



# RESULTS

January - December

# 2021



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# Key takeaways

**Mr. José María Álvarez-Pallete**

**Chairman & CEO**



# 2021: strategic execution delivering positive results

## Focus on core markets

- In-market **consolidation**: VMO2 in the UK, Oi mobile in Brazil expected in H1 22
- Key **5G spectrum** secured in UK, Spain and Brazil. **Enhanced network** in Germany
- Acceleration in **FTTH rollout** in Spain and Brazil. Gigabit upgrade in the UK completed
- **Digital Consumer Ecosystem** in Spain and Brazil (connectivity, entertainment, home, wellness, finance)

## Reduced exposure to Hispam

- **Portfolio** simplification and value crystallisation; C. Rica & El Salvador sold at >7x EV/OIBDA
- New **operating model & CapEx optimisation** (incl. fibre vehicles in Chile & Colombia) reduce capital employed (-22% y-o-y)
- **Higher share of debt in local currencies** (28% of Group ND+leases in Latam currencies; +11 p.p. y-o-y)

## T. Tech, a global digital business

- Outgrowing the market with **>30% revenue growth** in 2021
- **Increased scale**; c. €1bn revenues in 2021
- Strengthened capabilities; successful **M&A** and best-in-class **partnerships**

## T. Infra, growing global infrastructure

- **Towers value optimised** (sold at record 30.5x multiple)
- **Creating growth opportunities; fibre vehicles** (UGG, FiBrasil) with ongoing deployment & commercialisation
- **Partnership with Pontegadea** reinforced in **submarine cables**

## Streamlined & digital operating model

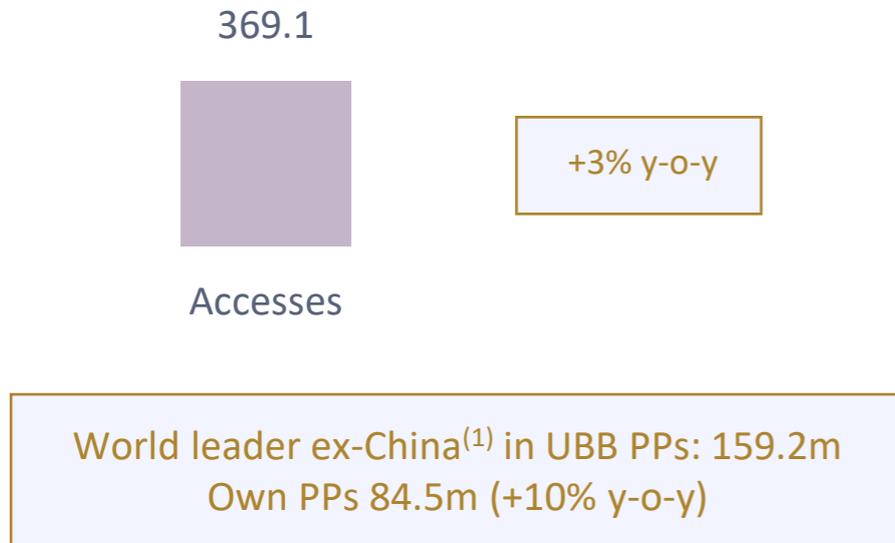
- Efficiency gains; **digitalisation** (80% processes); **technology solutions** (fibre, 5G, OpenRAN, green energy...)
- Nurturing **talent**, embracing agile and flexible working. **Social Pact for Employment** signed in Spain
- At the forefront of **Innovation** (core and open)

***Sustainability: integral to Telefónica's long term success***

# 2021 key metrics

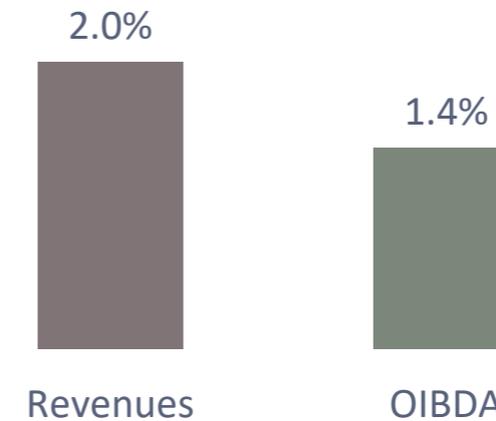
## Strengthening connectivity leadership

Incl. VMO2, ex CR



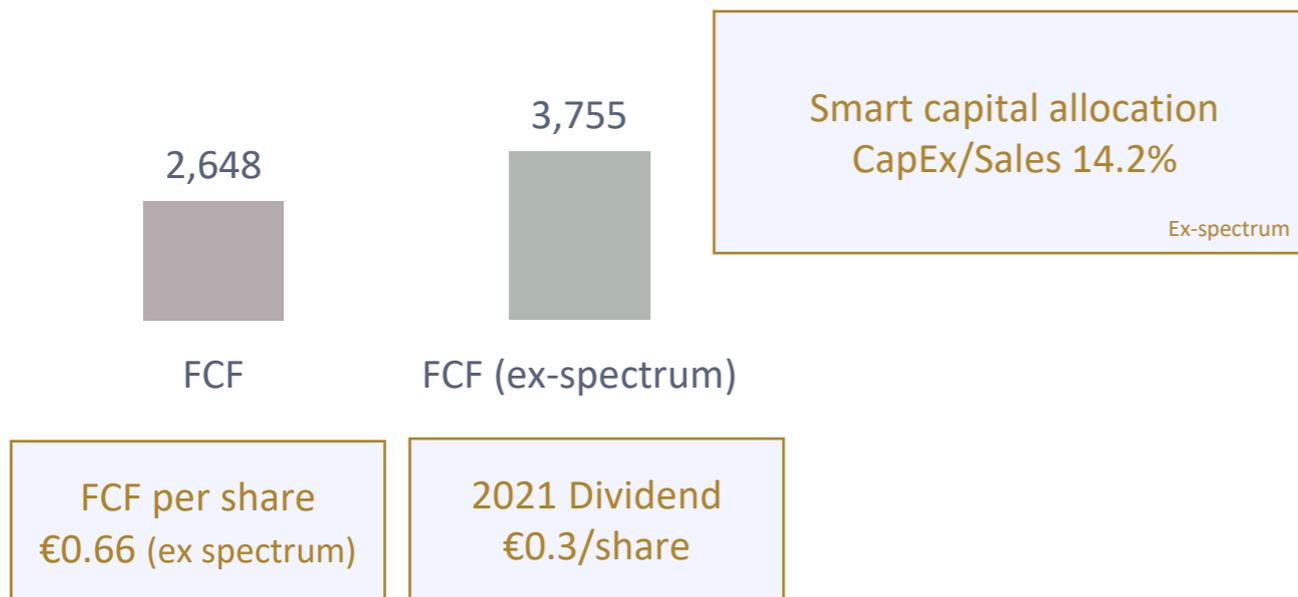
## Sustainable growth restored

y-o-y organic



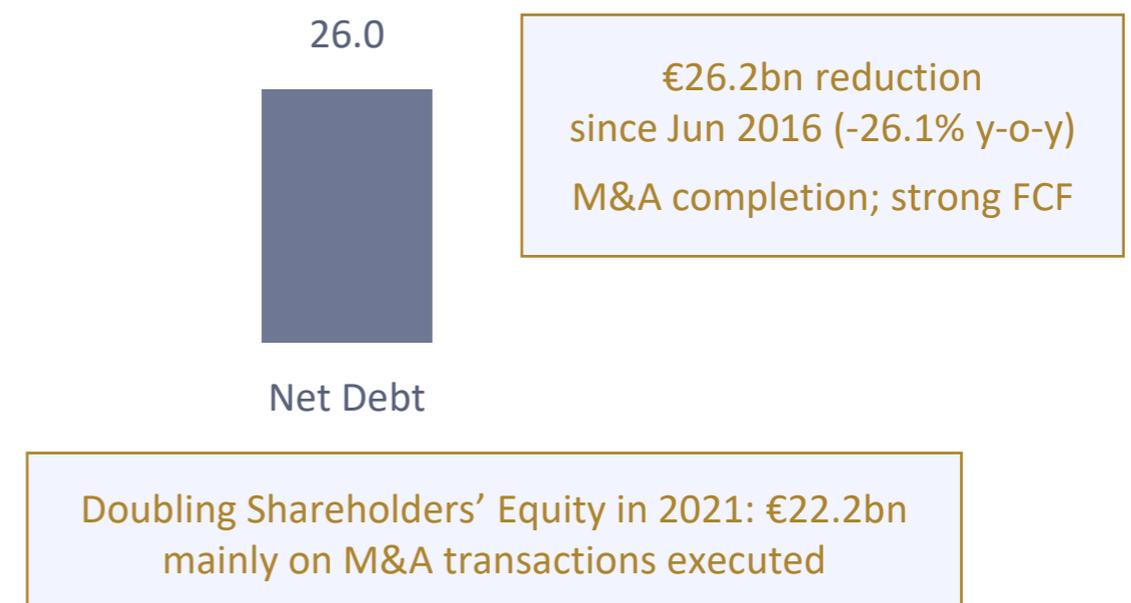
## Sound and resilient cash generation

€m



## Significant debt reduction

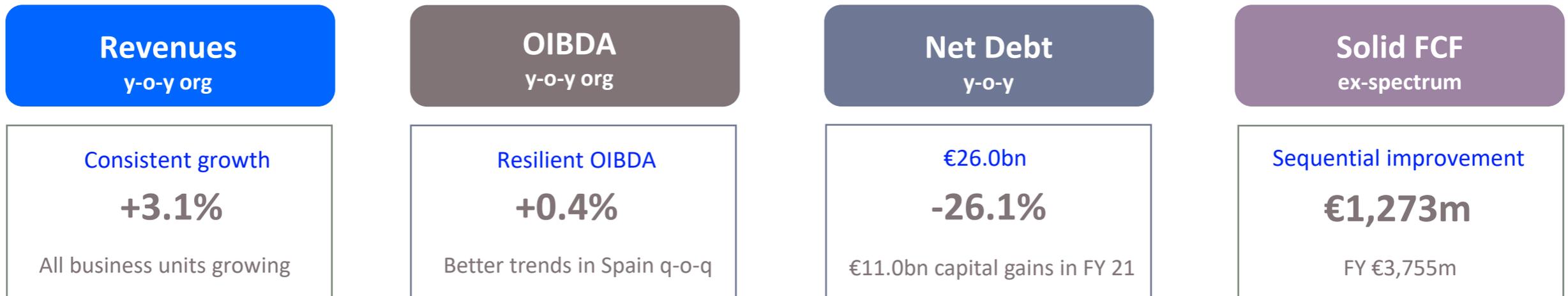
€bn



(1) Source; Analysys Mason

# Enabling sustainable growth

## Q4 21 highlights



- ✓ **Simultaneous organic revenue and OIBDA y-o-y growth for the third quarter in a row**
  - Accelerating trend in B2B organic revenue growth for 5<sup>th</sup> consecutive quarter to +5.5% y-o-y
- ✓ **Minor FX impact in Q4** (-0.2 p.p. to OIBDA y-o-y). Spot rates imply further tailwinds
- ✓ **Improving commercial momentum**; superior connectivity P&S, outstanding digital experiences and highly efficient networks
  - Customer-centric mindset, enhanced customer loyalty (2.5% churn)
- ✓ **Benchmark CapEx/Sales** (ex-spectrum) **at 14.2% in 2021**
  - Hispam at 10.1%, Spain 11.8%, Brazil 19.7% and Germany 16.5%
  - ~45% of CapEx (ex spectrum) allocated to NGN. Capturing growth opportunities
  - Promoting inclusive connectivity through efficient, wide-reaching and secure networks
- ✓ **Delivering on ESG**: 8th consecutive year in A list by CDP; 1<sup>st</sup> in Digital Inclusion Benchmark; BoD restructuring
- ✓ **Contributing to the economy**: GDP contribution of €48.9bn, impact on employment 1.2m jobs and fiscal contribution of €9.1bn

# Financial summary

€ in millions	FY 21			Q4 21		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
<b>Revenues</b>	39,277	(8.8%)	2.0%	9,674	(11.3%)	3.1%
<b>OIBDA</b>	21,983	62.9%	1.4%	1,363	(63.7%)	0.4%
<b>OIBDA Underlying</b>	13,023	(10.1%)		3,226	(13.6%)	
<b>Net Income</b>	8,137	n.s.		(1,198)	c.s.	
<b>FCF (incl. leases principal payments)</b>	2,648	(44.8%)		1,178	(40.9%)	
<b>Net Financial Debt (€bn) ex-leases</b>	26.0	(26.1%)				

FX  
Contained at FCF (FY: -€121m)

Restructuring provisions  
Mainly Spain

Impairment  
Peru

Changes to the perimeter  
(VMO2, TLXS towers, Costa Rica)

Capital gains  
(VMO2, TLXS & T. DE towers, Costa Rica, FibreCos)

€ (m)	Q4	FY	€ (m)	Q4	€ (m)	Q4	FY	€ (m)	FY	
Revenues	(31)	(1,012)	OIBDA	(1,526)	OIBDA & Net income	(393)		Revenues	(1,765)	(3,899)
OIBDA	(6)	(371)	Net income	(1,123)				OIBDA	(561)	(1,278)
								Net income		8,447

# 2021 upgraded guidance met

## 2021 guidance

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

Financial Targets	2021 Guidance	FY 21	
Revenues (y-o-y organic)	<b>“Stable to slight growth”</b> (upgraded in H1 from “stabilisation”)	<b>2.0%</b>	✓
OIBDA (y-o-y organic)	<b>“Stable to slight growth”</b> (upgraded in H1 from “stabilisation”)	<b>1.4%</b>	✓
CapEx/Sales (ex spectrum & obligations (Brazil))	<b>Back to normalised level up to 15%</b>	<b>14.2%</b>	✓

## 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)

**2.41% treasury stock to be cancelled**

# ESG initiatives aligned with UN SDGs

## “E”: ENVIRONMENTAL; BUILDING A GREENER FUTURE

- **Reducing our carbon footprint (SDG #7, #12, #13)**
  - -70% in our carbon emissions; -27% value chain emissions
  - More long-term renewable electricity agreements
  - 1.4k COs closed in Spain, saving total of 1k GWh
  - Completed 3G switch-off in Germany, equal to energy savings of 60 GWh p.a.
  - Launched ‘Telefónica Forest’ project in Spain, 1<sup>st</sup> nature-based CO2 absorption initiative
- **Empowering our customers to decarbonise (SDG #11, #12):**
  - Eco Rating (B2C) scheme now available in main markets, informing consumers on the environmental impact of >150 smartphones
  - Eco Smart (B2B) label now in Brazil (already in Spain), enabling B2B customers to identify the environmental benefits of digital products



## “S”: SOCIAL; HELPING SOCIETY TO THRIVE

- **Driving connectivity (SDG #9)**
  - 2.4m people (13.5k communities) connected in Peru via “Internet For All” project
  - 15.6m PPs with gigabit BB in UK
- **Global Innovation & Talent Hub;** cutting-edge technology centre of excellence and training (SDG #4, #8, #9)
- Regional **entrepreneurial platform** in Latam to scale up 600 start-ups (SDG #9, #8)
- **More inclusive workplaces**
  - Vivo and T. Tech committed to recruit more individuals with disabilities (#SDG 10)
  - TEF, Vivo, O2 DE included in the Bloomberg Gender-Equality Index (SDG #4, #8)

#1 worldwide in **Digital Inclusion**, according to the World Benchmarking Alliance

Included on **CDP A-List** for 8<sup>th</sup> consecutive year

## “G”: GOVERNANCE; LEADING BY EXAMPLE

- **Restructured BoD and Committees;** reduced to 15 members, 9 independent and female representation increased to 33% (SDG #5, #16)
- Updated **privacy & security** centres across all local brand websites (SDG #16)
- **100% of suppliers** comply with our **sustainability standards** (SDG #8, #17)
- Commitment to **sustainability-linked financing:** >€10bn (all SDGs in graph)

#1 in ICT sector in Ranking **Digital Rights**



# ESG leaders with well-defined targets

## Climate change and energy

- **Net zero (Scopes 1 & 2) by 2025 in key markets and across whole footprint by 2040, including the value chain**
- **Energy efficiency:** reduce energy consumption per traffic unit (MWh/PB) by 90% in 2025 (vs. 2015)
- **100% renewable:** by 2030 all electricity used globally will be from renewable sources

## Circular economy

- Become a **zero waste company** by 2030
- Increase **reuse** of customer equipment (e.g., routers) to 90% by 2024
- 100% of branded equipment to include **ecodesign** criteria by 2025

## Decarbonising the economy

- 12m CO2t **avoided emissions** by customers annually by 2025 (via digital services)
- 50% of the B2B portfolio verified as sustainable by 2024

## Digital Inclusion

- **Top 5 in Digital Inclusion Benchmark**
- **Expand connectivity:** 90-97% rural coverage in main markets by 2024
- **Increase digital skills:** commitment to train >100k people p.a. in digital skills

## Gender equality

- **Zero unadjusted pay gap** by 2050. **Zero adjusted pay gap** by 2024
- **Parity** (<60% and >40% of each gender) in top governing boards by 2030
- **33% female executives** by 2024. Parity by 2030

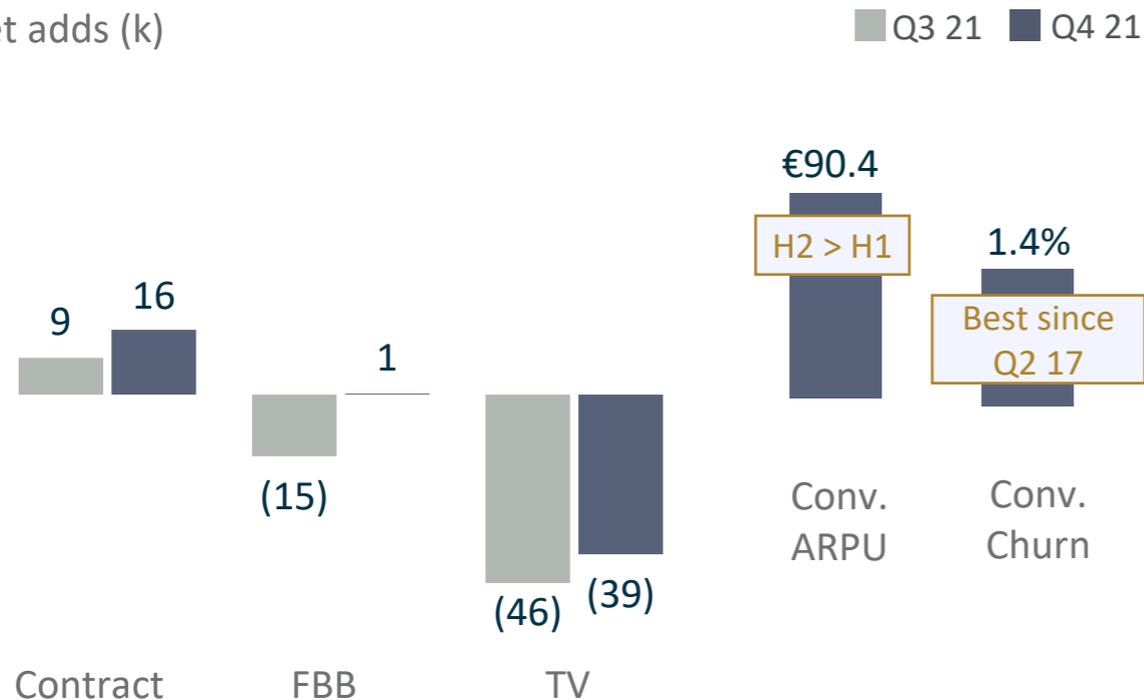
# FY & Q4 21 Results

**Mr. Ángel Vilá**  
COO

# Spain | Customer-centric model leads to high cash conversion

## Key KPIs

Net adds (k)



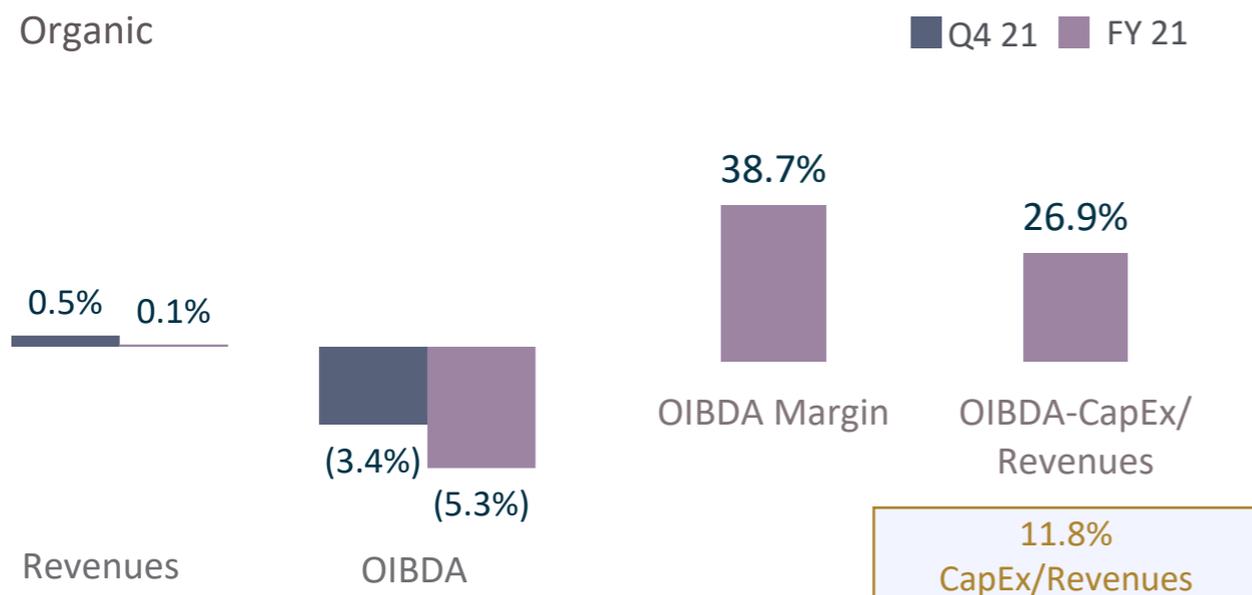
## Key milestones

- Record NPS (36%) and widened GAP vs competitors
- Solid convergent KPIs
  - ARPU +0.9% q-o-q; Churn -0.3 p.p. y-o-y
  - Strong growth in digital services
- Reinforced positioning across segments
  - “La Liga” rights acquisition; 7% deflation (22-27)
  - “Fusión Digital Pymes” launch to foster digitalisation
- Price upgrade effective in Q1 22
- Long-term green energy agreement signed, fixed price for 10 years
- FibreCo focused on lower density areas targeting >5m PPs



## Key financials

Organic

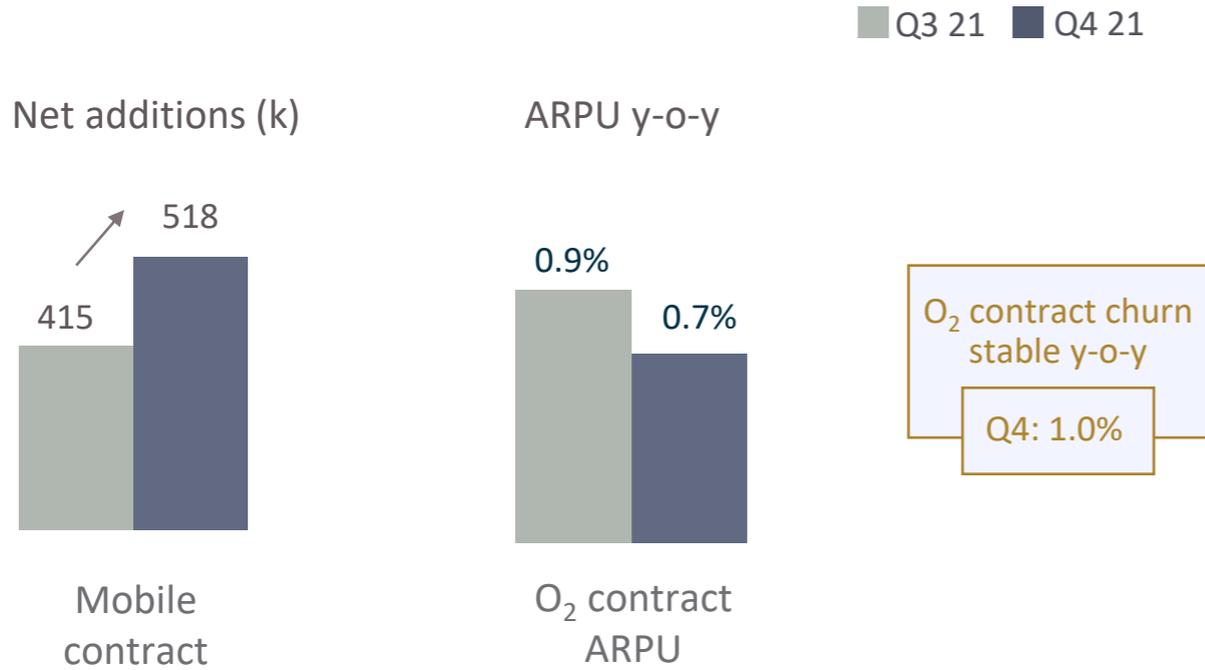


## Financial highlights

- Sustained y-o-y revenue growth
  - Strong handset (+75.3% y-o-y) and record IT sales in Q4 21
- Superior profitability, proven execution of efficiency plan
  - Efficiencies (commercial savings, network & IT...) offset energy hike
  - Redundancy plan (€1.4bn provision in Q4; ~€200m run-rate savings from 2023)
- Benchmark in CapEx intensity and cash generation
  - 81% 5G coverage; 26.9m PPs with FTTH (+1.7m in FY 21)

# Germany | Strong FY 21 growth momentum

## Operational KPIs

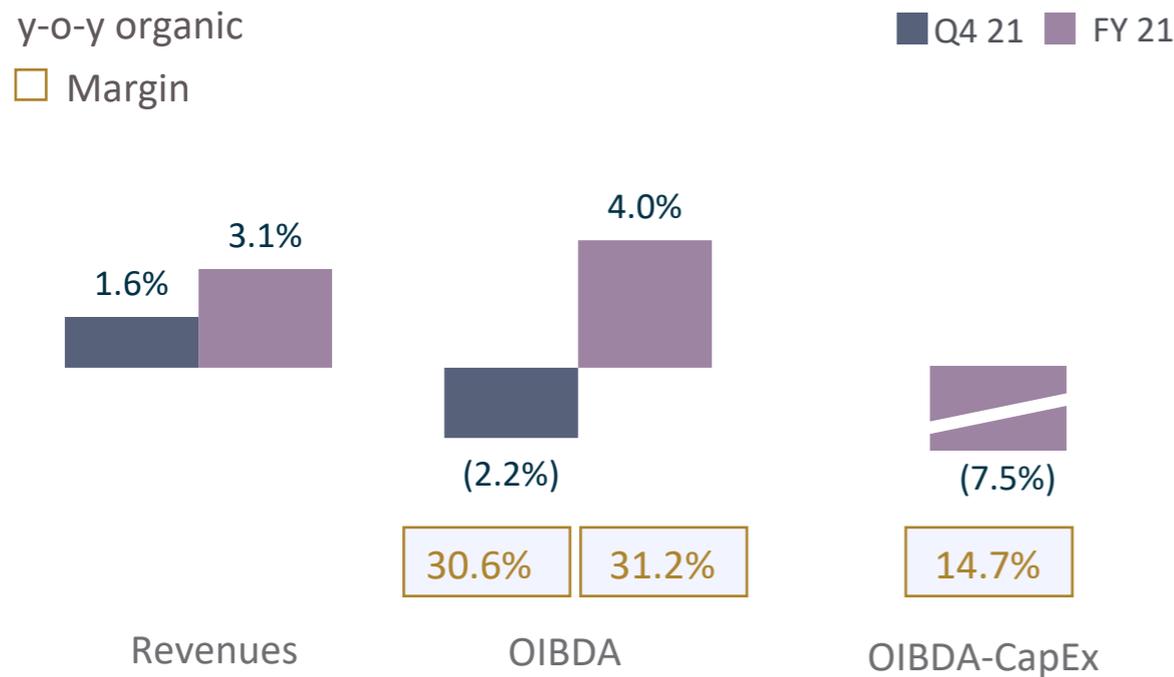


## Key milestones

- Strong commercial momentum; driven by O<sub>2</sub> free portfolio and network parity
- 5G network now covering ~30% of population, switched-off 3G
- Reduced Scope 1 + 2 emissions by 97% since 2015



## Key financials



## Financial highlights

- Continued revenue growth; driven by ongoing mobile expansion
- Q4 21 OIBDA performance impacted by
  - COVID-19 related phasing of marketing spend to enhance commercial momentum and brand perception
  - Technology transformation including 3G switch-off
- Passed CapEx peak in FY21, +17.3% y-o-y; Capex/Sales 16.5%

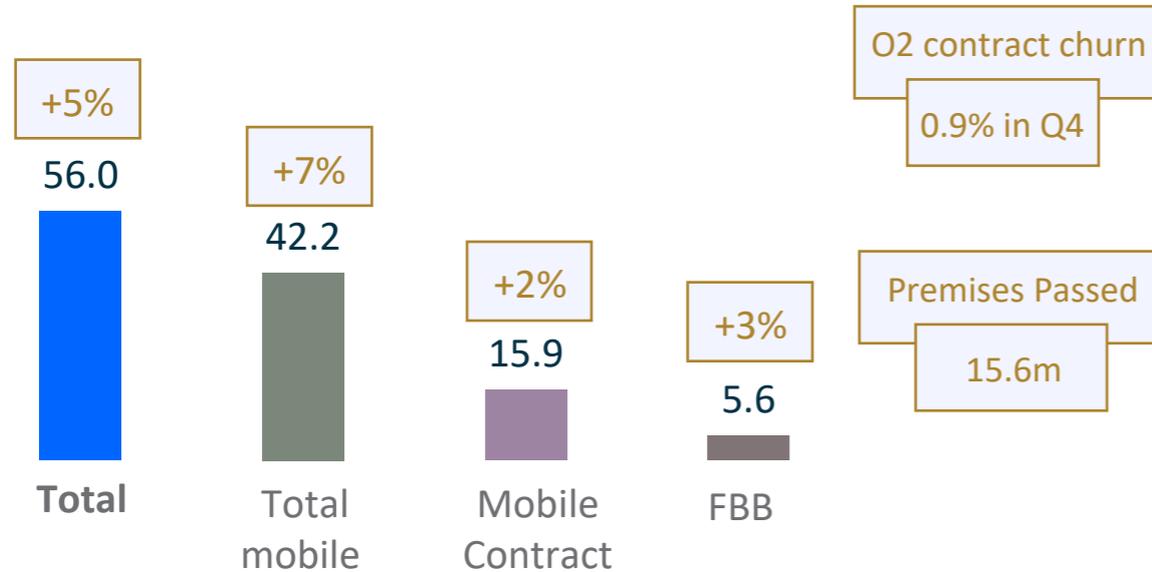


# UK | Extending network leadership and commercial strength



## Operational KPIs

Accesses, m (y-o-y)



## Key Milestones

- Strong commercial momentum, total base 56.0m +5% y-o-y
- Completed Gigabit network upgrade, largest contributor to Government gigabit target
- 5G in >300 towns & cities; targeting 50% pop coverage in 2023
- FTTP upgrade pilots underway, cost expectations as forecast
- FibreCo JV discussions underway, targeting up to 7m greenfield PPs

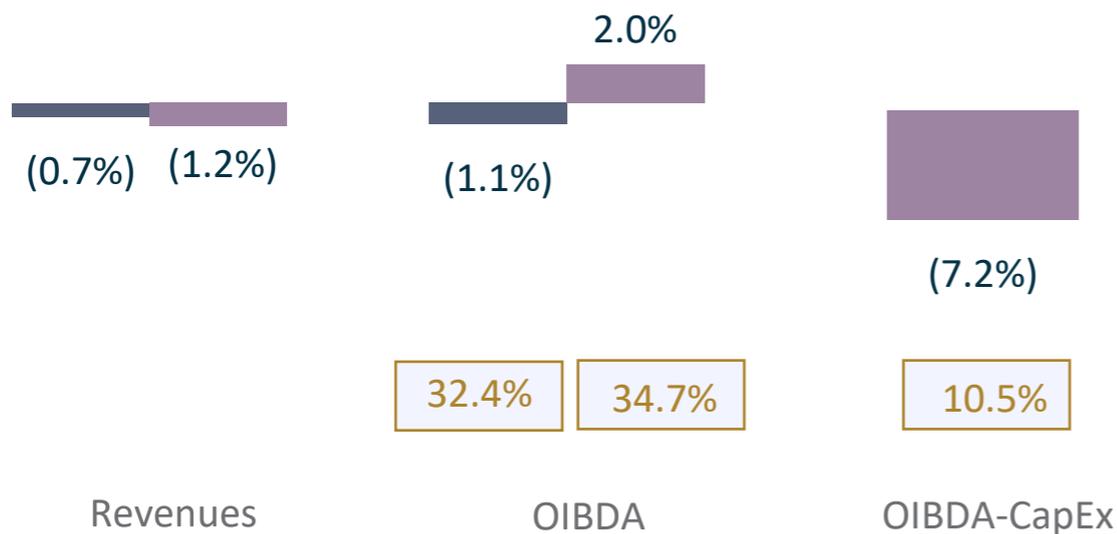


## Key financials

y-o-y proforma organic<sup>(1)</sup>

Margin

■ Q4 21 ■ FY 21



## Financial highlights

- Revenue stabilising
  - Mobile improved q-o-q due to flagship handset launches
  - Fixed decline q-o-q due to B2B wholesale phasing
- FY 21 OIBDA growth
  - H2 21 costs starting to normalise to post COVID-19 levels
  - Increased investment in growth drivers
- FY 21 CapEx +11.3% y-o-y > NGN investments in Lightning & 5G
- 2022 Outlook: mid-single-digit growth in proforma transaction adjusted EBITDA (before CTC), supported by improved top-line growth and the delivery of synergies.
- 2022 cash distribution to shareholders anticipated to be £1.6bn

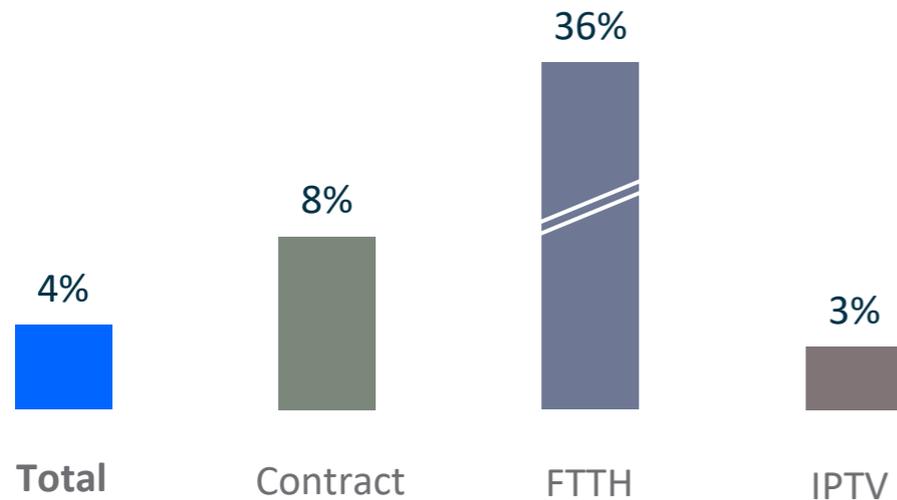
(1) Organic OIBDA and OIBDA margin y-o-y calculated in line with Telefonica criteria



# Brazil | OIBDA growth offsets cost inflation

## Operational KPIs

Accesses (y-o-y)



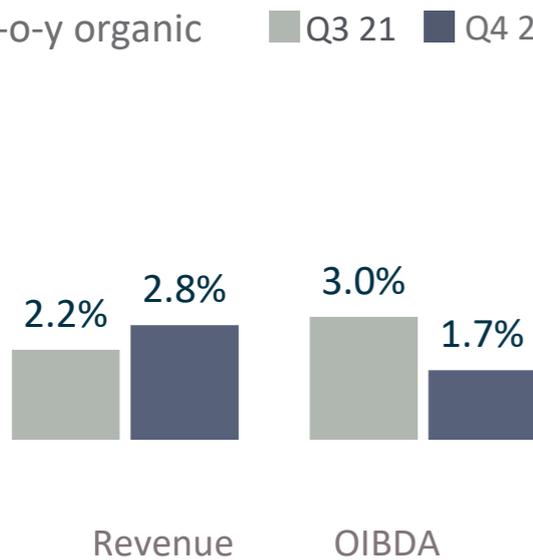
## Key milestones

- **Differential assets allow to maintain a clear leadership**
  - 33.1% MS in mobile; 37.0% MS in postpaid
- **Going beyond traditional telco; creating a digital ecosystem**
- **Efficient transformation to FTTH**
  - Cheaper organic expansion: deployment cost -60% in 2 years
  - Alternative strategies improving CapEx allocation
  - 1.2m new FTTH connections in FY 21 (24% up-take)
  - Target to reach 30% up take in 2024 with 29m PPs

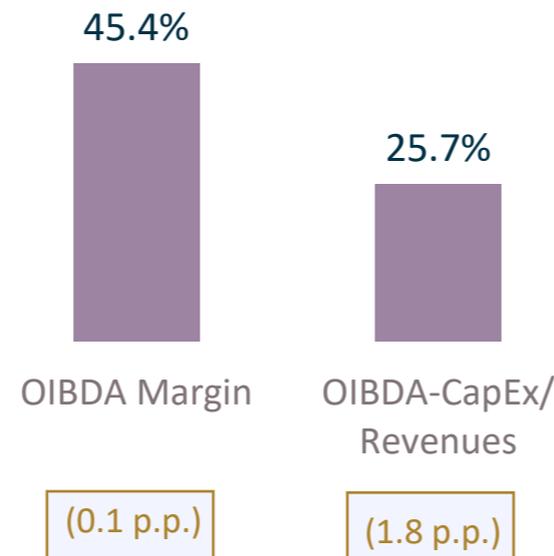


## Key financials

y-o-y organic    ■ Q3 21    ■ Q4 21



■ FY 21  
□ Organic y-o-y



## Hedging inflation, macro concerns abating

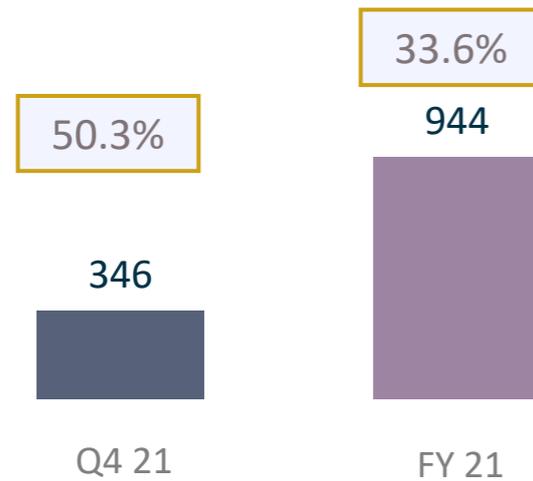
- **Service revenue kept its growth trend**
  - MSR +3.1% on larger accesses base and progressive tariff update
  - Fixed revenues: continued positive trend (+0.8%)
- **Growth & transformation CapEx 87% of total (> fibre; < legacy)**
- **Vivo's ESG initiatives** continue to evolve
  - Inaugurated its first biogas facility
  - Ranked as the top telco in Latam within the DJ Sustainability Index
  - Oi mobile deal approvals obtained. Closing H1 22E



# Tech | Accelerating our sustainable fastest-growing business

## T. Tech revenue

€m; y-o-y



## Scaled and enhanced capabilities

- Revenue growth mostly organic and enhanced via M&A
- Superior assets, best-in-class partners, cross-selling advantage
- Strong performance in 2022 anticipated by current funnel
- Industry recognition
  - Palo Alto - Best EMEA Provider; Transforma - Top 3 CSP IoT Peer Benchmarking ; GlobalData -Leader in Global Industrial IoT Services

## T. Cloud & Cyber Tech

- Enhanced SMB offer in Spain and Hispam
  - "Fusion Digital" in Spain (easing access to ERF financing)
- Microsoft agreement on hybrid cloud for PA
- CyberArk teaming on Identity Security Managed Services

## T. IoT & Big Data Tech

- Strong momentum in Connected Cars, Big Data, Industry 4.0 and Utilities
- IoT connectivity revenue: +19% y-o-y in FY 21
- Reinforces positioning in Spain by delivering IoT connectivity services direct to customers (B2B)



#CONSORCIO VALENCIA 2007

Cybersecurity

World's first  
Cybersecurity Living Lab  
for navigation



#NAVANTIA

Cybersecurity

with the Ministry of  
Defense in Spain



#CANAL ISABEL II

Smart Water Solution  
NB-IoT network

Reduce wastage, optimise  
consumption and sustainability



#ALD AUTOMOTIVE

Smart Mobility + Geotab

Proactive car maintenance  
Improving sustainability and safety

# Infra | Growth and optionality ahead

 <p><b>UGG</b> </p> <ul style="list-style-type: none"> <li>• 50% Allianz / 50% TEF (40% T. Infra / 10% T.DE)</li> <li>• Accelerated rollout &amp; comm.             <ul style="list-style-type: none"> <li>▪ Signed MoUs representing &gt;170k PPs (up c.70% q-o-q)</li> <li>▪ Launched in 6 “Länders”</li> <li>▪ 1<sup>st</sup> customer connected in June (record time 4 months)</li> <li>▪ 2 additional ISPs already selling (in addition to O<sub>2</sub>)</li> </ul> </li> <li>• €1.65bn financing raised securing liquidity needs &gt;3yrs</li> <li>• Target: &gt;2m PPs in 6yrs             <ul style="list-style-type: none"> <li>▪ c.50,000 km fibre</li> </ul> </li> </ul>	 <p><b>FiBrasil</b> </p> <ul style="list-style-type: none"> <li>• 50% CDPQ / 50% TEF (25% T. Infra / 25% T.BR)</li> <li>• Closing after approvals in Jul-21             <ul style="list-style-type: none"> <li>▪ 1<sup>st</sup> add-on acquisition Aug-21</li> </ul> </li> <li>• Execution on track             <ul style="list-style-type: none"> <li>▪ 2.0m PPs deployed in FY 21</li> <li>▪ 550m BRL in debentures to accelerate rollout</li> </ul> </li> <li>• Target &gt;6.0m PPs in 4yrs             <ul style="list-style-type: none"> <li>▪ 1.6m brownfield PPs</li> <li>▪ EV/OIBDA PF 16.5x</li> </ul> </li> </ul>	 <p><b>ON*NET Fibra</b> </p> <ul style="list-style-type: none"> <li>• 60% KKR/ 40% TEF (40% T.CHL)</li> <li>• Accelerated deployment &amp; connections             <ul style="list-style-type: none"> <li>▪ c.1m additional PPs deployed in FY 21</li> <li>▪ T. Chile recovered FBB leadership after 5yrs</li> </ul> </li> <li>• Target: 3.5m PPs by 22E             <ul style="list-style-type: none"> <li>▪ 2m brownfield PPs</li> <li>▪ EV/OIBDA 18.4x</li> </ul> </li> </ul>	<p><b>InfraCo</b> </p> <ul style="list-style-type: none"> <li>• 60% KKR/ 40% TEF (40% T.COL)</li> <li>• Closing after approvals in Jan-22</li> <li>• Target: c.4.3m PPs in 3yrs             <ul style="list-style-type: none"> <li>▪ c.1.2m brownfield PPs</li> <li>▪ EV/OIBDA PF c.20x</li> <li>▪ ND reduction TEF c.€0.2bn</li> </ul> </li> </ul>
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**Further growth & optionality ahead**

Fibre	Mobile Sites	Telxius Subsea Cable	Data Centres
<ul style="list-style-type: none"> <li>▪ 55.8m owned FTTH PPs</li> </ul>	<p>CTIL 15.9k</p>	<ul style="list-style-type: none"> <li>▪ 94k km of subsea cables</li> <li>▪ 13 submarine cable systems</li> <li>▪ Agreed new ownership: T. Infra 70%, Pontegadea 30%</li> </ul>	<p><b>Nabix</b> (20% T. Infra; post execution of 2<sup>nd</sup> closing 2022E) 14 DCs (39 MWs)</p>
<ul style="list-style-type: none"> <li>▪  50%/50% JV up to 7m greenfield PPs</li> <li>▪  55%/45% JV; &gt;5m PPs focused in lower density areas</li> </ul>	<p>Group (ex-UK) 27.0k</p>		

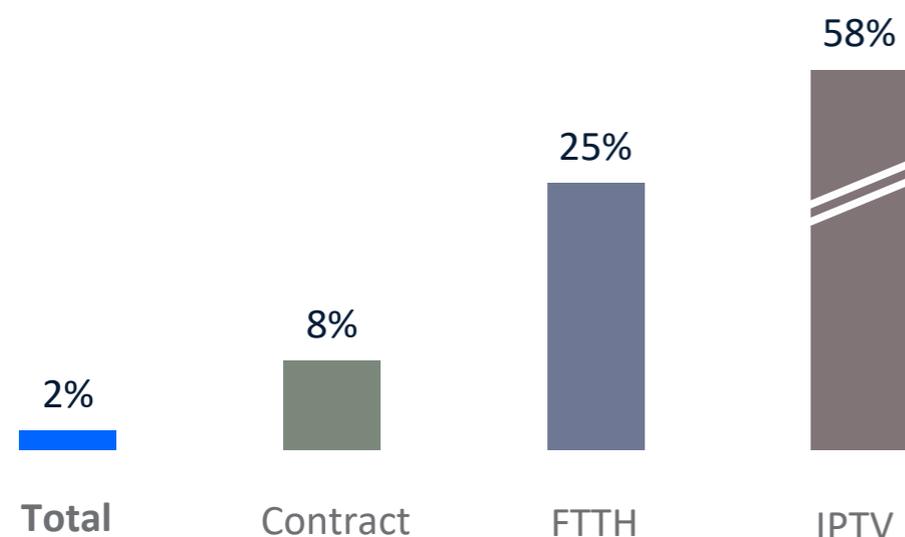
# FY & Q4 21 Results

**Ms. Laura Abasolo**  
CFCO & Head of T. Hispam

# Hispanam | Growing profitably in value

## Operational KPIs

Accesses (y-o-y)

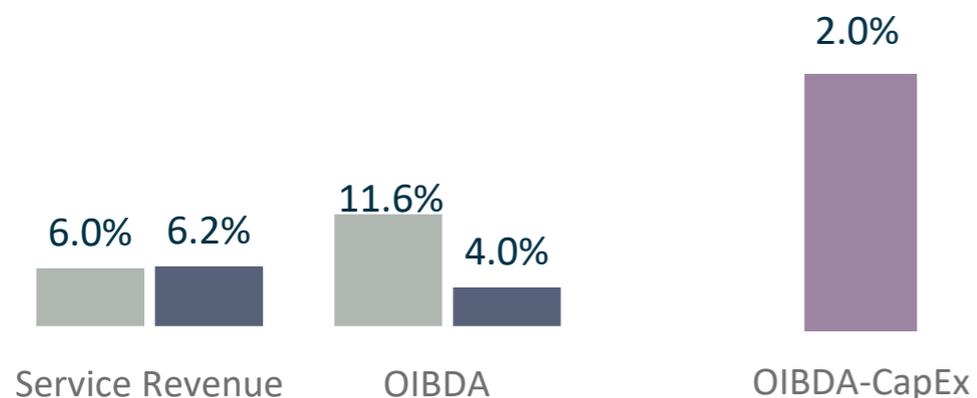


## Key financials

y-o-y organic

■ Q3 21 ■ Q4 21

■ FY 21



## Key milestones

- **Commercial momentum intact**
  - Outstanding performance in contract along 2021
    - 1.8m net adds, 2.2% churn under control (despite competition)
  - Accelerating FTTH deployment efficiently
    - 12.3m FTTH PPs (+2.4m in FY21 vs. 1.2m in FY 20)
    - 82% of 2021 deployment through third parties
- **NPS improvement in the region; leading in most countries**
- **Launch of social services & initiatives in most countries**
  - **CIV-LAC** launch (Allianz with IDB), a regional entrepreneurial platform which will scale up around 600 startups with large and medium-sized companies from Spain and Latam
  - Scotiabank Colpatría granted T. Colombia a new sustainable **credit line** for c. USD 24.5m for **environmental and social impact projects**

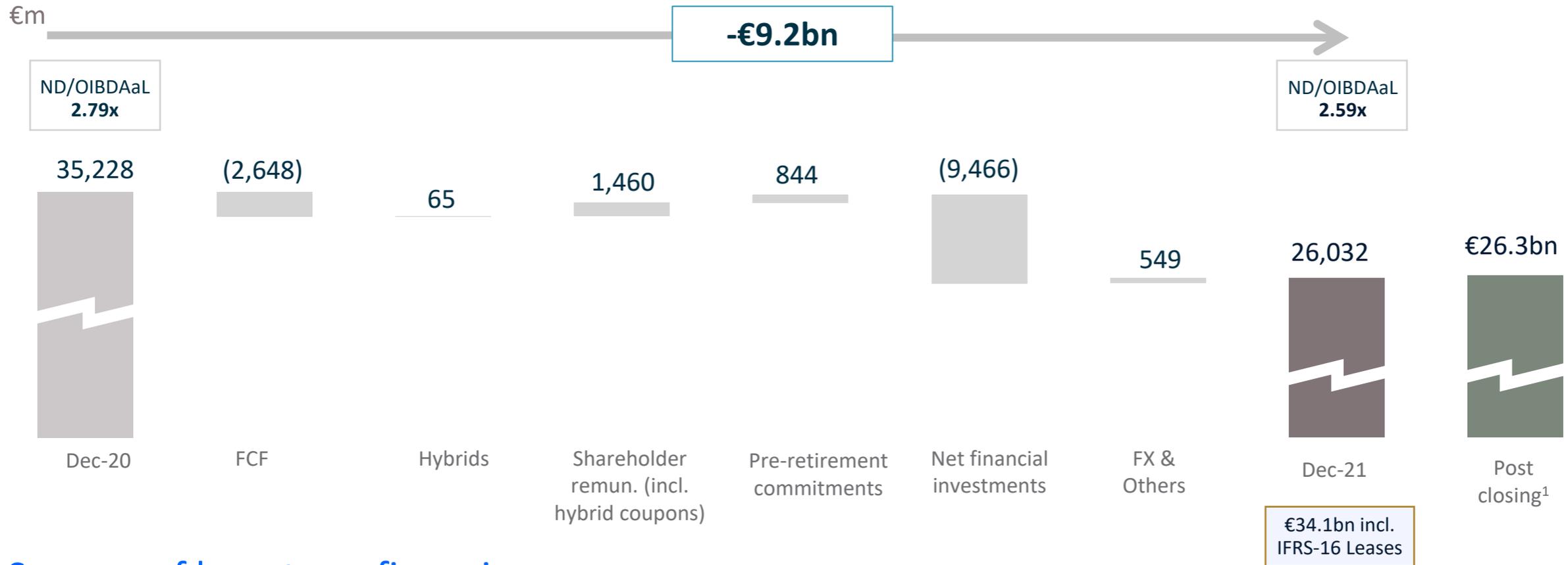


## Solid financial performance

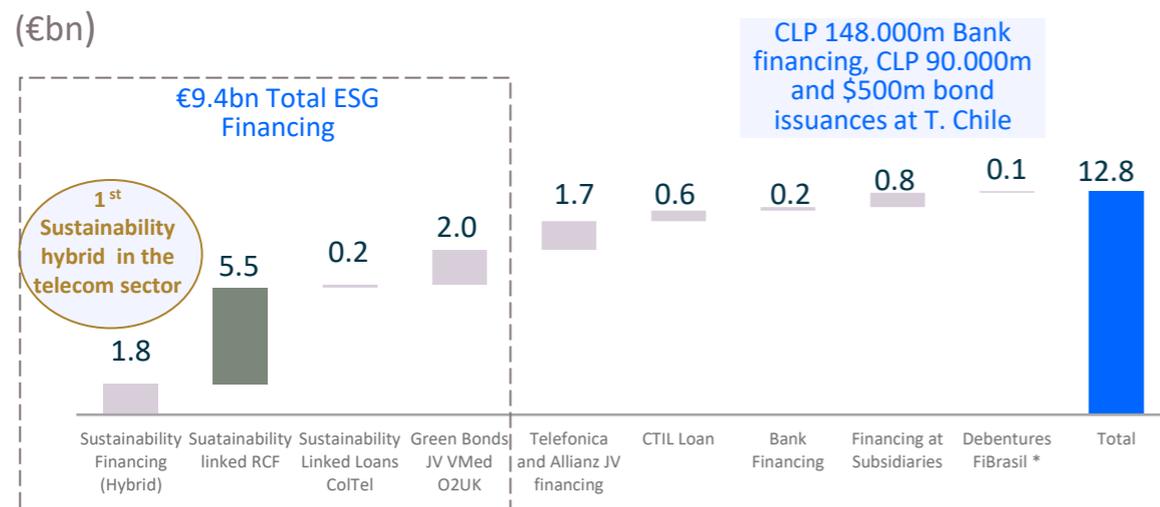
- **FY 21 Revenues & OIBDA y-o-y growth in reported terms (+5.5%; +73.5%)**
- **Focus on OIBDA-CapEx growth (+2.0% FY 21 organic)**
- **Reduced capital employed (FY 21: -22% y-o-y)**
  - 10% CapEx/sales in FY 21 (vs. 14.4% in FY 19)
  - Efficient infrastructure, legacy shutdown

# Significant debt reduction on strong FCF and inorganic measures

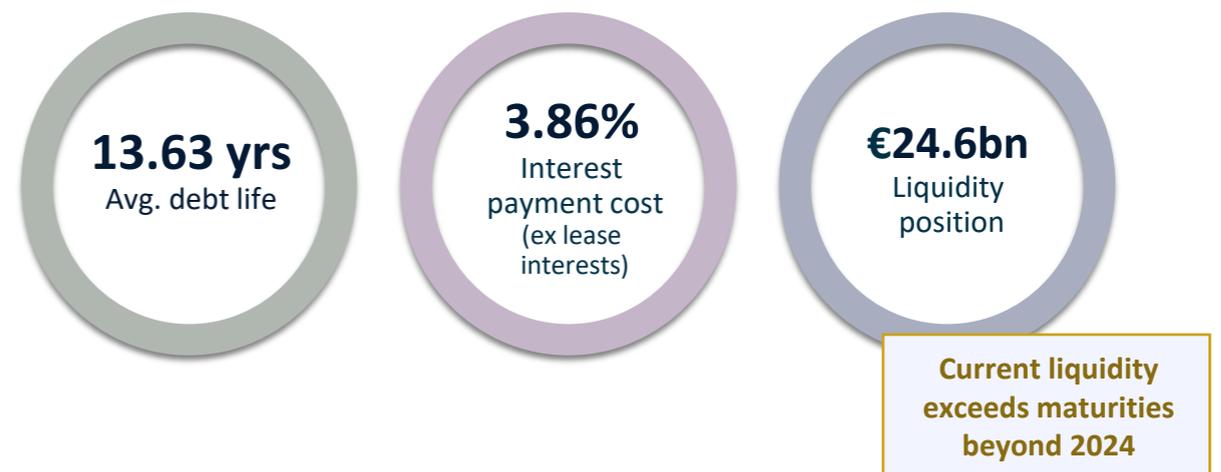
## Net Financial Debt



## Sources of long-term financing (2021 & 2022 YTD)



## Key Metrics



\* Telefónica 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 sale of El Salvador, creation of Colombia fibre vehicle, the recovery of Telxius tax payments in advance, including the acquisition of Geprom and Oi, and after increasing the stake in Telxius submarine cable

# Conclusion

**Mr. José María Álvarez-Pallete**  
Chairman & CEO



# 2022 outlook | Driving returns through growth

## 2022 guidance

organic y-o-y and including 50% of the JV in 2022 and 2021

Financial Targets	2021 Base	2022
Revenues	€42,452m	“Low single digit growth”
OIBDA	€14,127m	“Low single digit growth”
CapEx/Sales (ex spectrum)	14.7%	Up to 15%

2021 stable and sustainable dividend

## Shareholder remuneration

2022 DIVIDEND	€0.30/SHARE
Interim Dec-22	€0.15/sh. (cash)
Final Jun-23	€0.15/sh. (cash)

### SUSTAINABLE VALUE CREATION, IMPROVED ROCE

Transforming networks  
Ramping-up digitalisation  
Consistent growth, efficiencies, good cash conversion  
Disciplined capital allocation  
ESG excellence

### 2022 calendar payments

Jun/22 €0.15/sh.; voluntary scrip  
Dec/22 €0.15/sh.; cash

2.41% treasury stock to be cancelled

# Return to value accretive growth

## 2021; successful delivery of strategic priorities

- Structure simplification through the sale of Telxius towers, Costa Rica and El Salvador, with significant debt reduction
- Stronger portfolio; VMO2 JV in UK, Oi acquisition in Brazil (close H1 22E), T. Hispam's new management model
- Clear drive towards fibre through own deployment and creation of fibre vehicles (including greenfield in UK and lower density areas in Spain)
- Accelerating growth in T. Tech with organic and inorganic initiatives aimed at reinforcing capabilities
- Delivering efficiencies across the board; focus on digitalisation and consumer digital ecosystem

## 2021 guidance achieved

### Best-in class CapEx to Sales ratio; enhanced UBB experience (FTTH & 5G)

- Promoting inclusive connectivity through efficient, wide-reaching and secure networks

### Positive trend maintained in Q4 21

- Consistent top line and OIBDA growth
- Strong free cash flow, improving q-o-q trend

### Strong outlook for 2022

- Good momentum into 2022; well positioned in markets leverage leadership position and competitive advantages
- Continued focus growth and returns

# Results presentation and Q&A Session

Telefónica's management will host a webcast on **24<sup>th</sup> February at 10:00 AM (CET), 9:00 AM (GMT), and 4:00 AM (EST)**

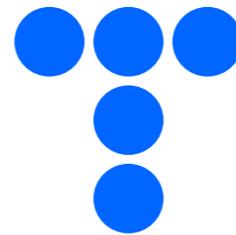
**Participants from Telefónica:** José María Álvarez-Pallete (Chairman & CEO), Ángel Vilá (COO), Laura Abasolo (CFCO & Head T. Hispam), Eduardo Navarro (Chief Corporate Affairs & Sustainability Officer) and Adrián Zunzunegui (Global Director of Investor Relations).

## 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](#).



Telefónica



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

www.telefonica.com/investors

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