

Results 2024

Q1

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Q1 24 Summary

Mr. Ángel Vilá
COO

Solid start to the year, clear opportunities ahead

Q1 highlights

- ✓ **Accelerating** revenue and EBITDA growth
- ✓ **Sustained momentum**; consistent growth in core markets Spain, Brazil and Germany
- ✓ **Record low churn** levels in Spain and Brazil, reflecting superior value proposition. Germany at 1%.
- ✓ **Enhancing customer experience** through state-of-the-art networks turns into **increased satisfaction**
- ✓ **Reiterating 2024 outlook**

Near-term opportunities

-  • New long-term **mobile network agreement with DIGI**; NB MOU signed
-  • **Negotiation underway on potential** Concession to Authorisation **regime migration**
-  • **Spectrum extension expected** scenario
-  • UK **NetCo carve-out** advisors appointed, **accelerating fibre build** and receiving **strong interest** from infra investors

Stronger Telefonica, Q1 main achievements

Next Generation **NETWORKS**

- **Fibre growth, +9m FTTH PPs** y-o-y to 77m
- **T. Infra FTTH PPs, +7m** y-o-y to 22m
- **More 5G, 63% coverage** core markets
- **AI Centre of Excellence** in all OBs
- **More softwarisation**, 1st core function in public cloud (GER)

Enhanced **CUSTOMER** experience focus

- **Growing customers, +5m** y-o-y to 388m
- **Higher satisfaction, 31 NPS** score
- **Lowest ever churn** in Spain and Brazil, Germany at 1%
- **AI for automation**, 650 use cases
- **Evolving revenue mix**, more **digital services** and connectivity
- **Scaling B2C digital ecosystem**

Leaner **OPERATIONS**

- **Spain copper switch-off** (4,272 COs closed since 2014)
- **T. DE delisting** (96.85% stake)
- **Higher efficiencies to come from Q2** (costs savings in Spain)

Telefonica Group: solid Q1 results



Revenue	Service Revenue	B2B Revenue	B2C Revenue
€10.1bn	€9.1bn	€2.2bn	€6.2bn
+0.9% y-o-y	+2.3% y-o-y	+2.8% y-o-y	+0.8% y-o-y

Growth

- High quality accesses (FTTH +12%, mobile contract +3%)
- Top-line ramping up, +1.4 p.p. q-o-q
- Service revenue +3.1 p.p. q-o-q

EBITDA	EBITDA Margin	CapEx/Sales	FCF
€3.2bn	31.6%	10.4%	-€41m
+1.9% y-o-y	+0.3 p.p.	+0.2 p.p.	+€43m y-o-y ¹

Profitability

- Accelerating EBITDA; +0.4 p.p. q-o-q mainly on BZ & GER
- EBITDAaL-CapEx margin stable y-o-y
- Higher efficiencies to come from Q2

Sustainability

- FCF generation well on track to FY guidance
- Progress on ESG pillars
- Leading the sector towards a deregulated environment

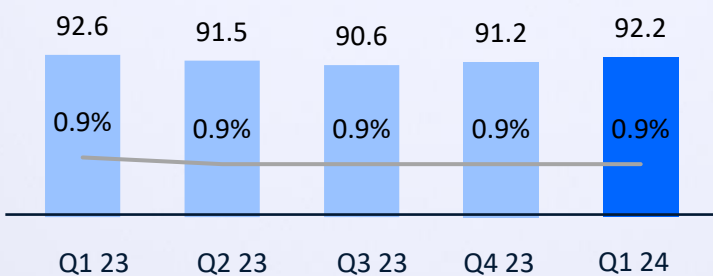
Q1 24 Geographies & Units

Mr. Ángel Vilá
COO

Spain: Solid trading and efficiencies to further accelerate EBITDA growth

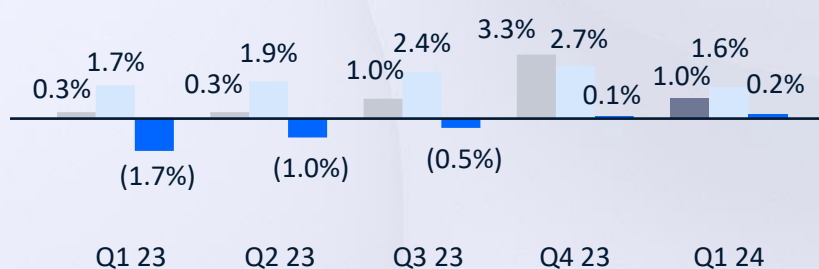
Convergent KPIs

ARPU (€) Churn (%)



Revenue & EBITDA growth (y-o-y)

Revenue Retail Rev. EBITDA

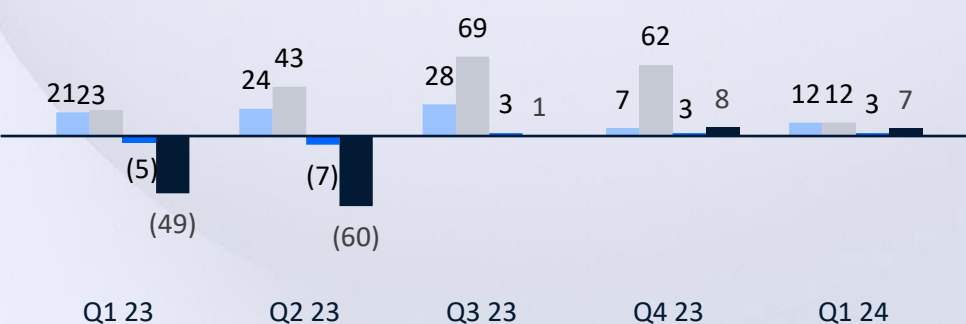


Highlights

- Growth in main accesses for 3 straight Qs
- Convergent churn at all-time lows, gross adds up y-o-y (1st time since Q2 21)
- Continued revenue growth: solid B2B, stable B2C
- Redundancy savings to fuel higher EBITDA growth from Q2 (savings accounted since 1st of March)
- C. 450k FTTH PPs under contained CapEx (10.8% of revenue)
- New long-term mobile network agreement with DIGI: NB MOU signed

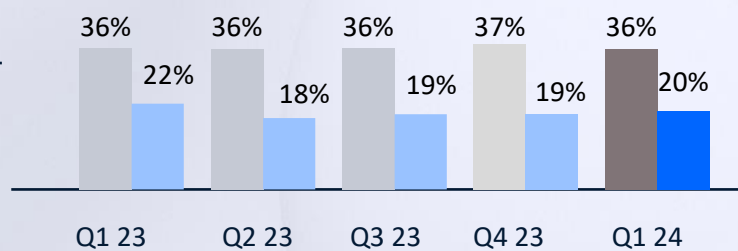
Net adds (k)

FBB Postpaid Convergent Pay TV



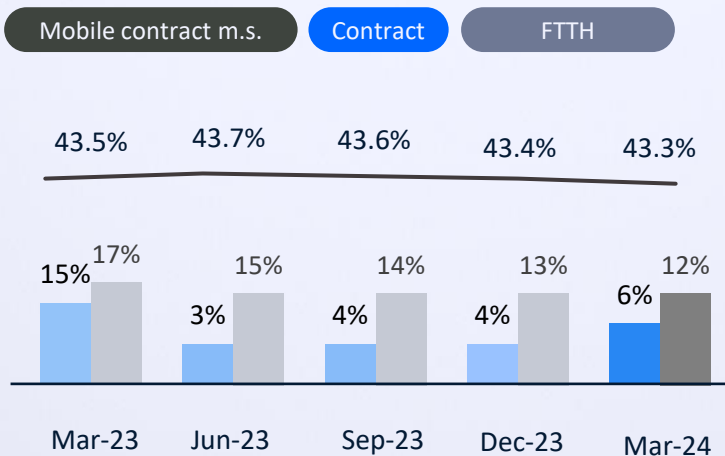
Margins

EBITDA EBITDAaL-CapEx

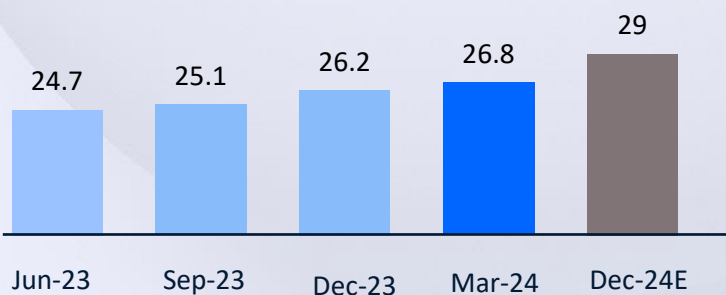


Brazil: Strong operating performance leading growth

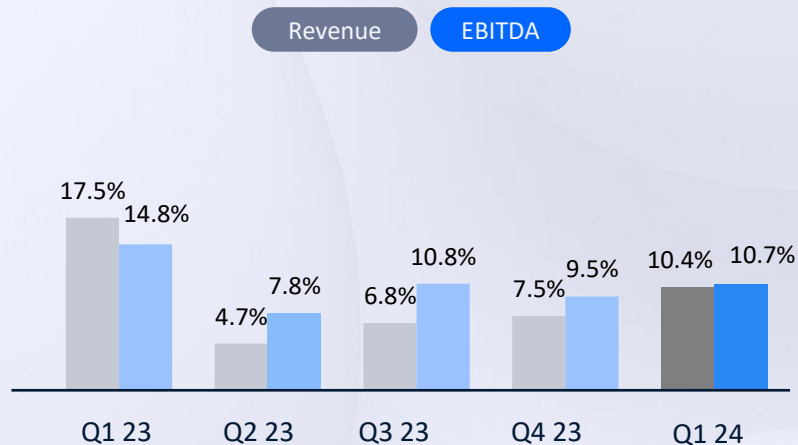
Accesses growth (y-o-y)



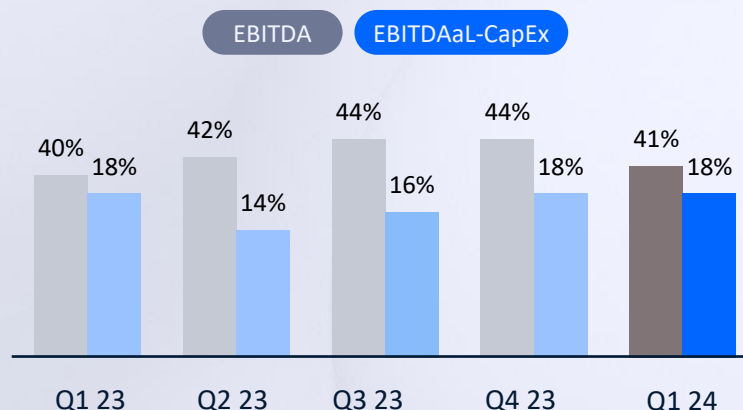
FTTH Premises passed (m)



Revenue & EBITDA growth (y-o-y)



Margins

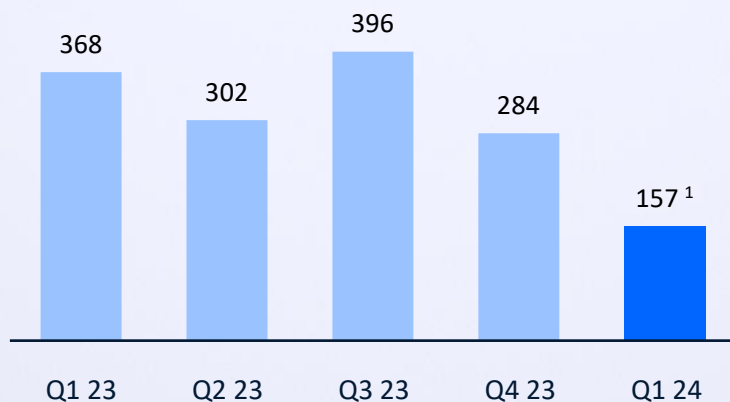


Highlights

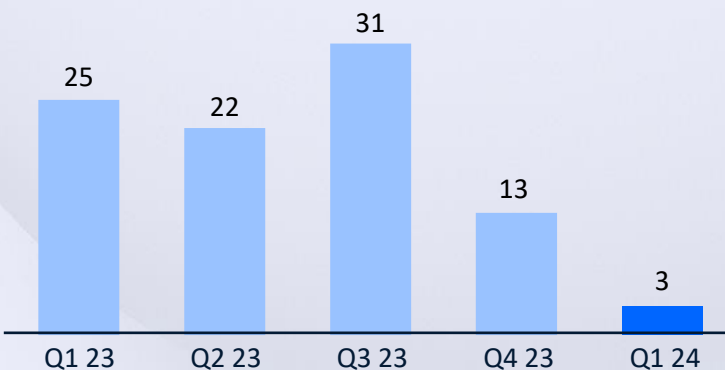
- Outstanding growth
- Lowest ever contract churn (0.97%); ARPU +9.4%
- FTTH accesses +12% y-o-y; ARPU +6%
- 1.5m Vivo Total (FTTH+mobile offer): +111%
- Building digital ecosystem: OTT subscriptions +14%
- Contract revenue +16% on commercials & price rises
- OpEx growth < revenue despite digital services' costs
- Benchmark EBITDAaL-CapEx margin at 17.7%

Germany: Ongoing operational and EBITDA momentum

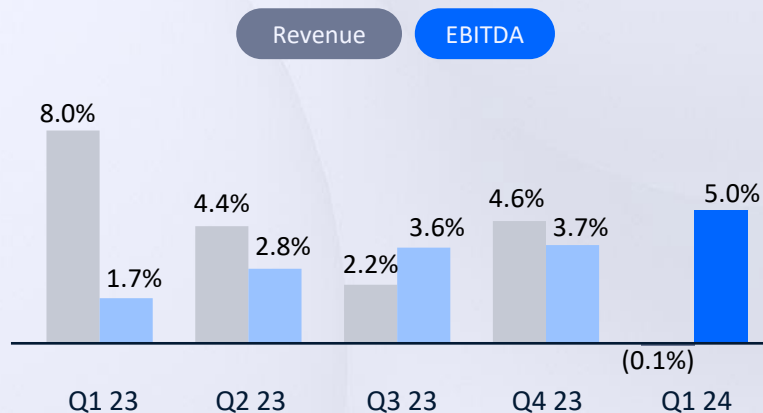
Postpay net adds (k)



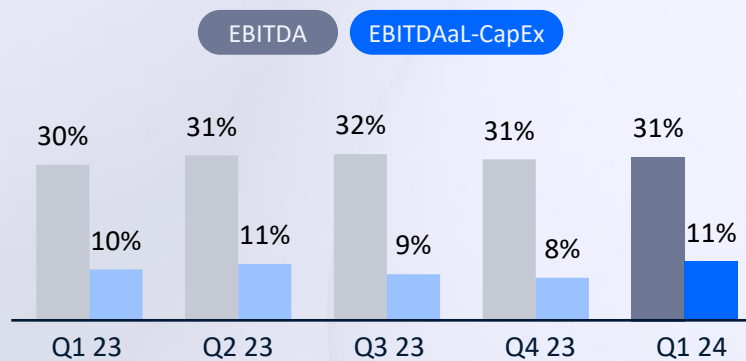
Fixed BB net adds (k)



Revenue & EBITDA growth (y-o-y)



Margins



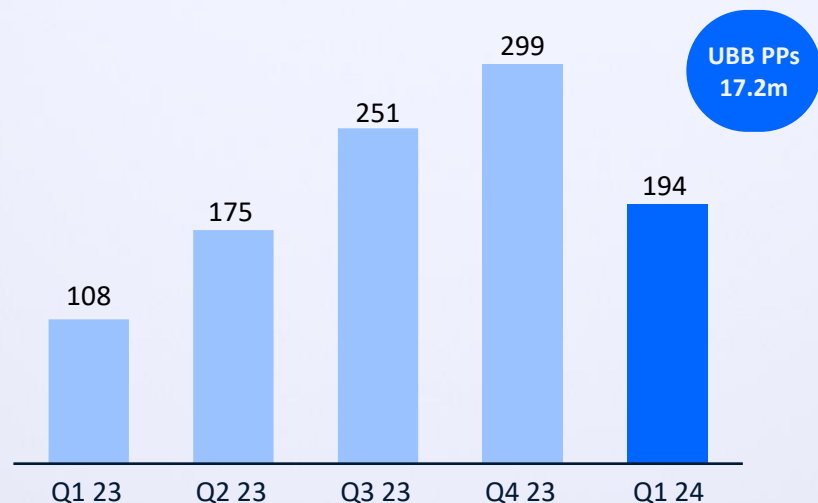
Highlights

- Solid start into the year
- >95% 5G pop coverage
- Strong own brand performance (O₂ contract churn 1.0%)
- Sustained MSR momentum (+2.3% y-o-y ex MTR)
- Better operating leverage; EBITDA +5.0%, EBITDAaL-CapEx +14.3%
- Improved energy consumption, -83% (from 2015)

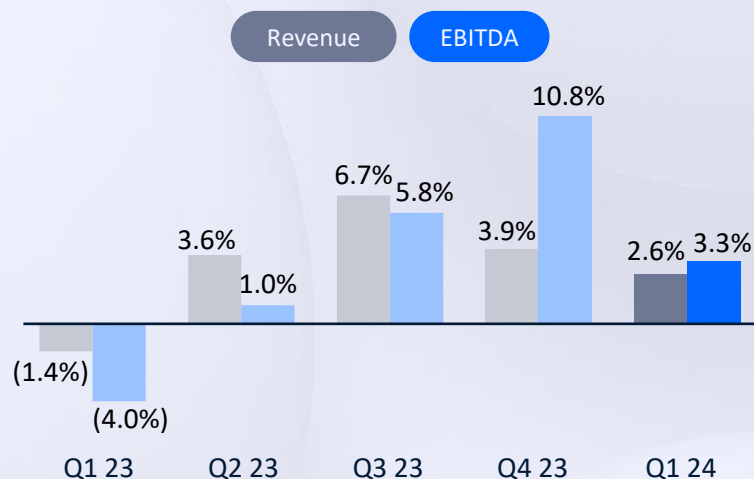


Virgin Media O2: setting up for 2024 execution with focused investments

Fixed network build (k PPs)



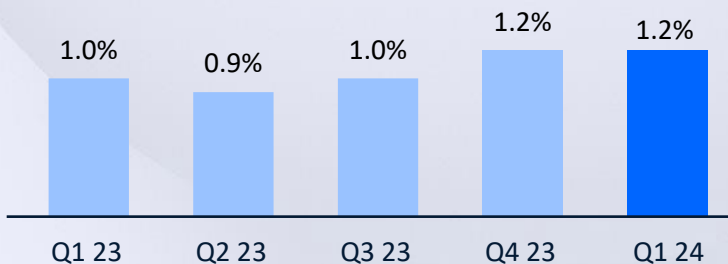
Revenue & EBITDA growth (y-o-y)



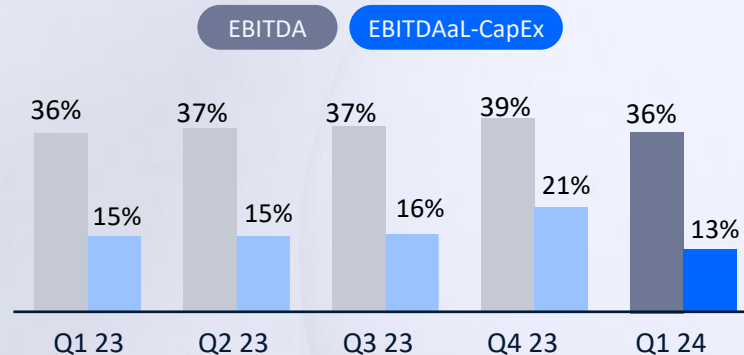
Highlights

- **Ramping up fibre**, 80% increase in build pace y-o-y
- Targeted launch of **5G standalone in 14 cities**
- **Stabilisation of fixed customer ARPU**
- Contract **churn** remains at **low levels of 1.2%**
- **Improved service revenue** growth across mobile and consumer fixed
- **Handset revenue decline** as primary driver of revenue pressure
- **O2 Recycle** initiative expanded its scope to new devices

Mobile contract churn (%)



Margins

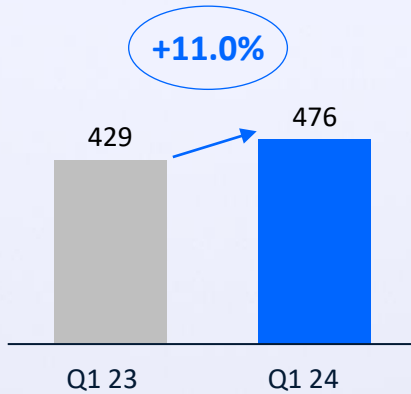


Net ZERO EMISSIONS
Scopes 1, 2 & 3

T. Tech, double-digit growth while reinforcing capabilities and credentials

Revenue

(€m) y-o-y



Bookings

Q1 y-o-y

>30%
growth

Differential profile

Double-digit growth to further improve as from Q2 on strong backlog

Well balanced revenue mix (value added services and currency)

Strong commercial activity

- Bookings growth driven by **Private sector** (Financial, Healthcare, Manufacturing)
- **Large relevant deals closed** in Q1 to support customers' critical processes
- **Commercial Funnel growing at double digit, more revenue visibility**

Gaining relevance in higher-growth markets, proven skills

- **GSL expanding capabilities** across markets
 - NextDefense (Cybersecurity) launch in UK and first contract closed
- **6.3k professionals** (80% Europe) **>85% in delivery & sales**; **~4k certifications**

New recognitions

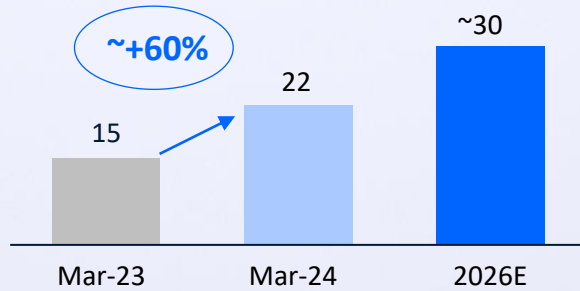
Gartner. **Leader:** Magic Quadrant Managed IoT Connectivity Services (for 10th consecutive year)

GlobalData. **Very Strong:** Managed Security Services in the Competitive Landscape Assessment

T. Infra, a global connectivity platform to lead change

Accelerating FTTH deployment

Total FTTH
Premises Passed¹ (m)



~30% of 23-26 of TEF's FTTH rollout
Increasing network differentiation and capabilities



Critical digital infrastructure

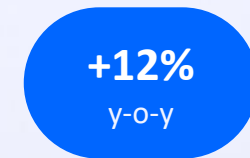
TELXIUS

Consistent solid profitability



Opening of a new route connecting
the Dominican Republic

Sustained positive traffic growth

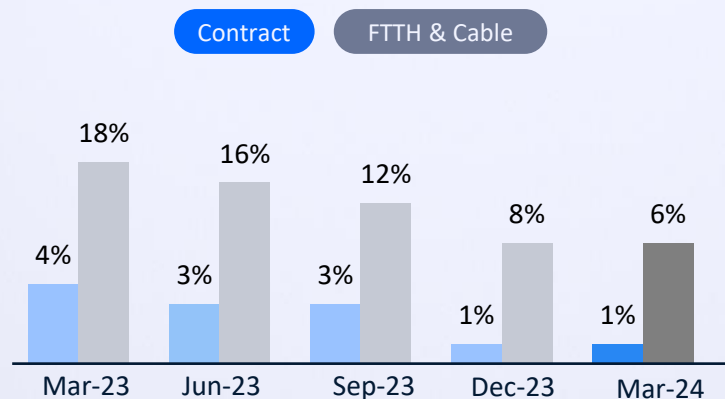


Q1 24 T. Hispam, financials, ESG

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

Hispam: Helping to build a more rational ecosystem

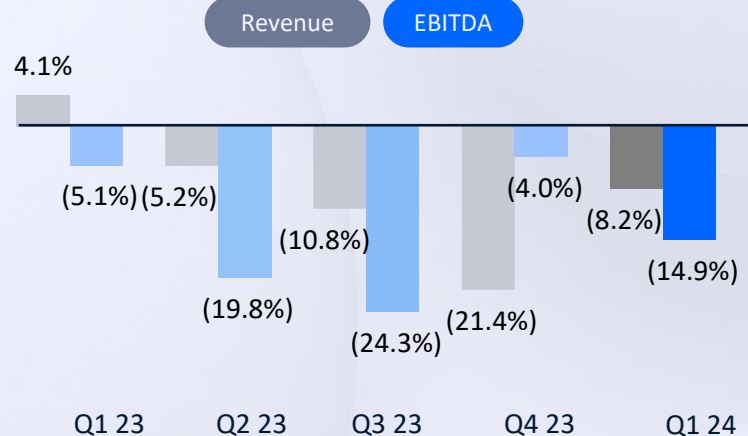
Accesses growth (y-o-y)



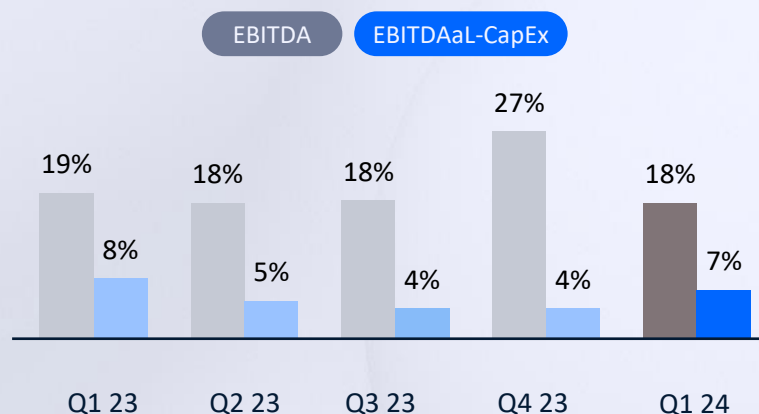
FTTH & Cable PPs (m)



Revenue & EBITDA growth (y-o-y)



Margins



Highlights

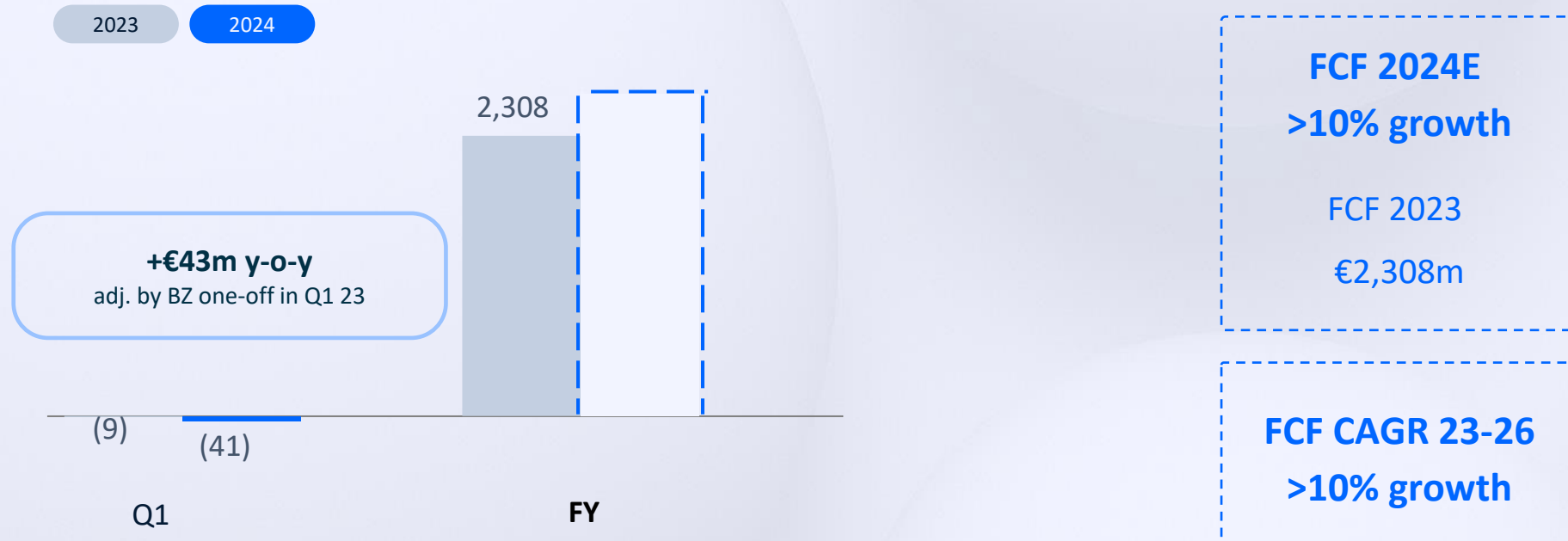
- Pushing towards healthier competition
- Softer mobile commercial activity (rationality focus)
- ONNET Chile agreement with VTR/Claro & Entel
- Leading B2B NPS on better value proposition
- € reported financials hit by FX
- Underlying trends unchanged
- Better trends expected in H2 24 on revenue improvement in Chile and Peru and efficiencies
- Invested capital -32% vs. Dec-19
- COL and MEX growing y-o-y in Revenue & EBITDA



FCF phasing fully aligned with expectations; 2024 guidance reaffirmed

FCF to improve throughout the year; 2024 guidance reaffirmed

€ million

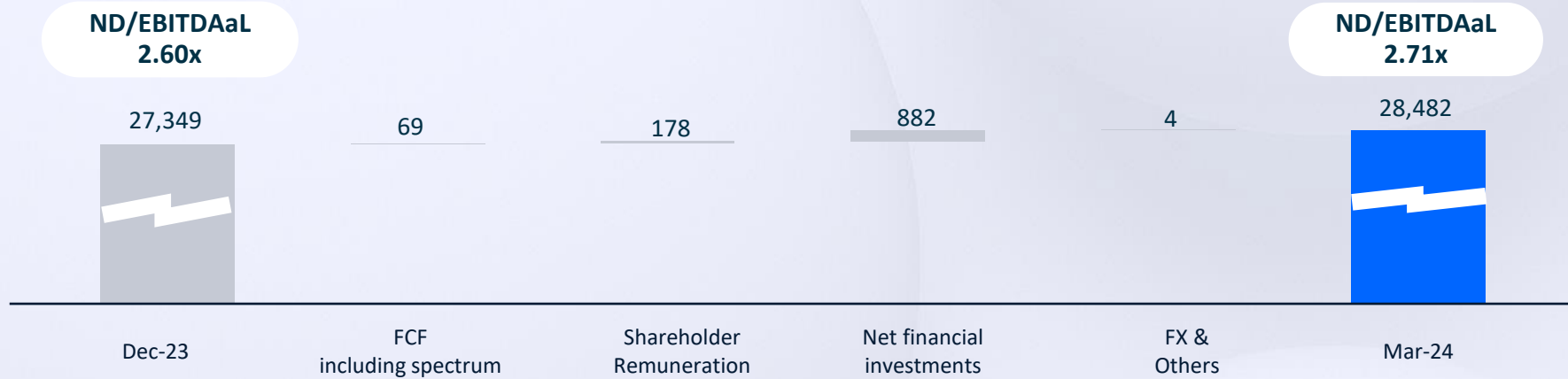


- Q1 24 affected by usual EBITDAaL seasonality and working capital consumption
- Q1 23 working capital included +€75m in Brazil from tax assets monetisation
- **Q1 fully in-line with expectations and 2024 guidance reaffirmed**

Solid balance sheet reflects T. DE shares acquisition

Net Financial Debt

€ million

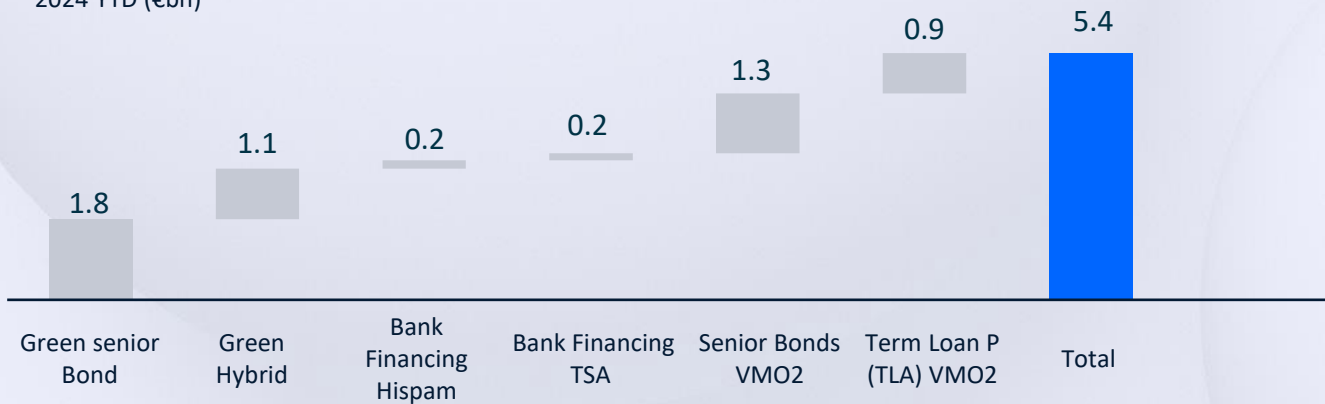


ND/EBITDAaL
2.60x

ND/EBITDAaL
2.71x

Financing Activity

2024 YTD (€bn)



Contained interest payment cost



ESG key to realising our GPS targets



Environmental

- **Scope 3 efficiencies**

Included on CDP Supplier Engagement Leaderboard for 5th consecutive year

- **Growth via eco-solutions**

Eco Smart, our portfolio for B2B customers, named Champion Project by ITU



Social

- **Talent management via diversity**

33.1% women executives; +858 persons with disabilities vs. Q1 23

- **Protecting customers from Cyber attacks**

Blocked ~320m cybersecurity threats for SMEs and retail customers in Spain



Governance

- **Shareholder confidence**

All BoD proposed resolutions approved at AGM

- **Facilitating access to financing**

Issuance of a two tranche-senior green bond and a green hybrid

AI governance; building on AI principles since 2018

Key takeaways

Mr. Ángel Vilá
COO

Guidance 2024: accelerate FCF delivery even after better 2023

	2024 Guidance	On Track to Deliver	2023-26 CAGR
Revenue y-o-y reported	~1%	✓	~1% B2C ~1.5%; B2B ~5%
EBITDA y-o-y reported	1% to 2%	✓	~2%
EBITDAaL - CapEx y-o-y reported	1% to 2%	✓	5%
CapEx / Sales	Up to 13%	✓	<12%
FCF y-o-y reported	>10%	✓	>10%
Cash Dividend	€0.3/share 2 tranches €0.15; Dec-24, Jun-25	✓	€0.3/share floor
Leverage	Reduced	✓	2.2-2.5x (2026)



Strong start to the year, near term catalysts

- 1** Delivered solid Q1 results, firmly on track for 2024 guidance and 2023-2026 plan (FCF CAGR >10%)
- 2** Robust commercial performance, Spain EBITDA improvement, maintaining strength in Brazil & Germany
- 3** Investing in next-generation networks to elevate customer experience and drive growth
- 4** Streamlining operations through digitalisation, efficiencies, hyper automation and legacy network shutdowns
- 5** Disciplined capital allocation: deleveraging towards targets, sustainable dividend, focused growth CapEx
- 6** Positive near-term catalysts in all core markets



Spain: NB MOU signed with DIGI for a new long-term mobile network agreement



Brazil: Negotiating potential regime migration from Concession to Authorisation



Germany: spectrum extension as expected scenario



UK: NetCo carve-out advisors appointed, fibre build accelerating, strong interest from investors

Results presentation and Q&A Session



Telefónica's management will host a webcast on
9 May at 10:00 AM (CEST), 9:00 AM (BST), and 4:00 AM (EDT)



Participants from Telefónica

- **Ángel Vilá** | COO
- **Laura Abasolo** | CFO & Head T. Hispam
- **Markus Haas** | CEO Telefónica Deutschland
- **Lutz Schüler** | CEO Virgin Media O2
- **Eduardo Navarro** | Chief Corporate Affairs & Sustainability Officer
- **Adrián Zunzunegui** | Global Director of Investor Relations

Webcast



- To access the webcast: [click here](#)
- The webcast replay **will be available on Telefónica IR's website** after the event

Q&A Session



- To **participate in the Q&A session**, please register using the following link to receive the dial in and PIN details: [click here](#)



Climate A
List 2023



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1st in sector
2022



1st company worldwide in 2023
Digital Inclusion Benchmark

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