

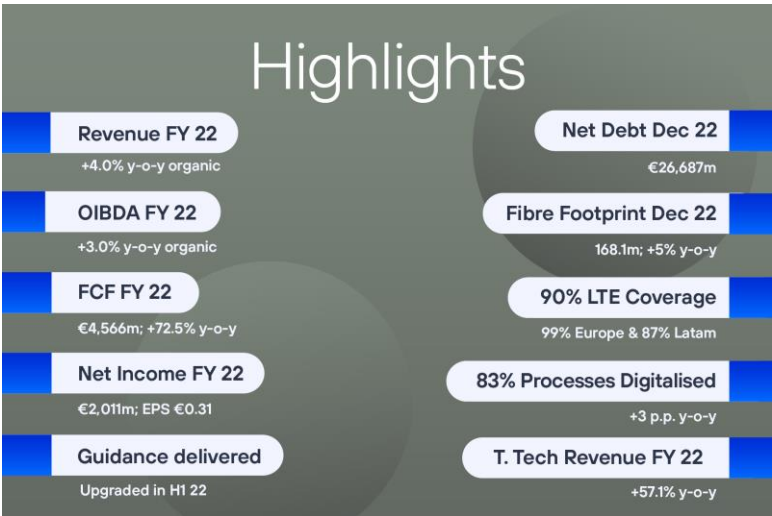
Press release

Telefónica increases revenues in all markets and earns 2,011 million euros in 2022

- The company's revenues rose 1.8% to €39,993 million, with growth in all markets thanks to the Group's strong performance in a particularly challenging year and environment.
- Telefónica exceeds the financial targets set for 2022 with organic revenue and OIBDA growth of 4% and 3%, respectively, and capex to sales ratio below 15%.
- Telefónica closes 2022 with a free cash flow of €4,566 million, 72.5% higher than the previous year. Free cash flow per share reached €0.80 and comfortably covers the annual dividend of €0.30 per share.
- The company continues to take steps to manage the current challenging macroeconomic environment and rising interest rates. More than 80% of the debt is at a fixed rate and maturities for the next three years are covered.
- The company announces a dividend for 2023 of €0.30 fully in cash, distributed in two payments to be paid in December 2023 and June 2024, and will propose to shareholders the redemption of 0.4% of the share capital.
- In 2023, the Group aims to achieve low single digit organic revenue and OIBDA growth and a capex to sales ratio of around 14%.
- Telefónica Tech increases revenues by 57% in 2022, to €1,482 million, and Telefónica Infra consolidates its position as a vehicle for high value-added infrastructures.
- "We are very pleased with the transformation the company is undergoing and we are well positioned to continue on this path of profitable growth. In 2022 Telefónica has once again demonstrated its strength, commitment to its objectives and its ability to weather the most challenging environments. In 2023 we will maintain our current financial discipline and continue to prioritise investment in connectivity projects. For Telefónica, responding to the new demands of the digital era is not an option; it is the choice," said José María Álvarez-Pallete, Chairman and CEO of Telefónica.

Madrid, 23 February 2023. Telefónica keeps working in the management of the company's business to evolve its business model and consolidate its leadership in the digital era. Following this line of action, the Group closed 2022 with a net income of €2,011 million thanks to revenue growth in all the markets in which it operates and to the efficiency in management and cost control. In a year marked by a complex macroeconomic context, the company has once again demonstrated its consistent capacity to generate cash, more than 72% higher than the previous year, and has strengthened its balance sheet, with more than 80% of debt at a fixed rate and the maturities of the next three years covered.

The Group's positive performance in 2022 also enabled the company to exceed the financial targets announced for the year, with organic revenue growth of 4% and operating income before depreciation and amortisation (OIBDA) of 3%. Also, the ratio of investments to sales was 14.8%, also within the target.



"We are very pleased with the transformation the company is undergoing and we are well positioned to continue on this path of profitable growth. In 2022 Telefónica has once again demonstrated its strength, commitment to its objectives and its ability to weather the most challenging environments. In 2023 we will maintain our current financial discipline and continue to prioritise investment in connectivity projects. For Telefónica, responding to the new demands of the digital era is not an option; it is the choice," said José María Álvarez-Pallete, Chairman and CEO of Telefónica.

2023 targets and all-cash dividend of 0.30 euros

After the good performance in 2022, Telefónica faces 2023 with new targets that follow the growth path achieved last year. Specifically, the company has set targets to reach low single-digit organic growth in both revenues and OIBDA, as well as a capex/sales ratio of around 14%.

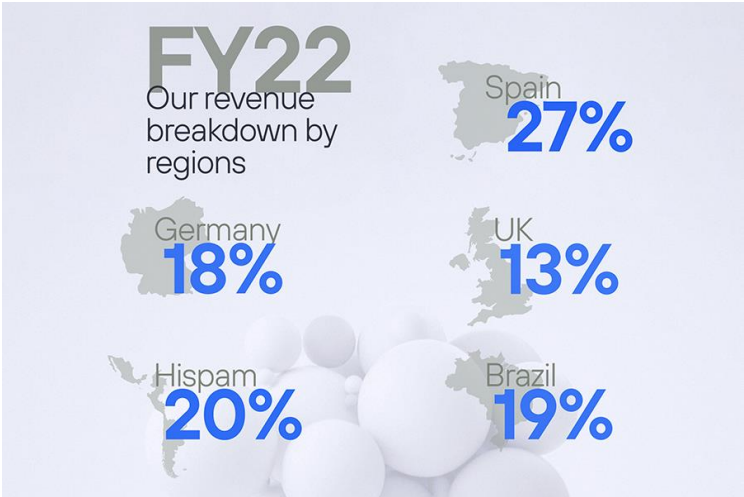
Telefónica also announces a dividend for 2023 of €0.30 in full cash. It will be paid in two payments of 0.15 euros each, the first of which will take place in December this year and

the second in June 2024. In addition, it will propose to shareholders the cancelation of 0.4% of the share capital held as treasury stock at 30 June 2022.

Growth in all markets and units

The positive performance over the past year has been reflected in the company's main markets. Telefónica España's revenues grew by 0.6% in 2022 and increased between October and December for the seventh consecutive quarter. In the last quarter of 2022, service revenues grew y-o-y for the first time in three years. In Spain, average revenue per customer (ARPU) remains above €90, and churn continues to reflect high customer loyalty, falling in the fourth quarter to 1%, the lowest level since 2015.

Telefónica Germany reported solid revenue and OIBDA growth in all quarters of the year and successfully completed its three-year 'Investment for Growth' programme, ending the year with 5G coverage of more than 80% of the population. Virgin Media O2 reported a y-o-y improvement in OIBDA of 9.9% and achieved planned synergies. Telefónica Brasil increased its revenues by double digit for the third consecutive quarter and strengthened its leadership in contract and fibre to the home (FTTH) customers. Finally, Telefónica Hispam continued to perform well thanks to its new operating model, with growth in high value accesses, resulting in an improvement of 1% in mobile ARPU and 1.1% in fixed broadband ARPU.



Telefónica's global units also showed a positive performance in 2022. Telefónica Tech has consolidated its position as a leader in advanced digital solutions and has increased its capabilities and scale thanks to the strategic and value-added acquisitions made during the year. Telefónica Tech's revenues grew by 57.1% compared to 2021, to €1,482 million.

Telefónica Infra continued to lead the sector by bringing green connectivity to rural areas and ended 2022 with a coverage of more than 13 million premises passed by fibre. Telxius, the company's submarine cable business, ended the year managing higher traffic levels with strong profitability and growth ratios, driven by a 17.2% organic increase in OIBDA to €218 million, with a margin of 51.8%.

Higher revenues

Reported Group revenues grew for the first time since 2015. In financial year 2022, they increased by 1.8% to €39,993 million. In the fourth quarter they increased by 5.4% to €10,200 million.

OIBDA stood at €12,852 million at December 2022, with y-o-y variations affected by restructuring costs or capital gains recorded in the previous year, among others. In the fourth quarter, OIBDA reached €3,259 million, more than double that of the same quarter of 2021.

The evolution of exchange rates in 2022 has been favourable for the Group. For the full year, the contribution to revenues amounted to €1,748 million and to OIBDA was €660 million.

Cash flow over €4.5 billion

Free cash flow amounted to €2,093 million in the fourth quarter, well above the €1,177 million recorded in the same period of 2021. The figure for the full year was €4,566 million, 72.5% higher than the cash generated in 2021.

With these figures, the cash flow per share has reached €0.80, which comfortably covers the dividend of €0.30 per share in 2022.

Net financial debt ended 2022 at €26,687 million, down almost €2 billion in the fourth quarter.

The strengthening of the Group's financial position is reflected in a solid liquidity position of €21,413 million, which allows maturities for the next three years to be covered, more than 80% of the debt anchored at fixed rates and an average maturity of 13.1 years.

In addition, Telefónica has strengthened its position as a leader in ESG financing and now totals close to €17 billion since the launch of the sector's first green bond in 2019.

State-of-the-art and sustainable infrastructures

As a technology leader in fibre, Telefónica continued to hold the top position in the world ranking for FTTH deployment (excluding China) with a total of 168.1 million premises passed at December 2022, 5% more than in the same period last year, of which a total of 64.5 million (+16%) are on the company's own network.

With regard to 5G technology, whose deployment is being adapted to market demand, Telefónica already has coverage of more than 1,600 locations in the United Kingdom, more than 80% of the population in Germany, more than 85% in Spain and a total of 39 cities in Brazil.

Both fibre and 5G mean deploying greener technology: fibre is 85% more energy efficient than copper, and 5G is 90% more energy efficient per unit of traffic than 4G. Since 2015, electricity and fuel consumption associated with networks has been reduced by 7.2%, while managed traffic has increased by more than 6.7 times.

Telefónica ended 2022 with a total of 383.1 million accesses, 4% more than in December 2021.

95 billion annual contribution to the SDGs

Telefónica's sustainability objectives, integrated into the Group's business strategy, represent a contribution of more than €95,000 million per year in positive impact to achieve the Sustainable Development Goals (SDGs).

In this line, the achievements obtained in 2022 have led to the reduction of emissions through renewable energy and energy efficiency plans, an advance that has allowed 82% of the energy used by the Group to be of renewable origin, with a figure of 100% in its main markets, Chile and Peru. Since 2015, the company has reduced CO² emissions by 80%.

Telefónica's continued achievements in sustainability have led to international approval through various recognitions in 2022. In environmental matters, Telefónica has once again been included in the Climate A List (CDP) for the ninth consecutive year and in the Supplier Engagement ranking for the third year. In the social area, it is number one worldwide in the Digital Inclusion Benchmark, the benchmark index for digital inclusion, and is part of the sector ranking in the Bloomberg Gender Equality Index, where it has been included for the sixth consecutive year, and in which Vivo and Telefónica Germany are also included.