Servicios Compartidos Argentina, S.A. and T-Gestiona Servicios Contables y Capital Humano, S.A.C., for a total price of approximately 22 million euros, was ratified before Notary Public. This share purchase agreement was subscribed on December 31, 2015.

Following the aforementioned share purchase agreement and in connection with the latter transaction, also, on December 31, 2015, Telefónica subscribed a master services agreement with IBM for the outsourcing of economic-financial and HR activities and functions to be provided to the Telefónica Group for an initial duration of 10 years and a total amount of approximately 450 million euros. Most of the Telefónica Group's subsidiary companies adhered to that master services agreement.



The master service agreement has been amended on several occasions (on March 31, 2021, March 31, 2022, July 29, 2022 and August 31, 2023). The most relevant changes have affected the scope of services and extended the term of the agreement.

On June 28, 2024, an additional amendment to the master service agreement was signed. As a result of the various amendments, the term of the master service agreement may be extended up to 2031 for adhering companies in Latin America or up to 2034 for adhering companies in Spain.

Contracts for the provision of IT services with Nabiax

In 2019 Telefónica, S.A. signed an agreement for the sale of a portfolio of eleven data center businesses to a company (hereinafter "Nabiax") controlled by Asterion Industrial Partners SGEIC, S.A.

At the same time as this sale, agreements were entered into with Nabiax to provide housing services to the Telefónica Group, allowing Telefónica to continue providing housing services to its customers, in accordance with its previous commitments. Such service provision agreements have an initial term of ten years and include minimum consumption commitments in terms of capacity. These commitments are consistent with the Group's expected consumption volumes, while prices are subject to review mechanisms based on inflation and market reality.

On May 7, 2021, Asterion Industrial Partners SGEIC, S.A. ("Asterion") and Telefónica Infra (T. Infra), the infrastructure unit of the Telefónica Group, reached an agreement for the contribution to Nabiax of four additional data centers owned by the Telefónica Group (two of them located in Spain and two in Chile). In exchange for the contribution of these four data centers, T. Infra received a 20% equity stake in Nabiax. Once the relevant authorizations and other conditions precedent to the contribution of the two data centers located in Spain were obtained, the partial closing of the transaction took place as of July 21, 2021, whereby Telefónica Group contributed those data centers to Nabiax, with T. Infra receiving in exchange a 13.94% stake in Nabiax at this stage. The agreement was complemented by the signing of a contract for the provision to Telefónica of housing services from those two data centers under terms and conditions equivalent to those established in the transaction executed in 2019, for an initial period of ten years.

Once the conditions related to the contribution of the two data centers located in Chile were fulfilled, on May 24, 2022, the complete closing of the transaction took place, and T. Infra reached a 20% stake in Nabiax. The agreement was complemented by the signing of a contract for the provision to Telefónica of housing services from those two data centers under terms and

conditions equivalent to those established in the transaction executed in 2019, for an initial period ending in 2031.

On June 13, 2023, the data centers owned by Nabiax located in the Americas were sold to the investment fund Actis. T. Infra owns a 20% stake in Nabiax. After this transaction, Nabiax only owns data centers in Spain.

The data centers sold to Actis continue to provide housing services to the Telefónica Group under the terms of the contracts signed in 2019, as Telefónica, S.A. waived its right to terminate the housing services contracts upon the sale of the data centers.

On June 10, 2024, Telefónica de España, S.A.U. and Nabiax's subsidiary Digital DHF Iberia S.L signed an addendum to the agreement for the provision of housing services in Spain to, among other things, extend the validity of the agreement until July 2034, but only with respect to a data center in Alcalá de Henares.

In June 2024, Asterion began a process to sell its 80% stake in Nabiax. In accordance with the rights held by Asterion under the Nabiax Shareholders Agreement, Asterion negotiated the conditions of the sale and also exercised its drag-along right over the 20% stake in Nabiax owned by T. Infra. On November 7, 2024, a purchase and sale agreement for 100% of the share capital of Nabiax was signed with the investment fund Aermont Capital. The closing of the transaction is subject to obtaining regulatory approval and is expected to be completed in the first quarter of 2025, with Nabiax continuing to provide housing services to the Telefónica Group under the terms of the contracts signed in 2019.

50:50 joint venture with Liberty Global for the combination of both groups' businesses in the United Kingdom

On May 7, 2020, Telefónica agreed to enter into a joint venture with Liberty Global plc ("Liberty Global") pursuant to a contribution agreement (as amended from time to time, the "Contribution Agreement") between Telefónica, Telefonica O2 Holdings Limited, Liberty Global, Liberty Global Europe 2 Limited and a newly formed entity of which, after closing, each of Telefónica and Liberty Global would hold 50% of its share capital named VMED O2 UK Limited.

After having obtained the clearance from the Competition and Market Authority (the antitrust authority in the UK) to complete this transaction and having fulfilled all the other pre-closing conditions included in the Contribution Agreement, the transaction was completed on June 1, 2021. From such date, Telefónica and Liberty Global each hold an equal number of shares in VMED O2 UK Limited; after: (i) Telefónica having contributed to VMED O2 UK Limited its O2 mobile business in the United Kingdom and (ii) Liberty Global having contributed its



Virgin Media business in the United Kingdom to VMED O2 UK Limited.

The corporate governance of VMED O2 UK Limited is regulated by a shareholders' agreement, which was entered into by the parties to the Contribution Agreement on June 1, 2021 and was amended on November 15, 2023 (as amended from time to time, (the "Shareholders' Agreement").

On the date of closing of the transaction, Telefónica, Liberty Global, and certain companies belonging to each shareholder's corporate group entered into certain services, reverse services, licensing and data protection agreements with VMED O2 UK Limited and certain entities belonging to the VMED O2 UK Limited group. In particular, Telefónica and Liberty Global agreed that each shareholder's group would provide certain services, either on a transitional or ongoing basis, to VMED O2 UK Limited and its group. Finally, VMED O2 UK Limited and its group would also provide certain services to specific companies belonging to the corporate group of each of its shareholders.

Pursuant to the terms of the above referred services agreements, the transitional services that are to be provided by the Telefónica Group to VMED O2 UK Limited would be provided for terms initially ranging from 7 to 24 months (subsequently extended in some cases to terms up to 40 months) while the ongoing services that are to be provided by the Telefónica Group to VMED O2 UK Limited would be provided for periods of two to six years, depending on the service. The services provided by the Telefónica Group to VMED O2 UK Limited, under the agreements as amended, consist primarily of technology and telecommunication services that will be used by or will otherwise benefit VMED O2 UK Limited. In addition to providing VMED O2 UK Limited with such services, the mobile operators of the Telefónica Group and VMED O2 UK Limited will maintain their roaming commercial relationships in order to reciprocally provide roaming services for their respective customers.

Likewise, as of closing of the transaction Telefónica granted certain trademark license agreements to VMED O2 UK Limited (the "VMED O2 UK Limited Trademark Licenses"). Pursuant to the VMED O2 UK Limited Trademark Licenses, Telefónica Group licensed the use of Telefónica and O2 brand rights to VMED O2 UK Limited.

e) Directors' and Senior executives' compensations and other benefits

The compensation of the members of Telefónica's Board of Directors is governed by article 35 of the Company's By-Laws, which provides that the annual amount of the compensation to be paid thereby to all of the Directors in their capacity as such, i.e., as members of the Board of Directors and for the performance of the duty of supervision and collective decision-making inherent in such body, shall be fixed by the shareholders at the General Shareholders' Meeting. The Board of Directors shall determine the exact amount to be paid within such limit and the distribution thereof among the Directors, taking into account the duties and responsibilities assigned to each Director, their membership on Committees within the Board of Directors and other objective circumstances that it deems relevant. Furthermore, Executive Directors shall receive such compensation as the Board determines for the performance of executive duties delegated or entrusted to them by the Board of Directors. Such compensation shall conform to the Director compensation policy approved by the shareholders at the General Shareholders' Meeting.

In accordance with the foregoing, the shareholders, acting at the Ordinary General Shareholders' Meeting held on April 11, 2003, set at 6 million euros the maximum amount of annual gross compensation to be received by the Board of Directors as a fixed allotment and as attendance fees for attending the meetings of the Advisory or Control Committees of the Board of Directors. Thus, as regards fiscal year 2024, the total amount of compensation accrued by the Directors of Telefónica, in their capacity as such, was 2,732,667 euros for the fixed allocation and for attendance fees.

The compensation of the Directors of Telefónica in their capacity as members of the Board of Directors, of the Executive Commission and/or of the Advisory or Control Committees, consists of a fixed amount payable monthly, and of attendance fees for attending the meetings of the Advisory or Control Committees.

The amounts established in fiscal year 2024 as fixed amounts for belonging to the Board of Directors, the Executive Commission and the Advisory or Control Committees of Telefónica, and the attendance fees for attending meetings of the Advisory or Control Committees of the Board of Directors, are indicated below:



Compensation of the Board of Directors and of the Committees thereof

Amounts in euros

Position	Board of Directors	Executive Commission	Advisory or Control Committees (*)
Chairman	240,000	80,000	22,400
Vice chairman	200,000	80,000	—
Executive Member	—	—	—
Proprietary Member	120,000	80,000	11,200
Independent Member	120,000	80,000	11,200
Other external	120,000	80,000	11,200

(*) In addition, the amount of the attendance fee for each of the meetings of the Advisory or Control Committees is 1,000 euros.

In this regard, it is noted that Mr. José María Álvarez-Pallete López (Executive Chairman until January 18, 2025), waived the receipt of the above amounts (i.e., 240,000 euros as Chairman of the Board of Directors and 80,000 euros as Chairman of the Executive Commission).

Likewise, the fixed remuneration of 1,923,100 euros established for the 2024 financial year related to executive roles carried out by Mr. José María Álvarez-Pallete López was equal to that received in the previous eight years (i.e. 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016), which was set in his capacity as Chief Operating Officer, remaining invariably after his appointment as Chairman in 2016.

The fixed remuneration, for his executive roles, of 1,600,000 euros that the Chief Operating Officer (C.O.O.), Mr. Ángel Vilá Boix, has established for the 2024 financial year is equal to the one received in the years 2023, 2022, 2021, 2020 and 2019.

Individualized description

Appendix II provides an individual breakdown by item of the compensation and benefits that the members of the Board of Directors of the Company have accrued and/or received from Telefónica, S.A., and from other companies of the Telefónica Group during fiscal year 2024. Likewise, the compensation and benefits accrued and/or received, during such year, by the members of the Company's Senior Management are broken down.

f) Related-party transactions

1. Significant shareholders with representation on the Board of Directors of Telefónica S.A.

General Information

In 2024, the Company's shareholders represented on the Board of Directors of Telefónica, S.A. were Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), CaixaBank, S.A. (ceased to be represented on the Board on April 12, 2024), Criteria Caixa, S.A.U. (obtained representation on the Board on April 12, 2024), and Sociedad Estatal de Participaciones Industriales (with representation on the Board since May 8, 2024).

According to information provided by BBVA for the 2024 Annual Corporate Governance Report of Telefónica S.A., corresponding to the fiscal year 2024, as of December 31, 2024, the BBVA's participation in the share capital of Telefónica, S.A. was 4.93%. Likewise, and in accordance with the aforementioned information provided by BBVA, the percentage of economic rights attributed to the shares of Telefónica, S.A. that were owned by BBVA as of December 31, 2024, would increase by 0.231% without voting rights of the Company's share capital.

According to the information provided by Sociedad Estatal de Participaciones Industriales (SEPI) for the 2024 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2024, the participation of the SEPI in the share capital of Telefónica, S.A. was 10%

According to information provided by Criteria Caixa, S.A.U. for the 2024 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2024, the participation of Criteria Caixa, S.A.U. (CriteriaCaixa) in the share capital of Telefónica, S.A., was 9.99%. Likewise, and without this implying an incremental or additional participation, Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, as the sole shareholder of Criteria Caixa, S.A.U., holds the same participation indirectly.

Below is a summary of the relevant transactions of the Telefónica Group with the companies of BBVA, CaixaBank, CriteriaCaixa and SEPI groups, other than the payment of the dividend corresponding to its participation.

Participated companies

Telefónica, S.A. holds a 50% interest in Telefónica Consumer Finance, E.F.C., S.A., a company controlled by Caixabank (see Appendix I).

Telefónica, S.A. holds a 50% interest in Telefónica Factoring España and a 40.5% interest in its subsidiaries in Peru, Colombia and México as well as a 40% interest in its subsidiary in Brazil, in which BBVA and Caixabank have minority interests. (see Appendix I).



On July 21, 2022, Telefónica, S.A. and CaixaBank Payments and Consumer E.F.C., E.P., S.A. incorporated the company Telefónica Renting, S.A. 50% each. This company is controlled by CaixaBank (see Appendix I).

Derivatives held with BBVA

In addition, the nominal outstanding value of derivatives held with BBVA in 2024 amounted to 6,911 million euros (8,970 million euros held with BBVA in 2023). The fair value of these derivatives in the balance sheet is 123 million euros in 2024 (78 million euros in 2023). As explained in Derivatives policy in note 16, this figure is inflated by the use in some cases of several levels of derivatives applied to the nominal value of a single underlying.

The Company maintains various derivative financial instruments settled by differences contracted with BBVA (see note 11).

Moreover, in 2024 collateral guarantees on derivatives from BBVA have been received, amounting to 24 million euros, net liability position (46 million euros, net asset position, in 2023).

Others operations carried out with BBVA

In this chapter the most significant transactions of Telefónica, S.A. with BBVA group companies are disclosed.

The impact on the balance sheet and income statement of Telefónica, S.A. of the rest of the operations with BBVA in 2024 and 2023 are as follows:

BBVA	2024	2023
Financial expenses	3	3
Total expenses	3	3
Financial revenues	18	20
Dividends received (1)	30	21
Total revenues	48	41
Finance arrangements: loans and capital contributions (lender)	35	600
Other accounts receivable	353	—
Finance arrangements: loans and capital contributions (receiver)	12	27
Dividends distributed	84	84

(1) As of December 31, 2024 Telefónica holds 0.766% (0.756% in 2023) investment in Banco Bilbao Vizcaya Argentaria, S.A. (See note 9.3).

The heading "Finance arrangements: loans and capital contributions (lender)" for 2023 mainly included a deposit set up by Telefónica, S.A. of 600 million euros maturing in January 2024.

In 2024 the caption "Other accounts receivable" mainly includes the outstanding balance at year end of the current bank accounts Telefónica, S.A. has in the aforementioned financial institution.

Operations with CriteriaCaixa

Since the date on which it became considered a related party, Telefónica, S.A. has not carried out significant transactions with the companies controlled by CriteriaCaixa Group.

Operations with SEPI

Since the date on which it became considered a related party, Telefónica, S.A. has not carried out significant transactions with the companies controlled by SEPI Group.

General State Administration

SEPI is an entity that is part of the Spanish State Institutional Public Sector.

Since the date on which it became considered a related party, Telefónica, S.A. has not carried out any individually significant transaction with entities belonging to the Spanish State Institutional Public Sector. During 2024, the only transactions considered as a whole exceeding 1 million euros refer to 1,6 million euros in external service expenses with the Spanish Public Sector.

2. Other significant shareholders

During fiscal year 2024, the significant shareholders of the Company without representation on the Board of Directors of Telefónica, S.A. were BlackRock, Inc. and Public Investment Fund. These shareholders are not considered a related party as they do not have representation on the Board of Directors of Telefónica, S.A. nor exert significant influence on the company.

Based on the information notified by BlackRock, Inc. to the CNMV on November 25, 2024, BlackRock, Inc.'s participation in the share capital of Telefónica, S.A. was 4.29%

According to the data collected in the communication sent by Public Investment Fund to the CNMV, as of February 6, 2025, Green Bridge Investment Company SCS (a company controlled by Saudi Telecom Company and this in turn controlled by Public Investment Fund) had a stake in the share capital of Telefónica, S.A. of 9.97%.

3. Balances with Group and Associated companies

Telefónica, S.A. is a holding company for various investments in companies in Latin América, Spain and the rest of Europe which do business in the telecommunications, media and entertainment sectors.

The balances and transactions between the Company and these subsidiaries (Group and associated Companies) at December 31, 2024 and 2023 are detailed in the notes to these individual financial statements.



4. Directors and senior executives

During the financial year to which these accompanying financial statements refer, the Directors and senior executives did not perform any transactions with Telefónica, S.A. or any Telefónica Group company other than those in the Group's normal trading activity and business.

Compensation and other benefits paid to members of the Board of Directors and senior executives are detailed in note 20 e) and Appendix II of these financial statements.

Telefónica contracted a civil liability insurance scheme (D&O) for Directors, managers and staff with similar functions in the Telefónica Group, with standard conditions for these types of insurance and a premium attributable to 2024 of 4.743.347,97 euros (5,565,728.82 euros in 2023). This scheme provides coverage for Telefónica, S.A. and its subsidiaries in certain cases. Out of this amount, Telefónica, S.A. has paid 2.354.919,59 euros in 2024 (2,854,063 euros in 2023).

g) Auditors' fees

The services commissioned to PricewaterhouseCoopers Auditores, S.L., the Auditor of Telefónica, S.A. for the years 2024 and 2023, meet the independence requirements stipulated by the Spanish Audit Law 22/2015, July 20, the US SEC rules and the Public Company Accounting Oversight Board (PCAOB), both Board from the US.

The expenses accrued refer to the fees for services rendered by the various member firms of the PwC network, comprising PricewaterhouseCoopers Auditores, S.L., amount to 4.71 and 4.18 million euros in 2024 and 2023, respectively.

The detail of these amounts is as follows:

Millions of euros	2024	2023
Audit services	3.54	3.39
Audit-related services	1.17	0.79
Total	4.71	4.18

"Audit services" mainly includes audit fees for the individual and consolidated financial statements, as well as reviews of interim financial statements. These Audit services also incorporate the integrated audits of the financial statements for the annual report Form 20-F to file with the US SEC and the internal control audit over the financial information to comply with the requirements of the Sarbanes-Oxley 2002 Act (Section 404).

"Audit-related services" mainly includes services related to the verification of the Statement of Non-Financial

Information and Sustainability Information, the issuance of comfort letters, the review of allocation and impact reports of green finance instruments and the reasonable assurance report on the system of Internal Control over Financial Reporting (ICFR).

During the years 2024 and 2023, the principal auditor has not performed services, other than the audit services or the audit-related services in Telefónica, S.A.

h) Environmental matters

Commitment to protect the environment is part of the Company's general strategy and is the responsibility of the Board of Directors. The performance in this area is regularly supervised by the Sustainability and Regulation Committee as well as by the Global Sustainability (ESG) Office in coordination with the global areas responsible for executing this strategy alongside the business units.

The Group has a Global Environment and Energy Policy, and externally certified environmental management systems in accordance with ISO 14001 in the Group operators. The environment is a cross-cutting issue throughout the Company, involving both operational and management areas as well as business and innovation areas.

The Telefónica Group has contracted, both locally and globally, several insurance programs in order to mitigate the possible occurrence of an incident stemming from the risks of environmental liability and/or natural disasters.

Managing environmental impact and energy consumption is a strategic priority and carbon reduction targets are part of the variable remuneration of the Company employees, including the Executive Committee. Likewise, Telefónica, S.A.'s long-term share-based incentive plans 2021-2025 and 2024-2028 (see note 19) include CO2 Emissions Neutralization targets.

Telefónica's Sustainable Financing Framework is aligned with the International Capital Markets Association (ICMA) Green, Social and Sustainable Bond Principles, as well as the Green Lending Principles and the Social Loans of the LMA (Loan Market Association), the APLMA (Asian Pacific Loan Market Association) and the LSTA (Loan Syndications and Trading Association), and it is linked to the United Nations Sustainable Development Goals.

In addition to senior green bonds and hybrid instruments, the Group uses other sustainable banking financing tools, such as loans and credits linked to sustainability objectives, such as emissions reduction or gender equality. The Group's main syndicated loan is also linked to the performance of sustainability indicators.



In 2024, the Company has maintained an active presence in the capital market with several issues, successfully raising a total of 3,050 million euros of debt in green format throughout the year (2,600 million euros in 2023). In January 2024, Telefónica launched an issuance split into two tranches, for an aggregate amount of 1,750 million euros (see note 15). In March, a green hybrid instrument was issued for an amount of 1,100 million euros (see note 15). In September, a reopening of the 750 million euros hybrid bond issued in September 2023 took place for an amount of 200 million euros. These bond issuances have not been directly launched by Telefónica, S.A. but are guaranteed by the Company.

In terms of bank financing, Telefónica has an undrawn syndicated loan linked to sustainability indicators, signed at the beginning of 2022, amounting to 5,500 million euros (see note 14).

i) Trade and other guarantees

The Company is required to issue trade guarantees and deposits for concession and spectrum tender bids and in the ordinary course of its business. No significant additional liabilities in the accompanying financial statements are expected to arise from guarantees and deposits issued (see note 20.a).

Note 21. Cash flow analysis

Cash flows from/(used in) operating activities

The net result before tax in 2024 amounts to a profit of 512 million euros (see income statement), adjusted by items recognized in the income statement that did not require an inflow or outflow of cash in the year, or are included within the investing and financing activities.

These adjustments relate mainly to:

- The impairment of investments in Group companies, associates and other investments of 4,405 million euros (in 2023 a write down of 1,208 million euros).
- Declared dividends as income in 2024 for 5,879 million euros (3,859 million euros in 2023), interest accrued in 2024 on loans granted to subsidiaries of 30 million euros (28 million euros in 2023) and a net financial expense of 1,277 million euros (1,428 million euros in 2023), adjusted initially to include only movements related to cash inflows or outflows during the year under "Other cash flows from operating activities."
- In 2024, 358 million euros related to the ICSID award have been adjusted as this amount, that is registered as other operating income (see note 19.2), has not raised a cash flow and it has been registered as current financial asset and it is not under the operating balance sheet (see note 9.4).

Other cash flows from operating activities amount to 4,573 million euros (1,796 million euros in 2023). The main items included are:

a) Net interest paid:

Payments of net interest and other financial expenses amounted to 1,365 million euros (1,495 million euros in 2023), including:

- Net proceeds from external credit entities, net of hedges, for 129 million euros (21 million euros in 2023 offset by their hedges), and
- Interest and hedges paid to Group companies of 1,494 million euros (1,516 million euros in 2023).

b) Dividends and other distributions from reserves and paid-in capital received:

Millions of euros	2024	2023
O2 Europe, Ltd.	2,200	—
Telefónica Latinoamérica Holding, S.L.	1,000	—
Telefónica Móviles España, S.A.U.	677	—
Telefónica O2 Holdings, Ltd.	511	1,153
Telefónica de España, S.A.U.	473	—
Telfisa Global, B.V.	435	1,056
Telefónica Finanzas, S.A.U. (TELFISA)	118	182
Telxius Telecom, S.A.	2	125
Telefônica Brasil, S.A.	173	277
TLS	62	—
Other dividend collections	52	42
Total	5,703	2,835

In addition to the dividends declared in 2024 (see note 19.1) and collected in the same period, this caption also includes dividends from previous periods collected in 2024.

- c) Income tax collected: Telefónica, S.A. is the parent of its consolidated Tax Group (see note 17) and therefore it is liable for filing income tax with the Spanish Tax Authorities. It subsequently informs companies included in the Tax Group of the amounts payable by them. No payments on account of income tax were made in 2024 (198 million euros in 2023) as disclosed in note 17. In December 2024, after the execution of a credit sale signed with a financial entity, proceeds by 214 million euros have been received related to 2023 (285 million euros have been received related to 2022 income tax).

In this regard, the main amounts passed on to subsidiaries of the tax group were as follows:

- Telefónica Móviles España, S.A.U.: total collection of 98 million euros, corresponding to a refund for the 2023 income tax.

In 2023, there was a total collection of 207 million euros, corresponding to: 78 million euros for the 2022 income tax settlement and 129 million euros in payments on account of 2022 and 2023 income tax.

- Telefónica de España, S.A.U.: total payment of 77 million euros, corresponding to a payment for the 2023 income tax.

In 2023 there was a collection of 499 million euros, corresponding to: 411 million euros for the 2022



income tax settlement and 88 million euros in payments on account of 2022 and 2023 income tax.

- Telefónica Latinoamérica Holding, S.L.: total collection of 20 million euros, corresponding to a refund for the 2023 income tax.

In 2023, there was a payment of 304 million euros, corresponding to: A payment for the 2022 income tax by 351 million euros partially offset by proceeds of 47 million euros corresponding to payments on account of 2022 and 2023 income tax.

- Telefónica Hispanoamérica, S.A.: There has been a total payment of 8 million euros corresponding to a payment of withholding taxes of 10 million euros partially offset by the collection of 2 million euros for the income tax of 2023.

In 2023, there was a total payment of 57 million euros corresponding to: 24 million euros related to 2022 income tax and 33 million euros corresponding to payments on account of 2022 and 2023 income tax.

- Telefónica Finanzas, S.A.: total payment of 19 million euros, corresponding to a payment for the 2023 income tax.

Cash flows from/(used in) investing activities

Payments on investments under Cash flows from/ (used in) investing activities included a total payment of 3,829 million euros (3,958 million euros in 2023). The main transactions to which these payments refer are as follows:

- Capital increases: the main disbursements correspond to Telefónica Local Services, GmbH by 660 million euros (partially offset by the dividend distributions registered as investment refunds by 83 million euros). Telefónica Hispanoamérica, S.A. amounting to 220 million euros, Telefónica Infra, S.L. amounting to 133 million euros. These capital increases, as well as other minor disbursements of this same concept are disclosed in note 8.1.a.
- Acquisition of Telefónica Deutschland Holding, A.G.'s shares for a total sum of 256 million euros as detailed in note 8.1.a.
- Payments of financial investments related to the reinvestment of treasury overage amounting to 1,506 million euros.
- Payments of collaterals related to financial derivative instruments amounting to 994 million euros.

Proceeds from disposals totaling 3,432 million euros in 2024 (5,719 million euros in 2023) includes:

- Proceeds from the share capital decrease of Telefónica de Brasil amounting to 98 million euros.
- Collection of 147 million euros as a result of the sale of China Unicom shares as described in note 9.
- Collection according to the maturity schedule of 50 million euros of the loan granted to Telxius Telecom, S.A.U. which was due in 2024.
- Collections from financial divestments for reinvestment of treasury surpluses amounting to 1,506 million euros.
- Proceeds from collaterals related to financial derivative instruments amounting to 1.295 million euros.
- Net collection of hedge financial instruments designed as net investment hedges amounting to 330 million euros.

Cash flows from/(used in) financing activities

This caption mainly includes the following items:

- Proceeds from financial liabilities:

- Debt issues: The main collections comprising this heading are as follows:

Millions of euros	2024	2023
Telefónica Emisiones, S.A.U. (Note 15)	1,750	850
Bank loans (Note 14)	390	275
Promissory notes (Note 13)	33	—
Telefónica de Argentina, S.A. (Note 15)	107	—
Telefónica Europe B.V. (Note 15)	1,300	1,750
Telefónica Europe, B.V. promissory notes (Note 15)	158	488
Other collections	20	62
Total	3,758	3,425



b) Prepayments and redemption of debt: The main payments comprising this heading are as follows:

Millions of euros	2024	2023
Bilateral loans with several entities (Note 14.4)	140	178
Telfisa Global, B.V. (Note 15)	3,298	1,710
Telefónica Europe, B.V. (Note 15)	1,300	1,750
Telefónica Emisiones, S.A.U. (Note 15)	1,000	1,705
Other payments	4	15
Total	5,742	5,358

The commercial paper transactions with Telefónica Europe, B.V. are stated at their net balance as recognized for the purposes of the cash flow statement, being high-turnover transactions where the interval between purchase and maturity never exceeds six months.

The financing obtained by the Company from Telfisa Global, B.V. relates to the Group's integrated cash management (see note 15). These amounts are stated net in the cash flow statement as new issues or redemptions on the basis of whether or not at year-end they represent current investment of surplus cash or financed balances payable.

- ii. Acquisition of own equity instruments for an amount of 145 million euros refers to the purchases of treasury shares as indicated in note 11.a."
- iii. Payments of dividends amount to 1,720 million euros (1,701 million euros in 2023). The figure differs from the one shown in note 11.1.d) because of the withholding taxes deducted in the payment to certain major shareholders, which will be paid to Tax Authorities in 2025 and also the withholding taxes referred to the dividend distribution made in December 2023 which have been paid to the Tax Authorities in January 2024.



Note 22. Events after the reporting period

The following events regarding the Company took place between the reporting date and the date of preparation of the accompanying financial statements:

Financing

- On January 13, 2025, Telefónica, S.A. signed an extension with respect to its sustainability-linked syndicated credit facility for up to 5,500 million euros for an additional year (extending the maturity date to January 13, 2030). Additionally, Telefónica signed 2 extension options for 1 additional year each, permitting Telefónica, S.A., to extend the maturity date of the credit facility to January 13, 2032.
- On January 15, 2025, Telefónica, S.A. signed a bilateral loan in the amount of 125 million euros maturing on January 15, 2035. As of the date, there was 0 outstanding amount under this bilateral loan.
- On January 16, 2025, Telefónica, S.A. through its wholly-owned subsidiary Telefónica Emisiones, S.A.U., launched in the Euro market under its EMTN Programme an issuance of Notes guaranteed by Telefónica, S.A. in a principal amount of 1,000 million euros. This issue, due on January 23, 2034, pays an annual coupon of 3.724% and was issued at par. The settlement of the issuance took place on January 23, 2025.
- On January 17, 2025, Telefónica Emisiones, S.A.U. redeemed 1,250 million euros of its notes issued on January 17, 2017. These notes were guaranteed by Telefónica, S.A.
- On February 24, 2025, Telefónica, S.A. has transferred the principal and cumulative interests of the loan that Telefónica Móviles Argentina, S.A. had granted in January 2024 (see Note 15) to its subsidiary TLH HOLDCO, S.L. The total amount transferred amounts to 126 million US dollars.

Corporate Governance

- On January 18, 2025, Telefónica, S.A. in view of its new shareholding structure and that some of its relevant shareholders expressed the convenience of embarking on a new stage in the executive chairmanship, Telefónica's Board of Directors, which met on the aforementioned date to assess the situation, under the chairmanship of Mr. José María

Álvarez-Pallete, adopted, following a favorable report from the Nominating, Compensation and Corporate Governance Committee, the following resolutions:

- To agree on the orderly renewal of the Company's chairmanship, in order to adapt it to its new shareholding structure.
- To approve the termination of the contract signed with Mr. José María Álvarez-Pallete as Executive Chairman of Telefónica's Board of Directors, and to request from him, in accordance with the provisions of Article 12.2.a) of the Regulations of the Board of Directors, his resignation from his position as Director. Mr. Álvarez-Pallete, in response to said request, tendered his resignation as a Director, which was accepted by the Board of Directors.
- In order to guarantee an adequate replacement in the executive chairmanship of the Company, to approve the appointment by co-optation of Mr. Marc Thomas Murtra Millar, as Executive Director of the Company, also appointing him as Executive Chairman of the Board of Directors and delegating to him all the powers that may be delegated by the Board of Directors, to be exercised jointly and severally. Mr. Murtra accepted his appointment as Executive Chairman of Telefónica, on this same date.
- On January 29, 2025, the Board of Directors of Telefónica, S.A., resolved with the abstention of the Executive Directors and upon proposal of the Nominating, Compensation and Corporate Governance Committee, to appoint Mr. Peter Löscher as Lead Independent Director. On the same date, the Audit and Control Committee resolved to appoint the Independent Director Ms. María Luisa García Blanco as Chairwoman of that Committee.
- On February 14, 2025 the Board of Directors of Telefónica del Perú, S.A.A. ("Telefónica del Perú"), with the aim of achieving an orderly restructuring of the liabilities of said company, resolved to invoke the Ordinary Insolvency Procedure, established under the Peruvian law (Ley General del Sistema Concursal) with respect to Telefónica del Perú. The invocation of said insolvency procedure is focused on the financial and operational restructuring within the framework of the applicable insolvency law. Thus, the protection of



the insolvency framework, established by the Ley General del Sistema Concursal, will allow Telefónica del Perú for an orderly restructuring of liabilities with the arrangement of its creditors. In order to facilitate the invocation of the Ordinary Insolvency Procedure, Telefónica Hispanoamérica has granted a credit facility of up to 1,549 million Peruvian soles (approximately 394 million euros at an estimated average rate of 3.93 Peruvian soles per euro), subject to strict conditionality and with a maturity of 18 months, to meet exclusively operational cash requirements of Telefónica del Perú. The financial situation of Telefónica del Perú has been very negatively affected by tax contingencies that are more than 20 years old, as well as by administrative decisions that have placed the company in a competitive disadvantage within a particularly challenging market environment. In relation to the abovementioned tax contingencies, Telefónica is currently in arbitration before the International Centre for Settlement of Investment Disputes (ICSID) (see Note 20.b). As previously informed to the market, Telefónica reiterated that Telefónica del Perú's liabilities are not guaranteed by any other company of the Telefónica Group. Telefónica will continue to explore strategic alternatives with regard to its investment in Telefónica del Perú.

- On February 24, 2025, Telefónica's subsidiary TLH Holdco, S.L.U., a company 100% owned by Telefónica, sold all the shares that it held in Telefónica Móviles Argentina, S.A. representing 99.999625% of its share capital and of the entire share capital of its operations in Argentina to Telecom Argentina S.A. The total price for 100% of the shares transferred amounts to 1,245 million U.S. dollars (approximately 1,189 million euros at the date of the transaction). The signing and closing of the transaction took place simultaneously.



Note 23. Additional note for English translation

These annual financial statements were originally prepared in Spanish and were authorized for issue by the Company's Directors in the meeting held on February 26, 2025. In the event of a discrepancy, the Spanish language version prevails.



Appendix I: Details of subsidiaries and associates at December 31, 2024

Name and corporate purpose	% Ownership					Income (loss)		Net carrying amount
	Direct	Indirect	Capital	Rest of equity	Dividends	From operations	For the year	
Telefónica Latinoamérica Holding, S.L.U. (SPAIN) Holding Company Distrito Telefónica. Ronda de la Comunicación s/n 28050 Madrid	100%	—	291	8,784	1,000	(49)	193	9,374
Telefónica Móviles España, S.A.U. (SPAIN) Wireless communications services provider Distrito Telefónica, Ronda de la Comunicación s/n 28050 Madrid	100%	—	209	308	522	814	549	5,561
Telefónica O2 Holdings Limited (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	99.99%	0.01%	13	8,137	512	—	507	9,259
Telefónica Móviles México, S.A. de C.V. (MEXICO) Holding Company Prolongación Paseo de la Reforma 1200 Col. Cruz Manca, México D.F. CP.05349	99.99%	0.01%	601	(559)	—	—	6	48
Telefónica de España, S.A.U. (SPAIN) Telecommunications service provider in Spain Gran Vía, 28 - 28013 Madrid	100%	—	1,024	2,481	815	867	557	2,455
O2 (Europe) Ltd. (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	100%	—	6,896	—	2,200	(273)	1,583	7,753
Telefónica España Filiales, S.A.U. (SPAIN) Organization and operation of multimedia service- related activities and businesses Distrito Telefónica, Ronda de la Comunicación s/n, Madrid 28050	100%	—	226	997	—	(4)	79	1,302
Telfisa Global, B.V. (NETHERLANDS) Integrated cash management, consulting and financial support for Group companies Strawinskylaan 1259; tower D; 12th floor 1077 XX - Amsterdam	100%	—	—	294	435	(1)	436	712
O2 Oak Limited (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	100%	—	—	—	—	—	—	—
Telefónica Hispanoamérica, S.A. (SPAIN) Holding Company Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	108	(57)	—	(1,219)	(1,376)	—
TIS Hispanoamérica, S.L. (SPAIN) Holding Company Ronda de la Comunicación, s/n - 28050 Madrid	100 %	—	1	13	—	(4)	(7)	6



Name and corporate purpose	% Ownership				Income (loss)		Net carrying amount	
	Direct	Indirect	Capital	Rest of equity	Dividends	From operations		For the year
Telefónica Soluciones de Criptografía, S.A. (SPAIN) Other services related to information technology and computing Gran Vía 28, 28013 Madrid	100%	—	1.2	15	—	1	—	17
Telefónica Tech , S.L. (SPAIN) Promotion of business initiatives and holding for securities Gran Vía 28-28013 Madrid	100%	—	67	882	—	(1)	(1)	941
O2 Worldwide Limited (UNITED KINGDOM) Private Limited Company C/O Stobbs Building 1000, Cambridge Research Park, Cambridge, CB25 9PD	100%	—	—	—	—	—	—	—
Telefónica Capital, S.A.U. (SPAIN) Finance Company Gran Vía, 28 - 28013 Madrid	100%	—	7	219	—	—	10	110
TLH HOLDCO, S.L. (SPAIN) Holding Company Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	87	937	—	(10)	(7)	1,158
Lotca Servicios Integrales, S.L. (SPAIN) Ownership, operation and aircraft leases Gran Vía, 28 - 28013 Madrid	100%	—	18	51	—	(13)	(10)	59
Telefónica Local Services GmbH (GERMANY) Holding company Adalbertstrasse 82-86 85737, Ismaning	100%	—	—	1,787	62	—	2	1,452
Telefónica Infra, S.L. (SPAIN) Portfolio Company (Holding) Ronda de la Comunicación S/N - 28050 Madrid	100%	—	12	935	—	(7)	(7)	940
Telefónica Finanzas, S.A.U. (TELFISA) (SPAIN) Cash pooling, consulting and financial support for Group companies Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	3	(91)	115	—	141	13
Telefónica Global Solutions, S.L.U. (SPAIN) International services provider Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	1	29	—	(9)	(6)	24
Telefónica Innovación Digital, S.A.U. (SPAIN) Development of activities and research projects in telecommunication Ronda de la Comunicación S/N - 28050 Madrid	100%	—	28	302	—	(11)	6	336
Telefónica Luxembourg Holding S.à.r.L. (LUXEMBOURG) Holding Company 26, rue Louvingny, L-1946- Luxembourg	100%	—	3	175	—	—	—	4
Telefónica Servicios Globales, S.L.U. (SPAIN) Management and administrative services provider Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	1	77	—	—	—	79
Telefónica Participaciones, S.A.U. (SPAIN) Issues of preferred shares and/or other debt financial instruments Gran Vía, 28 - 28013 Madrid	100%	—	—	1	—	—	—	—
Telefónica Emisiones, S.A.U. (SPAIN) Issues of preferred shares and/or other debt financial instruments Gran Vía, 28 - 28013 Madrid	100%	—	—	16	—	(3)	1	—
Telefónica Europe, B.V. (NETHERLANDS) Fund raising in capital markets Strawinskyaan 1259; tower D; 12th floor 1077 XX - Amsterdam	100 %	—	—	3	3	(1)	3	—



Name and corporate purpose	% Ownership					Income (loss)		Net carrying amount
	Direct	Indirect	Capital	Rest of equity	Dividends	From operations	For the year	
Toxa Telco Holding, S.L. (SPAIN) Holding Company Ronda de la Comunicación s/n Madrid 28050	100%	—	—	—	—	—	—	—
Telxius Telecom, S.A. (SPAIN) Telecommunications Services Ronda de la Comunicación, s/n- 28050 Madrid	70%	—	260	207	2	(8)	(5)	—
Telefónica Centroamérica Inversiones, S.L (SPAIN) Holding Company Ronda de la Comunicación, s/n. - 28050 Madrid	60%	—	—	1	—	—	—	—
Telefónica Factoring España, S.A. (SPAIN) Factoring Zurbano, 76, 8 Plta. - 28010 Madrid	50%	—	5	2	5	12	10	3
Telefónica Consumer Finance E.F.C., S.A. (SPAIN) Lending and consumer loans c/Caleruega, 102 -28033 Madrid	50%	—	5	21	2	2	2	13
Aliança Atlântica Holding B.V. (NETHERLANDS) Portfolio Company Strawinskylaan 1725 - 1077 XX - Amsterdam	50%	38.24 %	40	5	—	—	1	22
Telefónica Renting, S.A. (SPAIN) Retail renting business of furniture and office ancillary. Av. de Manoteras, 20, Hortaleza, 28050 Madrid	50%	—	1	9	—	11	8	5
Telefônica Brasil, S.A. (BRAZIL) (1) (*) Telecommunication operator in Brazil Av. Luis Carlos Berrini, 1.376 - Brooklin São Paulo 04571-000	38.9%	37.59%	22,990	(12,269)	202	1,516	977	8,001
Telefónica Telecomunicaciones México, S.A. de C.V. (MÉXICO) Factoring Prolongación Paseo de la Reforma 1200 Col. Cruz Manca, México D.F. CP.05349	49%	51%	—	—	—	—	—	—
Telefónica Factoring Do Brasil, Ltd. (BRAZIL) Factoring Rua Desembargador Eliseu Guilherme, 69 Pt. 6 Paraíso Sao Paulo	40%	10%	2	(2)	1	(1)	3	1
Telefónica Factoring México, S.A. de C.V. SOFOM ENR (MEXICO) Factoring Prolongación Paseo de la Reforma 1200 Col. Cruz Manca, México D.F. CP.05349	40.50%	9.50%	—	—	—	—	—	—
Telefónica Factoring Perú, S.A.C. (PERÚ) Factoring Avenida República de Panamá Nro 3030 piso 6to. San Isidro Lima, Perú	40.50%	9.50%	1	3	1	(1)	2	1
Telefónica Factoring Colombia, S.A. (COLOMBIA) Factoring Calle 93 No. 15-73 Oficina 502 Bogotá	40.50%	9.50%	1	—	1	2	1	1
Telefónica Correduría de Seguros y Reaseguros Compañía de Mediación, S.A. (SPAIN) Insurance contracts, operating as a broker Ronda de la Comunicación S/N - 28050 Madrid	16.67%	83.33%	—	(1)	2	9	10	—
Torre de Collçerola, S.A. (SPAIN) Operation of telecommunications tower and technical assistance and consulting services. Ctra. Vallvidrera- Tibidabo, s/n - 08017 Barcelona	30.40%	—	5	—	—	—	—	1
Wayra Argentina,S.A. (ARGENTINA) Telecommunications activities Av. Corrientes 707, Planta Baja, Ciudad de Buenos Aires, Argentina	5%	95%	27	(24)	—	—	2	—



Name and corporate purpose	% Ownership					Income (loss)		Net carrying amount
	Direct	Indirect	Capital	Rest of equity	Dividends	From operations	For the year	
Telefónica Global Solutions Argentina, S.A. (ARGENTINA)								
Telecommunications services Avenida Ingeniero Huergo 723, 1107 Buenos Aires	5%	95%	3	(4.7)	—	1	(2)	—
Total group companies and associates					5,879			49,650

(1) Consolidated data.

(*) Companies listed on international stock exchanges at December 31, 2024.

Appendix II: Board and Senior Management Compensation

TELEFÓNICA, S.A.

(Amounts in euros)

Directors	Salary ¹	Fixed remuneration ²	Allowances ³	Short-term variable remuneration ⁴	Remuneration for belonging to the Board Committees ⁵	Other items ⁶	Total
Mr. José María Álvarez-Pallete López ⁷	1,923,100	–	–	3,513,504	–	6,207	5,442,811
Mr. Isidro Fainé Casas	–	200,000	–	–	80,000	–	280,000
Mr. José María Abril Pérez	–	200,000	10,000	–	91,200	–	301,200
Mr. Ángel Vilá Boix	1,600,000	–	–	2,436,000	–	27,383	4,063,383
Ms. María Luisa García Blanco	–	120,000	38,000	–	33,600	–	191,600
Mr. Peter Löscher	–	120,000	26,000	–	113,600	–	259,600
Mr. Carlos Ocaña Orbis ⁸	–	80,000	8,000	–	60,800	–	148,800
Ms. Verónica Pascual Boé	–	120,000	12,000	–	11,200	–	143,200
Mr. Francisco Javier de Paz Mancho	–	120,000	25,000	–	113,600	–	258,600
Mr. Alejandro Reynal Ample	–	120,000	–	–	–	–	120,000
Mr. Francisco José Riberas Mera	–	120,000	–	–	–	–	120,000
Ms. María Rotondo Urcola	–	120,000	25,000	–	22,400	–	167,400
Ms. Claudia Sender Ramírez	–	120,000	1,000	–	80,000	–	201,000
Ms. Solange Sobral Targa	–	120,000	10,000	–	11,200	–	141,200

¹Salary: Regarding Mr José María Álvarez-Pallete López and Mr Ángel Vilá Boix, the amount includes the non-variable remuneration earned from their executive functions.

²Fixed remuneration: Amount of the compensation in cash, with a pre-established payment periodicity, whether or not it can be consolidated over time, earned by the member for his/her position on the Board, regardless of the effective attendance of the member to board meetings.

³Allowances: Total amount of allowances for attending Advisory or Steering Committee meetings.

⁴Short-term variable remuneration (bonuses): Variable amount linked to the performance or achievement of a series of individual or group objectives (quantitative or qualitative) within a period of time equal to or less than a year, corresponding to the year 2024 and to be paid in the year 2025. In reference to the bonus corresponding to 2023, which was paid in 2024, Executive Board Member Mr José María Álvarez-Pallete López received 3,717,737 euros and Executive Board Member Mr Ángel Vilá Boix received 2,577,600 euros.

⁵Remuneration for belonging to the Board Committees: Amount of items other than allowances, which the directors are beneficiaries through their position on the Executive Commission and the Advisory or Steering Committees, regardless of the effective attendance of the board member such Committee meetings.

⁶Other concepts: This includes, among others, the amounts received as remuneration in kind (general medical and dental coverage and vehicle insurance), paid by Telefónica, S.A.

⁷Mr. José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025. Likewise, on the same date, it was agreed to co-opt Mr. Marc Thomas Murtra Millar as the new Executive Chairman of the Board of Directors of Telefónica, S.A.

⁸Mr. Carlos Ocaña Orbis was appointed Director of the Company on May 8, 2024.



Ms. Carmen García de Andrés stood down as Board Member on May 7, 2024. Mr. José Javier Echenique Landiribar passed away on December 15, 2024. Payment received and/or accrued by them in 2024 is detailed below:

(Amounts in euros)

Directors	Salary ¹	Fixed remuneration ²	Allowances ³	Short-term variable remuneration ⁴	Remuneration for belonging to the Board Committees ⁵	Other items ⁶	Total
Mr. José Javier Echenique Landiribar	—	200,000	27,000	—	113,600	—	340,600
Ms. Carmen García de Andrés	—	40,000	12,000	—	7,467	—	59,467

1 to 6: Definitions of these concepts are those included in the previous table.

The following table breaks down the amounts accrued and/or received from other companies of the Telefónica Group other than Telefónica, S.A. individually, by the Board Members of the Company, by the performance of executive functions or by their membership to the Board of Directors of such companies:

OTHER COMPANIES OF THE TELEFÓNICA GROUP

(Amounts in euros)

Directors	Salary ¹	Fixed remuneration ²	Allowances ³	Short-term variable remuneration ⁴	Remuneration for belonging to the Board Committees ⁵	Other items ⁶	Total
Mr. José María Álvarez-Pallete López ⁷	—	—	—	—	—	—	—
Mr. Isidro Fainé Casas	—	—	—	—	—	—	—
Mr. José María Abril Pérez	—	—	—	—	—	—	—
Mr. Ángel Vilá Boix	—	—	—	—	—	—	—
Ms. María Luisa García Blanco	—	—	—	—	—	87,500	87,500
Mr. Peter Löscher	—	125,997	—	—	—	—	125,997
Mr. Carlos Ocaña Orbis ⁸	—	—	—	—	—	—	—
Ms. Verónica Pascual Boé	—	90,000	—	—	—	65,000	155,000
Mr. Francisco Javier de Paz Mancho	—	173,159	—	—	—	155,000	328,159
Mr. Alejandro Reynal Ample	—	—	—	—	—	—	—
Mr. Francisco José Riberas Mera	—	—	—	—	—	—	—
Ms. María Rotondo Urcola	—	—	—	—	—	—	—
Ms. Claudia Sender Ramírez	—	—	—	—	—	132,500	132,500
Ms. Solange Sobral Targa	—	85,659	—	—	—	—	85,659

¹ Salary: Amount of non-variable remuneration earned by the Director from other companies of the Telefónica Group for his/her executive functions.

² Fixed remuneration: Amount of the compensation in cash, with a pre-established payment periodicity, subject to consolidation over time or not, earned by the member for his/her position on the boards of other companies of the Telefónica Group.

³ Allowances: Total amount of the allowances for attending the board meetings of other companies of the Telefónica Group.

⁴ Variable short-term remuneration (bonuses): Variable amount linked to the performance or achievement of a series of individual or group objectives (quantitative or qualitative) within a period of time equal to or less than a year, corresponding to the year 2024 and to be paid in the year 2025 by other companies of the Telefónica Group.

⁵ Remuneration for belonging to the Board Committees of other companies of the Telefónica Group: Amount of items other than allowances, which the directors are beneficiaries through their position on the Advisory or Steering Committees of other companies of the Telefónica Group, regardless of the effective attendance of the board member such Committee meetings.

⁶ Other concepts: This includes, among others, the amounts received as remuneration in kind (general medical and dental coverage and vehicle insurance), paid by other companies of the Telefónica Group. Also included are the amounts received for membership of the Advisory Boards of Telefónica España, Telefónica Hispanoamérica, Telefónica Tech and Telefónica Ingeniería de Seguridad.

⁷ Mr. José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025. Likewise, on the same date, it was agreed to co-opt Mr. Marc Thomas Murtra Millar as the new Executive Chairman of the Board of Directors of Telefónica, S.A.

⁸ Mr. Carlos Ocaña Orbis was appointed Director of the Company on May 8, 2024.



Ms. Carmen García de Andrés stood down as Board Member on May 7, 2024. Mr. José Javier Echenique Landiribar passed away on December 15, 2024. Payment received and/or accrued by them with respect to the other companies of the Telefónica Group in 2024 is detailed below:

(Amounts in euros)

Directors	Salary ¹	Fixed remuneration ²	Allowances ³	Short-term variable remuneration ⁴	Remuneration for belonging to the Board Committees ⁵	Other items ⁶	Total
Mr. José Javier Echenique Landiribar	–	90,000	–	–	–	87,500	177,500
Ms. Carmen García de Andrés	–	–	–	–	–	–	–

1 to 6: Definitions of these concepts are those included in the previous table.

Additionally, the Executive Board Members have a series of Assistance Services. Below, the contributions made during 2024 are detailed for the Company to long-term savings systems (Pension Plans and Social Welfare Plan):

LONG-TERM SAVINGS SYSTEMS

(Amounts in euros)

Directors	Contributions for fiscal year 2024
Mr. José María Álvarez-Pallete López ¹	673,085
Mr. Ángel Vilá Boix	560,000

¹ Mr. José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025. Likewise, on the same date, it was agreed to co-opt Mr. Marc Thomas Murtra Millar as the new Executive Chairman of the Board of Directors of Telefónica, S.A.

The breakdown of the long-term saving systems includes contributions to Pension Plans, to the Benefit Plan and to the Unit link-type Insurance, as set out below:

(Amounts in euros)

Directors	Contribution to Pension Plans	Contribution to Executive Social Welfare Plan ¹	Contributions to Unit link-type Insurance/Pension Plan Surplus ²
Mr. José María Álvarez-Pallete López ³	7,574	540,968	124,543
Mr. Ángel Vilá Boix	6,721	487,840	65,439

1. Contributions to the Executive Social Welfare Plan established in 2006, financed exclusively by the Company, to complement the current Pension Plan, which involves defined contributions equivalent to a certain percentage of the fixed remuneration of the Director, depending on the professional levels in the organization of the Telefónica Group.

2. Contributions to Unit link-type Insurance/Pension Plan Surplus: In 2015 and 2021, applicable law reduced the financial and tax limits of the contributions to Pension Plans; for this reason, in order to compensate for the difference in favor of the Beneficiaries, a Unit-link type group insurance policy was arranged to channel such differences that occur during each fiscal year. This Unit-link type insurance is arranged with the entity Occident GCO, S.A.U. de Seguros y Reaseguros, and covers the same contingencies as those of the "Pension Plan" and the same exceptional liquidity events in case of serious illness or long-term unemployment.

3 Mr. José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025. Likewise, on the same date, it was agreed to co-opt Mr. Marc Thomas Murtra Millar as the new Executive Chairman of the Board of Directors of Telefónica, S.A.



LIFE INSURANCE PREMIUMS

The 2024 amounts for life insurance premiums were as follows:

(Amounts in euros)

Directors	Life insurance premiums
Mr. José María Álvarez-Pallete López ¹	41,708
Mr. Ángel Vilá Boix	33,328

¹ Mr. José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025. Likewise, on the same date, it was agreed to co-opt Mr. Marc Thomas Murtra Millar as the new Executive Chairman of the Board of Directors of Telefónica, S.A.

REMUNERATION PLANS BASED ON SHARES

As regards to remuneration plans based on shares (involving Executive Directors Mr. José María Álvarez Pallete-López and Mr. Ángel Vilá Boix), the following long-term variable remuneration plans were in existence during the year 2024:

The so-called Performance Share Plan ("PSP"), made up of: the Long-Term Incentive Plan 2021-2025 (with Second cycle (2022-2024) and Third cycle (2023-2025) active) approved by the General Shareholders' Meeting held on April 23, 2021, and the Long-Term Incentive Plan 2024-2028 (with First cycle (2024-2026) active), approved by the General Shareholders' Meeting held on April 12, 2024.

The Second cycle (2022-2024) of the Long-Term Incentive Plan 2021-2025 started on January 1, 2022 and ended on December 31, 2024.

In this cycle, a maximum of 1,740,000 shares were allocated to the Executive Directors on January 1, 2022, with a unit fair value of 2.9515 euros per share for FCF ("Free Cash Flow"), 2.4316 euros for TSR ("Total Shareholder Return") and 2.9515 euros for the CO2 Emission Neutralization and Reduction target.

At the end of the cycle, Kepler provided the Nominating, Compensation and Corporate Governance Committee with the calculation of Telefónica's Total Shareholder Return, which was 33.6% at the end of the period, ranking fourth in the comparison group, i.e. above the 75th percentile according to the established scale of achievement, and generating a weighted payout ratio of 50% linked to relative TSR.

With regard to the Free Cash Flow, after taking into account the partial annual payments for 2022, 2023 and 2024, previously audited and approved by the Telefónica's Board of Directors at the proposal of the Nominating, Compensation and Corporate Governance Committee, the weighted payout ratio is 40%. The assessment of the level of compliance was based on the

results of the audit by the Company's external and internal auditors, which were first analyzed by the Audit and Control Committee before being validated by the Nominating, Compensation and Corporate Governance Committee and approved by the Board of Directors.

Finally, in relation to the CO2 Emission Neutralization and Reduction target, the Nominating, Compensation and Corporate Governance Committee has regularly monitored the level of CO2 Emissions Neutralization and, after analyzing the report from the Corporate Affairs and Sustainability Department, has determined the level of achievement. The Nominating, Compensation and Corporate Governance Committee was supported in this evaluation function by the Sustainability and Regulation Committee and the Audit and Control Committee. In this respect, the minimum CO2 emission reduction threshold that triggers the possibility of assessing the degree of compliance with the CO2 Neutralization target has been met and therefore the weighted payout ratio linked to CO2 Neutralization was 10%.

Taking into account the Relative TSR, Free Cash Flow and CO2 Neutralization results, the weighted payout ratio increased to 100%. Thus, at the end of the Plan's cycle, the Chief Operating Officer (COO) Mr. Ángel Vilá Boix is entitled to receive 745,000 gross shares.

In the case of Mr. José María Álvarez-Pallete López, due to his termination as Executive Chairman, he will not receive the delivery of shares corresponding to this cycle (995,000 gross shares) but will receive an equivalent settlement in cash.

Similarly, during the 2024 financial year, the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and First cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028 were in force, starting on January 1, 2023 and January 1, 2024 respectively and ending on December 31, 2025 and December 31, 2026 respectively.

In relation to the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025, the number of Telefónica, S.A. shares that could be delivered to the participants, within the established maximum, is conditioned and determined by the compliance with the established objectives: 50% on the compliance with the Total Shareholder Return (TSR) objective of Telefónica, S.A. shares, 40% on the Telefónica Group's Free Cash Flow (FCF) and 10% on the Neutralization and Reduction of CO2 Emissions. On the other hand, in the First Cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028, the weight of CO2 Neutralization and Emission Reduction has been reduced by half, giving room to the target for the number of Women in Executive Positions with a weight of 5%.



To determine compliance with the TSR target and calculate the specific number of shares to be delivered for this concept, the performance of the TSR on Telefónica, S.A.'s shares will be measured during the measurement period of each three-year cycle, in relation to the TSRs experienced by certain companies in the telecommunications sector, weighted according to their relevance to Telefónica, S.A., which for purposes of the Plan will constitute a comparison group (hereinafter the "Comparison Group"). The companies included in the Comparison Group are listed below: América Móvil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera, TIM Brasil, and Liberty Global.

With regard to complying with the TSR objective, the number of shares to be delivered associated with meeting this objective will range from 15% of the number of theoretical shares assigned, assuming that the TSR performance of Telefónica, S.A. shares is at least the median of the comparison group, to 50% if the performance is in the third quartile or above in the comparison group, with the percentage calculated by linear interpolation for cases falling between the median and third quartile.

In order to determine the compliance with the FCF objective and calculate the specific number of shares to be delivered for this concept, the FCF level generated by the Telefónica Group during each year will be measured and compared to the value set in the budgets approved by the Board of Directors for each financial year.

With regard to the FCF, for each of the cycles in force during the financial year 2024, the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, determined a scale of achievement that includes a minimum threshold of 90% compliance, below which no incentive is paid and compliance with which will entail the delivery of 20% of the theoretical shares assigned, and a maximum level of 100% compliance, which will entail the delivery of 40% of the theoretical shares assigned. In the case of the First cycle (2024-2026) of the 2024-2028 Long-Term Incentive Plan, includes a potential upside in case of over achievement that may end in a payout of 60% at the end of the cycle.

In order to determine compliance with the CO2 Emission Neutralization and Reduction target and to calculate the specific number of shares to be delivered for this item, the level of CO2 Emissions Neutralization achieved at the end of the cycle will be measured, with the incentive being paid upon reaching a certain level of scope 1 + 2.

The level of direct and indirect CO2 emissions from our daily activity shall be calculated according to the following:

CO2 Emission = Activity Data x Emission Factor, where:

- Activity: Amount of energy, fuel, gas, etc. consumed by the Company.
- Emission Factor: Amount of CO2 emitted to the atmosphere by the consumption of each unit of activity.

The emission factor provided by official sources (European Union, Ministries, CNMC, International Energy Agency, etc.) is used for electricity and the GHG Protocol emission factors are used for fuels.

At the beginning of the Third Cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and the First Cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028, the Board of Directors of Telefónica, S.A., at the proposal of the Nominating, Compensation and Corporate Governance Committee, determined a scale of achievement that includes a minimum threshold of 90% compliance, below which no incentive is paid and compliance with which will entail the delivery of 5% of the theoretical shares assigned, and a maximum level of 100% compliance, which will entail the delivery of 10% of the theoretical shares assigned. In addition, a minimum level of emission reductions of Scope 1 + 2 will need to be achieved for the incentive to be paid.

In the case of Women in Executive Positions target for the Long-Term Incentive Plan 2024-2028, the proportion of Women Executives over the total executives population will be measured at December 31, 2026.

In any case, 100% of the shares delivered under the Plan to the Executive Directors and other Participants as determined by the Board of Directors shall be subject to a two-year holding period.

In addition, in accordance with the provisions of the Remuneration Policy for Directors of Telefónica, SA, the Executive Directors must maintain (directly or indirectly) a number of shares (including those delivered as remuneration) equivalent to two years of their Gross Fixed Remuneration, as long as they continue to belong to the Board of Directors and perform executive functions. Until such time as this requirement is met, the holding period for any shares delivered under the Plan to Executive Directors will be three years.

The maximum number of allocated shares to be delivered in the event of maximum compliance with the TSR (Total Shareholder Return), FCF (Free Cash Flow), CO2 Emission Neutralization Reduction and Women in Executive Positions targets of the active plans, as applicable, is shown below.

PSP 2021-2025 - Third cycle / 2023-2025

Directors	Maximum number of shares (*)
Mr. José María Álvarez-Pallete López	1,110,000
Mr. Ángel Vilá Boix	831,000

(*) Maximum possible number of shares to be received in case of maximum completion of TSR, FCF and Neutralization of CO2 Emissions target.

In any case, it is noted that no shares have been delivered to the Chief Operating Officer (COO) Mr. Ángel Vilá Boix under the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and that the above table only reflects the number of potentially deliverable shares, without in any way implying that all or part of the shares will actually be delivered.

In the case of Mr. José María Álvarez-Pallete López, due to his resignation as Executive Chairman, he will not receive the delivery of shares corresponding to this position but he will receive the equivalent part in cash based on the time he has been with the Company.

PSP 2024-2028 - First cycle / 2024-2026

Directors	Maximum number of shares (*)
Mr. José María Álvarez-Pallete López	1,015,000
Mr. Ángel Vilá Boix	760,000

(*) Maximum possible number of shares to be received in case of maximum completion of TSR, FCF and Neutralization of CO2 Emissions target.

In any case, it is noted that no shares have been delivered to the Chief Operating Officer (COO) Mr. Ángel Vilá Boix under the First cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028 and that the above table only reflects the number of potentially deliverable shares, without in any way implying that all or part of the shares will actually be delivered.

PSP 2024-2028 - First cycle / 2024-2026

Directors	Maximum number of shares (*)
Mr. José María Álvarez-Pallete López	1,015,000
Mr. Ángel Vilá Boix	760,000

(*) Maximum possible number of shares to be received in case of maximum completion of TSR, FCF and Neutralization of CO2 Emissions target.

In any case, it is noted that no shares have been delivered to the Chief Operating Officer (COO) Mr. Ángel Vilá Boix under the First cycle (2024-2026) of the PSP and that the above table only reflects the number of potentially deliverable shares, without in any way implying that all or part of the shares will actually be delivered.

In the case of Mr. José María Álvarez-Pallete López, due to his resignation as Executive Chairman, he will not receive the delivery of shares corresponding to this

position but he will receive the equivalent part in cash based on the time he has been with the Company.

In addition, it should be noted that the external Directors of the Company do not receive and did not receive remuneration during the year 2024 in concept of pensions or life insurance, nor do they participate in compensation plans referenced to the value of the share price.

Furthermore, the Company does not grant nor has granted during the year 2024, an advance, loan or credit in favor of its Board Members or its Senior Management, complying with the requirements of the Sarbanes-Oxley Act published in the United States, which is applicable to Telefónica as a listed company in this market.

Remuneration of the Company's Senior Management

As for the Directors who made up the Senior Management¹ of the company in the year 2024, excluding those who form an integral part of the Board of Directors, have accrued a total amount of 8,528,820 euros during the 2024 fiscal year.

In addition, and in terms of long-term savings systems, the contributions made by the Telefónica Group during the year 2024 to the Social Security Plan described in the "Income and expenditure" note with regard to these Directors increased to 947,676 euros; the contributions corresponding to the Pension Plan increased to 212,885 euros; the contributions to the Seguro Unit link-Excess Pension Fund increased to 113,293 euros.

Furthermore, the amount related to the remuneration in kind (which includes the fees for life insurance and other insurance, such as the general medical and dental coverage, and vehicle insurance) was 144,788 euros.

On the other hand, regarding share-based remuneration plans, during the year 2024, there were in force the following long-term variable remuneration plans:

The so-called "Performance Share Plan" ("PSP"), made up of: the Long-Term Incentive Plan 2021-2025 (with Second cycle (2022-2024) and Third cycle (2023-2025) active) approved by the General Shareholders' Meeting held on April 23, 2021, and the Long-Term Incentive Plan 2024-2028 (with First cycle (2024-2026) active), approved by the General Shareholders' Meeting held on April 12, 2024.

The target measurement period of the Second cycle (2022-2024) of the Long-Term Incentive Plan 2021-2025 started on January 1, 2022 and ended on December 31, 2024. The maximum number of shares allocated to be delivered in the event of maximum compliance with the TSR ("Total Shareholder Return"), FCF ("Free Cash Flow") and CO2 Emission



Neutralization and Reduction targets set for the this cycle for all the Company's Senior Executives was 1,241,015.

At the end of the this cycle, Kepler provided the Nominating, Compensation and Corporate Governance Committee with the calculation of Telefónica's Total Shareholder Return, which was 33.6% at the end of the period, ranking fourth in the comparison group, i.e. above the 75th percentile according to the established scale of achievement, and generating a weighted payout ratio of 50% linked to relative TSR.

In terms of Free Cash Flow, after taking into account the partial annual payments for 2022, 2023 and 2024, the weighted payout ratio is 40%. The assessment of the level of compliance was based on the results of the audit by the Company's external and internal auditors, which were first analyzed by the Audit and Control Committee before being validated by the Nominating, Compensation and Corporate Governance Committee and approved by the Board of Directors.

Finally, in relation to the CO2 Emission Neutralization and Reduction target, the Nominating, Compensation and Corporate Governance Committee has regularly monitored the level of CO2 Emission Neutralization and, after analyzing the report from the Corporate Affairs and Sustainability Department, has determined the level of achievement. The Nominating, Compensation and Corporate Governance Committee was supported in this evaluation function by the Sustainability and Regulation Committee and the Audit and Control Committee. In this respect, the minimum CO2 emission reduction threshold that triggers the possibility of assessing the degree of compliance with the CO2 Neutralization target has been met and therefore the weighted payout ratio linked to CO2 Neutralization was 10%.

Taking into account the Relative TSR, Free Cash Flow and CO2 Neutralization results, the weighted payout ratio increased to 100%. Thus, at the end of the first cycle of the Plan, the Company's Senior Executives are entitled to receive 1,241,015 gross shares.

The target measurement period for the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and First cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028 started on January 1, 2023 and January 1, 2024 respectively, and will end on December 31, 2025 and December 31, 2026 respectively. The maximum number of shares allocated to be delivered in the event of maximum compliance with the TSR (Total Shareholder Return), FCF (Free Cash Flow), CO2 Emission Neutralization and Reduction and Women in Executive Positions targets set for both cycles, as applicable, for all the Company's Senior Executives is 1,378,418 in the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and 1,250,041 in the First cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028.

(1) For these purposes, Senior Management is understood to be those persons who perform, de jure or de facto, senior management functions reporting directly to the Board of Directors or Executive Committees or Managing Directors of the Company, including, in all cases, the person responsible for Internal Audit.

Management report 2024

This Management Report has been prepared taking into consideration the 'Guidelines on the preparation of annual corporate governance reports for listed companies', published by CNMV in July 2013.

In accordance with Law 11/2018 of December 28, and following the amendment of the article 262 of Commerce Law, the Company is not complied to include non-financial information in the Management Report. The disclosure of this information can be found in the Consolidated Management Report of the Telefónica Group (whose parent Company is Telefónica, S.A.) which will be filed as well as the consolidated financial statements in the Commercial Registry of Madrid.

Business Model

The year 2024 continued to be marked by uncertainty and volatility arising from geopolitical and macroeconomic tensions. Exceptionally, this volatility coexisted with opportunities for growth and technology-based transformation. The telco sector has benefited from its defensive nature, the investments made in new networks and a regulatory environment which anticipated constructive changes to rules that have become obsolete under the new competition conditions.

A volatile global environment with opportunities for growth:

Elections took place in major/influential countries in 2024, in the midst of a socio-political environment that remains strongly polarised. These brought about changes in government and, looking to the future, uncertainty about the evolution of key policies for economic development.

- There are expectations for a resolution to active military and geopolitical conflicts, although there is also a risk of new tensions as we move towards a multipolar world.
- Potential risks related to world trade and global supply chains have emerged as a result of new and more protectionist tariff policies and restrictions on technology use.
- The positive trend in inflation in 2024 suggests bigger cuts in interest rates, although these expectations may not be materialise due to changes in fiscal

policies. Global growth, especially in the Eurozone, remains low, while states' debt levels are rising after the years of expansionist policies.

- Against this backdrop, financial markets have responded positively (mainly in the US). Defensive stocks (such as telcos) have created value for their shareholders.

Accelerated technological change led by the development of artificial intelligence (AI):

The pace of technological change continues to accelerate. Artificial intelligence and the components required to develop it (e.g. semiconductors, computing, energy and communications) have boosted investment in infrastructure.

- AI applications have driven a strong growth in demand for capacity at data centres (DC), with some regions under strain from high occupancy rates. The construction of new DCs requires new electrical infrastructure to be developed in parallel.
- There is continued uncertainty around the impact of AI on traffic needs in telecommunications networks. Operators maintain their expectations of growth in demand for edge computing, to reduce latency and enable new business models.
- Tensions in the supply of semiconductors and other dual-use technologies are reshaping the technology supplier ecosystem.
- The launch of a new generation of connected devices with integrated AI capacities could accelerate the replacement of current devices, increasing sales of hardware.
- Advances in quantum computing are starting to make its implementation within a reasonable time period viable. For telcos, developing new security and encryption systems is crucial in order to protect communications.
- Operators continue to carry out the softwarisation of their networks and transform their operations. By opening up their infrastructure to third parties through standardised APIs, operators are paving the way for new business models (e.g. API-centric SaaS).



Demographic change in a social environment that is more aware of the impact of technology:

The population in economically significant regions of the world continues to age. Meanwhile, new technologies are rapidly impacting the lives of the general public and business activities.

- The transformation of the population pyramid continues in the West as life expectancy rises and the birth rate stalls, in spite of the impact of migration flows. This shift compromises economies in the long term, straining healthcare and retirement systems.
- Consumers and families have suffered the impact of inflation and interest rates in previous years, reducing their disposable income.
- The profound impact that new technologies and applications are having on societies is fuelling anxiety about their potentially negative repercussions (security, misinformation, etc.).
- For companies, the key is resilience. Technological transformation and digitalisation are gaining speed to increase productivity. In turn, against a backdrop of geopolitical tensions, the concern about cybersecurity is growing.
- Applications based on AI are beginning to be adopted to a significant degree by consumers, companies and developers. Given the expectations surrounding this technology and projected investment, there is reasonable uncertainty about its measurable economic impact and the time horizons for returns.
- The work environment continues to evolve. As new generations replace previous generations, they cause shifts in corporate culture. The implementation of AI and technological acceleration have given rise to a structural shortage of talent, which needs to be addressed.

The telecommunications industry remains highly dynamic, with a sector that is calling out for new regulatory models:

Despite a past of stagnation in terms of revenues and adverse regulation, telcos continue to galvanise investment in networks, to the benefit of the societies in which they operate. The sector is therefore strategic both in itself and as an enabler of other sectors.

- Competition within the sector remains high in the main markets, with a multitude of brands and operators. Despite inflation, communication prices are still falling, especially in lower-value segments.
- The operators in developed markets are completing the fibre and 5G investment cycle and have

announced fewer future investment needs. There is some uncertainty about the next generation of 6G mobile technology (capacity, time horizons, costs, etc.).

- In Europe, the publication of the Letta and Draghi reports could herald a new approach for industrial policy. For telcos, the two reports confirm the diagnosis of the state of the sector.
- Operator consolidation has begun to reshape some European telecommunications markets. A favourable policy could strengthen a strategic and distinctly investment-oriented sector in Europe.
- The overhaul of an obsolete regulatory environment has already started in certain markets, with aspects such as infrastructure-sharing obligations, wholesale prices, authorisation systems and concessions being reviewed. In Europe, discussions about standardising the conditions for spectrum acquisitions have begun.

Strategy: Telefónica has built solid foundations for the future

In a highly dynamic macroeconomic and industry landscape, Telefónica has developed a solid positioning based on:

- Telefónica's relevance to its growing customer base, reflected on improved satisfaction and customer loyalty indicators.
- A world-class positioning in infrastructure, based on fibre and 5G, on Telefónica's core markets.
- An experienced management team, with proven know-how in the sector.

Looking ahead, Telefónica remains focused on creating value for its shareholders and other stakeholders through rigorous strategic analysis and the effective execution of key initiatives:

- Focus on its core markets: A customer-centric approach that enhances satisfaction and loyalty metrics, leveraging leading brands and tailored value propositions for each market segment.
- Improved operational efficiency: A commitment to efficiency, leveraging technology for process optimisation. Past investments made in fibre and 5G networks enable a significant reduction in capital expenditure (CapEx) needs, directly impacting free cash flow (FCF).
- Efficient capital allocation: Financial discipline and strict criteria for capital allocation, prioritising investments in growth areas with high potential for returns.

- Acceleration of growth opportunities: Capitalising on opportunities to drive further growth, including the development of new business lines.

Economic results of Telefónica, S.A.

Telefónica, S.A. obtained positive net results of 563 million euros in 2024. Highlights of the 2024 income statement include:

- Revenue from operations, amounting to 6,429 million euros, higher than the previous year figure due to the increase in dividends registered as revenues (disclosed in note 19).
- The figure of “Impairment losses and other losses” amounting to a write down of 4,405 million euros in 2024 (a write down of 1,208 million euros in 2023).
- Net financial expense totaled 1,277 million euros (1,428 million euros of financial expense in 2023). This figure is mainly due to finance costs with Group companies and associates, principally from Telefónica Europe, B.V. amounting to 542 million euros (510 million euros in 2023) and Telefónica Emisiones, S.A.U. totaling 865 million euros (766 million euros in 2023). Net exchange rate gains amount to 22 million euros (11 million of exchange rate losses in 2023).
- Income tax caption amounts to positive 51 million euros (see note 17).

Investment activity

The investment activity of the Company regarding additions, sales, valuation criteria and impact of this valuation in 2024 is described in note 8 of these financial statements.

Share price performance

In 2024, global equity markets posted positive returns (MSCI World index +25.1% in euro terms) in a year characterized by a change of route by the major central banks, which implemented the first interest rate cuts after the disinflationary process initiated in 2023. US stock markets performed particularly well, boosted by the “Magnificent 7” technology stocks on the back of expectations about Artificial Intelligence. European stock markets posted more modest returns, in a more difficult economic environment in some countries, while Asian stock markets rallied in the last quarter (announcement of strong monetary and fiscal stimulus in China).

Among the main European indices (Stoxx 600, +6.0%, EStoxx-50 +8.3%), the DAX (+18.9%) recorded the best performance, reaching new record highs, followed by the Ibex-35 (+14.8%) which continued its upward trend, with +40.9% in the last two years. The CAC 40 ended in negative territory (-2.1%), in a year of political turmoil in France, which reinforced doubts about its financial stability. The US markets were the undisputed leaders of the year, with the S&P 500 (+23.3%) surpassing 6,000 points in the last quarter after the Republican victory, while technology companies continued to dominate, driving the Nasdaq (+28.6%) sharply higher.

The bond market has had a volatile year due to inflationary spikes in the final months of the year. Long-dated bond yields rose sharply from the year’s lows, with the 10-year US Treasury bond bouncing from a low of 3.60% to 4.60%, while the 10-year German bond yield climbed from a low of 2% to over 2.40%.

The European Telco sector delivered its best relative performance versus the market since 2013 (+16.2% vs. Stoxx 600 +6.0%), ranking as the third best sector in the region supported by its defensive nature in an environment of growing macroeconomic doubts. The expected return to revenue growth, evidence that CapEx has peaked and high single-digit EPS growth have improved market sentiment towards the sector, coupled with expectations of market consolidation. The outlook for the Telco sector in 2025 remains positive; continued revenue growth (albeit more moderate) should benefit companies' EBITDA through operating leverage, which together with lower CapEx efforts, will continue to drive growth in cash generation. Furthermore, the implementation of artificial intelligence, together with an improved regulatory scenario and optimism about consolidation movements in the sector, support these good expectations for 2025.

Telefónica has continued to successfully execute its strategy, benefiting from the transformation process it started years ago. Today, it is a stronger, faster growing, more efficient and more sustainable company. And it is consistently delivering on the long-term objectives. It has also continued to work to address regulatory and competitive obstacles (leading the necessary discussions to improve the regulatory environment), the depreciation of Latin American currencies, especially the Brazilian real in the second half of 2024, and the context in general, in order to preserve and increase value for shareholders. Telefónica has also benefited from the entry of new shareholders in the share capital, providing greater stability to the shareholding structure. In addition to this, Telefónica is a leader in network development (fibre and 5G) and customer relations (NPS and churn), with a focus on prioritizing investments and improving operating leverage to generate solid double-digit FCF growth.

Telefónica ended 2024 with a market capitalization of 22,323 million euros, a share price of 3.94 euros, an increase of 11.4% in the year, and a total shareholder return of 19.9%, in line with the sector.

Regarding the dividend payment, 0.3 euros per share in cash has been paid in 2024 (0.15 in June and 0.15 in December). The 2024 dividend policy is 0.3 euros per share in cash (0.15 euros per share paid in December 2024 and 0.15 euros per share to be paid in June 2025). This dividend is in line with the minimum of 0.3 euros per share announced until 2026. The dividend yield for 2024 has been set at 7.6%. Finally, 80.3 million treasury shares were cancelled in 2024.

Sustainable offer and innovation

Telefónica remains committed to technological innovation as a fundamental tool for being one of the main players in the new digital universe, contributing to the creation of a more sustainable world while achieving competitive advantages and distinctive products. By introducing new technologies and developing business solutions and processes, we aim to become a more effective, efficient and customer-oriented Group.

Telefónica bases its innovation strategy on the balance between two main models:

- First, through our internal research, development and innovation (R&D&I), for which we have developed our own innovation model, which allows us to leverage R&D&I results and capabilities in developing commercial products and services benefiting from knowledge gained in collaborations with research centers, technological institutes and universities, amongst other sources; and

- Second, through the creation of open innovation ecosystems, in which the “Wayra” initiative stands out as a global program designed to connect entrepreneurs, start-ups, investors, venture capital funds and public and private organizations around the world to promote innovation in collaboration with other actors.

In addition to these two models, Telefónica seeks to promote the development of sustainable solutions that generate a positive impact on the environment and on the economic, social and technological progress of the regions in which we operate. To this effect, Telefónica invests in promoting sustainable innovation projects and in the activities that improve the accessibility of our solutions to all groups.

Internal Research, Development and Innovation:

Telefónica believes that competitive advantage cannot be based solely on acquired technology, and so has considered the promotion of internal R&D&I activities as a strategic axis, in an effort to achieve this differentiation and move forward in other activities which support the sustainability of our business.

To this end, Telefónica Group’s internal innovation policy focuses on contributing solutions that support Telefónica’s commitment to developing a responsible business under the criteria of economic, societal and environmental sustainability, by:

- Developing new products and services that enable growth and competition in an increasingly global environment, while being adapted to the diversity and local needs of each market;
- Increasing the revenue potential related to new products by creating value from the intellectual property rights of the generated technology;
- Increasing our customers’ loyalty and satisfaction;
- Increasing the revenues, profits and value of the Company;
- Increasing the quality of our infrastructure and services;
- Strengthening our relationship with our technology and solutions providers; and
- Improving business processes and operations with the aim of optimizing resources, increasing efficiency and reducing environmental impact.

During 2024, Telefónica’s numerous technological innovation activities were focused on three main areas:

- Telecommunications networks. These activities aim at developing and integrating new assets and components into our networks and systems, with three main pillars: (i) high capacity and high energy-efficiency networks: next generation of mobile network technologies (evolution of 5G and 6G), network slicing, new in-home networks, open and disaggregated technologies (Open RAN, Open Broadband, TIP), Quantum Communications (QKD, PQC) integrating our quantum ring infrastructure and connecting it to the European infrastructure Euro-QCI; (ii) cloud-native and software-based network architectures: which enable us to have a more flexible network that is dynamically adaptable to the new requirements of digital services and customers, with the Telco Cloud (multi-cloud virtualization) initiative, leading ETSI-OSM project, contributing to the



European Alliance for Industrial Data, Edge and Cloud, and launching the Spanish IPCEI-CIS project; and (iii) Data and Artificial Intelligence driven operations: leveraging new tools and available network data within every process and every domain (fixed and mobile access, transport and core) and cloud infrastructure, with early deployments in Brazil, Germany and Spain, and exploring the network Digital Twin in a TM Forum project.

- The development of new products and services which are carried out within the framework of the digital services strategy. Products and services for the mass market include: generative Artificial Intelligence solutions, new opportunities in the metaverse and the Web3, with a new cryptoasset management solution (operated by the Bit2Me exchange), and digital identity; in video and entertainment with new applications, advertising and payment capabilities, and digital cognitive marketing, using artificial intelligence preserving consumer privacy and our ethical principles, etc. Products and services for the B2B market include: the further development and promotion of Open Gateway, an industry-wide initiative that seeks to expose network APIs to service developers enabling a Network as a Service model, and UTIQ, a joint venture with three other European telecommunications operators that offers programmatic advertising solutions that do not use third-party cookies, as well as a wide portfolio of cloud and cybersecurity services, IoT platforms and connectivity, Big Data, Artificial Intelligence and blockchain, with vertical services tailored to industry sectors and public administrations, including quantum-safe IoT connectivity.
- Experimental and applied research: With a medium and long-term outlook, Telefónica also has specialized scientific groups whose mission is to research and advance the state of the art of technologies to solve the technological, social and environmental challenges that arise. These activities are carried out in collaboration with public and private, national and international universities and research centers.

The total research and development ("R&D") expense in the Group for 2024 amounted to 647 million euros, 12.63% lower than the 741 million euros incurred in 2023. These expenses represented 1.6% and 1.8% of the Group's consolidated revenues for 2024 and 2023, respectively. These figures were calculated using guidelines of the Organization for Economic Co-operation and Development ("OECD") manual.

During 2024, Telefónica filed 18 patent applications for new inventions, 16 of which were European applications, and two of which were international applications (PCT). All of them were registered through the Spanish Patent and Trademark Office (OEPM). During 2024 a total of 13 patent applications from former years were granted.

These figures represent an increase of 5.9% in the number of patent applications for new inventions compared with the 17 patent applications in 2023 and a decrease of 64% in the number of patent applications granted compared with the 37 patent applications in 2023.

In addition, Telefónica filed a new utility model application in 2024 at the Spanish Patent and Trademark Office (OEPM).

Moreover, three new industrial design families related to Customer Premises Equipment with European scope were registered in 2024 through the European Union Intellectual Property Office (EUIPO) and in Argentina, Brazil, Chile, Colombia, Peru and the United Kingdom (in 2023 five new industrial designs were registered).

At the end of 2024, the Telefónica Group had a portfolio of 419 active patents, 138 industrial designs and nine utility models, resulting in a portfolio of 566 registered technological intangible assets (497 as of December 31, 2023).

Open Innovation

Wayra is Telefónica's main Open Innovation program. It connects Telefónica and technological disruptors around the world. We seek to become their preferred strategic partner, with a view to accelerate their business and ours. Wayra offers a unique and smooth interface between entrepreneurs and our network of corporate, government and other partners, adding value to the ecosystems where we are present.

Wayra has seven physical hubs serving nine countries in Europe and Latin America. Wayra manages its own corporate venture capital fund, investing in partnerships with other startup leaders in startups with a focus on the digital consumer market (digital home, entertainment, eHealth, fintech and energy), the B2B market (Artificial Intelligence, Internet of Things, cybersecurity, cloud and Big Data), next generation connectivity and Web3. Since 2022, Wayra also manages investment funds from other Telefónica Group companies like Vivo Ventures in Brazil and Íope Ventures from Telefónica Seguros y Reaseguros Compañía Aseguradora, S.A.U.

In addition to direct investments, Wayra invests as a limited partner in a network of 14 leading venture funds in key markets, aiming to address the big challenges facing the telecommunications industry and create new businesses leveraging cutting edge technology to build strategic partners fully aligned with the Group's global strategy. The most relevant of these funds is Leadwind, in which we act as anchor investor, targeting deep tech scale-ups in southern Europe and Brazil.

Telefónica has been engaged in Open Innovation for over 15 years. As of 2024, it has helped create and transform local entrepreneurship ecosystems in Europe



and Latin America investing more than 240 million euros (including direct and indirect investments), in more than 1,100 startups, contributing to the creation of more than 10,000 highly skilled jobs.

Wayra invested in 37 startups in Europe and Latin America in 2024 for an aggregate total direct investment amount of 9 million euros, including new investments via Íope Ventures. Telefónica had interests in more than 530 active startups whereof 190 were working with Telefónica by the end of 2024.

Telefónica has invested in more than 1,100 startups, engaging more than 330 startups to work with Telefónica and its customers, generating through some of their solutions more than 520 million euros in revenues for the startups and more than 830 million euros in revenues for Telefónica.

In addition, in 2024 Telefónica Open Future maintained its entrepreneurship spaces in three countries, and continued its participation in Alaián, the Open Innovation initiative from ten major global telecommunication companies with an aggregate customer base of 1.5 billion and presence in 70 countries.

Environment

Climate change adaptation and mitigation

Telefónica integrates the risks and opportunities identified into its business model through the Climate Action Plan, which is included in the Company's strategy and financial planning. Through the diversification of products and services, sustainable financing models, and mitigation and adaptation measures such as the consumption of renewable energy and energy efficiency, the Company takes climate change into consideration in its strategy and financial planning.

The Company's policies address across the board the issues of climate change – mitigation, adaptation and energy efficiency – through the Global Environmental and Energy Policy, the Supply Chain Sustainability Policy and the Risk Management Policy.

Global Environmental and Energy Policy

The Global Environmental and Energy Policy sets out the guidelines that help the Company to support and improve its environmental and energy performance globally and locally. Specifically, it includes issues relating to climate change mitigation and adaptation, and reflects the commitment to consume energy efficiently and reduce GHG emissions, which allows Telefónica to continue to make progress towards achieving net zero emissions by 2040, including in its value chain.

The main objectives of the policy refer to: legal compliance with the applicable requirements, reducing the impact on the environment, collaborating with suppliers to reduce their carbon emissions, managing the impacts, risks and opportunities of climate change, and fostering the development of digital solutions to address environmental challenges.

Based on a firm commitment to accelerating the transition to a decarbonised company and decoupling business growth from GHG emissions, and in accordance with the provisions of the policy, all the companies of the Telefónica Group must work on the following:

- Defining short-, medium- and long-term Scopes 1, 2 and 3 GHG emissions reduction targets that are science based and externally validated.
- Transitioning to 100% renewable electricity consumption in their own operations (assets under operational control), in order to minimise the Company's carbon footprint.
- Reducing the use of fossil fuels in their own operations, promoting the adoption of cleaner and alternative forms of energy.
- Incorporating innovative measures that lead Telefónica progressively towards a net zero emissions scenario.
- Offsetting/neutralising residual emissions in accordance with Company requirements.
- Minimising the impact of refrigerant gases.
- Promoting energy efficiency measures, both in the design and the operation of facilities and infrastructure.

Supply Chain Sustainability Policy

The purpose of this policy is to establish sustainability requirements for Telefónica's suppliers. The policy sets minimum responsible business criteria related to climate change impact mitigation measures and energy efficiency that must be fulfilled by suppliers. Specifically, it sets the following criteria:

- Climate change: the supplier shall take action to minimise the impact of its activities on climate change and consider the entire supply chain (Scopes 1, 2 and 3 GHG emissions) in its planning for such action. It must work to reduce its GHG emissions by setting reduction targets for the next three years, which should, as far as possible, be science based. To this end, it will promote energy efficiency and renewable energy initiatives in its own activities. The supplier will respond Telefónica's requests for data on GHG emissions or energy consumption corresponding to the products and services it provides to Telefónica.



- Refrigerant gases: the supplier shall not supply equipment containing ozone-depleting gases (such as CFC or HCFC), nor shall it recharge with these gases, unless expressly authorised to do so by Telefónica.

These are the climate change adaptation and mitigation actions that Telefónica is working on:

1. Renewable Energy Plan.
2. Energy efficiency projects.
3. Supplier engagement.
4. Circular economy of equipment.
5. Business Continuity Plans.
6. Insurance Programs and Coverage for climate-related events.
7. Products aimed at decarbonising the economy

1. Renewable Energy Plan

In 2024, the consumption of renewable energy continued to increase through Telefónica's Renewable Energy Plan.

The consumption of renewable energy contributes to fulfilling the key objectives of Telefónica's Global Environmental and Energy Policy, specifically to the management of environmental risks and the achievement of net zero carbon emissions at the Company. This action contributes to reducing Scope 2 emissions and category 3 of Scope 3 emissions (emissions associated with the life cycle of fossil energy).

The strategy of consuming renewable energy helps to mitigate the potential transitional climate risks associated with the increase in costs derived from carbon and electricity prices, and the uncertainty about carbon credit prices. For example, long-term power purchase agreements reduce exposure to price volatility, making it unnecessary to acquire carbon credits and assume additional indirect costs passed on by energy suppliers subject to carbon mechanisms.

This action also contributes to adaptation to physical climate-related risks, such as drought and precipitation variability. Increasing the self-generation of photovoltaic renewable energy diminishes dependence on other sources such as hydroelectric, which is more exposed to prolonged episodes of drought. The Renewable Energy Plan not only promotes adaptation to and mitigation of the potential effects of climate change, but also leverages it as a market opportunity to reduce operating costs and strengthen the Company's competitiveness.

The main goal of this action is to achieve 100% consumption of renewable energy by 2030 and

contribute to enhancing the resilience of all Telefónica's operations.

The scope of the Renewable Energy Plan, and therefore the consumption of this type of energy, is applicable to all Telefónica operations in all the countries in which it operates. Renewable energy consumption involves three groups of activities:

1. Self-generation of renewable energy: by the end of the year, Telefónica had 517 self-generation systems installed in both its own fixed network buildings and its own mobile network base stations. Last year, the self-generation of renewable energy represented the production of around 7,377 MWh per year, which is set to gradually increase. These facilities enable the improvement of electricity consumption through renewable sources and the phasing out of fossil fuel generators in isolated base stations (off-grid), achieving reductions in consumption of between 60% and 80% in 2024. During the year, 33 self-generation projects were implemented.
2. Purchase of renewable electricity with guarantees of origin: this covers up to 100% of electricity consumption at Telefónica Spain, Telefónica Germany, Telefónica Brazil, Telefónica Chile and Telefónica Peru, and has been expanded to other markets. In 2024, Telefónica Argentina, Telefónica Colombia and Telefónica Ecuador continued to increase their renewable electricity consumption to 60%, 93% and 68% respectively. Likewise, in Latin American operations, the first multi-country and multi-year purchase (2024-2026) was awarded to acquire certificates of origin (IREC) for a volume of 489 GWh in 2024, 846 GWh in 2025 and 981 GWh in 2026.
3. Long-term power purchase agreements (PPAs): these agreements are designed to promote the construction of renewable energy facilities and move towards achieving the commitment to being 100% renewable. These contracts contribute to increasing the percentage of renewable energy in countries' energy mixes, facilitating the achievement of medium- and long-term consumption commitments under the PPA model.

At Telefónica Spain, there are five PPAs in operation representing a capacity of 582 GWh/year. The agreements cover 52% of the power consumption for the operator's technical buildings. In addition, Telefónica Germany has signed two PPAs which will be in force between 2025 and 2040 and are equivalent to 550 GWh a year, therefore covering 87% of the total energy consumption of its operations. Noteworthy at Telefónica Brazil is the continuation of the distributed generation (DG) project, with the installation of 72 renewable energy plants with a production of 650 GWh. Upon completion of the project's implementation, these plants



will produce more than 710 GWh per year, reducing dependence on renewable energy certificates or IREC.

This action is considered to be currently in progress and will be completed in the short term (by 2030) to contribute to achieving the climate-related targets.

In 2024, consumption of renewable energy increased by 6% compared to the previous year, reaching 89% of total electricity consumption in Telefónica facilities.

2. Energy efficiency projects

In 2024, Telefónica continued to increase the energy efficiency of its operations through its Energy Efficiency Plan.

Improving energy efficiency is one of the main commitments established in the Global Environmental and Energy Policy. This action not only strives to make optimised use of energy but also enables the achievement of two objectives: management of environmental risks and the commitment to achieving net zero emissions at the Company. This initiative contributes to reducing Scopes 1 and 2 emissions and those in category 3 of Scope 3 (emissions associated with the life cycle of fossil energy), thus mitigating the effects of climate change and moving the Company closer to reaching its decarbonisation target.

The strategy of improving energy efficiency helps mitigate potential transitional climate risks associated with the increase in costs derived from carbon and electricity prices and the uncertainty about carbon credit prices. Optimising efficiency in operations makes it possible to reduce electricity consumption, which reduces exposure to the volatility of electricity prices and avoids the need to acquire carbon credits or assume additional costs associated with energy suppliers subject to carbon-related regulations.

At the same time, it serves as an adaptation measure to extreme climate events such as heat waves and cold snaps. By implementing more efficient processes and equipment, the Company intends to adapt HVAC to a context of extreme temperatures, ensuring an optimal environment in which the infrastructure is operative and workers can perform their jobs in a safe setting.

The expected result of this action is the improvement of energy consumption per unit of Company traffic (MWh/Petabyte) by 95% by 2030 compared to 2015. The aim of this target is to keep energy consumption stable over time, thereby decoupling the growth of data traffic on Telefónica's networks from the emissions associated with its operations. Through the Energy Efficiency Plan, Telefónica not only promotes adaptation to and mitigation of the potential effects of climate change but also transforms it into a market opportunity to reduce operating costs and strengthen the Company's competitiveness.

The scope of the Energy Efficiency Plan extends to all Telefónica operations in all the countries in which it operates. Energy efficiency is achieved through the following activities:

- Network transformation: estimated savings of 177,708 MWh 2024 through the following initiatives:
 - Deployment of new generation networks, fibre optic and 5G, and the shutdown of legacy networks: the Company moved ahead with shutting down 2G and 3G networks, compacting equipment and replacing the copper network with fibre optics, which is 85% more efficient in terms of customer access (according to empirical measurements by Telefónica and in consensus with the sector). In 2020, Telefónica presented the results of a study based on real measurements which demonstrated that 5G technology is up to 90% more efficient than 4G in terms of energy consumption per unit of traffic (MWh/Petabyte). In 2023, after several comparative exercises, it was concluded that energy efficiency in virtualised environments is up to 27% higher than in legacy environments.
- In alignment with the copper shutdown plan, Telefónica Spain closed 3,671 plants in 2024 (7,820 since 2014). In turn, the operations in Hispanoamerica made progress with their multi-layer shutdowns saving 33 GWh in 2024. For example, Telefónica Uruguay successfully shut down 100% of the 2G mobile network (including controllers) in January 2024, and Telefónica Argentina shut down 100% of the 2G mobile network in the Buenos Aires Metropolitan Area – La Plata in June. In the fixed network, Telefónica Hispam shut down more than 1,362 plants and 3,492 DSLAMs.
- Compacting and consolidation of technical rooms: The objective is to bring the occupancy level of all critical sites closer to the target of 80%, which allows the designed PUE levels to be achieved. The Company is carrying out a study of its infrastructure with the goal of categorising the sites based on their reliability and efficiency. This will make it possible to perform consolidation projects and transfer loads to more efficient buildings. Telefónica Germany is executing a consolidation project involving data centres and core plants, which will enable it to reduce electricity consumption in addition to strengthening its network.
- Modernisation of equipment:
 - Equipment has been replaced with more efficient models, and technological innovations such as rectifiers, power plants, external panels and uninterruptible power supply (UPS) systems have

been incorporated into electrical infrastructure. Savings of 1,250 MWh were calculated for 2024.

There is also work ongoing to upgrade cooling equipment to improve energy efficiency, with estimated savings of 33,128 MWh per year in 2024. Other initiatives are being promoted, such as adjusting the temperature set point in cooling systems, free cooling in technical rooms utilising air from outside, and advanced technologies such as liquid cooling by immersion. An energy monitoring system has been implemented in one of the Group's data centres with the aim of verifying the real efficiencies delivered by the use of chillers with magnetic levitation compressors, which were installed in 2023. Telefónica Spain continued with the 'Apagado Mille's' (Switch Off Thousands) project, which consists of matching the climate control equipment to the actual load and shutting down 572 devices, bringing estimated savings of 17 GWh in 2024.

- Power saving features (PSFs): this initiative is expected to save 21,606 MWh in 2024. It consists of implementing energy saving systems during periods of low traffic, delivering reductions of up to 30%. In 2024, 14 new PSFs were put into operation in the 4G and 5G networks in the main markets (Spain, Brazil and Germany), without compromising service quality. Thanks to the use of artificial intelligence (AI) tools and machine learning algorithms, known as phase learning, which act on top of these features, it is possible to predict the behaviour of future traffic and activate cell-sleep states 24 hours a day.
- Other energy efficiency measures in 2024:
 - Replacement of fluorescent lighting with LED technology. This initiative saved 5,259 MWh.
 - Power-factor correction and installation of occupancy sensors and smart meters, among others. This initiative is estimated to save 2,770MWh.
 - Leakage control, preventive maintenance and replacement of refrigerant gases: digitalising the process of managing operational fuel consumption data and refrigerant gas recharge data optimises monitoring for leakage of these gases. This, together with the preventive maintenance performed, reduces gas leaks. At Telefónica Brazil, digitalisation of the management process increased the reliability of data through continuous monitoring, which enabled a reduction in refrigerant gas recharges of 9% compared to 2023. At Telefónica Argentina, a mobile application was implemented in June 2024 to digitalise and manage fuel and refrigerant gas consumption, as a result of which savings of 34% in fuel and 10% in refrigerant gases were achieved compared to the same period in the previous year. When purchasing new HVAC equipment, and when replacing these gases in existing equipment, the global warming potential (GWP) is taken into consideration to ensure that it is lower.
 - Replacement of diesel with natural gas or propane gas in boilers, which reduces the emissions associated with heating in the facilities, as these fuels generate fewer emissions for the same amount of heat produced during combustion processes.
 - Replacement of generator fuel. Telefónica Germany deployed two off-grid mobile sites equipped with methanol and solar panels. These solutions ensure the independent functioning of the sites and generate estimated savings of approximately 13 MWh a year compared to a conventional mobile site. Additionally, a feasibility study was conducted on the use of HVO, or hydrotreated vegetable oil (a second-generation renewable diesel produced from waste), in the emergency generators located at Telefónica Spain's plants and data centres. This fuel reduces Scope 1 emissions up to 90% and improves operation due to its greater stability compared to fossil diesel, making its use appropriate for emergency generators.
 - Reduction of fuel consumption: the extension of battery autonomy, the implementation of BaaS (Battery as a Service), the adjustment of capacity according to demand and the replacement of generator sets reduce diesel consumption and maintenance costs. Telefónica Colombia carried out a pilot scheme for Starfuel at the Chocontá earth station. This type of fuel (diesel) incorporates green hydrogen at 12%. This combination reduces CO₂e emissions by approximately 10% and reduces the consumption/energy ratio (g/kWh) by 21%.
 - Installation of lithium batteries: the implementation of delayed start-up logic for emergency generators using high-cycle (lithium) batteries at sites with frequent power outages reduces generator operation and saves fuel. Telefónica Venezuela implemented the battery cycling project at 35 sites. The aim of this initiative is to reduce average fuel consumption by 31% by delaying the start-up of the generator and allowing the batteries to be cycled during the first phase of the commercial power outage.
 - Replacement of vehicles and gradual reduction of the fleet of vehicles: replacing the fleet of vehicles that consume fossil fuels with electric vehicles or those that use biofuels, such as ethanol, reduces Scope 1 emissions. Telefónica Spain renewed its operational fleet of vehicles, reducing the vehicle fleet by 41% and increasing the purchase of electric vehicles by 50%, going from 24 to 42 vehicles in

2024. The impact has been a reduction of approximately 19% in the carbon footprint of the vehicle fleet.

This action is considered to be currently in progress and will be completed in the short term (by 2030) to facilitate the achievement of the climate-related targets.

In 2024, energy consumption per unit of traffic was 38 (MWh/Petabyte). This ratio has improved by 90% compared to 2015.

This energy intensity metric (MWh/PetaBytes) is the ratio of total energy consumption (fuel consumption in operations and vehicle fleet and electricity consumption), divided by the volume of data traffic in PetaBytes.

The traffic used is the annual volume of data traffic (mobile and fixed) carried on Telefónica's data access networks. It is aggregated both in the downstream direction (network-customer) and in the upstream direction (customer-network). The units in which it is expressed are PetaBytes (10^{15} Bytes).

3. Supplier engagement

Scope 3 emissions represent a significant portion of the Company's carbon footprint. In fact, more than half of Scope 3 emissions are derived from the activities of Telefónica's main suppliers (category 1 and 2) found in its supply chain. Hence, it is essential to engage with suppliers to mitigate their emissions and, therefore, drive Scope 3 emissions reductions. This action contributes to achieving the target of net zero emissions in the Global Environmental and Energy Policy, as well as the target of minimising the adverse impact of suppliers on climate change, set in the Supply Chain Sustainability Policy.

Furthermore, engaging with suppliers and potentially reducing Scope 3 emissions as a result, contributes to mitigating, inter alia, the potential climate-related transition risks associated with the uncertainty of carbon credit prices derived from Telefónica's commitment to purchase these.

It is expected that by achieving emissions reductions, a smaller number of carbon credits will need to be purchased, and therefore the exposure to uncertainty about the prices and their potential rise will decrease.

To this end, in 2024, Telefónica carried out engagement initiatives with its suppliers, which were structured into three priority groups.

The scope of these initiatives varies depending on the suppliers' contribution to Telefónica's footprint.

As a starting point and to establish a common basis for all suppliers within the Company's Procurement Model, suppliers are required to accept the Supply Chain Sustainability Policy, which includes, among other things,

requirements for the calculation and reduction of emissions. This policy defines the minimum requirements for all Telefónica's Scope 3 emissions within categories 1 and 2.

Subsequently, Telefónica categorises the suppliers based on their contribution to the Group's footprint and groups them into three priority levels (1, 2 and 3):

- Priority group 1: comprises 44 key suppliers in terms of ICT sector emissions, of which 27 are also its suppliers and make up 23% of Telefónica's supply chain emissions.
- Priority group 2: comprises 82 suppliers that make up 79% of Telefónica's supply chain emissions.
- Priority group 3: comprises 188 suppliers that make up 88% of Telefónica's supply chain emissions.

The suppliers in priority group 3 are invited to participate in the following engagement initiatives:

- CDP Supply Chain campaign: key suppliers in terms of emissions are invited to participate in the CDP Supply Chain program, where they provide information about their strategy, targets and climate actions.
- Supplier Engagement Programme (SEP): the suppliers' climate management maturity is assessed based on the information gathered in the CDP Supply Chain campaign. The analysis is shared with the suppliers, and various actions are taken as part of the programme in order to improve their climate management. These actions include the identification of improvement areas through a pledge model and capacity-building webinars.

Furthermore, in 2022, Telefónica established the following additional requirement for suppliers in priority group 2:

- SBTi requirement: a requirement for suppliers to commit to establishing science-based emissions reduction targets and have these validated by the Science-Based Targets initiative (SBTi). This commitment is monitored regularly.

Additionally, those suppliers who are also part of priority group 1 as a result of their GHG emissions contribution to the ICT sector are invited to participate in a collaborative initiative called the Carbon Reduction Programme (CRP).

- The CRP is a programme managed through the sector initiative Joint Alliance for CSR (JAC) that aims to further GHG emissions reduction at the product level. In it, the suppliers that work alongside the Company identify the most carbon-intensive products and, through a lifecycle analysis (LCA), determine which

production stages offer the greatest emissions reduction potential. The aim is to use this analysis as a basis for agreeing on reduction plans specific to these products with the suppliers. In 2024, 44 suppliers were engaged through the CRP, the majority of which were also Telefónica suppliers.

It is worth mentioning that the scopes of both the SEP and the CRP have widened since their initial implementation.

Telefónica launched the SEP in 2022 and since then it has been raised to the sector level, incorporating the efforts of other companies within the JAC sector initiative. With the broadening of its scope, the SEP includes nearly 900 suppliers, including also those suppliers in priority group 3.

Similarly, in 2023, the CRP initiative was promoted by the Company with the support of another three telecommunications operators. Following its proven success, in 2024, the scope of the project in the ICT sector tripled, growing to a dozen operators, including Telefónica.

All in all, supplier engagement as an adaptation and mitigation action is considered to be currently in progress and will be completed in the short term (by 2030) to facilitate the achievement of the climate-related targets.

4. Circular economy for equipment

Telefónica promotes the refurbishment and reuse of fixed customer equipment, such as routers and set-top boxes, mobile telephones and electronic operations equipment, through different initiatives.

Integrating circularity criteria into Telefónica's business models contributes to achieving net zero carbon emissions at the Company, as the reuse of equipment extends its lifespan and avoids the emissions associated with extracting the materials needed to manufacture new devices, which would be necessary if the current equipment was not reused. It also reduces the emissions associated with the equipment's manufacturing process, which are greater than the emissions generated by refurbishment.

These initiatives help to decrease Scope 3 emissions, mainly in categories 1 and 2. These are the emissions generated by manufacturing the products and capital goods that Telefónica acquires. Decreasing them therefore mitigates the effects of climate change and brings the Company closer to achieving its decarbonisation target.

5. Business Continuity Plans

During 2024, Telefónica continued working on developing the Business Continuity Plans. Some of them take into consideration the risks deriving from extreme climate events. This action contributes to the achievement of one of the targets of the Global Environmental and Energy Policy: effective management of environmental risks.

In addition, it contributes to the implementation of the guidelines established in the Global Business Continuity Regulation, which mandates the preventive management of risks. The main result anticipated from this action is to improve the Company's resilience, that is, a greater capacity to respond and adapt in the face of any possible interruption related to climate change.

The Business Continuity Plans are applicable to all relevant Company processes and services. They establish the activities for contingency operations in different risk scenarios that exceed the risk appetite. As a starting point, in 2025 the Global Business Continuity Office will promote the analysis of risk treatment plans that include climate-related hazards.

Additionally, the crisis management system, through which the events that materialise and have a significant impact on the Company are managed, has a Crisis Committee structure (Local Crisis Committees, one per business unit, and a Global Crisis Committee). These are activated when required and are backed by specialists for each type of incident.

Crisis management and business continuity are both supported by activities such as:

- Analysis of Risk Treatment Plans (RTP), which includes climate-related hazards (natural disasters, disasters caused by fire or by water) in relevant processes.
- Development of Local Crisis Management Plans based on the Global Crisis Management System, which establishes the type of crisis, the phases and the governance model.
- The Strategic Plan of the Global Security and Intelligence Directorate, a plan that sets out three-year global security and intelligence plans, including the Global Crisis Management Plan, which encompasses the Crisis Management and Business Continuity projects.

There is a Security Advisory Board, which is made up of major security and intelligence figures from outside the Company and has the aim of contributing best practices, increasing the efficiency of capabilities and procedures, and enhancing the quality of the Company's strategy in this area.



This action is considered to be in continuous development and under regular review, and is projected to be completed in the short and medium term, with a time horizon set to 2040, given its essential nature within the Company's strategy.

During 2024, new Business Continuity Plans were developed, considering risks derived from climate-related events such as floods, fires and other natural disasters (e.g. cyclones, hurricanes, landslides). These made it possible to improve the Business Continuity maturity level of the Telefónica Group.

In addition, two crises considered relevant, due to climate-related events, were managed by the Local Crisis Committees:

One of the relevant crisis management processes was associated with the *DANA*, the Spanish acronym for high-altitude isolated depression, in Valencia (Spain). This extreme weather event caused severe damage to Telefónica's infrastructure due to the lack of electricity supply instability and the washout of water and flooding. Both fixed service (loss of service in 30% of the province of Valencia) and mobile service (with a maximum of 245 base stations down, 22% of the province of Valencia) were affected, resulting in the isolation of entire municipalities (104 at the worst moment).

Recovery was not only due to the complexity of the failures, but also to the difficult access to the affected areas. In the first instance, the priority was to re-establish critical and emergency services such as 112, hospital and outpatient centres, as well as command or control centres (security forces). Once these services were stabilised, the focus shifted to restoring fixed and mobile infrastructure so that citizens could be connected again.

In just three days, more than 50% of the fixed and mobile services had been recovered, and after 10 days, 100% of the infrastructures had been recovered.

The event has accelerated the learning curve, reinforcing the effectiveness of internal crisis management procedures.

Another of the crisis management processes considered as relevant in 2024 was the management of the floods and landslides that occurred between April and May in the state of Rio Grande do Sul, Brazil. These events affected the supply of essential services, such as energy and telecommunications. At peak of the crisis, 31 cities were isolated and at least 200 others had some form of partial disruption.

To ensure emergency connectivity for the people of Rio Grande do Sul, Vivo, a Telefónica Group company, and other operators provided free network roaming. In addition, Vivo provided 60 satellite phones to the Civil

Protection of Rio Grande do Sul to use in extreme situations.

In order to restore services as soon as possible, the Business Continuity Management (BCM) area established the Public Calamity Crisis Table—comprising 19 areas of the Company—. Joint actions, as well as the work of the entire field team, dedicated to normalising services, ensured greater agility and efficiency in restoring connectivity for the people.

6. Insurance Programs and Coverage for climate-related events

During 2024, the Group's Property Damage and Loss of Profit Program was renewed, its objective is to provide total or partial coverage for potential economic losses that the Telefónica Group may suffer as a result of a property damage event or natural catastrophe and which includes damages, losses and harm derived from the occurrence of climate-related events in any of the countries or territories in which Telefónica has operations and provides services. This program has been renewed for a period of one year and will expire on 20 March 2026.

This action contributes to the achievement of one of the key objectives of the Global Environmental and Energy Policy: the effective management of environmental risks.

The program is based on the risk management methodology for identifying, assessing, managing and transferring the climate risks that may affect the assets of the Group and its income statements/balance sheets, thereby affecting the Group's achievement of its main targets and strategy.

The main result expected from this action is the coverage of damages and losses suffered by the Group's assets, goods, income statement and balance sheet that allows for the quickest and most effective way to replace and/or rebuild damaged or lost assets and goods and meet the Company's economic targets. In addition to improving the Company's resilience, that is, its capacity to respond and adapt in the face of any possible interruption related to climate change.

In order to protect Telefónica's assets, goods, balance sheet and income statement, the Corporate Risk and Insurance Department carries out risk modelling for natural events, including physical events arising from climate change, in all countries in which the Group operates. The aim is to determine potential maximum losses in certain return periods in the event of different types of natural and climate events by using the models of different suppliers such as RMS and KatRisk.

The result of this analysis is key to understanding the Group's risks and exposure. In addition, it provides the basis and framework for designing the most efficient and complete insurance structure, helping to determine,



for example, the limits, withholdings and deductibles both for the Group and for each country.

This action is considered to be in continuous development given its essential nature within the Company's strategy.

During the 2024 financial year, the baseline data collection sheets used for vulnerability analysis were improved. This made it possible to improve the efficiency of the process of analysing, reviewing and modelling the global insurance scheme that encompasses, among other things, extreme climate events.

In addition, floods were included as a hazard in risk modelling in several countries where this was not previously available.

7. Products aimed at decarbonising the economy

In 2024, Telefónica continued strengthening its portfolio of digital products and services that help with the decarbonisation of other sectors of the economy, fostering the digital and green transitions as twin transitions. These initiatives not only constitute one of the Company's main strategies for mitigating climate change beyond its value chain, but they are also a key strategic opportunity for the Group. They provide Telefónica with access to a growing market, in which there is rising demand for technological solutions capable of decarbonising customers' productive processes, helping them to face greater regulatory pressure and increasing environmental consciousness.

They also directly contribute to one of the main targets of the Global Environmental and Energy Policy, specifically, to promoting digital solutions that help Telefónica's customers tackle the major environmental challenges that affect society as a whole.

The Exponential Roadmap initiative highlights that digital technologies could reduce greenhouse gas (GHG) emissions by 15% in the industrial sector, and by up to 35% if people's habits change to become more digital and sustainable. This underlines the role of digitalisation in the transition to a low-carbon economy and strengthens the Company's commitment to solutions that benefit both the environment and its customers' competitiveness.

This action is in continuous development given its essential nature within the Company's strategy and is implemented through the following activities:

Development of Eco Smart services

Telefónica develops services based on connectivity, Internet of Things (IoT), cloud, big data and 5G. These solutions have the potential to provide not only operational and cost-saving benefits, but environmental benefits as well. To identify them, the Company uses the

Eco Smart seal. The label has four icons that represent energy savings, reduction of water consumption, reduction of CO₂e emissions and promotion of the circular economy. Below are examples relating to the decarbonisation potential of some of these solutions:

- Energy savings: services that, for example, optimise logistics routes or vehicle fleets or allow the energy consumption of facilities to be monitored and managed.
- Reduction in CO₂e emissions: services that, for example, improve traffic planning in cities or the maintenance of air conditioning equipment, avoiding refrigerant gas leaks.

In 2024 the Group continued to develop green digital solutions and identify them with the Eco Smart seal. At the end of the year, AENOR analysed the B2B solutions portfolios for Telefónica Argentina, Telefónica Brazil, Telefónica Chile, Telefónica Colombia, Telefónica Ecuador, Telefónica Germany, Telefónica Global Solutions (TGS), Telefónica Mexico, Telefónica Peru, Telefónica Spain, Telefónica Tech, Telefónica Uruguay and Telefónica Venezuela.

As a result of the verification process of the B2B solutions portfolios, 57% of the services offered in these entities have been verified as Eco Smart due to their potential for delivering environmental benefits and contributing to mitigating the customers' impact on the planet.

Eco Smart services meet the following criteria: the environmental benefit must occur in the customer's production activity/process or in the users of a service provided by that customer, it must be a direct consequence and not a secondary effect derived from the main benefit, and it must be significant.

Avoided emissions quantification

To ascertain the level of Telefónica's contribution to mitigating climate change, the Company annually quantifies the GHG emissions avoided by its customers thanks to their use of Telefónica products and services, that is, the net carbon impact generated compared to a reference scenario in which that solution is not used.

This scenario is defined based on well-documented external references and should reflect the most likely alternative scenario, considering the same functional unit and the same technical specifications.

Telefónica estimates that its Eco Smart and connectivity services helped customers avoid the emission of 17.4 million tonnes of CO₂e in 2024. It is important to clarify that these emissions do not contribute to reducing the Telefónica Group's carbon footprint.

The calculation of this indicator used a methodology based on the WBCSD "Guidance on Avoided Emissions"



and the ITU standard "L.1480: Enabling the Net Zero transition: Assessing how the use of information and communication technology solutions impact greenhouse gas emissions of other sectors".

The contribution of the connectivity services offered to the residential segment (B2C) in Spain, Germany and Brazil has been quantified, as well as some IoT-based Eco Smart services offered to business customers (B2B) in these markets, given that currently only these have the complete information required by these standards. Every year, the Company works to include a greater number of Eco Smart services.

Specifically, in terms of connectivity services in the B2C segment, fixed and mobile broadband services are considered, including the following uses: teleworking, online learning, online shopping, public transport applications and carpooling applications. The IoT solutions incorporated are those related to the management of smart cities (lighting, waste and parking) and vehicle fleets management.

For each of the solutions analysed, the following types of effects have been identified and, where possible, quantified:

- First-order effects: direct environmental impacts associated with the physical existence of the solution and its components, i.e. all stages of its life cycle (LCA). For example, the impact of Narrowband access, the SIM card and the sensor in an IoT solution.
- Second-order effects: indirect impacts generated by the use and application of the solution, which could be positive or negative. For example, the emission savings associated with the journeys avoided by a person who teleworks using a connectivity service or the emissions generated by the increase in energy consumption at home.
- Higher-order effects: indirect impacts other than first- and second-order effects that occur through changes in consumption patterns or lifestyles in society in the medium and long term. These can also be positive or negative. For example, emission savings associated with the consolidation of offices due to the medium- or long-term adoption of teleworking.

The calculation of the net carbon impact for each solution is obtained from the sum of the effects described above:

$$\text{Net carbon impact} = \sum \text{First-order effects} + \sum \text{Second-order effects} + \sum \text{Higher-order effects}$$

The total emissions avoided are therefore obtained by adding up the net carbon impacts of all the solutions analysed.

The calculations related to the B2C connectivity solutions, which represent close to 99% of the total data on avoided emissions, are explained below.

For all of them, the first-order effects considered are the CO₂e emissions generated by the provision of each access (fixed and/or mobile).

Second-order and higher-order effects may differ from one use to another and are determined based on primary data (results of surveys of Telefónica customers) and secondary data (bibliographic sources). For example, in the case of teleworking and online learning, two second-order effects are identified:

- Commuting avoided. The surveys provide the percentage of adoption of these habits, the average number of days a week that the customer teleworks or learns online, or the average distance and type of transport avoided by not having to travel to their place of work or study. This makes it possible to calculate the emissions saved by the commuting avoided.
- Additional energy consumption at home. Emissions are calculated using information from surveys and bibliographic sources.

The higher-order effect identified is the consolidation of offices and study centres. Avoided emissions, where applicable, are calculated from bibliographic sources.

This example also demonstrates the consideration given to the calculation of possible adverse or rebound effects.

Circular economy

Telefónica has implemented actions to achieve the goals of becoming a Zero Waste company by 2030 and meeting the circular economy commitments outlined in its Global Environmental and Energy Policy. These involve minimising the impact of the waste generated, promoting reuse and recycling, and reducing the generation of hazardous waste.

These are the main actions that Telefónica is working on in order to manage the negative impacts, material risks and opportunities related to the circular economy.

1. Reuse customer-premises equipment (routers and set-top boxes)

This action focuses on the reuse of B2C/B2B routers and set-top boxes that follow a device as a service-model. It includes equipment that the Company collects from customers and delivers to a refurbishing company to give a second life. The scope of the initiative also includes the digitalisation of reverse logistics processes and the use of blockchain technology to increase device reuse rates, such as the VICKY initiative.

This project is being rolled out to all Telefónica operators offering fixed telecommunications services: Spain, Brazil, Germany, Argentina, Chile, Colombia and Peru. The stages of the value chain involved are: procurement (goods for business development), operations (equipment installation) and after-sales (reverse logistics, technical support and repair).

Reusing equipment helps to reduce dependency risks related to the circular economy while also representing an opportunity to make financial savings by avoiding the purchase of new equipment.

The expected outcome of this action is the reuse of 90% of the routers and set-top boxes delivered for refurbishment by the end of 2024, meaning it is a short-term action.

In 2024, the Company reused more than 4 million routers and set-top boxes, amounting to 91.4% of all equipment delivered to be refurbished.

2. Reuse mobile devices

The scope of this initiative covers giving customer- or Telefónica-owned mobile devices obtained through various channels a second life, whether through buyback programs, the sale of refurbished devices, repair services, reuse within leasing services or the MARA program, among other actions.

This initiative is being rolled out in the markets in which Telefónica offers mobile phone services, such as Germany, Spain, Brazil and Hispanoamerica. The different stages of the value chain involved are procurement, products and services, and after-sales (reverse logistics, technical support and repair).

Reusing devices contributes to the reduction of circular economy-related dependency risks. These are long-term actions that are expected to deliver the reuse of over 500,000 mobile phones by 2030. In 2024, 437,180 mobile devices were reused.

3. Prioritise the reuse of network equipment

Telefónica has implemented programs and platforms to extend the lifespan and reuse of second-hand network equipment (for example, the MAIA marketplace).

This equipment comes from its infrastructure and partner companies, mainly in markets with telecommunication networks such as Spain, Brazil and Hispanoamerica.

The stages of the value chain involved are procurement (goods for business development), operations (installation of network, customer and data centre infrastructure) and marketing (logistics and distribution).

The reuse of network equipment is a long-term action that will contribute to the reduction of circular economy-related dependency risks. In 2024, 533,818

items of network equipment were reused, a larger figure than the expected result of maintaining similar reuse figures to the previous year. This was due to a greater reuse of equipment among Group operators.

4. Recycle 100% of waste when reuse is not possible

This initiative includes delivering waste for recycling to waste managers authorised by the competent bodies and consolidating the waste generated by the Company's activity. In some cases it is possible to generate income through the sale of waste for recycling.

The GreTel digital tool enhances the traceability of waste disposal information, helping to mitigate risks and impacts from improper treatment.

The project, implemented across all regions with fixed or mobile telecommunications infrastructure, focuses on the operations stage (waste management from the business activities) of the value chain.

This is a long-term action that is expected to recycle over 95% of the waste generated. In 2024, 94% of waste was recycled.

Human Capital

Telefónica is promoting its Human Resources strategy under the principles of Impact, Collaboration, Transformation and Growth. These values are the driving force behind the new strategic plan, designed to ensure the sustainability of the business and the professional development of its employees:

- **Impact:** Prioritising the effective execution to ensure the sustainability of the business.
- **Collaboration:** Promoting teamwork between employees, customers and partners to maximise results.
- **Transformation:** Continuously evolve processes and ways of working to adapt to a digital and dynamic environment.
- **Growth:** Update skills through continuous learning, strengthening employability and internal talent.

A new performance evaluation model measures these key dimensions through continuous and honest conversations, aimed at supporting development and maximizing employee impact.

Relevant Policies at Telefónica, S.A.

Key policies include Human Rights, Equality, Diversity and Inclusion, Safety, Health and Wellbeing, Digital Disconnection policy, as well as specific regulations on harassment, responsible business, privacy, etc.



Skills Management at Telefónica, training and education

Telefónica aligns its current and future capabilities through Skills Workforce Planning, developing new capabilities through reskilling and upskilling programs. Tools such as SkillsBank personalize training, while Universitas Telefónica offers programs designed to develop strategic skills and foster leadership. We also use internal mobility as a tool to acquire new skills.

To attract talent, we use digital and global channels, complementing traditional methods. We focus on establishing long-term relationships with candidates and simplifying selection. We actively participate in digital job fairs, forums, social networks and technological universities.

Company/employee relationship. Commitment and motivation of our employees

Employee commitment is key to Telefónica's strategy, measured annually by the Employee Net Promoter Score (eNPS), which assesses the likelihood of recommending the company. In 2024 we achieved a score of 75, complemented by satisfaction surveys and qualitative analysis. Internal listening exercises and evaluations are also carried out to promote equality, diversity and employee well-being.

Since 2019, the company has implemented agreements to guarantee a balance between personal and work life, encouraging digital disconnection.

We offer different Benefit Programs, including:

- Universal health insurance, which includes coverage for disabilities, mental and reproductive health.
- Financial aid for raising and educating children, including daycare and school subsidies.
- Extended parental leave, adapted to the specific needs of employees.

Diversity and Equal Opportunity

We are committed to diversity as a source of talent and to the creation of inclusive and accessible environments. To this end, we have a Global Diversity and Inclusion Policy and we also have specific protocols

for issues related to diversity, inclusion, accessibility and gender equality.

To achieve this, we design initiatives to promote diverse talent, inclusion, attract and retain high-potential professionals, maximize employee potential, foster innovation and enhance productivity. Only in this way we will be able to empathize with our clients, understand their specific needs and innovate to meet them. We also establish objectives that reinforce this commitment, such as:

- Annual target percentage of women in executive positions. Meeting the target for female executives is linked to the variable remuneration of our employees and is one of the indicators of sustainable financing. For 2024, it was set at 33.4%, achieving 34%.
- Adjusted wage gap of $\pm 1\%$, achieved in 2022 and maintained as a target until 2024.

Safety, Health and Wellbeing

At Telefónica, we understand safety and health at work as comprehensive physical, mental and social wellbeing. We have a Global Safety, Health and Wellbeing Policy that promotes the health, safety and wellbeing of our employees, supply chain and partners. Occupational health and safety management systems are implemented in accordance with international standards to prevent incidents and occupational diseases. In addition, employee participation in health committees is encouraged and initiatives for physical and emotional wellbeing are promoted, including social benefits and health programs, with the aim of reducing stress and improving the work environment.

These measures not only benefit employees, who perceive through internal surveys that Telefónica actively promotes their well-being, but also create a positive societal impact and contribute to long-term business success.

Liquidity and capital resources

Financing

The main financing transactions carried out in the bond market in 2024 are as follows:

Description	Issue date	Maturity date	Amount in millions (nominal)	Currency of issue	Amount in millions (nominal)	Coupon
Telefónica Emisiones, S.A.U.						
EMTN bond ⁽¹⁾	01/24/2024	01/24/2032	1,000	1,000	EUR	3.698 %
EMTN bond ⁽¹⁾	01/24/2024	01/24/2036	750	750	EUR	4.055 %

(1) Sustainable bonds

These transactions are guaranteed by Telefónica, S.A. On the same dates Telefónica, S.A. perceived loans from Telefónica Emisiones, S.A.U. of similar amount, terms and conditions.

The main transaction arranged in 2024 in the bank market is as follows:

- The second one-year extension option for the Telefónica, S.A. sustainability-linked syndicated credit facility for up to 5,500 million euros, was executed on January 13, 2024, extending the maturity date to January 13, 2029.
- On July 31, 2024, Telefónica, S.A. drew down 150 million euros of its bilateral loan signed on March 27, 2024, and maturing on July 31, 2034.
- On October 31, 2024, Telefónica, S.A. drew down 140 million euros of its bilateral loan signed on October 9, 2024, and maturing on October 31, 2031.
- On December 16, 2024, Telefónica, S.A. drew down 100 million euros of its bilateral loan signed on November 21, 2024, and maturing on December 16, 2031.

Available funds

At December 31, 2024 Telefónica, S.A.'s available funds from undrawn lines of credit in different financial institutions totaled 9,524 million euros (of which 9,354 million euros maturing in more than 12 months).

Additionally, cash and cash equivalents as of December 31, 2024 amount to 5,015 million euros.

Additional information on sources of liquidity and undrawn lines of credit available to the Company, on liquidity risk management, on the Company's debt levels, and on capital management is provided in notes 13, 14, 15 and 16 of the financial statements.

Contractual commitments

Note 19 to the financial statements provides information on firm commitments giving rise to future cash outflows and associated with operating leases, primarily.

Credit risk management

The credit risk in Telefónica, S.A. mainly refers to the one associated with financial derivative instruments arranged with different entities. The detailed description of how those risks are managed and hedged is included in note 16.

Credit rating

At December 31, 2024, Telefónica, S.A.'s long-term issuer default rating is "BBB stable outlook" from Fitch, "BBB- stable outlook" from Standard & Poor's and "Baa3 stable outlook" from Moody's. During this year, there have not been changes in the long-term credit ratings

by any of the three agencies. Last changes in the credit ratings took place in 2020 when Standard and Poor's revised the outlook to "negative" from "stable" on April 1, 2020 and later, on November 20, 2020 downgraded the rating to "BBB - stable" from "BBB negative". On November 7, 2016 Moody's downgraded the rating to "Baa3 stable" from "Baa2 negative" and on September 5, 2016 Fitch downgraded the rating to "BBB stable" from "BBB+ stable".

In 2024, measures taken to protect the credit rating included an active portfolio management through the voluntary public acquisition offer for shares of Telefónica Deutschland that reinforces Telefónica's strategy to focus on its core geographies and its strong commitment to the German market, one of the most attractive and stable telecom markets in Europe. The offer also supports Telefónica's efforts to simplify the Group's structure and enhances the euro-denominated cash flows generated in the Group.

Telefónica has also undertaken an employee's restructuring process, allowing the capture of savings and with a positive cash generation impact from 2024 and Telefónica España has reached an agreement with Vodafone España to incorporate a joint company, whose main activity is the commercialization of a fiber to the home network for its shareholders.

In addition, Telefonica maintains a solid liquidity position and conservative approach to debt refinancing, as the Group took advantage of the historical low refinancing rates to extend average debt life and smooth its maturity profile in coming years.

Dividend policy

Telefónica establishes the shareholder remuneration policy taking into account the Group's earnings, cash generation, solvency, liquidity, flexibility to make strategic investments, and shareholders and investors' expectations.

On March 2017 the Board of Directors of Telefónica, S.A. decided to define the corresponding payment periods of the dividends. Therefore, from there on, the dividend payment in the second quarter will take place in June, and the dividend payment in the fourth quarter will take place in December, in both cases on or before the third Friday of the corresponding month.

In February 2023, Telefónica announced the dividend policy for the year 2023, which consists of an amount of 0.30 euros per share in cash, payable in December 2023 (0.15 euros per share) and in June 2024 (0.15 euros per share).

The Annual General Shareholders Meeting held on March 31, 2023 approved the Proposals of the cash dividend paid in June 2023 and December 2023.

In February 2024, Telefónica announced the dividend policy for the year 2024, which consists of an amount of 0.30 euros per share in cash, payable in December 2024 (0.15 euros per share) and in June 2025 (0.15 euros per share).

The Annual General Shareholders Meeting held on April 12, 2024 approved the Proposals of the cash dividend paid in June 2024 and December 2024.

Treasury shares

Telefónica has performed, and may consider performing, transactions with treasury shares and financial instruments or contracts that confer the right to acquire treasury shares or assets whose underlying is Company shares.

Treasury share transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Honoring previous legitimate commitments assumed.
- Covering requirements for shares to allocate to employees and management under stock option plans.
- Other purposes in accordance with prevailing legislation. In the past, treasury shares purchased on the stock market were exchanged for other shares-securities (as in the case of preferred capital securities), swapped for stakes in other companies (e.g. the share exchange with KPN) acquired to reduce the number of shares in circulation (by redeeming the shares acquired), thereby boosting earnings per share, the delivery of treasury shares in exchange for the acquisition of a stake in another company (such as the agreement with Prosegur Compañía de Seguridad, S.A.).

Treasury share transactions will not be performed in any event based on privileged information or in order to intervene in free price formation. In particular, any of the conduct referred to in Articles 83.ter.1 of the Spanish Securities Market Law and 2 of Royal Decree 1333/2005 of November 11 implementing the Spanish Securities Market Law, with regards to market abuse will be avoided.

The disclosure of number of treasury shares at the end of 2024 and 2023, as well as the explanation about the evolution of the figure and the transactions involving treasury shares 2024, are described in note 11 of these financial statements.

Risk Factors

The Telefónica Group's business is affected by a series of risk factors that affect exclusively the Group, as well as a series of factors that are common to businesses of the same sector. The main risks and uncertainties faced by Telefónica, that could affect its business, financial condition, results of operations and/or cash flows are set out below and must be considered jointly with the information set out in the rest of this Annual Report.

These risks are currently considered by the Telefónica Group to be material, specific and relevant in making an informed investment decision in respect of Telefónica. However, the Telefónica Group is subject to other risks that have not been included in this section based on the Telefónica Group's assessment of their specificity and materiality based on the Telefónica Group's assessment of their probability of occurrence and the potential magnitude of their impact. The assessment of the potential impact of any risk is both quantitative and qualitative considering, among other things, potential economic, compliance, reputational and environmental, social and governance ("ESG") impacts.

Risks are presented in this section grouped into four categories: business, operational, financial, and legal and compliance.

These categories are not presented in order of importance. However, within each category, the risk factors are presented in descending order of importance, as determined by Telefónica at the date of this document. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise.

Risks related to Telefónica's Business Activities.

Telefónica's competitive position in some markets could be affected by the evolution of competition and market consolidation.

The Telefónica Group operates in highly competitive markets and it is possible that the Group may not be able to market its products and services effectively or respond successfully to the different commercial actions carried out by its competitors, causing it to not meet its growth and customer retention plans, thereby jeopardizing its future revenues and profitability.

Additionally, the Telefónica Group could be affected by the regulatory actions of antitrust authorities. These authorities could prohibit certain actions, such as new acquisitions or specific practices, create obligations or impose heavy fines. Any such measures implemented by the antitrust authorities could result in economic and/or reputational loss for the Group, in addition to a loss of

market share and/or harm to the future growth of some of its businesses.

The entry of new competitors in core markets (leveraging asymmetric regulation and wholesale obligations for incumbents), market concentration via mergers by other players (e.g. MasOrange in Spain and Vodafone/Three in the United Kingdom) or changes in control at key competitors (e.g. Vodafone – Zegona in Spain), may re-configure markets. This could affect Telefónica's relative competitive position, impacting the potential evolution of revenues and market share, especially if new entrants pursue aggressive customer acquisition strategies. Additionally, new entrants could decide to accelerate network rollout (e.g. 5G) aiming at differentiating in the market, which could lead to increased competition in infrastructure.

Today most telecom operators, such as Telefónica, include services beyond core connectivity services in their portfolio, albeit the weight of these services is relatively minor. Competitive dynamics for digital services are different, since these markets are dominated by specialized over-the-top (OTT) players and big tech, which leverage global platform economics and strong customer brands.

If Telefónica is not able to successfully face these challenges, by ensuring a supply of cutting-edge technology products and services and maintaining its competitiveness against current or future competitors, the Group's business, financial condition, results of operations and/or cash flows could be adversely affected.

Telefónica could be affected by disruptions in the supply chain or international trade restrictions, or by the dependency on its suppliers.

The existence of critical suppliers in the supply chain, especially in areas such as network infrastructure, information systems or handsets with a high concentration in a small number of suppliers, poses risks that may affect Telefónica's operations. In the event that a participant in the supply chain engages in practices that do not meet acceptable standards or does not meet Telefónica's performance expectations (including delays in the completion of projects or deliveries, poor-quality execution, cost deviations, reduced output due to the suppliers own stock shortfalls, or inappropriate practices), this may harm Telefónica's reputation, or otherwise adversely affect its business, financial condition, results of operations and/or cash flows. Further, in certain countries, Telefónica may be exposed to labour contingencies in connection with the employees of such suppliers.

As of December 31, 2024, the Group depended on three handset suppliers (one of them located in China) and

seven network infrastructure suppliers (two of them located in China), which, together, accounted for 85% and 83%, respectively, of the aggregate value of contracts awarded in 2024 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers (not located in China) represented 46% of the aggregate value of contracts awarded in 2024 to handset suppliers.

As of December 31, 2024, the Telefónica Group had approximately 100 information system ("IT") providers that together accounted for 80% of the total amount of IT purchase awards made in 2024, seven of them representing 30% of purchases in that area and time frame.

If suppliers cannot supply their products to the Telefónica Group within the agreed deadlines or such products and services do not meet the Group's requirements, this could hinder the deployment and expansion plans of the network. This could in certain cases affect Telefónica's compliance with the terms and conditions of the licenses under which it operates, or otherwise adversely affect the business and operating results of the Telefónica Group.

In addition, the possible adoption of new protectionist measures in certain parts of the world, including, the imposition of tariffs by major economies, the adoption of lockdown or other restrictive measures as a result any crisis or pandemic, as well as disruptions derived from geopolitical events such as the Russia-Ukraine war, armed conflict and political instability in the Middle East, among others, could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. Any of the above could increase prices for Telefónica and ultimately make our services more expensive for our customers, which could adversely affect the business and operating results of the Telefónica Group.

National security concerns may also limit Telefónica's ability to utilize certain suppliers and require it to incur additional costs. Several EU countries have imposed restrictions on the use of telecom suppliers that are considered high-risk for 5G network infrastructure, such as certain Chinese suppliers. In Germany, Telefónica and other mobile network operators have entered into public law contracts with the Federal Ministry of the Interior and Community that obligate the mobile network operators to stop using all critical components made by Chinese suppliers in their 5G core networks by the end of 2026. The operators are also required to replace the critical functions of such suppliers' 5G network management systems in the access and transport networks of the 5G mobile network with technical solutions of other manufacturers by the end of 2029. This requires the cooperation of the suppliers, who must provide open interfaces for controlling the network elements.

The semiconductor industry in particular is facing various challenges, as a result mainly of supply problems at a global level, which in turn is affecting multiple sectors (including technology) through delivery delays and price increases, which could affect the Telefónica Group or others who are relevant to its business, including its customers, suppliers and partners. Since 2021 a specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the armed conflict in Ukraine as well as the potential discontinuation of use of some suppliers as a result of tensions between the United States and China. While Telefónica's supply chain has been generally resilient in recent years, despite various stresses affecting the semiconductor industry and raw materials, this may change in the future.

The imposition of trade restrictions and any disruptions in the supply chain, such as those related to international transport, could result in higher costs and lower margins or affect the ability of the Telefónica Group to offer its products and services and could adversely affect the Group's business, financial condition, results of operations and/or cash flows.

Further, in its sale of digital services, the Telefónica Group regularly integrates the digital services it offers with third-party technologies. Similar to more traditional supplier relationships, these integrations subject the Telefónica Group to the risks of performance failures by these third parties and the cost of continuously monitoring these strategic partners to ensure they maintain appropriate levels of accreditation and that the technologies they provide remain secure and up to date. Any such performance failure by the third parties or the technologies they provide could negatively impact the digital services offered by the Telefónica Group, and the Group's business, financial condition, results of operations and/or cash flows could be adversely affected as a result.

Telefónica could be affected by the global technology talent shortage and the need for new skills in the workforce due to rapid technological changes, which may limit the Group's competitiveness.

The changing need for new skills in the workforce due to ongoing technological disruptions and the shortage of technology talent in the marketplace pose significant risks that may affect the Group's competitiveness.

The successful execution of Telefónica's strategic plan and Telefónica's ability to compete effectively now and in the future depend to a large extent on the Company's key talent, as well as on a highly skilled workforce. Experienced profiles in the technology sector are in high demand and competition for talent is fierce worldwide. A lack of talent and the necessary skills in the Group can slow down innovation and adaptation to rapid changes

in the sector, impacting business opportunities and the quality of services provided.

While the Group takes various steps to manage these risks, including by fostering a culture of continuous learning, though ambitious employee training and reskilling programs, motivating and seeking to retain the Group's key talent and by redefining Telefónica's corporate culture to ensure the company's long-term growth and sustainability, there can be no assurance that such steps will be sufficient.

If the Group fails to attract and retain technology talent, this could negatively affect the Group's business, financial condition, results of operations and/or cash flows.

The Group requires government concessions and licenses for the provision of a large part of its services and the use of spectrum, which is a scarce and costly resource.

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, use of spectrum, etc.) require licenses, concessions or authorizations from governmental authorities, which typically require that the Group satisfies certain obligations, including minimum specified quality levels, and service and coverage conditions. If the Telefónica Group breaches any of such obligations, it may suffer consequences such as fines or other measures that would affect the continuity of its business. In addition, in certain jurisdictions, the terms of granted licenses may be modified before the expiration date of such licenses or, at the time of the renewal of a license, new enforceable obligations could be imposed or the renewal of a license could be refused.

In addition, the Telefónica Group requires sufficient appropriate spectrum to offer its services. The intention of the Group is to maintain current spectrum capacity and, if possible, to expand it, through the participation of the Group in spectrum auctions which are expected to take place in the next few years, which will likely require cash outflows to obtain additional spectrum or to comply with the coverage requirements associated with some of the related licenses. While Telefónica considers its current spectrum capacity to be sufficient in all the regions in which Telefónica operates, the Group's failure to retain or obtain sufficient or appropriate spectrum capacity in these jurisdictions in the future, or its inability to assume the related costs, could have an adverse impact on its ability to maintain the quality of existing services and on its ability to launch and provide new services, which may materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

Any of the foregoing, as well as the additional matters addressed below, could have an adverse effect on the

business, financial condition, results of operations and/or cash flows of the Group.

Access to new concessions/ licenses of spectrum.

In Spain, the Ministry of Economic Affairs and Digital Transformation (currently the Ministry of Digital Transformation and Civil Service) approved in June 2023 a modification to the National Frequency Allocation Table ("CNFA"), allowing for the possibility of making available 450 MHz of the 26 GHz spectrum band, to companies, industries and organizations operating in a specific sector, that deploy private networks to support their connectivity needs (verticals). This could mean more competition in the private corporate network segment.

In the UK, following the clearance of the merger between Vodafone UK and Three UK, the Office of Communications ("Ofcom") has confirmed that it will hold an auction for 26 GHz and 40 GHz bands in the third quarter of 2025.

In Latin America, the following 5G auction processes are expected in 2025: in Peru, on July 4, 2024, a law was approved that allows the Ministry of Transport and Communications (MTC) to advance in the process of reordering the 3.5GHz band so that it can be used for the provision of 5G services and assign 5G spectrum without launching a public bidding process, as long as there is no lack of available spectrum to cover the demand of all interested operators. There is no specific information on when the MTC could advance in the process of reordering and assigning spectrum of the 3.5GHz band. On September 20, 2023, after an employee presented a false document regarding his academic degree, Telefónica del Perú was disqualified following a decision of the government procurement supervisor (OSCE), from contracting with the Peruvian state for a period of 36 months, meaning it cannot request concessions for spectrum or participate as a contractor or subcontractor in any government tender process. Telefónica del Perú has initiated legal actions against the sanction resolution, and the aforementioned employee was fired and criminally prosecuted. Telefónica del Perú has concessions for the provision of public telecommunications services and 4G and 5G spectrum (including in the same 3.5 GHz band, but obtained in a previous auction) with validity that exceeds the disqualification period. In addition, this disqualification does not affect the renewals of Telefónica del Perú licenses and we expect it would not preclude Telefónica del Perú from accessing additional spectrum for the provision of 5G services through the reordering process provided for in the July 4, 2024 law.

In Brazil, the Agência Nacional de Telecomunicações ("ANATEL") is conducting a public consultation (until April 7, 2025) about a long-term schedule for spectrum auctions. This proposal includes frequencies in multiple

bands for awards in the short (2026–2028), medium (2029–2032) and long term (2032–2036). With regard to 700 MHz in the 6 GHz band (6425–7125 MHz), ANATEL plans on submitting rules for the award to consultation in the second half of 2025 and granting the award by 2026. In addition, on January 31, 2025, ANATEL concluded the public consultation on the 700 MHz band Auction Proposal, which involves the spectrum that was returned by the provider Winity in 2023. According to the proposal, regional lots would be offered, with priority for participation given to providers that do not yet have spectrum authorizations in the 700 MHz band, and only if there is no interest from these providers, established providers would be able to acquire spectrum. The auction is expected to take place by the second half of 2025.

Existing licenses: renewal processes and modification of conditions for operating services.

In Germany, in May 2024, the Bundesnetzagentur ("BNetzA") published a draft decision on the extension of the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which will partially expire at the end of 2025. The draft decision provides for the existing frequency usage rights in the above mentioned frequency ranges, to be extended for a transitional period of five years. It is expected that BNetzA will adopt a final decision in the first quarter of 2025. The extension of the usage rights would be accompanied by obligations for the further deployment of mobile networks, particularly in rural areas and along transport routes. There would also be a requirement to negotiate with MVNOs on the purchase of wholesale mobile services as well as an obligation to negotiate national roaming and a co-operative shared frequency usage below 1 GHz with 1&1 Mobilfunk GmbH ("1&1"). Finally, an obligation would be imposed to continue existing spectrum leasing arrangements between network operators. As part of a second set of actions, a larger procedural framework is expected to be established for utilization from 2031 onwards, including with respect to rights of use and new frequency ranges that expire in 2033 or become newly available for mobile communications in the coming years. A decision on this set of actions is planned for 2028.

In the UK, mobile spectrum licenses are generally indefinite in term, subject to an annual fee set after a fixed period (usually 20 years) from the initial auction. In 2033, after this mentioned fixed period, Ofcom will set spectrum fees for 800 MHz and 2.6 GHz bands. VMO2 currently holds spectrum in both of these bands.

With respect to Latin America:

In Brazil, ANATEL approved on February 8, 2021, Resolution 741/2021 which sets the regulation for the transition from the existing concession regime to a new authorization model for the provision of fixed commuted telephony services ("STFC"). On December 16, 2024,

Telefónica Brasil, ANATEL, the Brazilian Federal Court of Accounts and the Brazilian Ministry of Communications signed an agreement on the terms and conditions for the adaptation of the STFC concession contracts to an authorization instrument (the "Self-Composition Agreement"). The Self-Composition Agreement includes several key conditions: (i) Telefónica Brasil is required to make specific investments on terms established under the agreement; (ii) Telefónica Brasil must maintain the provision of fixed-line telephone services in certain locations without adequate competition, within the concession area until December 31, 2028; (iii) all pending administrative and judicial proceedings related to the concession at ANATEL or in the courts must be resolved, and Telefónica Brasil must withdraw any cases filed against the regulator; and (iv) Telefónica Brasil must commit to fulfilling public interest pledges for up to ten years as part of the adaptation process. Completion of the migration to the authorization regime is conditioned upon the signing of a unified authorization term with ANATEL, compiling all previous licenses into one single title, which is expected to occur during the first quarter of 2025.

ANATEL agreed to extend authorizations of the currently existing bands of 850MHz until November 2028, of 900/1800 MHz between 2031 and 2035 (depending on the region), and of 2100 MHz, until 2038. Additionally, pursuant to Resolution n° 757/2022, ANATEL intends to carry out, respectively, a reformatting action consisting of the promotion of changes in the channel arrangements of the 850 MHz (2028) and 900/1800 MHz (2032) sub-bands. Certain specific requirements imposed for these renewals, including those related to the valuation criteria and obligations, are still under review by the Federal Court of Accounts.

In Peru, an arbitration process was started by Telefónica del Perú, to challenge the decision adopted by the Ministry of Transportation and Communications ("MTC"), denying the renewal of concessions for the provision of fixed-line services, valid until 2027, which ended with a favorable award for Telefónica del Perú. The award recognizes that the methodology applied to assess compliance with the concession obligations in the concession renewal process was not in accordance with the provisions of the concession contract. The MTC, following this award, has initiated a new evaluation of Telefónica's request of renewal of these concessions for the period 2027-2032. In any case, Telefónica del Perú S.A.A. holds other concessions for the provision of fixed-line services that allow it to provide these services beyond 2027. The renewal of the 1900 MHz band in all of Peru, except for Lima and Callao, which expired in 2018, and of other licenses to offer telecommunications services were requested by the Group and a decision by the MTC is still pending. Nevertheless, these concessions are valid while the procedures are in progress.

In Ecuador, the concession contract that authorizes the provision of telecommunication services by Telefónica and includes the spectrum licenses (25 MHz in the 850 MHz band and 60 MHz in the 1900 MHz band) that expired in November 2023, was extended on several occasions, with the last extension being authorized until May 15, 2025, under the same conditions as the original contract through an addendum and through provisional payments applicable to the new concession rights. At the end of 2024, the negotiation process for the renewal of the concession contract for a 15-year period was suspended by the Telecommunications Regulation and Control Agency (ARCOTEL) because it requires a favorable opinion from the Ministry of Economy and Finance (MEF) in relation to the terms and conditions agreed for the renewal. Once the opinion of the MEF is issued, we expect that the negotiations will resume.

During 2024, the Group's consolidated investment in spectrum acquisitions and renewals amounted to 157 million euros, mainly due to the acquisition of spectrum in Colombia (183 million euros in 2023, mainly due to the acquisition of spectrum in Argentina). In the event that the licenses mentioned above are renewed or new spectrum is acquired, it would involve additional investments by Telefónica.

Further information on certain key regulatory matters affecting the Telefónica Group and the concessions and licenses of the Telefónica Group can be found in Appendix VI "Key regulatory issues and concessions and licenses held by the Telefónica Group" of the Consolidated Financial Statements.

Telefónica operates in a sector characterized by rapid technological changes and it may not be able to anticipate or adapt to such changes or select the right investments to make.

The pace of innovation and Telefónica's ability to keep up with its competitors is a critical issue in a sector so affected by technology such as telecommunications. In this sense, significant additional investments will be needed in new high-capacity network infrastructures to enable Telefónica to offer the features that new services will demand, through the development of technologies such as 5G or fiber.

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as mobile network virtual operators ("MNVOs"), internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice businesses have been shrinking in

recent years, while revenues from connectivity services (e.g., fixed and mobile internet) are increasing. To diversify revenue sources, Telefónica offers new digital services such as Internet of Things (IoT), cybersecurity, Big Data, Artificial Intelligence and cloud services among others. Although these services still have a substantially lower weight in Telefónica's total revenues, the related revenues represented more than 40% of the Company's B2B revenues in 2024 and grew by double digits compared to 2023.

Additionally, the world of telecommunications is evolving towards a model of programmable networks and services. This type of network can be used by programmers in a completely new and different way than it had been in the past. As a first big step, the GSMA (Global System for Mobile Communications) is leading the Open Gateway initiative for the standardized exposure of APIs (Application Programming Interface) to developers. This is a totally new market in which telecommunications companies must be able to develop not only attractive services but new skills in order to be successful.

One of the technologies currently being developed by telecommunications operators, including Telefónica (in Spain and Latin America), is the FTTx type networks which allow the offering of broadband accesses over fiber optics with high performance. However, the deployment of such networks, in which the copper of the access loop is totally or partially replaced by fiber, requires high levels of investment. In Spain, more than 90% of the retail copper network has been switched off. Due to regulatory requirements, the remaining portion of the network is expected to be switched off by May 2025.

As of December 31, 2024, in Spain, fiber coverage reached 30.8 million premises. There is a growing demand for the services that these new networks can offer to the end customer. However, the high levels of investment required by these networks result in the need to continuously consider the expected return on investment. Telefónica is constantly looking for co-investments through Telefónica Infra, but it may not be able to identify suitable partners.

In addition, the ability of the Telefónica Group's IT systems (operational and backup) to adequately support and evolve to respond to Telefónica's operating requirements is a key factor to consider in the commercial development, customer satisfaction and business efficiency of the Telefónica Group. While automation and other digital processes may lead to significant cost savings and efficiency gains, there are also significant risks associated with such transformation processes. Any failure by the Telefónica Group to develop or implement IT systems that adequately support and respond to the Group's evolving operating requirements could have an adverse effect on

the Group's information, business, financial condition, results of operations and/or cash flows.

The changes outlined above force Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors. Any such investment may reduce the Group's profit and margins and may not lead to the development or commercialization of successful new products or services. To contextualize the Group's total research and development effort, the total expenditure in 2024 was 647 million euros (741 million euros in 2023), representing 1.6% of the Group's revenues (1.8% in 2023). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("OECD") manual. Telefónica's investment in CapEx in 2024 was 5,475 million euros (5,579 million euros in 2023).

If Telefónica is not able to anticipate and adapt to the technological changes and trends in the sector, or to properly select the investments to be made, this could negatively affect the Group's business, financial condition, results of operations and/or cash flows.

The Telefónica Group's strategy, which is focused on driving new digital businesses and providing data-based services, involves exposure to risks and uncertainties arising from data privacy regulation.

The Telefónica Group's commercial portfolio includes products and/or services whose provision involves the processing of large amounts of information and data. This entails an enormous responsibility, while at the same time increasing the challenges related to compliance with strong and growing privacy and data protection regulations throughout the Telefónica Group's footprint, which may stifle the technological innovation that characterizes it and to which the Group is committed. Similarly, the Group's efforts to promote innovation may result in increased compliance risks and, where applicable, costs.

Telefónica is subject to Regulation (EU) 2016/679 of the European Parliament and Council of April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR"), which is considered by the Group as a common standard of compliance in all its operations, even beyond the European Union. Additionally, the European Union has initiated a data legislative strategy that seeks to make the EU a leading space for the data-driven society, allowing data to flow freely throughout the territory and between different sectors. As a result, it is expected that new regulatory obligations will be imposed on operators.

In addition, since 2017 the European Union has been considering a proposal for a future European regulation

concerning the respect for privacy and protection of personal data in electronic communications ("e-Privacy Regulation"), which would repeal Directive 2002/58/EC. If approved, the e-Privacy Regulation could establish additional and more restrictive rules than those established in the GDPR, with the consequent increase in the risks and costs that this could entail for Telefónica.

Discussions on the proposal for the e-Privacy Regulation have stalled, and the European Commission is studying different regulatory alternatives on the matter, which creates additional uncertainty with respect to the applicable regulatory framework going forward, which may negatively affect the development of new innovative products.

Moreover, considering that the Telefónica Group operates its business on a global scale, it frequently carries out international data transfers concerning its customers, users, suppliers, employees and other data subjects to countries outside the European Economic Area ("EEA") that have not been declared to have an adequate level of data protection by the European Commission, either directly or through third parties. In this context, it is particularly relevant to have the necessary legal and technical controls and mechanisms in place to ensure that such international data transfers are carried out in accordance with the GDPR, in an environment marked by uncertainty on this issue as to the most adequate and effective measures to mitigate such risks.

With regard to the international transfer of data to the United States, on July 10, 2023, the European Commission adopted its adequacy decision for the EU-U.S. Data Privacy Framework. The adequacy decision concludes that the United States ensures an adequate level of protection for personal data transferred from the EU to U.S. companies participating in the EU-U.S. Data Privacy Framework. This adequacy decision remains subject to challenge by privacy activists as was the case with previous decisions.

Telefónica is subject to data privacy regulations similar to the GDPR in the non-EU countries in which it operates, including the United Kingdom, Brazil, Ecuador, Chile and Peru, increasing compliance risks and costs in these countries. For example, since its formal exit from the European Union ("Brexit"), the United Kingdom has implemented its own data protection framework, which largely mirrors the GDPR with certain tailored adjustments. Subsequent legislative efforts to simplify compliance for businesses in the United Kingdom (and, therefore, reduce data protections), while unsuccessful to date, have raised data privacy risks for EU companies who, like Telefónica, regularly engage with UK partners. Any such potential shifts in the applicable data privacy framework necessitate careful monitoring by Telefónica to mitigate compliance and cross-border data transfer risks.

To limit the risks derived from international transfers of personal data among Telefónica Group companies, the Telefónica Group adopted Binding Corporate Rules (BCRs), approved by the Spanish Data Protection Authority on March 8, 2024, following a procedure of co-operation between the European data protection authorities. However, there can be no assurance that such rules will be sufficient to ensure compliance with requirements in every jurisdiction in which the Telefónica Group operates.

Data privacy protection requires careful design of products and services, as well as robust internal procedures and rules that can be adapted to regulatory changes where necessary, all of which entails compliance risk. Failure to maintain adequate data security and to comply with any relevant legal requirements could result in the imposition of significant penalties, damage to the Group's reputation and the loss of trust of customers and users.

Telefónica's reputation depends to a large extent on the digital trust it is able to generate among its customers and other stakeholders. In this regard, in addition to any reputational consequences, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of 20 million euros or 4% of the infringing company's overall total annual revenue for the previous financial year. Furthermore, if eventually approved, the e-Privacy Regulation or any similar alternative regulation may set forth sanctions for breaches of it similar to those provided for in the GDPR.

Any of the foregoing could have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Telefónica may not anticipate or adapt in a timely manner to changing customer demands and/or new ethical or social standards, which could adversely affect Telefónica's business and reputation.

To maintain and improve its position in the market vis-à-vis its competitors, it is vital that Telefónica: (i) anticipates and adapts to the evolving needs and demands of its customers, and (ii) avoids commercial or other actions or policies that may generate a negative perception of the Group or the products and services it offers, or that may have or be perceived to have a negative social impact. In addition to harming Telefónica's reputation, such actions could also result in fines and sanctions.

In order to respond to changing customer demands, Telefónica needs to adapt both (i) its communication networks and (ii) its offering of digital services.

The networks, which had historically focused on voice transmission, have evolved into increasingly flexible,



dynamic and secure data networks, replacing, for example, old copper telecommunications networks with newer technologies such as fiber, which facilitate the absorption of the exponential growth in the volume of data demanded by the Group's customers.

In relation to digital services, customers require an increasingly digital and personalized experience, as well as a continuous evolution of the Group's product and service offering. In this sense, relatively new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering", "Solar 360" and "Perplexity" (an Artificial Intelligence-driven answer engine service) which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. In addition, Telefónica has launched new customer care applications (My Movistar in Spain, Me Vivo in Brazil, My O2 in the United Kingdom) and developed a virtual assistant, Aura, with the aim of increasing the accessibility of the products and services the Group offers. However, there can be no assurance that these and other efforts will be successful.

In the development of all these initiatives it is also necessary to take into account several factors: firstly, there is a growing social and regulatory demand for companies to behave in a socially responsible manner, and, in addition, the Group's customers are increasingly interacting through online communication channels, such as social networks, in which they express this demand. Telefónica's ability to attract and retain clients depends on their perceptions regarding the Group's reputation and behavior. The risks associated with potential damage to Telefónica's reputation have become more relevant, especially due to the impact that the publication of news through social networks can have.

If Telefónica is not able to anticipate or adapt to the evolving needs and demands of its customers or avoid inappropriate actions, its reputation could be adversely affected, or it could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Operational Risks

Information technology is key to the Group's business and is subject to cybersecurity risks.

Telefónica's operations, as well as the products and services it provides, rely on information technology systems and platforms that are susceptible to cyberattacks. If successful, these attacks can hinder the

effective provision, operation, and commercialization of our products and services and our customers' use of the same. Therefore, cybersecurity risks are among the most significant risks for the Group.

Telecommunications companies worldwide, including Telefónica, face a continuous increase in cybersecurity threats. These companies and their customers are becoming increasingly digital, processing and storing valuable information electronically relying on cloud services provided by third parties, permitting remote access and teleworking by employees and collaborators and expanding IoT environments. All of this complicates security management, forcing companies to review security controls beyond the traditional corporate network perimeter. At the same time, cyberattackers, including both state and independent actors, are becoming more sophisticated, armed with high levels of funding and advanced digital tools that use technologies such as artificial intelligence and machine learning. Threats include unauthorized access to systems, the installation of computer viruses or malicious software, and security breaches in the supply chain, with the aim of improperly obtaining sensitive information or disrupting the Group's operations, which may result in regulatory penalties. Furthermore, traditional security threats persist, such as the theft of laptops, data storage devices, and mobile phones, along with the possibility that Group employees or collaborators may leak information and/or perform acts that affect their networks or internal information. Additionally, the Telefónica Group is aware of potential cybersecurity risks arising from various international conflicts and monitors cyberattacks that may affect its infrastructure.

In the past three years, the Group has suffered various types of cybersecurity incidents that have included: intrusion attempts (direct or phishing), exploitation of vulnerabilities and corporate credentials being compromised; Distributed Denial of Service (DDoS) attacks, using massive volumes of Internet traffic that saturate the service; and malicious actions to carry out fraud in respect of services provided by Telefónica. In some of these incidents, personal data from our customers and employees has been stolen. To date, none of these cybersecurity incidents have had material consequences for the Telefónica Group, but this may change in the future.

The development and maintenance of systems to prevent and detect cyberattacks is costly and requires ongoing monitoring and updating to address the increasing sophistication of cyberattacks. In response to these risks, Telefónica has adopted technical and organizational measures as defined in its digital security strategy, such as the use of early vulnerabilities detection, access control, log review of critical systems and network segregation, as well as the deployment of

firewalls, security controls in the supply chain, intrusion-prevention systems, virus scanners incident response and recovery procedures, and backup systems.

However, Telefónica can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. The Telefónica Group has insurance policies in place intended to cover certain losses arising out of these types of incidents. However, due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover in its entirety all losses that may arise out of a cybersecurity attack.

Climate change, natural disasters and other factors beyond the Group's control may result in physical damage to Telefónica's technical infrastructure that may cause unanticipated network or service interruptions or quality loss or otherwise affect the Group's business.

Climate change, natural disasters and other factors beyond the Group's control, such as system failures, lack of electric supply, network failures, hardware or software failures or the theft of network elements, can damage Telefónica's infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group. For example, in late October 2024, record-breaking flooding and related power outages in Valencia, Spain, resulting from a high-altitude, cut-off low-pressure storm system, caused severe damage to Telefónica's infrastructure. Fixed and mobile services were affected, and certain municipalities (104 at the worst moment) lost all communications. Repairs to the damaged infrastructure took up to 10 days. Telefónica's operations have also been affected by power outages in certain Latin American countries due to droughts and flooding.

Further, changes in temperature and precipitation patterns associated with climate change may increase the energy consumption of telecommunications networks or cause service disruption due to extreme temperature waves, floods or extreme weather events. These changes may cause increases in the price of electricity due to, for example, reduction in hydraulic generation as a result of recurrent droughts. Further, as a result of global commitments to tackle climate change, new carbon dioxide taxes may be imposed and could affect, directly or indirectly, Telefónica Group, and may have a negative impact on the Group's operations and results. Telefónica analyses these risks in accordance with the guidelines set forth in the Corporate Sustainability Reporting Directive (CSRD), and with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Network or service interruptions or quality loss or climate-related risks could cause customer dissatisfaction, a reduction in revenues and traffic, the

realization of expensive repairs, the imposition of sanctions or other measures by regulatory bodies, and damage to the image and reputation of the Telefónica Group, or could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Financial Risks

Worsening of the economic and political environment could negatively affect Telefónica's business.

Telefónica's international presence enables the diversification of its activities across countries and regions, but it exposes Telefónica to diverse legislation, as well as to the political and economic environments of the countries in which it operates. Any adverse developments in these countries, such as economic uncertainty, inflationary pressures, rapid normalization of monetary policy, exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect Telefónica's business, financial position, debt management, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.

In recent years, successive shocks have ushered in a period characterized by extraordinary uncertainty and the simultaneous occurrence of multiple negative disruptions. Inflationary pressures arising from bottlenecks associated with the rapid post-pandemic recovery, coupled with increases in commodity prices, led to a robust response from central banks (raising interest rates and withdrawing liquidity from the system) and a significant loss of purchasing power for consumers. Additionally, the recent higher wage demands observed internationally, reflecting both the strength of labour markets, especially those in major developed economies, and the prevalence (though to a lesser extent than in the past) of wage indexation mechanisms, have also contributed to these inflationary pressures.

Although inflationary pressures eased in 2024, there are recent signs that progress is stalling in some countries where the Group operates, or even reversing course as in Brazil. Price pressures and relatively high interest rates persist in many countries. Geopolitical events such as the Russia-Ukraine war, armed conflict and political instability in the Middle East and the possible imposition of tariffs by major economies pose risks to inflation dynamics, interest rates and exchange rates. Moreover, there is a risk that the decrease in global liquidity and higher-for-longer interest rates could generate increased financial volatility, giving rise to new stress episodes, especially if inflation proves to be more persistent than expected. Additionally, premature monetary easing by central banks could lead to

resurgent inflation, potentially triggering a new stagflation period akin to the 1970s.

Looking forward, elements that could worsen the effects of the current situation include the escalation of armed conflicts and potential disruptions to energy and goods supply, as well as possible additional increases in commodity prices. This could result in a potential de-anchoring of inflation expectations and higher-than-expected wage hikes, prolonging and amplifying the inflation-recession scenario. As a consequence of the above, economic growth is expected to remain weak in the short term, with the risk of recession still present in some parts of the world.

So far, the main European countries where the Group operates have been affected by the ongoing geopolitical conflicts mainly through the price channel (higher commodity prices, intermediate inputs and salary costs, among others), as their direct trade and financial exposure is limited. However, there continues to be a concern in Europe about energy dependence in the face of potential episodes of gas shortages and lengthening energy transition. Latin America could be affected by lower external demand associated with slower global growth, deteriorating terms of trade, tighter financial conditions and doubts about debt sustainability.

As of December 31, 2024, the contribution of each segment to the Telefónica Group's total assets was as follows: Telefónica Spain 25.7% (26.0% as of December 31, 2023), VMO2 7.6% (7.5% as of December 31, 2023), Telefónica Germany 17.7% (17.8% as of December 31, 2023), Telefónica Brazil 22.2% (25.0% as of December 31, 2023) and Telefónica Hispam 14.1% (14.4% as of December 31, 2023). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil, Argentina (sold in February 2025), Ecuador and Venezuela). Likewise, Venezuela and Argentina are considered countries with hyperinflationary economies in 2024 and 2023.

During 2024, the contribution of each segment to the Telefónica Group's revenues was as follows (does not include VMO2 that is recorded by the equity method and therefore does not contribute to the consolidated revenues): Telefónica Spain 31.0% (31.1% in 2023), Telefónica Germany 20.6% (21.2% in 2023), Telefónica Brazil 23.3% (23.7% in 2023) and Telefónica Hispam 21.9% (20.6% in 2023).

The main risks by geography are detailed below:

In Europe, there are several economic and political risks. Firstly, the evolution of armed conflicts poses a threat to growth and inflation prospects. Any worsening in the supply of gas, oil, food, or other goods due to disruptions in the supply chain would negatively impact their prices,

with a consequent effect on the disposable income of both households and businesses. In the medium term, this could result in wage increases, a persistent rise in inflation, and tighter monetary policy. Any of the above could have a negative impact on the cost of financing for the private sector, including Telefónica, and could trigger episodes of financial stress.

In addition, there is also a risk of financial fragmentation in the eurozone, meaning that interest rates may react differently in different countries within the eurozone, leading to differences in yields on bonds issued by more indebted countries (including Spain) and those issued by less indebted countries, making it challenging for the former to access credit at low rates.

Lastly, Europe faces three significant long-term risks. First, Europe may fall behind in the global technological race in particular because of both its dependence on several critical raw materials, indispensable for key sectors, that must be imported from other regions, and its lag in technological innovation. Second, a burdensome regulatory environment in the European Union poses a significant threat to business, impeding growth and eroding competitiveness, with companies based in countries and regions where regulations are relatively less complex, extensive or restrictive. Third, demographic factors such as declining birth rates and population aging may have a negative impact on the region's labor force and long-term growth prospects.

Regarding political risk, centrist political groups maintained a majority following the 2024 European Parliament elections but nationalist and populist parties made significant gains. It remains to be seen whether greater fragmentation in the parliament will hinder governance and the continuity of the ongoing agenda in fiscal and economic matters, climate and energy policy as well as other aspects of regional governance.

- *Spain*: there are several local sources of risks. One of them stems from the risk that high commodity prices and/or the emergence of wage pressures could prolong the inflationary episode with a deeper impact on household income. Secondly, further delays in the disbursement of Next Generation European Funds (NGEU) could limit their final impact on GDP growth and employment. In addition, as one of the most open countries in the world from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, Spain could be negatively impacted by the rise of protectionism and trade restrictions. Lastly, the impact of higher-for-longer interest rates could be a source of financial stress due to high public indebtedness and lead to a possible correction in the real estate market. In the long term, the challenge is to increase the growth of potential GDP through improvements in productivity and investment and ensure the sustainability of public debt.



- *Germany*: the risk of energy shortages has diminished recently due to Europe's response in terms of diversification of energy sources and the rapid construction of regasification plants in the country. However, it is possible that problems with energy supply may arise again. Alternative sources for gas imports could be limited, consumption could be higher due, for example, to an unusually cold winter, or competition for gas from other countries could increase. On the other hand, there is concern that higher-than-expected wage growth and/or higher input costs could lead to more persistent inflation diminishing competitiveness among the manufacturing sector. As for the medium to long term, there is a risk that prolonged or escalating geopolitical tensions could reduce international trade or increase competition to German-made products with a consequent impact on the country's potential growth, which is dependent on exports. Additionally, following the German federal election, it is relevant that a stable majority is formed capable of addressing the major challenges facing the country, especially in terms of investment needs. Finally, long-term challenges remain, such as the ageing of the population.
 - *United Kingdom*: more persistent inflation could weigh on consumption and further depress economic growth. In particular, there is a concern that currently dynamic wage growth could lead to a further increase in the prices of goods and services, preventing inflation rates from totally normalizing. On the other hand, although the UK economy has few direct trade links with Russia and Ukraine, it is vulnerable to developments in the global energy market as it is the second European economy with the largest share of gas in the energy mix. Finally, the formal exit of the United Kingdom from the European Union on December 31, 2020 (Brexit) has created new barriers to trade in goods and services, mobility and cross-border exchanges, which will continue to entail an economic adjustment in the medium term.
- In Latin America, the exchange rate risk is currently considered moderate by the Telefónica Group, except in Venezuela, but may increase in the future. The end of electoral events and rapid central bank actions to contain inflation may, at least partially, limit the impact of external risks (global trade tensions, abrupt movements in commodity prices, concerns about global growth, tightening U.S. monetary policy and financial imbalances in China) and internal risks (managing the monetary normalization and the possible fiscal deterioration) but there is no assurance that this will be the case.
- *Brazil*: fiscal sustainability and increased economic intervention remain the main domestic risk. Despite recently announced measures to curb public spending, tax reforms aimed at simplifying the indirect tax system and promoting stronger and sustainable economic growth and an upward revision of Brazil's credit rating outlook by Moody's, volatility surrounding fiscal sustainability has increased. Moreover, inflation expectations have continued to deteriorate following the poor performance of the Brazilian real in a context of fiscal volatility, paving the way for further interest rate hikes and increasing the risks of a more pronounced economic slowdown.
 - *Chile, Colombia, Peru and Ecuador*: these countries are exposed not only to changes in the global economy, given their vulnerability and exposure to changes in commodity prices, but also to tightening of global financial conditions. On the domestic side, existing political instability and the possibility of further social unrest and the resurgence of populism could have a negative impact in both the short and medium term. In this regard, measures that result in excessive growth in public spending that jeopardize fiscal balance could have a negative impact on sovereign credit ratings, further deteriorating local financing conditions. If inflation is more persistent than expected, this could limit central banks' ability to respond to an abrupt drop in activity levels and could also increase the risk of financial instability. Political uncertainty has decreased in Chile, following the rejection of a proposed new Constitution in December 2023, but the maintenance of the former status quo could give rise to new social demands. A presidential election is due to take place in November 2025 (and a runoff election may follow in December 2025). In Colombia, the structural reforms promoted by Colombia's government are expected to be more market friendly due to the weakening of the government coalition. In Peru, the government succeeded in reducing the social protests against the installation of the current administration, although it remains politically weak. In Ecuador, presidential and legislative elections were held in February 2025. The election took place against a backdrop of unprecedented social and economic challenges, as well as armed conflicts between the government and several organized crime groups. A run-off presidential election will be held in April 2025.
- As discussed above, the countries where the Group operates are generally facing significant economic uncertainties and, in some cases, political uncertainties. The worsening of the economic and political environment in any of the countries where Telefónica operates may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.
- The Group has experienced and, in the future, could experience impairment of goodwill, investments accounted for by the equity method, deferred tax assets or other assets.**
- In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more

frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill (which as of December 31, 2024, represented 16.4% of the Group's total assets), deferred tax assets (which as of December 31, 2024, represented 6.6% of the Group's total assets) or other assets, such as intangible assets (which represented 9.8% of the Group's total assets as of December 31, 2024), and property, plant and equipment (which represented 21.3% of the Group's total assets as of December 31, 2024). In the case of goodwill, the potential loss of value is determined by the analysis of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated at the time it is originated, and such calculation requires significant assumptions and judgment. In 2024, Telefónica recorded impairment losses on intangible assets and property, plant and equipment in Argentina in an aggregate amount of 1,274 million euros and impairment losses on goodwill in an aggregate amount of 866 million euros with respect to the cash-generating units in Chile (397 million euros), Peru (226 million euros), Telefónica Tech UK & Ireland (192 million euros) and BE-terna Group (51 million euros). Likewise, impairment losses were recorded in Peru in 2024, including impairment losses on intangible assets (54 million euros) and on goodwill allocated to the fiber optics business (34 million euros), as well as a reversal of deferred tax assets for loss carryforwards (91 million euros). Additionally, following the analysis of the recoverability of the assets of Pangea (the wholesale fiber optic company in Peru) at the end of 2024, an impairment of property, plant and equipment amounting to 108 million euros has been recorded, as well as a reversal of deferred tax assets amounting to 13 million euros (see Notes 2, 6, 7, 8, 25 and 30 to the Consolidated Financial Statements). In 2023, impairment losses in the goodwill of Telefónica Ecuador were recognized for a total of 58 million euros. In addition, VMO2, Telefónica's 50:50 joint venture with Liberty Global in the United Kingdom, recorded in 2023 an impairment of goodwill amounting to 3,572 million euros, with a negative impact of 1,786 million euros on the share of (loss) income of investments accounted for by the equity method in the consolidated income statement of the Group in 2023.

In addition, Telefónica may not be able to realize deferred tax assets on its statement of financial position to offset future taxable income. The recoverability of deferred tax assets depends on the Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. If Telefónica believes it is unable to utilize its deferred tax assets during the applicable period, it may be required to record an impairment against them resulting in a non-cash charge on the income statement.

Further impairments of goodwill, deferred tax assets or other assets may occur in the future which may

materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

The Group faces risks relating to its levels of financial indebtedness, the Group's ability to finance itself, and its ability to carry out its business plan.

The operation, expansion and improvement of the Telefónica Group's networks, the development and distribution of the Telefónica Group's services and products, the implementation of Telefónica's strategic plan and the development of new technologies, the renewal of licenses and the expansion of the Telefónica Group's business in countries where it operates, may require a substantial amount of financing.

The Telefónica Group is a relevant and frequent issuer of debt in the capital markets. As of December 31, 2024, the Group's gross financial debt amounted to 38,782 million euros (37,061 million euros as of December 31, 2023), and the Group's net financial debt amounted to 27,161 million euros (27,349 million euros as of December 31, 2023). As of December 31, 2024, the average maturity of the debt was 11.3 years (11.6 years as of December 31, 2023), including undrawn committed credit facilities.

A decrease in the liquidity of Telefónica, or a difficulty in refinancing maturing debt or raising new funds as debt or equity could force Telefónica to use resources allocated to investments or other commitments to pay its financial debt, which could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Funding could be more difficult and costly to obtain in the event of a deterioration of conditions in the international or local financial markets due, for example, to monetary policies set by central banks, including increases in interest rates and/or decreases in the supply of credit, increasing global political and commercial uncertainty and oil price instability, or if there is an eventual deterioration in the reputation, solvency or operating performance of Telefónica.

As of December 31, 2024, the Group's gross financial debt scheduled to mature in the following 12 months amounted to 5,590 million euros and the gross financial debt scheduled to mature in 2026 amounted 2,607 million euros.

In accordance with its liquidity policy, Telefónica has covered its gross debt maturities for the next 12 months with cash and credit lines available as of December 31, 2024. As of December 31, 2024, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of 11,017 million euros (10,634 million euros of which were due to expire in more than 12 months). Liquidity could be affected if market conditions make it difficult to renew undrawn credit

lines. As of December 31, 2024, 3.5% of the aggregate undrawn amount under credit lines was scheduled to expire prior to December 31, 2025.

In addition, given the interrelation between economic growth and financial stability, the materialization of any of the economic, political and exchange rate risks referred to above could adversely impact the availability and cost of Telefónica's financing and its liquidity strategy. This in turn could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Finally, any downgrade in the Group's credit ratings may lead to an increase in the Group's borrowing costs and could also limit its ability to access credit markets.

The Group's financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to interest rates or foreign currency exchange rates.

Interest rate risk arises primarily in connection with changes in interest rates affecting: (i) financial expenses on floating-rate debt (or short-term debt likely to be renewed); (ii) the value of long-term liabilities at fixed interest rates; and (iii) financial expenses and principal payments of inflation-linked financial instruments, considering interest rate risk as the impact of changes in inflation rates.

In nominal terms, as of December 31, 2024, 83% of the Group's net financial debt had its interest rate set at fixed interest rates for periods of more than one year. The effective cost of debt related interest payments for the last 12 months excluding leases was 3.32% as of December 31, 2024 compared to 3.80% as of December 31, 2023. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of December 31, 2024: (i) a 100 basis points increase in interest rates in all currencies in which Telefónica had a financial position at that date would have led to an increase in financial expenses of 41 million euros, whereas (ii) a 100 basis points decrease in interest rates in all currencies (even if negative rates are reached) would have led to a reduction in financial expenses of 41 million euros. For the preparation of these calculations, a constant position equivalent to the position at that date is assumed of net financial debt.

Exchange rate risk arises primarily from: (i) Telefónica's international presence, through its investments and businesses in countries that use currencies other than the euro (primarily in Latin America and the United Kingdom); (ii) debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt; and (iii) trade receivables or payables in a foreign currency to the currency of the company with which the transaction was registered. According to the Group's

calculations, the impact on results, and specifically on net exchange differences, due to a 10% depreciation of Latin American currencies against the U.S. dollar and a 10% depreciation of the rest of the currencies to which the Group is most exposed against the euro would result in exchange gains of 42 million euros as of December 31, 2024 and a 10% appreciation of Latin American currencies against the U.S. dollar and a 10% appreciation of the rest of the currencies to which the Group is most exposed, would result in exchange losses of 42 million euros as of December 31, 2024. These calculations have been made assuming a constant currency position with an impact on profit or loss as of December 31, 2024 taking into account derivative instruments in place.

In 2024, the evolution of exchange rates (without considering the effects of hyperinflationary countries) had a negative impact in the year-on-year growth of the Group's consolidated revenues and EBITDA, subtracting 2.2 percentage points and 2.9 percentage points respectively (in 2023 it had a positive impact of 0.2 percentage points on year-on-year revenue growth and no impact at the EBITDA level). Furthermore, translation differences in 2024 had a negative impact on the Group's equity of 959 million euros (positive impact of 37 million euros in 2023).

The Telefónica Group uses a variety of strategies to manage this risk including, among others, the use of financial derivatives, which are also exposed to risk, including counterparty risk. The Group's risk management strategies may be ineffective, which could adversely affect the Group's business, financial condition, results of operations and/or cash flows. If the Group does not effectively manage its exposure to foreign currency exchange rates or interest rates, it may adversely affect its business, financial condition, results of operations and/or cash flows.

Legal and Compliance Risks

Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings.

Telefónica and Telefónica Group companies operate in highly regulated sectors and are and may in the future be party to lawsuits, tax claims, antitrust and other legal proceedings in the ordinary course of their businesses, the outcome of which is unpredictable.

The Telefónica Group is subject to regular reviews, tests and audits by tax authorities regarding taxes in the jurisdictions in which it operates and is a party and may be a party to certain judicial tax proceedings. In particular, the Telefónica Group is currently party to certain tax and regulatory proceedings in Brazil, primarily relating to the ICMS (a Brazilian tax on telecommunication services) and the corporate tax.

Telefónica Brazil maintained provisions for tax contingencies amounting to 314 million euros and provisions for regulatory contingencies amounting to 179 million euros as of December 31, 2024. In addition, Telefónica Brazil faces possible tax and regulatory contingencies for which no provisions are made (see Note 24.c. "Provisions—Other Provisions—Telefónica Brazil" and Note 25 "Tax matters—Tax Litigation in Telefónica Brazil" to the Consolidated Financial Statements).

The Group makes estimates for its tax liabilities that the Group considers reasonable, but if a tax authority disagrees, the Group could face additional tax liability, including interest and penalties. There can be no guarantee that any payments related to such contingencies or in excess of Telefónica's estimates will not have a significant adverse effect on the Group's business, results of operations, financial condition and/or cash flows. In addition to the most significant litigation indicated above, further details on these matters are provided in Notes 25 (Tax matters) and 29 (Other information) to the Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims can be found in Note 24 Provisions of the Consolidated Financial Statements.

Telefónica Group is also party to certain litigation in Peru concerning certain previous years' income taxes in respect of which Telefónica has been notified that the judicial resolutions which resolve the contentious administrative processes are unfavorable to the Group and will require it to pay taxes related to prior years. At the end of the relevant proceedings, the Tax Administration, through an administrative act, has not yet finally determined the amount of the payment obligation. The total provision as of December 31, 2024 amounted to 2,739 million Peruvian soles (approximately 700 million euros at the exchange rate at such date).

An adverse outcome or settlement in these or other proceedings, present or future, could result in significant costs and may have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

Increased scrutiny and changing expectations from stakeholders, evolving reporting and other legal obligations and compliance with the Telefónica Group's own goals regarding ESG matters, may expose the Telefónica Group to various risks.

The Telefónica Group may be unable to adapt to or comply with increasingly demanding expectations from analysts, investors, customers and other stakeholders and new regulatory reporting or other legal requirements related to ESG issues. Further, expectations and requirements may differ from region to region, may be based on diverging calculation or other

criteria and may experience material changes as they still are at their emerging phase.

Further, the Telefónica Group's disclosure of information on its ESG objectives and initiatives in its public reports and other communications (including its CO₂ emission reduction targets) exposes it to the risk that it will fail to achieve these objectives and initiatives.

Although the Telefónica Group is working to comply with new ESG reporting requirements, to achieve its objectives, and to meet the expectations of its stakeholders in these matters, if the Company is unable to meet these expectations, fails to adequately address ESG matters or fails to achieve the reported objectives (including its CO₂ emission reduction targets), the Telefónica Group's reputation, its business, financial position, results of operations and/or cash flows could be materially and adversely affected.

The Telefónica Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.

The Telefónica Group is required to comply with the anti-corruption laws and regulations of the jurisdictions where it conducts operations around the world, including in certain circumstances with laws and regulations having extraterritorial effect such as the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") and the United Kingdom Bribery Act of 2010. The anti-corruption laws generally prohibit, among other conduct, providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage or failing to keep accurate books and records and properly account for transactions.

In this sense, due to the nature of its activities, the Telefónica Group is increasingly exposed to this risk, which increases the likelihood of occurrence. In particular, it is worth noting the continuous interaction with officials and public administrations in several areas, including the institutional and regulatory fronts (as the Telefónica Group carries out a regulated activity in different jurisdictions), the operational front (in the deployment of its network, the Telefónica Group is subject to obtaining multiple activity permits) and the commercial front (the Telefónica Group provides services directly and indirectly to public administrations). Moreover, Telefónica is a multinational group subject to the authority of different regulators and compliance with various regulations, which may be domestic or extraterritorial in scope, civil or criminal, and which may lead to overlapping authority in certain cases. Therefore, it is very difficult to quantify the possible impact of any breach, bearing in mind that such quantification must consider not only the economic amount of sanctions, but also the potential negative



impact on the business, reputation and/or brand, or the ability to contract with public administrations.

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions ("sanctions") including those administered by the United Nations, the European Union, the United States, including by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) and the United Kingdom. Sanctions restrict the Group's business dealings with certain countries, territories, individuals and entities and may impose certain trade restrictions, among others, export and/or import trade restrictions to certain goods and services. In this context, the provision of goods and services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions. Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

Although the Group has internal policies and procedures designed to ensure compliance with the above mentioned applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or, otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Group, its subsidiaries or they may be ultimately held responsible. In this regard, Telefónica cooperates with governmental authorities in connection with the enforcement of anti-corruption laws. For example, certain companies within the Group have been the subject of corruption investigations and charges in the past, one of which recently resulted in a financial penalty. See Note 29 b)- Other Proceedings to the Consolidated Financial Statements.

Failure to comply with anti-corruption laws and sanctions regulations could lead to further financial penalties, termination of government contracts, and the revocation of licenses and authorizations, and could have a material adverse effect on the Group's reputation, or otherwise adversely affect the Group's business, financial condition, results of operations and/or cash flows.

Events after the reporting period

The events regarding the Company that took place between the reporting date and the date of preparation

of the accompanying financial statements have been disclosed in note 22.

Annual Corporate Governance Report

See Chapter 4 (Annual Corporate Governance Report) of the 2024 Consolidated Management Report of Telefónica, S.A.

This document is also available in the public registers of the National Securities Market Commission (CNMV).

Annual Report on the Remuneration of the Directors

See Chapter 5 (Annual Report on the Remuneration of the Directors) of the 2024 Consolidated Management Report of Telefónica, S.A.

This document is also available in the public registers of the National Securities Market Commission (CNMV).

PABLO DE CARVAJAL GONZÁLEZ, SECRETARY OF THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A.

I HEREBY CERTIFY

That the Annual Accounts (Balance Sheet, Income Statement, Statement of changes in equity, Statements of cash flow, and Notes) and the Management Report of Telefónica, S.A., corresponding to Fiscal Year 2024, have been approved by resolution of the Board of Directors of the Company validly adopted today.

That, in accordance with the provisions of article 253.2 of the Consolidated Text of the Spanish Corporate Enterprises Act, in accordance with article 37.1.3º of the Commercial Code, the Directors who are members of the Board of Directors of Telefónica, S.A. have signed the said documents on this sheet, the last of the said documents.

February 26, 2025

Secretary of the Board of Directors

Mr. Marc Thomas Murtra Millar

Mr. Isidro Fainé Casas

Mr. José María Abril Pérez

Mr. Ángel Vilá Boix

Ms. María Luisa García Blanco

Mr. Peter Löscher

Mr. Carlos Ocaña Orbis

Ms. Verónica Pascual Boé

Mr. Francisco Javier de Paz Mancho

Mr. Alejandro Reynal Ample

Mr. Francisco José Riberas Mera

Ms. María Rotondo Urcola

Ms. Claudia Sender Ramírez

Ms. Solange Sobral Targa

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL INFORMATION

The Directors of Telefónica, S.A. state that, to the best of their knowledge, the Individual Annual Accounts of Telefónica, S.A. for Fiscal Year 2024, approved by the Board of Directors at its meeting of February 26, 2025 and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of Telefónica, S.A., and that the Individual Management Report, contain a true assessment of the corporate performance and results and the position of Telefónica, S.A., as well as a description of the principal risks and uncertainties faced

Madrid, February 26, 2025

Mr. Marc Thomas Murtra Millar
Chairman

Mr. Isidro Fainé Casas
Vice-Chairman

Mr. José María Abril Pérez
Vice-Chairman

Mr. Ángel Vilá Boix
Chief Operating Officer

Ms. María Luisa García Blanco
Director

Mr. Peter Löscher
Director

Mr. Carlos Ocaña Orbis
Director

Ms. Verónica Pascual Boé
Director

Mr. Francisco Javier de Paz Mancho
Director

Mr. Alejandro Reynal Ample
Director

Mr. Francisco José Riberas Mera
Director

Ms. María Rotondo Urcola
Director

Ms. Claudia Sender Ramírez
Director

Ms. Solange Sobral Targa
Director