



**TELEFÓNICA EMISIONES, S.A.U.**

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

€40,000,000,000

**PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS**

unconditionally and irrevocably guaranteed by

**TELEFÓNICA, S.A.**

*(incorporated with limited liability in the Kingdom of Spain)*

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

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Instruments issued under the Programme within twelve months after the date hereof to be admitted to the official list (the "**Official List**") and to trading on the regulated market of Euronext Dublin. References in this Base Prospectus to Instruments being "listed" (and all related references) shall mean that such Instruments have been admitted to the Official List and have been admitted to trading on the regulated market of Euronext Dublin. For the avoidance of doubt, the Issuer shall have no obligation to supplement the Base Prospectus after the end of the 12 month validity period which will expire on 16 April 2022.

This Base Prospectus gives information with regard to Telefónica Emisiones, S.A.U., Telefónica, S.A. and the issue of debt instruments (the "**Instruments**") under the programme described above (the "**Programme**") during the period of twelve months after the date hereof.

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

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

Potential investors should note the statements on pages 120 to 127 regarding the tax treatment in Spain of income obtained in respect of the Instruments. In particular, payments on the Instruments will be exempt from Spanish withholding tax if the Issue and Paying Agent provides the Issuer and the Guarantor with certain documentation in a timely manner.

Tranches of Instruments issued under the Programme may be rated or unrated. If a Tranche of Instruments is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be (1) issued by a credit rating agency established in the EEA and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**EU CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the EEA nor registered under the EU CRA Regulation, or (3) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the EU CRA Regulation, or (4) issued by a credit rating agency which is not established in the EEA but which is certified in accordance with the EU CRA Regulation, will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified in accordance with the EU CRA Regulation. Similarly, whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be (1) issued by a credit rating agency established in the United Kingdom (the "**UK**") and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK CRA Regulation**") or (2) issued by a credit rating agency which is not established in the UK nor registered under the UK CRA Regulation, or (3) issued by a credit rating agency which is not established in the UK but will be endorsed by a credit rating agency which is established in the UK and registered under the UK CRA Regulation, or (4) issued by a credit rating agency which is not established in the UK but which is certified in accordance with the UK CRA Regulation, will be disclosed in the relevant Final Terms. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified in accordance with the UK CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Each of S&P Global Ratings Europe Limited ("**S&P**"), Moody's Investors Service España, S.A. ("**Moody's**") and Fitch Ratings Ireland Limited ("**Fitch**") has rated the Guarantor, see page 88. Each of S&P, Moody's and Fitch is established in the EEA, registered under the EU CRA Regulation and, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the European Securities and Market Authority (ESMA) on its website, <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> in accordance with the EU CRA Regulation. The rating which each of S&P, Moody's and Fitch has given to the

Guarantor is endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd., respectively, each of which is established in the UK and registered under the UK CRA Regulation.

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*Arranger for the Programme*

**BNP PARIBAS**

*Dealers*

**BBVA**

**BNP PARIBAS**

**CITIGROUP**

**CREDIT SUISSE**

**GOLDMAN SACHS BANK EUROPE SE**

**J.P. MORGAN**

**MORGAN STANLEY**

**SANTANDER**

**UBS INVESTMENT BANK**

**BARCLAYS**

**BofA SECURITIES**

**COMMERZBANK**

**DEUTSCHE BANK**

**HSBC**

**MIZUHO SECURITIES**

**NATWEST MARKETS**

**SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

**UNICREDIT**

15 April 2021

## IMPORTANT NOTICES

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

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

## CERTAIN TERMS AND CONVENTIONS

As used herein, "**Telefónica**," the "**Telefónica Group**," the "**Group**", the "**Company**" and terms such as "**we**," "**us**" and "**our**" mean Telefónica, S.A. and its consolidated subsidiaries, unless the context requires otherwise.

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

"**YoY**" or "**y-o-y**" means year-on-year.

Below are definitions of certain technical terms used in this Base Prospectus:

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

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

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

"**Artificial Intelligence**" is intelligent tasks carried out by machines.

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

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

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

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

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

"**Churn**" is the percentage of disconnections over the average customer base in a given period.

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

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

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

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

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

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

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

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

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

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

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

"**FTTH**" or Fiber to Home is the installation and use of optical fiber from a central point directly to individual buildings such as apartment buildings and businesses to provide high-speed Internet access.

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

"**GHz**" means gigahertz.

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

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

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

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

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

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

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

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

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

"**Mb**" means Megabytes.

"**MHz**" means megahertz.

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

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

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

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

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

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

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

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

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

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

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

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

"**Smart Wi-Fi**" is an application in which users can control their Wi-Fi network and the devices connected to it from their mobile.

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

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

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

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

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

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

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

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

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

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

#### Changes in exchange rates

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

	Variation of closing exchange rate (12/31/2020 vs 12/31/2019)	Variation of average exchange rate (2020 vs 2019)
Brazilian real	(29.0%)	(24.1%)
Pound sterling	(5.2%)	(1.3%)
New Peruvian sol	(16.2%)	(6.1%)
Argentine peso	(34.8%)	(34.8%)
Chilean peso	(3.6%)	(12.9%)
Colombian peso	(12.6%)	(12.6%)
Mexican peso	(13.3%)	(11.5%)

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

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

**No representation or warranty is made or implied by the Arranger, the Dealers or any of their respective affiliates, and neither the Arranger, the Dealers nor any of their respective affiliates has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date thereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer, the Guarantor or the Group since the date thereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the statement of financial position date of the most recent financial statements and annual accounts which are deemed to be incorporated into this Base Prospectus by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

**The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers**

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

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Instruments. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group.

The maximum aggregate principal amount of Instruments outstanding at any one time under the Programme will not exceed €40,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into Euro at the date of the agreement to issue such Instruments calculated in accordance with the provisions of the Dealership Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Instruments which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement.

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

All references in this Base Prospectus to "\$", "dollar", "USD" and "US Dollar" are to United States dollars, the lawful currency of the United States of America, all references to "sterling", "pound sterling", "GBP" or "£" are to the lawful currency of the United Kingdom; all references to "A\$" are to Australian dollars, the lawful currency of Australia; all references to "Renminbi" and "CNY" are Renminbi Yuan, the lawful currency of The People's Republic of China; references to "Venezuelan bolivar" are to Venezuelan bolívares fuertes, the lawful currency of Venezuela; references to "Argentinian peso" are to the Argentinian peso, the lawful currency of Argentina; references to the "Colombian peso" are to the Colombian peso, the lawful currency of Colombia; references to "Peruvian soles" are to the Peruvian nuevo sol, the lawful currency of Peru; references to "Hong Kong dollar" are to the Hong Kong dollar, the lawful currency of Hong Kong; references to the "Japanese Yen" are to the Japanese Yen, the lawful currency of Japan; references to "Brazilian real" or "reais" are to the Brazilian real, the lawful currency of Brazil; references to "S\$" are to the Singaporean dollar, the lawful currency of Singapore; and all references to "Euro", "EUR" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

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

## IMPORTANT – EUROPEAN ECONOMIC AREA RETAIL INVESTORS

If the applicable Final Terms in respect of any Instruments includes a legend entitled "Prohibition of Sales to European Economic Area Retail Investors", the Instruments are not intended to be offered, sold or otherwise made available to any retail investor in the EEA . For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## IMPORTANT - UK RETAIL INVESTORS

If the applicable Final Terms in respect of any Instruments includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act, as amended ("FSMA") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK PRIIPs Regulation") for offering or selling the Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

## PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The applicable Final Terms in respect of any Instruments may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Instruments pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"). The Issuer will make a determination in relation to each issue about the classification of the Instruments being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

## MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Final Terms in respect of any Instruments may include a legend titled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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



## **PRODUCT GOVERNANCE UNDER UK MiFIR**

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

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

## **BENCHMARKS REGULATION**

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

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## **RISK FACTORS**

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

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

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

*The Telefónica Group is affected by a series of risk factors that affect exclusively the Group, as well as a series of external factors that are common to businesses of the same sector. The main risks and uncertainties faced by Telefónica, which could affect its business, financial condition, results of operations and/or cash flows are set out below and must be considered jointly with the information set out in the Group's financial statements for the year ended 31 December 2020 (the "**Consolidated Financial Statements**").*

*These risks are currently considered by the Telefónica Group to be material, specific and relevant in making an informed investment decision in respect of the Company. However, the Telefónica Group is subject to other risks that have not been included in this section based on the Telefónica Group's assessment of their specificity and materiality depending on the Group's assessment of their probability of occurrence and the potential magnitude of their impact.*

*Risks are presented in this section grouped into four categories:*

- Business*
- Operational*
- Financial*
- 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 Base Prospectus. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise.*

### **Business Risks.**

#### **Risks related to the business activities.**

***Telefónica's competitive position in some markets could be affected by the evolution of competition and market consolidation.***

The Telefónica Group operates in highly competitive markets and it is possible that the Group may not be able to market its products and services effectively or respond successfully to the different commercial actions carried out by its competitors, causing it to not meet its growth and customer retention plans, thereby jeopardizing its future revenues and profitability.

In addition, market concentration, including as a result of mergers, acquisitions, alliances and collaboration agreements with third parties (e.g., the possible integration of companies in the content/entertainment sector, such as the mergers of FOX and Disney, and AT&T and Time Warner), could affect the competitive position of Telefónica, as well as the efficiency of its operations.

The reinforcement of competitors, the entry of new competitors, or the merger of operators in certain markets, may affect Telefónica's competitive position, negatively affecting the evolution of its revenues and market share. In addition, changes in competitive dynamics in the different markets in which the Group operates, such as in Chile and Peru, where there are aggressive customer acquisition offers, including unlimited data and discounts on certain services, among others, can affect the competitive position and the efficiency of Telefónica's operations.

If Telefónica is not able to successfully face the challenges posed by its competitors, the Group's business, financial condition, results of operations and/or cash flows could be adversely affected.

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

The Telefónica Group's commercial portfolio includes products and/or services which are based on the use, standardization and analysis of data, as well as the deployment of advanced networks and the promotion of new technologies related to Big Data, Cloud Computing, Cybersecurity, Artificial Intelligence and the IoT.

The large amount of information and data that is processed throughout the Group (approximately 345.4 million accesses associated with telecommunications services, digital products and services and Pay TV and 112,797 employees as of 31 December 2020), increases the challenges of complying with privacy regulations. Moreover, there is a risk that measures adopted in response to these regulations may stifle innovation. Conversely, the Group's efforts to promote innovation may result in increased compliance risks and costs.

One of the most important pieces of regulation for the Telefónica Group's operations in the European Union is Regulation (EU) 2016/679 of the European Parliament and Council of 27 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 content has become a benchmark for all countries where the Telefónica Group operates. In addition, progress continues to be made on the proposal for a future European regulation concerning the respect for privacy and protection of personal data in electronic communications ("**e-Privacy Regulation**"), which would repeal Directive 2002/58/EC. If approved, this proposal could establish additional and more restrictive rules than those established in the GDPR, which may increase compliance risks and costs.

Moreover, on 16 July 2020, the Court of Justice of the European Union issued a judgment which annulled, without granting a grace or transition period, the European Commission's Decision (EU) 2016/1250 of 12 July 2016 on the adequacy of the protection provided by the EU-U.S. Privacy Shield. Accordingly, such framework is not a valid mechanism to comply with EU data protection requirements when transferring personal data from the European Union to the United States. As a result of that decision, the Telefónica Group has been, among other measures, reviewing and where applicable revising, in a short period of time, international data transfers being made by the Telefónica Group companies from the EEA to suppliers located in the United States with a view to minimize the risk of breach of the GDPR. However, due to the complexity and uncertainties coming from the aforementioned judgement, there can be no assurance that any such measures have been or will be fully effective in preventing a breach of the GDPR. In addition, there can be no assurance that the transfers which began under the framework of the EU-U.S. Privacy Shield did not result in a breach of the GDPR.

In addition, the following recent and prospective regulatory developments may be material to the Telefónica Group's operations: (i) in the United Kingdom, its exit from the European Union means that the Group must monitor how its operations and business in the United Kingdom are affected in terms of applicable privacy regulations and, specifically, the flow of data to and from the United Kingdom. The Trade and Cooperation Agreement between the United Kingdom and the European Union reached on 24 December 2020, which has been applied provisionally pending ratification by the authorities of the European Union, contains a Final Provision according to which, from 1 January 2021 and for a period of four months, extendable by two more months, the transmission of personal data from the EEA to the United Kingdom will not be considered a transfer to a third country in accordance with the GDPR. The Final Provision will cease to be in effect if, during this period, the European Commission adopts an adequacy decision in relation to the

United Kingdom. If the European Commission fails to adopt such a decision during this period, or if such adequacy decision contains terms which are more onerous than those currently in place, the Telefónica Group may face similar challenges as it is currently facing with respect to data transfers to the United States and may have to review and, where appropriate, revise the transfers of personal data to the United Kingdom; and (ii) in Latin America, Law No. 13,709 (LGPD) in Brazil imposes standards and obligations similar to those required by the GDPR, including a sanctioning regime which will be in force from August 2021, with fines for non-compliance of up to 2% of the Group's income in Brazil in the last financial year subject to a limit of 50 million Brazilian reals (approximately 8 million euros based on the exchange rate as of 31 December 2020) per infraction. In other countries of Latin America where the Group operates, such as Ecuador, Argentina and Chile, there are regulatory proposals to bring regulation more in line with the provisions set forth in the GDPR, which may increase compliance risks and costs.

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

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

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

***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.***

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

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, etc.) require 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 economic fines or, in a worst-case scenario, other measures that would affect the continuity of its business. Exceptionally, 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.

Additionally, the Telefónica Group could be affected by the regulatory actions of antitrust authorities. These authorities could prohibit certain actions, such as new acquisitions or specific practices, create obligations or impose heavy fines. Any such measures implemented by the antitrust authorities could result in economic and/or reputational loss for the Group, in addition to a loss of market share and/or harm to the future growth of certain of its businesses.

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

*Access to new concessions/ licenses of spectrum.*

The Group requires sufficient spectrum to offer its services. The Group's failure to obtain sufficient or appropriate spectrum capacity in the jurisdictions in which it operates, or its inability to assume the related costs, could have an adverse impact on its ability to maintain the quality of existing services and on its ability to launch and provide new services, which may materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

The intention of the Group is to maintain current spectrum capacity and, if possible, to expand it, specifically 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.

In Europe, two auction processes are expected in the near term: (i) in Spain, a spectrum auction of 75 MHz, in the band 700 MHz, is expected to launch in the second quarter of 2021; and (ii) in the United Kingdom, an auction for the 700 MHz and the 3.6-3.8 GHz bands started in March 2021. The Principal Stage has ended, and Telefonica UK won 2x10 MHz in the 700 MHz spectrum band and 40 MHz in the 3.6-3.8 GHz band, at a cost of 448 million pounds sterling. The Assignment Stage is currently taking place.

In Latin America, several auction processes are expected in the near term: (i) in Brazil, on 5 February 2020, ANATEL published the proposal for the 5G public auction. It is expected that the auction of 20 MHz of the 700 MHz band, 90 MHz of the 2.3 GHz band, 400 MHz of the 3.5 GHz band and 3,200 MHz of the 26 GHz band will take place in 2021; (ii) in Colombia, the "5G Plan" as well as the 2020-2024 Spectrum Public Policy and the 2020-2024 Spectrum Allocation Framework Plan were published. These policy documents announced actions to auction the remaining spectrum in the 700 MHz, 1,900 MHz and 2,500 MHz bands, without indicating a concrete time frame. Additionally, spectrum in the 3.5 GHz band is planned to be assigned in the second quarter of 2021; however, this auction could be postponed until 2022. Telefónica has requested the Ministerio de las Tecnologías de la Información y las Comunicaciones ("**MinTic**") to delay the spectrum auction in the 3.5 GHz band, considering that the market is not yet sufficiently prepared. It has also proposed the revision of the spectrum valuation methodology downwards, in order to align costs with the spectrum value generation capacity. Finally, although it is in favor of increasing the spectrum caps, Telefónica has requested additional measures to avoid resource monopolization by the dominant operator; and (iii) in Peru, auctions were announced for the bands 1,750 - 1,780 MHz, 2,150 - 2,180 MHz and 2,300 - 2,330 MHz, which may take place during 2021. In addition, the Ministry of Transportation and Communications has started a public consultation regarding 5G and an auction model for the 3.5 GHz and 26 GHz bands.

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

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

In Germany, Telefónica's and other parties' legal actions against Decisions III and IV adopted by the German regulator on the conditions of use of frequencies and the rules of the spectrum of the 2 GHz and 3.4-3.7 GHz bands auction, that ended on 12 June 2019, are pending. With its appeals, Telefónica is challenging, in particular, the imposed coverage obligations and the requirement to negotiate on network access. Other parties *inter alia* claim that the obligation to negotiate with other operators is not strict enough. It is yet unclear to what extent these different actions will affect the regulator's Decisions III and IV.

With respect to Latin America:

In Brazil, ANATEL has approved on 8 February 2021 the Regulation for the Adaptation of Fixed Switched Telephone Service Concessions - STFC for Authorizations for the same service (Resolution n° 741/2021), regarding the migration from the concession regime to the authorization regime. ANATEL is still working on the methodology for calculating the migration balance, and there is a risk that consensus will not be reached between the parties regarding the migration calculation. If a decision is made not to migrate, the STFC concession will remain in force until 2025. In addition, Telefónica could lose its right to operate spectrum in the 450 MHz band, granted in certain cities, if Telefónica's appeal against a decision adopted by the regulator in June 2019 is not successful. Furthermore, regarding the extension of the 850 MHz band authorizations, ANATEL agreed to extend the current authorizations for the use of radio frequencies in Bands A and B, proposing their approval, on a primary basis, until 29 November 2028, if the legal and regulatory requirements are met. However, Telefónica has appealed the regulator's decision related to the amount due for the extension, arguing that it should be calculated based on net present value parameters to reflect the real economic value (market value) of the bands but instead based on the Regulation on the Public Price collection for the right to use Radio Frequencies (PPDUR).

In Peru, an arbitration process was started by the Group, to challenge the decision adopted by the Ministry of Transportation and Communications ("**MTC**"), denying the renewal of concessions for the provision of

fixed-line services, valid until 2027. Nevertheless, Telefónica del Perú S.A.A. holds other concessions for the provision of fixed-line services that allow it to provide these services beyond 2027. The renewal of the 1,900 MHz band in all of Peru (except for Lima and Callao), which expired in 2018, and of other telecommunications services were requested by the Group and a decision by the MTC is still pending. Nevertheless, these concessions are valid while the procedures are in progress.

In Colombia, the period to request the renewal of the license to use 15 MHz in the 1,900 MHz band will expire in April 2021. Unless it is renewed, the license will expire on 18 October 2021. MinTic must establish the renewal conditions in accordance with law 1978/19, which implies market prices conditions, extends the license periods to a maximum of 20 years and allows paying up to 60% of the price of the spectrum through obligations to do or take action.

In Chile, as a result of the Supreme Court ruling on the 700 MHz tender, Telefónica Móviles Chile returned 50 MHz in the 3.5 GHz band to the state in two regions in the south of the country and auctioned 10 MHz of the 1,900 MHz band, the result of which was announced on 21 December 2020.

In Argentina, in connection with Decree of Necessity and Urgency 690/2020 ("**DNU 690/2020**"), Telefónica de Argentina, S.A. and Telefónica Móviles Argentina, S.A. (collectively, "**Telefónica Argentina**") has filed a lawsuit against the Argentine State, in connection with a series of contracts for licenses to provide services and spectrum use authorizations entered into between Telefónica Argentina and the Argentine State, including the licenses resulting from the 2014 spectrum auction. Such contracts and their regulatory framework stated that the services provided by Telefónica Argentina were private and prices would be freely set by Telefónica Argentina. However, DNU 690/2020, by providing that the services will be "public services" and that prices will be regulated by the Argentine State, substantially modifies the legal status of those contracts, affecting the performance of their obligations and substantially depriving Telefónica Argentina of essential rights derived from those contracts.

During 2020, the Group's consolidated investment in spectrum acquisitions and renewals amounted to 126 million euros (1,501 million euros in 2019, 1,425 million euros of which corresponded to spectrum acquisition in Germany), representing 0.3% of the Group's consolidated revenues for 2020 (3.1% in 2019). 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 the Appendix VI of the Consolidated Financial Statements: "*Key regulatory issues and concessions and licenses held by the Telefónica Group*".

#### ***Telefónica depends 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. This may cause legal contingencies or damages to its image in the event that a participant in the supply chain engages in practices that do not meet acceptable standards or that otherwise fail to meet Telefónica's performance expectations. This may include delays in the completion of projects or deliveries, poor-quality execution, cost deviations and inappropriate practices.

As of 31 December 2020, 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 in 2020 to handset suppliers and network infrastructure suppliers. One of the handset suppliers represented 54% of the aggregate value of contracts awarded in 2020 to handset suppliers.

These suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own stock shortfalls and business requirements or for other reasons.

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 addition, the possible adoption of new protectionist measures in certain parts of the world, including as a result of trade tensions between the United States and China,

and/or the adoption of lockdown or other restrictive measures as a result of COVID-19 or any other crisis or pandemic, may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. The imposition of trade restrictions and any disruptions in the supply chain 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.

During 2020, 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 pandemic, as well as the potential discontinuation of use of some suppliers as a result of the U.S.-China conflict. These developments may adversely affect the Group's business, financial condition, results of operations and/or cash flows.

***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 optic.

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as mobile network virtual operators ("MNVOs"), internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice business are shrinking, while new sources of revenues are increasingly derived from connectivity and digital services. Examples of these services include video, IoT, security, Big Data and cloud services.

One of the technologies currently being developed by telecommunications operators, including Telefónica (in Spain and Latin America), is the new FTTx type networks which allow the offering of broadband accesses over fiber optics with high performance. However, the deployment of such networks, in which the copper of the access loop is totally or partially replaced by optical fiber, necessitates high levels of investment. As of 31 December 2020, in Spain, fiber coverage reached 25.2 million premises. There is a growing demand for the services that these new networks can offer to the end customer. However, the high levels of investment required by these networks result in the need to continuously consider the expected return on investment, and no assurance can be given that these investments will be profitable.

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

All of this forces Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors, and, for this reason, the Group's profit and margins could be reduced or such investment could not lead to the development or commercialization of successful new products or services. To contextualize the size of the Group's investments, total research and development expenditure in 2020 was 959 million euros (866 million euros in 2019). These expenditures represented 2.2% and 1.8% of the Group's consolidated revenues in 2020 and 2019, respectively. These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("OECD") manual.

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



***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 offer of digital services.

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

In relation to digital services, customers require an increasingly digital and personalized experience, as well as a continuous evolution of the Group's product and service offering. In this sense, new services such as "Smart Wi-Fi" or "Connected Car", which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. However, there can be no assurance that these and other efforts will be successful. For example, if streaming television services, such as Netflix or others, become the principal way television is consumed to the detriment of the Group's Pay TV service, the Group's revenues and margins could be affected.

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

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

### **Operational Risks.**

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

The risks derived from cybersecurity are among the Group's most relevant risks due to the importance of information technology to its ability to successfully conduct operations. Despite advances in the modernization of the network and the replacement of legacy systems in need of technological renewal, the Group operates in an environment increasingly prone to cyber-threats and all of its products and services, such as mobile Internet or Pay TV services, are intrinsically dependent on information technology systems and platforms that are susceptible to cyberattacks. Successful cyberattacks that disrupt the Group's operations could prevent the effective provision of products and services to customers. Therefore, it is necessary to continue to identify and remedy any technical vulnerabilities and weaknesses in the Group's operating processes, as well as to strengthen its capabilities to detect and react to incidents. This includes the need to strengthen security controls in the supply chain (for example, by focusing on the security measures adopted by the Group's partners and other third parties), as well as to ensure the security of the services in the cloud. Throughout 2020, as a result of the circumstances brought by the COVID-19 pandemic, security measures related to remote access and teleworking of employees and collaborators have been reviewed and strengthened, but no assurance can be provided that such security measures will be effective.

Telecommunications companies worldwide face continuously increasing cybersecurity threats as businesses become increasingly digital and dependent on telecommunications, computer networks and cloud computing technologies. Cybersecurity threats may include gaining unauthorized access to the Group's systems or propagating computer viruses or malicious software to misappropriate sensitive information like customer data or disrupt the Group's operations. In addition, traditional security threats, such as theft of laptop computers, data devices and mobile phones may also affect the Group along with the possibility that the Group's employees or other persons may have unauthorized or authorized access to the Group's systems and leak data and/or take actions that affect the Group's networks or otherwise adversely affect the Group or its ability to adequately process internal information or even result in regulatory penalties.

In particular, in the past three years, the Group has suffered several cybersecurity incidents. Attacks during this period include (i) intrusion attempts (direct or phishing), exploitation of vulnerabilities and corporate credentials being compromised for ransomware deployment (through malicious software that encrypts business data); (ii) Distributed Denial of Service (DDoS) attack, using massive volumes of Internet traffic that saturate the service; and (iii) exploitation of vulnerabilities to carry out fraud through online channels, usually through the subscription of services without paying for them.

Some of the main measures adopted by the Telefónica Group to mitigate these risks are vulnerabilities checks, access control measures, log review of critical systems, network segregation in zones and the deployment of protective systems such as firewalls, intrusion prevention systems and virus scanners among other physical and logical security measures. In the event that preventive and control measures do not prevent damage to systems or data, backup systems are designed to provide for the full or partial retrieval of information.

Although Telefónica seeks to manage these risks by adopting technical and organizational measures, such as those referred to above, as defined in its digital security strategy, it cannot guarantee that such measures are sufficient to avoid or fully mitigate such incidents. Therefore, the Telefónica Group has insurance policies in place, which could cover, subject to the policies terms, conditions, exclusions, limits and sublimits of indemnity, and applicable deductibles, certain losses arising out of these types of incidents. To date, the insurance policies in place have covered some incidents of this nature, however due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover all possible losses arising out of an individual event.

***Unanticipated network interruptions can lead to quality loss or the interruption of the service.***

Unforeseen service interruptions can be due to system failures, natural disasters caused by natural or meteorological events or phenomena, lack of electric supply, network failures, hardware or software failures, theft of network elements or cyber-attacks. Any of the foregoing can affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group.

Such events, like the one that affected the mobile data services provided by O2 UK at the end of 2018 resulting from a software failure, 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 this regard, including exchange rate or sovereign-risk fluctuations, may adversely affect Telefónica's business, financial position, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.

During 2020, Telefónica Spain accounted for 28.8% (26.5% in 2019) of the Telefónica Group's revenues (sales and services), Telefónica UK accounted for 15.6% of the Telefónica Group's revenues (14.7% in 2019), Telefónica Brazil represented 17.2% of the Telefónica Group's revenues (20.7% in 2019) and Telefónica Hispam accounted for 18.4% of the Telefónica Group's revenues (19.9% in 2019). During 2020,

4.0% of the Telefónica Group's revenues came from Argentina, 3.8% from Peru and 3.7% from Chile (4.5%, 4.3% and 4.0%, respectively, in 2019). Approximately 23.2% of the Group's revenues in 2020 came from countries that do not have investment grade credit rating (in order of importance, Brazil, Argentina, Ecuador, Costa Rica, El Salvador and Venezuela), and other countries are just one grade away from losing this status. Likewise, Venezuela and Argentina are considered to be countries with hyperinflationary economies in 2020 and 2019.

The main risks are detailed below, by geography:

In Europe, there is the risk of both a faster spread of the COVID-19 pandemic if the vaccination schedule does not improve significantly and a tightening of financing conditions for both the private and public sectors that could adversely impact disposable income. Both global factors (including any global economic deterioration) and domestic issues (such as the worsening of the fiscal sustainability in some European countries (e.g. Spain or Italy)) may affect economic conditions in the countries where the Group operates.

- *Spain*: there are three other main sources of uncertainty. One of them stems from the economic policies to be implemented from 2021 onwards, given the high level of parliamentary fragmentation and the lack of agreement on key issues. This applies especially to the European Recovery Fund management. Secondly, there is a risk of wider negative economic impact from the pandemic, resulting in a larger proportion of corporate foreclosures and/or higher unemployment levels. Finally, 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, any situation of protectionist backlash could have significant implications.
- *The United Kingdom*: the formal exit of the United Kingdom from the European Union on 31 December 2020 ("**Brexit**") will entail an economic adjustment regardless of the agreement reached on the new economic and commercial relationship between the two regions. The trade and bureaucracy costs of leaving the single market and the customs union (especially those related to non-tariff barriers) could weigh on the country's net trade. In addition, there are still many gaps to be closed in the area of services (particularly, financial and professional services), so variables such as investment, economic activity and employment could be among the most affected, as well as volatility in financial markets, which could limit or condition access to capital markets. These changes can be costly and disruptive to business relationships in the affected markets, including those of Telefónica with its suppliers and customers. The Group would also be adversely affected if the pound sterling were to depreciate.
- *Latin America*: exchange risk is particularly important. This risk is due to both external factors (global trade tensions, abrupt movements in commodity prices and concerns about growth and financial imbalances in China) and internal factors (challenges relating to controlling the COVID-19 pandemic and managing the underlying fiscal deterioration, see "*Unexpected and uncertain events such as the emergence of the COVID-19 (coronavirus) pandemic significantly affect the Group's operations*"):
- *Brazil*: fiscal sustainability remains the main risk, which the government is currently tackling through its commitment to structural reforms including administration and tax system reforms, which not only seek to guarantee sustainability but also raise Brazil's potential growth. The fact that the country's rating is below investment grade and that its internal financing needs are high, could create a greater financial risk in the event of global financial stress and increasing external and internal financial needs, and could also negatively affect the exchange rate performance.
- *Argentina*: macroeconomic and exchange rate risks remain high. The challenges the economy is facing, both internally (ongoing process of public deficit reduction in a context of economic recession and high inflation) and externally (with significant refinancing needs in the medium term), make the economy vulnerable to bouts of volatility in the financial markets especially in a context of narrower room for manoeuvre. Further, the worsening inflation outlook as a result of the exchange rate split and the unsustainable price containment measures that have been adopted, threaten Telefónica's profitability. In particular, the Decree of Need and Urgency ("**DNU**") launched by the government in the third quarter of 2020, declared the Information and Communications Technology sector services as essential public services and, among other measures, suspended any price increase from 31 July 2020 to 31 December 2020. As a consequence, any potential increase in the sector's tariff prices must have the prior approval of the Secretary of

Commerce (Ministry of Finance), increasing the number of administrative and political obstacles that must be overcome to successfully operate the Group's business and which could have an adverse impact on revenue growth and margin evolution of Telefónica's businesses in such country.

- *Chile, Colombia and Peru:* are exposed not only to changes in the global economy, given their vulnerability and exposure to unexpected changes in commodity prices, but also to an abrupt hardening of global financial conditions. On the domestic side, both the existing political instability and the possibility of new episodes of social unrest could have a negative impact in the short and medium term.

***Unexpected and uncertain events, such as the emergence of the COVID-19 (coronavirus) pandemic, significantly affect Telefonica's operations.***

The COVID-19 pandemic and future similar events may significantly affect Telefonica's operations. Such events may cause delays in the supply chain, due to problems in factories or logistics services, affect employees or third parties with whom the Group works during contagion or quarantine periods, and affect global and regional economic growth. During the COVID-19 pandemic, economic growth has been adversely affected by various negative impacts on supply (global value chains disruptions, lockdowns and immobilization of productive resources) and demand (deterioration of confidence and expectations, negative income and wealth effects) derived from a substantial deterioration in the financial markets, unprecedented drops in commodity prices, sudden slowdown in commercial activity and strong restrictions on transportation. The final impact of COVID-19 on the Group's business is difficult to predict due to the uncertainty surrounding the duration of the pandemic and the ability of the economy of the countries where the Group operates, to recover.

In 2020, global GDP contracted around 3.5% due to the COVID-19 pandemic. However, despite this decrease being one of the deepest recessions in history, expectations for 2020 have markedly improved since October 2020 (+0.9 p.p.) thanks to a stronger recovery than previously anticipated during the second half of 2020 due to the high volume of fiscal and monetary support programs.

In Spain, the decrease in GDP reached 22.2% (in cumulative terms) during the first half of the year 2020 (second quarter -17.8%), which led to 1,359,700 people losing their jobs between March and May. However, the gradual lifting of restrictions on mobility and limitations on non-essential activities, has allowed the Spanish economy to restart its activity and GDP grew 16.4% in the third quarter of 2020, the greatest variation in real terms of its historical series. However, the new measures adopted in the last quarter of 2020 to contain the advance of the pandemic have slowed GDP growth to +0.4%, which resulted in an annual contraction of 11% in 2020. This contraction has occurred despite the magnitude of the fiscal packages announced by the national government of Spain, composed of both direct spending (3.5% of GDP) and liquidity guarantees (14.2% of GDP), whose aim is to maintain the productive structure and which, given the volume, raises concerns about debt sustainability in the medium and long term.

With regards to the risks arising from the impact of the pandemic on Latin American countries (mainly Argentina, Brazil, Chile, Colombia and Peru), the main concern is the possibility of another lost decade due to the deterioration of the region's per capita GDP and the consequent setbacks in terms of poverty and social progress. A second focus of uncertainty is related to fiscal sustainability. The significant deterioration experienced by sovereign metrics during the pandemic introduces a non-negligible probability of a credit quality cutback, with the consequent increase in the cost of external financing which may negatively affect foreign exchange performance.

Group management estimates that the negative impact of the pandemic on Group's revenues in 2020 was approximately 1,905 million euros, while the impact on OIBDA (excluding goodwill impairment) was approximately 977 million euros.

Additionally, the COVID-19 crisis has contributed to the depreciation of the main Latin American currencies against the euro (see "*Important Notices – Changes in exchange rates*").

The exchange rate figures evolution has led to goodwill impairment losses. The results of the impairment tests are included in the risk "*The Group has and in the future could experience impairment of goodwill, deferred tax assets or other assets*".

***The Group has and in the future could experience impairment of goodwill, 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 represented 16.2% of the Group's total assets as of 31 December 2020), deferred tax assets (which represented 6.1% of the Group's total assets as of 31 December 2020) or other assets, such as intangible assets (which represented 10.9% of the Group's total assets as of 31 December 2020), and property, plant and equipment (which represented 22.6% of the Group's total assets as of 31 December 2020). 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 to at the time it is originated. By way of example, in 2020 impairment losses in the goodwill and other assets of Telefónica Argentina were recognized for a total of 894 million euros. In 2019, impairment losses in the goodwill allocated to Telefónica Argentina were recognized for a total of 206 million euros.

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. By way of example, in 2019, Telefónica Móviles México derecognized deferred tax assets amounting to 454 million euros. In 2020, deferred tax assets corresponding to the tax Group in Spain amounting to 101 million euros were derecognized.

Further impairments of goodwill, deferred tax 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 31 December 2020, the Group's gross financial debt amounted to 50,420 million euros (52,364 million euros as of 31 December 2019), and the Group's net financial debt amounted to 35,228 million euros (37,744 million euros as of 31 December 2019). As of 31 December 2020, the average maturity of the debt was 10.79 years (10.50 years as of 31 December 2019), 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 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 31 December 2020, the Group's gross financial debt scheduled to mature in 2021 amounted to 8,123 million euros, and gross financial debt scheduled to mature in 2022 amounted to 4,243 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 31 December 2020. As of 31 December 2020, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of 13,354 million euros (12,466 million euros of which were due to expire in more than 12 months). As of 31 December 2020, 6.6% of the aggregate undrawn amount under credit lines was scheduled to expire prior to 31 December 2021.

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 foreign currency exchange rates or interest 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); and (ii) the value of long-term liabilities at fixed interest rates.

In nominal terms, as of 31 December 2020, 75.2% of the Group's net financial debt plus commitments had its interest rate set at fixed interest rates for periods of more than one year. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of 31 December 2020: (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 100 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 97 million euros. For the preparation of these calculations, a constant position equivalent to the position at that date is assumed, which takes into account the financial derivatives contracted by the Group.

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 (mainly the pound sterling) against the euro would result in exchange gains of 55 million euros for the year ended 31 December 2020. These calculations have been made assuming a constant currency position with an impact on profit or loss for the year ended 31 December 2020, taking into account derivative instruments in place.

During 2020, Telefónica Brazil represented 23.6% (28.2% in 2019), Telefónica United Kingdom represented 15.3% (14.0% in 2019), Telefónica Hispam represented 7.3% (13.4% in 2019) of the OIBDA of the Telefónica Group.

In 2020, the evolution of exchange rates negatively impacted the Group's results, decreasing the year-on-year growth of the Group's consolidated revenues and OIBDA by an estimated 6.5 percentage points and 8.0 percentage points, respectively, mainly due to the depreciation of the Brazilian real (3.1 percentage points and 2.2 percentage points, respectively, in 2019). Furthermore, translation differences in 2020 had a negative impact on the Group's equity of 5,801 million euros (negative impact of 95 million euros in 2019).

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 litigation in Peru concerning certain previous years' income taxes, in respect of which a contentious-administrative appeal is currently pending, and to certain tax and regulatory proceedings in Brazil, primarily relating to the ICMS (a Brazilian tax on telecommunication services) and the corporate tax.

With respect to the latter, as of 31 December 2020, Telefónica Brazil maintained provisions for tax contingencies amounting to 282 million euros and provisions for regulatory contingencies amounting to 189 million euros. Although the Group considers its tax estimates to be reasonable, if a tax authority disagrees, the Group could face additional tax liability, including interest and penalties. There can be no guarantee that the payment of such additional amounts will not have a significant adverse effect on the Group's business, results of operations, financial condition and/or cash flows.

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.

***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 US Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. The anti-corruption laws generally prohibit, among other conduct, providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage or failing to keep accurate books and records and properly account for transactions.

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

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions ("**sanctions**") including those administered by the United Nations, the European Union and the United States, including the US Treasury Department's Office of Foreign Assets Control. The sanctions regulations restrict the Group's business dealings with certain sanctioned countries, individuals and entities. In this context, the provision of services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions (which take various forms, including economic sanctions programs applicable to countries, lists of entities and persons sanctioned or export sanctions). Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

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

applicable anti-corruption laws. Telefónica believes that, considering the size of the Group, any potential penalty as a result of matters relating to those specific information requests would not materially affect the Group's financial condition.

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

## **Risks Relating to Withholding**

### ***Risks in relation to Spanish Taxation***

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

Provided that the special tax regime contained under the First Additional Provision of Law 10/2014 applies to the Instruments, in accordance with article 44.5 of Royal Decree 1065/2007, payments of income in respect of the Instruments will be made without withholding tax in Spain provided that the Instruments are originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country and that the Issue and Paying Agent provides the Issuer and the Guarantor in a timely manner with a certificate containing certain information relating to the Instruments in the Spanish language substantially in the form set out in Exhibit I, attached hereto.

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

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

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

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

## **Risks Relating to Subordinated Instruments**

### ***The Issuer's obligations under any Subordinated Instruments will be subordinated***

The Issuer's obligations in respect of Instruments specified in the Final Terms as being subordinated will be unsecured and subordinated obligations of the Issuer and, in the event of insolvency (*concurso*) of the Issuer, will at all times rank *pari passu* among themselves and *pari passu* with all other present and future contractually subordinated obligations of the Issuer, except for subordinated obligations pursuant to Articles 281.3 to 281.7 of the restated text of the Spanish Insolvency Law, approved by Royal Decree 1/2020, of 5 May (the "**Spanish Insolvency Law**") and subordinated obligations prescribed by law to, and subordinated obligations which are expressed to, rank junior to the Subordinated Instruments. By virtue of such subordination, payments to a Holder of Subordinated Instruments will, in the event of the insolvency (*concurso*) of the Issuer only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder of Subordinated Instruments may therefore recover less than the holders of



unsubordinated or other subordinated liabilities of the Issuer. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as any Subordinated Instruments will lose all or some of his investment should the Issuer become insolvent.

***Subordinated Instruments will be guaranteed on a subordinated basis***

The Guarantor's obligations under the Guarantee in relation to Subordinated Instruments will be unsecured and subordinated obligations of the Guarantor. In the event of the insolvency (*concurso*) of the Guarantor under Spanish Insolvency Law, the Guarantor's obligations under the Guarantee in respect of Subordinated Instruments will rank *pari passu* with all other present and future contractually subordinated obligations of the Guarantor, except for subordinated obligations pursuant to Articles 281.3 to 281.7 of the Spanish Insolvency Law, subordinated obligations prescribed by law to, and subordinated obligations which are expressed to rank junior to, the Guarantee.

Holders of any Subordinated Instruments are advised that if (and until) the claim of the Holders against the Guarantor under the Guarantee is payable and enforceable and Holders serve a demand of payment or enforce the guarantee claim, such claim may be classified as a contingent claim (*crédito contingente*) and the related rights of the Holders shall be suspended until the claim ceases to be a contingent claim and unsubordinated liabilities of the Guarantor may also arise out of events that are not reflected on the balance sheet of the Guarantor including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Guarantor that in the insolvency of the Guarantor will need to be paid in full before the obligations under the Guarantee may be satisfied.

***Risks arising in connection with the Spanish insolvency law***

The Spanish Insolvency Law regulates pre-insolvency and court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations (*insolvencia actual*) within the term of two months as from the moment that it knows that it is insolvent or as from the moment it should have known it is insolvent. Due to COVID-19, by means of Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in light of the COVID-19 pandemic, this duty to file for insolvency has been postponed until 31 December 2021 (i.e. the two-month term to file for insolvency of any debtor who is currently insolvent will not start until 1 January 2022). The debtor is also entitled to apply for such insolvency proceedings when it expects that it will shortly be unable to do so (*insolvencia inminente*). Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors.

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

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's necessary assets essential for the business to operate.

Holders of Subordinated Instruments should be aware (i) of the effects of a declaration of insolvency (*declaración de concurso*) of the Guarantor set out above; (ii) that their claims against the Guarantor would therefore be subordinated behind other classes of creditor set out above; and (iii) subordinated creditors may not vote on an arrangement and have very limited chances of collection, according to the ranking established by the Spanish Insolvency Law.

## **Risk Relating to the Instruments**

### ***There is no active trading market for the Instruments.***

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made for the Instruments issued under the Programme to be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin, there is no assurance that such applications will be accepted, that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Instruments which may result in Instrumentholders being unable to sell Instruments on a timely basis, or without incurring a loss on their investment.

### ***Floating Rate Instruments.***

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

### ***The Instruments may be redeemed prior to maturity.***

If in the case of any particular Tranche of Instruments the relevant Final Terms specifies that the Instruments are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Instruments at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Instruments linked to or referencing a "benchmark".

### **Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future - including the potential phasing-out of LIBOR after 2021.**

LIBOR, EURIBOR and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**") on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmark Regulation could have a material impact on any Instruments linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or

methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks."

As an example of such benchmark reforms, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and on 5 March 2021 confirmed that most LIBOR tenors would cease to be representative benchmarks from the end of 2021 (in the case of GBP LIBOR) or June 2023 (in the case of USD LIBOR). Such announcements indicate that LIBOR will not continue in its current form. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

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

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(i) (Benchmark Replacement)) or result in adverse consequences to holders of any Instruments linked to such benchmark (including Floating Rate Instruments whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Instruments, the return on the relevant Instruments and the trading market for securities (including the Instruments) based on the same benchmark.

The "Terms and Conditions of the Instruments" provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, unlawful or unrepresentative, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Instruments may not achieve this objective. Any such changes may result in the Instruments performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Instruments based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Instruments.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Instruments linked to or referencing a benchmark.

***In respect of any Instruments issued as SDG Instruments, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The Final Terms relating to any specific Tranche of Instruments may provide that it will be the Issuer's intention to apply an amount equal to the proceeds from an offer of such Instruments specifically for projects and activities that promote climate-friendly, other environmental, sustainable and social purposes ("**Eligible Projects**"). It should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "environmental" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "environmental" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Instruments together with any other investigation such investor deems necessary.

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

In the event that any such Instruments are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Guarantor, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Guarantor, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Instruments. Any such event or failure by the Issuer will not constitute an Event of Default under the Instruments.

***Because Instruments in global form are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.***

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

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

Holders of beneficial interests in the global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled

by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the global Instruments will not have a direct right under the global Instruments to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Instruments but will have to rely upon their rights under the Deed of Covenant.

#### ***Modification, waivers and substitution***

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

Provided the Instruments remain subject to Law 10/2014 at all times, the Guarantor or any of its Subsidiaries (as defined below) (each a "**Substitute Debtor**") may also, without the consent of the Holders, assume the obligations of the Issuer (or any previous Substitute Debtor) under and in respect of any Instruments. Any such substitution will be subject to the conditions set out in the Terms and Conditions which include, among other things that no Event of Default, would be triggered by such substitution and that if the Substitute Debtor is not the Guarantor, a covenant is provided by the Guarantor in favour of the Holders of the relevant Instruments guaranteeing the obligations of the Substitute Debtor.

#### **Risks relating to Instruments denominated in Renminbi**

A description of risks which may be relevant to an investor in Instruments denominated in Renminbi ("**Renminbi Instruments**") are set out below.

***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Instruments.***

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although the People's Bank of China (the "**PBoC**") has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC Government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programmes and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Instruments denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Instruments and the Issuer's or Guarantor's ability to source Renminbi outside the PRC to service Renminbi Instruments.***

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business-participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC, although the PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Instruments. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Instruments, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the Renminbi Instruments is subject to exchange rate risks***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the US dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. The Issuer and the Guarantor will make all payments of interest and principal with respect to the Renminbi Instruments in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in US dollar terms may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar or other foreign currencies, the value of the investment made by a holder of the Renminbi Instruments in US dollars or other applicable foreign currency will decline.

***Investment in the Renminbi Instruments is subject to currency risk***

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Instruments as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in US Dollars on the due date at the US Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be. Investors may therefore not receive payments in Renminbi in certain circumstances, and may incur costs or delays in exchanging any US Dollar for Renminbi.

***Investment in the Renminbi Instruments is subject to interest rate risks***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets

outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Instruments may carry a fixed interest rate, the trading price of the Renminbi Instruments will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Instruments propose to sell their Renminbi Instruments before their maturity, they may receive an offer lower than the amount they have invested.

***Payments with respect to the Renminbi Instruments may be made only in the manner designated in the Renminbi Instruments***

All payments to investors in respect of the Renminbi Instruments will be made solely (i) for so long as the Renminbi Instruments are represented by global certificates held with the common depository or common safekeeper, as the case may be, for Clearstream, Luxembourg and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or (ii) for so long as the Renminbi Instruments are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Neither the Issuer nor the Guarantor can be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

***Gains on the transfer of the Renminbi Instruments may become subject to income taxes under PRC tax laws***

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Instruments by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Instruments but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual holder from the transfer of Renminbi Instruments.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Instruments by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, holders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Instruments.

Therefore, if enterprise or individual resident holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Instruments, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual holders of Renminbi Instruments reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Instruments may be materially and adversely affected.

## KEY FEATURES OF THE PROGRAMME

*The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Instruments, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.*

<b>Issuer</b>	Telefónica Emisiones, S.A.U.
<b>Issuer Legal Entity Identifier (LEI):</b>	549300Y5MFC4SW5Z3K71
<b>Guarantor</b>	Telefónica, S.A.
<b>Guarantee</b>	The Guarantor has, in a Deed of Guarantee dated 15 April 2021 (the " <b>Guarantee</b> "), unconditionally and irrevocably guaranteed the due and punctual payment of all amounts under the Instruments.
<b>Arranger</b>	BNP Paribas.
<b>Dealers</b>	Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Credit Suisse Securities Sociedad de Valores S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, J.P. Morgan AG, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, NatWest Markets N.V., Société Générale, UBS Europe SE and UniCredit Bank AG, and any other dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
<b>Issue and Paying Agent and Principal Registrar</b>	The Bank of New York Mellon, London Branch.
<b>Listing Agent</b>	The Bank of New York Mellon SA/NV, Dublin Branch.
<b>Programme Amount</b>	€40,000,000,000 in aggregate principal amount of Instruments outstanding at any one time (and, for this purpose, any Instruments denominated in another currency shall be translated into Euro at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of Euro being quoted by the Issue and Paying Agent at the time agreed between the Issuer and the Relevant Dealer in respect of the relevant Tranche was made or such other rate as the Issuer and the Relevant Dealer may agree). The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under " <i>Subscription and Sale</i> ".
<b>Issuance in Series</b>	Instruments will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Instruments in bearer form and Instruments in registered form and Instruments in more than one denomination. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form and may comprise Instruments of different denominations.



## Form of Instruments

Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument or (if so specified in the relevant Final Terms in respect of Instruments to which US Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") applies (as so specified in such Final Terms)) a permanent global Instrument. Each such global Instrument which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each such global Instrument which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each temporary global Instrument will be exchangeable for a permanent global Instrument or, if so specified in the relevant Final Terms, for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Final Terms) in registered form in accordance with its terms. Each permanent global Instrument will be exchangeable for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Final Terms) in registered form in accordance with its terms. Instruments in definitive bearer form will, if interest-bearing, have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons attached and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon or, if so specified in the relevant Final Terms, have payment receipts ("**Receipts**") attached. Instruments in registered form may not be exchanged for Instruments in bearer form unless otherwise specified in the relevant Final Terms.

## Eurosystem Eligibility

If the Global Instruments are stated in the applicable Final Terms to be issued in NGN form, on or prior to the original issue date of the Tranche, the Global Instruments will be delivered to a Common Safekeeper and Euroclear and Clearstream, Luxembourg, or any other relevant clearing system, will be informed whether or not the Instruments are intended to be held in a manner to enable them to be considered as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem ("**Eurosystem eligible collateral**").

Depositing the Global Instruments intended to be held as Eurosystem eligible collateral with a Common Safekeeper does not necessarily mean that the Instruments will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. In the case of Instruments issued in NGN form which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Instruments are capable of meeting the eligibility criteria, such Instruments may then be deposited with Euroclear or Clearstream, Luxembourg, or any other relevant clearing system, as Common Safekeeper.

## Currencies

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

<b>Status of Instruments</b>	Instruments may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.
<b>Status of the Guarantee</b>	The obligations of the Guarantor under the Guarantee are, unless otherwise specified in the applicable Final Terms, unsubordinated.
<b>Issue Price</b>	Instruments may be issued at any price, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant Tranche of Instruments will be determined before filing of the relevant Final Terms of each Tranche on the basis of the then prevailing market conditions.
<b>Maturities</b>	<p>Instruments may have any maturity of not less than one month, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/ or central bank requirements.</p> <p>Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried out from an establishment maintained by the Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of FSMA by the Issuer.</p>
<b>Redemption</b>	Instruments will be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms.
<b>Early Redemption</b>	Early redemption will, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, be permitted for taxation reasons as mentioned in " <i>Terms and Conditions of the Instruments — Early Redemption for Taxation Reasons</i> ", but will otherwise be permitted only to the extent specified in the relevant Final Terms.
<b>Interest</b>	Instruments may be interest bearing or non-interest bearing, as specified in the Final Terms. Interest may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
<b>Denominations</b>	Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of €100,000 (or, if the Instruments are denominated in a currency other than Euro, the equivalent amount in such currency at the date of issue) in the case of Instruments to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 14 of MiFID II, and in compliance with all applicable legal and/or regulatory and/or central bank requirements. In the event that Condition 1.05(c) is stated in the relevant Final Terms as being applicable, the Clearing Systems will not permit trades other than in the denominations specified in the Final Terms or in integral multiples thereof.
<b>Taxation</b>	Payments in respect of Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties,

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

**Negative Pledge** The Instruments will have the benefit of a negative pledge as described in Condition 4 (*Negative Pledge*).

**Cross Default** The Instruments will have the benefit of a cross default as described in Condition 7 (*Events of Default*).

**Information requirements under Spanish Tax Law** Provided that the special tax regime contained under the First Additional Provision of 10/2014 applies to the Instruments in accordance with article 44.5 of Royal Decree 1065/2007, income obtained in respect of the Instruments will not be subject to withholding tax in Spain, provided that the Instruments are originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country and that the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with certain information relating to the Instruments. See "*Taxation and Disclosure of Information in Connection with Payments*".

If the Issue and Paying Agent fails to provide the Issuer and the Guarantor with the required information described under "*Taxation and Disclosure of Information in Connection with Payments — Taxation in the Kingdom of Spain — Information about the Instruments in Connection with Payments*" in a timely manner, the Issuer will be required to withhold tax and pay income in respect of the relevant Instruments net of the Spanish withholding tax applicable to such payments (as at the date of this Base Prospectus, at the rate of 19 per cent.).

If this were to occur, affected Holders will receive a refund of the amount withheld, with no need for action on their part, if the Issue and Paying Agent submits the required information to the Issuer and the Guarantor no later than the 10<sup>th</sup> calendar day of the month immediately following the relevant payment date. In addition, Holders may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Neither the Issuer nor the Guarantor will pay additional amounts in respect of any such withholding tax.

None of the Issuer, the Guarantor, the Arranger, the Dealers, the Registrars or any clearing system (including Euroclear and Clearstream, Luxembourg) assume any responsibility therefor.

**Governing Law** The terms and conditions of the Instruments, all related contractual documentation and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments and all related contractual documentation will be governed by English law. The status of the Instruments and of the Guarantee are governed by Spanish

law. See "*Terms and Conditions of the Instruments — Law and Jurisdiction*".

<b>Listing and Trading</b>	Applications have been made for Instruments issued using this Base Prospectus to be admitted during a period of twelve months after the date hereof to listing on the Official List and to trading on the regulated market of Euronext Dublin.
<b>Terms and Conditions</b>	The " <i>Terms and Conditions of the Instruments</i> " set out herein will be applicable to each Series of Instruments issued subject to Law 10/2014. Final terms will be prepared in respect of each Tranche of Instruments (the " <b>Final Terms</b> "). The terms and conditions applicable to each Tranche will be those set out herein under " <i>Terms and Conditions of the Instruments</i> " as completed by the relevant Final Terms.
<b>Enforcement of Instruments Global Form</b>	In the case of Instruments in global form, Holders' rights will be supported by a Deed of Covenant dated 15 April 2021, a copy of which will be available for inspection at the specified office of the Issue and Paying Agent.
<b>Clearing Systems</b>	Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms.
<b>Selling Restrictions</b>	For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material under the laws of the United States of America, the United Kingdom, Japan, the EEA (including the Kingdom of Spain and Belgium), Australia, Hong Kong, the People's Republic of China and Singapore, see " <i>Subscription and Sale</i> ". Additional restrictions may apply to each Series, as specified in the relevant Final Terms.
<b>Ratings</b>	<p>Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA but is certified under the EU CRA Regulation.</p> <p>Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK but is certified under the UK CRA Regulation.</p> <p>A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Redenomination and Exchangeability</b>	The relevant Final Terms will indicate whether the Issuer may elect that, with effect from the Redenomination Date, the Instruments of that Tranche (if the currency of such Tranche is not the Euro) shall be redenominated in Euro (if Redenomination is specified) or become

exchangeable for Instruments denominated in Euro (if Exchangeability is specified).

**Issuer Substitution**

The Conditions include provisions for the substitution of the Issuer, as described under Condition 18 (*Substitution; Merger, Consolidation, etc. Only on Certain Terms*).

**Use of Proceeds**

The net proceeds of the issue of each Tranche of Instruments will either be applied by the Issuer, the Guarantor and/or the Group to meet part of their general financing requirements or to finance and/or refinance, in whole or in part, Eligible Projects, in which case the relevant Instruments will be identified as "SDG Instruments" in the title of the Instruments in the applicable Final Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) English language translations of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2020 including the notes thereto, as set out on pages 3 to 140 of the document entitled "*Telefónica, S.A. and its subsidiaries – Auditor's Report, Consolidated Annual Accounts, and Consolidated Management Report at 31 December 2020*", and the auditor's report attached thereto, which are available on <https://www.telefonica.com/documents/162467/141705152/Consolidated-Annual-Accounts-2020.pdf/fc0a1436-9d93-5268-8dda-096dc663611e>;
- (2) English language translations of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2019 including the notes thereto, as set out on pages 3 to 132 of the document entitled "*Telefónica, S.A. and its subsidiaries – Auditor's Report, Consolidated Annual Accounts, and Consolidated Management Report at December 31, 2019*", and the auditor's report attached thereto, which are available on <https://www.telefonica.com/documents/162467/141705152/Consolidated-Annual-Accounts-2019.pdf/2532d380-3cfd-5d90-d0d8-a475f7a4251f>;
- (3) English language translations of the audited financial statements of the Issuer for the year ended 31 December 2020 including the notes thereto, as set out on pages 1 to 25 of the document entitled "*Telefónica Emisiones, S.A.U. Independent auditor's report, Annual Accounts and Management Report for the year ended 31 December 2020*", and the auditor's report attached thereto, which are available on <https://www.telefonica.com/documents/162467/145831833/20210329-Annual-Accounts-Telefonica-Emisiones-2020.pdf/fd6b97af-216a-a358-02d9-f294bb2ba1fc>;
- (4) English language translations of the audited financial statements of the Issuer for the year ended 31 December 2019 including the notes thereto, as set out on pages 1 to 25 of the document entitled "*Telefónica Emisiones, S.A.U. Independent auditor's report, Annual Accounts and Management Report for the year ended 31 December 2019*", and the auditor's report attached thereto, which are available on <https://www.telefonica.com/documents/162467/144985159/annual-accounts-telefonica-emisiones-sau-2019.pdf/880e7e4c-de0d-4982-24f7-a34559c18994>;
- (5) the Terms and Conditions of the Instruments on pages 17 to 46 of the Base Prospectus dated 8 July 2005 relating to the Programme (the "**2005 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/246889/2005\\_emtn-program.pdf](https://www.telefonica.com/documents/162467/246889/2005_emtn-program.pdf);
- (6) the Terms and Conditions of the Instruments as set out on pages 19 to 47 of the Base Prospectus dated 5 July 2006 relating to the Programme (the "**2006 Conditions**"), which are available on <https://www.telefonica.com/documents/162467/246894/11jul06-emtn-program.pdf>;
- (7) the Terms and Conditions of the Instruments as set out on pages 20 to 48 of the Base Prospectus dated 3 July 2009 relating to the Programme (the "**2009 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/247367/090707\\_EMTN\\_July\\_2009\\_Base\\_Prospectus.pdf](https://www.telefonica.com/documents/162467/247367/090707_EMTN_July_2009_Base_Prospectus.pdf);
- (8) the Terms and Conditions of the Instruments as set out on pages 22 to 50 of the Base Prospectus dated 23 June 2010 relating to the Programme (the "**2010 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/247516/100630\\_EMTN\\_June\\_2010\\_Base\\_Prospectus.pdf](https://www.telefonica.com/documents/162467/247516/100630_EMTN_June_2010_Base_Prospectus.pdf);
- (9) the Terms and Conditions of the Instruments as set out on pages 23 to 52 of the Base Prospectus dated 20 June 2011 relating to the Programme (the "**2011 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/247801/201106020\\_EMTN\\_June\\_2011\\_Base\\_Prospectus.pdf](https://www.telefonica.com/documents/162467/247801/201106020_EMTN_June_2011_Base_Prospectus.pdf);
- (10) the Terms and Conditions of the Instruments as set out on pages 20 to 49 of the Base Prospectus dated 12 June 2012 relating to the Programme (the "**2012 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/248092/20120612\\_Base\\_Prospectus\\_EMTN.pdf](https://www.telefonica.com/documents/162467/248092/20120612_Base_Prospectus_EMTN.pdf);

- (11) the Terms and Conditions of the Instruments as set out on pages 23 to 54 of the Base Prospectus dated 12 June 2013 relating to the Programme (the "**2013 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/248266/20130612\\_Base\\_prospectus\\_EMTN\\_jun\\_io\\_2013.pdf](https://www.telefonica.com/documents/162467/248266/20130612_Base_prospectus_EMTN_jun_io_2013.pdf);
- (12) the Terms and Conditions of the Instruments as set out on pages 24 to 57 of the Base Prospectus dated 10 June 2014 relating to the Programme (the "**2014 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/248458/20140610\\_Prospectus\\_June\\_2014.pdf](https://www.telefonica.com/documents/162467/248458/20140610_Prospectus_June_2014.pdf);
- (13) the Terms and Conditions of the Instruments as set out on pages 27 to 60 of the Base Prospectus dated 5 June 2015 relating to the Programme (the "**2015 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/248647/20150612\\_EMTN\\_june\\_2015\\_Base\\_Prospectus.pdf](https://www.telefonica.com/documents/162467/248647/20150612_EMTN_june_2015_Base_Prospectus.pdf);
- (14) the Terms and Conditions of the Instruments as set out on pages 25 to 58 of the Base Prospectus dated 13 September 2016 relating to the Programme (the "**2016 Conditions**"), which are available on [https://www.telefonica.com/documents/162467/114871467/20160913\\_Programa\\_EMTN\\_2016.pdf/6b36c29d-8e5f-4b4c-9cd9-3cec2e1719b7](https://www.telefonica.com/documents/162467/114871467/20160913_Programa_EMTN_2016.pdf/6b36c29d-8e5f-4b4c-9cd9-3cec2e1719b7);
- (15) the Terms and Conditions of the Instruments as set out on pages 25 to 60 of the Base Prospectus dated 29 June 2017 relating to the Programme (the "**2017 Conditions**"), which are available on [https://www.rns-pdf.londonstockexchange.com/rns/6307J\\_-2017-6-29.pdf?\\_ga=2.64858348.2144833970.1552419309-265962326.1552419309](https://www.rns-pdf.londonstockexchange.com/rns/6307J_-2017-6-29.pdf?_ga=2.64858348.2144833970.1552419309-265962326.1552419309);
- (16) the Terms and Conditions of the Instruments as set out on pages 27 to 64 of the Base Prospectus dated 19 June 2018 relating to the Programme (the "**2018 Conditions**"), which are available on [https://www.rns-pdf.londonstockexchange.com/rns/9044R\\_1-2018-6-19.pdf?\\_ga=2.57075177.2144833970.1552419309-265962326.1552419309](https://www.rns-pdf.londonstockexchange.com/rns/9044R_1-2018-6-19.pdf?_ga=2.57075177.2144833970.1552419309-265962326.1552419309);
- (17) the Terms and Conditions of the Instruments as set out on pages 32 to 70 of the Base Prospectus dated 12 April 2019 relating to the Programme (the "**2019 Conditions**"), which are available on <https://www.telefonica.com/documents/162467/144985159/20190412-Prospectus-EMTN-2019.pdf/784d6be5-2fca-f712-7917-f43f3de52c77>; and
- (18) the Terms and Conditions of the Instruments on pages 36 to 74 of the Base Prospectus dated 14 April 2020 relating to the Programme (the "**2020 Conditions**"), which are available on <https://www.telefonica.com/documents/162467/145831833/20200414-Prospectus-EMTN-2020.pdf/a45243b5-e4c1-c411-23f9-12b1e625e27d>.

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

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

Any information contained in the documents listed at (1) to (17) (inclusive) above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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

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

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which, as completed in relation to any Instruments by Part A of the relevant Final Terms, will be applicable to each Series of Instruments, **provided that** the text contained herein in italics is included for information and shall not form part of the Terms and Conditions:*

The Instruments of each Tranche are constituted by a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public on or prior to the issue date, and which shall contain, among other information, the terms and conditions of the Instruments. The Instruments are issued pursuant to and in accordance with an amended and restated issue and paying agency agreement (as amended, supplemented, restated or replaced from time to time, the "**Issue and Paying Agency Agreement**") dated 15 April 2021 and made between Telefónica Emisiones, S.A.U. (the "**Issuer**"), Telefónica, S.A. (the "**Guarantor**"), The Bank of New York Mellon, London Branch in its capacities as Issue and Paying Agent (the "**Issue and Paying Agent**", which expression shall include any successor to The Bank of New York Mellon, London Branch in its capacity as such) and as principal registrar (the "**Principal Registrar**", which expression shall include any successor to The Bank of New York Mellon, London Branch in its capacity as such), The Bank of New York Mellon SA/NV, Luxembourg Branch in its capacity as alternative registrar (the "**Alternative registrar**", which expression shall include any successor to The Bank of New York Mellon SA/NV, Luxembourg Branch in its capacity as such) and the paying agents named therein (the "**Paying Agents**", which expression shall include the Issue and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). The Instruments have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 15 April 2021 and executed by the Issuer in relation to the Instruments and a deed of guarantee (the "**Guarantee**") dated 15 April 2021, executed by the Guarantor in favour of the Holders (as defined below). Copies of the Issue and Paying Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Principal Registrar and the Alternative registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of final terms (each, "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or, as the case may be, the Registrar (as defined in Condition 2.02). References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons (as defined in Condition 1.06) and Receipts (as defined in Condition 1.07) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Instruments of the relevant Tranche or Series.

For so long as any of the Instruments is represented by a Permanent Global Instrument or Temporary Global Instrument (as defined below) held on behalf of Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking, S.A. (Clearstream, Luxembourg) (the "**Clearing Systems**") each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the Holder of a particular nominal amount of such Instruments (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Instruments standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the Holder of such nominal amount of such Instruments for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Instruments, for which purpose the bearer of the relevant Bearer Instrument in global form or the registered Holder of the relevant Registered Instrument in global form shall be treated by the Issuer, the Guarantor and any Paying Agent as the Holder of such nominal amount of such Instruments in accordance with and subject to the terms of the relevant Temporary Global Instrument or Permanent Global Instrument and the expression Holder and related expressions shall be construed accordingly.

In respect of any Instruments, references herein to these Terms and Conditions are to these terms and conditions as completed by the Final Terms.



1. **Form and Denomination**

- 1.01 Instruments are issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**"), as specified in the Final Terms, and are serially numbered. Registered Instruments will not be exchangeable for Bearer Instruments unless the Final Terms specify otherwise.

***Bearer Instruments***

- 1.02 The Final Terms shall specify whether US Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") or US Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "**Temporary Global Instrument**"), unless the Final Terms specifies otherwise or the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a permanent global Instrument (a "**Permanent Global Instrument**").

Interests in the Temporary Global Instrument may be exchanged for:

- (i) interests in a Permanent Global Instrument; or
- (ii) if so specified in the Final Terms, definitive instruments in bearer form ("**Definitive Instruments**") and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the Final Terms) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument, will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by US Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant Clearing System for whose account the Temporary Global Instrument is held) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- 1.03 The bearer of any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- 1.04 Unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments and are subject to Condition 1.03, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by US Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant Clearing System for whose account the Temporary Global Instrument is held) has been received by Euroclear or Clearstream, Luxembourg or any such other relevant Clearing System. Payments of amounts due in respect of a Permanent Global Instrument or (subject to Condition 1.03) a Temporary Global Instrument (if the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, Luxembourg or any other relevant Clearing System without any requirement for certification.
- 1.05 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole but not in part only for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the Final Terms) Registered Instruments, (a) if an Event of Default (as defined in Condition 7.01) occurs in respect of any Instrument of the relevant

Series; or (b) if any of Euroclear, Clearstream, Luxembourg and any other relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of public holidays), announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Instruments for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Instrument upon such Holder's request, in all cases at the cost and expense of the Issuer<sup>1</sup>. In order to exercise the option contained in (c) of the preceding sentence, the Holder must, not less than 45 days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Instruments and/or Registered Instruments by 6.00 p.m. (London time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Instrument becomes due to be exchanged and, in the case of (a) above, such Instrument is not duly redeemed (or the funds required for such redemption are not available to the Issue and Paying Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the thirtieth day after the day at which such Instrument became immediately redeemable such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.

- 1.06 Interest-bearing Definitive Instruments have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Instruments, if so specified in the Final Terms, have attached thereto at the time of their initial delivery a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.
- 1.07 Instruments, the principal amount of which is repayable by instalments ("**Instalment Instruments**") which are Definitive Instruments, have endorsed thereon a grid for recording the repayment of principal or, if so specified in the Final Terms, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

### *Denomination*

#### *Denomination of Bearer Instruments*

- 1.08 Bearer Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms (subject to a minimum denomination of €100,000 in the case of Instruments to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of Directive 2014/65/EU, as amended, (or, if the Instruments are denominated in a currency other than Euro, the equivalent amount in such currency at the date of issue)). Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.

In the event that Condition 1.05(c) is stated in the relevant Final Terms as being applicable, the Clearing Systems will not permit trades other than in the denominations specified in the Final Terms or in integral multiples thereof.

#### *Denomination of Registered Instruments*

- 1.09 Registered Instruments are in the minimum denomination specified in the Final Terms (subject to a minimum denomination of €100,000 in the case of Instruments to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 21 of Directive 2014/65/EU, as amended, (or, if the Instruments are denominated in a currency other than Euro, the equivalent amount in such currency at the date of issue)) or integral multiples thereof.

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<sup>1</sup> *The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Instruments includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Instruments which is to be represented on issue by a Permanent Global Instrument exchangeable for Definitive Instruments and/or Registered Instruments.*

### *Currency of Instruments*

1.10 The Instruments are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### **2. Title and Transfer**

2.01 Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the "**Holders**" of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons and shall, in relation to Instruments represented by a Temporary Global Instrument or Permanent Global Instrument, be construed as provided above.

2.02 Title to Registered Instruments passes by registration in the register which shall be kept by the Registrar pursuant to the Issue and Paying Agency Agreement. For the purposes of these Terms and Conditions, "**Registrar**" means, in relation to any Series comprising Registered Instruments, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Final Terms, **provided always that** where such Series is listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, "**Registrar**" shall mean the Registrar with its specified office in Luxembourg. References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### *Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments*

2.04 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

2.05 If so specified in the Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Issue and Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Issue and Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be

deemed not to be effectively received by the Registrar or the Issue and Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (i) "**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Issue and Paying Agent, in the place where the specified office of the Issue and Paying Agent is located;
- (ii) the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and
- (iii) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04.

2.07 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Issue and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Issue and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

2.08 No Holder may require the transfer of a Registered Instrument to be registered or a Temporary Global Instrument or, as the case may be, Permanent Global Instrument to be exchanged for a Registered Instrument (i) during the period of 15 days ending on the due date for redemption of that Instrument; (ii) during the period of 15 days prior to any date on which Instruments may be redeemed by the Issuer at its option pursuant to Condition 6.03 (*Optional Early Redemption (Call)*) or (iii) after any such Instrument has been drawn for redemption in whole or in part.

### 3. **Status of the Instruments and the Guarantee**

#### 3A **Status — Unsubordinated Instruments**

This Condition 3A (*Status — Unsubordinated Instruments*) is applicable in relation to Instruments specified in the Final Terms as being unsubordinated or not specified as being subordinated ("**Unsubordinated Instruments**").

The Instruments constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (unless they qualify as subordinated debts under Article 281 of the restated text of the Spanish Insolvency Law, approved by Royal Decree 1/2020, of 5 May (the "**Spanish Insolvency Law**")) in the event of insolvency (*concurso*) of the Issuer will at all times rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, except for such payment obligations that are preferred by law under Articles 242, 270 and 280 of the Spanish Insolvency Law.

*Interest on the Instruments accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Instruments shall be suspended from the date of any declaration of insolvency.*

#### 3B **Status — Subordinated Instruments**

Instruments may be issued on a subordinated basis ("**Subordinated Instruments**"), as specified in the Final Terms.

The Subordinated Instruments constitute direct, unsecured and subordinated obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among themselves and *pari passu* with all other present and future contractually subordinated obligations of the Issuer, except for

subordinated obligations pursuant to Articles 281.3 to 281.7 of the Spanish Insolvency Law and subordinated obligations prescribed by law to, and subordinated obligations which are expressed to, rank junior to the Subordinated Instruments.

*In the event of insolvency (concurso) of the Issuer, under the Spanish Insolvency Law, claims relating to the Subordinated Instruments will fall within the category of "subordinated debts" (créditos subordinados, as defined in the Spanish Insolvency Law). The obligations of the Issuer under the Subordinated Instruments, whether on account of principal, interest or otherwise, are subordinated to all other unsubordinated obligations of the Issuer. After payment in full of unsubordinated debts, under article 281 of the Spanish Insolvency Law, the Issuer will meet such subordinated debts in the following order and on a pro rata basis within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings (concurso); (ii) contractually subordinated debt (such as the Subordinated Instruments); (iii) certain interest (such as interest due on the Instruments accrued and unpaid until the commencement of the insolvency proceedings (concurso)); (iv) fines; (v) claims of creditors which are specially related to the Issuer; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (rescisión concursal) and in respect of which the court has determined that the relevant creditor has acted in bad faith and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 158, 163, 166 and 167 of the the Spanish Insolvency Law, whenever the court rules, prior to the court receiver's (administrador concursal) report of insolvency, that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the insolvency proceedings.*

### 3C *Status — Unsubordinated Guarantee*

This Condition 3C (*Status — Unsubordinated Guarantee*) is applicable to all Instruments other than those which are specified in the Final Terms as being guaranteed on a subordinated basis.

3C.01 Pursuant to the Guarantee, the Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Instruments. The obligations of the Guarantor under the Guarantee (which expression includes any covenant which may be given pursuant to Condition 18.01(a)(iii)) constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*) unsecured obligations of the Guarantor and (subject as aforesaid) (unless they qualify as subordinated credits under Article 281 of the Spanish Insolvency Law) in the event of the insolvency (*concurso*) of the Guarantor will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, except for such payment obligations that are preferred by law under Articles 242, 270 and 280 of the Spanish Insolvency Law.

3C.02 The Guarantor undertakes not to evidence by means of a Spanish Public Document (as defined below) any Relevant Indebtedness of the Guarantor or any guarantee or surety given by the Guarantor in respect of any Relevant Indebtedness of any other Person unless, not later than one day prior thereto, the obligations of the Guarantor under the Guarantee are also notarised or intervened as aforesaid at the expense of the Guarantor except that the provisions of this Condition 3C.02 shall not apply to such Relevant Indebtedness which is, pursuant to mandatory provisions of the laws of the Kingdom of Spain, required to be notarised or intervened as aforesaid.

"**Spanish Public Document**" means a public deed granted before, or a document or instrument witnessed by, a Notary (*escritura pública otorgada ante, o póliza o efecto intervenido por, Notario*).

*From the entry into force of the Law 22/2003 on 1 September 2004, and in accordance with the Spanish insolvency procedures (concurso), creditors whose rights arise from a Spanish Public Document, including Holders, do not have a preference to enforce their rights and do not rank ahead of other creditors whose rights may be recognised by virtue of a document which is not a Spanish Public Document.*

### 3D *Status — Subordinated Guarantee*

Subordinated Instruments will be guaranteed on a subordinated basis.

The payment obligations of the Guarantor under the Guarantee in relation to Subordinated Instruments constitute direct, unsecured and subordinated obligations of the Guarantor and in the event of insolvency (*concurso*) of the Guarantor will at all times rank *pari passu* among themselves and *pari passu* with all other present and future contractually subordinated obligations of the Guarantor, except for subordinated

obligations pursuant to Articles 281.3 to 281.7 of the Spanish Insolvency Law and subordinated obligations prescribed by law to, and subordinated obligations which are expressed to, rank junior to the Guarantee.

*In the event of insolvency (concurso) of the Guarantor, under the Spanish Insolvency Law, claims relating to the Subordinated Guarantee will fall within the category of "subordinated debts" (créditos subordinados, as defined in the Spanish Insolvency Law). After payment in full of unsubordinated debts, under article 281 of the Spanish Insolvency Law, the Guarantor will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the claims under the Subordinated Guarantee); (iii) certain interest; (iv) fines; (v) claims of creditors which are specially related to the Guarantor; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (rescisión concursal) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 158, 163, 166 and 167 of the Spanish Insolvency Law, whenever the court rules, prior to the court receiver's (administrador concursal) report of insolvency, that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the bankruptcy proceedings.*

#### 4. **Negative Pledge**

This Condition 4 (*Negative Pledge*) applies to Unsubordinated Instruments only.

So long as any of the Instruments of a Series remains outstanding (as defined in the Issue and Paying Agency Agreement) each of the Issuer and the Guarantor undertakes that it will not create or have outstanding any Encumbrance (as defined below) upon the whole or any part of its assets, present or future, in order to secure any Relevant Indebtedness (as defined below) issued or guaranteed by the Issuer, the Guarantor or by any other Person (as defined below) unless (a) such Instruments are equally and rateably secured therewith, or (b) such other security is provided as may be approved by an Extraordinary Resolution (as defined in the Issue and Paying Agency Agreement) of Holders of Instruments of the relevant Series, in each case for as long as such Relevant Indebtedness shall be so secured; **provided, however, that** the foregoing restriction shall not apply to any Encumbrance securing Relevant Indebtedness issued or guaranteed by the Guarantor, the Issuer or any other Person if the Relevant Indebtedness so secured (i) was originally offered, distributed or sold primarily to residents of the Kingdom of Spain, (ii) by its terms matures within one year of its date of issue, or (iii) the Encumbrance affects the assets of an entity which, when the Encumbrance was created, was unrelated to the Issuer or the Guarantor, and which was subsequently acquired by the Issuer or the Guarantor; and **provided, further, that** nothing in this Condition 4 (*Negative Pledge*) shall limit the ability of the Issuer or the Guarantor, as the case may be, to grant or permit to subsist Encumbrances over any or all of their respective present or future assets to secure Relevant Indebtedness issued or guaranteed by the Issuer, the Guarantor or any other Person, to the extent that the aggregate principal amounts so secured do not exceed 5 per cent. of the consolidated net tangible assets (as defined below) of the Guarantor, as reflected in the most recent statement of financial position (prepared in accordance with IFRS adopted by the European Union at the date of such computation and as applied by the Guarantor) prior to the time such Relevant Indebtedness was issued or guaranteed.

As used in these Terms and Conditions, "**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof, "**Encumbrance**" means any mortgage, pledge, lien or other charge, and "**Relevant Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which, in any of the above cases, is or are, or is or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression "**obligation for the payment of borrowed money**" as used in the definition of Relevant Indebtedness does not include obligations of the Issuer or the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in the Kingdom of Spain need not, and are not, reflected in the balance sheet of the Issuer or the Guarantor, as the case may be.

As used in this Condition 4 (*Negative Pledge*), "**consolidated net tangible assets of the Guarantor**" means the total amount of assets of the Guarantor and its consolidated Subsidiaries (as defined below), including investments in unconsolidated subsidiaries, (as defined below) after deduction of (i) goodwill in consolidation and (ii) intangible assets; and "**Subsidiary**" means any company in respect of which the Guarantor owns, directly or indirectly, more than half of the voting rights of the shares of such company,

or when the Guarantor owns half or less of the voting power but controls such company, i.e. has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

## 5. Interest

### *Interest*

5.01 Instruments may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 5 (*Interest*) and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.10 (*Definitions*).

### *Interest-bearing Instruments*

5.02 Instruments which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

### *Floating Rate Instruments*

5.03 If the Final Terms specifies the Interest Rate applicable to the Instruments as being a Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Instruments for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent will determine the Reference Rate (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the Reference Rates) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Interest Rate for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the Relevant Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the Relevant Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

**provided, however, that** if no rate so appears for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period or if the Relevant Screen Page is unavailable, then the Calculation Agent shall determine such rate or rates in accordance with the process specified in the paragraphs below of this Condition 5.03 (*Floating Rate Instruments*) as if such rate(s) were the Reference Rate;

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

Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

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

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

#### ***ISDA Determination***

5.04 If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Instruments for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

**provided, however, that** if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length



of the relevant Interest Period, then the Calculation Agent shall determine such rate by requesting appropriate quotations for such rate to four major banks in the London interbank market, in accordance with the process specified in 5.03(iii) to (v).

***Maximum or Minimum Rate of Interest***

- 5.05 If any Maximum or Minimum Rate of Interest is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

***Accrual of Interest***

- 5.06 Interest shall accrue on the Outstanding Principal Amount of each Instrument during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.12) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (both before and after any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which the Issue and Paying Agent having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 (*Notices*) that the Issue and Paying Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

***Interest Amount(s), Calculation Agent and Reference Banks***

- 5.07 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "**Interest Amount(s)**") in respect of each denomination of the Instruments (in the case of Bearer Instruments) and the minimum denomination (in the case of Registered Instruments) for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Issue and Paying Agent, the Registrar (in the case of Registered Instruments), the Issuer, the Guarantor and the Holders in accordance with Condition 14 (*Notices*) and, if the Instruments are listed on a stock exchange and such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts (**provided that** any modifications are *de minimis*) and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Instruments become due and payable under Condition 7 (*Events of Default*), the Interest Rate and the accrued interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer, the Guarantor and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer and the Guarantor will procure that there shall at all times be appointed a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### ***Calculations and Adjustments***

- 5.08 The amount of interest payable in respect of each Instrument for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Instruments are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Renminbi denominated Fixed Rate Instruments will have a variable coupon amount applying the "Actual/365 (Fixed)" Day Count Fraction (as defined below). The amount of interest payable in respect of any Instrument for any period for which a Fixed Coupon Amount is not specified shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount by the Day Count Fraction (as defined in Condition 5.10 (*Interest — Definitions*)), rounding the resulting figure as described below and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Instrument divided by the Calculation Amount. The amount of interest payable in respect of a short or long initial or final Interest Period may be specified as a "Broken Amount" in the relevant Final Terms. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, (e) in the case of Renminbi denominated Fixed Rate Instruments, all amounts will be rounded to the nearest CNY0.01, CNY0.005 and, in the case of Hong Kong dollar denominated Fixed Rate Instruments, to the nearest HK\$0.01, HK\$0.005, being rounded upwards and (e) all amounts denominated in Euro or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

### ***Benchmark Replacement***

- 5.09 Notwithstanding the provisions above in this Condition 5 (*Interest*), if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions of this Condition 5.09 (*Benchmark Replacement*) shall apply.
- (i) The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.09 (ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.09 (iii)) and any Benchmark Amendments (in accordance with Condition 5.09 (iv)).
  - (ii) If the Issuer and the Independent Adviser:
    - A. agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.09 (iii)) subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant

component part thereof) for all future payments of interest on the Instruments (subject to the subsequent operation of this Condition 5.09 (*Benchmark Replacement*)); or

- B. agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.09 (iii)) subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Instruments (subject to the subsequent operation of this Condition 5.09 (*Benchmark Replacement*)); or
- C. the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate, the fallback provisions set out in Condition 5.03 (*Floating Rate Instruments*) or Condition 5.04 (*ISDA Determination*) (as applicable) shall continue to apply.
- (iii) If the Issuer and the Independent Adviser agree (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.09 (*Benchmark Replacement*) and the Issuer and the Independent Adviser agree: (i) that amendments to these Conditions and/or the Issue and Paying Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.09 (*Benchmark Replacement*) (v), without any requirement for the consent or approval of Instrumentholders, vary these Conditions and/or the Issue and Paying Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. In connection with any such variation in accordance with this Condition 5.09 (iv), the Issuer shall comply with the rules of any stock exchange on which the Instruments are for the time being listed or admitted to trading.
- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.09 (*Benchmark Replacement*) will be notified promptly by the Issuer to the Issue and Paying Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Instrumentholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Guarantor, the Issue and Paying Agent, the Calculation Agent, the Paying Agents and the Instrumentholders.
- (vi) Without prejudice to the obligations of the Issuer under Condition 5.09(i) to (v), the Original Reference Rate and the fallback provisions provided for in Condition 5.03 (*Floating Rate Instruments*) or Condition 5.04 (*ISDA Determination*) will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 5.09 (*Benchmark Replacement*).

### **Definitions**

- 5.10 In these Terms and Conditions, unless the context otherwise requires, the following terms shall have the meanings set out below:

"**Additional Business Centre**" means the city or cities specified as such in the relevant Final Terms.

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Instrumentholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

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

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

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

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

**"Benchmark Event"** means:

- (i) the Original Reference Rate has ceased to be published on the Relevant Screen Page or as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate) it has ceased publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will, by a specified future date (the **"Specified Future Date"**), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Instruments; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate (as applicable) that, in the view of such supervisor, (A) the Original Reference Rate is no

longer representative of an underlying market or (B) the methodology to calculate the Original Reference Rate has materially changed; or

- (vi) it has or will, by a specified date within the following six months, become unlawful for any Paying Agent, Calculation Agent the Issuer, the Guarantor or any other party to calculate any payments due to be made to any Instrumentholder using the Original Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii) or (iv), the Benchmark Event shall not be deemed occur until the Specified Future Date.

**"Business Day"** means:

- (i) in relation to Instruments denominated or payable in Euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to Instruments denominated or payable in Renminbi, a day on which commercial banks and foreign exchange markets settle Renminbi payments in Hong Kong; and
- (iii) in relation to Instruments payable in any other currency, a day on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency and in each (if any) Additional Business Centre.

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

- (i) **"Following Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) **"FRN Convention"** or **"Eurodollar Convention"** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, **provided that:**
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

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

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

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

- (i) If "**Actual/Actual (ICMA)**" is specified hereon and the Calculation Period is equal to or shorter than the Regular Period (as defined below) during which it falls, the relevant Day Count Fraction will be the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year;
- (ii) If "**Actual/Actual (ICMA)**" is specified hereon and the Calculation Period is longer than one Regular Period, interest will be calculated on the basis of the sum of:
  - (a) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) If "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) If "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (v) If "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (vi) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

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

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

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

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

- (i) in the case of Instruments where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement

Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

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

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

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

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

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer (at its own expense) under Condition 5.09 (*Benchmark Replacement*).

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

"**Interest Commencement Date**" means the date of issue of the Instruments (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

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

- (i) in the case of Instruments denominated in Euro, on the second Business Day prior to the first day of such Interest Accrual Period; or
- (ii) in the case of Instruments denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (iii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in the Final Terms and, if an Applicable Business Day Convention is specified in the Final



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

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

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

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

**"ISDA Benchmarks Supplement"** means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc.

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the Final Terms) and, if specified in the relevant Final Terms, as supplemented by the ISDA Benchmarks Supplement) as published by the International Swaps and Derivatives Association, Inc.

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

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (for example, Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor).

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

**"Maturity Date"** has the meaning given in the relevant Final Terms.

**"Original Reference Rate"** means the originally-specified benchmark or screen rate (as applicable) used to determine the Interest Rate (or any component part thereof) on the Instruments.

**"Outstanding Principal Amount"** means, in respect of an Instrument, its principal amount less, in respect of any Instalment Instrument, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.06 (*Accrual of Interest*) or otherwise as indicated in the Final Terms.

**"Reference Banks"** means such banks as may be specified in the Final Terms as the Reference Banks or, if none is specified, "Reference Banks" has the meaning given in the ISDA Definitions, *mutatis mutandis*.

**"Reference Rate"** means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms.

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

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

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

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

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

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

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

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in Euro.

## 6. **Redemption and Purchase**

### *Redemption at Maturity*

- 6.01 Unless previously redeemed, or purchased and cancelled, or unless such Instrument is stated in the Final Terms as having no fixed maturity date, each Instrument shall be redeemed at its final redemption amount (the "**Final Redemption Amount**") (which shall be its Outstanding Principal Amount) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in the Final Terms) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

### *Early Redemption for Taxation Reasons*

- 6.02 If, in relation to any Series of Instruments, (i) as a result of any change in the laws, regulations or rulings of the Kingdom of Spain or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Instruments or any other date specified in the Final Terms, (1) the Issuer or, as the case may be, the Guarantor (if

a demand were made under the Guarantee) would be required to pay additional amounts as provided in Condition 8 (*Taxation*) or (2) the Guarantor or any Subsidiary of the Guarantor is or would be required to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payment (whether in respect of principal, premium, interest or otherwise); (ii) in each case, the payment of such additional amount in the case of (1) above or such deduction or withholding in the case of (2) above cannot be avoided by the Issuer or the Guarantor or such Subsidiary taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor to the Issuer and Paying Agent of a certificate signed by one director of the Issuer or two directors of the Guarantor stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Principal Amount or such other redemption amount as may be specified in the Final Terms), together with accrued interest thereon **provided, however, that** no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

If, pursuant to Condition 18.02(ii)(a), a Person into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets has been or would be required to pay any additional amounts as therein provided, each Series of Instruments may be redeemed at the option of such Person in whole, but not in part, in accordance with the first paragraph of this Condition 6.02 (*Early Redemption for Tax Reasons*), which paragraph shall apply *mutatis mutandis*.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.06 (*Optional Early Redemption (Put)*).

#### ***Optional Early Redemption (Call)***

- 6.03 If this Condition 6.03 (*Optional Early Redemption (Call)*) is specified in the Final Terms as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the "**Optional Redemption Amount (Call)**") (which shall be their Outstanding Principal Amount or such other redemption amount as may be specified in the Final Terms), together with accrued interest thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.06 (*Optional Early Redemption (Put)*).

- 6.04 The appropriate notice referred to in Condition 6.03 (*Optional Early Redemption (Call)*) is a notice given by the Issuer to the Holders of the Instruments of the relevant Series in accordance with Condition 14 (*Notices*), which notice shall be irrevocable and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Instrument or Permanent Global Instrument) the serial numbers of the Instruments of the relevant Series which are to be redeemed;

- the due date for such redemption, which shall be not less than 10 days nor more than 60 days after the date on which such notice is given and which shall be such date or the next of such dates ("**Optional Redemption Date(s) (Call)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the Final Terms and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Optional Redemption Amount (Call) at which such Instruments are to be redeemed.
- If "**Make-Whole Amount**" is specified as the Optional Redemption Amount (Call) in the applicable Final Terms, the Optional Redemption Amount (Call) will be an amount calculated by the Calculation Agent equal to the higher of:
  - (i) 100 per cent. of the Outstanding Principal Amount of the Instruments to be redeemed; and
  - (ii) the sum of the present values of the Outstanding Principal Amount of the Instruments to be redeemed and the Remaining Term Interest on such Instruments (exclusive of interest accrued to the Optional Redemption Date (Call)) discounted to the relevant Optional Redemption Date (Call) on an annual basis (based on the actual number of days elapsed divided by 365 (in the case of a leap year, 366)) at a rate equal to the sum of: (x) the Reference Bond Rate and (y) the specified Redemption Margin,

**provided however that**, if the Optional Redemption Date (Call) occurs on or after the earliest date on which the Residual Maturity Call Option may be exercised in accordance with Condition 6.08 (*Residual Maturity Call Option*) (if specified as applicable in the relevant Final Terms), the Make-Whole Amount will be the Outstanding Principal Amount of the Instruments.

For the avoidance of doubt, the Issuer will pay any interest accrued on the Instruments to, but excluding, the relevant Optional Redemption Date (Call).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.04 by the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

"**FA Selected Bond**" means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Instruments that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Instruments and of a comparable maturity to the remaining term of the Instruments;

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

"**Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms or, if no such bond is set out or if such bond is no longer outstanding, shall be the FA Selected Bond;

"**Reference Bond Price**" means, with respect to the relevant Optional Redemption Date (Call), (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

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

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

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

**"Reference Government Bond Dealer Quotations"** means, with respect to each Reference Government Bond Dealer and the relevant Optional Redemption Date (Call), the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer; and

**"Remaining Term Interest"** means, with respect to any Instrument, the aggregate amount of scheduled payment(s) of interest on such Instrument for the remaining term of such Instrument determined on the basis of the rate of interest applicable to such Instrument from and including the relevant Optional Redemption Date (Call).

#### ***Partial Redemption***

6.05 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Conditions 6.03 and 6.04 (*Optional Early Redemption (Call)*):

- in the case of Bearer Instruments (other than a Temporary Global Instrument or Permanent Global Instrument), the Instruments to be redeemed shall be drawn by lot in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Instrument or a Permanent Global Instrument, the Instruments to be redeemed shall be selected in accordance with the rules of Euroclear and/ or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amounts, at their discretion) and/or any other relevant clearing system; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any competent authority, stock exchange and/or quotation system (if any) on which the relevant Instruments may have been admitted to listing, trading and/or quotation.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.07 (*Transfer of Registered Instruments and Exchange of Bearer Instruments for Registered Instruments*) which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

#### ***Optional Early Redemption (Put)***

6.06 If this Condition 6.06 (*Redemption and Purchase — Optional Early Redemption (Put)*) is specified in the Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date

specified in the relevant Put Notice (as defined below) at its put early redemption amount (the "**Optional Redemption Amount (Put)**") (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in the Final Terms), together with accrued interest thereon. In order to exercise such option, the Holder must, not less than 45 days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates ("**Optional Redemption Date(s) (Put)**") or a day falling within such period ("**Put Period**") as may be specified in the Final Terms), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.06 apply)) during normal business hours at the specified office of, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Temporary Global Instrument or Permanent Global Instrument or Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.07 (*Transfer of Registered Instruments and Exchange of Bearer Instruments for Registered Instruments*) which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The Holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Issuer of its option to redeem such Instrument under either Condition 6.02 (*Early Redemption for Tax Reasons*) or 6.03 (*Optional Early Redemption (Call)*).

#### ***Redemption following a Substantial Purchase Event***

6.07 If this Condition 6.07 (*Redemption following a Substantial Purchase Event*) is specified in the Final Terms as being applicable, then if a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Holders in accordance with Condition 14 (*Notices*), which notice shall be irrevocable, redeem the Instruments of the relevant Series in whole, but not in part, in accordance with these Conditions at any time, in each case at their Outstanding Principal Amount, together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption.

A "**Substantial Purchase Event**" shall be deemed to have occurred if at least 80 per cent., or such other threshold as may be specified in the relevant Final Terms (the "**Substantial Purchase Event Threshold**"), of the aggregate principal amount of the Instruments of the relevant Series originally issued (which for these purposes shall include any Further Instruments issued pursuant to Condition 15 (*Further Issues*)) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6.10 (*Cancellation of Redeemed and Purchased Instruments*)), other than by way of a redemption at the option of the Issuer in accordance with Condition 6.03 (*Optional Early Redemption (Call)*), if the "Make-Whole Amount" is specified as the Optional Redemption Amount (Call) in the applicable Final Terms.

#### ***Residual Maturity Call Option***

6.08 If this Condition 6.08 (*Residual Maturity Call Option*) is specified in the Final Terms as being applicable, the Issuer may, on giving not less than 10 nor more than 60 days' irrevocable notice to the Holders in accordance with Condition 14 (*Notices*), which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Residual Maturity Call Option Redemption Date**"), redeem all (but not only some) of the Instruments of the relevant Series at their Outstanding Principal Amount, together any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of

Instruments having a maturity of not more than ten years or (ii) six months before the Maturity Date in respect of Instruments having a maturity of more than ten years.

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years shall be determined as from the Issue Date of the Instruments. All Instruments in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.08 (*Residual Maturity Call Option*).

#### ***Purchase of Instruments***

- 6.09 The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined in Condition 18 (*Substitution; Merger, Consolidation, etc. Only on Certain Terms*)) may at any time purchase Instruments in the open market or otherwise and at any price **provided that** all unmatured Receipts and Coupons appertaining thereto are purchased therewith.

#### ***Cancellation of Redeemed and Purchased Instruments***

- 6.10 All unmatured Instruments redeemed in accordance with this Condition 6 (*Redemption and Purchase*) will be cancelled forthwith and may not be reissued or resold. Unmatured Instruments, Receipts and Coupons purchased in accordance with this Condition 6 (*Redemption and Purchase*) may, at the option of the Issuer, be cancelled, reissued or, as the case may be, resold.

#### ***Further Provisions applicable to Redemption Amount and Instalment Amounts***

- 6.11 The provisions of Condition 5.07 (*Interest — Interest Amount(s), Calculation Agent and Reference Banks*) and the last paragraph of Condition 5.08 (*Interest — Calculations and Adjustments*) shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent (as defined in Condition 5.10 (*Interest — Definitions*)).
- 6.12 References herein to "**Redemption Amount**" shall mean, as appropriate, the Final Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Optional Redemption Amount (Call), Optional Redemption Amount (Put) and Early Termination Amount.

#### **7. Events of Default**

- 7.01 If any of the following events (each an "**Event of Default**") occurs and is continuing:
- (i) the Issuer fails to pay, and the Guarantor fails to honour the Guarantee with respect to payments of, any principal, premium (if any) or interest due in respect of the Instruments of the relevant Series or any of them and such default continues for a period of 21 days; or
  - (ii) the Issuer fails to perform any other obligation arising from the Instruments of that Series or the Guarantor fails to perform any other obligation arising under the Guarantee of such Instruments and such failure continues for more than 60 days (90 days if the failure to perform relates to an obligation of the Issuer or the Guarantor arising under Condition 18 (*Substitution; Merger, Consolidation, etc. Only on Certain Terms*)) following the service by any Holder on the Issuer and the Guarantor of a written notice specifying such failure and requiring it to be remedied, and stating that such notice is a "Notice of Default" hereunder; or
  - (iii) the Issuer or the Guarantor fails to fulfil (taking into account any applicable grace periods) any payment obligation in excess of €100,000,000 or its equivalent in any other currency under any Relevant Indebtedness or under any guarantee or suretyship provided for under any Relevant Indebtedness of others, and this failure remains uncured for 30 days; or
  - (iv) the holders of any Relevant Indebtedness of the Issuer or the Guarantor accelerate any payment obligation in excess of €100,000,000 or its equivalent in any other currency as a result of the Issuer or the Guarantor entering into a transaction described under Condition 18 (*Substitution; Merger, Consolidation, etc. Only on Certain Terms*)), which transaction constitutes an event of default in respect of such other Relevant Indebtedness; or

- (v) (1) the Issuer or the Guarantor announces its inability to meet its financial obligations; or (2) a court commences insolvency proceedings against the Issuer or Guarantor; or (3) the Issuer or Guarantor goes into liquidation, unless it is done in connection with a merger or other form of business combination with another company and that company assumes all the obligations of the Issuer or the Guarantor, as the case may be, in connection with the Instruments; or (4) the Issuer or Guarantor makes a filing seeking relief under any applicable bankruptcy or insolvency laws; or
- (vi) the Guarantee ceases to be valid or legally binding for any reason,

then any Holder of an Instrument of the relevant Series in respect of such Instrument may, by written notice to the Issuer and the Guarantor, declare that such Instruments or Instrument (as the case may be) and (if the Instruments or Instrument are or is interest-bearing) all interest then accrued but unpaid on such Instruments or Instrument (as the case may be) shall be forthwith due and payable, whereupon the same shall (to the extent permitted by applicable Spanish law) become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in the Final Terms), together with all interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

*Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a contract granting one party the right to terminate on the other's insolvency may not be enforceable, (iii) interest accrued and unpaid until the commencement of the insolvency proceedings (concurso) (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated, and (iv) accrual of interest (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency.*

## 8. **Taxation**

8.01 All amounts payable by or on behalf of the Issuer or the Guarantor, as the case may be, (whether in respect of principal, interest or otherwise) in respect of the Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Kingdom of Spain other than (a) the mere holding of such Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Instrument or Coupon; or
- (ii) to, or to a third party on behalf of, a Holder who fails to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the taxing jurisdiction of the Issuer as a condition to relief or exemption from such taxes; or



- (iii) in relation to any estate, inheritance, gift, sales, transfer or similar taxes; or
  - (iv) to, or to a third party on behalf of, a Holder if the Issuer or the Guarantor does not receive in a timely manner certain information about the Instruments of such Holder as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate from the Issue and Paying Agent, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July and any implementing legislation or regulation; or
  - (v) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting such relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
  - (vi) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
  - (vii) to, or to a third party on behalf of an individual resident for tax purposes in the Kingdom of Spain if the Spanish tax authorities determine that payments made to such individuals are not exempt from Spanish withholding tax and require a withholding to be made; or
  - (viii) to, or to a third party on behalf of, a Holder who is a fiduciary, a partnership, a limited liability company or anything other than the sole beneficial owner of that payment, to the extent to which that payment would be required by the laws of Spain to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to any additional amounts had it been the Holder; or
  - (ix) any withholding or deduction that is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations thereunder ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction implementing or relating to FATCA, any law, regulation, guidance or interpretations enacted or issued in any jurisdiction with respect thereto, or any agreements entered into in connection with the implementation thereof.
- 8.02 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 14 (*Notices*).
- 8.03 If the Issuer or the Guarantor becomes subject generally at any time (as a result of change in domicile for taxation purposes only) to any taxing jurisdiction other than the Kingdom of Spain references in Condition 6.02 (*Redemption and Purchase — Early Redemption for Tax Reasons*) and Condition 8.01 to the Kingdom of Spain shall be read and construed as references to the Kingdom of Spain and/or to such other jurisdiction(s).
- 8.04 Any reference in these Terms and Conditions to "principal" and/or "interest" in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 (*Taxation*). Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 5 (*Interest*) and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

See "*Taxation and Disclosure of Information in Connection with Payments — Taxation in the Kingdom of Spain — Information about the Instruments in Connection with Payments*" for a fuller description of certain

tax considerations relating to the Instruments and the formalities that must be followed so that Holders may receive the payments under the Instruments free from Spanish withholding tax.

## 9. **Payments**

### 9A **Payments — Bearer Instruments**

9A.01 This Condition 9A (*Payments — Bearer Instruments*) is applicable in relation to Instruments in bearer form.

9A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Instrument which is a Definitive Instrument with Receipts will be made against presentation of the Instrument together with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Instrument to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of an Instrument without the relative Receipt or the presentation of a Receipt without the Instrument to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States.

9A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.07 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day and a local banking day (both as defined in Condition 9D.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment, except in the case of Instruments where the Specified Currency is Renminbi, by cheque on any local banking day or, in the case of all currencies, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant

designated account is located, and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.06 (*Interest — Accrual of Interest*) or, if appropriate, Condition 5.10 (*Interest — Definitions*).

9A.06 Each Definitive Instrument initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Final Terms specifies that this paragraph (i) of Condition 9A.06 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- (ii) if the Final Terms specifies that this paragraph (ii) of Condition 9A.06 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (iv) in the case of Definitive Instruments initially delivered with Receipts attached thereto, all Receipts relating to such Instruments in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.06 notwithstanding, if any Definitive Instruments should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*) below. Each Talon shall, for the purpose of these Terms and

Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

**9B** *Payments — Registered Instruments*

9B.01 This Condition 9B (*Payments — Registered Instruments*) is applicable in relation to Instruments in registered form.

9B.02 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Instruments will be made by the relevant Paying Agent against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Instruments at the specified office of the relevant Registrar. If the due date for payment of the Redemption Amount of any Registered Instrument is not a Relevant Financial Centre Day (as defined in Condition 9D.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.06 (*Interest — Accrual of Interest*) or, as appropriate, Condition 5.10 (*Interest — Definitions*).

9B.03 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Instrument is being held is open for business.

9B.04 Notwithstanding the provisions of Condition 9D.02, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be made in the currency in which such amount is due, except in the case of Instruments where the Specified Currency is Renminbi, by cheque (in the case of payment in sterling, drawn on a town clearing branch of a bank in the city of London) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the relevant Registrar and the relevant Registrar has acknowledged such application for payment to be made by the relevant Paying Agent to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.06 (*Interest — Accrual of Interest*) or, as appropriate, Condition 5.10 (*Interest — Definitions*).

**9C** *Payments in respect of Instruments where the Specified Currency is Renminbi*

All payments in respect of any Instruments where the Specified Currency is Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong, in the case of Registered Instruments the details of which appear on the Register at the close of business on the fifth business day before the due date for payment, and in all cases in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

**9D**     *Payments — General Provisions*

9D.01 Save as otherwise specified in these Terms and Conditions, this Condition 9D is applicable in relation to Instruments whether in bearer or in registered form.

9D.02 Payments of amounts due (whether principal, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due (a) except in the case of Instruments where the Specified Currency is Renminbi, by cheque (in the case of payment in sterling, drawn on a town clearing branch of a bank in the city of London) or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 8 (*Taxation*), be subject in all cases to any applicable fiscal or other laws and regulations.

9D.03 For the purposes of these Terms and Conditions:

- (i)     "**Relevant Financial Centre Day**" means, in the case of any currency other than Euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Final Terms or in the case of payment in Euro, a TARGET Settlement Day, and in the case of Renminbi, a day on which commercial banks and foreign exchange markets settle Renminbi payments in Hong Kong; and
- (ii)    "**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

9D.04 No commissions or expenses shall be charged to the holders of Instruments or Coupons in respect of such payments.

**9E**     *Payment of US Dollar Equivalent*

9E.01 This Condition 9E (*Payment of US Dollar Equivalent*) is applicable in relation to Instruments where the Specified Currency is Renminbi.

9E.02 Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Instruments when due in Renminbi, the Issuer shall, by sending an irrevocable notice not less than five or more than 30 calendar days prior to the due date for payment to the Holders and the Issue and Paying Agent, settle any such payment (in whole or in part) in US Dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount. In case the Issuer needs to satisfy payments of principal or interest in part in Renminbi and in part in US Dollars, it shall to the extent possible make payment to each Holder in the same *pro rata* amount of Renminbi and US Dollar in accordance with the rules of the clearing system(s) from time to time.

9E.03 For the purposes of these Conditions, "**US Dollar Equivalent**" means the Renminbi amount converted into US Dollars using the Spot Rate for the relevant Determination Date.

For this purpose:

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, Beijing, London, TARGET and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any

other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the PRC and Hong Kong;

**"Hong Kong"** means the Hong Kong Special Administrative Region of the PRC;

**"Illiquidity"** means where the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Instruments as determined by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

**"Inconvertibility"** means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Instruments in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control or any other applicable laws in the Kingdom of Spain, to comply with such law, rule or regulation);

**"Non-transferability"** means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong and outside the PRC or from an account outside Hong Kong and outside the PRC to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control or any other applicable laws in Austria, to comply with such law, rule or regulation);

**"PRC"** means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; and

**"Spot Rate"** means the spot CNY/US Dollar exchange rate for the purchase of US dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/US Dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

## **9F Redenomination**

9F.01 Where Redenomination is specified in the relevant Final Terms as being applicable, the Issuer may, without the consent of the Holders of the Instruments, the Receipts and the Coupons, on giving at least 30 days' prior notice to the Paying Agents and to the Holders of the Instruments in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date (as defined below) specified in the notice, the Instruments shall be redenominated in Euro.

9F.02 The election will have effect as follows:

- (i) each Specified Denomination (as defined below) and, in the case of Fixed Rate Instruments, each amount specified on the Coupons will be deemed to be denominated in such amount of Euro as is equivalent to its denomination or the amount of interest so specified in the Relevant Currency (as defined below) at the Established Rate (as defined below), rounded down to the nearest Euro 0.01;

- (ii) after the Redenomination Date, all payments in respect of the Instruments, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Instruments to the Relevant Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee, or at the option of the payee, by a Euro cheque;
- (iii) if the Instruments are Fixed Rate Instruments and interest for any period ending on or after the Redenomination Date is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (i) the number of those days falling in a leap year divided by 366 and (ii) the number of those days falling in a non-leap year divided by 365);
- (iv) if the Instruments are Floating Rate Instruments the relevant Final Terms will specify any relevant changes to the provisions relating to interest; and
- (v) such other changes shall be made to these Terms and Conditions as the Issuer may decide, after consultation with the Issue and Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to Instruments denominated in Euro or to enable the Instruments to be consolidated with Other Instruments (as defined below) whether or not originally denominated in the Specified Currency (as defined below) or Euro. Any such other changes will not take effect until after they have been notified to the Holders of the Instruments in accordance with Condition 14 (*Notices*).

## 9G Exchangeability

Where Exchangeability is specified in the applicable Final Terms as being applicable, the Issuer may without the consent of the Holders of the Instruments, the Receipts and the Coupons, on giving at least 30 days' prior notice to the Holders of the Instruments in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date or such later date for payment of interest under the Instruments as it may specify in the notice, the Instruments shall be exchangeable for Instruments expressed to be denominated in Euro in accordance with such arrangements as the Issuer may decide, with the approval of the Issue and Paying Agent and as may be specified in the notice, including arrangements under which Receipts and Coupons unmaturing at the date so specified become void.

Definitions: In these Terms and Conditions, the following expressions have the following meanings:

- (i) "**Established Rate**" means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into Euro established by the Council of the European Union pursuant to Article 1091(4) of the Treaty;
- (ii) "**Euro**" means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended;
- (iii) "**Other Instruments**" means, at any time, any one or more series of other instruments of the Issuer which have the same or substantially the same terms and conditions (as then in effect and which have not lapsed and/or the rights in respect of which have not been exercised) as the Instruments (other than in relation to the currency of original denomination and/or denomination and/or the terms and conditions relating to business days or interest accrual bases and/or the stock exchange(s) if any on which such instruments are listed and/or the clearing system(s) on which such instruments are cleared and settled and/or redenomination into Euro and/or notices);
- (iv) "**Redenomination Date**" means any date for payment of interest under the Instruments or any date specified by the Issuer in the notice given to the Holders of Instruments pursuant of Condition 9D.01 above or, if the country of the Specified Currency is not one of the countries then participating in the third stage of European economic and monetary union pursuant to the Treaty, the date which falls on or after such later date as it does so participate;
- (v) "**Specified Currency**" means the currency specified in the relevant Final Terms;

- (vi) "**Specified Denomination**" means the denomination specified in the relevant Final Terms;
- (vii) "**Treaty**" means the Treaty establishing the European Communities as amended by the Treaty on European Union.

#### 10. **Prescription**

- 10.01 Claims against the Issuer for payment, whether of principal and interest or otherwise, in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 8.02) for payment thereof.
- 10.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10 (*Prescription*) or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

#### 11. **The Paying Agents, the Registrars and the Calculation Agent**

- 11.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent **provided that** they will at all times maintain (i) an Issue and Paying Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the Issue and Paying Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on the Official List and/or any other competent authority, stock exchange and/or quotation system and the rules of Euronext Dublin and/or such other competent authority, stock exchange and/or quotation system so require, a Paying Agent (which may be the Issue and Paying Agent) and a Registrar each with a specified office in Dublin and/or in such other place as may be required by such other stock exchange, (v) in the circumstances described in Condition 9A.04, a Paying Agent with a specified office in New York City and (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii) and (iii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer, failing whom the Guarantor, to the Holders in accordance with Condition 14 (*Notices*).
- 11.02 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and the Guarantor and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

#### 12. **Replacement of Instruments**

If any Instrument, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Final Terms (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments) ("**Replacement Agent**") and if the Instruments are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system, subject to all applicable laws



and the requirements of any competent authority, stock exchange and/or quotation system on which the Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Replacement Agent may require. Mutilated or defaced Instruments, Receipts and Coupons must be surrendered before replacements will be delivered therefor. In case any such lost, stolen, mutilated, defaced or destroyed Instrument, Receipt or Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefor, pay such Instrument, Receipt or Coupon.

### 13. **Meetings of Holders of Instruments and Modification**

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

In addition, a resolution in writing signed by or on behalf of all Holders of Instruments who for the time being are entitled to receive notice of a meeting of Holders of Instruments will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders of Instruments.

- (b) *Modification:* The Instruments, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Holders of Instruments or Coupons to correct a manifest error. In addition, the parties to the Issue and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Holders of Instruments, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders of Instruments.

### 14. **Notices**

#### ***To Holders of Bearer Instruments***

- 14.01 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, if permitted by the relevant stock exchange, in the case of Instruments represented by a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein. The Issuer and the Guarantor shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Instruments are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth weekday after the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system. Holders of Coupons will be deemed for all

purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

***To Holders of Registered Instruments***

- 14.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

***To the Issuer and the Guarantor***

- 14.03 Notices to the Issuer may be delivered to the Managing Director at the specified office for the time being of the Issuer. Notices to the Guarantor may be delivered to the Deputy General Manager of Capital Markets at the specified office for the time being of the Guarantor.

**15. Further Issues**

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

**16. Currency Indemnity**

The currency in which the Instruments are denominated or, if different, payable, as specified in the Final Terms or, in the case of Instruments which have been redenominated pursuant to Condition 9F (*Redenomination*), the Euro (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

**17. Waiver and Remedies**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. **Substitution; Merger, Consolidation, etc. Only on Certain Terms**

18.01 Provided the Instruments remain subject to Law 10/2014 at all times, the Guarantor or any of its Subsidiaries (as defined below) (each a "**Substitute Debtor**") may, without the consent of the Holders of any Instruments, Receipts or Coupons, assume the obligations of the Issuer (or any previous Substitute Debtor) under and in respect of any Instruments upon:

- (a) **Deed poll:** the execution of a deed poll (the "**Deed Poll**") by the Substitute Debtor and (if the Substitute Debtor is not the Guarantor) the Guarantor in a form which gives full effect to such assumption and which includes (without limitation):
  - (i) a covenant by the Substitute Debtor in favour of the Holders of the relevant Instruments to be bound by these Terms and Conditions as if it had been named herein and therein as the Issuer;
  - (ii) if the Substitute Debtor is incorporated, domiciled or resident for tax purposes in a territory other than the Kingdom of Spain, a covenant by the Substitute Debtor corresponding to the provisions of Condition 8 (*Taxation*) with the addition of such territory to the references to the Kingdom of Spain;
  - (iii) if the Substitute Debtor is not the Guarantor, a covenant by the Guarantor in favour of the Holders of the relevant Instruments guaranteeing the obligations of the Substitute Debtor under and by virtue of the Deed Poll; and
  - (iv) an acknowledgment of the right of all Holders of the relevant Instruments to the production of the Deed Poll; and
- (b) **Legal opinion:** the delivery by the Issuer to the Issue and Paying Agent of an opinion of independent legal advisers of recognised standing to the effect that:
  - (i) the Deed Poll constitutes legal, valid, binding and enforceable obligations of the Substitute Debtor and, if the Substitute Debtor is not the Guarantor, the Guarantor;
  - (ii) the relevant Instruments constitute legal, valid, binding and enforceable obligations of the Substitute Debtor; and
  - (iii) if the Substitute Debtor is not the Guarantor, the Guarantee constitutes legal, valid, binding and enforceable obligations of the Guarantor in respect of all sums from time to time payable by the Substitute Debtor in respect of the relevant Instruments.

Upon the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Instruments, and **provided that** immediately after giving effect to such assumption, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, the Issuer shall be released from such obligations and, thereafter, all references in the relevant Instruments and the Coupons to the Issuer shall be deemed to be references to the Substitute Debtor.

"**Subsidiary**" means in relation to any Person, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first Person and/or any one or more of the first Person's Subsidiaries, and "**control**" means the power to appoint the majority of the members of the governing body or management of, or otherwise to control the affairs and policies of, that Person.

The Deed Poll shall be deposited with and held by the Issue and Paying Agent until all the obligations of the Issuer under and in respect of the relevant Instruments have been discharged in full. Notice of the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Instruments shall promptly be given to the Holders of the relevant Instruments.

18.02 Neither the Issuer nor the Guarantor shall consolidate with or merge (which term shall include for the avoidance of doubt a scheme of arrangement) into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and neither the Issuer nor the Guarantor shall permit any Person to consolidate with or merge into the Issuer or the Guarantor or convey, transfer or lease its properties and assets substantially as an entirety to the Issuer or the Guarantor, unless:

- (i) in the case the Issuer or the Guarantor shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer or the Guarantor substantially as an entirety shall be a corporation, partnership or trust, shall be organised and validly existing, under the laws of the jurisdiction of its organisation and shall expressly assume the due and punctual payment of the principal, premium (if any) and interest due in respect of the Instruments and the performance or observance of every covenant under these Terms and Conditions on the part of the Issuer to be performed or observed and, in the case of the Guarantor, the due and punctual payment of the principal, premium (if any) and interest due in respect of the Instruments and the performance or observance of every covenant under these Terms and Conditions on the part of the Guarantor to be performed or observed;
- (ii) if the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets is a Person organised and validly existing under the laws of a jurisdiction other than the Kingdom of Spain, such Person agrees to indemnify the Holders of the Instruments against (a) any tax, assessment or governmental charge imposed on any such Holder or required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and (b) any costs or expenses of the act of such consolidation, merger, conveyance, transfer or lease;
- (iii) immediately prior to the consummation of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred;
- (iv) the consummation of such transaction must not cause an Event of Default under these Terms and Conditions or the Guarantee which the Issuer or the Guarantor, as the case may be, does not reasonably believe that can be cured within 90 days from the date of such transaction; and
- (v) the Issuer or the Guarantor has delivered to the Issue and Paying Agent a certificate signed by one director of the Issuer or one director of the Guarantor and an opinion of counsel (as defined below), each stating that such consolidation, merger, conveyance, transfer or lease comply with this Condition and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation of the Issuer or the Guarantor with, or merger of the Issuer or the Guarantor into, any other Person or any conveyance, transfer or lease of the properties and assets of the Issuer or the Guarantor substantially as an entirety in accordance with this Condition 18.02, the successor Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Guarantor, as the case may be, under these Terms and Conditions with the same effect as if such successor Person had been named as the Issuer or the Guarantor herein, as the case may be, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under these Terms and Conditions and the Instruments.

For the purposes of this Condition 18.02, "**opinion of counsel**" means a written opinion of independent legal advisers of recognised standing or internal legal counsel for the Issuer or the Guarantor.

18.03 For so long as Law 10/2014 applies to the Instruments, the Guarantor shall maintain direct or indirect ownership of the whole of the voting rights in respect of the shares of the Issuer or, following a substitution in accordance with Condition 18.01, the relevant Substitute Debtor.

19. **Law and Jurisdiction**

19.01 Save as described below, the Instruments and all non-contractual obligations arising out of or in connection with the Instruments, the Issue and Paying Agency Agreement, the Deed of Guarantee (except Clause 5 (*Status*)) and the Deed of Covenant are governed by English law. Condition 3 (*Status of the Instruments and the Guarantee*) and Clause 5 (*Status*) of the Deed of Guarantee, are governed by Spanish law.

19.02 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Instruments (including a dispute relating to the existence, validity or termination of the Instruments or any non-contractual obligations arising out of or in connection with the Instruments or the consequences of their nullity).

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

19.04 Condition 19.03 is for the benefit of the Holders only. As a result, nothing in this Condition 19 (*Law and Jurisdiction*) prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

19.05 The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Telefónica Digital Limited, 20 Air Street, London W1B 5AN, UK, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Issue and Paying Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

*The Instruments are issued in accordance with requirements prescribed by Spanish company law. On the insolvency (concurso) of the Issuer or the Guarantor, the Law 22/2003 will determine the ranking of the Instruments and/or the Guarantee, and will prevail over certain provisions of Terms and Conditions of the Instruments and/or the Guarantee.*

20. **Rights of Third Parties**

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

## FORM OF GUARANTEE

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

**THIS GUARANTEE** is issued on 15 April 2021

**BY**

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

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

**WHEREAS**

- (A) Telefónica Emisiones, S.A.U. (the "**Issuer**"), the Guarantor and others have established a programme (the "**Programme**") for the issuance of debt instruments, in connection with which Programme they have entered into, *inter alia*, an amended and restated issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated 15 April 2021 and made between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as issue and paying agent (the "**Issue and Paying Agent**", which expression shall include any successor issue and paying agent) and others and the Issuer has executed and delivered a deed of covenant (the "**Deed of Covenant**") dated 15 April 2021.
- (B) Instruments will be issued on a listed basis.
- (C) The Guarantor has agreed, upon the terms set out herein, to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of Instruments issued under the Programme and under the Deed of Covenant as of or subsequent to the date hereof.

**NOW THIS DEED WITNESSES** as follows:

### 1. **INTERPRETATION AND BENEFIT OF DEED OF GUARANTEE**

- 1.1 Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions of the Instruments (the "**Conditions**" and each a "**Condition**") or the Deed of Covenant have the same meanings in this Guarantee except where the context requires otherwise or unless otherwise stated.
- 1.2 Any Instruments issued under the Programme on or after the date of this Guarantee shall have the benefit of this Guarantee but shall not have the benefit of any subsequent deed of guarantee relating to the Programme (unless expressly so provided in any such subsequent deed).
- 1.3 Any reference in this Guarantee to a Clause is, unless otherwise stated, to a clause hereof.
- 1.4 All references in this Guarantee to an agreement, instrument or other document (including the Issue and Paying Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.
- 1.5 Any reference in this Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.
- 1.6 Headings and sub-headings are for ease of reference only and shall not affect the construction of this Guarantee.

## 2. **GUARANTEE AND INDEMNITY**

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

- (a) to the Holder of each Instrument the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the relevant Instrument for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Instrument in accordance with the Terms and Conditions of such Instruments and which the Issuer has failed to pay; and
- (b) to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith in the manner and currency prescribed by the Terms and Conditions of the relevant Instruments for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay.

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

## 3. **TAXATION**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be assumed by it in Condition 8 (*Taxation*).

## 4. **PRESERVATION OF RIGHTS**

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

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

4.3 Neither the obligations expressed to be assumed by the Guarantor herein nor the rights, powers and remedies conferred upon the Beneficiaries by this Guarantee or by law shall be discharged, impaired or otherwise affected by:

- (a) the winding up, bankruptcy (*concurso*), moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership;
- (b) any of the obligations of the Issuer under or in respect of any of the Instruments or the Deed of Covenant being or becoming illegal, invalid or unenforceable;
- (c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Instruments or the Deed of Covenant;

- (d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
- (e) any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries by this Guarantee or by law.

4.4 Any settlement or discharge between the Guarantor and any of the Beneficiaries shall be conditional upon no payment to such Beneficiaries by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency (*concurso*) or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

4.5 No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Guarantee or by law:

- (a) to make any demand of the Issuer, other than the presentation of the relevant Instrument;
- (b) to take any action or obtain judgment in any court against the Issuer; or
- (c) to make or file any claim or proof in a winding up or dissolution of the Issuer,

and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Instrument, presentment, demand, protest and notice of dishonour.

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

- (a) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Instruments or the Deed of Covenant;
- (b) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Instruments or the Deed of Covenant by any Beneficiary; or
- (c) to be subrogated to the rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Guarantee.

## 5. STATUS

The Guarantor undertakes that its obligations hereunder will at all times rank as described in Condition 3 (*Status of the Instruments and the Guarantee*).

## 6. DELIVERY

A duly executed original of this Guarantee shall be delivered promptly after execution to the Issue and Paying Agent and such original shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in all instruments then outstanding from time to time occurs and no further Instruments can be issued under the Programme. A certified copy of this Guarantee may be obtained by any Beneficiary from the Issue and Paying Agent at its specified office at the expense of such Beneficiary. Any Beneficiary may protect and enforce his rights under this Guarantee (in the courts specified in Clause 13 (*Law and Jurisdiction*) below) upon the basis described in the Deed of Covenant (in the case of a Relevant Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee.



Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Beneficiaries. This Clause shall not limit any right of any Beneficiary to the production of the originals of such records or documents or this Guarantee in evidence.

7. **CONTRACTUAL CURRENCY**

If any sum due from the Guarantor under this Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under this Guarantee or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgement given or made in relation to this Guarantee, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

8. **TERMS AND CONDITIONS OF THE INSTRUMENTS**

The Guarantor hereby undertakes to comply with and be bound by those provisions of the Conditions which relate to it or which are expressed to relate to it.

9. **BENEFIT OF GUARANTEE**

9.1 This Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

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

9.3 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder.

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

10. **PARTIAL INVALIDITY**

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

11. **MODIFICATION**

This Guarantee may be modified by the Guarantor in respect of the Instruments of any Series with the sanction of an Extraordinary Resolution of Holders of the Instruments of such Series.

12. **NOTICES**

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

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

Email: [Francois.Decleve@telefonica.com](mailto:Francois.Decleve@telefonica.com)

Attention: François Decleve

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

12.2 Every communication sent in accordance with Clause 12.1 shall be effective upon receipt by the Guarantor; and **provided, however, that** any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

13. **LAW AND JURISDICTION**

13.1 This Guarantee and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law. The status of this Guarantee is governed by Spanish Law.

13.2 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with this Guarantee (including a dispute relating to non-contractual obligations arising from or in connection with this Guarantee, or a dispute regarding the existence, validity or termination of this Guarantee) or the consequences of its nullity.

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

13.4 Notwithstanding Clause 13.2, the Beneficiaries may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

13.5 The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Telefónica Digital Limited, 20 Air Street, London W1B 5AN, United Kingdom, or, if different, its registered office for the time being or at any address of the Guarantor in England at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Beneficiary addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Beneficiary shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor or to the specified office of the Issue and Paying Agent. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

**IN WITNESS** whereof this Guarantee has been executed as a deed by the Guarantor and is intended to be and is hereby delivered on the date first above written.

**EXECUTED** as a deed )  
By **TELEFÓNICA, S.A.** )  
acting by: )

## FORM OF FINAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][*Include unless the Final Terms specifies "Prohibition of Sales to EEA Investors" as "Not Applicable"*]

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000, as amended (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Instruments has led to the conclusion that: (i) the target market for the Instruments is [eligible counterparties and professional clients only, each defined in [Directive 2014/65/EU (as amended, "**MiFID II**")/MiFID II)]; and (ii) [all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Instruments has led to the conclusion that: (i) the target market for the Instruments is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Instruments are ["prescribed capital markets products"/[capital markets

products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

**Final Terms dated [•]**

**TELEFÓNICA EMISIONES, S.A.U.**

**LEI: 549300Y5MFC45W5Z3K71**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments][SDG Instruments]  
Unconditionally and Irrevocably Guaranteed by TELEFÓNICA, S.A.  
under the EUR 40,000,000,000 Programme for the Issuance of Debt Instruments**

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth on pages [[•] to [•]], inclusive, of the Base Prospectus dated 15 April 2021 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 8.4 of the Prospectus Regulation. These Final Terms contain the final terms of the Instruments and must be read in conjunction with such Base Prospectus.

Full information on the Issuer, the Guarantor and the offer of the Instruments described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it] [is] [are] available for viewing at www.telefonica.com and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL and at the offices of The Bank of New York Mellon SA/NV, Luxembourg Branch at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [•] Conditions (the "**Conditions**") incorporated by reference in the Base Prospectus dated 15 April 2021. This document constitutes the Final Terms relating to the issue of Instruments described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 15 April 2021 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes the Prospectus Regulation, save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus.

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 as amended.

Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 15 April 2021 [and the supplement(s) to it dated [•] and [•]]. The Base Prospectuses [and the supplement(s) to it] are available for viewing at www.telefonica.com and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL and at the offices of The Bank of New York Mellon SA/NV, Luxembourg Branch at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.]

- |    |       |  |  |
|----|-------|--|--|
| 1. | (i)   | Issuer:  | Telefónica Emisiones, S.A.U.   |
|    | (ii)  | Guarantor:                                     | Telefónica, S.A.   |
| 2. | (i)   | Series Number:                                 | [•]  |
|    | (ii)  | Tranche Number:                                | [•]  |
|    | (iii) | Date on which the Instruments become fungible: | [Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent |

- Global Instrument, as referred to in paragraph 23 below [which is expected to occur on or about [•]]]
3. Specified Currency or Currencies: [•]
  4. Aggregate Nominal Amount: [•]
    - [(i)] [Series]: [•]
    - [(ii)] Tranche: [•]
  5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] (if applicable)]
  6. (i) Specified Denominations: [•]
    - (ii) Calculation Amount: [•]
  7. (i) Trade Date: [•]
    - (ii) Issue Date: [•]
    - (iii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
  8. Maturity Date: [•]/[Interest Payment Date falling in or nearest to [•]]
  9. Interest Basis: [•] per cent. Fixed Rate]
 

[[•] month [EURIBOR]/[LIBOR] +/- [•] per cent. Floating Rate]

(See paragraph [14/15] below)
  10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their nominal amount
 

*(N.B. The scheduled redemption amount at maturity will be at least 100 per cent. of the principal amount of the Instruments)*
  11. Put/Call Options: [Put Option]/[Not Applicable]
 

[Call Option]/[Not Applicable][See paragraph [16/17] below]
  12. (i) Status of the Instruments: [Senior/Subordinated]
    - (ii) Status of the Guarantee: [Senior/Subordinated]
    - [(iii)] [Date [Board] approval for issuance of Instruments obtained: [•] [and [•], respectively]]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
  - (i) Rate[(s)] of Interest: [•] per cent. *per annum* [payable [annually/ semi-annually/quarterly/monthly] in arrear]

- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Additional Business Centre(s)]]/[not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [[•] per Calculation Amount]/[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Instruments and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Instruments, being rounded upwards]
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] / [Not applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360 (ISDA)]
14. **Floating Rate Instrument Provisions** [Applicable/Not applicable]
- (i) Interest Period(s): [•]
- (ii) Interest Period End Date(s): [•] / [As specified in the Conditions]
- (iii) Specified Period: [•]/[Not Applicable]
- (iv) Interest Payment Dates: [Not applicable]/[Interest shall be payable [annually/semi-annually/quarterly/monthly] in arrear on [•], [•], [•] and [•]] in each year commencing on [•], up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out in (v) below]
- (v) [First Interest Payment Date]: [•]
- (vi) Business Day Convention: [FRN Convention/ Eurodollar Convention / Following Business Day Convention/ Modified Following Business Day Convention/ Modified Business Day Convention Preceding Business Day Convention/ No Adjustment]
- (vii) Additional Business Centre(s): [[•]/Not Applicable]
- (viii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (ix) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issue and Paying Agent): [•] shall be the Calculation Agent
- (x) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [[•] month [LIBOR]/[EURIBOR]]

- Reference Bank(s): [•] / [As specified in the Conditions]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (xi) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Benchmarks Supplement: [Applicable/Not Applicable]
- (xii) [Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xiii) Margin(s): [+/-][•] per cent. *per annum*
- (xiv) Minimum Rate of Interest: [•] per cent. *per annum*
- (xv) Maximum Rate of Interest: [•] per cent. *per annum*
- (xvi) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360 (ISDA)]

## PROVISIONS RELATING TO REDEMPTION

15. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Instrument: [[•] per Calculation Amount/Make Whole Amount]
  - (iii) If redeemable in part: [Applicable/Not Applicable]  
Aggregate principal amount to be redeemed: [•]
  - (iv) Calculation Agent: [•]
  - (v) Reference Bond: [[•]/FA Selected Bond/Not Applicable]
  - (vi) Quotation Time: [[•] [London/New York/specify] time][Not Applicable]
  - (vii) Redemption Margin: [[•] per cent.][Not Applicable]
16. **Put Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Instrument: [•] per Calculation Amount
17. **Final Redemption Amount of each Instrument** [•] per Calculation Amount
18. **Early Redemption Amount**  
 Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [Not applicable/[•] per Calculation Amount]
19. **Early Termination Amount** [Not applicable/[•] per Calculation Amount]
20. **Redemption following a Substantial Purchase Event** [Applicable/Not Applicable]  
 Substantial Purchase Event Threshold [•] per cent.
21. **Residual Maturity Call Option** [Applicable/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

22. **Form of Instruments:** **[Bearer Instruments:**  
 [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]  
 [Temporary Global Instrument exchangeable for Definitive Instruments on [•] days' notice]  
 [Permanent Global Instrument exchangeable for Definitive Instruments on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]  
**[Registered Instruments]**
23. New Global Instrument: [Yes]/[No]
24. Relevant Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
25. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): [No.] / [Yes. As the Instruments have more than 27 Coupon payments, Talons may be required if, on exchange into definitive form, more than 27 Coupon payments are still to be made.]
26. Details relating to Instalment Instruments: amount of each instalment, date on which each payment is to be made: [Not Applicable/[•]]



27. Redenomination, renominatisation and reconventioning provisions: [Not applicable/The provisions in Condition 9F (*Redenomination*) apply/ The provisions in Condition 9G (*Exchangeability*) apply]
28. Instruments where the Specified Currency is Renminbi: Party responsible for calculating the Spot Rate: [•] shall be the Calculation Agent
29. Commissioner: [Not Applicable/[•] (*specify for fungible issuances, if applicable*)]

**SIGNED** on behalf of  
**TELEFÓNICA EMISIONES, S.A.U.:**

By: .....  
Duly authorised

**SIGNED** on behalf of  
**TELEFÓNICA, S.A.:**

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Admission to trading [[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on the regulated market of The Irish Stock Exchange plc, trading as Euronext Dublin, with effect from [•]]
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings: The Instruments to be issued have been rated:

[S&P Global Ratings Europe Limited: [•]]

[Moody's Investors Service España, S.A.: [•]]

[Fitch Ratings Ireland Limited: [•]]

*[EEA Registered and UK endorsed/certified]*

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended.] [The rating [•] has given to the Instruments is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.] / [•] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.] / [•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA**") and the rating it has given to the Instruments is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulations]

*[UK Registered and EEA endorsed/certified]*

[[•] is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the rating it European Union (Withdrawal) Act 2018]. / [The rating [•] has given to the Instruments is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended] / [•] has been certified under Regulation (EU) No 1060/2009, as amended. / [•] has not been certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") and the rating it has given to the Instruments is not endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation.]

*Non-EEA/UK registered but endorsed in the EEA/UK*

[[•] is not established in the [EEA/UK] but the rating it has given to the Instruments is endorsed by [[•] which is established in the [EEA/UK] and registered under [Regulation (EU) No 1060/2009, as amended / Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the rating it European Union (Withdrawal) Act 2018]

*Non-EEA/UK registered but certified in the EEA/UK*

[[•] is not established in the [EEA/UK] but is certified under [Regulation (EU) No 1060/2009, as amended / Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the rating it European Union (Withdrawal) Act 2018]

*Non-EEA/UK registered and no EEA/UK certification or endorsement*

[[•] is not established in the [EEA/UK] and is not certified under [Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") / Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the rating it European Union (Withdrawal) Act 2018 (the "**UK CRA**")]] and the rating it has given to the Instruments is not endorsed by a credit rating agency established in the [EEA/UK] and registered under the [EU CRA Regulation/UK CRA Regulation]

*[Add a brief explanation of the meaning of the ratings if previously published by the relevant ratings provider.]*

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.]/[•]/[Not Applicable]

4. **[REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

Estimated Net Proceeds: [•]

[An amount equal to the net proceeds of the issuance of the Instruments will be allocated to [•]]/[Not Applicable]

[An amount equal to the net proceeds of the issuance of the Instruments will be allocated to Eligible Projects]/ [Include further description if necessary]/[Not Applicable]

5. **[Fixed Rate Instruments only – YIELD**

Indication of yield:

[•] per cent. *per annum*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **OPERATIONAL INFORMATION**

ISIN:	[•]
Common Code:	[•]
[CFI Code:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]
[FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]] <i>(If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable")</i>
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]
Relevant Benchmark[s]:	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the EU Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the EU Benchmark Regulation]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)] / [Not Applicable]

7. **DISTRIBUTION**

(i) US Selling Restrictions	[Reg. S Compliance Category 2] [TEFRA C/TEFRA D/TEFRA not applicable]
(ii) Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable]

- (iii) Prohibition of Sales to UK Retail [Applicable/Not Applicable]  
Investors

**[THIRD PARTY INFORMATION]**

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]

## USE OF PROCEEDS

An amount equal to the net proceeds of the issue of each Tranche of Instruments will either be applied by the Issuer, the Guarantor and/or the Group to (i) meet part of their general financing requirements or (ii) to finance and/or refinance, in whole or in part, subject to specific eligibility criteria to be applied to new or existing projects, eligible projects ("**Eligible Projects**") as detailed in Telefónica's Sustainable Development Goals Framework (the "**SDG Framework**"). The SDG Framework is in accordance with the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018, each published by the International Capital Market Association.

The SDG Framework is available at:

<https://www.telefonica.com/documents/162467/144347968/Telefonica-Framework-Green-Social-Bonds-20210122.pdf/2ba276f5-af73-08b1-d4ea-2e169abd66e5>

The Second-Party Opinion from Sustainalytics B.V. dated 22 January 2021 (the "**Second-Party Opinion**") is available at:

<https://www.telefonica.com/documents/162467/144347968/Telefonica-SDG-Framework-Second-Party-Opinion-20210122.pdf/8a8de56e-1d09-17b7-ed65-a2a8e012ad4e>

Examples of Eligible Projects in relation to the energy efficiency of the Telefónica network infrastructure include:

- Modernisation of broadband networks, both fixed and mobile (5G deployment). Optic fiber deployment, with the aim of transforming wireline legacy copper networks into latest generation fiber networks.
- Improvement of supporting infrastructure with a view to making it more efficient (including but not limited to: free cooling systems, cooling optimization, power modernisation, smart management, intelligent lighting or optimization of power storage). This also includes digital process transformation, such as automatisisation of maintenance processes.
- Software aimed at reducing power consumption, such as, but not limited to, power saving features, servers virtualisation, remote and data management applications, machine learning and artificial intelligence applications.

Examples of Eligible Projects in relation to the implementation of Telefónica's renewable energy plan:

- Self-generation of electricity from renewable sources such as solar, wind, mini-hydro and geothermal (excluding large hydro over 25 megawatts and geothermal with life cycle greenhouse gas emissions > 100 grams of carbon dioxide per kilowatt hour).

Examples of Eligible Projects in relation to Inclusive Connectivity accelerating deployment of broadband in unconnected or underserved areas:

- Overcoming the inequality of broadband in rural and remote areas through the deployment, extending and optimization of fixed or mobile connectivity to provide Internet access with sufficient bandwidth to underserved population.

Examples of Eligible Projects in relation to supporting Employment Generation, entrepreneurships and development of new digital skills:

- Investing directly in start-ups and small and medium sized enterprises through Telefónica's Open Innovation vehicles to promote innovation and foster employment ecosystems in countries where unemployment is a critical risk for socio-economic development and social welfare.

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

Eligible Projects refer to new investments made after issuance as well as the refinancing of any investments made in the period of two years prior to issuance of the Instruments.

An SDG bond committee / working group will monitor the project selection and evaluate allocation process as per the eligibility criteria set out in the SDG Framework. This committee will be composed of senior management representatives from Telefónica's Finance, Sustainability and Control departments alongside representatives from other key technical areas.

The SDG bond committee / working group will be responsible for:

- Review and validation of the selection of Eligible Projects based on the defined eligible categories listed above.
- Monitoring the Eligible Projects portfolio during the life of the Instruments. The SDG bond committee / working group can decide to replace an Eligible Project if it no longer meets the eligibility criteria.
- Management of any future updates to the SDG Framework.

Telefónica may amend or update the SDG Framework in the future. Any change to the SDG Framework would be publicly announced. The SDG Framework, including any changes thereto, will be available on Telefónica's website at [www.telefonica.com](http://www.telefonica.com).

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

## TELEFÓNICA EMISIONES, S.A.U.

### Introduction

Telefónica Emisiones, S.A.U. (the "Issuer") was incorporated for an indefinite period on 29 November 2004 as a *Sociedad Anónima Unipersonal* (limited liability company with a sole shareholder) registered in the Commercial Registry of Madrid at Tome 20,733, Book 0, Sheet 77, Section 8, Page M-367261, Registration 1. The registered office of the Issuer is at Gran Vía 28, 28013 Madrid, Spain, the Shareholder's office free telephone helpline number (Spain) is +34 900 111 004 and the Investor Relations telephone number is +34 91 482 87 00. The authorised share capital of the Issuer is €62,000 represented by 62,000 registered shares having a nominal value of €1 each, numbered 1 to 62,000. The share capital of the Issuer is fully subscribed and paid up by Telefónica, S.A. as the sole shareholder.

The Issuer is governed by the consolidated text of the Spanish Corporations Law, approved by Royal Legislative Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*).

### Business

The objects of the Issuer are the issuance of *participaciones preferentes* (preferred shares) and/or other financial instruments.

The Issuer lends the proceeds of financial instruments to the Guarantor and other members of the Group, and is dependent on repayment of the relevant intra-group financing to service payments of principal and interest on its financial instruments. This does not give rise to any potential conflicts of interest.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the establishment and listing of the Programme and matters referred to as contemplated in this Base Prospectus and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### Recent Developments

The principal events that have occurred since 31 December 2020, are set forth below:

- on 16 February 2021, the Issuer redeemed 1,500 million U.S. dollars of its notes issued on 16 February 2011. These notes were guaranteed by the Guarantor;
- on 26 March 2021, the Issuer redeemed 872.2 million euros of its notes issued on 27 March 2013. These notes were guaranteed by the Guarantor; and
- on the same day, the Guarantor made the full repayment of the principal of the loan granted by the Issuer of similar amount, terms and conditions.

### Directors

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Principal occupation</u>	<u>Principal External Activities</u>
Carlos David Maroto Sobrado.....	Director	Head of Financing at Telefónica, S.A. Telefónica Participaciones, S.A.U. (Joint and Several Director) Telefónica Europe, B.V.
Francisco Javier Ariza Garrote.....	Director	Telefónica Participaciones, S.A.U. (Joint and Several Director) Telefónica Latinoamérica Holding, S.L. Alianza Atlántica Holding B.V.

The business address of each of the directors of the Issuer is Distrito Telefónica, Edificio Central, c/Ronda de la Comunicación, s/n, 28050 Madrid.

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



**Auditors**

The auditors of the Issuer for the years ended 31 December 2020 and 2019 were PricewaterhouseCoopers Auditores, S.L., registered auditors in Spain in the *Registro Oficial de Auditores de Cuentas*, with registration number S0242.

## TELEFÓNICA, S.A.

### Introduction

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

- a diversified telecommunications group which provides a comprehensive range of services through one of the world's largest and most modern telecommunications networks;
- focused on providing telecommunications services; and
- present principally in Europe and Latin America.

Telefónica has been assigned long term credit ratings of BBB- (stable outlook), Baa3 (stable outlook), BBB (stable outlook), respectively, by S&P, Moody's and Fitch. Telefónica has been assigned short term credit ratings of A3, P3 and F2, respectively, by S&P, Moody's and Fitch. Each of S&P, Moody's and Fitch is established in the European Union and is registered under the EU CRA Regulation. The ratings S&P, Moody's and Fitch have given Telefónica have been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd., respectively, which are established in the United Kingdom and registered under the UK CRA Regulation.

### Recent Developments

The principal events that have occurred since 31 December 2020, are set forth below:

- On 13 January 2021, Telefónica's subsidiary, Telxius, signed two agreements with American Tower International, Inc. (the "**Purchaser**"), a subsidiary of American Tower Corporation ("**ATC**"), for the sale of its telecommunications towers divisions in Europe (Spain and Germany) and in Latin America (Brazil, Peru, Chile and Argentina), for a total cash consideration of 7.7 billion euros (including the Purchaser's assumption of the future committed acquisitions), subject to certain closing adjustments. The agreements establish the sale of approximately 30,722 telecommunication tower sites through two separate and independent transactions. Among other aspects, the agreements include the Purchaser's commitment to maintain employment post-closing of the transactions. Additionally, the Telefónica Group operators will maintain the current tower lease agreements signed with the companies being sold so that these companies will continue to provide their services on similar terms to the operators as those currently provided. Renewal conditions do not include any new "all or nothing" clauses.
- On 27 January 2021, Telefónica informed that Board of Directors unanimously agreed following a favorable report from the Nominating, Compensation and Corporate Governance Committee, to appoint the Independent Director Mr. Peter Löscher, as Member of the Executive Commission of the Board of Directors.
- On 29 January 2021, a Purchase and Sale Agreement was entered into among by Telefónica Brasil S.A., Tim S.A. and Claro S.A. (jointly the "**Purchasers**") and Oi Móvel S.A (the "**Seller**") of the mobile assets of the Oi Group, in respect of which they were declared winners at the judicial auction held on 14 December 2020. The effectiveness of this acquisition by the Purchasers is subject to certain conditions usually applicable to transactions of this nature, all of which are part of the purchase and sale agreement, including obtaining the required regulatory authorizations. In addition, this acquisition shall take place in accordance with the segregation plan of such assets.

- In February 2021, Telefónica Europe, B.V. announced the following transactions related to its hybrid capital:
  - a. a new issue amounting to 1,000 million euros, guaranteed by Telefónica, S.A. The net proceeds thereof will be subject to specific eligibility criteria to be applied to new or existing projects, as detailed in Telefónica's Sustainable Development Goals Framework (the "**SDG Framework**"). The SDG Framework is in accordance with the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018, each published by the International Capital Market Association. The settlement took place on 12 February 2021; and
  - b. a tender offer for hybrid instruments in euros, with first call date in March 2022. Telefónica Europe, B.V. offered to purchase for cash up to a maximum aggregate principal amount of the tendered securities in an aggregate principal amount of 758 million euros. The tender offer settled on 15 February 2021.
- On 8 February 2021, Telefónica Brasil S.A. partially redeemed 1,000 million Brazilian reais of its bonds, issued on 8 February 2017.
- On 10 February 2021, Telefónica Germany GmbH & Co. OHG redeemed 500 million euros of its bond, issued on 10 February 2014.
- On 22 February 2021, Telefónica Chile, S.A. entered into a stock purchase agreement with KKR Alameda Aggregator L.P. (a vehicle controlled by funds managed or advised by KKR affiliated entities) for the sale of 60% of the shares of InfraCo, SpA ("**InfraCo**").

As part of the transaction, Telefónica Chile will sell approximately two million homes passed with fiber to InfraCo. Additionally, Telefónica Chile and InfraCo will enter into certain agreements for the provision of various services, including an agreement to provide wholesale connectivity services to Telefónica Chile on InfraCo's fiber network.

The transaction values InfraCo at 1.0 billion U.S. dollars (approximately 0.8 billion euros at the exchange rate as of the date of the agreement).

The transaction is subject to obtaining the corresponding authorizations from the antitrust authorities.

- On 24 February 2021, Telefónica informed that the Board of Directors unanimously appointed the Independent Director Ms. Claudia Sender Ramírez as Member of the Strategy and Innovation Committee, in replacement of the Independent Director Mr. Peter Löscher, who presented his resignation to such position.
- On 25 February 2021, Telefónica filed with the United States Securities and Exchange Commission its annual report on Form 20-F for the year ended 31 December 2020.
- On 2 March 2021 Telefónica informed that its subsidiaries, Telefónica Brasil S.A. and Telefónica Infra, S.L.U., reached an agreement with Caisse de dépôt et placement du Québec ("**CDPQ**") for the construction, development and operation of a fiber (FTTH) network in Brazil, in mid-sized cities outside the state of Sao Paulo, through a joint venture entity, FiBrasil Infraestrutura e Fibra Ótica S.A. ("**FiBrasil**"). FiBrasil will operate as an independent open-access wholesale company.

In terms of the shareholding structure of FiBrasil, upon closing of the transaction, Telefónica Group and CDPQ will each hold 50% in FiBrasil under a co-control governance model. Telefónica Group's 50% participation will be held through Telefónica Brasil, S.A. and Telefónica Infra, S.L.U., each holding a stake of 25%. Telefónica Brasil, S.A. will contribute approximately 1.6 million FTTH homes passed and will be the anchor tenant of FiBrasil.

The terms of the transaction encompass a total investment by CDPQ of up to 1.8 billion of Brazilian reais (approximately 267 million euros at the exchange rate as of the date of the agreement), comprising payments to both Telefónica Brasil, S.A. and FiBrasil, for a 50% stake in FiBrasil and

also certain payments to be made by Telefónica Infra, S.L.U., in equivalent economic terms, for a 25% stake in FiBrasil.

CDPQ's capital contributions, in addition to the expected leverage to be raised by the joint venture, will provide a fully funded business plan to accomplish FiBrasil's deployment targets (to reach around 5.5 million FTTH homes passed in 4 years).

Among other conditions, the transaction is subject to obtaining the corresponding authorizations from the regulatory authorities.

- On 9 March 2021, Telefónica Participaciones, S.A.U. redeemed 600 million euros of its equity-linked notes issued on 9 March 2016. These notes were guaranteed by Telefónica, S.A. On the same date Telefónica, S.A. made the full repayment of the principal of the loan granted by Telefónica Participaciones, S.A.U. of similar amount, terms and conditions.
- On 12 March 2021, Colombia Telecomunicaciones, S.A. ESP partially redeemed 100 million U.S. dollars of its bilateral loan, signed on 18 March 2020 and maturing in March 2025.
- On 18 March 2021, Telefónica, S.A. called the Annual General Shareholders' Meeting (the "**Meeting**") to be held exclusively through telematic means at 11:00 a.m. on 23 April 2021 on second call, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on the first call that is hereby scheduled for 22 April 2021 at the same time.
- On March 26, 2021, Telefónica, S.A. signed a new bilateral loan of 200 million euros maturing on March 31, 2022. On the same date Telefónica, S.A. drew down 200 million euros of its bilateral loan.

## Business Overview

### Highlights

#### 2020 highlights

In 2020, Telefónica continued capturing and retaining high-value customers focusing on customer experiences and the strength of its infrastructure.

Telefónica's **total accesses** totaled 345.4 million as of 31 December 2020, with an improvement in the customer mix. Customer commitment improved, resulting in a lower churn, and total accesses increased by 0.3% year-on-year, mainly due to the increase in postpay mobile accesses in Telefónica Brazil and Telefónica Germany. Year-on-year access growth was affected by the COVID-19 pandemic.

The table below shows the evolution of accesses over the past two years as of December 31 of such years:

ACCESSES	2019	2020	% Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	31,285.4	28,243.0	(9.7%)
Broadband <sup>(2)</sup> .....	20,837.1	20,077.2	(3.6%)
UBB .....	14,280.9	15,212.8	6.5%
FTTH.....	8,223.5	9,964.2	21.2%
Mobile accesses <sup>(3)</sup> .....	261,532.9	266,287.1	1.8%
Prepay .....	131,787.1	131,542.0	(0.2%)
Contract.....	105,970.7	108,587.5	2.5%
IoT .....	23,775.0	26,157.7	10.0%
Pay TV .....	8,437.1	8,059.5	(4.5%)
<b>Retail Accesses</b> .....	<b>322,422.2</b>	<b>322,978.5</b>	<b>0.2%</b>
<b>Wholesale Accesses</b> .....	<b>21,912.7</b>	<b>22,455.0</b>	<b>2.5%</b>
Fixed wholesale accesses .....	3,822.8	3,722.8	(2.6%)
Mobile wholesale accesses.....	18,089.9	18,732.1	3.6%
<b>Total Accesses</b> .....	<b>344,334.9</b>	<b>345,433.5</b>	<b>0.3%</b>

- The table includes accesses for Telefónica Costa Rica (2.2 million and 2.5 million total accesses as of 31 December 2019 and 2020, respectively). The sale of Telefónica Costa Rica is pending as of the date of this Base Prospectus.

<sup>(1)</sup> Includes fixed wireless and VoIP accesses.

- (2) 2020 "**Broadband**" accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in "**Internet and data accesses**") are directly included in "**Retail Accesses**" and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.
- (3) 2020 "**Mobile accesses**" show "**IoT**" accesses as an independent category within "**Mobile accesses**" due to its increasing weight. "IoT" accesses include both postpay and prepay IoT accesses and, therefore, are not comparable to the "**M2M**" accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepay accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

The table below shows the evolution of accesses by segment:

	% Over Total Accesses		
	YoY variation	2019	2020
<b>Accesses 2020</b>			
Telefónica Spain.....	(1.3%)	12.2%	12.0%
Telefónica United Kingdom.....	4.8%	10.1%	10.6%
Telefónica Germany.....	1.1%	14.0%	14.1%
Telefónica Brazil.....	1.5%	27.2%	27.5%
Telefónica Hispam.....	(2.0%)	32.1%	31.4%
Other companies <sup>(1)</sup> .....	1.1%	4.3%	4.4%

<sup>(1)</sup> Includes Central American operations.

**Mobile accesses** totaled 266.3 million as of 31 December 2020, increasing by 1.8% compared to 2019, mainly as a result of the increase in postpay mobile accesses, up by 2.5% year-on-year and whose weight over total mobile accesses (excluding IoT accesses) increased to 45.2% (+0.6 p.p. year-on-year). By region, the increase was mainly due to the growth of prepay and postpay mobile accesses in Telefónica Brazil and the increase in postpay accesses in Telefónica Germany, which offset the overall decrease in prepay mobile accesses mainly in Telefónica Germany and Telefónica Hispam, due to the market dynamics and the ongoing prepay to contract migration trend. Year-on-year evolution was impacted by the COVID-19 pandemic.

**Fixed broadband accesses** stood at 20.1 million at 31 December 2020, down 3.6% year-on-year, as a result of the reduction of legacy accesses, partially offset by the growth in UBB accesses, which stood at 15.2 million at 31 December 2020, growing by 6.5% compared to 31 December 2019. FTTH reached 10.0 million accesses at 31 December 2020, increasing by 21.2% year-on-year, representing 49.6% of fixed broadband accesses (+10.2 p.p. y-o-y) and 65.5% of UBB accesses (+7.9 p.p. y-o-y).

**Pay TV accesses** totaled 8.1 million as of 31 December 2020, down 4.5% year-on-year mainly due to the decrease in lower value customers in Spain and legacy erosion (DTH) in Peru.

## 2020/2019 Segment results

### TELEFÓNICA SPAIN

The table below shows the evolution of accesses in Telefónica Spain over the past two years as of December 31 of such years:

#### ACCESSES

	2019	2020	%Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	9,024.1	8,731.0	(3.2%)
Broadband <sup>(2)</sup> .....	6,023.4	5,961.9	(1.0%)
FTTH .....	4,325.0	4,614.1	6.7%
Mobile accesses <sup>(3)</sup> .....	18,916.9	18,977.8	0.3%
Prepay .....	1,137.2	888.1	(21.9%)
Contract .....	15,158.8	15,383.7	1.5%
IoT .....	2,620.8	2,706.0	3.2%
Pay TV .....	4,073.8	3,934.5	(3.4%)
<b>Retail Accesses</b> .....	<b>38,049.5</b>	<b>37,615.1</b>	<b>(1.1%)</b>
<b>Wholesale Accesses</b> .....	<b>3,788.2</b>	<b>3,689.5</b>	<b>(2.6%)</b>
<b>Total Accesses</b> .....	<b>41,837.7</b>	<b>41,304.6</b>	<b>(1.3%)</b>

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

<sup>(2)</sup> 2020 "Broadband" accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in "Internet and data accesses") are directly included in "Retail Accesses" and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(3)</sup> 2020 "Mobile accesses" show "IoT" accesses as an independent category within "Mobile accesses" due to its increasing weight. "IoT" accesses include both postpay and prepay IoT accesses and, therefore, are not comparable to the "M2M" accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepay accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

Telefónica Spain's 2020 results were significantly impacted by the imposition of strict measures to prevent the spread of COVID-19, especially during the second quarter 2020. Restrictions were first imposed before the start of the second quarter, significantly affecting commercial activity (approximately 90% of Telefónica-branded stores were closed in March and April 2020; approximately 50% were closed in May of 2020), interrupting all sports competitions (importantly, football, which restarted in mid-June of 2020) and suspending portability (i.e., the switching of service providers by clients; especially in the fixed service until the end of May of 2020). The population was locked down for most of the second quarter of 2020. Telefónica responded to these challenges by leveraging the strength of the largest FTTH network in Europe to provide reliable service throughout the COVID-19 pandemic crisis and taking unprecedented steps to support society and show solidarity with its communities and customers.

During 2020, the commercial activity continued to rely on the differentiated services offered by the company, with a multi brand strategy (Movistar, O2) to serve different market segments. In addition, during the first half of 2020, Telefónica introduced changes to its portfolio to strengthen its relationship with clients and reach new market segments. Some of these changes are described below.

**Movistar Prosegur Alarmas**, the joint venture of Prosegur and Telefónica, launched its first commercial offer for the alarm market in Spain. Unlike similar products in the market, customers do not have to pay any initial fee and there is no minimum commitment term. The service includes the installation of an alarm which is connected to an alarm reception center, a video surveillance system and a connection to the Movistar Prosegur Alarmas mobile app. In addition, it is the only product to offer Acudas, an immediate intervention service which sends a private security guard to the customer's house in the event of a security incident.

In addition, **Disney+ content was added to the "Fusión offer"**, following the signing on 8 March 2020 of an agreement between The Walt Disney Company Iberia and Telefónica, pursuant to which Movistar became the strategic distributor of Disney+ in Spain. With this agreement with the world's leading entertainment company, Movistar added Disney+ titles to its rich catalogue of original content, which is accessible through the streaming service that gives access to more than 1,000 movies, series and programs from Disney, Pixar, Marvel, Star Wars, National Geographic and much more. Disney+ has been included in the "Fusión packages" featuring fiction content such as "Fusión Selección Plus Ficción", "Fusión Total" and "Fusión Total Plus", and in general in all those "Fusion products" that incorporate the Ficción package.

In addition, Movistar+ has launched a new "Cine" (Movies) package which, among other products, will include Disney+.

Moreover, **unlimited data** was provided to more than three million customers (as part of the most complete Fusion packages) at no additional cost, in response to the increased demand for data consumption, which has reached record levels as a consequence of the COVID-19 pandemic. Clients of Fusión Selección La Liga or Champions, Fusión + Ocio, Fusión + Fútbol and Fusión Pro have also been able to enjoy unlimited data, calls and SMSs for 5 euros extra per month. Unlimited data plans are also available for customers who only want a plan for their mobile devices.

In October 2020, **Movistar Health** was launched. This is an online telemedicine service aimed at, among other services, allowing users to connect to a primary care doctor anywhere, anytime, 24 hours a day, 7 days a week. Movistar Health also offers plans for companies, adapted to their needs according to their size and requirements.

#### **The Group also launched the 5G network.**

Telefónica Spain had 41.3 million **accesses** as of 31 December 2020 (-1.3% as compared to 31 December 2019), as a result of the commercial slowdown driven mainly by the COVID-19 pandemic.

**The convergent offer (residential and SMEs)** had a customer base of 4.8 million customers as of 31 December 2020, a decrease of 0.3% y-o-y.

**Retail fixed accesses** totaled 8.7 million and decreased 3.2% as compared to 31 December 2019, with a net loss of 293 thousand accesses in 2020.

**Retail broadband accesses** totaled 6.0 million (-1.0% y-o-y), with a net loss of 61 thousand accesses during 2020.

**Retail fiber (FTTH)** accesses reached 4.6 million customers (+6.7% as compared to 31 December 2019), representing 77.4% of total retail broadband customers (+5.6 p.p. y-o-y) with net adds of 289 thousand accesses in 2020. At 31 December 2020, fiber deployment reached 25.2 million premises, 2.1 million more than at 31 December 2019, and it continues to be the largest in Europe.

Total retail **mobile accesses** stood at 19.0 million as of 31 December 2020, an increase of 0.3% as compared to 31 December 2019 as a result of the increase in mobile contract accesses that more than offset the decrease in prepay accesses (-21.9% y-o-y), reflecting the success of the convergent strategy and the positive performance of the migration from prepay to postpay. The contract access base accelerated its growth during 2020, growing by 1.5% year-on-year.

**Pay TV accesses** reached 3.9 million at 31 December 2020, decreasing 3.4% year-on-year.

**Wholesale accesses** stood at 3.7 million at 31 December 2020, down 2.6% year-on-year due to the decrease in non-fiber wholesale accesses. Wholesale fiber accesses (70% of total wholesale accesses at 31 December 2020 compared with 57% at 31 December 2019) were up 20.6% year-on-year.

## TELEFÓNICA UNITED KINGDOM

On 7 May 2020, Telefónica reached an agreement with Liberty Global plc to combine their respective operating businesses in the United Kingdom into a 50:50 joint venture, resulting in an integrated telecommunications operator with over 46 million video, broadband and mobile subscribers and an estimated aggregate revenues of approximately 11 billion pounds sterling. The transaction is subject to regulatory approvals and other closing conditions. For additional information, see “*Strategic Partnerships-Creation of 50:50 JV with Liberty Global for the combination of both group’s businesses in the United Kingdom*”.

In accordance with IFRS 5, the companies included within the scope of the transaction have been recognized as a disposal group held for sale. Therefore:

- The consolidated assets and liabilities subject to the transaction have been reclassified under “*Non-current assets and disposal groups held for sale*” and “*Liabilities associated with non-current assets and disposal groups held for sale*”, respectively, in the consolidated statement of financial position at 31 December 2020.
- The related non-current assets ceased to be amortized and depreciated for accounting purposes once they were reclassified as assets held for sale.

The table below shows the evolution of accesses in Telefónica United Kingdom over the past two years as of December 31 of such years:

### ACCESSES

	2019	2019	%Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	313.3	320.4	2.3%
Broadband <sup>(2)</sup> .....	28.9	29.2	1.2%
Mobile accesses <sup>(3)</sup> .....	25,803.3	26,980.7	4.6%
Prepay .....	8,436.1	8,117.4	(3.8%)
Contract.....	12,248.5	12,372.7	1.0%
IoT .....	5,118.7	6,490.6	26.8%
<b>Retail Accesses</b> .....	<b>26,145.5</b>	<b>27,330.3</b>	<b>4.5%</b>
<b>Wholesale Accesses</b> .....	<b>8,714.7</b>	<b>9,210.9</b>	<b>5.7%</b>
<b>Total Accesses</b> .....	<b>34,860.2</b>	<b>36,541.2</b>	<b>4.8%</b>

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

<sup>(2)</sup> 2020 “Broadband” accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in “Internet and data accesses”) are directly included in “Retail Accesses” and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(3)</sup> 2020 “Mobile accesses” show “IoT” accesses as an independent category within “Mobile accesses” due to its increasing weight. “IoT” accesses include both postpay and prepay IoT accesses and, therefore, are not comparable to the “M2M” accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepay accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

During 2020, throughout the COVID-19 health crisis which led to a lockdown of the UK population since the end of March 2020 and despite a competitive environment, Telefónica United Kingdom remained as the favorite telecommunications operator in United Kingdom (Source: CCS Insight), a position underpinned by the strength of the O2 brand, customer loyalty, successful commercial propositions, network reliability and good customer service. Such value propositions have allowed the company to achieve continuous customer growth in most market segments in a competitive market.

**Total accesses** grew by 4.8% year-on-year, standing at 36.5 million at 31 December 2020.

**Mobile net additions** in 2020 reached 1.1 million accesses, mainly driven by the increase in IoT accesses, which grew by 26.8% mainly boosted by the program “**Smart Metering**” (SMIP). Contract mobile accesses grew by 1.0% y-o-y to 12.4 million at 31 December 2020 despite the closure of stores for several months in 2020 due to the COVID-19 pandemic.

**Prepay accesses** decreased by 3.8% y-o-y to 8.1 million customers at 31 December 2020, mainly as a result of the continued migration from prepay to contract mobile accesses and the impact of the COVID-19 pandemic.



## TELEFÓNICA GERMANY

The table below shows the evolution of accesses in Telefónica Germany over the past two years as of December 31 of such years:

ACCESSES	2019	2020	%Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	2,129.5	2,180.2	2.4%
Broadband <sup>(2)</sup> .....	2,206.6	2,261.1	2.5%
UBB.....	1,652.0	1,797.8	8.8%
Mobile accesses <sup>(3)</sup> .....	43,826.8	44,274.8	1.0%
Prepay.....	20,096.2	19,283.3	(4.0%)
Contract.....	22,538.8	23,581.3	4.6%
IoT <sup>(4)</sup> .....	1,191.8	1,410.1	18.3%
<b>Retail Accesses</b> .....	<b>48,258.0</b>	<b>48,804.7</b>	<b>1.1%</b>
<b>Total Accesses</b> .....	<b>48,258.0</b>	<b>48,804.7</b>	<b>1.1%</b>

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

<sup>(2)</sup> 2020 "Broadband" accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in "Internet and data accesses") are directly included in "Retail Accesses" and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(3)</sup> 2020 "Mobile accesses" show "IoT" accesses as an independent category within "Mobile accesses" due to its increasing weight. "IoT" accesses include both postpay and prepay IoT accesses and, therefore, are not comparable to the "M2M" accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepay accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(4)</sup> Impacted by the disconnection of 67 thousand inactive IoT accesses in the second quarter of 2019.

In 2020, Telefónica Germany had a good performance despite the COVID-19 pandemic, with trading dynamics recovering to close to pre-pandemic levels by the end of 2020 and churn reaching historical low levels. This performance was supported by network quality improvements. In a dynamic competitive environment, the O2 Free portfolio continued to show positive momentum and visible ARPU-accretive effects, while COVID-19-related travel restrictions impacted roaming revenues.

Telefónica Germany's key milestones in 2020 were as follows:

- The company announced the spin-off and sale of approximately 10.1 thousand mobile sites to Telxius for a total purchase price of 1.5 billion euros, gaining further financial flexibility.
- The company's 5G network became operational in 15 cities, targeting more than 30% and approximately 50% population coverage by the end of 2021 and 2022, respectively, and close to full coverage by the end of 2025.
- Telefónica Germany's network was awarded for the first time a 'very good' rating in the most relevant network test of "**Connect magazine**" and also was ranked #1 in the Connect magazine's shop test.

The **total access base** grew 1.1% year-on-year and stood at 48.8 million at 31 December 2020, mainly driven by a 1.0% increase in the mobile accesses base, which reached 44.3 million.

The **contract mobile customer base** grew 4.6% year-on-year and reached 23.6 million accesses, increasing the share over the total mobile accesses base to 53.3%. Net adds reached 1.0 million accesses mainly driven by the good performance of the O2 Free tariff portfolio, which features popular tariffs, continued data usage and churn improvement. O2 contract churn registered historical lows.

The **prepay mobile customer base** decreased 4.0% year-on-year to 19.3 million accesses, reflecting the ongoing prepay to contract migration trends in the market. The prepay segment posted a net loss of 0.8 million customers in 2020.

The **broadband accesses** reached 2.3 million accesses (up 2.5% y-o-y) and increased by 55 thousand accesses in 2020, as a result of the continued robust demand for VDSL, with net adds of 146 thousand accesses in 2020 (+30.8% y-o-y).

## TELEFÓNICA BRAZIL

The table below shows the evolution of accesses in Telefónica Brazil over the past two years as of December 31 of such years:

### ACCESSES

	2019	2020	%Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	10,817.0	8,994.8	(16.8%)
Broadband <sup>(2)</sup> .....	6,938.9	6,315.0	(9.0%)
UBB .....	5,022.8	5,084.2	1.2%
FTTH .....	2,477.4	3,377.7	36.3%
Mobile accesses <sup>(3)</sup> .....	74,573.1	78,523.7	5.3%
Prepay .....	31,408.0	33,662.5	7.2%
Contract .....	33,075.3	34,418.2	4.1%
IoT .....	10,089.8	10,443.0	3.5%
Pay TV .....	1,319.7	1,247.7	(5.5%)
IPTV .....	714.5	890.8	24.7%
<b>Retail Accesses</b> .....	<b>93,718.9</b>	<b>95,145.0</b>	<b>1.5%</b>
<b>Total Accesses</b> .....	<b>93,732.3</b>	<b>95,157.9</b>	<b>1.5%</b>

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

<sup>(2)</sup> 2020 "Broadband" accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in "Internet and data accesses") are directly included in "Retail Accesses" and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(3)</sup> 2020 "Mobile accesses" show "IoT" accesses as an independent category within "Mobile accesses" due to its increasing weight. "IoT" accesses include both postpay and prepay IoT accesses and, therefore, are not comparable to the "M2M" accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepay accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

In 2020, Telefónica Brazil maintained its leadership in the higher mobile value segments, leading the contract segment as of 31 December 2020 (source: ANATEL), which has allowed Telefónica Brazil to support its mobile service revenues (in local currency) and mitigate the impact of the COVID-19 pandemic. In the fixed business, Telefónica Brazil continued to focus on the implementation of strategic technologies, such as fiber, which permitted it to capture high-value clients in the Internet Protocol Television (IPTV), and partially offset the continued decrease in the traditional fixed business.

Telefónica Brazil reached 95.2 million **accesses** as of 31 December 2020, 1.5% higher than as of 31 December 2019, due to the sustained growth in the mobile business, both postpay and prepay, UBB and IPTV, which more than offset the decline in the fixed voice business (due to the continued migration from fixed to mobile, driven by unlimited voice offers in the market), the contraction of the lower-value fixed broadband customer base and the loss of DTH customers as a result of the discontinuation of legacy technologies.

In the **mobile business**, Telefónica Brazil maintained its leadership in terms of total accesses, with a market share of 33.6% as of 31 December 2020 (source: ANATEL), growing both in terms of contract customers (+4.1% year-on-year) and prepay accesses (+7.2% year-on-year). Telefónica Brazil continued to strategically focus on high-value customers, reaching a market share of 37.7% in the contract segment as of 31 December 2020 (source: ANATEL). Contract commercial offers focused on data plans, with improved quotas and roaming terms (Vivo Travel World). The Vivo Selfie plan was also launched, with a 25GB data allowance plus 25GB for use in our customers' favorite app (Spotify, Rappi, Netflix or Premiere). High-value customers' offer is focused on family plans, which remained unchanged. In the prepay segment, Telefónica Brazil offers unlimited off-net minutes, unlimited WhatsApp use, and extra data allowances (VIVO pre-turbo). All of this has been supported by the interaction with customers through the Group's virtual assistant AURA in the Meu VIVO application, transforming customer attention channels to improve user experience.

In the **fixed business**, Telefónica Brazil maintained its strategic focus on fiber deployment, reaching 24.5 million premises passed with FTTx as of 31 December 2020 and 5.1 million connected homes, which increased 1.2% y-o-y, compensating in part for the decrease in fiber to the curb (FTTC) with the growth of fiber. Telefónica Brazil is implementing alternative deployment models to accelerate fiber expansion with lower CapEx requirements and a shorter "**time to market**" period. Following the agreement with American Tower Corporation in Minas Gerais and the development of a "franchise" model in smaller cities,

Telefónica Brazil reached an agreement with Phoenix Fiber (Group Phoenix Towers) in the states of Minas Gerais, Espírito Santo and Goiás for the joint development of the FTTH network. Telefónica Brazil reached 3.4 million premises connected with fiber by the end of 2020, growing by 36.3% year-on-year. However, this growth did not offset the decrease in other broadband accesses, such as ADSL, which placed retail broadband accesses at 6.3 million as of 31 December 2020, decreasing by 9.0% year-on-year. Traditional accesses decreased 16.8% year-on-year due to the aforementioned fixed-mobile substitution.

**Pay TV customers** as of 31 December 2020 reached 1.2 million, decreasing 5.5% year-on-year due to a more selective commercial activity directed to high-value customers. The decrease in DTH, as a consequence of the strategic decision to discontinue its use, was partially offset by the 24.7% growth in IPTV accesses. IPTV represented 71.4% of the total Pay TV accesses.

## TELEFÓNICA HISPAM

The table below shows the evolution of accesses in Telefónica Hispam over the past two years as of December 31 of such years:

ACCESSES	2019	2020	% Reported YoY
<b>Thousands of accesses</b>			
Fixed telephony accesses <sup>(1)</sup> .....	8,804.2	7,835.0	(11.0%)
Broadband <sup>(2)</sup> .....	5,564.7	5,447.3	(2.1%)
UBB .....	3,249.6	3,695.0	13.7%
FTTH.....	2,829.6	3,417.6	20.8%
Mobile accesses <sup>(3)</sup> .....	93,137.8	92,204.5	(1.0%)
Prepay .....	67,286.2	66,206.7	(1.6%)
Contract.....	22,243.7	22,000.2	(1.1%)
IoT .....	3,607.9	3,997.6	10.8%
Pay TV .....	3,015.2	2,856.8	(5.3%)
IPTV .....	335.6	577.7	72.1%
<b>Retail Accesses</b> .....	<b>110,670.3</b>	<b>108,488.6</b>	<b>(2.0%)</b>
<b>Total Accesses</b> .....	<b>110,691.5</b>	<b>108,509.1</b>	<b>(2.0%)</b>

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

<sup>(2)</sup> 2020 "Broadband" accesses are reported as an independent category which includes UBB and FTTH accesses due to the increased focus on these key products. Narrowband and data accesses (which were previously included in "Internet and data accesses") are directly included in "Retail Accesses" and are not separately shown. 2019 figures included in this section have been revised accordingly for comparative purposes.

<sup>(3)</sup> 2020 "Mobile accesses" show "IoT" accesses as an independent category within "Mobile accesses" due to its increasing weight. "IoT" accesses include both postpay and prepaid IoT accesses and, therefore, are not comparable to the "M2M" accesses reported in prior years, which only included postpay accesses (given the limited relevance of prepaid accesses in prior years). 2019 figures included in this section have been revised accordingly for comparative purposes.

Telefónica Hispam's **total accesses** amounted to 108.5 million as of 31 December 2020 (-2.0% year-on-year), as a result of the decrease in both mobile and fixed accesses.

**Mobile accesses** amounted to 92.2 million as of 31 December 2020 decreasing by 1.0% y-o-y mainly affected by the lower prepaid customer base.

- **Contract accesses** decreased by 1.1% year-on-year due to the decrease in accesses in Peru (-8.2%), Argentina (-5.5%) and Ecuador (-4.8%), partially offset by the strong increase in Chile (+11.4%) and Colombia (+7.8%). This evolution was partially affected by the COVID-19 pandemic, which took its toll on commercial activity.
- **Prepaid accesses** decreased by 1.6% year-on-year, with a net loss of 1.1 million accesses at 31 December 2020, decreasing in Peru (-660 thousand accesses), Chile (-476 thousand accesses), Mexico (-226 thousand accesses) and Venezuela (-151 thousand accesses), offset in part by the increases in Ecuador (+346 thousand accesses) and Argentina (+153 thousand accesses). This evolution was mainly the result of the line disconnection of accesses with no top-up activity and the migration of prepaid accesses to postpaid accesses in the Chilean market.

**Fixed accesses** stood at 7.8 million as of 31 December 2020 (-11.0% year-on-year) with a net loss of 969 thousand accesses due to the continued erosion of the traditional fixed business.

**Fixed broadband accesses** amounted to 5.5 million as of 31 December 2020 (-2.1% year-on-year). The penetration of FBB accesses over fixed accesses stood at 69.5% (+6.3 p.p. y-o-y), as a result of the focus on Ultra Broadband (UBB) deployment in the region reaching 3.7 million connected accesses (+13.7% y-o-y) and 12.0 million premises. The penetration of UBB accesses over fixed broadband accesses stood at 67.8% (+9.4 p.p. y-o-y).

**Pay TV accesses** stood at 2.9 million as of 31 December 2020, decreasing by 5.3% as a result of the net loss of 158 thousand customers, negatively impacted by the lower Direct-To-Home (DTH) technology accesses due to the change in focus (-326 thousand accesses) and lower cable access base (-74 thousand accesses), partially offset by the increase in IPTV (+242 thousand accesses), in which the company is placing strategic focus.

## TELXIUS GROUP

On 13 January 2021, Telxius Group signed an agreement with American Tower Corporation for the sale of its telecommunications towers divisions in Europe (Spain and Germany) and in Latin America (Brazil, Peru, Chile and Argentina) for 7.7 billion euros, payable in cash.

The agreement provides for the sale of approximately 30.7 thousand telecommunications tower sites and comprises two separate and independent transactions (on one hand, the European business and, on the other hand, the Latin American business), setting the respective closings once the corresponding regulatory authorizations have been obtained. The transaction is subject to regulatory approvals and other closing conditions. In accordance with IFRS 5, the companies included within the scope of the transaction have been recognized as a disposal group held for sale as of 31 December 2020. Non-current assets ceased to accrue depreciation and amortization expenses since 31 December 2020.

In the **Tower business**, Telxius Group acquired 1,909 towers in Brazil in February 2020, doubling the size of Telxius Group in the country, and establishing a solid platform to capture the expected growth of the Brazilian market.

Additionally, Telxius Group announced in June 2020 the acquisition of nearly 10,100 sites from Telefónica Deutschland for 1,500 million euros, along with the commitment to build 2,400 additional build-to-suit (BTS) sites in Germany, the largest market for telecommunications in Europe. The transaction was structured in two phases, with the first tranche of approximately 6,000 sites executed in the third quarter of 2020, and the second tranche, for the remaining sites, expected to close in August 2021. These towers are included within the scope of the agreement with American Tower Corporation referred to above.

In addition, Telxius Group has carried out other inorganic transactions, expanding its land management optimization program, strengthening its DAS (Distributed Antenna System) activities, amplifying cellular signals in open or closed high density environments, and reinforcing and diversifying its business in the different geographies where it operates.

Excluding inorganic transactions, during 2020 the portfolio of towers grew by 457 additional sites (net of decommissions) reaching 26,765 towers as of 31 December 2020 (+45.9% year-on-year) and the number of tenants (excluding anchor tenants) grew by 466 additional tenants, achieving a "**tenancy ratio**" of 1.37x excluding acquisitions and 1.28x including acquisitions.

The following table shows certain key performance indicators of Telxius Group as of 31 December 2019 and 2020:

TELXIUS GROUP			
	2019	2020	%Reported YoY
<b>Units</b>			
Towers.....	18,348	26,765	45.9 %
Tenants .....	24,911	34,318	37.8 %
Non anchor tenants .....	6,563	7,553	15.1 %
Tenancy ratio.....	1.37x	1.28x	(0.08x)

- Non anchor tenants refers to tenants other than anchor tenants.

In the **Cable business**, average traffic levels of approximately 14 Tbps were reached during 2020 (+36.5% compared to the average of 2019), partially as a result of the higher traffic demand resulting from the COVID-19 pandemic, which had a positive effect on revenues. In addition, the good commercial

momentum continued in 2020, especially in respect of MAREA, a 6,600 km submarine cable with 200Tbps capacity connecting Spain (Sopelana) and the United States (Virginia Beach), and the renewal of contracts with relevant carriers, mainly in Latin America. In particular, during the third and fourth quarter of 2020, contract renewals were signed with various clients, increasing their aggregate estimated net full contract value by approximately 620 million U.S. dollars, despite causing a temporary negative effect on revenues and OIBDA (as a result of the decrease in annual fees set forth in the agreements).

Finally, during 2020, Telxius Group joined the supply contract with Subcom to build the South Pacific Subsea Cable System, as an additional purchaser together with América Móvil, to build a new cable system in the Pacific from Guatemala to Chile, with additional landing points in Ecuador, Peru and Chile, with a view to renewing and upgrading Telxius Group's cable infrastructure and achieving significant savings.

## Telefonica's services and products

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

Connectivity is the means by which the Group seeks to reduce the digital divide and, due to the Group's fixed and mobile network infrastructure and the services it develops around it, the Group believes it can aid progress in the communities in which it operates.

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

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

## Mobile business

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

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

## Fixed-line telephony business

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

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

## Digital services

The main highlights in services developed by Telefónica Digital are:

- **Video/TV services:** Interactive TV services in High Definition (HD) or Ultra High Definition (UHD), using several technologies (IPTV, DTH, CATV and OTT) on various types of networks (Fiber, Satellite, Cable or Mobile Networks). These services can be provided through a variety of devices (TV with STBs, Smart TVs, PCs, Smartphones, Tablets, etc.), allowing also the Multiroom function (customers can watch different TV channels in different rooms or different devices simultaneously). The service allows the access to lineal TV content with advanced functions such as "**Restart TV**" (which allows a viewer to watch any content from the beginning), "Last 7 days" (recordings of content for the last seven days), "cPvR" (recordings using Cloud computing) and "**Down to Play**" (downloading the content on the device). Customers also have access to the content on demand catalogue (Video on Demand or VoD), in "**Subscription Video on Demand**" (SVoD) or "**Pay per View**" options, as well as access to content of third parties, such as Netflix, Amazon, YouTube and HBO, among others. In addition, Telefónica offers accessible content in Spain with subtitles, audio description and sign language functionalities through the Movistar+ 5s service, which aims to contribute toward the inclusion of disabled people across the country.
- **IoT (Internet of Things):** Telefónica's Global IoT portfolio includes:
  - Smart Connectivity: connectivity services for machines, mainly handled through the Kite platform.
  - Smart Services: end-to-end solutions that include "device + connectivity + application". These business to business solutions are mainly aimed at (i) the mobility management of vehicles, assets and/or people, (ii) the support of the retail and industrial sectors and (iii) the efficient management of energy consumption in buildings.

- Consumer IoT: products focused on the B2C segment, including end-to-end services around the person (e.g. connected cars, trackers).
- **Financial services and other payment services:** These services provide customers with access to a consumer credit service and payment cards.
- **Security services:** Telefónica Global Security portfolio includes:
  - **Electronic Security:** services designed to take care of the security and integrity of the physical assets of clients, mainly corporate clients (such as nodes and communication networks in shopping centers, companies and representative buildings) provided mostly by TIS (Telefónica Ingeniería de Seguridad).
  - **Information Security:** products and services that protect information, assets (such as communications links, networks, internet access, mail and servers) and fixed and mobile devices of end customer users, as well as their digital identity. These products and services are provided by combining internally built elements with others based on agreements with third parties.
- **Cloud services:** Telefónica offers a wide range of Cloud services that range from Infrastructure as a Service (IaaS) to communications and networking, and Applications and Platforms as a Service (SaaS and PaaS). The value proposition includes: (i) IaaS services: Virtual Data Center, based on VMware, which facilitates the migration of existing applications to the cloud and hyperscalers (such as Amazon Web Service, Azure and Google Cloud Platform) to develop new applications in the public cloud; (ii) Unified communications and contact center applications in the Cloud; (iii) Cloud networking; (iv) SaaS applications, productivity (Microsoft Office 365), domains, web presence and online marketing; and (v) Platforms as a service (SAP, Oracle).
- **Advertising:** A portfolio of marketing channels that third-party brands can use to acquire and engage with customers. Traditional channels such as SMS/MMS messaging may be used alongside with new channels like programmatic display and sponsored connectivity. All of which leverage on the Group's customer data in order to send messages to the correct target as well as to generate post-campaign brand analysis.
- **Big Data:** Includes products and services designed to enable companies and governments to make AI-powered data-driven decisions. The Group's Big Data offer comprises of three main categories: (i) "**business insights**", which provides information for decision-making based on analysis from advanced analytical products developed on top of data generated in the Group's network and systems; (ii) "**consulting and analytics**", which includes specialist professional services focused on data strategy, data science, data architecture and data engineering; and (iii) "**tools and infrastructure**", which provides advanced technology for data management, storage and exploitation.
- **Digital Telco Experience:** Includes "**Novum app**", the global solution that aims to provide an end to end digital experience to the Group's customers. Its main features include account management, e-Care, Explore (monetization), Cloud Phone and Aura interaction.
- **Aura:** Aura is a virtual assistant equipped with artificial intelligence, enabling interactivity with the Group's customers in real time through a simple voice interface. Aura can be used to answer questions, top-ups and data usage. It can solve problems and provides other services related to communications, connectivity in the home as well as domotics. Aura helps in the telecommunications area and is expanding towards different areas out of telecommunications. Aura is at present available in Argentina, Brazil, Chile, Germany, Spain, the United Kingdom and Ecuador.
- **Movistar Home ("MH"):** Telefónica launched Movistar Home in Spain on 18 October 2018, a new device designed around the functionality of Aura and targeted at the Group's Movistar and Pay TV customers. Movistar Home is designed to strengthen Telefónica's position by enabling highly-converged services and experiences that differentiate the Group from its competitors. Movistar Home aims to provide the Group's customers with an enhanced TV experience on IPTV,



increased landline functionality (which enables videoconferences), the Group's smart home package and games in addition to third-party services.

- **Living Apps:** is a new channel enabling other companies to offer new consumer experiences on the digital home platform.

## **Sales and Marketing**

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

## **Competition**

The telecommunications industry is competitive, and consumers generally have a choice of mobile and fixed line operators from which to select services. Telefonica Group is a global telecommunications services provider and faces significant competition in most of the markets in which the Group operates. In Europe, Telefonica's largest competitor is Vodafone and in Latin America, it is América Móvil. Newer competitors, including handset manufacturers, MVNOs, Internet companies and software providers, are also entering the market and offering integrated communications services.

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

To compete effectively with its competitors, the Group needs to successfully market its products and services and to anticipate and respond to various competitive factors affecting the relevant markets, such as the introduction of new products and services, different pricing strategies and changes in consumer preferences.

## **Strategic Partnerships**

### ***China Unicom***

Since 2005, the Group has a stake in China Unicom and its predecessor company. On 6 September 2009, the Group entered into a strategic alliance agreement with China Unicom, which provided, among other things, for cooperation, joint procurement of infrastructure and client equipment, common development of mobile service platforms, joint provisions of service to multinational customers, roaming, research and development, sharing of best practices and technical, operational and management know-how, joint development of strategic initiatives in the area of network evolution, joint participation in international alliances and exchanges of senior management. In furtherance of this strategic alliance, the Group entered into a subscription agreement with China Unicom, pursuant to which the Group increased its voting interest in the share capital of China Unicom to 8.06% and China Unicom obtained a 0.87% voting interest in the Group's share capital in October 2009.

On 23 January 2011, the Group entered into an agreement to enhance the strategic alliance with China Unicom, under which the Group and China Unicom agreed to strengthen and deepen the strategic alliance in certain business areas, and committed to investing the equivalent of 500 million U.S. dollars in ordinary shares of the other party. Such investments took place along 2011. China Unicom completed the acquisition of Telefónica shares on 28 January 2011, giving it ownership of 1.37% of the Company's capital. The Telefónica Group purchased China Unicom shares during 2011 to the amount of 358 million euros. At 31 December 2011, the Telefónica Group held a 9.57% stake in the company.

On 10 June 2012, Telefónica's wholly-owned subsidiary Telefónica Internacional, S.A.U. and a subsidiary of China United Network Communications Group Company Limited entered into an agreement for the acquisition by the latter of 1,073,777,121 shares of China Unicom owned by Telefónica, equivalent to 4.56% of its share capital.

Subsequently, Telefónica has continued to sell down its stake in China Unicom.

As of 31 December 2020, Telefónica, S.A. held a 0.59% stake in the share capital of China Unicom and China Unicom held a 1.24% stake in the Group's share capital.

Telefónica maintains its commitment to the strategic partnership with China Unicom, strengthened through cooperation in digital areas, such as the Big Data joint venture between both companies, Smart Steps Digital Technology Co. Ltd., which is a demographic Big Data service provider of urban planning in China. In April 2019, JD Digits made a strategic investment through a capital increase in the joint venture, with an investment of 100 million yuan (approximately 13.2 million euros) which granted JD Digits a 16.7% stake of the joint venture. After the implementation of a 10% Employee Shareholder Program, China Unicom, Telefónica and JD Digits hold a 41.25%, 33.75%, and 15.00% stake respectively.

#### **Creation of 50:50 Joint Venture with Liberty Global for the combination of both groups' businesses in the United Kingdom**

On 7 May 2020, Telefónica agreed to enter into a 50:50 joint venture with Liberty Global plc ("**Liberty Global**") (the "**Joint Venture**"). The terms of the Joint Venture are agreed pursuant to a contribution agreement dated 7 May 2020 between Telefónica, Telefonica O2 Holdings Limited, Liberty Global, Liberty Global Europe 2 Limited and a newly formed entity intended to be the future principal Joint Venture company, recently renamed VMED O2 UK Limited (the "**Contribution Agreement**").

Immediately upon completion of the transaction contemplated by the Contribution Agreement, Telefónica and Liberty Global will each hold an equal number of shares in the Joint Venture vehicle. At completion, Telefónica will contribute its O2 mobile business in the United Kingdom to the Joint Venture. With effect no later than completion, Liberty Global will have contributed its Virgin Media business in the United Kingdom to the Joint Venture.

Prior to the completion of the Joint Venture, both Telefónica and Liberty Global will operate their businesses independently within the United Kingdom. Completion of the Joint Venture is currently expected in mid-2021 but, pursuant to the Contribution Agreement, this is conditional upon antitrust clearance (from the Competition and Markets Authority in the United Kingdom) and a financing condition relating to the recapitalization of the Joint Venture upon completion. If these conditions are not satisfied within twenty-four months following the date of the Contribution Agreement, both parties will have the right to terminate the agreement. This is subject to an option to extend the long stop date by six months if a prospective shareholder reasonably believes that the conditions will be satisfied in this time frame.

#### **Investment Agreement with Allianz and Telefónica Germany**

On 29 October 2020, Telefónica Infra Germany GmbH (a subsidiary indirectly wholly-owned by Telefónica through Telefónica Infra, S.L.U.) ("**TEF Infra Germany**") entered into an investment agreement (and related contracts, including a partners' agreement which sets forth the principles of corporate governance of the joint venture) with several entities belonging to the Allianz Group ("**Allianz**") and Telefónica Germany 1. Beteiligungsgesellschaft mbH (a wholly-owned subsidiary of Telefónica Germany GmbH & Co. OHG) ("**TEF Germany**") for the creation of a joint venture to deploy Fiber-to-the-Home (FTTH) in Germany, pursuant to which TEF Infra Germany and TEF Germany conditionally agreed to invest up to 500 million euros equity in total (400 million euros by TEF Infra Germany and 100 million euros by TEF Germany) and Allianz conditionally agreed to invest up to 1,000 million euros through different sources of funding over a six-year period.

The closing of the transaction and the acquisition of the joint control took place on 18 December 2020. The registration of Allianz and TEF Germany as limited partners of the joint venture in the German commercial registry occurred on 21 January 2021. After the closing of the transaction, the Allianz Group and the Telefónica Group each holds 50% in the joint venture under a co-control governance model. Telefónica Group's ownership is held through TEF Infra Germany holding 40% and TEF Germany holding a 10% stake.

## Legal Proceedings

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

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

The following unresolved legal proceedings or those underway in 2020 are highlighted (see "*—(b) Tax Proceedings*" below and Note 25 to the Consolidated Financial Statements for information on significant tax-related cases).

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

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

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

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

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

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

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

On 23 January 2013, the European Commission passed a ruling on the formal proceedings. The ruling imposed a fine on Telefónica in the amount of 67 million euros, as the European Commission ruled that Telefónica and Portugal Telecom committed an infraction of Article 101 of the Treaty on the Functioning

of the European Union for having entered into the agreement set forth in Clause Nine of the sale and purchase agreement of Portugal Telecom's ownership interest of Brasilcel, N.V.

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

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

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

Telefónica understands that there are grounds for believing that the ruling does not suit at law; consequently, it filed an appeal to the Court of Justice of the European Union, on 11 September 2016.

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

On 13 December 2017, the General Court dismissed the appeal filed by Telefónica. The European Commission must issue a new resolution in accordance with the judgment of the General Court of June 2016, which urged the Commission to recalculate the amount of the fine.

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

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

On 5 August 2016, the hearing before the High Court in Prague took place in order to decide the appeal against the second decision of the Municipal Court, which had been 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 28 December 2016, the decision was notified to Telefónica. Telefónica filed an extraordinary appeal, requesting the suspension of the effects of the decision.

In March 2017, Telefónica was notified of the decision of the Supreme Court, which ordered the suspension of the effects of the 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 17 January 2018, Telefónica filed its response seeking dismissal of such motion for lack of legal basis.

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

#### **Claim by Entel against Telefónica de Argentina, S.A.**

In 1999, Entel (the National Telecommunications Company of Argentina before its privatization) sued Telefónica de Argentina, S.A. ("**TASA**"), who was the licensee of the telecommunications service after the privatization process, seeking detailed and documented accounting and reimbursement of the amounts that

it received from and on behalf of Entel after assuming the telecommunications service as a licensee, and of the amounts deducted as commissions.

In general terms, the items in dispute were the amounts that TASA charged on behalf of Entel soon after having taken possession as a licensee of the telecommunications service (i.e., the consumptions charges for telecommunications services from prior customers of Entel, either billed or unbilled, but pending payment at the time of the privatization). Entel also challenged the commissions that TASA discounted to Entel in exchange for the service of collection of fees on behalf of Entel. Additionally, Entel also claimed several credits received by TASA, which allegedly belonged to Entel and had not been transferred to TASA in the privatization process.

TASA replied arguing the inadmissibility of the accountability request, since such amounts had previously been submitted to the Entel Liquidating Commission without being timely challenged.

In 2010, the Court of First Instance ruled in favor of Entel and held TASA accountable to Entel.

After exhausting all legal appeals available, TASA submitted the requested accounting to Entel, which was challenged by the national government on behalf of the liquidated Entel.

Several accounting drafts and cross-claims between the parties followed, with the intervention of a court-appointed expert accountant. After several court decisions, the intervening judge rejected TASA's objections to the accounting presented by the national government and adopted the calculations made by Entel and the court-appointed expert.

Although this judicial decision was appealed, TASA's appeal was dismissed by the Court of Appeals in October 2017, confirming, to a large extent, the accounting of Entel and the court-appointed expert, but also ordering Entel to recalculate the interest. Specifically, the resolution of the Court accepted certain concepts that TASA had questioned and the application of a "**judicial**" interest rate (average passive rate), which implies a daily capitalization component, in detriment of the rate set forth in the privatization specifications which set a simple annual interest of 8% (which had even been used by the court-appointed expert and Entel in their calculations).

On 22 February 2018, Entel submitted the new principal and interest calculations required by the judge, claiming an amount of 1,689 million Argentine pesos (approximately 39 million euros at exchange rates on 31 December 2018).

The resolution of the Court of Appeals exhausted the ordinary remedies available. TASA filed an extraordinary appeal, which was rejected in November 2017. TASA has submitted an exceptional appeal before the Argentine Supreme Court, although this appeal does not suspend the potential execution by Entel of prior rulings against TASA.

On 26 March 2019, the Court of First Instance finally ruled to approve the amounts that ENTEL had submitted totaling 1,689 million Argentine pesos (approximately 35 million euros at exchange rates as of that date). The ruling of the Court of First Instance was confirmed by the Court of Appeals. In September 2020, ENTEL requested the court to update such amount to 3,833 million Argentine pesos (approximately 37 million euros at exchange rates as of that date).

On 29 December 2020, TASA paid 1,689 million Argentine pesos (approximately 16 million euros at exchange rates as of that date) based on the amount approved by the Court of First Instance in March 2019.

On 4 March 2021, ENTEL submitted new calculations until 29 December 2020, claiming an amount of 2,021 million Argentine pesos (approximately 19 million euros at exchange rate as of that date), and reserves the right to calculate the interest from that date until payment.

On 11 March 2021, TASA deposited the amount it considered correct, 155 million Argentine pesos (approximately 1 million euros at exchange rates as of that date), and contested the remaining amount up to the amount claimed by ENTEL.

The court will have to decide on the difference between 155 million Argentine pesos deposited (approximately 1 million euros as noted above) and 2,021 million Argentine pesos (approximately 19 million euros as noted above) requested by ENTEL.

## **Appeal against the resolution of ANATEL to sanction Telefónica Brasil for breaches of the Fixed Telephony Regulation**

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

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

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

The fine imposed by ANATEL and appealed by Telefónica Brasil is approximately 211 million Brazilian reais (approximately 33 million euros), which amounted to approximately 516 million Brazilian reais after currency value updates and accrued interest as of 31 December 2020 (approximately 81 million euros).

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

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

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

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

In the local arbitration brought by Colombia against Colombia Telecomunicaciones ("ColTel"), on 25 July 2017, the local arbitration tribunal ordered ColTel to pay 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 29 August 2017, ColTel's share capital was increased in order to make the payment ordered by the local arbitral award; Telefónica, S.A. contributed and disbursed an amount equivalent to 67.5% 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 1 February 2018, Telefónica, S.A. filed a Request for Arbitration against Colombia at the International Centre for Settlement of Investment Disputes ("ICSID"), which was formally registered on 20 February 2018.

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

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

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

On 24 January 2020, the Court dismissed the request for Bifurcation presented by Colombia, ordering the continuation of the proceeding. A decision on the merits of Telefónica, S.A.'s claim is pending.

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

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

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

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

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

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

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

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

On 5 March 2021, Millicom submitted a discovery request.

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

On 5 February 2021, Telefónica, S.A. filed a request for arbitration against the Republic of Peru at the International Centre for Settlement of Investment Disputes ("ICSID"), which was formally registered on 12 March 2021.

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

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

In early procedural situation, the next step will be the appointment of Arbitrators by the parties and the subsequent constitution of the ICSID Court.

### **Other Proceedings**

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

## **Tax Proceedings**

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

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

Though the maximum duration for the tax inspection procedures is 27 months and due to the official publication of the Royal Decree 3/2020 of 17 March as result of COVID-19, the regular procedures were suspended between 14 March and 1 June 2020, implying the extension of the deadline towards December 2021.

In relation to the inspection proceeding of Corporate Income Tax for years 2008 to 2011, on 23 January 2019 Telefónica was notified of a resolution issued by the Spanish Central Economic-Administrative Tax Court (Tribunal Económico-Administrativo Central) which partially upheld the claims brought by Telefónica against the assessments relating to the 2008-2011 Corporate Income Tax Audit.

On 15 March 2019, Telefónica announced that it had been notified of an Execution Notice issued by the Agencia Estatal de Administración Tributaria in connection with the Spanish Central Economic-Administrative Tax Court resolution (which had partially upheld the claims filed by Telefónica against the assessments pertaining to the 2008-2011 Corporate Income Tax Audit). Said Execution Notice ordered a 702 million euros refund to Telefónica, pertaining to overpayments made in those tax years, which was paid to Telefónica at that date. Telefónica filed an appeal with the Central Economic-Administrative Tax Court against the Execution Notice. Such appeal was resolved favorably to Telefónica's interests on 13 June 2019, resulting in a new refund of 201 million euros related to compensating interest, which was recorded as Corporate income tax in the 2019 income statement. Telefónica received this payment in July 2019.

In relation to the inspection proceedings of Corporate Tax for the years 2005 to 2007 and 2008 to 2011, which ended in 2012 and 2015, respectively, Telefónica continues to dispute the criteria used for the accounting of Net Operating Losses and deductions. The case is pending before the National Audience.

As a result of the ongoing inspection process and the pending tax years to be inspected, it is not considered that there is a need to recognize additional liabilities in the consolidated financial statements of Telefonica S.A.

### **Telefónica Brazil**

#### ***State taxes***

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

To date the most significant issues have focused on the requirement to collect ICMS on penalties charged to customers for non-compliance, Internet advertising services, and complementary or additional services to the basic telecommunications services such as value-added services, modem rental, and the application of this tax on the basic fee (assinatura básica). In the case of the latter (assinatura básica), a case is still pending before the Supreme Court including Oi, which could affect other companies of the telecommunications sector.

All related procedures are being contested in all instances (administrative and court proceedings). The aggregate amount of the relevant proceedings, updated to take into account interest, fines and other items, is approximately 17,446 million Brazilian reais (approximately 2,736 million euros at the exchange rate of 31 December 2020, see Note 24 to the Consolidated Financial Statements), 15,460 million Brazilian reais on 31 December 2019 (approximately 3,416 million euros at the exchange rate on that date). Telefónica Brazil has obtained independent expert reports supporting its position, i.e. that the aforesaid services are not subject to ICMS.



### ***Federal taxes***

In addition, there are possible contingencies in relation to corporate income tax (Brazilian IRPJ) and social contributions tax (Brazilian CSLL) for the total amount of 16,873 million Brazilian reais as of 31 December 2020 (approximately 2,647 million euros at the exchange rate on that date), 9,895 million Brazilian reais as of 31 December 2019 (approximately 2,186 million euros at the exchange rate on that date), mainly related to the tax amortization in Brazil in the years 2011 to 2017 of the goodwill originated in the acquisitions of Vivo and GVT and their subsequent merger with Telefónica Brasil. These proceedings are at the administrative and judicial stage and no provisions have been made since the potential risk associated with them has been classified as "not probable" and Telefónica Brazil has received independent expert reports that support this view.

There are other probable contingencies in relation to corporate income tax (Brazilian IRPJ) and social contributions tax (Brazilian CSLL) for the total amount of 96 million Brazilian reais as of 31 December 2020 (approximately 15 million euros at the exchange rate on that date), 87 million Brazilian reais as of 31 December 2019 (approximately 14 million euros at the exchange rate on that date). The company has recognized a provision for this amount.

### **Telefónica del Perú**

With regard to tax matters in Peru, litigation continues over corporate income tax for 2000 and 2001, payments on account for the year 2000, recoverable balances for 1998 and 1999, and the interest and penalties that should apply to these.

In August 2015, the court of second instance handed down a ruling partially upholding the position of Telefónica del Perú, ruling in its favor on three of the five objections filed by the tax authorities and appealed before the courts, relating, inter alia, to corporate income tax for 2000-2001 (among others). This dispute accounts for more than 75% of the total amount under litigation, with the objections relating to insolvency provisions, interest on borrowing and leases of space for public telephones.

With regard to these tax matters, in July 2019 Telefónica del Perú received notification of two rulings of the Supreme Court on the contentious administrative appeals of the 2000 and 2001 financial years. These rulings do not definitively resolve some of the main issues that both litigations deal with when partial nullity of the previous rulings is declared, and therefore the issues must be returned back to the Superior Court, lower instance, to be judged again.

However, to the extent that there have been some adjustments over which the judgments are pronounced (positively for the company in relation to the deductibility of the rental of public spaces and negative in the case of the deductibility of certain financial charges), the company recorded in its financial statements of 2019 an additional provision of 580 million Peruvian nuevo sol (approximately 154 million euros at the exchange rate as of 31 December 2019).

In addition, in January 2020 Telefónica del Perú received a notification of the Supreme Court ruling regarding insolvency provisions, annulling, as for the year 1998, the ruling of the court of second instance for 2000-2001 and returning the case to the court of first instance which declared the appeal unfounded. However, Telefónica del Perú has filed a cassation appeal against said judgment.

Therefore, all settlements carried out by SUNAT for 2000 and 2001 financial years are still pending of the final ruling in the judicial phase.

Regarding these ruling, the Group and its external attorneys consider that there are solid arguments to defend their position, both in relation to the insolvency provisions and in relation to the interest in the administrative phase and to recoverable balances for 1998 and 1999.

Given the sentences and rulings handed down in June and August 2015, the Group recognized a provision in the 2015 consolidated financial statements, provision that at 31 December 2020 reached, including interest accrued and the additional provision recognized in 2019, a total amount of 2,407 million Peruvian soles (approximately 542 million euros at the exchange rate of 31 December 2020). See Note 24 to the Consolidated Financial Statements.

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

The tax regulations added article 12.5 to the Corporate Income Tax Law, which came into force on 1 January 2002. The article regulated the deductibility of tax amortization of financial goodwill arising from the acquisition of non-Spanish companies, which could be amortized over 20 years at 5% per annum.

Following the entry into force of the Laws 9/2011 of 19 August 2011 and 16/2013 of 29 October 2013, the amount of goodwill amortization deductible for tax purposes under article 12.5 for the years 2011 to 2015 was reduced from 5% to 1%. The effect is temporary because the 4% not amortized for five years (20% in total) will be recovered extending the deduction period from the initial 20 years to 25 years.

The Telefónica Group, under this regulation, has been amortizing for tax purposes the financial goodwill from its investments, both direct and indirect, in O2, BellSouth and ColTel (prior to 21 December 2007) and Vivo (acquired in 2010). The positive accumulated effect of the corresponding settlements of corporate income tax from 2004 to the closing as of 31 December 2020 was 1,716 million euros.

In relation to this tax incentive, the European Commission (EC) has in recent years commenced three proceedings against the Spanish State, as it deems that this tax benefit could constitute an example of state aid. Although the EC itself acknowledged the validity of the tax incentive for those investors that invested in European companies for operations carried out before 21 December 2007 in the first decision, and before 21 May 2011 for investments in other countries in the second decision, in its third decision issued on 15 October 2014 it calls into question the applicability of the principle of legitimate expectations in the application of the incentive for indirect acquisitions, whatever the date of acquisition may have been.

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

As of the date of this Base Prospectus, the three decisions continue to be subject to a final ruling. The first two were initially annulled by two judgments of the General Court of the European Union, which were appealed by the EC in the Court of Justice of the European Union and sent again to the General Court in December 2016, which ruled on 15 November 2018, confirming the applicability of the principle of legitimate expectations, but considered the "goodwill amortization" as state aid not compatible with the common market. The third decision remains pending a judgment from the court of first instance.

Notwithstanding the above, the "Tax and Customs Control Unit of the Spanish Tax Authority" (Dependencia de Control Tributario y Aduanero de la Agencia Tributaria), in compliance with the obligation set out in the EC Decision (EU) 2015/314, recovered the amounts that had been deducted in connection with the amortization of goodwill for the indirect acquisition of non-resident companies from 2005 to 2015, and in November of the same year, it initiated the recovery procedure for goodwill relating to years 2016 to 2018. The recovery of such amounts is provisional, pending the final rulings on the appeals brought against the three decisions. The amount paid by Telefónica in March 2019, after offsetting outstanding tax credits (tax losses carryforward and deductions) amounted to 1.4 million euros.

Notwithstanding the fact that the company understands that the principle of legitimate expectations in relation to this tax incentive applies, in relation to tax-amortized goodwill through the purchase of some companies for which the applicability of the legitimate expectations principle is questioned, mainly VIVO, the Group has decided to continue provisioning the amount of the goodwill amortized for tax purposes, which amounted to 420 million euros as of 31 December 2020 (352 million euros as of 31 December 2019).

## **Years open for inspection**

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

The years open for review by the tax inspection authorities for the main applicable taxes vary from one consolidated company to another, based on each country's tax legislation, taking into account their respective statute of limitations periods. In Spain the taxes from 2014 onwards are open to inspection.

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

- The last twelve years in Germany.

- The last seven years in the United Kingdom.
- The last seven years in Argentina.
- The last five years in Brazil, Mexico, Colombia, Uruguay and the Netherlands.
- The last four years in Peru and Costa Rica.
- Since 2016, the statute of limitation in Venezuela is six years.
- The last three years in Chile, Ecuador, El Salvador and the United States.

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

### Major Shareholders

As at the date of this Base Prospectus, Telefónica had 5,526,431,062 shares outstanding, each having a nominal value of 1.00 euro per share. All outstanding shares have the same rights.

As at the date of this Base Prospectus, according to information provided to us or to the Spanish National Securities Commission (*Comisión Nacional de Mercado de Valores* or the "CNMV"), beneficial owners of 3% or more of the Group's voting stock were as follows:

Name of Beneficial Owner	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Banco Bilbao Vizcaya Argentaria, S.A. <sup>(1)</sup> .....	4.94	0.02	0.00	0.00	4.96%
CaixaBank, S.A. <sup>(2)</sup> .....	4.70	0.00	0.00	0.00	4.70%
BlackRock, Inc. <sup>(3)</sup> .....	0.00	4.52	0.00	0.16	4.68%

<sup>(1)</sup> Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. as at 31 December 2020 for the Group's 2020 Annual Report on Corporate Governance and taking into account the latest capital increase of the Company (deed was executed on 30 December 2020 and registered on 5 January 2021). The indirect shareholding is held by BBVA Seguros, S.A. de Seguros y Reaseguros. Also, and according to the aforementioned information provided by BBVA, the percentage of economic rights attributed to Telefónica, S.A. shares owned by BBVA amounts to 5.27% of the Company's share capital.

<sup>(2)</sup> Based on the information provided by CaixaBank, S.A. as at 31 December 2020 for the Group's 2020 Annual Report on Corporate Governance and taking into account the latest capital increase of the Company (deed was executed on 30 December 2020 and registered on 5 January 2021).

<sup>(3)</sup> Based on the information notified by BlackRock, Inc. to the CNMV on 31 March 2020 (a shareholding in Telefónica's share capital of 4.983%) and taking into account the latest capital increase of the Company (deed was executed on 30 December 2020 and registered on 5 January 5 2021). On 10 October 2020 Blackrock, Inc. filed a Schedule 13G/A with the SEC notifying that its shareholding in Telefónica's share capital was 4.9%.

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

### Directors and Senior Management

During 2020, the Group's Board of Directors met 13 times. As at the date of this Base Prospectus, the Group's Board of Directors had met four times during 2021. As at the date of this Base Prospectus, the Group's directors, their respective positions on the Board and the year they were first appointed were as follows:

Name	Age	First Appointed	Current Term Ends
<b>Chairman</b>			
Mr. José María Álvarez-Pallete López <sup>(1)</sup> .....	57	2006	2021
<b>Vice-Chairmen</b>			
Mr. Isidro Fainé Casas <sup>(1)(2)</sup> .....	78	1994	2024
Mr. José María Abril Pérez <sup>(1)(3)(6)</sup> .....	69	2007	2022
Mr. José Javier Echenique Landiribar <sup>(1)(4)(7)</sup> .....	69	2016	2024
<b>Members</b>			
Mr. Ángel Vilá Boix <sup>(1)</sup> .....	56	2017	2022

<b>Name</b>	<b>Age</b>	<b>First Appointed</b>	<b>Current Term Ends</b>
Mr. Juan Ignacio Cirac Sasurain <sup>(6)(8)</sup> .....	55	2016	2024
Mr. Peter Erskine <sup>(1)(6)(7)</sup> .....	69	2006	2024
Ms. Sabina Fluxà Thienemann .....	40	2016	2024
Ms. Carmen García de Andrés <sup>(4)(8)</sup> .....	58	2017	2021
Ms. María Luisa García Blanco <sup>(5)(7)</sup> .....	55	2018	2022
Mr. Jordi Gual Solé <sup>(2)(5)(6)</sup> .....	63	2018	2022
Mr. Peter Löscher <sup>(1)(4)(7)</sup> .....	63	2016	2024
Mr. Ignacio Moreno Martínez <sup>(3)(4)(5)(8)</sup> .....	63	2011	2021
Ms. Verónica Pascual Boé <sup>(6)</sup> .....	42	2019	2024
Mr. Francisco Javier de Paz Mancho <sup>(1)(5)(7)(8)</sup> .....	62	2007	2022
Mr. Francisco José Riberas Mera .....	56	2017	2021
Ms. Claudia Sender Ramírez <sup>(6)(8)</sup> .....	46	2019	2024

<sup>(1)</sup> Member of the Executive Commission of the Board of Directors.

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

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

<sup>(4)</sup> Member of the Audit and Control Committee.

<sup>(5)</sup> Member of the Regulation and Institutional Affairs Committee.

<sup>(6)</sup> Member of the Strategy and Innovation Committee.

<sup>(7)</sup> Member of the Nominating, Compensation and Corporate Governance Committee.

<sup>(8)</sup> Member of the Sustainability and Quality Committee.

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

<b>Name</b>	<b>Principal activities inside the Group</b>	<b>Principal Activities outside the Group</b>
<b>José María Álvarez-Pallete López</b> .....	Executive Chairman of Telefónica, S.A.	
<b>Isidro Fainé Casas</b> .....	Vice Chairman of Telefónica, S.A.	Chairman and Member of the Executive Commission of the Board of trustees of the Caixa d'Estalvis i Pensions de Barcelona (la " <b>Caixa</b> ") Chairman of the Board of Directors and the Executive Commission of Criteria Caixa, S.A.U. Chairman of Caixa Capital Risc SGEIC, S.A. Deputy-Chairman of the Board of Directors of Inmo Criteria Caixa, S.A.U. Honorary Chairman of Naturgy Energy Group, S.A. Chairman of the Spanish Confederation of Savings Banks ( <i>Confederación Española de Cajas de Ahorros, CECA</i> ) Vice Chairman of European Savings Bank Group (ESGB) Chairman of the World Savings Banks Institute (WSBI) Special Advisory of The Bank of East Asia Limited Chairman of the Spanish Confederation of Directors and Executives ( <i>Confederación Española de Directivos y Ejecutivos, CEDE</i> ) Chairman of the Spanish Chapter of the Club of Rome

Name	Principal activities inside the Group	Principal Activities outside the Group
		Vice Chairman of the Royal Academy of Economic and Financial Sciences Founder of the Circulo Financiero Member of the Trust of Museo Nacional del Prado Member of the Trust of Carlos Slim Foundation
<b>José María Abril Pérez</b> .....	Vice Chairman of Telefónica, S.A.	
<b>José Javier Echenique Landiribar</b> .....	Vice Chairman of Telefónica, S.A. Director of Pegaso PCS, S.A. de C.V. Director of Telefónica Audiovisual Digital, S.L.U.	Vice Chairman of Banco Sabadell, S.A. Director of ACS Actividades de Construcción y Servicios, S.A. Director of ACS Servicios, Comunicaciones y Energía S.L. Trustee of Novia Salcedo Foundation Member of the Board of Deusto Business School Member of the Basque Businessmen Circle Member of the McKinsey Advisory Council
<b>Ángel Vilá Boix</b> .....	Chief Operating Officer and Executive Director of Telefónica, S.A.	
<b>Juan Ignacio Cirac Sasturain</b> .	Director of Telefónica, S.A.	Co-Director of the Munich Center of Sciences and Quantum technologies. Director of International of Max-Planck Research School Quantum Science and Technology “Honorarprofessor”, Technical University of Munich (Department of Physics) Director of the Theory Division of Max-Planck Institut for Quantenoptik and member of the Max-Plank Society Founding and managing Editor, Quantum Information and Computation
<b>Peter Erskine</b> .....	Director of Telefónica, S.A.  Member of the Supervisory Board of Telefónica Deutschland Holding AG	Chairman of the charity, BRAINSTORM
<b>Sabina Fluxà Thienemann</b> .....	Director of Telefónica, S.A.	CEO of Iberostar Group Member of IEF's Board of Directors

Name	Principal activities inside the Group	Principal Activities outside the Group
		Member of the Regional Advisory Board of BBVA Member of the Board of Directors of APD Illes Balears Trustee of Iberostar Foundation
<b>Carmen García de Andrés.....</b>	Director of Telefónica, S.A.	Chairwoman of <i>Fundación Tomillo</i> Executive Chairwoman of <i>Fundación Tomillo Tietar</i> Trustee of the <i>Fundación Youth Business Spain</i> Treasurer and Member of the Board of Directors and the Executive Committee of the <i>Asociación Española de Fundaciones (AEF)</i> Trustee of <i>Fundación Secretariado Gitano</i> Trustee of <i>Fundación Xavier de Salas</i> Member of the Board of and Co-Founder and Trustee of <i>Fundación Aprendiendo a Ser</i>
<b>María Luisa García Blanco ....</b>	Director of Telefónica, S.A.	Partner at the law firm Salama García Blanco Member of the Royal Academy of Jurisprudence and Legislation
<b>Jordi Gual Solé .....</b>	Director of Telefónica, S.A.	Member of the Supervisory Board of ERSTE Group Bank AG Chairman of FEDEA Vice President of the <i>Círculo de Economía</i> Vice President of the <i>Fundación Cotect para la Innovación</i> Trustee of the <i>Fundación CEDE</i> Trustee of the <i>Real Instituto Elcano</i> Trustee of the <i>Fundación Barcelona Mobile Word</i>
<b>Peter Löscher .....</b>	Director of Telefónica, S.A.  Chairman of the Supervisory Board of Telefónica Deutschland Holding AG	Chairman of the Board of Directors of Sulzer AG Member of the Supervisory Board of Koninklijke Philips N.V. (Philips) Member of the Board of Directors of Thyssen-Bosnemsza Group AG, Switzerland Member, non-executive, of the Board of Directors of Doha Venture Capital LLC, Qatar

Name	Principal activities inside the Group	Principal Activities outside the Group
		<p>Honorary Professor at Tongji University Shanghai</p> <p>Doctor Honoris Causa of Slovak University of Engineering in Bratislava</p> <p>Member Emeritus of the Advisory Board of the Economic Development Board of Singapore</p> <p>Member of the International Advisory Council of Bocconi University</p>
<b>Ignacio Moreno Martínez .....</b>	Director of Telefónica, S.A.	<p>Chairman of Metrovacesa, S.A.</p> <p>Member of the Board of Roadis Transportation Holding, S.L.U.</p> <p>Senior Advisor of Apollo Investment Consulting Europe LTD for Spain</p> <p>Member of the Board of Directors of General Alquiler de Maquinaria, S.A. (GAM)</p>
<b>Verónica Pascual Boé.....</b>	Director of Telefónica, S.A.	<p>CEO of Mobile Robotics Group of companies</p> <p>Member of the Board of Directors of General Alquiler de Maquinaria, S.A. (GAM)</p> <p>Chairwoman of the ASTI Tecnología y Talento Foundation</p>
<b>Francisco Javier de Paz Mancho.....</b>	<p>Director of Telefónica, S.A.</p> <p>Chairman of Telefónica Ingeniería de Seguridad, S.A.U.</p> <p>Director of Telefónica Móviles de Argentina, S.A.</p> <p>Director of Telefônica Brasil, S.A.</p> <p>Director of Pegaso PCS, S.A. de C.V.</p>	
<b>Francisco José Riberas Mera .</b>	Director of Telefónica, S.A.	<p>Chairman and CEO of Gestamp Automoción, S.A.</p> <p>Member of the Board of Directors of companies of the Gestamp Group</p> <p>Member of the Board of Directors of companies of the Gonvarri Group</p> <p>Member of the Board of Directors of companies of the Acek Energías Renovables Group</p>

Name	Principal activities inside the Group	Principal Activities outside the Group
Claudia Sender Ramírez.....	Director of Telefónica, S.A.	<p>Member of the Board of Directors of companies of the Inmobiliaria Acek Group</p> <p>Member of the Board of Directors of CIE Automotive</p> <p>Member of the Board of Directors of Sideacero, S.L. and companies of its Group</p> <p>Chairman of the Family Business Institute</p> <p>Member of the Board of Directors of General Alquiler de Maquinaria, S.A. (GAM)</p> <p>Chairman of the Consejo España-China Foundation, the Spain-China Business Advisory Board and the Endeavor Foundation</p> <p>Member of the Board of Directors of LafargeHolcim Ltd</p> <p>Member of the Board of Directors of Gerdau, S.A.</p> <p>Member of the Board of Directors of Yduqs University</p> <p>Member of the Board of Directors of Amigos do Bem</p>

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

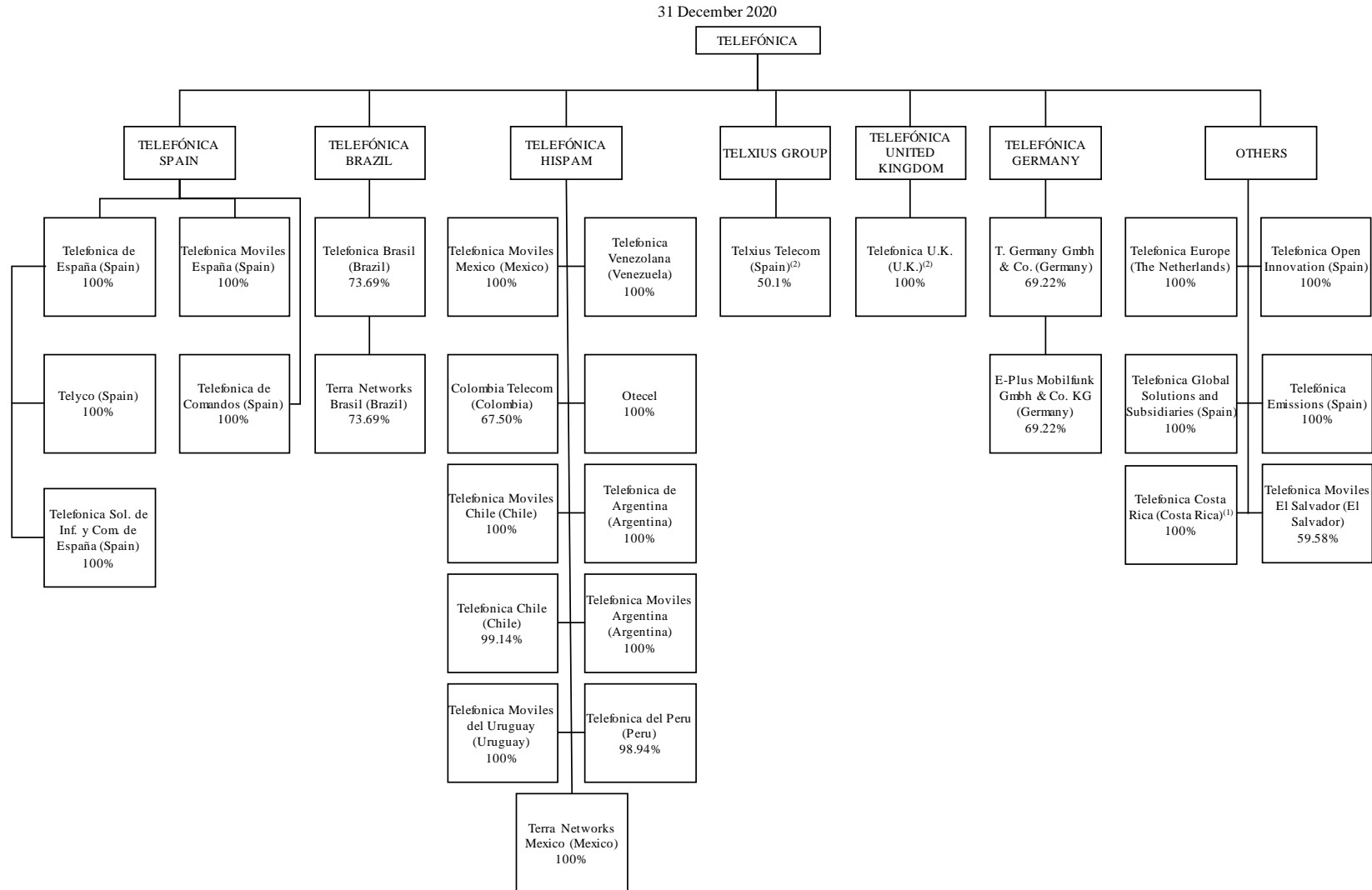
#### Conflicts of Interest

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



## Organisational Structure

The following chart shows the organisational structure of the principal subsidiaries of the Telefónica Group at 31 December 2020, including their jurisdictions of incorporation and Telefónica's ownership interest.



(1) On 30 July 2020, an agreement was reached for the sale of Telefónica Costa Rica.

(2) On 13 January 2021, an agreement was reached for the sale of the companies of its telecommunications tower divisions in Europe and Latin America.

(3) On 7 May 2020, an agreement was reached with Liberty Global plc to merge their United Kingdom business and form a joint venture owned 50% by both companies.

## TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS

The tax laws of the investor's Member State and of the Issuer's and Guarantor's Member State of incorporation might have an impact on the income received from any Instruments. Prospective purchasers of Instruments should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments and the consequences of such actions under the tax laws of those countries.

*The information provided below does not purport to be a complete summary of tax law and practice applicable in the Kingdom of Spain as at the date of this Base Prospectus and is subject to any changes in law and the administrative interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Instruments, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors should consult with their own professional advisers.*

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

### Taxation in the Kingdom of Spain

#### Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

- (a) of general application, First Additional Provision of Law 10/2014, of 26 June on the regulation, supervision and solvency of credit entities ("**Law 10/2014**") and Royal Decree 1065/2007 of 27 July as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes ("**Royal Decree 1065/2007**");
- (b) for individuals with tax residency in Spain who are personal income tax ("**Personal Income Tax**") tax payers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law (the "**Personal Income Tax Law**") as amended and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations as amended, along with Law 19/1991, of 6 June on Wealth Tax as amended, and Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**") taxpayers, Law 27/2014, of 27 November and Royal Decree 634/2015, of 10 July promulgating the corporate income tax regulations (the "**Corporate Income Tax Regulations**"); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of a beneficial interest in the Instruments (a "**Holder**"), the acquisition and transfer of the Instruments will be exempt from indirect taxes in Spain, for example it will be exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax, in accordance with Law 37/1992, of 28 December regulating such tax.

## 1. **Individuals with Tax Residency in Spain**

### 1.1 ***Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

Payments of both interest periodically received and income deriving from the transfer, redemption, repayment or exchange of the Instruments constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and must be included in each Holder's Personal Income Tax savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then-applicable rate. The savings taxable base is currently subject to the rate of 19 per cent. up to 6,000 euros, 21 per cent. for taxable income between 6,001 euros and 50,000 euros, 23 per cent. for taxable income between 50,001 euros and 200,000 euros, and 26 per cent. for taxable income exceeding 200,000 euros.

No withholding on account of Personal Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Instruments by individual Holders subject to Personal Income Tax, **provided that** certain requirements are met (including that the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*Information about the Instruments in Connection with Payments*".

If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

In any event, the individual Holder may credit the withholding against his or her Personal Income Tax liability for the relevant year.

### 1.2 ***Reporting Obligations***

The Issuer and the Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are individual residents in Spain for tax purposes.

### 1.3 ***Wealth Tax (Impuesto sobre el Patrimonio)***

Individuals with tax residency in Spain that hold Instruments at 31 December of any year are subject to Spanish Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at 700,000 euros. Therefore, they should take into account the average market value of the Instruments during the last quarter of the year and the applicable rates ranging between 0.2 per cent. and 3.5 per cent. The autonomous communities may have different provisions and additional relief in this respect.

### 1.4 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals with tax residency in Spain who acquire ownership or other rights over any Instruments by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. The applicable tax rates as at the date of this Base Prospectus range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that range between 0 per cent. and 81.6 per cent. as at the date of this Base Prospectus.

## 2. **Legal Entities with Tax Residency in Spain**

### 2.1 ***Corporate Income Tax (Impuesto sobre Sociedades)***

Payments of both interest periodically received and income deriving from the transfer, redemption or repayment of the Instruments must be included in the profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. The current general tax rate is 25 per cent.

No withholding on account of Corporate Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Instruments paid to Spanish CIT holder

of Instruments, **provided that** certain requirements are met (including that the Issue and Paying Agent provides the Issuer and the Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*Information about the Instruments in Connection with Payments*".

If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

In any event, legal entities with tax residency in Spain Holders may credit the withholding against their Corporate Income Tax liability for the relevant year.

## 2.2 **Reporting Obligations**

The Issuer and the Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are legal persons or entities resident in Spain for tax purposes.

## 2.3 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

## 2.4 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities with tax residency in Spain which acquire ownership or other rights over the Instruments by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Instruments in their taxable income for Spanish Corporate Income Tax purposes.

## 3. **Individuals and Legal Entities with no tax residency in Spain**

### 3.1 **Non-resident Income Tax (*Impuesto sobre la Renta de No Residentes*)**

#### (a) *Non-Spanish tax resident investors acting through a permanent establishment in Spain*

Ownership of the Instruments by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Instruments form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax on similar terms as those previously set out for Spanish Corporate Income Tax taxpayers.

#### (b) *Non-Spanish tax resident investors not acting through a permanent establishment in Spain*

Both interest payments periodically received and payments of income deriving from the transfer, redemption or repayment of the Instruments, obtained by individuals or legal entities without tax residency in Spain who are not resident in Spain for tax purposes and do not act, with respect to the Instruments, through a permanent establishment in Spain are exempt from Non-Resident Income Tax and therefore no withholding on account of Non-Resident Income Tax shall be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from Non-Resident Income Tax, certain requirements must be met, including the provision by the Issue and Paying Agent of certain information relating to the Instruments, in a timely manner as detailed under "*Information about the Instruments in Connection with Payments*" as laid down in section 44 of Royal Decree 1065/2007, as amended. If the Issue and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Base Prospectus) and will not pay additional amounts with respect to any such withholding.

Holders of Instruments not resident in Spain for tax purposes and entitled to exemption from Non-Resident Income Tax but, in respect of whose Instruments, the Issuer and the Guarantor do not receive information from the Issue and Paying Agent in a timely manner as detailed under "*Information about the Instruments in Connection with Payments*", would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non-Resident Income Tax law.

### 3.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish non-resident tax individuals will be subject to Spanish Wealth Tax, which imposes a tax on property and rights in excess of 700,000 euros that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Instruments is exempt from Non-Resident Income tax, individual Holders not resident in Spain for tax purposes who hold Instruments on the last day of any year will be exempt from Spanish Wealth Tax. Furthermore, Holders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Holder's country of residence will not be subject to Spanish Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above 700,000 euros and who hold Instruments on the last day of any year, would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 3.5 per cent. of the average market value of the Instruments during the last quarter of such year. Non-Spanish tax resident individuals who are resident in an EU or European Economic Area member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities are not subject to Wealth Tax.

### 3.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Instruments by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a convention for the avoidance of double taxation in relation to Inheritance and Gift Tax will be subject to the relevant convention for the avoidance of double taxation.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and state legislation, to the extent that rights deriving from the Instruments can be exercised within the Spanish territory. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Instruments by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

## 4. **Tax Rules for payments made by the Guarantor**

Payments made by the Guarantor to Holders will be subject to the same tax rules previously set out for payments made by the Issuer.

## 5. **Information about the Instruments in Connection with Payments**

As described above, interest and other income paid with respect to the Instruments will not be subject to Spanish withholding tax unless the Issue and Paying Agent fails or for any reason is unable to provide the Issuer and the Guarantor, in a timely manner, with the information described in Exhibit I of this Base Prospectus.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007, as amended.

In accordance with Section 44.5, before the close of business on the Business Day (as defined in the Terms and Conditions of the Instruments) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Instruments (each, a "**Payment Date**") is due, the Issuer and the Guarantor must receive from the Issue and Paying Agent the following information about the Instruments:

- (a) the identification of the Instruments with respect to which the relevant payment is made;
- (b) the date on which the relevant payment is made;
- (c) the total amount of the relevant payment;
- (d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain (such as Euroclear and Clearstream).

In particular, the Issue and Paying Agent must certify the information above about the Instruments by means of a certificate, the form of which is attached as Exhibit I of this Base Prospectus.

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

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Issue and Paying Agent provides the required information, the Issuer will reimburse the amounts withheld. In addition, Holders may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Prospective Holders should note that none of the Issuer, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Instruments. Accordingly, none the Issuer, the Guarantor or the Dealers will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding. See "*Risk Factors - Risks relating to Withholding*".

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

## EXHIBIT 1

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal (...)<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)<sup>(1)</sup> y domicilio en (...) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (...)<sup>(1)</sup> and address in (...) as (function - mark as applicable):

- (a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
- (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Agente de pagos designado por el emisor.**
- (d) Issue and Paying Agent appointed by the issuer.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

- 1 En relación con los apartados 3 y 4 del artículo 44:**
- 1 In relation to paragraphs 3 and 4 of Article 44:
  - 1.1 Identificación de los valores .....**
  - 1.1 Identification of the securities.....
  - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
  - 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

- 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) .....**
- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved .....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44.**
- 2 In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores .....**
- 2.1 Identification of the securities.....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados) .....**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en .....a .... de .....de ....**  
 I declare the above in ..... on the.... of..... of....

<sup>(1)</sup> **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**



- (4) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). Estonia has since stated that it will not participate.

Spain approved the Spanish law which implements its own Spanish tax on financial transactions (the "**Spanish FTT**") on 7 October 2020. The Spanish FTT came into force on 16 January 2021 and charges a 0.2% rate on specific acquisitions of listed shares issued by Spanish companies whose market capitalization exceeds 1 billion euros (1,000,000,000 euros), regardless of the jurisdiction of residence of the parties involved in the transaction. Therefore, the Spanish FTT will not affect the Instruments.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Instruments should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Instruments are advised to seek their own professional advice in relation to the FTT.

### **US Foreign Account Tax Compliance Withholding**

Under certain provisions of the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder (commonly referred to as "**FATCA**"), a 30 per cent. withholding tax may apply to certain "foreign passthru payments" made by a foreign financial institution (an "**FFI**"), including an FFI in the chain of ownership between an ultimate beneficial owner and the issuer of an obligation that has entered into an agreement with the U.S. Internal Revenue Service (the "**IRS**") pursuant to which it agrees to certain due diligence, reporting and withholding functions (such an FFI referred to as a "**PFFI**"). FATCA withholding may apply to payments made by a PFFI to (a) an FFI that is not a PFFI and is not otherwise exempt from FATCA and to (b) certain other payees who fail to provide sufficient identifying information (including, in certain cases, regarding their U.S. owners). Certain aspects of the application of these rules are modified by intergovernmental agreements between the United States and certain other countries ("**Intergovernmental Agreements**"), including Spain. The term "foreign passthru payment" is not defined currently and withholding on foreign passthru payments will not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". It is uncertain how foreign passthru payment withholding will apply under Intergovernmental Agreements, if at all. Given the uncertainty of the FATCA provisions, although the Issuer does not expect FATCA withholding to apply to payments it makes on the Instruments, FATCA may impact payments by custodians or intermediaries in the payment chain between the Issuer and the ultimate beneficial owner of the Instruments. The Issuer and the Guarantor have no responsibility for any FATCA withholding applied by any such custodians or intermediaries in the ownership chain and would not be required to pay any additional amounts were any amount deducted or withheld from any payment pursuant to FATCA. Investors should consult their own tax advisors with respect to FATCA and its application to the Instruments and should consider carefully the FATCA compliance status of any financial intermediaries in the chain of ownership through which they hold Instruments.

## SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Credit Suisse Securities Sociedad de Valores S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, J.P. Morgan AG, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, NatWest Markets N.V., Société Générale, UBS Europe SE and UniCredit Bank AG (the "**Dealers**"). Instruments may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 15 April 2021 (as amended, supplemented, restated or replaced from time to time, the "**Dealership Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

**United States of America:** *Regulation S; Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms*

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to US persons, except in certain transactions permitted by US tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Instruments comprising the relevant Tranche within the United States or to or for the account or benefit of US persons, and such Dealer will have sent to each dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of US persons.

In addition, until 40 days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Instruments specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one or more of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

#### **Prohibition of sales to UK Retail Investors**

Unless the Final Terms in respect of any Instruments specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA,
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

#### **Other UK regulatory restrictions**

In relation to each Tranche of Instruments, each Dealer subscribing for or purchasing such Instruments has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the Issuer, the Guarantor and each other such Dealer (if any) that:

- (a) ***No deposit-taking: in relation to any Instruments having a maturity of less than one year from the date of their issue:***
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:
  - (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

## **The Kingdom of Spain**

Neither the Instruments nor this Base Prospectus have been registered with the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws.

The Instruments may only be offered or sold in Spain by institutions authorised under the consolidated text of the Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Spanish Securities Market Law**"), Royal Decree 217/2008 of 15 February on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*) and related legislation to provide investment services in Spain and in accordance with the provisions of the Spanish Securities Market Law and further developing legislation.

## **Belgium**

With regard to Instruments having a maturity of less than 12 months (and which therefore fall outside the scope of the Prospectus Regulation), the Base Prospectus has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of these Instruments in Belgium in accordance with the Belgian Law on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time. The Instruments are not intended to be sold to Belgian Consumers, and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not advertised, offered, sold or delivered and will not advertise, offer, sell or deliver, directly or indirectly, such Instruments to any Belgian Consumers, and has not distributed or caused to be distributed and will not distribute or cause to be distributed, the Base Prospectus, the relevant Final Terms or any other offering material relating to such Instruments, directly or indirectly, to any Belgian Consumer.

For these purposes, a "**Belgian Consumer**" has the meaning provided by the Belgian Code of Economic Law, as amended from time to time (*Wetboek van 28 februari 2013 van economisch recht/Code du 28 février 2013 de droit économique*), being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession.

## **Japan**

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, a resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any of the Instruments has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Instruments in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Instruments in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (ii) such action complies with applicable laws, regulations and directives;
- (iii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

*By applying for Instruments under this Base Prospectus, each person to whom Instruments are issued (an "Investor"):*

- (a) *will be deemed by the Issuer, the Guarantor and each of the Dealers to have acknowledged that if any Investor on-sells Instruments within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*
  - (i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Instruments in Australia without a prospectus or other disclosure document lodged with ASIC; or*
  - (ii) *the sale offer is received outside Australia; and*
- (b) *will be deemed by the Issuer, the Guarantor and each of the Dealers to have undertaken not to sell those Instruments in any circumstances other than those described in paragraphs (a)(1) and (a)(2) above for 12 months after the date of issue of such Instruments.*

This Base Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of the Instruments in Australia.

This Base Prospectus may only be distributed to investors in Australia and any offer of Instruments may only be made to investors in Australia, in each case subject to the conditions set out above, on behalf of a Dealer by its affiliate holding an Australian Financial Services Licence permitting such licence holder to distribute this Base Prospectus and to offer the Instruments to investors in Australia.

### **Hong Kong**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments will not be offered or sold directly or indirectly within the People's Republic of China (which, for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus, the Instruments and any material or information contained or incorporated by reference herein in relation to the Instruments have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Instruments in the PRC. Neither this Base Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Instruments may only be invested by PRC investors that are authorised to engage in the investment in the Instruments of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking and Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Instruments or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause the Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Instruments, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be

transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### **Switzerland**

No Instruments may be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit any Instruments to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to any Instruments constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to any Instruments may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

Each Dealer has represented, warranted and undertaken to the Issuer and the Guarantor, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, to the best of its knowledge and belief, it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Guarantor.

## GENERAL INFORMATION

1. Any Tranche of Instruments intended to be admitted to the Official List and to trading on the regulated market of Euronext Dublin will be so admitted upon submission to the Euronext Dublin of the relevant Final Terms and any other information required by the Euronext Dublin, subject to the issue of the relevant Instruments. Prior to official listing and acceptance of the Instruments to trading, dealings in the Instruments will be permitted by Euronext Dublin, in accordance with its rules.  
  
However, Instruments may be issued pursuant to the Programme which will be listed with such competent authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.
2. The establishment of the Programme was authorised by a resolution of the sole shareholder of the Issuer passed on 30 December 2004 and the giving of the Guarantee by the Guarantor in relation to the update of the Programme was authorised by a resolution of the Executive Commission of the Board of Directors of the Guarantor passed on 24 March 2021. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments, if any.
3. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.
4. Bearer Instruments (other than Temporary Global Instruments (as defined in "*Terms and Conditions of the Instruments - Form and Denomination*") and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
5. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Issue and Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Instruments.
6. The admission of Instruments issued under the Programme to listing on the Official List and to trading on the regulated market of Euronext Dublin is expected to take effect on or about 15 April 2021.

### Legal and Arbitration Proceedings

7. Save as described in "*Risk Factors - Risks relating to the Issuer and the Guarantor - Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings*" on pages 12 to 14 of this Base Prospectus, under "*Telefónica S.A. - Legal Proceedings*" on pages 105 through 109 of this Base Prospectus and under "*Telefónica S.A. - Tax Proceedings*" on pages 110 through 112 of this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

### Significant/Material Change

8. Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer. Since 31 December 2020 there has been no significant change in the financial position or financial performance of the Issuer, save as described in "*Telefónica Emisiones, S.A.U. - Recent Developments*" on page 86 of this Base Prospectus.



9. Since 31 December 2020 there has been no material adverse change in the prospects of the Guarantor and the Group. Since 31 December 2020 there has been no significant change in the financial position or financial performance of the Guarantor and the Group, save as described in "*Telefónica S.A. – Recent Developments*" on pages 86 to 87 of this Base Prospectus.
10. The consolidated financial statements of the Guarantor for the financial years ended 31 December 2020 and 31 December 2019 were audited by PricewaterhouseCoopers Auditores, S.L., with its registered address at Torres PwC, Paseo de la Castellana, 259B, 28046 Madrid, Spain, registered in the ROAC under number S0242 and unqualified opinions were reported thereon.
- PricewaterhouseCoopers Auditores S.L. audited the annual accounts of the Issuer for the financial years ended 31 December 2020 and 31 December 2019 and unqualified opinions were reported thereon.
11. For so long as the Programme remains in effect or any Instruments shall be outstanding, copies of the following documents (and, where applicable, direct and accurate translation into English) may be inspected during normal business hours at the specified office of the Issue and Paying Agent and Principal Registrar (or other, the specified office(s) of the Paying Agent(s) in the United Kingdom) and at the registered/head office of the Issuer and the Guarantor or at [www.telefonica.com](http://www.telefonica.com), namely:
- (a) the constitutional documents of the Issuer and the by-laws of the Guarantor together with translations into English (in each case as the same may be updated from time to time);
  - (b) this Base Prospectus, together with any supplements thereto;
  - (c) the Issue and Paying Agency Agreement;
  - (d) the Deed of Covenant;
  - (e) the Deed of Guarantee;
  - (f) English language translations of the audited consolidated financial statements of the Guarantor, and the reports referred to therein for the years ended 31 December 2020 and 31 December 2019;
  - (g) English language translations of the annual accounts of the Issuer, and the reports referred to therein, for the years ended 31 December 2020 and 31 December 2019; and
  - (h) any Final Terms relating to Instruments which are listed on any stock exchange.

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

The Base Prospectus will be available, in electronic format, on the website of Euronext Dublin ([www.euronext.com/en/markets/dublin](http://www.euronext.com/en/markets/dublin)).

12. The Issuer's Legal Entity Identifier is 549300Y5MFC45W5Z3K71. The Guarantor's Legal Entity Identifier is 549300EEJH4FEPDBBR25.
13. The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Instruments to the Official List and trading on the regulated market of Euronext Dublin.
14. **Credit Ratings**
- Telefónica has been assigned long term credit ratings of BBB- (stable outlook), Baa3 (stable outlook), BBB (stable outlook), respectively, by S&P, Moody's and Fitch. Telefónica has been assigned short term credit ratings of A3, P3 and F2, respectively, by S&P, Moody's and Fitch. Each of S&P, Moody's and Fitch is established in the European Union and is registered under the EU CRA Regulation. The ratings S&P, Moody's and Fitch have given Telefónica have been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd and Fitch Ratings Ltd.,

respectively, which are established in the United Kingdom and registered under the UK CRA Regulation.

In accordance with S&P's ratings definitions available as at the date of this Base Prospectus on [https://www.standardandpoors.com/en\\_EU/delegate/getPDF?articleId=2017758&type=COMMENTS&subType=REGULATORY](https://www.standardandpoors.com/en_EU/delegate/getPDF?articleId=2017758&type=COMMENTS&subType=REGULATORY), (i) a long term credit rating of "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligations and (ii) a short-term credit rating of "A3" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation. In accordance with Moody's ratings definitions available as at the date of this Base Prospectus on <https://www.moody.com/sites/products/AboutMoodyRatingsAttachments/MoodysRatingSymbolsandDefinitions.pdf>, (i) a long term credit rating of "Baa3" indicates obligations which are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics and (ii) a short-term credit rating of "P3" indicates an acceptable ability to repay short-term obligations. In accordance with Fitch's ratings definitions available as at the date of this Base Prospectus on <https://www.fitchratings.com/products/rating-definitions> (i) a long term credit rating of "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity and (ii) a short term credit rating of "F2" indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union. However, the margin of safety is not as great as in the case of the higher ratings.

## REGISTERED AND HEAD OFFICE OF THE ISSUER

Telefónica Emisiones, S.A.U.  
Gran Vía, 28  
28013 Madrid  
Spain

## REGISTERED AND HEAD OFFICE OF THE GUARANTOR

Telefónica, S.A.  
Gran Vía, 28  
28013 Madrid  
Spain

## DEALERS

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Ciudad BBVA  
Calle Saucedo 28  
Edificio Asia  
28050 Madrid  
Spain

### **Banco Santander, S.A.**

Calle Juan Ignacio Luca de Tena, 11  
Edificio Magdalena, Planta 1  
28027 Madrid  
Spain

### **Barclays Bank Ireland PLC**

One Molesworth Street  
Dublin 2  
D02RF29  
Ireland

### **BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

### **BofA Securities Europe SA**

51 rue La Boétie  
75008 Paris  
France

### **Citigroup Global Markets Europe AG**

Reuterweg 16  
60323 Frankfurt am Main  
Federal Republic of Germany

### **Commerzbank Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

### **Credit Suisse Securities Sociedad de Valores S.A.**

Calle de Ayala, 42  
28001 Madrid  
Spain

### **Deutsche Bank Aktiengesellschaft**

Mainzer Landstrasse 11-17  
60329 Frankfurt am Main  
Federal Republic of Germany

### **Goldman Sachs Bank Europe SE**

Marieturm Taunusanlage 9-10  
D-60329 Frankfurt am Main  
Federal Republic of Germany

### **HSBC Continental Europe**

38, avenue Kléber  
75116 Paris  
France

### **J.P. Morgan AG**

Taunustor 1 (TaunusTurm)  
60310 Frankfurt am Main  
Federal Republic of Germany

### **Mizuho Securities Europe GmbH**

Taunustor 1  
60310 Frankfurt am Main  
Federal Republic of Germany

### **Morgan Stanley Europe SE**

Grosse Gallusstrasse 18  
60312 Frankfurt am Main  
Federal Republic of Germany

### **NatWest Markets N.V.**

Claude Debussylaan 94  
Amsterdam 1082 MD  
The Netherlands

### **Société Générale**

29 boulevard Haussmann  
75009 Paris  
France

### **UBS Europe SE**

Bockenheimer Landstraße 2-4  
60306 Frankfurt am Main

### **UniCredit Bank AG**

Arabellastrasse, 12  
81925 Munich

**AUDITORS OF THE ISSUER AND THE GUARANTOR**

**PricewaterhouseCoopers Auditores S.L.**

Torre PwC  
Paseo de la Castellana, 259B  
28046 Madrid  
Spain

**ISSUE AND PAYING AGENT AND PRINCIPAL REGISTRAR**

**The Bank of New York Mellon SA/NV, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

**ALTERNATIVE REGISTRAR**

**The Bank of New York Mellon SA/NV, Luxembourg Branch**

Vertigo Building – Polaris  
2-4 rue Eugene Ruppert  
L-2453 Luxembourg

**PAYING AGENT**

**The Bank of New York Mellon SA/NV, Luxembourg Branch**

Vertigo Building – Polaris  
2-4 rue Eugene Ruppert  
L-2453 Luxembourg

**LISTING AGENT**

**The Bank of New York Mellon SA/NV, Dublin Branch**

Riverside II, Sir John Rogerson's Quay  
Grand Canal Dock, Dublin 2  
Ireland

**LEGAL ADVISERS**

*To the Issuer and the Guarantor as to Spanish tax law*

**Uría Menéndez Abogados, S.L.P.**

Príncipe de Vergara, 187  
28002 Madrid  
Spain

*To the Dealers as to English and Spanish law*

**Clifford Chance S.L.P.U.**

Paseo de la Castellana, 110  
28046 Madrid  
Spain

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom