TELEFÓNICA EMISIONES, S.A.U.

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

EUR 15,000,000,000

PROGRAMME FOR THE ISSUANCE OF SUBORDINATED NOTES

unconditionally and irrevocably guaranteed by

TELEFÓNICA, S.A.

(incorporated with limited liability in the Kingdom of Spain)

This document comprises a base prospectus ("**Base Prospectus**") for the purposes of Article 8 of Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority for the purposes of the Prospectus Regulation. The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed under Irish and EU law pursuant to the Prospectus Regulation. Such approval by the Central Bank should not be considered as an endorsement of the Issuer or the Guarantor (each as defined herein) nor as an endorsement of the quality of any Guaranteed Subordinated Notes (as defined below) that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Guaranteed Subordinated Notes. Such approval relates only to the securities which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**") and/or which are to be offered to the public in any Member State (as defined below) of the European Economic Area (the "**EEA**").

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Guaranteed Subordinated Notes issued under the Programme within twelve months after the date hereof to be admitted to the official list (the "**Official List**") and to trading on the regulated market of Euronext Dublin. References in this Base Prospectus to Guaranteed Subordinated Notes being "listed" (and all related references) shall mean that such Guaranteed Subordinated Notes have been admitted to the Official List and have been admitted to trading on the regulated market of Euronext Dublin. This Base Prospectus (as supplemented from time to time) is valid to 11 April 2026. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of the 12-month validity period which will expire on 10 April 2026.

This Base Prospectus gives information with regard to Telefónica Emisiones, S.A.U., Telefónica, S.A. and the issue of guaranteed deeply subordinated notes (the "**Guaranteed Subordinated Notes**") under the programme described above (the "**Programme**") during the period of twelve months after the date hereof.

The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Guaranteed Subordinated Notes.

Potential investors should note the statements on pages 158 to 167 regarding the tax treatment in Spain of income obtained in respect of the Guaranteed Subordinated Notes. In particular, payments on the Guaranteed Subordinated Notes will be exempt from Spanish withholding tax if the Issue and Paying Agent provides the Issuer and the Guarantor with certain documentation in a timely manner.

Tranches of Guaranteed Subordinated Notes issued under the Programme will be rated or unrated. Where a Tranche of Guaranteed Subordinated Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Guaranteed Subordinated Notes already issued. Where a Tranche of Guaranteed Subordinated Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Guaranteed Subordinated Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**EU CRA Regulation**") or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under Regulation (EC) No 1060/2009 on credit rating agencies 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**") or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

The Programme has been 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**"). Each of S&P, Moody's and Fitch has rated the Guarantor, see page 128. Each of S&P, Moody's and Fitch is established in the EEA, registered under the EU CRA Regulation and, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the European Securities and Market Authority ("**ESMA**") on its website, https://www.esma.europa.eu/supervision/credit-rating- agencies/risk in accordance with the EU CRA Regulation. The rating which each of S&P, Moody's and Fitch has given to the Guarantor is endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd., respectively, each of which is established in the UK and registered under the UK CRA Regulation.

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.

Arranger for the Programme

BNP PARIBAS

Dealers

BANCO DE SABADELL	**BARCLAYS**	**BBVA**
BofA SECURITIES	**CAIXABANK**	**CITIGROUP**
COMMERZBANK	**CRÉDIT AGRICOLE CIB**	**DEUTSCHE BANK**
GOLDMAN SACHS BANK EUROPE SE	**HSBC**	**IMI - INTESA SANPAOLO**
J.P. MORGAN	**MEDIOBANCA**	**MIZUHO**
MORGAN STANLEY	**MUFG**	**NATIXIS**
NATWEST	**SANTANDER CORPORATE & INVESTMENT BANKING**	**SMBC**
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING		**UNICREDIT**

11 April 2025

IMPORTANT NOTICES

Each of Telefónica Emisiones, S.A.U. (the "**Issuer**") and Telefónica, S.A. ("**Telefónica**", the "**Company**" or the "**Guarantor**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Guaranteed Subordinated Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor, the information contained in the Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect its import.

References herein to the "*Programme Date*" are to the date specified on the cover of this Base Prospectus.

The Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes and the impact the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(c) understand thoroughly the terms of the Guaranteed Subordinated Notes 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;

(e) know that there can be no assurance that a trading market will develop for the Guaranteed Subordinated Notes or, if one does develop, that it will be of sufficient liquidity and that it may not be possible to dispose of the Guaranteed Subordinated Notes for a substantial period of time, if at all; and

(f) understand the accounting, legal, regulatory and tax implications of a purchase, and the holding and disposal of an interest in the Guaranteed Subordinated Notes.

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 Guaranteed Subordinated Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Guaranteed Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Guaranteed Subordinated Notes, 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 Base Prospectus or incorporated by reference herein. Potential investors should not construe anything in this Base Prospectus 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 Guaranteed Subordinated Notes.

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 Base Prospectus:

"**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 a technology that enables computer systems and machines able to simulate human learning and perform complex tasks requiring comprehension, problem solving, decision-making, creativity and autonomy.

"**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.

"**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 number 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**" or Fiber to the Premises 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 as of the end of a certain period compared to 31 December of the prior year.

"**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**" **or** "**Short Messaging Service**" is a standard messaging system allowing mobile phones to send and receive text messages.

"**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 fiber to the premise 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, Telefonica'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 Base Prospectus 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**	
	2024 vs. 2023	**2023 vs. 2022**
Brazilian real	(7.0)%	0.3%
Pound sterling	2.7%	(2.0)%
New Peruvian sol	(0.3)%	(0.4)%
Chilean peso	(11.2)%	1.1%
Colombian peso	5.8%	(4.3)%
Mexican peso	(2.8)%	10.3%

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference (see "*Documents Incorporated by Reference*") and, in relation to any Series (as defined herein) of Guaranteed Subordinated Notes, should be read and construed together with the relevant Final Terms (as defined herein).

No person has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or, as the case may be, the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger or any Dealer (as defined herein).

No representation or warranty is made or implied by the Arranger, the Dealers or any of their respective affiliates, and neither the Arranger, the Dealers nor any of their respective affiliates has authorised the whole or any part of this Base Prospectus 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 Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Guaranteed Subordinated Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date thereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer, the Guarantor or the Group since the date thereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the statement of financial position date of the most recent financial statements and annual accounts which are deemed to be incorporated into this Base Prospectus by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Guaranteed Subordinated Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Guaranteed Subordinated Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Guaranteed Subordinated Notes, see "*Subscription and Sale*". In particular, Guaranteed Subordinated Notes and the guarantee thereof have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") and may include Guaranteed Subordinated Notes in bearer form which are subject to US tax law requirements. Subject to certain exceptions, Guaranteed Subordinated Notes may not be offered, sold or delivered within the United States or to US persons. Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Guaranteed Subordinated Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers or any of them that any

recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Guaranteed Subordinated Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group.

The maximum aggregate principal amount of Guaranteed Subordinated Notes outstanding at any one time under the Programme will not exceed EUR 15,000,000,000 (and for this purpose, any Guaranteed Subordinated Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Guaranteed Subordinated Notes calculated in accordance with the provisions of the Dealership Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Guaranteed Subordinated Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement.

This Base Prospectus describes in summary form certain Spanish tax implications and procedures in connection with an investment in the Guaranteed Subordinated Notes (see "*Risk Factors — Risks in relation to Spanish Taxation*" and "*Taxation and Disclosure of Information in Connection with Payments — Taxation in the Kingdom of Spain*"). Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Guaranteed Subordinated Notes.

Each prospective investor should have regard to the risk factors described on pages 20 to 47 and the relevant information contained in this Base Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Guaranteed Subordinated Notes before deciding to invest.

The Final Terms relating to a specific Tranche of Guaranteed Subordinated Notes may provide that it is the Issuer's intention to apply an amount, which at the Issue Date of the relevant Guaranteed Subordinated Notes, is equal to the net proceeds of the issue of such Guaranteed Subordinated Notes to fund, in whole or in part, Eligible Projects (as defined in "*Use of Proceeds*" herein), in which case the relevant Guaranteed Subordinated Notes will be identified as "ESG Guaranteed Subordinated Notes" in the title of the Guaranteed Subordinated Notes in the applicable Final Terms.

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "EU Taxonomy Regulation") and any related technical screening criteria, the EuGB label or the optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds under Regulation (EU) 2023/2631 (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 market standards or guidance, including green, sustainable or social bond principles or other similar principles or guidance published by the International Capital Market Association (the "ICMA Principles")) or any requirements of such labels or market standards as they may evolve from time to time. Any ESG Guaranteed Subordinated Notes issued under this Programme will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in Telefónica's Sustainable Financing Framework. Each prospective investor should have regard to the factors described in the Sustainable Financing Framework and the relevant information contained in this Base Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Guaranteed Subordinated Notes before deciding to invest.

The Dealers 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 in "*Use of Proceeds*" herein) for information. Sustainalytics B.V., the provider of the Second Party Opinion, was appointed by Telefónica. The Second Party Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in any Guaranteed Subordinated Notes, including without limitation market price, marketability, investor preference or suitability of any security. The Second Party Opinion is

a statement of opinion, not a statement of fact. No assurance or representation is given by the Issuer, the Guarantor, any of the Dealers or any other person as to the suitability or reliability for any purpose whatsoever of the Second Party Opinion or any other opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with an issue of ESG Guaranteed Subordinated Notes (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 Base Prospectus. Any such opinion or certification is not a recommendation by the Issuer, the Guarantor, the Dealers or any other person to buy, sell or hold any such ESG Guaranteed Subordinated Notes and is current only as of the date it was issued. As at the date of this Base Prospectus, the providers of such opinions, reviews, certifications and post-issuance reports are not subject to any specific regulatory or other regime or oversight. Whilst the EU Green Bond Regulation will introduce a supervisory regime of external reviewers of European Green Bonds but this is not due to take full effect until 21 June 2026 and would not apply to external reviewers in respect of an issue of ESG Guaranteed Subordinated Notes. The Second Party Opinion and any other such opinion, review, certification or post-issuance report is not, nor should be deemed to be, a recommendation by the Issuer, the Guarantor, the Dealers, or any other person to buy, sell or hold any Guaranteed Subordinated Notes and is current only as of the date it is issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The criteria and/or considerations that form the basis of the Second Party Opinion or any other opinion, review, certification or post-issuance report may change at any time and the Second Party Opinion or any other opinion, review, certification or post-issuance report may be amended, updated, supplemented, replaced and/or withdrawn. The Sustainable Finance Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Prospectus. The Sustainable Finance Framework, the Second Party Opinion and any other such opinion, review, certification or post-issuance report does not form part of, nor is incorporated by reference in, this Base Prospectus.

In the event that any such ESG Guaranteed Subordinated Notes 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 Dealers 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 Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such ESG Guaranteed Subordinated Notes or that any such listing or admission to trading will be maintained during the life of the ESG Guaranteed Subordinated Notes.

While it is the intention of the Issuer to apply the proceeds of ESG Guaranteed Subordinated Notes for Eligible Projects and to report on the use of proceeds or Eligible Projects as described in "Use 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 ESG Guaranteed Subordinated Notes 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 ESG Guaranteed Subordinated Notes or the failure of the ESG Guaranteed Subordinated Notes to meet investors' expectations or 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 ESG Guaranteed Subordinated Notes.

All references in this Base Prospectus to "$", "dollar", "U.S.$" and "US Dollar" are to United States dollars, the lawful currency of the United States of America, all references to "sterling", "pound sterling", "GBP" or "£" are to the lawful currency of the United Kingdom; all references to "A$" are to Australian dollars, the lawful currency of Australia; all references to "Renminbi" and "CNY" are Renminbi Yuan, the lawful currency of The People's Republic of China; references to "Venezuelan bolivar" are to Venezuelan bolívares fuertes, the lawful currency of Venezuela;

references to "Argentinian peso" are to the Argentinian peso, the lawful currency of Argentina; references to the "Colombian peso" are to the Colombian peso, the lawful currency of Colombia; references to "Peruvian soles" are to the Peruvian nuevo sol, the lawful currency of Peru; references to "Hong Kong dollar" are to the Hong Kong dollar, the lawful currency of Hong Kong; references to the "Japanese Yen" are to the Japanese Yen, the lawful currency of Japan; references to "Brazilian real" or "reais" are to the Brazilian real, the lawful currency of Brazil; and all references to "Euro", "EUR" and "€" 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.

In connection with the issue of any Tranche of Guaranteed Subordinated Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Guaranteed Subordinated Notes or effect transactions with a view to supporting the market price of the Guaranteed Subordinated Notes 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 relevant Tranche of Guaranteed Subordinated Notes 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 relevant Tranche of Guaranteed Subordinated Notes and 60 days after the date of the allotment of the relevant Tranche of Guaranteed Subordinated Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

IMPORTANT – EUROPEAN ECONOMIC AREA RETAIL INVESTORS

If the applicable Final Terms in respect of any Guaranteed Subordinated Notes includes a legend entitled "*Prohibition of Sales to European Economic Area Retail Investors*", the Guaranteed Subordinated Notes are not intended to be offered, sold or otherwise made available to any retail investor in 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 MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Guaranteed Subordinated Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Guaranteed Subordinated Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT - UK RETAIL INVESTORS

If the applicable Final Terms in respect of any Guaranteed Subordinated Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Guaranteed Subordinated Notes 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 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 FSMA and any rules or regulations made under the Financial Services and Markets Act, as amended ("**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. 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 Guaranteed Subordinated Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Guaranteed Subordinated Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Final Terms in respect of any Guaranteed Subordinated Notes may include a legend titled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Guaranteed Subordinated Notes and which channels for distribution of the Guaranteed Subordinated Notes are appropriate. Any person subsequently offering, selling or recommending the Guaranteed Subordinated

Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Guaranteed Subordinated Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Guaranteed Subordinated Notes is a manufacturer in respect of such Guaranteed Subordinated Notes, but otherwise none of the Arranger, the Dealers and any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRODUCT GOVERNANCE UNDER UK MIFIR

The applicable Final Terms in respect of any Guaranteed Subordinated Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Guaranteed Subordinated Notes and which channels for distribution of the Guaranteed Subordinated Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Guaranteed Subordinated Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Guaranteed Subordinated Notes is a manufacturer in respect of such Guaranteed Subordinated Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

EU BENCHMARKS REGULATION

Interest and/or other amounts payable under the Guaranteed Subordinated Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the EU Benchmarks Regulation. The registration status of any administrator under the EU Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

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KEY FEATURES OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Guaranteed Subordinated Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Guaranteed Subordinated Notes set out herein. Copies of Final Terms in relation to Guaranteed Subordinated Notes to be listed on Euronext Dublin will be published on the website of the Euronext Dublin (https://live.euronext.com/).

Issuer	Telefónica Emisiones, S.A.U.
Issuer Legal Entity Identifier (LEI):	549300Y5MFC4SW5Z3K71
Guarantor	Telefónica, S.A.
Guarantee	The Guarantor has, in a Deed of Guarantee dated 11 April 2025 (the "**Deed of Guarantee**"), unconditionally and irrevocably guaranteed the due and punctual payment of all amounts under the Guaranteed Subordinated Notes.
Arranger	BNP PARIBAS.
Dealers	Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, BNP PARIBAS, BofA Securities Europe SA, CaixaBank, S.A, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, Intesa Sanpaolo S.p.A., J.P. Morgan SE, Mediobanca – Banca di Credito Finanziario S.p.A., Mizuho Bank Europe N.V., Morgan Stanley Europe SE, MUFG Securities (Europe) N.V., Natixis, NatWest Markets N.V., SMBC Bank EU AG, Société Générale and UniCredit Bank GmbH and any other dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Guaranteed Subordinated Notes.
Issue and Paying Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Listing Agent	Matheson LLP.
Programme Amount	EUR 15,000,000,000 in aggregate principal amount of Guaranteed Subordinated Notes outstanding at any one time (and, for this purpose, any Guaranteed Subordinated Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Guaranteed Subordinated Notes using the spot rate of exchange for the purchase of such currency against payment of Euro being quoted by the Issue and Paying Agent at the time agreed between the Issuer and the Relevant Dealer in respect of the relevant Tranche was made or such other rate as the Issuer and the Relevant Dealer may agree). The maximum aggregate principal amount of Guaranteed Subordinated Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "*Subscription and Sale*".
Issuance in Series	Guaranteed Subordinated Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Guaranteed Subordinated Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Guaranteed Subordinated Notes in bearer form and Guaranteed Subordinated Notes in registered form and Guaranteed Subordinated Notes in more than one denomination. The Guaranteed Subordinated Notes of each Tranche will all be

subject to identical terms in all respects save that a Tranche may comprise Guaranteed Subordinated Notes in bearer form and Guaranteed Subordinated Notes in registered form and may comprise Guaranteed Subordinated Notes of different denominations.

Form of Guaranteed Subordinated Notes

Guaranteed Subordinated Notes may be issued in bearer form or in registered form. In respect of each Tranche of Guaranteed Subordinated Notes issued in bearer form, the Issuer will deliver a temporary global note (a "**Temporary Global Note**") or (if so specified in the relevant Final Terms in respect of Guaranteed Subordinated Notes to which US Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") applies (as so specified in such Final Terms)) a permanent global note (a "**Permanent Global Note**"). Each such global note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Guaranteed Subordinated Notes in definitive bearer form in accordance with its terms. Each Permanent Global Note will be exchangeable for Guaranteed Subordinated Notes in definitive bearer form in accordance with its terms. Guaranteed Subordinated Notes in definitive bearer form will, if interest-bearing, have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons attached and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon or, if so specified in the relevant Final Terms, have payment receipts ("**Receipts**") attached.

In respect of each Tranche of Guaranteed Subordinated Notes issued in registered form will be represented by either individual note certificates ("**Individual Note Certificates**") in registered form or a global note in registered form (a "**Global Registered Note**"), in each case as specified in the applicable Final Terms. Each such Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, located outside of Spain and recognised by Spanish law or by the law of another OECD country. If the applicable Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings. If the applicable Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates in accordance with its terms.

See "*Summary of Provisions relating to the Guaranteed Subordinated Notes while in Global Form*".

Currencies

Guaranteed Subordinated Notes may be denominated in any currency or currencies subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of Guaranteed Subordinated Notes

The Guaranteed Subordinated Notes 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.

Subordination of Guaranteed Subordinated Notes

Subject to mandatory provisions of Spanish applicable law, in the event of the Issuer being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Noteholders against the Issuer in respect of or arising under the Guaranteed Subordinated Notes and the Coupons will rank (i) junior to the claims of the holders of all Senior Obligations of the Issuer, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Issuer and (iii) senior to the claims of the holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Noteholder 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 Guaranteed Subordinated Notes or the Coupons and each Noteholder shall, by virtue of being the Noteholder, be deemed to have waived all such rights of set-off.

Status of the Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Guaranteed Subordinated Notes and Coupons on a subordinated basis. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of 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.

Subordination of the Guarantee

Subject to mandatory provisions of applicable Spanish law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Noteholders 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.

Issue Price

Guaranteed Subordinated Notes may be issued at any price, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant Tranche of Guaranteed Subordinated Notes will be determined before filing of the relevant Final Terms of each Tranche on the basis of the then prevailing market conditions.

Maturities

The Guaranteed Subordinated Notes are undated securities, with no specified maturity date.

Redemption

Guaranteed Subordinated Notes will be redeemable at par or at such other Redemption Amount and on such date or dates as may be specified in the relevant Final Terms.

Redemption will, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, be permitted following the occurrence of a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event as further described in "*Terms and Conditions of the Guaranteed Subordinated Notes — Redemption and Purchase*", but will otherwise be permitted only to the extent specified in the relevant Final Terms.

Interest

Guaranteed Subordinated Notes may be interest bearing or non-interest bearing, as specified in the Final Terms. Interest may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

Optional Interest Deferral

If Optional Interest Payment is specified as applicable in the relevant Final Terms, the Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Guaranteed Subordinated Notes, as more particularly described in "*Terms and Conditions of the Guaranteed Subordinated Notes — Optional Interest Deferral*". Non-payment of interest so deferred shall not constitute a default by the Issuer or Guarantor under the Guaranteed Subordinated Notes or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the relevant Interest Rate applicable from time to time), shall constitute Arrears of Interest.

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 upon giving not more than 14 and no less than seven Business Days' notice to the Noteholders, the Issue and Paying 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 "*Terms and Conditions of the Guaranteed Subordinated Notes — Optional Interest Deferral — Optional Settlement of Arrears of Interest*".

Mandatory 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.

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

(a) 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;

(b) 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

(c) the date on which the Guaranteed Subordinated Notes are redeemed or repaid in accordance with "*Terms and Conditions of the Guaranteed Subordinated Notes — Redemption and Purchase*" or become due and payable in accordance with "*Terms and Conditions of the Guaranteed Subordinated Notes — Enforcement Events and No Events of Default*"

Subject to certain exceptions, as more particularly described in "*Terms and Conditions of the Guaranteed Subordinated Notes — Optional Interest Deferral*", a "**Compulsory Arrears of Interest Settlement Event**" shall have occurred if:

(a) 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

(b) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations.

Denomination

Guaranteed Subordinated Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of EUR 100,000 (or, if the Guaranteed Subordinated Notes are denominated in a currency other than Euro, the equivalent amount in such currency at the Issue Date) in the case of Guaranteed Subordinated Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of MiFID II, and in compliance with all applicable legal and/or regulatory and/or central bank requirements.

Taxation

Payments in respect of Guaranteed Subordinated Notes 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 imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will (subject to certain exceptions) pay such additional amounts as will result in the holders of Guaranteed Subordinated Notes or Coupons (the "**Holders**") receiving such amounts as they would have received in respect of such Guaranteed Subordinated Notes or Coupons had no such withholding or deduction been required. In addition to certain customary exceptions, no such additional amounts shall be payable to: (a) Holders who are resident for tax purposes in Spain; and (b) on any payment of income under the Guaranteed Subordinated Notes if the Issuer and the Guarantor do not receive such information from the Issue and Paying Agent in a timely manner as may be required in order to comply with the applicable Spanish tax reporting obligations (see "*Terms and Conditions of the Guaranteed Subordinated Notes — Taxation*" and "*Taxation and Disclosure of Information in Connection with Payments*").

Events of Default

There are no events of default in respect of the Guaranteed Subordinated Notes. However, if an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of the Issuer or Guarantor (except, in each case, for the purposes of an amalgamation, merger, reorganisation or restructuring whilst solvent), any Noteholder, in respect of a Guaranteed Subordinated Note and provided that such Noteholder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Guaranteed Subordinated Note and all interest then accrued but unpaid on such Guaranteed Subordinated Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its principal amount together with any accrued and unpaid interest thereon and any outstanding Arrears of Interest.

In such case the Noteholder 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 Guaranteed Subordinated Notes, including, but not limited to, proving and/or claiming in the winding-up, dissolution or liquidation of the Issuer or Guarantor for such amount.

Each Noteholder 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 Guaranteed Subordinated Notes 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.

Substitution or Variation

If Substitution and Variation is specified in the relevant Final Terms as being applicable and at any time after the Issue Date of the Guaranteed Subordinated Notes, 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 "*Terms and Conditions of the Guaranteed Subordinated Notes — Meetings of Noteholders; Modification and Waiver; Substitution and Variation — Substitution and Variation*" (without any requirement for the consent or approval of the Noteholders) and having given not less than 10 nor more than 60 days' notice to the Issue and Paying Agent and, in accordance with "*Terms and Conditions of the Guaranteed Subordinated Notes — Notices*", the Noteholders (which notice shall be irrevocable), on any applicable Interest Payment Date either (i) exchange the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes, so that after such substitution or variation the Guaranteed Subordinated Notes 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.

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 Noteholders, 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 "*Terms and Conditions of the Guaranteed Subordinated Notes — Issuer Substitution*".
Replacement Intention	The replacement intentions of the Issuer and/or the Guarantor may be set out in the applicable Final Terms.
Information requirements under Spanish Tax Law	**Provided that** the special tax regime contained under the First Additional Provision of Law 10/2014 applies to the Guaranteed Subordinated Notes in accordance with article 44.5 of Royal Decree 1065/2007, income obtained in respect of the Guaranteed Subordinated Notes will not be subject to withholding tax in Spain, **provided that** the Guaranteed Subordinated Notes are originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country and that the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with certain information relating to the Guaranteed Subordinated Notes. See "*Taxation and Disclosure of Information in Connection with Payments*". If the Issue and Paying Agent fails to provide the Issuer and the Guarantor with the required information described under " *Taxation and Disclosure of Information in Connection with Payments — Taxation in the Kingdom of Spain — Information about the Guaranteed Subordinated Notes in Connection with Payments*" in a timely manner, the Issuer will be required to withhold tax and pay income in respect of the relevant Guaranteed Subordinated Notes net of the Spanish withholding tax applicable to such payments (as at the date of this Base Prospectus, at the rate of 19 per cent.). If this were to occur, affected Noteholders will receive a refund of the amount withheld, with no need for action on their part, if the Issue and Paying Agent submits the required information to the Issuer and the Guarantor no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, Noteholders may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Neither the Issuer nor the Guarantor will pay additional amounts in respect of any such withholding tax. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Registrars or any clearing system located outside of Spain and recognised by Spanish law or the law of another OECD country (including Euroclear and Clearstream, Luxembourg) assume any responsibility therefor.
Governing Law	The terms and conditions of the Guaranteed Subordinated Notes, all related contractual documentation and all non-contractual obligations arising out of or in connection with the terms and conditions of the Guaranteed Subordinated Notes and all related contractual documentation will be governed by English law. The status of the Guaranteed Subordinated Notes and of the Guarantee are governed by Spanish law. See "*Terms and Conditions of the Guaranteed Subordinated Notes — Governing Law and Jurisdiction*".
Listing and Trading	Applications have been made for Guaranteed Subordinated Notes issued using this Base Prospectus to be admitted during a period of twelve months after the date hereof to listing on the Official List and to trading on the regulated market of Euronext Dublin.
Terms and Conditions	The "*Terms and Conditions of the Guaranteed Subordinated Notes*" set out herein will be applicable to each Series of Guaranteed Subordinated Notes issued subject to Law 10/2014. Final terms will be prepared in respect of each

	Tranche of Guaranteed Subordinated Notes (the "**Final Terms**"). The terms and conditions applicable to each Tranche will be those set out herein under "*Terms and Conditions of the Guaranteed Subordinated Notes*" as completed by the relevant Final Terms.
Enforcement of Global Notes and Global Registered Notes	In the case of Global Notes and Global Registered Notes, Noteholders' rights will be supported by a deed of covenant dated 11 April 2025 (the "**Deed of Covenant**"), a copy of which will be available for inspection at the specified office of the Issue and Paying Agent.
Clearing Systems	Euroclear, Clearstream, Luxembourg and/or, in relation to any Guaranteed Subordinated Notes, any other clearing system, located outside of Spain and recognised by Spanish law or by the law of another OECD country, as may be specified in the relevant Final Terms.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Guaranteed Subordinated Notes and on the distribution of offering material under the laws of the United States of America, the United Kingdom and the EEA (including the Kingdom of Spain and the Republic of Italy), see "*Subscription and Sale*". Additional restrictions may apply to each Series, as specified in the relevant Final Terms.
Credit Ratings	Tranches of Guaranteed Subordinated Notes may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) provided by a credit rating agency not established in the EEA but which is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA but which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) provided by a credit rating agency not established in the UK but which is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK but which is certified under the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold Guaranteed Subordinated Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds	The net proceeds of the issue of each Tranche of Guaranteed Subordinated Notes will either be applied by the Issuer, the Guarantor and/or the Group to meet part of their general financing requirements or to finance and/or refinance, in whole or in part, Eligible Projects, in which case the relevant Guaranteed Subordinated Notes will be identified as "ESG Guaranteed Subordinated Notes" in the title of the Guaranteed Subordinated Notes in the applicable Final Terms.

RISK FACTORS

Any investment in the Guaranteed Subordinated Notes is subject to a number of risks. Prior to investing in the Guaranteed Subordinated Notes, prospective investors should carefully consider risk factors associated with any investment in the Guaranteed Subordinated Notes, the business of the Telefónica Group and the industry(ies) in which the Telefónica Group operates, together with all other information contained in this Base Prospectus including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Guaranteed Subordinated Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

The Issuer and the Guarantor have identified in this Base Prospectus a number of risk factors which could materially adversely affect their businesses and ability to make payments due under the Guaranteed Subordinated Notes and believe that the risk factors described below represent the principal risks inherent in investing in the Guaranteed Subordinated Notes.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Guaranteed Subordinated Notes but are the material risks that the Issuer and the Guarantor believe to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Guaranteed Subordinated Notes. Additional risks and uncertainties relating to the Telefónica Group that are not known to the Telefónica Group as at the date of this Base Prospectus, or that the Telefónica Group deems immaterial as at such date, may individually or cumulatively also have a material adverse effect on Telefónica's business, prospects, results of operations and/or financial position and, if any such risk should occur, the price of the Guaranteed Subordinated Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Guaranteed Subordinated Notes is suitable for them in light of the information in this Base Prospectus 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 Guaranteed Subordinated Notes.

*The Telefónica Group's business is affected by a series of risk factors that affect exclusively the Telefónica 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 Telefónica Group's financial statements for the year ended 31 December 2024 (the "**2024 Consolidated 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.*

Risks relating to the Telefónica Group are presented in this section grouped into four categories:

- Business;
- Operational;
- Financial; and
- Legal and compliance.

Separately, the risks relating to withholding on the Guaranteed Subordinated Notes, the subordination of the Guaranteed Subordinated Notes, the Guaranteed Subordinated Notes generally and any particular structure of the Guaranteed Subordinated Notes are also presented.

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 Base Prospectus. Telefónica may change its views 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 entry of new competitors in core markets (leveraging asymmetric regulation and wholesale obligations for incumbents), market concentration via mergers by other players (e.g. MasOrange in Spain and Vodafone/Three in the United Kingdom) or changes in control at key competitors (e.g. Vodafone – Zegona in Spain), may re-configure markets. This could affect Telefónica's relative competitive position, impacting the potential evolution of revenues and market share, especially if new entrants pursue aggressive customer acquisition strategies. Additionally, new entrants could decide to accelerate network rollout (e.g. 5G) aiming at differentiating in the market, which could lead to increased competition in infrastructure.

Today most telecom operators, such as Telefónica, include services beyond core connectivity services in their portfolio, albeit the weight of these services is relatively minor. Competitive dynamics for digital services are different, since these markets are dominated by specialised over-the-top (OTT) players and big tech, which leverage global platform economics and strong customer brands.

If Telefónica is not able to successfully face these challenges, by ensuring a supply of cutting-edge technology products and services and maintaining its competitiveness against current or future competitors, the Group's business, financial condition, results of operations and/or cash flows could be adversely affected.

Telefónica could be affected by disruptions in the supply chain or international trade restrictions, or by the dependency on its suppliers.

The existence of critical suppliers in the supply chain, especially in areas such as network infrastructure, information systems or handsets with a high concentration in a small number of suppliers, poses risks that may affect Telefónica's operations. In the event that a participant in the supply chain engages in practices that do not meet acceptable standards or does not meet Telefónica's performance expectations (including delays in the completion of projects or deliveries, poor-quality execution, cost deviations, reduced output due to the suppliers own stock shortfalls, or inappropriate practices), this may harm Telefónica's reputation, or otherwise adversely affect its business, financial condition, results of operations and/or cash flows. Further, in certain countries, Telefónica may be exposed to labour contingencies in connection with the employees of such suppliers.

As of 31 December 2024, the Group depended on three handset suppliers (one of them located in China) and seven network infrastructure suppliers (two of them located in China), which, together, accounted for 85 per cent. and 83 per cent., respectively, of the aggregate value of contracts awarded in 2024 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers (not located in China) represented 46 per cent. of the aggregate value of contracts awarded in 2024 to handset suppliers.

As of 31 December 2024, the Telefónica Group had approximately 100 information technology ("**IT**") providers that together accounted for 80 per cent. of the total amount of IT purchase awards made in 2024, seven of them representing 30 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, the imposition of tariffs by major economies, the adoption of lockdown or other restrictive measures as a result of any crisis or pandemic, as well as disruptions derived from geopolitical events such as the Russia-Ukraine war, armed conflict and political instability in the Middle East, among others, could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. Any of the above could increase prices for Telefónica and ultimately make our services more expensive for our customers, which could adversely affect the business and operating results of the Telefónica Group.

National security concerns may also limit Telefónica's ability to utilise certain suppliers and require it to incur additional costs. Several EU countries have imposed restrictions on the use of telecom suppliers that are considered high-risk for 5G network infrastructure, such as certain Chinese suppliers. In Germany, Telefónica and other mobile network operators have entered into public law contracts with the Federal Ministry of the Interior and Community that obligate the mobile network operators to stop using all critical components made by Chinese suppliers in their 5G core networks by the end of 2026. The operators are also required to replace the critical functions of such suppliers' 5G network management systems in the access and transport networks of the 5G mobile network with technical solutions of other manufacturers by the end of 2029. This requires the cooperation of the suppliers, who must provide open interfaces for controlling the network elements.

The semiconductor industry in particular is facing various challenges, as a result of mainly 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, specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the armed conflict in Ukraine as well as the potential discontinuation of use of some suppliers as a result of tensions between the United States and China. While Telefónica's supply chain has been generally resilient in recent years, despite various stresses affecting the semiconductor industry and raw materials, this may change in the future.

The imposition of trade restrictions and any disruptions in the supply chain, such as those related to international transport, could result in higher costs and lower margins or affect the ability of the Telefónica Group to offer its products and services and could adversely affect the Group's business, financial condition, results of operations and/or cash flows.

Further, in its sale of digital services, the Telefónica Group regularly integrates the digital services it offers with third-party technologies. Similar to more traditional supplier relationships, these integrations subject the Telefónica Group to the risks of performance failures by these third parties and the cost of continuously monitoring these strategic partners to ensure they maintain appropriate levels of accreditation and that the technologies they provide remain secure and up to date. Any such performance failure by the third parties or the technologies they provide could negatively impact the digital services offered by the Telefónica Group, and the Group's business, financial condition, results of operations and/or cash flows could be adversely affected as a result.

Telefónica could be affected by the global technology talent shortage and the need for new skills in the workforce due to rapid technological changes, which may limit the Group's competitiveness.

The changing need for new skills in the workforce due to ongoing technological disruptions and the shortage of technology talent in the marketplace pose significant risks that may affect the Group's competitiveness.

The successful execution of Telefónica's strategic plan and Telefónica's ability to compete effectively now and in the future depends 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 Telefónica's corporate culture to ensure the company's long-term growth and sustainability, there can be no assurance that such steps will be sufficient.

If the Group fails to attract and retain technology talent, this could negatively affect the Group's business, financial condition, results of operations and/or cash flows.

The Group requires government concessions and 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 Civil Service) approved in June 2023 a modification to the National Frequency Allocation Table ("**CNFA**"), allowing for the possibility of making available 450 MHz of the 26 GHz spectrum band, to companies, industries and 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, following the clearance of the merger between Vodafone UK and Three UK, the Office of Communications ("**Ofcom**") has confirmed that it will hold an auction for 26 GHz and 40 GHz bands in the third quarter of 2025.

In Latin America, the following 5G auction processes are expected in 2025: in Peru, on 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. There is no specific information on when the MTC could advance in the process of reordering and assigning spectrum of the 3.5GHz band. On 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. Telefónica del Perú has initiated legal actions against the sanction resolution, and the aforementioned employee was fired and criminally prosecuted. Telefónica del Perú has concessions for the provision of public telecommunications services and 4G and 5G spectrum (including in the same 3.5 GHz band, but obtained in a previous auction) with validity that exceeds the disqualification period. In addition, this disqualification does not affect the renewals of Telefónica del Perú licences and we expect it would not preclude Telefónica del Perú from accessing additional spectrum for the provision of 5G services through the reordering process provided for in the 4 July 2024 law.

In Brazil, the *Agencia Nacional de Telecomunicações* ("**ANATEL**") is conducting a public consultation (until 7 April 2025) about a long-term schedule for spectrum auctions. This proposal includes frequencies in multiple bands for awards in the short (2026–2028), medium (2029–2032) and long term (2032–2036). With regard to 700 MHz in the 6 GHz band (6425–7125 MHz), ANATEL plans on submitting rules for the award to consultation in the second half of 2025 and granting the award by 2026. In addition, on 31 January 2025, ANATEL concluded the public consultation on the 700 MHz band Auction Proposal, which involves the spectrum that was returned by the provider Winity in 2023. According to the proposal, regional lots would be offered, with priority for participation given to providers that do not yet have spectrum authorisations in the 700 MHz band, and only if there is no interest from these providers, established providers would be able to acquire spectrum. The auction is expected to take place by the second half of 2025.

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

In Germany, in May 2024, the *Bundesnetzagentur* ("**BNetzA**") published a draft decision on the extension of the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which will partially expire at the end of 2025. The draft decision provides for the existing frequency usage rights in the above mentioned frequency ranges, to be extended for a transitional period of five years. It is expected that BNetzA will adopt a final decision in the first quarter of 2025. The extension of the usage rights would be accompanied by obligations for the further deployment of mobile networks, particularly in rural areas and along transport routes. There would also be a requirement to negotiate with MVNOs on the purchase of wholesale mobile services as well as an obligation to negotiate national roaming and a co-operative shared frequency usage below 1 GHz with 1&1 Mobilfunk GmbH ("1&1"). Finally, an obligation would be imposed to continue existing spectrum leasing arrangements between network operators. As part of a second set of actions, a larger procedural framework is expected to be established for utilisation from 2031 onwards, including with respect to rights of use and new frequency ranges that expire in 2033 or become newly available for mobile communications in the coming years. A decision on this set of actions is planned for 2028.

In the UK, mobile spectrum 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, ANATEL approved on 8 February 2021, Resolution 741/2021 which sets the regulation for the transition from the existing concession regime to a new authorisation model for the provision of fixed commuted telephony services ("**STFC**"). On 16 December 2024, Telefônica Brasil, ANATEL, the Brazilian Federal Court of Accounts and the Brazilian Ministry of Communications signed an agreement on the terms and conditions for the adaptation of the STFC concession contracts to an authorisation instrument (the "**Self-Composition Agreement**"). The Self-Composition Agreement includes several key conditions: (i) Telefônica Brasil is required to make specific investments on terms established under the agreement; (ii) Telefônica Brasil must maintain the provision of fixed-line telephone services in certain locations without adequate competition, within the concession area until 31 December 2028; (iii) all pending administrative and judicial proceedings related to the concession at ANATEL or in the courts must be resolved, and Telefônica Brasil must withdraw any cases filed against the regulator; and (iv) Telefônica Brasil must commit to fulfilling public interest pledges for up to ten years as part of the adaptation process. Completion of the migration to the authorisation regime is conditioned upon the signing of a unified authorisation term with ANATEL, compiling all previous licences into one single title, which is expected to occur during the first quarter of 2025.

ANATEL agreed to extend authorisations of the currently existing bands of 850MHz until November 2028, of 900/1800 MHz between 2031 and 2035 (depending on the region), and of 2100 MHz, until 2038. Additionally, pursuant to Resolution n° 757/2022, ANATEL intends to carry out, respectively, a refarming action consisting of the promotion of changes in the channel arrangements of the 850 MHz (2028) and 900/1800 MHz (2032) sub-bands. Certain specific requirements imposed for these renewals, including those related to the valuation criteria and obligations, are still under review by the Federal Court of Accounts.

In Peru, an arbitration process was started by Telefónica del Perú, to challenge the decision adopted by the Ministry of Transportation and Communications ("**MTC**"), denying the renewal of concessions for the provision of fixed-line services, valid until 2027, which ended with a 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 Telefónica's request of renewal of these concessions for the period 2027-2032. In any case, Telefónica del Perú S.A.A. holds other concessions for the provision of fixed-line services that allow it to provide these services beyond 2027. The renewal of the 1900 MHz band in all of Peru, except for Lima and Callao, which expired in 2018, and of other 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 Ecuador, the 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) that expired in November 2023, was extended on several occasions, with the last extension being authorised until 15 May 2025, under the same conditions as the original contract through an addendum and through provisional payments applicable to the new concession rights. At the end of 2024, the negotiation process for the renewal of the concession contract for a 15-year period was suspended by the Telecommunications Regulation and Control Agency (ARCOTEL) because it requires a favourable opinion from the Ministry of Economy and Finance (MEF) in relation to the terms and conditions agreed for the renewal. Once the opinion of the MEF is issued, we expect that the negotiations will resume.

During 2024, the Group's consolidated investment in spectrum acquisitions and renewals amounted to EUR 157 million, mainly due to the acquisition of spectrum in Colombia (EUR 183 million in 2023, mainly due to the acquisition of spectrum in Argentina). 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 licences held by the Telefónica Group" of the 2024 Consolidated Financial Statements.

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 Telefónica's ability to keep up with its competitors is a critical issue in a sector so affected by technology such as telecommunications. In this sense, significant additional investments will be needed in new high-capacity network infrastructures to enable Telefónica to offer the features that new services will demand, through the development of technologies such as 5G or fiber.

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as mobile network virtual operators ("**MNVOs**"), internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice businesses have been shrinking in recent years, while revenues from connectivity services (e.g., fixed and mobile internet) are increasing. To diversify revenue sources, Telefónica offers new digital services such as Internet of Things (IoT), cybersecurity, Big Data, Artificial Intelligence and cloud services among others. Although these services still have a substantially lower weight in Telefónica's total revenues, the related revenues represented more than 40 per cent. of the Company's B2B revenues in 2024 and grew by double digits compared to 2023.

Additionally, the world of telecommunications is evolving towards a model of programmable networks and services. This type of network can be used by programmers in a completely new and different way than it had been in the past. As a first big step, the GSMA (Global System for Mobile Communications) is leading the Open Gateway initiative for the 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 Telefónica (in Spain and Latin America), is the FTTx type networks which allow the offering of broadband accesses over fiber optics with high performance. However, the deployment of such networks, in which the copper of the access loop is totally or partially replaced by fiber, requires high levels of investment. In Spain, more than 90 per cent. of the retail copper network has been switched off. Due to regulatory requirements, the remaining portion of the network is expected to be switched off by May 2025.

As of 31 December 2024, in Spain, fiber coverage reached 30.8 million premises. There is a growing demand for the services that these new networks can offer to the end customer. However, the high levels of investment required by these networks result in the need to continuously consider the expected return on investment. Telefónica is constantly looking for co-investments through Telefónica Infra, but it may not be able to identify suitable partners.

In addition, the ability of the Telefónica Group's IT systems (operational and backup) to adequately support and evolve to respond to Telefónica's operating requirements is a key factor to consider in the commercial development, customer satisfaction and business efficiency of the Telefónica Group. While automation and other digital processes may lead to significant cost savings and efficiency gains, there are also significant risks associated with such transformation processes. Any failure by the Telefónica Group to develop or implement IT systems that adequately support and respond to the Group's evolving operating requirements could have an adverse effect on the Group's information, business, financial condition, results of operations and/or cash flows.

The changes outlined above force Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors. Any such investment may reduce the Group's profit and margins and may not lead to the development or commercialisation of successful new products or services. To contextualise the Group's total research and development effort, the total expenditure in 2024 was EUR 647 million (EUR 741 million in 2023), representing 1.6 per cent. of the Group's revenues (1.8 per cent. in 2023). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("**OECD**") manual. Telefónica's investment in capital expenditure in 2024 was EUR 5,475 million (EUR 5,579 million in 2023).

If Telefónica is not able to anticipate and adapt to the technological changes and trends in the sector, or to properly select the investments to be made, this could negatively affect the Group's business, financial condition, results of operations and/or cash flows.

The Telefónica Group's strategy, which is focused on driving new digital businesses and providing data-based services, involves exposure to risks and uncertainties arising from data privacy regulation.

The Telefónica Group's commercial portfolio includes products and/or services whose provision involves the processing of large amounts of information and data. This entails an enormous responsibility, while at the same time increasing the challenges related to compliance with strong and growing privacy and data protection regulations throughout the Telefónica Group's footprint, which may stifle the technological innovation that 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 European Union has been considering a proposal for a future European regulation concerning the respect for privacy and protection of personal data in electronic communications ("**e-Privacy Regulation**"), which would repeal Directive 2002/58/EC. If approved, the e-Privacy Regulation could establish additional and more restrictive rules than those established in the GDPR, with the consequent increase in the risks and costs that this could entail for Telefónica. Discussions on the proposal for the e-Privacy Regulation have stalled, and the European Commission is studying different regulatory alternatives on the matter, which creates additional uncertainty with respect to the applicable regulatory framework going forward, which may negatively affect the development of new innovative products.

Moreover, considering that the Telefónica Group operates its business on a global scale, it frequently carries out international data transfers concerning its customers, users, suppliers, employees and other data subjects to countries outside the EEA that have not been declared to have an adequate level of data protection by the European Commission, either directly or through third parties. In this context, it is particularly relevant to have the necessary legal and technical controls and mechanisms in place to ensure that such international data transfers are carried out in accordance with the GDPR, in an environment marked by uncertainty on this issue as to the most adequate and effective measures to mitigate such risks.

With regard to the international transfer of data to the United States, on 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 remains subject to challenge by privacy activists as was the case with previous decisions.

Telefónica is subject to data privacy regulations similar to the GDPR in the non-EU countries in which it operates, including the United Kingdom, Brazil, Ecuador, Chile and Peru, increasing compliance risks and costs in these countries. For example, since its formal exit from the European Union ("**Brexit**"), the United Kingdom has implemented its own data protection framework, which largely mirrors the GDPR with certain tailored adjustments. Subsequent legislative efforts to simplify compliance for businesses in the United Kingdom (and, therefore, reduce data protections), while unsuccessful to date, have raised data privacy risks for EU companies who, like Telefónica, regularly engage with UK partners. Any such potential shifts in the applicable data privacy framework necessitate careful monitoring by Telefónica to mitigate compliance and cross-border data transfer risks.

To limit the risks derived from international transfers of personal data among Telefónica Group companies, the Telefónica Group adopted Binding Corporate Rules (BCRs), approved by the Spanish Data Protection Authority on March 8, 2024, following a procedure of co-operation between the European data protection authorities. However, there can be no assurance that such rules will be sufficient to ensure compliance with requirements in every jurisdiction in which the Telefónica Group operates.

Data privacy protection requires careful design of products and services, as well as robust internal procedures and rules that can be adapted to regulatory changes where necessary, all of which entails compliance risk. Failure to maintain adequate data security and to comply with any relevant legal requirements could result in the imposition of significant penalties, damage to the Group's reputation and the loss of trust of customers and users.

Telefónica's reputation depends to a large extent on the digital trust it is able to generate among its customers and other stakeholders. In this regard, in addition to any reputational consequences, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of EUR 20 million or 4 per cent. of the infringing company's overall total annual revenue for the previous financial year. Furthermore, if eventually approved, the e-Privacy Regulation or any similar alternative regulation may set forth sanctions for breaches of it similar to those provided for in the GDPR.

Any of the foregoing could have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Telefónica may not anticipate or adapt in a timely manner to changing customer demands and/or new ethical or social standards, which could adversely affect Telefónica's business and reputation.

To maintain and improve its position in the market vis-à-vis its competitors, it is vital that Telefónica: (i) anticipates and adapts to the evolving needs and demands of its customers, and (ii) avoids commercial or other actions or policies that may generate a negative perception of the Group or the products and services it offers, or that may have or be perceived to have a negative social impact. In addition to harming Telefónica's reputation, such actions could also result in fines and sanctions.

In order to respond to changing customer demands, Telefónica needs to adapt both (i) its communication networks and (ii) its offering of digital services.

The networks, which had historically focused on voice transmission, have evolved into increasingly flexible, dynamic and secure data networks, replacing, for example, old copper telecommunications networks with newer technologies such as fiber 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, relatively new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering", "Solar 360" and "Perplexity" (an Artificial Intelligence-driven answer engine service) which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. In addition, Telefónica has launched new customer care applications (My Movistar in Spain, Me Vivo in Brazil, My O2 in the United Kingdom) and developed a virtual assistant, Aura, with the aim of increasing the accessibility of the products and services the Group offers. However, there can be no assurance that these and other efforts will be successful.

In the development of all these initiatives it is also necessary to take into account several factors: firstly, there is a growing social and regulatory demand for companies to behave in a socially responsible manner, and, in addition, the Group's customers are increasingly interacting through online communication channels, such as social networks, in which they express this demand. Telefónica's ability to attract and retain clients depends on their perceptions regarding the Group's reputation and behaviour. The risks associated with potential damage to Telefónica's reputation have become more relevant, especially due to the impact that the publication of news through social networks can have.

If Telefónica is not able to anticipate or adapt to the evolving needs and demands of its customers or avoid inappropriate actions, its reputation could be adversely affected, or it could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Operational Risks.

Information technology is key to the Group's business and is subject to cybersecurity risks.

Telefónica's operations, as well as the products and services it provides, rely on information technology systems and platforms that are susceptible to cyberattacks. If successful, these attacks can hinder the effective provision, operation, and commercialisation of the Group's products and services and its customers' use of the same. Therefore, cybersecurity risks are among the most significant risks for the Group.

Telecommunications companies worldwide, including Telefónica, face a continuous increase in cybersecurity threats. These companies and their customers are becoming increasingly digital, processing and storing valuable information electronically relying on cloud services provided by third parties, permitting remote access and teleworking by employees and collaborators and expanding IoT environments. All of this complicates security management, forcing companies to review security controls beyond the traditional corporate network perimeter. At the same time, cyberattackers, including both state and independent actors, are becoming more sophisticated, armed with high levels of funding and advanced digital tools that use technologies such as artificial intelligence and machine learning. Threats include unauthorised access to systems, the installation of computer viruses or malicious software, and security breaches in the supply chain, with the aim of improperly obtaining sensitive information or disrupting the Group's operations, which may result in regulatory penalties. Furthermore, traditional security threats persist, such as the theft of laptops, data storage devices, and mobile phones, along with the possibility that Group employees or collaborators may leak information and/or perform acts that affect their networks or internal information. Additionally, the Telefónica Group is aware of potential cybersecurity risks arising from various international conflicts and monitors cyberattacks that may affect its infrastructure.

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

The development and maintenance of systems to prevent and detect cyberattacks is costly and requires ongoing monitoring and updating to address the increasing sophistication of cyberattacks. In response to these risks, Telefónica has adopted technical and 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, security controls in the supply chain, intrusion-prevention systems, virus scanners incident response and recovery procedures, and backup systems. However, Telefónica can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. The Telefónica Group has insurance policies in place intended to cover certain losses arising out of these types of incidents. However, due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover in its entirety all losses that may arise out of a cybersecurity attack.

Climate change, natural disasters and other factors beyond the Group's control may result in physical damage to Telefónica's technical infrastructure that may cause unanticipated network or service interruptions or quality loss or otherwise affect the Group's business.

Climate change, natural disasters and other factors beyond the Group's control, such as system failures, lack of electric supply, network failures, hardware or software failures or the theft of network elements, can damage

Telefónica's infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group. For example, in late October 2024, record-breaking flooding and related power outages in Valencia, Spain, resulting from a high-altitude, cut-off low-pressure storm system, caused severe damage to Telefónica's infrastructure. Fixed and mobile services were affected, and certain municipalities (104 at the worst moment) lost all communications. Repairs to the damaged infrastructure took up to 10 days. Telefónica's operations have also been affected by power outages in certain Latin American countries due to droughts and flooding.

Further, changes in temperature and precipitation patterns associated with climate change may increase the energy consumption of telecommunications networks or cause service disruption due to extreme temperature waves, floods or extreme weather events. These changes may cause increases in the price of electricity due to, for example, reduction in hydraulic generation as a result of recurrent droughts. Further, as a result of global commitments to tackle climate change, new carbon dioxide taxes may be imposed and could affect, directly or indirectly, Telefónica Group, and may have a negative impact on the Group's operations and results. Telefónica analyses these risks in accordance with the guidelines set forth in the Corporate Sustainability Reporting Directive (CSRD), and with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Network or service interruptions or quality loss or climate-related risks could cause customer dissatisfaction, a reduction in revenues and traffic, the 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 labour markets, especially those in major developed economies, and the prevalence (though to a lesser extent than in the past) of wage indexation mechanisms, have also contributed to these inflationary pressures.

Although inflationary pressures eased in 2024, there are recent signs that progress is stalling in some countries where the Group operates, or even reversing course as in Brazil. Price pressures and relatively high interest rates persist in many countries. Geopolitical events such as the Russia-Ukraine war, armed conflict and political instability in the Middle East and the possibility that cross-tariff imposition could escalate risks to inflation dynamics, interest rates and exchange rates. Moreover, there is a risk that the decrease in global liquidity and higher interest rates over the long-term could generate increased financial volatility, giving rise to new stress episodes, especially if inflation proves to be more persistent than expected. Additionally, premature monetary easing by central banks could lead to resurgent inflation, potentially triggering a new stagflation period akin to the 1970s.

Looking forward, elements that could worsen the effects of the current situation include the escalation of armed conflicts and potential disruptions to energy and goods supply, as well as possible additional increases in commodity prices. This could result in a potential de-anchoring of inflation expectations and higher-than-expected wage hikes, prolonging and amplifying the inflation-recession scenario. As a consequence of the above, economic growth is expected to remain weak in the short term, with the risk of recession still present in some parts of the world.

So far, the main European countries where the Group operates have been affected by the ongoing geopolitical conflicts mainly through the price channel (higher commodity prices, intermediate inputs and salary costs, among others), as their direct trade and financial exposure is limited. However, there continues to be a concern in Europe about energy dependence in the face of potential episodes of gas shortages and lengthening energy transition. Latin America could be affected by lower external demand associated with slower global growth, deteriorating terms of trade, tighter financial conditions and doubts about debt sustainability.

As of 31 December 2024, the contribution of each segment to the Telefónica Group's total assets was as follows: Telefónica Spain 25.7 per cent. (26.0 per cent. as of 31 December 2023), VMO2 7.6 per cent. (7.5 per cent. as of 31 December 2023), Telefónica Germany 17.7 per cent. (17.8 per cent. as of 31 December 2023), Telefónica Brazil 22.2 per cent. (25.0 per cent. as of 31 December 2023) and Telefónica Hispam 14.1 per cent. (14.4 per cent. as of 31 December 2023). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil, Argentina (sold in February 2025), Ecuador and Venezuela). Likewise, Venezuela and Argentina are considered countries with hyperinflationary economies in 2024 and 2023.

During 2024, the contribution of each segment to the Telefónica Group's revenues was as follows (does not include VMO2 that is recorded by the equity method and therefore does not contribute to the consolidated revenues): Telefónica Spain 31.0 per cent. (31.1 per cent. in 2023), Telefónica Germany 20.6 per cent. (21.2 per cent. in 2023), Telefónica Brazil 23.3 per cent. (23.7 per cent. in 2023) and Telefónica Hispam 21.9 per cent. (20.6 per cent. in 2023).

The main risks by geography are detailed below:

In Europe, there are several economic and political risks. Firstly, the evolution of armed conflicts poses a threat to growth and inflation prospects. Any worsening in the supply of gas, oil, food, or other goods due to disruptions in the supply chain would negatively impact their prices, with a consequent effect on the disposable income of both households and businesses. In the medium term, this could result in wage increases, a persistent rise in inflation, and tighter monetary policy. Any of the above could have a negative impact on the cost of financing for the private sector, including Telefónica, and could trigger episodes of financial stress.

In addition, there is also a risk of financial fragmentation in the eurozone, meaning that interest rates may react differently in different countries within the eurozone, leading to differences in yields on bonds issued by more indebted countries (including Spain) and those issued by less indebted countries, making it challenging for the former to access credit at low rates.

Lastly, Europe faces three significant long-term risks. First, Europe may fall behind in the global technological race in particular because of both its dependence on several critical raw materials, indispensable for key sectors, that must be imported from other regions, and its lag in technological innovation. Second, a burdensome regulatory environment in the European Union poses a significant threat to business, impeding growth and eroding competitiveness, with companies based in countries and regions where regulations are relatively less complex, extensive or restrictive. Third, demographic factors such as declining birth rates and population aging may have a negative impact on the region's labour force and long-term growth prospects.

Regarding political risk, centrist political groups maintained a majority following the 2024 European Parliament elections but nationalist and populist parties made significant gains. It remains to be seen whether greater fragmentation in the parliament will hinder governance and the continuity of the ongoing agenda in fiscal and economic matters, climate and energy policy as well as other aspects of regional governance.

- *Spain:* there are several local sources of risks. One of them stems from the risk that high commodity prices and/or the emergence of wage pressures could prolong the inflationary episode with a deeper impact on household income. Secondly, further delays in the disbursement of Next Generation European Funds (NGEU) could limit their final impact on GDP growth and employment. In addition, as one of the most open countries in the world from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, Spain could be negatively impacted by the rise of protectionism and trade restrictions. Lastly, the impact of higher-for-longer interest rates could be a source of financial stress due to high public indebtedness and lead to a possible correction in the real estate market. In the long term, the challenge is to increase the growth of potential GDP through improvements in productivity and investment and ensure the sustainability of public debt.

- *Germany*: the risk of energy shortages has diminished recently due to Europe's response in terms of diversification of energy sources and the rapid construction of regasification plants in the country. However, it is possible that problems with energy supply may arise again. Alternative sources for gas imports could be limited, consumption could be higher due, for example, to an unusually cold winter, or competition for gas from other countries could increase. On the other hand, there is concern that higher-than-expected wage growth and/or higher input costs could lead to more persistent inflation diminishing competitiveness among the manufacturing sector. As for the medium to long term, there is a risk that prolonged or escalating geopolitical tensions could reduce international trade or increase competition to German-made products with a consequent impact on the country's potential growth, which is dependent on exports. Additionally, following the German federal election, it is relevant that a stable majority is formed capable of addressing the major challenges facing the country, especially in terms of investment needs. Finally, long-term challenges remain, such as the ageing of the population.

- *United Kingdom*: more persistent inflation could weigh on consumption and further depress economic growth. In particular, there is a concern that currently dynamic wage growth could lead to a further increase in the prices of goods and services, preventing inflation rates from totally normalising. 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 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. Despite recently announced measures to contain public spending, tax reforms aimed at simplifying the indirect tax system and promoting stronger and sustainable economic growth and an upward revision of Brazil's credit rating outlook by Moody's, volatility surrounding fiscal sustainability has increased. Moreover, inflation expectations have continued to deteriorate following the poor performance of the Brazilian real in a context of fiscal volatility, paving the way for further interest rate hikes and increasing the risks of a more pronounced economic slowdown.

- *Chile, Colombia, Peru and Ecuador*: these countries are exposed not only to changes in the global economy, given their vulnerability and exposure to changes in commodity prices, but also to tightening of global financial conditions. On the domestic side, existing political instability and the possibility of further social unrest and the resurgence of populism could have a negative impact in both the short and medium term. In this regard, measures that result in excessive growth in public spending that jeopardise fiscal balance could have a negative impact on sovereign credit ratings, further deteriorating local financing conditions. If inflation is more persistent than expected, this could limit central banks' ability to respond to an abrupt drop in activity levels and could also increase the risk of financial instability. Political uncertainty has decreased in Chile, following the rejection of a proposed new Constitution in December 2023, but the maintenance of the former status quo could give rise to new social demands. A presidential election is due to take place in November 2025 (and a runoff election may follow in December 2025). In Colombia, the structural reforms promoted by Colombia's government are expected to be more market friendly due to the weakening of the government coalition. In Peru, the government succeeded in reducing the social protests against the installation of the current administration, although it remains politically weak. In Ecuador, presidential and legislative elections were held in February 2025. The election took place against a backdrop of unprecedented social and economic challenges, as well as armed conflicts between the government and several organised crime groups. A run-off presidential election will be held in April 2025.

As discussed above, the countries where the Group operates are generally facing significant economic uncertainties and, in some cases, political uncertainties. The worsening of the economic and political environment in any of the countries where Telefónica operates may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

The Group has experienced and, in the future, could experience impairment of goodwill, investments accounted for by the equity method, deferred tax assets or other assets.

In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill (which as of 31 December 2024, represented 16.4 per cent. of the Group's total assets), deferred tax assets (which as of 31 December 2024, represented 6.6 per cent. of the Group's total assets) or other assets, such as intangible assets (which represented 9.8 per cent. of the Group's total assets as of 31 December 2024), and property, plant and equipment (which represented 21.3 per cent. of the Group's total assets as of 31 December 2024). In the case of goodwill, the potential loss of value is determined by the analysis of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated at the time it is originated, and such calculation requires significant assumptions and judgment. In 2024, Telefónica recorded impairment losses on intangible assets and property, plant and equipment in Argentina in an aggregate amount of EUR 1,274 million and impairment losses on goodwill in an aggregate amount of EUR 866 million with respect to the cash-generating units in Chile (EUR 397 million), Peru (EUR 226 million), Telefónica Tech UK & Ireland (EUR 192 million) and BE-terna Group (EUR 51 million). Likewise, impairment losses were recorded in Peru in 2024, including impairment losses on intangible assets (EUR 54 million) and on goodwill allocated to the fiber optics business (EUR 34 million), as well as a reversal of deferred tax assets for loss carryforwards (EUR 91 million). Additionally, following the analysis of the recoverability of the assets of Pangea (the wholesale fiber optic company in Peru) at the end of 2024, an impairment of property, plant and equipment amounting to EUR 108 million has been recorded, as well as a reversal of deferred tax assets amounting to EUR 13 million (see Notes 2, 6, 7, 8, 25 and 30 to the 2024 Consolidated Financial Statements). In 2023, impairment losses in the goodwill of Telefónica Ecuador were recognised for a total of EUR 58 million. In addition, VMO2, Telefónica's 50:50 joint venture with Liberty Global in the United Kingdom, recorded in 2023 an impairment of goodwill amounting to 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 2023.

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 31 December 2024, the Group's gross financial debt amounted to EUR 38,782 million (EUR 37,061 million as of 31 December 2023), and the Group's net financial debt amounted to EUR 27,161 million (EUR 27,349 million as of 31 December 2023). As of 31 December 2024, the average maturity of the debt was 11.3 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 reputation, solvency or operating performance of Telefónica. As of 31 December 2024, the Group's gross financial debt scheduled to mature in the following 12 months amounted to EUR 5,590 million and the gross financial debt scheduled to mature in 2026 amounted EUR 2,607 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 31 December 2024. As of 31 December 2024, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of EUR 11,017 million (EUR 10,634 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 31 December 2024, 3.5 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 31 December 2024, 83 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 3.32 per cent. as of 31 December 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 31 December 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 41 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 41 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 42 million as of 31 December 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 42 million as of 31 December 2024. These calculations have been made assuming a constant currency position with an impact on profit or loss as of 31 December 2024 taking into account derivative instruments in place.

In 2024, the evolution of exchange rates (without considering the effects of hyperinflationary countries) had a negative impact in the year-on-year growth of the Group's consolidated revenues and operating results before depreciation and amortisation, subtracting 2.2 percentage points and 2.9 percentage points respectively (in 2023 it had a positive impact of 0.2 percentage points on year-on-year revenue growth and no impact at the operating results before depreciation and amortisation level). Furthermore, translation differences in 2024 had a negative impact on the Group's equity of EUR 959 million (positive impact of EUR 37 million in 2023).

The Telefónica Group uses a variety of strategies to manage this risk including, among others, the use of financial derivatives, which are also exposed to risk, including counterparty risk. The Group's risk management strategies may be ineffective, which could adversely affect the Group's business, financial condition, results of operations and/or cash flows. If the Group does not effectively manage its exposure to foreign currency exchange rates or interest rates, it may adversely affect its business, financial condition, results of operations and/or cash flows.

Legal and Compliance Risks

Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings.

Telefónica and Telefónica Group companies operate in highly regulated sectors and are and may in the future be party to lawsuits, tax claims, antitrust and other legal proceedings in the ordinary course of their businesses, the outcome of which is unpredictable.

The Telefónica Group is subject to regular reviews, tests and audits by tax authorities regarding taxes in the jurisdictions in which it operates and is a party and may be a party to certain judicial tax proceedings. In particular, the Telefónica Group is currently party to certain tax and regulatory proceedings in Brazil, primarily relating to the ICMS (a Brazilian tax on telecommunication services) and the corporate tax.

Telefónica Brazil maintained provisions for tax contingencies amounting to EUR 314 million and provisions for regulatory contingencies amounting to EUR 179 million as of 31 December 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 2024 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 2024 Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims can be found in Note 24 (*Provisions*) of the 2024 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, has not yet finally determined the amount of the payment obligation. The total provision as of 31 December 2024 amounted to 2,739 million Peruvian soles (approximately EUR 700 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 the Telefónica Group's own goals regarding ESG matters, may expose the Telefónica Group to various risks.

The Telefónica Group may be unable to adapt to or comply with increasingly demanding expectations from analysts, investors, customers and other stakeholders and new regulatory reporting or other legal requirements related to ESG issues. Further, expectations and requirements may differ from region to region, may be based on diverging calculation or other criteria and may experience material changes as they still are at their emerging phase.

Further, the Telefónica Group's disclosure of information on its ESG objectives and initiatives in its public reports and other communications (including its carbon dioxide emission reduction targets) exposes it to the risk that it will fail to achieve these objectives and initiatives.

Although the Telefónica Group is working to comply with new ESG reporting requirements, to achieve its objectives, and to meet the expectations of its stakeholders in these matters, if the Company is unable to meet these expectations, fails to adequately address ESG matters or fails to achieve the reported objectives (including its carbon dioxide emission reduction targets), the Telefónica Group's reputation, its business, financial position, results of operations and/or cash flows could be materially and adversely affected.

The Telefónica Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.

The Telefónica Group is required to comply with the anti-corruption laws and regulations of the jurisdictions where it conducts operations around the world, including in certain circumstances with laws and regulations having extraterritorial effect such as the U.S. Foreign Corrupt Practices Act of 1977 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 (OFAC) and the United Kingdom. Sanctions restrict the Group's business dealings with certain countries, territories, individuals and entities and may impose certain trade restrictions, among others, export and/or import trade restrictions to certain goods and services. In this context, the provision of goods and services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions. Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

Although the Group has internal policies and procedures designed to ensure compliance with the above mentioned applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or, otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Group, its subsidiaries or they may be ultimately held responsible. In this regard, Telefónica cooperates with governmental authorities in connection with the enforcement of anti-corruption laws. For example, certain companies within the Group have been the subject of corruption investigations and charges in the past, one of which recently resulted in a financial penalty. See "*Telefónica, S.A. – Legal Proceedings – Other Proceedings*".

Failure to comply with anti-corruption laws and sanctions regulations could lead to further financial penalties, termination of 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

The Issuer and the Guarantor are required to receive certain information relating to the Guaranteed Subordinated Notes. If such information is not received by the Issuer or the Guarantor, as the case may be, in a timely manner, the Issuer will be required to apply Spanish withholding tax to any payment of income in respect of the relevant Guaranteed Subordinated Notes.

Provided that the special tax regime contained under the First Additional Provision of Law 10/2014 applies to the Guaranteed Subordinated Notes, in accordance with article 44.5 of Royal Decree 1065/2007, payments of income in respect of the Guaranteed Subordinated Notes will be made without withholding tax in Spain provided that the Guaranteed Subordinated Notes are originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country and that the Issue and Paying

Agent provides the Issuer and the Guarantor in a timely manner with a certificate containing certain information relating to the Guaranteed Subordinated Notes in the Spanish language.

This information must be provided by the Issue and Paying Agent to the Issuer and the Guarantor, before the close of business on the Business Day (as defined in "*Terms and Conditions of the Guaranteed Subordinated Notes*") immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Guaranteed Subordinated Notes (each a "**Payment Date**") is due.

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

The Agency Agreement provides that the Issue and Paying Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Guaranteed Subordinated Notes to the Issuer and the Guarantor in a timely manner. See "*Taxation and Disclosure of Information in Connection with Payments — Taxation in the Kingdom of Spain — Information about the Guaranteed Subordinated Notes in Connection with Payments*".

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, the Arranger or the Dealers assumes any responsibility therefor.

Risks Relating to subordination.

The Issuer's obligations under the Guaranteed Subordinated Notes are subordinated

The Issuer's obligations under the Guaranteed Subordinated Notes 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 rank *pari passu* with or junior to the Guaranteed Subordinated Notes. See "*Terms and Conditions of the Guaranteed Subordinated Notes — Status, Guarantee and Subordination*". By virtue of such subordination, payments to a Noteholder will, in the event of Issuer being declared in insolvency (*concurso*) under Spanish insolvency law, only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Noteholder may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Subject to applicable law, no Noteholder 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 Guaranteed Subordinated Notes and each Noteholder shall, by virtue of being a Noteholder, 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 Guaranteed Subordinated Notes will lose all or some of its 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, 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 "*Terms and Conditions of the Guaranteed Subordinated Notes — Status, Guarantee and Subordination*".

Noteholders 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.

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 Noteholders 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 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 or should have known that 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).

Noteholders should be aware that in case of liquidation of the Issuer and/or the Guarantor within an insolvency proceeding, according to the ranking established by the Spanish Insolvency Law: (i) post-insolvency claims would rank ahead insolvency claims (other than those covered by *in rem security*); (ii) their claims against the Issuer and/or the Guarantor would be subordinated behind other classes of creditors set out above; and (iii) subordinated creditors have very limited chances of collection. In the event that an arrangement is approved with the support of the majorities set out by the Spanish Insolvency Law (subordinated creditors cannot vote), their credits against the Issuer and/or the Guarantor could be subject to a haircut or a standstill. Noteholders should also be aware that accrual of interest shall be suspended from the date of the declaration of insolvency.

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, 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, during this period directors' legal duty to file for insolvency (in case of actual insolvency) or 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 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.

Risks Relating to the Guaranteed Subordinated Notes.

There are no events of default under the Guaranteed Subordinated Notes.

The Terms and Conditions of the Guaranteed Subordinated Notes do not provide for events of default (including by reason of any cross-defaults) allowing acceleration of the Guaranteed Subordinated Notes if certain events occur. Accordingly, if the Issuer or the Guarantor fails to meet any obligations under the Guaranteed Subordinated Notes or the Guarantee, as the case may be, including the payment of any interest, Noteholders will not have the right to require the early redemption of the Guaranteed Subordinated Notes. Upon a payment default, the sole remedy available to the Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes are undated securities.

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

Modification, waivers and substitution.

The Terms and Conditions for each Tranche of Guaranteed Subordinated Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Terms and Conditions for each Tranche of Guaranteed Subordinated Notes also provide that the parties to the Agency Agreement may, without the consent of Noteholders, agree to (i) any modification of the Guaranteed Subordinated Notes, the Terms and Conditions, the Deed of Guarantee and the Deed of Covenant that is of a formal, minor or technical nature or which is made to correct a manifest error; or (ii) any other modification which, in the opinion of such parties, is not materially prejudicial to the interests of the Noteholders.

Provided the Guaranteed Subordinated Notes remain subject to Law 10/2014 at all times, the Guarantor or 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 (each a "**Substitute**") may also, without the consent of the Noteholders, assume the obligations of the Issuer (or any previous Substitute) under and in respect of any Guaranteed Subordinated Notes. Any such substitution will be subject to the conditions set out in the Terms and Conditions which include, that if the Substitute Debtor is not the Guarantor, a covenant is provided by the Guarantor in favour of the Noteholders of the relevant Guaranteed Subordinated Notes guaranteeing the obligations of the Substitute.

The Issuer may redeem the Guaranteed Subordinated Notes under certain circumstances.

Noteholders should be aware that, if specified in the applicable Final Terms, the Guaranteed Subordinated Notes 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 Par Call Date 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 Guaranteed Subordinated Notes. During any period when the Issuer may elect to redeem the Guaranteed Subordinated Notes, the market value of the Guaranteed Subordinated Notes generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Guaranteed Subordinated Notes when its cost of borrowing is lower than the interest rate on the Guaranteed Subordinated Notes. 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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, if specified in the applicable Final Terms, a Substantial Purchase Event. The relevant redemption amount may be less than the then current market value of the Guaranteed Subordinated Notes.

The Kingdom of Spain implemented Council Directive (EU) 2022/2523 (the "**Pillar 2 Directive**") by way of Law 7/2024 (dated 20 December 2024). The tax to be levied under Law 7/2024 will be levied in the form of a top-up tax. Based on the Law 7/2024 as currently in force and the limited published guidance issued by the Spanish tax authorities in respect thereof, Telefónica's current understanding is that the Issuer's entitlement to claim the benefit of tax deductions in respect of any interest payments under any Guaranteed Subordinated Notes and the Guarantor's entitlement to claim the benefit of tax deductions in respect of any interest payments made under any Subordinated Loan when computing their respective tax liabilities should not have been removed or materially reduced as a result of the entering into force of Law 7/2024. Should there be any changes to Spanish 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 any Guaranteed Subordinated Notes or the Guarantor's entitlement to claim tax deductions in respect of interest payments under any Subordinated Loan, such removal or reduction of any such entitlement may result in the occurrence of a Tax Event under the Guaranteed Subordinated Notes and give rise to an option for the Issuer to redeem the Guaranteed Subordinated Notes or substitute or vary the Guaranteed Subordinated Notes as more fully set out in Condition 7(b) (*Redemption for tax reasons*) and Condition 15(c) (*Substitution and Variation*), respectively.

The Issuer may redeem the Guaranteed Subordinated Notes after a Tax Event relating to the intra-group loan.

The net proceeds of the issue of the Guaranteed Subordinated Notes will be on-lent by the Issuer to the Subordinated Loan Borrower specified in the applicable Final Terms, which may be the Guarantor, pursuant to a Subordinated Loan (as defined in "*Terms and Conditions of the Guaranteed Subordinated Notes*"). The Issuer may redeem the Guaranteed Subordinated Notes 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 any Guaranteed Subordinated Notes (including any payment of interest) on the next following Interest Payment Date or (ii) the obligation of the Subordinated Loan Borrower to make any payment in favour of the Issuer under any Subordinated Loan on the next following due date for such payment, the Issuer or the Subordinated Loan Borrower (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the Kingdom of Spain, 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 Guaranteed Subordinated Notes upon the occurrence thereof. See Condition 7(b) (*Redemption for tax reasons*).

The current IFRS accounting classification of financial instruments such as the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes pursuant to Condition 7(c) (*Redemption for accounting reasons*) or substitute or vary the terms of the Guaranteed Subordinated Notes pursuant to Condition 15(c) (*Substitution and Variation*). The period during which the Issuer may notify the redemption of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes, 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 Guaranteed Subordinated Notes from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event.

The Issuer may have the right to defer interest payments on the Guaranteed Subordinated Notes.

If Interest Deferral is specified in the applicable Final Terms, the Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Guaranteed Subordinated Notes. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 6 (*Optional Interest Deferral*) of the Guaranteed Subordinated Notes. Any interest in respect of the Guaranteed Subordinated Notes 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 6(b) (*Optional Interest Deferral – Optional Settlement of Arrears of Interest*) and 6(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*). While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Guaranteed Subordinated Notes and in such event, the Noteholders are not entitled to claim immediate payment of interest so deferred.

As a result of any interest deferral provision of the Guaranteed Subordinated Notes, the market price of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes.

Substitution or variation of the Guaranteed Subordinated Notes.

There is a risk that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event may occur which would entitle the Issuer (if so specified in the applicable Final Terms), without any requirement for the consent or approval of the Noteholders, to substitute or vary the Guaranteed Subordinated Notes (including the substitution of the Guaranteed Subordinated Notes for securities issued by a wholly-owned finance subsidiary of the Guarantor resident in a taxing jurisdiction other than the Kingdom of Spain), subject to certain conditions intended to protect the interests of the Noteholders, so that after such substitution or variation the Guaranteed Subordinated Notes 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 relevant Issue Date of a Series of Guaranteed Subordinated Notes, the Issuer is required to withhold on account of Taxes levied in the Kingdom of Spain on any payment under the Guaranteed Subordinated Notes, the Issuer may, without any requirement for the consent of the Noteholders, substitute or vary the Guaranteed Subordinated Notes.

Additionally, subject to certain conditions, the Issuer, or any previous substituted company, and the Guarantor may at any time, without the consent of the Noteholders, 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 16 (*Issuer Substitution*).

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

Changes in rating methodologies may lead to the early redemption of the Guaranteed Subordinated Notes.

S&P, Moody's and Fitch may change, amend or clarify their rating methodology or change their interpretation thereof, and as a result the Guaranteed Subordinated Notes may no longer be eligible for the same or a higher amount of "equity credit" attributable to the Guaranteed Subordinated Notes at the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series, in which case the Issuer may redeem all of the Guaranteed Subordinated Notes (but not some only), as provided in Condition 7(d) (*Redemption for rating reasons*). The relevant redemption amount may be less than the then current market value of the Guaranteed Subordinated Notes which would impact the return Noteholders would receive from investing in the Guaranteed Subordinated Notes.

No limitation on further indebtedness.

There is no restriction on the amount of further indebtedness which the Issuer or the Guarantor may issue, incur or guarantee, including further indebtedness that ranks senior to, or *pari passu* with, the Guaranteed Subordinated Notes or the Guarantee (as the case may be). The incurrence of any such further indebtedness or the granting of any guarantees in respect thereof or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders 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 payments of interest under the Guaranteed Subordinated Notes.

If the Issuer's and/or the Guarantor's financial condition were to deteriorate, the Noteholders 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 Noteholders could suffer loss of their entire investment.

There is no active trading market for the Guaranteed Subordinated Notes.

Guaranteed Subordinated Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Guaranteed Subordinated Notes which is already issued). If the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes issued under the Programme to be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin, there is no assurance that such applications will be accepted, that any particular Tranche of Guaranteed Subordinated Notes will be so admitted or that an active trading market will develop or, if developed, that it will continue. In addition, the ability of the Dealers to make a market in the Guaranteed Subordinated Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Guaranteed Subordinated Notes. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Guaranteed Subordinated Notes which may result in Noteholders being unable to sell Guaranteed Subordinated Notes on a timely basis, or without incurring a loss on their investment.

Floating Rate Guaranteed Subordinated Notes.

Investments in Guaranteed Subordinated Notes that bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such rate. Typically, the relevant margin will not change throughout the life of the Guaranteed Subordinated Notes but there could be a periodic adjustment (as specified in the applicable Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Guaranteed Subordinated Notes may be volatile if changes, particularly short-term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of such Guaranteed Subordinated Notes upon the next periodic adjustment of the relevant reference rate.

Interest rate reset may result in a decline of yield

If the applicable Final Terms specifies that the Guaranteed Subordinated Notes pay interest at a fixed interest rate that will be reset during the term of the Guaranteed Subordinated Notes, the Noteholders will be 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 Guaranteed Subordinated Notes in advance. Therefore, the actual yield of the Guaranteed Subordinated Notes may fall below the yield anticipated by Noteholders at the time of purchase of the Guaranteed Subordinated Notes and could impact the ability of Noteholders to trade the Guaranteed Subordinated Notes on the secondary market.

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate. In the EU, for example, Regulation (EU) No. 2016/1011, as amended (the "**EU Benchmarks Regulation**") applies to the provision of, contribution of input data to, and the use of, a benchmark within the EU, subject to certain transitional provisions. Similarly, Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Benchmarks Regulation**") applies the provision of, contribution of input data to, and the use of, a benchmark within the UK, subject to certain transitional provisions.

Legislation such as the EU Benchmarks Regulation or the UK Benchmarks Regulation, if applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index – for example, if the methodology or other terms of the benchmark are changed in the future in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation or other similar legislation, or if a critical benchmark is discontinued or is determined to be by a regulator to be "no longer representative". Such factors could (amongst other things) have the effect of reducing or increasing the rate or level or may affect the volatility of the published rate or level of the benchmark. They may may also have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks", or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

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 the Euro Short Term Rate ("**€STR**") or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 5(m) (*Benchmark Replacement*)), or result in adverse consequences to Noteholders linked to such benchmark (including Floating Rate Guaranteed Subordinated Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Guaranteed Subordinated Notes, the return on the relevant Guaranteed Subordinated Notes and the trading market for securities (including the Guaranteed Subordinated Notes) based on the same benchmark.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index

Newer reference rates or any related indices and rates that fall outside the scope of the EU Benchmarks Regulation and UK Benchmarks Regulation may also be subject to changes or discontinuation. For example, the Bank of England, the Federal Reserve Bank of New York or the European Central Bank (or their successors) as administrators of Sterling Overnight Index Average ("**SONIA**") (and the SONIA Compounded Index), the Secured Overnight Financing Rate ("**SOFR**") (and the SOFR Compounded Index) or the euro short-term rate

("**€STR**"), respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Guaranteed Subordinated Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Interest rate "fallback" arrangements may lead to Guaranteed Subordinated Notes performing differently or the effective application of a "fixed rate"

If a relevant benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in "*Terms and Conditions of the Guaranteed Subordinated Notes*"), as applicable, occurs, the Terms and Conditions of the Guaranteed Subordinated Notes provide for certain fallback arrangements. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Guaranteed Subordinated Notes may not achieve this objective.

Any such changes may result in the Guaranteed Subordinated Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Guaranteed Subordinated Notes. Moreover, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the "*Terms and Conditions of the Guaranteed Subordinated Notes*") in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time. Additionally, in certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used, which may result in the effective application of a fixed rate for Floating Rate Guaranteed Subordinated Notes.

Any such consequences could have a material adverse effect on the value of and return on any such Guaranteed Subordinated Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Guaranteed Subordinated Notes linked to or referencing a benchmark.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Guaranteed Subordinated Notes may vary and may evolve

"Risk-free" rates, such as SONIA, SOFR and €STR, as reference rates for Eurobonds, have become more commonly used as benchmark rates for bonds in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

The Issuer may in the future also issue Guaranteed Subordinated Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Guaranteed Subordinated Notes issued by it under this Programme.

Such variations could result in reduced liquidity or increased volatility or might otherwise affect the market price of any Guaranteed Subordinated Notes that reference a risk-free rate issued under this Programme from time to time. In addition, investors should consider how any mismatch between applicable conventions for the use of reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Guaranteed Subordinated Notes referencing such risk-free rates. Investors should consider these matters when making their investment decision with respect to any Guaranteed Subordinated Notes which reference SONIA, SOFR, €STR or any related indices.

It is not possible to calculate interest rates in advance for Guaranteed Subordinated Notes which reference SONIA, SOFR, €STR or any related indices

Interest on Guaranteed Subordinated Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Guaranteed Subordinated Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Guaranteed Subordinated Notes.

Further, in contrast to Guaranteed Subordinated Notes linked to interbank offered rates, if Guaranteed Subordinated Notes referencing backwards-looking rates become due and payable in the limited circumstances set out in Condition 11 (*Enforcement Events and no Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Interest Rate payable in respect of such Guaranteed Subordinated Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Guaranteed Subordinated Notes become due and payable or are scheduled for redemption.

In respect of any Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor and may not meet investor expectations or requirements.

The Final Terms relating to any specific Tranche of Guaranteed Subordinated Notes may provide that it will be the Issuer's intention to apply an amount which at the Issue Date of the relevant ESG Guaranteed Subordinated Note is equal to the net proceeds from an offer of such Guaranteed Subordinated Notes specifically for Eligible Projects in accordance with Telefónica's Sustainable Financing Framework as described under "*Use of Proceeds*" below. A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and determine for itself the relevance of such information for the purpose of an investment in such ESG Guaranteed Subordinated Notes together with any other investigation it deems necessary.

No assurance is given that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Sustainable Financing Framework (including in relation to, but not limited to, the EU Taxonomy Regulation and any related technical screening criteria, the EuGB label and the optional disclosures regime under the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including ICMA Principles).

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, 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 or any market standards or guidance, including the ICMA Principles) or any requirements of such labels or market standards as they may evolve from time to time. Any ESG Guaranteed Subordinated Notes issued under this Programme will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in Telefónica's Sustainable Financing Framework. It is not clear if the establishment under the EU Green Bond Regulation of the EuGB label and the optional disclosures regime for bonds issued as "environmentally sustainable" could have an impact on investor demand for, and pricing of, green, social or sustainable use of proceeds bonds that do not comply with the requirements of the EuGB label or the optional disclosures template, such as the ESG Guaranteed Subordinated Notes issued under this Programme. It could result in reduced liquidity or lower demand or could otherwise affect the market price of any ESG Guaranteed Subordinated Notes issued under this Programme that do not comply with the requirements of the EU Green Bond Regulation.

While it is the intention of the Issuer to allocate an amount equal to the net proceeds of any Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes to Eligible Projects, 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, or substantially in, the manner and timeframe anticipated and, accordingly, that the Issuer will be able to use an amount equal to the net proceeds of the issue of such ESG Guaranteed Subordinated Notes 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.

The Issuer does not undertake to ensure that there are at any time sufficient Eligible Projects to allow for allocation of an amount equal to the net proceeds of the issue of such ESG Guaranteed Subordinated Notes in full.

Each prospective investor should have regard to the factors described in Telefónica's Sustainable Financing Framework the relevant information contained in this Base Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of any ESG Guaranteed Subordinated Notes before deciding to invest. Telefónica's Sustainable Financing Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Prospectus. Telefónica's Sustainable Financing Framework does not form part of, nor is incorporated by reference, in this Base Prospectus.

No assurance of suitability or reliability of any second party opinion or any other opinion or certification of any third party relating to any ESG Guaranteed Subordinated Notes

Sustainalytics B.V. has issued an independent opinion, dated 26 July 2023, on Telefónica's Sustainable Financing Framework (the "**Second Party Opinion**"). The Second Party Opinion provides an opinion on certain environmental and related considerations is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of the Second Party Opinion or any opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with an issue of Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes. The Second Party Opinion and any other such opinion, review, certification or post-issuance report is not intended to address any credit, market or other aspects of any investment in any ESG Guaranteed Subordinated Note, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of any ESG Guaranteed Subordinated Notes. The Second Party Opinion and any other opinion, review, certification or post-issuance report is not a recommendation to buy, sell or hold any such ESG Guaranteed Subordinated Notes and is current only as of the date it was issued.

The criteria and/or considerations that formed the basis of the Second Party Opinion and any other such opinion, review, certification or post-issuance report may change at any time and the Second Party Opinion and any other opinion, review, certification or post-issuance report may be amended, updated, supplemented, replaced and/or withdrawn at any time. Any withdrawal of the Second Party Opinion or any other opinion, review, certification or post-issuance report may have a material adverse effect on the value of any ESG Guaranteed Subordinated Notes in respect of which such opinion, review, certification or post-issuance report is given and /or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. As at the date of this Base Prospectus, the providers of such opinions, reviews, certifications or post-issuance reports are not subject to any specific regulatory or other regime or oversight. Whilst the EU Green Bond Regulation will introduce a supervisory regime of external reviewers of European Green Bonds but this is not due to take full effect until 21 June 2026 and would not apply to external reviewers in respect of an issue of ESG Guaranteed Subordinated Notes. Prospective investors must determine for themselves the relevance of the Second Party and any other opinion, review, certification or post-issuance report and/or the information contained therein. The Second Party Opinion and any other such opinion, review, certification or post-issuance report does not form part of, nor is incorporated by reference, in this Base Prospectus.

No assurance that ESG Guaranteed Subordinated Notes will be admitted to trading on any dedicated "green", "sustainable", "social" (or similar) segment of any stock exchange or market, or that any admission obtained will be maintained

In the event that any such Guaranteed Subordinated Notes 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 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 that any such listing or admission to trading will be obtained in respect of any such Guaranteed Subordinated Notes or that any such listing or admission to trading will be maintained during the life of the Guaranteed Subordinated Notes.

If any of the above risks outlined in this ESG Guaranteed Subordinated Notes risk factor materialise this may have a material adverse effect on the value of such Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes as a result of the Guaranteed Subordinated Notes not falling within the investor's investment criteria or mandate).

No breach of contract or Event of Default

None of a failure by the Issuer to allocate the proceeds of any Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes to finance and/or refinance Eligible Projects or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with an issue of ESG Guaranteed Subordinated Notes or the failure of the Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes to meet investors' expectations or requirements regarding any "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, 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 or any market standards or guidance, including the ICMA Principles) will constitute an Event of Default or breach of contract with respect to any of the Guaranteed Subordinated Notes issued as ESG Guaranteed Subordinated Notes.

ESG Guaranteed Subordinated Notes are not linked to the performance of the Eligible Projects, do not benefit from any arrangements to enhance the performance of the Guaranteed Subordinated Notes or any contractual rights derived solely from the intended use of proceeds of such Guaranteed Subordinated Notes

The performance of the ESG Guaranteed Subordinated Notes is not linked to the performance of the relevant Eligible Projects or the performance of Telefónica in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the ESG Guaranteed Subordinated Notes and the Eligible Projects. Consequently, neither payments of principal and/or interest on the ESG Guaranteed Subordinated Notes nor any rights of Noteholders shall depend on the performance of the relevant Eligible Projects or the performance of Telefónica in respect of any such environmental or similar targets. Holders of any ESG Guaranteed Subordinated Notes shall have no preferential rights or priority against the assets of any Eligible Project nor benefit from any arrangements to enhance the performance of the Guaranteed Subordinated Notes.

Because Guaranteed Subordinated Notes in global form 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.

Guaranteed Subordinated Notes issued under the Programme may be represented by one or more Global Notes or a Global Registered Note. Such Global Notes or Global Registered Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Registered Note, investors will not be entitled to receive definitive Guaranteed Subordinated Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the relevant Global Note or Global Registered Note. While the Guaranteed Subordinated Notes are represented by one or more Global Notes or a Global Registered Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Guaranteed Subordinated Notes are represented by one or more Global Notes or a Global Registered Note the Issuer and the Guarantor will discharge their payment obligations under the Guaranteed Subordinated Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Registered Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Guaranteed Subordinated Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Note or Global Registered Note.

Holders of beneficial interests in a Global Note or Global Registered Note will not have a direct right to vote in respect of the relevant Guaranteed Subordinated Notes. 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. Similarly, holders of beneficial interests in a Global Note or Global Registered Note will not have a direct right under the relevant Global Note or Global Registered Note to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Guaranteed Subordinated Notes but will have to rely upon their rights under the Deed of Covenant.

Exchange rate fluctuations may affect the value of the Guaranteed Subordinated Notes.

The Issuer will pay principal and interest on the Guaranteed Subordinated Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the

Specified Currency 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 the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Guaranteed Subordinated Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Guaranteed Subordinated Notes, and (iii) the Investor's Currency equivalent market value of the Guaranteed Subordinated Notes.

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 Guaranteed Subordinated Notes.

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 Guaranteed Subordinated Notes.

The Guaranteed Subordinated Notes may been assigned a rating by S&P, Moody's or Fitch. The rating granted by each of S&P, Moody's, Fitch or any other rating assigned to the Guaranteed Subordinated Notes may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Guaranteed Subordinated Notes. A credit rating is not a statement as to the likelihood of deferral of interest on the Guaranteed Subordinated Notes. Noteholders 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 Guaranteed Subordinated Notes in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Guaranteed Subordinated Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Guaranteed Subordinated Notes.

Furthermore, as a result of the EU CRA Regulation, if the status of a rating agency rating the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes to be subject to different regulatory treatment. This may result in such UK or European regulated investors, as applicable, selling the Guaranteed Subordinated Notes, which may impact the value of the Guaranteed Subordinated Notes and any secondary market trading.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) English language translations of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2024 including the notes thereto, as set out on pages 3 to 218 of the document entitled "*Consolidated Annual Report 2024*", and the auditor's report attached thereto, which are available on https://www.telefonica.com/en/wp-content/uploads/sites/5/2025/02/Consolidated-Annual-Accounts-2024.pdf;

(b) English language translations of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2023 including the notes thereto, as set out on pages 3 to 212 of the document entitled "*Consolidated Annual Report 2023*", and the auditor's report attached thereto, which are available on https://www.telefonica.com/en/wp-content/uploads/sites/5/2024/02/Consolidated-Annual-Accounts-2023.pdf;

(c) English language translations of the audited financial statements of the Issuer for the year ended 31 December 2024 including the notes thereto, as set out on pages 1 to 25 of the document entitled "*Telefónica Emisiones, S.A.U. Independent auditor's report, Annual Accounts for the year ended 31 December 2024 and Management Report*", and the auditor's report attached thereto, which are available on https://www.telefonica.com/en/wp-content/uploads/sites/5/2025/03/20241231-financial-reports-issuer-year-2024.pdf; and

(d) English language translations of the audited financial statements of the Issuer for the year ended 31 December 2023 including the notes thereto, as set out on pages 1 to 24 of the document entitled "*Telefónica Emisiones, S.A.U. Independent auditor's report, Annual Accounts for the year ended 31 December 2023 and Management Report*", and the auditor's report attached thereto, which are available on https://www.telefonica.com/en/wp-content/uploads/sites/5/2024/04/20230403-annual-accounts-telefonica-emisiones-2023.pdf.

Translations in English have been translated from the original Spanish, and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy, the Spanish language version of the relevant document prevails.

For so long as the Programme remains in effect or any Guaranteed Subordinated Notes shall be outstanding, copies of the documents above may be inspected during normal business hours at the registered/head office of the Issuer and the Guarantor, and in addition, such documents may be viewed on the following website: www.telefonica.com. For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on such website does not form part of this Base Prospectus.

Any information contained in the documents listed at (a) to (d) (inclusive) above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and the Guarantor and approved by the Central Bank in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to supersede statements contained in this Base Prospectus (or any earlier supplement) or in a document which is incorporated by reference in this Base Prospectus. The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Guaranteed Subordinated Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Guaranteed Subordinated Notes.

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

All documents incorporated by reference have been filed with the Central Bank and Euronext Dublin.

TERMS AND CONDITIONS OF THE GUARANTEED SUBORDINATED NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Guaranteed Subordinated Note in definitive form issued under the Programme. In the case of any Tranche of Guaranteed Subordinated Notes the subject of Final Terms and which is being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Regulation) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus.

The terms and conditions applicable to any Guaranteed Subordinated Note in global form will differ from those terms and conditions which would apply to the Guaranteed Subordinated Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" above.

1. **Introduction**

(a) *Programme*: Telefónica Emisiones, S.A.U. (the "**Issuer**") and Telefónica, S.A. have established a Guaranteed Note Programme (the "**Programme**") for the issuance of up to EUR 15,000,000,000 in aggregate principal amount of guaranteed deeply subordinated notes by the Issuer (the "**Guaranteed Subordinated Notes**") with the benefit of a guarantee on a subordinated basis from Telefónica, S.A. (in such capacity, the "**Guarantor**").

(b) *Final Terms*: Guaranteed Subordinated Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Guaranteed Subordinated Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Guaranteed Subordinated Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Agency Agreement*: The Guaranteed Subordinated Notes are the subject of an issue and paying agency agreement dated 11 April 2025 (the "**Agency Agreement**") between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as issue and paying agent (the "**Issue and Paying Agent**", which expression includes any successor issue and paying agent appointed from time to time in connection with the Guaranteed Subordinated Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Guaranteed Subordinated Notes) and the paying agents named therein (together with the Issue and Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Guaranteed Subordinated Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Guaranteed Subordinated Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(d) *Deed of Covenant*: The Guaranteed Subordinated Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 11 April 2025 (the "**Deed of Covenant**") entered into by the Issuer.

(e) *Deed of Guarantee*: The Guaranteed Subordinated Notes have the benefit of a deed of guarantee dated 11 April 2025 executed and delivered by the Guarantor in relation to the Guaranteed Subordinated Notes (the "**Deed of Guarantee**").

(f) *The Guaranteed Subordinated Notes*: All subsequent references in these Conditions to "Guaranteed Subordinated Notes" and "Notes" are to the Guaranteed Subordinated Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issue and Paying Agent and on the website of the Guarantor.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee applicable to them. Copies of the Agency Agreement, the Deed of

Covenant and the Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**2006 ISDA Definitions**" means, in relation to a Series of Guaranteed Subordinated Notes, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Guaranteed Subordinated Notes of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);

"**2021 ISDA Definitions**" means, in relation to a Series of Guaranteed Subordinated Notes, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Guaranteed Subordinated of such Series, as published by ISDA on its website (www.isda.org);

an "**Accounting Event**" shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Noteholders in accordance with Condition 18 (*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 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 Guaranteed Subordinated Notes may not or may no longer be recorded as "equity" in full 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. An 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 Guaranteed Subordinated Notes 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 10(a) (*Taxation – Gross up*);

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**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:

(a) 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);

(b) 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

(c) 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);

"**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;

"**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 the Specified Currency;

"**Applicable Business Day Convention**" means the Business Day Convention which may be specified in the relevant Final Terms as applicable to any date in respect of the Guaranteed Subordinated Notes unless the relevant Final Terms specifies "No Adjustment" in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Guaranteed Subordinated Notes.

"**Arrears of Interest**" has the meaning given to it in Condition 6(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"**Banking Day**" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(m) (*Interest - Benchmark replacement*);

"**Benchmark Event**" means:

(a) the Original Reference Rate has ceased to be published as a result of such benchmark ceasing to be calculated or administered; or

(b) 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 (the "**Specified Future Date**"); or

(c) 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 (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(d) 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 (the "**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 Guaranteed Subordinated Notes; or

(e) 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 (the "**Specified Future Date**"), be no longer representative of an underlying market; or

(f) it has or will, by a specified date within the following six months, become unlawful for any Paying Agent, Issue and Paying Agent, Calculation Agent, 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 (b), (c), (d) or (e) above and the Specified Future Date 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;

"**Broken Amount**" has the meaning given in the relevant Final Terms;

"**Brussels Ia Regulation**" means Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (as amended or replaced);

"**Business Day**" means:

(a) in relation to Guaranteed Subordinated Notes denominated or payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to Guaranteed Subordinated Notes for which the Reference Rate is specified as SOFR in the relevant Final Terms, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

(c) in relation to Guaranteed Subordinated Notes for which the Reference Rate is specified as SONIA in the relevant Final Terms, any weekday that is a London Banking Day and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

(d) in relation to Guaranteed Subordinated Notes denominated or payable in a currency other than euro and for which the Reference Rate is not specified as SOFR or SONIA in the relevant Final Terms, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**" means a convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day and the following terms, where specified in the relevant Final Terms and used in conjunction with the term "Business Day Convention" in relation to any date applicable to any Guaranteed Subordinated Notes, shall have the following meanings:

(a) "**Following Business Day Convention**" means that such date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that such date shall be brought forward to the first preceding day that is a Business Day; and

(d) "**FRN Convention**" or "**Eurodollar Convention**" means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, *provided that*:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

"**Calculation Agent**" means such agent as may be specified in the relevant Final Terms as the Calculation Agent;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

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 18 (*Notices*) that it has so received, written confirmation from any Rating Agency of an 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 Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series and as a result of which:

(a) all or any of the Guaranteed Subordinated Notes are being assigned a level of "equity credit" that is lower than the level or equivalent level of "equity credit" assigned to the Guaranteed Subordinated Notes by such Rating Agency on the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series, or, if "equity credit" is not assigned to the Guaranteed Subordinated Notes by the relevant Rating Agency on the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series, at the date on which "equity credit" is assigned by such Rating Agency for the first time; or

(b) if the Guaranteed Subordinated Notes have been partially re-financed since the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series and are no longer eligible for "equity credit" in part or in full as a result, paragraph (a) above would have applied had the Guaranteed Subordinated Notes not been re-financed; or

(c) the length of time the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes or, if later, on the date on which the Guaranteed Subordinated Notes are assigned "equity credit" by the relevant Rating Agency for the first time;

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

(a) 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

(b) 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 (1) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations; (2) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor, (3) 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; (4) 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; (5) 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: (6) 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; (7) 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 (8) 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.

A Compulsory Arrears of Interest Settlement Event shall not occur pursuant to paragraph (a) above in respect of:

(x) any *pro rata* optional payment of deferred or arrears of interest on any Parity Obligations which is made simultaneously with a *pro rata* payment of any Arrears of Interest provided that such *pro rata* optional payment of deferred or arrears of interest on a Parity Obligation is not proportionately more than the *pro rata* settlement of any such Arrears of Interest (in each case by reference to (x) the amount that such *pro rata* optional interest payment bears to the overall amount of deferred or arrears of interest in respect of such Parity Obligations against (y) the amount that such settlement bears to the overall amount of Arrears of Interest on the Guaranteed Subordinated Notes); and

(y) any partial interest payment on any Parity Obligations made on a scheduled interest payment date as a result of the Issuer or the Guarantor, as the case may be, electing to defer in part the interest accrued in respect of the relevant interest period and scheduled to be paid on the relevant interest payment date which is made simultaneously with a *pro rata* payment of any Arrears of Interest, provided that such partial interest payment is not proportionally more than the pro rata settlement of any Arrears of Interest (in each case by reference to (I) the amount that such partial interest payment bears to the overall amount of deferred interest in respect of such Parity Obligations against (II) the amount that such settlement bears to the overall amount of Arrears of Interest on the Guaranteed Subordinated Notes);

"**Coupon Sheet**" means, in respect of a Guaranteed Subordinated Note, a coupon sheet relating to the Guaranteed Subordinated Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

  (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

  (ii) where the Calculation Period is longer than one Regular Period, the sum of:

    (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

    (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "Actual/**Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "Actual/**365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_2 will be 30,

provided, **however**, **that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

For the purposes of this definition of Day Count Fraction "**Regular Period**" means:

(i) in the case of Guaranteed Subordinated Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Guaranteed Subordinated Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Guaranteed Subordinated Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Deferral Notice**" has the meaning given to it in Condition 6(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"**Deferred Interest Payment**" has the meaning given to it in Condition 6(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

"**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);

"**Early Redemption Amount**" has the meaning specified in the relevant Final Terms;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**EURIBOR**" means, in respect of euro and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (for example, Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Euro zone**" means the zone comprising the Member States of the European Union that participate or are participating in the European Monetary Union and that adopt or have adopted the Euro as their lawful currency;

"**FA Selected Bond**" means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with (in the case) the Remaining Term of the Guaranteed Subordinated Notes 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 the same currency as the Guaranteed Subordinated Notes and of a comparable maturity to the Remaining Term of the Guaranteed Subordinated Notes;

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

"**Fitch**" means Fitch Ratings Ireland Limited;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**First Reset Date**" means the date specified as such in the relevant Final Terms, provided, however, that if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**First Reset Interest Rate**" means the Interest Rate being determined by the Calculation Agent on the relevant Reset Interest Determination Date as the sum of the relevant Reset Rate plus the applicable Margin as specified in the relevant Final Terms, with such sum converted (if necessary) in line with market convention to a basis (e.g. annual, semi-annual, quarterly) equivalent to the frequency with which scheduled interest payments are payable on the Guaranteed Subordinated Notes during the relevant Reset Period (such calculation to be made by the Calculation Agent);

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) (x) the Second Reset Date or (y) if no such Second Reset Date is specified in the relevant Final Terms, the date of redemption or substitution of all the Guaranteed Subordinated Notes;

"**Guarantee**" has the meaning given in 4(c) (*Status, Guarantee and Subordination - Guarantee*);

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"**IASB**" means the International Accounting Standards Board;

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

"**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 5(m) (*Interest - Benchmark Replacement*);

"**Initial Interest Rate**" means the initial Interest Rate specified as such in the relevant Final Terms;

"**Initial Mid-Swap Rate**" has the meaning specified as such in the relevant Final Terms;

"**Initial Reference Bond Price**" has the meaning specified as such in the relevant Final Terms;

"**Interest Accrual Period**" means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final redemption;

"**Interest Amount**" means, in relation to a Guaranteed Subordinated Note and an Interest Period, the amount of interest payable in respect of that Guaranteed Subordinated Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Guaranteed Subordinated Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" means, in relation to a Guaranteed Subordinated Note and an Interest Period, the Interest Determination Date as defined in the applicable part of Condition 5 (*Interest*);

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention at such Specified Period of calendar months following the Issue Date of the Guaranteed Subordinated Notes (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final redemption;

"**Interest Period End Date**" means the date or dates specified as such in the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the relevant Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Guaranteed Subordinated Notes;

"**Interest Rate**" means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Guaranteed Subordinated Notes specified in the relevant Final Terms;

"**ISDA**" means the International Swaps and Derivatives Association, Inc. (or any successor);

"**ISDA Definitions**" means either the 2006 ISDA Definitions or the 2021 ISDA Definitions, as specified in the relevant Final Terms;

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**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 Guaranteed Subordinated Notes, including Ordinary Shares of the Issuer and any other shares (*acciones*) in the capital of the Issuer (and, if divided into classes, each class thereof);

"**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*);

"**Lugano II Convention**" means the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, signed on 30 October 2007 (as amended or replaced);

"**Make-Whole Redemption Amount**" means in respect of a redemption of the Guaranteed Subordinated Notes pursuant to Condition 7(f) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*), amount calculated by the Calculation Agent equal to the higher of:

(a) 100 per cent. of the principal amount of the Guaranteed Subordinated Notes to be redeemed; and

(b) the sum of the present values of the principal amount of the Guaranteed Subordinated Notes to be redeemed and the aggregate amount of scheduled payment(s) of interest on such Guaranteed Subordinated Notes for the Remaining Term (exclusive of accrued and unpaid interest to the Optional Redemption Date and any outstanding Arrears of Interest) discounted to the relevant Optional 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 a rate equal to the sum of: (x) the Reference Bond Rate and (y) the specified Redemption Margin;

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

(a) 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;

(b) 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

(c) the date on which the Guaranteed Subordinated Notes are redeemed or repaid in accordance with Condition 7 (*Redemption and Purchase*) or become due and payable in accordance with Condition 11 (*Enforcement Events and no Events of Defaults*);

"**Margin**" has the meaning given in the relevant Final Terms;

"**Mid-Swap Floating Leg Benchmark Rate**" has the meaning specified as such in the relevant Final Terms;

"**Mid-Swap Floating Leg Maturity**" has the meaning specified as such in the relevant Final Terms;

"**Mid-Swap Rate**" means, unless otherwise specified in the relevant Final Terms, in relation to a Reset Interest Determination Date and subject to Condition 5(f) (*Interest - Benchmark replacement*), the rate for swaps in the Specified Currency:

(a) with a term equal to the relevant Reset Period;

(b) commencing on the relevant Reset Date; and

(c) payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Guaranteed Subordinated Notes during the relevant Reset Period,

which appears on the Mid-Swap Screen Page, as at approximately the Quotation Time on such Reset Interest Determination Date, all as determined by the Calculation Agent.

Subject to the operation of Condition 5(f) (*Interest - Benchmark replacement*), in the event that the relevant Mid-Swap Rate does not appear on the Mid-Swap Screen Page on the relevant Reset Interest Determination Date, the Mid-Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

"**Mid-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 the basis of the Day Count Fraction specified in the relevant Final Terms, as determined by the Calculation Agent) of a fixed-for-floating interest rate swap in the Specified Currency which (i) has a term equal to the relevant Reset Period, (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 Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (each as specified in the relevant Final Terms) (calculated on the basis of the Day Count Fraction specified in the relevant Final Terms, as determined by the Calculation Agent);

"**Mid-Swap Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Mid-Swap Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that 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-Swap Rate;

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

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"**Optional Redemption Amount**" means, in respect of any Guaranteed Subordinated Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Date**" means the date fixed for redemption of the Guaranteed Subordinated Notes pursuant to Condition 7 (*Redemption and Purchase*);

"**Ordinary Shares of the Guarantor**" means ordinary shares in the capital of the Guarantor, having at 11 April 2025 a nominal value of EUR 1.00 each;

"**Ordinary Shares of the Issuer**" means ordinary shares in the capital of the Issuer, having at 11 April 2025 a nominal amount of EUR 1.00 each;

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the interest rate (or any component part thereof) on the Guaranteed Subordinated Notes;

"**Outstanding Guaranteed Subordinated Notes**" means any of the following securities and any Guaranteed Subordinated Notes issued under these Conditions that are outstanding at the Issue Date of the first Tranche of the Guaranteed Subordinated Notes:

(a) the EUR 1,000,000,000 Undated 8.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1795406658) issued by Telefónica Europe B.V. on 22 March 2018;

(b) the EUR 500,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2056371334) issued by Telefónica Europe B.V. on 24 September 2019;

(c) the EUR 500,000,000 Undated 7.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2109819859) issued by Telefónica Europe B.V. on 5 February 2020;

(d) the EUR 1,000,000,000 Undated 8.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2293060658) issued by Telefónica Europe B.V. on 4 February 2021;

(e) 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 Telefónica Europe B.V. on 16 November 2021;

(f) the EUR 750,000,000 Undated 6 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS2462605671) issued by Telefónica Europe B.V. on 23 November 2022;

(g) 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 Telefónica Europe B.V. on 2 February 2023;

(h) EUR 1,100,000,000 Undated 8.1 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond) (ISIN: XS2755535577) issued by Telefónica Europe B.V. on 15 March 2024; and

(i) the EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond) (ISIN: XS2646608401) issued by Telefónica Europe B.V. on 7

September 2023 (the "**September 2023 Notes**") and the EUR 200,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond) (consolidated and forming a single series with the September 2023 Notes) issued by Telefónica Europe B.V. on 18 September 2024,

and, in each case, unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

"**Par Call Date(s)**" means, unless otherwise specified in the relevant Final Terms (i) any date during the Relevant Period, or (ii) any Interest Payment Date thereafter;

"**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 Outstanding Guaranteed Subordinated Notes);

"**Parity Obligations of the Issuer**" means any and all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Issuer or indirectly through a wholly-owned subsidiary with the guarantee of the Issuer in accordance with the First Additional Provision of Law 10/2014, obligations equivalent to preferred securities (*participaciones preferentes*) issued directly by the Issuer or indirectly through a wholly-owned subsidiary with the guarantee of the Issuer (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 Issuer, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Issuer, which rank or are expressed to rank *pari passu* with the Guaranteed Subordinated Notes (which includes any Guaranteed Subordinated Notes issued under these Conditions);

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

    (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

    (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

    (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

    (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Relevant Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Proceedings**" has the meaning given to it in Condition 20(b) (*Governing Law and Jurisdiction – English courts*);

"**Quotation Time**" has the meaning given in the relevant Final Terms;

"**Rating Agency**" means S&P, Moody's, Fitch, any other credit rating agency specified in the relevant Final Terms or, in each case, any successor to the rating agency business thereof and/or, any other rating agency of equivalent standing notified by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*), in each case, solicited by (or with the consent of) the Issuer;

"**Redemption Amount**" means, as appropriate, the Early Redemption Amount, the Optional Redemption Amount, the Make-Whole Redemption Amount, or such other amount in the nature of a redemption amount as may be specified in these Conditions or in the relevant Final Terms;

"**Redemption Margin**" has the meaning given in the relevant Final Terms;

"**Reference Bond**" means:

(a) in respect of any Reference Date, the Reference Bond as specified in the relevant Final Terms or, if no such Reference Bond is set out or if such Reference Bond is no longer outstanding on the relevant Reference Date, the FA Selected Bond;

(b) in respect of any Reset Interest Determination Date where the U.S. Treasury Rate does not apply, a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with (in the case) the relevant Reset Period 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 the same currency as the Guaranteed Subordinated Notes and of a comparable maturity to the relevant Reset Period; or

(c) in respect of any Reset Interest Determination Date where the U.S. Treasury Rate does apply, the United States Treasury security selected by the Financial Adviser maturing on, or with a maturity that is closest to, the last day of the Reset Period, as applicable. If there is no United States Treasury security maturing on the last day of the Reset Period but there are two or more United States Treasury securities with a maturity date equally distant from the last day of the Reset Period, one with a maturity date preceding the last day of the Reset Period and one with a maturity date following the last day of the Reset Period, the Financial Adviser shall select the United States Treasury security with a maturity date preceding the last day of the Reset Period. If there are two or more United States Treasury securities maturing on the last day of the Reset Period or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Financial Adviser shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at the Quotation Time on the Reset Interest Determination Date;

"**Reference Bond Price**" means, with respect to the relevant Reference Date, if: (a) at least four Reference Government Bond Dealer Quotations are provided, the Reference Bond Price will be determined by the Calculation Agent on the basis of the arithmetic mean of the Reference Government Bond Dealer 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) if only two or three Reference Government Bond Dealer Quotations are provided, the Reference Bond Price will be the arithmetic mean of the Reference Government Bond Dealer Quotations provided; and (c) if only one Reference Government Bond Dealer Quotation is provided, the Reference Bond Price will be the Reference Government Bond Dealer Quotation provided;

"**Reference Bond Rate**" means, with respect to the relevant Reference Date, the rate per annum equal to the annual or semi-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 Reference 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 (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and any Reference Date or Reset Interest Determination Date, as applicable, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) as at the Quotation Time on such Reset Determination Date and, if relevant, on a dealing basis for settlement that is customarily used at such time as quoted in writing to the Issuer by such Reference Government Bond Dealer;

"**Reference Rate**" means EURIBOR, SONIA, SOFR or €STR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms. Other than in the case of U.S. dollar-denominated floating rate Guaranteed Subordinated Notes for which the "Reference Rate" is specified in the relevant Final Terms as being SOFR, the term Reference Rate shall, following the occurrence of a Benchmark Event under Condition 5(m) (*Interest - Benchmark replacement*), include any Successor Rate or Alternative Rate and shall, if a Benchmark Event should occur subsequently in respect of any such Successor Rate or Alternative Rate, also include any further Successor Rate or further Alternative Rate;

"**Relevant Date**" means in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Guaranteed Subordinated Notes of the relevant Series in accordance with Condition 18 (*Notices*);

"**Relevant Financial Centre**" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions;

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

(a) 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

(b) 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 specified in the relevant Final Terms;

"**Relevant Time**" means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that 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 rates or prices comparable to the Original Reference Rate;

"**Remaining Term**" means, with respect to any Guaranteed Subordinated Note, the period from (and including) the Optional Redemption Date to (but excluding) the immediately following Par Call Date;

"**Reserved Noteholder Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Guaranteed Subordinated Notes, to reduce the amount of principal or interest payable on any date in respect of the Guaranteed Subordinated Notes, to alter the method of calculating the amount of any payment in respect of the Guaranteed Subordinated Notes (other than as permitted in Condition 5 (*Interest*)) or the date for any such payment, to change the currency of any payment under the Guaranteed Subordinated Notes, to cancel the Guarantee, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to change this definition;

"**Reset Date**" means the First Reset Date, the Second Reset Date and every Subsequent Reset Date as specified in the relevant Final Terms;

"**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 the First Reset Period or a Subsequent Reset Period;

"**Reset Rate**" means:

(a) if Mid-Swap is specified in the relevant Final Terms, the Mid-Swap Rate; or

(b) if Reference Bond is specified in the relevant Final Terms, the Reset Reference Bond Rate; or

(c) if U.S. Treasury Rate is specified in the relevant Final Terms, the U.S. Treasury Rate;

"**Reset Reference Bank Rate**" means the percentage rate determined by the Calculation Agent on the basis of the Mid-Swap Rate Quotations provided by five leading swap dealers in the interbank market to the Issuer at approximately the Quotation Time in the Relevant Financial Centre of the Specified Currency on the relevant Reset Interest Determination Date. If (a) at least four quotations are provided, the Mid-Swap Rate will be determined by the Calculation Agent on the basis of the arithmetic mean 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) if only two or three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) if only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) if 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 First Reset Period, the Mid-Swap Rate in respect of the immediately preceding Reset Period, or (ii) in the case of the First Reset Period, the Initial Mid-Swap Rate;

"**Reset Reference Bond Price**" means, with respect to the relevant Reset Interest Determination Date, if: (a) at least four Reference Government Bond Dealer Quotations are provided, the Reset Reference Bond Price will be determined by the Calculation Agent on the basis of the arithmetic mean of the Reference Government Bond Dealer 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) if only two or three Reference Government Bond Dealer Quotations are provided, the Reset Reference Bond Price will be the arithmetic mean of the Reference Government Bond Dealer Quotations provided; (c) if only one Reference Government Bond Dealer Quotation is provided, the Reset Reference Bond Price will be the Reference Government Bond Dealer Quotation provided; and (d) if no Reference Government Bond Dealer Quotations are provided, the Reset Reference Bond Price for the relevant period will be: (i) in the case of each Reset Period other than the First Reset Period, the Reference Bond Price in respect of the immediately preceding Reset Period, or (ii) in the case of the First Reset Period, the Initial Reference Bond Price;

"**Reset Reference Bond Rate**" means, with respect to the relevant Reset Interest Determination Date, the rate per annum equal to the annual or semi-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 Reset Reference Bond Price for such Reset Interest Determination Date;

"**Reuters Screen**" means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information);

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

"**Second Reset Date**" means the date specified as such in the relevant Final Terms, provided, however, that if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**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 Spanish insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subordinated Loan**" means the subordinated loan specified as such in the relevant Final Terms, made by the Issuer to the Subordinated Loan Borrower, pursuant to which the proceeds of the issue of the Guaranteed Subordinated Notes are on-lent to the Subordinated Loan Borrower;

"**Subordinated Loan Borrower**" means the Guarantor or such other entity specified as such in the relevant Final Terms;

"**Subsequent Reset Date**" means each date specified as such in the relevant Final Terms, provided, however, that if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

"**Subsequent Reset Interest Rate**" means, in respect of any Subsequent Reset Period, the Interest Rate being determined by the Calculation Agent on the relevant Reset Interest Determination Date as the sum of the relevant Reset Rate plus the applicable Margin as specified in the relevant Final Terms, with such sum converted (if necessary) in line with market convention to a basis (e.g. annual, semi-annual, quarterly) equivalent to the frequency with which scheduled interest payments are payable on the Guaranteed Subordinated Notes during the relevant Reset Period (such calculation to be made by the Calculation Agent);

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Reset Date, and each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"**subsidiary**" means in relation to any Person, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first Person and/or any one or more of the first Person's subsidiaries, and "**control**" means control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*);

a "**Substantial Purchase Event**" shall be deemed to have occurred if at least the Substantial Purchase Event Threshold of the aggregate principal amount of the Guaranteed Subordinated Notes originally issued (which for these purposes shall include any Guaranteed Subordinated Notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the outstanding Guaranteed Subordinated Notes) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 7(k) (*Redemption and Purchase - Cancellation*)) other than by way of a redemption at the option of the Issuer in accordance with Condition 7(f) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*);

"**Substantial Purchase Event Threshold**" has the meaning given in the relevant Final Terms;

"**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 or any successor system;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which T2 is open for the settlement of payments in euro;

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 Guaranteed Subordinated Notes (including any Interest Amount) 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 Kingdom of Spain, 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 the Trade Date of the first Tranche of Guaranteed Subordinated Notes of that Series;

"**Tax Law Change**" means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which the Kingdom of 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 on or after the Trade Date of the first Tranche of Guaranteed Subordinated Notes of that Series;

"**Taxes**" has the meaning given to it in Condition 10(a) (*Taxation – Gross up*);

"**Taxing Authority**" has the meaning given to it in Condition 10(a) (*Taxation – Gross up*);

"**Trade Date**" has the meaning given in the relevant Final Terms;

"**U.S. Treasury Rate**" means, with respect to any Reset Period and related Reset Interest Determination Date, the rate per annum calculated by the Calculation Agent after 4.15 p.m. (New York City time) (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System) on the Business Day prior to the Reset Interest Determination Date, based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) – H.15" (or any successor designation or publication ("**H.15**") under the caption "U.S. government securities—Treasury constant maturities—Nominal" (or any successor caption or heading ("**H.15 TCM**"). In determining the U.S. Treasury Rate, the Calculation Agent shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the Reset Period; or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Reset Period, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Reset Period – and shall interpolate to the last day of the Reset Period on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Reset Period, the yield for the single Treasury constant maturity on H.15 closest to the Reset Period. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the applicable Reset Date.

If on the Business Day prior to the Reset Interest Determination Date H.15 TCM is no longer published, the Calculation Agent shall calculate the U.S. Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reset Reference Bond Price for such Reset Interest Determination Date; 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

(b) *Interpretation*: In these Conditions:

(i) if the Guaranteed Subordinated Notes are Registered Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Guaranteed Subordinated Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Guaranteed Subordinated Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any Additional Amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Guaranteed Subordinated Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Guaranteed Subordinated Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "Not Applicable" then such expression is not applicable to the Guaranteed Subordinated Notes;

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Guaranteed Subordinated Notes; and

(ix) any reference in these Conditions 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.

3. Form, Denomination, Title and Transfer

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) (subject to a minimum denomination of EUR 100,000 in the case of Guaranteed Subordinated Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of Directive 2014/65/EU, as amended, (or, if the Guaranteed Subordinated Notes are denominated in a currency other than Euro, the equivalent amount in such currency at the Issue Date)) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s) (subject to a minimum denomination of EUR 100,000 in the case of Guaranteed Subordinated Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of Directive 2014/65/EU, as amended, (or, if the Guaranteed Subordinated Notes are denominated in a currency other than Euro, the equivalent amount in such currency at the Issue Date)), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes*: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: The Holder of any Guaranteed Subordinated Note or Coupon shall (except as otherwise required by applicable law or regulatory requirements) 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 other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Guaranteed Subordinated Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided**, **however**, **that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Guarantor or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of interest (ii) during the period of 15 days prior to any date on which Guaranteed Subordinated Notes may be redeemed by the Issuer at its option pursuant to Condition 7(e) (*Redemption at the option of the Issuer at par*) or (iii) after any such Guaranteed Subordinated Note has been drawn for redemption in whole or in part.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status, Guarantee and Subordination

(a) *Status of the Guaranteed Subordinated Notes and the Coupons*: The Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes*: Subject to mandatory provisions of Spanish applicable law, in the event of the Issuer being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Noteholders against the Issuer in respect of or arising under the Guaranteed Subordinated Notes and the Coupons will rank (i) junior to the claims of the Holders of all Senior Obligations of the Issuer, (ii) *pari passu* with the claims of the Holders of all Parity Obligations of the Issuer and (iii) senior to the claims of the Holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Noteholder 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 Guaranteed Subordinated Notes or the Coupons and each Noteholder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

(c) *Guarantee*: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Guaranteed Subordinated Notes and Coupons on a subordinated basis. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.

(d) *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.

(e) *Subordination of the Guarantee:* Subject to mandatory provisions of applicable Spanish law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Noteholders 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.

5. **Interest**

(a) *Accrual of interest*: The Guaranteed Subordinated Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date, subject as provided in Condition 6 (*Optional Interest Deferral*), Condition 8 (*Payments – Bearer Notes*) and Condition 9 (*Payments – Registered Notes*). Each Guaranteed Subordinated Note will cease to bear interest from the due date for final redemption thereof pursuant to Condition 7 (*Redemption and Purchase*) or the date of substitution thereof pursuant to Condition 15(c) (*Meetings of Noteholders; Modification and Waiver; Substitution and Variation*) unless, upon due presentation, payment of all sums due are improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Guaranteed Subordinated Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issue and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Guaranteed Subordinated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Broken Amount*: If a Broken Amount is specified in the relevant Final Terms, the amount of interest payable in respect of each Guaranteed Subordinated Note for the relevant Interest Period shall be the relevant Broken Amount and, if the Guaranteed Subordinated Notes are in more than one Specified Denomination, shall be the relevant Broken Amount in respect of the relevant Specified Denomination.

(c) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Interest Rate is to be determined in relation to each Interest Accrual Period, calculate the Interest Amount payable in respect of each Guaranteed Subordinated Note for such Interest Accrual Period. The Interest Amount will be calculated by applying the Interest Rate for such Interest Accrual Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and multiplying such figure by a fraction equal to the Specified Denomination of the relevant Guaranteed Subordinated Note divided by the Calculation Amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(d) *Calculation Agent*: If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date or Reset Interest Determination Date (as applicable) (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the Interest Amount for the relevant Interest Accrual Period or Reset Period (as applicable), calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period or Reset Period (as applicable) or, as the case may be, the Redemption Amount to be notified to the Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes), the Issuer, the Guarantor and the Noteholders in accordance with Condition 18 (*Notices*) and, if the Guaranteed Subordinated Notes are listed on a stock exchange and such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts (provided that any modifications are de minimis) so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or an Interest Period. The determination of each Interest Rate, Interest Amount and Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of negligence, wilful default or fraud) be final and binding upon the Issuer, the Guarantor, the Issue and Paying Agent, the Paying Agents and the Noteholders and the Calculation Agent shall not have any liability (in the absence of negligence, wilful default or fraud) to the Issuer or the Noteholders in respect of any determination, calculation, quote or rate made or provided by it.

(e) *Interest Rate – Fixed Rate Reset Notes*: If the Final Terms specify the Interest Rate applicable to the Guaranteed Subordinated Notes as being Fixed Rate Reset ("**Fixed Rate Reset Notes**"), unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 5, the Guaranteed Subordinated Notes will bear interest on their principal amount as follows:

(i) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date, at the Initial Interest Rate each as specified in the relevant Final Terms;

(ii) from (and including) the First Reset Date to (but excluding) (x) the Second Reset Date or (y) if no such Second Reset Date is specified in the relevant Final Terms, the date of redemption or substitution of all the Guaranteed Subordinated Notes, at the First Reset Interest Rate; and

(iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Interest Rate.

(f) *Interest Rate – Screen Rate Determination*: Other than in respect of Guaranteed Subordinated Notes for which SONIA, SOFR and/or €STR or any related index is specified as the reference rate in the relevant Final Terms, if the Final Terms specifies the Interest Rate applicable to the Guaranteed Subordinated Notes as being a Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Guaranteed Subordinated Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

(i) the Calculation Agent will determine the Reference Rate (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the Reference Rates) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Interest Rate for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the Relevant Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Relevant Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate so appears for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period or if the Relevant Screen Page is unavailable, then the Calculation Agent shall determine such rate or rates in accordance with the process specified in the paragraphs below of this Condition 5(f) (*Interest Rate – Screen Rate Determination*) as if such rate(s) were the Reference Rate;

(iii) if, on any Interest Determination Date, no such Reference Rate so appears (or, as the case may be, if fewer than two such Reference Rates so appear) or if the Relevant Screen Page is unavailable, the Issuer will request appropriate quotations of the Reference Rate and the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) at which deposits in the relevant currency are offered by four major banks in the London interbank market or, in the case of Guaranteed Subordinated Notes denominated or payable in Euro, the Euro zone interbank market (unless otherwise specified in the relevant Final Terms), selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the Euro zone interbank market in the case of EURIBOR for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

(iv) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

(v) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Guaranteed Subordinated Notes denominated in Euro, in such financial centre or centres within the Euro zone as the Calculation Agent may select) selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Interest Rate applicable to such Guaranteed Subordinated Notes during each Interest Accrual Period will be the sum of the Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined **provided, however, that**, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Guaranteed Subordinated Notes during such Interest Accrual Period will be the sum of the Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Guaranteed Subordinated Notes in respect of the last preceding Interest Accrual Period.

"**Interest Determination Date**" means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

(A) in the case of Guaranteed Subordinated Notes denominated in Euro, on the second Business Day prior to the first day of such Interest Accrual Period; or

(B) in the case of Guaranteed Subordinated Notes denominated in Pounds Sterling, the first day of such Interest Accrual Period; or

(C) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

(g) *Interest Rate – ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Guaranteed Subordinated Notes for each Interest Period will be the sum of the Margin and the relevant

ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions (**provided that** in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer or its designee) and under which:

(i) if the Final Terms specify either "2006 ISDA Definitions" or "2021 ISDA Definitions" as the applicable ISDA Definitions:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity, if applicable, is a period specified in the relevant Final Terms;

(C) the relevant Reset Date unless otherwise specified in the relevant Final Terms has the meaning given to it in the ISDA Definitions; and

(D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Interest Rate for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(1) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(2) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser appointed by the Issuer (and such Independent Adviser to act in good faith and in a commercially reasonable manner), determines appropriate;

(E) if the specified Floating Rate Option is an Overnight Floating Rate Option, Compounding is specified to be applicable in the relevant Final Terms and:

(1) if Compounding with Lookback is specified as the Compounding Method in the relevant Final Terms then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days specified in the relevant Final Terms;

(2) if Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Final Terms then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Final Terms; or

(3) if Compounding with Lockout is specified as the Compounding Method in the relevant Final Terms then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms;

(F) if the specified Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the relevant Final Terms and:

(1) if Averaging with Lookback is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lookback is the Overnight Rate Averaging Method and (b) Lookback is the number of Applicable Business Days specified in the relevant Final Terms;

(2) if Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Final Terms; or

(3) if Averaging with Lockout is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lockout is the Overnight Rate Averaging Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms; and

(G) if the specified Floating Rate Option is an Index Floating Rate Option and Index Provisions are specified to be applicable in the relevant Final Terms, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Final Terms; and

(H) if the specified Floating Rate Option is EUR-EURIBOR or EUR-EURIBOR Reuters and an Index Cessation Event occurs the Applicable Fallback Rate will be determined as if the Fallback Observation Day in respect of a Reset Date and the relevant Interest Period was five Business Days preceding the related Interest Payment Date;

(ii) references in the ISDA Definitions to:

(A) "Confirmation" shall be references to the relevant Final Terms;

(B) "Calculation Period" shall be references to the relevant Interest Period;

(C) "Termination Date" shall be references to the Maturity Date;

(D) "Effective Date" shall be references to the Interest Commencement Date; and

(iii) if the Final Terms specify "2021 ISDA Definitions" as being applicable:

(A) "Administrator/Benchmark Event" shall be disapplied; and

(B) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate".

(iv) Unless otherwise defined, capitalised terms used in this Condition 5(g)5(g) shall have the meaning ascribed to them in the ISDA Definitions.

(h) *Interest Rate – Guaranteed Subordinated Notes referencing SONIA (Screen Rate Determination)*: If the Final Terms specifies the Interest Rate applicable to the Guaranteed Subordinated Notes as being a Floating Rate, Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the "Reference Rate" is specified in the relevant Final Terms as being "SONIA".

(i) Where "SONIA" is specified as the Reference Rate in the Final Terms, the Interest Rate for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.

(ii) For the purposes of this Condition 5(h):

"**Compounded Daily SONIA**", with respect to an Interest Period, will be calculated by the Calculation Agent on each Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_i \text{ x } n_i}{365}\right)-1\right] \text{x } \frac{\text{D}}{d}$$

"**d**" means the number of calendar days in:

(A) where "Lag" is specified as the Observation Method n the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"**D**" is the number specified in the relevant Final Terms (or, if no such number is specified, 365);

"**do**" means the number of London Banking Days in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"**i**" means a series of whole numbers from one to d**o**, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

to, and including, the last London Banking Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Guaranteed Subordinated Notes are due and payable).

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"$\mathbf{n_i}$" for any London Banking Day "i", in the relevant Interest Period or Observation Period (as applicable) is the number of calendar days from, and including, such London Banking Day "i" up to, but excluding, the following London Banking Day;

"**Observation Period**" means, in respect of an Interest Period, the period from, and including, the date falling "p" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Guaranteed Subordinated Notes become due and payable);

"**p**" for any Interest Period or Observation Period (as applicable), means the number of London Banking Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms or if no such period is specified, five London Banking Days;

"**SONIA Reference Rate**" means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or if the Relevant Screen Page is unavailable, as otherwise is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"$\mathbf{SONIA_i}$" means the SONIA Reference Rate for:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i"; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant London Banking Day "i";

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

(iii) If, in respect of any London Banking Day in the relevant Interest Period or Observation Period (as applicable), the Calculation Agent determines that the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall, subject to Condition 5(m) (*Benchmark replacement*), be:

(A) the sum of (a) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; and (b) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or

(B) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, (a) the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (b) if this is more recent, the latest determined rate under (A).

(iv) Subject to Condition 5(m) (*Benchmark replacement*), if the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5(h), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Guaranteed Subordinated Notes for the first Interest Period had the Guaranteed Subordinated Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(i) *Interest Rate – Guaranteed Subordinated Notes referencing SOFR (Screen Rate Determination)*: If the Final Terms specifies the Interest Rate applicable to the Guaranteed Subordinated Notes as being a Floating Rate, Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined and the "Reference Rate" is specified in the relevant Final Terms as being "SOFR".

(i) Where "SOFR" is specified as the Reference Rate in the Final Terms, the Interest Rate for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on each Interest Determination Date.

(ii) For the purposes of this Condition 5(i):

"**Benchmark**" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 5(i).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 5(i)(iii) below will apply.

"**Compounded SOFR**" with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred- thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i\ x\ n_i}{360}\right)-1\right] x\ \frac{D}{d}$$

"**d**" is the number of calendar days in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period.

"**D**" is the number specified in the relevant Final Terms (or, if no such number is specified, 360);

"**d_o**" is the number of U.S. Government Securities Business Days in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period.

"**i**" is a series of whole numbers from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period,

to and including the last U.S. Government Securities Business Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Guaranteed Subordinated Notes are due and payable);

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("**i+1**");

"**Observation Period**" in respect of an Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Guaranteed Subordinated Notes become due and payable);

"**p**" for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms or if no such period is specified, five U.S. Government Securities Business Days;

"**SOFR**" with respect to any U.S. Government Securities Business Day, means:

(A) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**"); or

(B) Subject to Condition 5(i)(iii) below, if the rate specified in (A) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"**SOFR Administrator's Website**" means the website of the SOFR Administrator, or any successor source;

"**SOFRi**" means the SOFR for:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant U.S. Government Securities Business Day "i"; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iii) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Guaranteed Subordinated Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the holders of the Guaranteed Subordinated Notes.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(A) will be conclusive and binding absent manifest error;

(B) will be made in the sole discretion of the Issuer; and

(C) notwithstanding anything to the contrary in the documentation relating to the Guaranteed Subordinated Notes, shall become effective without consent from the holders of the Guaranteed Subordinated Notes or any other party.

For the purposes of this Condition 5(i)(iii):

"**Benchmark**" means, initially, Compounded SOFR, as such term is defined above; **provided that** if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" shall mean the applicable Benchmark Replacement;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(A) the sum of: (1) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (2) the Benchmark Replacement Adjustment;

(B) the sum of: (1) the ISDA Fallback Rate and (2) the Benchmark Replacement Adjustment; or

(C) the sum of: (1) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate instruments at such time and (2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate instruments at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(A) in the case of clause (A) or (B) of the definition of "**Benchmark Transition Event**," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of clause (C) of the definition of "**Benchmark Transition Event**," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(iv) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 5(i)(iii) above will be notified promptly by the Issuer to the Issue and Paying Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 18 (*Notices*), the Holders of the Guaranteed Subordinated Notes. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Issue and Paying Agent of the same, the Issuer shall deliver to the Issue and Paying Agent a certificate signed by an authorised signatory of the Issuer:

(A) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of Condition 5(i)(iii); and

(B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

(v) If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5(i), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Guaranteed Subordinated Notes for the first Interest Period had the Guaranteed Subordinated Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(j) *Interest Rate – Guaranteed Subordinated Notes referencing €STR (Screen Rate Determination)*: If the Final Terms specifies the Interest Rate applicable to the Guaranteed Subordinated Notes as being a Floating Rate, Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined and the "Reference Rate" is specified in the relevant Final Terms as being "€STR".

(i) Where "€STR" is specified as the Reference Rate in the Final Terms, the Interest Rate for each Interest Period will, subject as provided below, be Compounded Daily €STR plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on each Interest Determination Date.

(ii) For the purposes of this Condition 5(j):

"**Compounded Daily €STR**" means, with respect to any Interest Period, the rate of return of a daily compound interest investment (with the daily euro short-term rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest

Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{€\mathrm{STR}_i \times n_i}{\mathrm{D}}\right)-1\right]\times\frac{\mathrm{D}}{d}$$

where:

"**d**" means the number of calendar days in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"**D**" means the number specified as such in the relevant Final Terms (or, if no such number is specified, 360);

"**do**" means the number of TARGET Settlement Days in:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

the "**€STR reference rate**", in respect of any TARGET Settlement Day, is a reference rate equal to the daily euro short-term rate ("**€STR**") for such TARGET Settlement Day as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the TARGET Settlement Day immediately following such TARGET Settlement Day (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

"**€STRi**" means the €STR reference rate for:

(A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the TARGET Settlement Day falling "p" TARGET Settlement Days prior to the relevant TARGET Settlement Day "i"; or

(B) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant TARGET Settlement Day "i".

"**i**" is a series of whole numbers from one to "do", each representing the relevant TARGET Settlement Day in chronological order from, and including, the first TARGET Settlement Day in:

where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(C) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

to, and including, the last TARGET Settlement Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "p" TARGET Settlement Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" TARGET Settlement Days prior to such earlier date, if any, on which the Guaranteed Subordinated Notes are due and payable);

"$\mathbf{n_i}$" for any TARGET Settlement Day "i" in the relevant Interest Period or Observation Period (as applicable), means the number of calendar days from (and including) such TARGET Settlement Day "i" up to (but excluding) the following TARGET Settlement Day;

"**Observation Period**" means, in respect of any Interest Period, the period from (and including) the date falling "p" TARGET Settlement Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling "p" TARGET Settlement Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) such earlier date, if any, on which the Guaranteed Subordinated Notes become due and payable; and

"**p**" for any latest Interest Period or Observation Period (as applicable), means the number of TARGET Settlement Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms or, if no such period is specified, five TARGET Business Days.

(iii) Subject to Condition 5(m) (*Benchmark replacement*), if, where any Interest Rate is to be calculated pursuant to Condition 5(j)(i) above, in respect of any TARGET Settlement Day in respect of which an applicable €STR reference rate is required to be determined, such €STR reference rate is not made available on the Relevant Screen Page and has not otherwise been published by the relevant authorised distributors, then the €STR reference rate in respect of such TARGET Settlement Day shall be the €STR reference rate for the first preceding TARGET Settlement Day in respect of which €STR reference rate was published by the European Central Bank on its website, as determined by the Calculation Agent.

(iv) Subject to Condition 5(m) (*Benchmark replacement*), if the Interest Rate cannot be determined in accordance with the foregoing provisions of Condition 5(j)(i) above, the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Guaranteed Subordinated Notes for the first Interest Period had the Guaranteed Subordinated Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(k) *Interest – Guaranteed Subordinated Notes Referencing SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*: If the Final Terms specifies the Interest Rate applicable to the Guaranteed Subordinated Notes as being a Floating Rate, Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined and "Index Determination" is specified in the relevant Final Terms as being applicable.

(i) Where "Index Determination" is specified in the relevant Final Terms as being applicable, the Interest Rate for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula:

$$\frac{(Compounded\ Index\ End}{Compounded\ Index\ Start} - 1)\ X\ \frac{Numerator}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Calculation Agent, where:

"**Compounded Index**" means either the SONIA Compounded Index or the SOFR Compounded Index, as specified in the relevant Final Terms;

"**Compounded Index End**" means the relevant Compounded Index value on the End date;

"**Compounded Index Start**" means the relevant Compounded Index value on the Start date;

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"**End**" means the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Index Days**" means, in the case of the SONIA Compounded Index, London Banking Days, and, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days;

"**Numerator**" means, in the case of the SONIA Compounded Index, 365 and, in the case of the SOFR Compounded Index, 360;

"**Relevant Decimal Place**" shall, unless otherwise specified in the Final Terms, be the fifth decimal place rounded up or down, if necessary (with 0.000005 being rounded upwards); and

"**Relevant Number**" is as specified in the applicable Final Terms, but, unless otherwise specified shall be five.

"**SONIA Compounded Index**" means the Compounded Daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source;

"**SOFR Compounded Index**" means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source; and

"**Start**" means the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

(ii) If, with respect to any Interest Period, the relevant rate is not published for the relevant Compounded Index either on the relevant Start or End date, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if Index Determination was not specified in the applicable Final Terms and as if Compounded Daily SONIA (as defined in Condition 5(h) (*Interest Rate – Guaranteed Subordinated Notes referencing SONIA (Screen Rate Determination)*)) or Compounded Daily SOFR (as defined in Condition 5(i) (*Interest Rate – Guaranteed Subordinated Notes referencing SOFR (Screen Rate Determination)*)) had been specified instead in the Final Terms, and in each case "Observation Shift" had been specified as the Observation Method in the relevant Final Terms, and where the Observation Period for the purposes of that definition in Condition 5(h) (*Interest Rate – Guaranteed Subordinated Notes referencing SONIA (Screen Rate Determination)*) or Condition 5(i) (*Interest Rate – Guaranteed Subordinated Notes referencing SOFR (Screen Rate Determination)*) shall be deemed to be the same as the Relevant Number specified in the Final Terms and where, in the case of Compounded Daily SONIA, the Relevant Screen Page will be determined by the Issuer. For the avoidance of doubt, if (i) (in the case of SONIA Compounded Index) a Benchmark Event has occurred in respect of SONIA, the provisions of Condition 5(m) (*Benchmark replacement*) (*Benchmark Replacement*) shall apply and (ii) (in the case of SOFR Compounded Index) a Benchmark Transition Event and its related Benchmark Replacement Date has occurred in respect of SOFR, the provisions of Condition 5(i)(iii) shall apply.

(l) *Maximum or Minimum Interest Rate*: If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

(m) *Benchmark replacement*: Notwithstanding the provisions above in this Condition 5 (*Interest*) and other than in the case of a U.S. dollar-denominated floating rate Guaranteed Subordinated Note for which the

Reference Rate is specified in the relevant Final Terms as being "SOFR" or "SOFR Compounded Index", if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions of this Condition 5(m) shall apply.

(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 Interest Determination Date or Reset Interest Determination Date, as applicable, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(m)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(m)(iii)) and any Benchmark Amendments (in accordance with Condition 5(m)(iv)).

(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 Condition 5(m)(iii)) subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Guaranteed Subordinated Notes (subject to the subsequent operation of this Condition 5(m)); 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 Condition 5(m)(iii)) subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Guaranteed Subordinated Notes (subject to the subsequent operation of this Condition 5(m)); or

(C) do not agree on the selection of a Successor Rate or an Alternative Rate, the fallback provisions set out in Condition 5(f) (*Interest Rate – Screen Rate Determination*), Condition 5(g) (*Interest Rate – ISDA Determination*), Condition 5(h) (*Interest Rate – Guaranteed Subordinated Notes Referencing SONIA (Screen Rate Determination)*), Condition 5(j) (*Interest Rate – Guaranteed Subordinated Notes Referencing €STR (Screen Rate Determination)*) and Condition 5(k) (*Interest Rate – Guaranteed Subordinated Notes Referencing SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*) (as applicable) shall continue to apply.

(iii) If the Issuer and the Independent Adviser agree (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) 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 5(m) and the Issuer and the Independent Adviser agree: (A) that amendments to these Conditions and/or the 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 (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(m)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the 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 Condition 5(m)(iv), the Issuer shall comply with the rules of any stock exchange on which the Guaranteed Subordinated Notes 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 5(m) will be notified promptly by the Issuer to the Issue and Paying Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 18 (*Notices*), the Noteholders. 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 Issue and Paying Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(vi) Without prejudice to the obligations of the Issuer under Condition 5(m)(i) to 5(m)(v), the Original Reference Rate and the fallback provisions provided for in Condition 5(f) (*Interest Rate – Screen Rate Determination*), Condition 5(g) (*Interest Rate – ISDA Determination*), Condition 5(h) (*Interest Rate – Guaranteed Subordinated Notes Referencing SONIA (Screen Rate Determination)*), Condition 5(j) (*Interest Rate – Guaranteed Subordinated Notes Referencing €STR (Screen Rate Determination)*) and Condition 5(k) (*Interest Rate – Guaranteed Subordinated Notes Referencing SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*) (as applicable) will continue to apply unless and until the Calculation Agent 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 5(m).

Notwithstanding any other provision of this Condition 5(m), no Successor Rate or Alternative Rate (as applicable) 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 loss or reduction in "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) of the Guaranteed Subordinated Notes or shortening of time for which the Guaranteed Subordinated Notes are assigned "equity credit".

6. Optional Interest Deferral

(a) *Deferral of Interest Payments*: If Optional Interest Payment is specified as applicable in the relevant Final Terms, the Issuer may, subject as provided in Conditions 6(b) (*Optional Settlement of Arrears of Interest*) and 6(c) (*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 in accordance with these Conditions by giving notice (a "**Deferral Notice**") of such election to the Noteholders in accordance with Condition 18 (*Notices*), the Issue and Paying Agent and the Paying Agents not more than 14 and not less than seven Business Days prior to the relevant Interest Payment Date. Any such interest payment that the Issuer has elected to defer pursuant to this Condition 6(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 6(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 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 6(b) (*Optional Settlement of Arrears of Interest*) or 6(c) (*Mandatory Settlement of Arrears of Interest*), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 6(a) shall not constitute a default by the Issuer or the Guarantor under the Guaranteed Subordinated Notes or the Guarantee or for any other purpose and, for the avoidance of doubt, there are no events of default in respect of the Guaranteed Subordinated Notes.

(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 Noteholders in accordance with Condition 18 (*Notices*), the Issue and Paying Agent and the Paying Agents not more than 14 and no less than seven Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election 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 6(b) (*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 Noteholders in accordance with Condition 18 (*Notices*), the Issue and Paying Agent and the Paying Agents not more than 14 and no less than seven Business Days prior to the relevant Mandatory Settlement Date.

7. **Redemption and Purchase**

(a) *Final redemption*: Unless previously redeemed, or purchased and cancelled in accordance with this Condition 7, the Guaranteed Subordinated Notes are undated securities with no specified maturity date.

(b) *Redemption for tax 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 and the Issuer has received an opinion of independent legal or other tax advisers to that effect, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders or such other notice period as may be specified in the relevant Final Terms (which notice shall be irrevocable) and subject to Condition 7(i) (*Preconditions to Redemption*), redeem the Guaranteed Subordinated Notes 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 Optional Redemption Date falls before the first day 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 Optional Redemption Date falls on or after the first day of the Relevant Period), together, in each case, with any accrued and unpaid interest up to (but excluding) the Optional Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Guaranteed Subordinated Notes.

(c) *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 Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders (which notice shall be irrevocable) and subject to Condition 7(i) (*Preconditions to Redemption*), redeem the Guaranteed Subordinated Notes 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 Optional Redemption Date falls before the first day of the Relevant Period, or (ii) at their principal amount if the Optional Redemption Date falls on or after the first day of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Optional Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Guaranteed Subordinated Notes.

(d) *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 Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders (which notice shall be irrevocable) and subject to Condition 7(i) (*Preconditions to Redemption*), redeem the Guaranteed Subordinated Notes 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 Optional Redemption Date falls before the first day of the Relevant Period, or (ii) at their principal amount if the Optional Redemption Date falls on or after the first day of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Optional Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Guaranteed Subordinated Notes.

(e) *Redemption at the option of the Issuer at par*: If the Par Call Option is specified in the relevant Final Terms as being applicable, the Guaranteed Subordinated Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Par Call Date on the Issuer giving not less than 10 nor more than 60 days' notice to the Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Guaranteed Subordinated Notes or, as the case may be, the Guaranteed Subordinated Notes specified in such notice on the relevant Par Call Date at their principal amount (together with accrued and unpaid interest to (but excluding) the relevant Par Call Date and any outstanding Arrears of Interest). Upon the expiry of such notice, the Issuer shall redeem the Guaranteed Subordinated Notes.

(f) *Redemption at the option of the Issuer at the Make-Whole Redemption Amount*: If the Make Whole Call Option is specified in the relevant Final Terms as being applicable, the Guaranteed Subordinated Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any day (other than on any Par Call Date) on the Issuer's giving not less than 10 nor more than 60 days' notice to the Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Guaranteed Subordinated Notes or, as the case may be, the Guaranteed Subordinated Notes specified in such notice on the relevant Optional Redemption Date at the Make-Whole Redemption Amount (together with accrued and unpaid interest to (but excluding) the relevant Optional Redemption Date and any outstanding Arrears of Interest). Upon the expiry of such notice, the Issuer shall redeem the Guaranteed Subordinated Notes.

Any such notice of the redemption of the Guaranteed Subordinated Notes 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 Optional 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 Optional Redemption Date, or by the Optional Redemption Date so delayed. The Issuer shall notify the Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders of any delay to the Optional Redemption Date or rescindment of the notice of the redemption of the Guaranteed Subordinated Notes (as applicable).

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

(g) *Partial redemption*: If the Guaranteed Subordinated Notes are to be redeemed in part only on any date in accordance with Condition 7(e) (*Redemption at the option of the Issuer at par*) or Condition 7(f) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*), in the case of Bearer Notes, the Guaranteed Subordinated Notes to be redeemed shall be selected by the drawing of lots in such place as the Issue and Paying Agent approves and in such manner as the Issue and Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Guaranteed Subordinated Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 7(e) (*Redemption at the option of the Issuer*) or Condition 7(f) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*), as applicable, shall specify the serial numbers of the Guaranteed Subordinated Notes so to be redeemed, and, in the case of Registered Notes, each Guaranteed Subordinated Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Guaranteed Subordinated Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Guaranteed Subordinated Notes on such date.

(h) *Redemption following a Substantial Purchase Event*: If the Redemption following a Substantial Purchase Event is specified in the relevant Final Terms as being applicable, in the event that at least the Substantial Purchase Event Threshold of the initial aggregate principal amount of the Guaranteed Subordinated Notes has been purchased and cancelled by the Issuer, the Guarantor or any subsidiary of the Guarantor, the Issuer may, at its option but subject to having given not less than 10 nor more than 60 days' notice (or such other period of notice as may be specified in the relevant Final Terms) to the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) and subject to Condition 7(i) (*Preconditions to Redemption*), redeem or purchase (or procure the purchase of) all, but not some only, of the outstanding Guaranteed Subordinated Notes. Any such redemption of Guaranteed Subordinated Notes shall be at their Optional Redemption Amount (as specified in the relevant Final Terms) together with interest accrued up to (but excluding) the date fixed for redemption and any outstanding Arrears of Interest.

(i) *Preconditions to Redemption:* Prior to serving any notice of redemption pursuant to this Condition 7 (other than Condition 7(e) (*Redemption at the option of the Issuer at par*) and Condition 7(f) (*Redemption* *at the option of the Issuer at the Make Whole Redemption*)), the Guarantor shall deliver to the Issue and Paying 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.

(j) *Purchase*: Each of the Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Guaranteed Subordinated Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. The Guaranteed Subordinated Notes so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Issue and Paying 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 Guaranteed Subordinated Notes and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Guaranteed Subordinated Notes or for the purposes of Condition 15 (*Meetings of Noteholders; Modification and Waiver; Substitution and Variation*).

(k) *Cancellation*: All Guaranteed Subordinated Notes redeemed or surrendered for cancellation by the Issuer, the Guarantor or any of their respective subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

8. Payments - Bearer Notes

This Condition 8 is only applicable to Bearer Notes.

(a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Relevant Financial Centre of that currency.

(b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Guaranteed Subordinated Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable U.S. law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Guaranteed Subordinated Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided**, **however**, **that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided**, **however**, **that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided**, **however**, **that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(g) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(h) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(i) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Issue and Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Guaranteed Subordinated Note shall become void and no Coupon will be delivered in respect of such Talon.

9. Payments - Registered Notes

This Condition 9 is only applicable to Registered Notes.

(a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Issue and Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Relevant Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Issue and Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Relevant Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes 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 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 9 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

10. Taxation

(a) *Gross up*: All payments of principal and interest in respect of the Guaranteed Subordinated Notes 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 Kingdom of Spain or 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 Noteholders and the Couponholders after such withholding or deduction of Taxes shall equal the respective amounts of principal and interest which would have been received by them in respect of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Note 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 Guaranteed Subordinated Note or Coupon who is liable for Taxes in respect of such Guaranteed Subordinated Note or Coupon by reason of his having some connection with the Kingdom of Spain other than the mere holding of the Guaranteed Subordinated Note 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 Guaranteed Subordinated Note or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly executed and completed certificate from the Issue and Paying 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 Guaranteed Subordinated Note or Coupon 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 Guaranteed Subordinated Note to another Paying Agent in a Member State of the European Union (if any); or

(viii) 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 Guaranteed Subordinated Note 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 Guaranteed Subordinated Note.

(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 10(b) (*Taxation - Tax Credit Payment*) and 10(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 (*Redemption and Purchase*) 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 5 (*Interest*) 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 Issuer and the Guarantor will apply the First Additional Provision of Law 10/2014 to the Guaranteed Subordinated Notes for Spanish tax purposes. Payments of income in respect of the Guaranteed Subordinated Notes and the Coupons by the Guarantor under the Guarantee will be exempt from Spanish Non-Resident Income Tax to the extent that the Noteholder or beneficial owner is not acting through a permanent establishment in the Kingdom of Spain.

The Issuer and 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 Noteholders 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 Guaranteed Subordinated Notes through a permanent establishment located in Spanish territory.

(g) *Substitute taxing jurisdiction*: If, pursuant to the Issuer's option under Condition 15(c) (*Substitution and Variation*), the Guaranteed Subordinated Notes 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 Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

11. Enforcement Events and no Events of Default

There are no events of default in respect of the Guaranteed Subordinated Notes.

However, if an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of the Issuer or Guarantor (except, in each case, for the purposes of an amalgamation, merger, reorganisation or restructuring whilst solvent), any Noteholder, in respect of a Guaranteed Subordinated Note and provided that such Noteholder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Guaranteed Subordinated Note and all interest then accrued but unpaid on such Guaranteed Subordinated Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its principal amount together with any accrued and unpaid interest thereon and any outstanding Arrears of Interest.

In such case the Holder of a Guaranteed Subordinated Note 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 Guaranteed Subordinated Notes, including, but not limited to, proving and/or claiming in the winding-up, dissolution or liquidation of the Issuer or 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 Guaranteed Subordinated Notes 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 11 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes or the Guarantee.

12. Prescription

Claims against the Issuer for payment, whether of principal and interest or otherwise, in respect of Guaranteed Subordinated Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the appropriate Relevant Date.

13. **Replacement of Guaranteed Subordinated Notes and Coupons**

If any Guaranteed Subordinated Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Issue and Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Guaranteed Subordinated Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system 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 may reasonably require. Mutilated or defaced Guaranteed Subordinated Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

14. **Agents**

In acting under the Agency Agreement and in connection with the Guaranteed Subordinated Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor issue and paying agent or registrar or Calculation Agent and additional or successor paying agents; **provided**, **however**, **that**:

(i) the Issuer shall at all times maintain a issue and paying agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Guaranteed Subordinated Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

15. **Meetings of Noteholders; Modification and Waiver; Substitution and Variation**

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Guaranteed Subordinated Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Guaranteed Subordinated Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Guaranteed Subordinated Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Guaranteed Subordinated Notes held or represented; *provided, however, that* Reserved Noteholder Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds of the aggregate principal amount of the outstanding Guaranteed Subordinated Notes or, at any adjourned meeting, whatever the principal amount of the Guaranteed Subordinated Notes held or represented form a quorum. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the outstanding Guaranteed Subordinated Notes outstanding will take effect as if it were an Extraordinary Resolution. 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 Noteholders.

(b) *Modification*: The Guaranteed Subordinated Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, 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 Noteholders. Notwithstanding the foregoing, pursuant to Condition 5(m) (*Benchmark replacement*), Condition 15(c) (*Substitution and Variation*) and Condition 16 (*Issuer Substitution*), certain changes may be made to the provisions of the Guaranteed Subordinated Notes in the circumstances and as otherwise set out in each such Condition, without the requirement for consent of the Noteholders.

(c) *Substitution and Variation*: If Substitution and Variation is specified in the relevant Final Terms as being applicable and at any time after the Issue Date of the Guaranteed Subordinated Notes, 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 Guaranteed Subordinated Notes, on any applicable Interest Payment Date, without the consent of the Noteholders, (a) exchange the Guaranteed Subordinated Notes (the "**Exchanged Subordinated Notes**") into new securities of the Guarantor or the Issuer or any wholly-owned direct or indirect subsidiary of the Guarantor (a "**Substitute Issuer**") with a guarantee of the Guarantor, or (b) vary the terms of the Guaranteed Subordinated Notes (the "**Varied Subordinated Notes**"), so that in either case (I) in the case of a Tax Event, in respect of (A) the Issuer's (or Substitute Issuer's) obligation to make any payment of interest under the Exchanged Subordinated Notes or Varied Subordinated Notes or (B) 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 Subordinated Loan Borrower 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 Kingdom of 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, (II) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Subordinated Notes or Varied Subordinated Notes or 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 Subordinated Notes or Varied Subordinated Notes or Exchanged or Varied Guarantee (as defined below), (III) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Subordinated Notes or Varied Subordinated Notes (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 consolidated financial statements of the Guarantor, or (IV) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Subordinated Notes or Varied Subordinated Notes (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 Guaranteed Subordinated Notes on the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series (or, if "equity credit" is not assigned to the Guaranteed Subordinated Notes by the relevant Rating Agency on the Issue Date of the first Tranche of Guaranteed Subordinated Notes in a particular Series, 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 Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Noteholders;

(ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Guaranteed Subordinated Notes 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 Subordinated Notes or Varied Subordinated Notes continue to be admitted to trading on the same stock exchange as the Guaranteed Subordinated Notes if they were admitted to trading immediately prior to the relevant exchange or variation;

(iii) the Exchanged Subordinated Notes or Varied Subordinated Notes shall: (A) rank, at least *pari passu* with the ranking of the Guaranteed Subordinated Notes 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 Noteholders than the terms of the Guarantee (as reasonably determined by the Issuer or Substitute Issuer and the Guarantor), (C) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same Reset Date(s) 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 and any other amounts payable under the Guaranteed Subordinated Notes which, in each case, has accrued to the Noteholders and has not been paid, the same rights to principal and interest, and, if publicly rated by a Rating Agency immediately prior to such exchange or variation, at least the same credit rating requested by the Issuer or on the Issuer's behalf immediately after such exchange or variation by each such Rating Agency (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 the relevant Rating Agency 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 7(i) (*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 Noteholders, including compliance with paragraph (iii) above, as certified to the benefit of the Noteholders 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 4 (*Status, Guarantee and Subordination*) to the laws of the jurisdiction of incorporation of the Substitute Issuer, in connection with any substitution pursuant to this Condition 15(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 Issuer (copies of which shall be made available to the Noteholders for inspection on a non-reliance basis at the specified offices of the Issue and Paying Agent during usual office hours) from one or more international law firms of good reputation selected by the Issuer or the Guarantor confirming (x) that each of the Issuer and the Guarantor has capacity to assume all rights, duties and obligations under the Exchanged Subordinated Notes or Varied Subordinated Notes 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 Subordinated Notes or Varied Subordinated Notes.

(d) *Withholding in the Kingdom of Spain*: Notwithstanding Condition 15(a) (*Meetings of Noteholders*), if at any time after the Issue Date, the Issuer is required to withhold on account of Taxes imposed or levied in the Kingdom of Spain on any payment under the Guaranteed Subordinated Notes, the Issuer may on any applicable Interest Payment Date, without the consent of the Noteholders, (i) exchange the Guaranteed Subordinated Notes into new securities of the Guarantor or the Issuer or any wholly-owned direct or indirect subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Guaranteed Subordinated Notes. Any such exchange or variation shall be subject to the fulfilment of the same conditions as described under Condition 15(c) (*Substitution and Variation*) in relation to Exchanged Subordinated Notes or Varied Subordinated Notes as 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 7(i) (*Preconditions to Redemption*) as required by Condition 15(c)(iv) above shall be replaced by the delivery by the Guarantor to the Issue and Paying 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 Kingdom of Spain on a payment under the Guaranteed Subordinated Notes.

16. **Issuer Substitution**

(a) *Substitution*: The Issuer (which expression in this Condition 16 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 Issue and Paying Agent, the Paying Agents, the Registrar (in the case of Registered Notes) and, in accordance with Condition 18 (*Notices*), the Holders, provided that:

(i) no payment in respect of the Guaranteed Subordinated Notes is at the relevant time overdue;

(ii) a deed is executed by the Substitute agreeing to be bound by the Conditions, the Guaranteed Subordinated Notes, the Agency Agreement and the Deed of Covenant as if the Substitute had been named in the Conditions, the Guaranteed Subordinated Notes, the 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 Guaranteed Subordinated Notes, the 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 10 (*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 Guaranteed Subordinated Notes and the 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 Agency Agreement, with any appropriate consequential amendments as agreed between the Issue and Paying Agent and the Substitute to give effect to the substitution;

(vi) the issue of legal opinions addressed to the Issue and Paying 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 Agency Agreement and the Guaranteed Subordinated Notes 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 20(b) (*Governing Law and Jurisdiction – English courts*)) 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 Guaranteed Subordinated Notes 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 Issue and Paying 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes immediately following such substitution being materially less favourable to

Holders generally than the terms of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes and the 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 Guaranteed Subordinated Notes and the 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 16, the Substitute may, without the consent of any Holder, effect a further substitution. All of the provisions specified in Conditions 16(a) (*Substitution*) and 16(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 16(a) (*Substitution*) and/or this Condition 16(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 16, the governing law of Condition 4 (*Status, Guarantee and Subordination*) shall, as applicable, be amended to the governing law of the jurisdiction of incorporation of the Substitute.

17. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Guaranteed Subordinated Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Guaranteed Subordinated Notes of any particular Series.

18. Notices

(a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fifth day after the date of mailing.

19. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (d) all amounts denominated in Euro or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. Governing Law and Jurisdiction

(a) *Governing law*: The Guaranteed Subordinated Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by English law, except for Condition

4 (*Status, Guarantee and Subordination*) which are governed by and construed in accordance with the laws of the Kingdom of Spain.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Guaranteed Subordinated Notes or the Coupons (including a dispute relating to the existence, validity or termination of the Guaranteed Subordinated Notes or any non-contractual obligations arising out of or in connection with the Guaranteed Subordinated Notes 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 20 prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts of a Member State under the Brussels Ia Regulation (in accordance with its Chapter II, Sections 1 and 2) or of a State that is a party to the Lugano II Convention (in accordance with Title II, Sections 1 and 2) with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of competent jurisdictions in accordance with this Condition 20.

(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 Issue and Paying 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 Issue and Paying 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.

FORM OF GUARANTEE

THIS GUARANTEE is issued on 11 April 2025.

BY

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

(2) **IN FAVOUR OF** the Holders (as defined in the Terms and Conditions of the Guaranteed Subordinated Notes) and the Relevant Account Holders (as defined in the Deed of Covenant referred to below, and together with the Holders, the "**Beneficiaries**").

WHEREAS

(A) Telefónica Emisiones, S.A.U. (the "**Issuer**"), the Guarantor and others have established a programme (the "**Programme**") for the issuance of guaranteed deeply subordinated notes, in connection with which Programme they have entered into, *inter alia*, an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated 11 April 2025 and made between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as issue and paying agent (the "**Issue and Paying Agent**", which expression shall include any successor issue and paying agent) and others and the Issuer has executed and delivered a deed of covenant (the "**Deed of Covenant**") dated 11 April 2025.

(B) Guaranteed Subordinated Notes will be issued on a listed basis.

(C) The Guarantor has agreed, upon the terms set out herein, to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of Guaranteed Subordinated Notes issued under the Programme and under the Deed of Covenant as of or subsequent to the date hereof.

NOW THIS DEED WITNESSES as follows:

1. **Interpretation and Benefit of Deed of Guarantee**

1.1 Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions of the Guaranteed Subordinated Notes (the "**Conditions**" and each a "**Condition**") or the Deed of Covenant have the same meanings in this Guarantee except where the context requires otherwise or unless otherwise stated.

1.2 Any Guaranteed Subordinated Notes issued under the Programme on or after the date of this Guarantee shall have the benefit of this Guarantee but shall not have the benefit of any subsequent deed of guarantee relating to the Programme (unless expressly so provided in any such subsequent deed).

1.3 Any reference in this Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 All references in this Guarantee to an agreement, instrument or other document (including the Issue and Paying 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.

1.5 Any reference in this 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.

1.6 Headings and sub-headings are for ease of reference only and shall not affect the construction of this Guarantee.

2. **Guarantee and Indemnity**

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

(a) to the Holder of each Guaranteed Subordinated Note the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Guaranteed Subordinated Note 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 relevant

Guaranteed Subordinated Note for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Guaranteed Subordinated Note in accordance with the Terms and Conditions of such Guaranteed Subordinated Notes and which the Issuer has failed to pay; and

(b) 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 Terms and Conditions of the relevant Guaranteed Subordinated Notes 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 Beneficiary that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Guaranteed Subordinated Note or 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 Beneficiary, the Guarantor will, forthwith upon demand by such Beneficiary, pay such sum by way of a full indemnity in the manner and currency prescribed by such Guaranteed Subordinated Note 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. **Taxation**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be assumed by it in Condition 10 (*Taxation*).

4. **Preservation of Rights**

4.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

4.2 The obligations of the Guarantor hereunder shall be continuing obligations notwithstanding any settlement of account or other matter or thing 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 or in respect of any Guaranteed Subordinated Note or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Guaranteed Subordinated Notes 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 nor the rights, powers and remedies conferred upon the Beneficiaries by this Guarantee or by law shall be discharged, impaired or otherwise affected by:

(a) the winding up, bankruptcy (*concurso*), moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership;

(b) any of the obligations of the Issuer under or in respect of any of the Guaranteed Subordinated Notes or the Deed of Covenant being or becoming illegal, invalid or unenforceable;

(c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Guaranteed Subordinated Notes or the Deed of Covenant;

(d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Guaranteed Subordinated Notes or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or

(e) 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 Beneficiaries by this Guarantee or by law.

4.4 Any settlement or discharge between the Guarantor and any of the Beneficiaries shall be conditional upon no payment to such Beneficiaries by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency (*concurso*) or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall 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 Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Guarantee or by law:

(a) to make any demand of the Issuer, other than the presentation of the relevant Guaranteed Subordinated Note;

(b) to take any action or obtain judgment in any court against the Issuer; or

(c) 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 Guaranteed Subordinated Note, presentment, demand, protest and notice of dishonour.

4.6 The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Guaranteed Subordinated Notes or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any right which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

(a) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Guaranteed Subordinated Notes or the Deed of Covenant;

(b) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Guaranteed Subordinated Notes or the Deed of Covenant by any Beneficiary; or

(c) to be subrogated to the rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Guarantee.

5. **Status**

The Guarantor undertakes that its obligations hereunder will at all times rank as described in Condition 4 (*Status, Guarantee and Subordination*).

6. **Delivery**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Issue and Paying 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 all instruments then outstanding from time to time occurs and no further Instruments can be issued under the Programme. A certified copy of this Guarantee may be obtained by any Beneficiary from the Issue and Paying Agent at its specified office at the expense of such Beneficiary. Any Beneficiary may protect and enforce his rights under this Guarantee (in the courts specified in Clause 13 (*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 Issue and Paying 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 Beneficiaries. This Clause shall not limit any right of any Beneficiary to the production of the originals of such records or documents or this Guarantee in evidence.

7. **Contractual Currency**

If any sum due from the Guarantor under this Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under this Guarantee or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgement given or made in relation to this Guarantee, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

8. **Terms and Conditions of the Guaranteed Subordinated Notes**

The Guarantor hereby undertakes to comply with and be bound by those provisions of the Conditions which relate to it or which are expressed to relate to it.

9. **Benefit of Guarantee**

9.1 This Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

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

9.3 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder.

9.4 Any Guaranteed Subordinated Notes issued under the Programme on or after the date of this Guarantee shall have the benefit of this Guarantee but shall not have the benefit of any subsequent deed of guarantee relating to the Programme (unless expressly so provided in any such subsequent deed).

10. **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.

11. **Modification**

This Guarantee may be modified by the Guarantor in respect of the Guaranteed Subordinated Notes of any Series with the sanction of an Extraordinary Resolution of Holders of the Guaranteed Subordinated Notes of such Series.

12. **Notices**

12.1 All communications to the Guarantor hereunder shall be made in writing (by letter 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
Email:	Francois.Decleve@telefonica.com
Attention:	Francois.Decleve

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 of the Guaranteed Subordinated Notes in the manner prescribed for the giving of notices in connection with the Guaranteed Subordinated Notes.

12.2 Every communication sent in accordance with Clause 12.1 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.

13. **Law and Jurisdiction**

13.1 This Guarantee and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law. The status of this Guarantee is governed by Spanish Law.

13.2 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with this Guarantee (including a dispute relating to non-contractual obligations arising from or in connection with this Guarantee, or a dispute regarding the existence, validity or termination of this Guarantee) or the consequences of its nullity.

13.3 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.

13.4 Notwithstanding Clause 13.2, the Beneficiaries may take proceedings relating to a Dispute ("**Proceedings**") in any other courts of a Member State under the Brussels Ia Regulation (in accordance with its Chapter II, Sections 1 and 2) or of a State that is a party to the Lugano II Convention (in accordance with Title II, Sections 1 and 2) with jurisdiction, where:

"**Brussels Ia Regulation**" means Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (as amended or replaced);

"**Lugano II Convention**" means the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, signed on 30 October 2007 (as amended or replaced);

To the extent allowed by law, the Beneficiaries may take concurrent Proceedings in any number of competent jurisdictions in accordance with this Clause 13.

13.5 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 Ltd, 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 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 Guarantor, the Guarantor shall, on the written demand of any Beneficiary 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 Beneficiary shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor or to the specified office of the Issue and Paying Agent. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

IN WITNESS whereof this Guarantee has been executed as a deed by the Guarantor and is intended to be and is hereby delivered on the date first above written.

EXECUTED as a deed

By **TELEFÓNICA, S.A.**

acting by:

FORM OF FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Guaranteed Subordinated Notes 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 ("**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 Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Guaranteed Subordinated Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Guaranteed Subordinated Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][*Include unless the Final Terms specifies "Prohibition of Sales to EEA Investors" as "Not Applicable"*]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Guaranteed Subordinated Notes 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 (the "**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 European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000, as amended (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. 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 Guaranteed Subordinated Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Guaranteed Subordinated Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Guaranteed Subordinated Notes has led to the conclusion that: (i) the target market for the Guaranteed Subordinated Notes is [eligible counterparties and professional clients only, each defined in [Directive 2014/65/EU (as amended, "**MiFID II**")/MiFID II])]; and (ii) [all channels for distribution of the Guaranteed Subordinated Notes to eligible counterparties and professional clients are appropriate]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Guaranteed Subordinated Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Guaranteed Subordinated Notes (by either adopting or refining the manufacturer['s/s'] 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/each] manufacturer's product approval process, the target market assessment in respect of the Guaranteed Subordinated Notes has led to the conclusion that: (i) the target market for the Guaranteed Subordinated Notes 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 European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Guaranteed Subordinated Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Guaranteed Subordinated Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Guaranteed Subordinated Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [•]

Telefónica Emisiones, S.A.U.

LEI: 549300Y5MFC4SW5Z3K71

Issue of [Aggregate Nominal Amount of Tranche] [Title of Guaranteed Subordinated Notes] Unconditionally and Irrevocably Guaranteed by TELEFÓNICA, S.A. under the EUR 15,000,000,000 Programme for the Issuance of Subordinated Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth on pages [•] to [•], inclusive, of the Base Prospectus dated 11 April 2025 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Guaranteed Subordinated Notes described herein for the purposes of Article 8.4 of the Prospectus Regulation. These Final Terms contain the final terms of the Guaranteed Subordinated Notes and must be read in conjunction with such Base Prospectus.

Full information on the Issuer, the Guarantor and the offer of the Guaranteed Subordinated Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it] [is] [are] available for viewing at www.telefonica.com and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of The Bank of New York Mellon, London Branch at 160 Queen Victoria Street, London, EC4V 4LA and at the offices of The Bank of New York Mellon SA/NV, Luxembourg Branch at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

Full information on the Issuer, the Guarantor and the offer of the Guaranteed Subordinated Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 11 April 2025 [and the supplement(s) to it dated [•] and [•]]. The Base Prospectuses [and the supplement(s) to it] are available for viewing at www.telefonica.com and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of The Bank of New York Mellon, London Branch at 160 Queen Victoria Street, London, EC4V 4LA and at the offices of The Bank of New York Mellon SA/NV, Luxembourg Branch at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

1.	(i)	Issuer:	Telefónica Emisiones, S.A.U.
	(ii)	Guarantor:	Telefónica, S.A.
2.	(i)	Series Number:	[•]
	[(ii)	Tranche Number:	[•]]
	[(iii)	Date on which the Guaranteed Subordinated Notes become fungible:	[Not Applicable/The Guaranteed Subordinated Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•]on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 20 below [which is expected to occur on or about [•]]]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		[[•]]

	[(i)]	[Series]:	[•]
	[(ii)	Tranche:	[•]]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] (if applicable)]
6.	(i)	Specified Denominations:	[•]
	(ii)	Calculation Amount:	[•]
7.	(i)	Trade Date:	[•]
	(ii)	Issue Date:	[•]
	(iii)	Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
8.	Interest Basis:		[•] per cent. Fixed Rate Resetting] [[•] month [EURIBOR/SONIA/SOFR/€STR]+/–[•] per cent. Floating Rate] (See paragraph [15/16] below)
9.	Interest Deferral – Optional Interest Payment:		[Applicable/Not Applicable]
10.	Relevant Period(s):		[Any day in the period from (and including) [*date*], up to (and including) [*date*]]
11.	Call Options:		[Par Call Option] [Make Whole Call Option] [Redemption following a Substantial Purchase Event] The Conditions include call options following an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event (See paragraph[s] [16/17/18/19] below) (*N.B. The scheduled redemption amount will be at least 100 per cent. of the principal amount of the Guaranteed Subordinated Notes*)
12.	Substitution and Variation:		[Applicable/Not Applicable]
13.	Date [Board] approval for issuance of Guaranteed Subordinated Notes obtained:		[[•]/Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Reset Provisions**		[Applicable/Not Applicable]
	(i)	Initial Interest Rate:	[•] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]

	(ii)	Interest Payment Date(s):	[•] in each year, subject to adjustment in accordance with the Business Day Convention set out in (iv) below
	(iii)	First Interest Payment Date:	[[•]/[Not Applicable]
	(iv)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
	(v)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] / [Not Applicable]
	(vi)	Reset Rate:	[Mid-Swap] [Reference Bond] [U.S. Treasury Rate]
	(vii)	Reference Bond:	[[•]/Not Applicable]
	(viii)	Initial Reference Bond Price:	[[•]/Not Applicable]
	(ix)	Mid-Swap Rate:	[As per the Conditions/[•]/Not Applicable]
	(x)	Mid-Swap Screen Page:	[[•]/Not Applicable]
	(xi)	Mid-Swap Floating Leg Maturity:	[[•]/Not Applicable]
	(xii)	Mid-Swap Floating Leg Benchmark Rate:	[[•]/Not Applicable]
	(xiii)	Initial Mid-Swap Rate:	[[•] per cent./Not Applicable]
	(xiv)	First Reset Date:	[•]
	(xv)	Second Reset Date:	[•]
	(xvi)	Subsequent Reset Date(s):	[•]
	(xvii)	Margin(s):	[+/-][•] per cent. per annum
	(xviii)	Minimum Interest Rate:	[•] per cent. per annum
	(xix)	Maximum Interest Rate:	[•] per cent. per annum
	(xx)	Quotation Time:	[•]
	(xxi)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360 (ISDA)]
	(xxii)	Additional Business Centre(s):	[[•]/Not Applicable]
	(xxiii)	Calculation Agent:	[•]
15.	**Floating Rate Provisions**		[Applicable/Not Applicable]
	(i)	Interest Period End Date(s):	[•]/[As specified in the Conditions]
	(ii)	Specified Period:	[[•]/Not Applicable]

(iii)	Interest Payment Dates:	[Not Applicable]/[Interest shall be payable [annually/semi-annually/quarterly/monthly] in arrear on [•][, [•], [•] and [•]] in each year commencing on [•], subject to adjustment in accordance with the Business Day Convention set out in (v) below]
(iv)	First Interest Payment Date:	[[•]/Not Applicable]
(v)	Business Day Convention:	[FRN Convention/ Eurodollar Convention / Following Business Day Convention/ Modified Following Business Day Convention/ Modified Business Day Convention Preceding Business Day Convention/ No Adjustment]
(vi)	Additional Business Centre(s):	[[•]/Not Applicable]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Calculation Agent:	[•]
(ix)	Screen Rate Determination:	[Applicable/Not Applicable]
	• Reference Rate:	[[•] month [EURIBOR/SONIA/SOFR/€STR/SONIA compounded Index/SOFR Compounded Index]
	• Observation Method:	[Lag / Observation Shift]
	• Lag Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]
	• Observation Shift Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable] (*NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent*)
	• D:	[360/365/[ ]] / [Not Applicable]
	• Index Determination	[Applicable/Not Applicable]
	• SONIA Compounded Index	[Applicable/Not Applicable]
	• SOFR Compounded Index	[Applicable/Not Applicable]
	• Relevant Decimal Place	[ ] [5/7] *(unless otherwise specified in the Final Terms, be the fifth decimal place in the case of the*

		SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index)
	• Relevant Number of Index Days	[ ] [5] (*unless otherwise specified in the Final Terms, the Relevant Number shall be 5*)
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•]
	• Relevant Time:	[•]
	• Relevant Financial Centre:	[•]
(x)	ISDA Determination:	[Applicable/Not Applicable]
	• ISDA Definitions:	[2006 ISDA Definitions / 2021 ISDA Definitions]
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
	• Compounding:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	• Compounding Method:	[Compounding with Lookback Lookback: [•] Applicable Business Days] [Compounding with Observation Period Shift Observation Period Shift: [•] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [•] / [Not Applicable]] [Compounding with Lockout Lockout: [•] Lockout Period Business Days Lockout Period Business Days: [•]/[Applicable Business Days]]
	• Averaging:	[Applicable/Not Applicable]] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	• Averaging Method:	[Averaging with Lookback • Lookback: [•] Applicable Business Days]

			[Averaging with Observation Period Shift • Observation Period Shift: [•] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[•]/Not Applicable]] [Averaging with Lockout • Lockout: [•] Lockout Period Business Days • Lockout Period Business Days: [[•]/Applicable Business Days]]
	•	Index Provisions:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	•	Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [•] Observation Period Shift Business days Observation Period Shift Additional Business Days: [•] / [Not Applicable]
	(xi)	[Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]]
	(xii)	Margin(s):	[+/-][•] per cent. per annum
	(xiii)	Minimum Rate of Interest:	[•] per cent. per annum
	(xiv)	Maximum Rate of Interest:	[•] per cent. per annum
	(xv)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/ 360 / 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

16.	**Par Call Option**		[Applicable/Not Applicable]
	(i)	Par Call Date(s):	[As per Conditions/[•]]
	(ii)	If redeemable in part:	[Applicable/Not Applicable]
	(iii)	Notice period:	[As per Conditions/[•]]
17.	**Make-Whole Call Option**		[Applicable/Not Applicable]
	(i)	If redeemable in part:	[Applicable/Not Applicable]
	(ii)	Calculation Agent:	[•]

	(iii)	Reference Bond:	[[•]/FA Selected Bond/Not Applicable]
	(iv)	Quotation Time:	[•]
	(v)	Redemption Margin:	[[•] per cent.][Not Applicable]
	(vi)	Notice period:	[As per Conditions/[•]]
18.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption (if the Optional Redemption Date falls before the first day of the Relevant Period) following a Tax Event, an Accounting Event or a Capital Event:		[Not Applicable/[•] per Calculation Amount]
19.	**Redemption following a Substantial Purchase Event**		[Applicable/Not Applicable]
	(i)	Substantial Purchase Event Threshold:	[•] per cent.
	(ii)	Optional Redemption Amount per Calculation Amount:	[As per the Conditions/[•] per Calculation Amount]
	(iv)	Notice period:	[As per Conditions/[•]]

GENERAL PROVISIONS APPLICABLE TO THE GUARANTEED SUBORDINATED NOTES

20.	**Form of Guaranteed Subordinated Notes**:	[**Bearer Guaranteed Subordinated Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for definitive notes on [•] days' notice] [Permanent Global Note exchangeable for definitive notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [**Registered Guaranteed Subordinated Notes**] Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note]
21.	Relevant Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/[•]]

22.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/[•]]
23.	Talons for future Coupons or Receipts to be attached to definitive notes (and dates on which such Talons mature):	[No.] / [Yes. As the Guaranteed Subordinated Notes have more than 27 Coupon payments, Talons may be required if, on exchange into definitive form, more than 27 Coupon payments are still to be made.]
24.	Commissioner:	[Not Applicable/[•] (*specify for fungible issuances, if applicable*)]
25.	Subordinated Loan:	[•]
26.	Subordinated Loan Borrower:	[[•]/Telefónica, S.A.]

SIGNED on behalf of
TELEFÓNICA EMISIONES, S.A.U.:

By: ....
Duly authorised

SIGNED on behalf of
TELEFÓNICA, S.A.:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(i)	Admission to trading	[[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Guaranteed Subordinated Notes to be admitted to trading on the regulated market of The Irish Stock Exchange plc, trading as Euronext Dublin, with effect from [•]]
(ii)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS**

(i)	Ratings:	The Guaranteed Subordinated Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Guaranteed Subordinated Notes of this type issued under the Programme generally]: [Standard & Poor's: [•]] [Moody's: [•]] [Fitch: [•]] [[Other]: [•]] [*ratings definitions to be included*] ***Option 1 - CRA established in the EEA and registered under the EU CRA Regulation and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation*** [*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK 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 "**UK CRA Regulation**").] /[[

Insert legal name of particular credit rating agency entity providing rating] has been certified 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 "**UK CRA Regulation** ").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified 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 "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the CRA Regulation (UK).]

Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the CRA Regulation (UK)

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority]. [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK 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 "**CRA Regulation (UK)**").] /[[*Insert legal name of particular credit rating agency entity providing rating*] has been certified 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 "**CRA Regulation (UK)**").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified 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 "**CRA Regulation (UK)**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the CRA Regulation (UK).]

Option 3 - CRA established in the EEA, not registered under the EU CRA Regulation and not applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK 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 "**UK CRA Regulation (UK)**").] /[[*Insert legal name of particular credit rating agency entity providing rating*] has been certified 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 "**UK CRA Regulation**").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified 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 "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

Option 4 - CRA established in the UK and registered under the UK CRA Regulation and details of whether rating is endorsed by a credit rating agency established and

registered in the EEA or certified under the EU CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the UK 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 "**UK CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the FCA website: https://data.fca.org.uk/#/cra/cradetails. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes to be issued under the Programme is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**").] [[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**").] [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EC) No 1060/2009, as amended (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation.]

Option 5 - CRA not established in the EEA or the UK but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation (EU) AND/OR under the CRA Regulation (UK)

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by [[*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**")][and][[*insert legal name of credit rating agency*], which is established in the UK 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 "**UK CRA Regulation**")].

Option 6 - CRA not established in the EEA or the UK and relevant rating is not endorsed under the CRA Regulation (EU) or the CRA Regulation (UK) but CRA is certified under the CRA Regulation (EU) AND/OR under the CRA Regulation (UK)

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK but is certified under [Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**")][and][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 "**UK CRA Regulation**"**]**.

(ii) Replacement Intention: [The Guarantor intends (without thereby assuming any obligation) at any time that it or the Issuer will redeem or repurchase the Guaranteed Subordinated Notes only to the extent that the aggregate principal amount of the Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes), 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes 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 [•].]

[*Provide any alternative replacement intention, or none*]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Guaranteed Subordinated Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.]/[•]/[Not Applicable]

4. **[REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

Estimated Net Proceeds: [•]

[An amount equal to the net proceeds of the issuance of the Guaranteed Subordinated Notes will be allocated to [•]]/[Not Applicable]]

[An amount equal to the net proceeds of the issuance of the Guaranteed Subordinated Notes will be allocated to Eligible Projects]/ [*Include further description if necessary*]/[Not Applicable]]

5. **[*Fixed Rate Guaranteed Subordinated Notes only* – YIELD**

Indication of yield:	[•] per cent. *per annum* The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **OPERATIONAL INFORMATION**

ISIN:	[•]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[•]/[Not Applicable]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]
Relevant Benchmark[s]:	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the EU Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the EU Benchmarks Regulation]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)] / [Not Applicable]

7. **DISTRIBUTION**

(i)	US Selling Restrictions	Reg. S Compliance Category 2 [TEFRA C/TEFRA D/TEFRA Not Applicable]
(ii)	Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable]

(iii)	Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable]

[THIRD PARTY INFORMATION]

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**"), references in the Terms and Conditions of the Guaranteed Subordinated Notes to "Holder" or "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, located outside of Spain and recognised by Spanish law or by the law of another OECD country, will be that depositary or common depositary.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Guaranteed Subordinated Notes to "Holder" or "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system, located outside of Spain and recognised by Spanish law or by the law of another OECD country, from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note or Global Registered Note.

Conditions applicable to Global Notes

Each Global Note or Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Guaranteed Subordinated Notes, require presentation and/or surrender of a Guaranteed Subordinated Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note 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 Guaranteed Subordinated Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of interest: the calculation of any interest amount in respect of any Note which is represented by a Global Note or Global Registered Note will be calculated on the aggregate outstanding principal amount of the Notes represented by such Global Note or Global Registered Note, as the case may be, and not by reference to the Calculation Amount.

Payment Business Day: In the case of a Global Note or Global Registered Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 7(g) (*Partial redemption*) in relation to some only of the Notes, the Permanent Global Note or a Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) , or Global Registered Note is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system located outside of Spain and recognised by Spanish law or by the law of another OECD country and 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 Guaranteed Subordinated Notes are listed/and or admitted to trading.

USE OF PROCEEDS

An amount equal to the net proceeds of the issue of each Tranche of Guaranteed Subordinated Notes will either be applied by the Issuer, the Guarantor and/or the Group to (i) meet part of their general financing requirements or (ii) to finance and/or refinance, in whole or in part, subject to specific eligibility criteria to be applied to new or existing projects, eligible projects ("**Eligible Projects**") as detailed in Telefónica's Sustainable Financing Framework (the "**Sustainable Financing Framework**") dated July 2023. The Sustainable Finance Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Prospectus. 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 efficency 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 automatisation 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 likes 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 Guaranteed Subordinated Notes.

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 Guaranteed Subordinated Notes. 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 Base Prospectus.

TELEFÓNICA EMISIONES, S.A.U.

Introduction

Telefónica Emisiones, S.A.U. (the "**Issuer**") was incorporated for an indefinite period on 29 November 2004 as a *Sociedad Anónima Unipersonal* (limited liability company with a sole shareholder) registered in the Commercial Registry of Madrid at Tome 20,733, Book 0, Sheet 77, Section 8, Page M-367261, Registration 1. The registered office of the Issuer is at Gran Vía 28, 28013 Madrid, Spain, the Shareholder's office free telephone helpline number (Spain) is +34 900 111 004 and the Investor Relations telephone number is +34 91 482 87 00. The authorised share capital of the Issuer is EUR 62,000 represented by 62,000 registered shares having a nominal value of EUR 1 each, numbered 1 to 62,000. The share capital of the Issuer is fully subscribed and paid up by Telefónica, S.A. as the sole shareholder.

The Issuer is governed by the consolidated text of the Spanish Corporations Law, approved by Royal Legislative Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*).

Business Overview

The objects of the Issuer are the issuance of *participaciones preferentes* (preferred shares) and/or other financial instruments.

The Issuer lends the proceeds of financial instruments to the Guarantor and other members of the Group and is dependent on repayment of the relevant intra-group financing to service payments of principal and interest on its financial instruments. This does not give rise to any potential conflicts of interest.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the establishment and listing of the Programme and matters referred to as contemplated in this Base Prospectus and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party and matters which are incidental or ancillary to the aforegoing.

Recent Developments

The principal events that have occurred since 31 December 2024 are set forth below:

- On 16 January 2025, Telefónica, S.A. through the Issuer, launched in the Euro market under its EMTN Programme an issuance of Notes guaranteed by Telefónica, S.A. in a principal amount of EUR 1,000 million. This issue, due on 23 January 2034, pays an annual coupon of 3.724 per cent. and was issued at par. The settlement of the issuance took place on 23 January 2025.

- On 17 January 2025, the Issuer redeemed EUR 1,250 million of its notes issued on 17 January 2017. These notes were guaranteed by Telefónica, S.A.

Directors

The Directors of the Issuer are as follows:

Name	Principal occupation	Principal External Activities
Carlos David Maroto Sobrado	Director	Head of Financing at Telefónica, S.A. Telefónica Participaciones, S.A.U. (Joint and Several Director) Director of Telefónica Europe, B.V. Director of Virgin Media, Inc.
Francisco Javier Ariza Garrote	Director	Telefónica Participaciones, S.A.U. (Joint and Several Director)

Name	Principal occupation	Principal External Activities
		Telefónica Latinoamérica Holding, S.L. Alianza Atlántica Holding B.V.

The business address of each of the directors of the Issuer is Distrito Telefónica, Edificio Central, c/Ronda de la Comunicación, s/n, 28050 Madrid.

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.

Auditors

The auditors of the Issuer for the years ended 31 December 2024 and 2023 were PricewaterhouseCoopers Auditores, S.L., registered auditors in Spain in the *Registro Oficial de Auditores de Cuentas* ("**ROAC**"), with registration number S0242 and with its registered address at Torre PwC, Paseo de la Castellana, 259B, 28046 Madrid, Spain.

TELEFÓNICA, S.A.

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 F2, 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 2024 are set forth below:

- On 10 January 2025, Telefónica Germany GmbH & Co. OHG completed the early termination of its EUR 750 million sustainability-linked syndicated credit facility signed on 17 December 2019 and originally scheduled to mature in 2026.
- On 13 January 2025, Telefónica, S.A. signed an extension with respect to its sustainability-linked syndicated credit facility for up to EUR 5,500 million for an additional year (extending the maturity date to 13 January 2030). Additionally, Telefónica signed 2 extension options for 1 additional year each, permitting Telefónica, S.A. to extend the maturity date of the credit facility to 13 January 2032.
- On 15 January 2025, Telefónica, S.A. signed a bilateral loan in the amount of EUR 125 million maturing on 15 January 2035. As of the date, there was no outstanding amount under this bilateral loan.
- On 16 January 2025, Telefónica, S.A. through the Issuer, launched in the Euro market under its EMTN Programme an issuance of Notes guaranteed by Telefónica, S.A. in a principal amount of EUR 1,000 million. This issue, due on 23 January 2034, pays an annual coupon of 3.724 per cent. and was issued at par. The settlement of the issuance took place on 23 January 2025.
- On 17 January 2025, the Issuer redeemed EUR 1,250 million of its notes issued on 17 January 2017. These notes were guaranteed by Telefónica, S.A.
- On 18 January 2025, Telefónica's Board of Directors, in view of Telefónica's new shareholding structure and that some of its relevant shareholders expressed the convenience of embarking on a new stage in the executive chairmanship, met to assess the situation, under the chairmanship of Mr. José María Álvarez-Pallete, adopted, following a favourable report from the Nominating, Compensation and Corporate Governance Committee, the following resolutions: i) to agree on the orderly renewal of the Company's chairmanship, in order to adapt it to its new shareholding structure. To approve the termination of the contract signed with Mr. José María Álvarez-Pallete

as Executive Chairman of Telefónica's Board of Directors, and to request from him, in accordance with the provisions of Article 12.2.a) of the Regulations of the Board of Directors, his resignation from his position as Director. Mr. Álvarez-Pallete, in response to said request, tendered his resignation as a Director, which was accepted by the Board of Directors; ii) in order to guarantee an adequate replacement in the executive chairmanship of the Company, to approve the appointment by co-option of Mr. Marc Thomas Murtra Millar, as Executive Director of the Company, also appointing him as Executive Chairman of the Board of Directors and delegating to him all the powers that may be delegated by the Board of Directors, to be exercised jointly and severally. Mr. Murtra accepted his appointment as Executive Chairman of Telefónica, on this same date.

- On 29 January 2025, the Board of Directors of Telefónica, S.A., resolved, with the abstention of the Executive Directors and upon proposal of the Nominating, Compensation and Corporate Governance Committee, to appoint Mr. Peter Löscher as Lead Independent Director. On the same date, the Audit and Control Committee resolved to appoint the Independent Director Ms. María Luisa García Blanco as Chairwoman of that Committee.

- On 14 February 2025, the Board of Directors of Telefónica del Perú, S.A.A. ("**Telefónica del Perú**"), with the aim of achieving an orderly restructuring of its liabilities, resolved to invoke the Ordinary Insolvency Procedure, established under the Peruvian law (*Ley General del Sistema Concursal*) with respect to Telefónica del Perú. The invocation of this insolvency procedure is focused on the financial and operational restructuring within the framework of the applicable insolvency law. Thus, the protection of the insolvency framework, established by the *Ley General del Sistema Concursal*, will allow Telefónica del Perú to undertake an orderly restructuring of liabilities with the arrangement of its creditors. In order to facilitate the invocation of the Ordinary Insolvency Procedure, Telefónica Hispanoamérica has granted a credit facility of up to 1,549 million Peruvian soles (approximately EUR 394 million at an estimated average rate of 3.93 Peruvian soles per euro), subject to strict conditionality and with a maturity of 18 months, to meet exclusively operational cash requirements of Telefónica del Perú. The financial situation of Telefónica del Perú has been very negatively affected by tax contingencies that are more than 20 years old, as well as by administrative decisions that have placed the company at a competitive disadvantage within a particularly challenging market environment. In relation to the abovementioned tax contingencies, Telefónica is currently in arbitration before the International Centre for Settlement of Investment Disputes ("**ICSID**"). Telefónica del Perú's liabilities are not guaranteed by any other company of the Telefónica Group. Telefónica will continue to explore strategic alternatives with regard to its investment in Telefónica del Perú. The Ordinary Insolvency Procedure was filed on 24 February 2025 with the National Institute of Competition and Intellectual Property (INDECOPI).

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

- On 26 February 2025, the Board of Directors of Telefónica unanimously adopted, following a favourable report from the Nominating, Compensation and Corporate Governance Committee, the following resolutions: related to the Board of Directors: i) to appoint, by co-option, Mr. Olayan Alwetaid as Proprietary Director to the Board of Directors of Telefónica, nominated by the shareholder Green Bridge Investment Company SCS / Stc Group, filing the existing vacancy on the Board of Directors after the passing of the Vice Chairman, Mr. José Javier Echenique Landiríbar; ii) to accept the voluntary resignation presented by Mr. Francisco José Riberas Meras from his position as Director of Telefónica, in order to allow the Company to continue with the orderly renewal process of its Board of Directors, taking into account that his current mandate as Director of the company would have expired on 23 April 2025. The Board of Directors has expressed its gratitude for the services rendered to Telefónica during his tenure; iii) in order to fill the abovementioned vacancy, and at the proposal of the Nominating, Compensation and Corporate Governance Committee, to appoint, by co-option, Ms. Ana María Sala Andrés as Independent

Director to the Board of Directors of Telefónica; iv) to appoint the Director, Mr. Carlos Ocaña Orbis, as Vice Chairman of Telefónica's Board of Directors; related to the Committees: i) to appoint Ms. María Luisa García Blanco as Member of the Executive Commission; ii) to appoint Mr. Carlos Ocaña Orbis as Member of the Nominating, Compensation and Corporate Governance Committee; iii) to appoint Ms. Ana María Sala Andrés as Member of the Sustainability and Regulation Committee, in replacement of Ms. María Luisa García Blanco.

- On 28 February 2025, Telefónica informed that, once the corresponding regulatory authorisations had been obtained and after the fulfilment of the remaining agreed conditions, the transaction regarding the agreement between its subsidiary Telefónica España Filiales, S.A.U. ("**Telefónica España**") and Vodafone ONO, S.A.U. ("**Vodafone España**") to incorporate a joint company, Compañía Mayorista de Fibra, S.L., for the commercialisation of a fiber to the home (FTTH) network for its shareholders, Telefónica España and Vodafone España, so that they can in turn provide retail and wholesale broadband access services, has been completed. The Company is set to commence operations on 1 March 2025, with a fiber to the home (FTTH) network that covers approximately 3.65 million premises, representing approximately a 12 per cent. of Telefónica de España's national network. It is estimated that Compañía Mayorista de Fibra, S.L. will initially have around 1.4 million clients, which implies a penetration level of approximately 38 per cent. Simultaneously, several agreements for the provision of services from Telefónica Group to Compañía Mayorista de Fibra, S.L. have been signed. Compañía Mayorista de Fibra, S.L.'s resulting share capital is divided between Telefónica Group (63 per cent.) and Vodafone España (37 per cent.). Telefónica Group's 63 per cent. stake is held through Telefónica España (38 per cent.) and Telefónica Infra (25 per cent.).

- On 6 March 2025, the Board of Directors of Telefónica, unanimously adopted the following resolutions, following a favourable report from the Nominating, Compensation and Corporate Governance Committee: i) to approve the termination of the contract signed with Mr. Ángel Vilá Boix as Chief Operating Officer of Telefónica, and request him, in accordance with the provisions of article 12.2.a) of the Regulations of the Board of Directors, to resign from his position as Director. Mr. Vilá, in response to this request, tendered his resignation as Director which was accepted by the Board of Directors. Mr. Vilá will continue as Director of VMED O2 UK Limited's Board of Directors, and will be proposed for appointment as Member of the Supervisory Board of Telefónica Deutschland Holding, S.A.; ii) to approve the appointment by co-option of Mr. Emilio Gayo Rodríguez, until that day CEO of Telefónica España, as Executive Director of the Company, also appointing him as Chief Operating Officer and delegating to him the same powers delegated to the former Chief Operating Officer. Likewise, to approve his appointment as Member of the Executive Commission. Borja Ochoa assumed the role of CEO of Telefónica España; iii) to propose the appointment of Mr. Francisco Javier de Paz Mancho as Chairman of the subsidiary company Telefónica Audiovisual Digital, S.L.U. (Movistar +) and Mr. Daniel Domenjó as CEO; iv) to appoint Ms. Sofía Collado as CEO of Telefónica Tech; v) to appoint Mr. Sebas Muriel as Chief Digital Officer; and vi) to appoint Ms. Ana Porto as Global Communications Director.

- Additionally, on 6 March 2025, the Board of Directors of Telefónica resolved to call the Annual General Shareholders' Meeting, at 11:00 a.m. on 10 April 2025 on second call, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on the first call that is called on 9 April 2025 at the same time.

- On 12 March 2025, Telefónica Hispanoamérica, S.A., a wholly owned subsidiary of Telefónica, S.A., reached an agreement for the sale to Millicom Spain, S.L. of all the shares it held in Colombia Telecomunicaciones S.A. E.S.P. BIC, representing 67.5 per cent. of its share capital. The total price for the shares representing the 67.5 per cent. of the share capital of Colombia Telecomunicaciones S.A. E.S.P. BIC whose transfer was agreed, amounts USD 400 million (approximately EUR 368 million at the current exchange rate) and will be subject to the usual price adjustments for this type of transactions. The closing of the transaction is subject to certain closing conditions, including the relevant regulatory approvals and several agreements with the Nation – Ministry of Finance and Public Credit of the Republic of Colombia and agreements with Empresas Públicas de Medellín E.S.P.

- On 10 April 2025, 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. On the same date the Board of Directors of the Company, following a favourable report from the Nominating, Compensation and Corporate Governance Committee, has unanimously adopted the following resolutions regarding the ratification and appointment of Directors approved in the abovementioned Meeting: (i) to re-elect Mr. Marc Thomas Murtra Millar as Executive Chairman of the Board of Directors and of the Executive Commission; (ii) to re-elect Mr. Emilio Gayo Rodríguez as Chief Operating Officer of the Board of Directors and as Member of the Executive Commission; (iii) to re-elect Mr. Carlos Ocaña Orbis as Vice-Chairman of the Board of Directors and of the Executive Commission; and (iv) that the Directors ratified and appointed by the Annual General Shareholders' Meeting that are members of any of the remaining Committees of the Board of Directors, Mr. Carlos Ocaña Orbis and Ms. Ana María Sala Andrés, continue as members of the same. In this regard Mr. Carlos Ocaña Orbis is a member of the Audit and Control Committee, and of the Nominating, Compensation and Corporate Governance Committee and Ms. Ana María Sala Andrés is a member of the Sustainability and Regulation Committee.

- In addition, on 10 April 2025, 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 € 0.30 during 2025 payable in two tranches, for each existing Company share and carrying entitlement to this distribution on the following dates: (i) the first payment in cash of a gross amount of € 0.15 per share will be on 19 June 2025 and (ii) the second payment in cash of a gross amount of € 0.15 per share will be on 18 December 2025. The required withholdings will be made on said gross amounts in accordance with the applicable regulations.

Business Overview

Highlights

Telefónica's **total accesses** were 389.9 million as of 31 December 2024, increasing by 0.6 per cent. year-on-year, mainly due to increases in mobile contract accesses in Telefónica Brazil and IoT accesses in VMO2 and Telefónica Brazil, offset in part by the decrease in prepaid accesses, mainly in Chile and Mexico, due to the high competitiveness in the prepaid market and the decrease in fixed telephony accesses across the Group.

The table below shows the evolution of Group accesses as of 31 December 2023 and 31 December 2024.

Accesses

Thousands of accesses(1)	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Fixed telephony accesses (2)	26,261	24,387	(7.1%)
Broadband	26,788	27,403	2.3%
UBB	25,049	26,249	4.8%
FTTH	16,121	17,933	11.2%
Mobile accesses	298,569	300,271	0.6%
Prepay	127,767	122,298	(4.3%)
Contract	130,134	132,705	2.0%
IoT	40,668	45,269	11.3%
Pay TV	10,258	10,111	(1.4%)
Retail Accesses	362,073	362,290	0.1%
Wholesale Accesses	25,724	27,660	7.5%
Fixed wholesale accesses	3,580	3,422	(4.4%)
FTTH wholesale accesses	3,295	3,353	1.7%
Mobile wholesale accesses	22,144	24,238	9.5%
Total Accesses	387,798	389,950	0.6%

Notes:

(1) The access information provided as of 31 December 2024 and 2023 includes 100% of the accesses of VMO2. Telefónica's actual percentage ownership of VMO2 is 50%.

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

Mobile accesses totalled 300.3 million as of 31 December 2024, up 0.6 per cent. compared to 31 December 2023, mainly as a result of the good performance in mobile contract accesses in Telefónica Brazil and IoT access growth in VMO2 and Telefónica Brazil, offset in part by the decrease in prepaid accesses mainly in Chile and Mexico, due to the high competitiveness in the prepaid market. Postpaid accesses represented 52.0 per cent. of the Group's total mobile accesses excluding IoT (+1.6 p.p. year-on-year).

Fixed broadband accesses stood at 27.4 million at 31 December 2024, up 2.3 per cent. year-on-year. Retail fiber (FTTH) accesses stood at 17.9 million at 31 December 2024, growing by 11.2 per cent. compared to 31 December 2023.

Pay TV accesses totalled 10.1 million as of 31 December 2024, up 2.3 per cent. year-on-year. Retail fiber (FTTH) accesses stood at 17.9 million at 31 December 2024, growing by 11.2 per cent. compared to 31 December 2023.

Segment results

Telefónica Spain

The table below shows the evolution of accesses in Telefónica Spain as of 31 December 2023 and 31 December 2024.

Accesses

Thousands of accesses	**31 December 2023**	**31 December 2024**	**% Reported Change Year-on-Year**
Fixed telephony accesses [(1)]	7,948	7,775	(2.2%)
Broadband	5,935	6,020	1.4%
FTTH	5,345	5,615	5.1%
Mobile accesses	20,115	21,054	4.7%
Prepay	0,705	0,493	(30.2%)
Contract	15,297	15,543	1.6%
IoT	4,113	5,018	22.0%
Pay TV	3,426	3,521	2.7%
Retail Accesses	**37,425**	**38,370**	**2.5%**
Wholesale Accesses	**3,568**	**3,410**	**(4.4%)**
FTTH Wholesale Accesses	3,290	3,347	1.7%
Total Accesses	**40,992**	**41,780**	**1.9%**

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

Telefonica Spain maintained a positive evolution in 2024, with year-on-year growth in accesses and the main financial indicators.

As the main commercial novelty in the residential segment, it is worth highlighting the reinforcement of the TV entertainment offer with the integration of Apple TV+, through the signing of a strategic agreement that brings the complete Apple TV+ service to miMovistarFicción subscribers, as part of the navigation on the TV platform and also on demand.

Additionally, Telefónica Empresas, servicing Telefónica Spain's business customers, continues to advance in its proposals for the business segment. Positive developments on this front include the collaboration agreement with Microsoft to facilitate the adoption of Copilot+ PCs, Windows devices with integrated AI. This collaboration will allow Spanish companies to upgrade their workstations and improve productivity through advanced digital solutions.

Telefónica Empresas has also incorporated Network Slicing capability into the Movistar Intranet service, becoming the first operator in Spain to offer quality of service in private mobile connectivity end-to-end for secure access to corporate networks in mobility.

This advancement allows for the establishment of secure virtual private networks (VPNs) on mobile devices that are able to communicate with each other even in high-traffic scenarios, optimising communications with new technologies that require greater mobility or lower latency.

Finally, **Movistar Prosegur Alarmas**, the joint venture of Prosegur and Telefónica Spain, reached 550 thousand customers as of 31 December 2024, up by 12.8 per cent. year-on-year.

Telefónica Spain had 41.8 million accesses as of 31 December 2024, an increase of 1.9 per cent. compared to 31 December 2023, driven by the positive evolution of mobile IoT, mobile contract and FTTH accesses, both those included in the convergent offer, as well as standalone mobile contract and FTTH accesses not included in the offer. These growth drivers were offset in part by decreases in mobile prepay and retail fixed accesses, as well as decreases in legacy wholesale accesses, despite year-on-year growth in FTTH wholesale accesses.

The **convergent offer** (residential and SMEs) had a customer base of 4.6 million customers as of 31 December 2024, an increase of 0.5 per cent. year-on-year.

Retail fixed accesses totalled 7.8 million and decreased 2.2 per cent. as compared to 31 December 2023, with a net loss of 174 thousand accesses in 2024.

Retail broadband accesses totalled 6.0 million (+1.4 per cent. year-on-year), with net adds of 85.8 thousand accesses as of 31 December 2024.

Retail fiber (FTTH) accesses reached 5.6 million in December 2024 (an increase of 5.1 per cent. as compared to 31 December 2023), representing 93.3 per cent. of total retail broadband customers (an increase of 3.2 p.p. year-on-year) with net adds of 270 thousand accesses as of 31 December 2024. At 31 December 2024, fiber deployment reached 30.8 million premises, 1.6 million more than at 31 December 2023.

Total retail mobile accesses stood at 21.1 million as of 31 December 2024, an increase of 4.7 per cent. as compared to 31 December 2023 mainly as a result of an increase in the IoT accesses base (up 22.0 per cent. year-on-year), together with increases in mobile contract accesses (up 1.6 per cent. year-on-year).

Pay TV accesses reached 3.5 million at 31 December 2024, increasing 2.7 per cent. year-on-year, mainly driven by the positive evolution of Movistar Plus+, an OTT product.

Wholesale accesses stood at 3.4 million at 31 December 2024, down 4.4 per cent. year-on-year. Wholesale fiber (FTTH) accesses were up 1.7 per cent. year-on-year and corresponded to 98.2 per cent. of total wholesale accesses at 31 December 2024 compared with 92.2 per cent. at 31 December 2023.

VMO2

In accordance with applicable accounting standards, Telefónica's share in the results of VMO2, our 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 gigabit fixed network footprint reached 18.3 million premises at the end of 2024, delivering 1.3 million homes serviceable in the year underpinned by the expansion of the FTTH network of nexfibre, the FTTH joint venture formed by Telefónica Infra, Liberty Global and InfraVia. The expansion of the nexfibre footprint helped to deliver 20,000 new accesses in 2024.

The upgrade of VMO2's fixed network to fiber continued at pace across the year, with a total fiber footprint of 6.4 million premises by year end when including the nexfibre footprint.

In its mobile business, significant progress was also made in the evolution of the company's mobile network to 5G, with UK outdoor population coverage standing at 75 per cent. at the end of 2024, an increase of 24 percentage points in the year.

In December 2024, the UK's Competition and Markets Authority approved the merger between Vodafone UK and Three UK in the United Kingdom ("**MergeCo**"). Subject to the final completion of the merger and relevant approvals, VMO2 expects to acquire spectrum from MergeCo and MergeCo's enlarged network would participate in network sharing with VMO2.

The table below shows the evolution of accesses of VMO2 as of 31 December 2023 and 31 December 2024.

Accesses(1)

Thousands of accesses	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Fixed telephony accesses	3,877	3,505	(9.6%)
Broadband	5,725	5,745	0.3%
UBB	5,718	5,739	0.4%
Mobile accesses	35,216	35,653	1.2%
Prepay	7,618	7,370	(3.3%)
Contract	16,122	15,836	(1.8%)
IoT	11,476	12,447	8.5%
Pay TV	3,147	3,016	(4.1%)
Retail Accesses	**47,964**	**47,918**	**(0.1%)**
Wholesale Accesses	**9,645**	**10,048**	**4.2%**
Total Accesses	**57,609**	**57,966**	**0.6%**

(1) The access information provided as of 31 December 2024 and 2023 includes 100% of the accesses of VMO2. Telefónica's actual percentage ownership of VMO2 is 50%.

The **total accesses base** grew 0.6 per cent. year-on-year and stood at 58.0 million as of 31 December 2024, mainly driven by the increase in wholesale accesses and the 8.5 per cent. year-on-year growth in IoT accesses, offset in part by decreases in fixed telephony accesses, mobile prepay and contract accesses and Pay TV accesses.

The **contract mobile customer base** decreased 1.8 per cent. year-on-year to 15.8 million accesses, with a net loss of 286 thousand accesses in 2024 due to the poorer performance in the consumer segment as a result of more aggressive competition, especially from MVNOs, reflecting broader market trends

The **prepay mobile customer base** decreased 3.3 per cent. year-on-year to 7.4 million accesses, with a net loss of 248 thousand accesses in 2024.

IoT mobile customer base grew 8.5 per cent. year-on-year and reached 12.4 million accesses underpinned by the continued roll-out of the United Kingdom's Smart Metering Implementation Programme. The Smart Metering Implementation Programme (SMIP) is an energy-industry led programme which aims to roll-out approximately 53 million smart electricity and gas meters to domestic properties and non-domestic sites in the United Kingdom.

The fixed broadband base grew 0.3 per cent. year-on-year and reached 5.7 million accesses adding 20 thousand new accesses in 2024 supported by the expansion of the nexfibre footprint.

Telefónica Germany

The table below shows the evolution of accesses in Telefónica Germany as of 31 December 2023 and 31 December 2024.

Accesses

Thousands of accesses	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Fixed telephony accesses (1)	2,300	2,292	(0.3%)
Broadband	2,384	2,375	(0.4%)
UBB	2,065	2,092	1.3%
FTTH	28	51	78.8%
Mobile accesses	45,072	44,990	(0.2%)

Thousands of accesses	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Prepay	15,527	14,874	(4.2%)
Contract	27,686	27,889	0.7%
IoT	1,859	2,227	19.8%
Retail Accesses	**49,832**	**49,657**	**(0.4%)**
Total Accesses	**49,832**	**49,657**	**(0.4%)**

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

In 2024, Telefónica Germany continued to have commercial traction and low churn in a competitive market.

Telefónica Germany's key milestones 2024 were as follows:

- Good financial execution, with EBITDA accelerating year-on-year in the last three months of 2024.
- Ongoing commercial activity reflecting sustained O2 brand appeal and enhanced partner brands momentum.
- Telefónica Germany made good progress with the densification and further roll-out of its green 5G network resulting in coverage 97 per cent. as of 31 December 2024, leaving Telefónica Germany well on track to achieve nationwide 5G coverage by the end of 2025.
- Telefónica Germany maintained mobile trading momentum in a competitive environment, leveraging continued enhancement of network and service quality.
- On 26 January 2024, Telefónica completed a voluntary public acquisition offer for shares of Telefónica Deutschland, followed by a public delisting acquisition offer completed on 29 April 2024. As a result of these transactions and direct market purchases by Telefónica outside the offers, Telefónica reached approximately 96.85 per cent. of the share capital and voting rights of Telefónica Deutschland.

In August 2023, the 1&1 Group disclosed that it would switch its host network operator in Germany from Telefónica Germany to Vodafone in the second half of 2024, under a long-term, exclusive national roaming partnership with Vodafone Group. This exclusivity arrangement includes the non-discriminatory provision of national roaming services in areas not yet covered by the new 1&1 mobile network and in particular includes access to the 5G network of Vodafone Group, including mobile communication standards 2G and 4G and future mobile communication standards and technologies. The agreement between the 1&1 Group and Vodafone has limited Telefónica's network sharing opportunities with 1&1. The ongoing migration of 1&1 customers from Telefónica's network to 1&1's own network and Vodafone's network (for roaming) is referred to below as the "change to the 1&1 business model".

The **total access base** decreased 0.4 per cent. year-on-year and stood at 49.7 million on 31 December 2024, mainly driven by a 4.2 per cent. decrease in the prepay mobile accesses base, which reached 14.9 million.

The **contract mobile customer base** reached 27.9 million customers in 2024, growing 0.7 per cent. year-on-year due to O2's good performance driven by brand appeal, continued network enhancement and service quality, partially offset by the lower customer base in partner brands as a result of the migration of 1&1 customers to their own network. The contract mobile customer base excluding the effect of the change to the 1&1 business model reached 17.3 million customers growing 5.0 per cent. year-on-year mainly due to the O2 brand customer growth.

The **prepay mobile customer base** decreased 4.2 per cent. year-on-year to 14.9 million accesses reflecting a net loss of 652.9 thousand accesses in 2024 due to the German market trend of prepaid-to-postpaid migration.

Broadband accesses reached 2.4 million accesses (down 0.4 per cent. year-on-year), with a net loss 9.0 thousand accesses in 2024, mainly driven by legacy DSL churn, offset in part by continued customer for high-speed cable and fiber accesses.

Telefónica Brazil

The table below shows the evolution of accesses of Telefónica Brazil as of 31 December 2023 and 31 December 2024.

Accesses

Thousands of accesses	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Fixed telephony accesses [(1)]	6,458	5,746	(11.0%)
Broadband	6,678	7,274	8.9%
UBB	6,387	7,049	10.4%
FTTH	6,175	6,958	12.7%
Mobile accesses	99,070	102,310	3.3%
Prepay	37,267	35,816	(3.9%)
Contract	45,903	49,077	6.9%
IoT	15,900	17,417	9.5%
Pay TV	845	785	(7.1%)
IPTV	845	785	(7.1%)
Retail Accesses	**113,102**	**116,164**	**2.7%**
Total Accesses	**113,102**	**116,164**	**2.7%**

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

In 2024, Telefónica Brazil maintained its leadership in the mobile segment and, in a more consolidated market environment, a market share of 38.8 per cent., +5.7 p.p. ahead of its closest competitor (data from the last official publication of ANATEL, 31 December 2024). Telefónica Brazil's strategy remains focused on strengthening its high-value customer base. Telefónica Brazil reached a contract market share (excluding IoT accesses) of 43.1 per cent. as of 31 December 2024 (ANATEL).

In the fixed business, Telefónica Brazil continued with the implementation of strategic technologies, focusing on the deployment of fiber, centring its commercial offer around Vivo Total, and maintaining low churn rates

In addition, 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:

- *Health & Wellness*: Vale Saúde is a monthly subscription service that provides discounts for online or in-person medical care, exams and medications, through more than 3 thousand pharmacies and 3 thousand clinics and laboratories in 2024.

- *Education*: Viva E is an 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*: Telefónica Brazil's corporate venture capital fund for strategic investments, invested EUR 5 million in CRMBonus, a platform specialised in the use of artificial intelligence to build customer loyalty, in June 2024, in addition to EUR 1.4 million in Agrolend, an agricultural credit fintech company for targeting small and medium-sized rural producers, in October 2024.

- *Fintech*: Vivo Pay is Telefónica Brazil's 100 per cent. digital platform that consolidates Vivo's financial solutions, including personal loans, insurance, unemployment benefit advances and instant payment solutions, among others. Telefónica Brazil operated Vivo Pay with BTG Bank, until September 2024, when the Central Bank of Brazil approved the request for authorisation to operate Vivo Pay Sociedade de Crédito S.A. as a direct credit company. Vivo Pay is expected to enhance Vivo's financial services.

- *Energy*: GUD Energía is a joint venture created in 2024 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, helping consumers to cut their energy bills.

Total accesses stood at 116.2 million as of 31 December 2024, increasing 2.7 per cent. year-on-year mainly due to the growth in contract mobile accesses thanks to Telefónica Brazil's totalisation strategy (expanding the services we offer to provide customers with a complete experience) and the growth in FTTH, which offset the decrease in prepaid mobile accesses as customers migrate to hybrid postpaid (accesses with usage limits, requiring customers to purchase "top-ups" if they exceed these limits), 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 6.9 per cent. year-on-year and reached 49.1 million with net adds of 3.2 million new accesses in 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.

Prepaid mobile accesses decreased by 3.9 per cent. year-on-year and reached 35.8 million accesses with a net loss of 1.5 million accesses during 2024. The lower customer base has been mainly a consequence of the strategy of migrating prepaid customers to control postpaid and focusing more on encouraging the consumption of top-ups.

Broadband accesses grew by 8.9 per cent. year-on-year and reached 7.3 million accesses with net adds of 596 thousand new accesses in 2024. Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching 7.0 million homes connected with FTTH as of December 2024, growing 12.7 per cent. year-on-year. Telefónica Brazil reached 31.5 million real estate units passed with FTTx access, and 7.0 million connected homes, which grew by 10.4 per cent. year-on-year, which managed to offset the decrease in other accesses of legacy broadband services (xDSL).

Traditional voice accesses decreased by 11.0 per cent. year-on-year due to fixed-mobile substitution, reaching 5.7 million accesses.

Pay TV accesses reached 785 thousand as of 31 December 2024, decreasing by 7.1 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 Telefónica Hispam's accesses as of 31 December 2023 and 31 December 2024.

Accesses

Thousands of accesses	31 December 2023	31 December 2024	% Reported Change Year-on-Year
Fixed telephony accesses [(1)]	5,679	5,068	(10.7%)
Broadband	6,029	5,957	(1.2%)
UBB	5,535	5,754	4.0%
FTTH	5,467	5,713	4.5%
Mobile accesses	97,946	95,001	(3.0%)
Prepay	66,650	63,746	(4.4%)
Contract	25,126	24,360	(3.0%)
IoT	6,170	6,896	11.8%
Pay TV	2,840	2,789	(1.8%)
IPTV	1,683	1,838	9.3%
Retail Accesses	**112,564**	**108,886**	**(3.3%)**
Total Accesses	**112,575**	**108,898**	**(3.3%)**

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

Telefónica Hispam's **total accesses** reached 108.9 million as of 31 December 2024 (-3.3 per cent. year-on-year), mainly as a result of the decrease in mobile accesses.

Mobile accesses closed at 95.0 million, decreasing by 3.0 per cent. year-on-year, mainly due to decreases in prepaid customers and, to a lesser extent, contract customers.

- **Contract accesses** decreased by 3.0 per cent. year-on-year due to the lower accesses recorded in Colombia (-7.7 per cent.), Ecuador (-7.0 per cent.), Chile (-3.8 per cent.) and Argentina (-2.3 per cent.), partially offset by the increase in Mexico (+5.2 per cent.). This evolution was driven by aggressive competition in the postpaid markets in Colombia, Ecuador, Chile and Argentina and a strong increase in customer churn.

- **Prepay accesses** decreased by 4.4 per cent. year-on-year, resulting in a net loss of 2.9 million accesses as of 31 December 2024, due to a revenue-neutral technical customer base adjustment in Chile (-1.9 million accesses) and Mexico (-1.1 million accesses), which entailed excluding inactive accesses that did not generate revenue over a given period of time. The prepay customer base was also negatively impacted by the aggressive competition in the prepaid markets in Chile, Mexico, Colombia and Argentina.

Fixed accesses stood at 5.1 million as of 31 December 2024 (-10.7 per cent. year-on-year), with a net loss of 610 thousand accesses, due to the ongoing erosion of this business in all countries in the region.

Fixed broadband accesses amounted to 6.0 million as of 31 December 2024 (-1.2 per cent. year-on-year). The penetration of fixed broadband accesses over traditional business accesses stood at 117.5 per cent. (+11.4 p.p. year-on-year), as a result of the focus on ultra broadband (UBB) deployment in the region, reaching 5.7 million connected accesses (+4.0 per cent. year-on-year) and 25.0 million premises passed. The penetration of UBB accesses over fixed broadband accesses stood at 96.6 per cent. (+4.8 p.p. year-on-year).

Pay TV accesses stood at 2.8 million as of 31 December 2024, a decrease of 1.8 per cent. year-on-year. This evolution is explained by the decline in cable accesses (-181.5 thousand accesses) and direct-to-home accesses (-109.7 thousand accesses), in line with the change in the commercial strategy in the region, partially offset by the increase in IPTV accesses (+155.7 thousand accesses), the company's main 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 Services, 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 (sold in February 2025), Peru, Mexico, and Ecuador. 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 fiber to the home (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, DTH, CATV and OTT) on various types of networks (Fiber, Satellite, 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 on 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 Max, among others. In addition, Telefónica offers accessible content in several different languages (original or translated to Spanish) with subtitles 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.

- **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**: Telefónica provides comprehensive cybersecurity solutions, including security system integration (deployment of security hardware/software), threat and risk management, network and cloud security, managed and mobile protection, identity and access control, professional services, and antivirus solutions for B2B and B2C.

- **Cloud services:** Telefónica offers a wide range of Cloud services. The value proposition includes: (i) IaaS services: Virtual Data Centre, which facilitates the migration of existing applications to the cloud and hyperscalers (such as AWS, Microsoft Azure and Google Cloud Platform) to develop new applications in the public cloud; (ii) unified communications and contact centre applications in the Cloud; (iii) Cloud networking; (iv) SaaS applications, productivity (Microsoft Office 365), domains, web presence and online marketing; and (v) Platforms as a service (SAP, Oracle).

- **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 with new channels like programmatic display and sponsored connectivity. All of which leverage on 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:** defines and develops the omnichannel digital experience, guiding the Telefónica customer through his life cycle, adapting the digital experience to every moment's necessity, with three main pillars:

- Digitalise Telefonica customers turning our digital channels into the main point of relationship for the clients with Telefonica in all the main markets.

- Maximise customer engagement in the digital channel by providing an outstanding customer experience in order to increase Customer Life Time 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:** is 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 Telefónica offers services such as answering questions about telecommunications services, offering financial service proposals, or making recommendations about television or connection offerings. To foster a relationship with customers, Aura offers the creation of conversational bots and other interfaces that use natural language capabilities, using its own infrastructure, with a private and transparent data approach by design. Additionally, to generate useful information, Aura provides its own AI model execution platform with the goal of enhancing the information provided to customers. Moreover, Aura has the capability to create copilot apps for internal use, leveraging the kernel platform (data and APIs) for operations, marketing, and other functions. This aims to ensure that data privacy is maintained by design, providing a secure and efficient way to manage internal processes while enhancing customer interactions.

- **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 and its partners to create relevant home experiences for its users on Telefónica TV. The vision is going 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 objectives are generating revenue to Telefónica, adding value to customers and exploring new business models with partners.

- **Smart Wi-Fi:** An advanced home connectivity platform and key lever in the premium connectivity strategy, that enables key capabilities like intelligent Wi-Fi connectivity management or web browsing protection (*Protección Digital*).

- **NT:** A micro-rewards programme in Spain to reward customers with Tokens for their digital behaviour. Tokens are awarded when customers make use of our 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 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 is customised for each type of customer according to their level and habits of consumption, seeking to maximise savings on their current electricity bill. It includes 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 personalised offers to renew their devices and process purchases in a simple and fully digital checkout. When customers are eligible to renew their devices or expand their devices ecosystem with Telefónica, a customised offer is sent to them via the usual communication channels (SMS, RCS, emailing, self-care 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 our 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 the Group's fixed and mobile Internet and mobile broadband offerings. In connection with these and Group's other sales and marketing initiatives, the Group 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 face significant competition in most of the markets in which we operate. In Europe, the Group's largest competitors include Vodafone, Orange, Deutsche Telekom and BT Group, among others. In Latin America, our 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 instalment 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 asymmetries in regulation (including regulation of access to the network infrastructures of telecoms network providers), the introduction of new products and services, different pricing strategies and changes in consumer preferences.

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 Agencia 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 (*Fundo de Universalização de Serviços de Telecomunicações*) –a fund which pays for the obligations to provide Universal Service– with retroactive application from 2000. On 13 March 2006, Brasilia Federal Regional Court of the 1st Region 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 of the 1st Region, 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 of the 1st Region 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 of the 1st Region, 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.

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

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

In May 2018, Telefônica Brasil 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 Telefônica Brasil.

This PADO investigation had been suspended during the negotiations of the conduct adjustment term (Termo de Ajustamento de Conduta or "TAC") between Telefônica Brasil 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 Telefônica 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 Telefônica Brasil is approximately 211 million Brazilian reals (approximately EUR 33 million based on the exchange rate as of 31 December 2024), which amounted to approximately 663 million Brazilian reals after currency value updates and accrued interest as of 31 December 2024 (approximately EUR 103 million based on the exchange rate as of 31 December 2024).

Telefônica Brasil 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.

In December 2024, Telefônica Brasil, ANATEL, the Brazilian Federal Court of Accounts and the Brazilian Ministry of Communications signed an agreement on the terms and conditions for the adaptation of the switched fixed telephone service concession contracts to an authorisation instrument (the "**Self-Composition Agreement**"). Once the Self-Composition Agreement is validated by the relevant court, the matter is expected to be closed without payment of a fine by Telefônica Brasil.

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

In the local arbitration brought by Colombia against Colombia Telecomunicaciones, on 25 July 2017, the local arbitration tribunal ordered Colombia Telecomunicaciones 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, Colombia Telecomunicaciones's share capital was increased in order to make the payment ordered by the local arbitral award; Telefónica, S.A. contributed and disbursed an amount equivalent to 67.5 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 ICSID, which was formally registered on 20 February 2018.

The ICSID tribunal was constituted on 26 February 2019.

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

On 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.

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

On 27 November 2024, the Republic of Colombia filed a request with the ICSID to annul and suspend the award. According to ICSID procedures, the request for a stay of enforcement in the annulment proceeding provisionally suspends the enforcement of the award until the new tribunal decides on the request within a maximum period of 30 days from its constitution. The account receivable associated with this award, amounting to USD 544 million (EUR 523 million based on the exchange rate as of 31 December 2024), is recorded under "Short-term credits". The ICSID tribunal was constituted on 14 March 2025.

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

Telefónica, S.A. 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 USD 140 million) from Millicom.

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

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

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

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

On 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 Telefonica 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 Republic of Peru filed a rejoinder on the merits and a reply on jurisdiction.

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

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

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

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

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 2024, the amount under litigation was 896 million Brazilian reais (EUR 139 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 2024, the amount under litigation was 229 million Brazilian reais (EUR 36 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, and the Defendants filed a response on 28 June 2024.

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

Other Proceedings

In October 2024, Telefónica Venezolana, C.A., Telefónica, S.A. and the United States Department of Justice ("**DOJ**") entered into a Deferred Prosecution Agreement ("**DPA**") to resolve a single charge of conspiracy to violate the anti-bribery provisions of The Foreign Corrupt Practices Act 1977. The charge, made against Telefónica Venezolana, C.A., concerns conduct in and around 2014 and 2015 related to a Venezuelan government-sponsored currency auction.

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

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

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 2024, it is not estimated that there will be a need to recognise additional liabilities in addition to those described in the 2024 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 2 December on corporate income tax. Specifically, the TC declared unconstitutional the setting of stricter ceilings for the offsetting of tax loss carryforwards, the introduction ex novo of a limit on the application of double taxation deductions, and the obligation to automatically integrate into the tax base of the tax the impairment of holdings that had been deducted in previous years. This ruling, following the trend of previous TC rulings, points out that, in the interest of legal certainty, the effects of the declaration of unconstitutionality are limited.

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

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

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

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

The reversal must be made, at a minimum, in equal parts during each of the first three financial years starting from 1 January 2024. It will be possible to offset the positive income arising from this mandatory reversal with tax loss carryforwards generated in years prior to 2021, without the application of the 25 per cent. and 50 per cent. limits mentioned in Note 25 to the 2024 Consolidated Financial Statements (although the general 70 per cent. limit will still apply).

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

Accordingly, Telefónica, with the support of its external advisors, based on the applicable financial reporting framework, has taken into account the effects of the unconstitutionality of Royal Decree-Law 3/2016 and Law 7/2024, in its analysis of recoverability of deferred tax assets at the end of 2024, this resulted mainly in the reversal of impairment of portfolios that were tax-deductible in periods starting prior to January 1, 2013 and their integration in the taxable income base according to the provisions of Article 12.3 of Royal Decree-Law 4/2004 and the new Law 7/2024.

The effects are shown in the section "Main changes registered in 2024" in Note 25 to the 2024 Consolidated Financial Statements.

As a result of the execution of this TC ruling, as well as the ruling from the General Court of the European Union regarding the amortisation of goodwill, Telefónica could once again have available (in addition to the EUR 334 million described in Note 25 to the 2024 Consolidated Financial Statements), either in whole or in part, the following tax credits for tax loss carryforwards and deductions used in the assessments of those years: for tax loss carryforwards of 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 for the years 2010 to 2020, EUR 952 million; for reinvestment for the years 2003 and 2011 to 2013, EUR 23 million; for investments from 2003 to 2013, EUR 476 million; for donations from the years 2009 to 2018, EUR 260 million; for fixed assets in the Canary Islands from 2010 to 2020, EUR 101 million and due to the reversal of temporary measures from 2015 to 2020, EUR 29 million.

Tax litigation in 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, was approximately 25,760 million Brazilian reais as of 31 December 2024 (approximately EUR 4,002 million at the exchange rate on that date, see Note 25 to the 2024 Consolidated Financial Statements), 23,130 million Brazilian reais as of 31 December 2023 (approximately EUR 4,323 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 federal income taxes for a total amount of 36,723 million Brazilian reais as of 31 December 2024 (approximately EUR 5,706 million at the exchange rate on that date), compared to 30,379 million Brazilian reais as of 31 December 2023 (approximately EUR 5,678 million at the exchange rate on that date), mainly related to the tax amortisations in Brazil in the years between 2011 and 2021 with respect to goodwill originated in the acquisitions of Vivo and GVT and their subsequent mergers with Telefónica Brasil. In relation to the tax amortisation of goodwill in 2024, the last assessment received was for an amount of 4,018 million Brazilian reais (approximately EUR 624 million at the exchange rate as of 31 December 2024). Telefónica Brasil has challenged the related assessments.

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.

There are other probable contingencies in relation to the federal income taxes for the total amount of 216 million Brazilian reais as of 31 December 2024 (approximately EUR 34 million at the exchange rate as of 31 December 2024), compared to 198 million Brazilian reais as of 31 December 2023 (approximately EUR 37 million at the exchange rate on that date). The Company has recognised a provision for this amount.

Tax litigation in 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 judgment of 2015, which was partially upheld; the Supreme Court judgments of 2019; the January 2020 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, the 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 2024 Consolidated Financial Statements).

During the 2024 financial year, the partial execution of the guarantees provided during the aforementioned proceedings from 1998 to 2001 has finally taken place, for a total amount of 1,105 million Peruvian soles, equivalent to EUR 272 million at the 2024 average exchange rate.

Telefónica del Perú has recorded the necessary provisions for the contingencies considered probable, leaving as possible contingencies an amount of 517 million Peruvian soles as of 31 December 2024, or approximately EUR 132 million at the exchange rate on that date (587 million Peruvian soles as of 31 December 2023, or approximately EUR 143 million at the 2024 average exchange rate).

The total provision for tax litigation in Peru, following the payments made to date, as well as the use of credit balance and the restatement of interest, have led to the adjustment of the provision at 31 December 2024, which amounts, including the amount corresponding to the guaranteed letters paid and pending return, to 2,739 million Peruvian soles, or approximately EUR 700 million at the exchange rate as of 31 December 2024 (3,117 million Peruvian soles as of 31 December 2023 or approximately EUR 761 million at the exchange rate on that date).

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 Colombia Telecomunicaciones (prior to 21 December 2007) and Vivo (acquired in 2010). The positive accumulated effect of the corresponding settlements of corporate income tax from 2004 to the closing of 31 December 2024, was EUR 2,368 million.

In relation to this tax incentive, the European Commission ("**EC**") has in recent years commenced three proceedings against the Spanish State, as it deems that this tax benefit could constitute an example of state aid. Although the EC itself acknowledged the validity of the tax incentive for those investors that invested in European companies for operations carried out before 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 Court of Justice of the European Union concluded that the European Commission correctly classified the Spanish tax depreciation scheme of the Fondo de Comercio as State aid incompatible with the internal market for the first and second decisions.

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

The proceedings initiated on the Third Decision, suspended until the resolution of the first and second decisions resumed on 19 October 2021. The General Court of the Court of Justice of the European Union 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 Sentence, in accordance with the opinion of the Company and its advisors as to the likely outcome of the aforementioned appeal, as well as that of the Constitutional Court on Royal Decree Law 3/2016, Telefónica could once again have available (in addition to the EUR 334 million mentioned in the section "Main changes registered in 2023"), totally or partially, the tax credits for tax loss carryforwards and deductions described under "Constitutional Court Ruling on Royal Decree Law 3/2016" in Note 25 to the 2024 Consolidated Financial Statements.

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. All settlements have been appealed by the Company in the Spanish courts.

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

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, 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 ten years in the United Kingdom.
- The last nine years in Germany.
- 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 of the date of this Base Prospectus, 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 of the date of this Base Prospectus, 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:

	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Percentage of total voting rights
Name of Beneficial Owner	**Direct**	**Indirect**	**Direct**	**Indirect**	
Sociedad Estatal de Participaciones Industriales (1)	10.00	0.00	0.00	0.00	10.00%
Criteria Caixa, S.A.U. (2)	9.99	0.00	0.00	0.00	9.99%
Public Investment Fund.(3)..................	0.00	9.97	0.00	0.00	9.97%
Banco Bilbao Vizcaya Argentaria, S.A. (4)	4.93	0.00	0.00	0.00	4.93%
BlackRock, Inc. (5)	0.00	3.09	0.00	1.20	4.29%

(1) Based on the information provided by Sociedad Estatal de Participaciones Industriales (SEPI) for the 2024 Annual Report on Corporate Governance of Telefónica, S.A., as of 31 December 2024.

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

(3) Based on the information contained in the communication sent by Public Investment Fund to the CNMV on 6 February 2025, the indirect stake is hold through Green Bridge Investment Company SCS (a company controlled by Saudi Telecom Company which in turn is controlled by Public Investment Fund).

(4) Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) for the 2024 Annual Report on Corporate Governance of Telefónica, S.A., as of 31 December 2024. 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 2024, would increase by 0.231% without voting rights of Telefónica, S.A. share capital.

(5) Based on the information notified by BlackRock, Inc. to the CNMV on 25 November 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 2024, the Group's Board of Directors met 15 times. As at the date of this Base Prospectus, the Group's Board of Directors had met six times during 2025. As at the date of this Base Prospectus, 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. Marc Thomas Murtra Millar(1)	52	2025	2025
Vice-Chairmen			
Mr. Isidro Fainé Casas(1)(2)	82	1994	2028
Mr. José María Abril Pérez(1)(3)(8)	73	2007	2026
Mr. Carlos Ocaña Orbis(1)(4)(6)(7)	44	2024	2025
Members			
Mr. Emilio Gayo Rodríguez(1)	59	2025	2025
Ms. Peter Löscher (1)(6)(7)	67	2016	2028
Mr. Olayan Alwetaid (5)	48	2025	2025
Ms. María Luisa García Blanco (1)(6)(7)	59	2018	2026
Ms. Verónica Pascual Boé (7)	46	2019	2028
Mr. Francisco Javier de Paz Mancho(1)(7)(8)	66	2007	2026
Mr. Alejandro Reynal Ample	52	2023	2028
Ms. María Rotondo Urcola(6)(8)	60	2021	2026
Ms. Ana María Sala Andrés(8)	57	2025	2025
Ms. Claudia Sender Ramírez (1)	50	2019	2028
Ms. Solange Sobral Targa(8)	52	2023	2028

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

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

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

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

(5) Name of the shareholder represented or that has proposed their appointment: Green Bridge Investment Company SCS / Stc Group

(6) Member of the Audit and Control Committee.

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

(8) 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
Marc Thomas Murtra Millar..................................	Executive Chairman of Telefónica, S.A.	Chairman of Fundación Telefónica. Chairman of VMED O2 UK Ltd. First Vice Chairman of Fundación Profuturo. Trustee of Caixa d'Estalvis i Pensions de Barcelona "la Caixa" Banking Foundation.
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 (*Confederación Española de Cajas de Ahorros*, CECA). Chairman of *Fundación de las Cajas de Ahorros* (Funcas). Chairman of the World Savings Banks Institute (WSBI). Chairman of the Spanish Confederation of Directors and Executives (*Confederación Española de Directivos y Ejecutivos*, 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". Founder of the Círculo Financiero.
José María Abril Pérez	Vice Chairman of Telefónica, S.A.	Director of Arteche Lantegi Elekartea, S.A. Director of Madlane Bay, S.L. Director of Dalimar, S.L.
Carlos Ocaña Orbis	Vice Chairman 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. Member of the Governing Board of the Real Madrid University School. Member of the Strategy Committee of Prisa Group. Secretary of the World Football Club Association. Member of the Supervisory Committee of Foro the Foros Foundation.
Emilio Gayo Rodríguez...	Chief Operating Officer and Executive Director of Telefónica, S.A.	

Name	Principal activities inside the Group	Principal Activities outside the Group
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. 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.
Olayan M. Alwetaid	Director of Telefónica, S.A.	CEO of stc Group.
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. Chairwoman of the Committee of Experts of 65YMAS.COM Deputy President of the Board of Trustees of the Más Sénior Foundation.
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. 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 Telefônica Brasil, S.A. Chairman of Telefónica Audiovisual Digital, S.L.U. Member of the Advisory Board of Telefónica España Member of the Advisory Board of Telefónica Hispanoamérica	Trustee of Fundación Atenea.
Alejandro Reynal Ample......................................	Director of Telefónica, S.A.	Chairman and Chief Executive Officer of Four Seasons.
María Rotondo Urcola..	Director of Telefónica, S.A.	Member of the Board of Directors of CACEIS Bank Spain, S.A.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

Name	Principal activities inside the Group	Principal Activities outside the Group
		the Executive Sustainability Programme.
Ana María Sala Andrés	Director of Telefónica, S.A.	Partner of Cortés Abogados.
		Secretary of the Board of Directors of Indra Sistemas, S.A.
		Secretary of the Board of Directors of Sacyr, S.A.
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
		Member of the Board of Directors of Ensina Brasil.
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

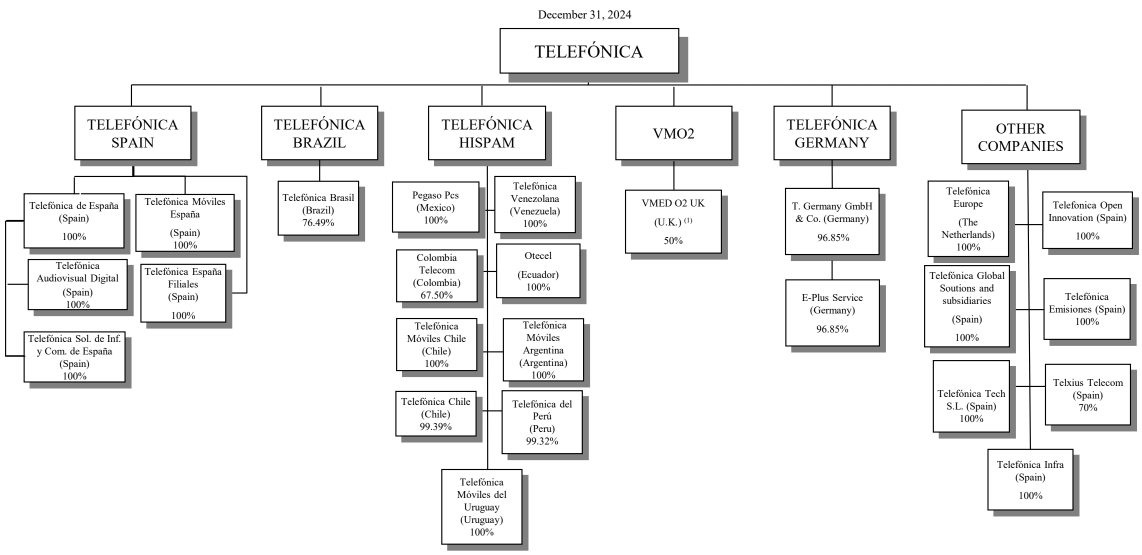
The business address of each of the directors of the Guarantor is Distrito Telefónica Ed. Central, Ronda de la Comunicación s/n, 28050 Madrid, España.

Conflicts of Interest

As at the date of this Base Prospectus, 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 31 December 2024, including their jurisdictions of incorporation and Telefónica's ownership interest.



(1) Investment accounted for under equity method.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS

The tax laws of the investor's Member State and of the Issuer's and Guarantor's Member State of incorporation might have an impact on the income received from any Guaranteed Subordinated Notes. Prospective purchasers of Guaranteed Subordinated Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Guaranteed Subordinated Notes and receiving payments of interest, principal and/or other amounts under the Guaranteed Subordinated Notes and the consequences of such actions under the tax laws of those countries.

The information provided below does not purport to be a complete summary of tax law and practice applicable in the Kingdom of Spain as at the date of this Base Prospectus and is subject to any changes in law and the administrative interpretation and application thereof, which could be made with 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 the Guaranteed Subordinated Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors should consult with their own professional advisers.

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

Taxation in the Kingdom of Spain

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

(a) of general application, First Additional Provision of Law 10/2014, of 26 June on the regulation, supervision and solvency of credit entities ("**Law 10/2014**") and Royal Decree 1065/2007 of 27 July as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes ("**Royal Decree 1065/2007**");

(b) for individuals with tax residency in Spain who are personal income tax ("**Personal Income Tax**") tax payers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law (the "**Personal Income Tax Law**") as amended and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations as amended, along with Law 19/1991, of 6 June on Wealth Tax as amended, Law 29/1987, of 18 December on Inheritance and Gift Tax as amended and Law 38/2022, for the establishment of temporary levies on energy and on financial credit institutions and introducing a temporary solidarity tax on large fortunes (the "**Solidarity Tax Law**");

(c) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**") taxpayers, Law 27/2014, of 27 November and Royal Decree 634/2015, of 10 July promulgating the corporate income tax regulations (the "**Corporate Income Tax Regulations**"); and

(d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax as amended, Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended and the Solidarity Tax Law.

Whatever the nature and residence of the holder of a beneficial interest in the Guaranteed Subordinated Notes (a "**Holder**"), the acquisition and transfer of the Guaranteed Subordinated Notes will be exempt from indirect taxes in Spain, for example it will be exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax, in accordance with Law 37/1992, of 28 December regulating such tax.

1. **Individuals with Tax Residency in Spain**

1.1 ***Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

Payments of both interest periodically received and income deriving from the transfer, redemption, repayment or exchange of the Guaranteed Subordinated Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and must be included in each Holder's Personal Income Tax savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then- applicable rate. The savings taxable base is currently subject to the rate of 19 per cent. up to EUR 6,000.00, 21 per cent. for taxable income between EUR 6,000.01 and EUR 50,000.00, 23 per cent. for taxable income between EUR 50,000.01 and EUR 200,000.00, 27 per cent. for taxable income between EUR 200,000.01 and EUR 300,000.00 and 30 per cent. for taxable income in excess of EUR 300,000.01.

No withholding on account of Personal Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Guaranteed Subordinated Notes by individual Holders subject to Personal Income Tax, **provided that** certain requirements are met (including that the Guaranteed Subordinated Notes are listed in a regulated market, multilateral trading facility or other organised market and the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*— Information about the Guaranteed Subordinated Notes in Connection with Payments*".

If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

In any event, the individual Holder may credit the withholding against his or her Personal Income Tax liability for the relevant year.

1.2 ***Reporting Obligations***

The Issuer and the Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are individual residents in Spain for tax purposes.

1.3 ***Wealth Tax and Solidarity Tax (Impuesto sobre el Patrimonio e Impuesto Temporal de Solidaridad de las Grandes Fortunas)***

Individuals with tax residency in Spain that hold Guaranteed Subordinated Notes at 31 December of any year are subject to Spanish Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at EUR 700,000. Therefore, they should take into account the average market value of the Guaranteed Subordinated Notes during the last quarter of the year and the applicable rates ranging between 0.2 per cent. and 3.5 per cent. The autonomous communities may have different provisions and additional relief in this respect.

In addition, the solidarity provisional wealth tax for high-net-worth individuals (the so-called "**Solidarity Tax**") was approved in December 2022 by the Solidarity Tax Law. The Solidarity Tax is a direct and personal tax that complements the Wealth Tax in which the taxable event is a natural person's ownership of at least EUR3 million in net assets on 31 December of each year.

The rates of the Solidarity Tax are (i) 1.7 per cent. on a net worth between EUR 3 million and EUR 5,347,998.03, (ii) 2.1 per cent. on a net worth between EUR 5,347,998.04 and EUR 10,695,996.06 and (iii) 3.5 per cent. on a net worth of more than EUR 10,695,996.07. Note that the Solidarity Tax Law lays down a minimum exempt amount of EUR 700,000.00 which means that its effective impact, in general, will occur when the net wealth, not tax exempt, is greater than EUR 3.7 million. The Solidarity Tax Law allows the Spanish Wealth Tax amount payable to be deducted from the Solidarity Tax.

Whilst the Solidarity Tax was initially established for a 2-year period (2022 and 2023), it has been extended indefinitely.

1.4 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals with tax residency in Spain who acquire ownership or other rights over any Guaranteed Subordinated Notes by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. The applicable State's tax rates as at the date of this Base Prospectus range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that range between 0 per cent. and 81.6 per cent. as at the date of this Base Prospectus.

2. **Legal Entities with Tax Residency in Spain**

2.1 ***Corporate Income Tax (Impuesto sobre Sociedades)***

Payments of both interest periodically received and income deriving from the transfer, redemption or repayment of the Guaranteed Subordinated Notes must be included in the profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. The current general tax rate is 25 per cent.

No withholding on account of Corporate Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Guaranteed Subordinated Notes paid to Spanish CIT holder of Guaranteed Subordinated Notes, **provided that** certain requirements are met (including that the Guaranteed Subordinated Notes are listed in a regulated market, multilateral trading facility or other organised market and the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*— Information about the Guaranteed Subordinated Notes in Connection with Payments*".

If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

In any event, legal entities with tax residency in Spain Holders may credit the withholding against their Corporate Income Tax liability for the relevant year.

2.2 ***Reporting Obligations***

The Issuer and the Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are legal persons or entities resident in Spain for tax purposes.

2.3 ***Wealth Tax (Impuesto sobre el Patrimonio) and Solidarity Tax (Impuesto sobre el Patrimonio e Impuesto Temporal de Solidaridad de las Grandes Fortunas)***

Spanish resident legal entities are not subject to Wealth Tax nor Solidarity Tax.

2.4 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Legal entities with tax residency in Spain which acquire ownership or other rights over the Guaranteed Subordinated Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Guaranteed Subordinated Notes in their taxable income for Spanish Corporate Income Tax purposes.

3. **Individuals and Legal Entities with no tax residency in Spain**

3.1 ***Non-resident Income Tax (Impuesto sobre la Renta de No Residentes)***

(a) *Non-Spanish tax resident investors acting through a permanent establishment in Spain*

Ownership of the Guaranteed Subordinated Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Guaranteed Subordinated Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax on similar terms as those previously set out for Spanish Corporate Income Tax taxpayers.

(b) *Non-Spanish tax resident investors not acting through a permanent establishment in Spain*

Both interest payments periodically received and payments of income deriving from the transfer, redemption or repayment of the Guaranteed Subordinated Notes, obtained by individuals or legal entities without tax residency in Spain who are not resident in Spain for tax purposes and do not act, with respect to the Guaranteed Subordinated Notes, through a permanent establishment in Spain are exempt from Non-Resident Income Tax and therefore no withholding on account of Non-Resident Income Tax shall be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from Non-Resident Income Tax, certain requirements must be met, including the Guaranteed Subordinated Notes are listed in a regulated market, multilateral trading facility or other organised market and the provision by the Issue and Paying Agent of certain information relating to the Guaranteed Subordinated Notes, in a timely manner as detailed under "*Information about the Guaranteed Subordinated Notes in Connection with Payments*" as laid down in section 44 of Royal Decree 1065/2007, as amended. If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

Holders of Guaranteed Subordinated Notes not resident in Spain for tax purposes and entitled to exemption from Non-Resident Income Tax but, in respect of whose Guaranteed Subordinated Notes, the Issuer and the Guarantor do not receive information from the Issue and Paying Agent in a timely manner as detailed under "*Information about the Guaranteed Subordinated Notes in Connection with Payments*", would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non-Resident Income Tax law.

3.2 ***Wealth Tax and Solidarity Tax (Impuesto sobre el Patrimonio e Impuesto Temporal de Solidaridad de las Grandes Fortunas)***

Spanish non-resident tax individuals will be subject to Spanish Wealth Tax, which imposes a tax on property and rights in excess of EUR 700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Guaranteed Subordinated Notes is exempt from Non-Resident Income tax, individual Holders not resident in Spain for tax purposes who hold Guaranteed Subordinated Notes on the last day of any year will be exempt from Spanish Wealth Tax. Furthermore, Holders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Holder's country of residence will not be subject to Spanish Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above EUR

700,000 and who hold Guaranteed Subordinated Notes on the last day of any year, would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 3.5 per cent. of the average market value of the Guaranteed Subordinated Notes during the last quarter of such year. Non-Spanish tax resident individuals may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

In addition, the Solidarity Tax was approved in December 2022 by the Solidarity Tax Law. The Solidarity Tax is a direct and personal tax, that applies, in general terms and under certain conditions, to those Non-Spanish tax resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory on 31 December of each year.

The rates of the Solidarity Tax are (i) 1.7 per cent. on a net worth between EUR 3 million and EUR 5,347,998.03, (ii) 2.1 per cent. on a net worth between EUR 5,347,998.04 and EUR 10,695,996.06 and (iii) 3.5 per cent. on a net worth of more than EUR 10,695,996.07. Prospective investors are advised to seek their own professional advice in this regard. Note that the Solidarity Tax Law lays down a minimum exempt amount of EUR 700,000.00 which means that its effective impact, in general, will occur when the net wealth, not tax exempt, is greater than EUR 3.7 million. The Solidarity Tax Law allows the Spanish Wealth Tax amount payable to be deducted from the Solidarity Tax.

Whilst the Solidarity Tax was initially established for a 2-year period (2022 and 2023), it has been extended indefinitely.

Non-Spanish resident legal entities are not subject to Wealth Tax nor to the Solidarity Tax.

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Guaranteed Subordinated Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a convention for the avoidance of double taxation in relation to Inheritance and Gift Tax will be subject to the relevant convention for the avoidance of double taxation.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and state legislation, to the extent that rights deriving from the Guaranteed Subordinated Notes can be exercised within the Spanish territory. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Guaranteed Subordinated Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. Tax Rules for payments made by the Guarantor

Payments made by the Guarantor to Holders will be subject to the same tax rules previously set out for payments made by the Issuer.

5. Information about the Guaranteed Subordinated Notes in Connection with Payments

As described above, interest and other income paid with respect to the Guaranteed Subordinated Notes will not be subject to Spanish withholding tax unless the Issue and Paying Agent fails or for any reason is unable to provide the Issuer and the Guarantor, in a timely manner, with the information described in Exhibit I of this Base Prospectus.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007, as amended.

In accordance with Section 44.5, before the close of business on the Business Day (as defined in the Terms and Conditions of the Guaranteed Subordinated Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Guaranteed Subordinated Notes (each, a "**Payment Date**") is due, the Issuer and the Guarantor must receive from the Issue and Paying Agent the following information about the Guaranteed Subordinated Notes:

(a) the identification of the Guaranteed Subordinated Notes with respect to which the relevant payment is made;

(b) the date on which the relevant payment is made;

(c) the total amount of the relevant payment;

(d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain and recognised by Spanish law or by the law of another OECD country (such as Euroclear and Clearstream).

In particular, the Issue and Paying Agent must certify the information above about the Guaranteed Subordinated Notes by means of a certificate, the form of which is attached as Exhibit I of this Base Prospectus.

In light of the above, the Issuer, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Guaranteed Subordinated Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer and the Guarantor on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Base Prospectus, 19 per cent.) from any payment in respect of the relevant Guaranteed Subordinated Notes. 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 Issue and Paying Agent provides the required information, the Issuer will reimburse the amounts withheld. In addition, Holders may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Prospective Holders should note that none of the Issuer, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Guaranteed Subordinated Notes. Accordingly, none the Issuer, the Guarantor or the Dealers will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding. See "*Risk Factors - Risks relating to Withholding*".

The language of this Base Prospectus 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.

EXHIBIT 1

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (…)[1], en nombre y representación de (entidad declarante), con número de identificación fiscal (….)[1] y domicilio en (…) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (…)[1], in the name and on behalf of (entity), with tax identification number (….)[1] and address in (…) as (function - mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Issue and Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1 En relación con los apartados 3 y 4 del artículo 44:

1 In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores ....

1.1 Identification of the securities..

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) ....

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora ....

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved ....

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2 En relación con el apartado 5 del artículo 44.

2 In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores ....

2.1 Identification of the securities..

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) ....

2.2 Income payment date (or refund if the securities are issued at discount or are segregated).......

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)..

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en ……………………a …. de………………..de ….
I declare the above in …………… … on the…. of…………… … of….

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

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**"). Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Guaranteed Subordinated Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Guaranteed Subordinated Notes should, however, be exempt.

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 Guaranteed Subordinated Notes 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.

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Guaranteed Subordinated Notes are advised to seek their own professional advice in relation to the FTT.

Spanish Tax on Financial Transactions (the "Spanish FTT")

Spain approved the Spanish law which implements its own 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 billion (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 Guaranteed Subordinated Notes.

Prospective holders of Guaranteed Subordinated Notes are advised to seek their own professional advice in relation to the Spanish 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 (the "**IRS**") 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. 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 Guaranteed Subordinated Notes, FATCA may impact payments by custodians or intermediaries in the payment chain between the Issuer and the ultimate beneficial owner of the Guaranteed Subordinated Notes. 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 advisors with respect to FATCA and its application to the Guaranteed Subordinated Notes and should consider carefully the FATCA compliance status of any financial intermediaries in the chain of ownership through which they hold Guaranteed Subordinated Notes.

SUBSCRIPTION AND SALE

Guaranteed Subordinated Notes may be sold from time to time by the Issuer to any one or more of Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, BNP PARIBAS, BofA Securities Europe SA, CaixaBank, S.A, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, Intesa Sanpaolo S.p.A., J.P. Morgan SE, Mediobanca – Banca di Credito Finanziario S.p.A., Mizuho Bank Europe N.V., Morgan Stanley Europe SE, MUFG Securities (Europe) N.V., Natixis, NatWest Markets N.V., SMBC Bank EU AG, Société Générale and UniCredit Bank GmbH (the "**Dealers**"). Guaranteed Subordinated Notes may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Guaranteed Subordinated Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 11 April 2025 (as amended, supplemented, restated or replaced from time to time, the "**Dealership Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Guaranteed Subordinated Notes, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

The relevant Dealers will be entitled in certain circumstances to be released and discharged from their obligations in respect of a proposed issue of Guaranteed Subordinated Notes under or pursuant to the Dealer Agreement prior to the closing of the issue of such Guaranteed Subordinated Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on or before the issue date of such Guaranteed Subordinated Notes. In this situation, the issuance of such Guaranteed Subordinated Notes may not be completed. Investors will have no rights against the Issuer or the relevant Dealers in respect of any expense incurred or loss suffered in these circumstances.

United States of America: *Regulation S; Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms*

Guaranteed Subordinated Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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 the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Guaranteed Subordinated Notes in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to US persons, except in certain transactions permitted by US tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Guaranteed Subordinated Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Guaranteed Subordinated Notes comprising the relevant Tranche within the United States or to or for the account or benefit of US persons, and such Dealer will have sent to each dealer to which it sells Guaranteed Subordinated Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Guaranteed Subordinated Notes within the United States or to or for the account or benefit of US persons.

In addition, until 40 days after the commencement of the offering of Guaranteed Subordinated Notes comprising any Tranche, any offer or sale of Guaranteed Subordinated Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Guaranteed Subordinated Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one or more of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

    (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Guaranteed Subordinated Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Guaranteed Subordinated Notes.

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Guaranteed Subordinated Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Guaranteed Subordinated Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (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 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,

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Guaranteed Subordinated Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Guaranteed Subordinated Notes.

Other UK regulatory restrictions

In relation to each Tranche of Guaranteed Subordinated Notes, each Dealer subscribing for or purchasing such Guaranteed Subordinated Notes has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the Issuer, the Guarantor and each other such Dealer (if any) that:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 any Guaranteed Subordinated Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Guaranteed Subordinated Notes in, from or otherwise involving the United Kingdom.

Kingdom of Spain

Neither the Guaranteed Subordinated Notes nor this Base Prospectus have been registered with the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Guaranteed Subordinated Notes may not be offered, sold or distributed, nor may any subsequent resale of Guaranteed Subordinated Notes 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 Guaranteed Subordinated Notes may only be offered or sold in Spain by institutions authorised under 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*) (the "**Spanish Securities Markets and Investment Services Law**"), Royal Decree 813/2023 of 8 November on the legal regime applicable to investment services companies and other entities that provide investment services (*Real Decreto 813/2023, de 8 de noviembre, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*), as amended or replaced from time to time, and related legislation to provide investment services in Spain and in accordance with the provisions of the Spanish Securities Markets and Investment Services Law and further developing legislation.

Republic of Italy

The offering of the Guaranteed Subordinated Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Guaranteed Subordinated Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Guaranteed Subordination Notes, be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver any Guaranteed Subordinated Notes or distribute any copy of this Base Prospectus or any other document relating to the Guaranteed Subordinated Notes 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 the Prospectus Regulation, CONSOB Regulation No. 11971 of 14 May 1999 and the Financial Services Act, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Guaranteed Subordinated Notes or distribution of copies of this Base Prospectus or any other document relating to the Guaranteed Subordinated Notes 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 and any other applicable laws and regulations, 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 Dealer has represented, warranted and undertaken to the Issuer and the Guarantor, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, to the best of its knowledge and belief, it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Guaranteed Subordinated Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Guaranteed Subordinated Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Guarantor.

GENERAL INFORMATION

Listing

1. Any Tranche of Guaranteed Subordinated Notes intended to be admitted to the Official List and to trading on the regulated market of Euronext Dublin will be so admitted upon submission to the Euronext Dublin of the relevant Final Terms and any other information required by the Euronext Dublin, subject to the issue of the relevant Guaranteed Subordinated Notes.

   However, Guaranteed Subordinated Notes may be issued pursuant to the Programme which will be listed with such competent authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

2. The admission of the Programme to listing on the Official List and to trading on the regulated market of Euronext Dublin is expected to take effect on or about 11 April 2025.

3. 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 Guaranteed Subordinated Notes to the Official List and trading on the regulated market of Euronext Dublin.

Authorisations

4. The establishment of the Programme was authorised by a resolution of the sole shareholder of the Issuer passed on 2 April 2025 and the giving of the Guarantee by the Guarantor in relation to the update of the Programme was authorised by a resolution of the Executive Commission of the Board of Directors of the Guarantor passed on 26 March 2025. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Guaranteed Subordinated Notes, if any.

Clearing and Settlement

5. The Guaranteed Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Guaranteed Subordinated Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Guaranteed Subordinated Notes for clearance together with any further appropriate information.

6. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Issue and Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Guaranteed Subordinated Notes.

Legend Concerning US Persons

7. Bearer Guaranteed Subordinated Notes (other than Temporary Global Notes) and any Coupon appertaining thereto will bear a legend substantially 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." The sections referred to in such legend provide that a United States person who holds a Bearer Guaranteed Subordinated Note or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Guaranteed Subordinated Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Legal and Arbitration Proceedings

8. 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 page 34 of this Base Prospectus, under "*Telefónica, S.A. – Legal Proceedings*" on pages 142 through 148 of this Base Prospectus and under "*Telefónica, S.A. – Tax Proceedings*" on

pages 148 through 152 of this Base Prospectus, 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 Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

Significant/Material Change

9. Since 31 December 2024 there has been no material adverse change in the prospects of the Issuer and no significant change in the financial position or financial performance of the Issuer.

10. Since 31 December 2024 there has been no material adverse change in the prospects of the Guarantor and the Group. Since 31 December 2024 there has been no significant change in the financial position or financial performance of the Guarantor and the Group, save as described in "*Telefónica, S.A. – Recent Developments*" on pages 128 to 131 of this Base Prospectus.

Auditors

11. The consolidated financial statements of the Guarantor for each of the financial years ended 31 December 2024 and 31 December 2023 were audited by PricewaterhouseCoopers Auditores, S.L., with its registered address at Torres PwC, Paseo de la Castellana, 259B, 28046 Madrid, Spain, registered in the ROAC under number S0242 and unqualified opinions were reported thereon.

PricewaterhouseCoopers Auditores, S.L. audited the annual accounts of the Issuer for each of the financial years ended 31 December 2024 and 31 December 2023 and unqualified opinions were reported thereon.

Documents on Display

12. For so long as the Programme remains in effect or any Guaranteed Subordinated Notes shall be outstanding, copies of the following documents (and, where applicable, direct and accurate translation into English) may be inspected during normal business hours at the specified office of the Issue and Paying Agent and Registrar (or other, the specified office(s) of the Paying Agent(s) in the United Kingdom) and at the registered/head office of the Issuer and the Guarantor or at www.telefonica.com, namely:

(a) the constitutional documents of the Issuer and the by-laws of the Guarantor together with translations into English (in each case as the same may be updated from time to time);

(b) this Base Prospectus, together with any supplements thereto;

(c) the Agency Agreement;

(d) the Deed of Covenant;

(e) the Deed of Guarantee;

(f) English language translations of the audited consolidated financial statements of the Guarantor, and the reports referred to therein for the years ended 31 December 2024 and 31 December 2023;

(g) English language translations of the annual accounts of the Issuer, and the reports referred to therein, for the years ended 31 December 2024 and 31 December 2023; and

(h) any Final Terms relating to Guaranteed Subordinated Notes which are listed on any stock exchange.

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

This Base Prospectus will be available, in electronic format, on the website of Euronext Dublin (www.euronext.com/en/markets/dublin).

Legal Entity Identifiers

13. The Issuer's Legal Entity Identifier is 549300Y5MFC4SW5Z3K71. The Guarantor's Legal Entity Identifier is 549300EEJH4FEPDBBR25.

Credit Ratings

14. 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 A-3, P-3 and F-2, respectively, by S&P, Moody's and Fitch. Each of S&P, Moody's and Fitch is established in the European Union and is registered under the EU CRA Regulation. The ratings S&P, Moody's and Fitch have assigned to 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.

    In accordance with S&P's ratings definitions available as at the date of this Base Prospectus on https://www.standardandpoors.com/en_EU/delegate/getPDF?articleId=2017758&type=COMMENTS&subType=REGULATORY, (i) a long term credit rating of "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligations and (ii) a short-term credit rating of "A-3" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation. In accordance with Moody's ratings definitions available as at the date of this Base Prospectus on https://www.moodys.com/sites/products/AboutMoodysRatingsAttachments/MoodysRatingSymbolsandDefinitions.pdf, (i) a long term credit rating of "Baa3" indicates obligations which are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics and (ii) a short-term credit rating of "P-3" indicates an acceptable ability to repay short-term obligations. In accordance with Fitch's ratings definitions available as at the date of this Base Prospectus on https://www.fitchratings.com/products/rating-definitions (i) a long term credit rating of "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity and (ii) a short term credit rating of "F-2" indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union. However, the margin of safety is not as great as in the case of the higher ratings.

Conflicts of Interests

15. Certain Dealers 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 Dealers 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 Dealers 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 Dealers 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 any Guaranteed Subordinated Notes issued. Any such positions could adversely affect future trading prices of any Guaranteed Subordinated Notes issued. The Dealers 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 Dealers. The Dealers may also receive fees for their role in any issuance of Guaranteed Subordinated Notes.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Telefónica Emisiones, S.A.U.
Gran Vía, 28
28013 Madrid
Spain

REGISTERED AND HEAD OFFICE OF THE GUARANTOR

Telefónica, S.A.
Gran Vía, 28
28013 Madrid
Spain

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
Ciudad BBVA
Calle Sauceda 28, Edificio Asia
28050 Madrid
Spain

Banco de Sabadell, S.A.
Plaça de Sant Roc, 20
08201 Sabadell
Spain

Banco Santander, S.A.
Ciudad Grupo Santander – Avda. de Cantabria
Ed. Encinar, First Floor
28660 Boadilla del Monte Madrid
Spain

Barclays Bank Ireland PLC
One Molesworth Street
Dublin 2
D02 RF29
Ireland

BNP PARIBAS
16, boulevard des Italiens
75009 Paris
France

BofA Securities Europe SA
51 rue La Boétie
75008 Paris
France

CaixaBank, S.A.
Pintor Sorolla, 2-4
46002 Valencia
Spain

Citigroup Global Markets Europe AG
Börsenplatz 9
60313 Frankfurt am Main
Germany

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

Crédit Agricole Corporate and Investment Bank
12 place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Deutsche Bank Aktiengesellschaft
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany

Goldman Sachs Bank Europe SE
Marienturm Taunusanlage 9-10
D-60329 Frankfurt am Main
Germany

HSBC Continental Europe
38, avenue Kléber
75116 Paris
France

Intesa Sanpaolo S.p.A.
Divisione IMI Corporate & Investment Banking
Via Manzoni 4
20121 Milan
Italy

J.P. Morgan SE
Taunustor 1 (TaunusTurm)
60310 Frankfurt am Main
Germany

Mediobanca – Banca di Credito Finanziario S.p.A.
Piazzetta E. Cuccia 1
20121 Milan
Italy

Mizuho Bank Europe N.V.
Atrium Amsterdam, 3rd Floor
Strawinskylaan 3053
1077 ZX Amsterdam, The Netherlands
Germany

Morgan Stanley Europe SE
Grosse Gallusstrasse 18
60312 Frankfurt am Main
Germany

MUFG Securities (Europe) N.V.
World Trade Center, Tower Two, 5th Floor
Strawinskylaan 1887
1077 XX Amsterdam
The Netherlands

Natixis
BP 4
75060 Paris Cedex 02
France

NatWest Markets N.V.
Claude Debussylaan 94
Amsterdam 1082 MD
The Netherlands

SMBC Bank EU AG
Neue Mainzer Straße 52-58
60311 Frankfurt am Main
Germany

Société Générale
29 boulevard Haussmann
75009 Paris
France

UniCredit Bank GmbH
Arabellastrasse, 12
81925 Munich
Germany

AUDITORS OF THE ISSUER AND THE GUARANTOR

PricewaterhouseCoopers Auditores, S.L.
Torre PwC
Paseo de la Castellana, 259B
28046 Madrid
Spain

ISSUE AND PAYING AGENT

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

REGISTRAR AND PAYING AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugene Ruppert
L-2453 Luxembourg

LISTING AGENT

Matheson LLP
70 Sir John Rogerson's Quay
Dublin 2, Ireland

LEGAL ADVISERS

To the Issuer and the Guarantor as to Spanish tax law

Uría Menéndez Abogados, S.L.P.
Príncipe de Vergara, 187
28002 Madrid
Spain

To the Issuer and the Guarantor as to English and Spanish law

Clifford Chance, S.L.P.
Paseo de la Castellana, 110
28046 Madrid
Spain

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Dealers as to English and Spanish law

Linklaters, S.L.P.
Calle Almagro, 40
28010 Madrid
Spain