



RESULTS

JAN | JUN 2022

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Key takeaways

Mr. José María Álvarez-Pallete
Chairman & CEO



Strategic focus helps improved growth momentum



Accelerated revenue & OIBDA growth (Q2 y-o-y reported and organic)



Over-delivery in H1
Moving to mid-to-high end of guided range despite toughened context



Proactively managing macro challenges



Reaping benefits from new operating model



Good performance across markets



- **Spain;** progressively improving OIBDA y-o-y; miMovistar portfolio gaining traction
- **Brazil;** Strengthened leadership, improved financial and operational momentum
- 1st anniversary of **VMO2** integration, on track to deliver £6.2bn NPV on synergies; back to revenue growth; improved KPIs, accelerating investments
- **Germany;** good progress in 5G rollout (50% pop) and sustained financial performance



Opportunities



- **T. Infra,** sale of 45% of Bluevia, fibre wholesale provider in Spain rural areas
- **T. Tech,** strong operational momentum and successful acquisition integration; interest from different investment ecosystems
- **T. Hispam,** leaner operational model, more favourable framework, increased optionality
- **Spain;** in-market consolidation prospects, ERF opportunity
- **Room for improving regulation in Europe**
- **Kernel:** enabler ecosystem for the sector aiming a bigger stake of digital economy

Contribution to society via our network reach, our P&S and our social efforts to make technology more accessible



Improving trends, value accretive growth

Q2 Revenue

y-o-y organic

+5.2%



+2 p.p. q-o-q; back to growth in all OBs
Robust Service revenues (+1.9 p.p. q-o-q)

Q2 OIBDA

y-o-y organic

+3.4%



+1.3 p.p. sequential improvement
despite inflationary pressures

Q2 CapEx/Sales

organic

13.9%



Q2 CapEx +2.4% y-o-y org
H1 (OIBDA-CapEx)/sales +0.2 p.p.

FCF H1

€1,348m



Net debt €28.8bn
+€1.4bn q-o-q reflecting Oi + BE-Terna



Ramping-up reported revenue & OIBDA growth (y-o-y)

- Back to y-o-y reported revenue growth since Q3 19; +0.8% y-o-y
- OIBDA growth (underlying) improved sequentially by 8.6 p.p.
- June y-o-y underlying: revenue +12.1%, OIBDA +4.5%
- Resilient B2B growth leveraging on competitive advantages
- Increasing contribution from digital ecosystem development



Expanding FTTH and 5G footprint; enhancing value proposition

- World leadership (ex-China): 164.7m UBB PPs (+6% y-o-y)
- 5G; population coverage in Spain at c. 83%, c. 1,500 cities covered in Germany, and over 600 (cities/towns) in UK



Strong FCF, sequential improvement (€835m in Q2 22)

- H1 22 +48.2% y-o-y



FX trends increasingly supportive

- +5.3 p.p. and +1.4 p.p. to Q2 y-o-y revenue & OIBDA



Strengthened balance sheet; guaranteed solvency

- Smoothing maturity profile; liquidity >2yrs debt coverage
- Avg. debt life 12.8yrs; fixed rates 76%
- €27.8bn net debt as of Jun-22 after post closing events



Key financial metrics

€ in millions	H1 22		Q2 22	
	Reported + 50% VMO2 JV	Organic y-o-y	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	22,402	4.2%	11,519	5.2%
OIBDA	7,465	2.7%	3,712	3.4%
OIBDA-CapEx (ex-spectrum)	4,480	5.3%	2,045	4.1%

€ in millions	H1 22		Q2 22	
	Reported	Reported y-o-y	Reported	Reported y-o-y
Revenue	19,450	(4.2%)	10,040	0.8%
OIBDA	6,345	(62.4%)	3,146	(76.6%)
OIBDA Underlying	6,228	(7.9%)	3,157	(3.5%)
Net Income	1,026	(88.1%)	320	(95.9%)
FCF (incl. leases principal payments)	1,348	48.2%	835	(4.8%)
Net Financial Debt ex-leases	28,817	8.0% ¹		

¹ Y-o-y change with reported net debt in H1 21 adjusted for Q4 21 Telxius transaction impacts.

Positive FX impact H1 FCF €127m			Changes to the perimeter (VMO2, TLXS towers, C. Rica, El Salvador)		
€ (m)	H1 22	Q2 22	€ (m)	H1 22	Q2 22
Revenue	768	526	Revenue	(2,708)	(1,115)
OIBDA	283	187	OIBDA	(999)	(411)

Accelerated momentum trends despite challenging macro

T. Tech Q2 revenue +64.8% y-o-y

 UK

Reported y-o-y	Q1 22	Q2 22
CPI (avg.)	6.2%	9.2%
Revenue	+4.3%	+1.9%
OIBDA	+6.5%	+7.5%

 Germany

Reported y-o-y	Q1 21	Q2 22
CPI (avg.)	6.1%	8.3%
Revenue	+5.2%	+5.8%
OIBDA	+9.6%	+3.4%

 Spain

Reported y-o-y	Q1 22	Q2 22
CPI (avg.)	7.9%	9.1%
Revenue	+0.9%	+1.3%
OIBDA	(4.9%)	(3.4%)

Managing inflationary pressures

Revenue growth management

Energy costs (4% of OpEX); variable, fixed and hedged contracts

High energy efficiency (fibre +85% vs copper; 5G +90% vs 4G)

Renewable LT agreements; 100% electricity renewable sources

Moderate wage cost base (13% o/rev)

Lease cost (6% o/rev); not all inflation-linked

Best in class CapEx/Sales (up to 15%)

Hispanam

Reported y-o-y	Q1 22	Q2 22
CPI (avg.)	5.4%	6.9%
Revenue	+9.7%	+18.4%
OIBDA	+6.7%	+33.4%

 Brazil

Reported y-o-y	Q1 21	Q2 22
CPI (avg.)	10.7%	11.9%
Revenue	+18.1%	+34.9%
OIBDA	+14.6%	+17.0%

Q1 Revenue and OIBDA adjusted for organic criteria ex FX related impacts

Hispanam CPI: average of countries ex VZ and ARG weighted by OIBDA weight in each country



Updating 2022 guidance; dividend confirmed

2022 guidance

organic and including 50% of the JV in 2022 and 2021

Targets	2021 Base	Initial 2022 guidance	Updated 2022 guidance	H1 22
Revenue	€42,452m	“Low single digit growth”	“High-end of low single digit growth”	4.2%
OIBDA	€14,127m	“Low single digit growth”	“Mid-to-high-end of low single digit growth”	2.7%
CapEx/Sales (ex spectrum)	14.7%	Up to 15%	Maintained up to 15%	13.0%

Shareholder remuneration

2022 Dividend	€0.30/share
Interim Dec-22	€0.15/sh. (cash)
Final 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

June payment

74.5% of shareholders
opted for new shares

0.4% treasury stock
to be cancelled

Advancing towards our **sustainability targets**

Environmental

Social

Governance

Key Targets

- ▶ **Net-zero** by 2040 (scopes 1, 2 & 3)
- ▶ **Zero-waste** by 2030
- ▶ >50m tCO₂ avoided customer emissions by 2025

- ▶ **90-97%** MBB rural coverage by 2024¹
- ▶ **33%** female executives by 2024
- ▶ **Zero gender pay gap** by 2050

- ▶ **Zero-tolerance** of corruption
- ▶ **~25% financing² linked to sustainability by 2024**
- ▶ **Parity³** in top governing bodies by 2030

Examples of our progress

Reducing our carbon footprint:

- 1st in sector to receive SBTi validation of Net-zero
- 1st in sector to participate in WEF 1tn Trees initiative - pledge to enhance biodiversity

Promoting the Circular Economy:

- Platform to stimulate the reuse of network equipment internally and with suppliers

Helping our customers decarbonise:

- Solar360 JV offering solar power for on-site use to consumers and businesses

Connecting the unconnected:

- Internet for All connects 2.5m with 4G (Peru)

Promoting employability in society:

- ~1m people trained by T. Foundation in 2022

Retaining and attracting talent:

- +1,400 digital talent acquisition at T. Tech

Mobilising employees for social good:

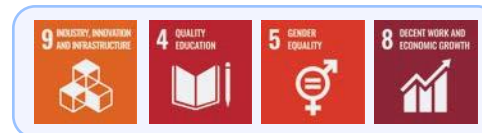
- 29k employees participated in initiatives around International Volunteering day

Increasing sustainability-linked financing:

- €1bn senior sustainable bond issuance (Group)
- 1st sustainability-linked bond issued in Brazil, tied to climate and diversity targets

Highest standards of corporate governance:

- 33% female directors on Vivo's BoD, up from 25%
- ESG training launched for all employees with our Responsible Business Principles course



¹ Includes Spain, Germany and Brazil

² Financing includes balance-sheet debt, hybrids and committed credit lines

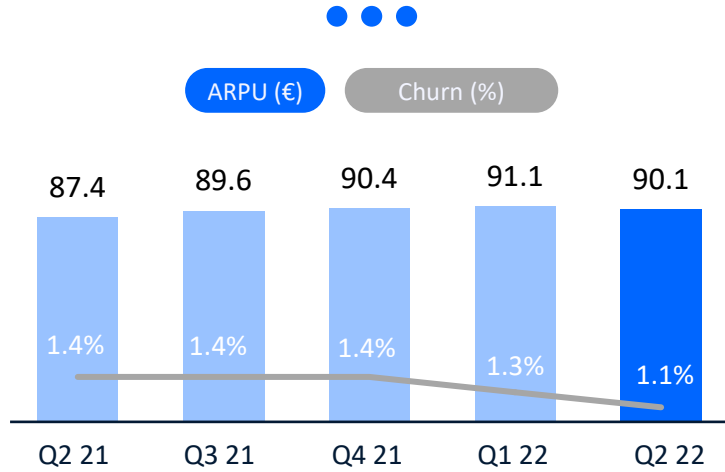
³ Parity defined as not less than 40% of each gender represented

Q2 22 Results

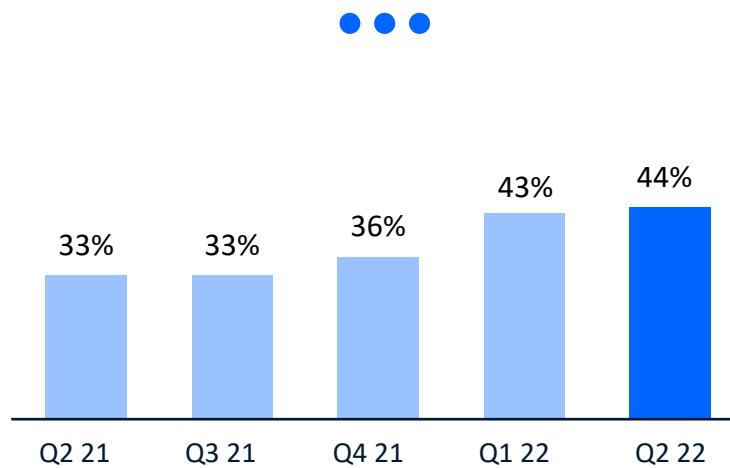
Mr. Ángel Vilá
COO



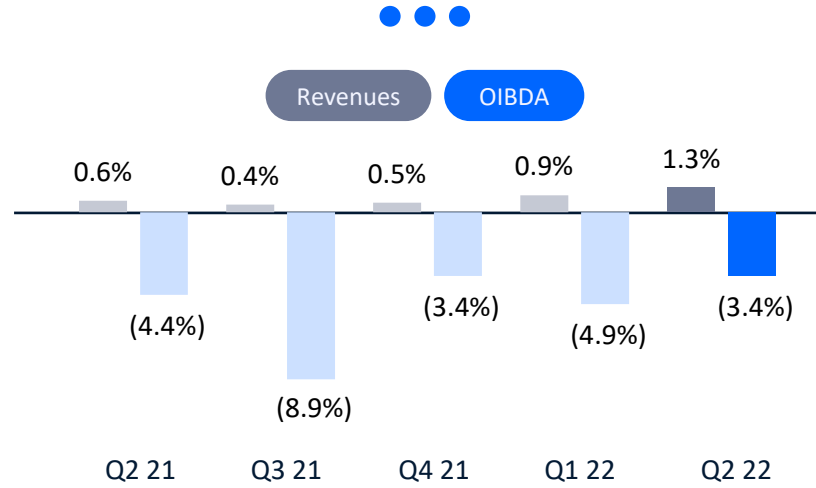
Convergent KPIs



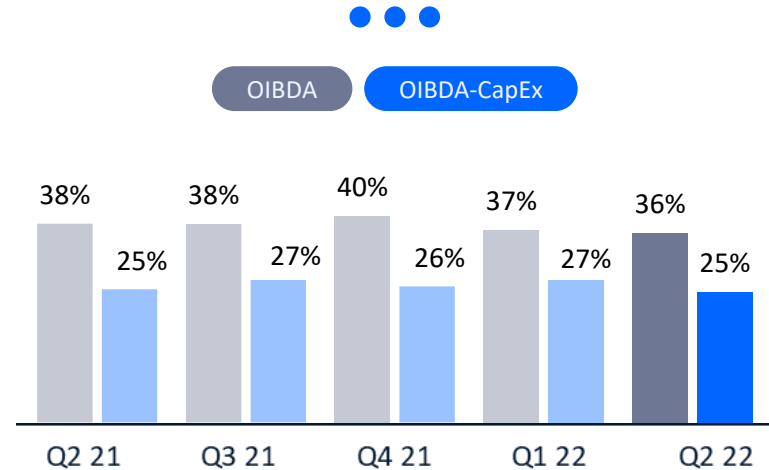
NPS



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



Margins (organic)



Trading and financials improved

Strong market positioning
Best ever NPS and lowest churn in 6 years

Operational momentum
Improved net adds q-o-q, FBB positive in Q2

Revenue y-o-y growth for 5th straight quarter

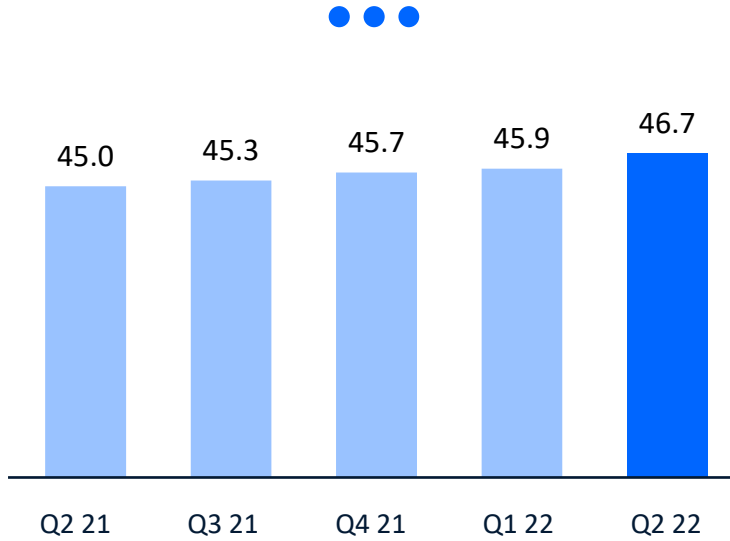
Higher efficiencies amid challenging macro backdrop

Positioned to benefit from in market consolidation

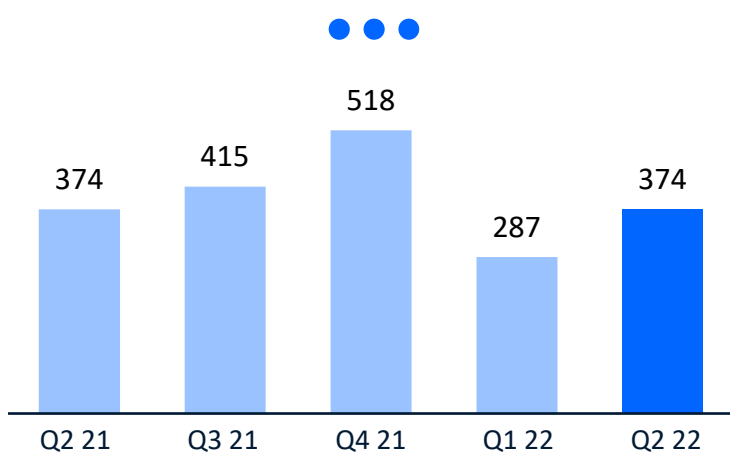




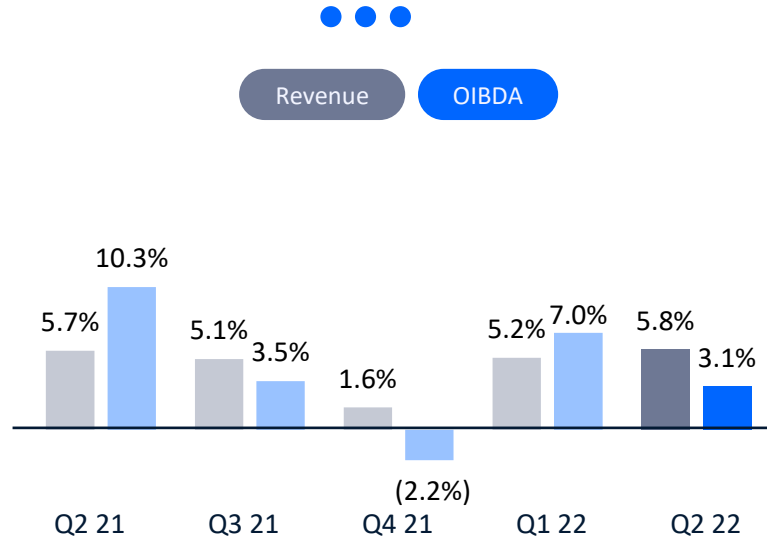
Mobile accesses (m)



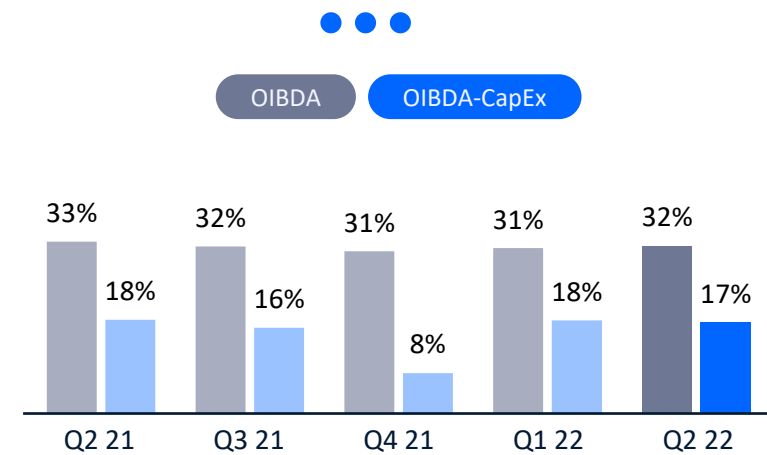
Postpay net adds (k)



Revenue & OIBDA organic growth



Margins (organic)



Continued operational traction and strong financial performance on core business strength

Raised 5G target ~60% pop coverage at YE 22 within unchanged CapEx envelope

Steady revenue & OIBDA growth

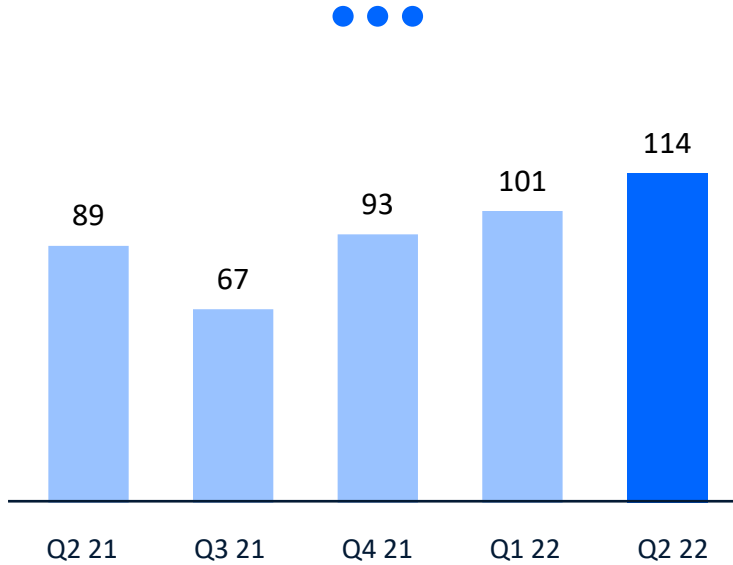
2022 OIBDA guidance upgraded



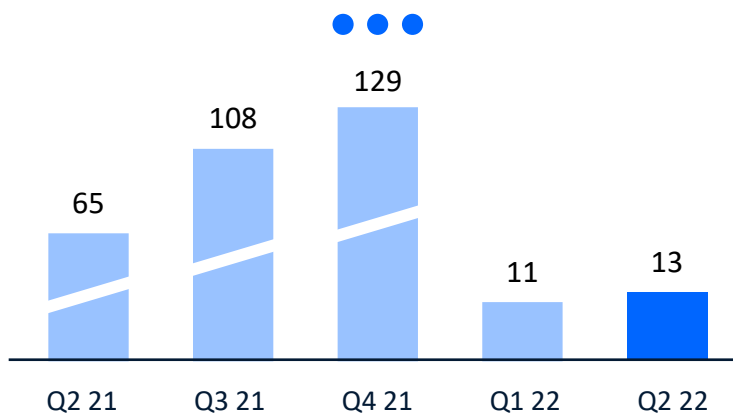
Virgin Media O2



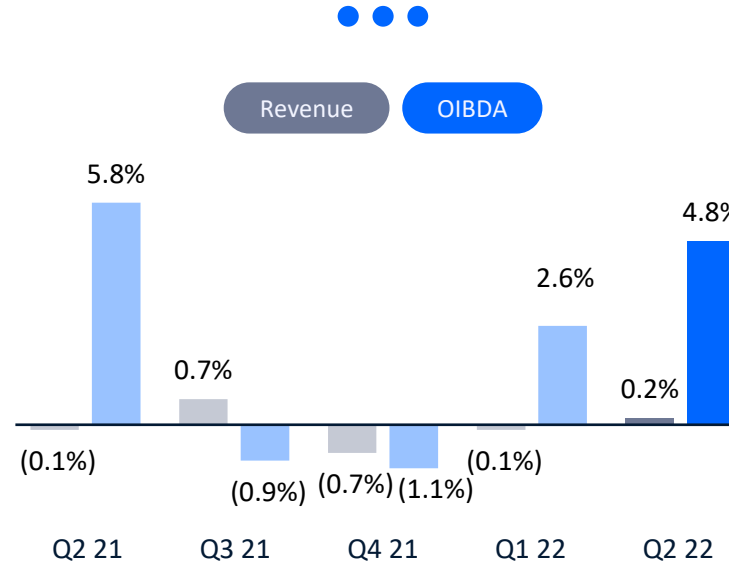
Lightning build (k)



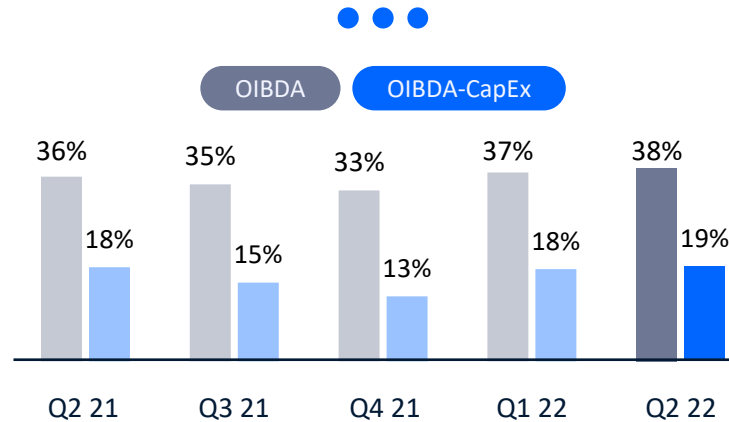
Postpay net adds (k)



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



Margins (organic)



Focus on innovation,
network investment and
synergy realisation

Improved customer growth

5G in over 600 towns & cities

New ESG strategy: The Better
Connections Plan

Revenue returns to growth
OIBDA growth accelerates

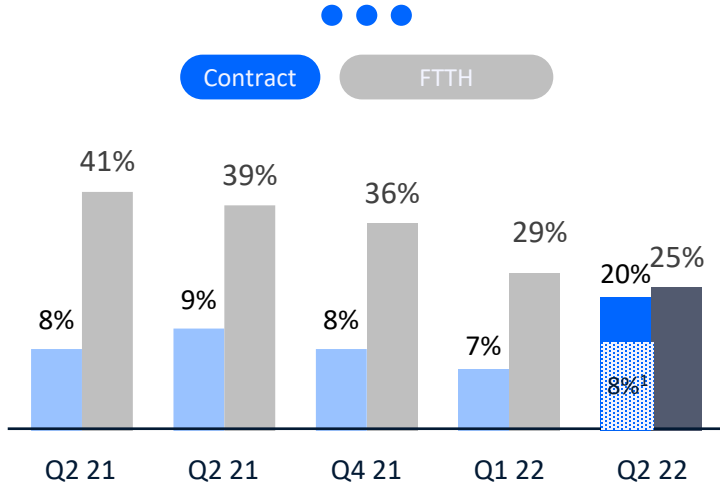
2022 guidance reiterated



All organic according with Telefonica criteria

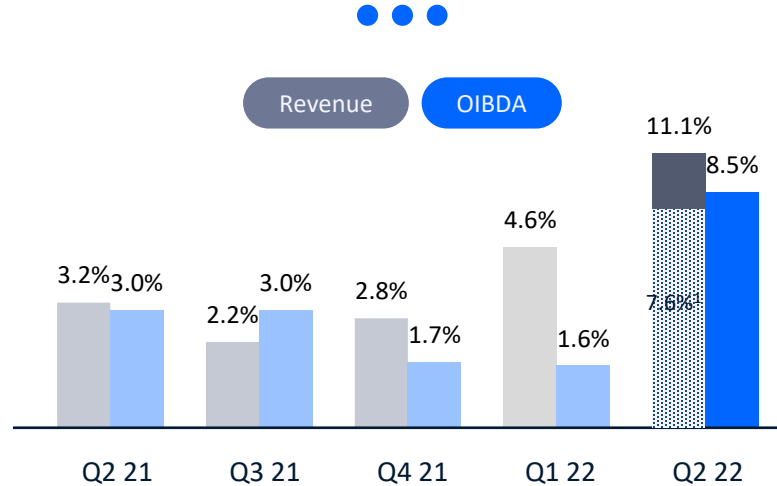


Accesses growth (y-o-y)



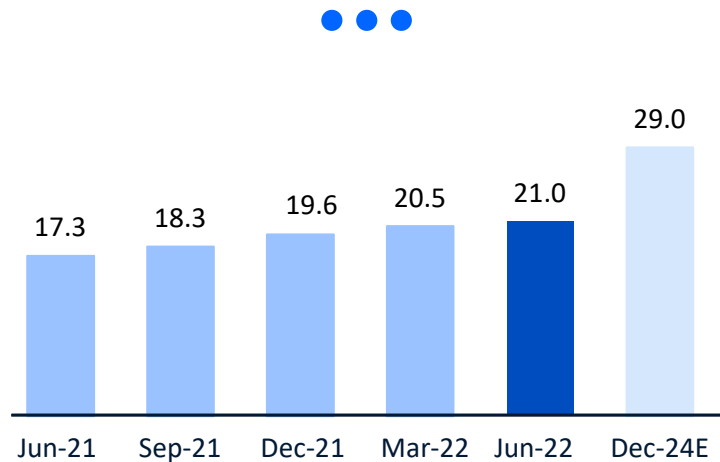
¹ Excluding Oi's mobile assets acquisition

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

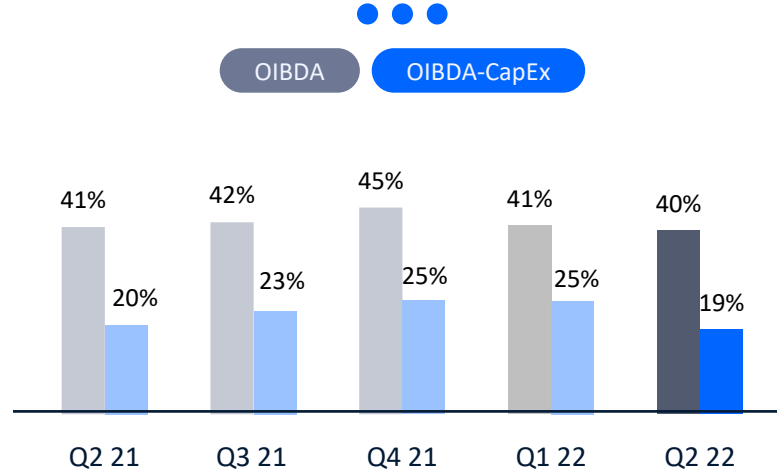


¹ Excluding Oi's mobile assets acquisition

FTTH Premises passed (m)



Margins (organic)



Strong y-o-y acceleration in Revenue & OIBDA

+34.9% revenue / +17.0% OIBDA (in € terms)

FBB reached a turning point: positive net adds for the second quarter

Contract churn at 1.0% (lowest ever)

Vivo strengthened its leadership

OIBDA-CapEx +3.8% in H1 22

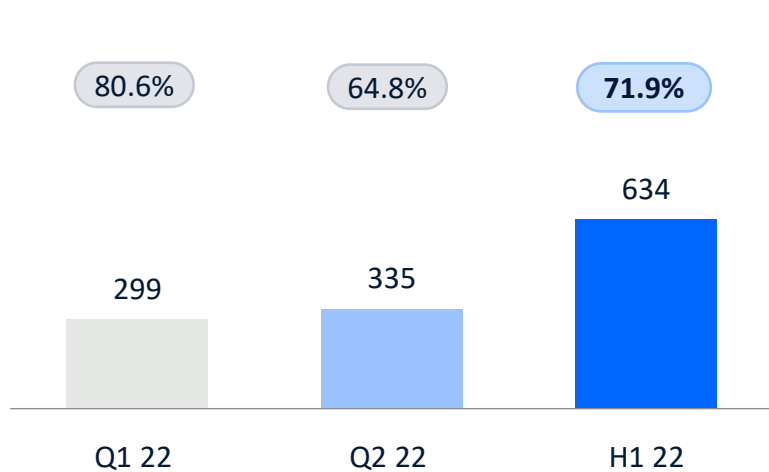




Tech, growing at scale ahead of the market

T. Tech Revenue

(€m; y-o-y)



LTM
€1,209m
(2021: €944m)

Constant Perimeter
~30% y-o-y

H1 Rev
€566m
+73.7%
y-o-y

Strong capabilities

Highly Skilled Diversified Team



~5.5k
Professionals

> 30
Nationalities

>3k
Certifications
(3rd parties technologies)

Portfolio



> 100
Products & Services
Cyber + Cloud + IoT + Big Data + AI

Strong Partners Ecosystem

Delivery



5.5m
TEF B2B
Customers

1 DOC
Digital Operations Centre

11 SOCs
Security Operations Centres

T. Cloud & Cyber Tech

- **Robust commercial performance** (Bookings >+70% y-o-y in H1) with higher weight of professional & managed services
- **New partnerships in CyberSecurity:** Netskope, Constella Intelligence, Cisco at RSA Conference 2022
- **Leader by Avasant** "Cybersecurity Services 2022 RadarView"; **Strong by Global Data** "Managed Hybrid Cloud Services"

T. IoT & Big Data Tech

H1 Rev
€69m
+59.4%
y-o-y

- **Strong commercial performance** (Bookings >+70% y-o-y in H1)
- **Excellent revenue performance in all categories** (IoT connectivity, IoT & Big Data Solutions)
- **Accelerating in specific sectors:** Water Metering, Smart Stadiums, Industry and Big Data for Public Sector
- **Leader by Global Data** "Global Industrial IoT Services"

● ● ● Infra, developing a leading portfolio of FibreCos



BlueVía

- **45% Vauban & CAA / 55% TEF** (25% T. Infra / 30% T. Spain)
- Neutral wholesale FTTH network in rural areas (T. Spain anchor client)
- Target: 5m PPs; 1.5m in the next 2yrs (3.5m brownfield; 13% of TEF's network in Spain)
- €1,021m gross proceeds for a 45% stake, strengthened financial flexibility (€0.7bn net debt reduction)
- Value crystallisation at rich multiples: 27.1x OIBDA PF2022E
- Expected closing by YE 22



UK

- **Fibre JV process**
- **50% Investor / 50% TEF - LG**
- Up to 7m greenfield PPs by 2027



- **50% Allianz / 50% TEF**
(40% T. Infra / 10% T. DE)
- Accelerated rollout & commercials
(MoUs for >380k premises)
- Target: >2m PPs in 6yrs



- **50% CDPQ / 50% TEF**
(25% T. Infra / 25% T. Brasil)
- 2.5m PPs as of Jun-22
(267k additional PPs in Q2)
- Target >6m PPs in 4yrs



- **60% KKR/ 40% TEF**
(40% T. Chile)
- 3.3m PPs as of Jun-22
(189k additional PPs in Q2)
- Target: 3.5m PPs by 22E
(2m brownfield)



- **60% KKR/ 40% TEF**
(40% T. Colombia)
- 1.7m PPs as of Jun-22
(319k additional PPs in Q2)
- Target: c.4.3m PPs in 3yrs
(1.2m brownfield)

TELXIUS

- **70% T. Infra / 30% Pontegadea¹**
- Good commercial traction:
Value of contracts signed with 3rd parties (+21% vs H1 21)
- OIBDA² growth in H1 22:
(+6.4% y-o-y organic)
(+16.0% y-o-y reported)

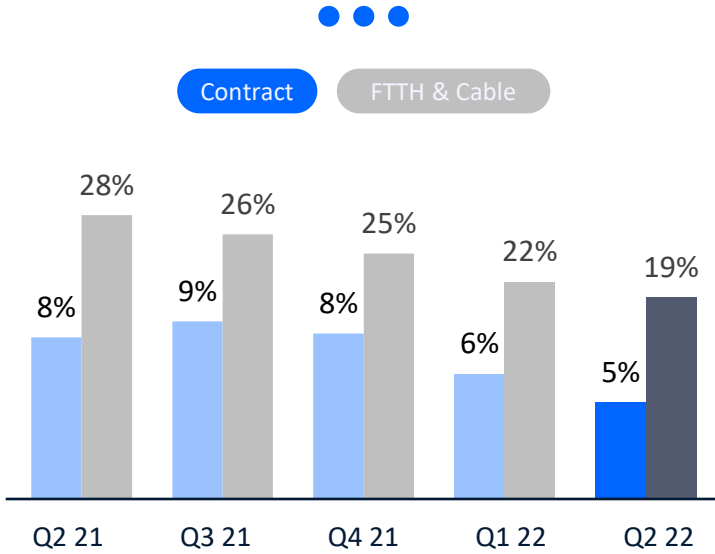
¹ After receiving full regulatory and competition approvals (expected in Q4 22)

² Constant perimeter (excluding tower business)

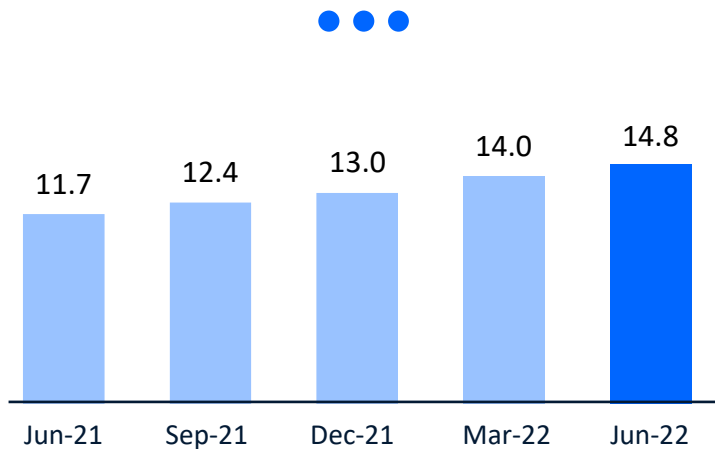
Q2 22 Results

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

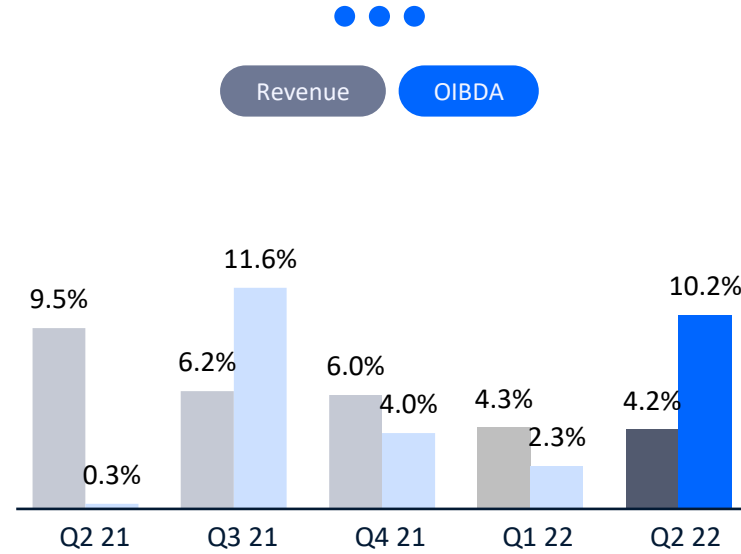
Accesses Growth (y-o-y)



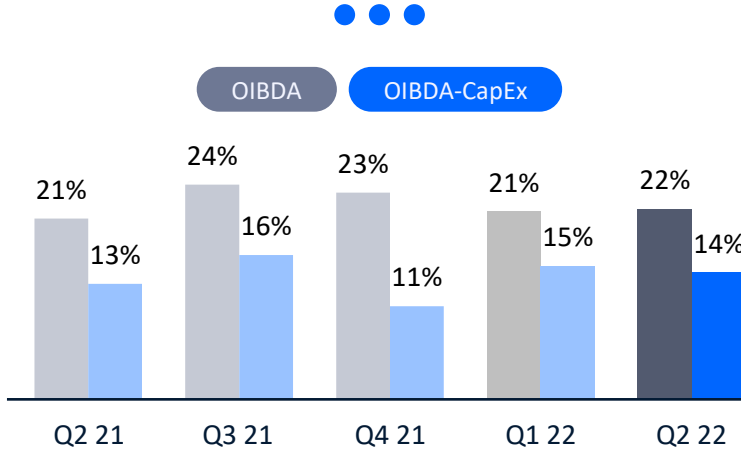
FTTH & Cable premises passed (m)



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



Margins (organic)



**Progressively improving:
Growing in value and
efficiencies**

Revs +18.4% & OIBDA +33.4% (€)

**4.6m FTTH & cable connections
(+19% y-o-y) boosted by InfraCos**

**Revenues growing in all countries, for
second consecutive quarter**





Strong Balance Sheet, prudent management

Debt Portfolio de-risked & well positioned

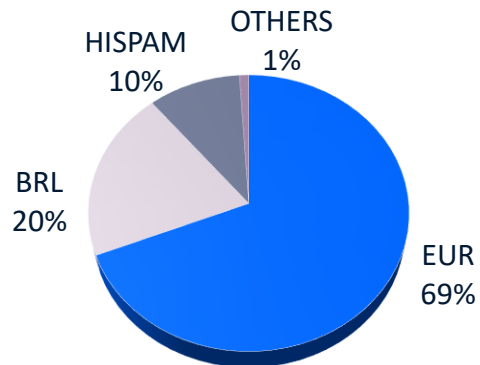
12.8 yrs
Avg. debt life

76%
Total debt fixed

4.40%
Total Interest payment cost (ex leases)

Closer FX alignment debt & FX exposure

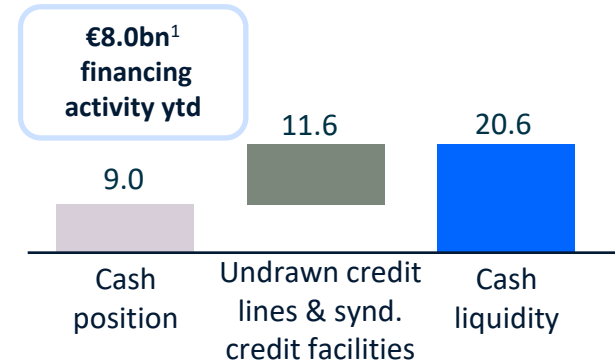
Net Financial Debt Plus Leases by Currency (Jun-22)



1. Includes €5.5bn syndicated facility, €100m reopening of an existing Telefónica bond, USD 212.4m bilateral loan signed by T. Brazil, €1bn senior sustainable bond, BRL 3,500m SLB debentures issued by T. Brasil, and a Cornerstone credit facility by GBP 0.5bn

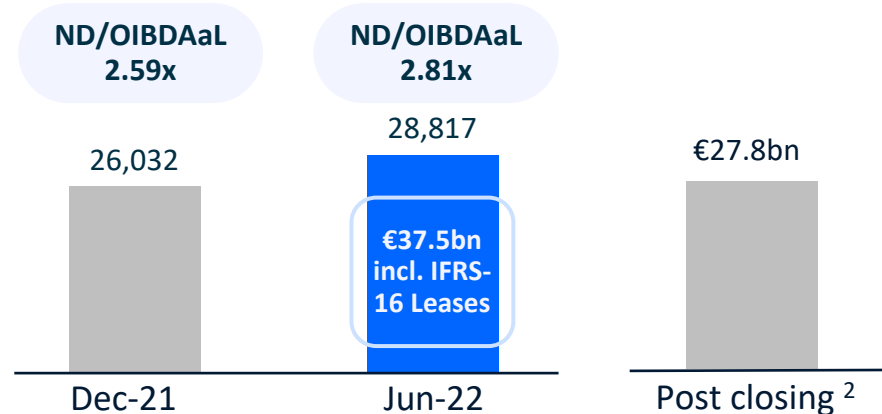
Robust liquidity

Liquidity Cushion, Jun-22 (€bn)



Current liquidity exceeds maturities beyond 2024

Net financial Debt (€m)



ND/OIBDAaL post closing stable vs Dec-21 (EoP FX OIBDA)

Shareholder's Equity +12.2% vs Dec-21 to €24.9Bn as of Jun-22

2. Including the net proceeds from the closing of Bluevia transaction (FiberCo in Spain), from the recovery of Telxius tax payments in advance, and including the acquisition of an additional stake in Telxius.

Conclusions

Mr. José María Álvarez-Pallete
Chairman & CEO



Improved growth momentum



Accelerated growth in revenues & OIBDA (reported & organic y-o-y). Return to growth in all business (y-o-y organic)

Managing inflationary & macro challenges

FX supportive through Q2 y-o-y



Commercial progress drives growth (FTTH, 5G); improved customer experience and reduced churn

Smart capital allocation; focus on investment, growth and returns

New infra vehicle created in Spain, capturing fibre growth opportunity and crystallising value

Proactive debt management, de-risking with long average debt life, rates highly fixed (76%)



Updating 2022 guidance, pointing to mid-to-high-end of range; dividend confirmed

Common digital enablers; re-designing Telefonica for aiming a bigger stake of the digital economy

Continued commitment to help society, a cornerstone of our company mission



Results presentation and Q&A Session



Telefónica's management will host a webcast on
28 July at 10:00 AM (CET), 9:00 AM (BST), 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.](#)



For further information, please contact:

Investor Relations

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