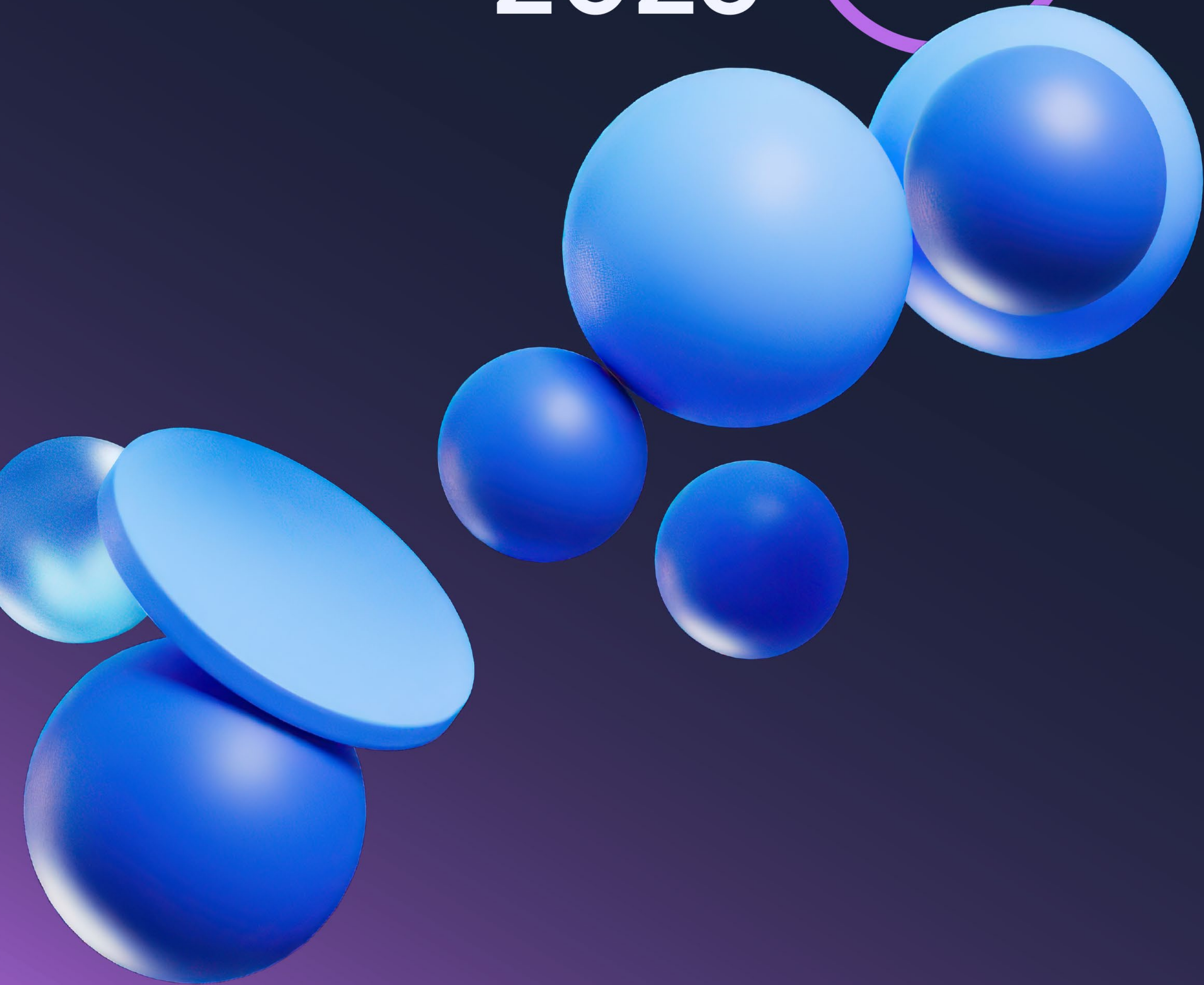
Telefónica

RESULTS 2026 Q2



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The financial information related to January-June 2026 contained in this document has been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union. The management of the Group uses a series of APM in its decision-making, in addition to those expressly defined in the IFRS, as they provide additional information useful to assess the Group's performance, solvency and liquidity. These measures should not be viewed separately or as a substitute for the measures presented according to the IFRS (see the Appendix "Alternative performance measures").

Telefónica's management model, regional and integrated, means that the legal structure of the companies is not relevant for the release of Group financial information, and therefore, the operating results of each of these business units are presented independently, regardless of their legal structure. For the purpose of presenting information on a business unit basis, revenue and expenses arising from invoicing among companies within Telefónica's perimeter of consolidation for the use of the brand and management contracts have been excluded from the operating results for each business unit. This breakdown of the results does not affect Telefónica's consolidated earnings.

The English language translation of the consolidated financial results originally issued in Spanish has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain omissions or approximations may subsist. Telefónica, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the Spanish-language version prevails.

Link to detailed financial and operational data: click here.

Results presentation

The management will host a presentation to discuss the results at 10:00am CEST on 29th July 2026

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https://www.telefonica.com/en/shareholders-investors/

Telefónica Q2 2026 Financial Results

29th July 2026

Yielding results from the execution of our Transform & Grow plan

Highlights

- **Focus on execution and portfolio management**
  - Investing in our strong four core markets, Spain, Brazil, Germany and the UK
  - Hispam exit close to full completion; sale of T. Mexico subject to certain closing conditions, including the relevant regulatory approvals
- **Focus on customer service and experience** (y-o-y)
  - Most long-term differentiating advantage
  - Strong accesses (+5%; 299.8m). High NPS (34, +1 p.p.), customer lifetime value, engagement and churn reduction
  - Digitalisation, AI and automation of processes to hyper-personalize our relationship with customers
- **Evolving technological capabilities** (y-o-y)
  - Expanding networks more efficiently: fibre 76.6m PPs (+7%), 83% 5G coverage in core markets (+6 p.p.)
  - Level 4 use cases are already in full operation, progressing to global average of autonomy for 2028 (Level 3.75)
  - Consolidating AI as core driver of transformation, initiating the adoption of architectures based on Agentic AI
- **Consistent growth across the board** (Telefónica Group y-o-y constant)
  - Third consecutive quarter of growth in constant and current in main KPIs. Current growth rates accelerating q-o-q, with positive FX effect
  - Positive revenue growth underpinned by service revenue +0.9%, compensating lower handsets sales (-9.9%)
  - B2C revenue up 1.4%, with ecosystem revenue being the growth engine in Spain and Brazil
  - Stellar B2B (revenue +6.7%), with main growth driver being digital services (49% of B2B revenue)
  - Adjusted EBITDA improved +2.7% on redundancy program in Spain, simplification and commercial efficiencies
  - Adjusted OpCFaL ramped up +2.9%. In H1 26 +2.7% and margin expanded +0.4 p.p.
  - CapEx/Revenue 11.6%, broadly stable vs H1 25
- **Continued strong commercial performance in our core markets, strengthen positioning** (y-o-y constant)
  - Spain; sequential growth (revenue +2.9%, service rev. +2.9%, adjusted EBITDA +2.3%, adjusted OpCFaL +3.7%). Better net adds vs Q1 in FBB and mobile contract and record low churn level
  - Brazil; revenue growth above inflation, +7.6%, accelerating adjusted EBITDA to 11.3% and adjusted OpCFaL to +17.9% (increasing margins). Value growth accesses: mobile contract +6%, fiber +11%, convergent clients (+29%)
  - Germany; O_2 Mobile Plus bundles (10th June) emphasise focus on value-over-volume. Revenue -11.1% on handset trends and 1&1 effect (easing in H2 26). Adjusted EBITDA (-7.2%) but margin up 1.4 p.p.
  - VMO2; guidance on-track with H1 26 performance. New MVNO partnership with Monzo, expanding wholesale
- **FCF improvement but usual back-end loaded profile**
  - FCF reached €611m, +€278m q-o-q to €944m in H1 26
  - Further decrease in net debt and leverage vs. Mar-26, -€64m and -0.05x to €25.3bn and 2.68x (June)
  - FCF and leverage to improve over the course of the year
- **On track to fulfil 2026 guidance and upgraded adjusted OpCFaL target**
  - Over 3% growth in adjusted OpCFaL (before over 2%), reflecting operating leverage improvement
  - Better and more resilient FCF, improving financial flexibility and balance sheet strength
  - Confirmed €0.15 dividend per share in cash

Unless stated otherwise, CapEx excludes spectrum
Constant: assumes constant FX (average FX in H1 25 and excluding the contribution to growth from Venezuela) and assumes adjusted figures (constant perimeter and derived capital gains/losses, and does not include restructuring costs, write-offs and material non-recurring impacts).
FCF from continuing operations excludes spectrum payments, at current FX

Marc Murtra, Chairman and CEO of Telefónica

"Q2 26 was another quarter of strong delivery against our strategy. We continued to execute our Transform & Grow Plan, which is yielding results. This is based on our leading position in two of our four core markets, the most advanced infrastructure with the highest service quality, a pioneer convergence strategy and the best range of services.

In a world of rapid change driven by the growing impact of technology, particularly from AI, we are focused to transform rapidly and with rigour to become even more innovative and competitive.

As such, our results are accelerating their growth in constant terms in adjusted EBITDA and adjusted OpCFaL growth. Efficiencies are gaining traction driven by simplification and the redundancy program, boosting margins year-on-year. FCF generation and leverage ratio improved in Q2, but FCF is still impacted by seasonality, so both are expected to improve over the course of the year.

Ambitious, rigorous and effective management along with strong momentum and improving operating leverage lead us to upgrade our adjusted OpCFaL guidance. The rest of operating and financial metrics are on track to fulfil our 2026 guidance and I can confirm our dividend for 2026.

We have the undeniable ambition to provide citizens with the best gateway to access digital technologies and to become best-in class European Telco by 2030 and worldwide by 2035."

Outlook

2026 guidance (constant[1])

- **Revenue 1.5-2.5% growth** y-o-y (H1 26 +0.4%)
- **Adjusted EBITDA 1.5-2.5% growth** y-o-y (H1 26 +2.3%)
- **Upgraded adjusted OpCFaL from over 2% to over 3%** y-o-y (H1 26 +2.7%)
- **CapEx/Revenue ~12%** (H1 26 11.6%)
- **FCF ~€3.0bn** (H1 26 €944m)
- **Leverage decline towards 2028 target** (Jun-26 2.68x)
- **2026 dividend of €0.15** per share **in cash** to be paid in June 2027 confirmed. For this payment, the adoption of the corresponding corporate resolutions will be proposed in due course
- **The second tranche of the 2025 dividend** of €0.15 per share in cash was paid the 18th June, 2026

As announced in the last Capital Markets Day (4/11/2025), Telefónica strategic guidelines up to 2028 (mid-term) and 2030 (long-term) of the Transform & Grow framework are the following (constant[1]):

- **Revenue CAGR of 1.5-2.5%** for **2025-2028,** accelerating to **2.5-3.5% CAGR** for **2028-2030**
- **Adjusted EBITDA CAGR of 1.5-2.5%** for **2025-2028** and accelerating to **2.5-3.5%** for **2028-2030**
- **Adjusted OpCFaL CAGR of 1.5%-2.5%** for **2025-2028** and accelerating to **2.5-3.5%** for **2028-2030**
- **CapEx/Revenue down to ~12% 2026-28**
- **FCF CAGR 3%-5% for 2025-2028**
- **Leverage ratio** (Net Debt / EBITDAaL) in **2028** of **~2.5x**
- The **target remuneration for 2027 and 2028** will be based on a 40-60% payout of FCF base for dividend[2], to be paid in June of the following year. For these, the adoption of the corresponding corporate resolutions will be proposed in due course

[1] *Criteria for 2026 guidance: assumes constant FX (average in 2025), excludes the contribution to growth from Venezuela, considers constant perimeter and derived capital gains/losses, and does not include restructuring costs, write-offs and material non-recurring impacts. CapEx ex-spectrum. FCF from continuing operations excludes spectrum payments, at current FX.*

[2] *FCF base for dividend calculated as FCF for guidance including employee commitments and VMO2 dividends.*

Telefónica Group Main KPIs

	H1 26			Q2 26		
	(€m)	y-o-y % Chg	Constant y-o-y % Chg	(€m)	y-o-y % Chg	Constant y-o-y % Chg
Revenue	16,392	1.7	0.4	8,265	3.0	0.0
Adj. EBITDA	5,768	3.8	2.3	2,933	6.4	2.7
Adj. OpCFaL	2,654	4.0	2.7	1,279	6.7	2.9
CapEx ex spectrum / Revenue	11.6%		(0.1) p.p.	12.6%		0.1 p.p.
FCF from continuing operations	944	(35.1)		611	(29.9)	
Net Financial Debt	25,278	(8.4)				
Adj. Net Income from continuing operations	954	(21.0)		473	(20.6)	

	H1 26 (€m)	y-o-y % Chg	Constant y-o-y % Chg	Q2 26 (€m)	y-o-y % Chg	Constant y-o-y % Chg
Revenue	16,392	1.7	0.4	8,265	3.0	0.0
Telefónica España	6,513	2.5	2.5	3,279	2.9	2.9
Telefónica Brasil	5,195	12.5	7.5	2,684	17.8	7.6
Telefónica Deutschland	3,693	(9.8)	(9.8)	1,814	(11.1)	(11.1)
Other companies & eliminations	991	(5.2)	(3.9)	487	(5.6)	(8.4)
Adj. EBITDA	5,768	3.8	2.3	2,933	6.4	2.7
Telefónica España	2,301	2.1	2.1	1,151	2.3	2.3
Telefónica Brasil	2,215	15.1	10.0	1,168	21.6	11.3
Telefónica Deutschland	1,178	(7.8)	(7.8)	592	(7.2)	(7.2)
Other companies & eliminations	74	(28.0)	(14.6)	22	(35.6)	(42.2)
Adj. EBITDAaL	4,562	2.9	1.4	2,321	5.4	1.8
Telefónica España	1,982	2.3	2.3	995	2.7	2.7
Telefónica Brasil	1,740	15.9	10.7	922	22.3	12.0
Telefónica Deutschland	775	(13.9)	(13.9)	387	(14.0)	(14.0)
Other companies & eliminations	65	(31.8)	(16.5)	17	(41.3)	(46.3)
CapEx	1,908	1.4	(0.2)	1,042	3.9	0.5
Telefónica España	720	1.2	1.2	382	1.0	1.0
Telefónica Brasil	772	12.7	7.6	439	15.1	6.1
Telefónica Deutschland	349	(14.4)	(14.4)	181	(11.1)	(11.1)
Other companies & eliminations	68	(12.9)	(6.9)	40	—	1.7
Spectrum	—	—	(91.4)	—	—	c.s.
Adj. OpCFaL	2,654	4.0	2.7	1,279	6.7	2.9
Telefónica España	1,262	3.0	3.0	613	3.7	3.7
Telefónica Brasil	969	18.6	13.3	483	29.7	17.9
Telefónica Deutschland	426	(13.6)	(13.6)	205	(16.4)	(16.4)
Other companies & eliminations	(3)	c.s.	(58.7)	(22)	118.7	139.6

	Jun 26 (thousands)	y-o-y % Chg
Total Accesses	299,829	5.3
o/ w FTTH	14,245	8.3
o/ w Contract	103,731	(2.9)
o/ w Pay TV	7,327	0.5
o/ w Wholesale	22,448	3.9

Link to detailed financial and operational data: click here.

Adjusted/Constant. The reconciliation between current, adjusted and constant figures is included in the Selected Financial data published for the period

Operational, infrastructure and IT performance

Total accesses amounted to 299.8m as of Jun-26, +5% y-o-y boosted by FTTH (+8% y-o-y).

Telefónica maintains its **global leadership in fibre**, the best carrier solution for the next 50 years (XGS-PON ready), with 163.7m UBB PPs, +1% y-o-y. Out of these, 76.6m are FTTH PPs (+7% y-o-y), including 22.4m PPs from our FibreCos (+6% y-o-y).

5G coverage reached 96% in Spain, 99% in Germany, 72% in Brazil, and 88% in the UK as of Jun-26. 5G SA coverage reached the whole 5G coverage in Spain, Brazil and German. In the UK, our 5G SA network is the UK's largest and has almost reached the whole 5G coverage.

Noteworthy, we are **leading 5G SA deployment in Spain**. According to an independent report (29 European markets), T. España is one of the 3 operators in Europe with more than a third of its customers' 5G usage time already on this technology. This reaffirms us as benchmark in Europe and our commitment to offer 5G SA by default.

The advance in our **Autonomous Network Journey (ANJ)** program continues by transforming operational processes through automation and Artificial Intelligence, with focus to improve the network efficiency and resilience, accelerate innovation, while ensuring that autonomy translates into greater value for customers.

These efforts are recognized by the industry, reinforcing the Co's position at the forefront of innovation of the global telco ecosystem. As such, Telefónica has been acknowledged with the "Catalyst Innovator: Voyager" award by TM Forum, as the second most impactful contributor globally, highlighting its strong influence in shaping industry standards.

As **real use cases**, main highlights are as follows:

- **Spain** is strengthening its observability capabilities of the network towards a more autonomous and effective model. Real-time and territory-based tools allow to accelerate a proactive detection of issues, the root-cause identification and the impact-driven prioritization of actions to solve critical situations.
- **Germany** is enhancing its mobile network operations towards a more autonomous, outcome-drive operating model. The proactive analysis and diagnosis through AI delivers degradation detection, while enhances decision-making in critical situations.
- **Brazil** is improving VoLTE service quality and efficiency through the application of AI in fault optimization and precise provisioning, doubling activation rates to 60%, and proactively enhancing the voice experience.

The ANJ program in Telefónica strengthens its commitment to innovation and to deliver value to customers and accelerate industry's shift towards more intelligent, autonomous, and outcome-driven operating models based on AI, automation, and open architectures. This transformation is enabled through **key technological building blocks:**

- **Agentic AI environments** that drive autonomous network operations, accelerate 5G service deployment and enable self-healing capabilities through advanced AI and closed loop.
- **Zero-trust architectures** to provide a secure foundation for AI-driven operations, enabling trusted AI agents while strengthening cybersecurity resilience.
- **Generative AI solutions** that enhance customer experience through predictive, proactive and highly personalized services.

The program to **reduce energy consumption** includes initiatives such as optimising energy consumption in the radio access network (RAN), the consolidation of Data Centers, the replacement of obsolete equipment, and the legacy switch-off. As such, the UK has completed the 3G switch-off and the 2G shutdown will start in the UK and Germany, in summer 2029 and in H2 28, respectively. Germany also implemented an AI based Digital Twin in Data Centers to optimize cooling management.

The goal is to reduce energy consumption per unit of traffic by 95% by 2030 since 2015 and to achieve net-zero emissions by 2040. For 2026, 75% of the energy consumption in our main markets is hedged-priced, thereby limiting the potential impact of energy inflation.

Financial performance

Income Statement

Group consolidated results include the deconsolidation of Telefónica Colombia since February 5, 2026 and Telefónica Móviles Chile since February 10, 2026. Telefónica Mexico's assets and liabilities have been reclassified as held for sale in the consolidated statement of financial position at June 30, 2026 (sale signed on April 7, 2026). In compliance with IFRS, all these companies have been reported as discontinued operations within the Telefónica Group since January 1, 2026 (and 2025 revised accordingly).

FX moves had a positive impact in Q2 26 (revenue +€229m and adjusted EBITDA +€95m). In H1, the impact (mainly the Brazilian reais y-o-y appreciation vs. the euro) was +€217m and +€91m, respectively, +€28m at FCF from continuing operations. At net debt, the FX impact increased it by €238m (€472m plus leases) due to the Brazilian reais appreciation since Dec-25.

Revenue grew 3.0% to €8,265m in Q2 26, 1.7% y-o-y to €16,392m in H1 26. In constant terms, revenue was flat in Q2, driven by +0.9% y-o-y increase in service revenue, partially offsetting by -9.9% decrease in handset sales (H1: +0.4%, +1.0%, -6.0%).

B2C revenue grew 1.4% in Q2 26 y-o-y in constant terms (€4,885m, 59% of total) and by 1.4% y-o-y in H1 26. Growth is supported by our focus to deliver an excellent service while improving loyalty and customer value, leveraging network leadership and expanding ecosystem.

B2B revenue up in Q2 26 by 6.7% y-o-y in constant terms (€2,022m, 24% of total) and by 6.2% y-o-y in H1 driven by a high single digit growth in Spain, Brazil and Germany. Both Corporate and SME revenue increased (+6.8% y-o-y and +6.5% y-o-y respectively in Q2 26). Main growth driver is digital services revenue and already accounting for 49% of total B2B revenue.

Wholesale & Partners and Others revenue fell 12.3% y-o-y in Q2 in constant terms (€1,358m, 17% of total) and -9.9% y-o-y in H1 due to the impact of the transformation of the business B2P in Germany and of the new wholesale contracts that secure long-term revenue in Spain.

Other income reached €311m in Q2 26 and €598m in H1 26 vs. €279m in Q2 25 and €642m in H1 25 (included €95m capital gain related with the sale of 20% stake in Nabiax (data centre business)). In constant terms, grew +8.6% y-o-y in Q2 26 and +8.2% y-o-y in H1 26.

Operating expenses increased by 6.2% y-o-y to €5,902m in Q2 26 (+2.9% to €11,477m in H1) affected by restructuring costs (€265m in Q2 and in H1, in Germany). In constant terms, OpEx was -1.1% y-o-y (-0.2% in H1 26) mainly thanks to efficiencies derived from simplified operating model.

Impairments and losses on disposal of assets totalled €6m in Q2 26, €10m in H1 26.

Earnings before depreciation and amortisation (adjusted EBITDA) increased 6.4% to €2,933m in Q2 26, 3.8% to €5,768m in H1 26. In constant terms, grew +2.7% y-o-y in Q2 26 and +2.3% y-o-y in H1 26 mainly driven by Spain and Brazil.

Adjusted EBITDA margin at 35.5% in Q2 26 and 35.2% in H1 26 (0.9 p.p. and 0.6 p.p. y-o-y constant, respectively).

Adjusted EBITDAaL: rose 5.4% y-o-y to €2,321m in Q2 26 and 2.9% y-o-y to €4,562m in H1 26. In constant terms, increased by 1.8% and 1.4%, respectively.

Depreciation and amortisation: increased by 5.0% y-o-y to €1,776m in Q2 26 and 2.4% y-o-y to €3,497m in H1 26, mainly driven by FX effects.

Share of profit of investments accounted for by the equity method: amounted to -€208m in Q2 26 and -€243m in H1 26, (-€185 in Q2 25 and -€299m in H1 25), mainly reflecting VMO2's results.

Net financial expenses totaled €494m in Q2 26, +49.0% y-o-y (+51.8% y-o-y to €932m in H1 26) as debt-related savings do not offset higher non-recurrent charges.

Corporate income tax amounted to €29m in Q2 26 and €218m in H1 26 (€210m and €386m in the same periods of 2025), mainly due to the tax credit recognition in Spain.

Profit attributable to minorities from continuing operations: €74m in Q2 26 and €141m in H1 26 (€65m in Q2 25 and €123m in H1 25) due to higher profit from minority interests of Brasil.

Net income from continuing operations amounted to €87m in Q2 26 and €474m in H1 26 with **earnings per share** of €0.00 and €0.05 (€262m and €0.03 in Q2 25 and €754m and €0.11 in H1 25, respectively). In adjusted terms, net income amounted to €473m in Q2 26 and €954m in H1 26 (-20.6% and -21.0% y-o-y), with EPS of €0.07 and €0.15 (-22.7% and -23.8% y-o-y) affected by -€257m restructuring and -€128m of others impacts in Q2 26 and by -€257m restructuring and -€224m of others impacts in H1 26.

Adjusted/Constant. The reconciliation between current, adjusted, and constant figures is included in the Selected Financial data published for the period

Profit from discontinued operations of -€14m in Q2 26 and -€821m in H1 26. **Minorities from discontinued operations** was €0m in Q2 26 and -€9m in H1 26. This resulted in **net income from discontinued operations** of -€14m and -€812m (EPS of €0.00 and -€0.14), respectively.

Free Cash Flow

Q2 26 **adjusted OpCFaL** increased y-o-y +6.7% to €1,279m in Q2 26 (H1 26: +4.0% to €2,654m) affected by the FX impact. Constant, **OpCFaL** grew +2.9% y-o-y in Q2 26 (+2.7% in H1 26).

CapEx increased 3.9% y-o-y to €1,042m in Q2 26 and 1.4% y-o-y to €1,908m in H1 26 (+0.5% and -0.2% constant). **CapEx/Revenue** grew 0.1 p.p. vs. Q2 25 to 12.6% constant and fell 0.1 p.p. vs. H1 25 to 11.6% constant.

Leases rose 10.1% y-o-y to €612m in Q2 26 and 7.4% y-o-y to €1,206m in H1 26 (6.2% and 5.4% constant), mainly due to 5G roll out and inflation impact.

Working capital variation consumed €539m in H1 26, mainly explained by seasonality impacts (mainly CapEx) and the impact from leases accruals vs. payments. Working capital consumption was €585m higher compared to H1 25 mainly driven by working capital from commercial activity.

Interest payments totaled €817m in H1 26 and increased 10.0% y-o-y mainly due to temporary effect of hybrid coupons related to liability management in Q1 26. The effective cost of debt related interest payments (L12M) decreased to 2.95% as of Jun-26 (Jun-25: 3.23%).

Tax payments totalled €248m in H1 26, broadly in line with previous year.

Dividends paid to minority shareholders in Brazil were €101m in H1 26 (€79m in H1 25).

Free cash flow from continuing operations reached €611m in Q2 26 and €944m in H1 26 (€872m in Q2 25 and €1,456m in H1 25).

Pre-retirement commitments amounted €301m in Q2 26 and €594m in H1 26 (€271m in Q2 25 and €499m in H1 25).

Free cash flow for dividend reached €310m in Q2 26 and €351m in H1 26 (€601m in Q2 25 and €956m in H1 25).

Free cash flow from discontinued operations: -€21m in Q2 26 and -€536m in H1 26 (-€102m in Q2 25 and -€850m in H1 25), included Chile, Colombia and Mexico FCF.

Total free cash flow amounted to €289m in Q2 26 and -€185m in H1 26 (€499m in Q2 25 and €106m in H1 25).

Funding and financing

Net financial debt decreased by €64m in Q2 26 to €25,278m as of Jun-26, due to positive free cash flow generation of €289m (including spectrum payments), net financial divestments of €277m mainly due to T. Chile sale deferred collections and other net factors of €252m, highlighting tax refund in Spain (€461m). Factor that increased debt was shareholder remuneration of €754m.

Net financial debt decreased vs. Dec-25 by €1.546m in H1 to €25,278m as of Jun-26, due to net financial divestments of €2,614m mainly due to T. Colombia and T. Chile sales and other net factors of €105m. Factors that increased debt were negative total free cash flow generation of €283m (including spectrum payments) and shareholder remuneration of €890m.

Lease liabilities amounted €8,004m as of Jun-26, 1.1% in H1 26, mainly due to higher ROU additions than principal payments, partially offset by sales in Hispam. Net financial debt including lease liabilities amounted to €33,282m as of Jun-26.

In H1 26, Telefónica Group raised long term financing by €4,454m and VMO2 raised 2.386m equivalent.

Financing activities in Q2 26 included:

- In May 2026, T. Emisiones completed the issuance of a €750m bond in the European market (8.5-year maturity, 4.353% coupon).
- In June 2026, T. Emisiones completed the issuance of a AUD400m bond in the Australian market (10-year maturity, 6.552% coupon) and a AUD300m bond in the Australian market (6-year maturity, 5.962% coupon).

Telefónica financing activity has allowed to maintain a solid liquidity position of €17,395m (€10,098m of undrawn committed credit lines; €9,765m maturing over 12M). As of Jun-26, the average debt life stood at 11.7 years.

Telefónica and its holding companies continued their issuance activity under the Commercial Paper Programmes (Domestic and European), maintaining an outstanding notional balance of €1,000m as of Jun-26.

Adjusted/Constant. The reconciliation between current, adjusted, and constant figures is included in the Selected Financial data published for the period

Sustainability performance

Telefónica embeds sustainability to boost competitiveness and resilience.

The Board of Directors approved the **2026-2030 Sustainability Plan** in June, delivering value across four dimensions, growth, efficiency, investment attraction and risk mitigation. The Plan is structured around three pillars, Environmental (E), Social (S) and Governance (G), deployed through 12 strategic lines that connect sustainability initiatives directly to operational management and business results. The Sustainability and Regulation Committee and Executive Committee will monitor the Plan which aims:

- **"E" Environmental**: Reduce cost through asset lifecycle optimization, the circularity, improved energy efficiency and renewables, emissions reduction and protection of critical infrastructure.
- **"S" Social**: Drive growth by a vision that addresses the needs of vulnerable groups and customers in the sustainable transition (resilience, security, Eco Smart services…), while promoting responsible digitalisation and talent as competitive advantages with a direct impact on revenue, market positioning, and customer trust.
- **"G" Governance:** Strengthen solid, ethical and transparent governance by integrating ESG criteria into decision-making, the supply chain and financing, while fostering a responsible AI governance model, security and privacy.

Sustainability milestones corresponding to Q2 26

"E" Environmental: Powering the green transition for a better future

- **Enabling innovation & competitiveness:** Updated Climate Action Plan reinforcing our commitment to Net-Zero by 2040 and turning climate risks into business opportunities, e.g. reducing energy cost exposure and delivering savings through efficiency measures and PPAs.
- **Digitalisation for green transition:** Launched a new router with 62% recycled content (Germany) and a water digitalisation project deploying 175k smart meters in a water-stressed area (Spain).

"S" Social: Powering a more digital and inclusive society that supports greater wellbeing

- **Supporting Venezuela relief:** Free calls and Wi Fi, communications recovery and humanitarian support.
- **Driving digitalisation and sustainable progress:** We generated last year a €78bn positive impact (GDP, local procurement...), as highlighted in our socio-economic contribution report.

"G" Governance: Powering trust in a digital world

- **Reinforcing integrity & compliance:** Updated Code of Ethics & Conduct with new training strengthening focus on customers, privacy, responsible AI & harassment prevention, among others.
- **Building trust through transparency:** Fundación Haz's highest recognition for fiscal transparency and runner-up in the Transparency Award from the Spanish Association of Accounting & Business Administration's Award for Transparency.

Telefónica achieved strong ESG recognition, remaining in the Dow Jones Best-In-Class Europe Index, featuring in Europe's Best Employers 2026 (FT & Statista), and scoring an A in CDP's Supplier Engagement Assessment for the seventh consecutive year.

TELEFÓNICA ESPAÑA

(y-o-y changes in constant terms)

40%	of total Telefónica H1 26 constant revenue	**40%**	of total Telefónica H1 26 constant adjusted EBITDA

Key messages

- Positive net adds across main accesses for 12th consecutive quarters
- Solid growth in retail revenue
- Sequential acceleration in growth across all financial metrics

Telefónica España maintained a solid commercial performance in Q2 26, underpinned by service quality, a differentiated offering and the continued creation of value for customers. This has resulted in accelerated growth in revenue, adjusted EBITDA and adjusted OpCFaL.

The consumer value proposition was strengthened in Q2 26 with Movistar Plus's "Plan Libre Cine y Series" and the FIFA World Cup, expanding options for accessing content, and the launch of "Movistar Fast Pass", a differentiated mobile connectivity service designed for high user density.

The roll-out of the pioneering 'Edge Computing' network has been completed, with 17 nodes now active. This infrastructure, unique in Spain, enhances technological sovereignty and accelerates the country's digital transformation by providing new services to businesses and public administrations for the development of 'Edge'-based applications.

Meanwhile, the Spanish consortium to develop Spain's bid for the European Gigafactories initiative, involving Telefónica and other private and public partners, was established on 25th June. The project helps to strengthen Europe's technological autonomy, digital sovereignty, competitiveness and economic security.

Sustainability continued to gain prominence in the value proposition. As such, the digitalisation of the water cycle through 175k smart meters will improve efficiency in areas experiencing water stress. Digital wellbeing continued to be promoted through award-winning, targeted campaigns designed to encourage the safe use of technology.

Operational performance

Total accesses grew by 2% y-o-y, excluding IoT subscriptions which tripled due to the sale of vehicle trackers. Key retail accesses confirm solid quarterly net additions and year-on-year growth, across both FBB (+35k, +2% y-o-y), mobile contract (+111k, +3% y-o-y) and TV (+58k, +7% y-o-y). T. España has the country's largest **FTTH network**, 100% owned by the company, with 31.4m passed households and high uptake (31% as of June).

Convergent customers grew by 1% year-on-year (+9k in Q2 26) thanks to the positive trend in churn (0.7%, an all-time low, -0.1 p.p. vs Q2 25), demonstrating the quality of the offering and the customer experience. Quarterly ARPU stood at €91.1, growing 0.1% y-o-y, maintaining market leadership thanks to a value-focused convergent base.

Financial performance

Revenue in Q2 26 accelerated its growth to 2.9% y-o-y (+1.0 p.p. vs. Q1) thanks to the notable increase in **service revenue** (+2.9%, +1.2 p.p. vs. Q1), whilst handset sales grew by 3.2% y-o-y. In H1 26, revenue grew by 2.5% y-o-y.

Retail revenue rose by +5.0% y-o-y (+2.8 p.p. vs. Q1), driven by a larger customer base, price adjustments and sales of the digital ecosystem in B2C and B2B digital services, the latter being one of the main drivers of the improved sequential performance. Wholesale and Other revenue fell by 7.9% y-o-y (-7.0 p.p. vs. Q1) due to the impact of new contracts that secure long-term revenue.

Adjusted EBITDA grew by 2.3% y-o-y, with growth accelerating (+0.3 p.p. vs. Q1) thanks to retail revenue and savings associated with the restructuring plan, and despite the anniversary effect of the copper hedge expiry, the erosion of wholesale revenue and the increased weight of lower-margin revenue. The Q2 EBITDA margin stood at 35.1% (-0.2 p.p. y-o-y). In H1 26, adjusted EBITDA grew by 2.1% y-o-y, and the margin stood at 35.3%.

Meanwhile, **adjusted EBITDAaL**, in line with EBITDA, grew by 2.7% y-o-y in Q2 and by 2.3% in H1 26.

Adjusted OpCFaL grew by 3.0% vs H1 25, with a margin on revenue of 19% (stable), thanks to the increase in adjusted EBITDAaL and discipline in CapEx (+1.2% y-o-y; 11% of revenue).

TELEFÓNICA BRASIL

(y-o-y changes in constant terms)

31% of total Telefónica H1 26 constant revenue	**37%** of total Telefónica H1 26 constant adjusted EBITDA

Key Messages

- Strong commercial momentum in value customers: Vivo Total (+29%), mobile contract (+6%) FTTH (+11%)
- Accelerated adjusted EBITDA to +11.3% in Q2 26 y-o-y. Margin expansion (+1.4 p.p. y-o-y)
- Ramped-up adjusted OpCFaL to +13.3% y-o-y in H1 26 due to adj. EBITDA growth and CapEx allocation

Operating performance

Telefónica Brasil S.A. announced on June 16th that its Board of Directors approved the merger of its wholly-owned subsidiary, Fibrasil Infraestrutura e Fibra Ótica S.A., into the parent company. This move is aimed at simplifying the corporate structure and optimizing fiber network operations. The merger will be effective as of August 1, 2026, after approval by the Shareholders Meeting to be held on July 31st.

Telefónica Brasil has reinforced its strategic positioning as a digital hub and a reference in innovation by offering Gemini AI Plus and YouTube Premium to its contract customers, significantly enhancing the value proposition while directly driving customer retention.

In **mobile**, contract accesses maintained its growth (+6% y-o-y) with quarterly net adds +0.7m (H1 26: +1.6m) fuelled by migrations from prepaid to contract as well as new customer acquisition. Contract churn remained very low (1.1%, stable y-o-y). In prepaid, the positive trend continued with ARPU +8.6% y-o-y driven by monetisation initiatives, such as higher top-up frequency. 5G coverage improved, being live in 978 municipalities and 27m of accesses using 5G in their daily routines. Mobile ARPU up +5.7% vs Q2 25.

In **fixed**, FTTH PPs reached 32.0m as of June (+1.9m y-o-y) with 8.2m connected (+11.3% y-o-y) supported by customer preference for quality and convergence. FTTH take-up increased to 25.6% (+1.1 p.p. y-o-y).

Vivo Total (joint FTTH + mobile offer) totalled 3.8m clients (+29% y-o-y) with a customer ARPU of €39 in H1 26 (+6.8% y-o-y).

In **sustainability,** Telefónica Brazil planted the first seedlings of the Floresta Futuro Vivo Project, aiming to restore more than 800 hectares of the Amazon rainforest. Besides, the Co. compensated 100% of Vivo's packaging through >120 recycling cooperatives and achieve FTSE Russell's highest ESG rating.

Financial performance

Revenue continued to grow above inflation in Q2 26 y-o-y, similar trend vs. Q1 26 (Q2 26 +7.6%; H1 26 +7.5%), with robust and diversified growth across the board, and accelerated in euro terms (+17.8%; H1 +12.5%). In the mobile business, MSR grew +6.6% y-o-y (H1 26 +6.6%) supported by resilient contract trends. Handset & Electronics sales up +27.8% y-o-y (H1 +27.2%, supported by improved in-store availability and commercial dynamics). Fixed business grew +6.0% y-o-y (H1 +5.6%) underpinned by FTTH (+10.5% y-o-y). New digital businesses up 19.4% y-o-y in LTM mainly driven by Video and Music OTT services in B2C and Cloud and Digital Solutions in B2B), representing 12% of total revenue in LTM.

Adjusted EBITDA growth accelerated in Q2 26 y-o-y to +11.3%, up from 8.7% in Q1 (H1 +10.0%; in euro terms: +21.6% and +15.1% in Q2 and H1, respectively) thanks to efficiencies, mainly in commercial and infrastructure. Adjusted EBITDA was positively impacted by €34m (H1 26 €48m) benefits from the sale of concession related assets.

CapEx rose +7.6% vs. H1 25 mainly allocated to 5G and fiber, with CapEx/Revenue ratio at 14.9% (flat y-o-y).

Adjusted OpCFaL increased by +13.3% y-o-y in H1 26 (+18.6% in euro terms) thanks to adjusted EBITDAaL (+10.7%; +15.9% in euros) and despite higher CapEx intensity. The adjusted **OpCFaL margin** stands at 18.6% (+1.0 p.p. y-o-y).

TELEFÓNICA DEUTSCHLAND

(y-o-y changes in constant terms)

23% of total Telefónica H1 26 constant revenue

21% of total Telefónica H1 26 constant adjusted EBITDA

Key messages

- Launch of O_2 Mobile Plus bundles (10th June) emphasises focus on value-over-volume
- Handset trends and 1&1 migration weigh on financials; EBITDA margin improved on efficiencies and revenue mix
- Reorganisation addresses changing market conditions and simplification of operating model

Operating performance

Telefónica Deutschland launched O_2 Mobile Plus bundles (mobile products + additional services-fixed and/or entertainment). The new portfolio focuses on striving for profitable growth in a mature market with sound structures. It is designed to address household needs leveraging mobile technology as the main gateway to digital everyday life.

Telefónica Deutschland announced an operational and strategic reorganisation to address changing market conditions and complexity within the Company to free-up growth potential by simplifying the operating model and achieving a leaner operation. The restructuring programme implies a reduction of up to ~1.1k FTE in 2026 and ~60 own shops. In a second step, T. Deutschland is addressing the further rightsizing of its customer service organization and retail footprint.

Telefónica Deutschland's **ESG** commitment (target of net-zero emissions by 2040) remains uncompromised with technologies at the end of their life cycle being discontinued. MMS was terminated on 1st July. Legacy 2G network is to be switched off by the end of 2028. Freed-up spectrum shall be used for the more energy-efficient 4G-and 5G- services.

Mobile contract posted +30k quarterly net adds (Q1: +48K) reflecting market environment and the focus on profitable growth. O2 contract churn (+0.2 p.p. y-o-y) was still at a low level (1.2%). **O_2 contract ARPU** (Q2: -3.2% y-o-y, Q1: -2.8%) reflects the higher share of 2nd and 3rd SIM cards (lower ARPUs) while the shift to value-over-volume takes time to feed through the base. So, mobile contract base (ex. 3rd party MNO-accesses) was 18.1m, up 2% y-o-y.

Mobile prepaid posted -11k net disconnections (Q1: -446k) on unchanged weak prepaid dynamics in the market.

Fixed broadband maintained its trading momentum with +14k quarterly net adds (Q1: +15K) on customer demand for cable and fibre offers, driving up +3.5% y-o-y fixed ARPU. Fixed churn improved 0.2 p.p. y-o-y to 1.0%.

IoT continued its growth path in Q2 with +134k net adds (Q1: +175k) leveraging market leading B2B solutions and with digitization and automation advancing in many industries.

UGG is active in 8 federal states (“Länder”). As of Jun-26, UGG has deployed 0.8m PPs. The focus is now on driving connections and completing IFG integration.

Financial performance

Revenue declined -11.1% y-o-y in Q2, (H1: -9.8%) on the combination of weak handset trends and the temporary MSR headwinds from the partner business (will phase-out in H2). Handset sales (-26.2% y-o-y, H1: -20.5%) saw healthy consumer trends for O2 myHandy while supply chain and a sustained profitability focus resulted in a decline in selected sales channels. Fixed revenue again posted strong growth, +6.5% y-o-y (H1: +5.3%) mainly on improved value-mix.

Adjusted EBITDA fell -7.2% y-o-y in Q2 (Q1: -8.4%), reflecting the temporary headwinds from the partner business that will phase-out in H2. Stringent cost management and efficiency capture combined with revenue mix drove margin improvement. Adjusted EBITDA **margin** was up +1.4 p.p. y-o-y in Q2, reaching 32.7%. To note that reported Q2 EBITDA includes a €265m provision related to the aforementioned restructuring programme.

CapEx was down -14.4% vs. H1 25 with a CapEx/Revenue of 9.4%. Despite the usual back-end loaded investment profile, there is an accelerated network roll-out pace with ~4.5k expansion measures sites executed.

As a result, **adjusted OpCFaL** was down -13.6% y-o-y in H1, with a **margin** of 11.5% (-0.5 p.p. y-o-y).

JOINT VENTURE, VMO2

(100% of VMO2; y-o-y changes in constant terms)

Key messages

- Progress against strategy: MVNO partnership with Monzo
- Fixed and mobile net adds improved y-o-y despite challenging market
- Financial performance on track to full-year guidance with EBITDA at the top-end of the guidance range

Operating performance

VMO2 reached a significant agreement with Monzo to launch Monzo Mobile. This partnership underlines the strength of the O2 network and our position as the UK's trusted host of choice for MVNOs. Our unrivalled record in helping partners launch and scale, alongside our continued investment to upgrade and expand our mobile network, will enable us to support Monzo Mobile with ever-improving services.

In addition, **VMO2** announced the launch of the new O2 Business brand, merging VMO2's robust national network infrastructure with Daisy's specialized expertise, ultimately offering a seamless, one-stop-shop for connectivity and IT solutions to UK organisations.

The fixed network footprint reached 18.8m UBB premises passed with 0.3m added in LTM. **Nexfibre** (InfraVia Capital Partners 50%, Telefónica Infra 25% and Liberty Global 25%) announced its agreement to acquire Netomnia (18-Feb-26) and on 1st of July, the UK's Competition and Markets Authority, CMA announced that the review moved to a second phase, following a request from Telefónica, Liberty Global, and InfraVia Capital to accelerate proceedings.

Regarding our **ESG** commitments, VMO2 unveiled a new Responsible Business Plan focused on Climate, Connection, Control and Circularity. The plan includes reducing its environmental impact through, for example, a new 10-year solar energy deal, and helping customers improve their digital wellbeing through a manifesto that sets out its long-term commitment to supporting healthier, more balanced relationships with technology.

In **mobile,** we continue improving our network reaching 86% of population covering for 5G standalone. The contract mobile base decreased by 63k accesses (Q2 25 -74k, Q1 26 -60k excluding the impact of adjustments made to accesses in Mar-26, which had no impact on revenue). Consumer mobile contract ARPU remained broadly stable y-o-y reflecting continued value management.

Wholesale base reached 10.4m as of Jun-26 (10.2m a year ago) partially hedging the decline in consumer accesses.

Fixed broadband net adds continued improving y-o-y (Q2 26: -31k, Q2 25: -51k; H1 26: -37k) due to the commercial initiatives but still affected by challenging market. Consumer fixed ARPU -4.6% y-o-y reflecting competitive intensity.

Financial performance

Revenue declined -7.9% y-o-y in Q2 26 (H1 26 -7.2%), mainly affected by reduced nexfibre build activity. Service revenue -3.9% y-o-y (H1 26 -3.5%) mainly due to Consumer and Business, partially offset by the increased in Wholesale service revenue. Consumer revenue (Q2 26 -5.0% y-o-y) is affected mainly by consumer fixed service revenue (targeted retention activity in a highly competitive market). Business revenue (Q2 26 -8.7% y-o-y) decline was primarily driven by the planned streamlining of the B2B product portfolio and market headwinds. Wholesale & others revenue -23.3% vs. Q2 25 due to the reduction in low-margin nexfibre construction activity partially offset by the Wholesale service revenue (+5.4%).

Q2 26 **adjusted EBITDA** decreased by -2.9% y-o-y (H1 26 -3.2%), with performance at the top-end of the guidance range. Adjusted EBITDA **margin** (40.6%) was up +2.1 p.p. vs Q2 25 (H1 26 +39.2%, +1.6 p.p. y-o-y).

CapEx decreased by 8.3% vs. H1 25, with a CapEx/Revenue ratio of 19.9% (-0.7 p.p. y-o-y).

As a result, **adjusted OpCFaL** remained flat y-o-y in H1 26 and **margin over revenue** +1.2 p.p. y-o-y (16.4%).

APPENDIX

Selected consolidated financial statements

TELEFÓNICA CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)	H1 26	H1 25	y-o-y % Chg	Constant y-o-y %	Q2 26	Q2 25	y-o-y % Chg	Constant y-o-y %
Revenue	16,392	16,112	1.7	0.4	8,265	8,021	3.0	0.0
Other income	598	642	(6.8)	8.2	311	279	11.3	8.6
Operating expenses	(11,477)	(11,158)	2.9	(0.2)	(5,902)	(5,557)	6.2	(1.1)
Impairments & losses on disposal of assets	(10)	(6)	57.4	41.5	(6)	2	c.s.	c.s.
EBITDA (1)	5,503	5,590	(1.6)		2,667	2,745	(2.8)	
Depreciation and amortisation	(3,497)	(3,413)	2.4		(1,776)	(1,691)	5.0	
Operating income (OI)	2,006	2,176	(7.8)		892	1,054	(15.4)	
Share of profit (loss) of investments accounted for by the equity method	(243)	(299)	(18.9)		(208)	(185)	12.0	
Net financial income (expense)	(932)	(614)	51.8		(494)	(332)	49.0	
Profit before taxes	832	1,264	(34.1)		190	537	(64.6)	
Corporate income tax	(218)	(386)	(43.6)		(29)	(210)	(86.3)	
Profit for the period from continuing operations	614	877	(30.0)		161	327	(50.8)	
Profit for the period from discontinued operations	(821)	(2,164)	(62.0)		(14)	(342)	(95.8)	
Profit for the period	(207)	(1,286)	(83.9)		147	(15)	c.s.	
Attributable to equity holders of the Parent:	(338)	(1,355)	(75.0)		73	(51)	c.s.	
From continuing operations	474	754	(37.2)		87	262	(66.7)	
From discontinued operations	(812)	(2,110)	(61.5)		(14)	(314)	(95.4)	
Attributable to non-controlling interests:	132	69	91.4		74	36	103.5	
From continuing operations	141	123	14.6		74	65	13.6	
From discontinued operations	(9)	(54)	(83.0)		—	(29)	—	
Adj. EBITDA	5,768	5,558	3.8	2.3	2,933	2,757	6.4	2.7
Adj. EBITDA margin	35.2%	34.5%	0.7 p.p.	0.6 p.p.	35.5%	34.4%	1.1 p.p.	0.9 p.p.
Weighted average number of ordinary shares outstanding during the period (millions)	5,627	5,638	(0.2)		5,629	5,639	(0.2)	
Basic earnings per share attributable to equity holders of the Parent (€):	(0.09)	(0.26)	(65.0)		0.00	(0.02)	c.s.	
From continuing operations (€)	0.05	0.11	(53.0)		0.00	0.03	(88.0)	
From discontinued operations (€)	(0.14)	(0.37)	(61.4)		0.00	(0.06)	(95.4)	
Adj. Basic earnings per share attributable to equity holders of the Parent from continuing operations (€)	0.15	0.19	(23.8)		0.07	0.09	(22.7)	

- The weighted average number of ordinary shares outstanding during the period has been obtained applying the IAS rule 33 "Earnings per share". Thereby, the weighted average of shares held as treasury stock have not been taken into account as outstanding shares.
- Basic earnings per share ratio is calculated dividing Profit for the period Attributable to equity holders of the Parent, adjusted for the net coupon corresponding to "Other equity instruments" (-€181m in H1 26 and -€131m in H1 25), by the weighted average number of ordinary shares outstanding during the period.
- Group consolidated results deconsolidate Telefónica Colombia since February 5, 2026 and Telefónica Móviles Chile since February 10, 2026. Telefónica Mexico's assets and liabilities have been reclassified as held for sale in the consolidated statement of financial position at June 30, 2026 (sale signed on April 7, 2026). In compliance with IFRS, all these companies have been reported as discontinued operations within the Telefónica Group since January 1, 2026 (and 2025 revised accordingly).
- Adjusted/Constant. The reconciliation between current, adjusted, and constant figures is included in the Selected Financial data published for the period.
(1) H1 26 EBITDA included €265m of restructuring costs in Germany. H1 25 EBITDA included €95m capital gain related with the sale of 20% stake in Nabiax (data centre business) and €63m of restructuring costs mainly in Other Co. & Eliminations.

TELEFÓNICA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited figures (Euros in millions)	Jun 26	Dec 25	% Chg
Non-current assets	68,762	70,012	(1.8)
Intangible assets	8,867	9,112	(2.7)
Goodwill	16,478	15,796	4.3
Property, plant and equipment	17,493	18,158	(3.7)
Rights of Use	7,920	7,441	6.4
Investments accounted for by the equity method	6,653	6,753	(1.5)
Financial assets and other non-current assets	6,147	6,740	(8.8)
Deferred tax assets	5,204	6,012	(13.4)
Current assets	19,834	22,005	(9.9)
Inventories	892	862	3.5
Receivables and other current assets	9,165	9,662	(5.1)
Tax receivables	1,607	867	85.4
Other current financial assets	2,156	870	147.9
Cash and cash equivalents	5,149	6,564	(21.6)
Non-current assets and disposal groups held for sale	865	3,180	(72.8)
Total Assets = Total Equity and Liabilities	88,597	92,017	(3.7)
Equity	18,315	17,808	2.9
Equity attributable to equity holders of the parent and other holders of equity instruments	14,675	14,258	2.9
Equity attributable to non-controlling interests	3,640	3,550	2.5
Non-current liabilities	48,734	49,372	(1.3)
Non-current financial liabilities	29,548	30,120	(1.9)
Non-current lease liabilities	5,942	5,644	5.3
Payables and other non-current liabilities	4,390	3,912	12.2
Deferred tax liabilities	2,190	2,518	(13.0)
Non-current provisions	6,665	7,178	(7.1)
Current liabilities	21,547	24,837	(13.2)
Current financial liabilities	4,223	4,219	0.1
Current lease liabilities	1,981	1,938	2.2
Payables and other current liabilities	11,751	12,942	(9.2)
Current tax payables	944	950	(0.6)
Current provisions	2,152	1,899	13.3
Liabilities associated with non-current assets and disposal groups held for sale	497	2,889	(82.8)

- The consolidated statement of financial position includes a positive value of the derivatives portfolio for a net amount of €47m, €2,094m included as financial liabilities and €2,141m included as financial assets.
- Group consolidated results deconsolidate Telefónica Colombia since February 5, 2026 and Telefónica Móviles Chile since February 10, 2026. Telefónica Mexico's assets and liabilities have been reclassified as held for sale in the consolidated statement of financial position at June 30, 2026 (sale signed on April 7, 2026).

TELEFÓNICA CONSOLIDATED CASH FLOW STATEMENT

Unaudited figures (Euros in millions)	H1 26	H1 25	y-o-y % Chg
Cash received from operations	20,506	19,992	
Cash paid from operations	(15,440)	(14,366)	
Net payments of interest and other financial expenses net of dividends received	(823)	(733)	
Taxes proceeds/(paid)	(248)	(254)	
Net cash flow provided by operating activities from continuing operations	3,995	4,639	(13.9)
Net cash flow provided by operating activities from discontinued operations	(400)	(257)	55.6
Net cash flow provided by operating activities	3,595	4,382	(18.0)
(Payments)/proceeds on investments in property, plant and equipment and intangible assets, net	(2,260)	(2,457)	
Proceeds on disposals/ (payments on investments) in companies, net of cash and cash equivalents disposed	133	610	
Proceeds/(payments) on financial investments not included under cash equivalents	(98)	(455)	
Net proceeds/(Payments) for temporary financial investments	(547)	(1,001)	
Net cash flow used in investing activities from continuing operations	(2,772)	(3,303)	(16.1)
Net cash flow used in investing activities from discontinued operations	(66)	(518)	(87.3)
Net cash flow used in investing activities	(2,838)	(3,821)	(25.7)
Dividends paid	(942)	(931)	
Proceeds/(payments) from share capital increase/(decrease) with minorities interest	(10)	(122)	
Proceeds/(payments) of treasury shares and other operations with shareholders and with minority interests	(22)	(164)	
Operations with other equity holders (1)	(281)	(188)	
Proceeds on issue of debentures and bonds, loans, borrowing and promissory notes, and other debts	2,680	2,242	
Repayments of debentures and bonds, and other debts and repayments of loans, borrowings and promissory notes	(2,349)	(1,692)	
Lease Principal Payments	(1,068)	(1,009)	
Financed operating payments and investments in property, plant and equipment and intangible assets payments	(108)	(31)	
Net cash used in financing activities from continuing operations	(2,100)	(1,895)	10.8
Net cash used in financing activities from discontinued operations	(43)	(225)	(80.9)
Net cash used in financing activities	(2,143)	(2,120)	1.1
Effect of changes in exchange rates, cash reclassified to assets held for sale, effect of changes in consolidation methods and others	(29)	(121)	
Net increase (decrease) in cash and cash equivalents during the year	(1,415)	(1,680)	(15.8)
Cash and cash equivalents at the beginning of the period	6,564	8,062	
Cash and cash equivalents at the end of the period	5,149	6,382	

(1) Includes issuance and coupons of undated deeply subordinated securities.
- Group consolidated results deconsolidate Telefónica Colombia since February 5, 2026 and Telefónica Móviles Chile since February 10, 2026. Telefónica Mexico's assets and liabilities have been reclassified as held for sale in the consolidated statement of financial position at June 30, 2026 (sale signed on April 7, 2026). In compliance with IFRS, all these companies have been reported as discontinued operations within the Telefónica Group since January 1, 2026 (and 2025 revised accordingly).

Alternative performance measures

The Group's management utilises a range of Alternative Performance Measures (APMs) alongside those expressly defined in the IFRS to gain additional insights into the Group's performance, solvency, and liquidity. However, it's important to note that these measures should not be viewed in isolation or as substitutes for IFRS measures.

Group consolidated results include the deconsolidation of Telefónica Colombia since February 5, 2026 and Telefónica Móviles Chile since February 10, 2026. Telefónica Mexico's assets and liabilities have been reclassified as held for sale in the consolidated statement of financial position at June 30, 2026 (sale signed on April 7, 2026). In compliance with IFRS, all these companies have been reported as discontinued operations within the Telefónica Group since January 1, 2026 (and 2025 revised accordingly).

EBITDA and EBITDAaL (from continuing operations)

Earnings before depreciation and amortisation (EBITDA) is calculated by excluding solely depreciation and amortisation from Operating Income. EBITDAaL is calculated deducting amortization of rights of use and interest of lease liabilities from EBITDA. EBITDA and EBITDAaL are used to track the performance of the business and to establish operating and strategic targets of Telefónica Group companies. EBITDA and EBITDAaL are commonly reported measures and are widely used among analysts, investors, and other interested parties in the telecommunications industry, although not defined in IFRS, and therefore, may not be comparable to similar indicators used by other companies. EBITDA and EBITDAaL should not be considered as a substitute for Operating Income.

OpCFaL (from continuing operations)

OpCFaL is defined as EBITDAaL reduced by accrued capital expenditures excluding those related to spectrum acquisitions.

We believe that it is important to consider capital expenditures excluding spectrum acquisitions, together with EBITDAaL in order to have a more complete measure of the performance of our telecommunications businesses. We use these measures internally to track the performance of our business, to establish operating and strategic targets of the Group's businesses and in our internal budgeting process.

OpCFaL is not a measure expressly defined in IFRS, and therefore may not be comparable to similar indicators used by other companies. In addition, OpCFaL should not be considered a substitute for Operating Income, the most comparable financial measure calculated in accordance with IFRS, or any measure of liquidity calculated in accordance with IFRS.

Adjusted EBITDA, Adjusted EBITDAaL, Adjusted OpCFaL (from continuing operations)

"Adjusted" result or results in "adjusted" terms intend to present a result adjusted by certain factors which distort the analysis of the business performance, but without adjusting for exchange rates or hyperinflation. The adjusted result is calculated for EBITDA, EBITDAaL and OpCFaL. The "adjusted" result provides useful information for the company and market agents because:

- It provides additional information on the adjusted performance of the Group's operations, removing the distorting effects of certain factors, as they are specific to a certain moment and not associated with the ordinary performance of the business, facilitating the adjusted analysis of the business.
- The inclusion of the business adjusted performance is used both internally and by the various agents in the market to consistently monitor trends and operating performance of the business; this data also facilitates the relation between the business performance of Telefónica and that of other operators, although the term "adjusted" is not a term defined in IFRS, and the "adjusted" measures included herein may not be comparable to similar measures presented by other companies.

For the purposes of this document, adjusted EBITDA, adjusted EBITDAaL and adjusted OpCFaL are defined as the EBITDA, EBITDAaL and OpCFaL adjusted by the following factors: restructuring costs, significant capital gains/losses from the sale of companies, goodwill impairment charges and material non-ordinary impacts.

Furthermore, the Group uses the EBITDA margin measure, which is the result of dividing adjusted EBITDA by revenue, and OpCFaL margin, obtained by dividing adjusted OpCFaL by revenue and serving as a measure of operating leverage.

Constant variations

Y-o-y changes referred to in this document as "constant" or presented "in constant terms" intend to present a homogeneous comparison by applying adjustments which are described herein.

Constant variations are used both internally and by the various agents in the market to conduct consistent monitoring of trends and of the operating performance of the business. Although the term "constant" is not a term defined in IFRS, and the "constant" measures included herein may not be comparable to similar measures presented by other companies.

For the purposes of this document, "constant" variation 2026/2025 is defined as the reported variation adjusted by the following factors:

- Considers a constant perimeter of consolidation and discontinued operations are excluded.
- Does not include restructuring costs, significant capital gains/losses from the sale of companies, goodwill impairment charges and material non-ordinary impacts. CapEx also excludes investment in spectrum.
- Assumes average constant foreign exchange rates of 2025. The reported variation of the companies of countries with hyperinflationary economies (Venezuela) is excluded.

Debt indicators

a. Net financial debt, Net financial debt plus leases and Net financial debt plus commitments

As per the Group calculation, net financial debt includes: i) current and non-current financial liabilities in our consolidated statement of financial position (which includes the negative mark-to-market value of derivatives), ii) other payables included in “Payables and other non-current liabilities”, “Payables and other current liabilities” and “Current tax payables” (mainly corresponding to payables for deferred payment of radio spectrum that have an explicit financial component and the supplier financing for the customer financing of terminal sales) and (iii) financial liabilities included in “Liabilities associated with non-current assets classified as held for sale”.

From these liabilities, the following are subtracted: i) cash and cash equivalents, ii) current financial assets (which include short-term derivatives), iii) the positive mark-to-market value of derivatives with a maturity beyond one year, iv) other interest-bearing assets (components of “Receivables and other current assets”, “Tax receivables” and “Financial assets and other non-current assets” in the consolidated statement of financial position), v) cash and other current financial assets included in “Non-current assets classified as held for sale”, vi) mark-to-market adjustment by cash flow hedging activities related to debt, and vii) fair value of derivatives adjustment used for the economic hedging of gross commitments related to employee benefits. In "Receivables and other current assets" we include the customer financing of terminal sales classified as short term, and "Financial assets and other non-current assets" includes derivatives, instalments for the long-term sales of terminals to customers and other long-term financial assets.

Net financial debt plus commitments is calculated by adding gross commitments related to employee benefits to net financial debt and the fair value of the derivatives used for the economic hedging of such commitments to net financial debt and deducting the value of long-term assets associated with those commitments and the tax benefits arising from the future payments of those commitments. Gross commitments related to employee benefits are current and non-current provisions recorded for certain employee benefits such as termination plans, post-employment defined benefit plans and other benefits.

Net financial debt, net financial debt plus leases and net financial debt plus commitments are meaningful for investors and analysts because they provide an analysis of Group solvency using the same measures used by Group management. They are used to calculate internally certain solvency and leverage ratios. Nevertheless, none of them should be considered as a substitute for gross financial debt as presented in the consolidated statement of financial position.

b. Leverage ratio

The leverage ratio is calculated as the ratio of net financial debt over adjusted EBITDAaL for the past 12 months, including or excluding the adjusted EBITDAaL of the companies which are incorporated or removed from the perimeter of consolidation.

Free Cash Flow from continuing operations

The Group's free cash flow is calculated starting from "Net cash flow provided by operating activities from continuing operations" as indicated in the consolidated statement of cash flows; deducting (payments)/proceeds on investments in property, plant and equipment and intangible assets (excluding spectrum payments), dividends paid to minority interests and lease principal payments.

We exclude dividends stemming from free cash flow generated by the UK JV, as well as any potential recapitalisations which are decided annually based on market conditions. We also exclude employee commitments. Additionally, hybrid coupon payments are incorporated for a clearer view of available recurrent cash generation.

We believe that free cash flow is a guidance measure for investors and analysts because it provides a clearer view of our recurring operational cash generation and long-term FCF trajectory.

Free Cash Flow for dividend

The Group's free cash flow for dividend is calculated starting from "Free Cash Flow from continuing operations"; deducting employee commitments and including dividends stemming from free cash flow generated by the UK JV, excluding potential recapitalisations which are decided annually based on market conditions, and any other potential cash available for distribution.

We believe that free cash flow for dividend is a meaningful measure for investors and analysts because it provides an analysis of the cash flow available to protect solvency levels and to remunerate the parent company's shareholders. The same measure is used internally by Group management. Nevertheless, free cash flow should not be considered as a substitute for the various flows of cash as presented in the consolidated statements of cash flows.

Adjusted Net Income and adjusted EPS (from continuing operations)

Adjusted Net income and adjusted EPS are defined as the reported Net Income and EPS as adjusted by the following factors:

- Restructuring costs, significant capital gains/losses from the sale of companies, goodwill impairment charges and material non ordinary impacts, in line with the adjusted EBITDA calculation.
- Amortisation of intangible assets from purchase price allocation processes.
- The positive or negative impact in Share of Results of investments accounted for by the equity method of FX differences and changes in the fair values of VMO2's derivatives recorded in its financial results.

The Adjusted Net Income and adjusted EPS measures provide useful information for the company and market agents because:

- It provides additional information on the underlying performance of the Group's operations, removing the distorting effects of certain factors, as they are specific to a certain moment and not associated with the ordinary performance of the business, facilitating the underlying analysis of the business.
- The inclusion of the business underlying performance is used both internally and by the various agents in the market to consistently monitor trends and operating performance of the business; this data also facilitates the relation between the business performance of Telefónica and that of other operators, although the term "adjusted" is not a term defined in IFRS, and the "adjusted" measures included herein may not be comparable to similar measures presented by other companies.

The detailed calculation of the Group's EBITDA and EBITDAaL, the reconciliation between current and adjusted data, the constant variations, the reconciliation of the Group's gross financial debt, net financial debt and net financial debt plus leases, the reconciliation of the Group's leverage ratio, and the reconciliation of Group's net cash flow from operations and the Free cash flow can be found in Jan-Jun 2026 selected financial information.

Furthermore, the "Alternative measures not defined in IFRS" are detailed in the Note 2 of the condensed consolidated interim financial statements for the six-months ended June 30, 2026.

A glossary of definitions can be found in Jan-Jun 2026 selected financial information.

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Any such forward-looking statements reflect the current views of the Telefónica Group's management and may change over time. They do not intend to be exhaustive, and they have not been verified or audited by any third party. Telefónica's opinions and aspirations with respect to future events do not represent any guarantee of future fulfilment or profitability, and they are subject to risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such forward-looking statements. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Telefónica with the relevant supervisory authorities of the securities markets in which its shares are listed and, in particular, the Spanish National Securities Market Commission ("CNMV").

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Moreover, the information contained herein should be considered only together with Telefónica's condensed consolidated interim financial statements and consolidated interim management report for the six-month period ended June 30, 2026, submitted to the CNMV, in Note 2, page 12 of the pdf filed. Recipients of this document are invited to read it. Neither this document nor any of their contents constitute an offer to purchase, sell or exchange any security, a solicitation of any offer to purchase, sell or exchange any security, or a recommendation or advice regarding any security, or a solicitation for any vote or approval in any other jurisdiction.

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Bloomberg ESG Score **#3 in sector**	CDP **Climate A List 2025**	2025 **Top Quartile Telco industry**	ISS ESG Corporate Rating **#1 in sector**	Sustainalytics ESG **2025** **Top Quartile Telco industry**	Digital Inclusion Benchmark, Social Benchmark and Ranking Digital Rights **1st company worldwide 2026**

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