

Telefónica Emisiones, S.A.

Independent auditor's report
Annual accounts for the year ended 31 December 2023
Management report



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

Independent auditor's report on the annual accounts

To the sole shareholder of Telefónica Emisiones, S.A. (Sole-Shareholder Company):

Report on the annual accounts

Opinion

We have audited the annual accounts of Telefónica Emisiones, S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts) and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
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Inter-company loans valuation

The main activity of the Company consists on the issuance of bonds, which are then used to finance Telefónica Group operations through loans to the sole shareholder of the Company, Telefónica S.A.

The total amount of long-term and short-term loans to group companies, as disclosed in note 6 of the annual accounts, represents almost the totality of the Company's assets. These loans are valued at amortized cost as described in note 4.1 of the annual accounts, and their value would be adjusted if management identifies objective evidence of impairment.

The analysis of the valuation of these loans is key for our audit given their relevance and the implicit judgement element in their valuation.

We have conducted audit procedures over the valuation of the long and short-term loans to group companies, specifically including:

- Examination of contracts with the sole shareholder and recalculation of amortized costs of the loans, in accordance with said contracts.
- Confirmation of balances at the end of the year with Telefónica, S.A.
- Evaluation of the analysis performed by the directors over the sole shareholder's payment capacity, based on available treasury forecasts.

Based on the procedures performed, we have not identified any relevant aspect to mention with regard the valuation of loans to group companies.

Accounting recognition of bond issuances and repurchases occurred during the year

As disclosed in note 8, the Company has issued a long-term bond issuance, guaranteed by its sole shareholder, Telefónica, S.A., which is measured initially at fair value and subsequently measured at amortized cost as described in note 4.2 of the annual accounts.

Additionally, as disclosed in note 8, the Company carried out a partial early amortization (repurchase) of long-term bonds recognised in accordance with the accounting principles as described in note 4.2.

Said issuance and repurchase account for almost all of the Company's activity during the year and therefore, so the work performed in this area is key to our audit in relation to the assessment of the risk of material misstatement in its accounting records.

We have conducted audit procedures over the accounting recognition of the issuance and repurchase of bonds, including:

- Understanding of the control environment over the contracting process and recognition of transactions.
- Examination of the contracts for the issuance and repurchase of bonds occurred during the year, in order to analyse the terms of the issuance and repurchase, as well as their accounting records.

Based on the procedures performed, we have not identified any relevant aspect to mention with regard the accounting recognition of the issuance and repurchase of bonds in 2023.



Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with the applicable regulations.

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

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

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

The audit and control committee of the sole shareholder (Telefónica, S.A.) is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.



Telefónica Emisiones, S.A.

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

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

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

We also provide the Company's audit and control committee of the sole shareholder with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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



Telefónica Emisiones, S.A.

Report on other legal and regulatory requirements

Report to the audit and control committee of the sole shareholder

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the sole shareholder dated 20 February 2024.

Appointment period

The sole shareholder on 30 March 2023 appointed us as auditors for a period of one year, as from the year ended 31 December 2023.

Previously, we were appointed by the sole shareholder for a period of three years and we have been auditing the annual accounts continuously since the year ended 31 December 2017.

Services provided

PricewaterhouseCoopers Auditores, S.L. has not provided services other than the audit of accounts to the audited entity.

PricewaterhouseCoopers Auditores, S.L. (S0242)

(Original signed in Spanish)
María del Carmen Fernández Galán (23425)

21 February 2024

TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)

Annual Accounts and Management Report for the year ended 31 December 2023



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TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)
Balance sheet as at 31 December

(Thousands of euros)

ASSETS	Notes*	2023	2022
NON-CURRENT ASSETS		23,953,759	24,830,045
Non-current investments in Group companies and associates	6 and 11.2	23,953,759	24,830,045
Loans to Group companies and associates		23,953,759	24,830,045
CURRENT ASSETS		1,314,074	1,640,251
Trade and other receivables	6	277	462
Prepayments to suppliers		277	462
Current investments in Group companies and associates	6 and 11.2	1,297,545	1,625,334
Loans to Group companies and associates		1,297,545	1,625,334
Cash and cash equivalents	11.2	16,252	14,455
TOTAL ASSETS		25,267,833	26,470,296

(Thousands of euros)

EQUITY AND LIABILITIES	Notes*	2023	2022
EQUITY		16,556	14,828
CAPITAL AND RESERVES	7	16,556	14,828
Share Capital		62	62
Share capital		62	62
Reserves		14,766	14,061
Legal and Statutory		12	12
Other reserves		14,754	14,049
Profit (Loss) for the year		1,728	705
NON-CURRENT LIABILITIES		23,954,853	24,831,441
Non-current debts	8	23,954,853	24,831,441
Bonds and other marketable debt securities		23,954,853	24,831,441
CURRENT LIABILITIES		1,296,424	1,624,027
Current debts	8	1,295,926	1,623,686
Bonds and other marketable debt securities		1,295,926	1,623,686
Current borrowings from Group companies and associates	8, 9 and 11.2	364	150
Trade and other payables		120	85
Other payables		54	32
Suppliers, group companies and associates		66	53
Current corporation tax payable		14	106
TOTAL EQUITY AND LIABILITIES		25,267,833	26,470,296

* Notes 1 to 15 are an integral part of these annual accounts.

TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)
Income statements for the years ended 31 December

(Expressed in thousands of euros)

	Notes*	2023	2022
Other operating expenses		(1,944)	(1,965)
External services	10.1	(1,944)	(1,962)
Taxes other than corporation tax		-	(3)
OPERATING PROFIT (LOSS)		(1,944)	(1,965)
Financial income	10.2	766,463	901,790
At Group companies and associates		766,463	901,741
Other financial income		-	49
Financial expense	10.3	(762,331)	(898,648)
Debts with third parties		(762,331)	(898,648)
Exchange rate differences (loss/profit)	10.4	116	(237)
FINANCIAL RESULTS		4,248	2,905
PROFIT (LOSS) BEFORE TAXES		2,304	940
Corporation tax		(576)	(235)
Corporation tax	9	(576)	(235)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		1,728	705
PROFIT (LOSS) FOR THE YEAR		1,728	705

* Notes 1 to 15 are an integral part of these Annual Accounts.

TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)
Statements of changes in equity for the years ended 31 December

A. Statement of recognised income and expense for the year ended 31 December

(Thousands of euros)

	2023	2022
PROFIT (LOSS) FOR THE YEAR	1,728	705
TOTAL RECOGNIZED INCOME AND EXPENSE	1,728	705

Note: Notes 1 to 15 are an integral part of these Annual Accounts

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

(Thousands of euros)

	Share capital	Reserves	Profit (Loss) for the year	TOTAL
BALANCE AT 1 JANUARY 2022	62	12,505	1,556	14,123
Total recognised income and expenses	-	-	705	705
Distribution of results from previous years	-	1,556	(1,556)	-
BALANCE AT 31 DECEMBER 2022	62	14,061	705	14,828
Total recognised income and expenses	-	-	1,728	1,728
Distribution of results from previous years	-	705	(705)	-
BALANCE AT 31 DECEMBER 2023	62	14,766	1,728	16,556

Note: Notes 1 to 15 are an integral part of these Annual Accounts

TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)
Cash flow statements for the years ended 31 December

(Thousands of euros)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before tax		2,304	940
Adjustments to net results:		(4,248)	(2,905)
Financial income	10.2	(766,463)	(901,790)
Financial expenses	10.3	762,331	898,648
Exchange rate differences	10.4	(116)	237
Change in working capital		(54)	(114)
Accounts receivable		184	(136)
Trade and other payables		35	34
Other current liabilities		(273)	(12)
Other cash flows from operating activities		3,829	3,906
Interest paid		(844,042)	(905,623)
Interest received		848,032	909,980
Receipts/payments of corporation tax		(321)	(461)
Other payments/receipts		160	10
CASH FLOWS FROM OPERATING ACTIVITIES		1,831	1,827
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		(850,000)	(1,100,000)
Group companies and associates	6	(850,000)	(1,100,000)
Proceeds from divestments		1,704,663	2,787,520
Group companies and associates	6	1,704,663	2,787,520
CASH FLOWS FROM INVESTING ACTIVITIES		854,663	1,687,520
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments of financial liabilities		(854,696)	(1,687,520)
Issuance			
Bonds and other marketable debt securities	8	850,000	1,100,000
Repayment and redemption of			
Bonds and other marketable debt securities	8	(1,704,663)	(2,787,520)
CASH FLOWS FROM FINANCING ACTIVITIES		(854,663)	(1,687,520)
NET FOREIGN EXCHANGE RATE DIFFERENCE		(34)	(115)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		1,797	1,712
Cash and cash equivalents at January 1		14,455	12,743
Cash and cash equivalents at 31 December		16,252	14,455

* Notes 1 to 15 are an integral part of these Annual Accounts.

TELEFÓNICA EMISIONES, S.A. (Sole Shareholder Company)
Notes to the Annual accounts for the year ended 31 December 2023

1. ACTIVITY

Telefónica Emisiones, S.A. (Sole Shareholder Company), hereinafter referred to as the "Company" or "Telefónica Emisiones, S.A.U.", was incorporated as a Sole Shareholder Company in Spain for an indefinite period on 29 November 2004 as "Telefónica Emisiones, S.A.U."

Telefónica Emisiones, S.A.U. is a company 100% directly owned by Telefónica, S.A. The corporate purpose of Telefónica Emisiones, S.A.U. entails the issuance of preferential shares and/or other financial debt instruments.

The registered address of Telefónica Emisiones, S.A.U. is Calle Gran Vía, 28 – 28013 Madrid.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

The annual accounts have been prepared in accordance with the General Accounting Plan (Plan General de Contabilidad) approved by Royal Decree 1514/2007 16 November, which was amended by Royal Decree (RD) 602/2016 2 December, and by Royal Decree (RD) 1/2021 12 January, as well as all other mercantile legislation in force at the date of preparation of these annual accounts.

The figures shown in these annual accounts are presented in thousands of euros unless otherwise indicated.

2.1 True and fair view

These annual accounts were obtained on the basis of the Company's accounting records and were drawn up following the generally accepted accounting principles in Spain as per the pertinent legislation currently in force.

These annual accounts offer a true and fair image of the equity, financial situation and financial results of the Company. The cash flow statement has been prepared to present fairly the origin and usage of monetary assets such as cash and cash equivalents.

These Annual Accounts were prepared on 21 February 2024, by the Joint and Several Directors of the Company and are expected to be approved without modification by the Sole Shareholder.

2.2 Comparison of information

In order to facilitate comparability of the figures in these annual accounts, the figures for the previous year ending 31 December 2022 have been included.

2.3 Critical issues concerning the estimation of uncertainty

As of the year-end date, there are no key cases regarding the future or further relevant data regarding estimation of uncertainty associated with an important risk entailing significant changes in the value of assets and liabilities in the next year.

The Company's annual accounts for the year ended 31 December 2023 were drawn up using estimates to quantify some of the assets, liabilities, income and expenses recognised therein. These estimates essentially refer to the fair value of certain financial assets and liabilities (see Notes 6 and 8).

While these estimates were made based on the best information available at 31 December 2023 regarding the analysed events, they might need to be changed (increased or decreased) in subsequent years due to the occurrence of potential future events. Any such change would be made prospectively according to applicable legislation, recognising the effects of the changed estimate in the corresponding Income statement for the future years concerned.

3. NET RESULTS APPROPRIATION

The Joint and Several Directors shall submit the following proposed distribution of 2023 profit for approval by the Company's Sole Shareholder:

(Thousands of euros)	2023
Proposed appropriation	
Balance of the Profit and loss statement	1,728
	1,728
Appropriation to:	
Voluntary reserves (other reserves)	1,728
	1,728

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied by the Company in drawing up these annual accounts are as follows:

4.1 Financial assets

Classification and measurement

Financial assets

Granted loans are classified based on maturities, i.e., current loans as loans with a maturity of less than 12 months and non-current loans as having maturities greater than 12 months.

These items are measured initially at fair value in the balance sheet, which, unless there is evidence to the contrary, is the transaction price, equivalent to the fair value of the consideration transferred plus directly attributable transaction costs. After initial recognition, these financial assets are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Company adjusts the carrying amount of financial assets against the Income statement when there is objective evidence of actual impairment.

To determine impairment loss, the Company assesses the potential loss of individual assets as well as groups of assets with similar risk characteristics.

Cancellation

Financial assets are fully or partially derecognised when the contractual rights to related cash flows have expired or when the Company has assigned the rights to receive the effective flows of the asset to the third party, transferring practically all risks and rewards associated with the asset.

Interest

Interest is recognised as financial revenue in the profit and loss statement. Interest must be recognised using the effective interest rate method from the moment of the referred concession of the credits.

For this purpose, taking into account its maturity, the amount of explicit interest accrued and unpaid is recorded separately as current assets.

Explicit interest is the interest obtained when applying the contractual interest rate of the financial instrument.

4.2 Financial liabilities

Classification and measurement

Financial liabilities

They include financial liabilities created by issuing obligations, and are classified based on maturities, i.e., current debts as debts with a maturity of less than 12 months and non-current debts as having maturities greater than 12 months.

They are measured initially at fair value in the balance sheet, which, unless there is evidence to the contrary, is the transaction price, equivalent to the fair value of the consideration transferred plus directly attributable transaction costs. After initial recognition, these financial liabilities at amortised cost are measured at amortised cost using the effective interest rate method.

Cancellation

The Company derecognises a financial liability when the corresponding obligation is settled, cancelled or matures.

When there is an exchange of debt instruments, so long as they have substantially different conditions, the original financial liability is derecognised and the arising new financial liability is recognised. A substantial modification in the current conditions of a financial liability is recorded.

The difference between carrying value of the financial liability or the derecognised part thereof, and the consideration paid, including the attributable transaction costs, and including any asset assigned other than the assumed cash or liability, is recognised in the income statement for the year in which it takes place.

When there is an exchange of debt instruments that have no substantially different conditions, the original financial liability is not derecognised from the balance sheet, recording the amount of commissions paid as an adjustment of its carrying amount. The new amortised cost of the financial liability is determined by applying the effective interest rate, which is equal to the carrying amount of the financial liability on the modification date, with the cash flows payable according to the new conditions.

For these purposes, the terms of the contracts shall be deemed to be materially different if, among other things, the present value of the cash flows of the new contract, including fees paid, less fees received, differs by at least ten per cent from the present value of the remaining cash flows of the original contract, discounted at the effective interest rate of the original contract.

Interest

Interest is recognised as financial expenses in the profit and loss statement. Interest must be recognised using the effective interest rate method from the issuance date of the liabilities to which it relates.

For this purpose, taking account of the maturity and, separately, the amount of the explicit interest accrued and unpaid to date, it is recorded as current liability at amortised cost.

Explicit interest is the interest obtained when applying the contractual interest rate of the financial instrument.

4.3 Cash and cash equivalents

This heading includes the floating balance of the account maintained with Group company Telfisa Global, B.V. and current account held at BBVA (in local and foreign currencies) meeting all the following requirements:

- They are readily convertible to cash.
- At the time of its acquisition, its maturity did not exceed three months.
- The risk of change in value is insignificant and
- They are part of the Company's standard cash management strategy.

4.4 Corporation tax

The Company is subject to tax consolidation for corporation tax with its Sole Shareholder.

The corporate tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognised deferred tax assets and liabilities. The corresponding tax expense is recognised in the Income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity and in business combinations in which it is recorded with a charge or credit to goodwill.

Deferred corporation tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

Deferred tax liabilities are recognised for all temporary differences, save for the exceptions contemplated by the corresponding tax legislation in force.

The Company recognises deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carry forwards, to the extent that it is probable that the Tax Group will have future taxable profit available against which these assets may be utilised, save for the exceptions included in the corresponding tax legislation in force.

At each financial year-end, the Company assesses the deferred tax assets recognised and those that have not yet been recognised. Based on this analysis, the Company derecognises the asset recognised previously if it is no longer probable that it will be recovered, or it recognises any deferred tax asset that had not been recognised previously, provided that it is probable that the Tax Group will have future taxable profit available against which these assets may be utilised.

Deferred tax assets and liabilities are measured at the tax rate expected to be applied to the period in which they reverse, as required by enacted tax laws, and in the way it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities.

4.5 Income and expenses

Income and expenses are registered on an accrual basis.

4.6 Transactions in foreign currency

The Company's functional and presentation currency is the euro. Transactions expressed in foreign currencies are converted into national currency at the prevailing exchange rate on the transaction date and are adjusted at year end to reflect the prevailing exchange rates at that date.

Monetary assets and liabilities in foreign currencies are translated at the valid exchange rate on the balance sheet date. All exchange rate differences (whether gains or losses) arising from translation, as well as those resulting on settlement of balance sheet items, are recognised in the Income statement in the period in which they occur.

4.7 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. For these purposes, assets and liabilities are classified as current when they are linked to the normal operating cycle of the Company and are expected to be sold, consumed, realized or liquidated during this cycle, and their maturity, disposal or realization is expected to occur within a maximum period of one year; they are kept for the purpose of trading or as cash and equivalent, the use of which is not restricted to a period of more than one year.

4.8 Related-party transactions

Related-party transactions are measured as described in the recognition and measurement accounting policies described above.

4.9 Measurement standards under the International Financial Reporting Standards (IFRS)

The Company has issued securities admitted for trading in a regulated market by an EU Member State and only publishes separate annual accounts. If the International Financial Reporting Standards adopted by the European Union were applied, there would be no significant differences in either Equity or the Income Statement.

5. MAIN RISKS ASSOCIATED WITH THE ACTIVITY AND RISK MANAGEMENT POLICY

(i) Concentration of income, liquidity and other financial risks

Nearly all the Company's income presently comes from the same customer (Telefónica, S.A.). Therefore, the Company's ability to honour its obligations with third parties is closely related to the financial situation of Telefónica S.A. and its ability to comply with the loan contracts signed with the Company.

The terms and conditions of the financial investments maintained with Telefónica, S.A., which represent virtually all the financial assets of the Company, are similar to the terms and conditions of the financial liabilities (mainly issued bonds) subscribed by the Company. Therefore, interest rates, exchange rates and liquidity risks are substantially mitigated. For this reason, the Company presently holds no financial derivatives.

(ii) Credit risk from investing in bonds and other marketable securities issued by the Company

The bonds issued by the Company that are currently in circulation have an unconditional and irrevocable guarantee from Telefónica, S.A. and the credit risk for investing in bonds issued by the Company is therefore similar to investing directly in Telefónica, S.A.

(iii) Worsening of the financial markets

The worsening of the financial markets could limit the Company's finance capacity and, as a result, the Company's ability to continue its activities, i.e., securing financing in capital markets to subsequently loan them to the Telefónica Group.

Financing may become complex and costly when facing a significant deterioration in the conditions of international or local financial markets because of, for instance, monetary policies set by central banks, with interest rate hikes and balance reductions, increased economic and political uncertainties, oil price instability, or possible impaired solvency or operational behaviour of the Telefónica Group.

The occurrence of any of the above risks could have negative effects on the Company's capacity and on costs to secure financing to furnish the Telefónica Group. This in turn could adversely affect the businesses, financial situation, operating income, and/or cash flows of the Company and the Telefónica Group.

6. FINANCIAL ASSETS

The breakdown of financial assets at 31 December 2023 and 2022 is as follows:

(Thousands of euros)	2023	2022
Non-current financial assets	23,953,759	24,830,045
Non-current financial assets at amortised cost		
Loans to Group companies and associates (Note 6.1)	23,953,759	24,830,045
Current financial assets	1,297,822	1,625,796
Current financial assets at amortised cost		
Loans to Group companies and associates (Note 6.1)	1,297,545	1,625,334
Prepayments to suppliers	277	462

Most significant transactions in 2023

On 23 January 2023, the Company received funds from debt repayments with Telefónica, S.A., on their maturity date, for a nominal amount of €1,276,700 thousand. These loans, with an annual coupon rate of 3.987%, were granted on 22 January 2013.

On 21 November 2023, the Company conferred new funding to Telefónica, S.A. for a nominal amount of €850,000 thousand with a maturity date of 21 November 2033 and an annual coupon rate of 4.183%.

On 7 December 2023, the Company received funds from the partial early amortisation of two loans with Telefónica, S.A. for an aggregate nominal amount of USD 500,008 thousand (€464,260 thousand at the date of the transaction). The funds received, after taking into account the buyback premium, are for a net amount of USD 460,952 thousand (€427,963 thousand on the date of the transaction).

Most significant transactions in 2022

In 2022, the Company conferred new funding to Telefónica, S.A. for an amount of €1,100,000 thousand and received funds from debt cancellation (of the same debtor) of €2,787,520 thousand.

6.1 Loans to group companies

The balance of this heading corresponds to loans granted to Telefónica, S.A. from 2006 to 2023, broken down as follows:

(Thousands of euros)

Loan number	Signed on	Maturity date	Annual interest rate	Payment frequency	2023 Non-current assets	2023 Current assets	2022 Non-current assets	2022 Current assets
4	02/02/2006	02/02/2026	5.375%	Annual	574,882	28,133	562,869	27,553
9	20/06/2006	20/06/2036	7.045%	Semi-annual	1,798,974	4,055	1,861,162	4,192
38	08/10/2010	08/10/2029	5.445%	Annual	459,737	5,768	450,130	5,650
54	22/01/2013	23/01/2023	3.987%	Annual	-	-	-	1,324,299
65	17/10/2014	17/10/2029	2.932%	Annual	798,440	4,869	798,229	4,869
71	13/04/2016	13/04/2026	1.46%	Annual	1,277,940	13,519	1,277,427	13,556
73	17/10/2016	17/10/2031	1.93%	Annual	748,012	2,994	747,792	2,994
74	28/12/2016	28/12/2051	4.00%	Annual	149,965	49	149,969	49
75	17/01/2017	17/01/2025	1.528%	Annual	1,126,245	16,565	1,125,776	16,565
76	17/01/2017	17/10/2028	2.318%	Annual	499,143	2,394	498,994	2,394
78	08/03/2017	08/03/2027	4.103%	Semi-annual	1,127,417	16,291	1,402,532	18,152
79	08/03/2017	08/03/2047	5.213%	Semi-annual	1,796,385	29,689	1,859,435	30,732
80	17/03/2017	17/10/2028	2.318%	Annual	199,520	955	199,431	958
81	18/04/2017	18/04/2037	4.90 %	Annual	180,205	6,261	186,521	6,481
82	28/04/2017	08/03/2047	5.016%	Semi-annual	461,869	7,335	478,368	7,597
83	12/09/2017	12/01/2028	1.715%	Annual	1,248,153	20,884	1,247,732	20,884
84	22/01/2018	22/01/2027	1.447%	Annual	998,806	13,715	998,442	13,715
85	06/03/2018	06/03/2048	4.895%	Semi-annual	1,122,177	17,735	1,161,556	18,358
86	06/03/2018	06/03/2038	4.665%	Semi-annual	448,755	7,551	697,452	10,499
87	11/09/2018	11/09/2025	1.495%	Annual	890,815	4,092	890,396	4,092
88	05/02/2019	05/02/2024	1.069%	Annual	-	1,009,675	999,246	9,748
89	01/03/2019	01/03/2049	5.520%	Semi-annual	1,122,092	20,857	1,161,610	21,590
90	12/03/2019	12/03/2029	1.788%	Annual	997,928	14,463	997,527	14,503

Loan number	Signed on	Maturity date	Annual interest rate	Payment frequency	2023 Non-current assets	2023 Current assets	2022 Non-current assets	2022 Current assets
91	01/07/2019	01/07/2039	1.957%	Annual	497,461	4,924	497,315	4,937
92	03/02/2020	03/02/2030	0.664%	Annual	997,641	6,135	997,270	6,135
93	21/05/2020	21/08/2027	1.201%	Annual	1,248,083	5,471	1,247,570	5,486
94	21/05/2020	21/05/2032	1.807%	Annual	747,839	8,352	747,593	8,373
95	13/07/2020	13/07/2040	1.864%	Annual	497,990	4,384	497,884	4,396
96	13/07/2021	13/07/2040	1.864%	Annual	94,003	877	93,707	879
97	25/05/2022	25/05/2031	2.592%	Annual	996,545	15,656	996,110	15,698
98	21/11/2023	21/11/2033	4.183%	Annual	846,737	3,897	-	-
					23,953,759	1,297,545	24,830,045	1,625,334

The fair value of the loans granted to Telefónica, S.A. was €24,031,390 thousand at 31 December 2023 and €23,577,455 thousand at 31 December 2022.

The calculation of the fair value for investments in group companies and associates of the Company has required, for each currency, the estimation of a credit spread curve using the prices of the Telefónica Group's bonds.

The maturities of the non-current assets included in this category at 31 December 2023 and 2022 are as follows:

(Thousands of euros)	2023	2022
Between 1 and 2 years	2,017,060	996,246
Between 2 and 3 years	1,852,822	2,016,172
Between 3 and 4 years	3,374,306	1,840,296
Between 4 and 5 years	1,946,816	3,648,544
Beyond 5 years	14,762,755	16,325,787
TOTAL NON-CURRENT ASSETS	23,953,759	24,830,045

7. EQUITY

7.1 Share Capital

The share capital at 31 December 2023 comprised 62,000 shares, each with a nominal value of 1 euro. Telefónica, S.A. is the Sole Shareholder of the Company.

Telefónica Emisiones, S.A.U. is registered as a Sole Shareholder Company in the Companies Registry, where the identity of the Sole Shareholder is on record.

7.2 Reserves

According to the Spanish Corporate Enterprises Act, the legal reserve, as long as it does not exceed the limit of 20% against the share capital, cannot be distributed to the Sole Shareholder and may only be allocated, when there are no further reserves available, to offset losses.

The reserve can also be used to increase share capital in the part exceeding 10% of the already increased share capital amount.

The legal reserve is fully funded. The remaining reserves are available reserves.

8. FINANCIAL LIABILITIES

The breakdown of financial liabilities at 31 December 2023 and 2022 is as follows:

(Thousands of euros)	Note	2023	2022
Non-current financial liabilities		23,954,853	24,831,441
Non-current financial liabilities at amortised cost		23,954,853	24,831,441
Non-current debts: Bonds and other marketable debt securities	8.1	23,954,853	24,831,441
Current financial liabilities		1,296,410	1,623,921
Current financial liabilities at amortised cost			
Current debts: Bonds and other marketable debt securities	8.1	1,295,926	1,623,686
Current borrowings to Group companies and associates	8.2	364	150
Trade and other payables		120	85
Other payables		54	32
Suppliers, group companies and associates		66	53

Most significant transactions in 2023

On 23 January 2023, the Company amortised a bond issue on its maturity date for an amount of €1,276,700 thousand. These bonds, with an annual coupon rate of 3.987%, were issued on 22 January 2013 under the Company's EMTN Programme.

On 11 April 2023, the Company renewed the EMTN (*Euro Medium Term Note*) programme, which allows for the issuance of bonds guaranteed unconditionally and irrevocably by Telefónica, S.A. for a maximum amount of up to 40,000 million euros. The programme has been approved by the Central Bank of Ireland and is valid for 12 months from its registration date.

On 20 April 2023, a new programme was registered with the US supervisor (the *U.S. Securities and Exchange Commission*) for the issuance of: (i) Telefónica Emisiones, S.A. debt instruments, with the unconditional and irrevocable guarantee of Telefónica, S.A., for a maximum total amount of up to USD 25,000 million; and (ii) Telefónica, S.A. shares and share rights without limitation.

On 21 November 2023, the Company issued bonds under the EMTN programme for an amount of €850,000 thousand with a maturity date of 21 November 2033 and an annual coupon rate of 4.183%.

On 7 December 2023, the Company carried out a partial early amortisation of bonds for an aggregate nominal amount of USD 500,008 thousand (€464,260 thousand at the date of the transaction). The payments made, after taking into account the buyback premium, are for a net amount of USD 460,952 thousand (€427,963 thousand on the date of the transaction).

Most significant transactions in 2022

In 2022, the Company issued bonds with long-term maturities guaranteed by Telefónica, S.A. for a total of €1,100,000 thousand and it amortised bonds for an amount of €2,787,520 thousand.

8.1 Bonds and other marketable debt securities

Non-current and current debts show the different issuances of bonds that the Company placed between 2006 to 2023 in Euros, US Dollars and Pounds Sterling. The bonds issuances are guaranteed by Telefónica, S.A. and listed on the stock exchanges of Dublin, New York and Taipei. The breakdown is as follows:

(Thousands of euros)

Issuance	Issue date	Maturity date	Annual interest rate annual	Frequency payment	2023 Non-current liabilities	2023 Current liabilities	2022 Non-current liabilities	2022 Current liabilities
EMTN 4	02/02/2006	02/02/2026	5.375%	Annual	574,878	28,133	562,863	27,553
SHELF C	20/06/2006	20/06/2036	7.045%	Semi-annual	1,797,204	3,896	1,859,369	4,033
EMTN 25	08/10/2010	08/10/2029	5.445%	Annual	459,430	5,768	449,868	5,650
EMTN 37	22/01/2013	23/01/2023	3.987%	Annual	-	-	-	1,324,300
EMTN 44	17/10/2014	17/10/2029	2.932%	Annual	798,491	4,820	798,287	4,820
EMTN 50	13/04/2016	13/04/2026	1.460%	Annual	1,277,952	13,405	1,277,497	13,405
EMTN 52	17/10/2016	17/10/2031	1.930%	Annual	748,064	2,974	747,850	2,974
EMTN 53	28/12/2016	28/12/2051	4.000%	Annual	149,962	49	149,965	49
EMTN 54	17/01/2017	17/01/2025	1.528%	Annual	1,126,253	16,416	1,125,790	16,416
EMTN 55 Tr1	17/01/2017	17/10/2028	2.318%	Annual	499,169	2,382	499,025	2,382
SHELF R	08/03/2017	08/03/2027	4.103%	Semi-annual	1,127,425	16,236	1,402,591	18,097
SHELF S Tr1	08/03/2017	08/03/2047	5.213%	Semi-annual	1,796,527	29,614	1,859,593	30,657
EMTN 55 Tr2	17/03/2017	17/10/2028	2.318%	Annual	199,495	953	199,404	953
EMTN 57	18/04/2017	18/04/2037	4.900%	Annual	180,170	6,232	186,472	6,452
SHELF S Tr2	28/04/2017	08/03/2047	5.213%	Semi-annual	461,782	7,403	478,282	7,664
EMTN 58	12/09/2017	12/01/2028	1.715%	Annual	1,248,178	20,733	1,247,764	20,733
EMTN 59	22/01/2018	22/01/2027	1.447%	Annual	998,827	13,598	998,470	13,598
SHELF T	06/03/2018	06/03/2048	4.895%	Semi-annual	1,123,197	17,687	1,162,634	18,310
SHELF U	06/03/2018	06/03/2038	4.665%	Semi-annual	449,235	7,522	698,042	10,470
EMTN 60	11/09/2018	11/09/2025	1.495%	Annual	890,828	4,054	890,418	4,054
EMTN 61	05/02/2019	05/02/2024	1.069%	Annual	-	1,009,562	999,260	9,636

Issuance	Issue date	Maturity date	Annual Interest rate annual	Frequency payment	2023 Non-current liabilities	2023 Current liabilities	2022 Non-current liabilities	2022 Current liabilities
SHELF V	01/03/2019	01/03/2049	5.520%	Semi-annual	1,123,300	20,813	1,162,775	21,546
EMTN 62	12/03/2019	12/03/2029	1.788%	Annual	997,960	14,363	997,566	14,402
EMTN 63	01/07/2019	01/07/2039	1.957%	Annual	497,497	4,893	497,354	4,906
EMTN 64	03/02/2020	03/02/2030	0.664%	Annual	997,678	6,021	997,313	6,021
EMTN 65	21/05/2020	21/08/2027	1.201%	Annual	1,248,096	5,414	1,247,586	5,429
EMTN 66	21/05/2020	21/05/2032	1.807%	Annual	747,850	8,294	747,605	8,317
EMTN Tr1 67	13/07/2020	13/07/2040	1.864%	Annual	498,024	4,354	497,919	4,366
EMTN Tr2 67	13/07/2021	13/07/2040	1.864%	Annual	94,026	871	93,731	873
EMTN 68	25/05/2022	25/05/2031	2.592%	Annual	996,578	15,580	996,148	15,623
EMTN 69	21/11/2023	21/11/2033	4.183%	Annual	846,777	3,886	-	-
					23,954,853	1,295,926	24,831,441	1,623,686

The fair value of the bonds that the Company issued was €24,027,335 thousand at 31 December 2023 and €23,551,761 thousand at 31 December 2022.

The calculation of the fair value for the Company's financial debt instruments has required an estimated credit spread curve for each currency using the listed prices of the bonds; the same ones used for financial assets (see Note 6).

The maturities of the non-current liabilities in this category at 31 December 2023 and 2022 are:

(Thousands of euros)	2023	2022
Between 1 and 2 years	2,017,081	999,260
Between 2 and 3 years	1,852,830	2,016,208
Between 3 and 4 years	3,374,348	1,840,360
Between 4 and 5 years	1,946,843	3,648,647
Beyond 5 years	14,763,751	16,326,966
TOTAL NON-CURRENT LIABILITIES	23,954,853	24,831,441

The maturities, in nominal terms, of non-current liabilities classified in this category at 31 December 2023 and 2022 are as follows:

(Thousands of euros)	2023	2022
Between 1 and 2 years	2,018,400	1,000,000
Between 2 and 3 years	1,854,520	2,018,400
Between 3 and 4 years	3,380,747	1,842,658
Between 4 and 5 years	1,950,000	3,655,152
Beyond 5 years	14,828,395	16,398,154
TOTAL NON-CURRENT LIABILITIES (nominal)	24,032,062	24,914,364

8.2 Current borrowings to Group companies and associates

This heading shows current payables to Telefónica S.A., in its capacity as parent of the tax group to which the Company belongs, amounting to €364 thousand (€150 thousand in 2022).

9. TAX SITUATION

The reconciliation between accounting profit and the corporation tax base for 2023 and 2022 is as follows:

(Thousands of euros)	2023	2022
Accounting profit (loss) before taxes	2,304	940
Permanent differences	-	-
Temporary differences	-	-
Tax results	2,304	940
Current tax payable/receivable	(576)	(235)
Corporation tax	576	235

The Company files consolidated tax returns for corporation tax within Tax Group No. 24/90, whose parent company is Telefónica, S.A., with Tax ID (CIF) No. A28015865.

In 2023, the Company paid a total of €212 thousand (to Telefónica, S.A.) on account of 2023 corporation tax and paid a total of €41 thousand in respect of 2022 corporation tax.

As a result of the advanced payments made for 2022 corporation tax in the present year between the Company and Telefónica, S.A., as the parent company of the tax group, the amount payable in consolidated taxes amounts to €364 thousand.

Under the tax regulations currently in force, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company has the four recent years open for inspection with regard to all applicable taxes.

In July 2023, new inspections of various companies belonging to the 24/90 tax group were initiated. The items and periods under review are corporation tax, for the years 2018 to 2021, and VAT, for the period of May to December 2019 and the years 2020 to 2021.

The Company's Joint and Several Directors and their tax advisors consider that no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

10. INCOME AND EXPENSES

10.1 External services

(Thousands of euros)	2023	2022
Independent professional services	258	164
Other services	1,687	1,801
Bank services and similar	(1)	(3)
TOTAL EXTERNAL SERVICES	1,944	1,962

“Independent professional services” includes the fees paid to the tax certification agent for bonds issued by the Company and auditing fees, while “Other services” primarily shows expenses incurred from services rendered by: (i) credit rating agencies, (ii) commissions for listing bonds on the New York Stock Exchange, (iii) payment agent for Company debt issuance programmes, and (iv) fees for outsourced accounting and reporting services.

10.2 Financial income

“Financial income with group companies and associates” mainly includes income from credits granted to Telefónica, S.A.

10.3 Financial expense

“Financial expense with third parties” includes expenses incurred during the respective years corresponding to valid obligations.

10.4 Exchange rate differences (loss/profit)

The breakdown of assets and liabilities denominated in foreign currency at 31 December 2023 and 2022 is as follows:

2023 Assets (Expressed in thousands of euros)	US Dollars	Pounds Sterling	Total
Assets			
Loans to Group companies and associates	8,167,648	1,068,520	9,236,168
Liabilities			
Bonds and other marketable debt securities	8,168,243	1,068,209	9,236,452

2022 Assets (Expressed in thousands of euros)	US Dollars	Pounds Sterling	Total
Assets			
Loans to Group companies and associates	8,926,237	1,046,202	9,972,439
Liabilities			
Bonds and other marketable debt securities	8,926,987	1,045,934	9,972,921

The breakdown of foreign currency transactions is as follows:

2023 (Expressed in thousands of euros)	Swiss Francs	US Dollars	Pounds Sterling	Total
Interest income	-	472,291	56,242	528,533
Interest expenses	-	471,418	56,203	527,621
2022 Assets (Expressed in thousands of euros)	Swiss Francs	US Dollars	Pounds Sterling	Total
Interest income	5,009	484,098	95,201	584,308
Interest expenses	4,977	483,464	95,571	584,012

The breakdown by financial instrument of exchange rate differences recognised in the profit and loss statement in the years 2023 and 2022 is as follows:

(Thousands of euros)	2023	2022
Loans to Group companies and associates		
Transactions settled in the year	-	10,957
Transactions pending settlement at year end	267,816	(456,025)
	267,816	(445,068)
Accounts payable		
Transactions settled in the year	(13)	(10,950)
Transactions pending settlement at year end	(267,687)	455,781
	(267,700)	444,831

Positive and negative foreign exchange differences are generated by the various issuances and loans issued in a foreign currency and are measured at year end at the exchange rate prevailing on that date.

11. RELATED-PARTY TRANSACTIONS

11.1 Related parties

The related parties with whom the Company carried out transactions in 2023 at arm's length, including the nature of the relationship, are as follows:

	Nature of the relationship
Telefónica, S.A.	Group parent
Telfisa Global, B.V.	Group company
Telefónica Europe, B.V.	Group company

11.2 Balances

Balances kept with related parties are as follows:

(Thousands of euros)	Group parent 2023	Other group companies 2023	Group parent 2022	Other group companies 2022
Non-current financial assets (Note 6)	23,953,759	-	24,830,045	-
Current financial assets (Note 6)	1,297,545	-	1,625,334	-
Cash and cash equivalents	-	16,252	-	14,455
Current debts (Note 8)	364	-	150	-

11.3 Transactions

Transactions with related parties are as follows:

(Thousands of euros)	Group parent 2023	Other group companies 2023	Group parent 2022	Other group companies 2022
External services (Note 10.1)	13	1,434	13	1,551
Financial income – Interest (Note 10.2)	765,965	498	901,741	-
Exchange rate differences (Note 10.4)	267,687	13	444,819	12

12. OTHER INFORMATION

12.1 Independent auditors' fees

PricewaterhouseCoopers Auditores, S.L., statutory auditor of Telefónica Emisiones, S.A.U., received total remuneration of €28 thousand in 2023 as consideration for annual account auditing services.

PricewaterhouseCoopers Auditores, S.L., statutory auditor of Telefónica Emisiones, S.A.U., received total remuneration of €27 thousand in 2022 as consideration for annual account auditing services.

12.2 Information on the Directors

In 2023 and 2022, the Company's Joint and Several Directors received no remuneration of any kind from the Company. The Company granted no advances, loans or credits whatsoever and assumed no obligations in respect of pensions, retirement plans or insurance payments for the Joint and Several Directors.

Pursuant to articles 229 and 230 of the Corporate Enterprises Act, the Joint and Several Directors did not disclose any conflict of interest with the Company.

12.3 Information on the environment

At 31 December 2023 and 2022, there were no significant assets dedicated to protecting and improving the environment, and no relevant expenses of this nature were incurred during the year. In the years ending 31 December 2023 and 2022, no subsidies or grants of an environmentally related nature were received.

The Company's Joint and Several Directors consider the environmental risks that could arise from the Company's activities as minimum and, in any case, appropriately covered, and consider that no additional liabilities will arise in relation to such risks.

12.4 Information on average payment period to suppliers.

In accordance with the provisions of the third additional provision on "Duty of information" of Law 15/2010 5 July, modified by Law 18/2022 28 September, the following information regarding the Company is reported:

	2023	2022
	Days	Days
Average supplier payment period	30.1	63.9
Ratio of paid transactions	29.5	63.1
Ratio of outstanding transactions	38.1	224
	Thousands of euros	Thousands of euros
Total payments made in the year	401	190
Total payments outstanding	33	1
Monetary volume of invoices paid in a period of less than 60 days	309	31
Percentage of total payments made	77.00%	16.30%
	Number	Number
Number of invoices paid in a period of less than 60 days	9	6
Percentage of total paid invoices	40.90%	22.20%

Telefónica Emisiones, S.A.U. has adapted its internal processes and payment terms policies to Spanish Law 15/2010 (amended by Laws 31/2014 and 18/2022) and Royal Decree-law 4/2013, which in turn modify Law 3/2004, establishing measures to combat late payment in commercial transactions. Accordingly, the terms of contract of suppliers in the year 2023 included payment terms equal to, less than or close to 60 days, depending on the terms agreed by the parties.

12.5 Contracts executed with the Sole Shareholder

The characteristics of the contracts entered into with the Sole Shareholder, Telefónica, S.A. are detailed below, indicating the execution date and a brief description of the purpose, characteristics, and obligations of the parties therein:

Contract	Execution date	Purpose	Characteristics
Framework Financing Agreement	29/04/2005	Granting loans to the Sole Shareholder	The Company will grant loans under this Framework Agreement

12.6 Staff

The Company had no employees at the closing dates of 2023 and 2022.

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Telefónica, S.A. guarantees, unconditionally and irrevocably, the financial debt issued by Telefónica Emisiones, S.A.U. on capital markets. The credit risk of the issuances is therefore similar to investing directly in Telefónica, S.A.

The terms and conditions of the financial assets held with Telefónica, S.A. are substantially similar to those for the financial liabilities, and, therefore, substantially cover interest rate, exchange rate and liquidity risks.

14. EVENTS AFTER THE CLOSING DATE

The following Company-related relevant events occurred between the 2023 closing date and the date on which these Annual Accounts were drawn up:

- On 24 January 2024, the Company issued bonds under the ETMN programme for a total amount of €1,750 million;
 - This issuance is structured into two tranches. The first is for an amount of €1,000 million, maturing on 24 January 2032, with an annual coupon rate of 3.698%, The second is for an amount of €750 million, maturing on 24 January 2036, with an annual coupon rate of 4.055%.
- On 5 February 2024, the Company amortised a bond issuance of €1,000 million on its maturity date. These bonds, with an annual coupon rate of 1.069%, were issued on 5 February 2019 under the Company's EMTN Programme.

15. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These annual accounts were originally prepared in Spanish and were authorized for issue by the Company's Joint and Several Directors in the meeting held on February 21, 2024. In the event of a discrepancy, the Spanish language version prevails.

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**2023 Summary**

In 2023, the Company continued to perform the activities inherent in its corporate purpose. The most significant events, duly reflected in the 2023 profit and loss statement, are:

- Operating losses of €1,944 thousand (€1,965 thousand in the previous year), the most significant item being generated by expenses incurred with credit rating agencies.
- Positive financial income of €4,248 thousand (€2,905 thousand in the previous year) came from interest and commissions accrued by the loans granted to Telefónica, S.A.
- The combination of the two results above plus the corporation tax expense of €576 thousand (€235 thousand in the previous year) results in a profit from ordinary activity of €1,728 thousand (€705 thousand in the previous year).

The financing operations carried out in 2023 entailed issuing a total of €850 million in debt instruments within the framework of Telefónica Emisiones, S.A.U.'s debt issuance programme guaranteed by Telefónica, S.A.: EMTN Debt Issuance Programme totalling €40 billion.

2024 Targets

The Company is expected to continue its line of activity in the future, executing financial transactions for the purpose of securing financing for the Telefónica Group. In 2024, the Company shall actively monitor the international capital markets in order to issue bonds (or any other financial instrument it deems appropriate) if the market conditions are right and if these meet the Company's financing requirements.

Capital structure

Telefónica Emisiones, S.A. is a Sole Shareholder Company with a share capital comprising 62,000 ordinary shares with a par value of 1 euro each. The Company's share capital is fully subscribed and paid up. Its Sole Shareholder is Telefónica, S.A., a company legally established in Spain, with its registered office at Gran Vía 28, 28013 – Madrid.

Company administration

As in the previous year, the Company has two Joint and Several Directors who receive no remuneration for the discharge of their duties:

- (i) Carlos David Maroto Sobrado and
- (ii) Francisco Javier Ariza Garrote

Treasury shares

The Company made no purchases or other transactions with own shares in 2023.

Research and development activities

Telefónica Emisiones, S.A.U. did not engage in any research and development activities in 2023.

Average supplier payment period

In 2023, the average supplier payment period for commercial transactions was less than 60 days (see Note 12 of the notes to the financial statements).

Pursuant to Spanish Law 15/2010 (amended by Law 31/2014) and Royal Decree-Law 4/2013, which in turn amend Law 3/2004, establishing measures to combat defaults in commercial transactions, in 2023 the Company entered into no agreements with commercial suppliers with average payment periods in excess of 60 days.

Financial instruments and risk management policy

(i) Concentration of income, liquidity and other financial risks

Nearly all the Company's income presently comes from the same customer (Telefónica, S.A.). Therefore, the Company's ability to honour its obligations with third parties is closely related to the financial situation of Telefónica S.A. and its ability to honour the loan contracts signed with the Company.

The terms and conditions of the financial investments maintained with Telefónica, S.A., which represent virtually all the financial assets of the Company, are similar to the terms and conditions of the financial liabilities (mainly issued bonds) subscribed by the Company. Therefore, interest rate, exchange rate and liquidity risks are substantially mitigated. For this reason, the Company presently holds no financial derivatives.

(ii) Credit risk from investing in bonds and other marketable securities issued by the Company

The bonds issued by the Company that are currently in circulation have an unconditional and irrevocable guarantee from Telefónica, S.A. and the credit risk for investing in bonds issued by the Company is therefore similar to that of investing directly in Telefónica, S.A.

(iii) Worsening of the financial markets

The worsening of the financial markets could limit the Company's finance capacity and, as a result, the Company's ability to continue its activities, i.e., securing financing in capital markets to subsequently loan them to the Telefónica Group.

Financing may become complex and costly when facing a significant deterioration in the conditions of international or local financial markets because of, for instance, monetary policies set by central banks, with interest rate hikes and balance reductions, increased economic and political uncertainties, oil price instability, or possible impaired solvency or operational behaviour of the Telefónica Group.

The occurrence of any of the above risks could have negative effects on the Company's capacity and costs to secure financing to furnish the Telefónica Group. This in turn could adversely affect the businesses, financial situation, operating income and/or cash flows of the Company and the Telefónica Group.

Related-party transactions

The Company grants long-term financing to its shareholder, Telefónica, S.A. and holds asset balances with related companies.

Shareholder remuneration

As in the previous year, the Company paid no dividends in 2023.

The Company's joint and several directors intend to propose to the Sole Shareholder that the 2023 earnings be charged to voluntary reserves.

Annual Corporate Governance Report

Pursuant to article 540 of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 2 July, and amended by the seventh additional provision of the Securities Market Act, contained in Act 5/2021 12 April, companies other than listed public companies which issue securities traded on regulated markets and which are established or operate in a Member State are not required to prepare an annual corporate governance report.

The Company is subject to the Code of Good Corporate Governance of its Sole Shareholder, which can be read in detail in the Annual Report on Corporate Governance of Telefónica, S.A. and which is fully compliant with the Code of Good Corporate Governance of Listed Companies published by the National Securities Market Commission, which describes the internal control and risk management systems relating to the process of disclosure of information.

Events after the reporting period

The following Company-related relevant events occurred between the 2023 closing date and the date on which these Annual Accounts were drawn up:

- On 24 January 2024, the Company issued bonds under the ETMN programme for an amount of €1,750 million;
 - This issuance is structured into two tranches. The first is for an amount of €1,000 million, maturing on 24 January 2032, with an annual coupon rate of 3.698%, The second is for an amount of €750 million, maturing on 24 January 2036, with an annual coupon rate of 4.055%.
- On 5 February 2024, the Company amortised a bond issuance of €1,000 million on its maturity date. These bonds, with an annual coupon rate of 1.069%, were issued on 5 February 2019 under the Company's EMTN Programme.



TELEFÓNICA EMISIONES, S.A.,
(Sole Shareholder Company)

SIGNATURE VALIDATION

At their meeting on 21 February 2024, the Joint and Several Directors of Telefónica Emisiones, S.A. (Sole Shareholder Company) authorised the issuance of these Annual Accounts, comprising the balance sheet, profit and loss statement, statement of changes in equity, cash flow statement and notes for 2023, all of which form an integral part of this document.

These Annual Accounts and Management Report have been endorsed on all the pages. This document serves as a signature for all the documents comprising the Annual Accounts and Management Report.

Carlos David Maroto Sobrado

Joint and Several Director of
Telefónica Emisiones, S.A. (Sole Shareholder Company)

Francisco Javier Ariza Garrote

Joint and Several Director of
Telefónica Emisiones, S.A. (Sole Shareholder Company)