



RESULTS 2026



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Torsten Achtmann - Director of Investor Relations

Good morning, and welcome to Telefónica's conference call to discuss January-March 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.

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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, Mr. Emilio Gayo.

Presentation**Emilio Gayo - COO****Q1 26 Results****1. A strong start to 2026; constant execution**

Good morning and thank you for joining the call.

With me today are Juan Azcue, CFO, Borja Ochoa, Santiago Argelich and Lutz Schöler, CEO of Spain, Germany and UK.

We are pleased to report a good start to the year.

We are growing in revenue, adjusted EBITDA and adjusted OpCFaL, both in constant and current terms, with an appropriate CapEx to sales ratio to deliver this growth.

At the same time, we are reducing net financial debt, despite the usual seasonality of FCF in Q1.

Across markets, year-on-year growth rates accelerated in Spain and Brazil, with strong commercial performance:

- In Spain, we recorded the best ever churn.
- In Brazil, we achieved a record high mobile ARPU.
- In Germany, O₂ contract churn remained at a low level.
- And in the UK, fixed line net adds continued to improve.

Revenue growth is driven by Retail, with a steady growth in B2C and B2B. This performance more than offsets the loss of 1&1 revenues in Germany and the impact from the extension of wholesale agreements in Spain, which provide a more predictable and sustainable business long term.

I would like to highlight the steady growth in service revenue, partially offsetting weaker handset markets in some European countries.

On the operating model front, we are reaping the benefits of leaner operations, including the first savings from restructuring plans in Spain and our Global Units, and the copper network shutdown in Brazil.

We are executing consistently against our Transform & Grow plan, making good progress.

We remain confident in achieving our financial outlook for 2026 and reiterate our €0.15 dividend per share.

2. Consistent execution of Transform & Grow plan in Q1

On slide 2, let me share our progress across the strategic pillars of our plan.

First, on customer experience, hyper-personalisation and network quality initiatives are leading to lower churn and a sound NPS.

Second, in B2C we are sustaining steady growth.

- We are fostering convergence, with a solid traction of our offerings in Brazil and Germany.
- At the same time, we are enhancing our ecosystems. In Spain we have enriched our premium content offering with the FIFA World Cup rights and we are fostering digital security. In Brazil, we have reached more than 600k health subscriptions.
- We are also expanding the consumer electronic business, recording significant growth in Spain and Brazil.

Third, in B2B we are seeing strong momentum, with revenues growth close to 6%. Noteworthy is the launch of Titán Connect Portfolio and the acquisition of Altim in Spain and the São Martinho partnership in Brazil in the agro business.

Fourth, we continue to enhance our infrastructure, expanding our fiber and 5G coverage, while improving network quality.

Fifth, on simplification, we are capturing the efficiencies from redundancy programs and legacy networks switch-off.

At the same time, we continue to make solid progress on our Hispam exit, with 6 assets sold in the last twelve months.

Overall, these actions reflect strong execution, positioning us well to continue delivering sustainable growth throughout the year.

3. Spain: Sustained operational momentum and accelerated growth across financials

On slide 3, we will review our domestic business.

In the first quarter of the year, Telefónica España continued to deliver strong operating and financial performance.

We recorded solid commercial KPIs, reaching the lowest churn ever, 0.7%, despite the tariff update in mid-January.

This figure proves the high stickiness of our customers to our excellent service, our superior network quality, our differential ecosystem and a smart segmentation.

Such a competitive advantage is driving a positive balance in portability ratios. We have outperformed our competitors year-on-year, surpassing the 2025 average, and 3 times higher year-on-year.

As a result, we achieved record a customer base in fixed broadband and in contract mobile, a significant milestone.

In B2C, convergent ARPU increased above €91. It remains at leading levels in the market, both in absolute and relative terms.

Our premium digital ecosystem continues to support the highest customer lifetime value in the market while driving revenues up.

In B2B, we also started the year with strong traction.

We are growing both in Comms and IT services.

I would like to highlight the recent launch of innovative services on network resilience for business continuity, advanced cybersecurity, drones in defense and sovereign technology. They will drive further growth in this segment.

Regarding financials, Spain is delivering a solid cash generation with growth acceleration across all financial metrics.

- Growth in revenues accelerated to 2% year-on-year, supported by service revenue. B2B digital services maintain robust growth.
- Adjusted EBITDA grew above retail revenue, delivering a 36% margin, due to revenue growth and savings from the redundancy plan. These more than offset the anticipated lower wholesale revenues.
- In addition, CapEx discipline and the more stable leases led to a 2.3% growth in adjusted OPCFaL.

In a nutshell, our domestic business had a strong start into the year and we are in a strong position to continue to excel.

4. Brazil: Strong commercial and financial performance

On to slide 4.

Telefónica Brazil's performance was once again remarkable.

Vivo recorded solid commercial momentum in the most valuable segments and grew above inflation across all key lines.

We maintain a clear leadership position in the market, leveraging our strong commitment to quality and customer satisfaction and our continued evolution into a broader digital platform.

In mobile, we reached record levels both in contract net adds and ARPU, with a sustained churn reduction.

- We added 830k new contract customers in the quarter, the highest figure of the last five quarters.
- ARPU is the highest ever, driven by our value-driven growth and the increase in recharge frequency in prepaid.

In fixed, we increased fiber connections to almost 8m. This strong performance was driven by Vivo Total, resulting in a lower churn.

Turning to financials, revenue and adjusted EBITDA grew year-on-year well above inflation and accelerated versus the previous quarter.

Revenue increased by 7.4%, supported by consistent growth in mobile service revenues and continued strength in the fixed business.

- In B2C, new digital businesses maintained strong momentum. Consumer electronics stands out, growing 56% in the last twelve months thanks to the launch of new financing options.
- In B2B, digital solutions were once again the main growth engine, driven by Cloud and IoT.

Adjusted EBITDA and OCFaL both grew 9%, boosted by solid revenue growth and continued improvements in OpEx.

Overall, Vivo delivered another strong set of results, showing growth across key financial KPIs.

5. Germany: Focus on profitable growth while prioritising efficiencies

Moving on to slide 5 to discuss Germany.

Telefonica Deutschland's core business momentum showed resilience in a market with lower promotional activity.

We have recently seen some positive price moves in the market. And since March, we have maintained or even increased prices across all promos, stopping O₂ Mobile promos at price points below €20.

This is consistent with our strategy to prioritise profitable growth, focused on value over volume, while maintaining a low churn level.

The quality of our customer base is improving, with a growing number of customers with a second or third SIM cards. This strategy impacts ARPU but supports loyalty and higher net adds.

- Fixed broadband accesses grew for the third consecutive quarter, with a better mix in the base, a lower churn and higher ARPU.
- Notably, IoT accesses recorded another quarter of outstanding growth.

Regarding financial results, the 1&1 customer migration continued to impact revenues, with the year-on-year peak of this effect in Q1.

Additionally, following a record fourth quarter last year, handset sales declined in a weak German handset market.

Nevertheless, MSR trends slightly improved quarter-on-quarter and fixed revenue increased 4% year-on-year.

Adjusted EBITDA was likewise affected by the in-year peak of 1&1 impact.

However, efficiencies and cost control led to an increase in the adjusted EBITDA margin year-on-year, showing the solid performance of the healthier part of the business.

To summarise, underlying performance remained resilient in Germany, with a high single digit year-on-year growth in adjusted EBITDA excluding the 1&1 effect.

We continue working to return to growth in 2027.

6. VMO2: Progress against strategy with targeted network investments

Let's move to slide 6.

Virgin Media O2 started 2026 making clear progress in line with its strategy.

During the quarter, we achieved several important milestones:

- O2 Satellite was launched, making us the first UK mobile network to switch on direct-to-device satellite connectivity.
- At the same time, we continued to advance our mobile network transformation. We signed new strategic RAN upgrade agreements and completed the second tranche of spectrum transferred from Vodafone UK.
- As a result, O2 now has the largest 5G Standalone footprint in the UK, reaching 86% of the population.

From a commercial perspective, we continue to show improvement in Q1:

- In fixed, we reduced losses supported by commercial initiatives, while ARPU remains impacted by the high promotional intensity in the market.
- In mobile, contract churn decreased quarter on quarter, while ARPU remained broadly stable year-on-year.

- In Wholesale, we maintained our leading position in the MVNO market and continued to strengthen our wholesale fixed credentials.

Regarding financials, both service revenue and adjusted EBITDA trends are on track with our 2026 guidance.

- Service revenue decreased, mainly driven by consumer revenue due to prior-year customer losses and continued pressure on fixed ARPU.
- Business revenue declined, largely reflecting lower-margin products.
- This was partly offset by strong performance in Wholesale, supported by growth in MVNO revenue.
- Total revenues are also affected by reduced nexfibre build activity compared with the year before.
- Adjusted EBITDA decreased mainly due to the evolution of service revenue.

Finally, we continued to progress as expected with the Netomnia acquisition, which, together with our targeted network investments, further strengthens Virgin Media O2's foundations for 2026.

Now I would like to hand over to Juan, who will cover the financial results with more detail.

Juan Azcue - CFO

7. Financial performance: Good Q1, growth in constant and current

Thank you Emilio.

Moving to slide 7, we show how the strong underlying momentum that Emilio explained, translates into tangible financial results, with growth in constant and current for the second quarter in a row. Our growth in current is supported by the strengthening and well performing Brazilian reais.

Revenue reached €8.1bn, growing 0.8% year-on-year in constant terms, underpinned by a 1.1% increase in service revenue. B2B continues to be the growth driver, with an outstanding growth of 5.7%, alongside a consistent B2C increase of 1.5%.

Adjusted EBITDA and adjusted OPCFaL came in at €2.8bn and €1.4bn respectively, 1.8% and 2.4% higher than a year ago.

As such, operating leverage in the business is the main driver behind the higher adjusted OpCFaL margin, 0.3 p.p. more year-on-year.

CapEx to sales stood at 10.7%, declining by 0.2 p.p. year-on-year.

Current FCF is €333m, affected by the usual seasonality.

Net financial debt decreased to €25.3bn primarily due to the receipt of proceeds from Colombia and Chile this quarter.

After the sale of Chile in February 2026 and the agreement to sell Mexico in April 2026, both companies are classified as discontinued operations in Q1.

8. FCF Q1 phasing aligned with expectations and history

Slide eight shows FCF performance in the first quarter of the year. Our FCF performance remains solid and fully on track. We are committed to our FCF trajectory and our ability to meet our full-year FCF guidance of around €3bn.

Consistent with prior years, our FCF generation of €333m reflected the usual seasonality of the quarter, mainly due to working capital and its back-end loaded profile. As such, we anticipate acceleration throughout the year.

With this behind us, we are delivering a constant execution towards a de-risked FCF, as operational efficiency drives us to our target for the year. As such, we are in a stronger position, due to:

- First, a more predictable FCF following the successful execution of the sale of 6 Hispam countries over the last twelve months, with a total firm value above €4bn.
- Second, a solid FCF thanks to the execution of our efficiency plan, with the workforce restructuring in Spain and global units already in place, among other initiatives.
- Third, a growing FCF, with upgraded guidance for 2026 after exceeding it in 2025.

9. Leverage reduction, sound liquidity and lower interest costs

On slide 9 you can see that:

Net financial debt has decreased by €1.5bn in the first three months of the year, mainly due to the disposals of our subsidiaries in Colombia and Chile.

Our net debt to EBITDAaL ratio has decreased to 2.72x from 2.78x in December last year.

Deleveraging is on track towards our 2.5x target in 2028.

Telefónica has demonstrated an excellent refinancing execution this year. We have been active in the capital markets, raising €3.0bn long term financing at the Group ahead of recent market volatility while maintaining an ample liquidity position.

Finally, the average cost of debt has been reduced year-on-year from 3.30% in March 2025 to 2.81% in March 2026.

10. Continued progression in sustainability to boost competitiveness

Turning to slide 10. In Telefónica sustainability is a driver of competitiveness and resilience.

On the environmental side, we continue to enhance operational efficiency by decoupling traffic growth from energy consumption and supporting our customers in meeting their environmental goals.

On the social front, we keep bridging the digital divide and promoting STEM talent.

Moving to governance, we have a balanced and diverse Board. We also uphold the highest standards of fiscal transparency.

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

Now I hand over to Emilio for the final remarks.

Emilio Gayo - COO

11. Wrap up: Strong start, constant execution, on track for full year guidance

Thank you Juan.

To summarise, let me share with you some key takeaways.

Telefónica's performance in the first quarter of 2026 demonstrated consistent execution as we continue to deliver against our Transform & Grow Plan.

We reported a good set of results to start the year, which keeps us firmly on track to achieve our full-year 2026 guidance across all key metrics, including FCF.

We are building a company that is more focused, more efficient and more profitable.

Thank you very much for your time. Now are ready to take your questions.

Q&A Session

Andrew Lee – Goldman Sachs

Yes, good morning everyone. I had two questions. One was on the sustainability or outlook for Spanish growth through the year and secondly just on Germany cost cutting. On Spain, think your remarks suggested you think that the growth delivered in the first quarter is at least sustainable. But I'm also conscious that but there's obviously some lumpiness in the wholesale revenue trends. What is it that gives you the confidence that you can sustain or improve the Spanish growth through the year? Are you seeing an improving market is going even better than expected as we ran into Q2. Just any help on that would be really useful. And then just secondly on Germany cost cutting, it looked like the cost cutting accelerated in the first quarter. I wonder if you could just talk through that a little bit, that'll be helpful. Thanks.

Emilio Gayo - COO

Andrew, thank you very much for your question regarding Telefonica Spain. First of all, I would say that we are very happy with the results of the first quarter. These results I have to say that

are slightly above our expectations. We are happy for that. These results are based on fundamentals in our commercial strategy, in our efficiency program, in our EcoSystem, in our B2B revenues growth. For the next quarter we are seeing similar trends and I will say that for the rest of the year we are seeing H2 even better than H1.

Then our result is that we can confirm our outlook, that is to grow above 2025.

Regarding Germany, I have to say that in Germany we are a best-in-class company managing the efficiencies. We have launched several cost efficiency programs that results in underlying EBITDA growing and it's based in different elements of the company. Everything around channels, cost channel, everything around energy, everything around the operating model, all the aspects are being reviewed and as a result of everything is a good performance in this kind of efficiency programs.

Andrew Lee – Goldman Sachs

Thank you. Can I just follow up on the Spanish side of things? Are you seeing any improvement in market dynamics? You've done the price rises this January. Are they holding better than last year or is it more company specific assets that's driving that improvement?

Emilio Gayo - COO

I would say that we feel more comfortable here than other years in our commercial trends. Again, the fundamentals that we are managing in Spain are key. Our offer, our cemented offer demonstrates that it's the right approach in this market. The management of the ecosystem really is performing very well, with a very strong position in everything around the consumer electronics, financial options or the alarm market. We have reached more than 600k clients at this moment and everything demonstrates that the main elements of the offer is on the table. In the case of B2B we are growing at the same level that we were doing during the last years and demonstrated that Telefonica Spain is the best in terms of IT services as a telco in Spain or I would say in Europe.

Mathieu Robilliard – Barclays

Good morning. Thank you for the presentation. I had a question on Germany. We see that there's a step down in the mobile ARPU trends in Q1 and I wanted to understand what was behind that and what we could expect for the rest of the year and whether that reflects more competition or you see similar competition. And then coming back to the question from Andrew. So, you saying that you didn't really comment, I think, or at least I didn't get that about the competitive environment in Spain. And so, if you could clarify if you think it has improved a bit since the beginning of the year or it's pretty stable. Thank you.

Emilio Gayo - COO

Thank you for your questions. First of all, about the ARPU in Germany. Let me say first that the ARPU is the result of different effects and one of these effects, for example is the change in our strategy. We think that we are launching a more successful strategy in terms of two and third SIM bundles. This is an example of how to move from volume to value can have impacts in the ARPU in this case, but we think this is the right way. Anyway, I'm going to hand over to Santiago Argelich in order to give you more colour about this.

Santiago Argelich – CEO Telefonica Deutschland

Yes, Mathieu. So, when looking at the ARPU, it is impacted by the success of family plans which naturally result in a dilution of ARPU. We have a higher share today on second and third SIMs with consolidate our household and convergence strategy. The market overall has largely embraced the family plans. The O₂ ARPU performance is in line and even slightly better than the competitors ARPU in this sense. What's more important is that our household ARPU is growing year-on-year.

Mathieu Robilliard – Barclays

Okay. I guess the follow up to that is we don't really see the net add accelerating in Q1. So, I wonder how I can reconcile better SIM cards which obviously has to be the case is the fact that net adds are not really moving up.

Emilio Gayo - COO

The net adds result is again a mix of different strategies. One is the SIM card bundling but other strategies are to move from volume to value or even to reduce promotion activity. And then the result in KPIs is an effect on a different aspect. But at the end we believe that this permit us to have a more profitable way to growth in Germany.

And secondly regarding Spain competitive environment, we don't see important changes in front of us.

We are seeing a rational market in the high value market and our expectation is that everything follows in the same way. And in the case of the low end, it's a more competitive market. But we are not expecting special change in this market too. But anyway, we think that our O₂ strategy, our segmented strategy permits us to be very resilient at most of the movements that can happen in the market. Remember for example that in the first quarter we have increased the prices, but we have reached the lowest churn ever.

Carl Murdock-Smith – Citi

I wanted to ask firstly on expectations for other EBITDA going forward. So other was the biggest absolute beat versus consensus in today's results at EBITDA. If I go back a few years before Hispam was included in other, other EBITDA used to be broadly flat to slightly negative. Obviously other now includes Hispam, but then you sold most of those assets. I was just wondering if you could help us with what we should be expecting for other going forwards. Should we expect it to revert to the broadly flat EBITDA we had seen a few years ago? Or has something structurally changed, meaning that today's kind of c.€50m positive a quarter result is sustainable going forwards? And then secondly, I just wanted to ask a bit about why we're seeing such differences in mobile handset trends in different markets. In Germany you've seen 15% handset decline. You're citing launch cycles and availability of devices as well as lower demand. But then in Spain, handset revenues are up 7%. So why have launch cycles impacted Germany but not Spain? Thank you.

Juan Azcue - CFO

Okay Carl, I will take the first one on other as you know, other is a group of bits and pieces. In the last quarter we included here the Hispam units but as we have kept on selling and discontinuating them, there's been quite a lot of movement. Right now, the only Hispam assets here are Venezuela and the holding company and some other minor assets there. Also what we've seen this quarter is a positive performance from Telefonica Tech offsetting the weakness of other global units.

By being more specific on that as a result of the sales in Hispam, these are affecting for instance our procurement units and those are the ones having a small negative. So, all in, we expect this to be rather stable during the year. But as you know, we don't guide for this line.

Emilio Gayo - COO

Regarding the handset revenues, I have to say that the markets have different situations. In some markets, clearly in Spain and Brazil, we have a range of consumer electronics that we are selling. The market is wider than in other countries and permits us to be more resilient in the change that the market has had due to the different phasing of the launch or due to some shortage in the supply chain. In the case especially of Germany, we have less handset revenues due to this lower range of products that we sell, and the result of Q4 in handset sales was very strong, and then the comparison with Q1 is worse. And even in the case of Germany, we have reduced sales in some specific channels due to the supply chain situation. But anyway, this kind of sales are a very low margin sales.

Carl Murdock-Smith – Citi

That's great. And can I just ask a clarification on other. When you said stable, does that mean zero or does it mean the same as Q1 through the rest of the quarters of the year?

Juan Azcue - CFO

Stable for the full year versus what you've seen in this quarter.

David Wright – BofA

Thank you for taking the questions today. Just a couple of, well, essentially a higher-level question. There was a lot of discussion last year following the change in management around scale in the business across Telefonica Group. Now obviously we've seen where there is lack of scale, perhaps in Latam, we've seen the rapid divestment there. But apart from that, not really too much change. And I guess when I now look at Germany, there is a clearer strategy. There is an accelerated cost cutting.

Is Germany okay here or does Germany need either more customer scale or perhaps less capital allocation? Could you look to change that business at all or are you very happy with where it is right now? And if I might also ask the same question, in Spain you have a very strong position in the premium market. But I think, how can I say this, it's sort of half a toe in the water in the lower end with O2. Do you need more scale in the low end of Spain? Do you have an ambition to have more scale in the low end of Spain? Or again, are you happy where you are? The reason I asked the questions is there was a lot of talk from your chairman about scale. But so far, we haven't seen too much action. Thank you.

Emilio Gayo – COO

Let me say that we are happy of course with the scale that we have. We have developed a transformation plan in the asset that we have, and we are pretty sure and we feel confident that we are able to reach our target. Our guidance in the plan, with the scale and with the operation that we have. Of course, we have talked a lot during the last months about the opportunity for more scale related to create or to invest in technology in Europe and related to be more profitable. Of course, scale in telco business provides better profits. But we feel that with the operation that we have, we are able to compete in the markets in the right way, in a profitable way.

Juan Azcue - CFO

Let me answer your second subdued question which is asking about M&A without mentioning M&A. So, we don't comment on specific transactions or rumors. In this case, what I would say is our business plan is organically based. We have a plan to organically grow in Germany and Spain

and grow scale organically. That doesn't mean that we will not consider opportunities where it makes sense as we have done for instance in the UK with Netomnia and opportunities may happen in Germany, if that's the case, or even in Spain.

So, we will consider them as long as they fit on our M&A criteria which was core markets, core business, clear and measurable synergies and right terms.

Nick Lyall – Berenberg

It was a couple of questions, please. The first on German ARPU to come back to Mathieu's question please. How much more can ARPU benefit from the removal of promotions, and the price rises that you talked about towards the end of the quarter? And with the value strategy, is it sensible to assume that you're going to at least maintain ARPU at this level from here through the year, even with the family SIM cards added in.

And the second one was, funny enough, coming back to David's point just there on M&A is that you've seen the draft merger guidelines. Now is there anything in there that slows you down on this gaining of scale? If you want to do it, is there anything that you object to or what concern wasn't addressed, please? Thank you.

Emilio Gayo – COO

Okay, Nick, thank you for the question. For the first one, I'm going to hand over to Santiago just only to remember that ARPU is not only the KPI related value. But anyway, I'm going to hand over to Santiago to give you more colour about that.

Santiago Argelich – CEO Telefonica Deutschland

So, we are seeing an increasing mature market with lower commercial activity. The core business momentum in Germany remained resilient and the customer postpaid mobile service revenue was flattish. Okay, so that creates an outlook in Germany of a potential stability and that would create the base of a positive outlook on the ARPU evolution in the next periods. The quality of the citizen customer base is steadily improving for us. We are constantly growing the number of customers with multi SIM and converged contracts supported by customer loyalty and the overall mobile service revenue trends. So, we are looking to an ARPU that will be impacted by the success of family plans, which naturally result in higher share of second and third SIM cards in the base. In a market that has largely embraced family plans, the O₂ consumer ARPU performance is in line or even slightly better than the competitors ARPU.

Emilio Gayo – COO

Related to the second question about the mergers guidelines, I will say that from the point of view of theoretical analysis of the new guidelines, we think that these guidelines are closer to

our ambition. I think these guidelines are opening the option to consider other reasons in order to evaluate the mergers and are talking about investment and talking about creating technology and so on.

And then again, from the theoretical point of view, we are happy with the evolution in the reasons that are behind these guidelines. Anyway, again, it's theoretical. We have to see the change is a real change when we see any operation that can be analyzed under this new umbrella.

James Ratzer – New Street

So there are two questions, please. The first one, if we can, let's just stick with Germany again for a moment and maybe you can help us to be a bit more kind of specific on the numbers because I think in Q1 mobile service revenues were down 8.5%. Obviously, that's very influenced by the 1&1 one migration. But you don't disclose the underlying revenues excluding 1&1. Now I estimate that might be around minus 2% year-on-year? So really, the first question is, do you think that's a fair estimate? It looks to me like that trend has been stable for the last few quarters. So, as we go through the year, do we see service revenues kind of improve, but we're exiting the year at a kind of minus 2% run rate? I'd love to kind of hear a bit more about where you see the underlying overall revenue growth and how that might develop through the year.

And then secondly, it's widely reported that you are leading a consortium to bid for one of the AI gigafactories and in particular the kind of Spanish government backed project in Spain. So, if you were to win that contract, could you kind of give us an order of magnitude of how much capital you think Telefonica might have to deploy in into this AI gigafactory project? And can you then talk us through how you'd expect to make a return on that capital as well and what kind of IRR you think is feasible? Thank you.

Emilio Gayo – COO

Okay, thank you for your questions. We don't disclose the underlying revenues, but we can say that are very stable as other quarters. We don't see a critical change in this evolution. The total service revenues of these quarters are very impacted as I mentioned during the conference call, by the 1&1 effect. And then, answering without figures because we don't give the figures, we see the underlying being very resilient in revenues and be very positive even in EBITDA.

Regarding the second question, just to clarify, we are at the beginning of the process. I'm going to hand over to Borja Ochoa to explain a little bit more the process. But anyway, the investment that Telefonica can do here is always limited and of course in the parameters that we consider that are value accretive for the group. I'm going to hand over to Borja in order to give you more colour.

Borja Ochoa – CEO Telefónica Spain

Thank you, James. Yeah, exactly. We are participating in the process of building a gigafactory network all around Europe. We are leading the Spanish consortium and right now we are concentrated in all the works behind the preparation of the offer, the final offer in terms of time frame, the offer has to be presented between June and July and we are expecting outcome by the end of the year. We cannot give any further information apart from that.

James Ratzer – New Street

Okay, but it sounds like the kind of potential capital size would be limited. That is kind of like only a few hundred millions or is that even too much?

Juan Azcue - CFO

Let me take that one. Leading from an operational level, but as Borja said, but from an investment level, we're talking about a minority and when I talk minority, I'm talking about between 10 and 15% or something around that. So, it's below, it's definitely below the amount you're saying. Because you have to remember that around two thirds of that, if not more, is financed via debt. The rest is equity and it's a consortium with the state and we're only taking an amount of that size.

Therefore, the amount is way lower than the figures you put and the returns that you mentioned will be consistent with returns in the infra digital world.

Joshua Mills - BNP Paribas

Thank you for taking the question. There were reports in the press earlier in the year around potential German consolidation and some suggestion that from a Telefonica perspective, 1&1 network quality might be an issue in any future negotiations. I'm not expecting you to comment on that specifically, but could you maybe give us a high-level view of how you think about the value in any potential consolidation deals, be that Germany, Spain, UK and then perhaps more specifically how you view the importance of the network quality of competitors.

The reason I'm asking is I think a lot of people view consolidation upside as really a debate around market repair potential cost synergies rather than network complementarity. So, I'd love to hear you on that. Thanks very much.

Emilio Gayo – COO

Let me start answering you about the network and then I'm going to hand over to Juan to talk about the M&A options. We are very happy with evolution of the network in Germany. We have reached the second position in terms of quality in the market. And this perhaps can be important in any potential merchant in the future or not. But it's sure that is critical in the performing of

Telefonica Germany in the next coming years. And then I think this is not the key reason to develop a very high-quality network, It's not mergers or acquisitions. It's the quality of services. And now in hand over to Juan, in order to give you more colour about the M&A process.

Juan Azcue - CFO

Joshua, not sure how much colour I'm going to give you because in real terms, as I've said, we will pursue transactions that are value accretive and therefore that have clear measurable synergies. And that's quite plain vanilla in telco. That's mostly cost and network. That's what you can quantify. There's always revenue synergies, but then you have to believe in them. So, it's cost and network synergies and these changes between market to market, different deals and different structures. So Netomia, there is some revenue synergies but it's mostly a CapEx synergy of having access in fibre. But that can be different depending on the transaction.

Fernando Cordero – Banco Santander

Hello, good morning and thanks for taking my two questions. The first one is in Spain and I would like to zoom a little bit more in the wholesale revenue line performance, After falling, mid single digit last year, in year to year basis, we have seen a material deceleration on that fall pace and I would like to understand what has been the driver and what should we expect for coming quarters from wholesale in Spain?

And the second question is coming back to Germany, but now on an organic point of view, one of the key messages that you have shared in your capital markets day was your push for convergence in Germany. I would like to understand which kind of steps are you pursuing on that front? Thank you.

Emilio Gayo – COO

Fernando, thank you for your question. In the case of the wholesale revenues in Spain, you have to know that the line is wholesale and others. In this case, there are some linear nonlinear effects that improve this line. We are seeing the impact of the new wholesale agreements in the next quarter and I'm probably sure the peak of this effect will be in the second quarter of the year. But again, the first quarter is impacted by some nonlinear impacts and some comparison with the last year. Anyway, the evolution of the wholesale is an absolutely expected evolution. It was included in our expectation and then is included in the outlook that we are giving to you that we are expecting to improve H2 compared with H1.

Related to the German question, we said and this is our strategy to develop the convergence in Germany. And we are working hard in order to develop our fixed business. That is the part of the convergence that we have to do more effort. In this case, we can't explain so much about the negotiation that we have, but we are working in order to have better access to the infra networks of our competitors, or our providers in this case in Germany.

Santiago Argelich – CEO Telefonica Deutschland

If you allow me to complement, please. Yeah, this is Santiago. Just to complement the answer from Emilio, we are working on realignment our offer portfolio to increase our attractiveness in multi lines at the household level. You have seen the accelerated traction in the fixed in Q1 which will also help us to combine better mobile and fixed. And additionally, we are planning to sell and combine digital services for the home, be it TV or other services that we already commercialized in other markets.

Torsten Achtmann - Director of Investor Relations

Operator, time for one last question.

Fernando Abril-Martorell – Alantra

Hello, thank you for taking my questions. In Spain. A couple please. In Spain, just to confirm, Emilio, when referring to improving momentum in H2, were you referring mainly to top line trends rather than EBITDA? And also, linked to this how much of the restructuring savings were already captured in Q1 and how much remains to come through over the rest of the year?

And second question on guidance, so Q1 performance was already within the guidance range. However, Germany appears to have bottomed out. Brazil remains quite strong and Spain should, you know, you also mentioned this, but restructuring savings should also have a greater impact through the year. So, my question is, am I missing any relevant headwinds for the remaining of the year or is just simply conservative guidance? Thank you.

Emilio Gayo – COO

Fernando. Thank you for your question. Regarding the first question about the redundancy program in Spain. It's true that the impact in the Q1 is limited because it affects the last month of the quarter, it's around €20m and around €250m during the whole year. But for EBITDA, we are seeing for H2 the same improvement that I mentioned for the rest of the financial KPIs as a result of several impacts. Redundancy program is one. The prices increase is other. The cost increase is other. The salary increase is other. The wholesale agreement is other. The ecosystem is other. The B2B develop is other. The result of everything is that we are seeing a better H2 to compare with H1 in the financial metrics.

In the case of Germany, we are seeing better results in H2 compared with H1. This is our expectation for Germany for the rest of the year.

Okay, excuse me, I forgot the part of the question. And regarding the guidance of the group, we are pretty confident to reach our targets. And the headwinds and the tailwinds are based on the improvement in Germany, improvement in Spain and the solid performance and in Brazil.

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 kindly ask you to contact our Investor Relations department. Good morning and thank you.