



Company Profile

2019



Telefónica's mission and values

Our mission: **we want to make our world more human by connecting lives.**



› Values



WE ARE
OPEN



WE ARE
BOLD



WE ARE
TRUSTED

› About Telefónica

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers.

With 344 million customers, Telefónica operates in Europe and Latin America.

Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

Telefónica, almost 100 years of history



1924

Telefónica (CTNE) is founded in Madrid, Spain.

1989 - 1990

Enters in Chile (CTC) and Argentina (TASA).

1999

Telefónica becomes a fully public company.

2000

Enters in Mexico: Acquisition of Bajacel, Movitel, Norcel & Cedetel.

2000

Gains full control in Argentina, Chile, Peru and Brazil.

2006

Acquisition of O2 (UK, Germany and Ireland).
Controlling stake in Colombia Telecom.

2010

Acquisition of controlling stake in Vivo.

2012

Telefónica Deutschland's IPO

2014

Acquisition of E-Plus in Germany.

2015

Disposal of Telecom Italia stake.
Acquisition of DTS (Canal +) in Spain and GVT in Brazil.

2015

A company of platforms.

2019

Announces sale of Central America.

2019

5-Point Plan that will mark a new era for Telefónica.

1998

Telefónica wins the tender for Telesp (Brazil).

1994

Telefónica enters in Peru (TdP).

1987

Listing on New York Stock Exchange.

2005

Acquisition of Cesky Telecom.

2004

Acquisition of Bellsouth's LatAm assets.

2003

JV with Portugal Telecom in Brazil: Vivo.

2014

Disposal of Telefónica Czech Republic and Ireland.

2013

Disposal of Telefónica stakes in Central America (four countries).

2017

Telefónica increases stake in Telefónica Deutschland to 69.2% via swap agreement with KPN.

2016

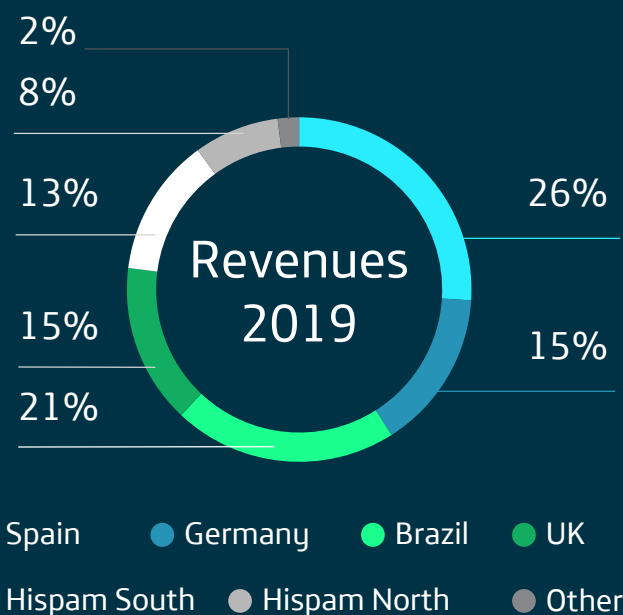
Creation of Telxius and sale of minority stake to KKR (closing 2017).

2018

Sale of Telxius stake to Pontegadea.

Telefónica at a glance

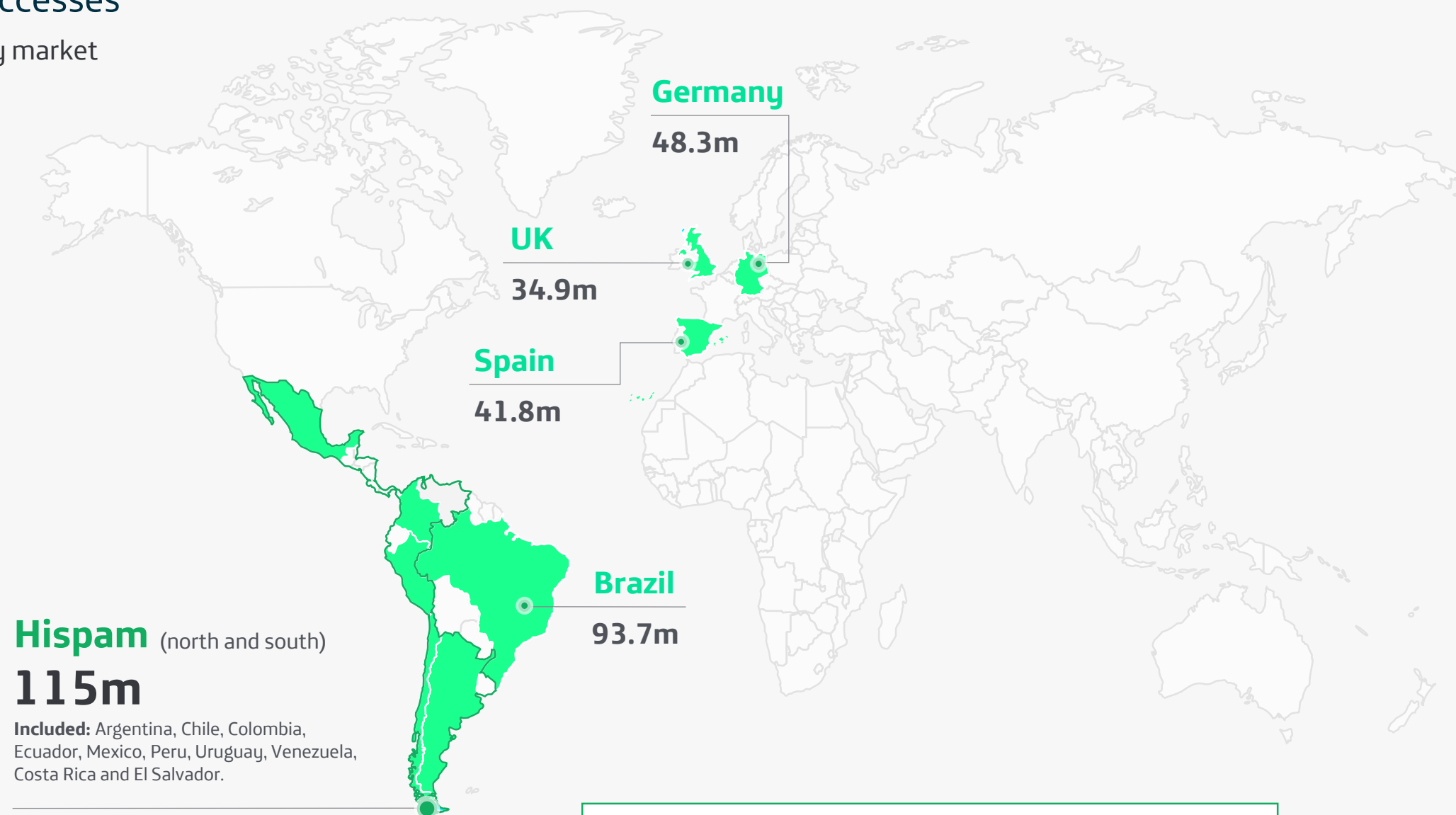
- Telefónica operates in **14 countries***
- We **offer our services in over 170 countries** via strategic partner agreements
- Telefónica owns **the largest fiber network in Europe and Latin America** and leads the deployment of this technology in both regions



Figures at the end of December 2019.

*The sale of Telefónica's operations in Costa Rica and El Salvador was agreed in 2019. Its close is still pending.

➤ Accesses by market



Grupo

344.3m Accesses
€48,422m Annual revenues

77% Revenues from key markets

82% OIBDA from key markets

4 key markets: Spain, Brazil, Germany and United Kingdom

A leader in telecom infrastructures

#1 in fibre in Europe and Latin America



1.6m **km of fibre**

128m premises passed
FTTx/cable footprint

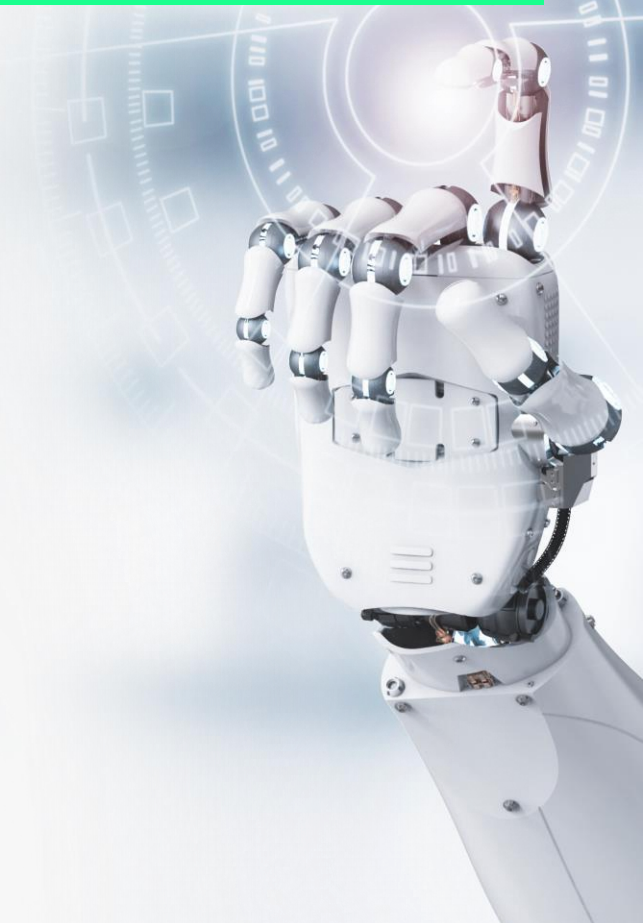
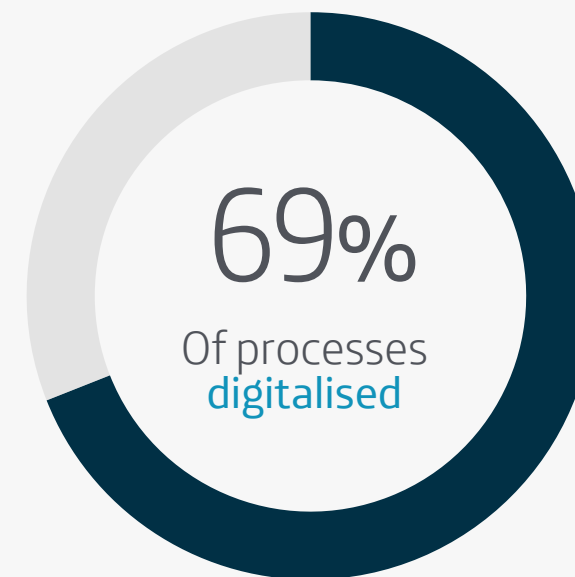
5G Deployed in UK and Germany

4G 96%
Coverage in Europe (73% Lat Am)

#1 in network virtualisation
"Única" deployed in 10 countries



#1 Shutting down legacy



The most digital telco (2018-2019) accumulated savings from digital transformation

€720m as of 2019

Telefónica's strategy: a sustainable business model

› Based on three pillars



CUSTOMERS
SOCIETY
SHAREHOLDERS

Efficiency

Efficient use of scarce resources and higher returns

82% renewable energy
(100% in Europe and Brazil)

Customer Experience: radically simpler and fully digital

Growth

Revenues and OIBDA growth for seven years in a row

Inclusive network deployment and positive environmental impact services

55% of revenues from broadband connectivity and digital services

Trust

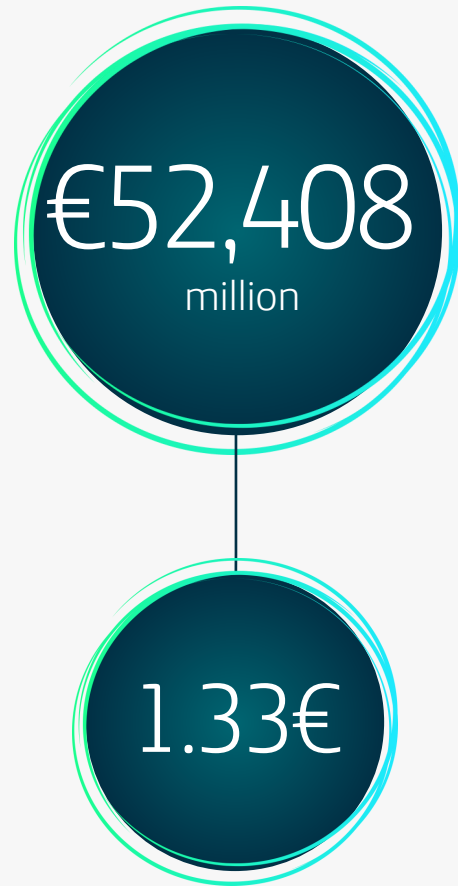
Leading ESG (Environmental, Sostenibility, Governance) in our industry

Privacy, security and transparency at the top of our priorities

Higher customer satisfaction

Making our world more human
by connecting lives

... to deliver long-term stakeholder value responsibly



Our global contribution to **GDP** in 2019.

Additional amount generated indirectly (via spending and investments) for every 1€ generated in 9 of the most important countries where we operate.

› Leading ESG in our industry



6th year in a row
only 8 telcos included.



Rating A MSCI



#1 Global ESG Ranking: telco industry among peers



- 1st ever green bond issued in the sector (Jan'19)
- 1st ever green hybrid bond issued in the sector (Jan'20)

› Total Tax contribution

2019
€8,705m | for every €100
18€ → Are paid in **taxes**

113,819

Direct employees worldwide

38%
% Women

~19.000
Less than 30 years-old



3rd year in a row
Bloomberg Gender-Equality Index

› Committed to society and education

ProFuturo

MIRÍADAX_

Voluntarios
Telefónica



Telefónica

€8,784m → 15%
Cap-Ex in 2019 Cap-Ex/Revenues,
(ex – spectrum)

*Telefónica has invested €1,501 million in spectrum in 2019

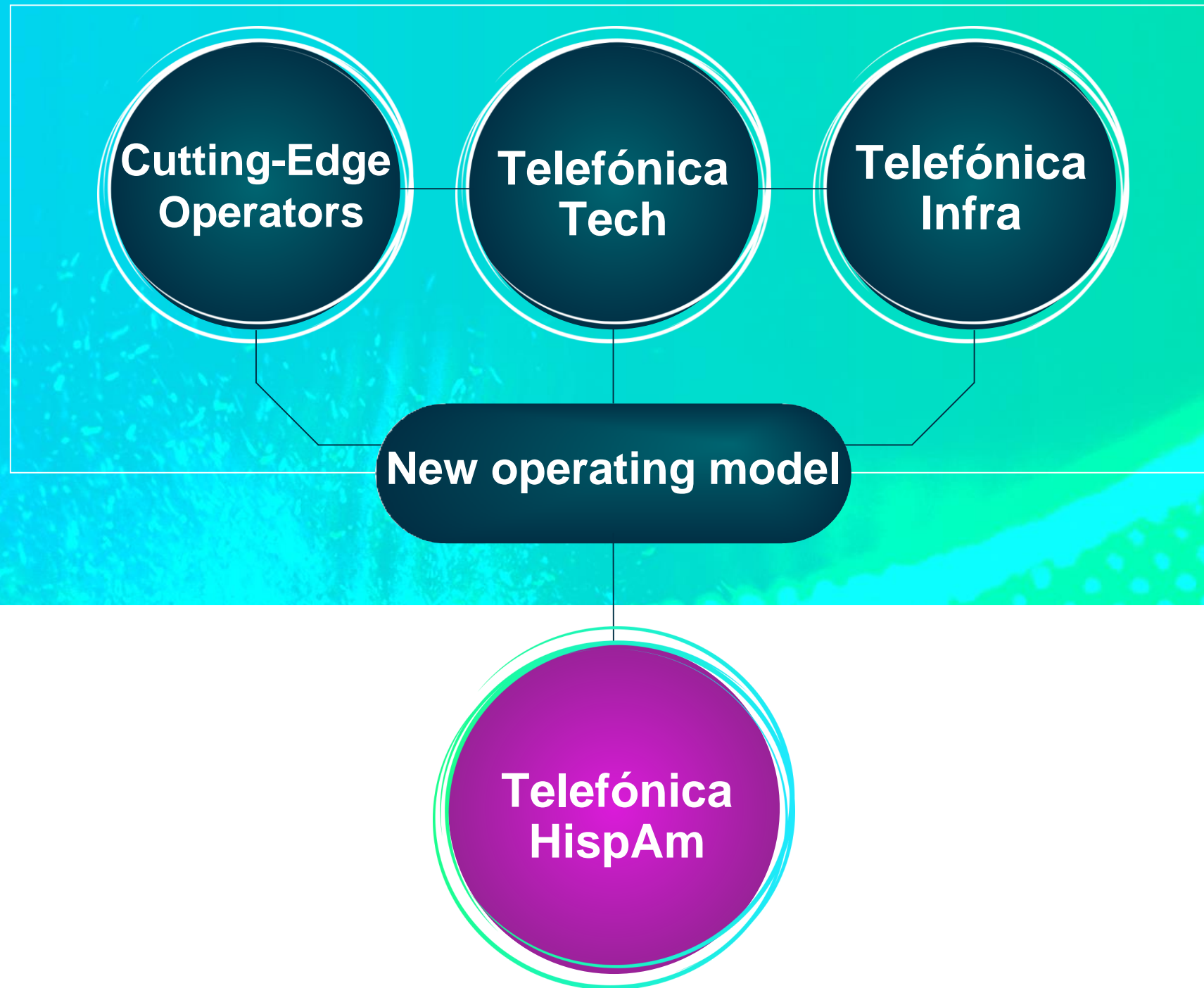
Telefonica

TEF is building a
company for the future



The New Telefónica:

5 point-plan to capture growth

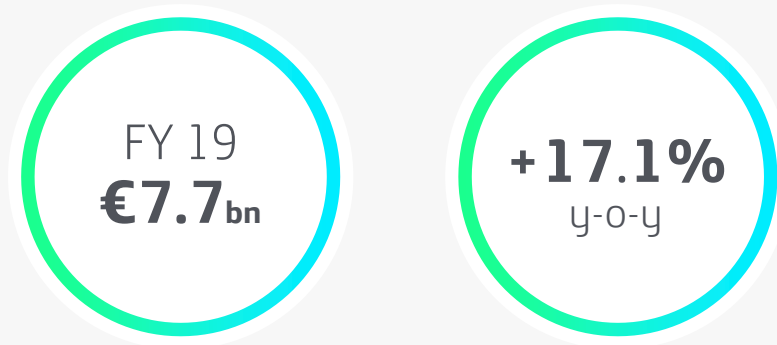


- 1 4 key markets: Spain, Brazil, Germany and United Kingdom
- 2 Operational spin-off of the businesses in HispAm
- 3 Launch of Telefónica Tech
- 4 Creation of Telefónica Infra
- 5 New operating model

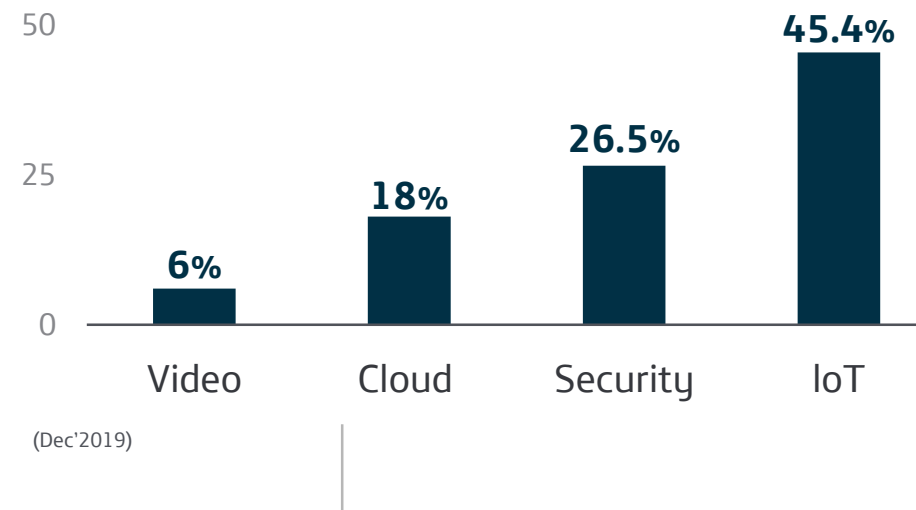
The best offer of digital services for customers and businesses...

Supported by a pioneer model based on AI and data

› Total Digital Services Revenues
Bn€



› By segment (B2C+B2B)
(y-o-y organic growth)



› 40 products based on AI and Big Data deployed over normalised data capabilities

Movistar Home

Living apps

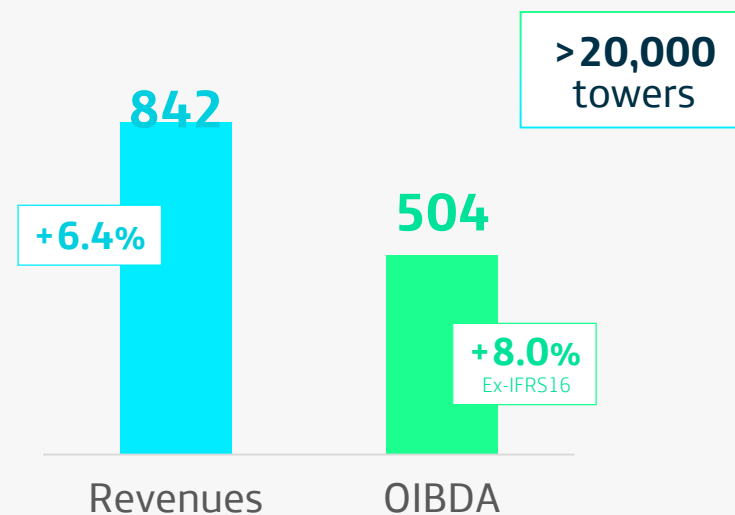
LUCA



AURA

Virtual Assistant with AI.

T. Infra: Maximizing our infrastructures
Telxius m€



T. Tech: Leading Business services

Customer satisfaction | **21% NPS**
(Net Promoter Score) 2019
Up from 20% in 2018

An Open Innovation Model

Based on excellent network connectivity, it combines in-house and third party innovation capabilities

€866m
R&D Investment¹

TOP 50
Of European companies
with the biggest
R&D Investment²

Portfolio of
477 Patents

Core Innovation

› To identify future business opportunities



We apply innovation to our assets, platforms and services, such as connectivity, Data or video platforms, to increase Telefónica's competitiveness



We use Lean Startup method to innovate with agility: it accelerates the design and innovation process, makes it more efficient while keeping it client focused throughout.

Open Innovation

› To promote the entrepreneurial ecosystem

Telefónica

Innovation Ventures



OPEN FUTURE

530
Startups in
portfolio / active

+115
Startups working with
Telefónica

7+40
Wayra & Open Future
Hubs

€49m | €120m
Invested through Wayra and
Telefónica Innovation Ventures,
respectively

€460m | €1,500m
Third-Party investment
in Wayra startups and Telefónica
Innovation Ventures, respectively

¹ Data 2019

² Industrial R&D Investment Scoreboard 2019

Data at the end of 2019

Executive Team



Telefonica

2019 Highlights



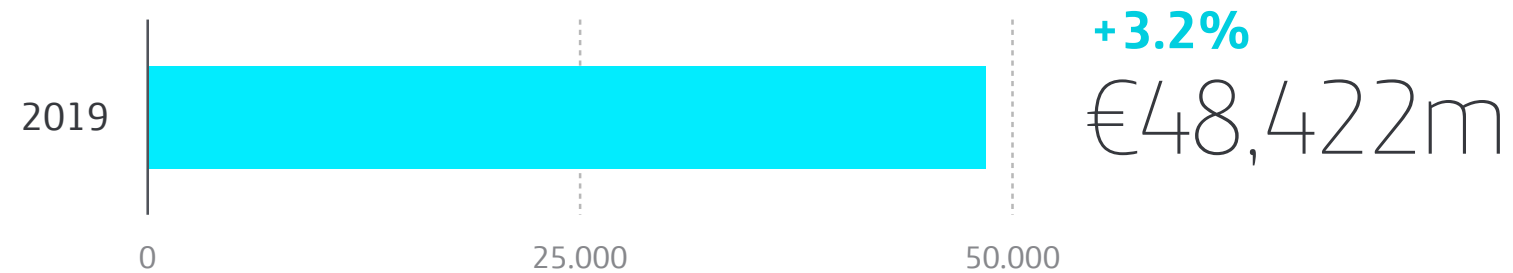
2019

Robust financials



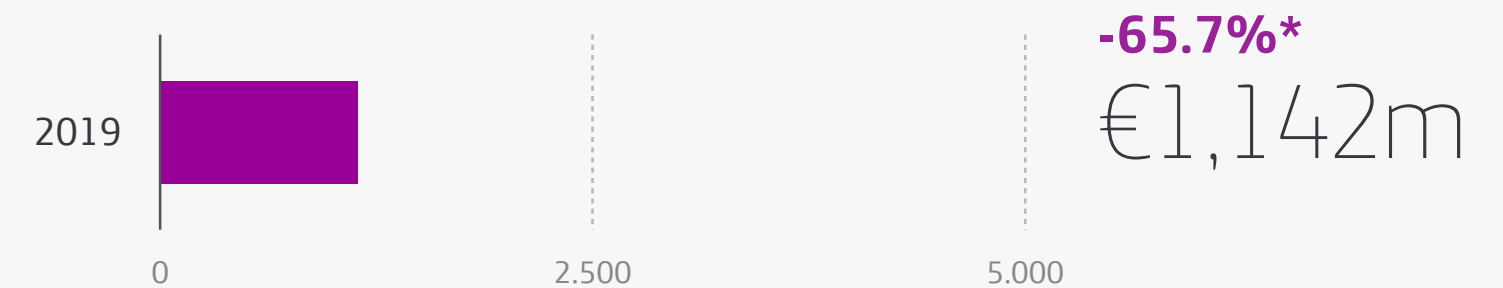
REVENUES

Year-on-year organic change



NET PROFIT

Year-on-year reported change

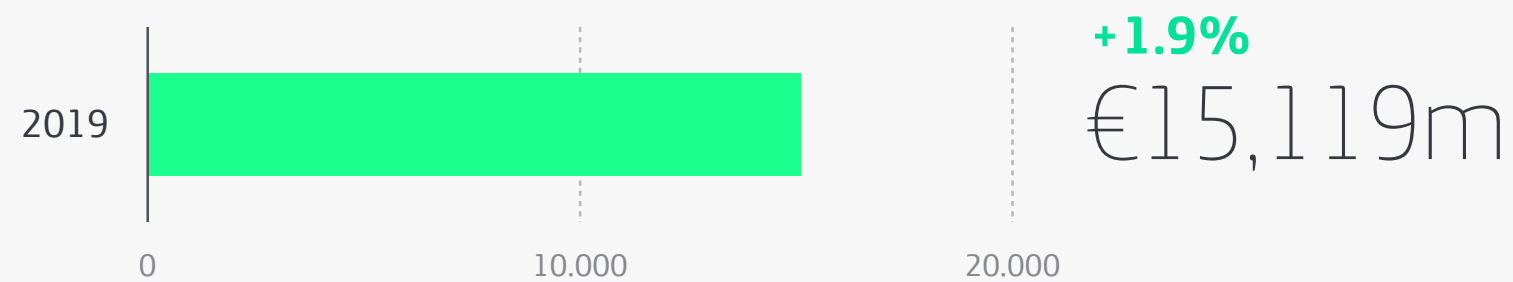


* y-o-y change is mainly affected by the provision for restructuring costs of the third quarter in Spain.



OIBDA

Year-on-year organic change



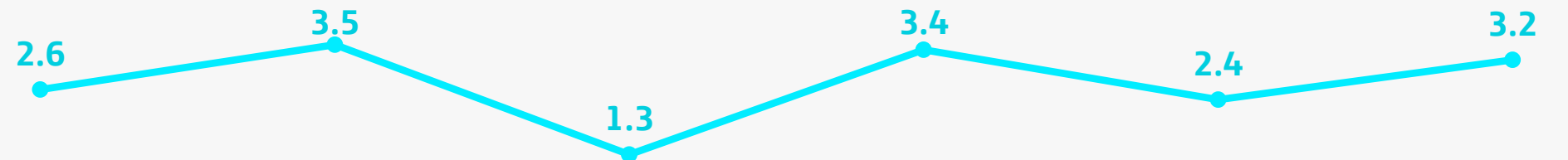
OIBDA-CAPEX

Year-on-year organic change



Sustained and sustainable growth path

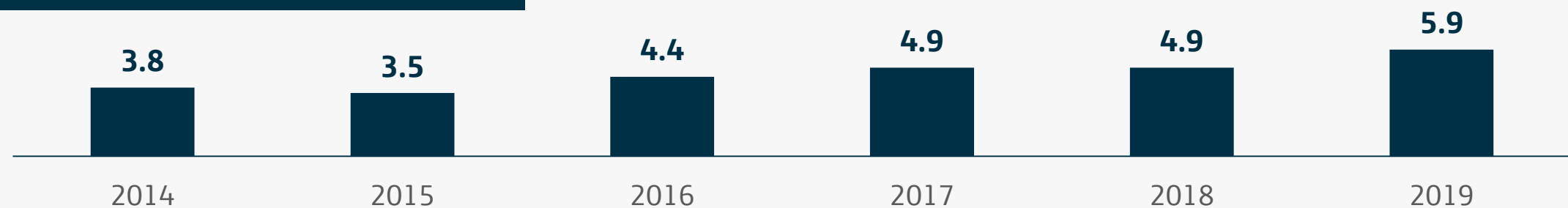
> Revenues (%)



> OIBDA (%)



> Free Cash Flow (FCF) € bn



Organic criteria 2019: Assumes average constant foreign exchange rates of 2018, except for Venezuela (2018 and 2019 results converted at the closing synthetic exchange rate for each period) and excludes the hyperinflation adjustment in Argentina. Considers constant perimeter of consolidation. Excludes the effects of the accounting change to IFRS 16, write-offs, capital gains/losses from the sale of companies, restructuring costs and material non-recurring impacts. CapEx excludes spectrum investments.

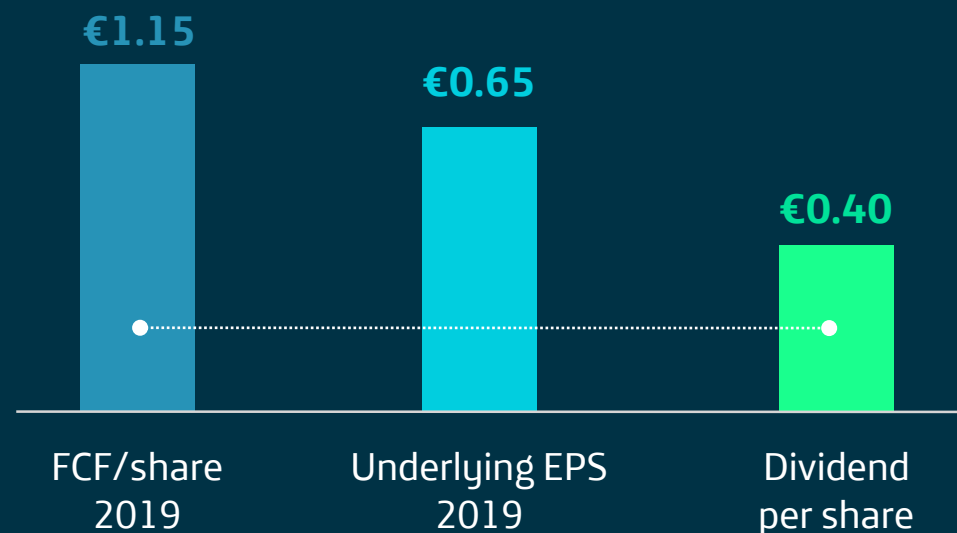
Strong FCF generation, with ample dividend cover that allows to reduce net debt organically



€5.9 bn

euros
+20.6% year-on-year change

› **Strong FCF generation** and ample dividend cover



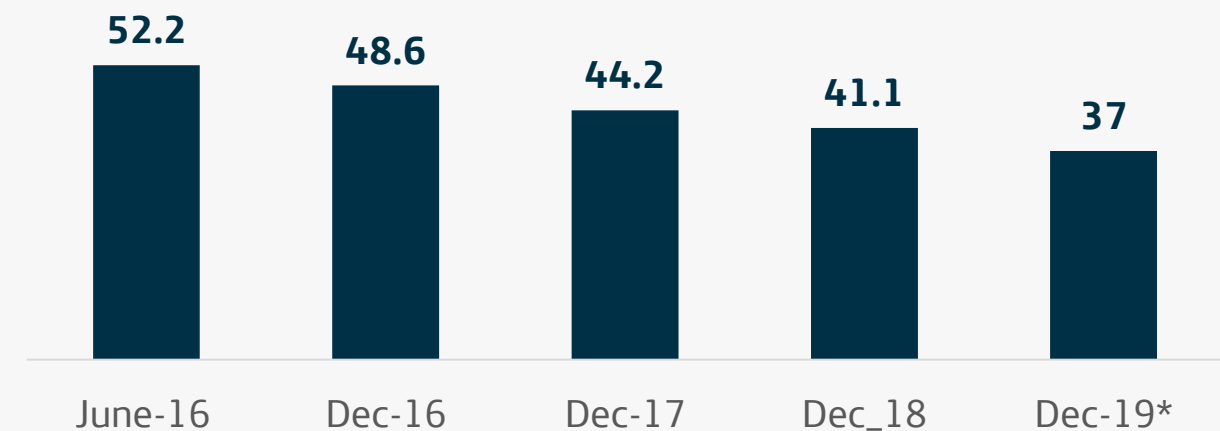
› **Net Debt Reduction** driven by strong **FCF generation**



Approx.

€15 bn

Net debt reduction since June 2016



(*) Post-closing events included.

Spain: Europe's most advanced telco



HIGHER VALUE
ACCESSES

*Uptake ration connected fibre
customers on own network:*
28% | +2 p.p. y-o-y

TV
over **4 m** | **-0.4 %**

Mobile contract
17.8 m | **+4.9 %**

#1 Europe's largest FTTH network
➤ Premises passed: **23.1 m**
➤ Connected Accesses: **72%** market share (1)

#1 Leading technology (IPTV /OTT)
and content distribution platform

#1 Leading mobile network
➤ Market share: **30%**
➤ LTE Leader in terms of coverage and speed (2)

#1 Leading enterprise IT services
➤ Revenues 2019: **€1,002m (+16.5% y-o-y)**

Annual
Results
2019

REVENUES

€12,767m

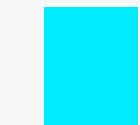
OIBDA

€3,687m

OIBDA - CAPEX

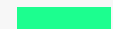
€2,040m

+0.5%



Revenues

+0.1%



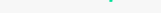
OIBDA

28,9%*



Margin

-1,2%



OIBDA-Capex

* y-o-y change is affected by the provision
for restructuring costs of the third quarter.



**Most comprehensive offer for all
market segments**



Movistar Fusión

Telefonica

EMPRESAS

(1) CNMC Data (1Q/4Q 2018, En-19)

(2) OCU

Data at the end of Dec'19

Telefónica UK: The UK's No1 network for customers



Annual
Results
2019

REVENUES

€7,109m

OIBDA

€2,114m

MARGIN

29,7%

OIBDA - CAPEX

€1,200m

+1.4%

+3.8%

+2.3%

Revenues

OIBDA

34.5m

Mobile Accesses

#1 in flexibility and transparency

Flexible Custom Plans

Pionner offer in the telco industry

5G Already available in

24 cities

GOAL: 50 cities by the summer.

#1

in customer loyalty

The lowest contract churn in the market

1.0%

The O2:

Best Sponsorship in the last 25 years.
Best Sponsorship Awards

#1 Best network coverage*

#1 Best network for reliability*

#1 Best network performance*



Best network coverage by Uswitch (2018,2019,2020)



The UK's most reliable network by Global Wireless Solutions (Feb 2020)



Number 1 for customer experience by The Institute of Customer Service.
UK customer satisfaction index (Jan 2020)

Telefónica

Germany: The most modern network serving the largest mobile customer base



Annual
Results
2019

REVENUES

€7,399m

+1.1%

-1.1%

OIBDA

€2,326m

Revenues

OIBDA

MARGIN

31.4%

OIBDA - CAPEX

-€143m

-10.3%

Focus in Customer Experience and Digital Transformation
Digital4Growth Programme (2019-2022):



SIMPLER



FASTER



BETTER

Data transported:

1bn GB

Customer Focus:

Innovative tariffs: O2 Free, O2 My All in One & O2 DSL, O2 Banking, O2 TV, O2 You ...

5G

30 cities with 5G by the end of 2022

Deploying the **1st 5G network in the world** for production vehicles with Mercedes-Benz.

Mobile Accesses

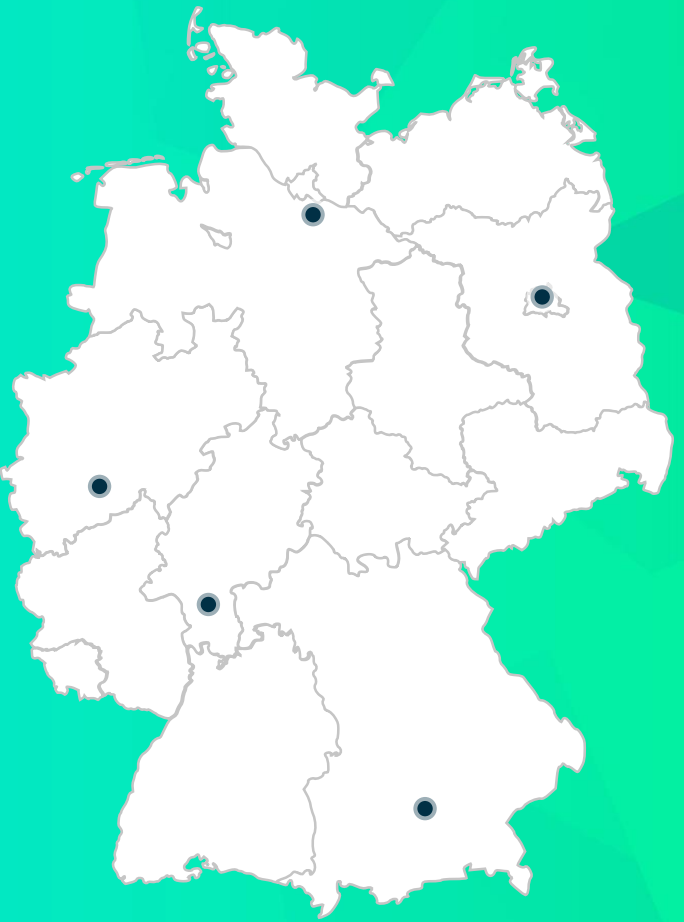
~ 44 m

Employees

~ 9,000

Full Operator

The best fixed broadband coverage in Germany via agreements with DT, Vodafone and Tele Columbus.



"Good" rating on the most important network tests



Year-on-year change in organic terms. OIBDA-CapEx to Dec'19 includes impact of 1,425Mn € of spectrum.

Telefónica Brazil: Unmatched quality assets. Leader in high value accesses



Annual
Results
2019

REVENUES

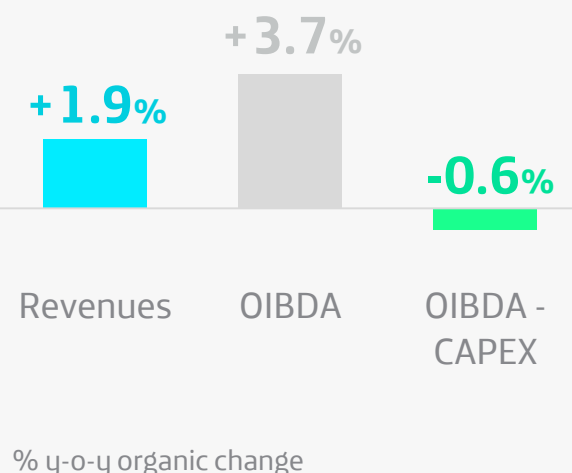
€10,035m

OIBDA

€4,262m

OIBDA - CAPEX

€2,257m



Revenues

OIBDA

OIBDA -
CAPEX

% y-o-y organic change

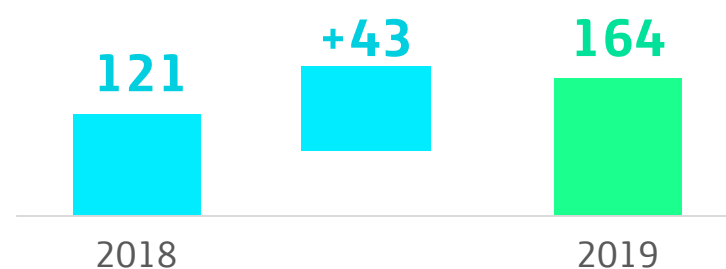
Sustained annual investment (CapEx, ex - spectrum)

Accelerating to capture
opportunity in fibre

2018-2020

26 bn BRL

› 43 new cities in 2019 with FTTH



› New fibre expansion
models: Third parties
agreements and
franchises.

vivo

› Total Accesses

93.7m

› Mobile Accesses

74.6m

Most recognized and valued brand

#1 Sustained Leadership in Mobile
Contract (39.4% of market share)

- › **Contract percentage** over mobile accesses:
57.9%
- › **5 million UBB accesses** (FTTx/Cable). 2.5
FTTH million accesses (+31% y-o-y).

#1 The largest fibre
deployment in LATAM

› Premises passed (FTTx)

93.7m

› FTTH Home Passed

11.0m

Mobile Network: Coverage and capacity

#1 Biggest mobile coverage 3G/4G

- › **LTE Coverage:** 89%; 4G+ in 1,208 cities.
- › Distribution channel: 1,600 shops.

Telefónica in Hispam: Maximizing the value of assets

› Telefónica Hispam South

Annual Results
2019

REVENUES

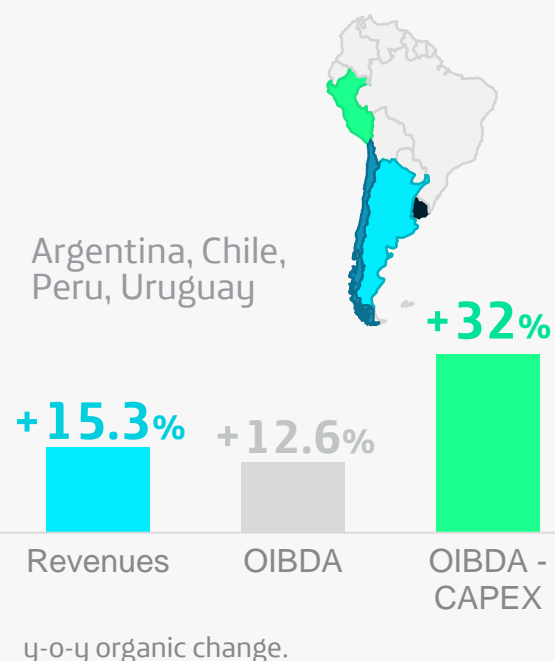
€6,384m

OIBDA

€1,398m

OIBDA – CAPEX

€433m



Operating data
2019

› Total accesses

50.9m

37.8Mill mobile accesses

44.9% 45.7%

Contract LTE

› FTTx / cable Accesses

2.9m +17.2%
y-o-y

› FTTx / cable premises passed

9.8m

› Telefónica Hispam North

Annual Results
2019

REVENUES

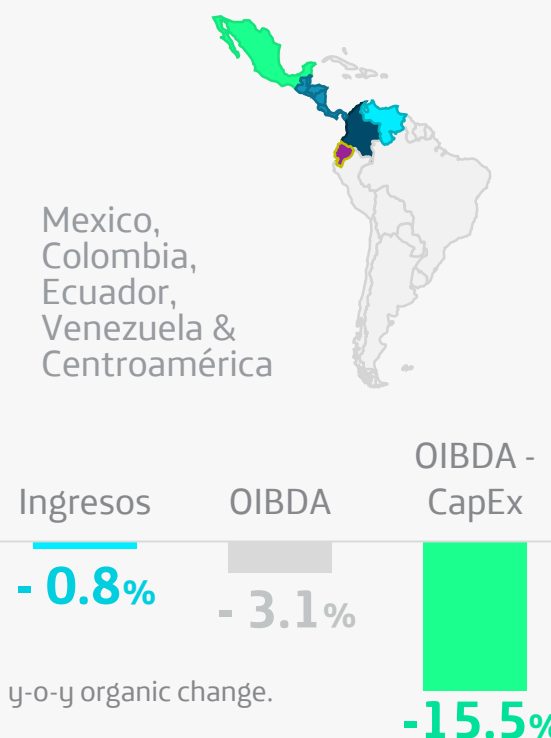
€3,795m

OIBDA

€830m

OIBDA – CAPEX

€251m



Operating data
2019

› Total accesses

64.3m

59.6m mobile accesses

16.2% 40.6%

Contract LTE

› New operating model: México

› 2019 Strong growth in:

LTE (+20.2%)

FTTx (+8.4%)

Telefónica milestones in 2019



8_01

Leader in the magic quadrant of Gartner Managed M2M Services, for the 5th consecutive year.

16_01

Telefónica included in the 2019 Bloomberg Gender-Equality Index.

24_01

Telefónica agrees the sale of its operations in Guatemala & El Salvador to América Móvil.

23_01

Strengthening the agreement with Vodafone for network sharing in the UK including 5G.

28_01

Sector's first green bond €1bn

20_02

Telefónica agrees the sale of its operations in Costa Rica, Panamá & Nicaragua to Millicom.

25_02

Telefónica and Microsoft: Strategic alliance to design the telco of the future.

13_03

Telefónica is in the management of climate change according to the CDP A-List.

26_03

Linking 20% of variable wages to sustainability targets.

8_04

Telefónica will produce original fiction content in Latin America.

8_05

Telefónica sells 11 data centers to Asterion.

16_05

Telefónica leads the Ranking Digital Rights 2019.

12_06

Telefónica Deutschland acquires 90Mhz in 5G spectrum auction

25_07

Transmission of 9 Data Centers located in Spain, Brazil, Mexico, Peru, Chile and Argentina.

10_09

Telefónica accelerates monetization of its mobile telecommunications infrastructure.

18_09

Telefónica and Prosegur team up to jointly manage the alarm business in Spain.

20_09

Telefónica and Atresmedia to create Spanish-language fiction content worldwide.

17_10

Telefónica invests in AltioStar's Open RAN technology.

27_11

5 key point-plan that will mark the new era of the company.

11_12

Telefónica will be CO2 neutral by 2050.

18_12

Renewal of the Board of Directors with 30% women representation

23_12

Telefónica accelerates the value of its infrastructures with the sale of 2,029 towers in Ecuador and Colombia.



Telefonica

the most admired
telco in **Europe**
and **4th in the world**