



RESULTS

January - June

2021



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Key takeaways

Mr. José María Álvarez-Pallete

Chairman & CEO

⋮ Growth trend restored; 30% net debt reduction

Q2 21 highlights

Revenues y-o-y org	OIBDA y-o-y org	All-time record net income	Material net debt reduction	Gaining scale
+4.8 p.p. vs. Q1 +3.4% y-o-y Positive momentum across all business lines	+3.0 p.p. vs Q1 +3.3% y-o-y Accelerating growth	€1.37 EPS €7,743m net income Reflects strategic transactions	Organic & Inorganic €26.2bn¹ H1 FCF ex spectrum +31% y-o-y	Including VMED O2 JV accesses 367m accesses +4% y-o-y Digital care in customer service Growth focused investments

- ✓ Inflection point in transition to sustainable, profitable growth with **organic revenue and OIBDA up y-o-y (4th consecutive Q of improvement)**
- ✓ **Net income, EPS and balance sheet** reflect capital gains on strategic transactions in Q2
- ✓ **Net debt down 30%¹ y-o-y** on strong progress against strategy
- ✓ **More efficient capital structure**; net financial debt+leases in Latam currencies 30%¹ of total, +9 p.p. vs Mar-21
- ✓ Actively **enabling economic and social recovery** through digitalisation

Progress on strategy

- ✓ **Key operations closed in June**; UK Joint Venture between O2 and Virgin Media and sale of Telxius towers to ATC
- ✓ **Hispania**: sustained effort to reduce exposure and increase efficiency. InfraCo Chile completed in July and announced neutral fibre Co. in Colombia with KKR
- ✓ **T-Tech** continued strong growth (+26.6% y-o-y in Q2); reinforced positioning in Cloud, **Cancom UK and Altostratus acquisitions**
- ✓ **T. Infra: FiBrasil** completed and launched operations on 2nd July
- ✓ **Streamlined operations**: Increasing digitalised processes y-o-y (79%); Open RAN testing will start soon in Spain
- ✓ **Progress against ESG objectives**; new industry-wide Eco Rating scheme for mobile phones; nominated Europe's Climate Leader by Financial Times

1. Post estimated distribution of proceeds to Telxius minorities

Financial performance

€ in millions	H1 21			Q2 21		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
Revenues	20,305	(6.5%)	0.9%	9,964	(3.6%)	3.4%
OIBDA	16,886	138.7%	1.7%	13,469	n.s.	3.3%
OIBDA Underlying	6,763	(6.5%)		3,270	(4.7%)	
OIBDA-CapEx (ex-spectrum)	14,160	225.2%	(4.0%)	12,080	n.s.	(8.5%)
(OIBDA-CapEx)/Revenues (organic)	19.9%		(1.0 p.p.)	19.0%		(2.5 p.p.)
Net Income	8,629	n.s.		7,743	n.s.	
EPS (€)	1.51	n.s.		1.37	n.s.	
FCF (incl. leases principal payments)	910	(25.5%)		877	(11.3%)	
FCF (ex-spectrum paid)	1,613	30.9%		886	(10.6%)	
Net Financial Debt (€bn) (Post estimated distribution of proceeds to Telxius minorities) ex-leases	26.2	(29.5%)				

Reported figures affected by capital gains and changes in consolidation perimeter; VMED O2 JV and Telxius

Lower FX headwinds in Q2; limited impact at FCF level

Net financial debt down €11.0bn y-o-y to €26.2bn

FX impact

€ (m)	Q2	H1
Revenues	(205)	(959)
OIBDA	(78)	(366)

Changes in the perimeter impact

€ (m)	Q2
Revenues	(531)
OIBDA	(177)

Upgrading Revenues & OIBDA guidance

2021 guidance perimeter updated; Telxius Towers and UK JV deconsolidated as of 1 June and Costa Rica as of 1 August

Financial Targets	Initial 2021 guidance	Upgraded 2021 guidance	H1 21
Revenues (y-o-y organic)	“Stabilisation”	“Stable to slight growth”	0.9%
OIBDA (y-o-y organic)	“Stabilisation”	“Stable to slight growth”	1.7%
CapEx/Sales (ex spectrum)	Back to normalised level up to 15%	Back to normalised level up to 15%	13.4%

Shareholder remuneration; 1.5% treasury stock cancelled in May

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

June payment; 71.5% of shareholders opted for new shares

0.7% treasury stock to be cancelled

2021 calendar payments

Jun/21 €0.20/sh. (Voluntary Scrip)

Dec/21 €0.15/sh. (Voluntary Scrip)

Significant progress to achieve ESG objectives

Our activities are aligned with the UN's Sustainable Development Goals

LEADING BY EXAMPLE

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

- Collective agreement with unions to adopt flexible working in Spain
- **33% of women in management positions** by the end of 2024
- Pioneer report on Telefónica's contribution to UN SDGs: **A sustainable world, a connected world**



HELPING SOCIETY TO THRIVE

Economic and social development based on digitalisation

- Founded Spain's first industrial consortium for AI to digitalise SMEs and create employment
- Launched **Vida V**, a **health marketplace** to promote the democratisation of Telemedicine in Brazil
- **New initiatives to promote digital training and employability** (e.g Conecta Empleo, Miríadax_Empresas and a new 42 Campus)

BUILDING A GREENER FUTURE

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

- Launched a new industry wide Eco Rating scheme for mobile phones
- Published Virgin Media O2 Green Bond Framework
- Nominated Europe's Climate Leader by Financial Times

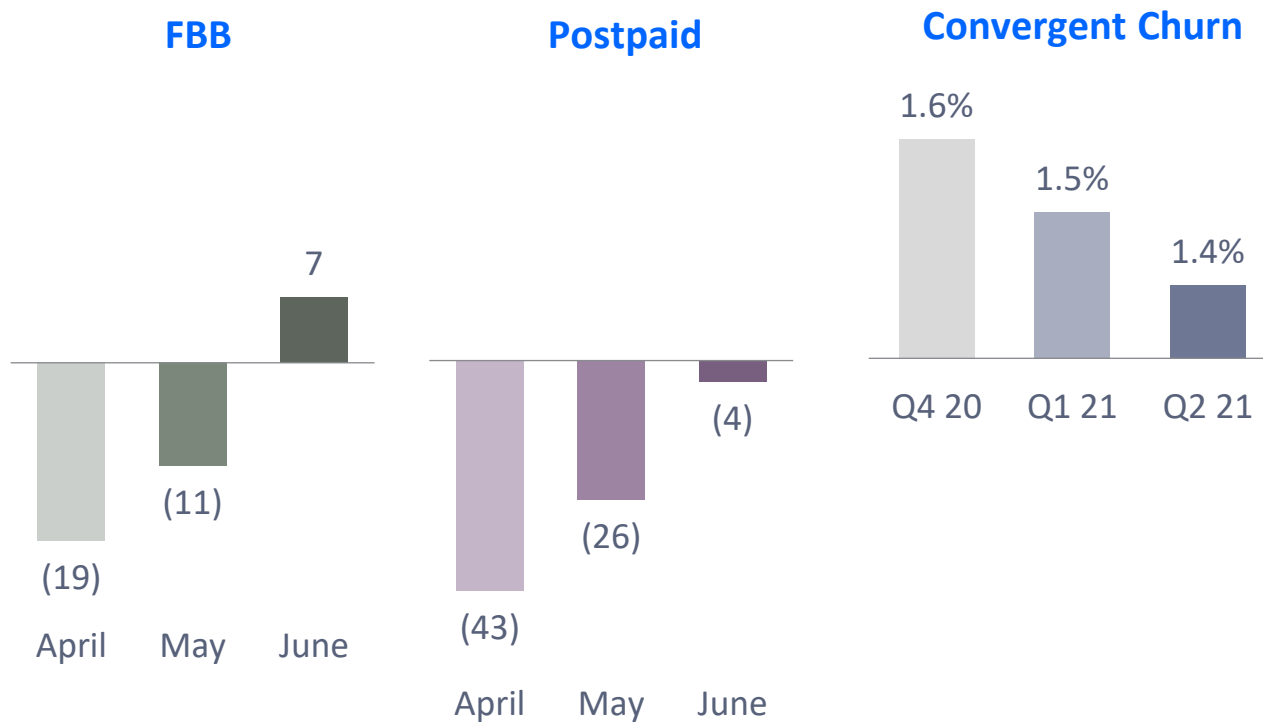
Q2 21 Results

Mr. Ángel Vilá
COO

Spain | Back to revenue growth in a more rational market

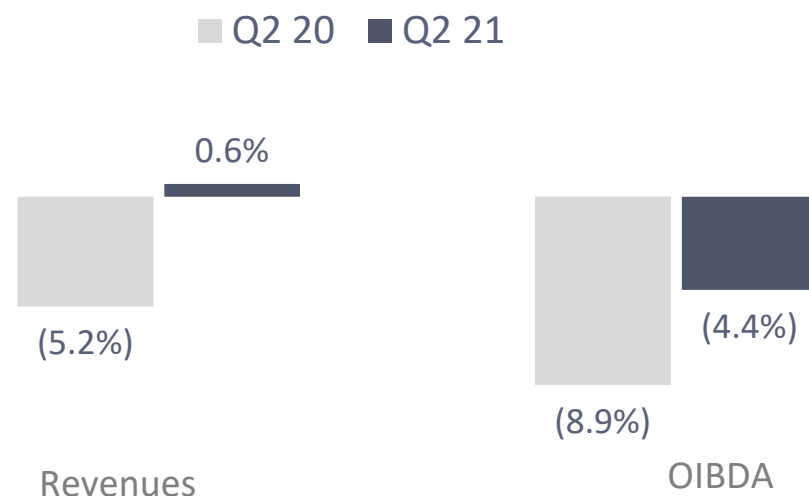
Net adds

Accesses (m)



Key financials

y-o-y organic



● Net adds improvement throughout Q2, record NPS

- Signs of a more rational market
- Positive net gain in FBB (June)
- NPS (33) +2 p.p. vs Q1

● Sequential improvement in Revenue and OIBDA y-o-y

- Service revenue: +1.2 p.p. q-o-q; strong IT, delayed roaming
- Handset sales (+62% y-o-y) on new Fusion portfolio

● Recovery continues, anticipating better Q3 margin

- Higher trading and roaming, football ARPU to improve

● High operating leverage, scaled and top-quality networks

- 26.1m FTTH p.p.; >80% 5G coverage, wholesale LT agreements

● 700 MHz spectrum acquired (July) at favourable terms

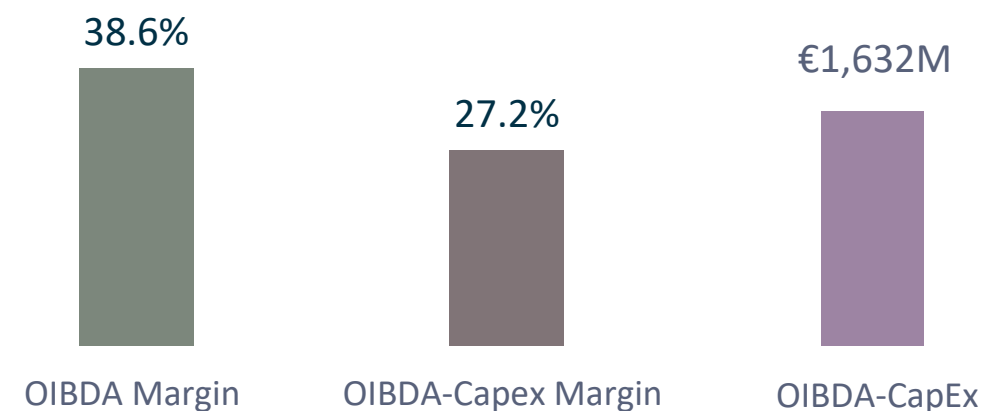
● New "Movistar Experience Store"



Eco Rating

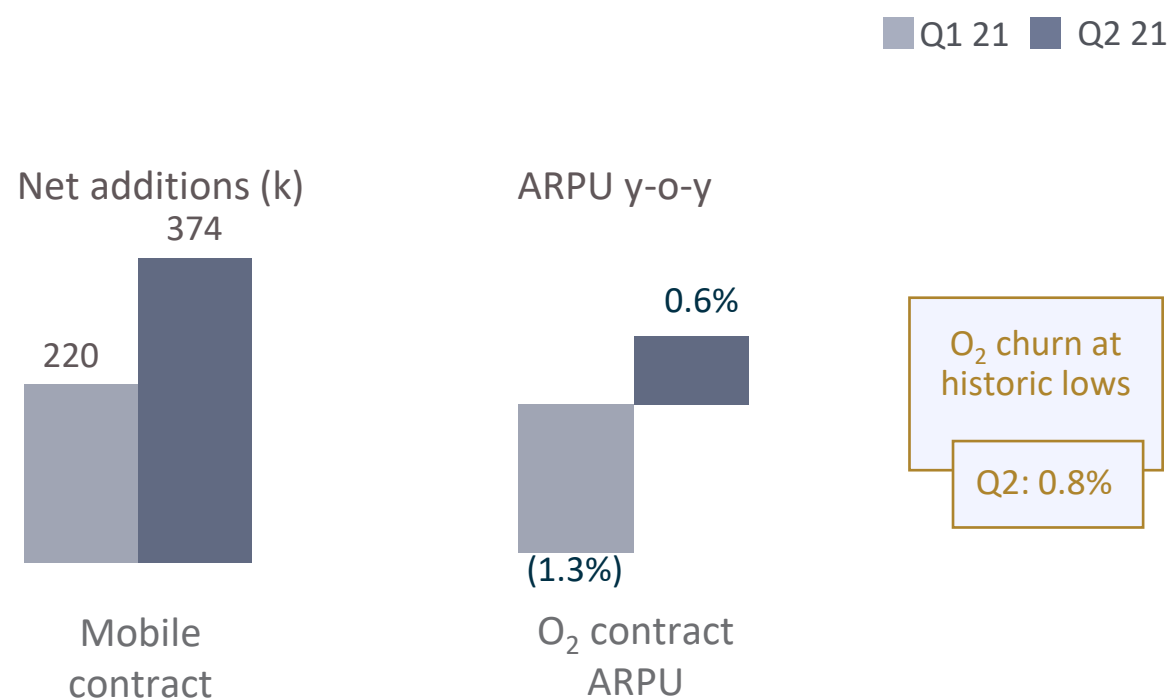
Profitability and cash generation

H1, Organic margin



Germany | Accelerating commercial performance

Operational KPIs



Key milestones

- **Improved commercial activity**; lockdown restrictions gradually eased
- **5G network** active in >80 cities
- **Strong results** in Opensignal and Speedcheck mobile network tests, 'very good' in Connect fixed network test
- **T.DE and 1&1 signed NRA**, securing valuable long term revenue
- **Corporate responsibility report 'Enabling sustainable digitalisation'** published in May; focused on climate targets and social responsibility

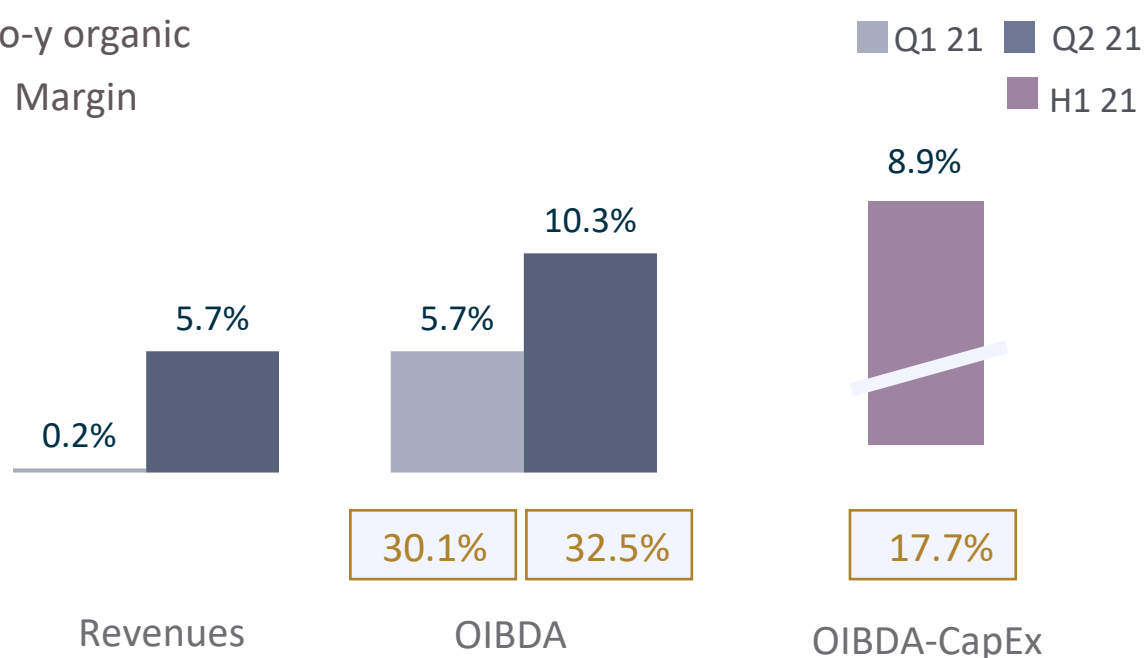


Eco Rating

Key financials

y-o-y organic

□ Margin



Good financial performance

- **Revenue trends improving**; strong commercial momentum reinforced by the gradual opening of the economy
- **OIBDA growth driven by efficiencies**, partially offset by network marketing campaigns
- **CapEx +6.9% y-o-y in H1**; **back-end loaded phasing**
- **OIBDA-CapEx/Revenues +1.0 p.p. vs H1 20**

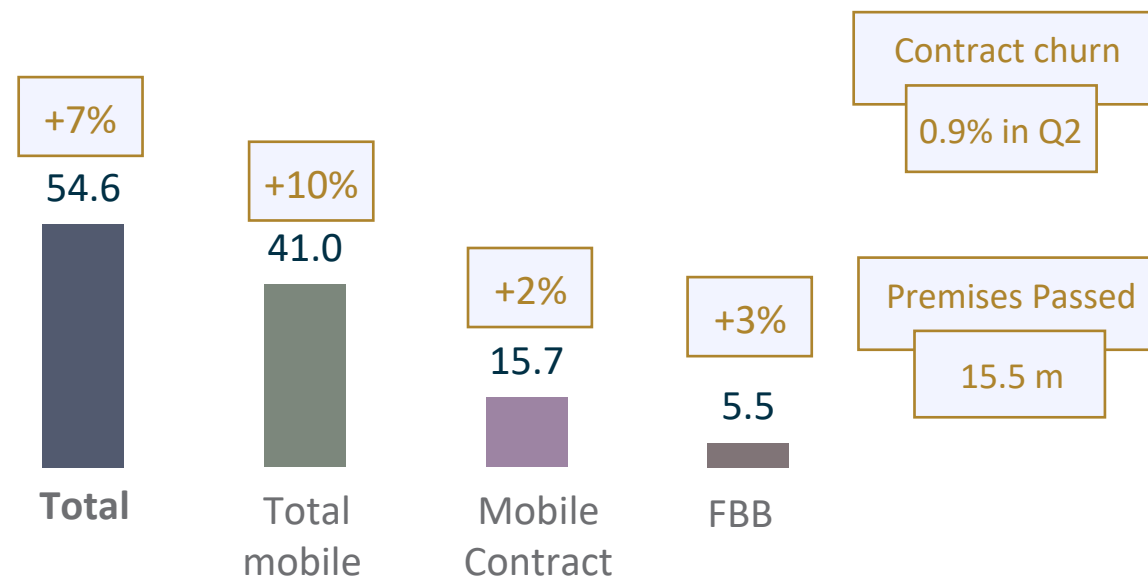


UK | JV completed, continued commercial traction



Operational KPIs

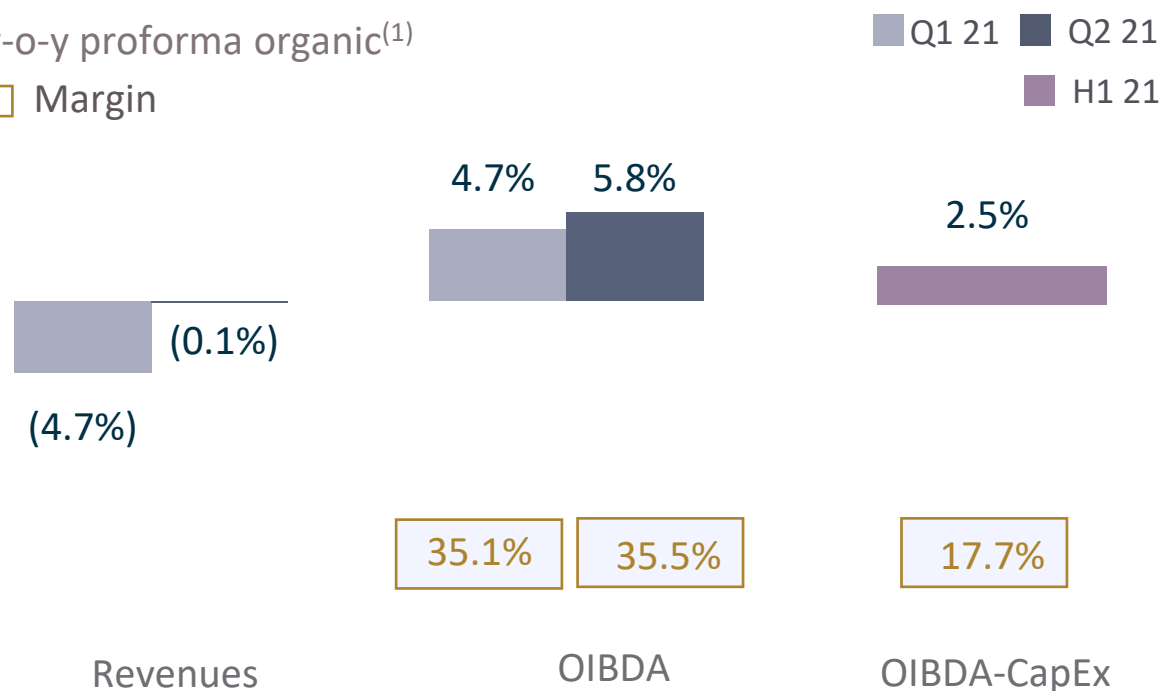
Accesses, m (y-o-y)



Key financials

y-o-y proforma organic⁽¹⁾

Margin



Operational highlights

- Regulatory approval received without remedies
- JV closed 1st June, integration moving at pace
- £540m run rate synergies by mid-2026 confirmed (NPV £6.2bn)
- Continued commercial focus and traction, total base 54.6m +7% y-o-y; mobile contract net adds +65k, FBB net adds +36k
- NGN expansion; 5G in 200 towns & cities and fixed gigabit network extended to 7.2m premises passed
- ESG focus from day 1; launch of green bond and 'Together' campaign to support local charities

Financial highlights

- Q2 revenue stable y-o-y, with growth in fixed on solid consumer and growing B2B, and improving mobile trends
- OIBDA +5.8% y-o-y in Q2 on the back of continued cost control, a focus on direct trading and phasing of marketing spend
- Margin +2.0 p.p. y-o-y in Q2
- Capex +8.0% y-o-y in H1 > NGN investments in Lightning and 5G
- Cash profitability; OIBDA-CapEx margin +0.8 p.p. y-o-y in H1

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

UK | Network upgrade to full fibre

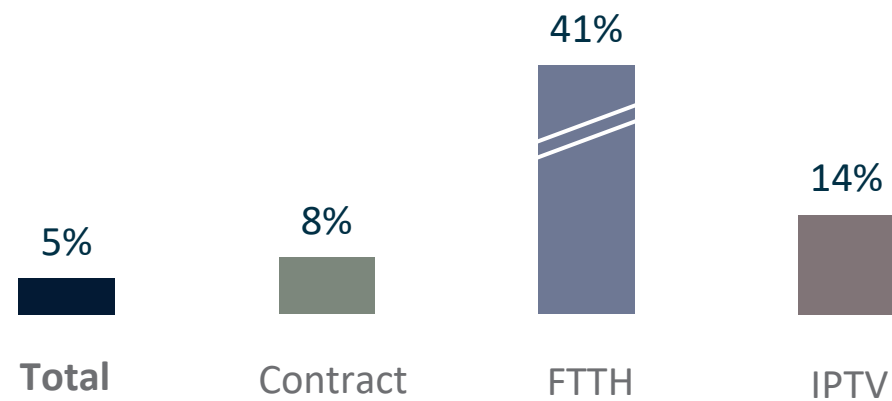
- **Window of opportunity for the UK's largest UBB network**; low UK fibre penetration, supportive regulatory framework and increased UBB demand
- **Upgrading 14.3m cable premises to full fibre** to complement existing 1.2m FTTP
 - Upgrade to start in 2021, **expected to be completed in 2028**
 - Commitment to **deliver gigabit speeds via DOCSIS 3.1 upgrades by YE 2021**
 - **CPP upgrade cost ~£100 per premise** vs previously planned ~£60 for DOCSIS 4.0
- **Sizable opportunities**
 - Large **untapped wholesale market** in the UK
 - Extended fibre footprint **to increase our relevance in B2B**
- FTTP **delivers long term OpEx efficiencies** relating to energy usage and network maintenance



⋮ Brazil | Unique value proposition; revenue & OIBDA growth

Operational KPIs

Accesses (y-o-y)



Key milestones

- **Unrivalled quality of service paying off**
- Reinforced **mobile leadership** (33.4% MS; +0.4 p.p. y-o-y)
 - Consistent and strong net adds in contract & prepaid
 - Contract churn under control (1.3%, -0.2 p.p.)
- **Increasing demand for high-quality connectivity**
 - 4.0m homes connected with FTTH (2.9m in Jun-20)
 - Increasing ARPU; overlay xDSL & FTTC with FTTH
- **FiBrasil** fully operational since Jul-21

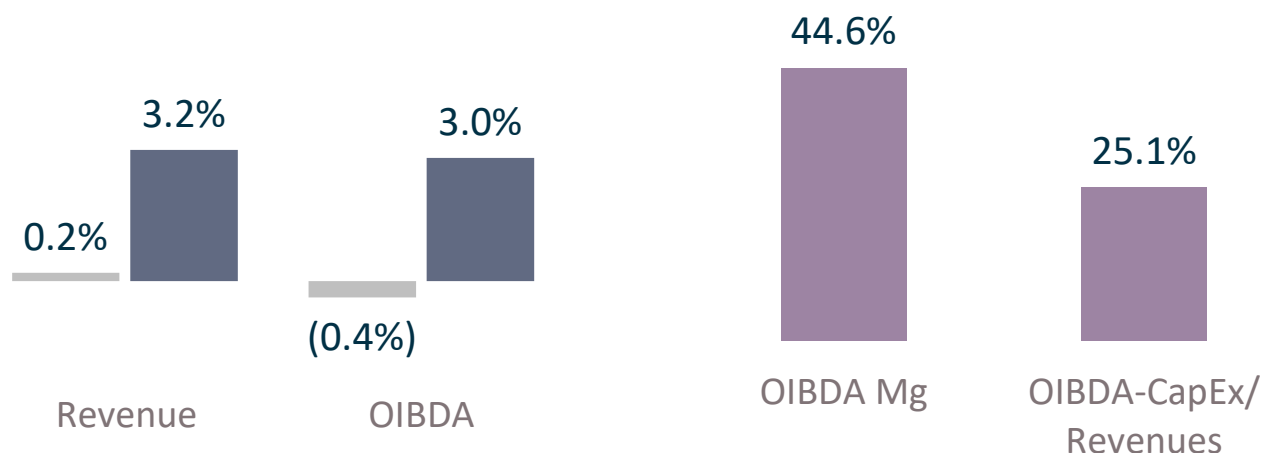


Key financials

y-o-y organic

■ Q1 21 ■ Q2 21

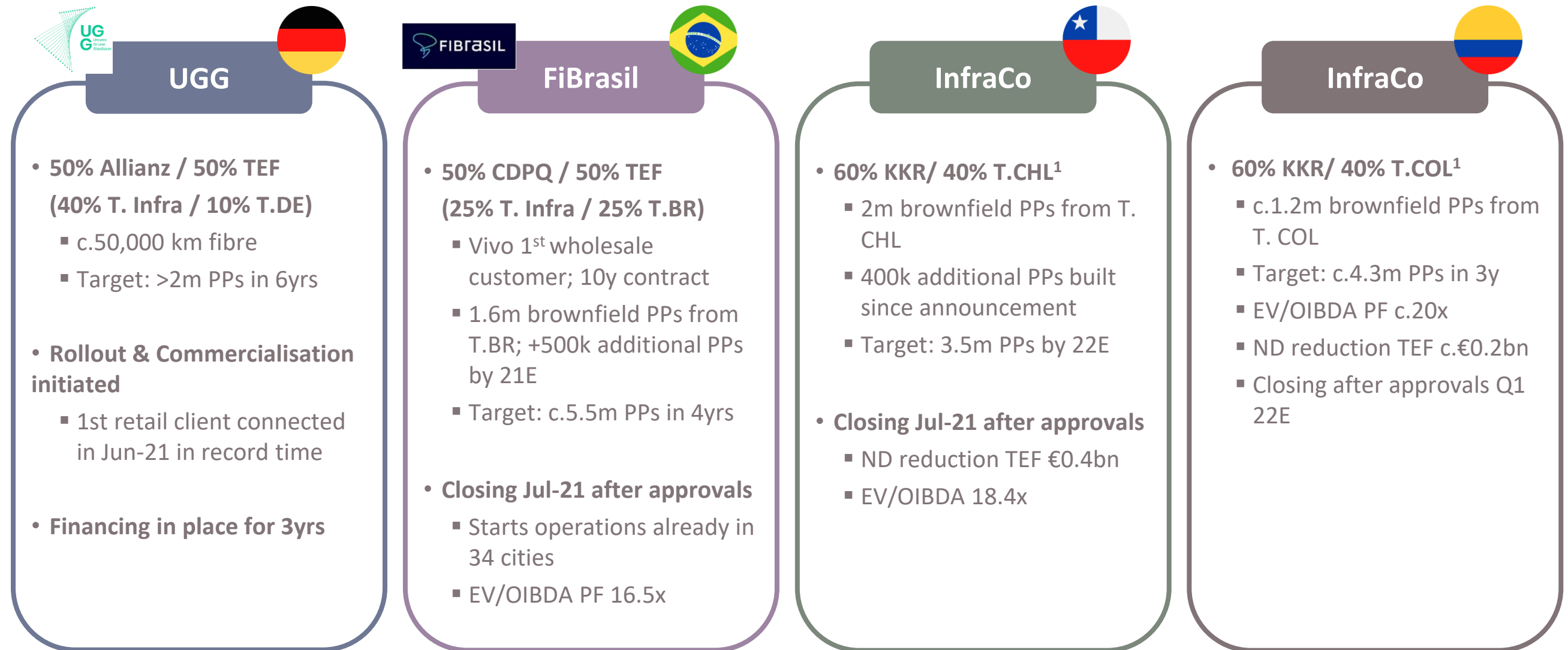
■ H1 21



Good financial performance

- **Accelerating revenue growth**
 - MSR +3.1%, growing both in contract & prepaid
 - Fixed revenues close to stable (-1.1%)
- **OIBDA back to growth; 44.6% margin in H1 21**
- **Growth & transformation CapEx 83% of total (> fibre; < legacy)**
- **Vivo's ESG initiatives** continue to expand
 - 11th position in Governance, Responsibility and Diversity Merco's ranking during the pandemic

Infra | Fibre vehicles well on track, growth ahead



Further optionality

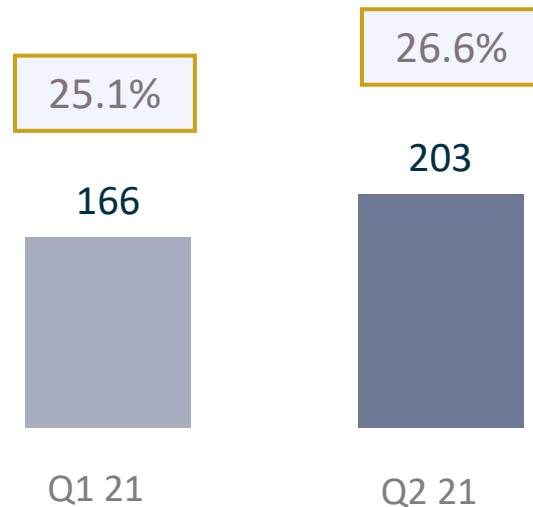
- **Fibre**
 - 51.4m owned FTTH PPs
 - 27% up-take²; +0.8 p.p. y-o-y
 - Optionality in Europe & Hispam
- **Towers**
- **Telxius Subsea Cable**
- **Data Centres**

1. T. Infra doesn't own a stake at this stage

2. Includes retail and wholesale accesses connected to the FTTH network

T. Tech revenue

€M; y-o-y



T. Cloud & Cyber Tech

- **High value services** as “Managed, Professional and Platform services” (>50%) growing and increasing recurrent revenues
- **Strengthened SMB** integrated offer in Spain. Reinforced Hybrid Digital Workplace solutions
- **1st Commercial Telco Edge services** in Europe (Nov-20)
- TM ONE agreement to offer global cybersecurity in Malaysia
- **Enhanced scale:** Cancom UK; E2E advanced cloud and security services, highly skilled team (600) and differential growth in Managed and Professional Services (20% and 26% revenue CAGR18-21)

GLOBALDATA

“LEADER in IoT assessment”

ANALYSYS MASON

“Top 4 Player IoT, PIONEER”

Delivering on strategic goals

- **Sequential revenue acceleration**
- **Reinforced capabilities and revenue mix** (value added services)
 - ACENS and Altostratus (cloud professional services) added in Q2
 - Cancom UK acquired in July-21
- **Footprint expansion**
- **Unique assets & premium partnerships**
 - Cloud Hub in Spain, Intelligent SOCs, global IoT, in-house AI/Big data
 - >300 partners & agreements with global hyperscalers
- **Large cross-selling lever,** >5.5M B2B customers at T. Group

T. IoT & Big Data Tech

- **Significant recovery in commercial activity:** Connected Cars, Big Data, Industry 4.0, Utilities and Smart Buildings..
- **IoT connectivity rev. acceleration** (+8.1% y-o-y in Q2).
- **Key role in B2B digitisation** fostered post COVID-19
- **Unique “AI of Things”**

GLOBALDATA

“VERY STRONG” player in WAN Services

MICROSOFT

“Best Spanish Partner of the Year” award in the “Digitalisation in SMEs”

Q2 21 Results

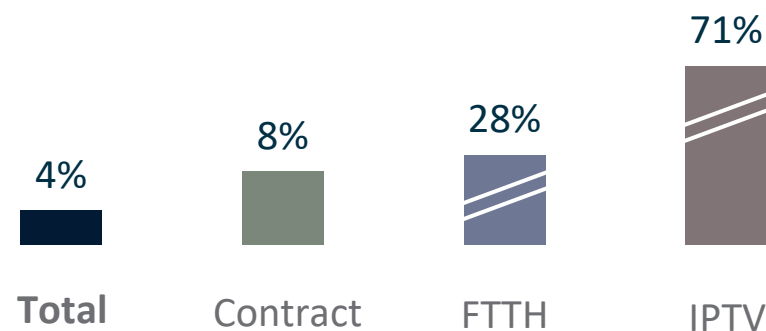
Ms. Laura Abasolo

CFCDO & Head of T. Hispam

Hispania | Accelerating growth while modulating exposure

Operational KPIs

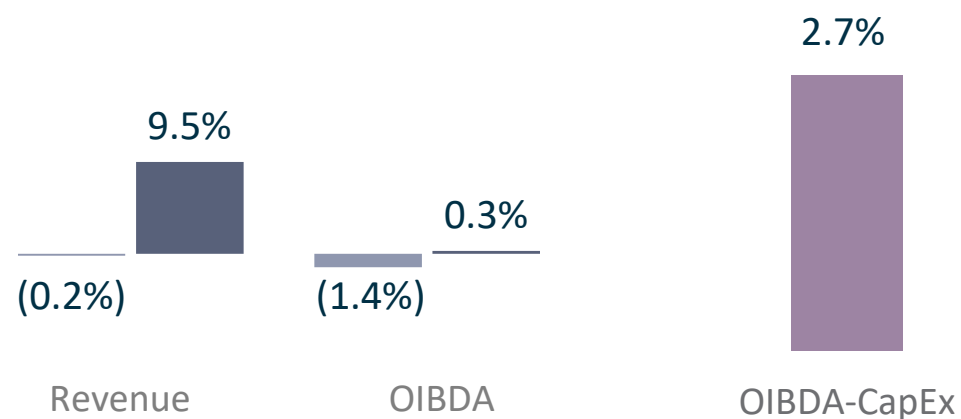
Accesses (y-o-y)



Key financials

y-o-y organic ■ Q1 21 ■ Q2 21

■ H1 21



FTTH includes Peru's cable

Key milestones

● Asset-light model

- InfraCo in CHL launched, announced InfraCo in COL (Jul-21)
- 11.0m FTTH PPs (+1.8m in LTM)
 - 40% FTTH deployment in LTM through ATC & ATP partnerships

● Accelerating value growth:

- Contract net adds +1.1m in H1 21 (-895k in H1 20; +652k in H2 20)
- FTTH net adds +469k in H1 21 (+205K in H1 20; +383k in H2 20)

● Enhanced customer service & loyalty: low churn across services

- Contract churn: -0.2 p.p. y-o-y to 2.1% H1 21
- FTTH churn: -0.3 p.p. y-o-y to 1.7% H1 21

● Launch of social services & initiatives in most countries

- 2m Peruvians connected in rural areas
- Renewable electricity long-term contract in Chile



Good financial performance

● Improved capital structure:

- Aligning local leverage with T. Group levels

● Improving y-o-y trends in revenues:

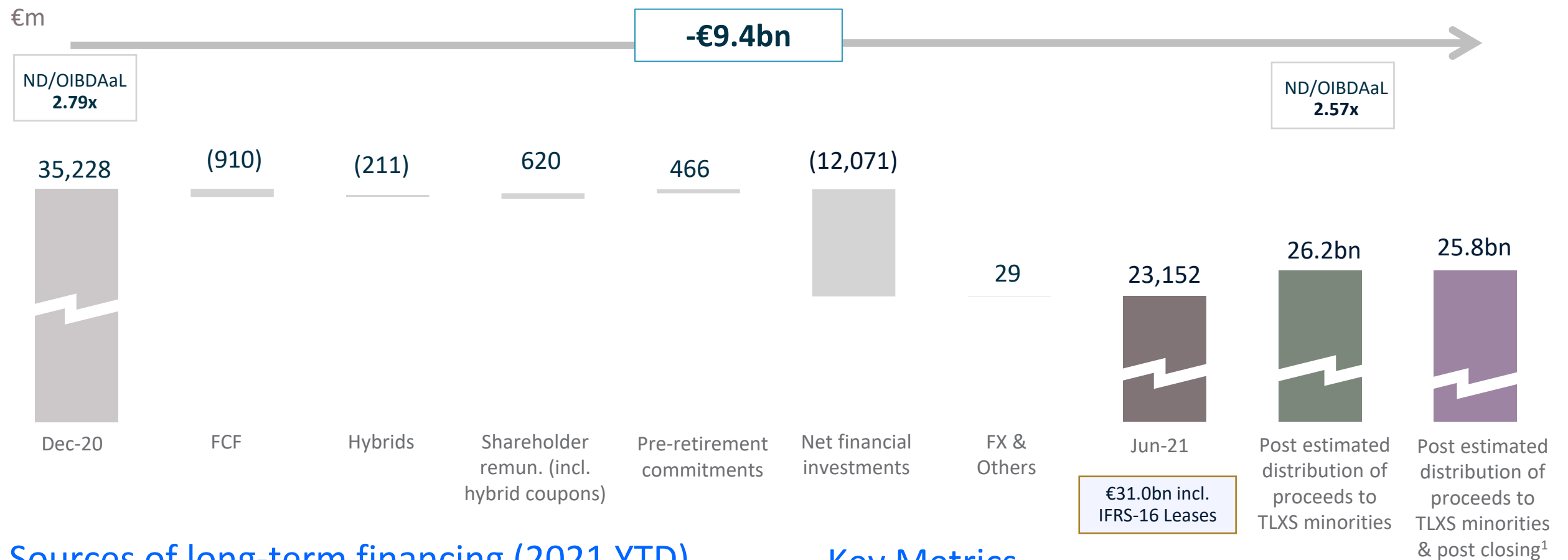
- Top-line growth in every country
- OIBDA back to growth

● Reduced capital employed:

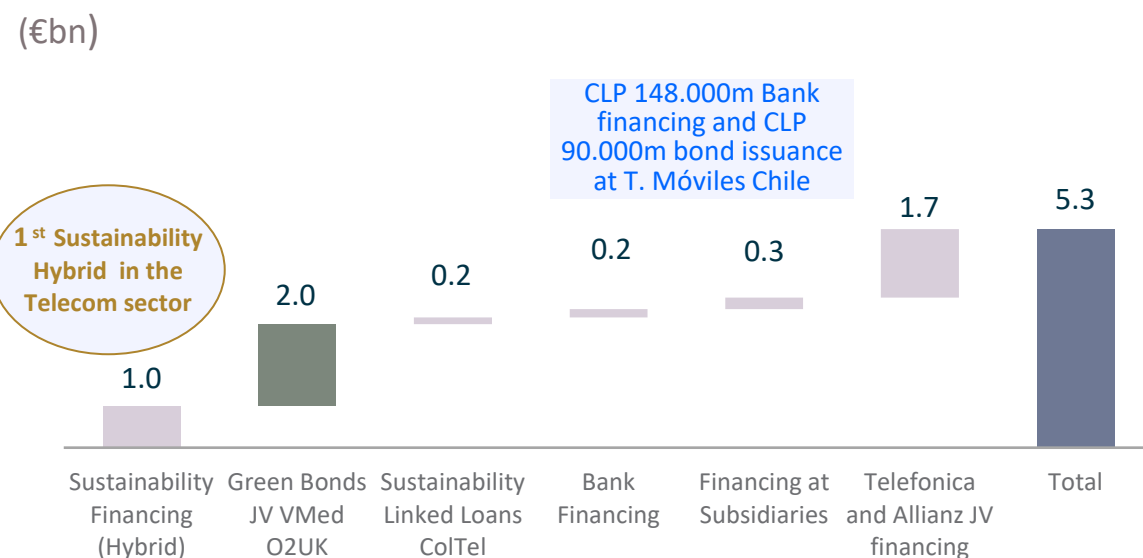
- CapEx/sales H1 21: 10%; -1 p.p. y-o-y

Significant debt reduction on inorganic deals completion

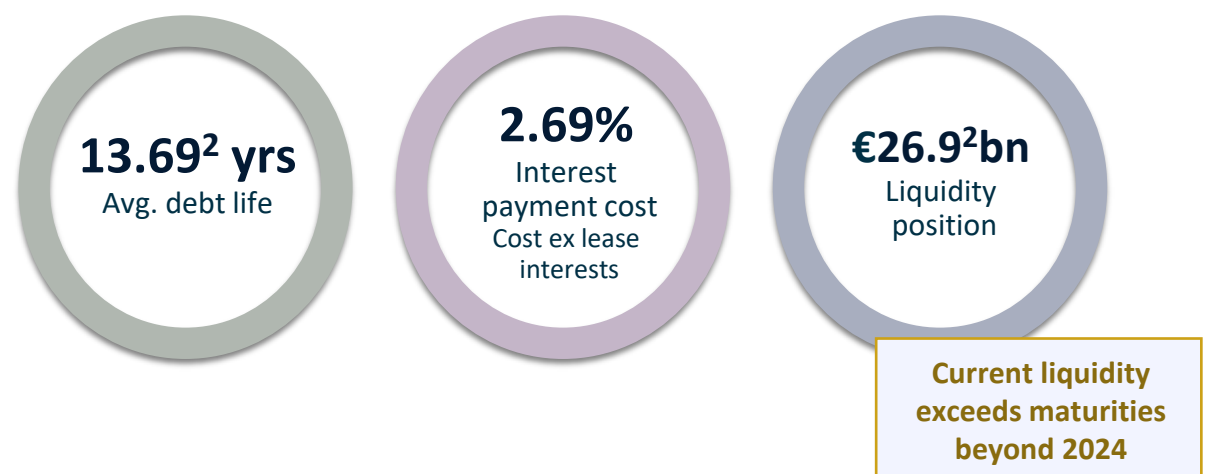
Net Financial Debt



Sources of long-term financing (2021 YTD)



Key Metrics



- Includes net proceeds from the second tranche of T. Deutschland towers sale, the disposal of Costa Rica, the sale of stakes in InfraCo Chile, Fibrasil and InfraCo Colombia and reduced by payment for the acquisition of Oi assets and impact from LME repurchase
- Post estimated distribution of proceeds to Telxius minorities

Conclusion

Mr. José María Álvarez-Pallete
Chairman & CEO

• • • Wrap up

Material progress against strategic priorities

- Completed two significant steps in long-term strategy: VMED O2 UK JV and sale of Telxius towers portfolio
- Reinforced path to sustainable, profitable growth
- Continued progress in building a connected and greener future by facilitating digitisation through high-quality, secure and low-carbon connectivity

Top-line organic growth trend restored as COVID-19 impact recedes

- Return to growth in organic revenues; with accelerated momentum across all business lines
- +31% y-o-y H1 FCF excluding spectrum payments to €1,613m
- All-time record net income reflects capital gains on strategic transactions in Q2

Growth focused investments

- CapEx normalising at 13% of sales in H1, within 2021 guidance
- ~50% CapEx ex spectrum allocated to NGN

Significant net debt reduction, post estimated distribution of proceeds to TLXS minorities (-30% y-o-y)

- Net financial debt down by €11.0bn y-o-y to €26.2bn
- Balance sheet further strengthened by capital gains, increasing equity and quality of Telefónica EV

Upgraded 2021 financial guidance

- From “stabilisation” to “stable to slight growth” in both revenues and OIBDA. Up to 15% CapEx/Sales reiterated

⋮ Results presentation and Q&A Session

Telefónica's management will host a webcast on **29th July at 10:00 AM (CET), 9:00 AM (BST), and 4:00 AM (EST)**

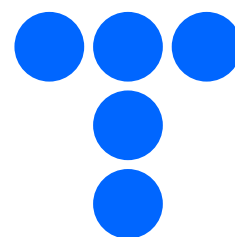
Participants from Telefónica: José María Álvarez-Pallete (Chairman & CEO), Ángel Vilá (COO), Laura Abasolo (CFCDO & Head of T. Hispam), Eduardo Navarro (Chief Strategy and Corporate Affairs Officer), and Adrián Zunzunegui (Global Director of Investor Relations). **From Virgin Media-O₂ JV:** Lutz Schüller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

Webcast

- To access the webcast: [click here](#)
- The webcast replay **will be available on Telefónica IR's website** after the event

Q&A Session

- To **participate in the Q&A session**, please register using the following link to receive the dial in and PIN details. [click here](#).



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