



**Telefónica Europe B.V.**

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

**EUR 750,000,000 Undated 8 Year Non-Call  
Deeply Subordinated Guaranteed Fixed Rate Reset Securities (Green Bond)  
unconditionally and irrevocably guaranteed on a subordinated basis by  
Telefónica, S.A.**

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

The EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Securities**") are issued by Telefónica Europe B.V. (the "**Issuer**") and unconditionally and irrevocably guaranteed on a subordinated basis by Telefónica, S.A. (the "**Guarantee**", and the "**Guarantor**" or "**Telefónica**", respectively).

As described in the Terms and Conditions of the Securities (the "**Conditions**"), the Securities will bear interest on their principal amount (i) at a fixed rate of 6.750 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the Conditions); and (ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the Reset Period, plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum; (B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and (C) from (and including) 7 September 2051, 4.615 per cent. per annum, all as determined by the Agent Bank, payable annually in arrear on 7 September in each year (each, an Interest Payment Date as defined in the Conditions), commencing on 7 September 2024. The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in the "*Terms and Conditions of the Securities - Optional Interest Deferral*". Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred, all as more particularly described in "*Terms and Conditions of the Securities - Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*".

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

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

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

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Securities to be admitted to the Official List (the "**Official List**") of Euronext Dublin and to trading on the Global Exchange Market ("**GEM**") of Euronext Dublin. This document, together with the documents herein incorporated by reference, constitutes the listing particulars (the "**Listing Particulars**") for the purposes of the admission of the

Securities to the Official List of Euronext Dublin and to trading on the GEM of Euronext Dublin and, for such purposes, does not constitute, and has not been approved, as a prospectus for the purposes of Regulation (EU) 2017/1129. These Listing Particulars have been approved by Euronext Dublin. The GEM is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "EU MiFID II"). These Listing Particulars are available for viewing on the website of Euronext Dublin. Reference in these Listing Particulars to Securities being "listed" (and all related references) shall mean that such Securities have been admitted to trading on GEM and have been admitted to the Official List of Euronext Dublin. The Securities are expected to be admitted to trading on the GEM from 7 September 2023. The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "Securities Act") and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Joint Bookrunners (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

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

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

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

The determination of the Subsequent Fixed Interest Rate in respect of the Securities is dependent upon the relevant 6-month Euro Interbank Offered Rate ("EURIBOR") administered by the European Money Markets Institute and the 8 Year Swap Rate appearing on the Reuters Screen Page "ICESWAP2" provided by the ICE Benchmark Administration Limited. As at the date of these Listing Particulars, European Money Markets Institute is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of Regulation (EU) No. 2016/1011 (as amended, the "EU Benchmarks Regulation"). ICE Benchmark Administration Limited is not included in the register of administrators and benchmarks established and maintained by ESMA. However, the EU Benchmarks Regulation provides that third country benchmarks can still be used by supervised entities until 31 December 2023 in the European Union if the benchmark is already used in the European Union as a reference for financial instruments, financial contracts, or for measuring the performance of an investment fund before that date.

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" in these Listing Particulars.**

*Joint Bookrunners*

BANCO SABADELL	BARCLAYS
BNP PARIBAS	CAIXABANK
CRÉDIT AGRICOLE CIB	MIZUHO
MORGAN STANLEY	NATIXIS
SMBC	UNICREDIT

31 August 2023

## IMPORTANT NOTICES

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

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

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

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

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

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

These Listing Particulars do not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

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

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

In these Listing Particulars, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", and "**U.S. dollar**" are to United States dollars, the lawful currency of the United States of America, references to "**pound sterling**" or "**£**" are to the currency of the United Kingdom and references to "**EUR**" or "**euro**" are to the currency introduced

at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

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

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

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

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in these Listing Particulars or incorporated by reference herein. Potential investors should not construe anything in these Listing Particulars 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 Securities.

#### **Use of Proceeds / Eligible Projects**

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

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

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") and any related technical screening criteria, the proposed European Green Bond Regulation (an initiative by the European Union to establish a common framework for the issuance of green bonds within its Member

States), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and any implementing legislation and guidelines, or any similar legislation in the United Kingdom). Each prospective investor should have regard to the factors described in the Sustainable Financing Framework and the relevant information contained in these Listing Particulars and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Securities before deciding to invest.

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

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

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

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

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

**EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all**

channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

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

In connection with the issue of the Securities, BNP Paribas (the "Stabilisation Manager") (or person(s) acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

#### **Certain terms and conventions**

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

Below are definitions of certain technical terms used in these Listing Particulars:

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

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

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

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

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

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

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

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

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

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

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

"**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.

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

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

"**GHz**" means gigahertz.

"**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.

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

"**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).

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

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

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

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

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

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

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

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

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

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

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



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

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

"**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 these Listing Particulars 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:

<b>Currency</b>	<b>Average exchange rate</b>	
	<b>First half of 2023 vs. 2022</b>	<b>First half of 2022 vs. 2021</b>
Brazilian real	0.7%	17.4%
Pound sterling	(3.9)%	3.1%
New Peruvian sol	1.5%	8.9%
Chilean peso	3.6%	(3.8)%
Colombian peso	(13.6)%	2.2%
Mexican peso	12.8%	9.8%

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## RISK FACTORS

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

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

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

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

### **Risks related to the Telefónica Group.**

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

The Telefónica Group's business is affected by a series of risk factors that affect exclusively the Group, as well as a series of factors that are common to businesses of the same sector. The main risks and uncertainties faced by Telefónica, which could affect its business, financial condition, results of operations and/or cash flows are set out below and must be considered jointly with the information set out in the 2022 Consolidated Financial Statements and the June 2023 Interim 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.

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

Risks are presented in this section grouped into four categories: business, operational, financial, and legal and compliance.

These categories are not presented in order of importance. However, within each category, the risk factors are presented in descending order of importance, as determined by Telefónica at the date of these Listing Particulars. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise.

## **Risks related to the 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.

The reinforcement of competitors, the entry of new competitors (either telecommunication companies or providers of OTT Services), or the merger of operators in certain markets (for example, market consolidation in the United Kingdom following a potential merger of mobile operators Vodafone UK and Three UK, and the potential Orange and Más Movil merger in Spain), may affect Telefónica's competitive position, negatively affecting the evolution of its revenues and market share or increasing its costs. In addition, changes in competitive dynamics in the different markets in which the Telefónica Group operates, such as in Chile, Colombia, Peru and Mexico, where there are aggressive customer acquisition offers, including unlimited data and discounts on certain services, among others, can affect the competitive position and the efficiency of Telefónica's operations. Regarding digital services, the speed of technological evolution and changes in demand favouring the appearance of players in the market (lower scale players) specialising in certain segments, and with agile business models, can pose a threat for the business model of the Telefónica Group.

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

### ***The Group requires government concessions and licences for the provision of a large part of its services and the use of spectrum, which is a scarce and costly resource.***

The telecommunications sector is subject to sector-specific regulations. The fact that the Group's business is highly regulated affects its revenues, operating income before depreciation and amortisation ("OIBDA") and investments.

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, 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 economic 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.

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.

Any of the foregoing 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.***

The Group requires sufficient spectrum to offer its services. The Group's failure to obtain sufficient or appropriate spectrum capacity in the jurisdictions in which it operates, 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.

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.

In Spain, the Ministry of Economic Affairs and Digital Transformation has approved in June 2023 a modification of the National Frequency Allocation Table ("CNAF"), 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. Additionally, the revision of the CNAF established the modification of spectrum caps in the frequency bands 700, 800, 900, 1800, 2100, 2600 and 3500 MHz, in order to provide operators (including Telefónica) with greater spectrum capacity in these bands.

In the UK, in March 2023, the Office of Communications ("Ofcom") launched a public consultation on opening access to the 26 GHz and 40 GHz bands for mobile use. This is the second of a series of detailed consultations on the award, with a process possible towards the middle of 2024 at the earliest. The consultation focused on award design.

In Latin America, several auction processes are expected in the near term: (i) in Colombia, in December 2022, the Ministry of Information Technologies and Communications ("MinTIC") asked the industry to express their interest in participating in a possible auction for the spectrum that remains available in the 700 MHz, 1900 MHz and 2500 MHz bands as well as for 5G spectrum (3.5 GHz and 26 GHz bands). In such expression of interest, which is non-binding, Telefónica expressed its interest in obtaining spectrum in all the proposed bands except 26GHz. In its expression of interest, Telefónica also highlighted the need to delay all spectrum auctions until the review on the spectrum pricing methodology currently underway is completed, and there is an alignment between spectrum cost and its value generation capacity, and until measures to avoid an excessive control of this resource by the dominant operator are defined. Recently, the MinTIC announced its intention to move forward with the 5G spectrum auction in the last quarter of 2023, setting 20 December 2023 as the date for the auction. The MinTIC has also announced that it will be in a multiband process, in which 5G spectrum will be auctioned at the same time as spectrum available in other bands (not yet determined); (ii) in Peru, on 9 June 2023, the auction of the AWS-E (1700-2100) and 2300 MHz bands took place. Telefónica did not participate in the process. With regards to 5G and the spectrum auction for the 3.5 GHz, Telefónica has provided comments in relation to the consultation document on auction and spectrum reorganisation published by the Ministry of Transportation and Communications (the "MTC"), requesting adequate conditions. As of the date of these Listing Particulars, the government has not adopted a decision in respect of the 3.5GHz and 26GHz auctions; and (iii) in Argentina, the government has made public its intention to auction 5G spectrum in 2023, but no specific date for the process has been published. Pursuant to Resolution 2385/2022 published on 28 December 2022, the Ente Nacional de Comunicaciones approved the General Rules for Intelligent and Reliable Telecommunications Services that preliminarily sets the conditions for the implementation of 5G in Argentina.

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

The revocation or failure to renew the Group's existing licences, authorisations or concessions, or any challenges or amendments to their terms, could materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

In Spain, and in accordance with the second transitory provision of Law 11/2022, of 28 June, on General Telecommunications, Telefónica requested the Administration to extend the duration of its spectrum licenses up to a maximum of 40 years. In this context, the Ministry of Economic Affairs and Digital Transformation has launched a public consultation on the modification of current spectrum licences of Telefónica and other operators. The final decision could be adopted in third quarter of 2023.

In Germany, in the allocation procedure for the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which will partially expire at the end of 2025, the Bundesnetzagentur has submitted a position paper for consultation as a follow-up to an initial survey of demand. In the position paper, it considers a spectrum scarcity to be obvious and is considering an auction as the award format. In order to reflect the importance of the 800 MHz band for mobile coverage, the Bundesnetzagentur proposes a swap in the term of the frequencies to be awarded at 800 MHz with an equal amount of 900 MHz frequencies. The frequencies at 900 MHz, 1800 MHz and 2.6 GHz would then be auctioned off. The frequencies at 800 MHz would have a term until the end of 2033. Another consultation on the spectrum allocation procedure is expected at the end of 2023.

In the UK, mobile spectrum licences are generally indefinite in term, subject to an annual fee after a fixed period (usually 20 years) from the initial auction. There are no fee decisions now pending until 2033, when such decisions will be applicable for VMO2's 800 MHz licences.

With respect to Latin America:

In Brazil, the Agência Nacional de Telecomunicações ("ANATEL") approved on 8 February 2021 Resolution 741/2021 which sets the Regulation for the Adaptation of Fixed Commuted Telephony Service ("STFC") concessions. ANATEL has presented an estimated value for calculating the migration balancing from the concession to the authorisation regime, which, on 22 March 2023 was validated by the Federal Court of Accounts (the "TCU"). However, the TCU requires ANATEL to consider the market value for the valuation of reversible assets. The process is now with ANATEL to evaluate the balance of the adequacy of the service (from the concession to the authorisation) based on the conditions formulated by the TCU. There is a risk that consensus between the parties on the migration calculation may not be reached. In any case, if a decision is made by Telefónica not to migrate, the STFC concession held by Telefónica will remain in force until 31 December 2025. In addition, Resolution 744/2021 of 8 April 2021 (the "**Continuity Regulation**") establishes that, at the end of the life of the concession contracts, the transfer of the right of use of shared-use assets will be guaranteed under fair and reasonable economic conditions, in the event that the granting authority or the company that succeeds the provider wishes to make use of these assets to maintain the continuity of the provision of STFC under the public regime. In relation to the process that is being carried out before the Federal Court of Accounts, the technical area of the Court proposed the revision of the Continuity Regulation's terms so that it provides for the reversion to the concessionaires of the assets used in the provision of STFC. This proposal is still subject to deliberation by the Plenary of the Court of Accounts.

Regarding the extension of the 850 MHz band, ANATEL agreed to extend the current authorisations for the use of radio frequencies in Bands A and B, proposing their approval on a primary basis until 29 November 2028, if the legal and regulatory requirements are met. However, specific conditions for renewal, including those related to the valuation criteria and obligations, were challenged by the affected service providers, including Telefónica. After ANATEL dismissed the appeals filed by the providers, ANATEL referred the case to the TCU, and in September 2022, TCU decided that the possibility of successive extensions brought by Law 13.879/19 should be considered as an exception, applicable only when certain requirements are met (art. 167 of Law 13.879/19 and article 12 of decree 10.402/20). Telefónica appealed that decision, defending the successive extension of licences as a rule and not as an exception, in accordance with Law 13.879/19. However, the TCU maintained its understanding. In November 2022, ANATEL published Resolution n° 757/2022 establishing the possibility of extending the licences of use in respect of the 850 MHz band until 2028 and the 900 MHz and 1.8 GHz bands until 2032, when ANATEL intends to carry out, respectively, a refarming action.

Nevertheless, 900 MHz band authorisations, that were in their first renewal period (with the exception of Minas Gerais), were not renewed in April 2023 because it was not possible to prove the efficient use of this spectrum to ANATEL, since the low capacity associated with this band (2.5+2.5 MHz) imposes limitations on its effective use. The non-renewal of these 900 MHz licences does not impact the services currently provided by Telefónica. The process of second extension of the Telefónica's licenses in the 900 MHz and 1.8 GHz bands in the state of Minas Gerais, which also expired in April 2023, is ongoing with ANATEL. Telefónica continues to make temporary use of these bands, without prejudice to the services provided, until ANATEL resolves the second extension on a primary basis.

In Peru, an arbitration process was started by Telefónica, to challenge the decision adopted by the MTC, denying the renewal of concessions for the provision of fixed-line services, valid until 2027, which ended with a favourable award for Telefónica. 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, must issue a new regulation for renewals in a period of time yet to be determined. Nevertheless, Telefónica del Perú S.A.A. holds other concessions for the provision of fixed-line services that allow it to provide these services beyond 2027. The renewal of the 1900 MHz band in all of Peru, except for Lima and Callao, which expired in 2018, and of other licences to offer telecommunications services were requested by the Group and a decision by the MTC, is still pending. Nevertheless, these concessions are valid while the procedures are in progress.

In Colombia, on 1 June 2023, Telefónica submitted the renewal request of 30 MHz of spectrum in the AWS band that expires in December 2023. In addition, licences for some of the spectrum in the 850 MHz and

1900 MHz bands will expire in 2024 and their renewal must be requested six months before their termination.

In Argentina, in connection with Decree of Necessity and Urgency 690/2020 ("**DNU 690/2020**"), Telefónica de Argentina S.A. and Telefónica Móviles Argentina S.A. (collectively, "**Telefónica Argentina**") filed a lawsuit against the Argentine State, in relation to a series of contracts for licences to provide services and spectrum use authorisations entered into between Telefónica Argentina and the Argentine State, including the licences resulting from the 2014 spectrum auction. These contracts and their regulatory framework stated that the services provided by Telefónica Argentina were private and prices would be freely set by Telefónica Argentina. However, DNU 690/2020, by providing that the services will be "public services" and that prices will be regulated by the Argentine State, substantially modifies the legal status of those contracts, affecting the compliance with their obligations and substantially depriving Telefónica Argentina of essential rights derived from those contracts. The lawsuit was rejected in September 2021 and Telefónica Argentina appealed this decision. On 17 December 2021, the first instance ruling was revoked and the application of articles 1º, 2º, 3º, 5º and 6º of DNU 690/2020 and Resolutions 1666/2020, 204/2021 and 1467/2020 (relating to the control of tariffs and the universal basic service) was suspended for six months or until the final decision is adopted. On 10 June 2022, the Federal Contentious Administrative Court extended the precautionary suspension of the effects of DNU 690/2020 for an additional six months in Telefónica's favour. On 27 December 2022, the Federal Contentious Administrative Court extended the precautionary suspension of the effects of DNU 690/2020 for another six months in Telefónica's favor. During this period, Telefónica Argentina will not be subject to the provisions contained in the DNU 690/2020 in relation to price and public service regulations.

In Ecuador, Telefónica will renew in 2023 the concession contract that authorises the provision of telecommunication services and includes the spectrum licences (25 MHz in the 850 MHz band and 60 MHz in the 1900 MHz band).

In relation to 5G, in Europe (Spain, Germany and the United Kingdom) Telefónica is deploying 5G in the frequency bands identified as "pioneering" by the European Commission (3.5 GHz and 700 MHz) acquired in recent years. Additionally, technological migration to 5G is being carried out in the traditional 2G/3G/4G bands using Dynamic Spectrum Sharing (DSS) technology to make the use of the spectrum more efficient, based on user demand. In Chile and Brazil, 5G is being introduced in the spectrum recently acquired in the 3.5 GHz band, while in the rest of the countries, spectrum for the implementation of 5G has not yet been auctioned, except for Uruguay.

During the first half of 2023, the Group's consolidated investment in spectrum acquisitions and renewals amounted to EUR 12 million (EUR 132 million in the same period of 2022, mainly due to the acquisition of spectrum in Colombia). 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 of the 2022 Consolidated Financial Statements and Appendix II of the condensed consolidated interim financial statements for the six-months ended 30 June 2023.

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

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

As of 30 June 2023, the Group depended on three handset suppliers (none of them located in China) and five network infrastructure suppliers (two of them located in China), which, together, accounted for 86 per cent. and 80 per cent., respectively, of the aggregate value of contracts awarded in the first six months of

2023 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers represented 39 per cent. of the aggregate value of contracts awarded in the first six months of 2023 to handset suppliers.

As of 30 June 2023, the Telefónica Group had more than 90 IT providers that accounted for 80 per cent. of the total amount of IT purchase awards made as of that date, five of them representing 26 per cent. of purchases in that area.

If suppliers cannot supply their products to the Telefónica Group within the agreed deadlines or such products and services do not meet the Group's requirements, this could hinder the deployment and expansion plans of the network. This could in certain cases affect Telefónica's compliance with the terms and conditions of the licences under which it operates, or otherwise adversely affect the business and operating results of the Telefónica Group.

In addition, the possible adoption of new protectionist measures in certain parts of the world, including as a result of trade tensions between the United States and China, and/or the adoption of lockdown or other restrictive measures as a result of the COVID-19 pandemic or any other crisis or pandemic, as well as those derived from geopolitical tensions such as the current war in Ukraine, could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry.

The semiconductor industry in particular is facing various challenges, as a result mainly of supply problems at a global level, which in turn is affecting multiple sectors (including technology) through delivery delays and price increases, which could affect the Telefónica Group or others who are relevant to its business, including its customers, suppliers and partners. During 2021, 2022 and the first half of 2023, a specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the COVID-19 pandemic, 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. Although during the last few years the semiconductor industry and raw materials in general have suffered many stresses, Telefónica's supply chain has been resilient, maintaining a continuous flow of materials and ensuring our services and commercial activity, without significant consequences, but this may change in the future.

Regarding the sale of digital services, a business in which the Telefónica Group has an active participation integrating services on third-party technologies, it is critical to maintain and achieve the highest levels of accreditation of Telefónica Group's network of strategic partners, which requires having a continuous and intense process of certification of the Telefónica Group's professionals that accompanies the technological evolution at the appropriate speed.

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.

***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 are shrinking, while revenues from connectivity fixed- and mobile- Internet are increasing. Also, looking for new revenues sources in order to diversify and thus mitigate part of this risk, Telefónica offers new digital services such as IoT, cybersecurity, big data and cloud services, among others. Although these services still have a lower weight in Telefónica's total revenues, these revenues grew in double digits as of 30 June 2023.



One of the technologies currently being developed by telecommunications operators, including Telefónica (in Spain and Latin America), is the new 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, Telefónica is going to switch off all copper access loop as of April 2024. As of 30 June 2023, in Spain, fiber coverage reached 28.6 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, and no assurance can be given that these investments will be profitable.

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. 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 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 the first half of 2023 was EUR 344 million (EUR 295 million in the first half of 2022) representing 1.7 per cent. of the Group's revenues (1.5 per cent. in the first half of 2022). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("OECD") manual.

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 which are based on the use, standardisation and analysis of data, as well as the deployment of advanced networks and the promotion of new technologies related to Big Data, cloud computing, cybersecurity, Artificial Intelligence and IoT.

The large amount of information and data that is processed throughout the Group (related to approximately 383.6 million accesses associated with telecommunications services, IoT services and Pay TV as of 30 June 2023 and an average number of employees of 103,968 in the first half of 2023), increases the challenges of complying with privacy regulations. Moreover, there is a risk that measures adopted in response to these regulations may stifle innovation. Conversely, 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"), whose content has become the common standard for all countries where the Telefónica Group operates. In addition, progress continues to be made on the proposal for a future European regulation concerning the respect for privacy and protection of personal data in electronic communications ("**e-Privacy Regulation**"), which would repeal Directive 2002/58/EC. If approved, this proposal could establish additional and more restrictive rules than those established in the GDPR, with the consequent increase in the risks and costs that this could entail for Telefónica.

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 controls 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 adequate and effective measures to mitigate such risks.

One of the relevant contractual measures to ensure the lawfulness of international data transfers to any country outside the EEA not found by the European Commission to have an adequate level of data protection, is the signing, between the data importer and the data exporter, of the new standard contractual clauses ("SCC") approved by the European Commission according to Implementing Decision (EU) 2021/914 of 4 June 2021. These new SCC, which entered into force on 27 June 2021, repeal the old SCC and include a modular set of clauses for their application according to the data processing role of both the exporter and the importer. Furthermore, the entry into force of the new SCC obliges companies that are going to use them for their transfers to assess and adopt additional measures deemed appropriate for the due protection of the data transferred to the third country. This is because SCC, in general, according to the Court of Justice of the European Union (the "CJEU"), are not sufficient for this purpose, as the public authorities of the third country, in accordance with their local regulations, may have the power to access or request access to the data transferred. The additional measures to be adopted are mainly technical such as data encryption and derive in particular from the impact analysis of each transfer and the country of destination, all following the guidelines issued by the European Data Protection Board in its Recommendations 01/2020. Furthermore, the adoption of the new SCC by the European Commission as the main legal tool for transfers, obliges companies to replace the old SCC, as the old SCC ceased to be legally valid at the end of 2022 in accordance with the aforementioned Implementing Decision. The implementation of the new SCC and their module structure and dispositive parts, which need to be negotiated between data exporters and importers, the obligation to assess and analyse each international transfer, the changing nature of the local regulations of the countries of destination, as well as the obligation to renew all agreements that include the old SCC, pose a challenge for the Group and, with it, a potential risk of non-compliance in the performance of international data transfers in accordance with the GDPR.

With regard to the international data transfer to the United States of America, on 7 October 2022, the U.S. President signed an executive order directing the steps that the United States will take to implement the U.S. commitments to improve the European Union–U.S. Data Privacy Framework in light of the judgment of the CJEU C-311/18. In connection with this U.S. initiative, the European Commission published in December 2022 a draft adequacy decision that would facilitate the transfer of data to the United States of America, which, like its predecessors, the International Safe Harbor Privacy Principles and the EU-U.S. Privacy Shield, is based on a self-regulatory approach, whereby U.S. companies that undertake to comply with the principles set out in the Privacy Framework will be able to self-certify as "adequate undertakings". They will thus be able to import data from the EU to the U.S. if they commit to providing an adequate level of protection to the data transferred.

While this represents an improvement in the regulatory landscape for international data transfers and the risks associated with them, the approval of this new adequacy decision for the United States is subject to the non-binding review by the European Data Protection Committee and the Civil Liberties Committee of the European Parliament, as well as the mandatory and binding approval by the Member States in the Council, which is not expected to occur until mid-2023.

In addition, the United Kingdom's exit from the European Union on 1 January 2021 means that the Group must monitor how its operations and business in the United Kingdom are affected in terms of applicable privacy regulations and, specifically, the flow of data to and from the United Kingdom. The European Commission declared the United Kingdom as a country with an adequate level of data protection according to the Adequacy Decision of 28 June 2021. Accordingly, entities that transfer data between both territories will not be required to adopt additional tools or measures for international transfers. The Adequacy Decision establishes an initial period of validity of four years, which may be extended only if the United Kingdom demonstrates that it continues to ensure an adequate level of data protection.

In Latin America, Law No. 13,709 in Brazil imposes standards and obligations similar to those required by the GDPR, including a sanctioning regime which is in force from August 2021, with fines for non-compliance of up to 2 per cent. of the Group's income in Brazil in the last financial year subject to a limit of 50 million Brazilian reais (approximately EUR 10 million based on the exchange rate as of 30 June 2023) per infraction which may increase compliance risks and costs. In addition, in 2022 the Brazilian data protection authority, Autoridade Nacional de Proteção de Dados (ANPD), became an independent agency not linked to the presidency of the Republic, thus providing it with additional autonomy to develop its control and supervision functions.

Furthermore, in Ecuador, the Organic Law on Data Protection has entered into force, aligned with the principles of the European GDPR, although the effectiveness of the sanctioning regime is postponed for a two-year adaptation period which ends in 2023. In addition, Argentina has ratified Convention 108+, which

is an international treaty of the Council of Europe which is open to accession by any state outside Europe, and which regulates the protection of the rights of individuals with regard to the automated processing of their data, in a very similar way to the protection granted by virtue of the GDPR. Likewise, in Chile and other territories in the region where Telefónica operates, there are regulatory proposals to bring regulation more in line with the provisions set forth in the GDPR, which may increase compliance risks and costs.

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, it is important to note that, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of EUR 20 million or 4 per cent. of the infringing company's overall total annual revenue for the previous financial year. Furthermore, once it is approved, the e-Privacy Regulation may set forth sanctions for breaches of it similar to those provided for in the GDPR.

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

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

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

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

The networks, which had historically focused on voice transmission, are evolving into increasingly flexible, dynamic and secure data networks, replacing, for example, old copper telecommunications networks with new technologies such as fiber optics, which facilitate the absorption of the exponential growth in the volume of data demanded by the Group's customers.

In relation to digital services, customers require an increasingly digital and personalised experience, as well as a continuous evolution of the Group's product and service offering. In this sense, new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering" and "Solar 360" which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. However, there can be no assurance that these and other efforts will be successful.

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

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

## **Operational Risks.**

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

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

Telecommunications companies worldwide face continuously increasing cybersecurity threats as businesses become increasingly digital and dependent on telecommunications, computer networks and cloud computing technologies. As a result of the circumstances brought by the COVID pandemic, remote access and teleworking of employees and collaborators has spread and is now a common practice, increasing the use of cloud services provided by third parties; thus, the risks associated with their use, and forcing companies to review the security controls beyond the perimeter of the corporate network. Further, the Telefónica Group is aware of the possible cybersecurity risks arising from the conflict in Ukraine, monitoring cyberattacks that may affect our infrastructure, and maintaining contact with national and international organisations to obtain cyberintelligence information, without having so far detected a significant increase in attacks in our perimeter compared to other previous periods, though this may change in the future. Cybersecurity threats may include gaining unauthorised access to the Group's systems or propagating computer viruses or malicious software, to misappropriate sensitive information like customer data or disrupt the Group's operations. In addition, traditional security threats, such as theft of laptop computers, data devices and mobile phones may also affect the Group along with the possibility that the Group's employees or other persons may have access to the Group's systems and leak data and/or take actions that affect the Group's networks or otherwise adversely affect the Group or its ability to adequately process internal information or even result in regulatory penalties.

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

Although Telefónica seeks to manage these risks by adopting technical and organizational measures as defined in its digital security strategy, such as the use of early vulnerabilities detection, access control, log review of critical systems, and network segregation, as well as the deployment of firewalls, intrusion prevention systems, virus scanners and backup systems, it can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. Therefore, the Telefónica Group has insurance policies in place, which could cover, subject to the policies terms, conditions, exclusions, limits and sublimits of indemnity, and applicable deductibles, certain losses arising out of these types of incidents. To date, the insurance policies in place have covered some incidents of this nature, however due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover all possible losses arising out of these risks.

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

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

damage Telefónica's infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group.

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

Network or service interruptions or quality loss or climate-related risks could cause customer dissatisfaction, a reduction in revenues and traffic, the realisation of expensive repairs, the imposition of sanctions or other measures by regulatory bodies, and damage to the image and reputation of the Telefónica Group, or could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

## **Financial Risks.**

### ***Worsening of the economic and political environment could negatively affect Telefónica's business.***

Telefónica's international presence enables the diversification of its activities across countries and regions, but it exposes Telefónica to diverse legislation, as well as to the political and economic environments of the countries in which it operates. Any adverse developments in this regard, including the mere uncertainty, inflationary pressures, rapid normalization of monetary policy, exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect Telefónica's business, financial position, debt management, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.

Russia's invasion of Ukraine opened a period that has been characterized by extraordinary uncertainty and the simultaneous concurrence of multiple negative shocks. Inflationary pressures, arising from bottlenecks associated with the rapid recovery from the pandemic, have been exacerbated by two phenomena that are closely related to the Russian invasion: (i) the largest energy crisis since 1970s (17.7 per cent. of GDP spent on energy in 2022 vs. 10.2 per cent. in 2019 in OECD countries) and (ii) the highest increase in world food prices in recent history, resulting in inflation rates not seen in the last 40 years. The persistence of shocks led inflationary pressures to become more broad-based, with higher costs increasingly being passed through to the final prices of other goods and services, leading to strong response from central banks (interest rate hikes and liquidity withdrawal) and a significant loss of consumer purchasing power. Further, it is likely that the transmission of past increases in energy prices and other imported goods to final prices has not yet been completed, which will continue to put some upward pressure in the short term. These inflationary pressures have also been contributed to by the increasing wage demands that have been observed at the international level, reflecting both the strength of labour markets, especially those of the main developed economies, and the prevalence (although to a lesser extent than in the past) of wage indexation mechanisms. Moreover, there is a risk that global liquidity reduction and high interest rates could generate greater financial volatility leading to episodes of stress, such as those observed in the United Kingdom, especially if inflation turns out to be more persistent than previously expected. Also, premature monetary easing by central banks could lead to inflationary rebound that could generate a new period of stagflation as in the 1970s. Going forward, elements that could worsen the effects of the current situation include the escalation of the armed conflict and potential disruptions to energy supply and possible further increases in commodity prices, with a potential de-anchoring of inflation expectations and higher-than-expected wage demands, prolonging and amplifying the inflation-recession scenario. As a result of the above, economic growth is expected to decelerate further in the near term, with a significant risk of recession in many parts of the world.

So far, the main European countries where the Group operates have been affected through the price channel (higher commodity prices, intermediate inputs and salary costs, among others), as their trade and financial exposure is limited. However, in Europe there is concern about the energy situation for both this and next winter if climate conditions worsen in the face of a possible gas shortage. Latin America could be affected

by lower external demand associated with slower global growth, deteriorating terms of trade and tighter financial conditions.

During the first half of 2023, the contribution of each segment to Telefónica Group's total assets was as follows: Telefónica Spain 24.5 per cent. (22.5 per cent. during the same period in 2022), VMO2 9.9 per cent. (10.7 per cent. during the same period in 2022), Telefónica Germany 16.9 per cent. (17.1 per cent. during the same period in 2022), Telefónica Brazil 24.4 per cent. (23.1 per cent. during the same period in 2022) and Telefónica Hispam 15.0 per cent. (15.2 per cent. during the same period in 2022). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil, Argentina, Ecuador and Venezuela). Likewise, Venezuela and Argentina are considered countries with hyperinflationary economies in 2023 and 2022.

During the first half of 2023, the contribution of each segment to the Telefónica Group's revenues was as follows (does not include VMO2 that is recorded by the equity method and therefore does not contribute to the consolidated revenues): Telefónica Spain 30.6 per cent. (31.7 per cent. during the same period in 2022), Telefónica Germany 20.8 per cent. (20.3 per cent. during the same period in 2022), Telefónica Brazil 23.0 per cent. (21.6 per cent. during the same period in 2022) and Telefónica Hispam 22.2 per cent. (23.3 per cent. during the same period in 2022).

The main risks are detailed by geography below:

In Europe, there are several risks of an economic and political nature. First, the development of the armed conflict between Russia and Ukraine constitutes the main risk factor on growth and inflation prospects. Any worsening of the supply of gas, oil or food (such as the total shutdown of flows from Russia) would have a negative impact on their prices with a consequent impact on disposable income. In the medium term, this could lead to a stronger pass-through to final consumer prices, which could result in higher-than-expected wage increases, a persistent rise in inflation expectations and an even tighter monetary policy. All of the above would be added to the economic risks existing prior to the conflict, such as the consequences of an increase in the cost of financing conditions, both for the private and public sectors (more accelerated than expected a few months ago) which could trigger episodes of financial stress. Finally, there is a risk of financial fragmentation in the transmission of monetary policy in the Eurozone, which means that interest rates may react differently in different countries across the Eurozone, leading to differences in the yields of bonds issued by peripheral countries (such as Spain) and those issued by central countries, which would make access to credit more difficult for the former.

- *Spain*: there are several local sources of risks. One of them stems from the risk that high commodity prices and/or the emergence of second round effects, could prolong the inflationary episode with a deeper impact on household income. Secondly, and although the disbursement of European funds (NGEU) appears to be gaining traction, further delays or even designing flaws could limit their final impact on GDP growth and employment. In addition, as one of the most open countries in the world, from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, the rise of protectionism and trade restrictions could have significant implications. Lastly, the impact of rising interest rates could be a source of financial stress due to high public indebtedness and lead to a possible correction in the real estate market.
- *Germany*: the risk of energy shortages has diminished in recent months thanks to Europe's response in terms of diversification of sources and the rapid construction of regasification plants in the country. However, it is not possible to rule out that problems with energy supply may arise again. Gas flows (from Russia via Ukraine) could be lower than expected, consumption could be higher due, for example, to an unusually cold winter, or competition for gas from other countries could increase. On the other hand, there is concern that higher-than-expected wage growth and/or second round effects could lead to a stronger and longer inflationary cycle. As for the medium to long term, there is a risk that a potential escalation of geopolitical tensions could reduce international trade, with a consequent impact on the country's potential growth, which is dependent on exports. In addition, long-term challenges remain, such as the ageing of the population.
- *United Kingdom*: a slower disinflationary process than previously expected 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 normalizing as quickly as anticipated. On the other hand, although the UK economy has few direct trade links with Russia and Ukraine, it is vulnerable to

developments in the global energy market as it is the second European economy with the largest share of gas in the energy mix. Finally, the formal exit of the United Kingdom from the European Union on 31 December 2020 (Brexit) has created new barriers to trade in goods and services, mobility, and cross-border exchanges, which will entail an economic adjustment in the medium term.

In Latin America, the exchange risk is moderate 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).

- *Brazil*: fiscal sustainability and greater economic interventionism remain the main domestic risks, but they have recently diminished. The new administration has demonstrated its commitment to fiscal sustainability by announcing a new fiscal framework to replace the previous spending cap rule. This framework has already been approved by the Lower House and is expected to be voted and approved by the Senate before the middle of this year, thereby reducing fiscal risks. Furthermore, there are ongoing discussions in Congress regarding another fiscal reform aimed at simplifying the tax system and promoting stronger, sustainable economic growth. This reform is also expected to be approved this year. So far, the economic measures announced by the new administration have helped relieve uncertainty surrounding economic policies, resulting in exchange rate appreciation and upward revision of Brazil's credit rating outlook by the S&P agency. Risks related to inflation and monetary policy have also diminished with the recent institutional compromise with low inflation targets.
- *Argentina*: macroeconomic and exchange rate risks remain high. The main domestic challenges are achieving the necessary political consensus to reduce the public deficit and rebuilding international reserves in a context of high inflation and a severe drought that is negatively affecting agricultural output and exports, putting at risk the meeting of targets agreed by the country with the International Monetary Fund, which could imply a delay in the organisation's disbursements. In addition, there is a challenging political environment with presidential elections due in October 2023, with several political outcomes being possible. On the external front, a global slowdown resulting in lower demand for exported products and their prices would imply lower hard currency inflows, which would increase vulnerability to volatility in international financial markets. Finally, the application of unorthodox price control measures and increasing foreign exchange restrictions could affect Telefónica's profitability.
- *Chile, Colombia, Peru and Ecuador*: these countries are exposed not only to changes in the global economy, given their vulnerability and exposure to changes in commodity prices, but also to tightening of global financial conditions. On the domestic side, existing political instability and the possibility of further social unrest and the resurgence of populism could have a negative impact in both the short and medium term. In this regard, measures that result in excessive growth in public spending that jeopardise fiscal balance could have a negative impact on sovereign credit ratings, further deteriorating local financing conditions. Inflation is becoming more persistent than expected, which could limit central banks' ability to respond to an abrupt drop in activity levels and would also increase the risk on financial stability. In political terms, uncertainty decreased in Chile as the new constituent process is now conducted by conservative parties that are in favor of preserving more of the current institutional and economic pillars. Also in Colombia, the structural reforms promoted by the President are now expected to be less market unfriendly due to the weakening of the government coalition. In Peru, the president succeeded in calming down the social protests against her installation despite her administration remaining politically weak. In Ecuador, after the activation of the clause that dissolved the Congress, new presidential and legislative elections were automatically called for 20 August 2023.

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

In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill (which as of 30 June 2023, represented 17.5 per cent. of the Group's total assets) deferred tax assets (which as of 30 June 2023, represented 4.5 per cent. of the Group's total assets), or other assets, such as intangible assets (which represented 10.8 per cent. of the Group's total assets as of 30 June 2023), and property, plant and equipment (which represented 21.9 per cent. of the Group's total assets as of 30 June 2023). 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 2022, impairment losses in other assets of Telefónica Argentina were recognized for a total of EUR 77 million. In 2021 impairment losses in the goodwill of Telefónica del Perú were recognized for a total of EUR 393 million. In 2022, the analysis of the impairment of the investment in VMO2 revealed that the value in use of the investment continues to be above the book value, although the clearance has been reduced compared to the previous year, so that an increase of approximately 18 basis points over the WACC rate used, or a decrease of approximately one percentage point in the EBITDA margin, would make value in use equal to book value.

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. By way of example, in 2021 deferred tax assets corresponding to the tax Group in Spain amounting to EUR 294 million were derecognised.

Further impairments of goodwill, deferred tax assets or other assets may occur in the future which may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

***The Group faces risks relating to its levels of financial indebtedness, the Group's ability to finance itself, and its ability to carry out its business plan.***

The operation, expansion and improvement of the Telefónica Group's networks, the development and distribution of the Telefónica Group's services and products, the implementation of Telefónica's strategic plan and the development of new technologies, the renewal of licences and the expansion of the Telefónica Group's business in countries where it operates, may require a substantial amount of financing.

The Telefónica Group is a relevant and frequent issuer of debt in the capital markets. As of 30 June 2023, the Group's gross financial debt amounted to EUR 38,250 million (EUR 39,079 million as of 31 December 2022), and the Group's net financial debt amounted to EUR 27,479 million (EUR 26,687 million as of 31 December 2022). As of 30 June 2023, the average maturity of the debt was 12.4 years (13.1 years as of 31 December 2022), including undrawn committed credit facilities.

A decrease in the liquidity of Telefónica, or a difficulty in refinancing maturing debt or raising new funds as debt or equity could force Telefónica to use resources allocated to investments or other commitments to pay its financial debt, which could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Funding could be more difficult and costly to obtain in the event of a deterioration of conditions in the international or local financial markets due, for example, to monetary policies set by central banks, including increases in interest rates and/or decreases in the supply of credit, increasing global political and commercial uncertainty and oil price instability, or if there is an eventual deterioration in the solvency or operating performance of Telefónica.

As of 30 June 2023, the Group's gross financial debt scheduled to mature in 2023 amounted to EUR 2,423 million, and gross financial debt scheduled to mature in 2024 amounted to EUR 3,317 million.

In accordance with its liquidity policy, Telefónica has covered its gross debt maturities for the next 12 months with cash and credit lines available as of 30 June 2023. As of 30 June 2023, the Telefónica Group



had undrawn committed credit facilities arranged with banks for an amount of EUR 11,684 million (EUR 11,159 million of which were due to expire in more than 12 months). Liquidity could be affected if market conditions make it difficult to renew undrawn credit lines. As of 30 June 2023, 4.5 per cent. of the aggregate undrawn amount under credit lines was scheduled to expire prior to 30 June 2024.

In addition, given the interrelation between economic growth and financial stability, the materialisation of any of the economic, political and exchange rate risks referred to above could adversely impact the availability and cost of Telefónica's financing and its liquidity strategy. This in turn could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Finally, any downgrade in the Group's credit ratings may lead to an increase in the Group's borrowing costs and could also limit its ability to access credit markets.

***The Group's financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to interest rates or foreign currency exchange rates.***

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

In nominal terms, as of 30 June 2023, 81 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 3.47 per cent. as of 30 June 2023 compared to 3.96 per cent. as of 31 December 2022. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of 30 June 2023: (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 44 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 44 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 12 million as of 30 June 2023 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 12 million as of 30 June 2023. These calculations have been made assuming a constant currency position with an impact on profit or loss for as of 30 June 2023 taking into account derivative instruments in place.

In the first half of 2023, the evolution of exchange rates positively impacted the Group's results, increasing both the year-on-year growth of the Group's consolidated revenues and OIBDA by an estimated 0.2 percentage points, mainly due to the evolution of the Brazilian real (positive impact of 3.8 percentage points and 1.7 percentage points, respectively, during the same period in 2022). Furthermore, translation differences in the first half of 2023 had a positive impact on the Group's equity of EUR 1,325 million (EUR 1,884 million during the same period in 2022).

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 498 million and provisions for regulatory contingencies amounting to EUR 360 million as of 30 June 2023. In addition, Telefónica Brazil faces possible tax contingencies for which no provisions are made (see Note 24 c) – Other Provisions and Note 25 – Tax Litigation in Telefónica Brazil, to the 2022 Consolidated Financial Statements). Further, 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 our 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 and 29 to the 2022 Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims can be found in Note 24 of the 2022 Consolidated Financial Statements.

Telefónica Group is also party to certain litigation in Peru concerning certain previous years' income taxes in respect of which Telefónica has been notified that the judicial resolutions which resolve the contentious administrative processes are unfavorable to the Group and will require it to pay taxes related to prior years. At the end of the relevant proceedings, the Tax Administration, through an administrative act, will determine the amount of the payment obligation. The estimated impact of the aforementioned judicial resolutions is already provisioned in Telefónica's financial statements, with the total provision as of 30 June 2023 amounting to 3,065 million Peruvian soles (approximately EUR 778 million at the exchange rate at such date).

An adverse outcome or settlement in these or other proceedings, present or future, could result in significant costs and may have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

***Increased scrutiny and changing expectations from stakeholders, evolving reporting and other legal obligations and compliance with Telefónica Group's own goals regarding ESG matters, may expose the Telefónica Group to various risks.***

The Telefónica Group may be unable to adapt to or comply with increasingly demanding expectations from analysts, investors, customers and other stakeholders and new regulatory reporting or other legal requirements related to ESG issues, although work is being done with the intention of meeting these expectations. 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 CO<sub>2</sub> emission reduction targets) subjects it to the risk that it will fail to achieve these objectives and initiatives.

Although the Telefónica Group is working to comply with new ESG reporting requirements, to achieve its objectives, and to meet the expectations of its stakeholders in these matters, if the Company is unable to meet these expectations, fails to adequately address ESG matters or fails to achieve the reported objectives (including its CO<sub>2</sub> emission reduction targets), the Telefónica Group's reputation, its business, financial position, results of operations and/or cash flows could be materially and adversely affected.

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

The Telefónica Group is required to comply with the anti-corruption laws and regulations of the jurisdictions where it conducts operations around the world, including in certain circumstances with laws and regulations having extraterritorial effect such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. The anti-corruption laws generally prohibit, among other conduct, providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage or failing to keep accurate books and records and properly account for transactions.

In this sense, due to the nature of its activities, the Telefónica Group is increasingly exposed to this risk, which increases the likelihood of occurrence. In particular, it is worth noting the continuous interaction with officials and public administrations in several areas, including the institutional and regulatory fronts (as the Telefónica Group carries out a regulated activity in different jurisdictions), the operational front (in the deployment of its network, the Telefónica Group is subject to obtaining multiple activity permits) and the commercial front (the Telefónica Group provides services directly and indirectly to public administrations). Moreover, Telefónica is a multinational group subject to the authority of different regulators and compliance with various regulations, which may be domestic or extraterritorial in scope, civil or criminal, and which may lead to overlapping authority in certain cases. Therefore, it is very difficult to quantify the possible impact of any breach, bearing in mind that such quantification must consider not only the economic amount of sanctions, but also the potential negative impact on the business, reputation and/or brand, or the ability to contract with public administrations.

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programmes and other forms of trade restrictions ("**sanctions**") including those administered by the United Nations, the European Union, the United States, including by the U.S. Treasury Department's Office of Foreign Assets Control and the United Kingdom. The sanctions regulations restrict the Group's business dealings with certain sanctioned 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 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 (which take various forms, including economic sanctions programmes applicable to countries, territories, lists of entities and persons sanctioned or certain trade restrictions). Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

Although the Group has internal policies and procedures designed to ensure compliance with the above mentioned applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or, otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Group, its subsidiaries or they may be ultimately held responsible. In this regard, the Group is currently cooperating with governmental authorities (and, where appropriate, conducting the relevant internal investigations) regarding requests for information potentially related, directly or indirectly to possible violations of applicable anti-corruption laws. Telefónica believes that, considering the size of the Group, any potential penalty as a result of matters relating to those specific information requests would not materially affect the Group's financial condition.

Notwithstanding the above, violations of anti-corruption laws and sanctions regulations could lead not only to financial penalties, but also to exclusion from government contracts, licences and authorisations revocation, and could have a material adverse effect on the Group's reputation, or otherwise adversely affect the Group's business, financial condition, results of operations and/or cash flows.

## **Risks related to withholding.**

### ***Risks in relation to Spanish taxation***

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

Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, payments of interest in respect of the Securities will be made without withholding tax in Spain provided that the Fiscal Agent provides the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) in a timely manner with a certificate containing certain information in accordance with section 44 paragraph 5 of the Royal Decree 1065/2007 relating to the Securities.

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

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

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

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

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

## **Risks related to the structure of the Securities.**

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

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*) of the Securities. By virtue of such subordination, payments to a Holder of Securities will, in the event of an Issuer Winding-up (as described in the Conditions) only be made after, and any set-off by a Holder of Securities shall be excluded until, all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder of Securities may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under, or in connection with, the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

***The Guarantee is a subordinated obligation***

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

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

***There are no events of default under the Securities***

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

***The Securities are undated securities***

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

***The Issuer may redeem the Securities under certain circumstances***

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

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

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

The Securities are also subject to redemption in whole, but not in part, at the Issuer's option upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial

Purchase Event. The relevant redemption amount may be less than the then current market value of the Securities. The Issuer or the Guarantor's entitlement to claim the benefit of tax deductions in respect of any interest payments made under the Securities or the Subordinated Loan may be removed or materially reduced by any future implementation of Council Directive (EU) 2022/2523 (the "**Pillar 2 Directive**"), when calculating their tax liabilities in respect of corporate income tax and any other taxes applicable other than corporate income tax (such as the top-up tax or the qualified domestic top-up tax introduced as a consequence of the implementation Council Directive (EU) 2022/2523). The extent of the implementation of Pillar 2 Directive in the jurisdictions in which the Issuer or the Guarantor operate is still uncertain. In particular, it is still unclear whether and to what extent interest payments accrued in respect of instruments such as the Securities or the Subordinated Loan would be considered as being deductible for tax purposes. If, following the implementation of the Pillar 2 Directive, the Issuer or the Guarantor's entitlement to claim tax deductions in respect interest payments made under the Securities or the Subordinated Loan is removed or materially reduced, such removal or reduction of any such entitlement may result in the occurrence of a Tax Event under the Securities and give rise to an option for the Issuer to redeem the Securities or substitute or vary the Securities as more fully set out in Condition 6(d) (*Redemption for Taxation Reasons*) and Condition 12(c) (*Substitution and Variation*), respectively.

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

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

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

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

Following the publication in June 2018 by the IASB (International Accounting Standards Board) of the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**") and subsequent discussions, the IASB tentatively decided in February 2021 not to implement the changes to the classification of financial obligations that only arise on liquidation of the entity that were contemplated in the DP/2018/1 Paper. However, at the March 2022 and subsequent meetings of the IASB the classification and presentation requirements of issued financial instruments was discussed. The IASB will consider proposals for potential reclassification principles and the next milestone is to produce an exposure draft. If similar proposals to those contemplated by the DP/2018/1 Paper are implemented or put forward in the future, the current IFRS equity classification of financial instruments such as the Securities may change. If such a change leads to an Accounting Event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to Condition 6(e) (*Redemption for Accounting Reasons*) of the Securities or substitute or vary the terms of the Securities pursuant to Condition 12(c) (*Substitution and Variation*) of the Securities. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date, which is the earlier of such date that a change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice.

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

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

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 5 (*Optional Interest Deferral*) of the Securities. Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Conditions 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral - Mandatory Settlement of Arrears of Interest*) of the Securities. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

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

### ***Substitution or variation of the Securities***

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

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

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

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

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

As described in "*Use and Estimated Net Amount of Proceeds*" below, the Issuer's intention is to apply an amount equal to the net proceeds of the issue of the Securities specifically for investment in Eligible Projects (as defined below). No assurance is given by the Issuer, the Guarantor or the Joint Bookrunners that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects) and may not meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including the EU Taxonomy Regulation and any related technical screening criteria, the proposed European Green Bond Regulation (an initiative by the European Union to establish a common framework for the issuance of green bonds within its Member States), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and any implementing legislation and guidelines, or any similar legislation in the United Kingdom).

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

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

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

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

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

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

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

***Interest rate reset may result in a decline of yield***

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

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

The Securities have been assigned a rating by S&P, Moody's and Fitch. The rating granted by each of S&P, Moody's and Fitch or any other rating assigned to the Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of



deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

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

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

### ***Risks relating to EURIBOR***

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

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

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

If the Issuer (in consultation with the Agent Bank) determines that a Benchmark Event (as defined in the Conditions) has occurred, then the Issuer may elect to apply provisions in the Conditions that permit the rate of interest to alternatively be set by the Issuer and an Independent Adviser (without a requirement for the consent or approval of the Holders), by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required). The use of a successor rate or an alternative reference rate may, however, result in interest payments that are lower than, or otherwise do not correlate over time with, the payments that could have been made on the Securities if the relevant benchmark continued to be available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser and the Issuer fail to agree on a successor rate or an alternative reference rate or any adjustments thereto in accordance with the Conditions, the ultimate fallback of interest for a particular Reset Period may result in the rate of interest for the last preceding Reset Period being used (or, in the case of the Reset Period commencing on the First Reset Date, 3.135 per cent. per annum). Any such consequence could have a material adverse effect on the value of and return on the Securities.

No consent of the Holders shall be required in connection with effecting any relevant successor rate or alternative reference rate (as applicable) or any other related adjustments and/or amendments described above. Any such adjustment could have unexpected commercial consequences and there can be no

assurance that, due to the particular circumstances of each Holder, any such adjustment will be favourable to each Holder.

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

#### **Risks related to insolvency law.**

##### ***Risks arising in connection with EU insolvency law***

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

If the centre of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined as any place of operations where a debtor carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State and so may impact the ability of holders of the Securities to commence insolvency proceedings against the Issuer or the Guarantor outside the centre of main interest of such companies.

##### ***Risks arising in connection with the Dutch insolvency law***

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

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

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

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

In a suspension of payments or a bankruptcy, a composition may be offered to creditors (including the holders of the Securities). A composition will be binding on all unsecured and non-preferential creditors

(including the holders of the Securities) if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50 per cent. of the amount of the claims that are admitted for voting purposes; and (ii) subsequently ratified (*gehomologeerd*) by the competent Dutch court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Securities to effect a restructuring and could reduce the recovery of a holder of Securities.

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

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

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

#### *The Dutch Scheme*

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

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

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

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

### ***Risks arising in connection with the Spanish Insolvency Law***

Law 16/2022, of 5 September (*Ley 16/2022, de 5 de septiembre, de reforma del texto refundido de la Ley Concursal*) has amended the consolidated text of the Spanish Insolvency Law approved by Legislative Royal Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) (the "**Spanish Insolvency Law**"). The main aim of this amendment is to implement the restructuring framework required by Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency). In addition, it has introduced other important 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 or in specific situations regulated under the Spanish Insolvency Law). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "*concurso de acreedores*", 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 agreement between the creditors and the debtor (*convenio*) or to the liquidation of the debtor's assets.

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations (*insolvencia actual*) within the term of two months as from the moment that it knows that it is insolvent or as from the moment it should have known it is insolvent. The debtor is also entitled to apply for such insolvency proceedings when it expects that it will be unable to do so 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 that fall due in the next two years.

Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of certain of its assets by its creditors. In addition, a restructuring plan before formal insolvency proceedings are declared may be reached when the debtor is in actual and imminent insolvency or a situation of likely insolvency (*probabilidad de insolvencia*).

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; (iv) ordinary debt; and (v) subordinated debt.

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

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

The general duty to file for bankruptcy within the aforementioned two-month period does not apply if the debtor notifies the applicable court that it has initiated negotiations with its creditors to obtain support for a restructuring plan, as set out in Articles 585 *et seq.* of the Spanish Insolvency Law. Effectively, by means of the pre-insolvency filing, on the top of those two months, the debtor gains an additional three-months period (or up to six months, if extended) as from the date when the debtor gives such notice, to achieve a restructuring plan with its creditors and one further month to file for bankruptcy, if after the above mentioned period of three months (or of six months if extended) has elapsed without an agreement being reached and the situation of insolvency persists. During that period (i.e. 3 months, or 6 months if an extension is granted) enforcement actions are stayed, subject to certain exceptions and conditions.

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

A plan may be negotiated if the debtor is in a situation of likely, actual or imminent insolvency.

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

#### **Risks related to the Securities generally.**

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

##### ***Majority decisions bind all Holders***

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

##### ***There is no active trading market for the Securities***

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

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

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

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

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

***Exchange rate fluctuations may affect the value of the Securities***

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

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

## OVERVIEW OF THE SECURITIES

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

*Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in these Listing Particulars, have the same meanings in this overview.*

<b>Issuer:</b>	Telefónica Europe B.V.
<b>Guarantor:</b>	Telefónica, S.A.
<b>Description of Securities:</b>	EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the " <b>Securities</b> ").
<b>Joint Bookrunners:</b>	Banco de Sabadell, S.A., Barclays Bank Ireland PLC, BNP Paribas, CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, Natixis, SMBC Bank EU AG and UniCredit Bank AG.
<b>Fiscal Agent:</b>	The Bank of New York Mellon, London Branch.
<b>Listing Agent:</b>	The Bank of New York Mellon SA/NV, Dublin Branch.
<b>Issue Price:</b>	100 per cent. of the principal amount.
<b>Issue Date:</b>	7 September 2023.
<b>Maturity Date:</b>	Undated.
<b>Interest:</b>	<p>The Securities will bear interest on their principal amount:</p> <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 6.750 per cent. per annum; and</li><li>(ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the relevant Reset Period plus:<ul style="list-style-type: none"><li>(A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum;</li><li>(B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and</li><li>(C) from (and including) 7 September 2051, 4.615 per cent. per annum,</li></ul></li></ul> <p>all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on 7 September 2024, subject to Condition 5 (<i>Optional Interest Deferral</i>), all as more particularly described in Condition 4 (<i>Interest Payments</i>) of the Conditions.</p>
<b>Interest Payment Dates:</b>	Interest payments in respect of the Securities will be payable annually in arrear on 7 September in each year, commencing on 7 September 2024.
<b>Status of the Securities:</b>	The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank <i>pari passu</i> and without any preference among themselves.

<b>Subordination of the Securities:</b>	<p>In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) <i>pari passu</i> with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.</p> <p>Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2(b) (<i>Status and Subordination of the Securities and Coupons - Subordination of the Securities</i>) of the Securities is an irrevocable stipulation (<i>derdenbeding</i>) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2(b) (<i>Status and Subordination of the Securities and Coupons - Subordination of the Securities</i>) of the Securities under Section 6:253 of the Dutch Civil Code.</p>
<b>Guarantee and Status of Guarantee:</b>	<p>Payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.</p> <p>The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank <i>pari passu</i> and without preference among themselves.</p>
<b>Subordination of the Guarantee:</b>	<p>Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (<i>concurso</i>) under Spanish Insolvency Law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) <i>pari passu</i> with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.</p>
<b>Optional Interest Deferral:</b>	<p>The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in "<i>Terms and Conditions of the Securities - Optional Interest Deferral</i>". Non-payment of interest so deferred shall not constitute a default by the Issuer or Guarantor under the Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.</p>
<b>Optional Settlement of Arrears of Interest:</b>	<p>Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than seven Business Days' notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 5(b) (<i>Optional Interest Deferral - Optional Settlement of Arrears of Interest</i>) of the Securities.</p>
<b>Mandatory Settlement of Arrears of Interest:</b>	<p>The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.</p> <p><b>"Mandatory Settlement Date"</b> means the earliest of:</p>



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

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

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

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

**Optional Redemption:**

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

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

**Events of Default:**

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

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

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

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

**Replacement  
Intention:**

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

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

<b>Credit Rating:</b>	<p>The Securities are expected to be rated BB by S&amp;P, Ba2 by Moody's and BB+ by Fitch.</p> <p>S&amp;P, Moody's and Fitch are established in the European Union and registered under the EU CRA Regulation. The ratings S&amp;P, Moody's and Fitch have given to the Securities have been endorsed by S&amp;P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd (respectively) which are established in the United Kingdom and registered under the UK CRA Regulation.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Listing and Admission to Trading:</b>	<p>Application has been made for these Listing Particulars to be approved by Euronext Dublin and the Securities to be admitted to Euronext Dublin's Official List and to trading on the GEM.</p>
<b>Selling Restrictions:</b>	<p>The United States, the United Kingdom and the EEA (including the Kingdom of Spain and the Republic of Italy). See "<i>Subscription and Sale</i>".</p> <p>Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.</p>
<b>Use and Estimated Net Amount of Proceeds:</b>	<p>An amount equal to the aggregate net proceeds of the issue of the Securities, expected to amount to EUR745,875,000, will be allocated towards Eligible Projects (as described in "<i>Use and Estimated Net Amount of Proceeds</i>" below).</p>
<b>Risk Factors:</b>	<p>Prospective investors should carefully consider the information set out in "<i>Risk Factors</i>" in conjunction with the other information contained or incorporated by reference in these Listing Particulars.</p>
<b>ISIN:</b>	XS2646608401.
<b>Common Code:</b>	264660840.

## INFORMATION INCORPORATED BY REFERENCE

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

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent, unless such documents have been modified or superseded. In addition, the audited unconsolidated financial statements of Telefónica Europe B.V. for the year ended 31 December 2022 are available on <https://direct.euronext.com/api/PublicAnnouncements/OAMDocument/Telefonica%20Europe%20BV%20-%20Annual%20Report%202022%20and%20Independent%20Audit%20Report.xhtml?id=330f18b8-a28f-46f6-b8dc-505aa6940afc>; the audited unconsolidated financial statements of Telefónica Europe B.V. for the year ended 31 December 2021 are available on <https://direct.euronext.com/api/PublicAnnouncements/RISDocument/Telefonica%20Europe%20BV%20-%20Annual%20Report%202021%20and%20Independent%20Audit%20Report.xhtml?id=045cc7b4-6edf-46ca-a531-8a14da67c6aa>; the unaudited and unreviewed interim unconsolidated financial statements of Telefónica Europe B.V. for the six months ended 30 June 2023 are available on <https://direct.euronext.com/api/PublicAnnouncements/RISDocument/TE%20B.V.%20Interim%20Financial%20Report%20June%202023%20-%20unsigned.pdf?id=e2b8d3bc-3fab-4f82-ac74-8d1ec6aa6611>; the audited consolidated financial statements of Telefónica, S.A. for the year ended 31 December 2022 (the "2022 Consolidated Financial Statements") are available on <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/02/Consolidated-Annual-Accounts-2022.pdf>; the audited consolidated financial statements of Telefónica, S.A. for the year ended 31 December 2021 (the "2021 Consolidated Financial Statements") are available on <https://www.telefonica.com/en/wp-content/uploads/sites/5/2022/02/Consolidated-Annual-Accounts-2021.pdf>; and the unaudited condensed consolidated interim financial statements of Telefónica, S.A. for the six months ended 30 June 2023 are available on <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/04/rdos23t2-ipp-cuentas-resumidas-eng.pdf> (the "June 2023 Interim Consolidated Financial Statements").

For ease of reference, the tables below set out:

- (a) the relevant page references for the financial statements, the notes to the financial statements and the auditor's reports for the years ended 31 December 2022 and 2021 for the Issuer and the unaudited and unreviewed interim unconsolidated financial statements for the six months ended 30 June 2022, for the Issuer; and
- (b) the relevant page references for the consolidated financial statements, the notes to the consolidated financial statements and the auditor's reports for the years ended 31 December 2022 and 2021, and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023, for the Guarantor.

### **Telefónica Europe B.V.**

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**Telefónica, S.A.**

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

Any documents which are themselves incorporated by reference in the information incorporated by reference in these Listing Particulars will not form part of these Listing Particulars.

All documents incorporated by reference have been filed with Euronext Dublin.

For the avoidance of doubt, unless specifically incorporated by reference into these Listing Particulars, information contained on any website does not form part of these Listing Particulars.

## TERMS AND CONDITIONS OF THE SECURITIES

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

The issue of the EUR 750,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Securities**") was authorised by a resolution of the Board of Managing Directors of the Issuer dated 25 July 2023 and the guarantee of the Securities was authorised by a resolution of the Delegated Committee of the Board of Directors of the Guarantor dated 3 November 2021, acting upon a resolution of the shareholders acting through the General Shareholders' Meeting of the Guarantor dated 12 June 2020 and a resolution of the Board of Directors of the Guarantor dated 12 June 2020. A fiscal agency agreement dated 7 September 2023 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Securities between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon, London Branch as agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Agent Bank**" and the "**Paying Agents**" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the "**Coupons**", which expression includes, where the context so permits, talons for further coupons (the "**Talons**")). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents or via electronic means at the relevant Paying Agent's discretion following the Holder's prior written request and provision of proof of holding and identity in a form satisfactory to the relevant Paying Agent. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1(b) (*Form Denomination and Title - Title*) below) (whether or not attached to the Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1. **Form, Denomination and Title**

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

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

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

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

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

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



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

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

#### 4. **Interest Payments**

- (a) **General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 7 September 2023 (the "**Issue Date**") in accordance with the provisions of this Condition 4.

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

- (b) **Interest Accrual**

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

Interest in respect of any Security shall be calculated per EUR 100,000 in principal amount thereof (the "**Calculation Amount**"). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

- (c) **Prevailing Interest Rate**

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

- (i) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 6.750 per cent. per annum; and

- (ii) from (and including) the First Reset Date, at the applicable 8 Year Swap Rate in respect of the relevant Reset Period plus:
  - (A) in respect of the period commencing on the First Reset Date to (but excluding) 7 September 2033, 3.615 per cent. per annum;
  - (B) from (and including) 7 September 2033 to (but excluding) 7 September 2051, 3.865 per cent. per annum; and
  - (C) from (and including) 7 September 2051, 4.615 per cent. per annum,(each a "**Subsequent Fixed Interest Rate**"), all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on 7 September 2024, subject to Condition 5 (*Optional Interest Deferral*),

and where:

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

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

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

(d) ***Benchmark Replacement***

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

- (i) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset

Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with paragraph (ii)) below) and, in either case, an Adjustment Spread if any (in accordance with paragraph (iii) below) and any Benchmark Amendments (in accordance with paragraph (iv) below).

- (ii) If the Issuer and the Independent Adviser:
  - (A) agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the 8 Year Swap Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 4(d)); or
  - (B) agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the 8 Year Swap Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 4(d)); or
  - (C) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate, the fallback provisions set out in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*) continue to apply.
- (iii) If the Issuer and the Independent Adviser agree (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(d) and the Issuer and the Independent Adviser agree: (i) that amendments to these Conditions and/or the Fiscal Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with paragraph (v) below, without any requirement for the consent or approval of the Holders, vary these Conditions and/or the Fiscal Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. In connection with any such variation in accordance with this paragraph, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.
- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(d) will be notified promptly by the Issuer to the Fiscal Agent, the Agent Bank, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Guarantor, the Fiscal Agent, the Agent Bank, the Paying Agents and the Holders.
- (vi) Without prejudice to the obligations of the Issuer under paragraphs (i) to (v) above, the Original Reference Rate and the fallback provisions provided for in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*) will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 4(d).

(vii) Notwithstanding any other provision of this Condition 4(d), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency or a shortening of the period of time for which any such equity credit is attributed to the Securities by a Rating Agency.

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

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

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

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

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

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

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

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

5. **Optional Interest Deferral**

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

to this Condition 5(a) and that has not been satisfied is referred to as a "**Deferred Interest Payment**".

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

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

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

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

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

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

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

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

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

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

## 6. **Redemption and Purchase**

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

Any such notice of the redemption of the Securities may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Redemption Date may be delayed until such time as any or all

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

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

- (d) ***Redemption for Taxation Reasons:*** If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the start of the Relevant Period) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the First Call Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (e) ***Redemption for Accounting Reasons:*** If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the First Call Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (f) ***Redemption for Rating Reasons:*** If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the First Call Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (g) ***Redemption following a Substantial Purchase Event:*** If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*), redeem the Securities in whole, but not in part,

in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.

- (h) **Preconditions to Redemption:** Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6(b) (*Redemption and Purchase - Issuer's Call Option*) or Condition 6(c) (*Redemption and Purchase - Issuer's Make-Whole Call Option*)), the Guarantor shall:
- (i) deliver to the Fiscal Agent a certificate signed by one authorised signatory of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
  - (ii) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (i) above;
  - (iii) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant opinion from the relevant accountancy firm; and
  - (iv) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.
- (i) **Purchase:** Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to this Condition 6(h), they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the Holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12 (*Meetings of Holders of Securities and Modification*).
- (j) **Cancellation:** All Securities so redeemed and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

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

- (i) the rating assigned by S&P to the Guarantor is the same as or higher than the long-term corporate credit rating assigned to the Guarantor on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) in the case of a repurchase or redemption, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 10 consecutive years; or



- (iii) if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or
- (iv) in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns equity content under its prevailing methodology; or
- (v) the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event; or
- (vi) such redemption or repurchase occurs on or after 7 September 2051.

7. **Payments**

- (a) **Method of Payment:** Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in city in which banks have access to T2. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.
- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (c) **Unmatured Coupons:** Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.
- (d) **Exchange of Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).
- (e) **Payments on business days:** A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition "**business day**" means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.
- (f) **Paying Agents:** The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent and (ii) a Paying Agent (which may be the Fiscal Agent) having specified offices in London or an alternative European city (as the Issuer may select). Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14 (*Notices*).

8. **Taxation**

- (a) **Additional Amounts:** All payments of principal and interest in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (collectively, "**Taxes**") of whatever

nature imposed or levied by or on behalf of the Netherlands or the Kingdom of Spain or, in each case, any authority therein or thereof having power to tax (each a "**Taxing Authority**"), unless the withholding or deduction of such Taxes is required by law.

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

- (i) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon who is liable for Taxes in respect of such Security or Coupon by reason of his having some connection with the Netherlands or the Kingdom of Spain other than the mere holding of the Security or Coupon;
- (ii) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder or the beneficial owner thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day;
- (iii) in relation to any estate, inheritance, gift, sales, transfer or similar Taxes;
- (iv) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly executed and completed certificate from the Fiscal Agent, pursuant to the First Additional Provision of Law 10/2014, and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation;
- (v) where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer's or the Guarantor's request addressed to the Holder or the beneficial owner to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner if such claim or compliance is required by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority;
- (vi) presented for payment in the Kingdom of Spain;
- (vii) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union (if any); or
- (viii) where such withholding or deduction is required pursuant to the application of the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*);
- (ix) any taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 (FATCA) (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, any official interpretations thereof or any agreements entered into in connection with the implementation thereof.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder of any Security who is a fiduciary, a partnership, a limited liability company or other than

the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

- (b) **Tax Credit Payment:** If any Additional Amounts are paid by the Issuer or, as the case may be, the Guarantor under this Condition for the benefit of any Holder and such Holder, in its sole discretion, determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remissions for, or repayment of, any tax, then, if and to the extent that such Holder, in its sole opinion, determines that (i) such credit, relief, remission or repayment is in respect of or calculated with reference to the Additional Amounts paid pursuant to this Condition; and (ii) its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled, such Holder shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Issuer or, as the case may be, the Guarantor such amount as such Holder shall in its sole opinion, determine to be the amount which will leave such Holder (after such payment) in no worse after tax position than it would have been in had the additional payment in question not been required to be made by the Issuer or, as the case may be, the Guarantor.
- (c) **Tax Credit Clawback:** If any Holder makes any payment to the Issuer or, as the case may be, the Guarantor pursuant to this Condition and such Holder subsequently determines in its sole opinion, that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Issuer or, as the case may be, the Guarantor shall reimburse such Holder such amount as such Holder determines, in its sole opinion, is necessary to place it in the same after tax position as it would have been in if such credit, relief, remission or repayment had been obtained and fully used and retained by such Holder, such amount not exceeding in any case the amount paid by the Holder to the Issuer or, as the case may be, the Guarantor.
- (d) **Tax Affairs:** Nothing in Conditions 8(b) (*Taxation - Tax Credit Payment*) and 8(c) (*Taxation - Tax Credit Clawback*) above shall interfere with the right of any Holder to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any Holder to claim any credit, relief, remission or repayment in respect of any payment made under this Condition in priority to any credit, relief, remission or repayment available to it nor oblige any Holder to disclose any information relating to its tax or other affairs or any computations in respect thereof.
- (e) **Definitions:** References in these Conditions to (i) "Principal" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 (*Payments*) or any amendment or supplement to it; (ii) "interest" shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 (*Interest Payments*) or any amendment or supplement to it; and (iii) "principal" and/or "interest" shall be deemed to include any Additional Amounts.
- (f) **Applicable law for Spanish tax purposes:** The Guarantor will apply the First Additional Provision of Law 10/2014 to the Securities for Spanish tax purposes.

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

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

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

9. **Enforcement Events and No Events of Default**

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

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

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

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

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

10. **Prescription**

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

11. **Replacement of Securities and Coupons**

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

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

- (a) **Meetings of Holders of Securities:** The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests,

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

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

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

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

- (c) **Substitution and Variation:** If at any time after the Issue Date the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, as an alternative to an early redemption of the Securities, on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities (the "**Exchanged Securities**") into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor (a "**Substitute Issuer**") with a guarantee of the Guarantor, or (ii) vary the terms of the Securities (the "**Varied Securities**"), so that in either case (A) in the case of a Tax Event, in respect of (I) the Issuer's (or Substitute Issuer's) obligation to make any payment of interest under the Exchanged Securities or Varied Securities; or (II) the obligation of the Guarantor to make any payment of interest in favour of the Issuer (or Substitute Issuer) under the Subordinated Loan (or any replacement thereof between the Guarantor and Substitute Issuer), the Issuer, the Guarantor or the Substitute Issuer (as the case may be) is entitled to claim a deduction or a higher deduction (as the case may be) in respect of interest paid when computing its tax liabilities in the Netherlands, in Spain or in the taxing jurisdiction of the Substitute Issuer (as the case may be), as compared with the entitlement after the occurrence of the relevant Tax Event, (B) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee (as defined below) the Issuer, the Guarantor or the Substitute Issuer are not required to pay a greater amount of Additional Amounts in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee, (C) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of the consolidated financial statements of the Guarantor, or (D) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is assigned "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) by the relevant Rating Agency that is equal to or

greater than that which was assigned to the Securities on the Issue Date or, if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time.

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

- (i) the Issuer giving not less than 10 nor more than 60 days' notice to the Fiscal Agent and the Holders in accordance with Condition 14 (*Notices*);
- (ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities continue to be admitted to trading on the same stock exchange as the Securities if they were admitted to trading immediately prior to the relevant exchange or variation;
- (iii) the Exchanged Securities or Varied Securities shall: (A) rank at least *pari passu* with the ranking of the Securities prior to the exchange or variation, (B) have the benefit of a guarantee (the "**Exchanged or Varied Guarantee**") from the Guarantor on terms not less favourable to Holders than the terms of the Guarantee (as reasonably determined by the Issuer or Substitute Issuer and the Guarantor) and (C) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued interest or Arrears of Interest which have not been paid and any other amounts payable under the Securities which, in each case, has accrued to the Holders and has not been paid, the same rights to principal and interest, and, if publicly rated by S&P, Moody's and/or Fitch immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by each of S&P, Moody's and/or Fitch (as the case may be), as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer or Substitute Issuer and the Guarantor using reasonable measures available to it including discussions with S&P, Moody's and/or Fitch to the extent practicable) (D) not contain terms providing for the mandatory deferral of interest and (E) not contain terms providing for loss absorption through principal write-down or conversion to shares;
- (iv) the preconditions to redemption set out in Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*) having been satisfied and the terms of the exchange or variation (in the sole opinion of the Issuer or Substitute Issuer or the Guarantor, as the case may be) not being prejudicial to the interests of the Holders, including compliance with (iv) above, as certified to the benefit of the Holders by one authorised signatory of the Guarantor, having consulted with an independent investment bank of international standing, and any such certificate shall, absent fraud or manifest error, be final and binding on all parties. However, a change in the governing law of the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons - Subordination of the Securities*) to the laws of the jurisdiction of incorporation of the Substitute Issuer, in connection with any substitution pursuant to Condition 12(c) (*Substitution and Variation*), shall be deemed not to be prejudicial to the interests of the Holders; and
- (v) the issue of legal opinions addressed to the Fiscal Agent (and which shall be made available to the Holders at the specified offices of the Fiscal Agent during usual office hours) from one or more international law firms of good reputation selected by the Issuer or the Guarantor and confirming (x) that each of the Issuer and the Guarantor has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities and the Exchanged or Varied Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the

legality, validity and enforceability of the Exchanged Securities or Varied Securities.

- (d) Notwithstanding Condition 8(a) (*Taxation - Additional Amounts*), if at any time after the Issue Date, the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on any payment under the Securities, the Issuer may on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities.
- (e) Any such exchange or variation set out in paragraph (d) above shall be subject to the fulfilment of the same conditions as described under Condition 12(c) (*Substitution and Variation*) in relation to Exchanged Securities or Varied Securities if a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, except that the fulfilment of the preconditions to redemption set out in Condition 6(h) (*Redemption and Purchase - Preconditions to Redemption*) as required by Condition 12(c)(iv) above shall be replaced by the delivery by the Guarantor to the Fiscal Agent of a certificate signed by one authorised signatory of the Guarantor and an opinion of independent tax advisers, in each case stating the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on a payment under the Securities.

13. **Further Issues**

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

14. **Notices**

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

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

15. **Issuer Substitution**

- (a) **Substitution:** The Issuer (which expression in this Condition 15 shall include any company previously substituted hereunder) and the Guarantor may at any time, without the consent of the Holders, substitute for the Issuer (1) the Guarantor or (2) any company or other body corporate incorporated in the European Economic Area and that, at the time of such substitution, is a wholly-owned direct or indirect subsidiary of the Guarantor (the "**Substitute**") upon prior notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders, provided that:

- (i) no payment in respect of the Securities is at the relevant time overdue;
- (ii) a deed is executed by the Substitute agreeing to be bound by the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant as if the Substitute had been named in the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant as the principal debtor in place of the Issuer (the "**Deed Poll**");
- (iii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Conditions, the Securities, the Fiscal Agency Agreement and the Deed of Covenant are unconditionally and irrevocably guaranteed by the Guarantor under a deed of guarantee executed by the Guarantor (the "**New Deed of Guarantee**");
- (iv) if the Substitute is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the taxing jurisdiction of the Issuer (the "**Issuer's Territory**") or the Guarantor (the "**Guarantor's Territory**"), the Substitute shall in the Deed Poll give an undertaking in terms corresponding to Condition 8 (*Taxation*) with the substitution of the references in that Condition to the laws of the Issuer's Territory for equivalent or similar references to the laws of the Substituted Territory whereupon the Conditions, the Securities and the Fiscal Agency Agreement shall be read accordingly and any references to the Issuer's Territory herein and therein being substituted for references to the Substituted Territory, as applicable;
- (v) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments as agreed between the Fiscal Agent and the Substitute to give effect to the substitution;
- (vi) the issue of legal opinions addressed to the Fiscal Agent from one or more international law firms as to the laws of England and of the relevant jurisdictions of the Guarantor and the Substitute, as applicable, selected by the Substitute or the Guarantor, and confirming (x) that each of the Substitute and the Guarantor (as the case may be) has capacity to assume all rights, duties and obligations under the Deed Poll, the Fiscal Agency Agreement and the Securities or the New Deed of Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation in its jurisdiction to assume all such rights and obligations and (y) the legality, validity and enforceability of such obligations;
- (vii) the Substitute (if incorporated in a jurisdiction other than England) shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 17(b) (*Jurisdiction*)) in England;
- (viii) the Substitute and the Guarantor, after having given each Rating Agency at least 14 days' notice of such substitution, not having received confirmation from any Rating Agency that the substitution will adversely affect the eligibility for, or attribution of, the amount of "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as is attributed to the Securities immediately prior to such substitution; and
- (ix) two authorised signatories of the Issuer or two authorised signatories of the Substitute shall have delivered to the Fiscal Agent a certificate stating that the Issuer or, as the case may be, the Substitute has concluded that such substitution (A) will not result in the Substitute becoming entitled, as at the date such substitution becomes effective, to redeem the Securities pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event and (B) will not result in the terms of the Securities immediately following such substitution being materially less favourable to Holders generally than the terms of the Securities immediately prior to such substitution.



- (b) **Effect of Substitution:** Upon execution of the Deed Poll and the delivery of the legal opinions referred to above, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Conditions, the Securities and the Fiscal Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein and therein, and the Issuer shall be released from its obligations under the Conditions, the Securities and the Fiscal Agency Agreement, and where the Substitute is the Guarantor, the Guarantor shall be released from its obligations under the Guarantee.
- (c) **Further Substitutions and Reversal:** After a substitution pursuant to this Condition 15, the Substitute may, without the consent of any Holder, effect a further substitution. All of the provisions specified in Conditions 15(a) (*Substitution*) and 15(b) (*Effect of Substitution*) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute. After a substitution pursuant to Condition 15(a) (*Substitution*) and/or this Condition 15(c) any Substitute may, without the consent of any Holder, reverse the substitution *mutatis mutandis*.
- (d) **Governing Law Substitute:** In the event of a substitution pursuant to this Condition 15, the governing law of Condition 2 (*Status and Subordination of the Securities and Coupons*) shall, as applicable, be amended to the governing law of the jurisdiction of incorporation of the Substitute.

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

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

17. **Governing Law**

- (a) **Governing Law:** The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons - Subordination of the Securities*) which are governed by and construed in accordance with the laws of the Netherlands, and the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee - Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee - Subordination of the Guarantee*), and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.
- (b) **Jurisdiction:** The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Securities or the Coupons (including a dispute relating to the existence, validity or termination of the Securities or any non-contractual obligations arising out of or in connection with the Securities or the consequences of their nullity). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition is for the benefit of the Holders only. As a result, nothing in this Condition 17 prevents any Holder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (c) **Agent for Service of Process:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Telefónica Digital Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by

written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

18. **Definitions**

In these Conditions:

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

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

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

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

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

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

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

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

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

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

an **"Accounting Event"** shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 (*Notices*) that it has so received, a letter or report of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting rules or methodology (or in each case the application thereof) after the Issue Date (the earlier of such date that the aforementioned change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice, the **"Accounting Event Adoption Date"**), the Securities may not or may no longer be recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the consolidated financial statements of the Guarantor. The Accounting

Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date. For the avoidance of doubt, such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect;

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

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

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

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

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

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

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

"**Benchmark Event**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"First Call Date"** means 7 June 2031;

**"First Reset Date"** means 7 September 2031;

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

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

**"Group"** mean the Guarantor and its consolidated subsidiaries;

**"Guarantor"** means Telefónica, S.A.;

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

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

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

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

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

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

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

**"Issue Date"** means 7 September 2023;

**"Issuer"** means Telefónica Europe B.V.;

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

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

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

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

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

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

- (i) 100 per cent. of the principal amount of the Securities to be redeemed; and
- (ii) the sum of the present values of the principal amount of the Securities to be redeemed and the aggregate amount of scheduled payment(s) of interest on such Securities for the Remaining Term (exclusive of accrued and unpaid interest to the Redemption Date and any outstanding Arrears of Interest) discounted to the relevant Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 (in the case of a leap year, 366)) at the greater of (A) a rate equal to the sum of: (x) the Reference Bond Rate and (y) 0.50 per cent. per annum, or (B) 0 (zero) per cent.;

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

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

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

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

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

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

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

**"Original Reference Rate"** means EURIBOR;

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

**"Parity Obligations of the Guarantor"** means any and all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with the First Additional Provision of Law 10/2014, obligations equivalent to preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor (whether issued under the First Additional

Provision of Law 10/2014 or any other law or regulation of Spain or of any other jurisdiction) and obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee (which include the guarantees granted by the Guarantor in connection with the 2023 Non-Call Securities, the 2022 Non-Call Securities, the 2021 Non-Call Securities, the 2020 Non-Call Securities, the 2019 Non-Call Securities, the 2018 Non-Call Securities and the 2014 Non-Call Securities);

**"Parity Obligations of the Issuer"** means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities including (i) the 2023 Non-Call Securities, (ii) the 2022 Non-Call Securities, (iii) the 2021 Non-Call Securities, (iv) the 2020 Non-Call Securities, (v) the 2019 Non-Call Securities, (vi) the 2018 Non-Call Securities and (vii) the 2014 Non-Call Securities;

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

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

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

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

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

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

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

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

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

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

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

**"Reference Screen Page"** means Bloomberg HP page for the Reference Bond (using the settings "Mid YTM" and "Daily" with price source "Bloomberg Generic") or any successor or replacement

page, section or other part of the information service, or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Bond;

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

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

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

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

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

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

If:

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

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

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

**Payments:** All payments in respect of the Temporary Global Security and the Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Security or (as the case may be) the Permanent Global Security

to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Security or (as the case may be) the Permanent Global Security, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

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

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

## FORM OF GUARANTEE

*The text of the Deed of Guarantee is as follows:*

This Deed of Guarantee is made on 7 September 2023.

### BY

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

### IN FAVOUR OF

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

### WHEREAS

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

**THIS DEED WITNESSES** as follows:

#### 1. Interpretation

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

#### 2. Guarantee and Indemnity

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

Security in accordance with the Conditions of the Securities and which the Issuer has failed to pay; and

2.1.2 to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith in the manner and currency prescribed by the Conditions of the Securities for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay.

2.2 The Guarantor undertakes to each Holder and each Relevant Account Holder that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Security, any provision of any Security, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, forthwith upon demand by such Holder or Relevant Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by the Securities or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

3. **Taxes**

The Guarantor covenants in favour of each Holder and each Relevant Account Holder that it will duly perform and comply with its obligations expressed to be undertaken by it in Condition 8 (*Taxation*).

4. **Preservation of Rights**

4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as principal debtor.

4.2 The obligations of the Guarantor herein contained shall be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under any Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Securities and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

4.3 Neither the obligations expressed to be assumed by the Guarantor herein contained nor the rights, powers and remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or

4.3.2 any of the obligations of the Issuer under any of the Securities or the Deed of Covenant being or becoming illegal, invalid or unenforceable; or

4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Securities or the Deed of Covenant; or

4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under any of the Securities or the Deed of Covenant; or any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law.

- 4.4 Any settlement or discharge between the Guarantor and the Holders, the Relevant Account Holders or any of them shall be conditional upon no payment to the Holders, the Relevant Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders and the Relevant Account Holders shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 4.5 No Holder or Relevant Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:
- 4.5.1 to make any demand of the Issuer, other than (in the case of a Holder) the presentation of the relevant Security; or
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding-up or dissolution of the Issuer and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Security, presentment, demand and protest and notice of dishonour.
- 4.6 The Guarantor agrees that so long as any amounts are or may be owed by the Issuer under any of the Securities or the Deed of Covenant or the Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:
- 4.6.1 to claim any contribution from any other guarantor of the Issuer's obligations under the Securities or the Deed of Covenant; and/or
- 4.6.2 to take the benefit, in whole or in part, of any security enjoyed in connection with, any of the Securities or the Deed of Covenant issued by the Issuer, by any Holder or Relevant Account Holder; and/or
- 4.6.3 to be subrogated to the rights of any Holder or Relevant Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

5. **Conditions, Status and Subordination**

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

6. **Delivery of Deed of Guarantee**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Fiscal Agent and such original shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in the Securities occurs. A certified copy of this Guarantee may be obtained by any Holder or any Relevant Account Holder from the Fiscal Agent at its specified office at the expense of such Holder or Relevant Account Holder. Any Holder or Relevant Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 10 (*Law and Jurisdiction*) below) upon the basis described in the Deed of Covenant (in the case of a Relevant Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Fiscal Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest

error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders and Relevant Account Holders. This Clause shall not limit any right of any Holder or Relevant Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

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

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

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

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

8. **Provisions Severable**

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

9. **Notices**

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

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

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

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

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

10. **Law and Jurisdiction**

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

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



- 10.3 **Appropriate forum:** The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
  
- 10.4 **Rights of the Holders and Relevant Account Holders:** Clause 10.2 (*English courts*) is for the benefit of the Holders and the Relevant Account Holders only. As a result, nothing in this Clause 10 (*Law and jurisdiction*) prevents the Holders and Relevant Account Holders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders and Relevant Account Holders may take concurrent Proceedings in any number of jurisdictions.
  
- 10.5 **Process agent:** The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to, Telefónica Digital Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom or, if different, its registered office for the time being or at any address of the Guarantor in the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder or Relevant Account Holder to serve process in any other manner permitted by law. This clause applies to Proceedings in England.

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

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

## USE AND ESTIMATED NET AMOUNT OF PROCEEDS

An amount equal to the net proceeds of the issue of the Securities, expected to amount to EUR 745,875,000, will subject to specific eligibility criteria be applied to finance new or refinance existing projects ("**Eligible Projects**"), as detailed in Telefónica's Sustainable Financing Framework (the "**Sustainable Financing Framework**") dated July 2023. The Sustainability Financing Framework is in accordance with the Green Bond Principles 2021, Social Bond Principles 2023, Sustainability Bond Guidelines 2021 and Social Loan Principles 2023, sponsored by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), respectively.

The Sustainable Financing Framework is available at:

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

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

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

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

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

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

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

A sustainable financing committee (the "**Sustainable Financing Committee**") will monitor the project selection and evaluation process as per the eligibility criteria set out in the Sustainable Financing

Framework. This committee will be composed of senior management representatives from Telefónica's Finance, Sustainability and Control departments alongside representatives from other key technical areas.

The Sustainable Financing Committee will be responsible for:

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

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

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

## DESCRIPTION OF THE ISSUER

### Introduction

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

### Business Overview

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

### Directors

The Directors of the Issuer are as follows:

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

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

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

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

### Auditors

The auditors of the Issuer, PricewaterhouseCoopers Accountants N.V., with its registered address at Fascinatio Boulevard 350, 3065 WB, Rotterdam, the Netherlands, are registered in The Netherlands in the Chamber of Commerce, with registration number 34180285. The auditor that signed the auditor's reports

on behalf of PricewaterhouseCoopers Accountants N.V. is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

## DESCRIPTION OF THE GUARANTOR

### Introduction

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

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

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

### Recent Developments

The principal events that have occurred since 31 December 2022, are set forth below:

- On 13 January 2023, the first annual extension of the sustainability-linked syndicated credit facility for EUR 5,500 million of Telefónica, S.A. was exercised. The new expiration date is 13 January 2028.
- On 18 January 2023, Telefónica informed that, once the corresponding regulatory and competition approvals were obtained, Pontel Participaciones, S.L., Telefónica's subsidiary held 83.35 per cent. by Telefónica and 16.65 per cent. by Pontegadea Inversiones, S.L., acquired 40 per cent. of the share capital of Telxius Telecom, S.A. from Taurus Bidco S.à r.l. (a company managed by KKR). As a result of the transaction, Pontel Participaciones, S.L., which held the remaining 60 per cent. of Telxius Telecom, S.A.'s share capital, has become the sole shareholder of Telxius Telecom, S.A. Likewise, Pontegadea Inversiones, S.L. increased its holding in Pontel Participaciones, S.L. to 30 per cent. and Telefónica has now a 70 per cent.
- On 23 January 2023, Telefónica Emisiones, S.A.U. redeemed EUR 1,277 million of its notes issued on 22 January 2013. These notes were guaranteed by Telefónica, S.A.
- In January 2023, Telefónica Europe, B.V. carried out the following transactions related to its capital structure:
  - a new issue amounting to EUR 1,000 million, guaranteed by Telefónica, S.A. An amount equal to the net proceeds of the issue of the securities will be subject to specific eligibility criteria to be applied to finance new or refinance existing projects, as detailed in Telefónica's previous Sustainable Financing Framework (January 2021)<sup>1</sup>. The settlement took place on 2 February 2023; and
  - a tender offer for the following hybrid instruments: (i) any outstanding EUR 1,250 million Undated 5.7 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**September 2023 Notes**") and (ii) any outstanding EUR 1,000 million Undated 10

<sup>1</sup> <https://www.telefonica.com/es/wp-content/uploads/sites/4/2021/08/Telefonica-Framework-Green-Social-Bonds-20210122.pdf>

Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**March 2024 Notes**"), irrevocably guaranteed by Telefónica, S.A. Telefónica Europe, B.V. accepted the purchase in cash of the tendered securities for an aggregate principal amount, with respect to the September 2023 Notes, of EUR 388 million, and an aggregate principal amount, with respect to the March 2024 Notes, of EUR 612 million. The tender offer settled on 3 February 2023.

- On 14 February 2023, Telefónica, S.A. signed a bilateral loan of EUR 150 million and maturing in 2033.
- On 23 February 2023, Telefónica filed with the United States Securities and Exchange Commission its annual report on Form 20-F for the year ended 31 December 2022.
- On 24 February 2023, the Board of Directors of Telefónica resolved to call the Annual General Shareholders' Meeting to be held in Madrid, at the offices of Telefónica, S.A. located in Distrito Telefónica, Ronda de la Comunicación s/n, Central Building Auditorium, at 11:00 a.m. on 31 March 2023 on second call, in the event that the legally required quorum was not reached and therefore the Meeting could not be held on the first call that was called on 30 March 2023 at the same place and time.
- On 31 March 2023, the Annual General Shareholders' Meeting of Telefónica held at second call approved all the resolutions submitted by the Board of Directors for deliberation and vote by the General Shareholders' Meeting. Likewise, it was informed that a proposal made during the Meeting by a shareholder was rejected.
- On 31 March 2023, the Board of Directors of Telefónica at its meeting held on such date, resolved to carry out the implementation of the share capital reduction through the cancellation of its own shares approved by the Annual General Shareholders' Meeting held on such date under item IV of its Agenda. The share capital of Telefónica has been reduced in the amount of EUR 24,779,409, through the cancellation of 24,779,409 own shares of Telefónica currently held as treasury stock, with a nominal value of one euro each. The share capital of Telefónica resulting from the reduction has been set at EUR 5,750,458,145 corresponding to 5,750,458,145 shares with a nominal value of one euro each. On 17 April 2023, the public deed relating to the share capital reduction was registered in the Commercial Registry of Madrid.
- In addition, on 31 March 2023, 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 2023 payable in two tranches, for each existing Telefónica share and carrying entitlement to this distribution on the following dates: (i) the first payment in cash of a gross amount of € 0.15 per share was on 15 June 2023, and (ii) the second payment in cash of a gross amount of € 0.15 per share will be on 14 December 2023. The required withholdings will be made on said gross amounts in accordance with the applicable regulations.
- On 15 June 2023, Telefónica, S.A. drew down EUR 125 million of its bilateral loan signed on 23 December 2022 and maturing in 2033.
- On 6 July 2023, Telefónica Hispanoamérica, S.A. ("**Telefónica Hispam**") entered into share subscription agreements with the group Kohlberg Kravis Roberts - KKR & Co, Inc. ("**KKR**") and Entel Perú S.A. ("**Entel Perú**"), for the entry of both companies, with 54 per cent. and 10 per cent. shareholding, respectively, into the share capital of Pangeaco, S.A.C. ("**Pangea**"), the wholesale FTTH company in Peru, with Telefónica Hispam retaining a 36 per cent. shareholding in Pangea. As part of the transaction, Telefónica del Perú S.A.A. ("**TDP**") and Entel will sell to Pangea certain assets from their FTTH infrastructure. Furthermore, as part of the transaction, certain agreements will be entered into between them, including agreements for the provision of wholesale connectivity services with TDP and Entel Perú. The transaction is subject to the obtaining of regulatory approvals.
- On 26 June 2023, Telxius Telecom, S.A. drew down EUR 100 million of its syndicated loan signed on 1 December 2017 and maturing in 2024.

- On 1 August 2023, Telefónica Audiovisual Digital, S.L.U. ("**Telefónica Audiovisual**") was awarded the exclusive broadcasting rights for Spain of the UEFA Champions League and UEFA Europa League, as well as the UEFA Youth League and the UEFA Europa Conference League, for the next cycle comprising seasons 2024/25, 2025/26 and 2026/27. This award is subject to the formalisation of a contract with UEFA expected to be finalised shortly, and will allow Telefónica Audiovisual to offer all the main European football competitions to its residential customers in the Spanish market. Direct acquisition of this content from UEFA will further strengthen Telefónica Audiovisual's offer, that will continue including all football rights in the Spanish market, whilst allowing Telefónica to continue designing and marketing its channels and content. The price amounts to EUR 320 million for each of the seasons 2024/25, 2025/26 and 2026/27.
- On 18 August 2023, Telefónica Móviles Chile, S.A. issued UF 3 million (equivalent to EUR 117 million) notes, under Serie T, with an annual coupon of 4.7339 per cent. These notes are due in 2028.

## Business Overview

### Highlights

Telefónica's **total accesses** totalled 383.6 million as of 30 June 2023. Accesses base decreased by 0.2 per cent. year-on-year, mainly due to prepaid accesses (low value customers) in Telefónica Brazil (low commercial activity due to high competitiveness) and Telefónica Germany (increase in disconnections due to a criteria change).

The table below shows the evolution of accesses in the first half of 2023 compared to the first half of 2022:

### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year-on- Year
Fixed telephony accesses <sup>(1)</sup> .....	28,548.7	27,233.1	(4.6%)
Broadband .....	25,924.4	26,575.1	2.5%
UBB .....	22,920.1	24,442.7	6.6%
FTTH <sup>(2)</sup> .....	13,178.5	15,198.8	15.3%
Mobile accesses .....	293,654.9	294,102.9	0.2%
Prepay .....	135,528.7	127,903.8	(5.6%)
Contract.....	124,163.1	127,519.4	2.7%
IoT .....	33,963.1	38,679.7	13.9%
Pay TV .....	10,811.9	10,339.9	(4.4%)
<b>Retail Accesses .....</b>	<b>359,158.4</b>	<b>358,460.2</b>	<b>(0.2%)</b>
<b>Wholesale Accesses.....</b>	<b>25,007.9</b>	<b>25,091.2</b>	<b>0.3%</b>
Fixed wholesale accesses.....	3,681.5	3,622.7	(1.6%)
FTTH wholesale accesses.....	3,115.6	3,259.8	4.6%
Mobile wholesale accesses .....	21,326.4	21,468.6	0.7%
<b>Total Accesses .....</b>	<b>384,166.4</b>	<b>383,551.5</b>	<b>(0.2%)</b>

Notes:

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

<sup>(2)</sup> Includes cable accesses in Peru.

**Mobile accesses** totalled 294.1 million as of 30 June 2023, up 0.2 per cent. compared to 30 June 2022, mainly due to a higher IoT customer base in Telefónica Brazil and VMO2 and the good performance in postpaid in all regions. Postpaid accesses represented 49.9 per cent. of the mobile access base excluding IoT (+2.1 p.p. year-on-year).

**Fixed broadband accesses** stood at 26.6 million at 30 June 2023, up 2.5 per cent. year-on-year. Retail fiber (FTTH) accesses stood at 15.2 million at 30 June 2023, growing by 15.3 per cent. compared to 30 June 2022.

**Pay TV accesses** totalled 10.3 million as of 30 June 2023, down 4.4 per cent. year-on-year.



## Segment results

### Telefónica Spain

The table below shows the evolution of accesses in Telefónica Spain during the first half of 2023 as compared to the first half of 2022:

#### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year-on- Year
Fixed telephony accesses <sup>(1)</sup> .....	8,207.8	7,991.4	(2.6%)
Broadband .....	5,851.3	5,900.0	0.8%
FTTH.....	4,937.3	5,196.5	5.2%
Mobile accesses .....	19,027.5	19,787.5	4.0%
Prepay .....	715.1	789.4	10.4%
Contract.....	15,082.9	15,165.6	0.5%
IoT .....	3,229.5	3,832.5	18.7%
Pay TV.....	3,589.3	3,417.1	(4.8%)
<b>Retail Accesses .....</b>	<b>36,684.5</b>	<b>37,104.6</b>	<b>1.1%</b>
<b>Wholesale Accesses.....</b>	<b>3,662.8</b>	<b>3,610.5</b>	<b>(1.4%)</b>
FTTH Wholesale Accesses.....	3,110.0	3,254.3	4.6%
<b>Total Accesses .....</b>	<b>40,347.3</b>	<b>40,715.1</b>	<b>0.9%</b>

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

During the first half of 2023, Telefónica Spain turned all data plans to unlimited (except for prepaid plans), eliminating all out-of-bundle excess data charges. The convergent offer also includes Movistar Cloud, which allows unlimited storage in the cloud to all mobile customers, allowing to save all the files, photos, videos and documents in a single place. In addition, Movistar includes the integrated Secure Connection service, for protected and secure navigation on both mobile devices and the home Wi-Fi network.

Telefónica Spain's 5G coverage already reaches 86 per cent. of the population coverage in Spain as of 30 June 2023.

Additionally, Movistar Prosegur Alarmas, the joint venture of Prosegur and Telefónica Spain, reached 465 thousand customers as of 30 June 2023.

Telefónica Spain had 40.7 million accesses as of 30 June 2023, an increase of 0.9 per cent. as compared to 30 June 2022, driven by the positive evolution of mobile accesses and fixed broad band, which grew for the first time since June 2019.

The **convergent offer (residential and SMEs)** had a customer base of 4.5 million customers as of 30 June 2023, a decrease of 1.0 per cent. year-on-year.

**Retail fixed accesses** totalled 8.0 million as of 30 June 2023 and decreased by 2.6 per cent. as compared to 30 June 2022, with a net loss of 110.9 thousand accesses during the first half of 2023.

**Retail broadband accesses** totalled 5.9 million as of 30 June 2023 (+0.8 per cent. year-on-year), with a net adds of 45.5 thousand accesses during the first half of 2023.

**Retail fiber (FTTH) accesses** reached 5.2 million customers as of 30 June 2023 (+5.2 per cent. as compared to 30 June 2022), representing 88.1 per cent. of total retail broadband customers (+3.7 p.p. year-on-year) with net adds of 154.3 thousand accesses as of 30 June 2023. As of 30 June 2023, fiber deployment reached 28.6 million premises in Spain, 1.1 million more than at 30 June 2022.

Total **retail mobile accesses** stood at 19.8 million as of 30 June 2023, an increase of 4.0 per cent. as compared to 30 June 2022, mainly as a result of an increase of IoT accesses base (+18.7 per cent. year-on-year), together with increases in both mobile contract accesses (+0.5 per cent. year-on-year) as well as prepaid accesses (+10.4 per cent. year-on-year).

Pay TV accesses reached 3.4 million as of 30 June 2023, decreasing by 4.8 per cent. year-on-year.

Wholesale accesses stood at 3.6 million as of 30 June 2023, down 1.4 per cent. year-on-year, and **wholesale fiber (FTTH) accesses** (90.1 per cent. of total wholesale accesses as of 30 June 2023, compared with 84.9 per cent. as of 30 June 2022) were up 4.6 per cent. year-on-year.

## VMO2

Two years after the formation of Virgin Media O2 UK ("**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 United Kingdom.

The fixed network footprint reached 16.4 million premises, with rollout accelerating during the second quarter of 2023. The deployment was primarily on behalf of Nexfibre, where VMO2 is the anchor wholesale tenant. In June 2023, VMO2 switched on its services for the first time over the Nexfibre network utilising XGS-PON technology.

VMO2, within its ambitious Better Connections Plan, has announced a reduction in carbon emissions of 29 per cent. against the 2020 baseline. Additionally, after the success of several digital re-skilling initiatives via partners GoodThings Foundation and Internet Matters, VMO2 has extended its goals to support 6 million people, from its original goal of 2 million, by year-end 2025.

In accordance with the accounting standards for joint ventures, Telefónica's share in the results of VMO2 is presented in a single line of the income statement, "Share in results of investments accounted for by the equity method". However, the VMO2 segment information included in this section is presented on a management basis, and shows 100 per cent. of the VMO2's results; Telefónica's actual percentage ownership of VMO2 is 50 per cent.

The following table shows the evolution of accesses in VMO2 in the first half of 2023 compared to the first half of 2022:

### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year-on- Year
Fixed telephony accesses .....	4,297.1	4,062.7	(5.5%)
Broadband .....	5,620.4	5,674.9	1.0%
UBB .....	5,612.0	5,667.3	1.0%
Mobile accesses .....	33,095.4	34,525.9	4.3%
Prepay .....	8,134.1	7,862.2	(3.3%)
Contract.....	15,961.9	16,053.3	0.6%
IoT .....	8,999.4	10,610.4	17.9%
Pay TV .....	3,232.1	3,151.6	(2.5%)
<b>Retail Accesses .....</b>	<b>46,244.9</b>	<b>47,415.0</b>	<b>2.5%</b>
<b>Wholesale Accesses.....</b>	<b>10,431.1</b>	<b>9,429.7</b>	<b>(9.6%)</b>
<b>Total Accesses .....</b>	<b>56,676.0</b>	<b>56,844.7</b>	<b>0.3%</b>

The **total accesses base** grew 0.3 per cent. year-on-year and stood at 56.8 million accesses as of 30 June 2023, mainly driven by the increase in the mobile accesses base, which grew 4.3 per cent. year-on-year and reached 34.5 million accesses partially offset by a reduction in Wholesale connections which decreased 9.6 per cent. year-on-year and reached 9.4 million accesses caused by the migration of customers from one of the business' smaller MVNO partners.

The **contract mobile customer base** grew 0.6 per cent. year-on-year and reached 16.1 million accesses with a loss of 34.3 thousand accesses to the base in the first half of the year 2023 due to B2B and B2C segment. Churn remains stable at low levels despite the implementation of price increases.

The **prepay mobile customer base** decreased 3.3 per cent. year-on-year and reached 7.9 million accesses with a net loss of 106.1 thousand accesses in the first half of the year 2023.

**IoT mobile customer base** grew 17.9 per cent. year-on-year and reached 10.6 million accesses as of 30 June 2023, underpinned by the Smart Metering Programme roll out.

The **fixed broadband base** grew 1 per cent. year-on-year and reached 5.7 million accesses with a net loss of 13.3 thousand new accesses in the first half of the year 2023. UBB accesses grew 1 per cent. year-on-year with a net gain of 13.5 thousand new accesses during the first half of the year 2023. VMO2's average broadband speed was 332 Mbps at the end of the second quarter of 2023 and grew 34 per cent. year-on-year, approximately five times higher than the national average.

### Telefónica Germany

The table below shows the evolution of accesses in Telefónica Germany in the first half of 2023 compared to the first half of 2022:

#### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year-on- Year
Fixed telephony accesses <sup>(1)</sup> .....	2,174.0	2,255.3	3.7%
Broadband .....	2,256.6	2,340.3	3.7%
UBB .....	1,880.8	2,002.1	6.5%
Mobile accesses.....	46,696.4	44,591.2	(4.5%)
Prepay .....	19,243.6	15,791.0	(17.9%)
Contract.....	25,768.7	27,006.1	4.8%
IoT.....	1,684.1	1,794.1	6.5%
<b>Retail Accesses .....</b>	<b>51,208.5</b>	<b>49,263.9</b>	<b>(3.8%)</b>
<b>Total Accesses .....</b>	<b>51,208.5</b>	<b>49,263.9</b>	<b>(3.8%)</b>

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2023, Telefónica Germany continued its growth path with the company's more-for-more 'O2 Mobile' portfolio launched in April 2023.

Telefónica Germany's key milestones in the first half of 2023 were as follows:

- Continued commercial success, with contract net additions up 1.4 per cent. year-on-year to 670 thousand new clients on back of a good commercial traction in combination with normalised churn rates.
- Telefónica Germany made good progress with the densification and further roll-out of its green network. In June 2023, 90 per cent. 5G coverage was reached, thus achieving the goal set for 2023.
- Additionally, Telefónica Germany remains committed to its climate protection goals. It strives to reduce its emissions by 95 per cent. and ultimately neutralising them no later than 2025. Also, Telefónica Germany is taking concrete actions to be net CO2 neutral along its entire value chain by 2040.
- The **total access base** decreased 3.8 per cent. year-on-year and stood at 49.3 million at 30 June 2023, mainly driven by a 4.5 per cent. decrease in the mobile accesses base, which reached 44.6 million.
- The **contract mobile customer base** grew 4.8 per cent. year-on-year and reached 27.0 million accesses, increasing the share over the total mobile accesses base to 60.6 per cent. Net adds reached 0.7 million accesses driven by own brand gross adds momentum and strong contribution from partner brands. Churn rates remained at low levels based on the high network and service quality combination.
- The **prepay mobile customer base** decreased 17.9 per cent. year-on-year to 15.8 million accesses, reflecting some revenue neutral technical base adjustments in the prior year (stricter active SIM-

card definition). There were net disconnections of -0.5 million prepay customers in the first half of 2023, reflecting the German market trend of prepaid to postpaid migration.

- **Broadband accesses** reached 2.3 million accesses (up 3.7 per cent. year-on-year), with a net gain of 46.1 thousand accesses in the first half of 2023, mainly driven by the good performance of 'O2 myHome' tariff, continued VDSL demand, and the return to the low level of churn. High value customers in fiber and cable technologies are gaining further momentum in customer demand.

## Telefónica Brazil

The table below shows the evolution of accesses in Telefónica Brazil in the first half of 2023 compared to the first half of 2022:

### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year-on- Year
Fixed telephony accesses <sup>(1)</sup> .....	7,222.4	6,860.2	(5.0%)
Broadband .....	6,297.3	6,504.4	3.3%
UBB .....	5,732.3	6,140.5	7.1%
FTTH .....	5,048.2	5,808.7	15.1%
Mobile accesses .....	99,192.3	97,749.9	(1.5%)
Prepay .....	42,264.2	38,070.5	(9.9%)
Contract.....	43,144.6	44,247.6	2.6%
IoT.....	13,783.5	15,431.8	12.0%
Pay TV .....	1,033.2	870.8	(15.7%)
IPTV.....	890.6	870.8	(2.2%)
<b>Retail Accesses .....</b>	<b>113,799.8</b>	<b>112,037.6</b>	<b>(1.5%)</b>
<b>Total Accesses .....</b>	<b>113,800.1</b>	<b>112,037.9</b>	<b>(1.5%)</b>

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2023, Telefónica Brazil maintained its leadership in the mobile segment as, following the incorporation of Oi's customer base in April 2022 and a more consolidated market environment, it is positioned with a market share of 39.0 per cent., +5.9 p.p. ahead of its next competitor (data from the last official publication of ANATEL, 31 May 2023). Telefónica Brazil's strategy remains focused on strengthening the high-value customer base, reaching a contract-ex IoT market share of 43.6 per cent. as of 31 May 2023 (source: ANATEL).

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

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

- **Vida V - Health & Wellness:** in March 2023, Telefónica Brazil announced the acquisition of Vale Saúde Semper, expanding its presence in digital health services. Vale Saúde Semper is a startup that acts as a health services marketplace, connecting more than 70 thousand customers with more than 5 thousand clinics and laboratories throughout Brazil. This service is obtained with a monthly subscription.
- **Viva E – Education:** this 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:** this is a Corporate Venture Capital (CVC) fund created in 2022 to invest in startups with innovative solutions in key sectors for positioning the company as a digital hub. It made its first two investments in the financial platforms Klavi and Klubi and, continuing with its expansion

strategy in the sector, in June 2023 it announced its third investment in Digibee, an iPaaS service integration platform.

**Total accesses** stood at 112.0 million as of 30 June 2023, decreasing 1.5 per cent. year-on-year mainly due to the disconnection of inactive customers, mostly from Oi's customer base, which was incorporated in April 2022.

**Contract mobile accesses** grew by 2.6 per cent. year-on-year and reached 44.2 million with net adds of 300 thousand new accesses in the first six months of 2023, with churn at very low levels (1.0 per cent.).

**Prepaid mobile accesses** decreased by 9.9 per cent. year-on-year and reached 38.1 million customers with a net loss of 1.2 million accesses during the first half of 2023. The lower customer base has been mainly a consequence of the above mentioned disconnection of inactive customers, mostly from Oi's customer base, which was incorporated in April 2022.

**Broadband accesses** grew by 3.3 per cent. year-on-year and reached 6.5 million with net adds of 85 thousand new accesses in the first six months of 2023. Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching more than 5.8 million homes connected with FTTH as of June 2023, growing 15.1 per cent. year-on-year. Telefónica Brazil reached 28.9 million real estate units passed with FTTx access, and 6.1 million connected homes, which grew by 7.1 per cent. year-on-year, which managed to offset the decrease in other accesses of legacy broadband services (xDSL).

**Traditional voice accesses** decreased by 5.0 per cent. year-on-year due to fixed-mobile substitution, reaching 6.9 million accesses.

**Pay TV customers** reached 871 thousand as of 30 June 2023, decreasing by 15.7 per cent. year-on-year, mainly as a result of the strategic decision to discontinue the DTH service.

### Telefónica Hispam

The table below shows the evolution of accesses in Telefónica Hispam in the first half of 2023 compared to the first half of 2022:

#### Accesses

Thousands of accesses	June 2022	June 2023	% Reported Change Year- on-Year
Fixed telephony accesses <sup>(1)</sup> .....	6,647.4	6,063.5	(8.8%)
Broadband .....	5,852.0	6,115.4	4.5%
UBB .....	4,757.6	5,436.3	14.3%
FTTH <sup>(2)</sup> .....	4,624.4	5,355.0	15.8%
Mobile accesses .....	94,559.6	96,326.8	1.9%
Prepay .....	65,171.8	65,390.6	0.3%
Contract .....	24,204.9	25,046.9	3.5%
IoT .....	5,182.9	5,889.3	13.6%
Pay TV .....	2,957.3	2,900.3	(1.9%)
IPTV .....	1,115.8	1,560.8	39.9%
<b>Retail Accesses</b> .....	<b>110,090.2</b>	<b>111,477.4</b>	<b>1.3%</b>
<b>Total Accesses</b> .....	<b>110,108.7</b>	<b>111,489.2</b>	<b>1.3%</b>

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

<sup>(2)</sup> Includes cable accesses in Peru.

Telefónica Hispam's total accesses amounted to 111.5 million as of 30 June 2023 (+1.3 per cent. year-on-year), as a result of the increase in mobile and FTTH accesses.

**Mobile accesses** amounted to 96.3 million, increasing by 1.9 per cent. year-on-year mainly due to the higher postpay customer base.

- **Contract accesses** increased by 3.5 per cent. year-on-year due to the increase in accesses in Mexico (+16.6 per cent.), Colombia (+5.6 per cent.) and Peru (+3.4 per cent.), partially offset by

the decrease in Venezuela (-2.0 per cent.). This evolution was mainly driven by the commercial activity recovery and the attractive commercial offers.

- **Prepay accesses** increased by 0.3 per cent. year-on-year, with a net gain of 50 thousand accesses as of 30 June 2023. The year-on-year accesses evolution was greatly impacted by the gain of accesses in Colombia (+440 thousand accesses), Chile (+434 thousand accesses) and Venezuela (+151 thousand accesses) due to churn control. The year-on-year increase was partially offset by an access decrease in Peru (-817 thousand accesses), and to a lesser extent Mexico (-34 thousand accesses) and Argentina (-26.5 thousand accesses).

**Fixed accesses** stood at 6.0 million as of 30 June 2023 (-8.8 per cent. year-on-year) with a net loss of 312.1 thousand accesses due to the continued erosion of the traditional fixed business.

**Fixed broadband accesses** amounted to 6.1 million as of 30 June 2023 (+4.5 per cent. year-on-year). The penetration of FBB accesses over fixed accesses stood at 100.9 per cent. (+12.8 p.p. year-on-year), as a result of the focus on Ultra Broadband (UBB) deployment in the region reaching 5.4 million connected accesses (+14.3 per cent. year-on-year) and 20.6 million premises. The penetration of UBB accesses over fixed broadband accesses stood at 88.9 per cent. (+7.6 p.p. year-on-year).

**Pay TV accesses** stood at 2.9 million as of 30 June 2023, with a decrease of 1.9 per cent. year-on-year with a net gain of 511 thousand accesses in the first half of 2023, mainly as a result of the increase in IPTV accesses (+176.1 thousand accesses), on which Telefónica Hispam is placing strategic focus. This evolution is partially offset by the lower Direct-To-Home (DTH) technology accesses (-78.8 thousand accesses) due to the change in commercial strategy as well as the lower cable access base (-96.8 thousand accesses).

### **Telefónica's services and products**

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

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

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

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

### **Mobile business**

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

- **Mobile voice services:** One of Telefónica's main services in all of its markets is mobile voice telephony.
- **Value added services:** Customers in most of the markets have access to a range of enhanced mobile calling features, including voice mail, call on hold, call waiting, call forwarding and three-way calling.
- **Mobile data and Internet services:** Current data services offered include Short Messaging Services, or SMS, and Multimedia Messaging Service, or MMS, which allow customers to send messages with images, photographs, sound recordings and video recordings. Customers may also receive selected information, such as news, sports scores and stock quotes. Telefónica also

provides mobile broadband connectivity and Internet access. Through mobile Internet access, customers are able to send and receive e-mail, browse the Internet and access real-time available entertainment services (such as video and audio streaming), download games, purchase goods and services in m-commerce transactions and use Telefónica's other data and software services.

- **Wholesale services:** Telefónica has signed network usage agreements with several MVNOs in different countries.
- **Corporate services:** Telefónica provides business solutions, including mobile infrastructure in offices, private networking and portals for corporate customers that provide flexible online billing.
- **Roaming:** Roaming agreements allow Telefónica customers to use their mobile handsets when they are outside their service territories, including on an international basis.
- **Fixed wireless:** Telefónica provides fixed voice telephony services through mobile networks in Brazil, Venezuela, Argentina, Peru, Mexico, and Ecuador. Until 24 January 2019 and 16 May 2019, Telefónica also provided these services in Guatemala and Nicaragua, respectively. Until 13 January 2022, Telefónica also provided these services in El Salvador.
- **Trunking and paging:** Telefónica provides digital mobile services for closed user groups of clients and paging services in Spain and most of the regions in which it operates in Latin America.

### Fixed-line telephony business

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

- **Traditional fixed telecommunication services:** Telefónica's traditional fixed telecommunication services include PSTN lines; ISDN accesses; public telephone services; local, domestic and international long-distance and fixed-to-mobile communications services; corporate communications services; supplementary value added services (including call waiting, call forwarding, voice and text messaging, advanced voicemail services and conference-call facilities); video telephony; business oriented value-added services; intelligent network services; leasing and sale of handset equipment; and telephony information services.
- **Internet and broadband multimedia services:** the principal Internet and broadband multimedia services include Internet provider service; portal and network services; retail and wholesale broadband access through ADSL, narrowband switched access and other technologies. Telefónica also offers high-speed Internet services through FTTH in certain markets (primarily Spain, Brazil, Chile and through VMO2- the United Kingdom) and VDSL-based services (primarily Spain and Germany). Telefónica also offers VoIP services in some markets.
- **Data and business-solutions services:** the data and business-solutions services principally include leased lines; virtual private network, or VPN, services; fiber optics services; the provision of hosting and application, including web hosting, managed hosting, content delivery and application, and security services; outsourcing and consultancy services, including network management, or CGP; and desktop services and system integration and professional services.
- **Wholesale services for telecommunication operators:** the wholesale services for telecommunication operators principally include domestic interconnection services; international wholesale services; leased lines for other operators; and local loop leasing under the unbundled local loop regulation framework. It also includes bit stream services, wholesale line rental accesses and leased ducts for other operators' fiber deployment and other agreements to provide wholesale access to the Group's fixed infrastructure.

### Digital services

The main digital services offered by Telefónica are:

- **Video/TV services:** Interactive TV services in High Definition (HD) or Ultra High Definition (UHD), using several technologies (IPTV, CATV and OTT) on various types of networks (Fiber, Cable or Mobile Networks). These services can be provided through a variety of devices (TV with

STBs, SmartTVs, PCs, Smartphones, Tablets, streamers, etc.), allowing also the Multiroom function (customers can watch different TV channels in different rooms or different devices simultaneously). The service allows the access to lineal TV content with advanced functions such as "Restart TV" (which allows a viewer to watch any content from the beginning), "Last 7 days" (recordings of content for the last seven days), "cPvR" (recordings using cloud computing) and "Download to Play" (downloading the content on the device). Customers also have access to the content on demand catalogue (Video on Demand or VoD), in "Subscription Video on Demand" (SVoD), "Transactional Video on Demand" (TVoD) or "Pay per View" options, as well as access to content of third parties, such as Netflix, Amazon, Disney+, YouTube and HBO, among others. In addition, Telefónica offers accessible content in several different languages (original or translated into Spanish) with or without subtitles, audio description and sign language functionalities through the Movistar+ 5s service, which aims to contribute toward the inclusion of disabled people across the country.

- **IoT (Internet of Things):** Telefónica's Global IoT portfolio includes:
  - Smart Connectivity: connectivity services for machines, mainly handled through the Kite platform.
  - Smart Services: end-to-end solutions that include "device + connectivity + application". These B2B solutions are mainly aimed at (i) the mobility management of vehicles, assets and/or people, (ii) the support of the retail and industrial sectors and (iii) the efficient management of energy and water consumption.
  - Consumer IoT: products focused on the B2C segment, including end-to-end services around the person (e.g. connected cars, trackers).
- **Financial services and other payment services:** These services provide customers with access to consumer credit and payment facilities in the check out process.
- **Security services:** Telefónica Global Security's portfolio includes:
  - Electronic Security: services designed to take care of the security and integrity of the physical assets of clients, mainly corporate clients (such as nodes and communication networks in shopping centers, companies and representative buildings) provided mostly by TIS (Telefónica Ingeniería de Seguridad).
  - Information Security: products and services provided mostly by Telefónica Tech that protect information, assets (such as communications links, networks, internet access, mail and servers) and fixed and mobile devices of end customer users, as well as their digital identity. These products and services are provided by combining internally built elements with others based on agreements with third parties.
- **Cloud services:** Telefónica offers a wide range of Cloud services that range from Infrastructure as a Service (IaaS) to communications and networking, and Applications and Platforms as a Service (SaaS and PaaS). The value proposition includes: (i) IaaS services: Virtual Data Center, based on VMware, which facilitates the migration of existing applications to the cloud and hyperscalers (such as Amazon Web Service, Azure and Google Cloud Platform) to develop new applications in the public cloud; (ii) unified communications and contact center 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 Telefónica's customers through their life cycle, adapting the digital experience to every moment's necessity, with three main pillars:
  - digitalise the experience of Telefónica's customers, turning Telefónica's digital channels into the main point of relationship for the clients in all the main markets;
  - maximise customer engagement with the digital channel by aiming to provide an outstanding customer experience in order to increase customer lifetime value; and
  - provide tools so that operator businesses can create autonomously personalised digital experiences in a fast (time-to-market), reliable and scalable way.
- **Aura:** An Artificial Intelligence 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 will offer 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 will provide its own Artificial Intelligence model execution platform with the goal of enhancing the information provided to customers.
- **Movistar Home ("MH"):** Telefónica launched Movistar Home in Spain on 18 October 2018, a new device designed around the functionality of Aura and targeted at the Group's Movistar and Pay TV customers. Movistar Home is designed to strengthen Telefónica's position by enabling highly-converged services and experiences that differentiate the Group from its competitors. Movistar Home aims to provide the Group's customers with an enhanced TV experience on IPTV, increased landline functionality (which enables videoconferences), the Group's smart home package and games in addition to third-party services.
- **Living Apps:** A platform that allows Telefónica's business units and partners to create relevant home experiences for its users, beyond the consumption of TV content, adding value to core businesses (and growth to Telefónica, opening new business opportunities).
- **Smart Wifi:** An advanced home connectivity platform and key lever in the premium connectivity strategy, that enables key capabilities like intelligent wifi connectivity management or web browsing protection (Conexión Segura).
- **NT:** A micro-rewards program 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 new company started to operate in June 2022 launching Solar 360, offering a comprehensive self-consumption solution to private customers, communities of neighbours and companies, SMEs, and large companies, through solar panel installation. The offer will be customised for each type of customer according to their level and consumption habits, seeking to maximise savings on their current electricity bill. It will include a mobile application for the control of the installation and the continuous optimisation of energy expenditure, personalised financing for each type of consumer and other value-added services linked to the solar panel installation.

- **Phoenix:** A digital sales platform that allows customers to receive a personalised offer to renew their device and process the purchase in a simple and fully digital checkout. When customers are eligible to renew their device or expand their devices ecosystem with Telefónica, a customised offer is sent via the usual communication channels (SMS, MMS, emailing, Novum/Digital experience app). Once the customer chooses among the selected proposed portfolio, a number of payment and logistics options can be chosen to complete a convenient "few-clicks" device renewal.

## Sales and Marketing

The Group's sales and marketing strategy is aimed toward reinforcing its market position, generating brand awareness, promoting customer growth and achieving customer satisfaction. The Group uses a variety of marketing initiatives and programmes, including those that focus on customer value, with in-depth market segmentation; programmes to promote customer loyalty; pricing initiatives aimed toward stimulating usage, including segmented packages and innovative tariff options; and initiatives that are responsive to the latest market trends, including those aimed toward boosting demand for the Group's mobile Internet and mobile broadband offerings. In connection with these and the 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 faces significant competition in most of the markets in which it operates. In Europe, the Group's largest competitor is Vodafone and in Latin America, the Group's largest competitor is América Móvil. 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 market on the basis of the price of its services; the quality and range of features; the added value the Group offers with its service; additional services associated with those main services; the reliability of its network infrastructure and its technological attributes; and the desirability of its offerings, including bundled offerings of one type of service with another and, in the case of the mobile industry, in some markets offers that include subsidised handsets and handsets sold on installment plans.

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

## Legal Proceedings

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

Based on the advice of its legal counsel, Telefónica believes 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 when the June 2023 Interim Consolidated Financial Statements were prepared. The provisions recorded in respect of the commitments taken as a whole are not material.

The following unresolved legal proceedings or those underway in 2022 are highlighted (see Note 25 to the 2022 Consolidated Financial Statements and Note 24 to the June 2023 Interim Consolidated Financial Statements for details of tax related cases).

### ***Appeal against the decision by ANATEL regarding the inclusion of interconnection and network usage revenues in the Fundo de Universalização de Serviços de Telecomunicações ("FUST")***

Vivo Group operators (currently "Telefónica Brazil"), 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, Brasília Regional Federal Court no. 1 granted a precautionary measure which stopped the application of ANATEL's decision. On 6 March 2007, a ruling in favour of the wireless operators was issued, stating that it was not appropriate to include the revenues received by transfer from other operators in the taxable income for the FUST's calculation and rejecting the retroactive application of ANATEL's decision. On 26 January 2016, ANATEL filed an appeal to overturn this decision with Brasília Regional Federal Court no. 1, which was also dismissed. On 10 May 2017 ANATEL appealed to the higher courts on the merits of the case.

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

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

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

***Appeal against the Decision of the European Commission dated 23 January 2013, to sanction Telefónica for the infringement of Article 101 of the Treaty on the functioning of the European Union***

On 19 January 2011, the European Commission initiated formal proceedings to investigate whether Telefónica and Portugal Telecom SGPS, S.A. (Portugal Telecom) had infringed European Union anti-trust laws with respect to a clause contained in the sale and purchase agreement of Portugal Telecom's ownership interest in Brasilcel, N.V., a joint venture in which both companies were venturers and which was the owner of the Brazilian company Vivo.

On 23 January 2013, the European Commission passed a ruling on the formal proceedings. The ruling imposed a fine on Telefónica in the amount of EUR 67 million, as the European Commission ruled that Telefónica and Portugal Telecom committed an infraction of Article 101 of the Treaty on the Functioning of the European Union for having entered into the agreement set forth in Clause Nine of the sale and purchase agreement of Portugal Telecom's ownership interest of Brasilcel, N.V.

On 9 April 2013, Telefónica filed an appeal for annulment of this ruling with the European Union General Court. On 6 August 2013, the European Union General Court notified Telefónica of the response issued by the European Commission, in which the European Commission reaffirmed the main arguments of its ruling and, specifically, that Clause Nine includes a competition restriction. On 30 September 2013, Telefónica filed its reply. On 18 December 2013, the European Commission filed its appeal.

A hearing was held on 19 May 2015, at the European Union General Court.

On 28 June 2016, the European Union General Court ruled. Although it declared the existence of an infringement of competition law, it annulled Article 2 of the contested Decision and required the European Commission to reassess the amount of the fine imposed. The General Court considered that the European Commission has not neutralised the allegations and evidences provided by Telefónica on services in which there was not potential competition or were outside the scope of Clause Nine.

Telefónica understands that there are grounds for believing that the ruling does not suit at law; consequently,

it filed an appeal to the CJEU, on 11 September 2016.

On 23 November 2016, the European Commission filed its response against Telefónica's appeal. On 30 January 2017, Telefónica filed its response. On 9 March 2017, the European Commission filed its rejoinder.

On 13 December 2017, the General Court dismissed the appeal filed by Telefónica. The European Commission, which was urged to recalculate the amount of the fine in the judgment of the General Court of June 2016, issued a resolution on 25 January 2022, imposing a fine of EUR 67 million on Telefónica. In April 2022, Telefónica paid the fine of EUR 67 million imposed, bringing the procedure to an end.

***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 Cesky 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. On 30 April 2023, following the receipt by it of the expert's report, Telefónica challenged the findings of this report and the matter remains pending as of the date hereof.

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

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

This PADO investigation had been suspended during the negotiations of the conduct adjustment term (*Termo de Ajustamento de Conduta* or "**TAC**") between Telefónica and ANATEL relating to this and certain other PADO investigations. Since the negotiations concluded without agreement, the suspended PADO sanctioning procedures were reactivated and finalised.

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

with the terms of refunds claimed by users of the services.

The fine imposed by ANATEL and appealed by Telefónica Brasil is approximately 211 million Brazilian reais (approximately EUR 38 million), which amounted to approximately 575 million Brazilian reais after currency value updates and accrued interest as of 31 December 2022 (approximately EUR 103 million).

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

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

As of the date of these Listing Particulars, there has been no conciliation and the proceeding is following its normal course.

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

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

On 29 August 2017, ColTel's share capital was increased in order to make the payment ordered by the local arbitral award; Telefónica 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 filed a Request for Arbitration against Colombia at the International Centre for Settlement of Investment Disputes ("**ICSID**"), which was formally registered on 20 February 2018.

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

Colombia filed Preliminary Objections on Jurisdiction on 5 August 2019. Telefónica 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.

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

On 24 January 2020, the Court dismissed the request for Bifurcation presented by Colombia, ordering the continuation of the proceeding. A decision on the merits of Telefónica's claim is pending. On 3 July 2020, Colombia filed its reply to the claim filed by Telefónica before the ICSID.

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

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

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

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

In March 2020, Telefónica informed Millicom that, once the pertinent regulatory authorisations had been obtained and all the other conditions established in the aforementioned agreement for the execution of the sale had been completed, the execution of the contract and the closing of the transaction should be in April 2020.

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

On 25 May 2020, Telefónica filed a lawsuit against Millicom before the New York Supreme Court,

considering that Millicom had breached the terms and conditions established in the sale contract, demanding compliance with the provisions of the aforementioned agreement, and compensation for all damages that this unjustified breach could cause to Telefónica.

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

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

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

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

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

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

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

On 2 March 2023, Telefónica filed the 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 respondent's request to address the objections to jurisdiction as a preliminary question; as a result, the objections to jurisdiction are joined to the merits of the dispute.

#### ***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 should 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 2022, the amount under litigation was 774 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. Pending judgment on appeal.

As of 31 December 2022, the amount under litigation was 400 million Brazilian reais (EUR 72 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. The parties are awaiting the issuance of the sentence.

***Other Proceedings***

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

## **Tax Proceedings**

### ***Inspections in the tax group in Spain***

In July 2019, new inspection proceedings were initiated for several of the companies belonging to Tax Group 24/90, of which Telefónica is the dominant company. The concepts and periods being audited are: Corporate Income Tax for the years 2014 to 2017 and Value Added Tax, Withholdings Income Tax for the second half of 2015 and from 2016 to 2018.

A settlement agreement was signed in October 2021, in which Telefónica manifested its agreement with certain of the tax assessments resulting from the inspection (specifically, with respect to the tax treatment of the exchange differences generated by assets denominated in Venezuelan bolivars), and its disagreement with others (mainly the consideration of exempt income of the "Juros sobre capital propio" since 2015), producing an impact on results (tax expense) of EUR 387 million, with a deferred tax asset reduction as detailed in "Main changes registered in 2021" in Note 25 to the 2022 Consolidated Financial Statements. However, the tax assessments did not result in a significant cash outflow as the Telefónica Group had tax credits, which substantially offset their impact.

The closing of the inspection proceedings 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". On 9 December 2022, the Company received a rejection resolution from the Central Economic-Administrative Court, which has been challenged on the National High Court.

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 Telefónica, S.A. criteria for the using of tax losses carryforward and deductions in relation to the liquidation Agreements derived from the Corporation 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 have been collected on 28 October 2022.

As a consequence of the final outcome of the litigation above mentioned, no additional liabilities were recorded as of 31 December 2022.

In July 2023, new tax audits began on several companies belonging to the Tax Group. The items and periods being audited are Corporate Income Tax for the years 2018 to 2021 and Value Added Tax for the period from May to December 2019 and the years 2020 to 2021.

As a result of the ongoing tax audit process and the years still to be audited, it is not expected that there will be a need to recognise additional liabilities in the consolidated financial statements.

## **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 settlement of this tax.

To date the most significant issues have focused on the requirement to collect ICMS on penalties charged to customers for non-compliance, Internet advertising services, and complementary or additional services to the basic telecommunications services such as value-added services, modem rental, and the application of this tax on the basic fee (assinatura básica). In the case of the latter (assinatura básica), the Supreme Court has established that the tax is only payable in respect of assessments for periods after October 2016.

All related procedures are being contested in all instances (administrative and court proceedings). The aggregate amount of the relevant proceedings, updated to take into account interest, fines and other items,



is approximately 21,712 million Brazilian reais (approximately EUR 3,898 million at the exchange rate of 31 December 2022, see Note 24 to the 2022 Consolidated Financial Statements), 19,164 million Brazilian reais as of 31 December 2021 (approximately EUR 3,032 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 income tax federal taxes for the total amount of 29,778 million Brazilian reais as of 31 December 2022 (approximately EUR 5,346 million at the exchange rate on that date), 18,078 million Brazilian reais as of 31 December 2021 (approximately EUR 2,860 million at the exchange rate on that date), mainly related to the tax amortisation in Brazil in the years 2011 to 2020 of the goodwill originated in the acquisitions of Vivo and GVT and their subsequent merger with Telefónica Brasil. These proceedings are at the administrative and judicial stage and no provisions have been made since the potential risk associated with them has been classified as "not probable" and Telefónica Brazil has received independent expert reports that support this view.

There are other probable contingencies in relation to income tax federal taxes for the total amount of 104 million Brazilian reais as of 31 December 2022 (approximately EUR 19 million at the exchange rate on that date), 98 million Brazilian reais as of 31 December 2021 (approximately EUR 16 million at the exchange rate on that date). Telefónica Brazil has recognised a provision for this amount.

### **Telefónica del Perú**

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

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

On January 17 and 18, 2023, Telefónica del Perú received notifications of the judgments handed down by the Supreme Court that resolved, in the last instance and unfavorably 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 did 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, was to determine the amount of the corresponding payment obligations. On 16 June 2023 (for 1998) and 19 and 21 June 2023 (for 2000 and 2001), the Tax Administration issued payment mandate resolutions. These resolutions have been challenged in due time by the company and are pending resolution.

As 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 favorable to Telefónica del Perú with respect to the recognition of the tax value of certain network assets and unfavorable with respect to the deductibility of the exchange rate tax.

In relation to all these proceedings, Telefónica Group considers that the initial amount claimed by the Peruvian government has been exponentially increased by the accrual of interest generated by the delay, not attributable to Telefónica del Perú, of almost 20 years in processing the lawsuits, meaning that almost 80 per cent. of the total amount claimed is due to interest and fines. And all this, despite the fact that in 2021 the Constitutional Court itself ruled in favor 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 2022 Consolidated Financial Statements).

The company has recorded the necessary provisions for the contingencies considered probable, leaving as possible contingencies an amount of 560 million peruvian soles at 31 December 2022 (approximately EUR 138 million).

As of 30 June 2023, the total amount of tax contingencies related to Telefónica del Perú that the Group has recognised in its consolidated financial statements, including as the most relevant amount that related to the aforementioned judgements and rulings received since 2015, plus accrued interest and other above-mentioned impacts, amounts to 3,065 million peruvian soles, equivalent to EUR 778 million at the exchange rate as of 30 June 2023 (3,849 million peruvian soles as of 31 December 2022 (which is equivalent to EUR 945 million at the exchange rate of 31 December 2022)).

#### **Tax deductibility of financial goodwill in Spain**

The tax regulations added article 12.5 to the Spanish Corporate Income Tax Law (*ley del impuesto sobre sociedades*), 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 during 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 Coltels (prior to 21 December 2007) and Vivo (acquired in 2010). The positive accumulated effect in the corresponding settlements of corporate income tax from 2004 to the closing of 31 December 2022, was EUR 2,042 million.

In relation to this tax incentive, the European Commission in recent years commenced three proceedings against the Spanish State as it deemed that this tax benefit could constitute an example of state aid. Although the European Commission itself acknowledged the validity of its first two decisions for those investors that invested in European Union 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 from 15 October 2014 it calls into question the applicability of the principle of legitimate expectations in the application of the incentive for indirect acquisitions, whatever the date of acquisition may have been.

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

On 6 October 2021, the CJEU concluded that the European Commission correctly classified the Spanish tax depreciation scheme of the "fondo de comercio" as State aid incompatible with the internal market for the first and second decisions.

With regard to the recognition of legitimate expectations for the first and second decisions, the CJEU confirms its applicability.

The proceedings initiated on the third decision, suspended until the resolution of the first and second decisions, have been reactivated in October 2021, and are still pending first instance judgment.

Notwithstanding the above, 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 and February 2021 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 and 2016 to 2018 respectively and has notified in December 2022 the recovery of the relevant amounts for the years 2019 to 2020. The recovery of such amounts is provisional, pending the final rulings on the appeals brought against the three decisions. The amount paid by Telefónica after offsetting outstanding tax credits (tax losses carryforward and deductions) amounted to EUR 12 million. Notwithstanding the fact that Telefónica understands that the principle of legitimate expectations in relation to this tax incentive applies, in relation to tax-amortised goodwill through the purchase of some companies for which the applicability of the legitimate expectations principle is questioned, mainly VIVO, the Group has released the provision for the recovered part, EUR 143 million, and has decided to continue provisioning the amount of the goodwill amortised for tax purposes, and not recovered by the public administration which amounted to EUR 406 million as of 31 December 2022 (EUR 343 million as of 31 December 2021).

### Years open for inspection

#### *Years open for inspection in the Group companies*

The years open for review by the tax inspection authorities for the main applicable taxes vary from one consolidated company to another, based on each country's tax legislation, taking into account their respective statute-of-limitations periods. In Spain the taxes 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 eleven years in Germany.
- The last eight years in United Kingdom.
- The last seven years in Argentina.
- The last six years in Venezuela.
- The last five years in Brazil, Mexico, Uruguay, Colombia and the Netherlands.
- The last four years in Peru.
- The last three years in Chile, Ecuador and the United States.

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

#### *Major Shareholders*

As at the date of these Listing Particulars, Telefónica had 5, 750,458,145 shares outstanding, each having a nominal value of EUR 1.00 per share. All outstanding shares have the same rights.

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

Name of Beneficial Owner	Percentage of voting rights				Percentage of total voting rights
	Percentage of shares carrying voting rights		through financial instruments		
	Direct	Indirect	Direct	Indirect	
Banco Bilbao Vizcaya Argentaria, S.A. <sup>(1)</sup> .....	4.85	0.02	0.00	0.00	4.87%
CaixaBank, S.A. <sup>(2)</sup> .....	3.50	0.00	0.00	0.00	3.50%
BlackRock, Inc. <sup>(3)</sup> .....	0.00	4.32	0.00	0.16	4.48%

<sup>(1)</sup> Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") for the 2022 Annual Report on Corporate Governance and in accordance with Telefónica's share capital as of such date. According to the aforementioned

information provided by BBVA, the percentage of economic rights attributed to Telefónica, S.A. shares owned by BBVA amounts to 4.97 per cent. of Telefónica's share capital.

- (2) Based on the information provided by CaixaBank, S.A. for the 2022 Annual Report on Corporate Governance and in accordance with Telefónica's share capital as of such date.
- (3) Based on the information notified by Blackrock, Inc to the CNMV on 31 March 2020, as updated per the share capital of Telefónica, S.A. as of 31 December 2022. Based on the Schedule 13G/A filed with the SEC on 7 October 2022, BlackRock, Inc. beneficially owned 4.96 per cent. of Telefónica, S.A. shares (4.49 per cent. of voting rights).

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 2022, the Group's Board of Directors met 14 times. As at the date of these Listing Particulars, the Group's Board of Directors has met ten times during 2023. As at the date of these Listing Particulars, 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
<b>Chairman</b>			
Mr. José María Álvarez-Pallete López <sup>(1)</sup> .....	59	2006	2025
<b>Vice-Chairmen</b>			
Mr. Isidro Fainé Casas <sup>(1)(2)</sup> .....	81	1994	2024
Mr. José María Abril Pérez <sup>(1)(3)(6)</sup> .....	71	2007	2026
Mr. José Javier Echenique Landiribar <sup>(1)(4)(7)</sup> .....	71	2016	2024
<b>Members</b>			
Mr. Ángel Vilá Boix <sup>(1)</sup> .....	59	2017	2026
Mr. Juan Ignacio Cirac Sasurain <sup>(5)(6)(8)</sup> .....	57	2016	2024
Mr. Peter Erskine <sup>(1)(6)(7)</sup> .....	71	2006	2024
Ms. Carmen García de Andrés <sup>(4)(5)(8)</sup> .....	60	2017	2025
Ms. María Luisa García Blanco <sup>(5)(7)(8)</sup> .....	57	2018	2026
Mr. Peter Löscher <sup>(1)(4)(7)</sup> .....	65	2016	2024
Ms. Verónica Pascual Boé <sup>(6)</sup> .....	44	2019	2024
Mr. Francisco Javier de Paz Mancho <sup>(1)(5)(7)(8)</sup> .....	65	2007	2026
Mr. Francisco José Riberas Mera .....	59	2017	2025
Ms. María Rotondo Urcola <sup>(4)(8)</sup> .....	59	2021	2026
Ms. Claudia Sender Ramirez <sup>(6)(8)</sup> .....	48	2019	2024

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

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

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

(4) Member of the Audit and Control Committee.

(5) Member of the Regulation and Institutional Affairs Committee.

(6) Member of the Strategy and Innovation Committee.

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

(8) Member of the Sustainability and Quality Committee.

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

Name	Principal activities inside the Group	Principal Activities outside the Group
José María Álvarez-Pallete López .....	Executive Chairman of Telefónica, S.A.	Chairman of Fundación Telefónica  Chairman of the Board of the GSMA  Member of the Advisory Council of SEAT, S.A  Chairman of VMED O2 UK Ltd.

<b>Name</b>	<b>Principal activities inside the Group</b>	<b>Principal Activities outside the Group</b>
		Trustee of Fundación Profuturo
		Member of Board of Trustees of "la Caixa" Banking Foundation
<b>Isidro Fainé Casas</b> .....	Vice Chairman of Telefónica, S.A.	<p>Chairman and Member of the Executive Commission of Fundación Bancaria Caixa d' Estalvis i Pensions de Barcelona (la "Caixa")</p> <p>Chairman of the Board of Directors and of the Executive Commission of Criteria Caixa, S.A.U.</p> <p>Chairman of Inmo Criteria Caixa, S.A.U.</p> <p>Chairman of Caixa Capital Risc SGEIC, S.A.</p> <p>Honorary Chairman of Naturgy Energy Group, S.A.</p> <p>Chairman of the Spanish Confederation of Savings Banks (<i>Confederación Española de Cajas de Ahorros</i>, CECA)</p> <p>Chairman of <i>Fundación de las Cajas de Ahorros</i> (Funcas)</p> <p>Chairman of the World Savings Banks Institute (WSBI)</p> <p>Vice Chairman of European Savings Bank Group (ESGB)</p> <p>Special Advisor of the Bank of East Asia Limited</p> <p>Chairman of the Spanish Confederation of Directors and Executives (<i>Confederación Española de Directivos y Ejecutivos</i>, CEDE)</p> <p>Chairman of the Spanish Chapter of the Club of Rome</p> <p>Deputy-Chairman of the Royal Academy of Economic and Financial Sciences</p> <p>Founder of the <i>Círculo Financiero</i></p> <p>Member of the Trust of Museo Nacional del Prado</p> <p>Member of the Carlos Slim Foundation</p>
<b>José María Abril Pérez</b> .....	Vice Chairman of Telefónica, S.A.	Director of Artech Lantegi Elektea, S.A.
<b>José Javier Echenique Landiribar</b> .....	Vice Chairman of Telefónica, S.A.	Director of ACS Actividades de Construcción y Servicios, S.A.
	Director of Telefónica Audiovisual Digital, S.L.U.	Director of Dragados, S.L.

<b>Name</b>	<b>Principal activities inside the Group</b>	<b>Principal Activities outside the Group</b>
	Member of the Advisory Board of Telefónica España	Director of Calcinor, S.L.  Trustee of Novia Salcedo Foundation  Advisory Counselor of the Deusto Business School Board of Trustees  Member of the McKinsey Advisory Council
<b>Ángel Vilá Boix</b> .....	Chief Operating Officer and Executive Director of Telefónica, S.A.  Member of the Advisory Board of Telefónica España  Member of the Advisory Board of Telefónica Tech	Director of VMED O2 UK Ltd.  Trustee of Fundación Telefónica
<b>Juan Ignacio Cirac Sasurain</b> .....	Director of Telefónica, S.A.  Member of the Advisory Board of Telefónica Tech  Member of the Security Advisory Council of Telefónica Ingeniería de Seguridad	Co-Director of Center of Quantum Science and Technologies Munich  Director of International of Max-Planck School Quantum Science and Technology  "Honorarprofessor", Technical University of Munich  Director of the Theory Division, Max Planck Institut für Quantenoptik; member of the Max Planck Society  Founding and managing Editor, Quantum Information and Computation  Member of the Scientific Advisory Board of the La Caixa Foundation
<b>Peter Erskine</b> .....	Director of Telefónica, S.A.	Chairman of the BRAINSTORM charity organisation  Director of VMED O2 UK Ltd.
<b>Carmen García de Andrés</b> .....	Director of Telefónica, S.A.	Chairwoman of <i>Fundación Tomillo</i>  Treasurer and Member of the Board of Directors and the Executive Committee of the <i>Asociación Española de Fundaciones (AEF)</i>  Trustee of <i>Fundación Secretariado Gitano</i>  Trustee of <i>Fundación Xavier de Salas</i>  Trustee of the <i>Fundación Somos F5</i>  Co-Founder and Trustee of <i>Fundación Aprendiendo a ser</i>

<u>Name</u>	<u>Principal activities inside the Group</u>	<u>Principal Activities outside the Group</u>
<b>María Luisa García Blanco</b> .....	Director of Telefónica, S.A.  Member of the Advisory Board of Telefónica España	Partner at the law firm Salama García Blanco  Member of the Royal Academy of Jurisprudence and Legislation  Director of Ibercaja Banco, S.A. and Member of the Strategy, Compensation and Appointments Committees.  President of the Committee of Experts of 65YMAS.COM  Member of the CIMA Governance and Control Committee
<b>Peter Löscher</b> .....	Director of Telefónica, S.A.  Chairman of the Supervisory Board of Telefónica Deutschland Holding AG	Member of the Supervisory Board of Royal Philips  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
<b>Verónica Pascual Boé</b> .....	Director of Telefónica, S.A.  Director of Telefónica Audiovisual Digital, S.L.U.  Member of the Advisory Board of Telefónica Tech	Chairwoman of the ASTI Talent and Technology Foundation  Member of the Board of Directors of General Alquiler de Maquinaria, S.A. (GAM)
<b>Francisco Javier de Paz Mancho</b> .....	Director of Telefónica, S.A.  Director of Telefónica Brasil, S.A.  Director of Telefónica Audiovisual Digital, S.L.U.  Member of the Advisory Board of Telefónica España  Member of the Advisory Board of Telefónica Hispanoamérica	
<b>Francisco José Riberas Mera</b> .....	Director of Telefónica, S.A.	Chairman and CEO of Gestamp Automoción, S.A.  Member of the Board of Directors of CIE Automotive

<u>Name</u>	<u>Principal activities inside the Group</u>	<u>Principal Activities outside the Group</u>
		Member of the Board of Directors of Wallbox, N.V.
		Member of the Board of Directors of companies of the Gestamp Group
		Member of the Board of Directors of companies of the Gonvarri Group
		Member of the Board of Directors of companies of the Acek Energías Renovables Group
		Member of the Board of Directors of companies of the Inmobiliaria Acek Group
		Chairman of SERNAUTO ( <i>Asociación Española de Proveedores de Automoción</i> )
		Chairman of the Consejo España-China Foundation
<b>María Rotondo Urcola</b> .....	Director of Telefónica, S.A.	Member of the Board of Directors of CACEIS Bank Spain
		Member of the Board of Directors of Santander CACEIS Latam Holdco
		Member of the Board of Directors of Libertas 7
		Co-Director and professor in the Sustainability Programme at the Instituto de Empresa (IE) SYCA
<b>Claudia Sender Ramírez</b> .....	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.

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.

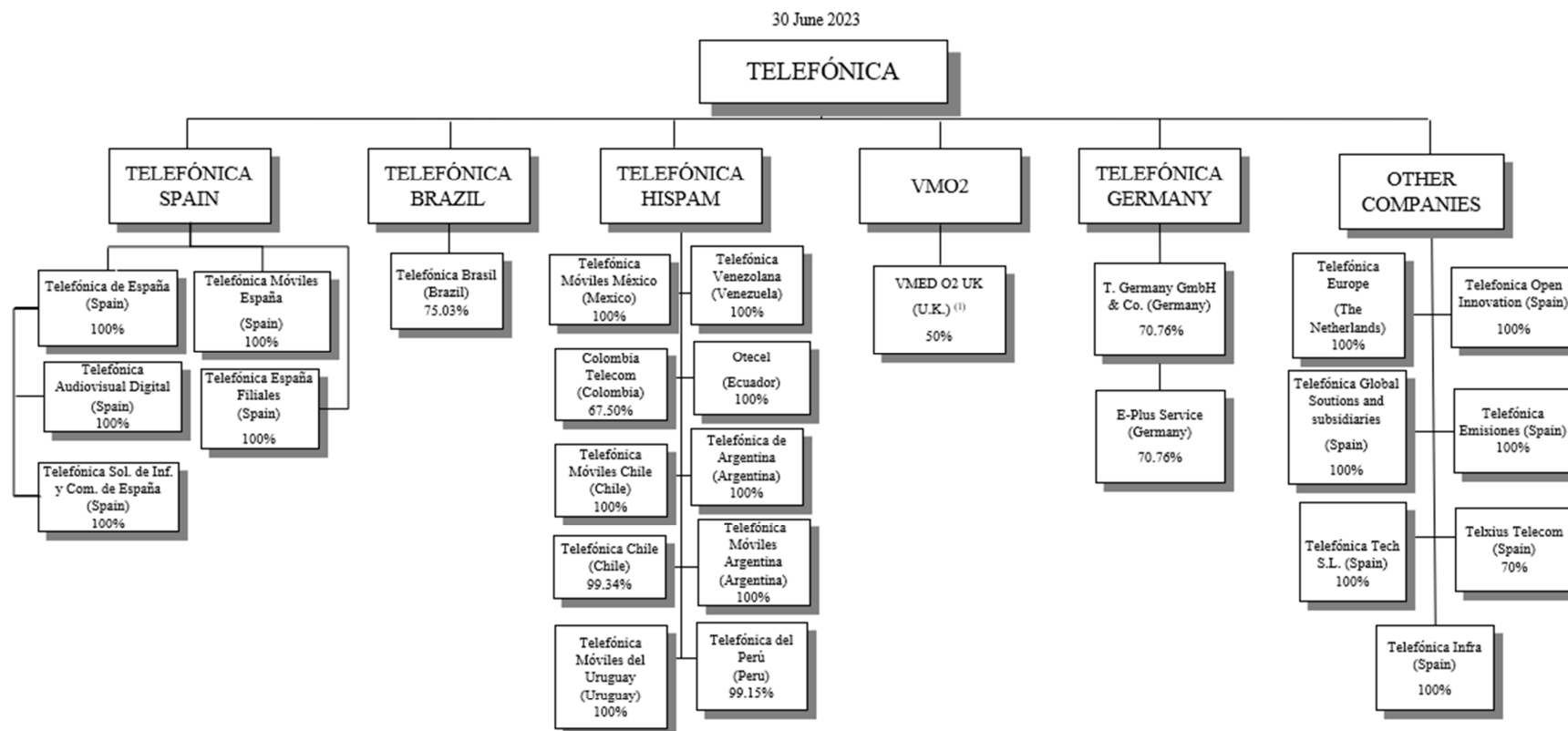
### **Conflicts of Interest**

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



## Organisational Structure

The following chart shows the organisational structure of the principal subsidiaries of the Telefónica Group at 30 June 2023, including their jurisdictions of incorporation and Telefónica's ownership interest.



(1) Investment accounted for under equity method.

## TAXATION

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

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

### **Dutch Tax**

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

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

*For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that, a holder of Securities, being an individual or a non-resident entity, does not have nor will have a substantial interest (aanmerkelijk belang), or - in the case of such holder being an entity - a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder has or will have a substantial interest in the Issuer.*

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

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

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

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

Where this summary refers to Securities, such reference includes Coupons and Talons.

**Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Securities.**

## 1. WITHHOLDING TAX

All payments of principal and interest by the Issuer under the Securities can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, save that Dutch withholding tax may apply on certain (deemed) payments of interest made to an affiliated (*gelieerde*) entity of the Issuer if such entity (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the annually updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*), or (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable, or (iii) is entitled to the interest payable for the main purpose or one of the main purposes to avoid taxation for another person, or (iv) is not considered to be the recipient of the interest in its jurisdiction of residence because such jurisdiction treats another (lower-tier) entity as the recipient of the interest (a hybrid mismatch), or (v) is not treated as resident anywhere (also a hybrid mismatch), or (vi) is a reverse hybrid whereby the jurisdiction of residence of a participant that has a qualifying interest (*kwalificerend belang*) in the reverse hybrid treats the reverse hybrid as tax transparent and that participant would have been taxable based on one (or more) of the items in (i)-(v) above had the interest been due to the participant directly, all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

## 2. TAXES ON INCOME AND CAPITAL GAINS

### Residents

#### *Resident entities*

An entity holding Securities which is or is deemed to be resident in the Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Securities at the prevailing statutory rates (up to 25.8 per cent. in 2023).

#### *Resident individuals*

An individual holding Securities who is or is deemed to be resident in the Netherlands for Dutch income tax purposes will generally be subject to Dutch income tax in respect of income or a capital gain derived from the Securities at the prevailing statutory rates (up to 49.50 per cent. in 2023) if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, the individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Securities. For the fiscal year 2023, separate deemed return percentages for savings, debts and investments apply, 6.17 per cent. for the category investments (including the Securities), as at the beginning of the relevant fiscal year. The applicable percentages will be updated annually on the basis of historic market yields and may have retroactive effect up to the beginning of the fiscal year 2023. Subject to certain anti-abuse provisions, the product of an amount equal to (a) the total deemed return divided by the sum of savings, debts and investments and (b) the sum of savings,

debts and investments minus a tax-free allowance, forms the individual's taxable income from savings and investments (including the Securities) for 2023 and will be taxed at the prevailing statutory rate (32 per cent. in 2023).

### **Non-residents**

A holder of Securities which is not and is not deemed to be resident in the Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from the Securities, unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

### **3. GIFT AND INHERITANCE TAXES**

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Securities by way of gift by, or on the death of, a holder of Securities, unless:

- (i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

### **4. VALUE ADDED TAX**

There is no Dutch value added tax payable by a holder of Securities in respect of payments in consideration for the issue or acquisition of the Securities, payments of principal or interest under the Securities or payments in consideration for the disposal of Securities.

### **5. OTHER TAXES AND DUTIES**

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of Securities in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Securities or the performance of the Issuer's obligations under the Securities.

### **6. RESIDENCE**

A holder of Securities will not be and will not be deemed to be resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of Securities or the execution, performance, delivery and/or enforcement of Securities.

### **Spanish Tax**

#### ***Applicable law for Spanish tax purposes***

The Guarantor believes that the First Additional Provision of Law 10/2014 (as defined in the Conditions) shall apply to the Securities according to its Section 8, provided that the Securities are issued by a company which is (i) tax resident in the European Union and (ii) whose voting rights are completely held directly by an entity which is resident in Spain for tax purposes.

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

#### ***Payments made by the Guarantor***

In the opinion of the Guarantor, any payments of principal and interest that do not remunerate the use of funds in Spain made by the Guarantor under the Guarantee should not be subject to taxation in Spain.

However, payments of interest made under the Guarantee to the beneficial owners of the income arising from the Securities (each of them, a "**Holder**", and collectively the "**Holders**") may be subject to Spanish taxation and, hence, to Spanish withholding tax at the then applicable rate (as at the date of these Listing Particulars, 19 per cent.) to the extent it remunerates the use of funds in Spain. According to Spanish tax legislation, "interest" includes payment of coupons and income deriving from the transfer, redemption or reimbursement of the Securities, on the basis of the positive difference between the amounts obtained in the transfer, redemption or reimbursement of the Securities and their tax basis.

For Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain, such income should be exempt from Spanish tax in accordance with the First Additional Provision of Law 10/2014 and, therefore, no Spanish withholding may be due.

The application of the above mentioned exemption from Spanish withholding tax is conditional:

- (i) while the Securities are represented by Global Securities and the Global Securities are deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, upon the submission by the Fiscal Agent, in a timely manner, to the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) with a certificate containing certain information relating to the Securities in accordance with section 44 of the Royal Decree 1065/2007, as detailed under the Fiscal Agency Agreement, or
- (ii) while the Securities are represented by Definitive Securities, upon the submission by the Holder to the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) prior to the corresponding payment of interest under the Guarantee of a valid certificate of tax residence, duly issued by the tax authorities of the country of tax residence of the Holder, each certificate generally being valid for a period of one year beginning on the date of the issuance. For these purposes, if the certificate is referred to a specific period, it will only be valid for that period.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities so that before the close of business on the Business Day (as defined in the Conditions) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Securities (each, a "**Payment Date**") is due, the Guarantor must receive from the Fiscal Agent a certificate containing certain information relating to the Securities as prescribed under section 44 paragraph 5 of the Royal Decree 1065/2007. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will withhold tax at the then-applicable rate (as at the date of these Listing Particulars, 19 per cent.) from any payment of interest in respect of the relevant Security. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Fiscal Agent provides the required information, the Guarantor will reimburse the amounts withheld.

If the First Additional Provision of Law 10/2014 was not deemed applicable to the Securities, the relevant Additional Amounts will be payable according to Condition 8(a) (*Taxation - Additional Amounts*) of the Securities.

Holders not acting with respect to the Securities through a permanent establishment in Spain and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure to deliver by the Holder or the Fiscal Agent (as the case may be) of a valid certificate of tax residence of the Holder or certain information relating to the Securities (as the case may be) in a timely manner may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Holders are advised to consult their own tax advisers regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

Furthermore, Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain may take the position that payments of interest received from the Guarantor under the Guarantee should be characterised as an indemnity under Spanish law and, hence, should have been made free of withholding or deduction on account of any Spanish tax. In such a case, these Holders should apply directly to the Spanish tax authorities for any refund to which they may be entitled.

In connection with Spanish tax resident Holders and Non-Spanish tax resident Holders acting with respect to the Securities through a permanent establishment in Spain, income deriving from the Securities and the Guarantee is subject to tax in Spain. Payments made under the Guarantee which correspond to payments of interest under the Securities may be subject to withholding on account of Spanish taxes.

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

Spain approved the Spanish law which implements its own Spanish tax on financial transactions (the "**Spanish FTT**") on 7 October 2020. The Spanish FTT came into force on 16 January 2021 and charges a 0.2 per cent. rate on specific acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds EUR 1,000,000,000, regardless of the jurisdiction of residence of the parties involved in the transaction. Therefore, the Spanish FTT will not affect the Securities.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States and it may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. The European Commission indicated in their Communication on Business Taxation for the 21st Century dated 18 May 2021 that it still considers introducing an FTT.

Prospective holders of Securities are strongly advised to seek their own professional advice in relation to the FTT.

### **US Foreign Account Tax Compliance Withholding**

Under certain provisions of the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder (commonly referred to as "**FATCA**"), a 30 per cent. withholding tax may apply to certain "foreign passthru payments" made by a foreign financial institution (an "**FFI**"), including an FFI in the chain of ownership between an ultimate beneficial owner and the issuer of an obligation that has entered into an agreement with the U.S. Internal Revenue Service pursuant to which it agrees to certain due diligence, reporting and withholding functions (such an FFI referred to as a "**PFFI**"). FATCA withholding may apply to payments made by a PFFI to (a) an FFI that is not a PFFI and is not otherwise exempt from FATCA and to (b) certain other payees who fail to provide sufficient identifying information (including, in certain cases, regarding their U.S. owners). Certain aspects of the application of these rules are modified by intergovernmental agreements between the United States and certain other countries ("**Intergovernmental Agreements**"), including Spain and the Netherlands. The term "foreign passthru payment" is not defined currently and withholding on foreign passthru payments will not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru

payment". It is uncertain how foreign passthru payment withholding will apply under Intergovernmental Agreements, if at all. Given the uncertainty of the FATCA provisions, although the Issuer does not expect FATCA withholding to apply to payments it makes on the Securities, FATCA may impact payments by custodians or intermediaries in the payment chain between the Issuer and the ultimate beneficial owner of the Securities. The Issuer and the Guarantor have no responsibility for any FATCA withholding applied by any such custodians or intermediaries in the ownership chain and would not be required to pay any additional amounts were any amount deducted or withheld from any payment pursuant to FATCA. Investors should consult their own tax advisers with respect to FATCA and its application to the Instruments and should consider carefully the FATCA compliance status of any financial intermediaries in the chain of ownership through which they hold Securities.

## SUBSCRIPTION AND SALE

Banco de Sabadell, S.A., Barclays Bank Ireland PLC, BNP Paribas, CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, Natixis, SMBC Bank EU AG and UniCredit Bank AG (the "**Joint Bookrunners**") have, in a subscription agreement dated 31 August 2023 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Joint Bookrunners, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Securities. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

### **United Kingdom**

#### ***Prohibition of Sales to UK Retail Investors***

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the United Kingdom. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and/or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

#### ***Other UK Regulatory Restrictions***

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

#### ***Prohibition of Sales to EEA Retail Investors***

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

### **United States of America**

The Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax



regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder. Accordingly, the Securities are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Securities, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **The Kingdom of Spain**

Neither the Securities nor these Listing Particulars (in preliminary or final form) and its contents have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold or distributed, nor may any subsequent resale of the Securities be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. The Securities shall only be directed specifically at, or made to, to professional clients (*clientes profesionales*) as defined in Article 194 of the Spanish Law 6/2023, of 17 March, on the Securities Markets and the Investment Services (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*) (as amended or replaced from time to time, the "**Spanish Securities Markets and Investment Services Law**") and Article 58 of Royal Decree 217/2008, of 15 February, as amended or replaced from time to time, and eligible counterparties (*contrapartes elegibles*) as defined in Article 196 of the Spanish Securities Markets and Investment Services Law.

### **Republic of Italy**

The offering of the Securities has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of these Listing Particulars or of any other document relating to any Securities, be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Bookrunner has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or distribute any copy of these Listing Particulars or any other document relating to the Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the EU Prospectus Regulation and any applicable provision of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Italian CONSOB regulations, all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the EU Prospectus Regulation, Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Securities or distribution of copies of these Listing Particulars or any other document relating to the Securities in Italy under paragraphs (a) or (b) above must be

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

**General**

Each Joint Bookrunner has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Securities or possesses, distributes or publishes these Listing Particulars or any other offering material relating to the Securities. Persons into whose hands these Listing Particulars come are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish these Listing Particulars or any other offering material relating to the Securities, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

1. The creation and issue of the Securities has been authorised by a resolution of the Board of Managing Directors of the Issuer dated 25 July 2023. The giving of the Guarantee of the Securities has been authorised by a resolution of the Delegated Committee of the Board of Directors of the Guarantor dated 3 November 2021, acting upon a resolution of the shareholders acting through the General Shareholders' Meeting of the Guarantor dated 12 June 2020 and a resolution of the Board of Directors of the Guarantor dated 12 June 2020.

### Legal and Arbitration Proceedings

2. Save as described in "*Risk Factors - Risks relating to the Issuer and the Guarantor - Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings*" on page 17 of these Listing Particulars, under "*Description of the Guarantor - Legal Proceedings*" on pages 89 through 94 of these Listing Particulars and under "*Description of the Guarantor - Tax Proceedings*" on pages 95 through 98 of these Listing Particulars, 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 these Listing Particulars, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

### Significant/Material Change

3. Since 31 December 2022 there has been no material adverse change in the prospects of the Issuer. Since 30 June 2023 there has been no significant change in the financial or trading position of the Issuer.
4. Since 31 December 2022 there has been no material adverse change in the prospects of the Guarantor and the Group. Since 30 June 2023 there has been no significant change in the or trading position of the Guarantor and the Group, save for as disclosed in the "*Description of the Guarantor – Recent Developments*" section.

### Auditors

5. The consolidated financial statements of the Guarantor have been audited without qualification for the years ended 31 December 2022 and 31 December 2021 by PricewaterhouseCoopers Auditores S.L. with its registered address at Torre PwC, Paseo de la Castellana, 259B, 28046 Madrid, Spain, registered with the Official Registry of Auditors ("**ROAC**") under number S0242.
6. The unconsolidated financial statements of the Issuer have been audited and unqualified auditor's reports for the years ended 31 December 2022 and 31 December 2021 were issued by PricewaterhouseCoopers Accountants N.V. with its registered address at Fascinatio Boulevard 350, 3065 WB, Rotterdam, the Netherlands, registered in the Netherlands in the Chamber of Commerce, with registration number 34180285. The auditor that signed the auditor's reports on behalf of PricewaterhouseCoopers Accountants N.V. is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

### Documents on Display

7. For so long as the Securities are listed, electronic copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent, at the registered/head office of the Issuer and the Guarantor or at <https://www.telefonica.com/en/>:
  - (a) the articles of association of the Issuer (together with English translations thereof), as the same may be updated from time to time, available at <https://www.telefonica.com/documents/162467/185270/estatutos-vigentes-emisor-telefonica-europe-bv.pdf/28b13cdb-9bda-ad55-88ed-a316f9972ced>;
  - (b) the by-laws of the Guarantor (together with English translations thereof), as the same may be updated from time to time, available at

[https://www.telefonica.com/en/web/shareholders-investors/corporate\\_governance/corporate-bylaws](https://www.telefonica.com/en/web/shareholders-investors/corporate_governance/corporate-bylaws);

- (c) the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee, each available at <https://www.telefonica.com/en/web/shareholders-investors/debt-ratings/outstanding-debentures-bonds>;
- (d) the audited unconsolidated financial statements of the Issuer for the years ended 31 December 2022 and 2021, and the unaudited and unreviewed interim unconsolidated financial statements of the Issuer for the six months ended 30 June 2023; each available at the addresses indicated in the *Documents Incorporated by Reference* section above; and
- (e) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2022 and 2021 and the unaudited condensed consolidated interim financial statements of the Guarantor for the six months ended 30 June 2023, each available at the addresses indicated in the "*Documents Incorporated by Reference*" section above.

Each of the translations into English of the Issuer's articles of association and of the by-laws of the Guarantor is a direct and accurate translation of the corresponding document. In the event of any discrepancy between the English language version and the original language version, the original language version shall prevail.

For the avoidance of doubt, unless specifically incorporated by reference into these Listing Particulars, information contained on the website does not form part of these Listing Particulars.

These Listing Particulars will be available, in electronic format, on the website of Euronext Dublin (<https://live.euronext.com/>).

#### **Yield**

- 8. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 6.750 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price and it is not an indication of future yield.

#### **Legend Concerning US Persons**

- 9. The Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

#### **Credit Ratings**

- 10. The Securities are expected to be rated BB by S&P, Ba2 by Moody's and BB+ by Fitch. In accordance with Fitch's ratings definitions available as at the date of these Listing Particulars on <https://www.fitchratings.com/products/rating-definitions>, a rating of "BB" indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. In accordance with S&P's ratings definitions available as at the date of these Listing Particulars on [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352), an obligation rated "BB" is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. In accordance with Moody's ratings definitions available as at the date of these Listing Particulars on <https://www.moody.com/ratings-process/Ratings-Definitions/002002>, obligations rated "Ba" are judged to be speculative and are subject to substantial credit risk.

## **Listing**

11. It is expected that the listing of the Securities on the Official List of Euronext Dublin and the admission of the Securities to trading on the GEM of Euronext Dublin will take place on or about 7 September 2023, subject to the issue of the Temporary Global Security.
12. The Bank of New York Mellon SA/NV, Dublin Branch 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 Securities to the Official List of the Euronext Dublin and trading on the GEM of Euronext Dublin.

## **Validity of Listing Particulars and supplements thereto**

13. The period of validity of these Listing Particulars is for a period of one year from the date of these Listing Particulars. For the avoidance of doubt, the Issuer and the Guarantor shall have no obligation to supplement these Listing Particulars after the admission to trading of the Securities.

## **Fees**

14. The estimated costs and expenses in relation to admission to trading are approximately EUR 5,500.

## **Legal Entity Identifier**

15. The Legal Entity Identifier (LEI) code of the Issuer is 7245007FZS0M65WUGP67.
16. The Legal Entity Identifier (LEI) code of the Guarantor is 549300EEJH4FEPDBBR25.

## **ISIN and Common Code**

17. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN of the Securities is XS2646608401 and the common code is 264660840.

## **Conflicts of Interests**

18. Certain Joint Bookrunners and/or their affiliates (including parent companies) may have engaged in various general financing and banking transactions with, and provided financial advisory and investment banking services to the Issuer, the Guarantor and their parent and group companies.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Guarantor, or the Issuer's or the Guarantor's affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of positions in securities, including potentially the Securities issued. Any such positions could adversely affect future trading prices of the Securities issued. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes also the relevant parent companies of the Joint Bookrunners. The Joint Bookrunners will also receive fees for their role in the issuance.

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