CAPITAL MARKETS DAY 2023

A Stronger Company with a Higher Ambition
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Agenda

2:00pm  A Stronger Company with a Higher Ambition  José María Álvarez-Pallete

2:25pm  Growth, Profitability, Sustainability  Ángel Vilá

2:45pm  FCF Focus  Laura Abasolo

3:00pm  Guidance and Closing Remarks  José María Álvarez-Pallete

3:15pm  Q&A  All
A Stronger Company with a Higher Ambition

José María Álvarez-Pallete | Chairman & CEO
Key takeaways

1. **Back to growth** in reported terms
2. **Accelerated through differential operational leverage**
3. **Double digit FCF growth**
4. **Debt reduction target**
5. **Sustainable dividend**
Why now

- Exciting Vision
- Ready to Increase Ambition
- Ready for our next Centenary

2016 2019 2023

Today

5-pillars

Transformation journey
Delivered on 5-pillars strategy set in 2019

- Core OBs\(^1\) are in a **stronger position**
- T.Tech the cornerstone of our B2B transformation
- T.Infra supporting rollouts and reinforcing infra value
- Reduced exposure to **HispAm**
- **New operating and capital allocation model**

\(^1\) OBs stands for Operating Businesses
Massive transformation
Massive transformation

- Cutting-edge NETWORK
- Increased CUSTOMER relevance
- Optimised and future-proof OPERATIONS
- Committed to SUSTAINABILITY
**Cutting-edge network** | Significant rollout underpinning leadership position

**Future-proof mobile network**
(Pop. Coverage, core OBs)

- 4G
- 5G

- 60%

- 90%

**Leapfrog in FTTH coverage**
(FTTH PPs)

- 20m

- 2016

**Best / co-best network in all OBs**

- 72m
  - +6.2m wholesale

- +100k km Telxius international fiber

**Sep-23**

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1) Average commercial coverage in Spain, Germany, UK and Brazil (weighted on total population). 5G coverage, including DSS. 2) FTTH PPs including owned (fully/partially) + co-investment with third parties. Group including UK 3) Includes wholesale fiber in Germany. 4) Telxius subsea cable and terrestrial international routes
Cutting-edge network | Massive network transformation driving efficiency

- **6x** Data traffic
- **>90%** FTTH customers in Spain\(^1\)
- **43%** 2G/3G carriers shut down
- **28k** Servers\(^2\) (+30%)
- **657** Petaflops distributed computing capacity (3x)
- **284** Internal APIs developed

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Figures as of Sep-23, comparison vs. 2016, Group including UK; 1) Over total Fixed Broadband accesses; 2) On-premise servers
Cutting-edge network | Preparing our networks for the future

- High-performance
- Softwarized and virtualized
- Interoperable

Enabling new P&S
Faster Time to Market
Significant reduction in OpEx & CapEx
Increased customer relevance | Solid customers engagement

More customers\(^1\)

385m
(+14% vs 2016)

More loyal\(^2\)

1.1% churn
(vs 1.5% 2016)

More satisfied

29 NPS
(+10pp vs 2017)

More digital

47% App users\(^3\) on regular basis
(vs 0% 2016)

\(^1\) Total accesses, variation at constant perimeter (i.e. excluding Central America)
\(^2\) Convergent churn in Spain, mobile contract churn in Brazil and Germany
\(^3\) % App users during last 90 days, including convergent customers in Spain and mobilepostpaid in the rest of the Group
Increased customer relevance | Evolved revenue mix

<table>
<thead>
<tr>
<th>Year</th>
<th>Voice &amp; access</th>
<th>Connectivity</th>
<th>Value added services beyond connectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>45%</td>
<td>39%</td>
<td>16%</td>
</tr>
<tr>
<td>9M 23</td>
<td>24%</td>
<td>46%</td>
<td>30%</td>
</tr>
</tbody>
</table>

>50% Convergent customers\(^1,2\)
(vs 20% in 2016)

~45% Customers with at least 1 service beyond connectivity\(^3\)

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1) Figures as of Sep-23; Group including UK. 2) Convergent Clients over total FBB base in Spain (mi Movistar), UK (Volt) and Brazil (Vivo Total); 3) Fixed & mobile broadband
## Optimised and future-proof operations | Benchmark efficiency

<table>
<thead>
<tr>
<th>Pioneers in shutdown</th>
<th>Leaner structure</th>
<th>More sustainable network</th>
<th>Foundations for AI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain retail <strong>copper shutdown</strong> in 2024</td>
<td><strong>84%</strong> processes digitized</td>
<td><strong>-5%</strong> energy consumption (despite 6x traffic growth)</td>
<td><strong>650</strong> AI use cases implemented (partially impacting on 25% of company processes)</td>
</tr>
<tr>
<td><strong>3G/2G thin-layer</strong> in all OBs</td>
<td><strong>-18%</strong> headcount(^1)</td>
<td><strong>100%</strong> from renewable sources in Core OBs + Chile + Peru (82% at Group level)</td>
<td>Deployed <strong>Kernel</strong> abstraction layer</td>
</tr>
<tr>
<td><strong>2/3</strong> OSS systems decommissioned</td>
<td><strong>-31%</strong> executive positions(^1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Increased operating leverage** (+3.8pp EBITDA-CapEx margin\(^2\) 2016-9M 23)

*Figures as of Sep-23, comparison vs. 2016, Group including UK; 1) At constant perimeter, i.e. excluding CAM and VMO2 UK; 2) Underlying*
Committed to sustainability | Significant progress made

Industry
- Leading the sector for a fairer regulatory / deregulated environment
- Sector collaboration

ESG
- ESG-led customer relationship and offerings
- Sustainable energy and procurement
- Transparent and accountable governance

Employees
- 69 eNPS (+11 vs. 2019)
- Zero\(^1\) adjusted gender pay gap
- 80k employees reskilled

1) Adjusted gender pay gap below 1%
Massive transformation | Capital allocation shift

M&A\(^1\)

\[>€80\text{bn}\]

CapEx\(^1\)

\[€57\text{bn}\]

Shareholder remuneration\(^2\)

\[€18\text{bn}\]

Debt reduction\(^3\)

\[€22\text{bn}\]

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1) 2016-9M 23 cumulative figure, at Group level, Capex including spectrum; 2) 2016-9M 23 cumulative figure including dividends and share buybacks; 3) Net debt reduction from Dec-2016 to Sep-23
Efforts already improving metrics

Increasing top-line growth

- Reported revenue growth, yoy
  - 2016: -5.2%
  - 9M 23: +2.4%

Boosting profitability

- CapEx/Sales (ex-spectrum)
  - 2016: 16.5%
  - 2023 guidance: ~14.0%

- Underlying EBITDA-CapEx margin
  - 2016: 15.3%
  - 9M 23: 19.1%

Securing long-term sustainability

- Churn¹, %
  - 2016: 1.5%
  - 9M 23: 1.1%

¹ Convergent churn in Spain, mobile contract churn in Brazil and Germany
We are back to Growth

With increased Profitability

In a more Sustainable way
The future of the Telco industry
An exciting vision | Approaching a promising transformation

Telco
✓ 5G, FTTH
✓ Open, smart

AI
✓ Hyper-automatization

Computing
✓ Edge & Cloud

Web3
✓ Decentralization
✓ AR / VR
### An exciting vision | New wave of digital services emerging

<table>
<thead>
<tr>
<th>Autonomous vehicles</th>
<th>Smart factories</th>
<th>Smart cities</th>
<th>Autonomous drones</th>
<th>Web 3.0 supermarket</th>
<th>Quantum computing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital twins</td>
<td>Smart grids</td>
<td>AI/ML design</td>
<td>Metaverse</td>
<td>Remote surgery</td>
<td>Digital lawyer</td>
</tr>
<tr>
<td>VR based training</td>
<td>AR/VR gaming</td>
<td>Virtual assistants</td>
<td>Smart contracts</td>
<td>AI/ML medical prescription</td>
<td>XR indistinguishable</td>
</tr>
</tbody>
</table>

**Seamless | Massive | Fully-integrated | Real-time**
An exciting vision | Demanding new capabilities from us

Speed | Mobility | Security | Privacy
---|---|---|---
Latency | Capacity | Distributed processing | Personalization

The increase in traffic and the need for enriched performance will require access to more distributed computing capacity, beyond the current Cloud.
An exciting vision | Future-ready TELCO

UBB & Low Latency

Programmable & AI-based

Cloud & Edge Computing
An exciting vision | Redesigning a Telco

**Legacy networks** (copper, 2G, 3G)  **Future-proof** networks

**HW-based** Reactive Networks  **Softwarised programmable** networks

From **customized tailor-made integrations**...  Global **platforms interconnected** with **open APIs**

**Traditional telco experience**  **AI-driven customer engagement**

**One size fits all** offering  Personalized **digital supermarket**
An exciting vision | Embedding connectivity in services

Customers

Future-ready TELCO
- UBB & Low Latency
- Programmable & AI-based
- Cloud & Edge Computing

Cloud

Developers
# An exciting vision | Open Gateway

<table>
<thead>
<tr>
<th>Standardisation</th>
<th>Adoption</th>
<th>Reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSMA™</td>
<td>35 players</td>
<td>5.4bn people</td>
</tr>
<tr>
<td>CAMARA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Open Gateway
Telefónica is ready
Telefónica is ready | To upgrade the connection with our customers

Solid foundations

Increased relevance and loyalty from...
- Consumers
- Enterprises
- Partners

Enlarging addressable market

Market opportunity beyond connectivity, €bn, 2026, TEF footprint¹

- CAGR 23-26

Unique capabilities

#1 in GlobalData’s “Telecom Services Sector Scorecard Q3 2023”

¹) Internal analysis based on external sources, including Analysys Mason, GlobalData, TechInsights, Statista, Berg Insight, and Arthur D. Little
Telefónica is ready | To create a new generation of API-based services

<table>
<thead>
<tr>
<th>Software based</th>
<th>Open for developers</th>
<th>First generation of services / APIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakdown of network &amp; IT into individually exposable &amp; usable microservices</td>
<td>Develop customisable and scalable network quality &amp; information-based products</td>
<td>Quality on Demand for mission critical use cases</td>
</tr>
<tr>
<td>Reselling of capabilities through developer facing marketplace</td>
<td></td>
<td>Device status and Location for Fraud Prevention</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Device Priorisation for Improved On-console Gaming Experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Verify Location for Incident Reporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Multichannel marketing campaigns management</td>
</tr>
</tbody>
</table>

Powered by Open Gateway
Telefónica is ready | To embrace technology for efficiency & CEX

Another step towards simplicity
- Continuing legacy shutdown
- Next wave of operations simplification and structure reduction

Doubling-down on hyper-automation
- Hyper-automation of operations and content management
- Zero touch network management
- Next-gen customer engagement

Programmable and APIfied network
- Open
- Collaborative
- Data-driven
Telefónica is ready | To double-down on segmented capital allocation

**Organic**
- Business sustainability
- Leverage reduction
- Secured dividend

**Inorganic & others**
- Strategic optionality
- Potential upside

**Capital**
Telefónica is ready | To continue reinforcing our position in core markets

Voluntary offer to Telefónica Deutschland shareholders

- Reinforces focus on core markets
- Supports efforts to simplify structure, increases flexibility
- Enhances mix of € denominated cash flows
- Accretive transaction for Telefónica
- No impact to credit ratings expected

Offering attractive exit in cash to all Telefónica Deutschland’s shareholders
Telefónica is ready | To lead the sector towards higher sustainability

- Double-down on collaboration
- Advocate for a more balanced regulatory framework
- Lead the key industry debates: OTT Fair Share, Open Gateway
- Keep being at the forefront of the ESG
Telefónica is ready

- Exciting Vision
- Ready to Increase Ambition
- Ready for our next Centenary

Transformation journey
To elevate its ambition further

Growth

- ~1% Revenue

Profitability

- ~2% EBITDA
- ~5% EBITDAaL-CapEx

Sustainability

- >10% FCF

Reported CAGR 23-26
Creating significant shareholder value

2.2-2.5x (2026)
Leverage reduction

€0.30 floor DPS (2023-26)
Shareholder value creation

Improved strategic optionality

>10% CAGR 23-26
FCF
Growth
Profitability
Sustainability

Ángel Vilá | COO
5 lines of action to accelerate Growth, Profitability and Sustainability

1. Sustain B2C revenue growth
2. Keep above-industry B2B momentum
3. Evolve wholesale and partners’ revenues
4. Drive efficiencies to reduce OpEx
5. Sustain differentiation while reducing CapEx
Sustain B2C revenue growth

9M 23 revenue mix\(^1\)

- B2C: 60%
- B2B: 21%
- Wholesale\(^2\): 16%
- Others: 3%

B2C deep-dive

Annual growth year on year, reported

-1.7% 2019
+1.9% 9M 23

\# B2C accesses\(^3\) 260m

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1) As reported; 2) Total Wholesale revenues (incl. B2P in Germany); 3) Group including UK
Sustain B2C revenue growth | Most valuable telco brands

#1 telco brand in Spain

#1 telco brand in Brazil

Closing the gap with #2 in Germany

#2 telco brand in UK
1 Sustain B2C revenue growth | Best quality and experience

Best product
Leading network

#1 in fiber and mobile
#1 in fiber and mobile
Closing the gap with #2
#1 in UBB

Best experience
NPS¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>2017¹</td>
<td>19</td>
</tr>
<tr>
<td>2019</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>29</td>
</tr>
</tbody>
</table>

9M 23

Digital app users²

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0%</td>
</tr>
<tr>
<td>2019</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>47%</td>
</tr>
</tbody>
</table>

9M 23

¹ Consolidation perimeter; ² Group, including UK
Sustain B2C revenue growth | Enriched offering

Digital ecosystem around connectivity

Expanding market and increased loyalty

Addressable market¹: €40bn (+7% CAGR 23-26)

ARPU (%)

Churn (%)

Customer Lifetime Value (€)

¹) As of 2026, internal analysis based on external sources, including Analysys Mason, GlobalData, TechInsights and Berg Insight
Sustain B2C revenue growth | Delivering results

**Maximise engagement**
Convergent customers

> 60%
2026 (vs >50% Sep-23)

**Enhance loyalty**
Post-paid & convergent churn

< 1.0%
2026 (vs 1.1% 9M 23)

B2C revs
2023-26 CAGR

~1.5%

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1) Convergent Clients over total FBB base in Spain (mi Movistar), UK (Volt) and Brazil (Vivo Total); 2) Convergent churn in Spain, mobile contract churn in Brazil and Germany
Keep above industry B2B momentum

9M 23 revenue mix¹

- B2B: 21%
- B2C: 60%
- Others: 3%
- Wholesale²: 16%

B2B deep-dive

Annual growth year on year, reported

-3.0%  +6.1%

2019  9M 23

# B2B clients³ 5.5m

¹ As reported; ² Total Wholesale revenues (incl. B2P in Germany); ³ Group including UK
Keep above industry B2B momentum | T.Tech cornerstone of transformation

- €0.7bn
  - 2020
  - Carve-out execution

- €1.8bn
  - LTM as of Sep. 2023
  - Best-in class capabilities

- €3.0bn
  - 2026
  - Scale-up

- €1bn acquisitions

1) % CAGR Sept. 23 (LTM) – 2026 (EOY)
Keep above industry B2B momentum | Leading position in growing market

Total addressable market

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2023</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>~€30bn</td>
<td>~€200bn¹</td>
<td>~€300bn¹</td>
<td></td>
</tr>
</tbody>
</table>

Enhanced Portfolio

- Traditional connectivity
  - Voice
  - Messaging
  - Data
  - VPNs
- ICT services
  - SDWAN
  - Cyber
  - Managed mobility
  - IoT
  - Big Data
  - Cloud

Next-Gen ICT Solutions

- Slicing
- Massive IoT
- 5G Private Networks
- Edge

B2B % IT service revs

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>~10%</td>
<td>~40%</td>
<td>~50%</td>
<td></td>
</tr>
</tbody>
</table>

1) Estimated B2B comm + IT TAM, Internal analysis based on external sources

B2B revs
2023-26 CAGR

~5%
3. Evolve wholesale & partners’ revenues

9M 23 revenue mix

- Wholesale: 60%
- B2B: 21%
- Others: 3%
- B2C: 16%

Wholesale (partners) deep-dive

Annual growth year on year, reported

+3.9% -0.9%

2019 9M 23

1) As reported; 2) Total Wholesale revenues (incl. B2P in Germany)
**Evolve wholesale & partners’ revenues**

| Content wholesale deregulated |
| Well established long-term wholesale contracts in mobile and fixed |
| Contingency planning ahead of remedies |

| Opportunity in FiberCo space alongside T. Infra (Fibrasil) |

| ‘Accelerated growth & Efficiency Plan’ in execution |
| Well established long-term wholesale contracts, with upside potential |

| Well established long-term wholesale contracts in mobile and fixed backhaul |
| Opportunity in FTTH, both at VMO2 and nexfibre |
Evolve wholesale & partners’ revenues | Future-proofing wholesale

From **traditional wholesale** into new and **fast-growing markets**

<table>
<thead>
<tr>
<th>Traditional Wholesale</th>
<th>Network as a Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rational approach to gain new wholesale clients</td>
<td>• Developers and software integrators as a new customer</td>
</tr>
<tr>
<td>• Content and platforms resale</td>
<td>• Open Gateway (API-based) <strong>addressable market ~€4bn</strong> in TEF footprint¹</td>
</tr>
</tbody>
</table>

**Forward-ready infrastructure**

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¹ Figures for 2026. Telefónica footprint (worldwide ~$30bn), figures including CPaaS and network APIs; Internal analysis based on Arthur D. Little market sizing
### Drive efficiencies to reduce OpEx | Transforming efficiently

<table>
<thead>
<tr>
<th>Shut-down</th>
<th>Sharing</th>
<th>Hyper automation</th>
<th>Scale</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper</td>
<td>Network sharing</td>
<td>Massive AI initiatives</td>
<td>Shared platforms</td>
<td>Lease optimization</td>
</tr>
<tr>
<td>April 2024 (retail)</td>
<td>Optimised rollouts</td>
<td>Zero touch network management</td>
<td>Local / global services optimisation</td>
<td>Freed up spectrum capacity</td>
</tr>
<tr>
<td>2G or 3G</td>
<td></td>
<td>Open and cloud-based architectures</td>
<td></td>
<td>Energy cost reduction</td>
</tr>
<tr>
<td>2026-27</td>
<td></td>
<td>API-fication</td>
<td></td>
<td>Right-sizing the organization</td>
</tr>
</tbody>
</table>
Drive efficiencies to reduce OpEx | Efficiencies leading to EBITDA expansion

TEF 2023-26 EBITDA evolution

- Revenue growth
  - $300m

Transformation program to reduce indirect costs, neutralize inflation effects and prepare for the future

- Network cost
- Commercial costs
- Other costs

EBITDA 2023-26 CAGR
- ~2%
## Sustain differentiation while reducing CapEx | Consolidated leadership

<table>
<thead>
<tr>
<th>Country</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
</tr>
</thead>
<tbody>
<tr>
<td>5G coverage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026 SA (vs Sep-23 NSA)</td>
<td>~90% (87%)</td>
<td>~60% (42%)</td>
<td>~99% (92%)</td>
</tr>
<tr>
<td>FTTH PPs²,³</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026 (vs Sep-23)</td>
<td>~30m (29m)</td>
<td>~38m (25m)</td>
<td>~1m¹</td>
</tr>
</tbody>
</table>

**5G spectrum secured**  
**#1 fiber network in the world (excl. China)⁴**

**CapEx peak well behind**

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¹ Longer term target remains >2m PPs. In addition, c.15m accessible through wholesale; ² FTTH PPs including owned (fully/partially) + co-investment with third parties; ³ In UK, includes HFC; ⁴ According to Analysys Mason Ranking Data
**Sustain differentiation while reducing CapEx | T.Infra the most developed international connectivity network**

**FTTH PPs in T.Infra FiberCos, m**

- **Pangea FiberCo**: 2.8m ~5m
- **ONNETFIBRA**: 3.3m, 4.0m ~5m
- **nexitra**: 0.5m ~5m
- **Bluevia**: 4.5m ~5m
- **TELXIOUS**: 100k km ~110k km

1) Target for 2026 is 1m PPs, longer term target remains >2m PPs. 2) Pending regulatory approval.
Sustain differentiation while reducing CapEx | T.Infra delivering value

### T. Infra objectives

- **Accelerate asset recycling**
  - Sold Telxius Towers for €7.7bn (30.5x EBITDA) and DCs at 18x

- **Improve OBs position**
  - Fiber JV in all core OBs
  - Leveraging wholesale to increase reach
  - Telxius >110k km international network by 2026

- **Capture value upside**
  - >€3bn Assets Under Management\(^1\) alongside top investors
  - >75% of capital already deployed

### Accelerating FTTH deployment

<table>
<thead>
<tr>
<th>FiberCos</th>
<th>OBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>9M 23</td>
</tr>
</tbody>
</table>

- ~306 FTTH PPs, m
- ~30% of 23-26 rollout through co-investment vehicles

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1) TEF proportionate AUM, only including FiberCos 2) FTTH PPs including owned (fully/partially) + co-investment with third parties. Group including UK, HispAm accounts for ~16m (~10m FiberCos) in 2023; and ~ 23m (~15m FiberCos) in 2026
Sustain differentiation while reducing CapEx | Forward-ready infra

Tech cycle management

Virtualisation and go-to-cloud

Open and disaggregated architectures

Artificial Intelligence and Automation

CapEx intensity

~14%

2023 guidance

<12%

2026

Impact on 2026 CapEx reduction

1) As guided (in organic terms, including 50% VMO2)
Implementing GPS in TEF Core OBs
### All OBs in a stronger position

<table>
<thead>
<tr>
<th>Spain</th>
<th>Brazil</th>
<th>Germany</th>
<th>UK</th>
</tr>
</thead>
</table>
| • Back to growth in B2C  
• Established B2C ecosystem  
• Leader in B2B  
• Ahead in technological transition | • Consolidated mobile market  
• Fiber leadership, largest footprint  
• Successful launch of B2C ecosystem  
• Reinforced and accelerated B2B | • Strengthened network  
• Solid mobile commercial momentum  
• Technology agnostic access in fixed | • Converged champion  
• £540m run-rate synergies  
• Fiber opportunity |
Improved organic EBITDA path across the board

Towards EBITDA stabilization
EBITDA-CapEx benchmark margin

-5.1%          -5.3%          -3.3%          -1.1%
2020          2021          2022          9M 23

EBITDA growth leveraging differential assets

-1.1%          1.8%          7.2%          10.7%
2020          2021          2022          9M 23

Healthy EBITDA growth

0.1%          4.0%          5.2%          2.7%
2020          2021          2022          9M 23

Strong EBITDA growth on synergy delivery

2.0%          6.3%          3.8%
2020          2021          2022          9M 23

All Core OBs are experiencing a sustained growth
Spain | A best-in-class player with a sustained growth trajectory

Best positioned to navigate sector dynamics in Spain

- Sustained differentiation
  #1 network (5G/FTTH)
  #1 brand
  #1 channels
  #1 offer

- Engaged and loyal customer base. Preferred option
  - Churn (%): 0.9
  - ARPU (€/month): >90

- Growing NPS and NPS Gap
  - NPS: 49
  - NPS Gap: 18

Consolidated growth and delivering further efficiencies

- B2C growth ahead, strong B2C ecosystem
- Sustain B2B momentum, double-digit growth in ICT
- Effects from in-market consolidation
- OpEx reduction including efficiency, legacy-shutdown, automation program and organization right-sizing
- Lower CapEx intensity, from early fiber investment (CapEx/Sales 10% in 2026)

2023-26 outlook

- Revenues
- EBITDA
- EBITDAaL-CapEx
Brazil | Proven growth path and strengthened leadership

**Premium positioning in a growing market**

- Total **market growing at 4%¹**
- Sustained **differentiation**
  - #1 network (5G/FTTH)
  - #1 brand
  - #1 channel
  - #1 fiber/mobile convergent player
- Market-leading **customer satisfaction**
- **Complete portfolio of digital services** for B2C & B2B

**Strong growth in all segments and margin expansion**

- **Growing customer base**
- **Increasing share of wallet - x1.6** digital services revenue in B2B and B2C in 2026
- Accelerate **channels digitalisation, +5pp** mobile online sales and **+3m** Vivo App users in 2026
- Keep building **network differentiation**, while capturing **FTTH opportunities** and **network sharing**
- Accelerate **legacy decommission**

---

¹ Figures as of Sep-23; 1) CAGR 23-26 for total comms. (fixed+mobile) market

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2023-26 outlook

- **Revenues**
- **EBITDA**
- **EBITDAaL-CapEx**
Germany | Committed to deliver sustainable growth and efficiencies

Strong performance in a growing market

- **Growing market** both in mobile +2.6% and fixed +2.4%
- **Enhance mobile network quality**
  - Very Good
  - Network quality
  - ConnectMagazine 2023
- **Strongest growth** of all GER MNOs

Delivering growth in B2C and B2B, while streamlining operations

- Maintain **B2C growth** (i.e. rural share)
- Mitigation and recovery in **B2P**
- Accelerate **B2B** and T.Tech growth
- **Fixed** accessing 95% pop via technology agnostic approach
- Accelerated **transformation and simplification**
- Decline in **CapEx/Sales** next 3-years

- Recovery plan in place
- Aiming for growth
- Offer at €2.35 with a premium of >37%
- Reinforcing focus in core market
UK | Enhancing growth trajectory while delivering synergies & network upgrade

Converged champion

- Large market in the process of consolidation
- Sustained **differentiation**
  
  #1 **UBB** network
  
  #1 Mobile experience, channels
- Large and loyal customer base

Margin expansion$^2$

- Target **B2C** growth through **FMC**
- Leveraging digitalization and AI
- Continue synergy programs, on track to hit **£540m** by 2026
- **Optimize CapEx/Sales** by:
  - Leveraging nexfibre FTTH vehicle
  - Decommissioning legacy (3G switch off in 2025)

---

1) As guided to market (GBP1.8/2bn dividend distribution); 2) Excluding nexfibre construction
5 lines of action to accelerate Growth, Profitability and Sustainability

1. Sustain B2C revenue growth
2. Keep above industry B2B momentum
3. Evolve wholesale and partners' revenues
4. Drive efficiencies to reduce OpEx
5. Sustain differentiation while reducing CapEx

Reported CAGR 23-26

- ~1% Revenue
- ~2% EBITDA
- ~5% EBITDAaL-CapEx
- >10% FCF
FCF Focus

Laura Abasolo | CFCO & Head of T. Hispam
**Derisked T. Hispam, building a self-sustained model**

**Strengthening profitability in a highly competitive environment**

**Organic**
- **Carve-out executed**
  - Non-core / independent / regional model

**Inorganic**
- **FiberCos with KKR**
  - Monetising brownfield
  - Accelerating deployment
  - Lower CapEx, higher returns

- **Efficiency focus**
  - Commercial rationalization / digitalisation
  - Avoid overbuild / legacy shut-down
  - Lead rational spectrum auctions

**Invested capital**
-26%
Sep-23 vs. Dec-19

**Debt in local currencies**
T. Hispam, a separate entity with strategic optionality to crystallize value

Further focus on FCF growth...

- Growth ahead
- Disciplined capital allocation
- Focus on efficiency & returns
- Asset-light model

... while keeping optionality

- Co-invest / NetCo models
- Ready for:
  - Seek in-market consolidation options
  - Gauge divestment opportunities
  - Structural partnerships

EBITDAaL-CapEx

- ~5% 2023-2026 CAGR
- Invested capital reduction
- ~15% 2023-2026
Stronger and resilient financials with simpler reporting

- Strict capital allocation
- Solid B/S with leverage target
- Proactive management of FX / interest rates
- Simpler reporting
- Growing FCF
Strict and prioritised capital allocation policy in place

**ORGANIC**

- Net Operating Cash Flow from OBs
- CapEx (<12% CapEx/Sales by 2026)
- Attractive dividend (€0.30 DPS floor)
- Leverage reduction

**INORGANIC**

- Excess Cash / Asset recycling / Other sources

- Speed-up leverage reduction
- Share Buybacks
- Value accretive M&A

**ND / EBITDAaL between 2.2-2.5x in 2026**
Voluntary offer to Telefónica Deutschland shareholders

Public acquisition offer in cash

- **€2.35 cash offer**, attractive premium

<table>
<thead>
<tr>
<th>Implied Premium (%)</th>
<th>Offer Price</th>
<th>Unaffected Price</th>
<th>L3M VWAP(^2)</th>
<th>Avg. Broker Target Price(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.35</td>
<td>1.71</td>
<td>1.72</td>
<td>1.76</td>
<td></td>
</tr>
</tbody>
</table>

- **Proposed acquisition of 28.19%\(^3\) stake** not currently owned by Telefónica SA
- **No minimum acceptance condition**
- **Funded with existing cash** (maximum required consideration of €2.0bn)
- **No intention to conclude a domination and/or profit and loss transfer agreement**

Consistent with Group’s strategy

- Reinforces focus on core markets
- Supports efforts to simplify structure, increases flexibility
- Enhances mix of € denominated cash flows
- Accretive transaction for Telefónica
- No impact to credit ratings expected

Offering attractive exit in cash to all Telefónica Deutschland’s shareholders

**Expected Timeline**

- **Announcement**: 7 Nov-23
- **Filing**: Late Nov-23
- **Public Offering Acceptance Period**: Early Dec-23
- **Reasoned Opinion (TEF DE Management)**: Mid Dec-23
- **End Acceptance Period**: Mid Jan-24
- **Settlement**

---

Prices as of 6 Nov 2023. 1) Average of current broker target prices since 2 August 2023. 2) L3M VWAP as of 6 Nov 2023. 3) Stake not currently held directly or indirectly by Telefónica S.A. In addition, Telefónica S.A. directly holds instruments that give Telefónica S.A. the right to acquire approximately 1.32% of Telefónica Deutschland’s share capital and voting rights.
Solid Balance Sheet to face any market environment

**Flexibility to access the market**

- **€20.8bn** liquidity, sufficient to cover upcoming maturities

- Comfortable and smooth maturity profile

- Proactive Hybrid refinancing. No need to tap market in ST

- Target to increase ESG financing to ~40% of total financing by 2026

### Gross debt maturities (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2024-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>HispAm EUR</td>
<td>3.4</td>
<td>4.5</td>
<td>2.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Liquidity (Sep-23)</td>
<td>20.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Protected against FX volatility

Balance sheet limited exposure

- Structural **debt position in local currencies offsets FX volatility** in leverage ratio
- Debt in BRL and HispAm FX a natural hedge to equity exposure

FCF FX management

- FX impact from Revenue to FCF minimized from natural hedge
- Tactical yearly hedge

Net Financial Debt currency mix$^{1}$

- BRL 15%
- EUR 75%
- HispAm & Others 10%

$^{1}$Figures as of Sep-23

$\Delta FCF/\Delta revenues$

~15%

2020 – Sep-23
Contained impact in a higher rate environment

**Overweighted Fixed position in debt portfolio**¹

- Higher EUR rates not affecting current portfolio
- Upside as BRL and Hispam rates head lower
- 85% fixed / 15% floating
  - EU 100% fixed, BRL 100% floating, Hispam 50/50
- € cash position “mirrors” floating debt

**Controlled effect from refinancing activity**

- Our currency mix debt portfolio allowing us to contain effect of refinancing low-coupon debt
- Gradual effect of higher cost of debt in refinancing
- Lower rates in BRL offsetting increases in EUR rates

**Debt related interest payments (€bn)**

<table>
<thead>
<tr>
<th></th>
<th>2023E</th>
<th>Refinancing 24-26</th>
<th>2026E</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>~1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRL+Hispam</td>
<td></td>
<td></td>
<td>~1.1 – 1.2</td>
</tr>
</tbody>
</table>

¹) Figures as of Sep-23

+/- 100 bps in short-term rate = +/- €38m interest payment (of which €33m BRL)
Simpler reporting, more comprehensive guidance

FCF focus
New reference for FCF

Simpler reporting

✓ Statutory & Reported

Expanding guidance

✓ Revenue and EBITDA growth  ✓ CapEx/Sales

✓ EBITDAaL-CapEx  ✓ FCF growth  ✓ Leverage target  ✓ Dividend mid/term commitment

Double Digit FCF 23-26 CAGR
Sustained profitable growth leading to double-digit growing FCF

FCF new definition
Excluding spectrum
Excluding UK recaps
Including hybrids
Including commitments

✓ ~€4bn previous definition¹

~€2.1bn 2023
>10% 23-26 CAGR

~€5bn previous definition¹

~€3bn 2026

¹) Previous definition including UK recaps and excluding spectrum, personnel commitments and hybrids
## Growing FCF = commitment to shareholders

### Attractive and sustainable remuneration to our shareholders
- **€0.30 2023 dividend in cash confirmed** (two tranches: Dec’23 and Jun’24)
- **€0.30 floor DPS over the 2024-26 period**
- **DPS growth/SBB** will be considered **as we regain financial flexibility**

### TEF DE shareholders
- **€0.18 2023 dividend in cash confirmed** (payable May’24)
- Public offer to buy TEF DE shares at €2.35

### VIVO shareholders
- **≥100% net income pay-out in 2024-26 period**
  - **R$1.5bn capital reduction proposal in 2024**, completed with dividends/SBB

---

1) To be proposed to the corresponding AGM; 2) Authorization granted to reduce R$5bn, to start with R$1.5bn in 2024
Guidance and closing remarks

José María Álvarez-Pallete | Chairman & CEO
Approaching a promising transformation

**Telco**
- ✓ 5G, FTTH
- ✓ Open, smart

**AI**
- ✓ Hyper-automatization

**Computing**
- ✓ Edge & Cloud

**Web3**
- ✓ Decentralization
  - ✓ AR / VR
Monetisation of advanced network capabilities

New wave of digital services emerging

Requiring high performance and differentiated network

UBB & Low Latency
Programmable & AI-based
Cloud & Edge Computing

Telefónica

GSMA
CAMARA
Massive transformation

- Cutting-edge NETWORK
- Increased CUSTOMER relevance
- Optimised and future-proof OPERATIONS
- Committed to SUSTAINABILITY
Telefónica is ready

Provide enriched connectivity and digital ecosystem for **B2C**

Digital and physical channels

Fuel digital transformation of **B2B**

Best-in-class specialised sales force

**Service platforms** and **API-based** abstraction layer

**Softwarized** and **AI-driven** networks and systems

**Ultra broadband** connectivity

Cloud & digital marketplaces

Direct to partners

Open our forward-ready infrastructure to **partners**
Committed to

• Reiterate our 2023 guidance
• Accelerate FCF delivery in 2024, demonstrating traction since day one
• Deliver on our Growth, Profitability and Sustainability targets for 2026
• Improve returns, reduce leverage and secure dividend
# 2023 guidance reiterated

<table>
<thead>
<tr>
<th>Initial 2023 guidance</th>
<th>Upgraded 2023 guidance</th>
<th>9M 23</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>&lt;br&gt;yoy organic&lt;br&gt;“Low single digit growth”</td>
<td>“~4% growth”</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>OIBDA</strong>&lt;br&gt;yoy organic&lt;br&gt;“Low single digit growth”</td>
<td>“~3% growth”</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Capex/Sales</strong>&lt;br&gt;yoy organic&lt;br&gt;~14%</td>
<td>~14%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

**FCF 2023 ambition: ~€4bn ex-spectrum**
2024 guidance

<table>
<thead>
<tr>
<th></th>
<th>2023 guidance</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capex/Sales</strong></td>
<td>~14%</td>
<td>Declining</td>
</tr>
<tr>
<td>yoy organic</td>
<td></td>
<td></td>
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<tr>
<td><strong>FCF</strong></td>
<td>~€2.1bn</td>
<td>&gt;10% growth</td>
</tr>
<tr>
<td>yoy, new definition</td>
<td></td>
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</tr>
</tbody>
</table>
2023-26 guidance

Growth
- ~1% revenue CAGR 23-26
- B2C ~1.5% 3yr CAGR; B2B ~5% 3yr CAGR

Profitability
- EBITDA ~2% % CAGR 23-26
- EBITDAaL - CapEx ~5% % CAGR 23-26
- -2pp CapEx over revenue by 2026 to <12%

Sustainability
- Leverage reduction to 2.2-2.5x in 2026
- Sustained and growing FCF, >10% CAGR 23-26
- Floor €0.30 DPS 23-26
What to remember from today

**FCF >10%**
CAGR 23-26
**Improved returns**

**2.2-2.5x**
ND / EBITDAAaL 26
**Leverage reduction**

**€0.30 floor**
DPS 23-26
**Value creation**
Key takeaways

- Back to growth in reported terms
- Accelerated through differential operational leverage
- Double digit FCF growth
- Debt reduction target
- Sustainable dividend
APPENDIX
# Methodology note / Basis of preparation

## Current

- Reporting: organic including 50% VMO2
- Reporting: OIBDA
- Guidance: organic, constant FX, including 50% of VMO2, excluding contribution VEN & ARG, constant perimeter. Capex ex-spectrum
- Adjustments: excluding gains/losses (material), write offs, material non-recurring impacts and restructuring
- Former guidance KPIs:
  - Organic revenue & OIBDA, 1yr
  - Capex-sales 1yr
  - Qualitative leverage commitment
- Leverage: net financial debt over OIBDAaL (OIBDA after leases) for the past 12M, constant perimeter and excluding certain non-ordinary factors
- 2023 FCF (incl. leases principal payments): ex-spectrum, pre hybrid coupons, pre commitments includes VMO2 recaps.

## As from January 1st 2024

- Reporting = statutory, not including 50% VMO2
- Reporting: EBITDA & EBITDAaL
- Guidance: reported, current FX, ex VMO2, constant perimeter, includes cost to capture\(^1\), Capex ex-spectrum
- Adjustments: excludes restructuring charges and assumes no significant exceptional items
- New guidance KPIs:
  - Reported revenue & EBITDA, 3-yr CAGR
  - Reported EBITDAaL – Capex, 3-yr CAGR
  - Capex/sales 3-yr
  - Leverage ratio target 3-yr
  - FCF 3-yr CAGR
- Leverage: net financial debt over EBITDAaL (EBITDA after leases) for the past 12M, constant perimeter and excluding certain non-ordinary factors
- New reference FCF (incl. leases principal payments): ex-spectrum, includes cost to capture\(^1\), hybrid coupons, commitments, excludes VMO2 recaps

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\(^1\) Includes cash cost to capture, excludes non-cash provisioning and others