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 342 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.

1987
Listing on New York Stock Exchange.

1989 - 1990
Enters in Chile (CTC) and Argentina (TASA).

1994
Telefónica enters in Peru (TdP).

1998
Telefónica wins the tender for Telesp (Brazil).

1999
Telefónica becomes a fully public company.

1999 - 2000
Enters in Mexico: Acquisition of Bajacel, Movitel, Norcel & Cedetel.

2000
Acquisition of BellSouth's LatAm assets.

2003
JV with Portugal Telecom in Brazil: Vivo.

2004
Acquisition of O2 (UK, Germany and Ireland).

2005
Acquisition of Cesky Telecom.

2006
Controlling stake in Colombia Telecom.

2006-2007
Telefónica enters in Peru (TdP).

2008
Telefónica wins the tender for Telesp (Brazil).

2009
Telefónica becomes a fully public company.

2010
Acquisition of controlling stake in Vivo.

2010
Telefónica Deutschlands IPO

2012
Telefónica Deutschland's IPO

2013
Disposal of Telefónica Czech Republic and Ireland.

2014
Disposal of Telefónica stakes in Central America (four countries).

2014
Acquisition of E-Plus in Germany.

2015
Disposal of Telecom Italia stake.

2015
Acquisition of DTS (Canal +) in Spain and GVT in Brazil.

2015
Telefónica Deutschland's IPO

2016
Creation of Telxius and sale of minority stake to KKR (closing 2017).

2017
Telefónica increases stake in Telefónica Deutschland to 69.2% via swap agreement with KPN.

2018
Sale of Telxius stake to Pontegadea.

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.

2020
Announces sale of Central America.
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

Revenues 2019

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

Accesses by market

- **Spain**: 41.6m
- **Brazil**: 93.2m
- **Germany**: 48.1m
- **UK**: 35.1m

**Hispam 118.8m**

*Included: Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

Group

- **342.2m** Accesses (March’20)
- **€48,422m** 2019 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

129.4m premises passed

UBB footprint (March '20)

5G Deployed in UK and Germany

4G 96%

Coverage in Europe (73% Lat Am)

77%

Of processes digitalised

(March '20)

The most digital telco

(2018-2019) accumulated savings from digital transformation

€720m as of 2019

#1 in network virtualisation

“Única” deployed in 10 countries

#1 Shutting down legacy
Telefónica’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
- 65% of revenues from broadband connectivity and digital services (March’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

- **Leading ESG in our industry**
  - Rating A MSCI
  - #1 global ESG ranking: telco industry among peers
  - 6th year in a row
  - Only 8 telcos included.

- **Total Tax contribution**
  - For every €100
  - €8,705m in 2019
  - 18 € are paid in taxes

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

- **Our global contribution to GDP in 2019.**
  - €52,408 million

- **Leading ESG in our industry**
  - 1st ever green bond issued in the sector (Jan’19)
  - 1st ever green hybrid bond issued in the sector (Jan’20)

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

- **Direct employees worldwide**
  - 113,819

- **Bloomberg Gender-Equality Index**
  - 3rd year in a row

- **38% % Women**
  - ~19,000
  - Less than 30 years-old

- **Committed to society and education**
  - Aprox. 10,200,000 children
  - More than 6,600,000 registered students
  - Aprox. 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

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
  - 1Q20: 1.9 bn €, +6.3% y-o-y

Supported by a pioneer model based on AI and data

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

**By segment (B2C+B2B)**

(Bad 2019)

- Video: 6%
- Cloud: 18%
- Security: 26.5%
- IoT: 45.4%

**T. Infra: Maximizing our infrastructures**

- TELX IUS m (€) FY2019
- >20,000 towers

- Revenues: 842 (1T20: 207 m€ (+5.8%))
- OIBDA: 504 (+8.0% Ex-IFRS16)

**T. Tech: Leading Business services**

- 1T20: 462 m€ (+18.7% y-o-y)

**Customer satisfaction**

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

**Movistar Home**

- LUCA Virtual Assistant with AI.

**Living apps**

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

Connected Open Innovation

- To promote the entrepreneurial ecosystem
  
  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.

€866m
R&D Investment

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

Portfolio of
477 Patents

530 Startups in portfolio / active
130 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
2019 & 1Q20 Highlights
**Robust financials**

**REVENUES**
- Year-on-year organic change
  - 2019: €48,422m (+3.2%)
  - 1Q20: €11,366m (-1.3%)

**NET PROFIT**
- Year-on-year reported change
  - 2019: €1,142m (-65.7%)
  - 1Q20: €406m (-56.2%)

**OIBDA**
- Year-on-year organic change
  - 2019: €15,119m (+1.9%)
  - 1Q20: €3,760m (-1.7%)

**OIBDA-CAPEX**
- Year-on-year organic change
  - 2019: €6,335m (+0.1%)
  - 1Q20: €2,275m (-3.8%)

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

- **Revenues (%):**
  - 2014: 2.6
  - 2015: 3.5
  - 2016: 1.3
  - 2017: 3.4
  - 2018: 2.4
  - 2019: 3.2

- **OIBDA (%):**
  - 2014: 0.2
  - 2015: 3.2
  - 2016: 4.7
  - 2017: 5.3
  - 2018: 3.5
  - 2019: 1.9

- **Free Cash Flow (FCF) € bn:**
  - 2014: 3.8
  - 2015: 3.5
  - 2016: 4.4
  - 2017: 4.9
  - 2018: 4.9
  - 2019: 5.9

**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:

- **FCF/share 2019**: €1.15
- **Underlying EPS 2019**: €0.65
- **Dividend per share**: €0.40

### Net Debt Reduction

Net debt reduction since June 2016:

- **€14 bn**

<table>
<thead>
<tr>
<th>Month</th>
<th>Net Debt Reduction (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June-16</td>
<td>52.2</td>
</tr>
<tr>
<td>Dec-16</td>
<td>48.6</td>
</tr>
<tr>
<td>Dec-17</td>
<td>44.2</td>
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<tr>
<td>Dec-18</td>
<td>41.1</td>
</tr>
<tr>
<td>Dec-19*</td>
<td>37</td>
</tr>
<tr>
<td>March-20</td>
<td>38.2</td>
</tr>
</tbody>
</table>

- **Over 2/3** debt in fixed rates
- **Average debt life of 10.7 years**
- **Interest payment costs 3.49%**

(*) Post-closing events included.
Spain: Europe’s most advanced telco

**Annual Results 2019**

### Revenues

€12,767m

**1Q20:** €3,078m (-1.6% y-o-y)

**2019:** €12,767m

+0.5%

### OIBDA

€3,687m

**1Q20:** €1,225m (-1.8% y-o-y)

### OIBDA - CAPEX

€2,040m

**1Q20:** €881m (+1.4% y-o-y)

**Margin**

28.9%

**OIBDA-Capex**

-1.2%

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

### Europe’s largest FTTH network

- Premises passed: **23.4 m** (March 20)
- Connected Accesses: **72%** market share

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

### Leading mobile network

- Market share: **30%**
- LTE Leader in terms of coverage and speed

### 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

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**O2 | Movistar Fusión | Telefónica | EMPREASAS**

**HIGHER VALUE ACCESSES**

**Uptake ratio connected fibre customers on own network:**

29% | +2 p.p. y-o-y

**TV**

over **4 m** | -1.5 %

**Mobile contract**

15.2 m | +3.1 %

Data at the end of Dec’19
Telefónica UK: The UK’s No1 network for customers

**REVENUES**

<table>
<thead>
<tr>
<th>2019</th>
<th>€7,109m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q20</td>
<td>€7,139m (+1.5% y-o-y)</td>
</tr>
</tbody>
</table>

**OIBDA**

<table>
<thead>
<tr>
<th>2019</th>
<th>€2,114m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q20</td>
<td>€2,161m (+1.1% y-o-y)</td>
</tr>
</tbody>
</table>

**MARGIN**

| 2019     | 29.7% |

**OIBDA - CAPEX**

<table>
<thead>
<tr>
<th>2019</th>
<th>€1,200m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q20</td>
<td>€1,295m (+8.6% y-o-y)</td>
</tr>
</tbody>
</table>

**34.8 m Mobile Accesses**

**#1 in flexibility and transparency**

**Flexible Custom Plans**

Pioneer offer in the telco industry

**5G**

Already available in 24 cities

GOAL: 50 cities by the summer.

**#1 Best network coverage**

**#1 Best network for reliability**

**#1 Best network performance**

**The O2:**

Best Sponsorship in the last 25 years. Best Sponsorship Awards

#1 in customer loyalty

The lowest contract churn in the market

1.0%

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

**Annual Results 2019**

<table>
<thead>
<tr>
<th>Category</th>
<th>Fiscal Year 1Q20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>€7,399m</td>
<td>+1.1%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>€2,326m</td>
<td></td>
</tr>
<tr>
<td>OIBDA - CAPEX</td>
<td>-€1,431m</td>
<td>-10.3%</td>
</tr>
<tr>
<td>MARGIN</td>
<td>31.4%</td>
<td></td>
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</table>

**OIBDA Margin**

-1.1% to Dec'19 (including impact of 1.425bn € of spectrum).

**O2**

**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:**

1bn GB

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

**Annual Results 2019**

**REVENUES**

€10,035m
1Q20: €2,215m (-1.4% y-o-y)

**OIBDA**

€4,262m
1Q20: €951m (+3.4% y-o-y)

**OIBDA - CAPEX**

€2,257m
1Q20: €613m (+7.1% y-o-y)

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**Total Accesses**
93.2 m

**Mobile Accesses**
74.7 m

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

- 22 new cities in 1Q20 with FTTH
- New fibre expansion models: Third parties agreements and franchises.

**2018-2020**

26 bn BRL

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**Most recognized and valued brand**

#1 Sustained Leadership in Mobile Contract (39% of market share)
- Contract percentage over mobile accesses: 58.5%
- 5 million UBB accesses (FTTx/Cable). 2.6 FTTH million accesses (+30.4% y-o-y).

**Mobile Network:** Coverage and capacity

#1 The largest fibre deployment in LATAM
- Premises passed (FTTx) 21.7 m
- FTTH Home Passed 11.7 m

**#1** Biggest mobile coverage 3G/4G
- LTE Coverage: 89%; 4G+ in 1,260 cities.
- Distribution channel: 1,600 shops.

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**Total Accesses**
93.2 m

**Mobile Accesses**
74.7 m
Telefónica in Hispam: Maximizing the value of assets

**Annual Results Proforma 2019**

**REVENUES**
- €9,655m

**OIBDA**
- €2,045m

**OIBDA - CAPEX**
- €560m

**OIBDA Margin** 21.2%

**Quarterly Results 1T2020**

**INGRESOS**
- €2,204m

**OIBDA**
- €502m

**OIBDA - CAPEX**
- €176m

**OIBDA Margin** 22.8%

**Variación interanual orgánica** -37.1%

**Operating Data March ’20**

- **Total Accesses**
  - 108.8 m mobile accesses
  - 91.8 m mobile contract
  - 24% mobile contract
  - 108.8 Total Million accesses
  - 21.9 Contract
  - 16.8 Fixed
  - 5.4 FBB
  - 2.9 Pay TV

11,7 m UBB premises passed*

5,4 m UBB accesses
Solid growth in:

- UBB (+10.9%)
- FTTH (+24.2%)

New operating model: México

Simplification:
- Largest Fiber network in the region (9.0m FTTH homes passed)
- Fiber expansion strategy: co-investment agreements**.
- Prepaid less relevant (~11% 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)

16.01 Telefónica included in the 2019 Bloomberg Gender-Equality Index.

20.01 Sector’s first green bond €1bn

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

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 leads the ranking of Digital Rights 2019.

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

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

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

18.12 Renewal of the Board of Directors with 30% women representation.

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

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

8.05 Telefónica sells 11 data centers to Asterion.

26.03 Linking 20% of variable wages to sustainability targets.

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

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

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

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

10.09 Telefónica accelerates monetization of its mobile telecommunications infrastructure.

25.07 Telefónica sells 11 data centers to Asterion.

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

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

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

18.12 Renewal of the Board of Directors with 30% women representation.

7.02 Sale of 1,900 towers in Brazil to Telxius.

7.05 Liberty Global and Telefónica to merge their U.K. operations.

6.12 Telefónica sells 1,900 towers in Brazil to Telxius.

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

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