Telefónica
since 1924

Results 2024

Q4

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Adrián Zunzunegui - *Global Director of Investor Relations*

Good morning, and welcome to Telefónica's conference call to discuss Q4 2024 results. I am Adrián Zunzunegui from Investor Relations.

Before proceeding, let me mention that the financial information contained in this document has been prepared under international financial reporting standards, as adopted by the European Union. This financial information is unaudited.

This conference call and webcast, including the Q&A session, may contain forward-looking statements and information relating to the Telefónica Group. These statements may include financial or operating forecasts and estimates or statements regarding plans, objectives, and expectations regarding different matters. All forward-looking statements involve risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such statements.

We encourage you to review our publicly available disclosure documents filed with the relevant securities market regulators. If you don't have a copy of the relevant press release and the slides, please contact Telefónica's Investor Relations team in Madrid or London. Now let me turn the call over to our Chairman and Chief Executive Officer, Mr. Marc Murtra.

Presentation

Marc Murtra - *Chairman and Chief Executive Officer*

Q4 24 Results

1. **Telefónica today: building on strong foundations**

Good morning, everyone. Let me start by saying that I am honoured to address you in my first earnings call as Chairman & CEO of Telefónica.

I have prioritised the conduction of a tour across our operations. I see both significant strengths and opportunities to enhance our execution and long-term shareholder value creation.

Our position in high-quality core markets reflects both our heritage and potential. The market leadership we've achieved in Spain and Brazil, combined with our strategic positions in Germany and the UK, gives us relevant reach and scale. While we have built strong operational capabilities, I see opportunities to deploy these more effectively across our footprint. I will share with you more when ready, but my vision is to accelerate the performance of this great company, raise the level of ambition, simplify it where prudent and ultimately drive the corporate valuation higher over time.

This year's performance demonstrates the fundamental strengths of our business model. Despite a dynamic macro environment, we've delivered growth across our key metrics, including free cash flow. In today's rapidly evolving landscape, we must adapt rapidly to capture our full potential.

Our strength, as I see it, rests on three pillars.

- First, scaled customer relevance, with increasing customer satisfaction and a growing NPS over a total customer base of 390m.
- Second, we are a world-class infrastructure company, leaders in fibre and in copper shutdown in Europe.
- And third, our strong and proven know-how, with senior and experienced management in place.

2. A new time in Europe

Looking ahead, I believe it is time to elevate our ambition and boost our strategic plan in a new time in Europe.

I see clear opportunities to accelerate execution across our business, from our core connectivity services to our growing B2B technology solutions in an industrial rationale. We should further intensify our focus on core markets and activities through and portfolio optimisation while maintaining efficient capital allocation.

The European telecom industry should move in more Euro centric decisions. The pace of technological disruption and investment requirements demand that we move faster and more decisively with consolidation driving future growth. Telefónica is uniquely positioned to lead in this evolving landscape, given our operational excellence and technical capabilities. Within what I believe to be a more favourable regulatory framework.

My immediate focus is on increasing our operational velocity, evaluating all options for shareholder value creation and enhancing speed-to-market while building on Telefonica's strong foundations. We have significant opportunities to drive business performance and accelerate value creation through financial discipline. And with FCF as the key metric to focus. You will learn more later this year, as I plan to share findings from the strategic reflection we will conduct for the next few months before year-end. I am committed to making Telefonica the best that it can be, controlling what is within our control and more.

In the meantime, once we have the right assets and the right knowledge, we will continue executing but with greater speed and decisiveness to deliver.

I will now hand over to Ángel, who will guide you through Q4 and FY 24 results, as well as the performance of our core operating businesses.

Ángel Vilá – *Chief Operating Officer*

3. 2024: Delivered on guidance

Thank you, Marc,

Let me start by highlighting that we have fully delivered within our 2024 guidance ranges across all metrics.

Looking at free cash flow, we generated 2.6 billion euro, representing 14% growth year-on-year. Above our >10% CAGR pace.

The momentum in our core markets has been a key driver of these results. We're seeing healthy commercial trends across our core markets, with improved customer metrics that validate our strategy. As an example, Spain had full year-on-year growth in all accesses for the first time since 2018 and the best convergent churn since 2013.

Our network deployment continues at pace, but importantly, with industry-leading capital efficiency. While extending our FTTH footprint and 5G coverage, we've maintained a CapEx to Revenue ratio of just 12.9%. The successful decommissioning of legacy networks is further enhancing our operational efficiency.

These operational achievements have translated into a stronger financial position, with leverage now reduced below 2.6 times while maintaining strong dividend coverage.

So, strong momentum going into 2025.

4. **Accomplishments 2024, a stronger Telefónica**

Let me now highlight our key achievements for 2024, which demonstrate substantial progress across three core areas of transformation.

Our customer-focused strategy delivered strong results for the full year. We grew our base by 2 million customers while further improving our net promoter score. Throughout 2024, our initiatives have significantly enhanced our commercial performance, driving sales efficiency, increasing customer lifetime value, and delivering meaningful churn reduction.

In network deployment, we've delivered significant expansion of our next-generation infrastructure. We passed an additional 10 million premises with fibre during the year, while extending our 5G coverage by 12 percentage points across core markets. A particular highlight has been our pioneering work in network autonomy, where we're seeing tangible benefits from AI implementation.

2024 was also a year of important operational milestones. Our team successfully progressed with our copper shutdown program in Spain, marking a significant step in our network modernisation. At the group level, we continue achieving efficiency gains, particularly in areas like technical customer care.

Whilst in Hispam we advanced with our portfolio optimisation efforts with the filing of an ordinary insolvency procedure in Peru and the sale of our operations in Argentina. Following a competitive process that allowed us to optimize proceeds whilst avoiding execution risk.

5. **Telefónica Group: resilient performance and FCF focus**

Our performance remained strong, as shown on slide 6. Revenue was up 5.4% on the quarter reflecting solid commercial momentum across our footprint. Service revenue maintained its trajectory, with B2B continuing to be a growth driver and B2C showing resilience across our core markets.

On profitability, we delivered reliable operating leverage, while maintaining EBITDA flat year-on-year in Q4. While CapEx increased 5.7% in Q4 due to Argentinean FX and some phasing effects, we achieved our full-year target with CapEx/Sales below 13%.

Most importantly, our free cash flow generation showed strong progression throughout the year, demonstrating the effectiveness of our operating model and natural hedging policy. This performance translated into reduced leverage and improved dividend coverage.

I will now guide you through our core operating businesses.

6. Spain: increasing customer base, FY revenue and EBITDA growth

Moving to slide 7, Telefónica Spain delivered an excellent performance in 2024, with a leading growth profile, based on strong commercial and operational momentum.

For the first time since 2018, all main accesses grew year-on-year simultaneously. Through a relentless focus on superior assets, customer care, quality offering, and a smart commercial approach, our strategy proved successful amidst changing market dynamics.

Moreover, an industry leading ARPU and the lowest churn in more than a decade result into the best combination of KPIs in B2C. Together with our premium IT proposal for B2B, and the extended wholesale agreements, it makes us the most sustainable player in the Spanish telco space.

Commercial success fuelled revenue growth of 1.3% year-on-year in Q4. And as we anticipated, FY EBITDA was back to year-on-year growth. Driven by improving retail revenue growth and further efficiencies in personnel, network transformation, and digitalisation. Meanwhile, EBITDAaL increased y-o-y for a second consecutive quarter.

Noteworthy this operational improvement was achieved whilst bringing down CapEx, leading to stable EBITDAaL-CapEx compared to the previous year.

Telefonica Spain faces 2025 from a stronger and better position to continue capturing growth and further adding operational leverage.

7. Brazil: high growth with expanding margins

On slide 8, Telefónica Brazil continues to build a sustainable future by enhancing the quality of its service mix, thanks to steady growth in contract and FTTH accesses.

During the quarter, revenue increased by close to 8% in local currency, with the fixed-line business reaching a new record high and sustained strong performance in mobile.

Despite this strong commercial momentum and the higher contribution from digital services, the EBITDAaL-CapEx margin grew year-on-year by as much as 0.5 percentage points, to 18% in the last quarter of 2024.

Finally, the agreement for the migration from Concession to Authorization was completed, a move that will transform our business and operations.

8. Germany: sustained operational momentum and strong EBITDA growth

Our German operations, on slide 9, maintained their good performance in Q4, with sustained O2 brand appeal and enhanced B2P momentum driving strong commercial traction.

As for our platforms, the O2 network was recognized for its quality once again, receiving a 'very good' rating from Connect magazine for the fifth consecutive year, with the strongest improvement among German MNOs. 5G population coverage expanded further, now exceeding 97%, while O_2 contract churn remained low and stable at 1.1%, reflecting strong customer loyalty.

Financially, revenue declined by 3.7% year-on-year in Q4, impacted by MTR headwinds, tough handset comps, and the shift in the 1&1 business model. However, disciplined execution and cost efficiencies supported EBITDA growth of 5.3% year-on-year, with a sequential improvement in operating leverage and further EBITDA margin expansion.

9. VMO2: focus on network evolution and long-term growth

Moving to slide 10, where we review our UK operations at VMO2.

In Q4, we maintained our strategic focus on expanding our fixed network and enhancing customer value.

Our fixed business continued to grow, supported by higher ARPU, which increased by 2.0% year-on-year. Fibre rollout progressed at a record pace, with 1.3 million premises passed in 2024, expanding our total fibre reach to 6.4 million homes.

On the mobile side, contract churn remained stable at 1.1%, as initiatives such as inclusive EU roaming and the O2 Priority loyalty program continued to strengthen customer retention. Additionally, 5G population coverage reached 75%, an improvement of as much as 24 percentage points year-on-year.

From a financial perspective, revenue was flat year-on-year in Q4, showing improved momentum, while EBITDA declined, mainly reflecting ongoing investment in IT and digital efficiency programs, B2B fixed headwinds, and tough prior-year comparisons.

Despite this, we achieved £540 million in annualized synergies delivering on our five-year target nearly 18 months ahead of schedule.

10. Tech: the B2B growth engine, enhances its scale and sustainability

Slide 11 reviews the performance of Telefonica Tech, a driving engine for the superior growth of Telefónica's B2B revenue.

T. Tech has completed 2024 as a fully integrated Tech player, consistently outperforming its market, and revenue exceeding the €2bn mark.

Revenue growth accelerated in the last quarter, to 10% year-on-year in 2024, supported by a highly skilled workforce and widely recognized capabilities for delivering advanced IT services for B2B digitalisation.

Main driver behind this performance is the operating leverage of the new organisational model, which expanded capabilities across the footprint and allowed us to improve the revenue mix. The larger size and value of the new projects are increasing the weight of professional managed services, which translate into a more recurrent and more profitable revenue flow.

Furthermore, the strong sales pipeline, with both commercial Funnel & and Bookings growing faster than revenues, further increase revenue visibility. Thus, the business' sustainability increases.

11. Infra: a global connectivity platform

Moving to slide 12,

T. Infra is driving growth and accelerating digital inclusion through the deployment of state-of-the-art next-gen infrastructure.

We passed 25 million fibre premises by year-end in our Fibercos, progressing towards our target of 30 million by 2026, approximately 30% of T. Group's future fibre deployment.

Telxius, our best-in class international connectivity infrastructure is expanding its international network by adding another new generation subsea cable connecting Puerto Rico and USA, expected to go live in Q3 27. At sustained profitability levels, close to 50% in 2024.

The agreement to sell our stake in Nabiax at attractive multiples, is a further successful step in our asset recycling strategy to generate significant gains and unlock value. Closing conditional upon receiving regulatory approvals.

I will now hand over to Laura, who will guide you through Hispam performance and main financial topics.

Laura Abasolo - *Chief Financial and Control Officer & Head of T. Hispam*

12. Hispam: a step forward in strategy execution

Thank you, Ángel.

In Hispam, as we show on slide 13, we have recently taken relevant steps in the execution of our strategy:

- Firstly, in Peru, where Telefónica del Perú has filed for the Ordinary Insolvency Procedure. This is the right decision to fulfil our fiduciary duty of protecting Telefónica shareholders' interests. In addition, new limited financing of approximately 390 million euros has been granted to Telefónica del Perú, subject to strict conditions.
- On top of that, last Monday we announced the sale of our operations in Argentina for close to 1.2 billion euro, as a result of a highly competitive sale process, which has allowed us to optimize the proceeds, significantly exceeding market expectations.

This deal will have certain accounting impacts in Q1 2025. Around 1billion Euros FX translation impact that reflects the accumulated devaluation since the acquisition back in 1991. It is a non-cash impact and moreover, it has already been reflected in our equity, it is just a reclassification.

But I would like to highlight again how this unconditioned sale, where signing and closing took place simultaneously, allows us to avoid execution risk whilst cashing in close to 1.2bn euros.

We believe this demonstrates our execution focus. Taking steps to continue with our portfolio simplification exercise. Under very attractive terms. You should expect from us to continue exploring value creation alternatives for our Hispam operations.

13. Hispam: towards a more rational industry

Following with Hispam, we continue to work towards a more efficient and rational industry by sharing infrastructure and optimising resources. As shown on slide 14.

In Colombia, we announced the integration of Movistar and Tigo's mobile access infrastructure into a jointly owned company, to expand coverage to new locations and offering greater capacity and speed to customers.

Our FTTH transformation progresses as planned, and 96% of our FBB accesses are connected to FTTH networks (+5 percentage points y-o-y).

Q4 24 results were impacted by a more favourable comparative base in Q4 23, driven by the depreciation of the Argentinian peso in Q4 23 and the adoption of the new exchange rate in Venezuela.

Revenue, EBITDA and EBITDAaL increased by 7.8%, 3.4%, and 2.4% year-on-year.

14. Solid balance sheet, contained costs and sound liquidity

Moving to our capital structure, Telefónica maintains a robust balance sheet position.

As of December 2024, our net financial debt stood at €27.2 billion, translating to a net debt to EBITDAaL ratio of 2.58x. During the year, net financial debt declined by 0.2bn euro and net debt to EBITDAaL was reduced from 2.60x to 2.58x, mainly due to the solid free cash flow generation which accommodated our strategic move to raise our stake in Telefonica Deutschland. We are committed to reduce leverage.

Meanwhile, Telefónica maintains a solid liquidity position of 20.9 billion euro that together with a light maturity profile, allows us to cover debt maturities over the next three years. Our debt is above 80% linked to fixed rates with an average life of 11.3 years, which places us in a comfortable position to face any market environment. It is to highlight that in Jan-25, Telefónica completed the refinancing of its main syndicated facility of €5,500m and extended its maturity to 5 years, with two annual extension option, up to a maximum maturity of 7 years.

Furthermore, we lowered our debt-related interest cost to 3.32% vs 3.80% in December last year thanks to the active refinancing exercise undertaken in previous years, the robust position at fixed interest rates in strong currencies and lower interest rates in Brazilian reals.

15. 2024 FCF; +14.1% y-o-y

On slide 16,

On FCF, we delivered exactly what we promised last quarter. Q4 showed significant sequential improvement in-line with typical historical patterns, +68% q-o-q, driving to a remarkable 14.1% FCF growth in 2024, overachieving guidance. In absolute terms, and from what we shared with you back in November 2023, FCF has grown by half a billion euro, 25% growth in only thirteen months.

Levers of this performance has been the solid operations underlying business performance driven by strong operating leverage and lower capital intensity. Additionally, we've seen reduced dividend leakage following the T. Deutschland and we've optimised financial items, benefiting from FX hedges.

16. Responsible digitalisation is at the core of our business

Moving to slide 17.

At Telefónica, responsible digitalisation is fundamental to our strategy and operational excellence. We are working to provide greener, more accessible and trustworthy products & services.

In 2024, we have demonstrated our commitment to our net zero targets by reducing our carbon emissions across all scopes, with 89% of our overall electricity now coming from renewable sources.

On the social front, we are providing wider coverage for our customers, with mobile broadband reaching 84% of the rural population in Brazil, 95% in Spain, and over 99% in Germany. We have a diverse and motivated workforce with an eNPS of 75 and a growing number of women executives.

Our governance remains robust, with sustainability embedded across the business and value chain. For example, we have provided anti-corruption training to over 70k employees, we have carried out more than 20k audits related to sustainability risks and over 37% of our financing is now linked to sustainability indicators.

These efforts have not gone unnoticed, with Telefónica receiving recognition from prestigious organisations including TIME Magazine, Newsweek, and being awarded leading ESG scores for the sector by ISS ESG and Bloomberg, among others.

I will now hand back to Marc who will wrap up.

Marc Murtra - *Chairman and Chief Executive Officer*

17. 2025 guidance

Thank you, Laura.

On slide 18 we show our guidance for 2025.

As discussed, we will conduct a strategic review that will end during the second half of 2025. We do not want to foreclose any specifics, but it will be in line with what Telefonica is and has been. And will of course focus on our know-how, industrial rational and will be financially disciplined.

In the meantime, we provide you with our 2025 guidance. For the sake of comparability, we decided to guide on "unchanged" consolidation perimeter, as of December 31st, 2024. Whilst offering "organic" guidance to avoid FX distortions.

In 2025 we expect:

- Organic growth in both revenue, EBITDA, and EBITDAaL-CapEx.
- CapEx intensity to continue declining, to less than 12.5% over sales by year-end.
- And FCF generation similar to the one posted in 2024, more than enough to pay a €0.30 dividend per share and continue deleveraging.

Whilst we conduct our strategic review, our priority for 2025 is execution under disciplined capital allocation.

18. Key takeaways

So, to recap the key takeaways for the year.

In 2024 we delivered on our guidance. As such, we are preparing to adapt to changes in Europe as we announce our 2025 guidance and a dividend of 0.3 euro per share in cash.

Spain, Brazil and Germany maintained momentum in Q4. At the same time, we deliberated on capital allocation, reducing our exposure to Hispam. Strengthening our balance sheet.

It is a new time in Europe, as we see it, and we will conduct a strategic review to take the most out of this new context. Review that will be concluded in H2 25.

We are now ready to take your questions, thank you.

Q&A Session

Andrew Lee – *Goldman Sachs*

Good morning and welcome to the firm Marc, I look forward to meeting you. I had two questions, both bigger picture. The first one was just, I guess a few people were a little bit broadsided on the decision to put the mid-term guidance on hold today. I wonder if you could just help us understand the decision behind that. Normally what we see is new management comes in and does a strategic review and then adjusts midterm guidance. Did you decide to put the midterm guidance on hold because you don't believe it's achievable? And any help you can give us just in terms of reassuring on the underlying delivery of the firm right now prior to that strategic review would be really helpful.

And then second question, you were in the press overnight talking about potential ambitions for broader consolidation across Europe. One of the things that a lot of investors are talking about right now and probably are more excited about in the near term is in market mobile consolidation. Do you see scope for Telefonica's ability to pursue and drive consolidation in any of your markets in the near to medium term? Thank you.

Marc Murtra - *Chairman and Chief Executive Officer*

Thank you for your kind welcome and your words. With regards to your first question, no, we are focusing on the 2025 guidance and not on the midterm guidance not because we don't think it's achievable, not because we think there's any changes to what we have said, but to give us the necessary strategic flexibility to go around conducting our strategic review.

So let me be very, very clear. Nothing has changed with that regard, but we do see changes in what is going to happen in Europe.

And that takes me to your second question. I know you've asked regarding in market, but on a broader European situation, we see and believe there are going to be drastic changes in Europe. It is very difficult to announce or to be very specific with regards to the speed at which that is going to happen. And that is something we are going to analyse in our strategic review.

With regards to in market consolidation, we do think there is going to be more flexibility, but at this stage, to be rigorous and specific, I would need to leave it at that.

Mathieu Robilliard – *Barclays*

Good morning and thank you for the presentation, and welcome also from my side to Marc.

Marc, thanks for sharing your initial thoughts. And I realize it's very early days, but I was trying to get a bit more detail or nuance, notably based on what you said on your introduction, remarks about the priorities. You did mention Spain and Brazil as core businesses, and you mentioned the stakes or your presence in Germany and the UK as strategic states. I don't know if that's a nuance that matters. If you are suggesting something here, if you could clarify? More broadly, when you look at the portfolio of assets, what will be the driving elements to assess each market? Is it the scale that you have today, and you could have tomorrow? Is it going to be, you know, is it profitable? Is it earning its cost of capital or not? If you could give just a little bit of more details in terms of the concepts and the driving elements for your analysis.

And then I had a question on the free cash flow guidance for 2025. I just wanted to clarify what was included in that compared to what you had said in the past? From memory I think, Laura, you had mentioned that in 2025 there was going to be a tax payment to Peru of around EUR300 million, I just wanted to confirm whether that was in the guidance or not anymore?

Also, I think you made it clear now that you don't include anything coming from Colombia, but I just wanted to make that super clear. And lastly, if there's any FX hedging for Brazil that is taken into your guidance, thank you.

Marc Murtra - *Chairman and Chief Executive Officer*

Thanks, Mathieu, for your welcome and your four questions. There is no nuance and there's no suggestion, we are where we are. We see great opportunities in Europe driven by what is happening and by what I think, and we think, everybody can read and listen to. And we have, as I was saying, a very strong position in three very large markets within Europe. And there's no more to that than what I've said.

Regarding the driving elements, we are going to conduct the strategic review. This is something we're announcing today, but I think I can say very clearly, the analysis is going to be driven by operation rationale, by improving our margins, consolidating our market so that scale can give us a better position midterm and long term.

We think that, and we're not alone in this of course, that the European market is fragmented and therefore inefficient. This is different to other markets, we can all see in Asia, in the Middle east and the U.S., and we think the winds are changing in that respect. That is why we are going to conduct our strategic review, to analyse that and to be ready for that.

Laura Abasolo - *Chief Financial and Control Officer & Head of T. Hispam*

Thank you, Mathieu, for your question, I'm happy to give more clarity. FCF 2025 guidance is with perimeter equal to 2024, so you can see comparability. Therefore, we have not included the recent impact of the sale of Argentina, we have not included the recent filing of the Peruvian process, which both happened on Monday.

That means we have Peru business as usual. We are not guiding on tax payments because we always say, in the case of Peru, timing is uncertain. But I can confirm that in 2024 we have paid 301 million euro of tax contingency in Peru and whatever we estimate we have to pay in 2025 and 2026 is included in our guidance.

Having said that, the perimeter is definitely going to change, and we will have to give you the proper explanation, but there's going to be more changes. Colombia is also for sale, and we have to wait for regulatory approval, and then again, timing is uncertain. Argentina we just did, more deals could come as portfolio optimization in the case of Hispam is not finalized yet and we still need to get the authorization of the process of Peru that we just filed.

I also confirmed that the favourable filing of Colombia is not included in 2025, we had the positive P&L impact in 2024, but the proceeds are expected to be collected in 2026.

And regarding FX hedging, we continue with our strategy which has proven successful, and I can tell you that by now we have approximately 60% of the Brazilian free cash flow hedged. We have benefited from the more favourable reais FX for the first two months but now we have hedged approximately 60%. So again, that will be very much sheltered and on top of that, as you know and I always emphasize, there's a natural hedge on top of this financial hedge. I hope I have provided you with enough detail, I'm happy to give you more offline if needed.

Akhil Dattani – *JP Morgan*

Good morning and Marc, welcome as well. I've got two questions if I can, please. Firstly, there was a very interesting interview with you yesterday in the Financial Times where you talked about some of the themes you've already raised this morning, but I guess more broadly talking about the tech space. I guess I was looking to get a few comments from you on that and just to understand better exactly what you're thinking. The comments in the FT, and I don't know how accurate they are, were that you felt there was an important role for Europe and Telefonica to play in tech. But you said you wanted to focus in areas that you thought you had natural right to play. I guess I'd love to understand what you think that is and how you think about it? Obviously appreciating its early days and so any comments will be high level. Is this about scaling up Telefonica Tech? Is this transformational? Is it just bolt on, so any sort of flavor you can give us on that would be super interesting.

And then the second one is again just referencing back to your comments on consolidation, and I guess more cross border than in market, you talked about scale being important. What do you think are the main benefits of bigger players in Europe? And you talk a lot about fragmentation, but I guess what do you think being bigger across Europe as a whole really offers? And why do you think that's so important? That would be really interesting as well, thanks a lot.

Marc Murtra - *Chairman and Chief Executive Officer*

Thanks Akhil. Regarding your first question, what is relevant for us with regards to the conducting of our strategic review is that we're going to focus on areas where we have proven know how, and in markets that we know well or very well. And those would have to do of course with telecoms, infrastructure, and areas where we already operate.

So, we will conduct a strategic review, and do not want to foreclose conclusions, but that strategic review is going to be where Telefónica exists and is, there aren't going to be no market adventures into areas or technological areas where we do not operate. At this stage this is all we can really say, but markets where we operate in means markets where we have clients, where we have revenues, and where we have EBITDA.

With regards to consolidations and advantages that consolidation brings, I want to be cautious, but it is true that European markets are local markets where consolidation has very clear advantages when we're discussing in-market. But we think, and this is something we need to look into very carefully, having scale, having more investment capacity, having a more solid balance sheet, and having a proper number of clients one can eventually leverage on, is an advantage.

We're not expecting to discover any sort of chest at the beginning of a rainbow. With regards to that, there's a lot of know how in the telecoms market and we can see what happens when there are large operators in large markets like in the US or elsewhere. So, recapping a bit Akhil, I'd say there are clear advantages in intra-market consolidation, and we think things are going to move in Europe, but before they move things will be silent also, that is what we need to concentrate and analyse very carefully.

And we think the tendency in Europe, or the direction in Europe, is to have large European telecom operators. And when that happens, because we think it is going to happen, we want to play a leading role. And here just referring to my previous answers, always from a discipline looking into cash, looking into generating cash value for our shareholders and within areas we know well. Thanks Akhil.

Akhil Dattani – *JP Morgan*

Thank you, Marc. Just one super quick clarification on your first answer. When you think about the areas where you said Telefónica has substantial know how and a right to play and you think about targeting growth in those areas, do you have any bias in terms of M&A versus organic investments, or is that still undecided?

Marc Murtra - *Chairman and Chief Executive Officer*

That's a good question. In this I am completely agnostic, we are going to look into net present value in every single one of our investments, so it will have to do with opportunity, priorities, but always under a net present value analysis.

David Wright – *Bank of America*

Hello, I hope you can hear me. I guess my question is around the balance sheet. You just said having a strong balance sheet, yet the leverage metrics you give I always think are quite unrepresentative of the way that agencies look at you, I think they add at least a turn with their adjustments. And you talk about deleveraging, but there hasn't been any deleverage in 2024 or from 2.6 to 2.58 is minimal. You are selling LATAM assets at three or so times, which is not making any difference. And you're guiding to no change in FCF. So, I'm not really sure how this ongoing deleverage accelerates? Your leverage is undoubtedly at the higher end of European telco that is undoubtedly lowering its leverage target so, I'm wondering how you're thinking about leverage in general, where it should be? And the dividend, which is obviously, obviously you know, a yield of around about 7% and your cost of debt is only 3%?

Then for question number two. Your strategic review is to be completed by the end of the year. And I say this with the greatest respect, that seems an awfully long time. Why would it take so long? The assets and the portfolio seem reasonably defined, the core assets, your infrastructure is reasonably defined in terms of Telxius and what is being sold, etc. Spain is well invested, Brazil is in good shape, I'm just wondering why it takes so long. I hope that question doesn't seem disrespectful. Thank you.

Laura Abasolo - *Chief Financial and Control Officer & Head of T. Hispam*

Hello David, thank you for your question. In terms of deleverage in 2024, we are very satisfied with the reduction you've seen. It's -0.02x but, please, take into account that we have included the purchase of the minority shareholders of Telefonica Deutschland. If you exclude that, the deleveraging path has been much more positive. FCF has been very strong, 2,634, 14% growth. I remind you as well the high amount of contingencies we included in Peru in that figure, and FCF continues to be the main deleveraging driver, which is the more structural way to deleverage.

Having said that, if we talk about the credit rating agencies, you're absolutely right, they do their own calculations and those are public. Our improvement in terms of the credit rating calculations is better than the reported ratio disclosed, which is going to be disclosed pretty soon. We are going to have meetings with them by end of March, beginning of April. I think they will welcome our strong FCF, our strong core versus non-core strategy, and the steps we are taking in portfolio optimization. We are pretty confident and hopefully you can see that in the reports when those are public.

Going forward, in 2025, for the time being we are setting a target of stabilized FCF. You have to look at that in the light of where we shared in 2023. If you look at the growth in those years accumulated is pretty strong. FCF will continue to be the driver, this FCF is driven by growing operating cash flow on top of the very granular management we do of every single financial line below the operating cash flow, but the sale of assets in Hispam is going to benefit probably more than what you think because you have to take into account that Colombia is a highly levered country. So, when that transaction happens, the impact in the leverage is going to help on that deleveraging path. For the time being we are sticking to 2025 targets, which for deleveraging is to reduce the leverage further in 2025.

We are absolutely committed to our investment grade and to continue reducing the deleverage. And for the dividend that you mentioned, we are confirming the 2025 dividend of €0.30, everything else will be part of the strategic review that Marc has been referring to.

Marc Murtra - *Chairman and Chief Executive Officer*

David, I think your question with regards to the strategic review is respectful and fair, and I agree or would agree with you if we announced that it would be ready by the end of 2025. However, what I think I said, or in any case what I meant to say, is before 2025.

We don't want to set a specific date to have the strategic review concluded and to share it appropriately before the teams are finally set and the planning agreed. The reason we leave it in the open is so that we don't artificially put a date that is not the right date. The objective is before the end of 2025 and if it were by the end of 2025, with the information I have and I think you've made a good analysis, our knowledge today would mean that we've taken a long time.

Fernando Cordero - *Banco Santander*

Hello, good morning and thanks for taking my two questions. The first one is for Marc and first of all, welcome Marc. My question is also on capital allocation, and you have been quite clear on the two factors that you would be including in your decisions, and that would be industrial rationale and financial discipline. In that sense, I understand this is still also early days, but do you see industrial synergies, in order to understand this industrial rationale, to increase your exposure to IT services? Particularly, I'm talking about an asset that you will know quite well which is Minsait. Also, I would like to expand the discussion to, not only to services on top of connectivity in the B2B segment but also in the B2C segment, and at which stand do you see the current exposure of Telefonica to the media business, for example Movistar+, is also a relevant one in your current portfolio.

The second question is for Ángel, and particularly on Spain. I'm willing to understand a little bit which is your outlook for the OpEx in Spain, considering that we have a tailwind in cost in 2024 coming from the personal restructuring that is still having some impact in 2025. I would like to understand first, how do you see the whole OpEx, at least qualitatively, performing? Also, what kind of revenue growth would you be requiring Spain in order to maintain the EBITDA flat? Many thanks.

Marc Murtra - *Chairman and Chief Executive Officer*

Thank you for your welcome, Fernando. Regarding IT services, what we can say is that you know our strategy well, and we will see what our strategic revision concludes with regards to IT services.

With regards to Minsait, which is an asset I think I do know well, or very well, there could be a fit, there may not be a fit. It will depend on what our focus is, what our strategic conclusions are.

What I can say is that if there is any M&A within the IT sector or whatever sector, we will always maintain strategic flexibility to decide in the last moment if that is the right deal or not, and we will always look at what the NPV is so there is no and will be no foreground conclusion.

After we review our strategy with regards to IT, and with regards to all our businesses, based on the changes we see that are happening and we think are going to happen in Europe. Fernando, I would say the same with regards to B2C or any related services.

With regards to the future, we always need to be very, very precise and analytical to see where we do actually have know-how, not only from a theoretical and strategic point of view, but how we bring that know-how down to operations and how we enhance that value specifically. That would certainly include Telefónica Tech, but any potential with regards to B2C we would be very, very careful and have to be very sure. But I do have to postpone anything further than these generalities, which are very strong and very important, to when we conclude our strategic revision.

Ángel Vilá - *Chief Operating Officer*

Thank you, Fernando, for your second question on the outlook for Spain that we see for 2025.

On revenue, we are expecting to sustain year on year growth, slightly above what we've seen in 2024. This will be fostered by retail with growth both on B2C and B2B. On B2C, we have the January 25 price increase, we have a very solid mix of convergent KPIs, the ARPU, the churn, the NPS, the net adds, supporting a customer lifetime value which is double the next competitor of ours.

In B2B, we continue to grow above the market differentially but, in contrast, wholesale and others will decline with the transition of the new wholesale contracts, which stabilize and give visibility long term, but have a slight deflation. Net-net the combination of retail and wholesale revenues will result in growth in revenue in Spain, again, above what we've seen in 2024.

Regarding OpEx, which you were asking for or the translation of this into EBITDA, we're expecting EBITDA to grow by low single digit, above revenue growth in Spain. This is on the back of the revenue trajectory that I spoke about, and continuous efficiencies. We still have some tailwinds from the rightsizing of staff of last year, we have automatization, simplification, the full impact of switching off the copper... As a result, EBITDA margin should be in-line with what we had this year.

EBITDAaL, which was in the positive territory in the second half of the year 2024, should grow in full year 2025. CapEx wise, we continue reducing CapEx to sales towards the target that we have shared with you.

So, all in all very supportive outlook for the cash flow generation of our Spanish operation.

Luigi Minerva - *HSBC*

Good morning, thanks for taking my two questions and welcome to Marc, also from my side. The first question is Marc, just going back to your comments on the case for cross-border consolidation in Europe. As you rightly say, European markets are local, and I think that's the key hurdle to deliver cross-border synergies in case of combinations across markets. I guess my question is from your discussions, both at the local government level and perhaps in Brussels, do you sense appetite from the policymakers for a drastic change to basically going beyond the national markets more towards the single market? I'll just make a very obvious example; spectrum is national and there has always been very strong resistance from the local countries to give up any sovereignty on spectrum. Until that's the case, it's very difficult to think about a single market for telecoms and therefore very difficult to think about cross border synergies.

And the second question is on Germany. I guess what we notice in this quarter is clearly a very strong acceleration of migration of the 1&1 customers, a big step up in Q4. So would be interesting to see what kind of phasing you expect through the quarters in 2025. Secondly, we see ARPU dilution, and I think you refer to the family plans. So again, if we should extrapolate what we see in Q4 into 2025? And then, more generally, a comment about competitive dynamics in German clearly seems to deteriorate. Thank you.

Marc Murtra - *Chairman and Chief Executive Officer*

Thank you, Luigi, for your welcome and your questions, I'll answer the first one. You were asking if I sense a change regarding drastic change. I would say, this is my analysis and the conclusion of my conversations and my reading of the situation, is that I would take it further than sense. I would say we detect a determination, and you know, I would encourage you and other listeners to use other sources and reach your own conclusions.

We detect a determination for drastic change in Europe with regards to strategic autonomy and I would say I agree with the way you share the difficulties ahead with regards to European level consolidation, and we would agree that those exist, and the speed and the level of the execution of that determination is something that we need to see happen.

This is, I'd say, one of the major issues we need to analyse in our strategic review, but it is my opinion that “things have changed drastically” to use, Luigi, your expression, with regards to Europe and that strategic autonomy, with regards to what is going on in the world, with the U.S., with regards to the war in Ukraine, and with the strategic importance of what our communications are. You know, there's a lot of people on this call and I would bet a lot of money that every single one of us has a mobile very near us that has all our information, exactly where we are, what we discuss, what our bank accounts are, everything.

And in this context that we think there is going to be change and that, as we say in Spain, before the storm it’s the calmest moment. This is the sort of thing we need to analyze very careful in our strategic review.

Ángel Vilá - *Chief Operating Officer*

And regarding your questions on Germany, I will make a high-level comment initially and then I'll hand over to Marcus to elaborate in more detail.

On the 1&1 migration, it's taking place broadly in-line with our expectations, we expect it to be completed on time with the BNetzA deadline.

On the competitive dynamics in Germany, I would like to say that the wholesale contract that was granted by one of our competitors to 1&1 changed the dynamics in the market allowing, for instance, to have players offering something similar to unlimited at very low prices.

Last year we also tried to increase “more for more” movements in the market and it was not followed by the other players, so we had to adjust in order to continue having the best mix of value versus price to customers in Germany. So yes, there is more competitive intensity, but as it should be, it’s a competitive market and we have a very strong asset. As I said in my previous presentation, we have quality which is improving and exceeding the one of our peers in the

German market, and we are having a very good commercial traction. Marcus, if you can elaborate, please, on the details.

Markus Haas - *CEO Telefónica Deutschland*

Thank you, Ángel. I think overall the German market outlook in fixed and mobile is growing for 2025 and clearly, it's a segmented market. I think our strategy last year, and will also be continued this year, is a mix of retail and wholesale.

In retail we have been able to add more than 800k postpaid net adds, and we are now going into all segments so clearly the ARPU mix is different as we go from discount into premium segment. Clearly the contribution of the segmented approach also allows us to gain this momentum, so overall the segmentation and the mix that we currently see from our perspective is very balanced.

We also have been able to add new wholesale partners. So, overall to achieve our 2025 target, it's a very balanced approach between retail and wholesale and clearly by leveraging all segments. The ARPU mix from that instance, on the one hand driven by the family offers, but on the other side also offer different composition of postpaid gross adds that we add to the P&L, is a natural development.

James Ratzer - *New Street*

Good morning and thank you very much indeed for taking my questions, I'd like to add my welcome to Marc as well. I have two questions, please. The first one, Marc, on your strategic review, I've heard comments about kind of potentially building scale, and also deleveraging the balance sheet, which I mean building scale in particular to me could involve potentially more M&A in future. I was just trying to think about the third element of this which was returns to shareholders. In particular, how you saw that element of the capital allocation over the next, say two to three years. In particular, with asset disposals coming in, do you see the scope for any increase in shareholder distributions above the €0.3 dividend that's already being paid out?

Then the second question, maybe this is more for Laura, is on the free cash flow guidance you've given for this year. I was wondering if we could dig into that a bit more specifically, because I understand that obviously it's on the same perimeter basis as 2024, but at the same time the facts have changed. You have now sold Argentina and given Peru is in the insolvency proceedings, my understanding is you won't be paying interest on the Peruvian bonds and also you won't be making those tax payments or the extraordinary tax payments in Peru? Therefore, I was wondering if you could give us kind of restated guidance for 2025 FCF to specifically take into account the known impacts for this year, that is Argentina being sold and none of those extraordinary payments in Peru. Thank you.

Marc Murtra - *Chairman and Chief Executive Officer*

Thank you, James, for your welcome. With regards to the strategic review, I'd say one of the essential elements will be our financial strategy, which accompanies our strategic conclusions. This financial strategy will, of course, involve capital allocation, dividend distribution, and the other elements you mentioned.

It is way, way too early for me to share any specifics because we are going to conduct the capital review. What I will say is that I am very, very respectful with regards to our strengths, our history, and our way of doing things.

We are of course going to continue improving, and I come with ambition, but I think I come with a humble ambition and very, very respectful with regards to our markets, our know-how, and what is achievable. Within this context we will conduct our strategic review and that will include what our financial strategy is. Unfortunately, I can't really say much more at this stage, James.

Laura Abasolo - *Chief Financial and Control Officer & Head of T. Hispam*

Yes, as you say, consolidation perimeter is changing as we speak, so guidance will need to be revisited for FCF with these impacts. Having said that, let me tell you that, as a broad picture, Hispam geographies are, as a whole, positive free cash flow contributors. Some are not, some are, and they have been contributing positively to FCF prior to contingencies.

For the time being we have included Peru business as usual and, as you say, if the process we have filed on Monday is authorized, we will not be paying in the short term the Sunat payments, as you rightly mentioned. There will be other uncertainties related to the business and its filing process, there will be some working capital elements, but we will update you at the due time.

Also, Argentina has just happened on Monday, I mean literally three days ago. There's going to be probably more portfolio optimization coming, but please take that, as a whole, FCF is positive to neutral contributor prior to contingencies.

In any case, let me focus on 2025 on things that are not changing, which are the core businesses which are being very strong in 2024, as you have seen in the results and the guidance delivery. And those moving parts for 2025. We are guiding for growing operating cash flow in organic terms, and that's going to come from Spain's growing EBITDA and declining CapEx, Germany's stable EBITDA and declining CapEx, Brazil's definitely growing operating cash flow.

Working capital has been rather neutral in 2024, when it usually has a positive contribution, so we should expect a positive contribution in 2025. Lease payments is going to be less affected because there's less increase in volume, also lower inflation, interest costs have been very stable, we will continue optimizing taxes.

I'm very aware that Hispam brings some uncertainty, and we will update you as soon as this settles, as we are also in the process of Colombia, some things may come, but I also want to stress the strength of the core FCF as a pillar and the strength of the other financial items that we will continue managing in the right way.

James Ratzer - *New Street*

I mean, just thinking about the free cash flow guidance for this year. If Argentina's sale is probably broadly neutral with cash deconsolidated but some interest payments saved. If Peru could be, I don't know what you had in the budget for this year, but maybe negative 1 or 200 million outflow for these tax payments and interest on the bonds there. Does that mean FCF could be close to 2.8 billion if the Peruvian insolvency goes through?

Laura Abasolo - *Chief Financial and Control Officer & Head of T. Hispam*

If you are asking me to give you a new guidance, I'd rather stick to our guidance of similar to 2024 of 2.6 billion euro, perimeter equal. We haven't provided in the past detail of the FCF for every operating business in Hispam, and we are not going to do that at the moment. There will be moving parts, and we will update you as soon as we can as we settle the portfolio. We need the authorization of the process in Peru, many things have to happen, but we didn't provide specific details on FCF of Argentina or Peru in the past and we plan to do the same and treat Hispam as a whole and revisit the guidance. Please take into account the strong pillars I mentioned on the other part of the business and the neutral to positive impact from Hispam as a whole pre-contingencies.

Marc Murtra - *Chairman and Chief Executive Officer*

Thank you everybody for your warm welcome and questions, we hope that we have provided some useful insights for you, I look forward to our continuing working relationship. Should you still have further questions we kindly ask you to contact our Investor Relations department. Good morning and good Thursday to you all, thank you.