Telefónica

Results 2025

Q4

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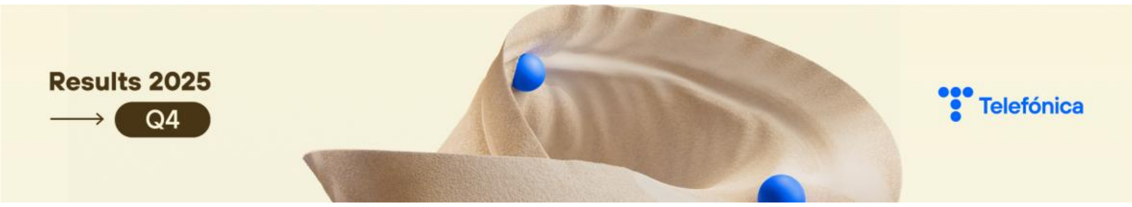


Torsten Achtmann - *Director of Investor Relations*

Good morning, and welcome to Telefónica's conference call to discuss January-December 2025 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 Chairman and CEO, Mr. Marc Murtra.

Presentation

Marc Murtra - *Chairman and CEO*

Q4 25 Results

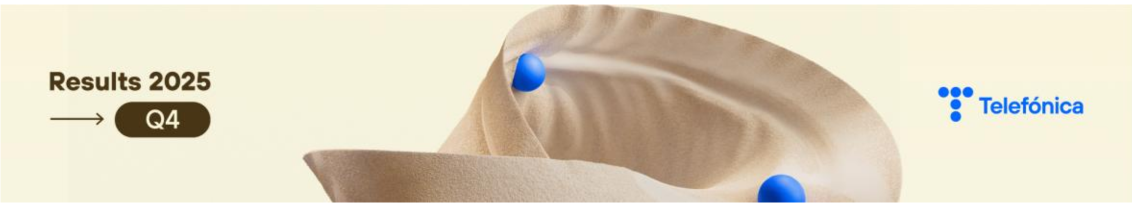
1. **Opening remarks**

Good morning, everyone, and welcome to Telefónica's fourth quarter and full year results call. I am here today with Emilio Gayo, Chief Operating Officer, Juan Azcue, Chief Financial and Corporate Development Officer, and Lutz Schüler, CEO Virgin Media O2.

Last November at our Capital Markets Day, we presented our Strategic Plan Transform & Grow that had the clear challenge to provide citizens the best access to digital technologies. The fundamental axes on a high level are clear for us.

- We are committed to offering additional and enhanced customer services to drive growth in our core markets.
- We are building a more innovative and competitive company, simplifying business units, and shifting operational responsibility to markets.
- With an ambitious and effective management and focus on growth and efficiency.
- Absolute commitment to guidance and financial discipline.
- And, we are building a stronger more competitive European operator

These axes and purpose fit our 2025 results, where we delivered on our commitments, and where we achieved important milestones.



2. Delivered on 2025 commitments with accelerating momentum in Q4

Let me highlight the 2025 results, where we have delivered on our financial commitments in 2025. At the same time, we made significant progress setting the business up for a stronger future.

Importantly, we exited the year with improving momentum. In the quarter momentum continued with adjusted EBITDA and OpCFaL accelerated. Adjusted EBITDA constant forex growth reached 2.8% and adjusted operating cash flow after leases grew nearly 13%. B2B was a particular highlight, growing 7.3% in the quarter.

Our business performance was equally encouraging. In Spain, we delivered the strongest growth in more than seven years on the back of our premium positioning and improved commercial performance. In Brazil, our customer base grew to record levels. And in Germany, consumer perception of the O_2 brand continued its positive trend.

Beyond the financial results, we continued to both simplify and drive long-term value creation for the Telefónica group. We accelerated the pace of our portfolio transformation, significantly reducing our exposure in Hispam and have now more or less excited the region with 6 out of 8 markets sold. We also reached a formal agreement with our labour unions to improve productivity in Spain, and this agreement is currently being implemented. This is an important step to build a leaner and faster-moving organisation. These are part of a broader efficiency drive that is already flowing through our cost base.

Taken together, these achievements represented a solid foundation for 2026 execution.

3. Milestones achieved in 2025 create a solid foundation for Transform & Grow plan

Moving to slide 3, at the Capital Markets Day, we defined the six strategic pillars underpinning our Transform & Grow strategy. During the end of 2025 we have already executed on these pillars.

The first three are delivering a Best-in-Class Customer Experience, expanding B2C offering and scaling B2B. Let me highlight some of our achievements here that we are looking to build on in the future: in 2025, our network leadership drove commercial results: we won customers, retained them longer, and delivered services they value, as our NPS and customer lifetime value reflected. We also secured our leading position with the renewal of the La Liga and UEFA rights. In Brazil, Vivo Total represents 43% of FTHH customers and we believe that we will grow that as we expand the consumer proposition. We are building out the ecosystem into smart home, security, fintech, and consumer electronics. In Germany, fixed broadband expansion is the path to converge our strong mobile base.

The fourth pillar, evolving technological capabilities. We continued to invest in the best network experience for our customers. Beyond building networks, we are changing how we operate them with advanced automation for example.

The fifth pillar is simplifying our operating model. A goal is making a leaner, more agile Telefonica, ensuring our investments deliver improved returns. Copper switch-off in Spain was a milestone this year and has already started in Brasil. The workforce transformation agreement is concluded and on track to deliver approximately 0.6 billion euro in run-rate savings by 2028.

We made clear progress on portfolio management execution, completing four Hispam exits in 2025.

Let me now turn to the priorities for 2026 in our Transform & Grow Plan that will drive the next phase of growth.

4. Transform & Grow: the 2026 priorities that drive the next phase of growth

Delivering best-in-class customer experience is one of the clearest ways to drive long-term value. When interactions are simpler and more tailored, satisfaction increases; leading to greater loyalty, higher ARPU, lower churn and higher customer lifetime value. At a Group level, we are focused on ensuring faster incidents resolution and we are also rolling out AI-based hyper-personalisation across key channels. This effect is included in the 2026 CapEx of the Group.

In B2C, we are further driving convergence and deepening customer relationships by bringing more into each household. Customers who bundle multiple services, such as connectivity, content, devices, and ecosystem services, stay longer, spend more, and churn less. This creates a structural opportunity to grow ARPU efficiently.

In B2B, we are scaling our digital services portfolio across the Group with a particular focus on cybersecurity and cloud as well as defence in Spain. Our trusted position with enterprise and public sector clients gives us a strong foundation to grow recurring revenues.

2026 is already a significant year for cost efficiencies: we are accelerating the simplification, optimising leases, renegotiating vendor contracts, and streamlining structures. In Brazil, we are now shutting down our copper network to concentrate our resources on a single, modern infrastructure.

We continue to focus on the Hispam exit, already have closed 2 transactions year to date. Last week, nexfibre announced the acquisition of Netomnia, to become the largest UK full fibre altnet in the UK and will reach 8 million premises passed. We achieved this without a significant equity contribution from Telefónica.

These initiatives show how Transform and Grow comes to life. We enter 2026 with a focused portfolio, stronger commercial momentum in core markets, and a clear set of priorities already in execution.

5. Guidance 2026, 2025-2028 and 2028-30

Moving to guidance for 2026.

We expect constant revenue and adjusted EBITDA growth of 1.5% to 2.5% and a CapEx to sales ratio of around 12%.

We expect an adjusted OpCFaL growth of more than 2%, demonstrating operating leverage at the adjusted OpCFaL level.

We expect FCF of 3 billion euro, an upgrade to the upper end of the range given at the CMD, supported by the Q4 momentum.

We continue to expect leverage to progress towards our target of 2.5x net debt/adjusted EBITDAaL in 2028, to which we are fully committed to.

We reconfirm our 15 euro cents dividend per share in 2026.

We also reconfirm all our 3 and 5-year targets outlined at the CMD.

Now, let me hand over to Emilio to take you through our operational performance in more detail.

Emilio Gayo - *COO*

6. Spain: Operational excellence supports outstanding KPIs, FY growth across financials

Thank you, Marc. On to slide six to review our domestic business.

2025 was a landmark year for Telefónica Spain, delivering growth and record-breaking achievements.

We recorded excellent commercial performance, reporting in 2025 the best KPIs since 2018.

This is the result of a strict daily execution to deliver excellent service, leveraging our superior network and quality, a strong ecosystem and digital services and a smart segmentation. All driving high customer satisfaction, with the best NPS being a competitive advantage.

I'm proud to highlight the record fibre and TV net adds and robust portability ratios. We achieved the highest customer base ever in contract mobile and fixed broadband.

Convergent ARPU remains at leading levels, around 90 euros, and churn reached 0.7% in Q4, the lowest level since we launched our convergent proposition.

The key driver of churn reduction is the improved customer experience. Our focus on operational excellence and improvements in key processes allowed us to reduce call volumes by 10% and claims by 50% in just three years.

In B2C, our digital ecosystem and premium content are key levers to increase loyalty and customer lifetime value. Customers with alarms exceeded 600k, customers with football grew year-on-year and three out of four customers have a device. All these customers have a significant lower churn, while driving revenues up.

In B2B, we also have strong momentum. We are the best positioned player in the IT business, which is a growth engine. Launches such as Titan Connect assure continuous connectivity for businesses and drives new digital services that will foster further growth.

From a financial standpoint, Spain is delivering profitable growth and solid cash generation, with all key financial metrics growing at the same time for the first time since 2008.

- Revenues grow steadily, supported by both residential and B2B, with IT maintaining double-digit growth.
- Adjusted EBITDA continues to grow year-on-year, with margins around 37%, reflecting operating leverage and cost discipline.
- New personnel efficiency initiatives signed at the end of 2025, will deliver around two hundred and fifty million euros in savings by 2026.
- Finally, our CapEx intensity supports sustainable adjusted EBITDA and cash flow growth, with fiber and 5G networks already deployed.

To sum-up, 2025 has been a remarkable year four our business in Spain, delivering strong performance and better positioning us to capture growth ahead.

In 2026 we aim to accelerate year-on-year growth rates across key financial metrics, leveraging further commercial momentum and execution of our efficiency agenda.

7. Brazil: Vivo differentiated assets are driving strong operational and financial performance

On to the next slide.

Telefónica Brazil consolidated its position as the leading digital platform in the market, delivering a strong commercial and financial performance in 2025.

Our operating strategy proved successful and Vivo reached an all-time high in the accesses base. At the same time, our focus on upselling data, new B2C digital services, and convergence enhances the lifetime value of our accesses.

In mobile, differentiated network quality and customer experience drive growth in the contract segment, with positive portability versus all operators.

ARPU continues to grow while churn remains at very low levels.

In fixed, fiber connections increased double digit mainly driven by our flagship convergent offer and churn reduction. Vivo Total saw an impressive increase year-on-year and already accounts for 43% of fiber connections, setting a new standard for quality and customer retention.

On financials, let me highlight the solid growth, above inflation, in key metrics. Revenue, adjusted EBITDA and operating cash generation increased year-on-year in real terms, with growth rates accelerating across all metrics, showing Vivo’s operating leverage.

Revenue increased over 7%, thanks to the robust acceleration in mobile service revenue in the fourth quarter and the strong growth in new businesses.

In B2C, revenue from the ecosystem, including health and wellness, consumer electronics, financial services and entertainment rose more than 20%. The penetration of these services provides a significant upside.

In parallel, the B2B segment marked its strongest revenue growth in last years. This performance reflects the growing demand for digital solutions, which already represent close to 40% of B2B revenue.

Adjusted EBITDA grew 8% in the quarter while adjusted operating cash-flow after leases rose almost 20% thanks to the sound revenue growth and solid operating cost structure.

In summary, once again, Vivo delivered a set of strong results, showing real growth across main financial KPIs, boosted by quality commercial growth and the focus on customer experience.

Our ambition for 2026 is to continue growing revenue and adjusted EBITDA above inflation, supported by mobile, fiber, B2B digital services, and new B2C businesses, as well as by the benefits unlocked by the migration from concession to authorization.

8. Germany: Robust core business momentum, 1&1 migration weighing on financials

Moving on to slide eight to discuss Germany.

Our core business momentum continued in the fourth quarter, in a market where we have recently seen signals pointing towards a reduction of promotional dynamics.

The O_2 brand was a key driver of mobile contract trading, benefitting from our key strength: network quality.

Network roll-out and densification continued at a high pace, bringing 5G population coverage to 99%. We achieved the target of quasi nationwide coverage according to plan.

The Connect magazine rated O_2 network quality as “very good” and we made a quantum leap forward to achieve second place for the first time. In the five biggest German cities, connect even rated the network as “outstanding”.

Contract net adds were robust in the quarter, while churn remained at a low level of 1.1%. Notably, IoT accesses growth accelerated in the fourth quarter.

Fixed broadband reaffirmed its return to slight growth for the second quarter in a row, while ARPU continued to increase.

B2B segment offers huge growth opportunities, with some initiatives already paying off and supporting underlying revenue growth in 2025.

Regarding financial results, revenue and adjusted EBITDA declined mainly reflecting the completion of 1&1 customer migration by year-end and tough comps with Q4 24.

We continued to deliver on our efficiency plan and strict cost control, but the contribution is not linear.

To highlight in 2025, the underlying financial performance was positive year-on-year.

With a new CEO already in place, we continue working on identifying and executing further transformational growth and efficiency initiatives in Germany.

Our high-quality network and a solid brand positioning lay the foundation for a return to growth in 2027, after leaving behind 1&1 impacts along this year.

9. VMO2: Strong progress in fiber and 5G deployment

Moving to slide nine.

VMO2 ended 2025 delivering guidance with strong progress in the fibre network and 5G deployment.

We improved fixed line trading for the second consecutive quarter, reflecting progress in commercial initiatives such as Netflix and an improved retention strategy despite strong market headwinds.

Mobile contract ARPU grew 1.2% year-on-year, while net adds were affected mainly due to the October price rise announcement, elevating churn in the now closed thirty day exit window.

Revenue and adjusted EBITDA trends continue to be impacted by lower handset sales, nexfiber construction and the intense competition which mainly impacted the consumer fixed revenue.

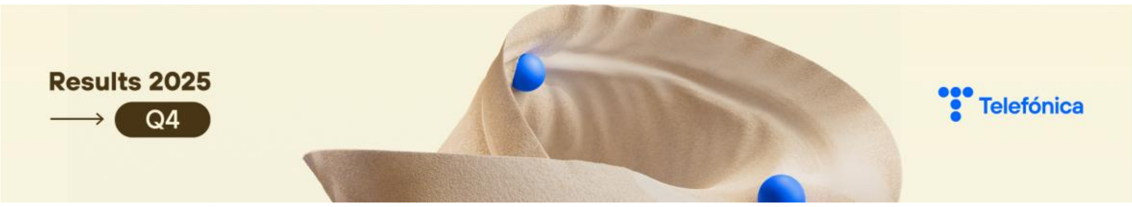
However, 2025 guided revenue increased 0.2% year-on-year and guided EBITDA increased 0.9% percent.

In summary, Virgin Media O2 is scaling its infrastructure, while streamlining operations to pave the way for long-term profitable growth.

The revenue and adjusted EBITDA expectation for 2026 reflects increased promotional intensity and ongoing uncertainty in the consumer fixed market, alongside planned simplification of the B2B product portfolio.

Continued cost efficiencies will support profitability but will be partially offset by a higher number of customers on nexfibre footprint with associated wholesale fees.

Finally, nexfibre announced last week the agreement for the acquisition of Netomnia. This acquisition will strengthen our network, accelerating fibre rollout and penetration, with a clear value creation through VMO2 and nexfibre.



10. Telefónica Tech / Telefónica Infra

On to slide ten review our global units.

First, in 2025 Telefónica Tech confirmed its position as the engine for our B2B growth in digital services.

Revenue growth rate accelerated quarter-on-quarter, boosted by Spain, where we recorded a strong growth in IoT beacon sales. In 2025 revenue increased close to twenty percent.

This performance is driven by the strong demand in Europe where we see huge opportunities to grow.

We continue to scale our capabilities to capture the digitalization opportunity, while making progress on the operating model simplification. Additionally, we have sold the operations in Hispam.

Second, regarding Telefónica Infra, let me highlight that our fibercos represented twenty four percent of Group deployment in 2025.

Also, our subsea cable business delivered sustained profitability in 2025, with an EBITDA margin of over 45%.

Now, let me hand it over to Juan, who will present the main financial topics and ESG.

Juan Azcue - *CFDO*

11. Q4 momentum across our key financial metrics

Thank you, Emilio. It is a pleasure to be speaking with you for the first time as Chief Financial and Corporate Development Officer. Let me take you through the financial detail for the quarter and the full year.

Starting with the full year. Revenue reached 35.1 billion euro, growing 1.5% year-on-year in constant terms. Adjusted EBITDA came in at 11.9 billion euro, up 2%, and adjusted OpCFaL grew 5.9% to just over 5 billion euro. CapEx to sales came in at 12.4%, within our target.

We reported FCF of 2.8 billion euro, above our base for guidance of approximately 2.7 billion. The FCF including employee restructuring commitments and VMO2 dividends reached 2.1 billion, exceeding our updated guidance for 2025. Net financial debt decreased 1.2% year-on-year to 26.8 billion euro, helped by our exits in Hispam.

Q4 trends reflected the underlying momentum in the business. Revenue grew 1.3% in constant terms, adjusted EBITDA 2.8% and adjusted operating cash flow after leases nearly 13%. FCF accelerated to 1.4 billion euros in Q4, with net debt down by the same amount.

Foreign exchange was a meaningful headwind throughout 2025, a drag of around 3 percentage points in revenue, adjusted EBITDA and adjusted OpCFaL. That impact lessened in Q4.

A quick note on perimeter. After Hispam disposals, Argentina, Peru, Ecuador, Uruguay, Colombia and other small companies are classified as discontinued operations, alongside the segment reclassification of Hispam with Chile, Venezuela, and Mexico now reported under Other Companies. These are the portfolio decisions Marc referred earlier. They affect comparability but they create a stronger, more focused business going forward.

Looking at the revenue mix, B2B grew 7.1% in constant terms for the full year and 7.3% in Q4. B2C revenue increased to 2.1% in Q4, up 1.8% for the full year.

To summarise, we delivered on our 2025 guidance. The business exited the year with improving trends, and the underlying quality of earnings is strengthening as we head into 2026.

12. FY 2025 guidance exceeded and 2026 upgraded guidance

On to the next slide, and turning to free cash flow, and as usual, the majority of cash generation was concentrated in Q4, consistent with our typical seasonality.

In 2025, we generated a FCF of 2.8 billion euro, exceeding our initial FCF base for guidance of 2.7 billion euro.

For 2026, we are upgrading our guidance to approximately 3.0 billion euro, the upper end of the range given at CMD. The path to get there is underpinned by a positive operating performance and efficient cost management of all lines below.

13. Disciplined balance sheet management

In the next slide, our net debt to EBITDAaL ratio fell to 2.78 times in December from 2.87 times in September. Net financial Debt at year end declined to 26.8 billion euro. Including the sale of Colombia, Chile and the Fiberpass stake, net debt fell to 24.6 billion euro. Telefónica is well on track to achieve our leverage target of around 2.5 times by 2028.

At the end of December, we had liquidity of 17.4 billion euro, which is significantly higher than our upcoming debt maturities.

The average cost of debt has been reduced by 0.21 percentage points year-on-year to 2.98 percent in December.

We continued with our proactive refinancing approach during the first months of the year. We already successfully issued a green hybrid bond of 1.8 billion euro to refinance hybrids with reset dates in Dec-26 and Nov-28 at very attractive conditions. Therefore, we have ample flexibility to refinance the next hybrid with first reset date in May-27.

On top of that, Telefónica issued a 170 million swiss franc bond and a 1 billion euro green bond, demonstrating strong market access and ESG financing leadership.

We will continue with our prudent financial policy and FCF management, which are key priorities for us.

14. Clear financial priorities position Telefónica to create long-term value

Let me spend a few moments highlighting Telefonica's financial priorities:

Growing our free cash flow in a predictable manner is central to everything we do. Strong and growing FCF gives us the optionality to invest in our business, return cash to shareholders and do value accretive M&A if it makes sense. We will deploy that cash flow to grow Telefónica sustainably, with a clear guardrail to maintain our investment grade rating and continue on our deleveraging path towards 2.5x by 2028.

Our dividend policy is sustainable and aligned to free cash flow generation. As our cash flow grows, so does our capacity to reward shareholders.

On M&A, our framework is clear. We will be opportunistic and disciplined. Any transaction must deliver clear, compelling and measurable synergies, create value for our shareholders, be within our leverage target ambitions and compatible with our commitment to an investment grade rating. We will not compromise our balance sheet to just add revenues. We have no interest in transactions that dilute the quality of the business we are building. Every opportunity will be judged on its merits, and if it doesn't meet our criteria, we won't pursue it.

More broadly, our focus is on building improved financial flexibility. The combination of de-risked and growing free cash flow, a clear deleveraging trajectory, and disciplined capital allocation is what positions Telefónica to create sustainable value for our shareholders.

15. Continued progression across the sustainability pillars

Turning to our sustainability initiatives

On the Environmental front, we continue to cut emissions, making the business more efficient while ensuring stable energy costs.

On the Social side, we highlight the expansion of our rural mobile broadband coverage, which allows us to provide more communities with secure digital services.

Moving to Governance, we are actively strengthening our supply chain resilience, including over 17k sustainability related audits in 2025.

Lastly, we are proud to report leadership positions across several prestigious international rankings.

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

Marc Murtra - *Chairman and CEO*

16. **Closing remarks**

Thank you, Juan. Let me close with where we stand and where we are heading.

Telefónica delivered on all of its 2025 financial commitments, with accelerating momentum in Q4. Across our four core markets, Spain, Brazil, Germany, and the UK, we made strong operating progress, with each market advancing on its strategic priorities.

We continued to simplify the business; our efficiency initiatives are ramping, and the workforce restructuring is on track. Telefónica is a leaner and more focused company than it was a year ago.

Looking ahead, our 2026 guidance reflects continued momentum, with growth in revenue and adjusted EBITDA, and accelerating in adjusted operating cash flow after leases and free cash flow upgrading to approximately 3.0 billion euro, supporting both our dividend and our deleveraging path.

During 2026 we already executed the sale of Chile and Colombia and the Netomnia acquisition.

We are executing on Transform and Grow with a clear framework: driving growth, with consolidation as an upside.

We have a strong foundation and the best plan to become a world-class European Telco with profitable scale. I'm confident in our strategy that will drive shareholder value creation.

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 on operational organic issues. Firstly on Spanish growth and then secondly on free cash flow generation outside the EUR3 billion you're guiding for 2026.

Just on Spain, obviously you're growing and it's improved versus a year ago. But the growth seems stuck on 1% service revenue and 1% EBITDA growth over the past few quarters. You talked quite clearly about an acceleration, an expectation of an acceleration in growth in 2026 today. Do you think the EBITDA growth is accelerating or will accelerate without the €250 million of restructuring efficiencies? If so, why is the underlying EBITDA growth accelerating? And if not, why not?

The second question is on free cash flow generation. Your previous guidance that employee contributions in 2026 would be higher than the €1 billion originally planned in 2025. Do you still expect employee contributions to be higher than €1 billion in 2026? And also, we know that UK dividends will be lower this year. Are there any other below the line free cash flow movements which should be below the line? By that I mean below the €3 billion that you're guiding for 2026. Are there any other below the line movements we should be aware of that you are anticipating? Thanks very much.

Marc Murtra - *Chairman and CEO*

Thanks, Andrew. Emilio will answer the first question and Juan, your second question.

Emilio Gayo – *COO*

Okay, Andrew, thank you for the question. All the saving measures that we are taking in Spain are part of our guidance for '26. We are seeing acceleration in all the financial key metrics, both in revenues, EBITDA and operating cash flow after leases. But it's true that structural savings coming from the agreements are part of this equation. The reason that not all the savings of the structural savings goes to the EBITDA is because there are other parts. For example, wholesale revenues that are declining. As you know, in 2024 we signed several agreements that led us to have a very sustainable business for the next coming year in wholesale, but at the same time, the first years of the agreements mean declining of revenues. And other costs that increase, for example, is the personal cost that is not included in the structural agreement.

Of course, we are facing a change in the revenue mix that bring business of revenues with less margin. And because of that we are looking for savings in all the company. Technology and evolution of the company permit us to find saving in a lot of activities.

For example, I had to highlight the saving that we expect for the procurement and purchase processes that we are working now in at group level, but of course in Spain too.

Juan Azcue - *CFDO*

Thank you, Andrew. I will take your second question on FCF '26 generation and commitments. So, as we pointed out, we upgraded our '26 FCF to approximately €3 billion at the upper range of our range given at the CMD. This is underpinned by a positive operational performance and the efficient management of all lines below. The operational performance we are seeing it already in Q4 and that is the reason why we are guiding to over 2% constant grow in '26 for adjusted OpCFaL. On the parts below we do see a derisked FCF with a FCF profile that has changed meaningfully and is more predictable and less volatile. Below operating cash flow there are different lines that compensate each other. But overall, my answer would be that the reason for us to increase and be more positive on the €3 billion is related to operational performance.

Now your second question was on commitments. We guided to €1 billion commitments in '25. '26 will be a year of transition and although the amounts are not fully finalized because there might be changes between which part goes as one-off payment and how much is deferred, you should think about a figure around €1.2 billion as the peak. That would be the peak of the commitments and then they will go downwards and fade away over time. You mentioned the dividend and the impact on the dividend on '26. But as you know the dividend on '26 it is a fixed amount of €0.15 cents that will be paid in June '27. So, this increase in peak commitments will not affect it.

Andrew Lee – *Goldman Sachs*

Okay, thank you. Just two clarifications. Are you still expecting the positives and negatives below the €3 billion that is employee commitments and UK dividends, etcetera to balance out?

And then just on Spain, thanks for your help on that. Am I right in saying that your expectation is that the EBITDA growth ex the €250 million saving won't be accelerating given the headwinds you measured including wholesale declines and the lower margin growth or weaker revenue growth mix at the moment.

Juan Azcue - *CFDO*

I will take the first part of the question. So yes, the guide I gave you on peak commitments of '26 €1.2 billion. On UK dividend, you should compute what was guided by the VMO2 which was a FCF distribution for its shareholders of around GBP200 million. If I recall correctly, that was the guidance.

Emilio Gayo – *COO*

In the case of Spain, Andrew, again we are expecting to accelerate EBITDA. This is a mix of the different measures, both in revenues and in cost savings.

Andrew Lee – *Goldman Sachs*

Okay, thank you.

Keval Khiroya – *Deutsche Bank*

Thank you for taking the questions. And I have two, please. So firstly, your FCF margin in Germany is less than 10% and approximately half the level of Spain. How do you expect the German FCF margin to evolve? And, I appreciate you've talked about return to growth, but can you detail a little bit more on what's key to get there across the revenue, OpEx and CapEx levers?

And then secondly, you've been quite vocal on the desire for consolidation across your core markets. What do you think are the main barriers to striking deals? And do you think we now have enough regulatory clarity for you to actually present deals to the regulators should they arise? Thank you.

Marc Murtra – *Chairman and CEO*

Okay, thanks for your question. I'll start with your second question. So, with regards to consolidation, the main barriers that have existed to date are the mergers and acquisitions guidelines managed by the European Commission. I think we can hear good messages in this line and I'm happy to discuss them further. And some mixed messages, but what will matter is exactly how the specifics advance. And we are still not there. So, I would say that is the main limitation that we've had as a European market. And then there is of course the usual difficulties of reaching large and complex agreements that have to do with getting the right price and getting the right synergies.

Emilio Gayo – *COO*

Regarding the Germany question, as I mentioned during the presentation, our expectation is to grow in 2027. During this year, we expect to improve along the year.

Keval, I don't know if you could hear the last answer about the margin in Spain. Just to say that we are expecting the OpCFaL margin to improve, due to this OpCFaL growth that will be above revenues and EBITDA growth.

Keval Khiroya – *Deutsche Bank*

That's very clear. Thank you.

Joshua Mills – *BNP Exane*

Hi guys, hopefully you can hear me. So, my first question was on the difference between the EBITDA and EBITDAaL growth numbers. If I look at Spain, you actually saw a slowdown in EBITDAaL growth this year and this is the metric most of us are focused on. So, you went from having plus 0.9% to plus 0.4% in the quarter. And I understand your commentary on the acceleration in reported EBITDA pre-leases, but how should we think about Spanish EBITDA after lease growth developing in 2026 and what should we assume for lease costs increasing?

Maybe if I can add a second part to that. On the Germany EBITDA after lease development, you saw minus 22% declines in Q4. I understand you want to grow this in 2027, but it would be great to get a steer on how the 2026 number will shake out. Whether that's down 10%, down 20%, down more than that given that there's so many moving parts and limited visibility.

And then, finally second question, but on the FCF guidance I see that you raised the starting point for 2025, so the starting point for the base has gone from €2.8 billion to €2.9 billion. If I take your 3% to 5% mid-term FCF CAGR, that would imply some upside to midterm FCF. Are you implicitly raising the mid-term free cash flow guidance as well today or is it still within the range you initially expected? Thank you.

Juan Azcue - *CFDO*

So, leases growth was driven mainly by 5G rollout and fiber expansion in core markets and inflation impact. The lease figure was higher in '25 by 2% due to seasonality mostly in the fourth quarter. As the outlook for the guidance, you should expect leases to continue a moderate upward trend mainly driven by 5G deployment in those core markets. CPI updates apply to both new and renewed contracts for mobile sites rollout for 5G as well as new sites required for such expansion.

We remain very focused on driving efficiencies in all lines as a top priority and leases will be one of our focus for sure.

On your second question regarding the FCF base, yes, we reported €2.8 billion of FCF base versus the €2.7 billion reference we had in the capital market day, plus once deconsolidated Chile, that base goes to €2.9. On your question on whether we are implicitly increasing guidance. We are increasing guidance for 2026, explicitly approximately €3 billion. And then on the long term, we feel still too little time since the capital market day to change the range. So, we keep the 3% to 5% range, but obviously mathematically we increase the base. We are implicitly giving a message, which is we expect 2028 FCF to be higher than the initial guidance given at the CMD. So that will be the message. We keep the 3% to 5% range and then we'll see where we see us within that range. But definitely, we do see a higher 2028 FCF.

Joshua Mills – *BNP Exane*

Great. Maybe just to simplify the first question a bit, do you expect to grow Spanish EBITDA after lease in 2026?

Emilio Gayo – *COO*

Yes, we are expecting growth acceleration in EBITDA, and EBITDA after leases. And in Spain, we are expecting leases, very stable.

Joshua Mills – *BNP Exane*

Great. Thank you.

Nick Lyall – *Berenberg*

Hi, guys. Morning. I hope you can hear me. First question was on German mobile ARPU, please. It looks like the contract Telefónica ARPU, so ex the 1&1, is down quite sharply, so down about 14% year on year, but maybe it's flattened out sequentially. Could you give us a bit of an idea of what the outlook is for '26, please? Just given your comments, particularly about the promotional activity being quite heavy in Germany.

And then secondly, could I just come back to Keval's question on the merger guidelines. I think on the merger guidelines, you said would the biggest barrier to consolidation. Could you just clarify for us exactly what that means in terms of timing? Does that mean you have to wait for a resolution to Teresa Ribera's merger guidelines in that 2027 investigation first? Or are you prepared to do something before the merger guidelines are clarified, please? Thanks very much.

Emilio Gayo – *COO*

Thank you, Nick. As we have explained, the German market has largely embraced family offers and it has an impact in the ARPU. We expect the market to stay promotional, but more rational. Family plans naturally result in a higher share of second and third SIM cards in the base, with usually lower ARPUs. But at the same time we are expecting to have similar ARPUs, or ARPUs moving in line with market levels of established MNOs.

Marc Murtra – *Chairman and CEO*

Regarding the merger guidelines. Unfortunately, my answer has to be ambiguous. We understand that within the current framework of merger guidelines, large operations can happen if the interpretation applied wishes that to happen. We understand that in the review that will be made public shortly, we can either hear of a review of the guidelines, or we can either read of a new interpretation or a modernization of the interpretation of the merger and acquisition guidelines.

From our point of view, we're going to work on that on a case by case basis and have nothing else to add at this stage.

Nick Lyall – *Berenberg*

Okay, thank you very much.

James Ratzer – *New Street*

Yes, thank you very much indeed and good morning. So, I have two questions.

The first one was just regarding the UK and Virgin Media O2, where I see you've taken a write down on the asset, but the new valuation you're putting on VMO2 still looks as if it's around 9.5 times EBITDA. So, I was wondering if you could just run through what forecasts you are using for that impairment review please, to justify that value and does that include the impact of the new Netomnia transaction?

And secondly, there was a press article a month or so ago where Mr. Dommermuth, in Germany, suggested that he might be interested in potentially acquiring Telefonica Deutschland. So, could you see a scenario where you might actually be a seller in that market? Thank you.

Juan Azcue - *CFDO*

James, I will take your first question on the impairment.

On VMO2 impairment. We carry a book value with a goodwill included that, every year going through our audit process, we have to test to see if there is an impairment. The impairment that we have registered this '25 has to do with a more negative view of projections at the end of the year based on the changes in the Openreach Equinox price that took place in fall. So that took the team to do a sensitivity around the business plan, and that sensitivity was the one that KPMG took as a base for their evaluation. To your question, does that include the Netomnia deal? No, sadly no, because that valuation is done as of 31st of December. We do believe that the Netomnia transaction will enhance the financial and operational performance of the asset, and therefore that is not included in the impairment test. And we think that the outcome of it could have been different if that had been the case. So that is for the VMO2.

Marc Murtra – *Chairman and CEO*

Regarding your Germany question. James, by the way, good morning to you and everybody and we can hear you all loud and clear. As you know, we have defined four core markets that include Germany, the UK, Brazil and Spain. And whilst we are always a rational operator and we manage our assets very rationally, we also take all media comments such as media comments. So, what we can say is that we are committed to Germany, we are committed to the German market in the short term, in the medium term and in the long term as an industrial operator.

And up and above this, we don't really have any other comments. Thanks.

Torsten Achtmann - *Director of Investor Relations*

Operator, we have time for one last question, please.

Emmet Kelly – *Morgan Stanley*

Yes, good morning, everybody and thank you for taking the questions. I have two questions, please. Firstly, Marc, can we just come back to some of the comments you made earlier on consolidation and antitrust? You said that you had received some good messages and also some mixed messages. Can you say a few words more about those comments, please?

And secondly, just in your home market in Spain, can you talk a little bit about the competition you're seeing in Spain, in particular, what you're seeing from Vodafone Zegona and from Digi at the bottom end of the market and whether your premium positioning is keeping you reasonably sheltered from, we'd say, the competitive intensity at the bottom end. Thank you.

Marc Murtra – *Chairman and CEO*

Good morning, Emmet. Thanks for your question. I'll answer the first one. So I'm only referring to public messages. I always keep any private communications, private. But we have heard Antonio Costa defending a European Telecoms consolidation that would allow more scale and more capacity to invest profitably. And then we've read public messages with regards to mergers and acquisitions that follow a fine line of ambiguity that we think or we understand is deliberate. That is what I was referring to.

With regards to Antonio Costa, if you haven't seen the message, we'd be happy to forward it to you. I think it was something like 10 or 15 days ago. With regards to competition, I'll hand over to Emilio. Thanks.

Emilio Gayo – *COO*

Okay. Regarding the competition in Spain, first of all, to remind that in Spain we see clearly two segments of clients. First, the high-end clients, where we have a very strong position based on our superior proposal, both TV and digital ecosystem and network and brand and commercial approach, that permit me to be very optimistic in this segment. Even taking account the effort of our competitors to gain market share, the fact is that we are winning market share, and we are maintaining the lowest churn in this segment.

In the low-end segment, we have to say that we are competing very well. That's true. That is a more competitive segment where Vodafone and Digi clearly are trying to push. The fact, if you see the portability numbers, is that Telefonica Spain clearly maintains a very good performance comparing with these competitors.

Again, we think that our superior network with our superior proposal in terms of ecosystem, even in the low end and the approach that we have in terms of customer service, that at the end is the more sustainable competitive advantage, permit us to be again positive in the trends with our competitors. The efforts of these two competitors in the low-end, at least, we don't see that it affects too much to Telefonica Spain.

Marc Murtra – *Chairman and CEO*

Okay. Well, thank you. Thank you, everybody, for your quality time. You've heard what our analysis of the data is and what our commitments are in a qualitative and quantitative way for 2026. And moving forward, you have channels of communication with us that are ongoing and open. So, if there's any questions that remain to be answered, we'll be delighted to address them and share with you our analysis. Have a great day, everybody. Thanks.