

Press release

ANNUAL GENERAL MEETING 2021

José María Álvarez-Pallete has been re-elected as a director of Telefónica by 84.6% of shareholders

- The Chairman of the company received 4.4 percentage points more support compared to 2017.
- The AGM held today approved all the resolutions proposed by the company's Board of Directors.
- "Telefónica has been privileged of being part of the solution during the pandemic and is now ready to conquer the future," said José María Álvarez-Pallete in his speech.
- The company has introduced state of the art visual elements in the AGM, applying augmented reality to inform its shareholders.

Madrid, 23 April 2021. Telefónica's AGM, held today remotely, has approved all the resolutions proposed by the company's Board of Directors. It has given the green light to the management related to the 2020 financial year, to the re-election of José María Álvarez-Pallete as executive director with a 84.6% support, higher than the 80.2% obtained in 2017, and of Carmen García de Andrés, Ignacio Moreno and Francisco José Riberas as directors. It has also approved the shareholder remuneration through scrip dividend, among other resolutions.

Telefónica's Chairman began his speech by recalling the company's historic ability to anticipate the future. The transition from voice to data, the backbone role of telecommunications for society and the value of networks to unite people served Álvarez-Pallete to highlight how Telefónica has been part of the solution during the pandemic and to ensure that it is ready to lead the future.

He also explained that this leadership in fixed and mobile networks, with more than 135 million premises passed with fibre, is the result of "a thoughtful and sustained strategy over time" that has resulted in an investment of €95bn in all its markets. This evolution and the achievements obtained over the years enable Telefónica to continue to lead the challenges of the future.

Álvarez-Pallete reminded the company's shareholders how the crisis has forced them to lose their fear of technology and digitalization, which are now leading the way for the future of society. "During the initial confinement, digitalization advanced as much as it

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would have done in five years. Every month of confinement, we made a year's progress in digitization," he summarized.

Strength in an exceptional year

"Telefónica is not immune, but it is resilient". In this way, Álvarez-Pallete took stock of the 2020 financial year and highlighted the impact of the pandemic on Telefónica as a result of the lower global economic activity. He went on to emphasise the resilience shown by the company and its ability to make a greater effort in adverse circumstances: "We suffered, yes, but we reacted and we knew how to manage the situation. We did not resign ourselves; on the contrary, we redoubled our efforts and gave the best of ourselves".

The AGM held this Friday featured the most innovative technology applied to graphic design elements. Augmented reality was made available to all shareholders to provide them with the most complete and transparent information about the company in a visual way.

Half the debt compared to five years earlier

Telefónica has closed 2020 with a cash generation close to €5bn, or up to a total of €25bn in the last five years. Also over the last five years, the company has reduced debt by €17bn, and its volume will soon stand at a total of €26bn million euros, less than half of what it was five years ago, once the operations pending closing are materialized.

In addition, despite the impact of the crisis, Telefónica achieved a net profit of close to €1.6bn in 2020, 40% more than in the previous year.

Decisive impulse to the Strategic Plan

José María Álvarez-Pallete recalled the timeliness and validity of the Strategic Plan announced just a year and a half ago, when nothing could have been foreseen about a pandemic that would soon change the rules of the known world. "When we designed the plan and announced it, we were unaware that a few months later we would be facing such an exceptional situation. We had just launched our Strategic Plan when the pandemic hit. We didn't abandon it, we didn't even slow it down. On the contrary, we accelerated it," he said.

Telefónica has made decisive progress in recent months in each of the five points of the aforementioned Strategic Plan, focusing on its four key markets: in Spain's European leadership in the deployment of fibre and 5G technology, which already reaches 80% of the national territory; in the United Kingdom, with the agreement with Liberty Global, the largest corporate operation in the company's history; in Brazil, with the purchase of Oi's mobile assets; and in Germany, with the creation with Allianz of a fiber giant. In Latin America, Telefónica has refocused its presence in the region, focusing on profitability, efficiency and greater asset value capture.

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Telefónica Tech and Telefónica Infra, both strategic pieces for the Group, have also made significant progress in the last year. Tech is now a reality made up of two digital companies, focused on cybersecurity and the Cloud, on the one hand, and on Big Data and the Internet of Things, on the other. As for Infra, it has fulfilled its objective of maximizing the deployment and value of infrastructures, as evidenced by the sale of Telxius' tower business for €7.7bn, at record multiples and a benchmark in the sector today.

Finally, the objective of advancing in the deployment of a new operating model by promoting digitalisation has also borne fruit, with 80% of the company's processes now digitalised and a percentage of sales through digital channels reaching 35% of the total.

A digital Spain to lead the Fourth Industrial Revolution

Having just celebrated Telefónica's 97th anniversary, José María Álvarez-Pallete reinforced the importance of moving forward under the most sustainable and diverse criteria, prioritizing values and a new social contract. "It is time to establish the rules of this new world. It is time to define a social contract that sets the rules and rights in the digital space," he explained.

Likewise, the Chairman of Telefónica called for taking advantage of the historic opportunity offered by Europe to promote a Digital Spain. It is a golden opportunity for Spain to lead the Fourth Industrial Revolution," he said, "even more so when Europe has set an ambitious agenda that rightly places digitalisation and sustainability at the centre". "Its potential would allow to increase the GDP between 1.5 and 2.5 percentage points per year until 2025 and increase the productivity of SMEs between 15% and 25%," he added.

José María Álvarez-Pallete concluded his speech with a heartfelt tribute to the employees and their families affected by Covid-19: "We will not forget you", he stressed. He also looked ahead to the coming years and, as he did at the beginning of his speech, he insisted that "Telefónica knows where the future is headed". "We emerge from one of the greatest crises ever experienced by humanity with the pride of having fulfilled our mission and as a technology company ready to conquer the future. We have the memory on which to build the future, a precise plan to face it and the human talent to pilot it".

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