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2019 Highlights

Mr. José María Álvarez-Pallete
Chairman & CEO
2019 Highlights

Strong starting position & attractive opportunities…

... within a changing world that requires foresight

Key Messages from 2019

• **Core markets outperformance** (back to OIBDA growth in SP, BRA highest mobile share since 2006, UK: 14 Qs growing in revs., strong trading momentum in GER)

• **Efficiency = Profitability** (SP org. OIBDA margin 40%, BRA OIBDA margin 46%; exceeding 2019 digitalisation savings by 23% (>€420m))

• Net debt decreases for 11 straight Qs

• ROCE-driven asset management

• Benchmark CapEx/Sales in the industry; CapEx peak remains behind

New Action Plan, 3 axes

• Prioritise markets where we can be relevant and deliver sustainable growth

• Promote growth opportunities; leverage value of our infrastructure

• Increase agility and improve efficiency
New Telefónica
New Plan/Strategy

Mr. José María Álvarez-Pallete
Chairman & CEO
New plan based on 5 key decisions; aiming at long term impact and value creation

1. Spain, Brazil, Germany and the UK: Key markets
2. Operational spin-off of the businesses in HispAm
3. Telefónica Tech launch
4. Creation of Telefónica Infra
5. New operating model

- Cutting-edge operators
- Units at the forefront of Technology
- All options open in Hispam
- Agility to capture opportunities
- Synergy model/economies of scale
- Optimise capital allocation
Sustainable model

GROWTH

EFFICIENCY

TRUST

Revenues

Efficiency

Sustainability
Long-term integrated stakeholder approach

POSITIVE CONTRIBUTION IN OUR FOOTPRINT

0.5% GDP
€8.7bn Total tax contributions
>1.1M Jobs

The most admired telco in Europe & 4th worldwide

Climate Change

Leading ESG in our industry

- 6th year in a row; only 8 telcos included

Diversity

- 3rd year in a row; only 11 telcos

ESG Global

- #1 Global ESG Ranking; telco industry among peers
- A rating

- 1st ever green bond in the telco industry (Jan-19)
- 1st ever green hybrid bond in the telco industry (Jan-20)
Delivering long-term stakeholder value

**Growth; digitalisation; lever for social progress & decarbonisation**

- A key enabler for digital & climate transition
  - Avoiding 3.2m tCO2 through our P&S: **10 tons of CO2 for every ton by 2025**
  - **Inclusive network deployment**, including remote / rural areas; 1st fiber country in the OECD list

**Efficiency; a better network for the planet**

- New targets aligned with 1.5 ºC scenario and TFCD compliance
- Greener supply chain: **-30% emissions per euro purchased by 2025**
- **Circular economy**: 98% waste recycled

**Trust; generating Trust Capital with our stakeholders**

- A more diverse company
- Strengthening our corporate governance
- Privacy and security at the top of our priorities
- Customer satisfaction

**Telefónica contributes through technology to reach the global UN SDGs**
2019 Highlights

Mr. José María Álvarez-Pallete
Chairman & CEO
Consistent growth profile; strengthening balance sheet

<table>
<thead>
<tr>
<th></th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
<th>FY 19</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenues</strong> y-o-y org</td>
<td>2,6%</td>
<td>3,5%</td>
<td>1,3%</td>
<td>3,4%</td>
<td>2,4%</td>
<td>3,2%</td>
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<tr>
<td><strong>OIBDA</strong> y-o-y org</td>
<td>0,2%</td>
<td>3,2%</td>
<td>4,7%</td>
<td>5,3%</td>
<td>3,5%</td>
<td>1,9%</td>
</tr>
<tr>
<td><strong>FCF</strong> (€ in millions)</td>
<td>3.817</td>
<td>3.514</td>
<td>4.378</td>
<td>4.947</td>
<td>4.904</td>
<td>5.912</td>
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<tr>
<td><strong>Net financial debt</strong> (bn€)</td>
<td>52,2</td>
<td>48,6</td>
<td>44,2</td>
<td>41,1</td>
<td>37,7</td>
<td></td>
</tr>
</tbody>
</table>

Jun-16 | Dec-16 | Dec-17 | Dec-18 | Dec-19
2019 global reach and growth

- **€48.4bn** Revenues
- **€15.1bn** OIBDA (€17.0bn underlying)
- **€7.8bn** OIBDA-CapEx (ex-spectrum)
- **€5.9bn** FCF

- **344m** Accesses

- **+3.2%** y-o-y org.
- **+1.9%** y-o-y org.
- **+0.1%** y-o-y org.
- **+20.6%** y-o-y

- **€7.8bn**
- **+20.6%**
2019 proof points of business sustainability

**Enlarging customer lifetime**
- 8 years mobile contract
- 6 years O2 Free
- 5 years convergent
- 5 years mobile contract

**Improving customer experience**
- NPS 21%; +1 p.p. y-o-y

- **+8%**
  FTTx/Cable
  14.3m accesses

- **+18%**
  LTE
  138.1m accesses

- **69%**
  UBB/FBB
  +8 p.p. y-o-y

- **58%**
  LTE penetration
  +11 p.p. y-o-y

- **4.3%**
  Avg. Rev./Access
  y-o-y org.

- **Churn**
  Flat y-o-y
### 2019 guidance achieved | Above in revenues

<table>
<thead>
<tr>
<th>2019 guidance (organic)</th>
<th>Guidance 2019E</th>
<th>FY 19</th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Around +2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>Around +2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>CapEx/Sales ex-spectrum</td>
<td>Around 15%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

### 2019 DIVIDEND

<table>
<thead>
<tr>
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<th>€0.4/SHARE</th>
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<tbody>
<tr>
<td>Interim Dec-19</td>
<td>€0.20/sh.</td>
</tr>
<tr>
<td>Final Jun-20</td>
<td>€0.20/sh.</td>
</tr>
</tbody>
</table>

### Sustainable & attractive dividend

<table>
<thead>
<tr>
<th></th>
<th>€</th>
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<tbody>
<tr>
<td>1,15</td>
<td></td>
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<tr>
<td>0,65</td>
<td></td>
</tr>
<tr>
<td>0,40</td>
<td></td>
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</table>

**6.4% Dividend Yield**

*Closing of 14/02/2020*
FY & Q4 19 Results

Mr. Ángel Vilá
COO
2019 financial highlights

+3.2%  
Revenues y-o-y org.  
€48,422m  
Exceeding +2% 2019 target

+1.9%  
OIBDA y-o-y org.  
€15,119m  
Underlying €16,982m

€3,574  
Underlying Net Income  
EPS Underlying €0.65

€5,912m  
FCF  
+20.6% y-o-y

€37,744m  
Net Debt  
-8.1% y-o-y

15.0%  
CapEx/Revenues  
Ex-spectrum
## Financials in a nutshell

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>FY 19</th>
<th>Q4 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported IFRS 16</td>
<td>Reported y-o-y</td>
</tr>
<tr>
<td>Revenues</td>
<td>48,422</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>OIBDA underlying</td>
<td>16,982</td>
<td></td>
</tr>
<tr>
<td>OIBDA</td>
<td>15,119</td>
<td>(2.9%)</td>
</tr>
<tr>
<td>OIBDA margin</td>
<td>31.2%</td>
<td>(0.8 p.p.)</td>
</tr>
<tr>
<td>OIBDA-CapEx (ex-spectrum)</td>
<td>7,836</td>
<td>(5.8%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,142</td>
<td>(65.7%)</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.17</td>
<td>(70.6%)</td>
</tr>
<tr>
<td>EPS underlying (€)</td>
<td>0.65</td>
<td></td>
</tr>
<tr>
<td>FCF</td>
<td>5,912</td>
<td>20.6%</td>
</tr>
<tr>
<td>Net Financial Debt ex-leases</td>
<td>37,744</td>
<td>(8.1%)</td>
</tr>
</tbody>
</table>
**Well invested platforms**

**1st Platform & 2nd Platform**

- **128m** UBB premises passed, 56m owned
- **79%** LTE Coverage (96% Europe)
- **5G** Better starting point for 5G
  - #1 FTTH position
  - Network Virtualisation (10 countries)
- **35%** Full Stack customers migrated
- **69%** Digitalised processes

**3rd Platform**

Digital Services 2019 (B2C+B2B)
(y-o-y organic)

- **6,0%** Video
- **18,0%** Cloud
- **26,5%** Security
- **45,4%** IoT

**4th Platform**

New customer relationship (AI)

- **Movistar Home**
- **Living Apps**
- **LUCA; AI for our customers**

Internal application

Network Planning /offering personalisation...

**New models & efficiency levers**

- **24m HP (cable)**
- **5G**
- **Last mile wholesale**
- **4G/3G**
- **Copper switch-off by 2024**
- **2G Single grid**

**FY 19**

€7.7bn

+17.1% y-o-y
Becoming 100% Digital while reaping savings

Exceeding savings path

- FY 18: >€300m
- FY 19: >€420m
- Cum. FY 20: >€1bn

+23% over gross savings FY 19 E

>2/3 already achieved

Outstanding execution in 2019

-12% y-o-y calls to Contact C. (B2C)
+28% y-o-y Online operations

- Process Automation (30% o/savings)
- Digital Customer Service (30% o/savings)
- Digital Sales Experience (40% o/savings)

Top worldwide RPA programs (BRA&SP)
B2B | A distinctive growth engine

Scaled-up on superior capabilities

FY y-o-y org. revenue

Q4  +3.6%  +3.8%  +3.4%

4,4%  1,9%  7,2%

Total  Europe  Latam

€9,456m  €5,256m  €4,199m

Capturing digitalisation value

2019 y-o-y org. revenue

Total B2B Digital Services Rev.

€2.2bn

+26.2% y-o-y

Cloud

>900k O365 licenses
+53% y-o-y in Saas rev.; +54% in Iaas

IoT

Leader in M2M services worldwide (Gartner) – 6th consecutive year
+1.4M IoT lines in Q4

Security

11 SOCs & Telco Security Alliance
Global leader as MSSP Provider
+1,800 MS professionals, +1,500 security certifications

✓ Lego-like value proposition (Own + Partners ecosystem)
✓ +14k B2B salespeople
✓ Low CapEx intensity
Spain | Back to FY OIBDA growth

Growing convergent base and ARPU

Accesses (Dec y-o-y)

- Total: 23.0m
- TV: 3.8m
- Mobile: 9.8m
- UBB: 2.3m

**ARPU 89€**
(+0.3% y-o-y)

**23.7%**

Increasing value and returns

(%)  
- Fiber o/FBB & Wholesale: 54% 66%
- FTTH Uptake: 26% 28%

23.1m FTTH premises passed (+1.8m in 2019)

10th Q of service rev. growth; higher profitability

**y-o-y organic**

- Service Revenues: 0.3% 0.6%
- OIBDA: (1.3%)

Robust Cash generation in best invested Co.

**FY 19 organic**

- OIBDA: €5,311m
- (OIBDA-CapEx): €3,671m

OIBDA margin: 39.7%

(FY19 underlying)

(OIBDA-CapEx)/Revenues: 26.8%
Germany | Accelerating commercial momentum

Strong operational trends

Accesses (m, y-o-y)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobile</td>
<td>42.8</td>
<td>43.8</td>
</tr>
<tr>
<td>Mobile contract</td>
<td>22.3</td>
<td>23.7</td>
</tr>
<tr>
<td>VDSL</td>
<td>1.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Improving customer loyalty

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q4 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile contract churn</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Growing revenues

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>0.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>(1.2%)</td>
<td>(1.1%)</td>
</tr>
</tbody>
</table>

Enhanced network quality

- 3x “Good” rating for the first time
- Evidencing network and customer experience
UK | 14th consecutive quarter of top-line growth

Market leader & favourite network

Accesses (m; y-o-y)

- Total mobile: +6%
  - 2018: 32.6
  - 2019: 34.5
- Retail mobile: +6%
  - 2018: 25.0
  - 2019: 26.5
- MVNO & Partners: +8%
  - 2018: 7.6
  - 2019: 8.2

Healthy FY growth

- y-o-y organic
  - Revenues: 1.3%
  - OIBDA: 2.3%

- Q4 18: €29m positive non-recurrent factors
- (7.5%)

Sector leading loyalty

- y-o-y
  - Mobile contract churn: flat -0.1 p.p.
  - 2018: 1.0%
  - 2019: 1.0%

Strong & consistent outperformance

- Revenues CAGR 17-19: +4%
- OIBDA margin 29.7% FY 19 (25.1% FY 17)
- (OIBDA-CapEx)/Revenues 16.9% FY 19 (12.4% FY 17)

* Impacted by the disconnection of 150k inactive mobile contract accesses this quarter
Brazil | Investing for growth bears fruit

Strengthened market leadership

Market Share (Dec-19)

- **Highest since 2006**
- **Mobile**:
  - 2018: 32.9%
  - 2019: 39.4%
- **Contract**:
  - 2018: 21.6%
  - 2019: 23.4%
- **FBB**
  - 2018: (28%)
  - 2019: (32%)
- **FBB>12 Mbps**
  - 2018: 1.9%
  - 2019: 4.8%

Growing in most valuable segments

Accesses (m; y-o-y)

- **Mobile Contract**
  - 2018: 40.4
  - 2019: 43.2
- **IPTV**
  - 2018: 0.6
  - 2019: 0.7
- **FTTH**
  - 2018: 1.9
  - 2019: 2.5

Sustainable growth

- **y-o-y organic**
  - **Total Rev**
    - 2018: 2.6%
    - 2019: 1.9%
    - (28%)
  - **Mobile**
    - 2018: 5.7%
    - 2019: 4.8%
  - **Fixed**
    - 2018: (28%)
    - 2019: (32%)
  - **OIBDA**
    - 2018: 8.3%
    - 2019: 3.7%

Sound FCF growth

- **2018**
  - **FCF**
    - (under Brazil reporting criteria)
  - **CapEx/Sales**
    - 20%
- **2019**
  - **FCF**
    - 20.6%
    - 19.0%
  - **CapEx/Sales**
    - 20%
**Hispam | Growth in value; focus on efficiencies**

**Hispam South**
- **Growing in value despite competition**
- **Accesses (m)**
  - Total Mobile: 37,8
  - Contract: 16,9
  - Fixed: 13,1
  - FBB: 4,3
  - Pay TV: 2,2
  - +17.2% FTTx/Cable y-o-y

- **Stable trends despite macro & competition**
  - Revenues: 15,3%
  - OIBDA: 12,6%
  - +1.7% ex-ARG

**Hispam North**
- **Sound commercial performance**
- **Accesses (m)**
  - Total Mobile: 59,6
  - Contract: 9,7
  - Fixed: 4,7
  - FBB: 1,3
  - Pay TV: 0,9
  - +8.4% FTTx y-o-y

- **Redefining operational model**
  - Revenues: 32.8%
  - OIBDA: 9,7%
  - +16.3% ex-MEX

**Telefónica**
Telxius | Sustained growth delivery

**Revenues**

€ in millions  

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (€ in millions)</th>
<th>CAGR reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 17</td>
<td>730</td>
<td></td>
</tr>
<tr>
<td>FY 18</td>
<td>792</td>
<td>+7.4%</td>
</tr>
<tr>
<td>FY 19</td>
<td>842</td>
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</table>

**OIBDA**

€ in millions  

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (€ in millions)</th>
<th>CAGR reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 17</td>
<td>345</td>
<td></td>
</tr>
<tr>
<td>FY 18</td>
<td>370</td>
<td>7.5%</td>
</tr>
<tr>
<td>FY 19</td>
<td>504</td>
<td></td>
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**Sites Evolution**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (#)</th>
<th>CAGR reported</th>
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<tbody>
<tr>
<td>Dec-16 (Telxius creation)</td>
<td>15,870</td>
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<td>Dec-19</td>
<td>20,257</td>
<td>+28%</td>
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</table>

**3rd Party Tenants**

<table>
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<tr>
<th>Year</th>
<th>Amount (#)</th>
<th>CAGR reported</th>
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<td>Dec-16 (Telxius creation)</td>
<td>4,443</td>
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<tr>
<td>Dec-19</td>
<td>6,563</td>
<td>+48%</td>
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FY & Q4 19 Results

Ms. Laura Abasolo
CFCO
## OIBDA & Net income | Non-recurrent factors

### Q4 OIBDA -€701m

<table>
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<th>Factor</th>
<th>Amount</th>
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<tr>
<td>T. Mex (operating model transformation; AT&amp;T agreement)</td>
<td>(239)</td>
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<tr>
<td>Restructuring Provisions</td>
<td>(266)</td>
</tr>
<tr>
<td>Goodwill impairment T. Argentina</td>
<td>(206)</td>
</tr>
<tr>
<td>Capital Gains and Others</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL factors</strong></td>
<td><strong>(701)</strong></td>
</tr>
</tbody>
</table>

**FY**

- OIBDA: -€239m
- Restructuring costs: -€266m related to H. Sur, Other companies, H. Norte and UK
- T. Mexico operating model transformation (AT&T agreement): OIBDA: -€239m; N. Income: -€275m
- T. Mexico DTA: N. Income: -€454m
- T. Argentina goodwill impairment: OIBDA and Net income: -€206m

### Q4 Net Income -€1,188m

<table>
<thead>
<tr>
<th>Factor</th>
<th>Amount</th>
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<tbody>
<tr>
<td>T. Mex (operating model transformation; AT&amp;T agreement &amp; DTA)</td>
<td>(729)</td>
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<tr>
<td>Restructuring Provisions</td>
<td>(193)</td>
</tr>
<tr>
<td>Goodwill impairment T. Argentina</td>
<td>(206)</td>
</tr>
<tr>
<td>Capital Gains and Others</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>TOTAL factors</strong></td>
<td><strong>(1.18...)</strong></td>
</tr>
</tbody>
</table>

**FY**

- OIBDA: +€98m Antares, +€213m Data Centers, +€365m CAM (Panamá, Nicaragua, Guatemala)
FX impact structurally neutralised

FX headwinds

- **Revenue** (Q4: -3.0 p.p.; FY: -3.5 p.p.)
- **OIBDA** (Q4: -1.7 p.p.; FY: -2.9 p.p.)
- **ARS**: major drag in FY

### 2019 FX impact

**€ in millions**

- **OIBDA**
- **CapEx**
- **Taxes**
- **WC + Interest + Others**
- **FCF**

2019 FX effect

- **Revenues** -€1,722m
- **OIBDA** -€452m
- **FCF** -€173m
- **Net Debt** +€268m 12M rolling

*FX reduces OpEx*  
*FX reduces CapEx, Taxes & others*  
*FX increases NDebt*
Deleverage mainly driven by growing organic FCF

Net Financial Debt; 11 Qs in a row of reduction (-€549M in Q4)

<table>
<thead>
<tr>
<th>€m</th>
<th>€bn</th>
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<tbody>
<tr>
<td>ND/OIBDA 2.62x</td>
<td>ND/OIBDA 2.46x</td>
</tr>
<tr>
<td>41,074</td>
<td>37,744</td>
</tr>
<tr>
<td>(5,912)</td>
<td>(0.7)</td>
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<tr>
<td>2,438</td>
<td>1,080</td>
</tr>
<tr>
<td>840</td>
<td></td>
</tr>
<tr>
<td>(1,090)</td>
<td></td>
</tr>
<tr>
<td>(1,090)</td>
<td></td>
</tr>
<tr>
<td>37.0</td>
<td></td>
</tr>
</tbody>
</table>

**ND/OIBDA**

- **Dec-19**
  - ND/OIBDA: 2.46x
  - Post-closing events: (0.7) €bn

**Dec-18**

- ND/OIBDA: 2.62x
- Post-closing events: include Post-closing events:
  - Sale of Costa Rica, El Salvador and 1 Data Center.

**Net Financial Debt**

- 11 Qs in a row of reduction (-€549M in Q4)
- ND/OIBDA: 2.62x
- Dec-18: 41,074 €m
- Dec-19: 37,744 €m

**Other Financial Details**

- **FCF**
  - 41,074 €m
  - (5,912) €m
  - 37.0 €bn

- **Hybrids**
  - (5,912) €m

- **Shareholder remun. (incl. hybrid coupons)**
  - (686) €m

- **Pre-retirement commitments**
  - 2,438 €m

- **Net financial investments**
  - 840 €m

- **FX & Others**
  - (1,090) €m

- **Post-closing events**
  - (0.7) €bn

**Telefónica**

*Post-closing events: sale of Costa Rica, El Salvador and 1 Data Center.*
Robust liquidity position and attractive LT financing

Sources of long-term financing

<table>
<thead>
<tr>
<th>2019 &amp; 2020YTD</th>
<th>€bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ Green Financing</td>
<td>1.5</td>
</tr>
<tr>
<td>USD Bonds</td>
<td>1.1</td>
</tr>
<tr>
<td>€ Bonds</td>
<td>2.5</td>
</tr>
<tr>
<td>Hybrids</td>
<td>1.8</td>
</tr>
<tr>
<td>Financing at Subsidiaries</td>
<td>2.2</td>
</tr>
<tr>
<td>Bank Financing</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.0</strong></td>
</tr>
</tbody>
</table>

Net Debt maturities

<table>
<thead>
<tr>
<th>Dec-19</th>
<th>€bn; not considering hybrid NC dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020E</td>
<td>5.2</td>
</tr>
<tr>
<td>2021E</td>
<td>5.2</td>
</tr>
<tr>
<td>2022E</td>
<td>75% debt in fixed rates</td>
</tr>
</tbody>
</table>

Liquidity position

<table>
<thead>
<tr>
<th>Dec-19</th>
<th>€bn</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>93% LT</strong></td>
<td></td>
</tr>
<tr>
<td>Cash position</td>
<td>9.2</td>
</tr>
<tr>
<td>Undrawn credit lines &amp; synd. credit facilities</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Liquidity position</strong></td>
<td>22.8</td>
</tr>
</tbody>
</table>

Strengthening debt profile

<table>
<thead>
<tr>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.5Y Avg. debt life vs. 6.4Y Dec-16</td>
</tr>
<tr>
<td>3.49% Interest payment costs vs. 3.94% Dec-16</td>
</tr>
</tbody>
</table>

* Includes the €1,000M senior bond & €500 million green hybrid
Active hybrid management increased average life at lower cost

TEF Hybrids Average Coupon Cost vs. Outstanding Notional

<table>
<thead>
<tr>
<th>Total Hybrids Notional Amount (Year End - €bn)</th>
<th>Avg coupon cost reduced by ~200bps/€150m in annual payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-17 5.75%</td>
<td>7.4</td>
</tr>
<tr>
<td>Dec-18 4.70%</td>
<td>7.5</td>
</tr>
<tr>
<td>Dec-19 4.40%</td>
<td>8.2</td>
</tr>
<tr>
<td>Post 2020 LM and calls</td>
<td>~7.5</td>
</tr>
<tr>
<td>Hybrids Average Life (yrs)</td>
<td></td>
</tr>
<tr>
<td>Dec-17 3.4</td>
<td></td>
</tr>
<tr>
<td>Dec-18 4.0</td>
<td></td>
</tr>
<tr>
<td>Dec-19 4.0</td>
<td></td>
</tr>
<tr>
<td>Post 2020 LM and calls</td>
<td>4.7*</td>
</tr>
</tbody>
</table>

✓ In just 9 Qs we executed:
  • €4bn replacement through Liability Management exercises, largest globally
  • Issued 1st **green hybrid bond in the telco industry**
  • Average **hybrid life increased** from 3.4 years to 4.7 years
  • Temporary hybrid amount increase in 2019 to €8.2bn will be reduced in Q1 20 with hybrid calls (NC Mar.20 and Telefónica Colombia)

* As of February 2020 issuance date post LM and calls
2020 & 2022 Guidance

Mr. José María Álvarez-Pallete
Chairman & CEO
## New Guidance criteria | Consistent with New Telefonica

### Financial Performance (organic)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2019 ex-contribution to growth from ARG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>+3.2%</td>
<td>+0.8%</td>
</tr>
<tr>
<td><strong>OIBDA</strong></td>
<td>+1.9%</td>
<td>+0.5%</td>
</tr>
<tr>
<td><strong>CapEx/Sales</strong></td>
<td>15.1%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

- Ex-contribution to growth of Argentina, consistent with New Telefonica focus
- Improves visibility and reliability
- 2019 Revenues and OIBDA growth ex-contribution to growth from Argentina: +0.8% and +0.5% respectively...

### Core Markets (organic y-o-y)

<table>
<thead>
<tr>
<th></th>
<th>Revenues 2019</th>
<th>OIBDA 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td>+0.5%</td>
<td>+0.1%</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>+3.8%</td>
<td>+2.3%</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>+1.1%</td>
<td>(1.1%)</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>+1.9%</td>
<td>+3.7%</td>
</tr>
</tbody>
</table>

- ... with business lines growing in Revenue & OIBDA
## 2019-2022 Financial Guidance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(organic ex-contribution to growth from ARG)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>€47,875m</td>
<td>Revenue growth</td>
</tr>
<tr>
<td>(OIBDA-CapEx)/ Revenues</td>
<td>19.9%</td>
<td>+2 p.p. by 2022</td>
</tr>
</tbody>
</table>

Ex Central America

---

**CRYSTALLIZING VALUE**

- Unparalleled business transformation
- Second to none in future-ready infrastructure
  - Strong FCF profile
  - Improve capital structure
- Improve shareholder returns

---

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2020 Guidance | We will continue to execute

2020E: Organic ex-contribution to growth from ARG

Stable Revenues, OIBDA and (OIBDA-CapEx)/Revenues
Ex Central America
2019 Basis for Guidance: Revenues (€47,875m); OIBDA (€16,762m); (OIBDA-CapEx)/Revenues 19.9%

2020 STABLE & SUSTAINABLE DIVIDEND

<table>
<thead>
<tr>
<th>2020 DIVIDEND</th>
<th>€0.40/SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Dec-20</td>
<td>€0.20/sh.</td>
</tr>
<tr>
<td>Final Jun-21</td>
<td>€0.20/sh.</td>
</tr>
</tbody>
</table>

2020 calendar payments
Jun/20 €0.20/sh.
Dec/20 €0.20/sh.

Long-term stakeholder approach to ensure business sustainability
2019-2022 Financial Guidance

> €2bn Revenues 2019-2022

**Cybersecurity**
- Automate operations and expand SoC capacity
- Reinforce B2B sales, brand and product team
- Enter in new P&S categories (i.e. fraud, IoT security) and capture internal business
- Activate countries with high opportunity and markets outside footprint

**IoT/Big Data**
- Accelerate solutions beyond connectivity (B2B & B2C; in house-platforms & partner ecosystem)
- Leading IoT player; cutting-edge platforms and services (analytics & AI) to extract value from multiple sources
- Tailored offerings for specific industries: retail, mobility, utilities, industry 4.0, public or financial sector

**Cloud**
- New business development: Edge computing & Cloud network services
- Best-in class private/hybrid cloud portfolio and hyperscalers agreements
- Strong professional and managed services to help our clients migrate to the cloud
2019-2022 Financial Guidance

+2 p.p. (OIBDA-CapEx)/Revenues by 2022; achieve a new level of simplicity

Operational excellence; Streamline corporate center
- Refocusing key functions (focus on differential, value-adding activities for other units)
- Greater simplicity and efficiency
- Synergies & Economies of scale

Optimise use of assets
- Mobile network sharing
- Legacy shut down in all operations
  Copper decommission well advanced in Spain (>450 Cos; 100% before 2025), kicking-off in Latam
  Mobile; 2G at minimum; 3G transferred to 4G; Single Grid 2G in Brasil

Sustained digitalization efforts
- Digitalisation and automation will drive commercial and back-office efficiencies
  - Simplifying IT processes
  - Improving commercial efficiency
  - Focused on customer experience (digital channels, assistants, ...)

Telefónica
Conclusion

Mr. José María Álvarez-Pallete
Chairman & COO
## Summary

**The New Telefónica; A new model begins to deliver long-term value creation**

<table>
<thead>
<tr>
<th>Focus on key markets</th>
<th>UBB massification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differential value with a sustainable model</td>
<td>Towards a 100% UBB based telco</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus on opportunities</th>
<th>Digitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of higher potential growth</td>
<td>At the forefront in Full Stack deployments &amp; AI</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus on agility</th>
<th>Portfolio management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate the execution and improve efficiency</td>
<td>Improving capital allocation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A sustainable model</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth; Efficiency; Trust</td>
<td>Growing sustainably</td>
</tr>
</tbody>
</table>