

## FINANCIAL HIGHLIGHTS

- **Organic year-on-year growth acceleration from revenues to operating cash flow.**
  - **Revenues** (€12,190m; -7.2% y-o-y) increased by 1.9% organic.
  - **OIBDA** (€3,864m; -3.9% y-o-y) grew by 3.3% in organic terms, with a positive contribution from all segments (excluding regulation) and OIBDA margin expansion (+1.1 p.p. y-o-y; +0.4 p.p. in organic terms).
  - **Operating cash flow** (OIBDA-CapEx) (€2,374m; -1.1% y-o-y) increased by 4.4% in organic terms.
  - **Net income** (€837m) grew by 7.4% year-on-year.
- **Efficient resource allocation, enabling our customers with the power of connectivity.**
  - Solid advance in customer-centric digitalisation and increasing data monetisation.
  - 45.8m premises passed with proprietary FTTx/Cable network (+15% y-o-y) and 73% LTE coverage (+9 p.p.).
  - Leading the integration of AI in networks and customer care (AURA launched in 6 countries).
- **Further strengthening of the balance sheet.**
  - **Net debt** (€43,975m at March) down by 9.8% y-o-y; first reduction in a first quarter over the last 4 years.
  - **Financing activity** in the quarter (€10,692m) enabled debt maturity hedging for the next 2 years and increased the average life to 9.11 years (8.08 years at December 2017).
- **The Company reiterates its objectives and dividend announced for 2018.**
- **T. España** continued to improve the year-on-year organic growth trend for revenues (+1.1%) and OIBDA (+0.6%) while maintaining solid commercial traction, with a q-o-q churn reduction in all services.
- **T. Brasil** continued to bolster its competitive position and maintained profitable growth: revenues and OIBDA growth (+1.0% and +4.5% y-o-y organic, respectively) resulted in OIBDA margin of 36.3% (the highest in a first quarter since 2009).
- **T. Deutschland**, with increasing monetisation of mobile data growth in the market, posted solid y-o-y growth in revenues (ex-regulation +0.2% organic), OIBDA (+0.7%) and operating cash flow (+7.1%).
- **T. UK:** the recent spectrum acquisition will reinforce network quality to continue providing the best service to the largest customer base in the country. Robust financial results; mobile service revenues (+1.2% y-o-y organic), OIBDA (+6.1%) and margin expansion of 0.8 p.p. (27.1%).
- **T. Hispam Sur;** solid and consistent y-o-y organic revenue and OIBDA growth (+7.6% and +10.8% respectively organic), improved contract net additions and excellent progress in the penetration of FTTx/Cable.
- **T. Hispam Norte** achieved significant commercial activity improvement. At the financial level, regulatory changes translated into negative organic y-o-y variations in revenues (-2.2%) and OIBDA (-7.4%).

### Comments from José María Álvarez-Pallete, Executive Chairman:

*“In the first quarter we advanced further in the execution of our strategic priorities set out for 2018.*

*First, in connectivity we continued to grow our value accesses at a significant pace, which translated into higher average revenue and greater customer loyalty, associated with a continuously increasing demand for data and personalised offers. Second, all our business units grew in revenues and OIBDA in organic terms, excluding the negative impact of regulation. Third, we further strengthened our positioning as a Platform Company by having taken a step forward in our digital transformation, leveraging on digitalisation and data monetisation, and continue leading in innovation with the launch of Aura in 6 countries.*

*Furthermore, revenues, OIBDA and OpCF grew organically and net debt continued to decrease. This quarter’s results are in line with our expectations and allow us to reiterate our objectives set for the year.”*

TELEFÓNICA  
SELECTED FINANCIAL DATA  
*Unaudited figures (Euros in millions)*

	January - March		% Chg		Jan - Mar *
	2018	Reported	Organic	2018 (IAS 18)	
<b>Revenues</b>	<b>12,190</b>	<b>(7.2)</b>	<b>1.9</b>	<b>12,200</b>	
Telefónica España	3,098	1.0	1.1	3,101	
Telefónica Deutschland	1,767	(0.2)	(0.4)	1,764	
Telefónica UK	1,586	(1.0)	2.9	1,604	
Telefónica Brasil	2,705	(14.5)	1.0	2,698	
Telefónica Hispam Sur (1)	1,833	(13.4)	7.6	1,832	
Telefónica Hispam Norte (2)(3)	971	(16.8)	(2.2)	974	
Other companies & eliminations	230	(6.0)	3.7	228	
Telxius	180	(4.0)	2.0	179	
<b>OIBDA</b>	<b>3,864</b>	<b>(3.9)</b>	<b>3.3</b>	<b>3,853</b>	
Telefónica España	1,224	7.0	0.6	1,226	
Telefónica Deutschland	403	0.8	0.7	400	
Telefónica UK	430	3.3	6.1	430	
Telefónica Brasil	982	(11.1)	4.5	975	
Telefónica Hispam Sur (1)	517	(11.6)	10.8	514	
Telefónica Hispam Norte (2)(3)	258	(19.1)	(7.4)	260	
Other companies & eliminations	51	(5.0)	18.4	50	
Telxius	86	(6.4)	0.6	85	
<b>OIBDA margin</b>	<b>31.7%</b>	<b>1.1 p.p.</b>	<b>0.4 p.p.</b>		
Telefónica España	39.5%	2.2 p.p.	(0.2 p.p.)		
Telefónica Deutschland	22.8%	0.2 p.p.	0.3 p.p.		
Telefónica UK	27.1%	1.1 p.p.	0.8 p.p.		
Telefónica Brasil	36.3%	1.4 p.p.	1.2 p.p.		
Telefónica Hispam Sur (1)	28.2%	0.6 p.p.	0.8 p.p.		
Telefónica Hispam Norte (2)(3)	26.6%	(0.8 p.p.)	(1.5 p.p.)		
Other companies & eliminations	22.0%	0.2 p.p.	2.9 p.p.		
Telxius	47.6%	(1.3 p.p.)	(0.7 p.p.)		
<b>Operating Income (OI)</b>	<b>1,638</b>	<b>4.3</b>	<b>8.2</b>		
<b>Net income attributable to equity holders of the Parent</b>	<b>837</b>	<b>7.4</b>			
<b>Basic and diluted earnings per share (euros)</b>	<b>0.12</b>	<b>(13.2)</b>			
<b>CapEx</b>	<b>1,490</b>	<b>(8.0)</b>	<b>0.0</b>		
Telefónica España	346	3.9	3.9		
Telefónica Deutschland	197	(5.7)	(5.6)		
Telefónica UK	183	(18.8)	(16.6)		
Telefónica Brasil	388	(2.2)	16.5		
Telefónica Hispam Sur (1)	251	(15.2)	4.0		
Telefónica Hispam Norte (2)(3)	53	(60.1)	(54.2)		
Other companies & eliminations	73	163.6	194.1		
Telxius	57	n.m.	n.m.		
Spectrum	7	86.6	n.m.		
Telefónica España	-	-	-		
Telefónica Deutschland	-	-	-		
Telefónica UK	-	-	-		
Telefónica Brasil	-	-	-		
Telefónica Hispam Sur (1)	7	n.m.	n.m.		
Telefónica Hispam Norte (2)(3)	-	n.m.	n.m.		
<b>OpCF (OIBDA-CapEx)</b>	<b>2,374</b>	<b>(1.1)</b>	<b>4.4</b>		
Telefónica España	878	8.3	(0.7)		
Telefónica Deutschland	207	7.9	7.1		
Telefónica UK	247	29.3	32.9		
Telefónica Brasil	594	(16.0)	(2.2)		
Telefónica Hispam Sur (1)	266	(7.8)	17.7		
Telefónica Hispam Norte (2)(3)	205	10.3	26.4		
Other companies & eliminations	(22)	c.s.	c.s.		
Telxius	29	(63.0)	(65.2)		

- Reconciliation included in the excel spreadsheets.

Notes:

- January-March 2018 results reported under accounting standards IFRS 15 & 9, effective since January 2018.

(\*) For comparative purpose only, January-March 2018 results reported under prior accounting IAS 18.

- 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.

(3) Following the pre-payment of the debt derived from the operating agreement with PARAPAT in Colombia and after taking over its subsidiaries Teleducaramanga, Metrotel and Optecom, the consolidated results are included in the fixed business of T. Colombia from 1 October 2017. For organic comparative purposes, the results of these subsidiaries are included since 1 January 2017.

- **2018 Organic criteria** assumes average constant foreign exchange rates of 2017, except for Venezuela (2017 and 2018 results converted at the closing synthetic exchange rate for each period). For organic comparative purposes, this synthetic exchange rate has been fixed at 2,091 VEF/USD at the end of March 2017. Considers constant perimeter of consolidation. Excludes the effects of the accounting change to IFRS 15 in 2018, write-downs, capital gains/losses from the sale of companies, tower sales, restructuring costs and material non-recurring impacts. CapEx excludes spectrum investments.

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In October 2015, the European Securities Markets Authority (ESMA) published guidelines on Alternative Performance Measures (APM), applicable to regulated information published from July 3, 2016. Information related to APM used in the present document are included in our consolidated financial statements and consolidated management report for the year 2017 submitted to the Spanish National Securities Market Commission (CNMV), in Note 2, page 283, of the .pdf filed. Recipients of this document are invited to read it.

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**For further information please refer to the information on 2018 first quarter financial results filed by the Company and also available on the Company's website: [www.telefonica.com](http://www.telefonica.com)**