Corporate Profile

2020 Annual Figures

Telefónica
Telefónica’s mission and values

Our mission: we want to make our world more human by connecting lives.

› Values

WE ARE OPEN

WE ARE BOLD

WE ARE TRUSTED

› About Telefónica

Telefónica is one of the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers.

With 345 million customers, Telefónica operates in Europe and Latin America.

Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.
Telefónica, almost 100 years of history

1924
Telefónica (CTNE) is founded in Madrid, Spain.

1987
Listing on New York Stock Exchange.

1994
Telefónica enters in Peru (TDP).

1998
Telefónica wins the tender for Telesp (Brazil).

1999
Telefónica becomes a fully public company.

1989 - 1990
Enters in Chile (CTC) and Argentina (TASA).

1999
Telefónica becomes a fully public company.

2000
Enters in Mexico: Acquisition of Bajacel, Movitel, Norcel & Cedetele.

2000
Gains full control in Argentina, Chile, Peru and Brazil.

2003
JV with Portugal Telecom in Brazil: Vivo.

2004
Acquisition of Bellsouth’s LatAm assets.

2005
Acquisition of Cesky Telecom.

2006
Acquisition of O2 (UK, Germany and Ireland).

2009
Controlling stake in Colombia Telecom.

2010
Acquisition of controlling stake in Vivo.

2012
Telefónica Deutschland’s IPO

2014
Acquisition of E-Plus in Germany.

2014
Announces sale of Central America.

2015
5-Point Plan that will mark a new era for Telefónica.

2015
A company of platforms.

2016
Creation of Tekius and sale of minority stake to KKR (closing 2017).

2018
Sale of Telxius stake to Pontegadea.

2019
Disposal of Telecom Italia stake.

2020
Acquisition of DTS (Canal +) in Spain and GVT in Brazil.

2020
Liberty Global and Telefónica to merge their U.K. operations creating the leading fixed-mobile provider in the country.

2020
Telefónica Brasil launches, together with TIM and Claro, a bid to acquire Oi's mobile business for 16.5 bn Brazilian reais.

2021
Creation of JV with Allianz for fibre rollout in Germany.

2021
Creation of FiBrasil

2021
Sale of Telxius’ towers business to American Towers.
Telefónica at a glance

- Telefónica operates in **14 countries**
- We offer our services in over 170 countries via strategic partner agreements
- Telefónica owns the largest fiber network in Europe and Latin America and leads the deployment of this technology in both regions

### Revenues 2020

- **Telefónica**
- **Group**
  - **345.4m accesses 2020**
  - **€43,076m Revenues 2020**

### Accesses by market

- **Hispam**
  - **108.5m**
  - Included: Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

- **Spain**
  - 41.3m

- **Brazil**
  - 95.2m

- **UK**
  - 36.5m

- **Germany**
  - 48.8m

- **Other**
  - 18%

### Key Markets

- **4 key markets**: Spain, Brazil, Germany and United Kingdom

*This figure includes operations in Costa Rica and El Salvador.*
A leader in telecom infrastructures

#1 in fibre in Europe and Latin America

1.6m km of fibre

135 premises passed
UBB footprint, 62 million though own network (2020)

5G Deployed in UK, Germany, Brazil and Spain

4G 99%
Coverage in Europe (77% Lat Am, 2020)

79% Of processes digitalised (2020)

#1 in network virtualisation “Única” deployed in 10 countries

#1 shutting down legacy

The most digital telco (2018-2020) accumulated savings from digital transformation

€750 million as of 2020
Telefónica’s strategy: a sustainable business model

Based on three pillars

**Efficiency**
- Efficient use of scarce resources and higher returns
- 90% renewable energy (100% in Europe and Brazil)
- Customer Experience: radically simpler and fully digital

**Growth**
- Revenues and OIBDA growth for seven years in a row
- Inclusive network deployment and positive environmental impact services
- 67% of revenues from broadband connectivity and digital services (2020)

**Trust**
- Leading ESG (Environmental, Sostenibility, Governance) in our industry
- Privacy, security and transparency at the top of our priorities
- Higher customer satisfaction

Making our world more human by connecting lives
... to deliver long-term stakeholder value responsibly

Leading ESG in our industry

- 1st global telco Ranking Digital Rights.
- 2nd global TIC company
- Members of Carbon Disclosure Project (CDP) / List A
  - 1st ever green bond issued in the sector (Jan'19)
  - 1st ever green hybrid bond issued in the industry (Jan'20)
  - 1st ever sustainable hybrid bond in the sector (Feb'21)

Total Tax contribution

- €8,160 m for every €100 are paid in taxes

Net Zero Emissions

- 1.26€: Additional amount generated indirectly (via spending and investments) for every 1€ generated in 9 of the most important countries where we operate.

1st year in a row

- 112,349: Direct employees worldwide
- 38%: % Women
- 11.110: under 35 years-old

Committed to society and education

- €5,861 m: CapEx in 2020
- 13.6%: CapEx/Revenues, (ex – spectrum)
- *Telefónica has invested €1,501 million in spectrum in 2019

19.7 million children

More than 7,400,000 registered students

Approx. 56,000 volunteers

4rd year in a row

- Bloomberg Gender-Equality Index

Voluntarios Telefónica

- MIRIÁDAX
- ProFuturo
TEF is building a company for the future
The New Telefónica: 5 point-plan to capture growth

1. 4 key markets: Spain, Brazil, Germany and United Kingdom
2. Gradual exposure reduction to Hispam
3. Launch of Telefónica Tech
4. Telefónica Infra, value enhancement and monetisation of infrastructure assets
5. Operating model simplification and increased digitisation
Record NPS in all markets - Praised as the best mobile network in all 4 markets and the best fibre network in Europe and LatAm.
The best offer of digital services for customers and businesses...

- **Total Digital Services Revenues**
  - Bn€
  - FY 19: €7.7bn, +17.1% y-o-y
  - 1H20: 3.6 bn €, +2.8% y-o-y
  - T. Infra: Maximizing our infrastructures

- **By segment (B2C+B2B)**
  - (y-o-y organic growth)
  - Video: 6%
  - Cloud: 18%
  - Security: 26.5%
  - IoT: 45.4%

- **T. Tech: Leading Business services**
  - > Alliances with the best players in the Tech ecosystem (Amazon, Google, Microsoft, SAP, ...)
  - > Wide recognition from industry analysts

- **Movistar Home | Living apps**
  - SUPPORTED BY A PIONEER MODEL BASED ON AI AND DATA
  - 40 products based on AI and Big Data deployed over normalised data capabilities

- **Customer satisfaction**
  - 21% NPS
  - (Net Promoter Score) 2019
  - Up from 20% in 2018

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**TELXIOUS** m € FY2019

- **Revenues**
  - 842
  - +6.4% y-o-y

- **OIBDA**
  - 504
  - +8.0% w-o-w

1H20: 415 m€ (+7%) / 268m€ (+12.6%)*  
*yo-y change excludes exceptional capacity sale in the same period of 2019

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**1H20: 756 m€ (+18% y-o-y)**

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**Customer satisfaction**

21% NPS

(Net Promoter Score) 2019

Up from 20% in 2018
Telefónica Tech, leader in cutting-edge digital services

**Tech companies incorporated and 100% operatives**
- Cyber | Cloud | IoT/Big Data

**Commercial strenght, new products, new geographies**
- New solutions Cloud & Edge Computing
- Acquisitions to speed capacities up
- >300 technological partners
- Agreements with 3rd parties in other geographies

**Double-digit revenue growth, almost three times the market**

Double-digit revenue growth, almost three times the market

€1,504 M*

14% T Tech
5% Market

21% Cloud
13% Security
1% IoT & Big Data

* T. Tech will define its revenue perimeter once the carve out has been finalised and the transfer of assets has been completed.

% y-o-y organic variation / Market growth source: Gartner

**Essential services to transform businesses and economies**
An Open Innovation Model
Based on excellent network connectivity, it combines in-house and third parties’ innovation capabilities

Core Innovation

- To identify future business opportunities

We apply innovation to our assets, platforms and services, such as connectivity, Data or video platforms, to increase Telefónica’s competitiveness

Connected Open Innovation

- To promote the entrepreneurial ecosystem

Telefónica Ventures

Open Future

+800 Startups in portfolio / active

+130 Startups working with Telefónica

8 Wayra Hubs in Europe and LatAm

>€185 M Invested

€2,100 M Third-Party investment

TOP 50
EU companies
R&D Investment

TOP 50
EU companies
R&D Investment

477
Technological Industrial Property Rights assets

€959m
R&D Investment

1 Data 2020
2 Industrial R&D Investment Scoreboard 2020

We use Lean Startup method to innovate with agility: it accelerates the design and innovation process, makes it more efficient while keeping it client focused throughout.

Data 2020
**Telefónica Infra**
Maximizing value and growth of our unique infrastructures

**TOWERS**
- Telxius, a success story
  - ~10% Revenues and OibdAL
  - Sale to ATC at record multiples
    - 7.7 mil Mn€
    - 3.5 mil Mn€ capital gains
  - Optionality in UK

**SUBMARINE CABLE**
- Optionality
  - Marea
  - Brusa
  - Pacífico
  - SAm-1
  - Otros
  - >90,000 kms of cable

**FIBRE**
- Alternative models to accelerate deployments
  - JV 50/50 with Allianz
    - Fibre in rural areas
    - >2 Mn homes in 6 years
  - Vehicle 40/60 with KKR
    - 3.5 Mn homes in 2022
  - Advanced negotiations
    - >5.5 Mn homes in 4 years
  - Optionality in other markets

**DATA CENTERS**
- Optionality
  - Maximizing data centers’ value and optionality capture

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- Telefónica Infra
- Maximizing value and growth of our unique infrastructures

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- Optionality
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2020 Highlights
Robust financials

Data for the first half of 2020 are partially impacted by COVID-19, which has particularly affected the second quarter of this year.

**Revenues**
- Year-on-year organic change: 2020
  - Change: -3.3%
  - Amount: €43,076m

**Net Profit**
- Year-on-year reported change: 2020
  - Change: +38.5%
  - Amount: €1,582m

**OIBDA**
- Year-on-year organic change: 2020
  - Change: -5.7%
  - Amount: €13,498m

**OIBDA-CAPEX**
- Year-on-year organic change, ex-spectrum: 2020
  - Change: -0.9%
  - Amount: €7,763m

*Organic criteria*: Assumes constant exchange rates of 2019 (average in 2019). Considers constant perimeter of consolidation, does not include capital gains/losses from the sale of companies and assets (material), restructuring costs and other impacts (write-offs, material non-recurring impacts), in addition, excludes contribution to growth from T. Argentina and T. Venezuela and the results from Central America. CapEx excludes investments in spectrum.
Sustained and sustainable growth path

Revenues (%)

OIBDA (%)

Free Cash Flow (FCF) € bn

Organic criteria: Assumes constant exchange rates of 2019 (average in 2019). Considers constant perimeter of consolidation, does not include capital gains/losses from the sale of companies and assets (material), restructuring costs and other impacts (write-offs, material non-recurring impacts). In addition, excludes contribution to growth from T. Argentina and T. Venezuela and the results from Central America. CapEx excludes investments in spectrum.
Strong FCF generation, with ample dividend cover that allows to reduce net debt organically

€4.8 bn euros

€2 bn in 4Q
+13.2% year-on-year change

> **Strong FCF generation** and ample dividend cover

Underlying EPS 2020

€0.52

Dividend per share

€0.40

The dividend announced for 2021 amount to 0.30 euros/share and will adopt the voluntary scrip dividend modality. First tranche (0.15 euros/share) will be paid in December 2021, and second (0.15 euros/share) in June 2022.

> **Net Debt Reduction** driven by strong FCF generation

Approx.

€17 bn

Net debt reduction since June 2016

<table>
<thead>
<tr>
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<th>June-16</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
<th>Dec-20</th>
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<tbody>
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<td></td>
<td>52.2</td>
<td>48.6</td>
<td>44.2</td>
<td>41.1</td>
<td>37.7</td>
<td>35.2</td>
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</table>

Over 2/3 debt in fixed rates

Average debt life of 10.7 years

Interest payment costs 3.11%
Spain: Europe’s most advanced telco

**Annual Results 2020**

- **REVENUES**
  - €12,401m (−3.5%)
- **OIBDA**
  - €5,046m (−5.1%)
- **OIBDA - CAPEX**
  - €3,638m (40.7%)

**#1 Europe’s largest FTTH network**
- Premises passed: <25 m (2020)

**#1 Leading technology (IPTV/OTT) and content distribution platform**

**Most comprehensive offer for all market segments**

- Movistar
- Telefónica
- Telefónica Empresas

**Higher Value Accesses**

- **Uptake ratio** connected fibre customers on own network: 29% (+1 p.p. yoy)

**TV**
- Over 3.9 m | -3.4%

**Mobile contract**
- 15.4 m | +1.5%

(1) OCU

y-o-y variations in organic terms
Telefónica UK: The UK’s No1 network for customers

Annual Results
2020

**REVENUES**
€6,708 m

**OIBDA**
€2,064 m

**MARGIN**
30.8%

**OIBDA - CAPEX**
€1,151 m

36.5 m Mobile Accesses

**Flexible Custom Plans**
Pioneering offer in the telco industry

5G Already available in 150 cities

#1 in flexibility and transparency

#1 Best network coverage*
#1 Best network for reliability*
#1 Best customer experience*

#1 in customer loyalty

The lowest contract churn in the market

0.9%

The O2:
Best Sponsorship in the last 25 years.
Best Sponsorship Awards

*Best network coverage by Uswitch (2018, 2019, 2020)
*The UK’s most reliable network by Global Wireless Solutions (Feb 2020)
*Number 1 MNO for NPS and satisfaction by Ofcom
Germany: The most modern network serving the largest mobile customer base

**Annual Results 2020**

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>€7,532 m</th>
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<tr>
<td>OIBDA</td>
<td>€2,326 m</td>
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<tr>
<td>MARGIN</td>
<td>30.7%</td>
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**Customer Focus:**
Innovative tariffs: O2 Free, O2 My All in One & O2 DSL, O2 Banking, O2 TV, O2 You …

**5G**
30 cities with 5G by the end of 2021

Deploying the 1st 5G network in the world for production vehicles with Mercedes-Benz.

“Very good” rating in 2021 Connect Magazine Fixed Network Test

Best MNO in Telekom Handel’s reader’s choice awards

**Full Operator**
The best fixed broadband coverage in Germany via agreements with DT, Vodafone and Tele Columbus.

**Employees**
~8,200

**Mobile Accesses**
44.3 m
Telefónica Brazil: Unmatched quality assets. Leader in high value accesses

**Annual Results 2020**

**REVENUES**

\[ \text{€7,422 m} \]

\[ \text{€3,188 m} \]

\[ \text{€1,815 m} \]

**OIBDA Margin 2020**

\[ 42.9\% \]

**OIBDA Margin 2020**

\[ 2.6\% \]

**OIBDA Margin 2020**

\[ -1.1\% \]

**Total Accesses**

95.1 m

**Mobile Accesses**

78.5 m

**Sustained annual investment**

(CapEx, ex - spectrum)

Accelerating to capture opportunity in fibre

**New fibre expansion models:** Third parties agreements and franchises.

**Premises passed (FTTx)**

24.5 m

**FTTH Home Passed**

15.7 m

**Most recognized and valued brand**

#1 Sustained Leadership in Mobile Contract (37.7% of market share)

- 5 million UBB accesses (FTTx/Cable)
- 3.4 FTTH million accesses (+36.39% y-o-y)

**Mobile Network:**

Coverage and capacity

#1 Biggest mobile coverage 3G/4G

- 5G DSS launch in eight cities in 2020
- Largest Distribution channel: 1,600 shops

**Sustained Leadership in Mobile Contract**

(37.7% of market share)

**Total Accesses**

95.1 m

**Mobile Accesses**

78.5 m

**Premises passed (FTTx)**

24.5 m

**FTTH Home Passed**

15.7 m

**Full Accesses**

95.1 m

**Mobile Accesses**

78.5 m

**Premises passed (FTTx)**

24.5 m

**FTTH Home Passed**

15.7 m

**Wholesale FiberCo**

Independent & Neutral (March 2021)

164

2019

+102

2020

266

100 new cities in 2020 with FTTH

\[ -2.6\% \]

\[ -1.1\% \]

\[ +8.5\% \]

\[ -2.6\% \]

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Telefónica in Hispam: Maximizing the value of assets

**Annual Results 2020**

- **REVENUES**
  - €7,922 m

- **OIBDA**
  - €990 m

- **OIBDA – CAPEX**
  - €157 m
  - OIBDA Margin: 12.5%

Argentina, Chile, Colombia, Mexico, Ecuador, Peru, Uruguay and Venezuela.

**Operating Data 2020**

- **Total Accesses**
  - 108.5 m
  - ~24% mobile accesses

- **UBB**
  - 5.4 m UBB accesses
  - Solid growth in:
    - UBB (+13.7%)
    - FTTH (+20.8%)

- **12 m UBB premises passed**

- **New operating model**: México

- **Simplification**:
  - Largest Fiber network in the region (9.9m FTTH homes passed)
  - Fiber expansion strategy: co-investment agreements**
    - InfraCo in Chile and PangeCo in Perú.
  - Digitalisation process is still on-going. Achieving CapEx efficiencies

(*) Including Peruvian cable.

(**) In some countries such as Chile, Argentina, and Colombia with American Tower Company and Andean Tower Partners.
Telefónica milestones in the last months (2020-2021)

**7_05**  
Liberty Global and Telefónica to merge their U.K. operations.

**28_07**  
Telefónica Brazil launches, together with TIM and Claro, an offer to acquire Oi's mobile assets, worth 16.5 billion Brazilian reais.

**30_07**  
Telefónica presents its proposal for a Digital Deal, which aims to be the roadmap for the digitalisation of SMEs, the self-employed and public authorities.

**14_12**  
Telefónica Brasil and its partners win the bid for Oi mobile assets

**02_03**  
Creation of FiBrasil, wholesale and neutral fibre provider

**13_01**  
Sale of Telxius tower business to American Towers

**2020**

**7_02**  
Sale of 1,900 towers in Brazil to Telxius.

**27_11**  
5 key point-plan that will mark the new era of the company.

**8_06**  
Telxius doubles in size after reaching a tower purchase agreement with Telefónica Deutschland.

**2021**

**1_09**  
Telefónica switches on 5G and 75% of the Spanish population will obtain a signal this year.

**23_12**  
Telefónica accelerates the value of its infrastructures with the sale of 2,029 towers in Ecuador and Colombia.

**22_02**  
FibraCo Chile: sale of 60% to KKR

**29_10**  
JV with Allianz to deploy fibre in Germany

**Telefónica sells its unit in Costa Rica to Liberty Latin America for 425 million euros.
the most admired telco in Europe and 4th in the world

* Fortune 2020