



Telefónica Europe B.V.

*(incorporated with limited liability under
the laws of the Netherlands)*

**EUR 200,000,000 Undated 8 Year Non-Call
Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond)**

**(to be consolidated and form a single series with Telefónica Europe B.V.'s EUR 750,000,000
Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green
Bond) (ISIN: XS2646608401))**

**unconditionally and irrevocably guaranteed on a subordinated basis by
Telefónica, S.A.**

*(incorporated with limited liability under
the laws of the Kingdom of Spain)*

The EUR 200,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**New Securities**") (to be consolidated and form a single series with the Issuer's EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Original Securities**" and, together with the New Securities, the "**Securities**")) are issued by Telefónica Europe B.V. (the "**Issuer**") and unconditionally and irrevocably guaranteed on a subordinated basis by Telefónica, S.A. (the "**Guarantee**", and the "**Guarantor**" or "**Telefónica**", respectively).

As described in the Terms and Conditions of the Securities (the "**Conditions**"), the New Securities will bear interest on their principal amount (i) at a fixed rate of 6.750 per cent. per annum from (and including) 7 September 2024 to (but excluding) the First Reset Date (as defined in the Conditions); and (ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the Reset Period, plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum; (B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and (C) from (and including) 7 September 2051, 4.615 per cent. per annum, all as determined by the Agent Bank, payable annually in arrear on 7 September in each year (each, an Interest Payment Date as defined in the Conditions).

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in the "*Terms and Conditions of the Securities - Optional Interest Deferral*". Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred, all as more particularly described in "*Terms and Conditions of the Securities - Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*".

The Securities will be undated securities in respect of which there is no specific maturity date and shall be redeemable (at the option of the Issuer) in whole, but not in part, (i) on any date during the Relevant Period (as defined in the Conditions), at their principal amount or (ii) upon any Interest Payment Date (as defined in the Conditions) thereafter, at their principal amount or (iii) at any other time, at their Make-Whole Redemption Amount, in each case, together with any accrued and unpaid interest up to (but excluding) the Redemption Date (as defined in the Conditions) and any outstanding Arrears of Interest (including any Additional Amounts thereon). In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each such term as defined in the Conditions), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in "*Terms and Conditions of the Securities - Redemption and Purchase*".

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, all as more particularly described in "*Terms and Conditions of the Securities - Status and Subordination of the Securities and Coupons*". The payment obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* and without any preference among themselves. In the event of the Guarantor being declared in insolvency under Spanish Insolvency Law (as defined below), the rights and claims of Holders (as defined in the Conditions) against the Guarantor in respect of or arising under the Guarantee will rank, as against the other obligations of the Guarantor, in the manner more particularly described in "*Terms and Conditions of the Securities - Guarantee, Status and Subordination of the Guarantee*".

Payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature of the Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain customary exceptions as are more fully described in "*Terms and Conditions of the Securities - Taxation*".

The Original Securities are admitted to the Official List (the "**Official List**") of to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and to trading on the Global Exchange Market ("**GEM**") of Euronext Dublin. Application will be made to the Euronext Dublin for the New Securities to be admitted to the Official List and to trading on the GEM. The Issuer is not required to prepare Listing Particulars in connection with the admission of the New Securities to Euronext Dublin, and this Offering Document has not been approved by Euronext Dublin. The GEM is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**EU MiFID II**"). This Offering Memorandum will be available for viewing on the website of Telefónica. Reference in this Offering Memorandum to Securities being "listed" (and all related references) shall mean that such Securities have been admitted to trading on GEM and have been admitted to the Official List of Euronext Dublin. The New Securities are expected to be admitted to trading on the GEM from 18 September 2024. The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") and are subject to United States tax law requirements. The New Securities are being offered outside the United States by the Joint Bookrunners (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities will be in bearer form and in the denomination of EUR 100,000. The New Securities will initially be represented by a temporary global security (the "**Temporary Global Security**"), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about 18 September 2024 (the "**New Securities Issue Date**"). Interests in the Temporary Global Security will be exchangeable for interests in a permanent global security (the "**Permanent Global Security**") and together with the Temporary Global Security, the "**Global Securities**") in the circumstances set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for definitive Securities (the "**Definitive Securities**") in the circumstances set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".

The Securities are expected to be rated BB by S&P Global Ratings Europe Limited ("**S&P**"), Ba2 by Moody's Investors Service España S.A. ("**Moody's**") and BB+ by Fitch Ratings Ireland Limited ("**Fitch**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

S&P, Moody's and Fitch are established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended, the "**EU CRA Regulation**"). The ratings S&P, Moody's and Fitch have given to the Securities have been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd (respectively) which are established in the United Kingdom and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK CRA Regulation**").

The determination of the Subsequent Fixed Interest Rate in respect of the Securities is dependent upon the relevant 6-month Euro Interbank Offered Rate ("**EURIBOR**") administered by the European Money Markets Institute and the 8 Year Swap Rate appearing on the Reuters Screen Page "ICESWAP2" provided by the ICE Benchmark Administration Limited. As at the date of this Offering Memorandum, European Money Markets Institute is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) No. 2016/1011 (as amended, the "**EU Benchmarks Regulation**"). ICE Benchmark Administration Limited is not included in the register of administrators and benchmarks established and maintained by ESMA. However, the EU Benchmarks Regulation provides that third country benchmarks can still be used by supervised entities until 31 December 2025 in the European Union if the benchmark is already used in the European Union as a reference for financial instruments, financial contracts, or for measuring the performance of an investment fund before that date.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Memorandum.

Joint Bookrunners

BARCLAYS

CITIGROUP

**SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING**

12 September 2024

IMPORTANT NOTICES

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Memorandum and declares that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and makes no omission likely to affect its import. Information appearing in this Offering Memorandum is only accurate as of the date on the front cover of this Offering Memorandum. The business, financial condition, results of operations and prospects of the Issuer and the Guarantor may have changed since such date.

Certain information contained in this Offering Memorandum was derived from third party sources. Neither the Issuer nor the Guarantor accepts any responsibility for the accuracy of such information, nor have the Issuer or the Guarantor independently verified any such information. The Issuer and the Guarantor confirm that this information has been accurately reproduced, and so far as the Issuer and the Guarantor are aware and are able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each of the Issuer and the Guarantor has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" below (the "**Joint Bookrunners**") that this Offering Memorandum contains all information regarding the Issuer, the Guarantor and the Securities which is (in the context of the issue of the New Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Memorandum on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Offering Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Securities other than as contained in this Offering Memorandum or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Offering Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Memorandum. Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of any New Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Memorandum.

This Offering Memorandum do not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

The distribution of this Offering Memorandum and the offering, sale and delivery of New Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Guarantor and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of New Securities and on distribution of this Offering Memorandum and other offering material relating to the New Securities, see "*Subscription and Sale*".

In particular, the New Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, New Securities may not be offered, sold or delivered within the United States or to US persons.

In this Offering Memorandum, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", and "**U.S. dollar**" are to United States dollars, the lawful currency of the United States of America, references to "**pound sterling**" or "**£**"

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

The New Securities are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters, and may not be a suitable investment for all investors. Each potential investor in the New Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the New Securities and the impact the New Securities will have on its overall investment portfolio;
- (b) have sufficient financial resources and liquidity to bear all of the risks of an investment in the New Securities, including where the currency for principal or interest payments is different from the potential investor's currency;
- (c) understand thoroughly the terms of the New Securities and be familiar with the behaviour of any relevant indices and financial markets;
- (d) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (e) know that there can be no assurance that a trading market will develop for the New Securities or, if one does develop, that it will be of sufficient liquidity and that it may not be possible to dispose of the New Securities for a substantial period of time, if at all.

Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the New Securities unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the New Securities will perform under changing conditions, the resulting effects on the value of the New Securities, and the impact this investment will have on the potential investor's overall investment portfolio.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Memorandum or incorporated by reference herein. Potential investors should not construe anything in this Offering Memorandum as legal, tax, business or financial advice. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the New Securities.

Use of Proceeds / Eligible Projects

As described in "*Use and Estimated Net Amount of Proceeds*" below, the Issuer's intention is to apply an amount equal to the net proceeds of the issue of the New Securities specifically for investment in Eligible Projects (as defined in "*Use and Estimated Net Amount of Proceeds*" below). Prospective investors should have regard to the information in "*Use and Estimated Net Amount of Proceeds*" below regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the New Securities together with any other investigation such investor deems necessary.

In particular no assurance is given by the Issuer, the Guarantor or the Joint Bookrunners that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects).

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including Regulation (EU) 2020/852 on the

establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") and any related technical screening criteria, Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the "**EU Green Bond Regulation**"), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and any implementing legislation and guidelines, or any similar legislation in the United Kingdom) or any requirements of such labels as they may evolve from time to time. Each prospective investor should have regard to the factors described in the Sustainable Financing Framework and the relevant information contained in this Offering Memorandum and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the New Securities before deciding to invest.

The Joint Bookrunners have not undertaken, nor are responsible for, any assessment of the eligibility criteria for selecting investments in Eligible Projects, any verification of whether the Eligible Projects meet such eligibility criteria, or the monitoring of the use of proceeds. Investors should refer to Telefónica's website, the Sustainable Financing Framework and the Second-Party Opinion (each as defined below) for information. Sustainalytics B.V., the provider of the Second-Party Opinion was appointed by the Issuer. No assurance or representation is given by the Issuer, the Guarantor, any of the Joint Bookrunners or any other person as to the suitability or reliability for any purpose whatsoever of the Second-Party Opinion or any other opinion or certification of any third party (whether or not solicited by the Issuer or any affiliate). For the avoidance of doubt, any such opinion or certification is not incorporated in this Offering Memorandum. Any such opinion or certification is not a recommendation by the Issuer, the Guarantor, the Joint Bookrunners or any other person to buy, sell or hold any such Securities and is current only as of the date it was issued. As at the date of this Offering Memorandum, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein.

In the event that any such New Securities are listed or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Issuer, the Guarantor, the Joint Bookrunners or any other person that such listing or admission satisfies any present or future investment criteria or guidelines with which such investor is required, or intends, to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer, the Guarantor, the Joint Bookrunners or any other person that any such listing or admission to trading will be obtained in respect of any such New Securities or that any such listing or admission to trading will be maintained during the life of the Securities.

While it is the intention of the Issuer to apply the proceeds of the New Securities for Eligible Projects and to report on the use of proceeds or Eligible Projects as described in "*Use and Estimated Net Amount of Proceeds*" and the Sustainable Financing Framework, there is no contractual obligation to do so. There can be no assurance that any such Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Projects as intended. In addition, there can be no assurance that Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the New Securities or to report on the use of proceeds or Eligible Projects as anticipated or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the New Securities or the failure of the New Securities to meet investors' expectations requirements regarding any "green", "sustainable", "social" or similar labels will constitute an event of default or breach of contract with respect to any of the New Securities.

A failure of the New Securities to meet investor expectations or requirements as to their "green", "sustainable", "social" or equivalent characteristics including the failure to apply proceeds for Eligible Projects, the failure to provide, or the withdrawal of, a third party opinion or certification, the New Securities ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid or the failure by the Issuer to report on the use of proceeds or Eligible Projects as anticipated, may have a material adverse effect on the value of such New Securities and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the New Securities as a result of the Securities not falling within the investor's investment criteria or mandate).

See "Risk Factors – Eligible Projects may not be implemented and investor expectations as to Eligible Projects may not be met".

EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the New Securities has led to the conclusion that: (i) the target market for the New Securities is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the New Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the New Securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the New Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the New Securities has led to the conclusion that: (i) the target market for the New Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the New Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the New Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In connection with the issue of the New Securities, Citigroup Global Markets Europe AG (the "Stabilisation Manager") (or person(s) acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no

later than the earlier of 30 days after the issue date of the New Securities and 60 days after the date of the allotment of the New Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Certain terms and conventions

As used herein, "**Telefónica**", the "**Telefónica Group**" or the "**Group**" mean Telefónica, S.A. and its consolidated subsidiaries, unless the context requires otherwise.

Below are definitions of certain technical terms used in this Offering Memorandum:

"**5G**" is a technology succeeding the mobile technology called 4G. The aim is to make the navigation experience and Internet downloads more agile.

"**Access**" refers to a connection to any of the telecommunications services offered by Telefónica. A single fixed customer may contract for multiple services, and Telefónica believes that it is more useful to count the number of accesses a customer has contracted for, rather than to merely count the number of its customers. For example, a customer that has fixed line telephony service and broadband service is counted as two accesses rather than as one customer.

"**ARPU**" is total mobile service revenues during the relevant period divided by the average number of retail accesses (based on the beginning and the month-end number of retail accesses during such period), divided by the number of months in such period.

"**Artificial Intelligence**" refers to intelligent tasks being carried out by machines.

"**AWS**" or Amazon Web Services refers to Amazon's service platform offering data base storage, content delivery and other functionalities that can help a business to grow. It is also more secure than a physical server.

"**B2B**" or business to business is the business segment.

"**B2C**" or business to customer is the residential segment.

"**Bundle**" refers to a combination of products that combine fixed services (wirelines, broadband and television) and mobile services.

"**CATV**" or community antenna television is a system of delivering television programming to consumers via radio frequency (RF) signals transmitted through coaxial cables, or in more recent systems, via light pulses through fiber-optic cables.

"**Churn**" is the percentage of disconnections over the average customer base in a given period divided by the number of months in such period.

"**cloud computing**" is a service, whereby shared resources, software and information are provided to computers and other devices as a utility over a network (typically, the Internet).

"**Cloud Phone**" is an application that allows the transfer of files between two smartphones in a simple way.

"**commercial activity**" includes the addition of new lines, replacement of handsets, migrations and disconnections.

"**connected car**" is a vehicle equipped with Internet access and generally through a local wireless network or satellite.

"**Convergent**" refers to the offer of a fixed service together with a mobile service.

"**data revenues**" include revenues from mobile data services such as mobile connectivity and mobile Internet, premium messaging, downloading ringtones and logos, mobile mail and SMS/MMS.

"**data traffic**" includes all traffic from Internet access, messaging (SMS, MMS) and connectivity services over Telefónica's network.

"**DTH**" or "**Direct-To-Home**" is a technology used for the provision of TV services.

"**fixed telephony accesses**" includes public switched telephone network (PSTN) lines (including public use telephony), ISDN lines and circuits, "fixed wireless" and Voice over IP accesses.

"**FTTH**" or "**fiber to home**" is a telecommunications technology that consists of the use of fiber optic cabling and optical distribution systems for the provision of internet services and IPTV to homes, businesses and companies.

"**FTRs**" or Fixed termination rates is an established fixed network tariff that applies when a customer makes a call to someone in a network operated by another operator.

"**FTTP**" refers to equipment used in fiber access deployments where fibers extend all the way to the end-user premises and the equipment is designed and optimised for use in residential applications.

"**FTTx**" is a generic term for any broadband network architecture that uses optical fiber to replace all or part of the metal local loop.

"**Gbps**" means Gigabytes per second.

"**GHz**" means gigahertz.

"**ICT**" or information communication technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.

"**interconnection revenues**" means revenues received from other operators which use Telefónica's networks to connect to or finish their calls and SMS or to connect to their customers.

"**internet and data accesses**", "**fixed broadband accesses**" or "**FBB accesses**" include broadband accesses (including retail asymmetrical digital subscriber line (ADSL), very high bit-rate digital subscriber line (VDSL), satellite, fiber optic and circuits over 2 Mbps), narrowband accesses (Internet service through the PSTN lines) and the remaining non-broadband final customer circuits. Internet and data accesses also include "Naked ADSL", which allows customers to subscribe for a broadband connection without a monthly fixed line fee.

"**IoT**" or Internet of Things refers to technologies that allow both mobile and wired systems to communicate with other devices with the same capability.

"**IPTV**" or Internet Protocol Television refers to distribution systems for television subscription signals or video using broadband connections over the IP protocol.

"**ISDN**" or Integrated Services Digital Network is a format commonly used for transmitting information through a digital high speed connection.

"**local loop**" means the physical circuit connecting the network termination point at the subscriber's premises to the main distribution frame or equivalent facility in the fixed public telephone network.

"**LTE**" or Long-Term Evolution is a 4G mobile access technology.

"**market share**" is the percentage ratio of the number of final accesses over the existing total market in an operating area.

"**Mb**" means Megabytes.

"**Mbps**" means megabytes per second.

"**MHz**" means megahertz.

"**MMS**" or "**Multimedia Messaging Service**" is a standard messaging system allowing mobile phones to send and receive multimedia content, including sound, video and photos.

"**mobile accesses**" include accesses to the mobile network for voice and/or data services (including connectivity). Mobile accesses are categorised into contract, prepay and IoT accesses.

"**mobile broadband**" includes Mobile Internet (Internet access from devices also used to make voice calls such as smartphones), and mobile connectivity (Internet access from devices that complement fixed broadband, such as PC Cards/dongles, which enable large amounts of data to be downloaded on the move).

"**MTR**" or mobile termination rate is an established mobile network tariff that applies when a customer makes a call to someone in a network operated by another operator.

"**MVNO**" or mobile virtual network operator is a mobile operator that provides mobile services through another mobile operator. An MVNO pays a determined tariff to such mobile network operator for using the infrastructure to facilitate coverage to its customers.

"**Net adds/Net loss**" is the difference between the customer base during a certain period compared to a different period.

"**OTT Services**" or over the top services means services provided through the Internet (such as television and video streaming).

"**Pay TV**" includes cable TV, direct to home satellite TV (DTH) and IPTV.

"**p.p.**" means percentage points.

"**PSTN**" means Public Switched Telephone Network.

"**Revenues**" means net sales and revenues from rendering of services.

"**service revenues**" are total revenues minus mobile handset sales. Service revenues are mainly related to telecommunication services, especially voice- and data revenues (SMS and data traffic download and upload revenues) consumed by Telefónica's customers.

"**SIM**" means subscriber identity module, a removable intelligent card used in mobile handsets, USB modems, etc. to identify the user in the network.

"**SMS**" means short messaging service.

"**STB**" or "**Set-top box**" is a device that converts a digital television signal to analogue for viewing on a conventional set, or that enables cable or satellite television to be viewed.

"**Tbps**" means terabytes per second.

"**tracker**" is a special server which contains the information needed for users to connect with other users.

"**UBB**" or "**Ultra Broadband**" is the FTTP broadband which is capable of giving a minimum download speed of 100 Mbps and a minimum upload speed of 50 Mbps.

"**VMO2**" refers to VMED O2 UK Limited, Telefónica's 50:50 joint venture with Liberty Global plc in the United Kingdom, or to the Group's VMO2 operating segment, as the context requires.

"**voice traffic**" means voice minutes used by Telefónica's customers over a given period, both outbound and inbound.

"**VoIP**" means voice over Internet protocol.

"**VPN**" or Virtual Private Network extends a private network across a public network and enables users to send and receive data across shared or public network.

"**wholesale accesses**" means accesses Telefónica provides to other companies, who then sell services over such accesses to their residential and corporate clients.

In this Offering Memorandum certain comparisons are made in local currency or on a "constant Euro basis" or "excluding foreign exchange rate effects" in order to present an analysis of the development of the

Group's results of operations from year-to-year without the effects of currency fluctuations. To make comparisons on a local currency basis, financial items in the relevant local currency are compared for the periods indicated as recorded in the relevant local currency for such periods. To make comparisons on a "constant Euro basis" or "excluding foreign exchange rate effects" the relevant financial item is converted into Euro using the prior year's average Euro exchange rate to relevant local currency exchange rate. In addition, certain financial information is presented excluding the effects of Venezuela or Argentina's financial information as these are considered hyperinflationary economies.

Changes in exchange rates

The change in the exchange rates against the euro of the main currencies of the countries in which the Group operates are shown below:

Currency	Average exchange rate (First half of) 2024 vs. 2023
Brazilian real	(0.2)%
Pound sterling	2.5%
New Peruvian sol	0.2%
Chilean peso	(14.3)%
Colombian peso	16.8%
Mexican peso	6.1%

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RISK FACTORS

Any investment in the New Securities is subject to a number of risks. Prior to investing in the New Securities, prospective investors should carefully consider risk factors associated with any investment in the New Securities, the business of the Issuer and the Guarantor and the industries in which each of them operates, together with all other information contained in this Offering Memorandum, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Offering Memorandum, have the same meanings in this section.

The Issuer and the Guarantor have identified in this Offering Memorandum a number of risk factors which could materially adversely affect their businesses and ability to make payments due under the New Securities and believes that the risk factors described below represent the principal risks inherent in investing in the New Securities.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Securities and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor, and if any such risk should occur, the price of the New Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Securities is suitable for them in light of the information in this Offering Memorandum and their personal circumstances.

The Issuer is a special purpose vehicle and investors should therefore consider the financial condition and liquidity of Telefónica and the Telefónica Group in addition to that of the Issuer. The Telefónica Group intends to provide the Issuer with liquidity by way of intra-group arrangements or other transfers of value in order for the Issuer to fulfil its obligations under the Securities.

Risks related to the Telefónica Group.

The risk factors set out below are applicable to the Issuer, as a member of the Telefónica Group, and to the Guarantor.

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, which 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 June 2024 Consolidated Interim Financial Statements.

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.

The Telefónica Group, taking into account the global risks identified by the World Economic Forum, as well as the increase in legal information requirements and the expectations of stakeholders in this area, monitors risks directly related to sustainability, as well as other risks with potential impact on ESG, highlighting those most relevant in the context of Telefónica's operations, including the adaptation to ESG expectations and information requirements and climate change.

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 Offering Memorandum. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise.

Risks related to 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 jeopardising 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 reinforcement of competitors, the entry of new competitors (such as telecommunication companies or providers of OTT Services), or the merger of operators in certain markets (for example, market consolidation following the merger agreement of mobile operators Vodafone UK and Three UK in the United Kingdom and the merger of Orange and Más Móvil in Spain), may affect Telefónica's competitive position, negatively affecting the evolution of its revenues and market share or increasing its costs. In addition, changes in competitive dynamics in the markets in which the Telefónica Group operates, such as in Chile, Colombia, Peru, Mexico and Argentina, where there is one or more of new operators entering the market, aggressive customer acquisition offers and competition in network and 5G deployment, can affect the competitive position and the efficiency of Telefónica's operations.

Regarding digital services, the speed of technological evolution and changes in demand favouring the appearance of new competitors in the market specialising in certain segments, and that have agile business models, can pose a threat for the business model of the Telefónica Group.

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.

The Group requires government concessions and licences 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 licences, concessions or authorisations 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 licences may be modified before the expiration date of such licences or, at the time of the renewal of a licence, new enforceable obligations could be imposed or the renewal of a licence 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 licences. 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/ licences of spectrum.

In Spain, the Ministry of Economic Affairs and Digital Transformation (currently the Ministry of Digital Transformation and Public Function) 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 organisations 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, the Office of Communications ("**Ofcom**") continues to make consultations on the opening of access to the 26 GHz and 40 GHz bands for mobile use. Ofcom has confirmed that it does not intend to auction this spectrum until a decision is made on the proposed merger between Vodafone UK and Three UK. April 2025 has been given as the indicative start date for the process. The current consultation is focused on award design.

In Latin America, the following 5G auction processes are expected in 2024: (i) in Chile, in October 2023, Subtel announced a second 5G auction process to assign 50MHz of spectrum in the 3400 – 3600 MHz band. The assignment of spectrum was granted to Claro/VTR; and (ii) in Peru, on 20 September 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. However, 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 licences. Telefónica del Perú has initiated legal actions against the sanction resolution, and the aforementioned employee was fired and criminally prosecuted, before any participation in the execution of the public contract. Concerning 5G, on 4 July 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. This could allow Telefónica del Perú to access additional spectrum for the provision of 5G services. There is no specific information on when the MTC could advance in the process of reordering and assigning spectrum of the 3.5GHz band; (iii) In Brazil, the Board of ANATEL determined, in June 2024, that a new bidding notice for the unassigned spectrum in 700 MHz band must be published no later than 31 December 2025.

Existing licences: renewal processes and modification of conditions for operating services.

In Spain, in June 2024 and in accordance with Law 11/2022 on General Telecommunications, the Ministry of Digital transformation and Public Function has extended the duration of the spectrum licences up to 40 years, which means an extension of up to ten additional years, without imposing any additional conditions.

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 mentioned frequency ranges to be extended for a transitional period of five years in an initial action plan. It is expected that BNetzA will adopt a final decision in the autumn of 2024.

The extension is to be accompanied by conditions for the further deployment of mobile networks, particularly in rural areas and along transport routes. There is also a requirement to negotiate with MVNO 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 the fourth network operator. Finally, an obligation is to be imposed to continue existing frequency assignments between the network operators.

In the UK, mobile spectrum licences 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, the Agencia Nacional de Telecomunicações ("**ANATEL**") approved on 8 February 2021, Resolution 741/2021 which sets the Regulation for the Adaptation of Fixed Commuted Telephony Service ("**STFC**") concessions. ANATEL has presented an estimated value for calculating the migration balancing from the concession to the authorisation regime, which on 22 March 2023 was validated by the Federal Court of Accounts (the "**TCU**"). However, the TCU requires ANATEL to consider the market value for the valuation of reversible assets.

On 24 July 2023, ANATEL presented a balance of the estimated economic value based on the determinations of TCU. The value of the balance had been evaluated by Telefonica Brazil within 120 days. However, with the possibility of an agreement between ANATEL and Telefónica Brazil on arbitration and migration procedures, ANATEL agreed with the request to suspend the aforementioned period of 120 days and sent to the TCU the Request for a Consensual Solution for the resolution of existing conflicts, which was accepted by the TCU. On 23 May 2024, the negotiating commission reached an understanding on the proposed terms and conditions of the agreement for the adaptation of the STFC concession contracts to an authorisation instrument. The agreement is still subject to final and definitive approval by the TCU and the Federal Attorney General's Office (AGU). Once said approval is obtained, and as long as the TCU and AGU maintain the terms and conditions of the proposal approved by the Board of Directors of Telefonica Brazil, Telefónica's executive team will be authorized to execute the agreement.

Said proposal includes (i) the closure of all administrative and judicial procedures related to the STFC Concession pending before ANATEL and/or the respective courts; (ii) the withdrawal of the arbitration procedure filed by the Company against ANATEL; (iii) the assumption by Telefónica Brasil of commitments oriented to the public interest to be executed within a period of up to 10 years; and (iv) guarantee of maintenance of landline telephone service in certain locations until 2028.

There is a risk of non-approval of the Consensual Solution and agreement between the parties regarding the migration calculation resulting in the right of Telefónica Brazil to hold the STFC concession until 31 December 2025.

In addition, Resolution 744/2021 of 8 April 2021 (the "**Continuity Regulation**") establishes that, at the end of the concession contracts, the transfer of the right of use of shared-use assets will be guaranteed under fair and reasonable economic conditions, in the event that the granting authority or the company that succeeds the provider wishes to make use of these assets to maintain the continuity of the provision of STFC under the public regime. In relation to the process that is being carried out before the TCU, the technical area of the Court proposed the revision of the Continuity Regulation's terms so that it provides for the reversion, to the concessionaires, of the assets used in the provision of STFC. This proposal is still subject to deliberation by the Plenary of the TCU. Nevertheless, the TCU minister ordered the suspension of the process. ANATEL agreed to extend the currently existing 850MHz band authorisations until November 2028, and the 900/1800 MHz in Minas Gerais (except sector 3) until December 2032, provided the relevant legal and regulatory requirements were met. Additionally, pursuant to Resolution n° 757/2022, ANATEL intends to carry out, respectively, a refarming action consisting of the promotion of changes in the channel arrangements of the 850 MHz (2028) and 900/1800 MHz (2032) subbands. Certain specific requirements imposed for these renewals, including those related to the valuation criteria and obligations, are still under review by the TCU.

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 favourable award for Telefónica del Perú. The award recognises 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 Telefonica'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 licences 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 Colombia, on 1 June 2023, Telefonica Colombia submitted a renewal request for 30 MHz of spectrum in the AWS band that expired in December 2023. Additionally, in September 2023, the company has initiated the licences renewal process of 25 MHz in the 850 MHz band and 15 MHz licences in the 1900 MHz band that expired in March 2024. Regulation in Colombia allows for the usage of spectrum without any restrictions until the final conditions for renewal are agreed.

In Argentina, in connection with the Decree of Necessity and Urgency 690/2020 ("**DNU 690/2020**"), Telefónica de Argentina, S.A. and Telefónica Móviles Argentina, S.A. (collectively, "**Telefónica Argentina**") filed a lawsuit against the Argentine State, in relation to a series of contracts for licences to provide services and spectrum use authorisations entered into between Telefónica Argentina and the Argentine State, including the licences resulting from the 2014 spectrum auction. These contracts and their regulatory framework stated that the services provided by Telefónica Argentina were private and prices would be freely set by Telefónica Argentina. However, DNU

690/2020, by providing that the services will be "public services" and that prices will be regulated by the Argentine State, substantially modified the legal status of those contracts, affecting the compliance with their obligations and substantially depriving Telefónica Argentina of essential rights derived from those contracts. On 17 December 2021, the suspension of DNU 690/2020 was ordered, and its application was suspended for six months or until the final decision was adopted. Telefónica Argentina repeatedly obtained the renewal of the aforementioned injunction. During any such suspension, Telefónica Argentina will not be subject to the provisions contained in the DNU 690/2020 in relation to price and public service regulations. On 9 April 2024, DNU 302/2024 was issued, which repealed DNU 690/2020. As of the date of this Offering Memorandum, the lawsuit initiated by Telefónica Argentina is continuing.

In Ecuador, a concession contract that authorises the provision of telecommunication services by Telefónica and includes the spectrum licences (25 MHz in the 850 MHz band and 60 MHz in the 1900 MHz band), which was valid until November 2023, was extended for an additional 10 months under the same conditions as the original contract through an addendum. The renewal negotiation is ongoing to extend the concession for a similar period granted in 2008, meaning for 15 years. At the end of 2023, the renewal negotiation process was again suspended by the Telecommunications Regulation and Control Agency (ARCOTEL) for up to 120 business days, but the negotiation with started again on 6 June 2024.

In the case of Chile, a new law has just been passed that declares the internet as a public service, which, among other things, allows Subtel to authorise, through an administrative process, the change of use of the spectrum granted in a concession, subject to a favorable report from the Fiscalía Nacional Económica.

In Uruguay, in May 2024, Telefónica Móviles del Uruguay requested the renewal of 10 MHz in the 1900MHz band and 25 MHz in the 850MHz band. The right to use such spectrum expires on 24 July 2024. The right of Telefónica Móviles del Uruguay SA to obtain such renewal and the conditions thereof have been regulated by Decrees 377/2022 and 119/2024, and the resolution to grant such rights is pending.

In relation to 5G, in Europe (Spain, Germany and the United Kingdom) Telefónica (and VMO2 in the case of United Kingdom) is deploying 5G in the frequency bands identified as "pioneering" by the European Commission (3.5 GHz and 700 MHz) acquired in recent years. Additionally, technological migration to 5G is being carried out in the traditional 2G/3G/4G bands using Dynamic Spectrum Sharing (DSS) technology to make the use of the spectrum more efficient, based on user demand. In Chile and Brazil, Telefónica is offering 5G services using spectrum in the 3.5 GHz band. In Uruguay, Argentina and Colombia there were 5G spectrum auctions in 2023. In Uruguay, an auction of the 3.5 GHz band was held in May 2023 and Telefónica Uruguay acquired 100 MHz of spectrum, with Telefónica having initiated the provision of 5G services. In Colombia the auction of 5G spectrum took place on 20 December 2023 and Telefonica acquired, through a Temporary Union with Tigo (Colombia Móvil S.A. E.S.P.), a block of 80 MHz of spectrum in the 3.5GHz band. In Argentina, in October 2023 there was an auction of spectrum in the 3.5 GHz band and Telefónica Argentina acquired 50MHz of spectrum.

During the first half of 2024, the Group's consolidated investment in spectrum acquisitions and renewals amounted to EUR 61 million, mainly due to the acquisition of spectrum in Colombia (EUR 12 million in the same period of 2023). In the event that the licences 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 licences of the Telefónica Group can be found in Appendix VI "*Key regulatory issues and concessions and licenses held by the Telefónica Group*" of the 2023 Consolidated Financial Statements and Appendix II of the June 2024 Consolidated Interim Financial Statements.

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 labor contingencies in connection with the employees of such suppliers.

As of 30 June 2024, the Group depended on three handset suppliers (none of them located in China) and seven network infrastructure suppliers (two of them located in China), which, together, accounted for 84 per cent. and 87 per cent., respectively, of the aggregate value of contracts awarded as of June 2024 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers (not located in China) represented 41 per cent. of the aggregate value of contracts awarded as of 30 June 2024 to handset suppliers. As of 30 June 2024, the Telefónica Group had 80 information system ("IT") providers that accounted for 80 per cent. of the total amount of IT purchase awards made as of 30 June 2024, five of them representing 26 per cent. 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 licences 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 as a result of trade tensions between the United States and China, the adoption of lockdown or other restrictive measures as a result any crisis or pandemic, as well as those derived from geopolitical tensions such as the Russia-Ukraine and Israel-Hamas armed conflicts, 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.

In Germany, in view of the possibility of an administrative order banning specific high-risk vendors in the 5G ecosystem, Telefónica Deutschland agreed with the German Federal Government in July 2024 on a public law contract. Under this agreement, the German Federal Government assures the mobile network operators that it will refrain from issuing an administrative order until the end of 2029. The mobile network operators in Germany will replace security-critical 5G components in the core network until end of 2026 and the functions for configuration and administration in the network management software for the 5G access and transport network from Chinese suppliers by the end of 2029. This requires the cooperation of the suppliers, who must provide open interfaces for controlling the network elements. Neither the radio access network ("RAN") nor the transport hardware are considered as critical. Therefore, no swap out of the RAN and transport hardware required.

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 Telefonica'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, through ambitious employee training and reskilling programs, motivating and seeking to retain the Group's key talent and by redefining Telefonica'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.

Telefónica operates in a sector characterised 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 Telefonica'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 Telefonica 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 Telefonica 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 Telefonica 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, Telefonica 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 lower weight in Telefonica's total revenues, the related revenues grew in double digits in the first half of 2024.

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 standardised 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 Telefonica (in Spain and Latin America), is the FTTx (Fiber to the Home) 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, all copper access loops were switched off in April 2024.

As of 30 June 2024, in Spain, fiber coverage reached 30.2 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. Telefonica is constantly looking for co-investments through Telefonica Infra.

In addition, the ability of the Telefonica Group's IT systems (operational and backup) to adequately support and evolve to respond to Telefonica's operating requirements is a key factor to consider in the commercial development, customer satisfaction and business efficiency of the Telefonica 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 Telefonica 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 business, financial condition, results of operations and/or cash flows.

The changes outlined above force Telefonica 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 commercialisation of successful new products or services. To contextualise the Group's total research and development effort, the total expenditure in the first half of 2024 was EUR 427 million (EUR 344 million in the same period in 2023),

representing 2.1 per cent. of the Group's revenues (1.7 per cent. in the first half of 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 the first half of 2024 was EUR 2,360 million (EUR 2,404 million in the first half of 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 characterises 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 EU has been continuing the legislative process regarding the 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, this proposal 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.

Likewise, the lack of a solution to this issue raises uncertainties that 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 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.

One of the relevant contractual measures to ensure the lawfulness of international data transfers to any country outside the EEA not found by the European Commission to have an adequate level of data protection, is the signing, between the data importer and the data exporter, of the new standard contractual clauses ("**SCC**") approved by the European Commission according to Implementing Decision (EU) 2021/914 of 4 June 2021.

With regard to the international transfer of data to the United States, on 10 July 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 can be challenged, as was the case with previous decisions, by privacy activists.

In Latin America, Law No. 13,709 in Brazil imposes standards and obligations similar to those required by the GDPR, including a sanctioning regime which is in force from August 2021, which may increase compliance risks and costs. In addition, in 2022 the Brazilian data protection authority, Autoridade Nacional de Proteção de Dados (ANPD), became an independent agency not linked to the presidency of the Republic, thus providing it with additional autonomy to develop its control and supervision functions.

In Ecuador, the Organic Law on Data Protection, which is aligned with the principles of the European GDPR, has entered into force (including, since 2023, the sanctioning regime). On 28 March 2024, the Plenary of the Consejo de Participación Ciudadana y Control Social of Ecuador appointed the first head of the Superintendencia de Protección de Datos Personales.

In addition, Argentina has ratified Convention 108+, which is an international treaty of the Council of Europe which is open to accession by any State outside Europe, and which regulates the protection of the rights of individuals with regard to the automated processing of their data, in a very similar way to the protection granted by virtue of the GDPR.

In addition, there are projects to reform Law 19.628 on the Protection of Personal Data in Chile, and the Regulations of Law 29.733 in Peru. There are regulatory projects aimed at updating regulations in line with standards similar to the GDPR, which may increase compliance risks and costs. To limit the risks derived from international transfers of personal data among Telefónica Group companies, on 8 March 2024, the Spanish Data Protection Authority approved Telefónica Group's Binding Corporate Rules (BCRs), following the procedure of co-operation between the European authorities for its approval. 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 EUR 20 million or 4 per cent. of the infringing company's overall total annual revenue for the previous financial year. Furthermore, once it is approved, the e-Privacy 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 new technologies such as fiber optics, 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 personalised experience, as well as a continuous evolution of the Group's product and service offering. In this sense, new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering" and "Solar 360" 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 behaviour. The risks associated with potential damage to a brand'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.

The risks derived from cybersecurity are among the Group's most relevant risks due to the importance of information technology to its ability to successfully conduct operations. Despite advances in the modernisation of the network and the replacement of legacy systems in need of technological renewal, the Group operates in an environment increasingly prone to cyber-threats and all of its products and services are intrinsically dependent on information technology systems and platforms that are susceptible to cyberattacks. Successful cyberattacks could prevent the effective provision, operation and commercialisation of products and services in addition to affecting their use by customers. Therefore, it is necessary to continue to identify and remedy any technical vulnerabilities and weaknesses in the Group's operating processes, as well as to strengthen its capabilities to detect, react and recover from incidents. This includes the need to strengthen security controls in the supply chain, often with a high number of participants spread across different countries, by focusing on the security measures adopted by the Group's providers and other third parties, and, in particular, by ensuring the security of cloud services provided by third parties.

Telecommunications companies worldwide face continuously increasing cybersecurity threats as businesses become increasingly digital and dependent on telecommunications, computer networks and cloud computing technologies. Remote access and teleworking of employees and collaborators is a common practice, as well as the use of cloud services provided by third parties. Thus, the risks associated with their use has increased, forcing companies to review the security controls beyond the perimeter of the corporate network. Likewise, the proliferation of IoT environments makes security management more complicated, given their volume and heterogeneous nature. All of the above, together with the professionalisation of cybercriminals and their financing (which facilitates their adoption of emerging technologies and techniques, such as machine learning and artificial intelligence), is leading to an increase in the sophistication of cybercrime and the use of automated attack tactics that reduce the time frame that cyber-defense teams have to protect a company's digital assets. In addition, the Telefónica Group is aware of the possible cybersecurity risks arising from the various international conflicts, and is monitoring cyberattacks that may affect Telefonica's infrastructure, and maintaining contact with national and international organisations to obtain cyberintelligence information, without having so far detected a significant increase in attacks in Telefonica's perimeter compared to other previous periods, though this may change in the future. Cybersecurity threats may include gaining unauthorised access to the Group's systems or propagating computer viruses or malicious software, to misappropriate sensitive information like customer data or disrupt the Group's operations. In addition, traditional security threats, such as theft of laptop computers, data devices and mobile phones may also affect the Group along with the possibility that the Group's employees or other persons may have access to the Group's systems and leak data and/or take actions that affect the Group's networks or otherwise adversely affect the Group or its ability to adequately process internal information or even result in regulatory penalties.

In particular, in the past three years, the Group has suffered various types of cybersecurity incidents that have included (i) intrusion attempts (direct or phishing), exploitation of vulnerabilities and corporate credentials being compromised; (ii) Distributed Denial of Service (DDoS) attacks, using massive volumes of Internet traffic that saturate the service; and (iii) exploitation of vulnerabilities to carry out fraud in respect of services provided by Telefónica. To date, none of these cybersecurity incidents have had material consequences for the Telefónica Group, but this may change in the future.

Although Telefónica seeks to manage these risks by adopting technical and organisational 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, intrusion-prevention systems, virus scanners and backup systems, it can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. Therefore, the Telefónica Group has insurance policies in place, which could cover, subject to the policies terms, conditions, exclusions, limits and sublimits of indemnity, and applicable deductibles, certain losses arising out of these types of incidents. To date, the insurance policies in place have covered some incidents of this nature, however due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover all possible losses arising out of these risks.

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.

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 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 realisation 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 normalisation 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 characterised 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 labor 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.

There are also doubts about the timing of the conclusion of the inflationary period, as geopolitical events such as the Russia-Ukraine and the Israel-Hamas armed conflicts, among others, negatively impact energy prices or maritime transport. Moreover, there is a risk that the decrease in global liquidity and elevated interest rates could generate increased financial volatility, giving rise to new stress episodes, as observed in the United Kingdom, 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 stagflationary 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 many 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. Latin America could be affected by lower external demand associated with slower global growth, deteriorating terms of trade and tighter financial conditions.

As of 30 June 2024, the contribution of each segment to the Telefónica Group's total assets was as follows: Telefónica Spain 26.3 per cent. (24.5 per cent. as of 30 June 2023), VMO2 7.9 per cent. (9.9 per cent. as of 30 June 2023), Telefónica Germany 17.4 per cent. (16.9 per cent. as of 30 June 2023), Telefónica Brazil 23.6 per cent. (24.4 per cent. as of 30 June 2023) and Telefónica Hispam 15.3 per cent. (15.0 per cent. as of 30 June 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, Ecuador and Venezuela). Likewise, Venezuela and Argentina are considered countries with hyperinflationary economies in 2024 and 2023.

During the first half of 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 30.6 per cent. (30.6 per cent. in the same period of 2023), Telefónica Germany 20.5 per cent. (20.8 per cent. in the same period in 2023), Telefónica Brazil 24.3 per cent. (23.0 per cent. in the same period in 2023) and Telefónica Hispam 21.1 per cent. (22.2 per cent. in the same period 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 transportation 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 transmission of monetary policy 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 and those issued by less indebted countries, making it challenging for the former to access credit at low rates. Lastly, Europe faces two significant long-term risks. First, a risk that Europe may fall behind in the global technological race in particular because of its dependence on several critical raw materials, indispensable for key sectors, that must be imported from other regions. Second, 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, the 2024 European Parliament elections have allowed the central bloc to maintain a majority, but it remains to be seen whether greater fragmentation will hinder governance and 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, and although the disbursement of Next Generation European Funds (NGEU) appears to be gaining traction, further delays or even designing flaws 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 rising 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 potential growth through productivity and ensure the sustainability of public debt.

- *Germany*: the risk of energy shortages has diminished in recent months 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. Gas flows (from Russia via Ukraine) could be lower than expected, 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. As for the medium to long term, there is a risk that a potential escalation of 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. In addition, 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 normalising as quickly as anticipated. 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 31 December 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 Argentina and 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 normalisation 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. The new administration has demonstrated its commitment to fiscal sustainability by announcing a new fiscal framework to replace the previous spending cap rule. Additionally, the Congress has also voted favourably on the tax reform aimed at simplifying the indirect tax system and promoting stronger and sustainable economic growth. So far, the economic measures announced by the new administration have helped alleviate uncertainty around economic policies, resulting in an upward revision of Brazil's credit rating outlook by S&P. Risks related to inflation and monetary policy remain at moderate levels with the approval and maintenance of the inflation target at low levels despite the recent noise regarding monetary cycle.
- *Argentina*: macroeconomic and exchange rate risks remain high. The main internal challenges include achieving the political and social consensus necessary to keep reducing the public deficit and rebuilding international reserves in a context of high inflation, which jeopardises the achievement of the new administration's objectives. On the external front, a global slowdown leading to reduced demand for exported products and lower prices would result in decreased foreign currency inflows, increasing vulnerability to volatility in international financial markets. Finally, the application of different price control measures and the still-existing exchange restrictions could adversely affect Telefónica's profitability.
- *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 jeopardise fiscal balance could have a negative impact on sovereign credit ratings, further deteriorating local financing conditions. Inflation is becoming more persistent than expected, which 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 the new proposed Constitution in December 2023, but the maintenance of the former status quo could give rise to new social demands. In Colombia, the structural reforms promoted by Colombia's government are currently 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 new administration,

although it remains politically weak. In Ecuador, the new government is dealing with a turbulent political situation and internal violence, marked by an increase in criminality.

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 30 June 2024, represented 17.6 per cent. of the Group's total assets), deferred tax assets (which as of 30 June 2024, represented 6.0 per cent. of the Group's total assets) or other assets, such as intangible assets (which represented 10.4 per cent. of the Group's total assets as of 30 June 2024), and property, plant and equipment (which represented 21.9 per cent. of the Group's total assets as of 30 June 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 2023 impairment losses in the goodwill of Telefónica Ecuador were recognised for a total of EUR 58 million (impairment losses in other assets of Telefónica Argentina were recognised for a total of EUR 77 million in 2022). In addition, VMO2, Telefonica's 50:50 joint venture with Liberty Global in the United Kingdom, recorded in 2023 an impairment of goodwill amounting to EUR 3,572 million, with a negative impact of EUR 1,786 million on the share of (loss) income of investments accounted for by the equity method in the consolidated income statement of the Group.

In addition, Telefónica may not be able to realise 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 utilise 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 licences 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 30 June 2024, the Group's gross financial debt amounted to EUR 38,280 million (EUR 37,061 million as of 31 December 2023), and the Group's net financial debt amounted to EUR 29,240 million (EUR 27,349 million as of 31 December 2023). As of 30 June 2024, the average maturity of the debt was 11.0 years (11.6 years as of 31 December 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 solvency or operating performance of Telefónica.

As of 30 June 2024, the Group's gross financial debt scheduled to mature in the following 12 months amounted to EUR 4,467 million.

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 30 June 2024. As of 30 June 2024, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of EUR 11,386 million (EUR 10,681 million 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 30 June 2024, 6 per cent. of the aggregate undrawn amount under credit lines was scheduled to expire prior to 31 December 2025.

In addition, given the interrelation between economic growth and financial stability, the materialisation 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 30 June 2024, 78 per cent. 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 3.58 per cent. as of 30 June 2024 compared to 3.80 per cent. as of 31 December 2023. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of 30 June 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 EUR 53 million, 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 EUR 53 million. 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 per cent. depreciation of Latin American currencies against the U.S. dollar and a 10 per cent. depreciation of the rest of the currencies to which the Group is most exposed, against the euro would result in exchange gains of EUR 35 million as of 30 June 2024 and a 10 per cent. appreciation of Latin American currencies against the U.S. dollar and a 10 per cent. appreciation of the rest of the currencies to which the Group is most exposed, would result in exchange losses of EUR 35 million as of 30 June 2024. These calculations have been made assuming a constant currency position with an impact on profit or loss as of 30 June 2024 taking into account derivative instruments in place.

In the first half of 2024, the evolution of exchange rates (without considering the effects of hyperinflationary countries) had a small positive impact in the year-on-year growth of the Group's consolidated revenues and the EBITDA in line with the first half of 2023. Furthermore, translation differences in the first half of 2024 had a negative impact on the Group's equity of EUR 354 million (positive impact of EUR 1,325 million in the first half of 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 EUR 357 million and provisions for regulatory contingencies amounting to EUR 310 million as of 30 June 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 2023 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 2023 Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims can be found in Note 24 "Provisions" of the 2023 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 unfavourable 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, had to determine the amount of the payment obligation. The total provision as of 30 June 2024 amounted to 2,081 million Peruvian soles (approximately EUR 508 million 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 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) subjects 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 programmes.

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 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 programmes 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 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, the Group is currently cooperating with governmental authorities (and, where appropriate, conducting the relevant internal investigations) regarding requests for information potentially related, directly or indirectly to possible violations of applicable anti-corruption laws. Telefónica believes that, considering the size of the Group, any potential penalty as a result of matters relating to those specific information requests would not materially affect the Group's financial condition.

Notwithstanding the above, violations of anti-corruption laws and sanctions regulations could lead not only to financial penalties, but also to exclusion from government contracts, and the revocation of licences and authorisations, 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.

Risks related to withholding.

Risks in relation to Spanish taxation

With respect to any payment of interest under the Guarantee, the Guarantor is required to receive certain information relating to the Securities. If such information is not received by the Guarantor in a timely manner, the Guarantor will be required to apply Spanish withholding tax to any payment of interest (as this term is defined under "*Taxation - Spanish Tax - Payments made by the Guarantor*") in respect of the Securities.

Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, payments of interest in respect of the Securities will be made without withholding tax in Spain provided that the Fiscal Agent provides the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) in a timely manner with a certificate

containing certain information in accordance with section 44 paragraph 5 of the Royal Decree 1065/2007 relating to the Securities.

This information must be provided by the Fiscal Agent to the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) before the close of business on the Business Day (as defined in the Conditions) immediately preceding the date on which any payment of interest, principal, or of any amounts in respect of the early redemption of the Securities (each a "**Payment Date**"), is due.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will withhold tax at the then-applicable rate (as at the date of this Offering Memorandum, 19 per cent.) from any payment of interest in respect of the Securities. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

The Fiscal Agency Agreement provides that the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Securities to the Guarantor in a timely manner.

These procedures may be modified, amended or supplemented, among other reasons, to reflect a change in applicable Spanish law, regulation, ruling or an administrative interpretation thereof. None of the Issuer, the Guarantor or the Joint Bookrunners assumes any responsibility, therefor.

Royal Decree 1145/2011, of 29 July which amends Royal Decree 1065/2007, of 27 July, provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country will be made with no withholding or deduction from Spanish taxes provided that the relevant paying agent submits in a timely manner certain information about the Securities to the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee). In the opinion of the Guarantor, any payment of interest under the Guarantee will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Securities is submitted in a timely manner by the Fiscal Agent to the Guarantor, notwithstanding the information obligations of the Guarantor under general provisions of Spanish tax legislation, by virtue of which identification of Spanish tax resident investors may be provided to the Spanish tax authorities (see "*Taxation - Spanish Tax - Payments made by the Guarantor*").

Risks related to the structure of the Securities.

The Issuer's obligations under the Securities and the Coupons are subordinated

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*) of the Securities. By virtue of such subordination, payments to a Holder of Securities will, in the event of an Issuer Winding-up (as described in the Conditions) only be made after, and any set-off by a Holder of Securities shall be excluded until, all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder of Securities may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under, or in connection with, the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

The Guarantee is a subordinated obligation

The Guarantor's obligations under the Guarantee will be unsecured and subordinated obligations of the Guarantor. In the event of the Guarantor being declared insolvent (*en concurso*) under Spanish Insolvency Law (as defined below), the Guarantor's obligations under the Guarantee will be subordinated in right of payment to the prior payment in full of all other liabilities of the Guarantor, except for obligations which rank equally with or junior to the Guarantee. See Condition 3 (*Guarantee, Status and Subordination of the Guarantee*) of the Securities.

Holders of the Securities are advised that unsubordinated liabilities of the Guarantor may also arise out of events that are not reflected on the balance sheet of the Guarantor including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Guarantor that in the insolvency of the Guarantor will need to be paid in full before the obligations under the Guarantee may be satisfied.

There are no events of default under the Securities

The Conditions do not provide for events of default (including by reason of any cross-defaults) allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer or the Guarantor fails to meet any obligations under the Securities or the Guarantee, as the case may be, including the payment of any interest, Holders of the Securities will not have the right to require the early redemption of the Securities. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Securities are undated securities

The Securities are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

The Issuer may redeem the Securities under certain circumstances

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, (a) at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) on any date during the Relevant Period and on any Interest Payment Date thereafter or (b) at their Make-Whole Redemption Amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) at any other time.

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Securities are also subject to redemption in whole, but not in part, at the Issuer's option upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event. The relevant redemption amount may be less than the then current market value of the Securities.

The Netherlands implemented Council Directive (EU) 2022/2523 (the "**Pillar 2 Directive**") by way of the Minimum tax act 2024 (*Wet minimumbelasting 2024*), which entered into force as per 31 December 2023. The tax to be levied under the Minimum tax act 2024 will be levied in the form of a top-up tax. Based on the Minimum tax act 2024 as currently in force and the limited published guidance issued by the Dutch tax authorities in respect thereof, the Issuer's current understanding is that its entitlement to claim the benefit of tax deductions in respect of any interest payments under the Securities when computing its tax liabilities should not have been removed or materially reduced as a result of the entering into force of the Minimum tax act 2024. Should there be any changes to Dutch tax law or in the official or generally published interpretation of such law becoming effective, in relation to the implementation of the Pillar 2 Directive or otherwise, removing or materially reducing the Issuer's entitlement to claim tax deductions in respect of interest payments under the Securities, such removal or reduction of any such entitlement may result in the occurrence of a Tax Event under the Securities and give rise to an option for the Issuer to redeem the Securities or substitute or vary the Securities as more fully set out in Condition 6(d) (*Redemption for Taxation Reasons*) and Condition 12(c) (*Substitution and Variation*), respectively.

The Guarantor's entitlement to claim the benefit of tax deductions in respect of any interest payments made under the Subordinated Loan may be removed or materially reduced by any future implementation of the Pillar 2 Directive, when calculating its tax liabilities, mainly, in respect of corporate income tax and any other taxes applicable other than corporate income tax (such as the top-up tax or the qualified domestic top-up tax introduced as a consequence of the implementation of the Pillar 2 Directive). The extent of the implementation of Pillar 2 Directive in the jurisdiction in which the Guarantor operates is still uncertain. In particular, it is still unclear whether and to what extent interest payments accrued in respect of the Subordinated Loan would be considered as being deductible for tax purposes. If, following the implementation of the Pillar 2 Directive, the Guarantor's entitlement to claim tax deductions in respect of interest payments made under the Subordinated Loan is removed or materially reduced, such removal or reduction of any such entitlement may result in the occurrence of a Tax Event under the Securities and give rise to an option for the Issuer to redeem the Securities or substitute or vary the Securities as more fully set out in Condition 6(d) (*Redemption for Taxation Reasons*) and Condition 12(c) (*Substitution and Variation*), respectively.

The Issuer may redeem the Securities after a Tax Event relating to the intra-group loan

The net proceeds of the issue of the Securities will be on-lent by the Issuer to the Guarantor pursuant to a Subordinated Loan (as defined in the Conditions). The Issuer may redeem the Securities in certain circumstances, including if, as a result of a Tax Law Change, in respect of (i) the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

The direct connection between a Tax Event and the Subordinated Loan may limit the Issuer's ability to prevent the occurrence of a Tax Event, and may increase the possibility of the Issuer exercising its option to redeem the Securities upon the occurrence thereof. See Condition 6(d) (*Redemption for Taxation Reasons*).

The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change which may result in the occurrence of an Accounting Event

Following the publication in June 2018 by the IASB (International Accounting Standards Board) of the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**") and subsequent discussions, the IASB tentatively decided in February 2021 not to implement the changes to the classification of financial obligations that only arise on liquidation of the entity that were contemplated in the DP/2018/1 Paper. These changes were not included in the related exposure draft published by IASB in November 2023, although the exposure draft does suggest changing certain aspects of IAS 32 including the meaning of the term 'liquidation' in connection with contingent settlement provisions. If similar proposals to those contemplated by the DP/2018/1 Paper are implemented or put forward in the future, or other changes are introduced as a result of the consultation being conducted on the current exposure draft, the current IFRS equity classification of financial instruments such as the Securities may change. If such a change leads to an Accounting Event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to Condition 6(e) (*Redemption for Accounting Reasons*) of the Securities or substitute or vary the terms of the Securities pursuant to Condition 12(c) (*Substitution and Variation*) of the Securities. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date, which is the earlier of such date that a change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice.

The implementation of any proposals similar to those set out in the DP/2018/1 Paper that may be made in the future, or any other proposals that may affect the equity classification of the Securities, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event.

The Issuer has the right to defer interest payments on the Securities

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 5 (*Optional Interest Deferral*) of the Securities. Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in

Conditions 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*) of the Securities. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's and/or the Guarantor's financial condition. Investors should be aware that any deferral of interest payments may have an adverse effect on the market price of the Securities.

Substitution or variation of the Securities

There is a risk that, after the issue of the Securities, a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute or vary the Securities (including the substitution of the Securities for securities issued by a wholly-owned finance subsidiary of the Guarantor resident in a taxing jurisdiction other than the Netherlands or Spain), subject to certain conditions intended to protect the interests of the Holders, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

Furthermore, there is a risk that if at any time after the Original Securities Issue Date, the Issuer is required to withhold on account of Taxes levied in the Netherlands on any payment under the Securities, the Issuer may, without any requirement for the consent of the Holders, substitute or vary the Securities.

Additionally, subject to certain conditions, the Issuer, or any previous substituted company, and the Guarantor may at any time, without the consent of the Holders, substitute for the Issuer (1) the Guarantor or (2) any company or other body corporate incorporated in the European Economic Area and that, at the time of such substitution, is a wholly-owned direct or indirect subsidiary of the Guarantor, as further described in Condition 15 (*Issuer Substitution*).

Any such substitution or variation may have an adverse impact on the price of, and/or the market for, the Securities.

Eligible Projects may not be implemented and investor expectations as to Eligible Projects may not be met

As described in "*Use and Estimated Net Amount of Proceeds*" below, the Issuer's intention is to apply an amount equal to the net proceeds of the issue of the Securities specifically for investment in Eligible Projects (as defined below). No assurance is given by the Issuer, the Guarantor or the Joint Bookrunners that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects) and may not meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR and any implementing legislation and guidelines, or any similar legislation in the United Kingdom).

While it is the intention of the Issuer to apply the proceeds of the Securities for Eligible Projects and to report on the use of proceeds or Eligible Projects as described in "*Use and Estimated Net Amount of Proceeds*" and the Sustainable Financing Framework, there is no contractual obligation to do so. There can be no assurance that any such Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Projects as intended. In addition, there can be no assurance that Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the Securities or to report on the use of proceeds or Eligible Projects as anticipated or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the Securities or the failure of the Securities to meet investors' expectations requirements regarding any "green", "sustainable", "social" or similar labels will constitute an event of default or breach of contract with respect to any of the Securities.

A failure of the Securities to meet investor expectations or requirements as to their "green", "sustainable", "social" or equivalent characteristics including the failure to apply proceeds for Eligible Projects, the failure to provide, or the withdrawal of, a third party opinion or certification, the Securities ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid or the failure by the Issuer to report on the use of proceeds or Eligible Projects as anticipated, may have a material adverse effect on the value of such Securities and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Securities as a result of the Securities not falling within the investor's investment criteria or mandate).

Changes in rating methodologies may lead to the early redemption of the Securities

S&P, Moody's and Fitch may change, amend or clarify their rating methodology or change their interpretation thereof, and as a result the Securities may no longer be eligible for the same or a higher amount of "equity credit" attributable to the Securities at the date of issue of the Original Securities, in which case the Issuer may redeem all of the Securities (but not some only), as provided in Condition 6(e) (*Redemption and Purchase - Redemption for Rating Reasons*) of the Securities. The relevant redemption amount may be less than the then current market value of the Securities which would impact the return Holders would receive from investing in the Securities.

No limitation on issuing senior or pari passu securities or other liabilities

There is no restriction on the amount of securities or other liabilities which the Issuer or the Guarantor may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Securities or the Guarantee (as the case may be). The issue of any such securities, the granting of any such guarantees or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer or the Guarantor (as the case may be) and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer's and/or the Guarantor's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer and/or the Guarantor were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

Interest rate reset may result in a decline of yield

The Securities pay interest at a fixed interest rate that will be reset during the term of the Securities and therefore the Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of the Securities in advance. Therefore, the actual yield of the Securities may fall below the yield anticipated by Holders at the time of purchase of the Securities and could impact the ability of Holders to trade the Securities on the secondary market.

Any decline in the credit ratings of the Issuer and/or the Guarantor or change in the status of the rating agencies may affect the market value of the Securities

The Securities have been assigned a rating by S&P, Moody's and Fitch. The rating granted by each of S&P, Moody's and Fitch or any other rating assigned to the Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, each of S&P, Moody's and Fitch, or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

Furthermore, as a result of the EU CRA Regulation, if the status of a rating agency rating the Securities changes or the rating is not endorsed by a credit rating agency registered under the EU CRA Regulation, European regulated investors may no longer be able to use the rating for regulatory purposes. Similarly, as a result of the UK CRA Regulation, if the status of a rating agency rating the Securities changes or the rating is not endorsed by a credit rating agency registered under the UK CRA Regulation, UK regulated investors may no longer be able to use the rating for regulatory purposes. In both cases, any such change could cause the Securities to be subject to different regulatory treatment. This may result in such UK or European regulated investors, as applicable, selling the Securities, which may impact the value of the Securities and any secondary market trading.

Risks relating to EURIBOR

The determination of the Subsequent Fixed Interest Rate in respect of the Securities is dependent upon the relevant 6-month EURIBOR administered by the European Money Markets Institute at the relevant time (as specified in the Conditions) and the 8 Year Swap Rate appearing on the Reuters Screen Page "ICESWAP2" provided by the ICE Benchmark Administration Limited.

EURIBOR and other interest rate or other types of rates and indices which are deemed to be benchmarks ("**benchmarks**") are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. Any such consequence could affect the manner in which interest determinations are required to be made pursuant to the Conditions, and have a material adverse effect on the value of and return on the Securities.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

If the Issuer (in consultation with the Agent Bank) determines that a Benchmark Event (as defined in the Conditions) has occurred, then the Issuer may elect to apply provisions in the Conditions that permit the rate of interest to alternatively be set by the Issuer and an Independent Adviser (without a requirement for the consent or approval of the Holders), by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required). The use of a successor rate or an alternative reference rate may, however, result in interest payments that are lower than, or otherwise do not correlate over time with, the payments that could have been made on the Securities if the relevant benchmark continued to be available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser and the Issuer fail to agree on a successor rate or an alternative reference rate or any adjustments thereto in accordance with the Conditions, the ultimate fallback of interest for a particular Reset Period may result in the rate of interest for the last preceding Reset Period being used (or, in the case of the Reset Period commencing on the First Reset Date, 2.630 per cent. per annum). Any such consequence could have a material adverse effect on the value of and return on the Securities.

No consent of the Holders shall be required in connection with effecting any relevant successor rate or alternative reference rate (as applicable) or any other related adjustments and/or amendments described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Holder, any such adjustment will be favourable to each Holder.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under the Securities. Investors should consider these matters when making their investment decision with respect to the Securities.

Risks related to insolvency law.

Risks arising in connection with EU insolvency law

From 26 June 2017, Regulation 2015/848 on insolvency proceedings (recast) (the "**EU Insolvency Regulation**") is applicable to all the EU countries except for Denmark. This means that this regulation shall be applicable to all those insolvency proceedings that are initiated in an EU country (except for Denmark), when the centre of main interest of the debtor is located in such countries.

If the centre of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open

insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined as any place of operations where a debtor carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State and so may impact the ability of holders of the Securities to commence insolvency proceedings against the Issuer or the Guarantor outside the centre of main interest of such companies.

Risks arising in connection with the Dutch insolvency law

Where a company (incorporated in the Netherlands or elsewhere) has its "centre of main interest" or an "establishment" in the Netherlands, it may be subjected to insolvency proceedings in this jurisdiction. This is particularly relevant for the Issuer, which has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, and is therefore presumed (subject to proof to the contrary) to have its "centre of main interests" in the Netherlands.

There are two primary insolvency regimes under Dutch law applicable to legal entities. The first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganisation of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. The consequences of both proceedings are roughly equal from the perspective of a creditor, with creditors being treated on a *pari passu* basis subject to exceptions. A general description of the principles of both insolvency regimes is set forth below.

Under Dutch law secured creditors (and in case of suspension of payment also preferential creditors (including tax and social security authorities)) may enforce their rights against assets of the company to satisfy their claims as if there were no insolvency proceedings. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the Issuer. Consequently, a holder's potential recovery could be reduced in Dutch insolvency proceedings.

Any pending executions of judgments against the Issuer would be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, any attachment by a holder of the Securities on the Issuer's assets will cease to have effect upon the suspension of payments having become definitive, a composition (*akkoord*) having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination.

In a suspension of payments or a bankruptcy, a composition may be offered to creditors (including the holders of the Securities). A composition will be binding on all unsecured and non-preferential creditors (including the holders of the Securities) if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50 per cent. of the amount of the claims that are admitted for voting purposes; and (ii) subsequently ratified (*gehomologeerd*) by the competent Dutch court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Securities to effect a restructuring and could reduce the recovery of a holder of Securities.

The existence, value and ranking of any claims submitted by the holders of the Securities may be challenged in the Dutch insolvency proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the administrator in suspension of payments proceedings, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooiprocedure*) in bankruptcy, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These situations could cause holders of Securities to recover less than the principal amount of their Securities. *Renvooi* procedures could also cause payments to the holders of Securities to be delayed compared to holders of undisputed claims.

The Dutch Bankruptcy Act does not in itself recognise the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings, with the actual effect largely depending on the way such subordination is construed.

As a result of the above risks, payments to holders of the Securities if the Issuer entered Dutch insolvency proceedings could be subject to delay and the recovery by holders in respect of the Securities could be impacted.

The Dutch Scheme

Under the Act on Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord* ("CERP")), a proceeding is available to restructure debts of companies in financial distress outside insolvency proceedings (the "**Dutch Scheme**"). The CERP provides that a debtor or a court-appointed restructuring expert may offer creditors (including secured creditors) and shareholders a composition plan. Upon confirmation by the court, such plan is binding on the creditors and shareholders to whom it has been offered and changes their rights. A composition plan under the CERP can also extend to claims against group companies of the debtor on the account of guarantees for the debtor's obligations, if *inter alia* (i) the relevant group companies are reasonably expected to be unable to continue to pay their debts as they fall due and (ii) the Dutch courts would have jurisdiction if the relevant group company would offer its creditors and shareholders a composition plan under the CERP. Jurisdiction of the Dutch courts under the CERP may extend to entities incorporated or residing outside the Netherlands on the basis that there is a connection with the jurisdiction of the Netherlands.

Under the CERP, voting on a composition plan is done in classes. Approval by a class requires a decision adopted with a majority of two-third of the claims of that class that have voted on the plan or, in the case of a class of shareholders, two-thirds of the shares of that class that have voted on the plan. The CERP provides for the possibility for a composition plan to be binding on a non-consenting class (cross-class cram down). Under the CERP, the court will confirm a composition plan if at least one class of creditors (other than a class of shareholders) that can be expected to receive a distribution in case of a bankruptcy of the debtor approves the plan, unless there is a ground for refusal. The court can, *inter alia*, refuse confirmation of a composition plan on the basis of (i) a request by an affected creditor of a consenting class if the value of the distribution that such creditor receives under the plan is lower than the distribution it can be expected to receive in case of a bankruptcy of the debtor or (ii) a request of an affected creditor of a non-consenting class, if the plan provides for a distribution of value that deviates from the statutory or contractual ranking and priority to the detriment of that class.

Under the CERP, the court may grant a stay on enforcement of a maximum of four months, with a possible extension of four months. During such period, *inter alia*, all enforcement action against the assets of (or in the possession of) the debtor is suspended, including action to enforce security over the assets of the debtor. Accordingly, during such stay a pledgee of claims may not collect nor notify the debtors of such pledged claims of its rights of pledge.

Claims of creditors against the Issuer can be compromised as a result of a composition plan adopted and confirmed in accordance with the CERP. Accordingly, the CERP can affect the rights of the holders of Securities.

Risks arising in connection with the Spanish Insolvency Law

Law 16/2022, of 5 September (*Ley 16/2022, de 5 de septiembre, de reforma del texto refundido de la Ley Concursal*) has amended the consolidated text of the Spanish Insolvency Law approved by Legislative Royal Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) (the "**Spanish Insolvency Law**"). The main aim of this amendment is to implement the restructuring framework required by Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on Restructuring Frameworks). In addition, it has introduced other changes to the insolvency proceedings in Spain. The amendments to the Spanish Insolvency Law came into force, subject to certain exceptions, on 26 September 2022.

The Spanish Insolvency Law regulates insolvency proceedings (which are court-supervised), as opposed to out-of-court liquidation (which, pursuant to Spanish corporate law, is only available when the debtor has sufficient assets to meet its liabilities). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "*concurso*", applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Law). These proceedings may lead either to reorganisation through the implementation of an arrangement between the creditors and the debtor (*convenio*) or to the liquidation of the debtor's assets (the latter being the most frequent outcome).

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations (*insolvencia actual*) within the term of two months as from the moment that it knows that it is insolvent or as from the moment it should have known it is insolvent. The debtor is also entitled to apply for such insolvency proceedings when it expects that it will be insolvent within the next three months (*insolvencia inminente*). In addition, the new law introduced the concept of "likelihood of insolvency"

(*probabilidad de insolvencia*), which is when it is objectively foreseeable that the debtor will be unable to regularly fulfil its obligations within the next two years.

The court resolution declaring the insolvency proceedings (*auto de declaración de concurso*) contains an express request for the creditors to declare debts owed to them, within a one-month period as from the day after the publication of the insolvency proceeding in the Spanish Official Gazette (*Boletín Oficial del Estado*), providing documentation to justify such credits. Based on the documentation provided by the creditors and that is held by the debtor, the court receivers draw up an inventory and a list of acknowledged creditors and classify them according to the categories established under law: (i) debts against the insolvency estate; (ii) debt benefiting from special privileges; (iii) debt benefiting from general privileges (including certain labour and tax debt); (iv) ordinary debt; and (v) subordinated debt (including that held by certain individuals or entities connected with the debtor).

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labour or administrative law).

Holders should be aware (i) of the effects of a declaration of insolvency (*declaración de concurso*) of the Guarantor set out above (mainly post-insolvency claims); (ii) that their claims against the Guarantor would therefore be subordinated behind other classes of creditor set out above (arising from *in rem* security); and (iii) subordinated creditors may not vote on an arrangement and have very limited chances of collection, according to the ranking established by the Spanish Insolvency Law. In addition, a restructuring plan may be approved in connection with the Guarantor so that, subject to compliance with the Spanish Insolvency Law, their credits against the Guarantor could be subject to a haircut or a standstill.

The general duty to file for bankruptcy within the aforementioned two-month period does not apply if the debtor notifies the applicable court that it has initiated negotiations with its creditors to obtain support for a restructuring plan, as set out in Articles 585 *et seq.* of the Spanish Insolvency Law. The pre-insolvency stay (*comunicación de inicio de negociaciones*) is available as a type of legal protection that the debtor under (at least) likelihood of insolvency may request to avoid the attachment of its necessary assets by its creditors. By means of the pre-insolvency filing, on the top of those two months, the debtor gains an additional three-months period (or up to six months, if extended) as from the date when the debtor gives such notice, to achieve a restructuring plan with its creditors and one further month to file for bankruptcy, if after the above mentioned period of three months (or of six months if extended) has elapsed without an agreement being reached and the situation of insolvency persists. During that period, enforcement actions are stayed, subject to certain exceptions and conditions.

Additionally, while the effects of pre-insolvency are in force, according to the amended Spanish Insolvency Law, directors' legal duty to wind up the company in the event of a capital impairment situation (i.e., its net equity is below a half of its share capital) is suspended.

A restructuring plan may as well be negotiated and submitted for Court approval if the debtor is in a situation of likely, actual or imminent insolvency.

Under the Spanish Insolvency Law, the effects of a restructuring plan can be imposed on all types of creditors and claims (subject to specific and limited exceptions), including trade creditors, one or multiple classes of creditors and, with certain exceptions, even the debtor's shareholders. Public creditors can only be subject to the plan if very strict requirements are complied with; in particular, claims held by public creditors (e.g., tax authorities, and the Social Security) cannot be subject to a haircut, debt-for-equity swap, change of debtor or change of governing law.

Risks related to the Securities generally.

Set out below is a brief description of certain risks relating to the Securities generally:

Majority decisions bind all Holders

The Conditions contain provisions for calling meetings of Holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders of the Securities including Holders of the Securities who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

There is no active trading market for the Securities

The New Securities are new securities which may not be widely distributed and for which there may not be an active trading market. If the New Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made for the New Securities to be admitted to listing on the Official List and to trading on the GEM of Euronext Dublin, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there can be no assurance that a trading market will develop for the New Securities or, if one does develop, that it will be of sufficient liquidity.

Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor

The New Securities will be represented by the Global Securities except in certain limited circumstances described in the Permanent Global Security. While the New Securities are represented by the Global Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the New Securities by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the New Securities. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities and Holders may be adversely affected should such records be incorrect or such payments not be made or be paid incorrectly.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the New Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies and such holders may be adversely affected should it not be possible for them to vote in respect of the New Securities as a result.

Exchange rate fluctuations may affect the value of the Securities

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Securities, and (iii) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Any of the foregoing events could adversely affect the price of the Securities.

OVERVIEW OF THE NEW SECURITIES

This overview must be read as an introduction to this Offering Memorandum and any decision to invest in the Securities should be based on a consideration of the Offering Memorandum as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Offering Memorandum, have the same meanings in this overview.

Issuer:	Telefónica Europe B.V.
Guarantor:	Telefónica, S.A.
Description of New Securities:	EUR 200,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the " New Securities "), to be consolidated and form a single series with the Issuer's EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the " Original Securities " and, together with the "New Securities", the " Securities ").
Joint Bookrunners:	Barclays Bank Ireland PLC, Citigroup Global Markets Europe AG and Société Générale.
Fiscal Agent:	The Bank of New York Mellon, London Branch.
Listing Agent:	Matheson LLP.
Issue Price:	109.170 per cent. of the principal amount plus accrued interest from (and including) 7 September 2024 to (but excluding) the New Securities Issue Date.
New Securities Issue Date:	18 September 2024.
Maturity Date:	Undated.
Interest:	<p>The New Securities will bear interest on their principal amount:</p> <ul style="list-style-type: none">(i) from (and including) 7 September 2024 to (but excluding) the First Reset Date at a rate of 6.750 per cent. per annum; and(ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the relevant Reset Period plus:<ul style="list-style-type: none">(A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum;(B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and(C) from (and including) 7 September 2051, 4.615 per cent. per annum, <p>all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, subject to Condition 5 (<i>Optional Interest Deferral</i>), all as more particularly described in Condition 4 (<i>Interest Payments</i>) of the Conditions.</p>
Interest Payment Dates:	Interest payments in respect of the Securities will be payable annually in arrear on 7 September in each year.
Status of the Securities:	The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank <i>pari passu</i> and without any preference among themselves.

Subordination of the Securities:	<p>In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) <i>pari passu</i> with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.</p> <p>Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2(b) (<i>Status and Subordination of the Securities and Coupons – Subordination of the Securities</i>) of the Securities is an irrevocable stipulation (<i>derdenbeding</i>) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2(b) (<i>Status and Subordination of the Securities and Coupons – Subordination of the Securities</i>) of the Securities under Section 6:253 of the Dutch Civil Code.</p>
Guarantee and Status of Guarantee:	<p>Payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.</p> <p>The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank <i>pari passu</i> and without preference among themselves.</p>
Subordination of the Guarantee:	<p>Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (<i>concurso</i>) under Spanish Insolvency Law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) <i>pari passu</i> with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.</p>
Optional Interest Deferral:	<p>The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in "<i>Terms and Conditions of the Securities – Optional Interest Deferral</i>". Non-payment of interest so deferred shall not constitute a default by the Issuer or Guarantor under the Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.</p>
Optional Settlement of Arrears of Interest:	<p>Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than seven Business Days' notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 5(b) (<i>Optional Interest Deferral – Optional Settlement of Arrears of Interest</i>) of the Securities.</p>
Mandatory Settlement of Arrears of Interest:	<p>The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.</p> <p>"Mandatory Settlement Date" means the earliest of:</p> <ul style="list-style-type: none"> (i) as soon as reasonably practicable (but no later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the Interest Period; and
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) of the Securities or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*) of the Securities.

Subject to certain exceptions, as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Securities, a "Compulsory Arrears of Interest Settlement Event" shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

all as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Securities.

Optional Redemption: The Issuer may redeem the Securities in whole, but not in part, on (i) any date during the Relevant Period, at their principal amount or (ii) on any Interest Payment Date thereafter, at their principal amount or (iii) at any other time at their Make-Whole Redemption Amount, in each case, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*) of the Securities.

Events of Default: There are no events of default in respect of the Securities. However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, or the Guarantor becomes insolvent (*en estado de insolvencia*) pursuant to Article 2 of the Spanish Insolvency Law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene an Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish Insolvency Law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

- Additional Amounts:** Payments in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, taxes of the Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8(a) (*Taxation— Additional Amounts*) of the Securities.
- Form:** The Securities will be in bearer form. The New Securities will initially be represented by the Temporary Global Security, without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in the Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities in the circumstances set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".
- Substitution or Variation:** If at any time after the Original Securities Issue Date, the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, then the Issuer may, subject to Condition 12(c) (*Meetings of Holders of Securities and Modification, Substitution and Variation - Substitution and Variation*) of the Securities (without any requirement for the consent or approval of the Holders) and having given not less than 10 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14 (*Notices*) of the Securities, the Holders (which notice shall be irrevocable), on any applicable Interest Payment Date either (i) exchange the Securities for new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.
- If at any time after the Original Securities Issue Date, the Issuer is required to withhold on account of Taxes levied in the Netherlands on any payment under the Securities, the Issuer may, subject to Condition 12(c) (*Meetings of Holders of Securities and Modification, Substitution and Variation - Substitution and Variation*) of the Securities (without any requirement for the consent of the Holders), on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities.
- Issuer Substitution:** Subject to certain conditions, the Issuer, or any previous substituted company, and the Guarantor may at any time, without the consent of the Holders, substitute for the Issuer (1) the Guarantor or (2) any company or other body corporate incorporated in the European Economic Area and that, at the time of such substitution, is a wholly-owned direct or indirect subsidiary of the Guarantor, as further described in Condition 15 (*Issuer Substitution*).
- Denomination:** The Securities will be issued in the denomination of EUR 100,000.
- Governing Law:** The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons - Subordination of the Securities*) of the Securities relating to the subordination of the Securities which are governed by and construed in accordance with the laws of the Netherlands, and the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee - Status of the Guarantee*) of the

Securities and Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee - Subordination of the Guarantee*) of the Securities relating to the subordination of the Guarantee and the corresponding provisions of the Guarantee which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 17 (*Governing Law*) of the Securities.

**Replacement
Intention:**

The Guarantor intends (without thereby assuming any obligation) at any time that it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor on or prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

- (i) the rating assigned by S&P to the Guarantor is the same as or higher than the long-term corporate credit rating assigned to the Guarantor on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) in the case of a repurchase or redemption, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 10 consecutive years; or
- (iii) if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or
- (iv) in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns equity content under its prevailing methodology; or
- (v) the Securities are redeemed pursuant to a Tax Event, a Capital Event, a Substantial Purchase Event, an Accounting Event or a Withholding Tax Event; or
- (vi) such redemption or repurchase occurs on or after 7 September 2051.

Credit Rating:	<p>The Securities are expected to be rated BB by S&P, Ba2 by Moody's and BB+ by Fitch.</p> <p>S&P, Moody's and Fitch are established in the European Union and registered under the EU CRA Regulation. The ratings S&P, Moody's and Fitch have given to the Securities have been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd (respectively) which are established in the United Kingdom and registered under the UK CRA Regulation.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Listing and Admission to Trading:	Application will be made for the New Securities to be admitted to Euronext Dublin's Official List and to trading on the GEM.
Selling Restrictions:	<p>The United States, the United Kingdom and the EEA (including the Kingdom of Spain and the Republic of Italy). See "<i>Subscription and Sale</i>".</p> <p>Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.</p>
Use and Estimated Net Amount of Proceeds:	An amount equal to the aggregate net proceeds of the issue of the New Securities, expected to amount to EUR 218,246,840, will be allocated towards Eligible Projects (as described in " <i>Use and Estimated Net Amount of Proceeds</i> " below).
Risk Factors:	Prospective investors should carefully consider the information set out in " <i>Risk Factors</i> " in conjunction with the other information contained or incorporated by reference in this Offering Memorandum.
ISIN and Common Code:	Until the New Securities are consolidated and form a single series with the Original Securities, the New Securities will have the temporary ISIN XS2901990429 and a temporary Common Code 290199042. After that, the ISIN of the New Securities will be XS2646608401 and the Common Code will be 264660840, which is the same as for the Original Securities.

INFORMATION INCORPORATED BY REFERENCE

The information set out below shall be deemed to be incorporated in, and to form part of, this Offering Memorandum provided however that any statement contained in any document incorporated by reference in, and forming part of, this Offering Memorandum shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent, unless such documents have been modified or superseded.

The following information shall be deemed to be incorporated in, and to form part of this Offering Memorandum:

- (a) the audited unconsolidated financial statements of Telefónica Europe B.V. for the year ended 31 December 2023 (available at <https://direct.euronext.com/api/PublicAnnouncements/RISDocument/ANN131809.xhtml?id=67645dd0-3e4b-45c4-ab7f-fafbca44140f>);
- (b) the audited unconsolidated financial statements of Telefónica Europe B.V. for the year ended 31 December 2022 (available at <https://direct.euronext.com/api/PublicAnnouncements/OAMDocument/Telefonica%20Europe%20BV%20-%20Annual%20Report%202022%20and%20Independent%20Audit%20Report.xhtml?id=330f18b8-a28f-46f6-b8dc-505aa6940afc>);
- (c) the unaudited and unreviewed interim unconsolidated financial statements of Telefónica Europe B.V. for the six months ended 30 June 2024 (available at <https://direct.euronext.com/api/PublicAnnouncements/RISDocument/ANN137057.pdf?id=e4c18609-bca8-48f5-817e-9ab459f972dd>);
- (d) the audited consolidated financial statements of Telefónica, S.A. for the year ended 31 December 2023 (the "**2023 Consolidated Financial Statements**") (available at <https://www.telefonica.com/en/wp-content/uploads/sites/5/2024/02/Consolidated-Annual-Accounts-2023.pdf>);
- (e) the audited consolidated financial statements of Telefónica, S.A. for the year ended 31 December 2022 (the "**2022 Consolidated Financial Statements**") (available at <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/02/Consolidated-Annual-Accounts-2022.pdf>); and
- (f) the unaudited condensed consolidated interim financial statements of Telefónica, S.A. for the six months ended 30 June 2024 (the "**June 2024 Consolidated Interim Financial Statements**") (available at <https://www.telefonica.com/en/wp-content/uploads/sites/5/2024/04/rdos24t2-ipp-cuentas-resumidas-eng.pdf>).

Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant to investors or are covered elsewhere in this Offering Memorandum.

Any documents which are themselves incorporated by reference in the information incorporated by reference in this Offering Memorandum will not form part of this Offering Memorandum.

For the avoidance of doubt, unless specifically incorporated by reference into this Offering Memorandum, information contained on any website does not form part of this Offering Memorandum.

TERMS AND CONDITIONS OF THE SECURITIES

The following are the terms and conditions in the form in which they will be endorsed on the Securities. Sentences in italics shall not form part of these terms and conditions.

The issue of the EUR 200,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**New Securities**"), to be consolidated and form a single series with the EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Original Securities**" and, together with the New Securities, the "**Securities**"), was authorised by a resolution of the Board of Managing Directors of the Issuer dated 5 September 2024 and the guarantee of the New Securities was authorised by a resolution of the Executive Commission of the Board of Directors of the Guarantor dated 15 January 2024, acting upon a resolution of the shareholders acting through the General Shareholders' Meeting of the Guarantor dated 12 June 2020 and a resolution of the Board of Directors of the Guarantor dated 12 June 2020. A fiscal agency agreement dated 7 September 2023 (as supplemented on 18 September 2024 (the "**New Securities Issue Date**"), the "**Fiscal Agency Agreement**") has been entered into in relation to the Securities between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon, London Branch as agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Agent Bank**" and the "**Paying Agents**" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the "**Coupons**", which expression includes, where the context so permits, talons for further coupons (the "**Talons**")). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents or via electronic means at the relevant Paying Agent's discretion following the Holder's prior written request and provision of proof of holding and identity in a form satisfactory to the relevant Paying Agent. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1(b) (*Form Denomination and Title - Title*) below) (whether or not attached to the Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1. **Form, Denomination and Title**

- (a) **Form and denomination:** The Securities are serially numbered and in bearer form in the denomination of EUR 100,000, each with Coupons attached on issue.
- (b) **Title:** Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a "**Holder**") will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person shall be liable for so treating the Holder.

2. **Status and Subordination of the Securities and Coupons**

- (a) **Status of the Securities and Coupons:** The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and shall at all times rank *pari passu* and without any preference among themselves.
- (b) **Subordination of the Securities:** In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. This Condition 2(b) is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce this Condition 2(b) under Section 6:253 of the Dutch Civil Code.

3. **Guarantee, Status and Subordination of the Guarantee**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons on a

subordinated basis. Its obligations in that respect (the "**Guarantee**") are set out in the deed of guarantee dated the Original Securities Issue Date (as supplemented on the New Securities Issue Date) and made by the Guarantor for the benefit of the Holders.

- (b) **Status of the Guarantee:** The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and shall at all times rank *pari passu* and without any preference among themselves.
- (c) **Subordination of the Guarantee:** Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

4. **Interest Payments**

- (a) **General**

The Original Securities bear interest at the Prevailing Interest Rate from (and including) the Original Securities Issue Date and the New Securities bear interest at the Prevailing Interest Rate from (and including) 7 September 2024, in each case in accordance with the provisions of this Condition 4.

Subject to Condition 5 (*Optional Interest Deferral*), interest shall be payable on the Securities with respect to any Interest Period annually in arrear on each Interest Payment Date in each case as provided in this Condition 4.

- (b) **Interest Accrual**

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 6 (*Redemption and Purchase*) or the date of any substitution thereof pursuant to Condition 12(c) (*Meetings of Holders of Securities and Modification, Substitution and Variation - Substitution and Variation*) unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per EUR 100,000 in principal amount thereof (the "**Calculation Amount**"). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

- (c) **Prevailing Interest Rate**

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Securities will bear interest on their principal amount as follows:

- (i) from (and including) the Original Securities Issue Date (in the case of the Original Securities) or 7 September 2024 (in the case of the New Securities) to (but excluding) the First Reset Date, at the rate of 6.750 per cent. per annum; and

- (ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the relevant Reset Period plus:
 - (A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum;
 - (B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and
 - (C) from (and including) 7 September 2051, 4.615 per cent. per annum,(each a "**Subsequent Fixed Interest Rate**"), all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, subject to Condition 5 (*Optional Interest Deferral*),

and where:

"8 Year Swap Rate" means, in respect of any Reset Period, the mid-swap rate as displayed on Reuters screen "ICESWAP2" or, if such rate is not displayed on such screen as at the relevant time, the mid-swap rate as displayed on a successor page (in each case, the "**Reset Screen Page**") as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

Subject to the operation of Condition 4(d) (*Interest Payments - Benchmark Replacement*), in the event that the relevant 8 Year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 8 Year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. "**Reset Reference Bank Rate**" means the percentage rate calculated by the Agent Bank on the basis of the 8 Year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the "**Reset Reference Banks**") to the Issuer and the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 8 Year Swap Rate will be calculated by the Agent Bank on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) no quotations are provided, the Reset Reference Bank Rate for the relevant period will be: (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 8 Year Swap Rate in respect of the immediately preceding reset period, or (ii) in the case of the Reset Period commencing on the First Reset Date, 3.135 per cent. per annum.

The "**8 Year Swap Rate Quotations**" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 8 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

(d) ***Benchmark Replacement***

Notwithstanding the provisions above in this Condition 4, if the Issuer determines that a Benchmark Event has occurred in relation to the Original Reference Rate when a component part of the 8 Year Swap Rate remains to be determined by reference to the Original Reference Rate, then the Issuer may elect to apply the following provisions:

- (i) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with paragraph (ii) below) and, in either case, an Adjustment Spread if any (in

- accordance with paragraph (iii) below) and any Benchmark Amendments (in accordance with paragraph (iv) below).
- (ii) If the Issuer and the Independent Adviser:
 - (A) agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the 8 Year Swap Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 4(d)); or
 - (B) agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the 8 Year Swap Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 4(d)); or
 - (C) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate, the fallback provisions set out in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*) continue to apply.
 - (iii) If the Issuer and the Independent Adviser agree (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
 - (iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(d) and the Issuer and the Independent Adviser agree: (i) that amendments to these Conditions and/or the Fiscal Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with paragraph (v) below, without any requirement for the consent or approval of the Holders, vary these Conditions and/or the Fiscal Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. In connection with any such variation in accordance with this paragraph, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.
 - (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(d) will be notified promptly by the Issuer to the Fiscal Agent, the Agent Bank, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Guarantor, the Fiscal Agent, the Agent Bank, the Paying Agents and the Holders.
 - (vi) Without prejudice to the obligations of the Issuer under paragraphs (i) to (v) above, the Original Reference Rate and the fallback provisions provided for in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*) will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 4(d).
 - (vii) Notwithstanding any other provision of this Condition 4(d), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may

then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency or a shortening of the period of time for which any such equity credit is attributed to the Securities by a Rating Agency.

(e) ***Publication of Subsequent Fixed Interest Rates***

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 4 and the relevant dates scheduled for payment to be given to the Fiscal Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 14 (*Notices*), the Holders of the Securities and the Coupons, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

(f) ***Agent Bank and Reset Reference Banks***

With effect from the first Reset Interest Determination Date, the Issuer will maintain an Agent Bank and the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The name of the initial Agent Bank is The Bank of New York Mellon, London Branch and its initial specified office is 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Prevailing Interest Rate in respect of any Reset Period as provided in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*), the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(g) ***Determinations of Agent Bank Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Fiscal Agent, the Paying Agents and all Holders and (in the absence of negligence, wilful default or fraud) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5. **Optional Interest Deferral**

- (a) ***Deferral of Interest Payments***: The Issuer may, subject as provided in Conditions 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*) below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 5(a) and that has not been satisfied is referred to as a "**Deferred Interest Payment**".

If any Interest Payment is deferred pursuant to this Condition 5(a) then such Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being "**Arrears of Interest**"), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Condition 5(b) (*Optional Interest Deferral*

- *Optional Settlement of Arrears of Interest*) or Condition 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*) (as applicable), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 5(a) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose.

- (b) ***Optional Settlement of Arrears of Interest:*** Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "**Optional Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.
- (c) ***Mandatory Settlement of Arrears of Interest:*** Notwithstanding the provisions of Condition 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*), the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Mandatory Settlement Date.

"**Mandatory Settlement Date**" means the earliest of:

- (i) as soon as reasonably practicable (but not later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchases*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Defaults*).

A "**Compulsory Arrears of Interest Settlement Event**" shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

save, in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations; (b) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor, (c) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, share option, or free share allocation plan in each case reserved for directors, officers and/or employees of the Guarantor or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Guarantor by or on behalf of the Guarantor as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Guarantor held by or on behalf of the Guarantor as treasury shares at 8:30 a.m. Madrid time on the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer or the

Guarantor; (g) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred; or (h) any repurchase or acquisition of Junior Obligations was undertaken in connection with the satisfaction by the Guarantor or any Subsidiary of the Guarantor of its respective obligations under any share buyback programme in force and duly approved by its shareholders' general meeting.

"**Dividend Declaration**" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer or the Guarantor (as applicable) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

6. Redemption and Purchase

- (a) **Final redemption:** Subject to any early redemption described below, the Securities are undated securities with no specified maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with Conditions 6(b) (*Redemption and Purchase - Issuer's Call Option*), 6(c) (*Redemption and Purchase - Issuer's Make-Whole Call Option*) 6(d) (*Redemption and Purchase - Redemption for Taxation Reasons*), 6(e) (*Redemption and Purchase - Redemption for Accounting Reasons*), 6(f) (*Redemption and Purchase - Redemption for Rating Reasons*), or 6(g) (*Redemption and Purchase - Redemption following a Substantial Purchase Event*).
- (b) **Issuer's Call Option:** The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, (i) on any date during the Relevant Period, or (ii) on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.
- (c) **Issuer's Make-Whole Call Option:** The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, at any time (other than a time that the Issuer may exercise its option to redeem the Securities pursuant to Condition 6(b) (*Redemption and Purchase - Issuer's Call Option*)) at their Make-Whole Redemption Amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

Any such notice of the redemption of the Securities may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Redemption Date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Redemption Date, or by the Redemption Date so delayed. The Issuer shall notify the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders of any delay to the Redemption Date or rescindment of the notice of the redemption of the Securities (as applicable).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, and all Holders and (in the absence as aforesaid) no liability to the Holders shall attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

- (d) **Redemption for Taxation Reasons:** If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice

shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the start of the Relevant Period) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the First Call Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

- (e) **Redemption for Accounting Reasons:** If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the First Call Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (f) **Redemption for Rating Reasons:** If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the First Call Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (g) **Redemption following a Substantial Purchase Event:** If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.
- (h) **Preconditions to Redemption:** Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6(b) (*Redemption and Purchase - Issuer's Call Option*) or Condition 6(c) (*Redemption and Purchase - Issuer's Make-Whole Call Option*)), the Guarantor shall:
 - (i) deliver to the Fiscal Agent a certificate signed by one authorised signatory of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
 - (ii) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (i) above;
 - (iii) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant opinion from the relevant accountancy firm; and
 - (iv) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.

- (i) **Purchase:** Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to this Condition 6(i), they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the Holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12 (*Meetings of Holders of Securities and Modification*).
- (j) **Cancellation:** All Securities so redeemed and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

The Guarantor intends (without thereby assuming any obligation) at any time that it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor on or prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

- (i) the rating assigned by S&P to the Guarantor is the same as or higher than the long-term corporate credit rating assigned to the Guarantor on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) in the case of a repurchase or redemption, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 10 consecutive years; or
- (iii) if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or
- (iv) in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns equity content under its prevailing methodology; or
- (v) the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event; or
- (vi) such redemption or repurchase occurs on or after 7 September 2051.

7. **Payments**

- (a) **Method of Payment:** Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in city in which banks have access to T2. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.
- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of

Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

- (c) **Unmatured Coupons:** Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.
- (d) **Exchange of Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).
- (e) **Payments on business days:** A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition "**business day**" means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.
- (f) **Paying Agents:** The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent and (ii) a Paying Agent (which may be the Fiscal Agent) having specified offices in London or an alternative European city (as the Issuer may select). Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14 (*Notices*).

8. Taxation

- (a) **Additional Amounts:** All payments of principal and interest in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (collectively, "**Taxes**") of whatever nature imposed or levied by or on behalf of the Netherlands or the Kingdom of Spain or, in each case, any authority therein or thereof having power to tax (each a "**Taxing Authority**"), unless the withholding or deduction of such Taxes is required by law.

In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction of Taxes shall equal the respective amounts of principal and interest which would have been received in respect of the Securities or (as the case may be) Coupons, in the absence of such withholding or deduction of Taxes; except that no Additional Amounts shall be payable with respect to any payment in respect of any Security or Coupon or (as the case may be) under the Guarantee:

- (i) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon who is liable for Taxes in respect of such Security or Coupon by reason of his having some connection with the Netherlands or the Kingdom of Spain other than the mere holding of the Security or Coupon;
- (ii) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder or the beneficial owner thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day;
- (iii) in relation to any estate, inheritance, gift, sales, transfer or similar Taxes;
- (iv) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly

executed and completed certificate from the Fiscal Agent, pursuant to the First Additional Provision of Law 10/2014, and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation;

- (v) where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer's or the Guarantor's request addressed to the Holder or the beneficial owner to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner if such claim or compliance is required by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority;
- (vi) presented for payment in the Kingdom of Spain;
- (vii) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union (if any); or
- (viii) where such withholding or deduction is required pursuant to the application of the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*);
- (ix) any taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 (FATCA) (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, any official interpretations thereof or any agreements entered into in connection with the implementation thereof.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder of any Security who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

- (b) **Tax Credit Payment:** If any Additional Amounts are paid by the Issuer or, as the case may be, the Guarantor under this Condition for the benefit of any Holder and such Holder, in its sole discretion, determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remissions for, or repayment of, any tax, then, if and to the extent that such Holder, in its sole opinion, determines that (i) such credit, relief, remission or repayment is in respect of or calculated with reference to the Additional Amounts paid pursuant to this Condition; and (ii) its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled, such Holder shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Issuer or, as the case may be, the Guarantor such amount as such Holder shall in its sole opinion, determine to be the amount which will leave such Holder (after such payment) in no worse after tax position than it would have been in had the additional payment in question not been required to be made by the Issuer or, as the case may be, the Guarantor.
- (c) **Tax Credit Clawback:** If any Holder makes any payment to the Issuer or, as the case may be, the Guarantor pursuant to this Condition and such Holder subsequently determines in its sole opinion, that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Issuer or, as the case may be, the Guarantor shall reimburse such Holder such amount as such Holder determines, in its sole opinion, is necessary to place it in the same after tax position as it would have been in if such credit, relief, remission or repayment had been

obtained and fully used and retained by such Holder, such amount not exceeding in any case the amount paid by the Holder to the Issuer or, as the case may be, the Guarantor.

- (d) **Tax Affairs:** Nothing in Conditions 8(b) (*Taxation - Tax Credit Payment*) and 8(c) (*Taxation - Tax Credit Clawback*) above shall interfere with the right of any Holder to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any Holder to claim any credit, relief, remission or repayment in respect of any payment made under this Condition in priority to any credit, relief, remission or repayment available to it nor oblige any Holder to disclose any information relating to its tax or other affairs or any computations in respect thereof.
- (e) **Definitions:** References in these Conditions to (i) "Principal" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 (*Payments*) or any amendment or supplement to it; (ii) "interest" shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 (*Interest Payments*) or any amendment or supplement to it; and (iii) "principal" and/or "interest" shall be deemed to include any Additional Amounts.
- (f) **Applicable law for Spanish tax purposes:** The Guarantor will apply the First Additional Provision of Law 10/2014 to the Securities for Spanish tax purposes.

Payments in respect of the Securities and the Coupons by the Guarantor under the Guarantee will be exempt from Spanish Non-Resident Income Tax to the extent that the Holder or beneficial owner is not acting through a permanent establishment in Spain.

The Guarantor will comply with the reporting obligations set out in Section 4 of the First Additional Provision of Law 10/2014 in respect of Holders or beneficial owners who are taxpayers of the Spanish Individual Income Tax or taxpayers of the Spanish Corporation Tax, as well as taxpayers of the Spanish Non-resident Income Tax who hold the Securities through a permanent establishment located in Spanish territory.

- (g) **Substitute taxing jurisdiction:** If, pursuant to the Issuer's option under Condition 12(c) (*Substitution and Variation*), the Securities are exchanged for new securities of any wholly-owned direct or indirect finance subsidiary of the Guarantor that is subject to any taxing jurisdiction other than the Netherlands or Spain, respectively, references in these Conditions to the Netherlands or Spain shall be construed as references to the Netherlands or (as the case may be) Spain and/or such other jurisdiction.

9. Enforcement Events and No Events of Default

There are no events of default in respect of the Securities.

However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, or the Guarantor becomes insolvent (*en estado de insolvencia*) pursuant to Article 2 of the Spanish insolvency law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish insolvency law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor under the Securities or the Guarantee but in no event shall the Issuer or the Guarantor by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the

Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

10. **Prescription**

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 7 (*Payments*) within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

11. **Replacement of Securities and Coupons**

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Fiscal Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefore, pay such Coupon when due.

12. **Meetings of Holders of Securities and Modification, Substitution and Variation**

- (a) **Meetings of Holders of Securities:** The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Holders of Securities holding not less than one twentieth in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing at least two thirds of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of Securities duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders of Securities.

- (b) **Modification:** The Securities, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders of Securities to correct a manifest error or in accordance with Condition 4(d) (*Interest Payments - Benchmark Replacement*). Except as otherwise provided in these Conditions, no other modification may be made to the Securities, these Conditions, the Deed of Covenant or the Deed of Guarantee except with the sanction of a resolution of the Holders of the Securities.

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the opinion of the Issuer and the Guarantor, (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

- (c) **Substitution and Variation:** If at any time after the Original Securities Issue Date the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, as an alternative to an early redemption of the Securities, on any applicable Interest Payment Date, without the consent of the Holders,

(i) exchange the Securities (the "**Exchanged Securities**") into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor (a "**Substitute Issuer**") with a guarantee of the Guarantor, or (ii) vary the terms of the Securities (the "**Varied Securities**"), so that in either case (A) in the case of a Tax Event, in respect of (I) the Issuer's (or Substitute Issuer's) obligation to make any payment of interest under the Exchanged Securities or Varied Securities; or (II) the obligation of the Guarantor to make any payment of interest in favour of the Issuer (or Substitute Issuer) under the Subordinated Loan (or any replacement thereof between the Guarantor and Substitute Issuer), the Issuer, the Guarantor or the Substitute Issuer (as the case may be) is entitled to claim a deduction or a higher deduction (as the case may be) in respect of interest paid when computing its tax liabilities in the Netherlands, in Spain or in the taxing jurisdiction of the Substitute Issuer (as the case may be), as compared with the entitlement after the occurrence of the relevant Tax Event, (B) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee (as defined below) the Issuer, the Guarantor or the Substitute Issuer are not required to pay a greater amount of Additional Amounts in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee, (C) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of the consolidated financial statements of the Guarantor, or (D) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is assigned "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) by the relevant Rating Agency that is equal to or greater than that which was assigned to the Original Securities on the Original Securities Issue Date or, if "equity credit" is not assigned to the Original Securities by the relevant Rating Agency on the Original Securities Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time.

Any such exchange or variation shall be subject to the following conditions:

- (i) the Issuer giving not less than 10 nor more than 60 days' notice to the Fiscal Agent and the Holders in accordance with Condition 14 (*Notices*);
- (ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities continue to be admitted to trading on the same stock exchange as the Securities if they were admitted to trading immediately prior to the relevant exchange or variation;
- (iii) the Exchanged Securities or Varied Securities shall: (A) rank at least *pari passu* with the ranking of the Securities prior to the exchange or variation, (B) have the benefit of a guarantee (the "**Exchanged or Varied Guarantee**") from the Guarantor on terms not less favourable to Holders than the terms of the Guarantee (as reasonably determined by the Issuer or Substitute Issuer and the Guarantor) and (C) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued interest or Arrears of Interest which have not been paid and any other amounts payable under the Securities which, in each case, has accrued to the Holders and has not been paid, the same rights to principal and interest, and, if publicly rated by S&P, Moody's and/or Fitch immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by each of S&P, Moody's and/or Fitch (as the case may be), as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer or Substitute Issuer and the Guarantor using reasonable measures available to it including discussions with S&P, Moody's and/or Fitch to the extent practicable) (D) not contain terms providing for the mandatory deferral of interest and (E) not contain terms providing for loss absorption through principal write-down or conversion to shares;

- (iv) the preconditions to redemption set out in Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*) having been satisfied and the terms of the exchange or variation (in the sole opinion of the Issuer or Substitute Issuer or the Guarantor, as the case may be) not being prejudicial to the interests of the Holders, including compliance with (iv) above, as certified to the benefit of the Holders by one authorised signatory of the Guarantor, having consulted with an independent investment bank of international standing, and any such certificate shall, absent fraud or manifest error, be final and binding on all parties. However, a change in the governing law of the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons - Subordination of the Securities*) to the laws of the jurisdiction of incorporation of the Substitute Issuer, in connection with any substitution pursuant to Condition 12(c) (*Substitution and Variation*), shall be deemed not to be prejudicial to the interests of the Holders; and
 - (v) the issue of legal opinions addressed to the Fiscal Agent (and which shall be made available to the Holders at the specified offices of the Fiscal Agent during usual office hours) from one or more international law firms of good reputation selected by the Issuer or the Guarantor and confirming (x) that each of the Issuer and the Guarantor has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities and the Exchanged or Varied Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Securities or Varied Securities.
- (d) Notwithstanding Condition 8(a) (*Taxation - Additional Amounts*), if at any time after the Original Securities Issue Date, the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on any payment under the Securities, the Issuer may on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities.
 - (e) Any such exchange or variation set out in paragraph (d) above shall be subject to the fulfilment of the same conditions as described under Condition 12(c) (*Substitution and Variation*) in relation to Exchanged Securities or Varied Securities if a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, except that the fulfilment of the preconditions to redemption set out in Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*) as required by Condition 12(c)(iv) above shall be replaced by the delivery by the Guarantor to the Fiscal Agent of a certificate signed by one authorised signatory of the Guarantor and an opinion of independent tax advisers, in each case stating the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on a payment under the Securities.

13. **Further Issues**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

14. **Notices**

Notices to Holders of Securities will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been validly given on the date of the first such publication or, if published more than once on the first date on which publication is made.

Notwithstanding the above, while all the Securities are represented by a Security in global form and such global form Security is deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg in accordance with their respective rules and operating procedures, and such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and/or Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to the Holders of Securities in accordance with this Condition.

15. **Issuer Substitution**

- (a) **Substitution:** The Issuer (which expression in this Condition 15 shall include any company previously substituted hereunder) and the Guarantor may at any time, without the consent of the Holders, substitute for the Issuer (1) the Guarantor or (2) any company or other body corporate incorporated in the European Economic Area and that, at the time of such substitution, is a wholly-owned direct or indirect subsidiary of the Guarantor (the "**Substitute**") upon prior notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders, provided that:
- (i) no payment in respect of the Securities is at the relevant time overdue;
 - (ii) a deed is executed by the Substitute agreeing to be bound by the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant as if the Substitute had been named in the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant as the principal debtor in place of the Issuer (the "**Deed Poll**");
 - (iii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant are unconditionally and irrevocably guaranteed by the Guarantor under a deed of guarantee executed by the Guarantor (the "**New Deed of Guarantee**");
 - (iv) if the Substitute is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the taxing jurisdiction of the Issuer (the "**Issuer's Territory**") or the Guarantor (the "**Guarantor's Territory**"), the Substitute shall in the Deed Poll give an undertaking in terms corresponding to Condition 8 (*Taxation*) with the substitution of the references in that Condition to the laws of the Issuer's Territory for equivalent or similar references to the laws of the Substituted Territory whereupon the Conditions, the Securities and the Fiscal Agency Agreement shall be read accordingly and any references to the Issuer's Territory herein and therein being substituted for references to the Substituted Territory, as applicable;
 - (v) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments as agreed between the Fiscal Agent and the Substitute to give effect to the substitution;
 - (vi) the issue of legal opinions addressed to the Fiscal Agent from one or more international law firms as to the laws of England and of the relevant jurisdictions of the Guarantor and the Substitute, as applicable, selected by the Substitute or the Guarantor, and confirming (x) that each of the Substitute and the Guarantor (as the case may be) has capacity to assume all rights, duties and obligations under the Deed Poll, the Fiscal Agency Agreement and the Securities or the New Deed of Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation in its jurisdiction to assume all such rights and obligations and (y) the legality, validity and enforceability of such obligations;
 - (vii) the Substitute (if incorporated in a jurisdiction other than England) shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 17(b) (*Jurisdiction*)) in England;
 - (viii) the Substitute and the Guarantor, after having given each Rating Agency at least 14 days' notice of such substitution, not having received confirmation from any Rating Agency

that the substitution will adversely affect the eligibility for, or attribution of, the amount of "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as is attributed to the Securities immediately prior to such substitution; and

- (ix) two authorised signatories of the Issuer or two authorised signatories of the Substitute shall have delivered to the Fiscal Agent a certificate stating that the Issuer or, as the case may be, the Substitute has concluded that such substitution (A) will not result in the Substitute becoming entitled, as at the date such substitution becomes effective, to redeem the Securities pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event and (B) will not result in the terms of the Securities immediately following such substitution being materially less favourable to Holders generally than the terms of the Securities immediately prior to such substitution.

- (b) **Effect of Substitution:** Upon execution of the Deed Poll and the delivery of the legal opinions referred to above, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Conditions, the Securities and the Fiscal Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein and therein, and the Issuer shall be released from its obligations under the Conditions, the Securities and the Fiscal Agency Agreement, and where the Substitute is the Guarantor, the Guarantor shall be released from its obligations under the Guarantee.

- (c) **Further Substitutions and Reversal:** After a substitution pursuant to this Condition 15, the Substitute may, without the consent of any Holder, effect a further substitution. All of the provisions specified in Conditions 15(a) (*Substitution*) and 15(b) (*Effect of Substitution*) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute. After a substitution pursuant to Condition 15(a) (*Substitution*) and/or this Condition 15(c) any Substitute may, without the consent of any Holder, reverse the substitution *mutatis mutandis*.

- (d) **Governing Law Substitute:** In the event of a substitution pursuant to this Condition 15, the governing law of Condition 2 (*Status and Subordination of the Securities and Coupons*) shall, as applicable, be amended to the governing law of the jurisdiction of incorporation of the Substitute.

16. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

17. **Governing Law**

- (a) **Governing Law:** The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons - Subordination of the Securities*) which are governed by and construed in accordance with the laws of the Netherlands, and the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee - Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee - Subordination of the Guarantee*), and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.

- (b) **Jurisdiction:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Securities or the Coupons (including a dispute relating to the existence, validity or termination of the Securities or any non-contractual obligations arising out of or in connection with the Securities or the consequences of their nullity). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition is for the benefit of the Holders only. As a result, nothing in this Condition 17 prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

- (c) **Agent for Service of Process:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Telefónica Digital Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

18. Definitions

In these Conditions:

"2014 Non-Call Securities" means the EUR 1,000,000,000 Undated 10 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1050461034) issued by the Issuer on 31 March 2014 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"2018 Non-Call Securities" means the EUR 1,250,000,000 Undated 5.7 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1795406575) issued by the Issuer on 22 March 2018 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor and the EUR 1,000,000,000 Undated 8.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1795406658) issued by the Issuer on 22 March 2018 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"2019 Non-Call Securities" means the March 2019 Non-Call Securities and the September 2019 Non-Call Securities;

"2020 Non-Call Securities" means the EUR 500,000,000 Undated 7.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2109819859) issued by the Issuer on 5 February 2020 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"2021 Non-Call Securities" means the February 2021 Non-Call Securities and the November 2021 Non-Call Securities;

"2022 Non-Call Securities" means the EUR 750,000,000 Undated 6 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2462605671) issued by the Issuer on 23 November 2022 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"2023 Non-Call Securities" means the EUR 1,000,000,000 Undated 7.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond) (ISIN: XS2582389156) issued by the Issuer on 2 February 2023 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"30/360 Day Count" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

"8 Year Swap Rate" has the meaning given to it in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*);

"8 Year Swap Rate Quotations" has the meaning given to it in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*);

an **"Accounting Event"** shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 (*Notices*) that it has so received, a letter or report of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting rules or methodology (or in each case the application thereof) after the Original Securities

Issue Date (the earlier of such date that the aforementioned change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice, the "**Accounting Event Adoption Date**"), the Securities may not or may no longer be recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the consolidated financial statements of the Guarantor. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date. For the avoidance of doubt, such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect;

"**Additional Amounts**" has the meaning given to it in Condition 8(a) (*Taxation - Additional Amounts*);

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (ii) the Issuer determines, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the counter derivative transactions or is in customary market usage in the debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or
- (iii) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer determines, following consultation with the Independent Adviser, has replaced the Original Reference Rate in customary market usage in the international swap markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in euros;

"**Affiliates**" means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Guarantor;

"**Arrears of Interest**" has the meaning given to it in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"**Benchmark Amendments**" has the meaning given to it in Condition 4(d)(iv) (*Interest Payments - Benchmark Replacement*);

"**Benchmark Event**" means:

- (i) the Original Reference Rate has ceased to be published as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate) it has ceased publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date; or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or

- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will, by a specified future date, be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Securities; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate that, in the view of such supervisor, the Original Reference Rate is or will, by a specified future date no longer representative of an underlying market; or
- (vi) it has or will, by a specified date within the following six months, become unlawful for any Paying Agent, Fiscal Agent, Agent Bank, the Issuer, the Guarantor or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate (including, without limitation, under Regulation (EU) 2016/1011, if applicable),

and, notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) or (v) above and the specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date;

"business day" has the meaning given to it in Condition 7(e) (*Payments - Payments on business days*);

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which T2 is operating;

"Calculation Amount" has the meaning given to it in Condition 4(b) (*Interest Payments - Interest Accrual*);

a **"Capital Event"** shall be deemed to occur if the Issuer or the Guarantor has received (directly or via publication by such Rating Agency), and notified the Holders in accordance with Condition 14 (*Notices*) that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Original Securities Issue Date:

- (i) all or any of the Securities are being assigned a level of "equity credit" that is lower than the level or equivalent level of "equity credit" assigned to the Original Securities by such Rating Agency on the Original Securities Issue Date, or, if "equity credit" is not assigned to the Original Securities by the relevant Rating Agency on the Original Securities Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time; or
- (ii) if the Securities have been partially re-financed since the Original Securities Issue Date and are no longer eligible for "equity credit" in part or in full as a result, paragraph (i) above would have applied had the Securities not been re-financed; or
- (iii) the length of time the Securities are assigned a particular level of "equity credit" by that Rating Agency would be shortened as compared to the length of time they would have been assigned that level of "equity credit" by that Rating Agency on the initial issuance of the Securities;

"Compulsory Arrears of Interest Settlement Event" has the meaning given to it in Condition 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*);

"Condition" means the terms and conditions of the Securities;

"Deferral Notice" has the meaning given to it in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"Deferred Interest Payment" has the meaning given to it in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"Dividend Declaration" has the meaning given to it in Condition 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*);

"Early Redemption Amount" means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Accounting Event or a Capital Event, 101 per cent. of the principal amount of such Securities;

"February 2021 Non-Call Securities" means the EUR 1,000,000,000 Undated 8.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2293060658) issued by the Issuer on 4 February 2021 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"Financial Adviser" means an independent and internationally recognised financial adviser selected by the Issuer at its own expense;

"First Call Date" means 7 June 2031;

"First Reset Date" means 7 September 2031;

"Fitch" means Fitch Ratings Ireland Limited;

"Further Securities" means any Securities issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the outstanding Securities;

"Group" mean the Guarantor and its consolidated subsidiaries;

"Guarantor" means Telefónica, S.A.;

"Holder" has the meaning given to it in Condition 1(b) (*Form, Denomination and Title - Title*);

"IFRS-EU" means International Financial Reporting Standards, as adopted by the European Union;

"IASB" means the International Accounting Standards Board;

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer (at its own expense) under Condition 4(d) (*Interest Payments - Benchmark Replacement*);

"Interest Payment" means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 4 (*Interest Payments*);

"Interest Payment Date" means 7 September in each year;

"Interest Period" means the period beginning on (and including) the Original Securities Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Issuer" means Telefónica Europe B.V.;

"Issuer Winding-up" means a situation where (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, except for the purposes of a solvent merger, reconstruction or amalgamation, or (ii) a trustee (*curator*) is appointed by the competent District Court in the Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days;

"Junior Obligations" means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

"Junior Obligations of the Guarantor" means all obligations of the Guarantor issued or incurred directly or indirectly by it which rank or are expressed to rank junior to the Guarantee, including Ordinary Shares of the Guarantor and any other shares (*acciones*) in the capital of the Guarantor (and, if divided into classes, each class thereof);

"Junior Obligations of the Issuer" means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including (i) Ordinary Shares of the Issuer and (ii) Preferred Shares of the Issuer, if any;

"Law 10/2014" means Law 10/2014 of 26 June 2014, on regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*);

"Make-Whole Redemption Amount" means in respect of a redemption of the Securities pursuant to Condition 6(c) (*Redemption and Purchase – Issuer's Make-Whole Call Option*), an amount calculated by the Agent Bank equal to the higher of:

- (i) 100 per cent. of the principal amount of the Securities to be redeemed; and
- (ii) the sum of the present values of the principal amount of the Securities to be redeemed and the aggregate amount of scheduled payment(s) of interest on such Securities for the Remaining Term (exclusive of accrued and unpaid interest to the Redemption Date and any outstanding Arrears of Interest) discounted to the relevant Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 (in the case of a leap year, 366)) at the greater of (A) a rate equal to the sum of: (x) the Reference Bond Rate and (y) 0.500 per cent. per annum, or (B) 0 (zero) per cent.;

"March 2019 Non-Call Securities" means the EUR 1,300,000,000 Undated 6 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1933828433) issued by the Issuer on 14 March 2019 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"Mandatory Settlement Date" has the meaning given to it in Condition 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*);

"Moody's" means Moody's Investors Service España S.A.;

"November 2021 Non-Call Securities" means the EUR 750,000,000 Undated 6.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Sustainable Development Goals Bonds) (ISIN: XS2410367747) issued by the Issuer on 16 November 2021 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"Optional Deferred Interest Settlement Date" has the meaning given to it in Condition 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*);

"Ordinary Shares of the Guarantor" means ordinary shares in the capital of the Guarantor, having at the Original Securities Issue Date a nominal value of EUR 1.00 each;

"Ordinary Shares of the Issuer" means ordinary shares in the capital of the Issuer, having on the Original Securities Issue Date a nominal amount of EUR 460.00 each;

"Original Reference Rate" means EURIBOR;

"Original Securities Issue Date" means 7 September 2023;

"Parity Obligations" means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

"Parity Obligations of the Guarantor" means any and all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with the First Additional Provision of Law 10/2014, obligations equivalent to preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor (whether issued under the First Additional Provision of Law 10/2014 or any other law or regulation of Spain or of any other jurisdiction) and obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee (which include the guarantees granted by the Guarantor in connection with the 2023 Non-Call Securities, the 2022 Non-Call Securities, the 2021 Non-Call Securities, the 2020

Non-Call Securities, the 2019 Non-Call Securities, the 2018 Non-Call Securities and the 2014 Non-Call Securities);

"Parity Obligations of the Issuer" means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities including (i) the 2023 Non-Call Securities, (ii) the 2022 Non-Call Securities, (iii) the 2021 Non-Call Securities, (iv) the 2020 Non-Call Securities, (v) the 2019 Non-Call Securities and (vi) the 2018 Non-Call Securities;

"Preferred Shares of the Issuer" means any preference shares in the capital of the Issuer (and, if divided into classes, each class thereof);

"Prevailing Interest Rate" means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4 (*Interest Payments*);

"Proceedings" has the meaning given to it in Condition 17(b) (*Governing Law - Jurisdiction*);

"Rating Agency" means S&P, Moody's or Fitch or, in each case, any successor to the rating agency business thereof;

"Redemption Date" means the date fixed for redemption of the Securities pursuant to Condition 6 (*Redemption and Purchase*);

"Reference Bond" means DBR 0% 15 August 2031 (ISIN: DE0001102564) or, if such security is no longer outstanding, shall be a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the Remaining Term that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in euros and of a comparable maturity to the Remaining Term;

"Reference Bond Price" means, with respect to the relevant Redemption Date, the amount displayed on the Reference Screen Page or, if the Reference Screen Page is not available, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Agent Bank is provided with fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"Reference Bond Rate" means, with respect to the relevant Redemption Date, the rate per annum equal to the annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date;

"Reference Date" will be set out in the relevant notice of redemption;

"Reference Government Bond Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and the relevant Redemption Date, the arithmetic average, as determined by the Agent Bank, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at 11 a.m. (Central European time) on the Reference Date quoted in writing to the Agent Bank by such Reference Government Bond Dealer;

"Reference Screen Page" means Bloomberg HP page for the Reference Bond (using the settings "Mid YTM" and "Daily" with price source "Bloomberg Generic") or any successor or replacement page, section or other part of the information service, or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Bond;

"Relevant Date" means (i) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or Guarantor, as the case may be, the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such

date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 14 (*Notices*) and (ii) in respect of a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

"Relevant Period" means the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date;

"Remaining Term" means, with respect to any Security, the period from (and including) the Redemption Date to (but excluding): (a) if the Redemption Date occurs before the Relevant Period, the First Call Date; or (b) if the Redemption Date occurs after the Relevant Period, the next succeeding Interest Payment Date;

"Reset Date" means the First Reset Date and each date falling on the 8th anniversary thereafter;

"Reset Interest Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

"Reset Period" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

"Reset Reference Banks" has the meaning given to it in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*);

"Reset Reference Bank Rate" has the meaning given to it in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*);

"Reset Screen Page" has the meaning given to it in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*);

"S&P" means S&P Global Ratings Europe Limited;

"Senior Obligations of the Guarantor" means all obligations of the Guarantor, including subordinated obligations of the Guarantor according to Spanish insolvency law, other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;

"Senior Obligations of the Issuer" means all obligations of the Issuer, including subordinated obligations of the Issuer according to Dutch insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

"September 2019 Non-Call Securities" means the EUR 500,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2056371334) issued by the Issuer on 24 September 2019 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"**Subordinated Loan**" means the subordinated loans made by the Issuer to the Guarantor dated 7 September 2023 and 18 September 2024, pursuant to which the proceeds of the issue of the Securities are on-lent to the Guarantor;

"**Subsequent Fixed Interest Rate**" has the meaning given to it in Condition 4(c)(ii) (*Interest Payments - Prevailing Interest Rate*);

a "**Substantial Purchase Event**" shall be deemed to have occurred if at least 75 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6(j) (*Redemption and Purchase - Cancellation*));

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

"**T2**" means the real time gross settlement system operated by the Eurosystem of any successor system;

a "**Tax Event**" shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of (i) the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

For the avoidance of doubt, a Tax Event shall not occur if payments of interest under the Subordinated Loan by the Guarantor are not deductible in whole or in part for Spanish corporate income tax purposes solely as a result of general tax deductibility limits set forth by Article 16 of Law 27/2014 dated 27 November 2014, on Corporate Income Tax, as at 31 August 2023;

"**Tax Law Change**" means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of the Netherlands or Spain or, in either case, any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which the Netherlands or Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 31 August 2023;

"**Taxes**" has the meaning given to it in Condition 8(a) (*Taxation - Additional Amounts*);

"**Taxing Authority**" has the meaning given to it in Condition 8(a) (*Taxation - Additional Amounts*); and

a "**Withholding Tax Event**" shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities or the Guarantee the Issuer or the Guarantor has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The New Securities will initially be in the form of the Temporary Global Security which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Securities are not intended to be held in a manner which would allow Eurosystem eligibility.

The Temporary Global Security will be exchangeable in whole or in part for interests in the Permanent Global Security not earlier than 40 days after the Closing Date upon certification as to non-US beneficial ownership. No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the Securities cannot be collected without such certification of non-US beneficial ownership.

The Permanent Global Security will become exchangeable in whole, but not in part, for Securities in definitive form ("**Definitive Securities**") in the denomination of EUR 100,000 each at the request of the bearer of the Permanent Global Security if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) if principal in respect of any of the Securities is not paid when due and payable.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) the Temporary Global Security is not duly exchanged, whether in whole or in part, for the Permanent Global Security by 5.00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied; or
- (b) Definitive Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Security for Definitive Securities; or
- (c) the Temporary or Permanent Global Security (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary or Permanent Global Security on the due date for payment,

then the relevant Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) and (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above), and the bearer of such Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Global Security or others may have under a deed of covenant dated 7 September 2023 (as supplemented on around the New Securities Issue Date, the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the relevant Global Security will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Security becomes void, they had been the holders of Definitive Securities in an aggregate principal amount equal to the principal amount of Securities they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Security and the Permanent Global Security will contain provisions which modify the Conditions as they apply to such Temporary Global Security and Permanent Global Security. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Security and the Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Security or (as the case may be) the Permanent Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of

the Temporary Global Security or (as the case may be) the Permanent Global Security, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Security or the Permanent Global Security "**business day**" means any day on which T2 is open.

Notices: While all the Securities are represented by the Permanent Global Security (or by the Temporary Global Security) and the Permanent Global Security (or the Temporary Global Security) is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders of the Securities: (i) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 14 (*Notices*) of the Securities on the date of delivery to Euroclear and Clearstream, Luxembourg, and (ii) shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are listed/and or admitted to trading.

FORM OF GUARANTEE

The text of the Deed of Guarantee is as follows:

This Deed of Guarantee is made on 7 September 2023.

BY

- (1) **TELEFÓNICA, S.A.** (the "**Guarantor**")

IN FAVOUR OF

- (2) **THE HOLDERS** of any Security or Securities (as defined below) or the coupons relating to them; and
(3) **THE RELEVANT ACCOUNT HOLDERS** (as defined in the Deed of Covenant described below).

WHEREAS

- (A) Telefónica Europe B.V. (the "**Issuer**") proposes to issue EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Securities**", which expression shall, if the context so admits, include the Global Securities (whether in temporary or permanent form)) in connection with which, the Issuer and Guarantor have become parties to a fiscal agency agreement (the "**Fiscal Agency Agreement**") dated 7 September 2023 between, inter alios, the Issuer, the Guarantor and The Bank of New York Mellon, London Branch in its various capacities as set out therein relating to the Securities, and the Issuer has executed and delivered a deed of covenant dated 7 September 2023 (the "**Deed of Covenant**").
- (B) The Guarantor has duly authorised the giving of a guarantee on a subordinated basis in respect of the Securities and the Deed of Covenant.

THIS DEED WITNESSES as follows:

1. **Interpretation**

- 1.1 All terms and expressions which have defined meanings in the Conditions (as defined in the Deed of Covenant), the Fiscal Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.
- 1.2 Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.
- 1.3 All references in this Deed of Guarantee to an agreement, instrument or other document (including the Conditions, the Fiscal Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.
- 1.4 Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.
- 1.5 Clause headings are for ease of reference only.

2. **Guarantee and Indemnity**

- 2.1 The Guarantor hereby unconditionally and irrevocably guarantees on a subordinated basis:
- 2.1.1 to each Holder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of any Security as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Security in accordance with the Conditions of the Securities and which the Issuer has failed to pay; and

- 2.1.2 to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith in the manner and currency prescribed by the Conditions of the Securities for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay.
- 2.2 The Guarantor undertakes to each Holder and each Relevant Account Holder that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Security, any provision of any Security, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, forthwith upon demand by such Holder or Relevant Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by the Securities or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.
3. **Taxes**
- The Guarantor covenants in favour of each Holder and each Relevant Account Holder that it will duly perform and comply with its obligations expressed to be undertaken by it in Condition 8 (*Taxation*).
4. **Preservation of Rights**
- 4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as principal debtor.
- 4.2 The obligations of the Guarantor herein contained shall be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under any Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Securities and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.
- 4.3 Neither the obligations expressed to be assumed by the Guarantor herein contained nor the rights, powers and remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:
- 4.3.1 the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or
- 4.3.2 any of the obligations of the Issuer under any of the Securities or the Deed of Covenant being or becoming illegal, invalid or unenforceable; or
- 4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Securities or the Deed of Covenant; or
- 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under any of the Securities or the Deed of Covenant; or any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law.
- 4.4 Any settlement or discharge between the Guarantor and the Holders, the Relevant Account Holders or any of them shall be conditional upon no payment to the Holders, the Relevant Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders and the Relevant Account Holders shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

- 4.5 No Holder or Relevant Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:
- 4.5.1 to make any demand of the Issuer, other than (in the case of a Holder) the presentation of the relevant Security; or
 - 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
 - 4.5.3 to make or file any claim or proof in a winding-up or dissolution of the Issuer and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Security, presentment, demand and protest and notice of dishonour.
- 4.6 The Guarantor agrees that so long as any amounts are or may be owed by the Issuer under any of the Securities or the Deed of Covenant or the Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:
- 4.6.1 to claim any contribution from any other guarantor of the Issuer's obligations under the Securities or the Deed of Covenant; and/or
 - 4.6.2 to take the benefit, in whole or in part, of any security enjoyed in connection with, any of the Securities or the Deed of Covenant issued by the Issuer, by any Holder or Relevant Account Holder; and/or
 - 4.6.3 to be subrogated to the rights of any Holder or Relevant Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

5. **Conditions, Status and Subordination**

- 5.1 The Guarantor undertakes to comply with and be bound by those provisions of the Conditions which relate to it and which are expressed to relate to it.
- 5.2 The Guarantor undertakes that its obligations hereunder rank, and will at all times rank, as described in Condition 3(b) (*Guarantee, Status and Subordination of the Guarantee - Status of the Guarantee*).
- 5.3 In the event of the Guarantor being declared in insolvency ("*concurso*") under Spanish insolvency law, the provisions of Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee - Subordination of the Guarantee*) shall apply.

6. **Delivery of Deed of Guarantee**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Fiscal Agent and such original shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in the Securities occurs. A certified copy of this Guarantee may be obtained by any Holder or any Relevant Account Holder from the Fiscal Agent at its specified office at the expense of such Holder or Relevant Account Holder. Any Holder or Relevant Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 10 (*Law and Jurisdiction*) below) upon the basis described in the Deed of Covenant (in the case of a Relevant Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Fiscal Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders and Relevant Account Holders. This Clause shall not limit any right of any Holder or Relevant Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

7. **Deed Poll; Benefit of Guarantee**

- 7.1 This Deed of Guarantee shall take effect as a deed poll for the benefit of the Holders and the Relevant Account Holders from time to time.

7.2 The obligations expressed to be assumed by the Guarantor herein shall enure for the benefit of each Holder and Relevant Account Holder, and each Holder and each Relevant Account Holder shall be entitled severally to enforce such obligations against the Guarantor.

7.3 The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Guarantor on terms approved by an Extraordinary Resolution of the Holders.

8. Provisions Severable

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

9. Notices

9.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Address: Distrito Telefónica
Edificio Central
c/ Ronda de la Comunicación, s/n
28050 Madrid
Spain

Fax: + 34 91 727 1397
Attention: Carlos David Maroto Sobrado

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Securities.

9.2 Every communication sent in accordance with Clause 9.1 shall be effective upon receipt by the Guarantor; and **provided, however, that** any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

10. Law and Jurisdiction

10.1 **Governing Law:** This Deed of Guarantee and all non-contractual obligations arising from or connected with it, are governed by and shall be construed in accordance with English law, except for the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee - Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee - Subordination of the Guarantee*) referred to in Clauses 5.2 and 5.3, respectively, which shall be governed by and construed in accordance with Spanish law.

10.2 **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Guarantee) or the consequences of its nullity.

10.3 **Appropriate forum:** The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

10.4 **Rights of the Holders and Relevant Account Holders:** Clause 10.2 (*English courts*) is for the benefit of the Holders and the Relevant Account Holders only. As a result, nothing in this Clause 10 (*Law and jurisdiction*) prevents the Holders and Relevant Account Holders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders and Relevant Account Holders may take concurrent Proceedings in any number of jurisdictions.

10.5 **Process agent:** The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered

to, Telefónica Digital Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom or, if different, its registered office for the time being or at any address of the Guarantor in the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder or Relevant Account Holder to serve process in any other manner permitted by law. This clause applies to Proceedings in England.

IN WITNESS whereof this Deed has been signed as a deed by the Guarantor and is hereby delivered on the date first above written.

SIGNED as a DEED and DELIVERED)
on behalf of Telefónica, S.A.)
a company incorporated in the Kingdom of Spain)
by:)
.....)
being a person who, in accordance with)
the laws of that territory are acting under)
the authority of the company)

FORM OF SUPPLEMENTAL DEED OF GUARANTEE

THIS SUPPLEMENTAL DEED OF GUARANTEE is made on 18 September 2024

BY

- (1) **TELEFÓNICA, S.A.** (the "**Guarantor**")

IN FAVOUR OF

- (2) **THE HOLDERS** of any Security or Securities (as defined below) or the coupons relating to them; and
(3) **THE RELEVANT ACCOUNT HOLDERS** (as defined in the Deed of Covenant described below).

WHEREAS

- (A) Telefónica Europe B.V. (the "**Issuer**") has authorised the creation and issue of EUR 200,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**New Securities**") to be consolidated and form of single series with the EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities issued by the Issuer on 7 September 2023 (the "**Original Securities**" and, together with the New Securities, the "**Securities**"). Telefónica, S.A. (the "**Guarantor**") has provided a guarantee on a subordinated basis in relation to the Original Securities, and a deed of covenant dated 7 September 2023 issued by the Issuer in connection with the Original Securities (the "**Original Deed of Covenant**"), pursuant to a deed of guarantee dated 7 September 2023 (the "**Original Deed Guarantee**"). The Guarantor has duly authorised the giving of a guarantee on a subordinated basis in respect of the New Securities and the Original Deed of Covenant as supplemented on or around the date hereof (the "**Deed of Covenant**") in accordance with the terms of this Supplemental Deed of Guarantee.
- (B) The Issuer and the Guarantor have, in relation to the Original Securities, entered into a fiscal agency agreement dated 7 September 2023 (the "**Original Agency Agreement**") with The Bank of New York Mellon, London Branch (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Securities) and the other paying agents named therein. In connection with the issuance of the New Securities, the parties to the Original Agency Agreement have entered into a supplemental fiscal agency agreement on or on around the date hereof (the "**Supplemental Agency Agreement**" and, together with the Original Agency Agreement, the "**Agency Agreement**").

THIS DEED OF COVENANT WITNESSES as follows:

1. INTERPRETATION

1.1 Definitions

Words and expressions defined in the Original Deed of Guarantee shall, unless the context otherwise requires, have the same meanings in this Supplemental Deed of Guarantee.

1.2 Interpretation of Original Deed of Covenant

Subject as provided in this Supplemental Deed of Guarantee, the provisions of the Original Deed of Guarantee shall, where the context so admits, be deemed to be amended with effect from the date hereof as if references therein to:

- 1.2.1 the "Securities" were references to both the Original Securities and the New Securities; and

1.2.2 the "Conditions" shall be construed as to refer: (a) in respect of the Original Securities, to the terms and conditions of the Original Securities contained in schedule 4 to the Original Agency Agreement; and (b) in respect of the New Securities, to the terms and conditions of the New Securities as set out in schedule 4 to the Supplemental Agency Agreement.

2. **INCORPORATION OF ORIGINAL DEED OF GUARANTEE**

This Supplemental Deed of Guarantee shall be read as one with the Original Deed of Guarantee so that all references therein to "this Deed of Guarantee" shall be deemed to refer to the Original Deed of Guarantee as amended and supplemented by this Supplemental Deed of Guarantee.

Save as expressly set out herein, the Original Deed of Guarantee shall continue in full force and effect.

3. **DEED POLL; BENEFIT OF GUARANTEE**

3.1 **Deed Poll; Benefit**

This Supplemental Deed of Guarantee shall take effect as a deed poll for the benefit of the Holders and the Relevant Account Holders from time to time.

3.2 **Benefit**

The obligations expressed to be assumed by the Guarantor herein shall ensure for the benefit of each Holder and Relevant Account Holder, and each Holder and Relevant Account Holder shall be entitled severally to enforce such obligations against the Guarantor.

3.3 **Assignment**

The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Guarantor on terms approved by an Extraordinary Resolution of the Holders.

4. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

5. **LAW AND JURISDICTION**

5.1 **Governing law**

This Supplemental Deed of Guarantee and all non-contractual obligations arising from or connected with it are governed by and shall be construed in accordance with English law, except for the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) which shall be governed by and construed in accordance with Spanish law.

5.2 **English courts**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Supplemental Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Supplemental Deed of Guarantee) or the consequences of its nullity.

5.3 **Appropriate forum**

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

5.4 **Rights of the Relevant Account Holders to take proceedings outside England**

Clause 5.2 (*Law and Jurisdiction - English courts*) is for the benefit of the Holders and the Relevant Account Holders only. As a result, nothing in this Clause 5 prevents the Holders and Relevant Account Holders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders and Relevant Account Holders may take concurrent Proceedings in any number of jurisdictions.

5.5 **Service of Process**

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to, Telefónica Digital Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom or, if different, its registered office for the time being or at any address of the Guarantor in the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder or Relevant Account Holder to serve process in any other manner permitted by law. This clause applies to Proceedings in England.

IN WITNESS whereof this Supplemental Deed of Guarantee has been executed by the Issuer and is intended to be and is hereby delivered on the date first before written.

IN WITNESS whereof this Deed has been signed as a deed by the Guarantor and is hereby delivered on the date first above written.

SIGNED as a DEED and DELIVERED)
on behalf of Telefónica, S.A.)
a company incorporated in the Kingdom of Spain)
by: Arturo Lorente Palao, Director)
being a person who, in accordance with)
the laws of that territory are acting under)
the authority of the company)

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

An amount equal to the net proceeds of the issue of the New Securities, expected to amount to EUR 218,246,840, will subject to specific eligibility criteria be applied to finance new or refinance existing projects ("**Eligible Projects**"), as detailed in Telefónica's Sustainable Financing Framework (the "**Sustainable Financing Framework**") dated July 2023. The Sustainability Financing Framework is in accordance with the Green Bond Principles 2021, Social Bond Principles 2023, Sustainability Bond Guidelines 2021, as well as the Green Loan Principles and Social Loan Principles both dated 2023, sponsored by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), respectively.

The Sustainable Financing Framework is available at:

<https://www.telefonica.com/es/wp-content/uploads/sites/4/2023/07/Telefonica-Framework-Green-Social-Bonds-20230731.pdf>

The Second-Party Opinion from Sustainalytics B.V. dated 26 July 2023 (the "**Second-Party Opinion**") is available at:

<https://www.telefonica.com/es/wp-content/uploads/sites/4/2023/07/Telefonica-SDG-Framework-Second-Party-Opinion-20230731.pdf>

Some examples of green Eligible Projects according to the Sustainable Financing Framework are:

- Energy efficiency of Telefónica's network infrastructure
 - Transformation and modernisation of telecommunication networks, both fixed (fiber) and mobile (i.e., 5G), including devices and systems supporting the deployment and operation of these telecommunications networks and their interoperability.
 - Improvement of supporting infrastructure with a view to making it more efficient (including but not limited to: free cooling systems, cooling optimisation, power modernisation, smart management, intelligent lighting or optimisation of power storage). This also includes digital process transformation, such as automatization of maintenance processes.
 - Software aimed at reducing power consumption, such as, but not limited to, power saving features, servers virtualisation, remote and data management applications, machine learning and artificial intelligence applications.
- Renewable energy:
 - Self-generation of electricity from renewable sources such as solar, wind, mini-hydro and geothermal (excluding hydro over 25 megawatts and geothermal with life cycle greenhouse gas emissions > 100 grams of carbon dioxide per kilowatt hour).
 - Purchase of renewable energy pursuant to long-term power purchase agreements (minimum of 5 years) and tied to Telefónica's specific and identifiable renewable energy projects.
- Data-driven solutions:
 - Development and implementation of digital products and services, based on but not limited to technologies like IoT, Big Data or artificial intelligence, with a focus on saving energy and/or natural resources.

The list of eligibility criteria within the Sustainable Financing Framework may be further updated as new technologies develop and other circumstances evolve.

Eligible Projects refer to new investments made after issuance as well as the refinancing of any existing projects financed up to 36 months prior to issuance of the Securities.

A sustainable financing committee (the "**Sustainable Financing Committee**") will monitor the project selection and evaluation process as per the eligibility criteria set out in the Sustainable Financing Framework. This committee will be composed of senior management representatives from Telefónica's Finance, Sustainability and Control departments alongside representatives from other key technical areas.

The Sustainable Financing Committee will be responsible for:

- Review and validation of the selection of Eligible Projects based on the defined eligible categories listed above.
- Monitoring the Eligible Projects portfolio during the life of the Securities. The Sustainable Financing Committee can decide to replace an Eligible Projects if it no longer meets the eligibility criteria.
- Management of any future updates to the Sustainable Financing Framework.
- Overseeing of, and validating, the allocation and impact reporting.

Telefónica may amend or update the Sustainable Financing Framework in the future. Any change to the Sustainable Financing Framework would be publicly announced. The Sustainable Financing Framework, including any changes thereto, will be available on <https://www.telefonica.com/en/shareholders-investors/rating/sustainable-finance/>.

For the avoidance of doubt, neither the Sustainable Financing Framework nor the Second-Party Opinion are, nor shall either of them be deemed to be, incorporated in, and/or form part of, this Offering Memorandum.

DESCRIPTION OF THE ISSUER

Introduction

Telefónica Europe B.V. (the "**Issuer**") was incorporated for an indefinite period on 31 October 1996 in the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands and in accordance with Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*). Its statutory seat is at Amsterdam, the Netherlands, and its business address is at Zuidplein 112, Tower One, 13th floor, 1077XV Amsterdam, the Netherlands. The Issuer's telephone number is +31(0)20 575 3372. Telefónica Europe B.V. is registered with the trade register of the Dutch Chamber of Commerce under number 24269798. The authorised share capital of the Issuer is EUR 46,000 represented by 100 ordinary shares having a nominal value of EUR 460 each. The share capital of the Issuer is fully subscribed and paid up by Telefónica as the sole shareholder.

Business Overview

Telefónica Europe B.V. is a wholly-owned subsidiary of the Guarantor and its principal purpose is raising finance for the Telefónica Group. The Issuer raises funds primarily by issuing negotiable, and non-negotiable, instruments into the capital and money markets.

Directors

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Principal occupation</u>	<u>Principal External Activities</u>
Carlos David Maroto Sobrado.....	Director A	Head of Financing at the Guarantor Director of Telefónica Participaciones, S.A.U. Director of Telefónica Emisiones, S.A.U. Director of Virgin Media Inc.
François Declève.....	Director A	Director of Financing Subsidiaries and Equity at the Guarantor Director of Virgin Media Inc.
Priscilla Schraal.....	Director B	Director of Client at TMF Netherlands B.V.
Miguel Ángel Contreras Contreras.....	Director B	Head of Telfisa Global B.V. Director of Telefónica International Holding B.V. Director of Alianza Atlántica Holding B.V. Director of Telfisa Global, B.V. Director of Telefónica Holding Atticus, B.V. Director of O2 (Netherlands) Holdings, B.V. Director of Telefónica Global Activities Holding B.V.

Under the Issuer's articles of association, in relation to transactions between the Issuer and third parties, the Issuer can be represented either by the complete Board of Directors, or by one A Director and one B Director acting jointly.

The business address of each of the directors of the Issuer is Zuidplein 112, Tower One, 13th floor, 1077XV Amsterdam, the Netherlands.

There are no potential conflicts of interest between any duties owed by the directors of the Issuer to the Issuer and their respective private interests and/or other duties.

DESCRIPTION OF THE GUARANTOR

Introduction

Telefónica, S.A. is a corporation duly organised and existing under the laws of the Kingdom of Spain, incorporated on 19 April 1924. The Guarantor is governed by the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July 2010 (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), as amended. The registered office of the Guarantor is at Gran Vía 28, 28013 Madrid, Spain, its tax identification number is A-28015865, its telephone number is +34 91 482 34 33 and its website is www.telefonica.com. The Telefónica Group is:

- a diversified telecommunications group which provides a comprehensive range of services through its large and modern telecommunications networks;
- focused on providing telecommunications services; and
- present principally in Europe and Latin America.

Telefónica has been assigned long term credit ratings of BBB- (stable outlook), Baa3 (stable outlook), BBB (stable outlook), respectively, by S&P, Moody's and Fitch. Telefónica has been assigned short term credit ratings of A3, P3 and F3, respectively, by S&P, Moody's and Fitch. S&P, Moody's and Fitch are established in the European Union and registered under the EU CRA Regulation. The ratings S&P, Moody's and Fitch have given Telefónica have been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd (respectively) which are established in the United Kingdom and registered under the UK CRA Regulation.

Recent Developments

The principal events that have occurred since 31 December 2023 are set forth below:

- On 3 January 2024, certain subsidiaries of Telefónica Spain endorsed the agreement reached on 28 December 2023 with the most representative trade unions to (i) sign the III Collective Bargaining Agreement, which runs until 31 December 2026 and can be extended for a further year; and (ii) agree the execution of the collective redundancies plan for up to a total of 3,420 employees (the "**Collective Redundancies Plan**"). Employees turning 56 years or older in 2024 and with a seniority of more than 15 years can adhere to the Collective Redundancies Plan. However, targets have been established that may result in limits on joining in critical areas or additional redundancies based on business reasons. The present value of the Collective Redundancies Plan is estimated in a provision of EUR 1,320 million (before taxes), recorded as of 31 December 2023 under "*Personnel expenses*" (see Note 24.a "*Provisions–Employee Benefits*" to the 2023 Consolidated Financial Statements), with no cash impact as of such date.
- On 13 January 2024, the second annual extension of the sustainability-linked syndicated loan facility for EUR 5,500 million of Telefónica, S.A. was exercised. The new expiration date is 13 January 2029.
- On 17 January 2024, Telefónica, S.A., through its wholly-owned subsidiary Telefónica Emisiones, S.A.U. launched under the EMTN Programme a new issuance of notes guaranteed by Telefónica, S.A. in an aggregate principal amount of EUR 1,750 million. This issue was split into two tranches. The first tranche, with an aggregate principal amount of EUR 1,000 million, due on 24 January 2032, pays an annual coupon of 3.698 per cent. and was issued at par. The second tranche, with an aggregate principal amount of EUR 750 million, due on 24 January 2036, pays an annual coupon of 4.055 per cent. and was also issued at par. The settlement of the transaction took place on 24 January 2024. An amount equivalent to the net proceeds will be allocated towards eligible investments in accordance with the Sustainable Financing Framework, including the transformation and modernisation of telecommunications networks based on high-speed fixed and mobile networks, including supporting infrastructure and software to improve the energy efficiency of the networks, as well as the implementation of Telefónica's Renewable Energy Plan, and development and implementation of digital products and services with a focus on saving energy and/or natural resources.

- On 19 January 2024, Telefónica Audiovisual Digital, S.L.U. was awarded exclusive broadcasting rights for five matches per matchday of the Spanish First Division Football League National Championship for pay television in the residential market in Spain. Telefónica Audiovisual will have first pick on 18 matchdays and second pick on 17 matchdays (or the applicable portion for the 2024/2025 season), including the second match of the season between Real Madrid and Barcelona. In addition, it has been awarded exclusive broadcasting rights of one matchday for the 2024/2025 season and three matchdays in the remaining seasons. The award covers the 2024/2025 season, beginning 20 January 2025, as well as the 2025/2026 and 2026/2027 seasons. The price has been set at EUR 250 million for the 2024/2025 season and EUR 520 million for each of the 2025/2026 and 2026/2027 seasons (see Note 29.c "Other Information–Commitments" to the 2023 Consolidated Financial Statements).
- On 22 January 2024, regarding the voluntary public acquisition offer in the form of a partial offer (the "Offer") launched by Telefónica — through Telefónica Local Services GmbH— for shares of Telefónica Deutschland Holding AG ("**Telefónica Deutschland**") announced on November 2023, the Company reported that, following the expiry of the acceptance period, the Offer has been accepted by shareholders holding 233,732,773 Telefónica Deutschland shares, representing approximately 7.86 per cent. of its share capital and voting rights, for an approximate amount of EUR 549 million. In addition, Telefónica has made direct market purchases, from 1 January 2024 to 26 January 2024, for a total of 113,999,566 shares of the aforementioned subsidiary, for an approximate amount of EUR 268 million. Thus, as of 26 January 2024 Telefónica owns, directly and indirectly, 2,799,576,769 shares which represent 94.12 per cent. of the share capital and voting rights of Telefónica Deutschland.
- On 5 February 2024, Telefónica Emisiones S.A.U. redeemed EUR 1,000 million of its notes issued on 5 February 2019. These notes were guaranteed by Telefónica S.A.
- On 22 February 2024, the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee of Telefónica adopted the following resolutions relating to their composition: (i) to appointed Mr. José Javier Echenique Landiribar as Chairman of the Audit and Control Committee; and (ii) to appointed Mr. Peter Löscher as Chairman of the Nominating, Compensation and Corporate Governance Committee.
- On 23 February 2024, Telefónica filed with the United States Securities and Exchange Commission its annual report on Form 20-F for the year ended 31 December 2023.
- On 6 March 2024, Telefónica Europe B.V. carried out the following transactions related to its capital structure:
 - a new issue amounting to EUR 1,100 million, guaranteed by Telefónica, S.A. An amount equal to the net proceeds of the issue of the securities will be subject to specific eligibility criteria to be applied to finance new or refinance existing projects, as detailed in Telefónica's Sustainable Financing Framework. The settlement took place on 15 March 2024; and
 - a tender offer for the following hybrid instrument any outstanding EUR 1,300 million Undated 6 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities. Telefónica Europe B.V. accepted the purchase in cash of the tendered securities for an aggregate principal amount of EUR 1,096.600 million. The tender offer settled on 18 March 2024.
- On 7 March 2024, Telefónica decided to make, through Telefónica Local Services GmbH, a public delisting acquisition offer with the aim of acquiring the shares in Telefónica Deutschland Holding AG not yet directly or indirectly held by Telefónica. On 20 March 2024, the relevant offer document was published following its review and approval by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), and the acceptance period for the delisting offer commenced (offer could be accepted in respect of up to 156,565,942 Telefónica Deutschland shares, corresponding to approximately 5.26 per cent. of the share capital and voting rights in Telefónica Deutschland Holding AG at EUR 2.35 price per share). On 26 March 2024, Telefónica Deutschland's management and supervisory boards issued the joint reasoned statement to the delisting offer, recommending to its shareholders to accept the delisting

offer. The acceptance period expired on 18 April 2024. On 23 April 2024, Telefónica reached approximately 96.85 per cent. of the share capital and voting rights of Telefónica Deutschland after giving effect to the acquisition at settlement of the number of shares for which the delisting offer has been accepted and considering the number of Telefónica Deutschland shares held directly or indirectly by Telefónica at the close of the last trading day of the acceptance period, which corresponds to 2,880,817,453 shares of Telefónica Deutschland. The total number of shares for which the delisting offer was accepted, along with the number of Telefónica Deutschland shares acquired from the announcement of the delisting offer until the close of the last trading day of the acceptance period, was 74,338,954 shares, representing approximately 2.50 per cent. of Telefónica Deutschland's share capital and voting rights, for a total consideration of approximately EUR 175 million, funded entirely with cash. Lastly, the management board of the Frankfurt Stock Exchange resolved the delisting of the shares of Telefónica Deutschland which became effective as of 18 April 2024.

- On 12 April 2024, the Annual General Shareholders' Meeting of Telefónica held at second call approved all the resolutions submitted by the Board of Directors for deliberation and vote by the General Shareholders' Meeting. Likewise, it was informed that a proposal made during the meeting by a shareholder was rejected by a majority of more than 99 per cent.

In addition, the Annual General Shareholders' Meeting agreed the distribution of a dividend in cash charged to unrestricted reserves, by means of a payment of a fixed gross amount of EUR 0.30 during 2024 payable in two tranches, for each existing Telefónica share and carrying entitlement to this distribution on the following dates: (i) the first payment in cash of a gross amount of EUR 0.15 per share was on 20 June 2024, and (ii) the second payment in cash of a gross amount of EUR 0.15 per share will be on 19 December 2024. The required withholdings will be made on said gross amounts in accordance with the applicable regulations.

- Further to the Annual General Shareholders' Meeting of Telefónica, S.A., the Board of Directors of Telefónica, at its meeting held on the same date, following a favorable report from the Nominating, Compensation and Corporate Governance Committee, unanimously adopted the following resolutions regarding the reelection, and the ratification and appointment of Directors approved in the abovementioned meeting: i) to re-elect Mr. Isidro Fainé Casas as Vice-Chairman of the Board of Directors; ii) to re-elect Mr. José Javier Echenique Landiribar as Vice-Chairman of the Board of Directors and Lead Independent Director; iii) to re-elect Mr. Isidro Fainé Casas, Mr. José Javier Echenique Landiribar, Mr. Peter Löscher and Ms. Claudia Sender Ramírez as members of the Executive Commission of the Board of Directors; iv) that the Directors re-elected, and ratified and appointed by the Annual General Shareholders' Meeting that are members of any of the remaining Committees of the Board of Directors, i.e. Mr. José Javier Echenique Landiribar, Mr. Peter Löscher, Ms. Verónica Pascual Boé and Ms. Solange Sobral Targa continue as members of the same. In this regard, Mr. Echenique Landiribar of the Audit and Control Committee, and of the Nominating, Compensation and Corporate Governance Committee; Mr. Löscher of the Nominating, Compensation and Corporate Governance Committee and of the Audit and Control Committee; Ms. Pascual Boé of the Nominating, Compensation and Corporate Governance Committee; and Ms. Sobral Targa of the Sustainability and Regulation Committee. In addition, the Audit and Control Committee agreed to re-elect Mr. José Javier Echenique Landiribar as Chairman. Likewise, the Nominating, Compensation and Corporate Governance Committee agreed to re-elect Mr. Peter Löscher as Chairman.

In addition, the Board of Directors of Telefónica at its meeting held on such date, resolved to carry out the implementation of the share capital reduction through the cancellation of its own shares approved by the Annual General Shareholders' Meeting held on the same date under item IV of its Agenda. The share capital of Telefónica has been reduced in the amount of EUR 80,296,591, through the cancellation of 80,296,591 own shares of Telefónica held as treasury stock, with a nominal value of one euro each. The share capital of Telefónica resulting from the reduction has been set at EUR 5,670,161,554 corresponding to 5,670,161,554 shares with a nominal value of one euro each. On 13 May 2024, the public deed relating to the share capital reduction was registered in the Commercial Registry of Madrid.

- On 8 May 2024, Board of Directors of Telefónica unanimously resolved to accept the voluntary resignation presented by Ms. Carmen García de Andrés from her position as Director of Telefónica, for personal reasons and in order to contribute to the process of orderly renewal of the Board of

Directors of Telefónica. The Board of Directors expressed its gratitude for the services rendered to Telefónica during her tenure. Consequently, Ms. Carmen García de Andrés was no longer member of the Board of Directors' Committees of which she was member. In particular, the Audit and Control Committee and the Sustainability and Regulation Committee. To fill the abovementioned vacancy, and following a favorable report from the Nominating, Compensation and Corporate Governance Committee, the Board of Directors of the Company has resolved to appoint, by co-optation, Mr. Carlos Ocaña Orbis as Proprietary Director to the Board of Directors of Telefónica, nominated by the shareholder Sociedad Estatal de Participaciones Industriales. Likewise, the Board of Directors of the Company has resolved, following a favorable report from the Nominating, Compensation and Corporate Governance Committee to appoint Mr. Carlos Ocaña Orbis as Member of the Executive Commission and the Audit and Control Committee

- On 31 July 2024, in relation to the subsidiary Colombia Telecomunicaciones S.A. ESP BIC (Telefónica Colombia), Telefónica informed that the Telefónica Group entered into a non-binding agreement with the Millicom Group to explore a possible corporate transaction, with respect to the assets that both Groups have in Colombia. This potential transaction is subject to the signing of the definitive agreements between the companies involved and the obtaining of the corresponding regulatory approvals, which may involve the sale of the Telefónica Group's shares of Telefónica Colombia.
- On 31 July 2024, Telefónica, S.A. drew down EUR 150 million of its bilateral loan signed on 27 March 2024 and maturing in 2034.

Business Overview

Highlights

Telefónica's total accesses were 392.0 million as of 30 June 2024. Accesses base increased by 2.2 per cent. year-on-year, mainly due to IoT accesses in Virgin Media O2 and Telefónica Brazil and contract accesses in Telefónica Brazil.

The table below shows the evolution of Group accesses in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	June 2023	June 2024	% Reported Change Year-on- Year
Fixed telephony accesses ⁽¹⁾	27,233	25,286	(7.1%)
Broadband	26,575	26,997	1.6%
UBB	24,443	25,611	4.8%
FTTH	15,199	17,031	12.1%
Mobile accesses	294,103	302,295	2.8%
Prepay	127,904	127,498	(0.3%)
Contract.....	127,519	131,743	3.3%
IoT	38,68	43,054	11.3%
Pay TV	10,34	10,185	(1.5%)
Retail Accesses	358,46	364,959	1.8%
Wholesale Accesses.....	25,091	27,015	7.7%
Fixed wholesale accesses	3,623	3,503	(3.3%)
FTTH wholesale accesses	3,26	3,336	2.3%
Mobile wholesale accesses.....	21,469	23,513	9.5%
Total Accesses	383,551	391,974	2.2%

Notes:

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

Mobile accesses totalled 302.3 million as of 30 June 2024, up 2.8 per cent. compared to June 2023, attributable to IoT growth in Virgin Media O2 and Telefónica Brazil and the performance in postpaid in

Telefónica Brazil. Postpaid accesses represented 50.8 per cent. of the mobile accesses excluding IoT (+0.9 p.p.).

Fixed broadband accesses stood at 27.0 million at 30 June 2024, up 1.6 per cent. year-on-year. Retail fiber (FTTH) accesses stood at 17.0 million at 30 June 2024, growing by 12.1 per cent. compared to 30 June 2023.

Pay TV accesses totalled 10.2 million as of 30 June 2024, down 1.5 per cent. year-on-year.

Segment results

Telefónica Spain

The table below shows the evolution of accesses in Telefónica Spain in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	June 2023	June 2024	% Reported Change Year-on- Year
Fixed telephony accesses ⁽¹⁾	7,991	7,860	(1.6%)
Broadband	5,9	5,964	1.1%
FTTH	5,197	5,498	5.8%
Mobile accesses	19,787	20,353	2.9%
Prepay	789	549	(30.5%)
Contract.....	15,166	15,335	1.1%
IoT	3,832	4,469	16.6%
Pay TV	3,417	3,455	1.1%
Retail Accesses	37,105	37,632	1.4%
Wholesale Accesses	3,611	3,491	(3.3%)
FTTH Wholesale Accesses	3,254	3,331	2.4%
Total Accesses	40,715	41,122	1.0%

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

During the first half of 2024, Telefonica España maintained positive momentum from 2023 and reaffirmed its recovery with year-on-year growth in both accesses and main financial indicators.

To highlight, offers for customers with second homes improved in June 2024 with the launch of the new service Fibra Adicional, which provides high quality connectivity in a second home of miMovistar customers. This service has three fiber speed options, adapted to the customer's needs and uses.

In June 2024, 5G coverage of the population of Spain reached 89 per cent., which improved user experience and allows enterprises to implement advanced mobile connectivity services. Nokia and Telefónica have recently announced a strategic agreement to accelerate the development and deployment of private 5G networks in the Spanish business market. This alliance for the next three years will provide Spanish companies access up to 100 different Nokia solutions related to digitalisation in the cloud, private mobile networks, edge computing for industry and industrial devices. Moreover, a higher degree of virtualisation is accelerating the FTTH and 5G deployments and the switch-off of the retail copper service achieved in April 2024 (123 COs closed in 2024 as of June; 4,272 closed since 2024).

Additionally, Movistar Prosegur Alarmas, the joint venture of Prosegur and Telefónica Spain, reached 514 thousand customers as of 30 June 2024, up by 10.4 per cent. year-on-year.

Telefónica Spain had 41.1 million accesses as of 30 June 2024, an increase of 1.0 per cent. as compared to 30 June 2023, driven by the positive evolution of mobile accesses and fixed broadband.

The **convergent offer** (residential and SMEs) had a customer base of 4.5 million customers as of 30 June 2024, an increase of 0.2 per cent. year-on-year.

Retail fixed accesses totalled 7.9 million and decreased 1.6 per cent. as compared to 30 June 2023, with a net loss of 88.1 thousand accesses in the first half of 2024.

Retail broadband accesses totalled 6.0 million (+1.1 per cent. year-on-year), with net adds of 28.8 thousand accesses during the first half of 2024.

Retail fiber (FTTH) accesses reached 5.5 million customers in June 2024 (+5.8 per cent. as compared to 30 June 2023), representing 92.2 per cent. of total retail broadband customers (+4.1 p.p. year-on-year) with net adds of 153 thousand accesses as of 30 June 2024. At 30 June 2024, fiber deployment reached 30.2 million premises, 1.6 million more than at 30 June 2023.

Total retail mobile accesses stood at 20.4 million as of 30 June 2024, an increase of 2.9 per cent. as compared to 30 June 2023 mainly as a result of an increase of IoT accesses base (+16.6 per cent. year-on-year), together with increases in mobile contract accesses (+1.1 per cent. year-on-year).

Pay TV accesses reached 3.5 million at 30 June 2024, increasing by 1.1 per cent. year-on-year.

Wholesale accesses stood at 3.5 million at 30 June 2024, down 3.3 per cent. year-on-year, and wholesale fiber (FTTH) accesses (95.4 per cent. of total wholesale accesses at 30 June 2024 compared with 90.1 per cent. at 30 June 2023) were up 2.4 per cent. year-on-year.

VMO2

In accordance with applicable accounting standards, Telefónica's share in the results of VMO2, its 50:50 joint venture with Liberty Global Plc in the United Kingdom, is presented in a single line of the income statement, "Share of (loss) income of investments accounted for by the equity method". However, the VMO2 segment information included in this section is presented using management criteria and shows 100 per cent. of VMO2's results; Telefónica's actual percentage ownership of VMO2 is 50 per cent.

More than three years after the formation of VMO2, the company continues to integrate and innovate while investing heavily to expand and upgrade its fiber and 5G networks to provide the highest quality connectivity to more regions of the country.

VMO2's full fibre footprint reached the milestone of 5 million premises at 30 June 2024, through a combination of its existing fibre footprint, progress in the fibre upgrade activity, and as the anchor tenant and build supplier of the nexfibre network. Footprint expansion full fibre build accelerated by 68.3 per cent. year-over-year, as the total serviceable footprint grew by 489,000 homes in the first half of 2024, principally through the construction on behalf of Nexfibre.

The rollout of 5G Standalone continued, with outdoor 5G coverage now reaching almost two thirds of the UK population (65 per cent.) following the switch on of next generation 5G Standalone in the first half of 2024. VMO2 is on track to bring 5G to all populated areas by the end of 2030, while continuing to invest in increasing mobile network capacity and improving rural connectivity.

VM O2 completed the first stage of its Shared Rural Network (SRN) rollout in June 2024 in line with Government targets, bringing reliable 4G coverage to 227 rural communities across the UK, helping to reduce the digital divide. Considering upgrades delivered by all operators, VM O2's customers can now benefit from reliable 4G services across more than 300 former coverage black spots.

In July 2024, VMO2 and Vodafone UK announced a new, long-term mobile network sharing agreement. While many elements of the agreement expand on the existing arrangement between Vodafone UK and VMO2 and are independent of the Vodafone UK and Three UK merger ("**MergeCo**") outcome, the new agreement provides a basis for VMO2 and MergeCo to enhance network sharing, bolstering quality mobile coverage across the country and delivering improved services for customers should the merger be approved. Subject to merger clearance, VMO2 has also agreed to purchase spectrum at market value from MergeCo, increasing its current holding and allowing VMO2 to provide increased capacity, speeds and greater coverage to its customers.

The following table shows the evolution of VMO2 accesses in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	June 2023	June 2024	% Reported Change Year-on- Year
Fixed telephony accesses	4,063	3,712	(8.6%)
Broadband	5,675	5,717	0.7%
UBB	5,667	5,711	0.8%
Mobile accesses	34,526	35,656	3.3%
Prepay	7,862	7,559	(3.9%)
Contract.....	16,053	15,87	(1.1%)
IoT	10,61	12,228	15.2%
Pay TV	3,152	3,115	(1.2%)
Retail Accesses	47,415	48,201	1.7%
Wholesale Accesses.....	9,43	9,83	4.2%
Total Accesses	56,845	58,031	2.1%

The **total accesses base** grew 2.1 per cent. year-on-year and stood at 58 million on 30 June 2024, mainly driven by the increase in the mobile accesses base, which grew 3.3 per cent. year-on-year and reached 35.7 million accesses supported by the growth in IoT.

The **contract mobile customer base** decreased 1.1 per cent. year-on-year and reached 15.9 million accesses, with a net loss of 252.2 thousand accesses in the first half of the year 2024 due to the performance in consumer and B2B segment, reflecting the wider market trend. Churn remained at low levels in spite of the price increase.

The **prepay mobile customer base** decreased 3.9 per cent. year-on-year and reached 7.6 million accesses, declining by 59.3 thousand accesses in the first half of 2024.

The **IoT mobile customer base** grew 15.2 per cent. year-on-year and reached 12.2 million accesses underpinned by the Smart Metering Programme roll-out.

Fixed broadband base grew 0.7 per cent. year-on-year and reached 5.7 million accesses with a net loss of 7.5 thousand accesses in the first half of the year 2024.

Telefónica Germany

The following table shows the evolution of accesses in Telefónica Germany in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	Dec 2022	Dec 2023	% Reported Change Year-on- Year
Fixed telephony accesses ⁽¹⁾	2,255	2,3	2.0%
Broadband	2,34	2,383	1.8%
UBB	2,002	2,082	4.0%
FTTH	19	39	100.2%
Mobile accesses	44,591	45,61	2.3%
Prepay	15,791	15,22	(3.6%)
Contract.....	27,006	28,346	5.0%
IoT	1,794	2,045	14.0%
Retail Accesses	49,264	50,367	2.2%
Total Accesses	49,264	50,367	2.2%

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2024, Telefónica Germany continued with robust commercial traction and low churn in a dynamic but rational market.

Telefónica Germany's key milestones in the first half of 2024 were as follows:

- Steady EBITDA growth mainly fuelled by successful cost management.
- Progress with 4G network densification and 5G rollout resulting in 5G population coverage of 96 per cent.
- 5G technology which not only improves the customer experience, but also greatly contributes to Telefónica Germany's ESG commitment due to greater energy efficiency.

Telefónica Germany maintained robust commercial activity in mobile on success promotion for 'O2 Mobile' friends & family tariffs and retention activities to preserve churn.

The **total access base** increased 2.2 per cent. year-on-year and stood at 50.4 million at 30 June 2024, mainly driven by a 2.3 per cent. increase in the mobile accesses base, which reached 45.6 million.

Mobile postpaid accesses base reached 28.3 million customers in the first half of 2024, growing 5.0 per cent. year-on-year. In 2024 there has been a model change related to the launch of the fourth mobile network, and since January 2024, 1&1 customers have begun to migrate from Telefónica Germany network to 1&1's own network. Considering this model change (customers of 1&1, Drillisch and customers under the National Roaming agreement between Telefónica Germany and 1&1), postpaid accesses amount to 16.8 million and the net gain reached 372 thousand customers in the first half of 2024 reflecting the underlying operational performance of the business which is driven by the good performance of the O2 brand. Customer churn rates remained at low levels thanks to both the strong appeal of the brand and continuous improvement of the network and service quality.

The prepay mobile customer base decreased 3.6 per cent. year-on-year to 15.2 million accesses reflecting a net loss of 306.7 thousand in the first half of 2024 due to the German market trend of prepaid to postpaid migration.

The broadband accesses reached 2.4 million accesses (up 1.8 per cent. year-on-year), with a net loss of 1.0 thousand accesses in the first half of 2024, mainly driven by legacy DSL while demand for high cable and fiber accesses remaining high.

Telefónica Brazil

The table below shows the evolution of accesses of Telefónica Brazil in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	June 2023	June 2024	% Reported Change Year-on-Year
Fixed telephony accesses ⁽¹⁾	6,860	6,046	(11.9%)
Broadband	6,504	6,935	6.6%
UBB	6,141	6,684	8.8%
FTTH	5,809	6,547	12.7%
Mobile accesses	97,75	100,943	3.3%
Prepay	38,071	36,977	(2.9%)
Contract	44,248	47,41	7.1%
IoT	15,432	16,556	7.3%
Pay TV	871	813	(6.6%)
IPTV	871	813	(6.6%)
Retail Accesses	112,038	114,788	2.5%
Total Accesses	112,038	114,788	2.5%

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2024, Telefónica Brazil maintained its leadership in the mobile segment, which in a more consolidated market environment, is positioned with a market share of 38.6 per cent., standing at +4.7 p.p.

on the second competitor (data from the last official publication of ANATEL, 31 May 2024). Telefónica Brazil's strategy remains focused on strengthening the high-value customer base, reaching a contract ex IoT market share of 43.1 per cent. as of 31 May 2024 (source: ANATEL).

In the fixed business, Telefónica Brazil continued with the implementation of strategic technologies, focusing on the deployment of fiber, centering its commercial offer with Vivo Total, giving continuity to the totalisation of clients with which it achieves low churn rates.

On the other hand, Telefónica Brazil continued to advance in the development of an ecosystem with relevant partners to promote its consolidation as a digital services hub. To this end, it offers a broad portfolio of services, highlighting those described below:

- Vida V - Health & Wellness, with the acquisition in March 2023 of Vale Saúde Semper, a startup that acts as a health services marketplace, connecting more than 70 thousand customers with more than 5 thousand clinics and laboratories throughout Brazil. This service is obtained with a monthly subscription.
- Viva E – Education, employment platform that combines online courses and job offers. The joint venture created by Telefónica Brazil and Ânima Educação offers more than 400 hours of content.
- Vivo Ventures, a Corporate Venture Capital (CVC) fund, invested 5 million euros in "CRMBonus", a Platform specialising in the use of artificial intelligence to build customer loyalty.

In 2024, this portfolio expanded with the new launch of GUD Energía, a joint venture created to capture the opportunities generated by the opening of the free market with a focus on the sale of personalised renewable energy solutions throughout Brazil, with the promise of reducing up to 30 per cent. the value of invoices from Brazilian companies.

Total accesses stood at 114.8 million as of 30 June 2024, increasing 2.5 per cent. year-on-year mainly due to the growth in contract thanks to Telefónica Brazil's totalisation strategy and the growth in FTTH, which offset the decrease in prepaid mobile accesses that migrate to control postpaid, the decline in the fixed voice business due to the continuous migration from fixed to mobile, the contraction of the lower-value fixed broadband customer base, and the loss of DTH customers as a result of the company's strategic decision to discontinue legacy technologies.

Contract mobile accesses grew by 7.1 per cent. year-on-year and reached 47.4 million with net adds of 1.5 million new accesses in the first six months of 2024, with churn at very low levels (1.0 per cent.), driven by the totalisation strategy and by the launch of new attractive bundles (packaged offers with more than one service) in control postpaid (postpaid accesses with usage limits, requiring customers to purchase "top-ups" if they exceed these limits).

Prepaid mobile accesses decreased by 2.9 per cent. year-on-year and reached 37.0 million customers with a net loss of 290 thousand accesses during the first half of 2024. The lower customer base has been mainly a consequence of the strategy of migrating prepaid customers to control postpaid (postpaid accesses with usage limits, requiring customers to purchase "top-ups" if they exceed these limits) and focusing more on encouraging the consumption of top-ups.

Broadband accesses grew by 6.6 per cent. year-on-year and reached 6.9 million with net adds of 257 thousand new accesses in the first six months of 2024. Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching 6.5 million homes connected with FTTH as of June 2024, growing 12.7 per cent. year-on-year. Telefónica Brazil reached 30.1 million real estate units passed with FTTx access, and 6.7 million connected homes, which grew by 8.8 per cent. year-on-year, which managed to offset the decrease in other accesses of legacy broadband services (xDSL).

Traditional voice accesses decreased by 11.9 per cent. year-on-year due to fixed-mobile substitution, reaching 6.0 million accesses.

Pay TV reached 813 thousand as of 30 June 2024, decreasing by 6.6 per cent. year-on-year, mainly as a result of the strategic decision to discontinue the DTH service.

Telefónica Hispam

The table below shows the evolution of accesses of Telefónica Hispam in the first half of 2024 compared to the first half of 2023:

Accesses

Thousands of accesses	June 2023	June 2024	% Reported Change Year-on-Year
Fixed telephony accesses ⁽¹⁾	6,064	5,368	(11.5%)
Broadband.....	6,115	5,964	(2.5%)
UBB.....	5,436	5,636	3.7%
FTTH.....	5,355	5,582	4.2%
Mobile accesses.....	96,327	98,504	2.3%
Prepay.....	65,391	67,194	2.8%
Contract.....	25,047	24,783	(1.1%)
IoT.....	5,889	6,528	10.8%
Pay TV.....	2,9	2,801	(3.4%)
IPTV.....	1,561	1,785	14.4%
Retail Accesses.....	111,477	112,708	1.1%
Total Accesses.....	111,489	112,720	1.1%

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

Telefónica Hispam's **total accesses** amounted to 112.7 million as of 30 June 2024 (+1.1 per cent. year-on-year), as a result of the increase in mobile and FTTH accesses.

Mobile accesses amounted to 98.5 million, increasing by 2.3 per cent. year-on-year mainly due to the higher prepay customer base.

Contract accesses decreased by 1.1 per cent. year-on-year due to the decrease in accesses in Colombia (-7.4 per cent.), Chile (-3.7 per cent.) and Argentina (-2.5 per cent.), partially offset by the increase in Mexico (+20.8 per cent.) and Peru (+1.1 per cent.). This evolution is driven by an aggressive competitiveness in the postpay market and a strong increase in churn levels. To highlight the high level of migrations from postpay to prepay in Argentina due to the economic situation.

Prepay accesses increased by 2.8 per cent. year-on-year, with a net gain of 544.1 thousand accesses as of 30 June 2024. The year-on-year accesses evolution was greatly impacted by the gain of accesses in Venezuela (+428.7 thousand accesses), Chile (+315.5 thousand accesses) and Peru (+194.3 thousand accesses) due to churn control.

Fixed accesses stood at 5.4 million as of 30 June 2024 (-11.5 per cent. year-on-year) with a net loss of 311 thousand accesses due to the continued erosion of the traditional fixed business.

Fixed broadband accesses amounted to 6.0 million as of 30 June 2024, decreasing 2.5 per cent. year-on-year. The penetration of FBB accesses over fixed accesses stood at 111.1 per cent. (+10.3 p.p. year-on-year), as a result of the focus on Ultra Broadband (UBB) deployment in the region reaching 5.6 million connected accesses (+3.7 per cent. year-on-year) and 21.6 million premises passed. The penetration of UBB accesses over fixed broadband accesses stood at 94.5 per cent. (+5.6 p.p. year-on-year).

Pay TV accesses stood at 2.8 million as of 30 June 2024, with a decrease of 3.4 per cent. year-on-year with a net loss of 38.9 thousand customers, mainly as a result of the evolution in Direct-To-Home (DTH) technology accesses (-60 thousand accesses) due to the change in commercial strategy as well as the lower cable access base (-99 thousand accesses), partially offset by the increase in IPTV accesses (+102.6 thousand accesses), in which the company is placing strategic focus.

Telefónica's services and products

New digital technologies are the main driving force of social and economic transformation today. This premise is the basis upon which Telefónica builds its vision: it wants to provide access to digital life, using the best technology and without leaving anyone behind.

Connectivity is Telefónica's ally in reducing the digital divide and, due to Telefónica's fixed and mobile network infrastructure and the services the Group develops around it, Telefónica can aid progress in the communities in which it operates.

To move towards this vision, Telefónica works on three basic fronts:

- (1) providing access to technology through digital inclusion, in other words, by means of network roll-out and an accessible and affordable offer for all sectors of the population;
- (2) developing innovative services that add value to connectivity and which Telefónica develops through innovation: Big Data, IoT, eHealth, digital education and e-Finances; and
- (3) incorporating sustainability principles across all of Telefónica's product development processes.

Mobile business

Telefónica offers a wide variety of mobile and related services and products to personal and business customers. Although they vary from country to country, Telefónica's principal services and products are as follows:

- **Mobile voice services:** One of Telefónica's main services in all of its markets is mobile voice telephony.
- **Value added services:** Customers in most of the markets have access to a range of enhanced mobile calling features, including voice mail, call on hold, call waiting, call forwarding and three-way calling.
- **Mobile data and Internet services:** Current data services offered include Short Messaging Services, or SMS, and Multimedia Messaging Service, or MMS, which allow customers to send messages with images, photographs, sound recordings and video recordings. Customers may also receive selected information, such as news, sports scores and stock quotes. Telefónica also provides mobile broadband connectivity and Internet access. Through mobile Internet access, customers are able to send and receive e-mail, browse the Internet and access real-time available entertainment services (such as video and audio streaming), download games, purchase goods and services in m-commerce transactions and use Telefónica's other data and software services.
- **Wholesale services:** Telefónica has signed network usage agreements with several MVNOs in different countries.
- **Corporate services:** Telefónica provides business solutions, including mobile infrastructure in offices, private networking and portals for corporate customers that provide flexible online billing.
- **Roaming:** Roaming agreements allow Telefónica customers to use their mobile handsets when they are outside their service territories, including on an international basis.
- **Fixed wireless:** Telefónica provides fixed voice telephony services through mobile networks in Brazil, Venezuela, Argentina, Peru, Mexico, and Ecuador. Until 24 January 2019 and 16 May 2019, Telefónica also provided these services in Guatemala and Nicaragua, respectively. Until 13 January 2022, Telefónica also provided these services in El Salvador.
- **Trunking and paging:** Telefónica provides digital mobile services for closed user groups of clients and paging services in Spain and most of the regions in which it operates in Latin America.

Fixed-line telephony business

The principal services Telefónica offers in its fixed businesses in Europe and Latin America are:

- **Traditional fixed telecommunication services:** Telefónica's traditional fixed telecommunication services include PSTN lines; ISDN accesses; public telephone services; local, domestic and international long-distance and fixed-to-mobile communications services; corporate communications services; supplementary value added services (including call waiting, call forwarding, voice and text messaging, advanced voicemail services and conference-call facilities);

video telephony; business oriented value-added services; intelligent network services; leasing and sale of handset equipment; and telephony information services.

- **Internet and broadband multimedia services:** the principal Internet and broadband multimedia services include Internet provider service; portal and network services; retail and wholesale broadband access through ADSL, narrowband switched access and other technologies. Telefónica also offers high-speed Internet services through FTTH in certain markets (primarily Spain, Brazil, Chile and through VMO2, the United Kingdom) and VDSL-based services (primarily Spain and Germany). Telefónica also offers VoIP services in some markets.
- **Data and business-solutions services:** the data and business-solutions services principally include leased lines; virtual private network, or VPN, services; fiber optics services; the provision of hosting and application, including web hosting, managed hosting, content delivery and application, and security services; outsourcing and consultancy services, including network management, or CGP; and desktop services and system integration and professional services.
- **Wholesale services for telecommunication operators:** the wholesale services for telecommunication operators principally include domestic interconnection services; international wholesale services; leased lines for other operators; and local loop leasing under the unbundled local loop regulation framework. It also includes bit stream services, wholesale line rental accesses and leased ducts for other operators' fiber deployment and other agreements to provide wholesale access to the Group's fixed infrastructure.

Digital services

The main digital services offered by Telefónica are:

- **Video/TV services:** Interactive TV services in High Definition (HD) or Ultra High Definition (UHD), using several technologies (IPTV, CATV and OTT) on various types of networks (Fiber, Cable or Mobile Networks). These services can be provided through a variety of devices (TV with STBs, SmartTVs, PCs, Smartphones, Tablets, streamers, etc.), allowing also the Multiroom function (customers can watch different TV channels in different rooms or different devices simultaneously). The service allows the access to lineal TV content with advanced functions such as "Restart TV" (which allows a viewer to watch any content from the beginning), "Last 7 days" (recordings of content for the last seven days), "cPvR" (recordings using cloud computing) and "Download to Play" (downloading the content on the device). Customers also have access to the content on demand catalogue (Video on Demand or VoD), in "Subscription Video on Demand" (SVoD), "Transactional Video on Demand" (TVoD) or "Pay per View" options, as well as access to content of third parties, such as Netflix, Amazon, Disney+, YouTube and HBO, among others. In addition, Telefónica offers accessible content in several different languages (original or translated into Spanish) with or without subtitles, audio description and sign language functionalities through the Movistar+ 5s service, which aims to contribute toward the inclusion of disabled people across the country.
- **IoT (Internet of Things):** Telefónica's Global IoT portfolio includes:
 - Smart Connectivity: connectivity services for machines, mainly handled through the Kite platform.
 - Smart Services: end-to-end solutions that include "device + connectivity + application". These business-to-business solutions are mainly aimed at (i) the mobility management of vehicles, assets and/or people, (ii) the support of the retail and industrial sectors and (iii) the efficient management of energy and water consumption.
 - Consumer IoT: products focused on the B2C segment, including end-to-end services around the person (e.g. connected cars, trackers).
- **Financial services and other payment services:** These services provide customers with access to consumer credit and payment facilities in the check out process.

- **Security services:** Digital acceleration is a process that creates multiple opportunities but also increases challenges for the security ecosystem of the business. Therefore, in a world where cyber threats are inevitable, as managed security services providers, the Group focuses on prevention, detection, and appropriate response to reduce attacks, protect digital services, and thus promote the cyber security resilience of Telefonica's clients' businesses. All of this is supported by a team of multidisciplinary security professionals and a portfolio that includes the following services: network security, managed security, data protection, Cloud security, IoT/OT security, identity and access management and professional services.
- **Cloud services:** Telefónica offers a wide range of Cloud solutions, mostly through Telefónica Tech, designed according to the needs of each client accelerating their journey to the Cloud. The value proposition includes: (i) Secure Cloud Connectivity: services that increase the performance and security of the business connectivity (SD-WAN, SD-BRANCH, SDLAN - Cloud Wifi, SASE); (ii) Hybrid Cloud: improves IT workloads, data and, applications management (from on-premises data centers to VDC, public cloud or hybrid solutions); (iii) Future of Workplace: secure digitisation of the workforce (productivity, unified communications, business apps, virtualisation, terminal management); and (iv) consultancy, professional services and managed services.
- **Advertising:** A portfolio of marketing channels that third-party brands can use to acquire and engage with customers. Traditional channels such as SMS/MMS messaging may be used alongside new channels like programmatic display and sponsored connectivity, all of which leverage the Group's customer data in order to send messages to the correct target as well as to generate post-campaign brand analysis.
 - **Big Data:** Includes products and services designed to enable companies and governments to make AI-powered data-driven decisions. The Group's Big Data offer comprises of three main categories: (i) "business insights", which provides information for decision-making based on analysis from advanced analytical products developed on top of data generated in the Group's network and systems; (ii) "consulting and analytics", which includes specialist professional services focused on data strategy, data science, data architecture and data engineering; and (iii) "tools and infrastructure", which provides advanced technology for data management, storage and exploitation.
 - **Customer Digital Products:** Refers to the omnichannel digital experience, guiding the Telefónica customer through their life cycle, adapting the digital experience to every moment's needs, with three main pillars:
 - Digitalise Telefónica customers, turning Telefonica's digital channels into the main point of contact for Telefónica clients with Telefonica in all of its main markets.
 - Maximise customer engagement with the digital channel by aiming to provide an outstanding customer experience in order to increase customer lifetime value.
 - Provide tools so that Telefónica's operating subsidiaries can create autonomously personalised digital experiences in a fast (time-to-market), reliable and scalable way.
 - **Aura:** An Artificial Intelligence ("AI") ecosystem designed to improve communication between the Telefónica Group and its customers through cognitive channels. Its aim is to address customer needs and provide them with relevant information related to the company, potentially in any area where Telefonica offers services such as answering questions about telecommunications services or making recommendations about television or connection offerings. To foster a relationship with customers and leverage data capabilities, Aura will offer the creation of conversational bots, copilots, and other interfaces that use natural language capabilities and generate AI, with a private and transparent data approach by design. Additionally, to generate useful information, Aura will provide its own Artificial Intelligence platform capabilities with the goal of enhancing the information provided to customers.

- **Movistar Home ("MH"):** Telefónica launched Movistar Home in Spain on 18 October 2018, a new device designed around the functionality of Aura and targeted at the Group's Movistar and Pay TV customers. Movistar Home is designed to strengthen Telefónica's position by enabling highly-converged services and experiences that differentiate the Group from its competitors. Movistar Home aims to provide the Group's customers with an enhanced TV experience on IPTV, increased landline functionality (which enables videoconferences), the Group's smart home package and games in addition to third-party services.
- **Open Gateway:** GSMA-led initiative in the telco sector that aims to transform communications networks into programmable digital platforms by providing the same APIs for all operators. APIs are deployed under the framework of the CAMARA standard (for service delivery) and TM Forum (for operation, administration and management). APIs can be commercialised through channel partners that bring access to developers, including hyperscalers, aggregators and integrators.
- **Living Apps:** A platform that allows Telefónica's business units and partners to create relevant home experiences for its users on Telefónica TV. The vision is to go beyond the consumption of TV content, bringing Telefónica services to the main screen of the home, turning the TV watching habit into an interactive experience and opening the home ecosystem to selected partners. The main objective is adding value to customers, core businesses (and growth to Telefónica, opening new business opportunities) and partners.
 - **Smart Wifi:** An advanced home connectivity platform and key lever in the premium connectivity strategy, that enables key capabilities like intelligent wifi connectivity management or web browsing protection (Conexión Segura).
 - **NT:** A micro-rewards programme in Spain to reward customers with Tokens for their digital behaviour. Tokens are awarded when customers make use of digital channels, products and services and can be exchanged for a given catalogue of company products.
 - **Solar 360:** In March 2022, Repsol and Telefónica Spain created a joint venture to develop the solar self-consumption business. The new company started to operate in June 2022 launching Solar 360, offering a comprehensive self-consumption solution to private customers, communities of neighbours and companies, SMEs, and large companies, through solar panel installation. The offer will be customised for each type of customer according to their level and consumption habits, seeking to maximise savings on their current electricity bill. It will include a mobile application for the control of the installation and the continuous optimisation of energy expenditure, personalised financing for each type of consumer and other value-added services linked to the solar panel installation.
 - **Phoenix:** A digital sales platform that allows customers to receive a personalised offer to renew their device and process the purchase in a simple and fully digital checkout. When customers are eligible to renew their device or expand their devices ecosystem with Telefónica, a customised offer is sent via the usual communication channels (SMS, MMS, RCS, emailing, Novum/Digital experience app). Once the customer chooses among the selected proposed portfolio, a number of payment and logistics options can be chosen to complete a convenient "few-clicks" device renewal.

Sales and Marketing

The Group's sales and marketing strategy is aimed toward reinforcing its market position, generating brand awareness, promoting customer growth and achieving customer satisfaction. The Group uses a variety of marketing initiatives and programmes, including those that focus on customer value, with in-depth market segmentation; programmes to promote customer loyalty; pricing initiatives aimed toward stimulating usage, including segmented packages and innovative tariff options; and initiatives that are responsive to the latest market trends, including those aimed toward boosting demand for its fixed and mobile Internet and mobile broadband offerings. In connection with these and the Group's other sales and marketing initiatives, the Group also markets its products through a broad range of channels, including television, radio, billboards, telemarketing, direct mail and Internet advertising. The Group also sponsors a variety of local cultural and sporting events in order to enhance its brand recognition.

Competition

The telecommunications industry is competitive, and consumers generally have a choice of mobile and fixed line operators from which to select services. The Group is a global telecommunications services provider and faces significant competition in most of the markets in which it operates. In Europe, the Group's largest competitors include Vodafone, Orange, Deutsche Telekom and British Telecom, among others. In Latin America, the Group's main regional competitor is América Móvil, along with other smaller multi-country players (such as Entel, Milicom and WOM) and purely local players. Newer competitors, including handset manufacturers, MVNOs, Internet companies and software providers, are also entering the market and offering integrated communications services.

The Group competes in its markets on the basis of the price of its services; the quality and range of features of its services; the added value it offers with its service; additional services associated with those main services; the reliability of its network infrastructure and its technological attributes; and the desirability of its offerings, including bundled offerings of one type of service with another and, in the case of the mobile industry, in some markets offers that include subsidised handsets and handsets sold on installment plans.

To compete effectively with its competitors, the Group needs to successfully market its products and services and to anticipate and respond to various competitive factors affecting the relevant markets, such as the introduction of new products and services, different pricing strategies and changes in consumer preferences. See "*Risk Factors - Risks Relating to the Issuer and the Guarantor - Telefónica's competitive position in some markets could be affected by the evolution of competition and market consolidation*".

Legal Proceedings

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 they are present.

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

The contingencies arising from the litigation and commitments described below were evaluated. The provisions recorded in respect of the commitments taken as a whole are not material.

The following unresolved legal proceedings or those underway in 2024 are highlighted.

Appeal against the Decision by Agência Nacional de Telecomunicações ("ANATEL") regarding the inclusion of interconnection and network usage revenues in the Fundo de Universalização de Serviços de Telecomunicações ("FUST")

Vivo Group operators (currently Telefônica Brasil, S.A.), together with other cellular operators, appealed ANATEL's Decision of 16 December 2005, to include interconnection and network usage revenues and expenses in the calculation of the amounts payable into the FUST – a fund which pays for the obligations to provide Universal Service– with retroactive application from 2000. On 13 March 2006, Brasilia Federal Regional Court no. 1 granted a precautionary measure which stopped the application of ANATEL's decision. On 6 March 2007, a ruling in favour of the wireless operators was issued, stating that it was not appropriate to include the revenues received by transfer from other operators in the taxable income for the FUST's calculation and rejecting the retroactive application of ANATEL's decision. On 26 January 2016, ANATEL filed an appeal to overturn this Decision with Brasilia Federal Regional Court no. 1, which was also dismissed. On 10 May 2017 ANATEL appealed to the higher courts on the merits of the case.

At the same time, Telefônica Brasil and Telefónica Empresas, S.A., together with other wireline operators through ABRAFIX (Associação Brasileira de Concessionárias de Serviço Telefonico Fixo Comutado) appealed ANATEL's Decision of 16 December 2005, also obtaining the precautionary measures requested. On 21 June 2007, Brasilia Federal Regional Court no. 1 ruled that it was not appropriate to include the interconnection and network usage revenues in the FUST's taxable income and rejected the retroactive application of ANATEL's Decision. ANATEL filed an appeal to overturn this ruling on 29 April 2008, before Brasilia Federal Regional Court no. 1, which was dismissed on 10 May 2016. ANATEL filed an appeal against this dismissal.

The fixed operators filed an appeal to clarify that revenues obtained through interconnection and dedicated line operation should not be included in the calculation of the amounts payable to the FUST. In addition,

the court was also requested to rule on two grounds which had not been analysed in the initial Decision: (i) that the FUST has become obsolete, among other reasons, by the advance of mobile telephony; and (ii) that amounts collected are not applied to the purpose for which the FUST was created, since only a very low percentage of the revenues collected by the FUST is used to finance fixed telephony. Although the petition for clarification was dismissed on 23 August 2016, the court noted that the FUST should not be funded with revenues from interconnection and dedicated line operation. ABRAFIX appealed to the higher courts on these two elements that had not been analysed. ANATEL appealed all the holdings of the ruling to the higher courts.

The amount of the claim is quantified at 1 per cent. of the interconnection revenues.

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 5 August 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 favourable 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 EUR 23 million) to Venten and 227 million Czech korunas (approximately EUR 8 million) to Lexburg, in each case plus interest.

On 28 December 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 unfavourable 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 17 January 2018, Telefónica filed its response seeking dismissal of such motion for lack of legal basis.

On 14 February 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 5 August 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 30 April 2023. Hearings with respect to this challenge were held in the High Court of Prague in November and December 2023. The High Court of Prague will set a date for a new hearing of closing arguments.

Appeal against the resolution of ANATEL to sanction Telefónica Brasil for breaches of the fixed telephony regulation

In May 2018, Telefónica filed a judicial action for annulment against a resolution issued by ANATEL (the National Telecommunications Agency of Brazil) in March 2018 concluding the administrative process for determination of non-compliance with obligations (Processo Administrativo para Apuração de Descumprimento de Obrigações or "**PADO**") investigating alleged infractions of the Fixed Telephony Regulation by Telefónica Brasil.

This PADO investigation had been suspended during the negotiations of the conduct adjustment term (Termo de Ajustamento de Conduta or "**TAC**") between Telefónica and ANATEL relating to this and

certain other PADO investigations. Since the negotiations concluded without agreement, the suspended PADO sanctioning procedures were reactivated and finalised.

In its resolution of March 2018, ANATEL considered that Telefónica Brasil committed several infractions, specifically those related to the inadequate notice of suspension of services to defaulting users, the terms of reactivation of services after payment of outstanding amounts by defaulting users and the disagreement with the terms of refunds claimed by users of the services.

The fine imposed by ANATEL and appealed by Telefónica Brasil is approximately 211 million Brazilian reais (approximately EUR 39 million), which amounted to approximately 623 million Brazilian reais after currency value updates and accrued interest as of 31 December 2023 (approximately EUR 116 million).

Telefónica Brasil has appealed the fine imposed by ANATEL based, fundamentally, on the following arguments: (i) ANATEL should have considered a smaller universe of users to determine the fine and (ii) the calculation of the fine is disproportionate and based on insufficient grounds.

Telefónica Brasil has not yet paid the fine, although Telefónica Brasil has guaranteed its payment through a guarantee insurance submitted to the court.

As of the date of this Offering Memorandum, there has been no conciliation and the proceeding is following its normal course.

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

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

On 29 August 2017, ColTel'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 per cent. of the award's amount (EUR 317 million) and the Colombian Government contributed an amount equivalent to the remaining 32.5 per cent. (EUR 153 million).

On 1 February 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 20 February 2018.

The ICSID Court was constituted on 26 February 2019, with Mr. José Emilio Nunes Pinto as President, Mr. Horacio A. Grigera Naón appointed by Telefónica, S.A., and Mr. Yves Derains appointed by Colombia.

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

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

On 24 January 2020, the Court 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 3 July 2020, Colombia filed its reply to the claim filed by Telefónica before the ICSID.

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

After the hearing held in April 2021, on 27 July 2021 the hearing of closing arguments was held, and the parties are awaiting the issuance of the arbitration award.

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 20 February 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 authorisations 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 authorisation.

On 25 May 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 29 June 2020, Millicom filed a Motion to Dismiss, to which Telefónica replied on 8 July 2020.

On 3 August 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 5 January 2021, the Motion to Dismiss filed by Millicom in June 2020 was dismissed by the New York Supreme Court.

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

On 13 February 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 5 August 2024, Millicom filed its appellate brief.

On 4 September, 2024 Telefónica filed its appellate brief in response to Millicom's appeal.

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

On 5 February 2021, Telefónica filed a request for arbitration against the Republic of Peru at the ICSID, which was formally registered on 12 March 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 17 November 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 9 February 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 16 February 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 2 March 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 9 February 2023.

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

On 11 May 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 18 September 2023, the defendant filed a counter-memorial on the merits and a memorial on jurisdiction.

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

On 29 March 2024, Telefónica filed a reply on the merits.

On 28 June 2024, the respondent filed a rejoinder on the merits and a reply on jurisdiction.

On 16 July 2024, following the resignation of arbitrator appointed by Peru, the Acting Secretary-General notified the parties of the vacancy on the Tribunal and the proceeding was suspended pursuant to ICSID Arbitration Rule 10 (2).

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

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

Appeal against the ANATEL resolution on the calculation of amounts for the renewal of radio frequencies in Brazil associated with the provision of the personal mobile services (filed in 2013)

In 2013, Telefónica Brasil filed a lawsuit against the resolution of ANATEL which sets forth the calculation of the amount to be paid by Telefónica Brasil for the renewal of radio frequencies associated with the provision of personal mobile services (which has been granted to Telefónica Brasil for a period of fifteen years).

According to ANATEL the renewals, which must be carried out every two years, should be accompanied by a payment equivalent to 2 per cent. of all income derived from the provision of personal mobile services, while Telefónica Brasil believes that the calculation must be made with respect to the income derived from voice services only, which would exclude data services and interconnection revenues.

In February 2020, Telefónica Brasil filed an appeal before the Regional Federal Court of Brasilia after obtaining an unfavourable ruling in the Court of First Instance, which considered that the criteria defended by ANATEL was the one to be followed.

As of 31 December 2023, the amount under litigation was 840 million Brazilian reais (EUR 157 million based on the exchange rate of such date), resulting from the method of calculation of ANATEL that has been appealed.

Appeal against the ANATEL resolution on the calculation of amounts for the renewal of radio frequencies in Brazil associated with the provision of the personal mobile services (filed in 2015)

In 2015, Telefónica Brasil filed a lawsuit against the resolution of ANATEL which sets forth the calculation of the amount to be paid by Telefónica Brasil for the renewal of radio frequencies associated with the provision of personal mobile services (which has been granted to Telefónica Brasil for a period of fifteen years).

According to ANATEL the renewals, which must be carried out every two years, should be accompanied by a payment equivalent to 2 per cent. of all income derived from the provision of personal mobile services, while Telefónica Brasil believes that the calculation must be made with respect to the income derived from voice services only, which would exclude data services and interconnection revenues.

In August 2016, Telefónica Brasil filed an appeal before the Regional Federal Court of Brasilia after obtaining an unfavourable ruling in the Court of First Instance, which considered that the criteria defended by ANATEL was the one to be followed. The parties are currently waiting for a judgment on the appeal.

As of 31 December 2023, the amount under litigation was 294 million Brazilian reais (EUR 55 million based on the exchange rate of such date), resulting from the method of calculation of ANATEL that has been appealed.

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

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

On 10 April 2024, P4U filed an appeal.

On June 28, 2024, the respondents filed their response to P4U's appeal.

Other Proceedings

As of the date of this Offering Memorandum, the Group is currently cooperating with governmental authorities (and, where appropriate, conducting the relevant internal investigations) regarding requests for information potentially related, directly or indirectly to possible violations of applicable anti-corruption laws. Telefónica believes that, considering the size of the Group, any potential penalty as a result of matters relating to those specific information requests would not materially affect the Group's financial condition.

Tax Proceedings

Inspections in the tax group in Spain

In July 2019, new inspection procedures were initiated for several of the companies belonging to Tax Group 24/90, of which Telefónica, S.A. is the dominant company. The periods audited for Corporate Income Tax were the years 2014 to 2017.

The closing of the inspection procedure took place in January 2022, with the settlement agreement being notified, and which the Company challenged in an economic-administrative procedure at the Central Economic-Administrative Court due to the adjustments with which it did not agree, mainly related to the "juros sobre el capital propio". In December 2022, the Company received a rejection resolution from the Central Economic-Administrative Court, which was challenged on the National High Court in February 2023. The final decision is still pending.

In relation to the 2008-2011 inspection procedure, in July 2022 Telefónica was notified of the Supreme Court's decision rejecting the appeal for Cassation filed by the State Attorney's Office against the judgment of the Audiencia Nacional (National High Court) of 29 October 2021. This confirmed the criteria used by

Telefónica, S.A. for the use of tax losses carryforward and deductions in relation to the liquidation Agreements derived from the Corporate Income Tax inspection of those years.

On 24 October 2022, an Agreement for the Execution of the Judgment of the Audiencia Nacional (National High Court) was issued, which orders the refund to Telefónica of an amount of EUR 790 million for taxes paid in those years, as well as an amount of EUR 526 million as delayed interest. Said amounts were collected on 28 October 2022.

In July 2023 new inspection procedures 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 periods being audited were as follows: corporate income tax for the years 2018 to 2021 and Value Added Tax for the period from May to December 2019 as well as for the years 2020 and 2021.

As a result of the ongoing inspection process and the years still to be inspected, at the end of the financial year 2023, it is not estimated that there will be a need to recognise additional liabilities in the 2023 Consolidated Financial Statements.

Constitutional Court Ruling on Royal Decree Law 3/2016

On 18 January 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 negative tax bases, 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, Telefónica would not be affected by any such limitation on the scope of the declaration of unconstitutionality.

Although the corporate income tax returns of the Tax Group 24/90 in Spain for the years 2016 to 2022 will be affected by the aforementioned ruling, it is not possible at this time to determine with any degree of certainty what the specific effects on Telefónica's tax position will be or, given the status of the proceedings in which Telefónica's claims are being resolved, when the administrative rulings recognising such effects will be issued. This is because there are various factors of uncertainty which make it impossible to determine, from a quantitative point of view, these effects, or to predict when they may be determined or when they will materialise.

As a result of the implementation of this TC ruling, as well as that of the General Court of the Court of Justice of the European Union regarding the amortisation of goodwill, Telefónica could again have available (in addition to the EUR 334 million), totally or partially, the following tax credits for tax loss carryforwards and deductions used in the settlements of those years; for tax loss carryforwards for the years: 2002, EUR 247 million, 2004, EUR 21 million, 2011, EUR 615 million and 2015, EUR 1,503 million; and, for deductions: for double taxation from 2010 to 2020, EUR 952 million, for reinvestment from 2003 and from 2011 to 2013, EUR 23 million, for investments from 2003 to 2013, EUR 476 million, for donations from 2009 to 2018, EUR 260 million, for fixed assets in the Canary Islands from 2010 to 2020, EUR 101 million and for reversal of temporary measures from 2015 to 2020, EUR 29 million.

Telefónica Brazil

State taxes

The Telefónica Group is involved in a range of tax litigation in Brazil over direct and indirect taxes (including those relating to GVT). This includes a number of appeals relating to ICMS tax (a tax similar to VAT, levied on telecommunications services). There is a dispute with the Brazilian tax authorities over which services should be subject to this tax.

To date the most significant issues have focused on the requirement to collect ICMS on penalties charged to customers for non-compliance, and complementary or additional services to the basic

telecommunications services such as value-added services, modem rental, and the application of this tax on the basic fee (assinatura básica). In the case of the latter (assinatura básica), the Supreme Court has established that the tax is only payable in respect of assessments for periods after October 2016.

All related procedures are being contested in all instances (administrative and court proceedings). The aggregate amount of the relevant proceedings, updated to take into account interest, fines and other items, is approximately 23,130 million Brazilian reais as of 31 December 2023 (approximately EUR 4,323 million at the exchange rate on that date, see Note 24 to the 2023 Consolidated Financial Statements), 21,712 million Brazilian reais as of 31 December 2022 (approximately EUR 3,898 million at the exchange rate on that date). Telefónica Brazil has obtained independent expert reports supporting its position, i.e. that the aforesaid services are not subject to ICMS.

Federal taxes

In addition, there are possible contingencies in relation to the federal income taxes for the total amount of 30,379 million Brazilian reais as of 31 December 2023 (approximately EUR 5,678 million at the exchange rate on that date), 29,778 million Brazilian reais as of 31 December 2022 (approximately EUR 5,346 million at the exchange rate on that date), mainly related to the tax amortisation in Brazil in the years 2011 to 2020 of the goodwill originated in the acquisitions of Vivo and GVT and their subsequent merger with Telefónica Brasil. These proceedings are at the administrative and judicial stage and no provisions have been made since the potential risk associated with them has been classified as "not probable" and Telefónica Brazil has received independent expert reports that support this view.

In the first half of 2024 and in relation to the tax amortization of goodwill, the last settlement was made for an amount of 4,018 million reais (approximately 676 million euros at the exchange rate of that date). This process, along with the rest linked to the same concept, is in the phase of administrative and judicial discussion. No provision has been made since the risk associated with them has been classified as not probable and Telefónica Brazil has external reports that support its position.

There are other probable contingencies in relation to the federal income taxes for the total amount of 198 million Brazilian reais as of 31 December 2023 (approximately EUR 37 million at the exchange rate as of 31 December 2023), 104 million Brazilian reais as of 31 December 2022 (approximately EUR 19 million at the exchange rate on that date). Telefónica Brazil has recognised a provision for this amount.

Telefónica del Perú

In relation to tax claims in Peru, it should be noted that Telefónica del Perú is party to numerous legal proceedings (contentious administrative proceedings (ACAs) and appeals (amparos)) for tax matters relating to corporate income tax and VAT, mainly for the years 1998 to 2005, the most relevant being those corresponding to the years 1998 to 2001 (relating to corporate income tax, payments in advance, credit balances, associated VAT, interest and applicable penalties).

The evolution of the appeals of the different cases from the period 1998 to 2001 has been uneven and complex over the last few years, but it is worth highlighting the second instance judgement of 2015, which was partially upheld; the Supreme Court judgements of 2019; the January 2020 of the Supreme Court ruling, annulling the previous rulings of 2000 and 2001 in relation to the provision for doubtful debts; the Constitutional Court Rulings in 2021 in relation to the settlement of late payment interest, partially upheld; and the Supreme Court Rulings of 2021 and 2022 on the credit balance from 1999 used in 2000.

On 17 and 18 January 2023, Telefónica del Perú received notifications of the judgments handed down by the Supreme Court that resolved, in the last instance and unfavourably to Telefónica del Perú, the contentious administrative proceedings relating to income tax for the years 1998, 2000 and 2001.

The rulings issued by the Fifth Chamber of Constitutional and Social Transitory of the Supreme Court do not contain any payment mandate to Telefónica del Perú, as the rulings issued in the administrative contentious proceedings were resolved on concepts derived from a pronouncement of the Tax Court. At the end of these proceedings - and any others that may be applicable - the Tax Administration, through an administrative act, will determine the amount of the corresponding payment obligations.

Because there were certain adjustments on which the rulings had been definitive since 2015 (positively for Telefónica del Perú in relation to the deductibility of the rental of public spaces and negatively in the case of the deductibility of certain financial charges), Telefónica del Perú previously recorded a provision with

an impact on income tax, the amount of which has been updated periodically and constantly depending on the evolution of the various proceedings and the applicable interest rates.

In addition to the above, in June 2022 a new ruling was received from the Tax Court in relation to the corporate income tax of Telefónica Móviles del Perú for 2000. This ruling was favourable to Telefónica del Perú with respect to the recognition of the tax value of certain network assets and unfavourable with respect to the deductibility of the exchange rate tax.

In relation to all these proceedings, Telefónica Group considers that the initial amount claimed by the Peruvian government has been exponentially increased by the accrual of interest generated by the delay, not attributable to Telefónica del Perú, of almost 20 years in processing the lawsuits, meaning that almost 80 per cent. of the total amount claimed is due to interest and fines. And all this, despite the fact that in 2021 the Constitutional Court itself ruled in favour of Telefónica del Perú, recognising that it had been charged interest for delays not attributable to the company.

For this and other reasons, the Group has been in international arbitration before ICSID since March 2021 for various conducts of the Peruvian State in violation of the Agreement for the Promotion and Reciprocal Protection of Investments between Spain and Peru (see Note 29.a to the 2023 Consolidated Financial Statements).

During the first six months of 2024, partial execution of the guarantees provided throughout the aforementioned proceedings from 1998 to 2001 has finally taken place, for a total amount of 1,105 million Peruvian soles, equivalent to 273 million euros at the average exchange rate as of 30 June 2024.

The company has recorded the necessary provisions for the contingencies considered probable, leaving as possible contingencies an amount of 587 million Peruvian soles as of 31 December 2023, or approximately EUR 143 million at the exchange rate on that date (560 million Peruvian soles as of 31 December 2022, or approximately EUR 138 million at the exchange rate on that date).

The total provision for tax litigation in Peru, following the payments made to date, as well as the use of credit balance, have led to the adjustment of the provision at 30 June 2024, which amounts to 2,081 million Peruvian soles, equivalent to 508 million euros at the exchange rate as of 30 June 2024 (3,117 million Peruvian soles as of 31 December 2023 equivalent to 761 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 1 January 2002. The article regulated the deductibility of tax amortisation of financial goodwill (*fondo de comercio*) arising from the acquisition of non-Spanish companies, which could be amortised over 20 years at 5 per cent. per annum. Following the entry into force of the Laws 9/2011 of 19 August 2011 and 16/2013 of 29 October 2013, the amount of goodwill amortisation deductible for tax purposes under article 12.5 for the years 2011 to 2015 was reduced from 5 per cent. to 1 per cent. The effect is temporary because the 4 per cent. not amortised for five years (20 per cent. 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 amortising for tax purposes the financial goodwill from its investments, both direct and indirect, in O2, BellSouth and Coltél (prior to 21 December 2007) and Vivo (acquired in 2010). The positive accumulated effect in the corresponding settlements of corporate income tax from 2004 to the closing of 31 December 2023, was EUR 2,206 million.

In relation to this tax incentive, the European Commission 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 European Commission itself acknowledged the validity of the tax incentive for those investors that invested in European companies for operations carried out before 21 December 2007 in the first decision, and before 21 May 2011 for investments in other countries in the second decision, in its third decision issued on 15 October 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 6 October 2021, the CJEU 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 CJEU confirms its applicability.

The proceedings initiated on the third decision, suspended until the resolution of the first and second decisions resumed on 19 October 2021. The General Court issued a ruling on 27 September 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 14 December 2023.

As a result of the execution of this ruling, as well as that of the Constitutional Court on Royal Decree Law 3/2016, Telefónica could once again have available (in addition to the EUR 334 million in accordance with the opinion of the Company and its advisors as to the likely outcome of the aforementioned appeal), totally or partially, the tax credits for negative tax bases and deductions 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 amortisation 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 EUR 13.4 million. Notwithstanding the fact that Telefónica understands that the principle of legitimate expectations in relation to this tax incentive applies, in relation to tax-amortised goodwill through the purchase of some companies for which the applicability of the legitimate expectations principle is questioned, mainly VIVO, the Group applied in 2023 the provision for the recovered part, EUR 49 million, and has decided to continue provisioning the amount of the goodwill amortised for tax purposes, and not recovered by the public administration which amounted to EUR 419 million as of 31 December 2023 (EUR 406 million as of 31 December 2021).

Years open for inspection

Years open for inspection in the Group companies

The years open for review by the tax inspection authorities for the main applicable taxes vary from one consolidated company to another, based on each country's tax legislation, taking into account their respective statute-of-limitations periods. In Spain the years from 2018 onwards are open to inspection.

In the other countries in which the Telefónica Group has a significant presence, the years open for inspection by the relevant authorities are generally as follows:

- The last twelve years in Germany.
- The last nine years in the United Kingdom.
- The last seven years in Argentina.
- The last six years in Venezuela and Colombia.
- The last five years in Brazil, Mexico, Uruguay and the Netherlands.
- The last four years in Peru and Ecuador.
- The last three years in Chile and the United States.

The tax inspection of the open years is not expected to give rise to additional material liabilities for the Group.

Major Shareholders

As at the date of this Offering Memorandum, Telefónica has 5,670,161,554 shares outstanding, each having a nominal value of EUR 1.00 per share. All outstanding shares have the same rights.

As at the date of this Offering Memorandum, according to information provided to Telefónica or to the Spanish National Securities Commission (*Comisión Nacional de Mercado de Valores* or the "CNMV"), beneficial owners of 3 per cent. or more of the Group's voting stock were as follows:

Name of Beneficial Owner	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Percentage of total voting rights
	Direct	Indirect	Direct	Indirect	
Criteria Caixa, S.A.U. ⁽¹⁾	9.99	0.00	0.00	0.00	9.99%
Banco Bilbao Vizcaya Argentaria, S.A. ⁽²⁾	4.93	0.00	0.00	0.00	4.93%
BlackRock, Inc. ⁽³⁾	0.00	2.71	0.00	1.58	4.29%
Public Investment Fund ⁽⁴⁾	0.00	4.97	0.00	0.00	4.97%
Sociedad Estatal de Participaciones Industriales ⁽⁵⁾ ..	10.00	0.00	0.00	0.00	10.00%

⁽¹⁾ According to the different communications made to the National Securities Market Commission (CNMV) as of 28 June 2024. Likewise, and without this implying an incremental or additional participation: i) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, as the sole shareholder of Criteria Caixa, S.A.U., holds the same participation indirectly.

⁽²⁾ Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) for the 2023 Annual Report on Corporate Governance of Telefónica, S.A., updated in accordance with the current share capital. 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 31 December 2023, would increase by 0.168% without voting rights of Telefónica, S.A. share capital.

⁽³⁾ Based on the information notified by BlackRock, Inc. to the CNMV on 2 September 2024.

⁽⁴⁾ Based on the information contained in the communication sent by Public Investment Fund to the CNMV on 8 September 2023, Green Bridge Investment Company SCS (a company controlled by Saudi Telecom Company which in turn is controlled by Public Investment Fund): (i) acquired shares representing 4.97% of the shares of Telefónica, S.A. as updated per the current share capital and (ii) entered into a contingent sale and purchase agreement for 5% of the shares of Telefónica, S.A. per the share capital as of such date, the effectiveness of which is subject, among others, to the approval of the Spanish Council of Ministers. In addition, on 11 September 2023, Morgan Stanley notified the CNMV that it held 12.178% of voting rights in Telefónica, S.A., per the share capital as of such date (0.007% attributed to shares and 12.171% through financial instruments) including a financial instrument (put/call option) over the 9.90% of the share capital of Telefónica, S.A. as of such date, related to the risk management of the position under the financial transaction on the same shares notify by Public Investment Fund referred to above. According to the communication sent to the CNMV, this financial instrument would not imply an incremental or additional participation.

⁽⁵⁾ Based on the information notified by Sociedad Estatal de Participaciones Industriales (SEPI) to the CNMV on 20 May 2024.

To the extent that Telefónica shares are represented by account in the book-entry form, it does not keep a shareholder registry and its ownership structure cannot be known precisely. Based on the information available to Telefónica there is no individual or corporation that directly or indirectly through one or more intermediaries may exercise any type of control over Telefónica. Nevertheless, Telefónica has certain shareholders whose holdings are considered material.

Directors and Senior Management of Telefónica

During 2023, the Group's Board of Directors met 18 times. As at the date of this Offering Memorandum, the Group's Board of Directors had met ten times during 2024. As at the date of this Offering Memorandum, Telefónica's directors, their respective positions on its Board and the year they were first appointed were as follows:

Name	Age	First Appointed	Current Term Ends
Chairman			
Mr. José María Álvarez-Pallete López ⁽¹⁾	60	2006	2025
Vice-Chairmen			
Mr. Isidro Fainé Casas ⁽¹⁾⁽²⁾	82	1994	2028
Mr. José María Abril Pérez ⁽¹⁾⁽³⁾⁽⁷⁾	72	2007	2026
Mr. José Javier Echenique Landiribar ⁽¹⁾⁽⁵⁾⁽⁶⁾	72	2016	2028
Members			
Mr. Ángel Vilá Boix ⁽¹⁾	60	2017	2026
Ms. María Luisa García Blanco ⁽⁵⁾⁽⁶⁾⁽⁷⁾	58	2018	2026
Mr. Peter Löscher ⁽¹⁾⁽⁵⁾⁽⁶⁾	66	2016	2028
Mr. Carlos Ocaña Orbis ⁽¹⁾⁽⁴⁾⁽⁵⁾	44	2024	2025
Ms. Verónica Pascual Boé ⁽⁶⁾	45	2019	2028
Mr. Francisco Javier de Paz Mancho ⁽¹⁾⁽⁶⁾⁽⁷⁾	66	2007	2026
Mr. Alejandro Reynal Ample.....	51	2023	2028

Name	Age	First Appointed	Current Term
			Ends
Mr. Francisco José Riberas Mera.....	60	2017	2025
Ms. María Rotondo Urcola ⁽⁵⁾⁽⁷⁾	60	2021	2026
Ms. Claudia Sender Ramírez ⁽¹⁾	49	2019	2028
Ms. Solange Sobral Targa ⁽⁷⁾	51	2023	2028

⁽¹⁾ Member of the Executive Commission of the Board of Directors.

⁽²⁾ Name or company name of the shareholder represented or that has proposed their appointment: Criteria Caixa, S.A.U.

⁽³⁾ Name or company name of the shareholder represented or that has proposed their appointment: Banco Bilbao Vizcaya Argentaria, S.A.

⁽⁴⁾ Name or company name of the shareholder represented or that has proposed their appointment: Sociedad Estatal de Participaciones Industriales

⁽⁵⁾ Member of the Audit and Control Committee.

⁽⁶⁾ Member of the Nominating, Compensation and Corporate Governance Committee.

⁽⁷⁾ Member of the Sustainability and Regulation Committee.

The principal activities inside and outside the Group of each of the directors of Telefónica are as follows:

Name	Principal activities inside the Group	Principal Activities outside the Group
José María Álvarez-Pallete López.....	Executive Chairman of Telefónica, S.A.	Chairman of Fundación Telefónica Chairman of the Board of the GSMA Member of the Advisory Council of SEAT, S.A Chairman of VMED O2 UK Ltd. Trustee of Fundación Profuturo Trustee of Fundación Inocente, Inocente Member of Board of Trustees of "la Caixa" Banking Foundation Trustee of Fundación Amigos de Alambra
Isidro Fainé Casas	Vice Chairman of Telefónica, S.A.	Chairman and Member of the Executive Commission of Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (Fundación "la Caixa") Chairman of the Board of Directors and of the Executive Commission of Criteria Caixa, S.A.U. Chairman of Inmo Criteria Caixa, S.A.U. Honorary Chairman of Naturgy Energy Group, S.A. Chairman of the Spanish Confederation of Savings Banks (<i>Confederación Española de Cajas de Ahorros, CECA</i>) Chairman of <i>Fundación de las Cajas de Ahorros</i> (Funcas) Chairman of the World Savings Banks Institute (WSBI) Vice Chairman of European Savings Bank Group (ESGB)

Name	Principal activities inside the Group	Principal Activities outside the Group
		Chairman of the Spanish Confederation of Directors and Executives (<i>Confederación Española de Directivos y Ejecutivos</i> , CEDE)
		Chairman of the Social and Philanthropic Council of WSBI-ESBG
		Chairman of the Spanish Chapter of the Club of Rome
		Deputy-Chairman of the Royal Academy of Economic and Financial Sciences
		Chairman of the Fundación Instituto de Investigación "la Caixa"
		Special Advisor to the Board of "The Bank of East Asia"
José María Abril Pérez	Vice Chairman of Telefónica, S.A.	Director of Artech Lantegi Elekartea, S.A.
		Director of Madlane Bay, S.L.
		Director of Dalimar, S.L.
José Javier Echenique Landiribar	Vice Chairman of Telefónica, S.A.	Director of ACS Actividades de Construcción y Servicios, S.A.
	Director of Telefónica Audiovisual Digital, S.L.U.	Member of the Board of Directors of Dragados, S.L.
	Member of the Advisory Board of Telefónica España	Member of the Board of Directors of Calcinar, S.L.
		Member of the McKinsey Advisory Council
Ángel Vilá Boix	Chief Operating Officer and Executive Director of Telefónica, S.A.	Director of VMED O2 UK Ltd.
	Member of the Advisory Board of Telefónica España	Trustee of Fundación Telefónica
	Member of the Advisory Board of Telefónica Tech	Member of the Board of Directors of Mediobanca, SpA.
María Luisa García Blanco	Director of Telefónica, S.A.	Partner at the law firm Salama García Blanco
	Member of the Advisory Board of Telefónica España	Member of the CIMA Governance and Control Committee
		Director of Ibercaja Banco, S.A.
Peter Löscher	Director of Telefónica, S.A.	Member of the Supervisory Board of Royal Philips
	Chairman of the Supervisory Board of Telefónica Deutschland Holding AG	Member of the Board of Directors of Thyssen-Bosnemisza Group AG (Switzerland)
		Member, non-executive, of the Board of Directors of Doha Venture Capital LLC, Qatar

Name	Principal activities inside the Group	Principal Activities outside the Group
		Independent Director of CaixaBank, S.A.
		Honorary Professor at Tongji University Shanghai
		Member Emeritus of the Advisory Board of the Economic Development Board of Singapore
		Member of the International Advisory Council of Bocconi University
Carlos Ocaña Orbis	Director of Telefónica, S.A.	Member of the Advisory Board of the ADEI Observatory
		Deputy General Director of Real Madrid CF
		Member of the Advisory Board of the Hermes Institute
Verónica Pascual Boé	Director of Telefónica, S.A.	Chairwoman of the ASTI Talent and Technology Foundation
	Director of Telefónica Audiovisual Digital, S.L.U.	Member of the Board of Directors of General Alquiler de Maquinaria, S.A. (GAM)
	Member of the Advisory Board of Telefónica Tech	Sole Director of ALBP. CORP, S.L.U.
		Sole Director of ALBP SCR
		Sole Director of ALBP REAL ESTATE
		Sole Director of MANCO PARTNERS, S.L.
		Vice Chairwoman of Endeavor Foundation
		Member of the Board of Directors of Viscofan
		Member of the Board of Directors of Marsi Bionics
Francisco Javier de Paz Mancho	Director of Telefónica, S.A.	Member of the Board of Directors of Aldesa, S.A.
	Director of Telefónica Brasil, S.A.	Trustee of Fundación Atenea
	Director of Telefónica Audiovisual Digital, S.L.U.	
	Member of the Advisory Board of Telefónica España	
	Member of the Advisory Board of Telefónica Hispanoamérica	
Alejandro Reynal Ample	Director of Telefónica, S.A.	Chairman and Chief Executive Officer of Four Seasons
Francisco José Riberas Mera	Director of Telefónica, S.A.	Representative of Director of Acek Desarrollo y Gestión Industrial, S.L.

Name	Principal activities inside the Group	Principal Activities outside the Group
		Executive Chairman of Gestamp Automoción, S.A.
		Member of the Board of Directors of CIE Automotive
		Secretary Director of Holding Gonvarri, S. L.
		Member of the Board of Directors of Wallbox, N.V.
		Member of the Board of Directors of companies of the Gestamp Automoción Group
		Member of the Board of Directors of companies of the Gonvarri Group
		Member of the Board of Directors of companies of the Acek Energías Renovables Group
		Joint Administrator of Acek Energías Renovables, S.L.
		Member of the Board of Directors of companies of the Inmobiliaria Acek Group
		Joint Administrator of Inmobiliaria Acek, S.L.
		Chairman of SERNAUTO (<i>Asociación Española de Proveedores de Automoción</i>)
		Sole Administrator of Orilla Asset Management, S.L.
		Chairman of the Consejo España-China Foundation
		Member of the Board of Directors of companies of the Orilla Asset Management, S. L.
		Member of the Board of Directors of companies of the Acek, Desarrollo y Gestión Industrial, S.L. Group
		Trustee of Consejo España-Estados Unidos.
		Trustee of Fundación Endeavor.
		Chairman of Fundación Gestamp.
		Trustee of Consejo España-India.
		Trustee of Consejo España-Japón
María Rotondo Urcola	Director of Telefónica, S.A.	Member of the Board of Directors of CACEIS Bank Spain, S.A.U.

<u>Name</u>	<u>Principal activities inside the Group</u>	<u>Principal Activities outside the Group</u>
		Member of the Board of Directors of Santander CACEIS Latam Holding 1, S.L.
		Member of the Board of Directors of Libertas 7
		Member of the Board of Directors of Resister, S.A.
		Member of the Board of Directors of Strategy at the Core, S.L.
		Member of IE University's Advisory Board, co-Director and professor in the Executive Sustainability Programme
		Mentor, Professor and Lecturer of BME
Claudia Sender Ramírez	Director of Telefónica, S.A.	Member of the Board of Directors of Holcim Ltd
	Member of the Advisory Board of Telefónica Tech	Member of the Board of Directors of Gerdau, S.A.
	Member of the Advisory Board of Telefónica Hispanoamérica	Member of the Board of Directors of Amigos do Bem
		Member of the Board of Directors of Embraer, la Empresa Brasileira de Aeronáutica, S.A.
		Member of the Board of Directors of Sociedad Beneficiante Hospital Israelí Albert Einstein
Solagne Sobral Targa	Director of Telefónica, S.A.	Executive Vice Chairwoman of CI&T
	Director of Telefônica Brasil, S.A.	Member of the Board of Directors of Somo Custom Ltd.
		Member of the Advisory Board with WCD Brazil

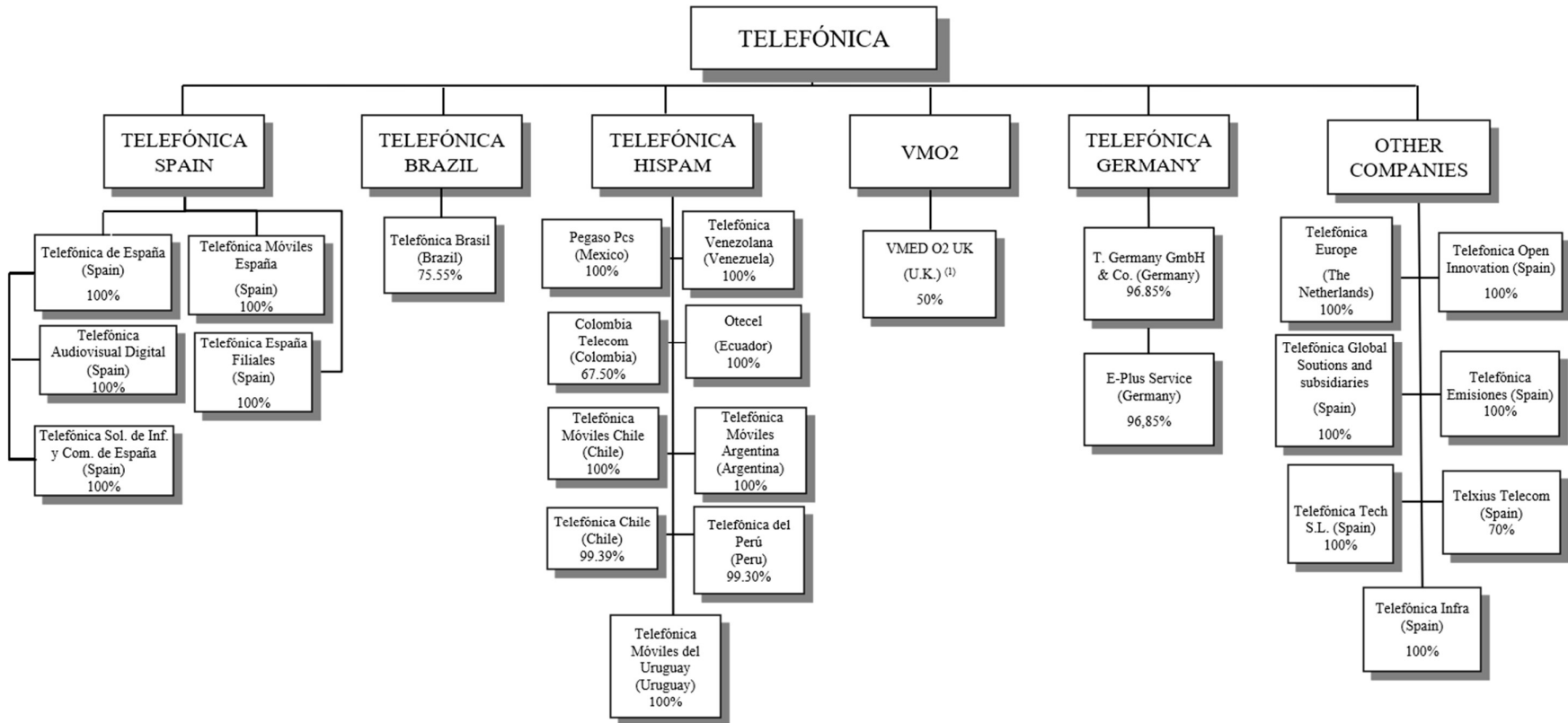
The business address of each of the directors of the Guarantor is Distrito Telefónica Ed. Central, Ronda de la Comunicación s/n, 28050 Madrid, España.

Conflicts of Interest

As at the date of this Offering Memorandum, there are no current or potential conflicts of interest in relation to members of the Board of Directors between any duties owed to Telefónica and their private interests and other duties.

Organisational Structure

The following chart shows the organisational structure of the principal subsidiaries of the Telefónica Group at 30 June 2024, including their jurisdictions of incorporation and Telefónica's ownership interest.



(1) Investment accounted for under equity method.

TAXATION

The following is a general description of certain tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities whether in those countries or elsewhere. Prospective purchasers of Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Netherlands and the Kingdom of Spain of acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Securities, or any person through which an investor holds Securities, of a custodian, collection agent or similar person in relation to such Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Dutch Tax

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Offering Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "Taxes on Income and Capital Gains" below, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that, a holder of Securities, being an individual or a non-resident entity, does not have nor will have a substantial interest (aanmerkelijk belang), or - in the case of such holder being an entity - a deemed substantial interest, in the Issuer and that a connected person (verbonden persoon) to the holder neither has nor will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with the individual's partner, directly or indirectly has or is deemed to have or (b) certain relatives of such individual or the individual's partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

Where this summary refers to a holder of Securities, an individual holding Securities or an entity holding Securities, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in the Securities or otherwise being regarded as owning Securities for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

Where this summary refers to Securities, such reference includes Coupons and Talons.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Securities.

1. WITHHOLDING TAX

All payments of principal and interest by the Issuer under the Securities can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, save that Dutch withholding tax may apply on certain (deemed) payments of interest made to an affiliated (*gelieerde*) entity of the Issuer if such entity (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the annually updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*), or (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable, or (iii) is entitled to the interest payable for the main purpose or one of the main purposes to avoid taxation for another person, or (iv) is not considered to be the recipient of the interest in its jurisdiction of residence because such jurisdiction treats another (lower-tier) entity as the recipient of the interest (a hybrid mismatch), or (v) is not treated as resident anywhere (also a hybrid mismatch), or (vi) is a reverse hybrid whereby the jurisdiction of residence of a participant that has a qualifying interest (*kwalificerend belang*) in the reverse hybrid treats the reverse hybrid as tax transparent and that participant would have been taxable based on one (or more) of the items in (i)-(v) above had the interest been due to the participant directly, all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

2. TAXES ON INCOME AND CAPITAL GAINS

Residents

Resident entities

An entity holding Securities which is or is deemed to be resident in the Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Securities at the prevailing statutory rates (up to 25.8 per cent. in 2024).

Resident individuals

An individual holding Securities who is or is deemed to be resident in the Netherlands for Dutch income tax purposes will generally be subject to Dutch income tax in respect of income or a capital gain derived from the Securities at the prevailing statutory rates (up to 49.5 per cent. in 2024) if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, the individual will in principle be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Securities. For the fiscal year 2024, separate deemed return percentages for savings, debts and investments apply, 6.04 per cent. for the category investments (including the Securities), as at the

beginning of the relevant fiscal year. The applicable percentages should be updated annually on the basis of historic market yields.

However, based on rulings of the Dutch Supreme Court (*Hoge Raad*) of 6 June 2024, the current system of taxation based on a deemed return per category of assets is in conflict with European law if the deemed return applicable to the relevant investments exceeds the actual return in the respective calendar year. Awaiting new legislation, it is expected that if the individual demonstrates that the actual return – calculated in accordance with the guidelines of the Dutch Supreme Court – is lower than the applicable deemed return, the taxable basis should be that lower amount. Prospective purchasers of Securities are recommended to consult their own tax advisors as to the consequences of these Dutch Supreme Court rulings.

The individual's taxable income from savings and investments (including the Securities) for 2024 will be taxed at the prevailing statutory rate (36 per cent. in 2024).

Non-residents

A holder of Securities which is not and is not deemed to be resident in the Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from the Securities, unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

3. GIFT AND INHERITANCE TAXES

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Securities by way of gift by, or on the death of, a holder of Securities, unless:

- (i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

4. VALUE ADDED TAX

There is no Dutch value added tax payable by a holder of Securities in respect of payments in consideration for the issue or acquisition of the Securities, payments of principal or interest under the Securities or payments in consideration for the disposal of Securities.

5. OTHER TAXES AND DUTIES

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of Securities in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Securities or the performance of the Issuer's obligations under the Securities.

6. RESIDENCE

A holder of Securities will not be and will not be deemed to be resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject

to Dutch taxation, by reason only of acquiring, holding or disposing of Securities or the execution, performance, delivery and/or enforcement of Securities.

Spanish Tax

Applicable law for Spanish tax purposes

The Guarantor believes that the First Additional Provision of Law 10/2014 (as defined in the Conditions) shall apply to the Securities according to its Section 8, provided that the Securities are issued by a company which is (i) tax resident in the European Union and (ii) whose voting rights are completely held directly by an entity which is resident in Spain for tax purposes.

The Guarantor will comply with the reporting obligations set out in Section 4 of the First Additional Provision of Law 10/2014 in respect of Holders who are taxpayers of the Spanish Individual Income Tax or taxpayers of the Spanish Corporation Tax, as well as taxpayers of the Spanish Non-resident Income Tax ("NRIT") who hold the Securities through a permanent establishment located in the Spanish territory.

Payments made by the Guarantor

In the opinion of the Guarantor, any payments of principal and interest that do not remunerate the use of funds in Spain made by the Guarantor under the Guarantee should not be subject to taxation in Spain.

However, payments of interest made under the Guarantee to the beneficial owners of the income arising from the Securities (each of them, a "**Holder**", and collectively the "**Holders**") may be subject to Spanish taxation and, hence, to Spanish withholding tax at the then applicable rate (as at the date of this Offering Memorandum, 19 per cent.) to the extent it remunerates the use of funds in Spain. According to Spanish tax legislation, "interest" includes payment of coupons and income deriving from the transfer, redemption or reimbursement of the Securities, on the basis of the positive difference between the amounts obtained in the transfer, redemption or reimbursement of the Securities and their tax basis.

For Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain, such income should be exempt from Spanish tax in accordance with the First Additional Provision of Law 10/2014 and, therefore, no Spanish withholding may be due.

The application of the above mentioned exemption from Spanish withholding tax is conditional:

- (i) while the Securities are represented by Global Securities and the Global Securities are deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, upon the submission by the Fiscal Agent, in a timely manner, to the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) with a certificate containing certain information relating to the Securities in accordance with section 44 of the Royal Decree 1065/2007, as detailed under the Fiscal Agency Agreement, or
- (ii) while the Securities are represented by Definitive Securities, upon the submission by the Holder to the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) prior to the corresponding payment of interest under the Guarantee of a valid certificate of tax residence, duly issued by the tax authorities of the country of tax residence of the Holder, each certificate generally being valid for a period of one year beginning on the date of the issuance. For these purposes, if the certificate is referred to a specific period, it will only be valid for that period.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities so that before the close of business on the Business Day (as defined in the Conditions) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Securities (each, a "**Payment Date**") is due, the Guarantor must receive from the Fiscal Agent a certificate containing certain information relating to the Securities as prescribed under section 44 paragraph 5 of the Royal Decree 1065/2007. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will withhold tax at the then-applicable rate (as at the date of this Offering Memorandum, 19 per cent.) from any payment of interest in respect of the relevant Security. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Fiscal Agent provides the required information, the Guarantor will reimburse the amounts withheld.

If the First Additional Provision of Law 10/2014 was not deemed applicable to the Securities, the relevant Additional Amounts will be payable according to Condition 8(a) (*Taxation - Additional Amounts*) of the Securities.

Holders not acting with respect to the Securities through a permanent establishment in Spain and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure to deliver by the Holder or the Fiscal Agent (as the case may be) of a valid certificate of tax residence of the Holder or certain information relating to the Securities (as the case may be) in a timely manner may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Holders are advised to consult their own tax advisers regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

Furthermore, Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain may take the position that payments of interest received from the Guarantor under the Guarantee should be characterised as an indemnity under Spanish law and, hence, should have been made free of withholding or deduction on account of any Spanish tax. In such a case, these Holders should apply directly to the Spanish tax authorities for any refund to which they may be entitled.

In connection with Spanish tax resident Holders and Non-Spanish tax resident Holders acting with respect to the Securities through a permanent establishment in Spain, income deriving from the Securities and the Guarantee is subject to tax in Spain. Payments made under the Guarantee which correspond to payments of interest under the Securities may be subject to withholding on account of Spanish taxes.

The proposed financial transactions tax ("FTT")

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

Spain approved the Spanish law which implements its own Spanish tax on financial transactions (the "**Spanish FTT**") on 7 October 2020. The Spanish FTT came into force on 16 January 2021 and charges a 0.2 per cent. rate on specific acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds EUR 1,000,000,000, regardless of the jurisdiction of residence of the parties involved in the transaction. Therefore, the Spanish FTT will not affect the Securities.

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

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States and it may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. The European Commission indicated in their Communication on Business Taxation for the 21st Century dated 18 May 2021 that it still considers introducing an FTT. Whilst the state of the dossier has been regularly discussed at the ECOFIN, the European Commission has stated recently that the prospects of reaching an agreement on the FTT in the short term are limited.

Prospective holders of Securities are strongly advised to seek their own professional advice in relation to the FTT.

US Foreign Account Tax Compliance Withholding

Under certain provisions of the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder (commonly referred to as "**FATCA**"), a 30 per cent. withholding tax may apply to certain "foreign passthru payments" made by a foreign financial institution (an "**FFI**"), including an FFI in the chain of ownership between an ultimate beneficial owner and the issuer of an obligation that has entered into an agreement with the U.S. Internal Revenue Service pursuant to which it agrees to certain due diligence, reporting and withholding functions (such an FFI referred to as a "**PFFI**"). FATCA withholding may apply to payments made by a PFFI to (a) an FFI that is not a PFFI and is not otherwise exempt from FATCA and to (b) certain other payees who fail to provide sufficient identifying information (including, in certain cases, regarding their U.S. owners). Certain aspects of the application of these rules are modified by intergovernmental agreements between the United States and certain other countries ("**Intergovernmental Agreements**"), including Spain and the Netherlands. The term "foreign passthru payment" is not defined currently and withholding on foreign passthru payments will not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". It is uncertain how foreign passthru payment withholding will apply under Intergovernmental Agreements, if at all. Given the uncertainty of the FATCA provisions, although the Issuer does not expect FATCA withholding to apply to payments it makes on the Securities, FATCA may impact payments by custodians or intermediaries in the payment chain between the Issuer and the ultimate beneficial owner of the Securities. The Issuer and the Guarantor have no responsibility for any FATCA withholding applied by any such custodians or intermediaries in the ownership chain and would not be required to pay any additional amounts were any amount deducted or withheld from any payment pursuant to FATCA. Investors should consult their own tax advisers with respect to FATCA and its application to the Instruments and should consider carefully the FATCA compliance status of any financial intermediaries in the chain of ownership through which they hold Securities.

SUBSCRIPTION AND SALE

Barclays Bank Ireland PLC, Citigroup Global Markets Europe AG and Société Générale (the "**Joint Bookrunners**") have, in a subscription agreement dated 12 September 2024 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Joint Bookrunners, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Securities. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Securities to any retail investor in the United Kingdom. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and/or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other UK Regulatory Restrictions

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the New Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Securities to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

United States of America

The New Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The New Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal

Revenue Code and regulations thereunder. Accordingly, the New Securities are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the New Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the New Securities, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells New Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the New Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after commencement of the offering, an offer or sale of New Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Kingdom of Spain

Neither the New Securities nor this Offering Memorandum (in preliminary or final form) and its contents have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the New Securities may not be offered, sold or distributed, nor may any subsequent resale of the New Securities be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. The New Securities shall only be directed specifically at, or made to, to professional clients (*clientes profesionales*) as defined in Article 194 of the Spanish Law 6/2023, of 17 March, on the Securities Markets and the Investment Services (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*) (as amended or replaced from time to time, the "**Spanish Securities Markets and Investment Services Law**") and Article 112 of Royal Decree 813/2023, of 8 November, as amended or replaced from time to time, and eligible counterparties (*contrapartes elegibles*) as defined in Article 196 of the Spanish Securities Markets and Investment Services Law.

Republic of Italy

The offering of the New Securities has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no New Securities may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to any New Securities, be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Bookrunner has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any New Securities or distribute any copy of this Offering Memorandum or any other document relating to the New Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the EU Prospectus Regulation and any applicable provision of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Italian CONSOB regulations, all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the EU Prospectus Regulation, Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the New Securities or distribution of copies of this Offering Memorandum or any other document relating to the New Securities in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

General

Each Joint Bookrunner has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Securities or possesses, distributes or publishes this Offering Memorandum or any other offering material relating to the New Securities. Persons into whose hands this Offering Memorandum comes are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver New Securities or possess, distribute or publish this Offering Memorandum or any other offering material relating to the New Securities, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the New Securities has been authorised by a resolution of the Board of Managing Directors of the Issuer dated 5 September 2024. The giving of the Guarantee of the Securities has been authorised by a resolution of the Executive Commission of the Board of Directors of the Guarantor dated 15 January 2024, acting upon a resolution of the shareholders acting through the General Shareholders' Meeting of the Guarantor dated 12 June 2020 and a resolution of the Board of Directors of the Guarantor dated 12 June 2020.

Legal and Arbitration Proceedings

2. Save as described in "*Risk Factors - Risks relating to the Issuer and the Guarantor - Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings*" on pages 17 through 18 of this Offering Memorandum, under "*Description of the Guarantor - Legal Proceedings*" on pages 89 through 94 of this Offering Memorandum and under "*Description of the Guarantor - Tax Proceedings*" on pages 94 through 98 of this Offering Memorandum, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Memorandum, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

Significant/Material Change

3. Since 31 December 2023 there has been no material adverse change in the prospects of the Issuer, and since 30 June 2024 there has been no significant change in the financial or trading position of the Issuer.
4. Since 31 December 2023 there has been no material adverse change in the prospects of the Guarantor and the Group, and since 30 June 2024 there has been no significant change in the financial or trading position of the Guarantor and the Group, save for as disclosed in the "*Description of the Guarantor – Recent Developments*" section.

Legend Concerning US Persons

5. The Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Credit Ratings

6. The Securities are expected to be rated BB by S&P, Ba2 by Moody's and BB+ by Fitch. In accordance with Fitch's ratings definitions available as at the date of this Offering Memorandum on <https://www.fitchratings.com/products/rating-definitions>, a rating of "BB" indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. In accordance with S&P's ratings definitions available as at the date of this Offering Memorandum on https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352, an obligation rated "BB" is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. In accordance with Moody's ratings definitions available as at the date of this Offering Memorandum on <https://www.moody.com/ratings-process/Ratings-Definitions/002002>, obligations rated "Ba" are judged to have speculative elements and are subject to substantial credit risk.

Listing

7. It is expected that the listing of the New Securities on the Official List of Euronext Dublin and the admission of the New Securities to trading on the GEM of Euronext Dublin will take place on or about 18 September 2024, subject to the issue of the Temporary Global Security.
8. Matheson LLP is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the New Securities to the Official List of the Euronext Dublin and trading on the GEM of Euronext Dublin.

Legal Entity Identifier

9. The Legal Entity Identifier (LEI) code of the Issuer is 7245007FZS0M65WUGP67.
10. The Legal Entity Identifier (LEI) code of the Guarantor is 549300EEJH4FEPDBBR25.

ISIN and Common Code

11. The New Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Until the New Securities are consolidated and form a single series with the Original Securities, the New Securities will have the temporary ISIN XS2901990429 and a temporary Common Code 290199042. After that, the ISIN of the New Securities will be XS2646608401 and the Common Code will be 264660840, which is the same as for the Original Securities.

Conflicts of Interests

12. Certain Joint Bookrunners and/or their affiliates (including parent companies) may have engaged in various general financing and banking transactions with, and provided financial advisory and investment banking services to the Issuer, the Guarantor and their parent and group companies.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Guarantor, or the Issuer's or the Guarantor's affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of positions in securities, including potentially the Securities issued. Any such positions could adversely affect future trading prices of the Securities issued. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes also the relevant parent companies of the Joint Bookrunners. The Joint Bookrunners will also receive fees for their role in the issuance.

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