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Creating a leading communications provider in the UK

Mr. José María Álvarez-Pallete
Chairman & CEO
**Transaction Summary**

**Key Terms**

- **Telefónica and Liberty Global have agreed to combine their telecom assets in the UK** (Telefónica UK and Virgin Media UK)
  - 50/50 JV creates UK leading convergent player with complementary strengths in mobile, broadband, video and B2B
  - Stronger, larger, more diversified; combined £11.0bn revs. £3.6bn\(^{(1)}\) OIBDA and £1.5bn OIBDA-CapEx \(^{(2)}\) (pre-synergies)
  - Telefónica UK valued at 7.8x OIBDA 2019; Virgin Media UK at 9.3x
  - Enterprise Value of the combined entity estimated at c.£38bn, including synergies. £12.7bn EV for TUK, £18.7bn for VMED UK
  - Pro forma combined entity will have 46.5m\(^{(3)}\) accesses, of which, 32.6m correspond to mobile, 5.3m to broadband, 4.9m to fixed voice and 3.7m to Pay-TV
- **Liberty Global will make a cash payment to Telefónica of £2.5bn to equalize ownership in the JV**
- **New joint venture will target leverage of 4.0-5.0x OIBDA**
  - Telefónica expected to receive £5.5-5.8bn of proceeds in total from the transaction (post dividend recap)

**Value-creation Rationale**

- **Complementary fit creates leading UK integrated player, significant cross-selling opportunities for B2B, B2C and wholesale**
  - Convergent capabilities’ platform with best-in-class infrastructure and a technological advantage over peers
- **Transaction to unlock significant value, with synergies of c.£6.25bn NPV** (after integration costs)
  - Sizeable and highly visible synergies and efficiencies run-rate of c.£540m
- **Transaction to create significant value for Telefónica shareholders**
  - FCF accretive\(^{(4)}\) for Telefonica from year 1 and expected to reduce Telefónica’s net debt by £5.5-5.8bn\(^{(5)}\)
  - Credit positive; improves competitive positioning and business sustainability, reduces net debt at Telefonica

**Expected Key Dates**

- **Transaction is subject to satisfactory approvals from relevant authorities and expected to close in mid-2021**

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\(^{(1)}\) Pre-IFRS 16; \(^{(2)}\) OpCF = OIBDA-Capex, ex-spectrum Capex; \(^{(3)}\) Figures as of 2019, ex-M2M subscribers; \(^{(4)}\) Pro-Forma run-rate synergies basis; \(^{(5)}\) Including leases.
Pre-Transaction Structure

- Based on the enterprise value of each business, and after deducting Virgin Media UK’s £11.3bn net debt, Liberty Global will make a cash payment to Telefónica of £2.5bn to equalize JV ownership
  - Telefónica UK contributed to the JV on a debt and cash free basis
  - Virgin Media’s Irish business to be carved-out ahead of completion
  - Telefonica to contribute its 50% stake in CTIL

- The JV will target a leverage ratio of 4.0-5.0x OIBDA
  - JV expected to raise new debt to reach its target leverage ratio; proceeds to be distributed equally between Telefónica and Liberty Global
  - The deal will not trigger a change of control under Virgin Media’s existing third party debt

Following completion of the transaction, **neither Telefónica nor Liberty Global will consolidate the JV**

- Equal governance rights in line with 50-50 shareholding
- Telefónica and Liberty Global have agreed to provide a suite of services to the JV post completion

Intermediate Structure

- Enterprise Value: £12.7bn
  - EV/OIBDA 2019: 7.8x
- Enterprise Value: £18.7bn
  - EV/EBITDA 2019: 9.3x

Structure at Closing

- New debt to target leverage of 4.0x-5.0x OIBDA
- Enterprise Value: £12.7bn
  - EV/OIBDA 2019: 7.8x
- Enterprise Value: £18.7bn
  - EV/EBITDA 2019: 9.3x

- Proceeds from financing distributed equally

(1) Transaction perimeter includes 50% stake in CTIL; (2) Transaction perimeter excludes Virgin Media’s operation in Ireland.
**Stronger, larger and more sustainable player**

<table>
<thead>
<tr>
<th>Accesses (m; 2019)</th>
<th>Revenue (£bn; 2019)</th>
<th>OIBDA Pre-IFRS 16 (£bn; 2019)</th>
<th>OIBDA-CapEx Pre-IFRS 16 (£bn; 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O₂</td>
<td>BT</td>
<td>sky</td>
<td>3</td>
</tr>
<tr>
<td>46.5</td>
<td>13.5</td>
<td>22.7</td>
<td>11.6</td>
</tr>
<tr>
<td></td>
<td>(7)</td>
<td>(2)</td>
<td>(4)</td>
</tr>
<tr>
<td>O₂</td>
<td>BT</td>
<td>sky</td>
<td>3</td>
</tr>
<tr>
<td>46.3</td>
<td>11.3</td>
<td>9.4</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>BT</td>
<td>O₂</td>
<td>sky</td>
<td>3</td>
</tr>
<tr>
<td>26%</td>
<td>31%</td>
<td>2.5</td>
<td>1.2</td>
</tr>
<tr>
<td>9%</td>
<td>31%</td>
<td>1.2</td>
<td>0.7</td>
</tr>
<tr>
<td>12%</td>
<td>31%</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>19%</td>
<td>19%</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>21%</td>
<td>21%</td>
<td>0.7</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**Notes:**
- EUR/GBP converted at 0.877, HK/GBP converted at 0.100, USD/GBP converted at 0.888. Source: Companies Information, Analysys Mason, Ampere Analysis, GlobalCom. Excluding M2M subscribers and including MVNO subscribers. (1) Pro-forma of run-rate synergies; (2) Financials for BT are LTM Dec-19A, excluding Global Services and Openreach; (3) Financials for Vodafone are LTM Dec-19A (Vodafone reports regional results half-yearly); (4) Sky UK financials based on 2019E broker estimates; (5) 3 UK financials are 2019A (reported in December 2019); (6) Talk Talk financials are 2019A statutory results (reported in March 2019); (7) Excluding Virgin Media MVNO subscribers; (8) Excluding Project Lightning.
Compelling and differentiated value proposition

Customer centric mobile proposition
- Industry leader in NPS
- Sector leading loyalty

Complete portfolio of digital solutions
- IoT with Big Data
- Cybersecurity
- Cloud
- Advertising

Fastest broadband
- Broadband speeds up to 1GBps by 2021

Rich content offering
- Only UK operator offering Netflix, Amazon & all sports

Premium brands
- Virgin
- O2

Attractive value proposition and business sectors
- Wide MVNO offering
- Growing B2B to leading companies

Leading technology
- State-of-the-art platforms and product offering

• IoT
• Cloud
• Cyber

Telefónica
National Connectivity Champion

### Telefonica UK network: Highly competitive and cost-effective 5G ready mobile infrastructure

- **O2**:
  - 99% population 4G coverage and consistently recognized as most reliable and best coverage network
  - Access to the largest tower portfolio in the UK with 15k sites through its 50% stake in CTIL
  - Successful long term relationship with Vodafone extended to 5G & Industry-led single rural network progressing
  - O2 5G already live in 30 places and will reach 50 towns and cities by summer 2020
  - Strong holding of <1GHz frequency, resulting in best in-door coverage; ongoing network optimization with spectrum refarming

### Virgin Media UK network: High performance & Ultrafast Today and Future proof for tomorrow

- **Virgin Media**:
  - 100% of VM UK homes DOCSIS 3.1 hardware ready and 100% 1Gbps coverage in 2021
  - 15 million homes passed of which 14.3 million are HFC and 0.7 million are FTTP/RFOG
  - Access network 100% ducted in owned ducts, 0% aerial, creating flexibility in upgrade path to future coaxial or fibre
  - 8m km of fibre strands of which the access network is 7.3m km
  - Analogue TV and FM over cable radio services decommission complete

✓ Unique infrastructure in Europe to seize new opportunities arising from Fixed-Mobile convergence
✓ No network monetization to date – retains ownership of its mobile and fixed infrastructure
✓ Clear market leader in UBB (FTTP, HFC)
Identified synergies of c.£6.25 bn NPV, with 80% of full potential related to OpEx and CapEx synergies

**Identified synergies of c.£6.25bn**

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Synergies Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>c.20%</td>
</tr>
<tr>
<td>CapEx</td>
<td>c.15%</td>
</tr>
<tr>
<td>OpEx</td>
<td>c.65%</td>
</tr>
</tbody>
</table>

- Cross-selling and bundling opportunities for residential and businesses customers
- Combination of regional and national network infrastructures and IT systems
- Migration of Virgin Media mobile traffic to Telefonica UK’s network
- Reduced marketing expenditures
- Structure rightsizing

**Run-rate operating and revenue synergies of c.£540m**

- Cash positive since 2023
- 100% by 2026
- >75% within 42 months
- >50% within 30 months

**Proven track record delivering synergies**

- Both parties have **completed several acquisitions over the last years with substantial value creation achieved through synergies**
- **Extensive experience** with respect to **building business cases, leading integration phases and realizing identified synergies**
- **Proven track-record of achieving and exceeding initial targets**

- c.80% of full potential related to cost and capex synergies
- Financial / fiscal synergies not considered

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(1) Net of integration costs; (2) Synergies Plan not assumes single brand strategy, which will be evaluated in the future.
Transaction fully consistent with TEF’s strategy

- Creates a leading and fully integrated champion in one of the 4 core markets for TEF
- Significant value creation through synergies
- Secures superior next generation fixed infrastructure to drive customer experience, complementing TUK’s mobile network
- Stronger, more valuable and sustainable platform with high dividends to continue reducing TEF’s net debt

Partnering with VMED UK is the most compelling option for Telefonica UK and best strategic path forward.
Governance, Exit and Timetable

Governance / Shareholders Agreement

- The JV Board of Directors will consist of eight members, four from each of Liberty Global and Telefonica
- Certain matters will require unanimous approval of both companies’ representatives
- The position of Chairman of the JV will be held for alternating 24 month periods by a Telefónica or Liberty Global appointed director. The Chairman has no casting vote
- Key management positions will be announced prior to completion of the transaction

Exit

- 3 year lock-up
- Each shareholder has the right to initiate an Initial Public Offering of the JV after the third anniversary of closing, with the opportunity for the other shareholder to sell shares in the IPO on a pro-rata basis
- The parties have agreed restrictions on other transfers of interests in the JV until the fifth anniversary of closing
  - After the fifth anniversary, each shareholder will be able to initiate a sale of the entire JV to a third party, subject to a right of first offer in favour of the other shareholder

Expected Transaction Timetable (1)

- Transaction notifiable to the European Commission (EC)
- The transaction may be referred back and require clearance by the Competition and Markets Authority (CMA)
- If approved at Phase 1, closing would take place in Q4 2020 - Q3 2021
- If approved at Phase 2, closing would take place in Q2 2021 - Q1 2022

(1) External counsel estimation.
Closing Remarks

• Creating a leading integrated player with significant cross-selling opportunities in the second largest European market, improving market positioning, group profile and business sustainability

• Combining Telefonica UK’s leading mobile operations and Virgin Media UK’s extensive superfast broadband network to benefit consumers, businesses and the public sector through investment to accelerate digital infrastructure deployment and improving customer experience

• Significant value creation: total cost, capex and revenue synergies with an estimated NPV of c.£6.25bn (after integration costs), additional financial / fiscal synergies not considered

• M&A processes in 2 (UK and Brazil) out of 4 core markets, progressing on the New Telefonica strategy

• Substantial value creation for Telefónica shareholders
  – Stronger converged challenger in the UK market, leading in customers and profitability
  – Improving growth profile and market positioning
  – FCF accretive\(^{(1)}\) from the outset
  – Transaction expected to reduce Telefonica’s net debt by £5.5-5.8bn\(^{(2)}\)
  – Credit positive improving competitive positioning and long term business sustainability

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\(^{(1)}\) On a Pro-Forma run-rate synergies basis; \(^{(2)}\) Including leases.
COVID 19 implications
Q1 20 highlights

Mr. José María Álvarez-Pallete
Chairman & CEO
Telecoms proving essential; responding all stakeholders

**Connectivity is critical**

- Reliable, stable and secure networks
  - +40% bandwidth demand; +50% mobile data traffic; ...
  - >€90Bn CapEx since 2012 pays off
- **Ring-fence cash** secure access to liquidity

**Guaranteed continuity of service; resources built upon years**

**Telefónica part of the solution...**

- **Caring for employees**
  - Our people = our greatest asset
  - 95% working from home;
  - **Health & Safety come first**; ahead of any commercial initiative

- **Responding to society needs**
  - Services & capabilities to Public Admin. (big data, mobility data)
  - Wiring and connecting field hospitals
  - Donating sanitary equipment;
  - Free educational and training content

**Strengthened confidence on our resilience**

- **Increased Demand for connectivity & digitalisation** (B2C+B2B)
- **Mobility work & security** solutions rising demand
- **CapEx flexibility** (~50% of annual OIBDA)

**Sustainable model for the long term; experience in crisis situations**

**... doing good**

- **We care about our customers**
  - Increasing data allowances, broadband speeds
  - Enriching content bundles, children apps available

- **Caring about our vendors**
  - Shortened payments to key suppliers
  - Protect health or providers
  - Help vendors (problems of liquidity)

Evidence-based mission: “Making our world more human by connecting lives”
Doing well; not immune, but relatively well protected

Potential hit...

- Managing impacts; yet uncharted territory
- Pressure on B2B revs (SMEs; corporates with higher exposure to COVID19; sales funnel, com. activity...)
- Pressure on B2C revs (roaming, prepaid, lower traffic to stores)
- Potential increase in bad debt
- Potential supply chain/network/handset inventory disruptions

...but relatively well protected

- Demand for telcos on the rise; potential for further monetization
- Stable L/T revenue base: flat rate contracts, L/T customers
- High quality, future-proof asset base (e.g. Fiber networks)
- OIBDA better covered than top line (costs relief, lower churn...)
- Social goodwill earned (close to society needs & all stakeholders)

We need to adapt to new reality

FCF Buffers from top to bottom

- Upselling of digital services, specially Cybersecurity and Cloud
- Higher demand in some services (TV consumption, content fiction; VoD, higher BB speeds)
- Accelerate digitalization; strengthen on-line channels; transform network/ IT
- Decrease in churn, commercial costs, advertising
- Discretionary CapEx management = OIBDA-CapEx shelter
- Delay of spectrum auctions (Spain, UK, Brazil)

Levers to secure FCF
2022 Guidance and 2020 €0.4 dividend reiterated

2022 Guidance Confirmed

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Revenues</td>
<td>Revenue growth</td>
</tr>
<tr>
<td>(OIBDA-CapEx)/ Revenues</td>
<td>+2 p.p. by 2022</td>
</tr>
</tbody>
</table>

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. (Voluntary Scrip)</td>
</tr>
<tr>
<td>Final Jun-21</td>
<td>€0.20/sh.</td>
</tr>
</tbody>
</table>

2020 calendar payments
- Jun/20 €0.20/sh. (Voluntary Scrip)
- Dec/20 €0.20/sh. (Voluntary Scrip)

2020 Guidance Withdrawn; significant changes in context & high level of uncertainty

- Closely monitoring business evolution; managing Opex+CapEx
- 2020 current outlook: slightly negative to flat OIBDA-CapEx

Despite current uncertainty; confidence in future demand growth for connectivity, digital services...

Confidence in business model flexibility to weather current environment, coupled with solid liquidity position & business resiliency
Q1 20 Results

Mr. Ángel Vilá
COO
# Financial summary

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported</td>
</tr>
<tr>
<td>Revenues</td>
<td>11,366</td>
</tr>
<tr>
<td>OIBDA</td>
<td>3,760</td>
</tr>
<tr>
<td>OIBDA margin</td>
<td>33.1%</td>
</tr>
<tr>
<td>OIBDA-CapEx (ex-spectrum)</td>
<td>2,275</td>
</tr>
<tr>
<td>OIBDA-CapEx / Revenues (ex-spectrum)</td>
<td>20.0%</td>
</tr>
<tr>
<td>Net Income</td>
<td>406</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.06</td>
</tr>
<tr>
<td>FCF (inc. leases principal payments)</td>
<td>233</td>
</tr>
<tr>
<td>Net Financial Debt ex-leases</td>
<td>38,223</td>
</tr>
</tbody>
</table>

Q1 COVID 19 impacts;
Revenues (-€77m); OIBDA (-€33m); CapEx (-€17m)

- 65% BB & SoC/Service Revs; +2 p.p.
- FX impact & Cap gains Q1 19
- Maintaining leading profitability
- €0.11 Underlying EPS
- Q1 seasonal effect; Q1 19 tax refund €702m
- Reduction of €14Bn since Jun-16
Spain | The most reliable and advanced telco in Europe

Engaged customer base

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<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>o/FBB</td>
<td>73%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/wholesale</td>
<td>61%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UBB</td>
<td>65%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Churn improved y-o-y
- No TV lock in period

Proof-tested network

- Outstanding delivery with record traffic (both retail & wholesale)
- Critical connectivity on top quality assets
  - Largest FTTH network & digitalisation
- Effective remote activity
  - Best in class Cloud, Security, Big Data
  - >50% activity in online/phone channel
- Value added to the offer for free
  - MBB, Premium TV (even to non-customers)

Key financials

<table>
<thead>
<tr>
<th>y-o-y organic</th>
<th>(1.6%)</th>
<th>(1.2%)</th>
<th>(1.8%)</th>
<th>+1.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,078</td>
<td>3,014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Rev</td>
<td></td>
<td></td>
<td>1,225</td>
<td></td>
</tr>
<tr>
<td>OIBDA</td>
<td></td>
<td></td>
<td></td>
<td>881</td>
</tr>
<tr>
<td>OpCF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Limited impact from COVID-19 so far
- Proven success of transformation strategy

Sound (OIBDA-CapEx)/Revs.; cash in focus

<table>
<thead>
<tr>
<th>y-o-y organic</th>
<th>39.8%</th>
<th>11.2%</th>
<th>28.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA/Revs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CapEx/Revs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(OIBDA-CapEx)/Revs.</td>
<td>+0.9 p.p.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Prudent OpEx/CapEx policy
- 5G auction delayed
Germany | Robust start to year

**Good commercial performance**

<table>
<thead>
<tr>
<th><strong>Accesses (m, y-o-y)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobile</td>
</tr>
<tr>
<td>Mobile contract</td>
</tr>
<tr>
<td>VDSL</td>
</tr>
</tbody>
</table>

- **O₂ contract ARPU**
  - +6% increase
  - +12% increase
  - +12% increase

- **O₂ contract churn**
  - Stable at 1.3%

**Gaining momentum across all revenue lines**

- **y-o-y organic**
  - Revenues: 0.2% increase
  - Mobile business: 3.8% increase
  - Fixed revenues: 3.4% increase

**Solid trading**

- **Good contract momentum** of O₂ brand; blended ARPU stable and contract churn -0.1 p.p. y-o-y
- **Sustained VDSL demand**: +36k net adds; 76% o/FBB
- **Resilient network** coping with COVID-19 traffic increase
- Supporting employees, customers and the wider society
- **4G/LTE steady progress**; preparing 5G deployment

**Improving profitability**

- **OIBDA**
  - Q4: 1.5%
  - Q1: 12.9%
  - OIBDA-CapEx: (1.2%)
UK | Once again outperforming the market

**Continued contract customer growth**

Accesses (m; y-o-y)

<table>
<thead>
<tr>
<th>Accesses</th>
<th>+6%</th>
<th>+1%</th>
<th>+47%</th>
<th>+6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobile</td>
<td>34.8</td>
<td>12.3</td>
<td>5.6</td>
<td>8.8</td>
</tr>
</tbody>
</table>

**Another solid quarter**

- Largest UK network carrier
- Continued revenue and OIBDA growth
- Market leading loyalty with 1% contract churn
- Exclusive agreement for mobile distribution of Disney+
- Continued investment momentum in network

**COVID -19 – keeping communities connected**

- Network voice and data resilience
- Industry cooperation and ongoing dialog w/ government
- Existing processes supporting vulnerable customers
- Free access to NHS and 22 additional websites
- Connectivity provision for Nightingale hospitals
Brazil | Predictable & resilient FCF generation

Strengthened market leadership

Market Share (Feb-20)

<table>
<thead>
<tr>
<th>Category</th>
<th>Mobile</th>
<th>Contract</th>
<th>FBB</th>
<th>FBB&gt;12 Mbps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>33.0%</td>
<td>39.0%</td>
<td>20.8%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

Exposed to most valuable segments

Accesses Penetration (m; y-o-y)

<table>
<thead>
<tr>
<th>Category</th>
<th>Contract/ Total Mobile</th>
<th>FTTH/ FBB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penetration</td>
<td>45%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Resilient Business

✓ Better fixed and mobile network in the market
✓ Low prepaid impact & handset exposure (~10% & ~5% of Total Revs)
✓ Highest contract penetration in the market
✓ Robust OIBDA-Capex/Revs (22.5% 2019; 27.7% Q1)
✓ Solid FCF generation

Sustainable business model

Q1 y-o-y organic

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenues</th>
<th>OIBDA</th>
<th>OIBDA-CapEx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>(1.4%)</td>
<td>3.4%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Accelerating Fiber deployment to 11.7m homes passed
New alternative FTTH expansion models to boost Fiber connections
Sites

<table>
<thead>
<tr>
<th></th>
<th>Dec-19</th>
<th>Mar-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>#</td>
<td>18,348</td>
<td>1,983</td>
</tr>
<tr>
<td>#</td>
<td>20.331</td>
<td></td>
</tr>
</tbody>
</table>

+21.4% y-o-y growth; continuing tower expansion

Tenants

<table>
<thead>
<tr>
<th></th>
<th>Dec-19</th>
<th>Mar-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTS</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Acquired</td>
<td>1,927</td>
<td></td>
</tr>
<tr>
<td>Tenants (ex anchor tenant)</td>
<td>2,270</td>
<td>27,181</td>
</tr>
</tbody>
</table>

+18.6% y-o-y growth

Revenues & OIBDA

<table>
<thead>
<tr>
<th></th>
<th>Q1 20 y-o-y organic</th>
<th>Q1 20 y-o-y organic ex-capacity sale in Q1 19 (cable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>€207M</td>
<td>€135M</td>
</tr>
<tr>
<td>OIBDA</td>
<td>€113M</td>
<td>€133M</td>
</tr>
</tbody>
</table>

Tenancy Ratio

- 1.34x
- 1.36x ex acquisition

CapEx (1)
- €22M
- €113M

Inorganic investment
- €133M

(1) excluding M&A CapEx from inorganic operations in the quarter (acquisition of towers in Brazil and Peru)
Q1 20 Results

Ms. Laura Abasolo
CFCO
Hispam | Working on transformation; increasing efficiencies

Large accesses base

<table>
<thead>
<tr>
<th>Accesses (m)</th>
<th>Total</th>
<th>Contract</th>
<th>Fixed</th>
<th>FBB</th>
<th>Pay TV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>108.8</td>
<td>21.9</td>
<td>16.8</td>
<td>5.4</td>
<td>2.9</td>
</tr>
</tbody>
</table>

+10.9% UBB y-o-y

Higher penetration in valuable segments

<table>
<thead>
<tr>
<th>Accesses Penetration (m; y-o-y)</th>
<th>+1 p.p.</th>
<th>+14 p.p.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract/Total Mobile</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>FTTH/FBB</td>
<td>54%</td>
<td>9.0m FTTH homes passed (+1.7m in LTM)</td>
</tr>
</tbody>
</table>

Co-investing with ATP & ATC in most relevant markets

Simplification to support cash generation

✓ Largest Fiber network in the region (9.0m FTTH homes passed)
✓ Prepaid less relevant (~11% of Total Revenues)
✓ High contract penetration (24%)
✓ Digitalisation process is still on-going
✓ Achieving CapEx efficiencies

Strongly affected by competition in Peru & Chile

y-o-y org.

Similar y-o-y trend vs Q4 19 excluding ARG and one-offs

MEX; Back to OIBDA growth (transformation model paying off)

Revenues (4.8%) OIBDA (10.6%)
Currency headwinds structurally neutralised

Effects on FX moves

- **BRL**: major drag in Q1 Revenue & OIBDA y-o-y
- **Revenue**: Q1: -3.2 p.p. y-o-y
- **OIBDA**: Q1: -3.5 p.p. y-o-y
- -€151m at OIBDA down to -€20m in FCF
- **FX reduce** net debt (-€824m 12 month rolling)

Actively hedging 2020 Cash flows of Brazil and UK

### FX impact neutralised at FCF level

€m; Q1 20 FX impact

<table>
<thead>
<tr>
<th>OIBDA</th>
<th>CapEx</th>
<th>Taxes</th>
<th>WC + Interest + Others</th>
<th>FCF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>-151</td>
<td>66</td>
<td>2</td>
<td></td>
<td>(20)</td>
</tr>
</tbody>
</table>
Slight debt increase on hybrids amortisation

Net Financial Debt

€m

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Interest Payment</th>
<th>Tax</th>
<th>Dividend to Minorities</th>
<th>Lease Principal Payments</th>
<th>FCF</th>
<th>Working Capital</th>
<th>Non-Cash Items &amp; Others</th>
<th>OIBDA-CapEx ex-spectrum accrued</th>
<th>Pre-Retirement Commitments</th>
<th>Shareholder Remun. (Incl. Hybrid Coupons)</th>
<th>Total</th>
<th>Net Financial Investments</th>
<th>FX &amp; Others</th>
<th>ND/OIBDAaL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-19</td>
<td>37,744</td>
<td>723</td>
<td>351</td>
<td>284</td>
<td>(233)</td>
<td>(640)</td>
<td>(666)</td>
<td>(173)</td>
<td>4</td>
<td>(2,275)</td>
<td>(66)</td>
<td>4</td>
<td>(651)</td>
<td>2.52x</td>
</tr>
<tr>
<td>Mar-20</td>
<td>38,223</td>
<td></td>
<td></td>
<td></td>
<td>(557)</td>
<td></td>
<td></td>
<td></td>
<td>(4)</td>
<td>(233)</td>
<td>€44.8bn incl. IFRS-16 Leases</td>
<td>(2)</td>
<td>2.60x</td>
<td></td>
</tr>
</tbody>
</table>

Net Financial Debt: €38,223

ND/OIBDAaL: 2.60x

ND/OIBDAaL: 2.52x
Strong liquidity position coupled with smooth maturity profile

**Liquidity position**

<table>
<thead>
<tr>
<th>Mar-20</th>
<th>€bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash position</td>
<td>8.7</td>
</tr>
<tr>
<td>Undrawn credit lines &amp; synd. credit facilities</td>
<td>13.7</td>
</tr>
<tr>
<td>Liquidity position</td>
<td>22.5</td>
</tr>
</tbody>
</table>

**Net Debt maturities**

<table>
<thead>
<tr>
<th>Mar-20</th>
<th>€bn; not considering hybrid NC dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 2/3 debt in fixed rates</td>
<td></td>
</tr>
<tr>
<td>Cash &gt; gross maturities</td>
<td></td>
</tr>
<tr>
<td>2020E</td>
<td>4.3</td>
</tr>
<tr>
<td>2021E</td>
<td>5.1</td>
</tr>
</tbody>
</table>

**Financing activity from June 16 to YTD**

<table>
<thead>
<tr>
<th>YTD</th>
<th>€bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>38.8</td>
</tr>
<tr>
<td>€2.3bn YTD</td>
<td></td>
</tr>
<tr>
<td>€ Green Financing*</td>
<td>1.5</td>
</tr>
<tr>
<td>USD Bonds</td>
<td>6.7</td>
</tr>
<tr>
<td>€ Bonds</td>
<td>10.0</td>
</tr>
<tr>
<td>Hybrids</td>
<td>6.1</td>
</tr>
<tr>
<td>Financing at Subsidiaries</td>
<td>6.1</td>
</tr>
<tr>
<td>Bank Financing</td>
<td>8.5</td>
</tr>
</tbody>
</table>

**Strengthening debt profile**

<table>
<thead>
<tr>
<th>Mar-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.7Y Avg. debt life vs. 5.6Y Jun-16</td>
</tr>
<tr>
<td>3.49% Interest payment costs vs. 4.58% Jun-16</td>
</tr>
</tbody>
</table>

*Includes the €1,000M senior bond & €500 million green hybrid
Conclusion

Mr. José María Álvarez-Pallete
Chairman & COO
Conclusion | Sustainable; Long term focus

1. Telecoms proving essential...
2. ... responding socially to all stakeholders....
3. ... doing well; not immune...
4. ... committed to our strategy and guidance

Resilient business
- Robust, reliable and secure network
- Good liquidity; BS in a good shape
- Society; serve everyone everywhere
- Protecting human rights in our value chain
- Customers; enable safety through P&S
- Employees; ensure protected continuity
- Provide support to providers
- Progression in sustainable model; growth, efficiency and trust

2020 Dividend and 2022 Guidance reiterated
Conference Call with Q&A Session

The conference call will be held on May 7 at 11:00 AM CET, 10:00 AM GMT, 5:00 AM ET. TEF Participants: Jose María Alvarez-Pallete (Chairman & CEO), Ángel Vilá (COO), Laura Abasolo (CFCO), Pablo Eguirón (Global Head of IR).

Webcast

- To be webcasted online: [click here](#)
- The link to the webcast will be available 30 minutes before the call starts
- The webcast in HD Voice Quality
- The recording will be uploaded on our website after the call.

Q&A Session

- To participate in the Q&A session, please join the call using the link below (available 15 minutes before the call): [click here](#)
- No need to dial in(1). From any device, click the link above, then simply enter your details and phone number, the system will call you.

(1) If you have further questions, please contact the Investor Relations team at ir@telefonica.com or +34 91 482 87 00

Use the Click to Join option above for the easiest way to join your conference or view the complete list of access numbers and conference start times.