



# Strategic vision

# 1.1. Context

GRI 103, 102-15

## 1.1.1. Macro context: beginning of economic recovery and geopolitical tensions

After a year (2020) dominated by the pandemic and the impact that measures to contain it had on the world economy, 2021 looked set to be a period of transition towards **global recovery**. The first half of 2021 continued to be heavily affected by new waves of COVID-19, while campaigns for mass vaccination programmes began.

During the second half of the year, the impact of these vaccination schemes allowed some degree of reopening of economies (trade, tourism, travel, etc.) and a return to growth. At the end of 2021 and the beginning of 2022, the emergence of a **new variant** (Omicron) with a high infection rate, again required the adoption of measures to protect the population, although the new outbreak was less severe in populations with greater vaccination coverage. However, uncertainty remains as to when the pandemic can be considered to be fully under control.

With the reopening of activity, the world's major economies are beginning to report growth, which should accelerate in the coming quarters to a return to pre-crisis levels. For the moment, **recovery has been uneven** (across countries, sectors, etc.) and, in the long term, the impact of the crisis may shift the balances in the world economy.

At first, this recovery came with an unexpected rise in **inflation**, driven by increases in demand as production picked up and with a temporary contraction in supply (labour availability, supply chains, semiconductors, global transport, etc.). In this inflationary context, during the last months of 2021, we witnessed a global increase in **energy costs** on the back of raw materials (gas, oil, etc.), together with the impact of transition policies towards cleaner energies (prices of emission rights, etc.).

**Politically**, in the aftermath of the pandemic, some of the issues that had been temporarily put on the back burner to deal with the health crisis are back on the agenda:

- Increasing political **polarisation** and the rise of populist or extremist movements in many regions of the world.
- **US-China** trade tensions and their potential impact on trade and global supply chains. Consideration of certain sectors of activity (semiconductors, energy, communications, etc.) as strategic for nations, with possible state intervention measures.

- Problems arising from **Brexit** and the role of the **European Union** in the future global landscape.
- Long-term consequences of new tensions in Europe arising from **Russia's** foreign policy (e.g. crisis in Ukraine).
- Regulation and control of large **technology** companies (online privacy, artificial intelligence, data control, etc.) and social and budgetary pressure on states to balance the tax burden (progress on first global agreements to harmonise taxation within the OECD framework).
- Sharp increase in **cybercrime**, with an impact on relevant infrastructures (health, energy, etc.), which requires the deployment of cybersecurity measures.

## 1.1.2. Social context: increased importance of environmental and long-term sustainability issues

Within this new economic and political context, **pressure** continues to grow on environmental **sustainability** and social and governance (ESG) issues, including:

- **Energy transition** to renewables (although there are uncertainties about the proposed time-frame and how the transition will be financed).
- Reduction of CO<sub>2</sub> **emissions** at every level of economic activity, with a special focus on the most polluting industries; and the establishment of Net Zero targets.
- Increased social awareness of resource efficiency and the move to a **circular economy** throughout the supply chain.
- Need for measures to reduce economic **inequality** in the aftermath of the pandemic.
- Bridging the **digital divide** (Internet access, digital literacy, etc.).
- **Diversity and non-discrimination** in access to, and performance in, employment (gender equality, pay gap, minorities, etc.). Work-life balance and the growth of home-working in the wake of the pandemic.
- **Consumer** empowerment vis-à-vis large corporations, with special attention to the privacy of personal data and its processing.

For companies, **regulatory pressure** to comply with and report on certain ESG objectives and standards has increased. At the same time, the transformation towards a more sustainable economy generates **new opportunities** that companies can seize for sustainable growth:

- Growth in **revenue** derived from the launch of new sustainable products, digitalisation of the economy and new, more inclusive business models.
- Increased **efficiency**, with reduced costs (e.g. energy costs, consumption of water and other natural resources) and better use of productive assets (asset allocation).
- **Productivity** improvements resulting from measures to include the entire workforce (motivation, work-life balance, access to digital talent, etc.).
- Access to new sources of **finance**, with the transition to more sustainable finance (e.g. green bond issuance) and a strong commitment by states to the green and digital transition (e.g. NextGenerationEU Funds).

### 1.1.3. Telecommunications market context: digitalisation and acceleration of next generation infrastructure

Despite the critical importance of connectivity during the pandemic and the sharp increase in traffic, the telecommunications sector was impacted by the containment measures and economic slowdown during 2020 and the first half of 2021. Later, the sector **started to recover** lost **revenues** (e.g. roaming, results of the ban on travel, etc.) and commercial activity increased. In this sense, the recovery among large corporations, SMEs and public administrations were a fundamental support for the sector.

The pandemic has served to anticipate some of the market trends that were already underway. Individuals and businesses **accelerated migration to the digital world**, with a strong impact on the transformation of the economy:

- Shift in individual **consumption** habits towards digital products for entertainment, information, health, education, etc., together with increased penetration of e-commerce in consumer goods.
- Evolution of **working conditions** towards a greater weight of home-working and connected work, developing mixed models (in-person/remote) in many economic sectors.
- The need for **digitalisation of business processes** to meet customer expectations (especially in the SME sector, which has traditionally been slower to go digital).

The need for quality, low-carbon telecommunications **infrastructure** to support the new digital and social reality has accelerated plans for the deployment of future networks:

- In **fixed** connectivity, the main operators have anticipated the migration towards Fibre-the-home (FTTH) technologies, relying on the availability of public and private investment plans, and in many cases moving towards the creation of wholesale and neutral operators (FiberCos).
- In **mobile**, with the acceleration of deployment plans for the new 5G technology, starting with the main spectrum auctions for the new services of the future, based on ultra-broadband connectivity, with very low latency and the capacity for connecting a multitude of devices.

Despite the relevance of telecommunications and the importance of connectivity for people's lives, the **sector as a whole has underperformed in terms of stock valuations**, burdened by overall declining revenue growth, high leveraging, investment requirements to develop new technologies, regulation and lack of in-market consolidation.

In this context, the future of the sector points towards the development of **specialist models** as an evolution of traditional integrated operators. Regardless of the final outcome (with or without formally independent companies), developments are anticipated in three clearly differentiated models:

- In the **residential and mass-market** (B2C) sector, a model leveraged on consumer-valued brands that adds value to connectivity by developing digital ecosystems in key verticals (home, entertainment, security, etc.).
- In **corporations** (SMEs, large enterprises and administrations), growth in professional services and technological solutions designed to help customers achieve digitalisation (cloud computing, managed services, cybersecurity, etc.) with a complete portfolio of solutions.
- For telecommunications **infrastructure**, creation of specialists to speed up deployments and efficiently operate networks (including the functional separation of networks in some operators in the form of neutral and wholesale operators).

Furthermore, the aforementioned pressure for sustainability is already fully embedded in the sector, particularly around issues such as **inclusive connectivity** (aimed at previously unconnected populations or collectives and social groups that encounter difficulties in making use of new digital services), **energy efficiency** (especially through networks and technologies that ensure lower electricity consumption), good **privacy** management, **cybersecurity** performance, as well as **talent** management and the **supply chain**.

In addition to the interest shown by analysts and investors (which has grown exponentially in recent years), the impact of the pandemic has added a new dimension to the contribution made by telecommunications networks and services to the **social and environmental development** of communities.

## 1.2. Mission, purpose, values

GRI 102-14

*"Make our world more human by connecting lives".*

Our mission puts people at the centre of everything we do. We want to be a company in which customers, employees, suppliers, shareholders, and society in general can trust. To achieve this, we must have clear principles that consistently guide our decisions and actions inside and outside the company. Accordingly, our mission has two key elements, reflecting our corporate purpose:

- **Making the world more human:** corporate **ethics** are at the heart of everything we do, always placing technology at the service of **people** and protecting the **planet** through digitalization. We take into account our various stakeholders' expectations and needs in order to build relationships of trust.
- **Connecting people's lives:** this means that we aim to digitalise society as a whole, leaving no one behind, and reduce the **digital divide** in terms of access, affordability, accessibility and training in digital skills. It also drives us to innovate so that we can offer products and services that add value and contribute to improving people's lives; it also leads us to leverage **digital solutions to decarbonise the economy**.

**COVID-19 underlined the relevance of our purpose:** never before has being connected or not made such an important difference. The connectivity that we had during the pandemic allowed us to study, work, get information, interact with our family and friends, shop and even go about our business. This ability to digitally continue has been firmly installed in our lives and cannot be conceived any other way. This new way of doing things—more online and digital—also offers environmental benefits. For example, home-working and reduced employee commuting, which leads to lower fuel consumption and office air conditioning, meaning lower CO<sub>2</sub> emissions.

**The telecommunications sector is a pillar of our society.** And, in the coming years, the sector will continue to play a key role in an economic and social recovery that leaves no one behind, and in building a greener and fairer economy for all.

Our corporate purpose combines naturally with the **United Nations 2030 Agenda**, which explicitly highlights the key role of technology, innovation, and communications in addressing the great challenges facing humanity. Deploying infrastructure is essential, however it is not sufficient on its own. Based on this infrastructure, we need to develop services that add value and allow us to get the full socio-economic benefit of fibre and technology. And there is also a need to increase the digital skills of society and businesses.

Our purpose is therefore built on **elements and values of sustainability**: we want to be perceived as a key player in the sustainable development of the new society and a facilitator for meeting new socio-economic and environmental challenges.

To this end, the Telefónica Group has a code of ethics and conduct: our Responsible Business Principles and, in turn, our sustainability policy, which govern what we say and do in our daily activities in order to act according to **our values of integrity, commitment and transparency**.



[Go to chapter 2.11. Governance and sustainability culture](#)

**Brand and culture alignment** with our values is key. Our aim is that our corporate purpose and values are reflected in our behaviour, processes and objectives, ensuring **consistency between what we say and what we do**, so that this shared vision spreads from employees to customers and from customers to society. This culture is strengthened when we are consistent in how we behave within the company and how we present ourselves. This helps us clarify our *raison d'être* and how we can help make the world a better place.



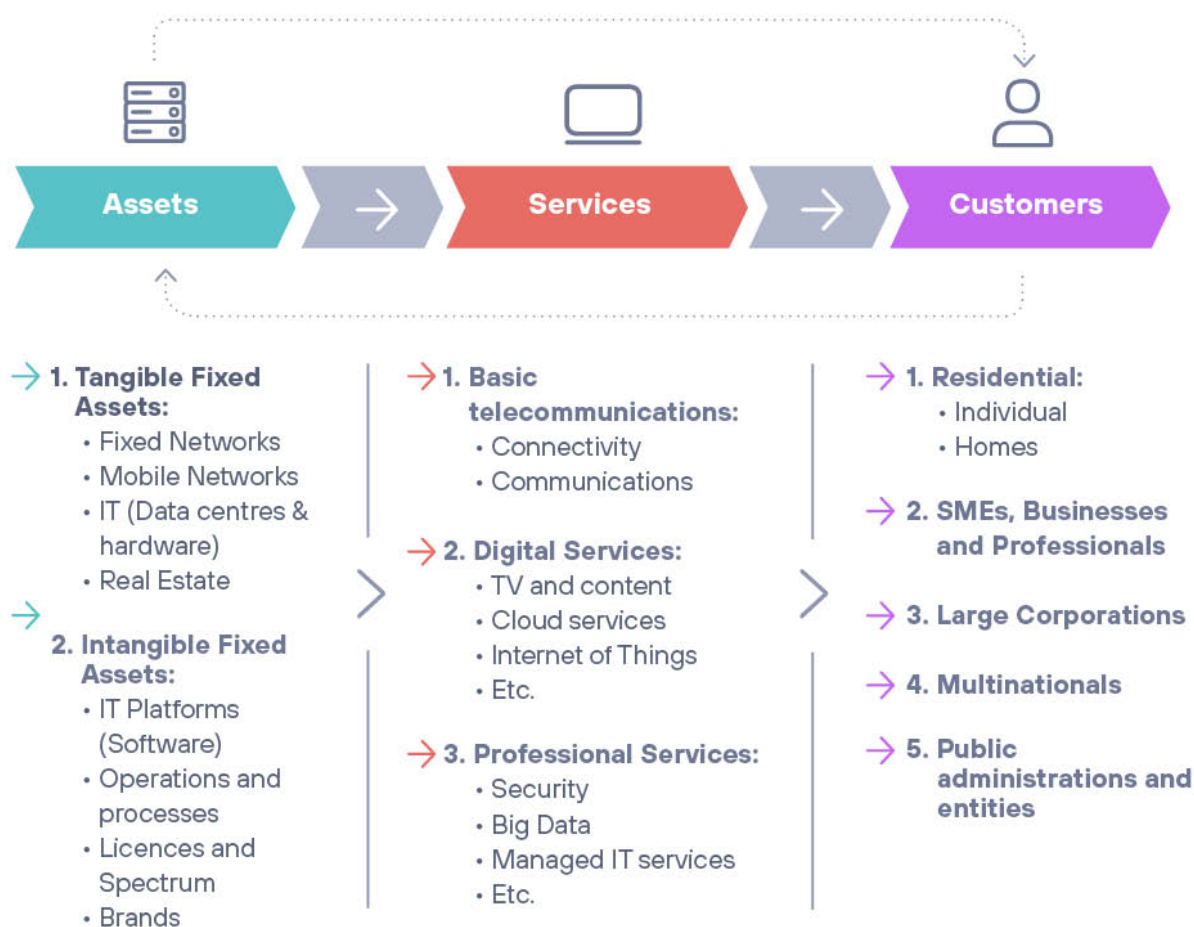
## 1.3. Business model

GRI 102-2

Telefónica deploys, operates and maintains **telecommunications networks** and, based on these

capabilities builds **connectivity** (or adjacent) **products and services** suitable for a **wide range of customers** (individuals and businesses).

### Telefónica's value chain



### 1.3.1. Assets

GRI 102-2

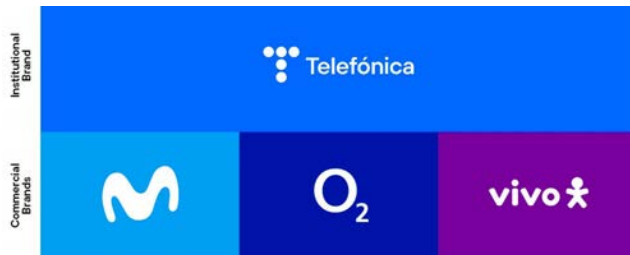
Telefónica's **value creation model** is based on the exploitation of a number of valuable **assets**. These include:

- Fixed and mobile **telecommunications networks**, including both the basic infrastructure (fibre, civil engineering, telecommunications towers, ducts and buildings, etc.) and the physical elements associated with access, transport and switching (hardware equipment) so that we can provide our customers with

basic connectivity and communications services. Telefónica builds, operates and maintains these networks in each of the countries where it operates.

- The IT **infrastructure** (data centres, hardware, and software) necessary for the provision of services to end customers (front office) and proprietary operations (back office). This includes the main platforms for building services on top of basic connectivity (communications, TV, digital services, etc.), either proprietary or based on third-party services.

- The necessary **licences** and authorisations according to applicable regulations and, in the case of mobile operations, the radio **spectrum** acquired in each country for the provision of the service.
- Telefónica is the parent **brand** that leads corporate and institutional communications globally. At the local level, we have the commercial brands *Movistar* in Spain and Latin America, *O2/VMED* O2 in Europe, and *Vivo* in Brazil.



- **Other intangible assets** necessary for the provision of the service, such as know-how in operation and processes, which Telefónica has built up over the years, including the value of our brands in each market.

### 1.3.2. Services

Telefónica leverages these assets by building **services** adapted to our customers' requirements. These services can be wholly proprietary (e.g. pure connectivity and communications services) or based on third-party offerings via partnerships or distribution agreements (as is the case for certain digital services). The main features of Telefónica's commercial proposal to customers include:

- **Basic telecommunications services**, covering Internet connectivity (residential or the more

sophisticated business and corporate products) and fixed and mobile communications (traditional voice and other communication SVAs).

- Proprietary and third-party **digital services** provided over Telefónica's telecommunications networks and connectivity to complement our offering to end customers (e.g. digital television and content, cloud services, etc.).
- **Professional services and similar** necessary to facilitate our customers' digitalisation process and access to technology, including (logical and physical) security, business consulting based on big data and IT services and managed communications for companies, etc.

### 1.3.3. Customers

On a commercial level, Telefónica serves a wide variety of **customers** in each of the markets where we operate providing solutions to meet every customers digital need. The Telefónica Group's customer portfolio spans across virtually every segment in every market, including:

- **Residential customers** offering solutions for the home (fixed connectivity, fiber, TV, etc.) and for individual use (e.g. mobile lines).
- **Corporate clients**, with an offering adapted to the digital requirements of different types of companies (from businesses and SMEs to the world's leading multinationals).
- **Public administrations** and other governmental agencies.

## 1.4. Materiality

### KEY POINTS

- ✓ During 2021, Telefonica has worked on integrating double materiality within of our strategy, identifying the issues that have an impact on the value of the Company, society and the environment.
- ✓ Our double materiality analysis has been conducted in four steps: identifying and updating of key issues; assessment and prioritisation; stakeholder engagement; and monitoring and validation of the process.
- ✓ The double materiality matrix classifies material issues into three levels of impact, according to their strategic relevance, urgency and/or approach required.

#### 1.4.1. Double materiality

The European Commission's proposed Corporate Sustainability Reporting Directive (CSRD) calls on companies to report on sustainability in a consistent and comparable manner, in line with the EU taxonomy, and to carry out a double materiality assessment.

Double materiality is also part of the standards of the Task Force on Climate-Related Financial Disclosures (TCFD); the Sustainability Accounting Standards Board (SASB); the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI), among others.

At Telefónica we started to work on this approach in 2021 as a **determining element of our strategy** and decision-making, and we did so from a two-fold perspective:

- Impact on the value of the Company, ('**financial materiality**' or '**inward impacts**') and,
- Impacts on society and the environment ('**environmental and social materiality**' or '**outward impacts**').

#### 1.4.2. Double materiality determination process

GRI 103

For this process we have followed four steps:



##### A. Identification and updating of material issues

The first step was the identification of a broad universe of potentially material issues. Reference to multiple sources is essential to minimize the risk of overlooking any emerging issues and to **ensure a thorough and credible analysis**.

In addition, a multi-source approach (regulatory, sectoral, ESG indices, etc.) ensures a more objective analysis, as data has been triangulated to reduce the subjectivity of specific stakeholders' views.



In our case, we started from the material aspects identified in 2019 and updated in 2020, validated and expanded based on the Company's specific context, sources of particular relevance such as reporting standards, new regulations and issues raised by our stakeholders, such as investors.

All topics were classified and grouped according to the materiality matrix developed by the Value Reporting Foundation, which develops the SASB standards.

## **B. Evaluation and prioritisation through evidence which demonstrates the impact on society/environment and the Company's value**

Double materiality consists of explaining why issues are relevant from a social and environmental and/or financial impact perspective. For this purpose, the potentially material issues identified in the first step are analysed to be weighted and prioritised from both perspectives.

### **Impact on Society - Environment**

The materiality for each theme is the weighted average of the scores obtained for each source used:

- **Global ESG regulatory context:** analysis of international environmental, social, and corporate governance standards, such as legal requirements, local practices of global application, economic policies, self-regulatory standards, etc.
- **Benchmark:** materiality matrices of the leaders in our sector.
- **ESG criteria** applied by analysts and investors (DJSI, Sustainalytics, Vigeo, FTSE4Good and MSCI).
- **Non-financial or sustainability reporting standards** (GRI and SASB).
- **Sustainable Development Goals and targets.** We took into account the objectives to which we can make the most decisive contributions.
- **Telefónica's Human Rights Global Impact Assessment Prioritisation Matrix.** The results of this assessment were weighted around three levels (high, medium, or low).



More information can be found in chapter 2.8. Human Rights, of this report.

- **Social and environmental impact study** generated by Telefónica. We took into account the evaluation of a set of impact variables, presenting the environmental, social and governance value we generate, with a series of groupings of indicators according to the relationship between them.



More information on this study can be found in chapter 2.10. Contribution and Impacts on communities

### **Financial materiality or impact on Telefónica's value**

In this case, an internal analysis was conducted with the main specialized areas of the Company to measure the relationship of each of the issues identified with:

- **Future and emerging risks** that could become strategically relevant. Telefónica's risk map was taken into account to identify which issues were relevant from a risk viewpoint and which new ones should be taken into account. The level of risk is assessed on the basis of its criticality in Telefónica's risk map, as a combination of potential impact and probability of occurrence.
- **Opportunities.** A number of opportunities linked to ESG criteria were estimated, both in terms of potential new revenues and efficiencies. Key benchmarks, estimated impact, size and likelihood of opportunity capture were taken into account for their assessment. This map shows us the horizon of the company and the changes foreseen in the coming years that will or may affect our value.

In both cases (risks and opportunities), five levels of impact were set (slight, low, moderate, high, and critical).

## **C. Commitment with stakeholders including their perception of the matters identified and assessed**

The basis of the issues analysed was the result of the consultation conducted with our stakeholders in 2020 with the methodology developed internally and implemented and validated by Ipsos (a multinational market research company). For the 2021 double materiality, **we have collected the importance that stakeholders gave to each of the issues.** The consultation was updated to look at the impact of COVID-19 on our main markets: Spain, Brazil, and the United Kingdom. Of the 125,000+ invitees, 2,695 people participated actively, which represents a response rate of 2.15%, a significant figure given the mode of consultation.

More information on the methodology and results of this survey can be found in the annex of the 2020 Management Report.

## D. Supervision and validation of the materiality process

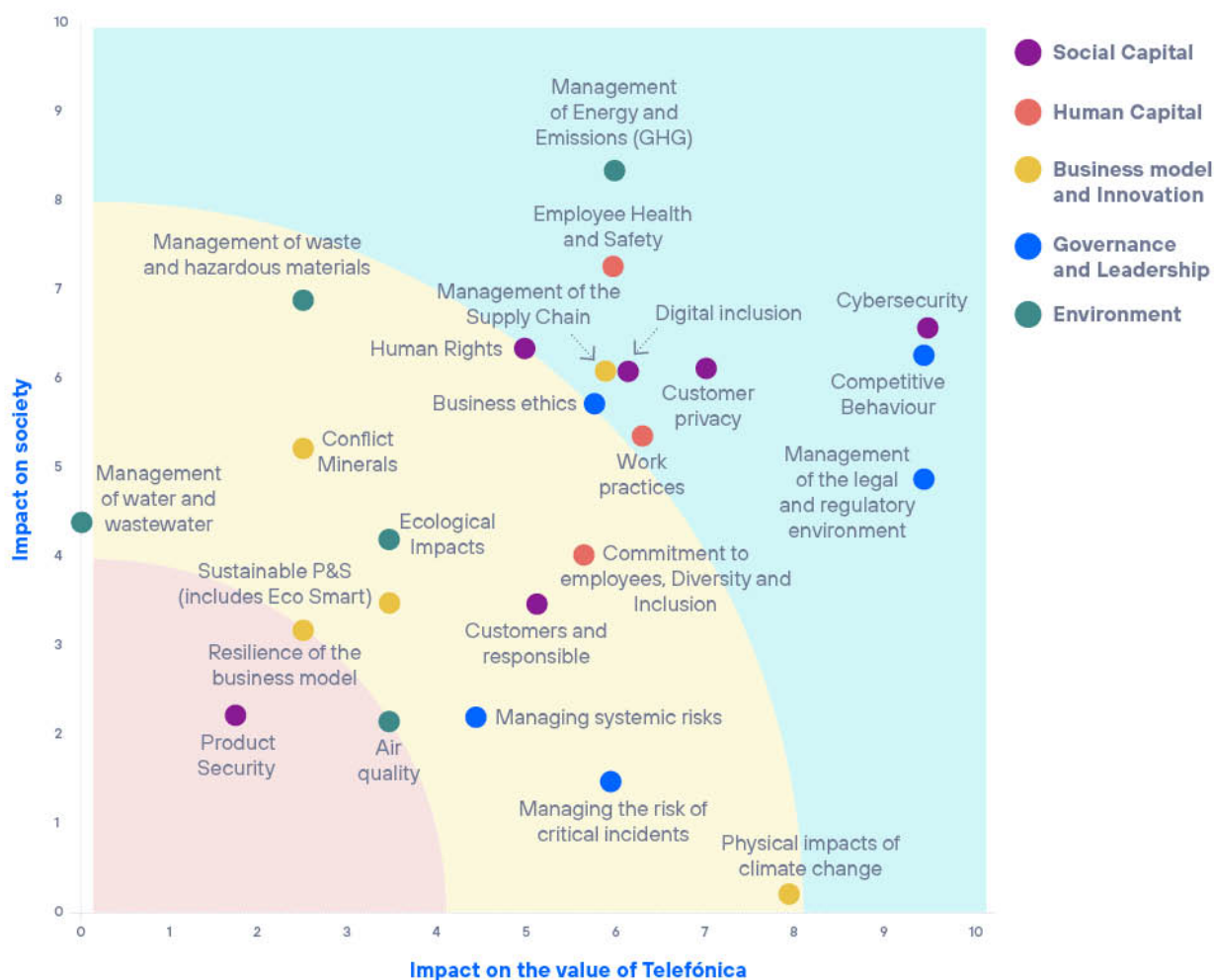
In this phase, we presented the results to the Sustainability and Quality Committee and the Responsible Business Office, as well as to all areas globally and locally which participated in the process. Their involvement has allowed us to complete the matrix with qualitative feedback on the exercise, and to validate internally the resulting priority issues. The involvement of internal stakeholders has played a crucial role in the process, as double materiality has helped Board members, senior management and area managers to **understand and distinguish between the outward impacts and the inward dependencies** of Telefónica's business model. The exercise has provided a broader and more comprehensive view of the Company's situation, a solid basis for identifying priority issues, risks, and emerging opportunities.

### 1.4.3. Materiality matrix

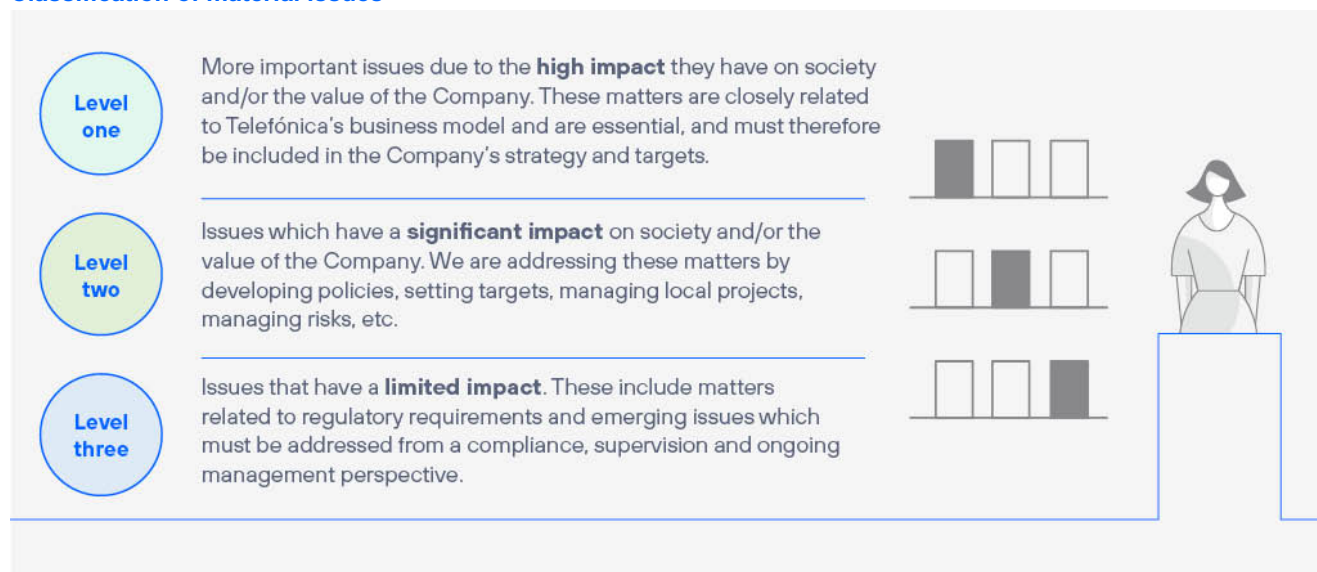
The process followed has resulted in a **materiality matrix from a global perspective**, according to the impact on Telefónica's value and the impact on society and the environment.

On the understanding that all the issues identified in the matrix are material, they have been classified into three levels, denoting the most strategic issues (first level), those that have a significant impact (second level) and those that are relevant but currently have a more limited impact (third level).

This classification has been made irrespective of the origin of the impact. Some issues may be a priority from the perspective of the societal/environmental impact, for example, the management of waste and hazardous materials, or from the perspective of the impact on the value of the Company, for example, the physical impacts of climate change. Consequently, at Telefónica we consider them to be equally essential and they are addressed strategically even when they are not on the first level.



## Classification of material issues



### 1.4.4. Materiality context

GRI 102-34, 102-44, 102-47

#### First level

Material issue	Definition	Chapter of the Report
<b>Cybersecurity</b>	Cybersecurity and personal data protection (create a secure digital environment, put in place strategies to minimise and manage risks).	2.15.3. Security
<b>Competitive performance</b>	Responsible pressure on stakeholders (lobbying) and anti-competitive practices.	2.12. Ethics and compliance
<b>Economic, political and regulatory environment</b>	Comply with current legislation and the Company's internal policies and regulations. Tax contingencies and fiscal transparency.	2.12. Ethics and compliance 2.13. Fiscal transparency
<b>Energy and emissions management (GHG)</b>	Reduce carbon emissions to reduce their impact on the planet. Be energy-efficient and use clean energy (renewable energy and energy efficiency). Contribute to the fight against climate change.	2.2. Energy and climate change
<b>Employee health and safety</b>	Offer new, more flexible ways of working for employees by facilitating family-life balance (flexibility, teleworking, digital switch-off outside the office, etc.). Care about the safety, health and well-being of employees.	2.6.5.3. New ways of working 2.6.5.4. Safety, health and well-being strategy
<b>Customer privacy</b>	Guarantee the privacy and proper use of our customers' data in a digital environment.	2.15.2. Privacy
<b>Digital inclusion</b>	<u>Digital inclusion</u> : dispose of products and services that are affordable for everyone, including those with fewer resources or in special situations. <u>Digital divide</u> : commitment to deploy the network to reach all people, even in remote places. <u>Media literacy (including ICT and minors)</u> : awareness-raising and training for all groups so that they can make use of new technologies. Protect minors from misuse of technology by establishing the necessary controls and raising awareness of the benefits and dangers of technology use.	2.7. Digital inclusion

<b>Supply chain management</b>	<u>Ethical and fair relations with suppliers</u> : dispose of payment terms and conditions that facilitate the economic sustainability of its suppliers. <u>Responsible supply chain and procurement management</u> : work with suppliers that meet social and labour standards, including health and safety conditions, working hours and decent pay. Ensure ethical, environmental and human rights standards are in place in the purchasing process (ethical, anti-corruption, environmental, etc.). Work with suppliers who are climate-conscious and reduce their own emissions.	2.16. Responsible supply chain management
<b>Labour practices</b>	<u>Attraction and retention of talent</u> : focus on the acquisition, retention and development of talent. <u>Fair remuneration</u> : operate fair and attractive remuneration schemes. <u>Freedom of association and equity of the employee</u> : promote freedom of association for workers and collaborators.	2.6. Human capital
<b>Corporate ethics</b>	<u>Ethics and integrity</u> : comply with ethical and responsible business practices, including anti-corruption and anti-bribery measures. Promote ethical audiovisual content. <u>Governance, accountability and culture</u> : transparency and truthfulness of information, adequate and accessible to all stakeholders. Maintain a transparent and balanced relationship with the Government/ Administration. Diversity in the composition of the Board of Directors. Provide accurate and complete information on social and environmental actions. <u>Artificial intelligence</u> : ensure due diligence on systems using artificial intelligence.	2.11. Governance and culture of sustainability 2.12. Ethics and compliance 2.9.4.2. Responsible design/Ethical principles applied to design

## Second level

Material issue	Definition	Chapter of the Report
<b>Human rights</b>	Promote respect and human rights among all stakeholders (including freedom of expression, new digital rights and ethical use of artificial intelligence, etc.). Dispose of adequate channels for consultation and complaints. Encourage dialogue and relations with stakeholders to involve them in management (actions aimed at involving the main players in our daily management, including alliances, relations with the media, institutions, entities and investors).	2.8. Human rights
<b>Commitment to employees, diversity and inclusion</b>	Foster gender equality, diversity, equal opportunities and non-discrimination. Take action to prevent and eliminate workplace harassment. Keep in mind the ageing population and its effect on the company (e.g. measures for employees over 50 years of age).	2.6.5.2 Diversity and inclusion
<b>Waste and hazardous materials management</b>	Circular economy (including electrical and electronic waste): manage and process electrical and electronic equipment waste. Eco-design, resource optimisation (including water and plastics), re-use and recycling. New business models based on the circular economy.	2.3. Circular economy
<b>Customers and responsible marketing</b>	<u>Quality</u> : fast networks, good coverage and sufficient bandwidth for the requirements of today's society, etc. Ensure network stability and service reliability (speed, connection, etc.). <u>Transparency</u> : easy-to-understand invoices. Same service and attention in all channels (make arrangements, solve problems through any channel). <u>Focus on the customer</u> : provide a service that is tailored to our customers' needs, offering good quality at an appropriate price. Ensure consultation and management channels are in place to make customer service fast and easy. Rapid, effective and satisfactory resolution of incidents. <u>Responsible and sustainable marketing</u> : products and services accessible to all (e.g. people with disabilities, seniors). <u>Responsible advertising</u> : Responsible and inclusive advertising.	2.12.5.5. Responsible and inclusive advertising. 2.14. Clients
<b>Physical impacts of climate change</b>	Manage the risks and opportunities associated with the direct exposure of assets and operations owned or controlled by the Company to the actual or potential physical impacts of climate change. Capture the environmental and social issues that may arise from operational disruptions due to the physical impacts of climate change.	2.2.4. Energy and climate change

<b>Conflict minerals</b>	Work with suppliers who do not use minerals from conflict zones.	2.16.6.2. Engagement in 2021. Responsible mineral supply
<b>Ecological impacts</b>	<u>Biodiversity</u> : manage the Company's impacts on ecosystems and biodiversity through activities including, but not limited to, land use for exploitation, extraction, as well as project development, construction and siting.	2.1.6.2. Responsible network and biodiversity
<b>Critical incident risk management</b>	<u>Emergency response</u> : have an action plan in place for maintaining communications in emergency situations (natural disasters or major incidents).	2.15.3. Security
<b>Sustainable P&amp;S (including Eco Smart)</b>	Help customers increase their energy efficiency and sustainability through our products and services.	2.4. Digitalisation and Eco Smart services 2.9. Responsibility in our products and services
<b>Systemic risk management</b>	Management of the company in addressing ESG-related risks that could impact stakeholder perceptions.	3. Risks
<b>Resilience of the business model</b>	<u>Local economic contribution and inclusive growth</u> : development of local suppliers, especially SMEs and local procurement. <u>Sustainable finance</u> : report new financial indicators based on sustainability criteria, encourage the growth of sustainable activities, actively engage with all stakeholders on environmental and social objectives under development.	1.7. Sustainable finance 2.5. European taxonomy for sustainable activities 2.10. Contribution and impact on communities

## Third level

Material issue	Definition	Chapter of the Report
<b>Air quality</b>	<u>Noise</u> : tackle the management of noise pollution impacts arising from the Company's activities. Reduce pollutant emission sources (NOx, SOx, particulate matter, etc.).	2.1.6.1. Environmental management
<b>Water and wastewater management</b>	<u>Water</u> : address water use and consumption, wastewater generation and other impacts of operations on water resources. Wastewater treatment and discharge management, including groundwater and aquifer pollution.	2.3.5.1. Internal eco-efficiency. Water
<b>Product safety</b>	<u>Health and safety of P&amp;S</u> : responsible design in the development of products and services, aiming at improved customer health and safety (i.e. not generating addiction, offering a safe product, etc.). <u>Electromagnetic fields</u> : take into consideration the possible health effects of electromagnetic fields.	2.9.4.1. Health and safety measures for our products and services

### 1.4.5. Ongoing dialogue with stakeholders

GRI 102-29

Ongoing dialogue **is part of our daily operations** and is built based on each interaction with stakeholders through the different channels set up for this purpose.

As from 2019, we have incorporated the impact principle into the materiality analysis and ongoing relations with

stakeholders. Emphasis has been placed on continual monitoring of the main channels for dialogue with major stakeholders; this enables us to measure the impact of our relations with, and commitment to, them. In this way, it is possible to **establish action plans** to meet needs, boosting positive impacts and mitigating any that are negative. The main channels of dialogue are highlighted below:



## Communication channels with our stakeholders

Stakeholder	Channel for dialogue	Impact KPIs	2020	2021
<b>Customers</b>	Movistar Spain Contact Centre (1004)	Unique customers served (annual average)	1,057,968	805,126
	Digital channels	Total customers <sup>(1)</sup>	2,824,683	2,774,565
<b>Employees</b>	eNPS	Response rate	78%	67%
	Workplace	Percentage of monthly active users	80%	81%
<b>Strategic partners and suppliers</b>	Annual stakeholder consultation	Declared level of confidence	87 %	87 %
<b>Shareholders and institutional investors</b>	General Shareholders' Meeting	Number of shareholders attending	65 (telematic)	69 (telematic)
	Engagement activities	Meetings with minority shareholders		6 virtual meetings and 19 telematic communications (quarterly magazine, monthly newsletter, Shareholders' Meeting communications and information call centre)
			3 virtual meetings	
		Roadshows (institutional investors)	13	13
		Conferences (institutional investors)	12	18
		Minority shareholders	3,290	7,000
<b>Society</b>		Institutional investors	614	600
	Reputation	Number of Reptrak interviews conducted	42,017	22,166
	Social networks	Millions of followers of @Telefonica's exclusive accounts (LinkedIn, Twitter, Facebook, Instagram, YouTube)	1.98	2.10
<b>Governmental and regulatory bodies</b>	Meetings with European Union institutions	Average number of meetings: OTTS Telecoms	22.6 OTTS 6.8 Telecoms	OTTS: 14.4 Telecoms: 10.8
<b>Opinion leaders, media and communication services</b>	Press releases, interviews, calls and media attention	Communication management (vs. 2018)	28,762 > communication proactivity due to the pandemic	31,063 - continuation of pandemic (telework consultations, remote services, etc.); corporate operations (Telxius towers, UK JV closure); event recovery (MWC).




Note:

<sup>(1)</sup>Telefónica Spain customers who contact us through the closed website and the APP after logging in.

## 1.5. Strategy

GRI 102-14

### KEY POINTS

-  We aim to deliver growth, while guaranteeing the universality, accessibility and sustainability of our portfolio of products and services.
-  We continue to modernise our infrastructure to ensure greater eco-efficiency in terms of emissions, energy consumption and the circular economy.
-  We are committed to generating sustainable, long-term value for all our stakeholders, including our customers, suppliers, and employees.

Telefónica's long-term strategy integrates the main aspects of sustainability to address our mission. Based on our Responsible Business Principles and sustainable finances, our commitments translate into growth, efficiency and long-term value for all our stakeholders.

### 1.5.1. Growth

We aim to continue to be a **growth company** in our sector by leveraging our core products and services (connectivity) to serve the increasing number of needs of our residential and business customers, determined by the accelerating drive towards digitalization in all areas of society. This ambition will determine the ability to boost revenues and will have a clear impact on society and the environment:

- In terms of social impact, we aim to ensure the **universality** of our connectivity services, extending their availability (mainly broadband) to new geographical locations and population segments that have traditionally been excluded (e.g. rural broadband). Along with these basic connectivity services, at Telefónica we are developing digital ecosystems to improve our customers' lives and guarantee them access to new solutions (e.g. health, education, and entertainment, etc.).
- In environmental terms, Telefónica's **portfolio** of products and services for the business sector is instrumental in contributing to the digitalization of our customers while reducing their environmental footprint. Our goal is to make sure that our solutions are eco-sustainable to help them achieve their environmental responsibility targets.

### 1.5.2. Efficiency

Long-term sustainability for Telefónica involves a firm commitment to continuous improvement in our operations internally and in our customer relations. This helps us become an **increasingly efficient operator**, taking advantage of the digitalization of all business processes to generate greater value:

- The deployment of **new state-of-the-art networks** affords much lower costs per unit of traffic. In addition, ultra-broadband networks (fiber, 5G, etc.) return tangible efficiencies in terms of energy consumption and therefore have a clear impact on the company's emissions targets.
- At Telefónica, we also aim to optimize the **use of our assets** once they have been deployed, generating a greater return on investment. This aspect includes reducing energy consumption, focusing on renewable sources of energy, and increasing the circularity of our processes and the reuse of customer equipment (routers, mobile devices, etc.).

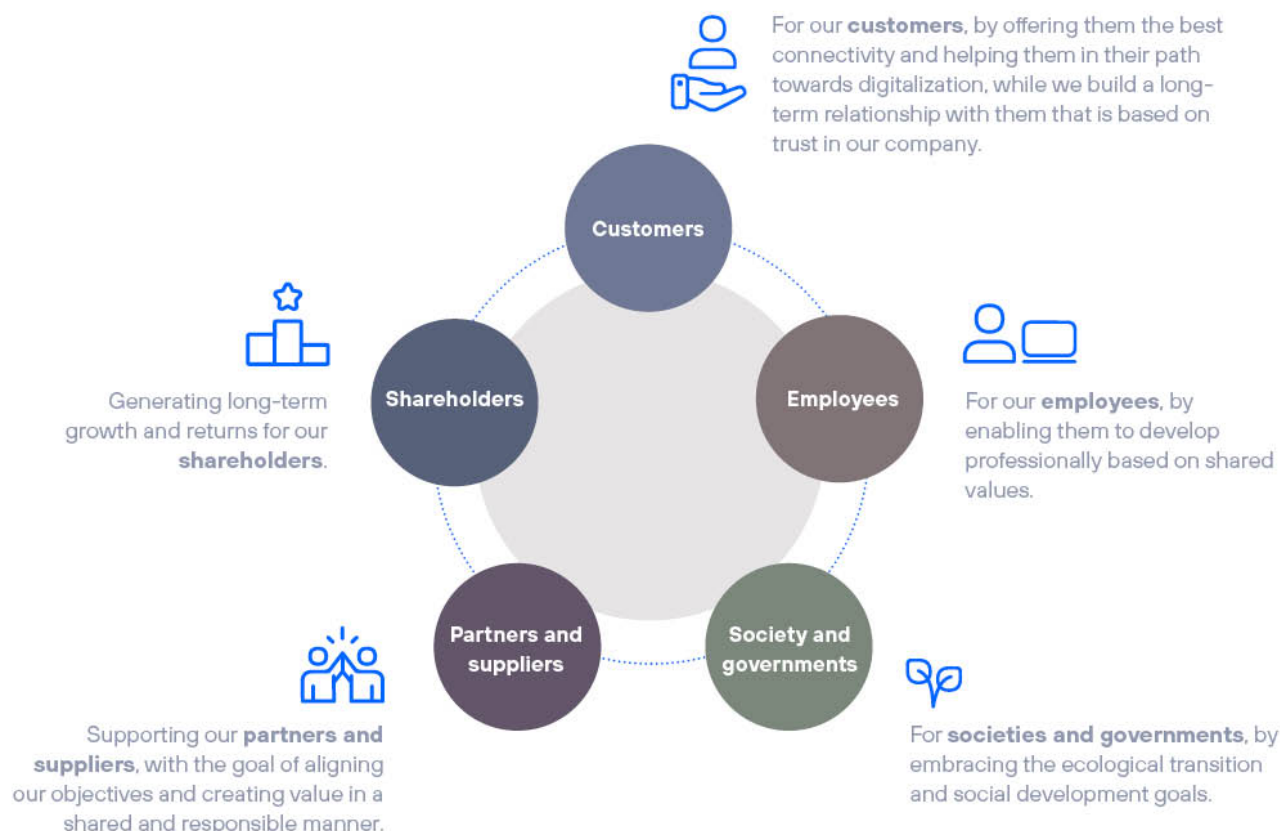
### 1.5.3. Long-term value creation

Over the long term, we are committed to **generating value for all our stakeholders**. This concept is built on trust and commitment in areas such as customer relations, suppliers, diversity, business ethics, network security, responsible use of technology and, in general, sound corporate governance:

- We want to strengthen our **customer** relations through responsible, trust-building practices and behaviors.
- Beyond our own long-term goals, we aspire to have our **network of suppliers** commit to the same responsible principles, creating a more sustainable environment in the telecommunications sector.

- At Telefónica we also recognize the value for our **employees** in facilitating a workplace that respects diversity and allows for personal and professional development. In order to facilitate a work-life balance and take advantage of new technologies, we have developed and implemented new home-working models across the organization. Accordingly, we work to train all our employees in new work tools and technologies and to attract new digital talent.
- We transmit confidence to our **investors** by meeting their key demands and providing solid returns.
- We contribute to the economic and social development of the **communities** where we operate in a way that is closely linked to the Sustainable Development Goals.

## We benefit all our stakeholders



## 1.6. Organisation

GRI 102-2, 103, 102-15

In 2019, Telefónica decided to implement a new business strategy designed to reinforce its priorities while encompassing a strong vision for the future. The five strategic pillars established still stand today, with important milestones that are furthering the strategy of this renewed Telefónica. The Company's **current organisation** is structured according to these strategic priorities:

### 1.6.1. Focus on the four key operators (Spain, Germany, the United Kingdom and Brazil)

Telefónica maintained its focus on the four operators that have a strong position in local markets and are sustainable in the long term. Over the past two years, the Company has made progress in **improving and strengthening the value proposition** of the operator in these four markets:

- **The Company consolidated its position as leader** in two of its core markets with the regulatory approval and launch of Virgin Media O2 (VMED O2) in the UK and Vivo's consolidation of Oi's mobile assets in Brazil (CADE gave its final approval on 9 February 2022).
- **Telefónica continued to improve its offering in the residential segment**, in the quest for differentiation from its competitors by expanding its portfolio of services via: the launch of digital security ecosystems with Movistar Prosegur Alarms in Spain; and, telehealth services with Teladoc in Spain and Brazil, among others.
- **The Group maintained and strengthened its leadership in fibre deployment.** In Spain, with 27 million premises passed (PP), Telefónica is positioned as the market leader and recognised as having one of the most efficient networks worldwide, while in Brazil the accelerated roll-out of FTTH continued, reaching 19.6 million PP by the end of the year. Additionally, VMED O2 set a target for 2028 to upgrade its fixed network to FTTH, and Germany started its fibre network roll-out in rural and semi-rural areas with UGG, the new investment vehicle.
- **Telefónica has embarked on a steadfast roll out 5G** in its main markets. In Spain, Dynamic Spectrum Sharing (DSS) deployments continue and 5G coverage now exceeds 80% of the population. In the UK, more than 180 cities have coverage and in Germany, external studies rank O2 as the leader in 5G quality.

To secure the future of 5G, Telefónica is strengthening its position in spectrum, successfully participating in relevant auctions in Spain, the UK and Brazil in 2021 and securing key frequencies for deployment.

### 1.6.2. Telefónica Tech, B2B global digital unit

The global digital unit, Telefónica Tech, continues to focus on **capturing growth** in the professional digital services market to complete the connectivity offering to corporate customers. Telefónica Tech is comprised of two operating businesses which encompass the four services on offer since its launch (Cybersecurity/Cloud/Internet of Things (IoT)/Big Data).

The Cybersecurity and Cloud business remains focused on expanding its capabilities and offering **greater value-added services** for customers, focusing on a wider range of advanced managed services for customers. Meanwhile, the IoT and Big Data business has drawn up a complete portfolio of solutions and continues to focus on gaining scale in the markets where it operates.

Telefónica Tech maintains the objective of acquiring capabilities for growth in managed services for our customers:

- The company continues to grow inorganically. It strengthens its value proposition for the corporate sector (including large enterprises and SMEs) with the acquisitions of market leaders such as Cancom UK, Altostratus and Geprom.
- At the same time, TTech continues to develop a comprehensive partner network, leading to the growth of the innovative solutions portfolio. This network includes some of the world's leading players in Cloud services and Cybersecurity (Google, AWS, Microsoft, Cisco, IBM and Fortinet, etc.).

### 1.6.3. Telefónica Infra, global infrastructure business

Telefónica Infra's main objective is to **develop and enhance the value** of the Company's **infrastructure** by taking advantage of the appetite for investment in the market through a structure that is open to third-party participation.

In August 2021, Telefónica Infra completed the sale of Telxius' Telecommunication Towers Division to American Tower Corporation, thereby reducing the Group's financial debt.

The first half of 2021 saw the completion of the commissioning and operation of the fiber vehicles in Brazil and Germany. FiBrasil aims to exceed 6 million property units in 4 years and UGG in Germany aims to equip more than 2 million homes with FTTH (fiber-to-the-home) in the country's rural and semi-rural areas in the next six years. Both vehicles aim to drive the penetration of high-quality, next-generation FTTH access and the growth of Telefónica.

In the data centre business, Telefonica Infra reached an agreement for the contribution to Nabiax of 4 additional data centres owned by the Telefónica Group (2 of them located in Spain and 2 in Chile). In exchange for the contribution of these 4 data centres, T. Infra will receive a 20% equity stake in Nabiax. At the end of 2021, the stake was 13.94% (once the conditions related to the contribution of the two data centres located in Chile have been fulfilled and the same has been executed, T. Infra's stake in Nabiax will reach 20%).

Besides, Telefonica Infra, strengthened its leadership by expanding its capabilities through the deployment of new international cables connecting the United States and Europe (in collaboration with market leaders such as Google and Facebook) and expanding its cable capacity in Latin America.

#### 1.6.4. Reduction in group's exposure to Telefónica Hispanoamérica

The company continues to modulate its exposure to Latin American economies, optimising assets that create growth opportunities in the region. During the year, Telefónica Hispanoamérica optimised the capital employed in regional operations, while increasing the proportion of debt in local currency to adapt better to exchange rate fluctuations. In addition, during the year, the company closed the sale of its operations in Costa Rica and, in January 2022, in El Salvador.

In order to leverage future growth opportunities, Telefónica Hispanoamérica extended its relationship with the infrastructure investment fund KKR for a 60% stake in infrastructure and fibre vehicles in Chile and Colombia, respectively. At the same time, new alliances are being developed to optimise the opportunity of operations in the region with a focus on digital services, notably in Colombia with its main partner in alarms, Prosegur, and in Mexico with Banco Sabadell for the provision of financial services.

#### 1.6.5. Simplification and digitalisation of the operating model

The Telefónica Group continues to rely on the **digitalisation and automation of its operational processes** to increase efficiency and offer more flexible and transparent services that result in higher quality for its customers.

Telefonica continues to lead in terms of innovation across its footprint in each of the countries where it operates. In Europe, Telefónica and the major operators in the regions are collaborating to define the evolution of open network architectures (Open-RAN). Moreover, Telefónica continues to strengthen the start-up ecosystem through Wayra and Telefonica Ventures. In 2021, we announced a new Talent and Innovation Hub in Madrid, with an initial investment of €100m until 2024.



## 1.7. Sustainable finance

### KEY POINTS



Demand for sustainable financing is growing, both in the debt and equity markets.



Telefónica is the largest issuer of sustainable bonds in the sector (€3.25bn) and has raised a total of €4.1bn in sustainable debt (as of year end 2021). Our target is to surpass €10 billion.



The presence of ESG shareholders in the Company has increased significantly in recent years.

### 1.7.1. Context

The new international context has made it clear that the social and environmental challenges we face require very large amounts of investment and financing coupled with long-term commitment and engagement from the public and private sectors.

In view of the current global situation, many investors are increasing the weight of **ESG factors** in their decision-making. According to the Global Sustainable Investment Alliance, ESG investment assets in equities were estimated at USD 35.3 trillion globally in 2020 and are expected to grow to USD 50 trillion in 2025. Essentially, more than one-third of all assets under management will be linked to ESG.

This increased interest in ESG financing is also being witnessed in capital markets. According to Citi (11 January 2022), the volume of sustainable issuances in 2021 amounted to USD 945 billion, up 69% from 2020, turning it into a record year and taking the total volume of outstanding sustainable bonds above USD 2 trillion.

At Telefónica, we are part of **the solution** to the environmental and social challenges facing society and have been working for many years on our internal transformation to bring environmental and social sustainability in line with financial sustainability. For example, we are the **largest sustainable issuer** in the telecommunications sector in the bond market in terms of volume, number and diversification of our issuances (senior green bonds, green and sustainable hybrid instruments, etc.). We continue to expand ESG criteria within our financing model, with the aim of making sustainable finance one of the main financing tools for the Telefónica Group.

At Telefónica, we are implementing the European taxonomy of sustainable finance. The **IT sector** is one of the six sectors identified as making a substantial contribution to the reduction of -and adaptation to- climate change, and therefore one of the sectors that will be transformed to help achieve Europe's **climate goals**.



[Go to chapter 2.5. European taxonomy for sustainable activities](#)

Meanwhile, our commitment to aligning economic sustainability with social and environmental sustainability goes beyond the use of certain financing instruments or due diligence of new regulatory Sustainable Financing Frameworks (Telefónica's SDG Framework). There are many projects, agreements and day-to-day operations in which ESG criteria are added to financial ones.

We are defining the mechanisms for an internal carbon price to impel us along the road towards net-zero emissions; we are working with the Inter-American Development Bank in an initiative to promote inclusive digital transformation in Latin American and Caribbean countries; we are actively collaborating in the development of digitalisation and sustainability proposals to respond to the requirements of NextGenerationEU funds, and; we are working on a holistic integration of ESG criteria in M&A operations. All these initiatives help us to include ESG aspects as a driving force behind decisions that may lead to our own or third-party investments and **generate awareness** of the importance of environmental and social aspects across every area of our business.

### 1.7.2. Sustainable finance strategy

At Telefónica, we want to take advantage of the opportunity offered by sustainable finance to achieve our commitments to society and the planet. To this end, we have a strategy that allows us to:

- **Use debt as a financial instrument** to support the sustainability strategy of the business.
- **Attract investors** that invest in companies aligned with ESG criteria.

In addition, **sustainable finance** offers us new opportunities for interaction with our partners and investors:

- It gives more **visibility** to Telefónica's transformation to a more sustainable company over the years.
- It enables us to **interact with investors** who integrate ESG considerations in their investment decisions and have a long-term investment horizon.
- Financial instruments leveraged on ESG criteria, such as bonds, hybrid instruments and bank financing, give us the **opportunity** to analyse new market demand, improve profitability and capture new business opportunities, highlighting our role as a key partner on the road to **decarbonisation** of many activities.

### 1.7.3. Sustainable and Responsible Investment (SRI)

The ability to **attract sustainable and responsible capital** is important for Telefónica because it reflects the positive impact of our operations beyond pure financial profitability. It is also an ongoing challenge to keep our initiatives, projects and processes in constant alignment with evolving environmental, social and corporate governance criteria.

ESG performance is an increasingly important factor in the decision-making of institutional investors, in particular investment fund managers, proxy advisors and players in the financial world. The growing impact of these issues for analysts and investors is a significant opportunity to highlight Telefónica's high-level performance and assess the **alignment of our priorities** with those most valued by our investors.

Investment strategies are rather varied and depend greatly on the commitments, policies, concerns and motivations of institutional investors and their **environmental, social and corporate governance objectives**. At Telefónica, we work solidly and consistently in all ESG matters to achieve the best results in third-party assessment and evaluation systems and, consequently, in our ability to attract socially responsible capital. Continuous improvement, adaptability and a high level of resilience help us to align ourselves with the needs and objectives of analysts and investors.

One of the key pillars in our ESG communication strategy with financial markets, in addition to our relations with institutional investors and financial analysts, is proactive communication with **ESG information providers**. These analysts process and evaluate our ESG performance and provide their information and ratings to their clients, the institutional investors. Their assessment of our performance comprises a wide set of criteria and weightings. As a result, the proactive task of verifying the information and ratings included in their analysis of our company's performance gives us the opportunity to give our feedback and ensure that the information they distribute to investors is as reliable as possible. At the same time, it allows us to further improve our ESG ratings and our inclusion in prestigious indices such as the S&P Dow Jones Sustainability Index.

Beyond our regular interactions with ESG analysts, our ESG communication with financial markets places priority on communicating our strategy, sustainability performance and governance to **institutional investors**, highlighting Telefónica's role as a facilitator of the energy transition as well as our ambition to lead in other areas of environmental and social impact, as well as emphasising our sound governance.

At the same time, this productive dialogue with sustainable and responsible investors provides us with their views and expectations on ESG issues, which are carefully listened to by our management and make a positive impact on our long-term strategy and performance.

### > Progress in 2021

#### Sustainable and Responsible Investment (SRI)

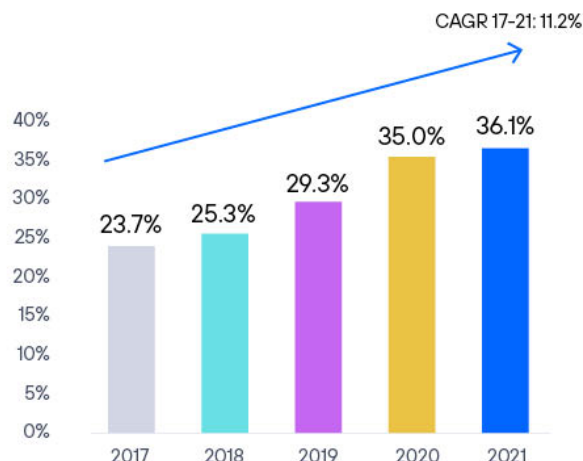
Among other criteria, sustainable and responsible investors take into consideration the environmental, social and corporate governance performance of companies in their investment strategies. The presence of **SRI investors** in Telefónica's shareholding confirms the importance of ESG factors in investment processes and, therefore, attracts investors who use sustainable criteria to our shareholder base.

This indicator shows the proportion of Telefónica shares held by **two main categories of SRI investors**: institutional investors with advanced ESG integration processes, and ESG thematic funds (investment funds focused on climate change solutions, ethical funds, etc.).

According to a study by Leaders Arena, the percentage of institutional investors that apply ESG criteria has increased steadily since 2017.

## Percentage of shares that integrate ESG criteria

Of the total managed by institutional investors in Telefónica



Source: Public information on the ownership of shares in Telefónica by institutional investors according to FactSet. Leaders Arena's analysis of the percentage of ESG investment.

The study was completed using data as of 31 December 2021 by analysing the ownership of shares in Telefónica by institutional investors under ESG criteria in accordance with public information and methodology developed by Leaders Arena.

This methodology is based on effective criteria for the integration of ESG issues in the portfolio management of institutional investors and their active ownership programmes. Information used includes ESG investment criteria information published by these investors, as well as their policies on how much dialogue they have with investee companies and how they should vote at General Shareholder Meetings to remain in line with said criteria.

By the end of 2021, this percentage had reached 36.1%, measured on the publicly disclosed total number of Telefónica shares managed by institutional investors. This confirms Telefónica's market appeal in the general context of ESG market growth.

## 1.7.4. Financing tools

Sustainable finance is emerging as a **key tool** to support the transformation of our economy and our business through the financing of projects with a positive social and/or environmental impact.

## History of sustainable debt issuances



\*Exchange rate applied at the time of grant.

The history of our financing has shown that this type of financial instrument is strongly welcomed by the markets. They are also often associated with high over-demand and generally more favourable financing conditions than similar non-sustainable products.

Indeed, we were the **industry's first issuer of senior green bonds and hybrid (green and sustainable) instruments**. The funds obtained have been allocated to environmental projects focused on changing our network from copper to fibre, which is more efficient and has fewer breakdowns; the deployment and improvement of mobile connectivity in rural areas, and; the promotion of entrepreneurship and job creation through investments in start-ups. We intend to continue to leverage the opportunities offered by this financing model.

In addition to senior green bonds and hybrid instruments, we use other sustainable bank financing tools, such as **loans and credits linked to sustainability objectives**, which make it possible for us to progress steadily towards such important corporate targets as reducing emissions or gender equality.

The issue of bonds and hybrid instruments (green and sustainable) is backed by our Sustainable Financing Framework, verified by an independent third party, in our case Sustainalytics. It also provides a framework for action that brings financing strategy in line with sustainability strategy.

These sustainable financing tools (bonds, hybrid instruments and bank financing) are becoming more and more important in the Group's corporate debt structure and are set to become one of the main tools of financial instruments and private investment flows.

It is worth noting that, at the end of 2021, we had **between 5% and 10% of sustainable financing within whole Group financing** and we intend to continue strengthening this new financing scheme and **exceed 10 billion euros** for initiatives with a social and environmental impact in the coming years.

Our strategy to achieve this volume of ESG financing takes into account the regulatory environment and the key role played by all the **new regulations under development** within the framework of the EU's sustainable finance plan and, most notably, the taxonomy regulation and delegated acts.

At Telefónica, we take an active part in the development of all necessary legislation by collaborating with sectoral associations and public bodies. We also provide a **technical vision** (thanks to our knowledge of the business) and a strategic vision (thanks to our experience in sustainable finance) to promote transparency and make the ESG impact of our business known to the investor world.

The new taxonomic reporting requirements are addressed in a specific chapter containing the corresponding taxonomic eligibility data.



[Go to chapter 2.5. European taxonomy for sustainable activities](#)

## > Progress in 2021

### Financial debt

Following this year's issue of hybrid instruments, we have held our position as the telecommunications company that has raised the most funds under this sustainable financing model. As of 2021, we have reached a total of €3.25 billion in sustainable bonds at Group level and €930 million in sustainability-linked loans, demonstrating our investors' growing interest in ESG.

Following the issue of green bonds and instruments in the last two years, in 2021 again saw us pioneer the **issuance of the first sustainable hybrid instrument in the telecommunications sector**. As part of our **new Sustainable Financing Framework** published the same year, this hybrid bond is worth €1 billion and also involves the financing of social projects. We also issued a second sustainable hybrid bond at the end of 2021, for a volume of €750 million, with the same structure in terms of the use of funds: projects with a positive environmental and social impact in Spain, Germany, and Brazil. Environmental issues will focus on continuing the transformation of the network, replacing copper with fibre, which is more energy efficient and less prone to breaking down. Fibre roll-out has enabled the closure of copper plants, re-using much equipment, and recycling all material as part of our commitment to the circular economy, and has saved 25.3 GWh between 2019 and 2020.




Social projects will focus mainly on bringing mobile broadband connectivity to unconnected and/or poorly connected rural areas and on boosting entrepreneurship, start-ups and SMEs through Open Innovation initiatives that favour economic development and job creation. By issuing the first hybrid instrument, we have contributed to bridging the digital divide in more than 4,500 rural areas, and around 570 jobs have been created through Open Innovation initiatives.

Furthermore, at local level, following a first sustainable syndicated loan from Telefónica Germany in 2019 linked to the performance of an ESG rating, in 2021 Telefónica Colombia signed three sustainable loans linked to environmental targets, gender diversity—promotion of female managers—and employee training.







## Sustainable issuances: use and impact of funds

### > ENVIRONMENT

Projects		
Energy efficiency of network infrastructure	Renewable energy	Digital solutions for the environment
Main topics		
Deployment of a more efficient network: fibre	Use of more environmentally friendly energy sources	Energy efficiency
Impacts <sup>1</sup>		
 <b>100.000+</b> tCO <sub>2</sub> avoided		
 <b>400.000+</b> MWh of energy saved		
 <b>69%</b> less consumption of energy/traffic (MWh/PB) in fixed network in Spain		

### > SOCIETY

Projects	
Broadband deployment (mobile broadband) in disconnected areas	Support for employment and entrepreneurship
Main topics	
Mobile connectivity in rural areas	Enterprise creation
Closing the digital divide	Generating jobs
Impacts <sup>2</sup>	
 <b>4,500+</b> rural areas with mobile broadband	 <b>57</b> companies receiving investment through
 <b>47M+</b> beneficiaries of the deployment of mobile broadband in rural areas	 <b>570</b> jobs created

Data referred to:

1.- Cumulative environmental impacts of the three first bonds issuances: two green and one sustainable.

2.- Social impacts of the first sustainable bond issued

In terms of sustainable bank financing, at the beginning of 2022 the main syndicated loan of the Telefónica Group was converted from conventional to sustainable for €5.5 billion at corporate level. The credit was linked to sustainability targets, such as reducing greenhouse gas emissions and increasing the number of women in executive positions. It was validated by Sustainalytics and in keeping with our first **Sustainable Lending Corporate Finance Framework**.

For more information on sustainable financing: visit Telefónica website / Shareholders-investors / Rating / Sdg-Framework.

Lastly, it is interesting to note that, following the completion of the integration of Telefónica and Liberty Global (with O2 and Virgin Media as subsidiaries in the United Kingdom) in June 2021, the **Virgin Media O2 Joint Venture Green Bond Framework** was published, validated by Sustainalytics. It seeks to foster energy efficiency projects, the use of renewable energies, promotion of the circular economy, and use of cleantransport through electric and hybrid vehicles. Based on this Sustainable Financing Framework (SDG Framework), June 2021 saw several issuances in pounds sterling and US dollars for an aggregate amount of almost €2 billion equivalent. The purpose was to finance green projects, such as the deployment of fibre networks and the supply of renewable electricity to power the network. These issuances underline Virgin Media O2's strong commitment to achieving net-zero (Scopes 1 and 2) by 2025.



## 1.8. Main indicators and footprint

GRI 102-2, 102-4, 102-5, 102-6, 102-7

Telefónica is the company that it is today thanks to its 95 years of transformation and adaptation.

Communication services are becoming increasingly important and society is becoming increasingly demanding. As a result, we are responding to this social demand by efficiently developing a telecommunications infrastructure that is essential for long-term progress.

We think it is people who give meaning to technology, not the other way round. For this reason, we offer connections that bring people together; connections that allow them to express themselves, share and improve their quality of life.

We aim to digitalise the whole of society, leaving no one behind, thus naturally aligning ourselves with the United Nations 2030 Agenda, which highlights the key role of technology, innovation, and communications in addressing humanity's greatest challenges.

We believe that the best solutions are reached by collaborating as well as being considerate and transparent at work. We are an open-minded organization where everyone counts. We work in an honest, simple, and committed way, providing safe, quality connections. Telefónica is still standing strong after almost 100 years of adapting to our customers' needs.

We are a fully private company, in 2021 we operated in 14 countries, with a presence in 33 countries and, with 369 million accesses worldwide.

### > Key indicators

#### Revenue

2021	Revenue by segment (millions of euros)
Telefónica Spain	12,417
Telefónica Germany	7,765
Telefónica United Kingdom <sup>(1)</sup>	2,628
Telefónica Brazil	6,910
Telefónica Hispam	8,362

Note: <sup>(1)</sup> Covers the financial results between January and May 2021 of Telefónica UK up until the formation of the joint venture.

#### Accesses

2021	Total accesses (thousands)
Telefónica Spain	40,135
Telefónica Germany	50,219
United Kingdom <sup>(1)</sup>	55,988
Telefónica Brazil	98,854
Telefónica Hispam	110,415

Note: <sup>(1)</sup> VMED O2 taken into account.

### 1.8.1. Consolidated results

#### Key financial indicators<sup>(1)</sup>

Millions of euros	2021	Organic annual growth
Income	39,277	2.0 %
OIBDA	21,983	1.4 %
CapEx	7,267	10.3 %
OIBDA-CapEx	14,716	-4.4 %

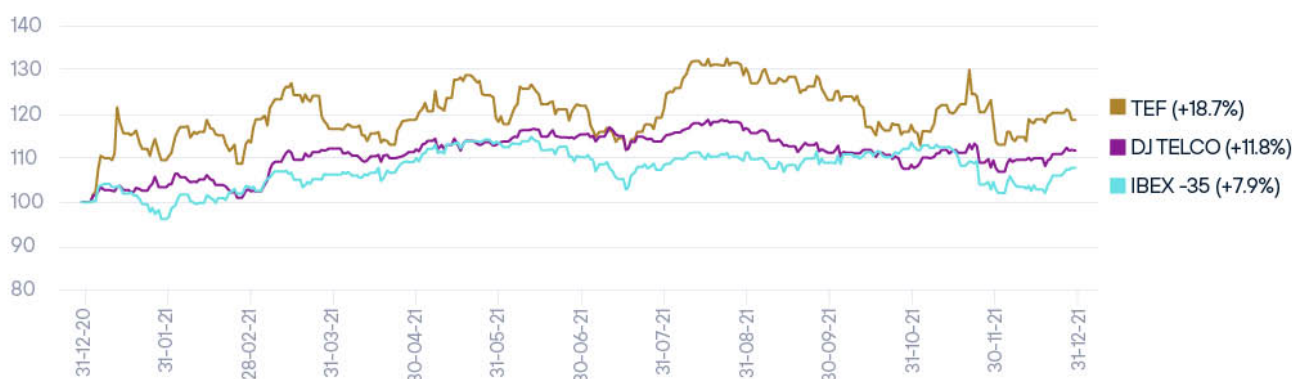
Millions of euros	2021	Reported annual growth
Net financial debt	26,032	-26.1%
Free Cash Flow	2,648	-44.8%

Note: <sup>(1)</sup> Consolidated group results include the results between January and May 2021 of Telefónica UK until the formation of the joint venture.

## 1.8.2. Share price performance

### Telefónica on the stock exchange, 2021

#### Evolution of share prices (TEF & IBEX-35 & DJ TELCO)



#### Share figures

Close (€)	3.85
52-week maximum	4.31
52-week minimum	3.25
Average daily volume (millions of shares; BME)	18.1
Number of shares (million)	5,779
Market capitalisation (million €)	22,261

#### Analysts' recommendations<sup>1</sup>

Buy	44%
Hold	42%
Sell	14%

#### Stock Exchange listings

Madrid
Nueva York (ADR)
Lima (ADS)

1. Bloomberg; 31/12/2021

#### Remuneration/Total shareholder return

**€0.3/share**

- €0.15 per share December 2021
- €0.15 per share June 2022
- Paid in 2021; "Voluntary Flexible Dividend"
  - €0.2 per share in June and €0.15 per share in December

**TSR 2021: +29.6%**

#### Target Price<sup>1</sup>

**4.52**  
€/share

#### Credit ratings

Moody's	Baa3
Fitch	BBB
S&P	BBB-

#### Number of shareholders

**1.2**  
million

#### Major shareholders

BBVA	4.99%
CaixaBank	4.49%
BlackRock	4.48%

Global markets closed higher in 2021, with the MSCI World Index up +20.1%. In the United States, the main indices reached record highs at the end of the fourth quarter, with the S&P rising +26.9%, the Nasdaq +21.4% and the Dow Jones +18.7% for the year. Among the major European markets (EStoxx 50 +21.0%), the Cac 40 had the highest return (+28.9%) followed by the DAX (+15.7%) and FTSE 100 (+14.3%), while the IBEX 35 recorded a relatively weaker performance (+7.9%).

Market developments during the year were marked by the evolution of the COVID-19 pandemic and reaction of governments, the pace of recovery and outlook for global economic activity, tensions in supply chains and inflation, the degree of monetary tightening by central banks, as well as an escalation of tensions between the United States and China. In this regard, in the first half of the year the main markets rallied more than in the second half, posting double digit growth versus single digits, with defensive and value sectors being favoured first and

growth and cyclical sectors later. Overall, low trading volumes and predominantly short-term movements were observed, with no clear market direction at many points during the year. Looking ahead to 2022, concerns remain focused on the evolution of the pandemic and its effects on economic growth, the impact on the economy of monetary policy tightening by major central banks, the impact and duration of current levels of inflation, and the ability to deal with supply chain problems.

While the telecommunications sector outperformed the market in the first quarter of the year (+12% for the DJ Telco vs. +8% for the Euro Stoxx 600), this trend reversed in the following quarters to close the year at +11.8% for the DJ Telco vs. +22.2% for the Euro Stoxx 600. Although the sector has proven to be essential for society and the economy, it has been impacted by (i) the sectoral rotation of markets; (ii) expectations of increased investment in spectrum and new technologies; (iii) a high level of indebtedness; (iv) lack of growth; (v) high competition in certain markets; (vi) complex regulatory environment, despite several positive signs in this area during the year, and; (vii) roaming, which has not recovered to pre-pandemic levels. However, in 2021, the sector had its best absolute performance since 2015, with further upward revisions in estimates and record M&A news volume, supported by higher valuations assigned by private markets, along with consolidation rumours in several markets.

Thanks to the strength of Telefónica's business model and the execution of the strategy, with the achievement of major milestones such as the creation of the VMED O2 joint venture in the UK and the sale of Telxius towers, Telefónica's share closed 2021 at €3.85, +18.7% in the year, with a total shareholder return of +29.6%. Telefónica delivered higher organic growth during the year, with more efficient capital allocation and reduced net financial debt significantly, simplifying and digitalising the operating model, reducing complexity.

Regarding the dividend payment, in 2021 and under the voluntary flexible dividend modality, €0.35 per share was paid (€0.20 per share in June and €0.15 per share in December). The shareholder remuneration policy consisted of a dividend of €0.30 per share, €0.15 per share paid in December 2021 and €0.15 per share to be paid in June 2022. As a result, the dividend yield for the year was 7.8%.

Telefónica closed the 2021 financial year with a market capitalisation of €22,261 million, making it the 29th largest company in the global telecommunications sector.

### 1.8.3. Advancing towards a more sustainable world

GRI 102-4, 204-1

#### > Networks: our connectivity

Connectivity is the first requirement for access to the digital world and at Telefónica we are constantly working to build and maintain a future-proof, reliable, resilient, and secure network.

The COVID-19 crisis has tested the robustness and stability of our network, which has withstood an increase in data traffic of more than 50% in 2020, and a 40% increase in fixed and mobile network in 2021 without saturation and availability of over 99.9%.



Go to chapter 2.9. Responsibility in our products and services

We have a flexible and efficient network thanks to an increasingly automated management that is evolving towards the zero-touch concept. In addition, a more sustainable network, powered by renewable sources, which has managed to reduce energy consumption by 7.2% since 2015, despite a 6.7-fold increase in traffic handled since then.

In 2021, we continued our commitment to inclusive connectivity by extending our telecommunications infrastructure and developing new technologies to bring connectivity and digital services to all. In this regard, our LTE mobile networks reached a penetration of 90% and we have more than 22 million ultra-broadband accesses (a 46% growth over the previous year).

Telefónica is committed to the future and that is why we have launched on 5G in our core markets. 5G is not just a new generation of mobile telephony, it is a revolution, both due to its practical applications for all sectors and because it enables ultra-broadband coverage to be extended. In addition, 5G technology is more efficient, up to 90% more efficient than 4G per unit of traffic.

#### LTE Penetration

	2020	2021	Variation year-on-year
Spain	88.4 %	91.6 %	3.2 pp
United Kingdom	93.0 %	91.5 %	-1.5 pp
Germany	94.9 %	98.9 %	4.0 pp
Brazil	78.6 %	85.1 %	6.5 pp
Argentina	85.0 %	89.2 %	4.2 pp
Peru	86.8 %	91.3 %	4.5 pp
Chile	88.7 %	91.8 %	3.1 pp
Colombia	75.5 %	83.1 %	7.6 pp
Mexico	70.4 %	79.7 %	9.3 pp
<b>Total</b>	<b>85.2 %</b>	<b>89.6 %</b>	<b>4.4 pp</b>

### UBB Accesses (thousands)

	2020	2021	Variation year-on-year
Spain	4,614	4,848	5 %
Germany	1,798	1,857	3 %
Brazil	5,084	5,535	9 %
Hispan	3,695	4,432	20 %
<b>Total</b>	<b>15,213</b>	<b>22,282</b>	<b>46 %</b>

### > Customer trust

We have been monitoring and reporting our Net Promoter Score (NPS) as a **recommendation indicator for our products and services** since 2018 and we perform the calculation of the Group's Global NPS based on the results obtained from each of our operations. This year, 2021, the global calculation was made based on the results obtained in Spain, Germany, Brazil and the Hispan region.



[Go to chapter 2.14. Clients](#)

In 2021, we closed the year with a result of 27%, **4 points above** last year's figure and we exceeded the annual target as a result of the positive evolution in Brazil and more significantly in Spain, while Germany closed 2021 showing signs of recovery.

### NPS Telefónica Group<sup>(1)</sup>

2020 <sup>(2)</sup>	2021
23	27

Note:

<sup>(1)</sup> Includes Spain, Germany, Brazil and Hispan (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay, and Venezuela).

<sup>(2)</sup> 2020 data recalculated for comparability purposes.

### > Environmentally responsible

Being aware of our impact on the environment is the first step towards a sustainable business model. At Telefónica, we aim to **minimise our footprint** and help maintain the fragile environmental balance, as we all depend on it. In addition, we extend our environmental practices to the entire value chain: suppliers, through contract clauses, disclosure actions and audits; employees, through training, and customers and others, through consumer programmes and awareness-raising actions.

At Telefónica, we want to help **curb climate change** and build a greener future through digitalisation. We have strengthened our emissions reduction targets to help limit the global temperature rise to 1.5°C and neutralised the remaining emissions to **net zero by 2025** at our main operations.

These objectives are not only compatible with the expansion of the network and quality of service, but also help us to be more competitive.

In 2021, we achieved 79 % of electricity consumption from renewable sources, 100% in our main markets, and reduced carbon emissions by 70% compared to 2015.

In addition, we have avoided 8.7 million tonnes of CO<sub>2</sub> at our customers, equivalent to the carbon absorbed by 143 million trees.



[Go to chapter 2.2. Energy and climate change](#)

### Key energy and climate change indicators<sup>(1)</sup>

	2015	2019	2020	2021
% Renewable electricity consumption in own facilities	17.2 %	73.8 %	78.8 %	79.4 %
Energy consumption by traffic (MWh/PB)	386	107	72	54
% Evolution of energy efficiency (base year: 2015)	—	-72%	-81%	-86%
GHG emissions scope 1+2 (market method) (tCO <sub>2</sub> eq)	1,811,155	886,319	675,459	536,737

Note:

<sup>(1)</sup>The data in this table does not include Telefónica UK (O2).

### > Diversity among our employees

At Telefónica we incorporate diversity and inclusion as a key element to connect talent and to grow as a company. The Global Diversity Council promotes an inclusive culture, allowing employees to contribute their views.

We are committed to gender equality, LGBT+ community, generational talent, ethnic diversity, and the inclusion of persons with disabilities.

With regards to **gender equality**, our targets for 2024 are to achieve 33% women in executive positions and an adjusted pay gap of +/-1%. These commitments contribute to our long-term objective to eliminate the gender pay gap by 2050.



[Go to chapter 2.6. Human capital](#)

## Women in Telefónica

	2016	2017	2018	2019	2020	2021
Women in the workforce	38 %	38 %	38 %	38%	38%	38 %
Female executives	21 %	22 %	23 %	27%	27 %	30 %

## Adjusted pay gap

2020	2021
2.5 %	1.2 %

## > Our contribution and impact

At Telefónica, we help society thrive by promoting economic and social progress with digitalisation.

During 2021, we carried out, for the third consecutive year, a comprehensive study of Telefónica's contribution to the most material issues and how we can best generate value and impact.



[Go to chapter 2.10. Contribution and impact on communities](#)

## Telefónica's overall contribution

	Income (€ millions)	Employees	Percentage of suppliers awarded local contracts	Total investment in the country (€ millions)	Staff costs (€ millions)	Taxes paid (€ millions)
2021						
Group	39,277	103,934	91	7,267	6,733	3,206

## 1.8.4. Analysts and rankings

Bloomberg Gender Equality  
Index



Included

CDP



A



**CDP Supplier Engagement**



A

**Digital Inclusion Benchmark  
(DIB)**



89.5/100  
1st in the world (ICT sector)

**EcoVadis**



73/100

**Fortune**

**Fortune 500**

Members of Fortune 500 in 2021  
Members of the Most Admired Companies 2022  
list (4th in the world/2nd in Europe)

**FTSE Russell**



**FTSE4Good**

4.4/5

1st in the world (telecommunications sector)

**Moody's Vigeo Eiris**



67/100

**MSCI**



A

**Ranking Digital Rights**



1st in the telecommunications sector

**Refinitiv**



A -

**S&P DJSI**



86/100  
Member of DJSI EUROPE

**Sustainalytics**



17.4 (low risk)  
14th in the telecommunications sector

**Workforce Disclosure Initiative**



87%

Note:

The table includes the latest valuations provided by institutions in 2021 or later but based on information from that year.

## 1.9. Business overview GRI 102-6

### 1.9.1. Highlights

Positive momentum in y-o-y operating income, reaching 13,586 million euros, impacted by extraordinary factors, mainly capital gains from the establishment of JV VMED O2 UK and the sale of the towers divisions of Telxius Group. Revenues in 2021 totaled 39,277 million euros, decreasing in reported terms by 8.8% year on year, mainly as a result of the changes in the consolidation perimeter, in particular, the establishment of JV VMED O2 UK (and the related deconsolidation of our UK business), the sale of the towers divisions of Telxius Group and the sale of Telefónica de Costa Rica and, to a lesser extent, the evolution of foreign exchange rates and, in particular, the depreciation against the euro of the Brazilian real.

We further enhanced our competitive position across core markets by driving market consolidation in the UK and Brazil, acquiring additional spectrum in the UK, Spain and Brazil, and delivering incremental improvement in network quality in Germany.

Our approach to capital allocation remained unchanged, with priority firmly on developing new generation networks based on fiber and 5G, as reflected in the speed of our fiber rollout in Spain and Brazil, and the Gigabit upgrade of cable to fiber in the UK (through JV VMED O2 UK).

These investments, coupled with our growing Digital Home consumer ecosystem portfolio, served to further enhance our customer experience, driving a positive y-o-y trend in total accesses supported by growth in high value UBB, fiber and contract mobile accesses.

We made substantial progress in streamlining and digitalizing our operating model, and further reduced our exposure to Latin America by completing the sale of Telefónica de Costa Rica.

In parallel, we reinforced our commitment to sustainability as an integral part of our day-to-day business. We

continued to drive connectivity and connect the unconnected, bringing economic and social benefits as well as playing a positive role in the decarbonization of other sectors through digitalization.

During 2021 Telefónica Tech has proactively reinforced its capabilities through acquisitions, including Cancom UK&I, Altostratus, and Geprom, while Telefónica Infra has allowed the creation of growth opportunities, together with a pipeline of potential value-accretive infra deals, including the partial sale of some of these vehicles.

Telefónica's **total accesses** including 100% of the accesses of JV VMED O2 UK (in respect of which Telefónica has a 50% stake) totaled 369.1 million as of December 31, 2021, increasing by 6.9% year-on-year, mainly due to the inclusion of Virgin Media's accesses in JV VMED O2 UK, which contributed 4.8 p.p. to year-on-year growth, offset in part by the exclusion of Telefónica de Costa Rica (which sale was completed on August 9, 2021), which reduced the growth by 0.7 p.p. In organic terms (calculated as set forth further below), there was a 2.6% increase, mainly due to better performance in postpaid accesses in Telefónica Brazil, Telefónica Hispam and Telefónica Germany, due to the lessening of restrictive measures related to the pandemic compared to the previous year.

The table below shows the evolution of accesses over the past two years as of December 31 of such years:

## Accesses

Thousands of accesses	2020	2021	%Reported YoY	%Organic YoY
Fixed telephony accesses <sup>(1)</sup>	28,243.0	29,966.9	6.1%	(8.3%)
Broadband <sup>(2)</sup>	20,077.2	25,833.3	28.7%	1.3%
UBB	15,212.8	22,281.8	46.5%	8.0%
FTTH	9,964.2	12,243.8	22.9%	22.9%
Mobile accesses <sup>(3)</sup>	266,287.1	277,793.3	4.3%	4.0%
Prepay	131,542.0	129,675.7	(1.4%)	(0.2%)
Contract	108,587.5	117,432.1	8.1%	5.6%
IoT	26,157.7	30,685.4	17.3%	17.6%
Pay TV	8,059.5	11,111.7	37.9%	(3.8%)
<b>Retail Accesses</b>	<b>322,978.5</b>	<b>344,945.5</b>	<b>6.8%</b>	<b>2.3%</b>
<b>Wholesale Accesses</b>	<b>22,455.0</b>	<b>24,173.3</b>	<b>7.7%</b>	<b>7.7%</b>
Fixed wholesale accesses	3,722.8	3,694.5	(0.8%)	(0.8%)
FTTH wholesale accesses	2,606.8	2,988.0	14.6%	14.6%
Mobile wholesale accesses	18,732.1	20,478.8	9.3%	9.3%
<b>Total Accesses</b>	<b>345,433.5</b>	<b>369,118.9</b>	<b>6.9%</b>	<b>2.6%</b>

### Notes:

- The table includes, with respect to 2020, accesses of Telefónica de Costa Rica (2.5 million total accesses) and, with respect to 2020 and 2021, accesses of Telefónica El Salvador (1.9 million and 1.8 million total accesses as of December 31, 2020 and 2021, respectively). The sale of Telefónica de Costa Rica was completed on August 9, 2021. The sale of Telefónica El Salvador was completed on January 13, 2022.

<sup>(1)</sup> Includes fixed wireless and VoIP accesses.

The table below shows the contribution to reported growth of each item considered to calculate the organic variations. To exclude the impact of the closing of the transaction with Liberty Global and the establishment of JV VMED O2 UK in the calculation of organic variations, the 2020 comparative figures include the accesses of Virgin Media. To exclude the impact of the sale of

Telefónica de Costa Rica in the calculation of organic variations, the 2020 comparative figures exclude the accesses of Telefónica de Costa Rica. For each line item, the contribution to reported growth, expressed in p.p., is the result of dividing the amount of each impact by the consolidated reported figure for the previous year.

## Contribution to the reported growth (percentage points)

Thousands of accesses	%Reported YoY	%Organic YoY	%Reported YoY	%Organic YoY Costa Rica
Fixed telephony accesses	6.1%	(8.3%)	15.8	(0.2)
Broadband	28.7%	1.3%	27.0	—
UBB	46.5%	8.0%	35.6	—
FTTH	22.9%	22.9%	—	—
Mobile accesses	4.3%	4.0%	1.3	(0.9)
Prepay	(1.4%)	(0.2%)	0.1	(1.4)
Contract	8.1%	5.6%	3.0	(0.6)
IoT	17.3%	17.6%	—	(0.2)
Pay TV	37.9%	(3.8%)	43.4	(0.1)
<b>Retail Accesses</b>	<b>6.8%</b>	<b>2.3%</b>	<b>5.2</b>	<b>(0.8)</b>
<b>Wholesale Accesses</b>	<b>7.7%</b>	<b>7.7%</b>	<b>—</b>	<b>—</b>
Fixed wholesale accesses	(0.8%)	(0.8%)	—	—
FTTH wholesale accesses	14.6%	14.6%	—	—
Mobile wholesale accesses	9.3%	9.3%	—	—
<b>Total Accesses</b>	<b>6.9%</b>	<b>2.6%</b>	<b>4.8</b>	<b>(0.7)</b>

The table below shows the evolution of accesses by segment:

ACCESSES 2021	YoY variation	% Over Total Accesses	
		2020	2021
Telefónica Spain	(2.8%)	12.0%	10.9%
Telefónica United Kingdom / VMED O2 UK <sup>(1)</sup>	5.1%	10.6%	15.2%
Telefónica Germany	2.9%	14.1%	13.6%
Telefónica Brazil	3.9%	27.5%	26.8%
Telefónica Hispam	1.8%	31.4%	29.9%
Other companies	(10.6%)	4.4%	3.7%

Note:

<sup>(1)</sup> Our former Telefónica United Kingdom segment was replaced by our new VMED O2 UK segment on June 1, 2021.

**Mobile accesses** totaled 277.8 million as of December 31, 2021, up 4.3% compared to 2020 mainly due to the inclusion of Virgin Media's accesses which contributed 1.3 p.p. to year-on-year growth, offset in part by the exclusion of Telefónica de Costa Rica, which reduced the growth by 0.9 p.p. In organic terms, mobile accesses increased 4.0% due to an increase in postpaid (8.1% in reported terms and 5.6% in organic terms), offset in part by the decrease in prepay (1.4% in reported terms and 0.2% in organic terms). Postpaid accesses represented 47.5% of the mobile accesses excluding IoT (+2.3 p.p. in reported terms and +1.4 p.p. in organic terms y-o-y).

**Fixed broadband accesses** stood at 25.8 million at December 31, 2021, up 28.7% year-on-year mainly due to the inclusion of Virgin Media's accesses, which contributed 27.0 p.p. to year-on-year growth. In organic terms, fixed broadband accesses increased 1.3% y-o-y. Retail fiber (FTTH) accesses stood at 12.2 million at December 31, 2021, growing by 22.9% compared to December 31, 2020 in both reported and organic terms.

**Pay TV accesses** totaled 11.1 million as of December 31, 2021, up 37.9% year-on-year mainly due to the inclusion of Virgin Media's accesses which contributed 43.4 p.p. to year-on-year growth, offset in part by the exclusion of Telefónica de Costa Rica which reduced the growth by 0.1 p.p. In organic terms, Pay TV accesses decreased by 3.8% due to the evolution in Spain and Brazil.

The tables below show the evolution of Telefónica's estimated access market share for mobile and fixed broadband for the past two years.

### Competitive Position Evolution

Telefónica	Mobile Market Share <sup>(1)</sup>	
	2020	2021
Spain	29.3 %	27.6 %
United Kingdom <sup>(2)</sup>	25.3 %	30.1 %
Germany	35.9 %	34.9 %
Brazil	33.6 %	33.1 %
Argentina	29.2 %	29.2 %
Chile	26.6 %	25.8 %
Peru	31.2 %	30.4 %
Colombia	25.0 %	26.0 %
Venezuela	55.7 %	54.7 %
Mexico	21.0 %	19.5 %
Ecuador	29.9 %	31.5 %
Uruguay	37.0 %	29.1 %

<sup>(1)</sup> Internal estimates in both years.

<sup>(2)</sup> In 2021, it refers to JV VMED O2 UK market share as of September 2021.

Telefónica	FBB Market Share <sup>(1)</sup>	
	2020	2021
Spain	36.6 %	35.3 %
Brazil	17.8 %	15.3 %
Argentina	16.5 %	11.7 %
Chile	27.8 %	29.8 %
Peru	66.2 %	61.0 %
Colombia	15.4 %	13.8 %

<sup>(1)</sup> Internal estimates in both years.



## 1.9.2. 2021/2020 Consolidated results

In this section, we discuss changes in the Group's consolidated income statements for the years ended December 31, 2021 and 2020.

Consolidated Results	Year ended December 31,				Variation	
	2020		2021		2021 vs 2020	
	Total	% of revenues	Total	% of revenues	Total	%
<b>Millions of euros</b>						
Revenues	43,076	100.0%	39,277	100.0%	(3,799)	(8.8%)
Other income	1,587	3.7%	12,673	32.3%	11,086	698.3%
Supplies	(13,014)	(30.2%)	(12,258)	(31.2%)	756	(5.8%)
Personnel expenses	(5,280)	(12.3%)	(6,733)	(17.1%)	(1,453)	27.5%
Other expenses	(12,871)	(29.9%)	(10,976)	(27.9%)	1,895	(14.7%)
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBDA)</b>	<b>13,498</b>	<b>31.3%</b>	<b>21,983</b>	<b>56.0%</b>	<b>8,485</b>	<b>62.9%</b>
OIBDA Margin	31.3 %		56.0 %			24.6 p.p.
Depreciation and amortization	(9,359)	(21.7%)	(8,397)	(21.4%)	962	(10.3%)
Amortization of intangible assets, depreciation of property, plant and equipment	(7,756)	(18.0%)	(6,748)	(17.2%)	1,008	(13.0%)
Amortization of rights of use	(1,603)	(3.7%)	(1,649)	(4.2%)	(46)	2.9%
<b>OPERATING INCOME (OI)</b>	<b>4,139</b>	<b>9.6%</b>	<b>13,586</b>	<b>34.6%</b>	<b>9,447</b>	<b>228.2%</b>
Operating Margin	9.6 %		34.6 %			26.1 p.p.
Share of income of investments accounted for by the equity method	2	0.0%	(127)	(0.3%)	c.s.	c.s.
Net financial expense	(1,558)	(3.6%)	(1,364)	(3.5%)	194	(12.5%)
<b>PROFIT BEFORE TAX</b>	<b>2,583</b>	<b>6.0%</b>	<b>12,095</b>	<b>30.8%</b>	<b>9,512</b>	<b>368.2%</b>
Corporate income tax	(626)	(1.5%)	(1,378)	(3.5%)	(752)	120.0%
<b>PROFIT FOR THE YEAR</b>	<b>1,957</b>	<b>4.5%</b>	<b>10,717</b>	<b>27.3%</b>	<b>8,760</b>	<b>447.6%</b>
Attributable to equity holders of the parent	1,582	3.7%	8,137	20.7%	6,555	414.4%
Attributable to non-controlling interests	375	0.9%	2,580	6.6%	2,205	587.4%

### Adjustments made to calculate organic variations

Year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis, by considering a constant perimeter of consolidation and constant average foreign exchange rates and by making certain other adjustments which are described herein. "Organic" variations should not be viewed in isolation or as an alternative to reported variations.

For purposes of this report, 2021/2020 "organic" variation is defined as the reported variation as adjusted to exclude the impacts detailed below:

- **Foreign exchange effects:** we have excluded the impact of changes in exchange rates (except for countries with hyperinflationary economies: Argentina and Venezuela) by assuming constant average foreign exchange rates year-on-year (using average foreign exchange rates of 2020 for both years).

Foreign exchange rates had a negative impact on our reported 2021 results, mainly due to the depreciation of the Brazilian real against the euro.

Foreign exchange effects decreased revenue growth by 2.3 percentage points, OIBDA growth by 2.7 percentage points and operating income growth by 3.0 percentage points in 2021.

- **Changes in the consolidation perimeter:** we have excluded the impact of changes in our consolidation perimeter in 2021 and 2020. The main changes were the constitution of JV VMED O2 UK (and, therefore, the exclusion from our consolidation perimeter of the entities that comprised our former Telefónica United Kingdom segment from that date), the sale of the towers divisions of Telxius Group, the sale of Telefónica de Costa Rica and the sale of 60% of InfraCo, SpA in 2021. To exclude the impact of these transactions in the calculation of organic variations, the 2020 comparative figures exclude the results of the companies that are no longer part of the consolidated

perimeter from the date of the relevant transaction to the end of the year. Additionally, we have excluded the depreciation and amortization of these entities from January 1, 2020 until such month in 2020.

No adjustments for changes in the consolidation perimeter were made with respect to the results of JV VMED O2 UK and other joint ventures established in 2021, as their results are accounted for under the equity method and organic variations are only calculated through operating income.

- **Gains or losses on the sale of companies:** the gains obtained or losses incurred from the sale of companies have been excluded to calculate organic variations.

In 2021, we mainly excluded the gains resulting from the establishment of JV VMED O2 UK (4,460 million euros), the sale of the European and Latin American towers divisions of the Telxius Group (6,099 million euros), the establishment of FiBrasil (26 million euros), the sale of 60% of the shares in InfraCo, SpA (274 million euros) and the sale of Telefónica de Costa Rica (136 million euros).

In 2020, we mainly excluded a gain of 29 million euros related to the initial registration at fair value of the stake of Telefónica in the joint venture with the Allianz Group for the deployment of fiber in Germany.###

- **Restructuring costs:** we have excluded the impact in 2021 and 2020 of restructuring costs, mainly those related to the Individual Suspension Plan adopted under the Social Pact for Employment in Telefónica Spain in 2021.

The distribution by segment of the restructuring costs, in terms of their impact on OIBDA and operating income, is as follows:

Millions of euros	2020	2021
Telefónica Spain	(2)	1,382
Telefónica United Kingdom	—	—
Telefónica Germany	37	22
Telefónica Brazil	—	—
Telefónica Hispam	17	174
Other companies	34	85
<b>Total restructuring costs</b>	<b>86</b>	<b>1,663</b>

- **Reported variation of companies in hyperinflationary countries:** in the organic variation, the y-o-y reported variation of the companies in countries with hyperinflationary economies (Argentina and Venezuela) is excluded. In reported terms, in 2021 the revenues of these companies increased by 327 million euros and their OIBDA, operating income and OIBDA-CapEx decreased by 112 million euros, 107 million euros, 134 million euros, respectively, compared to 2020.
- **Impairment of goodwill and other assets:** in 2021 the impairment of goodwill amounting to 416 million euros, mainly in Telefónica Peru, has been excluded. In 2020, the impairment of the goodwill and certain assets of Telefónica Argentina has been excluded, amounting to 894 million euros, which consists of a 519 million euros goodwill impairment loss and impairment losses over non-current assets amounting to 375 million euros.
- **Judicial decision PIS/COFINS:** we excluded the positive impact of the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security - COFINS (Contribuição para Financiamento de Seguridade Social) amounting to 243 million euros in OIBDA in 2021.
- **Spectrum acquisition:** the organic variation of capital expenditures ("CapEx") excludes the impact of spectrum acquisitions in 2021 and 2020.

In 2021, spectrum acquisitions amounted to 1,704 million euros of which 706 million euros corresponded to Telefónica Brazil, 515 million euros to our former Telefónica United Kingdom segment (which acquisitions took place before JV VMED O2 UK was established), 352 million euros to Telefónica Spain and 131 million euros to Telefónica Chile.

In 2020, spectrum acquisitions amounted to 126 million euros of which 94 million euros corresponded to Telefónica United Kingdom and 32 million euros to Telefónica Brazil.

- **Other adjustments:** organic variations exclude the following:

In 2021: (i) the provision for contingencies in Telefónica Brazil amounting to 154 million euros with a negative impact in OIBDA; (ii) the impact of the transformation of the operating model of Telefónica México (following the AT&T agreement entered into in 2019) on depreciation and amortization amounting to 88 million euros; (iii) the provisions recorded in Telefónica Spain to optimize the distribution network (44 million euros in OIBDA); and (iv) the impact of not amortizing assets held for sale in Telefónica El Salvador (14 million euros in amortization and operating income).

In 2020: (i) the impact of the accelerated amortization resulting from the transformation of the operating model of Telefónica México (following the AT&T agreement in 2019), amounting to 320 million euros in 2020 in depreciation and amortization and operating income; and (ii) other adjustments amounting to 34 million euros in OIBDA, mainly due to the provisions recorded in Telefónica Spain to optimize the distribution network (29 million euros in OIBDA), and the gains on the spectrum sale in Telefónica Germany (5 million euros in OIBDA) and the impact of not amortizing assets held for sale in Telefónica El Salvador (32 million euros in amortization and operating income).

The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the consolidated income statement and CapEx and OIBDA-CapEx:

<b>TELEFÓNICA 2021</b>	<b>YoY variation</b>	
	<b>% Reported YoY</b>	<b>% Organic YoY</b>
Revenues	(8.8%)	2.0%
Other income	698.3%	18.8%
Supplies	(5.8%)	6.8%
Personnel expenses	27.5%	3.3%
Other expenses	(14.7%)	(0.7%)
<b>OIBDA</b>	<b>62.9%</b>	<b>1.4%</b>
Depreciation and amortization	(10.3%)	(0.5%)
<b>Operating income (OI)</b>	<b>228.2%</b>	<b>5.6%</b>
CapEx	24.0%	10.3%
<b>OIBDA-CapEx</b>	<b>92.7%</b>	<b>(4.4%)</b>

The table below shows the contribution to reported growth of each item considered to calculate the organic variations, as explained above. For each line item, the contribution to reported growth, expressed in percentage points, is the result of dividing the amount of the impact of each such item (on a net basis when the impact affects both years) by the consolidated reported figure for the previous year.

<b>Contribution to reported growth (percentage points)</b>									
<b>TELEFÓNICA 2021</b>	<b>Exchange rate effect</b>	<b>Perimeter change</b>	<b>Capital gains/ losses on sale of companies</b>	<b>Restructuring costs</b>	<b>Reported variation in hyperinflationary countries</b>	<b>Impairment of goodwill and other assets</b>	<b>Judicial decision PIS/ COFINS</b>	<b>Spectrum acquisition</b>	<b>Other adjustments</b>
Revenues	(2.3)	(9.1)	—	—	0.8	—	—	—	0.0
Other income	(2.7)	(8.3)	692.2	—	0.0	—	—	—	—
Supplies	(1.7)	(11.0)	—	—	0.8	—	—	—	—
Personnel expenses	(2.2)	(5.2)	—	30.2	1.7	—	—	—	—
Other expenses	(2.7)	(7.9)	(0.0)	(0.1)	0.9	(3.7)	(2.1)	—	1.4
OIBDA	(2.7)	(9.5)	81.2	(11.7)	0.1	3.5	2.0	—	(1.3)
Depreciation and amortization	(2.6)	(4.1)	—	—	(0.0)	—	—	—	(3.0)
<b>Operating income</b>	<b>(3.0)</b>	<b>(21.6)</b>	<b>264.9</b>	<b>(38.2)</b>	<b>0.3</b>	<b>11.5</b>	<b>6.4</b>	<b>—</b>	<b>2.5</b>
CapEx	(4.0)	(11.2)	—	—	0.4	—	—	29.7	0.1
<b>OIBDA-CapEx</b>	<b>(1.8)</b>	<b>(8.1)</b>	<b>143.6</b>	<b>(20.7)</b>	<b>(0.2)</b>	<b>6.3</b>	<b>3.5</b>	<b>(22.8)</b>	<b>(2.4)</b>

### 1.9.3. Analysis of results

**Revenues (net sales and provided services)** in 2021 totaled 39,277 million euros, decreasing in reported terms by 8.8% year on year, mainly as a result of the changes in the consolidation perimeter (-9.1 p.p.), in particular, the constitution of JV VMED O2 UK (and, therefore, the exclusion from our consolidation perimeter of the entities that comprised our former Telefónica United Kingdom segment from that date), the sale of the towers divisions of Telxius Group and the sale of Telefónica de Costa Rica; and to a lesser extent, the evolution of foreign exchange rates (-2.3 p.p.) and, in particular, the depreciation against the euro of the Brazilian real. In organic terms, revenues grew by 2.0%, mainly as a result of increased handset sales in all business areas and the growth in service revenues.

**Other income** mainly included gains on the sale of assets and, to a lesser extent, own work capitalized in our fixed assets. In 2021, other income totaled 12,673 million euros compared to 1,587 million euros in 2020. This increase was mainly attributable to the gains resulting from the sale of the European and Latin American towers divisions of Telxius Group (6,099 million euros), the establishment of JV VMED O2 UK (4,460 million euros), the sale of 60% of the shares in InfraCo, SpA (274 million euros), the sale of Telefónica de Costa Rica to Liberty Global (136 million euros) and the establishment of FiBrasil in Brazil (26 million euros). In organic terms, other income increased 18.8% y-o-y.

**The total amount of supplies, personnel expenses and other expenses** was 29,967 million euros in 2021, down 3.8% year-on-year in reported terms. This decrease was mainly attributable to the impact of changes in the scope of consolidation (-8.8 p.p.), changes in foreign exchange rates (-2.2 p.p.) and the impairment of goodwill and other assets in Telefónica Argentina in 2020, which exceeded the amount of the impairment in Telefónica Peru in 2021 (-1.6 p.p.), partially offset by the higher restructuring costs (+5.1 p.p.). In organic terms, the total amount of supplies, personnel expenses and other expenses increased by 3.2%. The year-on-year variation in organic terms was significantly affected by higher supply and personnel costs. The evolution of these expenses is explained in greater detail below:

- **Supplies** amounted to 12,258 million euros in 2021, down 5.8% year-on-year in reported terms, as a result mainly of changes in the scope of consolidation (-11.0 p.p.) and, to a lesser extent, the impact of changes in foreign exchange rates (-1.7 p.p.). In organic terms, supplies increased by 6.8% year-on-year, mainly due to higher TV content costs and higher costs related to IT sales in Telefónica Spain.
- **Personnel expenses** amounted to 6,733 million euros in 2021, up 27.5% year-on-year in reported terms mainly as a result of the higher restructuring costs (+30.2 p.p.), mainly related to the Individual

Suspension Plan in Spain, partially offset by the impact of changes in the scope of consolidation (-5.2 p.p.) and changes in foreign exchange rates (-2.2 p.p.). In organic terms, personnel expenses increased by 3.3% year-on-year, as a result of the increasing normalization of business activity, following the cost saving measures implemented in 2020 in response to the COVID-19 pandemic in practically all geographies.

The average headcount was 107,776 employees in 2021, down 4.8% compared to 2020, mainly as a result of the deconsolidation of the entities that comprised our former Telefónica United Kingdom segment in June 2021.

- **Other expenses** (principally external services and, to a significantly lesser extent, taxes other than income tax) amounted to 10,976 million euros in 2021, down 14.7% year-on-year in reported terms. This decrease was mainly attributable to the impact of changes in the scope of consolidation (-7.9 p.p.), the impairment of goodwill and other assets in Telefónica Argentina in 2020, which exceeded the amount of the impairment in Telefónica Peru in 2021 (-3.7 p.p.), the impact of foreign exchange rates (-2.7 p.p.) and the positive impact of the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security- COFINS (Contribuição para Financiamento da Seguridade Social) (-2.1 p.p.). In organic terms, other expenses decreased by 0.7% year-on-year due mainly to the saving measures carried out by the Group.

As a result of the foregoing, OIBDA totaled 21,983 million euros in 2021, compared with 13,498 million euros in 2020, significantly impacted by the gains from the transactions recorded in "Other income". In organic terms, OIBDA increased by 1.4% year-on-year.

**Depreciation and amortization** amounted to 8,397 million euros in 2021, decreasing by 10.3% compared to 2020 in reported terms mainly as a result of changes in the consolidation perimeter (-4.1 p.p.), mainly due to the recognition of the entities that comprised our former Telefónica United Kingdom segment as a disposal group held for sale in May 2020, the impact of foreign exchange rates (-2.6 p.p.) and the impact of the accelerated amortization related to the transformation of the operating model of Telefónica México, which affected 2020 to a greater extent (-2.5 p.p.). In organic terms, depreciation and amortization decreased by 0.5%.

**Operating income (OI)** in 2021 totaled 13,586 million euros, compared with 4,139 million euros in 2020, significantly impacted by the gains recorded in "Other income" (+264.9 p.p.). To a much lesser extent, the year-on-year increase was explained by the impairment of goodwill and other assets in Telefónica Argentina in 2020, which exceeded the amount of the impairment in

Telefónica Peru in 2021 (+11.5 p.p.), the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security- COFINS (Contribuição para Financiamento da Seguridade Social) (+6.4 p.p.) and the impact of the accelerated amortization related to the transformation of the operating model of Telefónica México, following the AT&T agreement in 2020 (+5.6 p.p.). The year-on-year increase was partially offset by the higher restructuring costs, which were mainly related to the Individual Suspension Plan in Spain in 2021, which totaled 1,382 million euros (-38.2 p.p.), changes in the consolidation perimeter (-21.6 p.p.), the provision for contingencies in Telefónica Brazil (-4.1 p.p.) and the foreign exchange rate effects (-3.0 p.p.). In organic terms, operating income increased by 5.6%, mainly as a result of increased handset sales in all business areas and the growth in service revenues.

The **share of income (loss) of investments** accounted for by the equity method for 2021 was a loss of 127 million euros, compared to income of 2 million euros in 2020.

**Net financial expense** amounted to 1,364 million euros in 2021, improving by 194 million euros compared to 2020 due to the reduction of debt in European currencies (despite the increase in interest rates in Brazil and higher level of debt denominated in Brazilian reais) as well as other non-recurrent positive effects.

**Corporate income tax** amounted to 1,378 million euros in 2021, increasing from 2020 (626 million euros) due mainly to the accounting effect of the tax assessments resulting from the tax inspection in Spain, a decrease in deferred tax assets in Spain due to the restatement of their recoverability, provision in Peru due to unfavorable ruling by the Supreme Court and adjustments for tax rates changes. The increase was partially offset by the provision recorded in Spain in connection with the Individual Suspension Plan and non-taxable interests in Brazil. A substantial portion of the capital gains obtained in 2021 were exempt from corporate tax.

As a result, **profit for the year attributable to equity holders of the parent** for 2021 was 8,137 million euros (1,582 million euros in 2020).

**Profit attributable to non-controlling interests** was 2,580 million euros in 2021 (375 million euros in 2020) mainly as a result of profit attributable to non-controlling interests in Telxius, which completed the sale of the towers divisions in Europe and Latin America in 2021.

**CapEx** were 7,267 million euros in 2021, increasing 24.0% year on year in reported terms as a result of the spectrum purchase mainly in Telefónica Brazil (706 million euros), our former Telefónica United Kingdom segment (515 million euros in the first five months of 2021), Telefónica Spain (352 million euros) and Telefónica Chile

(131 million euros). CapEx in 2020 was limited due to the COVID-19 pandemic.

**OIBDA-CapEx** was 14,716 million euros in 2021 compared to 7,637 million euros in 2020, increasing by 92.7% y-o-y in reported terms and decreasing by 4.4% in organic terms.



## 1.9.4. 2021/2020 Segment results

### TELEFÓNICA SPAIN

The table below shows the evolution of accesses in Telefónica Spain over the past two years as of December 31 of such years:

#### ACCESSES

Thousands of accesses	2020	2021	%Reported YoY
Fixed telephony accesses <sup>(1)</sup>	8,731.0	8,376.3	(4.1%)
Broadband	5,961.9	5,874.9	(1.5%)
FTTH	4,614.1	4,847.6	5.1%
Mobile accesses	18,977.8	18,484.6	(2.6%)
Prepay	888.1	752.5	(15.3%)
Contract	15,383.7	15,210.7	(1.1%)
IoT	2,706.0	2,521.5	(6.8%)
Pay TV	3,934.5	3,716.4	(5.5%)
<b>Retail Accesses</b>	<b>37,615.1</b>	<b>36,460.9</b>	<b>(3.1%)</b>
<b>Wholesale Accesses</b>	<b>3,689.5</b>	<b>3,674.3</b>	<b>(0.4%)</b>
FTTH Wholesale Accesses	2,599.8	2,982.0	14.7%
<b>Total Accesses</b>	<b>41,304.6</b>	<b>40,135.2</b>	<b>(2.8%)</b>

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

During 2021, a new Fusion portfolio that includes several devices (including 5G smartphones of different brands, Smart TVs, Tablets and laptops, among others) was launched, allowing customers to choose the device that best suits their needs depending on the Fusion package contracted.

With this new Fusion portfolio, and the increase in the connection speed of its customers to up to 1Gbps, Telefónica Spain has taken a new step to respond to customer demands.

The investment in the 5G mobile network made it possible to achieve 81% of population coverage as of December 31, 2021, and has allowed customers to access, regardless of their location, all fiction and sports contents. Throughout 2022, Telefonica will continue to expand and strengthen coverage to reach more population, which expansion is expected to be boosted by the recent award to Telefónica of one block of 2x10 MHz in the 700MHz auction.###

Additionally, in 2021, Telefónica has continued to improve its offer proposals to strengthen its relationship with customers and reach new segments, some of which are described below:

- **Movistar Prosegur Alarmas:** the joint venture of Prosegur and Telefónica, offers, since September 2020, intelligent recognition and system automation services. These new functionalities are based on the incorporation of artificial intelligence in the home environment and are configured according to the

specific needs of each user. As of December 31, 2021 the number of clients exceeded 350 thousand.

- **Movistar Health:** an online telemedicine service, reached nearly 60 thousand customers at December 31, 2021, following its launching in October 2020.
- **Home Insurance:** launch of home insurance with Telefónica Seguros, SANTALUCÍA and BBVA Allianz. The new insurance has several modalities in terms of the scope of coverage, and includes coverage of incidents such as water damage, fire, theft, legal protection, or handyman, among others. This new product can be contracted by anyone, whether they are Telefónica Spain customers or not.
- **Gaming:** Telefónica Spain and Microsoft have signed a strategic partnership whereby Telefónica Spain will offer Xbox Game Pass Ultimate (a gaming subscription service from Xbox) to its Movistar Fusión and Contrato Solo Móvil customers, for 12.99 € per month and 20 GB of extra mobile data on a Telefónica Spain mobile line of their choice.
- **Movistar Música:** a music streaming service with more than 50 million songs in its catalogue, without ads and including exclusive content of the artists. The service was first piloted in Latin America and comes with several subscription options. The streaming service is available both as a mobile and tablet app and also available on the Movistar Home device.
- **Movistar Money:** the consumer loan service for Telefónica Spain customers, already used by more than

3 million customers, updated its conditions, by incorporating new features, such as the possibility of requesting up to 5,000 euros (1,000 euros more) and the incorporation of payment protection insurance in the event of an unforeseen event

Telefónica Spain had 40.1 million **accesses** as of December 31, 2021, a decline of 2.8% as compared to December 31, 2020, partly driven by a commercial policy focused on generating value and promoting higher market rationalization by reducing promotional activity, which had an impact on commercial activity.

**The convergent offer (residential and SMEs)** had a customer base of 4.6 million customers as of December 31, 2021, a decrease of 3.6% y-o-y.

**Retail fixed accesses** totaled 8.4 million and decreased 4.1% as compared to December 31, 2020, with a net loss of 355 thousand accesses in 2021.

**Retail broadband accesses** totaled 5.9 million (-1.5% y-o-y), with a net loss of 87 thousand accesses during 2021.

**Retail fiber (FTTH) accesses** reached 4.8 million customers (+5.1% as compared to December 31, 2020), representing 82.5% of total retail broadband customers (+5.1 p.p. y-o-y) with net adds of 234 thousand accesses in 2021. At December 31, 2021, fiber deployment reached 26.9 million premises, 1.7 million more than at December 31, 2020.

Total retail **mobile accesses** stood at 18.5 million as of December 31, 2021, a decrease of 2.6% as compared to December 31, 2020 as a result of a decrease in both mobile contract accesses (-1.1% y-o-y) and prepay accesses (-15.3% y-o-y).

**Pay TV accesses** reached 3.7 million at December 31, 2021, decreasing 5.5% year-on-year.

**Wholesale accesses** stood at 3.7 million at December 31, 2021, down 0.4% year-on-year, although wholesale fiber (FTTH) accesses (81.2% of total wholesale accesses at December 31, 2021 compared with 70.5% at December 31, 2020) were up 14.7% year-on-year.

The table below shows Telefónica Spain's results over the past two years:

<b>Millions of euros</b>				
<b>TELEFÓNICA SPAIN (1)</b>	<b>2020</b>	<b>2021</b>	<b>% Reported YoY</b>	<b>% Organic YoY (2)</b>
Revenues	12,401	12,417	0.1%	0.1%
Mobile handset revenues	264	400	51.3%	51.3%
<b>Revenues ex-mobile handset sales</b>	<b>12,137</b>	<b>12,017</b>	<b>(1.0%)</b>	<b>(1.0%)</b>
Retail	9,906	9,699	(2.1%)	(2.1%)
Wholesale and Other	2,231	2,318	3.9%	3.9%
Other income	540	664	23.1%	23.1%
Supplies	(4,210)	(4,636)	10.1%	10.1%
Personnel expenses	(1,748)	(3,201)	83.1%	3.9%
Other expenses	(1,937)	(1,867)	(3.6%)	(4.4%)
OIBDA	5,046	3,377	(33.1%)	(5.3%)
Depreciation and amortization	(2,184)	(2,153)	(1.4%)	(1.4%)
Amortization of intangible assets, depreciation of property, plant and equipment	(1,892)	(1,807)	(4.5%)	(4.5%)
Amortization of rights of use	(292)	(346)	18.6%	18.6%
<b>Operating income (OI)</b>	<b>2,862</b>	<b>1,224</b>	<b>(57.2%)</b>	<b>(8.3%)</b>
CapEx	1,408	1,815	28.9%	3.9%
OIBDA-CapEx	3,638	1,562	(57.1%)	(8.9%)

Notes:

(1) See adjustments made to calculate organic variations below.

#### Adjustments made to calculate organic variations

As explained above, year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis.

With respect to Telefónica Spain, we have made the following adjustments in order to calculate 2021/2020 variations in organic terms:

- **Optimization of the distribution network:** organic variations exclude the impact of the provisions recorded in Telefónica Spain totaling 44 million euros in 2021 in connection with the restructuring of the distribution channels (29 million euros in 2020).
- **Restructuring costs:** we have excluded the impact of (i) in 2021, restructuring costs totaling 1,382 million euros that were mainly related to the Individual Suspension Plan; and (ii) in 2020 2 million euros due to the reversal of a provision recorded in 2019 in connection with restructuring costs.
- **Spectrum acquisition:** we have excluded the impact of spectrum acquisitions from CapEx, which totaled 352 million euros in 2021. During 2020, no spectrum acquisitions were made.

The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

	YoY variation		Contribution to reported growth (percentage points)		
	% Reported YoY	% Organic YoY	Optimization Distribution Network	Restructuring costs	Spectrum acquisition
<b>TELEFÓNICA SPAIN 2021</b>					
Revenues	0.1%	0.1%	—	—	—
Other income	23.1%	23.1%	—	—	—
Supplies	10.1%	10.1%	—	—	—
Personnel expenses	83.1%	3.9%	—	79.2	—
Other expenses	(3.6%)	(4.4%)	0.7	—	—
OIBDA	(33.1%)	(5.3%)	(0.3)	(27.4)	—
Depreciation and amortization	(1.4%)	(1.4%)	—	—	—
<b>Operating income (OI)</b>	<b>(57.2%)</b>	<b>(8.3%)</b>	<b>(0.5)</b>	<b>(48.4)</b>	—
CapEx	28.9%	3.9%	—	—	25.0
<b>OIBDA-CapEx</b>	<b>(57.1%)</b>	<b>(8.9%)</b>	<b>(0.4)</b>	<b>(38.0)</b>	<b>(9.7)</b>

### Analysis of results

**Revenues** in 2021 amounted to 12,417 million euros, growing 0.1% y-o-y in reported terms. This stable trend was supported by handset revenues due to the launching of the new Fusion portfolio, as the new portfolio includes several devices as part of the packages (including 5G smartphones of different brands, Smart TVs, tablets and laptops, among others). The evolution of revenues excluding mobile handset sales is described below:

- **Retail revenues** totaled 9,699 million euros in 2021, decreasing by 2.1% year-on-year in reported terms, due in part to the customer base decline and convergent customer value mix erosion (mainly due to the worsening of economic conditions as a result of the COVID-19 pandemic), partially offset by higher IT revenues due to the higher demand for digitalization projects in the B2B segment.
- **Wholesale and other revenues** totaled 2,318 million euros in 2021, increasing by 3.9% year-on-year in reported terms, due, among others, to a recovery in roaming-in revenues.

OIBDA reached 3,377 million euros in 2021, a year-on-year decrease of 33.1% in reported terms and 5.3% year-on-year in organic terms.

**Depreciation and amortization** amounted to 2,153 million euros in 2021, decreasing by 1.4% year-on-year in both reported and organic terms, mainly as a result of an acceleration of the decommissioning of central offices and the change in the depreciation period of radio-links.

**Operating income** amounted to 1,224 million euros in 2021, a year-on-year decrease of 57.2% in reported terms. The year-on-year decrease was mainly driven by the restructuring costs provision (-48.4 p.p.) in 2021. In organic terms, operating income showed a decrease of 8.3% year-on-year, mainly as a result of the lower service revenues and the impact of the higher energy costs for most of the year.

## TELEFÓNICA UNITED KINGDOM

Our former Telefónica United Kingdom segment was replaced by our new VMED O2 UK segment on June 1, 2021, upon the establishment of JV VMED O2 UK, the joint venture between Telefónica and Liberty Global. Since it is not practicable to restate the Group's historical segment financial information to reflect this change, the 2021-2020 period-on-period discussions included below focus on the results of our former Telefónica United Kingdom segment (which, for purposes of 2021, consists of the results obtained in the first five months of the year, until the establishment of JV VMED O2 UK and the elimination of this segment).

For additional information, see "Note 2. Basis of presentation of the consolidated financial statements. Agreement between Telefónica and Liberty Global plc to combine their operating businesses in the UK".

This section does not discuss the evolution of Telefónica United Kingdom's accesses in 2020 and 2021. Accesses of JV VMED O2 UK as of December 31, 2021 are shown in the next section: "VMED O2 UK".

The table below shows the evolution of Telefónica United Kingdom's results over the past two years:

Millions of euros				
TELEFÓNICA UNITED KINGDOM	2020	2021	% Reported YoY	% Organic YoY (1)
Revenues	6,708	2,628	(60.8%)	(7.0%)
<b>Mobile Business</b>	<b>6,476</b>	<b>2,532</b>	<b>(60.9%)</b>	<b>(7.2%)</b>
Handset revenues	1,816	642	(64.7%)	(9.8%)
<b>Fixed Business</b>	<b>232</b>	<b>96</b>	<b>(58.9%)</b>	<b>(1.2%)</b>
Other income	178	73	(59.1%)	(1.9%)
Supplies	(2,456)	(910)	(62.9%)	(9.3%)
Personnel expenses	(459)	(205)	(55.4%)	4.9%
Other expenses	(1,907)	(667)	(65.0%)	(23.2%)
OIBDA	2,064	919	(55.5%)	10.0%
Depreciation and amortization	(389)	—	(99.9%)	(1.1%)
Amortization of intangible assets, depreciation of property, plant and equipment	(322)	—	(99.9%)	(1.5%)
Amortization of rights of use	(67)	—	(100.0%)	1.2%
<b>Operating income (OI)</b>	<b>1,675</b>	<b>919</b>	<b>(45.1%)</b>	<b>26.2%</b>
CapEx	913	933	2.2%	24.1%
OIBDA-CapEx	1,151	(14)	c.s.	c.s.

Notes:

(2) See adjustments made to calculate organic variations below.

### Adjustments made to calculate organic variations

As explained above, year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis.

With respect to Telefónica United Kingdom, we have made the following adjustments in order to calculate 2021/2020 variations in organic terms:



- **Foreign exchange rate effect:** we have excluded the impact of changes in exchange rates by assuming constant average foreign exchange rates year-on-year. In particular, we have used the average foreign exchange rate from January to May 2020 for both years.
- **Changes in the scope of consolidation:** we have excluded the impact of the deconsolidation of the entities that comprised our former Telefónica United Kingdom segment since June 1, 2021. To make amounts comparable, in 2020 we have excluded the results of the entities that comprised our former Telefónica United Kingdom segment for the period from June 1 to December 31, 2020.
- **Spectrum acquisitions:** we have excluded the impact of spectrum acquisitions on CapEx in the first five months of 2021, amounting to 515 million euros. In 2020, there were no spectrum acquisitions.

The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

TELEFÓNICA UNITED KINGDOM 2021	YoY variation		Contribution to reported growth (percentage points)		
	% Reported YoY	% Organic YoY	Exchange rate effect	Perimeter changes	Spectrum acquisition
Revenues	(60.8%)	(7.0%)	(0.0)	(57.8)	—
Other income	(59.1%)	(1.9%)	(0.0)	(58.2)	—
Supplies	(62.9%)	(9.3%)	(0.0)	(59.1)	—
Personnel expenses	(55.4%)	4.9%	—	(57.4)	—
Other expenses	(65.0%)	(23.2%)	(0.0)	(54.5)	—
OIBDA	(55.5%)	10.0%	(0.0)	(59.5)	—
Depreciation and amortization	(99.9%)	(1.1%)	—	(98.5)	—
<b>Operating income (OI)</b>	<b>(45.1%)</b>	<b>26.2%</b>	<b>(0.1)</b>	<b>(50.4)</b>	<b>—</b>
CapEx	2.2%	24.1%	(0.1)	(63.1)	56.5
<b>OIBDA-CapEx</b>	<b>(100.0%)</b>	<b>0.5%</b>	<b>0.0</b>	<b>(56.6)</b>	<b>(44.8)</b>

### Analysis of results

**Total revenues** in 2021 amounted to 2,628 million euros, decreasing by 60.8% year-on-year in reported terms due to the change in the scope of consolidation (-57.8 p.p.) Excluding this impact, total revenues decreased by 7.0% driven by the new lockdown in the United Kingdom (from January to April 2021) and the change in the distribution model as a consequence of the end of the contract with Dixons Carphone in March 31, 2020, which resulted in changes in the mobile revenues allocation.

**Mobile business revenues** reached 2,532 million euros in 2021, decreasing by 60.9% in reported terms due to the change in the scope of consolidation (-57.8 p.p.). Excluding this impact, mobile business revenues decreased by 7.2% as a result of the lower handset sales due the new lockdown in the United Kingdom, which resulted in the closing of commercial shops in the first half of 2021, lower roaming revenues due to the travel-related restrictions implemented in connection with the COVID-19 pandemic and the change in the distribution model as a consequence of the end of the contract with Dixons Carphone in March 31, 2020.

OIBDA totaled 919 million euros in 2021, decreasing by 55.5% in reported terms. In organic terms, OIBDA increased +10.0% year-on-year.

**Operating income** amounted to 919 million euros in 2021, decreasing 45.1% in reported terms, due to the impact of the change in the scope of consolidation (-50.4 p.p.) and, to a much lesser extent, the exchange rate effect (-0.1 p.p.). Excluding these impacts, the operating income year-on-year increased 26.2% thanks to a strict control of costs, as well as the positive impact of the change in the distribution model on expenses, which resulted in a decrease in the commissions paid by Telefónica United Kingdom.

## VMED O2 UK

After receiving the final approval from the Competition & Markets Authority (CMA), the joint venture between Liberty Global and Telefónica was established on June 1, 2021, and our former Telefónica United Kingdom segment was replaced by our new VMED O2 UK segment. In addition, Telefónica ceased to fully consolidate the results of the entities that comprised our former Telefónica United Kingdom segment in its consolidated financial statements and started to account for the JV VMED O2 UK results under the equity method. Therefore, since June 1, 2021, for purposes of the Group's consolidated results, the results of JV VMED O2 UK are reflected under a single heading of the consolidated income statement, "Share of income of investments accounted for by the equity method". However, the VMED O2 UK segment information included below is presented under management criteria, and shows 100% of the VMED O2 UK results. The VMED O2 UK segment information included below refers to the period from June 1 to December 31, 2021. For additional information, see "Note 2. Basis of presentation of the consolidated financial statements. Agreement between Telefónica and Liberty Global plc to combine their operating businesses in the UK".

In its first seven months of activity, JV VMED O2 UK maintained its commercial focus, resulting in a solid operating performance.

In October, JV VMED O2 UK launched its first consumer and SoHo (Small office/Home office) converged product called "Volt", for new and existing customers, taking

advantage of its joint capabilities by combining the power of Virgin Media's gigabit broadband with O2's mobile network for the first time.

JV VMED O2 UK continues to invest in the future and remains committed to its mission to upgrade United Kingdom connectivity: it reached 15.6 million premises in its gigabit roll-out and remains on-track for completion of the gigabit upgrade to give it the largest and fastest broadband network in the UK and continued the velocity gigabit upgrade.

Project Lightning (a fixed network expansion project launched in 2015) covered 336 thousand premises in 2021, taking the cumulative build to 2.7 million. Additionally, JV VMED O2 UK continued network expansion and 5G coverage, which is live in 300 towns and cities, and confirmed its coverage target of 50% of the UK population in 2023.

In line with its commitment to realizing the benefits of digitization, JV VMED O2 UK also launched new AI technology to improve customer experiences in stores, created the first ever National Databank in the UK, providing free mobile data to tackle data poverty, and launched the free online Net Zero Hub to help small businesses reach net zero emissions.

The table below shows, as of December 31, 2021, the accesses of JV VMED O2 UK and, as of December 31, 2020, the aggregated accesses of our former Telefónica United Kingdom segment and Virgin Media:

## ACCESSES

Thousands of accesses	2020	2021	%Reported YoY
Broadband <sup>(2)</sup>	5,449.5	5,626.7	3.3%
UBB	5,420.3	5,596.8	3.3%
Mobile accesses <sup>(3)</sup>	30,336.6	32,276.8	6.4%
Prepay	8,251.8	8,119.1	(1.6%)
Contract	15,594.2	15,938.1	2.2%
IoT	6,490.6	8,219.7	26.6%
<b>Retail Accesses</b>	<b>44,067.7</b>	<b>46,021.1</b>	<b>4.4%</b>
<b>Wholesale Accesses</b>	<b>9,210.9</b>	<b>9,966.6</b>	<b>8.2%</b>
<b>Total Accesses</b>	<b>53,278.6</b>	<b>55,987.8</b>	<b>5.1%</b>

The **total accesses base** grew 5.1% year-on-year and stood at 56.0 million at December 31, 2021, mainly driven by a 6.4% increase in the mobile accesses base, which reached 32.3 million.

The **contract mobile customer base** grew 2.2% year-on-year and reached 15.9 million accesses adding 344 thousand new accesses to the base as a result of the increasing normalization of commercial activity as COVID-19 restrictions progressively eased.

The **prepay mobile customer base** decreased 1.6% year-on-year and reached 8.1 million accesses losing 133 thousand accesses in 2021.

**IoT mobile customer base** grew 26.6% year-on-year and reached 8.2 million accesses as the Smart Metering Programme (one of the largest IoT projects in the world) roll out regained pace.

**Fixed broadband base** grew 3.3% year-on-year and reached 5.6 million accesses adding 177 thousand new accesses to the base in 2021 reflecting continued demand

for faster broadband speeds. The table below shows VMED O2 UK's results from June 1 to December 31, 2021:

June 1 to December 31, 2021	
Million euros	VMED O2 UK
Revenues	7,223
Other operating income	290
Operating expenses	(5,063)
<b>OIBDA</b>	<b>2,450</b>
Amortizations	(2,395)
<b>Operating income</b>	<b>55</b>
Financial income	27
Financial expenses	(504)
Exchanges differences	122
<b>Result before taxation</b>	<b>(300)</b>
Taxes	65
<b>Result for the period</b>	<b>(235)</b>
50% attributable to Telefónica Group	(117)
Share-based compensation	14
<b>Share of (loss) income of investments accounted for by the equity method</b>	<b>(103)</b>

#### Analysis of results

Total **revenues** amounted to 7,223 million euros for the period from June 1 to December 31, 2021, reflecting the combination of the fixed and mobile products and services brought together for United Kingdom customers by Telefónica United Kingdom and Virgin Media.

**OIBDA** totaled 2,450 million euros for the period from June 1 to December 31, 2021 and was adversely impacted by the restructuring and other integration costs.

**Depreciation and amortization** totaled 2,395 million euros for the period from June 1 to December 31, 2021.

**Operating income** totaled 55 million euros for the period from June 1 to December 31, 2021.

## TELEFÓNICA GERMANY

The table below shows the evolution of accesses in Telefónica Germany over the past two years as of December 31 of such years:

### ACCESSES

Thousands of accesses	2020	2021	%Reported YoY
Fixed telephony accesses <sup>(1)</sup>	2,180.2	2,179.6	0.0%
Broadband <sup>(2)</sup>	2,261.1	2,262.3	0.1%
UBB	1,797.8	1,856.8	3.3%
Mobile accesses <sup>(3)</sup>	44,274.8	45,693.6	3.2%
Prepay	19,283.3	18,973.0	(1.6%)
Contract	23,581.3	25,107.8	6.5%
IoT <sup>(4)</sup>	1,410.1	1,612.8	14.4%
<b>Retail Accesses</b>	<b>48,804.7</b>	<b>50,219.3</b>	<b>2.9%</b>
<b>Total Accesses</b>	<b>48,804.7</b>	<b>50,219.3</b>	<b>2.9%</b>

Notes:

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

In 2021, Telefónica Germany benefited from strong commercial traction on the back of ongoing core business momentum and high customer demand for the O2 Free portfolio. This commercial momentum was leveraged on network parity as evidenced by the reconfirmation of Telefonica Germany's 'very good' rating in the most relevant network test of "Connect magazine" and historic low levels of churn. As a result, Telefonica Germany delivered good financial momentum throughout 2021, posting the highest levels of revenues and OIBDA in the company's history.

Telefónica Germany's key milestones in 2021 were as follows:

- In May 2021, the company and 1&1 agreed upon the long-term stipulations of their future cooperation in a National Roaming Agreement (NRA). As part of this, certain ongoing price reviews initiated by 1&1 will no longer be pursued, and Telefónica Germany has secured valuable long-term revenue streams.
- The 5G network reached 30% of the German population with all available 5G frequencies at the end of 2021.
- At the same time, the company completed its 3G switch-off in 2021 and improved the energy efficiency ratio of its O2 network by 78% compared to 2015 based on its energy consumption per data volume (GWh/PB).

The **total access base** grew 2.9% year-on-year and stood at 50.2 million at December 31, 2021, mainly driven by a 3.2% increase in the mobile accesses base, which reached 45.7 million.

The **contract mobile customer base** grew 6.5% year-on-year and reached 25.1 million accesses, increasing the share over the total mobile accesses base to 54.9%. Net adds reached 1.5 million accesses, driven by the

sustained customer demand for the O2 Free portfolio and a solid contribution from partner brands. Churn remained at a historic low.

The **prepay mobile customer base** decreased 1.6% year-on-year to 19.0 million accesses. Reflecting the unchanged market trend of prepaid to postpaid migration, the prepay segment posted a net loss of 310 thousand customers in 2021.

The **broadband accesses** reached 2.3 million accesses (up 0.1% y-o-y), with a net add of 1.2 thousand accesses in 2021, in a market focused on high-speed fixed connectivity.

The table below shows the evolution of Telefónica Germany's results over the past two years:

Millions of euros				
TELEFÓNICA GERMANY	2020	2021	% Reported YoY	% Organic YoY (1)
Revenues	7,532	7,765	3.1%	3.1%
<b>Mobile Business</b>	<b>6,730</b>	<b>6,942</b>	<b>3.2%</b>	<b>3.2%</b>
Handset revenues	1,423	1,450	1.9%	1.9%
<b>Fixed Business</b>	<b>785</b>	<b>814</b>	<b>3.6%</b>	<b>3.6%</b>
Other income	136	140	3.0%	5.8%
Supplies	(2,435)	(2,403)	(1.3%)	(1.3%)
Personnel expenses	(611)	(585)	(4.2%)	(1.0%)
Other expenses	(2,313)	(2,493)	7.8%	8.0%
OIBDA	2,309	2,424	5.0%	4.0%
Depreciation and amortization	(2,394)	(2,394)	0.0%	0.0%
Amortization of intangible assets, depreciation of property, plant and equipment	(1,862)	(1,809)	(2.8%)	(2.8%)
Amortization of rights of use	(532)	(585)	10.1%	10.1%
<b>Operating income (loss)</b>	<b>(85)</b>	<b>30</b>	<b>c.s.</b>	<b>c.s.</b>
CapEx	1,094	1,284	17.3%	17.3%
OIBDA-CapEx	1,215	1,140	(6.1)	(7.5%)

Notes:

(1) See adjustments made to calculate organic variations below.

#### Adjustments made to calculate organic variations

As explained above, year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis.

With respect to Telefónica Germany, we have made the following adjustments in order to calculate 2021/2020 variations in organic terms:

- **Restructuring costs:** we have excluded the impact of restructuring costs associated with simplification processes implemented in Telefónica Germany. Restructuring costs totaled 22 million euros and 37 million euros in 2021 and 2020, respectively.
- **Spectrum sales:** the organic variations exclude the gains on spectrum sales in 2020 (-5 million euros in OIBDA).



The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures and the contribution of each item for which we have adjusted to our reported growth:

TELEFÓNICA GERMANY 2021	YoY variation		Contribution to reported growth (percentage points)	
	% Reported YoY	% Organic YoY	Restructuring costs	Spectrum sale
Revenues	3.1%	3.1%	—	—
Other income	3.0%	5.8%	—	(2.6)
Supplies	(1.3%)	(1.3%)	—	—
Personnel expenses	(4.2%)	(1.0%)	(3.3)	—
Other expenses	7.8%	8.0%	0.2	(0.4)
OIBDA	5.0%	4.0%	0.7	0.2
Depreciation and amortization	0.0%	0.0%	—	—
<b>Operating loss</b>	<b>(135.8%)</b>	<b>(135.8%)</b>	<b>(18.0)</b>	<b>(6.4)</b>
CapEx	17.3%	17.3%	—	—
<b>OIBDA-CapEx</b>	<b>(6.1)</b>	<b>(7.5%)</b>	<b>1.3</b>	<b>0.4</b>

#### Analysis of results

**Total revenues** were 7,765 million euros in 2021, with a year-on-year increase of 3.1%, driven by the increase in revenues in both the mobile business and the fixed business.

- **Mobile business revenues** totaled 6,942 million euros, increasing 3.2% y-o-y in reported terms. This positive trend reflects strong trading momentum and the success of the O2 brand.

- **Handset revenues** amounted to 1,450 million euros, increasing 1.9% y-o-y in reported terms due to the continued strong demand for high value handsets.
- **Fixed business revenues** were 814 million euros, increasing by 3.6% y-o-y in reported terms due to the particularly strong customer base growth and higher share of VDSL customers.

**Mobile ARPU** was 10.0 euros (1.1% y-o-y) due to the 4.0% y-o-y increase in prepay ARPU, while contract ARPU decreased by 1.3% y-o-y. Data ARPU was 6.1 euros (+3.6% y-o-y), fueled by the successful O2 Free portfolio.

TELEFÓNICA GERMANY	2020	2021	% Reported YoY
<b>ARPU (EUR)</b>	<b>9.9</b>	<b>10.0</b>	<b>1.1%</b>
Prepay	6.1	6.3	4.0%
Contract <sup>(1)</sup>	13.6	13.5	(1.3%)
<b>Data ARPU (EUR)</b>	<b>5.9</b>	<b>6.1</b>	<b>3.6%</b>

<sup>(1)</sup> Excludes IoT.

OIBDA totaled 2,424 million euros in 2021, growing by 5.0% y-o-y in reported terms. In organic terms, OIBDA increased by 4.0% year-on-year.

**Depreciation and amortization** amounted to 2,394 million euros in 2021, staying flat (0.0%) year-on-year as the positive effect from the end of the useful life of the UMTS (Universal Mobile Telephone System) licenses in 2020 was offset by the completion in 2021 of the 3G switch-off, further network modernization and higher rights of use asset amortization.

**Operating income** totaled 30 million euros in 2021, compared to an operating loss of 85 million euros in 2020. In organic terms, the year-on-year comparison was positively impacted by the improvement in revenues and the continued measures in cost management and generation of efficiencies.

## TELEFÓNICA BRAZIL

The table below shows the evolution of accesses in Telefónica Brazil over the past two years as of December 31 of such years:

### ACCESSES

Thousands of accesses	2020	2021	%Reported YoY
Fixed telephony accesses <sup>(1)</sup>	8,994.8	7,506.5	(16.5%)
Broadband <sup>(2)</sup>	6,315.0	6,262.0	(0.8%)
UBB	5,084.2	5,535.3	8.9%
FTTH	3,377.7	4,608.7	36.4%
Mobile accesses <sup>(3)</sup>	78,523.7	83,912.3	6.9%
Prepay	33,662.5	34,287.3	1.9%
Contract	34,418.2	37,166.7	8.0%
IoT	10,443.0	12,458.3	19.3%
Pay TV	1,247.7	1,114.8	(10.6%)
IPTV	890.8	916.8	2.9%
<b>Retail Accesses</b>	<b>95,145.0</b>	<b>98,853.2</b>	<b>3.9%</b>
<b>Total Accesses</b>	<b>95,157.9</b>	<b>98,854.2</b>	<b>3.9%</b>

Notes:

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

In 2021, Telefónica Brazil maintained its leadership in the higher mobile value segments (37.0% market share as of December 31, 2021, source: ANATEL), which has allowed the operator to grow mobile service revenues (in local currency) and mitigate the impact of the COVID-19 pandemic restrictions. In the fixed business, Telefónica Brazil continued to focus on the implementation of strategic technologies, such as fiber, which allows capturing valuable customers, also providing access to IPTV (Internet Protocol TV) which encourages the demand for convergent offers, partially compensating the fall in the fixed traditional business since September.

Telefónica Brazil reached 98.9 million **accesses** as of December 2021, 3.9% higher than December, 2020 due to the sustained growth in the mobile business, both postpaid and prepaid, FTTH and, to a lesser extent IPTV, which offset the decline in the fixed voice business due to the continuous migration from fixed to mobile, encouraged by unlimited voice offers in the market, the contraction of the lower-value fixed broadband customer base; and the loss of DTH customers as a result of the company's strategic decision to discontinue legacy technologies.

In the **mobile business**, Telefónica Brazil maintained its leadership in terms of total accesses, with an access market share of 33.1% as of December 31, 2021 (source: ANATEL) growing both in terms of contract customers (+8.0% year-on-year) and prepaid customers (+1.9% year-on-year). Telefónica Brazil's strategy continues to be focused on strengthening the high-value customer base, reaching a 37.0% contract market share as of December 31, 2021 (source: ANATEL). Contract commercial offers are focused on Vivo SELFIE and have data plans, with extra data allowances subject to subscription to digital invoicing and a 10 GB portability bonus for one year. In

addition, customers may access the OTT services of their choice (for example, Disney+, Netflix, Spotify, Globopal, Amazon Prime and Premiere, among others). The Vivo Travel roaming service for voice and data is maintained in a selection of countries of America and Europe, and the rest of the world, depending on the plan. For higher-value customers, Family plans have a greater number of available apps and include one to four free extra members depending on the contracted plan. Additionally, they have Vivo Easy, with flexible plans ranging from 1GB to 100GB and allowing customers to tailor their plans according to their needs. WhatsApp and unlimited calls and SMS are included. In the prepaid segment, Telefónica Brazil offers VIVO PreTurbo, which includes WhatsApp and unlimited minutes and allows customers to share data with friends. All of this is supported by the interaction with our customers through the AURA virtual assistant in the Meu VIVO application, transforming the service channels to improve the user experience.

**Fixed telephony accesses** decreased 16.5% year-on-year due to fixed-mobile substitution.

In the **broadband business**, Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching 27.5 million real estate units passed with FTTx access as of December 31, 2021, of which 19.6 million correspond to FTTH. Additionally, it continued to develop alternative deployment models to accelerate the expansion of fiber with lower CapEx and a reduced time to market. Telefónica Brazil exceeded 5.5 million connected homes with FTTx, of which 4.6 million homes connected with FTTH as of December 31, 2021, increasing 8.9% and 36.4% year-on-year respectively. This growth offset in part the drop in other broadband accesses, such as ADSL,

placing retail broadband accesses at 6.3 million as of December 31, 2021, decreasing by 0.8% year-on-year.

**Pay TV customers** stood at 1.1 million as of December 31, 2021, decreasing 10.6% year-on-year due to a more selective commercial activity based on value acquisition and the strategic decision to discontinue the DTH service,

whose customer base decreased 44.5% year-on-year. This base contraction was partially offset by the 2.9% growth in IPTV accesses. IPTV clients represented 82.2% of the total Pay TV accesses as of December 31, 2021.

The table below shows the evolution of Telefónica Brazil's results over the past two years:

Millions of euros				
TELEFÓNICA BRAZIL	2020	2021	% Reported YoY	% Organic YoY (1)
Revenues	7,422	6,910	(6.9%)	2.1%
<b>Mobile Business</b>	<b>4,891</b>	<b>4,610</b>	<b>(5.7%)</b>	<b>3.4%</b>
Handset revenues	426	415	(2.5%)	6.9%
<b>Fixed Business</b>	<b>2,531</b>	<b>2,300</b>	<b>(9.1%)</b>	<b>(0.3%)</b>
Other income	325	474	45.5%	29.2%
Supplies	(1,252)	(1,216)	(2.9%)	6.5%
Personnel expenses	(792)	(799)	0.9%	10.6%
Other expenses	(2,515)	(2,231)	(11.3%)	1.1%
OIBDA	3,188	3,138	(1.6%)	1.8%
Depreciation and amortization	(1,965)	(1,918)	(2.4%)	7.0%
Amortization of intangible assets, depreciation of property, plant and equipment	(1,581)	(1,488)	(5.9%)	3.2%
Amortization of rights of use	(384)	(430)	11.9%	22.7%
<b>Operating income (OI)</b>	<b>1,223</b>	<b>1,220</b>	<b>(0.2%)</b>	<b>(6.6%)</b>
CapEx	1,372	2,069	50.8%	11.5%
OIBDA-CapEx	1,816	1,069	(41.1%)	(5.3%)

Notes:

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(1) See adjustments made to calculate organic variations below.

#### Adjustments made to calculate organic variations

As explained above, year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis.

With respect to Telefónica Brazil, we have made the following adjustments in order to calculate 2021/2020 variations in organic terms:

- **Foreign exchange rate effect:** we have excluded the impact of changes in exchange rates by assuming constant average foreign exchange rates year-on-year. In particular, we have used the average foreign exchange rate of 2020 for both years.
- **Judicial decision PIS/COFINS:** we have excluded the positive impact of the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security- COFINS (Contribuição para Financiamento da Seguridades Social) amounting to 243 million euros with an impact on OIBDA.
- **Contingencies:** we excluded the impact of the provision of certain contingencies in Telefónica Brazil amounting to 154 million euros with a negative impact on OIBDA.
- **Spectrum acquisition:** we have excluded the impact of spectrum acquisitions on CapEx, amounting to 706 million euros in 2021 (32 million euros in 2020).
- **Gains or losses on the sale of companies:** the gain resulting from the establishment of FiBrasil of 90 million euros was excluded to calculate organic variations.

The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

	YoY variation		Contribution to reported growth (percentage points)				
	% Reported YoY	% Organic YoY	Exchange rate effect	Judicial decision PIS/ COFINS	Contingencies	Spectrum acquisition	Capital gains/losses on sale of companies
<b>TELEFÓNICA BRAZIL 2021</b>							
Revenues	(6.9%)	2.1%	(9.0)	—	—	—	—
Other income	45.5%	29.2%	(11.4)	—	—	—	27.7
Supplies	(2.9%)	6.5%	(9.4)	—	—	—	—
Personnel expenses	0.9%	10.6%	(9.7)	—	—	—	—
Other expenses	(11.3%)	1.1%	(8.6)	(10.6)	6.7	—	—
OIBDA	(1.6%)	1.8%	(9.2)	8.4	(5.3)	—	2.8
Depreciation and amortization	(2.4%)	7.0%	(9.4)	—	—	—	—
<b>Operating income (OI)</b>	<b>(0.2%)</b>	<b>(6.6%)</b>	<b>(8.9)</b>	<b>21.8</b>	<b>(13.8)</b>	—	<b>7.4</b>
CapEx	50.8%	11.5%	(14.6)	—	—	54.1	—
<b>OIBDA-CapEx</b>	<b>(41.1%)</b>	<b>(5.3%)</b>	<b>(5.2)</b>	<b>14.7</b>	<b>(9.3)</b>	<b>(40.9)</b>	<b>5.0</b>

### Analysis of results

In 2021, revenues totaled 6,910 million euros, down 6.9% in reported terms, mainly due to the depreciation of the Brazilian real (impacting the evolution by -9.0 p.p.). In organic terms, the year-on-year growth was 2.1%, mainly due to service revenues driven by the mobile business and by businesses associated with new technologies (FTTH, IPTV and Digital Services) and the sale of handsets, which offset the erosion of revenues associated with voice and traditional accesses.

- **Mobile business revenues** totaled 4,610 million euros in 2021, down 5.7% in reported terms due mainly to the depreciation of the Brazilian real (impacting the evolution by -9.1 p.p.). Excluding this impact, revenues from the mobile business increased by 3.4%. Service revenues grew 3.0% driven by growth in the customer base, and the greater weight of contract customers in the mix, whose consumption is oriented to the use of data and other services over connectivity. Handsets sales grew by 6.9% in organic terms, despite the temporary closing of stores due to

the COVID-19 pandemic, an effect that was offset by higher sales in digital channels.

- **Fixed business revenues** totaled 2,300 million euros in 2021, decreasing by 9.1% in reported terms due mainly to the impact of the depreciation of the Brazilian real (impacting the evolution by -8.8 p.p.). Excluding this effect, fixed telephony revenues decreased by 0.3% mainly as a result of the decrease of the voice traffic due to the mobile to fixed substitution. This decrease was partially offset by the increase in broadband revenues (+7.2% year-on-year in local currency), supported by the growth in fiber revenues, driven by the growth in the customer base.

**Mobile ARPU** decreased by 12.3% year-on-year in reported terms due mainly to the depreciation of the Brazilian real. In local currency, mobile ARPU decreased by 3.9% as a result of the fact that postpaid customer base growth was mainly in entry level rates; and due to the reduction in government aids that affected top ups.



TELEFÓNICA BRAZIL	2020	2021	% Reported YoY	%Local Currency YoY
<b>ARPU (EUR)</b>	<b>4.7</b>	<b>4.2</b>	<b>(12.3%)</b>	<b>(3.9%)</b>
Prepay	2.2	2.0	(12.2%)	(3.7%)
Contract <sup>(1)</sup>	8.4	7.4	(12.3%)	(3.8%)
<b>Data ARPU (EUR)</b>	<b>3.7</b>	<b>3.1</b>	<b>(15.5%)</b>	<b>(6.6%)</b>

<sup>(1)</sup> Excludes IoT.

OIBDA was 3,138 million euros in 2021, decreasing 1.6% in reported terms. In organic terms, OIBDA increased by 1.8% year-on-year.

**Depreciation and amortization** amounted to 1,918 million euros in 2021, decreasing 2.4% in reported terms affected by the depreciation of the Brazilian real (-9.4 p.p.). In organic terms, there was a +7.0% y-o-y increase due to higher investments.

**Operating income** amounted to 1,220 million euros in 2021, decreasing 0.2% in reported terms affected by the provision for contingencies (-13.8 p.p.) and the depreciation of the Brazilian real (-8.9 p.p.), partially offset by the positive impact of the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security- COFINS (Contribuição para Financiamento da Seguridade Social) (+21.8 p.p.) and the gain from the establishment of FiBrasil (+7.4 p.p.). In organic terms, operating income year-on-year decreased 6.6% due to the higher depreciation and amortization expense.

## TELEFÓNICA HISPAM

The table below shows the evolution of accesses in Telefónica Hispam over the past two years as of December 31 of such years:

### ACCESSES

Thousands of accesses	2020	2021	%Reported YoY
Fixed telephony accesses <sup>(1)</sup>	7,835.0	7,034.1	(10.2%)
Broadband	5,447.3	5,756.9	5.7%
UBB	3,695.0	4,432.2	20.0%
FTTH	3,417.6	4,259.0	24.6%
Mobile accesses	92,204.5	94,612.6	2.6%
Prepay	66,206.7	66,075.3	(0.2%)
Contract	22,000.2	23,799.6	8.2%
IoT	3,997.6	4,737.6	18.5%
Pay TV	2,856.8	2,905.3	1.7%
IPTV	577.7	913.2	58.1%
<b>Retail Accesses</b>	<b>108,488.6</b>	<b>110,395.5</b>	<b>1.8%</b>
<b>Total Accesses</b>	<b>108,509.1</b>	<b>110,414.7</b>	<b>1.8%</b>

Notes:

<sup>(1)</sup> Includes "fixed wireless" and Voice over IP accesses.

Telefónica Hispam's **total accesses** amounted to 110.4 million as of December 31, 2021 (+1.8% year-on-year), as a result of the increase in mobile and FTTH accesses.

**Mobile accesses** amounted to 94.6 million, increasing by 2.6% y-o-y mainly due to the higher post-pay customer base.

- **Contract accesses** increased by 8.2% year-on-year due to the increase in accesses in Chile (+15.0%), Colombia (14.2%) and Peru (+13.7%), partially offset by the decrease in Venezuela (-8.9%). This strong evolution was mainly driven by the commercial activity recovery and the attractive commercial offers.
- **Prepay accesses** decreased by 0.2% year-on-year, with a net loss of 131 thousand accesses at December 31, 2021. The year-on-year accesses evolution was greatly impacted by the loss of accesses in Mexico (-2.2 million accesses) as a result of the disconnection of accesses with no top-up activity and the 2G technology shutdown in Mexico, with no impact on revenues. In addition, accesses in Chile decreased by -355 thousand. The year-on-year decrease was partially offset by the increase in accesses in Colombia (+1.9 million accesses), Peru (+597 thousand accesses), Argentina (+533 thousand accesses) and Ecuador (+535 thousand accesses).

**Fixed accesses** stood at 7.0 million as of December 31, 2021 (-10.2% year-on-year) with a net loss of 801 thousand accesses due to the continued erosion of the traditional fixed business; however, accesses mix improved (higher weight of high value accesses, mainly broadband).

**Fixed broadband accesses** amounted to 5.8 million as of December 31, 2021 (+5.7% year-on-year). The penetration of FBB accesses over fixed accesses stood at 81.8% (+12.3 p.p. y-o-y), as a result of the focus on Ultra Broadband (UBB) deployment in the region reaching 4.4 million connected accesses (+20% y-o-y) and 14.5 million premises. The penetration of UBB accesses over fixed broadband accesses stood at 77.0% (+9.2 p.p. y-o-y).

**Pay TV accesses** stood at 2.9 million as of December 31, 2021, with an increase of +1.7% y-o-y as a result of the net adds of 48 thousand customers, mainly as a result of the increase in IPTV accesses (+336 thousand accesses), in which the Company is placing strategic focus, offset in part by the lower Direct-To-Home (DTH) technology accesses (-266 thousand accesses) due to the change in commercial strategy, and the lower cable access base (-21 thousand accesses).

The table below shows the evolution of Telefónica Hispam's results over the past two years:

Millions of euros				
TELEFÓNICA HISPAM	2020	2021	% Reported YoY	% Organic YoY (1)
Revenues	7,922	8,362	5.5%	5.1%
<b>Mobile Business</b>	<b>5,070</b>	<b>5,444</b>	<b>7.4%</b>	<b>5.4%</b>
Handset revenues	1,111	1,398	25.8%	18.8%
<b>Fixed Business</b>	<b>2,836</b>	<b>2,907</b>	<b>2.5%</b>	<b>5.1%</b>
Other income	253	582	130.3%	(28.3%)
Supplies	(2,466)	(2,856)	15.8%	15.0%
Personnel expenses	(999)	(1,174)	17.6%	(4.5%)
Other expenses	(3,720)	(3,196)	(14.1%)	(1.9%)
OIBDA	990	1,718	73.5%	3.4%
Depreciation and amortization	(2,274)	(1,873)	(17.6%)	(5.4%)
Amortization of intangible assets, depreciation of property, plant and equipment	(1,826)	(1,451)	(20.5%)	(9.0%)
Amortization of rights of use	(448)	(422)	(5.9%)	11.7%
<b>Operating loss</b>	<b>(1,284)</b>	<b>(155)</b>	<b>(87.9%)</b>	<b>(223.7%)</b>
CapEx	833	978	17.4%	5.2%
OIBDA-CapEx	157	740	370.7%	2.0%

Notes:

(1) See adjustments made to calculate organic variations below.

### Adjustments made to calculate organic variations

As explained above, year-on-year percentage changes referred to in this document as “organic” or presented in “organic terms” intend to present year-on-year variations on a comparable basis.

With respect to Telefónica Hispam, we have made the following adjustments in order to calculate 2021/2020 variations in organic terms:

- **Foreign exchange rate effects:** we have excluded the impact of changes in exchange rates (except for countries with hyperinflationary economies (Argentina and Venezuela)) by assuming constant average foreign exchange rates year-on-year (using average foreign exchange rates of 2020 for both years).
- **Reported variation of companies in hyperinflationary countries:** in the organic variation, the y-o-y reported variation of the companies in countries with hyperinflationary economies (Argentina and Venezuela) is excluded. In reported terms, in 2021 the revenues of these companies increased by 327 million euros and their OIBDA and operating income decreased by 112 million euros and 107 million euros, respectively, compared to 2020.
- **Restructuring costs:** we have excluded the impact of restructuring costs in 2021 and 2020 on OIBDA and operating income, amounting to 174 million euros and 17 million euros, respectively.
- **Spectrum acquisition:** in 2021, the impact of spectrum acquisition on CapEx has been excluded, amounting to 131 million euros in Chile. During 2020 no spectrum acquisitions were made.
- **Transformation of operating model of Telefónica Mexico:** organic variations exclude the impact of the transformation of the operating model of Telefónica México (which means that the wireless access infrastructure will be turned off, and corresponding licensed spectrum will be released), following the AT&T agreement in 2019, which had a negative impact on depreciation and operating income, amounting to 88 million euros in 2021 (320 million euros in 2020).
- **Impairment of goodwill and other assets:** in 2021 the impairment of the goodwill of Telefónica Perú has been excluded, amounting to 393 million euros. In 2020, the impairment of the goodwill and certain assets of Telefónica Argentina has been excluded amounting to 894 million euros (which consists of a 519 million euros goodwill impairment loss and impairment losses over non-current assets amounting to 375 million euros).
- **Changes in the consolidation perimeter:** we have excluded from our consolidation perimeter the results of InfraCo, SpA from July 1 to December 31, 2020.

- **Gains or losses on the sale of companies:** in 2021, the gain on the sale of 60% of the shares in InfraCo, SpA in Chile amounting to 409 million euros has been excluded from calculations of organic variations.

The table below shows 2021/2020 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

YoY variation			Contribution to reported growth (percentage points)								
TELEFÓNICA HISPAM 2021	% Reported YoY	% Organic YoY	Exchange rate effect	Reported var. in hyperinflationary countries	Restructuring costs	Spectrum acquisition	Transformation T.Mexico	Impairment of goodwill and other assets	Perimeter changes	Fiber Chile	Capital gains/losses on sale of companies
Revenues	5.5%	5.1%	(3.9)	4.2	—	—	—	—	0.1	—	—
Other income	130.3%	(28.3%)	(2.6)	—	—	—	—	—	—	—	160.9
Supplies	15.8%	15.0%	(4.0)	4.7	—	—	—	—	—	—	—
Personnel expenses	17.6%	(4.5%)	(3.3)	9.2	16.2	—	—	—	—	—	—
Other expenses	(14.1%)	(1.9%)	(3.2)	3.1	—	—	—	(13.5)	0.8	—	—
OIBDA	73.5%	3.4%	(6.8)	0.5	(16.4)	—	—	50.6	(2.0)	—	41.1
Depreciation and amortization	(17.6%)	(5.4%)	(2.7)	(0.1)	—	—	(10.2)	—	—	—	—
<b>Operating loss</b>	<b>(87.9%)</b>	<b>(223.7%)</b>	<b>0.4</b>	<b>(0.5)</b>	<b>12.6</b>	<b>—</b>	<b>(18.1)</b>	<b>(39.0)</b>	<b>1.5</b>	<b>—</b>	<b>(31.7)</b>
CapEx	17.4%	5.2%	(3.6)	2.6	—	15.6	—	—	(2.8)	0.5	—
<b>OIBDA-CapEx</b>	<b>370.7%</b>	<b>2.0%</b>	<b>(23.3)</b>	<b>(10.7)</b>	<b>(103.3)</b>	<b>(82.9)</b>	<b>—</b>	<b>318.6</b>	<b>2.5</b>	<b>(2.8)</b>	<b>258.8</b>

## Analysis of results

**Revenues** amounted to 8,362 million euros in 2021, increasing 5.5% year-on-year in reported terms. This increase was attributable in part to the reported variation of companies in hyperinflationary countries (+4.2 p.p.), offset in part by the foreign exchange effects (-3.9 p.p.). In organic terms, revenues increased by 5.1% year-on-year, mainly driven by revenues growth through handset sales, B2C (Business to Customer) and B2B (Business to Business) service revenues evolution, and broadband, new services and TV fixed revenues improvement.

**Mobile business revenues** amounted to 5,444 million euros in 2021, increasing 7.4% year-on-year in reported terms. This increase was due in part to the reported variation of companies in hyperinflationary countries (5.2 p.p.), offset in part by the foreign exchange effects (-3.2 p.p.). In organic terms, mobile business revenues increased by 5.4% year-on-year, mainly driven by revenues growth through handset sales as a result of commercial activity recovery and higher postpaid and prepaid revenues in B2C (Business to Customer). The performance by country was as follows:

- In Chile, mobile revenues amounted to 1,002 million in 2021, increasing 8.1% year-on-year in reported terms. Excluding the impact of foreign exchange effects, which reduced growth by 0.6 percentage points,

mobile revenues increased by 7.5% year-on-year, mainly due to the higher handset revenues and mobile service and mobile broadband revenues growth recovery.

- In Peru, mobile revenues amounted to 761 million euros in 2021, decreasing 0.4% year-on-year in reported terms, affected by the foreign exchange effects, which reduced growth by 15.2 percentage points. Excluding this impact, mobile revenues increased by 14.8% year-on-year, mainly driven by revenues recovery through handset sales, as a result of the higher commercial activity, and higher service revenues leveraged on a higher average revenue per client and favorable disconnections evolution.
- In Colombia, mobile revenues amounted to 797 million euros in 2021, increasing 4.3% year-on-year in reported terms. Excluding the impact of the foreign exchange effects, which reduced growth by 5.7 percentage points, mobile revenues increased by 9.9% driven by the higher handset revenues, postpaid B2C (Business to Customer) revenues due to higher commercial activity and favorable churn evolution, higher prepaid B2C (Business to Customer) revenues and interconnection mobile revenues.

- In Mexico, mobile revenues amounted to 1,010 million euros in 2021, decreasing 2.2% year-on-year in reported terms despite the foreign exchange effects, which contributed +1.5 p.p. to the y-o-y evolution. Excluding this impact, mobile revenues decreased by 3.8% year-on-year, due to the lower interconnection tariffs, which adversely affected the wholesale business, the decrease in international traffic, and lower prepaid and B2B (Business to Business) commercial activity, partially offset by the positive postpaid revenues evolution.

**Fixed business revenues** amounted to 2,907 million euros in 2021, increasing 2.5% year-on-year in reported terms. This increase was due in part to the reported variation of companies in hyperinflationary countries (specifically, Argentina), which increased growth by 2.3 percentage points, offset in part by the foreign exchange effects, which decreased growth by 4.9 percentage points. Excluding these impacts, these revenues increased by 5.1%, driven by higher broadband and new services as well as TV revenues in Colombia, Chile and Peru, which offset the decline in accesses and voice revenues.

OIBDA reached 1,718 million euros in 2021, increasing 73.5% year-on-year in reported terms (+3.4% in organic terms).

**Depreciation and amortization** amounted to 1,873 million euros in 2021, decreasing 17.6% year-over-year in reported terms (-5.4% in organic terms). The decrease was mainly attributable to the lesser impact in 2021 than in 2020 of the accelerated amortization and depreciation resulting from the transformation of the operational model in the operator (-10.2 p.p.) and, to a lesser extent, the foreign exchange effects (-2.7 p.p.).

**Operating loss** was 155 million euros in 2021 (compared to a loss of 1,284 million euros in 2020). The decrease in the operating loss was the result, in part, of the impairment losses recorded in Telefónica Argentina in 2020 (which exceeded the amount of the impairment in Telefónica Peru in 2021), the capital gain on the sale of 60% of the shares in InfraCo, SpA in 2021, and the lesser impact of the accelerated amortization in Telefónica México in 2021 (compared to 2020) resulting from the transformation of the operational model in the operator, partially offset by the higher restructuring costs in the region in 2021. In organic terms, the year-on-year change was positively affected by increases in revenues and OIBDA and the lower depreciation and amortization expense.

Below is additional information by country:

- In Chile, operating income was 583 million euros in 2021 (141 million euros in 2020), and was positively impacted by the capital gains on the sale of 60% of the shares in InfraCo, SpA, higher fixed and mobile revenues, expenses efficiencies and the lower depreciation and amortization expense.

- In Peru, operating loss was 56 million euros in 2021 (operating loss of 84 million euros in 2020). The y-o-y reduction in the operating loss was attributable in part to the lower depreciation and amortization expense, offset in part by the increase in other expenses, mainly restructuring expenses.
- In Colombia, operating income reached 99 million euros in 2021 (113 million euros in 2020), as a result mainly of the foreign exchange effects (which reduced growth by 4.7 percentage points), higher operating expenses and higher depreciation and amortization expenses, offset in part by the increase in B2B revenues, mobile handsets mark-up subsidies and non-commercial cost efficiencies.
- In Mexico, operating loss was 339 million euros in 2021 (operating loss of 606 million euros in 2020). The y-o-y reduction in the operating loss was positively impacted by the y-o-y decrease in the depreciation and amortization expense resulting from the accelerated amortization and depreciation related to the transformation of the operational model in the operator.