



RESULTS

January - September

2021



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Q3 21 Results

Mr. Ángel Vilá
COO

Higher growth, smart capital allocation, further de-leveraging

Q3 21 highlights

Revenues y-o-y org	OIBDA y-o-y org	EPS y-o-y	Further net debt reduction	Commercial momentum
Sequential acceleration +3.6% Service revs. +3.3%, B2B +4.8%	Consistent growth +1.6% OIBDA margin flat y-o-y	Net income €706m €0.12 9M Underlying EPS +6.1%	Streamlined net debt €25.0bn¹ 9M FCF ex-spectrum €2.5bn	Including VMO2 accesses, ex-C.Rica +3% y-o-y Increased customer satisfaction

- ✓ Second straight quarter of simultaneous **organic revenue and OIBDA y-o-y growth**
- ✓ Flat FX impact to revenues and OIBDA y-o-y, **growth in reported revenues** (ex-changes in perimeter) **aligned with organic growth**
- ✓ Stabilisation in OIBDA-CapEx on **smart capital allocation**; CapEx (ex spectrum)/Sales at 12.7% in Q3 (Hispania at 7.3%)
- ✓ **Net debt -31.8%¹ y-o-y**; improved capital structure on FX rebalancing and higher debt in Latam currencies (26%¹ of total net debt+leases; +11 p.p. y-o-y)
- ✓ **One of the largest fibre footprint in Europe & Latam: 156.6m UBB PPs**; an opportunity to facilitate social progress by extending connectivity and digitalisation
- ✓ **Digital transformation**: paving the way for economic and social recovery and a slowdown in climate change

Progress in strategic priorities; Reducing complexity

- ✓ **Re-prioritising capital allocation to core markets**; spectrum acquisition (SP in Q3, BRA auction 4/11); GER 5G network is live in >100 cities. UK integration at pace
- ✓ **T. Hispania**: reduced capital employed, improved efficiencies, creating value. Closing of Costa Rica deal (€455m). Sale of El Salvador for \$144M (7x 2020 OIBDA)
- ✓ **T. Infra**: development of fibre vehicles creates growth opportunities. Closing of T. Deutschland sites sale to ATC. Maintaining optionality across asset base
- ✓ **T. Tech**: growth of 24.9% in Q3 21; Cancom UK&I consolidated as of 1st August; strengthening portfolio through new partnerships
- ✓ **More sustainable operating model**: 79% of process digitised; agreement with NEC to build Open RAN; live pilots underway in four core markets
- ✓ **Sustainability commitment**: “E” (new PPAs to supply renewable energy), “S” (connecting rural & inland areas), “G” (Vivo “Best EM Performers Ranking” by Vigeo Eiris)

1. Post estimated distribution of proceeds to Telxius minorities

Financial summary

€ in millions	9M 21			Q3 21		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
Revenues	29,603	(8.0%)	1.7%	9,298	(11.1%)	3.6%
OIBDA	20,620	111.6%	1.7%	3,734	39.8%	1.6%
OIBDA Underlying	9,797	(8.9%)		3,034	(13.7%)	
OIBDA-CapEx (ex-spectrum)	16,716	194.3%	(3.0%)	2,556	92.8%	(0.5%)
(OIBDA-CapEx)/Revenues (organic)	19.9%		(1.0 p.p.)	20.1%		(0.8 p.p.)
Net Income	9,335	n.s		706	c.s.	
EPS (€)	1.63	n.s.		0.12	c.s.	
FCF (incl. leases principal payments)	1,470	(47.5%)		560	(64.5%)	
FCF (ex-spectrum paid)	2,482	(11.7%)		869	(44.9%)	
Net Financial Debt (€bn) (Post estimated distribution of proceeds to Telxius minorities) ex-leases	25.0	(31.8%)				

Reported figures affected by capital gains and changes in perimeter

Record net income in 9M

Solid FCF ex spectrum

Net Debt down 4.6% vs. Jun-21

FX impact

From headwind to tailwind in Q3

€ (m)	Q3	9M
Revenues	(22)	(981)
OIBDA	1	(365)

Changes in the perimeter impact

(T. UK, Telxius towers, Costa Rica)

€ (m)	Q3	9M
Revenues	(1,604)	(2,134)
OIBDA	(541)	(717)

Guidance and dividend confirmed

2021 guidance

Telxius Towers and T. UK deconsolidated as of 1 June and Costa Rica as of 1 August

Financial Targets	2021 Guidance	9M 21
Revenues (y-o-y organic)	“Stable to slight growth” (upgraded in H1 from “stabilisation”)	1.7%
OIBDA (y-o-y organic)	“Stable to slight growth” (upgraded in H1 from “stabilisation”)	1.7%
CapEx/Sales (ex spectrum)	Back to normalised level up to 15%	13.2%

Shareholder remuneration

2021 Dividend	€0.30/Share
Interim Dec-21	€0.15/sh. (Voluntary Scrip)
Final Jun-22	€0.15/sh. (Voluntary Scrip)

2021 calendar payments

Jun/21 €0.20/sh. (Voluntary Scrip)
Dec/21 €0.15/sh. (Voluntary Scrip)

**1.65% treasury
stock to be
cancelled**

Fully committed to ESG

Strategy aligned with the UN SDGs

“E”: ENVIRONMENTAL BUILDING A GREENER FUTURE

Through digitalisation we contribute to a more sustainable, circular, and decarbonised world

- **New long-term renewable electricity agreements** in Spain and Brazil (SDG #7)
- **>1k COs closed in Spain**, saving 1k GWh; accelerated **3G switch-off in Germany**, leading to annual energy savings of 60 GWh (SDG #12, #13)
- **Launched Net-Zero Hub** to help small businesses become net-zero in the UK (SDG #13)



“G”: GOVERNANCE LEADING BY EXAMPLE

Building trust capital with customers, employees, suppliers, and shareholders

- **Vivo** named in Vigeo Eiris’ “**Best Emerging Market Performers**” Ranking
- **Awards in diversity**; Ministerial “Equal Conciliation Seal” in Chile; Scotiabank “Equality Grand Prize 2021” in Peru (SDG #5)
- New target of **30% of black executives in leadership positions in Brazil by 2024** (SDG #5)

“S”: SOCIAL HELPING SOCIETY TO THRIVE

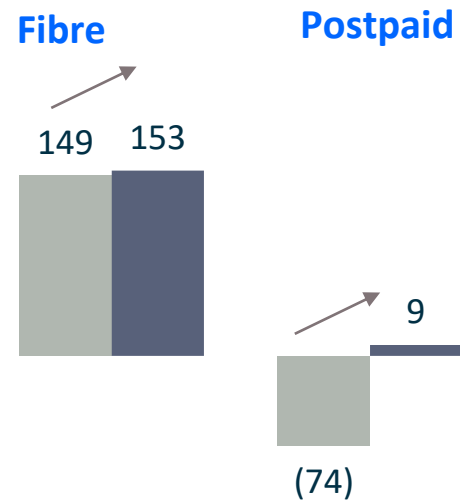
Economic and social development facilitated by digitalisation

- **First ever National Databank launched in the UK**, providing free mobile data to tackle data poverty (SDG #9)
- **Connecting people in rural and inland areas**: 600 black-out zones eliminated in Spain, 250k PPs in Southern Argentina, 13k areas in Peru; 13m PPs with gigabit BB in the UK (SDG #9)
- **Telefónica’s International Volunteering Day**; 25k+ employees in 300 initiatives (SDG #4, #8, #13)
- **ProFuturo**: 1st Spanish project to be awarded “WISE Prize” for educational innovation (SDG #4)

Spain | Ongoing recovery, strong cash generation preserved

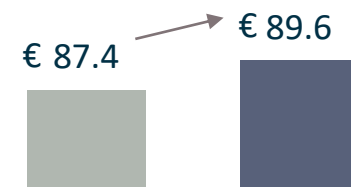
Net adds & Convergent KPIs

Accesses (m)

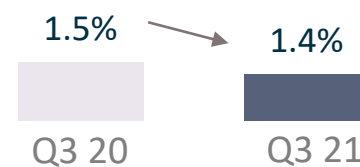


■ Q2 21 ■ Q3 21

ARPU

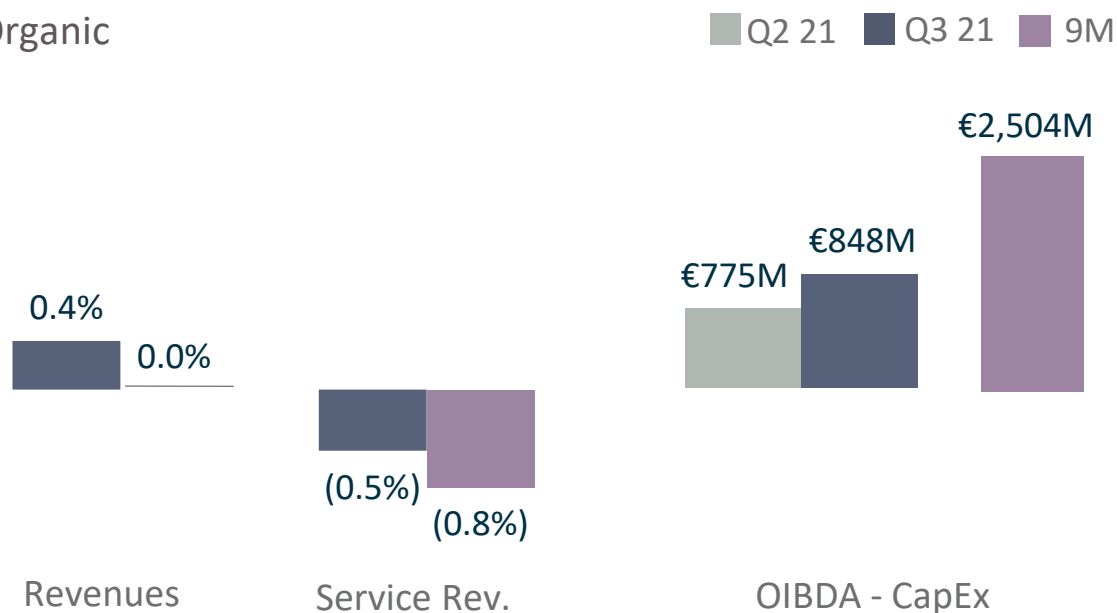


Churn



Key financials

Organic



Key milestones

- Sequential improvement in all accesses' trend
- Convergent ARPU +2.5% q-o-q, improved customer mix
- Sustained focus on revenue share
 - Increased share in high value segment as market cooled down
 - "Back to school" promos softer at high-end vs Q3 20
 - Low value segment fragmented and highly competitive
- Record NPS (33%), segmented valued oriented offer
 - Movistar #1 brand in quality of service
 - Competitive entry level proposition, new O2 offering (Oct.)
- Long term agreement awarded, green energy for 50% of buildings
- Supporting areas affected by the La Palma volcano eruption
- Awarded with the 1st allocation of NextGen funds for rural UFBB

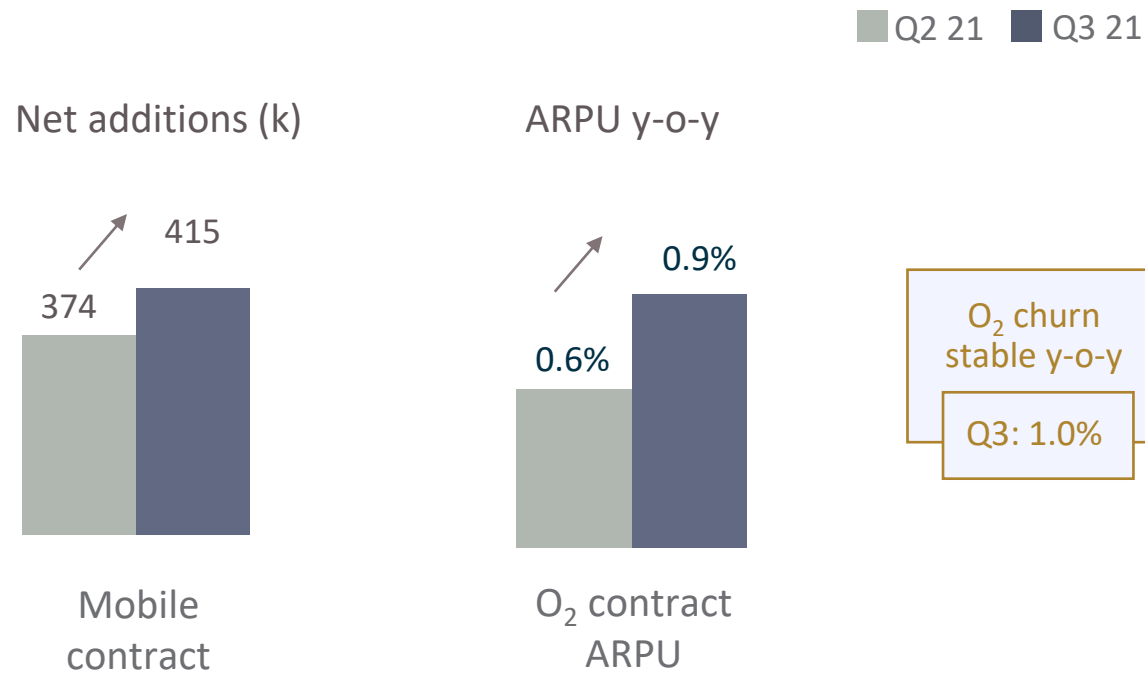


Financial highlights

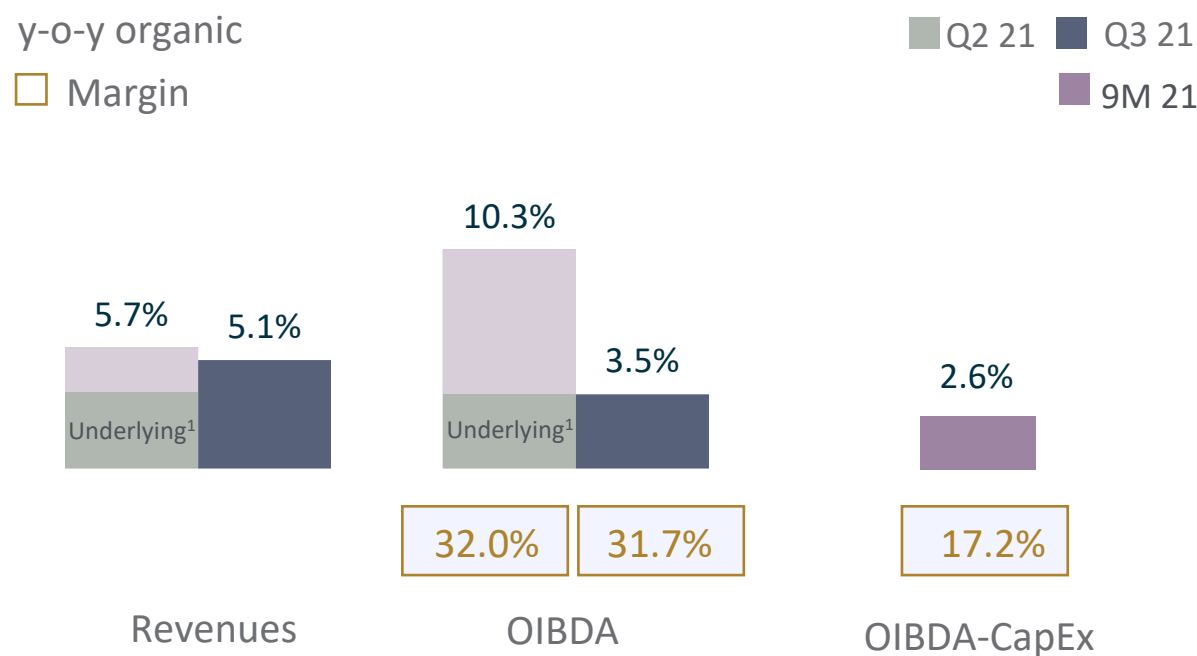
- Sustained y-o-y revenue growth
 - Handset sales +37.2% y-o-y on new Fusion portfolio
 - OIBDA y-o-y hit by higher energy cost and lower content cost in Q3 20
 - OIBDA q-o-q trend improved ex energy costs rise & base effect
- Solid cash conversion
 - 9M OpCF organic margin 27.2%, European benchmark
 - Limited capital intensity (9M CapEx/Sales 11.2%)

Germany | Strong commercial and financial performance

Operational KPIs



Key financials



Key milestones

- **Strong commercial traction;** driven by O₂ free portfolio
 - ‘Willkommen im sehr guten Netz von O₂’ marketing campaign promoting equalised mobile network quality
- **Fixed base +2k,** sequential improvement over 2021 on TAA approach
- **5G network active in >100cities**
 - On track to achieve 30% 5G population coverage by YE 2021
- **Accelerated 3G switch-off,** improving 4G/5G and saving energy
- **100% green energy consumption** (incl. 3rd party sites) **beyond 2021**



Financial Highlights

- **Sustained revenue trends;** strong commercial momentum supporting service revenues
- **Strong OIBDA performance;** top line growth, incremental efficiencies, partially offset by phasing back of marketing spend
- **9M CapEx +11.6% y-o-y;** C/S 14.2% **back-end loaded phasing**
- **OIBDA-CapEx/Revenues -0.2 p.p. vs 9M 20**

1) Excluding non-recurrent special factors

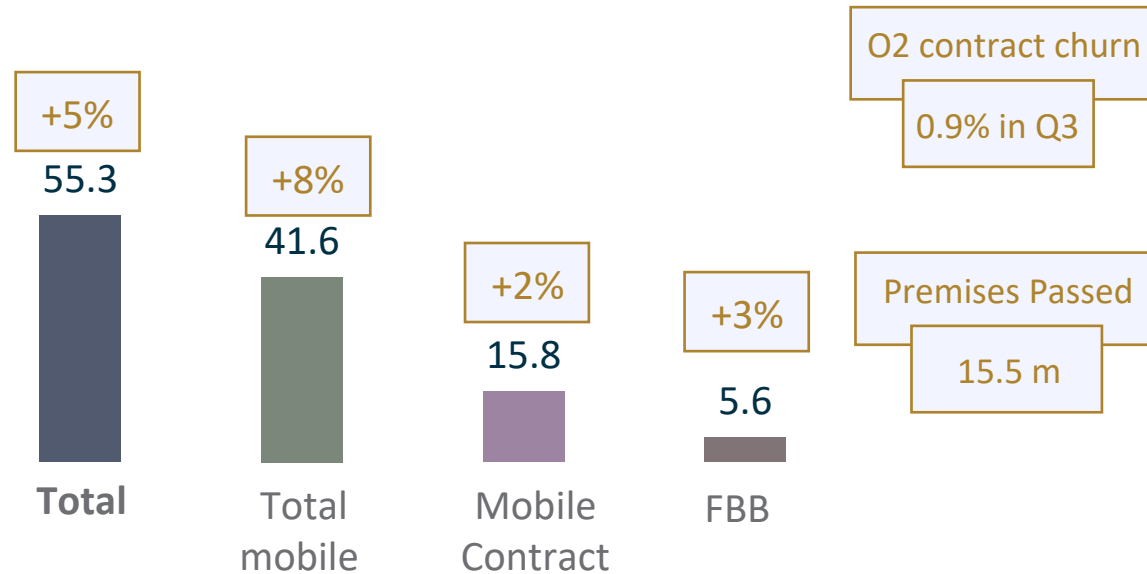


UK | Strong commercial momentum, integrating at pace



Operational KPIs

Accesses, m (y-o-y)



Key milestones

- **Integration on track**, combining capabilities by launching **Volt** in October, the first VMO2 consumer and SoHo converged product
- **Strong commercial focus and traction**, total base 55.3m +5% y-o-y; mobile contract net adds +108k, FBB net adds +42k
- **Investing for the future with NGN expansion**; 5G in 210 towns & cities and fixed gigabit network extended to 12.8m PPs
- **FTTP upgrade pilots underway**, completion in 2028
- **Created National Databank**, providing free mobile data to tackle data poverty and **Net Zero Hub** to help SoHo become net zero.

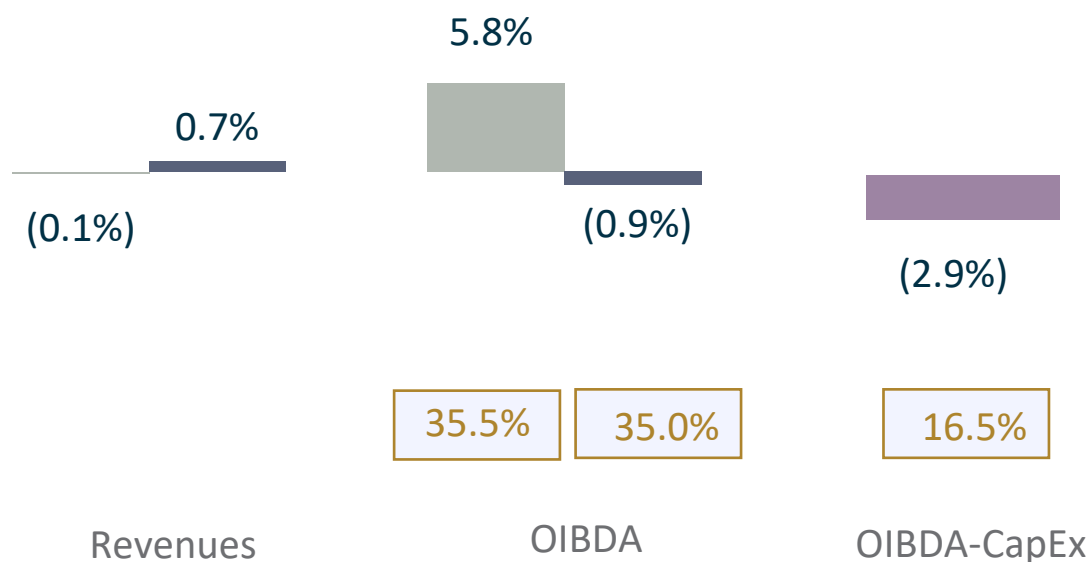


Key financials

y-o-y proforma organic⁽¹⁾

Margin

■ Q2 21 ■ Q3 21 ■ 9M YTD



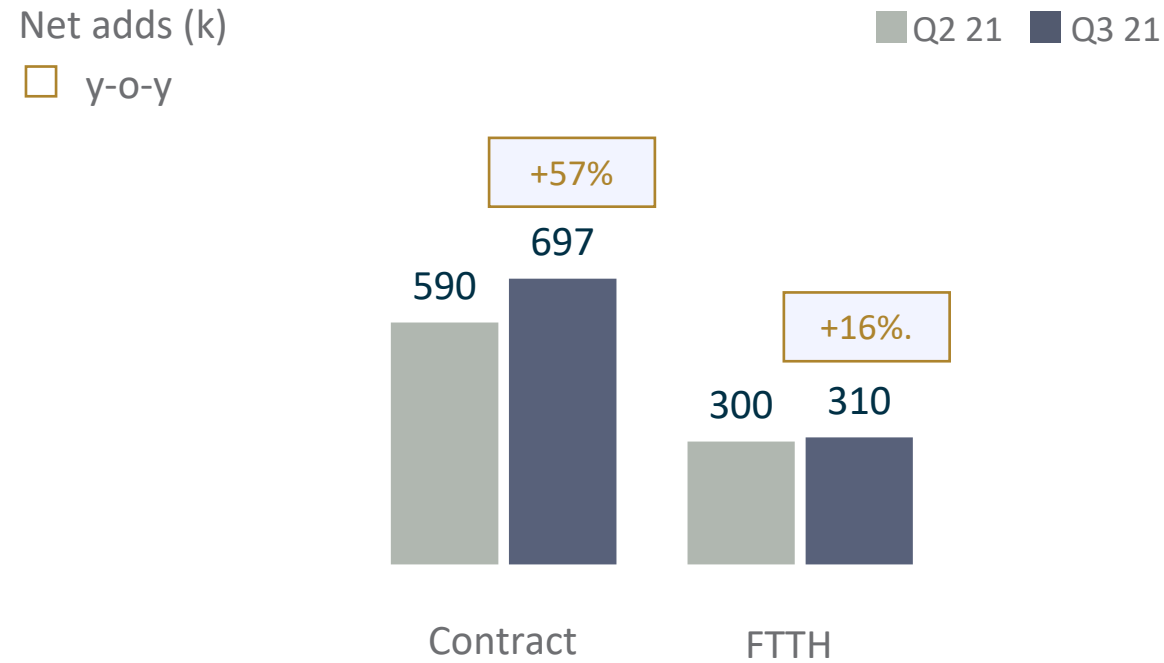
Financial highlights

- **Revenue back to growth**, mobile improves q-o-q on flagship handset launches; fixed q-o-q decline on B2B wholesale phasing
- **9M OIBDA +3.1% y-o-y**, Q3 slowdown as a result of investment in marketing and digitalisation offsetting revenue growth
- **OIBDA Margin reflects** change in revenue mix, coupled with investment in commercial performance and future growth
- **9M CapEx +9.2% y-o-y** > NGN investments in Lightning and 5G
- **Cash profitability**; OIBDA-CapEx margin -0.3 p.p. y-o-y vs. 9M 20
- **FY 21 proforma transaction-adjusted EBITDA growth expected at "flat to positive"**, H2 21 dividend "at least £300m"

(1) Organic OIBDA and OIBDA margin y-o-y calculated in line with Telefonica criteria

Brazil | Strongest service revenue growth in 6 years

Operational KPIs

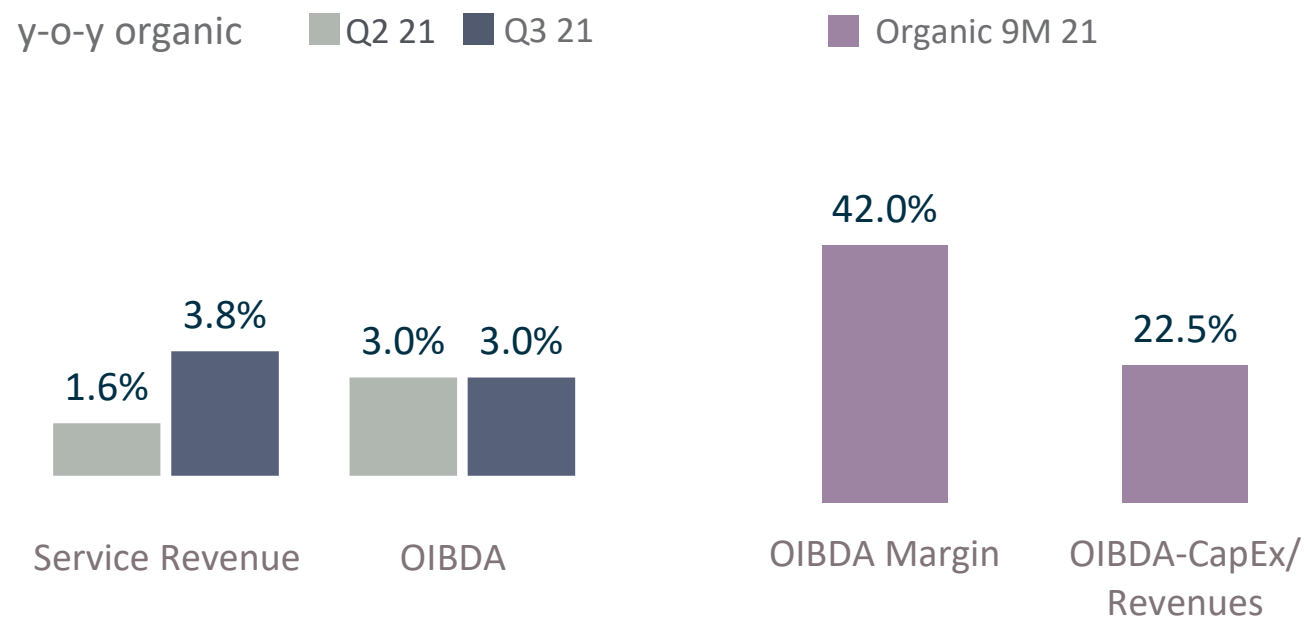


Key milestones

- **Vivo again confirms its leadership**
 - 33.0% MS in mobile; 36.8% MS in postpaid; 28.8% MS in prepaid
- **Strong mobile momentum, digital services** gaining relevance
 - Enlarging lifetime with contract churn under control (1.2%)
- **Impressive transformation to FTTH**
 - Accelerating deployment goals: 29m in 2024
 - 1m new connections YTD (0.9m in FY 20; 0.6m in FY 19)...
 - ...with lower cost to deploy (-60% in 2 yrs)



Key financials

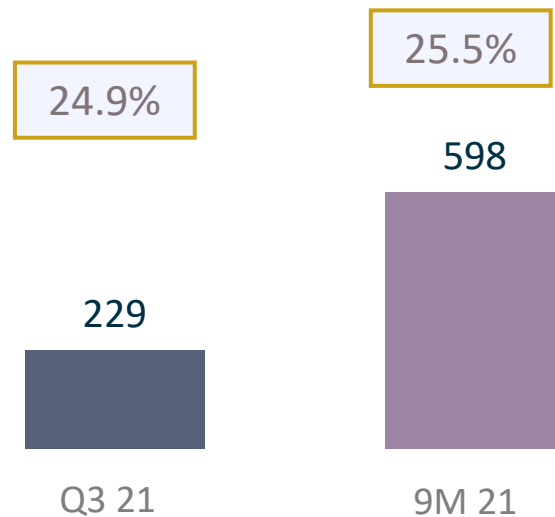


Superior financial performance

- **Accelerating service revenue growth**
 - MSR +5.7% on access & price increases
 - Fixed revenues back to growth (+0.4%) after 4 yrs
- **Growth & transformation CapEx 87% of total** (> fibre; < legacy)
- **Vivo's ESG initiatives** continue to evolve
 - 100% renewable energy since 2018. Signed long-term contracts for distributed green electricity generation
 - 50% of their Internship program to be destined for black students

T. Tech revenue

€M; y-o-y



T. Cloud & Cyber Tech

- “FlexWAN” - First managed service for **Cloud-Native** in Spain
- **Enhanced SMB offer** in Chile and Germany
- New partners: Additional **Zoom functionality**; **CrowdStrike Falcon** platform (MDR)
- **Security**: OT Specialisation of Fortinet's channel program; First Cybersecurity robot's laboratory (CS4R) in Munich
- Global agreement with **STC Cybersecurity**

MICROSOFT “Partner of the year in SMB digitalisation”

CLOUD BLUE “Global Partner of the year”

ZOOM “EMEA Services Provider of the Year”

Improved business profile

- **Increased scale, enhanced capabilities and revenue mix (VAS)** with the addition of T. Tech UK&I (formerly CANCOM UK&I)
- **Annualised¹ revenue base of c. €1bn**
- **Unique assets & premium partnerships**
 - Cloud Hub Spain, Intelligent SOCs , global IoT, in-house AI/Big data
- **Significant cross-selling advantage: >5.5M B2B T. Group customers**

T. IoT & Big Data Tech

- **Increasing activity** in connected Car, Big Data, Industry 4.0 and Utilities
- **IoT connectivity revenue acceleration** (+23.6% y-o-y in Q3)
- **Leveraging connectivity** technology (NB-IoT/LTE-M and p-LTE/5G), best in class **partners**
- **Key for B2B digitisation** post COVID-19
- **Unique AI of Things**




STL Partners “Innovation leader case study: Telefónica Tech AI of Things”

KALEIDO “Champion in Intelligence in Private Networks” &

INTELLIGENCE “Highflyers in Connectivity Management Platform”

1) After acquisition of T. Tech UK&I (formerly CANCOM UK&I)

Infra | Growth and optionality ahead

 <p>UGG</p> <ul style="list-style-type: none"> • 50% Allianz / 50% TEF (40% T. Infra / 10% T.DE) • Rollout and commercialisation ongoing • Signed wholesale agreements with 2 regional ISPs • MOUs signed with municipalities representing >100k premises (Sep-21) • Target: >2m PPs in 6yrs <ul style="list-style-type: none"> ▪ c.50,000 km fibre 	 <p>FiBrasil</p> <ul style="list-style-type: none"> • 50% CDPQ / 50% TEF (25% T. Infra / 25% T.BR) • Fiberty 1 acquisition (Aug-21) <ul style="list-style-type: none"> ▪ Adds 170k PPs in 11 new municipalities ▪ 310k PPs in 18 additional municipalities operative between Q4 21E & Q1 22E • Updated target: over 6.0m PPs in 4yrs (up from 5.5 PPs) <ul style="list-style-type: none"> ▪ 1.6m brownfield PPs ▪ EV/OIBDA PF 16.5x 	 <p>InfraCo</p> <ul style="list-style-type: none"> • 60% KKR/ 40% T.CHL • Commercial brand launched: ON*NET Fibra • Accelerated deployment <ul style="list-style-type: none"> ▪ c. 90k PPs/month ▪ 713k additional PPs already built in 9M 21 ▪ FTTH/UBB accesses in CHI: 98%; +6 p.p. y-o-y • Target: 3.5m PPs by 22E <ul style="list-style-type: none"> ▪ 2m brownfield PPs ▪ EV/OIBDA 18.4x 	<p>InfraCo</p> <ul style="list-style-type: none"> • 60% KKR/ 40% T.COL • Closing expected in Q1 22E <ul style="list-style-type: none"> ▪ Approval granted by the EC (Oct-21) • Target: c.4.3m PPs in 3yrs <ul style="list-style-type: none"> ▪ c.1.2m brownfield PPs ▪ EV/OIBDA PF c.20x ▪ ND reduction TEF c.€0.2bn
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Further growth & optionality ahead

Fibre	Towers	Telxius Subsea Cable	Data Centres
<ul style="list-style-type: none"> ▪ 53.5m owned FTTH PPs ▪ 27% up-take; +1.1 p.p. y-o-y ▪ Optionality in Spain & Hispam 	<p>CTIL 15.8k</p> <p>Group (ex-UK) 27.7k</p>	<ul style="list-style-type: none"> ▪ 94k km of subsea cables ▪ 27 on-net landing stations in 12 countries ▪ 93 PoPs in 23 countries (owned & 3rd party) 	<p>Nabix</p> <p>(20% T. Infra; upon completion 2nd transaction)</p> <p>14 DCs (39 MWs)</p>

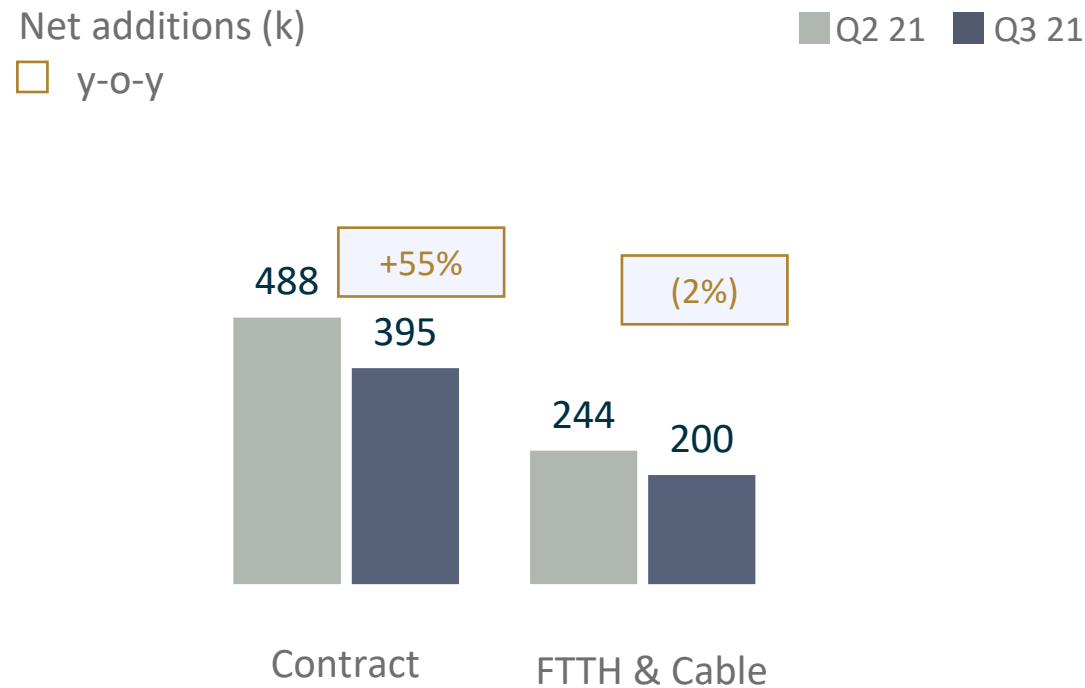
Q3 21 Results

Ms. Laura Abasolo

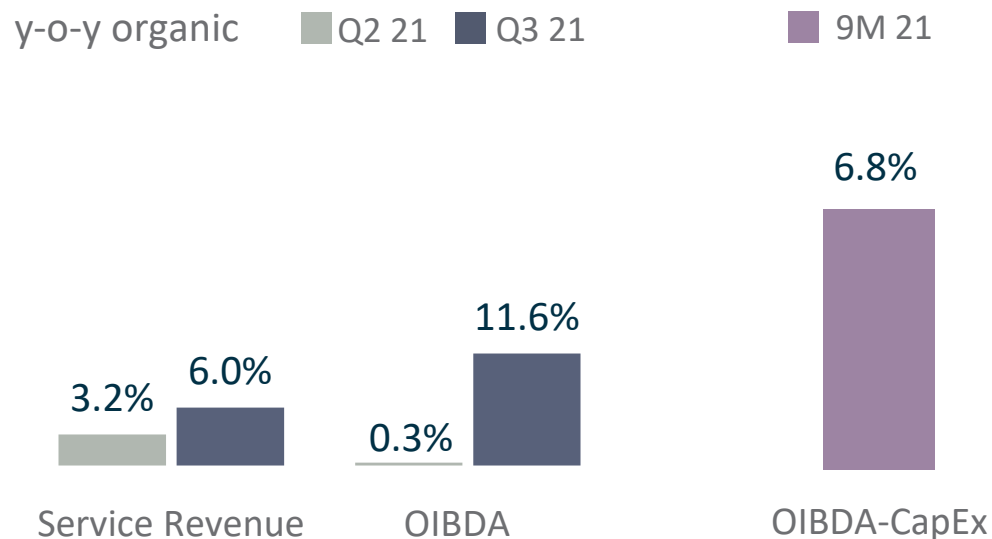
CFCO & Head T. Hispam

Hispania | Renewed strategy bears fruit

Operational KPIs



Key financials



Key milestones

- **Accelerating value growth**
 - FTTH connections +26% y-o-y
 - 11.7m FTTH PPs (+2.1m in LTM)
 - Further to come thanks to COL & CHL fibre vehicles
 - Contract accesses +9%
- **Speeding up business transformation**
 - Accelerating digitalisation: 21.4% sales via digital sales
 - New operational model to capture value of economies of scale
- **Launch of social services & initiatives in most countries**
 - Movistar Mex selected as the most responsible Co. (Expansión's 2021)
 - Launched Health Tech Community, 1st digital health ecosystem in COL

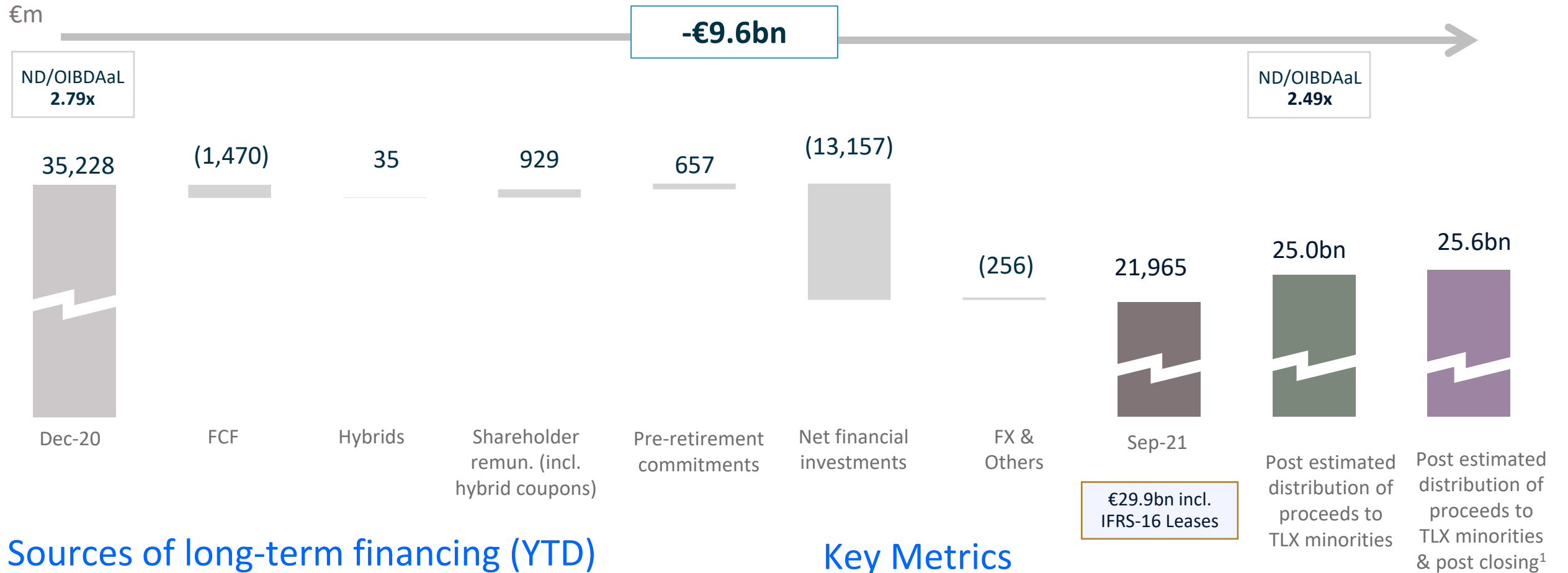


Solid financial performance

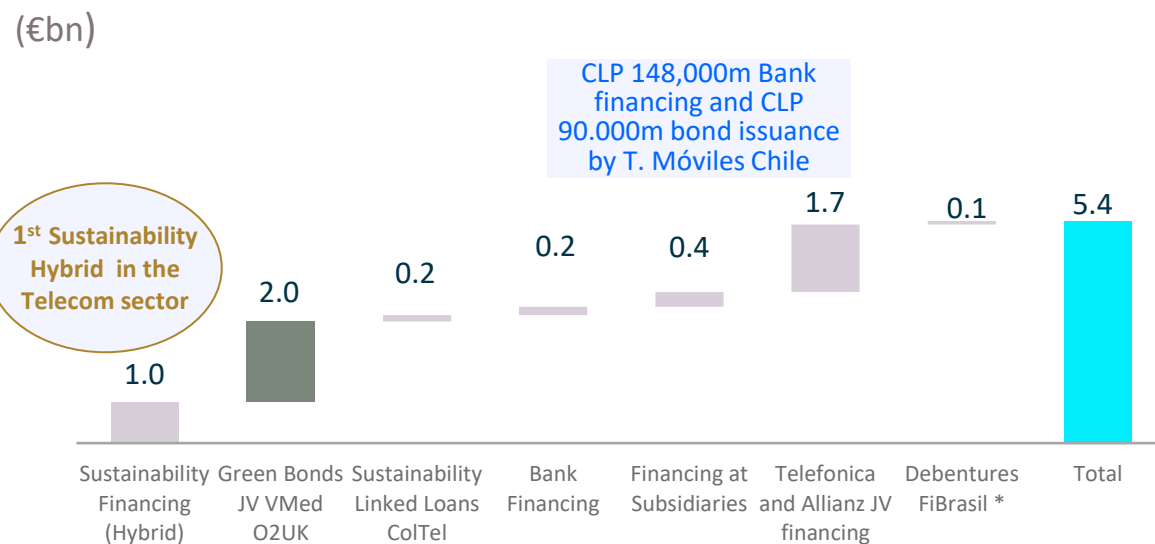
- **Service revenue growth across the region** (excl. MEX's MTR cut)
- **Growth in reported OIBDA**
- **Reduced capital employed** (9M: -23% y-o-y)
 - Asset light models, reducing exposure to legacy
 - 8.6% CapEx/sales in 9m, -0.6 p.p. y-o-y
 - Rational approach to spectrum auction

Significant debt reduction on deals completion

Net Financial Debt



Sources of long-term financing (YTD)



Key Metrics



* Telefônica Brasil S.A, Telefónica Infra, S.L.U., and Caisse de dépôt et placement du Québec JV in Brazil

1. Includes net proceeds from the closing of the sale of El Salvador, the closing of Colombia fiber vehicle and including the acquisition of Oi
 2. Post estimated distribution of proceeds to Telxius minorities

Final Remarks

Mr. Ángel Vilá
COO

••• Wrap up | Sustainable long-term strategy

Strategic focus on sustainable, profitable growth

- Portfolio simplification to continue with reduced exposure to Hispam, further de-leveraging and execution of transactions to crystallise value
- Leveraging attractive fibre opportunities and unlocking value through own deployment and fibre vehicles
- Continued digitisation driven by high-quality, secure and greener connectivity

Steady revenue and OIBDA organic growth

- Accelerated revenue growth (both organic and reported); positive organic revenue growth in all business lines

Smart capital allocation

- Capturing growth opportunities; ~45% CapEx ex spectrum allocated to NGN; fibre and 5G
- Spectrum acquisitions in the UK and Spain at 40% to 50% lower prices than benchmark

JV VMO2 integration progressing at pace

- Return to top line growth; investing for the future

Enhanced balance sheet and capital structure

- Ongoing net debt reduction, with €1.2bn decline in Q3 to €25.0bn
- Net financial debt+leases in Latam currencies 26% of total; 15% in Sep-20

Confirming 2021 outlook and dividend

Results presentation and Q&A Session

Telefónica's management will host a webcast on **4th November at 10:00 AM (CET), 9:00 AM (GMT), and 5:00 AM (EST)**

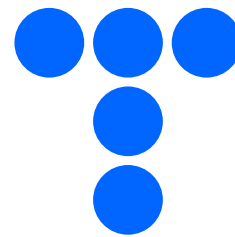
Participants from Telefónica: Ángel Vilá (COO), Laura Abasolo (CFCO & Head T. Hispam), Eduardo Navarro (Chief Corporate Affairs & Sustainability Officer), and Adrián Zunzunegui (Global Director of Investor Relations). **From Virgin Media-O₂ JV:** Lutz Schüler (CEO)

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.](#)



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For further information, please contact:

Investor Relations

Adrián Zunzunegui (adrian.zunzunegui@telefonica.com)

Isabel Beltrán (i.beltran@telefonica.com)

Torsten Achtmann (torsten.achtmann@telefonica.com)

Tel. +34 91 482 87 00

ir@telefonica.com

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