Results

January – September 2017_

Telefónica

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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 and disclosure related to APM used in this presentation are included in the Appendix. Recipients of this document are invited to read our condensed consolidated interim financial statements and consolidated interim management report for 2017 submitted to the Spanish National Securities Market Commission.

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01

Q3 17 Highlights

Mr. Ángel Vilá

COO

Q3: Solid execution on key priorities

Consistent and profitable organic growth

- **Growing strategic KPIs:** fiber, LTE supporting customer lifetime value
  - Ramping-up avg. rev per access to +4.3% y-o-y; churn control
- **Revenue acceleration to +4.0% y-o-y; Spain back to service rev. growth**
- Continued OIBDA growth (+2.8% y-o-y); in spite of **RLAH dragging -1.7 p.p.**
- **9M EPS** €0.44; +8.7% y-o-y

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Company transformation (more efficient and improving resource allocation)

- Continued investments in best network; **CapEx intensity starts reducing**
- Delivering results from **cost initiatives and synergies integration**
- **Leveraging on digitalisation;** improving operating leverage & differentiation
- **Cognitive Intelligence** ("Aura"); new relationship of trust (increase loyalty and reduce churn)

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Reinforcing Balance Sheet

- **One more quarter of net debt reduction** (-€2.4Bn y-o-y) to €47.2Bn (Sep-17)
  - Incl. sale of 40% Telxius: €45.9Bn; -€3.6Bn (-7.4% y-o-y)
- **Strong 9M FCF: €3,226m; +39.2%** y-o-y; Q3: €1,600; +6.7%
- **Positive bond refinancing**: long-term and historical low levels

On track to deliver FY outlook

2017E Guidance (Organic)	Guidance 2017E	9M 17
Revenues	>1.5% (in spite of regulation: ~-1.2 p.p.)	2.9% (regulation -1.1 p.p.)
OIBDA margin	Expansion up to 1 p.p.	0.3 p.p.
CapEx ex-spectrum/Sales	Around 16%	14.1%

2017 Dividend	To be paid in 2017/18
Interim Dec-17	€0.20/sh. Cash
Final Jun-18	€0.20/sh. Cash

Dividends to be paid in 2017 calendar year amount to €0.40/sh.:

- Cash dividend already paid on 16th Jun-17; €0.20/sh.
- Cash dividend 14th Dec-17; €0.20/sh.

MAINTAINING A SOLID INVESTMENT GRADE RATING

Growth + Sustainable Dividend + Deleverage

Summary: Financials

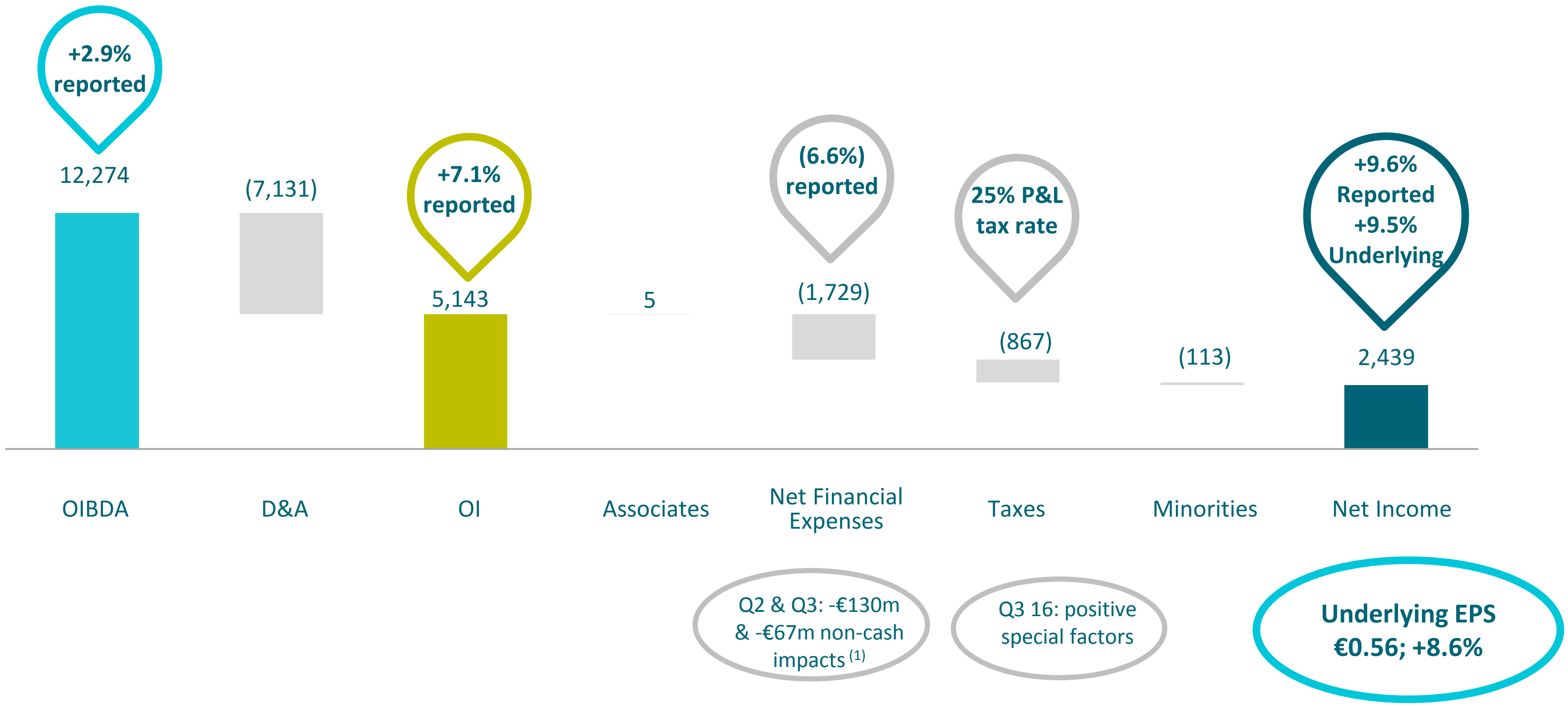
€ in millions	9M 17 Reported	9M 17 Reported y-o-y	9M 17 Organic y-o-y	Q3 17 Reported	Q3 17 Reported y-o-y	Q3 17 Organic y-o-y
Revenue	38,846	1.4%	2.9%	12,754	(2.5%)	4.0%
Service revenues	35,970	1.3%	2.7%	11,746	(3.3%)	3.3%
OIBDA	12,274	2.9%	3.8%	4,095	(1.9%)	2.8%
OIBDA Margin	31.6%	0.5 p.p.	0.3 p.p.	32.1%	0.2 p.p.	(0.4 p.p.)
OpCF (ex-spectrum)	6,815	8.9%	9.2%	2,138	(0.3%)	2.0%
Net Income	2,439	9.6%		839	(14.7%)	
EPS	0.44	8.7%		0.15	(17.5%)	
FCF	3,226	39.2%		1,600	6.7%	
Net Financial Debt	47,222	(4.8%)				

Q3 OIBDA impacted by RLAH (-1.7 p.p. y-o-y org.)

- **Revenue growth accelerated in Q3 y-o-y org.**
- **OIBDA ex-regulation maintaining trends vs. H1**
- **9M OIBDA margin expansion y-o-y**
- **High single-digit OpCF growth vs. 9M 16**
- **9M FCF +39.2%**
- **Net debt reduction y-o-y and q-o-q**

Bottom line increased by 10%, with EPS €0.44

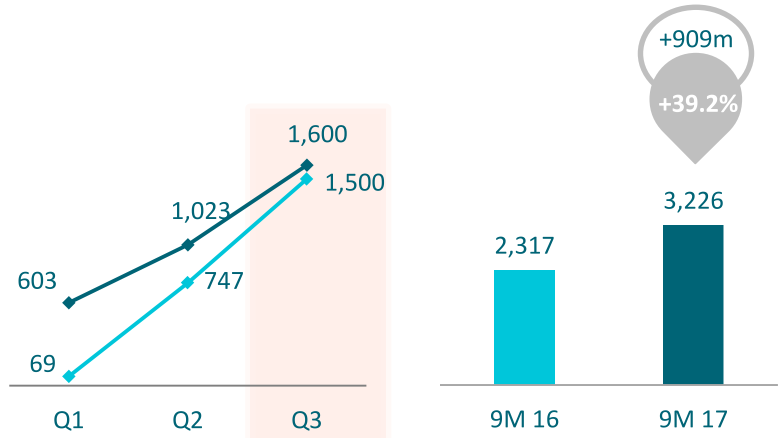
9M 2017 (€m)



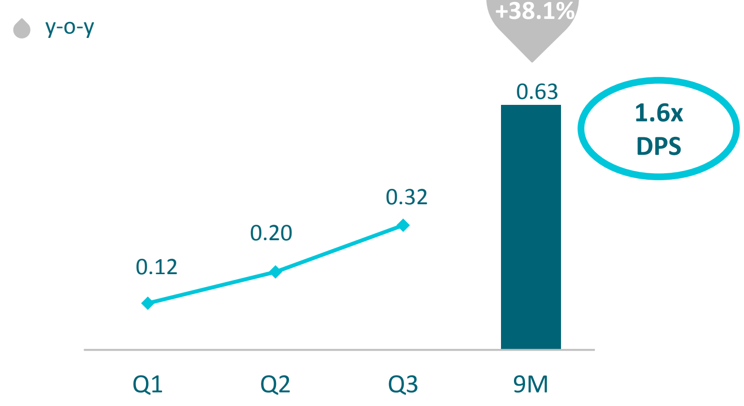
(1) Q2: Capital loss in Mediaset Premium and CU; impairment in Prisa and net effect of VZ devaluation. Q3: Contingency in ARG

Progressive improvement in FCF

FCF (€m)

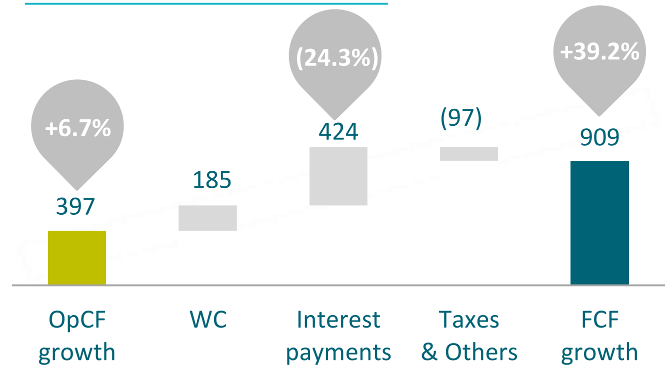


2017 FCFS (€)



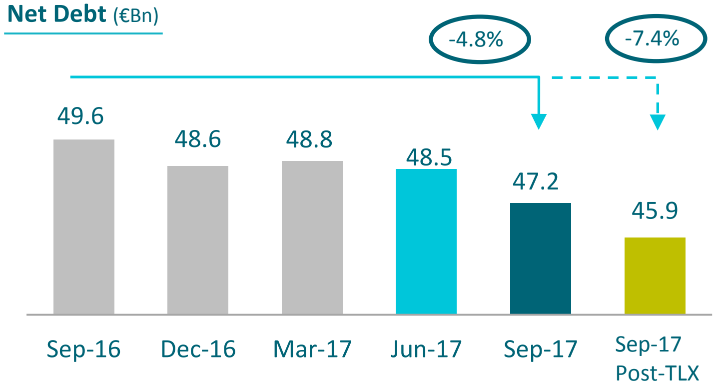
Strong FCF growth (y-o-y)

9M 17 FCF components (y-o-y; €m)



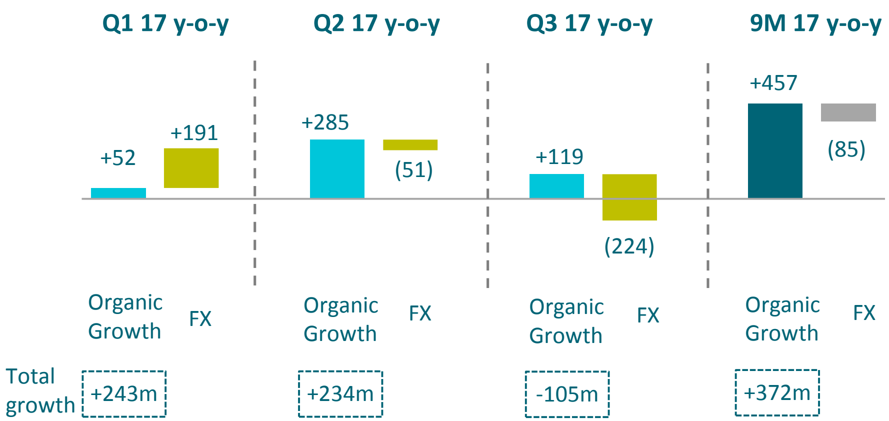
- **FCF to improve in Q4 as seasonal factors impact positively**
- **Further net debt reduction**

Net Debt (€Bn)

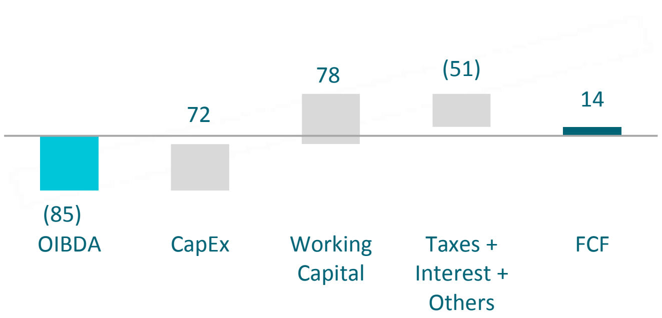


Growth fuelled by organic contribution

OIBDA: Organic growth & FX impact (€m)



FX impact in 9M FCF (€m)

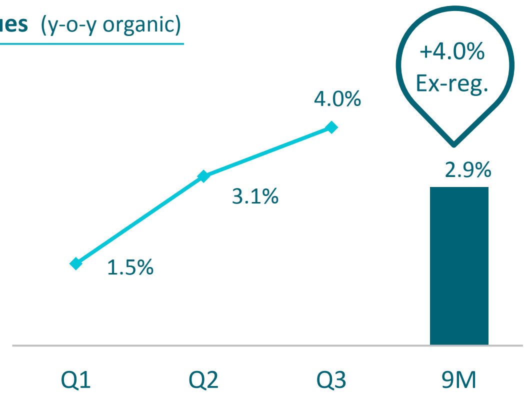


Remarkable organic trends despite regulation

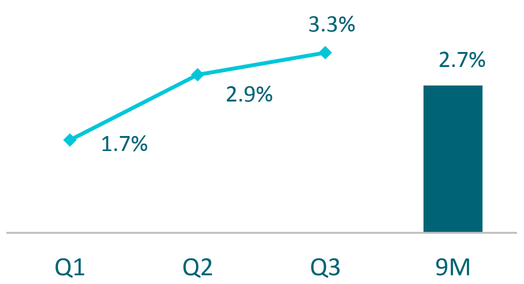
- **Up to September, organic performance added €457m** (+€119m in Q3)
  - FX dragged €85m or -0.7 p.p. y-o-y
  - RLAH ~-€70m in Q3 OIBDA
- **Negative FX effect in Q3 y-o-y** (-5.4 p.p.)
  - -€224m in Q3 vs. -€51m in Q2
  - Main currencies drained y-o-y: VZ, ARS, GBP, BRL
- FX persist as a headwind in H2 17 at current spot rates
- **9M OIBDA FX drag was offset at FCF level**

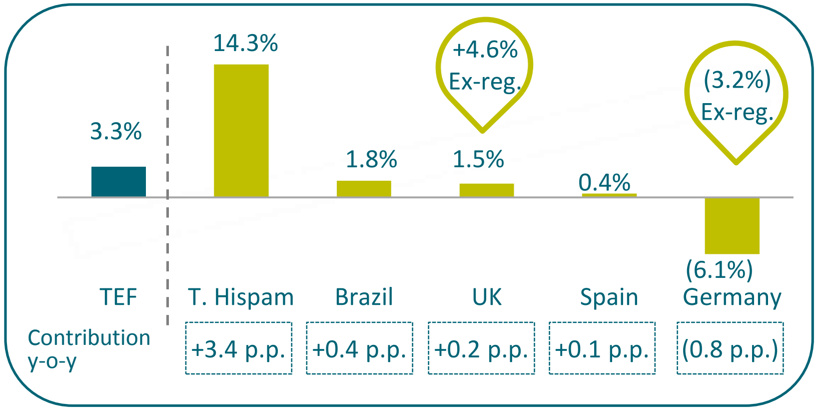
Revenue trends ramped-up

Revenues (y-o-y organic)



Service Revenues (y-o-y organic)





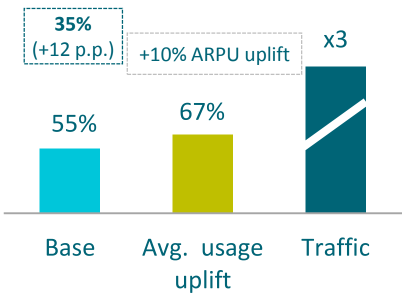
Strong and quality top line

- **Q3 revenues accelerated +90 bps**
- **Q3 service revs increased y-o-y in all segments, except Germany**
  - Better performance in Spain; explains most of the improvement
- **Growth engines contributing in Q3**
  - Spain back to growth in service revs y-o-y
  - Hispam improved 60 bps to +14.3% y-o-y service revs
  - Mobile data revs +16.3% y-o-y
- 9M BB Connectivity & SoC revs. gaining ground to 51% o/total
- **Robust commercial momentum**
  - Continued growth on high value base
  - “M4M” and portfolio optimisation
  - Innovation & Big Data capabilities increasing differentiation

Revenue growth based on successful data monetisation

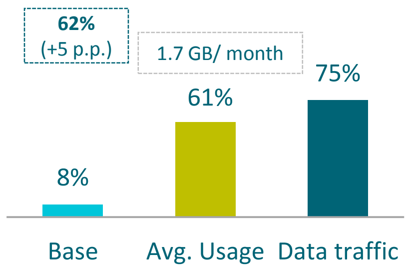
LTE (Q3 y-o-y organic)

Penetration



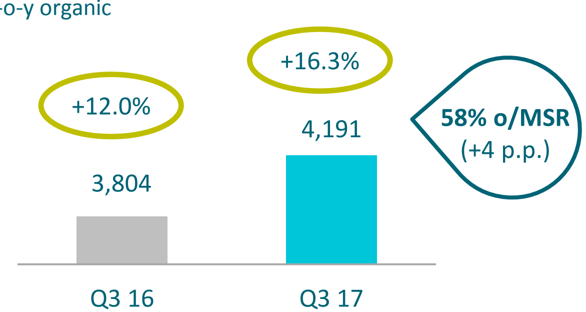
Smartphones (Q3 y-o-y organic)

Penetration



Mobile Data Revenues (€m)

y-o-y organic



FTTH (Q3 17)

FTTH

x2.4 (vs. DSL) **Usage**

>€10 premium **ARPU uplift**

+39% vs. Q3 16 fixed data traffic

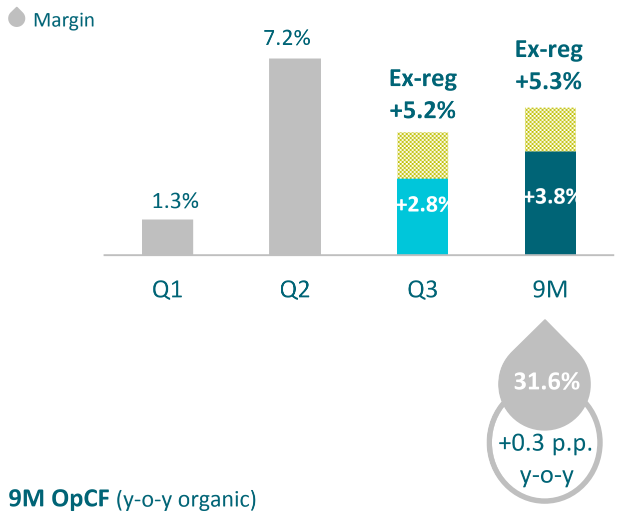
Several levers to foster data revenues

- **Prepaid recurrent plans in Latam boost ARPU growth**
  - High penetration: >50% Brazil, ~30% Hispam
  - >10% ARPU uplift after data adoption
- **"M4M" to improve value for money**
  - Upselling strategy in Spain
  - New postpaid portfolio in BRA
  - New "O2 Free" portfolio in GER with ARPU up potential
  - Video dedicated data in COL and PER
  - Family plans in mobile only & convergent portfolios
- **Neuropricing: Improving value mix**
  - Being rapidly deployed: 12 countries
  - Proven value accretion (+5% ARPU of gross adds)
- **A new prepaid concept (APP's) leveraging digital capabilities**
  - MEX: Flexible, Real Time control, reward programme
  - BRA: Community data sharing, data rollover

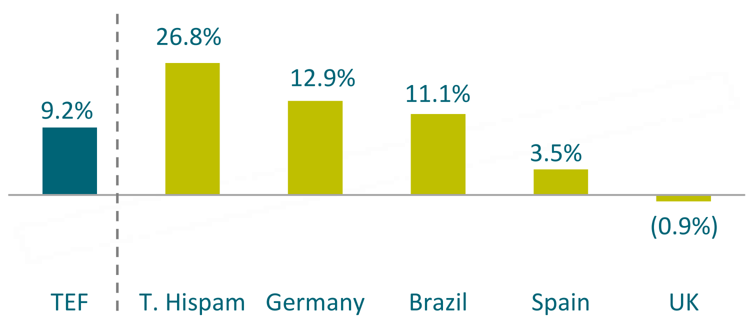
Movistar On Meu Vivo App

Generating profitability and cash

OIBDA (y-o-y organic)



9M OpCF (y-o-y organic)



	TEF	T. Hispam	Germany	Brazil	Spain	UK
Contribution y-o-y		+4.8 p.p.	+1.2 p.p.	+2.3 p.p.	+1.4 p.p.	(0.1 p.p.)
CapEx y-o-y	(2.3%)	+0.8%	(7.4%)	+2.5%	(14.5%)	+0.6%

Positive OIBDA: operating leverage increase

- **Committed to improve efficiency and operational excellence**
- **Q3 y-o-y OIBDA maintaining trends ex-regulation**
  - RLAH -1.7 p.p. impact in Q3
  - Tougher comparisons in ARG, lower real estate cap. gains in Spain
- **Well diversified 9M OIBDA growth; margin expanding**
- **9M OpCF +9.2% y-o-y**
  - CapEx intensity begins to lessen (-2.3% y-o-y)
  - Smart investments associated with further business transformation

Upselling existing customer relationships

Cognitive Intelligence → **Qualitative leap in cust. experience**

Speed & Capacity

- **FTTH UBB >€10 premium vs. DSL**
- **M4M: higher prices & Megas**
- **FTTX >~€8-10 premium vs. DSL**
- **LTE ARPU uplift +10%**
- **"New O2 Free": €30; ARPU accretive**

Services Beyond Connectivity

ARPU uplift

- **~€30 basic TV bundles; ~€60 Premium**
- **~€20 Business** (cloud switchboard)
- **"Fusion #0": TV & functionalities**
- **~€30 Premium TV bundles; ~€4 mobile VAS**
- **~€15 in TV bundles**

Digital services

- **Security B2B revs: +18% vs. Q3 16**
- **UK Smartphone insurance included; Sky cooperation in GER**

Cognitive Intelligence

- **TEF: Pioneering new relationship model** (talk to technology and get things done)
- **AURA launch in the next 6M in 6 countries. NOVUM smartphone app** to introduce AURA is being tested
- **Enriched customer experience:** ARPU increased (upsell/cross sell); lower churn
- **Improved operational effectiveness** (customer journey manager, network optimisation, reduced back-office support)
- **Third Party Data Partnerships:** Extended offering from 3rd parties powered by our customer insights (peace of mind, providing savings, rewards in a transparent way)

Increasing Customer loyalty and trust: Long-term value creation

Digital Services: differentiated offering

€3,864m
9M Digital Serv. Revs.
+4.6% y-o-y org.
(Q3: €1,307m; +8.1%)

VIDEO: **Revs: +6.8%** vs. Q3 16

58% o/9M Dig. Revs.

- **Accelerated revenue growth** (+2.0 p.p. q-o-q)
  - IPTV 40% o/total base
  - Continued ARPU expansion
- 8.4m accesses**; IPTV +11% y-o-y**
- **New series produced** by Movistar+ premiered at S. Sebastian Film Festival

CLOUD: **Revs: +25.0%** vs. Q3 16

10% o/9M Dig. Revs.

- **Sequential improvement**
  - IaaS and SaaS (Spain)
  - New projects launched in Brazil
- **Movistar "Fusión" Cloud for SMEs**

SECURITY: Revs -14.7% vs. Q3 16

6% o/9M Dig. Revs.

- **Sustained growth in B2B (+17.8% y-o-y)**

Security Products

SealSign Latch

Cybersecurity Solutions

Metashield Protector, Tacyt, Sandas, SandaS GRC

M2M: **Revs: +41.0%** vs. Q3 16

5% o/9M Dig. Revs.

- IoT traction and Smart M2M boosting growth
- Strong focus on developing Smart **Mobility, Energy & Retail**
- **Top 2 player**: **Gartner's Magic Quadrant for Managed M2M Services**

Other digital services (21% o/9M Dig. Revs.) include: Advertising, Applications and Financial Services

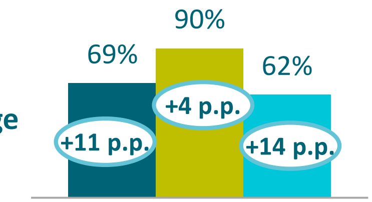
TGR: progressing on UBB & digitalisation

Excellent connectivity

~43m FTTx/Cable premises passed

- **18.6m FTTH** (+13% y-o-y)
- **18.0m** (+7%)
- **6.2m** (+53%)

LTE coverage (%pop)



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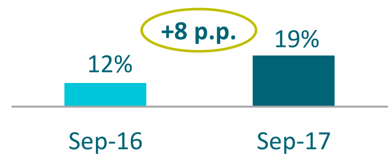
Enabling digital capabilities

E2ED level

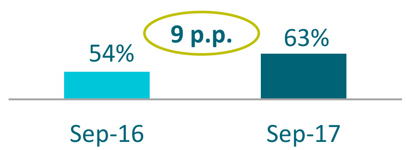
+5 p.p. vs. Dec.16

E2E Digitalisation

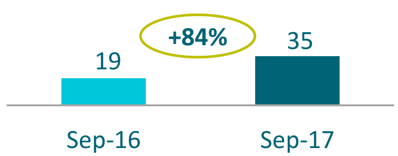
Full Stack (% customers)



Online charging systems (OCS) (% customers)



Big Data (PB)



- ✓ **Real Time Decision**: 2 new use cases in Q3 (33 in 2017)
- ✓ **Critical Incidents -7% y-o-y**

Network transformation to All-IP

Virtualisation

Deployment in 5 countries of **UNICA**
- Telefónica's global solution -

VoIP

8m customers (+31% y-o-y); **7 countries**

VoLTE

7 countries
Commercial launch

VoWiFi

Commercial launch

Innovation

5G: >10 5G tests/PoCs in own laboratories

At the forefront of digitalisation

DRIVER FOR DIFFERENTIATION AND EFFICIENCY

Connectivity; foundation for digital revolution
Digital services over connectivity

A Platform Company
CapEx~€54Bn 2012-9M17
(incl. spectrum)

2012-17…

Best in class networks

- FTTH
- LTE *4G to 4.9G*

Leaders in FTTH deployment in Europe & LatAm

Legacy simplification

Digital Services and their functionalities **improve customer experience**

- Video
- Digital Home (innovation hardware)
- IoT
- Security
- Cloud
- Advertising
- Big Data LUCA
- WiFi 5 GHz High Quality

E2E Digitalisation Programme

…today…

Digitalisation of customer processes to **increase customer satisfaction…**

- Self-management
- Automation

…during Customer Lifecycle

- Sales
- Provisioning & installation
- Payments & top-ups
- Technical Support
- Post-sales & Care

Network Digitalisation

- All-IP Networks
- Self-Organized Networks
- Service Operation Center
- NFV / SDN
- Virtualisation UNICA

New **value propositions** to differentiate, **increase** customer **loyalty and use**

- Data Sharing
- Bundles
- Smart WiFi
- Contents

Making all this **available to our customers** through

Mi Movistar | MeuVivo | My O2

…tomorrow

Moving towards Digital Customer Engagement

Network Operating System (NOS). Transparent Network providing customers with **E2E network management**

Personalised Quality of Experience (customer needs and profile) leveraging **AURA** & **4th Platform**

Brand differentiation; improving customer perception

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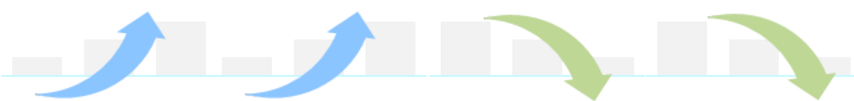
E2E digitalisation programme underway

LEVER TO TRANSFORM CUSTOMER PROCESSES …

- Automation and real-time processes
- Fostering digital channels
- Reducing assisted channels interactions
- Improving customer experience

Impact on Operations

Increasing unique users in app/web	Increasing the interactions in digital channels	Reducing calls to call center	Reducing orders with manual intervention and incidents



… AND ALSO TO TRANSFORM OUR NETWORK

- **All-IP Networks**
- Radical **network virtualisation:** "UNICA"
- **NFV/SDN**
- **Using Big Data**
  - Network deployment optimisation
  - Network capacity planning
  - E2E service quality management

IMPACTING DIRECTLY ON COST STRUCTURE

- Back-office and commercial Costs
- Commissions & payments
- Invoice printing & sending
- Customer care
- Technical support

- Network OpEx reduction
- CapEx optimisation
- Faster deployments
- Flexible network management

Digitalisation bearing clear benefits in Spain

- ✓ **Transformation process started in 2012 towards building a leaner and more competitive Company**
- ✓ **Simplification programmes and Full Stack have driven benchmark efficiency and business process enhancement**

Commercial

- Portfolio simplification
- Channels optimisation (size /mix/ efficiency)
- Automated processes (E2ED front and back)
- Fostering online experience

	Var 12-17E	2017E
Share of sales online	+20 p.p.	24%
Points of sale	(63%)	---
Unique digital users	---	41%
Handset subsidies	(97%)	---

Network & Operations

- NGN deployment (FTTH/LTE)
- Network optimisation
- Legacy network/platforms switch-off

	Var 12-17 E	2017 E
Failures/access	(41%)	
Remote solved incidents	---	82%
Calls to call center/access	(50%)	---
Legacy closed	---	65%

IT & Systems

- Transformation operating model
- Virtualisation/automation
- Simplification

	Var 12-17 E
Reduction of:	
Systems	(19%)
Servers	(47%)
Data centers	(57%)
Platforms	(28%)

Organisation

- Workforce simplification

	9M 17 annualised
Productivity (OpCF/employee)	€128k

MORE TO COME…

Tangible Benefits

- ✓ Improved **TTM**
- ✓ Improved **CSI**
- ✓ **Commercial costs** (**-67%** in 12-17E)
- ✓ Lower **failures**
- ✓ **Energy** efficiency
- ✓ Sale of **freed assets**
- ✓ Increase **FTTH take**
- ✓ **Revenue** increase
- ✓ Lower unitary maintenance cost of customer equipment: **FTTH vs. Copper -40%**
- ✓ **OpEx+CapEx Systems:** (**-37%** in 12-17E)
- ✓ **Productivity** (**+9%** in 14-9M 17A)

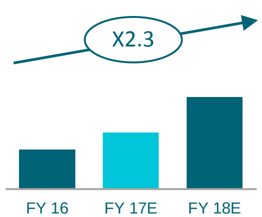
Digitalisation being gradually adopted group-wide

SELF-MANAGEMENT LEVEL, PROCESS AUTOMATION

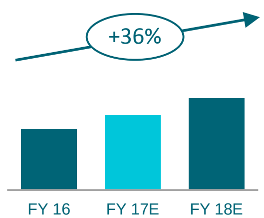
BRAZIL EXAMPLE

Impact on Operations…

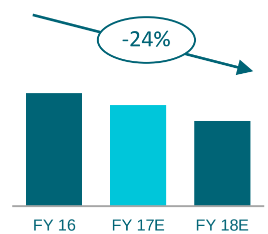
% unique users in digital channels



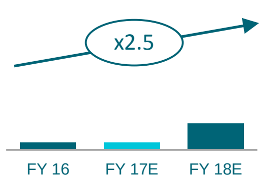
% digital interactions



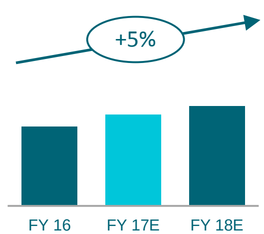
Monthly calls to call center



% of sales in self-assisted channels



% Remotely resolved incidents



… is boosted by BUSINESS INITIATIVES to become digital

… Initiatives promoting the use of digital channels

… Simplify and communicate our value proposition

… Boosting e-billing and new payment methods

… Initiatives for filtering calls towards self-assisted channels

… Promotion of field operations improvement (problems diagnosis, traceability, …)

… and supported by key TECHNOLOGICAL ENABLERS

Full Stack	Providing **automated**, **real-time processes** and **360˚ customer view**
Online Charging	Enabling **real-time spend control** and data sharing
Payment Systems	Providing **new payment methods**
Network Diagnosis	Systems providing **service monitoring**, **remote diagnosis** and **resolution**, **self-healing** …
App / NOVUM	New app for a **differential self-management experience**

02

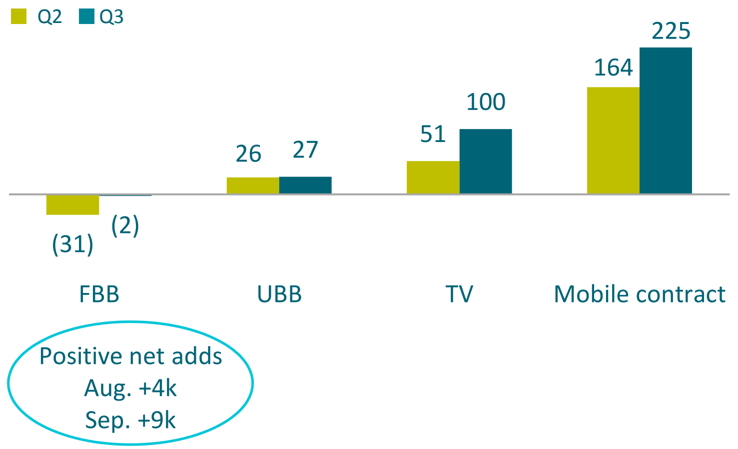
Q3 17 Results

Ms. Laura Abasolo

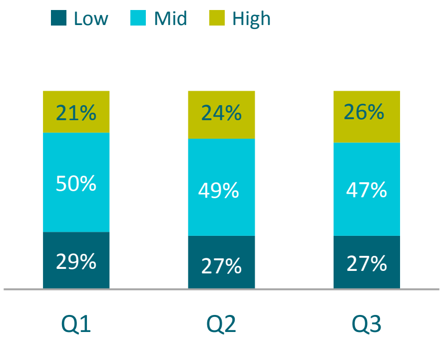
CFCO

Spain: Recovered momentum; focus on value

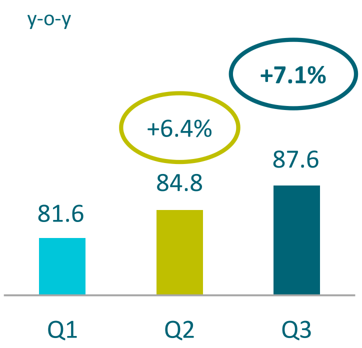
Net adds 2017 ('000)



"Fusión" mix 2017 (% base)



"Fusión" ARPU 2017 (€)



Better trading on enhanced positioning

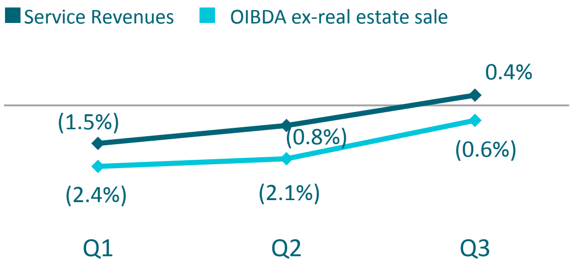
- **Positive volumes from new "Fusión" packs** (launched in July)
  - Q3 gross adds recovery: "Fusión" (+16% y-o-y), FBB (+13%)
  - Best contract quarterly net adds in last 10 years
  - FBB net adds (+29k q-o-q)
- **Better "Fusión" customer mix**
  - Consistent ARPU growth, accelerating in Q3
  - UBB penetration (39%; +4 p.p. y-o-y); TV (73%; +5 p.p.)
  - Upgrades offsetting limited downgrades

Clear focus on convergence upselling

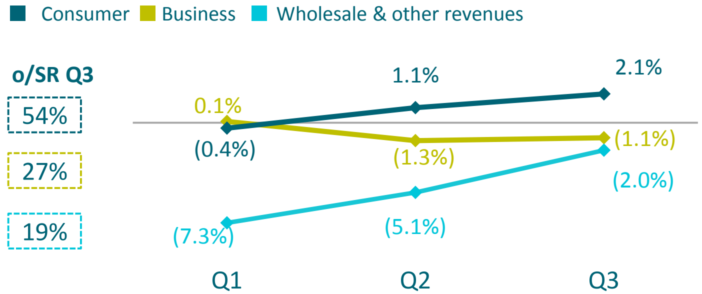
- **Value oriented strategy**
  - Segmentation of the offer; ARPU & loyalty increase
- **Clear market-leadership in network & service quality**
  - LTE: 97% pop. cov.
  - 18.6m premises passed FTTH (>60% households)
  - Exclusive TV content and functionalities

Spain: Improved revenue trends; strong OpCF

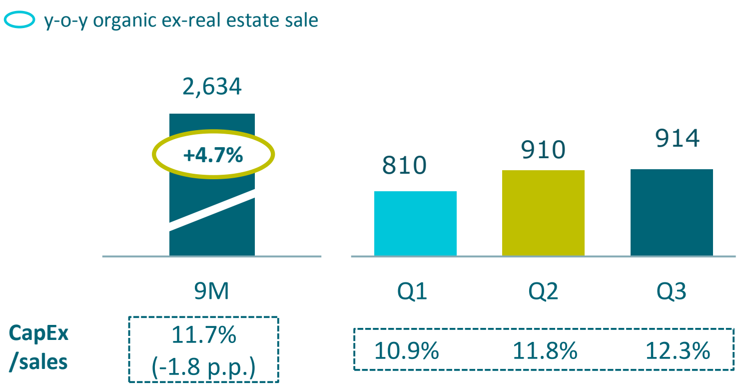
2017 Financials (y-o-y organic)



2017 Service Revenues by segment (y-o-y organic)



2017 OpCF (€m)



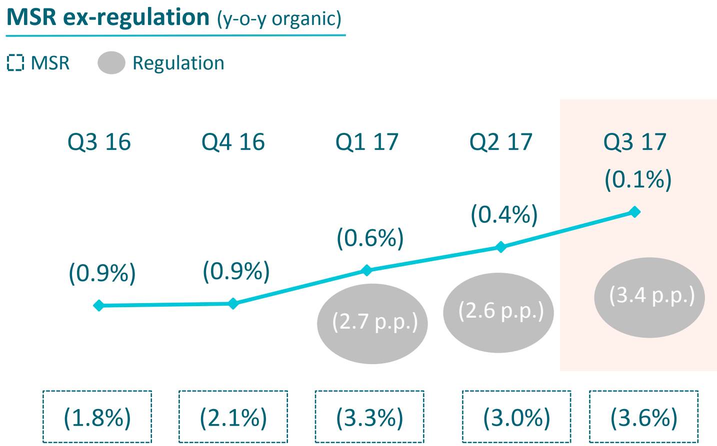
Back to growth in Service Revenue

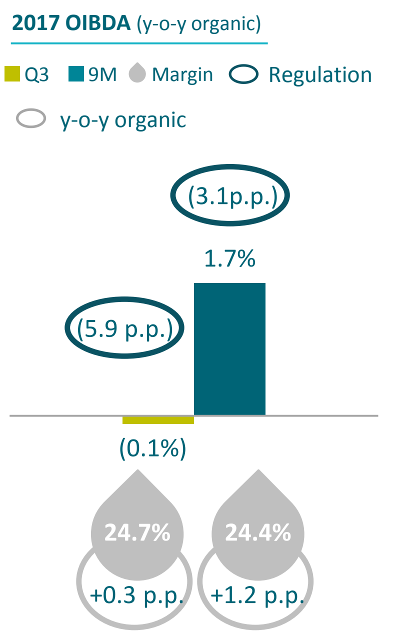
- **Consumer revs. ramping-up** (+1.0 p.p. q-o-q)
- **Business revs.** (+0.2 p.p. q-o-q) affected by **IT seasonality**
- **Wholesale & Other revs. improved trend** (+3.2 p.p. q-o-q)
  - Comparable wholesale TV revs. from mid-August
  - FTTH wholesale increase
  - Marginally positive impact from RLAH

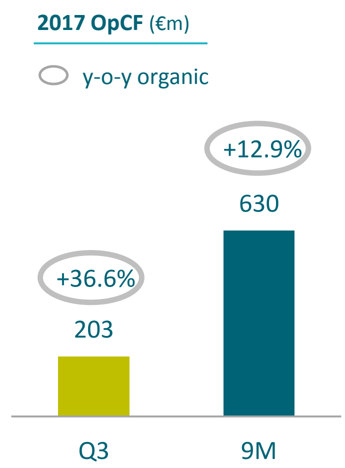
High operating leverage, strong upside

- **Q3 OpEx +0.2% y-o-y** (-1.2% in Q2)
  - (+) Personnel savings
  - (-) Handsets, roaming-out, content cost
- **Q3 OIBDA margin: 41.0%;** -0.1 p.p. y-o-y ex-real estate sale
- **High visibility on CapEx reduction**
- **Growing OpCF throughout the year**

Germany: Data monetisation opportunity ahead







Larger data buckets

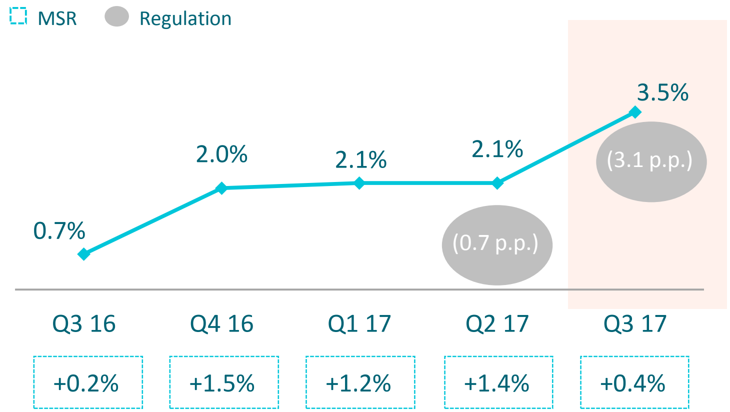
- **Stimulating data usage** (mobile data traffic +49% vs Q3 16)
  - **Commercial activities** O_2 Free 15 & new O_2 Free portf. (Sep.)
  - O2 Free 15 cust. data usage > 5GB; ARPU-up potential
- **Solid momentum: Contract** (+4% y-o-y); 183k net adds
  - LTE cust. (+48% y-o-y); penetration 36% (+11p.p.); cov. (81%)
  - Resilient partner contribution (Q3: 53% of gross adds; 9M: 55%)

Strong cash conversion

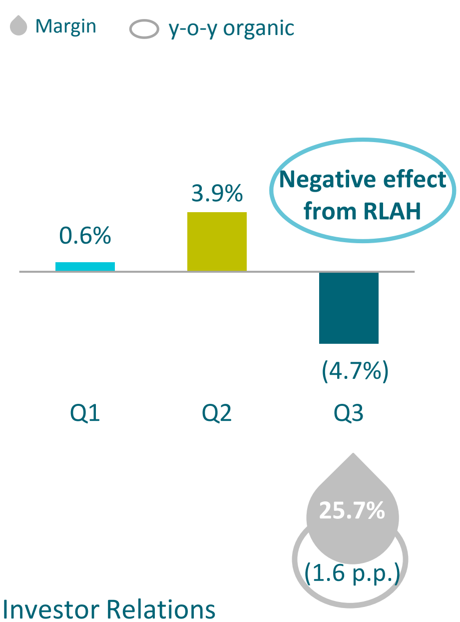
- **Better revenue trends y-o-y** (Q3: -1.3%; 9M:-3.1%)
  - **Q3 MRS ex-reg**: continued gradual improvement
- **Q3 OIBDA y-o-y reflecting**
  - Higher commercial efforts
  - Regulation headwinds (-€28m in Q3, mostly related to RLAH)
  - ~ €40m incremental OIBDA synergies (~€115m in 9M)
- Lower **CapEx** intensity (-7.4% y-o-y in 9M 17); ~€50m **synergies**

UK: Sustained top line growth in spite of RLAH

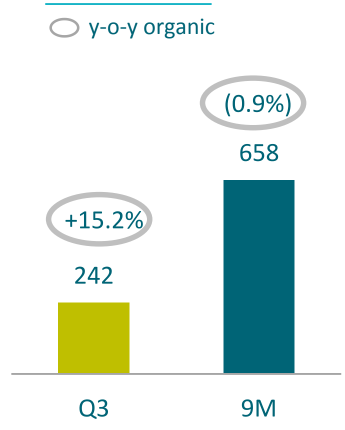
MSR ex-regulation (y-o-y organic)



2017 OIBDA (y-o-y organic)



2017 OpCF (€m)



Strong operational base and KPIs

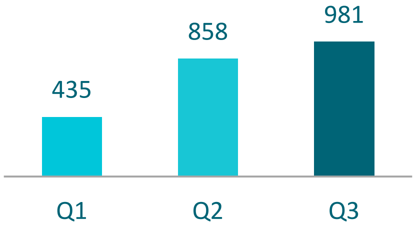
- **Contract expanding: 63% o/total** (+1 p.p.)
  - Sustained, best-in-class contract churn: 1.0% in Q3
- **58% LTE penetration** (+6 p.p.); **98% outdoor cov.** (+5 p.p.)
- **Avg. data usage per smartphone +55%** vs. Q3 16; 2.1 GB per month

Financials reflecting RLAH impact

- **Total revenue growth**
  - \+ Higher spend: subscription (larger data allowances) & out-of-bundle
  - \+ Quality customer base growth
- **Q3 OIBDA** impacted by RLAH effect (€48m)
- **CapEx +0.6% vs. 9M 16;** LTE rollout investment

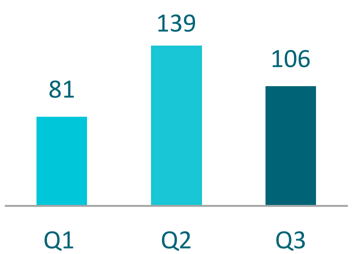
Brazil: Enhancing best-in-class value positioning

Contract net adds 2017 ('000)

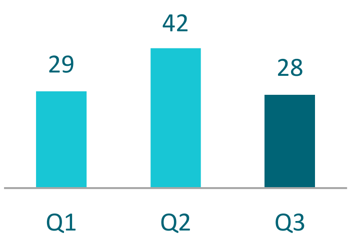


Highest contract net adds in last 7 Qs

FTTx net adds 2017 ('000)



IPTV TV net adds 2017 ('000)

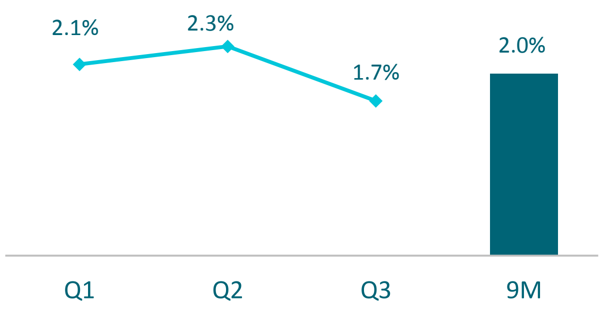


Expanding differentiation gap

- **Network quality widening**
  - 76% population 4G cov.; 1,919 cities already covered (700 MHz spectrum in 199 cities)
  - 18.0m premises passed with **FTTx**; 4.5m connected
    - 12 new cities in 2017: 40% already connected o/premises passed & 82% m. share
- **Growing in strategic accesses (higher ARPU)**
  - Contract +10%; ARPU 4x vs prepay
  - 4G +73%
  - FTTx +9%; ARPU 1.2x vs Copper
  - IPTV +54%; ARPU 1.2x vs DTH
  - **New contract portfolio** from October 23rd; unique and innovating features aligned with "M4M" strategy
- **Outperforming the market**
  - Mobile: 42.3% contract m. share; ~46% net adds share in Jan-Aug
  - Fixed: 36.6% FBB>34 Mbps m. share

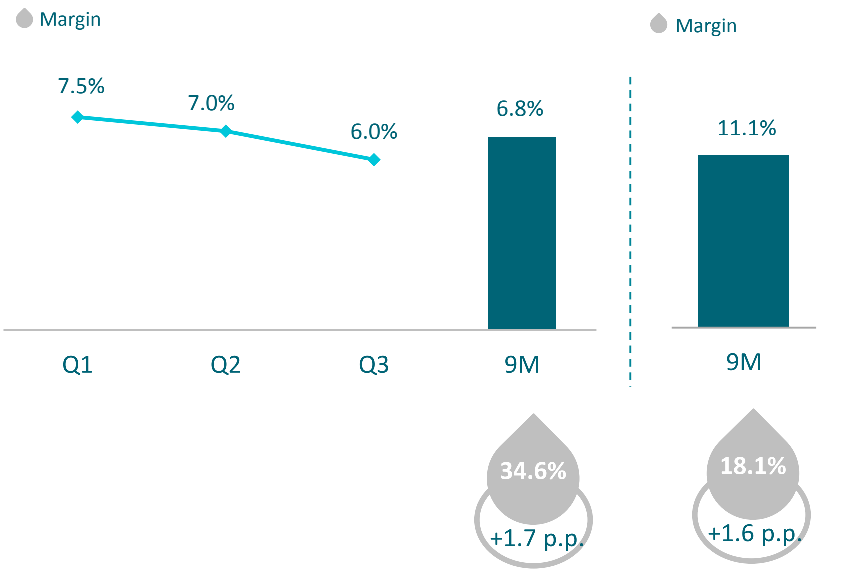
Brazil: Delivering growth; expanding profitability

2017 Service revenues (y-o-y organic)



2017 OIBDA (y-o-y organic)

OpCF (y-o-y organic)



Data driving steady positive revs performance

- **Q3 Revenue growth +1.2% y-o-y** (9M; +1.5%)
  - Healthy MSR performance (Q3: +3.8% y-o-y) on data revs. (+28.2%) despite tougher comps
  - Gradual improvement in fixed revs y-o-y on fiber revs. (+21.9%) and IPTV (+76.9%)
- Regulation dragging 1.9 p.p. on Q3 revenue y-o-y

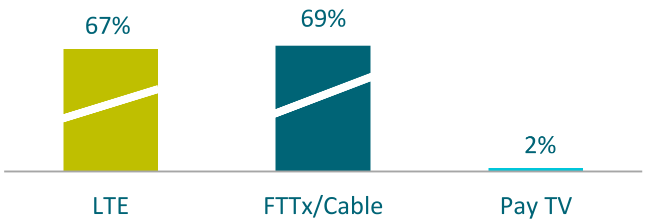
Expansion in OIBDA & OpCF margins

- **Consistent OpEx y-o-y reduction** (Q3: -1.1%; 9M: -0.8%) **on efficiency measures**
  - 7 consecutive quarters with OpEx reduction
  - Digitalisation initiatives bearing fruits (billing and collection, top-ups, call-center…)
- **Successful execution of operational synergies** (OpCF 9M; €392m; €939m over last two years)

HispAm: Improved commercial traction

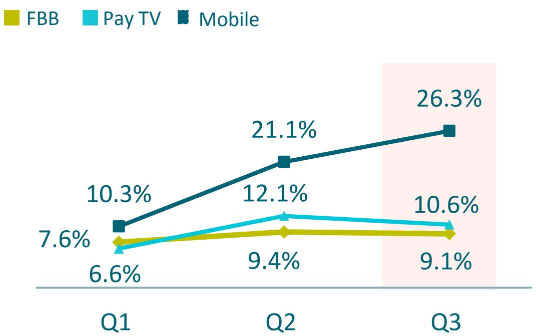
Accesses (y-o-y)

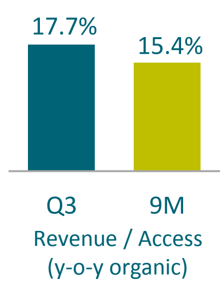
Penetration; y-o-y



LTE	FTTx/Cable	Pay TV
20% +8 p.p.	29% +12 p.p.	54% +2 p.p.

2017 ARPU (y-o-y local currency)





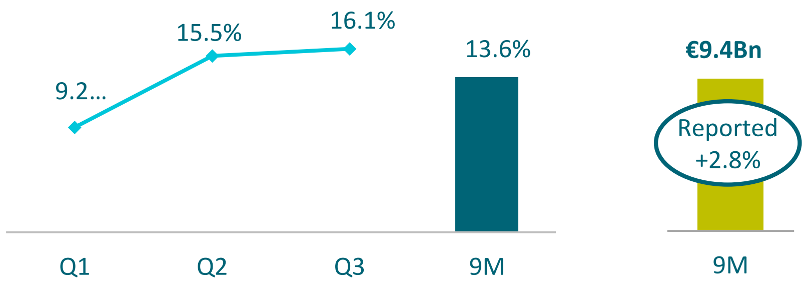
Focus on value

- LTE cov. 56% (+8 p.p. y-o-y); 6.2m premises passed FTTx & Cable (+2.1m LTM)
  - Record net adds in Q3 for LTE (2.8m; 9M 6.2m) & FTTx/cable (249k; 9M 492k)

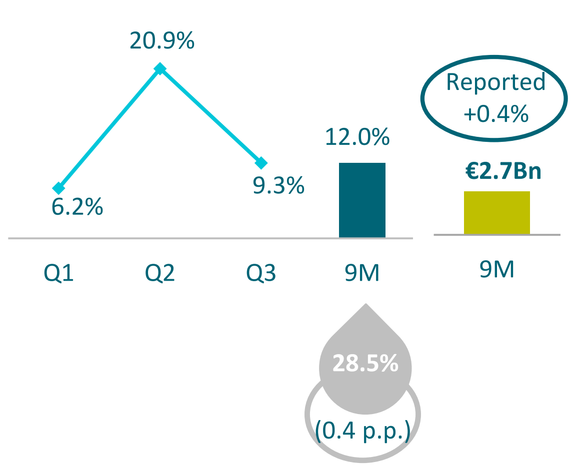
- **ARGENTINA:** Growing uptake of contract; LTE & fiber driving data traffic up (9M: +76% mobile; +41% fixed)
- **CHILE:** Back to positive net adds (contract 27k; LTE 331k; FTTx 12k; Pay TV 13k)
- **PERU:** Solid trading in fixed; record FTTx net adds (146k); reshaped commercial portfolio driving signs of recovery in mobile
- **COLOMBIA:** Robust commercial performance; fostering adoption of FTTx (32k Q3 net adds) & LTE (538k)
- **MEXICO:** Sound contract (+15%) and LTE (+55%) accesses growth & easing pricing pressure. Positive ARPU (Q3: +3.9% y-o-y)

HispAm: Solid revenues & OIBDA; OpCF +26.8%

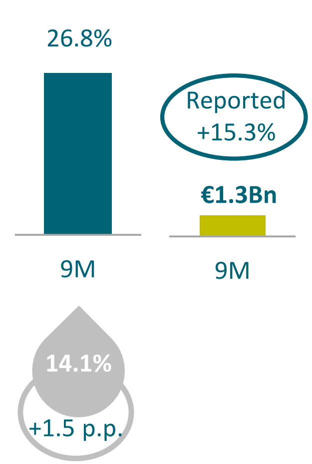
2017 Revenues (y-o-y organic)



2017 OIBDA (y-o-y organic)



OpCF (y-o-y organic)



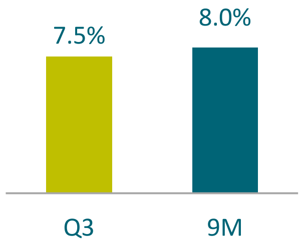
Delivering growth

- **Solid MSR and fixed growth** (Q3: +19.0% and +5.6%, respectively)
    - Mobile data revs. acceleration Q3: +38.2%; +3.5 p.p. q-o-q
    - Double-digit growth in FBB & new services (Q3:+10.0% Q2:+7.3%) and pay TV (Q3: +11.1%; Q2: +13.4%)
- **Q3 OIBDA margin** -1.8 p.p. y-o-y (inflation driven costs, higher commercial efforts & tougher comparisons)

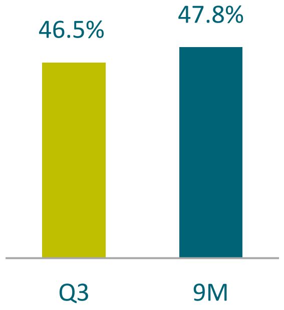
- **ARGENTINA:** Outstanding growth across all metrics (Q3 Revs. + 30.6% & OIBDA +37.8%; 9M OpCF >4x)
- **CHILE**: Enhanced top line trend despite competition. 9M OpCF +5.5% y-o-y to €258m
- **PERU**: Better revs & OIBDA performance amid continued competition; OIBDA margin +2.5 p.p. q-o-q
- **COLOMBIA**: Tougher comps in rev & OIBDA growth. 9M OpCF +39.1%
- **MEXICO**: Consolidating positive rev. growth despite earthquake

Telxius: Solid operational momentum

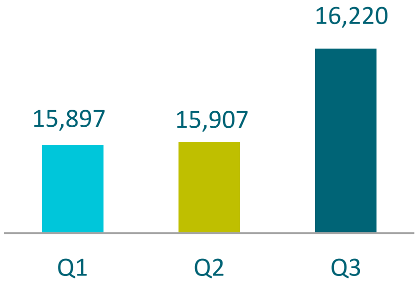
Revenue (y-o-y organic)



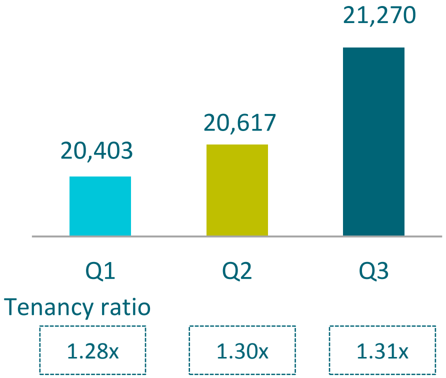
OIBDA Margin



Towers (# sites)



Tenants (#)

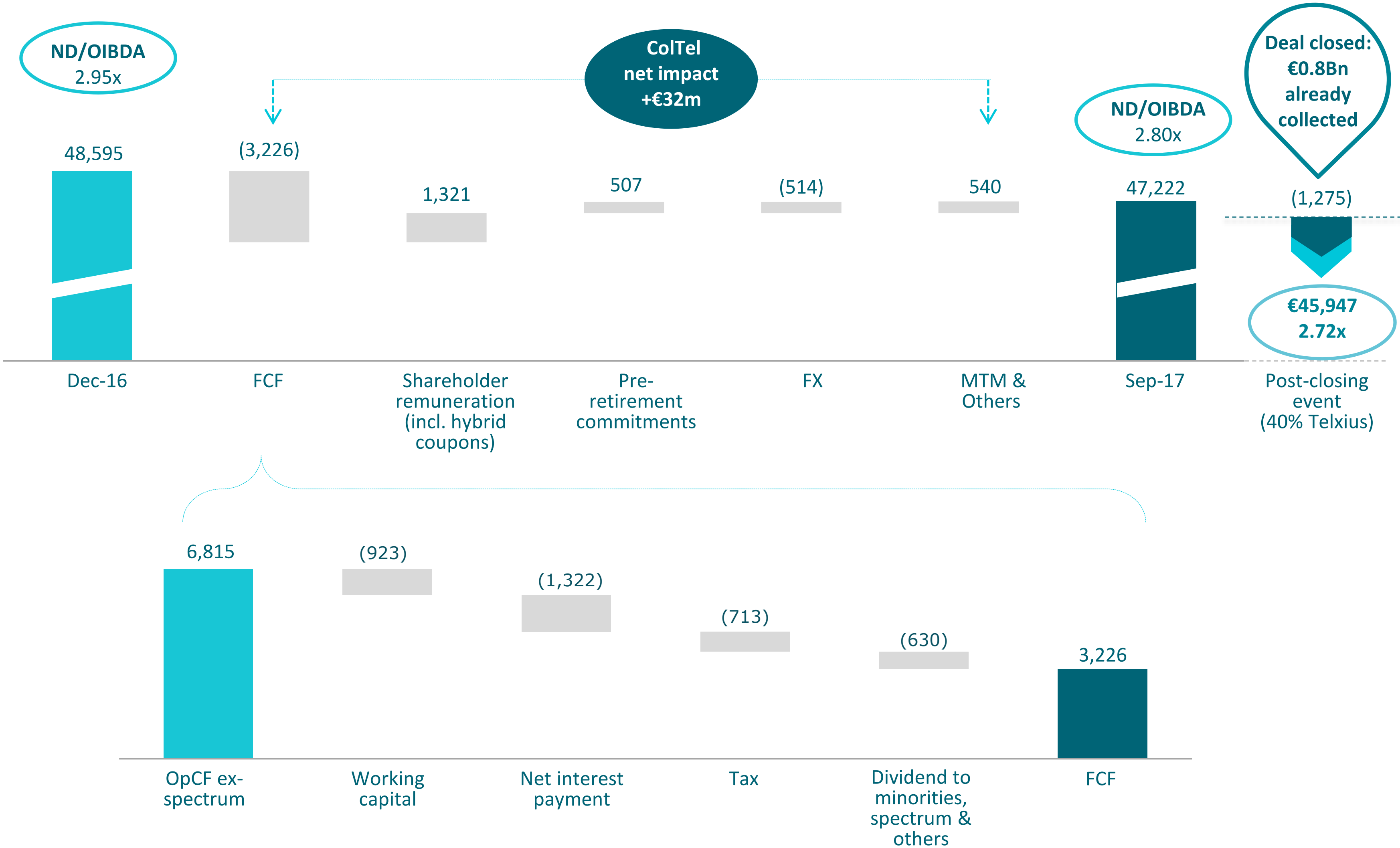


Strong set of results

- **9M financials; strong revenue growth and solid profitability**
  - Revenues: €547m
  - OIBDA: €261m
  - OpCF: €126m
- **Robust OIBDA margin across both businesses**
  - Sequential decline on seasonal taxes and hurricanes effect
- **Infrastructure; expanding the reach**
  - Tenancy ratio improved +0.03x vs. Dec. 16 in Q3 17
  - Argentina added 304 towers & 539 tenants to the perimeter
  - Stimulating traffic demand and revenue growth in Cable
- **Developing the 2 new cables** (to be active in 2018)
  - MAREA (connecting US & Spain) wet plant deployment already completed Sept. 17
  - BRUSA (connecting Brazil, Puerto Rico & USA) construction as planned

Deleverage on strong organic FCF and disposals

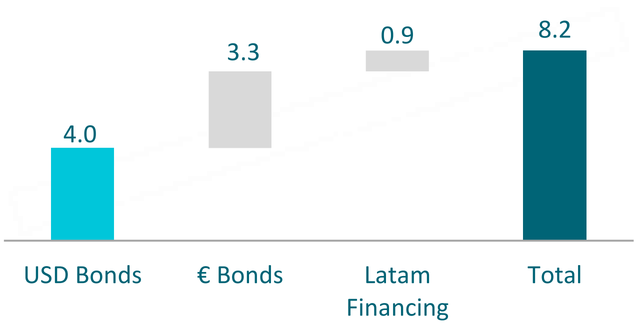
Net Financial Debt (€m)



Stronger balance sheet and credit profile

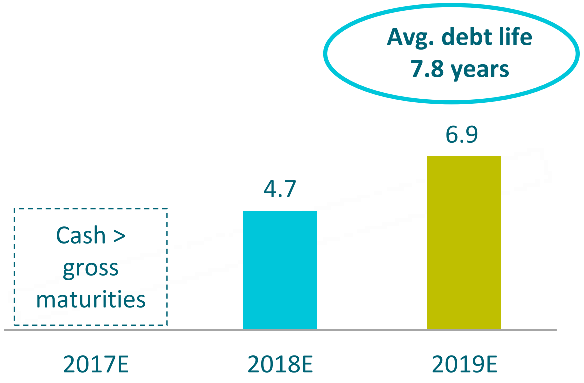
Sources of long-term financing (YTD)

(€bn)



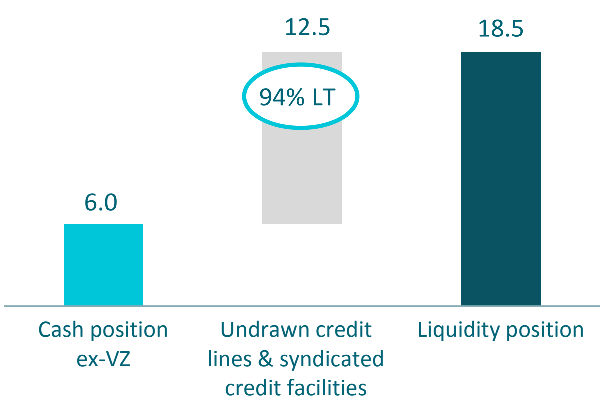
Net Debt maturities (Sep-17)

(€bn; not considering hybrid NC dates)

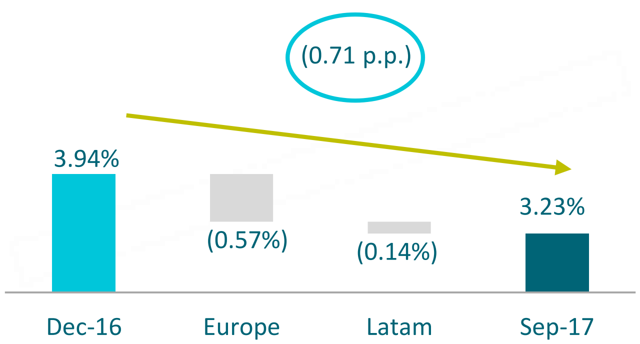


Liquidity position (Sep-17)

(€bn)



Interest payments cost



Summary: executing on fundamentals

- **Delivering profitable organic growth**
  - Top line accelerating trends; sound OIBDA performance despite regulation, high-single digit OpCF growth in 9M (CapEx peak is behind)
- **Best technology platforms, IT systems integration, development of new digital P&S**
  - Building for the future (Cognitive Intelligence: better customer value; new value-added propositions)
- **Focused on digitalisation, started with simplification and E2E task some years ago**
  - Proof points already reached. Big opportunity ahead (customer experience, new revenue streams, higher efficiencies)
- **Progressive leverage improvement**
  - Growing OIBDA, solid FCF generation and inorganic actions (40% Telxius) leading to sharp debt reduction
- **Secured market position**
  - Best assets in key markets
- **2017 outlook and dividend confirmed**

Clear and consistent strategy: growth and digitalisation

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