

# NOTA DE PRENSA

## PRESS RELEASE

Madrid, 8 June 2018

### **Telefónica holds today its General Shareholders Meeting**

### **JOSÉ MARÍA ÁLVAREZ-PALLETE: "THE DIGITAL REVOLUTION OFFERS US THE OPPORTUNITY TO REINVENT TELEFÓNICA"**

- **The Executive Chairman of the company gave an overview of Telefonica's 2017 financial results, as well as the challenges facing the sector. He commented on the three "requirements" needed to accelerate change in Telefónica: further transform the product offering, the platforms and the company's own work culture.**
- **Inspired by a pioneering vision of technological change, Telefónica has made a significant investment effort in the last five years: more than 45,000 million euros at a rate of 16-17% of annual revenues.**
- **"Telefónica is today, more than ever, a technology company," Álvarez-Pallete assured in his speech to the shareholders.**

**Madrid, 8th June 2018.** José María Álvarez-Pallete, Executive Chairman of Telefónica, today took stock of the results for the year 2017 at the General Shareholders' Meeting of the company, which is being held today in Madrid. He also commented on the lines of action that Telefonica has undertaken to reinvent itself, taking advantage of the need for transformation imposed by the digital revolution, pointing out how "digitalization, which revolutionizes all spheres of life, has given us a new product, the most essential in this new world: data connectivity". Our main challenge, he said, is to be successful in managing this transition. For the first time, broadband revenues and services beyond connectivity represent more than half of the company's revenues.

Álvarez-Pallete also assured that "Telefonica is today incomparably stronger than five years ago" thanks to the transformation process initiated then and the "gigantic investment effort inspired by a vision of technological change that we envisaged ahead of the sector". He explained that the effort has begun to bear fruit and that the company has 350 million customers, more faithful and satisfied, in 17 countries; more than 1.5 million kilometers of fiber deployed and 4G coverage greater than 70%; and a more than 60% of the company's processes fully digitalized.

### **"Telefónica has found its way"**

He also insisted in his speech to the shareholders on how the company has been able to prepare to capture the wave of digital services that accompany connectivity, and emphasized the investments in new networks necessary to lead the future of the sector. Over the last five years, Telefónica has invested more than 45,000 million euros at a sustained rate of 16-17% of annual revenues. "Telefónica is today, more than ever, a technology company. That and no other is the reason that explains that we have been growing organically in the main metrics for more than three years. This evolution demonstrates an idea that I would like to share with you: my assurance that Telefónica has found its way," said José María Álvarez-Pallete.

Álvarez-Pallete detailed the three requirements that the company believes necessary to accelerate the change in all its areas of activity. The first one is to make the product offering even more digital. The second requirement is to transform the platforms, to invest in the new networks and to adapt the offer. And finally, the third is to transform the culture of the company to work in a more agile and simpler way and so move faster in the transformation process.

"The ethical values of transparency, responsibility, respect, and solidarity are values that inspire us to help all people extract the maximum potential of this revolution", he added.

### **Challenges and opportunities**

José María Álvarez-Pallete presented the balance of the results achieved in the year 2017 at the General Shareholders Meeting. "To understand the numbers we must contemplate in what context and in what sequence they occur, because our company is living a unique, extraordinary moment in time that will possibly mark history, full of challenges and also of enormous opportunities", he said.

In the context of the ongoing digital revolution, Telefónica closed 2017 with revenues that exceeded 52,000 million euros and a net profit that grew 32% to more than 3,100 million euros. OIBDA growth accelerated over 7%, reflecting the sustained increase in business profitability, while operating income reached 6,800 million euros (+ 24%).

Free cash flow grew significantly for a second consecutive year (+ 13%) and was around 5,000 million euros, which also generated a debt reduction of 4,400 million euros. And all this has allowed the company, "to pay a dividend in a balanced and sustainable way, with a remuneration to our shareholders of € 0.40 per share", explained José María Álvarez-Pallete.

*The General Shareholders' Meeting of Telefónica is a sustainable event  
certified by AENOR according to ISO 20121: 2012*