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This document and the Q&A session may contain forward-looking statements and information (hereinafter, the “Statements”) relating to the Telefónica Group (hereinafter, the "Company" or "Telefónica") or otherwise. These Statements may include financial forecasts and estimates based on assumptions or statements regarding plans, objectives and expectations that make reference to different matters, such as the customer base and its evolution, growth of the different business lines and of the global business, market share, possible acquisitions, divestitures or other transactions, Company’s results and other aspects related to the activity and situation of the Company.

The Statements can be identified, in certain cases, through the use of words such as “forecast”, “expectation”, “anticipation”, “aspiration”, “purpose”, “belief” or similar expressions or variations of such expressions. These Statements reflect the current views of Telefónica with respect to future events, do not represent, by their own nature, any guarantee of future fulfilment, and are subject to risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such Statements. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Telefónica before the different supervisory authorities of the securities markets in which its shares are listed and, in particular, the Spanish National Securities Market Commission.

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Information related to Alternative Performance Measures used in this presentation are included in our consolidated financial statements and consolidated management report for the year 2018 submitted to the Spanish National Securities Market Commission (CNMV), in Note 2, page 17 of the .pdf filed. Recipients of this document are invited to read it.

Neither this document nor the Q&A session nor any of their contents constitute an offer to purchase, sale or exchange any security, a solicitation of any offer to purchase, sale or exchange any security, or a recommendation or advice regarding any security.
Agenda

Christian Kern
Investor Relations Director
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Speaker</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:30-9:35</td>
<td>Welcome</td>
<td>Christian Kern</td>
<td>5 min</td>
</tr>
<tr>
<td>9:35-9:50</td>
<td>Long term strategy</td>
<td>Laura Abasolo</td>
<td>15 min</td>
</tr>
<tr>
<td>9:50-10:05</td>
<td>Governance</td>
<td>Pablo de Carvajal</td>
<td>15 min</td>
</tr>
<tr>
<td>10:05-10:20</td>
<td>Sustainability</td>
<td>Elena Valderrábano</td>
<td>15 min</td>
</tr>
<tr>
<td>10:20-10:25</td>
<td>Key Takeaways</td>
<td>Laura Abasolo</td>
<td>5 min</td>
</tr>
<tr>
<td>10:25-10:55</td>
<td>Q&amp;A session</td>
<td>All</td>
<td>30 min</td>
</tr>
</tbody>
</table>
Telefonica’s long term strategy

Laura Abasolo
Chief Finance and Control Officer
WE WANT TO MAKE OUR WORLD MORE HUMAN BY CONNECTING LIVES
Sustainable long-term business strategy

Requirements to generate long-term value

- Growth
- Trust
- Efficiency

Pioneers on the technological transformation path
Global scale leader providing best-in-class connectivity

Leading positioning in main markets

Accesses: 352 Mn
Revenues: ~50 Bn€

Germany #1
Spain #2
UK #2
Brazil #1
HispAm #1

95% EU LTE Pop coverage
51.8 m Ultra-Broadband Own Premises Passed
13% yoy

72% Total LTE Pop coverage

63% of Fixed Broadband access is FTTx/Cable

71% of traffic is LTE

Datos reportados 2018.
Future-proof technological platforms, a sustainability-based strategy

- Record Investment levels

- CapEx + M&A
  ~€82bn
  2012-2018

- Digitalization
- Artificial Intelligence
- Open APIs

- Cognitive Power
- Products & Services
- IT & Systems
- Physical Assets

- 100% Normalization
- 100% Personalization
- 100% Automation/Cloud
- 100% Virtualization

Future-proof technological platforms, a sustainability-based strategy.
Consolidating path of profitable growth

Growing across metrics for 4 years in a row

**Revenues**
- 2015: 3.5%
- 2018: 2.4%

**OIBDA**
- 2015: 3.2%
- 2018: 3.5%

**OpCF**
- 2015: 1.3%
- 2018: 8.0%

**FCF FY 18**
- €5.6bn ex-spectrum
- +16% 2018 vs 2015
Reducing our total net debt volume

Net Debt
Bn€

Jun 16  48.6  44.2  41.1  40.4  38.7
Dec 16  Dec 17  Dec 18  Mar 19

~€14bn Net Debt reduction since June 2016

Solid investment-grade rating

Increasing ROCE

78% Debt in fixed rates vs 46% in Jun’16
10.2Y Avg. debt life vs 5.1Y in Jun’16
3.39% Interest payment costs vs 4.58% in Jun’16
Building our commitment for sustainable long-term value creation

Complying with our **2018 guidance**

- **Growth**
  - Revenues: +2.4% A
  - OIBDA Margin: ~2% Guidance'18

- **Trust**
  - CSI: 7.64

- **Efficiency**
  - OIBDA Margin: +0.3 p.p. A

2019 guidance, our commitment one-step ahead

- **Growth**
  - Revenues: ~2%
  - OIBDA: ~2%

- **Trust**
  - +NPS
  - More relevant for our customers
  - + Trust = Digital welfare

- **Efficiency**
  - Energy consumption per Petabyte: -70%
  - + Digital = + Efficient
Governance

Pablo De Carvajal
General Counsel & Regulatory Affairs
### Board Of Directors Overview

Our Board is committed to ensuring the skillsets of our directors are aligned with TEF’s long-term business strategy.

<table>
<thead>
<tr>
<th>Director Name</th>
<th>Position &amp; Company</th>
<th>Committee(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>José María Álvarez-Pallete López</strong></td>
<td>Chairman &amp; CEO – Telefónica</td>
<td>E (Chair)</td>
</tr>
<tr>
<td><strong>Isidro Fainé Casas</strong></td>
<td>Vice Chairman</td>
<td>Committees: E</td>
</tr>
<tr>
<td><strong>Sabina Fluxà Thienemann</strong></td>
<td>Vice-Chairman &amp; CEO – Iberostar Group</td>
<td>NCCG</td>
</tr>
<tr>
<td><strong>Jordi Gual Solé</strong></td>
<td>Professor – UC Berkeley, Chairman – CaixaBank</td>
<td>Committees: RIA, SI</td>
</tr>
<tr>
<td><strong>Wang Xiaochu</strong></td>
<td>Chairman and CEO – China Unicom</td>
<td>Committees: None</td>
</tr>
<tr>
<td><strong>Ángel Vilá Boix</strong></td>
<td>Chief Operating Officer – Telefónica</td>
<td>Committees: E</td>
</tr>
<tr>
<td><strong>Juan Ignacio Cirac Sasturain</strong></td>
<td>Director – Max-Planck-Gesellschaft</td>
<td>Recognized prestigious Awards Committees: SI</td>
</tr>
<tr>
<td><strong>Peter Löscher</strong></td>
<td>Former Minister of Development, Industry &amp; Foreign Trade – Brazil</td>
<td>Committees: NCCG</td>
</tr>
<tr>
<td><strong>Francois Xavier de Paz Mancho</strong></td>
<td>Lead Independent Director</td>
<td>Former Chairman – MERCASA Committees: NCCG (Chair), E, AC, RIA</td>
</tr>
<tr>
<td><strong>José Javier Echenique Landiríbar</strong></td>
<td>Vice-Chairman – Banco Sabadell</td>
<td>Committees: E, AC (Chair), NCCG</td>
</tr>
<tr>
<td><strong>Luiz Fernando Furlán</strong></td>
<td>Chairwoman – Tomillo Foundation</td>
<td>Committees: AC, SQCS</td>
</tr>
<tr>
<td><strong>Carmen García de Andrés</strong></td>
<td>Chair of the Supervisory Board – OMV Aktiengesellschaft and Sulzer AG</td>
<td>Committees: SQCS (Chair), SI</td>
</tr>
<tr>
<td><strong>Ignacio Moreno Martínez</strong></td>
<td>Chairman – Metrovacesa</td>
<td>Committees: AC, RIA (Chair), SQCS</td>
</tr>
<tr>
<td><strong>José María Abril Pérez</strong></td>
<td>Vice Chairman</td>
<td>Committees: E, SI</td>
</tr>
<tr>
<td><strong>Peter Erskine</strong></td>
<td>Former CEO – O2 Plc.</td>
<td>Committees: SI (Chair), E, NCCG</td>
</tr>
<tr>
<td><strong>María Luisa García Blanco</strong></td>
<td>Founding Partner – Salama García Blanco</td>
<td>Committees: RIA, SQCS</td>
</tr>
<tr>
<td><strong>Francisco José Riberas Mera</strong></td>
<td>CEO – Gestamp Automoción</td>
<td>Committees: None</td>
</tr>
</tbody>
</table>

**Committee Key**

- **E** = Executive Commission
- **AC** = Audit and Control Committee
- **NCCG** = Nominating, Compensation and Corporate Governance Committee
- **SQCS** = Service Quality and Customer Service Committee
- **RIA** = Regulation and Institutional Affairs Committee
- **SI** = Strategy and Innovation Committee
Our Board of Directors committed with Diversity

- Our average Director tenure is 6.6 years
- Directors own in the aggregate, directly or indirectly, 5,793,066 shares of the Company (0.111% of the share capital)

Knowledge and Skills

- Risks: 41%
- Legal: 12%
- Innovation / Technology: 29%
- Engineering / Physics: 24%
- Humanities: 12%
- Economics / Finance: 59%

Professional Experience

- Services: 6%
- NGO / Foundations: 6%
- Industry: 7%
- Banking: 29%
- Academics: 35%
- Public Administration: 18%

International Diversity

- +50% Independent
- 18% Women

Diversity policy

The BoD has a Diversity Policy, updated in 2017, that ensures BoD diverse and balanced composition
### Our Leadership

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ángel Vilá Boix</td>
<td>Chief Operating Officer</td>
<td>Executes day-to-day management of the business</td>
</tr>
<tr>
<td>José María Álvarez-Pallete</td>
<td>Chairman and CEO</td>
<td>Responsible for leading the long-term strategic focus for our business</td>
</tr>
<tr>
<td>Francisco Javier de Paz Mancho</td>
<td>Lead Independent Director</td>
<td>Former Chairman of MERCASA</td>
</tr>
</tbody>
</table>

**The Chairman & CEO owns 1,351,958 shares of the Company**

**The COO owns 357,016 shares of the Company**

### Board Committees

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chair</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and Control Committee</td>
<td>Independent Chairman</td>
<td>Oversee the main themes of the regulatory order that affect TEF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promote the development of TEF’s Corporate Reputation and Responsibility project and implementation of its core values</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuously monitor TEF’s most significant areas of focus regarding sustainability, including Responsible Business Plans, Integrated Annual Report, action of the Advisory Panel on Responsible Business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review the relevant sponsorships or patronages according to the Group’s Sponsorship and Patronage Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly meetings</td>
</tr>
<tr>
<td>Nominating, Compensation and Corporate Governance Committee</td>
<td>Independent Chairman</td>
<td>Reviews proposals for the appointment, re-election and dismissal of Directors and Senior Managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Evaluate skills, knowledge, diversity and experience of Director candidates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oversee assessment of the Chairman</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Propose executive remuneration for the Chairman and other Executive Director(s) and the Senior Executive Officers of the Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overse, along with the Chairman, Board evaluation process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coordinate succession planning for both the Chairman and the Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly meetings</td>
</tr>
<tr>
<td>Service Quality and Customer Service Committee</td>
<td>Examine, analyse and regularly monitor quality indices: main services provided by the Company</td>
<td>Evaluate the standards of customer service and the levels of customer satisfaction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quarterly meetings</td>
</tr>
<tr>
<td>Regulation and Institutional Affairs Committee</td>
<td>Oversee the main themes of the regulatory order that affect TEF</td>
<td>Promote the development of TEF’s Corporate Reputation and Responsibility project and implementation of its core values</td>
</tr>
<tr>
<td></td>
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<td>Continuously monitor TEF’s most significant areas of focus regarding sustainability, including Responsible Business Plans, Integrated Annual Report, action of the Advisory Panel on Responsible Business</td>
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<td></td>
<td>Review the relevant sponsorships or patronages according to the Group’s Sponsorship and Patronage Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly meetings</td>
</tr>
<tr>
<td>Strategy and Innovation Committee</td>
<td>Support Board’s analysis of the TEF’s global strategy policy</td>
<td>Advise and support Board on all matters related to innovation, including monitoring of TEF’s innovation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly meetings</td>
</tr>
<tr>
<td>Executive Commission</td>
<td>Allow the Board greater operability and effectiveness in the exercise of its functions</td>
<td>Meets twice a month</td>
</tr>
</tbody>
</table>

*According to Spencer Stuart, just over half (52 percent) of companies in the S&P 500 Index are led by a dual chairman/CEO, while 29 percent have an independent chair and 19 percent an executive or other outside chair*
Robust Annual Board Evaluation Process

Following the annual evaluation 2018, the Nominating, Compensation and Corporate Governance Committee (NCCGC) identified areas of improvement, which the Board of Directors has approved for implementation.

1. Questionnaire Sent to All Directors
2. NCCGC Reviews and Analyzes Results
3. NCCGC Proposes Recommendations to the Board

Questionnaire Grouped into 5 Sections:
1. Composition, functioning and powers of the BoD
2. Composition, functioning and powers of the Committees
3. Performance of the Executive Chairman
4. Rights and duties of Directors
5. AGM

2019 Board Approved Suggested Improvements:
- Continue with implementation of measures that allow for optimum performance of the AGM
- Continue analyzing the composition of the Board: succession plans and the application of the Diversity Policy
- Include more items on the Board and Ex. Commission meeting agendas (Co. strategy to foster debate)

Every 3 years, the annual evaluation is generally conducted by an independent, external 3rd party consultant
2019 Remuneration Program Overview

Our Remuneration Program integrates key metrics to drive long-term performance, which are also key KPIs from our #Reconnect program, which the Board of Directors has approved for implementation.

<table>
<thead>
<tr>
<th>Component</th>
<th>Pay Element</th>
<th>Purpose</th>
<th>Metrics &amp; Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Remuneration (Salary)</td>
<td>Cash</td>
<td>- Promotes retention of top talent</td>
<td>Level of responsibility, leadership and performance</td>
</tr>
<tr>
<td>Variable Remuneration</td>
<td>Cash</td>
<td>- Rewards achievement of pre-determined, quantifiable, economic-financial, operational and sustainability targets aligned with the Company’s interests and Strategic Plan</td>
<td>Financial Metrics (80%):</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Align incentives with the Company and its strategic plan</td>
<td>- OIBDA (30%): Reflects growth and progress in operating performance</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>- Link remuneration to the creation of shareholder value and sustainable achievement of strategic targets</td>
<td>- Operating Income (30%): Measures growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Free Cash Flow (20%): Generation makes reduction of debt load possible</td>
</tr>
<tr>
<td>Long-Term Incentive Plan</td>
<td></td>
<td></td>
<td>Non-Financial Metrics related to long term (20%):</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td></td>
<td>- Customer Trust (15%): NPS+NPS gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Society Trust (3%): Reptrak improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Climate Change (1%): GHG Emissions Reduction</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Gender Equality (1%): % Women in Executive positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shares delivered based on 3-year performance:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Relative TSR (50%): Measures shareholder value generation over medium- and long-term</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Free Cash Flow (50%): Encourages commitment to sustainable achievement of long-term strategic goals</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td></td>
<td>25% of shares awarded subject to a 1-year holding period</td>
</tr>
</tbody>
</table>

*Note: Percentages based on Chairman/CEO’s target level of achievement for 2019*

# Indicates metric included as a KPI in the #Reconnect program

Executive Directors are subject to shareholding guidelines of 2x gross Fixed Remuneration as long as they are members of the Board.
Key Governance takeaways

- Annual Schedule, Planning sessions and Monthly meetings
- Majority voting standard
- Strong Board oversight of enterprise risk
- Robust code of conduct
- The Board has exclusive competence over certain matters such as general policies and strategy, the appointment of Senior Executives, the remuneration of Directors and Senior Management and strategic investments
- Commitment to Board refreshment and diversity
- Shareholders holding ≥3% may request agenda items and submit proposals for AGM
- First IBEX 35 company to issue annual corporate governance report – issued in 2002 when not yet mandatory
- First IBEX 35 company with a Board-level CSR committee
- Consultative Committees focused on key areas of long-term strategy
A sustainability-based strategy

Elena Valderrábano
Corporate Ethics and Sustainability Director
Generating value through a sustainability-based strategy

- Growth
  - Inclusive customer base
  - Sustainability-driven P&S
- Trust
  - Shareholders
  - Customers
  - Society
  - Suppliers
- Efficiency
  - Human Capital
  - Environmental Strategy
  - Customer Centric Digitalization

- 0.5% GDP
- >1.2 M Jobs
- 21% Tax contribution in % of Revenues
Gain customer relevance through connectivity

No one left unconnected

- Diverse footprint including key emerging markets
  - €15.6bn
  - Revenues from emerging markets (32% of total)

- Ambitious network deployment, including remote / rural areas
  - 76% LTE coverage across the whole footprint
  - 83M premises passed with FTTx/cable
  - "Internet para Todos": an innovative way to connect 100M currently unconnected in Latam

Premium for all

Inclusive customer base

Sustainability-driven Products & Services

Contributing to customer sustainability

- €6.8bn
- Revenues in digital services (2018) (14% of TEF’s revenues)

- 1.4M KtCO2e avoided by our clients through our services +15% over our own direct emissions (Net positive contribution)

Contributions:

- Premium for all
- Ambitious network deployment
- Sustained growth

Growth
Efficiency

Customer Centric Digitalization

Environmental Strategy

Human Capital

Diversity: culturally wider

38% Women in workforce

23% Women in Management positions

• 2nd consecutive year
• Only 10 telcos out of 230 companies

Committed to optimised energy use

Global Energy Program

Lighting
Cooling
Power
Network transf.
Self-generation

Renewable energy

Serving our customers better

100m Customers migrated to Full Stack

12% Commercial operations in digital channels

Switching off legacy to obtain environmental and operational gains

-85% Less energy per customer

69% Legacy network already switched off

208 GWh already saved (2016-2019)

Data referred to Spain’s Copper-to-Fiber network project
Ambitious Science-based environmental targets with solid performance

2020 targets already met

Energy efficiency
- **Targets**: 1
  - -50%
  - By 2020

- **2018 performance**: -64%
  - 150 MWh/PB
  - -23% over 2017
  - -64% over 2015

Renewable energy
- **Targets**: 1
  - 50%
  - By 2020
  - 100%
  - By 2030
  - 58%

- **2018 performance**: Already 100% renewable in Europe and Brazil

GHG emissions
- **Targets**: 3
  - -30%
  - By 2020
  - -50%
  - By 2030
  - -37%

- **2018 performance**: 1227 KtCO2eq

1st Green Bond in the telco industry

- **€1bn 5Y term**
- **Coupon 1.069%**
- **5x oversubscription**
- **~50% green investors**

---

1 All our targets are referenced in comparison to our 2015 performance
2 Energy consumption per unit of traffic (PB). Reviewed for 2019-20 (-70%)
3 Scope 1 and 2
Creating Trust Capital

Ensure alignment with shareholders / investors interests

- Telefónica was 1st IBEX 35 Co. with a Board-level CSR committee & Variable remuneration scheme linked to sustainability

Advocate digital rights as well as technological progress

- Responsible use of technology
- Ethical AI
- Freedom of expression

Securing customers data and Company resilience

- GDPR-based Global Privacy Policy throughout footprint
- Internal and external audits + Employee training

Securing a responsible value chain

- 7.64 CSI
- 20 NPS
- 10,1k Total suppliers
- 1,072 High-risk suppliers
- €25bn Purchases volume awarded
- 19 High-risk suppliers
- 19 Suppliers blocked for compliance
- Administrative or on-site audits to high-risk suppliers in 2018

Reptrak #1 2019

55.1

#1

2019
Commitment from the top

Remuneration linked to Long term & Sustainability

Starting in 2019...

- Variable Remuneration (CEO, COO & rest)
- 20%

- 1% Climate Change (GHG emissions)
- 1% Gender Equality (30% women in Management)
- 3% Society Trust (Reptrack)
- 15% Customer Trust (NPS)

Direct Board oversight

BOARD OF DIRECTORS

- General Directorate Comms, Sustainability & Ethics
- Chief Compliance Officer & DPO

Responsible Business Office

Integrated by: Audit, Legal, Human Resources, Corporate Ethics and Sustainability, Procurement, Operations, Marketing, Security and Big Data
Solid ESG track record with external recognition

- **DJSI**
  - Member DJSI Europe, 81 points

- **FTSE4Good**
  - Listed 4.4 points out of 5

- **MSCI Global Sustainability Index Series**
  - A Rating

- **Ethibel Sustainability Index**
  - Excellence IR Global member

- **Bloomberg Gender-Equality Index**
  - Included, 72.3 points out of 100

- **Ecovadis**
  - CSR Rating 68/100

- **Sustainalytics**
  - 83 points out of 100

**Global ESG Industry Ranks**

- **98**
  - A-List
Key Takeaways

Laura Abasolo
Chief Finance and Control Officer
Key Takeaways

Sustainable long-term business strategy

Transformation strategy underpinned by 3 principles: Trust, Growth & Efficiency

- Trust: solid engagement with all our stakeholders
- Growth: increased relevance; the best technology at the service of society
- Efficiency: growing returns, efficient use of resources, digitalization benefits

Positive contribution across footprint

- GDP, Taxes, Jobs

Shareholder friendly governance practices

- Commitment of Directors and top executives (0.12% share capital)

Profitable growth, Net Debt reduction and ROCE improvement

Best-in-class in ESG score