Telefónica reopens the corporate euro hybrid market with a €750 million green issuance

- With the placement of today´s 6-year green hybrid bond, the company is making progress towards its goal of having 25% of its financing up to 2024 meeting sustainability criteria.

- The company has simultaneously submitted an offer to purchase two outstanding hybrid bonds, which execution and closing of which is scheduled for next week.

Madrid, 14 November 2022. Telefónica has reopened the European corporate hybrid market, closed since mid-September, with the successful issue of a €750 million 6-year green hybrid bond. At the same time, the company has presented an offer to purchase two hybrids with redemption dates in March and September 2023. According to the planned schedule, the offer will end on 21th of November and the closing date of the operation will be on the 24th.

Regarding the hybrid bond issue, the operation was very well received by institutional investors, with a book of more than 300 orders - exceeding the amount finally issued by more than 6 times - and a broadly diversified investor base, with international investors accounting for more than 90%. Thanks to this good response, the company has managed to improve the conditions significantly, with a coupon reduction of 62.5 basis points and a final cost of 7.125% from the initial indications of 7.75%. The closing and final settlement will be on the 23rd of November.

Both operations, the green hybrid issue and the buyback offer, are aimed at continuing to proactively manage the company's hybrid capital base. At the end of September, the average maturity of the debt was 13 years.

Energy efficiency and renewable energy generation

The funds obtained will be allocated to investments in green projects consisting mainly on the shutdown of obsolete equipment and the deployment and improvement of network infrastructure. These will be projects that seek to achieve greater energy efficiency thanks to the transformation of telecommunications networks through fibre and 5G technology, on the one hand, and renewable energy generation plans, on the other.

Once the projects have been identified and awarded, and in accordance with the company's Sustainable Finance Framework in force, Telefónica will report their impact

on energy consumption per petabyte unit of data traffic, on the energy savings they represent and on the estimated CO_2 emissions avoided.

Global leadership in sustainable finance

Today's issue is in line with Telefónica's objective that 25% of its financing until 2024 should be based on sustainability criteria. It also links, in a more generic way, with the company's sustainability objectives, which are integrated into its business strategy and aligned with the United Nations Development Goals (SDGs). In environmental terms, and in line with SDGs 7, 11, 12 and 13, Telefónica is working to achieve net zero emissions by 2040 across its entire value chain, with the intermediate goal of neutralising emissions to reach 1+2 by 2025 in its main markets.

It also fits with the company's goal to help its customers avoid more than 50 million tonnes of CO_2 emissions between 2020 and 2025 thanks to digital solutions and to achieve zero waste by 2030. The roll-out of fibre optics and 5G infrastructure as part of the transformation of the networks, together with plans to extend renewable energy, are key to achieving these objectives. Optical fibre is 85% more energy efficient than copper, and 5G consumes, per unit of traffic, up to 90% less than 4G.

Telefónica is a pioneer in the sustainable financing segment. In 2019 the company launched the industry's first green bond, in 2020 it issued the first green hybrid bond, and in 2021 it placed the sector's first sustainable hybrid bond.

With today's issuance, Telefónica leads the global telco sector as leader in sustainable financing in public markets. Including this transaction, Telefónica Group's sustainable activity exceeds €15 billion as of January 2019, including sustainable financing facilities.