



RESULTS

JAN | DEC 2022

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Key takeaways

Mr. José María Álvarez-Pallete
Chairman & CEO



Our strategic framework

2019 plan based on 5 key decisions; aiming at long term impact and value creation



- Cutting-edge operators
- Units at the forefront of Technology
- All options open in T. Hispam
- Agility to capture opportunities
- Synergy model/economies of scale
- Optimise capital allocation

● ● ● Resilience, execution, delivery

Delivering on commitments



- ✓ **Back on growth track** at revenue, OIBDA & FCF level
- ✓ **Consistent and predictable** financial performance (guidance fulfilled in the last 6 years)
- ✓ **Outstanding shareholder remuneration**

Proactive management



- ✓ **Price action in all markets**
- ✓ **Mitigating inflation pressure**
- ✓ **Prioritising investments**, addressing challenges

Progressing on regulatory priorities



- ✓ **Sector bringing back rationality** (spectrum auctions)
- ✓ Pursuing **fairer regulatory environments**
- ✓ **Fair share** consultation process

Leveraging on opportunities



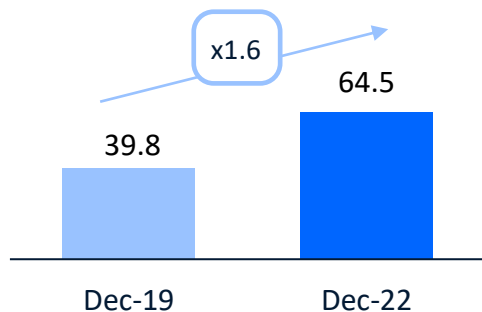
- ✓ **In-market consolidation**
- ✓ Embracing **industry-wide transformation**
- ✓ **Strong ESG**; ratings, performance, priorities



Focus on executing our strategy

Total FTTH (PPs)

(m)



Coverage 5G (% pop)

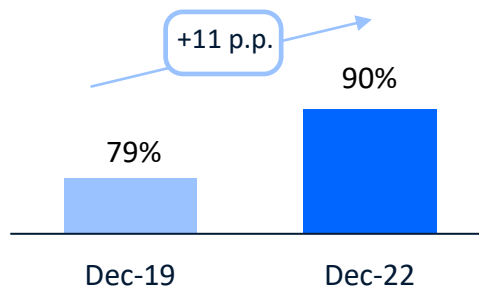


85%



>80%

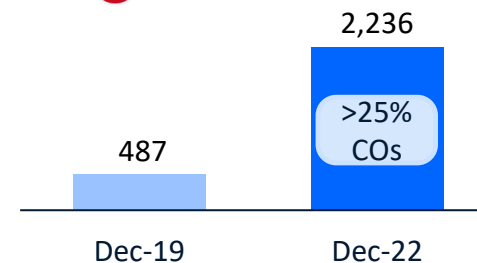
Coverage 4G (% pop)



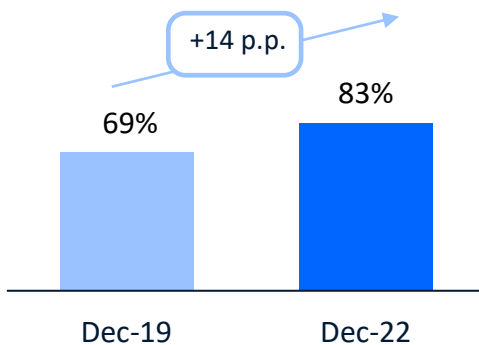
Legacy switch off

2G -53% since 2017

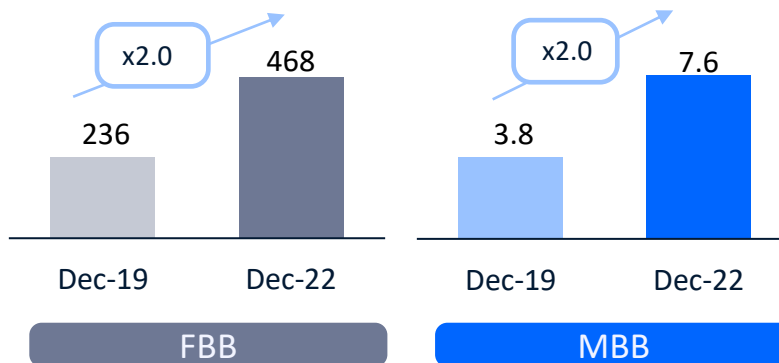
3G Since 2021
2025 E



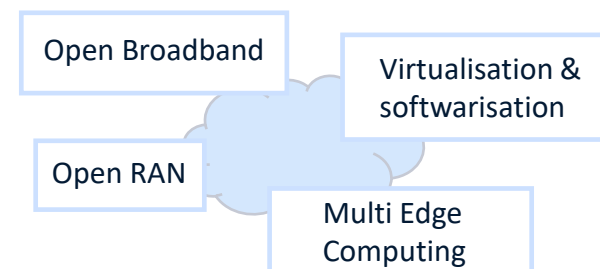
Digitalised processes (%)



Traffic growth/customer (Gbytes/month)



Pioneers in Telco Cloud paradigm

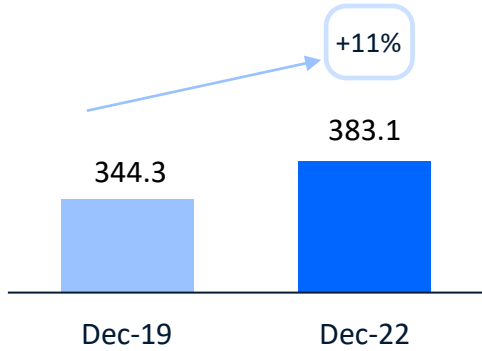




Advancing in the transformation of our company

Customer growth

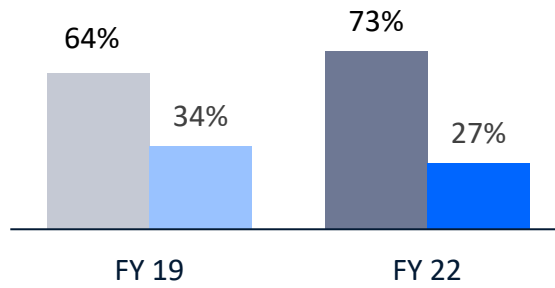
Accesses (m; y-o-y)



Improved revenue mix

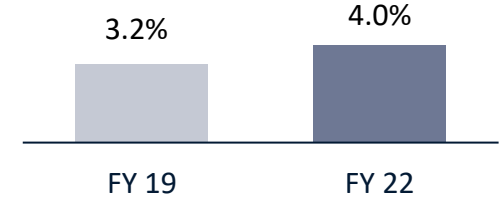
BB & SoC o/total service revenue

Voice & Access o/total service revenue



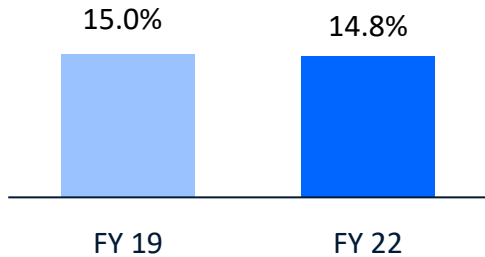
Accelerated profitable growth

Revenue (organic y-o-y)



Declining CapEx/sales

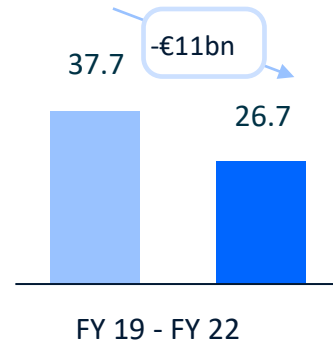
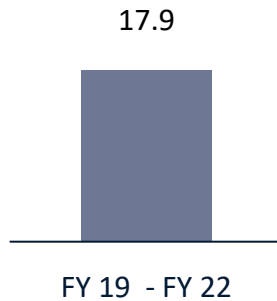
CapEx/Sales organic



Robust FCF; Net debt decline

FCF (€bn)

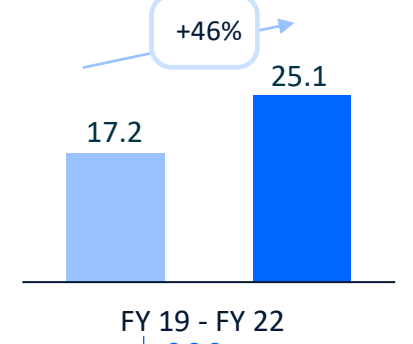
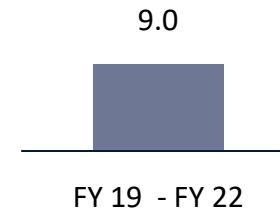
Net debt (€bn)



Shareholder remuneration; Equity

Dividends + SBB (€bn)

Shareholders Equity (€bn)





2022: Strategy execution adds quality growth



Steady progress through 2022

Revenue, OIBDA & OIBDA-CapEx growth



Delivered 2022 updated guidance

Mitigating impacts from macro challenges



Cost efficiencies offset headwinds

Stable OIBDA margin (FY 22 y-o-y org.)



Disciplined capital allocation

Robust FCF, well covered DVD, high liquidity



Strengthened competitive position



- **Spain;** improved commercial momentum; 7 straight quarters of top-line growth
- **Brazil;** reinforced market leadership, record net-adds, double digit reported growth in revenue & OIBDA
- **Germany;** record commercial traction on state-of-the-art network, healthy revenue & OIBDA growth
- **UK:** operational progress; strong OIBDA growth on synergy delivery



Looking ahead



- **T. Tech;** built new capabilities to sustain growth
- **T. Infra;** executing fibre roll-outs, build optionality
- **T. Hispam;** growth captured, increased optionality
- **B2B** accelerating more towards **digitalisation**

Solid sustainability record; enabling positive impact towards the UN Sustainable Development Goals of >€95bn annually



Resilient performance in a challenging year

FY 22 Revenue

y-o-y organic

+4.0%



Growth across the board

FY 22 OIBDA

y-o-y organic

+3.0%



Stable underlying OIBDA

Net debt

€26.7bn



Leverage reduction YTD to 2.54x

FCF FY 22

€4,566m



+72.5% y-o-y



2022 reported revenue growth (+1.8% y-o-y), 1st time since 2015



Solid revenue mix, service revenue growth, B2B strength



Robust FCF performance; €0.80 FCFs comfortably covering DPS



Prudent debt management; maturities covered over 3yr

€ in millions	FY 22	
	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	45,978	4.0%
OIBDA	15,066	3.0%
OIBDA-CapEx (ex-spectrum)	8,067	1.8%

€ in millions	FY 22	
	Reported	Reported y-o-y
Revenue	39,993	1.8%
OIBDA	12,852	(41.5%)
OIBDA Underlying	12,940	(0.6%)
Net Income	2,011	(75.3%)
FCF (incl. leases principal payments)	4,566	72.5%
Net Financial Debt ex-leases	26,687	2.3%



Delivering on our commitments; we are predictable

2022 guidance

organic including 50% of VMO2

Targets	Initial 2022 guidance	Updated 2022 guidance	FY 22	
Revenue	“Low single digit growth”	“High-end of low single digit growth”	4.0%	✓
OIBDA	“Low single digit growth”	“Mid-to-high-end of low single digit growth”	3.0%	✓
CapEx/Sales (ex spectrum)	Up to 15%	Maintained up to 15%	14.8%	✓

Shareholder remuneration

2022 Dividend	€0.30/share	✓
Dec-22	€0.15/sh. (cash)	
Jun-23	€0.15/sh. (cash)	

2022 calendar payments ✓

Jun-22 €0.15/sh.; voluntary scrip
Dec-22 €0.15/sh.; cash

• • •

139m treasury stock cancelled ✓

April 22

Pressing ahead with ESG priorities, getting recognition

Environmental

- ▶ **Net-zero** by 2040 (SBTi validated)
- ▶ **100% renewables** by 2030
- ▶ **Zero-waste** by 2030

Social

- ▶ **>90% MBB rural coverage** by 2024¹
- ▶ **33% women directors** by 2024
- ▶ **Zero adjusted pay gap** by 2024²

Governance

- ▶ **Zero-tolerance** of corruption
- ▶ **30-35% sustainability linked financing** by 2024³
- ▶ **Parity**⁴ in top governing bodies by 2030



Key targets

ESG rankings & recognitions

ESG ranking/recognition	TEF performance	Detail
CDP Climate A List 2022	Climate A List	9 th consecutive year
CDP Supplier Engagement Leader 2021	Supplier Engagement Leader	3 rd consecutive year
World Benchmarking Alliance #1 worldwide	#1 worldwide	Digital Inclusion Benchmark
World Benchmarking Alliance #1 worldwide in sector	#1 worldwide in sector	Social Transformation Baseline Assessment
Bloomberg 1 of 17 telcos included worldwide	1 of 17 telcos included worldwide	6 th consecutive year
Ranking Digital Rights #1 in sector	#1 in sector	Leader across all categories (privacy, governance and freedom of expression)

ESG analysts' ratings

ESG analyst	TEF rating	Relative position
FTSE Russell	4.4/5	1 st (sector) Member of FTSE4Good
ISS ESG	B-	1 st decile (sector)
MSCI	A	Avg. in telco sector
S&P Global Ratings	86/100	Top 10 in sector (worldwide) Member of DJSI Europe
ESG Industry Top Rated	15.2 (low risk)	6 th / 223 (sector)
VE	67/100	2 nd / 33 (sector)

¹ Core markets. As of Dec-22: Brazil >80%, Germany 99%, Spain >94%, UK >99%

² Adjusted pay gap: equal pay for jobs of equal value (+/-1%)

³ Financing includes balance-sheet debt, hybrids and undrawn committed credit lines

⁴ Parity defined as not less than 40% of each gender represented

Q4 22 Results

Mr. Ángel Vilá
COO



Sequential acceleration in Revenue, OIBDA & OIBDA-CapEx

Q4 22 Revenue

y-o-y organic

+3.9%



Growth across the board

Q4 22 OIBDA

y-o-y organic

+3.5%



Stable OIBDA margin y-o-y

Net debt

Dec-22

€26.7bn



Reduction of €2bn in Q4 22

FCF Q4 22

€2,093m



+77.7% y-o-y



Reported: 3rd straight Q of rev. growth, 2nd Q of underlying OIBDA growth



FCF improvement along the year, Q4 strongest



Service revenue +1.3 p.p. q-o-q to +4.1% y-o-y org.; **B2B** +1.4 p.p. to +7.9% y-o-y org.



Debt decline; €1,750m ESG financing

€ in millions	Q4 22	
	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	11,751	3.9%
OIBDA	3,802	3.5%
OIBDA-CapEx (ex-spectrum)	1,677	4.7%

€ in millions	Q4 22	
	Reported	Reported y-o-y
Revenue	10,200	5.4%
OIBDA	3,259	139.2%
OIBDA Underlying	3,419	6.0%
Net Income	525	c.s.
FCF (incl. leases principal payments)	2,093	77.7%



Structurally positioned to offset inflationary pressures



Structural advantage; operating in high-inflation LatAm markets for decades

Managing top line through pricing power and inflation pass through

Improving customer metrics (NPS and churn)

T. Tech revenue +33.7% y-o-y in Q4 22



Managing OpEx

Lower weight of personnel expenses than peers (13% o/Group revenues)

Long-term hedging on energy in place, >60% for 2023

Long terms PPAs; 100% electricity renewable in core markets, PER and CHL

Environmental impact per petabyte of FTTH <18x than cooper; per PB 4G/5G <7x 2G/3G

Generating efficiencies (simplification, digitisation, synergies ...)



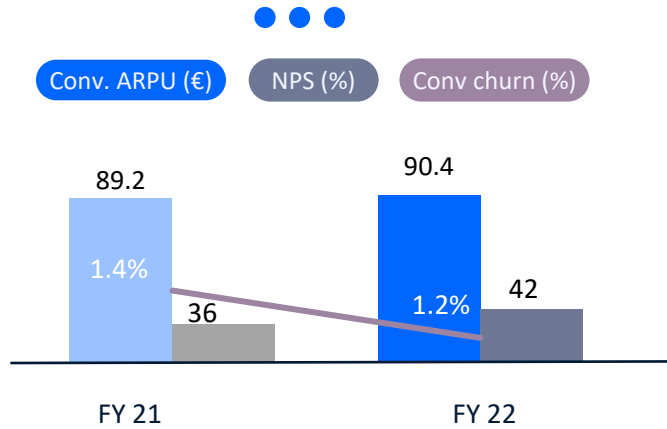
CapEx peak behind; advanced FTTH deployment, new partner-models

Legacy shutdown opportunity (Spain cooper decommission in 2024)

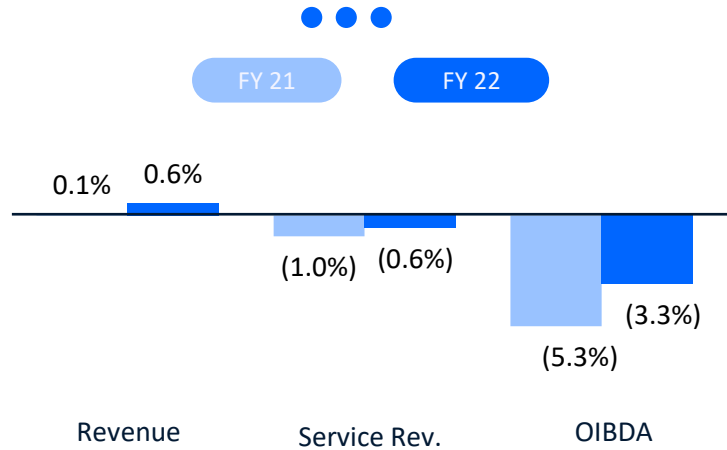
Active tax management, proactive debt refinancing adding to FCF



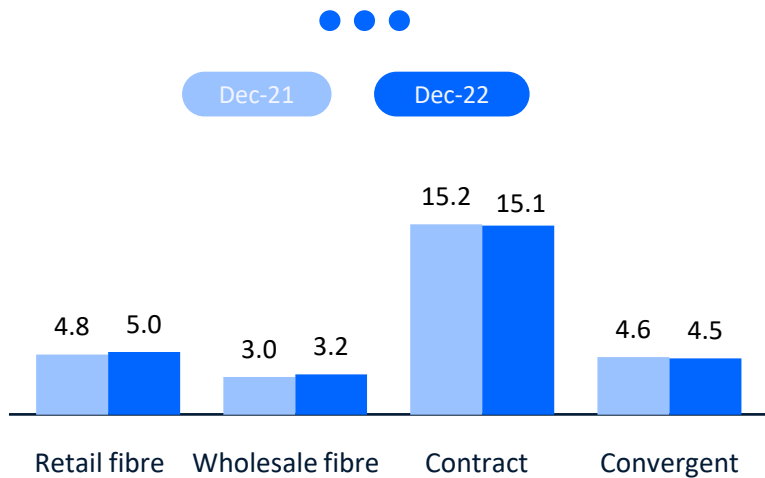
KPIs



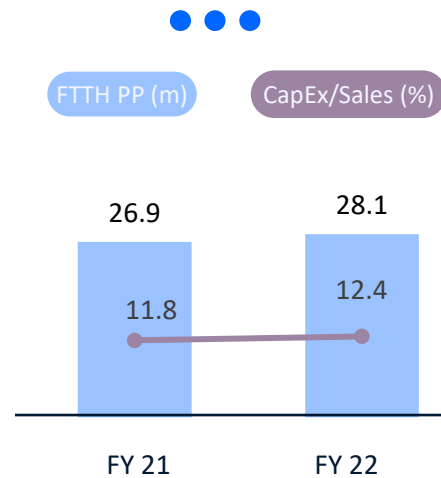
Revenue & OIBDA growth (y-o-y organic)



Accesses (m)



CapEx/Sales (organic) & Coverage



Reinforced leading position in a more rational market

Business turnaround
Superior value, leading NPS & churn
Defended revenue share

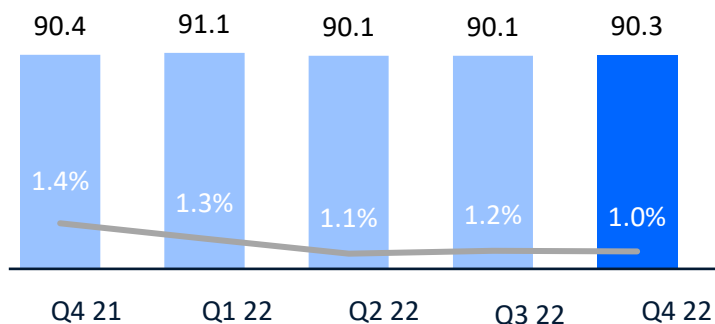
Service revenue stabilised
Retail revenue recovery
Top wholesale player
Exceling in efficiency

Stronger NGN (FTTH & 5G)



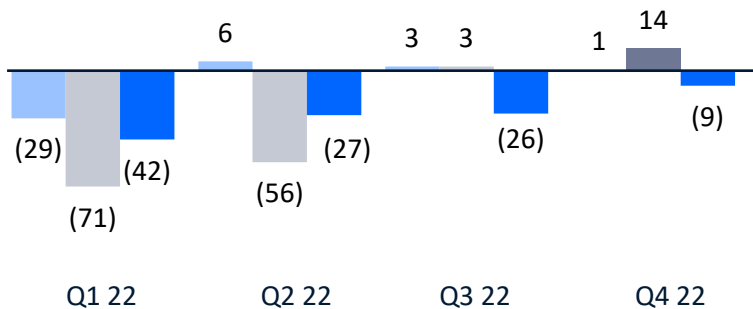
Convergent KPIs

ARPU (€) Churn (%)



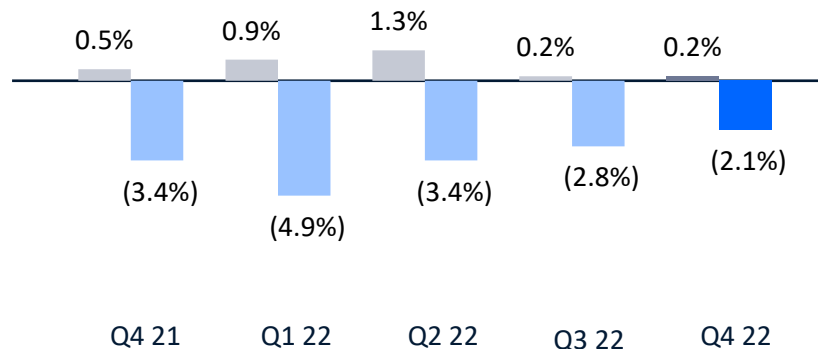
Net adds (k)

FBB Postpaid Convergent



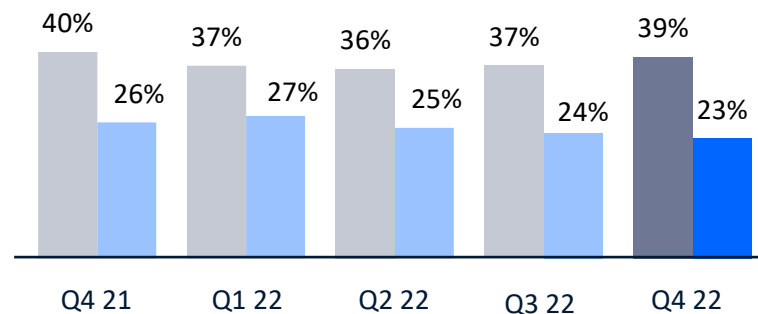
Revenue & OIBDA growth (y-o-y organic)

Revenue OIBDA



Margins (organic)

OIBDA OIBDA-CapEx



Service revenue back to growth after 3 years

Improving KPIs in a rational market
(leading NPS 42%;
lowest churn since Q1 15)

FBB & contract net adds in Q4 22

Tariff update in Q1 23 (+6.8% avg)

Service Rev. +0.6% y-o-y in Q4 22

OIBDA trend improved sequentially

Benchmark (OIBDA-CapEx)/sales (25% FY 22)

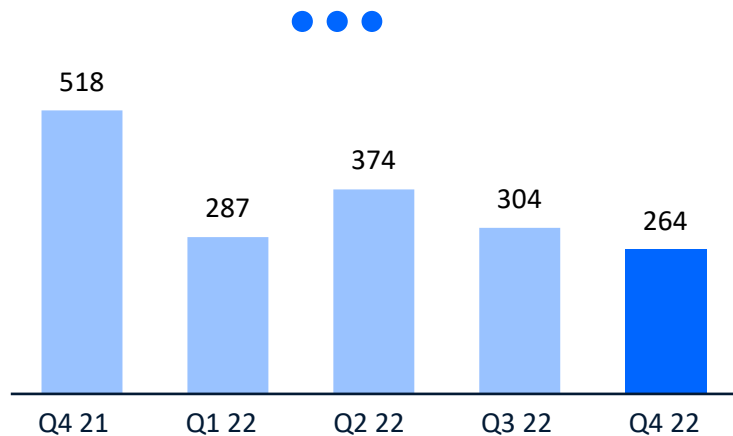
Supporting circular economy
(buyback of devices)



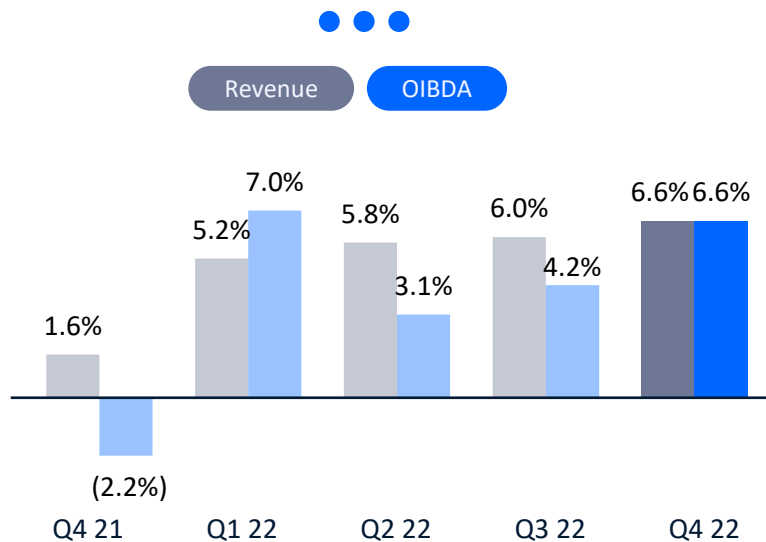
Germany



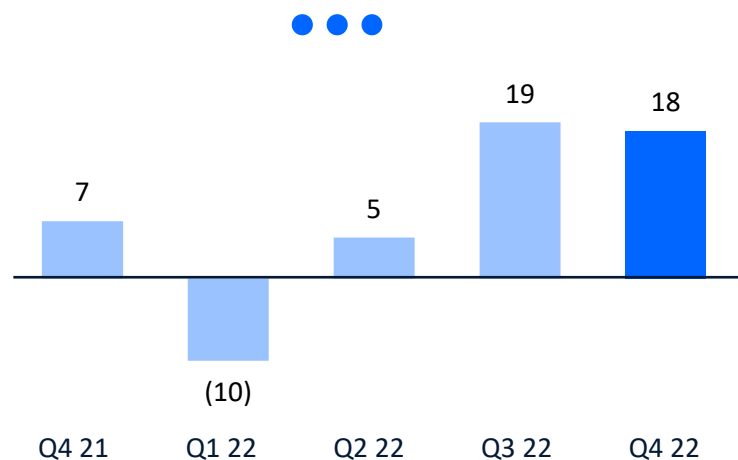
Postpay net adds (k)



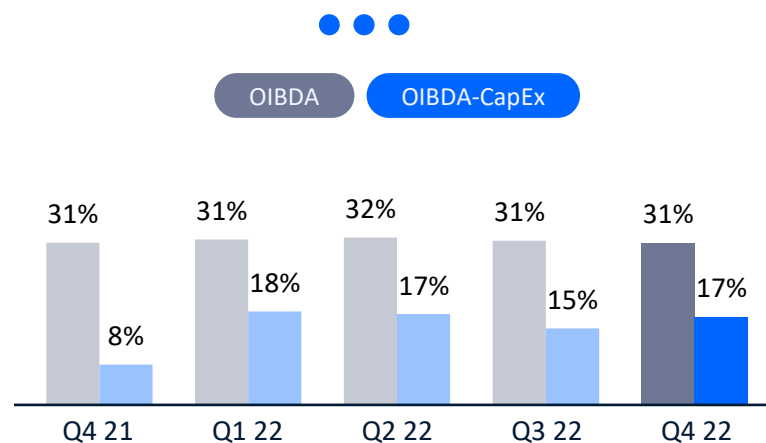
Revenue & OIBDA organic growth



Fixed BB net adds (k)



Margins (organic)



Solid commercial traction & sustained financial momentum

Successful completion of 3-yr 'Investment for Growth' programme, 5G pop coverage >80%

3rd time in a row 'very good' in connect magazine's mobile network test

Sustained Revenue and OIBDA growth on strong own brand performance

M4M announced for 'O2 Mobile' portfolio

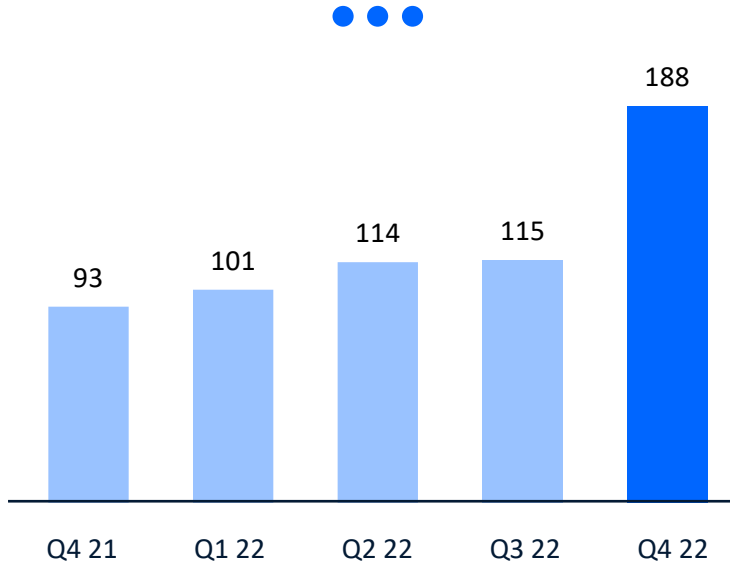
ESG leadership: Ranked 3rd in sector by Sustainalytics & included in Bloomberg GEI



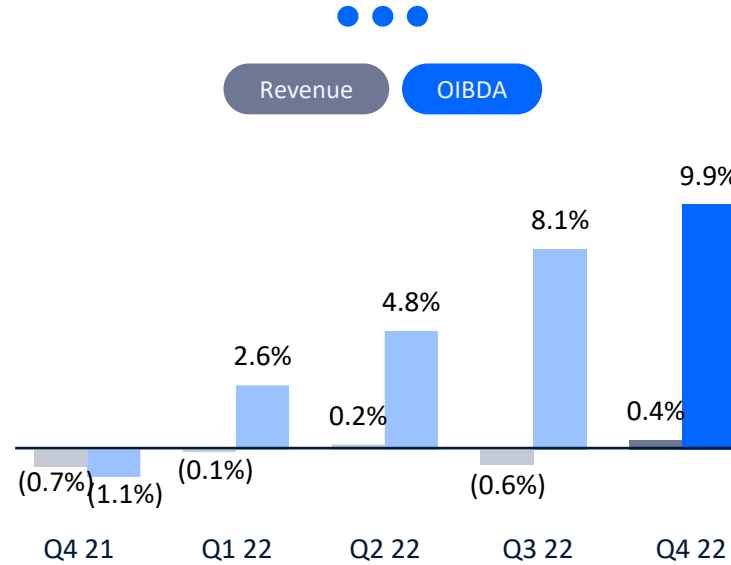
Virgin Media O2



Fixed network build (k PPs)



Revenue & OIBDA growth (y-o-y organic)



Improved growth and operational progress

Strong customer growth

1.3m Volt converged customers

16.1m PPs; 5G in >1.6k towns & cities

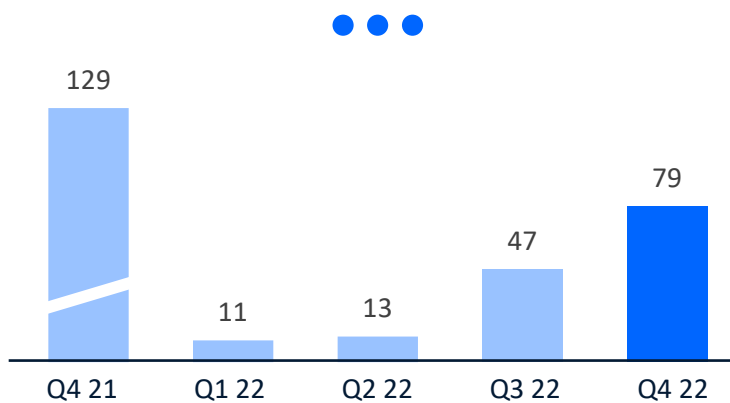
Q4 22 revenue and OIBDA growth

Synergies target exceeded: 30% of annualised run-rate

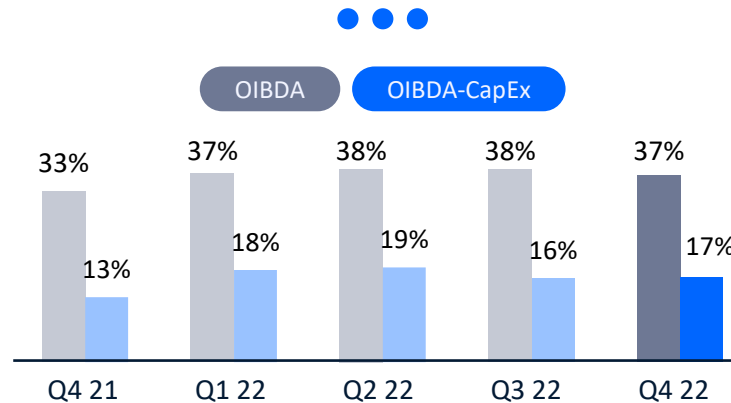
Achieved "Advancing level" in the Carbon Trust's Route to Net Zero



Postpay net adds (k)

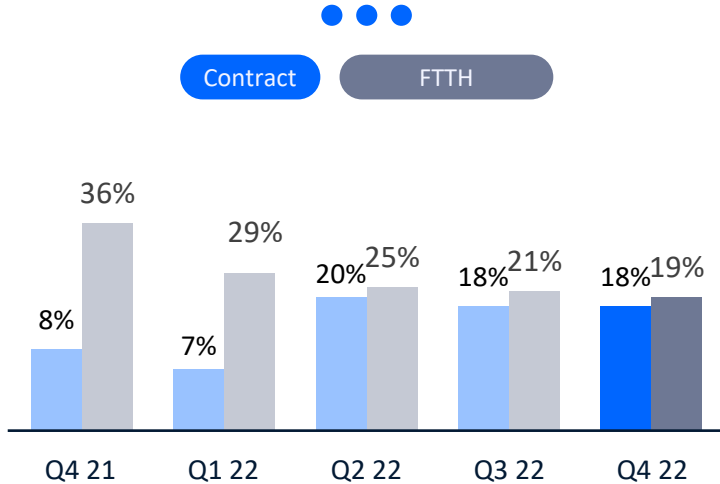


Margins (organic)

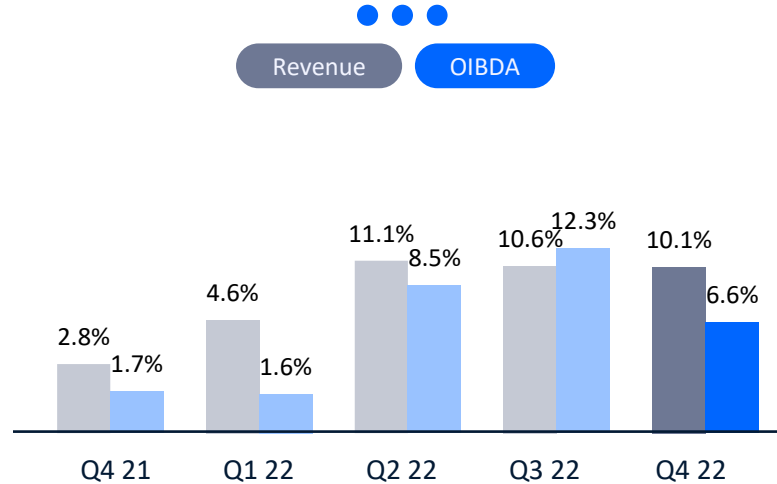




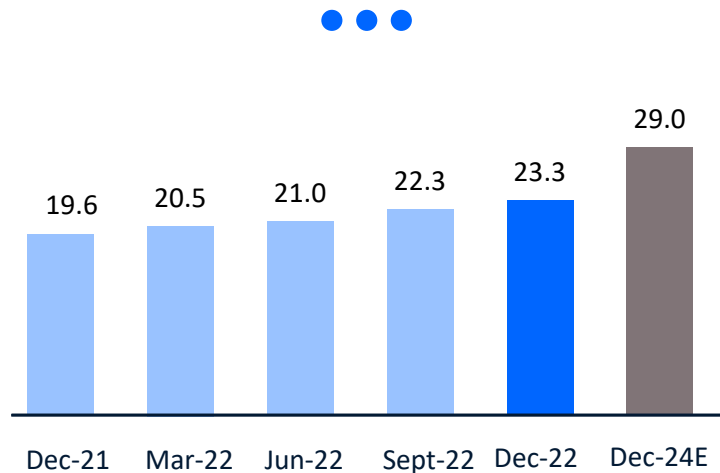
Accesses growth (y-o-y)



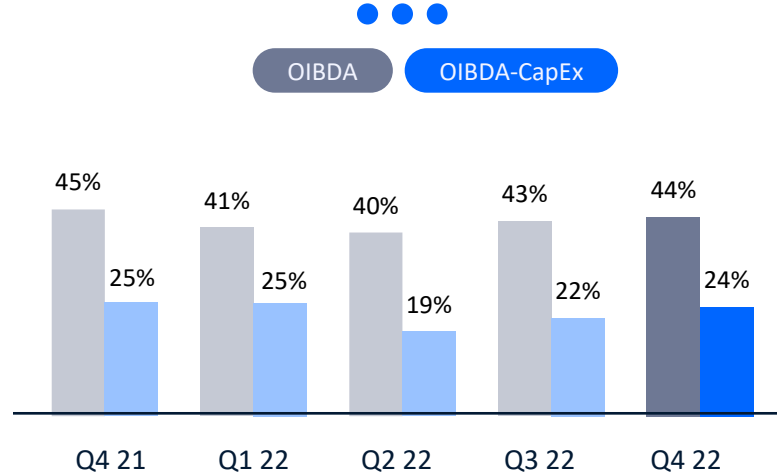
Revenue & OIBDA growth (y-o-y organic)



FTTH Premises passed (m)



Margins (organic)



Double digit growth in Q4 revenue & total accesses

Strengthened leadership in FTTH & contract

Revenue +31% / OIBDA +27% (Q4 22 in € terms)

Organic OIBDA margin >40% in Q4 22

20% CapEx/Sales FY 22: investment peak

OIBDA-CapEx +5.1% in FY 22

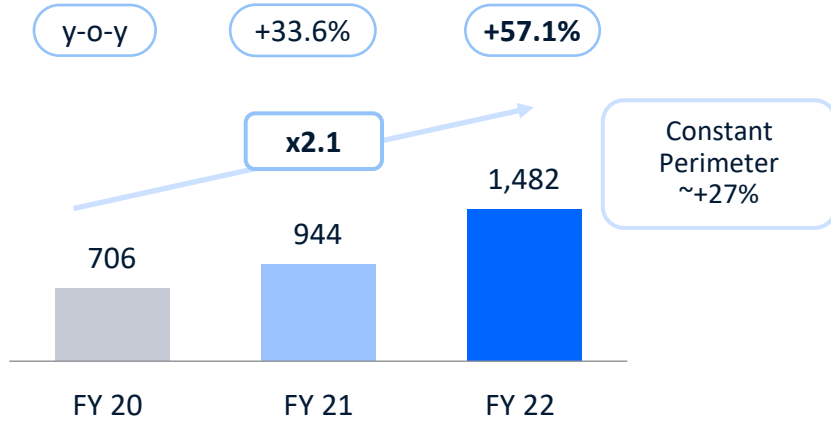
Leader in ESG ratings: CDP A List, Bloomberg GEI, 2nd on ISE B3





Tech, strong growth on resilient demand of next generation IT

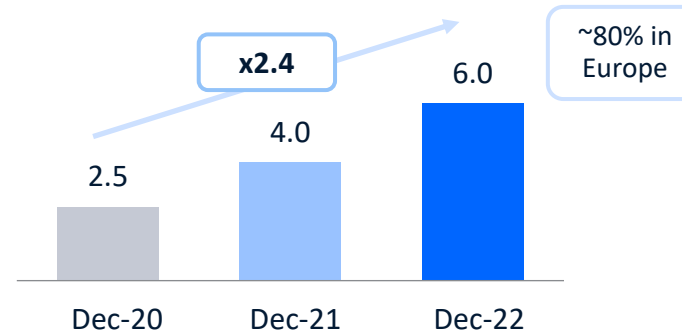
T. Tech Revenue (€m)



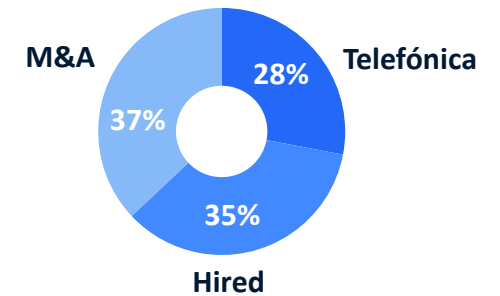
- **Strong commercial activity** across businesses
 - FY 22 Bookings >+50% y-o-y
- **Revenue profile improved** (constant perimeter + M&A)
 - Higher weight of Managed & Professional Services
 - Better-balanced footprint
- **New partners on board:** Qualys, Checkpoint, Livall
- **Reinforced credentials** by increasing customer base, Partners' accreditations and Industry Analysts recognition

Our people, our asset

Headcount evolution (k)



Talent Source



Excellent Delivery

Strong capabilities and highly skilled team

Very Strong by GlobalData

Managed Hybrid Cloud & Security Services

Leader by Gartner

Magic Quadrant Managed IoT Connectivity Services (9th consecutive year)

Sustainable Portfolio

Wide partner ecosystem

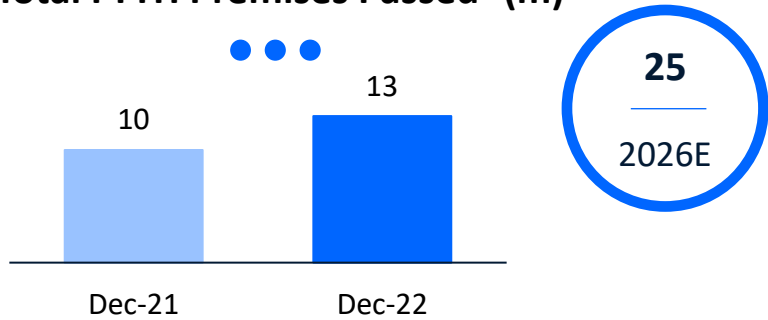


~60% of portfolio certified as ECOSMART Cyber + Cloud + IoT + Big Data + AI

● ● ● Infra, leading portfolio of FibreCos and critical infrastructure

Continued progress in roll-out expansion

Total FTTH Premises Passed¹ (m)



<p>DEAL COMPLETE</p> <p> Bluevía</p> <ul style="list-style-type: none"> • 3.9m PPs as of Dec-22 • Green connectivity to rural underserved areas 	<p>DEAL COMPLETE</p> <p> nexfibre</p> <ul style="list-style-type: none"> • 24k PPs in Q4 22 • Accelerating roll-out to boost digital inclusion 	<p> ONNET FIBRA</p> <ul style="list-style-type: none"> • 3.7m PPs in FY22 • Wholesale agreements with Direct TV and Entel
<p> UG</p> <ul style="list-style-type: none"> • Operations in 8 Länder • MoUs to deploy 720k premises 	<p> FIBRASIL</p> <ul style="list-style-type: none"> • 3.3m PPs as of Dec-22 (+1.3m PPs in FY22) • Wholesale agreements with Sky and Vero 	<p> ONNET FIBRA</p> <ul style="list-style-type: none"> • 2.4m PPs in FY22 (market leaders in FTTH) • Liwa wholesale agreement

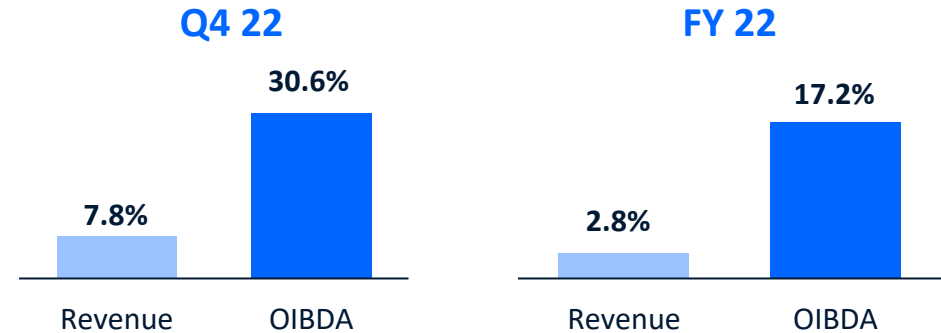
Successful execution of FibreCos at attractive valuations
eg. Bluevía 2.5 Bn EV @27.1xOIBDA; TEF retains 55% stake

¹ Included in the total Group's FTTH PPs
² Constant perimeter (excluding tower business)

Combining profitability and growth

TELXIUS

- Growing financials² (y-o-y organic):



- €421m revenue in FY22 (mainly USD); +12.6% reported y-o-y
- €218m OIBDA, 52% margin FY22 (+6 p.p. y-o-y); +30.3% reported y-o-y
- Deployment of new cable Tikal (Guatemala/USA), partnership with AMX
- 70% T. Infra and 30% Pontegadea after jointly acquiring KKR's stake **DEAL COMPLETE**

Q4 22 Results

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

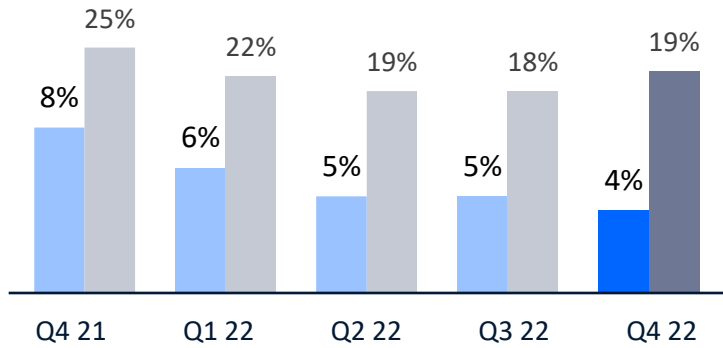


T. Hispam, value growth & improved returns

Accesses Growth (y-o-y)



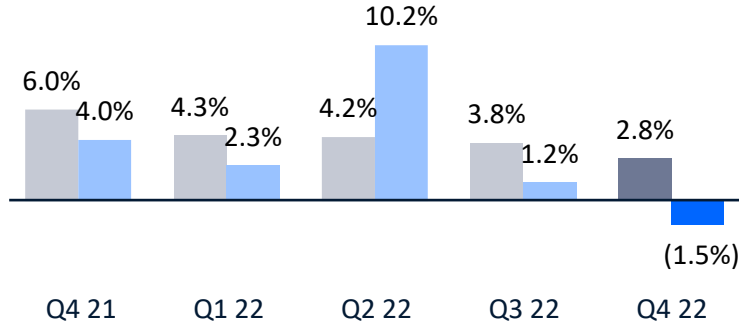
Contract FTTH & Cable



Revenue & OIBDA growth (y-o-y organic)



Revenue OIBDA



KPIs and OIBDA-CapEx growth



1m contract & 0.8m FTTH net adds in FY 22

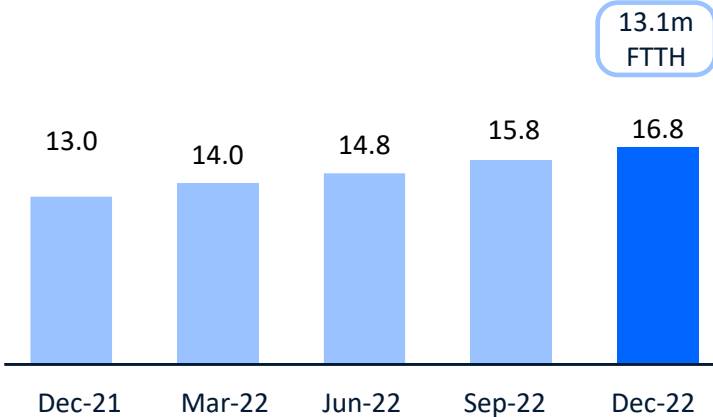
Focus on value-led ARPU growth

FTTH transformation boosted by InfraCos

OIBDA-CapEx +2.0% in FY 22

“Internet for all” connecting 3m people & receiving industry recognitions

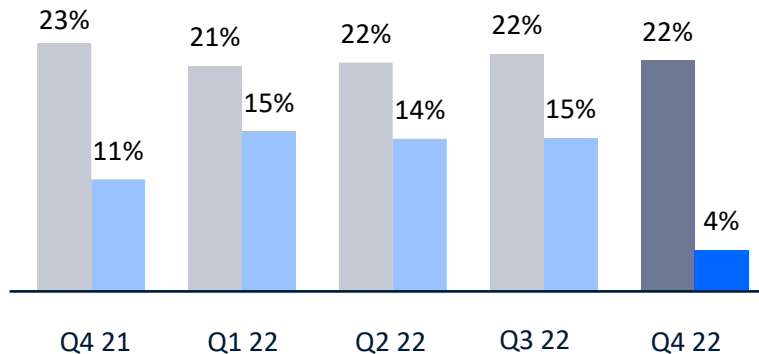
FTTH & Cable premises passed (m)



Margins (organic)

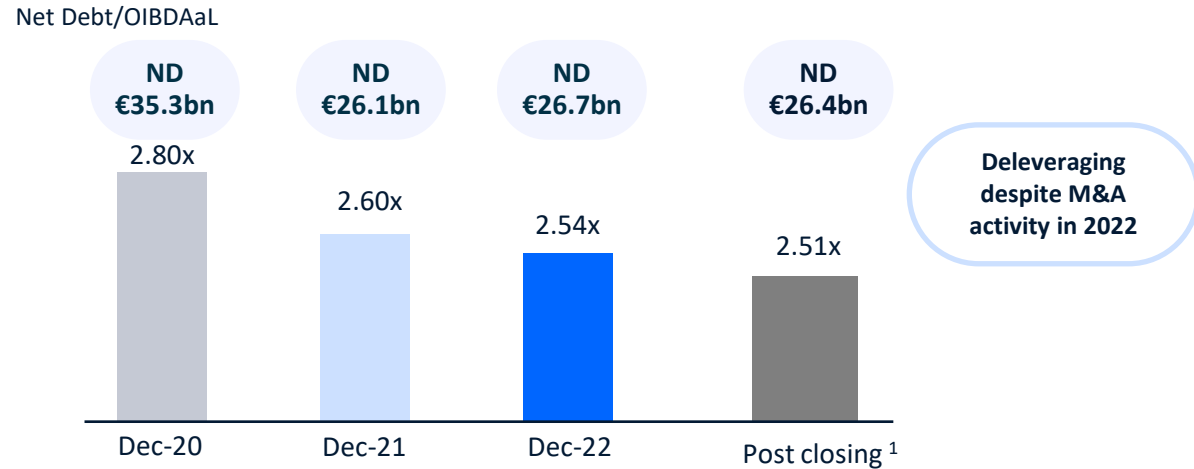


OIBDA OIBDA-CapEx



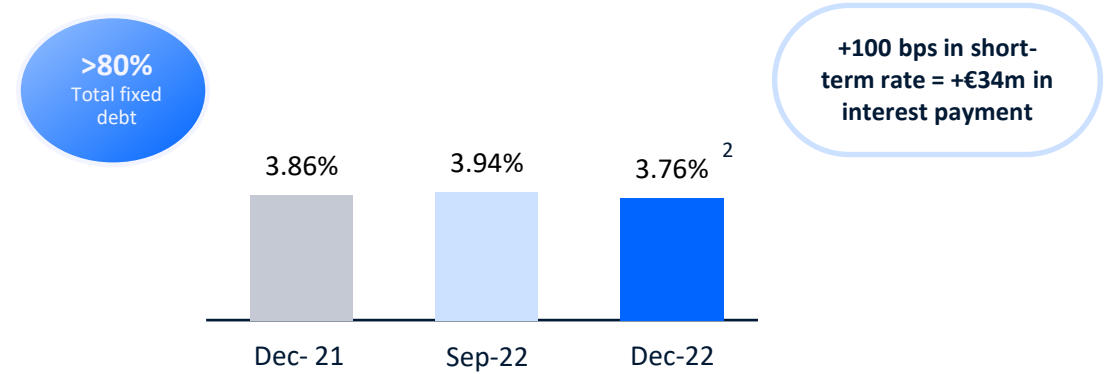
Deleverage trend confirmed, contained cost and sound liquidity

Deleverage trend confirmed



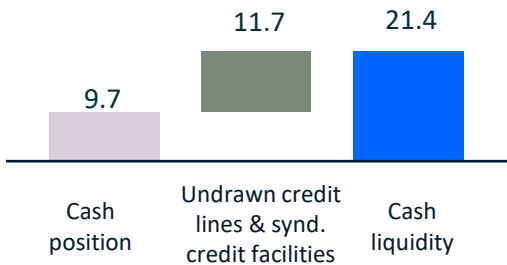
Contained interest payment cost

Total interest payment cost ex leases

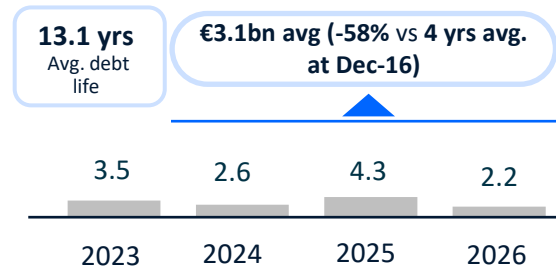


Comfortable liquidity position

Liquidity cushion, Dec-22 (€bn)

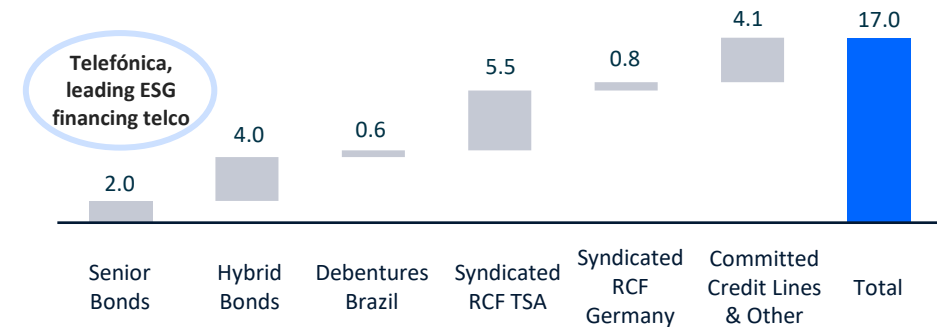


Gross debt maturities, Dec-22 (€bn)



Outstanding ESG financing at €17bn

Sources of ESG Financing as of Feb -23 (€bn)



¹ Including net proceeds from the recovery of Telxius tax payments in advance, after the acquisition of an additional stake in Telxius and the impact from the fibre assets acquisition by FibreCo Chile.

² Excludes extraordinary items, mainly the tax refund.

Conclusions

Mr. José María Álvarez-Pallete
Chairman & CEO

● ● ● 2023 guidance

2023 guidance

organic and including 50% of VMO2

Targets	2023
Revenue	"Low single digit growth"
OIBDA	"Low single digit growth"
CapEx/Sales (ex spectrum)	~14%

Boost profitable growth
Double down on simplicity
Decreasing Capex/Sales ratio

Shareholder remuneration

2023 Dividend	€0.3/share (cash)
Dec-23	€0.15/sh. (cash)
Jun-24	€0.15/sh. (cash)

2023 calendar payments
Jun-23 €0.15/sh.; cash
Dec-23 €0.15/sh.; cash
● ● ●
0.4% treasury stock cancelled¹

1. The adoption of the corresponding corporate resolutions will be proposed to the AGM for the cancellation of the shares representing 0.4% of the share capital held as treasury stock (June 30th, 2022).



Evolving our framework and boosting ambitions for 2023

Strategic pillars

1

Core Markets



Drive **profitable growth**, from leading players in attractive, at-scale markets

2

Telefónica Tech



Sustain Growth & **crystallise value**, by focusing on being a digital B2B specialist

3

Telefónica Infra



Unlock value from TEF **digital infrastructure**, accelerating deployments and enabling further monetisation

4

T. Hispam

Sustainable regional player, providing **optionality** for the group

5

Value-Adding Group

Scaled group, focusing on driving shareholder **value, power & simplicity**

Vision & ambition



Summary

2022



- **We delivered on updated 2022 guidance** despite a challenging context
- **Executing on strategy**; strong performance sustaining organic growth and smart capital allocation
- **Sound FCF generation** proves the effectiveness from more flexible operations and a right financial strategy
- **Solid sustainability record**; validated by 3rd party ratings; sector leader in sustainable financing
- **At the forefront for the future on digital capabilities**; leveraging NaaS

Q4 22



- **Robust and future-proof networks**; technological leader in fibre
- **Sequential improvement** in y-o-y organic growth in **revenue, OIBDA & OIBDA-CapEx**
- **Record FCF and net debt reduction** reflecting tax refund and Bluevía 45% stake sale

2023



- **Guidance** “low single digit growth” in Rev/OIBDA, 1 p.p. reduced CapEx intensity, sustained cash dividend
- **Changing connectivity paradigm** through differentiated connectivity
- Pursuing a fairer **regulatory environment**



Results presentation and Q&A Session



Telefónica's management will host a webcast on
23 February at 10:00 AM (CET), 9:00 AM (GMT), and 4:00 AM (EST)



Participants from Telefónica

- **José María Álvarez-Pallete** | Chairman & CEO
- **Ángel Vilá** | COO
- **Laura Abasolo** | CFCO & Head T. Hispam
- **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.](#)



A List
2022



Bloomberg
GEI 2023

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Member of DJSI
Europe



1st in sector
2022



1st company worldwide in 2021
Digital Inclusion Benchmark

For further information, please contact:

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