



RESULTS

JAN | SEP 2022

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Q3 22 Results

Mr. Ángel Vilá
COO



Steady execution of our strategy



Revenue & OIBDA reported growth improving sequentially



On track to deliver full year guidance
Managing current macro challenges



Streamlined, leaner operating model
Stable OIBDA margin (y-o-y org.)
despite cost headwinds



Actively managing our balance sheet
Well covered maturities over the next
three years



Reinforced leadership



- **Spain** ongoing commercial momentum on Mi Movistar offering; progress on OIBDA y-o-y improvement
- **Brazil**; unrivalled operating performance, double-digit revenue growth and OIBDA margin up y-o-y
- **Germany**; M4M with revamped O2myHome tariff; accelerated revenue and OIBDA growth y-o-y
- **VMO2**: accelerating OIBDA growth y-o-y; synergies kicking-in (30% of £540m run rate by 22E)



Opportunities



- **T. Infra**, fibre vehicles contributing to growth, 12m PPs (Sep-22); opportunities to crystallise value
- **T. Tech**, growth story; added capabilities and partnerships, potential source of value
- **T. Hispam**, modulate exposure, keeping optionality
- **Spain**; in-market consolidation and ERF
- **Progressing on network leadership** (focusing on environment & efficiency, new open networks)
- **New opportunities for Telcos** in the new Web 3 environment (5G, NaaS, Edge computing,...)
- **ESG**; net-zero emission by 2040; >25% of Spain COs closed; saving 1,513 GWh



Ongoing sustainable growth; strong balance sheet and FCF

Q3 Revenue

y-o-y organic

+3.8%



Growth across most segments

Q3 OIBDA

y-o-y organic

+3.1%



Trends improving in core markets

Net debt

Stable q-o-q

€28.9bn



Deleveraging in 2022 despite M&A (2.52x)¹

FCF 9M

€2,474m



Solid FCF growth +68.2% y-o-y



High-value accesses growing strongly (fibre +17% y-o-y)

- Expanding UBB: 166.3m PPs (+6% y-o-y)



Transforming revenue mix

- 72% BB&SoC revenue/service rev, ; +1.7 p.p. vs. Q3 21
- Remarkable Q3 B2B revenue performance (+6.5% y-o-y org.)
- Building digital ecosystems; smart home, e-health, fintech, education



Accelerating trends in reported revenue & OIBDA growth (y-o-y)

- Second consecutive Q of revenue growth; +10.5 p.p. vs Q2
- Back to growth (OIBDA underlying Q3 +8.5%)



Improvement of FCF throughout the year

- +34.7% q-o-q



Prudent debt management and solid liquidity position

- Avg. debt life 13.0 yrs; fixed rates 74%

€1.3bn tax refund to enhance Q4 FCF and net debt reduction

¹ ND/OIBDAaL Post-Closing (EoP)



Financial update

	9M 22		Q3 22	
€ in millions	Reported + 50% VMO2 JV	Organic y-o-y	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	34,228	4.1%	11,825	3.8%
OIBDA	11,264	2.9%	3,799	3.1%
OIBDA-CapEx (ex-spectrum)	6,389	0.9%	1,910	(7.5%)

	9M 22		Q3 22	
€ in millions	Reported	Reported y-o-y	Reported	Reported y-o-y
Revenue	29,793	0.6%	10,343	11.2%
OIBDA	9,593	(53.5%)	3,249	(13.0%)
OIBDA Underlying	9,521	(2.8%)	3,293	8.5%
Net Income	1,486	(84.1%)	460	(34.9%)
FCF (incl. leases principal payments)	2,474	68.2%	1,125	100.8%
Net Financial Debt ex-leases	28,918	13.5% ¹		

¹ y-o-y change with reported net debt in 9M 21 adjusted for Q4 21 Telxius transaction impacts.

Positive FX impact 9M FCF €176m			Changes to the perimeter (T. UK, TLXS towers, C. Rica, El Salvador)		
€ (m)	9M 22	Q3 22	€ (m)	9M 22	Q3 22
Revenue	1,262	494	Revenue	(2,755)	(47)
OIBDA	470	188	OIBDA	(983)	16



Effectively managing inflationary pressures

Telefónica Group

	Q3 22 y-o-y reported
CPI (avg.)	9.4% ¹
Revenue	+11.2%
OIBDA	+8.5% ²
FCF	+100.8%

Operating in high-inflation markets for decades in LatAm

Pricing power in most markets: inflation-linked in Brasil, Hispam and UK

...M4M in Spain, revamping of O₂myHome in Germany

Strong B2B & wholesale positioning provides protection

T. Tech revenue +68.6% y-o-y in Q3

Efficiencies, cost savings and simplification on track

Labour costs 13% o/Group rev., below peers; SP best-in class access/employee ratio

Energy costs 2% o/Group rev., >60% consumption LT hedged for 2023

- **Long terms PPAs; 100% electricity renewable** in core markets, PER and CHL
- **Efficiency projects** to stabilise costs and fight climate change (FTTH 85% more efficient than copper; 5G +90% vs 4G)

Accelerated digitalisation; 81% of processes digitised

CapEx peak behind, up to 15% CapEx/Revenue guidance reiterated

Legacy shutdowns to provide additional buffer (SP cooper decommission in 2024)

Active tax management adding to FCF

¹ Average CPI for T. Group in countries of operations, ex VZ and ARG. T. Group CPI weighted by OIBDA weight in each country

² OIBDA Underlying



2022 guidance and dividend confirmed

2022 guidance

organic including 50% of VMO2 in 2022 and 2021

Targets	2021 Base	Updated 2022 guidance	9M 22
Revenue	€42,452m	“High-end of low single digit growth” <i>(Upgraded in H1 from “Low single digit growth”)</i>	4.1%
OIBDA	€14,127m	“Mid-to-high-end of low single digit growth” <i>(Upgraded in H1 from “Low single digit growth”)</i>	2.9%
CapEx/Sales (ex spectrum)	14.7%	Up to 15%	13.8%

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

0.4%¹ treasury stock
to be cancelled

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).

Progressing on ESG agenda

Environmental

Key targets

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

Examples of our progress

Reducing emissions & curbing OpEx:

- T. Chile 100% renewable energy joining Brazil, Germany, Peru, Spain and UK
- T. Hispam c50% of consumption with renewably-sourced energy by year-end
- 43 distributed generation plants already in operation in Brazil (of >80 planned)

Demonstrating alignment on EU Taxonomy

- 1st in sector to publish detailed Life Cycle Assessment report



Social

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

Connecting the underserved:

- New FibreCos in Spain & UK will connect more communities
- Affordable access for UK customers with price reductions in social tariffs

Driving diversity and inclusion:

- Group Equality Policy approved
- 'Women in Network' (T. Hispam) awarded best practice by UN Global Compact.



Governance

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

More sustainable financing:

- VMO2 refinanced syndicated loans according to sustainability indicators

Sustainability across the supply chain:

- Founding member of JAC, the telco alliance, now formally constituted, to drive ESG with ICT suppliers

Workforce trained in ESG & business ethics:

- Business Principles course: 74% uptake 3 months after launch



¹ Includes Spain, Germany and Brazil

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

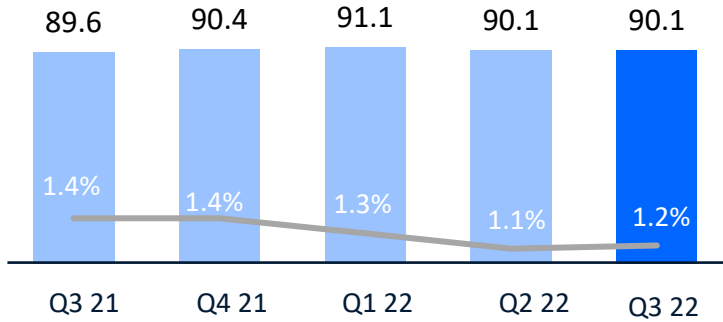
³ Parity defined as not less than 40% of each gender represented



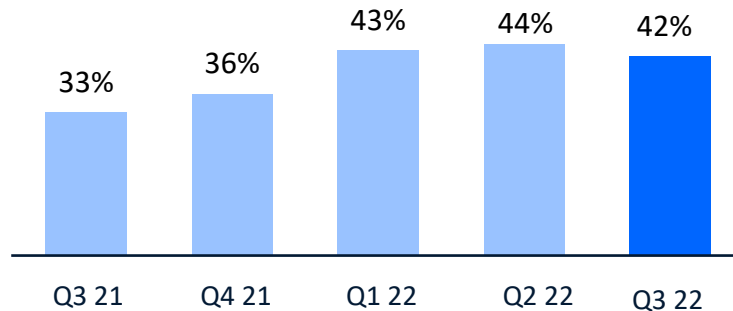
Convergent KPIs



ARPU (€) Churn (%)



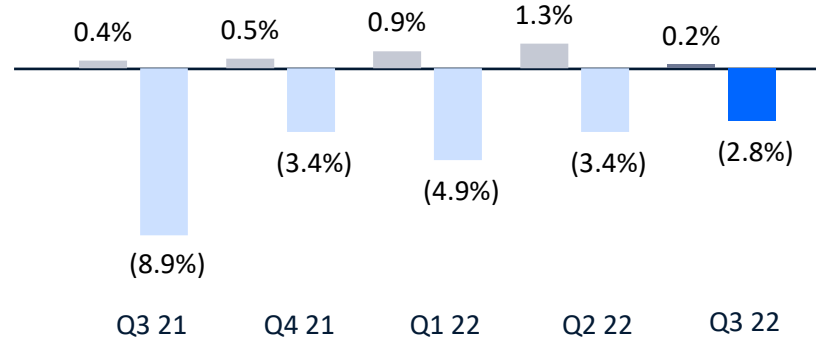
NPS



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



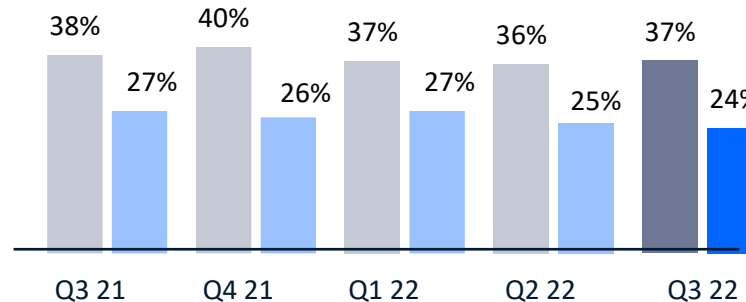
Revenue OIBDA



Margins (organic)



OIBDA OIBDA-CapEx



Commercial and OIBDA trends improved sequentially



Sound positioning in a more rational market (leading NPS and churn)

FBB positive again, contract back to growth

Revenue y-o-y growth for 6th straight Q

OIBDA q-o-q trend improved on lower energy drag and content costs

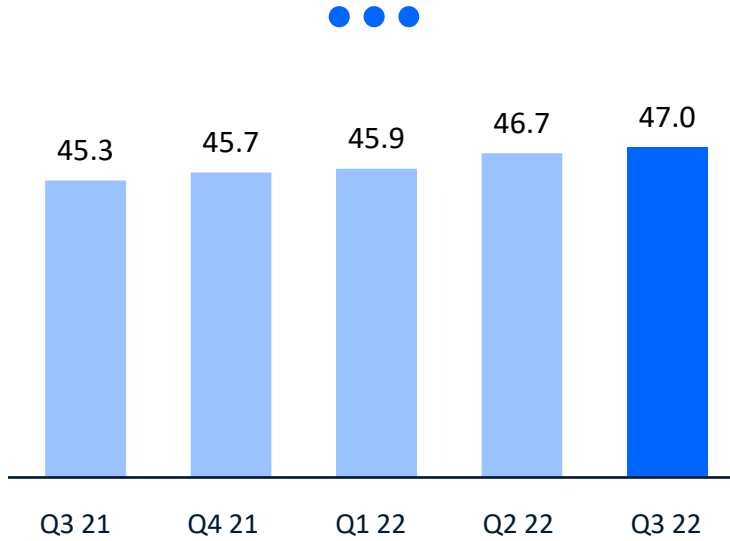
Potential in market consolidation

EcoSmart P&S driving digital transformation

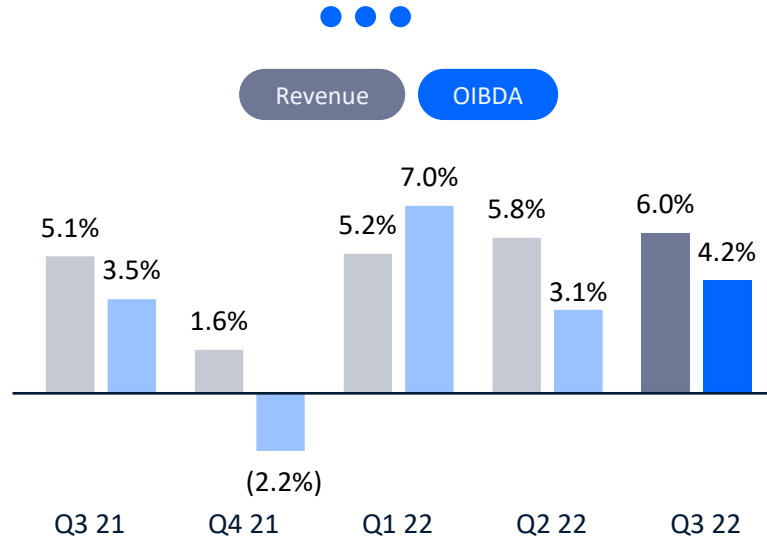




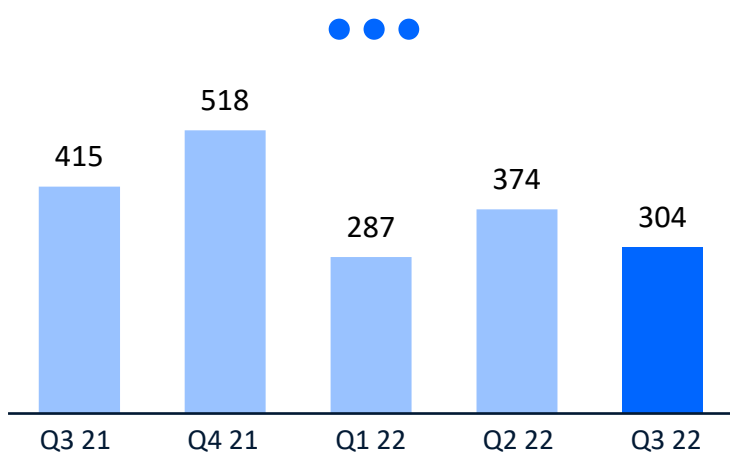
Mobile accesses (m)



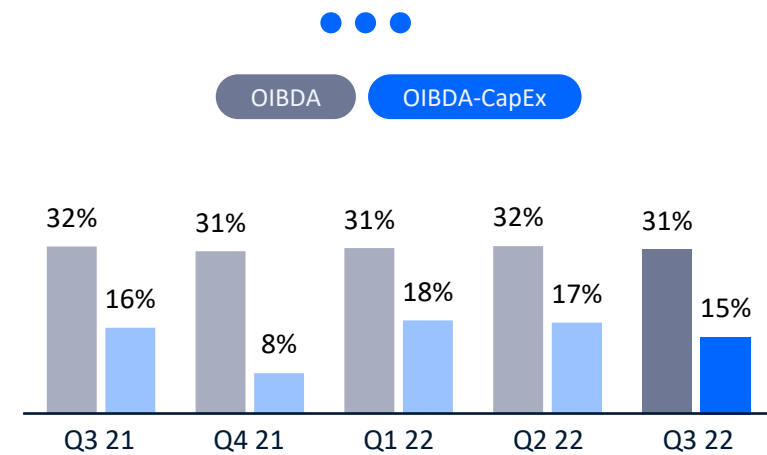
Revenue & OIBDA organic growth



Postpay net adds (k)



Margins (organic)



Strong operational traction and financial performance

Sustained commercial momentum driven by core O₂ brand

Continued revenue expansion driven by mobile strength

OIBDA growth supported by revenue quality & efficiencies

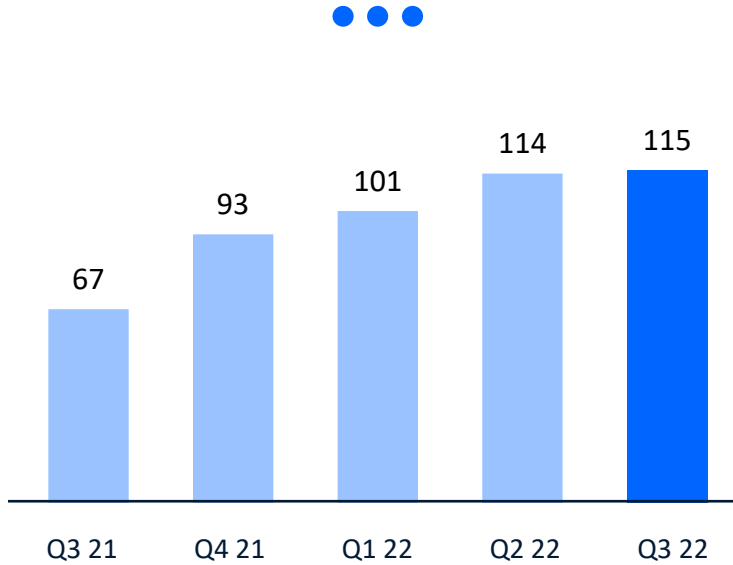
5G population coverage 75%



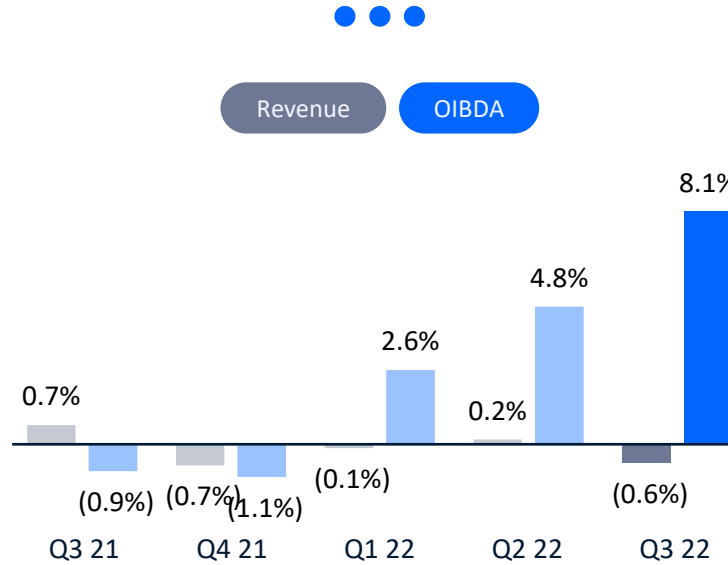
Virgin Media O2



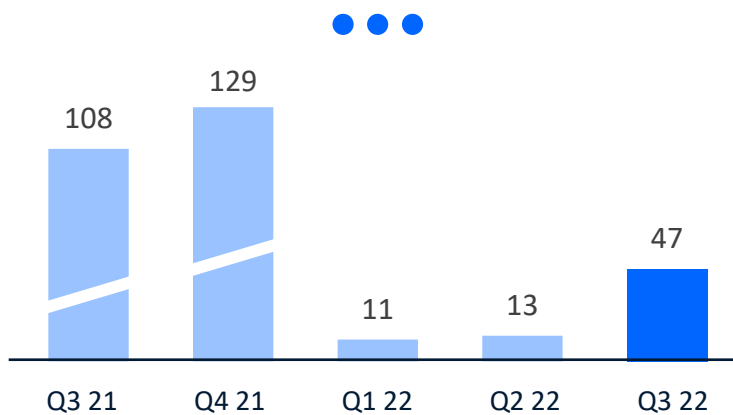
Fixed network build (k)



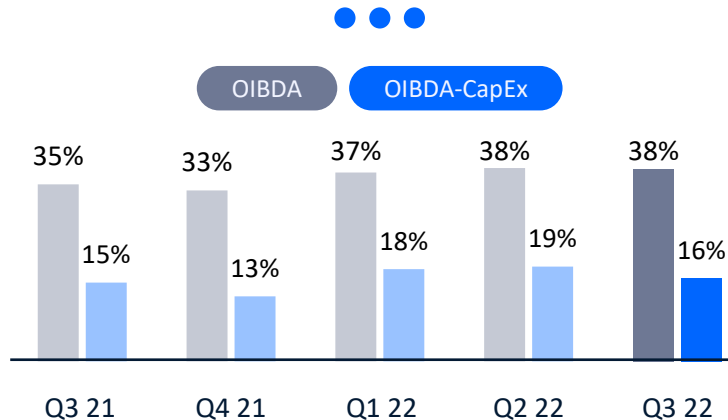
Revenue & OIBDA growth (y-o-y organic)



Postpay net adds (k)



Margins (organic)



Strong strategic and operational progress

Solid commercial momentum, 1m Volt converged customers

16m PP and 5G in over 800 towns & cities

OIBDA growth accelerating

On track to reach 30% of synergies by YE22

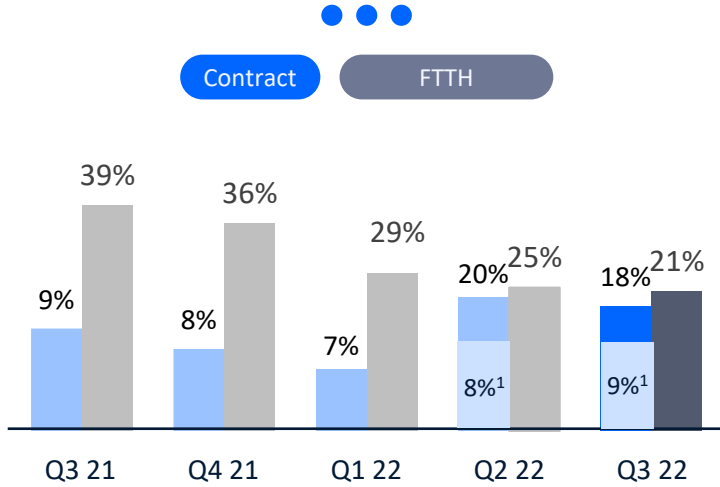
Driving affordability as part of ESG strategy



All organic according with Telefonica criteria

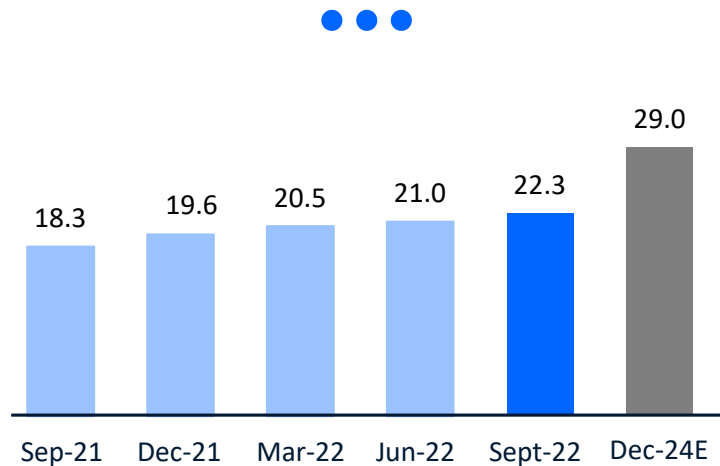


Accesses growth (y-o-y)

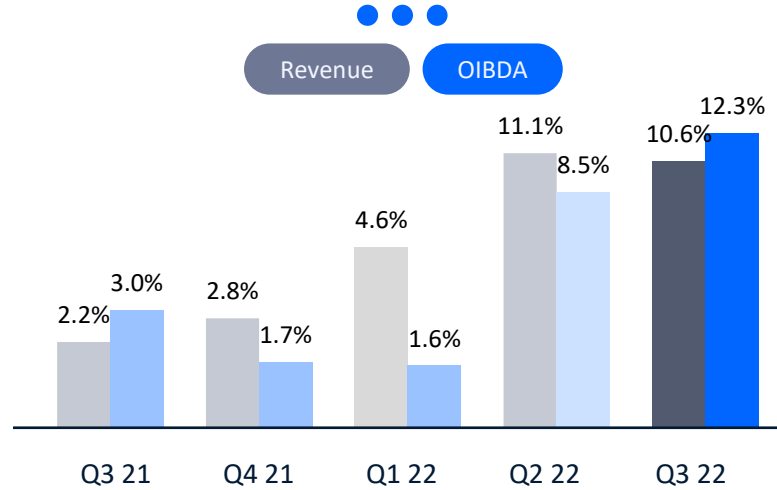


¹ Excluding Oi's mobile assets acquisition

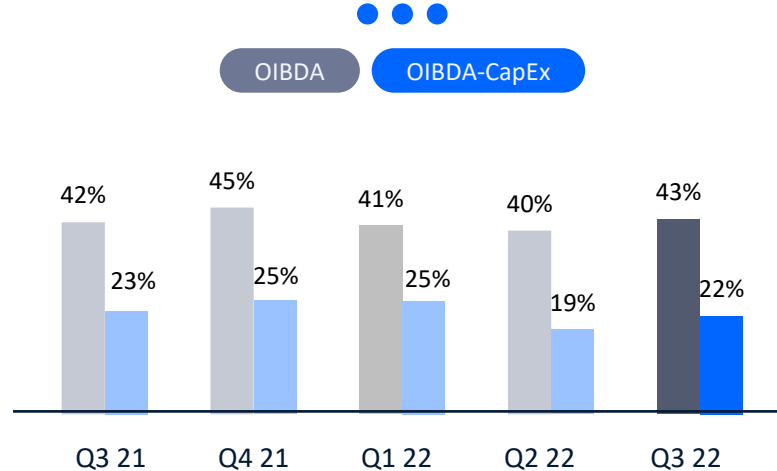
FTTH Premises passed (m)



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



Margins (organic)



Double digit growth

71% share of contract net adds in Jul & Aug

Steady FTTH growth: +9% q-o-q

+29.0% revenue / +16.7% OIBDA (in € terms)

Organic y-o-y OIBDA margin expansion

OIBDA-CapEx +4.4% in 9M 22

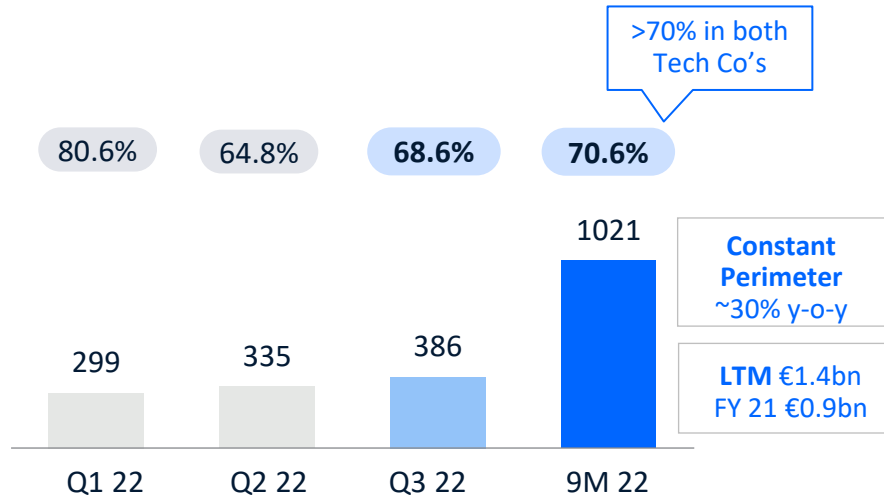
Top 100 company in Refinitiv D&I Index





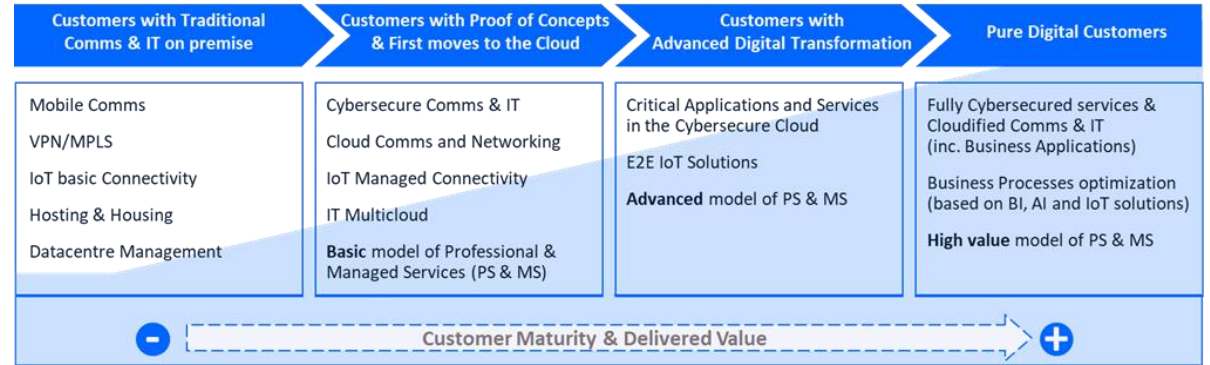
Tech, consistent delivery, sustainable and resilient growth engine

T. Tech Revenue (€m; y-o-y)



- **Strong commercial activity** across the board
- **New partnerships and capabilities**
 - Aruba, McAfee, Sataliot, TeamViewer & Sherpa.ai
 - AWS and Netskope Specialisation
 - Digital skills training and employment
- **Recognised by Partners and Industry Analysts**
 - **Fortinet Partner of the Year** MSSP
 - **Strong by Forrester** “European Managed Security Services”
 - **Champion by Kaleido** “Private Network Solution & Management”

Adding value to B2B with a differential customer journey



High value profile

Skilled Diversified Team

Close to our customers

~5.8k Professionals ~80% in Europe

>3k Certifications in 3rdparties' technologies

Strong Delivery Capabilities

B2B large customer base

5.5m TELEFÓNICA B2B Customers

1 Digital Operation Centre + 12 SOCs (Security)

Portfolio

Strong Partners and Credentials



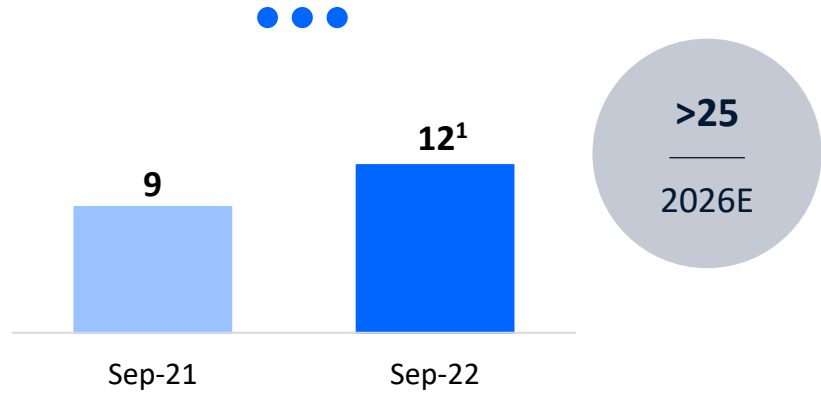
Cyber + Cloud + IoT + Big Data + AI



T. Infra, unique portfolio of best-in-class assets

TEF is building a leading portfolio of FibreCos

Total FTTH Premises Passed (m)



UK²

50% InfraVia
50% TEF – LG
(25% T. Infra | 25% LG)



50% Allianz
50% TEF
(40% T. Infra | 10% T. DE)



60% KKR
40% TEF
(40% T. Chile)
• Acquisition of Entel's fibre assets² (1.2m PPs)



45% Vauban & CAA
55% TEF
(25% T. Infra | 30% T. Spain)



50% CDPQ
50% TEF
(25% T. Infra | 25% T. Brasil)



60% KKR
40% TEF
(40% T. Colombia)

¹ Included in the total Group's FTTH PPs

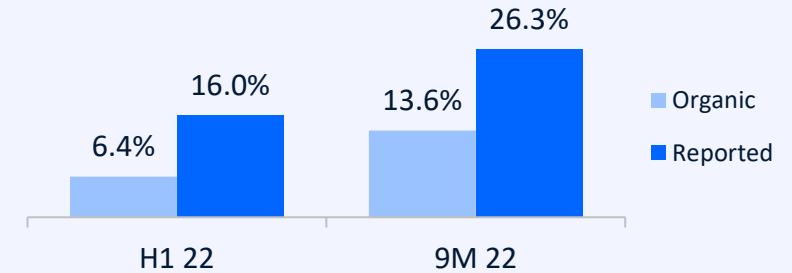
² After receiving regulatory and competition approvals

³ Constant perimeter (excluding tower business)

Critical infrastructure

TELXIOUS

Accelerated OIBDA³ growth:



Maintained strong commercial momentum (9M 22 y-o-y):

- +46% bandwidth provisioned for capacity services
- +17% in value of contracts signed with third parties

Profitability and high cash conversion:

- Strong cash conversion in hard currencies (mainly USD)
- Fully invested state of the art network

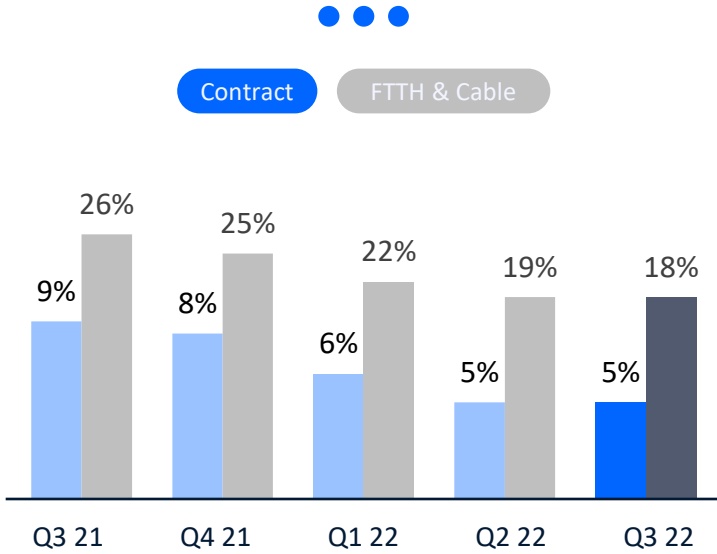
70% TEF | 30% Pontegadea²

- Reinforced investment on a critical infrastructure
- Regulatory and competition approvals expected in early 2023

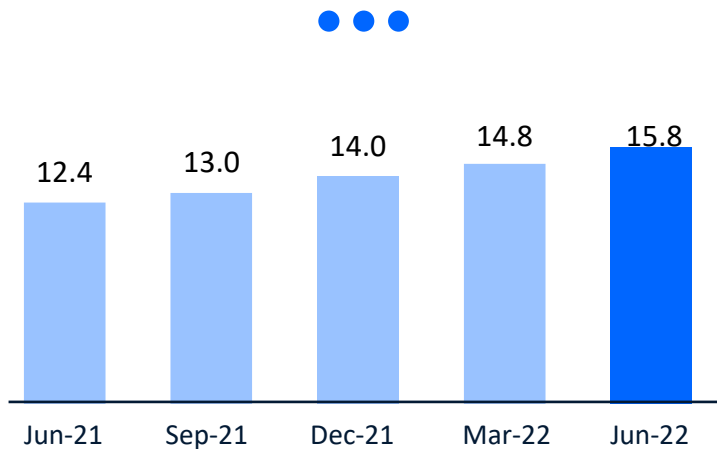
Q3 22 Results

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

Accesses Growth (y-o-y)

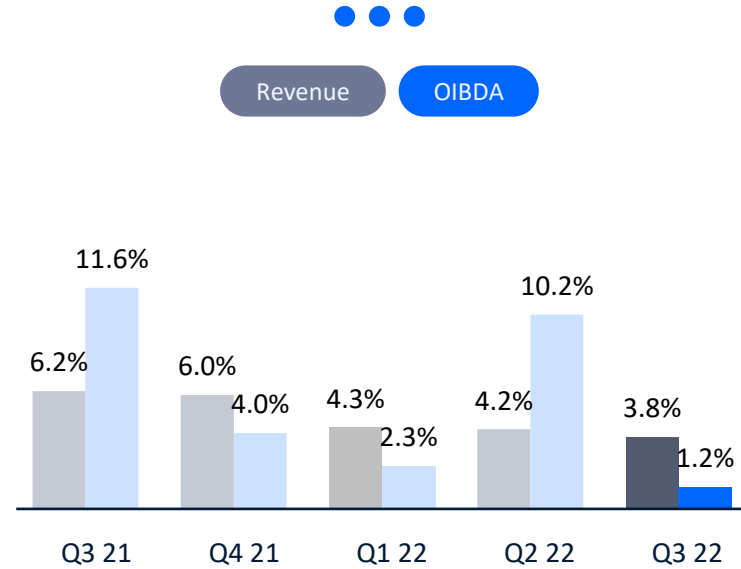


FTTH & Cable premises passed (m)

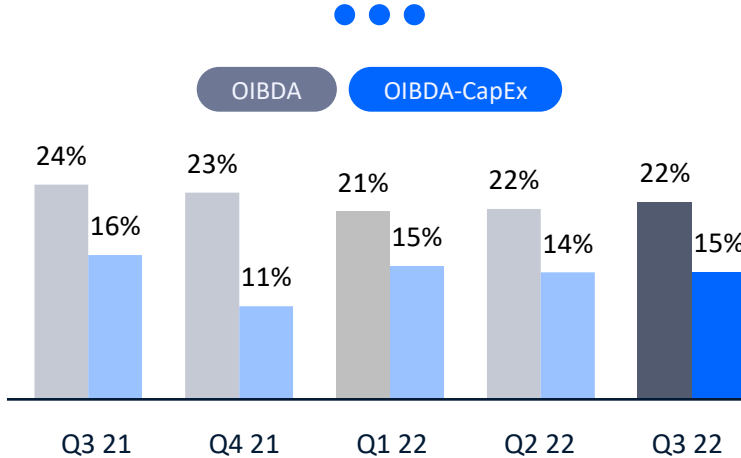


(1) OIBDA adjusted for organic criteria ex. FX related impacts

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



Margins (organic)



Building a sustainable future

Growing in contract & FTTH

Revs +16.2% & OIBDA +12.6% (€) ⁽¹⁾

OIBDA-CapEx +15.1% in 9M 22

Capital employed: -34% since Dec-19

Telefónica: Best corporate reputation in Latam by Merco





Prudent management, contained cost and sound liquidity

Debt Portfolio de-risked & well positioned

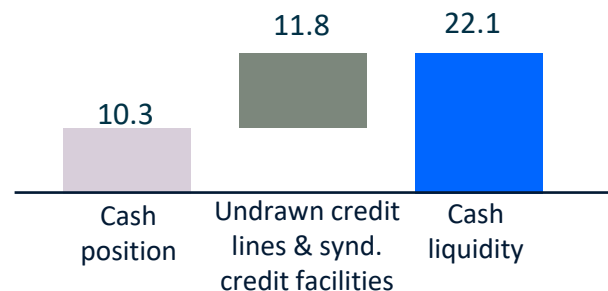
74%
Total debt fixed

13.0 yrs
Avg. debt life

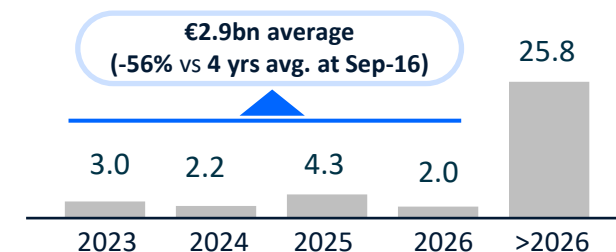
Maturities covered over next 3 years

Comfortable liquidity position

Liquidity cushion, Sep-22 (€bn)

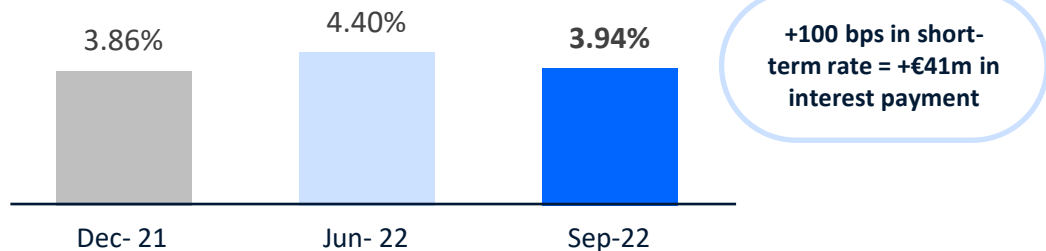


Gross debt maturities, Sep-22 (€bn)

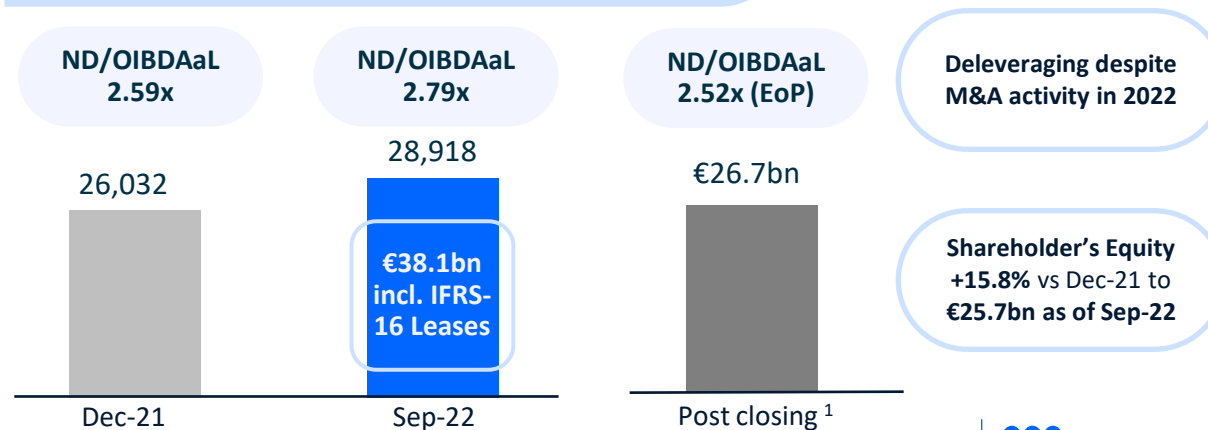


Contained interest payment cost

Total interest payment cost (ex leases)



Net financial Debt (€m)



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

Conclusions

Mr. Ángel Vilá
COO



Ongoing sustainable growth



Sequential improvement in reported revenues and OIBDA trends (y-o-y)

Managing inflationary & macro environment; sustained revenue and OIBDA growth with stable margin (y-o-y org.)

FCF and net debt reduction to accelerate in Q4 (confirmation of tax refund of €1.3bn)



Commercial actions supporting growth (price actions, higher NPS, churn management, best value proposition)

Network leadership, focusing efforts and investments in fibre and 5G driving customer journey

Strong balance sheet and FCF position us well for uncertain times



Well on track to meet 2022 guidance; 2022 dividend confirmed

Critical role in the digital world; active on collaboration as an industry to ensure open standardised APIs

Helping society thrive



Results presentation and Q&A Session



Telefónica's management will host a webcast on
4 November at 10:00 AM (CET), 9:00 AM (GMT), and 5:00 AM (EDT)



Participants from Telefónica

- **Ángel Vilá** | COO
- **Laura Abasolo** | CFO & 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
2021



Bloomberg
GEI 2022



1st company worldwide in 2021
Digital Inclusion Benchmark



1st in sector
2020

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