

The background features a series of concentric circles composed of small squares in various shades of blue, creating a pixelated or mosaic effect. On the right side, there is a vertical column of binary digits (0s and 1s) in a light blue color, arranged in a slightly curved path.

Results

January – December 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 consolidated financial statements and consolidated management report for the year 2017 submitted to the Spanish National Securities Market Commission.

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01

2017 Highlights 2018 Outlook

Mr. José María Álvarez-Pallete
Chairman & CEO



Our mission: Let our customers choose it all

Enable people with
the power of
connectivity

Operate in countries
where we can have
an impact & create
value

Optimise our
capabilities for a
sustainable digital
future



**Strong financial performance
& shareholders' returns**

Our mission: Let our customers choose it all

Enable people with the power of connectivity

- UBB connectivity tailored to each market
- Integrated offer
 - fiber, mobile data, content, digital services
- Best experience, starting to leverage cognitive intelligence
- Trust, Privacy & Security

Operate in countries where we can have an impact & create value

- Leaders in convergent markets
- Leaders in mobility
- Leaders in key Latam markets
- Best positioned for structural growth in Latam

Optimise our capabilities for a sustainable digital future

- Becoming a platform Co.
- Pioneers in digitalisation
- Pioneering the new technological wave: SDN, eSON, 5G,...
- Relentless focus on efficiency
- Maximise group synergies

**Growing Revenues, OIBDA, OpCF, FCF & EPS
Improving ROCE & B/S**

Excellent execution of 2017 priorities

Growth acceleration

Organic: **Revs.** +3.4%; **OIBDA** +5.3%; **OpCF** +12.2%

Reported: **Revs.** -0.1%; **OIBDA** +7.1%; **OpCF** +22.8%; **FCF** +13.0%

Digital Co. transformation

Data monetisation: traffic explosion, more users, more services, turning volume into revenues

Digital transformation: cutting-edge smart networks (#1 fiber in Europe & Latam; Spain #3 OECD in fiber); pioneers in cognitive power

Solid financial position

€4.4bn **Net Debt reduction:** organic (FCF= €4.9Bn) + inorganic (Telxius 40% sold)

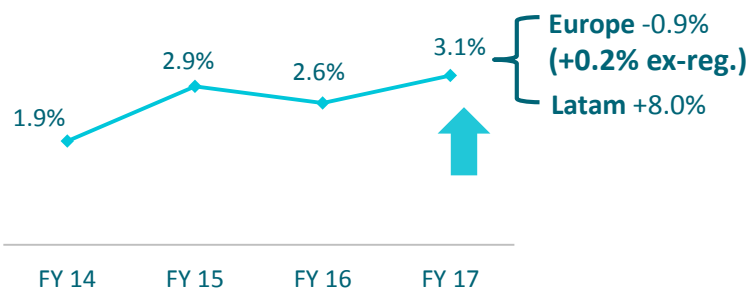
Attractive shareholder remuneration

In spite of adverse regulatory impacts

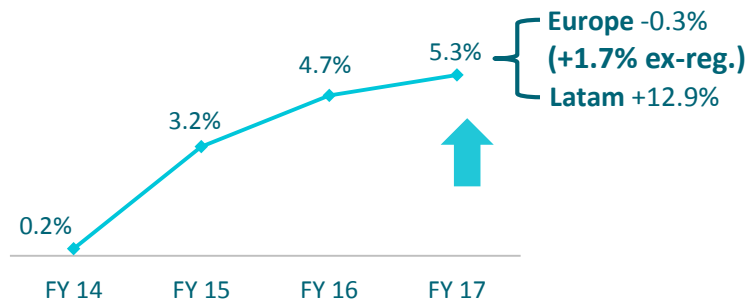
Growth acceleration

Growth
acceleration

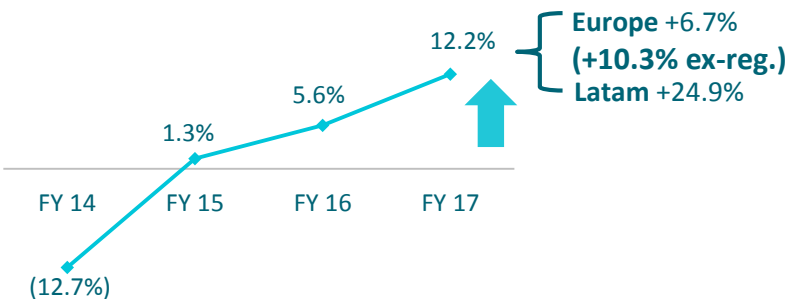
Service revenues (y-o-y org.)



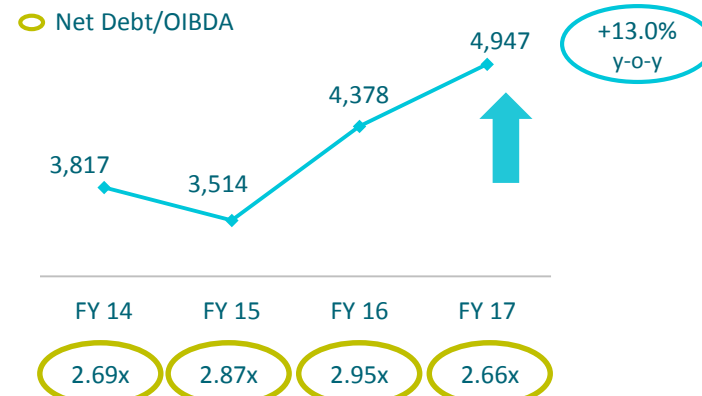
OIBDA (y-o-y org.)



OpCF (y-o-y org.)



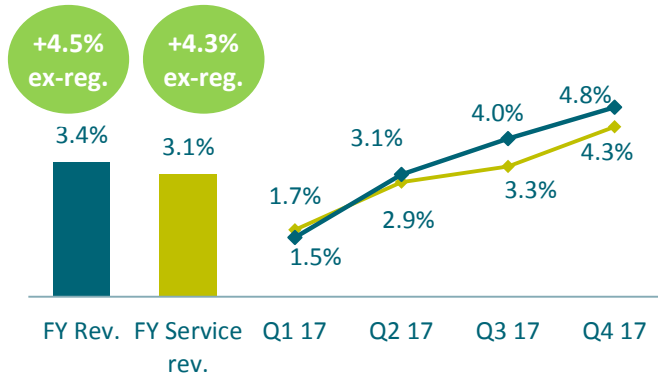
FCF (€ in millions)



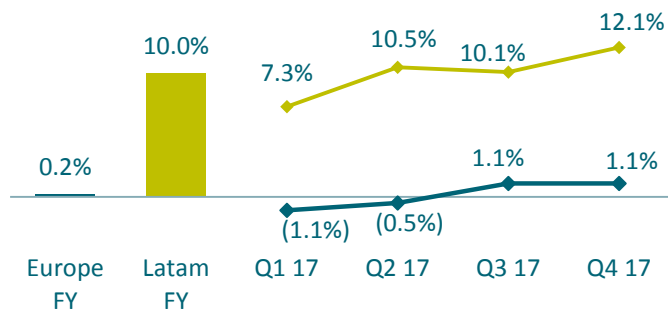
Revenues gaining momentum

Growth
acceleration

Revenues & Service revenues (y-o-y organic)



Revenues Europe & Latam (y-o-y organic ex-reg.)



Yielding improvement in Europe & Latam ex-reg.

- **Further transforming our revenue mix towards BB and SoC**
 - 52% o/ total +5 p.p. vs. 2016
- **Turning volumes into revenues**
 - Mobile data revs +19.5% y-o-y in Q4 (FY: +16.8% y-o-y)
- **Balanced revenue distribution**
- **Strengthening profitability** (FY OIBDA +5.3% y-o-y org.)
 - Revenue acceleration; 85% of y-o-y in FY driven by service revs
 - Cost actions; best-in-class efficiency
 - Delivering merger synergies in BRA & GER

Data monetisation

- Enhance high-value connectivity
 - FTTH, LTE, transport network, all-IP
- Monetisation of data traffic explosion
 - Fixed data traffic/ user in our networks x16 (2012-20E)
- More users, more services
 - Attract, bundle and upsell customers
 - Higher ARPU
- Selling more digital services
 - Enhanced offering (security, Big Data, Cloud, IoT)
 - Enhanced capabilities (specialised sales resources)

Digital transformation

- Network leadership
 - New network elements virtualised, IP Comms, legacy switch-off
 - New technological wave: SDN, eSON, 5G
- Radical processes automation
 - Efficient sales processes, effective service provision, faster issue resolution
 - Largest full-stack deployment, zero back-office
- World-class digital customer experience
 - Distinctive and enriched digital user interfaces
- Distinctive digital value proposition
 - Align our offer to customer needs in real time

Monetisation opportunities continuing

Data
monetisation

Speed & Capacity

FTTH UBB >€10 premium vs. DSL

FTTX >~€8-10 premium vs. DSL

LTE ARPU uplift +10%

New "O2 Free": €30; ARPU accretive

"YoYo": Flexible data tariffs

Services Beyond Connectivity

ARPU uplift

~€35 basic TV bundles; ~€55 All Premium

~€30 Premium TV bundles; ~€4 mobile VAS

~€15 in TV bundles

Digital services

Security B2B revs: +24.3% vs. FY 16

"Oops": smartphone insurance included

"Movistar Play" in Hispam

Cognitive Power

Talk to technology and get things done: new options for customer to interact (speech recognition and natural language processing)

Adapting the experience to any customer; offering customised proposition

Enhance customer experience: Reduce churn and operational efficiency

AURA: accessible through different channels; homogeneous user experience

Novum, Smart WIFI,...

AURA will be launched in 6 countries (MWC)

5G, eSON, SDN, network slicing

Higher customer value: +ARPU; - Churn

Targeted, ROI-based CapEx effort; peak already behind us

Digital transformation

Platform Company

CapEx 2012-17 incl. spectrum

Cognitive Power

A new customer relationship

Products and services

Video, cloud, security, IoT...

~€2bn

IT & Systems

Full stack, computing

~€8bn

Physical Assets

Networks, data centres, distribution...

~€45bn

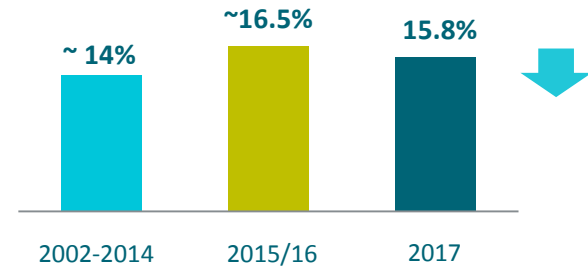
"Others"

~€2bn

~€56bn

CapEx / Sales

(Ex-spectrum)



CapEx peak behind us

✓ Outpacing investments vs. competitors

- Largest UBB footprint owned among peers
- Spain FTTH deployment >75% of 2020 target

2017 key financials & solid financial position

Solid financial position

€ in millions	FY 17		
	Reported	Reported y-o-y	Organic y-o-y
Revenues	52,008	(0.1%)	3.4%
Service revenues	47,857	(0.3%)	3.1%
OIBDA	16,187	7.1%	5.3%
Underlying OIBDA	16,638	0.7%	
OIBDA margin	31.1%	2.1 p.p.	0.6 p.p.
OpCF (ex-spectrum)	8,027	22.8%	12.2%
Net Income	3,132	32.2%	
EPS	0.56	33.9%	
Underlying EPS	0.75	(0.3%)	
FCF	4,947	13.0%	
Net Financial Debt	44,230	(9.0%)	

Revenue growth and margin expansion

Double digit OpCF growth in €

EPS /FCF double digit growth

Leverage down from 2.95x to 2.66x

Growing at all levels: organic & reported; Revenues, OIBDA, OpCF, FCF, EPS

Reducing debt across all fronts: Net Debt -€4.4bn;

(Net Debt + Commitments) -€4.6bn; (Net Debt + Commitments + Hybrids) -€3.7bn

Beating 2017 guidance

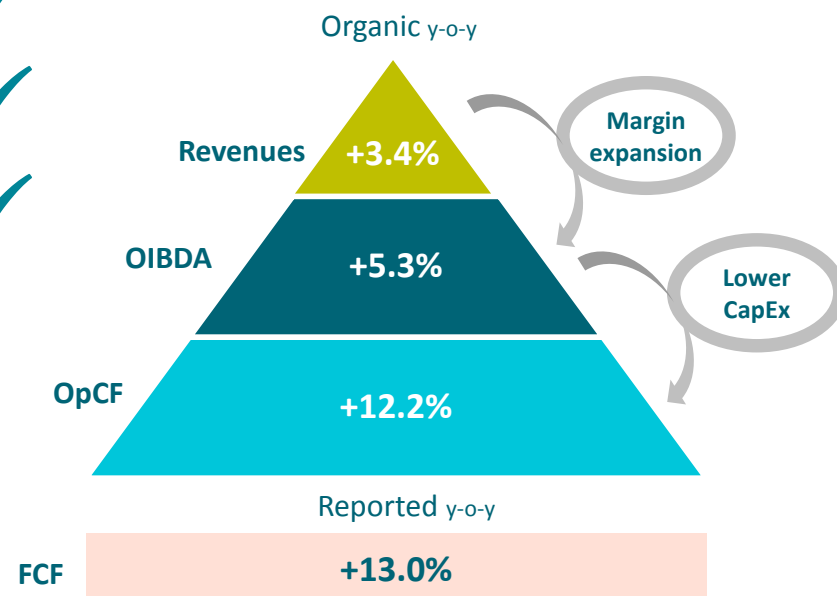
Solid financial position

2017E Guidance (Organic)	Guidance 2017E	FY 17	
Revenues	>1.5% (in spite of regulation: ~-1.2 p.p.)	3.4% (regulation -1.1 p.p.)	✓
OIBDA margin	Expansion up to 1 p.p.	0.6 p.p.	✓
CapEx ex-spectrum/Sales	Around 16%	15.8%	✓

2017 Dividend	Payable in 2017/18
Interim 14-Dec-17	€0.20/sh. cash
Final Jun-18	€0.20/sh. cash

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

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



02

FY & Q4 17 Results

Ms. Laura Abasolo
CFCO



2017 key financials: FY & Q4

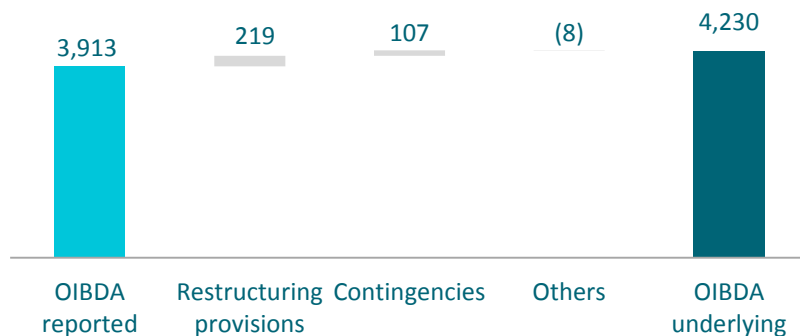
€ in millions	FY 17			Q4 17		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
Revenues	52,008	(0.1%)	3.4%	13,162	(4.1%)	4.8%
Service revenues	47,857	(0.3%)	3.1%	11,875	(4.9%)	4.3%
OIBDA	16,187	7.1%	5.3%	3,913	22.8%	9.2%
Underlying OIBDA	16,638	0.7%		4,230	(5.2%)	
OIBDA margin	31.1%	2.1 p.p.	0.6 p.p.	29.7%	6.5 p.p.	1.4 p.p.
OpCF (ex-spectrum)	8,027	22.8%	12.2%	1,213	4.3x	24.4%
Net Income	3,132	32.2%		693	4.8x	
EPS	0.56	33.9%		0.12	7.9x	
Underlying EPS	0.75	(0.3%)		0.18	(22.6%)	
FCF	4,947	13.0%		1,721	(16.5%)	
Net Financial Debt	44,230	(9.0%)				

Q4 reported y-o-y affected by several factors

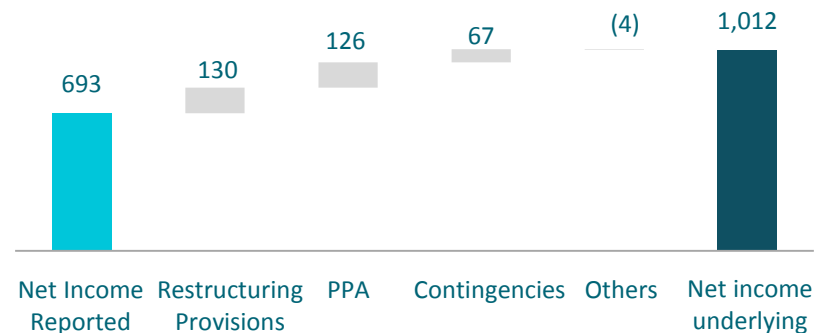
- **Non-cash factors in OIBDA** (Q4 16: -€1.3Bn vs. -€0.3Bn Q4 17)
- **FX FY drag in revenues & OIBDA** (-3.2 p.p. & -4.7 p.p.)
- **Roaming drag in OIBDA** (Q4 -0.7 p.p.; Q3: -1.7 p.p.)

Q4 results factors

Q4 impacts in OIBDA (€0.3Bn)

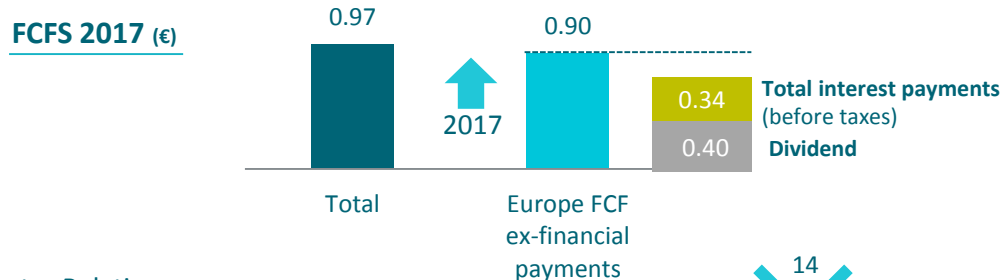
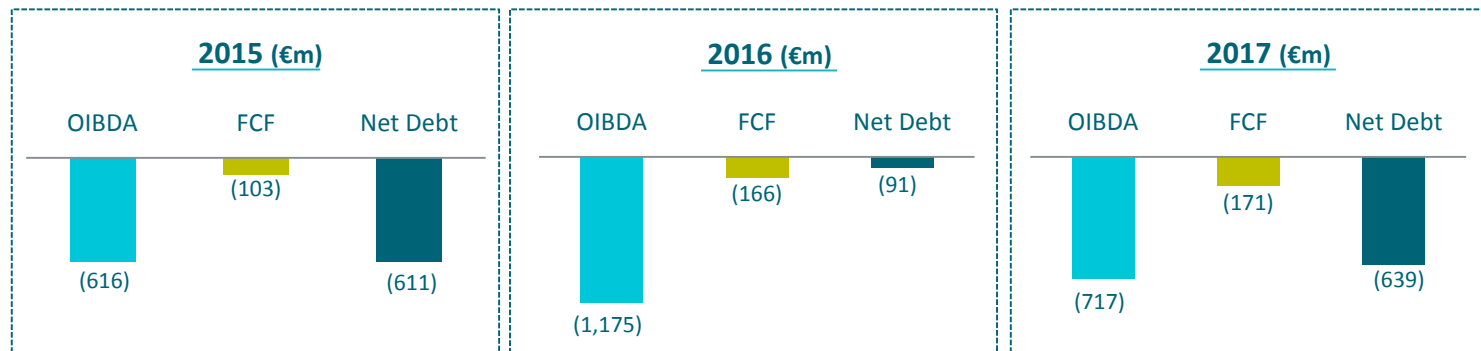
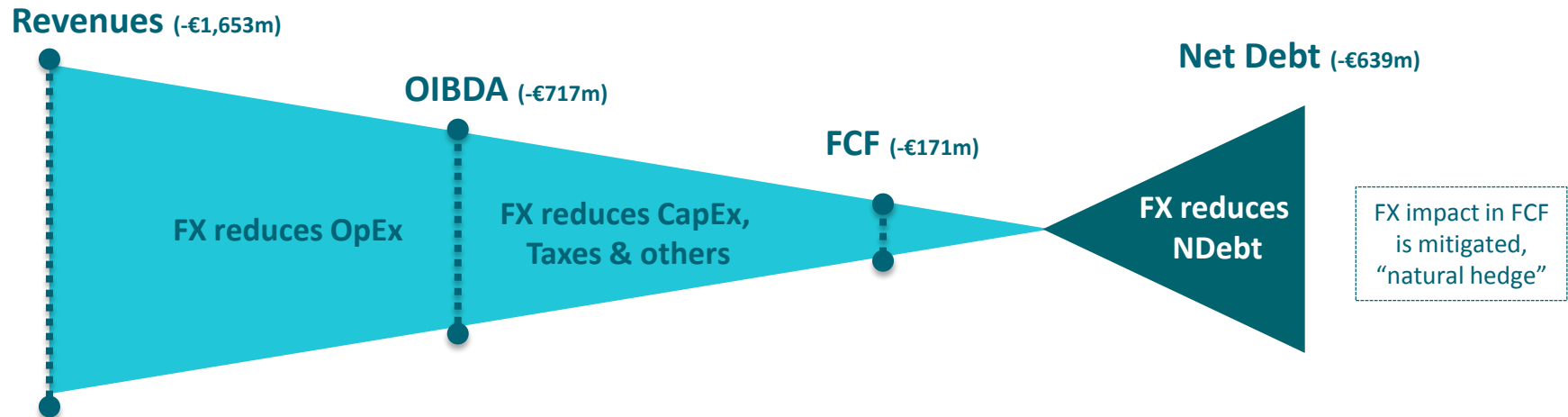


Q4 impacts in Net Income (€0.3bn)



- **Non-cash:**
 - **Restructuring costs, enhancing future profitability and cash flow**
 - -€219m in OIBDA (T. España -€102m; T. DE -€30m; T. Hispam -€98m and Others +€11m)
 - **Contingencies in T. Brazil (-€50m) and “Other Companies” (-€57m)**
- **Capital gain on tower sales (+€6m), mainly COL**

FX impact structurally neutralised



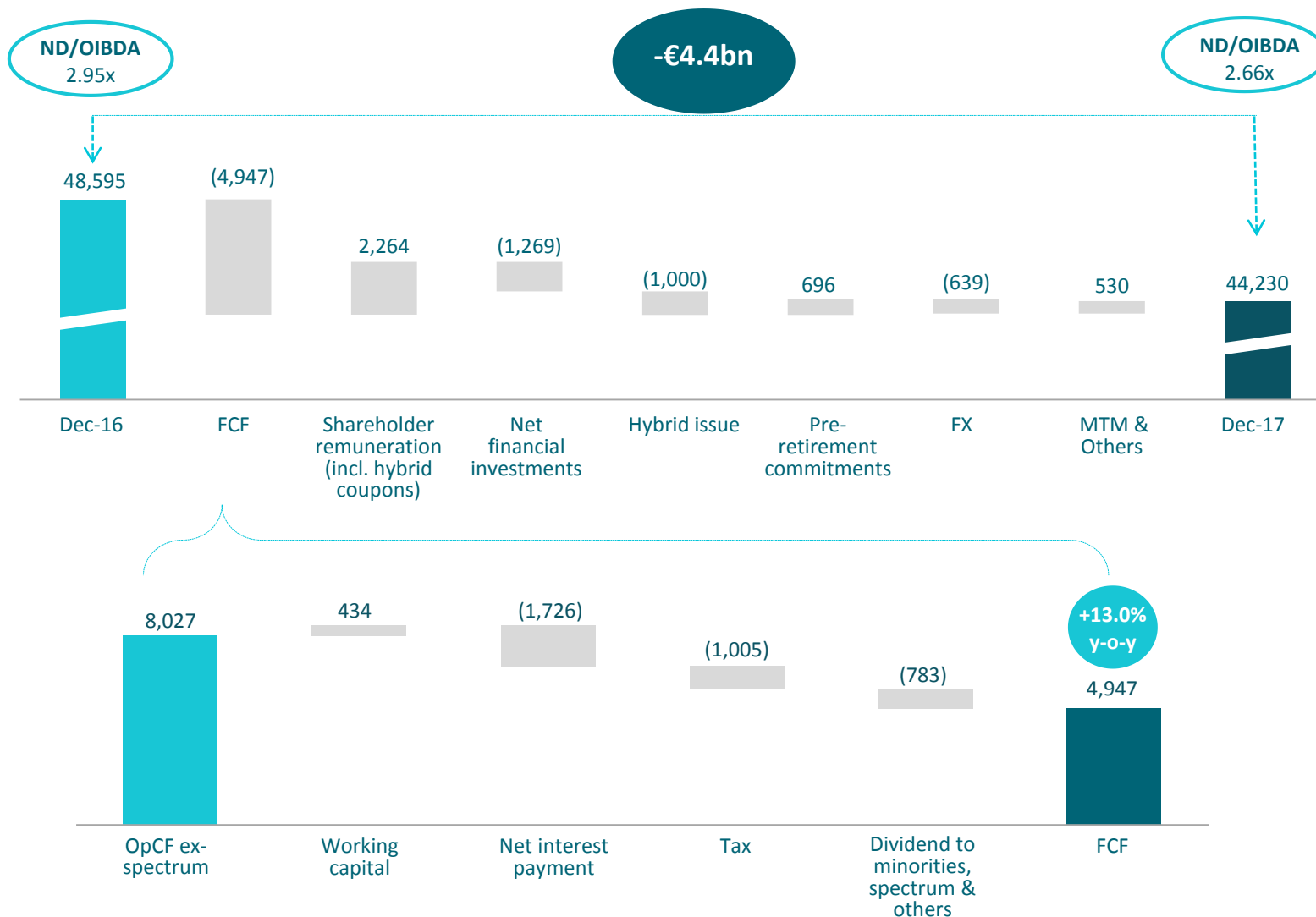
European FCF significantly..

...exceeds dividends and interest payments...

...Latam is all upside

Deleverage driven by growing organic FCF

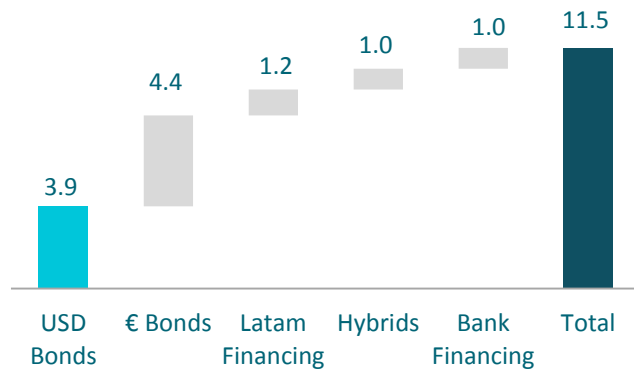
Net Financial Debt (€m)



Cost effective long-term financing strengthens B/S

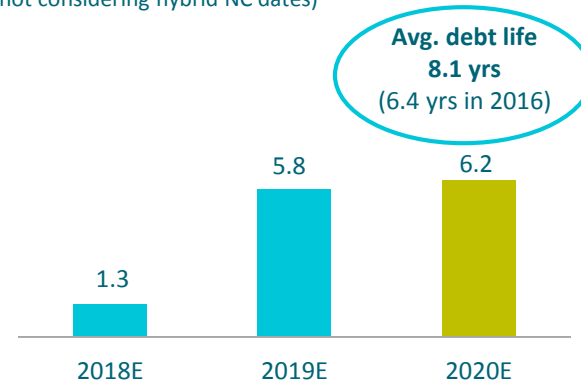
Sources of long-term financing (FY 17 & 2018 YTD)

(€bn)



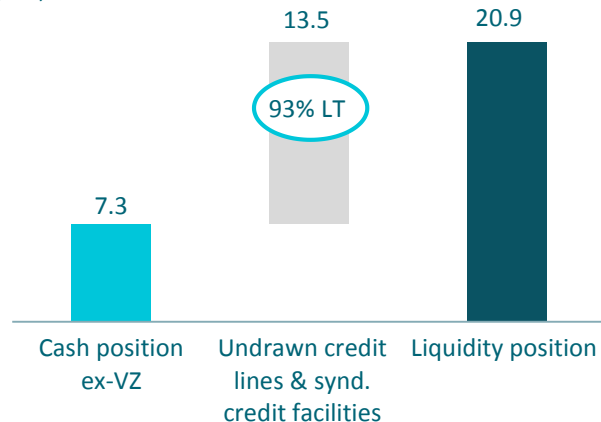
Net Debt maturities (Dec-17)

(€bn; not considering hybrid NC dates)

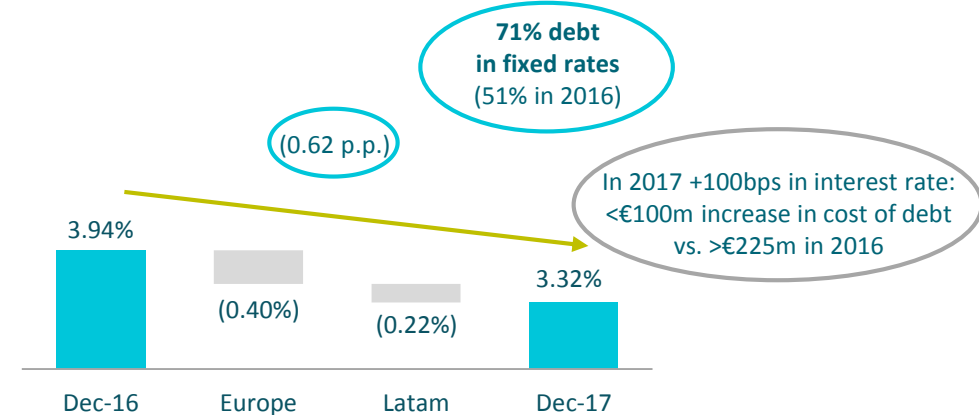


Liquidity position (Dec-17)

(€bn)



Interest payments cost (Dec-17)



03 

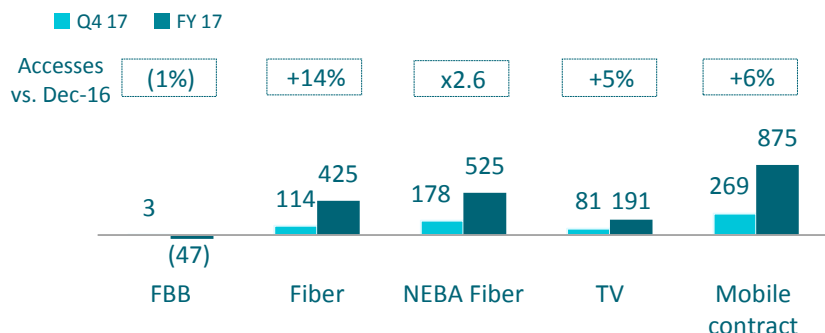
FY & Q4 17 Results

Mr. Ángel Vilá
COO

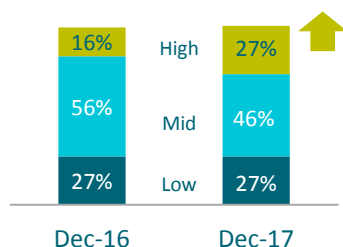


Spain: Improved trading and value mix

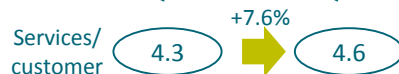
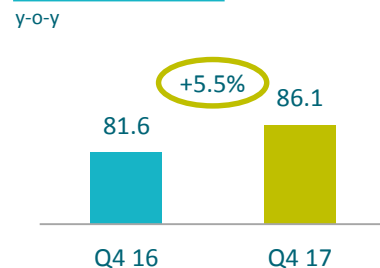
Net adds ('000)



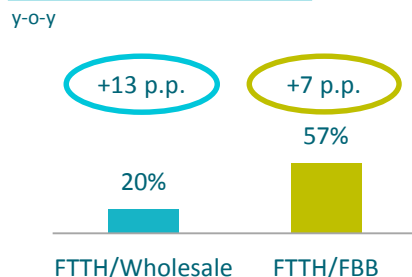
"Fusión" mix (% base)



"Fusión" ARPU (€)



Fiber penetration (Dec-17)



Superior offer for premium customers

- Improved operational momentum, seasonal promos Q4
 - "Fusión" net adds recovered (+41k; +31k q-o-q)
 - FBB growth; strong TV, positive mobile portability
 - "Fusión" churn impacted by tariff upgrades/promos
- "Fusión" value mix continue to show value upselling
 - Fostering services growth per customer
 - Consistent ARPU growth in 2017
- "M4M" continued in Q1 18 (convergent & non-convergent)

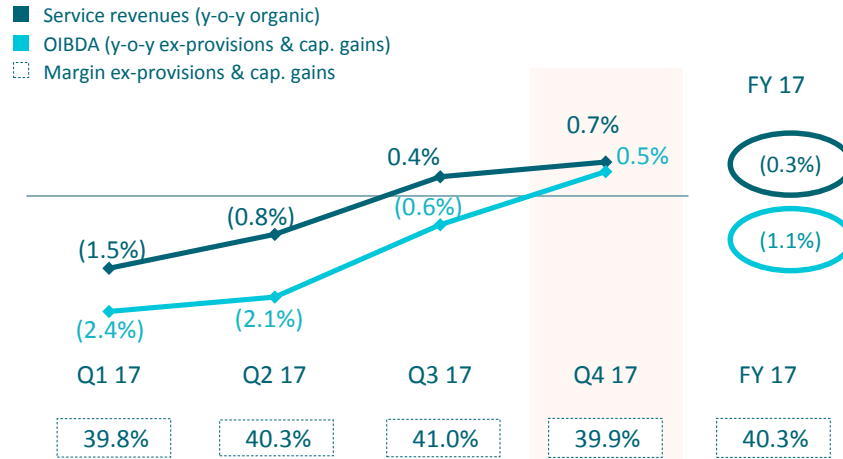
Quality assets enhance monetisation

- Largest NGN network (structural advantage)
 - LTE: 97% pop.; FTTH: 19.2m premises passed
 - Fiber wholesale; growth opportunity
- Largest TV distribution platform & production skills
 - Excellent audience for in-house series (more viewers of three series than "El Clásico" football match)

The most advanced telco in Europe, best-positioned to compete with future-proof infrastructure

Spain: Revenue acceleration & OIBDA growth

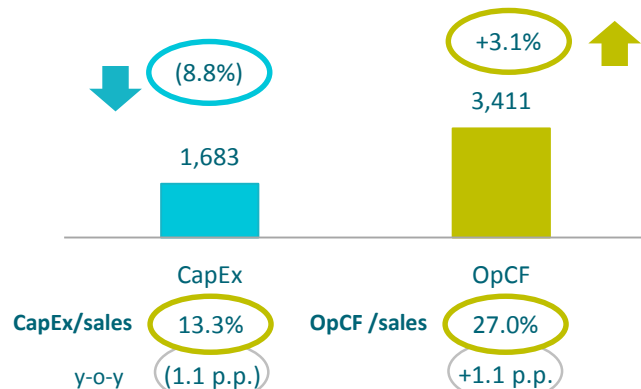
Improving Service Rev. & OIBDA



Service Revenue consolidate growth

- **QoQ service revenues growth improved** (+0.3 p.p. q-o-q)
 - “Consumer” (53% of SR): +1.3% in Q4; +1.0% in FY
 - “Business” (28% of SR): -2.6% in Q4; -1.3% in FY
 - “Wholesale & Other” (19% of SR): +4.2% in Q4; -2.5% in FY
- **Q4 OIBDA growth driven by revenue flow**
- **Sustained benchmark OIBDA margin** (FY 40.3% ex-provisions & cap. gains)

Falling CapEx & growing OpCF 2017 (ex-provisions & cap. gains)



Cash growth momentum

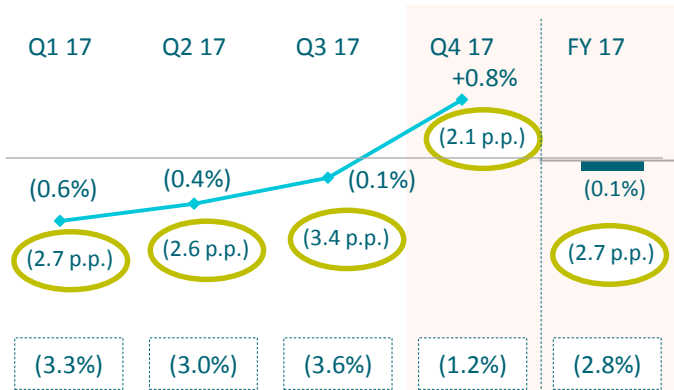
- **Further cost savings to come**
 - Redundancy; 490M€ run-rate savings from 2019 (365M€ in 2017)
 - Digitalisation (channels, network, IT...)
 - Copper switch-off
- **Visible growth in cash-engine on slowing CapEx**
 - FTTH/LTE build matures
 - Lower unitary CapEx

Q4 back to Ser. Rev. & OIBDA growth. The best OpCF margin among European peers

Germany: MSR ex-regulation back to growth

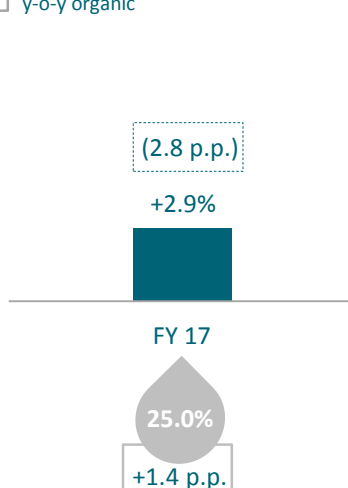
MSR ex-regulation (y-o-y organic)

□ MSR ● Regulation



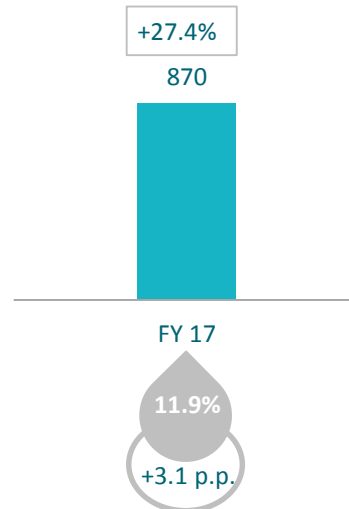
2017 OIBDA (y-o-y organic)

□ Regulation ● Margin
□ y-o-y organic



2017 OpCF (€m)

□ y-o-y organic



Solid momentum driven by larger data buckets

- **O₂ Free portfolio well received; data usage >7 GB/month**
 - Avg. use postpay LTE customers 2.8 GB/month (+68% y-o-y)
 - Mobile data traffic up 55% vs. 2016
- **Strong Q4 contract net additions** (+186k; +2% q-o-q)
 - Solid partner momentum (Q4: 58% gross adds; +5 p.p. q-o-q)
 - LTE cust. (+31% y-o-y); penetration 37% (+10 p.p.); cov. (82%)

Synergy delivery fully on-track

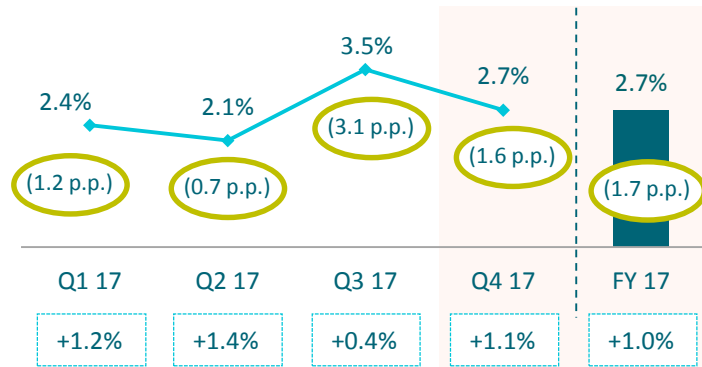
- **Q4 OIBDA y-o-y accelerating**
 - Regulatory drag (€-10m vs. €-28m in Q3)
- **Efficient CapEx spend** (FY 17: -13.7% y-o-y; ~€80m synergies)
- **Improving cash conversion**
 - 75% of full 2019 synergy target achieved

Largest mobile operation in the leading European market

UK: Solid financials and commercial performance

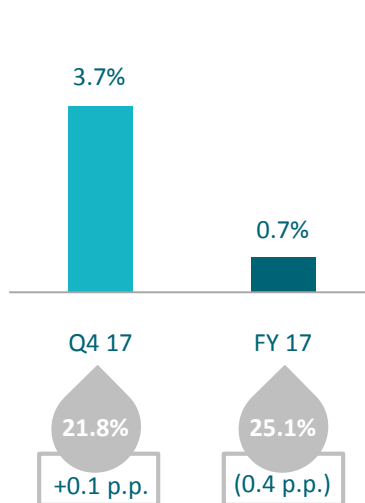
MSR ex-regulation (y-o-y organic)

MSR Regulation

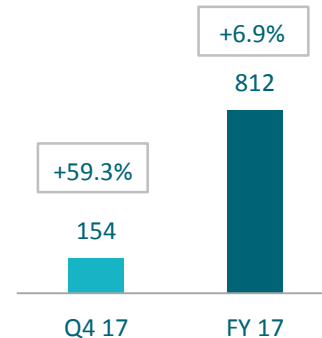


2017 OIBDA (y-o-y organic)

Margin y-o-y organic



2017 OpCF (€m)



Momentum despite competition

- Contract base expanding
 - Q4 net adds +70k (excl. M2M; Q3: +32k)
 - Sustained, best-in-class contract churn: 1.0% in Q4
- 60% LTE penetration (+5 p.p. vs. Dec-16)
- Avg. data usage per smartphone +46% vs. 2016

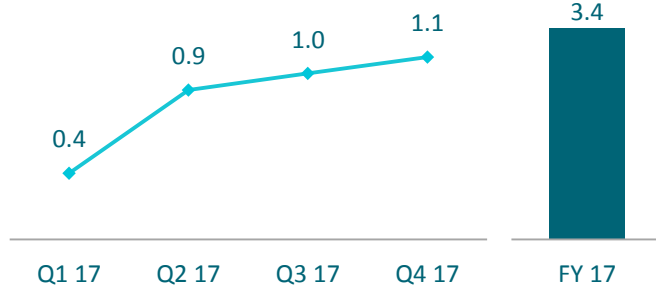
Robust financials

- Revenue growth (ex-regulation): Q4: +4.5% y-o-y (FY: +3.6%)
 - High-value tariff take-up (new customer propositions)
 - Wholesale growth (MVNOs)
 - Handset sales (flagship devices)
 - RLAH impact y-o-y (Q4: -1.2 p.p. & FY: -1.3 p.p.)
- Revenue expansion flowed through to OIBDA, RLAH drag (Q4: -€25m; Q3: -€48m)
- CapEx -4.8% vs. FY 16; LTE indoor coverage objective met (98%)

Customer-centric approach, great brand, most loyal contract customers in Europe

Brazil: Further improvement on differentiation

Contract net adds (m)

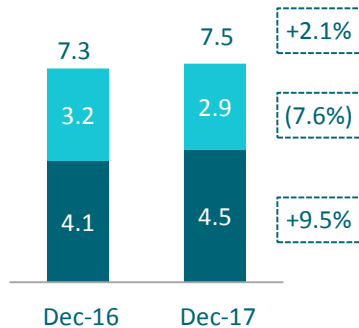


Better customer mix

- **Strongest contract net adds over last 3 years**
 - **New contract portfolio** (23rd October) delivering results
 - Better mix on high-end Family Plans: +82% y-o-y
 - 42% contract market share
 - 84% 4G population cov.
 - Q4 mobile ARPU up +1.0% y-o-y (FY +2.6%)
 - Record levels of customer satisfaction

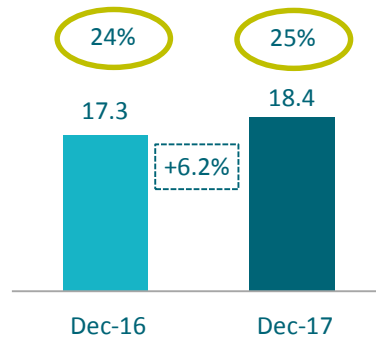
FBB accesses

■ FTTx ■ DSL



FTTx deployment

■ P.passed ● Take-up



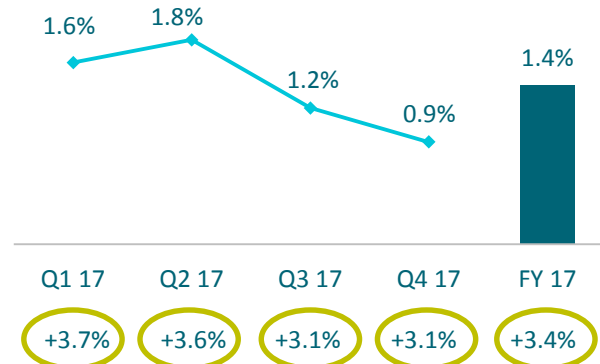
- **Fixed business transformation on-track**
 - **16 new cities** deployed with FTTx in 2017
 - 79% m. share, 40-60% take-up 6m after deployed
 - IPTV (+51% y-o-y); continued focus on profitability
 - Q4 ARPU FBB +15.0% y-o-y (FY +11.3%); pay TV +5.6% (FY +6.1%)

*Best network, best brand, best market positioning,
best customers... The best LatAm telco*

Brazil: Solid margin improvement, above 35%

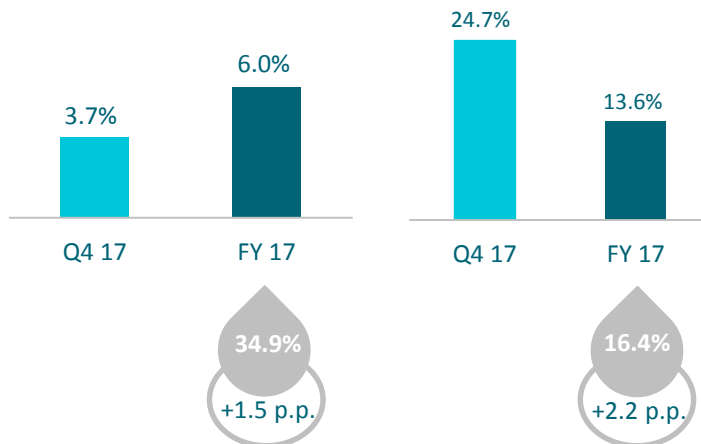
Revenues (y-o-y organic)

● Ex-regulation



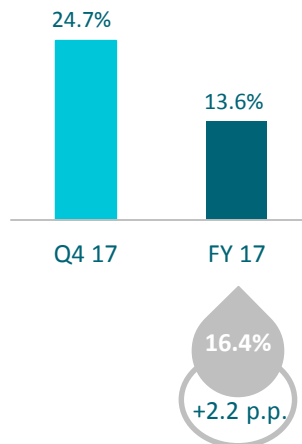
OIBDA (y-o-y organic)

● Margin



OpCF (y-o-y organic)

● Margin



Consistent revenue growth

- **MSR growing above inflation** (Q4: +3.9% y-o-y; FY: +4.4%)
 - Data still booming y-o-y (Q4: +24.9%; FY: +30.2%)
 - Postpaid revenue improved to +9.3% y-o-y (FY: +9.6%)
- **Fixed revs -3.8% y-o-y** (regulation and voice decline)
 - Strong growth in fiber (+29.8%) and IPTV (+64.6%)

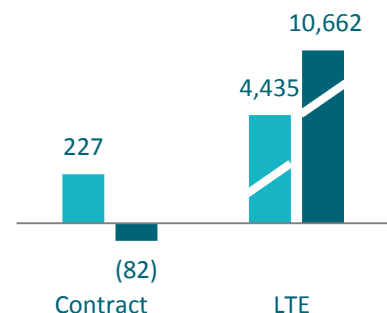
Double-digit OpCF growth

- **Highest OIBDA margin in 2 years** (Q4: 35.6%, +1.0 p.p.)
 - OpEx declining for 8 Qs in a row (Q4: -0.2% y-o-y; FY: -0.6%)
 - Benefits from digitalisation and synergies
- **CapEx stable y-o-y**; in line with 2017-2019 guidance
 - Focused on 4G and fiber to guarantee superior quality; improved customer experience
- **Successful execution of operational synergies**

Hispam: Sound commercial results

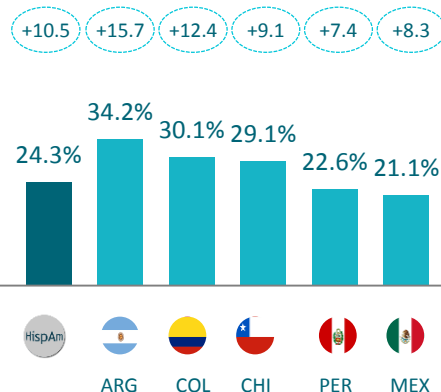
Mobile net adds (k)

■ Q4 17 ■ FY 17

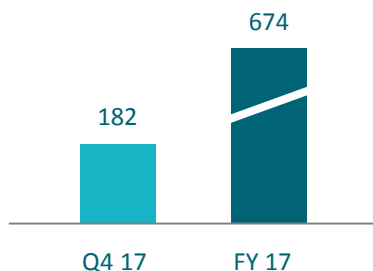


LTE penetration

○ y-o-y (p.p.)

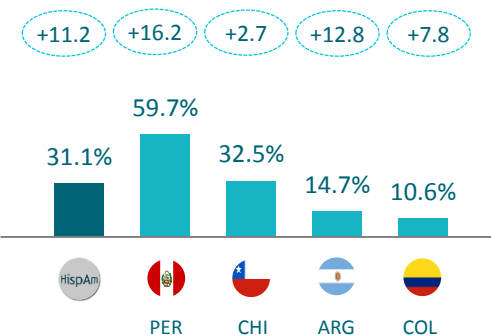


FTTx & cable net adds (k)



FTTx & cable penetration (over FBB)

○ y-o-y (p.p.)



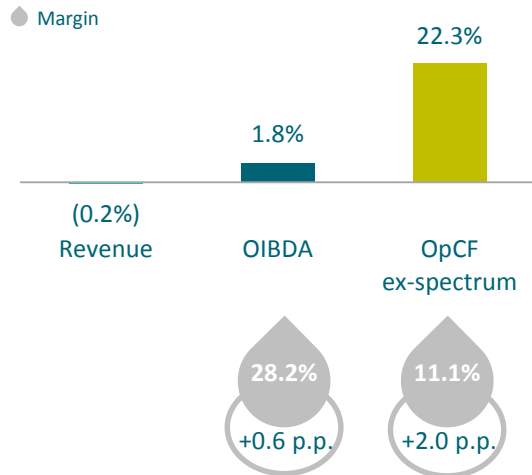
Value customers growth yielding results

- **Contract net adds** back to positive (+227k; -82k in 2017)
 - Improvements in ARG, MEX, CHI and PER
- **Positive prepaid** net adds (+194k; -4.6m in 2017)
 - Change in trend in MEX and better in COL & PER
- **FTTx/cable** connections +60.8% y-o-y (1.8m)
 - 6.8m premises passed (1.4x y-o-y)
- **ARGENTINA:** Quality increase: contract +5%, LTE +71%. 51k new fiber connections (209k in 2017)
- **CHILE:** Positive Q4 contract net adds (+52k) & portability
- **PERU:** Better contract performance amid competition. Solid net adds in fiber & pay TV (highest in last 2 years)
- **COLOMBIA:** Fostering FTTx (Q4: 40k net adds) & LTE (529k)
- **MEXICO:** Positive ARPU growth for 2nd consecutive Q on more rational competition

A well-diversified portfolio of leading players in most markets; macro improving, structural growth ahead

Hispam: Delivering strong financial performance

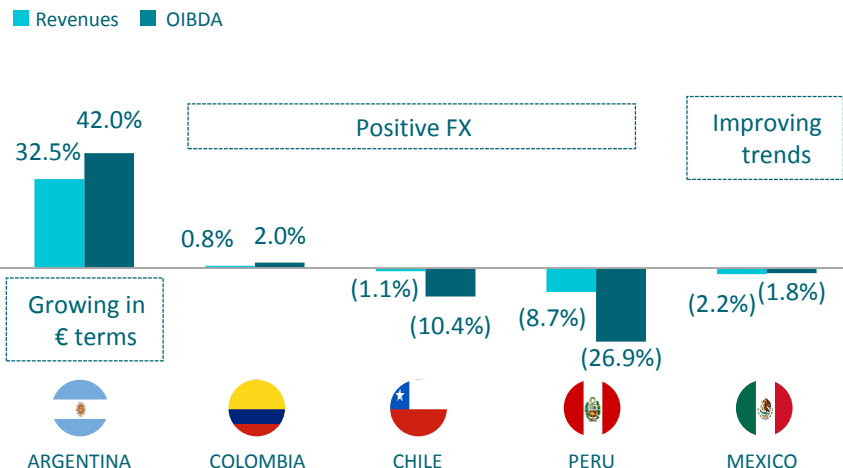
FY 17 Financials (y-o-y reported)



Expanding profitability

- **Organic growth more than offsetting FX depreciation**
 - VZ contribution 0.2% o/group revs from 0.8% FY 16
 - ARG reported OIBDA +21.8% y-o-y (organic +42.0%)
 - FX in CHL, COL & PER positive impact
- **2017 OpCF ex-spectrum €1.4bn** vs. €1.1bn in FY 16

FY 17 Revenues & OIBDA (y-o-y organic)

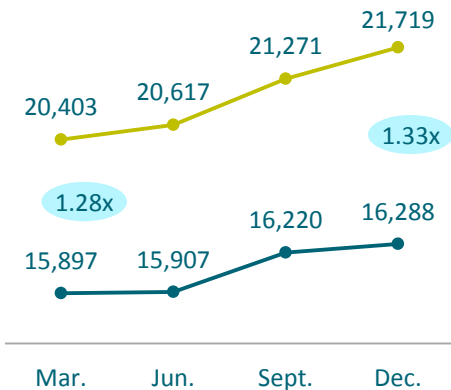


- **ARGENTINA:** Strong Q4 Rev. & OIBDA, growing in € despite depreciation; FY 17 OpCF €370m (+67.8% in €)
- **CHILE:** Flattish revs. on intense competition. FY 17 OpCF €274m
- **PERU:** Improvement in Rev. & OIBDA. FY 17 OpCF €194m
- **COLOMBIA:** Improving Rev. & OIBDA trends
- **MEXICO:** Recovering revenue growth in H2; OIBDA margin improving. OpCF FY 17 €86m

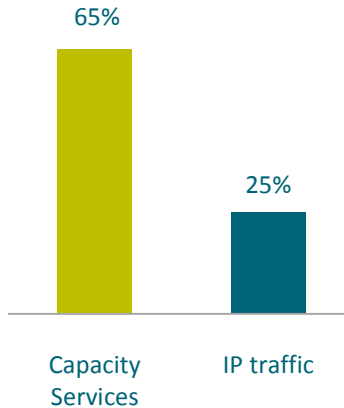
Telxius: Leading infrastructure, solid profitability

Tenants & towers (#)

of tenants # of sites Tenancy ratio



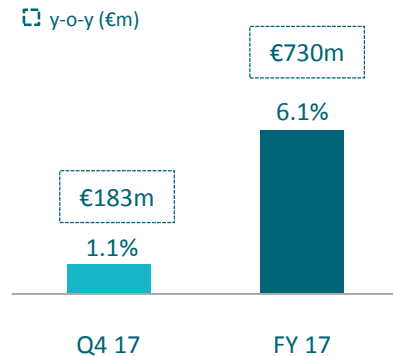
Cable demand 2017 (y-o-y)



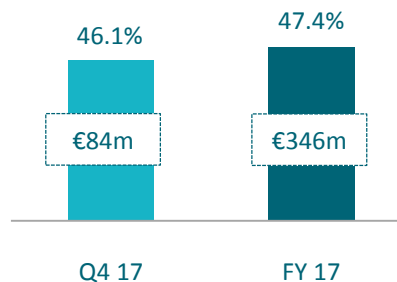
Robust operational performance

- Growing demand across businesses
- New cables to come into service, capturing further market growth
 - MAREA (connecting US & Spain) in Q1 18
 - BRUSA (connecting Brazil, Puerto Rico & US) by mid-2018

Revenues (y-o-y organic)



OIBDA Margin (%)



Solid revenue growth; high profitability

- Balanced revenue streams: cable (€100m), towers (€83m)
 - Q4 y-o-y deceleration on tougher cable comps in Q4 16
- Solid FY 17 OIBDA margin
 - High operating efficiency in both businesses
 - Q4 higher seasonal maintenance costs in towers
- €142m OpCF in FY 17
 - CapEx (€203m) reflected deployment of new cables

Clear proofs points in 2017

Transformation

Data monetisation

Enhanced Connectivity



73m

FTTx/Cable
premises passed
(o/w 44m owned)



91%

Europe LTE cov.
(66% in Latam)



VoLTE 7 countries

VoIP cust. >8m

Digital Revenues

□ vs. 2016 org.

€5bn
Revs

+6.8%

Video
main growth
engine

+6%
57% o/total

Cloud

Big data,
AI, Adv.

Security

M2M

Digital transformation



#1

Network virtualisation worldwide

Source: Telco Cloud Index, Analysis Mason



E2ED level

(+9 p.p. vs. 2016)

15

Countries with Full Stack
(23% customers migrated)

62%

OCS Customers

42

Big Data Storage (Petabytes)

IT simplification vs. 2016

Applications -8%; Physical servers -6%;
Data Centers -2%; +2 p.p. Virtualisation



Mi Movistar



MeuVivo



My O2

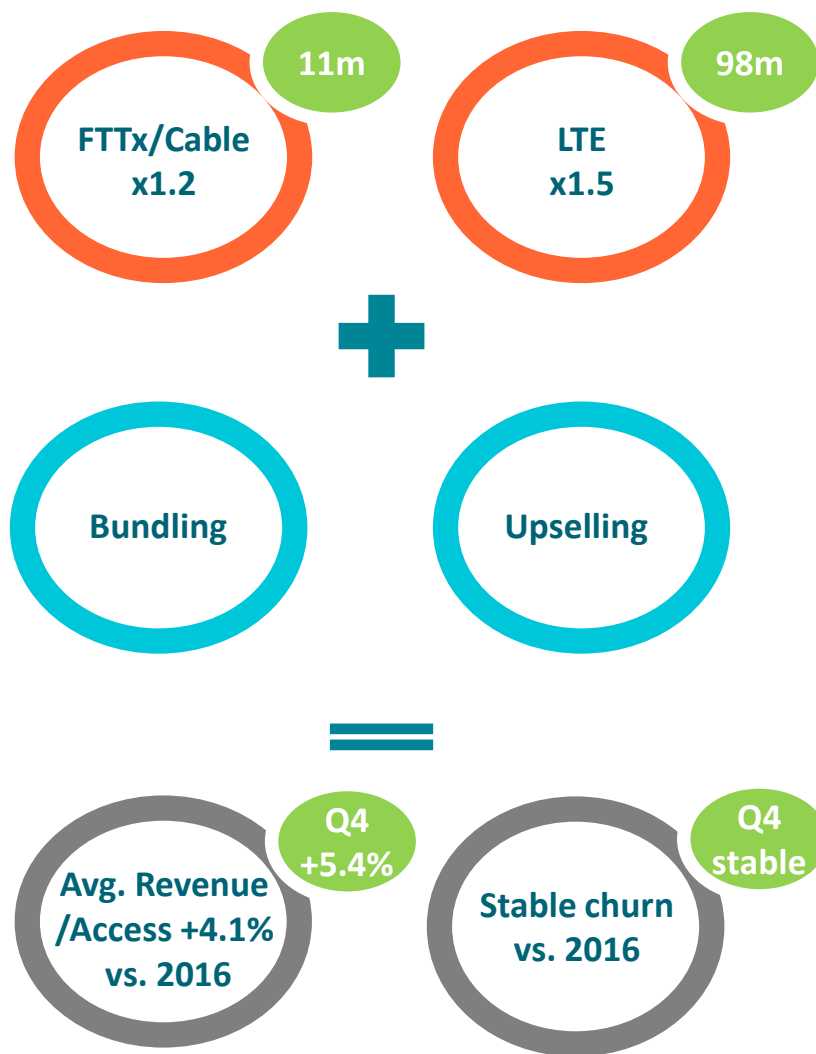


Mein O2

x1.6 unique users y-o-y

More value customers, more services

Data
monetisation



Demand for fiber and LTE unabated

- Significant growth of contract, LTE, FTTx/Cable accesses
 - Q4 LTE net adds +16% q-o-q to 8.6m
 - FTTx/Cable drives 450k net adds, +4% vs. Q4 16
 - Pay TV gaining traction (FY net adds x10.3 y-o-y)

Upgrading customer base

- Renewing commercial propositions
 - **Bundling:** fixed services, prepaid, postpaid, convergence
 - **Upselling:** speed/allowance, data sharing, content, VAS/Digital, HGU, Smart Wifi, Connected Homes, "M4M"

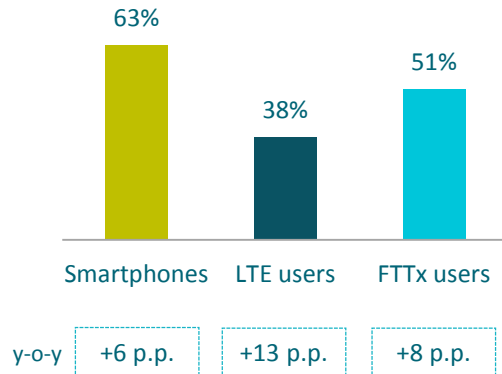
World-class digital customer experience

- State of the art connectivity powered by Artificial Intelligence
- Differentiated & diversified high-quality base

Driving usage, increasing yield

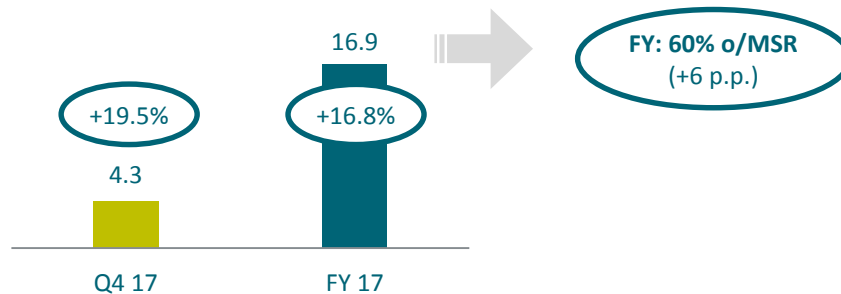
Data
monetisation

Data penetration (Dec-17)



Mobile data revenues (€bn)

y-o-y organic



Data monetisation strategy; upselling

- **"M4M"; enhancing value beyond pure data**
 - Dedicated data for certain Apps & Video
 - BRA, PER, CHI.. 🇧🇷 🇵🇪 🇨🇱
 - Capturing traffic from WiFi
 - Double FBB speed & more mobile data in Spain
 - Family plans (CHI, BRA, SP, UK...) 🇨🇱 🇧🇷 🇪🇸 🇬🇧
 - Video OTT
- **Neuropricing:** Significant value accretion (+5% in gross adds)
- **More recurrent data in Prepaid Latam;** ARPU growth
 - High penetration: ~60% Brazil, ~30% Hispam
 - >10% ARPU uplift
- **Strong levers to further upsell**

LTE

Q4 17:
+74% usage
+10% ARPU

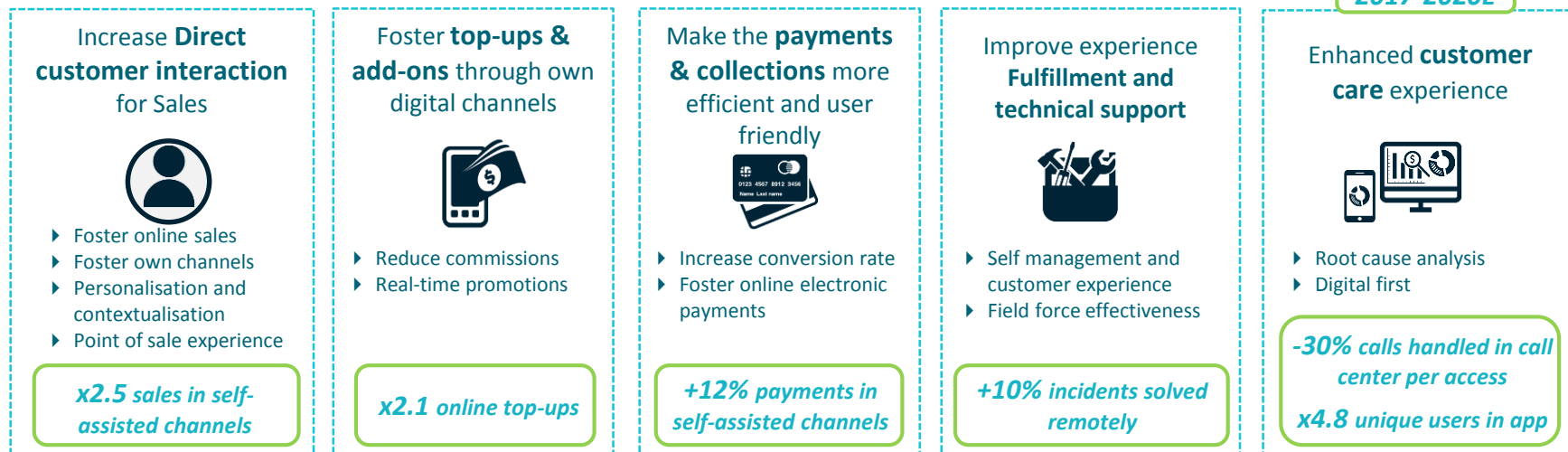
FTTH

Q4 17:
x2.4 data (vs. DSL)
+20% ARPU

Digitalisation at the core of customer journey

Digitalisation

Digitalisation evolves towards a customer centric digital experience



Digitalisation brings efficiency to our cost structure...

...higher customer satisfaction and stickiness



- Improving CSI; expanding gap

... and a closer customer relationship



Mi Movistar



MeuVivo



My O2



Aura
Commercial launch in MWC

Further room to improve efficiency

Digitalisation

2017 Figures

CapEx: €8.7bn

- **More invested than peers ~ More sustainable business**
- Group efficiencies being captured; ahead of the curve in the learning process of FTHH deployment
 - Unit cost of homes passed -47% over last five years in Spain; -33% in Brazil
 - HGU equipment: -35% savings vs. legacy equipment
- **Scaling it up! Efficiencies to be captured at group scale**

Opex: €36.8bn

- **Network modernisation/legacy switch-off**
 - Copper switch off starting in Spain (decommission of ~650 Central Offices up to 2020); other legacy projects ahead
 - Network virtualisation reducing core network, energy savings
 - Automate network operation => improving productivity/reducing OpEx
- **Digitalisation**
 - Initial defined gross savings run-rate 2020E >€1bn
- **Further savings from restructuring to continue flowing**

Σ €45.5bn

OpCF margin org.
2017 (y-o-y org.)

27.2%
+0.9pp

13.1%
+3.1pp

12.4%
+0.5pp

16.8%
+1.8pp

13.7%
+2.3pp

04

Conclusion

Mr. José María Álvarez-Pallete
Chairman & CEO



2018 outlook

Solid financial position

Operating 2018 Guidance organic	Guidance 2018E (IAS 18)
Revenues	Growth of around 1% (despite regulation dragging: -0.9 p.p.)
OIBDA margin	Continues expanding around 0.5 p.p. (despite regulation dragging -1.6 p.p. on OIBDA growth)
CapEx ex-spectrum/Sales	Around 15%

~2%

Sustained profitable growth

Third consecutive year of margin expansion
(cost discipline, digitalisation, synergies, network...)

CapEx peak behind us

Applying 2017 organic criteria



SOLID BALANCE SHEET/ INVESTMENT GRADE
ADDITIONAL DELEVERAGE
IMPROVED ROCE
ATTRACTIVE, STABLE & SUSTAINABLE DIVIDEND

2018 Dividend	€0.4/sh. Cash
Interim Dec-18	€0.20/sh.
Final Jun-19	€0.20/sh.

Dividends to be paid in 2018 calendar year €0.40/sh.:

- Cash: Jun-18 €0.20/sh.
- Cash: Dec-18 €0.20/sh.

Closing remarks

2017

- Solid results: Growing across all fronts
- Advancing in digitalisation and data monetisation
- Firm progress on deleverage

2018

- Exploiting a more sustainable business model
- Growing revenues, higher margins, lower CapEx
- Value creation through digitalisation (+Revs; -OpEx; -CapEx)
- Improve ROCE & improve financial flexibility

Profitable and sustainable growth
Technology as a key enabler going forward
Massive transformation during the last 7 yrs
At the forefront of the digitalisation process

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For further information:

Investor Relations

Tel. +34 94 482 87 00

ir@telefonica.com

www.telefonica.com/investors

