

Press Release \_2023 Results

# Telefónica increases revenues to €40,652 million and meets all the 2023 financial targets

- The Group's revenues increase by 1.6% in 2023 and exceed €40,000 million thanks to the strength of its operations, showing growth in its four main markets, and to the fulfilment of the strategic lines established by the company.
- Ordinary net income, excluding provisions and extraordinary items, grow by 17.1%, to €2,369 million.
- Telefónica reaches a free cash flow of €4,227 million in 2023, above the target of around €4,000 million.
- The company also meets revenue and OIBDA targets, which organically increased by 3.7% and 3.1%, respectively, and the CapEx guidance, which stands at 14% over revenue in 2023.
- According with the remuneration announced in the GPS plan presentation, Telefónica confirms a cash dividend for 2024 of 0.30 euros per share and the cancellation of shares representing 1.4% of the share capital.
- The company's new targets for 2024, the first year within the GPS strategic plan, call for revenue growth of around 1%, EBITDA and operating cash flow (EBITDAal-CapEx) between 1% and 2%, as well as a Capex over revenue ratio of up to 13% and a FCF increase of more than 10%.
- "Telefónica continues to execute its roadmap, not stopping against global macroeconomic uncertainty, and with the necessary ambition and determination to complete the operational transformation process launched in 2016. In 2023, Telefónica has met all its financial targets and is resolutely facing the commitments set out in our GPS strategic plan to continue building a new Telefónica and lead the new digital era," said Telefónica Chairman José María Álvarez-Pallete.

**Madrid, 22 February 2024.** Telefónica ended 2023 with widespread revenue growth in the company's main markets and meeting all its financial targets. Following these results, in 2024 the Group faces the first full year of its new strategic plan, known as GPS, which

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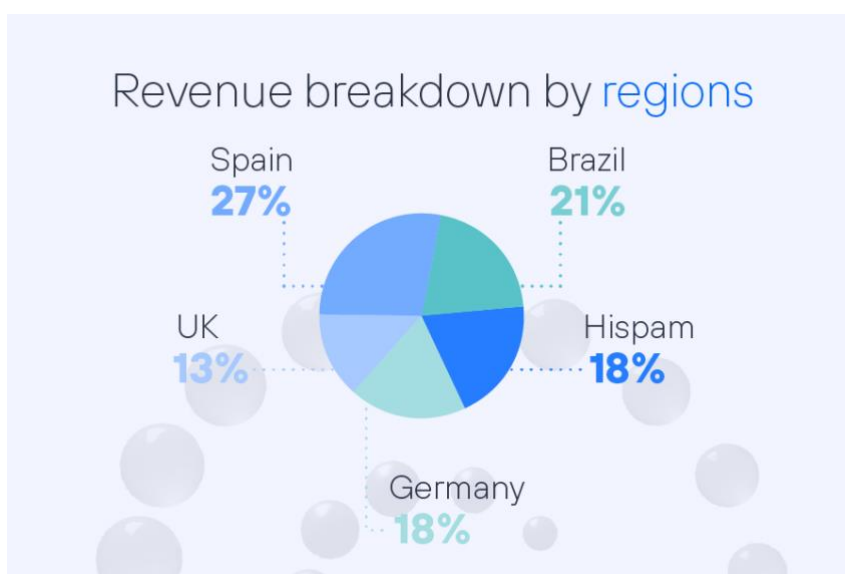
stands for Growth, Profitability and Sustainability, the three levers that will guide management over the next three years (2024-2026) and which will focus on growth in free cash flow (FCF).

"Telefónica continues to execute its roadmap, not stopping against global macroeconomic uncertainty, with the necessary ambition and determination to complete the operational transformation process launched in 2016. In 2023, Telefónica has met all its financial targets and is resolutely facing the commitments set out in our GPS strategic plan to continue building a new Telefónica and lead the new digital era," said Telefónica Chairman José María Álvarez-Pallete. He adds: "The company has returned to growth, with higher profitability and, moreover, in a more sustainable way. Revenues are up and cash flow generation remains robust, allowing us to comfortably cover the dividend of 0.30 euros per share entirely in cash. In addition, Telefónica continues to increase its social impact through the advanced connectivity provided by our state-of-the-art intelligent networks, ensuring the best service to our customers".

### Overall growth and Spain's first OIBDA increase since 2019

In 2023, Telefónica posted revenues of €40,652 million, 1.6% more than in 2022 and the highest volume since 2020. In the fourth quarter, revenues stood at €10,153 million.

The B2B business consolidated as an important growth lever in 2023 with organic revenue growth of 6.3% for the full year.



Ordinary OIBDA rose 1.4% in 2023 to €13,121 million, an increase of 1.6% in the fourth quarter to €1,795 million.

Confirming the forecasts anticipated by the company, Telefónica España once again recorded organic OIBDA growth (+0.1%) in the last quarter of 2023, something that had not occurred since 2019.

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Telefónica's ordinary net income reached €2,369 million for the full year, 17.1% more than in 2022. Including the provision for the restructuring plan at Telefónica España and a goodwill impairment at VMO2, derived from the rise in discount rates and macroeconomic conditions in the UK, among other extraordinary items, the net income recorded in 2023 stood at €-892 million.

## Meeting the 2023 targets and ambition for the new 2024 guidance

The company met all financial targets set for 2023, which were revised upwards in the second quarter. Revenues and operating income before depreciation and amortisation (OIBDA) grew organically by 3.7% and 3.1%, respectively, and CapEx was limited to 14% over revenues. The company also exceeded forecasts for FCF, which reached €4,227 million, above the estimated €4,000 million.

Telefónica sets new targets for 2024, the first full year of the GPS strategic plan, consisting of revenue growth of around 1%, EBITDA growth of between 1% and 2% and operating cash flow (EBITDAaL-CapEx) of between 1% and 2%. It also foresees a CapEx over revenue figure of up to 13% and an increase in free cash flow of more than 10%. With regard to the FCF growth target for this year, it will be based on the €2,308 million achieved under the new definition that Telefónica will apply from this year onwards.



Regarding shareholder remuneration for 2024, the company confirms the distribution of a cash dividend of €0.30 per share payable in two tranches, in December 2024 (€0.15) and in June 2025 (€0.15), in line with the GPS plan. In addition, it will cancel shares representing 1.4% of the share capital held as treasury stock at 30 June 2023.

As regards the 2023 dividend, also of €0.30 per share in cash, the company already paid the first tranche (€0.15) last December and plans to pay the second (€0.15) next June.

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In 2023, cash flow per share reached €0.70, comfortably covering the €0.30 per share all-cash dividend.

### **Telefónica Tech increases revenues by 26.7%**

Telefónica Tech consolidated its growth trajectory last year thanks to its strong positioning and its differential capabilities to offer its customers solutions and services in Cybersecurity, Cloud, IoT, Big Data, Artificial Intelligence and Blockchain. Telefónica's digital and technology business unit achieved revenues of €1,878 million, 26.7% more compared to 2022.

Telefónica Infra advanced its future-proofed infrastructure portfolio, so that around 30% of Telefónica's future deployments will be executed through its multiple fibre vehicles, which at the end of December totalled 21 million premises passed. Equally noteworthy are its data centres, as well as the more than 100,000 kilometres of international connectivity that run through the submarine cable managed by Telxius, a company that presented high profitability and boosted the OIBDA margin to over 50% in 2023.

### **Debt maturities covered over the next three years**

The Group's ability to anticipate and the prudent approach to debt management strengthens its financial position. In 2023, the company raised long-term financing by €5,296 million, enabling it to maintain a solid liquidity position of €19,531 million. Telefónica has covered its maturities for the next three years, more than 80% is at a fixed rate and the average debt life stood at nearly 11.6 years.

Net financial debt ended the year at €27,349 million and the debt ratio stood at 2.60 times.

### **Telefónica improves its position in the industry**

During the past year, the company continued to actively advance in the transformation of its next-generation intelligent networks. With the application of technologies such as Artificial Intelligence and Machine Learning, Telefónica continues to explore and implement solutions that enable it to make decisions faster and more efficiently, ultimately improving its competitive position, CapEx allocation and cost savings.

This process facilitated the acceleration of fibre and 5G deployments, as well as the switch-off of the copper network, scheduled for next April, coinciding with Telefónica's Centenary. The company maintains its position as global leader in fibre with coverage of 173.1 million premises passed with ultrafast broadband networks (+3%), of which a total of 74.3 million are fibre (+14%). As for 5G, coverage continued to grow to reach 87% of the population in Spain, 94% in Germany, 48% in Brazil and 51% in the UK. In addition, the company has already launched 5G+ in Spain, Germany and Brazil, and is set to do so in the UK in the coming months.

Telefónica closed 2023 with a base of 387.8 million accesses, with fibre and mobile contract accesses increasing by 13% and 3%, respectively.

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## ESG: 51% emissions reduction over the past eight years

Sustainability targets transversal across the business also made progress during 2023.

With regards to the environmental targets to reach net-zero by 2040, including the value chain, the reduction in emissions achieved in the last eight years represents 51% (Scope 1+2+3). Also, the company continues to form part of the CDP Climate A List for the tenth consecutive year. In addition, and in the context of another of its major green objectives, decarbonising the economy, the connectivity and Eco Smart services offered by Telefónica helped its customers to avoid the emission of 86.1 million tCO<sub>2</sub> in 2023.

On the social side, and with a focus on the development of a sustainable economy, the latest published Impact Report shows a total socioeconomic contribution of more than €100,000 million. This report is aligned with the SDGs and highlights a special contribution to SDG 9 due to the role of connectivity as a driver of progress. Telefónica also made progress on diversity with 32.8% women executives, reaching its target of 33% by 2024 and encouraging the company to meet its new target of 37% by 2027.

Telefónica's Board of Directors is made up of 40% women and 67% independent directors, in line with best governance practices. Additionally, the company remains committed to sustainable financing, with a total of 18,800 million euros accumulated at the end of 2023, representing 33.6% of total financing. Telefónica is therefore advancing towards its goal of reaching around 40% of financing linked to sustainable criteria by 2026.

## Ready for the Centenary

The achievement of the 2023 financial targets and the ambition of the goals set for 2024, as part of its GPS strategic plan, show that Telefónica is ready to face a year as important as its Centenary. The company will be 100 years old in 2024, and will celebrate this with its team, its customers, its shareholders and society in general through various initiatives that will take place in the coming months, with particular intensity around 19 April, when it will be 100 years since the constitution of the Compañía Telefónica Nacional de España (CTNE), its first denomination.

On the same day, a major classical music concert will be held at the Teatro Real in Madrid with institutional representation. Employees and their families will be at the centre of the celebration as the protagonists of these 100 years of effort and commitment. The doors of many work centres will open to celebrate the Centenary together on the weekend of 20 and 21 April. Also, on May 18, a major charity concert will be held at the Santiago Bernabéu stadium.

"Telefónica is celebrating its first hundred years of life and is moving resolutely towards the new company it aspires to be, without forgetting the operator it proudly was. We have prepared ourselves thoroughly to reach the Centenary, a journey that has not been easy, but which has been necessary and worthwhile. This exciting anniversary is an invitation to our people, our customers, our shareholders and society in general, because

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Telefónica is above all a company of people at the service of people. The Centenary is a thank you and an offer to approach a new company that feels younger than ever and is already imagining the next 100 years," said José María Álvarez-Pallete.

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