



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

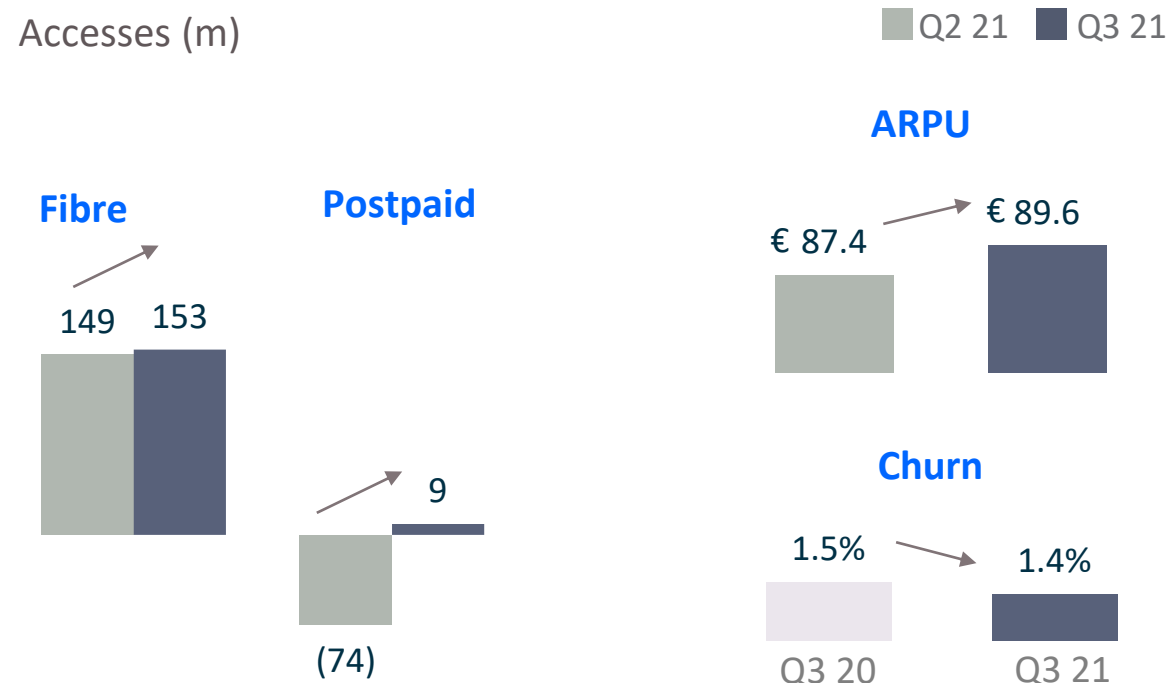
HELPING SOCIETY TO THRIVE

Economic and social development facilitated by digitalisation

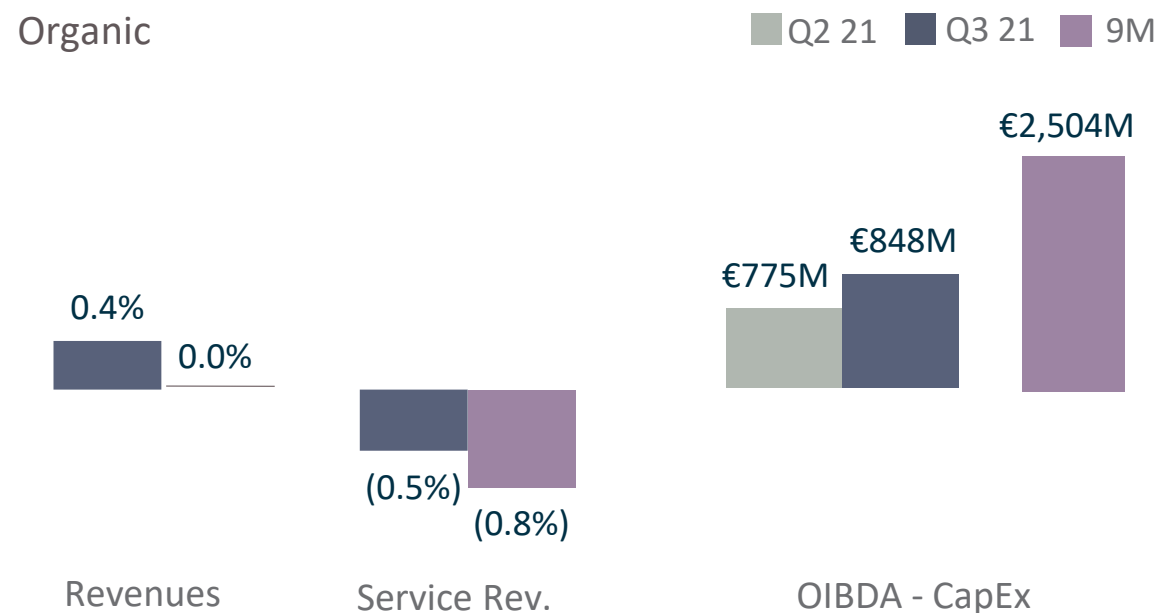
- First ever National Databank launched in the UK, providing free mobile data to tackle data poverty (SDG #9)
- Connecting people in rural and inland areas: 600 black-out zones eliminated in Spain, 250k PPs in Southern Argentina, 13k areas in Peru; 13m PPs with gigabit BB in the UK (SDG #9)
- Telefónica’s 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



Key financials



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

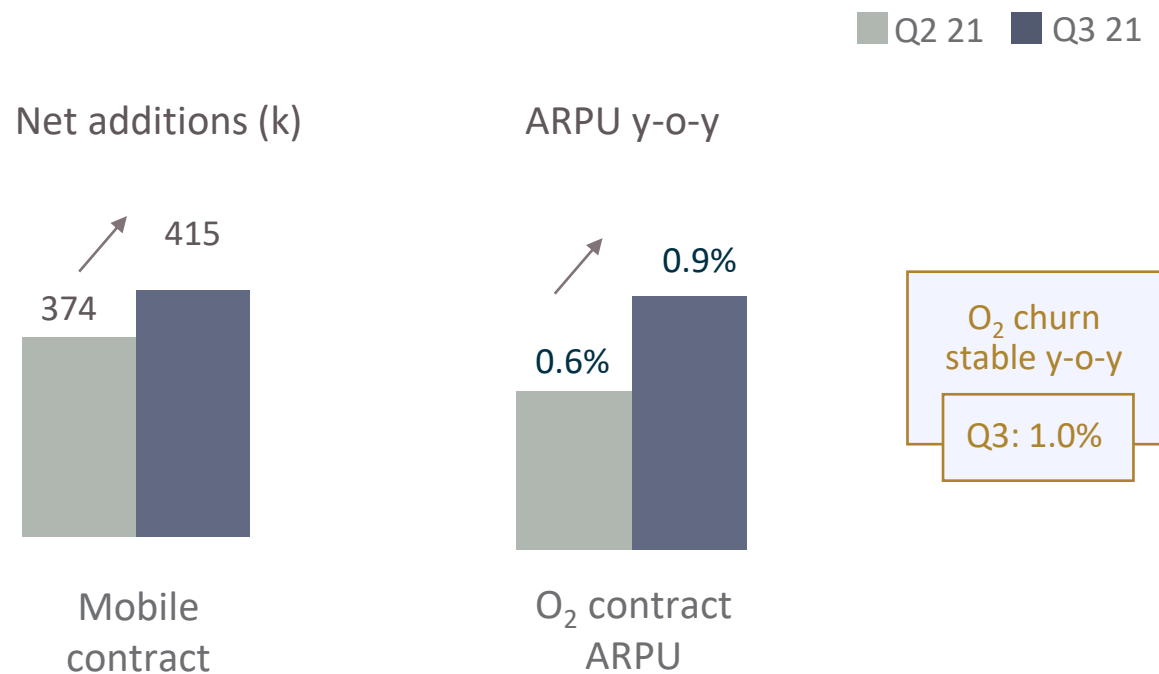
Financial highlights



- 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%)

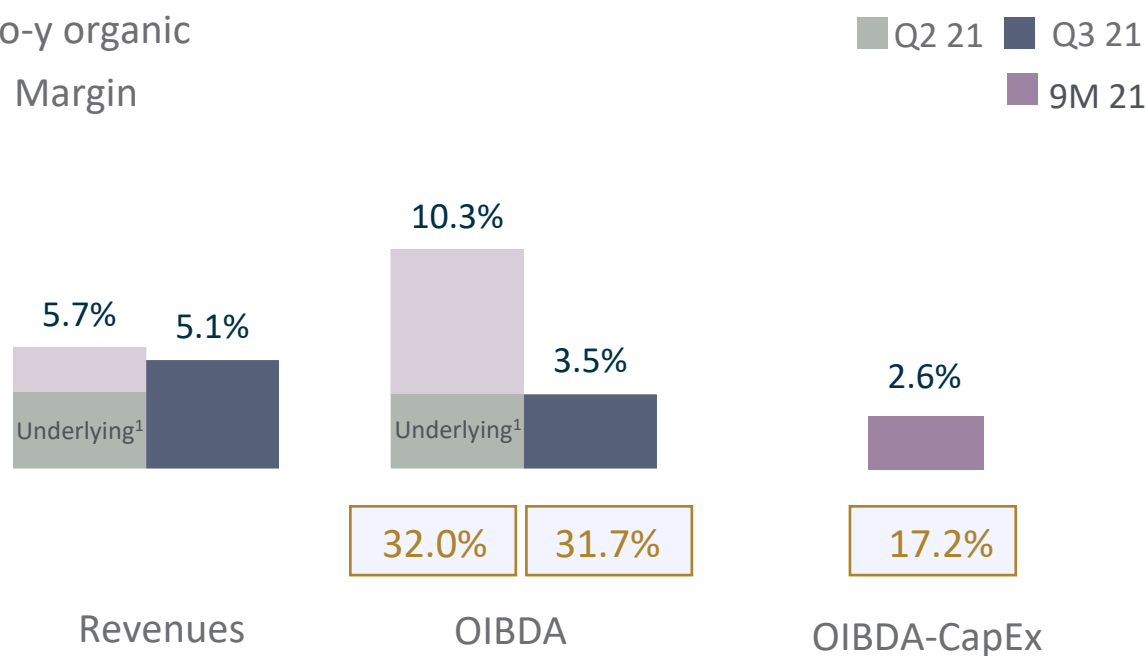
Germany | Strong commercial and financial performance

Operational KPIs



Key financials

y-o-y organic
□ Margin



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

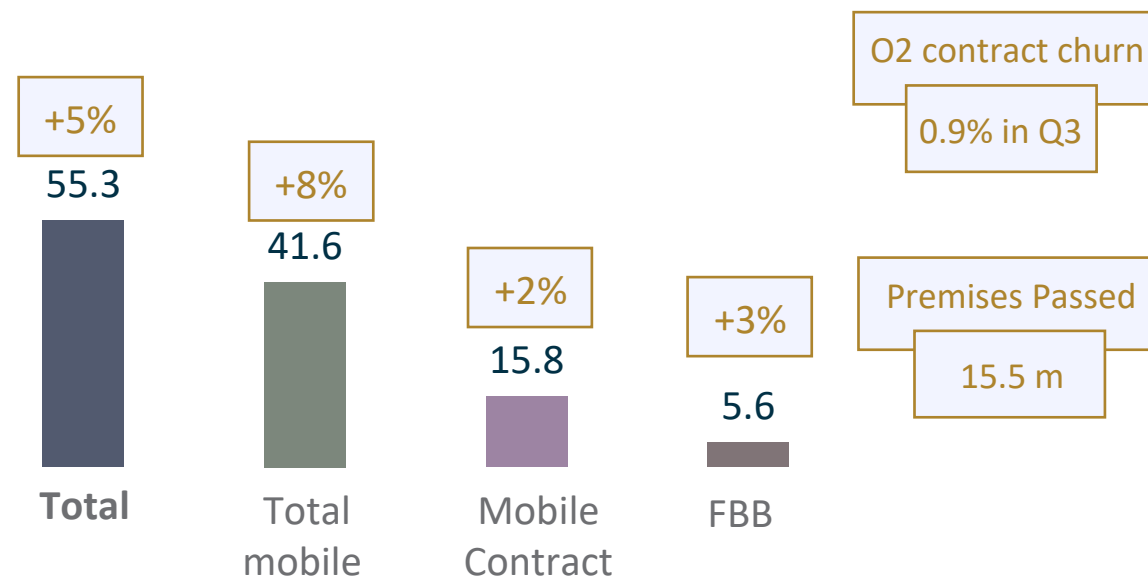


UK | Strong commercial momentum, integrating at pace



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.

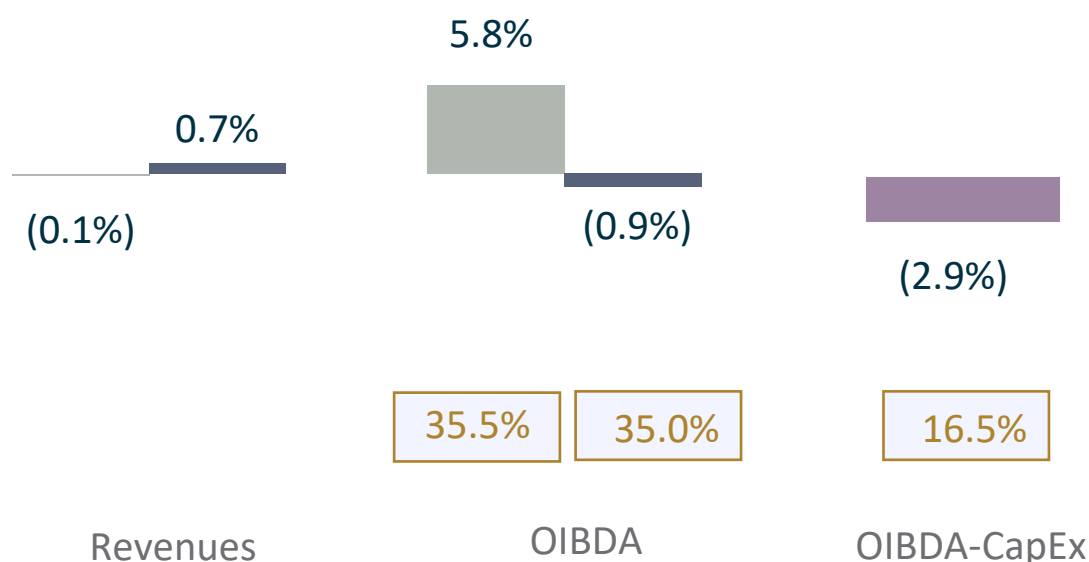


Key financials

y-o-y proforma organic⁽¹⁾

Margin

■ Q2 21 ■ Q3 21
■ 9M YTD



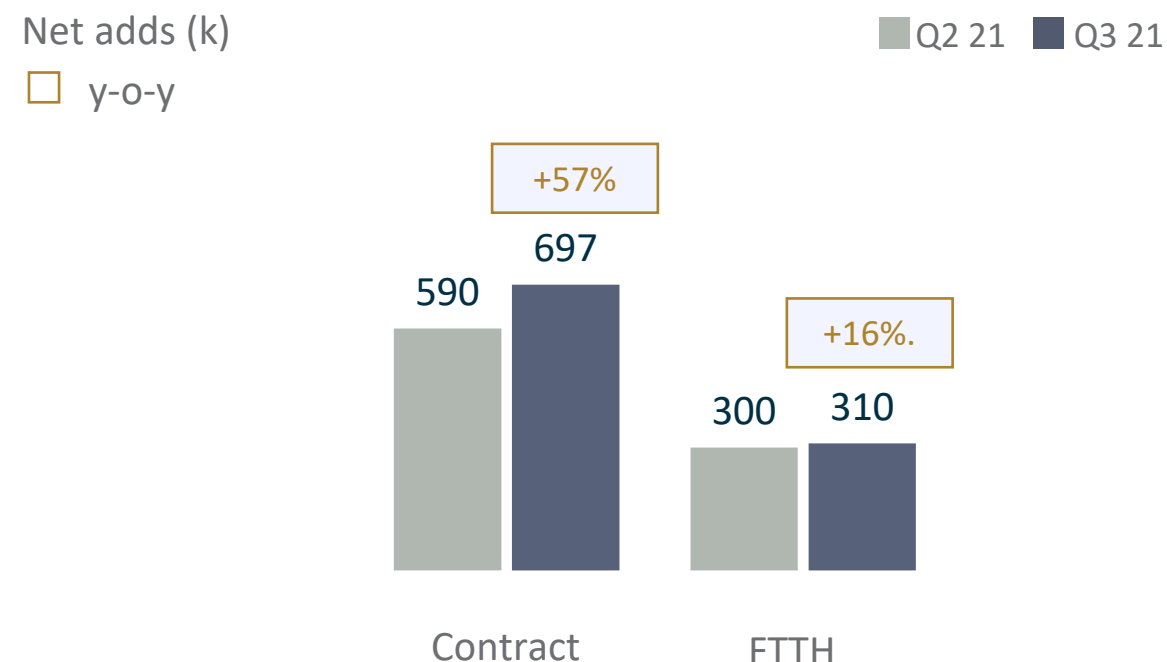
Financial highlights

- **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

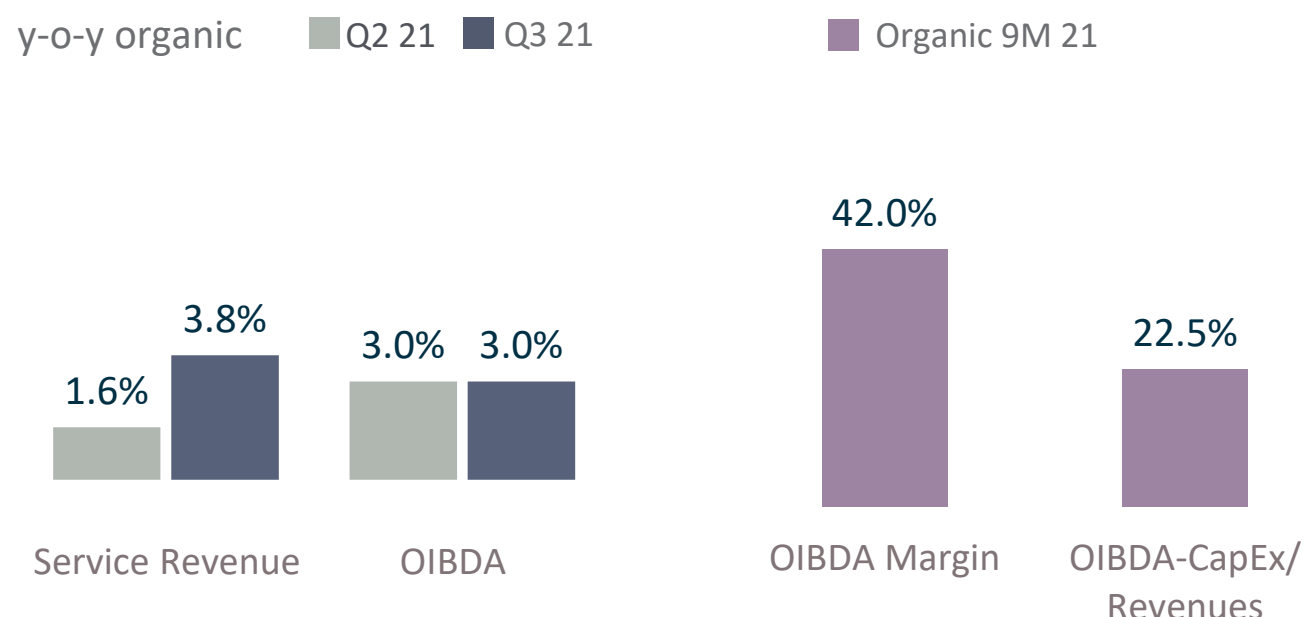


Key milestones

- **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

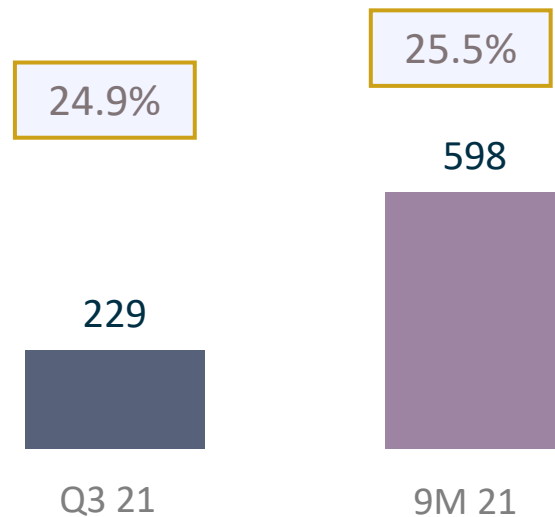


Superior financial performance

- **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



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. 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”

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

  UGG	  FiBrasil	  InfraCo	 InfraCo
<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 	<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 	<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 	<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

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 	<div>CTIL 15.8k</div> <div>Group (ex-UK) 27.7k</div>	<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) 	<div>Nabiax</div> <div>(20% T. Infra; upon completion 2nd transaction)</div> <div>14 DCs (39 MWs)</div>

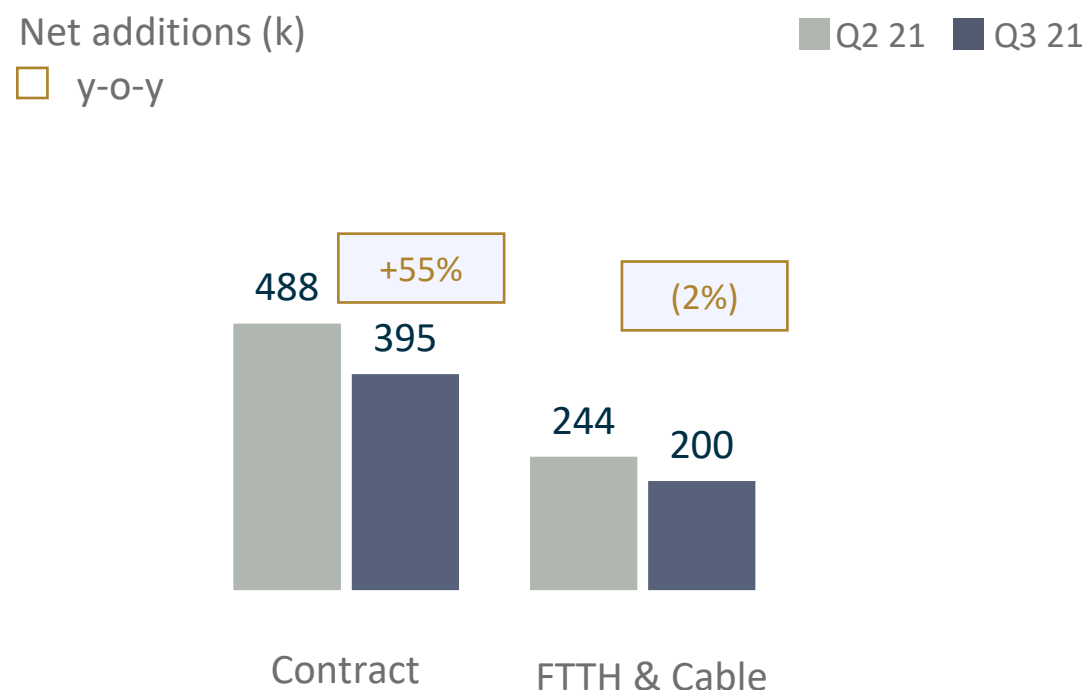
Q3 21 Results

Ms. Laura Abasolo

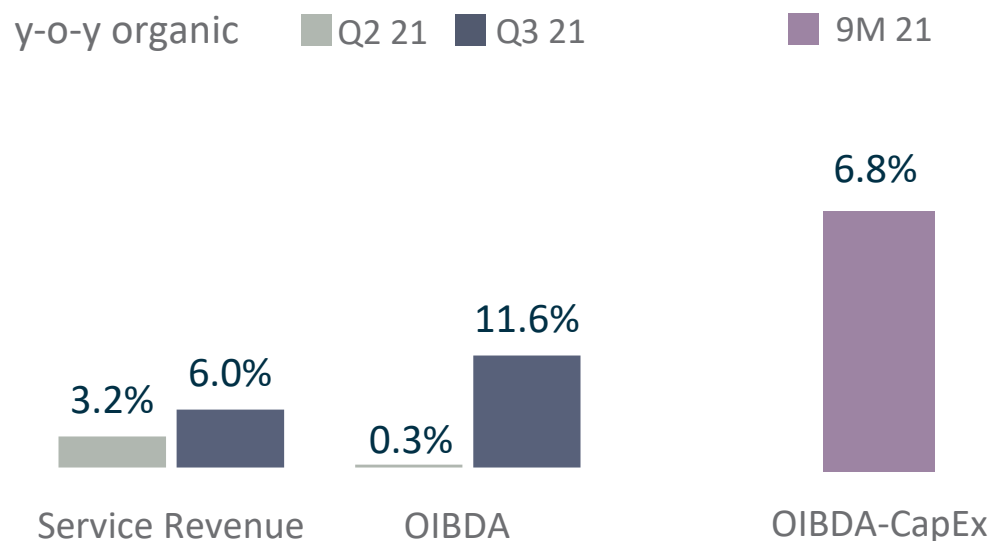
CFCO & Head T. Hispam

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

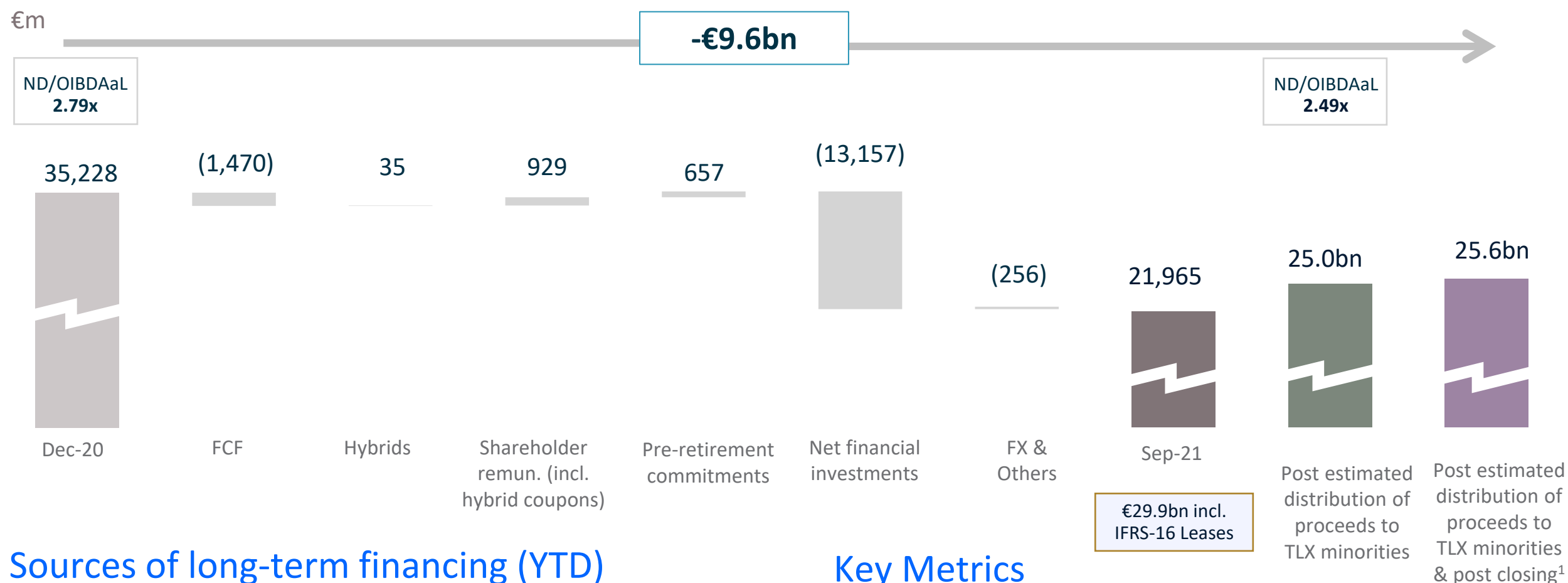


Solid financial performance

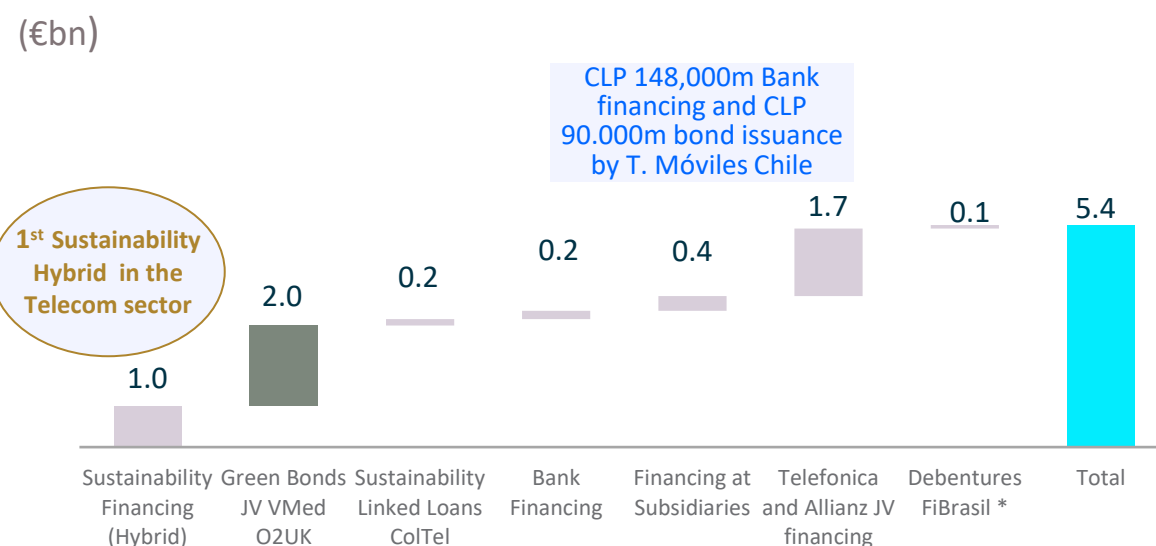
- **Service revenue growth across the region** (excl. MEX's MTR cut)
- **Growth in reported OIBDA**
- **Reduced capital employed** (9M: -23% y-o-y)
 - Asset light models, reducing exposure to legacy
 - 8.6% CapEx/sales in 9m, -0.6 p.p. y-o-y
 - Rational approach to spectrum auction

Significant debt reduction on deals completion

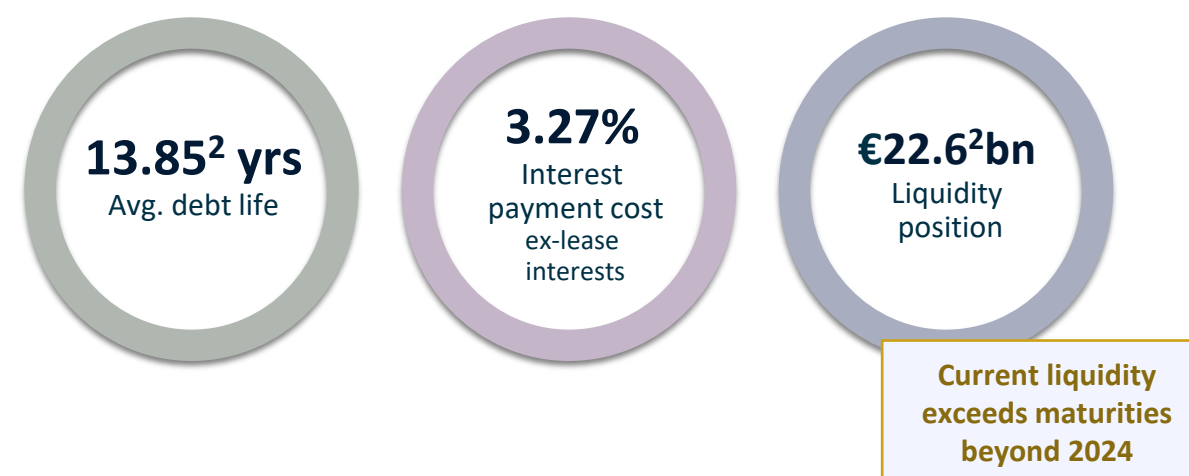
Net Financial Debt



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

- Includes net proceeds from the closing of the sale of El Salvador, the closing of Colombia fiber vehicle and including the acquisition of Oi
- 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)**

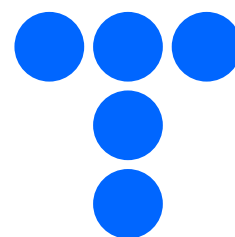
Participants from Telefónica: Ángel Vilá (COO), Laura Abasolo (CFCO & Head T. Hispam), Eduardo Navarro (Chief Corporate Affairs & Sustainability Officer), and Adrián Zunzunegui (Global Director of Investor Relations). **From Virgin Media-O₂ JV:** Lutz Schüller (CEO)

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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