Telefónica

Telefónica S.A.

INDIVIDUAL ANNUAL REPORT

2025

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

Independent auditor's report on the annual accounts

To the shareholders of Telefónica, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Telefónica, S.A. (the Company), which comprise the balance sheet as at 31 December 2025, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2025, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2.a of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

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Key audit matters	How our audit addressed the key audit matters
Measurement of non-current investments in Group companies and associates	
A relevant part of Telefónica, S.A.'s assets consist of equity investments in Group companies and associates. As described in note 8, non-current investments in Group companies and associates (equity instruments) amount to €52,453 million at 31 December 2025. To assess whether there is an impairment in the investments in Group companies and associates, management conducts an impairment test at least annually or more frequently if events or circumstances indicate the carrying value may not be fully recoverable. Management calculates the recoverable amount at the lower of the fair value less costs to sell and the value in use to which the investment relates. As described in notes 4.c) and 8.2, when the recoverable amount is determined by calculating the present value of projected cash flows from the investments, management refers to the strategic plans approved by the Board of Directors covering a five-year period. Management´s cash flows projections involved significant judgements when considering significant assumptions such as revenue growth, long-term EBITDA margin, long-term capital expenditure ratio, discount rates and perpetuity growth rates which could be significantly affected by the future trends in the economic, competitive, regulatory and technological environment in each of the countries where the Group and its affiliates operate. As described in note 8.2, a net write down of impairment provision of €758 million has been recognised in the income statement for the year. We identify this as a key audit matter due to the significant judgements made by management when estimating the significant assumptions that supports the recoverable amount of the investments in Group companies and associates which in turn led to a high degree of auditor judgement and audit effort in evaluating these assumptions.	We have performed audit procedures over the process followed by the directors and management to determine the recoverable amount of the investments in Group companies and associates, including: • Understanding of the control environment, assessment and testing of the relevant controls over the Company´s process for calculating the present value of future cash flows from investments in Group companies and associates. • Verification of the consistency of the data used in the calculation of the actual value with respect to the strategic plans approved by the Board of Directors. • Evaluation of the cash flow discount model used, for which we have had the collaboration of our valuation experts. • Analysis of the degree of budget achievement with respect to the strategic plan approved in the previous year, as well as historical achievement. • Assessment of the significant assumptions used to determine the recoverable amount, challenging their reasonableness. We have had the collaboration of our valuation experts in evaluating the discount rates and perpetual growth rates considered by management. • Evaluation of the adequacy of the disclosures included in the annual accounts in accordance with the applicable regulations. Based on the procedures performed, we consider management's assessment to be reasonable and its conclusions on the value of investments in Group companies and associates are consistent with the information contained in the accompanying annual accounts.

Other information: Management report

Other information comprises only the management report for the 2025 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

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

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Remuneration of the Directors, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2025 financial year, and its content and presentation are in accordance with applicable regulations.

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

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Telefónica, S.A. for 2025 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Telefónica, S.A. are responsible for presenting the annual financial report for the 2025 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

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

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

Report to the audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the Company dated 23 February 2026.

Appointment period

The General Ordinary Shareholders' Meeting held on 10 April 2025 appointed us as auditors for a period of one year, for the year ended 31 December 2025.

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

Services provided

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

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 24 February 2026 on the consolidated annual accounts of Telefónica, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Vanesa González Prieto (21500)

24 February 2026

Telefónica

Telefónica S.A.

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

for the year ended

2025

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Telefónica, S.A.

Balance sheet at December 31

Millions of euros

ASSETS	Notes	2025	2024 (*)
NON-CURRENT ASSETS		**57,542**	**56,319**
Intangible assets	**5**	**11**	**12**
Software		7	9
Other intangible assets		4	3
Property, plant and equipment	**6**	**130**	**137**
Land and buildings		75	81
Plant and other property, plant and equipment items		54	54
Property, plant and equipment under construction and prepayments		1	2
Investment property	**7**	**283**	**288**
Land		100	100
Buildings		183	188
Non-current investments in Group companies and associates	**8**	**53,088**	**51,115**
Equity instruments (*)		52,453	50,665
Loans to Group companies and associates		627	442
Other financial assets		8	8
Financial investments	**9**	**2,684**	**3,007**
Equity instruments	9	—	417
Loans to third parties	9	490	—
Derivatives	16	1,852	2,474
Other financial assets	9	342	116
Deferred tax assets	**17**	**1,312**	**1,725**
Non current account receivables		**34**	**35**
CURRENT ASSETS		**5,670**	**8,149**
Trade and other receivables	**10**	**264**	**265**
Current investments in Group companies and associates	**8**	**828**	**1,917**
Loans to Group companies and associates		787	1,865
Derivatives	16	1	6
Other financial assets		40	46
Investments	**9**	**450**	**941**
Loans to companies		1	531
Derivatives	16	276	368
Other financial assets		173	42
Current deferred expenses		**3**	**11**
Cash and cash equivalents		**4,125**	**5,015**
TOTAL ASSETS		**63,212**	**64,468**

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these balance sheets.
(*) The figures in the 2024 column have been adjusted to include the impact of the Query 1 in the BOICAC 142

Millions of euros

EQUITY AND LIABILITIES	Notes	2025	2024 (*)
EQUITY		**16,679**	**19,480**
CAPITAL AND RESERVES		**16,325**	**19,170**
Share capital	**11**	**5,670**	**5,670**
Share premium	**11**	**3,522**	**3,522**
Reserves	**11**	**8,351**	**9,340**
Legal & Statutory		1,196	1,199
Other reserves (*)		7,155	8,141
Treasury shares and own equity instruments	**11**	**(158)**	**(107)**
Profit (Loss) for the year	**3**	**(1,060)**	**745**
UNREALIZED GAINS (LOSSES) RESERVE	**11**	**354**	**310**
Financial assets at fair value with changes though equity		—	144
Hedging instruments		354	166
NON-CURRENT LIABILITIES		**35,760**	**39,096**
Non-current provisions	**18**	**778**	**1,387**
Non-current borrowings	**12**	**3,293**	**3,206**
Bank borrowings	14	1,034	828
Derivatives	16	1,932	1,702
Other debts		327	676
Non-current borrowings from Group companies and associates	**15**	**31,500**	**33,893**
Deferred tax liabilities	**17**	**161**	**576**
Long term deferred revenues		**28**	**34**
CURRENT LIABILITIES		**10,773**	**5,892**
Current provisions	**18**	**94**	**31**
Current borrowings	**12**	**351**	**302**
Bonds and other marketable debt securities	13	57	35
Bank borrowings	14	18	87
Derivatives	16	256	179
Other financial liabilities	14	20	1
Current borrowings from Group companies and associates	**15**	**10,033**	**5,260**
Trade and other payables	**18**	**269**	**287**
Current deferred revenues		**26**	**12**
TOTAL EQUITY AND LIABILITIES		**63,212**	**64,468**

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these balance sheets.
(*) The figures in the 2024 column have been adjusted to include the impact of the Query 1 in the BOICAC 142

Telefónica, S.A.

Income statements for the years ended December 31

Millions of euros	Notes	2025	2024 (*)
Revenue	**19**	**890**	**6,429**
Rendering of services to Group companies and associates		424	509
Rendering of services to non-group companies		45	11
Dividends from Group companies and associates		385	5,879
Interest income on loans to Group companies and associates		36	30
Impairment and gains (losses) on disposal of financial instruments	**8**	**(839)**	**(4,298)**
Impairment losses and other losses (*)		(758)	(4,223)
Gains (losses) on disposal and other gains and losses		(81)	(75)
Other operating income	**19**	**159**	**399**
Non-core and other current operating revenue - Group companies and associates		82	30
Non-core and other current operating revenue - non-group companies		77	369
Personnel expenses	**19**	**(403)**	**(196)**
Wages, salaries and others		(379)	(161)
Social security costs		(24)	(35)
Other operational expense		**(370)**	**(338)**
External services - Group companies and associates	19	(77)	(93)
External services - non-group companies	19	(263)	(234)
Taxes other than income tax		(30)	(11)
Depreciation and amortization	**5, 6 and 7**	**(26)**	**(25)**
OPERATING PROFIT (LOSS)		**(589)**	**1,971**
Finance revenue	**19**	**375**	**540**
Finance costs	**19**	**(1,583)**	**(1,892)**
Change in fair value of financial instruments		**335**	**53**
Net result on sales of financial assets at fair value with changes through equity	9 and 11	335	53
Exchange rate gains (losses)	**19**	**22**	**22**
NET FINANCIAL EXPENSE		**(851)**	**(1,277)**
PROFIT (LOSS) BEFORE TAX	**21**	**(1,440)**	**694**
Income tax	**17**	**380**	**51**
PROFIT (LOSS) FOR THE YEAR		**(1,060)**	**745**

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these income statements
(*) The figures in the 2024 column have been adjusted to include the impact of the Query 1 in the BOICAC 142

Telefónica, S.A.

Statements of changes in equity for the years ended December 31

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

Millions of euros	Notes	2025	2024 (*)
Profit (Loss) for the period (*)		**(1,060)**	**745**
Total income and expense recognized directly in equity	**11**	**(125)**	**417**
From valuation of financial assets at fair value with impact in equity		191	96
From cash flow hedges		(422)	428
Income tax impact		106	(107)
Total amounts transferred to income statement	**11**	**169**	**(477)**
From valuation of financial assets at fair value with changes through equity		(335)	(53)
From cash flow hedges		672	(565)
Income tax impact		(168)	141
TOTAL RECOGNIZED INCOME AND EXPENSE		**(1,016)**	**685**

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these statements of changes in equity.
(*) The figures in the 2024 column have been adjusted to include the impact of the Query 1 in the BOICAC 142

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

Millions of euros	Share capital	Share premium and Reserves	Treasury shares	Profit (Loss) for the year	Net unrealized gains (losses) reserve	Total
Balance at December 31, 2023	**5,750**	**12,234**	**(430)**	**2,153**	**370**	**20,077**
Adjustments in accordance with BOICAC 142, Query 1	—	451	—	—	—	451
Balance at January 1, 2024	**5,750**	**12,685**	**(430)**	**2,153**	**370**	**20,528**
Total recognized income and expense (*)	—	—	—	745	(60)	685
Transactions with shareholders and owners	(80)	(1,978)	323	—	—	(1,735)
Capital decreases (Note 11)	(80)	(230)	310	—	—	0
Dividend distributions (Note 11)	—	(1,693)	—	—	—	(1,693)
Other transactions with shareholders and owners	—	(55)	13	—	—	(42)
Other movements (*)	—	2	—	—	—	2
Appropriation of prior year profit (loss)	—	2,153	—	(2,153)	—	—
Balance at December 31, 2024	**5,670**	**12,862**	**(107)**	**745**	**310**	**19,480**
Total recognized income and expense	—	—	—	(1,060)	44	(1,016)
Transactions with shareholders and owners	—	(1,734)	(51)	—	—	(1,785)
Dividend distributions (Note 11)	—	(1,690)	—	—	—	(1,690)
Other transactions with shareholders and owners (Nota 11)	—	(44)	(51)	—	—	(95)
Appropriation of prior year profit (loss)	—	745	—	(745)	—	—
Balance at December 31, 2025	**5,670**	**11,873**	**(158)**	**(1,060)**	**354**	**16,679**

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these statements of changes in equity.
(*) Figures of 2024 have been adjusted to include the impact of the Query 1 in the BOICAC 142

Telefónica, S.A.

Cash flow statements for the years ended December 31

Millions of euros	Notes	2025	2024 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**533**	**4,547**
Profit (Loss) before tax (*)		**(1,440)**	**694**
Adjustments to net results:		**1,211**	**(490)**
Depreciation and amortization	5, 6 and 7	26	25
Impairment of investments in Group companies and associates (*)	8	758	4,223
Change in long term provisions		(84)	(5)
Losses on the sale of financial assets		81	75
Financial assets registered as other operating income		—	(358)
Dividends from Group companies and associates	19	(385)	(5,879)
Interest income on loans to Group companies and associates	19	(36)	(30)
Net financial expense		851	1,277
Change in working capital		**80**	**(48)**
Trade and other receivables		22	26
Other current assets		(43)	(44)
Trade and other payables		101	(30)
Other cash flows from operating activities	**21**	**682**	**4,573**
Net interest paid		(1,291)	(1,365)
Dividends received and other		1,654	5,703
Income tax receipts		319	235
B) CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		**(3,338)**	**(397)**
Payments on investments	21	(6,653)	(3,829)
Proceeds from disposals	21	3,315	3,432
C) CASH FLOWS USED IN FINANCING ACTIVITIES		**1,864**	**(3,762)**
Proceeds from equity instruments	**11**	**4**	**87**
(Payments) / Proceeds from financial liabilities	**21**	**3,643**	**(1,984)**
Debt issues		5,860	3,758
Repayment and redemption of debt		(2,217)	(5,742)
Acquisition of treasury shares		**(86)**	**(145)**
Dividends paid	**21**	**(1,697)**	**(1,720)**
D) NET FOREIGN EXCHANGE DIFFERENCE		**50**	**(41)**
E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(891)**	**347**
Cash and cash equivalents at January 1		5,016	4,668
Cash and cash equivalents at December 31		4,125	5,015

The accompanying notes 1 to 23 and Appendices I and II are an integral part of these cash flow statements.
(*) The figures in the 2024 column have been adjusted to include the impact of the Query 1 in the BOICAC 142

Telefónica, S.A.

Annual financial statements for the year ended December 31, 2025

Note 1. Introduction and general information

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

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

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

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

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

Note 2. Basis of presentation

a) True and fair view

These financial statements have been prepared from Telefónica, S.A.'s accounting records by the Company's Directors in accordance with the accounting principles and standards contained in the Spanish GAAP in force approved by Royal Decree 1514/2007, on November 16 (PGC 2007), modified by Royal Decree (RD) 602/2016, dated December 2, 2016, and by Royal Decree (RD) 1/2021, dated January 12, 2021, and other prevailing legislation at the date of these financial statements, to give a true and fair view of the Company's equity, financial position, income statements and of the cash flows obtained and applied in 2025.

The accompanying financial statements for the year ended December 31, 2025 were prepared by the Company's Board of Directors at its meeting on February 23, 2026 for submission for approval at the General Shareholders' Meeting, which is expected to occur without modification.

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

b) Comparison of information

2025 Financial statements include the comparative figures for the financial year 2024, which have been restated to reflect the change in accounting policy resulting from Query 1 of BOICAC 142/2025, issued by the Institute of Accounting and Auditing (ICAC), and described in Note 4.f. As a result of this change, the Company has retrospectively applied a new valuation criterion applicable to certain transactions carried out by group companies, adjusting the opening equity for the financial year 2024 and modifying the comparative figures for that year.

Except for the impacts of the above mentioned change, accounting policies applied in 2025 are consistent with those applied in 2024. 2024 figures are included in these financial statements for comparison purposes.

c) Materiality

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

d) Use of estimates

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

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

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

Provisions for impairment of investments in Group companies and associates

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

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

Deferred taxes

The Company assesses the recoverability of deferred tax assets based on estimates of future earnings, and of all the options available to achieve an outcome, it considers the most efficient one in terms of tax within the legal framework the Company is subject to. The ability to recover these taxes depends ultimately on the Company's ability to generate taxable earnings over the period for which the deferred tax assets remain

deductible. This analysis is based on the estimated schedule for reversing deferred tax liabilities, the expected outcome from pending lawsuits affecting the estimations as well as estimates of taxable earnings, which are sourced from internal projections and are continuously updated to reflect the latest trends.

The appropriate valuation of tax assets and liabilities depends on a series of factors, including estimates as to the timing and realization of deferred tax assets and the projected tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by the Company as a result of changes in tax legislation, the outcome of ongoing tax proceedings or unforeseen future transactions that could affect tax balances. The information about deferred tax assets and unused tax credits for loss carryforwards, whose effect has been registered when necessary in balance, is included in note 17.

Note 3. Proposed appropriation of net results

Telefónica, S.A. obtained a loss of 1,060 million euros in 2025.

Accordingly, the Company's Board of Directors will submit the following proposed appropriation of 2025 net results for approval at the General Shareholders' Meeting:

Millions of euros	
Proposed appropriation:	
Profit for the year	(1,060)
Distribution to:	
Legal reserve	—
Unrestricted reserves	(1,060)

Note 4. Recognition and measurement accounting policies

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

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

a) Intangible assets

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

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

b) Property, plant and equipment and investment property

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

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

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

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

c) Impairment of non-current assets

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

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

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

d) Financial assets and liabilities

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

Financial investments

"Investments in Group companies, joint ventures and associates" are classified into a category of the same name and are shown at cost less any impairment loss (see note 4.c). Associates are companies in which there is significant influence, but not control or joint control with third parties. Telefónica assesses the existence of significant influence not only in terms of percentage ownership but also in qualitative terms such as presence on the board of directors, involvement in decision-making, the exchange of management personnel, and access to technical information.

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

Derivative financial instruments and hedge accounting

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

e) Revenue and expenses

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

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

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

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

f) Related party transactions

Until year-ended 2024, business merger or spin-off transactions involving the parent company and its direct or indirect subsidiary, as well as non-monetary contributions of businesses between Group companies and in-kind dividend distributions, the assets and liabilities were valued in accordance with the Standards on Preparing Consolidated Financial Statements (Spanish "NOFCAC"), at their pre-transaction carrying amount in the consolidated financial statements of the group or subgroup with a Spanish parent company.

In June 2025, the Institute of Accounting and Auditing (ICAC) issued BOICAC 142/2025, in whose Query 1 a new interpretation is established in relation to spin-off operations between group companies, which can be applicable by analogy to other transactions involving businesses between Group companies, such as mergers and in-kind contributions. This interpretation determines that when the consolidated NOFCAC value is lower than the previous individual book value, the contributing company must maintain the investment at the higher of the two amounts, avoiding the recognition of reductions in equity when prior to the transaction its recoverable amount was higher than its carrying value .

The adoption of this new interpretation constitutes a change in accounting policy, and therefore it has been applied retrospectively. Consequently, the Company has adjusted the comparative figures for 2024. The Company has restated the opening balance of the unrestricted reserves as of January 1, 2024, reversing the reductions in reserves recorded under the previous policy. Likewise, the comparative figures for the 2024 financial year have been restated to reflect the new policy and ensure comparability of the figures in the financial statements (see notes 8 and 11).

g) Financial guarantees

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

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

i) The amount resulting from the application of the rules for measuring provisions and contingencies.

ii) The amount initially recognized less, when applicable, any amounts take to the income statement corresponding to accrued income.

h) Consolidated data

As required under prevailing legislation, the Company has prepared separate consolidated annual financial statements, drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The balances of the main headings of the Telefónica Group's consolidated financial statements for 2025 and 2024 are as follows:

Millions of euros

Item	2025	2024
Total assets	92,017	100,502
Equity:	**17,808**	**22,749**
Attributable to equity holders of the parent	14,258	19,347
Attributable to minority interests	3,550	3,402
Revenue from operations	35,120	35,671
Profit for the year:	**(4,152)**	**209**
Attributable to equity holders of the parent	(4,318)	(49)
Attributable to minority interests	166	258

Note 5. Intangible assets

The movements in the items composing intangible assets and the related accumulated amortization in 2025 and 2024 are as follows:

2025

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INTANGIBLE ASSETS, GROSS	**225**	**6**	**—**	**—**	**231**
Software	185	3	—	1	189
Other intangible assets	40	3	—	(1)	42
ACCUMULATED AMORTIZATION	**(213)**	**(7)**	**—**	**—**	**(220)**
Software	(176)	(6)	—	—	(182)
Other intangible assets	(37)	(1)	—	—	(38)
DEPRECIATION ACCRUAL	**—**	**—**	**—**	**—**	**—**
NET CARRYING AMOUNT	**12**	**(1)**	**—**	**—**	**11**

2024

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

As of December 31, 2025 and 2024 commitments to acquire intangible assets amount to 0.5 and 0.4 million euros, respectively.

As of December 31, 2025 and 2024, the Company had 209 and 204 million euros, respectively, of fully amortized intangible assets in use.

Note 6. Property, plant and equipment

The movements in the items composing property, plant and equipment (PP&E) and the related accumulated depreciation in 2025 and 2024 are as follows:

2025

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
PROPERTY, PLANT AND EQUIPMENT, GROSS	**590**	**7**	**—**	**(3)**	**594**
Land and buildings	214	—	—	(2)	212
Plant and other PP&E items	374	6	—	1	381
PP&E under construction and prepayments	2	1	—	(2)	1
ACCUMULATED DEPRECIATION	**(453)**	**(11)**	**—**	**—**	**(464)**
Buildings	(133)	(4)	—	—	(137)
Plant and other PP&E items	(320)	(7)	—	—	(327)
NET CARRYING AMOUNT	**137**	**(4)**	**—**	**(3)**	**130**

2024

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

Firm commitments to acquire property, plant and equipment at December 31, 2025 amount under 100 thousand euros (0.4 million euros 2024).

At December 31, 2025 and 2024, the Company had 361 and 359 million euros, respectively, of fully depreciated items of property, plant and equipment.

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

"Property, plant and equipment" includes the net carrying amount of the land and buildings occupied by Telefónica, S.A. at its Distrito Telefónica headquarters, amounting to 57 and 60 million euros at 2025 and 2024 year-ends, respectively. It also includes the net carrying amount of the remaining assets in this site (mainly property, plant and equipment items) of 23 and 22 million euros at December 31, 2025 and 2024, respectively.

Note 7. Investment properties

The movements in the items composing investment properties in 2025 and 2024 and the related accumulated depreciation are as follows:

2025

Millions of euros	Opening balance	Additions and allowances	Disposals	Transfers	Closing balance
INVESTMENT PROPERTIES, GROSS	**435**	**—**	**—**	**3**	**438**
Land	100	—	—	—	100
Buildings	335	—	—	3	338
ACCUMULATED DEPRECIATION	**(147)**	**(8)**	**—**	**—**	**(155)**
Buildings	(147)	(8)	—	—	(155)
NET CARRYING AMOUNT	**288**	**(8)**	**—**	**3**	**283**

2024

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

"Investment properties" mainly includes in both 2025 and 2024 the value of land and buildings leased by Telefónica, S.A. to other Group companies in Distrito Telefónica, the operational headquarters in Madrid.

In 2025 the Company has buildings with a total area of 262,781 square meters (263,320 square meters in 2024) leased to several Telefónica Group companies, equivalent to an occupancy rate of 74.68% of the buildings it has earmarked for lease (73.65% in 2024).

Total income from leased buildings in 2025 and 2024 (see note 19.1.a) amounted to 34 million euros for both years.

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

	2025	2024
Millions of euros	**Future minimum recoveries**	**Future minimum recoveries**
Up to one year	29	30
Between two and five years	—	—
Total	**29**	**30**

The most significant lease contracts held with subsidiaries occupying Distrito Telefónica have been renewed in 2025 for a non-cancellable period of 12 months.

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

Note 8. Investments in group companies and associates

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

2025

Millions of euros	Opening balance	Additions	Disposals	Transfers	FX impacts	Dividends	Net investment hedges	Closing balance	Fair value
Equity instruments (Net) [1]	50,665	2,402	(225)	(540)	—	—	152	52,453	75,938
Equity instruments (Cost)	93,159	3,160	(397)	—	—	—	152	96,074	
Impairment losses	(42,494)	(758)	172	(540)	—	—	—	(43,621)	
Loans to Group companies and associates	442	268	(29)	(50)	(4)	—	—	627	638
Other financial assets	8	17	—	(17)	—	—	—	8	8
Total non-current investment in Group companies and associates	**51,115**	**2,687**	**(254)**	**(607)**	**(4)**	**—**	**152**	**53,088**	**76,584**
Loans to Group companies and associates	1,865	809	(1,937)	50	—	—	—	787	787
Derivatives	6	—	(5)	—	—	—	—	1	1
Other financial assets	46	2	(24)	16	—	—	—	40	40
Total current investments in Group companies and associates	**1,917**	**812**	**(1,966)**	**66**	**—**	**—**	**—**	**828**	**828**

[1] Fair value at December 31, 2025 of Group companies and associates quoted in an active market (Telefônica Brasil, S.A.) was calculated taking the listing of the investments on the last day of the year; the rest of the shareholdings are stated at the value of discounted cash flows based on those entities business plans.

2024

Millions of euros	Opening balance	Impact of BOICAC 142	Adjusted Opening balance	Additions (*)	Disposals (*)	Transfers	FX impact	Dividends	Net investment hedges	Closing balance	Fair value
Equity instruments (Net) [1]	52,966	451	53,417	(1,568)	(1,438)	743	—	(87)	(402)	50,665	78,630
Equity instruments (Cost) (*)	91,449	1,101	92,550	2,655	(1,557)	—	—	(87)	(402)	93,159	—
Impairment losses (*)	(38,483)	(650)	(39,133)	(4,223)	119	743	—	—	—	(42,494)	—
Loans to Group companies and associates	432	—	432	4	—	—	6	—	—	442	447
Other financial assets	9	—	9	16	—	(17)	—	—	—	8	8
Total non-current investment in Group companies and associates	**53,407**	**451**	**53,858**	**(1,548)**	**(1,438)**	**726**	**6**	**(87)**	**(402)**	**51,115**	**78,069**
Loans to Group companies and associates	1,625	—	1,625	1,946	(1,699)	—	(7)	—	—	1,865	1,865
Derivatives	3	—	3	3	—	—	—	—	—	6	6
Other financial assets	66	—	66	43	(80)	17	—	—	—	46	46
Total current investments in Group companies and associates	**1,694**	**—**	**1,694**	**1,992**	**(1,779)**	**17**	**(7)**	**—**	**—**	**1,917**	**1,917**

[1] Fair value at December 31, 2024 of Group companies and associates quoted in an active market (Telefônica Brasil, S.A.) was calculated taking the listing of the investments on the last day of the year; the rest of the shareholdings are stated at the value of discounted cash flows based on those entities business plans.
(*) The chart is showing the restated figures after retrospectively accounting for BOICAC 142, Query 1.

a) Most significant transactions

The most significant transactions occurred in 2025 and 2024 as well as their accounting impacts are described below:

2025

As explained in note 4.f, following the publication of BOICAC 142, Telefónica, S.A. has reassessed the accounting treatment of certain transactions carried out in past years. The retrospective application of BOICAC 142 implies the adjustment of the 2024 comparative figures, affecting the net book value of some investments as well as the opening balance of the unrestricted reserves of such period.
The effects of the retrospective application of the current criterion are shown as an adjustment to the opening balance column in the chart of movements at the beginning of this note.

The transactions affected by the reviewed policy are:

a. Reverse merger of Pontel, S.A with Telxius Telecom, S.A. executed in 2023 with an adjustment as of January 1, 2024 by 344 million euros, affecting the cost of this investment.

b. In-kind contribution of the investment in Telefónica Cybersecurity & Cloud Tech, S.L to Telefónica Tech, S.L. carried out in 2022 with a net impact of 107 million euros as of January 1, 2024 (317 million euros of cost and 210 million euros of impairment accrual).

c. Liquidation of Sao Paulo Telecomunicaçoes, S.L. (carried out in 2022) with attribution to its shareholders of the direct investment in Telefónica Brasil, S.A., among other assets, means an increase in the cost of Telefónica Brasil, S.A. by 440 million euros with the same increase in the headline impairment as of January 1, 2024 (no impact in equity as of January 1, 2024).

Moreover, during 2024, in application of Query 1 of BOICAC 142:

- an impairment reversal for Telefónica Tech, S.L. by 182 million euros has been recorded, which is shown in the Additions figure of the 2024 chart of movements.
- the in-kind contribution of the shares of Telefónica Deutschland, A.G. to Telefónica Local Services, GmbH is increased by 382 million euros , which is shown in the 2024 chart of movements under the Additions caption in the cost of investment.

The initial impact of the change in accounting policy as of January 1, 2024 results in an increase in the value of the investments of 451 million euros with a credit to unrestricted reserves. Moreover, the accumulated impact in equity as of December 31, 2024 amounts to 1,015 million euros (see note 11).

2024

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

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

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

Once the delisting process of the affiliate was finalized, Telefónica decided to transfer its direct stake in Telefónica Deutschland, to its subsidiary TLS. As a consequence, on May 23, 2024 Telefónica, S.A. carried out an in-kind contribution of its investment in Telefónica Deutschland to TLS. In accordance with the accounting principles , the disposal was registered at the net carrying value (amounting to 1,255 million euros), and shown as Disposal in 2024 chart of movements. On the other hand, the impact in TLS investment was shown as Addition at its previous individual net book value as adjusted to Spanish standards, 1,255 million euros in 2024 chart of movements.

All the aforementioned transactions in 2025 and 2024 have been valued in accordance with the accounting principles applicable at year end.

b) Acquisitions of investments and capital increases (Additions)

Millions of euros

Companies	2025	2024
Telefónica Hispanoamérica, S.A.	2,245	220
Telefónica España Filiales, S.A.U.	425	—
Telefónica Infra, S.L.	419	133
TLH Holdco, S.L.	38	—
TIS Hispanoamérica, S.L.	16	10
Telefónica Local Services, GmbH (*)	—	1,918
Telefónica Deutschland Holding, A.G.	—	348
Other companies	17	26
Total group and associated companies	**3,160**	**2,655**

(*) The chart is showing the restated figures after retrospectively accounting for BOICAC 142, Query 1.

2025

On March 18, 2025 Telefónica Hispanoamérica, S.A. completed a capital increase by 2,245 million euros totally subscribed and paid by Telefónica, S.A.

On February 27, 2025 the Company carried out a capital contribution to Telefónica España Filiales, S.A.U. amounting to 425 million euros. No new shares have been issued in the transaction as it is a contribution to the reserves of the subsidiary.

On February 27, 2025 Telefónica, S.A. agreed to a total capital contribution of 419 million euros to Telefónica Infra, S.L The said amount has been fully paid in February (404 million euros) and March (15 million euros) 2025. The transaction meant no issuance of new shares as it was a contribution to the reserves of the subsidiary.

2024

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

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

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

c) Disposals of investments and capital decreases

Millions of euros

Companies	2025	2024
Telefónica Deutschland Holding, A.G.	—	1,255
Telefônica de Brasil, S.A. (*)	384	301
Telefónica Móviles Argentina, S.A.	13	—
Other companies	—	1
Total group and associated companies	**397**	**1,557**

(*) The chart is showing the restated figures after retrospectively accounting for BOICAC 142, Query 1.

2025

Pursuant to the agreement of the General Shareholders' Meeting held on December 18, 2024, on February 17, 2025, Telefônica de Brasil, S.A. carried out a reduction of its share capital with a return of contributions to the shareholders' by 2,000 million Brazilian Reais of which Telefónica, S.A. was entitled, based on its percentage of ownership, to 782 million Brazilian Reais, equivalent to 131 million euros. In accordance with the accounting principles, the transaction has been reflected as Disposal both in the cost of the investment by 384 million euros and in the impairment accrual by 172 million euros within the 2025 chart of movements. Moreover, a negative impact of 81 million euros has been expensed under the caption "Losses on disposals and other" of the income statement.

2024

Pursuant to the agreement of the General Shareholders' Meeting held on November 8, 2023, on March 25, 2024 Telefônica de Brasil, S.A. carried out a reduction of its share capital with a return of contributions to the shareholders' by 1,500 million Brazilian Reais of which Telefónica, S.A. was entitled, based on its percentage of ownership, to 576 million Brazilian Reais, equivalent to 107 million euros. In accordance with the accounting principles and following the effect of BOICAC 142, the transaction was reflected as Disposal both in the cost of the investment by 301 million euros and in the impairment accrual by 119 million euros within the 2024 chart of movements. Moreover, a negative impact of 75 million euros was expensed under the caption "Losses on disposals and other" of the income statement.

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

d) Other movements

In December 2025, the negative net book value of Telefónica Hispanoamérica, S.A., amounting to 165 million euros (a negative net book value of 743 million euros in 2024), was reclassified to the provision caption (see Note 18). Following the capital increase detailed at the beginning of this note, the negative book value of the subsidiary as of December 2024 was rebalanced, and this effect was reversed in 2025, as shown in the Transfers column by the net figure. Likewise, in 2025 there are other investments with a negative book value amounting to 38 million euros that have been also reclassified to the provision caption.

On December 10, 2024 Telefónica Local Services, GmbH distributed a 145 million dividend. After completing an accounting assesment, 83 million euros were registered as investment reimbursement and shown as Dividends in 2024 chart of movements. The remaining amount was registered as dividend revenue (see note 19). During financial year 2025 no dividends have been registered as investment reimbursements.

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

At each year end, the Company re-estimates the future cash flows derived from its investments in Group companies and associates. The estimation is calculated based on the subsidiaries' business plans approved by the Board of Telefónica, S.A. In addition, other assets and liabilities whose cash flows are not included in the aforementioned business plans are considered.

The business plans of the subsidiaries covers a five-year period.

In the specific case of the indirect investment in the JV in the United Kingdom, the future cash flows used in the calculation of the value in use carried out by the JV are based on the three-year business plan and the 2026 budget approved by the Board of Directors of VMED O2 UK Limited (VMO2) and have been projected and sensitized over a 10-year horizon, considering that in such period the operating parameters are achieved in perpetuity. This time horizon was used to adequately reflect projects requiring higher capital investment in their initial stages, such as the fiber deployment or the 5G plans . This approach is consistent with previous years.

The estimated value is based on the business plans of each subsidiary expressed in its functional currency, discounted using the appropriate rate, net of the liabilities associated with each investment (mainly net debt), considering the percentage of ownership in each subsidiary and translated to euros at the official closing rate of each currency at December 31. The main

assessments used to determine the discounted cash flows are the revenue growth, the long term EBITDA margin, the long term investment ratio, the weighted average cost of capital (WACC) and the perpetual growth rate, indicators employed by the Group in its investments valuation.

Moreover, and only for the companies where discounted cash flow analysis is not available due to the specific nature of their businesses, the impairment is calculated by comparing their equity as of the end of the period and the net book value of those investments.

As a result of these estimations and the effect of the net investment hedge, in 2025 an impairment provision of 758 million euros has been recognized (4,223 million euros in 2024). This amount derives mainly from the following companies:

a. an impairment of 2,337 million euros for Telefónica O2 Holdings, Ltd. (reversal of 931 million euros, net of hedges, was registered in 2024) due to the outcome of the impairment test carried out at year-end as well as the negative evolution of the pound sterling exchange rate in 2025 (see note 19.8).

b. an impairment reversal for Telefónica España Filiales, S.A.U. amounting to 531 million euros (79 million euros in December 2024).

c. an impairment reversal, net of hedges, of 1,138 million euros for Telefônica Brasil, S.A. (604 million euros of write down in 2024, net of hedges).

d. an impairment of 1,667 million euros for Telefónica Hispanoamérica, S.A. (2,481 million euros in 2024) mainly due to the valuation of the investments in Peru, Chile, Ecuador, Uruguay and Colombia.

   The aforementioned impairment has set the carrying value of the investment in Telefónica Hispanoamérica, S.A. in a negative amount of 165 million euros as of December 31, 2025 (743 million euros in 2024). Therefore, this amount has been reclassified as a non current provision (note 18) and shown as Transfers in the 2025 chart of movements included at the beginning of this note.

e. an impairment reversal of 993 million euros for Telefónica Latinoamérica Holding, S.L. (impairment of 1,772 million euros in 2024) mainly due to the valuation of its investment in Brazil.

f. an impairment reversal of 667 million euros for O2 Europe, Ltd. (impairment of 667 million in 2024).

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

United Kingdom

In 2025, the British economy showed a mixed performance, with moderate growth (+1.4%, slightly above initial expectations) but accompanied by significant imbalances. Inflation remained high (3.4%), exceeding the initial forecasts (2.7%), reflecting price and wage rigidities. Meanwhile, the labor market continued its cooling trend, with an unemployment rate of 5.1%, higher than anticipated. In this context, fiscal policy is intended to stimulate growth in the short term, albeit with a complex balance that does not reduce sensitivity to shocks to growth, inflation, and interest rates. In 2026, the outlook will remain weak and dependent on monetary support, in an environment of greater labor market fragility. During 2025, the pound sterling depreciated by 5.01% against the euro, which had a significant impact on the valuation of the investment in VMO2.

The growth projections and operating ratios contemplated in the valuation of VMO2 are aligned with the analyst ranges for comparable companies in the region. In terms of revenue, despite the challenges of the competitive environment, the strategic plan includes a growth trend in long-term projections, in line with the estimated evolution for the sector in the United Kingdom. In relation to EBITDA margins two years ahead, analyst estimates for comparable companies in Europe are in a range of between 34% and 43%, while, regarding long-term investment needs, the capex to revenue ratio is in a range between 12% and 15%. The discount rate applied in the impairment test as of December 31, 2025 was 7.5% after taxes (8.1% pre-tax), compared to 7.7% the previous year (8.3% pre-tax). The terminal growth rate considered continues to be 1%.

Brazil

The Brazilian economy showed solid performance in 2025, with GDP growth once again surprising on the upside (+0.3 percentage points above expectations at the beginning of the year), driven by the strong dynamism of the agricultural sector and the resilience of the components less sensitive to interest rates. The reduction of the inflation rate process continued, closing at 4.3% in December 2025, with downside risks skewed towards 2026. The labor market remained robust, with unemployment rates below 6%, supporting private consumption. On the fiscal front, success in meeting the primary deficit target in 2025 and the implementation of the new fiscal framework helped stabilize expectations in the short term, despite the projected impairment in the near future. By 2026, the macroeconomic scenario is constructive, with growth close to 1.7%, progressively more accommodative monetary conditions (an interest

rate drop of 275 bps is expected) and an external position supported by foreign investment inflows associated with Brazil's strategic role in global commodity chains —including critical minerals and rare earths—, which reinforces the country's macroeconomic resilience.

As far as the relevant variables considered in the calculation of the value in use are concerned, the long-term EBITDA margin two-year estimates of Telefónica Group's analysts for the operator in Brazil, it is in a range within 42% to 47%. Regarding investments, the operator will invest in the horizon of the projected plan a percentage that is aligned with the investment needs planned for the development of its business, which is located in a range between 14% and 16%. The WACC after tax rate used is 11.6% both in 2025 and 2024. On the other hand, the perpetuity growth rate has remained stable in 4% since 2024.

Moreover, the evolution of Brazilian real against euro in 2025 has implied a minor effect on the valuation as it was 0.5% of appreciation against euro (see note 19.8).

Germany

After several years of very weak growth, the German economy began to show signs of stabilization in 2025, with a gradual improvement in activity toward the end of the year. Inflation continued to moderate, settling at around 2%, which helped improve household purchasing power and normalize real financing conditions. Private consumption began a gradual recovery, supported by a resilient labor market and real wage growth. On the fiscal front, the shift toward a more expansionary policy—with a significant increase in spending on infrastructure, energy transition, and defense—strengthens the medium-term growth outlook, albeit with a gradual impact. The economy is projected to grow by around 1% in 2026, with a constructive macroeconomic environment underpinned by fiscal stimulus and a gradual improvement in the industrial and investment climate.

The long-term EBITDA margins two-year estimates of Telefónica Group's analysts are within a range of 29% to 32% for Germany.

In relation to the long-term Capex over revenues ratio, the range estimated by Telefónica Group analysts is between 11% and 14% for Germany, incorporating analysts' assessments of investment requirements over a two-year horizon into the valuations applied in the impairment test.

The WACC after tax rate used is 5.8% both in 2025 (5.5 in 2024). On the other hand, the perpetuity growth rate has remained stable in 1% since 2024.

8.3. Detail of subsidiaries and associates

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

8.4. Transactions protected for tax purposes

Transactions carried out in 2025 that qualify for special tax regime, as defined in Articles 76 and 87, as applicable, of Chapter VII of Title VII of Legislative Royal Decree 27/2014 of November 27 approving the Spanish Corporate Income Tax Law, are detailed in the following paragraphs. Transactions qualified for special tax regime carried out in prior years are disclosed in the financial statements for those years.

On December 19, 2024 following the instructions by the General Shareholders' Meeting, the representatives of the sole shareholder of Telefónica IoT & Big Data Perú, S.A.C.,agreed to the merger by absorption of Telefónica IoT & Big Data Perú, S.A.C with Telefónica Tech Perú, S.A.C. with dissolution without liquidation of the absorbed company (Telefónica IoT & Big Data Perú, S.A.C.) and the transfer in full of its equity to Telefónica Tech Perú, S.A.C., which acquires by universal succession the rights and obligations of the absorbed entity. The effective date for accounting and tax purposes of the merger is January, 1, 2025.

On July 1, 2025 the merger between Telefónica IoT, Big Data e Tecnología do Brasil, S.A. (absorbed company) and Telefônica Cloud e Tecnología do Brasil, S.A. (absorbing company) was approved. The absorbed company was liquidated and the full transfer of all its rights and obligations to the absorbing company was carried out.

On November 1, 2025 the merger between IPNet Serviços em Nuvem e Desenvolvimento de Sistemas, Ltda (absorbed company) con Telefônica Cloud e Tecnologia do Brasil S.A. (absorbing company) was approved. The absorbed company was liquidated and the full transfer of all its rights and obligations to the absorbing company was carried out.

8.5. Maturity of loans to Group companies and associates

The breakdown and maturity of loans to Group companies and associates in 2025 and 2024 are as follows:

2025

Millions of euros

Company	2026	2027	2028	2029	2030	2031 and subsequent years	Final balance, current and non-current
Telefónica Móviles Chile, S.A.	2	–	–	–	274	–	276
Telefónica Cybersecurity & Cloud Tech, S.L.	4	86	–	–	–	–	90
Telefónica Móviles España, S.A.U.	142	–	–	–	–	–	142
Telefónica de España, S.A.U.	105	–	–	–	–	–	105
Telxius Telecom, S.A.	50	3	–	–	235	–	288
Telefônica Brasil, S.A.	155	–	–	–	–	–	155
Telefónica Finanzas, S.A.U.	170	–	–	–	–	–	170
Other companies	159	7	–	–	22	–	188
Total	**787**	**96**	**–**	**–**	**531**	**–**	**1,414**

2024

Millions of euros

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

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

- In June 2025, Telefónica, S.A. granted Telefónica Móviles Chile, S.A. a total credit line of 371,000 million Chilean pesos, which was drawn down from June to December 2025, reaching a total of 291,710 million Chilean pesos (equivalent to 274 million euros) as of December 31. Additionally, at the end of the year, there were accrued interests of 2 million euros outstanding.

- The outstanding balance with Telefónica Móviles España, S.A.U. in 2024 included dividends distributed in December 2024, amounting to 522 million euros and uncollected at year end 2024. The amount has been collected in 2025 and no further dividends have been distributed by this subsidiary in 2025.

  In addition, in 2025 there are 142 million euros of tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return (155 million euros in 2024).

- On March 21, 2022 the Company granted a credit to its subsidiary Telefónica Cybersecurity & Cloud Tech, S.L. of 140 million pounds sterling and maturity date on June 21, 2022. At maturity date, the credit was partially cancelled and the outstanding amount, 100 million pounds sterling, extended its maturity date until 2027. In December 2025 an amount of 25 million pounds sterling has been cancelled, without further extension of the remaining credit facility. The equivalent amount of this credit at year end amounts to 86 million euros (121 million euros in 2024). Moreover, there are uncollected interests accounted as current amounting to 1 million euros both in 2025 and 2024.

  In 2025 there are tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return totalling 3 million euros (there was no amount outstanding for the concept in 2024).

- The balance of Telefónica de España, S.A.U. in 2024 included an amount of 815 million euros of dividends distributed in December 2024 and uncollected at year end. The amount has been received in 2025 and no

additional dividends have been distributed by the subsidiary in 2025.

In 2025 there are 105 million euros corresponding to tax receivables from the subsidiary for its tax expense declared in the consolidated tax return (12 million euros in 2024).

- In 2024 the installment by 50 million euros granted in 2016 to Telxius Telecom, S.A. was cancelled according to its maturity date. As far as the credits granted to the subsidiary in 2016 are concerned, the only outstanding amount is 50 million euros with a maturity date in 2026. The amount has been transferred from long-term to current assets and it is shown as Transfers in the chart of movements at the beginning of this note.

  In December 2023 a new loan was granted with a total figure of 235 million euros and a variable interest rate. It was disbursed in two tranches by 153 and 82 million euros, respectively. The maturity date of the loan was originally December 2028, with an additional one-year extension at grantee request. This option was exercised in 2024 and the maturity was extended until December 2029. In October 2025 the maturity date has been extended again until December 2030.

- The balance totaling 155 million euros shown in 2025 with Telefônica Brasil, S.A. entirely corresponds to dividends agreed by the subsidiary and unpaid at year end (115 million euros in December 2024).

- The balance of Telefónica Finanzas, S.A.U. in December 2025 includes dividends distributed and uncollected at year end amounting to 136 million euros (115 million euros in 2024).

  Moreover, in 2025 there are uncollected balances of 34 million euros of tax balances receivable from this subsidiary for its tax expense declared in the consolidated tax return (44 million euros in 2024).

In the 2025 chart of movements, additions of current loans to group companies and associates comprise 438 million euros (292 million euros in 2024) of loans in connection with the taxation of Telefónica, S.A. as the head of the tax group pursuant to the consolidated tax regime applicable to corporate groups (see note 17). The most significant amounts have already been disclosed through this note. All these amounts fall due in the short term.

Disposals of current loans to group companies and associates includes the cancellation of balances receivable from subsidiaries on account of their membership of Telefónica, S.A.'s tax group totaling 292 million euros (161 million euros in 2024).

Total accrued interest receivable at December 31, 2025 and 2024 included under the caption Current loans to group companies and associates amount to 4.6 and 2.4 million euros, respectively.

8.6. Other financial assets with Group companies and associates

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

Invoices of share plans that were already vested and are outstanding at year end are shown as other current financial assets. Amounts derived from the new share plans launched in 2025 and 2024 with a maturity date longer than 2025 are included as other non-current financial assets (see note 19.3).

Note 9. Financial investments

9.1. The breakdown of "Financial investments" at December 31, 2025 and 2024 is as follows:

2025

	Assets at fair value							Assets at amortized cost					
					Measurement hierarchy								
Millions of euros	Financial Assets at fair value with changes through equity	Financial assets at fair value with changes through income statement	Hedges with changes through equity	Subtotal assets at fair value	Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on observable market data	Financial assets at amortized cost	Other financial assets at amortized cost	Subtotal financial assets at amortized cost	Fair value	Total carrying amount	Total fair value
Non-current financial investments	**—**	**498**	**1,354**	**1,852**	**—**	**1,852**	**—**	**830**	**2**	**832**	**342**	**2,684**	**2,194**
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Derivatives (Note 16)	—	498	1,354	1,852	—	1,852	—	—	—	—	—	1,852	1,852
Loans to third parties and other financial assets	—	—	—	—	—	—	—	830	2	832	342	832	342
Current financial investments	**—**	**106**	**170**	**276**	**—**	**276**	**—**	**1**	**173**	**174**	**174**	**450**	**450**
Loans to third parties and other financial assets	—	—	—	—	—	—	—	1	173	174	174	174	174
Derivatives (Note 16)	—	106	170	276	—	276	—	—	—	—	—	276	276
Total financial investments	**—**	**604**	**1,524**	**2,128**	**—**	**2,128**	**—**	**831**	**175**	**1,006**	**516**	**3,134**	**2,644**

2024

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

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

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

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

These two asset categories include the fair value of outstanding derivative financial instruments at December 31, 2025 and 2024 (see note 16).

9.3 Financial assets at fair value with changes through equity

This category mainly includes the fair value of investments in listed companies (equity instruments) over which the Company does not have significant influence nor control. The movement of items composing this category at December 31, 2025 and 2024 are as follows:

December 31, 2025

Millions of euros	Opening balance	Disposals	Fair value adjustments	Closing balance
Banco Bilbao Vizcaya Argentaria, S.A.	417	(845)	428	—
Total	**417**	**(845)**	**428**	**—**

December 31, 2024

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

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

During 2025, the investment in BBVA was completely sold, and at year-end the Company no longer holds financial assets at fair value with changes through equity on its balance sheet. The sale of said investment, together with the settlement of the related derivative financial instruments, has resulted in a net positive effect in the income statement amounting to 335 million euros and it is included under the caption 'Net result on sales of financial assets at fair value with changes through equity'.

China Unicom (Hong Kong), Ltd.

The investment in China Unicom (Hong Kong), Ltd. (182 million shares) in 2024 represented 0.593% of that company's share capital.The shares were quoted in the Hong Kong stock exchange.

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

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

9.4 Financial assets at amortized cost

The breakdown of investments included in this category at December 31, 2025 and 2024 is as follows:

Millions of euros	2025	2024
Financial assets at amortized cost, non-current:		
Deposits related to real state properties	6	6
Collateral guarantees	309	108
Loans to third parties	490	—
Marketable debt securities	2	2
Other receivables	25	—
Financial assets at amortized cost, current:		
Loans to third parties	1	526
Collateral guarantees	144	39
Other current financial assets	29	8
Total amount	**1,006**	**689**

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

In relation with collateral contracts, there is an additional guarantee of 60,328 bonds issued by Telefónica Emisiones, S.A.U. deposited in a securities account owned by Telefónica, S.A. with a notional of 51 million euros as of December 31, 2025 (there were 59,808 bonds with a notional of 58 million euros as of December 31, 2024).

As detailed in note 20 b) of these financial statements, on November 12, 2024, Telefónica obtained a favorable award regarding the investment dispute submitted to the International Centre for Settlement of Investment Disputes ("ICSID") against the Republic of Colombia.

The Court has stated that the Republic of Colombia failed to comply with its obligation to grant fair and equitable treatment to Telefónica's investments under Article 2(3) of the APPRI, and has ordered it to pay the amount of 380 million U.S. dollars (equivalent to 365 million euros converted at 2024 year-end exchange rates) plus compound interest at a rate of 5% as compensation for the damages caused. Total accumulated accrued interest as of December 31, 2024 amounted to 164 million US dollars (equivalent to 158 million euros).

Moreover, the Company is entitled to be reimbursed for the legal costs suffered during the proceeding. As of December 31, 2025 this concept amounts to 5 million euros.

Once the decision was received and following the legal analysis carried out, Telefónica's management considers that the decision represents a firm right of collection and therefore, it has been recorded in the financial statements as of December 31, 2024 under the heading loans to third parties in the 2024 column of the attached table. This consideration remains unchanged in 2025.

As indicated in note 20 b), the appeal to annul the award remains unresolved as of December 31, 2025. As a consequence of the delays in the constitution of the Tribunal and the resulting effect on the prolongation of the proceedings before the ICSID Committee, as well as the fact that the hearing on the annulment will take place in June 2026, management has considered that the most appropriate classification is non-current, and therefore the receivable has been reclassified to a non-current caption.

As of December 31, 2025, the accumulated amount for the concept totals 571 million US dollars (equivalent to 485 million euros).

As indicated in note 20.b, in July 2025 the Company entered into an agreement with Millicom International Cellular to settle the lawsuit concerning breach of contract related to the sale of the Group's subsidiary in Costa Rica. The outstanding amount will be received in July 2026 (30 million US dollars) and July 2027 (32 million US dollars). The present value of these amounts is shown, according to their maturity, in the "Other long-term receivables" and "Other current financial assets" lines of the detailed schedule accompanying this note, totaling 25 million euros for both long-term and short-term receivables.

Other current financial assets include in 2025 (in addition to the receivable from Millicom described above) and 2024 the uncollected revenues from bank accounts.

Note 10. Trade and other receivables

The breakdown of "Trade and other receivables" at December 31, 2025 and 2024 is as follows:

Millions of euros	2025	2024
Trade receivables	8	30
Trade receivables from Group companies and associates	208	211
Employee benefits receivable	1	1
Tax receivables (Note 17)	47	23
Total	**264**	**265**

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

Trade receivables and Trade receivables from Group companies and associates in 2025 and 2024 include balances in foreign currency equivalent to 58 and 104 million euros, respectively.

In 2025 and 2024 these amounts relate to receivables in US dollars and pounds sterling.

These balances give rise to positive exchange rate differences in the income statement by 1.5 million euros in 2025 and 5 million euros of negative exchange rate differences in 2024.

Note 11. Equity

11.1 Capital and reserves

a) Share capital

2025

At December 31, 2025, Telefónica, S.A.´s share capital amounted to 5,670,161,554 euros and is divided into 5,670,161,554 common shares, of a single series and with a par value of one euro each, fully paid in. All the shares of the Company have the same characteristics and carry the same rights and obligations.

The shares of Telefónica, S.A. are represented by book entries that are listed on the Spanish Electronic Market (within the selective Ibex 35 index) and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao), as well as on the New York Stock Exchange and the Lima Stock Exchange (in those latter two through American Depositary Shares (ADSs), with each ADS representing one share of the Company). In December 2025, Telefónica, S.A. announced its intention to initiate the procedure for the voluntary delisting of its ADSs from the New York Stock Exchange, a process that became effective in January 2026 (see Note 22). The Company also intends to request the voluntary delisting of its ADSs from the Lima Stock Exchange.

2024

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

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

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

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

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

Authorizations by Shareholders' Meeting

As regards the authorizations conferred in respect of the share capital, the shareholders acting at the Ordinary General Shareholders' Meeting held on April 10, 2025 resolved to delegate to the Board of Directors, as broadly as required by Law, pursuant to the provisions of Section 297.1.b) of the Companies Act, the power to increase the share capital on one or more occasions and at any time, within a period of five year from the date of adoption of such resolution, by the maximum nominal amount of 2.835.080.777 euros, equal to one-half of the share capital of the Company on the date of adoption of the resolution at the General Shareholders' Meeting, issuing and floating the respective new shares for such purpose with or without a premium, the consideration for which will consist of monetary contributions, with express provision for incomplete subscription of the shares to be issued. The Board of Directors was also authorized to exclude pre-emptive rights in whole or in part, as provided in section 506 of the Companies Act. However, the power to exclude pre-emptive rights is limited to 20% of the share capital on the date on which the resolution is adopted. In accordance with the above-mentioned authorization, as of the end of fiscal year 2025, the Board would be authorized to increase the share capital by the maximum nominal amount of 2,835,080,777 euros.

Furthermore, the shareholders acting at the Ordinary General Shareholders' Meeting of Telefónica, S.A. held on April 10, 2025 delegated to the Board of Directors, in accordance with the general rules governing the issuance of debentures and pursuant to the provisions of applicable law and the Company's By-Laws, the power to issue debentures, bonds, notes and other fixed-income securities and hybrid instruments, including preferred shares, which may in all cases be simple, exchangeable and/or convertible and/or grant the holders thereof a share in the earnings of the Company, as well as warrants, with the power to exclude the pre-emptive rights of shareholders. The aforementioned securities may be issued on one or more occasions, within a maximum period of five years as from the date of adoption of the resolution. The securities issued may be debentures, bonds, notes and other fixed-income securities, or debt instruments of a similar nature, or hybrid instruments in any of the forms admitted by Law (including, among others, preferred interests) both simple and, in the case of debentures, bonds and hybrid instruments, convertible into shares of the Company and/or exchangeable for shares of the Company, of any of the companies of its Group or of any other company and/or giving the holders thereof an interest in the corporate earnings. Such delegation also includes warrants or other similar instruments that may entitle the holders thereof, directly or indirectly, to subscribe for or acquire newly-issued or outstanding shares, payable by physical delivery or through differences. The aggregate amount of the issuance or issuances of instruments that may be approved in reliance on this delegation may not exceed, at any time, 25,000 million euros or the equivalent thereof in another currency. In the case of notes and for purposes of the above-mentioned limits, the outstanding balance of those issued in reliance on the delegation shall be computed. In the case of warrants, and also for the purpose of such limit, the sum of the premiums and exercise prices of each issuance shall be taken into account.
Furthermore, under the aforementioned delegation resolution, the shareholders at the Ordinary General Shareholders' Meeting of Telefónica, S.A. resolved to authorize the Board of Directors to guarantee, in the name of the Company, the issuance of the aforementioned instruments issued by the Companies belonging to its Group of Companies, within a maximum period of five years as from the date of adoption of the resolution.

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

On December 31, 2025 and 2024, Telefónica, S.A. held the following treasury shares:

		Euros per share			
	Number of shares	Acquisition price	Trading price	Market value (*)	%
Treasury shares at Dec 31 2024	26,874,751	3.97	3.94	106	0.474 %
Treasury shares at Dec 31 2025	39,762,042	3.96	3.49	139	0.701 %

(*) Millions of euros

The evolution in treasury share figures of Telefónica, S.A. during the years 2025 and 2024 is as follows:

	Number of shares
Treasury shares at 12/31/23	**111,099,480**
Acquisitions	36,525,204
Disposals	(20,543,444)
Share capital reduction	(80,296,591)
Employee share option plan (See Note 19.3)	(19,909,898)
Treasury shares at 12/31/24	**26,874,751**
Acquisitions	21,846,574
Disposals	(548,815)
Employee share option plan (See Note 19.3)	(8,410,468)
Treasury shares at 12/31/25	**39,762,042**

Acquisitions

In 2025 and 2024 acquisition of treasury shares amounting to 86 and 145 million euros respectively, have been registered (see note 21).

Share redemption

On May 13, 2024, following the agreement of the General Shareholders' Meeting held on April 12, 2024, the share capital reduction was carried out through the cancellation of 80,296,591 own shares with an impact of 310 million euros.

There has been no share redemption transactions during 2025.

Disposals

The amount recorded for sales of treasury shares in 2025 and 2024 amounts to 2 and 81 million euros, respectively. The difference with the proceeds from the sale has been recorded under the unrestricted reserves caption in both years.

Employee share option plan

Treasury shares related to share plans redemptions in 2025 and 2024 amount to 33 and 78 million euros, respectively.

Other instruments

The Company also has different derivative instruments, to be settled by offset, on a nominal value equivalent to 146 million of Telefónica shares, mainly contracted through Banco Bilbao Vizcaya Argentaria, S.A., recorded in the balance sheet at December 31, 2025 and in 2024 in accordance with their maturity date and fair value (173 million euros at December 31, 2024)

b) Legal reserve

According to the text of the Corporate Enterprises Act, companies must transfer 10% of profit for the year to a legal reserve until this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital by the amount exceeding 10% of the increased share capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available. The General Shareholders' meeting of April 12, 2024 approved an increase of 91 million euros in the legal reserve as a result of the 2023 profit distribution. On December 31, 2025 and 2024, this reserve amounted to 1,150 million euros, representing 20.28% of the share capital at both year ends.

c) Other reserves

The concepts included under this caption are:

- The Revaluation reserve which arose as a result of the revaluation made pursuant to Royal Decree-Law 7/1996 dated June 7. The revaluation reserve may be used, free of tax, to offset any losses incurred in the future and to increase capital. From January 1, 2007, it may be allocated to unrestricted reserves, provided that the capital gain has been realized. The capital gain will be deemed to have been realized in respect of the portion on which the depreciation has been recorded for accounting purposes or when the revalued assets have been transferred or derecognized. In this respect, at the end of 2025 and 2024, an amount of 3 and 2 million euros, corresponding to revaluation reserves subsequently considered unrestricted has been reclassified to Other reserves. The balance of this reserve at December 31, 2025 and 2024 was 46 and 49 million euros, respectively.

- Reserve for cancelled share capital: In accordance with Section 335.c) of the Corporate Enterprises Act and to render null and void the right of opposition provided for in Section 334 of the same Act, whenever the Company carries out a share capital reduction, it records a reserve for cancelled share capital for an amount equal to the par value of the cancelled shares, which can only be used if the same requirements as those applicable to the reduction of share capital are met. The cumulative amount of the reserve for cancelled share capital at December 31, 2025 and 2024 totals 1,059 million euros in both years.

- In addition to the restricted reserves explained above, Other reserves includes unrestricted reserves from gains obtained by the Company in prior years.

  In addition, this caption includes the equity impacts of the corporate transactions described in note 8. In this

regard, in 2025, with the publication of BOICAC 142, Telefónica, S.A. has reassessed as of January 1, 2024 the impacts of corporate transactions affected by this ruling (see Note 4.f). The retrospective application of BOICAC 142 criterion has affected the unrestricted reserves line by 451 million euros as of January 1, 2024, with a debit of 1,101 million euros in the cost of investments and 650 million euros of impairment losses (see note 8).

Additionally, during 2024, as a consequence of the new standard, a reversal of impairment loss in Telefónica Tech, S.L. has been recorded by 182 million euros. Also the negative equity impact recorded in 2024 in application of the previous standard derived from the in-kind contribution of shares of Telefónica Deutschland Holding, A.G. to Telefónica Local Services GmbH, amounting to 382 million euros (which was reflected in the "Other movements" line of the equity table), has been eliminated.

Thus, the cumulative effect in the equity of the Company of the change in the standard amounts to 1,015 million euros as of December 31, 2024.

d) Dividends

Dividend distribution in 2025

Approval was given at the General Shareholders' Meeting of April 10, 2025 to pay a dividend in cash charge to unrestricted reserves amounting to 0.30 euros per share payable in two tranches.

On June 19, 2025, 0.15 euros per share was paid, for a total amount of 846 million euros, and on December 18, 2025, a second payment of 0.15 euros amounting to 844 million euros.

Dividend distribution in 2024

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

On June 20, 2024,0.15 euros per share was paid, for a total amount of 846 million euros, and on December 19, 2024, a second payment of 0.15 euros amounting to 847 million euros.

11.2 Unrealized gains (losses) reserve

The movements in the items composing "Unrealized gains (losses) reserve" in 2025 and 2024 are as follows:

2025

Millions of euros	Opening balance	Valuation at market value	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Financial assets at fair value with changes through equity (Note 9.3)	144	191	—	(335)	—	—
Cash flow hedges	166	(422)	106	672	(168)	354
Total	**310**	**(231)**	**106**	**337**	**(168)**	**354**

2024

Millions of euros	Opening balance	Valuation at market value	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Financial assets at fair value with changes through equity (Note 9.3)	101	96	—	(53)	—	144
Cash flow hedges	269	428	(107)	(565)	141	166
Total	**370**	**524**	**(107)**	**(618)**	**141**	**310.25**

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

Note 12. Financial liabilities

The breakdown of "Financial liabilities" at December 31, 2025 and 2024 is as follows:

2025

	LIABILITIES AT FAIR VALUE						LIABILITIES AT AMORTIZED COST			
				MEASUREMENT HIERARCHY						
Millions of euros	Financial liabilities with changes through income statement	Hedges with changes through equity	Subtotal financial liabilities at fair value	Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on other directly observable market data	Financial liabilities at amortized cost	Fair value of financial liabilities	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE
Non-current financial liabilities	**547**	**1,385**	**1,932**	**—**	**1,932**	**—**	**32,861**	**34,484**	**34,793**	**34,484**
Payable to Group companies and associates	—	—	—	—	—	—	31,500	31,164	31,500	31,164
Bank borrowings	—	—	—	—	—	—	1,034	1,061	1,034	1,061
Derivatives (Note 16)	547	1,385	1,932	—	1,932	—	—	1,932	1,932	1,932
Other financial liabilities	—	—	—	—	—	—	327	327	327	327
Current financial liabilities	**240**	**16**	**256**	**—**	**256**	**—**	**10,128**	**10,393**	**10,384**	**10,393**
Payable to Group companies and associates	—	—	—	—	—	—	10,033	10,042	10,033	10,042
Bank borrowings	—	—	—	—	—	—	18	18	18	18
Bonds and other marketable debt securities	—	—	—	—	—	—	57	57	57	57
Derivatives (Note 16)	240	16	256	—	256	—	—	256	256	256
Other financial liabilities	—	—	—	—	—	—	20	20	20	20
Total financial liabilities	**787**	**1,401**	**2,188**	**—**	**2,188**	**—**	**42,989**	**44,877**	**45,177**	**44,877**

2024	LIABILITIES AT FAIR VALUE						LIABILITIES AT AMORTIZED COST			
				MEASUREMENT HIERARCHY						
Millions of euros	Financial liabilities with changes through income statement	Hedges with changes through equity	Subtotal financial liabilities at fair value	Level 1: quoted prices	Level 2: Estimates based on other directly observable market inputs	Level 3: Estimates not based on other directly observable market data	Financial liabilities at amortized cost	Fair value of financial liabilities	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE
Non-current financial liabilities	**599**	**1,103**	**1,702**	**—**	**1,702**	**—**	**35,397**	**36,724**	**37,099**	**36,724**
Payable to Group companies and associates	—	—	—	—	—	—	33,893	33,508	33,893	33,508
Loans with financial entities	—	—	—	—	—	—	828	838	828	838
Derivatives (Note 16)	599	1,103	1,702	—	1,702	—	—	1,702	1,702	1,702
Other financial liabilities	—	—	—	—	—	—	676	676	676	676
Current financial liabilities	**160**	**19**	**179**	**—**	**179**	**—**	**5,383**	**5,514**	**5,562**	**5,514**
Payable to Group companies and associates	—	—	—	—	—	—	5,260	5,212	5,260	5,212
Loans with financial entities	—	—	—	—	—	—	87	87	87	87
Bonds and other marketable debt securities	—	—	—	—	—	—	35	35	35	35
Derivatives (Note 16)	160	19	179	—	179	—	—	179	179	179
Other financial liabilities	—	—	—	—	—	—	1	1	1	1
Total financial liabilities	**759**	**1,122**	**1,881**	**—**	**1,881**	**—**	**40,780**	**42,238**	**42,661**	**42,238**

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

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

Note 13. Bonds and other marketable debt securities

This caption, at December 31, 2025 and 2024, fully refers to promissory notes program.

The features of the 2025 and 2024 programs are the same and the detail is as follows:

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

The balances and movements of the financial instruments included under this caption at December 31, 2025 and 2024 are as follows:

	2025	2024
Millions of euros	**Other marketable debt securities (Promissory notes)**	**Other marketable debt securities (Promissory notes)**
Opening balance	**35**	**—**
Additions	85	63
Disposals	(64)	(28)
Revaluation and other movements	1	—
Closing balance	**57**	**35**
Details of maturities:		
Non-current	—	—
Current	57	35

The average interest rate for promissory notes in 2025 has been 2.540% (3.646% in 2024).

Note 14. Interest-bearing debt and derivatives

14.1 Detail of debt balances

The balances at December 31, 2025 and 2024 are as follows:

December 31, 2025

Millions of euros	Current	Non-current	Total
Loans with financial entities (Note 12)	18	1,034	1,052
Derivatives (Note 16)	256	1,932	2,188
Total	**274**	**2,966**	**3,240**

December 31, 2024

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

14.2 Disclosure of nominal amount of debts

The nominal values of the main interest-bearing debts at December 31, 2025 and 2024 is as follows:

2025

Description	Value Date	Maturity Date	Currency	Limit 12/31/2025 (*) (millions of local currency)	Balance (millions of euros)
Bilateral Loan	21/11/2024	12/16/2031	EUR	—	100
Bilateral Loan	10/09/2024	10/31/2031	EUR	—	140
Bilateral Loan	03/27/2024	07/31/2034	EUR	—	150
Bilateral Loan	02/14/2023	09/29/2033	EUR	—	150
Bilateral Loan	12/23/2022	06/15/2033	EUR	—	125
Bilateral Loan	09/26/2022	12/15/2032	EUR	—	150
Bilateral Loan	01/15/2025	01/15/2035	EUR	—	125
Bilateral Loan	11/19/2025	11/19/2032	EUR	—	100

(*) Undrawn limit at December 31, 2025.

2024

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

(*) Undrawn limit at December 31, 2024.

14.3 Maturities of balances

The maturity of balances at December 31, 2025 and 2024 are as follows:

December 31, 2025	Maturity						
Millions of euros	2026	2027	2028	2029	2030	Subsequent years	Closing balance
Loans with financial entities	18	(1)	—	—	(5)	1,040	1,052
Derivatives (Note 16)	256	676	234	295	127	600	2,188
Total	**274**	**675**	**234**	**295**	**122**	**1,640**	**3,240**

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

14.4 Interest-bearing debt arranged or repaid in 2025

The most significant transactions in 2025 mainly includes the following:

Description	Limit 12/31/2025 (*) (millions)	Currency	Outstanding balance Dec 31 2025 (million euros)	Arrangement date	Maturity date	Drawdown 2025 (million euros)	Repayment 2025 (million euros)
Telefónica, S.A.							
Green Syndicated [1]	5,500	EUR	—	03/15/2018	01/13/2030	—	—
Bilateral loan	—	EUR	125	01/15/2025	01/15/2035	125	—
Bilateral loan	—	EUR	100	11/19/2025	11/19/2032	100	—

[1] On January 13, 2025 Telefónica, S.A. signed an extension option with a maximum amount of the 5,500 million euros green syndicated facility to an additional year (extended date being January 13, 2030). In addition, two more extension options have been signed for another additional year in both cases, with a final maturity at January 13, 2032.
(*) Undrawn limit.

14.5 Average interest on loans and borrowings

The average interest rate in 2025 on loans and borrowings denominated in euros was 3.122% (4.223% in 2024) and 2.4% for foreign-currency loans and borrowings in both years in 2025 and 2024.

14.6 Unused credit facilities

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

At December 31, 2025 and 2024, Telefónica had undrawn credit facilities amounting to 9,377 million euros and 9,524 million euros, respectively.

Financing arranged by Telefónica, S.A. at December 31, 2025 and 2024 is not subject to compliance with financial ratios (covenants).

Note 15. Payable to group companies and associates

15.1 Detail of group debts

The breakdown of payable to group companies and associates at the 2025 and 2024 year ends is as follows:

December 31, 2025

Millions of euros	Non-current	Current	Total
Loans	31,490	9,612	41,102
Trade payables to Group companies and associates	7	82	89
Derivatives (Note 16)	—	5	5
Tax Group payables to subsidiaries	3	334	337
Total	**31,500**	**10,033**	**41,533**

December 31, 2024

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

The maturity of these loans at the 2025 and 2024 year ends is as follows (figures in millions of euros):

December 31, 2025

Company	2026	2027	2028	2029	2030	2031 and subsequent years	Final balance, current and non-current
Telefónica Emisiones, S.A.U.	2,225	3,309	1,942	2,523	1,012	14,513	25,524
Telefónica Europe, B.V.	2,402	999	1,495	997	2,046	2,654	10,593
Telfisa Global, B.V.	4,985	—	—	—	—	—	4,985
Total	**9,612**	**4,308**	**3,437**	**3,520**	**3,058**	**17,167**	**41,102**

December 31, 2024

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

Financing raised by Telefónica, S.A. through its subsidiary Telefónica Europe, B.V. at December 31, 2025 amounts to 10,593 million euros (10,726 million euros in 2024). This financing entails a number of loans paying market interest rates calculated on a Euribor plus spread basis, with average interest rates at December 31, 2025 of 5.08% (5.23% in 2024). The main source of this financing was the funds obtained through the issuance of undated deeply subordinated securities amounting to 7,550 million euros (7,578 million euros in 2024), bonds and debentures amounting to 1,608 million euros (1,656 million euros in 2024) and commercial paper amounting to 1,188 million euros (1.165 million euros in 2024).

Financing raised by Telefónica, S.A. through Telefónica Emisiones, S.A.U. at December 31, 2025 was 25,524 million euros (26,799 million euros in 2024). This financing is arranged as loans between these companies on the similar terms and conditions as those of the notes issued under the debt issuance programs of Telefónica Emisiones, S.A.U. The average interest rate in 2025 was 3.41% (3.33% in 2024). The financing arranged includes, as a related cost, the fees or premiums taken to the income statement for the period corresponding to the financing based on the corresponding effective interest rates. Telefónica Emisiones, S.A.U. raised financing in 2025 by tapping the European capital markets, issuing bonds totaling 1,750 million euros and 130 million Swiss francs (1,750 million euros in 2024).

Part of the amount owed by Telefónica, S.A. to Telefónica Emisiones, S.A.U. and to Telefónica Europe, B.V. includes adjustments to amortized cost at December 31, 2025 and 2024 as a result of fair value interest rate and exchange rate hedges.

In January 2024 Telefónica Móviles Argentina, S.A. granted a 117 million US dollars loan to Telefónica, S.A. at a variable interest rate and maturity date in January 2029. The payment of interests was originally established to be biannual but in July 2024 the contract was amended so that the interests would be paid at maturity. On February 24, 2025 Telefónica Móviles Argentina, S.A. assigned the collection rights of the notional and outstanding interests at the date to its holding company, TLH Holdco, S.L. The total assigned amount (126 million US dollars equivalent to 111 million euros) has been repaid by Telefónica, S.A. in 2025 (See note 21).

Telfisa Global, B.V. centralizes and handles cash management and flows for the Telefónica Group in Latin America, the United States, Europe and Spain. The balance payable to this subsidiary is formalized through several deposit agreements accruing interest at market rates and amounting to 4,985 million euros in 2025 (1,285 million euros in 2024).

15.2 Tax liabilities

The balance of "Payable to subsidiaries due to taxation on a consolidated basis" was 337 and 96 million euros at December 31, 2025 and 2024, respectively. This basically includes payables to Group companies for their contribution of taxable income (tax loss carryforwards) to the tax group headed by Telefónica, S.A. (see note 17). The current or non-current classification is based on the Company's projection of maturities.

The most significant balances in 2025 correspond to Telefónica de España, S.A.U. amounting to 87 million euros, Telefónica Hispanoamérica, S.L. amounting to 84 million euros, Telefónica Latinoamérica Holding, S.L. amounting to 54 million euros and Telefónica Móviles España, S.A.U. amounting to 34 million euros.

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

Note 16. Derivative financial instruments and risk management policies

a) Derivative financial instruments

During 2025, the Group continued to use derivatives to limit interest and exchange rate risk on otherwise unhedged positions, and to adapt its debt structure to market conditions.

At December 31, 2025, the total outstanding balance of derivatives transactions was 70,307 million euros (68,590 million euros in 2024), of which 52,457 million euros are related to interest rate risk and 17,850 million euros to foreign currency risk. In 2024 there were, 50,369 million euros related to interest rate risk and 18,221 million euros to foreign currency risk.

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

It should be noted that on December 31, 2025, Telefónica, S.A. had transactions with financial institutions to hedge exchange rate risk for other Telefónica Group companies amounting to 641 million euros (774 million euros in 2024). At year-end 2025 and 2024, the Company had no transactions to hedge interest rate risk for other Group companies. These external trades are matched by intragroup hedges with identical terms and maturities between Telefónica, S.A. and Group companies, and therefore involve no risk for the Company. External derivatives not backed by identical intragroup transactions consist of hedges on net investment and future acquisitions that, by their nature, cannot be transferred to Group companies andor transactions to hedge financing raised by Telefónica, S.A. as parent company of the Telefónica Group, which are transferred to Group subsidiaries in the form of financing rather than via derivative transactions.

The breakdown of Telefónica, S.A.'s interest rate and exchange rate derivatives at December 31, 2025, their notional amounts at year end and the expected maturity schedule is as follows:

2025

Millions of euros		Telefónica receives		Telefónica pays	
Type of risk	**Value in Euros**	**Carrying**	**Currency**	**Carrying**	**Currency**
Euro interest rate swaps	**41,485**				
Fixed to floating	17,680	17,680	EUR	17,680	EUR
Floating to fixed	13,632	13,632	EUR	13,632	EUR
Floating to floating	10,173	10,173	EUR	10,173	EUR
Foreign currency interest rate swaps	**10,972**				
GBPGBP	458	400	GBP	400	GBP
USDUSD	10,514	12,360	USD	12,360	USD
Exchange rate swaps	**14,916**				
Fixed to fixed					
GBPEUR	582	500	GBP	582	EUR
Fixed to floating					
JPYEUR	95	15,000	JPY	95	EUR
CHFEUR	138	130	CHF	138	EUR
USDEUR	1,318	1,526	USD	1,318	EUR
Floating to floating					
EURUSD	230	230	EUR	270	USD
GBPEUR	448	400	GBP	448	EUR
USDEUR	12,105	13,360	USD	12,105	EUR
Forwards	**2,558**				
BRLEUR	4	24	BRL	4	EUR
CZKEUR	97	2,340	CZK	97	EUR
EURBRL	765	765	EUR	4,948	BRL
EURCLP	281	281	EUR	300,185	CLP
EURGBP	219	219	EUR	191	GBP
EURMXN	1	1	EUR	26	MXN
EURUSD	678	678	EUR	796	USD
GBPEUR	44	38	GBP	44	EUR
USDBRL	20	24	USD	130	BRL
USDCLP	4	4	USD	4,101	CLP
USDCOP	3	4	USD	15,365	COP
USDEUR	440	517	USD	440	EUR
USDPEN	1	1	USD	3	PEN
CLPUSD	1	810	CLP	1	USD
Total	**69,931**				

Millions of euros

Options Structure Notional	Value in euros	Notional	Currency
Exchange Rate Options	**376**		
EURBRL	376	2,434	BRL
Subtotal	**376**		
Total	**70,307**		

The breakdown by average maturity is as follows:

Millions of euros

Hedged underlying item	Notional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Pension Plans	**5,131**	**1,692**	**1,690**	**954**	**795**
Loans	**939**	**494**	**—**	**—**	**445**
In national currency	350	—	—	—	350
In foreign currencies	589	494	—	—	95
Debentures and bonds MtM	**55,052**	**9,718**	**7,699**	**5,148**	**32,487**
In national currency	19,500	5,225	275	1,900	12,100
In foreign currencies	35,552	4,493	7,424	3,248	20,387
Other underlying (*)	**9,185**	**7,185**	**—**	**—**	**2,000**
Currency options	376	376	—	—	—
Forward	2,309	2,309	—	—	—
IRS	6,500	4,500	—	—	2,000
Total	**70,307**	**19,089**	**9,389**	**6,102**	**35,727**

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

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

2024

Millions of euros		Telefónica receives		Telefónica pays	
Type of risk	**Value in Euros**	**Carrying**	**Currency**	**Carrying**	**Currency**
Euro interest rate swaps	**36,286**				
Fixed to floating	12,928	12,928	EUR	12,928	EUR
Floating to fixed	13,860	13,860	EUR	13,860	EUR
Floating to floating	7,598	7,598	EUR	7,598	EUR
Foreign currency interest rate swaps	**14,083**				
Fixed to floating					
GBPGBP	482	400	GBP	400	GBP
USDUSD	13,601	14,138	USD	14,138	USD
Exchange rate swaps	**13,090**				
Fixed to fixed					
GBPEUR	582	500	GBP	582	EUR
Fixed to floating					
JPYEUR	95	15,000	JPY	95	EUR
Floating to floating					
GBPEUR	448	400	GBP	448	EUR
USDEUR	11,705	12,938	USD	11,705	EUR
Forwards	**5,131**				
BRLEUR	16	101	BRL	16	EUR
EURPEN	160	160	EUR	627	PEN
CZKEUR	92	2,340	CZK	92	EUR
EURBRL	2,804	2,804	EUR	18,047	BRL
EURCLP	1	1	EUR	1,075	CLP
EURGBP	221	221	EUR	183	GBP
EURMXN	1	1	EUR	11	MXN
EURUSD	1,079	1,079	EUR	1,122	USD
GBPEUR	23	19	GBP	23	EUR
USDBRL	20	22	USD	128	BRL
USDCLP	3	4	USD	3,281	CLP
USDCOP	3	3	USD	12,682	COP
USDEUR	698	740	USD	698	EUR
USDPEN	2	2	USD	9	PEN
CLPUSD	1	756	CLP	1	USD
BRLUSD	7	44	BRL	8	USD
PENUSD	—	2	PEN	—	USD
Subtotal	**68,590**				

The breakdown by average maturity is as follows:

Millions of euros

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

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

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

b) Risk management policy

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

The main market risks affecting Telefónica are as follows:

Exchange rate risk

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

Interest rate risk

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

Share price risk

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

Other risks

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

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

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

Risk management

Telefónica, S.A. actively manages these risks through the use of derivatives (primarily on exchange rates, interest rates, credit and share prices) and by incurring debt in local currencies, where appropriate, with a view

to optimize the financial cost and to stabilizing cash flows, the income statement and investments. In this way, Telefónica attempts to protect its solvency, facilitate financial planning and take advantage of investment opportunities.

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

Exchange rate risk

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

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

At December 31, 2025, net financial debt in pounds sterling was equivalent to 287 million euros of asset position (46 million euros at December 31, 2024). The synthetic debt target denominated in pounds sterling will be directly related to the flows that are expected to be repatriated from VMED O2 UK.

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

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

Interest rate risk

Telefónica´s financial expenses are exposed to changes in interest rates. In 2025 the euro, Brazilian real, pounds sterling and the US dollar were the short term rates that accounted for most of the exposure. Telefónica manages its interest rate risk by entering into derivative financial instruments, primarily swaps and interest rate options.

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

	Impact on Consolidated P/L	Impact on Telefónica, S.A. P/L	Impact on Consolidated Equity	Impact on Telefónica, S.A. Equity
+100bp	(107)	(76)	414	275
-100bp	107	76	(414)	(275)

To calculate the sensitivity of the income statement, a 100 basis point rise in interest rates in all currencies in which there are financial positions at December 31, 2025 has been assumed, as well as a 100 basis point decrease in all currencies in order to avoid negative rates.
The constant position equivalent to that prevailing at the end of the year has also been assumed.

To calculate the sensitivity of equity to variability in interest rates, a 100 basis point increase in interest rates in all currencies and terms in which there are financial positions at December 31, 2025 was assumed, as well as a 100 basis point decrease in all currencies and terms.

Cash flow hedge positions were also considered as they are the only positions where changes in market value due to interest-rate fluctuations are recognized in equity.

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

Share price risk

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

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

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

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

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

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

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

In addition, part of the treasury shares of Telefónica, S.A. held at December 31, 2025 might be used to hedge the shares deliverable under the new plans. The fair value of the treasury shares at liquidation moment could increase or decrease depending on the variations in Telefónica, S.A.'s share quotation.

Liquidity risk

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

1. Telefónica's average maturity of net financial debt is intended to stay above 6 years, or be restored above that threshold in a reasonable period of time if it eventually falls below it. This principle is considered as a guideline when managing debt and access to credit markets, but not a rigid requirement. When calculating the average maturity for the net financial debt and part of the undrawn credit lines can be considered as offsetting the shorter debt maturities, and extension options on some financing facilities may be considered as exercised, for calculation purposes.

2. Telefónica must be able to pay all commitments over the next 12 months without accessing new borrowing or tapping the capital markets by drawing upon firm credit lines arranged with banks (see note 14.6), assuming budget projections are met.

At year-end, Telefónica reported negative working capital of 5,103 million euros. This position does not pose a liquidity risk to the Company for several reasons: its main short-term liability is with Telfisa Global, B.V. (a wholly-owned subsidiary), amounting to 4,985 million euros (see note 15.1); it has the ability to request the distribution of reserves from its subsidiaries; and it also has undrawn credit lines with banks for 9,377 million euros (see note 14.6) as of December 31, 2025.

Country risk

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

1. Partly matching assets to liabilities (those not guaranteed by the parent company) in the Latin American companies so that any potential asset impairment would be accompanied by a reduction in liabilities; and,

2. Repatriating funds generated in Latin America that are not required for the pursuit of new, profitable business development opportunities in the region.

Credit risk

The Telefónica Group trades in derivatives with creditworthy counterparties. Therefore, Telefónica, S.A.

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

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

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

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

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

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

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

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

Capital management

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

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

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

Derivatives Policy

Telefónica's derivatives policy emphasizes the following points:

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

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

Hedge accounting

Hedges can be of three types:

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

Hedges can comprise a combination of different derivatives.

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

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

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

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

In 2025 the Company recognized a loss of 3.6 million euros for the ineffective part of cash flow hedges (a loss of 0.6 million euros in 2024).

The fair value of Telefónica, S.A.'s derivatives with third parties amounted to a negative MtM (accounts payable) of 60 million euros in 2025 (961 million euros accounts receivable in 2024).

The fair value of Telefónica, S.A.´s intragroup derivatives amounted to a negative MtM of 4 million euros in 2025 (positive MtM minor than 1 million euros in 2024).

The breakdown of the Company's derivatives with third party counterparties at December 31, 2025 and 2024 by type of hedge, their fair value at year end and the expected maturity schedule of the notional amounts is as follows:

2025

Millions of euros		Notional amount maturities (*)				
Derivatives	**Fair value (**)**	**2026**	**2027**	**2028**	**Subsequent years**	**Total**
Interest rate hedges	**(151)**	**—**	**325**	**(175)**	**(9,728)**	**(9,577)**
Cash flow hedges	(75)	—	—	—	3,127	3,127
Fair value hedges	(76)	—	325	(175)	(12,855)	(12,704)
Exchange rate hedges	**(56)**	**(1,183)**	**714**	**—**	**6,465**	**5,996**
Cash flow hedges	(56)	(1,183)	714	—	6,465	5,996
Interest and exchange rate hedges	**92**	**9**	**472**	**—**	**417**	**898**
Cash flow hedges	92	9	472	—	417	898
Net investment Hedges	**(8)**	**(477)**	**—**	**—**	**—**	**(477)**
Other derivatives	**182**	**53**	**(247)**	**(875)**	**(714)**	**(1,783)**
Interest rate	(3)	(738)	(325)	(875)	(1,339)	(3,277)
Exchange rate	18	193	—	—	625	818
Other	167	597	78	—	—	676

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

2024

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

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

Note 17. Income tax

Pursuant to a Ministerial Order dated December 27, 1989, Telefónica, S.A. has filed consolidated tax returns with certain Group companies. The consolidated tax group in 2025 and 2024 comprised 46 and 47 companies, respectively.

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

Tax balances as of December 31, 2025 and 2024 are as follows:

Millions of euros	2025	2024
Tax receivables:	**1,359**	**1,748**
Deferred tax assets:	**1,312**	**1,725**
Deferred income tax (income)	542	518
Long-term tax credits for loss carryforwards	536	823
Unused tax deductions	234	384
Current tax receivables (Note 10):	**47**	**23**
Withholdings	4	5
Corporate income tax receivable	38	11
VAT and Canary Islands general indirect tax refundable	5	7
Tax payable:	**281**	**696**
Deferred tax liabilities:	**161**	**576**
Current payables to public administrations (Note 18):	**120**	**120**
Personnel income tax withholdings	11	5
Withholding on investment income, VAT and other	107	113
Social security	2	2

Telefónica, S.A., considers that unused tax loss carryforwards in Spain, taking into account tax litigation in which the Group is involved, amount to 2,145 million euros at December 31, 2025.

Dec 31 2025	Total carry-forwards	Less than 1 year	More than 1 year	Total recognized
Tax Group tax credits for loss carryforwards	**2,145**	—	2,145	**2,145**
Prior to Tax Group loss carryforwards (*)	**—**	—	—	—

(*) Off- balance tax credits for loss carryforwards

Total tax credits based on the taxable income recognized in the balance sheet at December 31, 2025 amounts to 536 million euros (823 million euros in 2024).

During 2025, Telefónica, S.A., as head of the Telefónica tax group, made payments on account of income tax for 41 million euros (no payments on account of income tax in 2024).

17.1 Movement in deferred tax assets and liabilities

The balances and movements in deferred tax assets and liabilities for Telefónica, S.A. at December 31, 2025 and 2024 are as follows:

2025

Millions of euros	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Deferred tax liabilities
Opening balance	**823**	**518**	**384**	**1,725**	**576**
Additions	282	276	233	791	604
Disposals	(569)	(251)	(413)	(1,233)	(1,019)
Transfers to the tax Group's net position	—	—	30	30	—
Closing balance	**536**	**542**	**234**	**1,312**	**161**

2024

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

The company assesses the recoverability of deferred tax assets based on the future activities carried out by the different companies that conform the Tax Group, on the Spanish tax regulation and on the strategic decisions affecting the companies. On December 31, 2025 the estimate of the recoverability of deferred tax assets has been assessed taking into account, (i) the estimated Tax Group companies result, (ii) the regulatory changes caused by the entry into force of Law 38/2022 setting a limit to the compensation of loss within subsidiaries within Consolidated Tax Groups, (iii) the impacts of RD 3/2016 (see Sentence of the Constitutional Court over the Royal Decree 3/2016 at the end of this note) and (iv) the impact of Law 7/2024.

The aforementioned Law 7/2024 of December 20, also restores the obligation of reversal for impairment losses on investments that had been tax deductible prior to 2013 and that were pending of reversal as of January 1, 2024 (see section Constitutional Court Ruling on Royal Decree Law 3/2016 in this note). The reversal must be carried out, at a minimum, in equal parts for each of the first three fiscal years beginning after January 1, 2024, which has entailed the reversal of a deferred tax liability of 488 million euros for the outstanding balance at the beginning of fiscal year 2025 (activation of 515 million euros in 2024).

In addition, in its analysis of the recoverability of deferred tax assets at the end of 2024, the Company has taken into account the amount of impairment losses deducted before 2013 that are pending of reversal, quantifying the effects on the following years.

Pursuant to this analysis, in 2025 a reversal of deferred tax assets for loss carryforwards amounting to 78 million euros (activation of 174 million euros in 2024) and reversal of deductions of 56 million euros (activation of 147 million euros in 2024) have been recorded with a balancing entry to the deferred income tax caption by a total of 134 million euros.

In addition, deferred tax assets were recorded corresponding to deducible temporary differences amounting to 169 million euros, under the same Law, which also establishes the extension to the years 2024 and 2025 of the 50% limitation on the use of standalone tax loss carryforwards for the year, which must be reversed in equal parts during each of the ten years following its application.

As a result of the closure of the tax audit proceedings for the fiscal years 2018 to 2021, and the execution of the judgment in favor of Telefónica in the Administrative Litigation proceedings before the National Court, dated May 22, regarding Royal Decree 3/2016, tax assets for loss carryforwards amounting to 282 million euros and

deductions amounting to 221 million euros have been activated in relation to the fiscal years 2016 and 2017, along with the corresponding deferred tax liability for impairment losses amounting to 506 million euros, without impact on the income statement. Additionally, tax assets for loss carryforwards and deductions amounting to 199 million euros and 357 million euros, respectively, and 515 million euros of deferred tax liabilities have been reversed against deferred tax expenses.

In the 2024 tax return, tax assets for loss carryforwards amounting to 287 million euros were used, including 62 million euros corresponding to negative tax bases prior to the Telefónica, S.A. Tax Group.

Furthermore, in 2025 there has been an activation in the deferred tax liabilities caption caused by the accounting of the tax effect in the valuation of financial derivative instruments with changes through equity amounting to 87 million euros (a reversal of 29 million euros in 2024).

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

The calculation of the income tax expense and income tax payable for 2025 and 2024 is as follows.

Millions of euros	2025	2024 (*)
Accounting profit (loss) before tax (*)	**(1,439)**	**694**
Permanent differences (*)	(252)	(1,981)
Temporary differences:	100	(34)
Arising in the year	29	39
Arising in prior years	71	(73)
Tax result	**(1,591)**	**(1,321)**
Gross tax payable	(398)	(330)
Corporate income tax refundable	**(398)**	**(330)**
Activation/Reversal of loss carryforwards and/or deductions	681	(335)
Temporary differences for tax valuation	(25)	9
Other effects	(669)	572
Corporate income tax accrued in Spain	**(411)**	**(84)**
Foreign taxes	31	31
Minimum complementary tax	—	2
Income tax	**(380)**	**(51)**
Current income tax	(231)	(155)
Deferred income tax	(149)	102

(*) The chart is showing the restated figures after retrospectively accounting for BOICAC 142, Query 1.

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

The heading Activation/Reversal of loss carryforwards and/or deductions mainly includes the reversal of loss carryforwards by 277 million euros as described at the beginning of this note (activation of loss carryforwards by174 million euros in 2024) and the reversal of deductions by 413 million euros in 2025 (147 million euros of deduction reversals in 2024).

The "Other impacts" caption mainly includes the effects of the reversal by the deferred tax liability of 515 million euros registered in 2024, and the activation of 108 of impairment losses deducted before 2013 and the inclusion of the years 2016 to 2021. Additionally, the provision for goodwill of Vivo and O2 UK amounting to 203 million euros.

The caption "minimum complementary tax" arises from Law 7/2024, which implements the European regulation Pillar Two in Spain, establishing, with a retroactive effect for fiscal years starting on January 1, 2024, a complementary tax ensuring that large multinational groups are taxed at a minimum effective rate of 15% wherever they operate. The impact of this tax, which is no relevant in both 2025 and 2024, is shown in the chart above.

17.3 Tax inspections and tax-related lawsuits

Once the tax inspections relating to corporate income tax for the years 2014 to 2017 were completed in 2022 and the settlement agreement had been notified, the Group filed claims for the adjustments with which it did not agree. These were mainly related to 'interest on own capital' from Brazil and its tax treatment in Spain. On 22 May 2025, the Administrative Chamber of the National Court ruled in favor of the Company. This ruling has been partially enforced in relation to RD 3/2016 and other minor issues. However, with regard to interest on own capital, the State Attorney's Office has appealed against the ruling and it is currently pending admission to cassation in the Supreme Court.

In July 2023, new inspection proceedings were initiated against several companies belonging to Tax Group 24/90, of which Telefónica, S.A. is the parent company. The review covered corporate income tax for the years 2018 to 2021 and value added tax for the period from May to December 2019, as well as for the years 2020 and 2021.

In October 2025, following a file completion procedure, minutes were signed with agreement and in compliance, mainly for adjustments in transfer pricing related to the Group's financial activity, and in disagreement in relation to the consideration of income exempt from interest on equity, for transfer pricing adjustments related to the Group's purchasing activity and for the tax amortization of the goodwill of VIVO and O2 UK (see section Tax deductibility of financial goodwill in Spain of this note), resulting in an impact on profit of 108 million euros without associated cash outflow, as the Group had sufficient tax credits to offset the amount of the adjustments.

The inspection procedure concluded in December 2025 with the notification of the settlement agreements. The Company has challenged these agreements through economic-administrative channels, and they are still awaiting resolution at the approval date of these financial statements.

Constitutional Court Ruling on Royal Decree Law 3/2016

On 18 January 2024, the Constitutional Court (TC) unanimously ruled that certain measures introduced by Royal Decree-Law 3/2016 of December 2, on Corporate Income Tax, were unconstitutional. These measures included the introduction of stricter limits for offsetting negative tax bases, a new limit on applying double taxation deductions and an obligation to automatically include any shareholding impairments that had been deducted in previous years in the tax base. Following previous rulings by the Constitutional Court, this ruling states that the effects of the declaration of unconstitutionality are limited due to the requirements of the principle of legal certainty.

Telefónica submitted written requests for rectification for the 2016 financial year onwards. These were for the consolidated self-assessments of corporate income tax (form 220) for tax group 24/90, as well as for the individual self-assessments of corporate income tax (form 200) for the group companies affected by the measures. Therefore, it would not be affected by the limitation of the effects of the declaration of unconstitutionality.

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

For tax periods beginning on or after January 1, 2024 and not yet ended by the time Law 7/2024 comes into force, the mandatory reversal regime for tax-deductible impairment losses on securities representing capital or equity prior to 2013 has been reinstated.

Consequently, the total amount of impairment losses that were tax deductible prior to 2013 and were still awaiting reversal on January 1, 2024 must be included in the tax base.

The reversal must be carried out in equal parts in each of the first three fiscal years beginning on or after January 1, 2024. It will be permitted to offset positive income derived from this mandatory reversal against tax losses generated in fiscal years prior to 2021 without applying the 25% and 50% limits mentioned above, although the general limit of 70% will apply.

Therefore, the corporate income tax returns of the Tax Group in Spain for the years 2016 to 2021, which were affected by the aforementioned ruling due to the status

of the contentious-administrative appeal relating to the 2016–2017 corporate income tax before the National Court, and the completion of the inspection procedure for the years 2018 to 2021 (due to be completed in 2025), would likely be modified in the corresponding enforcement agreements closing the inspection procedure in 2025.

Consequently, with the support of its external advisors and in accordance with the applicable financial reporting framework, the Company recorded the effects of the unconstitutionality of RD 3/2016 and Law 7/2024 at the end of 2024. The main effects were the reversal of tax-deductible portfolio impairments in tax periods beginning before January 1, 2013 and their inclusion in the tax base in accordance with the provisions of Article 12. The Company took these effects into account in its analysis of the recoverability of deferred tax assets, as well as in its analysis of the impact of the new Law 7/2024 on the tax base.

Finally, on May 22, 2025, the Tax Agency partially enforced the ruling in favor of Telefónica in the administrative appeal before the National Court, with regard to RD 3/2016. This had no significant impact on the income statement compared to that recorded in the 2024 fiscal year.

As a result of this partial execution, a refund of 39.5 million euros has been received.

Tax deductibility of financial goodwill in Spain

The corporate income tax regulations in Spain introduced Article 12.5, which came into force on January 1, 2002. This article regulated the tax deductibility of the amortization of financial goodwill generated in the acquisition of non-resident companies, which could be amortized for tax purposes over 20 years at a rate of 5% per annum.

Following the introduction of Laws 9/2011 of August 19, 2011 and 16/2013 of October 29, 2013, the amount of tax-deductible goodwill amortization under Article 12.5 of the Corporate Income Tax Law (LIS) was reduced from 5% to 1% for the 2011–2015 fiscal years. This measure was temporary, however, as the 4% not amortized over five years (20% in total) would be recovered by extending the deduction period from 20 to 25 years.

In accordance with this regulation, for tax purposes, the Telefónica Group has been amortizing the financial goodwill arising from its direct and indirect investments in O2, BellSouth and Colombia Telecomunicaciones (prior to December 21, 2007) and Vivo (acquired in 2010). The cumulative positive impact on the corresponding corporate income tax settlements from 2004 to December 31, 2025 is 2,526 million euros.

In relation to this tax incentive, the European Commission opened three cases against the Spanish state, on the basis that this tax benefit could constitute state aid. While the Commission recognised the validity of the incentive for investors in European companies prior to December 21, 2007 and May 21, 2011 in the first and second decisions respectively, the applicability of the principle of legitimate expectations in the use of the incentive for indirect acquisitions was called into question in the third case, which was closed on October 15, 2014, regardless of the acquisition date.

Similarly, the Spanish courts have doubts about classifying the incentive as a deduction and maintaining it in the event of a subsequent transfer.

On October 6, 2021, the Court of Justice of the European Union ruled that the European Commission had correctly classified the Spanish tax regime for the amortization of goodwill as state aid incompatible with the internal market in relation to the first and second decisions.

Regarding the recognition of legitimate expectations under the first and second decisions, the court confirmed their applicability.

The proceedings initiated on the third decision were suspended until the first and second Decisions had been resolved. They resumed on October 19, 2021, and the Court of Justice finally ruled on June 26, 2025. The court ultimately annulled the Commission's third decision (EU) 2015/314, which took effect on the date of publication.

In the opinion of the Company and its advisers, the enforcement of this ruling could give Telefónica access to 334 million euros in tax credits for negative tax bases and deductions, among others.

In compliance with the obligation established in European Commission Decision (EU) 2015/314, the Tax Agency recovered the aid for the amortization of goodwill for the indirect acquisition of shares in non-resident companies for the years 2005 to 2015, 2016 to 2018 and 2019 to 2020 in March 2019, February 2021 and July 2023, respectively. The outcome of the settlement did not result in any cash outflow for the Group, as the Group's pending tax credits (tax loss carryforwards and deductions) were offset, and the latest judgments were enforced (partial enforcement of the National Court's judgment of May 22, 2025), resulting in the refund of the overpaid amounts. All settlements have been appealed by the Company in the Spanish courts and are pending judgment in the National Court.

In 2025, as a consequence of the closure of the tax audit procedure for the years 2018 to 2021, while the Company acknowledges the principle of legitimate

expectations, the closure of the inspection procedure for the years 2018 to 2021 raises questions about this principle in relation to the amortization of goodwill for tax purposes following the purchase of VIVO, as well as the amortization of part of O2 UK's goodwill following the 2021 transaction with VMED O2. Pending a court resolution, the Group has made a provision of 362 million euros for these items as of December 31, 2025 (480 million euros as of December 31, 2024).

Minimum complementary tax (Pillar Two)

On 21 December 2024, Law 7/2024 of 20 December was published in the Official State Gazette. This law establishes a complementary tax to ensure a minimum overall level of taxation for multinational and large domestic groups. It also introduces a tax on the interest margin and commissions of certain financial institutions and a tax on liquids for electronic cigarettes and other tobacco-related products. Additionally, it amends other tax regulations (hereinafter referred to as 'Law 7/2024').

Law 7/2024 implements Pillar Two in Spain. With effect for fiscal years beginning on or after 1 January 2024, it establishes a Complementary Tax to ensure that large multinational groups are taxed at a minimum effective rate of 15% wherever they operate. Other jurisdictions in which the Pillar Two rules are already in force include the United Kingdom, Brazil and most European Union member states.

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

In this regard, Telefónica, S.A., as the ultimate parent company, and its subsidiaries in jurisdictions where a qualified domestic tax has been approved, have analysed the potential impact of this tax in the 2025 fiscal year. This analysis considers the application of the transitional safe harbours provided for in the fourth transitional provision of Law 7/2024, as well as the full calculation in accordance with Spanish regulations and similar regulations applicable in countries where the group operates and which have approved the minimum domestic tax.

The purpose of these transitional safe harbours is to facilitate adaptation to the Pillar Two regulations by establishing that the complementary tax will be zero when any of the three regulated tests are met.

In accordance with the application of Pillar Two legislation, the supplementary tax expense in the 2025 individual accounts in relation to jurisdictions that do not comply with any of the safe harbor tests has no significant impact.

However, the exception applies to the recognition and disclosure of information on deferred tax assets and liabilities arising from the implementation of Law 7/2024, in accordance with the provisions of the Eighth Transitional Provision of Royal Decree 1514/2007 of November 16, which approves the General Accounting Plan and was introduced by Law 7/2024.

Note 18. Trade, other payables and provisions

A) Trade and other payables

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

Millions of euros	2025	2024
Suppliers	93	121
Accounts payable to personnel	49	39
Other payables	7	7
Other payables to public administrations (Note 17)	120	120
Total	**269**	**287**

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

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

	2025	2024
	Number of days	Number of days
Weighted average maturity period	**23**	**22**
Ratio of payments	22	23
Ratio of outstanding invoices	32	11
	Millions of euros	Millions of euros
Total Payments	292	274
Outstanding invoices	28	27

Telefónica, S.A. has adapted its internal processes and payment schedules to the provisions of Law 15/2010 (amended by Law 31/2014) and Royal Decree 4/2013, amending Law 3/2004, establishing measures against late payment in commercial transactions. Engagement conditions with commercial suppliers, as contractually agreed with them, in 2025 included payment periods of 60 or shorter than 60 days.

For reasons of efficiency and in line with general practice in the business, the Company has set payment schedules, whereby payments are made on set days. Invoices falling due between two payment days are settled on the following payment date in the schedule.

Payments to Spanish suppliers in 2025 surpassing the legal limit were due to circumstances or incidents beyond the payment policies, mainly the delay in the billing process (a legal obligation for the supplier), the closing of agreements with suppliers over the delivery of goods or the rendering of services, or occasional processing issues.

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

	2024	2024
Monetary volume of invoices paid in a period less than the maximum established in the regulations (millions of euros)	**261**	**242**
Percentage over total payments	**89 %**	**89 %**
Number of invoices paid in a period less than the maximum established in the regulations	6,346	4,818
Percentage over the total number of invoices paid	**67 %**	**63 %**

B) Provisions

In 2025 and 2024 the concepts and amounts under the provisions caption are the following:

2025

Millions of euros	Non-current	Current	Total
Tax Provisions	363	—	363
Negative net book value of investments (Note 8)	203	—	203
Termination plans (Note 19)	102	94	196
Other provisions	110	—	110
Total	**778**	**94**	**872**

2024

Millions of euros	Non-current	Current	Total
Tax Provisions	481	—	481
Negative net book value of investments (Note 8)	743	—	743
Termination plans (Note 19)	59	31	90
Other provisions	104	—	104
Total	**1,387**	**31**	**1,418**

Movements in the provisions during 2025 and 2024 are disclosed below:

Millions of euros	2025	2024
Opening balance:	**1,418**	**645**
Additions	253	69
Amortization and reversals	(265)	(39)
Transfers (note 8)	(540)	743
Fair value adjustments and others	6	—
Closing balance:	**872**	**1,418**
Non-current	778	609
Current	94	36

In 2025 and 2024 the caption "Additions" included 85 and 62 million euros, respectively, of the provision for taxes under article 12.5 of the Corporate Income Tax Law related to the acquisition of Vivo and O2 UK. Additionally, due to the tax audit procedures for the years 2018 to 2021, the provision for goodwill of these companies amounting to 203 million euros was applied in 2025 (see note 17). No further changes to this provision for taxes were recorded in 2024 and 2025.

During the 2025 fiscal year, the Company has negotiated and signed a workforce adjustment layoff plan (ERE) with the legal representatives of the employees.

The terms of the ERE vary depending on each of the following groups:

i. executive personnel,

ii. personnel eligible for early retirement, and

iii. personnel not eligible for early retirement – severance pay plan.

The information period was established for potentially affected employees, with informative sessions for each group, as well as a voluntary subscribing period. Voluntary subscription is the priority criterion used in selection of the affected employees within the framework of the collective redundancy.

As a general condition, employees must be actively employed by the Company as of January 1, 2026.

The implementation of these procedures will be carried out in accordance with current labor regulations and with continuous reporting to the competent labor authority, as required by the applicable regulations.

Based on estimated subscription figures in the aforementioned collective dismissal procedure layoff, Telefónica, S.A. has recorded an expenditure of 127 million euros as of December 31, 2025. Additionally, during 2025, the dismissal of some employees has been accrued with an impact of 33 million euros and there has been an additional expense by 42 million euros for non-accrued leavers (see note 19).

In 2024, a provision for employee termination was recorded in the amount of 7 million euros corresponding to one-off departures that were duly communicated to the affected employees (see note 19).

Moreover, in 2025 and 2024 amortization of 54 and 34 million euros, respectively, related to the different programs launched in the previous years have been registered.

Note 19. Revenue and expenses

19.1 Revenue

a) Rendering of services

Telefónica, S.A. has contracts for the right to use the Telefónica brand with Group companies which use the license. The amount each subsidiary must recognize as a cost for use of the license is stipulated in the contract as a percentage of income obtained by the licensor. In 2025 and 2024, "Rendering of services to Group companies and associates" included 323 and 398 million euros, respectively, for this item. Following the sale of some of the Latin American operations during 2025, the Company has signed contracts with the buyers to temporarily allow the use of the Group's brands, which have resulted in an additional 30 million euros registered under the heading "Rendering of services to non-group companies".

Telefónica, S.A. has signed contracts to provide management support services to several subsidiaries. Revenues received for this concept in 2025 and 2024 amount to 25 and 37 million euros, respectively, and are recognized under "Rendering of services to Group companies and associates".

Revenues in 2025 and 2024 also include property rental income amounting to 34 million euros in both years, mainly generated from the lease of office space in Distrito Telefónica to several Telefónica Group companies (see note 7).

b) Dividends from Group companies and associates

The detail of the main amounts recognized in 2025 and 2024 is as follows:

Millions of euros	2025	2024
O2 Europe, Ltd.	—	2,200
Telefónica Latinoamérica Holdings, S.L.	—	1,000
Telefónica de España, S.A.U.	—	815
Telefónica Móviles España, S.A.U.	—	522
Telefónica O2 Holdings Limited	—	512
Telfisa Global, B.V.	—	435
Telefônica Brasil, S.A.	211	202
Telefónica Finanzas, S.A.U.	136	115
Telefónica Local Services, Gmbh	—	62
Telefónica Luxembourg Holding, S.à.r.L.	19	—
Telefónica Factoring España, S.A.	5	5
Other companies	14	11
Total	**385**	**5,879**

c) Interest income on loans to Group companies and associates

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

Millions of euros	2025	2024
Telefónica Cybersecurity & Cloud Tech, S.L.	6	6
Telfisa Global, B.V.	9	10
Telefónica Móviles Chile, S.A.	11	—
Telxius Telecom, S.A.	9	13
Telefónica Europe, B.V.	1	1
Total	**36**	**30**

As described in note 15.1, Telfisa Global, B.V. is in charge of the cash pooling services of the Group. In 2021, and based on the recommendations by the OECD Transfer Pricing Guidance on Financial Transactions, the Company signed an agreement to partially share the financial profit or loss raised by its subsidiary within its operations. In 2025 and 2024 the impact has been a revenue shown in the chart above.

19.2 Non-core and other current operating revenues

Non-core and other current operating revenues – Group companies relates to revenues on centralized services

that Telefónica, S.A., as head of the Group, provides to its subsidiaries. Telefónica, S.A. bears the full cost of these services and then charges each individual subsidiary for the applicable portion.

In July 2025, the Company signed an agreement with Millicom International Cellular to settle the claim for breach of contract related to the sale of the Group's subsidiary in Costa Rica (see note 9.4 and 20.b) for 82 million US dollars. The present value of this amount as of the date of the agreement was recorded under the heading "Non-core and other current operating revenues" in the amount of 65 million euros.

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

19.3 Personnel expenses and employee benefits

The breakdown of Personnel expenses is as follows:

Millions of euros	2025	2024
Wages, salaries and other personnel expenses	363	161
Pension plans	(6)	9
Social security costs	30	26
Total	**387**	**196**

In 2025 and 2024, Wages, salaries and other personnel expenses includes lay-off expenses amounting to 202 million euros (7 million euros in 2024) as described in note 18.

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

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

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

At December 31, 2025, 2,427 participants have signed up for the plan (2,428 participants in 2024). This figure includes both active employees, employees under termination plans and former employees who voluntarily decided to maintain the plan, as provided for in Royal Decree 304/2004 approving the regulations for Pension Plans and Funds. The cost for the Company amounted to 3.7 and 3.5 million euros in 2025 and 2024, respectively.

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

Telefónica, S.A. has recorded costs related to the contributions to this executive plan of 7 million euros in both 2025 and 2024. In 2025 and 2024 some executives under this Pension Plan for Senior Executives left the Company, and accordingly their accumulated contributions were retrieved by Telefónica, S.A. and registered as a decrease in the expense totaling 17 and 3 million euros, respectively.

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

The main share-based payment plans in place in the 2025 and 2024 period are as follows:

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

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

The number of shares to be delivered depended (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 10% on CO_2 Emission Neutralization, in line with the goal set by the Company.

The plan had a duration of five years and was divided into three cycles of three years each. Performance assesment was carried out on the basis of the evolution of the share price, as well as the audited results of the Company, prior to their validation by the Nominating, Compensation and Corporate Governance Committee.

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

First cycle	No. of shares assigned	Outstanding shares at 12/31/2023	Unit fair value (euros)
TSR Objective	9,712,749	8,864,262	2.64
FCF Objective	7,770,200	7,091,409	3.15
CO_2 E.N. Objective	1,942,550	1,772,852	3.15

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

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

Second cycle	No. of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	7,534,825	6,925,755	2.43
FCF Objective	6,027,860	5,540,604	2.95
CO_2 E.N. Objective	1,506,965	1,385,150	2.95

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

The third cycle commenced on January 1, 2023 and it ended on December 31, 2025. The maximum number of shares assigned to this cycle of the plan was 16.618.564 and the outstanding shares at December 31, 2025 were 9,239,165, with the following breakdown:

Third cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	8,309,282	4,619,582	1.77
FCF Objective	6,647,426	3,695,666	2.81
N.E. CO_2 Objective	1,661,856	923,917	2.81

The maximum number of shares assigned to Telefónica, S.A.'s employees amounts to 7,874,832 (outstanding shares as of December 31, 2024 amounting to 3,144,772). Once considered the target fulfillment levels, a weighted achievement ratio of 50% was fulfilled.

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

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

The number of shares to be delivered for the two cycles launched in 2024 and 2025 depends (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 5% on CO_2 Emission Neutralization, in line with the goal set by the Company and (iv) 5% on the number of women in executive positions, aligned with the target set by the Company.

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

The first cycle commenced on January 1, 2024 and will end on December 31, 2026. The maximum number of shares assigned to this cycle of the plan was 15,353,759 and the outstanding shares at December 31, 2024 were 9.327.976, with the following breakdown:

First cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	7,676,879	4,663,988	2.85
FCF Objective	6,141,504	3,731,192	3.42
N.E. CO_2 Objective	767,688	466,398	3.42
Women executives	767,688	466,398	3.42

The maximum number of shares assigned to Telefónica, S.A.'s employees amounts to 7,105,106 (outstanding shares as of December 31, 2024 amounting to 3.015.787).

The second cycle of the plan began on January 1, 2025 and will end on December 31, 2027. The maximum number of shares granted in this cycle was 12,929,951, of which 11,440,097 remained outstanding as of December 31, 2025, with the following breakdown:

Second cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	6,464,975	5,720,048	2.09
FCF Objective	5,171,980	4,576,039	3.13
N.E. CO_2 Objective	646,498	572,005	3.13
Women executives	646,498	572,005	3.13

From this total number of shares, the maximum number allocated to employees of Telefónica, S.A. amounts to 5,975,394, with 4,930,741 shares remaining outstanding.

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

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

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

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

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

First cycle	No. of shares assigned	Outstanding shares at 12/31/2023	Unit fair value (euros)
TSR Objective	875,750	778,500	2.64
FCF Objective	700,600	622,800	3.15
CO_2 E.N. Objective	175,150	155,700	3.15

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

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

Second cycle	No. of shares assigned	Outstanding shares at 12/31/2024	Unit fair value (euros)
TSR Objective	823,250	729,000	2.43
FCF Objective	658,600	583,200	2.95
CO_2 E.N. Objective	164,650	145,800	2.95

From this total, the shares assigned to Telefónica, S.A.'s employees were 219,000. The outstanding shares as of December 31, 2024 were 214,000. Once considered the target fulfillment levels, a weighted achievement ratio of 100% has been reached.

The third cycle commenced on January 1, 2023 and it ended on December 31, 2025. The maximum number of shares assigned to this cycle of the plan was 1,771,500 and the outstanding shares at December 31, 2025 was 1,421,500, with the following breakdown:

Third cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	885,750	710,750	1.77
FCF Objective	708,600	568,600	2.81
N.E. CO_2 Objective	177,150	142,150	2.81

From this total, the shares assigned to Telefónica, S.A.'s employees are 239,000. The outstanding shares as of December 31, 2025 are 244,000. Once considered the target fulfillment levels, a weighted achievement ratio of 50%. has been reached.

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

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

As in the case of the Performance Share Plan 2024-2028 described above, the number of shares to be delivered for the two cycles launched in 2024 and 2025 will depend (i) 50% on achievement of the total shareholder return ("TSR") objective for shares of Telefónica, S.A. with regard to the TSRs of a comparison group made up of companies of the telecommunication sector, weighted by its relevance for Telefónica, (ii) 40% on the generation of Free Cash Flow of Telefónica Group ("FCF"), and (iii) 5% on CO_2 Emission Neutralization, in line with the goal set by the Company and (iv) 5% on the number of women in executive positions aligned with the target set by the Company.

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

The first cycle commenced on January 1, 2024 and will end on December 31, 2026. The maximum number of shares assigned to this cycle of the plan was 1,530,500 and the outstanding shares at December 31, 2025 were 1,319,500 with the following breakdown:

First cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	765,250	659,750	2.85
FCF Objective	612,200	527,800	3.42
N.E. CO_2 Objective	76,525	65,975	3.42
Women executives	76,525	65,975	3.42

From this total, the shares assigned to Telefónica, S.A.'s employees are 206,000. The outstanding shares as of December 31, 2023 are 203,000.

The second cycle of the plan began on January 1, 2025 and will end on December 31, 2027. The maximum number of shares granted in this cycle was 1,252,000, of which 1,176,500 remained outstanding as of December 31, 2025, with the following breakdown:

Second cycle	Nº of shares assigned	Outstanding shares at 12/31/2025	Unit fair value (euros)
TSR Objective	626,000	588,250	2.09
FCF Objective	500,800	470,600	3.13
N.E. CO_2 Objective	62,600	58,825	3.13
Women executives	62,600	58,825	3.13

From this total number of shares, the maximum number allocated to employees of Telefónica, S.A. amounts to 194,500, with 190.500 shares remaining outstanding.

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

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

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

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

19.4 Average number of employees in 2025 and 2024 and number of employees at year-end

2025

	Employees at 12/31/25			Average no. of employees in 2025		
Professional category	**Females**	**Males**	**Total**	**Females**	**Males**	**Total**
Head of departments	51	87	138	50	90	140
Managers	148	168	316	146	163	309
Mid range managers	152	177	329	134	158	292
Other professionals	248	140	388	270	160	430
Total	**599**	**572**	**1,171**	**600**	**571**	**1,171**

2024

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

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

Professional category	Average number of employees
Managers	1
Mid range managers	2
Other professionals	5
Total	**8**

19.5 External services

The items composing External services are as follows:

Millions of euros	2025	2024
Rent	3	4
Independent professional services	136	95
Donations (Note 18)	25	41
Marketing and advertising	121	140
Utilities	10	9
Other expenses	45	38
Total	**340**	**327**

In 2025 and 2024 the caption donations includes funds contributed and paid to Fundación Telefónica amounting to 24 and 39 million euros.

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

Future minimum rentals payable under non-cancellable operating leases without penalization at December 31, 2025 and 2024 are as follows:

Millions of euros	Total	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Future compromised payments 2025	11	3	8	–	–
Future compromised payments 2024	12	3	5	4	–

19.6 Finance revenue

The items composing Finance revenue are as follows:

Millions of euros	2025	2024
Dividends from other companies	32	39
Other third parties financial revenues and gains on derivative instruments	343	501
Total	**375**	**540**

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

Other third parties financial revenues and gains on derivative instruments includes the effect of the financial hedges arranged to unwind positions for 2025 and 2024, which have the same amount under Finance costs payable to third parties and losses on interest rates of financial hedges and therefore do not have a net impact in the income statement.

19.7 Finance costs

The breakdown of "Finance costs" is as follows:

Millions of euros	2025	2024
Interest on borrowings from Group companies and associates	1,472	1,573
Finance costs payable to third parties and losses on interest rates of financial hedges	111	319
Total	**1,583**	**1,892**

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

Millions of euros	2025	2024
Telefónica Europe, B.V.	523	542
Telefónica Emisiones, S.A.U.	878	865
Other companies	71	166
Total	**1,472**	**1,573**

Other companies includes financial costs with Telfisa Global, B.V. related to current payables for specific cash needs. The amount included as Finance costs payable to third parties and losses on interest rate of financial hedges refers to fair value effects in the measurement of derivative instruments described in note 16, together with the effect of the debt interest rates' trend during the year.

19.8 Exchange differences

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

Millions of euros	2025	2024
On current operations	25	34
On loans and borrowings	33	21
On derivatives	507	461
On other items	21	12
Total	**586**	**528**

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

Millions of euros	2025	2024
On current operations	44	45
On loans and borrowings	51	15
On derivatives	424	406
On other items	44	41
Total	**564**	**506**

The variation in exchange gains and losses is due to the fluctuations in the main currencies the Company works with. In 2025 euro exchange rate has appreciated against US dollar 11,59% and pound sterling 5.01%. Euro has slightly appreciated against Brazilian real in 2025 (0.51%).

In 2024 euro exchange rate depreciated against US dollar 6.32% and pound sterling 4,78%. However, euro exchange rate appreciated against Brazilian real (16.88%)

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

Note 20. Other information

a) Financial guarantees

At December 31, 2025, Telefónica, S.A. had provided financial guarantees for its subsidiaries and affiliates to secure their transactions with third parties amounting to 35,544 million euros (36,853 million euros at December 31, 2024). These guarantees are measured as indicated in note 4.g).

Millions of euros

Nominal Amount	2025	2024
Debentures and bonds and equity instruments	34,275	35,596
Loans and other payables	81	92
Other marketable debt securities	1,188	1,165
Total	**35,544**	**36,853**

The debentures, bonds and equity instruments in circulation at December 31, 2025 issued by Telefónica Emisiones, S.A.U., and Telefónica Europe, B.V. were guaranteed by Telefónica, S.A. The nominal amount guaranteed was equivalent to 34,275 million euros at December 31, 2025 (35,596 million euros at December 31, 2024). During 2025 Telefónica Emisiones, S.A.U. issued 1,880 million euros of instruments on capital markets (1,750 million euros in 2024) and 2,019 million euros matured during 2025 (1,000 million euros during 2024).

Other marketable debt securities includes the guarantee of Telefónica, S.A. relating to the commercial paper issue program of Telefónica Europe, B.V. The outstanding balance of commercial paper in circulation issued through this program at December 31, 2025 was 1,188 million euros and 1,165 million euros in 2024

Telefónica, S.A. provides operating guarantees granted by external counterparties, which are offered during its normal commercial activity. At December 31, 2025 these guarantees amounted to approximately 29 million euros (29 million euros in 2024).

b) Litigation and arbitration

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

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

It is worth highlighting the following aspects relating to the unresolved legal proceedings or those underway during 2025 (see note 17 for details of tax-related cases):

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

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

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

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

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

Venten and Lexburg filed with the Supreme Court a motion to partially abolish the suspension of enforceability of the Decision of the High Court in Prague. On January 17, 2018, Telefónica filed its response seeking dismissal of such motion for lack of legal basis.

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

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

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

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

On May 14, 2025, the judgment was notified, upholding the plaintiffs' claim and ordering Telefónica to pay 2,381 million Czech korunas (approximately 96 million euros based on the exchange rate of such date).

On May 30, 2025, an extraordinary appeal was filed before the Supreme Court against the aforementioned judgment, also requesting its suspension.

On October 21, 2025, the Supreme Court ruled to grant the suspension of the judgment of the High Court of Prague appealed by Telefónica.

As of December 31, 2025, the amount under litigation was 2,438 million Czech korunas (approximately 101 million euros based on the exchange rate of such date).

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

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

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

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

The ICSID tribunal was constituted on February 26, 2019.

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

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

On January 24, 2020, the tribunal dismissed the request for Bifurcation presented by Colombia, ordering the continuation of the proceeding.

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

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

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

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

On November 27, 2024, the Republic of Colombia filed a request with the ICSID to annul and suspend the award. According to ICSID procedures, the request for a stay of enforcement in the annulment proceeding provisionally suspends the enforcement of the award until the new tribunal decides on the request.

On March 14, 2025, the tribunal that will rule on the annulment and suspension applications was constituted.

After the approval of the procedural calendar, on June 5, 2025, the Republic of Colombia submitted the Memorial requesting the suspension of enforcement.

On August 7, 2025, Telefónica, S.A. filed its reply to the Memorial requesting the suspension of enforcement. On the same date, the Republic of Colombia submitted its Memorial on Annulment.

On November 6, 2025, Telefónica, S.A. filed its reply to the Memorial on Annulment of the Republic of Colombia.

On December 10, 2025, the ad hoc Committee held a videoconference hearing on the suspension of the enforcement of the award.

On January 9, 2026, the ad hoc Committee issued a decision on the suspension of the award, the annulment resolution remains pending.

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 22, 2025, the Court of Appeal ruled on the appeals filed by Millicom and Telefónica, completely dismissing Millicom's appeal and partially upholding Telefónica's appeal. In this favorable context for Telefónica, on July 4, 2025, the parties reached an agreement to settle the dispute.

The proceeding was terminated by a settlement signed by the parties.

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

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

Telefónica bases its claims on the Agreement for the Promotion and Reciprocal Protection of Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

After the final hearing held, on March 18, 2025, Telefónica filed a request for urgent injunctive relief together with a request for injunctive relief.

On March 24 and April 30, 2025, the Tribunal issued respective decisions regarding the requested for injunctive relief.

On December 15, 2025, Telefónica submitted its post-hearing brief following the hearing held in February 2025.

On December 16, 2025, the Republic of Peru submitted its post-hearing brief regarding the aforementioned hearing.

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

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

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

P4U went into administration in September 2014.

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

The claim commenced on December 18, 2018 by P4U. The Defendants filed their initial defenses in the course

of April and May 2019, with P4U filing replies on October 18, 2019. The first case management conference took place on March 2, 2020.

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

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

After the appeal hearing held from May 19 to 23, 2025, on July 11, 2025 the Court of Appeal completely dismissed P4U's appeal.

With this ruling, the matter has been brought to a close.

c) Other contingencies

In October 2024, Telefónica Venezolana, C.A., Telefónica, S.A. and the United States Department of Justice ("DOJ") entered into a Deferred Prosecution Agreement ("DPA") in connection with a single charge for violation of the provisions of the FCPA, which resulted in the payment of a monetary penalty of 85 million U.S. dollars (approximately 81 million euros at the date of payment).

The terms of the DPA include, among others, requirements relating to a corporate compliance plan and annual reports regarding such plan throughout the duration of the DPA. Accordingly, in October 2025, Telefónica submitted to the DOJ the annual report corresponding to the first year of work.

The DOJ has agreed that if all the obligations under the DPA are fully complied with, then DOJ will seek dismissal with prejudice of the charge described above after the DPA concludes.

d) Commitments

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

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

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

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

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

Contracts for the provision of IT services with Nabiax

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

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

On May 7, 2021, Asterion Industrial Partners SGEIC, S.A. ("Asterion") and Telefónica Infra (T. Infra), the infrastructure unit of the Telefónica Group, reached an agreement for the contribution to Nabiax of four additional data centers owned by the Telefónica Group (two of them located in Spain and two in Chile). In exchange for the contribution of these four data centers, T. Infra received a 20% equity stake in Nabiax. Once the relevant authorizations and other conditions precedent to the contribution of the two data centers

located in Spain were obtained, the partial closing of the transaction took place as of July 21, 2021, whereby Telefónica Group contributed those data centers to Nabiax, with T. Infra receiving in exchange a 13.94% stake in Nabiax at this stage. The agreement was complemented by the signing of a contract for the provision to Telefónica of housing services from those two data centers under terms and conditions equivalent to those established in the transaction executed in 2019, for an initial period of ten years.

Once the conditions related to the contribution of the two data centers located in Chile were fulfilled, on May 24, 2022, the complete closing of the transaction took place, and T. Infra reached a 20% stake in Nabiax. The agreement was complemented by the signing of a contract for the provision to Telefónica of housing services from those two data centers under terms and conditions equivalent to those established in the transaction executed in 2019, for an initial period ending in 2031.

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

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

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

In June 2024, Asterion began a process to sell its 80% stake in Nabiax. In accordance with the rights held by Asterion under the Nabiax Shareholders Agreement, Asterion negotiated the conditions of the sale and also exercised its drag-along right over the 20% stake in Nabiax owned by T. Infra. On November 7, 2024, a purchase and sale agreement for 100% of the share capital of Nabiax was signed with the investment fund Aermont Capital. Once the required regulatory approval was obtained, Telefónica Infra transferred its 20% stake in Nabiax on March 27, 2025.

Nabiax continues to provide housing services to the Telefónica Group under the terms of the contracts signed in 2019.

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

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

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

The corporate governance of VMED O2 UK Limited is regulated by a shareholders' agreement, which was entered into by the parties to the Contribution Agreement on June 1, 2021 and was amended on November 15, 2023 and August 1, 2025 (as amended from time to time, (the "Shareholders' Agreement")).

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

Pursuant to the terms of the above referred services agreements, the transitional services that are to be provided by the Telefónica Group to VMED O2 UK Limited would be provided for terms initially ranging from 7 to 24 months (subsequently extended in some cases to terms up to 40 months) while the ongoing services that are to be provided by the Telefónica Group to VMED O2 UK Limited would be provided for periods of two to six years, depending on the service. The services provided by the Telefónica Group to VMED O2 UK Limited, under the agreements as amended, consist

primarily of technology and telecommunication services that will be used by or will otherwise benefit VMED O2 UK Limited. In addition to providing VMED O2 UK Limited with such services, the mobile operators of the Telefónica Group and VMED O2 UK Limited will maintain their roaming commercial relationships in order to reciprocally provide roaming services for their respective customers.

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

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

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

In accordance with the foregoing, the shareholders, acting at the Ordinary General Shareholders' Meeting held on April 11, 2003, set at 6 million euros the maximum amount of annual gross compensation to be received by the Board of Directors as a fixed allotment and as attendance fees for attending the meetings of the Advisory or Control Committees of the Board of Directors. Thus, as regards fiscal year 2025, the total amount of compensation accrued by the Directors of Telefónica, in their capacity as such, was 2,699,067 euros for the fixed allocation and for attendance fees.

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

The amounts established in fiscal year 2025 as fixed amounts for belonging to the Board of Directors, the Executive Commission and the Advisory or Control Committees of Telefónica, and the attendance fees for attending meetings of the Advisory or Control Committees of the Board of Directors, are indicated below:

Compensation of the Board of Directors and of the Committees thereof

Amounts in euros

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

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

In addition, and given the importance of the function performed by the Lead Independent Director, at the proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors agreed to assign an additional remuneration of 80,000 euros for the exercise of this position.

The Executive Directors do not receive the remuneration that may correspond to them for their status as members of the Board of Directors (remuneration in their capacity as such) or for their membership in the Executive Commission, or for their membership in the administrative bodies or collegiate bodies of subsidiaries and investees of Telefónica.

The fixed remuneration established for the Executive Chairman, Mr. Marc Thomas Murtra Millar, for his executive roles is 1,923,100, amount that remains unchanged since 2016 for the Executive Chairman role.

On the other hand, the fixed remuneration established for the Chief Operating Officer (C.O.O.) Mr. Emilio Gayo Rodríguez, is 1,450,000 euros, amount that is 9.375% lower compared to the former Chief Operating Officer.

Individualized description

Appendix II provides an individual breakdown by item of the compensation and benefits that the members of the Board of Directors of the Company have accrued and/or received from Telefónica, S.A., and from other companies of the Telefónica Group during fiscal year 2025. Likewise, the compensation and benefits accrued

and/or received, during such year, by the members of the Company's Senior Management are broken down.

f) Related-party transactions

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

General Information

In 2025, the Company's shareholders that have been represented on the Board of Directors of Telefónica, S.A. have been Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), Criteria Caixa, S.A.U., Sociedad Estatal de Participaciones Industriales and Green Bridge Investment Company SCS / STC Group (with representation on the Board since February 26, 2025).

According to information provided by BBVA for the 2025 Annual Corporate Governance Report of Telefónica, S.A. as of December 31, BBVA's stake in the share capital of Telefónica, S.A. was 5.01%. Likewise, and in accordance with the aforementioned information provided by BBVA, the percentage of economic rights attributed to the shares of Telefónica, S.A. that were owned by BBVA as of December 31, 2025, would increase by 0.009% without voting rights of the Company's share capital.

According to the information provided by Sociedad Estatal de Participaciones Industriales (SEPI) for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the participation of the SEPI in the share capital of Telefónica, S.A. was 10%.

According to information provided by Criteria Caixa, S.A.U. for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the participation of Criteria Caixa, S.A.U. (CriteriaCaixa) in the share capital of Telefónica, S.A., was 9.99%. Likewise, and without this implying an incremental or additional participation, Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, as the sole shareholder of Criteria Caixa, S.A.U., holds the same participation indirectly.

According to information provided by Public Investment Fund for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the participation of the Green Bridge Investment Company SCS (a company controlled by Saudi Telecom Company and this in turn controlled by Public Investment Fund) in the share capital of Telefónica, S.A. was 9.97%.

Below is a summary of the relevant transactions of the Telefónica Group with the companies of BBVA, CriteriaCaixa, SEPI and Green Bridge Investment Company SCS / STC Group, other than the payment of the dividend corresponding to its participation.

Participated companies

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

Derivatives held with BBVA

In addition, the nominal outstanding value of derivatives held with BBVA in 2025 amounted to 5,093 million euros (6,911 million euros held with BBVA in 2024). The fair value of these derivatives in the balance sheet is 78 million euros in 2025 (123 million euros in 2024) being a net asset in both years. As explained in Derivatives policy in note 16, this figure is inflated by the use in some cases of several levels of derivatives applied to the nominal value of a single underlying.

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

Moreover, as of December 31, 2025 collateral guarantees on derivatives from BBVA have been received, amounting to 40 million euros, net asset position (24 million euros, net liability position, in 2024).

Others operations carried out with BBVA

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

The impact on the balance sheet and income statement of Telefónica, S.A. of the rest of the operations with BBVA in 2025 and 2024 are as follows:

BBVA	2025	2024
Financial expenses	3	3
Total expenses	**3**	**3**
Financial revenues	12	18
Dividends received (1)	32	30
Total revenues	**44**	**48**
Finance arrangements: loans and capital contributions (lender)	142	35
Other accounts receivable	101	353
Finance arrangements: loans and capital contributions (receiver)	36	12
Dividends paid	85	84

(1) As of December 31, 2025 Telefónica does not hold any stake (0.756% in 2024) in Banco Bilbao Vizcaya Argentaria, S.A. (See note 9.3).

Operations with CriteriaCaixa

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

Operations with SEPI

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

General State Administration

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

In 2025, Telefónica, S.A. has not carried out any individually significant transaction with entities belonging to the Spanish State Institutional Public Sector. In 2025, the only transactions considered as a whole exceeding 1 million euros refer to 1,1 million euros in other operational expenses with several companies comprising the Spanish Public Sector.

Operations with Green Bridge Investment Company SCS / STC Group

Since the date on which it became a related party, Telefónica,S.A.has not carried out any significant transactions with Green Bridge Investment Company SCS or companies controlled by STC Group.

2. Other significant shareholders

During fiscal year 2025, the significant shareholder of the Company without representation on the Board of Directors of Telefónica, S.A. was BlackRock, Inc. This shareholder is not considered a related party as it do not have representation on the Board of Directors of Telefónica, S.A. nor exert significant influence on the company.

According to the data collected in the communication sent by BlackRock, Inc. to the CNMV, as of July 28, 2025, BlackRock, Inc.'s stake in the share capital of Telefónica, S.A. was 5.01%, including the percentage of voting rights attributed to the shares as well as those generated through financial instruments.

3. Balances with Group and Associated companies

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

The balances and transactions between the Company and these subsidiaries (Group and associated Companies) at December 31, 2025 and 2024 are detailed in the notes to these individual financial statements.

4. Directors and senior executives

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

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

Telefónica contracted a civil liability insurance scheme (D&O) for Directors, managers and staff with similar functions in the Telefónica Group, with standard conditions for these types of insurance and a premium attributable to 2025 of 4.267.172,13 euros (4.743.347,97 euros in 2024). This scheme provides coverage for Telefónica, S.A. and its subsidiaries in certain cases. Out of this amount, Telefónica, S.A. has paid 2.036.072,48 euros in 2025 (2.354.919,59 euros in 2024).

g) Auditors' fees

The services commissioned to PricewaterhouseCoopers Auditores, S.L., the statutory auditor of Telefónica, S.A. during the financial years 2025 and 2024, comply with the independence requirements stipulated by the Spanish Law 22/2015, July 20, on Auditing of Accounts, as well as with the rules of the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB), both of the United States of America.

The expenses accrued refer to the fees for services rendered by the various member firms of the PwC network, comprising PricewaterhouseCoopers Auditores, S.L., amounted to 4.88 and 4.71 million euros in 2025 and 2024, respectively.

The detail of these amounts is as follows:

Millions of euros	2025	2024
Audit services	3.64	3.54
Audit-related services	1.24	1.17
Total	**4.88**	4.71

"Audit services" include audit fees for the statutory audit of the individual and consolidated financial statements, as well as reviews of interim financial statements. These Audit services also incorporate the audit of the effectiveness of internal control over financial reporting, in accordance with the requirements of the Sarbanes-Oxley Act of 2002 (Section 404), up to the date of the suspension of the related reporting obligations.

"Audit-related services" include services related to the verification of the Non-Financial Information Statement and Sustainability Information, the issuance of comfort letters, the review of allocation and impact reports of sustainable finance instruments, and the reasonable assurance report on the Internal Control over Financial Reporting (ICFR) system.

During the financial years 2025 and 2024, Telefónica, S.A. did not engage the auditor to provide any services other than audit services or audit-related services.

h) Environmental matters

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

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

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

Carbon reduction targets are part of the variable remuneration of the Company employees, including the Executive Committee. In addition, the cycles of Telefónica, S.A.'s long-term share-based incentive plans initiated until December 31, 2025 (see note 19) have included CO2 Emission Neutralization targets.

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

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

In terms of bank financing, Telefónica has an undrawn syndicated loan linked to sustainability indicators, amounting to 5,500 million euros (see note 14). The first extension option was exercised on January 13, 2026, subject to the consent of all creditors, with the new maturity date being January 13, 2031.

Additionally, in January 2026 Telefónica carried out two issues of undated deeply subordinated securities, for an aggregate amount of 1,750 million euros and intended to be issued as green bonds, and a bond issue for an amount of 1,000 million euros whose funds will be allocated towards eligible investments in accordance with the Sustainable Financing Framework of 2023 (see note 22).

These debt issuances have not been made directly through Telefónica, S.A. but are guaranteed by the Company.

i) Trade and other guarantees

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

Note 21. Cash flow analysis

Cash flows from/(used in) operating activities

The net result before tax in 2025 amounts to a loss of 1,440 million euros (see income statement), adjusted by items recognized in the income statement that did not require an inflow or outflow of cash in the year, or are included within the investing and financing activities.

These adjustments relate mainly to:

- The impairment of investments in Group companies, associates and other investments of 758 million euros (in 2024, 4,223 million euros).
- Declared dividends as income in 2025 for 385 million euros (5,879 million euros in 2024), interest accrued in 2025 on loans granted to subsidiaries of 36 million euros (30 million euros in 2024) and a net financial expense of 851 million euros (1,277 million euros in 2024), adjusted initially to include only movements related to cash inflows or outflows during the year under "Other cash flows from operating activities."

Other cash flows from operating activities amount to 682 million euros (4,573 million euros in 2024). The main items included are:

a) Net interest paid:

Payments of net interest and other financial expenses amounted to 1,291 million euros (1,365 million euros in 2024), including:

- Net proceeds from external credit entities, net of hedges, for 143 million euros (129 million euros in 2024 offset by their hedges), and
- Interest and hedges paid to Group companies of 1,434 million euros (1,494 million euros in 2024).

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

Millions of euros	2025	2024
Telefónica de España, S.A.U.	815	473
Telefónica Móviles España, S.A.U.	522	677
Telefônica Brasil, S.A.	133	173
Telefónica Finanzas, S.A.U. (TELFISA)	115	118
O2 Europe, Ltd.	—	2,200
Telefónica Latinoamérica Holding, S.L.	—	1,000
Telefónica O2 Holdings, Ltd.	—	511
Telfisa Global, B.V.	—	435
Other dividend collections	69	116
Total	**1,654**	**5,703**

In addition to the dividends declared in 2025 (see note 19.1) and collected in the same period, this caption also includes dividends from previous periods collected in 2025.

c) Income tax collected: Telefónica, S.A. is the parent of its consolidated Tax Group (see note 17) and therefore it is liable for filing income tax with the Spanish Tax Authorities. It subsequently informs companies included in the Tax Group of the amounts payable by them. In 2025 payments on account of income tax were made by 41 million euros as disclosed in note 17 (no payments on account of income tax were made in 2024). A collection of 43 million euros has been received for partial execution of the favorable decision in the National Court of May 22, 2025, which includes the effects of the unconstitutionality of RTD 3/2106 and a collection of 17 million euros for the reimbursements of withholding taxes consumed in the settlement of the corporate income tax of 2024.

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

- Telefónica Móviles España, S.A.U.: A collection amounting to 195 million euros corresponding to: 160 million euros from the 2024 income tax and 34 million euros from the payments on account of 2025 income tax.

  In 2024 there was a collection of 98 million euros, corresponding to a refund for the 2023 income tax.

- Telefónica de España, S.A.U.: A collection of 67 million euros, corresponding to: 48 million euros from the payments on account of 2025 income tax and 19 million euros from the 2024 income tax.

In 2024 a total payment of 77 million euros, corresponding to a payment for the 2023 income tax.

- Telefónica Audiovisual Digital, S.L: A total collection by 25 million euros has been received corresponding to: 20 million euros from the 2024 income tax and 5 million euros from the payments on account of the 2025 income tax.

- Telefónica Soluciones Informáticas y Comunicaciones de España, S.A.: A total collection has been received by 18 million euros corresponding to: 12 million euros from the 2024 income tax and 6 million euros from payments on behalf of the 2025 income tax.

- Telefónica Compras Electrónicas, S.L.: A total collection has been received by 14 million euros, corresponding to: 11 million euros from the 2024 income tax and 3 million euros from payments on behalf of the 2025 income tax.

- Telefónica Hispanoamérica, S.A.: There has been a total payment of 55 million euros corresponding to 2024 income tax of 41 million euros, 17 million euros from payments on account of the 2025 income tax and a collection of witholdings on capital gains by 3 million euros.

  In 2024 there was a total payment of 8 million euros corresponding to a payment of withholding taxes of 10 million euros partially offset by the collection of 2 million euros for the income tax of 2023.

- Telefónica Finanzas, S.A.: There was a collection of 55 million euros corresponding to: 44 million euros of 2024 income tax and 11 million euros for payments on account of 2025 income tax.

  In 2024 there was a total payment of 19 million euros, corresponding to a payment for the 2023 income tax.

Cash flows from/(used in) investing activities

Payments on investments under Cash flows from/ (used in) investing activities included a total payment of 6,653 million euros (3,829 million euros in 2024). The main transactions to which these payments refer are as follows:

- Capital increases: the main disbursements correspond to Telefónica Hispanoamérica, S.A. amounting to 2,245 million euros and contribution to the reserves of Telefónica España Filiales, S.A.U. by 425 million euros and Telefónica Infra, S.L. by 419 million euros. These capital increases, as well as other minor disbursements of this same concept are disclosed in note 8.1.a.

- Disbursement of the successive tranches of the loan granted to Telefónica Móviles Chile, S.A. for a total amount of 268 million euros detailed in note 8.5.

- Payments of financial investments related to the reinvestment of treasury overage amounting to 1,697 million euros.

- Payments of collaterals related to financial derivative instruments amounting to 1,483 million euros.

Proceeds from disposals totaling 3,315 million euros in 2025 (3,432 million euros in 2024) includes:

- Proceeds from the share capital decrease of Telefónica de Brasil amounting to 121 million euros (see note 8).

- Collection of the partial early cancellation of the credit granted to Telefónica Cyber Security & Cloud Tech, S.L. for the amount of 25 million pounds sterling equivalent to 29 million euros (see note 8).

- Collection for the sale of the total investment in BBVA as indicated in note 9 amounting to 608 million euros.

- Collections from financial divestments for reinvestment of treasury surpluses amounting to 1,697 million euros.

- Proceeds from collaterals related to financial derivative instruments amounting to 848 million euros.

Cash flows from/(used in) financing activities

This caption mainly includes the following items:

i. Proceeds from financial liabilities:

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

Millions of euros	2025	2024
Telefónica Emisiones, S.A.U. (Note 20)	1,880	1,750
Bank loans (Note 14)	225	390
Telfisa Global, B.V. (Note 15)	3,700	—
Promissory notes (Note 13)	21	33
Telefónica de Argentina, S.A. (Note 15)	—	107
Telefónica Europe B.V. (Note 15)	—	1,300
Telefónica Europe, B.V. promissory notes (Note 15)	25	158
Other collections	9	20
Total	**5,860**	**3,758**

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

Millions of euros	2025	2024
Bilateral loans with several entities (Note 14.4)	81	140
Telfisa Global, B.V. (Note 15)	—	3,298
Telefónica Europe, B.V. (Note 15)	—	1,300
Telefónica Emisiones, S.A.U. (Note 20)	2,019	1,000
TLH Holdco, S.L. (Nota 15)	111	—
Other payments	6	4
Total	**2,217**	**5,742**

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

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

ii. Acquisition of own equity instruments for an amount of 86 million euros refers to the purchases of treasury shares as indicated in note 11.a.

iii. Payments of dividends amount to 1,697 million euros (1,720 million euros in 2024). The figure differs from the one shown in note 11.1.d) because of the withholding taxes deducted in the payment to certain major shareholders, which will be paid to Tax Authorities in 2026 and also the withholding taxes referred to the dividend distribution made in December 2024 which have been paid to the Tax Authorities in January 2025.

Note 22. Events after the reporting period

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

Financing

- On January 12, 2026, Telefónica Europe B.V. carried out the following transaction related to its capital structure:
  - a tender offer for its outstanding (i) EUR 1,000,000,000 Undated 8.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset (the "2026 Notes"); (ii) EUR 500,000,000 Undated 7.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "2027 Notes"); and (iii) EUR 750,000,000 Undated 6 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "2028 Notes"), all of them irrevocably guaranteed by Telefónica, S.A. Telefónica Europe, B.V. accepted the purchase in cash of the 2026 Notes and 2028 Notes for an aggregate principal amount of 885 million euros, 653 million euros, respectively. Telefónica Europe, B.V. did not accept for purchase validly tendered 2027 Notes. The tender offer settled on January 22, 2026.
- On January 12, 2026, Telefónica Emisiones, S.A.U., closed the pricing and the terms and conditions of an issuance of (i) undated deeply subordinated guaranteed fixed rate reset securities, with the subordinated guarantee of Telefónica, S.A., for an aggregate nominal amount of 900 million euros and intended to be issued as green bonds; and (ii) undated deeply subordinated guaranteed fixed rate reset securities, with the subordinated guarantee of Telefónica, S.A., for an aggregate nominal amount of EUR 850 million euros and intended to be issued as green bonds. The settlement took place on January 19, 2026.
- On January 13, 2026, in accordance with the terms of Telefónica, S.A.'s sustainability-linked syndicated credit facility, for up to 5,500 million euros, as amended on January 13, 2025, the first extension option was exercised, subject to the consent of all creditors. The new maturity date is January 13, 2031.
- On January 26, 2026, Telefónica, S.A., through its subsidiary Telefónica Emisiones, S.A.U., has launched under the EMTN Programme a new issuance of notes guaranteed by Telefónica, S.A. in an aggregate principal amount of 1,000 million euros, due on May 2, 2033, pays an annual coupon of 3.707% and was issued at par. The settlement of the transaction took place on February 2, 2026. An amount equivalent to the net proceeds will be allocated towards eligible investments in accordance with Telefónica's 2023 Sustainable Financing Framework.
- On February 3, 2026, Telefónica, S.A. through its subsidiary Telefónica Emisiones, S.A.U., launched under its EMTN Programme an issuance of notes guaranteed by Telefónica, S.A. in a principal amount of 170 million Swiss francs (equivalent to 183 million euros). This issue, due on February 3, 2034, pays an annual coupon of 1.5075% and was issued at par.
- On February 2, 2026, Telefónica Emisiones S.A.U. redeemed 500 million pounds sterling (approximately 577 million euros) of its notes issued on February 2, 2006. These notes were guaranteed by Telefónica, S.A.

Corporate transactions

- On February 5, 2026, Telefónica, S.A. informed, once the corresponding regulatory authorizations had been obtained and after the fulfilment of the agreed conditions, Telefónica Hispanoamérica, S.A., transferred to Millicom Colombia Holdings SAS, the total stake it holds in the share capital of Colombia Telecomunicaciones S.A. E.S.P. BIC, representing 67.5% of its share capital for an amount of 214 million US dollars (approximately 182 million euros at the exchange rate of such date). This transaction is part of the Telefónica Group's asset portfolio management policy and is aligned with its strategy of exit from Hispanoamerica.
- On February 10, 2026, Inversiones Telefónica Internacional Holding SpA, a wholly owned subsidiary of Telefónica transferred to NJJ Holding SAS and Millicom Spain S.L., the 100% of the share capital of

Telefónica Móviles Chile S.A. ("Telefónica Chile"). The signing and closing of the transaction took place simultaneously.

The transaction amount included: (i) a cash payment of 50 million US dollars (approximately 42 million euros at the exchange rate of such date) paid at closing; (ii) a deferred payment of 340 million US dollars (approximately 286 million euros) which will be settled based on the financial results of Telefónica Chile; and (iii) an additional payment of 150 million US dollars (approximately 126 million euros) subject to the potential occurrence of certain events in the Chilean telecommunications market. The agreed price includes the customary adjustments applicable to this type of transaction.

This transaction is part of the Telefónica Group's asset portfolio management policy and is aligned with its strategy of exit from Hispanoamerica.

Prior to the closing of the transaction, on February 9, 2026, T. Móviles Chile, S.A. fully repaid the loan granted by Telefónica, S.A. (see note 8.5).

On that same date, Telefónica, S.A. granted a loan of 325 million euros to Inversiones Telefónica Internacional Holding, SpA, a company wholly owned indirectly by Telefónica, S.A.

Telefónica Chile, S.A. also transferred to Inversiones Telefónica Internacional Holding, SpA the shares it held in Onnet Fibra Chile, representing 40% of its share capital.

- On February 18, 2026, Telefónica Infra, S.L.U. ("Telefónica Infra") together with Liberty Global Europe 2 Limited ("Liberty Global") and InfraVia Capital Partners ("InfraVia"), through their fibre-to-the-home (FTTH) joint venture ("nexfibre"), reached an agreement to acquire 100% of the share capital of Substantial Topco Limited ("Netomnia"), the second largest full fibre altnet in the United Kingdom.

  The amount of the transaction (firm value) was 2,000 million pounds sterling (approximately 2,294 million euros at the current exchange rate). Telefonica and Liberty Global will jointly contribute 150 million pounds sterling to fund the transaction and Infravia with GBP 850 million pounds. The corresponding price is subject to the usual price adjustments for this type of transaction.

  As part of the transaction, VMO2 will (i) acquire Netomnia's retail customers and the "YouFibre" and "Brsk" brands, (ii) enter into an extended wholesale agreement with nexfibre, (iii) receive cash proceeds in consideration for its wholesale commitment, and (iv) obtain 30% equity stake in the holding company through which Telefónica Infra and Liberty Global currently invest in nexfibre. At Completion, Telefónica Infra, Liberty Global and VMO2 will, in aggregate, hold 50% of nexfibre, and InfraVia will hold the remaining 50%.

  Closing of the transaction is subject to obtaining the corresponding regulatory authorizations.

  This transaction is part of Telefónica's strategy in the United Kingdom, which includes, among other objectives, the development of a financially sustainable and strengthened network, fibre expansion and value creation through VMO2 and nexfibre.

Corporate Governance

- On January 20, 2026, Telefónica, S.A. announced that, following the announcement of its intention to delist its American Depositary Shares and certain series of debt securities from the New York Stock Exchange, Telefónica and two wholly-owned subsidiaries of Telefónica —Telefónica Emisiones, S.A.U. and Telefónica Europe, B.V.—, was voluntarily filing Forms 15F with the Securities and Exchange Commission ("SEC") to suspend immediately their reporting obligations under the U.S. Securities Exchange Act of 1934, as amended. The deregistration and termination of such reporting obligations is expected to become effective 90 days after the filing of the Forms 15F, unless objected to by the SEC.

Note 23. Additional note for English translation

These annual financial statements were originally prepared in Spanish and were authorized for issue by the Company's Directors in the meeting held on February 23, 2026. In the event of a discrepancy, the Spanish language version prevails.

Appendix I: Details of subsidiaries and associates at December 31, 2025

Millions of euros	% Ownership					Income (loss)		
Name and corporate purpose	Direct	Indirect	Capital	Rest of equity	Dividends	From operations	For the year	Net carrying amount
Telefónica Latinoamérica Holding, S.L.U. (SPAIN) Holding Company Distrito Telefónica. Ronda de la Comunicación s/n 28050 Madrid	100%	—	291	8,802	—	737	925	10,367
Telefónica Móviles España, S.A.U. (SPAIN) Wireless communications services provider Distrito Telefónica, Ronda de la Comunicación s/n 28050 Madrid	100%	—	209	857	—	183	28	5,561
Telefónica O2 Holdings Limited (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	99.99%	0.01%	13	8,306	—	(2,157)	(1,932)	6,923
Telefónica Móviles México, S.A. de C.V. (MEXICO) Holding Company Prolongación Paseo de la Reforma 1200 Col. Cruz Manca, México D.F. CP.05349	99.99%	0.01%	86	(37)	—	—	4	53
Telefónica de España, S.A.U. (SPAIN) Telecommunications service provider in Spain Gran Vía, 28 - 28013 Madrid	100%	—	1,024	3,038	—	(627)	(510)	2,455
O2 (Europe) Ltd. (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	100%	—	6,896	276	—	682	682	8,421
Telefónica España Filiales, S.A.U. (SPAIN) Organization and operation of multimedia service-related activities and businesses Distrito Telefónica, Ronda de la Comunicación s/n, Madrid 28050	100%	—	226	1,522	—	36	135	2,258
Telfisa Global, B.V. (NETHERLANDS) Integrated cash management, consulting and financial support for Group companies Strawinskylaan 1259; tower D; 12th floor 1077 XX - Amsterdam	100%	—	—	730	—	(1)	6	712
O2 Oak Limited (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH	100%	—	—	—	—	—	—	—
Telefónica Hispanoamérica, S.A. (SPAIN) Holding Company Ronda de la Comunicación, s/n – 28050 Madrid	100%	—	109	497	—	(504)	(621)	—
TIS Hispanoamérica, S.L. (SPAIN) Holding Company Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	2	21	—	(22)	(22)	1
Telefónica Soluciones de Criptrografía, S.A. (SPAIN) Other services related to information technology and computing Gran Vía 28, 28013 Madrid	100%	—	1	18	—	2	2	21

Millions of euros Name and corporate purpose	% Ownership Direct	Indirect	Capital	Rest of equity	Dividends	Income (loss) From operations	For the year	Net carrying amount
Telefónica Tech , S.L. (SPAIN) Promotion of business initiatives and holding for securities Gran Vía 28-28013 Madrid	100%	—	67	881	—	(57)	(55)	1,259
O2 Worldwide Limited (UNITED KINGDOM) Private Limited Company C/O Stobbs Building 1000, Cambridge Research Park, Cambridge, CB25 9PD	100%	—	—	—	—	—	—	—
Telefónica Capital, S.A.U. (SPAIN) Finance Company Gran Vía, 28 - 28013 Madrid	100%	—	7	228	—	—	8	110
TLH HOLDCO, S.L. (SPAIN) Holding Company Ronda de la Comunicación, s/n - 28050 Madrid	100%	—	87	1,102	—	(4)	13	1,202
Lotca Servicios Integrales, S.L. (SPAIN) Ownership, operation and aircraft leases Gran Vía, 28 - 28013 Madrid	100%	—	18	41	—	(11)	(8)	51
Telefónica Local Services GmbH (GERMANY) Holding company Adalbertstrasse 82-86 85737, Ismaning	100%	—	—	1,789	—	—	—	1,834
Telefónica Infra, S.L. (SPAIN) Portfolio Company (Holding) Ronda de la Comunicación S/N - 28050 Madrid	100%	—	12	1,348	—	80	81	1,408
Telefónica Finanzas, S.A.U. (TELFISA) (SPAIN) Cash pooling, consulting and financial support for Group companies Ronda de la Comunicación, s/n – 28050 Madrid	100%	—	3	(86)	136	(2)	114	13
Telefónica Global Solutions, S.L.U. (SPAIN) International services provider Ronda de la Comunicación, s/n – 28050 Madrid	100%	—	1	23	—	(67)	(62)	—
Telefónica Innovación Digital, S.A.U. (SPAIN) Development of activities and research projects in telecommunication Ronda de la Comunicación S/N - 28050 Madrid	100%	—	28	307	—	(67)	(83)	253
Telefónica Luxembourg Holding S.à.r.L. (LUXEMBOURG) Holding Company 26, rue Louvingny, L-1946- Luxembourg	100%	—	3	156	19	—	6	4
Telefónica Servicios Globales, S.L.U. (SPAIN) Management and administrative services provider Ronda de la Comunicación, s/n – 28050 Madrid	100%	—	1	77	—	1	1	80
Telefónica Participaciones, S.A.U. (SPAIN) Issues of preferred shares and/or other debt financial instruments Gran Vía, 28 - 28013 Madrid	100%	—	—	1	—	—	—	—
Telefónica Emisiones, S.A.U. (SPAIN) Issues of preferred shares and/or other debt financial instruments Gran Vía, 28 - 28013 Madrid	100%	—	—	18	—	(3)	1	—
Telefónica Europe, B.V. (NETHERLANDS) Fund raising in capital markets Strawinskylaan 1259; tower D; 12th floor 1077 XX – Amsterdam	100%	—	—	3	3	(1)	3	—
Toxa Telco Holding, S.L. (SPAIN) Holding Company Ronda de la Comunicación s/n Madrid 28050	100%	—	—	—	—	(0.08)	(0.06)	—
Telefónica Digital Limited (UNITED KINGDOM) Holding Company Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, Reino Unido	100%	—	—	14	—	—	—	14

Millions of euros Name and corporate purpose	% Ownership Direct	Indirect	Capital	Rest of equity	Dividends	Income (loss) From operations	For the year	Net carrying amount
Telxius Telecom, S.A. (SPAIN) Telecommunications Services Ronda de la Comunicación, s/n- 28050 Madrid	70%	—	260	240	—	(10)	57	344
Telefónica Centroamérica Inversiones, S.L (SPAIN) Holding Company Ronda de la Comunicación, s/n. - 28050 Madrid	60%	—	—	—	—	—	1	—
Telefónica Factoring España, S.A. (SPAIN) Factoring Zurbano, 76, 8 Plta. - 28010 Madrid	50%	—	5	2	5	9	8	3
Aliança Atlântica Holding B.V. (NETHERLANDS) Portfolio Company Strawinskylaan 1725 – 1077 XX – Amsterdam	50%	38.94 %	40	6	—	—	1	22
Telefónica Renting, S.A. (SPAIN) Retail renting business of furniture and office ancillary. Av. de Manoteras, 20, Hortaleza, 28050 Madrid	50%	—	1	9	4	26	19	5
Telefônica Brasil, S.A. (BRAZIL) (1) (*) Telecommunication operator in Brazil Av. Luis Carlos Berrini, 1.376 – Brooklin São Paulo 04571-000	39.32%	38.55%	22,656	(12,142)	211	1,590	1,002	9,078
Telefónica Factoring Do Brasil, Ltd. (BRAZIL) Factoring Rua Desembargador Eliseu Guilherme, 69 Pt. 6 Paraíso Sao Paulo	40%	10%	2	(5)	2	(1)	4	1
Telefónica Factoring México, S.A. de C.V. SOFOM ENR (MEXICO) Factoring Prolongación Paseo de la Reforma 1200 Col. Cruz Manca, México D.F. CP.05349	40.50%	9.50%	—	—	—	—	—	—
Telefónica Factoring Perú, S.A.C. (PERÚ) Factoring Avenida República de Panamá Nro 3030 piso 6to. San Isidro Lima, Perú	40.50%	9.50%	1	3	1	(1)	(1)	1
Telefónica Factoring Colombia, S.A. (COLOMBIA) Factoring Calle 93 No. 15-73 Oficina 502 Bogotá	40.00%	10.00%	1	—	1	2	1	1
Telefónica Correduría de Seguros y Reaseguros Compañía de Mediación, S.A. (SPAIN) Insurance contracts, operating as a broker Ronda de la Comunicación S/N - 28050 Madrid	16.67%	83.33%	—	—	2	6	8	—
Torre de Collçerola, S.A. (SPAIN) Operation of telecommunications tower and technical assistance and consulting services. Ctra. Vallvidrera-Tibidabo, s/n - 08017 Barcelona	30.40%	—	5	—	—	—	—	1
Wayra Argentina,S.A. (ARGENTINA) Telecommunications activities Av. Corrientes 707, Planta Baja, Ciudad de Buenos Aires, Argentina	5%	95%	28	(25)	—	1	3	—
Telefónica Global Solutions Argentina, S.A. (ARGENTINA) Telecommunications services Avenida Ingeniero Huergo 723, 1107 Buenos Aires	5%	95%	—	—	—	3	—	—
Others								
Total group companies and associates					**385**			**52,453**

(1) Consolidated data.
(*) Companies listed on international stock exchanges at December 31, 2025.

Appendix II: Board and Senior Management Compensation

TELEFÓNICA, S.A.

(Amounts in euros)

Directors	Salary[1]	Fixed remunera-tion[2]	Allowances[3]	Short-term variable remuneration[4]	Remuneration for belonging to the Board Committees[5]	Other items[6]	Total
Mr. Marc Thomas Murtra Millar [7]	1,834,870	—	—	3,292,857	—	6,037	5,133,764
Mr. Isidro Fainé Casas	—	200,000	—	—	80,000	—	280,000
Mr. José María Abril Pérez	—	200,000	9,000	—	91,200	—	300,200
Mr. Carlos Ocaña Orbis	—	186,667	19,000	—	100,533	—	306,200
Mr. Emilio Gayo Rodríguez[8]	1,189,530	—	—	1,983,726	—	14,660	3,187,916
Mr. Olayan M. Alwetaid[9]	—	100,000	—	—	—	—	100,000
Ms. María Luisa García Blanco	—	120,000	25,000	—	101,200	—	246,200
Mr. Peter Löscher[10]	—	193,333	23,000	—	113,600	—	329,933
Ms. Anna Martínez Balañá[9]	—	50,000	—	—	—	—	50,000
Mr. César Mascaraque Alonso[9]	—	20,000	—	—	7,600	—	27,600
Ms. Mónica Rey Amado[9]	—	50,000	3,000	—	4,667	—	57,667
Mr. Alejandro Reynal Ample	—	120,000	—	—	933	—	120,933
Ms. Ana María Sala Andrés[9]	—	100,000	10,000	—	15,867	—	125,867
Ms. Claudia Sender Ramírez	—	120,000	—	—	80,000	—	200,000
Ms. Solange Sobral Targa	—	120,000	9,000	—	11,200	—	140,200

[1]Salary: Regarding Mr. Marc Thomas Murtra Millar and Mr Emilio Gayo Rodríguez, the amount includes the non-variable remuneration earned from their executive functions.
[2]Fixed remuneration: Amount of the compensation in cash, with a pre-established payment periodicity, whether or not it can be consolidated over time, earned by the member for his/her position on the Board, regardless of the effective attendance of the member to board meetings.
[3] Allowances: Total amount of allowances for attending Advisory or Steering Committee meetings.
[4]Short-term variable remuneration (bonuses): Variable amount linked to the performance or achievement of a series of individual or group objectives (quantitative or qualitative) within a period of time equal to or less than a year, corresponding to the year 2025 and to be paid in the year 2026. In reference to the bonus corresponding to 2024, which was paid in 2025, former Executive Chairman Mr. José María Álvarez-Pallete López received 3,513,504 euros and former Chief Operating Officer Mr. Ángel Vilá Boix received 2,436,000 euros.
[5]Remuneration for belonging to the Board Committees: Amount of items other than allowances, which the directors are beneficiaries through their position on the Executive Commission and the Advisory or Steering Committees, regardless of the effective attendance of the board member such Committee meetings.
[6]Other concepts: This includes, among others, the amounts received as remuneration in kind (general medical and dental coverage and vehicle insurance), paid by Telefónica, S.A.
[7]Mr. Marc Thomas Murtra Millar was appointed Executive Director and Executive Chairman of the Board of Directors of Telefónica, S.A. on January 18, 2025, thus reflecting the remuneration received since that date.
[8] Mr. Emilio Gayo Rodríguez was appointed Executive Director and Chief Operating Officer of the Board of Directors of Telefónica, S.A. on March 6, 2025, thus reflecting the remuneration received since that date.
[9] The remuneration received by the Director is reported from the date of their appointment. Specifically, Mr. Olayan M. Alwetaid and Ms. Ana María Sala Andrés as from February 26, 2025; Ms. Anna Martínez Balañá and Ms. Mónica Rey Amado as from July 29, 2025; and Mr. César Mascaraque Alonso as from October 22, 2025.
[10] The additional remuneration of the Lead Independent Director, Mr. Peter Löscher, which began to apply in February 2025, is hereby noted.

The remuneration accrued and/or received in 2025 by the Directors who ceased during that year is presented below. Specifically, Mr. José María Álvarez-Pallete López on January 18, 2025; Mr. Ángel Vilá Boix on March 6, 2025; Mr. Francisco José Riberas Mera on February 26, 2025; Ms. Verónica Pascual Boé and Ms. María Rotondo Urcola on July 29, 2025; and Mr. Francisco Javier de Paz Mancho on October 22, 2025:

(Amounts in euros)

Directors	Salary[1]	Fixed remune-ration[2]	Allowances [3]	Short-term variable remuneration [4]	Remuneration for belonging to the Board Committees[5]	Other items[6]	Total
Mr. José María Álvarez-Pallete López[7]	93,420	—	—	—	—	531	93,951
Mr. Ángel Vilá Boix[7]	291,733	—	—	—	—	5,456	297,189
Mr. Francisco Javier de Paz Mancho	—	100,000	18,000	—	94,667	—	212,667
Ms Verónica Pascual Boé	—	70,000	8,000	—	6,533	—	84,533
Mr. Francisco José Riberas Mera	—	20,000	—	—	—	—	20,000
Ms. María Rotondo Urcola	—	70,000	14,000	—	13,067		97,067

1 to 6: Definition of these concepts are those included in the previous table.
[7] The remuneration received by Mr. José María Álvarez-Pallete López, former Executive Chairman, and by Mr. Ángel Vilá Boix, former Chief Operating Officer, is reported up to the date of their respective terminations (January 18, 2025 and March 6, 2025). Additionally, Mr. José María Álvarez-Pallete López received, in January 2025, a severance payment of 23,526 thousand euros as financial compensation for his termination, following the Company's unilateral decision, in accordance with the terms of his contract. Likewise, Mr. Ángel Vilá Boix received, in March 2025, a severance payment of 17,378 thousand euros as financial compensation for his termination, following the Company's unilateral decision, in accordance with the terms of his contract.

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

OTHER COMPANIES OF THE TELEFÓNICA GROUP

(Amounts in euros)

Directors	Salary[1]	Fixed remune-ration[2]	Allowances[3]	Short-term variable remuneration[4]	Remuneration for belonging to the Board Committees[5]	Other items[6]	Total
Mr. Marc Thomas Murtra Millar	—	—	—	—	—	—	—
Mr. Isidro Fainé Casas	—	—	—	—	—	—	—
Mr. José María Abril Pérez	—	—	—	—	—	—	—
Mr. Carlos Ocaña Orbis	—	—	—	—	—	—	—
Mr. Emilio Gayo Rodríguez	—	—	—	—	—	—	—
Mr. Olayan M. Alwetaid	—	—	—	—	—	—	—
Ms. María Luisa García Blanco	—	—	—	—	—	87,500	87,500
Mr. Peter Löscher	—	133,000	—	—	—	—	133,000
Ms. Anna Martínez Balañá	—	—	—	—	—	—	—
Mr. César Mascaraque Alonso[7]	—	15,938	—	—	—	—	15,938
Ms. Mónica Rey Amado	—	—	—	—	—	—	—
Mr. Alejandro Reynal Ample	—	—	—	—	—	—	—
Ms. Ana María Sala Andrés	—	—	—	—	—	—	—
Ms. Claudia Sender Ramírez	—	—	—	—	—	132,500	132,500
Ms. Solange Sobral Targa	—	81,870	—	—	—	—	81,870

[1]Salary: Amount of non-variable remuneration earned by the Director from other companies of the Telefónica Group for his/her executive functions.
[2]Fixed remuneration: Amount of the compensation in cash, with a pre-established payment periodicity, subject to consolidation over time or not, earned by the member for his/her position on the boards of other companies of the Telefónica Group.
[3]Allowances: Total amount of the allowances for attending the board meetings of other companies of the Telefónica Group.
[4]Variable short-term remuneration (bonuses): Variable amount linked to the performance or achievement of a series of individual or group objectives (quantitative or qualitative) within a period of time equal to or less than a year, corresponding to the year 2025 and to be paid in the year 2026 by other companies of the Telefónica Group.
[5]Remuneration for belonging to the Board Committees of other companies of the Telefónica Group: Amount of items other than allowances, which the directors are beneficiaries through their position on the Advisory or Steering Committees of other companies of the Telefónica Group, regardless of the effective attendance of the board member such Committee meetings.
[6]Other concepts: This includes, among others, the amounts received as remuneration in kind (general medical and dental coverage and vehicle insurance), paid by other companies of the Telefónica Group. Also included are the amounts received for membership of the Advisory Boards of Telefónica España, Telefónica Hispanoamérica, Telefónica Tech and Telefónica Ingeniería de Seguridad.
[7]The remuneration received by Director Mr. César Mascaraque Alonso in other Telefónica Group companies, different from Telefónica, S.A., is reported from the date of his appointment (22 October 2025)

Payment received and/or accrued in 2025 by Directors who ceased during this year with respect to the other companies of the Telefónica Group in 2025 is detailed below. Specifically, Mr. José María Álvarez-Pallete López on January 18, 2025; Mr. Ángel Vilá Boix on March 6, 2025; Mr. Francisco José Riberas Mera on February 26, 2025; Ms. Verónica Pascual Boé and Ms. María Rotondo Urcola on July 29, 2025; and Mr. Francisco Javier de Paz Mancho on October 22, 2025:

(Amounts in euros)

Directors	Salary[1]	Fixed remune-ration[2]	Allowances [3]	Short-term variable remuneration [4]	Remuneration for belonging to the Board Committees[5]	Other items[6]	Total
Mr. José María Álvarez-Pallete López	—	—	—	—	—	—	—
Mr. Ángel Vilá Boix	—	—	—	—	—	—	—
Mr. Francisco Javier de Paz Mancho	—	219,526	—	—	—	129,167	348,693
Ms Verónica Pascual Boé	—	53,590	—	—	—	37,397	90,987
Mr. Francisco José Riberas Mera	—	—	—	—	—	—	—
Ms. María Rotondo Urcola	—	—	—	—	—	—	—

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

Additionally, the Executive Board Members have a series of Assistance Services, which are detailed below.

LONG-TERM SAVINGS SCHEMES

The long-term saving system applicable to Executive Directors replicates that applicable to Telefónica's employees and Senior Managers. It consists of contributions (i) to a pension plan or a similar instrument and to a collective life insurance policy in a unit-link modality (to channel any excess contribution over the financial and tax limits applicable to pension plans), as well as (ii) to Telefónica's Executive Long-term Savings Plan, implemented through a collective life insurance policy in the unit-link modality.

In the case of the Executive Chairman, given that he did not have an employment relationship prior to his appointment as Executive Chairman, contributions are implemented through a savings insurance policy that covers the same contingencies as the Pension Plan and the unit-link insurance policies applicable to Telefónica's employees and Senior Managers.

Below are the contributions made by the Company to long-term savings systems during fiscal year 2025:

(Amounts in euros)

Directors	Contributions for fiscal year 2025
Mr. Marc Thomas Murtra Millar	645,003
Mr. Emilio Gayo Rodríguez	419,443

Executive Directors that ceased in 2025:

(Amounts in euros)

Directors	Contributions for fiscal year 2025
Mr. José María Álvarez-Pallete López[1]	32,697
Mr. Ángel Vilá Boix [2]	102,106

[1] Mr.José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025.
[2] Mr. Ángel Vilá Boix ceased as Chief operating Officer on March 6, 2025.

The breakdown of long-term savings systems includes contributions to Pension Plan, the Savings Insurance Policy, the Unit Link Insurance, and the Executive Long-Term Savings Plan, as set out below:

(Amounts in euros)

Directors	Contribution to Executive Long-term Savings Plan[1]	Contributions to Savings Insurance Policy / Unit link Insurance - Pension Plan Surplus[2]
Mr. Marc Thomas Murtra Millar[3]	562,250	82,753
Mr. Emilio Gayo Rodríguez[4]	359,966	59,477

[1] Contributions to the Executive Long-term Savings Plan established in 2006, financed exclusively by the Company, to complement the current Pension Plan, which involves defined contributions equivalent to a certain percentage of the fixed remuneration of the Director, depending on the professional levels in the organization of the Telefónica Group.
[2] In the case of the Chief Operating Officer: Contributions to Unit link Insurance - Pension Plan Surplus: In 2015 and 2021, applicable law reduced the financial and tax limits of the contributions to Pension Plans; for this reason, in order to compensate for the difference in favor of the Beneficiaries, a Unit-link type group insurance policy was arranged to channel such differences that occur during each fiscal year.
This Unit-link insurance - Pension Plan Surplus is arranged with the entity Occident GCO, S.A.U. de Seguros y Reaseguros, and covers the same contingencies as those of the "Pension Plan" and the same exceptional liquidity events in case of serious illness or long-term unemployment.
In the case of the Executive Chairman: contributions to the savings insurance policy that replicates the main features of the Pension Plan and the collective life insurance policy under a unit-link modality applicable to Telefónica employees.
[3] Mr. Marc Thomas Murtra Millar was appointed Executive Director and Executive Chairman of the Board of Directors of Telefónica, S.A. on January 18, 2025.
[4] Mr. Emilio Gayo Rodríguez was appointed Executive Director and Chief Operating Officer of the Board of Directors of Telefónica, S.A. on March 6, 2025.

Executive Directors that ceased in 2025:

(Amounts in euros)

Directors	Pension Plans[1]	Executive Long-term Savings Plan[2]	Unit link Insurance - Pension Plan Surplus[1]
Mr. José María Álvarez-Pallete López[3]	6,418	26,279	—
Mr. Ángel Vilá Boix [4]	6,721	88,949	6,436

[1] Contributions made to the Pension Fund Fonditel B, Pension Fund and, additionally, in the case of Mr. Ángel Vilá Boix, to the Unit-link Insurance – Pension Plan Surplus, related to the Pension Plan arranged with Occident GCO, S.A.U. de Seguros y Reaseguros.
[2] Contributions to the Pension Plan and to the Executive Long-term Savings Plan established in 2006, financed exclusively by the Company, to complement the existing Pension Plan. This plan consists of defined contributions equivalent to a specific percentage of the Executive's fixed remuneration, depending on the professional level within the Telefónica Group's organisational structure.
[3] Mr. José María Álvarez-Pallete López ceased to serve as Executive Chairman and Director of the Company on 18 January 2025.
[4] Mr. Ángel Vilá Boix ceased to serve as Chief Executive Officer of the Company on 6 March 2025.

Furthermore, and in relation to the Executive Long-term Savings Plan, and as reflected in the 2025 Annual Director Remuneration Report, until March 31, 2023, Telefónica's Directors' Remuneration Policies established only the incompatibility between the recognition of economic rights derived from this Plan and compensation for termination of an employment relationship, as reported in the successive previous Directors' Remuneration Reports. As of March 31, 2023, the date on which the previous Directors' Remuneration Policy was approved by the General Shareholders' Meeting, said incompatibility was extended to any termination compensation, whether from an employment or contractual relationship.

However, although the Company understood that said modification introduced by the Directors' Remuneration Policy approved on March 31, 2023 was applicable to previous services agreements (by application of Article 529 novodecies.5 of the Spanish Companies Act), on the occasion of the termination of the former Executive Chairman and the former Chief Operating Officer (C.O.O.), in January and March 2025 respectively, the discrepancy that arose between the parties in this regard was resolved through an alternative dispute resolution mechanism (independent expert opinion) which, based on general principles of contracts, ruled in favor of the aforementioned executives and the maintenance of their economic rights derived from the Plan.

The amount of the mathematical provision corresponding to the former Executive Directors as of the date of their respective terminations was as follows:

- Mr. José María Álvarez-Pallete López: 13,086 thousand euros.
- Mr. Ángel Vilá Boix: 9,699 thousand euros

Payment of the aforementioned amounts will not take place until one of the contingencies covered by the Plan occurs (retirement, early retirement, permanent disability in the degrees of total or absolute disability or severe disability, and death).

LIFE INSURANCE PREMIUMS

The 2025 amounts for life insurance premiums were as follows:

(Amounts in euros)

Directors	Life insurance premiums
Mr. Marc Thomas Murtra Millar[1]	42,001
Mr. Emilio Gayo Rodríguez[2]	51,058

[1] Mr. Marc Thomas Murtra Millar was appointed Executive Director and Executive Chairman of the Board of Directors of Telefónica, S.A. on January 18, 2025.
[2] Mr. Emilio Gayo Rodríguez was appointed Executive Director and Chief Operating Officer of the Board of Directors of Telefónica, S.A. on March 6, 2025.

Executive Directors that ceased in 2025:

(Amounts in euros)

Directors	Life insurance premiums
Mr. José María Álvarez-Pallete López[1]	1,520
Mr. Ángel Vilá Boix [2]	4,614

[1] Mr.José María Álvarez-Pallete López ceased as Executive Chairman and Director of the Company on January 18, 2025.
[2] Mr. Ángel Vilá Boix ceased as Chief operating Officer on March 6, 2025.

REMUNERATION PLANS BASED ON SHARES

As regards to remuneration plans based on shares (in which former Executive Directors Mr. José María Álvarez Pallete-López and Mr. Ángel Vilá Boix participated, and in which current Executive Directors Mr. Marc Thomas Murtra Millar and Mr. Emilio Gayo Rodríguez participate), the following long-term variable remuneration plans were in existence during the year 2025:

The so-called Performance Share Plan ("PSP"), made up of: the Long-Term Incentive Plan 2021-2025 (with Third cycle (2023-2025) active) approved by the General Shareholders' Meeting held on April 23, 2021, and the Long-Term Incentive Plan 2024-2028 (with First cycle (2024-2026) and Second cycle (2025-2027) active), approved by the General Shareholders' Meeting held on April 12, 2024.

The Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 started on January 1, 2023 and ended on December 31, 2025.

In this cycle, a maximum of 2,257,000 shares were allocated to the Executive Directors on January 1, 2023, with a unit fair value of 2.8104 euros per share for FCF ("Free Cash Flow"), 1.7780 euros for TSR ("Total Shareholder Return") and 2.8104 euros for the CO2 Emission Neutralization and Reduction target.

Taking into account the Relative TSR, Free Cash Flow and CO2 Neutralization results, the weighted payout ratio increased to 50%. Thus, at the end of the Plan's cycle, the Chief Operating Officer (COO) Mr. Emilio Gayo Rodríguez is entitled to receive 158,000 gross shares.

In the case of the former Executive Directors Mr. José María Álvarez-Pallete López and Mr. Ángel Vilá Boix, due to their termination as Executive Chairman and Chief Operating Officer (C.O.O.), respectively, they did not receive the delivery of shares corresponding to this, but they received the equivalent amount in cash based on the length of time they had been with the Company. Mr. José María Álvarez-Pallete López received 2,857 thousand euros (corresponding to the value of 725,570 shares at a price of 3.94 euros per share) and Mr. Ángel Vilá Boix received 2,408 thousand euros (corresponding to the value of 559,780 shares at a price of 4.30 euros per share.

Similarly, during the 2025 financial year, the First cycle (2024-2026) and Second cycle (2025-2027) of the Long-Term Incentive Plan 2024-2028 were in force, starting on January 1, 2024 and January 1, 2025 respectively and ending on December 31, 2026 and December 31, 2027 respectively.

In relation to the First cycle (2024-2026) and Second cycle (2025-2027) of the Long-Term Incentive Plan 2024-2028, the number of Telefónica, S.A. shares that could be delivered to the participants, within the established maximum, is conditioned and determined by the compliance with the established objectives: 50% on the compliance with the Total Shareholder Return (TSR) objective of Telefónica, S.A. shares, 40% on the Telefónica Group's Free Cash Flow (FCF), 5% on the Neutralization and Reduction of CO2 Emissions and 5% of the target for the number of Women in Executive Positions.

To determine compliance with the TSR target and calculate the specific number of shares to be delivered for this concept, the performance of the TSR on Telefónica, S.A.'s shares will be measured during the measurement period of each three-year cycle, in relation to the TSRs experienced by certain companies in the telecommunications sector, weighted according to their relevance to Telefónica, S.A., which for purposes of the Plan will constitute a comparison group (hereinafter the "Comparison Group"). The companies included in the Comparison Group are listed below: América Móvil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera, TIM Brasil, and Liberty Global.

With regard to complying with the TSR objective, the number of shares to be delivered associated with meeting this objective will range from 15% of the number of theoretical shares assigned, assuming that the TSR performance of Telefónica, S.A. shares is at least the median of the comparison group, to 50% if the performance is in the third quartile or above in the comparison group, with the percentage calculated by linear interpolation for cases falling between the median and third quartile.

In order to determine the compliance with the FCF objective and calculate the specific number of shares to be delivered for this concept, the FCF level generated by the Telefónica Group during each year will be measured and compared to the value set in the budgets approved by the Board of Directors for each financial year.

With regard to the FCF, for each of the cycles in force during the financial year 2025, the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, determined a scale of achievement that includes a minimum threshold of 90% compliance, below which no incentive is paid and compliance with which will entail the delivery of 20% of the theoretical shares assigned, and a maximum level of 100% compliance, which will entail the delivery of 40% of the theoretical shares assigned.

In the case of the First cycle (2024-2026) and Second cycle (2025-2027) of the 2024-2028 Long-Term Incentive Plan, includes a potential upside in case of over achievement that may end in a payout of 60% at the end of the cycle.

In order to determine compliance with the CO2 Emission Neutralization and Reduction target and to calculate the specific number of shares to be delivered for this item, the level of CO2 Emissions Neutralization achieved at the end of the cycle will be measured, with the incentive being paid upon reaching a certain level of scope 1 + 2.

The level of direct and indirect CO2 emissions from our daily activity shall be calculated according to the following:

CO2 Emission = Activity Data x Emission Factor, where:

- Activity: Amount of energy, fuel, gas, etc. consumed by the Company.

- Emission Factor: Amount of CO2 emitted to the atmosphere by the consumption of each unit of activity.

The emission factor provided by official sources (European Union, Ministries, CNMC, International Energy Agency, etc.) is used for electricity and the GHG Protocol emission factors are used for fuels.

At the beginning of the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 and First cycle (2024-2026) and Second cycle (2025-2027) of the Long-Term Incentive Plan 2024-2028, the Board of Directors of Telefónica, S.A., at the proposal of the Nominating, Compensation and Corporate Governance Committee, determined a scale of achievement that includes a minimum threshold of 90% compliance, below which no incentive is paid and compliance with which will entail the delivery of 5% of the theoretical shares assigned, and a maximum level of 100% compliance, which will entail the delivery of 10% of the theoretical shares assigned. In addition, a minimum level of emission reductions of Scope 1 + 2 will need to be achieved for the incentive to be paid.

In the case of Women in Executive Positions target for the Long-Term Incentive Plan 2024-2028, the proportion of Women executives over the total executive population will be measured at the end of the period on December 31, 2026 and December 31, 2027, respectively.

In any case, 100% of the shares delivered under the Plan to the Executive Directors and other Participants as determined by the Board of Directors shall be subject to a two-year holding period.

In addition, in accordance with the provisions of the Remuneration Policy for Directors of Telefónica, S.A., the Executive Directors must maintain (directly or indirectly) a number of shares (including those delivered as remuneration) equivalent to two years of their Gross Fixed Remuneration, as long as they continue to belong to the Board of Directors and perform executive functions. Until such time as this requirement is met, the holding period for any shares delivered under the Plan to Executive Directors will be three years.

The maximum number of allocated shares to be delivered in the event of maximum compliance with the TSR (Total Shareholder Return), FCF (Free Cash Flow), CO2 Emission Neutralization Reduction and Women in Executive Positions targets of the active plans, as applicable, is shown below.

PSP 2024-2028 - First cycle / 2024-2026

Current Directors	Maximum number of shares (*)
Mr. Marc Thomas Murtra Millar	—
Mr. Emilio Gayo Rodríguez	326,000

(*) Maximum possible number of shares to be received in case of maximum completion of TSR, FCF and Neutralization of CO2 Emissions target.

In any case, it is noted that no shares have been delivered to the Chief Operating Officer (COO) Mr. Emilio Gayo Rodríguez under the First cycle (2024-2026) of the Long-Term Incentive Plan 2024-2028 and that the above table only reflects the number of shares potentially deliverable, without in any way implying that all or part of the shares will actually be delivered.

In the case of Mr. José María Álvarez-Pallete López and Mr. Ángel Vilá Boix, due to their resignation as Executive Chairman and Chief Executive Officer, respectively, they did not receive the delivery of shares corresponding to this, but they received the equivalent amount in cash based on the length of time they had been with the Company. Mr. José María Álvarez-Pallete López 1,023 thousand euros (corresponding to the value of 259,959 shares at a price of 3.94 euros per share) and Mr. Ángel Vilá Boix 872 thousand euros (corresponding to the value of 202,782 shares at a price of 4.30 euros per share).

PSP 2024-2028 - Second cycle / 2025-2027

Current Directors	Maximum number of shares (*)
Mr. Marc Thomas Murtra Millar	916,000
Mr. Emilio Gayo Rodríguez	622,000

(*) Maximum possible number of shares to be received in case of maximum completion of TSR, FCF and Neutralization of CO2 Emissions target.

In any case, it is noted that no shares have been delivered to the Executive Chairman, Mr. Marc Thomas Murtra Millar, or to the Chief Operating Officer (C.O.O), Mr. Emilio Gayo Rodríguez under the Second cycle (2025-2027) of the 2024-2028 Long-Term Incentive Plan, and that the above table only reflects the number of shares potentially deliverable, without in any way implying that all or part of the shares will actually be delivered.

In addition, it should be noted that the external Directors of the Company do not receive and did not receive remuneration during the year 2025 in concept of pensions or life insurance, nor do they participate in compensation plans referenced to the value of the share price.

Furthermore, the Company does not grant nor has granted during the year 2025, an advance, loan or credit in favor of its Board Members or its Senior Management, complying with the requirements of the Sarbanes-Oxley Act published in the United States, which was applicable to Telefónica in 2025 as a listed company in this market.

Remuneration of the Company's Senior Management

As for the Directors who made up the Senior Management[1] of the company in the year 2025, excluding those who form an integral part of the Board of Directors, have accrued a total amount of 20,018,852 euros during the 2025 fiscal year. This amount includes the sums paid as severance compensation for the termination of members of Senior Management in 2025 (12,329,834 euros)

In addition, and in terms of long-term savings systems, the contributions made by the Telefónica Group during the year 2025 to the Social Security Plan described in the "Income and expenditure" note with regard to these Directors increased to 1,039,383 euros; the contributions corresponding to the Pension Plan increased to 33,607 euros; the contributions to the Seguro Unit link-Excess Pension Fund increased to 120,723 euros.

Furthermore, the amount related to the remuneration in kind (which includes the fees for life insurance and other insurance, such as the general medical and dental coverage, and vehicle insurance) was 135,733 euros.

On the other hand, regarding share-based remuneration plans, during the year 2025, there were in force the following long-term variable remuneration plans:

The so-called "Performance Share Plan" ("PSP"), made up of: the Long-Term Incentive Plan 2021-2025 (with Third cycle (2023-2025) active) approved by the General Shareholders' Meeting held on April 23, 2021, and the Long-Term Incentive Plan 2024-2028 (with First cycle (2024-2026) and Second cycle (2025-2027) active), approved by the General Shareholders' Meeting held on April 12, 2024.

The target measurement period of the Third cycle (2023-2025) of the Long-Term Incentive Plan 2021-2025 started on January 1, 2023 and ended on December 31, 2025. The maximum number of shares allocated to be delivered in the event of maximum compliance with the TSR ("Total Shareholder Return"), FCF ("Free Cash Flow") and CO2 Emission Neutralization and Reduction targets set for the this cycle for all the Company's Senior Executives was 733,204.

Taking into account the Relative TSR, Free Cash Flow and CO2 Neutralization results, the weighted payout ratio increased to 50%. Thus, at the end of the first cycle of the Plan, the Company's Senior Executives are entitled to receive 366,602 gross shares.

The target measurement period for the First cycle (2024-2026) and the Second cycle (2025-2027) of the Long-Term Incentive Plan 2024-2028 started on January 1, 2024 and January 1, 2025 respectively, and will end on December 31, 2026 and December 31, 2027 respectively. The maximum number of shares allocated to be delivered in the event of maximum compliance with the TSR (Total Shareholder Return), FCF (Free Cash Flow), CO2 Emission Neutralization and Reduction and Women in Executive Positions targets set for both cycles, as applicable, for all the Company's Senior Executives is 693,727 in the First cycle (2024-2026) and 770,823 in the Second cycle (2025-2027) of the Long-Term Incentive Plan 2024-2028.

(1) For these purposes, Senior Management is understood to be those persons who perform, de jure or de facto, senior management functions reporting directly to the Board of Directors or Executive Committees or Managing Directors of the Company, including, in all cases, the person responsible for Internal Audit.

Management report 2025

This Management Report has been prepared taking into consideration the 'Guidelines on the preparation of annual corporate governance reports for listed companies', published by CNMV in July 2013.

In accordance with Law 11/2018 of December 28, and following the amendment of the article 262 of Commerce Law, the Company is not complied to include non-financial information in the Management Report. The disclosure of this information can be found in the Consolidated Management Report of the Telefónica Group (whose parent Company is Telefónica, S.A.) which will be filed as well as the consolidated financial statements in the Commercial Registry of Madrid.

Business Model

In 2025, Telefonica's environment was characterised by growing geopolitical complexity, an accelerated pace of technological transformation and an evolving European telecommunications market. This context combines significant challenges with relevant opportunities to strengthen competitiveness, boost innovation and contribute to the development of a more resilient and autonomous digital ecosystem in Europe.

1.Political and macroeconomic context:

The global macroeconomic environment of 2025 is marked by greater geopolitical polarisation and the advancement of strategic autonomy as a priority on the European agenda. The reconfiguration of alliances, competition for critical technologies, and the rearrangement of supply chains continue to exert a significant influence on economic stability and businesses operations.

Technological disruption continues to advance at even greater pace. Artificial intelligence, automation and new digital models are transforming business processes and generating new opportunities for value creation. This accelerated pace requires organizations to be highly adaptable and continuously develop new digital capabilities.

In macroeconomic terms, the environment continues to present great uncertainty and volatility. New tariff barriers, risks associated with monetary and fiscal policies, currency volatility and challenges associated with the energy transition determine an uncertain scenario for the future. These factors will continue to condition the development of the Telco and Tech sector in the coming years.

2. Context for the telecommunications industry:

The European telecoms market continues to show moderate growth, with forecasts of around 1.5% per year for the period 2023–2028, below expected inflation levels. This development highlights the uniqueness of the European market, which is characterised by high fragmentation: around 40 operators maintain their own networks, in contrast to more concentrated markets in the United States and China.

Consumer preferences are evolving towards a greater demand for quality, digital experience and service reliability, attributes that already prevail over price for most users. This environment encourages operators to double-down on digitization, automation and continuous improvement of customer service.

The cycle of infrastructure divestments has slowed significantly in recent years, reflecting a more restrictive financial environment. In parallel, the increase in cybersecurity threats and the expansion of regulatory requirements reinforce the role of the sector in the protection of critical infrastructures. In this area, an opportunity of between 10,000 and 22,000 million euros per year in cybersecurity services is estimated by 2035.

3. Technology context:

The global technology landscape is dominated by large companies with leading positions at key segments of the digital economy. These companies, mainly American and Chinese, concentrate a capacity for investment and technological development which Europe has been unable to match so far, generating relevant dependencies on critical technologies.

According to the Draghi report, Europe will require more than 750,000 million euros in additional investment until 2030 to close the accumulated technological gap. Despite this situation, digital services maintain solid growth, with rates above 10% per year driven by the

adoption of artificial intelligence, cloud services, advanced automation and cybersecurity solutions.

The increase in cyberattacks targeting critical infrastructure reinforces the need to strengthen technological resilience and move towards European capabilities in areas such as cybersecurity and the sovereign cloud. This development underlines the essential role of telecom operators in protecting the continent's strategic digital services.

4. European context: strategic autonomy and potential sector consolidation

Europe is at a turning point to strengthen its strategic autonomy and promote an environment that encourages investment in critical infrastructure and technologies. The fragmentation of the European Telco market has led to smaller-scale operators and less efficient networks, limiting the ability to compete vis-a-vis other large developed markets.

The differences in investment are evident: while operators in the United States and China are allocating between 6,700 and 11,300 million euros per year to CapEx, the average per European operator is around 700 million. As a result, technology deployment is progressing at different paces: China reaches 77% availability of 5G Standalone and the United States 24%, compared to an estimated 2% in Europe.

Recent reports, such as those by Mario Draghi and Enrico Letta, highlight the need for larger-scale European operators and have generated a broad consensus on the importance of consolidation to strengthen the continent's competitiveness and technological autonomy. Its potential development could be accompanied by a regulatory framework more aligned with the sector's investment, efficiency and sustainability objectives.

In this context, consolidation in national markets represents an opportunity to improve operational efficiency, increase investment capacity and contribute to closing the technological gap with other large blocs. Various sector analyses estimate that its unlocking could generate between 18,000 and 22,000 million euros in synergies, with benefits for customers, operators and for the European digital ecosystem as a whole.

5. Implications for Telefónica

The evolution of the environment determines several strategic implications for Telefónica that should guide the Group's priorities in terms of investment, capabilities and operating model:

- European consolidation is increasingly likely, although its timing remains uncertain, and could lead to more efficient and larger-scale scenarios in key markets.
- Europe will increase investment to regain technological sovereignty, creating opportunities to strengthen Telefónica's role in critical technologies and advanced digital services.
- Customer experience will continue to be a major differentiating factor, which requires developing new digital models, more personalization and operational excellence.
- Leading operators should maintain end-to-end industrial control over essential infrastructure, ensuring security, resilience and technological evolution.
- Artificial intelligence will transform processes and networks across the board, driving improvements in efficiency, automation and quality of service in across Groups' areas.

Economic results of Telefónica, S.A.

Telefónica, S.A. obtained a loss of 1,060 million euros in 2025. Highlights of the 2025 income statement include:

- Revenue from operations, amounting to 890 million euros, lower than the previous year figure due to the decrease of dividends registered as revenues (disclosed in note 19).
- The figure of "Impairment losses and other losses" amounting to a write down of 758 million euros in 2025 (4,223 million euros in 2024).
- Net financial expense totaled 851 million euros (1,277 million euros of financial expense in 2024). This figure is mainly due to finance costs with Group companies and associates, principally from Telefónica Europe, B.V. amounting to 2,025 million euros (2,024 million euros in 2024) and Telefónica Emisiones, S.A.U. totaling 523 million euros (542 million euros in 2024). Net exchange rate gains amount to 22 million euros both in 2025 and 2024).
- Income tax caption amounts to positive 380 million euros (see note 17).

Investment activity

The investment activity of the Company regarding additions, sales, valuation criteria and impact of this valuation in 2025 is described in note 8 of these financial statements.

Share price performance

In 2025, global equity markets posted positive returns for the third consecutive year (MSCI World ACWI index +20.6%, in euros +6.3%) in a context marked by the US government's trade war and the strength of artificial intelligence. Trump's proposed trade war caused sharp market declines in the first half of 2025, a situation that did not reverse until the first trade agreements with its main economic partners, including the European Union and China, were finalized. AI captured all the attention during the second half of the year, driving Wall Street to new all-time highs (S&P 500 +16.4%) thanks to the strong performance of technology companies (Nasdaq 100 +20.2%).

European indexes also recorded widespread gains (Stoxx 600, +16.7%, Euro Stoxx-50 +18.3%), with the banking sector leading the way, after appreciating 67%. The Ibex-35 (+49.3%) is the best performing index on the continent, after achieving its best performance since 1993, also driven largely by banks. It has thus surpassed the historic highs set in 2007, with a cumulative return of +110% over the last three years. The other major indices: MIB +31.5%; DAX +23%; FTSE 100 +21.5%; and CAC 40 +10.4%.

Asian markets have joined the global stock market rally and achieved their best performance since 2017 (MSCI Asia Pacific +25.3%), driven by markets with significant exposure to technology and AI, including South Korea (Kospi +75.6%) Hong Kong (Hang Seng +28%), Japan (Nikkei +26.2%), and Taiwan (TWSE +25.7%).

On the other hand, 2025 has also been marked by the rise of precious metals such as gold (+65%) and silver (+148%), with the highest gains since 1979.

The European telecommunications sector appreciated by 12%, below the Stoxx 600's +16.7%, ranking as the eighth best sector in the region. In the first quarter of 2025, there was a significant rotation into telecoms from sectors most affected by trade tariffs, showing a high relative correlation with other defensive sectors. Despite improved fundamentals, increased cash flow as fiber deployment slows, and growing prospects for consolidation, the sector's performance weakened in the second half of the year as markets recovered and investment flows shifted to cyclical companies.

The outlook for the telecommunications sector for 2026 remains positive. The market considers the sector to be defensive and gives it good credentials: solid and consistent execution, cost control, lower investment levels, positive impact of artificial intelligence, healthier balance sheets, and growing cash flows. However, consolidation continues to be seen as a key factor in the sector's future. 2026 should be the year in which mergers and acquisitions take place in France, Spain, Germany, Italy, and the Nordic countries.

The year 2025 has been a turning point for Telefónica, marked by the presentation of its new five-year strategic plan, Transform & Grow, during its Capital Markets Day in November. This new plan will drive growth and long-term value creation, and strengthen leadership in Spain, Brazil, Germany, and the United Kingdom, while being structured around six strategic pillars: delivering the best in-class customer experience, expanding the B2C offering, scaling the B2B and public administration business, evolving its technological capabilities, simplifying the operating model, and developing talent. The market reacted negatively to the plan, with lower-than-expected free cash flow and a reduction in the dividend for 2026, along with low operating growth and the absence of announcements on mergers and acquisitions. However, the market applauded the credibility of the objectives presented, the efficiency measures, the higher quality of free cash flow, the improvement in dividend sustainability, and the complete exit from Hispam.

Telefónica ended 2025 with a market capitalization of €19.806 billion and a share price of €3.49, representing a fall of 11.3% over the year and a total shareholder return including dividends of -4.4%, below that achieved by the sector.

Regarding the dividend payment, €0.30 per share in cash was paid during 2025 (€0.15 in June and €0.15 in December), bringing the dividend yield for 2025 to 7.6%.

The dividend policy for 2025 is €0.30 per share in cash (€0.15 per share paid in December 2025 and €0.15 per share to be paid in June 2026). In 2026, a dividend of €0.15 per share in cash will be paid in June 2027. The remuneration target for 2027 and 2028 will be based on a range of 40-60% of the base free cash flow for dividends, payable in June of the following year. These latest targets were announced in the new Transform & Grow Strategic Plan.

Contribution and innovation

Telefónica remains committed to technological innovation as a fundamental tool for being one of the main players in the new digital universe, contributing to the creation of a more sustainable world while achieving competitive advantages and distinctive products. By introducing new technologies and developing business solutions and processes, we aim to become a more effective, efficient and customer-oriented Group.

Telefónica bases its innovation strategy on the balance between two main complementary models:

First, through our internal research, development and innovation (R&D&I), for which we have developed our own innovation model, which allows us to leverage R&D&I results and capabilities in developing commercial products and services benefiting from knowledge gained in collaborations with research centers, technological institutes and universities, amongst other sources; and

Second, through the creation of open innovation ecosystems, in which the "Wayra" initiative stands out as a global program designed to connect entrepreneurs, start-ups, investors, venture capital funds and public and private organizations around the world to promote innovation in collaboration with other actors.

In addition to these two models, Telefónica seeks to promote the development of sustainable solutions that generate a positive impact on the environment and on the economic, social and technological progress of the regions in which we operate. To this effect, Telefónica invests in promoting sustainable innovation projects and in the activities that improve the accessibility of our solutions to all groups.

Internal Research, Development and Innovation:

Telefónica believes that competitive advantage cannot be based solely on acquired technology, and so has considered the promotion of internal R&D&I activities as a strategic axis, in an effort to achieve this differentiation and move forward in other activities which support the sustainability of our business.

To this end, Telefónica Group's internal innovation policy focuses on contributing solutions that support Telefónica's commitment to developing a responsible business under the criteria of economic, societal and environmental sustainability, by:

- Developing new products and services that enable growth and competition in an increasingly global environment, while being adapted to the diversity and local needs of each market;
- Increasing the revenue potential related to new products by creating value from the intellectual property rights of the generated technology;
- Increasing our customers' loyalty and satisfaction;
- Increasing the revenues, profits and value of the Company;
- Increasing the quality of our infrastructure and services;
- Strengthening our relationship with our technology and solutions providers; and
- Improving business processes and operations with the aim of optimizing resources, increasing efficiency and reducing environmental impact.

During 2025, Telefónica's numerous technological innovation activities were focused on:

- Evolution of advanced networks and intelligent automation: The Company has prioritized the evolution of its networks towards more flexible and programmable architectures, enhancing the development of capabilities associated with 5G and 5G Advanced. These initiatives have been geared towards improving operational efficiency, enabling new cases of use, and moving toward advancing to progressively more autonomous network models through virtualization, disaggregation, and the use of artificial intelligence.
- Cloud-native architectures, edge computing, and digital sovereignty: Telefónica has continued developing cloud-native and edge architectures as the foundation for providing advanced, low-latency digital services. These lines of work, developed in coordination with European projects and industrial alliances, contribute to the strengthening of resilient digital infrastructures and achieving technological sovereignty.
- Exposing network capabilities and open ecosystems: In 2025, Telefónica has progressed in the standardized exposure of network capabilities through APIs, facilitating their integration into third-party applications and services. In this context, the Open Gateway initiative has become a strategic pillar for promoting open and interoperable environments accelerating collaborative innovation and creation of new business models based on telco capabilities.
- Cybersecurity, resilience, and digital trust: Cybersecurity has continued to be a cross-cutting

pillar of the R&D&I activity. Telefónica has strengthened the development of solutions aimed at improving the resilience of networks and services, incorporating automation and artificial intelligence into incident detection, prevention, and response processes, with the goal of strengthening the digital trust of customers and organizations.

- Quantum technologies and post-quantum security: The Company has maintained its commitment to research in quantum technologies, with a particular focus on quantum communications and the progressive adoption of post-quantum security frameworks. These activities have been developed within the framework of European initiatives and public-private partnerships, anticipating the future impacts of quantum computing on information protection.

- Early research in 6G and future networks: Telefónica has continued to participate in research projects focused on defining 6G networks, addressing aspects such as efficient spectrum use, the integration of artificial intelligence, and new security approaches. These initiatives reinforce its contribution to the evolution of next-generation network standards and architectures.

- Exploration of emerging technologies and technology monitoring: In addition, the Company has developed innovation and technology monitoring activities in emerging areas such as blockchain, Web3 and advanced artificial intelligence, with the aim of evaluating their future applicability and their potential impact on business models and operational efficiency.

- Experimental and applied research: With a medium and long-term vision, Telefónica also has specialized scientific groups whose mission is to research and advance the latest generation of technologies to solve emerging technological, social, and environmental challenges. These activities are carried out in collaboration with universities and public and private research centers, both national and international.

The total research and development ("R&D") expense in the Group for 2025 amounted to 1,004.2 million euros, 51% higher than the 619 million euros incurred in 2024. These expenses represented 2.86% and 1.7% of the Group's consolidated revenues for 2025 and 2024, respectively. These figures were calculated using guidelines of the Organization for Economic Co-operation and Development ("OECD") manual.

During 2025, Telefónica filed 25 patent applications for new inventions, 19 of which were European applications, and 6 of which were international applications (PCT). All of them were registered through the Spanish Patent and Trademark Office (OEPM). During 2025 a total of 42 patent applications from former years were granted.

These figures represent an increase of 38.9% in the number of patent applications for new inventions compared with the 18 patent applications in 2024 and an increase of 223% in the number of patent applications granted compared with the 13 patent applications in 2023.

Moreover, three new industrial design families related to Customer Premises Equipment with European scope were registered in 2025 through the European Union Intellectual Property Office (EUIPO) and in Brazil and Chile (in 2024 also three new industrial designs were registered).

At the end of 2025, the Telefónica Group had a portfolio of 478 active patents, 145 industrial designs and eleven utility models, resulting in a portfolio of 634 registered technological intangible assets (566 as of December 31, 2024).

Open Innovation

Wayra is the Group's main open innovation tool and functions as a Corporate Venture Capital vehicle, facilitating collaboration between Telefónica and the entrepreneurial environment, as well as connecting with corporate and institutional partners and investors. Throughout 2025, it has continued to focus its activity on identifying disruptive technologies and generating collaboration and business opportunities aligned with the Group's strategic priorities.

As of the end of 2025, Wayra will have invested over 260 million euros (direct and indirect investment through funds) in more than 1,200 startups, maintaining an active portfolio of over 520 companies. Wayra has also completed divestments in more than 200 startups and strengthened its focus on industrial collaboration, with over 460 startups working with Telefónica or its clients, collectively generating over 700 million euros in revenue for the startups.

During the year, the operational collaboration model with the Group's business has been consolidated, so that more than 200 startups in the active portfolio maintain collaborations with Telefónica. This model is complemented by indirect investment activity through participation as a limited partner in 15 funds in markets considered strategic.

Throughout 2025, Wayra has strengthened its position as a platform connecting startups, investors, and corporations, particularly through its participation in 4YFN, with over 30 startups from its portfolio and an agenda focused on fostering agreements and collaboration opportunities. In the area of investment and scaling, transactions and increased stakes in portfolio companies have been announced, including an investment in Wise CX to support its growth in Spain and Brazil, as well as an investment in LuxQuanta,

specializing in quantum communications technologies and advanced security. Investments related to the digital transformation of the insurance sector have also been made through Íope Ventures, including, among others, Weecover and Foliume.

In addition, in 2025 Telefónica has maintained its activity of promoting territorial entrepreneurship through Telefónica Open Future, articulating announcements and acceleration programs in collaboration with regional and local actors, with a focus on technological areas such as data, Internet of Things, artificial intelligence and cybersecurity.

Finally, Wayra has continued to promote collaborative initiatives with third parties through platforms such as Alaian or Scaleup Spain, maintaining a model focused on identifying solutions with the potential to scale and integrate with the Group's business.

Environment

Climate change adaptation and mitigation

Telefónica integrates the risks and opportunities identified into its business model through the CAP, which is included in the Company's strategy and financial planning. This is achieved through the diversification of products and services, sustainable financing models and mitigation and adaptation actions, such as renewable energy consumption and energy efficiency.

1

The Global Environment and Energy Policy and the Global Supply Chain Sustainability Policy address climate change issues (mitigation, adaptation and energy efficiency) on a cross-cutting basis.

Global Environmental and Energy Policy

This policy establishes the guidelines that steer the Company, globally and locally, to support and improve its environmental and energy performance. It includes aspects related to climate change mitigation and adaptation, such as a commitment to efficient energy consumption and the reduction of GHG emissions, defining a common framework for moving towards net-zero emissions by 2040, including in Telefónica's value chain.

Its main targets relate to legal compliance in environmental matters, reducing environmental impact, collaborating with suppliers to reduce their carbon emissions, managing impacts, risks and opportunities deriving from climate change, and fostering the development of digital solutions to tackle environmental challenges.

With the firm intention of accelerating towards being a decarbonised Company, by decoupling data traffic from GHG emissions, and in accordance with this Policy, all Telefónica Group companies must:

- Define GHG emissions reduction targets for scopes 1, 2 and 3 for the short, medium and long term that are science based and externally validated.
- Continue consuming 100% renewable electricity in own operations (assets under operational control) in order to minimise the Company's carbon footprint.
- Reduce the use of fossil fuels in own operations, promoting the adoption of cleaner and alternative forms of energy.
- Incorporate innovative measures that will progressively lead Telefónica towards a net-zero emissions scenario.
- Offset/neutralise residual emissions in accordance with Company requirements.
- Minimise the impact of refrigerant gases.
- Promote energy efficiency measures, in both the design and the operation of facilities and infrastructures.

Global Supply Chain Sustainability Policy and Supplier Code of Conduct

Through its Global Supply Chain Sustainability Policy, Telefónica applies a robust due diligence process to identify, prevent and address adverse impacts.

The Supplier Code of Conduct is a tool for implementing these commitments, establishing the minimum sustainability criteria related to measures to mitigate the impact on climate change and energy efficiency, which must be met by suppliers.

It sets out the following criteria:

- Climate change: suppliers must minimise their environmental impact in their value chain, set GHG emissions reduction targets (preferably science-based), promote energy efficiency and the use of renewables and provide Telefónica with climate information when requested.
- Refrigerant gases: the suppliers shall not supply equipment containing ozone-depleting GHGs (such as CFC or HCFC), nor shall they refuel with these gases, unless expressly authorised to do so by Telefónica..

The main climate change adaptation and mitigation actions Telefónica is working on are set out below. These initiatives are developed on an ongoing basis, given their strategic nature for the Company.

The definition and implementation of these measures contribute directly to meeting the targets set out in Telefónica's Global Environmental and Energy Policy, as well as those set out in the Supply Chain Policy, particularly with regard to environmental risk management, achieving the Company's net-zero carbon emissions target by 2040 and promoting digital solutions to help Telefónica's customers address the major environmental challenges affecting society as a whole.

1.Renewable Energy Plan

The consumption of renewable energy contributes to mitigating the potential transition climate-related risks associated with the increase in costs derived from carbon and electricity prices, and the uncertainty about carbon credit prices.

This measure also promotes adaptation to physical climate-related risks such as drought and precipitation variability. By increasing self-generation of photovoltaic renewable energy, the Company is reducing its dependence on other sources such as hydroelectric power, which is more exposed to prolonged droughts. Through the Renewable Energy Plan, the Company not only promotes adaptation and mitigation of the potential impacts of climate change, but also considers renewable energy as a market opportunity to reduce operating costs and strengthen the Company's competitiveness.

The Renewable Energy Plan is applicable to all Telefónica's own operations. The consumption is based on three groups of activities:

1. Self-generation of renewable energy: Telefónica has renewable energy self-generation systems (solar and/or biomethanol) in base stations and buildings, which enable it to improve its autonomy, reduce its dependence on the electricity distribution network and dispense or reduce the use of fossil fuel generators in isolated base stations (off-grid).
2. Purchase of renewable electricity with a guarantee of origin: certificates that guarantee the traceability of renewable energy from its place of production to each point of consumption.
3. Long-term Power Purchase Agreements (PPAs): these contracts are designed to guarantee a supply of renewable electricity at a fixed or predictable price, so, in addition to supplying zero emissions electricity, they offer an opportunity for savings by reducing exposure to volatility in electricity market prices. Furthermore, they also contribute to promoting the construction of renewable energy parks in the countries in which Telefónica operates.

In 2025 renewable energy consumption reached 93% of total electricity consumption in own facilities (92% in 2024)

2. Energy efficiency projects

Energy efficiency projects in operations optimise electricity consumption, which reduces exposure to energy price volatility, avoids additional costs due to carbon regulations and reduces the need to purchase carbon credits. This helps mitigate climate transition risks, reduce operating costs and maintain competitiveness in the face of rising energy costs.

At the same time, they serve as a measure for adaptation to extreme weather events such as heatwaves and cold waves. Through implementing more efficient processes and equipment, the Company is adapting air conditioning to extreme temperatures, ensuring an optimal environment in which the infrastructure is operative and workers can perform their jobs in a safe setting.

The following actions, included in the Energy Efficiency Plan, reduce energy consumption:

- Network transformation: Telefónica is making progress with the modernisation of its mobile network, progressively switching off older technologies such as 2G and 3G, optimising 4G and consolidating 5G. In the fixed network, replacing copper with fibre optics improves capacity and service quality. The virtualisation of environments also contributes to optimising resources and energy consumption. By doing this, Telefónica seeks to reduce its energy consumption per unit of traffic (MWh/Petabyte) while deploying the network of the future.
- Compacting of technical rooms: redistribution of loads and reconfiguration of the network are promoted to switch off equipment with low occupancy, reduce energy consumption, increase the operational density of spaces and achieve maximum performance. With less equipment and higher utilisation, the Company achieves a more sustainable and efficient infrastructure, ready to support the demands of next-generation networks.
- Power Saving Features (PSF): implementing smart systems that optimise energy consumption during low-traffic hours makes it possible to reduce energy consumption without affecting service quality. These features are particularly useful both for legacy networks with low traffic density and for next-generation networks designed to support much higher volumes. This delivers a more efficient and sustainable operation, adapted to current and future needs.
- Modernisation of equipment: replacement of electrical infrastructure (rectifiers, power plants, external

cabinets and UPS) and air-conditioning systems (chillers and air-treatment units) with more efficient equipment, incorporating technological innovations that optimise energy consumption and replace cooling systems with equipment that uses gases with lower global warming potential (GWP).

- Replacement and/or reduction of fossil fuel consumption in operations: for critical sites without access to the grid or during power cuts, lithium batteries are introduced, increasing autonomy and reducing the need to start generators, reducing emissions and costs. When their use is unavoidable, biofuels and additives are used to reduce environmental impact, delivering cleaner and more efficient operations.
- Sustainable mobility: the transition to hybrid and electric vehicles is promoted, reducing fossil fuel consumption and CO_2 emissions. In parallel, the use of biofuels such as ethanol in combustion vehicles is promoted, ensuring a gradual transition towards more efficient and responsible mobility.
- Complementary actions: replacement of lighting with LED technology and installation of presence sensors to optimise the energy consumption of lighting systems, replacement of diesel with natural gas or propane in boilers used to heat offices, smart energy meters, leak control and replacement of refrigerant gases, among others.

As a result of these initiatives, energy consumption per unit of traffic in 2025 was 29 MWh/Petabyte, compared to 38 MWh/PetaByte in 2024. This ratio has improved by 92% compared to 2015, attributable to the efforts to improve the energy efficiency of the network, which have allowed for a reduction in energy consumption while the amount of data traffic managed by the networks grows.

This energy intensity metric (MWh/PetaByte) is the ratio of total energy consumption (fuel consumption in operations and vehicle fleet and electricity consumption), divided by the volume of data traffic in PetaBytes. The traffic used is the annual volume of data traffic (mobile and fixed) carried on Telefónica's data access networks. It is aggregated both in the downstream direction (network-customer) and in the upstream direction (customer-network). The units in which it is expressed are PetaBytes (10^15 Bytes).

3. Supplier engagement

Scope 3 emissions represent the largest share of Telefónica's carbon footprint, and more than half derive from its supply chain. Therefore, in 2025 supplier engagement initiatives in collaboration with the Company's main suppliers in this area continued.

As a starting point, and to establish minimum requirements applicable to the suppliers within Telefónica's Procurement Model (MCT for it's acronym in Spanish), acceptance of the Supplier Code of Conduct is required, which includes, among other things, requirements on calculating and reducing emissions.

In addition, specific work is carried out based on each supplier's contribution to Telefónica's emissions footprint. To that end, suppliers are categorised and grouped into three priority levels:

- Priority group 1: comprises 56 key suppliers in terms of ICT sector emissions (44 in 2024).
- Priority group 2: comprises 79 suppliers (82 in 2024) that make up 55%[1] of Telefónica's supply chain emissions (79% in 2024).
- Priority group 3: comprises 141 suppliers (188 in 2024) that make up 62%[2] of Telefónica's supply chain emissions (88% en 2024).

Suppliers within Priority Group 3 were invited to provide information on their climate strategy, targets and actions through CDP Supply Chain. The information collected was analysed through the Company's Supplier Engagement Program (SEP), which assessed these suppliers' climate maturity and identified areas for improvement, which were addressed through a pledges model and training webinars.

Telefónica launched the SEP in 2022, and in 2024 it was scaled up to sector level through the combined efforts of the Joint Alliance for CSR (JAC) sector initiative. With this expansion, the program includes more than 0 suppliers (900 in 2024). By 2025, most had already made measurable progress in their climate maturity.

In addition, since 2022, Telefónica has required suppliers in Priority Group 2 to set science-based emissions reduction targets and have them validated by the Science-Based Targets initiative, a commitment that is monitored periodically.

Suppliers that, due to their contribution to GHG emissions in the ICT sector, are also part of Priority Group 1 were invited to participate in the collaborative initiative called the Carbon Reduction Program (CRP). CRP is a program managed through the JAC sector initiative, which seeks to drive emissions reductions at

[1] This percentage is the sum of the total emissions attributed to suppliers from whom Telefónica has required science-based emission reduction commitments and validation of these through the SBTi initiative, divided by total emissions in Telefónica's Scope 3 categories 1 and 2 in 2024.
[2] This percentage is the sum of the total emissions attributed to suppliers that Telefónica invites to complete the CDP Supply Chain questionnaire, divided by total emissions in Telefónica's Scope 3 categories 1 and 2 in 2024.

product level. Suppliers identify the most carbon-intensive products and through a Life Cycle Assessment (LCA) they determine which stages offer the greatest potential for reducing emissions. As a result, reduction plans are agreed with suppliers specific to these products.

In 2023, the CRP initiative was promoted by the Company with the support of another three telecommunications operators. Following its proven success, in 2025 it included more than a dozen operators.

4. Circular economy for equipment

Telefónica promotes the refurbishment and reuse of customer-premises equipment (CPE), such as routers and set-top boxes, mobile telephones and electronic operations equipment, through different initiatives.

Integrating circularity criteria into Telefónica's business models contributes to achieving net-zero carbon emissions at the Company, as the reuse of equipment lengthens its lifespan and avoids the emissions associated with extracting the materials needed to manufacture the devices, which would be necessary if the current equipment was not reused. It also reduces the emissions associated with the equipment's manufacturing process, which are greater than the emissions generated by refurbishment.

These initiatives help to decrease scope 3 emissions, mainly in categories 1 and 2. These are the emissions generated by manufacturing the products and capital goods that Telefónica acquires. Decreasing them therefore mitigates the effects of climate change and brings the Company closer to achieving its decarbonisation target.

5. Business Continuity Plans

Telefónica has a global crisis and business continuity system to prevent, respond to and mitigate service disruption due to climatic events such as floods, fires and landslides. This ensures that, should such events occur, their duration and cost are minimised.

The Global Business Continuity Regulation sets out preventive risk management and ensures maximum resilience of the Company's operations in the event of possible disruptions, including extreme weather events. It stipulates the development of continuity plans to restore essential activities that have been interrupted.

There is a Local Crisis Committee, one per business unit, and another at global level. They are activated in the event of high-impact disruptive events and involve the relevant areas for each type of crisis.

Crisis management is structured into four phases:

- **Alert phase**: initial assessment of the incident, escalation and activation of the Committee.
- **Evaluation phase**: diagnosis of the situation.
- **Development phase:** decision-making for managing the situation and activation of plans.
- **Closure phase:** crisis resolution, identification of lessons learned and improvement of action plans.

During the summer of 2025, Spain suffered one of the worst wildfire seasons in decades. These episodes were compounded by prolonged heatwaves, persistent droughts and accumulation of dry vegetation, factors which, according to scientific evidence, are exacerbated by climate change. Recent studies warn that, if structural measures are not adopted, the frequency and severity of these fires will increase significantly in the coming years, becoming a growing risk to safety, ecosystems and the continuity of business operations.

In response, Telefónica launched an extraordinary operation to restore connectivity in the 236 towns affected in eight provinces. The Company mobilised more than 200 specialised technicians and deployed additional resources such as mobile units, generators and satellite solutions to ensure critical connectivity in hospitals and emergency centres. Damaged infrastructure was also replaced by installing hundreds of kilometres of fibre-optic cable, and the Company worked closely with public authorities and the security forces to ensure safety and speed up service recovery. Thanks to these measures, connectivity was maintained at critical moments and service was restored in record time, strengthening response capacity to extreme weather events.

6. Insurance Programs and Coverage for climate-related events

The Corporate Risk and Insurance Department has an insurance program to protect the network's property and assets. This program is defined through risk modelling of the Company's locations, using historical information on extreme weather events and different computer modelling systems (RMS, EQCat or KatRisk).

This process determines the probabilities of possible losses and potential impacts for different scenarios and return periods.

Analysing this data is essential for managing risk and setting the limits and retentions of the Telefónica Group's various insurance programs.

7. Products aimed at decarbonizing the economy

In 2025 Telefónica continued strengthening its portfolio of digital products and services, which help decarbonise other sectors of the economy by fostering the digital and green transitions. These initiatives not only constitute one of the Company's main strategies for mitigating climate change beyond its value chain, but also represent a strategic opportunity for the Group. They provide Telefónica with access to a growing market, where demand is increasing for technological solutions capable of decarbonising customers' production processes, helping them to address greater regulatory pressure and increasing environmental awareness.

The Exponential Roadmap initiative[3] indicates that digital technologies could reduce GHG emissions by 15% in the industrial sector by 2030, and by up to 35% if people's habits change to become more digital and sustainable. This underscores the role of digitalisation in the transition to a low-carbon economy and strengthens the Company's commitment to solutions that benefit both the environment and its customers' competitiveness.

Development of Eco Smart services

Telefónica develops services based on connectivity, Internet of Things (IoT), cloud computing, big data and 5G. These solutions not only have the potential to generate operational and cost-savings , but also environmental benefits. To identify them, the Company uses the Eco Smart seal, which has four icons representing energy savings, reduction of water consumption, reduction of CO_2e emissions and promotion of the circular economy.

In 2025 the Group continued developing green digital solutions and identifying them through the deployment of the Eco Smart seal.

As a result of the verification process of the B2B solutions portfolios, 57% of the services that Telefónica offers have been verified as Eco Smart due to their potential to generate environmental benefits and contribute to mitigating the impact of customers on the planet[4].

Eco Smart services meet the following criteria: the environmental benefit must occur in the customer's activity or production process, or among the users of a service provided by that customer; it must be a direct consequence and not a side effect derived from the main benefit; and it must be significant, meaning that it is relevant to the customer's operations.

Quantification of avoided emissions

To understand Telefónica's level of contribution to climate change mitigation, the Company annually quantifies the greenhouse gas (GHG) emissions that its customers avoid thanks to the use of its products and services, i.e. the net carbon impact generated when compared to a scenario in which the solution is not used.

Telefónica estimates that its Eco Smart and connectivity services helped customers in Spain, Brazil and Germany avoid the emission of 19.2 million tonnes of CO_2e in 2025[5] (17.4 million tonnes in 2024). These emissions are not taken into account in the calculation of Telefónica's carbon footprint reduction.

The contribution of connectivity services offered to the residential segment (B2C) in Spain, Germany and Brazil has been quantified, as well as some IoT-based Eco Smart services offered to business customers (B2B) in these markets, given that currently only these markets have the complete information required by the reference standards used.

For B2C connectivity services, fixed and mobile broadband services are considered, enabling the following uses: teleworking, online training, online shopping, public transport applications and carpooling applications. The IoT solutions incorporated are those related to managing smart cities (lighting, waste and parking) and vehicle fleets.

For each of the solutions analysed, first-order effects (direct environmental impacts due to the existence of the solution), second-order effects (indirect impacts from the use and application of the solution) and higher-order effects (indirect impacts due to changes in consumption patterns or lifestyles in society) have been identified and, where possible, quantified. Different data sources are used for calculating the effects, depending on the case. These include the results of surveys conducted with Telefónica customers, as well as bibliographic sources, among others.

The net carbon impact for each solution is calculated as the sum of the effects described above. Total avoided emissions are therefore obtained by adding up the net carbon impacts of all the solutions analysed.

[3] Source: Exponential Roadmap Scaling 36 solutions to halve emissions by 2030 Report.

[4] This indicator is calculated by dividing the total number of B2B solutions verified as Eco Smart by AENOR by the total number of B2B solutions in the Company's portfolio.AENOR assesses the products and services portfolio based on the ISO/IEC17029:2019 standard Conformity assessment – General principles and requirements for validation and verification bodies. In 2025, no evaluations of the B2B portfolios were carried out under the Eco Smart label framework, so the value of the indicator remains unchanged compared to the end of fiscal year 2024.

[5] A methodology based on both the WBCSD's Guidance on Avoided Emissions and the ITU L.1480 standard is used to calculate this indicator.

Circular economy

Telefónica has established actions to become a Zero Waste company by 2030 and to meet the circular economy commitments included in its Global Environmental and Energy Policy. These commitments include minimising the impact of waste generated, promoting reuse and recycling, and reducing the generation of hazardous waste.

In line with these commitments, Telefónica is implementing the following actions to manage its material impacts, risks and opportunities related to the circular economy:

1. Reuse customer-premises equipment (routers and set-top boxes)

This action focuses on the reuse of B2C/B2B routers and set-top boxes that follow under the device as a service model. It includes equipment that the Company collects from customers and delivers to a refurbishing company to give a second life.

This project is implemented at all Telefónica operators offering fixed telephony services and includes the upstream and downstream phases of the value chain, as well as own operations.

The reuse of customer-premise equipment is a long-term action that helps reduce dependency risks related to the circular economy. At the same time, it represents an opportunity for economic savings by avoiding the purchase of new equipment.

The expected result is to maintain the reuse of 90% of routers and decoders delivered for refurbishment.

In 2025 the Company reused 3.2 million routers and decoders (4 million in 2024), representing 80% (91% in 2024) of the total equipment delivered for refurbishment.

The variation compared to 2024 is due to the reduced scope of consolidation in 2025, as well as technological developments affecting this type of equipment. These factors determine the volume of equipment suitable for refurbishment.

2. Reuse mobile devices

Within the scope of this initiative, mobile devices owned by customers or by Telefónica and obtained through different channels are included, with the aim of giving them a second life. This is done through initiatives such as buyback programs, the sale of refurbished devices, repair services and reuse within leasing services, among other measures.

This initiative is rolled out in markets that offer mobile phone services and includes the upstream and downstream phases of the value chain, as well as own operations.

Reusing devices contributes to the reduction of circular economy-related dependency risks, and is a long-term action.

In 2025, 357,188 mobile devices were reused (437,180 in 2024). The variation compared to 2024 is mainly due to the reduced scope of consolidation in 2025 and lower numbers of mobile phones recovered through buyback programmes. A similar figure is expected in the medium term.

3. Prioritise the reuse of network equipment

Telefónica has implemented programs and digital platforms to extend the lifespan of network equipment and encourage its reuse.

This equipment comes from Telefónica's own infrastructure and that of partner organisations, mainly in markets where Telefónica operates telecommunications networks. The initiative covers both the upstream and downstream phases of the value chain, as well as own operations.

The reuse of network equipment is a long-term action that contributes to the reduction of circular economy-related dependency risks.

Thanks to efforts to promote the reuse of network equipment, 781,822 items were reused in 2025, compared to 533,818 in 2024. A similar figure is expected to be maintained in the medium term.

4. Recycle 100% of waste when reuse is not possible

This initiative includes delivering waste for recycling to waste managers authorised by the competent bodies and consolidating the waste generated by the Company's activity. In some cases it is possible to generate income through the sale of waste for recycling.

The GreTel digital tool enhances the traceability of waste disposal information, helping to mitigate risks and impacts from improper treatment.

The project is rolled out in regions with fixed or mobile telecommunications infrastructure, and focuses on the operations phase (waste management) of the value chain.

This is a long-term action that is expected to recycle over 95% of the waste generated. In 2025, 94% of waste was recycled (94% in 2024).

5. Facilitate the sharing of network infrastructure

Telefónica has agreements in place with other operators to share network infrastructure, either partially or completely, in order to optimise its use and reduce the impact of the telecommunications sector on the environment.

Sharing telecommunications network infrastructure and constituent parts, such as sites, RAN components or frequency spectrum, allows existing assets to be maximised by increasing their utilisation intensity.

This approach is designed to achieve optimal land use, minimise visual impact, optimise energy consumption and reduce waste generation. This strategy contributes to a more efficient and resilient network model that is aligned with the Group's circular economy principles.

This initiative is underway and in ongoing development, mainly in the three key markets, and includes both own operations and those in the downstream phase of the value chain.

Human Capital

Within the framework of the "Transform & Grow" Strategic Plan, people and talent management is a key driver for boosting the Company's performance and sustainability. This approach contributes to fulfilling the mission of delivering the best digital experience and supports a profitable growth model.

People strategy focuses on simplifying the operating model, promoting greater autonomy and agility in operations, optimizing crucial functions and generating value through efficiency and scale. It also fosters talent development by attracting, retaining, and training professionals, promoting a culture centered on impact, execution, and continuous improvement.

This model allows the Company to anticipate the critical business capabilities, strengthening key competences, and promoting professional growth in a constantly evolving technological environment. In this context, the Company is committed to offering suitable working conditions and promoting an inclusive, safe, and healthy environment, convinced that workforce is the main driver for transforming the organization and driving its growth.

Relevant Policies at Telefónica, S.A.

Key policies include Human Rights, Equality, Diversity and Inclusion, Safety, Health and Wellbeing, Digital Disconnection policy, as well as specific regulations on harassment, responsible business and privacy,

Skills Management at Telefónica, training and education

Telefónica aligns its current and future capabilities through Skills Workforce Planning, developing new capabilities through reskilling and upskilling programs. Tools such as SkillsBank personalize training, while Universitas Telefónica offers programs designed to develop strategic skills and foster leadership. We also use internal mobility as a tool to acquire new skills.

The Company boosts a talent attraction program placing the candidate as the center of the process and reinforces an agile and high quality selection experience.

Talent attraction is based on a multichannel outlook integrating digital platforms as well as job fairs and alliances with forums, social networks and technological universities complementing the use of digital tools.

Company/employee relationship. Commitment and motivation of our employees

Employee commitment is key to Telefónica's strategy, measured annually by the Employee Net Promoter Score (eNPS), which assesses the likelihood of recommending the company. In 2025 we achieved a score of 73, complemented by satisfaction surveys and qualitative analysis. Internal listening exercises and evaluations are also carried out to promote equality, diversity and employee well-being.

Within this framework of listening and continuous improvement, since 2019 the Company has been implementing agreements aimed at ensuring a balance between personal and professional life, as well as promoting digital disconnection. These commitments have been recently reinforced with the signing of the second extension of the Collective Job Agreement in December 2025, which consolidates the commitment to a hybrid work model and with the signing of the Social Framework in October 2025, which promotes measures related to work-life balance, equal opportunities, diversity, and well-being.

Benefits Model

The Company has complete benefits model designed to improve compensation, promote well-being, and facilitate work-life balance.

This model includes flexible compensation benefits, health and safety coverage (medical and life insurance), social security (pension plan), physical, emotional, and financial well-being programs, as well as various grants and subsidies, contributing to a more personalized employee experience tailored to individual needs.

Diversity and Equal Opportunity

Telefónica is committed to diversity as a source of talent and to the creation of inclusive and accessible environments. The Company has a Global Diversity and Inclusion Policy as well as specific protocols on diversity, accesibility and gender equality.

The framework has been reinforced through social dialogue and negotiation. In the first extension of the Collective Job Agreement for global units (at the beginning of 2025) an specific protocol for harassment or violence against LGTBI persons was included, adding to the already existing protocols for harassment at work, discrimination and sexual harassment included in the 2023 Collective Agreement.

The Company targets objectives to strenghten its commitment such as the annual percentage of female management. For 205 the target aimed at 34.6% and a 35.3% was achieved.

Safety, Health and Wellbeing

At Telefónica, we understand safety and health at work as comprehensive physical, mental and social wellbeing. We have a Global Safety Policy with a common set of principles and guidelines, and we have our own occupational health, safety, and well-being policy and management system. These systems are tailored to the Company's activities, its operational context, and specific risks, promoting the health, safety, and well-being of our employees, our supply chain, and our partners.

Telefónica implements occupational health and safety management systems aligned with international standards to prevent incidents and occupational illnesses. Furthermore, we encourage active employee participation in health committees and develop initiatives focused on physical and emotional well-being, including social benefits and health programs designed to reduce stress and improve the work environment.

These measures not only directly benefit employees—who, through internal surveys, indicate that Telefónica actively promotes their well-being—but also generate a positive impact on society and contribute to ensuring long-term business success.

Liquidity and capital resources

Financing

The main financing transactions carried out in the bond market in 2025 are as follows:

Description	Issue date	Maturity date	Amount in millions (nominal)	Currency of issue	Amount in millions (nominal)	Coupon
Telefónica Emisiones, S.A.U.						
EMTN bond [1]	01/23/2025	01/23/2034	1,000	1,000	EUR	3.724 %
EMTN bond [1]	07/08/2025	07/08/2032	130	140	CHF	1.328 %

(1) Sustainable bonds

These transactions are guaranteed by Telefónica, S.A. On the same dates Telefónica, S.A. perceived loans from Telefónica Emisiones, S.A.U. of similar amount, terms and conditions.

The main transaction arranged in 2025 in the bank market is as follows:

- On January 13, 2025, Telefónica, S.A. signed an extension with respect to its sustainability-linked syndicated credit facility for up to 5,500 million euros for an additional year (extending the maturity date to January 13, 2030). Additionally, Telefónica signed 2 extension options for P1Y additional year each, permitting Telefónica, S.A.,to extend the maturity date of the credit facility to January 13, 2032.
- On June, 2025, Telefónica, S.A. drew down 125 million euros of its bilateral loan signed on January 15, 2025, and maturing on January 15, 2035.
- On November 11, 2025, Telefónica, S.A. signed and drew down 100 million euros of its bilateral loan maturing on November 19, 2032.

Available funds

At December 31, 2025 Telefónica, S.A.'s available funds from undrawn lines of credit in different financial institutions totaled 9,377 million euros (of which 9,179 million euros maturing in more than 12 months).

Additionally, cash and cash equivalents as of December 31, 2025 amount to 4,125 million euros.

Additional information on sources of liquidity and undrawn lines of credit available to the Company, on liquidity risk management, on the Company's debt levels, and on capital management is provided in notes 13, 14, 15 and 16 of the financial statements.

Contractual commitments

Note 19 to the financial statements provides information on firm commitments giving rise to future cash outflows and associated with operating leases, primarily.

Credit risk management

The credit risk in Telefónica, S.A. mainly refers to the one associated with financial derivative instruments arranged with different entities. The detailed description of how those risks are managed and hedged is included in note 16.

Credit rating

At December 31, 2025, Telefónica, S.A.'s long-term issuer default rating is "BBB stable outlook" from Fitch, "BBB- stable outlook" from Standard & Poor's and "Baa3 stable outlook" from Moody's. During this year, there have not been changes in the long-term credit ratings by any of the three agencies. Last changes in the credit ratings took place in 2020 when Standard and Poor's revised the outlook to "negative" from "stable" on April 1, 2020 and later, on November 20, 2020 downgraded the rating to "BBB - stable" from "BBB negative". On November 7, 2016 Moody's downgraded the rating to "Baa3 stable" from "Baa2 negative" and on September 5, 2016 Fitch downgraded the rating to "BBB stable" from "BBB+ stable".

In 2025, measures taken to protect the credit rating included an active portfolio management, through the gradual reduction of the exposure in Latin America. In this regard, TLH Holdco, S.L.U., a company 100% owned by Telefonica, has sold all the shares that it holds in Telefónica Móviles Argentina, S.A. Telefónica Hispanoamérica, S.A., a wholly owned subsidiary of Telefónica, has sold all the shares it holds in Telefónica del Perú S.A.A., in Telefónica Móviles del Uruguay S.A. and in Otecel S.A. (Telefónica Ecuador), and has reached an agreement for the sale of all the shares it holds in Colombia Telecomunicaciones S.A. E.S.P. BIC, subject to certain closing conditions, including the relevant regulatory approvals..

Telefónica, during its Capital Markets Day held on November 4th, has announced a new Strategic plan (Transform & Grow plan) up to 2030, including measures to improve the financial flexibility, such as the reduction of the dividend payment in 2026 and the transition to a more sustainable remuneration model that will be tied to the free cash flow evolution, and an employee's restructuring process, allowing the capture of savings, among other measures. .

In addition, Telefonica maintains a solid liquidity position and conservative approach to debt refinancing, as the Group took advantage of low refinancing rates to extend average debt life and smooth its maturity profile in coming years.

Dividend policy

Dividend policy is an integral part of Telefónica´s Capital Allocation strategy and will be the outcome of Telefonica's free cash flow after investing in Telefónica's future and ensuring the right financial leverage.

In February 2024, Telefónica announced the dividend policy for the year 2024, which consisted of an amount of 0.30 euros per share in cash, payable in December 2024 (0.15 euros per share) and in June 2025 (0.15 euros per share).

The Annual General Shareholders Meeting held on April 12, 2024 approved the Proposals of the cash dividend paid in June 2024 and December 2024.

In February 2025, Telefónica announced the dividend policy for the year 2025, which consisted of an amount of 0.30 euros per share in cash, payable in December 2025 (0.15 euros per share) and in June 2026 (0.15 euros per share).

The Annual General Shareholders Meeting held on April 10, 2025 approved the Proposals of the cash dividend paid in June 2025 and December 2025.

Treasury shares

Telefónica has performed, and may consider performing, transactions with treasury shares and financial instruments or contracts that confer the right to acquire treasury shares or assets whose underlying is Company shares.

Treasury share transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Honoring previous legitimate commitments assumed.
- Covering requirements for shares to allocate to employees and management under stock option plans.
- Other purposes in accordance with prevailing legislation. In the past, treasury shares purchased on the stock market were exchanged for other shares-

securities (as in the case of preferred capital securities), swapped for stakes in other companies (e.g. the share exchange with KPN) acquired to reduce the number of shares in circulation (by redeeming the shares acquired), thereby boosting earnings per share, the delivery of treasury shares in exchange for the acquisition of a stake in another company (such as the agreement with Prosegur Compañía de Seguridad, S.A.).

Treasury share transactions will not be performed in any event based on privileged information or in order to intervene in free price formation. In particular, any of the conduct referred to in Articles 83.ter.1 of the Spanish Securities Market Law and 2 of Royal Decree 1333/2005 of November 11 implementing the Spanish Securities Market Law, with regards to market abuse will be avoided.

The disclosure of number of treasury shares at the end of 2025 and 2024, as well as the explanation about the evolution of the figure and the transactions involving treasury shares 2025, are described in note 11 of these financial statements.

Risk Factors

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

These risks are currently considered by the Telefónica Group to be material, specific and relevant in making an informed investment decision in respect of Telefónica. However, the Telefónica Group is subject to other risks that have not been included in this section based on the assessment of their specificity and materiality based on the assessment of their probability of occurrence and the potential magnitude of their impact. The assessment of the potential impact of any risk is both quantitative and qualitative considering, among other things, potential economic, compliance, reputational and environmental, social and governance ("ESG") impacts.

Risks are presented in this section grouped into four categories: business, operational, financial, and legal and compliance.These categories are not presented in order of importance. However, within each category, the risk factors are presented in descending order of importance, as determined by Telefónica at the date of this document. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise..

Risks related to Telefónica's Business Activities.

Telefónica's competitive position in some markets could be affected by the evolution of competition, market fragmentation or certain forms of market consolidation.

The Telefónica Group operates in highly competitive markets and it is possible that the Group may not be able to market its products and services effectively or respond successfully to the different commercial actions carried out by its competitors, causing it to not meet its growth and customer retention plans, thereby jeopardizing its future revenues and profitability.

Additionally, the Telefónica Group could be affected by the regulatory actions of antitrust authorities. These authorities could prohibit or hinder certain actions, such as consolidation processes in local markets (making it more difficult to achieve the scale required to compete efficiently or to capture operational efficiencies and optimize investments in infrastructure and technology) or specific commercial practices or create obligations or impose heavy fines. Any such measures implemented by the antitrust authorities could affect the Group's competitive position and its ability to sustain long-term growth and/or harm to the future growth of some of its businesses or hinder competition at a global level.

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

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

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

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

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

As of December 31, 2025, the Group depended on three handset suppliers (one of them located in China) and eight network infrastructure suppliers (two of them located in China), which, together, accounted for 87% and 80%, respectively, of the aggregate value of contracts awarded as of December 31, 2025 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers (not located in China) represented 50% of the aggregate value of contracts awarded as of December 31, 2025 to handset suppliers.

As of December 31, 2025, the Telefónica Group had approximately 80 information technology ("IT") providers that together accounted for 80% of the total amount of IT purchase awards made as of December 31, 2025, seven of them representing 31% of purchases in that area and time frame.

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

In this regard, the global and regional supply chains of both the sector's operators and Telefónica's suppliers, are exposed to disruptions generated by geopolitical tensions, armed conflicts or political instability (i.e. Russia-Ukraine, Middle East), as well as trade tensions (semiconductor crisis), among others, that could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. On the other hand, tensions continue over control of the future of Artificial Intelligence technologies, with two blocs (the US and China) in conflict. There are high risks of export restrictions on electronic components and mutual blockades that could polarize the development of these technologies and increase the fragmentation of ecosystems.Telefónica Group continuously evaluates the potential impacts of changes in tariff policies on related products and components, and develops alternative sourcing strategies to mitigate any potential impact; to date, no significant impact from tariff policies has been observed for the Telefónica Group. Any of the above could increase prices for Telefónica and ultimately make our services more expensive for our customers, which could adversely affect the business, financial condition, operating results and/or the cash flows of the Telefónica Group.

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

Since 2021 a specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the armed conflict in Ukraine as well as the potential discontinuation of use of some suppliers as a result of tensions between the United States and China. While Telefónica's supply chain has been generally resilient in recent years, despite various stresses affecting the semiconductor industry and raw materials, this may change in the future.

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

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

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

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

The successful execution of Telefónica's strategic plan and Telefónica's ability to compete effectively now and in the future depends to a large extent on the Company's key talent, as well as on a highly skilled workforce.

To continue developing next-generation connectivity and digital services for our residential and corporate customers, incorporating the latest technological changes and adapting them to the evolving customer needs, we require profiles with technological skills such as software development, big data, artificial intelligence, and cybersecurity, among others.

These types of experienced profiles in the technology sector are in high demand and competition for talent is fierce worldwide. A lack of talent and the necessary skills in the Group can slow down innovation and adaptation to rapid changes in the sector, impacting business opportunities and the quality of services provided.

While the Group takes various steps to manage these risks, including fostering a culture of continuous learning, through ambitious employee training and reskilling programs, motivating and seeking to retain the Group's key talent and by redefining Telefónica's corporate culture to ensure the company's long-term growth and sustainability, there can be no assurance that such steps will be sufficient.

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

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

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, use of spectrum, etc.) require licenses, concessions or authorizations from governmental authorities, which typically require that the Group satisfies certain obligations, including minimum specified quality levels, and service and coverage conditions. If the Telefónica Group breaches any of such obligations, it may suffer consequences such as fines or other measures that would affect the continuity of its business. In addition, in certain jurisdictions, the terms of granted licenses may be modified before the expiration date of such licenses or, at the time of the renewal of a license, new enforceable obligations could be imposed or the renewal of a license could be refused.

In addition, the Telefónica Group requires sufficient appropriate spectrum to offer its services. The intention of the Group is to maintain current spectrum capacity and, if possible, to expand it, through the participation of the Group in spectrum auctions which are expected to take place in the next few years, which will likely require cash outflows to obtain additional spectrum or to comply with the coverage requirements associated with some of the related licenses. While Telefónica considers its current spectrum capacity to be sufficient in all the regions in which Telefónica operates, the Group's failure to retain or obtain sufficient or appropriate spectrum capacity in these jurisdictions in the future, or its inability to assume the related costs, could have an adverse impact on its ability to maintain the quality of existing services and on its ability to launch and provide new services, which may materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

Any of the foregoing, as well as the additional matters addressed below, could have a material adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Access to new concessions/ licenses of spectrum.

In Spain, the Ministry of Economic Affairs and Digital Transformation (currently the Ministry of Digital Transformation and Civil Service) approved in June 2023 a modification to the National Frequency Allocation Table ("CNFA"), allowing for the possibility of making available 450 MHz of the 26 GHz spectrum band, to companies, industries and organizations operating in a specific sector, that deploy private networks to support their connectivity needs (verticals). This could mean more competition in the private corporate network segment. Additionally, in June 2025, concerning the draft regulation to amend the CNAF, the Spanish telecommunications regulator (CNMC) has proposed to the Ministry of Digital Transformation and the Civil Service, that the initial 20 MHz of the 3500MHz band (3400-3420 MHz), that currently constitute a guard band, to be allocated for self-provision uses, which could affect the B2B private network business.

In the UK, following the clearance of the merger between Vodafone UK and Three UK, the Office of Communications ("Ofcom") has approved a series of spectrum trades that were agreed in the process with the merging parties and VMO2 in exchange of a payment. Following a process of defragmentation of certain bands, a net transfer to VMO2 of 78.8MHz of useable spectrum, comprising 20MHz (1400MHz), 18.8MHz (2100MHz), 25MHz (2600MHz including a 5MHz guard band) and 20MHz (3500MHz) will take place. In addition, VMO2 acquired 800MHz of 26GHz and 1000MHz of 40GHz spectrum in an auction in October 2025. These new licenses have a 15-year duration.

In Brazil, the Agencia Nacional de Telecomunicações ("ANATEL") conducted a public consultation until April 7, 2025, about a long-term schedule for spectrum auctions. This proposal includes frequencies in multiple bands for auctions in the short (2026–2028), medium (2029–2032) and long term (2032–2036). The final version of the spectrum auction schedule was approved by Resolution 785/2025. In addition, on July, 2025, ANATEL approved the bidding process for the 700 MHz band which involves the spectrum that was returned by the provider Winity in 2023. According to the approved terms, regional lots will be offered, prioritizing, in this order, regional providers that already hold authorizations in the 3.5 GHz band and those that do not yet hold authorizations in the 700 MHz band. The bid notice was approved by the Federal Court of Accounts and published by ANATEL on February 13, 2026. The opening of bids is scheduled for April 30, 2026.

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

In Germany, in March 2025, the Bundesnetzagentur ("BNetzA") published a decision on the extension of the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which partially expired at the end of 2025. The decision provides for the existing frequency usage rights in the above mentioned frequency ranges, to extend upon request for a transitional period of five years. The extension of the usage rights is accompanied by obligations for the further deployment of mobile networks, particularly in rural areas and along transport routes. There would also be a requirement to negotiate with mobile virtual network operators ("MVNOs") on the purchase of wholesale mobile services as well as an obligation to negotiate national roaming and a co-operative and shared frequency usage below 1 GHz with 1&1 Mobilfunk GmbH ("1&1"). Finally, an obligation is imposed to extend the existing 2.6 GHz spectrum lease arrangements between Telefónica and 1&1 during the extension period. In June 2025, the BNetzA has extended Telefónica's frequency usage rights as requested. As part of a second set of actions, a larger procedural framework is expected to be established for utilization from 2031 onwards, including with respect to rights of use and new frequency ranges that expire in 2033 and 2036 or become newly available for mobile communications in the coming years. A decision on this set of actions is planned for 2028.

In December 2025, BNetzA re-launched the 5G spectrum award proceedings of 2018 with an initial public hearing on spectrum regulation aspects opened until January 12, 2026. The re-launch became necessary after the Federal Administrative Court finally declared, in December 2025, BNetzA´s decision of November 26, 2018, on the allocation and auction rules of the frequencies in the 2 GHz and 3.6 GHz ranges, unlawful. The current frequency assignments will remain valid until they are either amended or revoked and re-issued under a new decision by the BNetzA. The grounds for the judgement would allow the BNetzA to reissue the previous decision with a new statement of reasons. Accordingly, in its hearing, BNetzA is considering the option of a new decision without repeating the auction, if the changes in the new decision are not significant.

In the UK, mobile spectrum licenses are generally indefinite in term, subject to an annual fee set after a fixed period (usually 20 years) from the initial auction. In 2033, after this mentioned fixed period, Ofcom will set spectrum fees for 800 MHz and 2.6 GHz bands. VMO2 currently holds spectrum in both of these bands.

With respect to Brazil, on December 16, 2024, Telefônica Brasil, ANATEL, the Brazilian Federal Court of Accounts and the Brazilian Ministry of Communications signed an agreement on the terms and conditions for the adaptation of the STFC concession contracts to an authorization instrument (the "Self-Composition Agreement"). The Self-Composition Agreement includes several key conditions: (i) Telefônica Brasil is required to make specific investments on terms established under the agreement; (ii) Telefônica Brasil must maintain the

provision of fixed-line telephone services in certain locations without adequate competition, within the concession area until December 31, 2028; (iii) all pending administrative and judicial proceedings related to the concession at ANATEL or in the courts must be resolved, and Telefônica Brasil must withdraw any cases filed against the regulator; and (iv) Telefônica Brasil must commit to fulfilling public interest pledges for up to ten years as part of the adaptation process. On April 11, 2025, Telefónica Brasil signed the unified authorization term with ANATEL, that compiles all previous licenses into one single title, finalizing the migration to the authorization regime.

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

During 2025, the Group's consolidated investment in spectrum acquisitions and renewals amounted to 199 million euros, mainly due to the acquisition of spectrum in Germany and Venezuela, 180 million euros and 19 million euros, respectively (29 million euros in 2024, mainly due to the acquisition of spectrum in Spain). In the event that the licenses mentioned above are renewed or new spectrum is acquired, it would involve additional investments by Telefónica.

Further information on certain key regulatory matters affecting the Telefónica Group and the concessions and licenses of the Telefónica Group can be found in Appendix VI "Key regulatory issues and concessions and licenses held by the Telefónica Group" of the 2025 Consolidated Financial Statements.

Telefónica operates in a sector characterized by rapid technological changes and it may not be able to anticipate or adapt to such changes or select the right investments to make.

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

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as MNVOs, internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice businesses have been shrinking in recent years, while revenues from connectivity services (e.g., fixed and mobile internet) are increasing. Additionally, evolving and diversifying its revenue sources, Telefónica offers new digital services such as Internet of Things (IoT), cybersecurity, cloud services, big data and Artificial Intelligence in the B2B segment. In B2C Telefónica offers ecosystem services such as devices, health, insurance, video content, solar energy, alarm systems, advertising, financial services and education, etc.

Additionally, the world of telecommunications is evolving towards a model of programmable networks and services. This type of network can be used by programmers in a completely new and different way than it had been in the past. As a first big step, the GSMA (Global System for Mobile Communications) is leading the Open Gateway initiative for the standardized exposure of APIs (Application Programming Interface) to developers. This is a totally new market in which telecommunications companies must be able to develop not only attractive services but new skills in order to be successful.

Telefónica continues to invest in 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.

As of December 31, 2025, in Spain, fiber coverage reached 31.3 million premises. There is a growing demand for the services that these new networks can offer to the end customer. However, the high levels of investment required by these networks result in the need to continuously consider the expected return on investment. Telefónica is constantly looking for co-investments through Telefónica Infra, but it may not be able to identify suitable partners.

In addition, the ability of the Telefónica Group's IT systems (operational and backup) to adequately support and evolve to respond to Telefónica's operating requirements is a key factor to consider in the commercial development, customer satisfaction and business efficiency of the Telefónica Group. While

automation and other digital processes may lead to significant cost savings and efficiency gains, there are also significant risks associated with such transformation processes. Any failure by the Telefónica Group to develop or implement IT systems that adequately support and respond to the Group's evolving operating requirements could have an adverse effect on the Group's information, business, financial condition, results of operations and/or cash flows.

The changes outlined above force Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors. Any such investment may reduce the Group's profit and margins and may not lead to the development or commercialization of successful new products or services. To contextualize the Group's total research and development effort, the total expenditure in 2025, corresponding to its continuing operations, was 1,004 million euros (619 million euros in 2024), representing 2.9% of the Group's revenues (1.7% in 2024). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("OECD") manual. Telefónica Group's investment in CapEx in 2025 was 4,540 million euros (4.704 million euros in 2024).

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

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

The Telefónica Group's commercial portfolio includes products and/or services whose provision involves the processing of large amounts of information and data. This entails an enormous responsibility, while at the same time increasing the challenges related to compliance with strong and growing privacy and data protection regulations throughout the Telefónica Group's footprint, which may stifle the technological innovation that characterizes it and to which the Group is committed. Similarly, the Group's efforts to promote innovation may result in increased compliance risks and, where applicable, costs, even more so in a context in which Artificial Intelligence is increasingly present as a key innovation factor for Telefónica's products and services, with particular consideration being given to the risks that the use of this technology poses to the fundamental rights of customers and users and, with particular relevance, with regard to their privacy and control over their data.

Telefónica is subject to Regulation (EU) 2016/679 of the European Parliament and Council of April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR"), which is considered by the Group as a common standard of compliance in all its operations, even beyond the European Union. Additionally, the European Union has initiated a data legislative strategy that seeks to make the EU a leading space for the data-driven society, allowing data to flow freely throughout the territory and between different sectors. Therefore, the regulatory obligations imposed on operators and the risks inherent in the potential difficulty of complying with these obligations must be taken into account

In this area, and as a result of the new regulatory simplification strategy launched by the European Commission in 2025 and continued with the publication on November 19, 2025 of the proposed Digital Omnibus Regulation, various measures are being considered with a view to achieving this objective, such as the update process initiated on the GDPR which, although with little impact and benefit for Telefónica, does set a precedent for updating such an important regulation for the Group, increasing uncertainty regarding the regulatory framework applicable in the future and, consequently, negatively affecting the development of new innovative products. Likewise, the complex legislative process of these simplification and updating measures, involving a multitude of stakeholders from different fields and sectors (including civil associations for the defence of privacy), could eventually result in additional and more restrictive obligations and rules than those currently existing in the GDPR.

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

With regard to the international transfer of data to the United States, on July 10, 2023, the European Commission adopted its adequacy decision for the EU-

U.S. Data Privacy Framework. The adequacy decision concludes that the United States ensures an adequate level of protection for personal data transferred from the EU to U.S. companies participating in the EU-U.S. Data Privacy Framework. However, this adequacy decision can still be challenged, as was the case with previous decisions, by civil associations for the defence of privacy.

Telefónica is subject to data privacy regulations similar to the GDPR in the non-EU countries in which it operates, including the United Kingdom, Brazil and the operations in Latin America where the Group still maintains its businesses increasing compliance risks and costs in these countries. Any such potential shifts in the applicable data privacy framework necessitate careful monitoring by Telefónica to mitigate compliance and cross-border data transfer risks.

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

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

Telefónica's reputation depends to a large extent on the digital trust it is able to generate among its customers and other stakeholders. In this regard, in addition to any reputational consequences, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of 20 million euros or 4% of the infringing company's overall total annual revenue for the previous financial year.

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

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

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

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

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

In relation to digital services, customers require an increasingly digital and personalized experience, as well as a continuous evolution of the Group's product and service offering. In this sense, relatively new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering" and "Solar 360" which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. In addition, Telefónica has launched new customer care applications (My Movistar in Spain, Me Vivo in Brazil, My O2 in the United Kingdom), with the aim of increasing the accessibility of the products and services the Group offers. However, there can be no assurance that these and other efforts will be successful.

In the development of all these initiatives it is also necessary to take into account several factors: firstly, there is a growing social and regulatory demand for companies to behave in a socially responsible manner, and, in addition, the Group's customers are increasingly interacting through online communication channels, such as social networks, in which they express this

demand. Telefónica's ability to attract and retain clients depends on their perceptions regarding the Group's reputation and behaviour. The risks associated with potential damage to Telefónica's reputation have become more relevant, especially due to the impact that the publication of news through social networks can have.

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

Operational Risks

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

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

Telecommunications companies worldwide, including Telefónica, face a continuous increase in cybersecurity threats. These companies and their customers are becoming increasingly digital, processing and storing valuable information electronically relying on cloud services provided by third parties, permitting remote access and teleworking by employees and collaborators and expanding IoT environments. All of the above, together with the increasing regulatory pressure regarding cybersecurity, compels companies to review the applicable requirements and the security controls implemented beyond the traditional perimeter of the corporate network.

At the same time, cyberattackers, including both state and independent actors, are becoming more sophisticated, armed with high levels of funding and advanced digital tools that use technologies such as artificial intelligence and machine learning. Threats include unauthorized access to systems, the installation of computer viruses or malicious software, and security breaches in the supply chain, with the aim of improperly obtaining sensitive information or disrupting the Group's operations, which may result in penalties that may increase due to changes in cybersecurity regulations, particularly for companies in the European telecommunications sector. Furthermore, traditional security threats persist, such as the theft of laptops, data storage devices, and mobile phones, along with the possibility that Group employees or collaborators may leak information and/or perform acts that affect their networks or internal information. Additionally, the Telefónica Group is aware of potential cybersecurity risks arising from various international conflicts and monitors cyberattacks that may affect its infrastructure.

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

The development and maintenance of systems to prevent and detect cyberattacks is costly and requires ongoing monitoring and updating to address the increasing sophistication of cyberattacks. In response to these risks, Telefónica has adopted technical and organizational measures as defined in its digital security strategy, such as the use of early vulnerabilities detection, access control, monitoring and log review and network segregation, as well as the deployment of firewalls, security controls in the supply chain, cryptographic controls, intrusion-prevention systems, malware detection, incident response and recovery procedures, and backup systems. Many of these processes are being automated through the use of artificial intelligence, however, Telefónica can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. The Telefónica Group has insurance policies in place aimed at covering certain losses resulting from these types of incidents. However, due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover in its entirety all losses that may arise out of a cybersecurity attack.

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

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

software failures or the theft of network elements, can damage Telefónica's infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group. For example, in late October 2024, record-breaking flooding and related power outages in Valencia, Spain, resulting from a high-altitude cut-off low-pressure storm system, caused severe damage to Telefónica's infrastructure. In 2025, the damage estimates were almost fully completed, ultimately resulting in amounts lower than those initially expected. In addition, Telefónica's operations have been affected in recent years by power outages in Spain, Brazil and certain Latin American countries, caused by droughts, floods, fires, or widespread failures of the electricity grid.

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

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

Financial Risks

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

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

Over the past few years, the global economy has faced successive shocks that have created an environment of extraordinary uncertainty, marked by overlapping disruptions. Inflationary pressures initially stemmed from supply bottlenecks during the rapid post-pandemic recovery and surging commodity prices. These factors prompted central banks to respond aggressively by raising interest rates and withdrawing liquidity, which in turn caused a significant loss of purchasing power for households. Higher wage demands—driven by tight labor markets in advanced economies and residual wage indexation practices—further fueled inflation.

Recently, inflationary pressures have eased across most regions where the Group operates, but the disinflation process has been uneven, and core inflation remains still sticky in several economies. Geopolitical risks persist: the Russia-Ukraine war, escalating tensions in the Middle East, and tariff disputes between major economies continue to threaten global trade flows, energy security, and price stability. In addition, flashpoints could broaden to other relevant areas, including heightened tensions in the Americas, around Taiwan and the countries bordering the South China Sea, as well as in Iran and other parts of the Middle East, adding further uncertainty to supply chains, financial markets, and economic growth prospects

Financial risks have also evolved. The extended phase of Central Bank prudence, couple with high government indebtedness levels increases the likelihood of renewed market volatility and stress episodes, particularly if inflation proves more persistent than expected. Conversely, aggressive monetary easing could reignite inflationary pressures, increasing the risk of stagflation period akin to the 1970s.

Looking ahead, several factors could amplify current vulnerabilities. Intensification of armed conflicts and disruptions to energy and commodity supply chains. Additional spikes in commodity prices, which could de-anchor inflation expectations. Stronger-than-expected wage growth, prolonging inflation and constraining monetary policy flexibility. Trade tensions, including potential new tariffs on U.S. imports, which would have both economic (lower growth, higher inflation) and political repercussions. Or any other economic or political decision that adversely affects the proper functioning of financial markets.

In this context, global growth has been more resilient than previously expected despite it is exposed to sudden stops. Structural challenges—such as geopolitical fragmentation, supply chain reconfiguration,

and the transition to clean energy—will continue to shape the risk landscape for corporates.

So far, the main European countries where the Group operates have been affected by the ongoing geopolitical conflicts mainly through the price channel (higher commodity prices, intermediate inputs, salary costs and external tariffs, among others). However, there continues to be a concern in Europe about energy and security dependence in the face of potential episodes of gas shortages and lengthening energy transition on one hand, and economic or conflict amidst geopolitical shifts on the other. Latin America could be affected by lower external demand associated with slower global growth, deteriorating terms of trade, tighter financial conditions, doubts about debt sustainability and also by the consequences of global order changes.

As of December 31, 2025, the contribution of each segment to the Telefónica Group's total assets, excluding assets held for sale, was as follows: Telefónica Spain 31.4% (25.8% as of December 31, 2024), VMO2 7.1% (7.6% as of December 31, 2024), Telefónica Germany 19.7% (17.7% as of December 31, 2024) and Telefónica Brazil 25.4% (22.2% as of December 31, 2024). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil and Venezuela). Likewise, Venezuela is considered country with hyperinflationary economy in 2025 and 2024.

During 2025, 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 37.0% (35.9% in 2024), Telefónica Germany 23.3% (23.8% in 2024) and Telefónica Brazil 26.9% (27.0% in 2024).

The main risks by geography are detailed below:

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

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

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

Regarding political risk, it remains to be seen whether parliament fragmentation hinders governance and the continuity of the ongoing agenda in fiscal and economic matters, climate and energy policy as well as other aspects of regional governance.

- *Spain:* there are several local sources of risks. One of them stems from the risk that high commodity prices and/or the emergence of wage pressures may delay inflation from converging toward the target, with a deeper impact on household income. Secondly, further delays in the disbursement of Next Generation European Funds (NGEU) could limit their final impact on potential GDP growth and employment. In addition, as one of the most open countries in the world from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, Spain could be negatively impacted by the rise of protectionism and trade restrictions more if they are amplified from goods to services. Lastly, the impact of higher-for-longer interest rates could be a source of financial stress due to high public indebtedness. In the long term, the challenge is to increase the growth of potential GDP through improvements in productivity and investment and ensure the sustainability of public debt taking into account the costs derived from population ageing, defence and climate transformation.

- *Germany*: the risk of energy shortages has diminished recently due to Europe's response in terms of diversification of energy sources and the rapid construction of regasification plants. However, it is possible that problems with energy supply may arise again. Alternative sources for gas imports could be limited, consumption could be higher due, for example, to an unusually cold winter, or competition for gas from other countries could increase. On the

other hand, there is concern that higher-than-expected wage growth and/or higher input costs could lead to more persistent inflation diminishing competitiveness among the manufacturing sector. There is also a risk that prolonged or escalating geopolitical tensions could reduce international trade or increase competition to German-made products with a consequent impact on the country's potential growth, which is dependent on exports. Additionally, on the political front, It is relevant that current coalition executes the ambitious fiscal package to mitigate investment needs and enhance economic growth. Finally, long-term challenges remain, such as the ageing of the population and productivity lackluster.

- *United Kingdom*: more persistent inflation could weigh on consumption and avoid a stronger economic recovery. In particular, there is a concern that currently dynamic wage growth could lead to a further increase in the prices of goods and services, preventing inflation rates from totally normalizing. On the other hand, UK government needs to deliver its economic program to guarantee debt dynamics and enhance economic growth amid still visible Brexit consequences in the form of barriers to trade in goods and services, mobility and cross-border exchanges.

In Latin America, the exchange rate risk is currently considered moderate by the Telefónica Group, except in Venezuela, but may increase in the future. Rapid central bank actions to contain inflation and prudent fiscal policy, have , limited the impact of external risks (global trade tensions, abrupt movements in commodity prices, concerns about global growth, tight U.S. monetary policy and financial imbalances in China) and internal risks (managing the monetary normalization as a consequence of fewer foreign currency availability and the possible fiscal deterioration). However, rising geopolitical tensions with the US have become an additional source of risk.

- *Brazil*: fiscal sustainability and increased economic intervention remain the main domestic risk. Despite recently announced measures to contain public spending, and increase taxes, deep fiscal reforms aimed at simplifying the tax system and promoting stronger and sustainable economic growth, are slowly being approved. Despite external country risk is contained, volatility surrounding public debt sustainability is still high. Moreover, inflation expectations albeit at level within Central Bank tolerance range, stay at high levels, paving the way for restrictive monetary policy longer than expected and increasing the risks of a more pronounced economic slowdown. Political uncertainty is likely to intensify ahead of Brazil's October 2026 presidential election, potentially affecting policy predictability and market conditions.

- *Mexico:* economic performance remains exposed to external conditions and policy adjustments mainly from US trade policy.

- *Venezuela:* despite recent US intervention, continues to face a fragile macroeconomic environment with inflationary pressures and currency volatility. Persistent constraints on financial flows, policy unpredictability and capital-control regimes are material risks for the scenario.

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

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

In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill (which as of December 31, 2025, represented 17.2% of the Group's total assets), deferred tax assets (which as of December 31, 2025, represented 6.5% of the Group's total assets) or other assets, such as intangible assets (which represented 9.9% of the Group's total assets as of December 31, 2025), and property, plant and equipment (which represented 19.7% of the Group's total assets as of December 31, 2025). 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 2025, impairment losses were recorded for the cash-generating units Chile (174 million euros) Telefónica Tech UK & Ireland (254 million euros) and Be-terna (58 million euros). In addition, VMO2, our 50:50 joint venture with Liberty Global in the United Kingdom, recorded in 2025 an impairment of its goodwill amounting to 1,170 million euros, with a negative impact of 585 million euros on the "results of investments accounted for using the equity method" in the Group's consolidated income statement. In 2024, Telefónica recorded impairment losses on intangible assets and property, plant and equipment in Argentina in an aggregate amount of 1,274 million euros and impairment losses on goodwill in an aggregate amount of 866 million euros with respect to the cash-generating units

in Chile (397 million euros), Peru (226 million euros), Telefónica Tech UK & Ireland (192 million euros) and BE-terna Group (51 million euros). Likewise, impairment losses were recorded in Peru in 2024, including impairment losses on intangible assets (54 million euros) and on goodwill allocated to the fiber optics business (34 million euros), as well as a reversal of deferred tax assets for loss carryforwards (91 million euros). Additionally, following the analysis of the recoverability of the assets of Pangea (the wholesale fiber optic company in Peru) at the end of 2024, an impairment of property, plant and equipment (108 million euros) was recorded, as well as a reversal of deferred tax assets (13 million euros). The impairment losses recorded in connection with assets in Argentina and Peru are presented as discontinued operations, given that the companies that generated them were sold in 2025.

In addition, Telefónica may not be able to realize deferred tax assets on its statement of financial position to offset future taxable income. The recoverability of deferred tax assets depends on the Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. If Telefónica believes it is unable to utilize its deferred tax assets during the applicable period, it may be required to record an impairment against them resulting in a non-cash charge on the income statement.

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

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

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

The Telefónica Group is a relevant and frequent issuer of debt in the capital markets. As of December 31, 2025, the Group's financial liabilities amounted to 34,339 million euros (38,782 million euros as of December 31, 2024), and the Group's net financial debt amounted to 26,824 million euros (27,161 million euros as of December 31, 2024). As of December 31, the average maturity of the debt was 10.9 years (11.3 years as of December 31, 2024), 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 December 31, 2025, the Group's current financial liabilities scheduled to mature in the following 12 months amounted to 4,219 million euros.

In accordance with its liquidity policy, Telefónica has covered its gross debt maturities for the next 12 months with cash and credit lines available as of December 31, 2025. As of December 31, 2025, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of 10,007 million euros (9,667 million euros of which were due to expire in more than 12 months). Liquidity could be affected if market conditions make it difficult to renew undrawn credit lines. As of December 31, 2025, 3.4% of the aggregate undrawn amount under credit lines was scheduled to expire prior to December 31, 2026.

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

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

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

Interest rate risk arises primarily in connection with changes in interest rates affecting: (i) financial expenses on floating-rate debt (or short-term debt likely to be renewed); (ii) the value of long-term liabilities at fixed

interest rates; and (iii) financial expenses and principal payments of inflation-linked financial instruments, considering interest rate risk as the impact of changes in inflation rates.

In nominal terms, as of December 31, 2025, 57% 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 2.98% as of December 31, 2025 compared to 3.19% as of December 31, 2024. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of December 31, 2025: (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 107 million euros, whereas (ii) a 100 basis points decrease in interest rates in all currencies (even if negative rates are reached) would have led to a reduction in financial expenses of 107 million euros. For the preparation of these calculations, a constant position equivalent to the position at that date is assumed of net financial debt.

Exchange rate risk arises primarily from: (i) Telefónica's international presence, through its investments and businesses in countries that use currencies other than the euro (primarily in Latin America and the United Kingdom); (ii) debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt; and (iii) trade receivables or payables in a foreign currency to the currency of the company with which the transaction was registered. According to the Group's calculations, the impact on results, and specifically on net exchange differences, due to a 10% depreciation of Latin American currencies against the U.S. dollar and a 10% depreciation of the rest of the currencies to which the Group is most exposed against the euro would result in exchange gains of 21 million euros as of December 31, 2025 and a 10% appreciation of Latin American currencies against the U.S. dollar and a 10% appreciation of the rest of the currencies to which the Group is most exposed, would result in exchange losses of 21 million euros as of December 31, 2025. These calculations have been made assuming a constant currency position with an impact on profit or loss as of December 31, 2025 taking into account derivative instruments in place.

In 2025, the evolution of exchange rates (without considering the effects of hyperinflationary countries) had a negative impact in the year-on-year growth of the Group's consolidated revenues and EBITDA, subtracting 2.8 percentage points and 3.2 percentage points respectively. Furthermore, translation differences in 2025 (excluding the impact of the negative translation differences that were recycled into the results by the companies sold in 2025, which amounted to 1,476 million euros), had a negative impact on the Group's equity of 809 million euros (negative impact of 959 million euros in 2024).

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 325 million euros and provisions for regulatory contingencies amounting to 166 million euros as of December 31, 2025. In addition, Telefónica Brazil faces possible tax and regulatory contingencies for which no provisions are made (see Note 24c "Other provisions" and Note 25 "Tax Litigation in Telefónica Brazil" to the 2025 Consolidated Financial Statements). Furthermore, the Group makes estimates for its tax liabilities that the Group considers reasonable, but if a tax authority disagrees, the Group could face additional tax liability, including interest and penalties. There can be no guarantee that any payments related to such contingencies or in excess of Telefónica's estimates will not have a significant adverse effect on the Group's business, results of operations, financial condition and/or cash flows. In addition to the most significant litigation indicated above, further details on these matters are provided in Notes 25 (Tax matters) and 29 (Other information) to the 2025 Consolidated

Financial Statements. The details of the provisions for litigation, tax sanctions and claims in Brazil can be found in Note 24 "Provisions—Telefónica Brazil" of the 2025 Consolidated Financial Statements , including provisions for civil proceedings amounting to 222 million euros.

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

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

The Telefónica Group may be unable to adapt to or unable to comply with expectations from analysts, investors, customers and other stakeholders and legal requirements related to ESG issues. Moreover, such expectations and requirements may differ from one another and vary significantly across regions.

Further, the Telefónica Group's ESG objectives and initiatives incorporated in its public reports and other communications (including its carbon dioxide emission reduction targets) exposes the Company to the risk that it will fail to achieve these objectives and initiatives, linked, in some cases, to financing instruments

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

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

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

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

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions ("sanctions") including those administered by the United Nations, the European Union, the United States, including by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) and the United Kingdom. Sanctions restrict the Group's business dealings with certain countries, territories, individuals and entities and may impose certain trade restrictions, among others, export and/or import trade restrictions to certain goods and services. In this context, the provision of goods and services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions. Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

Although the Group has internal policies and procedures designed to ensure compliance with the above mentioned applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or, otherwise in violation of the relevant anti-corruption

laws and sanctions regulations) for which the Group, its subsidiaries or they may be ultimately held responsible. In this regard, Telefónica cooperates with governmental authorities in connection with the enforcement of anti-corruption laws. For example, certain companies within the Group have been the subject of corruption investigations and charges in the past, one of which resulted in a financial penalty. See Note 29 b)-Other Proceedings to the Consolidated Financial Statements.

Failure to comply with anti-corruption laws and sanctions regulations could lead to further financial penalties, termination of government contracts, and the revocation of licenses and authorizations, and could have a material adverse effect on the Group's reputation, or otherwise adversely affect the Group's business, financial condition, results of operations and/or cash flows.

Events after the reporting period

The events regarding the Company that took place between the reporting date and the date of preparation of the accompanying financial statements have been disclosed in note 22.

Annual Corporate Governance Report

See Chapter 4 (Annual Corporate Governance Report) of the 2025 Consolidated Management Report of Telefónica, S.A.

This document is also available in the public registers of the National Securities Market Commission (CNMV).

Annual Report on the Remuneration of the Directors

See Chapter 5 (Annual Report on the Remuneration of the Directors) of the 2025 Consolidated Management Report of Telefónica, S.A.

This document is also available in the public registers of the National Securities Market Commission (CNMV).

Telefónica

Registro Mercantil Provincia de Madrid, Hoja M-6164, Folio 21, Tomo 12.534, Inscripción 1359ª, del Libro de Sociedades, CIF. A-28/015865 Sede Social Gran Vía 28, 28013 Madrid.

PABLO DE CARVAJAL GONZÁLEZ, SECRETARY OF THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A.

I HEREBY CERTIFY

That the Annual Accounts (Balance Sheet, Income Statement, Statement of changes in equity, Statements of cash flow, and Notes) and the Management Report of Telefónica, S.A., corresponding to Fiscal Year 2025, have been approved by resolution of the Board of Directors of the Company validly adopted today.

That, in accordance with the provisions of article 253.2 of the Consolidated Text of the Spanish Corporate Enterprises Act, in accordance with article 37.1.3º of the Commercial Code, the Directors who are members of the Board of Directors of Telefónica, S.A. have signed the said documents on this sheet, the last of the said documents.

February 23, 2026

Secretary of the Board of Directors

Mr. Marc Thomas Murtra Millar
Chairman

Mr. Isidro Fainé Casas
Vice-Chairman

Mr. José María Abril Pérez
Vice-Chairman

Mr. Carlos Ocaña Orbis
Vice-Chairman

Mr. Emilio Gayo Rodríguez
Chief Operating Officer

Mr. Olayan M. Alwetaid
Director

Ms. María Luisa García Blanco
Director

Mr. Peter Löscher
Director

Ms. Anna Martínez Balañá
Director

Mr. César Mascaraque Alonso
Director

Ms. Mónica Rey Amado
Director

Mr. Alejandro Reynal Ample
Director

Ms. Ana María Sala Andrés
Director

Ms. Claudia Sender Ramírez
Director

Ms. Solange Sobral Targa
Director

Registro Mercantil Provincia de Madrid, Hoja M-6164, Folio 21, Tomo 12.534, Inscripción 1359ª, del Libro de Sociedades, CIF: A-28/015865 Sede Social Gran Vía 28, 28013 Madrid.

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL INFORMATION

The Directors of Telefónica, S.A. state that, to the best of their knowledge, the Individual Annual Accounts of Telefónica, S.A. for Fiscal Year 2025, approved by the Board of Directors at its meeting of February 23, 2026 and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of Telefónica, S.A., and that the Individual Management Report, contain a true assessment of the corporate performance and results and the position of Telefónica, S.A., as well as a description of the principal risks and uncertainties faced

Madrid, February 23, 2026

Mr. Marc Thomas Murtra Millar
Chairman

Mr. Isidro Fainé Casas
Vice-Chairman

Mr. José María Abril Pérez
Vice-Chairman

Mr. Carlos Ocaña Orbis
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Director

Ms. Claudia Sender Ramírez
Director

Ms. Solange Sobral Targa
Director

Mr. Pablo de Carvajal González
General Secretary and Secretary of the Board of Directors