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Q1 19 Highlights

Mr. Ángel Vilá
COO
Q1 Group achievements

1. Increasing customer relevance
   - Best technology to engage customers
     - FFTx/Cable +18% (63% penetration, +9 p.p.)
     - LTE +18% (49% penetration, +9 p.p.)
     - Pay TV +3% (26% penetration, +2 p.p.)
   - Leveraging Customer Lifetime Value
     - Avg. Revenue/Access +4.2% (+44bps vs Q4 18)
     - Stable churn
   - Benefits customer satisfaction & brand value
     - “Movistar 2nd* most valuable Spanish brand”

2. Leading technological platforms
   - Deeper customer relationships with the best CX & AI
   - Telco cloud (#1 network technology); virtualisation progress
   - Advancing in network elements switch-off
   - Testing 5G; Spain, Germany, UK, 4.5G, Massive MIMO

3. Consistent & profitable growth
   - Reliable revenue growth (accelerating to +3.8%)
     - 56% of revenues coming from BB & SoC
   - OIBDA (+1.0%)
     - E2E digital transformation benefits (€340m in 2019E)
   - EPS +33.8% y-o-y
   - €926m Net Income (+10.6%)
   - Efficient CapEx management (13.1% CapEx/Sales)
   - Substantial FCF improvement (€1,408m; 2.6x vs. Q1 18)

4. Stronger Balance sheet
   - Steady deleveraging path, 8 straight Qs of debt reduction
     - Lower absolute net debt; €40.4Bn
     - €38.7bn including post-closing events
   - Improving ROCE through asset sales
   - Committed with solid investment grade rating
   - Steady and balanced dividend policy (2019: €0.4 €/sh)

* Ranking BrandZ / Kantar. Only telco in top-20
### Financial summary

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Q1 19</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported</td>
<td>Reported</td>
</tr>
<tr>
<td></td>
<td>IFRS 16</td>
<td>y-o-y</td>
</tr>
<tr>
<td>Revenues</td>
<td>11,979</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Service revenues</td>
<td>10,700</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>OIBDA</td>
<td>4,264</td>
<td>10.3%</td>
</tr>
<tr>
<td>OIBDA margin</td>
<td>35.6%</td>
<td>3.9 p.p.</td>
</tr>
<tr>
<td>OIBDA underlying</td>
<td>3,730</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>OpCF (ex-spectrum)</td>
<td>2,728</td>
<td>14.6%</td>
</tr>
<tr>
<td>Net Income</td>
<td>926</td>
<td>10.6%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.16</td>
<td>33.8%</td>
</tr>
<tr>
<td>FCF</td>
<td>1,408</td>
<td>2.6x</td>
</tr>
<tr>
<td>Net Financial Debt ex-leases</td>
<td>40,381</td>
<td>(5.7%)</td>
</tr>
</tbody>
</table>

- **Consistent revenue growth**
- **Reported & Organic growth**
- **Double-digit growth**
- **Almost triple FCF**
- **Net debt falling**

#### Reported growth rates affected by
- Adverse FX
- Negative regulation
- IFRS 16 positive impact at OIBDA level; negative at Net Income (+€414m and -€17m respectively); leases (€7,439m)
- Other special factors: €+120m in OIBDA; €-29m in Net Income (HYP in ARG, restructuring costs, net capital gains, PPA)
# 2019 guidance reiterated

<table>
<thead>
<tr>
<th>Operating 2019 guidance (organic)</th>
<th>Guidance 2019E</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Around +2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>Around +2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>CapEx / Sales ex-spectrum</td>
<td>Around 15%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

- **Sustained revenue & OIBDA growth despite regulation**
- **CapEx rationality**

## 2019 Dividend

<table>
<thead>
<tr>
<th>2019 Dividend</th>
<th>€0.4/sh. Cash</th>
</tr>
</thead>
<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>

**Dividends to be paid in 2019 calendar yr. €0.40/sh.**

- Cash: 20/Jun/19 €0.20/sh.
- Cash: 19/Dec/19 €0.20/sh.
Double digit increase in net income

Q1 19 Reported

€m

OIBDA  4,264

D&A     (2,614)

OI      1,650

IFRS-16 impact

+414

-384

-53

-17

+10.3% reported

+17.4% reported

+0.7% reported

+7.7% reported

(411)

(234)

(83)

+10.6% reported

926

EPS 0.16€

+33.8% y-o-y
Revenue trends ramped-up

Growth and quality at the top line

- **Q1 shows +80 bps acceleration**
  - Service revenues +130 bps to +2.6%
  - Handsets sales +15.6% vs. Q1 18
- **All revenue segments growing y-o-y (org.)**
  - UK, steady growth of +5.3%
  - Brazil, improving q-o-q to +1.7%
  - Germany +0.7%
  - Spain sustained at +0.3%
  - South Hispam (+15.2%) supported by ARG
  - North Hispam (+1.2%) reversing Q4 18 trend
  - Telxius +18.7%
- **Unmatched diversification**
  - LatAm accelerating to +6.2%; +260 bps q-o-q
  - Europe +1.6%

Revenues

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATAM</td>
<td></td>
<td>+2.0%</td>
<td>+2.7%</td>
<td>+3.0%</td>
<td></td>
</tr>
<tr>
<td>GROUP</td>
<td>+1.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOUTH</td>
<td>+6.2%</td>
<td>+3.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EX-REGULATION</td>
<td>+3.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUROPE</td>
<td>1.6%</td>
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<td></td>
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</table>
OIBDA growth: both reported & organic

- Reported OIBDA growth (+€400m) reflecting
  - Positive impact from IFRS-16 (+€414m)
  - FX drag (-€180m)
  - Organic growth (+€40m)

- Sustained organic y-o-y OIBDA increase
  - Key contributors: South Hispam (+0.9 p.p.), BRA (+0.8 p.p.) & UK (+0.4 p.p.)
  - Spain improves y-o-y trend vs. Q4 18 (+3.0 p.p.)

- Operating leverage
  - +14.6% OpCF ex spectrum (reported)
  - OpCF -5.3% org. due to CapEx phasing (+11.2%)

IFRS 16 impacting OIBDA/margin since Jan-19

<table>
<thead>
<tr>
<th>OIBDA</th>
<th>Q1 18</th>
<th>Q1 19</th>
<th>y-o-y reported</th>
<th>y-o-y organic</th>
<th>y-o-y org. &amp; ex reg.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,864</td>
<td>4,264</td>
<td>+10.3%</td>
<td>+1.0%</td>
<td>+1.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OIBDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 19</td>
</tr>
<tr>
<td>35.6%</td>
</tr>
</tbody>
</table>

- +3.9 p.p. y-o-y reported
- (0.9 p.p.) y-o-y organic
- (0.9 p.p.) y-o-y org. & ex reg.
Accelerated deleverage on robust FCF generation

FCF incl. lease principal payments
€m

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF ex-spectrum</td>
<td>579</td>
<td>1,429</td>
</tr>
<tr>
<td>2.6x y-o-y</td>
<td>550</td>
<td>1,408</td>
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</table>

€+858m higher FCF y-o-y
€m

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF ex-spectrum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OpCF ex-spectrum</td>
<td>2,728</td>
<td></td>
</tr>
<tr>
<td>WC</td>
<td>(711)</td>
<td></td>
</tr>
<tr>
<td>Interest payments</td>
<td>(673)</td>
<td></td>
</tr>
<tr>
<td>Taxes, minorities &amp; Others</td>
<td>563</td>
<td></td>
</tr>
<tr>
<td>FCF ex-lease principal payments</td>
<td>1,908</td>
<td></td>
</tr>
<tr>
<td>Lease principal payments</td>
<td>(500)</td>
<td></td>
</tr>
<tr>
<td>FCF incl leases</td>
<td>1,408</td>
<td></td>
</tr>
</tbody>
</table>

Q1 q-o-q reduction in Net Debt
€m

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF ex-spectrum</td>
<td>(464)</td>
<td></td>
</tr>
<tr>
<td>(693)</td>
<td></td>
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</tr>
</tbody>
</table>

FCF ex spectrum to improve throughout the year as WC seasonality swings

8th straight quarter of debt reduction
B2C | Accelerating data monetisation, fueling growth

Increased differentiation & customisation

- **Convergent markets; more video and M4M**
  - First convergent offer in Latam (PER Jan-19)
  - “Movistar Play” (OTT) in all HispAm (MEX & ARG Q1)
  - M4M in Spain & Brazil; Digital services (Cloud, Smart Wifi)

- **Mobile contract, enriched offer**
  - Roaming and data sharing (ARG, CHI, COL)
  - Social Apps add-ons launched in BR

- **Prepaid evolution, higher ARPU and CLV**
  - Integrated data plans in all Latam (ex-MEX)
  - Benefits linked to top-ups
  - “Movistar Play” bundle in PER

- **Device integrated offer focused on value**
  - High-end devices, financing, personalised renewal
  - Positive impact on ARPU & churn

---

**Video: Increased scale**

<table>
<thead>
<tr>
<th>('000)</th>
<th>DTH</th>
<th>IPTV/Cable</th>
<th>Pay TV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTT</td>
<td>3,310</td>
<td>5,518</td>
<td>8,828</td>
<td>9,761</td>
</tr>
</tbody>
</table>

- 933

(15%) +17% +3%

**UBB penetration**

<table>
<thead>
<tr>
<th></th>
<th>Hispam</th>
<th>Brazil</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>51%</td>
<td>68%</td>
<td>66%</td>
</tr>
</tbody>
</table>
B2B | Speeding up growth on a sustainable basis

Superior proposal for a key segment

- Growth y-o-y improved across regions
- 20% of Group revenue
- Evolved Lego-like offering
  - “Digital Core” (Comms + Cloud + Security) leveraging leading network and enabling cloud E2E secure
  - Best-in-class Digital Services (in-house + leading partners)

Capturing digitalisation opportunity

- B2B Digital revenues +34% y-o-y (21% of B2B revs.)
  - Cloud: +32% y-o-y
    - New agreements (i.e. CloudBlue)
    - Most innovative Cloud service provider (VMware)
  - IoT: +62% y-o-y
    - +905K accesses in Q1, mainly in UK, BR, SP
  - Security: +35% y-o-y
    - New Security Operation Centre in UK
    - Best player in Security for IoT (MWC’19)
Best platforms; improving customer relationship & operations

**4P** AI focused on personalisation and decision making

- **AURA**
  - 6 Countries
  - New functionalities (videocalls...)
  - Open to 3rd parties (eCommerce,...)

- **Movistar Home (Spain)**
  - Single data & management tools bank
  - More use cases (device sales, NW deployment)

**3P** Enlarged offering, new revenue stream

- **Digital Revenues**
  - y-o-y organic
  - €1,875bn
  - +21.2%

- **Video**
  - 4.3%

- **Cloud+IoT+Sec**
  - 39.5%

- **Content**
  - 41.9%

**Global Big Data & Data Analytics**

- Single data & management tools bank
- B2C customer development
- >100 agreements with 3rd parties

**Global Service Platforms**

- B2C customer development
- Best partner in B2B digitalisation
- >100 agreements with 3rd parties

**1P** Network leadership

- **UBB; industrialised rollout, fiber evolution**
  - 85m premises
  - 52m owned (+13% y-o-y)
  - XGS-PON (10 Gbps), Open Access
  - LTE, 4.5 & 5G
  - 78% LTE
  - 71% LTE traffic o/ total; 7% VoLTE
  - 5G tests, Massive MIMO, OpenRAN, OSM

- **Network virtualisation**
  - 10 countries

- **Innovative and more efficient network**
  - Core transformation (-40% CapEx need vs legacy)
  - Fiber maintenance (-50% failure vs copper)
  - VoLTE & IP migration (spectrum refarming)

**2P** Agile virtual systems

- **Digitalised processes**
  - 66%
  - (+4 p.p. y-o-y)

- **Full Stack (customers migrated)**
  - 30%
  - (+6 p.p. y-o-y)
Digital Transformation | Progressing as planned

Gross savings

- **Robotic factories** in almost all countries to reduce manual tasks
- **Freed resources** to provide real value to customers
- **SP & BR**, biggest projects in the industry

**Digital Experience in sales**
- Boosting own digital channels
  - +12% of operations since Dec-18
- Leveraging on **personalisation**, digital marketing, automation, Advanced Analytics

**Digital Customer Service**
- Contact Centers (-11% y-o-y of B2C calls in Q1)
- **Cognitive platforms** on board (BR & PE)
- **Digital Channels + Bots** enhancing customer experience
- **Supply Chain**: Blockchain & Advanced Analytics

**Process Automation**
- **Cumulative FY 20E**: >€1Bn
- **Incremental FY 19E**: >€340M
- **FY 18**: >€300M

~20% achieved in Q1

39%

31%

30%

Telefónica
Q1 19 Results

Ms. Laura Abasolo
CFCO
Spain | Growing share of value within a rational market

Sustained growth in value accesses

- Tariff upgrades’ impact fades along the Q
  - Trading improved gradually; Mar better than Feb, Feb better than Jan
- Continue improving mix at convergent base
  - “Convergent” ARPU €88.2 (+0.6% y-o-y), stable q-o-q
- Taking the lion’s share in Spanish Fiber growth
  - Retail accesses +13%/wholesale x1.7 y-o-y
- Increased customer loyalty, room for M4M
  - New differential VAS’s: “Priority”, 2nd homes…

Unmatchable platforms yield superior returns

- Best-in-class NGN and TV network
  - FTTH wholesale agreements bring-in sustainability
  - Leading LTE coverage/speed (OCU)
  - Addressing Pay TV upside (5m): improved offering (convergent & OTT)
- Improved share of retail revenue

Accesses

\[
\begin{array}{cccc}
\text{y-o-y} & \text{Convergent} & \text{TV} & \text{FTTH} & \text{Mobile Contract} \\
\text{Dec-18} & 9% & 6% & 15% & 7% \\
\text{Mar-19} & 7% & 4% & 13% & 7% \\
\end{array}
\]

FTTH improving returns

\[
\begin{array}{cccc}
\text{Accesses (m)} & \text{Share in total fiber net adds*} & \text{Uptake (\%)} & \text{Retail} & \text{Wholesale} \\
\text{Mar-18} & 4.5 & 53% & 1.0 & 3.6 \\
\text{Dec-18} & 5.5 & 65% & 1.5 & 3.9 \\
\text{Mar-19} & 5.7 & 78% & 1.7 & 4.0 \\
\text{Mar-18} & 23% & 23% & 18% & 5% \\
\text{Dec-18} & 26% & 26% & 18% & 7% \\
\text{Mar-19} & 26% & 26% & 18% & 8% \\
\end{array}
\]

Share in total fiber market* 64%

High-value o/convergent base

\[
\begin{array}{cccc}
\text{High-end} & \text{Pay TV} & \text{UBB} \\
\text{y-o-y} & +3 \text{ p.p.} & +3 \text{ p.p.} & +2 \text{ p.p.} \\
\end{array}
\]

(*) As per latest CNMC data (Q1 18, Q4 18, Jan-19)
Setting better trends on wholesale turnaround

- **Service Revenue grows for 7 straight Qs**
  - “Consumer” flat y-o-y; lower tariff impact vs. Q1 18
  - “Business” +3.0%; growing for 4 Q’s
  - “Wholesale & Other” reverses trend; +0.2% (vs. -7.1% in Q4 18)
- **Drags in wholesale being gradually removed**
  - TV wholesale growth set to accelerate
- **Tailwinds ahead for H2**
  - Tariff update, promo’s expiry, fiber & MVNO agreements

OIBDA y-o-y improvement (+3.0 p.p.)

- **Negative content one-offs seen in Q4 removed**
  - Incremental savings (personnel, digitalisation...)
- **Reported OIBDA impacted by IFRS and others**
- **CapEx +9.2% y-o-y on phasing**
- **Benchmark in CapEx/Sales; 31.3% OpCF margin**

### Service Revenues & OIBDA

<table>
<thead>
<tr>
<th>y-o-y organic</th>
<th>Serv. Revs.</th>
<th>OIBDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.8%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>0.6%</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>0.6%</td>
<td>0.0%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

### Strong cash conversion

<table>
<thead>
<tr>
<th>€m</th>
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<tr>
<td>973</td>
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### Capex/Sales

<table>
<thead>
<tr>
<th>Q1</th>
</tr>
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<tbody>
<tr>
<td>12.1%</td>
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</table>
Germany | Strong trading performance

Innovative commercial propositions

- New value-added initiatives to enhance ARPU and churn
- Enhanced infrastructure portfolio; cable wholesale access through long term agreement with Vodafone
- Strong own and partner trading; partners 60% of gross additions
- LTE cust. 19.3m (+20% y-o-y); penetration +8 p.p. y-o-y
- O₂ contract churn improved by 0.2 p.p. y-o-y

Key financial highlights

- Sustained revenue growth
  - MSR ex-reg. stable (+0.3% y-o-y; -0.4% in Q4 18)
  - Strong handset sales: +12.6% y-o-y
- Improved OIBDA y-o-y (+3.8 p.p. vs Q4 18)
- Reported OIBDA includes +€129m of IFRS 16 implementation
- Strong Q1 CapEx increase (+28.3% y-o-y), due to front-loaded LTE roll-out, a trend expected to normalise over the full year
UK | Customer centric approach drives growth trends

Strong commercial performance

- Leading as UK’s favourite mobile network
  - Q1 customer growth of +2% y-o-y
  - O2 contract customers +4% y-o-y
  - Strong customer loyalty; leading Q1 postpay churn at 0.9%
- 65% LTE penetration (+5 p.p. y-o-y)

Good growth across all key financials

- Strong top-line
  - Continued MSR growth in Q1 (+0.5% y-o-y)
  - Accelerated handset & other revenue growth (+18.7% y-o-y)
- Reported OIBDA includes +€55m of IFRS 16 implementation
- Q1 CapEx of €185m broadly stable (+0.2% y-o-y)

O2 contract net dds (incl. M2M)

- +220k
- Q1 19

Leading in the UK

“Best Network Performance” at Mobile News Awards

“Best Sponsorship of the last 25 years” at UK Sponsorship Awards

Revenues
y-o-y organic

- 5.3%

OIBDA
y-o-y organic

- 3.4%

OpCF
y-o-y organic

- 5.8%

- €1,691m
- €504m
- €319m
**Brazil | Delivering profitable value growth**

**Value growth amidst M4M strategy**

- **M4M strategy backs solid mobile ARPU growth & stable churn**
  - Tariff changes: +9% in Pure Contract in Sep-18; +11% in Hybrid Dec-18; +20% in prepaid in Mar-Apr
    - Contract churn: 1.7% (stable q-o-q; +0.1 p.p. y-o-y)
    - Q1 19 contract net adds 616k
- **Well built leadership**
  - 40.1% contract mkt. share; 32.1% total mob. mkt. share
- **88% 4G coverage; 63% 4.5G coverage**

- **Fixed: Transformation journey to major ARPU increase**
  - FTTH: 9.0m HPs (1.7m in LTM; 0.3m in Q1 19)
    - 2m connected (623k connected in LTM; 141k in Q1 19)
  - Outstanding results in cities launched since 2017 with occupation above average
  - IPTV offered in all cities with FTTH (130 vs. 121 in Q4)
Brazil | Confirmation of top-line improvement

Value growth flowing into P&L

- **Service revenue y-o-y trend again improved** (+1.1 p.p. vs Q4 18)
  - MSR:
    - Strong postpaid growth (+8.2% vs. +6.9% in Q4 18)
    - Fostering migration to higher data plans
  - Fixed: Revenue ex voice +7.9% y-o-y
    - Fiber outperforms (+25.7%); IPTV +45.1%
    - Voice -18.1% (reducing weight of fixed revs: -7 p.p. y-o-y)
  - B2B improving (+0.9 p.p. q-o-q)

Profitability continues to expand

- **OpEx +2.3% y-o-y on higher handset consumption**, still well below inflation (4.6% in LTM)
- **OIBDA +3.1% y-o-y**
- **OpCF €654m (-1.2%)** on CapEx acceleration (+9.6% y-o-y; fiber and 4G deployment)
- **FCF 16% y-o-y** (under Brazil reporting criteria)

Revenues

<table>
<thead>
<tr>
<th>y-o-y organic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Q3 18</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>0.5%</td>
</tr>
<tr>
<td>(1.0%)</td>
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<tr>
<td>(5.4%)</td>
</tr>
</tbody>
</table>

OIBDA Margin (organic)

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Q3 18</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>34.9%</td>
</tr>
<tr>
<td>37.3%</td>
</tr>
<tr>
<td>36.3%</td>
</tr>
</tbody>
</table>
South Hispam  |  Better revenue trends

Positive contract net adds for 6th consecutive Q

- **Fiber deployment acceleration**: 8.8m premises passed (8.3m Dec-18); 30% FTTx take-up

- **Q1 ARGENTINA** (Revs. €543; OIBDA €145m)
  - 495k FTTx connections (1.7x y-o-y); 59k IPTV accesses (launched in Oct-18). Movistar Play launched since Mar-19
  - Revenue y-o-y acceleration (+40.0%). OIBDA: +17.4% y-o-y

- **Q1 CHILE** (Revs. €498m; OIBDA €169m)
  - Continued solid contract (+11%) and mobile ARPU growth (+2.6%)
  - 556k FTTx connections (1.5x y-o-y) and 90k IPTV accesses

- **Q1 PERU** (Revs. €518m; OIBDA €107m)
  - Positive net adds in contract (66k) backed by Movistar Total launch
  - OIBDA y-o-y trend improved to -7.9% (+29 p.p. q-o-q) on better revenues, lower subsidies and network cost efficiencies

Penetration

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q1 19</th>
<th>TEF Penetration in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>38%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Pay TV</td>
<td>46%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>LTE</td>
<td>33%</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

Revenues

- **y-o-y organic**

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.1%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

OIBDA

- y-o-y organic

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.4%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
Accelerating revenue growth in COL & CAM

- **Value growth**: contract (+3%), FTTx (+82%) & LTE (+43%)
- **OIBDA**: -14.9% highly affected by MEX (+0.3% ex. MEX)

- **Q1 COLOMBIA** (Revs. €359m; OIBDA €131m)
  - Sound increase in contract (+4%) & prepaid (+9%)
  - Fiber deployment accelerates: 1.2m FTTx premised passed (x1.6 y-o-y); 305k connections (x1.8 y-o-y)
  - Revenues +3.8%; OIBDA +3.2% y-o-y

- **Q1 MEXICO** (Revs. €296m; OIBDA €22m)
  - Contract accesses +3% y-o-y
  - Revenue trend reversed (+1.2% y-o-y) on improved ARPU and lower regulatory impact. OIBDA impacted by spectrum fees/regulation

- **Q1 CAM** (Revs. €189m; OIBDA €72m)
  - Revenue & OIBDA growth improvement (+6.5% & +5.6% y-o-y)
Telxius | Reaping the benefits of premium infrastructure

Positive operational momentum

- **Towers**
  - Solid growth of new tenants in Q1 (>2x net adds y-o-y)
  - 75 towers built in Q1 (>3x y-o-y)
  - Increased tenancy ratio: 1.37x (+0.03x y-o-y)

- **Cable**
  - Sustained commercial momentum

Accelerating growth trends

- **Q1 financials impacted by exceptional sale in Cable**
- **Improving top-line growth**
  - Towers: +8.0% y-o-y (vs. Q4 at +10.1%)
  - Cable: +27.4% y-o-y (+4.5% ex-MAREA effect)
- **Q1 Reported OIBDA impacted by IFRS16 (24M€)**
- CapEx down 83.6% once new cables are completed
- **Improved OpCF** (2.9x y-o-y organic ex-MAREA effect)

### Towers

- **#**
- **Net adds**

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base (Mar-19)</td>
<td>16,754</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Tenants

- **#**
- **Net adds**

<table>
<thead>
<tr>
<th></th>
<th>Q1 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base (Mar-19)</td>
<td>22,924</td>
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</tr>
</tbody>
</table>

### Revenues

- **y-o-y organic**
- **Ex-MAREA effect**

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+5.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+6.0%</td>
<td></td>
<td></td>
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<tr>
<td>+18.7%</td>
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</tbody>
</table>

### OIBDA

- **y-o-y organic**
- **Ex-MAREA effect**

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+6.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+9.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+18.2%</td>
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</tbody>
</table>

### Financials

<table>
<thead>
<tr>
<th></th>
<th>Q4 18</th>
<th>Q1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>€195m</td>
<td></td>
<td>€219m</td>
</tr>
<tr>
<td>€91m</td>
<td></td>
<td>€129m</td>
</tr>
</tbody>
</table>
### Net Financial Debt

<table>
<thead>
<tr>
<th>€m</th>
<th>€ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ND/OIBDA</td>
<td>2.62x</td>
</tr>
<tr>
<td></td>
<td>-693</td>
</tr>
<tr>
<td>Net Financial Debt</td>
<td>41,074</td>
</tr>
<tr>
<td>Dec-18</td>
<td></td>
</tr>
<tr>
<td>FCF</td>
<td>(186)</td>
</tr>
<tr>
<td>Hybrid replacement</td>
<td>232</td>
</tr>
<tr>
<td>Shareholder remun. (incl. hybrid coupons)</td>
<td>40,381</td>
</tr>
<tr>
<td>Pre-retirement commitments</td>
<td></td>
</tr>
<tr>
<td>Net financial investments</td>
<td></td>
</tr>
<tr>
<td>FX &amp; Others</td>
<td></td>
</tr>
<tr>
<td>ND/OIBDA</td>
<td>2.61x</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>ND/OIBDA</td>
<td>2.54x</td>
</tr>
</tbody>
</table>

**Seasonal effect**

- OpCF ex-spectrum accrued: 2,728
- Working capital: (711)
- Net interest payment: (673)
- Tax: 676
- Dividend to minorities, spectrum & others: (113)
- Lease principal payments: (500)
- FCF: 1,408

**Notes:**
1. IFRS 16 leases: €7.4bn (lower part of the range)
2. Post-closing events: sale of Telefónica Costa Rica, Telefónica Móviles Panamá, Telefónica Celular de Nicaragua and Telefónica Móviles El Salvador; sale of 11 Data Centers
Strong liquidity thanks to attractive long-term financing

Sources of long-term financing

2019 YTD | €bn

<table>
<thead>
<tr>
<th>Source</th>
<th>2019 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ Green Bond</td>
<td>1.0</td>
</tr>
<tr>
<td>USD Bonds</td>
<td>1.1</td>
</tr>
<tr>
<td>€ Bonds</td>
<td>1.0</td>
</tr>
<tr>
<td>Hybrids LME Mar 18 &amp; Mar 19</td>
<td>1.3</td>
</tr>
<tr>
<td>Financing at Subsidiaries</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Net Debt maturities

Mar-19 | €bn; not considering hybrid NC dates

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4.5</td>
</tr>
<tr>
<td>2020E</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Interest payment costs

Mar-19

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-18</td>
<td>3.57%</td>
</tr>
<tr>
<td>Mar-19</td>
<td>3.39%</td>
</tr>
</tbody>
</table>

78% debt in fixed rates

Avg. debt life of 10.2Y (9.0Y Dec-18)

Cash position

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash position</td>
<td>11.3</td>
</tr>
<tr>
<td>Undrawn credit lines &amp; synd. credit facilities</td>
<td>12.7</td>
</tr>
<tr>
<td>Liquidity position</td>
<td>24.0</td>
</tr>
</tbody>
</table>

96% LT

5.5% debt in fixed rates

Avg. years to call from 3.2Y to 4.9Y

Hybrids LME Mar 18 & Mar 19 Annual coupons -102 b.p. to 4.1% Avg. years to call from 3.2Y to 4.9Y

18 b.p.

Cash > gross maturities

Avg. debt life of 10.2Y (9.0Y Dec-18)
FX impact neutralised at FCF

Currency weakness in Q1

- Solid organic contribution to Revenues & OIBDA
  - Q1 y-o-y: +€464m revenues & +€40m OIBDA

- FX detracts 4.9 p.p. in revenues, 4.7 p.p. in OIBDA

- ARG & BRL depreciation, major drags in Q1

- Impact in net debt (Spot GBP/EUR appreciation)

FX headwinds

<table>
<thead>
<tr>
<th>FX impact in Q1 FCF</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>-€597m</td>
</tr>
<tr>
<td>OIBDA</td>
<td>-€180m</td>
</tr>
<tr>
<td>FCF</td>
<td>-€74m</td>
</tr>
<tr>
<td>Net Debt</td>
<td>+€32m 12M rolling</td>
</tr>
</tbody>
</table>

FX reduces OpEx

FX reduces CapEx, Taxes & others

FX increases NDebt

Telefónica
Conclusion

Mr. Ángel Vilá
COO
Wrap-up | Solid start of the year

Consistent, profitable & sustainable growth

EPS & Net Income double digit growth

Continued net debt reduction, for 8 consecutive quarters

Infrastructures are key to ensure best customer-experience

Improving efficiencies; monetisation B2C + B2B & digitalisation

Outlook 2019 reiterated

Revenue +3.8% organic

EPS +33.8% Net Income +10.6%

Net Debt -€0.7Bn in Q1

Cov. Fiber 52m LTE 78%

Savings digitalisation 2019E >€340m