Results

January - September 2020
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Highlights

Mr. Ángel Vilá
COO
Q3 2020 in a nutshell

• **Improving trends from Q2**

  – Very strong commercial activity across the board
  – Spain shows significantly improved commercial trading, and ARPU, Revenue and OIBDA recovery
  – Germany outperforms its market, once the quality gap is being closed
  – Progressing on the regulatory approval for the National Connectivity Champion in UK
  – Brazil multi-year record high in commercial activity, FCF generation growing at double digit in € (>50% in BRL)
  – Sequential improvement in spite of COVID-19 and FX headwinds

• **Advancing on technological leadership in infrastructure** (5G launched in 4 core markets/fibre expansion) and **digitalisation**

• **Accelerating the carve-out of high growth Tech vehicles**

• **Strong FCF generation €1.6bn in Q3 (+13.2% y-o-y, €0.30/share; 9M €2.8bn; €0.53/share)**

• **Net debt reduced to €36.7bn; enlarged liquidity at €22.4bn; 2020-2022 maturities reduced to €1.9bn**

• **Proposing cancellation of 1.5% of treasury stock**
**Progress against our 5 strategic pillars during Q3 2020**

**Main developments**

- **Strong recovery of operating trends; reinforcing market position**
- **SPAIN**: Launch of 5G with ambition to reach 75% nationwide coverage by year-end; sound recovery in commercial activity with controlled churn and margin expansion; Infrastructure leader, +795k premises passed with FTTH in Q3 to 24.4m
- **GERMANY**: Early extension of agreement with DT (10-year wholesale agreement, which includes FTTH); Launched 5G in the largest German cities; 6k towers transferred to Telxius (1st tranche execution)
- **UK**: Progress in in-market convergent consolidation, O2/VMED formally requested regulatory approval and £5.7bn recapitalisation process was completed; customer base growth in every segment
- **BRAZIL**: progress in in-market consolidation via joint offer for Oi (“preferred bidder” status achieved); 5G launched in 8 cities; FTTH leadership, +1.5m homes passed in Q3 to reach 14.6m
- **Filed for regulatory approval of Costa Rican business sale to LLA**
- **Portfolio review underway;** spin-off and inorganic alternatives
- **All 3 companies (Cyber, Cloud, IoT & Big Data) already incorporated and fully functional**
- **Acquisitions completed to enhance Cyber offering** (Govertis –consultancy- / iHacklabs- professional training-)
- **Announced JV with Allianz in Germany** to develop fibre in underserved areas
- **Expanded Telxius tower portfolio** through German deal (26.6k sites after 1st tranche; 33k sites full deal, including 2.4k BTS plan)
- **MoU signed with Rakuten** to cooperate on a shared vision to advance OpenRAN, 5G Core and OSS
- **Restructuring costs re-skilling, tangible savings on digitalisation and focus on fostering agility**
- **Growing cash generation capacity;** Q3 OIBDA-CapEx margin +0.7 p.p. y-o-y organic
## Revenue performance

### 9M 2020 y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Fx</th>
<th>Perimeter &amp; Others</th>
<th>Organic</th>
<th>9M 2020 y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>10.7%</td>
<td>-5.9 p.p.</td>
<td>-1.0 p.p.</td>
<td>-3.7%</td>
<td></td>
</tr>
</tbody>
</table>

- 3.9 p.p. impact of COVID-19
- -2.5% organic in our 4 core markets

### Q3 2020 y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Fx</th>
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<th>Organic</th>
<th>Q3 2020 y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>12.1%</td>
<td>-8.1 p.p.</td>
<td>0.2 p.p.</td>
<td>-4.3%</td>
<td></td>
</tr>
</tbody>
</table>

- Improving from -5.6% organic in Q2.
- -4.9 p.p. impact of COVID-19
- -3.9% organic in our 4 core markets
### OIBDA performance

#### 9M 2020 y-o-y

<table>
<thead>
<tr>
<th></th>
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<th>Perimeter &amp; Others</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(14.9%)</td>
<td></td>
<td></td>
<td>(7.0 p.p.)</td>
<td>(1.1 p.p.)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(6.7%)</td>
</tr>
</tbody>
</table>

-5.2 p.p. impact of COVID-19

-3.1% organic in our 4 core markets

Focus on incremental cost efficiencies
OpEx down 3.0% organic in Q3

#### Q3 2020 y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Fx</th>
<th>Perimeter &amp; Others *</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2.8%)</td>
<td></td>
<td></td>
<td>18.5 p.p.</td>
<td>(8.3%)</td>
</tr>
</tbody>
</table>

Improving from -10.0% organic in Q2

-6.8 p.p. y-o-y impact of COVID-19

-3.3% organic in our 4 core markets

*Mainly €1.9bn restructuring costs in Q3 19

**Group OIBDA**

Q3 y-o-y -8.3% y-o-y organic; +175 bps vs. Q2
Strong cash flow generation; robust operating leverage

OIBDA-CapEx (reported)

€bn

<table>
<thead>
<tr>
<th></th>
<th>9M 19</th>
<th>9M 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>4.8</td>
<td>5.7</td>
</tr>
<tr>
<td>CapEx</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Incl. spectrum

- +18.5% y-o-y reported (incl. spectrum)
- -1.8% organic
- +3.4% organic in our 4 core markets

Prioritising investments
50% CapEx (core 4 markets) in NGN (FTTH+LTE/5G)

FCFS

€

<table>
<thead>
<tr>
<th></th>
<th>Q3 20</th>
<th>9M 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF</td>
<td>0.30</td>
<td>0.53</td>
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</table>

- FCF strong improvement in Q3 (€1.6bn; +13.2% y-o-y) to €2.8bn in 9M
- Double-digit FCF growth in Brazil in EUR terms
## Financial update

| € in millions | 9M 2020 |  |  | Q3 2020 |  |  | Organic y-o-y aggregated 4 core markets |
|---------------|---------|------------------|---------|---------|------------------|---------|---------|------------------|---------|
|               | Reported | Reported y-o-y | Organic y-o-y | Reported | Reported y-o-y | Organic y-o-y |               |                     |               |
| Revenues      | 32,167   | (10.7%)          | (3.7%)    | 2,5%    | 10,461          | (12.1%)          | (4.3%)    | (3.9%)    | 10,461          | (12.1%)          | (4.3%)    | (3.9%)    |
| OIBDA         | 9,747    | (14.9%)          | (6.7%)    | 2,8%    | 2,672           | (2.8%)          | (8.3%)    | (3.3%)    | 2,672           | (2.8%)          | (8.3%)    | (3.3%)    |
| OIBDA margin  | 30.3%    | (1.5 p.p.)       | (1.1 p.p.)| 0.2 p.p. | 25.5%           | 2.4 p.p.        | (1.5 p.p.)| 0.2 p.p. | 25.5%           | 2.4 p.p.        | (1.5 p.p.)| 0.2 p.p. |
| OIBDA-CapEx   | 5,680    | (9.2%)           | (1.8%)    | 3.4%    | 1,326           | 44.4%           | (0.8%)    | 5.2%      | 1,326           | 44.4%           | (0.8%)    | 5.2%      |
| (ex-spectrum) |          |                  |          |         |                 |                 |          |           |                 |                 |          |           |
| Revenues      |          |                  |          |         |                 |                 |          |           |                 |                 |          |           |
| Net Income    | 671      | (50.1%)          |          |         | (160)           | (63.9%)         |          |           | (160)           | (63.9%)         |          |           |
| Underlying Net Income | 2,052 | (20.7%)          |          |         | 734             | (8.9%)          |          |           | 734             | (8.9%)          |          |           |
| FCF           | 2,801    | (32.5%)          |          |         | 1,579           | 13.2%           |          |           | 1,579           | 13.2%           |          |           |
| (incl. leases principal payments) |          |                  |          |         |                 |                 |          |           |                 |                 |          |           |
| Net Financial Debt | 36,676 | (4.2%)          |          |         |                 |                 |          |           |                 |                 |          |           |
| ex- leases    |          |                  |          |         |                 |                 |          |           |                 |                 |          |           |

### COVID-19 impacts (estimated and aprox.)

<table>
<thead>
<tr>
<th>€ (m)</th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>(591)</td>
<td>(1,397)</td>
</tr>
<tr>
<td>OIBDA</td>
<td>(315)</td>
<td>(687)</td>
</tr>
</tbody>
</table>

### FX impacts

<table>
<thead>
<tr>
<th>€ (m)</th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>(959)</td>
<td>(2,135)</td>
</tr>
<tr>
<td>OIBDA</td>
<td>(358)</td>
<td>(806)</td>
</tr>
</tbody>
</table>

### Argentina impairment

<table>
<thead>
<tr>
<th>€ (m)</th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>(785)</td>
<td>(894)</td>
</tr>
</tbody>
</table>

**Q3 19; €1.9bn restructuring costs (€1.7bn in Spain)**
Improved revenue trends in Q3

Revenue

y-o-y organic

Q2 | Q3
---|---
1.4 p.p. | (4.3%)
(5.6%) |

Contribution to the 1.4 p.p. q-o-q improvement
✓ Service revenue +0.7 p.p. (Germany & Hispam)
✓ Handset revenues +0.6 p.p. (Hispam, BZ and SP)
✓ Hispam largest contributor

Mix transformation
68% BB&SoC revenues/service revenues; +5 p.p. vs. Q3 19

T. Tech Revenues
+15.4% y-o-y org. in 9M 20

Revenue in 4 core markets

y-o-y organic

Q2 | Q3
---|---
flat | (3.9%)
(3.8%) |

Contribution to stable q-o-q performance from
✓ UK -1.1 p.p. y-o-y
✓ Brasil +0.8 p.p.
✓ Spain +0.3 p.p.
✓ Germany flat
Solid sequential improvement in OIBDA and OIBDA-CapEx

4 core markets OIBDA

\[ \text{y-o-y organic} \]

\[
\begin{array}{c|c}
\text{Q2} & 3.3 \text{ p.p.} \\
(6.6\%) & \\
\end{array}
\]

\[
\begin{array}{c|c}
\text{Q3} & (3.3\%) \\
& \\
\end{array}
\]

Contribution to the 3.3 p.p. q-o-q improvement
- Spain +1.6 p.p.
- Germany +1.0 p.p.
- UK +0.6 p.p.
- Brazil +0.1 p.p.

4 core markets OIBDA-CapEx

\[ \text{y-o-y organic} \]

\[
\begin{array}{c|c}
\text{Q2} & 3.3 \text{ p.p.} \\
1.9\% & \\
\end{array}
\]

\[
\begin{array}{c|c}
\text{Q3} & 5.2\% \\
& \\
\end{array}
\]

Contribution to the 3.3 p.p. q-o-q improvement
- Germany +3.7 p.p.
- Brazil +1.9 p.p.
- UK +1.0 p.p.
- Spain -3.4 p.p.

OIBDA-CapEx margin expansion in Q3 y-o-y; improved cash conversion
- Brazil +5.1 p.p. to 25.1%
- UK +2.6 p.p. to 19.5%
- Germany +2.0 p.p. to 17.4%
- Spain -0.4 p.p. to 29.7%
COVID-19 impacts | Steady improvement vs. Q2 2020

Revenues

Impact on organic growth

- Lower impact vs. Q2 20
- Significant impact of roaming
- B2C: Discounts/Promos; new business delays, mainly Hispam in Q3
- B2B: Discounts, deferred projects, lower demand from SMEs

OIBDA

Impact on organic growth

- Significant cost cutting efforts; commercial expenses, improvement in bad debt q-o-q
- Deepening customer engagement; churn -0.3 p.p. y-o-y; NPS 23% (+3 p.p. y-o-y)
- Accelerated digitalisation; digital channel sales in our 4 core markets up +36% y-o-y
- Increasing demand for cloud & cyber services
Confirming FY 2020 dividend and outlook

Stable and sustainable dividend

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>2020 dividend</td>
<td>€0.40/share</td>
</tr>
<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>

Flexible dividend payments in 2020

1.5% treasury stock to be cancelled

Managing cost base and operational flexibility without jeopardising investment priorities

Financial targets (organic ex-contribution to growth from ARG) | 2020E | 9M

| OIBDA-CapEx | Slightly negative to flat | (1.8%) |

On track to meet 2020 outlook
Q3 2020 Results

Ms. Laura Abasolo
CFCO
Spain | Sound recovery in commercial activity

Q3 Net adds

<table>
<thead>
<tr>
<th>Accesses (k)</th>
<th>FBB</th>
<th>Fibre</th>
<th>Postpaid</th>
<th>Pay TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 19</td>
<td>37</td>
<td>105</td>
<td>85</td>
<td>(50)</td>
</tr>
</tbody>
</table>

Growth across the board

<table>
<thead>
<tr>
<th>September y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
</tr>
<tr>
<td>×3</td>
</tr>
<tr>
<td>24%</td>
</tr>
</tbody>
</table>

Performance

✓ Best FBB net adds since Q3 18; more than 100k in fibre
✓ Proven competitive and segmented offering, focused on value
  • Growing Premium TV; M+ Lite higher churn (due to Q2 peak adds)
✓ Resilient convergent base (+17k net adds) in a competitive market
  • Sequential q-o-q ARPU improvement; improving churn
✓ Differentiation; quality network and new services
  • FTTH network (24.4m, 29% uptake), 5G switch on (75% cov. YE 20)

Convergent KPIs

<table>
<thead>
<tr>
<th>€/month</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>90.9</td>
</tr>
<tr>
<td>Q3</td>
<td>91.8</td>
</tr>
<tr>
<td>Churn</td>
<td>1.6%</td>
</tr>
<tr>
<td>Q3 19</td>
<td></td>
</tr>
<tr>
<td>Churn Q3 20</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
Spain | Sequential improvement in revenue and OIBDA

**Key financials**

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Service Rev.</th>
<th>OIBDA</th>
<th>OIBDA-CapEx</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>y-o-y organic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>5.2%</td>
<td>(3.9%)</td>
<td>4.8%</td>
<td>(4.8%)</td>
</tr>
<tr>
<td>Q3</td>
<td>4.3%</td>
<td>(3.6%)</td>
<td>4.8%</td>
<td>(5.5%)</td>
</tr>
</tbody>
</table>

**Performance**

- **Revenue trend +0.9 p.p. q-o-q, despite tougher comps**
  - Retail price upgrade in Q3 19
  - Wholesale impacted by roaming
- **OIBDA +4.1 p.p., benefitting among others from efficiencies in content costs**
- **Cash conversion benchmark**
  - CapEx reactivation; in line with trading
  - OIBDA-CapEx/Revenue at record high levels

**CapEx/Revenues**

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>y-o-y organic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+0.2 p.p.</td>
<td>12.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>(1.5 p.p.)</td>
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</tr>
</tbody>
</table>

49% of CapEx in NGN in 9M (FTTH + LTE/5G)

**Strong Cash generation**

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>y-o-y organic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.2 p.p.)</td>
<td>41.8%</td>
<td>29.7%</td>
</tr>
<tr>
<td>(0.6 p.p.)</td>
<td>40.6%</td>
<td>29.4%</td>
</tr>
<tr>
<td>(0.4 p.p.)</td>
<td>+0.8 p.p.</td>
<td></td>
</tr>
</tbody>
</table>
Germany | Solid commercial performance and financials

Q3 trading dynamics driven by O₂ brand

Accesses (m, net adds)

<table>
<thead>
<tr>
<th>Mobile contract</th>
<th>Prepay</th>
<th>VDSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>+261k</td>
<td>+208k</td>
<td>+34k</td>
</tr>
<tr>
<td>23.1</td>
<td>19.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>

O₂ contract churn at historic low levels

- Improved to 1.0%
- -0.4 p.p.

Key milestones

- Core business momentum intact; OIBDA back to growth
- COVID impacts (-1.6 p.p. revenue; -3.9 p.p. OIBDA) on travel restrictions
- CapEx back-end loaded deployment due to COVID-19
- 5G network active in 15 cities

Key financials

y-o-y organic

<table>
<thead>
<tr>
<th>Revenues</th>
<th>OIBDA</th>
<th>OIBDA-CapEx</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3%</td>
<td>0.7%</td>
<td>12.5%</td>
</tr>
<tr>
<td>(5.2%)</td>
<td>(10.8%)</td>
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</table>

OIBDA-CapEx margin improvement

y-o-y organic

<table>
<thead>
<tr>
<th>Revenues</th>
<th>OIBDA-CapEx</th>
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<tbody>
<tr>
<td>+2.0 p.p. y-o-y</td>
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</table>

CapEx deployment back-end loaded

Q3 OIBDA-CapEx/Revenues +2.0 p.p. y-o-y
UK | #1 network in the UK

Customer Base

Accesses (m; y-o-y)

- Total mobile
  - 35.4
  - +4%
- Mobile Contract
  - 12.3
  - +1%

Contract churn

Market Leading loyalty

0.9%

Performance

- Customer base growth in every segment
- Enhanced focus on direct distribution proving a value accretive move
- Revenue trend affected by roaming, handset release delay, increase in direct trading and SMIP
- CapEx focus on areas of growth and customer experience
- Market Leading NPS

Key financials

y-o-y organic

- Revenues
  - Q2: 8.2%
  - Q3: 9.5%
- OIBDA
  - Q2: 4.5%
  - Q3: 2.7%
- OIBDA - CapEx
  - Q2: +3.7%
  - Q3: +0.2p.p.

Profitability and cash generation

y-o-y organic

- OIBDA-CapEx/Revenues
  - Q2: 19.0%
  - Q3: 19.5%
  - +2.6p.p.
Brazil | Significantly improved performance across the board

Growing value accesses, improved mix

Accesses (y-o-y)

- Prepaid: 4%
- Contract: 3%
- FTTH: 34%
- IPTV: 26%

14.6m homes passed with FTTH (+1.5m in Q3)
3.1m FTTH connections (+267k in Q3)

Reinforced leadership

- Record mobile market share (33.3%)
- Strong recovery in all growth segments:
  - Highest level of prepaid net adds in 8 years
  - Record level of FTTH connections
  - Lowest contract churn (1.2%) in 5 years
- Continued digitalisation boosting OIBDA margin
- Growth CapEx 70% of total (fibre +20.3%; legacy -53% y-o-y)
- FCF grows 50% y-o-y in 9M (mid-to-high teens growth in €)

Key financials

Q2 y-o-y organic

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<tr>
<th></th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>(5.1)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>MSR</td>
<td>(1.5)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>OIBDA</td>
<td>(3.3)</td>
<td>(2.9)</td>
</tr>
<tr>
<td>OIBDA-CapEx</td>
<td>14.8%</td>
<td>22.2%</td>
</tr>
<tr>
<td>COVID-19 Impact on revenues: ~5 p.p. y-o-y</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Profitability and cash generation

<table>
<thead>
<tr>
<th></th>
<th>9M</th>
<th>y-o-y organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA/Revenues</td>
<td>42.0%</td>
<td></td>
</tr>
<tr>
<td>OIBDA-CapEx/Revenues</td>
<td>25.3%</td>
<td></td>
</tr>
</tbody>
</table>

+0.8 p.p.  +3.8 p.p.
Expanding Telxius’ towers portfolio

Sites | Germany acquisition first tranche

<table>
<thead>
<tr>
<th>#</th>
<th>Organic BTS</th>
<th>Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>134</td>
<td>6,033</td>
<td></td>
</tr>
</tbody>
</table>

1st tranche of the German transaction completed; 2nd tranche expected in Aug-2021

<table>
<thead>
<tr>
<th>#</th>
<th>Net Adds</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,422</td>
<td>6,167</td>
<td>26,589</td>
</tr>
</tbody>
</table>

+46.7% y-o-y

33k post-German deal

<table>
<thead>
<tr>
<th>#</th>
<th>Net Adds</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>27,363</td>
<td>6,635</td>
<td>33,998</td>
</tr>
</tbody>
</table>

+38.5% y-o-y

Tenants

<table>
<thead>
<tr>
<th>#</th>
<th>Organic Tenants</th>
<th>Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>279</td>
<td>6,356</td>
<td></td>
</tr>
</tbody>
</table>

Revenues, OIBDA & Profitability: Telxius

y-o-y organic Rev. and OpEx of 1 month of the 6k towers from T. DE

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2.1%</td>
<td>5.3%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>0.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>OIBDA-CapEx / Rev</td>
<td>51.2%</td>
<td></td>
</tr>
</tbody>
</table>

Revenues & OIBDA: Tower business

y-o-y organic Rev. and OpEx of 1 month of the 6k towers from T. DE

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>20.2%</td>
<td>13.9%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>18.1%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

• Accelerated revenue growth in Tower due to higher colocation revenue and acquisitions
• Contract extensions in Cable (Net FCV $324m) with negative impact in the short-term

(1) Ex-capacity sale in H1 19 in Cable (Marea)
(2) Excluding M&A CapEx from inorganic operations (acquisition of towers in Brazil, Peru and Germany, DAS and real estate)
Tech | Essential services driving growth

Double-digit growth

T. Tech revenues y-o-y organic

<table>
<thead>
<tr>
<th>Segment</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud</td>
<td>22.7%</td>
</tr>
<tr>
<td>CyberSecurity</td>
<td>14.3%</td>
</tr>
<tr>
<td>IoT/Big Data</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

T. Tech revenues y-o-y organic +15.4%

9M 20

T. Tech revenues; 9M y-o-y organic

- Digital Transformation accelerated by COVID-19
- Corporate channel back to pre-COVID levels in Sep (60% of 9M sales)
- Carve-outs progressing: Tech Companies established and operational
- Reinforced capabilities: strategic M&A, more than 300 partners
- Launch of T. Tech Ventures, bringing new investment in cybersecurity

Operational highlights

- Multicloud portfolio for all B2B sizes; Hub in Spain (South Europe)
  - +49% SaaS revenue y-o-y; +30% IaaS in 9M 20
- Enhanced capabilities (acquisition of Govertis & iHackLabs)
  - 12 Security operation centres unified; global alliances
- “COVID-19 Compliant” solutions, expertise in data analysis
  - 22.9M IoT lines (+8% y-o-y); revenue growth despite lockdown

Note: T Tech’s revenue perimeter will be defined once the carve-out is finished and the asset transfer is completed.
Hispam | Marked commercial recovery

Above pre-COVID-19 levels

Mobile Net additions (k)

Prepaid

<table>
<thead>
<tr>
<th>Q3 19</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>464</td>
</tr>
</tbody>
</table>

(2,419)

Postpaid

<table>
<thead>
<tr>
<th>Q3 19</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>135</td>
<td></td>
<td>255</td>
</tr>
</tbody>
</table>

(561)

Fixed Net additions (k)

<table>
<thead>
<tr>
<th>Q3 19</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>191</td>
<td>118</td>
<td>205</td>
</tr>
</tbody>
</table>

FTTH

<table>
<thead>
<tr>
<th>Q3 19</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>38</td>
<td>77</td>
</tr>
</tbody>
</table>

IPTV

Substantial q-o-q improvement in Q3

✓ Accelerating fibre connections
  • Progressing in the process of creating a vehicle to deploy FTTH
  • Progressing co-investments deal with ATC & ATP in region
✓ MEX: Contract accesses +5%; OpCF +133%; benefits of new model
✓ Recovery in revenues vs Q2 20
✓ OIBDA y-o-y significantly impacted by temporary duplicate network costs in MEX. Larger savings expected from 2021.

Key Financials

Organic y-o-y

<table>
<thead>
<tr>
<th>Q2 191</th>
<th>Q2 72</th>
<th>Q3 205</th>
</tr>
</thead>
<tbody>
<tr>
<td>(10.8%)</td>
<td>(6.4%)</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q3 118</th>
<th>Q3 38</th>
<th>Q3 77</th>
</tr>
</thead>
<tbody>
<tr>
<td>(14.5%)</td>
<td>(18.1%)</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
FX headwinds | Neutralised at FCF level

**Structurally neutralised; effective hedging strategy**

**Impacts on main metrics**

**y-o-y**

- **FX effect** increased in Q3 20 mainly due to BRL
- -€806m **OIBDA** impact reduced to -€300m of FCF in 9M 20
- **Net debt** reduced by €1.2bn in 9M 20
  - Net debt and leases -€2.1bn

**9M 20 currency effect**

€m

-€2.1bn Net Debt+Leases

-€806

336

150

(-300)

(1,221)

OIBDA  CapEx  Taxes  WC + Interest + Others  FCF  Net debt

Telefónica
Net Financial Debt

€m

Dec-19

37,744

FCF

(2,801)

Hybrids

723

1,003

Shareholder remun. (incl. SBB & hybrid coupons)

697

Pre-retirement commitments

41

Net financial investments

(733)

Sep-20

36,676

ND/OIBDAaL 2.52x

ND/OIBDAaL 2.77x

2,801

Lease principal payments

(1,215)

(322)

Dividend to minorities

(1,056)

(462)

Net interest payment

(764)

(1,068)

Non-cash items & Others

939

Working capital

5,680

OIBDA-CapEx ex-spectrum accrued

(744)

Tax

(366)

Income before tax

2,801

Tax

(462)

Net income before extraordinary items

(500)

Exceptional items

(500)

Net profit after tax

(1,215)

Exceptional items

(1,056)

(764)

(1,068)

Net financial investments

41

Pre-retirement commitments

65

Net income before extraordinary items

2,801

Exceptional items

1,056
Strong liquidity position coupled with smoother maturity profile and lower financial payments

Sources of long-term financing (2020 YTD)

<table>
<thead>
<tr>
<th>Source</th>
<th>Sep-20</th>
<th>2020E</th>
<th>2021E</th>
<th>2022E</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ Green Financing (Hybrid)</td>
<td>0.5</td>
<td>6.4</td>
<td>3.5</td>
<td>6.3</td>
</tr>
<tr>
<td>€ Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing at Subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V MED O2UK Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.8</td>
<td>16.7</td>
<td>3.8</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Inclusions:**
- Includes €2.8bn bond financing & €3.5bn syndicated loans in €, $ & £
- Climate Bonds Initiative Award for Largest Green ICT issuer of 2019
- 1st Green Hybrid in the Telecom sector
- Including £4bn syndicated loan to back O2 – VMED merger

Net Debt Maturities

- Over 2/3 debt in fixed rates
- Current liquidity exceeds maturities beyond 2022
- Cash > gross maturities

Liquidity position

<table>
<thead>
<tr>
<th>Sep-20</th>
<th>€bn</th>
<th>93% LT</th>
<th>22.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash position</td>
<td>9.1</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Undrawn credit lines &amp; synd. credit facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity position</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average Debt Life and Interest payment costs

- Avg. debt life vs. 5.6Y Jun-16
- Interest payment costs vs. 4.58% Jun-16

Footnote: 1. Liquidity not including proceeds from equalisation payment and dividend recap upon UK JV completion. Such proceeds make up over 2/3 of 2021 & 2022 debt maturities

*Ex IFRS
Conclusion

Mr. Ángel Vilá
COO
Fully committed to ESG excellence

**DIGITALISATION:**
Greening the economy through telecom networks

1. We will reduce our GHG emissions aligned with 1.5º scenario and compensate the remaining emissions

- Efficient network transformation
- Renewable electricity
- Carbon capture projects

**NET ZERO 2025**

2. Telefónica’s B2B customers in Spain avoided more GHG emissions through our digital services during 3 months COVID-19:

- 2.2m CO2 tons avoided in 3 months

**AWARDS**

1. Telefónica was awarded the ‘Sustainable Procurement Award’ at the Amazon Business Exchange Awards for promoting sustainability in its supply chain

![Amazon Business Exchange Awards logo]

2. Telefónica is one of the top 25 more diverse and inclusive companies in the world, according to Refinitiv

- Ranking verifies over 450 environmental, social and governance metrics for more than 9k listed companies
- 24 diversity and inclusion metrics assessed (diversity, inclusion, personal development and disputes)

**INDEXES**

1. Revalidated our presence in the FTSE4good sustainability Index

- Improved Score to 4.3 (exceeding sector average)

2. Joined Moody’s Euronext Vigeo-Eiris Europe 120, recognising Telefónica’s sustainability strategy

Wrap-up | Sustainable long-term business strategy

• Ongoing support to all stakeholders and economic recovery post COVID-19

• Proven resilience in the face of COVID-19, FX depreciation and GDP contraction
  – Improved trading dynamics and financial trends, continuing to invest in strategic growth areas

• Strong execution across strategic priorities
  – Further market focus across our 4 core markets; improved churn, NPS, advancing in consolidation
  – Network reliability; 5G launched in Germany, Brazil, Spain; Open RAN cooperation with Rakuten
  – Strengthened capabilities in T. Tech, Telxius completed first tranche of towers deal, FibreCo in Germany
  – Generating cost savings through restructuring, simplification, higher digitalisation and reskilling

• Proactive balance sheet management; net debt reduced
  – Ongoing portfolio review, monetisation of assets, scrip dividend
  – Proactive refinancing policy executed YTD; €22.4Bn liquidity, almost 11yrs of avg. debt maturity; historical minimal refinancing needs

• 2020 OIBDA-CapEx outlook and dividend (0.4€/sh.) confirmed
Results presentation and Q&A Session

The management will host a webcast to discuss the results on **29th October at 11:30am (CET), 10:30am (BST), 06:30am (EST)**

Participants from Telefónica: Ángel Vilá (COO), Laura Abasolo (CFCO), and Pablo Eguirón (Global Head of IR).

**Webcast**

- To access the webcast: [click here](#)
- The webcast recording will be available on Telefónica IR’s website after the event

**Q&A Session**

- To **participate in the Q&A session**, join the call using the following link (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 and the system will call you back.

If you have further questions, please contact the Investor Relations team at ir@telefonica.com or +34 914 828 700.
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