

Results 2023

Q2

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Key takeaways

Mr. José María Álvarez-Pallete
Chairman & CEO

Delivering on our goals

Core markets

 Spain

Retail revenue growth sequential improvement

Towards OIBDA stabilisation

In-market consolidation prospects

Copper shutdown (Apr-24)

 Brasil

Outgrowing inflation, margin expansion

Stellar OIBDA-CapEx (Q2 23 +34.3% y-o-y)

Growth + Lower CapEx intensity

B2C ecosystem opportunity

 Germany

Narrowed 2023 guidance on continued momentum

Excellent progress in 5G: ~90% coverage

Well-received M4M underpins future growth

Executing strategy; growth & transformation

 UK

Accelerated network rollout (175k PPs; 5G)

Sequential revenue and OIBDA improvement

In-market consolidation prospects

Synergies realisation (£540m by mid-26)

Group

Value-Adding Group

T. Tech. Distinctive growth profile
Potential source of value

T. Infra. Scaling-up fibre vehicles
Consolidation prospects

T. Hispam. Largest fibre wholesaler in Peru.
Network sharing MoU with Tigo in Colombia.

Open Gateway: 32 Telcos MoU
Developing **AI-based use cases**

Key developments

Looking ahead...



Driving profitable and sustainable growth

Q2 23

Revenue

y-o-y organic

+3.3%



5 Qs in a row of reported growth

OIBDA

y-o-y organic

+3.5%



Reported OIBDA already stabilised y-o-y

OIBDA-CapEX

y-o-y organic

+3.4%



OIBDA-CapEx H1 (+2.7%)

Net Debt

Cash dividend payment

€27.5bn



FCF €842m; H1 €1.3bn



Growing accesses; ongoing commercial momentum

- Fibre (+15% y-o-y); mobile contract (+3% y-o-y); 5G coverage increasing
- Long term customer relationships; high NPS, churn under control
- CapEx devoted to long term growth; smart capital allocation



Consistent revenue growth (org. y-o-y)

- B2B a solid driver; +6.9%
- Sustained service revenue growth (+3.4%)
- Price rises flow through to OIBDA



OIBDA (org. y-o-y) sequential improvement (+2.4 p.p.)

- All core operations improved vs. Q1 y-o-y org.
- Costs efficiencies and digitalisation measures
- OIBDA margin up y-o-y org.



Focused on investment grade credit rating and deleverage

- Prudent debt management
- Q2 23 FCF €842m, +0.9% y-o-y
- FCF almost doubling sequentially

Improved OIBDA and FCF momentum



Financial update

€ in millions	H1 23		Q2 23	
	Reported + 50% VMO2 JV	Organic y-o-y	Reported + 50% VMO2 JV	Organic y-o-y
Revenue	23,164	4.1%	11,667	3.3%
OIBDA	7,323	2.3%	3,689	3.5%
OIBDA-CapEx (ex-spectrum)	4,326	2.7%	2,006	3.4%

€ in millions	H1 23		Q2 23	
	Reported	Reported y-o-y	Reported	Reported y-o-y
Revenue	20,178	3.7%	10,133	0.9%
OIBDA	6,266	(1.2%)	3,144	(0.1%)
OIBDA Underlying	6,306	1.3%	3,161	0.1%
Net Income	760	(25.9%)	462	44.5%
FCF (incl. leases principal payments)	1,296	(3.9%)	842	0.9%
Net Financial Debt ex-leases	27,479	(3.9%)		

FX impact		
Net debt -€0.6bn		
€ (m)	H1 23	Q2 23
Revenue	48	(88)
OIBDA	10	(37)



Strong momentum supports 2023 guidance upgrade

2023 guidance

Organic

Targets	Initial 2023 guidance	Upgraded 2023 guidance	H1 23
Revenue y-o-y organic	“Low single digit growth”	“ ~4% growth ”	4.1%
OIBDA y-o-y organic	“Low single digit growth”	“ ~3% growth ”	2.3%
CapEx/Sales organic	~14%	Maintained ~14%	12.7%

Shareholder remuneration

2023 Dividend	€0.3/share (cash)
December 2023	€0.15/sh. (cash)
June 2024	€0.15/sh. (cash)

2023 calendar payments

15th June 2023 €0.15/sh.; cash
 14th December 2023 €0.15/sh.; cash



24.8m own shares cancelled

April 2023

1.4% treasury stock
to be cancelled

ESG progress

Environmental

Social

Governance

Key targets

- ▶ **Net-zero** by 2040 (SBTi validated)
- ▶ **100% renewables** by 2030
- ▶ **Zero-waste** by 2030

- ▶ **>90% MBB rural coverage** by 2024¹
- ▶ **33% women executives** by 2024
- ▶ **Zero adjusted pay gap** by 2024²

- ▶ **Parity**³ in top governing bodies by 2030
- ▶ **Zero-tolerance** of corruption
- ▶ **30-35% sustainable linked financing** by 2024⁴

Examples of our progress

On the path to net-zero: VMO2's targets validated by SBTi, following TEF's (Jul-22)

Fostering Renewables: 8 distributed generation plants added during Q2 (BR)

Circular economy: new commitments to takeback, reuse & recycle devices

Connecting communities: T. Group 169.7m UBB PPs; new fibreCo (PE)

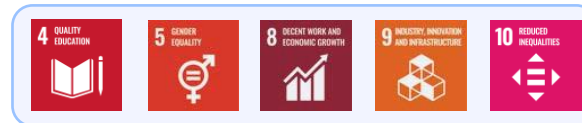
Driving diversity & inclusion: >32% women executives (Jun-23)

Promoting employability: ~1.2m beneficiaries via T. Foundation (H1 23)

Sustainable financing: GlobalCapital Award for Most Impressive Corporate Hybrid Issuer

Protecting customers: Blocked +533m cybersecurity threats (SP)

ESG Academy; launched Group wide training on sustainability topics



¹ Core markets.

² Adjusted pay gap: equal pay for jobs of equal value

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

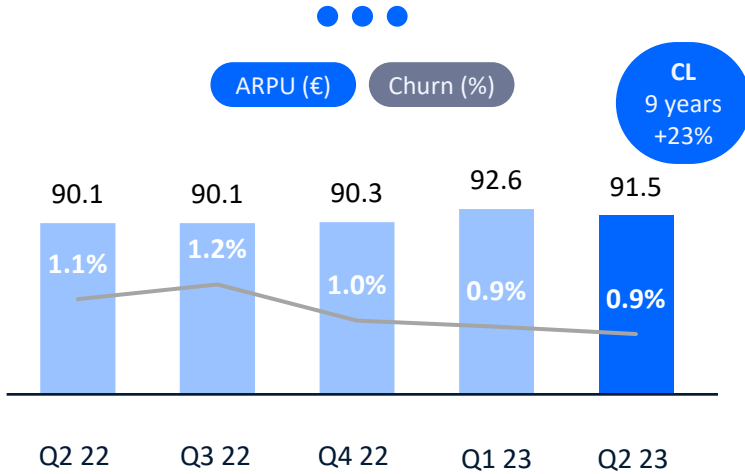
⁴ Financing linked to sustainability criteria includes balance sheet debt, hybrids and undrawn committed credit lines based on ICMA sustainable bond principles, LMA Sustainability Linked Loan Principles and other ESG criteria. Not necessarily linked to EU Taxonomy aligned activities

Q2 23 Results

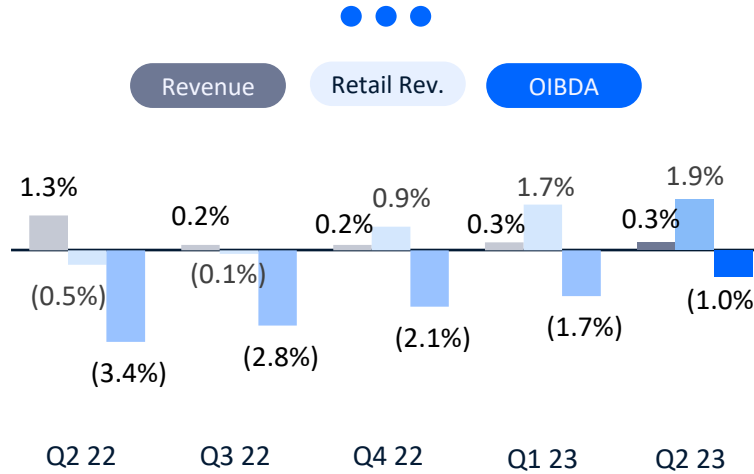
Mr. Ángel Vilá
COO



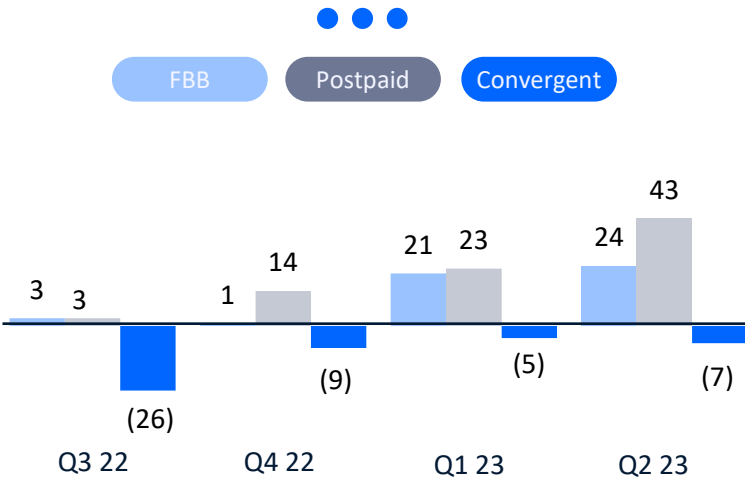
Convergent KPIs



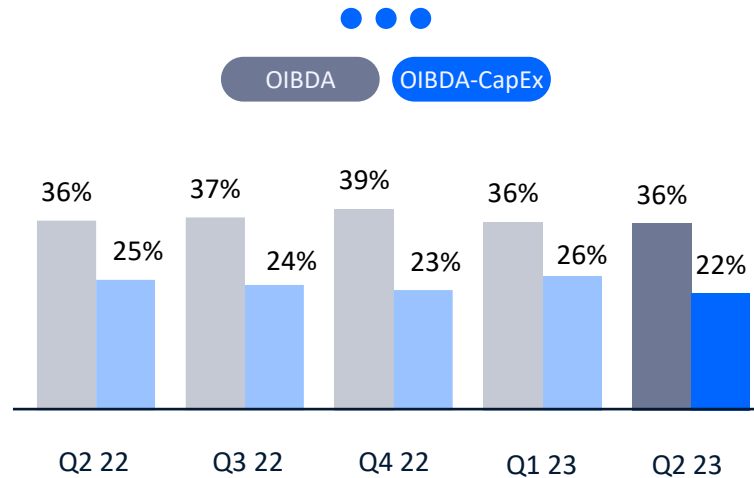
Revenue & OIBDA growth (y-o-y organic)



Net adds (k)



Margins (organic)



Stronger commercial traction accelerates retail revenue

Growing FBB & postpaid base y-o-y
Solid churn, ARPU growth and best-in-class NPS

Customer lifetime, +23% y-o-y
Refreshed B2C portfolio (since 1st August)

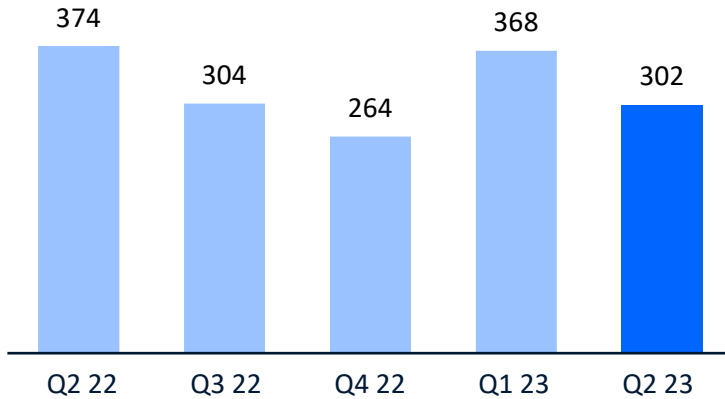
Improved retail revenue (+1.9% y-o-y in Q2)
OIBDA closer to stabilisation
Benchmark (OIBDA-CapEx)/Sales (24% in H1)

Promoting circular economy
 (device recycling)

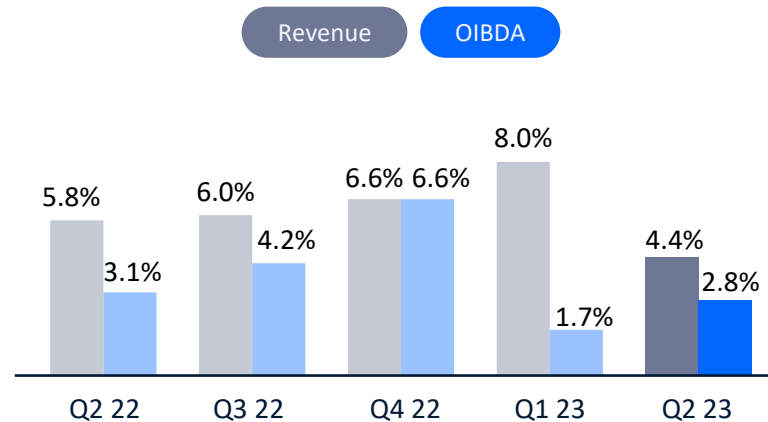




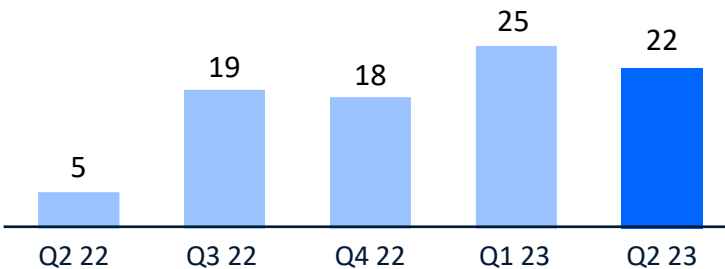
Postpay net adds (k)



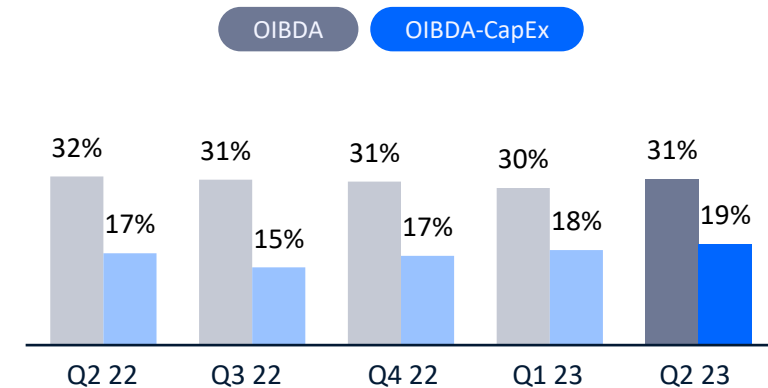
Revenue & OIBDA organic growth



Fixed BB net adds (k)



Margins (organic)



Good operational traction & sustained financial performance



M4M 'O₂ Mobile' successfully launched

O₂ contract ARPU +1.0% (vs. Q2 22)

Strong OIBDA growth (+1.1 p.p. q-o-q)

YE 23 target of 90% 5G pop coverage already achieved at mid-year

2023 Revenue & OIBDA outlook narrowed to "upper range of low single-digit growth"

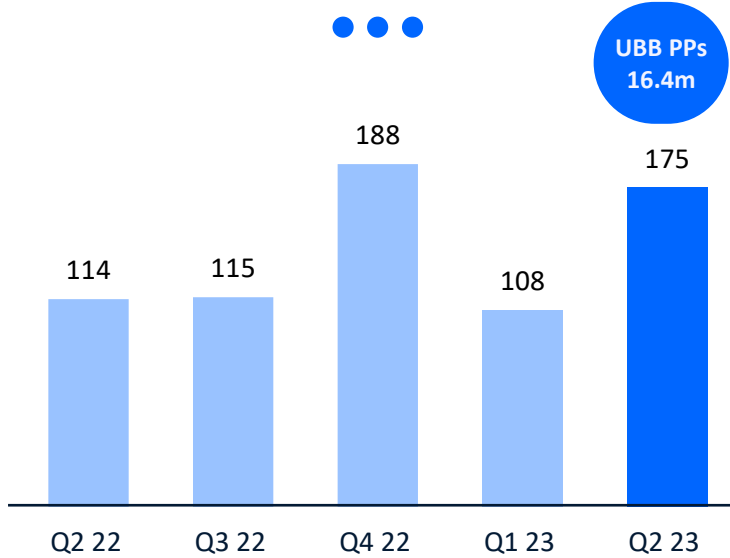
Promoting digital skills & inclusion



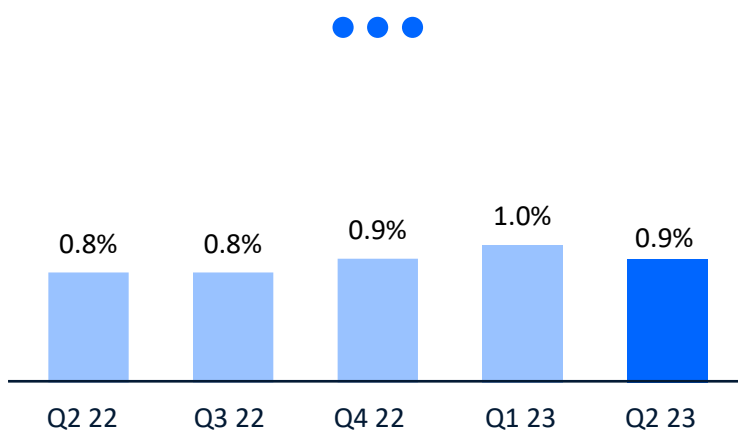
Virgin Media O2



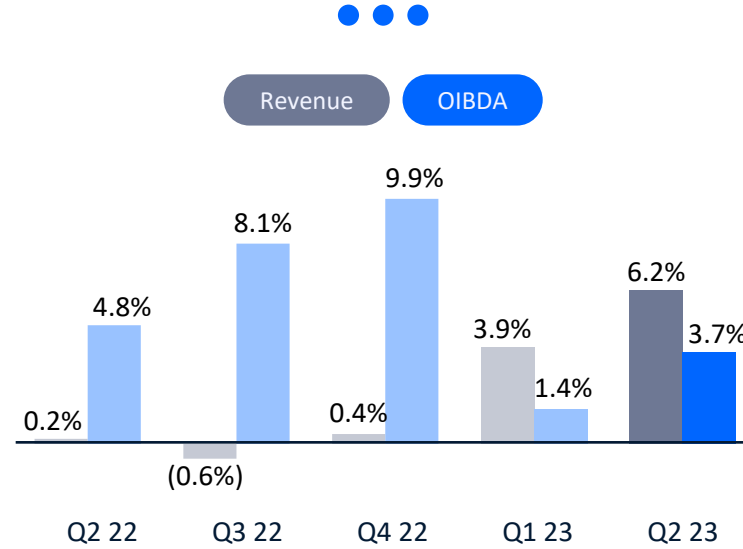
Fixed network build (k PPs)



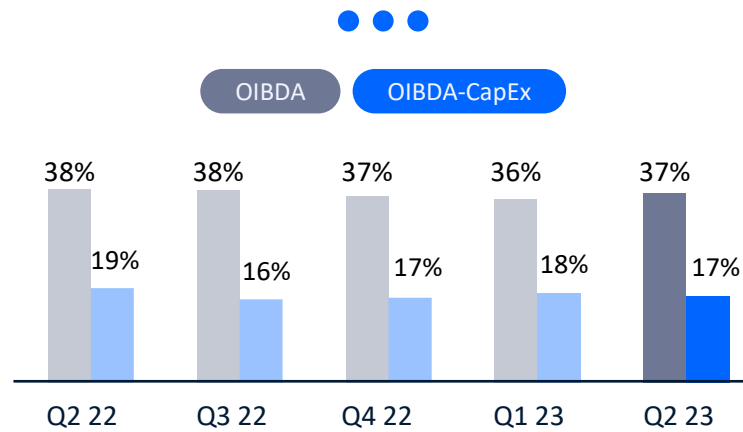
Mobile contract churn (%)



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



Margins (organic)



Focus on network investment

Growing converged base; **Volt surpassed the 1.5m customers milestone**

175k PPs in Q2 23 and 5G connectivity >2,800 towns and cities

Price increases in fixed & mobile

Accelerating revenue and OIBDA growth

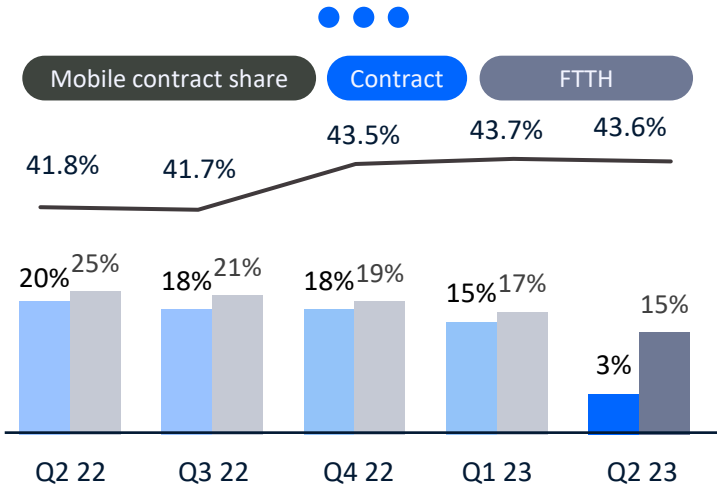
Executing synergies above plans

29% reduction in carbon emissions (Scope 1 & 2) against 2020 baseline

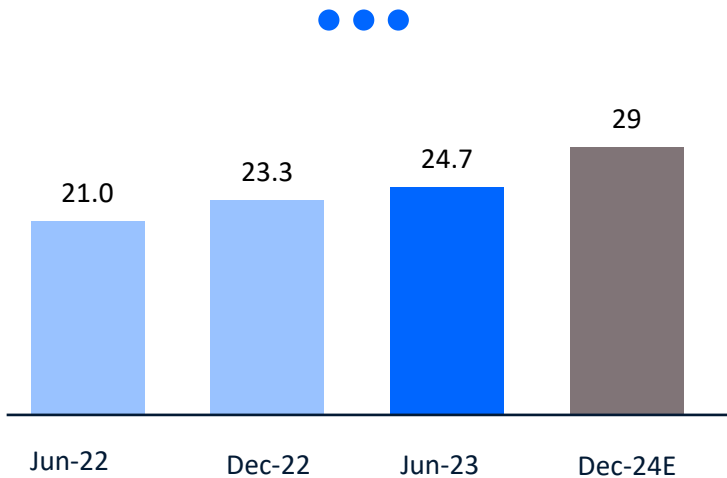




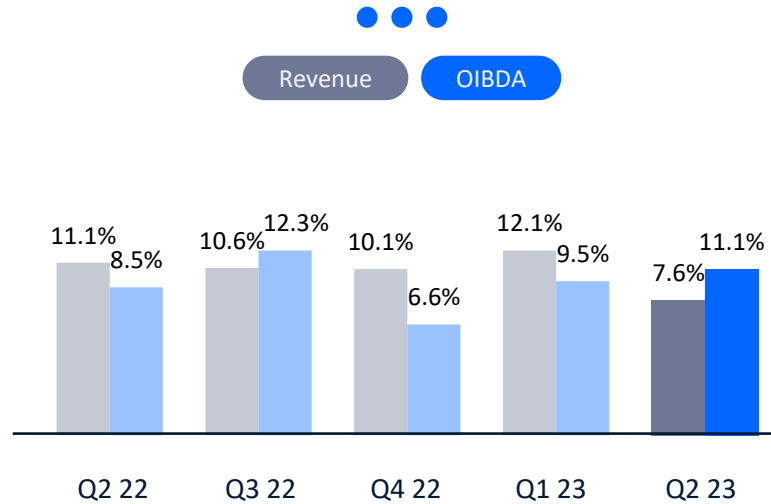
Accesses growth (y-o-y)



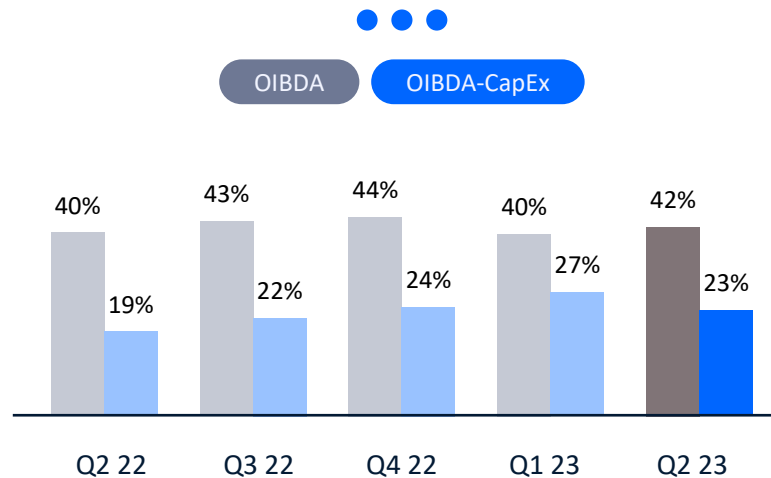
FTTH Premises passed (m)



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



Margins (organic)



Outgrowing, outlasting inflation

Leader in contract m.s. 43.6% (+1.9 p.p. y-o-y)

Rational mobile market

Entry top-up level R\$15 (+25% vs. previous)

Contract churn decreasing (1.0%)

Mobile ARPU: +8% y-o-y in Q2 23

Service revenue booming despite Oi annualisation

MSR (+10.4%): strong trading & tariff increase

Fixed (+2.3%): FTTH & B2B Digital services (+31%)

Lower CapEx intensity: +27.8% OIBDA-CapEx H1 23

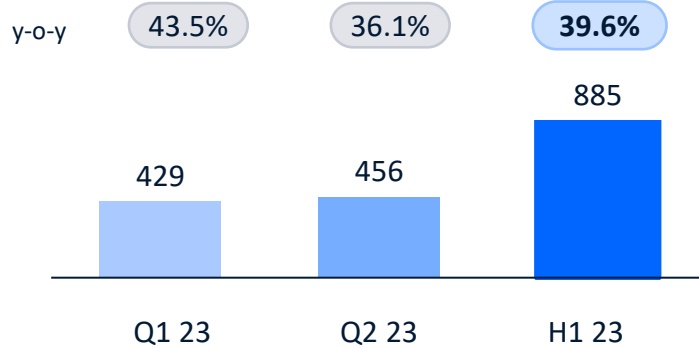
Ethnic diversity: 41% employees self-declared as black (+7% vs. 2022)





T. Tech, a leading IT provider for B2B digitalisation

T. Tech Revenue (€m)



Double-digit y-o-y growth across T. Tech businesses

Accelerated growth in constant perimeter

- Q2 23 ~+29% y-o-y (+2 p.p. q-o-q); >2x market growth

Key differential growth driver for T. Group B2B revenue

Well-balanced revenue mix

- High weight of Managed & Professional services & own platforms
- >85% revenues in hard currency markets

Differential customer journey; relevant in the B2B market

- Telefónica, leader in "Telecom Services Sector Scorecard" (GlobalData)

Operational Highlights

Strong commercial activity, solid position in customers

- LTM Bookings ~+35% y-o-y

Highly skilled team close to customers

- Talent-led Co': hiring, skilling & retaining
- >6.2k professionals; 80% in Europe; ~4k certifications; 16% attrition (LTM)

New operating model for a new cycle of sustainable growth

- Geographical BUs with commercial focus
- Transversal service and delivery units to expand portfolio and capabilities

Reinforced delivery

- New DOC in Colombia (Cloud & Cyber)
- TheThinX (IoT) lab in Spain

Industry Analysts Recognition



Leader: Cybersecurity Services RadarView

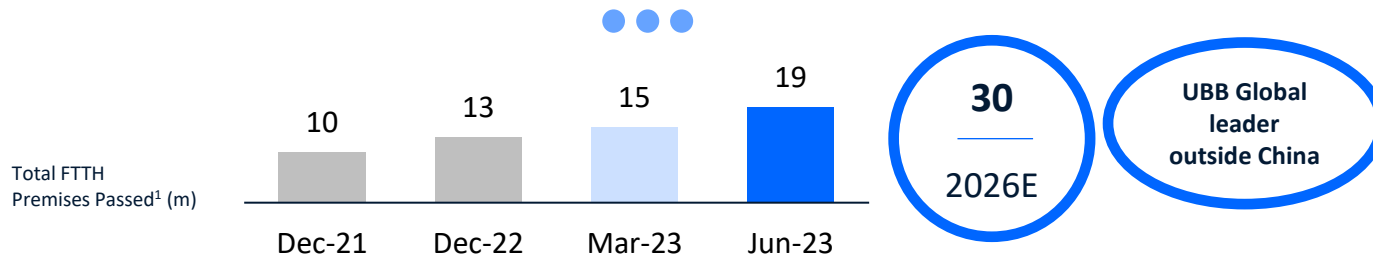
Leader: Global Industrial IoT Services

Large Player: MDR Services Europe Landscape (Jul-23)



T. Infra, crystallising value of assets and capabilities

Accelerating FTTH deployments; efficient wholesale vehicles



Q2 23 highlights

- Bluevíá**
 - Reached >3.5k targeted low density municipalities
- nexfibre**
 - Commercially live (Jun-23); latest XGS-PON architecture
- UGG** Unsone Grüne Glasfaser
 - Present in 8 "Länders"; advanced in MoU sign-ins
- FIBRASIL**
 - Present in 22 Brazilian states
- ONNET FIBRA**
 - Entel Chile agreement approval expected H2 23E
- PangeaCo**
 - T.Hispam reached an agreement with KKR and Entel Peru (36%, 54% and 10% stakes, respectively, in PangeaCo)
 - 1st nationwide open access wholesale fibreCo to bridge national divide
 - 5.2m FTTH PPs by 2026, >2x Jun-23 (2.5m)

Critical digital infrastructure



Reinforced ownership

70% T. Infra; 30% Pontegadea

6th quarter of consecutive organic OIBDA growth

Solid profitability

53.3% (+1.7 p.p. vs. H1 22)
OIBDA margin

Traffic

+16%
H1 23 y-o-y

Next generation
subsea cables

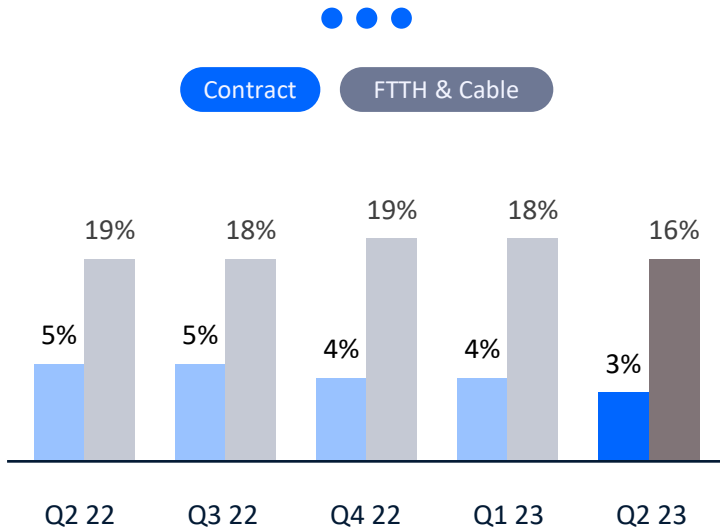
7 new generation
subsea cables since 2018
31,000 km → 82,000 km

¹ Included in the total Group's FTTH PPs. Jun-23 and 2026E includes Pangea PPs.

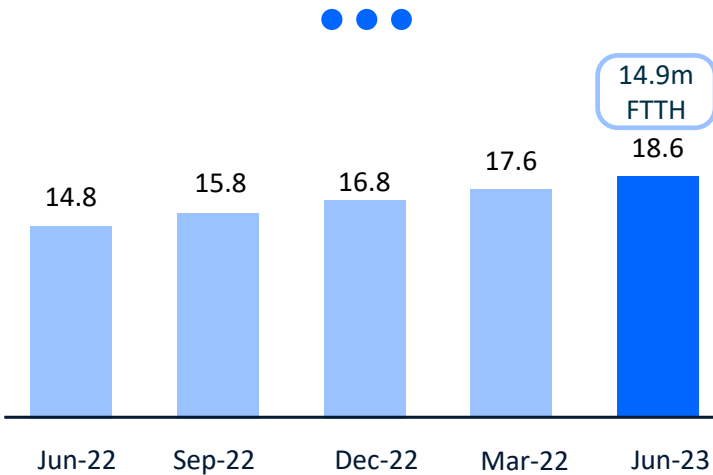
Q2 23 Results

Mrs. Laura Abasolo
CFCO & Head of T. Hispam

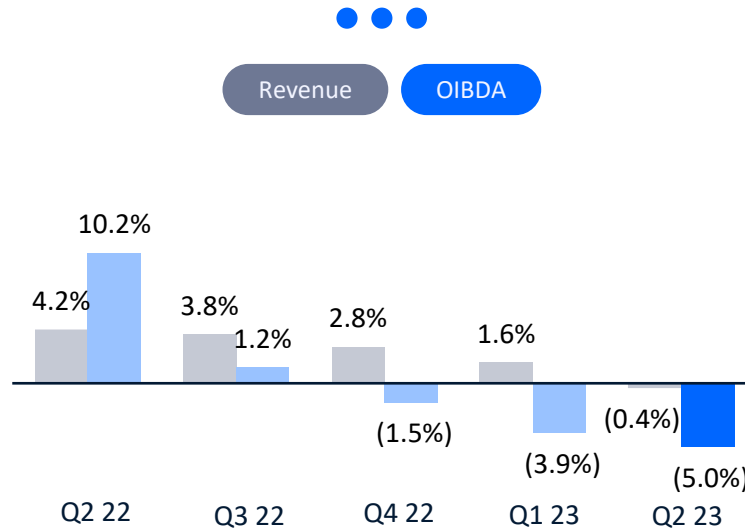
Accesses growth (y-o-y)



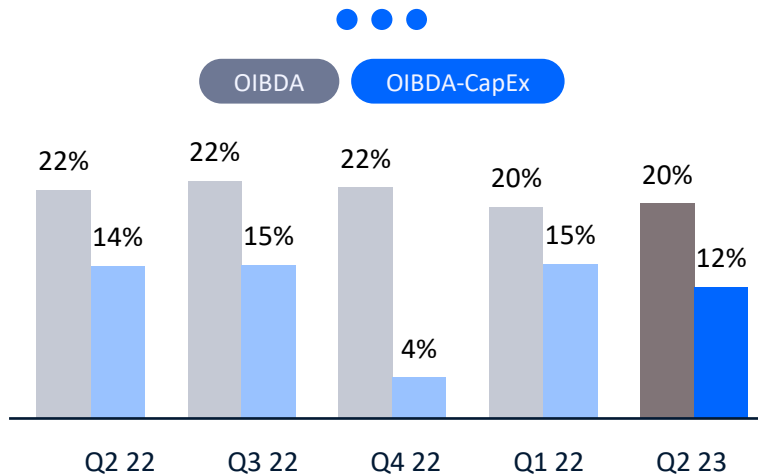
FTTH & Cable PPs (m)



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



Margins (organic)



Continued execution

-27% invested capital (since Dec-19)

Reducing exposure to the region:
MOU in Colombia to share mobile infrastructure Agreement with KKR & Entel in Peru for PangeaCo

Continue growing in **high value accesses**
CapEx/Sales: 8% on new operational model

OIBDA-CapEx expected to grow in 2023

Closing connectivity gap:
e.g., IpT reached >3.3m people





Further deleverage, sound liquidity and contained cost

Debt portfolio de-risked & well positioned

>80%
Total debt fixed

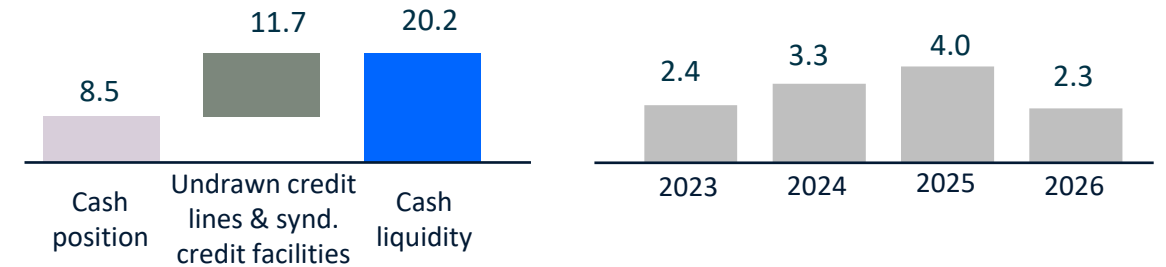
12.4 yrs
Avg. debt life

Maturities covered over next 3 years

Comfortable liquidity position

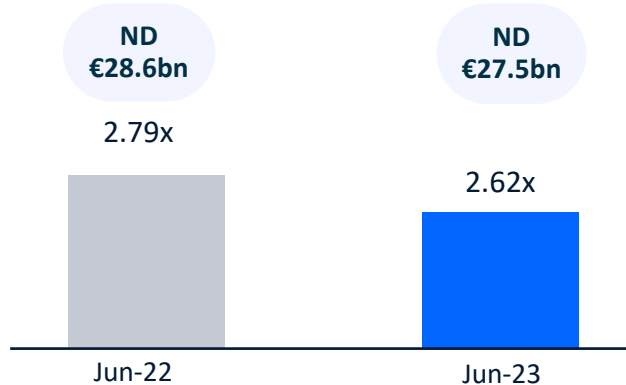
Liquidity cushion, Jun-23 (€bn)

Gross debt maturities, Jun-23 (€bn)



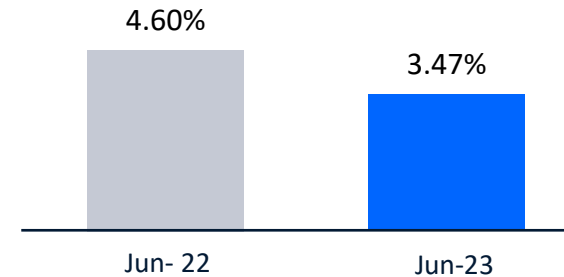
Deleverage trend continues

Net Debt/OIBDAaL



Contained interest payment cost

Total debt related interest payment cost ex leases



+100 bps in short-term rate = +€44m in interest payment

Completing our transformation journey

Mr. José María Álvarez-Pallete
Chairman & CEO

Future-ready

Technology levers

- NextGen infrastructure (fibre & 5G)
- High storage & processing capabilities
- Data-centric mediation platform
- Decommission copper, 2G, 3G and IT
- Open architectures towards programmable networks
- AI as brain of future autonomous networks
- Blockchain and tokenisation to capture Web3 wave

Revenue

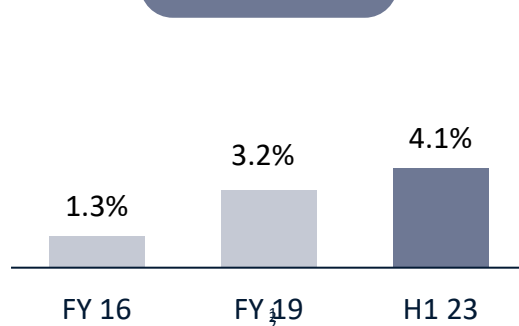
- Growing in all business
- Decisive transformation of revenue function
- Growing in B2C; all time low churn and record NPS
- AI for real-time service customisation
- Outgrowing peers and market in B2B
- NaaS (Open Gateway) and network slicing for NextGen of customised services

OpEx+CapEx

- Massive virtualisation and softwarisation
- 83% of processes digitalised
- Route to zero-touch networks
- Broader vendors ecosystem
- Less capital intensive
- Decommission broadly digested
- Leading CapEx/Sales at ~14% in 2023

Accelerated profitable growth

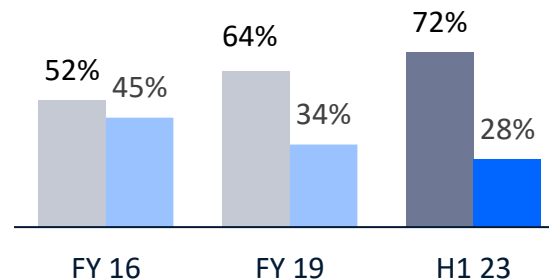
Revenue (organic y-o-y)



Improved revenue mix

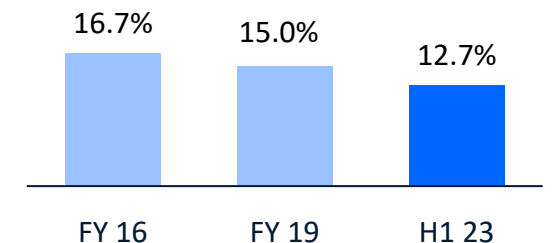
BB & SoC o/total service revenue

Voice & Access o/total service revenue



Declining CapEx/Sales

CapEx/Sales organic



Radical transformation, benefits starting to materialise



Time to grow our ambition



Save the date

Telefonica 2023 CMD
November 8th, Madrid & streaming



Main pillars

- **New company vision and 2023-26 strategic plan. “GPS”: growth, profitability, sustainability**
- **Customers at the centre, technology enabling better understanding of needs and deliver better service**
- **Digitalisation at the core, technology-driven efficiency, operational excellence**
- **Focus on profitable growth to fuel FCF, to increase financial flexibility, reduce leverage, reward shareholders**

Key levers include

- Consistent revenue growth; volume, value and B2B drivers. API-based ways to monetise NextGen networks
- Exploring OpEx & leases efficiencies. E2E digital transformation, leveraging AI. Commercial, network & IT, processes
- Accelerate capital intensity reduction; legacy switch-off, traffic optimisation to reduce capacity CapEx



Driving profitable growth, increasing ambition



- **Continued to deliver in Q2**, confident in our strategy and ability to maximise value for shareholders
- **Consistent and solid revenue growth** (organic y-o-y); highlighting B2B
- **Significant OIBDA growth acceleration** (organic and reported y-o-y); operational leverage



- **Networks leading**; FTTH, 5G. Open Gateway; pioneers in driving efficiency through digitalisation / AI
- **FCF improvement in Q2 23**; to continue in H2 23
- **Committed** to maintain an **investment grade credit rating and leverage reduction**



- **Upgrading 2023 revenue and OIBDA guidance, 1.4% treasury to be cancelled, dividend confirmed**
- **Positioned to benefit from industry, regulatory and technological changes**
- **CMD Nov-23, to present our new company vision**
- **ESG**: enabling positive impact on the business and society



Results presentation and Q&A Session



Telefónica's management will host a webcast on
27 July at 10:00 AM (CEST), 9:00 AM (BST), and 4:00 AM (EDT)



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.](#)



A List
2022



Bloomberg
GEI 2023

Member of
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Sustainability Indices**
Powered by the S&P Global CSA

Member of DJSI
Europe



1st in sector
2022



1st company worldwide in 2022
Digital Inclusion Benchmark

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