

***ANNUAL REPORT OF THE AUDIT AND
CONTROL COMMITTEE OF TELEFÓNICA, S.A.
REGARDING THE INDEPENDENCE OF THE
EXTERNAL AUDITOR***

**ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE
OF TELEFÓNICA, S.A., REGARDING THE INDEPENDENCE OF THE
EXTERNAL AUDITOR
(PricewaterhouseCoopers Auditores, S.L.)**

Pursuant to the provisions of subsection 4 of section 529 *quaterdecies* of the Restated Text of the Companies Act (*Ley de Sociedades de Capital*), the Audit and Control Committee of Telefónica, S.A. issues this report on the matters provided for in such legal provision, as follows:

- 1.- In view of the letter sent by PricewaterhouseCoopers Auditores, S.L. dated February 18, 2019, and in compliance with the aforementioned provision, the Audit and Control Committee of Telefónica, S.A. believes that PricewaterhouseCoopers Auditores, S.L., the auditor of such Company, is independent from the Company and its related companies, both directly and indirectly, as required by applicable legal provisions governing audit activities in Spain.
- 2.- Furthermore, the Audit and Control Committee has been informed that the non-audit services provided by PricewaterhouseCoopers Auditores, S.L. and its related companies to the Company and the companies directly and indirectly related thereto during the period covered by the annual accounts were the following:

	<u>Euro</u>
	2018
Corporate Social Responsibility Reports	287,385
Agreed Procedures Reports	237,188
Review report on the information of the financial and solvency situation of Seguros de Vida y Pensiones Antares	153,246
Other services	20,927
Audit-related services¹	698,746

¹ *Audit-related services are essentially services corresponding to work relating to the review of information required by the applicable regulatory authorities for companies of the group, agreed financial information procedures that are not requested by legal or regulatory bodies, as well as the review of corporate social responsibility reports (including the Report on the Verification of the Statement of Non-Financial Information in Telefónica, S.A.).*

This Committee therefore believes that the Auditor of the Company is independent because the fees received by it for services additional to or other than the audit of financial statements are relatively minor by comparison to those received for its audit of the annual accounts, and because the Committee is not aware of any other circumstances that might compromise the objectivity or impartiality thereof.

In witness whereof, this Report is issued in Madrid, on February 19, 2019 for the legal purposes set forth in such provision.

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