



JANUARY - JUNE 2017 RESULTS

Disclaimer	2
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Telefónica	
Accesses	3
Consolidated Income Statement	4
Consolidated Revenue Breakdown	5
Revenues Breakdown	6
OIBDA Breakdown	7
CapEx Breakdown	8
Consolidated Statement of Financial Position	9
Free Cash Flow and Change In Debt	10
Reconciliations of Cash Flow and OIBDA Minus CapEx from Continuing Operations	11
Consolidated Cash Flow Statement	12
Exchange Rates Applied to P&L and CapEx	13
Exchange rates applied to Consolidated Statement of Financial Position	13
Financing Operations	14
Reconciliation of Reported vs. Basis for guidance 2017	15

Telefónica España	
Consolidated Income Statement	16
Accesses & Selected Operational Data	17

Telefónica Deutschland	
Consolidated Income Statement	18
Accesses & Selected Operational Data	19

Telefónica UK	
Consolidated Income Statement	20
Accesses & Selected Operational Data	21

Telefónica Brasil	
Consolidated Income Statement	22
Accesses & Selected Operational Data	23

Telefónica Hispanoamérica	
Consolidated Income Statement	24
Accesses Data	25

Telefónica Argentina	
Consolidated Income Statement	26
Accesses & Selected Operational Data	27

Telefónica Chile	
Consolidated Income Statement	28
Accesses & Selected Operational Data	29

Telefónica Perú	
Consolidated Income Statement	30
Accesses & Selected Operational Data	31

Telefónica Colombia	
Consolidated Income Statement	32
Accesses & Selected Operational Data	33

Telefónica México	
Consolidated Income Statement	34
Accesses & Mobile Operational Data	35

Rest of countries of T.HispanoÁmerica	
Consolidated Income Statement & Accesses	36

Appendix: Alternative Performance Measures	37
Reconciliation of OIBDA	38
Reconciliation of Net financial debt plus commitments	39
Reconciliation of Leverage ratio	40
Reconciliation of Free cash flow	41
Reconciliation of Reported vs. Organic Growth	42
Reconciliation of Reported vs. Underlying	45

DISCLAIMER

The financial information related to the first six months of 2017 contained in this document has been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union. This information is unaudited.

The following financial information has been revised for fiscal year 2016:

- Telxius financials are fully reported in Other Companies & Eliminations in T. Group since January 1, 2017, reflecting the final integration into Telxius of the mobile communications towers transferred from T. España, T. Deutschland, T. Brasil and T. Hispanoamérica segments and the international submarine fiber optic cable (which was already being reported within Other Companies and Eliminations). As a consequence, 2017 reported figures for these segments follow the same criteria. In addition, 2016 segment results have been revised to reflect the different dates of asset integration into Telxius, affecting T. España (since January 1, 2016), T. Deutschland (since May 1, 2016), T. Brasil (since April 1, 2016) and T. Hispanoamérica (T. Perú since 1 April 2016 and T. Chile since 1 May 2016). Organic y-o-y changes on segments reflect all the charges related to the towers transferred to Telxius since 1 January 2016. The results of the segments do not include intra-group capital gains resulting from the transfer of the towers to Telxius in 2016.

- In addition, since January 1, 2017 T. España includes the results of the data center business and the results of the companies T. Studios and T. Servicios Audiovisuales, which were before presented in Other Companies & Eliminations in Telefónica Group. Also since January 1, 2017, T. Chile includes the results of the data center business which were before presented in Other Companies & Eliminations of T. Group. For comparative purposes, the results of T. España and T. Hispanoamérica have been revised for the fiscal year 2016, accordingly. This change in the composition of the segments does not affect Telefónica Group consolidated results for 2016.

- T. Venezuela, T. Ecuador, T. Uruguay and T. Central America (including Guatemala, Panama, El Salvador, Nicaragua and Costa Rica) have been grouped as "Rest of countries of T. Hispanoamérica" and thus operational KPIs are no longer provided separately for these countries.

- T. UK Mobile service revenues include since January 1, 2017 revenues from MVNOs, which were prior accounted as "Handset revenues and others". For comparative purposes, Mobile service revenues and handset revenues for 2016 are reported using these same criteria.

- Since January 1, 2016 Mobile revenues and Fixed revenues of T. Brasil, T. Mexico, T. Argentina, T. Chile and "Rest of countries of T. Hispanoamérica" have been revised due to different allocation criteria. This change does not affect total revenue figure reported for 2016.

- Also since January 1, 2016 Mobile Data revenues of T. Hispanoamérica and T. Brasil have been revised due to different allocation criteria between Mobile Data revenues and Other Mobile Service revenues. This change does not affect total Mobile service revenue figure reported for 2016.

- In T. Brasil "FTTx and cable" accesses have revised since January 1, 2016 including cable accesses. This change also affects Telefónica Group "FTTx and cable" accesses.

New information has been included since the first quarter 2017 and is also given for comparative purposes from January 2016.

- In T. Hispanoamerica:

i) Accesses: FTTx accesses (T. Argentina and T. Colombia), Wholesale acceses (T. Mexico; since Q3 2016).

ii) Operational data (T. Argentina, T. Chile, T. Colombia, T. Perú and T. Mexico): Contract percentage, Smartphones, Smartphone penetration, LTE and LTE penetration.

- In Other Companies & Eliminations:

i) Telxius: Revenue, OIBDA and CapEX information provided since January 1, 2016.

The following information is no longer provided:

- Mobile voice traffic.

- Quarterly Data traffic.

- Quarterly ARPUs (except for Fusión).

Changes in the perimeter of consolidation: Telefé (Other Companies & Eliminations) has been deconsolidated since November 1, 2016. T. Personalizadas (T. España) has been deconsolidated since January 1, 2017. Vocem (Other Companies & Eliminations) has been deconsolidated since July 1, 2016.

Given the absence of official exchange rates representative of the economic situation in Venezuela, the Company has considered the need to estimate a synthetic exchange rate that matches the progression of inflation to reflect the economic and financial position of the Group's subsidiaries in Venezuela in a more accurate way. This rate has been fixed at 3,547 VEF/USD at the end of June 2017, affecting the January-June 2017 results reported by the Company.

Since the second quarter of 2016 Telefónica's operations in the United Kingdom were no longer be reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with IFRS. For comparative purposes, Telefónica Group financial statements for the three-month period ended March 31, 2016 are reported using these same criteria.

In addition, in October 2015, the European Securities Markets Authority (ESMA) published guidelines on Alternative Performance Measures (APM), applicable to the regulated information published from July 3, 2016. Information and disclosure related to APM used in the present document are included in the Appendix.

TELEFÓNICA

ACCESSES

Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	341,262.7	341,922.3	343,932.9	344,671.1	341,785.7	341,347.3
Fixed telephony accesses (1)	39,606.5	39,262.1	38,914.0	38,280.1	37,853.0	37,488.4
Internet and data accesses	21,507.7	21,641.4	21,738.4	21,652.1	21,657.8	21,697.3
Broadband	21,097.2	21,195.9	21,266.5	21,194.9	21,196.4	21,240.4
FTTx / Cable	7,933.6	8,378.1	8,704.0	9,137.6	9,580.6	9,960.5
Mobile accesses	271,783.2	272,596.8	274,883.7	276,450.0	274,055.6	273,886.6
Prepay	166,005.2	165,619.6	165,912.1	165,663.2	162,648.4	161,271.6
Contract	105,778.0	106,977.2	108,971.6	110,786.8	111,407.2	112,615.0
M2M	12,583.9	12,988.2	13,591.7	14,002.0	14,488.0	15,009.9
Pay TV	8,365.4	8,422.0	8,396.7	8,289.0	8,219.3	8,274.9
Wholesale Accesses	5,826.7	5,591.7	5,480.7	5,300.9	5,087.1	4,887.2
Total Accesses	347,089.4	347,514.0	349,413.5	349,972.1	346,872.8	346,234.5

Notes:

(1) Includes fixed wireless and VoIP accesses.

MOBILE ACCESSES

Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	38.9%	39.2%	39.6%	40.1%	40.7%	41.1%
Smartphones ('000)	128,326.0	130,058.4	144,588.9	147,161.8	151,547.7	155,126.7
Smartphone penetration (%)	50.6%	51.1%	56.4%	57.1%	59.4%	60.9%
LTE ('000)	43,870.2	50,077.3	57,342.4	66,295.7	75,458.8	81,604.2
LTE penetration (%)	16.9%	19.3%	22.1%	25.3%	29.1%	31.5%

[back to Index](#)

TELEFÓNICA
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	12,511	12,723	13,080	13,721	52,036	13,132	12,960
Internal exp. capitalized in fixed assets	213	214	208	231	867	208	222
Operating expenses	(8,943)	(9,067)	(9,181)	(10,852)	(38,043)	(9,348)	(9,048)
Supplies	(3,675)	(3,748)	(3,685)	(4,134)	(15,242)	(3,730)	(3,632)
Personnel expenses	(1,749)	(1,687)	(1,704)	(2,958)	(8,098)	(1,818)	(1,675)
Other operating expenses	(3,519)	(3,632)	(3,791)	(3,760)	(14,703)	(3,800)	(3,741)
Other net income (expense)	49	49	49	39	186	29	(1)
Gain (loss) on sale of fixed assets	6	2	22	266	296	8	10
Impairment of goodwill and other assets	1	(3)	(3)	(219)	(224)	(7)	16
Underlying operating income before D&A (OIBDA)	3,860	3,964	4,232	4,464	16,519	4,109	4,183
Operating income before D&A (OIBDA)	3,838	3,918	4,175	3,187	15,118	4,021	4,158
OIBDA Margin	30.7%	30.8%	31.9%	23.2%	29.1%	30.6%	32.1%
Depreciation and amortisation	(2,322)	(2,351)	(2,458)	(2,518)	(9,649)	(2,451)	(2,358)
Operating income (OI)	1,516	1,567	1,718	669	5,469	1,570	1,800
Share of profit (loss) of investments accounted for by the equity method	(3)	0	1	(2)	(5)	2	1
Net financial income (expense)	(659)	(660)	(531)	(369)	(2,219)	(449)	(748)
Profit before taxes	853	907	1,187	298	3,245	1,123	1,053
Corporate income tax	(298)	(251)	(193)	(105)	(846)	(314)	(206)
Profit for the period	555	656	995	193	2,399	809	847
Attributable to equity holders of the Parent	548	693	983	145	2,369	779	821
Attributable to non-controlling interests	7	(37)	11	49	30	30	26
Weighted average number of ordinary shares outstanding during the period (millions)	5,073	5,053	5,052	5,053	5,061	5,062	5,123
Basic and diluted earnings per share attributable to equity holders of the Parent (euros)	0.09	0.13	0.18	0.01	0.42	0.14	0.15
Underlying basic and diluted earnings per share attributable to equity holders of the Parent (euros)	0.12	0.16	0.23	0.23	0.75	0.18	0.20

Notes:

- From the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

- The weighted average number of ordinary shares outstanding during the period has been obtained applying the IAS rule 33 "Earnings per share". Thereby, the weighted average of shares held as treasury stock have not been taken into account as outstanding shares. On the other hand, the denominator is retrospectively adjusted for transactions that have changed the number of shares outstanding without a corresponding change in equity (as if such transactions had occurred at the beginning of the earliest period presented). For instance, the bonus share issue carried out to meet the scrip dividends paid in 2016, have been taken into account. Also, the ordinary shares that would be issued upon the conversion of the mandatorily convertible notes issued on 24 September 2014 are included in the calculation of earnings per share from that date.

- After considering Venezuela as a hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro. For the January-June 2017 period Telefónica has adopted a synthetic exchange rate of 3,547 Venezuelan bolivars fuertes per dollar at June 2017 (please see Note 3 of the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2017).

- Basic and diluted earnings per share ratio is calculated dividing Profit for the period Attributable to equity holders of the Parent, adjusted for the net coupon corresponding to "Other equity instruments" (€68m in April-June 17; €136m in January-June 17), by the weighted average number of ordinary shares outstanding during the period.

- 2016 and 2017 reported figures include hyperinflationary adjustments in Venezuela in both years.

TELEFÓNICA
CONSOLIDATED REVENUES BREAKDOWN
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	100%	100%	100%	100%	100%	100%	100%
Voice & access	44%	43%	43%	40%	43%	40%	40%
Broadband Connectivity	34%	35%	35%	35%	35%	39%	40%
Services over Connectivity (SoC)	12%	12%	13%	12%	12%	12%	11%
Others	11%	10%	9%	12%	11%	9%	9%

[back to Index](#)

TELEFÓNICA
REVENUES BREAKDOWN
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
T. ESPAÑA (1) (4)	3,149	3,224	3,195	3,246	12,815	3,066	3,160
T. DEUTSCHLAND (1)	1,858	1,834	1,876	1,936	7,503	1,771	1,771
T. UK	1,752	1,712	1,676	1,721	6,861	1,601	1,607
T. BRASIL (1)	2,431	2,654	2,950	3,055	11,090	3,165	3,028
T. HISPANOAMÉRICA (1, 2)	3,054	2,961	3,129	3,435	12,579	3,285	3,134
T. ARGENTINA	689	709	750	852	3,000	876	918
T. CHILE (1)	511	523	537	590	2,163	561	538
T. PERU (1)	624	620	619	635	2,499	620	578
T. COLOMBIA	323	347	364	375	1,409	388	368
T. MEXICO	409	337	316	347	1,410	314	356
Rest of countries of T. HISPANOAMÉRICA (2, 3)	503	428	548	642	2,122	531	381
Others and eliminations	(6)	(5)	(6)	(7)	(23)	(6)	(5)
Other companies and eliminations (4)	267	339	255	328	1,189	244	259
Telxius (1)	138	153	168	186	645	188	182
TOTAL GROUP	12,511	12,723	13,080	13,721	52,036	13,132	12,960

Notes:

- Since the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

(1) Since 1 January 2016, T. Spain reflects all the charges related to the tower transfer to Telxius, which are now presented in Telxius (Other Companies & Eliminations), and include the results of the data center business, of T. Studios and of T. Servicios Audiovisuales, which were before presented in Other Companies & Eliminations. Also since 1 January 2016, T. Chile includes the results of the data center business, which were before presented in Other Companies & Eliminations.

- Since 1 April 2016, T. Brasil and T. Peru reflect all the charges related to the tower transfer to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

- Since 1 May 2016, T. Deutschland and T. Chile reflect all the charges related to the tower transfer to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

(2) 2016 and 2017 reported figures include hyperinflationary adjustments in Venezuela in both years.

(3) Rest of T. Hispanoamérica includes: Venezuela, Ecuador, Uruguay and Central America (including Guatemala, Panama, El Salvador, Nicaragua and Costa Rica).

(4) Vocem has been deconsolidated since 1 July 2016. Telefé has been deconsolidated since 1 November 2016. T. Personalizadas (T. España) has been deconsolidated since 1 January 2017.

TELEFÓNICA

OIBDA BREAKDOWN

Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
T. ESPAÑA (1) (4)	1,250	1,302	1,354	496	4,403	1,143	1,282
T. DEUTSCHLAND (1)	392	451	456	472	1,771	400	461
T. UK	461	456	458	334	1,709	416	433
T. BRASIL (1)	805	838	978	1,081	3,702	1,104	1,034
T. HISPANOAMÉRICA (1, 2)	866	834	969	804	3,474	904	892
T. ARGENTINA	149	165	211	272	797	231	275
T. CHILE (1)	176	168	181	180	704	174	165
T. PERU (1)	187	202	215	175	779	156	137
T. COLOMBIA	107	108	123	126	464	129	124
T. MEXICO	106	62	81	60	309	64	81
Rest of countries of T. HISPANOAMÉRICA (2, 3)	140	117	159	207	623	149	109
Others and eliminations	-	12	-	(215)	(203)	-	(0)
Other companies and eliminations (4)	63	36	(40)	-	59	53	56
Telxius (1)	27	74	75	90	266	92	87
TOTAL GROUP	3,838	3,918	4,175	3,187	15,118	4,021	4,158

Notes:

- Since the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

- OIBDA figures exclude management and brand fees.

(1) Since 1 January 2016, T. Spain reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations), and include the results of the data center business, of T. Studios and of T. Servicios Audiovisuales, which were before presented in Other Companies & Eliminations. Also since 1 January 2016, T. Chile includes the results of the data center business, which were before presented in Other Companies & Eliminations.

- Since 1 April 2016, T. Brasil and T. Peru reflect all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

- Since 1 May 2016, T. Deutschland and T. Chile reflect all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

(2) 2016 and 2017 reported figures include hyperinflationary adjustments in Venezuela in both years.

(3) Rest of T. Hispanoamérica includes: Venezuela, Ecuador, Uruguay and Central America (including Guatemala, Panama, El Salvador, Nicaragua and Costa Rica).

(4) Vocem has been deconsolidated since 1 July 2016. Telefé has been deconsolidated since 1 November 2016. T. Personalizadas (T. España) has been deconsolidated since 1 January 2017.

TELEFÓNICA
CAPEX BREAKDOWN
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
T. ESPAÑA (1) (4)	431	463	395	563	1,852	333	371
T. DEUTSCHLAND (1)	220	213	315	360	1,107	208	226
T. UK	192	223	238	278	931	225	209
T. BRASIL (1)	348	444	577	768	2,137	397	518
T. HISPANOAMÉRICA (1, 2)	461	557	782	815	2,615	430	493
T. ARGENTINA	159	152	136	130	577	151	146
T. CHILE (1)	116	102	70	121	409	87	93
T. PERU (1)	55	94	361	207	717	54	103
T. COLOMBIA	33	83	98	116	330	60	56
T. MEXICO	42	54	34	88	219	43	35
Rest of countries of T. HISPANOAMÉRICA (2, 3)	57	71	83	152	363	36	60
Other companies and eliminations (4)	43	58	54	130	286	28	68
Telxius (1)	20	24	20	55	119	13	44
TOTAL GROUP	1,695	1,959	2,362	2,912	8,928	1,621	1,886
Spectrum	2	8	331	5	345	4	1

Notes:

- Since the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

(1) Since 1 January 2016, T. Spain reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations), and include the results of the data center business, of T. Studios and of T. Servicios Audiovisuales, which were before presented in Other Companies & Eliminations. Also since 1 January 2016, T. Chile includes the results of the data center business, which were before presented in Other Companies & Eliminations.

- Since 1 April 2016, T. Brasil and T. Peru reflect all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

- Since 1 May 2016, T. Deutschland and T. Chile reflect all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations).

(2) 2016 and 2017 reported figures include hyperinflationary adjustments in Venezuela in both years.

(3) Rest of T. Hispanoamérica includes: Venezuela, Ecuador, Uruguay and Central America (including Guatemala, Panama, El Salvador, Nicaragua and Costa Rica).

(4) Vocem has been deconsolidated since 1 July 2016. Telefé has been deconsolidated since 1 November 2016. T. Personalizadas (T. España) has been deconsolidated since 1 January 2017.

	2016				2017	
	March	June	September	December	March	June
Non-current assets	100,178	103,853	101,188	103,667	103,786	97,475
Intangible assets	20,563	20,789	20,449	20,518	20,275	18,813
Goodwill	27,320	28,517	28,123	28,686	28,896	27,362
Property, plant and equipment and Investment properties	33,688	34,727	34,549	36,393	36,672	34,202
Investments accounted for by the equity method	68	71	71	76	70	71
Non-current financial assets	9,778	11,078	9,693	9,765	9,656	8,863
Deferred tax assets	8,762	8,671	8,303	8,229	8,216	8,164
Current assets	18,974	19,153	19,478	19,974	24,338	22,876
Inventories	1,348	1,123	1,153	1,055	1,125	1,029
Trade and other receivables	10,533	11,172	10,749	10,675	10,601	10,740
Current financial assets	3,094	2,608	3,094	2,954	3,723	3,590
Tax receivables	1,177	1,341	1,304	1,533	1,481	1,454
Cash and cash equivalents	2,813	2,884	3,154	3,736	7,391	6,046
Non-current assets and disposal groups classified as held for sale	9	25	25	21	17	17
Total Assets = Total Equity and Liabilities	119,152	123,006	120,667	123,641	128,124	120,351
Equity	25,484	26,225	27,093	28,385	29,903	25,534
Equity attributable to equity holders of the parent and other holders of equity instruments	15,649	16,137	17,167	18,157	20,292	16,877
Non-controlling interests	9,835	10,088	9,926	10,228	9,611	8,657
Non-current liabilities	62,924	64,795	59,064	59,805	64,402	62,331
Non-current financial liabilities	49,580	51,243	45,701	45,612	50,117	48,780
Non-current trade and other payables	2,156	2,122	1,973	1,925	1,879	1,802
Deferred tax liabilities	2,512	2,498	2,303	2,395	2,537	2,284
Non-current provisions	8,676	8,932	9,087	9,873	9,870	9,465
Current liabilities	30,744	31,986	34,510	35,451	33,820	32,486
Current financial liabilities	11,283	12,469	15,470	14,749	14,633	13,715
Current trade and other payables	14,985	15,359	14,948	16,150	14,494	14,386
Current tax payables	2,383	2,202	2,199	2,332	2,444	2,313
Current provisions	2,093	1,956	1,893	2,220	2,248	2,072
Financial Data						
Net Financial Debt (1)	50,099	52,193	49,593	48,595	48,766	48,487
Net Financial Debt / OIBDA	2.99x	3.18x	3.03x	2.95x	2.91x	2.86x

Notes:

- 2016 and 2017 reported figures include the hyperinflationary adjustments in Venezuela in both years.

(1) Financial assets as of Dec 2016 included 418 million euros corresponding to the "O2 Refresh" product portfolio in the UK, which generated the associated financial interests.

Net financial debt for the comparative periods has been restated with the same criteria.

TELEFÓNICA
FREE CASH FLOW AND CHANGE IN DEBT

Unaudited figures (Euros in millions)

		2016				2017	
		Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
I	Cash flows from operations	3,083	6,996	11,413	16,130	3,534	7,467
II	Net interest payment (1)	(887)	(1,377)	(1,746)	(2,143)	(641)	(976)
III	Payment for income tax	12	(228)	(365)	(649)	(149)	(537)
A=I+II+III	Net cash provided by operating activities	2,207	5,391	9,302	13,338	2,743	5,954
B	Net payment for investment in fixed and intangible assets	(2,279)	(4,644)	(7,230)	(9,195)	(2,289)	(4,411)
	Spectrum (2)	(3)	(13)	(343)	(349)	(4)	(8)
C=A+B	Net free cash flow after CapEx	(72)	747	2,071	4,143	453	1,543
D	Net Cash received from sale of Real Estate	-	1	2	8	4	6
E	Net payment for financial investment	170	244	645	927	(177)	(366)
F	Net payment for operations with minority shareholders and treasury stock (3)	(756)	(2,970)	(2,209)	(2,899)	(207)	(1,268)
G=C+D+E+F	Free cash flow after dividends	(658)	(1,978)	510	2,178	74	(85)
H	Effects of exchange rate changes on net financial debt	(521)	(165)	(328)	(91)	141	(506)
I	Effects on net financial debt of changes in consolid. and others	801	1,220	1,270	1,703	104	314
J	Net financial debt at beginning of period	49,161	49,161	49,161	49,161	48,595	48,595
K=J-G+H+I	Net financial debt at end of period	50,099	52,193	49,593	48,595	48,766	48,487

Notes:

- From the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

- 2016 and 2017 reported figures include the hyperinflationary adjustments in Venezuela in both years.

(1) Includes cash received from dividends paid by subsidiaries that are not fully consolidated.

(2) Figures in €m. 2017 includes mainly: 4 in Spain, 2 in Colombia and 2 in Mexico. In 2016 mainly: 4 in Spain, 2 in Germany, 2 in Colombia and 6 in Peru.

(3) Dividends paid by Telefónica S.A., operations with treasury stock, issuance of shares, issuance and coupons of undated deeply subordinated securities, issuance of mandatorily convertible bonds into Telefónica S.A. shares and operations with minority shareholders from subsidiaries that are consolidated through the equity method.

[back to Index](#)

TELEFÓNICA

RECONCILIATIONS OF CASH FLOW AND OIBDA MINUS CAPEX FROM CONTINUING OPERATIONS

Unaudited figures (Euros in millions)

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan -Dec	Jan - Mar	Jan - Jun
OIBDA	3,838	7,756	11,931	15,118	4,021	8,179
- CapEx accrued during the period	(1,695)	(3,654)	(6,016)	(8,928)	(1,621)	(3,507)
- Payments related to cancellation of commitments	(141)	(332)	(598)	(738)	(166)	(331)
- Net interest payment	(887)	(1,377)	(1,746)	(2,143)	(641)	(976)
- Payment for tax	12	(228)	(365)	(649)	(149)	(537)
- Gain (loss) on sale of fixed assets and impairment of goodwill and other assets	(6)	(6)	(25)	16	7	(10)
- Investment in working cap. and other deferred income and expenses (1)	(1,192)	(1,412)	(1,111)	1,467	(996)	(1,275)
= Net Free Cash Flow after CapEx	(72)	747	2,071	4,143	453	1,543
+ Payments related to cancellation of commitments	141	332	598	738	166	331
- Dividends paid to minority shareholders	-	(264)	(354)	(511)	(21)	(255)
= Free Cash Flow	69	815	2,315	4,370	599	1,620
Weighted average number of ordinary shares outstanding during the period (millions)	5,073	5,066	5,061	5,061	5,062	5,094
= Free Cash Flow per share	0.01	0.16	0.46	0.86	0.12	0.32

Notes:

- From the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Telefónica Group of the first quarter of 2016 are reported following the same criteria.

- 2016 and 2017 reported figures include the hyperinflationary adjustments in Venezuela in both years.

(1) Other deferred expenses include 1,084 M€ in Q4 16 and 76 M€ in Q1 2017 related to commitments associated with long-term restructuring plans, in Spain.

[back to Index](#)

TELEFÓNICA
CONSOLIDATED CASH FLOW STATEMENT
Unaudited figures (Euros in millions)

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan -Dec	Jan - Mar	Jan - Jun
Cash received from operations	15,469	30,670	46,799	63,514	16,569	32,024
Cash paid from operations	(12,387)	(23,673)	(35,386)	(47,384)	(13,036)	(24,557)
Net payments of interest and other financial expenses net of dividends received	(887)	(1,377)	(1,746)	(2,143)	(641)	(976)
Taxes paid	12	(228)	(365)	(649)	(149)	(537)
Net cash flow provided by operating activities	2,207	5,392	9,302	13,338	2,743	5,954
(Payments)/proceeds on investments in property, plant and equipment and intangible assets	(2,279)	(4,643)	(7,229)	(9,187)	(2,285)	(4,405)
Proceeds on disposals of companies, net of cash and cash equivalents disposed	246	450	482	767	30	30
Payments on investments in companies, net of cash and cash equivalents acquired	(29)	(103)	(70)	(54)	(6)	(6)
Proceeds on financial investments not included under cash equivalents	33	34	431	489	18	155
Payments on financial investments not included under cash equivalents	(79)	(128)	(187)	(265)	(219)	(544)
(Payments)/proceeds on placements of cash surpluses not included under cash equivalents	40	(40)	19	42	(910)	(1,112)
Government grants received	-	-	-	-	-	-
Net cash flow used in investing activities	(2,068)	(4,430)	(6,554)	(8,208)	(3,372)	(5,882)
Dividends paid	(41)	(2,211)	(2,302)	(2,906)	(73)	(1,136)
Proceeds from issue of share capital increase	1	0	1	-	1.00	3
(Payments)/proceeds of treasury shares and other operations with shareholders	(602)	(651)	(655)	(660)	-	-
Operations with other equity holders (1)	(114)	(118)	737	656	(135)	(135)
Proceeds on issue of debentures and bonds, and other debts	596	3,415	3,541	5,693	6,083	6,789
Proceeds on loans, borrowings and promissory notes	6,168	10,445	10,996	10,332	1,498	2,823
Cancellation of debentures and bonds, and other debts	(3,872)	(6,534)	(6,685)	(6,873)	(1,466)	(2,534)
Repayments of loans, borrowings and promissory notes	(1,261)	(3,728)	(6,021)	(8,506)	(1,210)	(2,439)
Financed operating payments and investments in property, plant and equipment and intangible assets payments	(783)	(1,457)	(1,912)	(1,956)	(465)	(841)
Net cash used in financing activities	92	(839)	(2,300)	(4,220)	4,233	2,530
Effect of changes in exchange rates	(28)	151	98	185	51	(292)
Effect of changes in consolidation methods and others	(5)	(5)	(7)	26	-	-
Net increase (decrease) in cash and cash equivalents during the year	198	269	539	1,121	3,655	2,310
Cash and cash equivalents at the beginning of the period	2,615	2,615	2,615	2,615	3,736	3,736
Cash and cash equivalents at the end of the period	2,813	2,884	3,154	3,736	7,391	6,046

Notes:

- Since the second quarter of 2016 Telefónica's operations in the United Kingdom are no longer reported as discontinued operations within Telefónica Group and all its assets and liabilities have ceased to be reported as "held for sale", and have been reclassified back into full consolidation within Telefónica Group financial statements, in compliance with International Financial Reporting Standards (IFRS). For comparative purposes, the results of Grupo Telefónica of the first quarter of 2016 are reported following the same criteria.

- 2016 and 2017 reported figures include the hyperinflationary adjustments in Venezuela in both years.

- After considering Venezuela as a hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro. For the January-June 2017 period Telefónica has adopted a synthetic exchange rate of 3,547 Venezuelan bolivars fuertes per dollar at June 2017 (please see Note 3 of the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2017).

(1) Includes issuance and coupons of undated deeply subordinated securities.

TELEFÓNICA

EXCHANGE RATES APPLIED TO P&L AND CAPEX

Currency units per Euro	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
USA (US Dollar)	1.102	1.115	1.116	1.106	1.065	1.082
United Kingdom (Sterling)	0.770	0.778	0.801	0.817	0.860	0.860
Argentina (Argentine Peso)	15.894	15.968	16.202	16.314	16.685	16.980
Brazil (Brazilian Real)	4.290	4.118	3.937	3.833	3.347	3.437
Chile (Chilean Peso)	772.332	768.533	758.104	747.496	697.988	713.796
Colombia (Colombian Peso)	3,577.459	3,474.913	3,409.955	3,369.057	3,110.942	3,161.635
Costa Rica (Colon)	597.729	606.796	611.621	609.385	601.323	616.523
Guatemala (Quetzal)	8.459	8.561	8.518	8.406	7.911	7.991
Mexico (Mexican Peso)	19.850	20.137	20.396	20.629	21.581	20.979
Nicaragua (Cordoba)	30.966	31.532	31.736	31.657	31.414	32.116
Peru (Peruvian Nuevo Sol)	3.799	3.772	3.758	3.733	3.501	3.544
Uruguay (Uruguayan Peso)	34.755	35.012	34.175	33.266	30.344	30.733
Venezuela (Bolívar Fuerte) (1)	310.752	697.350	735.294	710.227	758.150	4,045.307

Note:

- Average exchange rate for the period.

EXCHANGE RATES APPLIED TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Currency units per Euro	2016				2017	
	March	June	September	December	March	June
USA (US Dollar)	1.138	1.110	1.116	1.054	1.068	1.140
United Kingdom (Sterling)	0.792	0.827	0.862	0.855	0.856	0.879
Argentina (Argentine Peso)	16.601	16.564	17.038	16.706	16.435	18.930
Brazil (Brazilian Real)	4.052	3.564	3.624	3.435	3.385	3.773
Chile (Chilean Peso)	762.567	734.252	734.549	705.622	709.421	757.587
Colombia (Colombian Peso)	3,416.211	3,240.682	3,215.031	3,162.745	3,083.089	3,478.866
Costa Rica (Colon)	617.284	615.385	623.830	591.366	606.061	661.376
Guatemala (Quetzal)	8.779	8.479	8.395	7.928	7.842	8.365
Mexico (Mexican Peso)	19.624	20.499	21.631	21.733	20.082	20.599
Nicaragua (Cordoba)	32.184	31.768	32.336	30.904	31.711	34.262
Peru (Peruvian Nuevo Sol)	3.786	3.651	3.795	3.537	3.470	3.710
Uruguay (Uruguayan Peso)	36.138	33.991	31.744	30.924	30.498	32.497
Venezuela (Bolívar Fuerte) (1)	310.752	697.350	735.294	710.227	758.150	4,045.307

Notes:

- Exchange rates as of 30/06/17 and 31/12/16.

(1) After considering Venezuela as a hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolívar Fuerte/Euro. For the January-June 2017 period Telefónica has adopted a synthetic exchange rate of 3,547 Venezuelan bolívars fuertes per dollar at June 2017 (please see Note 3 of the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2017).

[back to Index](#)

TELEFÓNICA
2017 MAIN FINANCING OPERATIONS
Unaudited figures

	Issue date	Amount (m)	Currency	Issuer	Coupon	Maturity date	ISIN code
DEBENTURES AND BONDS							
Eurobond	17-Jan-17	1,250	EUR	Telefónica Emisiones, S.A.U.	1.528%	17-Jan-25	XS1550951211
Eurobond	17-Jan-17 ⁽¹⁾	700	EUR	Telefónica Emisiones, S.A.U.	2.318%	17-Oct-28	XS1550951138
Bond	19-Jan-17	48,000	CLP	Telefónica Chile	4.900%	5-Jul-23	BCTCH-T ⁽²⁾
Eurobond	25-Jan-17	150	EUR	Telefónica Emisiones, S.A.U.	3M Euribor +0.40%	25-Jan-19	XS1555704078
Debentures	8-Feb-17	2,000	BRL	Telefonica Brasil, S.A.	108.25% CDI	8-Feb-22	BRVIVTDBS069
USD Bond	8-Mar-17	1,500	USD	Telefónica Emisiones, S.A.U.	4.103%	8-Mar-27	US87938WAT09
USD Bond	8-Mar-17 ⁽³⁾	2,500	USD	Telefónica Emisiones, S.A.U.	5.213%	8-Mar-47	US87938WAU71
USD Bond	18-Apr-17	200	USD	Telefónica Emisiones, S.A.U.	4.900%	18-Apr-37	XS1588907045

Notes:

⁽¹⁾ There was a reopening of €200M with issue date on March, 17th 2017

⁽²⁾ Santiago exchange code

⁽³⁾ There was a reopening of \$500M with issue date on April, 28th 2017

[back to Index](#)

TELEFÓNICA
RECONCILIATION REPORTED VS BASIS FOR GUIDANCE 2017
Unaudited figures (Euros in millions)

	Base 2016
REVENUES	Jan - Dec
<hr/>	
TELEFÓNICA	
REPORTED DATA	52,036
Hyperinflation in Venezuela	(145)
Changes in the consolidation perimeter	(158)
TELEFÓNICA TOTAL REVENUES BASIS FOR GUIDANCE	51,734

	Base 2016
OIBDA	Jan - Dec
<hr/>	
TELEFÓNICA	
REPORTED DATA	15,118
Hyperinflation in Venezuela	(25)
Changes in the consolidation perimeter	(29)
Tower sales	(1)
Restructuring charges	1,399
Impairments	215
Capital gains/losses on sale of companies	(212)
TELEFÓNICA TOTAL OIBDA BASIS FOR GUIDANCE	16,465
OIBDA MARGIN AS PER GUIDANCE	31.8%

	Base 2016
CAPEX	Jan - Dec
<hr/>	
TELEFÓNICA	
REPORTED DATA	8,928
Hyperinflation in Venezuela	(21)
Changes in the consolidation perimeter	(11)
Spectrum acquisition	(345)
TELEFÓNICA TOTAL CAPEX BASIS FOR GUIDANCE	8,552
CAPEX/SALES AS PER GUIDANCE	16.5%

Notes:

- **2017 criteria for guidance basis:** Assumes constant exchange rates of 2016 (average of 2016), excluding the impact of hyperinflationary adjustments in Venezuela in both years, and constant perimeter of consolidation. OIBDA excludes additionally write-downs, capital gains/losses from the sale of companies, tower sales, material non-recurrent impacts and restructuring costs. CapEx excludes additionally spectrum acquisition.

[back to Index](#)

TELEFÓNICA ESPAÑA
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	3,149	3,224	3,195	3,246	12,815	3,066	3,160
Mobile handset revenues	117	121	117	142	497	82	83
Revenues ex-mobile handset revenues	3,033	3,103	3,078	3,104	12,318	2,985	3,077
Consumer (1)	1,626	1,636	1,644	1,631	6,536	1,620	1,654
Fusión	979	1,015	1,049	1,053	4,096	1,070	1,114
Non-Fusión	647	621	595	578	2,440	550	540
Business	839	881	835	889	3,445	840	870
Communications	681	694	668	678	2,721	664	667
IT	159	187	167	211	724	176	203
Other (2)	568	586	600	584	2,337	525	554
Internal expenditure capitalized in fixed assets	87	82	74	81	324	76	77
Operating expenses	(1,994)	(2,003)	(1,950)	(2,865)	(8,813)	(2,003)	(1,978)
Supplies	(788)	(877)	(833)	(909)	(3,406)	(816)	(856)
Personnel expenses	(600)	(531)	(529)	(1,363)	(3,022)	(601)	(520)
Other operating expenses	(606)	(596)	(589)	(594)	(2,384)	(587)	(602)
Other net income (expense)	5	(7)	-	(28)	(30)	2	9
Gain (loss) on sale of fixed assets	4	6	37	64	111	4	14
Impairment of goodwill and other assets	(1)	(1)	(1)	(2)	(4)	(1)	(1)
Operating income before D&A (OIBDA)	1,250	1,302	1,354	496	4,403	1,143	1,282
OIBDA Margin	39.7%	40.4%	42.4%	15.3%	34.4%	37.3%	40.6%
CapEx	431	463	395	563	1,852	333	371
Spectrum	-	7	-	-	7	-	-
OpCF (OIBDA-CapEx)	820	839	958	(66)	2,551	810	910

Notes:

- Since January 1, 2016, T. Spain reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations), and includes the results of the data center business, of T. Studios and of T. Servicios Audiovisuales, which were before presented in Other Companies & Eliminations.

- The results of the T. España do not include intra-group capital gains resulting from the towers transferred to Telxius in 2016.

- T. Personalizadas has been deconsolidated since 1 January 2017.

- OIBDA before management and brand fees.

(1) Consumer revenues include residential and SOHO revenues.

(2) Other revenues include wholesale, subsidiaries and other revenues.

TELEFÓNICA ESPAÑA
ACCESSES
Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	36,791.3	36,765.2	36,769.8	36,709.4	36,537.3	36,464.3
Fixed telephony accesses (1)	9,910.6	9,854.2	9,783.7	9,720.2	9,584.2	9,463.3
Internet and data accesses	6,012.8	6,061.6	6,076.6	6,094.5	6,075.9	6,044.4
Broadband	5,978.6	6,030.2	6,045.3	6,067.3	6,050.9	6,020.1
FTTH	2,458.3	2,675.7	2,830.7	2,998.3	3,127.8	3,213.5
Mobile accesses	17,140.1	17,094.4	17,198.2	17,237.7	17,261.7	17,289.8
Prepay	2,675.7	2,579.7	2,466.1	2,329.3	2,135.9	2,000.4
Contract	14,464.5	14,514.7	14,732.1	14,908.4	15,125.7	15,289.4
M2M	1,827.2	1,890.5	1,968.8	2,006.3	2,015.6	1,974.7
Pay TV	3,727.8	3,755.0	3,711.4	3,657.0	3,615.6	3,666.8
Wholesale Accesses	4,866.9	4,693.3	4,589.3	4,525.5	4,442.3	4,377.8
Fibre	176.6	210.3	259.7	324.9	426.2	539.7
Total Accesses	41,658.2	41,458.6	41,359.2	41,234.9	40,979.6	40,842.1

(1) Includes fixed wireless and VoIP accesses.

CONSUMER ACCESSES (Fusión + non-Fusión)
Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Fixed telephony accesses	7,428.5	7,382.1	7,319.0	7,260.4	7,146.2	7,041.5
Internet and data accesses	5,145.4	5,186.4	5,195.5	5,207.8	5,195.3	5,174.0
Mobile accesses	11,759.7	11,676.5	11,691.5	11,732.3	11,754.9	11,813.6
Prepay	2,675.7	2,579.7	2,466.1	2,329.3	2,135.9	2,000.4
Contract	9,084.0	9,096.8	9,225.4	9,403.0	9,618.9	9,813.2
Pay TV	3,727.8	3,755.0	3,711.4	3,657.0	3,615.6	3,666.8
Total Consumer Accesses	28,061.4	28,000.0	27,917.4	27,857.6	27,711.8	27,695.9

TOTAL MOBILE ACCESSES
Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	84.4%	84.9%	85.7%	86.5%	87.6%	88.4%
Smartphones ('000)	10,200.2	10,295.8	10,500.3	10,715.8	10,800.7	11,240.4
Smartphone penetration (%)	67.2%	68.3%	69.5%	70.9%	71.3%	73.8%
LTE ('000)	4,520.7	5,050.0	5,444.0	6,073.0	6,589.6	6,976.3
LTE penetration (%)	29.5%	33.2%	35.7%	39.9%	43.2%	45.6%

CONSUMER FUSIÓN
Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Fusión Customers	4,209.1	4,268.8	4,286.1	4,333.2	4,379.0	4,374.7
Fibre 100/300	1,267.4	1,345.9	1,491.0	1,593.5	1,669.1	1,677.9
IPTV/ Satellite	2,768.6	2,873.6	2,914.9	2,943.1	2,970.9	3,071.9
Mobile add-ons	2,023.3	2,084.1	2,302.7	2,542.0	2,861.6	3,138.5

CONSUMER FUSIÓN
Unaudited figures

	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
Fusión ARPU (EUR)	78.2	79.8	81.8	81.6	81.6	84.8
Fusión churn	1.3%	1.1%	1.3%	1.4%	1.4%	1.3%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dic	Jan - Mar	Jan - Jun
Fusión ARPU (EUR)	78.2	79.0	79.9	80.4	81.6	83.2
Fusión churn	1.3%	1.2%	1.2%	1.3%	1.4%	1.4%

SELECTED OPERATIONAL DATA
Unaudited figures

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
Total data traffic (TB)	1,333,989	2,697,613	4,140,131	5,690,140	1,473,501	3,166,713
Fixed data traffic (TB)	1,291,860	2,610,901	3,991,793	5,479,375	1,406,556	3,009,891
Mobile data traffic (TB)	42,129	86,712	148,338	210,765	66,944	156,821

Notes:

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

[back to Index](#)

TELEFÓNICA DEUTSCHLAND
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul- Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	1,858	1,834	1,876	1,936	7,503	1,771	1,771
Mobile Business	1,603	1,584	1,621	1,690	6,498	1,545	1,548
Mobile service revenues	1,336	1,358	1,394	1,349	5,437	1,292	1,318
Data revenues	729	749	767	746	2,992	716	772
Handset revenues	267	226	227	341	1,061	252	229
Fixed Business	253	245	245	238	981	223	217
FBB and new services revenues (1)	192	187	187	182	748	177	167
Voice & access revenues	61	58	59	56	233	46	50
Internal expenditure capitalized in fixed assets	25	26	28	25	104	21	27
Operating expenses	(1,483)	(1,439)	(1,439)	(1,497)	(5,859)	(1,383)	(1,313)
Supplies	(629)	(578)	(572)	(674)	(2,452)	(585)	(547)
Personnel expenses	(173)	(160)	(155)	(157)	(646)	(155)	(157)
Other operating expenses	(681)	(701)	(712)	(666)	(2,761)	(643)	(609)
Other net income (expense)	(7)	30	(9)	9	23	(10)	(24)
Gain (loss) on sale of fixed assets	-	-	(0)	(0)	(0)	1	0
Impairment of goodwill and other assets	-	-	-	-	-	-	-
Operating income before D&A (OIBDA)	392	451	456	472	1,771	400	461
OIBDA Margin	21.1%	24.6%	24.3%	24.4%	23.6%	22.6%	26.1%
CapEx	220	213	315	360	1,107	208	226
Spectrum	2	1	2	1	6	-	0
OpCF (OIBDA-CapEx)	173	238	141	112	664	192	235

Note:

- Since 1 May 2016, T. Deutschland relects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations)
- The results of the T. Deutschland do not include intra-group capital gains resulting from the transfer of towers to Telxius in 2016.
- OIBDA before management and brand fees.

(1) Includes broadband connectivity services (retail and wholesale), value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÓNICA DEUTSCHLAND

ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	47,341.7	47,754.9	48,404.8	48,655.5	48,988.0	49,478.7
Fixed telephony accesses (1)	2,002.8	2,007.4	2,006.5	2,010.3	2,000.1	1,987.9
Internet and data accesses	2,330.9	2,329.8	2,324.8	2,324.5	2,312.5	2,297.2
Broadband	2,101.5	2,103.9	2,101.6	2,104.0	2,095.3	2,082.4
VDSL	593.0	669.3	731.8	805.5	872.2	959.9
Mobile accesses	43,008.0	43,417.8	44,073.5	44,320.7	44,675.3	45,193.6
Prepay	23,743.5	23,814.2	23,872.8	23,784.0	23,967.0	24,288.6
Contract	19,264.4	19,603.6	20,200.7	20,536.6	20,708.4	20,905.0
M2M	682.2	704.3	748.0	787.8	830.1	896.8
Wholesale Accesses	910.5	850.1	790.8	691.0	561.8	428.0
Total Accesses	48,252.2	48,605.0	49,195.6	49,346.4	49,549.8	49,906.7

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	44.8%	45.2%	45.8%	46.3%	46.4%	46.3%
Smartphones ('000)	23,083.0	23,707.1	25,353.5	25,623.1	24,781.1	25,227.4
Smartphone penetration (%)	55.4%	56.2%	59.2%	59.5%	57.0%	57.4%
LTE ('000)	8,690.5	9,399.8	10,566.3	12,063.1	13,967.6	14,422.0
LTE penetration (%)	20.5%	22.0%	24.4%	27.7%	31.9%	32.6%
Mobile churn (quarterly)	2.5%	2.1%	2.1%	2.3%	1.9%	1.9%
Contract (1)	1.8%	1.6%	1.5%	1.6%	1.6%	1.5%
Mobile churn (cumulative YTD)	2.5%	2.3%	2.2%	2.3%	1.9%	1.9%
Contract (1)	1.8%	1.7%	1.5%	1.6%	1.6%	1.6%
Mobile ARPU (EUR) (cumulative YTD)	10.3	10.3	10.4	10.3	9.6	9.6
Prepay	5.7	5.7	5.8	5.7	5.0	5.1
Contract (1)	16.6	16.6	16.6	16.5	15.5	15.5
Fixed data traffic (TB) (cumulative YTD)	612,603	1,216,470	1,811,886	2,518,545	709,516	1,399,083
Mobile data traffic (TB) (cumulative YTD)	51,599	113,324	187,685	269,326	86,423	185,036

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

[back to Index](#)

TELEFÓNICA UK
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	1,752	1,712	1,676	1,721	6,861	1,601	1,607
Mobile service revenues (1)	1,384	1,376	1,325	1,278	5,363	1,255	1,276
Data revenues	787	790	779	738	3,094	728	740
Handset revenues and other (1)	367	336	351	443	1,497	346	331
Internal expenditure capitalized in fixed assets	34	36	37	34	141	29	30
Operating expenses	(1,317)	(1,285)	(1,253)	(1,421)	(5,276)	(1,215)	(1,204)
Supplies	(806)	(787)	(774)	(858)	(3,226)	(747)	(732)
Personnel expenses	(132)	(135)	(116)	(145)	(528)	(111)	(111)
Other operating expenses	(379)	(362)	(363)	(418)	(1,522)	(357)	(360)
Other net income (expense)	(8)	(4)	(1)	(2)	(16)	1	(0)
Gain (loss) on sale of fixed assets	-	(2)	-	1	(1)	-	0
Impairment of goodwill and other assets	-	0	-	-	-	-	-
Operating income before D&A (OIBDA)	461	456	458	334	1,709	416	433
<i>OIBDA Margin</i>	<i>26.3%</i>	<i>26.6%</i>	<i>27.3%</i>	<i>19.4%</i>	<i>24.9%</i>	<i>26.0%</i>	<i>27.0%</i>
CapEx	192	223	238	278	931	225	209
Spectrum	-	-	-	-	-	-	-
OpCF (OIBDA-CapEx)	269	233	219	56	778	191	224

Notes:

(1) T. UK Mobile service revenues include revenues from MVNOs since 1 January 2017, which were previously accounted as "Handset Revenues and others"; these criteria are applied across T. Group. For comparative purposes, Mobile service revenues and Handset revenues for 2016 are reported using the same criteria.

- OIBDA before management and brand fees.

[back to Index](#)

TELEFÓNICA UK

ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Fixed telephony accesses (1)	249.8	257.7	264.7	272.6	277.2	281.3
Internet and data accesses	21.5	22.3	23.1	23.7	24.0	24.7
Broadband	21.5	22.3	23.1	23.7	24.0	24.7
Mobile accesses	24,933.0	25,172.5	25,404.2	25,462.7	25,009.3	25,139.7
Prepay	9,640.1	9,745.8	9,778.0	9,701.4	9,375.4	9,427.4
Contract (2)	15,292.8	15,426.7	15,626.2	15,761.3	15,633.9	15,712.3
M2M	3,143.4	3,176.8	3,250.9	3,266.9	3,330.3	3,373.1
Total Accesses	25,204.2	25,452.6	25,692.0	25,759.0	25,310.5	25,445.6

(1) Includes fixed wireless and VoIP accesses.

(2) Includes the disconnection of 228 thousand inactive contract accesses in the first quarter 2017.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	61.3%	61.3%	61.5%	61.9%	62.5%	62.5%
Smartphones ('000)	13,267.7	13,301.8	14,130.8	14,680.8	14,910.2	15,514.3
Smartphone penetration (%)	62.8%	62.4%	65.9%	68.4%	71.2%	73.8%
LTE ('000) (1)	9,460.3	10,783.4	11,530.3	12,092.4	12,438.0	12,592.0
LTE penetration (%)	43.4%	49.0%	52.0%	54.5%	57.4%	57.8%
Mobile churn (quarterly)	2.0%	1.5%	1.8%	2.1%	2.2%	1.5%
Contract (2)(3)	0.9%	0.8%	0.9%	1.0%	1.5%	1.0%
Mobile Churn (cumulative YTD)	2.0%	1.8%	1.8%	1.9%	2.2%	1.9%
Contract (2)(3)	0.9%	0.9%	0.9%	0.9%	1.5%	1.2%
Mobile ARPU (EUR) (cumulative YTD)	17.9	17.7	17.3	17.0	16.1	16.1
Prepay	7.8	7.7	7.5	7.5	7.3	7.1
Contract (2)(3)	30.1	29.9	29.3	28.8	26.6	27.0
Mobile data traffic (TB) (cumulative YTD)	49,648	105,368	170,977	244,957	79,926	173,446

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) giffgaff accesses included since 1 January 2017, and also given for comparative purposes since January 2016.

(2) Excludes M2M.

(3) Includes the disconnection of 228 thousand inactive contract accesses in the first quarter 2017.

[back to Index](#)

TELEFÓNICA BRASIL
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	2,431	2,654	2,950	3,055	11,090	3,165	3,028
Mobile Business	1,448	1,589	1,775	1,851	6,663	1,932	1,850
Mobile service revenues	1,378	1,511	1,690	1,772	6,351	1,855	1,776
Data revenues	725	856	991	1,096	3,667	1,273	1,276
Handset revenues	70	78	85	79	312	76	74
Fixed Business	983	1,065	1,175	1,205	4,428	1,233	1,178
FBB and new services revenues (1)	356	401	465	473	1,695	494	483
Pay TV revenues	111	122	135	137	504	143	134
Voice & access revenues	516	543	575	595	2,229	596	562
Internal exp. capitalized in fixed assets	25	27	29	32	114	37	37
Operating expenses	(1,656)	(1,819)	(1,998)	(2,031)	(7,504)	(2,102)	(2,006)
Supplies	(524)	(538)	(594)	(603)	(2,260)	(613)	(557)
Personnel expenses	(249)	(290)	(302)	(325)	(1,165)	(319)	(300)
Other operating expenses	(883)	(991)	(1,102)	(1,102)	(4,079)	(1,170)	(1,149)
Other net income (expense)	2	(21)	(3)	24	2	6	(22)
Gain (loss) on sale of fixed assets	1	-	-	(2)	(1)	5	(20)
Impairment of goodwill and other assets	2	(2)	(1)	3	1	(6)	17
Operating income before D&A (OIBDA)	805	838	978	1,081	3,702	1,104	1,034
OIBDA Margin	33.1%	31.6%	33.2%	35.4%	33.4%	34.9%	34.1%
CapEx	348	444	577	768	2,137	397	518
Spectrum	-	-	47	1	48	-	-
OpCF (OIBDA-CapEx)	457	394	402	313	1,566	707	515

Notes:

- Since 1 April 2016, T. Brasil reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations)

- The results of the T. Brasil do not include intra-group capital gains resulting from the transfer of towers to Telxius in 2016.

- OIBDA before management and brand fees.

(1) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÔNICA BRASIL

ACCESSES

Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	97,283.7	97,121.4	97,276.6	97,204.2	97,331.7	97,679.1
Fixed telephony accesses (1)	14,945.4	14,742.1	14,629.9	14,338.4	14,242.0	14,167.6
Internet and data accesses	7,294.2	7,321.8	7,397.5	7,383.2	7,439.6	7,537.2
Broadband	7,229.2	7,263.5	7,325.3	7,311.0	7,369.5	7,468.6
FTTx/cable	3,954.5	4,023.2	4,115.4	4,145.8	4,226.8	4,365.9
Mobile accesses	73,257.4	73,296.1	73,486.9	73,769.8	73,988.8	74,327.1
Prepay	42,011.5	41,669.4	40,995.6	40,387.2	40,171.5	39,652.1
Contract	31,245.8	31,626.7	32,491.3	33,382.6	33,817.3	34,675.0
M2M	4,390.0	4,590.3	4,770.4	5,005.1	5,271.5	5,590.8
Pay TV	1,786.7	1,761.4	1,762.2	1,712.7	1,661.3	1,647.2
Wholesale Accesses	21.0	20.7	18.7	17.9	17.5	17.0
Total Accesses	97,304.7	97,142.1	97,295.4	97,222.2	97,349.2	97,696.1
Terra Accesses	141.5	133.8	125.4	118.2	111.9	106.6

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	42.7%	43.1%	44.2%	45.3%	45.7%	46.7%
Smartphones ('000)	40,327.0	39,670.8	49,573.1	50,008.2	50,647.3	52,687.8
Smartphone penetration (%)	61.0%	60.0%	74.8%	75.2%	76.0%	78.8%
LTE ('000)	12,498.3	15,115.2	18,295.7	22,240.9	25,422.1	28,645.5
LTE penetration (%)	18.1%	22.0%	26.6%	32.3%	37.0%	41.7%
Mobile churn (quarterly)	3.3%	3.1%	3.4%	3.5%	3.3%	3.3%
Contract (1)	1.8%	1.9%	1.8%	1.7%	1.6%	1.8%
Mobile churn (cumulative YTD)	3.3%	3.2%	3.3%	3.4%	3.3%	3.3%
Contract (1)	1.8%	1.8%	1.8%	1.8%	1.6%	1.7%
Mobile ARPU (EUR) (cumulative YTD)	6.1	6.4	6.8	7.1	8.2	8.0
Prepay	3.2	3.3	3.5	3.4	4.1	3.9
Contract (1)	11.5	12.1	12.9	12.9	15.4	15.1
Mobile data traffic (TB) (cumulative YTD)	79,146	164,803	265,603	379,541	129,160	286,854
Fixed telephony ARPU (EUR) (cumulative YTD)	11.3	11.7	12.2	12.3	13.7	13.3
Pay TV ARPU (EUR) (cumulative YTD)	20.6	21.6	23.0	23.8	28.2	27.5
Broadband ARPU (EUR) (cumulative YTD)	10.3	10.8	11.3	11.7	14.5	14.2
Fixed data traffic (TB) (cumulative YTD)	2,485,715	5,215,363	8,031,104	11,164,483	3,428,917	7,379,965

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

[back to Index](#)

TELEFÓNICA HISPANOAMÉRICA
CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	3,054	2,961	3,129	3,435	12,579	3,285	3,134
Mobile Business	2,101	1,969	2,132	2,378	8,580	2,266	2,128
Mobile service revenues	1,877	1,760	1,915	2,074	7,627	1,997	1,844
Data revenues	920	876	925	1,000	3,721	1,071	1,038
Handset revenues	224	209	216	304	953	269	284
Fixed Business	952	991	998	1,057	3,999	1,018	1,007
FBB and new services revenues (1)	476	518	517	559	2,070	534	526
Pay TV revenues	144	149	156	161	610	169	166
Voice & access revenues	333	324	325	337	1,319	315	315
Internal exp. capitalized in fixed assets	27	28	29	42	126	35	34
Operating expenses	(2,237)	(2,172)	(2,223)	(2,505)	(9,137)	(2,424)	(2,313)
Supplies	(916)	(897)	(910)	(995)	(3,718)	(958)	(920)
Personnel expenses	(380)	(365)	(360)	(482)	(1,587)	(435)	(397)
Other operating expenses	(940)	(911)	(953)	(1,028)	(3,832)	(1,031)	(996)
Other net income (expense)	21	18	36	28	104	9	23
Gain (loss) on sale of fixed assets	-	(1)	(2)	20	18	(0)	14
Impairment of goodwill and other assets (2)	-	-	-	(215)	(215)	-	-
Operating income before D&A (OIBDA)	866	834	969	804	3,474	904	892
OIBDA Margin	28.4%	28.2%	31.0%	23.4%	27.6%	27.5%	28.5%
CapEx	461	557	782	815	2,615	430	493
Spectrum	-	-	282	2	284	3	-
OpCF (OIBDA-CapEx)	404	277	187	(10)	859	474	399

Notes:

- T. Hispanoamérica results reflects all the charges related to the towers transferred to Telxius (T. Perú since 1 April 2016 and T. Chile since 1 May 2016), which are now presented in Telxius (Other Companies & Eliminations). Likewise, since 1 January 2016, T. Chile includes the results of the data center business in which were before presented in Other Companies & Eliminations of T. Group.

- Since 1 January 2016 Mobile Revenues and Fixed revenues have been revised due to different allocation criteria. This change does not affect total revenue figure reported for 2016.

- Also since 1 January 2016 Mobile Data Revenues have been revised due to different allocation criteria between Mobile Data revenues and Other Mobile Service revenues. This change does not affect total Mobile Service Revenue figure reported for 2016.

- After considering Venezuela as a hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro. For the January-June 2017 period Telefónica has adopted a synthetic exchange rate of 3,547 Venezuelan bolivars fuertes per dollar at June 2017 (please see Note 3 of the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2017).

- OIBDA before management and brand fees.

- 2016 and 2017 reported figures include the hyperinflationary adjustments in Venezuela in both years.

(1) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

(2) Includes goodwill impairments of 91 million euros in Mexico and 124 million euros in Venezuela in October-December 2016.

TELEFÓNICA HISPANOAMÉRICA

ACCESSES

Unaudited figures (thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	134,274.3	134,422.4	135,343.0	135,850.3	133,093.4	131,707.4
Fixed telephony accesses (1)	12,497.9	12,400.6	12,229.2	11,938.6	11,749.5	11,588.3
Internet and data accesses	5,706.8	5,772.1	5,791.0	5,707.9	5,693.9	5,687.3
Broadband	5,624.8	5,642.2	5,645.8	5,570.7	5,544.8	5,538.0
FTTx/cable	835.4	923.8	946.2	1,109.1	1,279.9	1,351.9
Mobile accesses	113,218.7	113,344.0	114,399.7	115,284.5	112,707.5	111,470.8
Prepay	87,934.3	87,810.5	88,799.5	89,461.2	86,998.6	85,903.0
Contract (2)	25,284.4	25,533.6	25,600.2	25,823.3	25,709.0	25,567.8
M2M	2,315.1	2,354.3	2,532.4	2,561.3	2,627.4	2,709.0
Pay TV	2,850.9	2,905.6	2,923.1	2,919.2	2,942.5	2,961.0
Wholesale Accesses	28.2	27.5	81.8	66.5	65.5	64.5
Total Accesses	134,302.5	134,449.9	135,424.8	135,916.8	133,158.9	131,771.9

(1) Includes fixed wireless and VoIP accesses.

(2) Since September 2016, 55 thousand wholesale accesses have been reclassified from Mobile contract to Wholesale accesses in Mexico.

MOBILE ACCESSES

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	22.3%	22.5%	22.4%	22.4%	22.8%	22.9%
Smartphones ('000)	41,448.0	43,082.8	45,031.3	46,134.0	50,408.4	50,456.8
Smartphone penetration (%)	37.8%	39.3%	40.7%	41.3%	46.3%	46.9%
LTE ('000)	9,859.6	11,023.3	12,998.2	15,493.4	17,041.5	18,968.5
LTE penetration (%)	8.9%	9.9%	11.9%	13.8%	15.5%	17.5%

[back to Index](#)

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

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	689	709	750	852	3,000	876	918
Mobile Business	424	426	465	552	1,867	573	591
Mobile service revenues	374	377	410	466	1,628	510	515
Data revenues	186	196	226	253	861	278	302
Handset revenues	50	50	55	85	239	63	75
Fixed Business	265	283	285	300	1,133	302	327
FBB and new services revenues (1)	169	179	178	187	714	185	193
Voice & access revenues	96	104	107	113	419	117	135
OIBDA	149	165	211	272	797	231	275
OIBDA margin	21.6%	23.3%	28.1%	32.0%	26.6%	26.4%	30.0%
CapEx	159	152	136	130	577	151	146
Spectrum	-	-	-	-	-	-	-
OpCF (OIBDA-CapEx)	(10)	13	75	142	220	80	129

Note:

- Since 1 January 2016 Mobile Revenues and Fixed Revenues have been revised due to different allocation criteria. This change does not affect total revenue figure reported for 2016.

- Also since 1 January 2016 Mobile Data Revenues have been revised due to different allocation criteria between Mobile Data revenues and Other Mobile Service revenues. This change does not affect total Mobile Service Revenue figure reported for 2016.

- OIBDA is presented before management and brand fees.

(1) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÓNICA ARGENTINA
ACCESSES
Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	26,430.8	26,242.8	26,755.4	27,096.0	26,370.4	25,981.8
Fixed telephony accesses (1)	4,599.7	4,550.5	4,503.3	4,447.7	4,374.3	4,314.5
Fixed wireless	276.0	256.2	243.5	237.2	233.3	227.7
Internet and data accesses	1,911.8	1,910.9	1,907.7	1,882.9	1,841.0	1,802.5
Broadband	1,880.6	1,878.5	1,875.6	1,851.5	1,800.5	1,762.6
FTTx/cable	9.1	9.8	13.8	35.1	75.8	133.6
Mobile accesses	19,919.2	19,781.5	20,344.4	20,765.4	20,155.1	19,864.8
Prepay	12,989.8	12,851.6	13,258.6	13,579.8	12,936.0	12,561.7
Contract	6,929.4	6,929.9	7,085.8	7,185.6	7,219.1	7,303.1
M2M	439.2	428.3	501.3	521.3	546.2	581.0
Wholesale Accesses	22.4	21.8	21.3	21.1	20.4	20.2
Total Accesses	26,453.2	26,264.7	26,776.7	27,117.1	26,390.8	26,002.0

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA
Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	34.8%	35.0%	34.8%	34.6%	35.8%	36.8%
Smartphones ('000)	7,700.6	8,328.3	9,286.3	8,953.5	9,194.8	8,789.6
Smartphone penetration (%)	39.8%	43.4%	47.1%	44.5%	47.2%	45.9%
LTE ('000)	2,213.3	2,462.0	3,130.3	3,744.8	4,136.7	4,707.5
LTE penetration (%)	11.4%	12.7%	15.8%	18.5%	21.1%	24.4%
Mobile churn (quarterly)	3.3%	3.1%	2.7%	2.7%	3.4%	3.1%
Contract (1)	1.2%	1.4%	0.8%	1.3%	1.2%	1.2%
Mobile churn (cumulative YTD)	3.3%	3.2%	3.1%	3.0%	3.4%	3.2%
Contract (1)	1.2%	1.3%	1.1%	1.1%	1.2%	1.2%
Mobile ARPU (EUR) (cumulative YTD)	6.5	6.6	6.6	7.1	8.6	8.7
Prepay	1.9	2.0	1.9	1.9	2.5	2.6
Contract (1)	16.2	16.2	16.1	15.7	21.0	21.0
Mobile data traffic (TB) (cumulative YTD)	23,517	51,940	87,337	126,846	42,378	92,707
Fixed telephony ARPU (EUR) (cumulative YTD)	6.6	7.1	9.2	8.5	8.6	9.5
Broadband ARPU (EUR) (cumulative YTD)	17.6	18.1	22.0	18.4	20.8	21.7
Fixed data traffic (TB) (cumulative YTD) (2)	203,887	449,311	723,644	1,011,610	296,597	636,815

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

(2) Includes solely traffic related with FBB accesses, not Business customers.

[back to Index](#)

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

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	511	523	537	590	2,163	561	538
Mobile Business	298	296	309	333	1,236	329	307
Mobile service revenues	268	267	276	291	1,102	287	268
Data revenues	130	133	140	147	550	147	137
Handset revenues	30	29	33	42	135	42	39
Fixed Business	213	227	229	257	926	232	231
FBB and new services revenues (1)	96	107	109	127	439	112	113
Pay TV revenues	55	58	59	61	233	61	62
Voice & access revenues	62	62	61	68	254	59	56
OIBDA	176	168	181	180	704	174	165
OIBDA margin	34.4%	32.0%	33.6%	30.4%	32.5%	31.1%	30.6%
CapEx	116	102	70	121	409	87	93
Spectrum	-	-	-	-	-	-	-
OpCF (OIBDA-CapEx)	60	66	110	59	295	87	72

Notes:

- Since 1 May 2016, T. Chile reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations of T. Group), and also since 1 January 2016, T. Chile includes the results of the data center business which were before presented in Other Companies & Eliminations of T. Group.
 - The results of T. Chile do not include intra-group capital gains resulting from the transfer of towers to Telxius in 2016.
 - Since 1 January 2016 Mobile revenues and Fixed revenues have been revised due to different allocation criteria. This change does not affect total revenue figure reported for 2016.
 - Also since 1 January 2016 Mobile data revenues have been revised due to different allocation criteria between Mobile data revenues and Other mobile service revenues. This change does not affect total Mobile service revenues figure reported for 2016.
 - OIBDA is presented before management and brand fees.
- (1) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÓNICA CHILE

ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	12,741.5	12,481.1	12,430.0	12,301.3	12,210.5	12,142.9
Fixed telephony accesses (1)	1,459.0	1,438.4	1,422.8	1,406.5	1,380.5	1,365.1
Internet and data accesses	1,109.1	1,150.8	1,146.2	1,140.5	1,138.8	1,162.9
Broadband	1,098.4	1,093.3	1,096.7	1,090.3	1,088.1	1,111.6
FTTx	268.9	290.2	312.2	324.3	329.0	341.9
Mobile accesses	9,527.9	9,235.1	9,199.8	9,093.9	9,034.4	8,945.3
Prepay	6,524.9	6,150.1	6,070.5	5,956.0	5,891.1	5,817.3
Contract	3,002.9	3,085.0	3,129.2	3,137.9	3,143.3	3,128.0
M2M	331.2	354.8	378.0	369.4	377.8	387.0
Pay TV	645.6	656.8	661.3	660.5	656.8	669.7
Wholesale Accesses	5.2	5.1	5.1	5.1	5.3	5.2
Total Accesses	12,746.7	12,486.2	12,435.2	12,306.5	12,215.7	12,148.1

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	31.5%	33.4%	34.0%	34.5%	34.8%	35.0%
Smartphones ('000)	2,957	2,864	2,883	2,902	2,962	2,895
Smartphone penetration (%)	32.9%	33.0%	33.5%	34.2%	35.3%	35.0%
LTE ('000)	1,180	1,341	1,583	1,744	1,837	1,880
LTE penetration (%)	12.8%	15.1%	17.9%	20.0%	21.2%	22.0%
Mobile churn (quarterly)	3.6%	3.7%	3.2%	3.6%	3.3%	3.4%
Contract (1)	2.0%	2.1%	2.2%	2.4%	2.4%	2.6%
Mobile churn (cumulative YTD)	3.6%	3.7%	3.5%	3.6%	3.3%	3.3%
Contract (1)	2.0%	2.1%	2.3%	2.4%	2.4%	2.5%
Mobile ARPU (EUR) (cumulative YTD)	8.9	9.0	9.1	9.5	10.1	9.8
Prepay	3.0	3.0	2.9	2.6	2.9	2.8
Contract (1)	24.7	24.8	24.9	23.9	26.6	25.8
Mobile data traffic (TB) (cumulative YTD)	27,449	55,131	90,932	131,081	42,969	92,426
Fixed telephony ARPU (EUR) (cumulative YTD)	13.1	13.3	14.8	14.5	13.0	12.8
Pay TV ARPU (EUR) (cumulative YTD)	24.4	24.6	24.8	25.2	26.1	25.6
Broadband ARPU (EUR) (cumulative YTD)	16.2	16.6	18.0	17.5	18.8	18.1
Fixed data traffic (TB) (cumulative YTD)	321,246	665,841	1,050,624	1,490,584	434,322	970,592

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

[back to Index](#)

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

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	624	620	619	635	2,499	620	578
Mobile Business	351	338	340	344	1,373	335	313
Mobile service revenues (1)	313	299	300	294	1,206	290	275
Data revenues	161	164	158	155	638	174	146
Handset revenues	38	38	41	50	167	45	38
Fixed Business	273	283	279	291	1,126	286	266
FBB and new services revenues (2)	133	145	138	151	568	144	134
Pay TV revenues	69	71	73	75	288	81	80
Voice & access revenues	71	67	68	65	271	61	51
OIBDA	187	202	215	175	779	156	137
OIBDA margin	30.0%	32.6%	34.7%	27.5%	31.2%	25.2%	23.8%
CapEx	55	94	361	207	717	54	103
Spectrum	-	-	282	2	284	-	-
OpCF (OIBDA-CapEx)	133	108	(146)	(32)	62	103	35

Note:

- Since 1 April 2016, T. Perú reflects all the charges related to the towers transferred to Telxius, which are now presented in Telxius (Other Companies & Eliminations of T. Group).
- The results of T. Perú do not include intra-group capital gains resulting from the transfer of towers to Telxius in 2016.
- Also since 1 January 2016 Mobile Data Revenues have been revised due to different allocation criteria between Mobile Data revenues and Other Mobile Service revenues. This change does not affect total Mobile Service Revenue figure reported for 2016.
- Since 1 January 2016 Mobile Revenues and Fixed revenues have been revised due to different allocation criteria. This change does not affect total revenue figure reported for 2016.
- OIBDA is presented before management and brand fees.
- (1) Includes fixed wireless revenues.
- (2) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÓNICA PERÚ

ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Fixed telephony accesses (1)	2,452.1	2,491.0	2,486.8	2,445.1	2,455.0	2,458.2
Fixed wireless	127.7	117.6	95.5	72.3	84.6	84.9
Internet and data accesses	1,663.9	1,685.0	1,696.5	1,691.1	1,707.3	1,722.1
Broadband	1,639.2	1,660.3	1,666.8	1,660.9	1,676.8	1,691.9
FTTx/cable	557.0	623.7	620.1	722.7	841.7	821.7
Mobile accesses	16,445.4	16,211.9	15,954.2	15,498.5	14,810.6	14,438.8
Prepay	10,530.0	10,228.5	10,214.7	9,807.8	9,429.8	9,397.5
Contract	5,915.5	5,983.4	5,739.5	5,690.7	5,380.9	5,041.3
M2M	81.7	79.7	90.1	85.1	82.9	82.1
Pay TV	1,229.6	1,250.3	1,261.3	1,275.1	1,297.4	1,309.3
Total Accesses	21,791.0	21,638.3	21,398.8	20,909.8	20,270.3	19,928.4

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	36.0%	36.9%	36.0%	36.7%	36.3%	34.9%
Smartphones ('000)	4,652.9	4,867.0	4,951.9	4,900.5	8,130.0	8,283.6
Smartphone penetration (%)	28.6%	30.3%	31.4%	32.0%	55.5%	58.0%
LTE ('000)	1,464.1	1,851.4	2,095.7	2,348.3	2,370.0	2,505.4
LTE penetration (%)	8.9%	11.5%	13.2%	15.2%	16.1%	17.5%
Mobile churn (quarterly)	4.8%	5.0%	5.2%	5.4%	5.3%	5.1%
Contract (1)	2.5%	2.6%	3.5%	3.1%	2.7%	3.1%
Mobile churn (cumulative YTD)	4.8%	4.9%	5.0%	5.1%	5.3%	5.2%
Contract (1)	2.5%	2.6%	3.1%	3.3%	2.7%	2.9%
Mobile ARPU (EUR) (cumulative YTD)	6.3	6.2	6.1	6.3	6.3	6.3
Prepay	2.8	3.0	2.5	2.5	2.1	2.0
Contract (1)	12.0	11.8	12.5	11.3	13.7	13.8
Mobile data traffic (TB) (cumulative YTD)	11,451	23,486	39,758	77,864	37,157	84,961
Fixed telephony ARPU (EUR) (cumulative YTD)	9.4	9.1	7.6	8.3	7.5	7.0
Pay TV ARPU (EUR) (cumulative YTD)	16.6	16.3	17.6	17.8	19.4	19.1
Broadband ARPU (EUR) (cumulative YTD)	16.4	16.2	19.3	15.9	15.6	15.1
Fixed data traffic (TB) (cumulative YTD)	407,019	809,376	1,317,625	1,968,734	692,053	1,378,078

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

[back to Index](#)

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

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	323	347	364	375	1,409	388	368
Mobile Business	198	209	220	234	861	243	230
Mobile service revenues	172	180	193	198	743	206	194
Data revenues	68	76	87	92	323	109	112
Handset revenues	26	29	27	37	118	37	36
Fixed Business	125	138	144	140	548	145	138
FBB and new services revenues (1)	65	74	75	70	284	73	70
Pay TV revenues	17	18	21	21	77	23	22
Voice & access revenues	44	46	48	49	187	49	46
OIBDA	107	108	123	126	464	129	124
OIBDA margin	33.3%	31.0%	33.8%	33.7%	33.0%	33.4%	33.7%
CapEx	33	83	98	116	330	60	56
Spectrum	-	-	-	-	-	-	-
OpCF (OIBDA-CapEx)	74	25	25	10	134	70	68

Note:

- Since 1 January 2016 Mobile Data Revenues have been revised due to different allocation criteria between Mobile Data revenues and Other Mobile Service revenues. This change does not affect total Mobile Service Revenue figure reported for 2016.

- OIBDA is presented before management and brand fees.

(1) Includes broadband connectivity services (retail and wholesale), including value-added services, data and ICT revenues, other services over connectivity and FBB equipment.

[back to Index](#)

TELEFÓNICA COLOMBIA
ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Final Clients Accesses	15,977.2	16,161.0	16,503.1	16,573.4	16,471.3	16,610.7
Fixed telephony accesses (1)	1,414.2	1,402.7	1,389.4	1,353.4	1,352.7	1,330.6
Internet and data accesses	1,008.4	1,011.6	1,025.1	977.2	990.0	982.3
Broadband	999.9	1,003.2	1,003.2	964.1	976.8	969.1
FTTx	-	-	-	27.1	33.4	54.6
Mobile accesses	13,057.2	13,226.3	13,556.9	13,725.3	13,603.0	13,768.6
Prepay	9,625.1	9,730.2	10,019.0	10,136.8	9,974.3	10,096.8
Contract	3,432.1	3,496.1	3,537.9	3,588.5	3,628.6	3,671.8
M2M	471.0	464.3	481.3	478.7	474.8	463.7
Pay TV	497.4	520.4	531.7	517.5	525.6	529.3
Wholesale Accesses	0.6	0.6	0.6	0.5	0.5	0.5
Total Accesses	15,977.8	16,161.6	16,503.7	16,573.9	16,471.8	16,611.2

(1) Includes fixed wireless and VoIP accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Contract percentage (%)	26.3%	26.4%	26.1%	26.1%	26.7%	26.7%
Smartphones ('000)	4,391.3	4,516.1	4,744.8	5,043.4	5,324.1	5,477.0
Smartphone penetration (%)	35.5%	36.0%	36.8%	38.6%	41.1%	41.7%
LTE ('000)	1,375.6	1,667.1	1,943.0	2,340.6	2,682.5	3,193.6
LTE penetration (%)	10.9%	13.1%	14.9%	17.7%	20.4%	24.0%
Mobile churn (quarterly)	3.2%	3.2%	2.9%	3.5%	4.2%	3.4%
Contract (1)	1.8%	1.7%	1.7%	1.6%	1.5%	1.6%
Mobile churn (cumulative YTD)	3.2%	3.2%	3.1%	3.2%	4.2%	3.8%
Contract (1)	1.8%	1.8%	1.6%	1.5%	1.5%	1.5%
Mobile ARPU (EUR) (cumulative YTD)	4.2	4.3	4.3	4.4	4.7	4.6
Prepay	1.1	1.2	1.1	1.0	1.2	1.2
Contract (1)	14.6	14.8	15.0	14.2	16.4	15.9
Mobile data traffic (TB) (cumulative YTD)	14,077	29,400	46,343	66,085	22,498	48,002
Fixed telephony ARPU (EUR) (cumulative YTD)	9.8	10.1	10.7	10.7	11.1	10.8
Pay TV ARPU (EUR) (cumulative YTD)	11.0	11.3	11.9	12.2	14.3	14.1
Broadband ARPU (EUR) (cumulative YTD)	8.2	8.5	10.3	9.2	11.0	11.1
Fixed data traffic (TB) (cumulative YTD) (2)	70,654	149,797	234,125	319,800	89,505	192,552

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

(2) Includes solely traffic pertaining to FBB accesses, not Business customers.

[back to Index](#)

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

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	409	337	316	347	1,410	314	356
Service revenues	360	303	286	298	1,246	267	294
Data revenues	167	133	111	122	533	111	159
Handset revenues	50	33	30	50	164	48	62
OIBDA (1)	106	62	81	60	309	64	81
OIBDA margin	25.9%	18.4%	25.6%	17.3%	21.9%	20.5%	22.8%
CapEx	42	54	34	88	219	43	35
Spectrum	-	-	-	-	-	4	0
OpCF (OIBDA-CapEx)	65	8	47	(28)	90	21	46

Note:

- Since 1 January 2016 Data Revenues have been revised due to different allocation criteria between Data revenues and other service revenues. This change does not affect total Service Revenue figure reported for 2016.

- OIBDA is presented before management and brand fees.

(1) Goodwill impairment of 91 million euros in October-December 2016 not included in T. México results, but in T. Hispanoamérica.

[back to Index](#)

TELEFÓNICA MÉXICO

ACCESSES

Unaudited figures (Thousands)

	2016				2017	
	March	June	September	December	March	June
Mobile accesses	25,655.4	25,928.8	25,937.5	26,557.2	25,657.9	25,277.7
Prepay	23,803.2	24,069.1	24,081.0	24,620.1	23,639.3	23,197.6
Contract (1)	1,852.2	1,859.7	1,856.5	1,937.2	2,018.6	2,080.1
M2M	602.6	629.2	658.3	668.4	710.1	744.0
Fixed wireless	1,296.9	1,252.9	1,176.8	1,057.4	974.4	924.2
Wholesale Accesses (1)	-	-	54.8	39.8	39.2	38.5
Total Accesses	26,952.3	27,181.7	27,169.1	27,654.4	26,671.5	26,240.4

(1) Since September 2016, 55 thousand wholesale accesses have been reclassified from mobile contract to wholesale accesses.

SELECTED OPERATIONAL DATA

Unaudited figures

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
Contract percentage (%)	7.2%	7.2%	7.2%	7.3%	7.9%	8.2%
Smartphones ('000)	10,916	11,489	11,570	11,961	11,866	11,790
Smartphone penetration (%)	43.8%	45.6%	45.8%	46.3%	47.6%	48.1%
LTE ('000)	2,155	2,478	2,777	3,312	3,658	4,035
LTE penetration (%)	8.6%	9.8%	11.0%	12.8%	14.7%	16.4%
Mobile churn (quarterly)	3.5%	3.3%	3.6%	3.7%	4.8%	3.9%
Contract (1)	1.7%	2.9%	1.7%	1.9%	2.1%	1.9%
Mobile churn (cumulative YTD)	3.5%	3.4%	3.5%	3.6%	4.8%	4.4%
Contract (1)	1.7%	2.4%	1.7%	1.4%	2.1%	1.7%
Mobile ARPU (EUR) (cumulative YTD)	3.8	3.5	3.3	3.3	2.7	2.9
Prepay	3.3	3.0	2.8	2.1	2.3	2.4
Contract (1)	14.6	14.2	14.2	12.8	12.1	12.4
Mobile data traffic (TB) (cumulative YTD)	17,192	37,369	60,088	86,315	30,861	69,939

Notes:

- ARPU: monthly average revenue divided by the monthly average accesses of the period.

- Data traffic is defined as Terabytes used by the company's customers, both upload and download (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume non-rounded.

(1) Excludes M2M.

[back to Index](#)

REST OF COUNTRIES OF T. HISPANOÁMERICA

SELECTED FINANCIAL DATA

Unaudited figures (Euros in millions)

	2016					2017	
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Dec	Jan - Mar	Apr - Jun
Revenues	503	428	548	642	2,122	531	381
Telefónica Venezuela	77	21	138	196	432	98	(32)
Telefónica Central America	227	220	221	244	912	233	216
Telefónica Ecuador	145	135	132	139	551	135	137
Telefónica Uruguay	54	52	57	63	226	65	60
Service Revenues	472	398	519	603	1,991	496	347
Telefónica Venezuela	75	21	134	191	420	95	(31)
Telefónica Central America	213	205	209	229	856	219	200
Telefónica Ecuador	133	124	123	125	506	122	122
Telefónica Uruguay	51	48	53	58	210	60	56
OIBDA	140	117	159	207	623	149	109
Telefónica Venezuela (1)	22	4	35	51	111	22	(2)
Telefónica Central America	53	57	62	82	254	63	51
Telefónica Ecuador	45	38	42	52	177	41	39
Telefónica Uruguay	20	17	20	23	80	23	21
CapEx	57	71	83	152	363	36	60
Telefónica Venezuela	9	13	27	42	91	3	4
Telefónica Central America	32	35	25	48	139	20	30
Telefónica Ecuador	12	18	24	45	99	7	19
Telefónica Uruguay	3	6	7	18	34	5	8
Spectrum	-	-	-	-	-	-	-
Telefónica Venezuela	-	-	-	-	-	-	-
Telefónica Central America	-	-	-	-	-	-	-
Telefónica Ecuador	-	-	-	-	-	-	-
Telefónica Uruguay	-	-	-	-	-	-	-
OpCF (OIBDA-CapEx)	83	45	76	55	259	113	49
Telefónica Venezuela	13	(9)	8	8	20	19	(5)
Telefónica Central America	22	22	38	34	116	43	21
Telefónica Ecuador	33	20	18	7	78	33	20
Telefónica Uruguay	17	12	13	5	46	18	13

- After considering Venezuela as a hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro. For the January-June 2017 period Telefónica has adopted a synthetic exchange rate of 3,547 Venezuelan bolivars fuertes per dollar at June 2017 (please see Note 3 of the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2017).

- OIBDA is presented before management and brand fees.

- Reported figures include the hyperinflationary adjustments in Venezuela in both years.

- Central America includes Guatemala, Panama, El Salvador, Nicaragua and Costa Rica.

(1) Goodwill impairment of €124m in October-December 2016 not included in T. Venezuela results, but in T. Hispanoamérica.

ACCESSES

Unaudited figures

	2016				2017	
	March	June	September	December	March	June
Fixed telephony accesses (1)	1,276.1	1,263.7	1,250.3	1,229.8	1,212.6	1,195.8
Internet and data accesses	13.7	13.7	13.0	13.3	16.9	17.6
Broadband	6.7	6.9	2.8	3.0	2.6	2.7
Mobile accesses	28,613.6	28,960.4	29,407.0	29,644.2	29,446.6	29,175.6
Prepay	24,461.3	24,780.9	25,155.7	25,360.7	25,128.1	24,832.2
Contract	4,152.2	4,179.5	4,251.4	4,283.5	4,318.5	4,343.5
M2M	389.6	397.9	423.5	438.6	435.5	451.2
Pay TV	478.2	478.1	468.7	466.1	462.6	452.7
Total Accesses	30,381.6	30,715.9	31,139.0	31,353.4	31,138.7	30,841.7

(1) Includes fixed wireless and VoIP accesses.

[back to Index](#)

APPENDIX

ALTERNATIVE PERFORMANCE MEASURES

Information included in compliance with the ESMA Guidelines, 5 October 2015, on Alternative Performance Measures (APM), applicable to published regulated information from 3 July 2016.

The following APM and their reconciliation to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period are included:

- OIBDA
- Net financial debt and Net financial debt plus commitments
- Leverage ratio
- Free Cash-Flow
- Organic results
- Underlying results

[back to Index](#)

TELEFÓNICA
RECONCILIATION OF OIBDA
Unaudited figures (Euros in millions)

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
Operating income before D&A (OIBDA)	3,838	7,756	11,931	15,118	4,021	8,179
Depreciation and amortisation	(2,322)	(4,673)	(7,131)	(9,649)	(2,451)	(4,809)
Operating income (OI)	1,516	3,083	4,800	5,469	1,570	3,370

[back to Index](#)

TELEFÓNICA
NET FINANCIAL DEBT PLUS COMMITMENTS
Unaudited figures (Euros in millions)

June 2017

Non-current financial liabilities	48,780
Current financial liabilities	13,715
Gross Financial Debt	62,495
Cash and cash equivalents	(6,046)
Current financial assets	(3,590)
Positive mark-to-market value of long-term derivative instruments	(3,894)
Other non-current liabilities included in "Trade and other payables"	726
Other current liabilities included in "trade and other payables"	230
Other assets included in "Non-current financial assets"	(907)
Other assets included in "Current trade and other receivables"	(527)
Net Financial Debt (1)	48,487
Gross commitments related to employee benefits	6,524
Value of associated Long-term assets	(732)
Tax benefits	(1,510)
Net commitments related to employee benefits	4,282
Net financial debt plus commitments	52,769
Net Financial Debt / OIBDA	2.86x

Notes:

(1) Net financial debt includes a positive value of the derivatives portfolio for a net amount of €2,185m, €3,296m included as financial liabilities and €5,482m included as financial assets.

[back to Index](#)

TELEFÓNICA
RECONCILIATION OF LEVERAGE RATIO
Unaudited figures (Euros in millions)

		2016				2017	
		Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
A	Net Financial Debt (1)	50,099	52,193	49,593	48,595	48,766	48,487
B	OIBDA from last 12 months	12,996	12,696	12,653	15,118	15,301	15,541
C	OIBDA Adjustments	3,748	3,727	3,711	1,372	1,432	1,426
	OIBDA from Cos. incorporated (removed)	50	-	-	(29)	(35)	(20)
	Goodwill Impairment	104	104	104	215	215	215
	Restructuring charges	3,239	3,268	3,236	1,380	1,446	1,425
	Distribution channel optimization	30	30	30	18	18	18
	Commitments relating to the Telefónica Foundation	325	325	325	-	-	-
	Capital gains/losses on sale of companies	-	-	16	(212)	(212)	(212)
D= B+C	OIBDA Adjusted	16,744	16,423	16,364	16,490	16,733	16,967
E= A/D	Net Financial Debt / OIBDA	2.99x	3.18x	3.03x	2.95x	2.91x	2.86x

Notes:

(1) Net financial debt includes a positive value of the derivatives portfolio for a net amount of €2,185m, €3,296m included as financial liabilities and €5,482m included as financial assets.

[back to Index](#)

TELEFÓNICA
RECONCILIATION OF FREE CASH FLOW
Unaudited figures (Euros in millions)

	2016				2017	
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun
Net cash flow provided by operating activities	2,207	5,392	9,302	13,338	2,743	5,954
(Payments on investments)/proceeds from the sale in property, plant and equipment and intangible assets, net	(2,279)	(4,643)	(7,229)	(9,187)	(2,285)	(4,405)
Net cash received from sale of Real Estate	0	(2)	(2)	(8)	(4)	(5)
Government grants received	-	-	-	-	-	-
Dividends paid to minority shareholders	0	(264)	(354)	(511)	(21)	(255)
Payments related to cancellation of commitments	141	332	598	738	166	331
Free Cash Flow	69	815	2,315	4,370	599	1,620

[back to Index](#)

TELEFÓNICA
RECONCILIATION OF REPORTED VS. ORGANIC GROWTH
Unaudited figures (Euros in millions)

REVENUES	2016				2017		%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun	Jan - Jun
T. ESPAÑA							
REPORTED DATA	3,149	6,374	9,569	12,815	3,066	6,226	(2.3)
Changes in the consolidation perimeter	(2)	(4)	(5)	(7)	-	-	-
T. ESPAÑA ORGANIC	3,148	6,370	9,563	12,807	3,066	6,226	(2.3)
T. DEUTSCHLAND							
REPORTED DATA	1,858	3,691	5,567	7,503	1,771	3,542	(4.1)
T. DEUTSCHLAND ORGANIC	1,858	3,691	5,567	7,503	1,771	3,542	(4.1)
T. UK							
REPORTED DATA	1,752	3,464	5,140	6,861	1,601	3,208	(7.4)
Forex impact	-	-	-	-	187	337	-
T. UK ORGANIC	1,752	3,464	5,140	6,861	1,788	3,545	2.3
T. BRASIL							
REPORTED DATA	2,431	5,085	8,035	11,090	3,165	6,193	21.8
Forex impact	-	-	-	-	(696)	(1,024)	-
Changes in the consolidation perimeter	(2)	(2)	(2)	(2)	-	-	-
T. BRASIL ORGANIC	2,430	5,084	8,033	11,089	2,468	5,169	1.7
T. HISPAM							
REPORTED DATA	3,054	6,014	9,144	12,579	3,285	6,419	6.7
Forex impact	-	-	-	-	81	393	-
Hyperinflation in Venezuela	15	53	(26)	(148)	(15)	4	-
Changes in the consolidation perimeter	-	-	-	-	-	-	-
T. HISPAM ORGANIC	3,068	6,068	9,117	12,431	3,351	6,816	12.3
TELEFÓNICA							
REPORTED DATA	12,511	25,235	38,315	52,036	13,132	26,091	3.4
Forex impact	-	-	-	-	(439)	(315)	-
Hyperinflation in Venezuela	15	52	(26)	(145)	(15)	4	-
Changes in the consolidation perimeter	(30)	(82)	(133)	(158)	-	-	-
TELEFÓNICA ORGANIC	12,496	25,204	38,156	51,734	12,678	25,781	2.3
OIBDA	2016				2017		%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun	Jan - Jun
T. ESPAÑA							
REPORTED DATA	1,250	2,553	3,907	4,403	1,143	2,425	(5.0)
Changes in the consolidation perimeter	(2)	(3)	(5)	(6)	-	-	-
Restructuring charges	-	-	-	837	76	76	-
Distribution channel reorganisation plan	-	-	-	18	-	-	-
Capital gains/losses on sale of companies	-	-	-	(29)	-	-	-
T. ESPAÑA ORGANIC	1,249	2,549	3,902	5,223	1,219	2,501	(1.9)
T. DEUTSCHLAND							
REPORTED DATA	392	843	1,299	1,771	400	861	2.1
Changes in the consolidation perimeter	(9)	(12)	(12)	(12)	11	-	-
Restructuring charges	23	37	59	89	-	30	-
T. DEUTSCHLAND ORGANIC	406	868	1,346	1,848	411	891	2.7
T. UK							
REPORTED DATA	461	918	1,375	1,709	416	849	(7.4)
Forex impact	-	-	-	-	49	89	-
Restructuring charges	1	1	1	37	-	-	-
T. UK ORGANIC	462	918	1,377	1,746	465	939	2.2
T. BRASIL							
REPORTED DATA	805	1,643	2,621	3,702	1,104	2,138	30.1
Forex impact	-	-	-	-	(243)	(353)	-
Tower sales	-	-	-	-	-	(0)	-
Changes in the consolidation perimeter	(4)	(4)	(4)	(4)	-	-	-
Restructuring charges	-	25	26	40	-	-	-
T. BRASIL ORGANIC	801	1,664	2,643	3,739	861	1,785	7.2
T. HISPAM							
REPORTED DATA	866	1,700	2,669	3,474	904	1,796	5.7
Forex impact	-	-	-	-	17	145	-
Hyperinflation in Venezuela	7	19	(1)	(29)	1	5	-
Tower sales	(0)	(0)	(0)	(0)	(0)	(0)	-
Changes in the consolidation perimeter	(2)	(3)	(3)	(3)	-	-	-
Restructuring charges	(1)	3	3	84	1	5	-
Capital gains/losses on sale of companies	-	-	-	(15)	-	-	-
Impairments	-	-	-	215	-	-	-
T. HISPAM ORGANIC	869	1,719	2,668	3,726	923	1,950	13.5
TELEFÓNICA							
REPORTED DATA	3,838	7,756	11,931	15,118	4,021	8,179	5.5
Forex impact	-	-	-	-	(181)	(122)	-
Hyperinflation in Venezuela	11	23	4	(25)	2	5	-
Tower sales	(0)	(0)	(0)	(1)	(0)	(0)	-
Changes in the consolidation perimeter	6	(9)	(20)	(29)	-	-	-
Restructuring charges	22	68	108	1,380	88	113	-
Distribution channel reorganisation plan	-	-	-	18	-	-	-
Capital gains/losses on sale of companies	-	-	16	(212)	-	-	-
Impairments	-	-	-	215	-	-	-
TELEFÓNICA ORGANIC	3,877	7,838	12,040	16,465	3,929	8,175	4.3

OPERATING INCOME	2016				2017		%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun	
TELEFÓNICA							
REPORTED DATA	1,516	3,083	4,800	5,469	1,570	3,370	9.3
Forex impact	-	-	-	-	(63)	35	
Hyperinflation in Venezuela	24	42	69	198	56	57	
Tower sales	(0)	(0)	(0)	(1)	(0)	(0)	
Changes in the consolidation perimeter	7	(7)	(17)	(26)	-	-	
Restructuring charges	22	68	108	1,380	88	113	
Distribution channel reorganisation plan	-	-	-	18	-	-	
Capital gains/losses on sale of companies	-	-	16	(212)	-	-	
Impairments	-	-	-	215	-	-	
TELEFÓNICA ORGANIC	1,569	3,186	4,977	7,043	1,651	3,575	12.2
CAPEX	2016				2017		%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun	
T. ESPAÑA							
REPORTED DATA	431	894	1,289	1,852	333	704	(21.2)
Spectrum acquisition	-	(7)	(7)	(7)	-	-	
T. ESPAÑA ORGANIC	431	887	1,282	1,845	333	704	(20.6)
T. DEUTSCHLAND							
REPORTED DATA	220	432	748	1,107	208	435	0.5
Spectrum acquisition	(2)	(3)	(4)	(6)	(0)	(1)	
Changes in the consolidation perimeter	(1)	(1)	(1)	(1)	-	-	
T. DEUTSCHLAND ORGANIC	217	429	743	1,101	208	434	1.3
T. UK							
REPORTED DATA	192	415	654	931	225	434	4.4
Forex impact	-	-	-	-	26	46	
T. UK ORGANIC	192	415	654	931	251	480	15.4
T. BRASIL							
REPORTED DATA	348	792	1,369	2,137	397	915	15.5
Forex impact	-	-	-	-	(87)	(151)	
Spectrum acquisition	-	-	(47)	(48)	-	-	
T. BRASIL ORGANIC	348	792	1,322	2,088	310	764	(3.6)
T. HISPAM							
REPORTED DATA	461	1,018	1,800	2,615	430	923	(9.4)
Forex impact	-	-	-	-	(4)	50	
Spectrum acquisition	-	-	(282)	(284)	(4)	(4)	
Hyperinflation in Venezuela	2	17	(1)	(21)	(0)	2	
Changes in the consolidation perimeter	(0)	(0)	(0)	(0)	-	-	
T. HISPAM ORGANIC	463	1,035	1,517	2,310	422	971	(6.2)
TELEFÓNICA							
REPORTED DATA	1,695	3,654	6,016	8,928	1,621	3,507	(4.0)
Forex impact	-	-	-	-	(66)	(57)	
Spectrum acquisition	(2)	(10)	(341)	(345)	(4)	(4)	
Hyperinflation in Venezuela	2	17	(1)	(21)	(0)	2	
Changes in the consolidation perimeter	(3)	(6)	(10)	(11)	-	-	
TELEFÓNICA ORGANIC	1,693	3,655	5,664	8,552	1,551	3,448	(5.7)

OpCF (OIBDA-CapEx)	2016				2017		%
	Jan - Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan - Mar	Jan - Jun	
T. ESPAÑA							
REPORTED DATA	820	1,659	2,617	2,551	810	1,720	3.7
Spectrum acquisition	-	7	7	7	-	-	
Changes in the consolidation perimeter	(2)	(3)	(5)	(6)	-	-	
Restructuring charges	-	-	-	837	76	76	
Distribution channel reorganisation plan	-	-	-	18	-	-	
Capital gains/losses on sale of companies	-	-	-	(29)	-	-	
T. ESPAÑA ORGANIC	818	1,663	2,620	3,379	886	1,796	8.0
T. DEUTSCHLAND							
REPORTED DATA	173	411	552	664	192	426	3.8
Spectrum acquisition	2	3	4	6	-	1	
Changes in the consolidation perimeter	(8)	(11)	(11)	(11)	-	-	
Restructuring charges	23	37	59	89	11	30	
T. DEUTSCHLAND ORGANIC	189	440	604	747	203	457	4.0
T. UK							
REPORTED DATA	269	502	721	778	191	415	(17.3)
Forex impact	-	-	-	-	22	44	
Restructuring charges	1	1	1	37	-	-	
T. UK ORGANIC	270	503	723	815	213	459	(8.7)
T. BRASIL							
REPORTED DATA	457	851	1,253	1,566	707	1,223	43.7
Forex impact	-	-	-	-	(156)	(202)	
Tower sales	-	-	-	-	(0)	(0)	
Changes in the consolidation perimeter	(4)	(4)	(4)	(4)	-	-	
Spectrum acquisition	-	-	47	48	-	-	
Restructuring charges	-	25	26	40	-	-	
T. BRASIL ORGANIC	454	872	1,322	1,651	552	1,021	17.0
T. HISPAM							
REPORTED DATA	404	682	869	859	474	873	28.2
Forex impact	-	-	-	-	21	94	
Hyperinflation in Venezuela	4	1	(0)	(8)	2	3	
Tower sales	(0)	(0)	(0)	(0)	(0)	-	
Spectrum acquisition	-	-	282	284	4	4	
Changes in the consolidation perimeter	(2)	(2)	(2)	(2)	-	-	
Restructuring charges	(1)	3	3	84	1	5	
Capital gains/losses on sale of companies	-	-	-	(15)	-	-	
Impairments	-	-	-	215	-	-	
T. HISPAM ORGANIC	406	684	1,151	1,416	502	979	43.2
TELEFÓNICA							
REPORTED DATA	2,143	4,102	5,915	6,190	2,400	4,672	13.9
Forex impact	-	-	-	-	(116)	(65)	
Hyperinflation in Venezuela	8	6	4	(5)	2	3	
Tower sales	(0)	(0)	(0)	(1)	(0)	(0)	
Spectrum acquisition	2	10	341	345	4	4	
Changes in the consolidation perimeter	9	(3)	(10)	(19)	-	-	
Restructuring charges	22	68	108	1,380	88	113	
Distribution channel reorganisation plan	-	-	-	18	-	-	
Capital gains/losses on sale of companies	-	-	16	(212)	-	-	
Impairments	-	-	-	215	-	-	
TELEFÓNICA ORGANIC	2,184	4,183	6,375	7,913	2,378	4,728	13.0

Note:

- **Organic base for 2017:** Excludes the impact from hyperinflation in Venezuela and considers constant perimeter of consolidation. In OIBDA terms, excludes write-downs, capital gains/losses from the sale of companies, tower sales, material non-recurring impacts and restructuring costs. CapEx also excludes investment in spectrum.

- Organic y-o-y changes reflect all the charges related to the towers transferred to Telxius since 1 January 2016.

[back to Index](#)

TELEFÓNICA
RECONCILIATION OF REPORTED VS. UNDERLYING GROWTH
Unaudited figures (Euros in millions)

OIBDA	2016				2017		%
	Jan -Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan -Mar	Jan - Jun	Jan - Jun
TELEFÓNICA							
REPORTED DATA	3,838	7,756	11,931	15,118	4,021	8,179	5.5
Tower sales	(0)	(0)	(0)	-1	(0)	(0)	
Restructuring charges	22	68	108	1,380	88	113	
Impairments	-	-	-	215	-	-	
Distribution channel reorganisation plan	-	-	-	18	-	-	
Capital gains/losses on sale of companies	-	-	16	-212	-	-	
TELEFÓNICA UNDERLYING	3,860	7,824	12,056	16,519	4,109	8,292	6.0

NET INCOME	2016				2017		%
	Jan -Mar	Jan - Jun	Jan - Sep	Jan - Dec	Jan -Mar	Jan - Jun	Jan - Jun
TELEFÓNICA							
REPORTED DATA	548	1,241	2,225	2,369	779	1,600	29.0
PPA	123	255	353	447	118	267	
Tower sales	(0)	(0)	(0)	(0)	(0)	(0)	
Restructuring charges	10	33	56	993	63	75	
Impairments	-	35	36	251	-	30	
Distribution channel reorganisation plan	-	-	-	14	-	-	
Capital gains/losses on sale of companies (controlled & non controlled)	-	-	135	(36)	-	79	
TELEFÓNICA UNDERLYING	681	1,564	2,805	4,038	960	2,052	31.2

Notes:

- **Underlying criteria:** Reported figures excluding the impact of write-downs, capital gains/losses from companies' disposals, tower sales, material non-recurring impacts and restructuring costs, as well as depreciation and amortisation charges arising from purchase price allocation processes.

[back to Index](#)