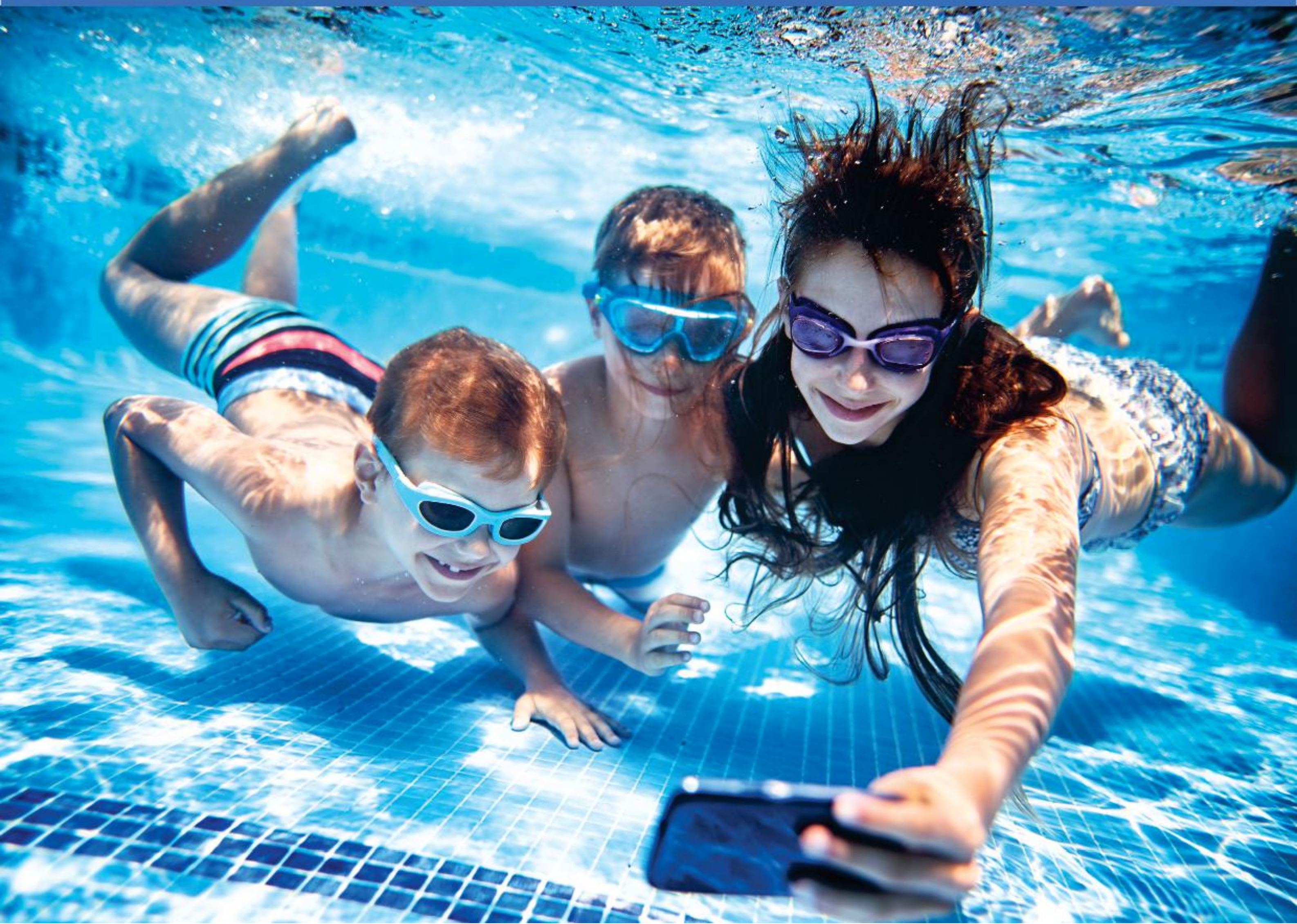
FIRST HALF 2026

Report on limited review, Condensed consolidated interim financial statements and Consolidated interim management report for the six-month period ended June 30, 2026

Telefónica, S.A. and subsidiaries composing the Telefónica Group



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

Report on limited review of condensed consolidated interim financial statements

To the shareholders of Telefónica, S.A.:

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Telefónica, S.A. (hereinafter, the Parent company) and its subsidiaries composing the Telefónica Group (hereinafter, the Group), which comprise the statement of financial position as at 30 June 2026, and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes, all condensed and consolidated, for the six-month period then ended. The Parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2026 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

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Emphasis of matter

We draw attention to note 2 of the interim financial statements, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2025. Our conclusion is not modified in respect of this matter.

Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended 30 June 2026 contains the explanations which the Parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended 30 June 2026. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Telefónica, S.A. and its subsidiaries composing the Telefónica Group' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors of Telefónica, S.A. in relation to the publication of the half-yearly financial report required by Article 100 of Law 6/2023, of March 17, on Securities Markets and Investment Services.

PricewaterhouseCoopers Auditores, S.L.

Vanesa González Prieto

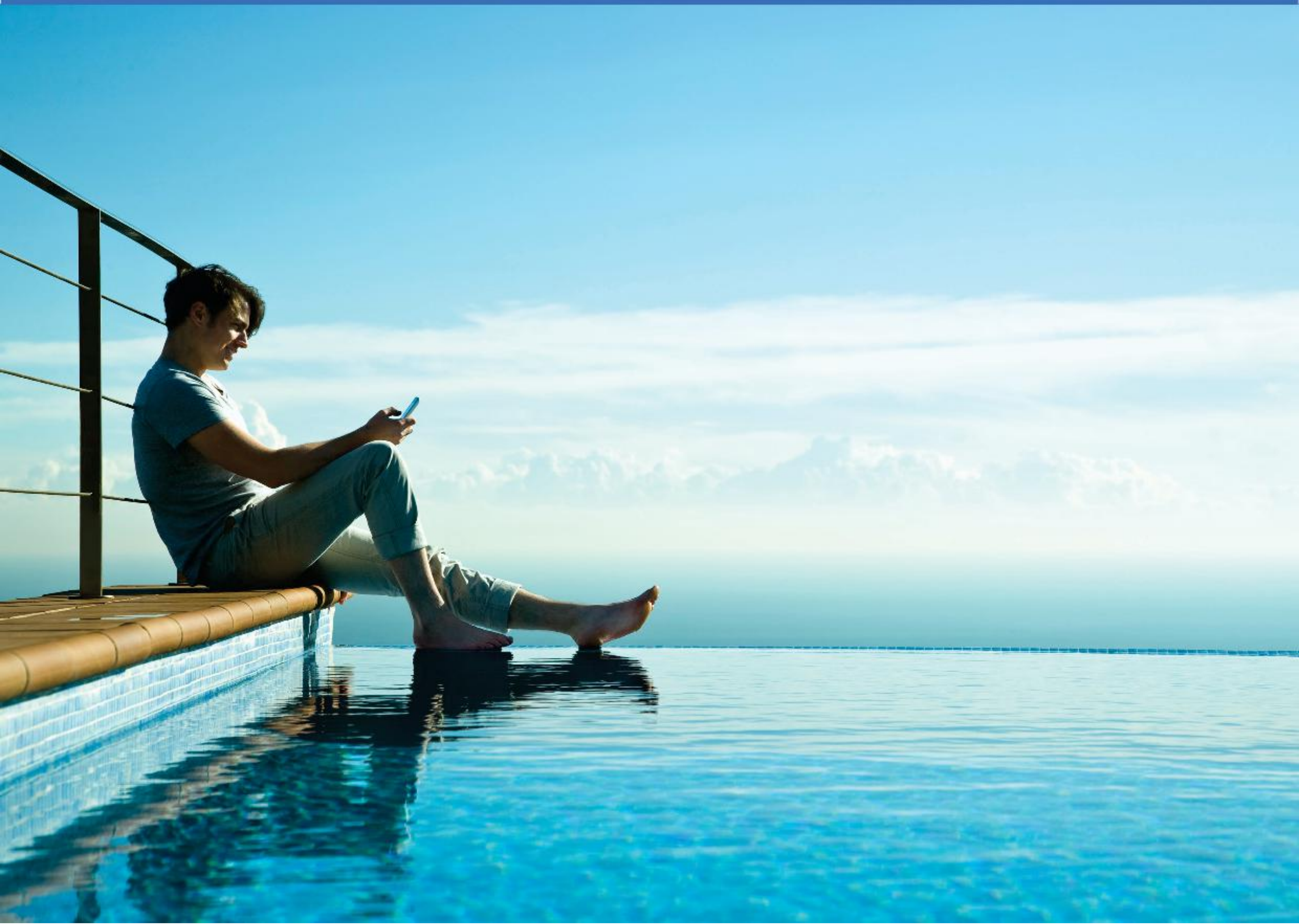
29 July 2026

Telefónica

FIRST HALF 2026

Condensed consolidated interim financial statements and Consolidated interim management report for the six-month period ended June 30, 2026

Telefónica, S.A. and subsidiaries composing the Telefónica Group



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Telefónica Group

Consolidated statements of financial position

Millions of euros	Notes	06/30/2026	12/31/2025
Assets			
A) Non-current assets		**68,762**	**70,012**
Intangible assets	Note 5	8,867	9,112
Goodwill	Note 6	16,478	15,796
Property, plant and equipment	Note 7	17,493	18,158
Rights of use	Note 21	7,920	7,441
Investments accounted for by the equity method	Note 8	6,653	6,753
Financial assets and other non-current assets	Note 10	6,147	6,740
Deferred tax assets	Note 24	5,204	6,012
B) Current assets		**19,834**	**22,005**
Inventories	Note 11	892	862
Receivables and other current assets	Note 12	9,165	9,662
Tax receivables	Note 24	1,607	867
Other current financial assets	Note 13	2,156	870
Cash and cash equivalents	Note 14	5,149	6,564
Non-current assets and disposal groups held for sale	Note 27	865	3,180
Total assets (A+B)		**88,597**	**92,017**

	Notes	06/30/2026	12/31/2025
Equity and liabilities			
A) Equity		**18,315**	**17,808**
Equity attributable to equity holders of the parent and other holders of equity instruments	Note 15	14,675	14,258
Equity attributable to non-controlling interests	Note 15	3,640	3,550
B) Non-current liabilities		**48,734**	**49,372**
Non-current financial liabilities	Note 16	29,548	30,120
Non-current lease liabilities	Note 21	5,942	5,644
Payables and other non-current liabilities	Note 18	4,390	3,912
Deferred tax liabilities	Note 24	2,190	2,518
Non-current provisions	Note 20	6,665	7,178
C) Current liabilities		**21,547**	**24,837**
Current financial liabilities	Note 16	4,223	4,219
Current lease liabilities	Note 21	1,981	1,938
Payables and other current liabilities	Note 19	11,751	12,942
Current tax payables	Note 24	944	950
Current provisions	Note 20	2,152	1,899
Liabilities associated with non-current assets and disposal groups held for sale	Note 27	497	2,889
Total equity and liabilities (A+B+C)		**88,597**	**92,017**

Unaudited data at June 30, 2026. The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.

Telefónica Group

Consolidated income statements

Millions of euros	Notes	January - June 2026	January - June 2025 (*)
Revenues	Note 4	16,392	16,112
Other income	Note 23	598	642
Supplies		(5,529)	(5,344)
Personnel expenses		(2,491)	(2,355)
Other expenses	Note 23	(3,467)	(3,465)
Depreciation and amortization	Notes 4, 5, 7 and 21	(3,497)	(3,413)
Operating income	Note 4	**2,006**	**2,176**
Share of income (loss) of investments accounted for by the equity method	Notes 4 and 8	**(243)**	**(299)**
Finance income		329	477
Finance costs		(1,111)	(1,104)
Net exchange differences		(150)	14
Net financial expense		**(932)**	**(614)**
Profit before tax		**832**	**1,264**
Corporate income tax	Note 24	(218)	(386)
Profit after tax from continuing operations		**614**	**877**
Profit after tax from discontinued operations	Note 27	**(821)**	**(2,164)**
Profit for the period		**(207)**	**(1,286)**
Attributable to equity holders of the Parent		(338)	(1,355)
From continuing operations		474	754
From discontinued operations		(812)	(2,110)
Attributable to non-controlling interests	Note 15	132	69
From continuing operations		141	123
From discontinued operations		(9)	(54)
Basic and diluted earnings per share attributable to equity holders of the parent (euros)		**(0.09)**	**(0.26)**
From continuing operations		0.05	0.11
From discontinued operations		(0.14)	(0.37)

Unaudited data. The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.
(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27).

Telefónica Group

Consolidated statements of comprehensive income

Millions of euros	January - June 2026	January - June 2025 (*)
Profit for the period	**(207)**	**(1,286)**
Other comprehensive (loss) income	**2,114**	**1,189**
(Losses) gains from financial assets measured at Fair value through comprehensive income	(1)	1
Income tax impact	—	1
Reclassification of (gains) losses included in the income statement	—	2
Income tax impact	—	—
	(1)	**4**
Gains (losses) on hedges	280	(896)
Income tax impact	(74)	229
Reclassification of (gains) losses included in the income statement	(293)	1,097
Income tax impact	88	(270)
	1	**160**
(Losses) gains on hedges costs	(3)	(32)
Income tax impact	2	8
Reclassification of (gains) losses included in the income statement	(4)	(4)
Income tax impact	1	1
	(4)	**(27)**
Share of gains (losses) recognized directly in equity of associates and others	(1)	(9)
Income tax impact	—	—
	(1)	(9)
Translation differences	**2,112**	**890**
Total other comprehensive income (loss) recognized in the period (Items that may be reclassified subsequently to profit or loss)	**2,107**	**1,018**
Actuarial gains (losses) and impact of limit on assets for defined benefit pension plans	15	18
Income tax impact	(4)	—
	11	**18**
(Losses) gains from financial assets measured at fair value through comprehensive income	(1)	146
Income tax impact	—	—
	(1)	**146**
Share of (losses) gains recognized directly in equity of associates	(3)	7
	(3)	**7**
Total other comprehensive income (loss) recognized in the period (Items that will not be reclassified subsequently to profit or loss)	**7**	**171**
Total comprehensive income (loss) recognized in the period	**1,907**	**(97)**
From continuing operations	**1,372**	**283**
From discontinued operations	**535**	**(380)**
Attributable to:		
Equity holders of the parent and other holders of equity instruments	1,511	(240)
Non-controlling interests	396	143
	1,907	**(97)**

Unaudited data. The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.

Telefónica Group

Consolidated statements of changes in equity

	Attributable to equity holders of the parent and other holders of equity instruments												
Millions of euros	**Share capital**	**Share premium**	**Treasury Shares**	**Other equity instruments**	**Legal reserve**	**Retained earnings**	**Fair value financial assets**	**Hedges**	**Equity of associates and others**	**Translation differences**	**Total**	**Non-controlling interests**	**Total equity**
Financial position at December 31, 2025	**5,670**	**3,521**	**(157)**	**7,550**	**1,150**	**16,505**	**(1)**	**760**	**(128)**	**(20,612)**	**14,258**	**3,550**	**17,808**
Profit for the period	—	—	—	—	—	(338)	—	—	—	—	(338)	132	(207)
Other comprehensive income (loss) for the period	—	—	—	—	—	10	(2)	3	(9)	1,847	1,849	264	2,114
Total comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**—**	**(328)**	**(2)**	**3**	**(9)**	**1,847**	**1,511**	**396**	**1,907**
Dividends and distribution of profit (Note 15)	—	—	—	—	—	(844)	—	—	—	—	(844)	(64)	(908)
Net movement in treasury shares	—	—	(4)	—	—	(16)	—	—	—	—	(20)	—	(20)
Acquisitions and disposals of non-controlling interests and business combinations (Note 15)	—	—	—	—	—	(19)	—	—	—	—	(19)	(238)	(257)
Undated deeply subordinated securities (Note 15)	—	—	—	—	—	(200)	—	—	—	—	(200)	—	(200)
Other movements	—	—	—	—	—	(11)	—	—	—	—	(11)	(4)	(15)
Financial position at June 30, 2026	**5,670**	**3,521**	**(161)**	**7,550**	**1,150**	**15,087**	**(3)**	**763**	**(137)**	**(18,765)**	**14,675**	**3,640**	**18,315**

Unaudited data.
The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.

Telefónica Group

Consolidated statements of changes in equity

	Attributable to equity holders of the parent and other holders of equity instruments												
Millions of euros	**Share capital**	**Share premium**	**Treasury Shares**	**Other equity instruments**	**Legal reserve**	**Retained earnings**	**Available-for-sale investments**	**Hedges**	**Equity of associates and others**	**Translation differences**	**Total**	**Non-controlling interests**	**Total equity**
Financial position at December 31, 2024	**5,670**	**3,521**	**(106)**	**7,550**	**1,150**	**22,609**	**(117)**	**389**	**(40)**	**(21,279)**	**19,347**	**3,402**	**22,749**
Profit for the period	—	—	—	—	—	(1,355)	—	—	—	—	(1,355)	69	(1,286)
Other comprehensive income (loss) for the period	—	—	—	—	—	18	150	147	(29)	829	1,115	74	1,189
Total comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**—**	**(1,337)**	**150**	**147**	**(29)**	**829**	**(240)**	**143**	**(97)**
Dividends and distribution of profit (Note 15)	—	—	—	—	—	(1,691)	—	—	—	—	(1,691)	(49)	(1,740)
Net movement in treasury shares	—	—	(22)	—	—	(35)	—	—	—	—	(57)	—	(57)
Acquisitions and disposals of non-controlling interests and business combinations (Note 2)	—	—	—	—	—	84	—	—	—	—	84	197	281
Undated deeply subordinated securities	—	—	—	—	—	(139)	—	—	—	—	(139)	—	(139)
Other movements	—	—	—	—	—	(21)	—	—	—	—	(21)	(2)	(23)
Financial position at June 30, 2025	**5,670**	**3,521**	**(128)**	**7,550**	**1,150**	**19,470**	**33**	**536**	**(69)**	**(20,450)**	**17,283**	**3,691**	**20,974**

Unaudited data.
The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.

Telefónica Group

Consolidated statements of cash flows

Millions of euros	Notes	January - June 2026	January - June 2025 (*)
Cash received from operations	Note 25	20,506	19,992
Cash paid from operations	Note 25	(15,440)	(14,366)
Net payments of interest and other financial expenses net of dividends received	Note 25	(823)	(733)
Taxes (paid)/proceeds	Note 25	(248)	(254)
Net cash flow provided by operating activities from continuing operations	**Note 25**	**3,995**	**4,639**
Net cash flow provided by operating activities from discontinued operations	**Note 25**	**(400)**	**(257)**
Net cash flow provided by operating activities	**Note 25**	**3,595**	**4,382**
(Payments on investments)/proceeds from the sale in property, plant and equipment and intangible assets, net	Note 25	(2,260)	(2,457)
Proceeds/(payments) on disposals of companies, net of cash and cash equivalents	Note 25	266	728
Payments on investments in companies, net of cash and cash equivalents acquired	Note 25	(133)	(118)
Proceeds on financial investments not included under cash equivalents	Note 25	703	565
Payments on financial investments not included under cash equivalents	Note 25	(801)	(1,020)
(Payments)/proceeds for temporary financial investments		(547)	(1,001)
Net cash flow used in investing activities from continuing operations	**Note 25**	**(2,772)**	**(3,303)**
Net cash flow used in investing activities from discontinued operations	**Note 25**	**(66)**	**(518)**
Net cash flow used in investing activities	**Note 25**	**(2,838)**	**(3,821)**
Dividends paid	Note 25	(942)	(931)
(Payments)/proceeds from capital reduction/increase of non-controlling interests	Note 25	(10)	(122)
(Payments)/proceeds of treasury shares and other operations with shareholders and with minority interests	Note 25	(22)	(164)
Operations with other equity holders	Note 25	(281)	(188)
Proceeds on issuance of debentures and bonds, and other debts	Note 25	2,359	1,750
Proceeds on loans, borrowings and promissory notes	Note 25	321	492
Repayments of debentures and bonds, and other debts	Note 25	(1,857)	(1,127)
Repayments of loans, borrowings and promissory notes	Note 25	(492)	(565)
Lease principal payments	Note 21	(1,068)	(1,009)
Financed operating payments and investments in property, plant and equipment and intangible assets payments	Note 16	(108)	(31)
Net cash used in financing activities from continuing operations	**Note 25**	**(2,100)**	**(1,895)**
Net cash used in financing activities from discontinued operations	**Note 25**	**(43)**	**(225)**
Net cash used in financing activities	**Note 25**	**(2,143)**	**(2,120)**
Effect of changes in exchange rates		**131**	**(105)**
Cash reclassified to assets held for sale	**Note 27**	**(160)**	**(16)**
Net increase (decrease) in cash and cash equivalents during the period		**(1,415)**	**(1,680)**
Cash and cash equivalents at January 1	**Note 14**	**6,564**	**8,062**
Cash and cash equivalents at June 30	**Note 14**	**5,149**	**6,382**
Reconciliation of cash and cash equivalents with the statement of financial position			
Balance at January 1	**Note 14**	**6,564**	**8,062**
Cash on hand and at banks		5,472	6,905
Other cash equivalents		1,092	1,157
Balance at June 30	**Note 14**	**5,149**	**6,382**
Cash on hand and at banks		3,700	4,900
Other cash equivalents		1,448	1,482

Unaudited data. The accompanying notes and appendices are an integral part of these condensed consolidated interim financial statements.
(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27).

Telefónica, S.A. and subsidiaries composing the Telefónica Group

Notes to the condensed consolidated interim financial statements for the six-months ended June 30, 2026

Note 1. Background and general information

Telefónica, S.A. and its subsidiaries and investees (hereinafter "Telefónica", "the Company", the "Telefónica Group" or "the Group") make up a telecommunications group that operates mainly in four reference markets: Spain, Brazil, Germany and the United Kingdom. Telefónica offers a wide range of products and services based on state-of-the-art technologies. In addition to communication based on fibre and 5G networks, the Group provides digital services for residential customers (such as entertainment, home connectivity and security) and advanced solutions for businesses and public administrations, including cloud, cybersecurity, IoT, artificial intelligence and professional services. It also provides wholesale services to other operators.

The parent company of the Group is Telefónica, S.A., a public limited company incorporated on April 19, 1924 for an indefinite period. Its registered office is at calle Gran Vía 28, Madrid (Spain).

The main changes in the consolidation perimeter in the first half of 2026 are detailed in Appendix I.

As a multinational telecommunications company which operates in regulated markets, the Group is subject to different laws and regulations in each of the jurisdictions in which it operates, pursuant to which permits, concessions or licenses must be obtained in certain circumstances to provide the various services. In addition, certain wireline and wireless telephony services are provided under regulated rate and price systems. The main regulatory issues for the first half of 2026 are detailed in Appendix II.

Note 2. Basis of presentation of the condensed consolidated financial statements

The condensed consolidated interim financial statements for the six-month period ended June 30, 2026 (hereinafter, the "interim financial statements") have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* as well as in compliance with Article 12 of Royal Decree 1362/2007, of 19 October. As a result, these financial statements do not contain all the information and disclosures required for the preparation of complete annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2025 for a proper understanding thereof.

The accompanying interim financial statements were approved by the Company's Board of Directors at its meeting of July 28, 2026.

The figures in these interim financial statements are expressed in millions of euros, unless otherwise indicated, and may therefore be rounded.

Comparison of information

Comparisons in the accompanying interim financial statements refer to the six-month periods ended June 30, 2026 and 2025, except in the consolidated statement of financial position, which compares information at June 30, 2026 and at December 31, 2025.

In accordance with IFRS 5, the comparative income statement and statement of cash flows for the first half of 2025 have been restated to present the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27). In the interim financial statements for the first half of 2025 approved by the Board of Directors on July 29, 2025, Telefónica Móviles Argentina, Telefónica del Perú, Telefónica Móviles Uruguay, and Otecel (Telefónica Ecuador) were already presented as discontinued operations (see Note 27).

With respect to seasonality, the historical performance of consolidated operating results does not indicate that the operations of the Group, taken as a whole, are subject to significant variations between the first and second halves of the year.

Exchange rates evolution

Variation of average exchange rates versus euro	First half (2026 vs 2025)
Brazilian real	4.7%
Pound sterling	(2.9%)
Mexican peso	6.9%
Variation of closing exchange rates versus euro	**06/30/2026 vs 12/31/2025**
Brazilian real	9.7%
Pound sterling	1.3%
Mexican peso	6.3%

In the first half of 2026, excluding the impact of recycling to the income statement of negative translation differences following the sales of Telefónica Móviles Chile and Colombia Telecomunicaciones which are described below, a positive impact has been recorded on the Equity attributable to the shareholders of the Parent Company due to translation differences amounting to 1,251 million euros, due mainly to the appreciation of the Brazilian real (see Note 15).

In the first half of 2025, a negative impact of 529 million euros was recorded (excluding the recycling to the income statement of negative translation differences following the sales of Telefónica Móviles Argentina and Telefónica del Perú), mainly due to the depreciation of the pound sterling.

Sale of Colombia Telecomunicaciones

On March 12, 2025, Telefónica Hispam reached an agreement to sell to Millicom Spain, S.L. all of its shares in Colombia Telecomunicaciones S.A. E.S.P. BIC, representing 67.5% of its share capital .

The closing of the transaction was subject to certain closing conditions, including obtaining the relevant regulatory approvals and agreements with the Colombian government – Ministry of Finance and Public Credit – and with Empresas Públicas de Medellín E.S.P. On November 13, 2025, the Superintendency of Industry and Commerce approved the business integration requested by Colombia Telecomunicaciones S.A. ESP BIC and Colombia Móvil S.A. ESP. On December 23, Millicom Colombia Holding, S.A.S. requested authorization to launch a tender offer for all the shares held by Telefónica Hispam in Colombia Telecomunicaciones S.A. ESP BIC. Following these events, Colombia Telecomunicaciones was classified as a disposal group held for sale as of December 31, 2025 (see Note 27).

On February 5, 2026, after obtaining the corresponding regulatory approvals and fulfilling the established conditions, the transaction was completed.

The total price for the shares representing 67.5% of the share capital of Colombia Telecomunicaciones S.A. E.S.P. was 214 million US dollars.

As a result of the transaction, the Group recycled to the income statement for the first half of 2026 the accumulated positive translation differences corresponding to Colombia Telecomunicaciones, amounting to 90 million euros (see Note 15).

	Million euros
Sale price	179
Provisions and costs of sale	(35)
Carrying value of net assets	(5)
Result of the transaction	**149**
Recycling of other comprehensive income	43
Result of discontinued operations (Note 27)	**192**

In accordance with IFRS 5, the results of Colombia Telecomunicaciones are presented within discontinued operations in these interim financial statements (see Note 27).

As a result of Colombia Telecomunicaciones being removed from the consolidation perimeter, equity attributable to non-controlling interests has been reduced by 184 million euros (see Note 15),

Sale of Telefónica Móviles Chile

On February 10, 2026, Inversiones Telefónica Internacional Holding SpA, a wholly owned subsidiary of Telefónica, S.A., transferred 100% of the share capital of Telefónica Móviles Chile S.A. ("Telefónica Chile") to NJJ Holding SAS and Millicom Spain S.L. The transaction was signed and closed simultaneously.

The sale price, subject to the usual adjustments for this type of transaction, included: (i) a cash payment of 50 million US dollars (42 million euros) made upon closing; (ii) a deferred payment of 340 million US dollars (approximately 286 million euros); and (iii) an additional payment of up to 150 million US dollars (approximately 132 million euros at the exchange rate of June 30, 2026) contingent upon the occurrence of certain events in the Chilean telecommunications market. As this amount is subject to future and uncertain conditions, it has not been included in the calculation of the transaction's result.

In June 2026, the parties concluded the review process of the aforementioned price adjustment, which also included a review of the payment terms. As a result of this process, Telefónica received a payment of 130 million US dollars (114 million euros) on June 30, 2026, and will receive a payment of 117 million US dollars (approximately 103 million euros at the exchange rate of June 30, 2026) on June 30, 2027.

As a result of the transaction, the Group recycled to the income statement for the first half of 2026 the accumulated negative translation differences corresponding to Telefónica Chile, amounting to 686 million euros (see Note 15).

	Million euros
Sale price	244
Provisions and costs of sale	(26)
Carrying value of net assets	488
Result of the transaction	**(270)**
Recycling of other comprehensive income	(714)
Result of discontinued operations (Note 27)	**(984)**

In accordance with IFRS 5, the results of Telefónica Móviles Chile are presented within discontinued operations in these interim financial statements (see Note 27).

Sale of Telefónica Móviles Argentina

On February 24, 2025, TLH Holdco, S.L.U., a wholly-owned subsidiary of Telefónica, sold all the shares it held in Telefónica Móviles Argentina S.A. to Telecom Argentina S.A. The price of the transferred shares amounted to 1,245 million US dollars (approximately 1,189 million euros at the exchange rate on the date of the transaction). The signing and closing of the transaction took place simultaneously.

As a result of the transaction, the Group recycled to the income statement for the first half of 2025 the accumulated negative translation differences corresponding to Telefónica Móviles Argentina, amounting to 1,136 million euros, to 2025 results (Note 15).

	Million euros
Sale price	1,189
Cash received (Note 25)	1,069
Loan from T.M. Argentina to TLH Holdco assumed by the buyer	120
Provisions and costs of sale	(67)
Carrying value of net assets	1,201
Tax effect	(7)
Result of the transaction	**(72)**
Recycling of other comprehensive income	(1,152)
Result of discontinued operations (Note 27)	**(1,224)**

The obligations of the transaction mainly include the temporary transfer of use of certain trademarks owned by Telefónica.

In accordance with IFRS 5, the results of Telefónica Móviles Argentina are presented within discontinued operations in these interim financial statements (see Note 27).

Sale of Telefónica del Perú

On April 13, 2025, Telefónica Hispanoamérica, S.A., a wholly-owned subsidiary of Telefónica ("Telefónica Hispam"), sold all of the shares it held in Telefónica del Perú S.A.A. ("Telefónica del Perú"), representing approximately 99.3% of its share capital, to Integra Tec International Inc.

Additionally, Telefónica Hispam sold to the same acquiring entity the financial loans against Telefónica del Perú arising from the goodwill agreement dated

February 14, 2025. As part of the agreement, both parties agreed to keep the full amount of the undrawn loan at the disposal of Telefónica del Perú. In May 2025, Telefónica completed the disbursements committed on its part (see Note 25).

The transaction was signed and closed simultaneously. The purchase price for the shares and the loan amounted to 3.7 million Peruvian soles (approximately 900 thousand euros at the exchange rate on the date of the transaction).

As a result of the transaction, the Group recycled to the income statement for the first half of 2025 the accumulated negative translation differences corresponding to Telefónica del Perú, amounting to 222 million euros (Note 15).

	Million euros
Sale price	1
Provisions and costs of sale	89
Carrying value of net assets and loans granted	437
Tax effect	(97)
Result of the transaction	**(428)**
Recycling of other comprehensive income	(236)
Result of discontinued operations (Note 27)	**(664)**

The result of the transaction includes 64 million euros write-off of Telefónica del Perú's commercial balances with the Telefónica Group companies.

In accordance with IFRS 5, the results of Telefónica del Perú are presented within discontinued operations in these interim financial statements (see Note 27).

Agreement for the sale of Telefónica Móviles México

On April 7, 2026, Telefónica Hispanoamérica, S.A., a wholly owned subsidiary of Telefónica, reached an agreement to sell to Melisa Acquisition, LLC (a consortium led by OXIO Inc. and Newfoundland Capital Management) all of its shares in Pegaso PCS, S.A. de C.V. and Celular de Telefonía, S.A. de C.V. (collectively, "Telefónica México"), representing, directly and indirectly, 100% of the capital of both companies.

The agreement is part of the sale process of Telefónica México and is subject to the fulfilment of certain conditions agreed upon between the buyer and seller.

The transaction amount for Telefónica México is 450 million US dollar (approximately 389 million euros at the exchange rate on that date), and the corresponding price will be subject to the usual adjustments for this type of transaction. The agreement is also subject to obtaining the relevant regulatory approvals.

In accordance with IFRS 5, Telefónica México has been classified as disposal group held for sale as of June 30, 2026. Its results are presented within discontinued operations in these interim financial statements (see Note 27).

Transformation programme of Telefónica Germany

Telefónica Germany has approved a transformation programme aimed at simplifying its organisational structure, increasing operational efficiency and adapting the company to evolving market conditions and technological developments.

As part of this programme, Telefónica Germany's management and employee representatives have reached an agreement on certain organisational and workforce measures. The approved actions include a plan to reduce up to 1,100 employees by the end of 2026, which will be implemented primarily through voluntary leaver programmes, taking social factors into account.

As a result of the workforce reduction plan and the related obligations, the Group recognised a provision of 265 million euros in the first half of 2026, corresponding to the present value of the estimated future cash outflows associated with the programme (see Note 20), with a corresponding charge recognised under Personnel expenses in the consolidated income statement.

Alternative measures not defined in IFRS

The Management of the Group uses a series of measures in its decision-making, in addition to those expressly defined in the IFRS, because they provide additional information useful to assess the Group's performance, solvency and liquidity. These measures should not be viewed in isolation or as a substitute for the measures presented according to the IFRS.

Below is the definition of the main alternative measures not defined in the IFRS used by the Group, and their reconciliation with the financial statements.

EBITDA, EBITDAaL and OpCFaL

EBITDA is calculated by excluding from the result of the period the income tax, the net financial expense, the result of investments accounted for by the equity method and the depreciation and amortization of the period.

EBITDAaL (EBITDA after Leases) is calculated by deducting from EBITDA the expenses for amortization of the rights of use and the interest on lease liabilities (see Note 21).

EBITDAaL-CapEx ex spectrum (OpCFaL) is defined as EBITDAaL less investment in intangible assets and property, plant and equipment (CapEx), excluding those investments related to spectrum acquisitions.

The Group uses these measures internally to evaluate business performance, to establish operational and strategic objectives and in the budgeting process. EBITDA, EBITDAaL and OpCFaL are commonly reported and widespread measures among analysts, investors and other stakeholders in the telecommunications sector, although they are not indicators defined in IFRS and may, therefore, not be comparable with other similar indicators used by other companies. These measures should not be considered as substitutes for Operating income.

The following table details the reconciliation between EBITDA, EBITDAaL and OpCFaL with the Telefónica Group's Profit for the period for the half-year periods ended June 30, 2026 and 2025:

Millions of euros	January - June 2026	January - June 2025 (*)
Profit for the period	**(207)**	**(1,286)**
Profit for the period from discontinued operations	821	2,164
Profit for the period from continued operation	**614**	**877**
Corporate income tax	218	386
Profit before taxes	**832**	**1,264**
Net financial expense	932	614
Share of income (loss) of investments accounted for the equity method	243	299
Operating income	**2,006**	**2,176**
Depreciation and amortization	3,497	3,413
EBITDA	**5,503**	**5,590**
Leases amortization (Note 21)	(986)	(934)
Financial expenses on lease liabilities (Note 21)	(220)	(189)
Operating income before depreciation and amortization and after leases (EBITDAaL)	**4,297**	**4,467**
Capital expenditures in intangible assets (Note 5)	661	916
Capital expenditures in property, plant and equipment (Note 7)	1,248	1,192
CapEx	**1,908**	**2,108**
Spectrum acquisitions (Note 5)	—	(227)
CapEx excluding spectrum acquisitions	**1,908**	**1,882**
OpCFaL	**2,389**	**2,585**

(*) Revised data to present the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27).

The following tables present the reconciliation of EBITDA, EBITDAaL and OpCFaL to Operating income for each business segment for the six-month periods ended June 30, 2026 and 2025:

January - June 2026

Millions of euros	Telefónica Spain	Telefónica Brazil	Telefónica Germany	Other companies	Eliminations	Total Group
Operating income	**1,283**	**905**	**(118)**	**(411)**	**348**	**2,006**
Depreciation and amortization	1,018	1,310	1,031	155	(18)	3,497
EBITDA	**2,301**	**2,215**	**913**	**(256)**	**330**	**5,503**
Rights of use amortization	(289)	(327)	(363)	(18)	11	(986)
Financial expenses for leases	(31)	(147)	(41)	(2)	—	(220)
EBITDAaL	**1,982**	**1,740**	**510**	**(276)**	**341**	**4,297**
CapEx	**720**	**772**	**349**	**68**	**—**	**1,908**
Spectrum acquisitions	—	—	—	—	—	—
CapEx excluding spectrum acquisitions	**720**	**772**	**349**	**68**	**—**	**1,908**
OpCFaL	**1,262**	**969**	**161**	**(344)**	**341**	**2,389**

January - June 2025 (*)

Millions of euros	Telefónica Spain	Telefónica Brazil	Telefónica Germany	Other companies	Eliminations	Total Group
Operating income	**1,221**	**733**	**236**	**(152)**	**139**	**2,176**
Depreciation and amortization	1,033	1,190	1,043	162	(15)	3,413
EBITDA	**2,254**	**1,924**	**1,278**	**10**	**125**	**5,590**
Rights of use amortization	(294)	(289)	(345)	(16)	10	(934)
Financial expenses for leases	(22)	(133)	(33)	(2)	1	(189)
EBITDAaL	**1,937**	**1,502**	**900**	**(8)**	**135**	**4,467**
CapEx	**712**	**685**	**614**	**97**	**—**	**2,108**
Spectrum acquisitions	—	—	(207)	(20)	—	(227)
CapEx excluding spectrum acquisitions	**712**	**685**	**407**	**78**	**—**	**1,882**
OpCFaL	**1,225**	**817**	**493**	**(86)**	**135**	**2,585**

(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27).

Debt indicators

As calculated by the Group, net financial debt includes:

A. Adding the following liabilities:

i. Current and non-current financial liabilities in our consolidated statement of financial position (which includes the negative mark-to-market value of derivatives),

ii. Other liabilities included in "Payables and other non-current liabilities", "Payables and other current liabilities" and "Current tax payables" (mainly corresponding to payables for deferred payment of radio spectrum that have an explicit financial component and supplier financing for customer financing of terminal sales), and

iii. Financial liabilities included in "Liabilities associated with non-current assets held for sale".

B. Subtracting the following amounts from the resulting amount of the preceding step:

i. Cash and cash equivalents,

ii. Other current financial assets (which include short-term derivatives),

iii. Cash and other financial assets included in "Non-current assets and disposal groups classified as held for sale",

iv. The positive mark-to-market value of derivatives with a maturity beyond one year,

v. Other interest-bearing assets (included in "Financial assets and other non-current assets", "Receivables and other current assets" and "Tax receivables" in our consolidated statement of financial position). "Financial assets and other non-current assets" includes derivatives, instalments for the long-term sales of terminals to customers and other long-term financial assets, and "Receivables and other current assets" includes the customer financing of terminal sales classified as short-term.

vi. Mark-to-market adjustment by cash flow hedging activities related to debt.

vii. Fair value of derivatives adjustment used for the economic hedging of gross commitments related to employee benefits.

The indicator net financial debt plus leases is calculated by adding lease liabilities calculated under IFRS 16 (including those corresponding to companies held for sale) to net financial debt and deducting assets from subleases.

We calculate net financial debt plus commitments by adding gross commitments related to employee benefits and the fair value of the derivatives used for the economic hedging of such commitments to net financial debt, and deducting the value of long-term assets associated with those commitments related to employee benefits and the tax benefits arising from the future payments of those commitments related to employee benefits. Gross commitments related to employee benefits are current and non-current provisions recorded for certain employee benefits such as termination plans, post-employment defined benefit plans and other benefits.

Net financial debt, net financial debt plus leases, net financial debt plus commitments and net financial debt plus leases plus commitments are considered meaningful for investors and analysts because they provide an analysis of our solvency using the same measures used by Management. They are used internally to calculate certain solvency and leverage ratios. Nevertheless, none of them as calculated by us should be considered as a substitute for gross financial debt as presented in the consolidated statement of financial position.

The following table details the reconciliation between financial liabilities according to the consolidated statement of financial position, the net financial debt, the net financial debt plus leases, the net financial debt plus commitments and the net financial debt plus leases plus commitments of the Group Telefónica as of June 30, 2026 and December 31, 2025:

Millions of euros	06/30/2026	12/31/2025
Non-current financial liabilities	29,548	30,120
Current financial liabilities	4,223	4,219
Financial liabilities (Note 16)	**33,771**	**34,339**
Cash and cash equivalents	(5,149)	(6,564)
Other assets included in "Other current financial assets"	(2,147)	(861)
Cash and other financial assets included in "Non-current assets and disposal groups classified as held for sale"	(174)	(96)
Positive mark-to-market value of long-term derivative instruments (notes 10 and 17)	(1,880)	(1,919)
Other liabilities included in "Payables and other non-current liabilities"	2,441	2,057
Other liabilities included in "Payables and other current liabilities" and "Current tax payables"	580	528
Other assets included in "Financial assets and other non-current assets"	(1,566)	(2,061)
Other assets included in "Receivables and other current assets"	(1,351)	(843)
Financial liabilities included in "Liabilities associated with non-current assets held for sale"	20	1,508
Mark-to-market adjustment by cash flow hedging activities related to debt	841	832
Fair value of derivatives adjustment used for the economic hedging of gross commitments related to employee benefits	(108)	(96)
Net financial debt	**25,278**	**26,824**
Lease liabilities	8,004	7,920
Net financial debt plus leases	**33,282**	**34,744**
Gross commitments related to employee benefits and associated economic hedging	6,586	6,918
Value of associated long-term assets	(132)	(129)
Tax benefits	(1,664)	(1,734)
Net commitments related to employee benefits	**4,790**	**5,055**
Net financial debt plus commitments	**30,068**	**31,879**
Net financial debt plus leases plus commitments (*)	**38,072**	**39,799**

(*) Includes assets and liabilities considered to be Net financial debt plus leases plus commitments related to employee benefits for companies classified as held for sale (see Note 27).

Free Cash Flow

Free Cash Flow from continuing operations is calculated from the "Net cash flow provided by operating activities from continuing operations" in the consolidated statement of cash flows (see Note 25), excluding payments of commitments related to employee benefits and dividends received from VMO2; deducting (Payments on investments)/ Proceeds from the sale of investments in property, plant and equipment and intangible assets, net, (excluding spectrum payments), dividends paid to non-controlling interests, lease principal payments and hybrid instruments coupon payments.

For the calculation of Free Cash Flow for dividend, dividends received from VMO2 are included, and payments of commitments related to employee benefits are deducted.

The dividends received from VMO2 included in the calculation of Free Cash Flow for dividend depend on the cash generation of the VMO2 business during each period. No dividends were received from VMO2 in the first half of 2025 and 2026.

Free Cash Flow is considered a meaningful measure for investors and analysts because it provides an analysis of the cash flow available to protect solvency levels and to remunerate the parent company's shareholders.

These measures are used internally by Group Management. However, they should not be considered as substitutes for the various net cash flows in the consolidated statement of cash flows.

The following table presents the reconciliation between the Telefónica Group's net cash flow provided by operating activities from continuing activities as reported in the consolidated statement of cash flows (see Note 25) and the Free Cash Flow total for the six-month periods ended June 30, 2026 and 2025:

Millions of euros	January - June 2026	January - June 2025 (*)
Net cash flow provided by operating activities from continuing operations (Note 25)	**3,995**	**4,639**
Except: payments of commitments related to employee benefits (Note 25)	594	499
Except: dividends received from VMO2 (Note 25)	—	—
(Payments on investments)/ Proceeds from the sale of property, plant and equipment and intangible assets, net (Note 25)	(2,260)	(2,457)
Except: Spectrum payments (Note 25)	—	50
Dividends paid to minority shareholders (Note 25)	(101)	(79)
Lease principal payments (notes 21 and 25)	(1,068)	(1,009)
Hybrid instruments coupon payments (Note 25)	(216)	(188)
Free Cash Flow from continuing operations	**944**	**1,456**
Dividends received from VMO2 (Note 25)	—	—
Payments of commitments related to employee benefits (Note 25)	(594)	(499)
Free Cash Flow for dividend	**351**	**956**
Free Cash Flow from discontinued operations	**(536)**	**(850)**
Free Cash Flow total	**(185)**	**106**

(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México, among other companies of smaller scale based in Hispanoamerica, as discontinued operations (see Note 27).

Note 3. Accounting policies

The accounting policies applied in the preparation of the interim financial statements for the six-month period ended June 30, 2026 are consistent with those used in the preparation of the Group's consolidated annual financial statements for the year ended December 31, 2025, except for the following new amendments to existing standards published by the International Accounting Standards Board (IASB) and endorsed by the European Union for application in Europe, which are effective for annual periods beginning on or after January 1, 2026.

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

Among other matters, these amendments include clarifications regarding the requirements for the recognition and derecognition of financial assets and financial liabilities, the treatment of certain financial assets with features linked to ESG-related factors and other instruments with specific contractual provisions, as well as new disclosure requirements.

The application of these amendments has had no impact on the Group's interim financial statements, as the accounting policies currently applied are consistent with the clarifications introduced. With respect to the new disclosure requirements, the Group will take them into consideration in the preparation of the notes to its annual financial statements, where applicable.

Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

These amendments clarify the application of the own-use exception to certain contracts for the purchase and sale of electricity whose pricing depends on natural-source-related factors (nature-dependent electricity contracts) and introduce new disclosure requirements, among other matters.

The application of these amendments has had no impact on the Group's interim financial statements. The new disclosure requirements will be incorporated into the preparation of the Group's annual financial statements, where applicable.

Annual Improvements to IFRS Accounting Standards – Volume 11

These improvements include clarifications, simplifications and corrections intended to enhance the consistency and understandability of certain requirements in existing standards, including IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statement of Cash Flows.

The adoption of these improvements has not had any significant impact on the accounting policies applied by the Group or on these interim financial statements.

New standards and amendments to standards issued but not effective as of June 30, 2026

At the date of preparation of the interim consolidated financial statements, the following IFRS and amendments had been published by the IASB, but their application was not mandatory:

Standards and Amendments to Standards		Mandatory application: annual periods beginning on or after
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19 and subsequent amendments	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency	January 1, 2027
Amendments to IAS 28	Amendments to the Fair Value Option	January 1, 2027
IFRS 20	Regulatory Assets and Regulatory Liabilities	January 1, 2029

The Group is currently assessing the impact that the adoption of these new pronouncements will have on the consolidated financial statements at the time of initial application. In particular, IFRS 18 will replace IAS 1 Presentation of Financial Statements and introduces, among other changes, new requirements for presentation within the statement of profit or loss, including new totals and subtotals. Furthermore, all income and expenses must be classified into the following categories: operating, investing, financing, income taxes, and discontinued operations, with the first three being new. Entities will be affected by these new requirements. IFRS 18 and all consequential amendments are effective for periods beginning on or after January 1, 2027, with retrospective application required.

During the period, the Group further progressed its assessment of the impacts arising from IFRS 18, further analysing the new presentation and disclosure requirements, as well as identifying the changes required in reporting systems and processes. The assessment has also considered the changes introduced by the standard in relation to the presentation of cash flows, including the removal of certain classification options currently available for interest and dividends. Although the assessment is ongoing, the preliminary conclusions still suggest that adopting IFRS 18 will primarily affect the presentation of certain items in the statement of profit or loss and the statement of cash flows, with no impact on the recognition or measurement principles currently applied.

Note 4. Segment financial information

In 2026 the Telefónica Group is reporting financial information, both internally and externally, according to the following segments: Telefónica Spain, Telefónica Brazil, Telefónica Germany and VMO2 (accounted for under the equity method).

As part of its exit strategy from Hispanoamerica, in the first half of 2026 the Group sold its stakes in Telefónica Móviles Chile and in Colombia Telecomunicaciones and reached an agreement for the sale of Telefónica Móviles México (see Note 2). In 2025 the Group sold its stakes in Telefónica Móviles Argentina, Telefónica del Perú, Telefónica Móviles del Uruguay, and Otecel, among other companies based in Hispanoamerica. All of these companies are presented as discontinued operations in these interim financial statements (see notes 2 and 27).

As a result of these transactions and in accordance with IFRS 8, in 2025 the Group ceased to present "Telefónica Hispam" as a reportable segment. The companies of Telefónica Hispam that, as of June 30, 2026, were still part of the Telefónica Group and, following the analysis carried out in accordance with IFRS 5, have not been classified as a disposal group held for sale (primarily the Group's operator in Venezuela), are reported within Other Companies. This change has been applied to the first half of 2025 comparative figures. The other segments —Telefónica Spain, Telefónica Brazil, Telefónica Germany and VMO2— continue to be reported without modifications.

"Other companies" also includes, among others, Telefónica, S.A. and other holding companies, the Beterna and Telefónica Tech UK & Ireland groups, the Telxius Group and the share of results of investments accounted for by the equity method of the fiber companies in which Telefónica Infra, S.L. holds a stake (see Note 8).

The segments referred to above include, according to their geographical location, the information relating to the range of products and services that Telefónica offers its customers, including communication services based on fiber and 5G networks, digital services for residential customers — such as entertainment, home connectivity and security — and advanced solutions for companies and public administrations, including cloud, cybersecurity, IoT, artificial intelligence and professional services, as well as wholesale services to other operators. Transactions between segments are carried out at market prices.

The Group centrally manages borrowing activities, mainly through Telefónica, S.A. and other companies not included in the segments, so most of the Group's financial assets and liabilities are reported under "Other companies". In addition, Telefónica, S.A. is the head of the Telefónica tax group in Spain. Therefore, a significant part of the deferred tax assets and liabilities are included under "Other companies". For these reasons, the results of the segments are disclosed up to operating income.

Revenues and expenses arising from intra-group invoicing for the use of the trademark and management services were eliminated from the operating results of each Group segment. The results of the holding companies also exclude dividends from Group companies and impairments of investments in Group companies. These adjustments have no impact on the consolidated results. In addition, segment reporting considers the impact of the purchase price allocation to the assets acquired and the liabilities assumed by the companies included in each segment. The assets and liabilities presented in each segment are those managed by the heads of each segment, regardless of their legal structure.

The following table presents income, CapEx information (capital expenditures in intangible assets and property, plant and equipment, see Notes 5 and 7) and acquisitions of rights of use (see Note 21) of the fully consolidated reportable segments:

January - June 2026							
Millions of euros	**Telefónica Spain**	**Telefónica Brazil**	**Telefónica Germany**	**VMO2**	**Other companies**	**Eliminations**	**Total Group**
Revenues	6,513	5,195	3,693	—	2,101	(1,111)	16,392
External revenues	6,371	5,191	3,679	—	1,149	1	16,392
Inter-segment revenues	141	4	14	—	952	(1,112)	—
Other operating income and expenses [1]	(4,211)	(2,980)	(2,780)	—	(2,357)	1,440	(10,889)
EBITDA	**2,301**	**2,215**	**913**	**—**	**(256)**	**330**	**5,503**
Depreciation and amortization	(1,018)	(1,310)	(1,031)	—	(155)	18	(3,497)
Operating income	**1,283**	**905**	**(118)**	**—**	**(411)**	**348**	**2,006**
Share of (loss) income of investments accounted for by the equity method	**(4)**	**—**	**—**	**(188)**	**(50)**	**—**	**(243)**
Capital expenditures (CapEx)	**720**	**772**	**349**	**—**	**68**	**—**	**1,908**
Acquisitions of rights of use	**1,109**	**206**	**399**	**—**	**14**	**(1)**	**1,728**

(1) Other operating income and expenses includes "Other income", "Supplies", "Personnel expenses" and "Other expenses".

January - June 2025 (*)							
Millions of euros	**Telefónica Spain**	**Telefónica Brazil**	**Telefónica Germany**	**VMO2**	**Other companies**	**Eliminations**	**Total Group**
Revenues	6,356	4,616	4,095	—	1,976	(931)	16,112
External revenues	6,219	4,611	4,080	—	1,189	12	16,112
Inter-segment revenues	136	5	15	—	787	(944)	—
Other operating income and expenses [1]	(4,102)	(2,693)	(2,817)	—	(1,966)	1,056	(10,523)
EBITDA	**2,254**	**1,924**	**1,278**	**—**	**10**	**125**	**5,590**
Depreciation and amortization	(1,033)	(1,190)	(1,043)	—	(162)	15	(3,413)
Operating income	**1,221**	**733**	**236**	**—**	**(152)**	**139**	**2,176**
Share of (loss) income of investments accounted for by the equity method	**(10)**	**—**	**—**	**(215)**	**(75)**	**—**	**(299)**
Capital expenditures (CapEx)	**712**	**685**	**614**	**—**	**97**	**—**	**2,108**
Acquisitions of rights of use	**437**	**170**	**313**	**—**	**42**	**(4)**	**958**

(1) Other operating income and expenses includes "Other income", "Supplies", "Personnel expenses" and "Other expenses".

(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México among other smaller companies based in Hispanoamérica, as discontinued operations (See Note 27).

The table below shows the income, CapEx and acquisitions of rights of use of VMED O2 UK Ltd (VMO2). VMO2 is a joint venture 50% owned by Telefónica and Liberty Group and is recorded under the equity method (see Note 8). The tables below show the information of the joint venture at 100%.

VMO2

Millions of euros	January - June 2026	January - June 2025
Revenues	5,522	5,944
Other operating income and expenses	(3,445)	(3,772)
Depreciation and amortization	(1,894)	(1,839)
Operating income	**183**	**333**
Share of income (loss) of investments accounted for by the equity method	**(1)**	**1**
Financial income	23	22
Financial expenses	(752)	(744)
Realised and unrealised gains on derivative instruments, net	128	(1,086)
Foreign currency transaction losses, net	(54)	922
Net financial expense	**(655)**	**(887)**
Result before taxation	**(473)**	**(552)**
Taxes	79	128
Result for the period	**(394)**	**(424)**
Attributable to non-controlling interests	18	(6)
Result for the period attributable to equity holders of the parent (100% VMO2)	**(376)**	**(430)**
50% attributable to Telefónica Group	(188)	(215)
Share of income (loss) of investments accounted for by the equity method	**(188)**	**(215)**
Capital expenditures (CapEx) (100% VMO2)	1,096	1,224
Acquisitions of rights of use (100% VMO2)	74	82

The segmentation of assets and liabilities of the reportable segments is as follows:

June 2026							
Millions of euros	**Telefónica Spain**	**Telefónica Brazil**	**Telefónica Germany**	**VMO2**	**Other companies**	**Eliminations**	**Total Group**
Fixed assets	14,689	16,605	10,022	—	1,522	—	42,838
Rights of use	2,428	2,094	3,267	—	169	(38)	7,920
Investments accounted for by the equity method	202	3	—	6,212	236	—	6,653
Financial assets and other non-currents assets	1,551	1,242	581	—	3,630	(857)	6,147
Deferred tax assets	2,648	196	699	—	1,661	—	5,204
Other current financial assets	37	51	100	—	3,810	(1,842)	2,156
Total allocated assets excluding groups held for sale	**28,661**	**24,874**	**17,169**	**6,212**	**17,706**	**(6,891)**	**87,732**
Non-current financial liabilities	1,280	549	334	—	28,108	(723)	29,548
Non-current lease liabilities	1,798	1,710	2,397	—	44	(6)	5,942
Deferred tax liabilities	78	760	360	—	993	—	2,190
Current financial liabilities	409	58	684	—	6,769	(3,697)	4,223
Current lease liabilities	537	797	641	—	38	(32)	1,981
Total allocated liabilities excluding groups held for sale	**17,254**	**10,775**	**8,801**	**—**	**39,850**	**(6,895)**	**69,785**

December 2025							
Millions of euros	**Telefónica Spain**	**Telefónica Brazil**	**Telefónica Germany**	**VMO2**	**Other companies**	**Eliminations**	**Total Group**
Fixed assets	14,647	15,337	10,326	—	2,756	—	43,066
Rights of use	1,622	2,027	3,250	—	590	(48)	7,441
Investments accounted for by the equity method	206	4	—	6,316	228	—	6,753
Financial assets and other non-currents assets	1,380	1,088	575	—	4,520	(823)	6,740
Deferred tax assets	2,789	239	669	—	2,315	—	6,012
Other current financial assets	41	34	98	—	2,157	(1,460)	870
Total allocated assets excluding groups held for sale	**27,938**	**22,592**	**17,457**	**6,316**	**20,995**	**(6,462)**	**88,837**
Non-current financial liabilities	1,054	504	387	—	28,898	(723)	30,120
Non-current lease liabilities	1,204	1,631	2,467	—	350	(9)	5,644
Deferred tax liabilities	76	758	335	—	1,349	—	2,518
Current financial liabilities	760	45	419	—	6,828	(3,833)	4,219
Current lease liabilities	358	755	662	—	201	(39)	1,938
Total allocated liabilities excluding groups held for sale	**17,268**	**9,230**	**8,883**	**—**	**42,404**	**(6,464)**	**71,320**

The detail of assets and liabilities of VMO2 is as follows (amounts corresponding to 100% of the company). The reconciliation of VMO2's net equity with the carrying amount of the investment in Telefónica is shown in Note 8.

VMO2

Millions of euros	**06/30/2026**	**12/31/2025**
Fixed assets	37,223	37,343
Rights of use	855	924
Financial assets and other non-currents assets	931	949
Deferred tax assets	660	558
Other current financial assets	383	357
Non-current assets and disposal groups held for sale	90	—
Total assets	**43,653**	**43,663**
Non-current financial liabilities	21,891	21,357
Non-current lease liabilities	762	805
Deferred tax liabilities	2	2
Current financial liabilities	4,373	4,192
Current lease liabilities	204	201
Total liabilities	**31,571**	**31,320**

The detail of revenues of the fully consolidated reportable segments is as follows:

Millions of euros	**January - June 2026**				**January - June 2025 (*)**			
Segments	**Fixed**	**Mobile**	**Other and elims.**	**Total**	**Fixed**	**Mobile**	**Other and elims.**	**Total**
T. Spain (1)				**6,513**				**6,356**
T. Germany	453	3,231	9	**3,693**	430	3,641	24	**4,095**
T. Brazil	1,490	3,705	—	**5,195**	1,348	3,268	—	**4,616**
Other and inter-segment eliminations	5	150	834	990	6	144	894	**1,044**
Total Group				**16,392**				**16,112**

(1) The detail of revenues for Telefónica Spain is shown in the table below.
(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México among other smaller companies based in Hispanoamérica, as discontinued operations (see Note 27).

Given the convergence reached at Telefónica Spain due to the high penetration of the convergent offers, the revenue breakdown by fixed and mobile is less relevant in this segment. For this reason, the following revenue breakdown is shown, which Management believes is more meaningful.

Millions of euros	**January-June 2026**	**January-June 2025**
Retailers	5,263	5,078
Wholesalers, mobile handsets and others	1,250	1,278
Telefónica Spain	**6,513**	**6,356**

Note 5. Intangible assets

The composition and movements in "intangible assets" in the first half of 2026 are as follows:

January-June 2026

Millions of euros	Balance at 12/31/2025	Additions	Amortization (*)	Transfers and others	Translation differences and inflation adjustments	Business acquisitions	Sale of companies	Balance at 06/30/2026
Service concession arrangements and licenses	4,360	—	(229)	347	187	—	(116)	4,548
Software	3,209	165	(700)	492	113	—	(59)	3,218
Customer base	57	—	(35)	—	1	9	—	33
Trademarks	157	—	(16)	—	7	3	—	151
Other intangible assets	521	6	(23)	1	1	1	—	508
Intangible assets in process	808	490	—	(859)	13	—	(42)	409
Total intangible assets	**9,112**	**661**	**(1,003)**	**(20)**	**321**	**13**	**(218)**	**8,867**

(*) Amortization for the period includes those related to Telefónica Móviles Chile up to its sale date, and those related to Telefónica Móviles México up to its classification as a disposal group held for sale. Excluding the impact of these companies, amortization of intangible assets amounted to 991 million euros.

"Business acquisitions" in the first half of 2026 includes 13 million euros corresponding to Altim Tecnologías de Información, S.L. (see Appendix I).

"Sale of companies" corresponds to the disposal of intangible assets from Telefónica Móviles Chile (see Note 2), which amounted to 218 million euros.

"Transfers and others" of service concession arrangements and licenses in the first half of 2026 includes the reclassification of intangible assets of Telefónica Móviles México to "Non-current assets and disposal groups held for sale" of the statement of financial position (see Notes 2 and 27), amounting to 60 million euros, respectively.

CapEx additions by segment are detailed in Note 4.

The gross cost, accumulated amortization and impairment losses of intangible assets at June 30, 2026 and December 31, 2025 are as follows:

Balance at June 30, 2026

Millions of euros	Gross cost	Accumulated amortization	Impairment losses	Intangible assets
Service concession arrangements and licenses	9,535	(4,987)	—	4,548
Software	18,251	(15,033)	—	3,218
Customer base	1,427	(1,395)	—	33
Trademarks	935	(784)	—	151
Other intangible assets	1,256	(745)	(3)	508
Intangible assets in process	409	—	—	409
Total intangible assets	**31,814**	**(22,944)**	**(3)**	**8,867**

Balance at December 31, 2025

Millions of euros	Gross cost	Accumulated amortization	Impairment losses	Intangible assets
Service concession arrangements and licenses	9,630	(5,269)	—	4,360
Software	17,886	(14,677)	—	3,209
Customer base	1,341	(1,284)	—	57
Trademarks	903	(746)	—	157
Other intangible assets	1,259	(734)	(3)	521
Intangible assets in process	808	—	—	808
Total intangible assets	**31,827**	**(22,712)**	**(3)**	**9,112**

Note 6. Goodwill

The movement in goodwill assigned to each Group segment was as follows:

January-June 2026

Millions of euros	Balance at 12/31/2025	Additions	Transfers	Exchange rate impact	Balance at 06/30/2026
Telefónica Spain	4,321	19	12	—	4,352
Telefónica Brazil	6,849	—	—	663	7,512
Telefónica Germany	4,396	—	—	—	4,396
Other companies	230	—	(12)	—	218
Total	**15,796**	**19**	**—**	**663**	**16,478**

The additions to Telefónica Spain correspond to the acquisition of Altim Tecnologías de Información, S.L. (see Appendix I).

In order to test for impairment, goodwill was allocated to the different cash-generating units (CGUs):

Millions of euros	06/30/2026	12/31/2025
Telefónica Spain	**4,352**	**4,321**
Telefónica Brazil	**7,512**	**6,849**
Telefónica Germany	**4,396**	**4,396**
Other companies	**218**	**230**
BE-terna	173	173
Others	45	57
TOTAL	**16,478**	**15,796**

At the end of 2025, the Group conducted its annual impairment test using the business plans of the various cash-generating units to which goodwill is allocated. These plans were approved by the Telefónica Board of Directors in the last quarter of 2025. As a result, as of December 31, 2025, an impairment of goodwill allocated to BE-terna's cash-generating unit was recorded in the amount of 58 million euros, to Telefónica Tech UK & Ireland in the amount of 254 million euros, and to Telefónica Chile in the amount of 174 million euros.

As of June 30, 2026, the Group assessed whether there were any indicators of impairment in the value of the cash-generating units, with particular focus on those whose recoverable amount was closest to their carrying amount as of December 31, 2025. This assessment included, among other factors, a review of the main operating indicators (both as of the end of the first half of 2026 and based on the most recent year-end forecasts), the evolution of the macroeconomic environment, and an analysis of changes in applicable discount rates and perpetuity growth rates.

As a result of this analysis, no indicators were identified that would justify the need to perform a new impairment test for these cash-generating units. The

Group will carry out its annual impairment test in the second half of the year.

Note 7. Property, plant and equipment

The composition and movements in "Property, plant and equipment" in the first half of 2026 are as follows:

January - June 2026

Millions of euros	Balance at 12/31/2025	Additions	Depreciation [(*)]	Disposals	Transfers and others	Translation differences and inflation adjustments	Sale of companies	Balance at 06/30/2026
Land and buildings	2,102	22	(98)	(2)	(16)	61	(305)	1,764
Plant and machinery	14,368	331	(1,372)	(2)	729	456	(353)	14,158
Furniture, tools and other items	435	15	(67)	—	25	9	(10)	407
PP&E in progress	1,253	879	—	(6)	(850)	43	(155)	1,165
Total PP&E	**18,158**	**1,248**	**(1,537)**	**(10)**	**(113)**	**569**	**(823)**	**17,493**

[(*)] Depreciation for the period includes that related to Telefónica Móviles Chile up to its sale date, and that related to Telefónica Móviles México up to its classification as a disposal group held for sale. Excluding the impact of these companies, depreciation of property, plant and equipment amounted to 1,520 million euros.

"Sale of companies" corresponds to the disposal of property, plant and equipment from Telefónica Móviles Chile (see Note 2), with an impact of 823 million euros.

"Transfers and others" in the first half of 2026 includes the reclassification of property, plant and equipment of Telefónica Móviles México to "Non-current assets and disposal groups held for sale" of the statement of financial position (see notes 2 and 27), amounted to 61 million euros.

"Additions" of CapEx by segment are detailed in Note 4.

The gross cost, accumulated depreciation and impairment losses of property, plant and equipment in the first half of 2026 and December 31, 2025 are as follows:

Balance at June 30, 2026

Millions of euros	Gross cost	Accumulated depreciation	Impairment losses	PP&E
Land and buildings	5,297	(3,527)	(5)	1,764
Plant and machinery	62,201	(48,031)	(12)	14,158
Furniture, tools and other items	3,739	(3,330)	(3)	407
PP&E in progress	1,180	—	(16)	1,165
Total PP&E	**72,418**	**(54,888)**	**(36)**	**17,493**

Balance at December 31, 2025

Millions of euros	Gross cost	Accumulated depreciation	Impairment losses	PP&E
Land and buildings	6,353	(4,246)	(5)	2,102
Plant and machinery	63,792	(49,411)	(12)	14,368
Furniture, tools and other items	3,836	(3,398)	(3)	435
PP&E in progress	1,269	—	(16)	1,253
Total PP&E	**75,250**	**(57,055)**	**(37)**	**18,158**

Note 8. Associates and joint ventures

The detail of investments accounted for by the equity method and the share of (loss)/income of these investments is the following:

	% Holding	Investments accounted for by the equity method		Share of (loss) income of investments accounted for by the equity method	
Millions of euros		06/30/2026	12/31/2025	January - June 2026	January - June 2025 (*)
VMED O2 UK Ltd	50%	6,212	6,316	(188)	(215)
Movistar Prosegur Alarmas	50%	198	202	(3)	(8)
Unsere Grüne Glasfaser	50%	28	—	(34)	(38)
Opal Jvco Limited (nexfibre)	25%	67	80	(23)	(38)
Utiq, S.A.	25%	3	4	(1)	(2)
Others		6	5	(3)	(3)
Joint ventures		**6,514**	**6,607**	**(252)**	**(304)**
Adquira España, S.A.	44.44%	5	5	—	—
HoldCo Infraco SpA. (Onnet Fibra Chile)	40%	108	112	—	(2)
Telefónica Factoring España, S.A.	50%	5	7	2	2
Telefónica Renting, S.A.	50%	13	15	6	4
Others		8	7	1	1
Associates		**139**	**146**	**9**	**5**
Total		**6,653**	**6,753**	**(243)**	**(299)**

The detail of the movement in investments accounted for by the equity method in the first six months of 2026 is as follows:

Investments accounted for by the equity method	Millions of euros
Balance at 12-31-2025	**6,753**
Additions	94
Translation differences and other comprehensive income (loss)	83
Income (loss)	(243)
Dividends	(12)
Transfers and others	(22)
Balance at 06-30-2025	**6,653**

"Additions" for the first half of 2026 include the capital increase of 83 million euros in Unsere Grüne Glasfaser and the capital increase in nexfibre amounting to 9 million euros (see Note 25).

"Translation differences and other comprehensive income (loss)" in the first half of 2026 mainly includes the impact of the pound sterling appreciation associated with the investment in VMO2, amounting to 88 million euros.

On February 18, 2026, nexfibre reached an agreement to acquire 100% of the share capital of Substantial Topco Limited ("Netomnia"), the second largest full fibre altnet in the United Kingdom. The closing of the transaction is subject to obtaining the corresponding regulatory approvals. On July 1, 2026, the UK Competition and Markets Authority (CMA) announced that the deal will move to a second phase of review, following a request from Telefónica, Liberty Global and InfraVia Capital to accelerate the process.

VMO2

Detail of the main items of the statement of financial position and income statement of VMED O2 UK Ltd.

Millions of euros	06/30/2026	12/31/2025
Non current assets	**39,669**	**39,774**
Intangible assets	6,333	6,828
Goodwill	20,235	19,967
Property, plant and equipment	10,655	10,548
Other non current assets	2,446	2,431
Current assets	**3,984**	**3,889**
Inventories	196	199
Current receivables and other current assets	2,691	2,676
Other current financial assets	383	357
Cash and cash equivalents	624	657
Non-current assets classified as held for sale	90	—
Total Assets	**43,653**	**43,663**
Non current liabilities	**23,088**	**22,686**
Non current financial liabilities	21,891	21,357
Non-current lease liabilities	762	805
Other non current liabilities	435	524
Current liabilities	**8,483**	**8,634**
Current financial liabilities	4,373	4,192
Current lease liabilities	204	201
Other current liabilities	3,906	4,241
Total liabilities	**31,571**	**31,320**
Equity attributable to non-controlling interests	**(222)**	**(168)**
Equity attributable to equity holders of the parent (100% VMO2)	**12,304**	**12,511**
50% Telefónica Group	6,152	6,255
Acquisition costs	61	61
Other adjustments	(1)	—
Investments accounted for by the equity method	**6,212**	**6,316**

Millions of euros	January - June 2026	January - June 2025
Revenues	5,522	5,944
Other operating income	242	260
Operating expenses	(3,687)	(4,032)
Depreciation and amortization (1)	(1,894)	(1,839)
Operating income	**183**	**333**
Share of income (loss) of investments accounted for by the equity method	**(1)**	**1**
Financial income	23	22
Financial expenses	(752)	(744)
Realised and unrealised gains on derivative instruments, net (2)	128	(1,086)
Foreign currency transaction losses, net	(54)	922
Net financial expense	**(655)**	**(887)**
Result before taxation	**(473)**	**(552)**
Taxes	79	128
Result for the period	**(394)**	**(424)**
Attributable to non-controlling interests	18	(6)
Result for the period attributable to equity holders of the parent (100% VMO2)	**(376)**	**(430)**
50% attributable to Telefónica Group	(188)	(215)
Share of (loss) income of investments accounted for by the equity method	**(188)**	**(215)**
Other comprehensive income (100% VMO2)	**(418)**	**(429)**

(1) Includes amortization of the customer relationships recorded after the purchase price allocation, amounting to 599 million euros in the first half of 2026 (509 million euros in the first half of 2025).

(2) VMO2 entered into various derivative instruments to manage interest rate exposure and foreign currency exposure. Generally, VMO2 does not apply hedge accounting to their derivative instruments. Accordingly, changes in the fair values of most of their derivatives are recorded in finance results of their consolidated income statement.

Evaluation of indicators of impairment of the investment as of June 30, 2026

VMO2 management conducted the annual goodwill impairment test at the end of 2025. As a result of this analysis, VMO2 recorded an impairment of goodwill amounting to 1.022 million pounds sterling (1,170 million euros),

In accordance with IAS 28, as of June 30, 2026, the Group assessed whether there was any objective evidence of impairment of its net investment in VMO2, with reference to the impairment test conducted at the end of the 2025 financial year. Within this framework, the relevant aspects of the investment in VMO2 as of June 30, 2026, were evaluated based on the company's current internal indicators and external factors.

During the first half of 2026, VMO2's key financial indicators did not show any significant deviations from the forecasts used in the impairment test performed at the end of 2025. In addition, the evolution of the macroeconomic environment, changes in discount rates, and variations in applicable perpetual growth rates were analyzed. Based on this analysis, no indicators were identified that would justify the need to perform a new impairment test on the investment in VMO2 as of the end of June 2026

VMO2 will perform its annual goodwill impairment test in the second half of the year.

Commitments

Millions of euros	2026	2027	2028	2029	2030	2031	Thereafter	Total
Purchase and other commitments	626	456	271	80	61	44	72	1,610
Programming commitments	360	609	249	2	—	—	—	1,220
Network and connectivity commitments	644	311	308	283	262	130	215	2,153
Service agreements	115	196	176	180	75	—	—	742
Total commitments VMO2 (100%)	**1,745**	**1,572**	**1,004**	**545**	**398**	**174**	**287**	**5,725**

Breakdown of balances and transactions of Telefónica Group companies with VMO2

The breakdown of balances and transactions related to associates and joint ventures recognized with VMO2 in the consolidated statement of financial position and consolidated income statement is as follows:

Millions of euros	06/30/2026	12/31/2025
Receivables and other assets	53	60
Payables and other liabilities	31	22
Short-term contractual liabilities	1	—

Millions of euros	January - June 2026	January - June 2025
Revenue from operations	92	86
Expenses from operations	17	24

Breakdown of balances and transactions with associates and joint ventures

The breakdown of items related to associates and joint ventures recognized in the consolidated statements of financial position and consolidated income statements is as follows:

Millions of euros	06/30/2026			12/31/2025		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Credits and other financial assets	23	2	25	137	6	143
Receivables and other assets (Note 12)	36	89	125	103	95	198
Non-current lease liabilities	67	3	70	55	5	60
Non-current payables and other liabilities (Note 18)	656	—	656	603	—	603
Long-term contractual liabilities	—	53	53	—	53	53
Current lease liabilities	61	5	66	72	4	76
Current payables and other liabilities (Note 19)	827	37	864	780	28	808
Short-term contractual liabilities	—	1	1	—	6	6

Millions of euros	January - June 2026			January - June 2025		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Revenue from operations	242	151	393	221	144	365
Expenses from operations	391	23	414	320	66	386
Financial revenues	4	—	4	—	1	1
Financial expenses	33	1	34	27	1	28

(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México among other smaller companies based in Latin America, as discontinued operations (See Note 27)..

"Credits and other financial assets" at June 30, 2026 includes 23 million euros of long-term credits to Onnet Fibra Chile (122 million euros at December 31, 2025). In the first half of 2026, a payment of 106 million euros was received (see Note 25).

"Non-current payables and other liabilities" and "Current payables and other liabilities" at June 30, 2026 includes 656 million euros and 633 million euros, respectively of Telefónica España with Telefónica Renting, S.A. (602 million euros and 418 million euros, respectively, at December 31, 2025).

Additionally, "Current payables and other liabilities" at June 30, 2026 includes 193 million euros of Telefónica España with Telefónica Factoring España, S.A. (329 million euros at December 31, 2025).

"Revenue from operations" and "Expenses from operations" in the first half of 2026 include 234 million euros and 389 million euros, respectively, of Telefónica España with Telefónica Renting, S.A. (212 million euros and 318 million euros, respectively, in the first half of 2025).

Note 9. Related parties

Transactions with related parties, as established in current legislation and in Telefónica's internal regulations, have been conducted in the ordinary course of the Group's business and under market conditions.

Shareholders with representation on the Board of Directors of Telefónica, S.A.

The Company's significant shareholders as of June 30, 2026, with representation on the Board of Directors of Telefónica, S.A., are Criteria Caixa, S.A.U. ("Criteria Caixa"), the State Industrial Holdings Company ("SEPI"), and Green Bridge Investment Company SCS / STC Group. On June 30, 2026, Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) ceased to be considered a significant shareholder, having had representation on the Board of Directors of Telefónica, S.A. until March 26, 2026.

According to information provided by SEPI for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the participation of the SEPI in the share capital of Telefónica, S.A. was 10%. As of June 30, 2026, no update to such shareholding has been reported, according to publicly available information.

According to information provided by Criteria Caixa for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the participation of Criteria Caixa in the share capital of Telefónica, S.A., was 9.99%. As of June 30, 2026, no update to such shareholding has been reported, according to publicly available information. Likewise, and without this implying an incremental or additional participation, Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, as the sole shareholder of Criteria Caixa, S.A.U., holds the same participation indirectly.

According to information provided by Public Investment Fund for the 2025 Annual Corporate Governance Report of Telefónica, S.A., as of December 31, 2025, the Public Investment Fund's stake in the share capital of Telefónica, S.A. was 9.97%. As of June 30, 2026, no update to such shareholding has been reported, according to publicly available information. The Public Investment Fund's indirect stake is held through Green Bridge Investment Company SCS (a company controlled by Saudi Telecom Company, which in turn is controlled by the Public Investment Fund).

Below is a summary of the relevant transactions of the Telefónica Group with companies belonging to the Criteria Caixa, SEPI, Green Bridge Investment Company SCS / STC and BBVA groups, excluding the payment of the dividend corresponding to its stake.

Associated companies and joint ventures participated by BBVA

The impact on the income statement of the transactions of Telefónica Group companies with their associated companies and joint ventures in which BBVA also participates are shown below:

Millions of euros	January - March 2026 (*)	January - June 2025
Revenue from operations	4	7
Expenses from operations	1	1
Finance cost from operations	—	1

(*) BBVA ceased to be considered a related party on March 26, 2026, after ceasing to have representation on the Board of Directors of Telefónica, S.A.

Other operations with BBVA

The impact on the consolidated income statement of the Telefónica Group due to the rest of the operations with BBVA is shown below:

Millions of euros	January - March 2026 (*)	January - June 2025
Finance costs	3	16
Receipt of services	—	3
Other expenses	—	—
Total costs	**4**	**18**
Finance income	—	8
Dividends received	—	18
Services rendered	10	33
Sale of goods	2	9
Other income	—	1
Total revenues	**12**	**68**

(*) BBVA ceased to be considered a related party on March 26, 2026, after ceasing to have representation on the Board of Directors of Telefónica, S.A.

Operations with Criteria Caixa

In the first half of 2026 the Telefónica Group has not carried out significant transactions with Criteria Caixa and the companies controlled by Criteria Caixa.

Operations with Green Bridge Investment Company SCS / STC Group

In the first half of 2026 the Telefónica Group has not carried out any significant transactions with Green Bridge Investment Company SCS or companies controlled by STC Group.

Operations with SEPI

In the first half of 2026 the Telefónica Group has not carried out significant transactions with SEPI and the companies controlled by SEPI.

Spanish General State Administration and State Institutional Public Sector

SEPI is an entity that is part of the Spanish State Institutional Public Sector. In the ordinary course of business and under market conditions, the Telefónica Group carries out transactions with bodies and entities belonging to the Spanish General State Administration and the State Institutional Public Sector. In accordance with the exemption provided for in IAS 24, the balances and transactions with these bodies and entities are not detailed, although the significant balances and transactions maintained with them will be disclosed, where applicable, in the notes to the financial statements.

The Telefónica Group has not carried out any transactions with bodies and entities belonging to the Spanish General State Administration and the State Institutional Public Sector that, considered individually, have had a significant impact on the consolidated income statement for the first half of 2026.

On June 25, 2026, Telefónica Infra agreed to the constitution of Gigafactoría Española de Inteligencia Artificial, S.L. (AIGF), an entity in which the Sociedad Española para la Transformación Tecnológica, E.P.E. participates (see note 26).

Appendix II summarizes the main regulatory aspects that affect the telecommunications sector in Spain, in relation to the information in this regard included in Appendix VI of the consolidated financial statements corresponding to the year 2025.

Other significant shareholders

During the first half of 2026, BlackRock, Inc. was a significant shareholder. This shareholder is not considered a related party as it has no representation on the Board of Directors of Telefónica, S.A. and does not exercise significant influence over the Company.

According to the data included in the communication submitted by BlackRock, Inc. to the CNMV (Spanish National Securities Market Commission) as of June 23, 2026, BlackRock, Inc.'s stake in the share capital of Telefónica, S.A. was 6.241%, including the percentage of voting rights attributed to shares and those generated through financial instruments.

Likewise, according to the data collected in the communication sent by BBVA to the CNMV, as of June 30, 2026, BBVA's stake in the share capital of Telefónica, S.A. was 1.965%, therefore ceasing to be considered a significant shareholder of the company.

Other related parties

Transactions with associates and joint ventures are described in Note 8.

During the first half of 2026 and 2025, no transactions were carried out by the Directors or Senior Management with Telefónica, S.A. or with a Telefónica Group company, other than those arising from the ordinary course of business of the Group.

Directors' and Senior Executives' compensation and other information

Pursuant to the disclosure established in Circular 3/2018, of June 28, of the Comisión Nacional del Mercado de Valores (the Spanish National Securities commission, or "CNMV"), on periodic reporting by issuers, the compensation and benefits paid to members of the Company's Board of Directors in the first six months of 2026 and 2025 are as follows.

Directors Thousands of euros	January - June 2026	January - June 2025
Remuneration for belonging to the Board of Directors and/or Board Committees	1,483	1,596
Salary	1,687	1,723
Variable Remuneration in cash (1)	2,818	2,269
Remuneration Systems based on shares (2)	—	—
Severance Payments	—	40,903
Long-Term Savings Systems	518	543
Other Concepts	200	273
Total	**6,706**	**47,307**

(1) The proportional amount of the target variable remuneration corresponding to the period from January to June 2026 has been disclosed. However, the final amount of this variable remuneration for financial year 2026 will be determined according to the level of achievement of the established objectives, as approved by the Company's Board of Directors during the first quarter of 2027, following a favourable report from the Nomination, Compensation and Corporate Governance Committee.

(2) It is also noted that, during the first half of 2026, the shares accrued as of December 31, 2025, were delivered to the Chief Operating Officer (C.O.O.). These shares corresponded to the third cycle (2023-2025) of the Long-Term Incentive Plan (Performance Share Plan - PSP), which commenced on January 1, 2023 and ended on December 31, 2025, as described in the Company's 2025 Annual Financial Report.

In addition, the total amounts accrued to Senior Executives of the Company, excluding those that are also members of the Board of Directors, for all items in the first six months of 2026 and 2025 are as follows.

Senior Executives Thousands of euros	January - June 2026	January - June **2025**
Total compensation paid to Senior Executives(3)	3,092	4,749

(3) The "Total compensation paid to Senior Executives" section includes the total amount accrued for all items (excluding the amount of the remuneration systems based on shares) during the first six months of fiscal years 2026 and 2025. Additionally, it is also noted that in the first half of 2026, the shares accrued as of December 31, 2025, corresponding to the third cycle (2023-2025) of the Long-Term Incentive Plan (Performance Share Plan - PSP), which began on January 1, 2023 and ended on December 31, 2025, were delivered to the Senior Executives, as stated in the Company's 2025 Annual Financial Report.

Note 10. Financial assets and other non-current assets

The breakdown of financial assets and other non-current assets of the Telefónica Group at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Non-current financial assets (Note 14)	**4,483**	**5,114**
Investments	202	186
Credits and other financial assets	830	1,168
Deposits and guarantees	564	876
Trade receivables	1,014	1,072
Receivables for subleases	15	9
Impairment of trade receivables	(23)	(116)
Long-term derivative financial assets (Note 17)	1,880	1,919
Other non-current assets	**1,664**	**1,625**
Contractual assets	303	305
Deferred expenses	866	893
Long-term receivables for taxes	148	133
Prepayments	348	295
Total	**6,147**	**6,740**

As of June 30, 2026, the amount of investments in financial instruments to cover the commitments acquired by the Group's insurance companies amounts to 369 million euros (333 million euros at December 31, 2025), of which 37 million euros (292 million euros at December 31, 2025) are classified in "Credits and other financial assets" and 332 million euros (41 million euros at December 31, 2025) in "Other current financial assets", see Note 13.

"Deposits and guarantees" includes at June 30, 2026, 27 million euros associated with collateral guarantees of Telefónica, S.A., classified as non-current according to the maturity of the underlying derivative instruments to which they relate (309 million euros at December 31, 2025).

Note 11. Inventories

The detail of inventories of the Telefónica Group at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Audiovisual rights, handsets and other inventories	923	900
Inventories impairment provision	(31)	(38)
Inventories	**892**	**862**

Note 12. Receivables and other current assets

The detail of receivables and other current assets of the Telefonica Group at June 30, 2026, December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Receivables (Note 14)	**6,466**	**7,187**
Trade receivables	6,989	7,902
Impairment of trade receivables	(853)	(1,133)
Receivables from associates and joint ventures (Note 8)	117	188
Other receivables	213	229
Other current assets	**2,699**	**2,475**
Contractual assets	223	233
Capitalized costs	705	848
Prepayments	1,636	1,288
Short-term insurance and reinsurance contracts assets	127	96
Short-term insurance and reinsurance contracts assets from associates and joint ventures (Note 8)	8	10
Total	**9,165**	**9,662**

In the first half of 2026 the impact of impairment of trade receivables in the consolidated income statement (see Note 23) amounted to 230 million euros (218 million euros in the first half of 2025).

Note 13. Other current financial assets

The breakdown of other current financial assets of the Telefónica Group at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Short-term credits	917	222
Short-term deposits and guarantees	532	207
Short-term derivative financial assets (Note 17)	261	279
Other current financial assets	447	162
Total	**2,156**	**870**

"Short-term credits" at June 30, 2026 includes fixed term accounts engaged by Telefónica, S.A. with several bank entities amounting to 751 million euros.

"Short-term deposits and guarantees" at June 30, 2026 includes 465 million euros associated with collateral guarantees of Telefónica, S.A., classified as current according to the maturity of the underlying derivative instruments to which they relate (144 million euros at December 31, 2025).

As of June 30, 2026, there were investments in financial instruments to cover commitments undertaken by the Group's insurance companies amounting to 369 million euros (333 million euros at December 31, 2025) of which 332 million euros (41 million euros at December 31, 2025) are classified in "Other current financial assets" and 37 million euros (292 million euros at December 31, 2025) are classified in "Credits and other financial assets", see Note 10 .

Note 14. Breakdown of financial assets by category

The breakdown of financial assets of the Telefónica Group at June 30, 2026 and December 31, 2025 is as follows:

June 30, 2026

	Fair value through profit or loss		Fair value through other comprehensive income			Measurement hierarchy (*)					
Millions of euros	**Held for trading**	**Fair value option**	**Debt instru-ments**	**Equity instrum ents**	**Hedges**	**Level 1**	**Level 2**	**Level 3**	**Amor-tized cost**	**Total carrying amount**	**Total fair value**
Non-current financial assets (Note 10)	**250**	**—**	**183**	**118**	**1,774**	**177**	**2,146**	**2**	**2,158**	**4,483**	**4,483**
Investments	84	—	—	118	—	117	82	2	—	202	202
Credits and other financial assets	60	—	—	—	—	60	—	—	770	830	830
Deposits and guarantees	—	—	—	—	—	—	—	—	564	564	564
Derivative instruments (Note 17)	106	—	—	—	1,774	—	1,880	—	—	1,880	1,880
Trade receivables	—	—	183	—	—	—	183	—	831	1,014	991
Trade receivables for subleases	—	—	—	—	—	—	—	—	15	15	15
Impairment of trade receivables	—	—	—	—	—	—	—	—	(23)	(23)	—
Current financial assets	**401**	**—**	**714**	**—**	**228**	**351**	**983**	**9**	**12,428**	**13,771**	**13,771**
Trade receivables (Note 12)	—	—	714	—	—	—	714	—	6,605	7,319	6,466
Impairment of trade receivables (Note 12)	—	—	—	—	—	—	—	—	(853)	(853)	—
Other current financial assets (Note 13)	401	—	—	—	228	351	269	9	1,527	2,156	2,156
Cash and cash equivalents	—	—	—	—	—	—	—	—	5,149	5,149	5,149
Total	**651**	**—**	**897**	**118**	**2,002**	**528**	**3,128**	**11**	**14,586**	**18,254**	**18,254**

(*) Level 1: Quoted prices; Level 2: Other directly observable market inputs; Level 3: Inputs not based on observable market data.

At June 30, 2026, there were deposits related to the collateral guarantees (CSA) on derivatives signed by Telefónica, S.A. and its counterparties for the credit risk management of derivatives amounting to 492 million euros, of which an amount of 179 million euros corresponds to cross currency swap (453 million euros of which an amount of 228 million euros corresponds to cross currency swap at December 31, 2025).

In addition, 44,558 bonds issued by Telefónica Emisiones, S.A.U. are deposited in a securities account of Telefónica S.A. linked to these collateral contracts as guarantee for a nominal amount of 39 million euros (60,328 bonds for a nominal amount of 51 million euros at December 31, 2025).

The calculation of the fair values of the Telefónica Group's debt instruments required an estimate, for each currency and counterparty, of a credit spread curve using the prices of the Group's bonds and credit derivatives.

December 31, 2025

	Fair value through profit or loss		Fair value through other comprehensive income			Measurement hierarchy (*)					
Millions of euros	**Held for trading**	**Fair value option**	**Debt instru-ments**	**Equity instru-ments**	**Hedges**	**Level 1**	**Level 2**	**Level 3**	**Amor-tized cost**	**Total carrying amount**	**Total fair value**
Non-current financial assets (Note 10)	**492**	**—**	**198**	**139**	**1,796**	**391**	**2,226**	**8**	**2,489**	**5,114**	**5,114**
Investments	47	—	—	139	—	77	109	—	—	186	186
Credits and other financial assets	322	—	—	—	—	314	—	8	846	1,168	1,168
Deposits and guarantees	—	—	—	—	—	—	—	—	876	876	876
Derivative instruments (Note 17)	123	—	—	—	1,796	—	1,919	—	—	1,919	1,919
Trade receivables	—	—	198	—	—	—	198	—	874	1,072	956
Trade receivables for subleases	—	—	—	—	—	—	—	—	9	9	9
Impairment of trade receivables	—	—	—	—	—	—	—	—	(116)	(116)	—
Current financial assets	**171**	**—**	**955**	**—**	**176**	**60**	**1,242**	**—**	**13,319**	**14,621**	**14,621**
Trade receivables (Note 12)	—	—	955	—	—	—	955	—	7,365	8,320	7,187
Impairment of trade receivables (Note 12)	—	—	—	—	—	—	—	—	(1,133)	(1,133)	—
Other current financial assets (Note 13)	171	—	—	—	176	60	287	—	523	870	870
Cash and cash equivalents	—	—	—	—	—	—	—	—	6,564	6,564	6,564
Total	**663**	**—**	**1,153**	**139**	**1,972**	**451**	**3,468**	**8**	**15,808**	**19,735**	**19,735**

(*) Level 1: Quoted prices; Level 2: Other directly observable market inputs; Level 3: Inputs not based on observable market data.

Note 15. Changes in equity and shareholder remuneration

Share Capital

At June 30, 2026, Telefónica, S.A.´s share capital amounted to 5,670,161,554 euros and is divided into 5,670,161,554 common shares, of a single series and with a par value of one euro each, fully paid in. No changes were recorded compared with December 31, 2025. All the shares of the Company have the same characteristics and carry the same rights and obligations.

The shares of Telefónica, S.A. are represented by book entries that are listed on the Spanish Electronic Market (within the selective Ibex 35 index) and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao), as well as on the Lima Stock Exchange (in that latter through American Depositary Shares (ADSs), with each ADS representing one share of the Company).

In December 2025, Telefónica, S.A. announced its intention to initiate the procedure for the voluntary delisting of its ADSs from the New York Stock Exchange, a process that became effective in January 2026. The Company also intends to request the voluntary delisting of its ADSs from the Lima Stock Exchange.

Dividends

Approval was given at the General Shareholders' Meeting of March 26, 2026 to pay a dividend in cash charge to unrestricted reserves amounting to 0.15 euros.

On June 18, 2026 such cash payment of 0.15 euros per share was made, for a total amount of 844 million euros.

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

On June 19, 2025, a payment of 0.15 euros in cash per share was made, for a total amount of 846 million euros, and on December 18, 2025, the payment of 0.15 euros per share was made for a total amount of 844 million euros.

Other equity instruments

The characteristics of the undated deeply subordinated securities are the following (millions of euros):

Issue date	Annual Fix	Variable	Exercisable from issuer	12/31/2025	Tender Offer	Amount repurchased	Amortization	06/30/2026
01/19/2026	4.881%	from 04/19/2034 rate SWAP + spread incremental	2034					850
01/19/2026	4.381%	from 04/19/2031 rate SWAP + spread incremental	2031					900
09/18/2024	6.750%	from 09/07/2031 rate SWAP + spread incremental	2031	200				200
03/15/2024	5.752%	from 04/15/2032 rate SWAP + spread incremental	2032	1,100				1,100
09/07/2023	6.750%	from 09/07/2031 rate SWAP + spread incremental	2031	750				750
02/02/2023	6.135%	from 05/03/2030 rate SWAP + spread incremental	2030	1,000				1,000
11/23/2022	7.125%	from 11/23/2028 rate SWAP + spread incremental	2028	750	750	(652.5)	(97.5)	–
11/24/2021	2.880%	from 05/24/2028 rate SWAP + spread incremental	2028	750				750
02/12/2021	2.376%	from 05/12/2029 rate SWAP + spread incremental	2029	1,000				1,000
02/05/2020	2.502%	from 05/05/2027 rate SWAP + spread incremental	2027	500	500			500
09/24/2019	2.875%	from 09/24/2027 rate SWAP + spread incremental	2027	500				500
03/22/2018	3.875%	from 09/22/2026 rate SWAP + spread incremental	2026	1,000	1,000	(885)	(115)	–
				7,550		**(1,537.5)**	**(212.5)**	**7,550**

In January 2026, Telefónica Emisiones, S.A.U., carried out several transactions involving its hybrid capital: a new issuance for 900 million euros and another for 850 million euros, guaranteed by Telefónica, S.A.

Likewise, Telefónica Europe, B.V. made a tender offer for several euro-denominated hybrid bond issues, with first maturity dates in September 2026, May 2027, and November 2028. The issuer accepted the cash purchase of part of the bonds with first maturity dates in September 2026 and November 2028 for an aggregate nominal amount of 1.75 billion euros.

In the first half of 2026, the payment of the coupons related to the undated deeply subordinated securities issued in previous years, impacted by the tender offer, amounted to an aggregate amount, net of tax effect, of 200 million euros, with a balancing entry on “Retained earnings” in the consolidated statements of changes in equity (139 million euros in the first half of 2025).

Translation differences

The breakdown of the accumulated contribution of translation differences attributable to equity holders of the parent at the end of the indicated period is as follows:

Millions of euros	06/30/2026	12/31/2025
Brazilian real	(15,139)	(16,169)
Bolivar fuerte	(3,240)	(3,326)
Chilean peso	(6)	(690)
Mexican peso	(338)	(364)
Colombian peso	(2)	87
Sterling pound	(14)	(107)
Other currencies	(26)	(43)
Total Group	**(18,765)**	**(20,612)**

As a result of the sales of Colombia Telecomunicaciones and Telefónica Móviles Chile (see Note 2), positive translation differences amounting to 90 million euros and negative translation differences amounting to 686 million euros, respectively, were recycled to the income statement in the first half of 2026.

Treasury shares

The following transactions involving treasury shares were carried out in the six months ended June 30, 2026 and 2025:

	Number of shares
Treasury shares at 12/31/2025	**39,762,042**
Acquisitions	10,674,358
Employees share option plan	(3,880,099)
Sales	(4,649,145)
Treasury shares at 06/30/2026	**41,907,156**

	Number of shares
Treasury shares at 12/31/2024	**26,874,751**
Acquisitions	14,262,159
Employees share option plan	(8,352,110)
Sales	(541,596)
Treasury shares at 06/30/2025	**32,243,204**

There were treasury shares purchases in the first half of 2026 amounting to 37 million euros (57 million euros in the first half of 2025).

Treasury shares in portfolio at June 30, 2026 are directly held by Telefónica, S.A. and represent 0.739% of its share capital.

The Company also has different derivative instruments, to be settled by offset, on a nominal value equivalent to 146 million of Telefónica shares, recorded in the statement of financial position at June 30, 2026 in accordance with their maturity date and fair value (173 million shares at June 30, 2025).

Equity attributable to non-controlling interests

“Equity attributable to non-controlling interests” represents the share of non-controlling interests in the equity and income or loss for the year of fully consolidated Group companies. The movements in the six months ended June 30, 2026 and 2025 are as follows:

Millions of euros	Balance at 12/31/2025	Additions (capital contributions, sales to minority interests and inclusion of companies)	Disposals (return of capital contributions, acquisition of minority interests and exclusion of companies)	Dividends paid	Profit/ (loss) for the period	Change in translation differences	Other movements	Balance at 06/30/2026
Telefônica Brasil, S.A.	2,670	—	(144)	(64)	106	262	1	2,831
Telefónica Deutschland Holding, A.G.	228	—	—	—	(7)	—	(3)	218
Colombia Telecomunicaciones, S.A., ESP (Note 2)	193	—	(184)	—	(9)	—	—	—
Compañía Mayorista de Fibra, S.L.	437	116	(21)		11		—	543
Other	22	—	(5)	—	31	3	(3)	48
Total	**3,550**	**116**	**(354)**	**(64)**	**132**	**265**	**(5)**	**3,640**

Millions of euros	Balance at 12/31/2024	Additions (capital contributions, sales to minority interests and inclusion of companies)	Disposals (return of capital contributions, acquisition of minority interests and exclusion of companies)	Dividends paid	Profit/ (loss) for the period	Change in translation differences	Other movements	Balance at 06/30/2025
Telefônica Brasil, S.A.	2,834	—	(226)	(49)	86	91	(1)	2,735
Telefónica Deutschland Holding, A.G.	224	—	—	—	5	—	—	229
Colombia Telecomunicaciones, S.A., ESP	297	—	—	—	(53)	(11)	2	235
Compañía Mayorista de Fibra, S.L.	—	424			6			430
Other	47	—	(1)	—	25	(19)	10	62
Total	**3,402**	**424**	**(227)**	**(49)**	**69**	**61**	**11**	**3,691**

Telefônica Brasil capital reduction

On May 14, 2026, a capital reduction of 4,000 million reais was implemented, maintaining the number of shares issued and the shareholders' percentage of ownership in the Company's share capital. The amount resulting from the reduction was paid on July 14, 2026.

The impact of this transaction in the first half of 2026 resulted in a decrease in net equity attributable to minority interests of 152 million euros.

Agreements between Telefónica España Filiales, Vodafone ONO and AXA related to Wholesale Fiber Company

On November 7, 2024, Telefónica, through its subsidiary Telefónica España Filiales, S.A.U., and Vodafone ONO, S.A.U. ("Vodafone España"), formalized an agreement to establish a joint company, Compañía Mayorista de Fibra, S.L. The primary corporate purpose of the Company is the wholesale commercialization of a fiber-to-the-home (FTTH) network for the benefit of its shareholders.

The company began operations on March 1, 2025, after obtaining the necessary regulatory approvals and fulfilling the remaining agreed-upon conditions. The share capital is held 63% by the Telefónica Group and 37% by Vodafone España..

The impact of this transaction in the first half of 2025 was an increase of 52 million euros in the equity attributable to equity holders of the parent company, and an increase of 424 million euros in the equity attributed to non-controlling interests, corresponding to the incorporation of the company for an amount of 542 million euros and the return of share premium for an amount of 118 million euros (see Note 25).

On November 24, 2025, AXA, Vodafone Spain and Telefónica España signed a binding agreement under which AXA would acquire a 40% stake in Compañía Mayorista de Fibra, S.L.

On March 5, 2026, after obtaining regulatory approvals, a capital contribution was carried out in the company and a transfer of shares, resulting in the final ownership structure as follows: Telefónica 55% (maintaining control, with Telefónica Spain 30% and T. Infra 25%), Vodafone Spain 5% and AXA 40%. The amount received from the sale of the 8% stake amounted to 99 million euros (see Note 25).

The impact of this transaction in the first half of 2026 has resulted in an increase in net equity attributable to non-controlling interests amounting to 116 million euros.

Note 16. Financial liabilities

The composition of issues, loans and other payables, and derivative instruments, by category at June 30, 2026 and December 31, 2025 is as follows:

June 30, 2026

	Fair value through profit or loss			Measurement hierarchy (1)					
Millions of euros	Held for trading	Fair value option	Hedges	Level 1	Level 2	Level 3	Liabilities at amortized cost	Total carrying amount	Total fair value
Issues	–	–	–	–	–	–	29,208	29,208	28,397
Loans and other payables	–	–	–	–	–	–	2,469	2,469	2,511
Derivative instruments (Note 17)	524	–	1,570	–	2,094	–	–	2,094	2,094
Total	**524**	**–**	**1,570**	**–**	**2,094**	**–**	**31,677**	**33,771**	**33,003**

(1) Level 1; Quoted prices; Level 2: Other directly observable market inputs; Level 3: inputs not based on observable market data.

December 31, 2025

	Fair value through profit or loss			Measurement hierarchy (1)					
Millions of euros	Held for trading	Fair value option	Hedges	Level 1	Level 2	Level 3	Liabilities at amortized cost	Total carrying amount	Total fair value
Issues	–	–	–	–	–	–	29,331	29,331	28,296
Loans and other payables	–	–	–	–	–	–	2,740	2,740	2,778
Derivative instruments (Note 17)	436	–	1,831	–	2,268	–	–	2,268	2,268
Total	**436**	**—**	**1,831**	**—**	**2,268**	**—**	**32,071**	**34,339**	**33,342**

(1) Level 1; Quoted prices; Level 2: Other directly observable market inputs; Level 3: inputs not based on observable market data.

Part of the amount owed by the Telefónica Group includes adjustments to amortized cost at June 30, 2026 and December 31, 2025 as a result of fair value interest rate and exchange rate hedges.

The valuation techniques and the variables used for the fair value measurement of financial instruments are the same as those used for the elaboration of the annual consolidated financial statements for 2025.

Net financial debt as of June 30, 2026 includes a positive value of the derivatives portfolio (see Note 17) for a net amount of 47 million euros (70 million euros of negative value at December 31, 2025). In this amount, a negative value of 177 million euros is due to hedges (cross currency swaps) to transfer financial debt issued in foreign currency to local currency (a positive value of 417 million euros at December 31, 2025).

The heading "Financed operating payments and investments in property, plant and equipment and intangible assets payments", in the "Net cash used in financing activities" flow of the consolidated statement of cash flow (see Note 25) amounted to 108 million euros corresponding mainly to financed spectrum licenses (31 million euros in the first half of 2025).

As of June 30, 2026, the Telefónica Group presented undrawn committed credit facilities arranged with banks for an amount of 10,098 million euros (of which 9,765 million euros maturing in more than twelve months).

The description of the main issues or redemptions in the first half of 2026 is as follows (in millions):

Issuer	ISIN Code	Issue / Redemption	Type of security	Transaction date	Nominal amount (million)	Issue currency	Equivalent (million euros)	Interest rate	Listing Market
Telefónica Emisiones, S.A.U.	XS3285006634	Issue	Green Bond	02/02/26	1,000	EUR	1,000	3.707 %	Dublin
Telefónica Emisiones, S.A.U.	CH1504033684	Issue	Bond	02/03/26	170	CHF	184	1.508 %	Switzerland
Telefónica Emisiones, S.A.U.	XS3388349188	Issue	Bond	05/27/26	750	EUR	750	4.353 %	Dublin
Telefónica Emisiones, S.A.U.	AU3CB0336857	Issue	Bond	06/30/26	300	AUD	181	5.962 %	Australia
Telefónica Emisiones, S.A.U.	AU3CB0336865	Issue	Bond	06/30/26	400	AUD	242	6.552 %	Australia
Telefónica Emisiones, S.A.U.	XS0241945582	Redemption	Bond	02/02/26	(500)	GBP	(578)	5.375 %	Dublin
Telefónica Emisiones, S.A.U.	XS1394764689	Redemption	Bond	04/13/26	(1,279)	EUR	(1,279)	1.460 %	Dublin
Telefónica Europe, B.V.	various	Issue	Commercial Paper	various	1,600	EUR	1,600	2.419 %	n/a
Telefónica Europe, B.V.	various	Redemption	Commercial Paper	various	(1,788)	EUR	(1,788)	2.418 %	n/a

Telefónica, S.A. has a full and unconditional guarantee on issues made by Telefónica Emisiones, S.A.U. and Telefónica Europe, B.V.

Interest-bearing debt arranged in the first half of 2026 includes mainly the following:

Description	Limit (*) 06/30/2026 (million euros)	Currency	Outstanding balance 06/30/2026 (million euros)	Arrangement date	Maturity date	Drawndown January-June 2026 (million euros)	Repayment January-June 2026 (million euros)
Telefónica, S.A.							
Sustainable syndicated (1)	5,500	EUR	—	01/13/26	01/13/31	—	—
Compañía Mayorista de Fibra, S.L. (Fiberpass)							
Sustainable syndicated (2)	300	EUR	270	11/25/25	03/02/31	270	—

(1) On January 13, 2026, in accordance with the terms of Telefónica, S.A.'s sustainability-linked syndicated credit facility, for up to 5,500 million euros, as amended on January 13, 2025, the first extension option was exercised, subject to the consent of all creditors. The new maturity date is January 13, 2031
(2) On November 25, 2025, Compañía Mayorista de Fibra S.L. (Fiberpass) entered into a 300 million euros syndicated facility agreement, maturing in 2031, in connection with AXA IM Alts' acquisition of a 40% interest in Fiberpass from Vodafone Spain and Telefónica Spain. The facility became available on March 2, 2026, upon receipt of the required regulatory approvals and fulfilment of all conditions precedent. On that date, the company drew down 270 million euros of this facility.
(*) Undrawn limit

Note 17. Derivative financial instruments

The net position of the derivatives contracted by the Group at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Non-current asset derivatives (Note 10)	1,880	1,919
Current asset derivatives (Note 13)	261	279
Non-current liability derivatives (Note 16)	(1,514)	(1,995)
Current liability derivatives (Note 16)	(580)	(273)
Net asset (liability) position	**47**	**(70)**

The variation in the first half of 2026 represents an increase of 117 million euros in net assets due to the appreciation of the USD against the EUR, which is partially offset by the movements in the interest rate curves of both the EUR and the USD. Both interest rate variations and exchange rate variations on fair value hedges are mostly offset by a similar and opposite impact on hedge accounting of the issuances and loans in dollar and euro currency of the Telefónica Group.

Note 18. Payables and other non-current liabilities

The breakdown of "Payables and other non-current liabilities" of the Telefónica Group at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Payables	**1,968**	**1,811**
Debt for spectrum acquisition	888	950
Payables to associates and joint ventures (Note 8)	656	603
Trade payables	73	86
Other payables	351	172
Other non-current liabilities	**2,422**	**2,101**
Contractual liabilities	884	878
Deferred revenue	122	115
Non-current tax payables	1,416	1,108
Total	**4,390**	**3,912**

"Debt for spectrum acquisition" as of June 30, 2026 and December 31, 2025, is detailed below:

Millions of euros	06/30/2026	12/31/2025
Telefónica Spain	58	58
Telefónica Brazil	213	185
Telefónica Germany	617	708
Total	**888**	**950**

"Other payables" as of June 30, 2026 includes the advance payment received from the Ministerio de Industria in the amount of 155 million euros, associated with the Multidisciplinary Connectivity project (MC3) awarded to the UTE PEM-MC3, in which Telefónica and Indra hold participations.

"Non-current tax payables" mainly includes the account payable by Telefónica Brasil regarding the rate of the Telecommunications Inspection Fund (Fistel) that jointly with the financial interest accrued amounted to 1,245 million euros (7,341 million Brazilian Reais) at June 30, 2026 (950 million euros, 6,148 million Brazilian Reais at December 31, 2025).

Note 19. Payables and other current liabilities

The breakdown of "Payables and other current liabilities" at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Payables	**9,968**	**11,177**
Trade payables	5,608	6,490
Payables to suppliers of property, plant and equipment	1,799	2,234
Debt for spectrum acquisition	201	200
Other payables	1,270	1,324
Dividends pending payment	252	139
Payables to associates and joint ventures (Note 8)	839	790
Other current liabilities	**1,782**	**1,765**
Contractual liabilities	901	971
Deferred revenue	155	128
Advances received	543	511
Short-term insurance and reinsurance contracts liabilities	159	137
Short-term insurance and reinsurance contracts liabilities and other liabilities to associates and joint ventures (Note 8)	25	18
Total	**11,751**	**12,942**

"Debt for spectrum acquisition" as of June 30, 2026 and December 31, 2025, is detailed below:

Millions of euros	06/30/2026	12/31/2025
Telefónica Germany	182	183
Telefónica Brazil	12	11
Telefónica Spain	7	7
Total	**201**	**200**

In the first half of 2025, Telefónica Brasil carried out a 40-to-1 reverse stock split followed by a 1-to-80 forward stock split, without changing the company's share capital. The remaining share fractions were consolidated into shares and sold at auction. The auction proceeds were made available to the holders of the share fractions. As of June 30, 2026, 140 million euros remains available to unidentified shareholders or those with incomplete registration data, classified under Other payables in the table above (129 million euros at December 31, 2025). The amounts will be held by Telefónica Brasil, within the legal timeframe, for collection by the respective holder upon submission of complete registration information.

Note 20. Provisions

The detail of provisions at June 30, 2026 and December 31, 2025 is as follows:

	06/30/2026			12/31/2025		
Millions of euros	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Employee benefits	**1,548**	**4,912**	**6,460**	**1,417**	**5,359**	**6,776**
Termination plans	905	3,056	3,961	716	3,215	3,931
Post-employment defined benefit plans	5	283	288	4	277	281
Other benefits	637	1,573	2,211	697	1,867	2,564
Desmantling of assets	**8**	**365**	**373**	**8**	**352**	**360**
Other provisions	**596**	**1,387**	**1,984**	**474**	**1,467**	**1,940**
Total	**2,152**	**6,665**	**8,817**	**1,899**	**7,178**	**9,077**

Employee benefit provisions

The movement in employee benefit provisions in the first half of 2026 is as follows:

Employee benefits	Millions of euros
Balance at 12/31/2025	**6,776**
Additions	276
Retirements/amount applied	(622)
Transfers and others	(26)
Translation differences, inflation adjustments and accretion	56
Balance at 06/30/2026	**6,460**

Additions for the period mainly include the provision recorded for the Telefónica Germany transformation program in the amount of 265 million euros (see Note 2).

Telefónica Brazil

Telefônica Brasil, S.A. and its subsidiaries are party to administrative and judicial proceedings and labor, tax, civil and regulatory claims filed in different courts. The Telefónica Group management, based on the opinion of its legal counsel, recognized provisions for proceedings for which an unfavorable outcome is considered likely.

The balance of these provisions at June 30, 2026 and December 31, 2025 is shown in the following table:

Millions of euros	06/30/2026	12/31/2025
Tax proceedings	336	325
Regulatory proceedings	185	166
Labor claims	170	151
Civil proceedings	269	222
Provision for fines for canceling lease agreements	5	6
Total	**965**	**870**

The detail of provisions for tax proceedings by nature of risk is as follows:

Millions of euros	06/30/2026	12/31/2025
Federal taxes	138	129
State taxes	70	77
Municipal taxes	8	21
FUST	120	98
Total	**336**	**325**

Group management and legal counsel understand that losses are possible from tax contingencies in federal, state, municipal and other taxes for an aggregated amount of 52,558 million Brazilian reals (8,911 million euros) as of June 30, 2026 (51,086 million Brazilian reals, 7,897 million euros as of December 31, 2025).

With regard to regulatory proceedings, Telefónica Brazil is party to administrative proceedings against Agencia Nacional de Telecomunicações (ANATEL) based on an alleged failure to meet sector regulations and judicial proceedings to contest sanctions applied by ANATEL at the administrative level. Consolidated provisions totaled 1,093 million Brazilian reals (185 million euros) at June 30, 2026 (1,074 million Brazilian reals, 166 million euros at December 31, 2025).

Group management and legal counsel understand that losses are possible from regulatory contingencies amounting to 3,343 million Brazilian reals (567 million euros) at June 30, 2026 (3,238 million Brazilian reals, 501 million euros at December 31, 2025).

In addition, Group management and legal counsel understand that losses are possible from civil proceedings, amounting to 320 million euros at June 30, 2026 (281 million euros at December 31, 2025).

In some situations, in connection with a legal requirement or presentation of guarantees, judicial deposits are made to secure the continuance of the claims under discussion. The judicial deposits by nature of risk at June 30, 2026 and December 31, 2025 are as follows:

Millions of euros	06/30/2026	12/31/2025
Tax proceedings	298	263
Labor claims	7	7
Civil proceedings	165	144
Regulatory proceedings	43	41
Garnishments	3	3
Total	**516**	**458**
Current	25	17
Non-current	491	442

Note 21. Leases

The movement of rights of use in the first half of 2026 and 2025 is as follows:

Millions of euros	Rights of use
Balance at 12/31/2025	**7,441**
Additions (*)	1,732
Amortization (*)	(1,007)
Disposals	(41)
Sale of companies	(317)
Translation differences and hyperinflation	213
Transfers and others	(101)
Balance at 06/30/2026	**7,920**

(*) Additions for the period include those corresponding to Telefónica Móviles México until its classification as a disposal group held for sale. Amortizations for the period also include those corresponding to Telefónica Móviles Chile until its sale date. Excluding the impact of these companies, additions to rights of use amounted to 1,728 million euros (see Note 4) and amortization amounted to 986 million euros (see Note 2).

"Additions" of rights of use by segment are detailed in Note 4.

On February 18, 2026, Telefónica Móviles de España, S.A.U. and American Tower España, S.L. formalized the first extension of the Master Service Agreement for a period of five years. As a result of the accounting recognition of this extension, additions to the right of use and liabilities for leases were generated in the first half of 2026 for an amount of 924 million euros.

"Sale of companies" in the first half of 2026 corresponds to the disposal of rights of use from Telefónica Móviles Chile which amounted to 317 million euros (see Note 2).

"Transfers and others" in the first half of 2026 includes the reclassifications of rights of use of Telefónica Móviles México to "Non-current assets and disposal groups held for sale" in the statement of financial position, amounting to 102 million euros (see notes 2 and 27).

The detail by nature of the rights of use at June 30, 2026 and December 31, 2025 is as follows:

Millions of euros	06/30/2026	12/31/2025
Rights of use on land and natural properties	342	414
Rights of use on buildings	4,143	3,678
Rights of use on plant and machinery	3,293	3,109
Other rights of use	142	240
Total	**7,920**	**7,441**

The movement of lease liabilities in the first half of 2026 is as follows:

Millions of euros	Lease liabilities
Balance at 12/31/2025	**7,582**
Additions	1,690
Principal and interests payments	(1,304)
Principal payments (Note 25)	(1,068)
Interest payments (*)	(222)
Less: payments from companies held for sale during the first half of 2026	(14)
Disposals	(22)
Sale of companies	(363)
Accrued interests (*)	223
Translation differences and hyperinflation	241
Transfers and others	(124)
Balance at 06/30/2026	**7,923**

(*) Accrued interest for the period includes interest accrued from T. Móviles México until their reclassification to liabilities associated with non-current assets and disposal groups held for sale. Excluding the impact of these company, financial expenses on lease liabilities amounted to 220 million euros (see Note 2).

"Sale of companies" in the first half of 2026 corresponds mainly to the disposal of lease liabilities from Telefónica Móviles Chile, which amounted to 363 million euros (see Note 2).

"Transfers and others" in the first half of 2026 includes the reclassifications of lease liabilities of Telefónica Móviles México to "Liabilities associated with non-current assets and disposal groups held for sale" in the statement of financial position, amounting to 108 million euros, (see notes 2 and 27).

Note 22. Average number of Group employees

The average number of Group employees in the first six months of 2026 and 2025 is as follows:

Average number of employees	January - June 2026	January - June 2025
Males	47,243	55,279
Females	27,184	36,917
Total	**74,427**	**92,196**
Employees from continuing operations	71,000	73,524
Employees from discontinued operations	3,427	18,672

The calculation of the average number of employees for the first half of 2026 includes Telefónica Móviles Chile and Colombia Telecomunicaciones up to the date of their sale (see Note 2).

Telefónica Móviles México is presented as discontinued operations in these interim financial statements (see Note 27).

Note 23. Other income and Other expenses

Other income

The breakdown of “Other income” is as follows:

Millions of euros	January - June 2026	January - June 2025 (*)
Own work capitalized	397	381
Gain on disposal of businesses	—	97
Gain on disposal of property, plant and equipment	71	53
Gain on disposal of intangible assets	2	—
Government grants	20	18
Other operating income	109	92
Total	**598**	**642**

(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México among other smaller companies based in Hispanoamérica, as discontinued operations (See Note 27).

In the first half of 2025, the "Gain on disposal of businesses" included the capital gain from the sale of T. Infra's 20% stake in Nabiax amounting to 95 million euros.

Other expenses

The breakdown of “Other expenses” is as follows:

Millions of euros	January - June 2026	January - June 2025 (*)
Leases included in "Other expenses" (1)	30	27
External services	2,815	2,867
Taxes other than income tax	300	271
Impairment of trade receivables (Note 12)	230	218
Losses on disposal of fixed assets and changes in provisions for fixed assets	10	6
Other operating expenses	82	75
Total	**3,467**	**3,465**

(1) In accordance with IFRS 16, only short term leases and leases of low-value or intangible assets are included.
(*) Revised data to reflect the results of Telefónica Móviles Chile, Colombia Telecomunicaciones and Telefónica Móviles México among other smaller companies based in Hispanoamérica, as discontinued operations (See Note 27).

Note 24. Income tax matters

Deferred tax assets

Deferred tax assets in the accompanying consolidated statements of financial position include the tax loss carryforwards, unused tax credits recognized and deductible temporary differences recognized at the end of the reporting period.

Millions of euros	06/30/2026	12/31/2025
Tax credits for loss carryforwards	1,702	2,174
Unused tax deductions	749	742
Deferred tax assets for temporary differences	2,754	3,096
Total deferred tax assets	**5,204**	**6,012**

Tax payables and receivables

Current tax payables and receivables at June 30, 2026 and December 31, 2025 are as follows:

Millions of euros	06/30/2026	12/31/2025
Current income taxes payable	82	76
Indirect taxes payable	463	461
Other current income taxes payable	400	413
Total	**944**	**950**

Millions of euros	06/30/2026	12/31/2025
Current income taxes receivable	889	222
Indirect taxes receivable	585	548
Other current income taxes receivable	134	97
Total	**1,607**	**867**

Tax group in Spain

In relation to the information on ongoing actions and procedures included in Note 25 of the consolidated financial statements for the year ended December 31, 2025, the relevant events that occurred from that date until the preparation of these interim financial statements are detailed below:

Tax deductibility of financial goodwill in Spain

The Tax and Customs Control Department of the Spanish Tax Authorities, in execution of the obligation established under European Commission Decision (EU) 2015/314, had recovered the tax benefits related to the financial goodwill amortisation arising from the indirect acquisition of non-resident companies for the years 2005 to 2020. All assessments issued had been appealed before the Spanish courts.

On 28 May 2026, the Spanish National Court (Audiencia Nacional) issued a favourable judgment with respect to the fiscal years 2005 to 2015, considering the assessments null and void and recognising the Company's right to recover the amounts unduly paid.

Following the favourable judgment issued by the Spanish National Court, the Group recognised a receivable of 461 million euros as of 30 June 2026. In this context, deferred tax assets of 334 million euros were utilised and a positive impact of 127 million euros was recognised as income tax expense for the first half of 2026.

As of 30 June 2026, the judgment had not yet become final. However, in the opinion of the Company and its legal advisers, following the Tax Administration's acquiescence, the only viable appeal was the one relating to the late-payment interest. Accordingly, uncertainties remained solely in respect of that matter. Consequently, as of 30 June 2026, the conditions required to conclude that the inflow of economic benefits associated with such interest was virtually certain had not been met and, therefore, no asset has been recognised in this respect.

Note 25. Cash flow detail

As explained in Note 2, the cash flows of Telefónica Móviles Chile, Colombia Telecomunicaciones, and Telefónica Móviles México are presented as discontinued operations. Details of the cash flows from the discontinued operations are shown in Note 27.

Net cash flow provided by operating activities

The detail of net cash flow provided by operating activities is the following:

Millions of euros	January - June 2026	January - June 2025
Cash received from operations	**20,506**	**19,992**
Cash paid from operations	**(15,440)**	**(14,366)**
Cash paid to suppliers and other operating payments	(12,955)	(11,958)
Cash paid to employees	(1,891)	(1,909)
Payments of commitments related to employee benefits	(594)	(499)
Net payments of interest and other financial expenses net of dividends received	**(823)**	**(733)**
Net interest and other financial expenses paid	(837)	(763)
Dividends received	14	30
Taxes (payments)/proceeds	**(248)**	**(254)**
Net cash flow by operating activities from continuing operations	3,995	4,639
Net cash flow by operating activities from discontinued operations	(400)	(257)
Net cash flow provided by operating activities	**3,595**	**4,382**

Net cash flow used in investing activities

The following is a detail of the items comprising the net cash flow used in investing activities.

Millions of euros	January - June 2026	January - June 2025
Proceeds from the sale of property, plant and equipment and intangible assets	211	233
Payments on investments in property, plant and equipment and intangible assets	(2,471)	(2,690)
(Payments on investments)/proceeds from the sale in property, plant and equipment and intangible assets, net	**(2,260)**	**(2,457)**

In the first half of 2026 there were no payments for non-financed spectrum (50 million euros in the first half of 2025).

Millions of euros	January - June 2026	January - June 2025
Sale of Telefónica Móviles Argentina (Note 2)	—	897
Sale of Telefónica del Perú (Note 2)	(2)	(323)
Sale of stake in Nabiax	—	156
Sale of Colombia Telecomunicaciones (Note 2)	101	—
Sale of Telefónica Móviles Chile (Note 2)	53	—
Sale of Pangeaco (Note 27)	51	—
Sale of Compañía Mayorista de Fibra, S.L. stake (Note 15)	99	—
Others	(37)	(2)
Proceeds / (payments) on disposals of companies, net of cash and cash equivalents disposed	**266**	**728**
Share capital increase UGG TopCo (Note 8)	(83)	(65)
Share capital increase Nexfibre (Note 8)	(9)	(30)
Purchase of Altim Tecnologías de la Información (Appendix I)	(30)	—
Others	(11)	(23)
Payments on investments in companies, net of cash and cash equivalents acquired	**(133)**	**(118)**

Millions of euros	January - June 2026	January - June 2025
Collateral guarantees on derivatives	538	468
Legal deposits	9	4
Proceed of Onnet Fibra Chile debt (Note 8)	106	—
Others	50	93
Proceeds on financial investments not included under cash equivalents	**703**	**565**
Collateral guarantees on derivatives	(739)	(909)
Others	(62)	(111)
Payments on financial investments not included under cash equivalents	**(801)**	**(1,020)**

Net cash flow used in financing activities

The following is a detail of the items comprising the net cash flow used in financing activities.

Millions of euros	January - June 2026	January - June 2025
Dividends paid to the shareholders of Telefónica, S.A. (*)	(841)	(852)
Payments to non-controlling interests of Telefónica Brasil, S.A.	(101)	(79)
Dividends paid (Note 15)	**(942)**	**(931)**
Return of share premium of Compañía Mayorista de Fibra, S.L. (see Note 15)	(20)	(118)
Contribution of funds to Compañía Mayorista de Fibra, S.L.	17	—
Share capital decrease Telefónica Brasil, S.A.	(6)	(4)
(Payments)/proceeds from capital reduction/increase of non-controlling interests	**(10)**	**(122)**
Own shares purchase of Telefónica Brasil	—	(108)
Transactions with Telefónica, S.A.'s own shares (see Note 15)	(22)	(56)
(Payments)/proceeds of treasury shares and other operations with shareholders and with minority interests	**(22)**	**(164)**
Issuance of undated deeply subordinated securities	1,750	—
Acquisition of undated deeply subordinated securities	(1,750)	—
Payment of the coupon related to the issuances of undated deeply subordinated securities issued	(281)	(188)
Operations with other equity holders (see Note 15)	**(281)**	**(188)**

(*) This amount differs from that indicated in Note 15 because of withholding taxes deducted in the payment to certain shareholders in accordance with current legislation.

Millions of euros	January - June 2026	January - June 2025
Issued under the EMTN program of Telefónica Emisiones, S.A.U.	1,935	1,750
Australian dollar debt issuance program (see Note 16)	424	—
Proceeds on issue of debentures and bonds, and other debts	**2,359**	**1,750**
Disposal bilateral loans of Telefónica, S.A.	—	125
Syndicated disposal Compañía Mayorista de Fibra, S.L. (see Note 16)	270	—
New promissory note debt	—	300
Others	51	67
Proceeds on loans, borrowings and promissory notes	**321**	**492**
Repayments of debentures and bonds, and other debts	**(1,857)**	**(1,127)**
Amortization of financing of Telefónica, S.A.	(15)	(49)
Amortization of financing of Telefónica Germany	(50)	(83)
Syndicated provision of Bluevia Fibra S.L.	(40)	(45)
Amortization of promissory notes	(249)	(54)
Others	(138)	(333)
Repayments of loans, borrowings and promissory notes	**(492)**	**(565)**
Lease principal payments (Note 21)	**(1,068)**	**(1,009)**
Payments for investments in spectrum use licenses financed without explicit interest	(96)	(21)
Other financed operational payments	(12)	(10)
Financed operating payments and investments in property, plant and equipment and intangible assets payments (Note 16)	**(108)**	**(31)**

Note 26. Other information

Litigation

With regard to ongoing litigation, the main developments in litigation reported in Note 29.a) to the consolidated annual financial statements for the year ended December 31, 2025, from that date to the date of authorization for issue of these interim financial statements are as follows:

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

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

In relation with this litigation, on April 24, 2026 the judgment of the Supreme Court dismissing Telefónica's appeal was notified. On May 7, 2026, Telefónica filed a complaint before the Czech Constitutional Court against the referenced judgment, requesting its suspension.

On July 1, 2026, a notification was received by post informing that, on June 18, 2026, an Amsterdam Court issued a decision pursuant to Article 38 of Regulation (EC) No. 44/2001 concerning the recognition and enforcement in the Netherlands of the judgment that had been served on May 14, 2025. The aforementioned judgment may not be enforced until the expiry of the two-month period for lodging an appeal against the said decision of June 18, 2026.

On July 21, the Czech Constitutional Court dismissed the appeal filed by Telefónica on May 7, 2026.

At June 30, 2026, the amount in dispute was 2,481 million Czech korunas (approximately EUR 102 million at the exchange rate on that date).

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

In respect of this arbitration proceeding, after the decision adopted by the ad hoc Committee on January 9, 2026 on the suspension of the award, on February 19, 2026 Colombia submitted a request for reconsideration of said decision of the Committee, and on March 5 the ad hoc Committee issued a decision on the Colombia´s request for reconsideration.

On June 3 and 4, 2026 the hearing on annulment took place in Paris. The final decision is expected in the coming months.

Commitments

The main developments with regard to commitments and information reported in this connection in Note 29.c) to the consolidated annual financial statements for the year ended December 31, 2025, from that date to the date of authorization for issue of these interim financial statements, are as follows:

Commitments derived from the agreements reached for the acquisition of football (soccer) related rights between Telefónica (through its affiliate Telefónica Audiovisual Digital, S.L.U.) and LaLiga, UEFA and RFEF/ RTVE

On November 28, 2025, Telefónica was provisionally awarded exclusive broadcasting rights of 5 matches per matchday of "LaLiga", for pay television in the residential market, in Spain. Telefónica will have the 1st pick in 19 matchdays of each season, including "El Clásico" of the second round (Option D, Package D.1). The award includes 2027/2028, 2028/2029, 2029/2030, 2030/2031 and 2031/32 seasons. The award was made at a total amount of 2,636 million euros at an average price of 527 million euros for each season. The agreement between Telefónica and LaLiga was signed on June 23, 2026.

In relation to the agreement with LaLiga for the non-exclusive broadcasting of the LaLiga TV Bar Channel for the 2026/2027 season, the corresponding contract was signed on July 14, 2026, with the same minimum guaranteed consideration as in the previous two seasons (29 million euros).

On November 2, 2022, Telefónica was awarded by Real Federación Española de fútbol (RFEF) exclusive pay television rights of Copa del Rey Competiton and Supercopa de España for seasons 2022/2023, 2023/2024 and 2024/2025. Copa del Rey has been extended to 2025/2026 and 2026/2027 seasons through an agreement with RTVE which is pending of execution. Supercopa de España has also been renewed for seasons 2025/2026, 2026/2027 and 2027/2028 through an agreement with RFEF which was signed on April 17, 2026.

On November 20, 2025, Telefónica was awarded exclusive media rights of UEFA Champions League and UEFA Europa League, as well as UEFA Youth League, UEFA Europa Conference League and UEFA Super Cup, for the next cycle that includes seasons 2027/2028, 2028/2029, 2029/2030 and 2030/2031. The relevant agreements were signed on March 11, 2026.

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

In relation to the service agreements entered into within the framework of the joint venture established with Liberty Global in the United Kingdom, under the agreement signed during the first half of 2026, the initial service term for certain services provided by Telefónica Group entities to VMED O2 UK Limited has been extended through 31 December 2030.

Agreement reached by Telefónica España Filiales, Telefónica Infra and Vodafone ONO with AXA REIM for the sale of a stake of "Compañía Mayorista de Fibra, S.L. (Fiberpass)

On November 24, 2025, Telefónica España Filiales, and Vodafone España reached an agreement with an investment vehicle of Axa Real Estate Investment Managers SGP ("AXA REIM") called Porites Bidco, S.À R.L. ("BidCo"), whereby BidCo would acquire, upon closing of the transaction, a 40% stake in Fiberpass (through the purchase of 32% of Fiberpass to Vodafone España and a 8% of said company to Telefónica España Filiales).

Once the relevant regulatory authorizations were obtained, the closing of the transaction took place on March 5, 2026. Since its closing, Fiberpass's share capital has been divided between the Telefónica Group (55%), Vodafone Spain (5%), and AXA REIM (40%). The Telefónica Group's 55% stake is structured between Telefónica España Filiales (30%) and Telefónica Infra (25%), with Telefónica retaining control of Fiberpass.

Agreement reached by Telefónica Infra with ACS Group, Santander Bank and Sociedad Española para la Transformación Tecnológica, among others, to participate a Spanish Artificial Intelligence Gigafactory

On June 25, 2026, Telefónica Infra, a 100% affiliate of Telefónica, S.A. reached an agreement to incorporate Gigafactoría Española de Inteligencia Artificial, S.L. ("AIGF"), of which Telefónica Infra holds 15.67%, and so does AI Infrastructure Development, S.L., a 100% affiliate of ACS Group, and Banco Santander, S.A. Further, Sociedad Española para la Transformación Tecnológica, E.P.E. holds 47,99%, Multiverse Computing, S.L. holds 4% and Institut Catalá del Sól, E.P.E. holds 1% of stake.

The closing of the transaction and AIGF becoming operational is subject to certain closing conditions, including obtaining the relevant regulatory approvals.

Agreement reached by Telefónica Hispanoamérica for the sale of its stake in Pegaso PCS and in Celular de Telefonía (Telefónica México)

On April 7, 2026 Telefónica Hispanoamérica, S.A.U., reached an agreement for the sale to Melisa Acquisition, LLC, (a consortium led by OXIO Inc. and Newfoundland Capital Management) of all the shares Telefónica Hispanoamérica, S.A.U. holds in Pegaso PCS, S.A. de C.V. and Celular de Telefonía, S.A. de C.V. (both together "Telefónica México"), representing, directly and indirectly, 100% of the share capital of both companies, or a firm value of approximately 450 million US dollars (approximately 389 million euros at the exchange rate on that date). The corresponding price will be subject to the customary adjustments applicable to this type of transactions.

The closing of the transaction is subject to certain closing conditions, including obtaining the relevant regulatory approvals (see Note 2).

Note 27. Non-current assets and disposal groups classified as held for sale and discontinued operations

The detail of non-current assets and disposal groups classified as held for sale and associated liabilities as of June 30, 2026 and December 31, 2025 are as follows:

Millions of euros	06/30/2026
Telefónica Móviles México assets	833
Intangible assets (Note 5)	63
Property, plant and equipment (Note 7)	63
Right of use (Note 21)	108
Financial assets and other non-current assets	105
Deferred tax assets	70
Receivables and other current assets	161
Cash and cash equivalents	160
Other current assets	103
Other assets	32
Non-current assets and disposal groups classified as held for sale	**865**
Liabilities associated with assets in Telefónica Móviles México	497
Non-current lease liabilities (Note 21)	67
Other non-current liabilities	73
Payables and other current liabilities	281
Other current liabilities	77
Liabilities associated with non-current assets held for sale	**497**

Millions of euros	12/31/2025
Colombia Telecomunicaciones assets [1]	3,046
Intangible assets (Note 5)	551
Goodwill (Note 6)	141
Property, plant and equipment (Note 7)	795
Right of use (Note 21)	281
Other non-current assets	727
Receivables and other current assets	188
Other current assets	362
Other assets	134
Non-current assets and disposal groups classified as held for sale	**3,180**
Liabilities associated with assets in Colombia Telecomunicaciones	2,800
Non-current financial liabilities	800
Non-current lease liabilities (Note 21)	254
Other non-current liabilities	632
Current financial liabilities	369
Accounts payable	582
Current lease liabilities (Note 21)	99
Other current liabilities	64
Other liabilities	89
Liabilities associated with non-current assets held for sale	**2,889**

[1] Telefónica's stake in Colombia Telecomunicaciones as of December 31, 2025 was 67.5% (see Note 2).

2026

Sale of Telefónica Móviles Chile

On February 10, 2026, Inversiones Telefónica Internacional Holding SpA, a wholly owned subsidiary of Telefónica, S.A., transferred 100% of the share capital of Telefónica Móviles Chile S.A. to NJJ Holding SAS and Millicom Spain S.L. The transaction was signed and closed simultaneously (see Note 2).

Sale of Colombia Telecomunicaciones

On March 12, 2025, Telefónica Hispam reached an agreement to sell to Millicom Spain, S.L. all of its shares in Colombia Telecomunicaciones S.A. E.S.P. BIC, representing 67.5% of its share capital. The transaction closed on February 5, 2026, after obtaining the necessary regulatory approvals. (see Note 2).

Agreement for the sale of Telefónica Móviles México

On April 7, 2026, Telefónica Hispanoamérica, S.A., a wholly owned subsidiary of Telefónica, reached an agreement to sell to Melisa Acquisition, LLC all of its shares in Pegaso PCS, S.A. de C.V. and Celular de Telefonía, S.A. de C.V. (collectively, "Telefónica México"), representing, directly and indirectly, 100% of the capital of both companies (see Note 2).

2025

Sale of Telefónica Móviles Argentina

On February 24, 2025, TLH Holdco, S.L.U., a wholly-owned subsidiary of Telefónica, sold all of the shares it held in Telefónica Móviles Argentina S.A. to Telecom Argentina S.A. (see note 2).

Sale of Telefónica del Perú and other companies based in Peru

On April 13, 2025, Telefónica Hispanoamérica, S.A., a wholly-owned subsidiary of Telefónica, sold all of the shares it held in Telefónica del Perú S.A.A., representing approximately 99.3% of its share capital, to Integra Tec International Inc. (see note 2).

During December 2025, agreements were signed for the sale of Media Networks Latin America, S.A.C., Consorcio Media Networks Perú, GOL TV Perú IEAE, Pangeaco, S.A.C., Telefónica Ingeniería de Seguridad Perú, S.A.C., and Telefónica Cybersecurity Tech Perú S.A.C., all based in Peru.

In December 2025, the closings of the sale transactions of Media Networks Latin America, S.A.C, Consorcio Media Networks Perú and GOL TV Perú IEAE, Pangeaco, S.A.C, Telefónica Ingeniería de Seguridad Perú, S.A.C. were completed.

Sale of Telefónica Móviles del Uruguay

On May 21, 2025, Telefónica Hispanoamérica, S.A. reached an agreement to sell to Millicom Spain, S.L. all of its shares in Telefónica Móviles del Uruguay S.A., representing 100% of its share capital. The transaction closed on October 7, 2025, after obtaining the necessary regulatory approvals.

Sale of Otecel (Telefónica Ecuador)

On June 13, 2025, Telefónica Hispanoamérica, S.A., a wholly-owned subsidiary of Telefónica, S.A., reached an agreement to sell all of its shares in Otecel, S.A., representing 100% of its share capital, to Millicom Spain, S.L. The transaction closed on October 30, 2025, after obtaining the necessary regulatory approvals.

The details of the results of discontinued operations for the first half of 2026 and 2025 are shown below:

	January - June 2026				
Millions of euros	**Colombia Telecomu-nicaciones**	**T. Móviles Chile**	**T. Móviles México**	**Other companies**	**Total**
Revenues	113	114	477	—	705
Other income	1	1	15	—	17
Supplies	(40)	(44)	(237)	—	(322)
Personnel expenses	(14)	(14)	(40)	—	(68)
Other expenses	(39)	(36)	(147)	—	(222)
EBITDA	**21**	**20**	**68**	**—**	**110**
Depreciation and amortization	(27)	(29)	(21)	—	(77)
Operating income	**(6)**	**(8)**	**47**	**—**	**33**
Share of income (loss) of investment accounted for by the equity method	—	—	—	—	—
Net financial expense	(22)	(8)	(13)	—	(44)
Profit before tax	**(28)**	**(16)**	**34**	**—**	**(11)**
Corporate income tax	—	(1)	(11)	—	(12)
Profit for the year	**(28)**	**(17)**	**23**	**—**	**(23)**
Result of the transaction, recycling of other comprehensive income (see Note 2)	192	(984)	—	(7)	(798)
Profit after tax from discontinued operations	**164**	**(1,001)**	**23**	**(7)**	**(821)**
Attributable to equity holders of the Parent	173	(1,001)	23	(8)	(812)
Attributable to non-controlling interests	(9)	—	—	—	(9)

Millions of euros	January - June 2025								
	T. Móviles Argentina	T. Perú and other companies based in Peru	T. Uruguay	T. Ecuador	Colombia Telecomunicaciones	T. Móviles Chile	T. Móviles México	Other companies	Total
Revenues	371	384	102	217	624	712	508	(1)	2,916
Other income	3	8	3	5	22	13	7	—	61
Supplies	(70)	(112)	(22)	(44)	(229)	(329)	(267)	5	(1,067)
Personnel expenses	(92)	(57)	(16)	(24)	(58)	(79)	(39)	(17)	(382)
Other expenses	(155)	(216)	(24)	(67)	(211)	(197)	(161)	13	(1,019)
EBITDA	**58**	**7**	**43**	**87**	**148**	**120**	**48**	**—**	**510**
Depreciation and amortization	(42)	(94)	(17)	(54)	(165)	(161)	(43)	(1)	(579)
Operating income	**16**	**(87)**	**26**	**33**	**(17)**	**(41)**	**4**	**(2)**	**(69)**
Share of income (loss) of investment accounted for by the equity method	—	(1)	—	—	—	—	—	—	(1)
Net financial expense	4	(33)	(4)	(3)	(126)	(45)	(5)	—	(212)
Profit before tax	**19**	**(121)**	**21**	**30**	**(144)**	**(86)**	**(1)**	**(1)**	**(282)**
Corporate income tax	(8)	22	(2)	(5)	(16)	15	(2)	—	5
Profit for the year	**11**	**(98)**	**20**	**25**	**(160)**	**(71)**	**(2)**	**(1)**	**(277)**
Result of the transaction and recycling of other comprehensive income (see Note 2)	(1,224)	(664)	—	—	—	—	—	—	(1,886)
Profit after tax from discontinued operations	**(1,213)**	**(762)**	**20**	**25**	**(160)**	**(71)**	**(2)**	**(1)**	**(2,164)**
Attributable to equity holders of the Parent	(1,213)	(762)	20	25	(106)	(71)	(2)	(1)	(2,110)
Attributable to non-controlling interests	—	(1)	—	—	(53)	—	—	—	(54)

Note: The consolidated income statement of the Telefónica Group includes the results of: Telefónica Móviles Argentina until February 24, 2025, Telefónica del Perú until April 13, 2025, Telefónica Uruguay until October 7, 2025 and Otecel until October 30, 2025 (see Note 2).

The detail of the cash flow from discontinued operations is as follows:

Millions of euros	January - June 2026 Net cash flow by operating activities from discontinued operations	Net cash flow used in investing activities from discontinued operations	Net cash used in financing activities from discontinued operations
Colombia Telecomunicaciones	(85)	(19)	(12)
Telefónica Móviles Chile	(182)	(26)	5
Telefónica Móviles México	(133)	(21)	(36)
Total	**(400)**	**(66)**	**(43)**

Millions of euros	January - June 2025 Net cash flow by operating activities from discontinued operations	Net cash flow used in investing activities from discontinued operations	Net cash used in financing activities from discontinued operations
T.Móviles Argentina	45	(29)	(6)
T. Perú and other companies based in Peru	(86)	(91)	(29)
T. Uruguay	36	(12)	(4)
T. Ecuador	65	(127)	(49)
Colombia Telecomunicaciones	(63)	(119)	60
Telefónica Móviles Chile	(105)	(107)	(160)
Telefónica Móviles México	(146)	(31)	(35)
Other companies	(2)	(1)	(2)
Total	**(257)**	**(518)**	**(225)**

Note 28. Events after the reporting period

From July 1, 2026 until the date of approval of these interim financial statements, no significant events other than those described in the notes have occurred that could significantly affect the results or the equity position of the Group.

Note 29. Additional note for English translation

These consolidated financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Appendix I. Changes in the consolidation scope

The main changes in the consolidation scope taking place in the first half of 2026 were as follows:

Telefónica Spain

On November 24, 2025, AXA, Vodafone Spain, and Telefónica Spain signed a binding agreement under which AXA would acquire a 40% stake in Compañía Mayorista de Fibra, S.L. (Fiberpass). On March 5, 2026, after obtaining the necessary regulatory approvals, the transaction was completed, resulting in the following final ownership structure: Telefónica 55% (maintaining control, with Telefónica Spain holding 30% and Telefónica Infra 25%), Vodafone Spain 5%, and AXA 40%.

On March 11, 2026, Telefónica España Filiales, S.A.U. acquired 100% of the share capital of the company Altim Tecnologías de Información, S.L. (see Note 6 and 25).

Other companies

On February 10, 2026, Inversiones Telefónica Internacional Holding SpA, a wholly owned subsidiary of Telefonica, transferred to NJJ Holding and Millicom Spain, the 100% of the share capital of Telefónica Móviles Chile. The signing and closing of the transaction took place simultaneously (see Note 2).

On March 12, 2025, Telefónica Hispanoamérica reached an agreement to sell to Millicom Spain all of the shares it holds in Colombia Telecomunicaciones, representing 67.5% of its share capital. The closing of this transaction has been completed on February 5, 2026 (see Note 2).

Appendix II. Key regulatory issues

With regard to the main regulatory aspects, and in relation to the information in this respect included in Appendix VI to the consolidated financial statements for the year ended 31 December 2025, the following significant events that have occurred since that date and up to the preparation of these interim financial statements are disclosed:

European Union

As regards of the Roaming Regulation, on June 23, 2025, the Commission submitted a report to the Parliament and the Council on the review of the roaming market, which confirmed that the Roam Like at Home regime remains effective and while some improvements are suggested, no amendments to the current regulation are proposed.

At the beginning of 2026, the integration of Ukraine and Montenegro into the RLAH regime entered into force, following its approval by the European Council in July 2025. The Council of the European Union at its meeting held on June 4, 2026, approved the opening of negotiations and granted a mandate to the European Commission to begin negotiations aimed at incorporating the Western Balkans countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) into the RLAH regime.

As regards to the European Electronic Communications Code, on June 6, 2025, the European Commission published a Call for Evidence for an initiative titled “Digital Networks Act”, which would replace the current framework, will be accompanied by a review and evaluation of the Code and related legal acts. Finally, the Digital Networks Act (DNA), which proposal was published by the European Commission on 21 January 2026, will, once adopted, replace the current European Electronic Communications Code (EECC). It would also replace other elements of the European telecommunications regulatory framework, such as the Open Internet Regulation (OIR), the 2018 BEREC ("Body of European Regulators for Electronic Communications") Regulation, the Radio Spectrum Policy Programme (RSPP), and certain provisions of the ePrivacy Directive. The legislative process involving the Council and the European Parliament (trilogues) is not expected to begin before 2027.

Digital Single Market

Among the most relevant regulatory initiatives we can find the following:

- **Content Package:**

A call for evidence was launched in November 2025, and on 10 February 2026, the European Commission launched a public consultation to feed into a new evaluation of the Audiovisual Media Services Directive (AVMSD). This review was planned for 2026 in its Work Programme to assess whether the Directive is still fit for purpose in light of developments in the EU audiovisual market, including increasing access to audiovisual content online, new distribution technologies, the emergence of new market players (influencers), and the viability of possible policy options should a revision prove necessary. The Commission's response is planned for the third quarter of 2026.

- **Regulations on the Digital Services and the Digital Markets:**

As regards the Digital Markets Act (DMA), pursuant to Article 53 thereof, on 28 April 2026 the European Commission adopted the first official review of the Regulation through its report (COM (2026) 178), which was submitted to the European Parliament and the Council. The report concluded that the DMA is achieving its objective of making European digital markets fairer and more competitive and did not propose a legislative revision of the Regulation or any substantial amendments to its obligations.

- **Cloud Computing and Artificial Intelligence Regulation**

On 3 June 2026, the European Commission presented a proposal for a Regulation of the European Parliament and of the Council establishing a framework of measures to strengthen the European cloud computing and artificial intelligence ecosystem, known as the "Cloud and AI Development Act" (CADA). The proposal forms part of the European technological sovereignty package, which also includes the revision of the Chips Act, the European Open Source Strategy, and a roadmap for digitalisation and artificial intelligence in the energy sector.

Artificial Intelligence Act

Regulation (EU) 2024/1689 of 13 June 2024 is the world's first comprehensive AI regulation and is set to establish a global benchmark for the regulation of artificial intelligence.

On 19 November 2025, the Commission presented a Digital Omnibus on AI in the form of a proposed regulation, introducing amendments to the AI Act. The proposed amendments include postponing obligations applicable to high-risk AI systems and linking the application of certain obligations to the availability of standards which, as 30 of June 2026, are still not available. These standards are expected to be available by the end of 2026.

Data Protection

The General Data Protection Regulation (GDPR) of April 27, 2016, Regulation (EU) 2016/679 introduced administrative fines of up to 4% of an undertaking's annual global turnover of the preceding financial year for breaching the data protection rules.

The new GDPR Procedural Rules Regulation (EU) 2025/2518 of 26 November 2025 lays down additional procedural rules on the enforcement of Regulation (EU) 2016/679, in order to improve cooperation between national Data Protection Authorities when they enforce the GDPR in order to speed up the process of handling cross-border data protection complaints. The Regulation will apply from 2nd April 2027.

Within the Simplification objective, European Commission has proposed Simplification of GDPR as part of its commitment to reduce regulatory and administrative burden for EU business.

The objective is to help boosting innovation and support compliance by organisations, while keeping intact core GDPR principles and high level of personal data protection. Both Co-legislators, Council and European Parliament continue negotiating the Digital Omnibus and agreement could be reached by end 2026.

As regards to international data transfers, the first EU/Brazil Adequacy Decision was adopted on 26 January 2026, confirming that their levels of data protection are comparable. This important milestone allows now businesses and public authorities to freely and securely exchange data between EU and Brazil without the need for additional international data transfer mechanisms.

Radio spectrum policy

- **Satellite MSS 2GHz band**

On May 27, 2026, the European Commission adopted a proposal for a Regulation to establish an EU-level selection procedure for the assignment of spectrum for mobile satellite services (MSS) in the 2GHz band, for licences expiring in May 2027. This band is ideal for Direct-to-Device (D2D) pan-European services, and the European Commission's proposed comparative selection procedure envisages three paired 2×10 MHz spectrum blocks, with the first two subject to European sovereignty requirements. The final decision, following agreement between the European Parliament and the Council, must be adopted by May 2027.

EU competition law

In 2025, the European Commission launched a public consultation on the revision of the Merger Guidelines, a soft-law instrument that guides the Commission's assessment of mergers. The new draft introduces several important changes to the current analysis, notably greater emphasis on dynamic competition and efficiencies in merger analysis. The Commission is expected to publish the new Guidelines between the fourth quarter of 2026 or during the first half of 2027.

Spain

In December 2024, the CNMC published a public consultation with the definition and analysis of a new relevant market for access to physical infrastructures, maintaining the existing obligations of regulated access to Telefónica's civil infrastructures with cost-oriented prices and under conditions of transparency and non-discrimination existing in the scope of market 1/2020.

Subsequently, Telefónica submitted to the CNMC a proposal for commitments to maintain the procedures, deadlines, quotas and information in exchange for replacing the obligation of cost-oriented prices with reasonable market prices. The CNMC has submitted the commitments to public consultation. Following a process of discussions with the CNMC, Telefónica submitted a new proposal for commitments in June 2026, for which the CNMC opened a new public consultation process. The approval of the commitments and the final market analysis decision are expected to take place by the end of 2026.

Universal service obligations

In November 2025, the Secretariat of State for Telecommunications and Digital Infrastructures launched a public consultation on the review of the regulatory framework applicable to the Universal Service, as a first step towards determining the regime applicable to the Universal Service obligation as of January 1, 2027, where the main developments are:

- Expanding the scope of beneficiaries of Universal Telecommunications Service discounts to cover approximately 800.000 households (minimum income benefit recipients), ensuring fixed telephony and fixed internet access at an affordable price and with adequate quality, regardless of geographical location.
- Increasing the minimum internet speed from 10 Mbps to 100 Mbps.
- Eliminating the designation of a single operator: all operators will be required to provide Universal Service within their coverage area, strengthening users' freedom of choice.
- Expected application from 1 January 2027.

Final approval of the Regulation is expected by the end of 2026.

Spectrum

In February 2026, the Ministry for Digital Transformation amended TME's spectrum usage concession in the 2100 MHz band by removing the unpaired sub-band (5 MHz), which had remained unused to date. This will result in annual savings of approximately 3.5 million euros in spectrum usage fees.

Security and Resilience

The Ministry for Digital Transformation launched a public consultation on the draft Royal Decree on the Security and Resilience of Digital Infrastructures, which imposes certain obligations on operators regarding energy resilience. Under the proposal, operators will be required to progressively ensure, over a three-year period, battery backup of up to four hours in mobile networks covering 75% of the population. The Royal Decree is expected to be adopted before the end of 2026.

UK

In relation to wholesale price regulation, the MTR as of 1 April 2026 is 0.504 ppm. Likewise, the FTR as of 1 April 2025 is 0.0377 ppm.

Telecoms Access Review

In March 2026 Ofcom published its statement on the markets for Physical Infrastructure Access (PIA), Wholesale Local Access (WLA) and Leased Lines. BT was found to have SMP in these markets and a series of remedies were imposed, improving on those prevailing since 2021.

VMO2 is indirectly a consumer of PIA through the access it purchases from Nexfibre. VMO2 is also seeking to enter the WLA market by providing access to ISPs, so the regulation of WLA is highly relevant to that strategy.

Mobile termination rates (MTR)

Following a market review, mobile termination rates for all mobile providers, including the four national mobile communications operators are subject to controls based on the pure long-run incremental cost approach ("pure LRIC"). In 2026-2031 price control decisions, Ofcom set a charge control, with the prevailing rate as of April 1, 2026 set at 0.504 ppm. This will rise annually by the rate of the Consumer Prices Index from the preceding December.

Fixed termination rates (FTR)

VMO2's current FTR is 0.0377 ppm from April 1, 2026. This will similarly rise annually by CPI until the end of the review period in 2031.

Spectrum

Ofcom announced an auction of 25MHz of the 1400MHz band will take place early in 2027. The outcome of this award will inform the future Annual Licence Fee for the 1400MHz spectrum VMO2 already holds.

Brazil

On April 11, 2025, Telefônica Brasil signed with ANATEL the unified contract that compiles all previous licenses into a single title, thus completing the migration to the authorization regime.

ANATEL conducted a public consultation until 7 April 2025 on a long-term spectrum auction schedule. This proposal includes frequencies in multiple bands for awards in the short term (2026-2028), medium term (2029-2032), and long term (2032-2036). The final version of the spectrum auction schedule was approved by Resolution N° 785/2025, and subsequently updated by Resolution N° 786/2026. In parallel, on 4 May 2026, the 700 MHz band was auctioned, divided into five regional blocks. Priority in the first round was granted to operators that already held regional authorisations in the 3.5 GHz band.

On the other hand, with regard to the new General Competition Goals Plan (PGMC), approved by ANATEL through Resolution N° 783/2025, there was a significant reduction in the number of markets considered relevant for the purposes of ex ante regulation. The new PGMC concentrated asymmetric measures on the markets for Interconnection for Telephone Traffic in Mobile Networks, Interconnection for Telephone Traffic in Fixed Networks, National Roaming and Passive Infrastructure consisting of Ducts, Subducts, Manholes and Underground Chambers, ceasing to consider as relevant various markets that were subject to specific regulation under the previous version of the PGMC. In the field of mobile interconnection, ANATEL maintained in force the VU-M Reference Values established by Act N° 3.246/2023 for the period between 2024 and 2027. Consequently, for the currently applicable period, the VU-M values (in Brazilian reais, net of taxes and social contributions) corresponding to Telefônica Brasil are: (i) Region I: R$ 0.01499; (ii) Region II: R$ 0.01686; and (iii) Region III: R$ 0.01779. It should also be noted that, although the new PGMC is already in force, a decision is still pending on an administrative appeal through which certain market participants seek to have the Mobile Virtual Network Operator (MVNO) market classified as a relevant market for regulatory purposes and certain rules currently applicable to permanent roaming relaxed, matters that remain under analysis by ANATEL.

On November 6, 2023, ANATEL also submitted for Public Consultation a revision of the Spectrum Use Regulation (RUE), where it also proposed measures to expand the use of spectrum, mainly through greater flexibility of secondary authorizations (not derived from spectrum auctions), of the regulation governing the transfer of radiofrequency authorisations and of the review of the criteria for the assessment of efficient spectrum use. The approval of the RUE is expected in the second half of 2026, according to ANATEL's regulatory agenda.

Mexico

General regulatory framework

Although the regulatory provisions issued previously continue to apply as long as they are not modified or replaced by the new authority, the constitutional reform and the entry into force of the LMTR represent a significant structural change, with regulatory and operational impacts for sector participants, including new compliance obligations such as mobile line identification, which involves capturing, validating, and safeguarding user identification data, as well as adjustments to internal processes, systems, and coordination schemes with authorities.

In this regard, on June 30, 2026, the amendment to the Guidelines for the Identification of Mobile Telephone Lines was published in the Official Gazette of the Federation (DOF), through which the CRT adjusted certain aspects of the linkage, delinkage, and consultation processes, as well as the schedule applicable to the deactivation of services on non-linked lines.

Interconnection

Additionally, on June 30, 2026, the Agreement whereby the Plenary of the CRT issued the "Agreement on Minimum Technical Conditions and Interconnection Rates Resulting from the Methodology for the Calculation of Interconnection Costs Applicable from January 1, 2027 to December 31, 2029" was published in the DOF. Said instrument establishes the minimum technical interconnection conditions and the applicable rates for such period, maintaining an asymmetric rate scheme between the AEP and concessionaires other than the AEP.

For concessionaires other than the AEP, the rates will be as follows:

(i) for termination services of the Local Service to mobile users under the "Calling Party Pays" modality, 0.043744 Mexican pesos per minute for 2027, 0.044381 Mexican pesos per minute for 2028, and 0.045049 Mexican pesos per minute for 2029; and

(ii) for SMS termination services to mobile users, 0.009053 Mexican pesos per message for 2027, 0.009350 Mexican pesos per message for 2028, and 0.009658 Mexican pesos per message for 2029.

With respect to the AEP, the applicable rates for the relevant mobile services will be as follows:

(i) for termination services of the Local Service to mobile users under the "Calling Party Pays" modality, 0.011988 Mexican pesos per minute for 2027, 0.011889 Mexican pesos per minute for 2028, and 0.011784 Mexican pesos per minute for 2029; and

(ii) for SMS termination services to mobile users, 0.004100 Mexican pesos per message for 2027, 0.004114 Mexican pesos per message for 2028, and 0.004126 Mexican pesos per message for 2029.

Venezuela

In February 2026, the Subscription Broadcasting attribute was incorporated into the General Authorisation for the provision of the Movistar GO service.

At the end of June, Conatel initiated three public consultations with the aim of gathering operators' observations regarding the following topics:

1. New attribute: "National Internet Traffic Exchange Point".

2. General Conditions for the Establishment of National Traffic Exchange Points.

3. Internet Service Quality Parameters.

On June 24, 2026, Venezuela experienced two high-magnitude earthquakes that mainly affected the north-central of the country, generating a national emergency situation and the activation of response and assistance protocols. The most significant impacts were concentrated in Caracas and La Guaira, affecting buildings, infrastructure, and essential services. Contingency protocols were activated, including assessments of critical infrastructure and inspections of base stations, transmission links, and operation centers.

Prices

In 2025, the pricing dynamics for telecommunications services in Venezuela operated under a scheme of monthly adjustments anchored to the official dollar rate on the first day of the month for indexed plans, which created mismatches due to exchange rate volatility, as operators had to maintain fixed prices throughout the month even when costs increased rapidly. In the case of plans in local currency, adjustments were recurrent but proportionally lower than the pace of inflation.

In 2026, adjustments have been made on a monthly basis and irrespective of the pace of devaluation.

Interim Consolidated Management Report

Telefónica Group

The results of the first semester of 2026 continued to progress and execute our strategy, with focus on customer, operational and technology excellence. All under a strict financial discipline and industrial rational, and with the aim to create value for all Telefonica's stakeholders.

Financial results for the first half of 2026 are positively impacted by the appreciation of the Brazilian real against the euro. Revenues increased by 1.7% year-on-year (+0.4% excluding the exchange rate effect), while EBITDA and EBITDAaL rose by 2.3% and 1.4% year-on-year, respectively (excluding Telefónica Germany restructuring costs and the exchange rate effect).

Telefónica's **total accesses** reached 299.8 million as of June 2026, a 5.3% year-on-year increase, primarily driven by the growth in IoT lines in Telefónica Spain due to the addition of new lines resulting from increased trackers sales.

Regarding the growth of high-value services such as fiber and mobile contracts, there was notable year-on-year growth in fiber connections in Telefónica Brazil and Telefónica Spain, driven by a greater focus on deployment and the commercial success of the bundled offer. However, the better performance in mobile contract connections in Telefónica Spain and Telefónica Brazil does not offset the weaker results in Telefónica Germany (due to a model change, excluding 1&1 Drillisch customers and customers under the National Roaming agreement between Telefónica Germany and 1&1).

The below table shows the evolution of Group accesses in the first half of 2026 compared to the first half of 2025:

Accesses

Thousands of accesses	2025	2026	%Reported YoY
Fixed telephony accesses (1)	18,682	17,511	(6.3%)
Broadband	21,750	22,675	4.3%
UBB	20,880	21,975	5.2%
FTTH	13,149	14,245	8.3%
Mobile accesses	215,488	229,821	6.7%
Prepay	64,572	61,352	(5.0%)
Contract	106,865	103,731	(2.9%)
IoT	44,052	64,739	47.0%
Pay TV	7,293	7,327	0.5%
Retail Accesses	263,262	277,381	5.4%
Wholesale Accesses	21,607	22,448	3.9%
Fixed wholesale accesses	3,754	3,651	(2.7%)
FTTH wholesale accesses	3,753	3,651	(2.7%)
Mobile wholesale accesses	17,854	18,797	5.3%
Total Accesses	**284,869**	**299,829**	**5.3%**

Notes:
(1) Includes fixed wireless and VoIP accesses.

The Group's strategy is based on capturing high value customers in the markets in which it operates.

Mobile accesses totaled 229.8 million as of June 30, 2026, up 6.7% compared to June 2025, mainly due to the increase in IoT accesses in Telefónica Spain due to the incorporation of new lines, slightly offset by the worse performance in contract accesses in Telefónica Germany (considering the model change and excluding the customers of 1&1, Drillisch and customers under the National Roaming agreement between Telefónica Germany and 1&1) and the prepay in Telefónica Brazil. Postpaid accesses represented 62.8% of the mobile accesses excluding IoT (+0.5 p.p. year-on-year).

Fixed broadband accesses stood at 22.7 million at June 30, 2026, up 4.3% year-on-year. Retail fiber (FTTH) accesses stood at 14.2 million at June 30, 2026, growing by 8.3% compared to June 30, 2025.

Pay TV accesses totaled 7.3 million as of June 30, 2026, up 0.5% year-on-year.

Consolidated results

In this section, we discuss the variations in the Group's consolidated income statements for the first half of 2026 and 2025:

Consolidated Results	First half		Variation	
	2025	2026	2026 vs 2025	
Million of euros	Total	Total	Total	%
Revenues	16,112	16,392	279	1.7%
Other income	642	598	(44)	(6.8%)
Supplies	(5,344)	(5,529)	(186)	3.5%
Personnel expenses	(2,355)	(2,491)	(135)	5.7%
Other expenses	(3,465)	(3,467)	(2)	0.1%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**5,590**	**5,503**	**(87)**	**(1.6%)**
Depreciation and amortization	(3,413)	(3,497)	(83)	2.4%
Rights of use amortization	(934)	(986)	(52)	5.6%
Amortization of intangible assets, depreciation of property, plant and equipment	(2,479)	(2,511)	(31)	1.3%
Operating income	**2,176**	**2,006**	**(170)**	**(7.8%)**
Share of (loss) income of investments accounted for by the equity method	(299)	(243)	56	(18.9%)
Net financial expense	(614)	(932)	(318)	51.8%
(Loss) Profit before tax	**1,264**	**832**	**(431)**	**(34.1%)**
Corporate income tax	(386)	(218)	169	(43.6%)
(Loss) Profit after tax from continuing operations	**877**	**614**	**(263)**	**(30.0%)**
(Loss) Profit after tax from discontinued operations	(2,164)	(821)	1,343	(62.1%)
(Loss) Profit for the year	**(1,286)**	**(207)**	**1,080**	(83.9%)
Attributable to equity holders of the Parent	(1,355)	(338)	1,017	(75.0%)
Attributable to non-controlling interests	69	132	63	91.4%

The following table details the reconciliation between EBITDA, EBITDAaL and OpCFaL, with the Telefónica Group's Profit for the period for the half-year periods ended June 30, 2026 and 2025:

Million of euros	January - June 2025	January - June 2026
Profit for the period	**(1,286)**	**(207)**
Profit for the period from discontinued operations	2,164	821
Profit for the period from continued operation	**877**	**614**
Corporate income tax	386	218
Profit before taxes	**1,264**	**832**
Net financial expense	614	932
Share of income (loss) of investments accounted for the equity method	299	243
Operating income	**2,176**	**2,006**
Depreciation and amortization	3,413	3,497
EBITDA	**5,590**	**5,503**
Leases amortization	(934)	(986)
Financial expenses on lease liabilities	(189)	(220)
Operating income before depreciation and amortization and after leases (EBITDAaL)	**4,467**	**4,297**
Capital expenditures in intangible assets	916	661
Capital expenditures in property, plant and equipment	1,192	1,248
CapEx	**2,108**	**1,908**
Spectrum acquisitions	(227)	—
CapEx excluding spectrum acquisitions	**1,882**	**1,908**
OpCFaL	**2,585**	**2,389**

Results discussion

Revenues totaled 16,392 million euros in the first half of 2026, increasing 1.7% year-on-year compared to the first half of 2025, positively affected by the good performance of services revenues, especially driven by higher B2B revenues in Telefónica Brazil and Telefónica Spain, offsetting the lower handset sales, especially in German and due to the appreciation of the Brazilian real vs. euro.

Other income mainly includes work on fixed assets and gains on disposal of assets. In the first half of 2026, other income amounted to 598 million, down 6.8% year-on-year compared to first half of 2025. The year-on-year decrease was driven mainly by capital gain related with the sale of 20% stake in Nabiax (data center business) with an impact of 95 million million euros in the first half of 2025.

Supplies amounted to 5,529 million euros in the first half of 2026, increasing 3.5% year-on-year (+2.6% excluding the foreign exchange effect of the Brazilian real), principally due to higher costs in Telefónica Spain associated with IT revenue growth and Telefónica Brazil due to increased commercial activity.

Personnel expenses reached 2,491 million euros in the first half of 2026, increasing 5.7% year-on-year due to higher restructuring costs in Telefónica Germany (265 million euros). Excluding this impact and the foreign exchange effect of the Brazilian real, personnel expenses would decrease by 3.9% y-o-y, due to savings associated with the restructuring plan in Telefónica Spain.

The average headcount for continuing operations in the first half of 2026 decreased by 3.4% year-on-year to 71,000 employees.

Other expenses reached 3,467 million euros in the first half of 2026, in line with the first half of 2025 (+0.1% year-on-year). Excluding the impact of the foreign exchange effect of the Brazilian real, other expenses would decrease by 2.0% y-o-y, mainly due to lower other expenses in Telefónica Germany.

As a result, EBITDA totaled 5,503 million euros in the first half of 2026, down 1.6% year-on-year compared to the first half of 2025. This decline is negatively impacted by higher restructuring costs in the first half of 2026 (265 million euros) compared to the same period of 2025 (63 millions euros), as well the capital gain recorded in 2025 related to the sale of the 20% of Nabiax. These impacts are partially offset by the positive effect of the appreciation of the Brazilian real against the euro. Excluding these effects, EBITDA would increase by 2.3% y-o-y thanks to the positive service revenue performance.

Depreciation and amortization amounts to 3,497 million euros in the first half of 2026, increase 2.4% compared to the first half of 2025, mainly due to the exchange rate effect in Brazil.

Operating Income for the first half of 2026 totaled 2,006 million euros, down 7.8% year-on-year compared to the first half of 2025, due to higher restructuring costs and higher depreciation and amortization.

EBITDAaL in the first half of 2026 totaled 4,297 million euros, down 3.8% year-on-year, affected by higher restructuring costs, not compensated by the positive impact of the exchange rate effect—particularly the Brazilian real against the euro. Excluding these effects, EBITDAaL would increase by 1.4%, as the higher EBITDA offsets the higher lease expenses in the first half of 2026.

Share of profit/loss of investments accounted for by the equity method in the first half of 2026 was negative by 243 million euros (negative by 299 million euros in the first half of 2025) mainly due to lower results of VMO2.

Net financial expenses in the first half of 2026 amounted to 932 million euros, increasing by 318 million euros compared with the first half of 2025 due to results not directly related to debt.

Corporate income tax expense amounted to 218 million euros in the first half of 2026, 169 million euros lower than the same period of the previous year, mainly due to the tax credit recognition in Spain.

Profit attributable to non-controlling interests amounted to 132 million euros in the first half of 2026 (69 million euros in the same period of 2025). The variation is mainly due to higher results attributable to Brasil and the effect of the sale of Colombia Telecomunicaciones.

The **profit after tax from continuing operations** in the first half of 2026 amounted to 614 million euros (877 million euros in the same period of 2025).

The **profit after tax from discontinued operations** in the first half of 2026 was negative by 821 million euros, including mainly the impact of the recycling of translation differences to results of Telefónica Móviles Chile, as well as the capital loss from its sale.

As a result, **Profit for the period attributable to equity holders of the Parent Company** for the first half of 2026 is negative by 338 million euros (a loss of 1,355 million euros in the first half of 2025).

Basic earnings per share is negative by 0.09 euros in the first six months of 2026. Basic net earnings per share from continuing operations in the first six months of 2026 amounted to 0.05 euros (0.11 euros for the same period in 2025), and from discontinued operations was negative by 0.14 euros in the first half of 2026 (negative by 0.37 euros for the same period in 2025).

CapEx totaled 1,908 million euros in the first half of 2026, down 9.5% year-on-year compared to the first half of 2025, mainly due to spectrum purchases in Telefónica Germany in 2025 (207 million euros). Excluding spectrum purchases (227 million euros in the first half of 2025) CapEx would increase by 1.4% y-o-y.

EBITDAaL-CapEx ex spectrum (OpCFaL) stood at 2,389 million euros in the first half of 2026, down 7.6% year-on-year compared to the first half of 2025, affected by higher restructuring costs, not compensated by the positive impact of the exchange rate effec of the Brazilian real against the euro. Excluding these effects(OpCFaL) would increase by 2.7%.

Segment results

TELEFÓNICA SPAIN

The below table shows the evolution of accesses in Telefónica Spain of the first half of 2026 compared to the first half of 2025:

ACCESSES

Thousands of accesses	2025	2026	%Reported YoY
Fixed telephony accesses	7,705	7,765	0.8%
Broadband	6,088	6,228	2.3%
Mobile accesses	24,914	42,349	70.0%
Prepay	491	370	(24.8%)
Contract	15,753	16,154	2.5%
IoT	8,670	25,826	197.9%
Pay TV	3,675	3,943	7.3%
Retail Accesses	42,381	60,285	42.2%
Wholesale Accesses	3,753	3,651	(2.7%)
Total Accesses	**46,135**	**63,936**	**38.6%**

During the first semester of 2026, Telefonica España maintains the good momentum from 2025 and reaffirms its recovery with year-on-year growth in both, accesses and main financial indicators.

The WiFi 7 router was launched in February 2026, and in March 2026, the functionality that blocks spam calls for Movistar and O2 customers was introduced. Finally, in April 2026, Movistar Plus expanded its entertainment offering with the launch of the new Movistar Plan Libre Cine y Series for 4.99 euros per month, designed for fiction enthusiasts seeking flexible and affordable access to a broad catalogue of original series, international productions, movies, documentaries and more than 70 entertainment channels, with no long-term commitment and available to customers regardless of their internet provider.

The B2B segment was strengthened with new solutions in resilience (Titán Connect), cybersecurity (Future SOC), and defence (Mission-Critical Dome), as well as in technological sovereignty with the rollout of the pioneering Edge Computing network, which now has 17 active nodes. Meanwhile, the Spanish consortium to develop Spain's bid for the European Gigafactories initiative, involving Telefónica and other private and public partners, was established on 1st July 2026. The project helps to strengthen Europe's technological autonomy, digital sovereignty, competitiveness and economic security.

5G coverage of the population of Spain reaches 96%, which improves user experience and allows enterprises to implement advanced mobile connectivity services.

Telefónica Spain had 63.9 million accesses as of June 30, 2026, an increase of 38.6% as compared to June 30, 2025, driven by the positive evolution of mobile accesses, mainly due to the high contribution of new IoT lines, which tripled due to the sale of vehicle trackers.

The convergent offer (residential and SMEs) had a customer base of 4.6 million customers as of June 30, 2026, an increase of 1.3% y-o-y.

Retail fixed accesses totaled 7.8 million and increased 0.8% as compared to June 30, 2025, with a net adds of 33.0 thousand accesses in the first half of 2026.

Retail broadband accesses totaled 6.2 million (+2.3% y-o-y), with net adds of 66.2 thousand accesses during the first half of 2026. At June 30, 2026, fiber deployment reached 31.4 million premises.

Total **retail mobile accesses** stood at 42.3 million as of June 30, 2026, an increase of 70.0% as compared to June 30, 2025 mainly as a result of an increase of IoT accesses base (+197.9% y-o-y) due to the sale of vehicle trackers, together with the increase in mobile contract accesses (+2.5% y-o-y).

Pay TV accesses reached 3.9 million at June 30, 2026, increasing 7.3% year-on-year.

Wholesale accesses stood at at 3.7 million at June 30, 2026, down 2.7% year-on-year.

The table below shows the evolution of results in Telefónica Spain's of the first half of 2026 compared to the first half of 2025:

Million of euros

TELEFÓNICA ESPAÑA	January - June 2025	January- June 2026	% Reported YoY
Revenues	6,356	6,513	2.5%
Mobile handset revenues	293	308	5.1%
Revenues ex-mobile handset sales	**6,063**	**6,205**	**2.3%**
Retail	5,078	5,263	3.6%
Wholesale and Other	985	942	(4.4%)
Other income	262	265	1.0%
Supplies	(2,731)	(2,912)	6.6%
Personnel expenses	(831)	(767)	(7.8%)
Other expenses	(803)	(798)	(0.6%)
EBITDA	**2,254**	**2,301**	**2.1%**
Depreciation and amortization	(1,033)	(1,018)	(1.4%)
Operating Income	**1,221**	**1,283**	**5.1%**
Rights of use amortization	(294)	(289)	(1.9%)
Lease interest expenses	(22)	(31)	39.4%
EBITDAaL	**1,937**	**1,982**	**2.3%**

Results discussion

In the first half of 2026, Telefónica España's **revenues** totaled 6,513 million euros, representing a 2.5% year-on-year increase. This performance was driven by the continued strong growth of digital service (IT) revenues in the B2B segment. The breakdown of net revenue excluding mobile handset sales is detailed below:

- **Retail revenues** (5,263 million euros in the first half of 2026) increased by 3.6% year-on-year, driven by the repositioning of tariffs of Movistar's brand in mid January 2026, the higher customer base and the higher volume of service sales within the B2C digital ecosystem, as well as revenue growth from digital services (IT) in the B2B segment.
- **Wholesale and other revenues** (942 million euros in the first half of 2026) decreased by 4.4% year-on-year. This performance continues to be impacted by the new wholesale agreements that ensure the long-term sustainability of these revenues.

EBITDA reached 2,301 million euros in the first half of 2026, a year-on-year increase of 2.1%.

Depreciation and amortization amounted to 1,018 million euros in the first half of 2026, decreasing by 1.4% year-on-year.

Operating Income amounted to 1,283 million euros in the first half of 2026, a year-on-year increase of 5.1%. The year-on-year evolution is driven by higher revenues, cost efficiencies, principally as a result of the savings from the restructuring plan and lower depreciation and amortization.

TELEFÓNICA BRAZIL

The below table shows the evolution of accesses in Telefónica Brazil of the first half of 2026 compared to the first half of 2025:

ACCESSES

Thousands of accesses	2025	2026	%Reported YoY
Fixed telephony accesses (1)	5,438	4,674	(14.1%)
Broadband	7,621	8,369	9.8%
UBB	7,428	8,228	10.8%
FTTH	7,370	8,205	11.3%
Mobile accesses	102,450	105,131	2.6%
Prepay	33,983	31,914	(6.1%)
Contract	50,438	53,448	6.0%
IoT	18,029	19,769	9.7%
Pay TV	755	720	(4.6%)
Total Accesses	**116,311**	**118,939**	**2.3%**

Notes:
(1) Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2026, Telefónica Brazil maintained its leadership in the mobile segment, which in a more consolidated market environment, is positioned with a market share of 37.9%, standing at +4.7 p.p. on the second competitor (data from the last official publication by ANATEL, May 31, 2026). Telefónica Brazil's strategy remains focused on strengthening the high-value customer base, reaching a contract excluding IoT market share of 42.2%, as of May 31, 2026 (source: ANATEL).

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

On the other hand, Telefónica Brazil continued to advance in the development of an ecosystem with relevant partners in order to promote its consolidation as a digital services hub. To this end, Telefónica Brazil offers a broad portfolio of services, highlighting these described below:

- Video and OTT: Telefónica Brazil includes OTT services in its Vivo Total packages that increase customer lifetime value. Additionally, the new plans include extra benefits such as a free year of Amazon Prime membership, Perplexity Pro, international roaming (Vivo Travel) and movie theater discounts (Cinemark).
- Health & Wellness: Vale Saúde is a monthly subscription service that provides discounts for online or in-person medical care, exams and medication.
- Vivo Ventures: is Telefónica Brazil’s corporate venture capital fund for strategic investments. In the first half of 2026, it increased its capital by 24 million euros, establishing applied artificial intelligence as its new priority focus, and invested in the corporate software startup Inspira in June.
- Fintech: Vivo Pay is Telefónica Brazil's 100% digital platform that consolidates Vivo's financial solutions, including personal loans, insurance, unemployment benefit advances and instant payment solutions, among others. It operates as a direct credit company (Vivo Pay Sociedade de Crédito S.A.) and, since 2026, it integrates its own in-house financing service for the purchase of smartphones and electronics in physical stores.
- Home Security: Casa Inteligente offers home automation solutions to make homes more secure, connected and comfortable.
- Energy: GUD Energía is a joint venture created in 2024 to capture the opportunities generated by the opening of the free market with a focus on the sale of personalized renewable energy solutions throughout Brazil, helping consumers to cut their energy bills.

- Smart devices and accessories: in March 2025, Telefónica Brazil acquired i2GO, one of the country's leading technology accessory brands. This transaction strengthens Vivo's presence in the smart device market, complementing its own brand Ovvi.

Total accesses stood at 118.9 million as of June 30, 2026, increasing 2.3% year-on-year mainly due to the growth in contract thanks to Telefónica Brazil's totalization strategy and the growth in FTTH, which offset the decrease in prepaid mobile accesses that migrate to control postpaid, the decline in the fixed voice business due to the continuous migration from fixed to mobile, the contraction of the lower-value fixed broadband customer base, and the loss of DTH customers as a result of the company's strategic decision to discontinue legacy technologies.

Contract mobile accesses grew by 6.0% year-on-year and reached 53.4 million with net adds of 1.6 million new accesses in the first six months of 2026, with churn at very low levels (1.0%), driven by the totalization strategy and by the launch of new attractive bundles (packaged offers with more than one service) in control postpaid (postpaid accesses with usage limits, requiring customers to purchase "top-ups" if they exceed these limits).

Prepaid mobile accesses decreased by 6.1% year-on-year and reached 31.9 million customers with a net loss of 286 thousand accesses during the first half of 2026. The lower customer base has been mainly a consequence of the market retraction and of the strategy of migrating prepaid customers to control postpaid (postpaid accesses with usage limits, requiring customers to purchase "top-ups" if they exceed these limits) and focusing more on encouraging the consumption of top-ups.

Broadband accesses grew by 9.8% year-on-year and reached 8.4 million with net adds of 373 thousand new accesses in the first six months of 2026. Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching 8.2 million homes connected with FTTH as of June 2026, growing 11.3% year-on-year, which managed to offset the decrease in other accesses of legacy broadband services (xDSL). Telefónica Brazil reached 32.4 million real estate units passed with FTTx access and 32.0 million with FTTH access.

Traditional voice accesses decreased by 14.1% year-on-year due to fixed-mobile substitution, reaching 4.7 million accesses.

Pay TV accesses reached 720 thousand as of June 30, 2026, decreasing by 4.6% year-on-year, mainly as a result of the strategic decision to discontinue the DTH service.

Telefónica Brazil's results of the first half of 2026 compared to the first half of 2025:

Millions of euros

TELEFÓNICA BRAZIL	**January - June 2025**	**January- June 2026**	**%Reported YoY**
Revenues	4,616	5,195	12.5%
Mobile Business	**3,268**	**3,705**	**13.4%**
Handset revenues	275	366	33.2%
Fixed Business	**1,348**	**1,490**	**10.5%**
Other income	119	171	44.0%
Supplies	(1,074)	(1,224)	14.0%
Personnel expenses	(593)	(642)	8.4%
Other expenses	(1,145)	(1,286)	12.2%
EBITDA	**1,924**	**2,215**	**15.1%**
Depreciation and amortization	(1,190)	(1,310)	10.1%
OPERATING INCOME	**733**	**905**	**23.4%**
Rights of use amortization	(289)	(327)	13.3%
Lease interest expenses	(133)	(147)	10.8%
EBITDAaL	**1,502**	**1,740**	**15.9%**

Results discussion

In the first half of 2026, **revenues** amounted to 5,195 million euros and increased by 12.5% year-on-year. Excluding the exchange rate effect, revenues would increase by 7.5%, due to the growth in service revenues, mainly leveraged by mobile business, by businesses associated with new technologies (FTTH and Digital Services) and higher handset sales.

- **Mobile business revenues** totaled 3,705 million euros in the first half of 2026, increasing 13.4%. Excluding the exchange rate effect, mobile business revenues would increase by 8.3%, mainly as a result of the positive evolution of mobile contract due to the larger customer base, tariff adjustments and the digital service revenues evolution.

- **Fixed business revenues** amounted to 1,490 million euros in the first half of 2026, increasing 10.5%. Excluding the exchange rate effect, fixed business revenues would increase by 5.6%, mainly explained by higher FTTH revenues, in line with the strategic focus on such services and higher digital service revenues.

EBITDA stood at 2,215 million euros in the first half of 2026, increasing by 15.1% year-on-year.

Depreciation and amortization amounted to 1,310 million euros in the first half of 2026, increasing 10.1% year-on-year mainly due to the effect of the exchange rate.

Operating Income stood at 905 million euros in the first half of 2026, increasing by 23.4%, mainly due to the good performance in service revenues due to higher commercial activity, tariff increases and the appreciation of the Brazilian real.

TELEFÓNICA GERMANY

The below table shows the evolution of accesses in Telefónica Germany of the first half of 2026 compared to the first half of 2025:

ACCESSES

Thousands of accesses	2025	2026	%Reported YoY
Fixed telephony accesses [(1)]	2,279	2,315	1.6%
Broadband	2,361	2,395	1.4%
UBB	2,095	2,158	3.0%
FTTH	66	102	56.1%
Mobile accesses	41,452	35,097	(15.3%)
Prepay	14,540	13,762	(5.4%)
Contract	24,358	18,057	(25.9%)
IoT	2,554	3,279	28.4%
Total Accesses	**46,091**	**39,807**	**(13.6%)**

Notes:
(1) Includes "fixed wireless" and Voice over IP accesses.

In the first half of 2026, Telefónica Germany continues delivering resilient core business performance and maintained low churn in a dynamic but rational market.

Telefónica Germany's key milestones in the first half of 2026 were as follows:

- Telefónica Germany launched "O2 Plus bundles" combining mobile products with additional services as fixed services and entertainment. The new portfolio focusses on striving profitable growth in a mature market.
- Telefónica Germany announced the launching of a simplification program to create a leaner and more agile organization and drive future growth.
- In a dynamic market, Telefónica Germany is prioritizing profitable growth, with a value-over-volume focus.
- Telefónica Germany accelerated the pace of its network rollout, carrying out approximately 4,500 activities for expanding and upgrading sites.

The **total access base** decreased 13.6% year-on-year and stood at 39.8 million at June 30, 2026, mainly driven by 15.3% year-on-year decline in the mobile accesses base, which reached 35.1 million.

Mobile postpaid accesses base reached 18.1 million customers in the first half of 2026, decreasing by 25.9% year-on-year. due to the migration of 1&1 customers, following the launch of the fourth mobile network. Excluding the impact of this migration, mobile postpaid accesses grew 2.4% year-on-year driven by the good performance of the O2 brand, attractive promotions and the new O2 Plus bundles launched in June. O2 contract churn rate remained low and stable at 1.1% reflecting enhanced products and services, excellent network quality and strong customer service.

The **prepay mobile customer base** decreased by 5.4% year-on-year to 13.8 million accesses reflecting a net loss of 456.8 thousand customers in the first half of 2026, due to the unchanged weak prepaid dynamics in the German market.

The **broadband accesses** reached 2.4 million accesses, increasing 1.4% y-o-y, with a net gain of 28.3 thousand accesses in the first half of 2026, mainly driven by lower legacy DSL accesses, while demand for high cable and fiber accesses remaining high. Overall, churn remained low, decreasing slightly (0.2 p.p. y-o-y) reaching 1.0% in the first half of 2026.

The table below shows the evolution of Telefónica Germany's results of the first half of 2026 compared to the first half of 2025:

Millions of euros

TELEFÓNICA GERMANY	January - June 2025	January- June 2026	%Reported YoY
Revenues	4,095	3,693	(9.8%)
Mobile Business	**3,641**	**3,231**	**(11.3%)**
Handset revenues	855	680	(20.5%)
Fixed Business	**430**	**453**	**5.3%**
Other income	97	95	(2.1%)
Supplies	(1,274)	(1,082)	(15.1%)
Personnel expenses	(360)	(617)	71.5%
Other expenses	(1,281)	(1,176)	(8.2%)
EBITDA	**1,278**	**913**	**(28.6%)**
Depreciation and amortization	(1,043)	(1,031)	(1.1%)
OPERATING INCOME	**236**	**(118)**	**c.s.**
Rights of use amortization	(345)	(363)	5.1%
Lease interest expenses	(33)	(41)	25.4%
EBITDAaL	**900**	**510**	**(43.4%)**

Results discussion

Total **revenues** were 3.693 million euros in the first half of 2026, with a year-on-year decrease of 9.8%, driven by lower handset sales and the temporary MSR headwinds in the partner business, which are expected to phase-out in the second half of 2026.

Mobile business revenues totaled 3.231 million euros decreasing 11.3% y-o-y.

- **Mobile service revenues** totaled 2.552 million euros, decreasing 8.4%, due to temporary headwinds in the partner business, mainly related to the 1&1 commercial model change.
- **Handset revenues** amounted to 680 million euros, down 20.5% y-o-y, mainly reflecting supply constraints in wholesale channels and Telefónica Germany's commercial strategy to prioritize profitability over volume, which reduced activity in those channels. In addition, to support handset sales trends in the second half of 2026, Telefónica Germany is expanding the commercialization of additional devices and accessories in the German market.
- **Fixed business revenues** were 453 million euros, increasing 5.3% y-o-y mainly driven by the increasing customer demand for cable and fibre.

EBITDA totaled 913 million euros in the first half of 2026, decreasing by 28.6 % year-on-year.

Depreciation and amortization amounted to 1,031 million euros in the first half of 2026, decreasing by 1.1% year-on-year mainly due to a lower amortizable base of intangible assets as a result of fully amortized assets.

Operating Income amounted to a loss of 118 million euros in the first half of 2026, compared with a profit of 236 million euros in the same period of the previous year, due to lower EBITDA, mainly reflecting the impact of a 265 million euros provision related to a restructuring program, partially offset by lower depreciation and amortization. Excluding this extraordinary effect, Operating Income would have amounted to 147 million euros.

VMO2

In accordance with applicable accounting standards, Telefónica's share in the results of VMO2, our 50:50 joint venture with Liberty Global Plc in the United Kingdom, is presented in a single line of the income statement, "Share of (loss) income of investments accounted for by the equity method". However, the VMO2 segment information included in this section is presented using management criteria and shows 100% of VMO2's results; Telefónica's actual percentage ownership of VMO2 is 50%.

More than five years after the formation of VMO2, the company continues to integrate and innovate while investing heavily to expand and upgrade its fiber and 5G networks to provide the highest quality connectivity to more regions of the country.

The fixed network footprint reached 18.8m premises passed with 0.4m added in last twelve months to 18.8 million premises. Nexfibre (InfraVia Capital Partners 50%, Telefónica Infra 25% and Liberty Global 25%) announced its agreement to acquire Netomnia on 18 February 2026; On 1 July, the UK's Competition and Markets Authority (CMA) announced that the review has moved to a second phase, following a request from Telefónica, Liberty Global, and InfraVia Capital to accelerate proceedings.

VM02 entered into an agreement with Monzo to launch Monzo Mobile providing network services and further expanding its portfolio of MVNO partnerships in the UK.

In addition,VMO2 announced the launch of the new O2 Business brand, merging Virgin Media O2's robust national network infrastructure with Daisy's specialized expertise, ultimately offering a seamless, one-stop-shop for connectivity and IT solutions to UK organizations.

The following table shows the evolution of VMO2 accesses in the first half of 2026 compared to the first half of 2025:

ACCESSES

Thousands of accesses	2025	2026	%Reported YoY
Fixed telephony accesses	3,186	2,689	(15.6%)
Broadband	5,649	5,656	0.1%
UBB	5,644	5,651	0.1%
Mobile accesses	36,013	36,057	0.1%
Prepay	7,170	6,551	(8.6%)
Contract	15,640	15,403	(1.5%)
IoT	13,204	14,103	6.8%
Pay TV	2,863	2,664	(6.9%)
Retail Accesses	47,711	47,066	(1.4%)
Wholesale Accesses	10,152	10,372	2.2%
Total Accesses	**57,863**	**57,438**	**(0.7%)**

The total accesses base declined 0.7% year-on-year and stood at 57.4 million on June 30, 2026. Decline in the fixed base partially offset by wholesale base growth.

The contract mobile customer base decreased 1.5% year-on-year and reached 15.4 million accesses, with a net loss of 195.7 thousand accesses in the first half of the year 2026 due to competitive market in the consumer segment from MVNOs.

The prepay mobile customer base decreased 8.6% year-on-year and reached 6.6 million accesses declining 281 thousand accesses in the first half of the year 2026.

IoT mobile customer base grew 6.8% year-on-year and reached 14.1 million accesses underpinned by the Smart Metering Programme roll out.

Wholesale Mobile base grew 2.2% year-on-year and reached 10.4 million accesses partially hedging the decline in consumer accesses.

Fixed broadband base grew 0.1% year-on-year and reached 5.7 million accesses thanks to the commercial initiatives. But still affected by challenging market with a net loss of 36.7 thousand accesses in the first half of the year 2026.

The table below shows the evolution of the business revenues, considering 100% VMO2 results of the first half of 2026 compared to the first half of 2025:

Millions of euros

VMO2	January - June 2025	January- June 2026	% Reported YoY
Revenues	5,944	5,522	(7.1%)
B2B	4,527	4,202	(7.2%)
B2C	596	704	18.0%
Wholesale & Other	821	616	(25.0%)
Other income	260	242	(7.1%)
Supplies	(1,841)	(1,579)	(14.2%)
Personnel expenses	(728)	(716)	(1.6%)
Other expenses	(1,464)	(1,392)	(4.9%)
EBITDA	**2,173**	**2,077**	**(4.4)%**
Depreciation and amortization	(1,839)	(1,894)	3.0%
Operating Income	**333**	**183**	**(45.1%)**
Share of income (loss) of investments accounted for by the equity method	1	(1)	c.s.
Net financial expenses	(722)	(729)	0.9%
Exchange rate differences and change in fair value of derivatives	(164)	74	c.s.
Net financial result	**(887)**	**(655)**	**(26.1%)**
Result before taxation	**(552)**	**(473)**	**(14.4%)**
Taxes	128	79	(38.2%)
Net Result	**(424)**	**(394)**	**(7.2%)**
Attributable to non-controlling interests	6	(18)	c.s.
Result for the period attributable to equity holders of the parent (100% VMO2)	**(430)**	**(376)**	**(12.5%)**

EBITDA	**2,173**	**2,077**	**(4.4%)**
Rights of use amortization	(107)	(135)	25.9%
Lease interest expenses	(32)	(28)	(11.1%)
EBITDAaL	**2,034**	**1,914**	**(5.9%)**

Results discussion

The evolution of the results of 100% VMO2 is detailed below.

In the first half of 2026, **revenues** amounted to 5,522 million euros, decreasing 7.1 %, mainly driven by the decline in NexFibre construction revenues.

Consumer Revenues amounted to 4,202 million euros in the first half of the year 2026 decreasing by 7.2% mainly due to lower consumer service revenues driven by higher competitive market, lower handset revenues and the depreciation of the pound sterling.

Business revenues amounted to 704 million euros in the first half of 2026, increasing by 18.0%, mainly reflecting the integration of Daisy in the second half of 2025, partially offset by market headwinds and the depreciation of the pound sterling.

Wholesale & other revenues amounted to 616 million euros in the first half of 2026, decreasing 25.0% mainly driven by reduction in Nexfibre construction revenues.

EBITDA in the first half of 2026 reached 2.077 million euros, decreasing 4.4% year-on-year.

Depreciation and amortization amounted to 1,894 million euros in the first half of 2026, increasing by 3,0%, impacted by a higher amortizable base.

Operating Income amounted 183 million euros in the first half of 2026, compared to 333 million euros in the corresponding period of 2025. The reduction is driven by lower consumer revenues, the depreciation of the pound sterling and the depreciation and amortization growth.

Committed to sustainability

Telefónica's sustainability strategy aims to generate real value for the business, society and the planet. To achieve this, the ESG approach is integrated into processes and decision-making.

The 2026–2030 Sustainability Plan, approved by the Board in June, reflects this approach and serves as a key enabler for accelerating the Transform & Grow strategy. Through twelve strategic workstreams, it seeks to enhance innovation and competitiveness, strengthening Telefónica's position and European leadership. The Plan also quantifies its impact across four dimensions: growth, efficiency, investment attraction and risk mitigation.

Sustainability Plan 2026-2030

Environmental Powering the green transition for a better future		Social Powering a more digital and inclusive society that supports greater wellbeing		Governance Powering trust in a digital world	
1. Zero operational emissions	100% Renewable (50% PPAs)	**5. B2C: Responsible and inclusive digitalization**	Enhance customers' digital well-being and expand rural coverage	**9. Governance, policies, and processes**	Workforce trained in ethics and sustainability
2. Low-carbon value chain	(-56%) Scope 3 GHG emissions vs. 2016	**6. B2B: Business growth & sustainable offerings**	Delivering the best portfolio of products for sustainability	**10. Responsible and resilient supply chain**	>95% High-risk suppliers assessed
3. Circular asset management	Zero Waste Design, reuse and recycling	**7. Diversity, inclusion, and employee well-being**	37% Women executives*	**11. Access to sustainable capital**	Maintain the commitment to sustainable financing
4. Adaptation and resilience: climate risks	>5.000 critical assets with individualized climate risk assessment	**8. Sustainable brand and content**	Promote in-house TV content aligned with sustainability criteria	**12. Ethical and secure technology**	Ethical and responsible AI and leadership in digital trust

*2027 target

The Group made further progress across these areas during the first half of 2026:

Within the **environmental** pillar, Telefónica published an updated Climate Action Plan outlining its path to net-zero emissions across the value chain by 2040, while helping customers in their green transition. Priorities include improving energy consumption per unit of traffic and increasing renewable energy through PPAs (Power Purchase Agreements). The Company has also announced 2G switch-offs to prioritise more efficient technologies.

At the same time, Telefónica promotes ambitious standards among suppliers to reduce climate risks and Scope 3 emissions. The Company has achieved an A rating, CDP's highest score, in the Supplier Engagement Assessment for the seventh consecutive year, recognising leadership in sustainable supply chain management.

Sustainability is an integral part of Telefónica's customer value proposition: in B2C, the Company launched its WiFi 7 routers and HomeBox 4 (winner of Red Dot Design Awards in four categories), made from 70% and 62% recycled materials respectively and featuring optimised energy consumption.

In B2B, Telefónica continues to strengthen the solutions that help businesses and public administrations address environmental challenges. In this context, the Company has developed Telefónica Dron Center, a remote drone service for wildfire prevention and natural emergency management. The Group also helps customers improve water efficiency, mainly in Brazil and Spain, where, as a new initiative, the company will install 175,000 smart meters.

On the **social** front, following the earthquakes in Venezuela, Telefónica enabled free calls, worked to restore communications and launched a fundraising campaign in partnership with the Red Cross.

Telefónica continues to accelerate digital inclusion: 4G coverage across its four core markets stood at 98%, while rural coverage reached 92%.

The Company also promotes digital well-being, particularly among young people. In Spain, the "Huesos" campaign won three Bronze Suns and launched "Ruido" to promote the responsible and safe use of screens. In Brazil, Vivo encourages people to "rethink their time on their phones".

This approach is complemented by measures to strengthen network security and protect customers against digital threats. For example, Telefónica blocks around 500,000 fraudulent calls every day in Spain and offers a feature designed to prevent spam. For B2B customers, it also provides security and energy resilience solutions through Titán Connect.

Regarding its commitment to diversity, following the Group's organizational adjustments, Telefónica had 34.1% of women executives at the end of June, with a target of reaching 37% by 2027.

Through its activities, Telefónica contributes to the socio-economic development of the countries in which it operates, generating an estimated annual positive impact of around 78,000 million euros.

In terms of **governance**, Telefónica has a balanced and diverse Board (46.67% women; 66.67% independent directors).

The Group has updated its Responsible Business Principles, which constitute its code of ethics and conduct, as well as its Sustainability Policy. It has also launched a new mandatory employee training. Key topics include trusted customer relationships, privacy, responsible AI and harassment prevention.

As part of its commitment to transparency, Telefónica published its Tax Contribution Report, with a total tax contribution of 7,472 million euros in 2025.

Sustainable finance remains a key pillar of its strategy. In January 2026, Telefónica issued two green hybrid bonds for a total of 1,750 million euros and a 1,000 million euros senior green bond.

Telefónica therefore further scales the benefits of sustainability across its business.

Table: ESG Benchmarks

Analyst/ Institution	Rating / Score / Ranking	TEF Performance	Relative positioning / Detail	Date of last change
Bloomberg	ESG Score	6.1/10	3rd in sector	May-26
CDP	Corporate Questionnaire	Climate Change A List	12th consecutive year	Dec-25
	Supplier Engagement	Leader	7th consecutive year	Jul-25
EcoVadis	Sustainability Performance - Overall Score	80/100	96th percentile	Nov-25
FTSE Russell	ESG Score	4.6/5	97th percentile; Member of FTSE4Good	Jun-26
ISS Corporate	ESG Corporate Rating	B	1st in sector	Mar-26
MSCI	ESG Rating	BBB	Average (sector)	Mar-26
Ranking Digital Rights	Telco Giants Scorecard	57/100	#1 in sector	Jan-26
S&P Global	Corporate Sustainability Assessment	80/100	93th percentile. Member of DJSI Europe	Oct-25
Sustainalytics	ESG Risk Rating	14 (Low Risk)	6th in sector	Jun-26
Workforce Disclosure Initiative	Overall disclosure score	89%	Above sector avg. across all categories	Mar-26
World Benchmarking Alliance	Digital Inclusion Benchmark	84,3/100	#1 worldwide	Jun-26
	Social Benchmark	75/100	#1 worldwide	Jan-26

Risk Factors

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

These risks are currently considered by the Telefónica Group to be material, specific and relevant in making an informed investment decision in respect of Telefónica. However, the Telefónica Group is subject to other risks that have not been included in this section based on the Telefónica's Group assessment of their specificity and materiality based on the Telefónica's Group assessment of their probability of occurrence and the potential magnitude of their impact. The assessment of the potential impact of any risk is both quantitative and qualitative considering, among other things, potential economic, compliance, reputational and environmental, social and governance ("ESG") impacts.

Risks related to the Telefónica Group are presented in this section grouped into four categories: business, operational, financial, and legal and compliance.

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

Risks related to Telefónica's Business Activities.

Telefónica's competitive position in some markets could be affected by the evolution of competition, market fragmentation or certain forms of market consolidation.

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

Additionally, the Telefónica Group could be affected by the regulatory actions of antitrust authorities. These authorities could prohibit or hinder certain actions, such as consolidation processes in local markets (making it more difficult to achieve the scale required to compete efficiently or to capture operational efficiencies and optimize investments in infrastructure and technology) or specific commercial practices or create obligations or impose heavy fines. Any such measures implemented by the antitrust authorities could affect the Group's competitive position and its ability to sustain long-term growth and/or harm to the future growth of some of its businesses or hinder competition at a global level.

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

Certain strategic alliances, collaboration agreements or joint ventures between telecommunications operators and other relevant participants within the digital ecosystem may strengthen the competitive position of third parties in specific market segments. In particular, initiatives aimed at enhancing the international provision of connectivity, communications and digital solutions services for large multinational clients (such as, for example, the BT Group–Verizon joint venture for their international business) may increase the competitive pressure on certain of the Group's businesses.

The development of new connectivity technologies—particularly satellite communications (including broadband and D2D services)—could intensify competition in certain market segments. Enhanced capabilities in these technologies, combined with the entry of new operators or collaboration and integration between satellite and telecommunications operators, could alter competitive dynamics in some segments and potentially lower traditional entering barriers.

As these solutions achieve broader commercial adoption, they could provide alternatives to services delivered over terrestrial networks, particularly in areas with lower coverage, lower population density or higher price sensitivity, and could affect demand for certain of the Group's services, as well as its competitive position, revenues and market share.

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

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

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

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

As of June 30, 2026, the Group depended on three handset suppliers (one of them located in China) and four network infrastructure suppliers (one of them located in China), which, together, accounted for 85% and 80%, respectively, of the aggregate value of contracts awarded as of June 30, 2026 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers (not located in China) represented 43% of the aggregate value of contracts awarded as of June 30, 2026 to handset suppliers.

As of June 30, 2026, the Telefónica Group had approximately 73 information technology ("IT") providers that together accounted for 80% of the total amount of IT purchase awards made as of June 30, 2026, six of them representing 30% of purchases in that area and time frame.

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

In this regard, the global and regional supply chains of both the sector's operators and Telefónica's suppliers, are exposed to disruptions generated by geopolitical tensions, armed conflicts or political instability (i.e. Ukraine, and Middle East conflicts), as well as trade tensions (semiconductor crisis or memory shortages), among others, that could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. Additionally, tensions continue over control of the future of Artificial Intelligence technologies, with two blocs (the US and China) in conflict. There are high risks of export restrictions on electronic components and mutual blockades that could polarize the development of these technologies and increase the fragmentation of ecosystems.

The Telefónica Group continuously evaluates the potential impacts of changes in tariff policies on related products and components, and develops alternative sourcing strategies to mitigate any potential impact. To the date of this document, no significant impact from tariff policies has been observed for the Telefónica Group. Any of the above could increase prices for Telefónica and ultimately make Telefónica's services more expensive for Telefónica's customers, which could adversely affect the business, financial condition, operating results and/or the cash flows of the Telefónica Group.

Additionally, within the semiconductor industry, we are seeing an already strained value chain, particularly in the memory chipset segment. Combined with the growing demand for data centres and Artificial Intelligence capabilities—especially from major cloud service providers—this could create further pressure across the entire supply chain, from substrate suppliers to chipset manufacturers, reflecting a cyclical pattern that may eventually impact multiple technologies. This situation could translate into higher costs and longer lead times. If supply chain capacity is not expanded accordingly, there is a risk of supply shortages across various industries, including the telecommunications sector.

National security concerns may also limit Telefónica's ability to utilize certain suppliers and require it to incur additional costs. The European Commission has proposed new legislation, the Cyber Security Act 2, which could lead to restrictions on the use and installation of network equipment supplied by vendors identified as high-risk suppliers. The scope of the final obligations, as well as the approval and associated timelines for the legislative proposal, remain uncertain. In addition, several EU countries have imposed restrictions on the use of telecom suppliers that are considered high-risk for 5G network infrastructure, such as certain Chinese suppliers. In Germany, Telefónica and other mobile network operators have entered into public law contracts with the Federal Ministry of the Interior and Community that obligate the mobile network operators to stop using all critical components made by Chinese suppliers in their 5G core networks by the end of 2026. The operators are also required to replace the critical functions of such suppliers' 5G network management systems in the access and transport networks of the 5G mobile network with technical solutions of other manufacturers by the end of 2029. This requires the cooperation of the suppliers, who must provide open interfaces for controlling the network elements.

Since 2022 a specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the armed conflict in Ukraine as well as the potential discontinuation of use of some suppliers as a result of tensions between the United States and China. While Telefónica's supply chain has been generally resilient in recent years, despite various stresses affecting the semiconductor industry and raw materials, this may change in the future.

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

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

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

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

The successful execution of Telefónica's strategic plan and Telefónica's ability to compete effectively now and in the future depends to a large extent on the Company's key talent, as well as on a highly skilled workforce.

To continue developing next-generation connectivity and digital services for the Group's residential and corporate customers, incorporating the latest technological changes and adapting them to the evolving customer needs, the Group requires profiles with technological skills such as software development, big data, Artificial Intelligence, and cybersecurity, among others.

These types of experienced profiles in the technology sector are in high demand and competition for talent is fierce worldwide. A lack of talent and the necessary skills in the Group can slow down innovation and adaptation to rapid changes in the sector, impacting business opportunities and the quality of services provided.

While the Group takes various steps to manage these risks, including by fostering a culture of continuous learning, through ambitious employee training and reskilling programs, motivating and seeking to retain the Group's key talent and by redefining Telefónica's corporate culture to ensure the company's long-term growth and sustainability, there can be no assurance that such steps will be sufficient.

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

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

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, use of spectrum, etc.) require licenses, concessions or authorizations from governmental authorities, which typically require that the Group satisfies certain obligations, including minimum specified quality levels, and service and coverage conditions. If the Telefónica Group breaches any of such obligations, it may suffer consequences such as fines or other measures that would affect the continuity of its business. In addition, in certain jurisdictions, the terms of granted licenses may be modified before the expiration date of such licenses or, at the time of the renewal of a license, new enforceable obligations could be imposed or the renewal of a license could be refused.

In addition, the Telefónica Group requires sufficient appropriate spectrum to offer its services. The intention of the Group is to maintain current spectrum capacity and, if possible, to expand it, through the participation of the Group in spectrum auctions which are expected to take place in the next few years, which will likely require cash outflows to obtain additional spectrum or to comply with the coverage requirements associated with some of the related licenses. While Telefónica considers its current spectrum capacity to be sufficient in all the regions in which Telefónica operates, the Group's failure to retain or obtain sufficient or appropriate spectrum capacity in these jurisdictions in the future, or its inability to assume the related costs, could have an adverse impact on its ability to maintain the quality of existing services and on its ability to launch and provide new services, which may materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

Any of the foregoing, as well as the additional matters addressed below, could have a material adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Access to new concessions/ licenses of spectrum.

In Spain, the Ministry of Economic Affairs and Digital Transformation (currently the Ministry of Digital Transformation and Civil Service) approved in June 2023 a modification to the National Frequency Allocation Table ("CNFA"), allowing for the possibility of making available 450 MHz of the 26 GHz spectrum band, to companies, industries and organizations operating in a specific sector, that deploy private networks to support their connectivity needs (verticals). This could mean more competition in the private corporate network segment.

Additionally, in June 2025, in connection with the draft regulation to amend the CNFA, the Spanish telecommunications regulator (CNMC) proposed to the Ministry of Digital Transformation and the Civil Service, that the initial 20 MHz of the 3500MHz band (3400-3420 MHz), that currently constitutes a guard band, be allocated for self-provision uses, which could affect the B2B private network business, as companies could directly develop their own private networks or engage network integrators, thereby dispensing with the Telefónica's services and increasing competition. Ultimately, this could result in the loss of customers in the enterprise communications business.

In October 2025, the Ministry for Digital Transformation launched a public consultation on a new revision of the National Frequency Allocation Table, in which the main novelty is the allocation of the 3.8 – 4.2 GHz band to different services (Defense, Electronic Journalism, Self-Provision Networks and services provided by operators), whose final approval will take place in the second half of 2026, once again opening up the possibility of self-provision networks segment.

In Brazil, the Agencia Nacional de Telecomunicações ("ANATEL") through Resolution 785/2025, approved the spectrum auction calendar, including frequencies in multiple bands for auctions in the short (2026–2028), medium (2029–2032) and long term (2032–2036).

On 4 May 2026, ANATEL auctioned the 700 MHz band, divided into five regional blocks. Priority in the first round was granted to operators that already held regional authorisations in the 3.5 GHz band.

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

In Germany, in March 2025, the Bundesnetzagentur ("BNetzA") published a decision on the extension of the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which partially expired at the end of 2025. The decision provides for the existing frequency usage rights in the above mentioned frequency ranges, to extend upon request for a transitional period of five years. The extension of the usage rights is accompanied by obligations for the further deployment of mobile networks, particularly in rural areas and along transport routes. There would also be a requirement to negotiate with MVNOs on the purchase of wholesale mobile services as well as an obligation to negotiate national roaming and a co-operative and shared frequency usage below 1 GHz with 1&1 Mobilfunk GmbH ("1&1"). Finally, an obligation is imposed to extend the existing 2.6 GHz spectrum lease arrangements between Telefónica and 1&1 during the extension period. In June 2025, the BNetzA has extended Telefónica's frequency usage rights as requested. As part of a second set of actions, a larger procedural framework is expected to be established for utilization from 2031 onwards, including with respect to rights of use and new frequency ranges that expire in 2033 and 2036 or become newly available for mobile communications in the coming years. A decision on this set of actions is planned for 2028.

In December 2025, BNetzA re-launched the 5G spectrum award proceedings of 2018 with an initial public hearing on spectrum regulation aspects open until January 12, 2026. The re-launch became necessary after the Federal Administrative Court finally declared, in December 2025, BNetzA´s decision of November 26, 2018, on the allocation and auction rules of the frequencies in the 2 GHz and 3.6 GHz ranges, unlawful. The current frequency assignments will remain valid until they are either amended or revoked and re-issued under a new decision by the BNetzA. The grounds for the judgement would allow the BNetzA to reissue the previous decision with a new statement of reasons. Accordingly, in its hearing, BNetzA is considering the option of a new decision without repeating the auction, if the changes in the new decision are not significant.

In the UK, mobile spectrum licenses are generally indefinite in term, subject to an annual fee set after a fixed period (usually 20 years) from the initial auction. In 2033, after this mentioned fixed period, Ofcom will set spectrum fees for 800 MHz and 2.6 GHz bands. VMO2 currently holds spectrum in both of these bands. In 2026 Ofcom announced an auction of 25MHz of spectrum in the 1400MHz band, due to be held in early 2027. The results of this award will inform the annual fee charged for the 1400MHz spectrum VMO2 already holds.

With respect to Brazil, on December 16, 2024, Telefônica Brasil, ANATEL, the Brazilian Federal Court of Accounts and the Brazilian Ministry of Communications signed an agreement on the terms and conditions for the adaptation of the STFC concession contracts to an authorization instrument (the "Self-Composition Agreement"). The Self-Composition Agreement includes several key conditions: (i) Telefônica Brasil is required to make specific investments on terms established under the agreement; (ii) Telefônica Brasil must maintain the provision of fixed-line telephone services in certain locations without adequate competition, within the concession area until December 31, 2028; (iii) all pending administrative and judicial proceedings related to the concession at ANATEL or in the courts must be resolved, and Telefônica Brasil must withdraw any cases filed against the regulator; and (iv) Telefônica Brasil must commit to fulfilling public interest pledges for up to ten years as part of the adaptation process. On April 11, 2025, Telefônica Brasil signed the unified authorization term with ANATEL, that compiles all previous licenses into one single title, finalizing the migration to the authorization regime.

ANATEL agreed to extend authorizations of the currently existing bands of 850MHz until November 2028, of 900/1800 MHz between 2031 and 2035 (depending on the region), and of 2100 MHz, until 2038. Additionally, pursuant to Resolution n° 757/2022, subsequently replaced by Resolution n° 773/2025, ANATEL intends to carry out a refarming action consisting of the promotion of changes in the channel arrangements of the 850 MHz (2028) and 900/1800 MHz (2032) sub-bands. Certain specific requirements imposed for these renewals, including those related to the valuation criteria and obligations, are still under review by the Federal Court of Accounts.

During the first half of 2026, no investments were made in spectrum acquisitions and renewals (227 million euros in the same period of 2025, mainly due to the acquisition of spectrum acquisitions in Germany and Venezuela in the amounts of 207 and 20 million euros, respectively). In the event that the licenses mentioned above are renewed or new spectrum is acquired, it would involve additional investments by Telefónica.

Further information on certain key regulatory matters affecting the Telefónica Group and the concessions and licenses of the Telefónica Group can be found in Appendix VI "Key regulatory issues and concessions and licenses held by the Telefónica Group" of the 2025 Consolidated Financial Statements.

Telefónica operates in a sector characterized by rapid technological changes and it may not be able to anticipate or adapt to such changes or select the right investments to make.

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

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as MNVOs, internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice businesses have been shrinking in recent years, while revenues from connectivity services (e.g., fixed and mobile internet) are increasing. Additionally, evolving and diversifying its revenue sources, Telefónica offers new digital services such as Internet of Things (IoT), cybersecurity, cloud services, big data and Artificial Intelligence in the B2B segment. In B2C Telefónica offers ecosystem services such as devices, health, insurance, video content, solar energy, alarm systems, advertising, financial services and education, etc.

Additionally, the world of telecommunications is evolving towards a model of programmable networks and services. This type of network can be used by programmers in a completely new and different way than it had been in the past. As a first big step, the GSMA (Global System for Mobile Communications) is leading the Open Gateway initiative for the standardized exposure of APIs (Application Programming Interface) to developers. This is a totally new market in which telecommunications companies must be able to develop not only attractive services but new skills in order to be successful.

Telefónica continues to invest in FTTx type networks which allow the offering of broadband accesses over fiber optics with high performance. However, the deployment of such networks, in which the copper of the access loop is totally or partially replaced by fiber, requires high levels of investment.

As of June 30, 2026, in Spain, fiber coverage reached 31.4 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.

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

The changes outlined above force Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors. Any such investment may reduce the Group’s profit and margins and may not lead to the development or commercialization of successful new products or services. To contextualize the Group’s total research and development effort, the total expenditure in the first half of 2026, corresponding to its continuing operations, was 367 million euros (372 million euros in the same period of 2025), representing 2.2% of the Group’s revenues (2.3% in the same period of 2025). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development (“OECD”) manual. Telefónica's Group investment in capital expenditure in the first half of 2026 was 1,908 million euros (2,108 million euros in the same period of 2025).

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

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

The Telefónica Group’s commercial portfolio includes products and/or services whose provision involves the processing of large amounts of information and data. This entails an enormous responsibility, while at the same time increasing the challenges related to compliance with strong and growing privacy and data protection regulations throughout the Telefónica Group's footprint, which may stifle the technological innovation that characterizes it and to which the Group is committed. Similarly, the Group's efforts to promote innovation may result in increased compliance risks and, where applicable, costs, even more so in a context in which Artificial Intelligence is increasingly present as a key innovation factor for Telefónica's products and services, with particular consideration being given to the risks that the use of this technology poses to the fundamental rights of customers and users and, with particular relevance, with regard to their privacy and control over their data.

The Telefónica Group operates in an environment of continuously expanding digital regulation. The General Data Protection Regulation (GDPR) constitutes the minimum compliance standard applicable across all of the Group’s operations, including those carried out outside the territory of the European Union. This framework is complemented by the European data legislative strategy—comprising, among other regulation, the Data Act, the Data Governance Act and Artificial Intelligence legislation—which aims to facilitate the circulation of data within the internal market. However, this openness does not entail a reduction in regulatory obligations; rather, it introduces additional requirements relating to data access, sharing, governance and use, which directly affect telecommunications operators. The Group identifies as a material risk the increasing complexity and density of this regulatory framework, as well as the difficulty of ensuring consistent compliance with the applicable obligations across the multiple jurisdictions in which it operates.

In this context, the European Commission launched a regulatory simplification strategy in 2025 which, through initiatives such as the proposal for the Digital Omnibus Regulation published on November 19, 2025, includes a review of the GDPR. Although the stated objective of this strategy is to reduce administrative burdens, the Group does not consider that this trend contradicts or mitigates the regulatory risk described above. On the one hand, the expected impact of these measures on Telefónica is limited. On the other hand, the inherent complexity of these legislative processes, involving European institutions, Member States and numerous stakeholder groups, could result in divergent regulatory outcomes or even the introduction of new obligations in particularly sensitive areas such as privacy, data governance and artificial intelligence. Furthermore, any amendment to the GDPR, regardless of its scope, gives rise to a period of uncertainty regarding the applicable regulatory framework, which may adversely affect the planning, development and scalability of innovative products and services.

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

With regard to the international transfer of data to the United States, on July 10, 2023 the European Commission adopted the adequacy decision for the EU-U.S. Data Privacy Framework (DPF), which permits the transfer of personal data from the EU to U.S. companies certified under that framework. However, the legal validity of the DPF remains subject to uncertainty, given the existence of ongoing judicial challenges before the Court of Justice of the European Union and the fact that recent regulatory developments in the United States have raised legitimate concerns regarding the continued validity of certain assumptions underpinning the adequacy decision. The decision remains formally in force; nevertheless, in light of the foregoing, it cannot be ruled out that it may be amended, suspended or annulled, which would require a review of the alternative international data transfer mechanisms currently in use.

Telefónica is subject to data privacy regulations similar to the GDPR in the non-EU countries in which it operates, including the United Kingdom, Brazil, and the operations in Latin America where the Group still maintains its businesses increasing compliance risks and costs in these countries. Any such potential shifts in the applicable data privacy framework necessitate careful monitoring by Telefónica to mitigate compliance and cross-border data transfer risks.

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

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

Telefónica's reputation depends to a large extent on the digital trust it is able to generate among its customers and other stakeholders. In this regard, in addition to any reputational consequences, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of 20 million euros or 4% of the infringing company's overall total annual revenue for the previous financial year.

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

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

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

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

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

In relation to digital services, customers require an increasingly digital and personalized experience, as well as a continuous evolution of the Group's product and service offering. In this sense, relatively new services such as "Living Apps", "Connected Car", "Smart Cities", "Smart Agriculture", "Smart Metering", "Solar 360" and "eSIM FLAG", which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multi-device access. In addition, Telefónica has launched new customer care applications (My Movistar in Spain, Me Vivo in Brazil, My O2 in the United Kingdom), with the aim of increasing the accessibility of the products and services the Group offers. However, there can be no assurance that these and other efforts will be successful.

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

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

Operational Risks.

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

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

Telecommunications companies worldwide, including Telefónica, face a continuous increase in cybersecurity threats. These companies and their customers are becoming increasingly digital, processing and storing valuable information electronically relying on cloud services provided by third parties, permitting remote access and teleworking by employees and collaborators and expanding IoT environments. All of the above, together with the increasing regulatory pressure regarding cybersecurity, compels companies to review the applicable requirements and the security controls implemented beyond the traditional perimeter of the corporate network.

At the same time, cyberattackers, including both state and independent actors, are becoming more sophisticated, armed with high levels of funding and advanced digital tools that use technologies such as Artificial Intelligence and machine learning. Threats include unauthorized access to systems, the installation of computer viruses or malicious software, and security breaches in the supply chain, with the aim of improperly obtaining sensitive information or disrupting the Group's operations, which may result in penalties that may increase due to changes in cybersecurity regulations, particularly for companies in the European telecommunications sector.

Furthermore, traditional security threats persist, such as the theft of laptops, data storage devices, and mobile phones, along with the possibility that Group employees or collaborators may leak information and/or perform acts that affect their networks or internal information. Additionally, the Telefónica Group is aware of potential cybersecurity risks arising from various international conflicts and monitors cyberattacks that may affect its infrastructure.

In the past years, the Group has suffered various types of cybersecurity incidents that have included: intrusion attempts (direct or phishing), exploitation of vulnerabilities and corporate credentials being compromised; Distributed Denial of Service (DDoS) attacks, consisting of generating massive volumes of Internet traffic that significantly degrade, and in some cases completely disrupt, network capacity; and malicious actions to carry out fraud in respect of services provided by Telefónica. In some of these incidents, personal data from the Group's customers and employees has been stolen. No material incidents occurred in 2025 and in the first half of 2026, but this may change in the future.

The development and maintenance of systems to prevent and detect cyberattacks is costly and requires ongoing monitoring and updating to address the increasing sophistication of cyberattacks. In response to these risks, Telefónica has adopted technical and organizational measures as defined in its digital security strategy, such as the use of early vulnerabilities detection, access control, monitoring and log review and network segregation, as well as the deployment of firewalls, security controls in the supply chain, cryptographic controls, intrusion-prevention systems, malware detection, incident response and recovery procedures, and backup systems. Many of these processes are being automated through the use of Artificial Intelligence, however, Telefónica can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. The Telefónica Group has insurance policies in place aimed at covering certain losses resulting from these types of incidents. However, due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover in its entirety all losses that may arise out of a cybersecurity attack.

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

Climate change, natural disasters and other factors beyond the Group's control, such as system failures, lack of electric supply, network failures, hardware or software failures or the theft of network elements, can damage Telefónica's infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group. For example, in late October 2024, record-breaking flooding and related power outages in Valencia, Spain, resulting from a high-altitude, cut-off low-pressure storm system, caused severe damage to Telefónica's infrastructure. In 2025, the damage estimates were almost fully completed, ultimately resulting in amounts lower than those initially expected.

Further, changes in temperature and the increase in the frequency and intensity of heat waves, patterns associated with climate change may increase the energy consumption of telecommunications networks or cause service disruption due to extreme floods or extreme weather events. These changes may cause increases in the price of electricity due to, for example, reduction in hydraulic generation as a result of recurrent droughts.

Telefónica's operations have been affected in recent years by power outages in Spain, Brazil and certain Latin American countries, caused by droughts, floods, fires, or widespread failures of the electricity grid.

Further, as a result of global commitments to tackle climate change, new carbon dioxide taxes may be imposed and could affect, directly or indirectly, Telefónica Group, and may have a negative impact on the Group's operations and results. Telefónica analyses these risks in accordance with the guidelines set forth in the Corporate Sustainability Reporting Directive (CSRD), and with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Natural disasters represent a latent threat that often materializes with little or no advanced warning and with limited opportunities for preparedness and mitigation, particularly in the case of geological events. At the end of June 2026, two powerful earthquakes struck Venezuela, disrupting international communications and local network outages in the area surrounding the epicentre. Following the activation of contingency protocols, and despite the difficulties in accessing the areas most severely affected, international communications were restored within the following two hours and the network coverage in the most affected areas was progressively restored within two weeks.

Network or service interruptions or quality loss or climate-related risks or natural disasters 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 continues to provide the operational and financial diversification. Following the divestments carried out in 2025 and early 2026, the Group's geographic footprint has been streamlined and currently shows a higher relative concentration in Europe, with Brazil and Venezuela as its main exposure outside that region. This international presence entails exposure to different legal, political, economic and financial frameworks.

Adverse developments in these environments—including weaker economic growth, inflationary pressures, tighter monetary policy, exchange rate volatility, a deterioration in sovereign risk, heightened geopolitical tensions or, more broadly, increased uncertainty—could adversely affect Telefónica's business, financial position, debt management, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.

Over the past few years, the global economy has been shaped by a series of overlapping disruptions. Initially, supply bottlenecks arising from the post-pandemic recovery and higher commodity prices led to a surge in inflation, prompting central banks to raise interest rates and withdraw liquidity, thereby reducing households' purchasing power. At the same time, tight labour market conditions contributed to the persistence of inflationary pressures through wage growth.

Although inflation has moderated across most of the Group's key markets, its trajectory remains uneven and continues to be influenced by developments in energy prices, tariffs, employment and wages, as well as services inflation.

Geopolitical risks, including the ongoing conflicts in Ukraine and the Middle East, continue to affect trade flows, energy security and price stability. In particular, the escalation of the conflict involving Iran has contributed to a renewed upward revision of inflation expectations, especially through energy price channels, transportation costs and risk premiums. Although the signature of agreements or memoranda of understanding could help to temporarily ease these tensions, significant uncertainty remains regarding their evolution and the robustness and effective implementation of the commitments reached

In Telefónica's case, these developments have a more direct impact on Europe and, to a lesser extent, Brazil, through higher energy and financial costs, a deterioration in the external environment and potential disruptions to supply chains. However, while Brazil is not immune to geopolitical risks, its status as a commodity exporter and its ability to maintain trade relations with different economic blocs may help to partially mitigate these effects through improved terms of trade, higher export revenues and increased fiscal revenues linked to the oil sector.

Looking ahead, other geopolitical flashpoints—particularly in the Middle East, in relations between the United States and Latin America, Taiwan and the South China Sea—could intensify further, increasing uncertainty around supply chains, financial markets and global growth prospects.

In Europe, risks could materialise primarily through higher energy and other input costs, higher financing costs associated with elevated interest rates – such as the ECB's recent rate increase in June – as well as weaker economic activity. Risks also remain related to dependence on energy imports, volatility in international markets, potential geopolitical or logistical disruptions and possible delays in the energy transition.

In Latin America, the Group's exposure is concentrated primarily in Brazil and Venezuela. In these markets, weaker global growth, a deterioration in the terms of trade, tighter financial conditions, concerns regarding debt sustainability, exchange rate volatility or geopolitical tensions affecting commodity prices and capital flows could adversely impact economic activity, inflation, financing costs and demand for services.

Overall, the materialisation of these risks could weaken the macroeconomic and financial environment in the Group's main markets, through lower growth, heightened inflationary pressures, tighter financing conditions, and greater volatility in exchange rates and capital flows. These factors could adversely affect demand for services, operating and financial costs, asset valuations and, ultimately, Telefónica's revenues, margins, cash flow generation and key financial metrics.

As of June 30, 2026, the contribution of each segment to the Telefónica Group's total assets excluding assets held for sale, was as follows: Telefónica Spain 32.7% (31.4% as of December 31, 2025), Telefónica Brazil 28.4% (25.4% as of December 31, 2025), Telefónica Germany 19.6% (19.7% as of December 31, 2025) and VMO2 7.1% (7.1% as of December 31, 2025). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil and Venezuela). Likewise, Venezuela is considered country with hyperinflationary economy in 2026 and 2025.

During the first half of 2026, the contribution of each segment to the Telefónica Group's revenues was as follows (does not include VMO2 that is recorded by the equity method and therefore does not contribute to the consolidated revenues): Telefónica Spain 39.7% (39.4% in the same period of 2025), Telefónica Brazil 31.7% (28.7% in the same period of 2025), and Telefónica Germany 22.5% (25.4% in the same period of 2025).

The main risks by geography are detailed below:

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

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

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

Regarding political risk, it remains to be seen whether parliament fragmentation hinders governance and the continuity of the ongoing agenda in fiscal and economic matters, climate and energy policy as well as other aspects of regional governance.

- *Spain*: there are several local sources of risks. One of them stems from the risk that high commodity prices and/or the emergence of wage pressures may delay inflation from converging toward the target, with a deeper impact on household income. Secondly, further delays in the disbursement and execution of Next Generation European Funds (NGEU) could limit their final impact on potential growth and employment. In addition, as one of the most open countries in the world from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, Spain could be negatively impacted by the rise of protectionism and trade restrictions particularly if they are amplified from goods to services. Lastly, the impact of higher-for-longer interest rates could be a source of financial stress due to high public indebtedness and lead to potential correction in the real estate market. In the long term, the challenge is to increase the potential growth through improvements in productivity and investment and ensure the sustainability of public debt taking into account the costs derived from population ageing, defence and climate transformation.
- *Germany*: the risk of energy shortages has declined, although vulnerabilities related to gas availability and costs remain. Alternative sources for gas imports could be limited or competition for gas from other countries could increase. On the other hand, there is concern that higher-than-expected wage growth and/or higher input costs could lead to more persistent inflation diminishing competitiveness among the manufacturing sector. There is also a risk, in the medium and long term, that prolonged or escalating geopolitical tensions could reduce international trade or increase competition to German-made products with a consequent impact on the country's potential growth, which is dependent on exports. Additionally, on the political front, is relevant that the current coalition executes the ambitious fiscal package approved by the Parliament to mitigate investment needs and

enhance economic growth. Finally, challenges remain, such as the ageing of the population and lacklustre productivity.

- *United Kingdom*: more persistent inflation could weigh on consumption and avoid a stronger economic recovery. In particular, there is a concern that currently dynamic wage growth could lead to a further increase in the prices of goods and services, preventing inflation rates from totally normalizing. On the other hand, the change of the prime minister has brought political and fiscal risk back into focus, at a time when the U.K. government needs to implement its economic programme to ensure debt sustainability and support growth, in a context where the effects of Brexit remain visible in the form of barriers to trade, mobility and cross-border flows

Following the divestments executed in 2025 and the closing of the sale transactions in Colombia and Chile in the first quarter of 2026, the Group's operating exposure in Latin America has been significantly reduced. Accordingly, the geographic risks of the region should be understood to relate primarily to Brazil and to certain remaining Hispam operations (Venezuela and Mexico), and not to countries in which the Group no longer has a material operating exposure.

In Latin America, the exchange rate risk is currently considered moderate by the Telefónica Group, except in Venezuela, but may increase in the future. The completion of the electoral processes and the rapid central bank actions to contain inflation and prudent fiscal policy, have , limited the impact of external risks (global trade tensions, abrupt movements in commodity prices, concerns about global growth, tight U.S. monetary policy and financial imbalances in China) and internal risks (managing the monetary normalization as a consequence of fewer foreign currency availability and the possible fiscal deterioration). However, rising geopolitical tensions with the US have become an additional source of risk.

- *Brazil*: fiscal sustainability and increased economic intervention remain the main domestic risk. Despite announced measures to contain public spending and increase taxes, deep fiscal reforms aimed at simplifying the indirect tax system and promoting stronger and sustainable economic growth, are slowly being approved. Despite external country risk is contained, volatility surrounding public debt sustainability is still high. Moreover, inflation expectations remain high, paving the way for restrictive monetary policy longer than expected and increasing the risks of a more pronounced economic slowdown. Political uncertainty is likely to intensify ahead of Brazil's October 2026 presidential election, potentially affecting policy predictability and market conditions.
- *Mexico*: economic performance remains exposed to external conditions and policy adjustments mainly from US trade policy.
- *Venezuela*: despite recent US intervention, continues to face a fragile macroeconomic environment with inflationary pressures and currency volatility. Persistent constraints on financial flows, policy unpredictability and capital-control regimes are material risks for the scenario. Additionally, the recent earthquake in the north of the country could pose an additional drag on short-term growth through infrastructure damage, logistical disruptions and higher reconstruction spending needs, although the ultimate macroeconomic impact remains uncertain.

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

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

In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill (which as of June 30, 2026, represented 18.6% of the Group's total assets), deferred tax assets (which as of June 30, 2026, represented 5.9% of the Group's total assets) or other assets, such as intangible assets (which represented 10.0% of the Group's total assets as of June 30, 2026), and property, plant and equipment (which represented 19.7% of the Group's total assets as of June 30, 2026). In the case of goodwill, the potential loss of value is determined by the analysis of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated at the time it is originated, and such calculation requires significant assumptions and judgment. In 2025, impairment losses were recorded for the cash-generating units Chile (174 million euros) Telefónica Tech UK & Ireland (254 million euros) and Be-terna (58 million euros). In addition, VMO2, the Group's 50:50 joint venture with Liberty Global in the United Kingdom, recorded in 2025 an impairment of its goodwill amounting to 1,170 million euros, with a negative impact of 585 million euros on the "results of investments accounted for using the equity method" in the Group's consolidated income statement. The impairment losses recognized in connection with assets in Chile are presented as discontinued operations, as the entities that generated them were sold during the first half of 2026.

In addition, Telefónica may not be able to realize deferred tax assets on its statement of financial position to offset future taxable income. The recoverability of deferred tax assets depends on the Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. If Telefónica believes it is unable to utilize its deferred tax assets during the applicable period, it may be required to record an impairment against them resulting in a non-cash charge on the income statement.

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

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

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

The Telefónica Group is a relevant and frequent issuer of debt in the capital markets. As of June 30, 2026, the Group's financial liabilities amounted to 33,771 million euros (34,339 million euros as of December 31, 2025), and the Group's net financial debt amounted to 25,278 million euros (26,824 million euros as of December 31, 2025). As of June 30, 2026, the average maturity of the debt was 11.7 years (10.9 years as of December 31, 2025), including undrawn committed credit facilities.

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

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

As of June 30, 2026, the Group's current financial liabilities scheduled to mature in the following 12 months amounted to 4,223 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 June 30, 2026. As of June 30, 2026, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of 10,098 million euros (9,765 million euros of which were due to expire in more than 12 months). Liquidity could be affected if market conditions make it difficult to renew undrawn credit lines. As of June 30, 2026, 3.3% of the aggregate undrawn amount under credit lines was scheduled to expire prior to June 30, 2027.

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

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

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

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

In nominal terms, as of June 30, 2026, 53% of the Group's net financial debt 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 June 30, 2026: (i) a 100 basis points increase in interest rates in all currencies in which Telefónica had a financial position at that date would have led to an increase in financial expenses of 107 million euros, whereas (ii) a 100 basis points decrease in interest rates in all currencies (even if negative rates are reached) would have led to a reduction in financial expenses of 107 million euros. For the preparation of these calculations, a constant position equivalent to the position at that date is assumed of net financial debt.

Exchange rate risk arises primarily from: (i) Telefónica's international presence, through its investments and businesses in countries that use currencies other than the euro (primarily in Latin America and the United Kingdom); (ii) debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt; and (iii) trade receivables or payables in a foreign currency to the currency of the company with which the transaction was registered. According to the Group's calculations, the impact on results, and specifically on net exchange differences, due to a 10% depreciation of Latin American currencies against the U.S. dollar and a 10% depreciation of the rest of the currencies to which the Group is most exposed against the euro would result in exchange gains of 21 million euros as of June 30, 2026 and a 10% appreciation of Latin American currencies against the U.S. dollar and a 10% appreciation of the rest of the currencies to which the Group is most exposed, would result in exchange losses of 21 million euros as of June 30, 2026. These calculations have been made assuming a constant currency position with an impact on profit or loss as of June 30, 2026 taking into account derivative instruments in place.

In the first half of 2026, the evolution of exchange rates (without considering the effects of hyperinflationary countries) had a positive impact in the year-on-year growth of the Group's consolidated revenues and EBITDA of 1.3 percentage points and 1.6 percentage points respectively. Furthermore, translation differences in the first half of 2026 (excluding the impact of the negative translation differences that were recycled into the results by the companies sold in the first half of 2026, which amounted to 596 million euros), had a positive impact on the Group's equity of 1,251 million euros (negative impact of 529 million euros in the first half of 2025).

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

Legal and Compliance Risks.

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

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

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

Telefónica Brazil maintained provisions for tax contingencies amounting to 336 million euros and provisions for regulatory contingencies amounting to 185 million euros as of June 30, 2026. In addition, Telefónica Brazil faces possible tax and regulatory contingencies for which no provisions are made (see Note 20 "Provisions-Telefónica Brazil" of the 2026 Condensed Consolidated Interim Financial Statements and Note 24c "Other Provisions" and Note 25 "Litigation in Telefónica Brazil" to the 2025 Consolidated Financial Statements). Furthermore, the Group makes estimates for its tax liabilities that the Group considers reasonable, but if a tax authority disagrees, the Group could face additional tax liability, including interest and penalties. There can be no guarantee that any payments related to such contingencies or in excess of Telefónica's estimates will not have a significant adverse effect on the Group's business, results of operations, financial condition and/or cash flows. In addition to the most significant litigation indicated above, further details on these matters are provided in Notes 25 (Tax matters) and 29 (Other information) to the 2025 Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims in Brazil can be found in Note 20 "Provisions—Telefónica Brazil" of the 2026 Condensed Consolidated Interim Financial statements , including provisions for civil proceedings amounting to 269 million euros.

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

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

The Telefónica Group may be unable to adapt to or unable to comply with expectations from analysts, investors, customers and other stakeholders and legal requirements related to ESG issues. Moreover, such expectations and requirements may differ from one another and vary significantly across regions.

Further, the Telefónica Group's ESG objectives and initiatives incorporated in its public reports and other communications (including its carbon dioxide emission reduction targets) exposes the Company to the risk that it will fail to achieve these objectives and initiatives linked, in some cases, to financing instruments (see Note 29 d) "Environmental and climate change matters" to the 2025 Consolidated Financial Statements).

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

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

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

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

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions ("sanctions") including those administered by the United Nations, the European Union, the United Kingdom and the United States, including by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). Sanctions restrict the Group's business dealings with certain countries, territories, individuals and entities and may impose certain trade restrictions, among others, export and/or import trade restrictions to certain goods and services. In this context, the provision of goods and services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions. Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

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

Note 29 b)-Other Proceedings to the 2025 Consolidated Financial Statements.

Failure to comply with anti-corruption laws and sanctions regulations could lead to further financial penalties, termination of government contracts, and the revocation of licenses and authorizations, and could have a material adverse effect on the Group's reputation, or otherwise adversely affect the Group's business, financial condition, results of operations and/or cash flows.

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