



*Telefonica*

# RESULTS

JANUARY | JUNE 2019

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# Q2 19 Highlights

Mr. José María Álvarez-Pallete  
Chairman & CEO



# The most advanced network | Q2 Group highlights

## 1. More customers, more loyal

- + **Unabated momentum in value**
  - ✓ FTTx/Cable retail accesses +14% y-o-y; 65% penetration
  - ✓ LTE accesces +18% y-o-y; 52% penetration
- + **Digitalisation increases customer lifespan**
  - ✓ Avg. Revenue/Access +4.4% (+0.2 p.p. vs Q1 19)
  - ✓ "Fusión" lifetime at c.6 yrs; UK mobile contract c.9 yrs
- + **Customer satisfaction benefits: NPS 20%**
  - ✓ World-class digital experience

## 2. Reliable & sustainable growth

- + **Sustained revenue growth (+3.7% y-o-y)**
  - ✓ 55% of revenues coming from BB & SoC
- + **OIBDA accelerating to +1.6%** (executing on fundamentals)
  - ✓ Efficiencies & digitalisation savings
- + **OpCF turning positive (+0.9% vs Q2 18)**
- + **H1 FCF €2.8bn** (+35.1% y-o-y in Q2; +78.0% in H1)
- + **Deliver on efficient use of resources: H1 Capex/Sales 14.1%**

## 3. The best technology at the customers' service

- + **The most advanced networks** in Europe and Latin America
- + **#1 Virtualisation and AI**
- + **World's largest UBB/FTTH footprint (ex-China);** 121m premises passed
- + **Cognitive platforms** in customer service centers
- + **Moving towards 5G** at the right "sustainable" speed

## 4. Strengthening Balance Sheet

- + **Net debt reduction for 9 Qs in a row**
  - ✓ €40.2Bn Jun-19; €38.7Bn incl. post closing events
- + **Prioritising deleverage:** FCF the main driver
- + **Focus on increasing ROCE** (portfolio management, cost savings and efficiencies)
- + **Returning value to shareholders** (2019 DPS: €0.4/sh.)

# Financial achievements

€ in millions	H1 19			Q2 19			
	Reported IFRS 16	Reported y-o-y	Organic y-o-y	Reported IFRS 16	Reported y-o-y	Organic y-o-y	
<b>Revenues</b>	24,121	(0.9%)	3.8%	12,142	(0.0%)	3.7%	▶ Improving revenue trends
Service revenues	21,556	(2.2%)	2.5%	10,856	(1.2%)	2.3%	
<b>OIBDA</b>	8,702	7.4%	1.3%	4,438	4.7%	1.6%	▶ Reported & Organic growth
<b>OIBDA margin</b>	36.1%	2.8 p.p.	(0.8 p.p.)	36.5%	1.7 p.p.	(0.7 p.p.)	
<b>OpCF (ex-spectrum)</b>	5,339	12.0%	(2.4%)	2,611	9.5%	0.9%	
<b>Net Income</b>	1,787	2.8%		862	(4.5%)		
<b>EPS (€)</b>	0.32	12.0%		0.16	(4.3%)		
<b>FCF</b>	2,756	78.0%		1,348	35.1%		▶ Strong FCF expansion
<b>Net Financial Debt</b> ex- leases	40,230	(5.7%)					▶ Ongoing debt reduction

## Reported growth rates affected by

- Negative FX evolution & regulation & perimeter changes (OIBDA Q2 & H1: -4.8 & -5.2 p.p. y-o-y respectively)
- IFRS 16 (OIBDA H1: +€768m; Q2: +€354m; Net Income H1: -€87m; Q2: -€70m); leases (€7,542m)
- Other special factors (OIBDA H1: €+308m; Q2: €+188m; Net Income H1: €-139m; Q2: €-110m): HYP in ARG, restructuring costs, net capital gains, PPA, VZ growth, tax provision and tax interests

# 2019 guidance reiterated

Operating 2019 guidance (organic)	Guidance 2019E	H1 19	
<b>Revenues</b>	Around +2%	3.8%	Sustained revenue & OIBDA growth despite regulation
<b>OIBDA</b>	Around +2%	1.3%	
<b>CapEx/Sales ex-spectrum</b>	Around 15%	14.1%	CapEx rationality

## 2019 DIVIDEND €0.4/SH. CASH

<b>Interim Dec-19</b>	€0.20/sh.
<b>Final Jun-20</b>	€0.20/sh.

## Dividends to be paid in 2019 calendar yr. €0.40/sh.

Cash: 20/Jun/19 €0.20/sh.

Cash: 19/Dec/19 €0.20/sh.

# Delivering robust financials

## Q2: steady top line organic growth

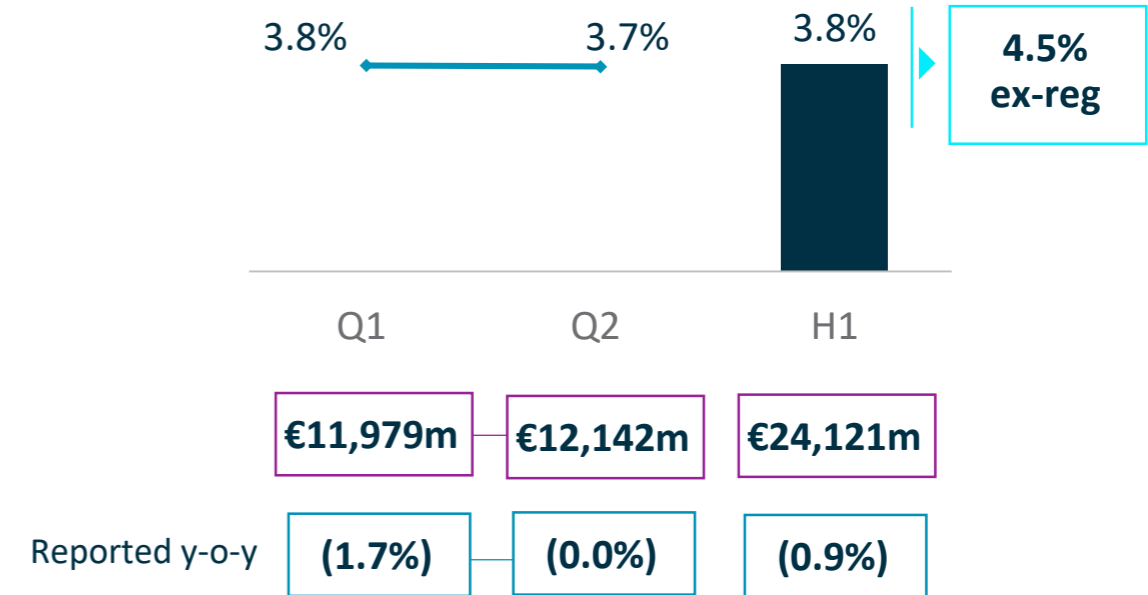
- Strong growth in Digital revenues (+19.0%) and B2B (+4.3%)
- Service revenue +2.3%; handset sales +16.7% (+1.1 p.p. q-o-q)
- All regions growing organically
- LatAm-fuelled growth (+6.2% y-o-y), Europe maintains momentum at +1.7% (+0.1 p.p. q-o-q)
- Reported revenues flat y-o-y, sequentially increasing

## Q2 organic OIBDA accelerates y-o-y

- Europe back to growth
  - Latam +3.2% (+1.5 p.p. q-o-q), Europe +0.5% (+0.7 p.p. q-o-q)
- 36.5% OIBDA margin (+1.7 p.p. reported; -0.7 p.p. org.)
- Reported y-o-y impacted by IFRS 16 (Q2: +€354m; H1: €768m)
- Improving OpCF organic trends in Q2; +6.1 p.p. q-o-q
  - CapEx +2.4% ; -8.8 p.p. q-o-q

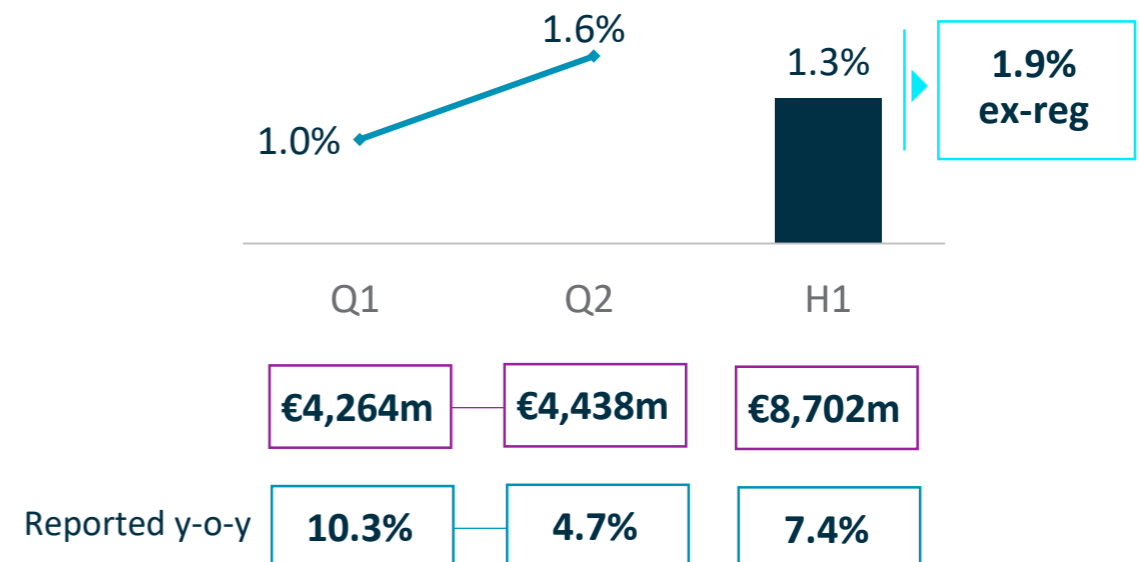
## Revenues

organic y-o-y



## OIBDA

organic y-o-y



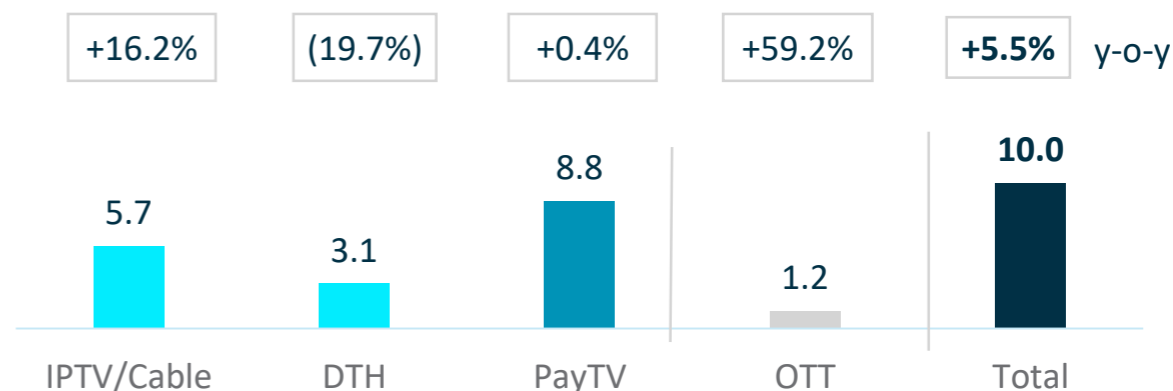
# B2C | Growing engagement and monetisation

## Flexible, simple and personalised offers

- **Video, the most relevant adjacent service to drive value**
  - Movistar+ (SP); leading position allows capturing market growth
  - Movistar Play (OTT); aggregator enriched with own content
- **Solid growth in UBB connected customers**
  - Retail: 13.9m, +14% y-o-y; wholesale 1.9m, +61% y-o-y
- **Global consumer platforms**
  - Unique services across countries
- **Convergent markets**
  - Good traction in Perú; 92k since launch in Jan-19
  - “M4M” in SP, more digital services and “Priority”
- **Mobile contract**
  - Roaming (all LatAm) and data sharing (ARG, CHI, COL)
  - Enriched portfolio launched in BRA; “M4M” and focus on loyalty
- **Prepaid**
  - New offers in PER & ARG; more benefits and personalisation

## Expanding video base

(M Jun-19)



## Movistar+ relevance through differentiation

- Movistar+ users (avg. daily)
- Deferred consumption in M+
  - with own functionalities
- Audience share of own channels in M+
- Content Communities users
- Impact on CLV

8M (+3% y-o-y)  
 21% (+3 p.p. y-o-y)  
 14% (+1 p.p. y-o-y)  
 15% (+1 p.p. y-o-y)  
 >2M Own Prod; >1M Sports  
 ↓ Churn; ↑ ARPU vs non-TV FBB

## Digital Consumer Platforms

**M Play** OTT video in all HispAm (MEX & ARG in Q1)

**MOVISTAR+ LITE IS BIG** OTT video in SP since June

“Smart WiFi”, connectivity self-managed



“Movistar Car”, first IoT consumer service in SP



“Movistar Money” in SP





# B2B | Relevant growth, leading comms & IT portfolio

## Q2 revenues: mid single digit increase

- **Corporate and Latam main growth drivers**
- **SME accelerating trend** mainly in Latam
- **H1 B2B Digital Revenues** (21% of B2B revs) €1,029m (+29.9% y-o-y; +26.0% in Q2)
  - **H1 Cloud:** +26.3% y-o-y
    - Google Cloud agreement, O365 licenses, +20% y-o-y (763K)
  - **H1 Security:** +32.8% y-o-y in H1
    - Microsoft agreement for cybersecurity; BOTECH FPI agreement for the bank sector
  - **H1 IoT:** +52.8% y-o-y
    - Leader in their field, 1.8M H1 net adds

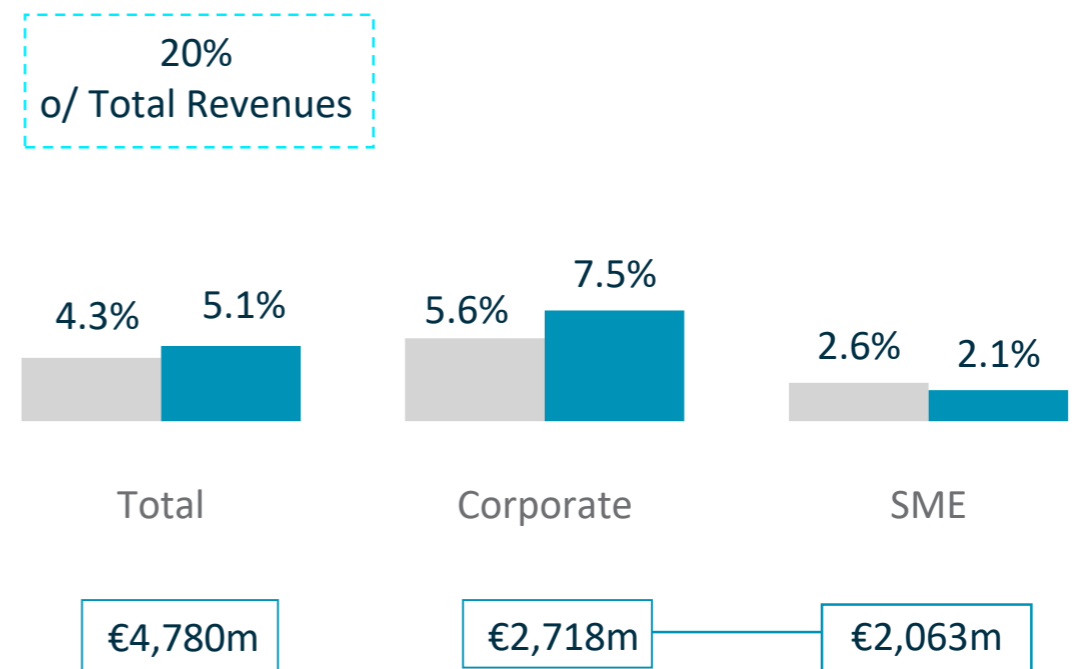
## At the forefront of B2B customers digitalisation

- **The “Digital Core”, the heart of our B2B value proposition** (Core Comms + Cloud + Security)
- **Business improvement, our main goal**
  - Growth: Shifting CX, expanding stores boundaries
  - Optimise: New IT to increase efficiency
  - Trust: Customer trust and privacy protection
  - Innovate: Data analytics, factory automation, start-ups

## Business Revenues 2019

y-o-y organic

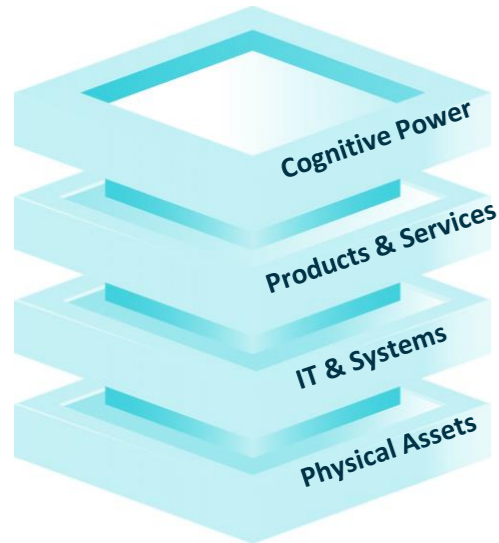
■ Q2 ■ H1



Relevant deals



# Best technological platforms



## 4P Artificial Intelligence

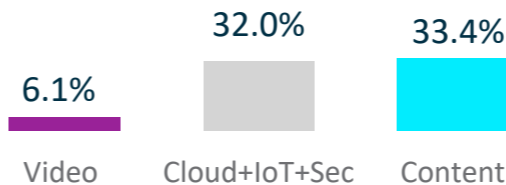
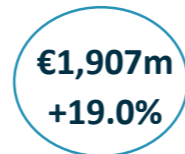


**Pioneer in data capabilities**

Data normalisation & Data Analytics; Open APIs  
 “Movistar Home” evolves to an open service ecosystem  
 Cognitive Centers: 100% mobiles customers in BRA

## 3P Leading technology provider

Q2 Digital Revenues *y-o-y organic*

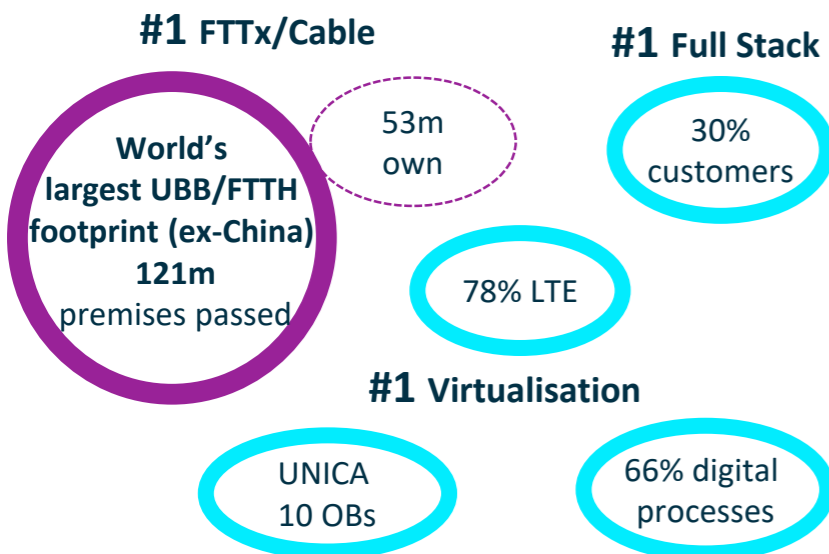


### Holistic proposal

Own digital services  
 Best in class third parties  
 Start-ups community

## 1P Network & 2P IT Transformation towards cloud

### LEADING NETWORK & IT EXPERIENCE



Fiber vs DSL (SP): 3.1x traffic; -30% churn

### A NEW TECHNOLOGY CYCLE

**Fiber is our carrier for the next 30 years**  
*G-PON, 10 GPON, 25-50 GPON*

**Better starting point in 5G due to fiber**  
*Massive MIMO, OpenRAN, OSM*

**Open & Digital Architecture**

**Cutting edge home equipment**



**Switching-off legacy (copper, 2G)**



### DIGITAL NETWORK CLOUD NATIVE

**Virtual**  
 Full automated  
 Programable

**Converged & Scalable**  
 x2 speed & capacity every year

**More efficient**  
 Multi access edge-computing  
 40% CapEx need in core network (vs former)

# Q2 19 Results

Mr. Ángel Vilá  
COO



# Spain | Improved commercial activity on superior offering

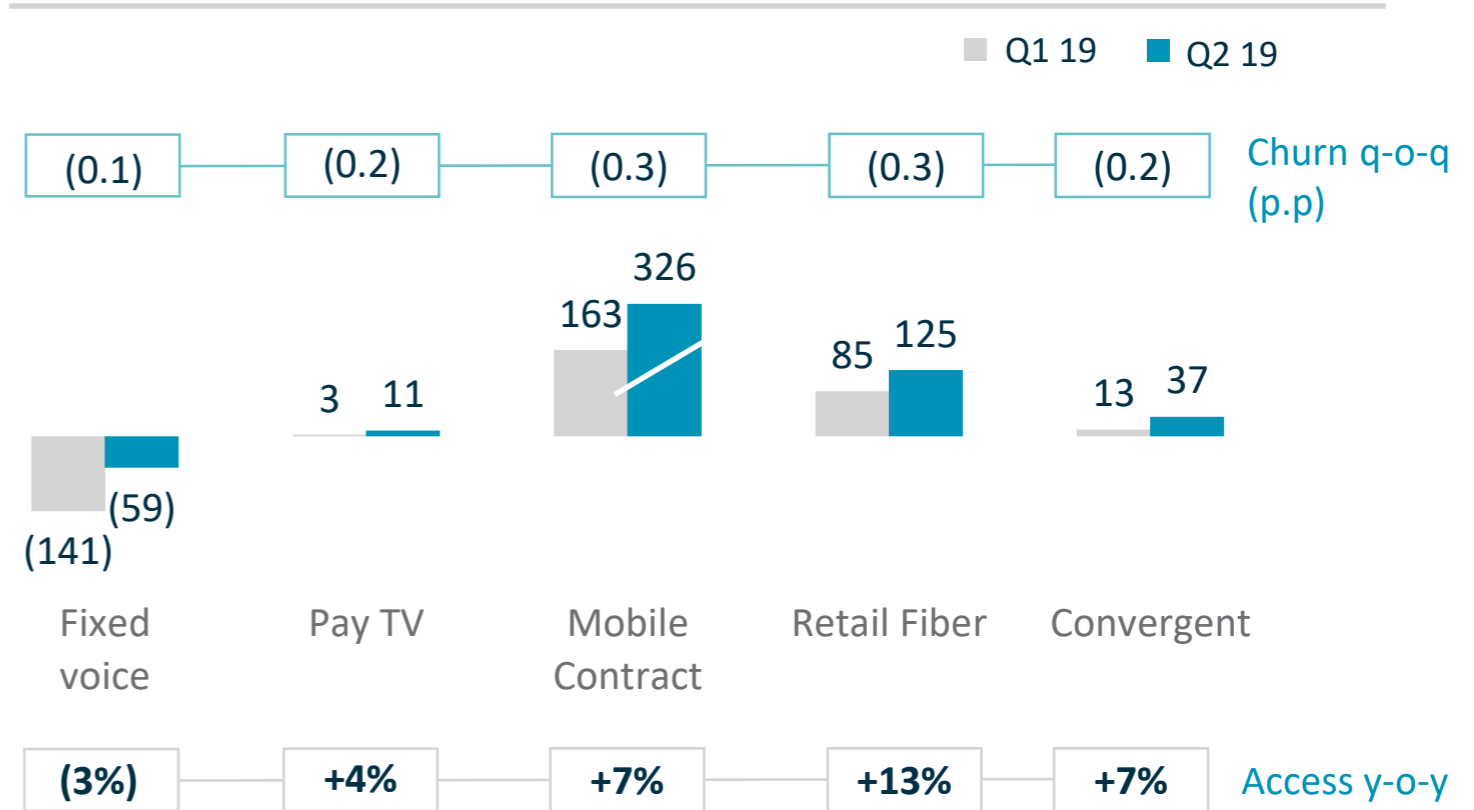
## Proven success of differential value

- Access growth in all value services in Q2
- Solid TV net adds despite end of football season
- Convergent accesses (22.8m); +7% y-o-y
  - Larger base in high-end: 28% of total (+1 p.p. y-o-y)
  - Accelerated growth in UBB bundles (x2.4 q-o-q)
  - O2 maintains traction
- Churn reduction across services
- Q2 convergent €88.5 ARPU (+0.3% vs. Q1 19)
  - -1.2% vs. Q2 18; weaker trend vs Q1 on phasing and tariff upgrade impact, expected reversion in Q3
- Proven pricing power, improved CLV

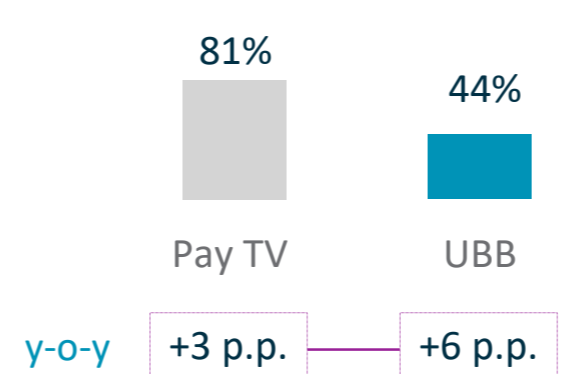
## Fiber & TV pillars of sustainable leadership

- Fiber uptake continues growing; increasing ROCE
- Movistar+ exceeds 4M subs; high engagement

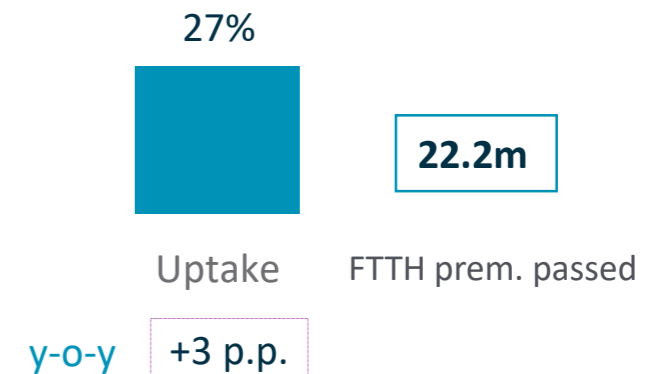
### Net adds



### High-value o/convergent



### Fiber uptake



# Spain | Service revenue growth for 8th straight quarter

## Q2 slowdown to be reversed in H2

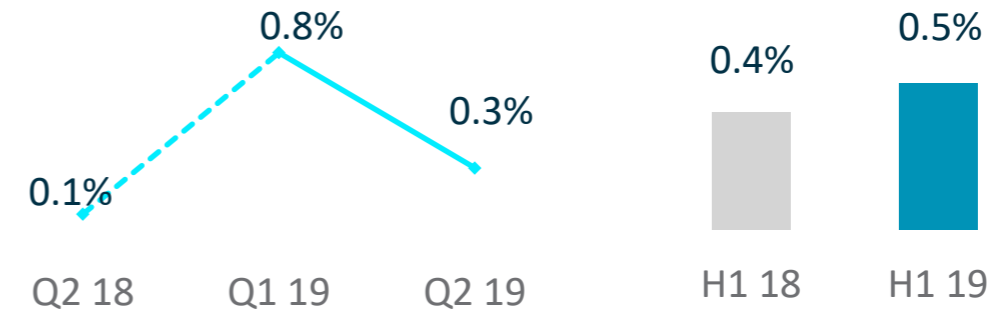
- **Lighter growth due to tougher comps**
  - Q2 “Consumer” decline on negative phasing and calendar from tariff upgrade
  - Q2 “Business” +0.1% affected by seasonality
  - Q2 “Wholesale & Other” accelerate growth (+4.2%)
- **H2 to show y-o-y growth acceleration**
  - B2C: ARPU uplift and sound commercial trends

## OpEx higher growth impact on OIBDA

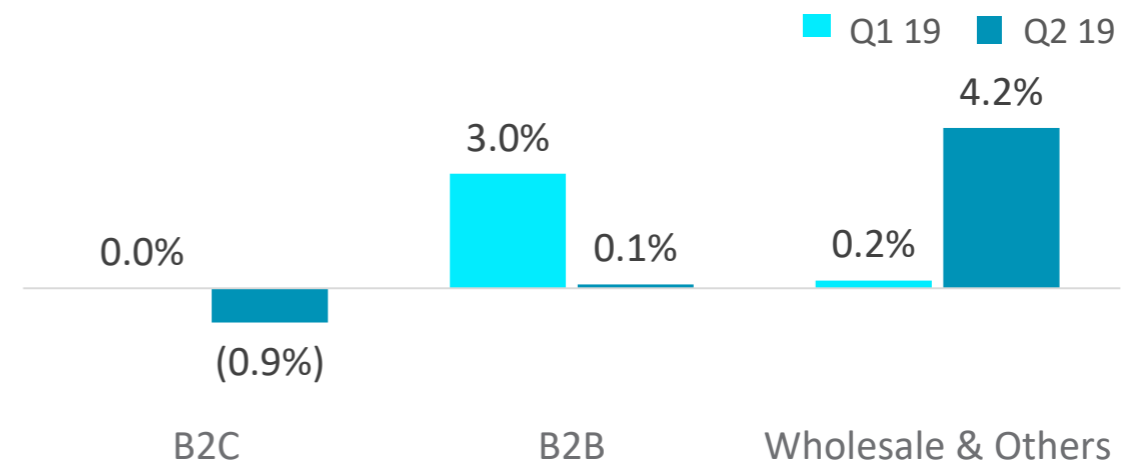
- **Q2 OpEx +4.0% y-o-y organic** (H1: +3.4%)
  - Higher y-o-y supplies on homogeneous MTRs
  - Lower personnel savings from Q2
- **Q2 OIBDA -1.6% y-o-y organic** (H1: -1.5%)
  - Content cost y-o-y growth to ease from Q3
- **Q2 OIBDA margin organic: 39.8%**; +1.0 p.p. vs Q1 despite higher trading
- **Strong cash conversion:** H1 OpCF, €1,859m

## Service Revenues

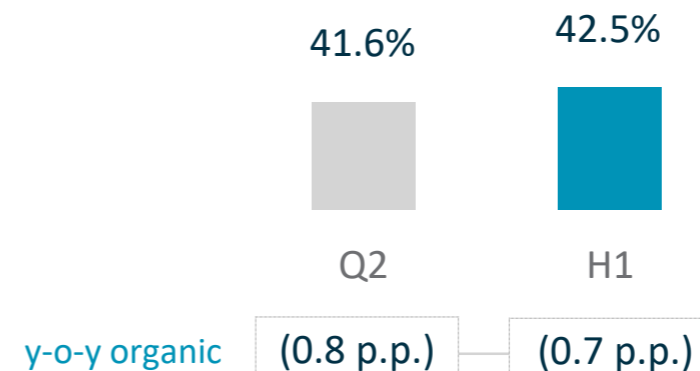
y-o-y organic



## Service Revenue by Segment



## OIBDA margin 2019



# Germany | Enhanced network supporting commercial performance

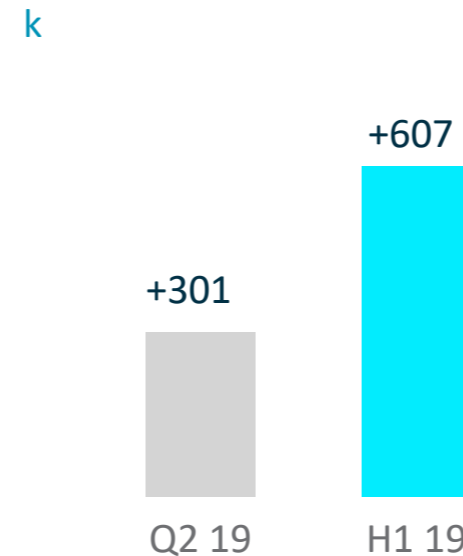
## Strong trading quarter driven by O<sub>2</sub> and partners

- High demand for O<sub>2</sub> Free & sustained retention focus
- Significant partner contribution (4G focus)
- H1 contract churn improved by 0.1 p.p. y-o-y
- Recognised by recent industry awards (e.g. #1 in Connect shop, “very good” in Connect fixed BB test)
- 5G spectrum auction - acquired 90 MHz in 2.1 & 3.6 GHz at €1.4bn; secured overall highly competitive frequency position

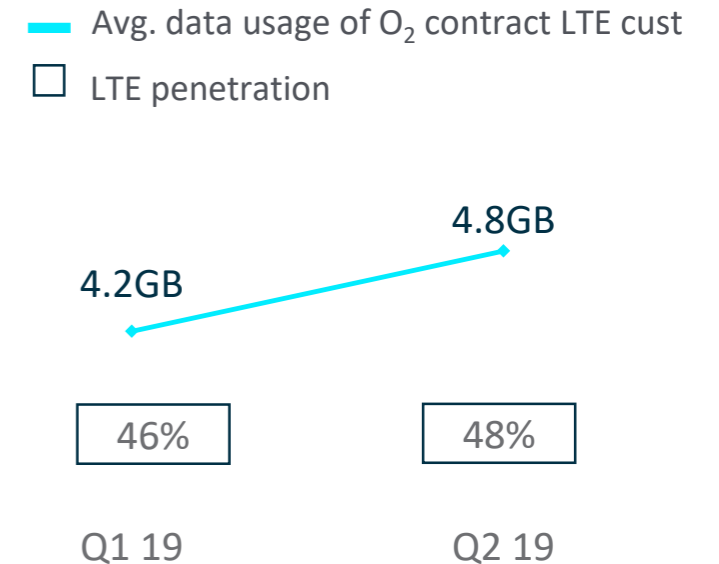
## Sequential top-line improvement

- Q2 revenues (+0.9 p.p. q-o-q) driven by MSR turnaround (+0.6% y-o-y; +1.0 p.p. q-o-q) and handset sales (+12.9% y-o-y)
- OIBDA trends reflecting ongoing transformation & market investment as well as regulatory impacts (Q2: -€10m; H1: -€15m)
- H1 CapEx (+16.9% y-o-y); front-loaded LTE roll-out and network densification; a trend expected to normalise over the year

## Contract net adds

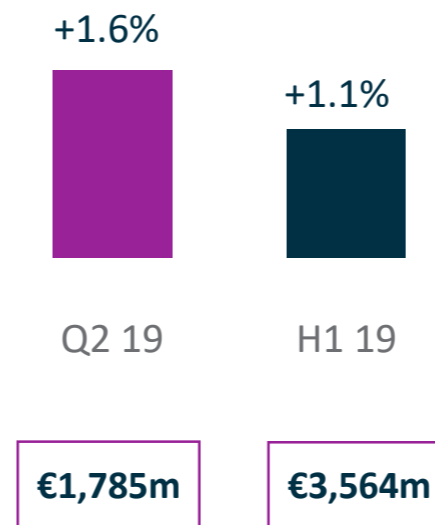


## O<sub>2</sub> driving data growth



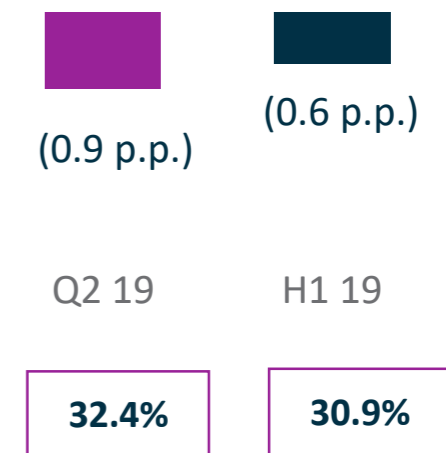
## Revenues

y-o-y organic



## OIBDA margin

y-o-y organic



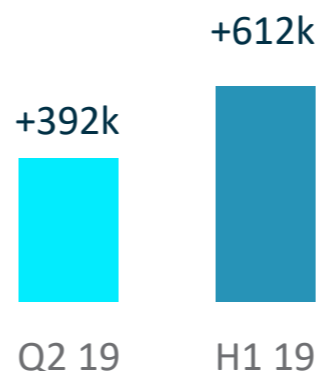
# UK | Delivering another robust set of results

## Solid commercial trading

- Continues to be UK's favourite network operator
- Mobile customer base grew to 33.3m (+4% y-o-y):
  - Strong contribution from both, own brand contract (+6% y-o-y) and MVNO partners (+7% y-o-y)
  - Sector leading loyalty; postpay churn at 0.9% in Q2 & H1 19
- 66% LTE penetration (+8 p.p. y-o-y)

## O<sub>2</sub> contract net adds

(incl. M2M)



O<sub>2</sub> has been recertified to the **Carbon Trust Standard for Supply Chain at level 3**, one of only three companies globally to achieve this highest level of certification

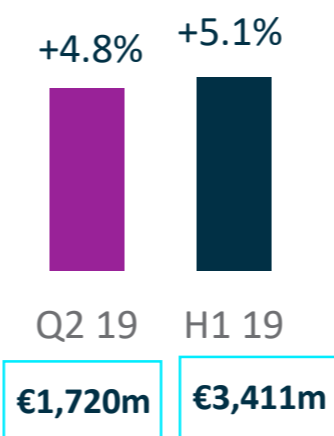


## Robust top- and bottom-line growth

- **Healthy revenue growth** driven by successful tariff portfolio
  - Further traction in handset & other revenue growth (+24.2% y-o-y in Q2; +21.4% in H1)
- **Strong OIBDA** growth supported by robust top-line
  - Q2: Net positive effect related to special factors (+€23m)
- **Q2 OIBDA** includes +€55m of IFRS 16 (H1: +€110m)
- **H1 CapEx** of €409m (+2.0% y-o-y) reflects continued investment in network capacity and customer experience

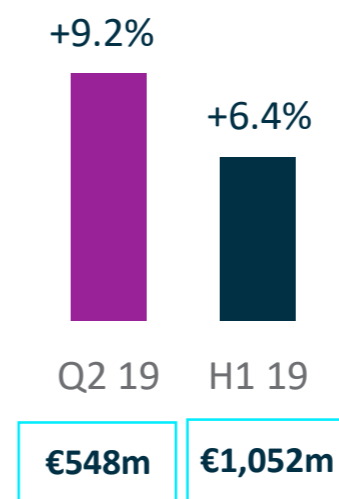
## Revenues

y-o-y organic



## OIBDA

y-o-y organic



## OpCF

y-o-y organic



# Brazil | Unmatched quality assets sustains market leadership

## Best network, growing share & ARPU

### Mobile

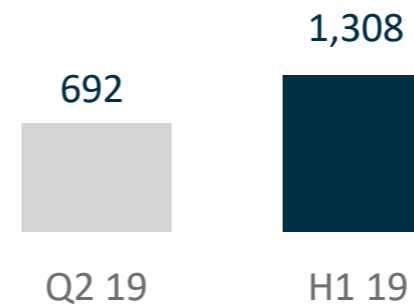
- **Vivo best rated network in terms of overall capacity, coverage and service quality** according to “P3 Connect” mobile review
- **Undisputed leadership: 32.2% market share** (+0.2 p.p. y-o-y)
- **Contract net adds improved q-o-q despite competition**
  - “M4M” strategy: +9% in pure contract accesses since Aug-19
  - Q2 churn stable at 1.8%
- **Better prepaid on new offerings and tariffs update** (+20% in March & April)
- **Total mobile ARPU +1.5% vs. Q2 18**

### Fixed

- **Improving mix fosters ARPU growth** (FBB Q2 ARPU: +16.0% y-o-y)
  - FTTH uptake (23%, +2 p.p. y-o-y)
    - 12 new cities passed in Q2 (142 cities covered)
    - Selectively overlaying FTTH in best FTTC footprints
  - IPTV accesses +33%. Q2 Pay Tv ARPU: 5.5% y-o-y

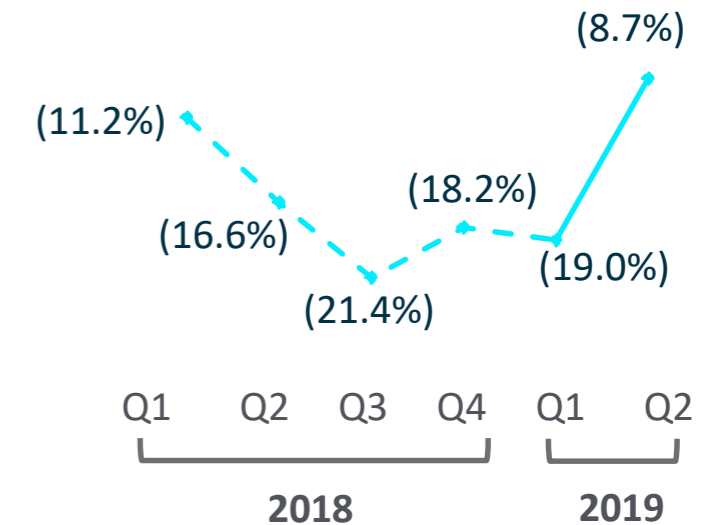
### Contract net adds

(‘000)



### Prepaid Revenues

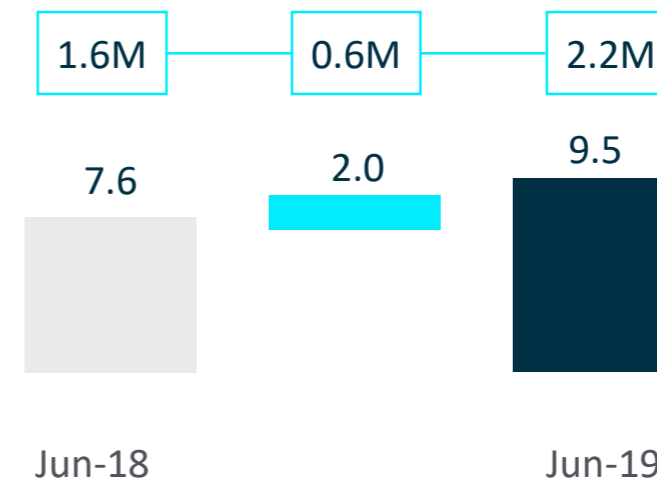
(y-o-y)



### FTTH

(premises passed in m)

□ FTTH connected





# Brazil | Sound FCF growth despite Capex acceleration

## Revenue growing despite punctual deceleration

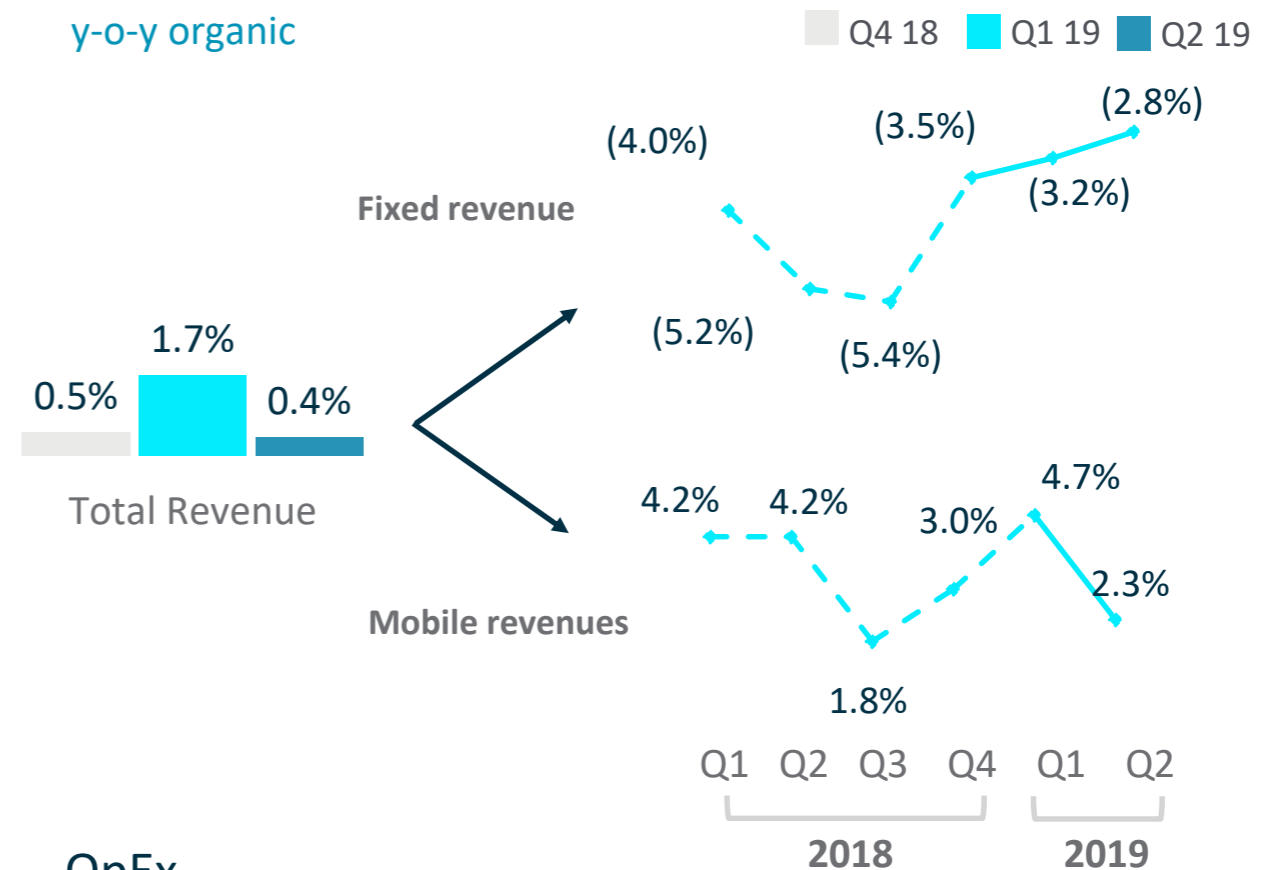
- Continued growth on handsets (+31.9%; H1: +42.3%)
  - MSR (+0.1%; H1: +0.8%)
    - Postpaid (+3.7% vs. H1: +5.9%). Tariff changes positively impacting in Q3 19
    - Prepaid improving on better top-ups trends
- Fixed:
  - Transformation of the business drove q-o-q improvement
  - Fixed ex-voice & access (weight o/fixed revs: +6 p.p. y-o-y to 65%)
    - FTTH (+55.1%); IPTV +40.5%

## OpEx still well below inflation, benchmark OIBDA margin

- H1 OIBDA +1.2% y-o-y
- Digitalisation savings sustain OIBDA margin above 40%
- H1 OpCF €1,117m (-6.6% y-o-y) on CapEx acceleration (+10.0%)
  - 19% CapEx/Sales (+2 p.p. y-o-y) on business transformation
- H1 FCF: +12.7% y-o-y (under Brazil reporting criteria)

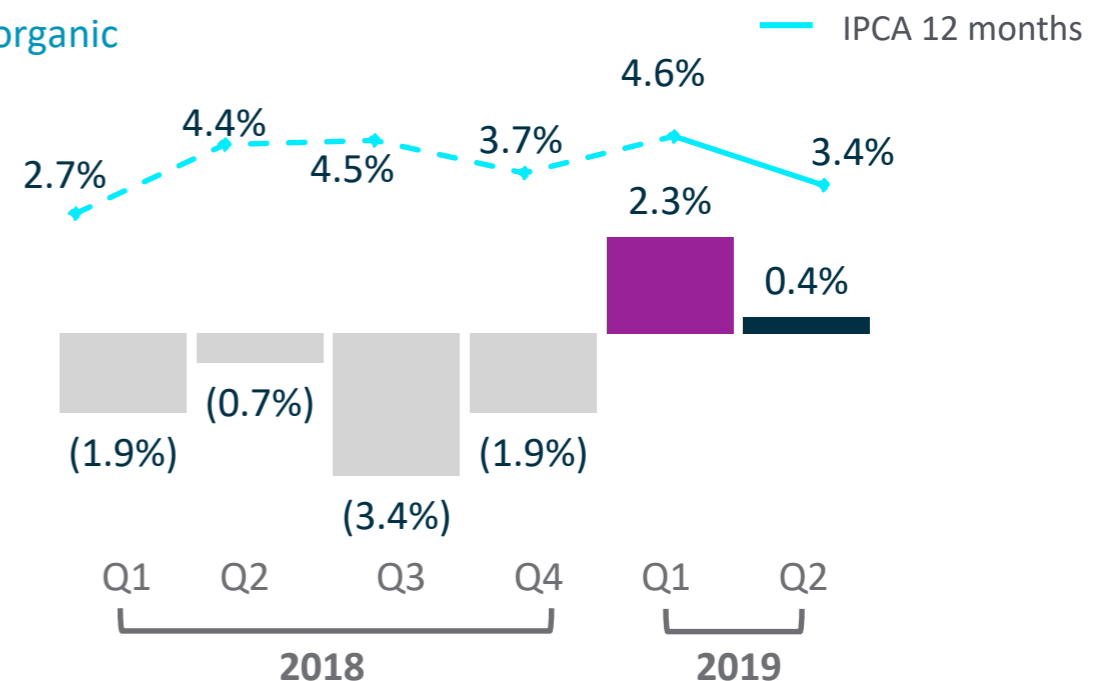
## Revenues

y-o-y organic



## OpEx

y-o-y organic



# South Hispam | Service revenue improving across the region

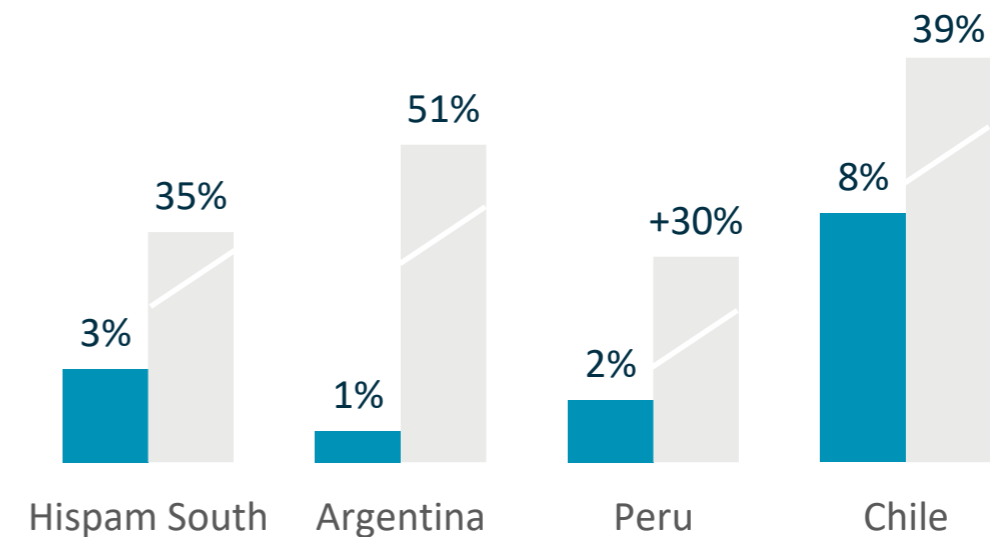
## Value KPI's behind service revenue improvement

- Positive contract net adds in all countries
- Fiber take-up: 31% (+3 p.p.)
- Better fixed rev. trends on: fiber and lower legacy drag
- **Q2 ARGENTINA** (Revs. €671; OIBDA €181m)
  - Revenue (+47.8%) & OIBDA (+35.1%) y-o-y acceleration
  - Strong trading momentum: contract net adds (+67k), FTTX (+37k) & IPTV (+32k)
- **Q2 CHILE** (Revs. €487m; OIBDA €170m)
  - Service rev. continued improving (flat y-o-y ex regulation)
    - Fixed rev. turned positive for the first time in 10 Qs
  - OIBDA (-1.9%, stable ex. regulation)
- **Q2 PERU** (Revs. €535m; OIBDA €125m)
  - Better service rev. trend (-1.6%; vs. -4.9% in Q1, +1.0% ex. reg.) thanks to fixed tariffs update and Convergence offer performance (92k)
  - OIBDA (ex capital gains) sequentially stable in last 3 Qs

## Accesses (Jun-19)

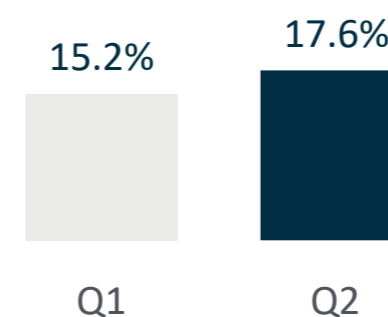
y-o-y organic

■ FTTx ■ Contract



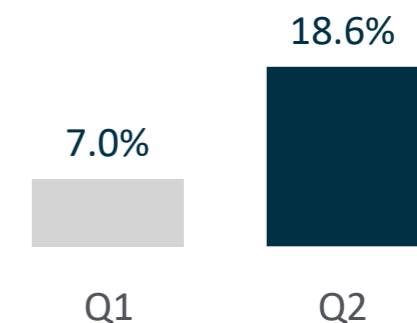
## Revenues 2019

y-o-y organic



## OIBDA 2019

y-o-y organic



# North Hispam | Sound commercial performance in value segments

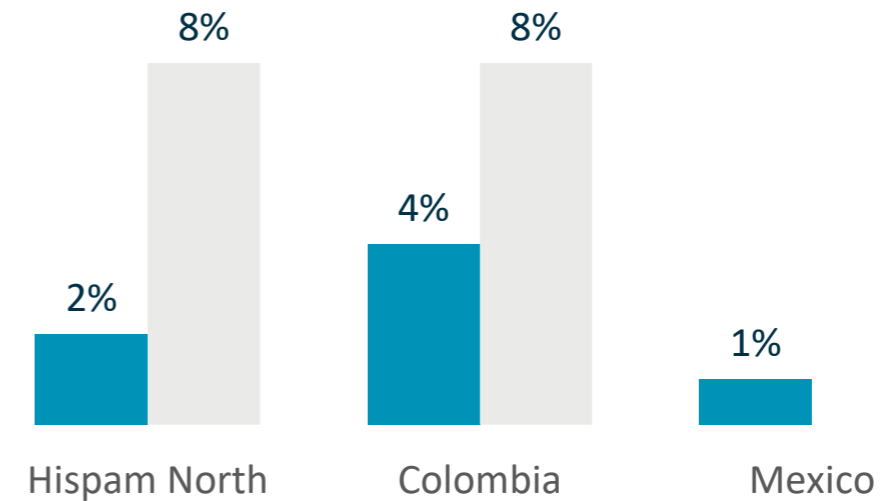
## Financials strongly affected by Mexico headwinds

- Positive contract net adds in main countries
- OIBDA ex. Mexico +7.6% y-o-y in Q2
- **Q2 COLOMBIA** (Revs. €352m; OIBDA €131m)
  - Acceleration in contract net adds with a “M4M” strategy
  - Revenues +2.3%; OIBDA +11.6% y-o-y (+26M€ capital gains)
- **Q2 MEXICO** (Revs. €316m; OIBDA €24m)
  - Improving commercial trends: positive net adds in contract for 3 Qs
  - Revenue trend improved q-o-q. OIBDA still hit by spectrum fees/regulation
- **Q2 CAM** (Revs. €159m; OIBDA €59m)
  - Revenues: +7.7%, OIBDA: +13.1%
  - Disposals of Nicaragua and Guatemala already closed

## Accesses (Jun-19)

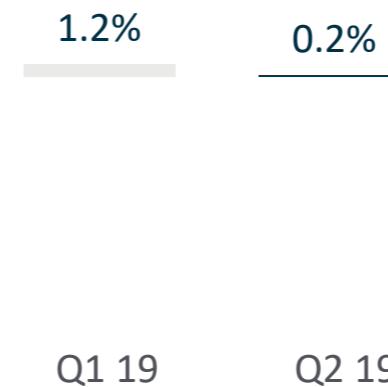
y-o-y organic

■ FTTx ■ Contract



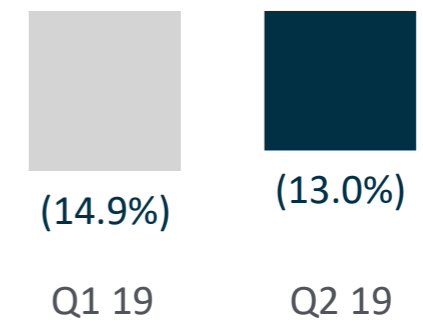
## Revenues

y-o-y organic



## OIBDA

y-o-y organic



# Telxius | Strengthening value creation

## Expanding infrastructure under solid financials

- **Towers** portfolio expansion (Tenancy Ratio: 1.36x)
  - Accelerating Build To Suit (1.8x vs Q1 new towers)
  - Acquisition of 658 towers in Peru (Tenancy Ratio 1.0x)
- **Cable:** Sale of capacity in MAREA
- **Q2 Revenues** +3.7% y-o-y ex-MAREA (Towers: +10.9%)
- Q2 Reported OIBDA impacted by IFRS16 (+€26M); Margin 57.5% (+0.6 p.p. y-o-y ex MAREA)
- **H1 CapEx -76%** y-o-y (ex-Peru acquisition)

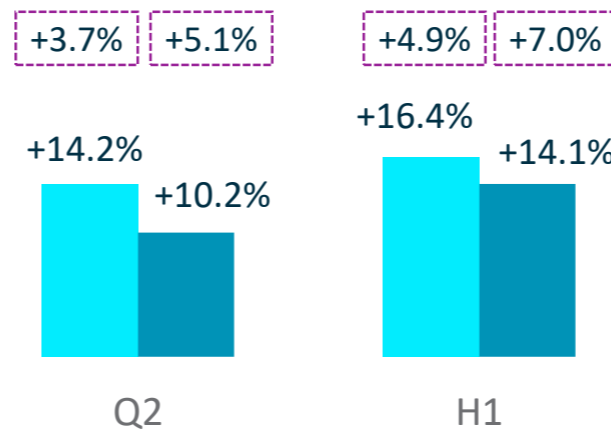
## A story of growth and visibility

- Since 2016, **enlarged portfolio** (+11% to 17.6k towers)
- Strong comercial activity: **+43% in other-than-anchor tenants**
- **Superior growth profile**; mid-to-high single digit in rev. and OIBDA in the last two years
- **Room for further organic growth**
- **High visibility on future CF generation**

## Revenues & OIBDA 2019

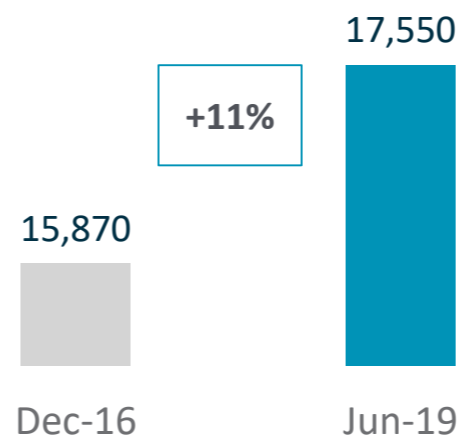
y-o-y organic      Ex-MAREA effect

■ Revenues   ■ OIBDA



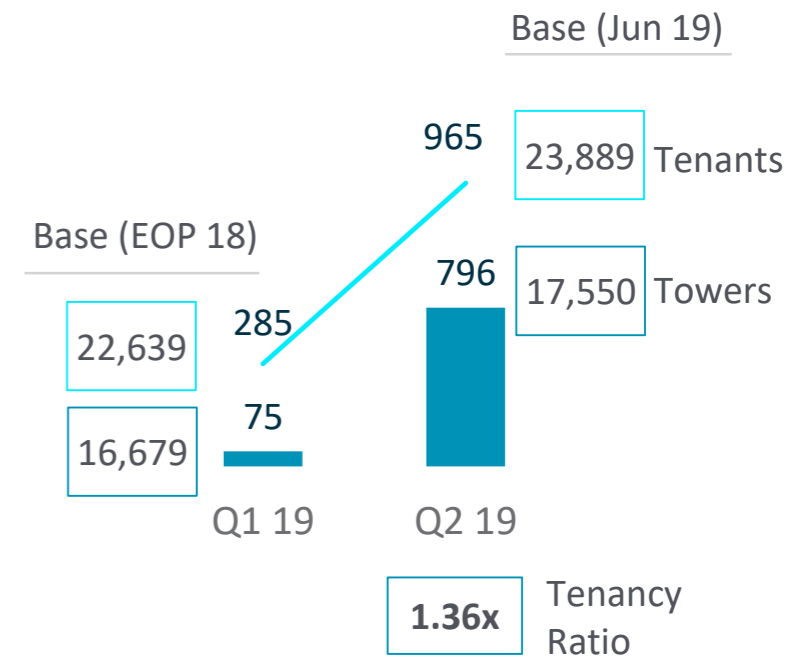
## Towers

#



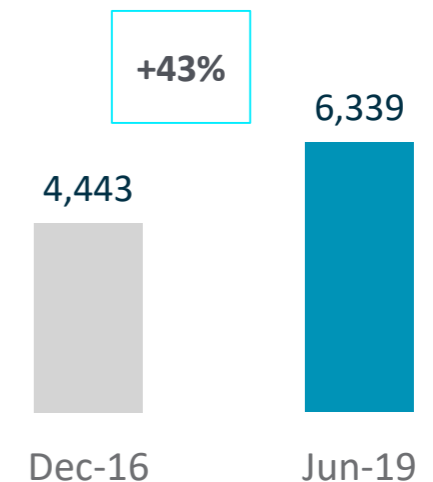
## Towers & Tenants Net adds

#      ■ Towers   — Tenants



## Tenants (ex anchor tenant\*)

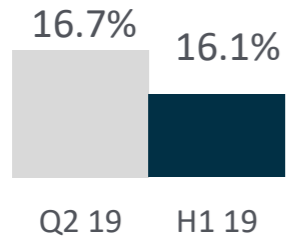
#



# Improving Customer Value via Devices

Driving up handset sales...

Org. y-o-y



...whilst improving customer value

## Phoenix: Digital Renewal Program



**Higher ARPU**  
**-1 p.p. CHURN**

Analysis for UK, BR, MEX, SP, ARG.

- ✓ Fast Rollout
- ✓ Increased handset digital sales
- ✓ High customer satisfaction

8 countries in 2019  
(5 already)

x40 in COL

## The opportunity in renewals

B2C contract  
handset renewal (yearly)

**30%**

captured by TEF

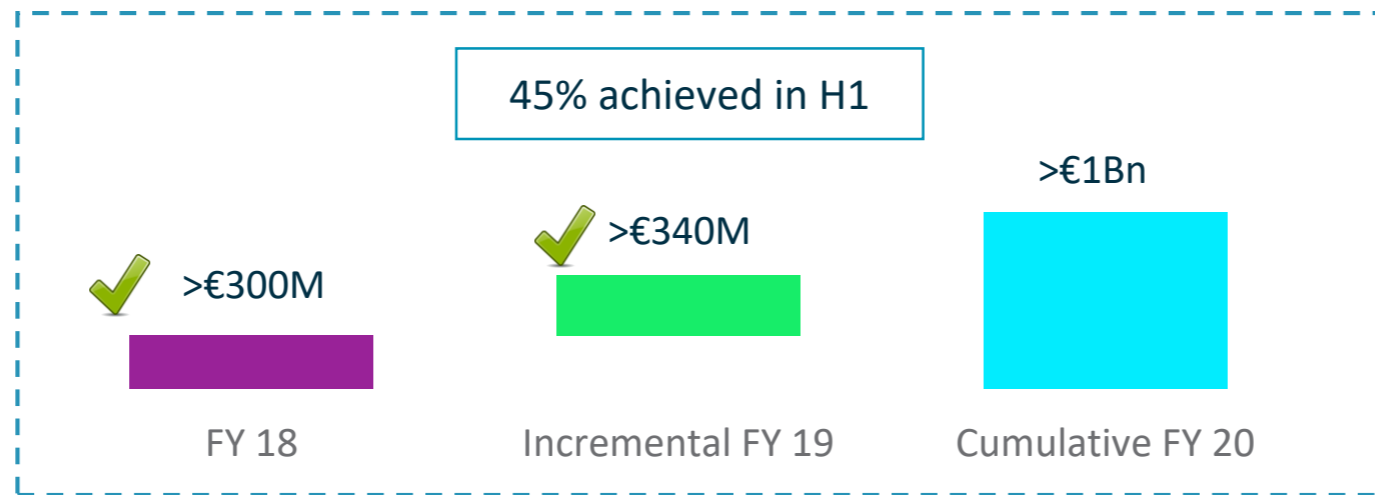
**(8 M)**

## Hardware; optimising the sales cycle

Enablers	Group Avg.	Group Benchmark
Buy-Back	3% Attach rate > \$300	>10%
2nd Hand	<1% Total sales	~2%
Insurance	~7% Attach rate	~15%
Accessories	<1% Attach rate	~20%

# Digital Transformation; evolving customer experience

## Gross savings



### Agile Mindset



40%

#### Digital Sales Experience



- Acceleration of **digital channels operations**
  - +28% vs. H1 18
  - Personalisation, digital marketing, automation, Advanced Analytics
  - SP: >70% of personalised offers

35%

#### Digital Customer Service



- **Contact Centers** (-12% vs. H1 18 of B2C calls)
  - **Cognitive platforms:** mobile customers migrated in PE and BRA
  - Use of **Digital Channels** (Bots)
  - **Advanced Analytics** in process revision
- **Blockchain** launch in BRA (CPE)

25%

#### Process Automation



- **>600 robots deployed in H1;** biggest project in the industry
- **Robot factories** in almost all countries
  - Positive results in service quality and cost savings (commercial)

□ % over achieved savings

# Optimising Networks

## Network sharing agreements

- ✓ **Faster roll-out and higher quality**
- ✓ Smart CapEx allocation, OpCF efficiencies

### Germany: Agreement with Vodafone

- **Access to Vodafone's cable networks (24M Households)**
- Complementary to infrastructure cooperation agreements
- Expanding fixed network offering nationwide

### Brazil: Agreement with TIM

- **2G Sharing in a Single Grid model**
- **Sharing 4G in 700MHz for cities <30K pop.**
- CapEx & OpEx savings redirected for 4.5G & FTTH

### UK: Agreement with Vodafone

- **NW sharing to speed up super-fast 5G roll-out**
- Sharing active equipment on joint NW sites
- Sharing physical elements at c.2,700 sites

## Switching-off legacy

- ✓ Decommissioning infrastructure & reusing spectrum
- ✓ Capturing value from asset freed monetisation

### Rationalising mobile networks

- **2G/3G spectrum reuse** to increase capacity
- Higher 4G **spectral efficiency** (x2.4 vs 3G)

### Migration to FTTH; Copper closure

- Decommission of CO's
- CO's transformed into Edge Data Centers

>400  
CO's closed  
(SP)

>1,500  
announced  
(SP)

### Legacy systems decommission

- **Full Stack**, harmonisation, systems decommission

422  
systems  
switched-off  
vs Dec-16

### Plan to accelerate & standardise copper shutdown

- **Relevant efficiencies in OIBDA** (assets sales, energy and maintenance) and **CapEx** (deploy and maintenance)
- **6 Years plan: 2020 - 25**

# Q2 19 Results

Ms. Laura Abasolo  
CFCO

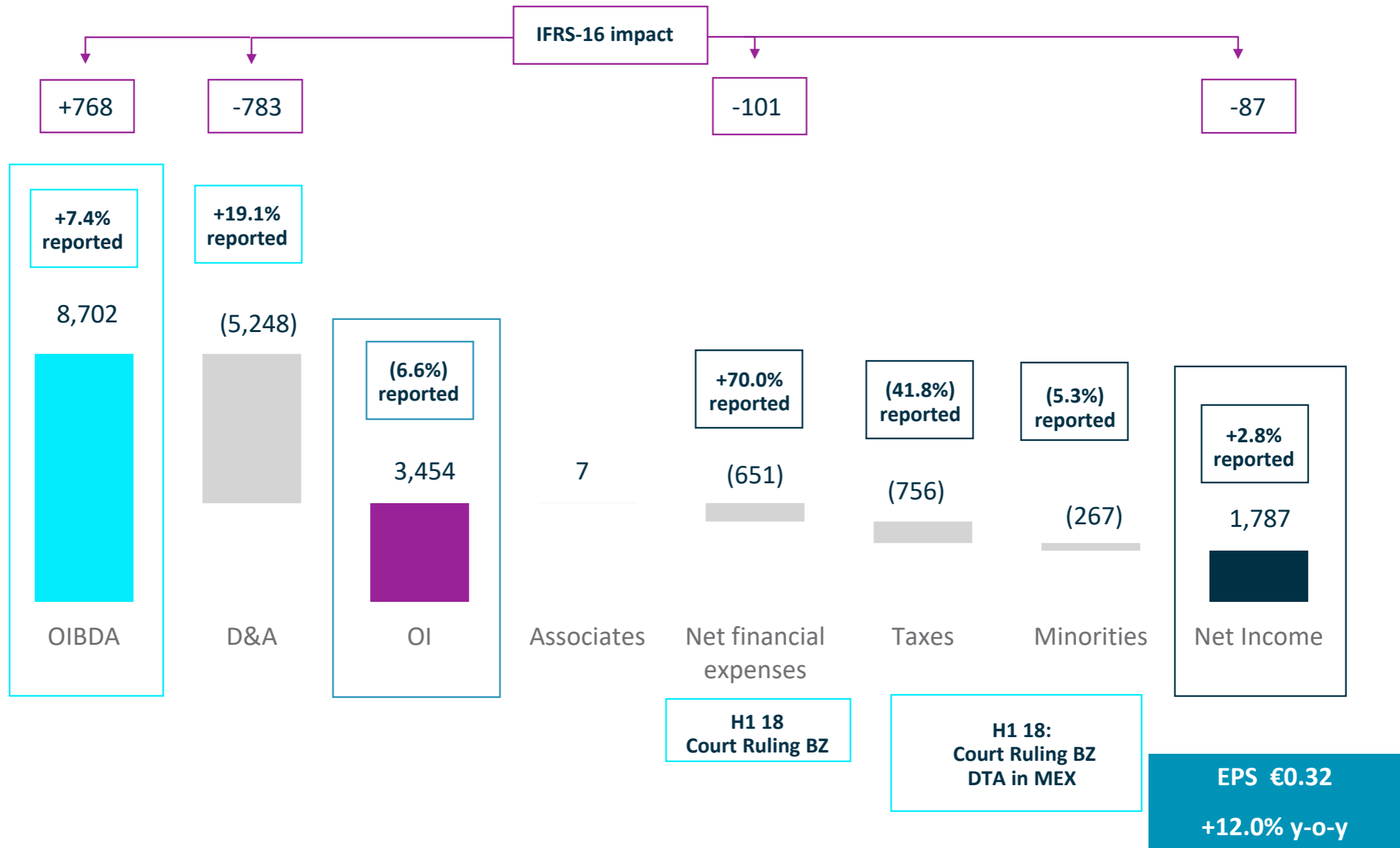




# H1 Net Income +2.8% y-o-y to 1.8bn€

H1 19 Reported

€m

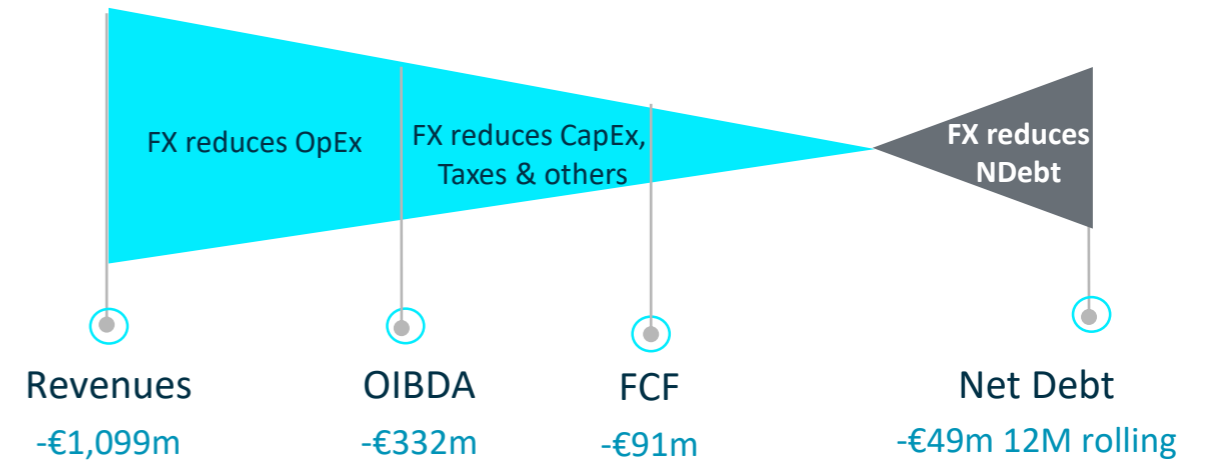


# FX impact neutralised at FCF

## Lower FX drag in Q2

- FX negative factor in Q2 OIBDA y-o-y
- FX drag softened y-o-y
  - Revs (Q2: -4.1 p.p.; H1: -4.5 p.p.)
  - OIBDA (Q2: -3.6 p.p.; H1: -4.1 p.p.)
  - BRL and ARS sequentially improving trends

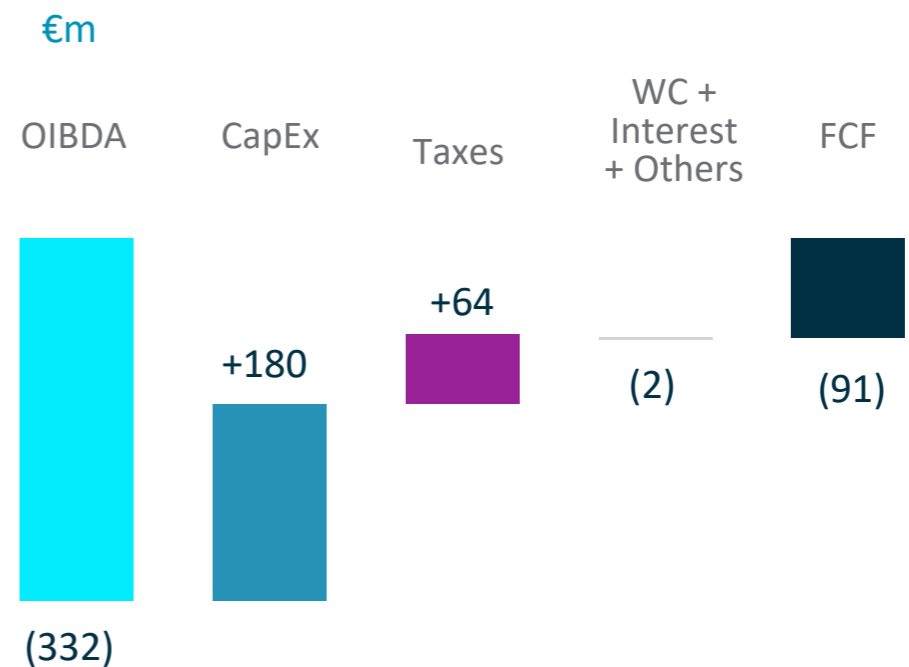
## FX headwinds



## -€332m FX impact at OIBDA down to -€91m at FCF

- Lower CapEx & taxes in local currency an offsetting factor
- FX evolution helping to reduce net debt (-€49m)

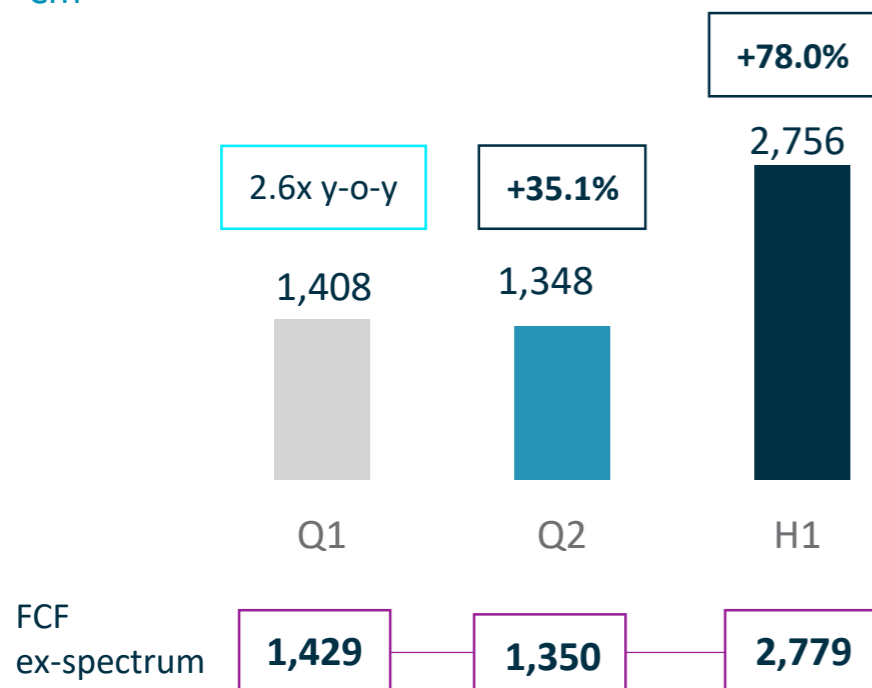
## FX impact in H1 FCF



# FCF generation remains strong

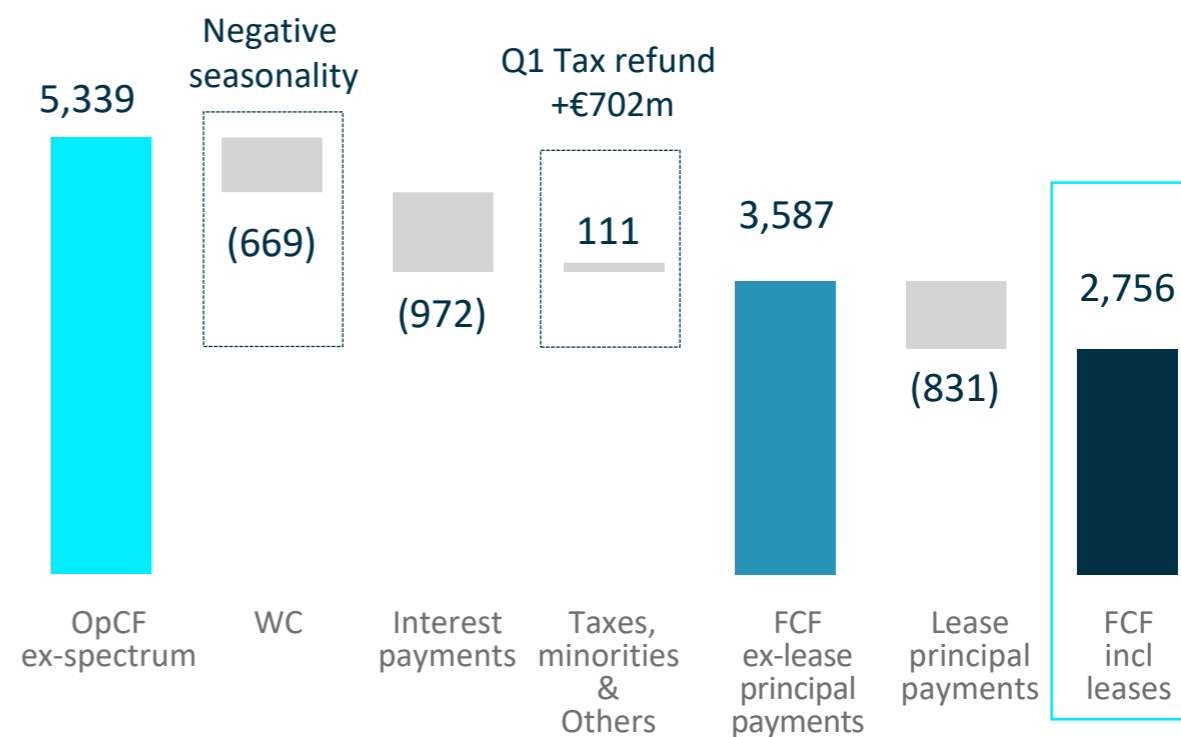
## 2019 FCF incl. lease principal payments

€m



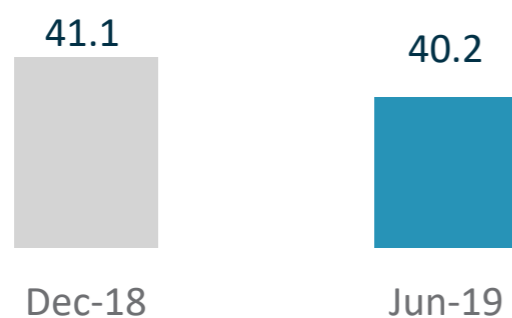
## FCF +€1,135m y-o-y

€m



## Deleverage through FCF

Net financial debt €bn



**FCF ex spectrum to improve in H2**

**FCF: sustainable driver for further deleverage**

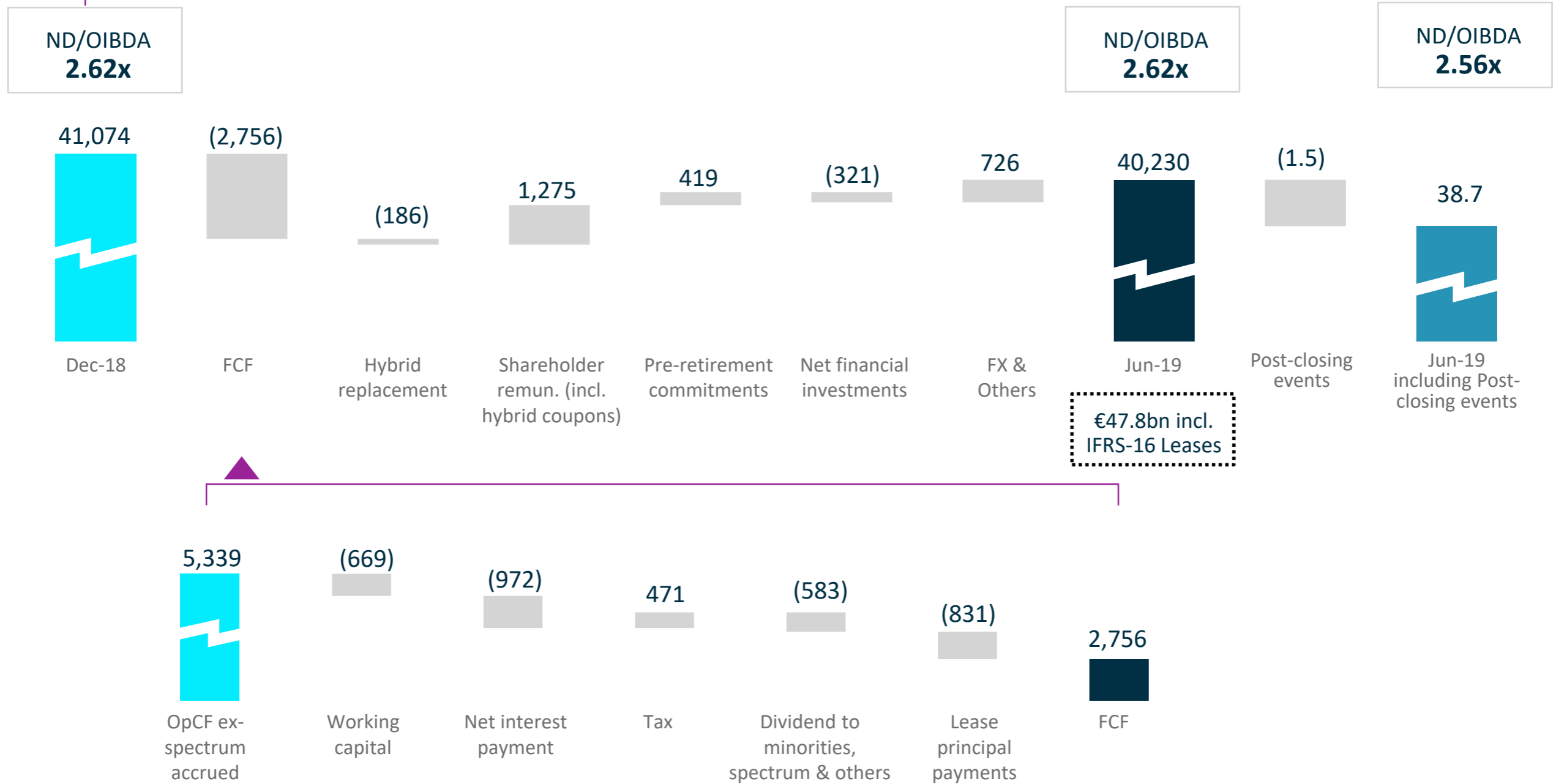
# Steady net debt reduction

## Net Financial Debt

€m

-844

€ billions

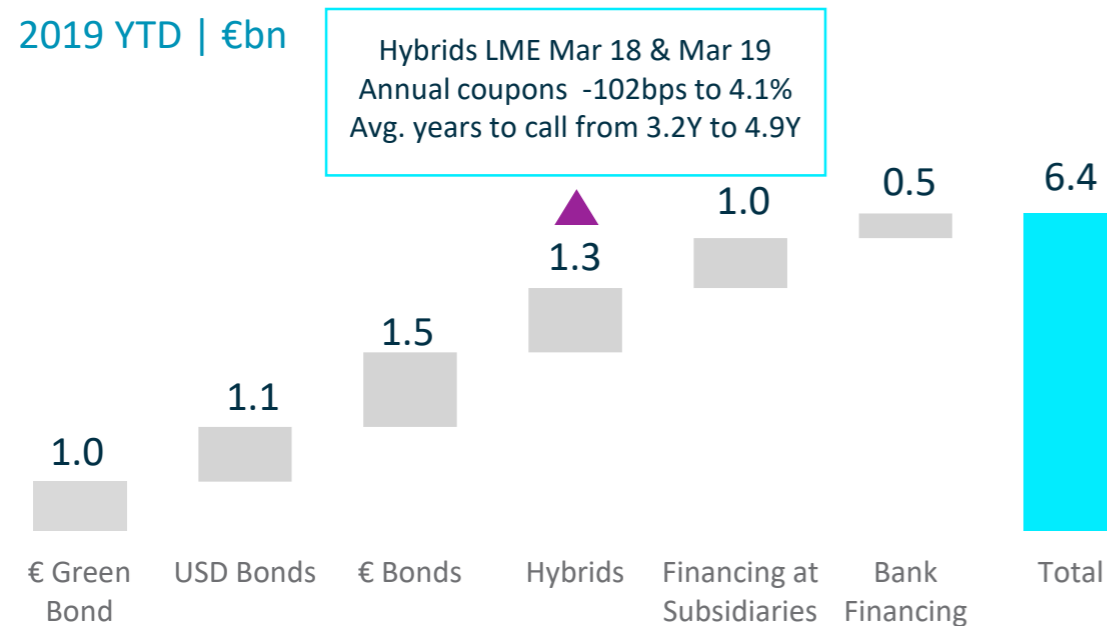


Post-closing events: sale of Telefónica Costa Rica, Telefónica Móviles Panamá, Telefónica Móviles El Salvador and Data Centers

# Strong liquidity thanks to attractive long-term financing

## Sources of long-term financing

2019 YTD | €bn



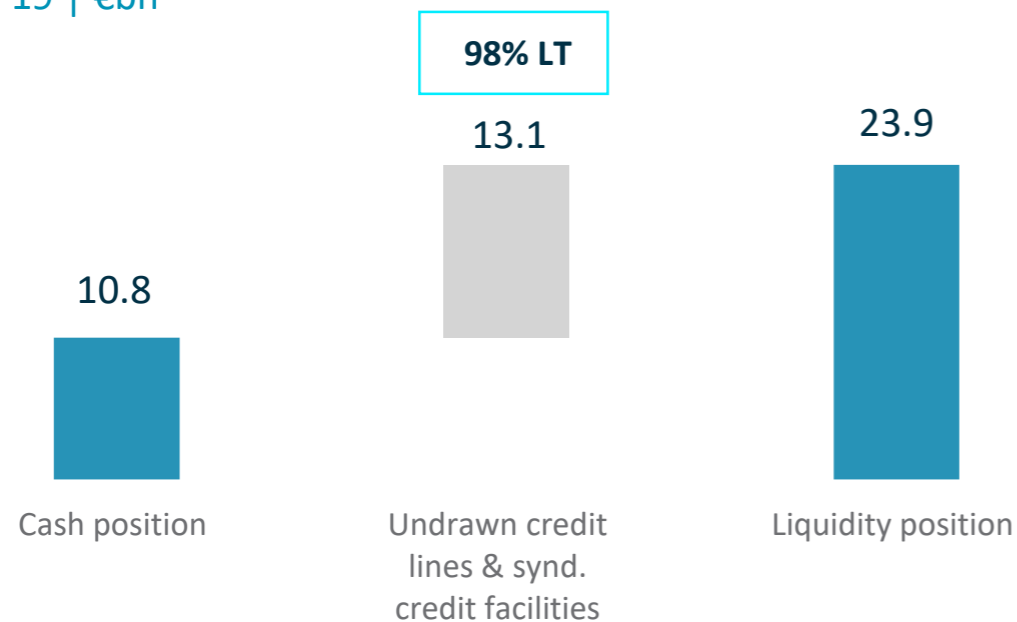
## Net Debt maturities

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



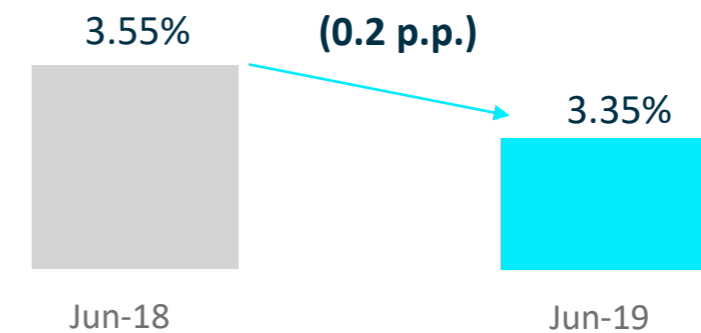
## Liquidity position

Jun-19 | €bn



## Interest payment costs

Jun-19



# Conclusion

Mr. José María Álvarez-Pallete  
Chairman & CEO



# Concluding remarks Q2 | Consistent trends

Excellent network leadership; world's largest UBB/FTTH footprint (ex-China)

Cov.  
UBB/FTTH 121m  
LTE 78%

Higher avg. revenue per access driving into continued earnings increase

Avg.  
Rev/Access +4.4%  
H1 EPS +12.0%

Digital transformation; accelerating customer impact whilst reducing costs

H1 45% of 2019E  
savings  
digitalisation

Good growth; profitable & sustainable

Revenue +3.7%  
OIBDA +1.6%

9th consecutive quarter of net debt reduction

Net Debt  
-€0.8Bn in H1

On track to meet 2019 guidance

# Telefonica

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For further information:

**Investor Relations**

Tel. +34 91 482 87 00

[ir@telefonica.com](mailto:ir@telefonica.com)

[www.telefonica.com/investors](http://www.telefonica.com/investors)

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