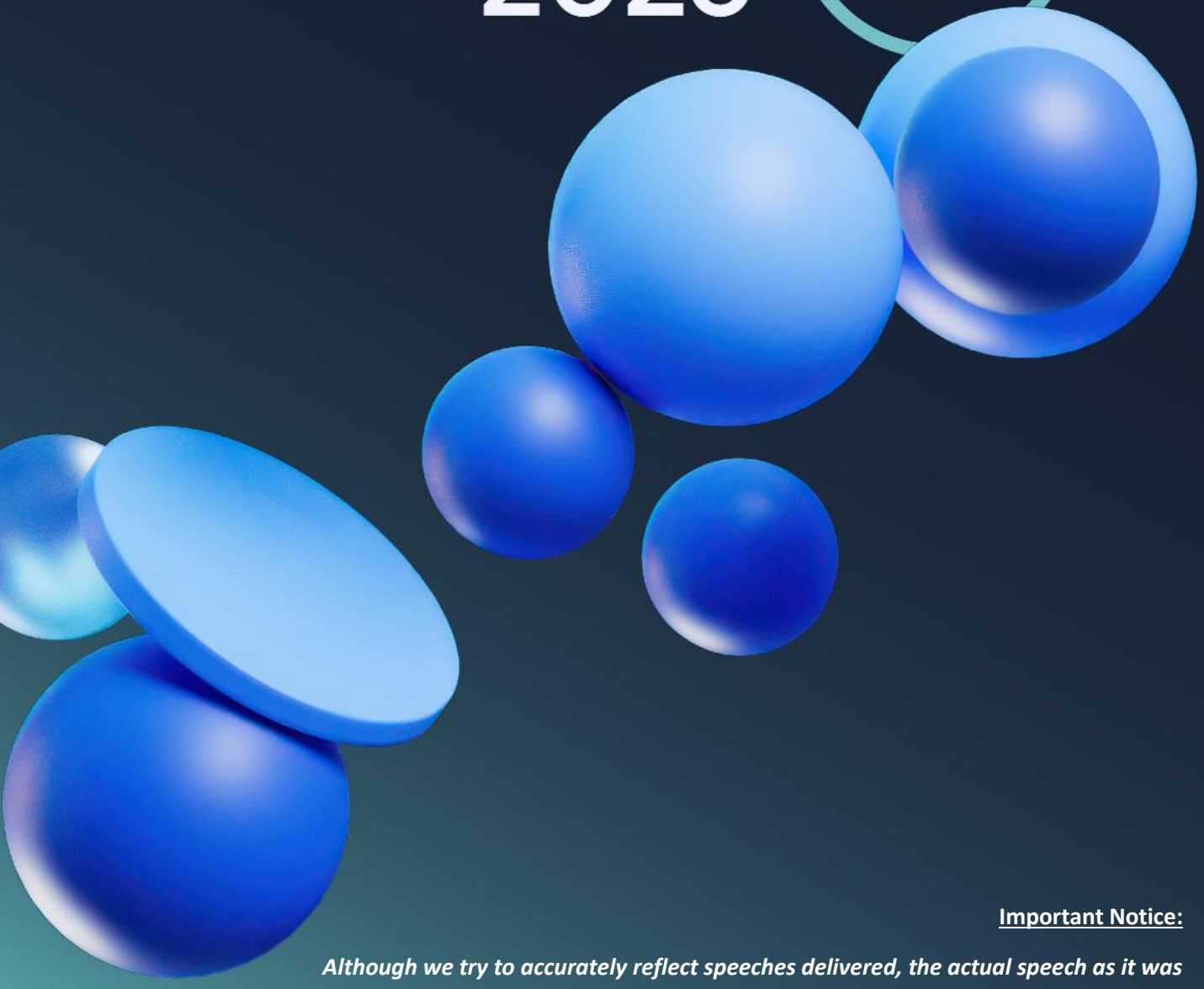
Telefónica

RESULTS 2026 Q3



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Torsten Achtmann – *Global Head of Investor Relations*

Good morning, and welcome to Telefónica's conference call to discuss January-June 2026 results. I am Torsten Achtmann 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. Now let me turn the call over to our COO, Emilio Gayo.

Presentation

Emilio Gayo - *COO*

Q3 26 Results

1. **Strong results demonstrate execution and transformation**

Good morning, everyone, and welcome to Telefónica's third quarter and nine-month results call. I am here today with Juan Azcue, Chief Financial Officer, Santiago Argelich, CEO T. Germany, Borja Ochoa, Director of B2B Spain, Oscar Candiles, Director of B2C Spain and Lutz Schüler, CEO Virgin Media O2.

We will walk you through the slides and then we will be happy to take your questions.

We are pleased to report strong third quarter results with further evidence of our execution and transformation of our operations, and which allowed us to revise our guidance.

First, commercial traction again continued to be outstanding, with a solid performance in Spain and Brazil.

Second, growth in key financial metrics accelerated, both in real and constant terms.

Top line growth reached 2.2% year-on-year boosted by the ramp-up in service revenue and the return to growth of handset sales.

Adjusted EBITDA growth accelerated to 2.8% vs the third quarter of 2025 underpinned by robust performance in Spain and Brazil.

Our transformation continued to deliver efficiency gains through simplification, redundancy programmes, digitalization and AI. These gains supported an acceleration in adjusted OpCFaL growth to 7.2%, alongside margin expansion.

Third, acceleration in FCF throughout the year is significant, increasing 3.2-fold in the third quarter. And we have further delevered. Net debt declined to 25.2 billion euro as of September.

Finally, we are upgrading our full year guidance of adjusted EBITDA, adjusted OpCFaL and FCF mainly on strong operational and financial momentum, especially in Spain and Brazil, the expected improvement in Germany and the progressive improvement in operating leverage year-on-year. Revenue guidance is adjusted to the range of 1%-1.5% mainly due to handsets sales, declining in the first nine months of the year.

Service revenues are performing well, and we expect to grow around one point five per cent in 2026. The 2026 dividend of fifteen euro cent in cash will be paid in June 2027.

2. Major steps in Transform & Grow execution in Q3

Moving to slide two.

We continue to progress across every strategic pillar of our Transform & Grow plan.

We are better serving our customers, as reflected in our low churn rates and the increase in NPS.

In Spain, the network proved its resilience amid record traffic growth.

In Germany, more than 80% of eCare customer interactions are now supported by AI.

And in the UK, we launched a new voice AI agent to handle broadband fault calls.

In B2C, we continue expanding our offering and we are reaching an outstanding constant growth of 3.9% year-on-year:

In Spain, O2 plans now include Disney+ and Movistar Plus optionality across all packages.

In Brazil Vivo has become the first mobile operator with a nearly 100% coverage in the country, leveraging the partnership with Starlink.

In Germany, we are enhancing our fixed broadband offer with additional fibre reach thanks to the new wholebuy partnerships with mih Net Berlin and Deutsche Glasfaser.

In B2B we are growing close to 6% year-on-year while strengthening our capabilities for future growth, particularly along cloud, defence and cybersecurity. For example:

In Spain we launched new cybersecurity services for SMEs.

Vivo expanded its partnership with Palo Alto Network.

And O2 Germany relaunched its business portfolio combining mobile with integrated services for digital security and international use.

On technology, on top of further reinforcing our network capabilities across markets, I would like to highlight the joint Mobile Satellite Services spectrum initiative that we are exploring with DT, Orange and Vodafone.

Finally, we are taking key steps towards a simpler and more agile organisation.

In Spain, our new operating model will help us accelerate growth, capture synergies and execute with greater agility.

The model pivots around three business units with differentiated customers and dynamics, B2B, B2C and Wholesale, to focus on growth opportunities and scale digital services. The B2B segment brings together the capabilities of Telefónica Spain with those of Telefónica Tech. It also implies a new vision for all our support functions in Spain.

In Germany, the 2026 voluntary leaver programme was well accepted and executed according to plan. We are working on further rightsizing measures and have entered into an agreement for the sale of two call centres in coming months.

VMO2, is taking action to create a simpler company, reducing costs and prioritising investment to improve customer experience and commercial performance.

3. Spain: Solid trading, accelerating adjusted EBITDA growth

Moving to operating business and starting with Spain on slide three.

In the third quarter of the year, Telefónica España continued to improve its strong commercial and financial performance. Of note are:

Contract mobile net adds increased quarter-on-quarter, reflecting positive portability results, well above 2025 average. It is the second quarter ever with positive results with all players.

Growth in fixed broadband was supported by more convergent connections and secondary homes.

TV accesses increased by 6% year-on-year, driven by our unmatchable content offering. TV penetration in O2 grows 7% points year-on-year.

In convergence, the lowest churn rate ever is maintained, 0.7% percent, while ARPU, the best in the market, grew 1.2% year-on-year driven by the excellent management of sports customers between football seasons.

This momentum reflects a loyal customer base to a continuously improved value proposal and our investment on differentiated assets and customer service:

Our 100% fibre and 5G standalone networks are the largest in the country and capable to cope with extra traffic loads. Mobile data traffic in the quarter was the highest ever and showed the biggest year-on-year growth in three years. It demonstrates our ability to deploy high-quality networks with a strong financial discipline.

We have a higher NPS, improving year-on-year supported by an exceptional services delivery, with year-to-date claims reducing 28% year-on-year.

In B2C, we continue to leverage the richest digital ecosystem and the best entertainment offer in the market. Our alarm service surpassed 650k connections; we recorded more than 450k activations of our eSIM Flag in the first nine months of the year.

Regarding devices, more than two thirds of our customers purchased their handsets directly from us.

In B2B, our complete solutions of digital services and proven expertise, make us the most trustful partner for enterprises and Public Administrations in their digital transformation.

In August, the European Commission approved the bid of our consortium for one of the European AI Gigafactories, a key strategic project that will strengthen our cloud proposition, in combination with our premium Edge and Cybersecurity capabilities.

More recently, we have been selected in a partnership with Indra by the European Central Bank to deploy the communications and security infrastructure that will underpin a future digital euro.

In addition, we have reached an agreement with NOS to foster Defence and secured communications capabilities. Furthermore, we acquired a 10% of the company OGA to drive advanced AI solutions.

Financial results are strong, delivering a solid cash generation fostered by consistent top line growth:

Growth in revenues was 2.6% year-on-year in the quarter, posting the highest growth in the first nine months in more than fifteen years.

Of particular note, retail revenue grew above 4%, with double digit growth in digital services, more than offsetting lower wholesale and other revenue.

Adjusted EBITDA growth accelerated to 2.6% year-on-year, due to higher revenue and larger savings from the redundancy plan, with operating cash flow after leases up 2.8%.

To sum-up, T. España sustains a solid momentum and financial growth. As anticipated, we expect a better year-on-year behaviour in H2 vs H1. Leveraging this strong momentum, we are progressing further in the

transformation with a new operating model, as explained before, to speed up growth and accelerate simplification.

4. Brazil: Delivered another quarter of solid operational and financial performance

On to slide four, Vivo delivered another quarter of solid operational and financial performance, with continued strong momentum.

Commercial performance remained robust across both mobile and fixed businesses, driving above-inflation growth in key financial metrics.

Operationally, growth in our highest-value accesses continued, supported by the attractiveness of our value proposition and the quality of our services. At the same time, we maintained progressive price adjustments across our customer base.

In mobile, we delivered premium growth, with the highest contract net adds in eleven quarters, sustained strong ARPU levels and very low churn. These results reflect the strength of our premium value proposition and the quality of our network, recently recognized by Opensignal as the fastest 5G network in the world.

In fixed, our transformation towards fibre continues, with convergence and quality as key differentiators. Vivo ranked number 1 in four broadband internet performance categories in a worldwide survey. The addition of around 200k fibre connections per quarter supports a higher-value and more profitable fixed revenue mix.

On financial results, Vivo delivered solid top-line momentum, with revenue growth above 7% for the fourth consecutive quarter, driven by the ongoing transformation of the revenue mix.

B2C performance remained strong, supported by connectivity and digital services. New digital services revenue grew close to 40% over the last twelve months, with OTT services and consumer electronics up 30.5% and 69.4%, respectively.

Vivo continued to enhance its B2C offering. Some examples are:

A new prepaid flagship offer featuring Vale Saúde Farma and Google Cloud storage.

New streaming bundles combining up to six services at a fixed monthly fee on a single bill.

Vivo has also become the first telecom operator in Latin America to offer AppleCare+.

B2B continues to scale with best-in-class solutions. B2B digital services maintained solid momentum, with double digit growth in Cloud and Cybersecurity revenues.

In addition, the launch of an AI-enabled Security Operations Center with Palo Alto Networks will further strengthen its cybersecurity capabilities and digital solutions offering for companies of all sizes.

The consistent growth in adjusted EBITDA and the high margin is supported by top line growth and cost efficiencies.

Adjusted OpCFaL growth accelerated to 21.5% year-on-year in the third quarter, reflecting also the benefits of gains from migration-related asset sales and the strong cash-generating profile of the business.

Overall, Vivo further reinforced its leadership position by combining strong commercial momentum, sustained financial growth and continued expansion of its digital ecosystem.

Looking ahead, we expect these positive trends to continue along the year, supported by the strength of our differentiated assets and disciplined execution.

5. Germany: Value-over-volume sets foundation for sustainable growth; 1&1 headwinds ease

Moving on to slide five, in Germany we continue to see signals of lower promotional activity in the market.

Telefónica Deutschland is progressing in its transformation, focused on profitable and sustainable growth.

The O2 Mobile Plus bundles have been well received by the market and are supporting our value strategy. We see first benefits with O2 contract ARPU trends stabilizing quarter-on-quarter. However, it will take some more time to flow through the customer base.

Mobile contract net additions accelerated quarter-on-quarter while O2 contract churn remained low. Our objective remains to uphold our postpaid market share while improving the value of our customers.

The IoT business expanded driven by emerging technologies such as 5G RedCap for smart metering gateways.

In addition, we continued to enhance partnerships, like Simsalasim and Revolut, to capture new growth opportunities in the B2P segment.

In fixed broadband, momentum remains healthy. We recorded the fifth consecutive quarter of accesses growth. As already mentioned, we have enlarged our fibre reach with new partnerships.

We also maintained a strong pace of network roll-out, with around 1.1k new sites going live so far in the year, 25% more than a year ago.

We are making significant progress in the simplification of our operating model:

The voluntary leaver programme was successfully executed, with cost benefits starting in the fourth quarter.

We are now addressing the next steps and confirm additional restructuring demand of up to 155 million euros, subject to concrete measures of the further rightsizing of our customer service organisation and retail footprint. We expect this provision to be booked in the fourth quarter.

In this context, Telefónica Deutschland has recently entered into an agreement for the sale of its call centres in Bremen and Rostock to TP, a leading provider of digital customer service, at the turn of the year.

We are committed to an annual run-rate savings of around 185 million euros in 2028.

Financial performance in the third quarter reflected improving top-line trends. Furthermore, temporary headwinds in the partner business, that will last until year-end, started to ease and handset sales have started to normalise.

Revenue recovered significantly to -2.9% year-on-year.

Mobile service revenue improved sequentially, reflecting the resilience of the core business and some support from international roaming.

Fixed service revenue grew for the fifteenth consecutive quarter on improved value mix and good trading momentum.

Handset sales returned to growth. B2C customer's demand for O2 myHandy remained healthy with additional support from the launch of new devices in the third quarter. We resumed trading in selective wholesale channels following improved device availability, maintaining our focus on profitability.

Improved revenue trend was not reflected in adjusted EBITDA performance, due to:

First, the higher mix of revenues with lower margin. Roaming costs were higher than expected, mainly in context of the FIFA world championship.

Second, the extraordinary high marketing expenses linked to the launch of the new O2 Plus bundles' commercial campaigns to foster growth.

Third, the non-linear phasing of efficiency measures, compared to a strong contribution in the third quarter of 2025.

In Q4, we expect service revenue trends to continue to recover, and we expect a major uplift to adjusted EBITDA following the revenue trends. In summary, Telefónica Deutschland continues to execute its Transform & Grow strategy, laying the foundations for a return to profitable growth in 2027.

6. VMO2: On track to deliver 2026 service revenue and adjusted EBITDA guidance

Let's move to slide six.

VMO2 remained on track to deliver its 2026 guidance. This reflects the resilience of the business despite a challenging market environment, particularly in fixed.

VMO2 continued to take important steps to strengthen its competitive positioning and support long-term value creation. During the quarter, it introduced a new AI-powered customer service tool, supporting faster resolution of selected broadband queries and the ongoing digital transformation of customer care.

In addition, the rollout of two Giga broadband service has been extended across its existing cable network, making multi-gigabit speeds available over its cable network for the first time. As a result, more than nine million UK households can now access VMO2's fastest broadband services.

VMO2 also extended the naming rights agreement for The O2 arena through 2038, further strengthening the long-standing partnership behind one of the world's most successful entertainment venues.

From a commercial perspective, trends continued to improve quarter-on-quarter.

In mobile, net losses narrowed during the quarter. At the same time, our value management strategy supported a 2% year-on-year increase in ARPU.

In fixed, competition remained intense, particularly from the altnets. Even so, customer losses decreased during the quarter. ARPU declined by 5% year-on-year, mainly due to competitive pressure and the phasing of annual price rises.

In wholesale, the company maintained its leadership position in the MVNO segment.

Turning to financial performance:

Service revenue declined by 3.5%, reflecting pressure in Consumer Fixed and the ongoing streamlining of the B2B portfolio.

Adjusted EBITDA decreased by 2.6%, remaining at the top end of the guidance range.

Let me now turn to VMO2's transformation programme on the next slide.

7. VMO2: Ambitious transformation programme to drive cash flow and reduce leverage

VMO2 has outlined the direction of its upcoming strategic plan and cost reduction measures. The plan will create a simpler company, with prioritised investment to improve customer experience, commercial performance and cash generation, with a commitment to reduce leverage.

VMO2 is targeting approximately 800 million pounds of run-rate OpEx and CapEx savings by 2029. Savings will build progressively, from around 400 million in 2027, to around 600 million pounds in 2028, and approximately 800 in 2029.

Around 300 million of the 2029 savings are expected to come from a reduction in the size of the workforce. This represents about thirty per cent of the company's total people costs over the next two years, with the majority of the reduction coming from non-customer-facing roles. Restructuring costs are expected to be 250 million pounds, with a payback of less than one year.

VMO2 will make greater use of AI tools and digital channels to drive efficiency and productivity, while improving the customer experience.

VMO2 will focus on projects with clear, quick paybacks and where they make strategic sense. For example, VMO2 will halt further fibre upgrades beyond its existing commitments. The company's cable network will continue to deliver market-leading broadband at scale, with a low-cost upgrade being deployed to bring 2 Giga services to the majority of the network in 2027. Where any future fibre investment makes strategic sense, it will be supported off-balance sheet and only in non-altnet areas.

The company is also exploring wholesale arrangements to support the expansion of its services to offnet areas not covered by VMO2 or nexfibre's networks, providing an incremental revenue opportunity and flexibility for future, with minimal CapEx.

Overall, these actions will create a leaner and more focused business, with stronger cash generation and a clear commitment to reduce leverage.

On Netomnia, we remain fully committed to the acquisition. We fundamentally disagree with the CMA's interim report. We believe the report is flawed, with conclusions and counterfactuals that do not reflect the commercial and financial reality of the UK market.

Even more with the recent developments: BT's acquisition of Talk Talk, CityFiber uncertain debt restructuring process and VMO2's fibre upgrades announcement.

Finally, VMO2 is reviewing its options regarding the planned cash distributions to shareholders in 2026. An update will be provided in Q1 2027, when VMO2 announces its full-year results and knows the outcome of the Netomnia transaction. The full strategic plan and financial guidance will follow once ready.

Now, I will hand-it-over to Juan, who will provide a more detailed overview of our financial performance and ESG.

Juan Azcue - *CFO*

8. Financial performance: Fourth Q in a row of constant and real growth across the board

Thank you, Emilio.

Slide eight showed how the strong underlying momentum has translated into tangible financial results. It is the fourth quarter in a row of constant and real growth across the board.

Real growth rates exceeded constant growth.

Revenue growth in constant currency of 2.2% accelerated 2.2 percentage points sequentially.

Service revenue growth accelerated by 0.9 percentage points to 1.8% year-on-year in constant terms. This was driven by improving B2C growth to 3.9% thanks to strong ecosystem expansion and B2B growth up to +5.6% thanks to digital services.

Handset sales returned to growth of +7.4% driven by German handset sales.

Adjusted EBITDA and OpCFaL ramped-up in the quarter to +2.8% and +7.2% year-on-year, with margin expansion of 0.8 percentage points year-on-year in Q3. In the nine months, OpCFaL grew +4.2%, demonstrating solid operating leverage in the business.

CapEx over revenue stood at 12.0% in the nine months, in line with our full year target of approximately 12%.

FCF amounted to 1,018 million euro, improving 407 million euro versus Q2. For the nine months to September period FCF reached 2.0 billion euro, 10.7% higher than one year ago.

Net financial debt declined to 25.2 billion euro as of September, 11% lower than a year ago.

9. Confident in FCF trajectory, improvement in Q2

Moving to slide nine.

FCF has improved quarter by quarter in absolute terms. In Q3, it showed significant momentum and was 3.2 times higher than in Q3 25. Nine months FCF grew by 10.7% year-on-year.

Q3 FCF reflected good execution in our operating performance and the positive cash-in of the tax refund in Spain of 334 million euro.

We expect FCF to continue to improve again in the fourth quarter.

As such, the Q3 performance and the expected Q4 improvement gives us confidence to surpass our FCF guidance for 2026 and to upgrade it to ~3.1 billion euro from the previous ~3 billion euro, having reached 2.0 billion euro in the first nine months of the year.

Good operational momentum driving the second adjusted OpCFaL upgrade is the main driver of our FCF upgrade.

10. Reducing debt and leverage, long debt life and contained interest costs

Moving to slide ten, I would like to highlight our commitment to our investment grade credit rating, we have a clear deleveraging strategy in place, with a target of ~2.5x by 2028. We have made significant progress over the first nine months of the year and remain on track to achieve this target.

As of September, our net debt to EBITDAaL ratio decreased to 2.63x from 2.78x in December 2025, while at the same time our net debt decreased in absolute terms by 1.6 billion euro to 25.2 billion euro.

To highlight that net debt evolution, this is the largest net debt reduction in the first nine months of the year since 2021.

Our interest cost payments decreased in the last 12 months from 3.05% to 2.85% as of September 2026.

We maintain a strong liquidity position and have fully covered debt maturities for the next three years.

In summary, we keep reducing our net debt and leverage, have a long debt life, contained interest costs and are well protected in the current volatile market environment.

11. Progress on ESG agenda

See slide 11 for examples of how our Sustainability Plan is driving competitiveness and innovation since two decades:

We continue our transformation through sustainable finance, enabling network modernisation and renewable energy projects in Spain, Germany and Brazil, while avoiding more than 1 million tonnes of CO_2 emissions since 2019.

We also strengthened circular asset management through new customer premises equipment with 70% recycled content.

At critical moments, such as this summer's wildfires, we helped keep affected communities and emergency teams connected.

We strengthen business resilience and trust through ESG supplier audits and employee training.

Finally, our ESG leadership continues to be recognised externally, achieving a record ISS rating of B+ in October, up 3.7 points year-on-year, with A+ in Environmental Management and A in Eco-Efficiency.

Now, I would like to hand over to Emilio, who will cover the main takeaways.

Emilio Gayo - *COO*

12. Closing remarks

Thank you, Juan.

In the third quarter we delivered another good set of results through constant execution of our Transform and Grow plan.

We achieved consistent and sustainable growth in real and constant terms in the main financial metrics for the fourth quarter in a row, with growth acceleration in key metrics.

We are deepening our transformation, with new milestones in simplifying our operational model in Spain, Germany and the UK.

AI is embedded across our strategic plan and is a key catalyst to improve customer experience, commercial performance, network automation and process efficiencies.

The strong FCF is the main driver of our net debt and leverage reduction.

We are upgrading our adjusted EBITDA, adjusted OpCFaL and FCF mainly on strong operational and financial performance and significant operational leverage.

Finally, we are strategically positioned to accelerate European technological sovereignty. Our ambition is to be the best gateway for citizens to access digital technologies, and to become a best-in-class telco in Europe by 2030.

Thank you for your time.

We are now happy to take your questions.

Q&A Session

Andrew Lee – *Goldman Sachs*

Good morning, everyone. I had a couple of questions, but all on your debt position. So, it's a little hard for us to work out underlying trends today given some tax one-offs and discontinued operations. So just wanted to ask, is underlying net debt coming down and how material can your deleveraging be over the next year?

If we look at slide 10, it shows a reduction of just over 0.15x over the last nine months. Do you expect a more rapid deleveraging in 2027? And then that's question number one.

And question number two, your bonds are implying materially higher rates at the moment than you currently pay. How much of a risk do you see from more expensive refinancing in the coming few years? And how can you reassure investors on that front? Thank you.

Juan Azcue - *CFO*

Good morning, Andrew, and thank you for your question.

So, on the first one, net debt, you should not measure net debt linearly. The decrease of that doesn't happen in a linear way quarter-by-quarter. So probably the best way to see it is to look at year-on-year. So, we have decreased by 1.6 billion in these nine months, and we've reached the 2.63x, which is well in line towards the 2.5x that I mentioned.

The fact that you're not able to maybe do the math and compute the free cash flow generation of the year of the quarter with the figure we're giving is because there are some moving parts below free cash flow. For instance, you mentioned the taxes. So, the tax credit of €334m that is included in the free cash flow, you have to take into account that was also included already as a collectable, as an asset in our net debt. So that €334m that flows in our free cash flow doesn't move the net debt figure. That's the most important one.

There are other topics below the free cash flow line that you already mentioned. So, you have the free cash flow of discontinued operations like Mexico. You do have bits and pieces like the share buyback that Brazil does, the share buyback that we've done. And we announced that we surpassed the 1% a few weeks ago. And that is why probably the math is not working for you.

But on the second part of your first question, has to do with the guidance on 2027. We don't guide on 2027. We will do that accordingly at the right moment, which is February 2027. So right now, we're guiding for the 2.5x. We're committed to that ratio and we're on track to do so. Remember, we started the year with 2.78x. If you think about it, back a year ago it was 2.87x. And we already at 2.63x. So, we're progressing towards that. And I would like to stress that once we reach the 2.5x, we will keep on deleveraging.

Now, on the cost of debt. So, the first thing is that approximately half of our debt is fixed with fixed coupon. So that gives us protection. Then the other one is that we have a solid liquidity position of €17.5bn. That's, €7.3bn in cash and €10.3bn in committed lines. So, if there was an interest rate increase as the one you mentioned first, it will only tap what we have to refinance. And we have a strong liquidity position in case we didn't find attractive windows in the market, which we've done in the past, for instance, this year when we have already financed the full year.

So, we're reducing net debt, we're progressing towards our leverage, and we feel we're well protected in these volatile market times.

Ondrej Cabejsek – *UBS*

Yeah, good morning, everyone, and thank you for the presentation.

I had two questions, please. I guess predominantly focused on Spain.

So, the first one would be around your convergent ARPU trends, which have been improving in Spain and overall. I guess what we observe is that the Big Three players are all seeing improving revenue trends in Spain over the past couple of quarters. So, I was curious to get your updated view on competition, pricing, the kind of saturation of the lower-mid-end markets in Spain or whether the improved revenue or service revenue dynamics in Spain are sustainable in your view. That's question number one.

And the second question on wholesale which has obviously been a bit volatile this year but improved quite a bit sequentially. So, if you could please remind us what are the various major drivers of this over the coming year and when should the trends see some improvement or stabilization, if at all, I guess, including some of the RAN sharing benefits that should be coming online from Digi Spain. And this is not a Spain-specific question just to be fair, but overall, for the group. Thank you.

Emilio Gayo - *COO*

Thank you very much for your question. Talking about Telefonica Spain, price evolution and revenue evolution, first of all, to mention that our evolution is based in our strong commercial performance. It means that we are able to sustain revenues with a high ARPU, with a low churn. Even taking into account that during all this year we have been able to rise prices maintaining this churn. We don't see any change in these trends.

First of all, because we are very well positioned in the high-end market. We think that our strong offer in content, in digital ecosystem, in handsets and devices is enough strong to maintain and to have a healthy and sustainable business. In the case of the low end, there is more pressure, something that we have seen during the last quarter. But again, Telefonica is stable with O2 brand and some products of the Movistar brand to maintain the position. Remember that we have been able to have positive portability figures with all the players.

Together with the evolution of these market trends, we consider that we are able to maintain the same price strategy for the next coming years. We have proven a lot of times that we are able to manage how to increase prices at the same time that we maintain the low churn and the ARPU.

Regarding the wholesale, first of all to remember that we don't separate revenues from wholesale and others and we are talking always about wholesale and others. As we mentioned in the last quarter, we were expecting to reach the peak of the wholesale revenues decline due to the new agreements during this Q3, and it is happening. This Q3 is the peak of the impact of the wholesale agreements. We think we will see declining revenues in the next coming quarter and to be stabilized in 2027. Together with the wholesale, we include others, that is not a linear and is more difficult to predict. Anyway, we are confident with the evolution of service revenue, with the retail revenue and everything that is happening in this line of revenue is something that we have planned and was predicted. And then it means that when we say that we are confident evolution is because we know perfectly how is going to be this evolution.

During the Q1 of next year, we'll provide, of course, the outlook of the year to see how we see these positive trends the next year.

Ondrej Cabejsek – *UBS*

Thank you. If I may have one quick follow-up on the low end. Do you consider yourself pretty well shielded from this going forward as well, or is there going to be some catch-up in terms of the more aggressive campaigns on the lower end translating into ARPU a bit further down the road?

Emilio Gayo - *COO*

Yes, we think that we can maintain the same trends. We have demonstrated that we are able to maintain our offers, including for example, the ecosystem in the O2 bundles and permit us to maintain again, churn, ARPU, in a very low level in the case of churn, and the high level in the ARPU. And there is something that is important always in this kind of situation, that is the customer experience, the customer service.

When we highlight the churn and NPS, we are seeing, or we say that clients want to be with us, it sounds simpler like this. And it is our offer, our customer service experience and our way to provide the services for them. I know that the low end of the market has a lot of pressure sometimes. It's true that everybody needs to be profitable, and then this pressure has a limit. But anyway, we are very confident to be able to maintain our strong position that we have today.

Nick Lyall - *Berenberg*

Hi. Morning everybody. Could I ask a couple of questions on Germany, please? Just it looks like your German ARPU for the quarter is starting to rise year-on-year. Is that fair? Firstly, is that just because of the lower promotions this quarter or could you maybe help us out with some of the drivers into next year, please? You know the family plans and others. Do you expect ARPU to rise from here into 27?

And then the second question was on M&A in Germany as well. Do you have to reconsider any offers for 1&1 or United Internet now? Do you think it's been a year since the CMD and have you exhausted all options there? Are there any options remaining, do you think? Thanks very much.

Emilio Gayo - *COO*

Thank you for your question. I'm going to answer the second one, and then I hand over to Santiago to explain a little bit more about the evolution of ARPU in Germany. Just to remember that we always comment that we don't comment anything about M&A, and we are not going to change this strategy. It doesn't make sense for us to explain what our is strategy in the M&A decision. Anyway, as we mentioned in CMD we consider all the options and we maintain open all options that would be interesting for us in all markets, in any situation.

But we don't comment about any specific decision. And regarding ARPU, I'm going to hand over to Santiago to answer your question.

Santiago Argelich – *CEO Telefónica Deutschland*

Yes, Nick, on your ARPU question it was not fully clear. I will try to answer if I don't cover fully. Just let us know what else you want us to cover. So, the quality of our B2C customer base is steadily improving. We see a constantly growing number of customers with multi-SIM and/or convergence contract and that's supporting the loyalty and service revenue.

At the same time, due to our typically 20-month contract periods, postpaid ARPU and MSR continue to reflect the combination of a higher share of second and third SIM cards and the intense competitive environment of the past years. So, it takes time for the improvement to reflect in the front-book ARPU and to feed through the postpaid base of 18 million accesses. However, we are seeing early benefits of our value strategies. Our O2 customer contract ARPU decline stabilized quarter-on-quarter and overall, in line with our competitors' ARPU. What's more important though is that households ARPUs are growing year on year, in line with our strategy.

David Wright – *BofA*

Thank you, guys. A couple of questions from me.

Back to the debt. Obviously, we've seen the Brazilian real devalue recently following the elections and there still seems to be quite a significant imbalance in the EBITDAaL coming up from Brazil and the debt that's held in Brazilian real, I think it's like 40% of your group EBITDAaL is Brazil, around 15, 16% of your debt is Brazil. So, it's a little bit like 2016. Are you at risk of a devaluation that your EBITDAaL impairs more than your debt, and it actually threatens to raise your leverage? How should we think about that, please?

And then second of all, you talk about your 2.8 and 2.5 times leverage, and obviously it's a very different equation that the rating agencies use. Do you know where your 2.5 is under the S&P definition? For instance, should we be thinking around about three times to then compare with their rating outlook? Those two questions, thank you very much

Juan Azcue - *CFO*

Okay, thank you, David.

So, on the first question on Brazil. Brazil is a significant part of our business and it's a core one. So, we are long on Brazil. We believe it has a resilient economy with an independent central bank which is keeping the interest rates high, by the way. And let's see, right now there is a lot of volatility after the election. Yes, the real has depreciated very significantly. But let's see how this progresses until the end of the year, when the new government sets an economic team and sets the fiscal policies.

However, what I will tell you is that as part of our more prudent approach to all the financial management of the company, as you know, we always use the natural hedge that OpEx, taxes, leases in local currency provide. But we do hedge our free cash flow. That's something we usually do end of the year or beginning of the year. But in this case being prudent, we already hedged approximately 80% of the free cash flow of 2027 ahead of the election. So, I would say that we have been proactive in managing that risk. And I will repeat, we already hedged at pre-election prices around 80% of our expected free cash flow on 27. So that's for the Brazilian part.

So, on what does our 2.5x that you mentioned equates to S&P. Do I know the number? Yes, of course I know it, but I rather not tell you. I'm sure you can do the math. You can do your own computation regarding leases, hybrids, so on and so forth. But we are fully committed to our investment grade. The Transform & Grow plan have received a constructive and supportive recession from rating agencies. Our interaction with them is

positive. We got already a rating affirmation of Moody's back in May 2026, emphasizing the ongoing portfolio simplification and the de-risking of the free cash flow, our commitment to the investment grade, the good liquidity management that we do. This is not me talking, this is moving on a disciplined execution. The S&P meeting took place back in June and they also appreciated a more robust and risk-free cash flow. And Fitch affirmed also our rating a few weeks ago on October 1st, again talking about our starting position in Spain, our improved leverage and financial flexibility, Hispam exit, etcetera, etcetera. So, we are confident that we will defend and enhance our investment grade.

David Wright – *BofA*

Just quickly. As a follow-up on the June meeting, did the agencies give any indication on the UK assets as in, did they indicate that any funding, etc would bring the UK proportionate consolidation back?

Juan Azcue – *CFO*

No, that's not. Look, these are private meetings which obviously you can understand that I cannot portray everything that is said in that one, but the meeting went well and we are fully committed. By the way, you can do a follow-up question at some other call on our VMO2 assets, and we have a strategy in place that Emilio already commented on how to turn around the asset.

Carl Murdock-Smith – *Citi*

That's great. Thank you very much. Firstly. Just following up on your comment there at the end, being fully committed on Virgin Media O2, can you just expand on that? And to the extent of how much does that fully committed extend to potential any equity injection?

And then secondly, on other EBITDA, it's consistently been above zero, totaling I think 127 million euros for the nine months. I asked a similar question on the same topic, and you said that you expected it to be roughly around zero for the rest of the year. So, what's happened there to make it consistently be a positive value when you had expected it to be around zero? And what do you expect that other EBITDA line to look like going forward into 2027? Thank you.

Juan Azcue – *CFO*

Okay, Carl, I'll take the first one.

So, Telefonica, we don't have any obligation to provide credit support to VMO2. Okay, that's a clear answer. And it's very important to distinguish between VMO2 credit profile and Telefonica's group funding position.

VMO2 is a 50% JV. It's not consolidated into our accounts. Okay. That is fully ring-fenced, and they have their own capital structure, and they have to stand on their feet, and we're helping them in the restructuring that they just announced. And I will refer to that one.

Specifically on your questions, will we be putting equity back into VMO2? No, we won't. That was the first question.

The second on the Others. Well, yes, I remember you already did one question on the Others on the first quarter, if I remember correctly. So, I can understand how difficult it is for you guys to predict the other as it is for us to project it, because there's a lot of bits and pieces.

If I look at what we have this quarter, there we have positive Hispam, which is Venezuela, as Mexico is discontinued. We also have a positive effect on Telefonica Infra, Tech and even Global Solutions. So, what I would say is that you should not expect such a positive effect on the fourth quarter overall as the ones we had this year. And we're working towards simplifying and streaming this other line.

Ulrich Rathe – *Berstein*

Thanks very much.

I wanted to ask about Germany, particularly there, the phasing of the efficiency measures. Could you talk us through how you're thinking about the efficiency improvement has evolved this year? In particular, have you adapted the restructuring plans during the year to the business trends? Or is the picture more one where you would characterize the whole thing as execution of a plan that you already had at the beginning of the year? What I'm ultimately trying to find out is whether you are ramping up the restructuring because of what this business is delivering or whether you essentially execute in what sort of thought would be necessary in any case.

And, the second question, if I may, on Germany as well, the call center divestment, could you explain the rationale? How does that impact cost savings? Is it a deal more to raise flexibility, or is there direct cost savings from divesting these call centers? Thank you.

Emilio Gayo - *COO*

Thank you very much for your question. Regarding the first question, we are executing the efficiency measures as we have planned. I'm going to hand over to Santiago in order to give you more color about how our plan is and specifically to answer the second question.

Santiago Argelich – *CEO Telefónica Deutschland*

So, regarding the efficiency initiative in the plan 2026. So, we had an excellent progress on the efficiency capture to say first. Then I would say, however, we always said that these savings are not linear. In Q3 we were facing tough comps versus strong delivery in Q3 25. The savings in the nine months are predominantly driven by OpEx added by CapEx and some optimization of these costs. The main drivers are staff cost efficiencies, process and operational improvements, procurement and supply chain optimization. Some early contribution of AI automatization, mainly network operations.

We will continue working on identifying and implementing transformational efficiency initiatives across the operations to capture the savings from simplification and more structural measures. Focus will be mainly on commercial, technology and sales. Also, there is a clear opportunity from AI initiatives and the evolution of the operating model.

Now to your second question. Yeah, regarding the call center sale.

In this recent context of restructuring and transformation, we have recently agreed with TP, formerly Teleperformance, global market leader in digital business and process outsourcing and customer service, that they will take over the company call center sites in Bremen and Rostock at the turn of the year, subject obviously, to regulatory clearance by the FCO.

This transaction gives us flexibility and ensures the best solution in terms of business continuity for the transformation.

Torsten Achtmann - *Global Head of Investor Relations*

Operator. We have time for one last question.

Fernando Cordero – *Banco Santander*

Hello, good morning and thanks for taking my two questions.

The first one is related with Spain and particularly with the churn performance, which is also part of the discussion on the ARPU that we had previously. I just would like to understand if the churn performance is supported already with your devices and handsets strategy.

And in that sense, I would like to understand or to know which is the level of penetration of your funded devices and handsets in your customer base. Just to understand which is the remaining potential to keep improving the channel through a more active role in handsets.

And the second question is on leases. There have been some press reports on your willingness to renegotiate some of your contracts, particularly in towers. I'm not going to ask you about these press reports, but I would like to understand which is your current approach on operating leases and particularly how much of your leases contracts are not having inflation caps. Many thanks.

Emilio Gayo - *COO*

Fernando, thank you very much for your questions.

Regarding the churn and the devices, we mentioned during the conference call that 2/3 of our customers have a handset or device purchased from Telefónica. Of course, penetration will increase a lot because of two aspects.

First of all, the number of handsets each client can acquire. I'm not talking about only handsets, tablets, and these kinds of PCs. But at the same time, and this is important, the second aspect is that we are not only selling product-related devices, we are selling everything around the electronic elements, and we have proven that we are very successful in this kind of sales. I think around 50% of our sales in devices are not handsets. Then, the penetration today is very low compared with the penetration that we can reach if we are able to maintain this strong commercial approach to our clients. And I'm going to hand over to Juan for the second question.

Juan Azcue – *CFO*

Okay. On your first non-question on the press, I will not answer. But what I would say is that I've been quite constant in this. We are taking action on our leases. We are having different initiatives regarding them and having discussions with many of our suppliers, and we are working to optimize our lease cost and improve the contract efficiency.

Obviously, this is a bilateral thing to be sustainable. There are two parties to a contract and that's something we are working on, and we'll continue to work on, but this is not a short-term solution. We're working for a long-term structural solution. And we will continue to try to optimize the leases and improve our efficiency.

Fernando Cordero – *Banco Santander*

Sorry Juan, I didn't get your last question due to the noise on the line.

Juan Azcue – *CFO*

Sorry, I cannot provide the information you ask on which amount of my leases are cap or uncapped on inflation.

Fernando Cordero – *Banco Santander*

Okay, thank you very much in any case.

Emilio Gayo - *COO*

Thank you very much for your participation and we certainly hope that we have provided some useful insight for you. Should you still have further questions, we keenly ask you to contact our -Investor Relations department. Good morning and thank you very much.