



RESULTS

JAN | MAR 2022

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Q1 22 Results

Mr. Ángel Vilá
COO



Strategy execution whilst **delivering growth**



Another quarter of sustainable revenue growth...



...allowing to manage inflationary pressures at a time of currency support



New operating model adding efficiencies



Reinforced position in core markets



- New **miMovistar** offer launched to accelerate B2C growth; DAZN agreement in **Spain** allows for 15% La Liga net cost deflation
- **Brazil** service revenue growth accelerates, reduced legacy exposure, Oi deal a game-changer
- Synergies starting to kick-off in **VMO2**; gigabit leadership
- **Germany** network quality consolidated, CapEx peak passed, growth and profitability momentum



Shaping the opportunities



- **T. Infra**, ongoing conversations with investors for Spain & UK fiberco vehicles
- **T. Tech** completing build-up of a fast-growing business, acquisition of BE-terna in DACH market
- In-market consolidation prospects in **Spain**
- **T. Hispam**, higher profitability, reduced capital employed, more optionality



Sustained growth momentum delivers **strong start to the year**

Revenue

y-o-y organic

+3.2%



Steady growth

Resilient across all business lines

OIBDA

y-o-y organic

+2.1%



Accelerating growth

Stable OIBDA margin

CapEx/Sales

organic

12.0%



CapEx prioritisation

Investing in growth

FCF

€513m



Net debt €27.5bn

Solid balance sheet



Growth across the board

- Proven pricing power in most markets, protecting value
- B2B continues to thrive; digitalisation paying off
- OIBDA growth accelerates despite inflation



Strong commercial KPIs in key assets: fibre +20%; contract +5% y-o-y

- Increasing relevance of digital care; better productivity and UX



Strong FCF (up €480m vs Q1 21)



FX tailwinds

Key financial metrics

€ in millions	Q1 22	
	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	10,883	3.2%
OIBDA	3,753	2.1%
OIBDA-CapEx (ex-spectrum)	2,435	6.4%

€ in millions	Q1 22	
	Reported	Reported y-o-y
Revenue	9,410	(9.0%)
OIBDA	3,199	(6.4%)
OIBDA Underlying	3,071	(12.1%)
Net Income	706	(20.3%)
FCF (incl. leases principal payments)	513	n.s.
Net Financial Debt ex-leases	27,453	(23.3%)

Positive FX impact FCF €53m, Debt -€1.3bn		Changes to the perimeter (VMO2, TLXS towers, C. Rica, El Salvador)	
€ (m)	Q1 22	€ (m)	Q1 22
Revenue	242	Revenue	(1,592)
OIBDA	95	OIBDA	(588)

A stronger Telefonica for uncertain times, beating rising inflation

T. Tech increased contribution to revenue growth (+80.6% y-o-y)

T. Infra; growing base of inflation-beating asset class

 UK

Reported y-o-y	Q4 21	Q1 22
CPI (avg.)	4.9%	6.2%
Revenue	+5.5%	+4.3%
OIBDA	+1.8%	+6.5%

 Germany

Reported y-o-y	Q4 21	Q1 22
CPI (avg.)	5.5%	6.1%
Revenue	+1.6%	+5.2%
OIBDA	(1.2%)	+9.6%

 Spain

Reported y-o-y	Q4 21	Q1 22
CPI (avg.)	5.8%	7.9%
Revenue	+0.5%	+0.9%
OIBDA	(3.4%)	(4.9%)

OIBDA excludes restructuring

Hispan

Reported y-o-y	Q4 21	Q1 22
CPI (avg.)	4.5%	5.4%
Revenue	+18.2%	+9.7%
OIBDA	+12.3%	+6.7%

 Brazil

Reported y-o-y	Q4 21	Q1 22
CPI (avg.)	10.5%	10.7%
Revenue	+3.1%	+18.1%
OIBDA	+1.2%	+14.6%

Dealing with inflation, pressure to ease

- Operating in high-inflation markets for decades
- Inflation protected revenue, adding growing businesses
- More efficient employee cost base (14% of revenue)
- CapEx benchmark up to 15% of revenues
- Triggering efficiencies, **peak pressure seen in Q1**

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



Well on track for **2022 guidance**

2022 guidance

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

Targets	2021 Base	2022	Q1 22
Revenue	€42,452m	“Low single digit growth”	3.2%
OIBDA	€14,127m	“Low single digit growth”	2.1%
CapEx/Sales (ex spectrum)	14.7%	Up to 15%	12.0%

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



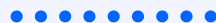
2.41% treasury stock cancelled

Progress towards ambitious **sustainability goals**

Environmental



Net-zero by 2040; Zero-waste by 2030; Avoid 12m tCO₂ emissions p.a. for customers by 2025



Reducing our carbon footprint:

- Telefónica Forest to absorb ~3,000 tCO₂
- Distributed generation; 23 plants now open (80 planned) in Brazil

Promoting the Circular Economy:

- Roadmap launched for zero-waste target

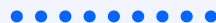
Helping our stakeholders to decarbonise:

- Eco Rating (B2C) launched across all markets
- CDP 2021 Supplier Engagement Rating Leaderboard (TEF + VIVO)

Social



90-97% MBB rural coverage by 2024¹; 33% female executives by 2024; Eliminate pay gap by 2050



Connecting the unconnected:

- Continue to deploy FTTH to reach underserved areas
- 1st time mobile coverage to 32 localities (ARG)
- 5G: towns of <3,000 inhabitants after 700MHz switch-on (Spain)

Committed to retaining and attracting talent:

- Equality Plans (Spain): equal opportunities & pay
- Workforce Disclosure Index (WDI): Only telco receiving special mention across all categories

Governance



>€10bn sustainable financing; Zero-tolerance of corruption; Parity in main governing bodies by 2030



Increasing sustainability-linked financing:

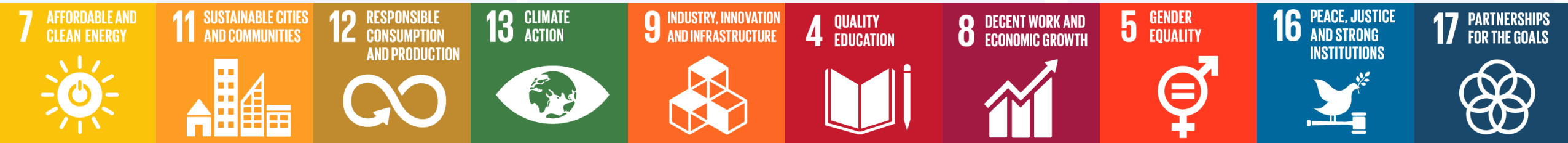
- KPI-Linked Loan to Movistar Colombia

Highest standards of corporate governance:

- VMO2; equal gender and 25% ethnic background on leadership team by 2027

Leader in transparency:

- 2nd in IBEX-35; Transparency International (Integrity, Compliance and Human Rights)

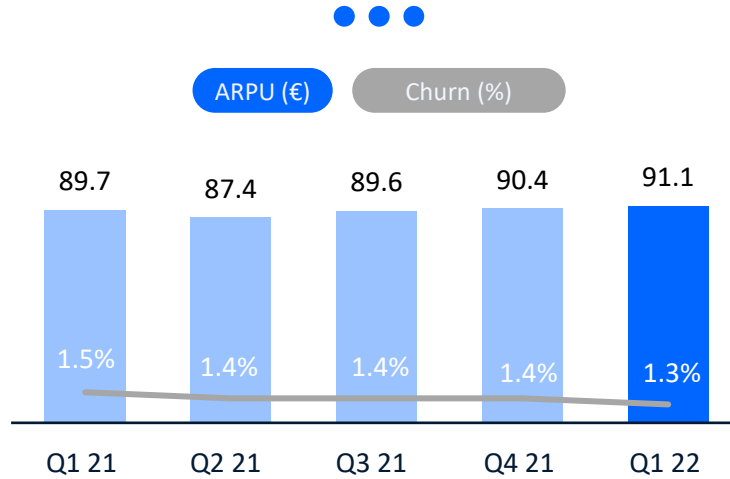


Main targets

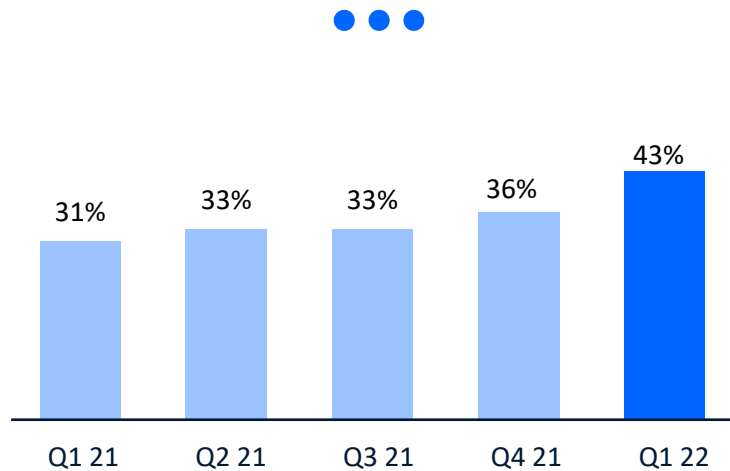
1. Includes Spain, Germany and Brazil



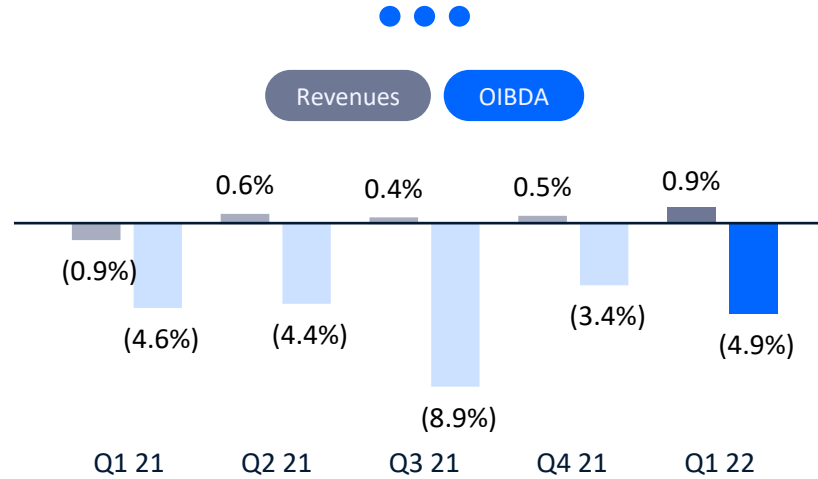
Convergent KPIs



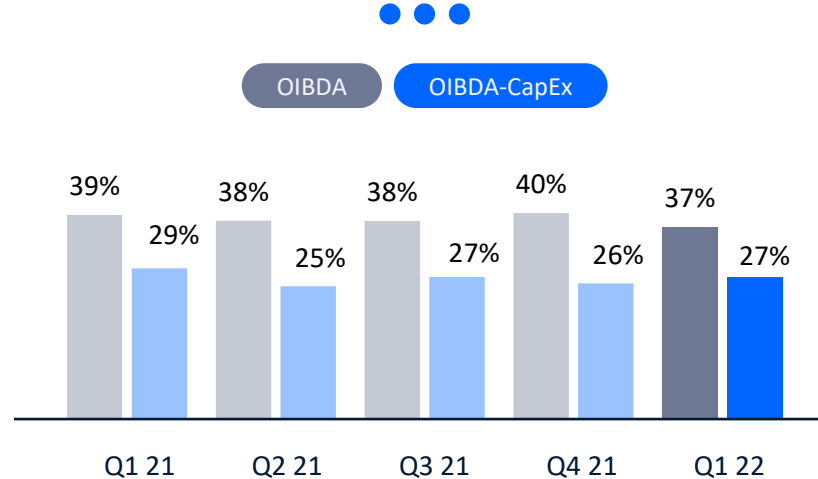
NPS



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



Margins (organic)



Revenue growth acceleration

Convergent ARPU y-o-y growth, lowest churn in 5 years, record high NPS

Double digit y-o-y growth in IT revenues

Redundancy plan executed. La Liga renewed with 15% net deflation

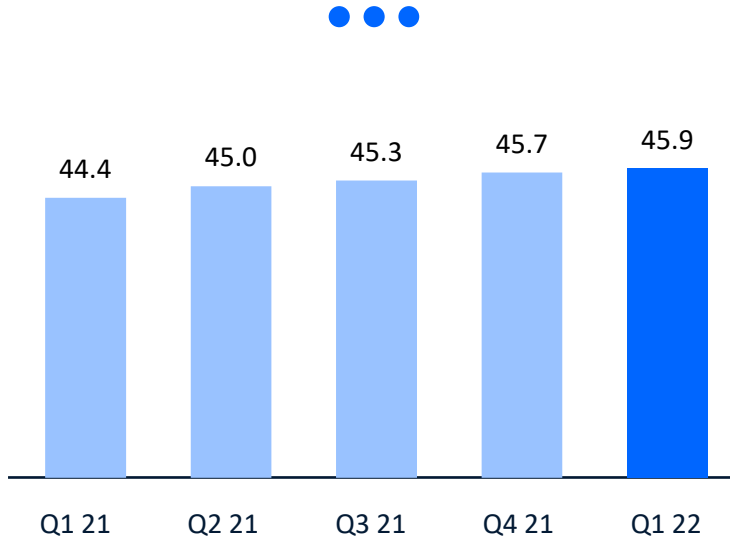
New miMovistar convergent portfolio, simple and flexible to easily integrate new home services

Prospects for in-market consolidation

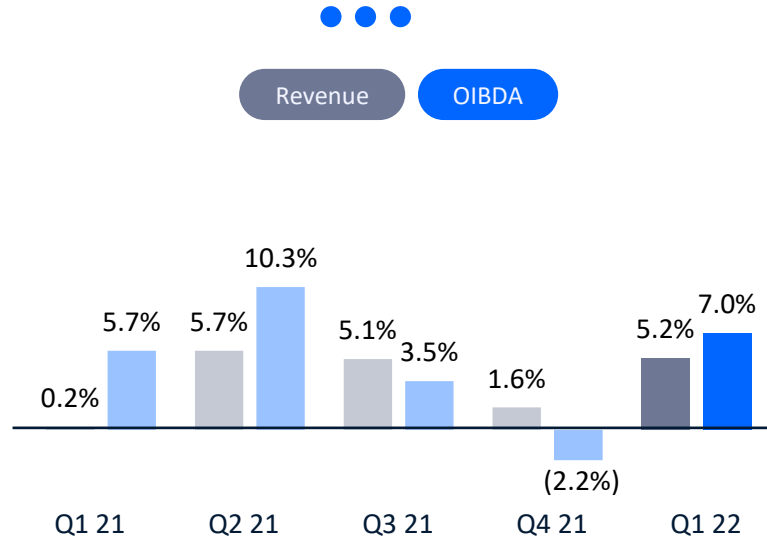




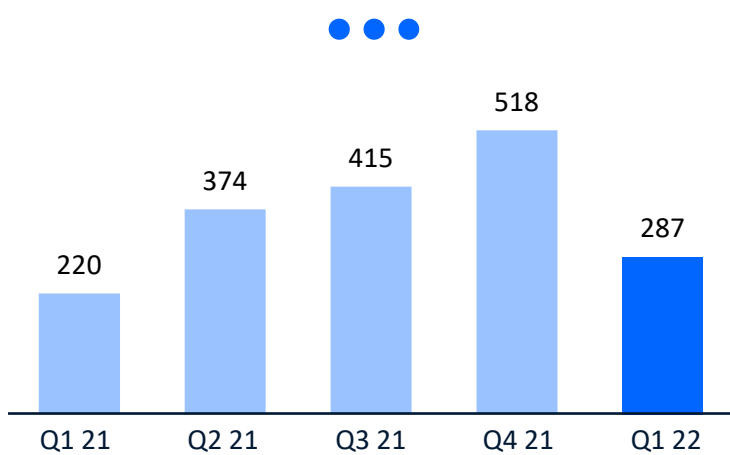
Mobile accesses (m)



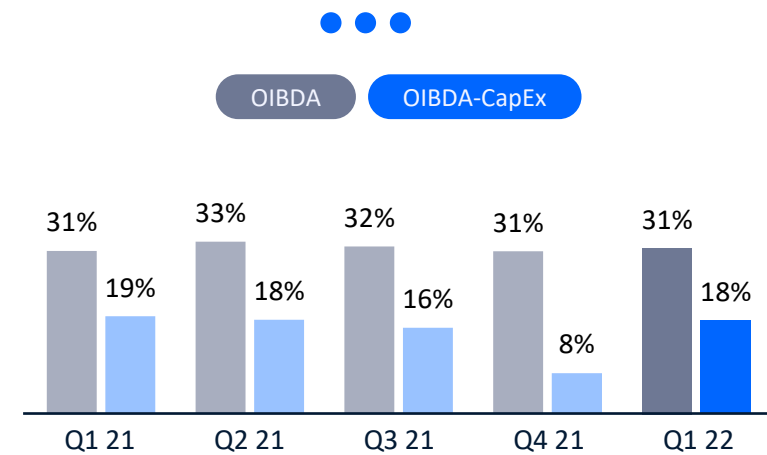
Revenue & OIBDA organic growth



Postpay net adds (k)



Margins (organic)



Delivering sustained operational and financial momentum

Contract net adds +30% y-o-y

Network parity

Strong revenue & OIBDA growth

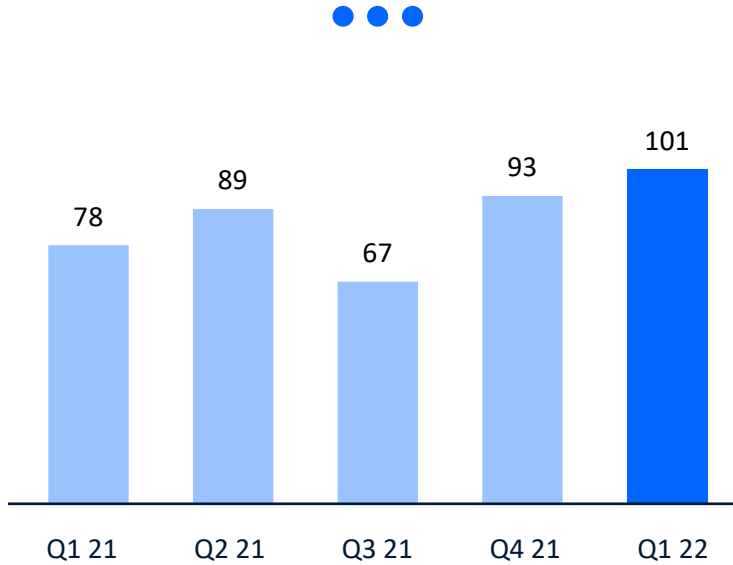
2022 guidance reiterated



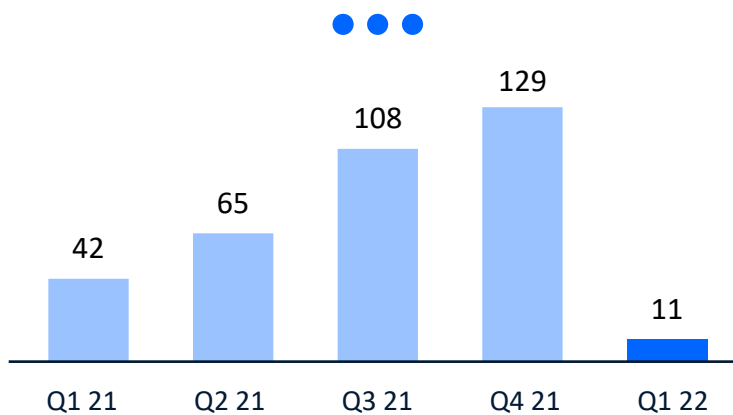
Virgin Media O2



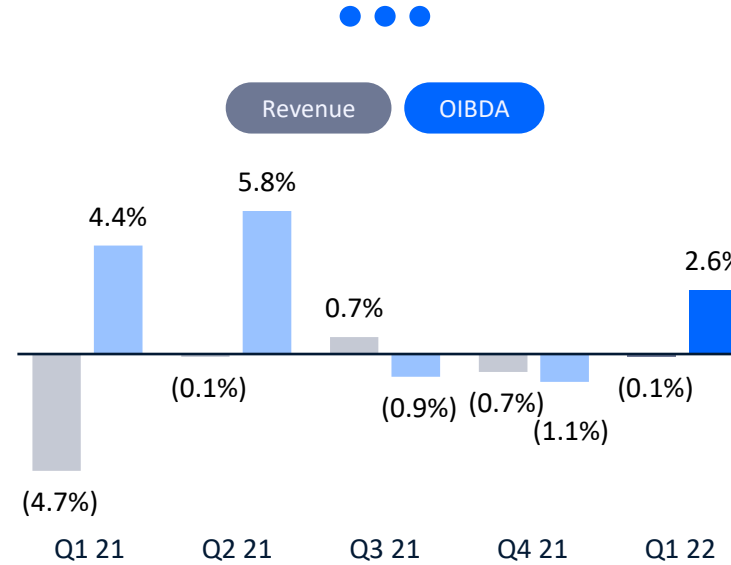
Lightning build (k)



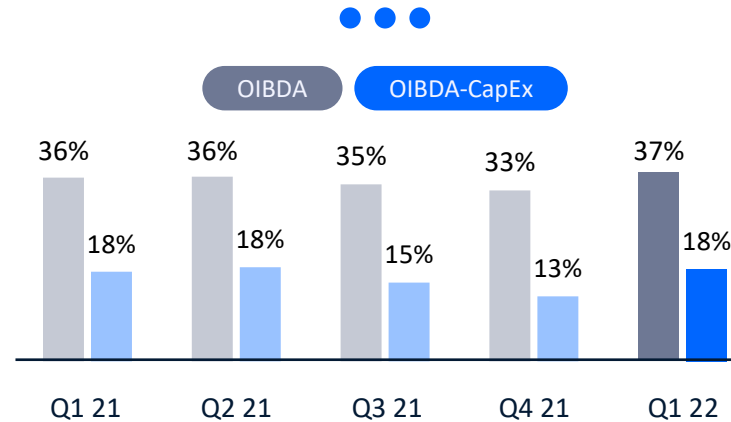
Postpay net adds (k)



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



Margins (organic)



Focus on innovation,
network investment and
synergy realisation

Implemented price rises

5G in 400 towns & cities

Gigabit leader

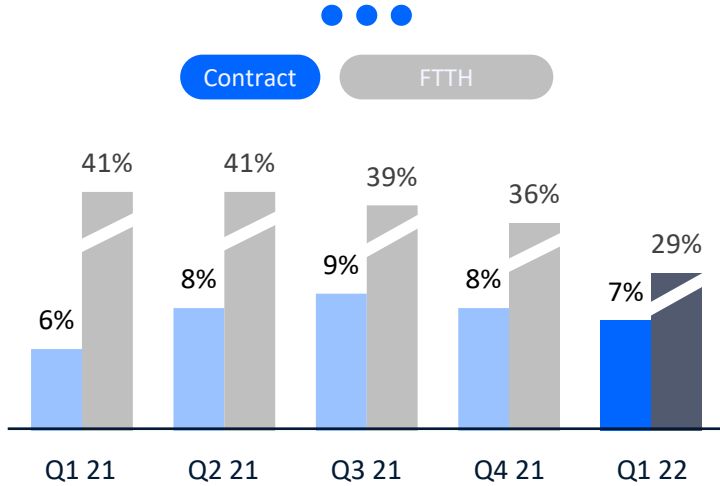
Stable revenue, OIBDA growth

2022 guidance reiterated

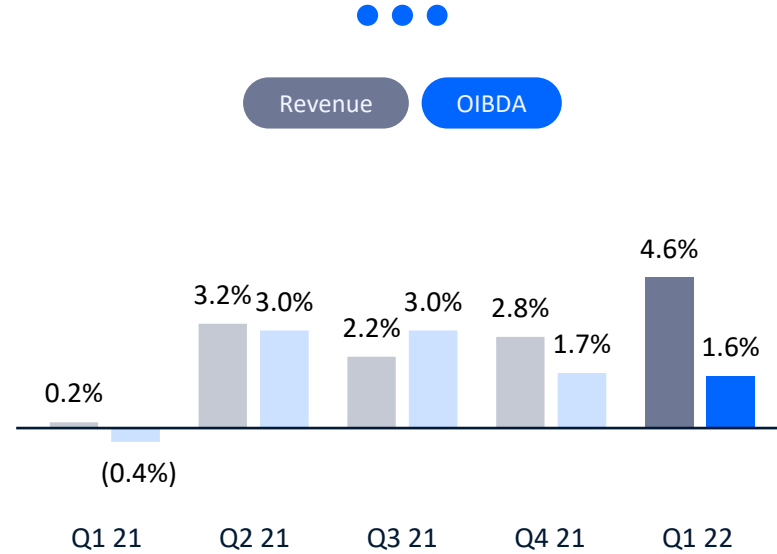




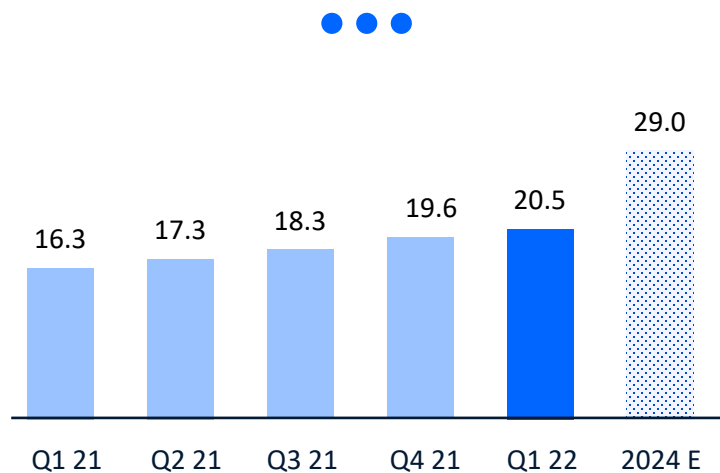
Accesses growth (y-o-y)



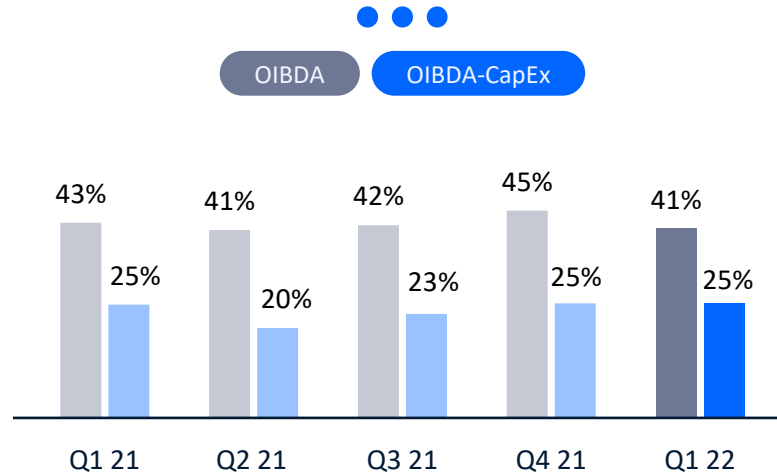
Revenue & OIBDA growth (y-o-y organic)



FTTH Premises passed (m)



Margins (organic)



Strong reported growth at stable CF margins

+18.1% revenue / +14.6% OIBDA (€)

Stable OIBDA-CapEx margin at 25%

Average Mb/s speed +57% y-o-y

Progress in offering best digital solutions

Closed Oi mobile assets acquisition





Oi mobile assets acquisition completed



Acquired Oi mobile assets for a total price of ~€1.0bn (R\$5.4Bn) -including earn out-



43 MHz in 1,800 MHz, 2,100 MHz and 900 MHz with **nationwide coverage**



12.5m accesses (37% contract; 63% prepaid)



2.7k sites



~€1.0bn synergies NPV (R\$5.4Bn), mainly network and commercial costs & CapEx; not including potential revenue synergies



In March 2022, Vivo's portion of Oi's assets generated ~€23m of monthly net revenues and we expect OIBDA and OIBDA-CapEx margin above 70%, considering synergies running-rate

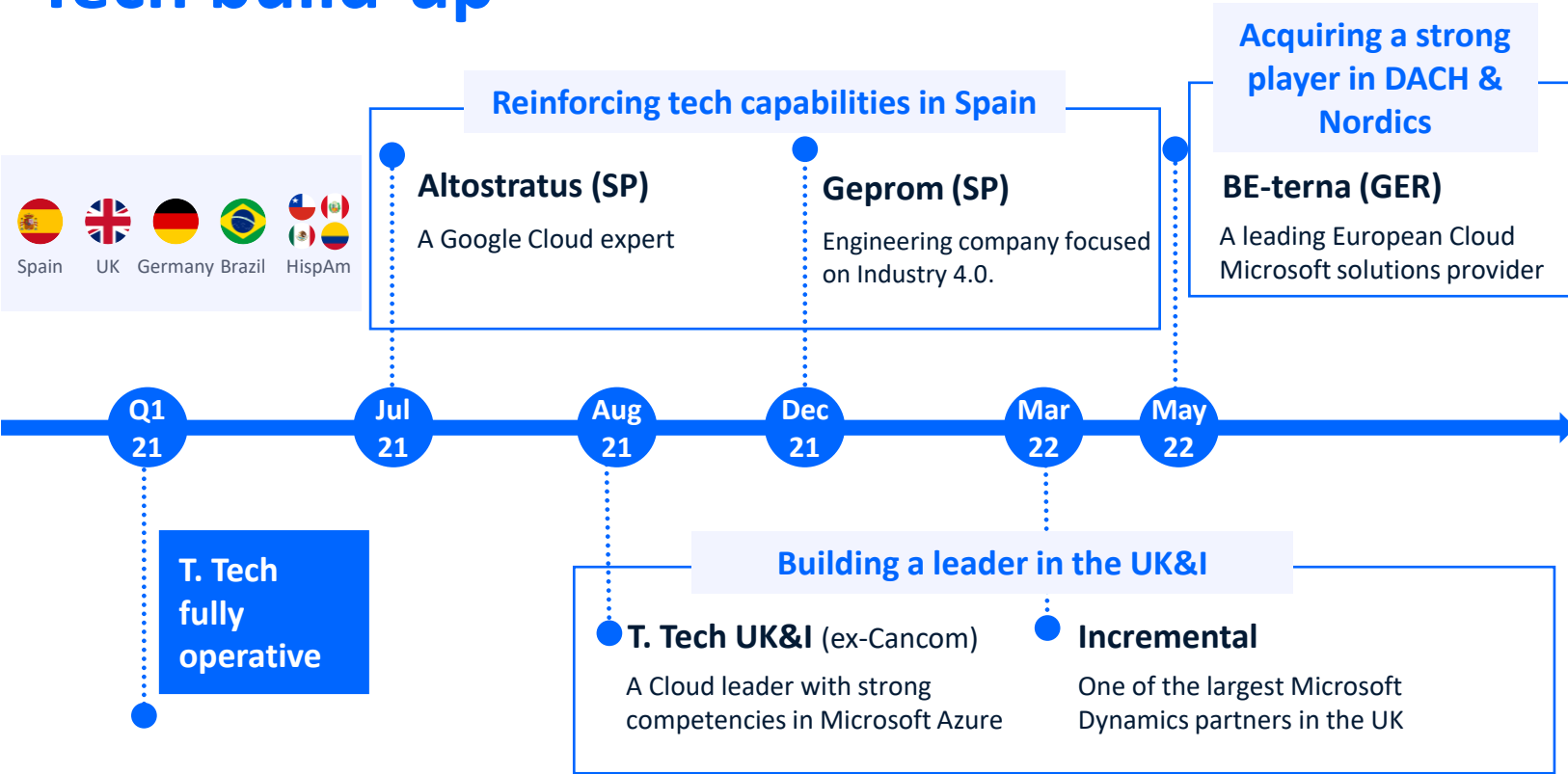


Reaffirming Vivo as LatAm's largest mobile customer base: 38% mobile M.S; 40% contract M.S.

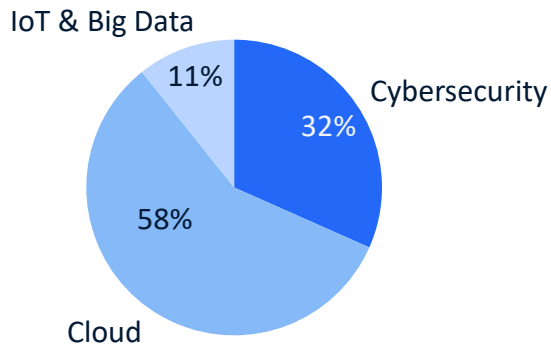


Consolidating Vivo's leadership in quality of service whilst allowing Vivo to reduce CapEx intensity

Tech build-up



Revenue Mix (Q1 22)



~5,400 highly skilled professionals



Outstanding Global Capabilities



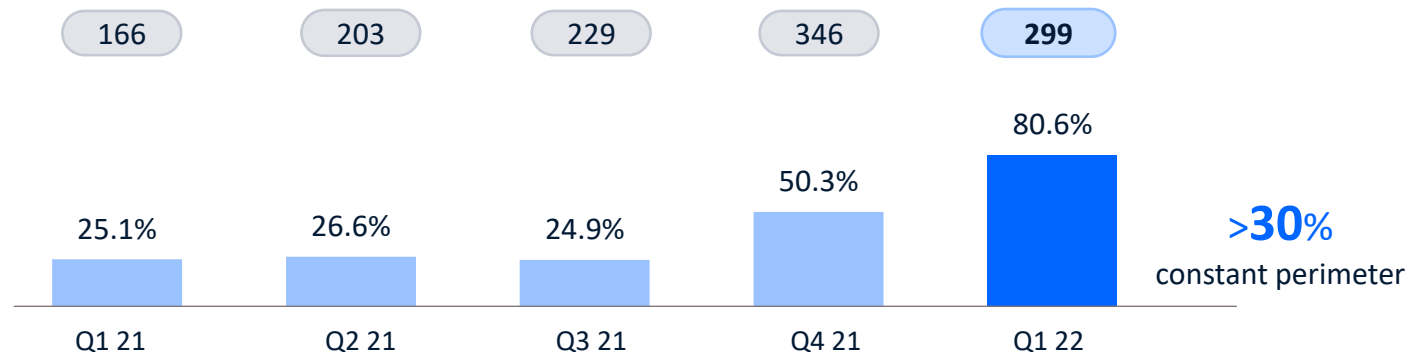
Telefónica Tech presence in Europe



Tech, outperforming its market

T. Tech Revenue

(€ in mill; y-o-y)



T. Cloud & Cyber Tech

- **Cyber performance** above expectations
- **Strengthened partner ecosystem: AWS** (Premier Consulting Partner), **Oracle** (PaaS), **Zscaler™** (Security Edge)
- **Enhanced SMB portfolio** (Microsoft Teams Essentials)
- **Leader by IDC** “Managed Security Services vendors in Europe”

T. IoT & Big Data Tech

- **All services' revenue** (IoT connectivity, IoT & Big Data Solutions) **growing at double-digit**
- **Accelerating business solutions:** Industry 4.0, Utilities, E-Cars...
- **Leading** showcases at MWC 22
- **Leader by Gartner® Magic Quadrant™** for **Managed IoT Connectivity Services, Worldwide** for the 8th time

● ● ● Infra, driving value creation



- 50% Allianz / 50% TEF (40% T. Infra / 10% T.DE)
- Accelerated rollout & commercials Signed MOUs; c.250k PPs
- Target: >2m PPs in 6yrs



- 50% CDPQ / 50% TEF (25% T. Infra / 25% T.BR)
- 2.2m PPs deployed as of Mar-22 (1.8m brownfield)
- Target >6.0m PPs in 4yrs



- 60% KKR/ 40% TEF (40% T.CHI)
- Accelerated deployment c.200 k additional PPs in Q1
- Target: 3.5m PPs by 22E (2m brownfield)



- 60% KKR/ 40% TEF (40% T.COL)
- Regulatory approval in Q1 22
- Target: c.4.3m PPs in 3yrs (1.2m brownfield)

New Fibre JVs Processes



UK

- 50% Investor / 50% TEF - LG
- 7m greenfield PPs by 2027
- Discussions with potential partners underway



Spain

- 45% Investor / 55% TEF
- ~5m PPs brownfield + greenfield
- Lower density rural areas
- Initiated discussions with investors

Critical Infrastructure

Telxius - Subsea Cable (70% T. Infra)



State of the art and extensive network

Tier 1 status

Profitability and high cash conversion

Good commercial traction, high single-digit growth in reported y-o-y OIBDA¹

Nabix - Data Centres (20% T. Infra)²



14 DCs (39 MWs) in 7 countries

Q1: expansion of its Campuses in Madrid

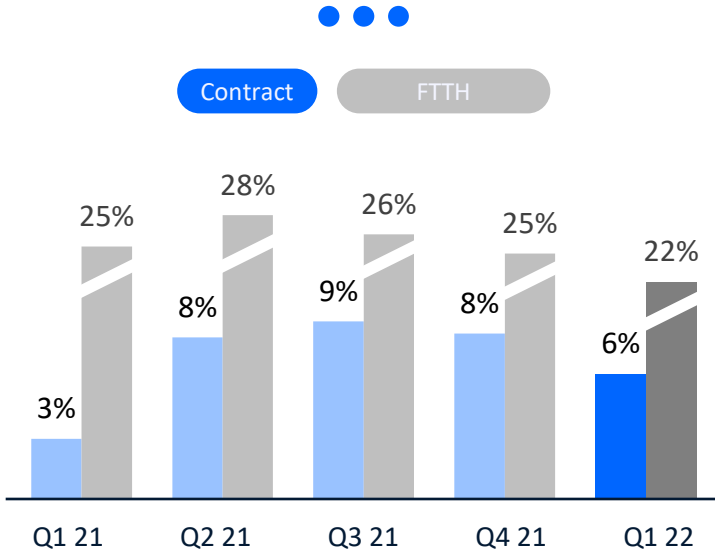
¹ Constant perimeter, excluding tower business

² 2nd tranche of the transaction closing in Q2 22

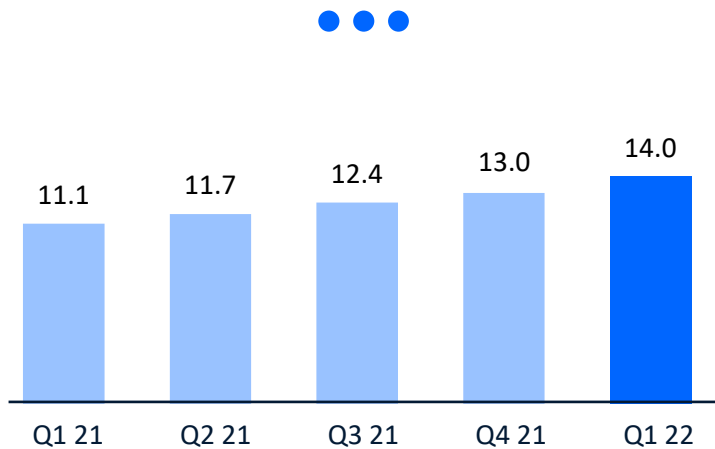
Q1 22 Results

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

Accesses Growth (y-o-y)

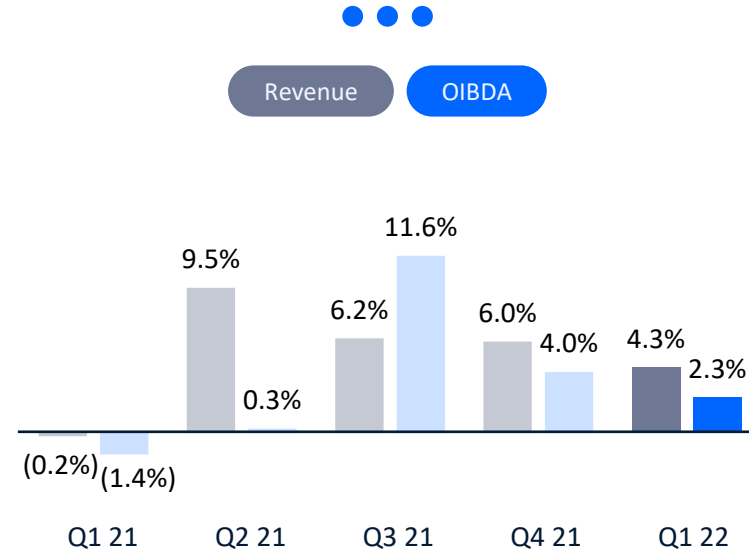


FTTH & Cable Premises passed (m)

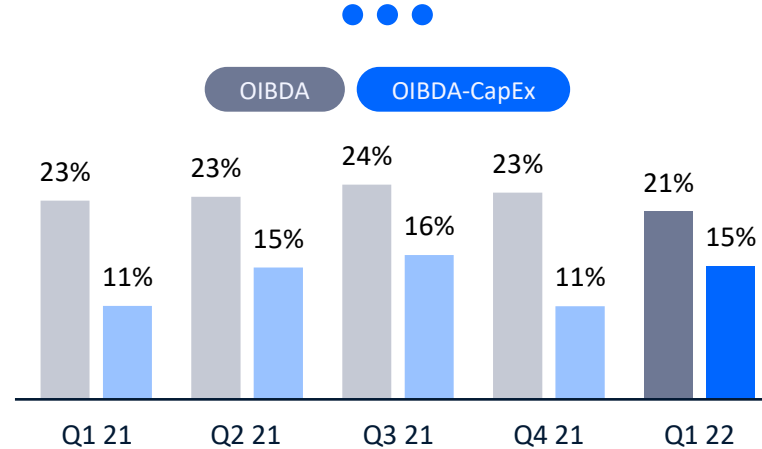


(1) Revenue and OIBDA adjusted for organic criteria ex FX related impacts

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



Margins (organic)



Growing while improving cash margins

Revs +9.7% & OIBDA +6.7% (€)⁽¹⁾

4.4m FTTH connections (+22% y-o-y) on new CapEx models

Revenues growing in all countries





Strong Balance Sheet, prudent management

Debt Portfolio de-risked & well positioned

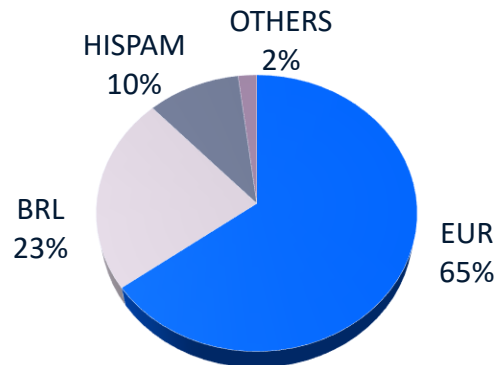
12.9 yrs
Avg. debt life

81%
Total debt fixed

3.96%
Total Interest payment cost (ex leases)

Closer FX alignment debt & FX exposure

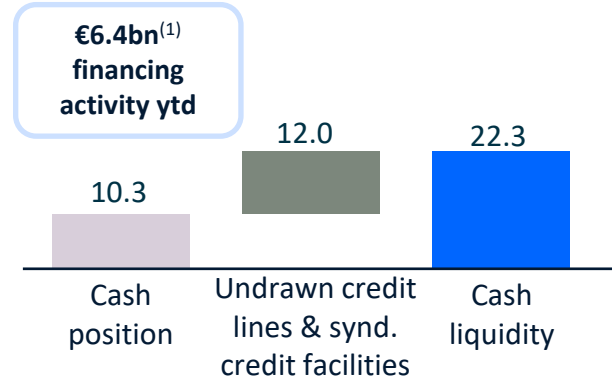
Net Financial Debt Plus Leases by Currency (Mar-22)



(1) Includes €5.5bn syndicated facility, €100m reopening of an existing Telefónica bond, BRL 1,000m bilateral loan signed by T. Brazil and a Cornerstone credit facility by GBP 0.5bn

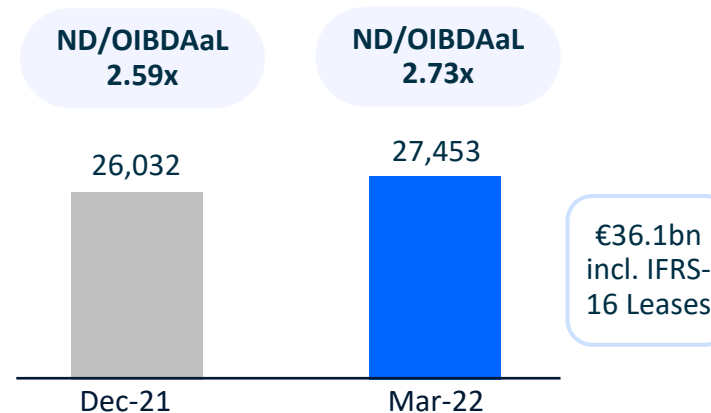
Robust liquidity

Liquidity Cushion, Mar-22 (€bn)



Current liquidity exceeds maturities beyond 2024

Net financial Debt (€m)



ND/OIBDAaL flat, assuming EoP FX OIBDA

Conclusions

Mr. Ángel Vilá
COO



Strong start to the year



Sequential improvement in organic and reported growth across whole Group

Beating inflationary pressure, worst should be behind

FX tailwinds, Brazil and Hispam growing double-digit in € terms

Synergies materialisation in VMO2; sizeable Oi synergies to start flowing through



Good commercial momentum, boosting FTTH; increasing customer relevance and engagement

Targeted CapEx; focused on NGN



Further optionality ahead

Well on track to meet 2022 guidance; 2022 dividend confirmed



Results presentation and Q&A Session



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



Participants from Telefónica

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

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.](#)



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