TELEFONICA S A
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of April, 2018

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant s name into English)

Distrito Telefónica, Ronda de la Comunicación s/n,

28050 Madrid, Spain

3491-482 87 00

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Telefónica, S.A.

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INTERIM MANAGEMENT STATEMENT

JANUARY MARCH 2018

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The financial information related to January-March 2018 contained in this document has been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union, which do not differ for the purposes of the Telefónica Group, from IFRS as issued by the International Accounting Standards Board (IASB).

Telefónica s management model, regional and integrated, means that the legal structure of the companies is not relevant for the release of Group financial information, and therefore, the operating results of each of these business units are presented independently, regardless of their legal structure. For the purpose of presenting information on a business unit basis, revenue and expenses arising from invoicing among companies within Telefónica s perimeter of consolidation for the use of the brand and management contracts have been excluded from the operating results for each business unit. This breakdown of the results does not affect Telefónica s consolidated earnings.

The English language translation of the consolidated financial statements originally issued in Spanish has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain omissions or approximations may subsist. Telefónica, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the Spanish-language version prevails.

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CONSOLIDATED RESULTS

Telefónica s **accesses** base stood at 356.9m at March 2018 (-1% y-o-y) and included 14.8m in wholesale mobile accesses.

Customer value continued to improve, driving average revenue per access growth (+2.5% y-o-y organic in the first quarter) and reducing churn levels (-0.1 p.p.).

Higher-value services maintained elevated growth rates, leveraged on the growing demand for data, speed and content: i) **LTE** customers totalled 102.9m (+36% y-o-y), with quarterly net additions of 5.4m and a penetration of 40% (+11 p.p. y-o-y); ii) **mobile contract** accesses (117.5m; +5% y-o-y) reported quarterly net additions of 1.6m (2.5 times y-o-y), representing 43% of the total (+3 p.p. y-o-y); iii) **smartphones** (+7% y-o-y; 161.6m), with quarterly net additions of 2.9m (+29% vs. October-December 2017), achieved a penetration of 64% (+5 p.p. y-o-y); iv) **FTTx/Cable** customers (11.5m; +20% y-o-y) posted net additions of 530k (+20% y-o-y) and represented 54% of total fixed broadband accesses (+9 p.p. y-o-y), with a coverage of 45.8m premises passed with proprietary network (+15% y-o-y); and v) **pay TV** accesses (8.6m; +5% y-o-y) accelerated their quarterly net additions to 137k (92k in October-December 2017; -70k in January-March 2017).

It is important to note that reported variations of the January-March 2018 consolidated financial results reflected the adoption of IFRS 15 and 9 (the financial results in the same period of 2017 are reported under prior accounting standards). Organic variations excluded the impact of the accounting change to IFRS 15 in 2018 results (- 10m in revenues; + 11m in OIBDA). The accounting change to IFRS 9 had no significant impact on the results.

Exchange rate fluctuations in January-March had a negative impact on key financial metrics, mainly the depreciation of the Brazilian real and the Argentine peso against the euro. Thus, in the first quarter of 2018 currencies dragged y-o-y growth of revenues by 8.6 p.p. and OIBDA by 9.2 p.p.

Nevertheless, it should be noted that the negative impact of the depreciation of currencies at OIBDA level has been significantly reduced in terms of cash flow generation, where the negative impact decreased to 26m, as it reduced the payment in euros of CapEx, taxes and interests.

Revenues in the quarter (12,190m) decreased 7.2% y-o-y. However, in organic terms, they grew 1.9% vs. January-March 2017, on the back of the strong pace of growth of handset sales (+16.5%) and the positive performance of service revenues (+0.8%).

Mobile data revenues increased 9.5% y-o-y in organic terms and represented 62% of mobile service revenues in the quarter (+4 p.p. y-o-y in organic terms).

Excluding the negative impact of regulation (-1.2 p.p.), revenues would have risen 3.1% y-o-y organic in the first quarter.

In the first quarter, provisions for restructuring costs amounted to 18m (14m in T. Deutschland and 3m in T. Centroamérica) impacting personnel expenses by 4m and other net income (expense) by 14m. In the first quarter of

2017, restructuring costs totalled 88m (mainly 76m in T. España and 11m in T. Deutschland).

Operating expenses amounted to 8,533m and decreased 8.7% y-o-y in reported terms. In organic terms, operating expenses increased 1.1% y-o-y in the quarter due to higher other operating expenses (+1.4% y-o-y; on higher network expenses and the appreciation of the USD, mainly against the Brazilian real and the Argentine peso), and supplies (+1.3% y-o-y; higher handset consumption and the impact of RLAH on European operations, despite interconnection savings). Personnel expenses remained stable y-o-y.

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The average headcount in January-March 2018 stood at 122,834 employees (-3.2% y-o-y).

The **gain on sale of fixed assets** in the first quarter (12m) mainly included the impact on OIBDA of capital gains from the sale of towers in T. Colombia (8m).

Operating income before depreciation and amortisation (OIBDA) amounted to 3,864m in the first quarter (-3.9% y-o-y).

In organic terms, OIBDA rose 3.3% y-o-y in the quarter, reflecting the positive revenue performance, efficiencies from the transformation process and digitalisation, and synergy capture. Excluding the impact of regulation (-2.2 p.p. in the quarter), OIBDA would have grown by 5.4% y-o-y in organic terms.

Underlying OIBDA climbed to 3,863m in January-March (-5.6% y-o-y) and excluded restructuring expenses (- 18m), tower sales (8m) and the impact on OIBDA of the accounting change to IFRS 15 (11m).

OIBDA margin stood at 31.7%, with an expansion of 1.1 p.p. vs. January-March 2017 (+0.4 p.p. in organic terms).

Depreciation and amortisation (2,227m) decreased by 9.2% y-o-y and included a negative impact of 7.6 p.p. from the evolution of exchange rates (-0.2% y-o-y in organic terms).

Thus, **operating income (OI)** reached 1,638 in January-March and rose 4.3% y-o-y (+8.2% in organic terms).

Net financial expenses (381m) decreased 15.0% compared with the first quarter of the previous year, mainly due to the reduction in both debt and cost of debt in European and Latin American currencies.

Tax expenses in the first quarter amounted to 359m and increased 14.3% y-o-y, mainly due to higher profit before tax (1,259m; +12.1% y-o-y).

Profit attributable to minority interests in the first quarter (64m) is higher than the same period of the previous year (30m), mainly due to the profit attributed to minority shareholders of Telxius, following the closing of the 40% stake sale of the company in the fourth quarter of 2017, and the higher results attributed to T. Colombia and T. Deutschland minority shareholders.

In this regard, the **profit attributable to ordinary equity holders of the parent** in January-March reached 837m (953m in underlying terms) growing by 7.4% y-o-y (-1.0% in underlying terms).

Basic earnings per share amounted to 0.12 in the first quarter and decreased 13.2% y-o-y, impacted by the result of the hybrid bond tender offer made in March 2018. In underlying terms, this impact is excluded (0.17; -3.0% y-o-y).

CapEx in January-March 2018 stood at 1,490m (-8.0% reported y-o-y) and included 7m of spectrum in Argentina. In organic terms, CapEx increased by 1.5% and continued to focus on the deployment of UBB networks, and the simplification and digitalisation of processes and systems.

Operating cash flow (OIBDA-CapEx) totalled 2,374m (-1.1% y-o-y). In organic terms, it increased 4.4% reflecting the positive performance of the business and CapEx efficiency.

Interest payments in the quarter (698m) increased 8.8% y-o-y, mainly due to calendar effects on coupon payments. The effective cost of interest payments in the last twelve months stood at 3.50% as of March 2018, similar to the 3.48% as of March 2017.

Tax payments totalled 21m vs. 149m in January-March 2017, due to larger tax refunds from previous years.

Working capital consumed 939m and reflected mainly CapEx seasonality, prepayment of taxes, site rentals and content, partially offset by the execution of factoring measures on accounts receivable and the extension of payment terms with suppliers or with the factoring company where those had been discounted. This is an improvement of 129m compared with January-March 2017, mainly because of lower consumption from restructurings.

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Operations with minority shareholders amounted to 168m (21m in the first quarter 2017), largely due to the payment of an extraordinary dividend to Telxius shareholders (166m), mainly associated with the optimisation of its capital structure.

The **free cash flow** before operations with minority shareholders amounted to 719m in the first quarter (+15.2% vs. the same period 2017) and the free cash flow reached 550m (-8.7% y-o-y).

Net financial debt at March 2018 (43,975m) decreased by 255m compared with December 2017 thanks to free cash flow generation (550m) and the replacement of capital instruments (226m). On the other hand; i) shareholder remuneration (224m, including the payment of capital instrument coupons), ii) labour-related commitments (201m), iii) financial investments (54m) and iv) other factors (43m), increased debt.

During the first quarter 2018, **Telefónica s financing activity** amounted to approximately 10,692m equivalent (without considering the refinancing of commercial paper and short-term bank loans) and focused on maintaining a solid liquidity position, and refinancing and extending debt maturities (in an environment of low interest rates). Therefore, as of the end of March, the Group has covered debt maturities for the next two years. The average debt life stood at 9.11 years (vs. 8.08 years in December 2017).

The main financing operations of the quarter included:

A senior debt issuance of 1,000m was closed in January (maturing in January 2027 and annual coupon of 1.447%).

In March, Telefónica Emisiones, S.A.U. closed a USD bond issue in two tranches (750m USD at 20 years and 1,250m USD at 30 years), with coupons of 4.665% and 4.895%, respectively, the latter being the lowest coupon ever paid by Telefónica in an issue in dollars at this term.

In March, Telefónica Europe, B.V. launched two transactions simultaneously. Firstly, the issue of deeply subordinated guaranteed fixed rate reset securities guaranteed on a subordinated basis by Telefónica, S.A. for a total amount of 2,250m, divided into two tranches (1,250m, 5.7 Year Non-Call from the issue date and 1,000m, 8.5 Year Non-Call from the issue date). Secondly, a tender offer for the purchase of existing hybrid bonds in euros and pound sterling, through which a nominal of 1,777m equivalent was purchased, extending the average Non-Call date from 3.2 to 4.7 years, and reducing the average coupon paid by 0.93 basis points, from 5.34% to 4.41%.

Also in March, Telefónica, S.A. entered into a syndicated facility agreement for a maximum aggregate amount of 5,500m maturing in 5 years and with two annual extension options, for a maximum maturity of 7 years. This new agreement combines and replaced the following two existing revolving credit facilities: a revolving credit facility for 3,000m maturing in February 2021 and a credit facility for 2,500m maturing in February 2022.

Separately, Telefónica Deutschland Holding issued debt instruments in the local market (*Schuldscheindarlehen* and *Namensschuldverschreibung*) maturing up to 15 years and a target volume of 250m, including a tranche via Blockchain technology amounting to 75m with a maturity slightly longer than one year.

Throughout the quarter, Telefónica Group obtained funding by means of extending payment terms with suppliers or with the factoring firm where those had been discounted, for a total of 120m (367m equivalent in January-March 2017).

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Meanwhile, Telefónica, S.A. and its holding companies continued their issuance activity under the Promissory Notes and Commercial Paper Programmes (Domestic and European), maintaining an outstanding notional balance of approximately 2,052m at the end of March.

At the end of the quarter, Telefónica maintained undrawn, committed credit lines with different credit institutions for an approximate amount of 12,511m (11,558m maturing in more than twelve months) which, combined with the cash equivalents position and current financial assets excluding Venezuela, placed liquidity at 20,274m.

Definitions:

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

Underlying growth: Excludes the effects of the accounting change to IFRS 15 in 2018, write-downs, capital gains/losses from the sale of companies, tower sales, restructuring costs and material non-recurring impacts. CapEx excludes spectrum investments. The January-March 2017 results in Venezuela are converted at the synthetic exchange rate set at 2,091 VEF/USD at the close of March 2017.

Digitalisation and Monetisation

(y-o-y changes in organic terms)

In recent years, Telefónica has progressed significantly in its transformation towards becoming a Platform Company, with a strategic focus Digitalisation and Data Monetisation, as an additional catalyst for digital transformation, in which the Company is already a pioneer.

Digitalisation entails going even further in the transformation of the operating model, increasing its efficiency by modernising processes and networks, so that they operate automatically and in real time. All this will enable the Company to offer a genuinely digital value proposition.

Moreover, the new role of CDTO (Chief Digital Transformation Officer) contributes to accelerate the Company s digital transformation and to maximise its impact on the business, supporting the operating businesses with the implementation of initiatives.

The Company s **E2E Digitalisation Programme** is focused on five priorities around the customer:

i. Increase **direct interaction** with our customers in sales (focus on online sales).

ii. Promote top-ups and sale of additional packages through **digital channels.**

iii. Increase the efficiency of **payment and collection processes,** improving the customer experience.

iv. Improve the experience in **technical support and services.**

v. Enhance the experience we provide in **customer service.**

The operating businesses are executing these E2E initiatives and their impact on operational KPIs, customer experience and operating expenses is as expected.

The **radical automation of processes** to convert them into real-time processes is leveraged on the new networks and transformation of systems that continued to progress, with Full Stack migration now at 25% over the total customer base (+10 p.p. y-o-y; +2 p.p. vs. December). Thus, the digital capacity indicator reached 61% as of March 2018 (+9 p.p. y-o-y).

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Customers are becoming more digital, requesting more data, higher speeds and greater personalisation of products and services and therefore the **monetisation** opportunities are increasingly greater.

Data traffic continued to grow at elevated rates in mobile networks (+67% y-o-y in the quarter) and fixed networks (+35% y-o-y), driven by two levers: larger customer base with data tariffs and growth in average data consumption. In the mobile network, total LTE traffic (+121% y-o-y) grew on the back of a larger LTE customer base (40% of the total; +11 p.p. y-o-y) with higher average use (+69% after LTE adoption) and ARPU uplift (+10%).Thus, the average mobile data traffic per customer reached 2GB/month (+54% y-o-y) and reflected the transformation of the data offering, focused on increasing the weight of recurrent plans in both prepay and contract, the launch of family plans with data-sharing and the incorporation of digital services such as video, cloud or music. In the fixed network, due to the adoption of fibre and growing demand for video, fibre customers in Spain presented, compared to DSL customers, a higher average data usage (x2.6; 136GB/month) and greater ARPU (+20%).

Telefónica s priority continued to build next-generation networks in order to provide **excellent connectivity,** including customer equipment to improve user experience:

In 2018 **UBB deployment** accelerated with a boost in Hispam, where FTTx/cable coverage extended to 7.5m premises passed (+50% y-o-y), in addition to the 19.7m and 18.6m passed premises in Spain and Brazil respectively. Overall, the coverage of the proprietary FTTx/cable network expanded to 45.8m passed premises (+15% y-o-y), and connected customers increased to 11.4m (+20% y-o-y).

On the mobile network, **LTE network** coverage expanded to 73% (+9 p.p. y-o-y) at the end of March (92% in Europe and 66% in Latam) and LTE traffic doubled y-o-y, representing 61% of total traffic. In parallel, the network progressed technologically with 4.5G deployments in Germany, Brazil, Mexico and Colombia, with the optimisation spectrum use and improvement in access speed as the foundations for 5G. Thus, the **5G technological cities** programme was created in Spain to coordinate initial deployments to demonstrate capacity, such as the 5G Network Slicing concept presented at the MWC (delivery of specific network capacities to different services over a common infrastructure), supported on the proprietary UNICA network virtualisation platform.

The Company continued to incorporate innovation. Thus, the portfolio of **single fixed access** hardware for all operators performed notably well, the most advanced in the market because of cutting-edge technology (Smart WiFi, 802.11 pre-ax, developments in GPON); and the **transformation of the video ecosystem** through the global implementation of a unified platform and development of end-user devices for the incorporation of 4K services.

At the home level, **Smart WiFi** is already launched in 6 countries and seeks to become the home service platform, providing excellent experience and reinforcing the FBB proposition through single devices that ensure high-speed connectivity and full coverage, as well as digital interaction through an application to easily and securely manage this connectivity and digital services related to security and parental control.

In this context, Telefónica has committed to a more interactive and digital **customer-centric relationship model** with the launch of a single application adapted to each operation. Today, this application, which is transforming the way that Telefónica interacts with its customers, both in marketing and support, is already available in Argentina, Brazil and UK and will be deployed in further countries in the coming months. This application is one of the channels through which customers can access **Aura.** Aura, which has already been launched in six countries, proposes a customer relationship model that, through artificial intelligence, allows customers to use technology in a simple manner to engage with Telefónica products and services, providing a solution that lets customers transparently control and manage their data in an open ecosystem with third parties, for which the customers themselves decide how their own data is used.

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Broadband connectivity and services over connectivity revenues continued to increase their weight over the total revenues of the Company and represented 53% of the total in the first quarter 2018 (+3 p.p. y-o-y).

In particular, **Digital Services revenues** totalled 1,608m in the quarter with a notable growth of 28.6% vs. the same period in the previous year. In light of the different degrees of maturity of the digital services, and view to giving an overview of these services in their entirety, they are structured in the following four blocks:

i. **Video** revenues in January-March stood at 722m, with a y-o-y change of 1.0%. Pay TV accesses reached 8.6m (+5% y-o-y), with prominent growth in IPTV (+18% y-o-y) and a continuous improvement in content and functional features, driving a reduction in churn (-0.1 p.p.). The launch of Movistar Series was announced in February, through which 12 original TV series produced by Movistar will reach over 13 countries in 2018 via the Movistar TV (fixed) and Movistar Play (OTT) platforms.

ii. **Advanced Digital Services,** focused on supporting the digital transformation of B2B customers, posted revenues of 305m (+22.5% y-o-y) driven by the positive performance in the **Cloud** business (133M ; +32.9% y-o-y) and due to greater **Security** revenues (93m; +25.4% y-o-y). Of note this quarter, Multicloud for Businesses from Microsoft Azure and Amazon Web services have been included in the offering, as well as the creation of the largest global Telco alliance in security (total customers surpassed 1,200m) together with Etisalat, Singtel and SoftBank, which will support the B2B information security business, whose revenues grew 78.1% y-o-y this quarter.

iii. **Content** contributed 423m to quarterly revenues, with a strong growth of 152.0% y-o-y. Their performance in Brazil has been particularly relevant after the bundling of mobile contents (in-house and third party productions) into flat rates for different mobile segments since the second quarter 2017.

iv. Lastly, **Other Digital Services** also contributed to revenue growth (+16.1%), primarily driven by the positive performance of the Advertising business.

Telxius

(y-o-y changes in organic terms)

Telxius continued to make progress to become the benchmark provider of telecommunications infrastructures, and reported a solid operational performance in the first quarter 2018.

Revenues amounted to 180m in January-March and rose to 2.0% y-o-y, mainly driven by the tower business (80m; +9.4% y-o-y), as the cable business decreased 3.1% vs. January-March 2017 mainly due to the euro/dollar appreciation impacting contracts denominated in dollars and a seasonal incoming revenue in the first quarter of 2017. Both effects subtracted 4.0 p.p. in the quarter from Telxius y-o-y revenue growth in the quarter. **OIBDA** reached 86m (+0.6% y-o-y, the above mention effects subtracted 5 p.p. from y-o-y growth) and the margin stood at 47.6% (-0.7 p.p. y-o-y).

At an operational level, the tenancy ratio in the **tower business** improved to 1.34x (+0.01x q-o-q and +0.06x vs. January-March 2017) over a base portfolio of 16,312 towers (+24 towers in the first quarter; primarily in Spain and Brazil).

In the **cable business,** the international managed data traffic improved significantly (+22% y-o-y in IP traffic and +52% bandwidth in Capacity services). Since the end of March 2018, Telxius services can also be commercialised through the new MAREA cable (Spain, USA), state-of-the-art submarine infrastructure. The new BRUSA cable (Brazil, Puerto Rico, USA) remains on target to enter into service during 2018.

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CapEx reached 57m (vs. 13m in January-March 2017), reflecting the investment effort in the deployment of the MAREA and BRUSA cables. This investment will significantly decrease in the second half of the year.

TELEFÓNICA

ACCESSES

Unaudited figures (thousands)

	2017				2018	
	March	June	September	December	March	% Chg
Final Clients Accesses	341,785.7	341,347.3	339,843.1	338,997.9	337,921.1	(1.1)
Fixed telephony accesses (1)	37,853.0	37,488.4	37,028.0	36,898.6	36,404.2	(3.8)
Internet and data accesses	21,657.8	21,697.3	21,696.7	21,864.6	21,827.0	0.8
Broadband	21,196.4	21,240.4	21,243.8	21,417.5	21,385.9	0.9
FTTx/Cable	9,580.6	9,960.5	10,511.8	10,961.6	11,491.8	19.9
Mobile accesses	274,055.6	273,886.6	272,742.7	271,766.9	271,084.9	(1.1)
Prepay	162,648.4	161,271.6	158,662.8	155,868.5	153,623.2	(5.5)
Contract	111,407.2	112,615.0	114,079.9	115,898.4	117,461.7	5.4
M2M	14,488.0	15,009.9	15,572.9	16,137.2	16,778.1	15.8
Pay TV	8,219.3	8,274.9	8,375.8	8,467.7	8,604.9	4.7
Wholesale Accesses	18,392.2	18,507.4	18,752.0	19,124.9	19,021.1	3.4
Fixed wholesale accesses	5,087.1	4,887.2	4,689.4	4,460.2	4,222.2	(17.0)
Mobile wholesale accesses (2)	13,305.1	13,620.2	14,062.6	14,664.7	14,798.9	11.2
Total Accesses	360,177.9	359,854.7	358,595.1	358,122.8	356,942.2	(0.9)

(1) *Includes fixed wireless and VoIP accesses.*
(2) *Mobile Wholesale accesses have been included since the first quarter 2018 and this information is also given for comparative purposes from January 2017.*

TELEFÓNICA

MOBILE ACCESSES

Unaudited figures

	2017				2018	
	March	June	September	December	March	% Chg

Contract percentage (%)	40.7%	41.1%	41.8%	42.6%	43.3%	2.6 p.p.
Smartphones (000)	151,547.7	155,126.7	156,511.5	158,717.7	161,572.5	6.6
Smartphone penetration (%)	59.4%	60.9%	61.8%	63.0%	64.4%	5.0 p.p.
LTE (000)	75,458.8	81,604.2	88,978.7	97,534.0	102,910.4	36.4
LTE penetration (%)	29.1%	31.5%	34.6%	38.2%	40.5%	11.4 p.p.

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TELEFÓNICA

CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - March		% Chg	
	2018	2017	Reported	Organic
Revenues	12,190	13,132	(7.2)	1.9
Internal exp. capitalized in fixed assets	193	208	(7.1)	(1.8)
Operating expenses	(8,533)	(9,348)	(8.7)	1.1
Supplies	(3,317)	(3,730)	(11.1)	1.3
Personnel expenses	(1,570)	(1,818)	(13.7)	0.0
Other operating expenses	(3,647)	(3,800)	(4.0)	1.4
Other net income (expense)	5	29	(84.1)	(39.6)
Gain (loss) on sale of fixed assets	12	8	51.2	(57.7)
Impairment of goodwill and other assets	(2)	(7)	(65.7)	(72.1)
Underlying operating income before D&A (OIBDA)	*3,863*	*4,094*	*(5.6)*	
Operating income before D&A (OIBDA)	3,864	4,021	(3.9)	3.3
OIBDA Margin	*31.7%*	*30.6%*	*1.1 p.p.*	*0.4 p.p.*
Depreciation and amortization	(2,227)	(2,451)	(9.2)	(0.2)
Operating income (OI)	1,638	1,570	4.3	8.2
Share of profit (loss) of investments accounted for by the equity method	2	2	19.7	
Net financial income (expense)	(381)	(449)	(15.0)	
Profit before taxes	1,259	1,123	12.1	
Corporate income tax	(359)	(314)	14.3	
Profit for the period	900	809	11.2	
Attributable to equity holders of the Parent	837	779	7.4	
Attributable to non-controlling interests	64	30	111.0	
Weighted average number of ordinary shares outstanding during the period (millions)	5,127	5,062	1.3	
Basic and diluted earnings per share attributable to equity holders of the Parent (euros)	0.12	0.14	(13.2)	
Underlying basic and diluted earnings per share attributable to equity holders of the Parent (euros)	*0.17*	*0.18*	*(3.0)*	

Notes:

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

Telefónica uses a synthetic exchange rate of 256,571 Venezuelan bolivars fuertes per dollar at March 2018.

- *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 (211m in January-March 2018), by the weighted average number of ordinary shares outstanding during the period.*

GUIDANCE 2018

2017 Base		2018 Guidance	2018 Jan - Dec
52,037	Revenues (% Chg YoY)	growing around 1% (in spite of regulation: ~-0.9 p.p.)	1.9%
32.0%			