

THIS IS AN ENGLISH TRANSLATION FROM THE ORIGINAL SPANISH VERSION REGISTERED WITH THE CNMV. IN CASE OF ANY DISCREPANCY, THE ORIGINAL SPANISH VERSION PREVAILS.

TELEFÓNICA, S.A.

Share Registration Document
Annex I to Commission Regulation (EC) No 809/2004 of 29 April 2004

This Share Registration Document (form Annex 1) has been recorded in the registers of the National Securities Market Commission on 22 October 2015.

TABLE OF CONTENTS

I. PART ONE: RISK FACTORS.....	3
II. PART TWO: REGISTRATION DOCUMENT	22
A) EQUIVALENCE TABLE.....	23
B) ANNEX I TO REGULATION 809/2004	33
1 PERSONS RESPONSIBLE	33
2 STATUTORY AUDITORS.....	33
3 SELECTED FINANCIAL INFORMATION.....	34
4 RISK FACTORS	366
5 INFORMATION ABOUT THE ISSUER.....	¡Error! Marcador no definido. 6
6 BUSINESS OVERVIEW.....	44
7 ORGANISATIONAL STRUCTURE	48
8 PROPERTY, PLANT AND EQUIPMENT	48
9 OPERATING AND FINANCIAL REVIEW.....	49
10 CAPITAL RESOURCES.....	501
11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES.....	53
12 TREND INFORMATION	54
13 PROFIT FORECASTS OR ESTIMATES	54
14 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT	55
15 REMUNERATION AND BENEFITS.....	700
16 BOARD PRACTICES.....	722
17 EMPLOYEES.....	78
18 MAJOR SHAREHOLDERS	80
19 RELATED PARTY TRANSACTION	81
20 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES , FINANCIAL POSITION AND PROFITS AND LOSSES.....	811
21 ADDITIONAL INFORMATION.....	93
22 MATERIAL CONTRACTS.....	1076
23 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST	107
24 DOCUMENTS ON DISPLAY.....	107
25 INFORMATION ON HOLDINGS	1088

I. PART ONE

RISK FACTORS LINKED TO THE ISSUER

The Telefónica Group's business is conditioned by a series of intrinsic risk factors that affect exclusively the Group, as well as a series of external factors that are common to businesses of the same sector. The main risks and uncertainties facing the Company which could affect its business, financial position and its results, must be considered jointly with the information in the financial statements of 2014, and are as follows:

Risks relating to the Group

Worsening of the economic and political environment could negatively affect Telefónica's business.

Telefónica's international presence (structured in segments: Telefonica Spain, Telefonica Brazil, Telefónica Germany, UK and Telefonica Telefonica Latin America (comprising the Group's operators in Argentina, Chile, Peru, Colombia, Mexico, Venezuela and Central America (El Salvador, Guatemala, Panama, Costa Rica and Nicaragua), Ecuador and Uruguay)) enables the diversification of its activities across countries and regions, but it is affected by various legislation, as well as the political and economic environments of the countries in which it operates. Any adverse developments or even uncertainties in this regard, including exchange-rate or sovereign-risk fluctuations, may adversely affect the business, financial position, cash flows and/or the performance of some or all of the Group's financial indicators.

With respect to the economic environment, the Telefónica Group's business is impacted by overall economic conditions in each of the countries in which it operates. Economic conditions may adversely affect the level of demand of existing and prospective customers, as they may no longer deem critical the services offered by the Group. Factors such as high debt levels, ongoing restructuring of the banking sector, the implementation of pending structural reforms and continued fiscal austerity measures could hinder more dynamic growth in Europe and, in turn, the consumption and volume of demand for the Group's services, which could materially adversely affect the Group's business, financial condition, results of operations and cash flows.

The soft and gradual economic recovery in Europe together with signs of deflation as the harmonized annual inflation rate has stood in September 2015 at -0.1% (since January 2013 the inflation rate has been below the 2% target of the European Central Bank (ECB)) will continue to lead to monetary and fiscal easing from key players, with a view to creating a relatively benign scenario for Europe. In this region, the Telefónica Group generated 25.0% of its total revenues in Spain and 16.4% in Germany in the first half of 2015. Recent episodes regarding Greece situation and the impact of decisions that could be taken in terms of the European project and its financial markets, are also risks to monitor in the coming months.

In Latin America the most important challenge is the exchange-rate risks stand out after the large depreciation undergone by the currencies in this region, affected by the fall in commodities prices, the uncertainties on global growth (mainly China, a key country for Latin America), and also the uncertainty on the interest rate hikes by the Federal Reserve in the United States. In this sense, cash-flows from the countries in this region could decrease, and financial conditions could become more unfavorable if any of these elements were to worsen in the future. Among the most significant macroeconomic risk factors in the region is Brazil, where a scenario of high inflation, negative economic growth rates and significant internal and external financing needs exists. Financing needs are significantly affected by the fall in commodity prices and the political fragility, which is taking its toll on both

consumer and business confidence indicators. All these elements are lessening competitiveness and giving rise to doubts over fiscal sustainability, which could turn into new downgrades to the country's credit rating, placing it below investment grade and, hence, higher depreciation, exchange rate volatility and increase in interest rates. Moreover, the fall not only of oil prices, but also of other commodities could have a negative impact on the external accounts of Chile, Peru, Colombia and Mexico. Other risks in the region are Venezuela's and Argentina's high level of inflation coupled with a phase of economic slowdown and weak public finances, and which could cause a devaluation of their currencies.

In relation to the political environment, the Group's investments and operations in Latin America could be affected by a series of risks related to economic, political and social factors in these countries, collectively denominated "country risk". At June 30, 2015, Telefónica Hispanoamérica and Telefónica Brazil represented 30.5% and 24.5% of the Telefónica Group's revenues, respectively. Moreover, approximately 11.6% of the Group's revenues in the telephony business are generated in countries that do not have investment grade status (in order of importance, Argentina, Venezuela, Ecuador, Guatemala, El Salvador, Nicaragua and Costa Rica), and other countries are only one notch away from losing this threshold. It is also significant that, despite clear improvements in Brazil, the uncertainty surrounding the political situation, along with current economic recession (negatively affected by fiscal and monetary adjustments) in a high inflation environment, as mentioned above, could result in a rating downgrade that, depending on the extent of such downgrade, could lead to strong exchange-rate volatility due to an outflow of investments, especially in relation to fixed-income.

"Country risk" factors include the following:

- government regulation or administrative policies may change unexpectedly, including changes that modify the terms and conditions of licences and concessions and their renewal (or delay their approvals), which could negatively affect the Group's business in such countries;
- abrupt exchange-rate fluctuations may occur mainly due to high rates of inflation and both fiscal and external deficits with the resulting exchange-rate overvaluation, that would require an exchange-rate adjustment. This movement could lead to a strong exchange-rate depreciation in the context of a floating exchange rate regime, or a significant devaluation after abandoning clearly misaligned fixed exchange rates regimes and the introduction of varying degrees of restrictions on capital flows;
- governments may expropriate or nationalise assets, make adverse tax decisions or increase their participation in the economy and in companies;
- economic-financial downturns, political instability and civil disturbances may negatively affect the Telefónica Group's operations in such countries; and
- maximum limits on profit margins may be imposed in order to limit the prices of goods and services through the analysis of cost structures. For example, in Venezuela, a maximum profit margin has been introduced that will be set annually by the Superintendence for Defense of Socioeconomic Rights.

Any of the foregoing may adversely affect the business, financial position, results of operations and cash flows of the Group.

The Group's financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to foreign currency exchange rates, interest rates or financial investment risks.

At June 30, 2015, 44% of the Group's net debt (in nominal terms) had its interest rates fixed over a year, while 30% was denominated in a currency other than the euro.

To illustrate the sensitivity of financial expenses to a change in short-term interest rates at June 30, 2015: (i) a 100 basis points increase in interest rates in all currencies in which Telefónica has a financial position at that date would lead to an increase in financial expenses of 221 million euros, (ii) whereas a 100 basis points decrease in interest rates in all currencies except the euro, the U.S. dollar and the pound sterling (these to zero rates in order to avoid negative rates), would lead to a reduction in financial expenses of 72 million euros. These calculations were made assuming a constant currency and balance position equivalent to the position at that date and bearing in mind the derivative financial instruments arranged.

According to the Group's calculations, the impact on results and specifically changes in the value of a 10% depreciation of Latin American currencies against the U.S. dollar and a 10% depreciation of the rest of the currencies against the euro would result in exchange losses of 90 million euros, primarily due to the weakening of the bolivar fuerte and, to a lesser extent, the Argentinean peso. These calculations had been made assuming a constant currency position with an impact on profit or loss at June 30, 2015 including derivative instruments in place. At June 30, 2015, 24.0% of the Telefónica Group's operating income before depreciation and amortization (OIBDA) was concentrated in Telefónica Brazil and 29.4% in Telefónica Hispanoamérica.

The Telefónica Group uses a variety of strategies to manage this risk, mainly through the use of financial derivatives, which themselves are also exposed to risk, including counterparty risk. Furthermore, the Group's risk management strategies may not achieve the desired effect, which could adversely affect the Group's business, financial condition, results of operations and cash flows.

Existing or worsening conditions in the financial markets may limit the Group's ability to finance, and consequently, the ability to carry out its business plan.

The performance, expansion and improvement of the Telefónica Group's networks, the development and distribution of the Telefónica Group's services and products, the development and implementation of Telefónica's strategic plan, the development and implementation of new technologies or the renewal of licences as well as expansion of the Telefónica Group's business in countries where it operates may require a substantial amount of financing.

The performance of financial markets in terms of liquidity, cost of credit, access and volatility, continues to be overshadowed by persisting uncertainty regarding certain factors such as the pace of economic recovery, the health of the international banking system and concerns regarding the burgeoning deficits of some European countries. The worsening international financial market credit conditions caused by some of these factors could make it more difficult and more expensive to refinance existing financial debt or arrange new debt if necessary, and more difficult to raise funds from the Group's shareholders, and may negatively affect the Group's liquidity. At June 30, 2015, gross financial debt scheduled to mature in 2015 amounted to 5,529 million euros (which includes the net position of derivative financial instruments and certain current payables), and gross financial debt scheduled to mature in 2016 amounted to 7,662 million euros. Despite having covered gross debt maturities nearly until the end of 2016 (fulfilling our policy of covering at least 12 month debt maturities) by available cash and lines of credit at June 30, 2015, possible difficulties in maintaining the current safety margin, or the risk that this could be significantly and unexpectedly exhausted, could force Telefónica to use resources allocated for other investments or commitments for payment of its financial debt, which could have a negative effect on the Group's businesses, financial position, results of operations or cash flows. In 2014 the Telefónica Group issued bonds mainly in the European market with a maturity of eight years totaling 1,250 million euros with an annual coupon of 2.242%, and

bonds with a fifteen-year maturity totaling 800 million euros with an annual coupon of 2.932%. In addition, the Telefónica Group issued undated deeply subordinated securities in 2014 totaling 1,750 million euros with an average coupon of 5.50%. In 2015 the Telefónica Group issued bonds mainly in the European market with a maturity of seven years totaling 1,000 million euros with an annual coupon of 1.477%,

Despite having its gross debt maturities profile covered for more than one year, obtaining financing on the international capital markets could also be restricted, in terms of access and cost, if Telefónica's credit ratings are revised downwards, either due to lower solvency or operating performance, or as a result of a downgrade in the rating for Spanish sovereign risk by rating agencies. Any of these situations could have a negative impact on the Group's ability to meet its debt maturities.

Moreover, market conditions could make it harder to renew existing undrawn credit lines, 10% of which, at June 30, 2015, were scheduled to mature prior to June 30, 2016.

In addition, it should be taken into account the impact of the sovereign debt crisis -which still affects certain countries-, as well as the mounting uncertainty on global growth, especially due to doubts about whether the deceleration in China will be more pronounced than expected. Additionally, the fall of commodity prices is affecting significantly Latin American countries, worsening their growth and introducing volatility into their financial markets, in particular their exchange rates (at June 30, 2015 the percentage of net financial debt in Latin American currencies stood at 16%). Other risks to consider are the possible hikes in interest rates, -not only by the Federal Reserve but also by other Central Banks in Latin American countries-, which could be a new source of volatility in the markets and could also worsen financing conditions. In this way, any deterioration in the global growth, exchange markets volatility or increase in central bank interest rates, as well as doubts about developments in European projects, or further credit restrictions by the banking sector could have an adverse effect on the Telefónica Group's ability to access funding and/or liquidity, which could have a significant adverse effect on the Group's businesses, financial position, results of operations and cash flows.

Telefónica's divestment of its operations in the United Kingdom may not materialise.

On March 24, 2015, Telefónica and Hutchison Whampoa Limited ("Hutchison") signed an agreement for the acquisition by the latter of Telefónica's operations in the UK (O2 UK) for a price (firm value) of 10,250 million pounds sterling in cash (approximately 14,000 million euros at the exchange rate as of the date of the agreement), composed of (i) an initial amount of 9,250 million pounds sterling (approximately 12,640 million euros) which would be paid at closing and (ii) an additional deferred payment of 1,000 million pounds sterling (approximately 1,360 million euros) to be paid once the cumulative cash flow of the combined company in the United Kingdom has reached an agreed threshold.

Completion of the transaction is subject to, among other conditions, the approval of the applicable regulatory authorities and the obtaining of waivers to some contractual provisions affected by the sale, including those related to network alliances, as well as change of control provisions under certain contractual arrangements with third parties.

As completion of the share purchase agreement is conditional on the satisfaction (or, if applicable, waiver) of certain conditions, the acquisition may or may not proceed. If the abovementioned divestment is ultimately not consummated, it could have a material adverse effect on the trading price of Telefónica's ordinary shares, bonds and debt instruments.

Risks relating to the Group's Industry

The Group operates in a highly regulated industry which requires government concessions for the provision of a large part of its services and the use of spectrum, which is a scarce and costly resource.

The telecommunications sector is subject to laws and regulations in different countries, and additionally, many of the services the Group provides require the granting of a licence, concession or official approval, which usually requires certain obligations and investments to be made, such as those relating to spectrum availability. Among the main risks of this nature are those related to spectrum regulation and licences/concessions, rates, universal service regulation, regulated wholesale services over fiber networks, privacy, functional separation of businesses and network neutrality.

Thus, as the Group provides most of its services under licences, authorisations or concessions, it is vulnerable to administrative bodies' decisions, such as economic fines for serious breaches in the provision of services and, potentially, revocation or failure to renew these licences, authorisations or concessions, or the granting of new licences to competitors for the provisions of services in a specific market.

In this regard, the Telefónica Group pursues its licence renewals in the terms referred in their respective contractual conditions, though it cannot guarantee that it will always complete this process successfully or under the most beneficial terms for the Group. In many cases complying with certain obligations is required, including, among others, minimum specified quality, service and coverage standards and capital investment. Failure to comply with these obligations could result in the imposition of fines, revision of the contractual terms, or even the revocation of the licence, authorisation or concession.

Additionally, the Telefónica Group could be affected by regulatory actions carried out by the antitrust authorities. These authorities could prohibit certain actions, such as new acquisitions or specific practices, create obligations or lead to heavy fines. Any such measures implemented by the competition authorities could result in economic and/or reputational loss for the Group, in addition to a loss of market share and/or harm to the future growth of certain businesses.

Regulation of spectrum and government licenses:

In Europe, on May 6, 2015, the European Commission adopted a Communication on the "Digital Single Market" ("DSM"), which establishes a series of policy initiatives to promote the development of the single market of digital services and networks. As a result of the above, in September 2015, the European Commission has issued a public consultation on the review of the regulatory framework for electronic communications. In accordance with the outcome of this public consultation, the European Commission could initiate a legislative process, which could have significant implications, among others, on access to network, spectrum use, auction conditions, duration and renewal of licenses and other issues of different nature.

Moreover, on May 8, 2015, the European Commission has already approved a Decision on the harmonisation of the 1452 - 1492 MHz frequency band (1500 MHz band), which encourages Member States to designate and to make available this band frequency, from November 2015, on a non-exclusive basis. Consequently, spectrum award processes will be expected in the short-mid- term all across the EU. Germany and the United Kingdom have already auctioned the band frequency and therefore the Decision will not have material impact on Telefónica's cash flow in those markets. In Spain, the Government launched a consultation which ended on June 21, 2015 to evaluate demand for spectrum in the 1500 MHz band. The tender of the 1500 MHz band in Spain is expected to take place throughout 2016.

Additionally, in connection with the 700 MHz band, in the coming years it will be materialised in Europe, the main issues for allocation and use. This could require new cash outflows (it is expected that the spectrum will be available between 2018 and 2021), except in Germany which has already been the first country in Europe to award

spectrum in the 700 MHz band. Along with this band it was auctioned spectrum in the 1500 MHz, 900 MHz and 1800 MHz frequency bands. This auction ended on June 19, 2015. Telefónica Germany GmbH & Co. OHG ("Telefónica Germany") spent 1,198 million euros for 2 x 10 MHz in 700 MHz band, 2 x 10 MHz in 900 MHz band and 2 x 10 MHz in 1800 MHz band.

On the other hand, on June 10, 2015, the Cologne Court annulled a decision by the German regulator authority ("BNetzA") by which, among other things, Telefonica Deutschland (the subsistent entity when the merger between Telefónica Deutschland Holding AG and E-Plus Mobilfunk GmbH takes place, which is scheduled in 2016) was obliged to anticipate one year in advance (by December 31, 2015), the withdrawal of frequencies in the 1800 MHz band not reacquired in the mentioned auction and which expires on December 31, 2016. The judgment has been appealed by BNetzA. Notwithstanding, on September 25, 2015, and after the aforementioned spectrum auction took place, BNetzA imposed to Telefonica Deutschland to return, at the end of 2015, part of the spectrum of 1800 MHz band which have not been reacquired in the auction and, by the end of June 2016, the remaining spectrum not reacquired in the 1800 MHz band.

Also, the German regulator announced that, once the auction of spectrum mentioned above is over, it will perform a frequency distribution analysis, and determine whether any additional action is needed, particularly in the area of the 2GHz spectrum band granted to Telefónica Deutschland. In addition, and within the framework of the conditions imposed by the European Commission in connection with the merger, the surviving entity of the merger is obliged to offer up to 2x10 MHz in the 2600 MHz as well as up to 2x10 MHz in the 2100 MHz spectrum band to one potential new mobile network operator. This offer is open to any potential new mobile network operator that had declared a respective interest by 31 December 2014, and to the operator with whom Telefónica Deutschland has signed the network access agreement (Drillisch Group).

Moreover, United Internet and the regional cable operator Airdata have filed complaints against the EU General Court clearance decision of Telefónica Deutschland and E-Plus merger. Telefónica Deutschland has filed applications to become interested party in these proceedings.

The United Kingdom Government announced, at the end of 2014, an agreement with the United Kingdom mobile operators, including Telefónica United Kingdom, under which the mobile operators would accept a 90% geographic coverage obligation for voice and text services. In addition, on November 7, 2014, the telecommunication regulator of United Kingdom ("Ofcom") released a public consultation on the award of 2.3 GHz and 3.4 GHz bands that is expected to take place in late 2015 or early 2016. In addition, on September 24, 2015, Ofcom issued a decision by which the annual fees, that mobile operators must pay for the use of the frequency bands 900 MHz and 1800 MHz, are increased. Consequently, from October 31, 2015, the annual rate that Telefonica UK will pay is 15.6 million pounds, and as of October 31, 2016 will be 48.7 million pounds per year (both amounts expressed in real prices March 2013).

In Latin America, spectrum auctions are expected to take place implying potential cash outflows to obtain additional spectrum or to meet the coverage requirements associated with these licences. Specifically, the procedures expected to take place in 2015/2016 are:

- Peru: In August 2015, the government has published the conditions for granting licenses in the 700 MHz spectrum band (three blocks of 2x15 MHz have been defined). The government is expected to announce the qualified participants in the November 3, 2015.
- Costa Rica (included in the Latin America segment under the name "Centroamérica"): The government had communicated its intention to auction spectrum in the 1800 MHz band during 2015 but likely it will be delayed to 2016.
- El Salvador (included in the Latin America segment under the name "Centroamérica"): The process of renewal of the license, which expires in 2018, has been postponed.

- Mexico: On September 19 the proposal of conditions for spectrum auction in the AWS band was published. The auction is scheduled for 2016.
- Uruguay: The Government approved a resolution allowing for a spectrum auction for mobile services. The auction will contain 15 + 15 MHz in the "AWS Ext" spectrum band and 45 + 45 MHz in the 700 MHz spectrum band (20 + 20 MHz of the 45 + 45 MHz in 700 MHz, have been previously reserved for the National Telecommunications Administration "ANTEL"). Currently, this process is delayed because the regulatory framework for Digital Terrestrial Television is still being defined and because of it, the bidding rules for spectrum have not been published yet.
- Colombia: The Ministry of Information and Communication Technologies ("ICT") (Ministerio de las TIC), National Spectrum Agency (Agencia Nacional del Espectro or "ANE") and Regulatory Communication Commission (Comisión de Regulación de Comunicaciones) have published a document in relation to the analysis alternatives and elements to consider for structuring the process for allocation of radio spectrum in the 700 MHz bands (Digital dividend¹), 900 MHz, 1,900 MHz and 2,500 MHz for mobile services for comment. The first auction will take place in 2016.
- Venezuela: The regulator indicated the possibility of releasing bidding bands 2600 MHz (20 + 20 MHz) for 4G services in the 1900 MHz band (5 + 5 MHz) for 3G services in late 2015 and early 2016.
- Brazil: On August 18, the Brazilian regulatory authority ("ANATEL") issued a consultation planning to auction spectrum in the 1800 MHz, 1900 MHz, 2500 MHz and 3500 MHz bands. The auction is expected to take place in late 2015.

Further to the above, certain administrations may not have announced their intention to release new spectrum and may do so during the year. The above does not include processes announced via general statements by administrations, which involve bands not key to Telefónica's needs. Telefónica may also seek to acquire spectrum on the secondary market where opportunities might arise.

Next, it is detailed the risks relating to the concessions and licenses previously granted:

In the state of São Paulo, Telefónica Brasil provides local and national long-distance Commuted Fixed Telephony Service ("CFTS") under the public regime, through a concession agreement, which will be in force until 2025. In this regard, on June 27, 2014, as established in the concession agreement, the Brazilian telecommunications regulator (Agencia Nacional de Telecomunicações) ("ANATEL") issued a public consultation for the revision of the concession agreement. Such public consultation revising the concession agreement ended on December 26, 2014, and allowed contributions on certain topics such as service universalisation, rates and fees and quality of services, among others. Definitive conditions will be published in 2015.

Additionally, in Colombia the ICT Ministry issued a Resolution on March 27, 2014, to renew 850 MHz/1900 MHz licences for 10 additional years. The reversion of assets and the liquidation of the concession contract will be discussed until November 2015, taking into consideration the terms of the contract, and the Constitutional Court's review of Law 422 of 1998, and Law 1341 of 2009 which both established the reversion of only the radio-electric frequencies.

In Peru, an application for partial renewal of the concessions for the provision of the fixed-line service for another five years has been issued, although assurance has been given by the "Ministry of Transport and Communications" (Ministerio de Transportes y Comunicaciones) in previous renewals, that the concession will remain in force until November 2027.

¹ The digital dividend is the set of frequencies that have been available to mobile communications services in the frequency bands traditionally used for television broadcast (700 MHz and 800 MHz) due to the migration from analogue to digital TV.

In Mexico, in light of the constitutional reform resulting from the "Pact for Mexico" political initiative, it is expected that a publicly-owned wholesale network, which will offer wholesale services in the 700 MHz band, will be created. On September 30, 2015, the SCT (Secretaría de Comunicaciones y Transportes) opened a period of public consultation on the preconditions to tender the shared network, which ends on October 30, 2015.

Telefónica Móviles Chile, S.A. was awarded spectrum on the 700 MHz (2x10 MHz) band in March 2014. The demand derived by a consumer organization against 700 MHz assignments was rejected by the Court of Defence of Free Competition through judgment of July 24, 2015 and it is still pending for resolution the appeal before the Hon. Supreme Court submitted by the organization of consumers. The awarded spectrum decree relating to the 700 MHz band was issued in May 2015 and published in the Official Journal on September 14, 2015. The date of publication in the Official Journal is the one that determines the calculation of deadlines, 24 months for the implementation of the technical project relating to the 700 MHz band and 18 months for the technical project comprising the social obligations of coverage in 850 MHz band (in schools, villages and routes).

The Group's consolidated investment in spectrum acquisitions and renewals in the first half of 2015 amounted to 1,589 million euros.

The Group's failure to obtain sufficient or appropriate spectrum capacity in the jurisdictions discussed above or any others in which it operates or its inability to assume the related costs, could have an adverse impact on its ability to launch and provide new services and on Telefónica's ability to maintain the quality of existing services, which may adversely affect the Group's business, financial condition, results of operations and cash flows.

Regulation of wholesale and retail charges:

On June 30, 2015, the EU Council, the Parliament and the European Commission reached an agreement on a compromise text known as "Telecom Single Market" (TSM) which, among other measures, includes to eliminate intra-European roaming rates as from June 15, 2017. The text has already been approved by EU ministers on October 1, 2015 and it is only pending the ratification of the Parliament. . Once this occurs, the document will be published in the Journal of the EU, probably in early November. Under this agreement, from April 30, 2016, operators may only charge an additional fee on domestic prices. Thus, extracharges are: for calls 0.05 euros/minute, 0.02 euros per SMS sent and 0.05 euros per megabits data (excluding VAT). However, the mentioned extracharge will disappear from June 15, 2017. The impact of this measure is very difficult to quantify because it depends on the elasticity of traffic decreases in rates charged.

The decreases in wholesale mobile network termination rates ("MTR") in Europe are also noteworthy. In the United Kingdom, wholesale MTRs have been reduced to 0.680 ppm (pence/minute) from May 1, 2015 (representing a 19.5% reduction compared to the previous rates). Further real cuts of 26.3% and 3.1% will come into effect from April 1, 2016, and April 1, 2017, respectively.

In Germany, on September 3, 2014, the BNetzA adopted a proposal to reduce MTRs. The new prices will gradually decrease to 0.0172 euro/minute from December 1, 2014, and in a second stage, from 0.0172 euro/minute to 0.0166 euro/minute from December 1, 2015 until the end of November 2016. The European Commission has requested that the German regulator withdraw or amend this proposal. However, on April 24, 2015 BNetzA decided to adopt its prior proposal. There is a risk that the European Commission will initiate infringement proceedings against Germany, and rates may be further reduced. In Spain, the CNMC has initiated the process of reviewing the prices of mobile termination being the final decision expected to be adopted in the second half of 2016. Also, on July 23, 2015, the CNMC has approved the revision of prices of contracted capacity for the wholesale bitstream access service of broadband Ethernet ("NEBA") with a reduction of 45% over the current price. Additionally, in May 2015, the CNMC launched a public consultation on the analysis of the market for access and call origination on fixed networks. The CNMC proposes to maintain the obligation to Telefónica to provide a wholesale interconnection offer (RIO) and a wholesale offer of access to the fixed telephone line (WLR), both with cost-oriented prices.

In Latin America, there are also moves to review MTRs leading to these being reduced. Thus, for example, in Mexico the IFT has declared the América Móvil Group a preponderant operator in the telecommunications market and as a result, it imposed, among others, special regulations on asymmetric interconnection rates. In that sense, the Federal Telecommunications and Broadcasting law, effective as of August 13, 2014, imposed several obligations on the preponderant operator. They are quite extensive and, in principle, the Company may benefit significantly, particularly with regards to the measures imposed on preponderant operators (to the extent they nominally retain such qualification). With regards to MTR, Telefónica México filed an administrative appeal against the 2011 resolutions of the Federal Telecommunications Commission of México (Cofetel) regarding mobile network termination rates (representing a 61% reduction compared to the previous rates). As of the date of this Prospectus, no ruling has been made on this appeal. Recently, IFT determined the mobile termination rates for 2012, 2013, 2014, 2015 and 2016, and Telefónica México against these resolutions. Once these appeals have been concluded, the rates applied may be further reduced retroactively. In addition, in August 13, 2015, the IFT approved, by agreement, the applicable interconnection rates between the concessionaires of public telecommunications networks, authorized to provide fixed or mobile local service other than the predominant economic agent (America Movil) setting the value of 0.1869 Mexican pesos per minute to provide mobile termination, which represents a reduction of 25% from the current position.

In Brazil, at the end of 2012, ANATEL launched the "Plano Geral de Metas de Competição" ("PGMC") regarding fixed-mobile rate adjustment reductions until February 2016 and amending the previous reduction conditions (75% of the 2013 rate in 2014 and 50% of the 2013 rate in 2015). In order to complement reductions and approach the cost of the services according to a financial cost model, on 7 July 2014, ANATEL published reference values for MTR taking effect from 2016 to 2019. Such reductions are approximately 44% per year. Furthermore, there are legislative initiatives that aim to abolish the basic fee of fixed-telephony service. "Price protection" practices (reimbursement of differences in prices of a product to customers if this falls within a relative short period of time) may also have a negative impact on Telefónica Brasil, in both economic and image terms.

In Chile, a tariff decree was issued to set fixed-line termination charges for the 2014-2019 periods. The new tariff entered into effect on May 8, 2014, and applies a reduction of 73% in prices against those charged for the period prior to such tariff. A tariff decree has been issued for mobile networks covering the 2014-2019 five-year period. Such tariff decree entered into effect on January 25, 2014, and implies a reduction of 74.7% with respect to the previous rates. After a review by the general comptroller (Contraloría General) an additional 1.7% reduction was approved on May 27, 2014.

In Peru, on April 1, 2015, the Peruvian telecommunications regulator set up the new values for MTRs ending the previous asymmetry between Telefonica Perú and Claro but still keeping the asymmetry with Entel and Viettel. The new MTR applied to Telefonica Perú and Claro until January 2018 is USD 1.76 cent/min which represents a 46% reduction.

The implementation of the Enabling Act (Ley Habilitante) in Venezuela also confers full powers to the President of the Republic to implement price control measures. Under this Act, in January 2014, an organic fair price law was issued, which caps the revenue of related enterprises at 30% of their operating costs. In relation to MTRs with the national operator of reference (Compañía Anónima Nacional Teléfonos de Venezuela), these have been reduced by 6% compared to the previous rates.

In November 2014, near the end of the term allowing the enactment of laws autonomously granted to the President of the Republic, new important decree-laws were enacted, in particular, the Reform of the Law on Foreign Investment, in which, among other things, new requirements for the return of foreign investment were established; the Reform of the Antitrust Law, which was predominantly aimed to prohibit monopolistic practices and behaviors as well as to increase penalties for infringement; and the Reform of the Exchange Crimes Law, which increased economic sanctions.

In March 2015, a new Enabling Act in favour of the Venezuelan President was issued for a new period ending December 31, 2015.

In Colombia, on December 30, 2014, the Colombian regulator ("CRC") enacted Resolution 4660 establishing a gradual reduction for MTRs. The glide path initiates in 2015 at 32.88 Colombian pesos per minute representing a decrease of 41.7% and then descends approximately 42.2% in 2016 and 42.2% in 2017 (each such reduction being as compared to the previous year). This regulatory measure also imposes asymmetric MTRs to the dominant provider (the América Móvil Group), imposing the final rate established in the glide path from 2015 to 2017. The CRC also regulated the charges for national roaming and the SMS termination rates, setting a reduction of 41.5% in 2015, 39.6% in 2016 and 43.3% in 2017 (each such reduction being as compared to the previous year).

In Argentina, the new legal framework "Argentina Digital" brings to the new regulator the possibility to regulate the tariffs and prices of essential public services, wholesale services and those the regulator determines based on reasons of public interest, on which the law does not set parameters. In this context, there may be a negative impact, depending on how the new regulator exercises its powers. However, until the Secretary of Communications determines that there is effective competition for telecommunications services, the "dominant" providers in the relevant areas (which include Telefónica de Argentina) must respect the maximum tariffs established in the general tariff structure.

Regulation of universal services:

In September 2015, the European Commission has issued a public consultation on the review of the regulatory framework for electronic communications, including a section on Universal Service. Given the outcome of this public consultation, the European Commission could initiate a legislative process including both the potential inclusion of certain broadband speeds in its scope and a possible reduction of some of the current universal service obligations, that are becoming obsolete. Depending on the terms that will be set forth in the new regulation, implementation at a local level could lead to higher costs for both the universal service provider and the operators forced to finance the universal service.

The last Plano Geral de Metas de Universalização ("PGMU") was published in Brazil on June 30, 2011 and applies to the 2011-2015 period. This sets goals for public phones, low cost fixed-lines and coverage density in rural and poor areas with 2.5GHz/450 MHz. Also according to such PGMU, the assets assigned to the provision of the services described in the public concession agreement are considered reversible assets. In 2014, ANATEL issued a public consultation with its proposals for the 2015-2020 period universalisation targets. The agency's proposal focuses on reducing the distance between public telephones and backhaul's expansion. The publication of the PGMU final version is still pending.

Regulation of fiber networks:

In December 2014, the Spanish National Regulatory & Competition Authority (Comisión Nacional de los Mercados y la Competencia) conducted a public consultation on the regulatory obligations for broadband market regulation in Spain. The new regulation that will apply to NGN (Next Generation Access Networks) could be approved in the fourth quarter of 2015 and will last for at least three years. This could result in a modification, with some increase, of the current regulatory obligations of Telefonica in Spain, in terms of access to the fiber network and on certain aspects relating specifically to the business segment.

In Colombia, the regulatory authority CRC published a regulatory project for transmission capacity between municipalities through fiber networks or connectivity to impose open network and elements access through a mandatory offer for those enterprises that have overcapacity and have some unused installed network elements. Finally, in August 2015, the Regulatory Authority issued a regulation by which only the obligation to report information about the transmission capacity between municipalities through fiber optic networks or connectivity is established.

Regulations on privacy:

In Europe, a new Data Protection Regulation is undergoing the European legislative process which is not expected to conclude before the end 2015. This could lead to certain critical provisions laid down in the current draft of the

regulation (presently under debate) being worded in such a way that stops or hinders Telefónica from launching some services, that focus on the processing of personal data.

On the other hand, in October the Court of Justice of the European Union has declared invalid the Decision of the European Commission² of July 26, 2002, also known as "Safe Harbor Agreement". Therefore, and although from about two years ago, authorities in the EU and US are renegotiating a new agreement that ensures a level of protection similar to that provided by the EU, the effects of the annulment of the Decision are unknown by the time, but it is most likely that the process of the international data transfer to the United States will be more complicated. In Brazil, triggered by the approval of Civil Rights Framework for Internet Governance, which provides certain generic rules about data protection, it is expected that the Ministry of Justice will adopt in the near future, the final version of the Personal Data Protection Act. This could lead to a greater number of obligations for operators in relation to the collection of personal data of telecom services users and further restrictions on the treatment of such data.

In Peru, on May 8, 2015, the new Personal Data Law came into force. This regulation establishes, among others, the obligation for companies to obtain the user's consent for commercial purposes. Also, it is compulsory to have privacy policies to collect data through digital means.

In Ecuador, the Telecommunications Act (Ley Orgánica de Telecomunicaciones), passed in February 2015, has established a complete chapter to regulate the use of personal data which could be considered a restriction on the merchandising of some digital products. However, the Regulation of the above Act remains pending as of the date of this Prospectus. If this were to be issued, it would constitute a limiting factor for new digital products.

Regulation of functional separation:

The principles established in Europe's common regulatory framework, adopted in 2009 and transposed in the national legislation of each Member State in which Telefónica operates could result in greater regulatory pressure on the local competitive environment. Specifically, this framework supports the possibility of national regulators (in specific cases and under exceptional conditions) forcing operators with significant market power and vertically-integrated operators to separate their wholesale and retail businesses at a functional level. They would therefore be required to offer equal wholesale terms to third-party operators that acquire these products.

Regulation of network neutrality³:

In Europe, national regulators are seeking to strengthen their supervision of operators with regard to the blocking of access, discrimination of applications or Internet service quality. Simultaneously, on June 30, 2015, the European Parliament, the Council and the European Commission, in the TSM framework aforementioned, have agreed to include a series of measures on net neutrality. As mentioned, the agreement is expected to be published in early November 2015. The regulation of network neutrality could directly affect possible future business models of Telefónica and may affect the network management or differentiation of characteristics and quality of Internet access service.

Telefónica is present in countries where net neutrality has already been ruled, such as Chile, Colombia, Argentina and Peru, but this remains a live issue and with varying degrees of development in other countries where it operates. In Peru, Osiptel has published on September 8 the Draft Regulation of Net Neutrality. In Brazil, the regulatory development of the exceptions to the net neutrality is pending. Between March and May 2015, ANATEL

² Commission Decision 2000/520/EC, of 26 July 2000 pursuant to Directive 95/46/EC of the European Parliament and of the Council on the adequacy of the protection provided by the safe harbour privacy principles and related frequently asked questions issued by the US Department of Commerce.

³ In general terms, it is a principle applicable to the field of Internet networks, for which operators may not place restrictions on the terminals that can be connected or the services, applications and content that can be distributed. It also refers to non-discrimination by operators between different types of traffic circulating through their networks.

launched a public consultation in order to define its position on net neutrality and by the time is studying the contributions provided. In Germany, the Economy Minister withdrew a draft law that it published on June 20, 2013, to regulate net neutrality, especially with regard to the blocking and discrimination of content and Internet services. It plans to submit a new draft after the EU has settled on a position on net neutrality within the TSM approach, which might occur in 2015. In addition, one German region (Bundesland of Thuringia) has passed a new law (which applies only in such region) with the aim that broadcasting and tele-media may not be blocked, limited or treated differently from other data traffic.

If changes to regulation such as those described above, or otherwise, occur in the various jurisdictions where the Telefónica Group operates, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Telefónica Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programmes.

The Telefónica Group is required to comply with the laws and regulations of various jurisdictions where it conducts operations. In particular, the Group's international operations are subject to various anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010, and economic sanction programmes, including those administered by the United Nations, the European Union and the United States, including the U.S. Treasury Department's Office of Foreign Assets Control. The anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of the Telefónica Group's business, it may deal with entities, the employees of which are considered government officials. In addition, economic sanctions programmes restrict the Group's business dealings with certain sanctioned countries, individuals and entities.

Although the Group has internal policies and procedures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Group or they may be ultimately held responsible. Violations of anti-corruption laws and sanctions regulations could lead to financial penalties, exclusion from government contracts, damage to our reputation and other consequences, that could have a material adverse effect on the Group's business, results of operations and financial condition.

As at the date of this Prospectus, Telefónica is currently conducting an internal investigation regarding possible violations of applicable anti-corruption laws. Telefónica has been in contact with governmental authorities about this matter and intends to cooperate with those authorities as the investigation continues. It is not possible at this time to predict the scope or duration of this matter or its likely outcome.

Customers' perceptions of services offered by Telefónica may put it at a disadvantage compared to competitors' offerings.

Customers' perceptions of the assistance and services offered are critical to operating in highly-competitive markets. The ability to predict and respond to the changing needs and demands of customers affects Telefónica's competitive position relative to other technology sector companies, and its ability to extract the value generated during this process of transformation. Failure to do so adequately could have an adverse impact on the Group's business, financial condition, results of operations and cash flows.

Telefónica may not be able to adequately foresee and respond to technological changes and sector trends.

In a sector characterised by rapid technological change, it is essential to be able to offer the products and services demanded by the market and consider the impacts of changes in the life cycle of technical assets, secure margins and select the right investments to make.

The Telefónica Group operates in markets that are highly competitive and subject to constant technological development. Therefore, as a consequence of both of these characteristics, it is subject to the effects of actions by competitors in these markets and to its ability to anticipate and adapt, in a timely manner, to constant technological changes, changes in customer preferences that are taking place in the industry, as well as economic, political and social circumstances.

Failure to do so adequately could have an adverse impact on the Group's business, financial condition, results of operations and cash flows.

New products and technologies arise constantly, and their development can render obsolete the products and services the Telefónica Group offers and the technology it uses. This means that Telefónica must invest in the development of new products, technology and services so it can continue to compete effectively with current or future competitors, which may result in the decrease of the Group's profits and revenue margins. In this respect, margins from traditional voice and data business are shrinking, while new sources of revenues are deriving from mobile Internet and connectivity services that are being launched. Research and development costs amounted to 1,111 million euros in 2014, representing an increase of 6.2% from 1,046 million euros in 2013 (1,071 million euros in 2012). These expenses represented 2.2%, 1.8% and 1.7% of the 2014, 2013 and 2012 Group's consolidated revenue, respectively. These figures have been calculated using the guidelines established in the Organization for Economic Cooperation and Development (OECD) manual. One technology that telecommunications operators, including Telefónica (in Spain and Latin America), are focused on is the new FTTx-type network, which offers broadband access using optical fiber with superior services, such as Internet speed of up to 100MB or HD television services. However, substantial investment is required to deploy these networks, which entails fully or partially substituting copper loop access with optic fiber. While an increasing demand for the capabilities offered by these new networks to end users exists, the high level of the investments requires a continuous analysis of the return on investment.

The explosion of the digital market and entry of new players in the communications market, such as MVNOs, Internet companies or device manufacturers, may cause the loss of value of certain assets, and affect the Group's ability to generate income. Therefore, it is necessary to update the business model, encouraging the pursuit of incomes and additional efficiencies to those followed traditionally. Failure to do so adequately could have an adverse impact on the Group's business, financial condition, results of operations and cash flows.

In addition, the ability of the Telefónica Group's IT systems (operational and backup) to respond to Telefónica's operating requirements is a key factor to be taken into account with respect to the commercial development, customer satisfaction and business efficiency.

Telefónica depends on its suppliers.

The existence of critical suppliers in the supply chain, especially in areas such as network infrastructure, information systems or handsets, with a high concentration in a small number of suppliers, poses risks that may affect Telefónica's operations, and may cause legal contingencies or damages to its image in the event that inappropriate practices are produced by a participant in the supply chain.

As of June 30, 2015, the Telefónica Group depended on 5 handset suppliers and 10 network infrastructure suppliers, which together accounted for 80% of the awarded contracts for the year then ended. These suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own stock shortfalls and business requirements.

If these suppliers fail to deliver products and services to the Telefónica Group on a timely basis, it could jeopardise network deployment and expansion plans, which in some cases could adversely affect the Telefónica Group's ability to satisfy its licence terms and requirements, or otherwise have an adverse impact on the Group's business, financial condition, results of operations and cash flows.

Unanticipated network interruptions can lead to quality loss or the interruption of the service.

Unanticipated network interruptions as a result of system failures, including those due to network, hardware or software, stealing of infrastructure elements or cyber-attacks, which affect the quality of or cause an interruption in the Telefónica Group's service, could lead to customer dissatisfaction, reduced revenues and traffic, costly repairs, penalties or other measures imposed by regulatory authorities and could harm the Telefónica Group's image and reputation.

Telefónica attempts to mitigate these risks through a number of measures, including backup systems and protective systems such as firewalls, virus scanners and other physical and logical security. However, these measures are not always effective. Although the Telefónica Group has insurance policies to cover these types of incidents, and the claims and loss in revenue caused by service interruptions to date have been covered by these policies, these policies may not be sufficient to cover all possible monetary losses.

The telecommunications industry may be affected by the possible effects that electromagnetic fields, emitted by mobile devices and base stations, may have on human health.

In some countries, there is a concern regarding potential effects of electromagnetic fields, emitted by mobile devices and base stations, on human health. This public concern has caused certain governments and administrations to take measures that have hindered the deployment of the infrastructures necessary to ensure quality of service, and affected the deployment criteria of new networks and digital services such as smart meters development.

There is a consensus between certain expert groups and public health agencies, including the World Health Organisation (WHO), that states that currently there are no established risks associated with exposure to low frequency signals in mobile communications. However, the scientific community is still investigating this issue especially with respect to mobile devices. Exposure limits for radio frequency suggested in the guidelines of the Protection of Non-Ionising Radiation Protection Committee (ICNIRP) have been internationally recognised. The mobile industry has adopted these exposure limits and works to request authorities worldwide to adopt these standards.

Worries about radio frequency emissions may discourage the use of mobile devices and new digital services, which could cause the public authorities to implement measures restricting where transmitters and cell sites can be located, how they operate, the use of mobile telephones and the massive deployment of smart meters and other products using mobile technology. This could lead to Telefónica being unable to expand or improve its mobile network.

The adoption of new measures by governments or administrations or other regulatory interventions in this respect, and any future assessment on the adverse impact of electromagnetic fields on health, may negatively affect the business, financial conditions, results of operations and cash flows of the Telefónica Group.

Possible regulatory, business, economic or political changes could lead to asset impairment.

The Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the value of assets and cash-generating units, to assess whether their carrying values can be supported by the future expected cash flows, including, in some cases synergies allowed for in acquisition costs. Potential changes in the regulatory, business, economic or political environment may result in the need to introduce changes to estimates made and to recognise impairments in goodwill, intangible assets or fixed assets. Although the recognition of impairments of property, plant and equipment, intangible assets and financial assets results in a non-cash charge on the income statement, it could adversely affect the results of the Telefónica Group's operations. In this respect, the Telefónica Group has experienced impairments on certain of its investments, affecting its results of operations in the year in which they were experienced. For example, with respect to the investment in Telco, S.p.A. ("Telco"), and value adjustments were made in fiscal year 2014 with a negative impact of 464 million euros. Thus, with respect to the investment in Telco, S.p.A. ("Telco"), and value adjustments were made in fiscal years 2012 and 2013 with a negative impact of 1,277 million euros and 267 million euros respectively. Also in 2012, the revision of the value of Telefónica operations in Ireland resulted in a negative impact of 527 million euros.

The Telefónica Group's networks carry and store large volumes of confidential, personal and corporate data, and its Internet access and hosting services may lead to claims for illegal or illicit use of the Internet.

The Telefónica Group's networks carry and store large volumes of confidential, personal and business data, through both voice and data traffic. The Telefónica Group stores increasing quantities and types of customer data in both business and consumer segments. Despite its best efforts to prevent it, the Telefónica Group may be found liable for any loss, transfer, or inappropriate modification of the customer data or general public data stored on its servers or transmitted through its networks, any of which could involve many people and have an impact on the Group's reputation, or lead to legal claims and liabilities that are difficult to measure in advance.

In addition, the Telefónica Group's Internet access and hosting servers could lead to claims for illegal or unlawful use of the Internet. Telefónica, like other telecommunications providers, may be held liable for any loss, transfer or inappropriate modification of the customer data stored on its servers or carried by its networks.

In most countries in which the Telefónica Group operates, the provision of its Internet access and hosting services (including the operation of websites with shelf-generated content) are regulated under a limited liability regime applicable to the content that it makes available to the public as a technical service provider, particularly content protected by copyright or similar laws. However, regulatory changes have been introduced imposing additional obligations on access providers (such as blocking access to a website) as part of the struggle against some illegal or illicit uses of the Internet, notably in Europe.

Any of the foregoing could have an adverse impact on the business, financial position, results of operations and cash flows of the Group.

Telefónica and Telefónica Group companies are party to lawsuits, tax claims, antitrust and other legal proceedings.

Telefónica and Telefónica Group companies are party to lawsuits, tax claims and other legal proceedings in the ordinary course of their businesses, the financial outcome of which is unpredictable. An adverse outcome or settlement in these or other proceedings could result in significant costs and may have a material adverse effect on the Group's business, financial condition, results of operations, reputation and cash flows.

In particular, regarding tax and antitrust claims, the Telefónica Group has open judicial procedures in Peru concerning the clearance of previous years' income tax, for which contentious-administrative appeals are pending judgment as at the date of these Financial Statements, with no significant changes since December 31, 2014. In the case of the administrative process also indicated in the 2014 Consolidated Financial Statements, the Tax Court has resolved the administrative execution file initiated by SUNAT, corresponding to corporate income tax for years 2000-2001 and payments on account for the year 2000, as well as the carrying forward of balances for the years 1998 and 1999. As a result, as of the closing of these Financial Statements the Tax Administration has notified the company Compliance Resolutions requiring the payment of 1,509 million Peruvian soles (436 million euros, approximately). Following the notifications received, liability referred to has been recorded in the Financial Statements. To try to reduce the cash flow impact, the aforementioned resolutions have been appealed before the Tax Court, though the appropriate precautionary measures of suspension were requested in due time. It should be recalled that the final resolution of the substantive discussion of the aforementioned processes is currently in court (not only through the ongoing administrative litigation actions but also through protection actions already raised). In relation to these court cases, the Group and its legal advisors believe that there are legal arguments that support its position.

In addition, Telefónica has open tax procedures in Brazil, primarily relating to the CIMS (a Brazilian tax on telecommunication services).

Further details on these matters are provided in Notes 17 and 21 of the 2014 Consolidated Financial Statements.

II. PART TWO

REGISTRATION DOCUMENT

In order to comply with the information requirements regarding the registration document (the "Registration Document") pursuant to Annex I to Commission Regulation (EC) No 809/2004 of 29 April 2004 as regards implementation of Directive 2003/71/EC, as amended by Commission Regulation (EC) No 1787/2006 of 4 December 2006, by Commission Regulation No 211/2007 of 27 February 2007, by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012, and by Commission Delegated Regulation (EU) No 862/2012 of 4 June 2012 ("Regulation 809/2004"), and pursuant to section 19.2 of Royal Decree 1310/2005 of 4 November, which partially develops Law 24/1988 of 28 July on the Securities Markets in connection with the admission of securities to trading on official secondary markets, public offers for the sale or subscription of securities and the prospectus required for such purposes ("Royal Decree 1310/2005"), the Registration Document is presented in the following manner:

- A) Equivalence Table;
- B) Annex I to Regulation 809/2004;

Information required by Annex I to Regulation (CE) of the Commission, is assembled in the chapter of this Registration Document, in the Consolidated Annual Financial Statements (Consolidated Annual Accounts) and consolidated management report of Telefónica, S.A. and its subsidiaries, which includes the Annual Corporate Governance Report for 2014.

Moreover, the following documents are incorporated by reference:

- The Consolidated Annual Financial Statements (Consolidated Annual Accounts) and consolidated management report of Telefónica, S.A. and its subsidiaries, which includes the Annual Corporate Governance Report for years ended 31 December 2013 and 2012;
- Annual Reports on the remuneration of Directors for years ended 31 December 2014, 2013 and 2012;
- The Annual Accounts and management report for the year ended 31 December 2014 of Telefónica, S.A.;
- The Condensed Consolidated Interim Financial Statements (Half-Yearly Financial Report) at 30 June 2015, subject to a limited review by the statutory auditor.

All of these documents have been deposited with the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "CNMV"), are available on the website of this Commission, www.cnmv.es, and on the website of the Company, www.telefonica.com.

A) EQUIVALENCE TABLE

Pursuant to section 19.2 of RD 1310/2005, the following table sets out the equivalence between (i) the headings of Annex I to Regulation 809/2004, and (ii) the Consolidated Annual Financial Statements (Consolidated Annual Accounts) and consolidated management report of Telefónica, S.A. and subsidiaries making up the Telefónica Group (Consolidated Management Report), for year ended 31 December 2014 and this document.

1. PERSONS RESPONSIBLE	Registration Document: Section 1 (p. 33)
2. STATUTORY AUDITORS	Registration Document: Section 2 (p. 33)
3. SELECTED FINANCIAL INFORMATION	Registration Document: Section 3 (p. 34)
3.1. Selected historical financial information regarding the issuer.	Registration Document: Section 3.1 (p. 34)
4. RISK FACTORS	Registration Document: I. Part One (p. 3)
5. INFORMATION ABOUT THE ISSUER	
5.1 History and development of the issuer.	Registration Document: Section 5.1 (p. 36)
5.1.1 The legal and commercial name of the issuer.	Registration Document: Section 5.1.1 (p. 36)
5.1.2 The place of registration of the issuer and its registration number.	Registration Document: Section 5.1.2 (p. 37)
5.1.3 The date of incorporation and the length of life of the issuer, except where indefinite.	Registration Document: Section 5.1.3 (p. 37)
5.1.4 The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation and the address and telephone number of its registered office (or principal place of business if different from its registered office).	Registration Document: Section 5.1.4 (p. 37) Appendix VII to the Consolidated Annual Accounts 2014: Key regulatory issues and concessions and licenses held by the Telefónica Group
5.1.5 Recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.	Registration Document: Section 5.1.5 (p. 37) Note 2 to the Consolidated Annual Accounts 2014: Basis of presentation of the consolidated financial statements. Comparative information and main changes in the consolidation scope Appendix I to the Consolidated Annual Accounts 2014: Changes in scope
5.2. Investments.	
5.2.1 A description (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document	Registration Document Section 5.2.1 (p. 41) Note 6 to the Consolidated Annual Accounts 2014 Intangibles Assets Note 8 to the Consolidated Annual Accounts 2014 Property, plant and equipment
5.2.2. A description of the issuer's principal investments that are currently in progress, including the distribution of these investments geographically (home and abroad) and the method of financing (internal or external).	Registration Document Section 5.2.2 (p. 43) Registration Document Section 5.2.1 (p. 41) Note 13 to the Consolidated Annual Accounts 2014: Financial assets and liabilities

	<p>Appendix VII to the Consolidated Annual Accounts 2014: Key regulatory issues and concessions and licenses held by the Telefónica Group</p>
<p>5.2.3. Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.</p>	<p>Registration Document Section 5.2.3 (p.44) Registration Document Section 5.1.5 (p. 37) Registration Document: Risk Factors - Limitations on spectrum capacity (p. 7) Appendix VII to the Consolidated Annual Accounts 2014: Key regulatory issues and concessions and licenses held by the Telefónica Group</p>
<p>6. BUSINESS OVERVIEW</p>	
<p>6.1. Principal Activities.</p>	
<p>6.1.1 A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information.</p>	<p>Consolidated Management Report 2014: Services and Products section (Consolidated Annual Accounts)</p>
<p>6.1.2 An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.</p>	<p>Registration Document: Section 6.1.2 (p. 44) Consolidated Management Report 2014: Services and Products section (Consolidated Annual Accounts)</p>
<p>6.2. Principal Markets.</p>	
	<p>Registration Document: Section 6.2 (p. 47) Note 4 to the Consolidated Annual Accounts 2014: Segment Information Consolidated Management Report 2014 (Consolidated Annual Accounts)</p>
<p>6.3 Where the information given pursuant to items 6.1. and 6.2. has been influenced by exceptional factors, mention that fact.</p>	
<p>6.4 If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.</p>	<p>Note 6 to the Consolidated Annual Accounts 2014: Intangible assets</p>

6.5 The basis for any statements made by the Issuer regarding its competitive position.	Registration Document: Section 6.5 (p. 48) Consolidated Management Report 2014 (Consolidated Annual Accounts)
7. ORGANISATIONAL STRUCTURE	
7.1 If the issuer is part of a group, a brief description of the group and the issuer's position within the group.	Registration Document: Section 7.1 (p. 48) Appendix I to the Consolidated Annual Accounts 2014: Changes in the consolidation scope
7.2 If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	Registration Document: Section 7.2 (p. 48) Appendix VI to the Consolidated Annual Accounts 2014: Main companies comprising the Telefónica Group Appendix I to the Consolidated Annual Accounts 2014: Changes in the consolidation scope
8. PROPERTY, PLANT AND EQUIPMENT	
8.1 Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon.	Note 8 to the Consolidated Annual Accounts 2014: Property, plant and equipment
8.2 A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets.	Note 21 to the Consolidated Annual Accounts 2014: Other information, heading c) "environmental matters"
9. OPERATING AND FINANCIAL REVIEW	
9.1. Financial Condition.	Registration Document: Section 9.1 (p. 49) Consolidated Annual Accounts and Consolidated Management Report 2014
9.2. Operating Results.	Note 18 to the Consolidated Annual Accounts 2014: Revenue and expenses
9.2.1 Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected.	Note 18 to the Consolidated Annual Accounts 2014: Revenue and expenses
9.2.2. Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.	Note 18 to the Consolidated Annual Accounts 2014: Revenue and expenses
10. CAPITAL RESOURCES	
10.1 Information concerning the issuer's capital resources (both short and long term).	Registration Document: Section 10.1 (p. 51) Note 2 to the Consolidated Annual Accounts 2014: Debt indicators Note 12 to the Consolidated Annual Accounts 2014: Equity Note 13 to the Consolidated Annual Accounts 2014: Financial assets and liabilities
10.2 An explanation of the sources and amounts of and a narrative description of the issuer's cash flows.	Registration Document: Section 10.2 (p. 51) Note 20 to the Consolidated Annual Accounts 2014: Cash flow analysis
10.3 Information on the borrowing requirements and funding	Registration Document: Section 10.3 (p. 52) Consolidated Management Report 2014

structure of the issuer.	(Consolidated Annual Accounts): Financing Note 13.2 to the Consolidated Annual Accounts 2014: Financial liabilities Appendix III to the Consolidated Annual Accounts 2013: Debentures and bonds Appendix V to the Consolidated Annual Accounts 2014: Interest-bearing debt
10.4 Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	Registration Document: Section 10.4 (p. 53)
10.5 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1.	Registration Document: Section 10.5 (p. 53)
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES	Registration Document: Section 11 (p. 53) Appendix VII to the Consolidated Annual Accounts 2014: Key regulatory issues and concessions and licenses held by the Telefónica Group Consolidated Management Report 2014: Research, development and innovation
12. TREND INFORMATION	
12.1 Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.	Registration Document: Section 12.1 (p. 54)
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	Registration Document: Section 12.2 (p. 54) Registration Document: Section 20.8 (p. 92) Note 21 to the Consolidated Annual Accounts 2014: Other information Appendix VII to the Consolidated Annual Accounts 2014: Key regulatory issues and concessions and licenses Consolidated Management Report 2014 (Consolidated Annual Accounts): Trend evolution
13. PROFIT FORECASTS OR ESTIMATES	
13.1 A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.	Registration Document: Section 13.1 (p. 54)
13.2 A report prepared by independent accountants or auditors regarding the forecast or estimate.	Registration Document: Section 13.2 (p. 54)
13.3. The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.	Registration Document: Section 13.3 (p. 55)

13.4 If a profit forecast in a prospectus has been published which is still outstanding, then provide a statement setting out whether or not that forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid if that is the case.	Registration Document: Section 13.4 (p. 55)
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT	Registration Document: Section 14 (p. 55)
14.1 General.	Registration Document: Section 14.1 (p. 55)
14.2 Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests.	Registration Document: Section 14.2 (p. 69)
15. REMUNERATION AND BENEFITS	Registration Document: Section 15 (p. 70)
15.1 The amount of remuneration paid and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.	Note 21 to the Consolidated Annual Accounts 2014: Other information, section f) Directors' and Senior Executives' compensation and other benefits Annual Corporate Governance Report 2014: Section H. Other information of interest
15.2. The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	Note 21 to the Consolidated Annual Accounts 2014: Other information, section f) Directors' and Senior Executives' compensation and other benefits (p. 104) Annual Corporate Governance Report 2014: Section H. Other information of interest
16. BOARD PRACTICES	Registration Document: Section 16 (p. 72)
16.1. Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	Registration Document: Section 16.1 (p. 72)
16.2. Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	Registration Document: Section 16.2 (p. 72)
16.3 Details relating to the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.	Registration Document: Section 16.3 (p. 73)
16.4. A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s).	Annual Corporate Governance Report 2014: Section G. Degree of compliance with corporate governance recommendations
17. EMPLOYEES	Registration Document: Section 17 (p. 78)
17.1 Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If there are a significant number of temporary employees, include disclosure thereof on average during the	Note 18 to the Consolidated Annual Accounts 2014: Revenue and expenses – Headcount and employee benefits

most recent financial year.	
17.2 Shareholdings and stock options with respect to the persons referred to in item 14.1.	Registration Document: Section 17.2 (p. 78)
17.3 Description of any arrangements for involving the employees in the capital of the issuer.	Registration Document: Section 17.3 (p. 78) Note 19 to the Consolidated Annual Accounts 2014: Share-based payment plans Annual Corporate Governance Report 2014: Section H. Other information of interest
18. MAJOR SHAREHOLDERS	Registration Document: Section 18 (p. 80)
18.1 The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement.	
18.2 Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement.	Registration Document: Section 18.2 (p. 80)
18.3 Control of the issuer.	Registration Document: Section 18.3 (p. 80)
18.4 A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	Registration Document: Section 18.4 (p. 80)
19. RELATED PARTY TRANSACTIONS	Note 10 to the Consolidated Annual Accounts 2014: Related parties
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	Registration Document: Section 20 (p. 81)
20.1. Historical financial information.	Consolidated Annual Accounts 2014
20.2. Pro forma financial information.	
20.3. Financial statements	Consolidated Annual Accounts 2014
20.4. Auditing of historical annual financial information.	Registration Document: Section 20.4 (p. 83)
20.5. Age of latest financial information.	Registration Document: Section 20.5 (p. 83)
20.6. Interim and other financial information.	Registration Document: Section 20.6 (p. 84)
20.7 Dividend policy.	Note 12 to the Consolidated Annual Accounts 2014: Equity b) Dividends
20.8. Legal and arbitration proceedings.	Registration Document: Section 20.8 (p. 92) Note 17 to the Consolidated Annual Accounts 2014: Income tax matters. Tax inspections and tax-related lawsuits and years open for inspection Note 21 to the Consolidated Annual Accounts 2014: Other information. a) Litigation and arbitration
20.9. Significant change in the issuer's financial or trading	Registration Document: Section 20.9 (p. 93)

position.

21. ADDITIONAL INFORMATION

Registration Document: Section 21 (p. 93)

21.1. Share Capital

Registration Document: Section 21.1 (p. 93)

Note 12 to the Consolidated Annual Accounts 2014:
Equity

21.2. Memorandum and Articles of Association.

Registration Document: Section 21.2 (p. 96)

Note 1 to the Consolidated Annual Accounts 2014:
Introduction and general information

Registration Document: Section 16 (p. 72)

22. MATERIAL CONTRACTS

Registration Document: Section 22 (p. 106)

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Registration Document: Section 23 (p. 107)

24. DOCUMENTS ON DISPLAY

Registration Document: Section 24 (p. 107)

25. INFORMATION ON HOLDINGS

Registration Document: Section 25 (p. 108)

Appendix VI to the Consolidated Annual Accounts 2014: Main companies comprising the Telefónica Group

The audited financial information contained in the Consolidated Annual Accounts for the years ended 31 December 2013 and 2012 is incorporated by reference in this document.

GLOSSARY:

- **"Accesses"** refers to any connection or any telecommunications service offered by Telefónica. A customer may contract multiple services, for which reason we record the number of accesses or services contracted by the customer. For example, a customer that has fixed line telephony service and broadband service represents two accesses rather than one.
- **"Mobile Accesses"** Access to the mobile network are voice and/or data (including connectivity). Mobile accesses are classified into contract accesses and prepaid accesses.
- **"Data Revenue"** includes revenue from SMS, MMS, other mobile data services such as mobile connectivity and mobile internet, premium messaging, download of tones and logos, mobile email and WAP connectivity to the end-customer.
- **"Mobile Broadband"** includes mobile Internet (access to the Internet from devices that are also used to make calls, such as smartphones) and includes Mobile Connectivity (Access to the Internet through devices that supplement fixed broadband, such as "PC Cards/dongles", which allow for the moving download of large amounts of data).
- **"Cloud computing"** is service or software in the cloud, more than a product, which allows the offering of computer services through the Internet. A service by which shared resources, software and information is provided to computers and other devices as a utility on the network (usually the Internet).
- **"FaasT"**, cybersecurity technology that detects the weakness of an organisation prior to cybernetic attacks, scanning the system 24 hours per day, seven days per week.
- **"FTTx"** a generic term for any broadband access using optical fibre to provide all or part of the local loop.
- **"HDTV"** or **"high definition TV"**. Has at least twice the resolution of standard definition television (SDTV), for which reason it can show much more detail compared to an analogue television or a normal DVD.
- **"IPTV"** (Internet Protocol Television): systems for subscribed distribution of television or video signals using broadband over IP connections.
- **"Revenue"** refers to net sales and to income from the provision of the services.
- **"ISP"**, Internet service provider.
- **"IT"** or information technology, is the study, design, development, implementation, support or management of computerised information systems, particularly software applications and computer hardware.
- **"Latch"**, cybersecurity application for the protection of online accounts and services.
- **"LTE"**, Long Term Evolution or 4G mobile access technology.

- **"Metashield"**, cybernetic security product to protect metadata (information regarding data) in digital documents or files.
- **"M2M"** or machine to machine, refers to the technologies that allow both mobile and wireless systems to communicate with other devices having the same ability.
- **"Packages"** Combined products that combine fixed services (fixed-line, broadband and television) and mobile services.
- **"Tacyt"**, cybernetic security tool that monitors, stores, analyses, correlates and classifies mobile applications.
- **"Voice traffic"** means voice minutes used by our customers for a particular period, both incoming and outgoing.
- **"Data Traffic"** includes all traffic from Internet access, messaging (SMS, MMS) and connectivity services transported by the networks of Telefónica.
- **"Pay TV"** includes cable television, satellite television and IP television (IPTV).

B) ANNEX I TO REGULATION 809/2004

1 PERSONS RESPONSIBLE

1.1. All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.

Mr. Miguel Escrig Meliá, in his capacity as Chief Financial Officer, and Mr. Ramiro Sánchez de Lerín García-Ovies, in his capacity as Group General Counsel and Secretary of the Board of Directors of Telefónica, S.A. (hereinafter, interchangeably, the "Company", the "Issuing Company" or the "Issuer"), assume responsibility for the entire contents of this Registration Document, the format of which conforms to Annex I to Commission Regulation (EC) No 809/2004 of 29 April 2004.

Mr. Miguel Escrig Meliá and Mr. Ramiro Sánchez de Lerín García-Ovies have sufficient powers to represent the issuer of the securities, Telefónica, by virtue of the public instrument executed on 14 October 2011 before the Notary of Madrid, Mr. Jesús Roa Martínez, recorded in his notarial record book under number 1,876, and registered with the Mercantile Register of Madrid, Volume 25,212, Folio 66, Section 8, Sheet M-6164, entry 1,769, and in a public deed executed on 27 October 2005 before the Notary of Madrid, Mr. Emilio Recoder de Casso, recorded in his notarial record book under number 1,197, and registered with the Mercantile Register of Madrid, Volume 20,347, Book 0, Folio 108, Section 8, sheet M-6164, entry 1,667, respectively.

1.2. A declaration by those responsible for the registration document, that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to materially affect its import. If applicable, a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Mr. Miguel Escrig Meliá and Mr. Ramiro Sánchez de Lerín García-Ovies, as the persons responsible for the content of this Registration Document, declare that the information contained in this Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to materially affect its import, having taken all reasonable care to ensure that such is the case.

2 STATUTORY AUDITORS

2.1 Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).

The Annual Accounts for years ended 31 December 2014, 2013 and 2012 have been audited by Ernst & Young, S.L., with a registered office at Plaza Pablo Ruiz Picasso 1, 28020 Madrid, Spain, and which is currently registered with the ROAC under number S-0530.

The appointment of Ernst & Young, S.L. as Auditor to verify the Annual Accounts and Management Report of Telefónica and its Consolidated Group of Companies for the year ended 31 December 2015 was approved at the Ordinary General Shareholders' Meeting held on 12 June 2015.

2.2 If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.

The auditors have not resigned nor have they been removed from their duties or reappointed during the period covered by the historical financial information.

3 SELECTED FINANCIAL INFORMATION

3.1 Selected historical financial information regarding the issuer, presented for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide the key figures that summarise the financial condition of the issuer.

Interim information at the end of June 2015

The unaudited consolidated financial information of the Telefónica Group as at 30 June 2015 can be viewed in the Half-Yearly Financial Report.

(Millions of euros)	2015	2014	Var
	June ^(*)	December	
Non-current assets	97,748	99,435	(1.70%)
Current assets	32,890	22,864	43.85%
<u>Description of Assets ⁽¹⁾</u>			
Intangible assets	21,012	22,353	(6.00%)
Goodwill	23,775	25,111	(5.32%)
Property, plant and equipment	32,472	33,343	(2.61%)
Current financial assets	2,061	2,932	(29.71%)
Cash and cash equivalents	3,843	6,529	(41.14%)
Capital and reserves	35,519	30,289	17.27%
Non-current liabilities	58,803	62,311	(5.63%)
Current liabilities	36,316	29,699	22.28%
Total assets = Total liabilities	130,638	122,299	6.82%
Net financial debt ⁽²⁾⁽³⁾	51,238	45,087	13.64%
Gross financial debt	62,223	59,782	4.08%
Net financial debt/OIBDA ⁽⁴⁾			
Gross financial debt / Total liabilities	47.63%	48.88%	(1.25)
Net financial debt / Total liabilities	39.22%	36.87%	2.36

(*) Data unaudited but subject to a limited review by the auditor.

(1) Section "5.2.1. A description of the principal investments made since the date of the last published financial statements" of this document describes the changes occurring in the main components of non-current assets.

(2) Net financial debt at 31 December 2014 = Non-current interest-bearing debt + certain components of Other non-current payables (€1,276 million) + Current interest-bearing debt + certain components of Current trade and other payables (€210 million) - certain components of Non-current financial assets (€6,267 million) - Current financial assets - certain components of debtors and other payables (€453 million) - Cash and cash equivalents.

(3) Net financial debt at 30 June 2015 = Non-current interest-bearing debt + certain components of Other non-current payables (€1,321 million) + Current interest-bearing debt + certain components of Current trade and other payables (€208 million) - certain components of Non-current financial assets (€6,293 million) - Current financial assets - certain components of debtors and other payables (€317 million) - Cash and cash equivalents.

Unaudited data (Millions of euros)	2015	2014	Var
	june	june ^(*)	
Revenues	23,419	21,696	7.94%
Operating income before depreciation and amortisation (OIBDA)	7,320	7,251	0.95%
Operating income	3,068	3,641	(15.74)%
Net financial expense	(1,129)	(1,355)	(16.68)%
Net income	1,864	1,924	(3.12)%
	1,841	181	n.a.
Basic earnings per share	3,693	1,903	94.06%
Operating income / Revenues			
Net financial expense/OIBDA	0.75	0.40	
	13.10%	16.78%	(3.7)
	(15.42)%	(18.69)%	3.3

(*) Revised data: the comparative figures for 2014 have been revised to present the results of Telefónica United Kingdom as a discontinued operation, as a consequence of the agreement reached on 24 March 2015 with Hutchison Whampoa Group for the acquisition by the latter of Telefónica's operations in the United Kingdom. The details of the discontinuation of Telefónica's operations in the United Kingdom are contained in the Half-Yearly Financial Report at Note (14): Discontinued operations.

Selected historical information for financial years 2014, 2013 and 2012

The information contained in this section should be read in conjunction with the Consolidated Annual Accounts for the years ended 31 December 2014 and 2013, and in any event is subject in its entirety to the contents of the issuer's Consolidated Annual Accounts.

SELECTED FINANCIAL INFORMATION UNDER IFRS (Millions of euros)	2014	2013	2012	Var 2014 vs 2013	Var 2013 vs 2012
	december	december	december		
Non-current assets	99,435	89,597	104,177	10.98%	(14.00)%
Current assets	22,864	29,265	25,596	(21.87)%	14.33%
<u>Asset description (7)</u>					
Intangible assets	22,353	18,548	22,078	20.51%	(15.99)%
Goodwill	25,111	23,434	27,963	7.16%	(16.20)%
Property, plant and equipment	33,343	31,040	35,021	7.42%	(11.37)%
Current financial assets	2,932	2,117	1,872	38.50%	13.09%
Cash and cash equivalents	6,529	9,977	9,847	(34.56)%	1.32%
Capital and reserves	30,289	27,482	27,661	10.21%	(0.65)%
Non-current liabilities	62,311	62,236	70,601	0.12%	(11.85)%
Current liabilities	29,699	29,144	31,511	1.90%	(7.51)%
Total assets = Total liabilities	122,299	118,862	129,773	2.89%	(8.41)%
Net financial debt ⁽¹⁾⁽²⁾⁽³⁾	45,087	45,381	51,259	(0.65)%	(11.47)%
Gross financial debt	59,782	60,699	66,853	(1.51)%	(9.21)%
Revenues	50,377	57,061	62,356	(11.71)%	(8.49)%
Operating income before depreciation and amortisation (OIBDA) ⁽⁴⁾	15,515	19,077	21,231	(18.67)%	(10.15)%
Operating income	6,967	9,450	10,798	(26.28)%	(12.48)%
Net financial expense	(2,822)	(2,866)	(3,659)	(1.54)%	(21.67)%
Net income	3,001	4,593	3,928	(34.66)%	16.93%
Dividend per share	0.75	0.35	0.82	n.a.	(57.32)%
Basic earnings per share	0.61	1.01	0.87	(38.38)%	16.47%
Operating income / Revenues	13.83%	16.56%	17.32%	(2.73)	(0.76)
Net financial expense/OIBDA ⁽⁵⁾	18.19%	15.02%	17.23%	(3.17)	2.21
Net financial debt / OIBDA ⁽⁶⁾	2.74	2.36	2.36		
Gross financial debt / Total liabilities	48.88%	51.07%	51.52%	(2.18)	(0.45)
Net financial debt / Total liabilities	36.87%	38.18%	39.50%	n.a.	n.a.

- (1) Net financial debt as at 31 December 2014 = Non-current interest-bearing debt + certain components of Other non-current payables (€1,276 million) + Current interest-bearing debt + certain components of Current trade and other payables (€210 million) - certain components of Non-current financial assets (€6,267 million) - Current financial assets - certain components of debtors and other payables (€453 million) - Cash and cash equivalents.
- (2) Net financial debt at 31 December 2013 = Non-current interest-bearing debt + certain components of Other non-current payables (€1,145 million) + Current interest-bearing debt + certain components of Current trade and other payables (€99 million) - certain components of Non-current financial assets (€4,468 million) - Current financial assets - Cash and cash equivalents.
- (3) Net financial debt at 31 December 2012 = Non-current interest-bearing debt + certain components of Other non-current payables (€1,693 million) + Current interest-bearing debt + certain components of Current trade and other payables (€145 million) - certain components of Non-current financial assets and Investments in associates (€5,605 million) - Certain components of Trade and other receivables (€54 million) - Current financial assets - Cash and cash equivalents.
- (4) OIBDA: Operating income before depreciation and amortisation.
- (5) This ratio has been calculated based on the absolute figures for these items.
- (6) The 2014 and 2013 figure has been calculated based on OIBDA for the last 12 months, excluding gains/losses from the sale of companies. The 2012 figure has been calculated based on OIBDA at December 2012.
- (7) The annual accounts for 2014, 2013 and 2012 include changes in the various components of non-current assets, specifically, the information appearing in Note (6) Intangible assets, Note (7) Goodwill and Note (8) Property, plant and equipment.

Historical prices for the shares of Telefónica, S.A.

The following table shows the historical prices for the shares Telefónica, S.A.:

	2015 through 16/10	2014	2013	2012
Nº of shares (x1.000)	4,864,341	4,657,204	4,551,025	4,551,025
Last Price for period (euros)	11.395	11.920	11.835	10.190
Max. Price for period (euros)	14.305	13.430	13.135	13.750
Min. Price for period (euros)	10.375	10.760	9.466	7.900

4 RISK FACTORS

Prominent disclosure of risk factors that are specific to the issuer or its industry in a section headed 'Risk Factors'.

See the risk factors described in the first part of this Registration Document (pages 3 to 15).

5 INFORMATION ABOUT THE ISSUER

5.1 *History and Development of the Issuer.*

5.1.1 *The legal and commercial name of the issuer;*

The issuing entity's corporate name is "Telefónica, S.A."

5.1.2 *The place of registration of the issuer and its registration number;*

Telefónica is registered with the Commercial Registry of Madrid in Volume 12,534, Folio 21, Sheet M-6164, entry 1359 of the Companies Register, and has been assigned tax identification code A-28/015865.

5.1.3 *The date of incorporation and the length of life of the issuer, except where indefinite;*

Telefónica was organised for an indefinite period in a public instrument notarised by the Notary of Madrid Mr. Alejandro Roselló Pastor on 19 April 1924, and registered with the Commercial Registry of the Province of Madrid on 5 July of that same year.

The Company's By-Laws were conformed to the Spanish Companies Act (*Ley de Sociedades Anónimas*) pursuant to an instrument executed on 10 July 1990 before the Notary of Madrid Mr. Miguel Mestanza Fragero. In addition to being able to obtain or consult it on the Commercial Registry of Madrid, any interested party may consult the Company's By-Laws at its registered office located at calle Gran Vía, número 28, Madrid, as well as through the website of the Company (www.telefonica.com).

5.1.4 *The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation and the address and telephone number of its registered office (or principal place of business if different from its registered office).*

Telefónica is a Spanish public limited company (*sociedad mercantil anónima*) with a registered office in Madrid at Gran Vía número 28 (Postal Code 28013). The contact telephone numbers for shareholders and investors are the following:

- Investor Relations: +34 91 482 87 00
- Shareholder Office: 900 111 004

Telefónica is in the legal form of a public limited company (*sociedad mercantil anónima*) and is governed by the Spanish Companies Act (*Ley de Sociedades de Capital*), the restated text of which was approved by Royal Legislative Decree 1/2010 of 2 July, and other complementary regulations.

The key regulatory issues, concessions and licenses of the Telefónica Group can be found in Appendix VII to the Consolidated Annual Accounts 2014.

5.1.5 Important events in the development of the issuer's business.

Note 2, "Basis of presentation of the consolidated financial statements" in the section "Comparative information and main changes in the consolidation scope" of the Consolidated Annual Accounts of the Telefónica Group for the year ended 31 December 2014 describes the main events that took place during the course of the Group's activities during financial year 2014. Appendix I to such Annual Accounts also describes the changes in the scope of consolidation by geographic area.

Note 2, "Basis of presentation of the consolidated financial statements" in the "Comparison information" section of the Consolidated Annual Accounts of the Telefónica Group for the year ended 31 December 2013, which is filed with the CNMV, describes the main events that took place during the course of the Group's activities during financial years 2014 and 2013, respectively. Appendix I to such Annual Accounts also describes the changes in the scope of consolidation by geographic area.

Set forth below is a description of the events that occurred during the past months of this financial year through the date of registration might be relevant for assessing the Company's solvency:

Sale of Telefónica's operations in the United Kingdom (O2 UK)

On 23 January 2015, Telefónica and Hutchison Whampoa Group agreed to commence exclusive negotiations for the potential acquisition by the latter of Telefónica's operations in the United Kingdom (O2 UK).

Subsequently, on 24 March 2015, Telefónica and Hutchison Whampoa Group reached a definitive agreement after the completion of the corresponding due diligence process regarding O2 UK.

The parties have agreed a price (firm value) of £10,250 million. The equivalent amount in euros is approximately 14,000 million at the exchange rate as of the date of the agreement. The price is comprised of: i) an initial payment of £9,250 million (approximately €12,640 million) and ii) an additional deferred payment of £1,000 million (approximately €1,360 million) to be paid once the cumulative cash flow of the combined company in the United Kingdom has reached an agreed threshold. The firm value price must correspond with a position that is free of debt.

Closing of the transaction is subject, among other conditions, to the approval of the appropriate regulatory authorities and obtaining the waiver of certain contractual provisions affected by the sale, including those related to network alliances, as well as change of control provisions under certain contractual arrangements with third parties.

The conditions must be satisfied by no later than 30 June 2016, except in specific circumstances established in the sale and purchase agreement, under which this date may be extended until 30 September 2016.

Exchange rate regime in Venezuela

On 16 February 2015, Telefónica reported that for the preparation of its annual consolidated accounts for financial year 2014, it would use the exchange rate of the Venezuelan bolivar fixed in the Complementary System for Administration of Foreign Currency (SICAD) II (which last allocation fixed the exchange rate at 49.988 bolivars per US dollar) for the conversion of transactions, flows and balances related with investments in Venezuela.

The main impacts of the change to this new exchange rate on the Telefónica Group's consolidated financial statements at 31 December 2014 are as follows:

- A reduction of €2,950 million in Net Equity, under "Translation Differences", as a result of the effects of the conversion to euros at the new exchange rate, partially offset by the impact on equity of the inflation adjustment for the period.
- As part of the decrease mentioned in the preceding paragraph, the value in euros of the net financial assets denominated in bolivars has fallen by an approximate amount of €2,700 million, considering the balance as at 31 December 2014.

The results generated by the businesses of the Telefónica Group in Venezuela have been converted at the new exchange rate, which entails a reduction in the Operating Income Before Depreciation and Amortisation (OIBDA) and in the Profit for the financial year of approximately €1,730 million and €660 million, respectively.

Formalisation of syndicated loan

On 19 February 2015, Telefónica, S.A. formalised a syndicated loan of €2,500 million scheduled to mature in 2020, although by common agreement of the parties it may be extended to a maximum maturity date of 2022. This contract is effective from 26 February 2015, involving a prepayment of the syndicated loan of Telefónica Europe, B.V. signed on 2 March 2012 in two tranches of €756 million and £1,469 million, which was originally scheduled to mature in 2017. On the same date, Telefónica S.A. signed an agreement amending its syndicated loan of €3,000 million, formalised on 18 February 2014 and scheduled to mature in 2019, pursuant to which the parties could mutually agree to extend the final date to 2021.

Acquisition of 100% of Global Village Telecom, S.A. and its holding company GVT Participações, S.A.

On 19 September 2014, Telefónica, S.A. signed a sale and purchase agreement with Vivendi, S.A. for the acquisition by Telefónica Brasil, S.A. of Global Village Telecom, S.A. and its holding company GVT Participações, S.A. (collectively, "GVT") for a cash payment of €4,663 million and the delivery of newly issued shares representing 12.0% of the share capital of Telefónica Brasil, S.A. after its merger with GVT.

As part of the agreement, Vivendi, S.A. acquired a stake of 1,110 million ordinary shares that Telefónica held in Telecom Italia, which represented on said date a holding of 8.2% of the voting share capital of Telecom Italia (equivalent to 5.7% of its share capital), in exchange for 4.5% of the share capital that Vivendi, S.A. received from the company resulting from the merger of Telefónica Brasil and GVT and which represented all the ordinary shares received by Vivendi, S.A. and a number of preferred shares.

The cash consideration was financed through a capital increase at Telefónica Brasil, S.A. in which Telefónica, S.A. subscribed its proportional share, financed, in turn, through a capital increase.

On 28 May 2015, once the appropriate regulatory authorisations had been obtained, the shareholders acting at an Extraordinary General Meeting of Shareholders of Telefónica Brasil, S.A. approved the acquisition of GVT from Vivendi, S.A., as well as the issuance of Telefónica Brasil shares to Vivendi, S.A. as partial payment for the sale price of the shares of GVT, thus completing the acquisition of the latter.

Consequently, GVT was fully consolidated within the Telefónica Group from 1 May 2015.

Capital increase of Telefónica, S.A.

On 25 March 2015, the Board of Directors of Telefónica, in exercise of the powers delegated by the shareholders acting at the General Shareholders' Meeting on 18 May 2011, resolved to increase Telefónica's share capital by the nominal amount of €281,213,184, by means of the issuance and placement into circulation of 281,213,184 ordinary shares, each having a nominal value of one (1) euro,

of the same class and series as those already in existence, and represented by book entries, as part of a global operation to raise financial resources for purposes of strengthening the structure of Telefónica's equity through the use of the most appropriate instruments.

Furthermore, and with relation to the capital increase, on 26 March 2015 Telefónica, S.A. reported that it had registered a Prospectus Supplement with the United States Securities and Exchange Commission ("SEC"), which, apart from the terms relating to the capital increase, included a pro-forma module of financial information resulting from the agreement reached by Telefónica with Hutchinson Whampoa Group for the acquisition by the latter of Telefónica's operations in the United Kingdom (O2 UK).

On 20 April 2015, the deed evidencing the capital increase by Telefónica, S.A. in the nominal amount of €281 million, which was recorded as share capital, was registered with the Commercial Registry of Madrid. The difference between that amount and the actual amount of the issue, which amounted to €3,048 million, was recorded as share premium. Consequently, the share capital of Telefónica, S.A. amounted to €4,938,417,514, represented by 4,938,417,514 shares, each having a nominal value of 1 euro.

The net proceeds from the Capital Increase have been used for general purposes, including the partial financing of the acquisition of GVT by Telefónica Brasil, S.A., which was carried out through the participation of Telefónica, S.A. in the capital increase that Telefónica Brasil, S.A. implemented to finance said acquisition, as has been described above under "*Acquisition of 100% of Global Village Telecom, S.A. and its holding company GVT Participações, S.A.*".

Acquisition of 56% of DTS Distribuidora de Televisión Digital, S.A. (DTS)

On 30 April 2015, after obtaining the necessary regulatory approvals, 56% of the share capital of Distribuidora de Televisión Digital, S.A. (DTS), owned by Promotora de Informaciones, S.A. (PRISA), was acquired by Telefónica de Contenidos, S.A.U. for an initial price of €707 million. According to the provisions of the sale and purchase agreement, Telefónica paid 80% of the purchase price at the time of the acquisition, and the remaining 20% will be paid once the adjustments to working capital and net debt have been finalised, which may cause a change in the price.

Spin-off of Telco, S.p.A. and divestment of Telecom Italia

On 16 June 2014, the Italian shareholders of Telefónica in the Italian company Telco, S.p.A. (Assicurazioni Generali S.p.A., Intesa Sanpaolo, S.p.A., Mediobanca S.p.A.), requested the commencement of the process of "demerger" (spin-off) of said company in accordance with the provisions in its shareholders' agreement.

Having obtained all the competition and regulatory approvals (including those from Brazil and Argentina) to proceed with the "demerger" of Telco, S.p.A., the deed of demerger of Telco, S.p.A. was formalised on 17 June 2015. Said deed was registered with the Commercial Registry on the following day, 18 June 2015, from which date the demerger of Telco, S.p.A. was effective. As a consequence thereof, the ordinary shares of Telecom Italia, S.p.A. held by Telco, S.p.A. – equivalent to 22.3% of the ordinary share capital of the company – were allocated as follows: 14.72% to a new company owned by Telefónica, S.A. called Telco TE, S.p.A., 4.31% to a new company owned by Generali group, and 1.64% to each of the new companies owned by Intesa Sanpaolo and Mediobanca, respectively.

Moreover, the shareholders' agreement between the shareholders in Telco, S.p.A. ended on 18 June 2015.

Pursuant to the regulatory and competition commitments assumed by Telefónica, Telefónica also that month divested its entire shareholding stake in Telecom Italia, S.p.A.

Agreement for the sale of audiovisual content exploitation rights for pay-per-view football

On 10 July 2015, Distribuidora de Televisión Digital, S.A.U. ("DTS") signed €600 million agreement with the Spanish Professional Football League (*Liga Nacional de Fútbol Profesional*, or "LFP") for the sale of audiovisual content exploitation rights for pay-per-view football in the domestic market for the 2015/2016 season.

Reduction in share capital by cancellation of own shares

On 27 July 2015, pursuant to the resolution to reduce share capital by the cancellation of treasury shares approved by the shareholders acting at the Annual General Shareholders' Meeting of Telefónica, S.A. on 12 June 2015, and following the resolution on implementation adopted by the Board of Directors of the Company, the corresponding public deed of share capital reduction was registered in the Madrid Commercial Registry.

Consequently, 74,076,263 treasury shares of Telefónica, S.A. were cancelled, and the Company's share capital was reduced by the same amount, which now stands at €4,864,341,251, made up of an equal number of ordinary shares of a single class and with a nominal value of one (1) euro per share.

Agreement with Vivendi for the exchange of shares in Telefónica Brasil for treasury shares in Telefónica, S.A.

On 29 July 2015, Telefónica signed an agreement with Vivendi, S.A. by which Telefónica committed to deliver 46.0 million treasury shares, representing 0.95% of its share capital, in exchange for 58.4 million preferred shares of Telefónica Brasil, S.A. (received by Vivendi, S.A. in the context of the acquisition of GVT Participações, S.A.), representing approximately 3.5% of the share capital of Telefónica Brasil, S.A.

Pursuant to this agreement, Vivendi, S.A.'s obligations include a commitment to: (i) refrain from selling the Telefónica shares during certain lock-up periods, and (ii) comply with certain restrictions that would ensure an orderly sale of such shares in the case of transfer once the lock-up periods have expired.

The execution of this agreement is subject to the approval of the Brazilian competition authority (CADE).

5.2 Investments

5.2.1 A description (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document.

Investments (intangible assets and property, plant and equipment) by business line were the following:

Unaudited data (Millions of euros)	2015	
	June	
	Intangible assets	Property, plant and equipment
Spain	132	755
Germany	1,321	337
Brazil	129	832
Hispan	254	1,220
Other and eliminations	36	78
Total Group	1,872	3,222

The largest investments in intangible assets and in property, plant and equipment by business line at 30 June 2015 were as follows:

Unaudited data (Millions of euros)	2015					
	June					
	Spain	Germany	Brazil	HISPAM	Other companies and eliminations	Total
Property, plant and equipment	755	337	832	1.220	78	3,222
Buildings	0	3	2	1	0	6
Plant and machinery	8	265	147	95	13	526
Property, plant and equipment in progress	745	60	648	1.121	42	2.616
Other items of PP&E	2	9	35	3	25	74
Intangible assets	132	1.321	129	254	36	1.872
Service concession arrangements and licenses	49	0	0	204	0	253
Other intangible assets	83	1.321	129	50	36	1.619
Total Group	887	1.658	961	1.474	114	5.094
Specific weight	17.41%	32.55%	18.87%	28.94%	2.24%	100%

Consolidated investment during the first half of financial year 2015 amounted to €5,094 million (€3,145 million in the first half of 2014), 61.9% more than during the same period in 2014, and includes €1,589 million in spectrum acquisitions in Germany, Argentina, Ecuador and Spain. The Company is maintaining its focus on technological transformation and network modernisation, dedicating more than 71% of total investment to business transformation and growth.

The investment in Telefónica España amounts to €887 million during the first half of 2015 (€703 million during the first half of 2014), reflecting an increase of 26.2%, including €49 million in spectrum for use of the 900 and 800 MHz bands.

The investment in Telefónica Deutschland amounts to €1,658 million during the first half of 2015 (€266 million during the first half of 2014). This increase is fundamentally due to the purchase of spectrum, which amounts to €1,195 million. The priority remains the rollout of the LTE network.

The investment in Telefónica Brasil amounts to €961 million during the first half of 2015 (€833 million during the same period in the previous year), 15.4% more than in the same period of the previous year, affected by the change in the exchange rate and changes to the perimeter of consolidation. The investment is focused on the improvement and expansion of networks, principally in fibre and 3G and 4G networks.

The investment in Telefónica Hispanoamérica amounts to €1,474 million during the first half of 2015 (€1,234 million in the first half of 2014). The investment is principally aimed at the rollout of new-generation networks, with the accelerated rollout of LTE and of the fibre broadcast network, as well as strong customer growth for broadband and pay TV.

Note 7 of the Half-Yearly Financial Report describes the evolution of various items of intangible assets and property, plant and equipment. See Notes 6 (Intangible assets), 7 (Goodwill) and 8 (Property, plant and equipment) of the Consolidated Annual Accounts 2014, 2013 and 2012 for a description of the principal investments during each of these periods.

Investments in intangible assets and in property, plant and equipment, by segment and principal country for each period, is the following:

	2015	2014	2013	2012	Var.	Var.
(Million of euros)	june	december	december	december	2014-13	2013-12
Telefónica España	887	1,732	1,529	1,692	13.26%	-9.59%
Telefónica Alemania	1,658	849	666	609	27.46%	9.40%
Telefónica Brasil	961	2,933	2,127	2,444	37.88%	-12.98%
Telefónica Hispanoamérica	1,474	2,842	3,118	2,988	-8.84%	4.35%
Argentina	510	676	574	519	17.79%	10.62%
Colombia	159	496	457	352	8.47%	29.94%
México	109	252	242	427	3.99%	-43.33%
Venezuela	22	191	608	463	-68.64%	31.21%
Perú	181	421	479	378	-12.14%	26.82%
Chile	238	429	488	606	-12.07%	-19.49%
Ecuador	174	102	94	85	9.44%	10.01%
Uruguay	14	31	46	28	-31.70%	65.32%
Centroamérica	66	245	131	131	86.80%	0.04%
Otros y eliminaciones	114	1,091	1,955	1,725	-44.17%	13.30%
Total Grupo	5,094	9,448	9,395	9,458	0.56%	-0.66%

Note: Investments made by the group in the United Kingdom in 2014, 2013 and 2012 and which are being discontinued have been included within "other and eliminations" in each year.

Note 7 of the Half-Yearly Financial Report describes goodwill during the first six months of 2015. It basically highlights the additions corresponding to the acquisitions of GVT and DTS, as well as the reclassification of the goodwill assigned to Telefónica United Kingdom, under "Non-current assets held for sale".. The change is also due to the impact of conversion differences and inflation adjustment on goodwill, due to changes in the exchange rates of the currencies in which the Group operates.

5.2.2 . A description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external);

Part 5.2.1 describes the geographic distribution of the principal investments in intangible assets and property, plant and equipment according to the company's new segments, and Appendix VII to the Consolidated Annual Accounts referring to the Telefónica Group's principal concessions and licenses shows a detailed description of the Group's licenses that are about to expire and those recently acquired or renewed, as well as information on upcoming spectrum competitions or auctions.

As regards property, plant and equipment in progress at 30 June 2015, which totalled €2,616 million, significant investments were made in:

- Telefónica España, which is maintaining strong efforts in fibre deployment;
- Telefónica Deutschland, focusing on the rollout of LTE;
- Telefónica Brasil, with strong investment aimed at improving and broadening 3G and 4G mobile networks and at developing and connecting the fibre network in the fixed-line business; and
- Telefónica Hispanoamérica, aimed at rolling out new-generation networks, with accelerated rollout of LTE and of the fibre broadcast network, as well as strong growth in broadband and pay TV customers.

Cash flow from operations constitutes the primary source of liquidity for financing business operations, investments, licenses and payments of interest and principal on financial debt. The Company also uses external financing, including a large number of financial instruments, especially debentures and bonds, subordinated perpetual notes as well as loans from financial institutions. In addition the Company maintains medium- and long-term debt issuance programmes for commercial paper and promissory notes, as well as lines of credit with financial institutions that afford greater flexibility for addressing future financing needs and debt maturities. See Note 13 to the Consolidated Annual Accounts for the composition of the Company's financial liabilities.

5.2.3 Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.

Except as described in other sections of this Share Registration Document, there are no other significant future investments with regard to which the management bodies of the Issuer have made firm commitments.

6 BUSINESS OVERVIEW

6.1 Principal Activities

6.1.1 A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information;

See the Consolidated Management Report included with the Consolidated Annual Accounts for the years ended 31 December 2014, 2013 and 2012, in the "Services and Products" section, for a description of the principal services offered by Telefónica.

6.1.2 An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.

The information and description of products and services may be consulted in the "Services and Products" section of the Management Report of the Telefónica Group for financial years 2014, 2013 and 2012.

During the first half of 2015, the following new products and/or services are significant:

- **Telefónica España:** in 2015, Movistar continued to adapt its offering to the growing needs of its customers, who are demanding ever-improving supply and quality of service. For this purpose, download speeds are being increased, both through network rollouts (fibre and LTE) and by offering better supplies for both networks (tripling the speed provided in the fibre network to 300 Mb and facilitating access to 4G speeds).

In February 2015, the mobile data included in all the "Vive" mobile contract tariffs was increased by between 25% and 36%, while the content available through pay TV continues to grow. This process of redefining the commercial offering and associated tariffs is supported by the strong investment carried out in recent years for purposes not only of covering growing demand but also of offering a service quality premium in the market.

After the close of the first half of 2015, on 8 July, the new converged "Movistar Fusión+" offering was launched, which combines the differential assets of Movistar and of Digital Plus ("Fusión+ Familiar" with 30 Mb of fixed broadband speed, voice and 4G mobile data with a package of more than 80 TV channels for 65 euros/month including VAT). Customers can also add four additional packages with Premium content: Series, Cinema, Sport, for 5, 9, and 20 euros/month respectively, and Football, the price of which is pending regulatory approval. Additionally, the aforementioned prices have a premium of 12 euros/month (including VAT) for the 300 Mb fibre option.

- **Telefónica Deutschland:** in the first half of 2015, there was a launch of new tariffs, all with LTE access and automatic data function. The new automatic data function in the "O2 Blue" tariffs will give customers an automatic extension of the monthly data package, thus permitting the monetisation of mobile data.
- **Telefónica Brasil:** in 2015, with regard to mobile service, the "Vivo Tudo" plans remain in effect, which are rounded out with the inclusion of 4G, with numerous recharge offers both for customers using the "Vivo Tudo" promotion and for those who are not using it.

Launch of a new prepaid service during the period April-June 2015: VIVO Zuum for mobile financial payments and transactions. Moreover, new data plans are being launched for contract customers (Smartvivo 4G), with higher speeds and 4G. PCMCIAS include 3G and 4G Internet plans with a capacity of up to 40 GB.

GVT's portfolio of fixed products and services has been included after its purchase in May 2015, with a highlight being its triple play offer (including fixed broadband, TV and fixed line telephony). Noteworthy during this period is the offer of fixed broadband at 25 Mbps with a lower price for the first six months when contracting the "Combo Ilimitado GVT", which also includes TV and voice services.

- **Telefónica Hispanoamérica:** the following is noteworthy, by country:
 - *Telefónica Argentina's* launch of 4G and the continuation of the "multiply your credit every day on mobile products" campaign stood out in 2015. The fixed-line telephony service saw intensified promotions of the Dúo and Dúo Plus products, a package permitting Internet access (various speeds), with unlimited local calls to fixed lines and unlimited mobile calls (Plus) with access to the On Video service. Lastly of note, the launch of the Tuenti brand focused on mobile telephony for the younger segment of the public.
 - *Telefónica Chile:* continued to maintain a focus on offering the highest quality of service in 2015, strengthened by the progressive rollout of VDSL and fibre and LTE networks, where it has launched the 4G service for prepay customers. Finally, there was the launch of the Smartkids product, a smartphone parental control service.
 - Movistar's offering in Peru in 2015 focused on improving the speed of fixed broadband and packaging of duos together with TV: "complete your trio". Digitalisation of the network continued, permitting the offering of pay TV with more HD channels and the sale of more home decoders. There was the launch of Tuenti, aimed at the younger segment of the public.
 - *Telefónica Colombia's* commercial focus in 2015 was charging by the second and data with included added-value services. The trend is toward unlimited voice plans. The aim is a simplification of the market offering, moving from 1,203 plans to 16 active plans. There was the launch of Movistar video, an Internet video service that completes the Movistar offering. Pay TV focused on Premium packages included in the offering, focusing on HD.
 - *Telefónica México* launched the "Bye roaming" offer in 2015, eliminating US roaming tariffs. Both calls and SMS from Mexico to the US and vice versa are charged in accordance with the prepay or contract plan tariff.

The main digital services of note through 30 June 2015 are:

- **Video or TV services:** IPTV service, over-the-top television services, cable and satellite television; in some markets, advanced pay television services such as HDTV, Multiroom (allowing customers to watch different television channels in different rooms) and DVR (digital video recording).
- **M2M** services include point-to-point M2M connectivity services and products in various countries, as well as the development of original products such as the M2M "Smart" solution, which allows for intelligent measurement services.

- **E-health** or tele-assistance services are a number of services that allow common practices in healthcare to be carried out by applying electronic and communication processes; in this manner, healthcare sector costs can be reduced and time can be optimised for all players involved, workers and patients. These services included remote management of chronic patients, tele-assistance services through connectivity services, management of medical and emergency appointments and digital imaging services.
- **Financial services** and other payment services allow customers to make money transfers, payments and mobile recharges, as well as other transactions through prepaid accounts or bank accounts.
- **Security services** include a broad range of facilities (Managed Security, Cloud and Communications Security, Cybersecurity (threats, vulnerabilities and antifraud platforms)) aimed at protecting the information stored in various customer networks and devices, against unauthorised accesses, use, disclosure, interruption or destruction; including services developed by 11Paths (a subsidiary specialised in digital security), such as Latch, FaasT, Metashield and Tacyt.
- **Cloud** services allow us to build manageable infrastructures for large companies and in turn to manage complex tools and applications that are used with regard to these infrastructures; and additionally, the “Todo Incluido” (Communications + Devices + Cloud) packages for small and medium-sized businesses. Telefónica creates offers as a broker of Cloud services for the purpose of providing a vast self-service experience to customers, and in turn a broad range of capacities, flexibility and commercial offers.
- **Advertising:** Portfolio of marketing channels that third-party brands can use to attract and win customers. Using traditional channels such as messaging, as well as new channels such as programmatic methods and sponsored connectivity. These will be facilitated by our internal SMS, bulk SMS and mobile portal technology, and distributed using our customers' data.
- **Big Data:** Includes the “Smart Steps” product, which assists retailers, municipalities and public security agencies in understanding people’s affluence. Anonymous and aggregated mobile data networks are used to calculate the wealth of the people within an area. In turn, Telefónica offers services to businesses in the financial sector (Risk Management) in order to improve fraud prevention and credit scoring in the markets of Brazil, the United Kingdom and Chile.
- **Future Comms:** Includes “TU Go”, an application exclusive to Movistar that allows its customers to keep their mobile phone number and use it to communicate on any mobile device through a Wi-Fi network.

6.2 Principal markets

Income and capital expenditures information regarding the Group's operating segments for the six months ended 30 June, 2015 and 2014 can be found in Note 5 to the Half-Yearly Financial Report, and information on the principal markets in which the Issuer competes can be found in the Half-Yearly Management Report included with the Half-Yearly Financial Report.

Due to the organisational change at the start of 2014, described in Note 4 of the 2014 Consolidated Annual Accounts, the new structure is composed of the following segments: Telefónica Spain, Telefónica Brazil, Telefónica Germany, Telefónica United Kingdom and Telefónica Hispanoamérica (comprised of the Group's operators in Argentina, Chile, Peru, Colombia, Mexico, Venezuela & Central America, Ecuador and Uruguay). These segments include all information related to fixed telephony, wireless, cable, data, Internet, TV and other digital services, in accordance with their location. The heading "Other companies and eliminations" includes companies in overlapping areas, as well as other companies of the Group not included in the consolidation.

In 2015, Telefónica's operations in the United Kingdom were considered a disposal group held for sale and its operations have been classified as discontinued operations. The transaction is described in section 5.1.5 of this share registration document.

Income and capital expenditures information regarding the Group's operating segments for the years ended 31 December 2014, 2013 and 2012 can be found in Note 4 to the Consolidated Annual Accounts, and information on the principal markets in which the Issuer competes can be viewed in the Consolidated Management Report included with the Annual Accounts.

6.3 Where the information given pursuant to items 6.1. and 6.2. has been influenced by exceptional factors, mention that fact.

Does not apply.

6.4 If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

Information on intangible assets may be viewed in Note 6 to the Consolidated Annual Accounts of the Telefónica Group for the year 31 December 2014.

6.5 The basis for any statements made by the Issuer regarding its competitive position.

The statements made regarding Telefónica's competitive position are based on the Company's internal estimates, the details of which may be viewed in the Telefónica Group's Management Report for the years ended 31 December 2014, 2013 and 2012.

7 ORGANISATIONAL STRUCTURE

7.1 If the issuer is part of a group, a brief description of the group and the issuer's position within the group.

The Telefónica Group's structure is described in Note 1 of the Half-Yearly Financial Report and Annex I of the Consolidated Annual Accounts for financial year 2014.

The organisational structure of the Telefónica Group was approved by the Board of Directors on 26 February 2014 and comprised the following segments: Telefónica España, Telefónica Brasil, Telefónica Deutschland, Telefónica United Kingdom and Telefónica Hispanoamérica (made up of the Group's operators in Argentina, Chile, Peru, Colombia, Mexico, Venezuela and Central America, Ecuador and Uruguay). After the sale and purchase agreement signed on 24 March 2015 between Telefónica, S.A. and Hutchison Whampoa Group for the acquisition by the latter of Telefónica's operations in the United Kingdom, these companies have been considered as a disposal group held for sale and their operations have been classified as discontinued operations.

7.2 A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

A complete list of the main companies of the Group, including their names, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held, is included in Appendix VI to the Consolidated Annual Accounts of the Telefónica Group for the year ended 31 December 2014. Changes in the scope of consolidation can be found in Appendix I to the Consolidated Annual Accounts of the Group for the year ended 31 December 2014 and in Appendix I to the Half-Yearly Financial Report.

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon.

The composition in and movements of the items comprising "property, plant and equipment" in 2014, 2013 and 2012 are described in Note 8 of the Telefónica Group's Consolidated Annual Accounts for the years ended 31 December 2014 and 2013.

8.2 A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets.

Environmental issues are described in Note 21 "Other information", section c) "Environmental matters" of the Consolidated Annual Accounts and in the Management Report of the Telefónica Group for the year ended 31 December 2014.

9 OPERATING AND FINANCIAL REVIEW

9.1 Financial Condition

To the extent not covered elsewhere in the registration document, provide a description of the issuer's financial condition, changes in financial condition and results of operations for each year and interim period, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the issuer's business as a whole.

The following table sets out the main variables for each of the periods:

(Million euros)	2014	2013	2012	Var 2014vs2013	Var 2013vs 2012
Net revenues	50,377	57,061	62,356	(11.7)%	(8.5)%
Operating income before depreciation and amortisation (OIBDA)	15,515	19,077	21,231	(18.7)%	(10.1)%
OIBDA Margin	30.8%	33.4%	34.0%	-2.6 p.p.	-0.6 p.p.
Accesses	341,048	323,118	315,820	5.5%	2.3%

Telefónica's total **accesses** amounted to 341.0 million at 31 December 2014 and grew 5.5% year-on-year after the inclusion of the E-Plus customers within Telefónica Deutschland. Excluding the E-Plus accesses from the 2014 base and the Telefónica Czech Republic and Telefónica Ireland accesses from the 2013 base, growth is 2.0%. In services, sales activity focuses on value customers, which is reflected by a sustained growth in mobile contracts (smartphones and LTE), fibre and pay TV. Also of note is the growth in fibre accesses, which doubled in 2014 to 1.8 million. Also noteworthy are the accesses of Telefónica Hispanoamérica (39% of total), which increased 2.5% year-on-year, and those of Telefónica Brasil (28% of total, increasing 3.0% year-on-year).

Exchange rate behaviour,, particularly the depreciation of the Argentine peso and the Brazilian real, as well as the depreciation of the Venezuelan bolivar, negatively impacted financial results in 2014.

In the consolidated financial statements for financial year 2014, the Group decided to use the exchange rate of the Venezuelan bolivar fixed in the so-called SICAD II (which last allocation fixed the exchange rate at 49.988 bolivars per US dollar) for the conversion of transactions, flows and balances related to investments in Venezuela. Telefónica decided to use the aforementioned exchange rate at year-end 2014 as a reference, as the most representative of the exchange rates in force at said date for the currency conversion of the accounting aggregates of flows and balances.

Thus, the effect of the exchange rates and the hyperinflation in Venezuela reduced growth in revenues and OIBDA by 12.1 percentage points and 13.1 percentage points, respectively.

Revenues in 2014 amounted to €50,377 million, decreasing by 11.7% with respect to the previous year, impacted by the exchange rate and the effect of the hyperinflation in Venezuela, which reduced year-on-year growth by 12.1 percentage points. The change in revenues is also affected by changes in the consolidation perimeter (-2.1 p.p.), mainly due to the disposal of Telefónica Czech Republic and Telefónica Ireland and the inclusion of E-Plus; excluding both impacts for purposes of comparing like-for-like information, revenues would show a year-on-year growth of 2.6%. This growth is driven by Telefónica Hispanoamérica, by increased mobile data and digital services revenues. For year-on-year

variations, we have excluded the impacts of the consolidation perimeter changes due to the disposal of Telefónica Czech Republic and Telefónica Ireland and the inclusion of E-Plus in revenues both in 2013 and in 2014. The structure of revenues reflects the diversification of the Company and thus, despite the impact of the previously mentioned exchange rates, the segments that contributed most to the 2014 revenues were Telefónica Hispanoamérica, which totalled 26.1% though its contribution decreased from the previous year (-3.4 p.p.), while those that saw an increased contribution in comparison with 2013 were Telefónica España (23.9%, +1.2 p.p. with respect to 2013), Telefónica Brasil representing 22.3% (+0.9 p.p. versus 2013), Telefónica United Kingdom representing 14.0% (+2.3 b.p. compared to 2013), and Telefónica Deutschland representing 11.0% (+2.3 p.p. compared to 2013).

OIBDA: amounts to €15,515 million, a decrease of 18.7%, mainly affected by:

- The effect of the exchange rate and hyperinflation in Venezuela (-13.1 p.p.).
- Changes in the consolidation perimeter (-3.5 p.p.), explained by the disposal of Telefónica Czech Republic and Telefónica Ireland and the inclusion of E-Plus.
- Recording in 2014 of expenses mainly related to the global restructuring programme, aligned with the simplification initiatives that the Group is implementing to satisfy its objectives, which amounted to €652 million (€670 million excluding the effect of the exchange rate), a reduction of 3.5 percentage points.
- Higher value of sales of non-strategic towers in 2014 compared to 2013 (€196 million in 2014, mainly at Telefónica España for €191 million, and €111 million in 2013 corresponding to Telefónica España (€70 million), Telefónica Brasil (€29 million) and Telefónica Hispanoamérica (€11 million for Mexico, Chile and Colombia)). This impact represents a positive effect of 0.5 percentage points of the OIBDA growth; and
- The impact of the sale of companies in 2013, mainly due to the agreements to sell Telefónica Ireland (€16 million) and Telefónica Czech Republic (€176 million) in 2013 (+1 p.p.); and the sale of Hispasat (€21 million; -0.1 p.p.).

Excluding the aforementioned impacts, for purposes of comparing like-for-like information, OIBDA grew 0.2% in comparison with the previous year. The **OIBDA margin** at year-end 2014 was 30.8%, falling 2.6 percentage points in comparison with the same period of the previous year in reported terms.

For more detail regarding the financial situation of the issuer, changes in said financial situation and the results of operations for the years 2014, 2013 and 2012 and for the six-month period ending 30 June 2015, please refer to the Consolidated Annual Accounts and Consolidated Management Report, for financial years 2014 and 2013, the Half-Yearly Financial Report and Half-Yearly Management Report for the six-month period ending 30 June 2015 and this document itself.

9.2 *Operating results*

9.2.1 Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected.

Information regarding income and expenses for the years ended 31 December 2014 and 2013 can be found in Note 18 of the Telefónica Group's Consolidated Annual Accounts and in Note 19 of the Telefónica Group's Consolidated Annual Accounts for the year ended 31 December 2012.

9.2.2 Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.

Information regarding revenue and expenses can be found in Note 18 of the Telefónica Group's Consolidated Annual Accounts for the years ended 31 December 2014 and 2013 and in Note 19 of the Telefónica Group's Consolidated Annual Accounts for the year ended 31 December 2012.

9.2.3 Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

Does not apply.

10 . CAPITAL RESOURCES

10.1 Information concerning the issuer's capital resources (both short and long term).

Cash flows from operations constitute the main source of liquidity for financing business operations, investments and payments of interest and principal on financial debt. The Company also uses external financing, including a large number of financial instruments, especially debentures and bonds, as well as loans from financial institutions. In addition to generating cash internally, the Company maintains medium- and long-term debt issuance programmes for commercial paper and promissory notes, as well as lines of credit with financial institutions that afford greater flexibility for addressing future financing needs and debt maturities.

Recently, the Company has used other sources of liquidity such as treasury share instruments, including subordinated perpetual bonds, convertible bonds or share capital increases.

Financial debt, shareholders' equity and the composition of the Company's financial liabilities can be found in Notes 2, 12 and 13.2 to Telefónica Group's Consolidated Accounts for the years ended 31 December 2014, 2013 and 2012 and in Notes 9 and 10 of the Half-Yearly Financial Report.

10.2 An explanation of the sources and amounts of and a narrative description of the issuer's cash flows.

The cash flow analysis and consolidated cash flow statements for the years ended 31 December 2014, 2013 and 2012 can be found in Note 20 to the Telefónica Group's Consolidated Annual Accounts for the year ended 31 December 2014 and 2013 and in Note 23 to the Telefónica Group's Consolidated Annual Accounts for the year ended 31 December 2012.

10.3 Information on the borrowing requirements and funding structure of the issuer.

Major financial transactions during the financial year.

The main financing transactions carried out by Telefónica Group during the first six months of 2015 can be found in Note 10 to the Half-Yearly Financial Report. Transactions after 30 June 2015 are described in section 20.9 of this Registration Document.

Information regarding the main transactions in 2014 can be found in the section “Liquidity and capital resources” “Financing” in the Consolidated Management Report for the year ended 31 December 2014.

Breakdown of financing by financial instruments.

For information regarding financial liabilities, see Note 13.2 of the Consolidated Annual Accounts for the year ended 31 December 2014 and Note 10 of the Half-Yearly Financial Report.

Guarantee between companies of the Telefónica Group.

Several Telefónica Group companies provide operating guarantees granted by external counterparties, which are offered during their normal commercial activity, in bids for licences, permits and concessions, and spectrum acquisitions. At 31 December 2014, these guarantees amounted to approximately €4,401 million. No significant additional liabilities in the Consolidated Annual Accounts are expected to arise from guarantees and deposits issued.

Information regarding the financial guarantees provided by the Company to its subsidiaries and investees for the years 2014, 2013 and 2012 can be found under heading a) of Note 20 to Annual Accounts for the year ended 31 December 2014, 2013 and 2012 of Telefónica, S.A.

Credit rating of the Company.

As at the date of registration of this document, Telefónica, S.A. was assigned the following credit ratings:

	<u>Long Term</u>	<u>Short Term</u>	<u>Outlook</u>	<u>Last Review Date</u>
Standard & Poor's Credit Market Services Europe Limited ⁽¹⁾	BBB	A-2	Positive	28/05/2015
Moody's Investors Service España, S.A. ⁽²⁾	Baa2	P-2	Stable	25/03/2015
Fitch Rating Limited ⁽³⁾	BBB+	F-2	Stable	26/06/2015

Warning: these credit ratings are only an opinion on the company's creditworthiness and may be revised, suspended or withdrawn at any time by the respective rating agencies.

The credit rating agencies are established in the EU and are registered with the European Securities and Markets Authority (ESMA) in accordance with Regulation EC 1060/2009.

Description of rating

(1) Investment Grade. High credit quality and low credit risk. An obligor rated 'BBB' has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

(2) Investment Grade. Bonds and preferred stock with this rating are considered medium grade, are subject to moderate credit risk and as such may possess certain speculative characteristics.

(3) Investment Grade. High credit quality and low credit risk. The issuer's ability to meet payment obligations is deemed sound, although issues with this rating are more exposed to changes in the economic and trading environment than higher quality ratings.

10.4 Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

At 30 June 2015, certain financing taken out by companies of the Telefónica Group in Latin America (Brazil, Chile and Panama), which amount to approximately 4% of the Telefónica Group's gross debt, was subject to compliance with certain financial covenants. To date, there has been no breach of these covenants. In addition, a breach of these covenants would not affect the debt at Telefónica, S.A. level due to the absence of cross-references (“cross-defaults”).

10.5 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1.

Cash flows from operations constitute the main source of liquidity for financing business operations, investments, licenses and payments of interest and principal on financial debt. The Company also uses external financing, including a large number of financial instruments, especially debentures, bonds and subordinated perpetual notes, as well as loans from financial institutions. In addition to generating cash internally, the Company maintains medium- and long-term debt issuance programmes for commercial paper and promissory notes, as well as lines of credit with financial institutions that afford greater flexibility for addressing future financing needs and debt maturities.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Where material, provide a description of the issuer's research and development policies for each financial year for the period covered by the historical financial information, including the amount spent on issuer-sponsored research and development activities.

The main concessions and licenses held by the group are described in Appendix VII ("Key regulatory issues and concessions and licenses held by the Telefónica Group") to the Consolidated Annual Accounts for the year ended 31 December 2014 and 2013 and in Appendix VI ("Key regulatory issues and concessions and licenses held by the Telefónica Group") to the Consolidated Annual Accounts for the year ended 31 December 2012.

A description of the innovation, research and development policies appears in the Consolidated Management Report, in the "Innovation, Research and Development" section of the Consolidated Annual Accounts for the years ended 2014, 2013 and 2012.

12 TREND INFORMATION

12.1 The most significant recent trends in production, sales and inventory, costs and selling prices since the end of the last financial year to the date of the registration document.

Despite the changes that have occurred in the global economic environment, which are reflected in the performance of the businesses during the first six months of the financial year, the prospects of the Telefónica Group have not changed significantly since the date of its last published audited financial statements.

12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for the current financial year.

There are no trends, uncertainties, demands, commitments or known events that are reasonably likely to have a material effect on the prospects of the issuer, beyond the risks and uncertainties described in the section "Trend Evolution" of the Management Report for the year ended 31 December 2014.

In addition, to assess the possible uncertainties, trends, demands or commitments that might have an impact on the prospects of the issuer, information on licenses, litigation and regulations are available in Note 21 ("Other Information") to the Consolidated Financial Statements; in Appendix VII ("Key regulatory issues and concessions and licenses"), in Note 13 ("Other Information") to the Half-Yearly Report and in the Half-Yearly Management Report, and in Section 20.8 ("Legal and arbitration proceedings") of this document.

13 PROFIT FORECASTS OR ESTIMATES

If an issuer chooses to include a profit forecast or a profit estimate the registration document must contain the information set out in items 13.1 and 13.2.

The Company has chosen not to include any profit forecast or estimate.

13.1 A statement setting out the principal assumptions upon which the issuer has based its forecast or estimate.

There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions shall be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.

Not applicable.

13.2 A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated, and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer.

Not applicable.

13.3 *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

13.4 *If a profit forecast in a prospectus has been published which is still outstanding, then provide a statement setting out whether or not that forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid if that is the case.*

Not applicable.

14 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 *Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer:*

- a) *members of the administrative, management or supervisory bodies;*
- b) *partners with unlimited liability, in the case of a limited partnership with a share capital;*
- c) *founders, if the issuer has been established for fewer than five years; and*
- d) *any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.*
- e) *The nature of any family relationship between any of those persons.*

In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:

- a) *the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.*
- b) *any convictions in relation to fraudulent offences for at least the previous 5 years.*
- c) *details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous 5 years.*
- d) *details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous 5 years.*

If there is no such information to be disclosed, a statement to that effect is to be made.

Board of Directors

Below is a description of the composition of the Board of Directors of Telefónica as of the date of registration of this Registration Document, stating the position held within the Company by each of the members of the Board.

Name	Positions in Telefónica	Type of Director
Mr. César Alierta Izuel ⁽⁵⁾	Chairman of Board of Directors Chief Executive Officer	Executive Director
Mr. Isidro Fainé Casas ⁽⁵⁾	Vice Chairman	Proprietary Director ⁽¹⁾
Mr. José María Abril Pérez ⁽⁵⁾	Vice Chairman	Proprietary Director ⁽²⁾
Mr. Julio Linares López (*)	Vice Chairman	"Other External" Director ⁽⁶⁾
Mr. José María Álvarez-Pallete López ⁽⁵⁾	Chief Operating Officer	Executive Director
Mr. José Fernando de Almansa Moreno-Barreda (**)	Director	"Other External" Director
Ms. Eva Castillo Sanz (***)	Director	"Other External" Director ⁽⁶⁾
Mr. Carlos Colomer Casellas ⁽⁵⁾	Director	Independent Director
Mr. Peter Erskine ⁽⁵⁾	Director	Independent Director
Mr. Santiago Fernández Valbuena	Director Chief Strategy Officer	Executive Director
Mr. Alfonso Ferrari Herrero ⁽⁵⁾	Director	Independent Director ⁽⁷⁾
Mr. Luiz Fernando Furlán	Director	Independent Director
Mr. Gonzalo Hinojosa Fernández de Angulo ⁽⁵⁾	Director	Independent Director
Mr. Pablo Isla Álvarez de Tejera	Director	Independent Director
Mr. Antonio Massanell Lavilla	Director	Proprietary Director ⁽¹⁾
Mr. Ignacio Moreno Martínez	Director	Proprietary Director ⁽²⁾
Mr. Francisco Javier de Paz Mancho ⁽⁵⁾	Director	Independent Director
Mr. Wang Xiaochu	Director	Proprietary Director ⁽³⁾
Mr. Ramiro Sánchez de Lerín García-Ovies ^{(4) (5)}	General and Board Counsel	-
Ms. María Luz Medrano Aranguren ⁽⁴⁾	General and Board Vice Counsel and Chief Legal Officer	-

(1) Appointed at the proposal of "la Caixa".

(2) Appointed at the proposal of BBVA.

(3) Appointed at the proposal of China Unicom. As of the date of 31 December 2015, the shareholding of China Unicom in Telefónica amounts to 1.38%.

(4) Not Director's position.

(5) Member of the Executive Commission.

(6) "External Directors" those who are not executive Directors, such category including proprietary Directors, independent Directors, in accordance with the article 9.2 of the Regulations of the Board of Directors of Telefónica, S.A. available on www.telefonica.com

(7) Lead Director.

(*) On 17 September 2012, Mr. Julio Linares López, until then Chief Operating Officer of Telefónica, S.A., ceased performing executive duties at the Telefónica Group, thus changing from an Executive Director to an "Other External" Director.

(**) The Board of Directors at its meeting held on 25 March 2015 resolved to amend the classification of Mr. José Fernando de Almansa Moreno-Barreda, changing from Independent to "Other External" Director, due to 12 years having passed since his appointment as a Director.

(***) On 26 February 2014, Ms. Eva Castillo Sanz ceased to perform duties as Chair of Telefónica Europa, changing status to "Other External" Director.

For the purposes hereof, the professional address of all members of the Board of Directors of Telefónica is Ronda de la Comunicación s/n, Distrito Telefónica, Madrid (28050).

The following table shows the most significant positions that the members of the Board of Directors hold within other companies of the Group, as well as the principal activities they engage in outside of the Telefónica Group that might be considered significant with respect thereto.

Name	Principal activities inside the Group	Principal Activities outside the Group
Mr. César Alierta Izuel	-	<p>Director of China Unicom (Hong Kong) Limited</p> <p>Director of International Consolidated Airlines Group (AIG)</p> <p>Chairman of the Business Competitiveness Council (<i>Consejo Empresarial de la Competitividad</i>).</p> <p>Trustee of the Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("La Caixa").</p>
Mr. Isidro Fainé Casas	-	<p>Chairman of Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("La Caixa")</p> <p>Chairman of CaixaBank, S.A.</p> <p>Chairman of Criteria Caixaholding, S.A.</p> <p>Director of Gas Natural SDG, S.A.</p> <p>Vice Chairman 1º of Repsol, S.A.</p> <p>Chairman of Confederación Española de Cajas de Ahorros (CECA).</p> <p>Director of Banco Português de Investimento, SA (BPI)</p> <p>Non-Executive Director of "The Bank of East Asia".</p> <p>Vice Chairman of European Savings Bank Group (ESG), World Savings Bank Institute (WSBI), Chairman of the Spanish Confederation of Executives and Managers (CEDE) and Member of the Business Competitiveness Council (<i>Consejo Empresarial de la Competitividad</i>)</p> <p>Director of Suez Environment Company</p>
Mr. José María Abril Pérez	-	-
Mr. Julio Linares López	-	<p>Director and member of the Executive Committee of GSM Association</p> <p>Director of GSMA Ltd.</p> <p>Member of the Executive Committee and the Directorate of CEOE</p> <p>Advisory Board member of AMETIC</p> <p>Trustee of Mobile World Capital Barcelona</p> <p>Trustee of the Spanish Confederation of Executives and Managers (CEDE)</p>
Mr. José María Álvarez-Pallete López	-	-
Mr. José Fernando de Almansa Moreno-Barreda	<p>Director of Telefónica Brasil, S.A.</p> <p>Director of Telefónica Móviles México, S.A. de C.V.</p>	<p>Substitute Director of Grupo Financiero BBVA Bancomer, S.A. de C.V.</p> <p>Substitute Director of BBVA Bancomer, S.A.</p>
Ms. Eva Castillo Sanz	<p>Chairman of Supervisory Board of Telefónica Deutschland Holding A.G.</p>	<p>Independent Director of Bankia, S.A.</p> <p>Independent Director of Visa Europe</p> <p>Trustee of Comillas –ICAI Trust</p> <p>Trustee of Entreculturas Trust</p>

Name	Principal activities inside the Group	Principal Activities outside the Group
Mr. Carlos Colomer Casellas	-	Chairman of Ahorro Bursátil, S.A. SICAV Chairman of Inversiones Mobiliarias Urquiola, S.A., SICAV Chairman of Haugron Holdings S.L. Independent Director of Abertis Infraestructuras, S.A. Independent Director of MDF Family Partners.
Mr. Peter Erskine	-	Chairman of Ladbrokes, Plc. Chairman of the Strategy Board of the Henley Business School. Member of the Board of the University of Reading.
Mr. Santiago Fernández Valbuena	Chief Strategy Officer (CSO) Vice Chairman of Telefónica Brasil, S.A. Director of Colombia Telecomunicaciones, S.A., E.S.P. Chairman of Telefónica América, S.A. Sole Administrator of Telefónica Capital, S.A. Substitute Director of Telefónica Chile, S.A. Chairman of Telefónica Internacional, S.A.U. Vice Chairman of Telefónica Móviles México, S.A. de C.V. Chairman of Fonditel Pensiones, Entidad Gestora de Fondos de Pensiones (E.G.F.P.)	Director of Ferrovial, S.A.
Mr. Alfonso Ferrari Herrero	Substitute Director of Telefónica Chile, S.A. Director of Telefónica del Perú, S.A.A.	-
Mr. Luiz Fernando Furlán	Director of Telefónica Brasil, S.A.	Director of BRF-Brasil Foods, S.A. Chairman of Fundación Amazonas Sustainability. Member of the Global Ocean Commission. Director of AGCO Corporation
Mr. Gonzalo Hinojosa Fernández de Angulo	Director of Telefónica del Perú, S.A.A.	-
Mr. Pablo Isla Álvarez de Tejera	-	Chairman and CEO of Inditex, S.A. Member of the Business Competitiveness Council (<i>Consejo Empresarial de la Competitividad</i>)
Mr. Antonio Massanell Lavilla	-	Vice Chairman of CaixaBank, S.A. Director of Sociedad de Gestión de Activos Inmobiliarios procedentes de la Reestructuración Bancaria (SAREB). Member of the Supervisory Board of ERSTE Group Bank Vice Chairman of COTEC Trust (Foundation for technology innovation) Chairman of the Barcelona Center Financer Europeu Association. Non-executive Chairman of Cecabank, S.A. Vice Chairman of Mediterranean Beach & Golf Community, S.A. Member of the Plenary of the Chamber of Commerce of Barcelona. Member of the Euro Retail Payments Board (ERPB).
Mr. Ignacio Moreno Martínez	-	Chief Executive Officer of Metrovacesa, S.A.

Name	Principal activities inside the Group	Principal Activities outside the Group
Mr. Francisco Javier de Paz Mancho	Director of Telefónica de Argentina, S.A. Director of Telefónica Brasil, S.A. Chairman of Telefónica Gestión de Servicios Compartidos, S.A.U.	-
Mr. Wang Xiaochu	-	Executive Chairman of China Unicom (Hong Kong) Limited. Chairman of China United Network Communications Group Company Limited.
Mr. Ramiro Sánchez de Lerín García-Ovies	General and Board Counsel	-
Ms. María Luz Medrano Aranguren	General and Board Counsel and Chief Legal Officer	-

Below is a brief biography of each of the members of the Board of Directors of Telefónica:

- **Mr. César Alierta Izuel**

Born in Zaragoza on 5 May 1945. He holds a Law degree from the University of Zaragoza and a MBA from Columbia University (New York).

Mr. Alierta is Executive Chairman of Telefónica, S.A. since July 2000. Also, he is a member of the Board of Directors of China Unicom (Hong Kong) Limited and of International Consolidated Airlines Group (IAG). He is also a member of the Columbia Business School Board of Overseers and is Chairman of the Social Council of the National Long Distance Spanish University (*Universidad Nacional de Educación a Distancia* or "UNED"). He is Chairman of the Business Competitiveness Council (*Consejo Empresarial de la Competitividad* or "CEC"), and Trustee of the Fundación Bancaria Caixa d'Estavil I Pensions de Barcelona ("La Caixa").

Between 1970 and 1985 he served as General Manager of the Capital Markets division at Banco Urquijo. He was the Chairman and Founder of Sociedad Beta Capital, which he combined as from 1991 with his post as Chairman of the Spanish Financial Analysts' Association (*Instituto Español de Analistas Financieros*). From June 1996 to his appointment as Chairman of Telefónica, he was Chairman of Tabacalera S.A. (formerly known as Altadis, S.A.). He has also been a member of the Board of Directors and the Standing Committee of the Madrid Stock Exchange (*Bolsa de Madrid*), and Director of Plus Ultra, Compañía de Seguros y Reaseguros, of Telefónica Internacional, of Iberia, of Altadis and Telecom Italia S.p.A. In January 1997, Mr. Alierta was appointed as a member of the Board of Directors of Telefónica, S.A.

- **Mr. Isidro Fainé Casas**

Born in Manresa (Barcelona) on 10 July 1942. Mr. Fainé holds a doctorate degree in Economics, a Diploma in Senior Management (*Alta Dirección*) from IESE Business School (*Instituto de Estudios Superiores de la Empresa*) and an ISMP in Business Administration from Harvard University. He is a Financial Analyst and an Academic at the Real Academy of the Finance and Economic Science.

Mr. Fainé is Chairman of Fundación Bancaria Caixa d'Estavil I Pensions de Barcelona ("La Caixa"), of Caixabank, S.A., of Criteria Caixaholding, S.A. and Vice-Chairman of Repsol, S.A. He is also Director of Banco Português de Investimento, S.A. (BPI), of Gas Natural SDG, of Suez Environment Company and non-executive Director of "The Bank of East Asia". He is also Chairman of Confederation Española de Caja de Ahorros (CECA), of European Savings Bank Group (ESGB), Chairman of the Spanish Confederation of

Executives and Managers (CEDE), Vice-Chairman of World Savings Bank Institute (WSBI), and a member of the Business Competitiveness Council (*Consejo Empresarial para la Competitividad* or "CEC").

For over 40 years, Mr. Fainé has developed his professional career working for several companies in different sectors of the economy, as well as financial institutions, amongst others: Banco Atlántico (1964), Banco de Asunción – Paraguay– (1969), Banco Riva y García (1973), Banca Jover (1974), and Banco Unión, S.A. (1978).

- **Mr. José María Abril Pérez**

Born in Burgos on 19 March 1952. Mr. Abril holds a degree in Economics by the Commercial University of Deusto and he has been Professor of such University during nine years.

In 2002, Mr. Abril became Managing Director of Wholesale and Investment Banking Division and a member of the Executive Committee of the Banco Bilbao Vizcaya Argentaria, S.A. Mr. Abril is now in early retirement.

From 1975 to 1982, Mr. Abril became Financial Manager of the Sociedad Anónima de Alimentación (SAAL). Since then, and until he joins the Banco Bilbao Vizcaya Argentaria Group, he became Financial Manager of Sancel-Scott Iberica. In 1985 he was appointed Managing Director of Investment Corporate Banking of the Banco Bilbao. From January to April 1993, he was appointed Executive Coordinator of Banco Español de Crédito, S.A. In 1998, Mr. Abril became General Manager of the Industrial Group. In 1999, Mr. Abril became Member of the Executive Committee of the BBVA Group. He has been also a member of the Board of Directors of Repsol, Iberia and Corporación IBV, and Vice-Chairman of Bolsas y Mercados Españoles (BME).

- **Mr. Julio Linares López**

Born in Medina de Pomar (Burgos), on 26 December 1945. Mr. Linares is Telecommunications Engineer and joined to Telefónica in May 1970, in the Research and Development Center, where he held several positions until he was appointed head of Technology Department of Telefónica in 1984.

In April 1990, Mr. Linares was appointed General Manager of Telefónica Research and Development (*Telefónica Investigación y Desarrollo* or "I+D"). In December 1994, Mr. Linares became Deputy General Manager of the Marketing and Services Development department in the commercial area and subsequently, Deputy General Manager for Corporate Marketing.

In July 1997, Mr. Linares was appointed Chief Operating Officer of Telefónica Multimedia S.A. and Chairman of Telefónica Cable and Producciones Multitemáticas. In May 1998, Mr. Linares was appointed General Manager of Strategy and Technology in Telefónica, S.A.

In January 2000, Mr. Linares was appointed Executive Chairman of Telefónica de España, and was also Chairman of subsidiaries as TELYCO or Telefónica Cable.

In June 2005 he was designated Chairman of the Supervisory Board of Cesky Telecom. In December 2005, he held the General Manager of Coordination, Business Development and Synergies of Telefónica, S.A. From December 2007 to September 2012, he was Chief Operating Officer of Telefónica, S.A.

Currently he is Vice-Chairman of the Board of Directors of Telefónica, S.A. and member of the Advisory Boards of Telefónica Hispanoamérica and Telefónica España. He is also a Trustee of the Fundación Telefónica. He is a member of the GSM Association Board and Executive Committee, and is a Chair of the Strategic Committee. He is member of the Board of GSMA Ltd. He is a Trustee of the Fundación Mobile World Capital Barcelona. He is member of the Executive Committee and the Board of CEOE, and member of the Advisory Committee of AMETIC.

He is a Trustee of the Fundación CEDE-Confederación Española de Directivos y Ejecutivos. He is also a member of the Association Management Board for Managerial Progress and of the Social Board of the University Complutense in Madrid.

- **Mr. Jose María Álvarez-Pallete López**

Born in Madrid on 12 December 1963. He holds a degree in Economics from the Complutense University of Madrid. He also studied Economics at the Université Libre in Brussels, in Belgium. In 1988, he holds an "International Management Program" (IMP) from the Pan-American Institute of Executive Business Administration (*Instituto Panamericano de Desarrollo de Directivos* or "IPADE"). In October 2005, he held an Advanced Studies Degree (*Diploma de Estudios Avanzados* or "DEA") from the department of finance and accounting of the Complutense University of Madrid.

Since 17 September 2012, he is Chief Operating Officer of Telefónica, S.A. Until such date, and since September 2011, was Chairman of Telefónica Europa.

He joined the Telefónica Group in February 1999 as General Manager of Finance for Telefónica Internacional, S.A.U. In September of that same year, he was promoted to Chief Financial Officer of Telefónica, S.A. In July 2002 he was appointed Executive Chairman of Telefónica Internacional, S.A.U.; in July 2006 General Manager of Telefónica Latinoamérica and in March 2009 Chairman of Telefónica Latinoamérica. He is a member of the Board of Directors of Telefónica, S.A. since July 2006.

He began his professional career at Arthur Young Auditors in 1987. In 1998 he joined Benito & Monjardín/Kidder, Peabody & Co., where he worked for seven years, holding various positions in the analysis and corporate finance departments. In 1991, after taking a 25% stake of the share capital by Kidder, Peabody & Co. (Group General Electric - GE), he held the "Associate" training course in New York and participated in investment projects of the GE Group in Spain. In 1995 he joined Compañía Valenciana de Cementos Portland (Cemex) as head of the Investor Relations and Analysis department. In 1996 he was promoted to Chief Financial Officer in Spain, and in 1998 to Chief Administration and Finance Officer of the CEMEX Group in Indonesia, based in Jakarta, where he was also Director.

He has been Chairman of the Board of Directors of Telefónica Internacional, S.A.U. ; of the Supervisory Board of Brasilcel, N.V. of Cesky Telecom, of Seguros de Vida y Pensiones Antares, S.A., of Fonditel Pensiones, Entidad Gestora de Fondos de Pensiones, S.A., of Telefónica Finanzas, S.A.U (TELFISA) and of Telefónica North América Inc. Vice Chairman of the Boards of Telesp, S.A.; Telefónica del Perú, S.A.A. and Telefónica Móviles México, S.A. He has been member of the Board of Directors of the following Telefónica Group companies: Telecomunicações de Sao Paulo; Telefónica Datacorp, S.A.; Telefónica del Perú, S.A.; Colombia Telecomunicaciones, ESP; Telefónica Móviles México; Telefónica Larga Distancia de Puerto Rico, S.A.; Admira Media; Inmobiliaria Telefónica; TPI; Telefónica Móviles; Telefónica Holding Argentina; Telefónica de España; Telefónica O2 Europe; Portugal Telecom and China Netcom. He was substitute Director in the following companies: Telefónica Chile, S.A.; Telefónica Móviles Colombia, S.A.; Telefónica de Argentina, S.A.; and Telefónica Móviles Chile.

Also, he has been honored with numerous awards throughout his entire professional career.

- **Mr. José Fernando de Almansa Moreno-Barreda**

Born in Granada on 4 October 1948. Mr. Almansa holds a Law degree from the University of Deusto (Bilbao).

He is Chairman of Telefónica Brasil, S.A., and of Telefónica Móviles México, S.A. de C.V. Furthermore, he is Deputy Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and of BBVA Bancomer, S.A.

On 2 December 1974, he joined the Spanish Diplomatic Corps (*Carrera Diplomática*). From 1976 to 1992, he has held different positions: as Secretary of the Spanish Embassy in Brussels, Cultural Counsellor of the Spanish Representation to Mexico, Chief Director of the General Coordination Branch of Eastern Europe, Atlantic Affairs Director in the General Directorate of Foreign Policy for Europe and Atlantic Affairs, Political Counsellor to the Spanish Permanent Representation to NATO in Brussels, Minister-Counsellor of the Spanish Embassy in the Soviet Union, General Secretary of the National Commission for the 5th Centennial of the Discovery of the Americas, and Deputy General Director for Eastern Europe in the General Directorate of Foreign Policy for Europe. From 1993 to 2002, he was appointed Chief of the Royal Household, with ministerial rank, by His Majesty King Juan Carlos I, and is currently Personal Adviser to His Majesty the King Juan Carlos I.

- **Ms. Eva Castillo Sanz**

Born in Madrid on 23 November 1962. Ms. Castillo holds degrees in Law and Business from Pontificia University of Comillas, ICADE (E-3) in Madrid.

Currently she is member of the Board of Telefónica, S.A. (since 2008). Chairwoman of the Supervisory Board of Telefónica Deutschland Holding AG; Independent Director of Bankia (since 2012); Independent Director of Visa Europe (since November 2014); Trustee of the Fundación Telefónica and member of the Comillas-ICAI Trust and Entreculturas Trust.

From September 2012 to February 2014, she was Chairwoman and Chief Executive Officer of Telefónica Europe. Also, from February 2011 to February 2013 she has been a Director of Old Mutual, Plc.; and from May 2010 to January 2014, Chairman of the Supervisory Board of Telefónica Czech Republic, a.s. Until December 2009, she was head of Private Banking Merrill Lynch Europe, Middle East and Africa (EMEA), forming part of the Executive Committee of Merrill Lynch EMEA and Executive Committees and Operational Committees of Merrill Lynch Global Private Banking.

Prior to the mentioned position, assumed the dual role of head of Division of Capital Markets and Investment Banking for Merrill Lynch in the Iberian Peninsula and Chairman of Merrill Lynch Spain (October 2003). Also, before that, she was Chief Operating Officer (COO) for Equity Markets in Europe, Middle East and Africa. In 1997 she joined Merrill Lynch as head of Equity Markets for Spain and Portugal. In 1999 he was promoted to Country Manager for Spain and Portugal, and in 2000 was appointed Chief Executive Officer of Merrill Lynch Capital Markets Spain.

Before joining Merrill Lynch, she worked for Goldman Sachs in London for 5 years in the International Equity Markets Department in London, and, previously, she worked for 5 years at the Spanish broker Beta Capital in the Sales and Equity Research Department.

- **Mr. Carlos Colomer Casellas**

Born in Barcelona on 5 April 1944. Mr. Colomer has an Economics degree from the University of Barcelona and a Business Administration degree from IESE Business School (Barcelona).

Mr. Colomer is Chairman of Ahorro Bursátil, S.A. SICAV and Inversiones Mobiliarias Urquiola, S.A. SICAV, and Chairman of Haugron Holdings, S.L. He is Independent Director of Abertis Infraestructuras, S.A. and MDF Family Partners.

Between 1970 and 1980, he served as Marketing Vice-Chairman of Henry Colomer, S.A. In 1980, he was appointed as Chairman and General Manager of Henry Colomer, S.A. and of Haugron Cientifical, S.A. In 1986, he was also appointed Chairman of Revlon for Europe. In 1989, he became the Chairman of Revlon International and in 1990, he was appointed executive Vice-Chairman and Chief Operating Officer of

Revlon Inc. in New York. In 2000, he was appointed Chairman and Chief Executive Officer of The Colomer Group.

Furthermore, in 2000 he has been awarded as Entrepreneur of the Year by the "Generalitat de Catalunya". Also he received the Economist of the Year Award by the "Colegio de Economistas de Catalunya" (2003), and he got the prize for the internationalization of Catalan companies (2004) by the "Generalitat de Catalunya".

- **Mr. Peter Erskine**

Born in London on 10 November 1951. Mr. Erskine holds a degree in Psychology from Liverpool University and Doctor Honoris Causa by the University of Reading.

He is currently Chairman of Ladbrokes, Plc., and of the Strategy Board of Henley Business School. Furthermore, he is a member of the Council and the Strategy and Finance Committees of Reading University.

He began his professional career in the field of Marketing and Brand Management in Polycell and in Colgate Palmolive. He worked for several years at the MARS Group, being appointed European Vice-Chairman of Mars Electronics. In 1990 he was appointed Vice-Chairman of Marketing and Sales of UNITEL.

Between 1993 and 1998, he held a number of senior positions, including Director of BT Mobile and Chairman and Chief Executive Officer of Concert. In 1998 he became Managing Director of BT Cellnet. Subsequently in 2001 he became member of the Board of Directors and Chief Executive Officer of O2 Plc. (currently known Telefónica Europe, Plc.). In 2006 he became Chairman of this Company until 31 December 2007, after which he became a non-executive Director. From July 2006 to December 2007, he served as General Manager of Telefónica Europe of Telefónica S.A. In January 2009, he joined the Board of Ladbrokes Plc. as a non-executive Director, becoming Chairman in May 2009.

- **Mr. Santiago Fernández Valbuena**

Born in Madrid on 22 April 1958. Mr. Fernández holds a degree in Economics from the Complutense University of Madrid and a PhD (*Doctor*) and a Masters in Economics from Northeastern University in Boston.

He is Chief Strategy Officer (CSO) since February 2014. Also, he is Deputy Chairman and member of Board of Directors of Telefónica Brasil, S.A. Moreover, he is Vice Chairman and Director of Telefónica Brasil, S.A.; Chairman of Telefónica América, S.A.; Chairman of Telefónica Internacional, S.A.U.; Chairman of Fonditel Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. (E.G.F.P.); and Vice Chairman of Telefónica Móviles México, S.A. de C.V. He is also Director of Colombia Telecomunicaciones, S.A., E.S.P.; Sole Administrator of Telefónica Capital, S.A.; and Substitute Director of Telefónica Chile, S.A.

He has been Chairman of Telefónica Latinoamérica (2011-2014), Chief Finance and Strategy Officer (2010-2011) and Chief Financial and Corporate Development Officer (2002-2010). Throughout this period he was also responsible for Procurement, IT, HR, Internal Audit and Subsidiaries (Endemol, Atento). From 1997 to 2002 he was Chief Executive Officer of Fonditel, the pension fund manager of the Group (*la Gestora de Pensiones*).

Since 2008 he serves as Director of Ferrovial, S.A. and member of its Audit Committee.

Before joining Telefónica Group he was Managing Director at Société Générale de Valores and Head of Equities at Beta Capital in Madrid. He has been a Professor of Applied Economics (*Profesor Titular de*

Economía Aplicada) at Complutense University and the University of Murcia and has lectured at IE Business School (Instituto de Empresa) in Madrid.

- **Mr. Alfonso Ferrari Herrero**

Born in Madrid on 28 February 1942. Mr. Ferrari has a doctorate in Industrial Engineering from the Industrial Engineers Technical School of the Polytechnic University of Madrid and holds a Master's degree in Business Administration from Harvard University (EEUU).

He serves as a Director of Telefónica del Perú, S.A.A. He also serves as an Alternative Director of Telefónica Chile, S.A.

From 1968 to 1969 he was Assistant to the Financial Manager of Hidroeléctrica del Cantábrico, S.A. From 1969 to 1985, he worked in Banco Urquijo as Financial Analyst, Manager of Industrial Investments and he served as a representative in several subsidiaries of such Bank as member of the Board of Directors. From 1985 to 1996 he was co-founder, member of the Board of Directors and Head of the "Corporate Finance" of Beta Capital, S.A (*Sociedad de Valores y Bolsa y Sociedad Gestora de Patrimonios*). In 1996 was appointed as Chairman and Chief Executive Officer of Beta Capital, S.A. until 2000.

- **Mr. Luis Fernando Furlán**

Born in Brazil on 29 July 1946. He holds a degree in Chemical Engineering from Industrial Engineering Faculty of São Paulo (FEI) and in Business Administration from University of Santana - São Paulo, with specialization in Financial Administration from Fundação Getúlio Vargas - São Paulo.

He is currently Chairman of the Board of Directors of Fundación Amazonas Sustainability and member of Global Ocean Commission. He is also a member of the Board of Directors of BRF, S.A. (BRAZIL), of Telefónica Brasil, S.A. (BRAZIL) and AGCO Corporation (USA).

He was Minister of Industry, Development and Foreign Trade of the Brazil Government from 2003 to 2007. Previously, he was a member of the Board of Directors of, amongst others, the following companies: Sadia, S.A., Co-Chairman of the Board of Directors of BRF, S.A., and member of the Board of Redecard, S.A. Furthermore, he was a member of the Advisory Consultive Board of the following companies: Panasonic (Japan), Walt- Mart (USA) and member of the Advisory Council of Abertis Infraestructuras, S.A.

- **Mr. Gonzalo Hinojosa Fernández de Ángulo**

Born in Madrid on 10 July 1945. Mr. Hinojosa has a degree in Industrial Engineering from the Industrial Engineers Technical School of the Polytechnic University of Madrid.

He is a Director of Telefónica del Perú, S.A.A. From 1976 to 1985 he served as General Manager of Cortefiel, S.A. After that, from 1985 to 2005, he served as Chief Executive Officer of the Cortefiel Group being appointed Chairman in 1988, a position that he held until 2006. Also, from 1991 to 2002, he served as a Director of Banco Central Hispano Americano and of Portland Valderribas. Also he has served as Director of Altadis, S.A. (1998-2007). He is Director of Telefónica, S.A. since April 2002.

Furthermore, he was awarded as Manager Award (*Premio Dirigente*) of the Year 1986 (Revista Mercado), also he received the Top School of Marketing Award at the best employer in 1988, the "Best Entrepreneur of Madrid 1991" Award (Actualidad Económica) and the GQ Award 2005 to the best professional career.

- **Mr. Pablo Isla Álvarez de Tejera**

Born in Madrid on 22 January 1964. He holds a degree in Law from the Complutense University of Madrid and State's Attorney (*Abogado del Estado*).

Since 2011, he is currently Chairman and Chief Executive Officer of INDITEX Group. Since 2005, he was Vice-Chairman and Chief Executive Officer of Inditex, S.A.

From 1992 to 1996, Mr. Isla was Legal Services Director of Banco Popular. Later, he was appointed State Assets General Manager at the Economy and Finances Ministry. From July 2000 to 2005 he was Chairman of Altadis Group.

- **Mr. Antonio Massanell Lavilla**

Born in Vilafranca del Penedés (Barcelona) on 24 September 1954. Mr. Massanell received his degree in Economics and Business from the University of Barcelona.

Mr. Massanell has been CaixaBank's Deputy Chairman since June 2014.

Additionally, he is a member of the following Boards of Directors: Cecabank (non-executive Chairman), Mediterranea Beach & Golf Community, S.A. (Deputy Chairman), SAREB (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria), and a member of the Supervisory Board of ERSTE Group Bank, as well as Telefónica and Caixabank.

Moreover, he is Vice-President of the Board of Trustees of COTEC (the Foundation for Technological Innovation), Chairman of the Barcelona Centre Financer Europeu association, a member of the Plenary Body of the Chamber of Commerce of Barcelona (since 2010) and member of the ERPB (Euro Retail Payments Board) on behalf of the European Savings and Retail Banking Group (since April 2014).

In 1971, he joined the Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), where he has developed several posts. In 1990 was appointed Assistant Manager and Secretary of its Steering Committee. From 1999 to June 2011 he served as Senior Executive Vice-President until his appointment as Caixabank's General Manager (2011- 2014).

During his career he has performed, among other duties, as: Director of the Sociedad Española de Medios de Pago (1990-1992), Chairman of the Governing Body of the Sistema 6000 of the Confederación Española de Cajas de Ahorros (1992-1994), Director of Visa España (1995-1998), Director of Autema (Autopista Terrasa-Manresa SACGC) (1991-2003), Director of Inmobiliaria Colonial (1992-2003), Director of Baqueira Beret (1998-2006), Director of Occidental Hotels Management, B.V. (2003-2007), President of Port Aventura Entertainment, S.A. (2009-2012), Chairman of Barcelona Digital Centre Tecnològic (2005-2015), and a member of Boursorama, S.A.'s Board of Directors (2008-2015).

- **Mr. Ignacio Moreno Martínez**

Born in Santander on 30 July 1957. Mr. Moreno holds a degree in Economics and Business Studies from the University of Bilbao, a Master's degree in Marketing and Sales Management from the Instituto de Empresa and a MBA (*Máster en Administración de Empresas*) from INSEAD.

Mr. Moreno is currently Chief Executive Officer of Metrovacesa, S.A.

Previous posts include Head of Corporate Banking and Private Equity at Banco de Vizcaya, Banco Santander de Negocios, and Mercapital. He also served as Deputy General Manager of Corporate and Institutional Banking at Corporación Bancaria de España, S.A. – Argentaria, Chairman Executive Officer of

Desarrollo Urbanístico Chamartín, S.A., and Chairman of Argentaria Bolsa, Sociedad de Valores. In addition, he also served as General Manager of the Chairman's Office at Banco Bilbao Vizcaya Argentaria, S.A., Chief Executive Officer of Vista Capital Expansión, S.A., SGEER – Private Equity, and Chief Executive Officer of N+1 Private Equity.

- **Mr. Francisco Javier de Paz Mancho**

Born in Valladolid on 24 July 1958. Mr. de Paz has a degree in Publicity and Information, and studies in Law. He holds a PhD in Management (*Alta Dirección de Empresas*) from the IESE (University of Navarra).

Mr. de Paz is currently Chairman of Telefónica de Gestión de Servicios Compartidos, S.A.U. He is Director of Telefónica de Argentina, S.A. and Telefónica Brasil, S.A.

From July 2006 to 19 November 2014, he has been member of the Executive Committee of the Council of Chambers. (*Consejo Superior de Cámaras*).

From December 2008 to December 2012 was Chairman of Atento Inversiones y Teleservicios, S.A.U. From June 2004 to December 2007 has been Chairman of the Empresa Nacional MERCASA. He has been also Deputy Chairman and Manager of Corporate Strategy of the Panrico Donuts Group (1996-2004), General Manager of Internal Trade of the Ministry of Tourism and Commerce (1993-1996), Secretariat of the Board of Consumers Union of Spain (UCE), Chief Executive Officer of the Revista Ciudadano (1990-1993) and General Secretary of the Socialism Youth and member of the Executive Council of PSOE (1984-1993). He also served the following posts and responsibilities: Director of the Tunnel of Cadí (2004-2006), Chairman of the Patronal Pan y Bollería Marca (COE) (2003-2004), Director of Mutua de Accidentes de Zaragoza (MAZ) (1998-2004), Director of the Panrico Group (1998-2004), Chairman of the Commercial Distribution Centre of the Ministry of Tourism and Commerce (1994-1996), member of the Economic and Social Board and its Permanent Commission (1991-1993 and 1996-2000), and Director of Tabacalera, S.A. (1993-1996).

- **D. Wang Xiaochu**

Born in Zhejiang, P. R. China, on 24 August 1958. Professor level senior engineer. Mr. Xiaochu holds a degree from Beijing Institute of Posts and Telecommunications in 1989 and received a doctorate degree in business administration from the Hong Kong Polytechnic University in 2005.

Mr. Xiaochu served as Deputy Director General and Director General of the Hangzhou Telecommunications Bureau in Zhejiang province; Director General of the Tianjin Posts and Telecommunications Administration; Chairman and Chief Executive Officer of China Mobile (Hong Kong) Limited; Vice President of China Mobile Communications Corporation; an Executive Director, Chairman and Chief Executive Officer of China Telecom Corporation Limited; President and Chairman of China Telecommunications Corporation; and Chairman and a Non-executive Director of China Communications Services Corporation Limited.

Mr. Xiaochu serves as the Chairman of China United Network Communications Group Company Limited ("Unicom Group"), and as an Executive Director, Chairman and Chief Executive Officer of China Unicom (Hong Kong) Limited.

Mr. Xiaochu has extensive experience in management and telecommunications industry.

On the other hand, It is stated for the record that none of the members of the Board of Directors for the Company (i) has been convicted of the crime of fraud for the five years prior to the date of registration of this Registration Document, (ii) is related, in his/her capacity as Director, with any bankruptcy, cessation of payments or winding up of a commercial undertaking, (iii) has been publicly and officially incriminated, sanctioned by statutory or regulatory authorities or disqualified by any authority for his/her actions as a member of the administrative, management or supervisory bodies or for his/her acting in the management of the affairs of any issuer for at least the previous 5 years.

There is no family relationship between any of the persons referred to in this section.

Management Team

As of the date of the registration of this prospectus, the executive management team of Telefónica and the Manager of Internal Audit are as follows:

Name	Post	Date of appointment
Mr. César Alierta Izuel.....	Executive Chairman	2000
Mr. José María Álvarez-Pallete López.....	Chief Operating Officer	2012
Mr. Ramiro Sánchez de Lerín García-Ovies.....	General Secretary and Secretary to the Board	2005
Mr. Guillermo Ansaldo Lutz.....	Chief Global Resources Officer	2011
Mr. Ángel Vilá Boix.....	Chief Financial and Corporate Development Officer	2011
Mr. Eduardo Navarro de Carvalho.....	Chief Commercial Digital Officer	2012
Mr. Ignacio Cuesta Martín-Gil.....	General Manager of Internal Audit	2012

For the purposes hereof, the professional address of all members of management team of Telefónica is Ronda de la Comunicación s/n, Distrito Telefónica, Madrid (28050).

It includes below the biographies of each member of the management team of Telefónica, excluding Executive Directors whose biographies have been included in the previous item:

- **Mr. Guillermo Ansaldo Lutz**

He holds a degree in Industrial Engineering from the University of Buenos Aires and an MBA from The Amos Tuck School of Business Administration, Dartmouth College.

From 1989 to 2000 he worked for McKinsey & Company in Madrid. In 1993 he moved to Argentina, and two years later he was appointed partner of the firm. Throughout his career in McKinsey, Mr. Guillermo Ansaldo specialized in financial institutions and telecommunications industry.

He joined Telefónica in 2000 as Chief Executive Officer of Telefónica de Argentina, S.A.

In April 2005, he held the position of Chief Executive Officer of Telefónica de España, S.A., a subsidiary of fixed line business of Telefónica de España, a position from which he has contributed to the development of broad band and Imagenio in Spain. From December 2007 to September 2011 he was Chairman of Telefónica de España. Since then he is the Head of Telefónica Global Resources operating unit. On 26 February 2014 he was appointed Chief Global Resources Officer (CGRO).

- **Mr. Ramiro Sánchez de Lerín García-Ovies**

He is General Secretary and Secretary to Board of Directors of Telefónica, S.A.

He began his career in Arthur Andersen, first working for its audit department and later for its tax department. In 1982, he became a State's Attorney (*abogado del estado*) and started working for the local tax authorities in Madrid (*Delegación de Hacienda de Madrid*). Afterwards he was assigned to the State Secretariat for the European Communities and later to the Foreign Affairs Ministry. Mr. Sánchez de Lerín has held, among others, the following positions: General Secretary and Secretary of the board of Elosúa, S.A., Tabacalera, S.A., Altadis, S.A. and Xfera Móviles, S.A.

He has also held teaching positions in Instituto Católico de Administración and Dirección de Empresas (ICADE), Instituto de Empresa and Escuela de Hacienda Pública.

- Mr. Ángel Vilá Boix

He is Chief Financial and Corporate Development Officer of Telefónica, S.A. (CF&CDO). He is Industrial Engineer from the Universitat Politècnica de Catalunya and holds an MBA from Columbia University (New York).

Mr. Vilá started his career in Telefónica in 1997 as Group Controller, becoming CFO of Telefónica Internacional in November of that year. In 2000 he was appointed Group Head of Corporate Development. In 2010, Mr. Vila added the monitoring of Subsidiaries Group to his duties, consisting of Atento, T-Gestiona and Telefónica Contenidos.

In his various positions, has participated in such significant transactions such as acquisitions of O2, Brasilcel / Vivo, EPlus, GVT or Telco / IT, as well as in the IPO of Telefónica Deutschland, among others. Before starting work in Telefónica, Mr. Vilá had developed his career at Citigroup, McKinsey & Co, Ferrovial and Planeta.

Currently he serves in the Board of Directors of Telefónica Deutschland and he is Trustee of the Fundación Telefónica. Previously he belonged, among others, to the Boards of Telco, S.p.A., BBVA, Atento, TEF Contenidos, Digital +, TEF Czech Republic, Endemol, CTC Chile, Indra SSI and Terra Lycos, as well as Advisory Panel of Macquarie MEIF.

- Mr. Eduardo Navarro de Carvalho

He is Metallurgical Engineer from the Federal University of Minas Gerais, Brazil.

He began his career in Telefónica Group in 1999, coinciding with the operations that Telefónica developed in Brazil.

He is currently Chief Commercial Digital Officer at Telefónica S.A. Previously he was Head of Strategy and Alliances for Telefónica, S.A. and responsible for Strategic Planning and Regulatory Affairs for Telefónica Internacional.

From 1999 to 2005 he served as Vice-Chairman of Strategy and Regulatory Affairs for Telefónica Group in Brasil, also participating in the Steering Committee of several companies of Telefónica Group in Brazil. He worked for five years as a Consultant in McKinsey & Company (1994-1999), a period in which he led projects in Brazil, Spain, Portugal and South Africa, focusing on the strategy of Industry, Infrastructure and Telecommunications areas. He began his professional experience in the Steel Industry, where he worked in the Group ARBED in Brazil from 1986 to 1994.

- Mr. Ignacio Cuesta Martín-Gil

He holds a degree in Economics from the University of Alcalá de Henares de Madrid. He is currently Chief Audit Executive of the Telefónica Group since 1 January 2013.

He joined the Telefónica Group in January 1995 as Financial Manager in Telefónica Internacional. In 1999 he joined the Telefónica, S.A., as Head of Financial Planning and he held for ten years various positions to become Deputy Chief Financial Officer in charge of several areas as accounting, financial planning and taxes among others. On 1 October 2009, he returned to Telefónica Latin America, holding the position of Chief Financial Officer for three years.

Previously he had worked as external auditor and as Head of Internal Audit and Consolidation Accounting for the multinational Pedro Domecq.

He has been a member of the Standard Advisory Committee of the Spanish Institute of Accounting and Auditing and a member of the working group that drafted the White Book for Accounting Reform in Spain, both reporting to the Ministry of Economy, as well as a member of the Accounting Experts Group of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) in Spain.

It is stated for the record that none of the members of the management team (i) has been convicted of the crime of fraud for the five years prior to the date of registration of this Registration Document, (ii) is related, in his/her capacity as an officer, with any bankruptcy, cessation of payments or winding up of a commercial undertaking, (iii) has been publicly and officially incriminated, sanctioned by statutory or regulatory authorities or disqualified by any authority for his/her actions as a member of the administrative, management or supervisory bodies or for his/her acting in the management of the affairs of any issuer for at least the previous 5 years.

There is no family relationship between any of the persons referred to in this section.

14.2 Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests

Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 14.1 and their private interests and/or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made.

Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management.

Details of any restrictions agreed by the persons referred to in item 14.1 on the disposal within a certain period of time of their holdings in the issuer's securities.

It is stated for the record that, as of the date of registration of this Document, the Company is not aware of the existence of any conflict of interest between any duties to the issuer of the persons referred to in section **¡Error! No se encuentra el origen de la referencia.** above and their private interests and/or other duties.

Other than proprietary Directors, it is stated for the record that none of the persons mentioned in section **¡Error! No se encuentra el origen de la referencia.** above have been appointed to their position by reason of any agreement or understanding with major shareholders, customers, or suppliers.

As regards possible restrictions agreed by the persons referred to in section **¡Error! No se encuentra el origen de la referencia.** on the disposal within a certain period of time of their holdings in the Telefónica's securities, the Company's Internal Code of Conduct for Securities Market Issues provides that the securities issued by Telefónica or its subsidiaries (Affected Securities) acquired by the persons referred to in section **¡Error! No se encuentra el origen de la referencia.** may not be transferred within a period of six (6) months after the purchase has taken place, except in the event of extraordinary

situations that justify their transfer, subject to authorization by the Company's Regulatory Compliance Committee.

Such persons must also refrain from engaging in trades in "Affected Securities" during the following periods:

- a) In the month prior to the date of preparation of the Annual Accounts by the Company's Board of Directors.
- b) In the month prior to the publication date of the Company's quarterly and half-yearly results.
- c) During the period of time they are affected by any confidential transaction.

Notwithstanding the foregoing, they may, on an extraordinary basis, request authorization from the Regulatory Compliance Committee to engage in trades during those periods.

In addition, article 30 of the By-Laws provides that to be appointed as a Director, one must have held, for more than three years prior to appointment, a number of shares of the Company representing a nominal value of at least 3,000 euros. Such shares may not be transferred while in office. However, these requirements shall not apply to those persons who, at the time of their appointment, are related to the Company under an employment or professional relationship, or when the Board of Directors resolves to waive such requirements with the favourable vote of at least 85% of its members.

In addition, the Regulations of the Board of Directors approved on 29 January 1997 and last amended on 26 June 2013 provide in article 31 d) and e) the following obligations that Directors of the Company must comply with:

- Directors must inform the Board of Directors of any situation of direct or indirect conflict they may have with the interest of the Company. In the event of conflict, the Director affected shall refrain from participating in the transaction to which the conflict refers.
- Directors must refrain from participating in votes that affect matters in which they or persons related to them have a direct or indirect interest.

As has already occurred with the By-Laws and with the Regulations for the General Shareholders' Meeting, the Company will amend the Regulations of the Board of Directors, to conform them to the requirements of the Companies Act. As at the date of this document, the only article of the Regulations of the Board that contradicts the provisions of the current Companies Act is related to the Director's term of office (article 11), which, as permitted by previous company law, provides that "Directors shall hold office for a maximum period of five years". Currently, and in accordance with section 529(j) of the aforementioned Companies Act, the maximum term may not exceed four years, as shall be stated in the Regulations of the Board once amended. Article 29.1 of the By-Laws of the company has already been amended in this regard.

Additionally, and as regards the recommendations established by the Good Governance Code of Listed Companies, the Company is carrying out the corresponding study and analysis thereof, for purposes of adjusting the Regulations of the Board of Directors as to those issues it deems appropriate.

15 REMUNERATION AND BENEFITS

In relation to the last full financial year for those persons referred to in points (a) and (d) of the first subparagraph of item 14.1.

15.1 The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.

That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.

Information regarding the remuneration and other benefits provided to the Board of Directors and Senior Executives of the Company can be found in Note 21 "Other information", section f) Directors' and Senior Executives' compensation and other benefits in the Consolidated Annual Accounts of the Company for the year ended 31 December 2014 and in the Annual Corporate Governance Report and in the Annual Report on the Remuneration of Directors of the Company for the year ended 31 December 2014.

15.2 The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.

This information is described in Note 21 "Other information", section f) Directors' and Senior Executives' compensation and other benefits in the Consolidated Annual Accounts of the Company for the year ended 31 December 2014 and in the Annual Corporate Governance Report and in the Annual Report on the Remuneration of Directors of the Company for the year ended 31 December 2014.

16 BOARD PRACTICES

In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of item 14.1:

16.1 Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.

Name	Positions in Telefónica, S.A.	Date of first appointment	Date of last re-election	Date of expiration of the current mandate
Mr. César Alierta Izuel.....	Chairman of Board of Directors Executive Chairman	29-01-1997	14-05-2012	14-05-2017
Mr. Isidro Fainé Casas	Vice-Chairman	26-01-1994	18-05-2011	18-05-2016
Mr. José María Abril Pérez	Vice-Chairman	25-07-2007	31-05-2013	31-05-2018
Mr. Julio Linares López	Vice-Chairman	21-12-2005	18-05-2011	18-05-2016
Mr. José María Álvarez-Pallete López.....	Chief Operating Officer	26-07-2006	14-05-2012	14-05-2017
Mr. Fernando de Almansa Moreno-Barreda ...	Director	26-02-2003	31-05-2013	31-05-2018
Ms. Eva Castillo Sanz	Director	23-01-2008	31-05-2013	31-05-2018
Mr. Carlos Colomer Casellas.....	Director	28-03-2001	18-05-2011	18-05-2016
Mr. Peter Erskine	Director	25-01-2006	18-05-2011	18-05-2016
Mr. Santiago Fernández Valbuena ⁽¹⁾	Director Chief Strategy Officer	17-09-2012	31-05-2013	31-05-2018
Mr. Alfonso Ferrari Herrero.....	Director	28-03-2001	18-05-2011	18-05-2016
Mr. Luiz Fernando Furlán	Director	23-01-2008	31-05-2013	31-05-2018
Mr. Gonzalo Hinojosa Fernández de Ángulo ...	Director	12-04-2002	14-05-2012	14-05-2017
Mr. Pablo Isla Álvarez de Tejera.....	Director	12-04-2002	14-05-2012	14-05-2017
Mr. Antonio Massanell Lavilla	Director	21-04-1995	18-05-2011	18-05-2016
Mr. Ignacio Moreno Martínez.....	Director	14-12-2011	14-05-2012	14-05-2017
Mr. Francisco Javier de Paz Mancho.....	Director	19-12-2007	31-05-2013	31-05-2018
Mr. Wang Xiachu.....	Director	30-09-2015	-	-

(1) Mr. Santiago Fernández Valbuena was elected by the Board of Directors on an interim basis on 17 September 2012, for which reason the dates indicated do not refer to his re-election, but rather to the ratification of his position by the shareholders at the General Shareholders' Meeting.

(2) Wang Xiaochu was appointed by co-optation on 30 September 2015.

16.2 Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.

The information relating to the remuneration and other benefits provided to the Board of Directors and Senior Executives of the Company is described in section C.1. 45 of the Annual Corporate Governance Report for financial year 2014.

16.3 *Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.*

Audit and Control Committee

Pursuant to the provisions of Article 39 of the Corporate By-Laws of Telefónica, S.A., Article 22 of the Regulations of the Board of Directors regulates the Audit and Control Committee in the following terms:

A) Composition:

The Audit and Control Committee shall consist of such number of members as the Board of Directors determines from time to time, who shall in no case be less than three and shall be appointed by the Board of Directors. All members thereof must be external or non-executive Directors, and at least two of them must be an independent Director. When appointing such members, the Board of Directors shall take into account the appointees' knowledge and experience in matters of accounting, auditing or both, as well as in risk management.

The Chairman of the Audit and Control Committee, who shall in all events be an independent Director, shall be appointed from among its members, and shall be replaced every four years; he may be re-elected after the passage of one year from the date when he ceased to hold office.

The current composition of the Audit and Control Committee at the date of this document is:

Name	Date of appointment	Type
Mr. Carlos Colomer Casellas (Chairman)	24/04/2013	Independent
Mr. Gonzalo Hinojosa Fernández de Angulo	26/06/2002	Independent
Mr. Alfonso Ferrari Herrero	27/02/2008	Independent
Mr. Antonio Massanell Lavilla	30/08/2000	Propietary
Mr. Ignacio Moreno Martínez	31/05/2013	Propietary

B) Duties:

Without prejudice to any other tasks that the Board of Directors may assign thereto, the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties. Specifically, it shall have at least the following powers and duties:

- (1) To report to the shareholders at the General Shareholders' Meeting on matters raised at the Committee and within the purview thereof.
- (2) To submit to the Board of Directors proposals for the selection, appointment, re-election or replacement of the external auditor, as well as the terms for the hiring thereof, and regularly obtain

information from the auditor regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.

(3) To supervise the effectiveness of the Company's internal control system, internal audit, and systems for the management of risks, including tax risks, and to discuss with the Auditor significant weaknesses in the internal control system detected during the audit.

(4) To supervise the process of preparing and submitting regulated financial information.

(5) To establish and maintain appropriate relations with the Auditor in order to receive, for review by the Committee, information on all matters that could jeopardise the independence thereof, and any others matters relating to the audit procedure, as well as such other communications as may be provided for in auditing legislation and in technical auditing regulations. In any event, the Audit and Control Committee must receive, on an annual basis, written confirmation from the Auditor of its independence vis-à-vis the entity or entities directly or indirectly related thereto, as well as information regarding additional services of any kind provided to such entities by the aforementioned Auditor or by the persons of entities related thereto pursuant to the provisions of applicable law.

(6) To issue on an annual basis, prior to the issuance of the audit report, a report stating an opinion regarding the independence of the Auditor. This report must in all cases include an opinion on the provision of the additional services referred to in point (v) above.

(7) To report in advance to the Board of Directors on all the matters provided by law, the By-Laws and the Regulations of the Board of Directors.

(8) Any others that are attributed thereto pursuant to the Regulations of the Board of Directors.

As of the date of this document, study and analysis is being carried out to amend the Regulations of the Board of Directors in order to conform them to the latest amendments to the legal provisions and to the recommendations applicable to this Committee.

C) Operation:

The Audit and Control Committee shall meet at least once every quarter and as often as appropriate, when called by its Chairman.

The Audit and Control Committee may require that the Company's Auditor and the person responsible for internal audit, and any employee or senior executive officer of the Company, attend its meetings.

In the exercise of the functions assigned to it, the Audit and Control Committee has reviewed this Registration Document (*Documento de Registro*).

Nominating, Compensation and Corporate Governance Committee

The Article 23 of the Regulations of the Board of Directors of the Company regulates the Nominating, Compensation and Corporate Governance Committee as follows:

A) Composition:

The Nominating, Compensation and Corporate Governance Committee shall consist of such number of members as the Board of Directors determines from time to time, who shall in no case be less than three and shall be appointed by the Board of Directors. All members thereof must be external or non-executive Directors and the majority of them must be independent Directors.

The Chairman of the Nominating, Compensation and Corporate Governance Committee, who shall in all events be an independent Director, shall be appointed from among its members.

The composition of the Nominating, Compensation and Corporate Governance Committee at the date of this document is:

Name	Date of appointment	Type
Mr. Alfonso Ferrari Herrero (Chairman)	30-05-2001	Independent
Mr. Carlos Colomer Casellas	23-01-2008	Independent
Mr. Gonzalo Hinojosa Fernández de Angulo	30-11-2005	Independent
Mr. Pablo Isla Álvarez de Tejera	26-06-2002	Independent

B) Duties:

Without prejudice to any other tasks that the Board of Directors may assign thereto, the Nominating, Compensation and Corporate Governance Committee shall have the following powers and duties:

(1) To report, following standards of objectivity and conformity to the corporate interest, on the proposals for the appointment, re-election and removal of Directors and senior executive officers of the Company and its subsidiaries, as well as the Secretary and, if applicable, the Deputy Secretary of the respective Board of Directors, and evaluate the qualifications, knowledge and experience required of candidates to fill vacancies.

(2) To report on the proposals for appointment of the members of the Executive Commission and of the other Committees of the Board of Directors, as well as the respective Secretary and, if applicable, the respective Deputy Secretary.

(3) To propose to the Board of Directors the appointment of the Lead Director from among the independent Directors.

(4) Together with the Chairman of the Board of Directors, to organize and coordinate a periodic assessment of the Board of Directors pursuant to Article 13.3 of these Regulations.

(5) To report on the periodic evaluation of the performance of the Chairman of the Board of Directors.

(6) To examine or organize, in such manner as is deemed fit, the succession of the Chairman of the Board of Directors and, if applicable, to make proposals to the Board of Directors so that such succession occurs in an orderly and well-planned manner.

(7) To propose to the Board of Directors, within the framework established in the By-Laws, the compensation for the Directors and review it periodically to ensure that it is in keeping with the tasks performed by them, as provided in Article 34 of these Regulations.

(8) To propose to the Board of Directors, within the framework established in the By-Laws, the extent and amount of the compensation, rights and remuneration of a financial nature of the Chairman of the Board of Directors, the executive Directors and the senior executive officers of the Company, as well as the basic terms of their contracts, for purposes of contractual implementation thereof.

(9) To prepare and propose to the Board of Directors an annual report regarding the Director compensation policy.

(10) To supervise compliance with the Company's internal rules of conduct and the corporate governance rules thereof in effect from time to time.

(11) To exercise such other powers and perform such other duties as are assigned to the Nominating, Compensation and Corporate Governance Committee in these Regulations.

C) Operation:

In addition to the meetings provided for in the annual schedule, the Nominating, Compensation and Corporate Governance Committee shall meet whenever the Board of Directors of the Company or the Chairman of the Board of Directors requests the issuance of a report or the making of a proposal within the scope of its powers and duties, provided that, in the opinion of the Chairman of the Committee, it is appropriate for the proper implementation of its duties.

Regulation Committee

Name	Post	Type
Mr. Gonzalo Hinojosa Fdez. Angulo	Chairman	Independent
Mr. Alfonso Ferrari Herrero	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Independent
Mr. José Fernando de Almansa Moreno-Barreda	Member	Other External
Ms. Eva Castillo Sanz	Member	Other External
Mr. Ignacio Moreno Martínez	Member	Propietary

Service Quality and Customer Service Committee

Name	Post	Type of Director
Mr. Antonio Massanell Lavilla	Chairman	Propietary
Mr. Alfonso Ferrari Herrero	Member	Independent
Mr. Carlos Colomer Casellas	Member	Independent
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent
Ms. Eva Castillo Sanz	Member	Other External
Mr. Ignacio Moreno Martínez	Member	Propietary
Mr. Francisco Javier de Paz Mancho	Member	Independent

Institutional Affairs Committee

Name	Post	Type
Mr. Julio Linares López	Chairman	Other External
Mr. Alfonso Ferrari Herrero	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Independent
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent
Mr. José Fernando de Almansa Moreno-Barreda	Member	Other External
Mr. Antonio Massanell Lavilla	Member	Propietary

Strategy Committee

Name	Post	Type
Mr. Peter Erskine	Chairman	Independent
Mr. Alfonso Ferrari Herrero	Member	Independent
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent
Mr. José Fernando de Almansa Moreno-Barreda	Member	Other External
Ms. Eva Castillo Sanz	Member	Other External
Mr. Julio Linares López	Member	Other External

Innovation Committee

Name	Post	Type
Mr. Carlos Colomer Casellas	Chairman	Independent
Mr. José María Abril Pérez	Member	Propietary
Mr. Julio Linares López	Member	Other External
Mr. Peter Erskine	Member	Independent
Mr. Antonio Massanell Lavilla	Member	Propietary

16.4 A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to

that effect must be included together with an explanation regarding why the issuer does not comply with such regime.

Telefónica has included in section G of its Annual Corporate Governance Report for year ended 31 December 2014, which was registered with the CNMV on 27 February 2015, detailed information regarding the level of compliance with the degree of compliance with the Recommendations contained in the Unified Good Governance Code

On 24 February 2015, the National Securities Market Commission (CNMV) published a new Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*). As with the previous Code, Telefónica intends to follow and comply with the recommendations of the new Good Governance Code, taking into account the multinational character of the company.

17 EMPLOYEES

17.1 Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.

See the headcount and Employee benefits section of Note 18 to the Consolidated Annual Accounts for the years ended 31 December 2014 and 2013 for a description of employees during 2015 and 2014 and Note 11 to the Half-Yearly Financial Report.

17.2 Shareholdings and stock options

With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.

Based on the information available to the Company, as at the date of registration of this document, the total number of Telefónica shares owned directly or indirectly the Directors on an individual basis totals (0.175% of share capital).

Name	Direct Shareholding	Indirect Shareholding	Number of Shares held	% Share Capital
César Alierta Izuel	5,142,251	---	5,142,251	0,106
Isidro Fainé Casas (1)	556,127	---	556,127	0,011
José María Abril Pérez (2)	131,033	147,779 (7)	278,812	0,006
Julio Linares López	449,182	2,055 (5)	451,237	0,009
José María Álvarez-Pallete López.....	537,343	---	537,343	0,011
José Fernando de Almansa Moreno-Barreda	19,815	---	19,815	0,000
Eva Castillo Sanz	106,105	---	106,105	0,002

Carlos Colomer Casellas	49,360	66,310 (6)	115,670	0,002
Peter Erskine.....	77,679	---	77,679	0,002
Santiago Fernández Valbuena.....	217,506	---	217,506	0,004
Alfonso Ferrari Herrero.....	640,677	21,310 (3)	661,987	0,014
Luiz Fernando Furlán.....	35,031	---	35,031	0,001
Gonzalo Hinojosa Fernández de Angulo....	47,725	197,474 (4)	245,199	0,005
Pablo Isla Álvarez de Tejera.....	9,607	---	9,607	0,000
Antonio Massanell Lavilla (1)	2,563	---	2,563	0,000
Ignacio Moreno Martínez (2)	13,893	---	13,893	0,000
Francisco Javier de Paz Mancho.....	58,150	---	58,150	0,001
Wang Xiaochu.....	---	---	---	---
TOTAL	8,094,047	434,928	8,528,975	0.175

- (1) Appointed at the proposal of the Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("La Caixa").
- (2) Appointed at the proposal of BBVA.
- (3) Participation Ownership Investment Singladura, SIMCAV, SA, a company controlled 60% by Mr. Ferrari.
- (4) Participation Eletres ownership, SA, 98.48% controlled by Mr. Hinojosa society.
- (5) Participation Jubbem ownership of Investment, SICAV, SA, subsidiary to 99.63% by Mr. Linares, and spouse.
- (6) Equity Ownership Savings Securities, SA SICAV Investment Transactions Urquiola, Inc. SICAV and Haugron Holdings Ltd, subsidiaries as 59.36% to 78% and 81.87%, respectively, by Colomer.
- (7) Participation ownership of the spouse.

The members of the Board of Directors who hold options on shares of the Company are listed below:

Name	Number of rights linked to the company shares	% of voting rights
D. César Alierta Izuel	1,012,500	0.022
D. José María Álvarez-Pallete.....	540,000	0.011
D. Santiago Fernández Valbuena.....	1,325,000	0.026
TOTAL	2,877,500	0.059

Based on the information available to the Company, the total number of Telefónica shares owned directly or indirectly by members of the Management Team in their individual capacity totals 1,054,230 shares (0.022% of share capital).

Name	Direct shareholding	Indirect Shareholding	Number of Shares held	% Share Capital I
D. Ramiro Sánchez de Lerín García-Ovies ...	431,318	---	431,318	0.009
D. Guillermo Ansaldo Lutz	335,779	---	335,779	0.007
D. Ángel Vilá Boix.....	205,089	---	205,089	0.004
D. Eduardo Navarro de Carvalho.....	72,030	---	72,030	0.001
D. Ignacio Cuesta Martín-Gil.....	10,014	---	10,014	0.000

TOTAL	1,054,230	---	1,054,230	0.022
--------------	-----------	-----	-----------	-------

17.3 Description of any arrangements for involving the employees in the capital of the issuer.

A description of remuneration schemes based on the listing price of the Telefónica Group's shares in effect during the 2014, 2013 and 2012 appears in Note 19 ("Share-based payment plans") to the Consolidated Annual Accounts of the company for the year ended 31 December 2014 and in section D of the Annual Report on the Remuneration of Directors.

At 30 June 2014 marked the end of the first cycle of the long-term incentive plan in shares of Telefónica, S.A., the "Performance and Investment Plan" ("PIP"), which did not entail the delivery of shares to executives of the Telefónica Group.

On 30 June 2015 marked the end of the second cycle of the long-term incentive plan based on shares of Telefónica, S.A., for executives of the Telefónica Group, the "Performance and Investment Plan 2012-2015" ("PIP 2012-2015"). The level of Total Shareholder Return (TSR) achieved resulted in the delivery of 77% of the shares assigned to the beneficiaries (3,696,668 shares).

18 MAJOR SHAREHOLDERS

Based on the latest available information, provided on 31 December 2013 by the major shareholders of Telefónica, the holdings of such shareholders, calculated based on the Company's current share capital as of the date of this Registration Document, are the following:

Name of beneficial owner	Porcentaje	Number of Shares
Banco Bilbao Vizcaya Argentaria, S.A.(*)	6.24	303,500,703
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona("La Caixa") (**)	5.38	261,873,986
Blackrock Inc.(***)	3.64	177,257,649

(*)Based on the information provided by Banco Bilbao Vizcaya Argentaria, SA (BBVA) as of 1 October 2015. The indirect shareholding is held through BBVA Seguros, S.A. de Seguros y Reaseguros. .

(**) Based on the information provided by the Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona("La Caixa") as of 1 October 2015. Indirect shareholding of 261,855, 409 Telefonica shares is owned by Caixa Bank, S.A. and 18,577 Telefonica shares are owned by Vidacaixa S.A. de Seguros y Reaseguros.

(***) According to notification sent to the CNMV (Comisión Nacional del Mercado de Valores), dated 4 February 2010.

18.1 In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement.

See the preceding table.

18.2 Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement.

All of the Telefónica shares confer the same voting and economic rights on all of their holders.

18.3 To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom, and describe the nature of such control and describe the measures in place to ensure that such control is not abused.

Based on the existing information available to the Company, there is no individual or legal entity that directly or indirectly, individually or jointly, exercises control over Telefónica, according to the provisions established in section 4 of the Securities Market Act (*Ley del Mercado de Valores*).

18.4 A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.

Based on the existing information available to the Company, there is no agreement that if subsequently implemented might result in a change in control of the issuer.

19 RELATED PARTY TRANSACTIONS

Details of related party transactions (which for these purposes are those set out in the Standards adopted according to Regulation (EC) No 1606/2002), that the issuer has entered into during the period covered by the historical financial information and up to the date of the registration document, must be disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 if applicable.

If such standards do not apply to the issuer the following information must be disclosed:

(a) the nature and extent of any transactions which are - as a single transaction or in their entirety - material to the issuer. Where such related party transactions are not concluded at arm's length provide an explanation of why these transactions were not concluded at arms length. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding.

(b) the amount or the percentage to which related party transactions form part of the turnover of the issuer.

The principal transactions entered into during the first half of 2015 by companies of the Group with major shareholders are described in Note 8 to the Half-Yearly Financial Report.

The principal transactions entered into with the company's major shareholders and associated companies during 2014, 2013 and 2012 are described in Note 10 ("Related parties") and in Note 9 "Associates and joint ventures" to the Consolidated Annual Accounts for the years ended 31 December 2014, 2013 and 2012.

20 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Historical financial information

Audited historical financial information covering the last 3 financial years (or such shorter period that the issuer has been in operation) and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.

The last two years audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the issuer has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards where the issuer is an issuer from the Community. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.

If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:

(a) balance sheet

(b) income statement

(c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners

(d) cash flow statement

(e) accounting policies and explanatory notes

The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.

The audited financial information of the Telefónica Group covering the periods ended 31 December 2014, 2013 and 2012 can be found in the Consolidated Annual Accounts of the Telefónica for the last three financial years.

The consolidated financial statements have been prepared from the accounting records of Telefónica, S.A. and of the companies comprising the Telefónica Group, whose separate financial statements were prepared in accordance with the generally accepted accounting principles prevailing in the various countries in which the companies comprising the Consolidated Group are located, and have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, which for the purposes of the Telefónica Group are not different from those issued by the International Accounting Standards Board (IASB), to give a true and fair view of the consolidated equity and financial position at 31 December 2014, 2013 and 2012, and of the consolidated results of

operations, changes in consolidated equity and the consolidated cash flows obtained and used in 2014, 2013 and 2012.

20.2 Pro forma financial information

In the case of a significant gross change, a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.

This requirement will normally be satisfied by the inclusion of pro forma financial information.

This pro forma financial information is to be presented as set out in Annex II and must include the information indicated therein.

Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.

Not applicable.

20.3 Financial statements

If the issuer prepares both own and consolidated annual financial statements, include at least the consolidated annual financial statements in the registration document.

The Consolidated Annual Accounts of the Telefónica Group for the years 2014, 2013 and 2012 are deposited with the CNMV and are available on the website of the Commission, www.cnmv.es, and of the Company, www.telefonica.com.

20.4 Auditing of historical annual financial information

The Annual Accounts for the years ended 31 December 2014, 2013 and 2012 have been audited by Ernst & Young, S.L., with a registered office at Plaza Pablo Ruiz Picasso 1, 28020 Madrid, Spain, and which is currently registered with the ROAC under number S-0530.

20.4.1 A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.

The audit reports corresponding to the individual and consolidated accounts of Telefónica and of the companies comprising the Telefónica Group for the years ended 31 December 2014, 2013 and 2012 have been issued with favourable unqualified opinions.

20.4.2 Indication of other information in the registration document which has been audited by the auditors.

See section 20.4.3 of this Registration Document.

20.4.3 Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited.

The Individual and Consolidated Annual Accounts for the years ended 31 December 2014, 2013 and 2012 have been audited. The interim financial information at 30 June 2015 has been prepared by the Company and is not audited but has been subject to a limited review by the auditor.

20.5 Age of latest financial information:

20.5.1 The last year of audited financial information may not be older than one of the following:

(a) 18 months from the date of the registration document if the issuer includes audited interim financial statements in the registration document.

(b) 15 months from the date of the registration document if the issuer includes unaudited interim financial statements in the registration document.

The last year of audited financial information is not older than 18 months from the date of this Registration Document.

20.6 Interim and other financial information:

20.6.1 If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.

The following table sets out the accesses and the consolidated income statement:

<i>(Thousands of accesses)</i>	June 2015	June 2014(*)	Var
Fixed-line telephony accesses (1)	40,164.5	37,326.1	7.6%
Data and Internet accesses	21,229.3	18,151.4	17.0%
Broadband	20,754.8	17,625.9	17.8%
Fibre	5,444.4	1,181.6	n.s.
Mobile accesses	253,597.5	225,662.0	12.4%
Prepay	166,636.1	150,750.4	10.5%
Contract	86,961.4	74,911.6	16.1%
M2M	8,447.4	6,665.1	26.7%
Pay TV (4)	8,030.3	4,191.9	91.6%
End-Customer Accesses	323,021.6	285,331.4	13.2%
Wholesale Accesses	6,401.0	6,438.6	(0.6%)
Total Accesses	329,422.6	291,770.0	12.9%

Notes:

- T. Ireland accesses are excluded from the third quarter of 2014. E-Plus is consolidated from the fourth quarter of 2014 and GVT and DTS from 1 May 2015.

- O2 UK accesses are excluded as from the first quarter of 2014 as a result of the operation being discontinued.

(1) Includes "fixed wireless" and VOIP accesses.

(2) Includes ADSL, satellite, fibre, cable modem and broadband circuits.

(3) From the second quarter of 2015, 3.2 million fibre (FTTx) accesses of GVT have been included.

(4) From the second quarter of 2015, 1.6 million DTS accesses have been included.

(Million euros)

June	June	Var
------	------	-----

	2015	2014(*)	
Net sales and provision of services (Revenues)	23,419	21,696	7.94%
Other income	713	640	11.41%
Supplies	(6,292)	(5,701)	10.37%
Personnel expenses	(3,316)	(3,044)	8.94%
Other expenses	(7,204)	(6,340)	13.63%
Operating income before depreciation and amortisation (OIBDA)	7,320	7,251	0.95%
Depreciation and amortisation	(4,252)	(3,610)	17.78%
Operating income	3,068	3,641	(15.74%)
Share of (loss) profit on investments accounted for by the equity method	(4)	(54)	(92.59%)
Net financial expense	(1,129)	(1,355)	(16.68%)
Profit before tax	1,935	2,232	(13.31%)
Corporate income tax	(71)	(311)	(77.17%)
Profit for the period from continuing operations	1,864	1,921	(2.97%)
Profit after tax for the period from discontinued operations	1,841	181	n.a.
Profit for the period	3,705	2,102	76.26%
Non-controlling interests	(12)	(199)	(93.97%)
Profit for the period attributable to equity holders of the parent	3,693	1,903	94.06%

(*) Revised data: the comparative figures for 2014 have been revised to present the results of Telefónica United Kingdom as a discontinued operation, as a consequence of the agreement reached on 24 March 2015 with Hutchison Whampoa Group for the acquisition by the latter of Telefónica's operations in the United Kingdom.

Total Telefónica accesses amounted to 329.4 million at 30 June 2015. The accesses of Telefónica United Kingdom are excluded from the base for 2014 and 2015, as a consequence of considering the operation as a disposal group held for sale and its operations classified as discontinued operations (the transaction is described in section 5.1.5 of this document). Accesses grew 12.9% year-on-year after including the customers of the E-Plus Group within Telefónica Deutschland, GVT within Telefónica Brasil and DTS in Spain and recording solid growth for Telefónica Hispanoamérica and for Telefónica Brasil. Excluding the accesses of Telefónica Ireland from and including the accesses of E-Plus, GVT and DTS in the 2014 base, growth would amount to 2.5%. For services, there is strong sales activity focused on value customers, which is reflected in sustained growth of mobile contracting (smartphones and LTE), fibre and pay TV. Of note are accesses at Telefónica Hispanoamérica (40% of the total) increased 2.8% year-on-year, and at Telefónica Brasil (32% of total, increasing 3.9% year-on-year if GVT's accesses are included in June 2014).

Exchange rate behaviour, particularly the depreciation of the Brazilian real and of the Colombian peso, as well as of the Venezuelan bolivar, negatively impacted operating income for 2015.

The Company has decided to adopt the exchange rate of the Venezuelan bolivar fixed through SIMADI at the end of June 2015 (197 bolivars per US dollar at 30 June 2015), as the most representative of the exchange rates in force at said date for the currency conversion of the recorded flows and balances.

In the comparison of results included below, some comparisons are included at a constant exchange rate to present an analysis of the year-on-year development of operations without the impact of changes in exchange rates, hyperinflation and depreciation in Venezuela. To make these comparisons, the financial results for the corresponding year have been converted into euros applying the average exchange rate for the previous financial year, except for Venezuela where for comparison purposes the SICAD II exchange rate has been used, since it was considered the most representative for financial year 2014 in the consolidated financial statements at December 2014, and excluding the effect of hyperinflation. We refer to those comparisons as "excluding the impact of exchange rates, the effect of the hyperinflation and depreciation in Venezuela".

Thus, the effect of the exchange rates, hyperinflation and depreciation in Venezuela reduced the growth of revenues and OIBDA by 3.8 percentage points and 6.0 percentage points, respectively.

Further, the consolidation of the results of E-Plus within Telefónica Deutschland (from 1 October 2014), the deconsolidation of the results of Telefónica Ireland (from July 2014) in revenues and OIBDA and, additionally, the inclusion in May 2015 of the operators GVT in Telefónica Brasil and DTS affect the reported year-on-year variations in the Company's results. These changes in the consolidation perimeter explain 7.7 percentage points of year-on-year growth in revenues and 4.6 percentage points of year-on-year growth in OIBDA.

Revenues in the period January-June 2015 amounted to €23,419 million, growing by 7.9% compared to the previous year in reported terms. Excluding the impact of the exchange rate, the effect of the hyperinflation and depreciation in Venezuela that reduced revenues by 3.8 percentage points, and the impact of the change in the consolidation perimeter (+7.7 p.p.), mainly due to the deconsolidation of the results of Telefónica Ireland from July 2014, and the consolidation of the results of E-Plus in Telefónica Deutschland and of the operators GVT and DTS in May 2015, in order to compare like-for-like information, revenues would have shown a year-on-year growth of 3.9%.

Mobile business revenues in the period January-June 2015 amounted to €14,103 million, growing 8.5% compared to the previous year in reported terms. Excluding the impact of the exchange rate, the effect of the hyperinflation and depreciation in Venezuela that reduced mobile business revenues by 6.2 percentage points, and the impact of the change in the consolidation perimeter (+9.5 p.p.), the revenues would have shown a year-on-year growth of 5.0%.

Mobile services revenues in the period January-June 2015 amounted to €12,493 million, growing 7.2% compared to the previous year in reported terms. Excluding the impact of the exchange rate, the effect of the hyperinflation and depreciation in Venezuela that reduced mobile services revenues by 6.3 percentage points, and the impact of the change in the consolidation perimeter (+9.0 p.p.), the revenues would have shown a year-on-year growth of 4.4%. The growth is based on growth of the base and on higher customer consumption as a result of increased data conversion.

Mobile data revenues grew 21.5% in reported terms, affected mainly by the exchange rate, the effect of the hyperinflation and depreciation in Venezuela (-7.1 p.p.) and the changes in the consolidation perimeter (+13 p.p.). Without considering these impacts, mobile data revenues would have grown by 14.7%. Mobile data revenues accounted for 41% of mobile service revenues as at 30 June 2015; 4.7 percentage points more than in the same period of 2014. Non-SMS data revenues grew by 27.6% in reported terms (+23.0% excluding the impact of the exchange rate, the hyperinflation and depreciation in Venezuela (-7.1 p.p.) and the changes in the consolidation perimeter (+10.7 p.p.)), which represented 81% of the total data revenues in the first six months of 2015 in reported terms (+3.8 p.p. year-on-year).

Revenues from the fixed business in the period January-June 2015 amounted to €8,511 million, growing by 5.6% compared to the previous year in reported terms. Excluding the impact of the exchange rate, the effect of the hyperinflation and depreciation in Venezuela that reduced it by 0.7 percentage points, and the impact of the change in the consolidation perimeter (+5.3 p.p.), fixed business revenue would have shown a year-on-year growth of 1.0%. The growth is based on connectivity and television, associated with measures to increase ARPU and with the increased pay TV base.

Other income mainly includes work capitalised in fixed assets, profit from the sale of other assets and the disposal of non-strategic towers.

The first half of 2015 includes lower income from the sale of non-strategic towers (€40 million impact on OIBDA at 30 June 2015 compared with €55 million in the same period of the previous year), mainly in Telefónica España (€38 million impact on OIBDA), the extraordinary sale of buildings in Telefónica España (€19 million impact on OIBDA) and the disposal of "yourfone GmbH" at Telefónica Deutschland (€17 million impact on OIBDA).

Total expenses: including supply, personnel and other expenses (mainly external services and taxes), but not including amortisations, amounted to €16,812 million in the first half of 2015, growing 11.5% year-on-year compared to the period January-June 2014, essentially due to increased network and systems costs, despite the savings arising out of the simplification of the operating model and the scale of the Company, primarily owing to:

- The effect of the exchange rate, the hyperinflation and the depreciation in Venezuela (-2.6 p.p.).
- Changes in the consolidation perimeter due to the incorporation of GVT in Telefónica Brasil, DTS and E-Plus in Telefónica Deutschland (+9.2 p.p.).
- Expenses recorded with relation to the global restructuring programme, aligned with the simplification initiatives that the Group is implementing to meet its objectives, which amounted to €15 million in the first half of 2015 (+0.1 p.p.).

Excluding the aforementioned impacts for purposes of comparing like-for-like information, total expenses grew 4.5% in the first six months of 2015 against the same period of 2014, primarily as a result of higher commercial, network and systems costs.

- **Supplies** stood at €6,292 million in the period January-June 2015, growing 10.4% compared to the first six months of 2014, largely impacted by the effect of the exchange rate, the hyperinflation and the depreciation in Venezuela that negatively affected the item by 0.9 percentage points. The year-on-year change is also affected by changes in the consolidation perimeter (+9.0 p.p.). Excluding these effects, these expenses grew 2.2%, reflecting higher commercial activity with high-end devices, despite lower mobile interconnection costs.
- **Personnel expenses** totalled €3,316 million, growing 8.9% compared to the first six months of 2014 in reported terms. These expenses are impacted by the effect of the exchange rate, the effect of the hyperinflation and the depreciation in Venezuela (-2.2 p.p.) and by the changes in the consolidation perimeter (+6.3 p.p.). €11 million was also recorded in relation to the global restructuring programme, which is aligned with the Group's simplification initiatives (+0.4 p.p.). Excluding these impacts, personnel expenses would have risen 4.3%, fundamentally affected by inflationary pressures in some countries.

Excluding Telefónica United Kingdom, the average headcount was 120,233 employees in the first half of 2015, up 6.9% against the first six months of 2014 (-2.1% excluding changes in the consolidation perimeter).

- **Other expenses** amounted to €7,204 million, a year-on-year increase of 13.6%, essentially due to the impact of the exchange rates, the effect of the hyperinflation and the depreciation in Venezuela (-4.4 p.p.) and the changes in the consolidation perimeter (+10.8 p.p.). Additionally, €4 million was recorded in relation to the global restructuring programme, which is aligned with the Group's simplification initiatives (+0.1 p.p.). Excluding the aforementioned effects, the expenses

would have grown approximately 6.7%, explained by the higher commercial costs and higher network costs associated with data traffic growth.

Operating Income before Depreciation and Amortisation (OIBDA) amounted to €7,320 million, an increase of 0.9%, primarily affected by:

- The effect of the exchange rate, the hyperinflation and depreciation in Venezuela (-6.0 p.p.).
- Changes in the consolidation perimeter (+4.6 p.p.) explained by the deconsolidation of Telefónica Ireland in June 2014 and the inclusion of E-Plus in October 2014, and by the consolidation of the operators GVT in Telefónica Brasil and DTS in May 2015.
- Recording in 2015 of expenses related to the integration of Telefónica Deutschland and the global restructuring program, which is aligned with the Group's simplification initiatives to meet its objectives, amounting to €15 million, representing a decrease of 0.2 percentage points.
- Lower value of non-strategic towers in 2015 against 2014 (€40 million in 2015 compared to €55 million in 2014, mainly at Telefónica España). This effect represents a decrease of 0.2 percentage points in OIBDA growth.

Excluding the previously mentioned effects for purposes of comparing like-for-like information, OIBDA for the first half of 2015 grew 2.9% compared to the previous year.

Depreciation and amortisation amounted to €4,252 million in the first half of 2015 and increased 17.8%, affected by the inclusion of GVT, DTS and E-Plus within the consolidation perimeter. The total depreciation and amortisation changes arising from purchase price allocation processes amounted to €422 million in the first six months of 2015, which represents year-on-year growth of 67%, explained by the inclusion of the companies mentioned above.

Operating income (OI) in the first half of 2015 amounted to €3,068 million, down 15.7% compared with the first half of 2014, primarily impacted by the exchange rates, the effect of the hyperinflation and the depreciation in Venezuela (-9.2 p.p.), changes in the consolidation perimeter (-6.2 p.p.) mainly due to the deconsolidation of Telefónica Ireland and the inclusion of E-Plus in 2014 and the consolidation of GVT and DTS in May 2015, the lower sale of non-strategic assets at June 2015 compared with June 2014 (-0.4 p.p.) and the recording of expenses related to the integration of Telefónica Deutschland and the global restructuring programme, which is aligned with the Group's simplification initiatives being implemented to meet its objectives (-0.4 p.p.). Excluding all these effects for purposes of comparing like-for-like information, operating income would have increased 0.6% year-on-year.

Share of profit (loss) of investments accounted for by the equity method was a loss of €4 million for the first half of the year (-€54 million in 2014), which represents a variation of 93.4%, primarily explained by losses recorded on the Telco, S.p.A. investment in the first half of 2014. In the first half of 2015, Telefónica proceeded to divest itself of the entirety of its shareholding in Telecom Italia, S.p.A.

Net financial expenses in the first half of 2015 amounted to €1,129 million, 16.7% lower than in the same period of the previous year. Excluding negative foreign exchange differences of €293 million, mainly due to the impact of the adoption of the exchange rate fixed through SIMADI for the Venezuelan bolivar, the improvement would have been 31.5% (€385 million). Of note as part of this improvement are the positive impacts related to Telefónica's divestment of its entire shareholding in Telecom Italia,

S.p.A. (€380 million) and mainly the lower cost of debt in euros (€87 million), due to the reduction in fixed-rate debt and the capture of the fall in short-term interest rates for the euro.

Corporate income tax amounted to €71 million in the first six months of 2015, which, over an income before taxes of €1,935 million, represents an effective tax rate of 3.7%, 10.3 p.p. lower than in 2014, mainly due to the higher use of tax credits in 2015, primarily in Spain.

Profit from continuing operations amounted to €1,864 million in the first six months of the year (-3% year-on-year).

Profit after tax from discontinued operations totalled €1,841 million, affected by the recognition of a deferred tax asset amounting to €1,320 million resulting from the estimated difference at Telefónica, S.A. between the tax value and the agreed value in the sale of Telefónica's operations in the United Kingdom, which are expected to materialise in the foreseeable future when they become definitively deductible upon the sale.

Profit attributable to minority interests reduced net income by €12 million in 2015, a year-on-year reduction of 94%, mainly due to the higher profit attributed to minority interests in Brazil in 2014 (affected by non-recurring factors) and the losses attributed to the minority interests of Telefónica Deutschland.

The financial information for the first half of 2015 is described in the Half-Yearly Financial Report.

The accounting policies applied in the preparation of the consolidated interim financial statements for the six months ended 30 June 2015 are consistent with those used in the preparation of the consolidated annual financial statements for financial year 2014, except for the adoption on 1 January 2015 of the following amendments published by the IASB (International Accounting Standards Board) and adopted by the European Union for application in Europe:

- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

These modifications clarify the criteria for dividing the service-linked contributions of employees or third parties among service periods. The amendments also clarify that, if contributions are independent of the number of years of service, they may be attributed as a negative benefit of the service in the period during which it is provided. The application of these amendments has not had an impact on the Group's financial position or consolidated interim profits.

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

These texts introduce a series of improvements to the existing IFRSs, primarily to remove inconsistencies and clarify the drafting of some of these standards. Such improvements have not had an impact on the Group's financial position or consolidated interim profits.

New IFRSs and Interpretations of the IFRS Interpretations Committee not effective at 30 June 2015

At the date of publication of these interim financial statements, the following standards and amendments to standards had been published by the IASB but were not binding:

Standards and Amendments to Standards	Binding: financial years commencing
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

IFRS 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to IFRS 10 and to IAS 28	<i>Sale or Contribution of Assets between an Investors and its Associate or Joint Venture</i>	1 January 2016
Amendments to IAS 1	<i>Disclosure Initiative</i>	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2017
IFRS 9	<i>Financial Instruments</i>	1 January 2018

Based on the analyses made to date, the Group estimates that the adoption of most of these standards, amendments and improvements will not have a significant impact on the consolidated financial statements in the initial period of application. However, IFRS 15 is likely to have an impact in the timing and amount of revenue recognition in connection with certain bundled sales transactions. The Group is currently assessing the impact of the application of this standard. Also, the changes introduced by IFRS 9 will affect financial instruments and transactions with financial instruments carried out on or after 1 January 2018.

20.6.2 If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six months of the financial year.

The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.

Not applicable.

20.7 Dividend policy

A description of the issuer's policy on dividend distributions and any restrictions thereon.

20.7.1 The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable.

Telefónica, S.A.'s dividend policy is revised yearly based on the Group's earnings, cash generation, solvency, liquidity, flexibility to make strategic investments, and shareholder and investor expectations.

The shareholders acting at the General Shareholders' Meeting held on 14 May 2012 approved a distribution of dividends with a charge to unrestricted reserves, in the gross amount of €0.53 per issued share. The payment was made on 18 May 2012 and the total amount paid was €2,346 million.

It was also resolved to distribute a shareholder dividend by means of a "scrip dividend", consisting of the delivery of free-of-charge allotment rights with an irrevocable purchase commitment by the Company and a resulting increase in share capital through the issuance of new shares to fulfil the allotments.

At the end of the trading period for these rights, shareholders representing 37.68% of the rights made use of the irrevocable compulsory purchase. These rights were repurchased and redeemed by the Company in an amount of €490 million.

The holders of 62.32% of the free-of-charge allotment rights therefore had the right to receive new shares of Telefónica. However, Telefónica, S.A. waived the subscription of the new shares corresponding to its treasury shares, for which reason the final number of shares that were issued in the paid-up share capital increase was 71,237,464 shares, each with a nominal value of 1 euro.

In 2013, the Company remunerated the shareholders with a cash dividend of €0.75 per share, payable in two tranches. The first was paid on 6 November 2013 in the amount of €0.35 per share with a charge to unrestricted reserves, as approved by the shareholders at the General Shareholders' Meeting held in May 2013, and the total amount paid was €1,588 million. The second was paid on 7 May 2014 in the amount of €0.40 per share against 2014 net income, in the gross amount of €1,790 million.

As regards the dividend for 2014, at its meeting held on 26 February 2014, the Board of Directors resolved to set the amount thereof at €0.75 per share, payable in two tranches:

- €0.35 per share by means of a "scrip dividend" (dividend implemented by means of a free-of-charge capital increase which allows shareholders to choose to receive all or part of the amount corresponding to the dividend in cash or in newly-issued bonus shares) in the fourth quarter of 2014 with a charge to unrestricted reserves.
- €0.40 per share in the second quarter of 2015, in cash. The dividend was paid on 12 May 2015 for a gross amount of €1,912 million.

On 14 November 2014, the Executive Commission of Telefónica's Board of Directors resolved to implement a free-of-charge capital increase related to shareholder remuneration by means of a scrip dividend, approved at Telefónica's General Shareholders' Meeting held on 30 May 2014.

As such, each shareholder received a free-of-charge allotment right for each share that they held in Telefónica, and these rights were traded on the Spanish stock exchange for a period of 15 calendar days. At the end of this period, shareholders representing 15.8% of the free-of-charge allotment rights accepted the irrevocable rights purchase commitment made by Telefónica, S.A. These shareholders were paid on 8 December 2014, with an impact in equity of €242 million.

The holders of 84.2% of the free-of-charge allotment rights therefore had the right to receive new shares of Telefónica. However, Telefónica, S.A. waived the subscription of the new shares corresponding to its treasury shares, for which reason the definitive number of shares that were issued in the paid-up share capital increase was 106,179,744 shares, each with a nominal value of 1 euro.

On 29 April 2015, the Board of Directors approved the distribution of an interim dividend for 2015 in the amount of €0.40 per share. The dividend was paid on 12 May in the gross amount of €1,912 million.

The shareholders acting at the General Shareholders' Meeting held on 12 June 2015 resolved to distribute a shareholder dividend by means of a "scrip dividend" of approximately €0.35 per share, consisting of the delivery of free-of-charge allotment rights with an irrevocable purchase commitment by the Company, and the resulting increase in share capital by means of the issuance of new shares to cover the allotments, following a specific calculation mechanism that could change the amount thereof. The distribution of this dividend is expected to take place in the fourth quarter of 2015, for which purpose the appropriate corporate resolutions will be adopted at such time.

On 30 September 2015, the Executive Commission resolved that, at the meeting of the Executive Commission scheduled to be held on 13 November 2015, the appropriate corporate resolutions to implement the free-of-charge capital increase related to shareholder remuneration by means of a scrip dividend (*Telefónica Dividendo Flexible*), approved at Telefónica S.A.'s Annual General Shareholders' Meeting held on 12 June 2015, would be adopted.

For more information about the dividends of the Company, see Note 9 to the Half-Yearly Financial Report and heading b) of Note 12 to the Consolidated Annual Accounts. Information about treasury share instruments can also be found in heading g) of Note 12 to the Consolidated Annual Accounts.

20.8 Legal and arbitration proceedings

Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.

A description of the main litigation at 30 June 2015 can be found in Note 13 to the Half-Yearly Financial Report. A description of tax litigation can be found in Note 12 to the Half-Yearly Financial Report. Both Notes update the information on litigation contained in Notes 21 and 17, respectively, of the Consolidated Annual Accounts.

20.9 Significant changes in the issuer's financial or trading position

A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or provide an appropriate negative statement.

The following financing transactions have occurred since the last publication of the Half-Yearly Financial Report:

- On 14 September 2015, pursuant to its EMTN programme registered with the FCA in London on 5 June 2015, Telefónica Emisiones, S.A.U. issued €1,000 million of notes with a maturity date of 14 September 2021 and an annual coupon of 1.477%. These notes are guaranteed by Telefónica, S.A.;
- On 14 September 2015, Telefónica, S.A. reduced the amount provided for under the syndicated loan of €2,500 million formalised on 19 February 2015 by €1,000 million;
- On 30 September 2015, Telefónica, S.A. reduced the amount provided for under the syndicated loan of €3,000 million formalised on 18 February 2014 by €200 million; and
- On 5 October 2015, Telefónica, S.A. reduced the amount provided for under the syndicated loan of €2,500 million formalised on 19 February 2015 by €260 million.

21 ADDITIONAL INFORMATION

21.1 Share capital.

The following information as of the date of the most recent balance sheet included in the historical financial information:

21.1.1 The amount of issued capital, and for each class of share capital:

a) the number of shares authorised

According to the resolution adopted by the shareholders acting at the General Shareholders' Meeting of 12 June 2015, authorised share capital amounts to 2,469,208,757 euros. This authorisation has not been used at the date of registration of this document.

b) the number of shares issued and fully paid and issued but not fully paid

The total number of shares issued and fully paid amounts to 4,864,341,251 at the date of registration of this document. There are no shares issued but not fully paid.

c) the par value per share, or that the shares have no par value

The par value of each one of the shares that make up the share capital is one euro.

d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact.

A description of the share capital can be found in Note 9 to the Half-Yearly Financial Report and Note 12 to the Consolidated Annual Accounts for the years ended 31 December 2014 and 2013.

Assets other than cash have not been used to pay for more than 10% of capital within the period covered by the historical financial information. See section 21.1.7 of this document for more information on the reconciliation of the number of shares outstanding at the beginning and end of the year and the evolution of share capital.

21.1.2 If there are shares not representing capital, state the number and main characteristics of such shares.

None.

21.1.3 The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.

Treasury shares at 19 October 2015 are directly held by Telefónica, S.A. and represent 2.294% of its share capital.

Please refer to Note 12 g) of the Annual Consolidated Accounts for 2014 and 2013, Note 12 e) of the Consolidated Accounts for 2012 and Note 9 of the Half-Yearly Financial Report for more information regarding treasury shares.

21.1.4 The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.

On 24 July 2014, Telefónica, S.A. issued €750 million in bonds mandatorily exchangeable into ordinary shares of Telecom Italia S.p.A., maturing on 24 July 2017, accruing a nominal fixed interest rate of 6.00% per annum. The Bonds have a nominal value of €100,000, and were issued at face value. The minimum exchange price of the Bonds was set at €0.8600 and the maximum exchange price at €1.0320 per ordinary share of Telecom Italia S.p.A., which represents a premium of 20% over the minimum exchange price. The Bonds were to be exchangeable for a maximum number of ordinary shares of Telecom Italia representing 6.5% of its share capital with voting rights. During 2015, Telefónica has divested itself of its entire shareholding in Telecom Italia S.p.A and has acquired hedging mechanisms permitting it to acquire the shares of Telecom Italia S.p.A. that may be necessary to fulfil its exchange obligations.

On 10 September 2014, Telefónica Participaciones, S.A.U. issued €1,500 million in notes mandatorily convertible into new and/or existing shares of Telefónica, S.A., excluding the pre-emptive rights of shareholders, maturing on 25 September 2017, with an annual nominal fixed interest rate of 4.9%. The notes were subordinated, have a nominal amount of 100,000 euros and were issued at face value. The minimum conversion price of the notes will be equal to €11.9000 per share and the maximum conversion price will be equal to €14.5775 per ordinary share of Telefónica, S.A., resulting in a premium equal to 22.5% over the minimum conversion price.

21.1.5 Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital.

As discussed in section 21.1.4 above, on 10 September 2014, Telefónica Participaciones, S.A.U. (a wholly-owned subsidiary of Telefónica, S.A.) issued notes mandatorily convertible into new and/or existing shares of Telefónica, S.A. These notes will mature on the third anniversary of their issue date ("Maturity Date"). On the Maturity Date, the securities will be mandatorily convertible into shares of Telefónica, S.A., for which purposes, Telefónica, S.A. will deliver the corresponding shares to the holders thereof on behalf of Telefónica Participaciones, S.A. To cover the conversion of the securities, Telefónica, S.A. will have the option to deliver newly issued shares (for which purpose it must implement the corresponding share capital increase, adopting the appropriate corporate resolutions therefor), or existing shares, or a combination of both.

21.1.6 Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate.

None.

21.1.7 A history of share capital, highlighting information about any changes, for the period covered by the historical financial information

At 31 December 2010, the share capital of Telefónica, S.A. amounted to 4,563,996,485 shares, each having a par value of one euro. From that date until 25 May 2012, the share capital of Telefónica remained unchanged. On 25 May, the corresponding resolution to reduce share capital through the cancellation of 84.209.363 treasury shares was registered with the Commercial Registry, and fixed at the figure of €4,479,787,122. Subsequently, on 8 June 2012, an increase in paid-up share capital was implemented through the issuance of 71,237,464 shares, in order to make the scrip dividend payment.

Consequently, the share capital amount of Telefónica, S.A. was set at €4,551,024,586, made up of an even number of fully paid ordinary shares of a single class having a par value of one (1) euro each. On 9 December 2014, an increase in paid-up share capital was implemented through the issuance of 106,179,744 ordinary shares, each with a nominal value of 1 euro, with a charge to reserves, in order to make the scrip dividend payment. After such increase, the share capital was set at €4,657,204,330.

On 20 April 2015, the public deed evidencing an increase in share capital in the nominal amount of €281 million, which was recorded as share capital, was registered with the Commercial Registry of Madrid. The difference from the actual amount issued, which amounted to €3,048 million, was recorded as the share premium. Consequently, the share capital was set at €4,938,417,514, made up of an even number of ordinary shares, with a nominal value of one (1) euro each.

On 27 July 2015, the public deed evidencing a reduction in share capital, through the cancellation of 74,076,263 treasury shares, was registered with the Commercial Registry of Madrid. The share capital was set at €4,864,341,251, made up of an even number of ordinary shares of a single class and with a nominal value of one (1) euro each.

21.2 Memorandum and Articles of Association.

21.2.1 A description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.

The objects and purposes of the Company are described in Note 1 ("Introduction and general information") to the Consolidated Annual Accounts for the year 31 December 2014.

Any interested person may view the By-Laws of the Company on the Company's website (http://www.telefonica.com/es/shareholders_investors), without prejudice to their ability to obtain or view them at the Commercial Registry of Madrid.

The aforementioned By-Laws were amended by the shareholders acting at the Annual General Shareholders' Meeting held on 12 June 2015, for purposes of, among things, conforming them to the amendments to the Companies Act introduced by Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance. On 11 August 2015, the aforementioned amendment to Telefónica's By-Laws was registered with the Commercial Registry of Madrid.

21.2.2 A summary of any provisions of the issuer's articles of association, statutes, charter or By-Laws with respect to the members of the administrative, management and supervisory bodies.

In accordance with the provisions of Telefónica's By-Laws (article 28), the board-level administration of the Company is vested in the Board of Directors, the Chairman thereof, the Executive Commission, and one or more Chief Executive Officers, if any.

As has already occurred with the By-Laws and with the Regulations of the General Shareholders' Meeting, the Company will amend the Regulations of the Board of Directors to conform them to the requirements of the Companies Act. As of the date of this document, the only article of the Regulations of the Board that contradicts the provisions of the current Companies Act relates to the term of office of Directors (article 11), which, as permitted by previous company law, provides that "Directors shall hold

office for a maximum period of five years". Currently, and in accordance with section 529(j) of the aforementioned Companies Act, the maximum term cannot exceed four years, as will be established in the Regulations of the Board once amended. Article 29.1 of the Company's By-Laws has already been amended in this regard.

Board of Directors

In accordance with the provisions of the By-Laws (article 29), the Board of Directors shall be composed of a minimum of five members and a maximum of twenty, to be appointed at the General Shareholders' Meeting. In accordance with the provisions contained in the Spanish Companies Act (*Ley de Sociedades de Capital*), the Board of Directors may provisionally fill existing vacancies on an interim basis (article 29 of the By-Laws).

In accordance with the provisions of the Regulations of the Board of Directors, the Board may be made up of the following types of members:

- Executive Directors: those who perform the duties of senior management or who are employed by the Company or the Group.
- External Directors: those who are not executive Directors, such category including proprietary Directors, independent Directors and those Directors who cannot be considered either proprietary or independent Directors.
- Proprietary Directors: (i) those who possess shareholdings greater than or equal to what is legally deemed to be significant or who have been so designated in their capacity as shareholders, even if their shareholdings do not reach such amount; and (ii) those who represent and/or have been appointed upon the proposal of shareholders listed in (i) above.
- Independent Directors: those who, having been appointed in view of their personal and professional status, can carry out their duties without being conditioned by relationships with the Company, its significant shareholders or its officers.
- "Other external" Directors: those non-executive Directors who are neither proprietary nor independent Directors.

The Board of Directors shall elect from among its Directors a Chairman and one or more Vice Chairmen to stand in for the Chairman of the Board of Directors by delegation, due to his absence or illness or, in general, in all cases, to exercise duties or powers that may be deemed proper by the Board or by the Chairman himself. The Board shall also elect the persons who will occupy the senior executive positions of the Company that it considers necessary for its operation, and a Secretary and as many Deputy Secretaries as it deems appropriate, which persons are not required to be Directors. In any case, for a Director to be appointed Chairman, Vice Chairman, Chief Executive Officer or member of the Executive Commission, it shall be necessary for such Director to have served on the Board of Directors for at least three years immediately prior to such appointment. However, such length of service shall not be required if the appointment is made with the favourable vote of at least 85% of the members of the Board of Directors (article 31 of the By-Laws).

Executive Commission

Both the By-Laws and the Regulations of the Board of Directors provide for the existence of an Executive Commission with general decision-making powers, and therefore, with an express delegation of all

powers of the Board of Directors other than those that may not be delegated under the law or the By-Laws.

The Board of Directors, always subject to applicable law, delegates its powers and responsibilities, other than those that may not be delegated under the law or the By-Laws, to an Executive Commission. This Commission allows the Board of Directors to perform its duties with greater functionality and efficiency, offering the support necessary through the work it carries out, especially insofar as its composition is more limited than that of the Board and it meets more frequently than the Board.

The relationship between the bodies is based on a principle of transparency, such that the Board is always fully aware of the decisions taken by the Commission. In this regard, the Board of Directors is informed of each one of the meetings and all of the decisions made by the Executive Commission, with a summary of the Minutes of the meetings of this Commission being distributed to all the Directors for such purposes, in addition to ratifying the resolutions of the Commission.

Directors

No person may be appointed as Director unless they have held, for more than three years prior to their appointment, a number of shares of the Company representing a nominal value of at least 3,000 euros, and non-transferable while in office. These requirements shall not apply to those persons who, at the time of their appointment, are related to the Company under an employment or professional relationship, or when the Board of Directors resolves to waive such requirements with the favourable vote of at least 85% of its members (article 30 of the By-Laws).

The proposals for the appointment, re-election and ratification of Directors must comply with the provisions of the By-Laws and the Regulations of the Board of Directors of the Company and be preceded by a corresponding report of the Nominating, Compensation and Corporate Governance Committee and, in the case of independent Directors, by a corresponding proposal.

Along these lines, and in accordance with the powers vested in the Nominating, Compensation and Corporate Governance Committee, it must report, following standards of objectivity and conformity to the corporate interest, on the proposals for the appointment, re-election and removal of Directors of the Company, and evaluate the qualifications, knowledge and experience required of candidates to fill vacancies.

For its part, pursuant to the provisions of its Regulations, the Board of Directors, exercising the powers to fill vacancies by interim appointment and to propose appointments to the shareholders at the General Shareholders' Meeting, shall ensure that external or non-executive Directors represent an ample majority over executive Directors. In addition, it shall ensure that the total number of independent Directors represents at least one-third of the total number of members of the Board of Directors.

Likewise, the Board of Directors, upon the proposal of the Chairman thereof, and after a report from the Nominating, Compensation and Corporate Governance Committee, shall appoint one of the Independent Directors as a "Lead Director" ("*Consejero Independiente Coordinador*"), who will perform the following duties and tasks:

- a) Coordinate the work of External Directors appointed by the Company, in defence of the interests of all shareholders of the Company, and sound the concerns of such Directors.
- b) Request the Chairman of the Board of Directors to call a meeting of the Board when appropriate in accordance with good governance rules.

- c) In accordance therewith, request the inclusion of certain items within the Agenda for meetings of the Board of Directors.
- d) Direct the evaluation by the Board of Directors of its Chairman.

The nature of each Director shall be explained by the Board of Directors to the shareholders at the General Shareholders' Meeting at which the appointment thereof must be made or ratified. Furthermore, such nature shall be reviewed annually by the Board of Directors after verification by the Nominating, Compensation and Corporate Governance Committee, and reported in the Annual Corporate Governance Report.

In any case, and in the events of re-election or ratification of Directors at the General Shareholders' Meeting, the report or proposal of the Nominating, Compensation and Corporate Governance Committee, or in the case of independent Directors the proposal of such Committee, shall contain an evaluation of the work and actual dedication to the position for the latest period of time during which the proposed Director held such position.

Both the Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates chosen are persons of recognized calibre, qualifications and experience, who are willing to devote a sufficient portion of their time to the Company, and shall take extreme care in the selection of the persons to be appointed as independent Directors.

The Board of Directors, in conformity with the provisions of its Regulations, expressly reserves the power to approve the periodic evaluation of its operation and of the Committees thereof, the Nominating, Compensation and Corporate Governance Committee having the duty to organise and coordinate, together with the Chairman of the Board of Directors, the periodic assessment of the Board of Directors.

In accordance with the foregoing, it should be noted that the Board of Directors and its Committees undertake a periodic evaluation of their activities, with the principal aim of discerning the opinion of the Directors regarding the operation of the aforementioned company bodies and of establishing the appropriate proposals for improvement in order to achieve the optimal operation of the Company's governance bodies.

Directors shall cease to hold their office when the term for which they were appointed expires, or when so resolved by the shareholders at the General Shareholders' Meeting in the exercise of the powers legally vested therein.

The Board of Directors shall not propose the removal of any independent Director prior to the end of the By-Law-mandated period for which they have been appointed, unless there are due grounds therefor acknowledged by the Board after a report from the Nominating, Compensation and Corporate Governance Committee. Specifically, due grounds shall be deemed to exist when the Director has failed to perform the duties inherent to his position.

The removal of independent Directors may also be proposed as a result of Public Tender Offers, mergers or other similar corporate transactions that entail a significant change in the company's capital structure.

Pursuant to article 12 of the Regulations of the Board, Directors must tender their resignation to the Board of Directors and formalize such resignation in the following cases:

- a. When they cease to hold the executive positions to which their appointment as Directors is linked, or when the reasons for which they were appointed no longer exist.
- b. When they are affected by any of the legally established cases of incompatibility or prohibition.
- c. When they are severely reprimanded by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfil any of their obligations as Directors.
- d. When their remaining on the Board might affect the Company's credit or reputation in the markets or otherwise jeopardizes its interests.

Chairman of the Board

The Chairman of the Board of Directors shall be the Company's Chief Executive and, accordingly, his appointment or re-appointment, if so approved, shall entail the delegation of all the powers and duties of the Board that may legally be delegated. He shall be in charge of the effective management of the Company's business, always in accordance with the decisions and criteria established by the shareholders at the General Shareholders' Meeting and by the Board of Directors. The Chairman of the Board shall chair all shareholder- and board-level decision-making bodies of the Company (article 13 of the Regulations of the Board).

Director Remuneration

Director remuneration shall consist of a fixed and specific monthly remuneration for belonging to the Board of Directors, to the Executive Commission, and to the executive and advisory Committees, and of fees for attending the meetings of the executive and advisory Committees. The compensation amount that the Company may pay to all of its Directors as remuneration and attendance fees shall be fixed by the shareholders at the General Shareholders' Meeting, which amount shall remain unchanged until and unless the shareholders decide to modify it. In this regard, the shareholders at the General Shareholders' Meeting held on 11 April 2003 fixed the maximum gross annual compensation amount (fixed and specific monthly remuneration for belonging to the Board of Directors and meeting attendance fees) to be received by the Board of Directors at €6 million.

The Board of Directors is responsible for setting the precise amount to be paid within this limit and its distribution among the individual Directors.

In accordance with article 34 of the Regulations of the Board of Directors, Directors are entitled to receive the compensation set by the Board in accordance with the By-Laws, within the limit approved by the shareholders at the General Shareholders' Meeting and following a report of the Nominating, Compensation and Corporate Governance Committee.

In this regard, and in accordance with the provisions of article 5 of the same text, the Board of Directors expressly reserves the power to approve both the Director compensation policy and the decisions relating to the compensation thereof.

The Nominating, Compensation and Corporate Governance Committee (article 23 of the Regulations of the Board) has the following powers and duties:

- To propose to the Board of Directors the compensation of the Directors and review it periodically to ensure that it is in keeping with the tasks performed by them.

- To propose to the Board of Directors the extent and amount of the compensation, rights and remuneration of a financial nature of the Chairman and of the executive Directors, as well as the basic terms of their contracts, for purposes of contractual implementation thereof.
- To prepare and propose to the Board, for its approval, an annual report regarding the Director compensation policy.

Independently of the compensation indicated in the first paragraph, provision is made for establishing Director compensation systems that are linked to the listing price of the shares or that entail the delivery of shares or of stock options. The application of such compensation systems must be approved by the shareholders at the General Shareholders' Meeting, who shall determine the value of the shares used as a reference for the allotment, the maximum number of shares to be allotted to each Director, the price of exercising share options, the duration of the compensation system and such other conditions as they deem appropriate.

The compensation established in the foregoing paragraphs deriving from membership on the Board of Directors is compatible with other compensation received by the Directors for any other executive or advisory duties, if any, that they perform for the Company other than the supervision and collective decision-making duties inherent in the position of Director, which compensation will be subject to applicable law.

Audit Committee and Nominating and Compensation Committee

The principal aspects of the Audit Committee and the Nominating and Compensation Committee have been described in section 16 of this document.

21.2.3 A description of the rights, preferences and restrictions attaching to each class of the existing shares.

All the shares are ordinary, of a single class, are represented by book entries and give the same rights and obligations to shareholders. The shares of Telefónica do not carry any restrictions. Similarly, the By-Laws of Telefónica do not contain any special provisions regarding preferences, powers or restrictions arising out of the holding of shares.

21.2.4 A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.

To change the rights of holders of the shares of Telefónica, it would be necessary to amend the By-Laws of the Company. There is no provision containing conditions that are more significant than is required by law.

21.2.5 A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission.

The Regulations of Telefónica's General Shareholders' Meeting were amended by the shareholders acting at the Annual General Shareholders' Meeting held on 12 June 2015, for purposes of, among other things, conforming them to the amendments to the Companies Act introduced by Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance. On 12 August 2015, the

aforementioned amendment of the Regulations of Telefónica's General Shareholders' Meeting was registered with the Commercial Registry of Madrid. On 2 September 2015 it was submitted to be recorded in the registers of the National Securities Market Commission.

General Shareholders' Meeting

The Board of Directors of the Company must formally call Telefónica's General Shareholders' Meeting.

Call to Meeting

The Board of Directors may call the General Shareholders' Meeting whenever it deems it advisable or appropriate to further the corporate interests and shall be required, in all cases, to call the Ordinary General Shareholders' Meeting within the first six months of each Financial Year and to call an Extraordinary General Shareholders' Meeting whenever it is so requested in writing by the holders of at least five per cent of the share capital, which request shall set forth the matters to be dealt with. In this instance, the General Shareholders' Meeting shall be called to be held within statutory period. Directors shall draw up the agenda and shall include at least the matters set forth in the request.

The General Shareholders' Meeting must be called with the minimum advance notice required by law, through a notice published at least:

- a) In the Official Bulletin of the Commercial Registry or in one of the more widely circulated newspapers in Spain.
- b) On the website of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).
- c) On the Company's corporate website.

The notice published on the Company's corporate website shall be continuously accessible at least until the date of the General Shareholders' Meeting. The Board of Directors may also publish notices in other media, if it deems it appropriate to ensure the public and effective dissemination of the call to meeting.

The call to the General Shareholders' Meeting shall also be reported to such Market Supervisory Authorities as may be appropriate.

The notices of the call to meeting shall contain all the statements required by the law in each case and, in any event, shall set forth the place, date and time of the Meeting upon first call and all the matters to be dealt with thereat (the agenda). The notices may also set forth the place, date and time for the General Shareholders' Meeting to be held on second call, if applicable.

At the Ordinary General Shareholders' Meeting, shareholders representing at least three per cent of the share capital may request the publication of a supplement to the call to the Ordinary General Shareholders' Meeting, including one or more items in the agenda, so long as such new items are accompanied by a rationale or, if applicable, by a well-founded proposal for a resolution.

In addition, shareholders representing at least three per cent of the share capital may submit well-founded proposals for resolutions regarding items already included or that must be included in the agenda for the General Shareholders' Meeting called.

The rights provided for in the two preceding paragraphs must be exercised by means of duly authenticated notice that must be received at the Company's registered office within five day of the publication of the call to meeting.

The supplement to the call to meeting and the proposals for resolutions must be published or disseminated in compliance with the legal requirements and advance notice provided by law.

From the date of publication of the notice of the call to meeting until the General Shareholders' Meeting is held, the Company shall maintain the following information published continuously on its corporate website:

- a) The notice of meeting.
- b) The total number of shares and voting rights on the date the meeting is called, with a breakdown by class of shares, if any such classes exist.
- c) The documents to be submitted to the shareholders at the General Shareholders' Meeting and, specifically, the reports prepared by director, auditors and independent experts.
- d) The full text of the proposed resolutions or, if none, a report prepared by the competent bodies, containing a discussion of each of the items on the agenda. The proposed resolutions submitted by the shareholders shall also be included in the order that they are received.
- e) The existing communication channels between the Company and the shareholders and, specifically, any appropriate explanations regarding the exercise of the shareholders' right to receive information, setting forth the mailing and e-mail addresses to which the shareholders may write.
- f) In the case of the appointment, ratification or re-election of members of the Board of Directors, the identity and curriculum vitae thereof and the status of each such Director, as well as the proposal from the Board of Directors or the Nominating, Compensation and Corporate Governance Committee, as applicable, and the reports required by law. If the Director is a legal person, the information shall include details of the individual who will be appointed for permanent discharge of the duties inherent in the position.
- g) The means to grant a proxy for the General Shareholders' Meeting and to cast a distance vote, including the procedure to obtain attendance cards or a certificate issued by the entities legally authorised for such purpose.

Furthermore, from the date of publication of the notice of the call to the General Shareholders' Meeting, and in order to facilitate shareholders' attendance and participation therein, the Company shall include in its website, to the extent available and in addition to the documents and information required by law, all materials that the Company deems advisable for such purposes and in particular, but merely for illustrative purposes, the following:

- a) Information regarding the place where the General Shareholders' Meeting is to be held, describing, when appropriate, the means of access to the meeting room.
- b) Any other matters of interest for purposes of following the proceedings at the Meeting, such as whether or not simultaneous interpretation services will be provided, the possibility that the General Shareholders' Meeting be followed by audio-visual means, or information in other languages.

In addition, when there is a supplement to the call to meeting, the Company shall, from the date of publication thereof, also publish, in the same manner and on its website, the text of the proposals to which such supplement refers and which has been provided to the Company.

This information may be subject to changes at any time, in which case any appropriate amendments or clarifications shall be published on the Company's website.

The Company shall deliver the information and documentation referred to in the preceding paragraphs to the National Securities Market Commission and to other Market Supervisory Authorities as may be appropriate. It shall also provide such information and documentation to the depository or depositaries of the programmes through which the Company is listed on certain foreign markets.

Right to information

From the time of publication of the notice of the call to a General Shareholders' Meeting through the seventh day prior to the date set for the holding thereof upon first call, any shareholder may submit a written request to the Board of Directors of the Company for such information or clarifications as it deems are required, or ask written questions it deems are pertinent, regarding the matters included in the Agenda for the Meeting published in the notice of call thereto, or regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting, or regarding the auditor's report.

The Board of Directors shall be required to provide in writing, until the day when the General Shareholders' Meeting is held, the requested information or clarifications, as well as to respond in writing to the questions asked. The answers to the questions and to the requests for information shall be channelled through the Secretary of the Board of Directors by any member thereof or by any person expressly authorised by the Board of Directors to that end.

During the course of the General Shareholders' Meeting, the shareholders of the Company may verbally request such information or clarifications as they deem appropriate regarding the matters contained in the agenda, or regarding the information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the last General Shareholders' Meeting, or regarding the auditor's report. In the event that it is not possible to satisfy the shareholder's right at that time, the Directors shall have the duty to provide such information in writing within seven days of the close of the Meeting.

The Directors shall have the duty to provide the information requested in accordance with the provisions of the two preceding paragraphs, except in those cases in which (i) such information is unnecessary for the protection of shareholder rights, or there are objective reasons to believe that it might be used for ultra vires purposes, or publication thereof may prejudice the Company or related companies; (ii) the request for information or clarification does not refer to matters included in the Agenda or, in the case of the preceding section 1, to information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the immediately preceding General Shareholders' Meeting; (iii) it is so established in legal or regulatory provisions. The exception contemplated in the subsection (i) above shall not apply when the information has been requested by shareholders representing at least one-fourth of the share capital.

If the information requested by shareholders has been clearly, expressly and directly made available to all shareholders in question & answer format on the Company's corporate website, the Board of Directors may limit its response to a reference to the information provided in such format.

Valid requests for information, clarifications submitted or questions asked in writing by the shareholders, as well as the answers provided in writing by the Directors, shall be published on the Company's website.

Answers to shareholders who attend the General Shareholders' Meeting from a distance by means of data transmission and simultaneously and who exercise their right to receive information through this procedure shall be provided, if applicable, in writing, within seven days following the Meeting.

Right to Attend

The holders of at least 300 shares may attend General Shareholders' Meetings, provided that such shares are registered in their name in the corresponding book-entry registry five days in advance of the date on which the General Shareholders' Meeting is held, and provided also that they present evidence thereof with the appropriate attendance card or share certificate issued by any of the entities participating in the institution that manages such book-entry registry or directly by the Company itself, or in any other manner permitted under law. Such card or certificate may be used by the shareholders as the document whereby to grant a proxy for the General Shareholders' Meeting in question.

Holders of a lesser number of shares than the minimum number required to attend may at any time grant a proxy in respect thereof, under the terms stated in the paragraphs below, to a shareholder having the right to attend the General Shareholders' Meeting, as well as group together with other shareholders in the same situation until reaching the required number of shares, following which a proxy must be granted by the shareholders so grouped together to one of such shareholders. The grouping must be carried out specifically for each General Shareholders' Meeting and be recorded in writing.

The Chairman may authorise the attendance of any person that he deems appropriate, although the General Shareholders' Meeting may revoke such authorisation.

Voting by Proxy or Power of Attorney

Every shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by any other person, even if not a shareholder.

The documents setting forth the proxies or powers of attorney for the General Shareholders' Meeting shall contain the instructions regarding the direction of the vote. Unless otherwise expressly indicated by the shareholder giving the proxy, it shall be understood that the shareholder gives specific instructions to vote in favour of the proposed resolutions put forward by the Board of Directors regarding the matters on the agenda.

If there are no voting instructions because the shareholders acting at the General Shareholders' Meeting are to decide matters that are not included in the agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the Meeting, the proxy-holder shall vote in such direction as he deems most appropriate, taking into account the interest of the Company and that of the shareholder granting the proxy. The same rule shall apply when the relevant proposal or proposals submitted to the shareholders at the Meeting have not been made by the Board of Directors.

If the document setting forth the proxy or power of attorney does not state the specific person or persons to whom the shareholder grants the proxy, such proxy shall be deemed granted in favour of the Chairman of the Board of Directors of the Company, or the person that stands in for him as Chairman of the General Shareholders' Meeting, or such person as is appointed by the Board of Directors, with notice of such appointment being given in advance in the official notice of the call to meeting. If the Chairman of the Board of Directors of the Company, or the person acting in his stead, or the person appointed by the Board of Directors, as applicable, is affected by any of the conflicts of interest contemplated in the Companies Act and the document setting forth the proxy does not contain any specific instructions, the proxy shall be deemed granted to the Secretary for the General Shareholders' Meeting.

The Chairman of the General Shareholders' Meeting or, by delegation of powers, the Secretary for the Meeting, shall resolve all doubts regarding the validity and effectiveness of the documents giving rise to the right of any shareholder to attend the General Shareholders' Meeting, whether individually or by grouping shares with other shareholders, as well as any proxy granted to any other person, endeavouring to deem only those documents that lack the minimum essential requirements to be invalid or ineffective, provided that the defects therein have not been cured.

21.2.6 A brief description of any provision of the issuer's articles of association, statutes, charter or By-Laws that would have an effect of delaying, deferring or preventing a change in control of the issuer.

In accordance with the provisions of article 26 of the By-Laws of the Company, no shareholder may cast a number of votes in excess of 10% of the total voting capital existing at any time, regardless of the number of shares held by such shareholder, all fully subject to the mandatory provisions of the law. In determining the maximum number of votes that each shareholders may cast, only the shares held by the shareholder in question shall be computed, and those held by other shareholders that have granted their proxy to the first-mentioned shareholder shall not be computed, without prejudice to the application of the aforementioned limit of 10% to each of the shareholders that have granted a proxy.

The limitation established in the foregoing paragraph shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholder companies belonging to the same group of entities, as well as to the maximum number of votes that may be cast by an individual or corporate shareholder and the entity or entities that are shareholders themselves and which are directly or indirectly controlled by such individual or corporate shareholder.

Similarly, article 30 of the By-Laws establishes that to be appointed Director, a person must have held a number of shares of the Company representing a nominal value of at least €3,000 for more than three years prior to their appointment, which shares cannot be transferred while in office. These requirements shall not apply to those persons who, at the time of their appointment, are related to the Company under an employment or professional relationship, or when the Board of Directors resolves to waive such requirements with the favourable vote of at least 85% of its members.

Additionally, article 31 of the By-Laws provides that for a Director to be appointed Chairman, Vice Chairman, Chief Executive Officer or member of the Executive Commission, it shall be necessary for such Director to have served on the Board for at least three years immediately prior to any such appointment. However, such length of service will not be required if the appointment is made with the favourable vote of at least 85% of the members of the Board of Directors.

21.2.7 An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.

There is no provision in the By-Laws of Telefónica or in any of its internal Regulations establishing the ownership threshold above which shareholder ownership must be disclosed.

21.2.8 A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law.

The By-Laws of the Company do not establish conditions that are more stringent than those established in the Spanish Companies Act (*Ley de Sociedades de Capital*) with relation to changes in capital.

22 MATERIAL CONTRACTS

A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.

A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.

There are no such contracts other than contracts executed in the normal course of business.

23 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST.

23.1 Where a statement or report attributed to a person as an expert is included in the registration document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the registration document.

This Registration Document does not include any statement or report attributed to a person as an expert.

23.2 Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.

This Registration Document does not include any significant information sourced from a third party.

24 DOCUMENTS ON DISPLAY

A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected:

(a) the memorandum and articles of association of the issuer

(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document.

(c) the historical financial information of the issuer or, in the case of a group, the historical financial information for the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document.

An indication of where the documents on display may be inspected, by physical or electronic means.

The By-Laws of Telefónica are available to the public at the Commercial Registry of Madrid, at the registered office of the Company and can also be viewed on the Company's website at the following address: http://www.telefonica.com/es/shareholders_investors

Telefónica's memorandum of association can be viewed at the Commercial Registry of Madrid.

Finally, the Consolidated and Individual Annual Accounts, the Consolidated and Individual management reports of the Company for the years ended 31 December 2014, 2013 and 2012, including the corresponding Annual Corporate Governance Reports for said years, and the Remuneration Report for the years 2014, 2013 and 2012 and the Half-Yearly Financial Report, as well as the audit reports for such periods, can be viewed during the effective period of the Registration Document at the registered office of the Company and on the website of Telefónica at the address mentioned above. The Consolidated Annual Accounts, the Half-Yearly Financial Report and the corresponding audit reports are also deposited with the CNMV and can be viewed on its website at: www.cnmv.es.

25 INFORMATION ON HOLDINGS

Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

Pursuant to the provisions of Regulation 809/2004 of 29 April and excluding the companies consolidated using the equity method and companies under the heading ("Non-current financial assets") (see Appendix VI to the Consolidated Annual Accounts, which includes a description of the "Main companies comprising the Telefónica Group" at 31 December 2014), the Issuer has no interest in any Company that might have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

Signature of the persons responsible for the information in the Registration Document

In witness whereof and of their approval of the contents of this Registration Document, they sign in Madrid, on 22 October 2015.

Mr. Miguel Escrig Meliá
Chief Financial Officer

Mr. Ramiro Sánchez de Lerín García-Ovies
Group General Counsel and Secretary of the Board of Directors