

The background of the entire page is a complex, abstract digital landscape. It features a grid of perspective lines that create a sense of depth and movement. Overlaid on this grid are various patterns of binary code (0s and 1s) and some larger, stylized characters. The overall color palette is a range of blues, from light sky blue to deep navy blue, with a prominent yellow rectangular area on the right side.

Telefonica

RESULTS

JANUARY | DECEMBER 2019

Disclaimer

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2019 Highlights

Mr. José María Álvarez-Pallete
Chairman & CEO



2019 Highlights

Strong starting position & attractive opportunities...

... within a changing world that requires foresight

Key Messages from 2019

- **Core markets outperformance** (back to OIBDA growth in SP, BRA highest mobile share since 2006, UK: 14 Qs growing in revs., strong trading momentum in GER)
- **Efficiency = Profitability** (SP org. OIBDA margin 40%, BRA OIBDA margin 46%; exceeding 2019 digitalisation savings by 23% (>€420m))
- **Net debt decreases for 11 straight Qs**
- **ROCE-driven asset management**
- **Benchmark CapEx/Sales in the industry; CapEx peak remains behind**

New Action Plan, 3 axes

- **Prioritise markets where we can be relevant and deliver sustainable growth**
- **Promote growth opportunities; leverage value of our infrastructure**
- **Increase agility and improve efficiency**

New Telefónica New Plan/Strategy

Mr. José María Álvarez-Pallete
Chairman & CEO



New plan based on 5 key decisions; aiming at long term impact and value creation

1 Spain, Brazil, Germany and the UK: Key markets

2 Operational spin-off of the businesses in HispAm

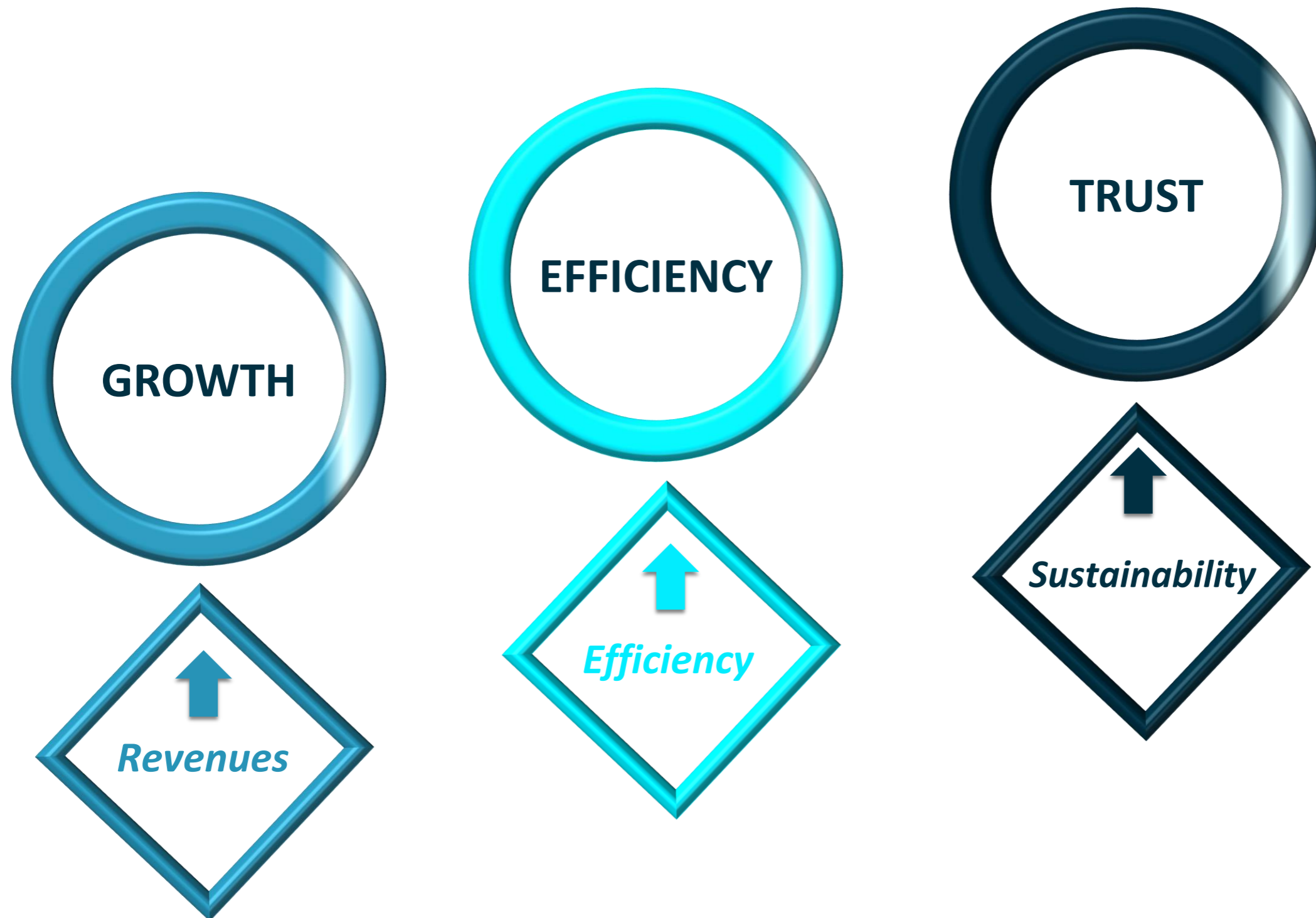
3 Telefónica Tech launch

4 Creation of Telefónica Infra

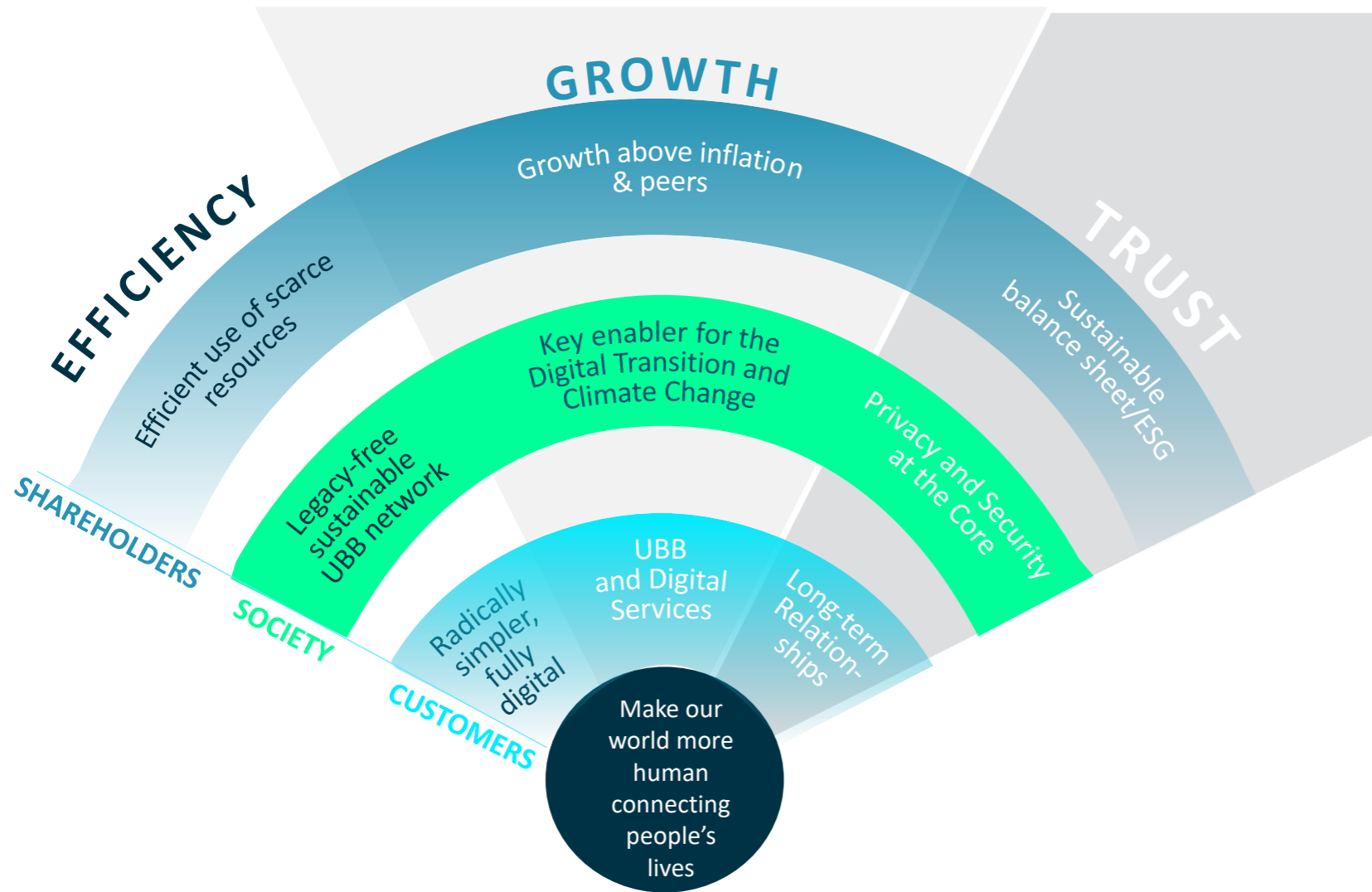
5 New operating model

- Cutting-edge operators
- Units at the forefront of Technology
- All options open in Hispam
- Agility to capture opportunities
- Synergy model/economies of scale
- Optimise capital allocation

Sustainable model



Long-term integrated stakeholder approach



Positive contribution in our footprint



The most admired telco in Europe & 4th worldwide

Leading ESG in our industry

Climate Change



• 6th year in a row; only 8 telcos included

Diversity



• 3rd year in a row; only 11 telcos

ESG Global



• #1 Global ESG Ranking; telco industry among peers



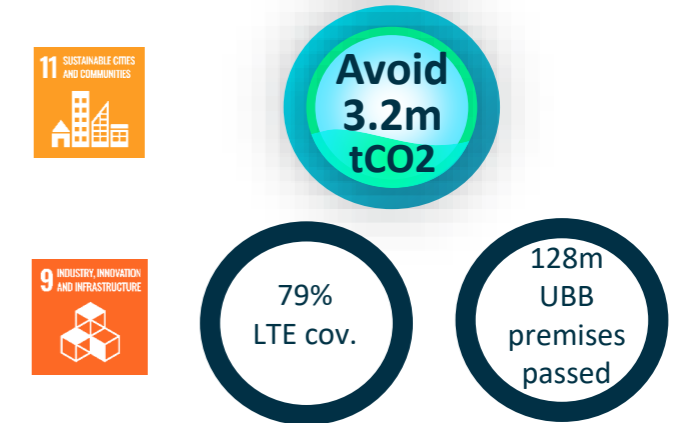
• A rating

- ✓ 1st ever green bond in the telco industry (Jan-19)
- ✓ 1st ever green hybrid bond in the telco industry (Jan-20)

Delivering long-term stakeholder value

Growth; digitalisation; lever for social progress & decarbonisation

- A key enabler for digital & climate transition
 - Avoiding 3.2m tCO2 through our P&S: **10 tons of CO2 for every ton by 2025**
- **Inclusive network deployment**, including remote / rural areas; 1st fiber country in the OECD list



Efficiency; a better network for the planet

- New targets aligned with 1.5 °C scenario and TFCDD compliance
- Greener supply chain: **-30% emissions per euro purchased by 2025**
- **Circular economy**: 98% waste recycled



- **Already 100% renewable energy** (Europe + Brazil), 82% T. Group



- -72% of energy consumption per unit of data traffic (2015-2019). **Target -85% in 2025**



- -50% carbon emissions (2015-19); **-70% in 2030E** and become **carbon neutral**, meaning zero-net emissions in 2050

Trust; generating Trust Capital with our stakeholders

- A more diverse company
- Strengthening our corporate governance
- **Privacy and security** at the top of our priorities
- Customer satisfaction



- **2019: 26% women in management positions**
- **30% women in BoD**
- **1st in Ranking Digital Rights**
- NPS 21%
- Reptrack 56.4

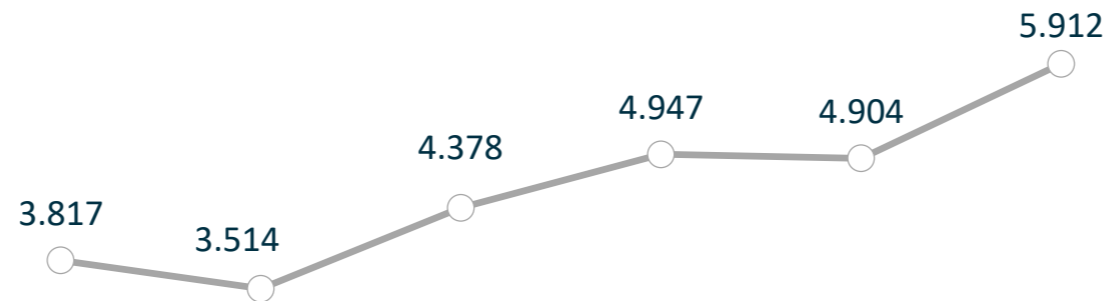
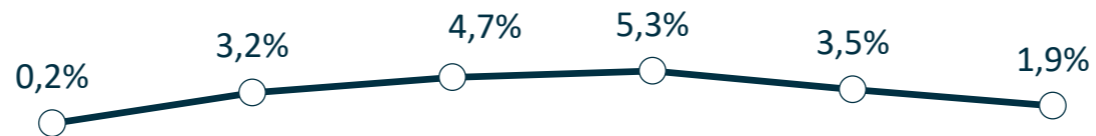
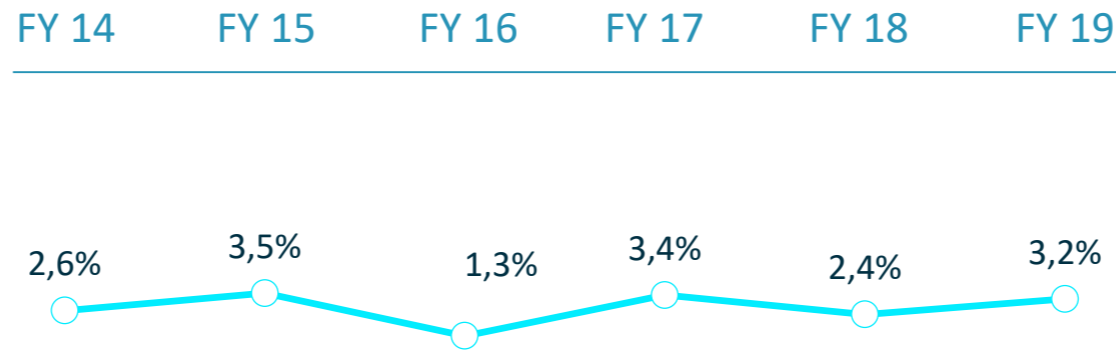
Telefónica contributes through technology to reach the global UN SDGs

2019 Highlights

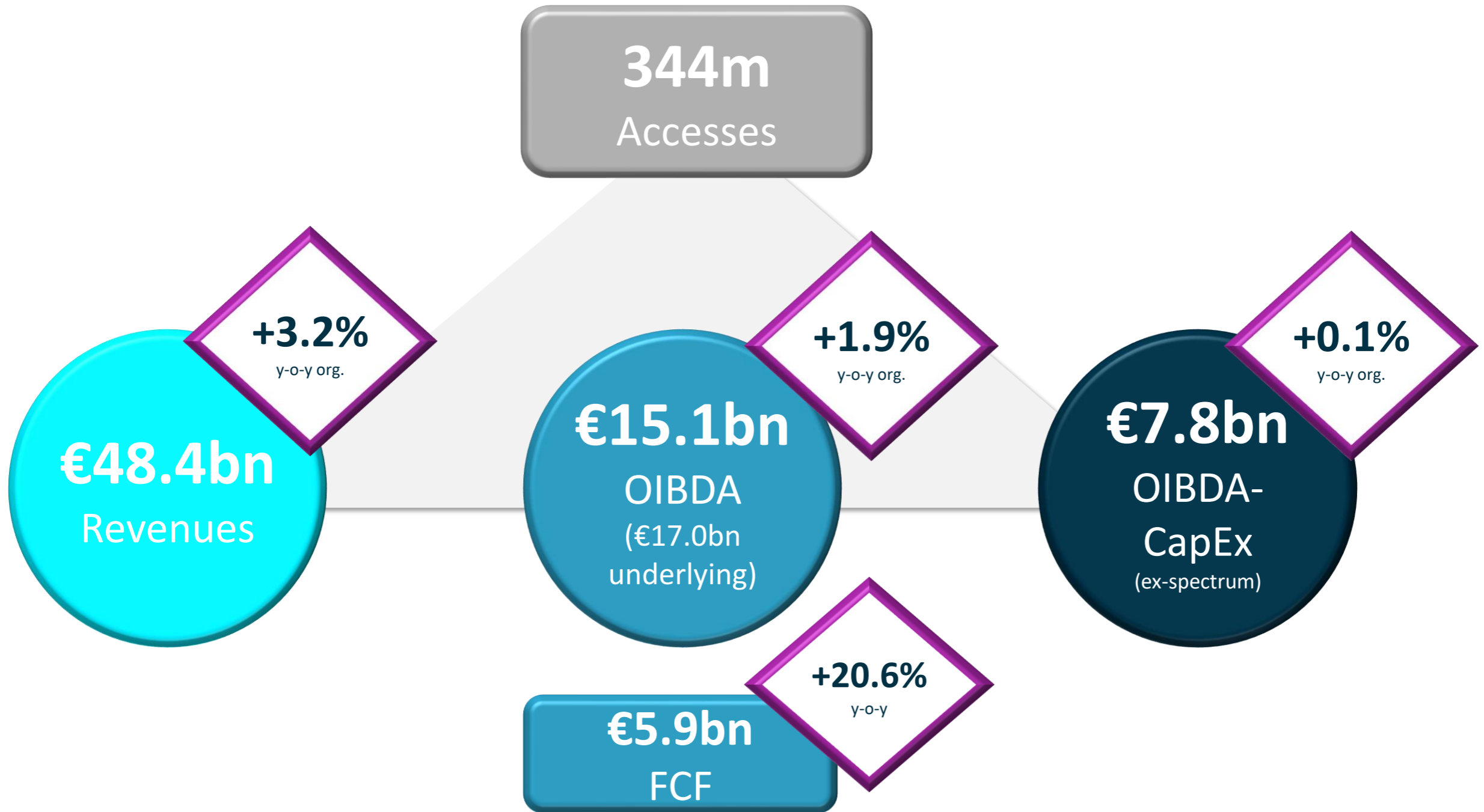
Mr. José María Álvarez-Pallete
Chairman & CEO



Consistent growth profile; strengthening balance sheet



2019 global reach and growth



2019 proof points of business sustainability

+8%

FTTx/Cable
14.3m accesses

69%

UBB/FBB
+8 p.p. y-o-y

+18%

LTE
138.1m accesses

58%

LTE penetration
+11 p.p. y-o-y

4.3%

Avg. Rev./Access
y-o-y org.

Churn

Flat y-o-y

Enlarging customer lifetime



8 years mobile contract



6 years O2 Free



5 years convergent



5 years mobile contract

Improving customer experience



NPS 21%; +1 p.p. y-o-y

2019 guidance achieved | Above in revenues

2019 guidance (organic)	Guidance 2019E	FY 19
Revenues	Around +2%	3.2% ✓
OIBDA	Around +2%	1.9% ✓
CapEx/Sales ex-spectrum	Around 15%	15.0% ✓

2019 DIVIDEND

€0.4/SHARE

Interim Dec-19

€0.20/sh. ✓

Final Jun-20

€0.20/sh.

2019 calendar payments

20/Jun/19 €0.20/sh. ✓

19/Dec/19 €0.20/sh. ✓

Sustainable & attractive dividend

€

1,15



FCFS

0,65



EPS
Underlying

0,40



DPS

6.4%
Dividend Yield*

* Closing of 14/02/2020

FY & Q4 19 Results

Mr. Ángel Vilá
COO



2019 financial highlights

+3.2%

Revenues y-o-y org.

€48,422m

Exceeding +2% 2019 target

+1.9%

OIBDA y-o-y org.

€15,119m

Underlying €16,982m

€3,574

Underlying

Net Income

EPS Underlying €0.65

€5,912m

FCF

+20.6% y-o-y

€37,744m

Net Debt

-8.1% y-o-y

15.0%

CapEx/Revenues

Ex-spectrum

Financials in a nutshell

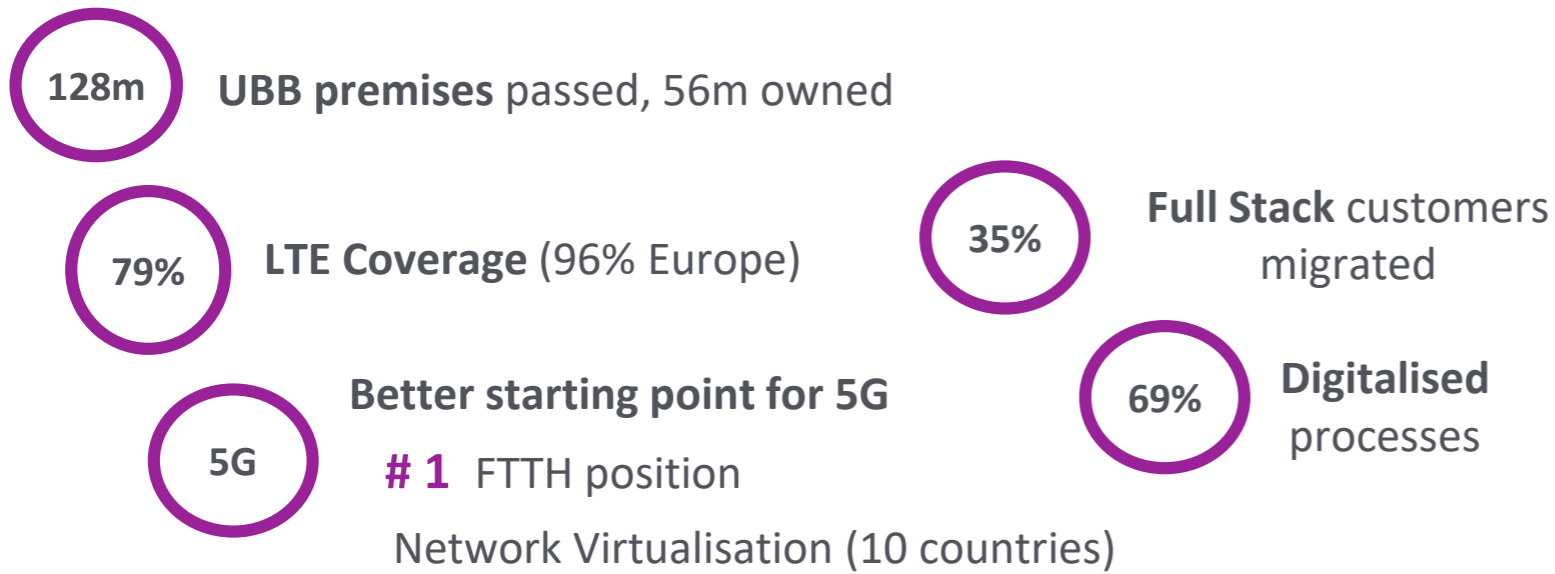
€ in millions	FY 19			Q4 19		
	Reported IFRS 16	Reported y-o-y	Organic y-o-y	Reported IFRS 16	Reported y-o-y	Organic y-o-y
Revenues	48,422	(0.6%)	3.2%	12,400	(4.0%)	2.0%
OIBDA underlying	16,982			4,370		
OIBDA	15,119	(2.9%)	1.9%	3,669	3.8%	4.0%
OIBDA margin	31.2%	(0.8 p.p.)	(0.4 p.p.)	29.6%	2.2 p.p.	0.6 p.p.
OIBDA-CapEx (ex-spectrum)	7,836	(5.8%)	0.1%	1,579	16.7%	5.6%
Net Income	1,142	(65.7%)		(202)	c.s.	
EPS (€)	0.17	(70.6%)		(0.05)	c.s.	
EPS underlying (€)	0.65			0.18		
FCF	5,912	20.6%		1,762	(9.5%)	
Net Financial Debt ex-leases	37,744	(8.1%)				

€2.2bn restructuring provisions in FY; mainly €1.7bn in Q3 Spain

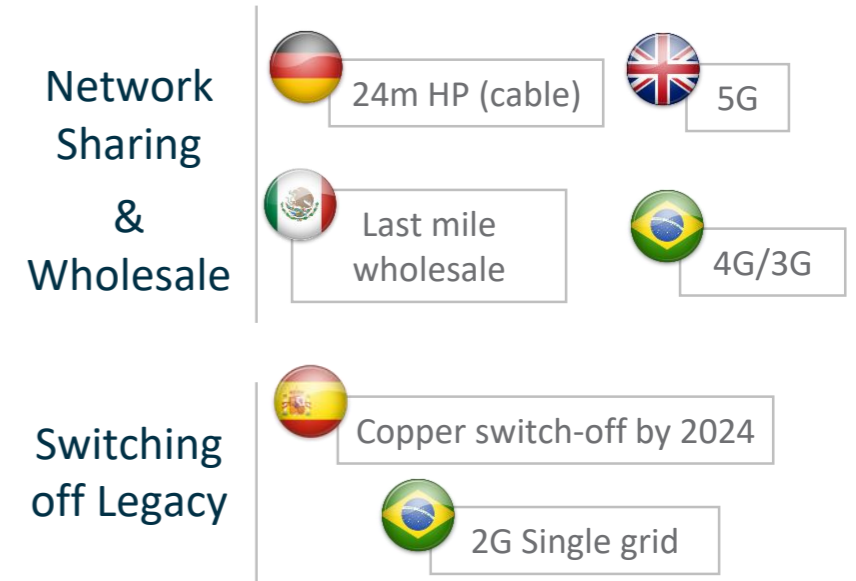
MEX DTA (-€454m in Q4)

Well invested platforms

1st Platform & 2nd Platform

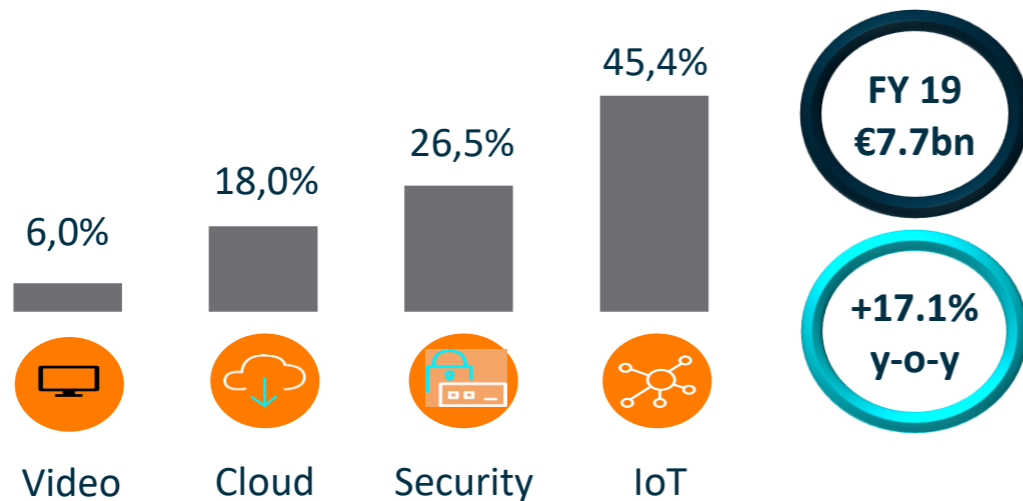


New models & efficiency levers



3rd Platform

Digital Services 2019 (B2C+B2B)
(y-o-y organic)



4th Platform

New customer relationship (AI)



Movistar Home

Living Apps

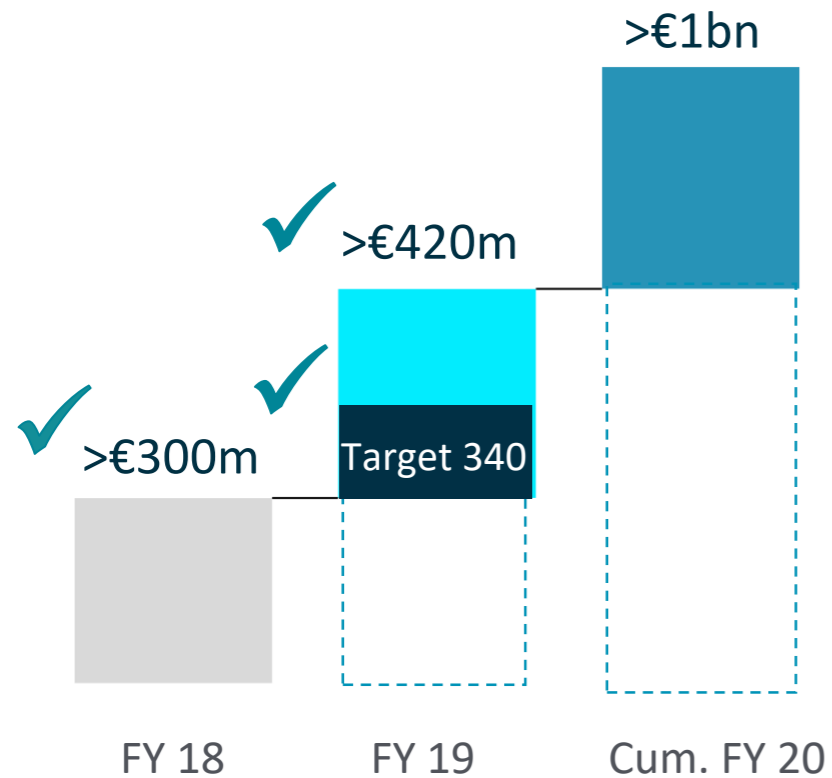
LUCA; AI for our customers

Internal application

Network Planning /offering personalisation...

Becoming 100% Digital while reaping savings

Exceeding savings path



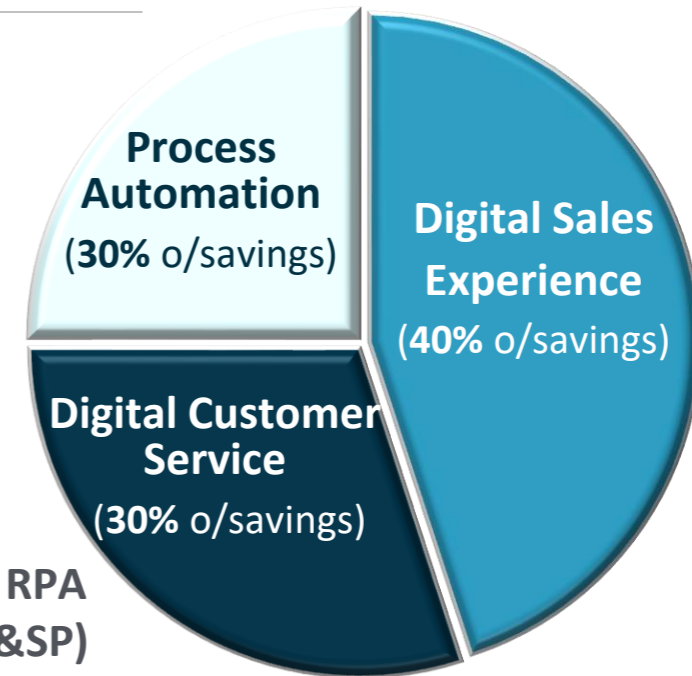
+23% over gross savings FY 19 E

>2/3 already achieved

Outstanding execution in 2019

-12% y-o-y calls to Contact C. (B2C)

Top worldwide RPA programs (BRA&SP)

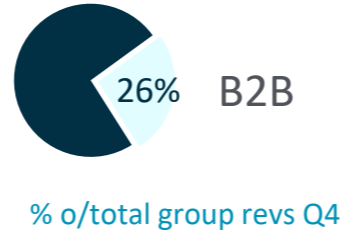
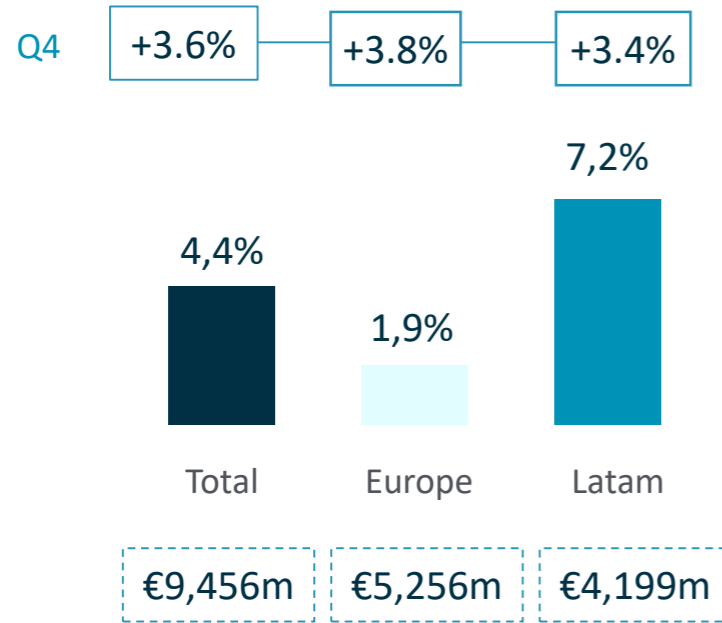


+28% y-o-y Online operations

B2B | A distinctive growth engine

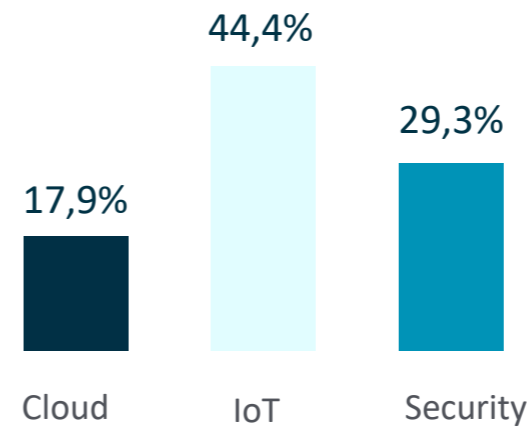
Scaled-up on superior capabilities

FY y-o-y org. revenue

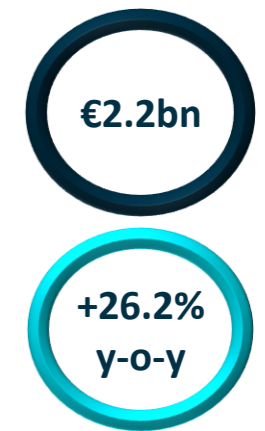


Capturing digitalisation value

2019 y-o-y org. revenue



Total B2B Digital Services Rev.



- ✓ **Lego-like value proposition** (Own + Partners ecosystem)
- ✓ **+14k B2B salespeople**
- ✓ **Low CapEx intensity**

Cloud

>900k O365 licenses
+53% y-o-y in SaaS rev.; +54% in IaaS

IoT

Leader in M2M services worldwide
(Gartner) – 6th consecutive year
+1.4M IoT lines in Q4

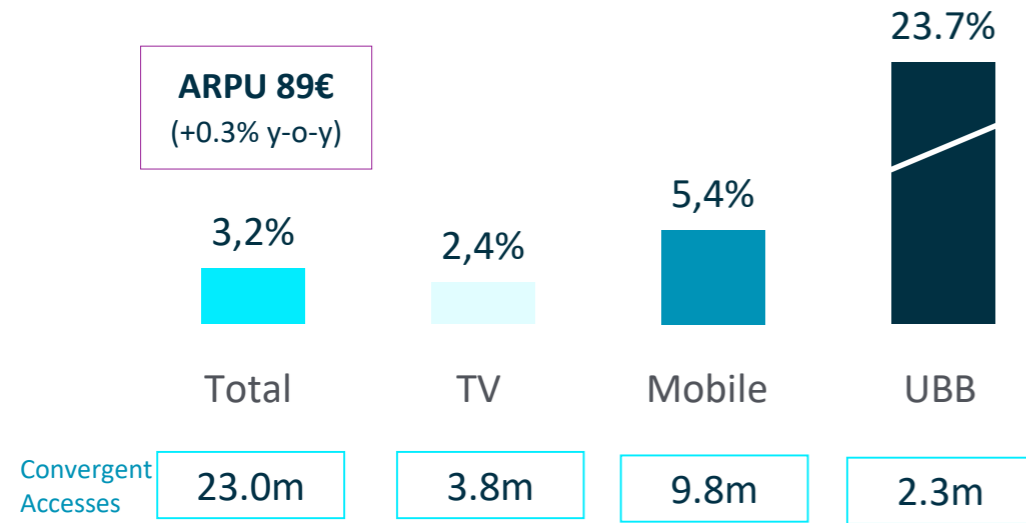
Security

11 SOCs & Telco Security Alliance
Global leader as MSSP Provider
+1,800 MS professionals, +1,500 security certifications

Spain | Back to FY OIBDA growth

Growing convergent base and ARPU

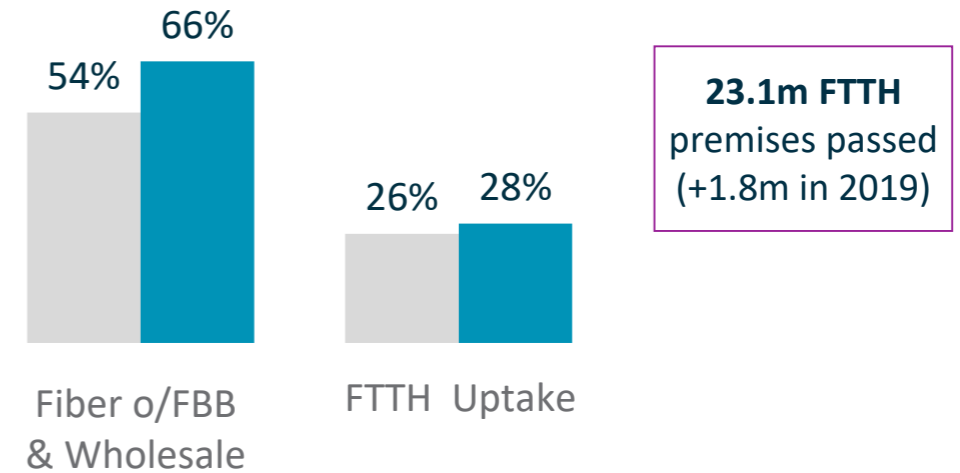
Accesses (Dec y-o-y)



Increasing value and returns

(%)

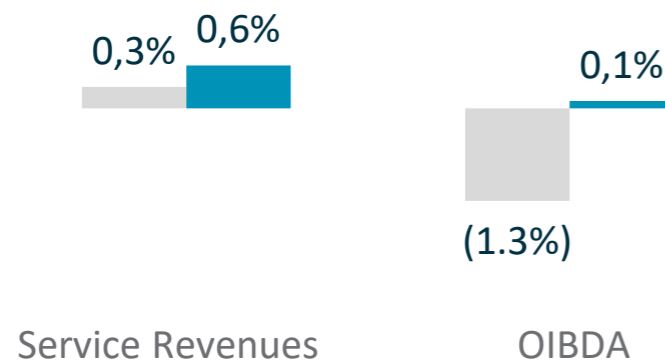
■ Dec-18 ■ Dec-19



10th Q of service rev. growth; higher profitability

y-o-y organic

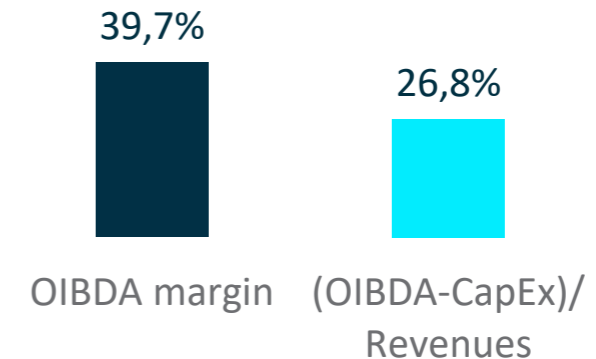
■ FY18 ■ FY19



OIBDA: €5,311m
(OIBDA-CapEx): €3,671m
FY19 underlying

Robust Cash generation in best invested Co.

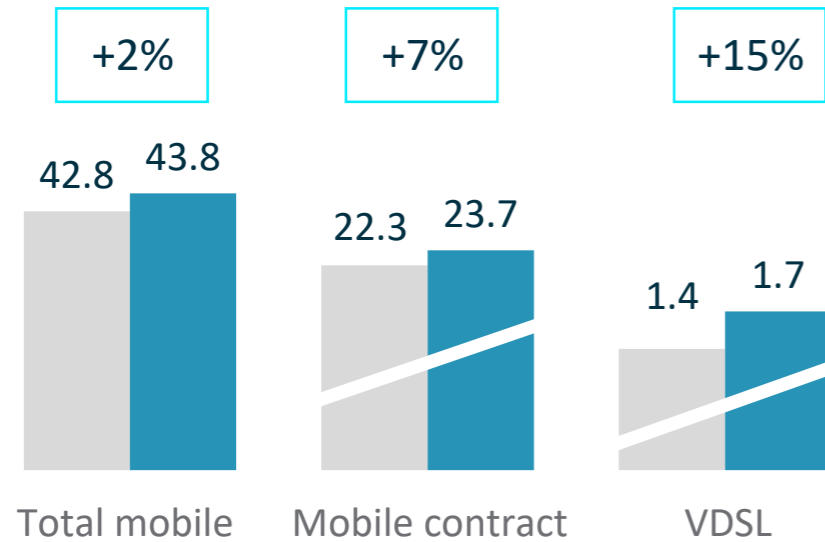
FY 19 organic



Germany | Accelerating commercial momentum

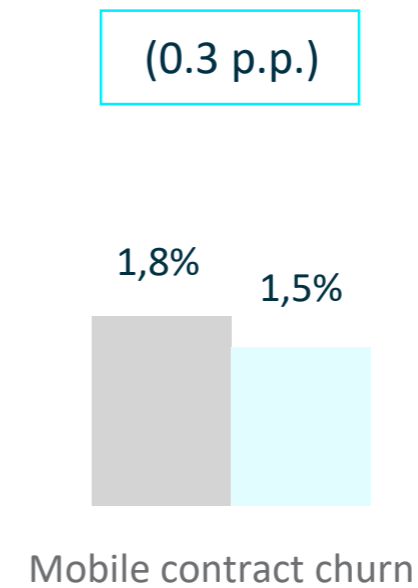
Strong operational trends

Accesses (m, y-o-y) ■ 2018 ■ 2019



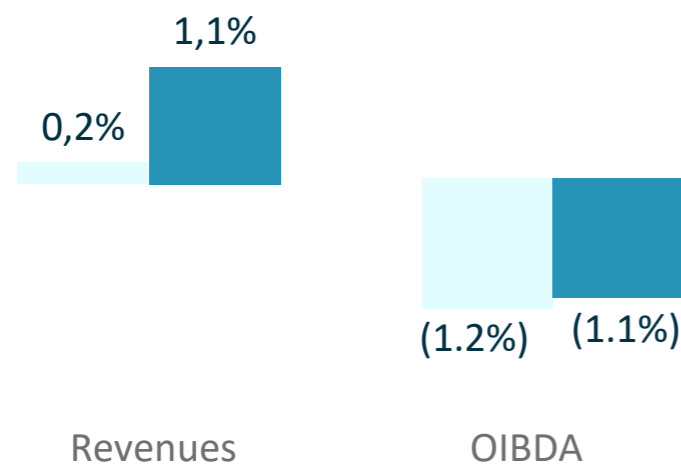
Improving customer loyalty

y-o-y ■ Q4 18 ■ Q4 19



Growing revenues

y-o-y organic ■ Q4 ■ FY



Enhanced network quality

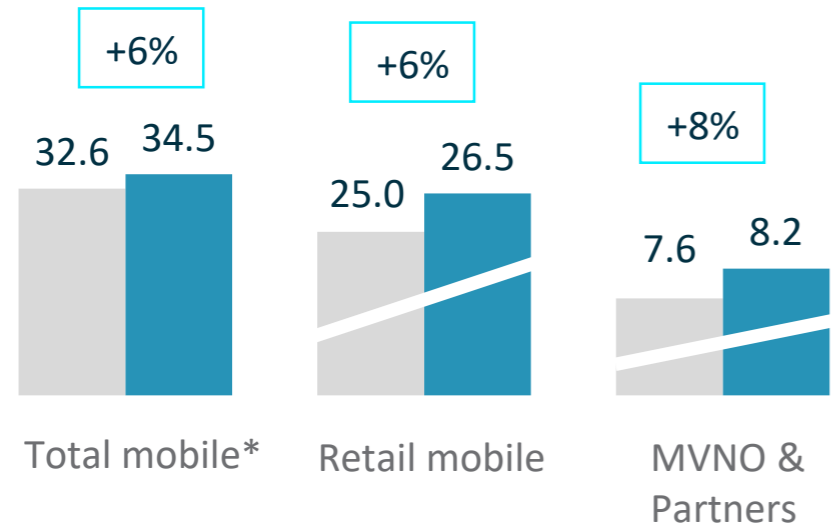
- ✓ 3x "Good" rating for the first time
- ✓ Evidencing network and customer experience



UK | 14th consecutive quarter of top-line growth

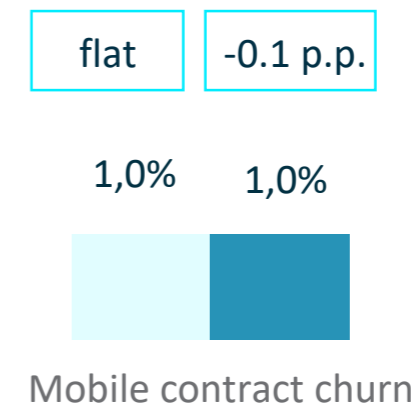
Market leader & favourite network

Accesses (m; y-o-y) ■ 2018 ■ 2019



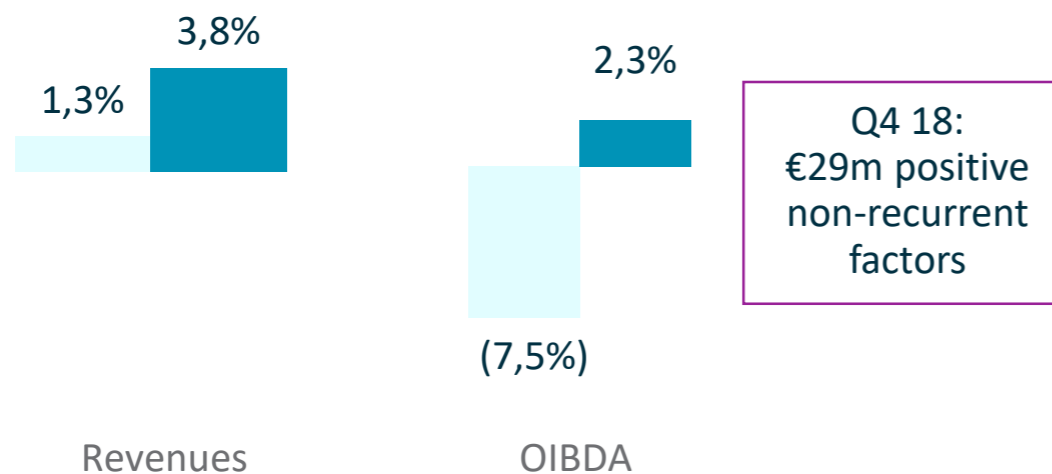
Sector leading loyalty

y-o-y ■ Q4 ■ FY



Healthy FY growth

y-o-y organic ■ Q4 ■ FY



Strong & consistent outperformance

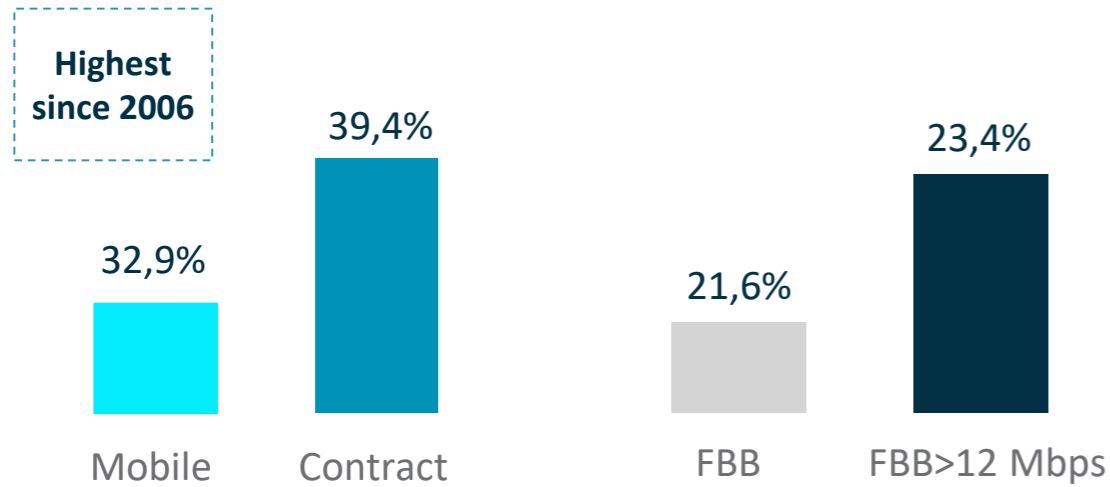
- ✓ Revenues CAGR 17-19: +4%
- ✓ OIBDA margin 29.7% FY 19 (25.1% FY 17)
- ✓ (OIBDA-CapEx)/Revenues 16.9% FY 19 (12.4% FY 17)

**+22% CAGR 17-19
OIBDA-CapEx**

Brazil | Investing for growth bears fruit

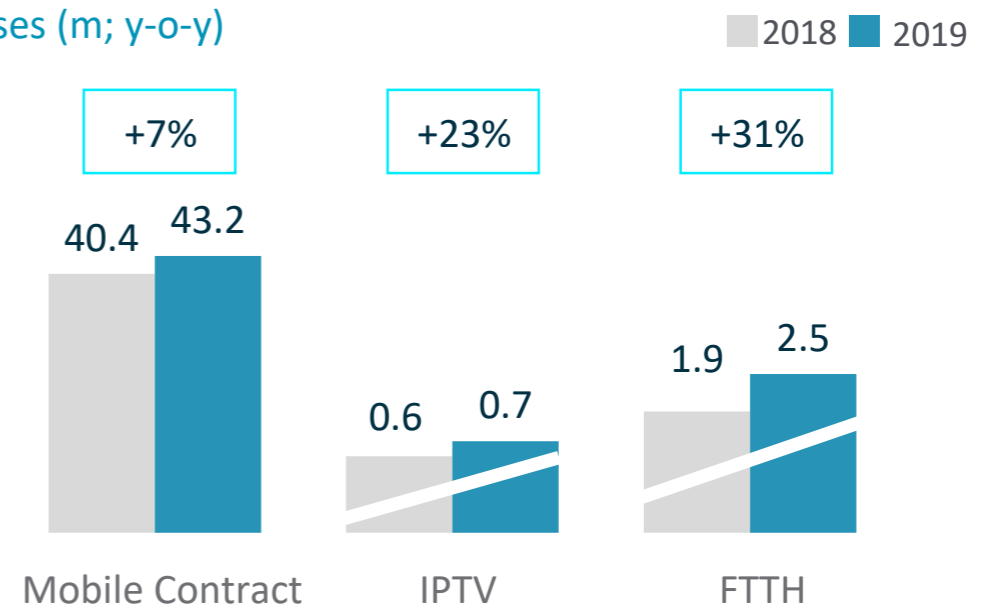
Strengthened market leadership

Market Share (Dec-19)



Growing in most valuable segments

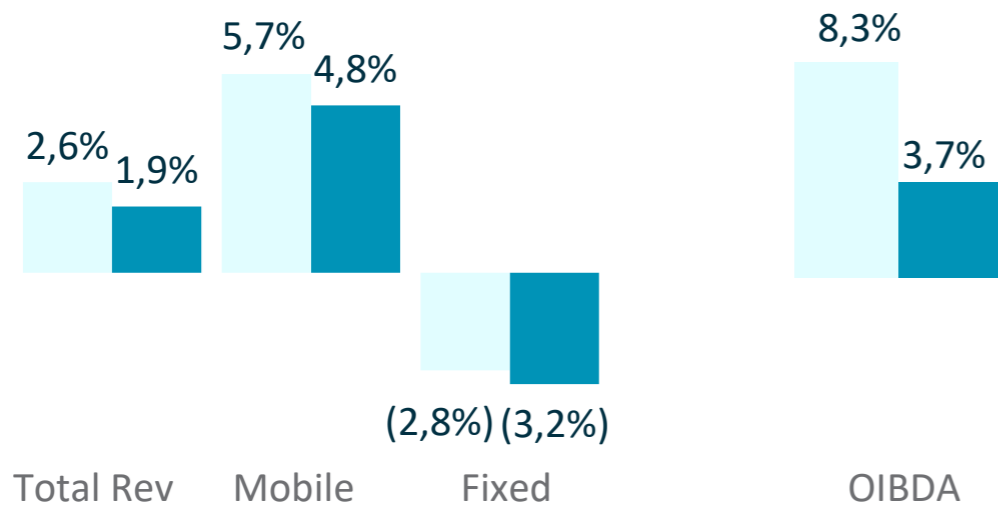
Accesses (m; y-o-y)



Sustainable growth

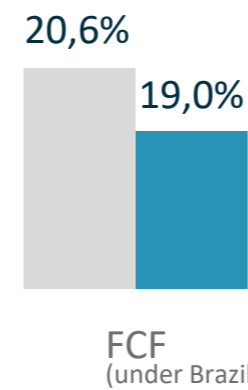
y-o-y organic

Q4 FY



Sound FCF growth

2018 2019



2019 CapEx/Sales 20%

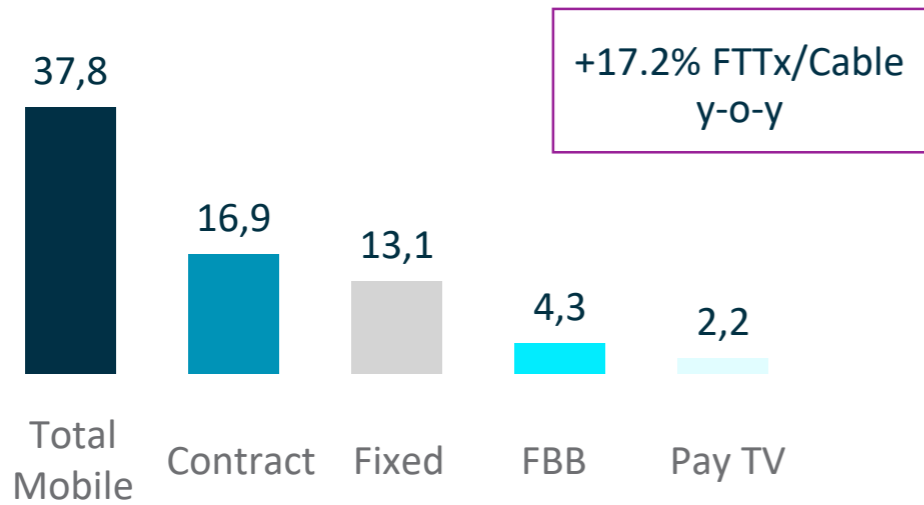
FCF (under Brazil reporting criteria)

Hispam | Growth in value; focus on efficiencies

Hispam South

Growing in value despite competition

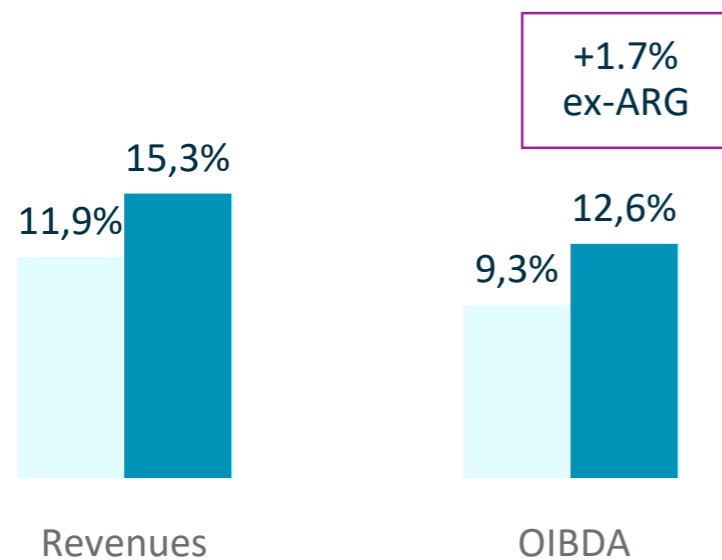
Accesses (m)



Stable trends despite macro & competition

y-o-y org.

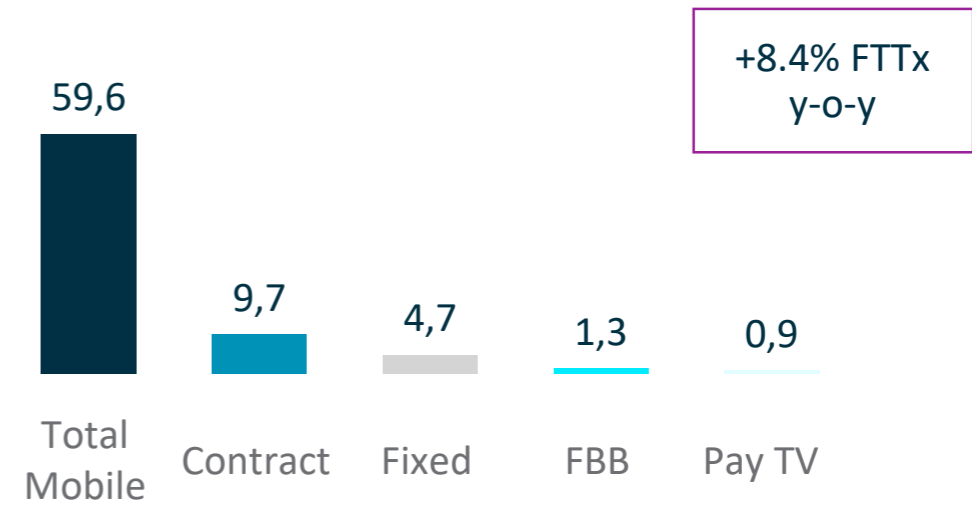
Q4 FY



Hispam North

Sound commercial performance

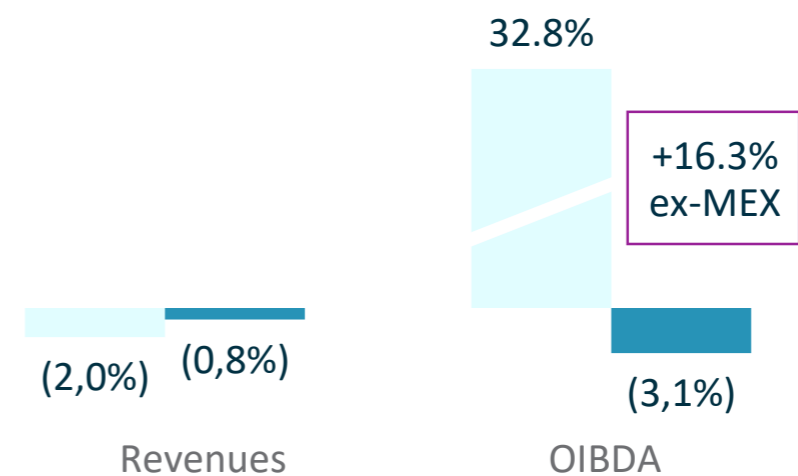
Accesses (m)



Redefining operational model

y-o-y org.

Q4 FY

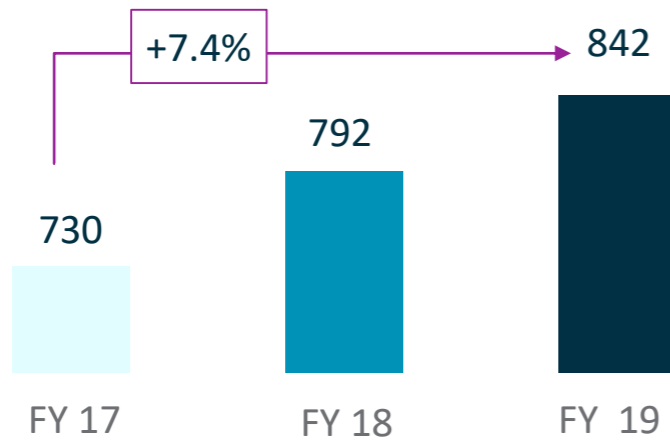


Telxius | Sustained growth delivery

Revenues

€ in millions

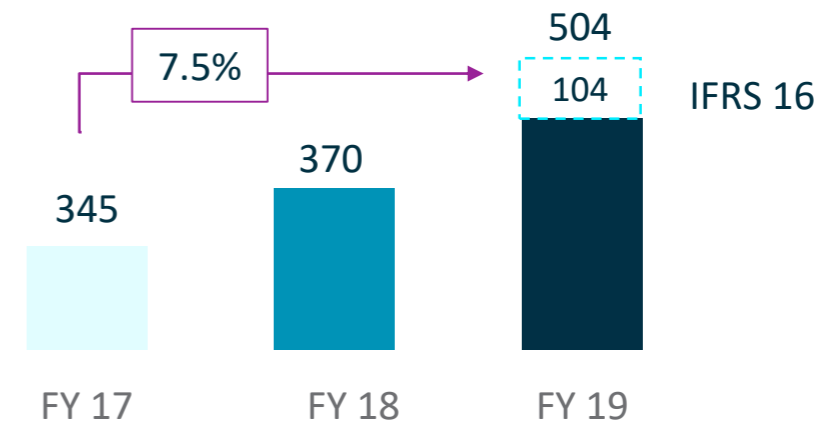
□ CAGR reported



OIBDA

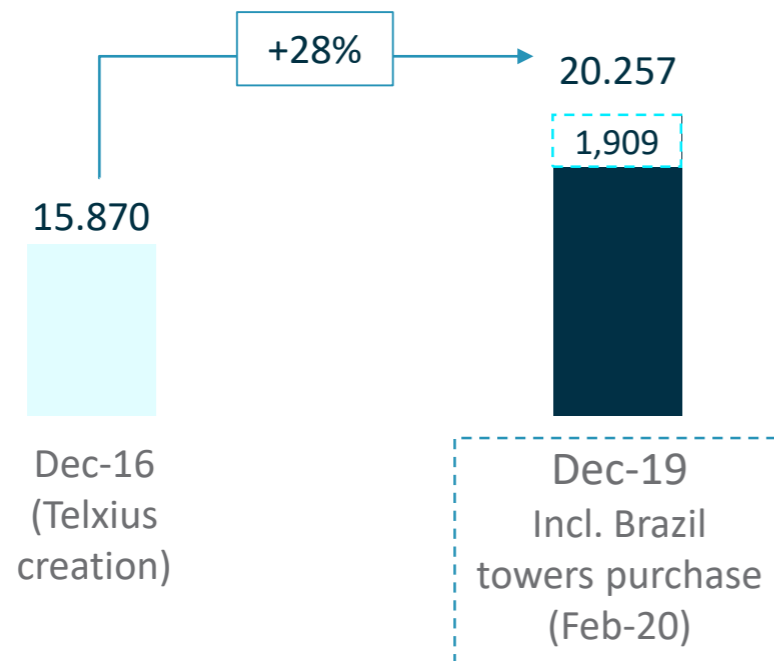
€ in millions

□ CAGR reported



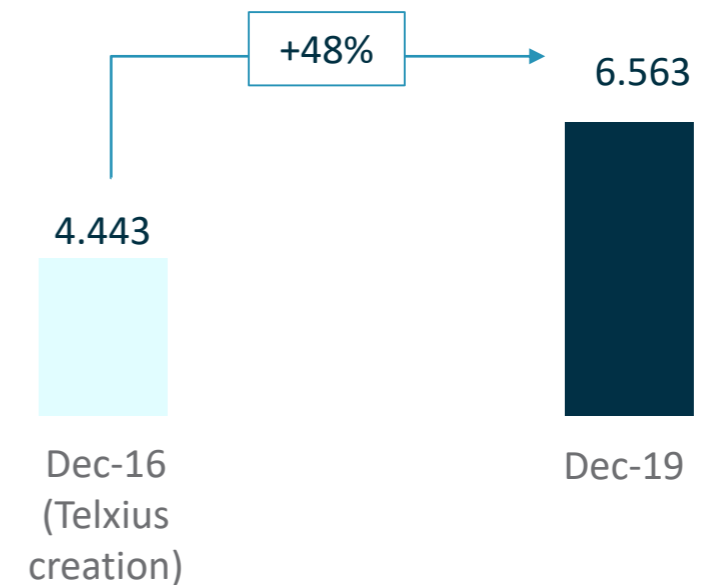
Sites Evolution

#



3rd Party Tenants

#



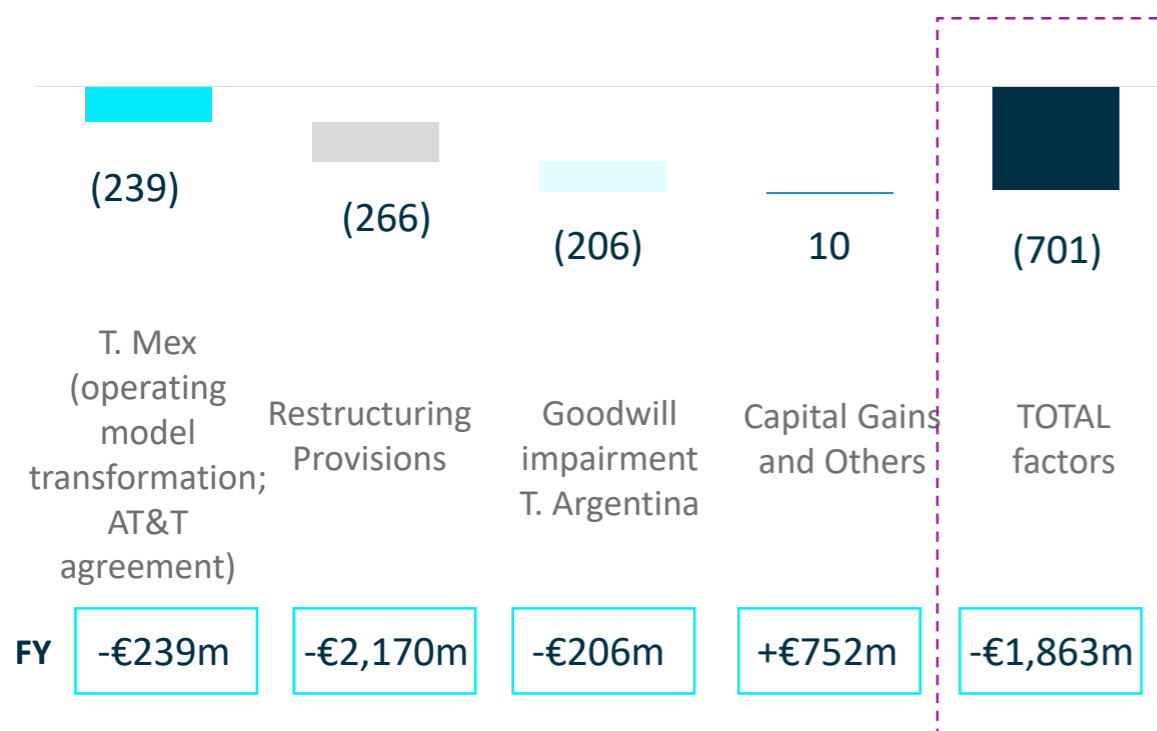
FY & Q4 19 Results

Ms. Laura Abasolo
CFCO

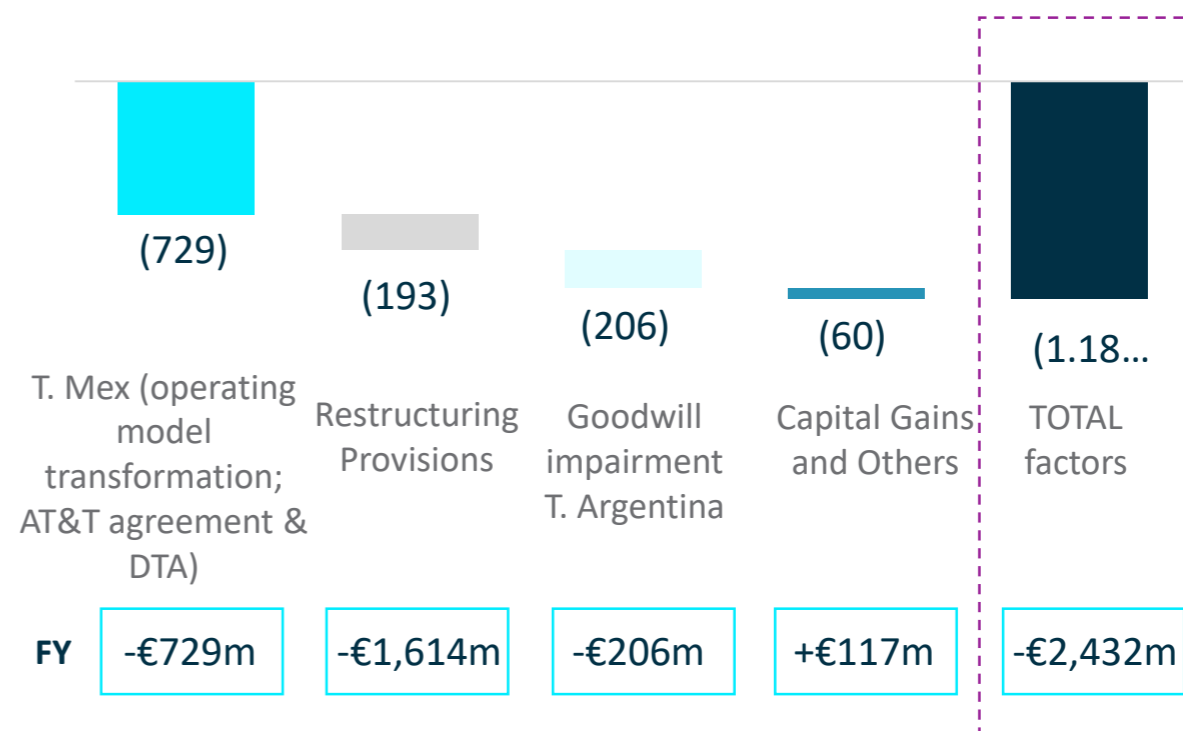


OIBDA & Net income | Non-recurrent factors

Q4 OIBDA -€701m



Q4 Net Income -€1,188m



Q4:

- ✓ **Restructuring costs:** enhancing efficiency and FCF going forward
 - OIBDA: -€266m mainly related to H. Sur, Other companies, H. Norte and UK
- ✓ **T. Mexico operating model transformation (AT&T agreement):** OIBDA: -€239m; N. Income: -€275m
- ✓ **T. Mexico DTA:** N. Income: -€454m
- ✓ **T. Argentina goodwill impairment:** OIBDA and Net income: -€206m

FY:

- ✓ **Restructuring costs:** -€2,170m OIBDA (o/w Spain -€1.7bn in Q3)
- ✓ **Capital Gains:** OIBDA: +€98m Antares, +€213m Data Centers, +€365m CAM (Panamá, Nicaragua, Guatemala)

FX impact structurally neutralised

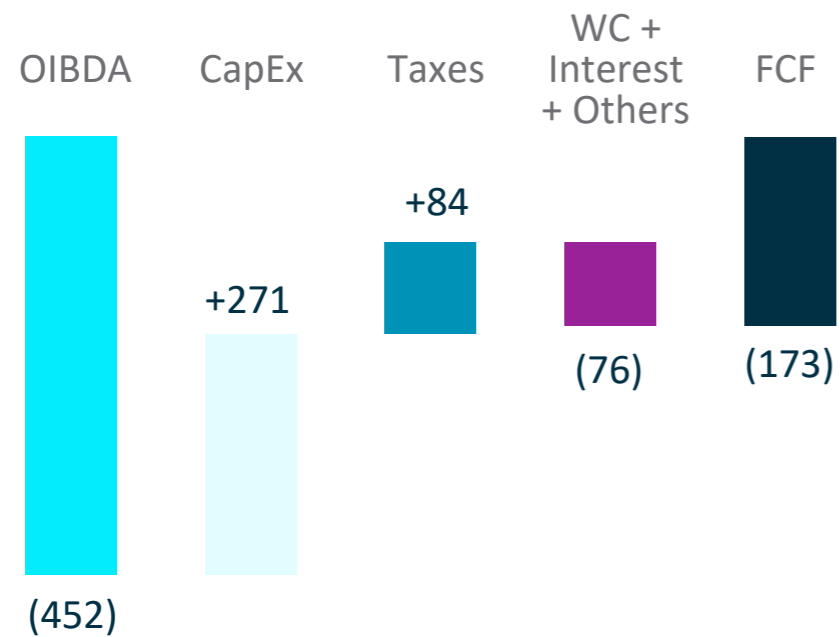
FX headwinds

y-o-y

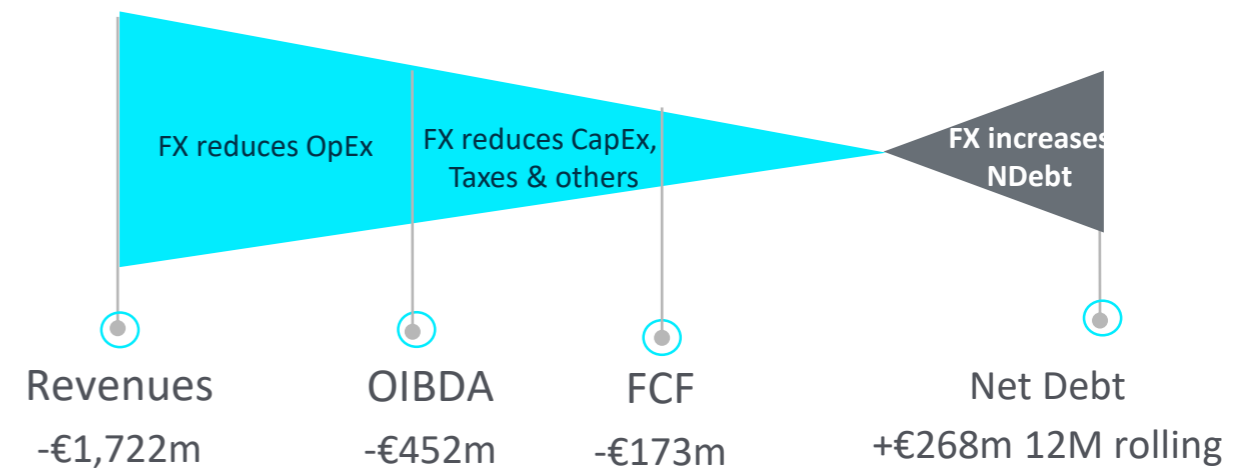
- ✓ Revenue (Q4: -3.0 p.p.; FY: -3.5 p.p.)
- ✓ OIBDA (Q4: -1.7 p.p.; FY: -2.9 p.p.)
- ✓ ARS; major drag in FY

2019 FX impact

€ in millions



2019 FX effect

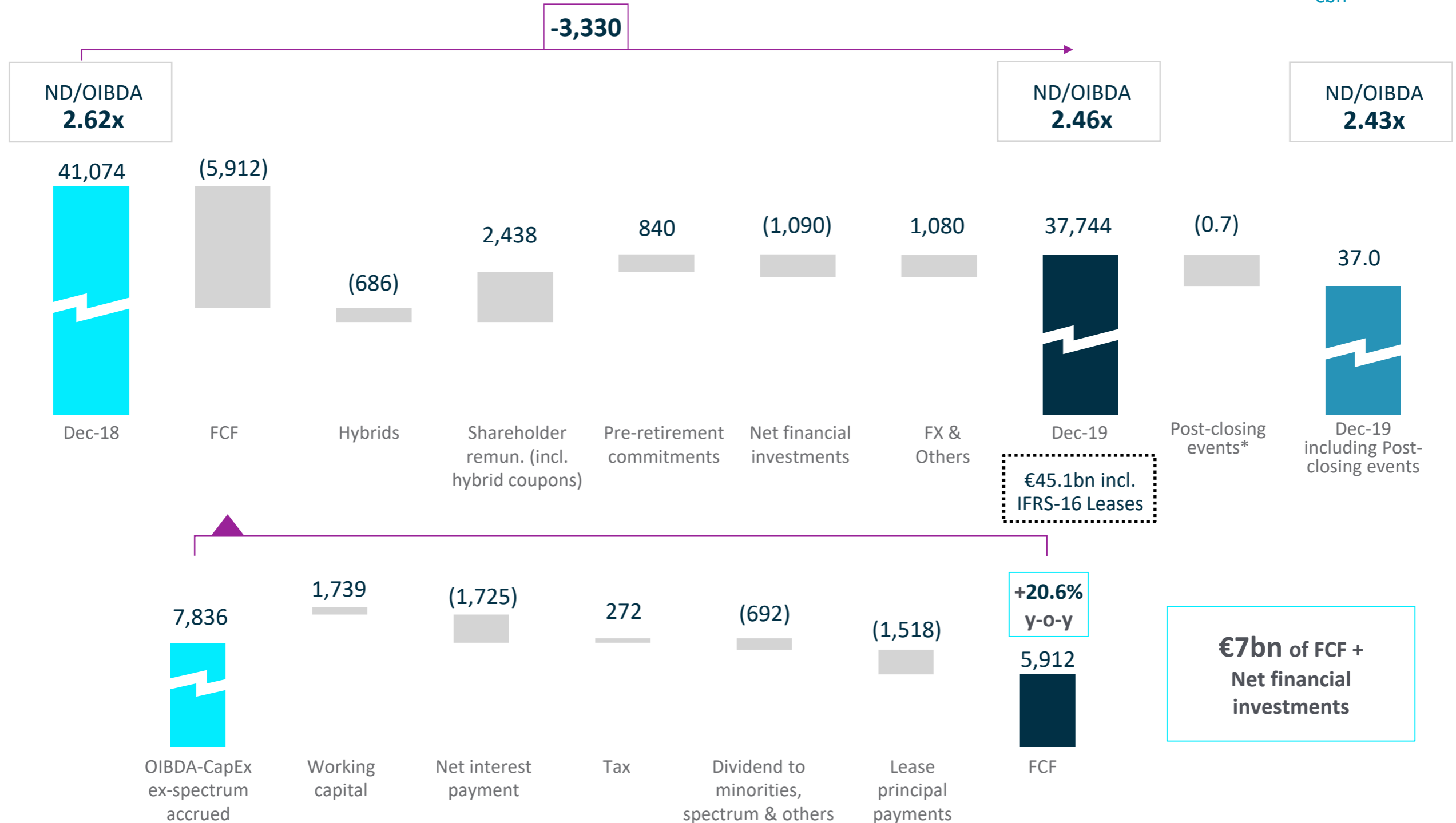


Deleverage mainly driven by growing organic FCF

Net Financial Debt; 11 Qs in a row of reduction (-€549M in Q4)

€m

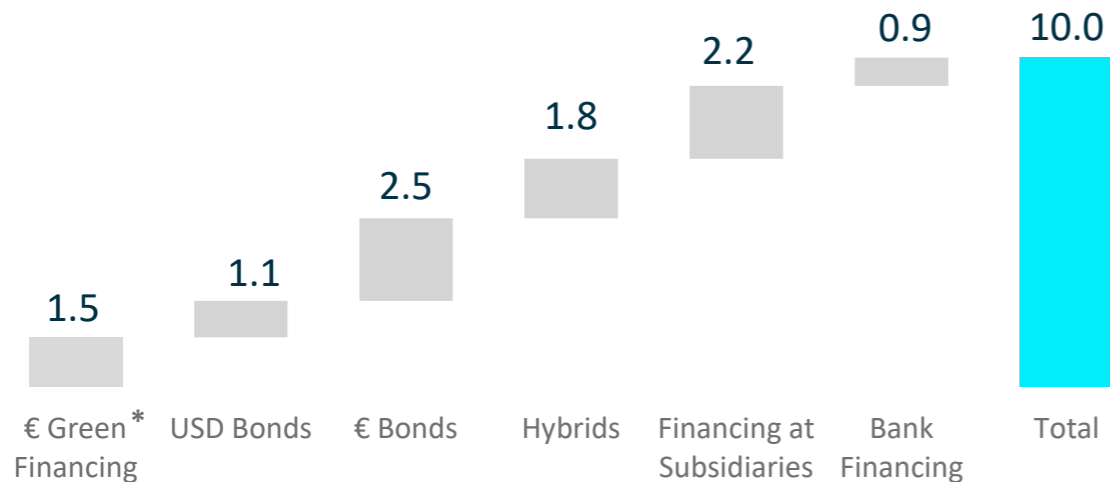
€bn



Robust liquidity position and attractive LT financing

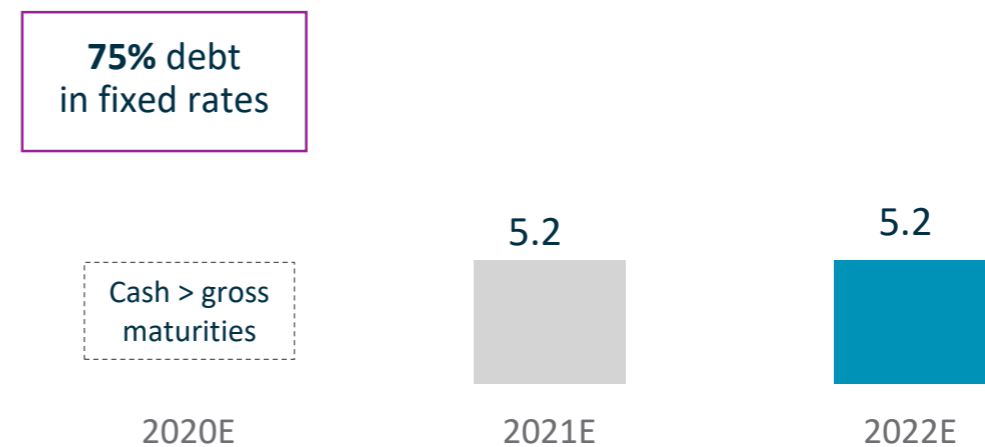
Sources of long-term financing

2019 & 2020YTD | €bn



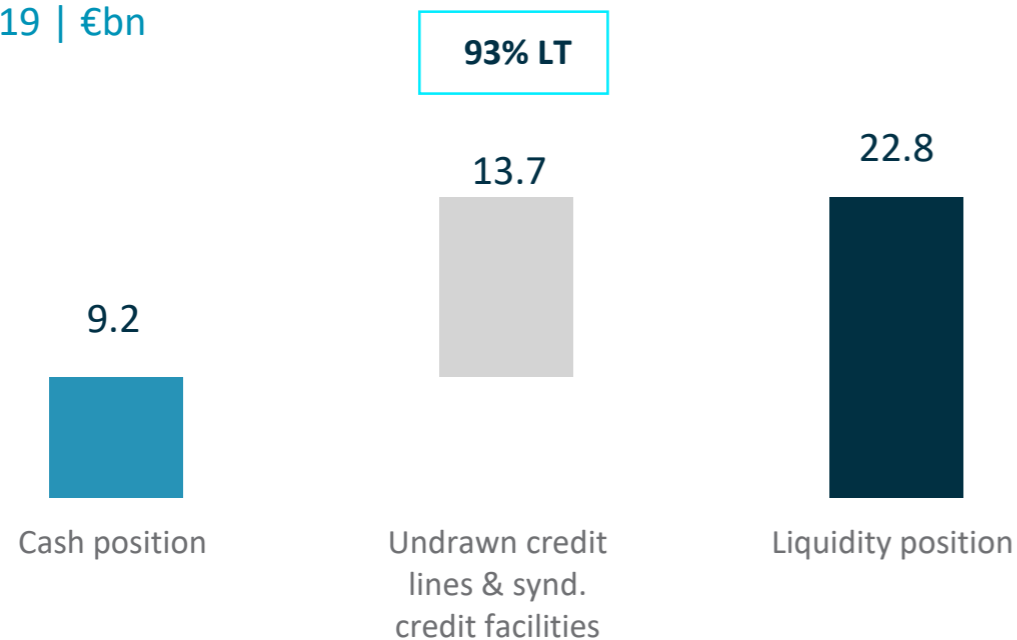
Net Debt maturities

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



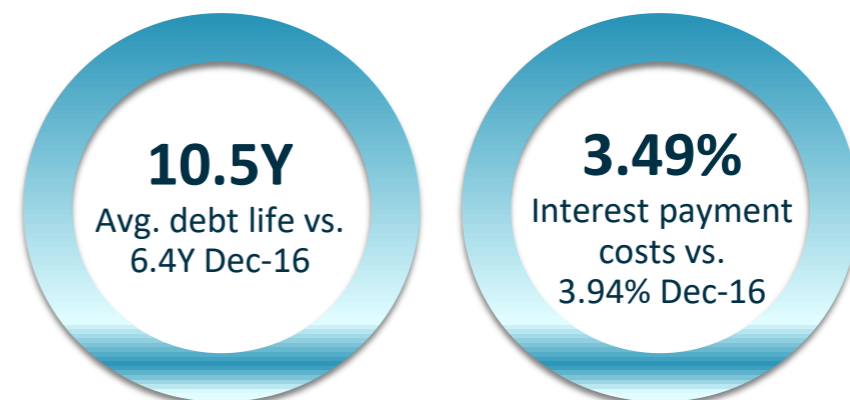
Liquidity position

Dec-19 | €bn



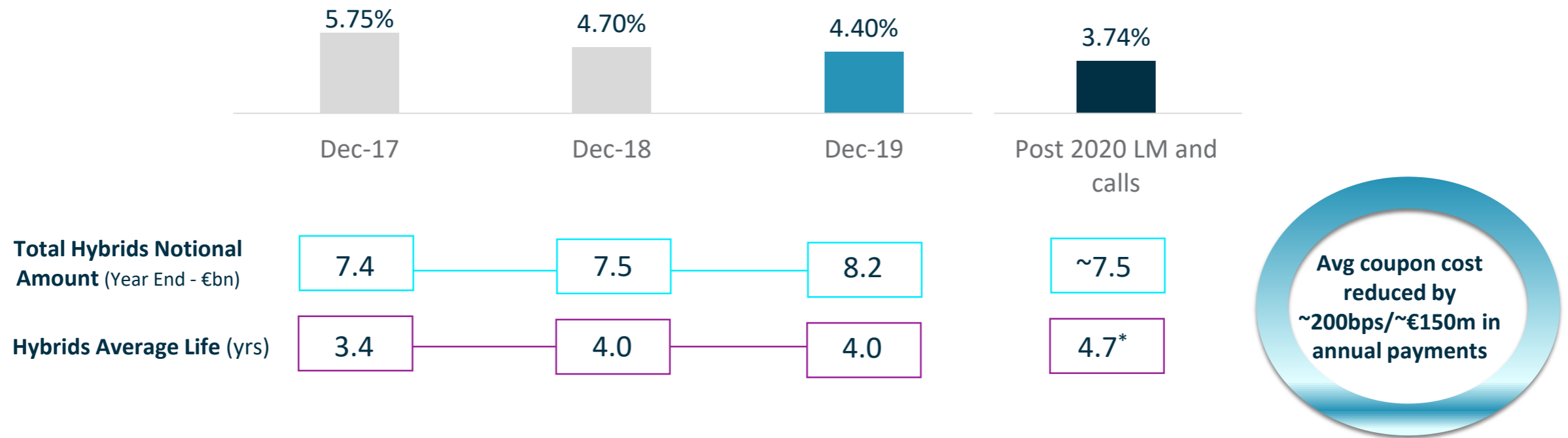
Strengthening debt profile

Dec-19



Active hybrid management increased average life at lower cost

TEF Hybrids Average Coupon Cost vs. Outstanding Notional



- ✓ In just 9 Qs we executed:
 - €4bn replacement through Liability Management exercises, largest globally
 - Issued **1st green hybrid bond in the telco industry**
 - Average **hybrid life increased** from 3.4 years to 4.7 years
 - Temporary hybrid amount increase in 2019 to €8.2bn will be reduced in Q1 20 with hybrid calls (NC Mar.20 and Telefónica Colombia)

2020 & 2022 Guidance

Mr. José María Álvarez-Pallete
Chairman & CEO



New Guidance criteria | Consistent with New Telefonica

Financial Performance (organic)	2019	2019 ex-contribution to growth from ARG
Revenues	+3.2%	+0.8%
OIBDA	+1.9%	+0.5%
CapEx/Sales	15.1%	15.2%

- Ex-contribution to growth of Argentina, consistent with New Telefonica focus
- Improves visibility and reliability
- 2019 Revenues and OIBDA growth ex-contribution to growth from Argentina: +0.8% and +0.5% respectively...

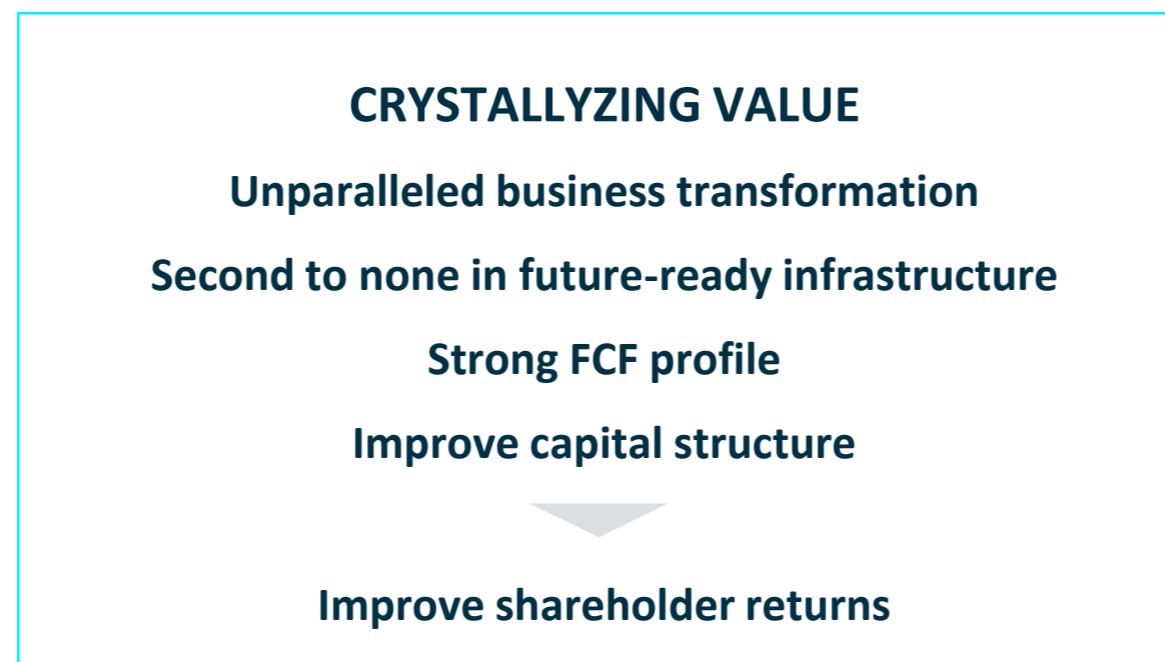
Core Markets (organic y-o-y)	Revenues 2019	OIBDA 2019
Spain	+0.5%	+0.1%
UK	+3.8%	+2.3%
Germany	+1.1%	(1.1%)
Brazil	+1.9%	+3.7%

- ... with business lines growing in Revenue & OIBDA

2019-2022 Financial Guidance

Financial Targets (organic ex-contribution to growth from ARG)	2019	Guidance 2019-2022E
Revenues	€47,875m	Revenue growth
(OIBDA-CapEx)/ Revenues	19.9%	+2 p.p. by 2022

Ex Central America



2020 Guidance | We will continue to execute

2020E: Organic ex-contribution to growth from ARG

Stable Revenues, OIBDA and (OIBDA-CapEx)/Revenues

Ex Central America

2019 Basis for Guidance: Revenues (€47,875m); OIBDA (€16,762m); (OIBDA-CapEx)/Revenues 19.9%

2020 STABLE & SUSTAINABLE DIVIDEND

2020 DIVIDEND	€0.40/SHARE
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Interim Dec-20	€0.20/sh.
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Final Jun-21	€0.20/sh.
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2020 calendar payments

Jun/20 €0.20/sh.

Dec/20 €0.20/sh.

Long-term stakeholder approach to ensure business sustainability

2019-2022 Financial Guidance

> €2bn Revenues 2019-2022

Cybersecurity

- Automate operations and expand SoC capacity
 - Reinforce B2B sales, brand and product team
 - Enter in new P&S categories (i.e. fraud, IoT security) and capture internal business
 - Activate countries with high opportunity and markets outside footprint
-

IoT/Big Data

- Accelerate solutions beyond connectivity (B2B & B2C; in house-platforms & partner ecosystem)
 - Leading IoT player; cutting-edge platforms and services (analytics & AI) to extract value from multiple sources
 - Tailored offerings for specific industries: retail, mobility, utilities, industry 4.0, public or financial sector
-

Cloud

- New business development: Edge computing & Cloud network services
- Best-in class private/hybrid cloud portfolio and hyperscalers agreements
- Strong professional and managed services to help our clients migrate to the cloud

2019-2022 Financial Guidance

+2 p.p. (OIBDA-CapEx)/Revenues by 2022; achieve a new level of simplicity

Operational excellence; Streamline corporate center

- Refocusing key functions (focus on differential, value-adding activities for other units)
 - Greater simplicity and efficiency
 - Synergies & Economies of scale
-

Optimise use of assets

- Mobile network sharing
- Legacy shut down in all operations

Copper decommission well advanced in Spain (>450 Cos; 100% before 2025), kicking-off in Latam

Mobile; 2G at minimum; 3G transferred to 4G; Single Grid 2G in Brasil

Sustained digitalization efforts

- Digitalisation and automation will drive commercial and back-office efficiencies
 - Simplifying IT processes
 - Improving commercial efficiency
 - Focused on customer experience (digital channels, assistants, ...)

Conclusion

Mr. José María Álvarez-Pallete
Chairman & COO



Summary

The New Telefónica; A new model begins to deliver long-term value creation

Leveraged on the foundations built during transformation journey

Focus on key markets

Differential value with a sustainable model

UBB massification

Towards a 100% UBB based telco

Focus on opportunities

Of higher potential growth

Digitalisation

At the forefront in Full Stack deployments & AI

Focus on agility

Accelerate the execution and improve efficiency

Portfolio management

Improving capital allocation

A sustainable model

Growth; Efficiency; Trust

Guidance

Growing sustainably

Telefonica



Dow Jones
Sustainability Indexes



FTSE4Good



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