

Telefonica



Results

January - June

2020

Disclaimer

This document and any related conference call or webcast (including any related Q&A session) may contain forward-looking statements and information (hereinafter, the “Statements”) relating to the Telefónica Group (hereinafter, the "Company" or "Telefónica"). These Statements may include financial forecasts and estimates or statements regarding plans, objectives and expectations regarding matters, such as the customer base and its evolution, growth of the different business lines and of the global business, market share, possible acquisitions, divestitures or other transactions, the Company’s results and other aspects related to the activity and situation of the Company.

The Statements can be identified, in certain cases, through the use of words such as “forecast”, “expectation”, “anticipation”, “aspiration”, “purpose”, “belief” “may”, “will”, “would”, “could”, “plan”, “project” or similar expressions or variations of such expressions. These Statements reflect the current views of Telefónica with respect to future events, do not represent, by their own nature, any guarantee of future fulfilment, and are subject to risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such Statements. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Telefónica before the different supervisory authorities of the securities markets in which its shares are listed and, in particular, the Spanish National Securities Market Commission (CNMV). They also include risks relating to the effect of the COVID-19 pandemic on Telefónica’s business, financial condition, results of operations and/or cash flows.

Except as required by applicable law, Telefónica does not assume any obligation to publicly update the Statements to adapt them to events or circumstances taking place after the date hereof, including changes in the Company's business, changes in its business development strategy or any other circumstances.

This document and any related conference call or webcast (including any related Q&A session) may contain summarised, non-audited or non-GAAP financial information. The information contained herein and therein should therefore be considered as a whole and in conjunction with all the public information regarding the Company available, including any other documents released by the Company that may contain more detailed information. Information related to Alternative Performance Measures (APM) used in this presentation are included in Telefónica’s condensed consolidated interim financial statements and consolidated interim management report for the six-month period ended Jun 30, 2020 submitted to the CNMV, in Note 2, page 14 of the .pdf filed. Recipients of this document are invited to read it.

Neither this document nor any related conference call or webcast (including any related Q&A session) nor any of their contents constitute an offer to purchase, sale or exchange any security, a solicitation of any offer to purchase, sale or exchange any security, or a recommendation or advice regarding any security.

Key takeaways

Mr. José María Álvarez-Pallete
Chairman & CEO



Accelerated delivery of our strategic priorities

1

Core markets: Spain, Germany, UK and Brazil

- ✓ **Business resilience:** OIBDA-CapEx up 1.9% y-o-y in Q2 (organic); margin up 1.3 p.p. vs. Q2 19
- ✓ **Increased customer satisfaction:** record NPS
- ✓ **Enhanced position in the UK** through combination of O2 UK and Virgin Media
- ✓ **Aiming for consolidation in Brazil:** joint binding offer for Oi mobile assets submitted

2

Reduce exposure to Hispam

- ✓ **Business model optimisation:** OIBDA-CapEx up 10.2% in Q2 y-o-y organic
- ✓ **Reduced equity exposure and increased debt at local level.** FX impact largely neutralised
- ✓ **Progressing in all strategic options:** spin-off and inorganic alternatives

3

Telefonica Tech

- ✓ **Double digit revenue growth** despite COVID-19: +18.0% y-o-y organic in H1
- ✓ **Driving digital transformation** through strategic partnerships (Microsoft, Google Cloud, GE Healthcare...)
- ✓ **Business carve-outs well advanced**

4

Telefonica Infra

- ✓ Already one of the **world's largest telecommunication infrastructure companies**
- ✓ **Accelerated monetisation** of assets through Telxius €1.5Bn towers transaction with T. Deutschland
- ✓ **Proven track-record in managing infraCos:** Telxius scale doubled to 33k towers

5

New operating model

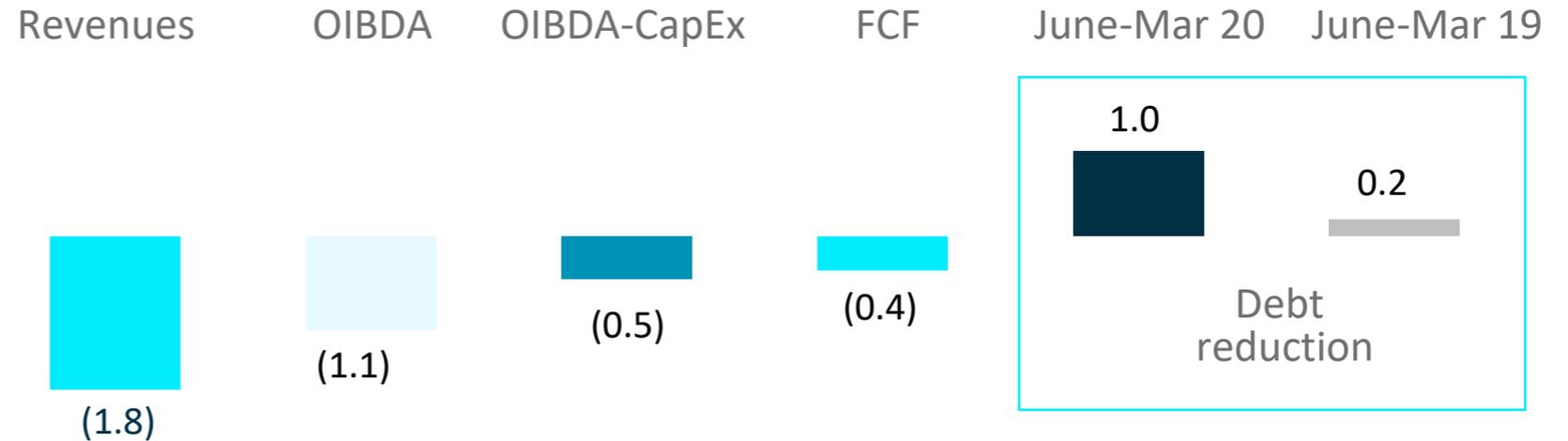
- ✓ **Sustained OIBDA-CapEx margin expansion:** +1 p.p. vs Q2 19 organic
- ✓ **Accelerating digitalisation processes, efficiencies, savings on headquarters...**

Swift and effective action in response to COVID-19

Efficiently managing unprecedented times:

- Absorbing a €1.8bn shock in revenues from COVID, FX & perimeter changes
- Debt reduction improved
- Dividend maintained

Q2 y-o-y (€bn)



Churn

2.6%

Q2

-0.1 p.p. q-o-q/ -0.4 y-o-y

NPS 4 core markets

24%

+0.4 p.p. y-o-y/+0.6 q-o-q

OpEx

(4.9%)

Q2 y-o-y organic

- Lower direct (handsets, roaming and TI) and commercial costs (advertising and commissions)
- Bad debt under control

CapEx

(22.3%)

Q2 y-o-y organic

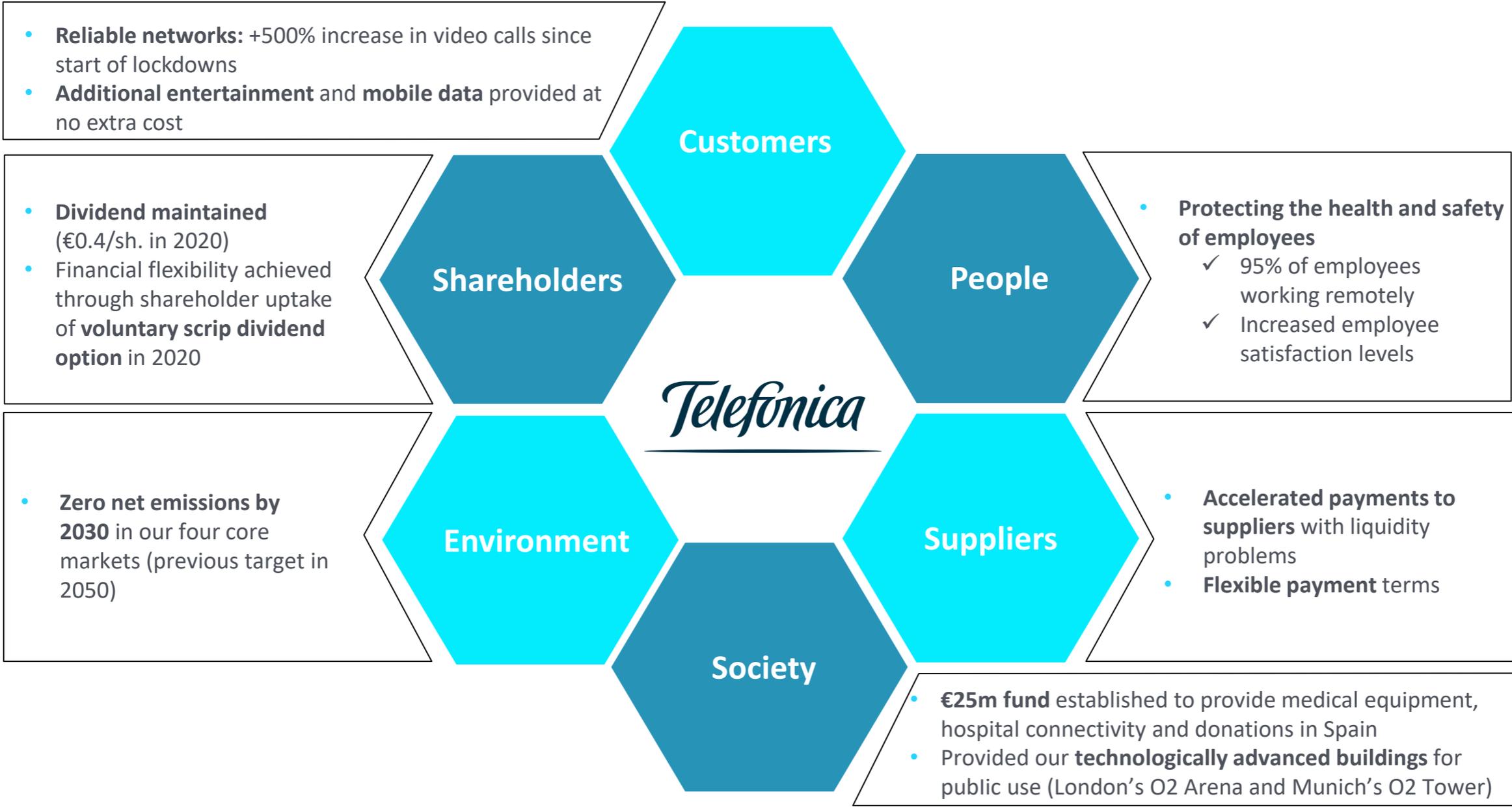
- CapEx prioritised and optimised in response to COVID-19 (mobile and UBB rollouts contained; commercial program and B2B projects lower)

50% CapEx in NGN
(FTTH + LTE/5G)

**Significant efficiency improvements and CapEx savings achieved,
Q2 OIBDA-CapEx flat y-o-y organic**

Swift and effective action in response to COVID-19

Supporting stakeholders



Leveraging our state-of-the-art infrastructure to support economic recovery across our markets

Q2 20 performance highlights

| Revenue y-o-y organic | OIBDA-CapEx y-o-y organic | (OIBDA-CapEx) /Revenues y-o-y organic | Net Debt |
|---|--|---|---|
| (3.8%) 4 core markets T. Group (5.6%) | +1.9% 4 core markets (>90% of T. Group €2.1Bn) T. Group (0.7%) | +1.3 p.p. 4 core markets T. Group +1.0 p.p. | (7.5%) y-o-y |
| <ul style="list-style-type: none">• Group UBB accesses +5.0% y-o-y• Leveraging network strength to maintain high customer loyalty• Q2 digital service revenues €1.7Bn | <ul style="list-style-type: none">• Effective operational management during the crisis | <ul style="list-style-type: none">• Strong focus on profitability• Proven execution skills | <ul style="list-style-type: none">• Continued debt reduction: down €1Bn vs Mar-20 |

2020 outlook and 0.4€ dividend maintained; notable recovery in commercial activity from Jun-20

2020 dividend and outlook reiterated; 2022 guidance confirmed

Stable and sustainable dividend reflects continuing resilience and strong liquidity

| | |
|----------------|-----------------------------|
| 2020 dividend | €0.40/share |
| Interim Dec-20 | €0.20/sh. (Voluntary Scrip) |
| Final Jun-21 | €0.20/sh. |

June payment: 63% of shareholders opted to receive new shares further enhancing financial flexibility (€371m paid in cash)

Significant operational flexibility to navigate current environment

| Financial targets (organic ex-contribution to growth from ARG) | 2020E | H1 |
|---|---------------------------|--------|
| OIBDA-CapEx | Slightly negative to flat | (2.3%) |

Strong management of OpEx and CapEx

Q2 20 Group results

Mr. Ángel Vilá
COO



Financial performance | Resilient performance in COVID-19 crisis

| € in millions | H1 20 | | | | Q2 20 | | | |
|---|----------|----------------|---------------|---|----------|----------------|---------------|---|
| | Reported | Reported y-o-y | Organic y-o-y | Organic y-o-y aggregated 4 core markets | Reported | Reported y-o-y | Organic y-o-y | Organic y-o-y aggregated 4 core markets |
| Revenues | 21,706 | (10.0%) | (3.5%) | (1.9%) | 10,340 | (14.8%) | (5.6%) | (3.8%) |
| OIBDA | 7,075 | (18.7%) | (5.9%) | (3.0%) | 3,315 | (25.3%) | (10.0%) | (6.6%) |
| OIBDA margin | 32.6% | (3.5 p.p.) | (0.9 p.p.) | (0.4 p.p.) | 32.1% | (4.5 p.p.) | (1.6 p.p.) | (1.1 p.p.) |
| OIBDA-CapEx (ex-spectrum) | 4,354 | (18.4%) | (2.3%) | 2.6% | 2,079 | (20.4%) | (0.7%) | 1.9% |
| OIBDA-CapEx / Revenues (ex-spectrum) | 20.1% | (2.1 p.p.) | 0.3 p.p. | 1.0 p.p. | 20.1% | (1.4 p.p.) | 1.0 p.p. | 1.3 p.p. |
| Net Income | 831 | (53.5%) | | | 425 | (50.7%) | | |
| EPS (€) | 0.13 | (58.1%) | | | 0.07 | (54.0%) | | |
| FCF (incl. leases principal payments) | 1,222 | (55.7%) | | | 988 | (26.6%) | | |
| Net Financial Debt ex- leases | 37,201 | (7.5%) | | | | | | |

COVID-19 impacts (estimated and aprox.)

| € (m) | Q2 | H1 |
|----------|-------|-------|
| Revenues | (729) | (806) |
| OIBDA | (338) | (371) |

FX impacts

| € (m) | Q2 | H1 |
|----------|-------|---------|
| Revenues | (791) | (1,176) |
| OIBDA | (297) | (448) |

Argentina goodwill impairment

| € (m) | Q2 |
|-------|-------|
| OIBDA | (109) |

COVID-19 | Financial and operational impacts

First full quarter of COVID-19 impact; recovery underway from Jun-20

Q2 revenue impact –(€729m)
-6.1 p.p. to organic y-o-y

Q2 OIBDA –(€338m)
-7.8 p.p. to organic y-o-y

Impacts and challenges

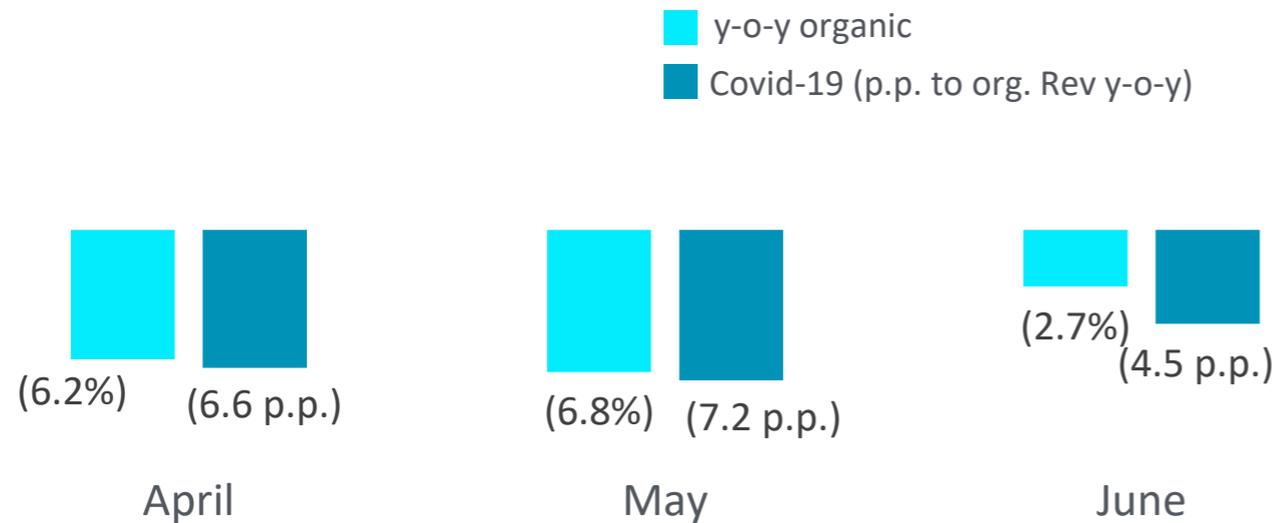
- **Revenues**
 - Handset sales decline due to lockdown
 - Service revenue decline driven by reduced commercial activity (mobile prepaid), B2B and SMEs revenues and roaming in/ out decline
- **B2C: Discounted tariffs**
 - Discounting for bars, other premises during La Liga football suspension (Spain)
- **B2B: lower IT projects**
 - Promotions
 - Contract renegotiations
 - **B2B revenue** of €4.3Bn in H1 (-3.0% y-o-y organic)

Strengths and opportunities

- **Rigorous expense management**
 - Reduction in direct and commercial expenses
- **Improved customer loyalty**
 - Churn level improved by -0.4 p.p. y-o-y
- **Resilient network performance**
- **CapEx savings**
- **Digital adoption accelerated**
 - Digital channel mix at 39% across 4 core markets (up 12 p.p. vs Q1)
 - Active users of on-line channels up 47% y-o-y in “Meu VIVO”
- **Sharp recovery in post-lockdown markets**
 - Strong resurgence in commercial activity (stores re-opening)
- **Huge B2B opportunity**
 - Underlying demand increasing for Cloud, Cyber, IoT, eHealth

Revenue | Notable improvement from June 2020

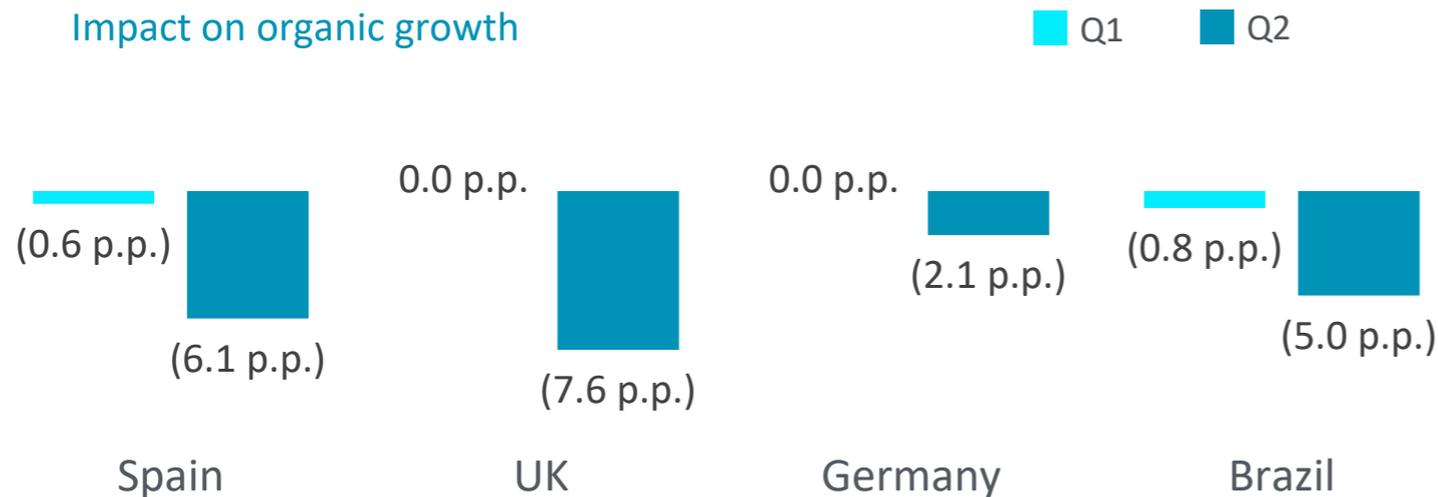
Spain revenues



- ✓ Clear signs of recovery in Spain from June
- ✓ May was the worst affected month by COVID-19
- ✓ Operating trends remain positive ex-COVID-19

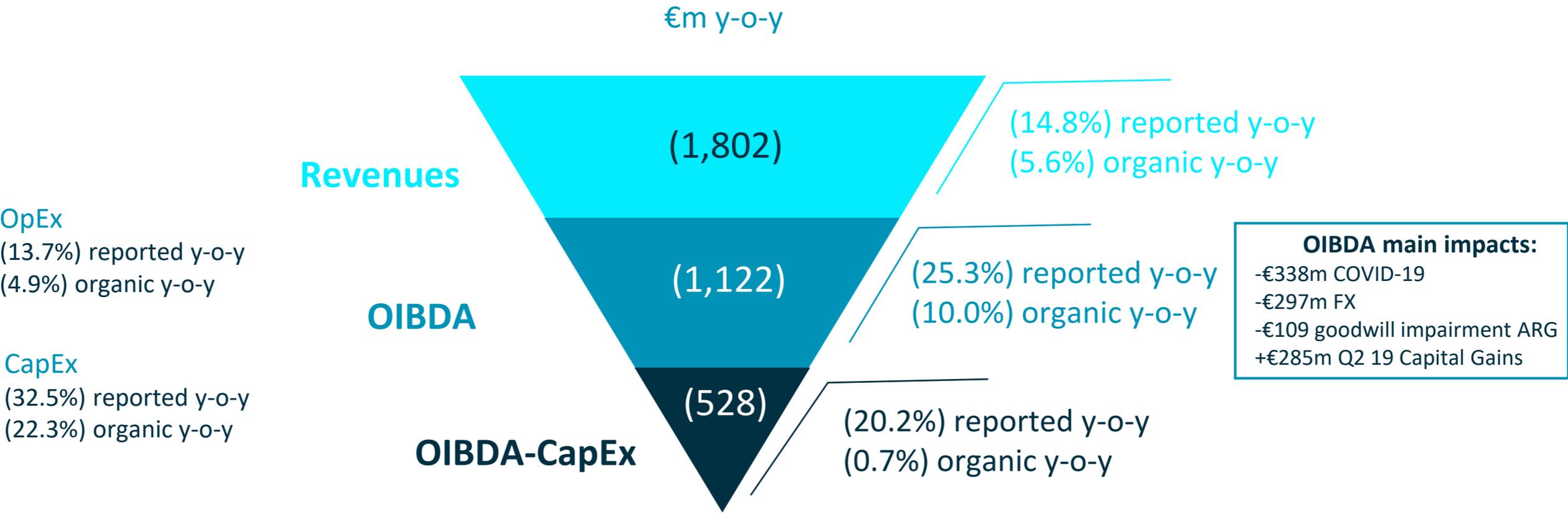
COVID-19 impact on revenues

Impact on organic growth



- ✓ Gradual lifting of COVID-19 restrictions
- ✓ Looking ahead intention to leverage our capabilities and infrastructure to capitalise on changing and accelerating trends in IoT, Big Data, ICT,...

Q2 y-o-y declines reducing from top to bottom

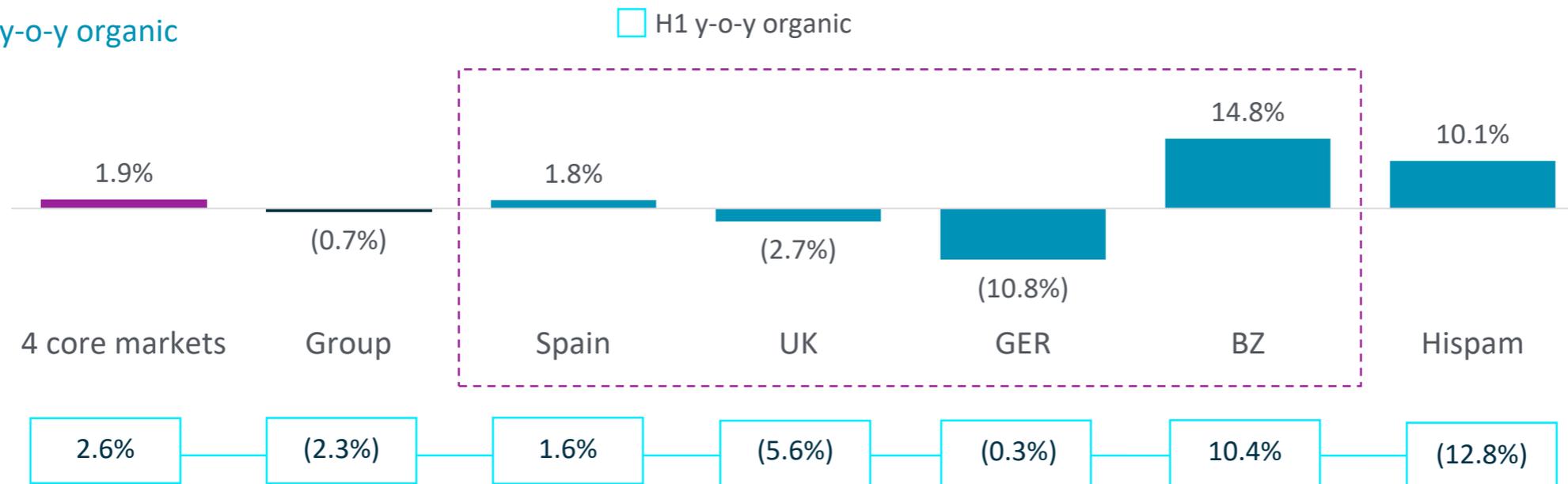


Demonstrate resilience of the business during the deepest economic crisis in this century

Execution skills | Moving at pace on operational management

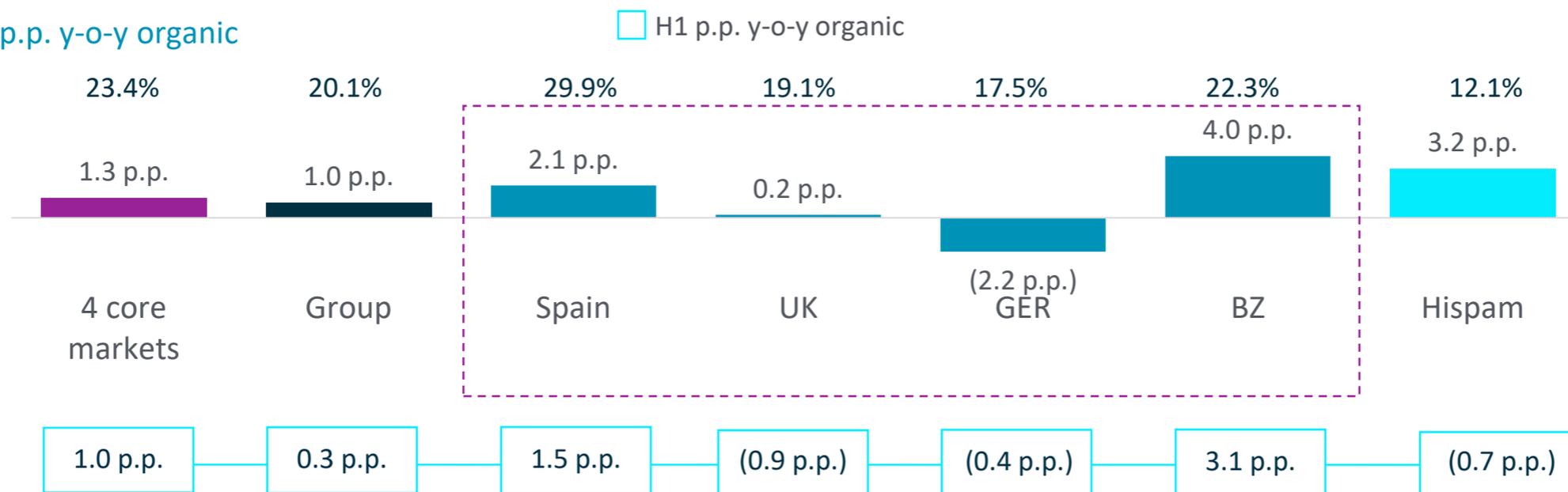
Q2 20 OIBDA-CapEx

y-o-y organic



Q2 (OIBDA-CapEx)/Revenues

p.p. y-o-y organic



Q2 20 segments results

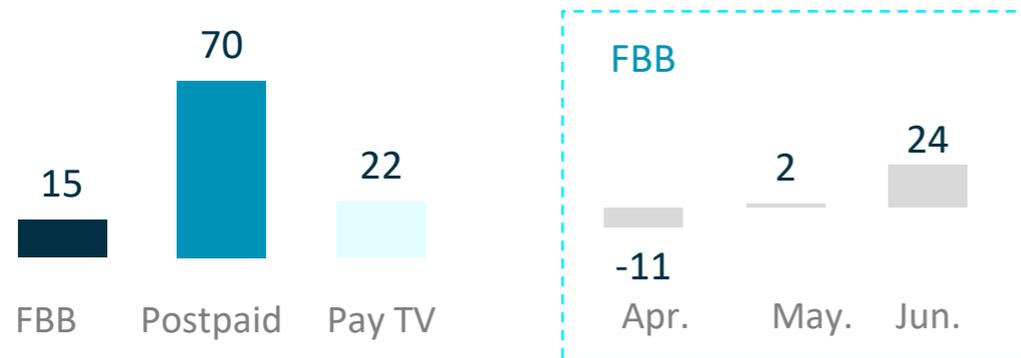
Mr. Ángel Vilá
COO



Spain | Resilient commercial activity

Positive net adds

Accesses (k)



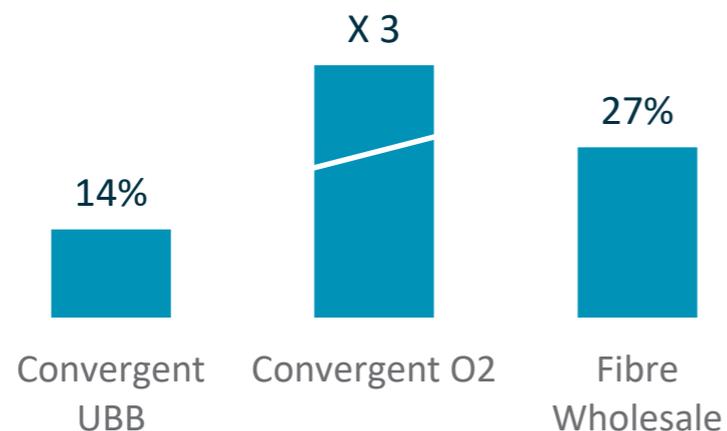
Strong uptake of refreshed offering; improvement throughout Q2

Performance and COVID-19 response

- ✓ Responding to employees, communities and society first
- ✓ Clear signs of recovery; leveraging football rights
 - 100% of stores open by Jun (16% in Mar)
 - >50% consumer football downgrades recovered
- ✓ Superior offering in both retail and wholesale
 - Combined growth in different cluster thanks to our smart segmentation
 - Ongoing migration to fibre (63% of wholesale base)
- ✓ Resilient convergent platform
 - In Q2 20 ARPU -2.3% y-o-y on exceptional effects of COVID-19
 - Churn below FY 19 levels despite normalised activity

Growth across segments

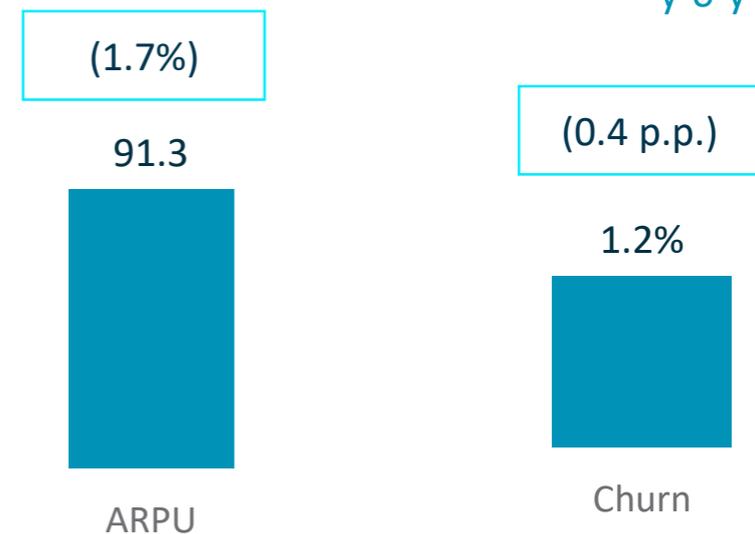
Jun- y-o-y



Convergent KPIs

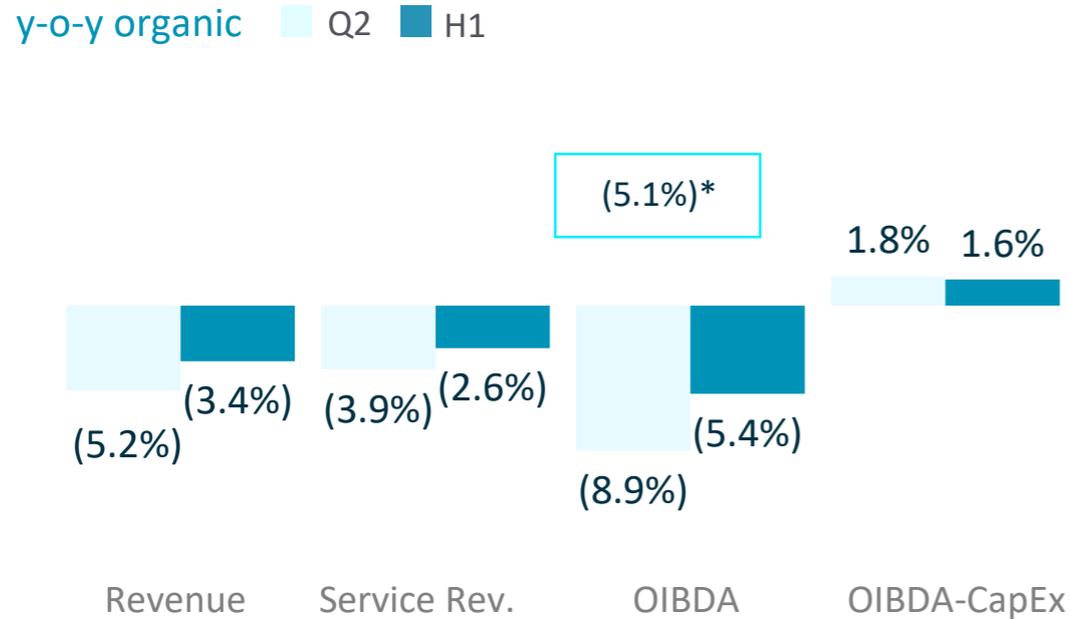
H1

y-o-y organic

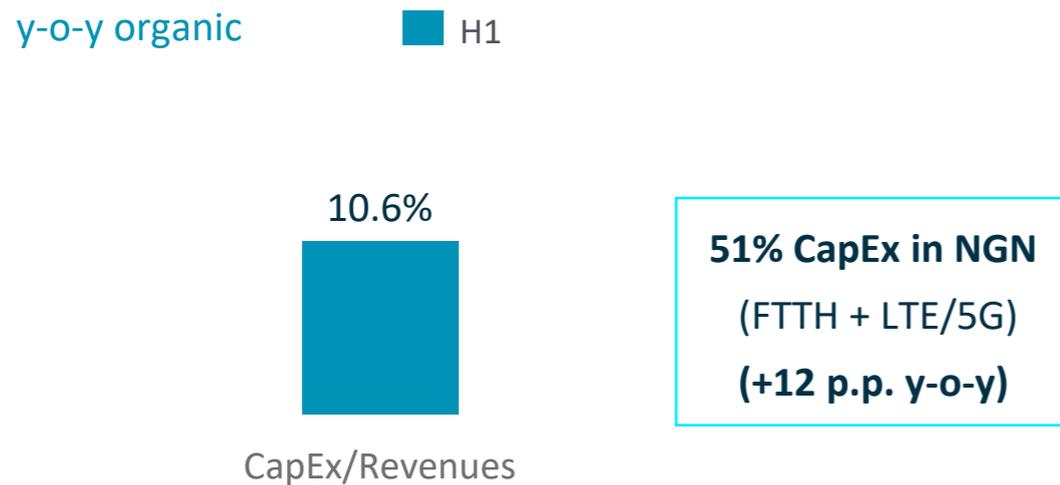


Spain | Resilient Cash Flow generation

Key financials



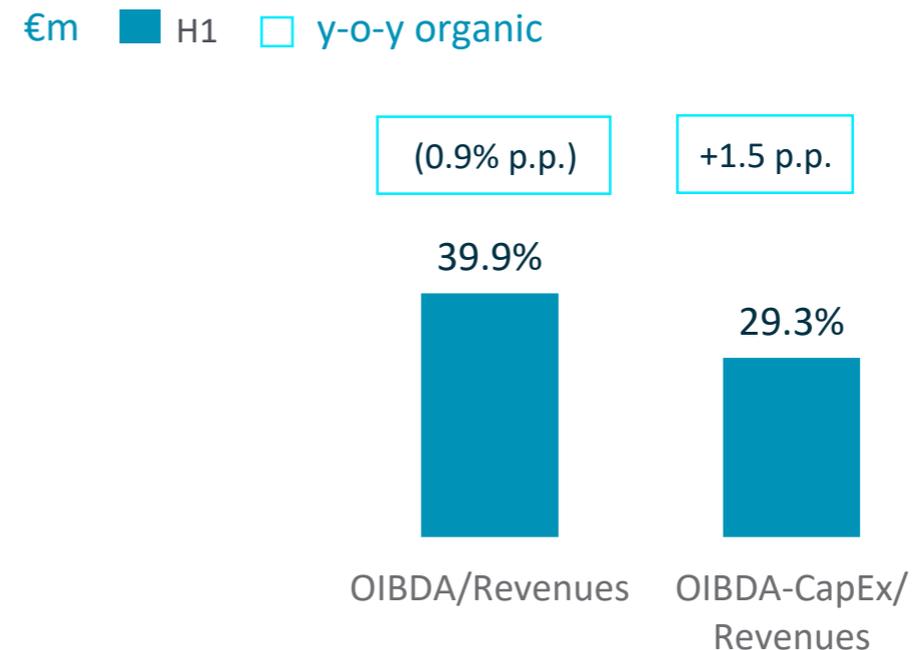
CapEx on growth



Performance and COVID-19 response

- ✓ **60% of impact on revenue offset at OIBDA level; >80% at OpCF level**
 - Lower equipment, commercial and content cost
 - CapEx prioritisation maintaining investment for growth
- ✓ **Resilient and sustainable revenue streams**
 - Very positive quarter in IT; digitalisation needs on the rise
 - Wholesale supported by largest and best managed FTTH network and new agreements
 - +3.3% y-o-y in Q2 20 accounting for 18% of service revenue
- ✓ **Cash conversion benchmark**
 - OIBDA-CapEx/ Revenue at record levels

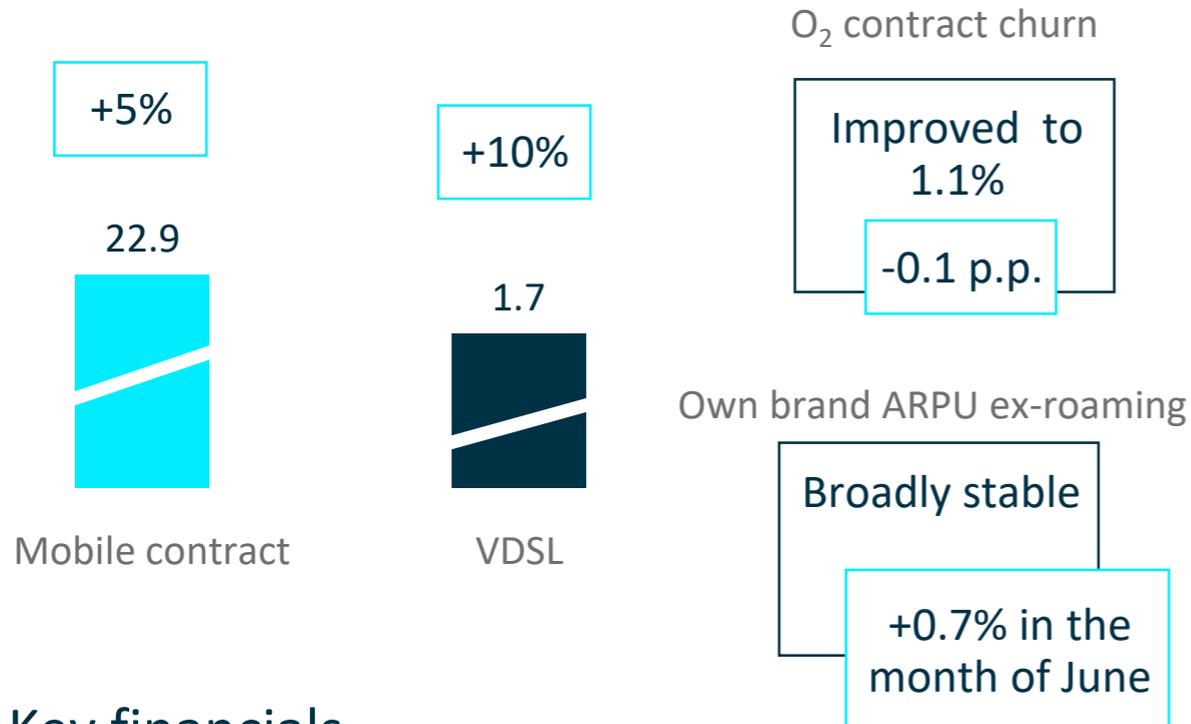
Cash generation



Germany | Solid operational performance despite COVID-19

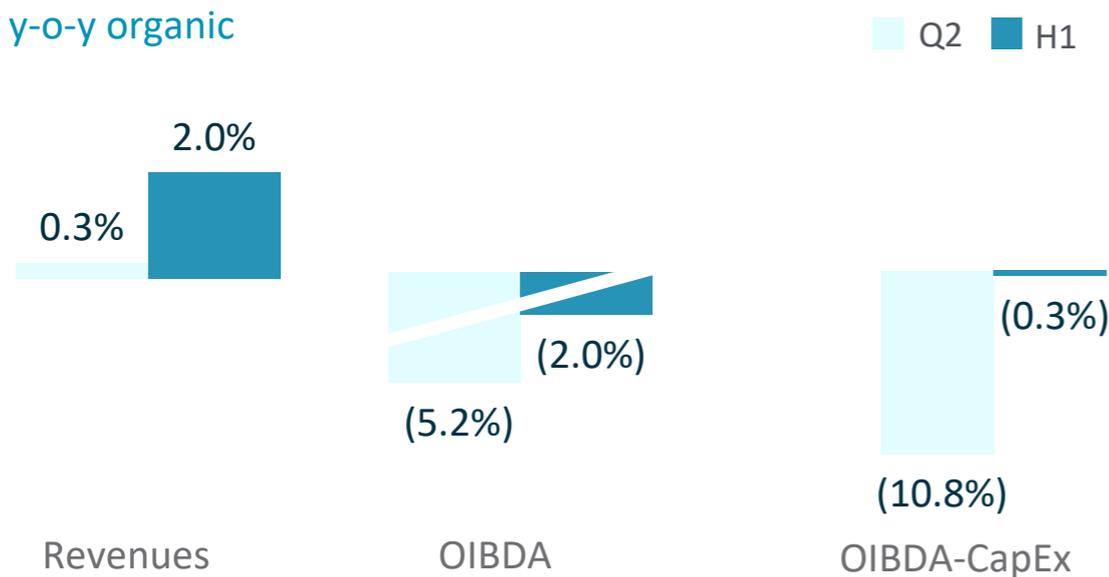
Momentum at O₂ - ARPU-accretive effects

Accesses (m, y-o-y)



Key financials

y-o-y organic

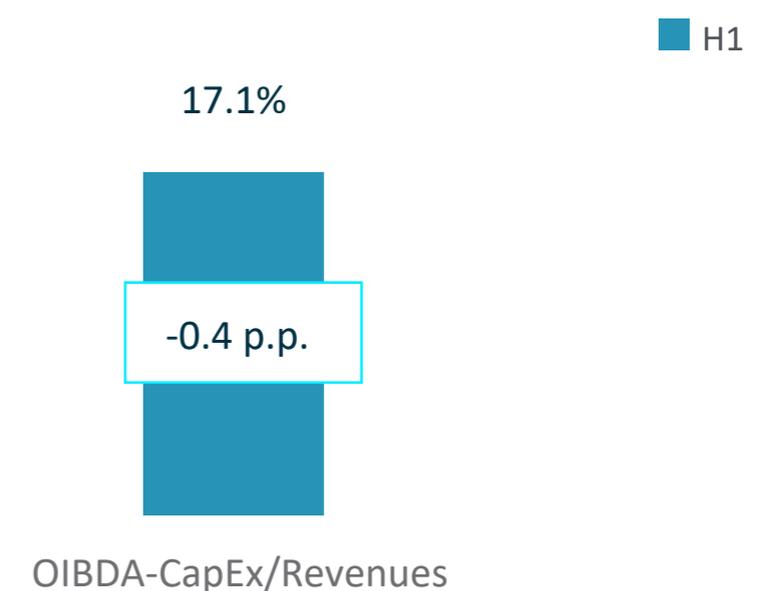


Key milestones

- ✓ Gradual recovery of trading momentum, prepaid dynamics and roaming post lockdown
- ✓ ~10,000 sites sold to Telxius for €1.5bn - enhancing financial flexibility and further strengthening balance sheet
- ✓ O₂ winning further industry awards:
 - "Very good" rating in 2020 Connect Magazine Fixed Network Test
 - Best MNO in Telekom Handel's reader's choice awards
- ✓ COVID-19 impacts and other non-recurrent special factors:
 - Revenue ~ (-€60m)
 - OIBDA ~ (-€40m)

Robust profitability and cash generation

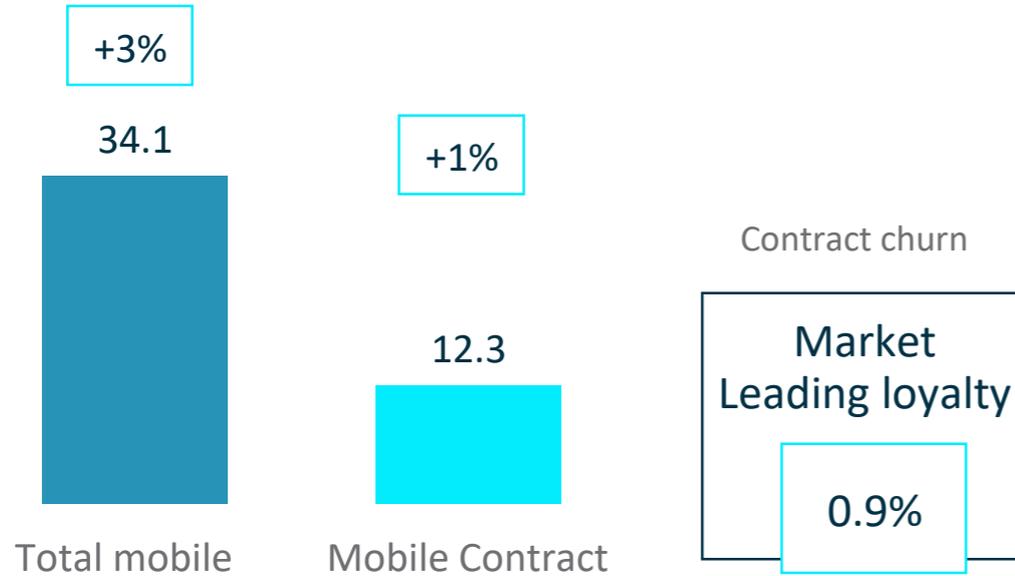
y-o-y organic



UK | Resilient performance

Customer base

Accesses (m; y-o-y)



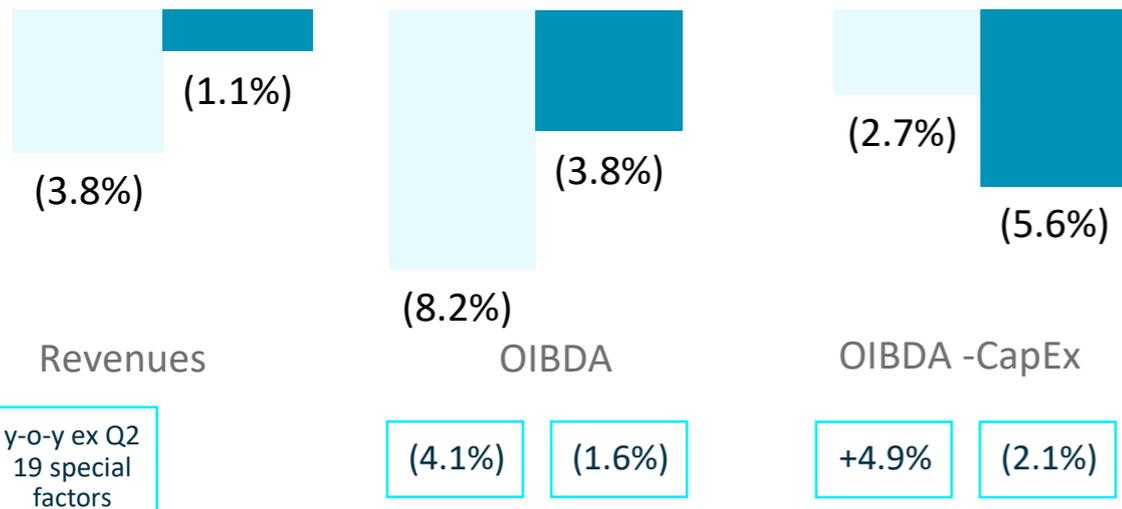
Performance and COVID-19 response

- ✓ Largest UK network
- ✓ Network voice and data resilience
- ✓ Enhanced direct trading resulting in lower commercial costs
- ✓ Q2 COVID-19 impacts: revenue (€130m); OIBDA (€62m)
 - Primarily related to roaming and calls (reduced prepay base and lower activity)

Key financials

y-o-y organic

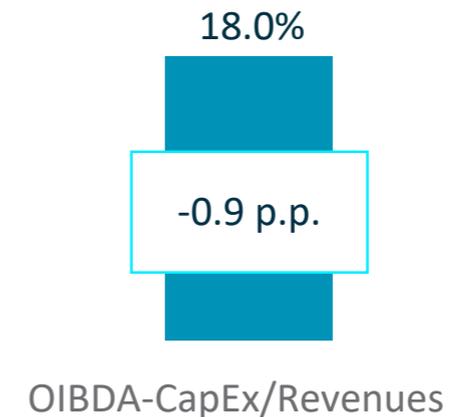
Q2 H1



Profitability and cash generation

y-o-y organic

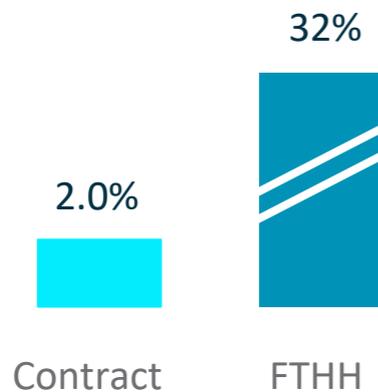
H1



Brazil | Resilient cash generation despite COVID-19 impacts

Growth in value accesses: Improving mix

Accesses (y-o-y)



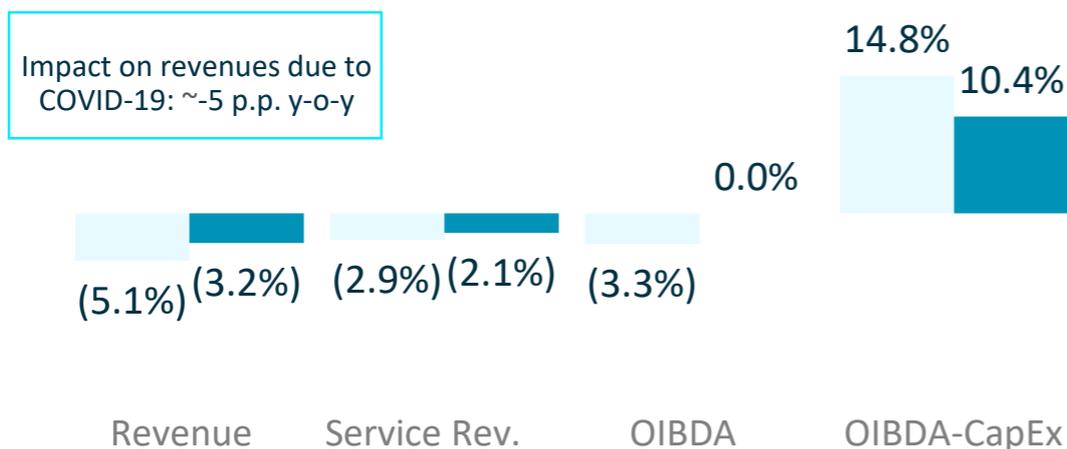
Resilient business

- ✓ **Improved commercial trading** since June; gradual opening of stores: +73% contract gross adds in June vs. April
- ✓ **Digital channels boost:** Share of digital top-ups increased 6 p.p. y-o-y to 31%
- ✓ **Highest ever monthly FTTH net adds** in June accelerating business transformation
- ✓ **Prepaid revenues broadly flat y-o-y in June**

Key financials

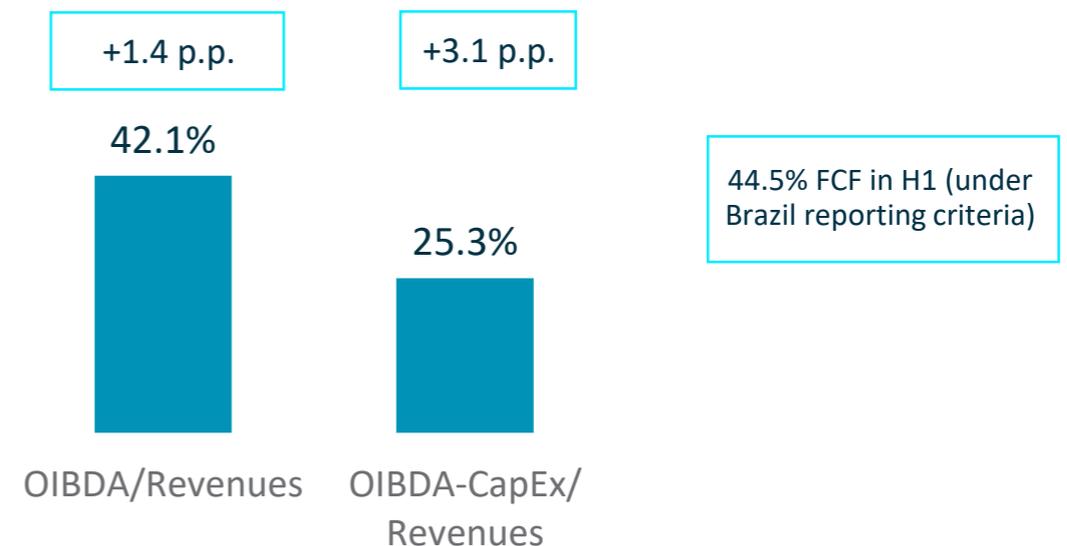
Q2 y-o-y organic

Q2 H1



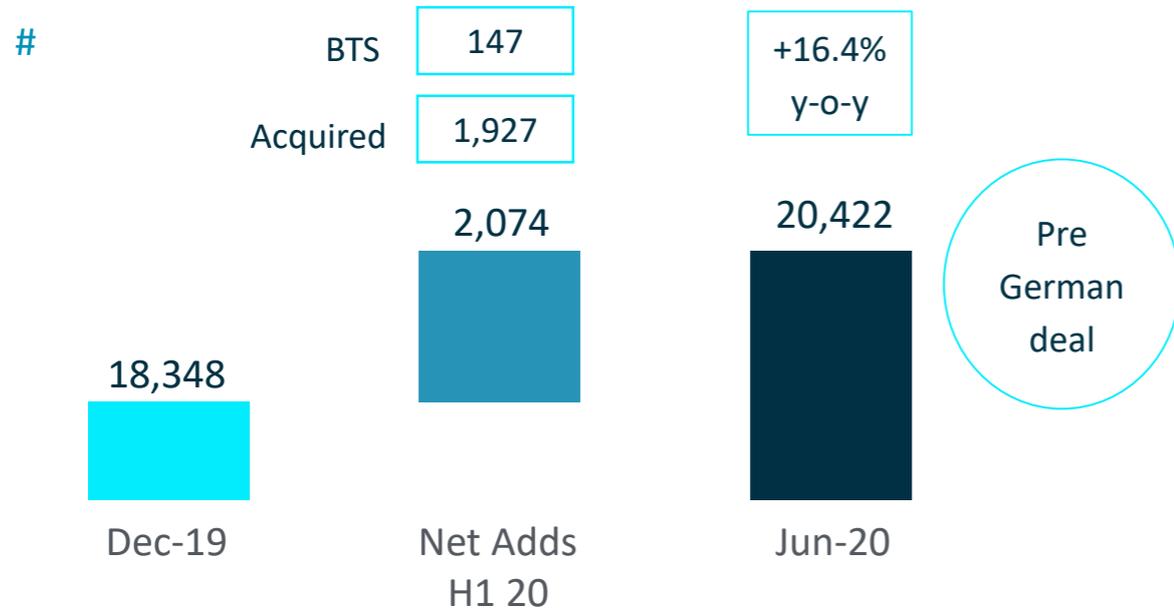
Profitability and cash generation

H1 y-o-y organic

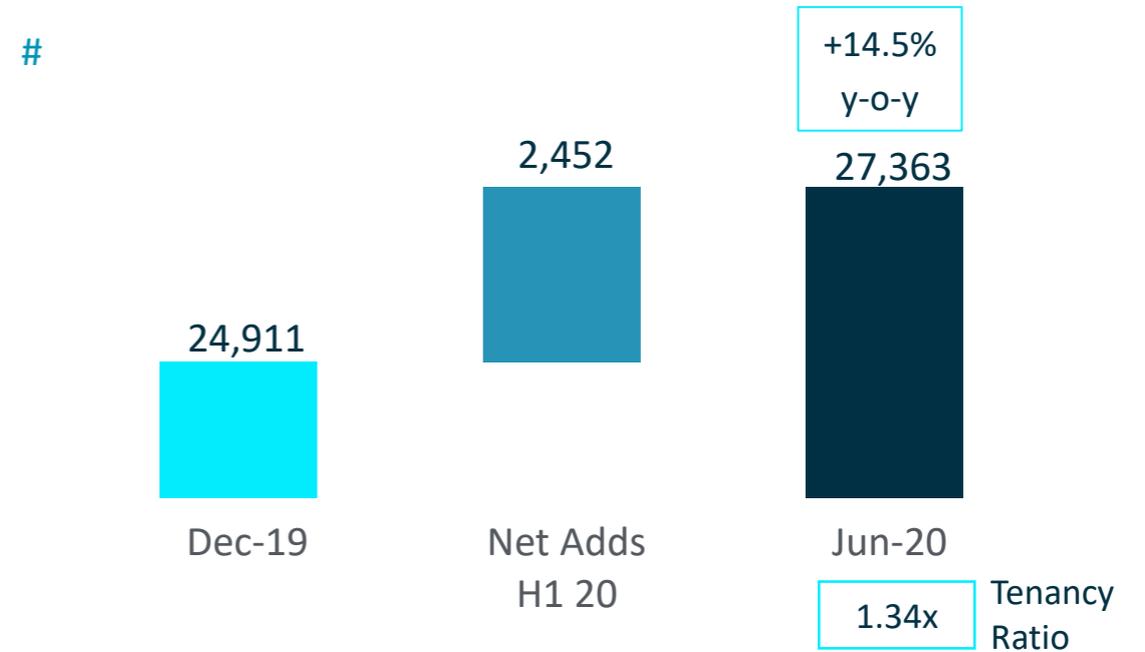


Infra | Telxius accelerating growth and tower expansion

Sites | Doubling scale since creation



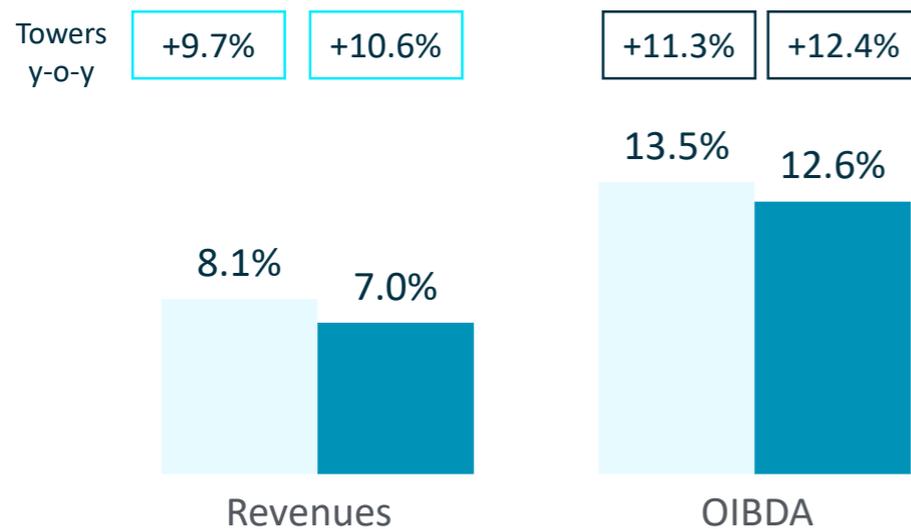
Tenants



Revenues and OIBDA ⁽¹⁾

y-o-y organic

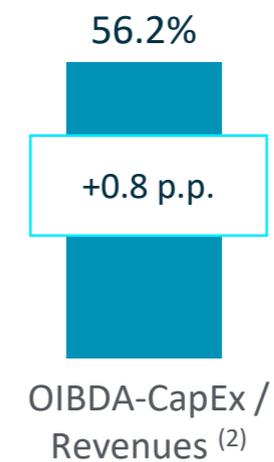
Q2 H1



Profitability and Cash generation ⁽¹⁾

y-o-y organic

H1



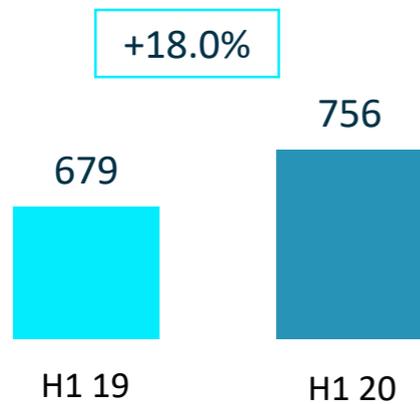
(1) Ex-capacity sale in H1 19 in cable (Marea)

(2) Excluding M&A CapEx from inorganic operations in H1 20 (acquisition of towers in Brazil and Peru and real estate usufruct rights)

Tech | Driving growth

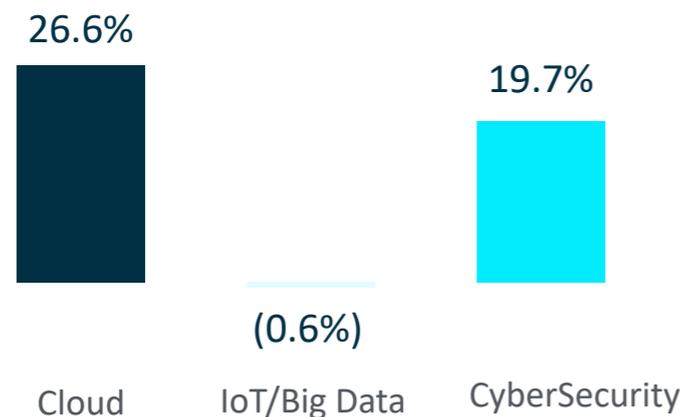
An increasingly important growth engine

T. Tech revenues y-o-y organic



Operational highlights

T. Tech revenues; H1 y-o-y organic



- ✓ **COVID-19 impact in B2B revenues largely mitigated**
 - Corporate (60% of H1 revs) less impacted than SMEs
- ✓ **Tech services essential for remote working**
 - Strengthen on-line channels and productivity tools
 - Dynamic network demand
 - Increasing need for digital information and personal security

Cloud

- **Public Cloud Hub for Southern Europe in Spain** (Microsoft, Google, SAP)
- **Evolving portfolio** (H1 Cloud PBX & Meetings rev. +28% y-o-y)
- H1 +62% SaaS revenue y-o-y; +20% IaaS

IoT & Big Data

- **Unique integrated value** proposition
- **New post-COVID-19 solutions** for sectors (retail, tourism)
- Revenues impacted by project Interruptions due to lockdown

Cybersecurity

- **Reinforced global alliances** (Google, Amazon, Checkpoint, Palo Alto Networks, Fortinet)
- **12 SOCs unified**
- Strong performance in PA, Financial and Energy

Q2 20 Results

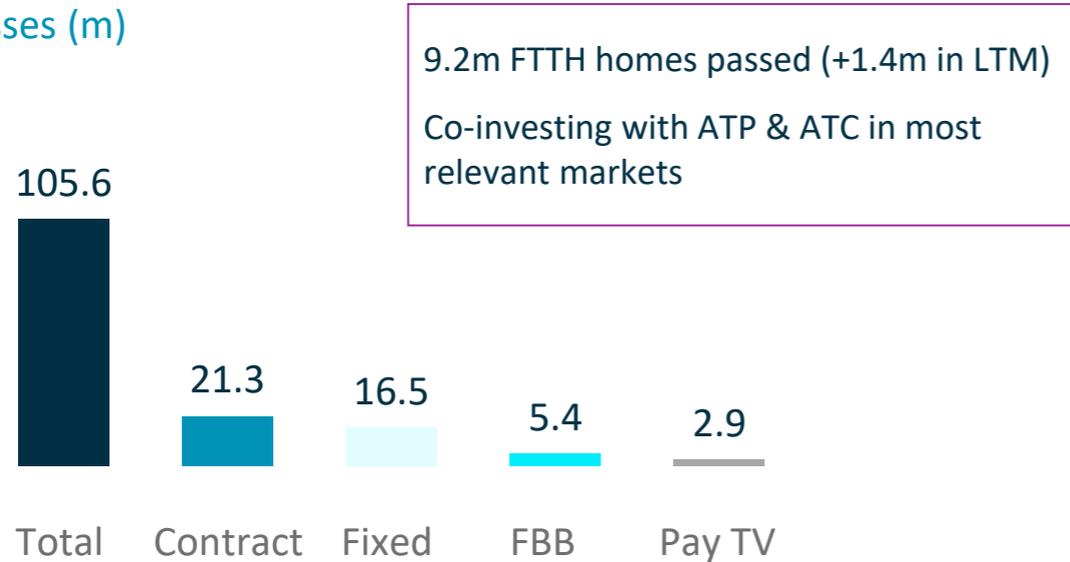
Ms. Laura Abasolo
CFCO



Hispam | Transformation to Fibre; Focus on profitability

Large accesses base

Accesses (m)

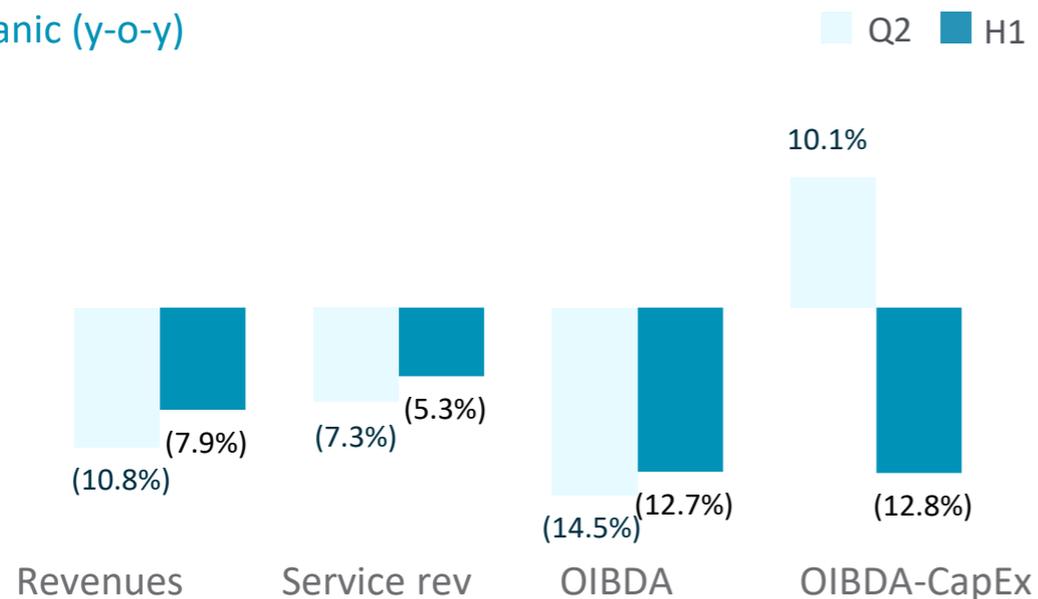


Better trends since June

- ✓ **Higher COVID-19 impact vs other regions:** greater exposure to handset sales and prepaid
- ✓ **Commercial recovery since June:** active prepaid accesses: +12% vs. April
- ✓ **E-commerce sales increased +51%** in Jun vs Feb reaching ~1/3 of total sales (x2 vs Feb)
- ✓ **Positive UBB performance** (higher demand vs. pre COVID-19): 88k Q2 net adds, x2 q-o-q
- ✓ **Positive service revenue growth in COL** (Q2: +1.5% y-o-y)
- ✓ **Transformation model in MEX is paying off:** OIBDA continues growing (Q2: +6.1% y-o-y)

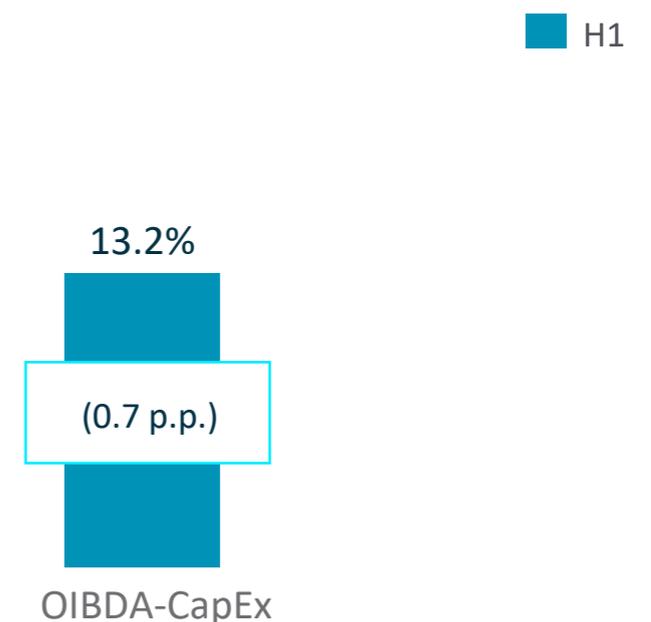
Key financials

Organic (y-o-y)



Profitability and cash generation

Organic y-o-y



Foreign exchange | Managing impact on FCF

Limited FX impact on FCF through effective hedging strategy

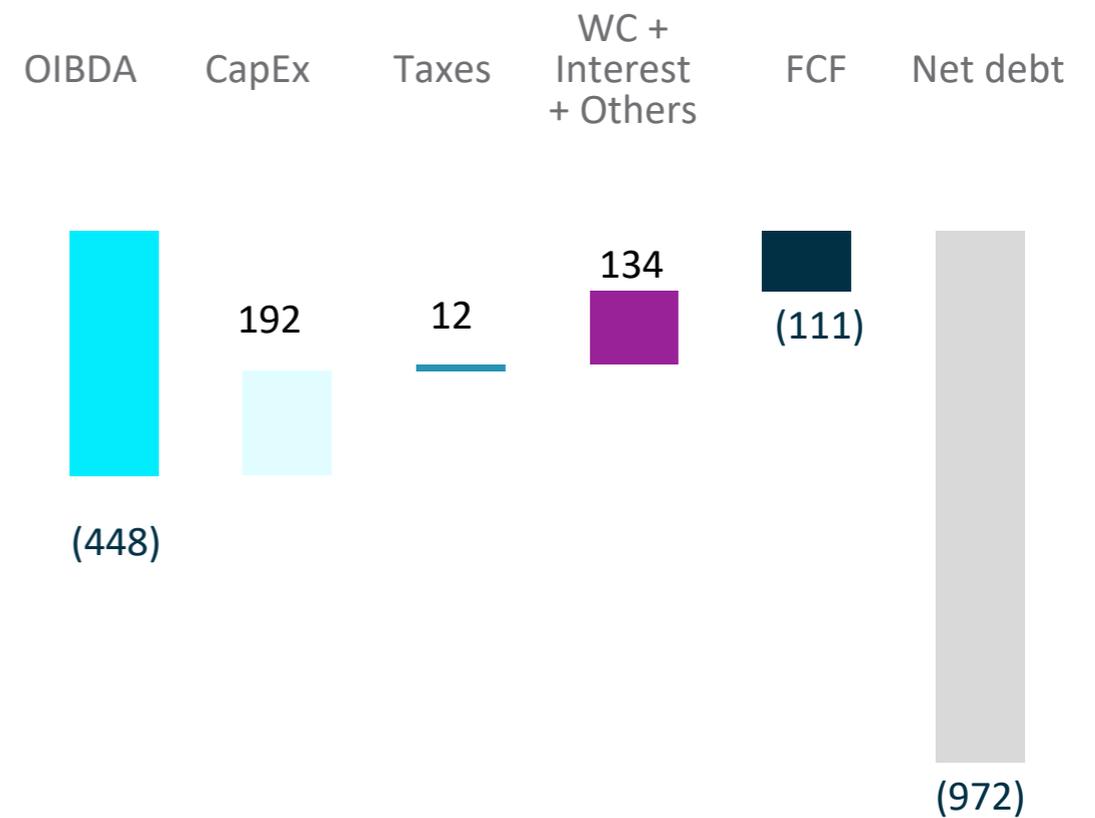
Revenue and OIBDA affected by unfavorable foreign exchange movements

y-o-y

- ✓ **Revenue:** Q2 -6.5 p.p.; H1 -4.9 p.p.
- ✓ **OIBDA:** Q2 -6.7 p.p.; H1 -5.1 p.p.
- ✓ **FX effect** increased in Q2 mainly due to BRL
- ✓ -€448m **OIBDA** impact reduced to -€111m of **FCF** in H1
- ✓ **Net debt** reduced by €972m in H1
 - Net debt + leases -€1,667m

H1 20 currency translation impact

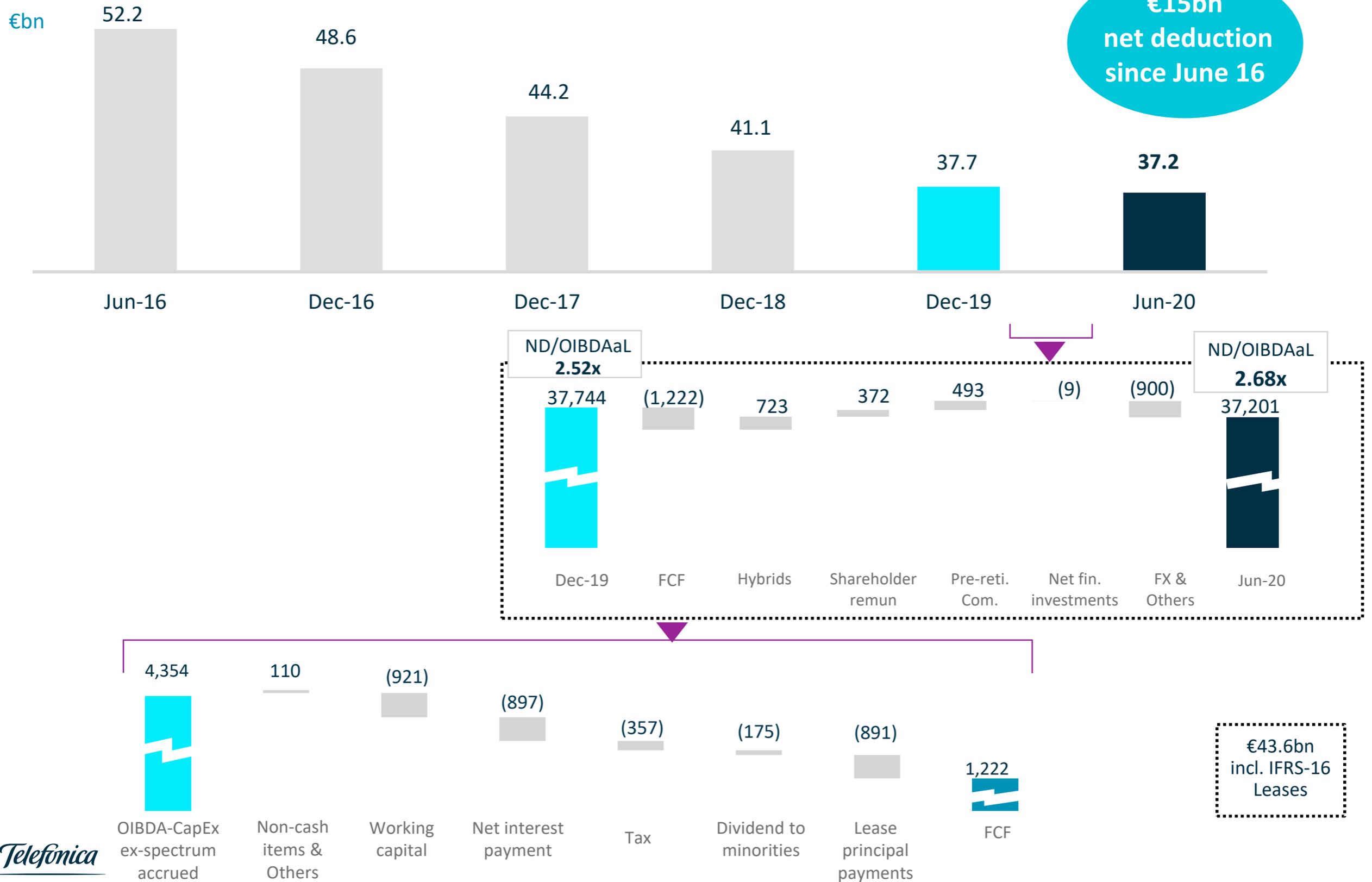
€m



-€1,667m Net Debt+Leases

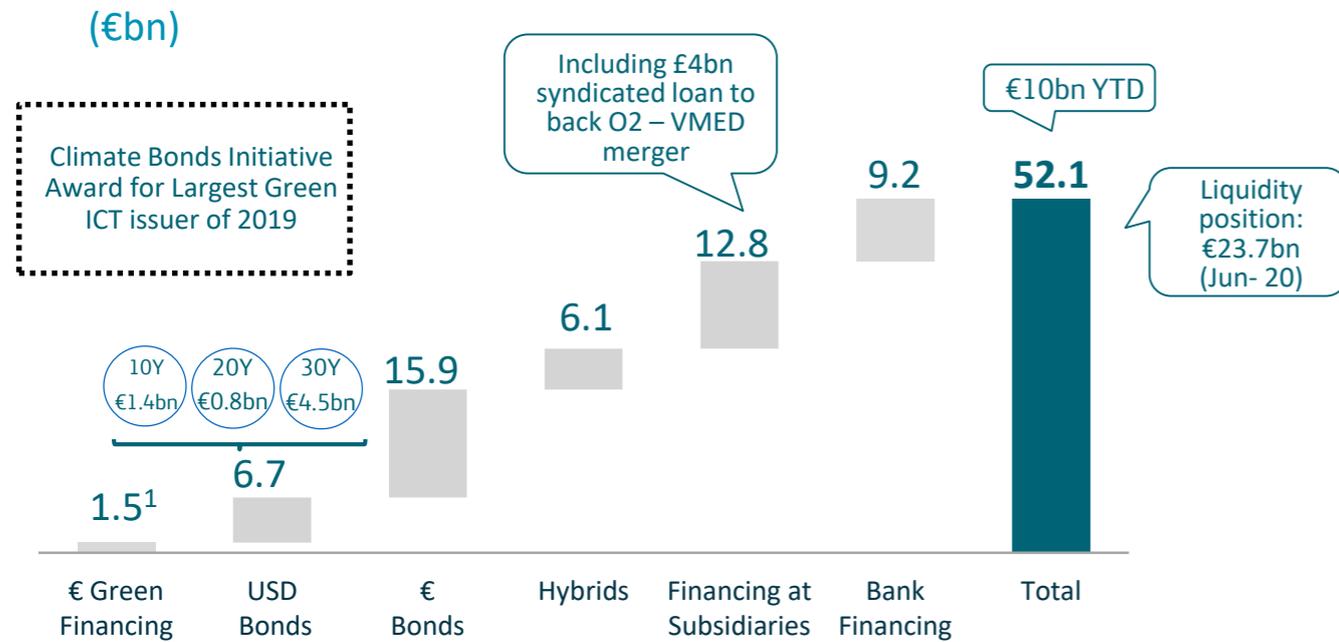
Debt | Clear focus on continuous debt reduction

Net Financial Debt

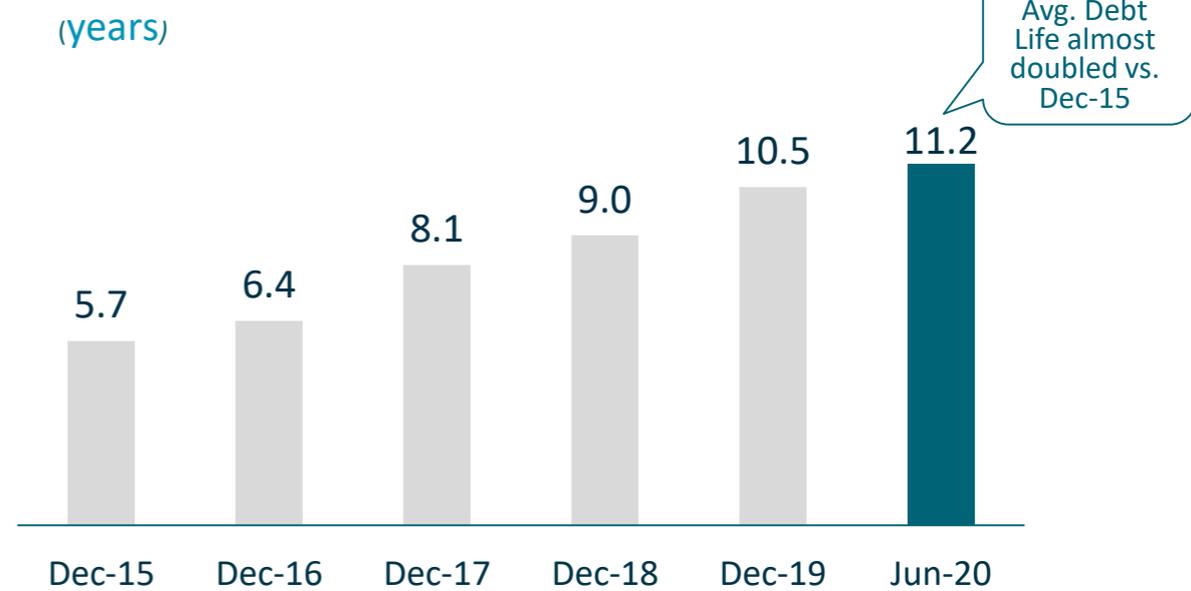


De-risked balance sheet: debt cut and termed out with lower financial payments

Sources of long-term financing (2016 to 2020 YTD)

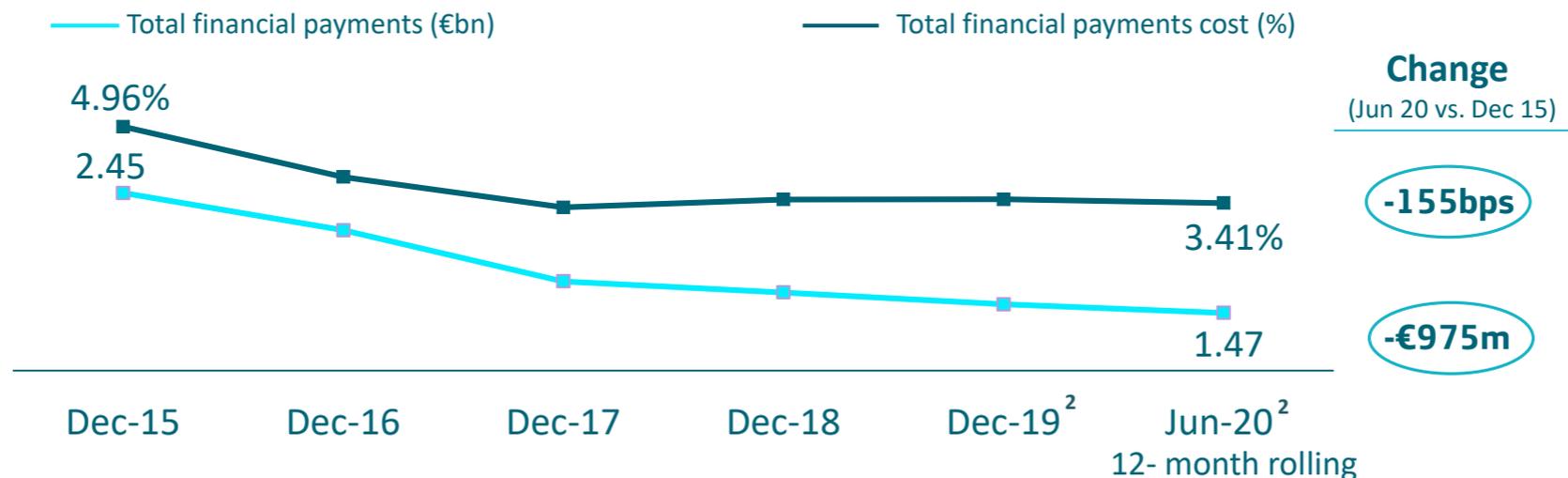


Average Debt Life



Total Financial Payments and Interest Cost

In early July, TEF issued a €500m senior 20-Y bond; coupon of 1.86% or 9bps below similar transaction in July 2019



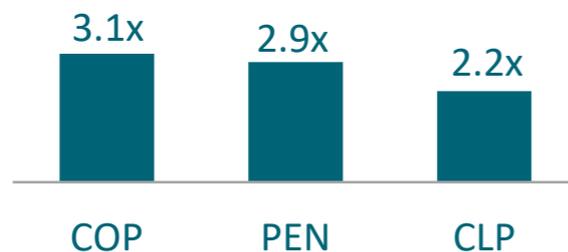
1. Includes the €1,000M senior bond & €500M green hybrid
2. Ex-IFRS16

De-risked balance sheet: lower HISPAM equity exposure and changed FX mix

REDUCING CAPITAL EMPLOYED AND EQUITY IN HISPAM

- HISPAM current situation:
 - CAM assets sold
 - Current avg. CE nearly 20% of TEF Group
 - Net Financial Debt+Leases of ~€4bn in Hispam currencies (Jun-20)

Leverage ratio³ (Jun-20)

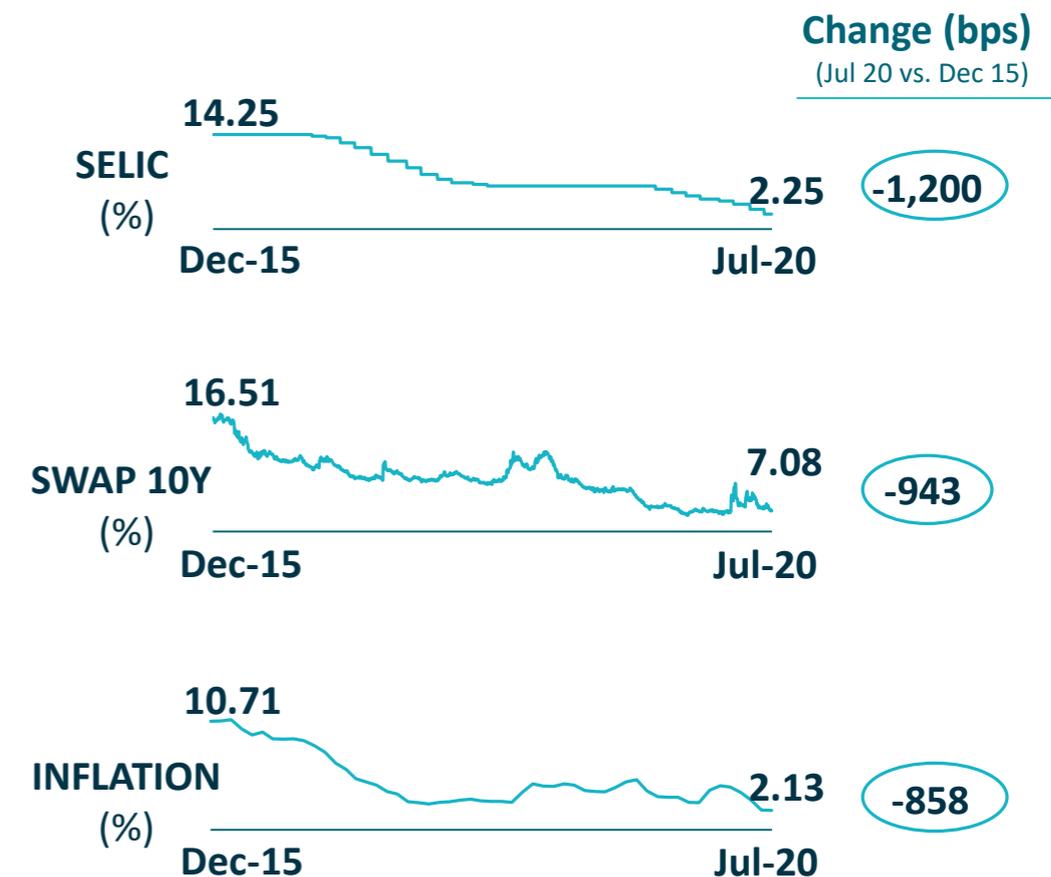


- Working to reduce capital employed and equity exposure via inorganic measures

Note: NFD+Leases/ OIBDA in local currency

GRADUALLY INCREASING LEVERAGE IN BRAZIL

- Net Debt+ Leases of €3.1bn in Brazil (Jun-20), reduced by €0.9bn YTD due to FX impact
- Large reductions in Brazilian nominal and real interest rates justify gradual increase in leverage in the future



Optimising capital allocation and increasing returns

1

Robust FCF generation

- ✓ (OIBDA-CapEx)/Revenues +2 p.p. in 2022 (vs. 2019) while continuing to invest in long term growth
- ✓ Optimising OpEx and prioritising investments to maintain strong performance

2

Prudent financial policy

- ✓ Sustainable and balanced dividend policy (€0.40 for 2020; voluntary scrip for 2020 calendar payments)
- ✓ Extended average debt maturity (11.2 yrs) and strong liquidity (over 2 years' debt coverage)

3

Solid balance sheet

- ✓ Net debt decline of €15bn since June 2016
- ✓ Clear deleveraging path; organic and inorganic

4

De-risked portfolio

- ✓ Solid organic growth profile
- ✓ Improving ROCE
- ✓ Gradually increasing leverage at local level

Strategy update

Mr. José María Álvarez-Pallete
CEO & Chairman



1

Strengthened “focus” on our four core markets: Spain, UK, Germany and Brazil...

“Focus” through building leadership positions underpinned by differentiated assets and partnerships that attract and retain the best customer bases and guarantee loyalty

SPAIN

- Largest fibre network in Europe (517k additional premises deployed YTD); FTTH uptake 29%
- Differentiated content (rights for new 3 seasons of UEFA competitions starting 2021; own production; Disney+)
- Partnerships YTD e.g. Prosegur JV, A3 media JV, Movistar Car/Eurotaller; Epic Games (developer of Fortnite)

UK

- JV with Virgin Media to create UK’s connectivity champion
- 5G in 60 cities and towns and 4G boosted in over 91k postcodes and 400 tourism hotspots
- Strengthening direct distribution

GERMANY

- Boosting mobile coverage, increasing urban capacity
- Convergent proposition based on agnostic fixed access
- Partnerships YTD (Ericsson, Kidomi-Kids)
- New fibre vehicle under analysis

BRAZIL

- Largest FTTH network (2.1m additional HPs deployed YTD)
- Offer for OI’s mobile assets
- Partnerships YTD (e.g. ATC, Netflix, ...)
- Network sharing agreement with TIM approved and first initiatives already underway
- Accelerating FTTH; capturing UBB opportunity through partnerships and new fibre vehicle under analysis

Further opportunity – market consolidation, co-investment...

... while reducing exposure and optimising our non-core Hispam portfolio

Streamlining portfolio

- **Progressing in all strategic options;** spin off and inorganic alternatives

Monetising assets

- Sale of 2,400 towers LTM
- **Analysing Fibre spin-off** in other business in Hispam

Optimising investment

- **Strategic network sharing agreements** in Perú, Colombia, Chile, Argentina, Ecuador

Capital-light operating models

- **Asset light model in Mexico** leveraging on nationwide roaming agreement with AT&T

**Further optionality; all options on the table including operational / financial spin off
Increasing debt assignation at local level**

Launching Tech to better capitalise on the digital growth opportunity

Strong growth momentum

T. Tech (H1 y-o-y organic revenue)

€756m

B2B
Cybersecurity
+Cloud+
IoT & Big data

+18.0%

Best-in-class partnerships

“Telefonica's Cybersecurity Firm ElevenPaths Achieves AWS Security Competency Status”

(May 26, 2020)



“Google Cloud and Telefónica Partner to Accelerate Digital Transformation for Spanish Businesses”

(June 11, 2020)



Google Cloud

“Microsoft to open new datacenter region in Spain and expand strategic partnership with Telefónica to boost Spain’s competitiveness”

(February 25, 2020)



Advanced carve-out

Cybersecurity



Cloud

Q3 20

“EMEA CLOUD PARTNER OF THE YEAR”
awarded by VMWare

IoT & Big data

Q4 20

Gartner
Magic Quadrant

TOP PLAYER, “Notable Vendor”
in Managed Security Services
6 times in IoT Magic Quadrant

Further opportunity – entry of an equity partner, inorganic expansion, new verticals

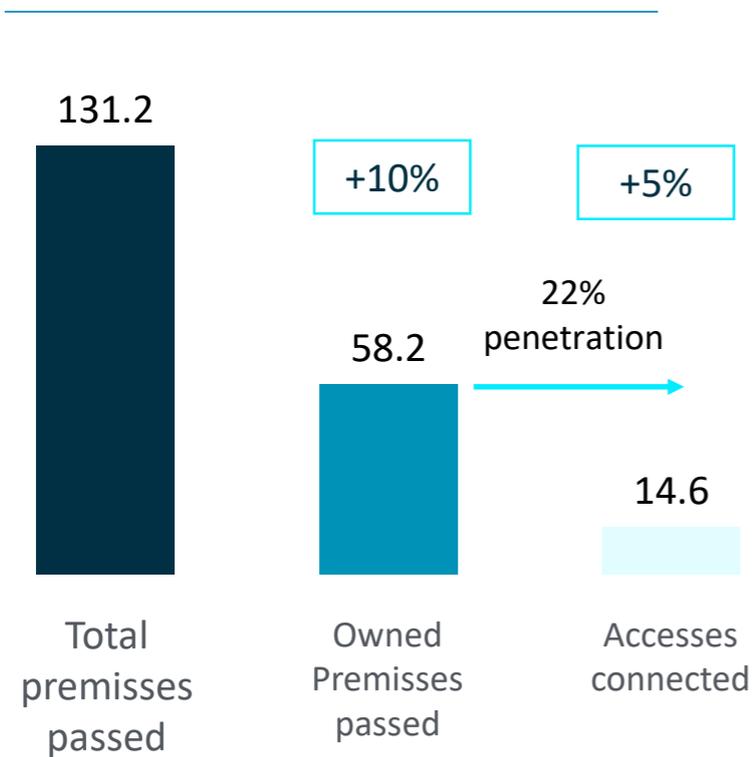
4

Creating Infra to extract more value from existing assets while building a leading global infrastructure player

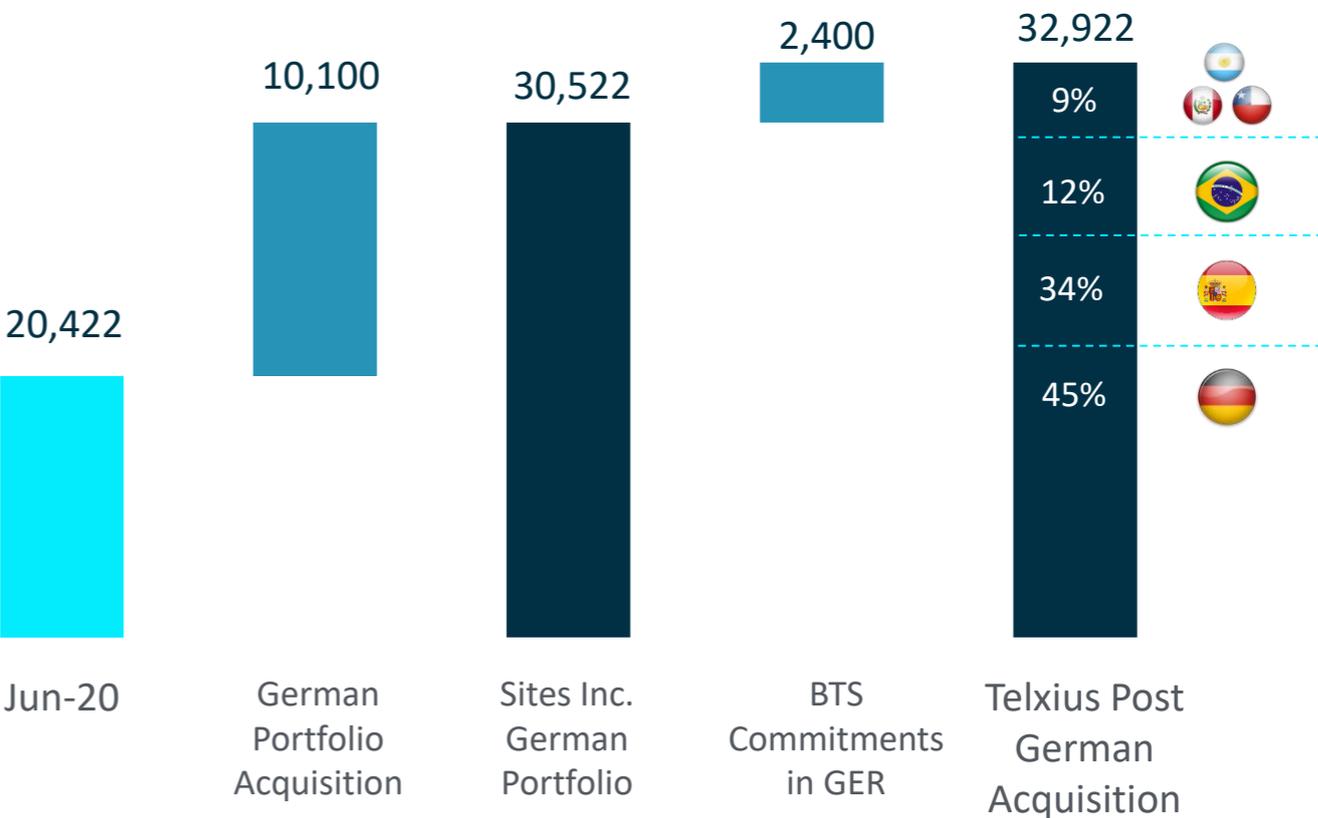
Almost 60m owned UBB; 15m connected

Already one of Europe's leading TowerCos

UBB network (Million)



Telxius sites



New fiber vehicles in Brazil and Germany under analysis

Further opportunity for T.Infra



Grow towers' portfolio (i.e. UK); add complementary new asset classes (i.e. Fibre, DCs); 50.01% ownership in Telxius

5

Rolling out a new operating model; taking advantage of digitalisation and adapting the HQ to the new portfolio

Business lines

Massive digitalisation

- ✓ Digital sales up 53% vs Q2 19 in core markets
- ✓ 1,864m Robots (x3,4 y-o-y)

Network sharing

- ✓ Agreements in place in the UK, Brazil, Colombia, Perú...

Legacy shut-down

- ✓ ~500 copper COs closed in Spain

Streamlined support functions; reducing cost

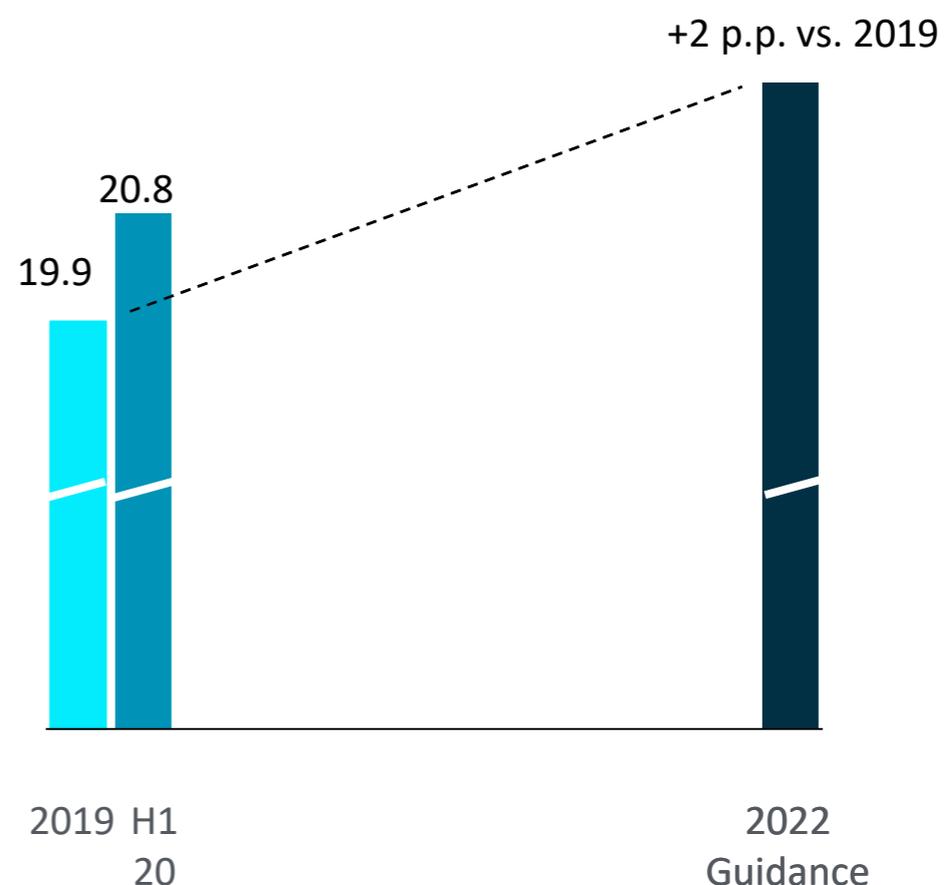
Increased customer satisfaction

HQ

HQ refitted for purpose

- ✓ c.6% HQ cost reduction vs H1 19

(OIBDA-CapEx)/Revenues
%; organic



Further opportunity – Reskilling, centralisation, in/outsourcing, increase agility

Priorities H2; continue executing and delivering value

1

Focus on four core markets: Spain, UK, Germany, Brazil

- Stabilise operating cash flow generation to mitigate COVID-19 impact
- Close UK deal with Liberty Global
- Strengthen competitive advantages through FTTH deployment and partnerships
- Consolidation optionality

2

Reduce exposure to Hispam

- Stabilise cash flow generation to mitigate COVID-19 impact
- Close Costa Rica and El Salvador deals
- Continue developing strategic options

3

Launch TEF TECH

- Maintain strong growth momentum
- Strengthen capabilities with focused inorganic acquisitions
- Finalise carve outs

4

Create TEF INFRA

- Close German towers acquisition
- Continue developing strategic options
- Increase towers tenancy ratio

5

New operational model

- Accelerate digitalisation in the post COVID-19 world
- Expand network sharing agreements
- Further simplification and streamlining

Conclusion

Mr. José María Álvarez-Pallete
Chairman & CEO



Supporting sustainable economic recovery post COVID-19



Efficiency



BUILDING A GREENER FUTURE

Digital innovation to power a lower carbon economy

Green Networks: Zero carbon target by 2030

Accelerating digitalisation process

Building a greener society; reducing environmental impact

Aligned with UN SGDs on climate and the environment



Growth



HELPING SOCIETY TO THRIVE

Supporting customers and communities

Reducing the digital divide

Protecting our customers' data

Backing our essential services (education and health systems)

Aligned with UN SGDs on customer and social impact



Trust



LEADING BY EXAMPLE

Run an inclusive, fair and ethical business inside out

Committed to being a **leading inclusive employer**

Committed to the **highest standards of business principles and practices**

Generating capital **TRUST** with our stakeholders

Aligned with UN SDGs on business ethics



The future is built on networks and digitalisation

Summary | Value creation for all stakeholders

- **Robust delivery for stakeholders in the midst of an unprecedented global crisis**
 - Clarity of our mission and values sharpened by COVID-19
 - Timely actions to protect employees, support customers and communities, and preserve value for shareholders
 - Valuable lessons learned across all of the Group's operations supporting post-crisis evolution
- **Resilient financial and commercial performance despite adverse FX impacts and GDP trends**
 - COVID-19 impact on financial performance partly mitigated through efficiency improvements and capex savings
 - Notable recovery in commercial activity in Jun-20
 - Continued debt reduction with a clear deleveraging path
 - Improving ROCE
- **2020 OIBDA-CapEx outlook and dividend maintained**
- **Accelerated delivery against strategic priorities**
 - Executed the largest corporate transaction in our history to strengthen UK positioning
 - Driving consolidation of Brazilian telecoms market via binding joint bid for Oi
 - Accelerated monetisation of infrastructure assets via €1.5bn transaction between Telxius and Telefonica Deutschland
 - Driving digital transformation through partnerships with Google, Microsoft, GE Healthcare...
 - Progressing in all strategic options in Hispam
 - New streamlined operating model; increasing agility, efficiency and digitalisation
- **Well positioned to capitalise on favourable long-term trends accelerated by recent developments**

Results presentation and Q&A Session

The management will host a webcast to discuss the results on **30th July at 10:00am (CET), 09:00am (BST), 04:00am (EST)**

Participants from Telefónica: **Jose María Alvarez-Pallete** (Chairman & CEO), **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⁾

(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 91 482 87 00

Telefonica



For further information, please contact:

Investor Relations

Pablo Egurón (pablo.eguron@telefonica.com)

Isabel Beltrán (i.beltran@telefonica.com)

Adrián Zunzunegui (adrian.zunzunegui@telefonica.com)

Tel. +34 91 482 87 00

ir@telefonica.com

www.telefonica.com/investors

FOLLOW US:

