

FINANCIAL HIGHLIGHTS

- **Improving trends in revenue growth, net income and earnings per share.**
 - Solid growth in value accesses: LTE (+18% y-o-y; +4.1m quarterly net additions), mobile contract (+6%; +1.1m), smartphones (+3%), FTTx/Cable (+18%; +0.4m), Pay TV (+3%).
 - Organic **revenue** growth acceleration (+3.8% y-o-y; +0.8 p.p. vs. Q4 18), with improved service revenues (+2.6% y-o-y, +1.3 p.p. vs. Q4 18). Revenues in the quarter totalled €11,979m (-1.7% reported y-o-y).
 - **OIBDA** (€4,264m in January-March) up 10.3% y-o-y in the quarter (+1.0% in organic terms) impacted by special factors amounting to +€534m:
 - i) adoption of reporting standard IFRS 16 (+€414m), ii) capital gains from the assignment of future rights linked to a portfolio of claims in Spain (+€103m), iii) net capital gains on sale of companies (+€86m, mainly Antares), iv) restructuring costs (-€47m) and v) hyperinflation adjustment in Argentina (-€22m).
 - **Net income** reached €926m in the quarter, +10.6% y-o-y (€0.16 per share; +33.8%).
- **Increasing relevance with our customers; higher satisfaction and better quality.**
 - 51.8m premises passed with proprietary FTTx/cable network (+13% y-o-y); LTE coverage of 78% (+5 p.p.).
 - E2E Digital Transformation Programme: 66% of processes digitalised and real-time managed (+4 p.p. y-o-y).
- **Significant cash flow generation improvement, accelerating debt reduction.**
 - **Free cash flow** (€1,408m in January-March 2019) multiplied by 2.6x vs. January-March 2018.
 - **Net debt** (€40,381m at March; -5.7% y-o-y) decreased for the 8th consecutive the quarter (-€693m) to €38.7bn once including post-closing events of c.a. €1.7bn.
- **The Company reiterates its guidance and dividend announced for 2019.**
- **T. España;** differentiated value offering allowed for accelerating y-o-y service revenue growth (+0.8% organic; +0.3 p.p. vs. Q4 18) and a sequential improvement in OIBDA (+3.0 p.p.), with an efficient cost management.
- **T. Brasil;** growth in value customers (mobile contract and FTTx), confirmation of the improved y-o-y revenue growth trend (+1.7%; +1.2 p.p. sequentially) and OIBDA margin expansion for the 9th straight quarter (+0.5 p.p.).
- **T. Deutschland;** strong net quarterly additions in mobile contract (+306k, x1.9 y-o-y), sustained growth in revenues (+0.7% in organic terms) and sequential OIBDA improvement (+3.8 p.p.).
- **T. UK;** positive performance in the quarter of revenues (+5.3% y-o-y in organic terms), OIBDA (+3.4%) and OpCF (+5.8%) and a market leading contract churn.
- **T. Hispam Sur;** elevated growth rates in revenues and OIBDA (+15.2% and +7.0% y-o-y in organic terms respectively), highlighting improved trends in Chile and Peru.
- **T. Hispam Norte;** back to revenue growth (+1.2% y-o-y; +3.6 p.p. sequentially), despite competitive intensity across the region, highlighting Colombia's positive performance (commercial and financial).

Comments of José María Álvarez-Pallete, Chairman and Chief Executive Officer:

"We have started the year by extending our leadership in fibre and 4G deployment, testing new 5G capabilities and making progress in the UNICA virtualisation programme, allowing us to continue gaining customer relevance through better experience and higher average lifetime.

The first quarter results showed a significant improvement in revenue growth trends and double-digit growth in net income and earnings per share. Strong cash generation, which was three times higher than the figure reported in the first quarter of the previous year, allowed for an acceleration in debt reduction, for the 8th consecutive quarter, further strengthening our balance sheet.

As a result, we reiterate the dividend and guidance announced for 2019".

TELEFÓNICA
SELECTED FINANCIAL DATA
Unaudited figures (Euros in millions)

	January - March	% Chg	
	2019	Reported	Organic
Revenues	11,979	(1.7)	3.8
Telefónica España	3,108	0.3	0.3
Telefónica Deutschland	1,779	0.7	0.7
Telefónica UK	1,691	6.6	5.3
Telefónica Brasil	2,563	(5.2)	1.7
Telefónica Hispam Sur (1)	1,612	(12.1)	15.2
Telefónica Hispam Norte (2)(3)	971	(0.0)	1.2
Other companies & eliminations	256	11.4	9.2
Telxius	219	21.5	18.7
OIBDA	4,264	10.3	1.0
Telefónica España	1,350	10.3	(1.4)
Telefónica Deutschland	522	29.5	(0.2)
Telefónica UK	504	17.3	3.4
Telefónica Brasil	1,050	6.9	3.1
Telefónica Hispam Sur (1)	441	(14.6)	7.0
Telefónica Hispam Norte (2)(3)	263	1.9	(14.9)
Other companies & eliminations	134	n.m.	32.0
Telxius	129	50.1	18.2
OIBDA margin	35.6%	3.9 p.p.	(0.9 p.p.)
Telefónica España	43.4%	3.9 p.p.	(0.7 p.p.)
Telefónica Deutschland	29.4%	6.5 p.p.	(0.2 p.p.)
Telefónica UK	29.8%	2.7 p.p.	(0.5 p.p.)
Telefónica Brasil	40.9%	4.6 p.p.	0.5 p.p.
Telefónica Hispam Sur (1)	27.4%	(0.8 p.p.)	(2.0 p.p.)
Telefónica Hispam Norte (2)(3)	27.1%	0.5 p.p.	(4.3 p.p.)
Other companies & eliminations	52.3%	30.3 p.p.	4.4 p.p.
Telxius	58.8%	11.2 p.p.	(0.2 p.p.)
Operating Income (OI)	1,650	0.7	(0.1)
Net income attributable to equity holders of the Parent	926	10.6	
Basic and diluted earnings per share (euros)	0.16	33.8	
CapEx	1,554	4.3	11.2
Telefónica España	377	9.0	9.2
Telefónica Deutschland	252	28.3	28.3
Telefónica UK	185	1.4	0.2
Telefónica Brasil	396	2.1	9.6
Telefónica Hispam Sur (1)	243	(3.4)	33.8
Telefónica Hispam Norte (2)	78	46.8	16.6
Other companies & eliminations	22	(69.3)	(69.2)
Telxius	9	(83.6)	(83.6)
Spectrum	18	161.5	141.7
Telefónica España	-	-	-
Telefónica Deutschland	-	-	-
Telefónica UK	-	-	-
Telefónica Brasil	-	-	-
Telefónica Hispam Sur (1)	-	-	-
Telefónica Hispam Norte (2)	18	n.m.	n.m.
OpCF (OIBDA-CapEx)	2,710	14.2	(5.3)
Telefónica España	973	10.8	(5.6)
Telefónica Deutschland	270	30.7	(25.6)
Telefónica UK	319	29.0	5.8
Telefónica Brasil	654	10.0	(1.2)
Telefónica Hispam Sur (1)	199	(25.2)	(17.1)
Telefónica Hispam Norte (2)	185	(9.7)	(22.8)
Other companies & eliminations	112	c.s.	c.s.
Telxius	120	n.m.	n.m.

- Reconciliation included in the excel spreadsheets.
Notes:

- January-March 2019 results reported under accounting standards IFRS 16, effective since January 2019. January-March 2018 results reported under prior accounting IAS 17.

- OIBDA and OI are presented before brand fees and management fees.

(1) Telefónica Hispam Sur includes Argentina, Chile, Peru and Uruguay

(2) Telefónica Hispam Norte includes Colombia, Mexico, Venezuela, Central America and Ecuador.

- Group consolidated results deconsolidate Telefónica Guatemala's results since 1 January 2019 and Antares' results since 1 February 2019.

Organic criteria 2019: Assumes average constant foreign exchange rates of 2018, except for Venezuela (2018 and 2019 results converted at the closing synthetic exchange rate for each period) and excludes the hyperinflation adjustment in Argentina. Considers constant perimeter of consolidation. Excludes the effects of the accounting change to IFRS 16, write-offs, capital gains/losses from the sale of companies, restructuring costs and material non-recurring impacts. CapEx excludes spectrum investments.

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For further information please refer to the information on 2019 first quarter financial results filed by the Company and also available on the Company's website: www.telefonica.com

