Company Profile

2019 Annual figures. Quarterly figures as of 30th June 2020
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 of 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 337 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.
- **1984**: Listing on New York Stock Exchange.
- **1987**: Enters in Chile (CTC) and Argentina (TASA).
- **1989 - 1990**: Telefónica enters in Mexico: Acquisition of Bajacel, Movitel, Norcel & Cedetel.
- **1994**: Telefónica enters in Peru (TdP).
- **1998**:Telefónica wins the tender for Telesp (Brazil).
- **1999**:Telefónica becomes a fully public company.
- **2000**: Acquires O2 (UK, Germany and Ireland).
- **2001**: Enters in Mexico: Acquisition of Bajacel, Movitel, Norcel & Cedetel.
- **2002**: Gains full control in Argentina, Chile, Peru and Brazil.
- **2003**: JV with Portugal Telecom in Brazil: Vivo.
- **2004**: Acquisition of BelSouth’s LatAm assets.
- **2005**: Acquisition of Cesky Telecom.
- **2006**: Acquisition of controlling stake in Vivo.
- **2006**: Acquisition of controlling stake in Colombia Telekom.
- **2007**: Telefónica Deutschlands IPO.
- **2008**: Acquisition of E-Plus in Germany.
- **2009**: Acquiring of DTS (Canal +) in Spain and GVT in Brazil.
- **2010**: Disposal of Telecom Italia stake.
- **2010**: A company of platforms.
- **2014**: Disposal of controlling stake in Vivo.
- **2014**: Telefónica Deutschlands IPO.
- **2015**: Telefónica Deutschland’s IPO.
- **2015**: Acquisition of DTS (Canal +) in Spain and GVT in Brazil.
- **2016**: Acquiring of E-Plus in Germany.
- **2016**: Apache Telecom.
- **2017**: Sale of Telxius stake to KKR (closing 2017).
- **2018**: Sale of Telxius stake.
- **2019**: 5-Point Plan that will mark a new era for Telefónica.
- **2020**: Liberty Global and Telefónica to merge their U.K. operations creating the leading fixed-mobile provider in the country.
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

**Accesses**

by market

- **Spain**: 41.7m
- **Brazil**: 92.1m
- **UK**: 34.4m
- **Germany**: 48.0m
- **Hispam**: 105.5m (Included: Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela)

**Revenues 2019**

- Spain: 21%
- Germany: 26%
- Brazil: 15%
- **Hispam**: 21%
- Other: 2%

**Group**

- **Revenues**: 337.3m €
- **Accesses**: 48,422m
- **OIBDA from key markets**: 82%

*This figure includes operations in Costa Rica and El Salvador.

Revenues and OIBDA: Figures at the end of December 2019.

4 key markets: Spain, Brazil, Germany and United Kingdom.
A leader in telecom infrastructures

1.6m km of fibre

131.2m premises passed

5G Deployed in UK, Germany, Brazil and Spain

4G 97% Coverage in Europe (75% Lat Am, June 20)

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

€720m as of 2019

78% Of processes digitalised (June '20)

#1 in network virtualisation “Única” deployed in 10 countries

#1 Shutting down legacy
Telefonica’s strategy: a sustainable business model

Based on three pillars

**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
67% of revenues from broadband connectivity and digital services (June’20)

**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

€52,408 million

Our global contribution to GDP in 2019.

1.33€

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

€8,784m → 15%

Cap-Ex in 2019

Cap-Ex/Revenues, (ex – spectrum)

Leading ESG in our industry

6th year in a row

only 8 telcos included.

Rating A MSCI

MSCI

#1 Global ESG Ranking: telco industry among peers

SUSTAINALYTICS

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 MIRIADAX_ Voluntarios Telefónica

Aprox. 10,200,000 children

More than 6,600,000 registered students

Approx. 40,000 volunteers

*Telefónica has invested €1,501 million in spectrum in 2019
TEF is building a company for the future
The New Telefónica: 5 point-plan to capture growth

- Cutting-Edge Operators
- Telefónica Tech
- Telefónica Infra

New operating model

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...

- **Total Digital Services Revenues**
  - Bn€
  - FY 19: €7.7bn
  - +17.1% y-o-y
  - H20: 3.6bn €, +2.8% y-o-y

- **By segment (B2C+B2B)**
  - (y-o-y organic growth)
  - Video: 6%
  - Cloud: 18%
  - Security: 26.5%
  - IoT: 45.4%

- **T. Infra: Maximizing our infrastructures**
  - TELXUS: m€ FY2019
  - >20,000 Towers (June 20)
  - Revenues: 842
  - OIBDA: 504
  - +6.4% / +8.0% Ex IFRS 16

- **T. Tech: Leading Business services**
  - €2.2bn
  - +26% y-o-y organic
  - > Alliances with the best players in the Tech ecosystem (Amazon, Google, Microsoft, SAP, ...)
  - > Wide recognition from industry analysts

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

- **Movistar Home | Living apps**
  - **LUCA**
  - **AURA**
  - Virtual Assistant with AI.

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

> 

*YoY change excludes exceptional capacity sale in the same period of 2019*
An Open Innovation Model
Based on excellent network connectivity, it combines in-house and third party innovation capabilities

Core Innovation

- To identify future business opportunities

Connected Open Innovation

- To promote the entrepreneurial ecosystem

<table>
<thead>
<tr>
<th>Connected Open Innovation</th>
<th>Core Innovation</th>
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<tbody>
<tr>
<td>Top 50</td>
<td>€866m</td>
</tr>
<tr>
<td>Of European companies</td>
<td>R&amp;D Investment¹</td>
</tr>
<tr>
<td>with the biggest</td>
<td></td>
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<tr>
<td>R&amp;D Investment²</td>
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</table>

- 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.

TOP 50

530 Startups in portfolio / active
+130 Startups working with Telefónica
7+40 Wayra & Open Future Hubs

Portfolio of

477 Patents

Invested through Wayra and Telefónica Innovation Ventures, respectively

Third-Party investment in Wayra startups and Telefónica Innovation Ventures, respectively

Data at the end of 2019

1 Data 2019
2 Industrial R&D Investment Scoreboard 2019
2019 & 1H20 Highlights
Robust financials

Data for the first half of 2020 are partially impacted by COVID-19, which has particularly affected the second quarter of this year.

**REVENUES**

- **2019**
  - **€48,422m** (+3.2%)
- **1H20**
  - **€21,706 m (-3.5%)**

**NET PROFIT**

- **2019**
  - **€1,142m** (-65.7%*)
- **1H20**
  - **€831 m (-53.5%)**

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

**OIBDA**

- **2019**
  - **€15,119m** (+1.9%)
- **1H20**
  - **€7,075 m (-5.9%)**

**OIBDA-CAPEX**

- **2019**
  - **€6,335m**
- **1H20**
  - **€4,354 m (-2.3%)**

1H20

- **€21,706 m (-3.5%)**
- **€831 m (-53.5%)**
- **€7.075 m (-5.9%)**
- **€4,354 m (-2.3%)**
Sustained and sustainable growth path

有机增长指标2019年：假设2018年平均不变的汇率（除非是委内瑞拉2018年和2019年的结果，转换为每个时期收盘的合成汇率）；以及排除阿根廷的超通胀调整。考虑合并范围不变。排除会计变更影响IFRS 16，减值，资本性损失/收益，业务重组成本以及非经常性影响。

CapEx排除频谱投资。

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**

€1.15
€0.65
€0.40

FCF/share 2019
Underlying EPS 2019
Dividend per share

The dividend announced for 2020 is 0.40 euros/share and the first tranche (0.20 euros/share) will be paid in December 2020, using the voluntary script dividend modality.

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

Approx. **€15 bn**

Net debt reduction since June 2016

<table>
<thead>
<tr>
<th></th>
<th>June-16</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec_18</th>
<th>Dec-19</th>
<th>June-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>52.2</td>
<td>48.6</td>
<td>44.2</td>
<td>41.1</td>
<td>37</td>
<td>37.2</td>
</tr>
</tbody>
</table>

Over **2/3** debt in fixed rates
Average debt life of **11.2** years
Interest payment costs **3.41%**
### Spain: Europe’s most advanced telco

#### Annual Results 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue 2019</th>
<th>OIBDA 2019</th>
<th>Margin OIBDA 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>€12,767m</td>
<td>€3,687m</td>
<td>28.9%</td>
</tr>
<tr>
<td><strong>OIBDA</strong></td>
<td>€2,040m</td>
<td>-0.1%</td>
<td></td>
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<tr>
<td><strong>OIBDA - CAPEX</strong></td>
<td></td>
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1H20: €6,106m (-3.4% y-o-y)  
1H20: €2,536m (5.1% y-o-y)

* y-o-y change is affected by the provision for restructuring costs of the third quarter. OIBDA Margin as of 1H20: 39.9%.

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### Europe’s largest FTTH network

- Premises passed: **23.6 m** (June 20)
- Connected Accesses: **72%** market share (1)

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

### Leading mobile network

- Market share: **30%**
- LTE Leader in terms of coverage and speed (2)
- Sep’20: 5G network switch on. 75% coverage as of Dec’20

### Leading enterprise IT services

- Revenues 2019: **€1,002m (+16.5% y-o-y)**

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

Data at the end of June 2020.
Telefónica UK: The UK’s No1 network for customers

**Annual Results 2019**

**Revenues**
- **€7,109m**
  - **1H20: €3,370m (-1.1% y-o-y)**
  - **+3.8%**

**OIBDA**
- **€2,114m**
  - **1H20: €1,021m (-3.8% y-o-y)**
  - **+2.3%**

**Margin**
- **29.7%**
  - **1H01: 30%**
  - **1H01 €606m (-3.8% y-o-y)**

**OIBDA - CAPEX**
- **€1,200m**
  - **+1.4%**

**Mobile Accesses**
- **34.1 m**
  - **#1 in flexibility and transparency**
  - **Flexible Custom Plans**
  - **Pionner offer in the telco industry**

**5G**
- **Already available in 60 cities**

**The O2**
- **#1 Best network coverage**
- **#1 Best network for reliability**
- **#1 Best network performance**
- **The lowest contract churn in the market**
- **0.9%**

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

**REVENUES**

€7,399m

1H20: €3,636m (+2% y-o-y)

+1.1% -1.1%

**OIBDA**

€2,326m

1H20: €1,095m (-2% y-o-y)

**MARGIN**

31.4%

1H20: 30.1%

**OIBDA - CAPEX**

€143m

1H20: €180m (-13% y-o-y)

-10.3%

**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.

**Data transported:**

1bnGB

**Mobile Accesses**

43.5 m

**Employees**

~9,000

**Focus in Customer Experience and Digital Transformation**


SIMPLER

FASTER

BETTER

*Year-on-year change in organic terms. OIBDA-CapEx to Dec’19 includes impact of 1.425Mn € of spectrum.*

“Very good” rating in 2020 Connect Magazine Fixed Network Test

Best MNO in Telekom Handel’s reader’s choice awards

Full Operator

The best fixed broadband coverage in Germany via agreements with DT, Vodafone and Tele Columbus.
Telefónica Brazil: Unmatched quality assets. Leader in high value accesses

**Annual Results 2019**

**REVENUES**
€10,035m
1H20: €3,954m (-3.2% y-o-y)

**€4,262m**
1H20: €1,666m

**OIBDA - CAPEX**
€2,257m
1H20: €1,001m (+10.4% y-o-y)

**Most recognized and valued brand**

#1 Sustained Leadership in Mobile Contract (39% of market share)

- **Contract percentage** over mobile accesses: -58%
- **5 million UBB accesses** (FTTx/Cable). 2.8 FTTH million accesses (+31.9% y-o-y).

**Sustained annual investment**
(CapEx, ex - spectrum)
Accelerating to capture opportunity in fibre

- **26 bn BRL**

**2018-2020**

- **30 new** cities in 2Q20 with FTTH
  - 164 in 2019
  - 216 in June 2020
  +52

**Total Accesses**
92.1 m

**Mobile Accesses**
74.4 m

**Vivo**

- **Total Accesses**
92.1 m

- **Mobile Accesses**
74.4 m

**OIBDA**
€2,257m
1H20: €1,001m (+21.1%)

**OIBDA Margin 2019**

- 42.5%
- 1H20: 42.1%

**Margin**

**OIBDA - CAPEX**

- +1.9%
- +3.7%
- -0.6%

**Mobile Network:**
Coverage and capacity

- **#1 Biggest mobile coverage 3G/4G**
- **5G DSS launch in eight cities**, July 2020.
- **Distribution channel**: 1,600 shops.

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

**Potential vehicle**
(Independent & Neutral) to further accelerate FTTH

**Premises passed (FTTx)**
22.6 m

**FTTH Home Passed**
13.1 m
Telefónica in Hispam: Maximizing the value of assets

**Annual Results Preforma 2019**

**REVENUES**

€9,655m

**OIBDA**

€2,045m

**OIBDA – CAPEX**

€560m

Margin 21.2%

Argentina, Chile, Colombia, Mexico, Ecuador, Peru, Uruguay and Venezuela.

**Quarterly Results 1H2020**

**INGRESOS**

€4,085m

**OIBDA**

€863m

**OIBDA - CAPEX**

€404m

Margin 21.1%

Variación interanual orgánica

- 7.9%
- 12.7%
- 12.8%

**Operating Data June '20**

**Total Accesses**

105.5 m

88.8 m mobile accesses

~24% Mobile contract

105.6 Total Million accesses

21.3 Contract

16.5 Fixed

5.4 FBB

2.9 Pay TV

- 12 m UBB premises passed*

- 5.4 m UBB accesses

Solid growth in:

UBB (+8%)

FTTH (+17.6%)

- New operating model: México

- Simplification:

  - Largest Fiber network in the region (3.2m FTTH homes passed)
  - Fiber expansion strategy: co-investment agreements**
  - Prepaid less relevant (~12% of Total Revenues). High contract penetration (24%).
  - Digitalisation process is still on-going. Achieving CapEx efficiencies

(*) Including Peruvian cable.

(**) In some countries such as Chile, Argentina, and Colombia with American Tower Company and Andean Tower Partners.
Telefónica milestones in the last months (2019 & 2020)

28_01
Sector’s first green bond €1bn

16_05
Telefónica leads the Ranking Digital Rights 2019.

25_02
Telefónica and Microsoft: Strategic alliance to design the telco of the future.

12_06
Telefónica Deutschland acquires 90Mhz in 5G spectrum auction

20_09
Telefónica and Atresmedia to create Spanish-language fiction content worldwide.

27_11
5 key point-plan that will mark the new era of the company.

07_05
Liberty Global and Telefónica to merge their U.K. operations.

07_06
Telxius doubles in size after reaching a tower purchase agreement with Telefónica Deutschland.

28_07
Telefónica Brazil launches, together with TIM and Claro, an offer to acquire Oi’s mobile assets, worth 16.5 billion Brazilian reais.

23_01
Strengthening the agreement with Vodafone for network sharing in the UK including 5G.

8_05
Telefónica sells 11 data centers to Asterion.

10_09
Telefónica accelerates monetization of its mobile telecommunications infrastructure.

07_02
Sale of 1,900 towers in Brazil to Telxius.

30_07
Telefónica sells its unit in Costa Rica to Liberty Latin America for 425 million euros.

30_07
Telefónica switches on 5G and 75% of the Spanish population will obtain a signal this year.

8_06
Telefónica accelerates the value of its infrastructures with the sale of 2,029 towers in Ecuador and Colombia.

1_09
Telefónica presents its proposal for a Digital Deal, which aims to be the roadmap for the digitalisation of SMEs, the self-employed and public authorities.

26_03
Linking 20% of variable wages to sustainability targets.
the most admired telco in Europe and 4th in the world

* Fortune 2020