

NOTA DE PRENSA

PRESS RELEASE

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At the end of March, total accesses had grown in reported terms by 10% year-on-year, revenue rose by 12.6%, OIBDA by 7.7%, cash flow by 25.8% and the net income increased 2.6 times

TELEFÓNICA STARTS A NEW GROWTH CYCLE IN THE FIRST QUARTER OF 2015 AND REACHES A NET INCOME OF 1,802 MILLION EUROS (+162%)

In the results report published today, Telefónica's Executive Chairman, César Alierta, stressed that the results of the first quarter "reflect a solid beginning of this new cycle and are leveraged on the improved organic evolution of the business". Furthermore, Alierta expressed thanks for the continued support of the company's shareholders "which has yet again been reflected in the success of our recent capital increases in Telefónica and Telefónica Brasil".

- Telefonica reiterates 2015 guidance and its ambition for 2016.
- At the end of March, consolidated revenue totalled 11,543 million euros and showed a strong growth acceleration. Spain, Brazil and Germany generated 66% of this sum. Moreover, the OIBDA amounted to 3,618 million euros and the OIBDA margin stood at 31.3%, thanks to the evolution of revenue and to simplification efforts and cost savings.
- The figures for the first quarter of 2015 show that Telefónica was able to anticipate the demand and expected growth of data traffic and especially of video, by enhancing its offer of services with a distinctive and quality proposal. Thus, at the end of March, 40% of the revenue from mobile services consisted of mobile data revenue, which increased by 30.9% year-on-year, this quarter.
- Telefónica Group's investment increased by 25.8% in the first quarter of the year, amounting to 1,682 million euros (including spectrum). The main thrust of investment was focused especially on modernisation and acceleration of the deployment of new networks.
- After strengthening its position in key markets through the management of its asset portfolio, and in view of the completion of the sale of O2 UK, the company consolidated a strong financial position with a debt ratio which was 2.13 times net debt over OIBDA.
- Customer numbers grew in all business units and amounted to more than 319 million total accesses at the end of March. The significant evolution of the higher-value services was noteworthy, thanks to an attractive offer, which enabled: the fibre customer base to be doubled year-on-year (2.1 M), an increase of 53% in Pay TV customers (5.5 M), LTE customers to be multiplied by 5.1 (13.7 M) and an increase in smartphones of 57% (91.4 M); while numbers of mobile contracts grew at a rate of +18%.

- Telefónica increased the local scale in its major markets, while maintaining the noteworthy diversification and global scale of the Group:
 - Telefónica España has begun its return to growth after achieving a year-on-year rise in connections in the quarter (+1.2%) and a sustained trend of year-on-year recovery in terms of revenue (-3.8% in 1Q2015 vs. -4.9% in 4Q2014). The company has strengthened its leadership in the Spanish market and is now the operator with the most extensive fibre network and the most connected customers in Europe (1.6 million, >x2 year-on-year).
 - In Brazil, thanks to the high quality of the network and the innovation of the business proposals, revenue grew significantly (+4.8% year-on-year) and the share of the mobile market increased by 28.9%. During the current quarter, Telefónica Brazil will be consolidated as an integrated operator with national coverage as a result of the closing of GVT's acquisition.
 - In Germany, revenue improved (+69.4% year-on-year) and OIBDA reversed its trend (+62.6% year-on-year), in view of the consolidation of E-Plus since October of last year, and there is a clear improvement in the evolution of the business in organic terms, which will intensify in the coming quarters due to the crystallisation of the synergies resulting from the acquisition of E-Plus.
 - In Telefónica Hispanoamérica, one of the main drivers of growth in the Group, the strong growth of OIBDA in Mexico (+82.4%) and Colombia (+7.7%) was noteworthy.
- Starting from the first quarter of 2015, Telefónica's operations in the United Kingdom are reported as discontinuing operations within Telefónica Group. For comparative purposes, the 2014 results are reported by following this same criterion. Also, for better interpretation purposes only, the comparative figures for the first quarter of 2014 of those operations referenced to the Venezuelan bolivar have been restated applying the exchange rate used in the conversion for the full year 2014 results (50 bolivar fuerte per dollar).

Madrid, 14 May 2015 - Today, Telefónica presented the results from the first quarter of 2015, a period in which the company totalled a net profit of 1,802 million euros, increasing by 2.6 times vs. the same period of the previous year. In addition, the figures for January-March 2015 show tangible progress in most items of the profit and loss account, which is a reflection of the focus on long-term sustainable growth and a result of the intense transformation executed in recent years. At the end of March, total accesses had grown in reported terms by 10% year-on-year, amounting to over 319 million customers, revenue increased by 12.6% to 11,543 million euros, OIBDA increased by 7.7%, reaching the sum of 3,618 million euros, and finally, cash flow stood at 363 million euros after growing by 25.8%.

In the earnings report published today, Telefónica's Executive Chairman, César Alierta, stressed that the results of the first quarter "reflect a solid beginning of this new cycle and are leveraged on the improved organic evolution of the business." Alierta emphasised that this is a generalised growth and indicated that "Spain has already begun its return to growth after reporting in the quarter a year-on-year increase in accesses, which will gradually translate into growth in financials".

Moreover, in the results report of the first quarter, Telefónica reiterated its 2015 guidance and ambition for 2016, while César Alierta thanked the continued support of Company shareholders "which

has yet again been reflected in the success of our recent capital increases in Telefonía and Telefonía Brasil".

But before starting to analyse the financial and operational results, it is important to note that, since the first quarter of 2015, Telefonía's operations in the UK are reported as discontinued operations within Telefonía Group, and its assets and liabilities are classified as "held for sale" in compliance with International Financial Reporting Standards (IFRS), as a result of the signing in March 2015 of the definitive agreement on the sale of the Company. Likewise, 2014 results are reported following these same criteria.

Also, for better interpretation purposes only, the comparative figures for the first quarter of 2014 of those operations referenced to the Venezuelan bolivar have been restated applying the exchange rate used in the conversion for the full year 2014 results (50 bolivar fuerte per dollar).

On the other hand, the consolidation of E-Plus' results in T. Deutschland (since 1st October 2014) and the deconsolidation of T. Ireland's results (since July 2014) affected reported year-on-year evolution.

319.1 million accesses

Telefonía's accesses totalled 319.1 million as of March 2015 and posted double digit growth (+10% year-on-year) driven by the incorporation of E-Plus in T. Deutschland and the sustained pace of growth of T. Brasil and T. Hispanoamérica (+4% year-on-year, in both cases). Also remarkable was T. España, which posted access growth (+1%) for the first time since the second quarter of 2011.

The high commercial activity during the quarter focused on value customers is reflected in the strong mobile contract (especially smartphones), fibre and pay TV access growth.

Mobile accesses (252.8 million) increased 13% thanks to a strong increase in mobile contract (+18% year-on-year), which already represented 34% of the mobile base (+1 p.p. year-on-year). Smartphones reached 91.4 million as of March 2015, maintaining a strong growth (+57% year-on-year) and reaching a penetration of 38% (+11 p.p. year-on-year). LTE customers stood at 13.7 million (5.1 times year-on-year) and represented 6% of total mobile accesses (+4 percentage points year-on-year).

Retail broadband accesses grew 1% year-on-year to 17.7 million as of March 2015, with positive net additions (55 thousand accesses) for the fourth consecutive quarter. Fibre accesses stood at 2.1 million (2.1 times vs. March 2014), with quarterly net additions of 308 thousand accesses. Pay TV accesses reached 5.5 million (1.5 times vs. March 2014), with quarterly net additions (379 thousand) that more than tripled the gains for the same quarter of the previous year.

Income statement analysis

It is worth highlighting in the first quarter the positive contribution, for the first time in 10 quarters, of exchange rate fluctuations to year-on-year revenue and OIBDA growth, driven by the appreciation vs. the Euro of most Latin American currencies.

It is important to stress that results assume constant exchange rates as of 2014 (average FX in 2014). Excludes the impact of hyperinflationary adjustments in Venezuela in both years and O2 UK

results for both years after being classified as “discontinued operations”, and considers constant perimeter of consolidation.

First quarter revenues totalled 11,543 million euros in January-March 2015, and grew 12.6% compared to the same period of 2014, driven by T. Deutschland and T. Hispanoamérica. Exchange rate evolution contributed with 3.2 percentage points to the revenue growth, while changes in the perimeter of consolidation contributed with 5.9 percentage points.

The growing focus on key markets was reflected in the revenue mix, with T. España, T. Brasil and T. Deutschland accounting for 66% of revenues, increasing local scale and keeping at the same time the Group's differential diversification and global scale.

In organic terms, revenues increased 3.3% year-on-year, being particularly noteworthy the strong pace of growth of T. Hispanoamérica (+9.7%) and T. Brasil (+4.3%), as well as the performance of T. Deutschland (+2.9%) and the sustained recovery trend of T. España (-3.8% in the first quarter of 2015; -4.9% in the fourth quarter of 2014).

Mobile data revenues increased 11.9% in organic terms vs. January-March 2014 (+30.9% reported) and already represented 40% of mobile service revenues, as a result of the higher weight of LTE customers and higher smartphone penetration. Digital service revenues totalled 682 million euros in the first quarter of 2015, and accelerated their organic growth rate for the fifth consecutive quarter up to 33.7% year-on-year. It is worth mentioning the evolution of Video business revenues (321 million euros in January-March 2015; +56.6% organic year-on-year), as a result of the growth in accesses and the improvement in contents, functionalities and network.

Operating expenses, OIBDA and operating income

Operating expenses stood at 8,185 million euros in January-March 2015 and grew 4.0% year-on-year organic (+14.9% reported) fundamentally driven by higher commercial and network and system costs, despite the savings from the simplification of the Company's operating model and scale.

Gains on sales of fixed assets amounted to 61 million euros in January-March 2015 reflecting mainly the sale of non-strategic towers (39 million euros impact on OIBDA, essentially in T. España) and the sale of “yourfone GmbH” in Germany (17 million euros of impact on OIBDA).

As a result, the operating income before depreciation and amortisation (OIBDA) totalled 3,618 million euros in the first quarter, increasing 7.7% vs. same period of the previous year. Changes in the perimeter of consolidation contributed with 3.0 p.p., while the evolution of exchange rates with 2.5 p.p. to OIBDA year-on-year growth. OIBDA margin in the first quarter stood at 31.3%, practically stable vs. the same period of the previous year in organic terms (-0.3 p.p.). In reported terms it posted a 1.4 percentage points erosion.

Operating Income (OI) amounted to 1,511 million euros in the first quarter of 2015, growing 3.2% year-on-year in organic terms (-5.0% reported).

Net financial expenses in the first quarter of 2015 amounted to 644 million euros, a 5.1% reduction vs. the same period of the previous year thanks to capturing the fall of euro interest rates and the lower impact from negative exchange rate differences, despite the higher weight of Latin American currencies on the debt (+2.4 p.p. year-on-year). The effective cost of debt over the last 12 months stood at 5.27%, 18 basis points below March 2014.

Corporate income tax in January-March 2015 totalled 385 million euros which, over an income before taxes of 864 million euros, implied an effective tax rate of 44.5%, 13.6 p.p. more than in the first quarter of 2014.

Profit from continuing operations stood at 479 million euros in January-March 2015, and fell 24.2% year-on-year. The profit from discontinued operations stood at 1,304 million euros in the first quarter of 2015 (93 million euros in the same period of 2014), driven by the recognition of 1,185 million euros due to tax deferred assets resulting from the estimated difference in Telefónica, S.A. between the tax value and the agreed value in the sale of Telefónica operations in the UK, which are expected to materialize in a foreseeable future when they become definitely deductible upon the sale.

Profit attributable to minority interests increased first quarter net income by 19 million euros (-37 million euros in January-March 2014).

As a result, consolidated net income in the first quarter of 2015 amounted to 1,802 million euros, increasing by 2.6 times vs. the same period of the previous year. Basic earnings per share stood at 0.38 euros in January-March 2015 vs. 0.14 euros in the first quarter of 2014.

Investment increased by 25.8% year-on-year

CapEx stood at 1,682 million euros in the first quarter (+25.8% year-on-year) and included 161 million euros from spectrum acquisitions in Ecuador, Spain and Chile. The Company continued focusing its investments primarily on growth and transformation projects (76% of total investment), driving network modernisation and differentiation.

Operating cash flow (OIBDA-CapEx) stood at 1,937 million euros in the first quarter of 2015, down 4.2% vs. the same period of 2014.

Operations with minority shareholders totalled 26 million euros in the first quarter of 2015 and dropped by 93 million euros year-on-year, mainly due to the payment of dividends in Brazil in the first quarter of 2014. Free cash flow amounted to 363 million euros in the first quarter of 2015 and increased 25.8% year-on-year.

Strengthening of financial position

Net financial debt stood at 45,627 million euros as of March 2015, a 540 million euros increase compared to December 2014. The leverage ratio (net debt/OIDDA) in the last 12 months at the end of March 2015 stood at 2.73 times. This ratio would stand at 2.13 times, considering the closing of O2 UK sale.

During the first quarter of 2015, Telefónica's financing activity in capital markets stood at around 6,570 million equivalent euros, and was mainly focused on strengthening the liquidity position and actively managing the cost of debt through the extension of the maturity of the credit lines and the reduction of margins. At the end of March 2015, the Group maintains a comfortable liquidity position to accommodate the next debt maturities.

After first quarter closing, it is worth to mention the capital increases in Telefónica, S.A., for a total of 3,048 million euros, and Telefónica Brasil, S.A. for 16,107 million Brazilian reais, related with the financing of the acquisition of GVT.

Telefónica maintains total undrawn committed credit lines with different credit entities for an approximate amount of 11,239 million euros, with around 10,402 million maturing in more than 12 months, which, along with the adjusted cash position, places liquidity at 16.9 billion euros.

Digital Services and Telefónica Global Resources

During the first quarter of the year Digital Services accelerated their year-on-year growth to 33.7%, to a total of 682 million euros. With regards to progress in this area it is worth to highlight that the Video business revenues amounted to 321 million euros in the first quarter of 2015, significantly improving year-on-year organic growth to 56.6%, driven by a strong increase in the access base (+53% in organic terms). Thus, penetration of Pay TV over consumer fixed broadband base stood at 41% (+15 percentage points year-on-year). In the Financial Services area, revenues reached 71 million euros, a 7.3% increase in organic terms. Security revenues stood at 65 million euros in the quarter, with an organic year-on-year growth of 76.0%. Lastly, M2M revenues during the first quarter totaled 37 million euros while Cloud business revenues (83 million euros) increased 31.8% in organic terms, compared to the first three months of 2014.

During the first quarter of 2015, Telefónica Global Resources advanced significantly towards the technological transformation of the Company's network infrastructures and IT, building a differential network and offering the best customer experience.

The global Network and Operations unit continued focusing its efforts on the deployment of ultra-broadband (UBB), on the management of global network platforms (Video, M2M and Cloud) ensuring end-to-end availability, and on the progress of network virtualisation initiatives (platforms and customer equipment). Thus, premises passed with fibre totalled 16.1 million (+86% year-on-year). In terms of LTE, coverage in Europe and Latin America reached 65% and 28% respectively. For its part, the global IT unit continued to focus on, on the one hand, application and process transformation, "doing things once" in Corporate applications and through Global Architecture and, on the other, on enabling capabilities for the efficient use of information (Big Data and Business Intelligence).

TELEFÓNICA ESPAÑA

Telefónica España's first quarter results once more reflect a new improvement in the evolution of revenues, on the back of value customer growth, the on-going churn improvement in all services and a more favourable competitive and macroeconomic environment.

Commercial activity maintained a very positive trend during the first quarter of 2015. At the end of March, Telefónica España managed 41.2 million accesses, posting a positive year-on-year growth of 1%, for the first time since the second quarter of 2011. Telefónica España continued leading the Pay TV market, with more than 2 million customers (a year-on-year three-fold increase), fibre customers doubled compared to the previous year up to 1.6 million, and mobile contract customers strengthened their growth trend and increased 1.8% year-on-year.

"Movistar Fusión" had 3.9 million customers and 1.4 million additional mobile lines, with a year-on-year growth of 21% and 15% respectively, representing 76% of fixed broadband accesses and 59% of mobile contract accesses in the consumer segment. "Movistar Fusión" continued increasing the value of the customer base, as a result of the growing percentage of gross additions adding new services and of subscriptions to higher quality products (fibre and TV). Thus, 23% of "Fusión" customers already have 100 Mb fibre and 50% have IPTV.

Retail fixed broadband accesses grew by 1% year-on-year to 5.9 million, with quarterly net additions of 42 thousand on the back of the solid evolution of fibre and the sustained reduction of churn, which stood at 1.3%. Fibre customers maintained a positive performance during the quarter, with net additions of 244 thousand, doubling the figure for the same period of 2014 and similar to that of the fourth quarter. Premises with fibre coverage reached 11.5 million by the end of March, with a quarterly increase of 1.2 million, while the pace of future deployment remains subject to the definitive regulation. Pay TV accesses reached 2.1 million customers, a three-fold increase compared with March 2014. Quarterly net additions reached 255 thousand accesses.

Total mobile accesses base stood at 17.4 million by the end of the quarter, down 3% year-on-year, although its evolution continued to gradually improve each quarter. "Smartphones" accounted for 63% of the mobile voice base, 9 percentage points more than in March 2014 and continued to data drive traffic growth (+77% year-on-year). LTE customers stood at 2.2 million, more than doubling compared with March 2014. LTE coverage reached 59% of the population as of March 2015.

Operating revenues reached 2,878 million euros (-3.8% year-on-year) confirming the recovery path (+1.1 percentage points quarter-on-quarter), mainly reflecting the improved commercial performance, the increased demand for value offers and the diminishing impact of customers' repositioning, despite the drop in handset sales. OIBDA In reported terms, OIBDA reached 1,282 million euros, down 8.6% year-on-year, and the margin stood at 44.5%.

CapEx totalled 414 million euros (+55.0% year-on-year) and included 22 million of spectrum linked to the usage of the 900 MHz band. The investment reflected the acceleration in customer connections to fibre, and the investment in fibre and 4G to underpin our leadership in quality.

TELEFÓNICA DEUTSCHLAND *(year-on-year changes in organic terms)*

In the first quarter of 2015 Telefónica Deutschland continued to deliver on key integration with E-Plus activities, posted solid commercial momentum and strong set of financials.

Total access base reached 47.7 million at the end of March (+2% year-on-year; 1.9x vs. reported in March 2014), following a continued growth of the mobile base (+2% year-on-year; 2.2x). Contract mobile customer base grew 2% year-on-year and stood at 18.9 million at the end of March, representing 45% of the total mobile base. Smartphone penetration stood at 50% at the end of the quarter driven by the strong growth of contract smartphones and increasing penetration in the prepaid segment. Retail broadband accesses showed a similar volume of net disconnections (-16 thousand) than in the previous quarter. VDSL is contributing with net additions of 66 thousands.

Revenues posted a better year-on-year trend sequentially and grew 2.9% year-on-year in the quarter (+69.4% reported) totalling 1,901 million euros, underpinned by the solid performance of mobile service revenues and a significantly higher contribution of handset revenues.

OIBDA in the first quarter (408 million euros) reverted its negative year-on-year trend posted throughout 2014 and increased 9.0% year-on-year (+62.6% reported) driven by flow through from revenues and lower commercial costs from the new approach to customer base and the value based tiered approach to handset subsidies. Additionally, OIBDA registered a positive non-recurrent impact of 17 million euros from the sale of "yourfone GmbH" to Drillisch. As a result, OIBDA margin reached 21.5% (+1.2 percentage points year-on-year).

CapEx totalled 221 million euros for the first three months (+2.9% year-on-year; +67.3% reported), with an accelerated deployment of the LTE network giving a clear priority to urban areas (outdoor coverage of 68% at the end of March). Operating Cash Flow (OIBDA-CapEx) totalled 187 million euros.

TELEFÓNICA BRASIL *(year-on-year changes in organic terms)*

During the first quarter of 2015, Telefónica Brasil strengthened its strategy in value growth leveraged on the differential quality of its network and the innovation of its commercial offers.

Regarding the acquisition of GVT, progress has been made in the final phases of the creation of the country's leading telecommunications company. Thus, the competition and telecommunication regulator authorities ("CADE" and "Anatel") granted the corresponding conditioned authorisations for the acquisition of the Company, and Telefónica Brasil's capital increase has been successfully completed to fund said acquisition. The final closing of the operation is pending the approval of the Extraordinary Shareholders' Meeting, which will be held on 28 May.

Telefónica managed 97.4 million accesses in Brazil, 4% more than in March 2014, despite the application of more restrictive criteria for prepaid customers. With respect to the operating evolution of the mobile business, Telefónica Brasil maintained its leadership in the high value segments with a contract market share of 41.6% and 38.3% in LTE accesses. Likewise, and despite applying more

restrictive criteria for prepay customers than other operators, the market share of accesses increased to 28.9%.

Mobile accesses reached 81.9 million due to the contract segment increase (+16% year-on-year), which represented 35% of the total. The Company continued to lead the 4G coverage in the country reaching 141 cities covered and a total of 3.9 million accesses.

In the fixed business, traditional accesses stood at 10.6 million. Retail broadband accesses (3.9 million accesses) lost 13 thousand accesses in the quarter, however net additions in fibre stood at 54 thousand accesses (+70% year-on-year), already reaching 429 thousand connected accesses (+82% year-on-year) over a total of 4.3 million of premises passed in Sao Paulo (2.3 million as of March 2014). Pay TV accesses continued to show growth acceleration (+23% year-on-year), after registering net quarterly additions of 20 thousand accesses (4 times vs. first quarter of 2014) thanks to IPTV accesses (80% of the quarter's total net additions).

Revenues for the January-March 2015 period reached 2,794 million euros and accelerated significantly their year-on-year growth to 4.3% (+1.6% in the the fourth quarter of 2014, excluding extraordinary impacts) despite the negative impact of regulation. OIBDA for the first three months of the year stood at 840 million euros, 0.9% more than in the same period of the previous year, as a result of the solid growth of revenues and the ongoing efficiency effort. Thus, the OIBDA margin stood at 30.1% in the first quarter of 2015. CapEx amounted to 395 million euros in the quarter (+26.8% year-on-year in organic terms) and was mainly devoted to the deployment of the fibre network in the fixed business and of 4G in the mobile business, as well as to increase capacity and improve the 3G network.

TELEFÓNICA HISPANOAMÉRICA (year-on-year changes in organic terms)

In the first quarter of 2015 Telefónica Hispanoamérica posted solid year-on-year growth in both revenue and OIBDA, consolidating the trend of OIBDA margin expansion with an increasing contribution mainly from Mexico and Colombia.

Telefónica Hispanoamérica total accesses reached 132.5 million as of March 2015 (+4% year-on-year). Mobile accesses totalled 111.1 million (+4% year-on-year).); with smartphones progressively increasing their weight over the access base (29%; +6 percentage points year-on-year). Fixed accesses totalled 13.3 million while Retail broadband accesses stood at 5.5 million and continued to show a solid year-on-year growth of 6%. For its part, Pay TV net additions in the quarter reached a record high of 104 thousand accesses (+78% year-on-year). Thus, the total number of accesses totalled 2.5 million (+16% year-on-year), with a noteworthy positive trend in Peru and Venezuela.

Revenues reached 3,665 million euros in the first quarter, up 9.7% year-on-year in organic terms. In reported terms, revenues grew by 19.6% year-on-year, with a better trend in the year-on-year comparison of exchange rates vs. the euro in all the countries in the region, except for the Colombian peso. OIBDA reached 1,127 million euros in the quarter, 14.5% more than in the first quarter of 2014 in organic terms, as the lower contribution from Venezuela was offset by growing contributions from countries such as Mexico and Colombia. Thus, the OIBDA margin stood at 30.8%, 1.3 percentage points above the first three months of last year. CapEx totalled 622 million euros in the January-March period, with organic year-on-year growth of 13.7%, excluding 139 million euros in spectrum acquisitions in the first quarter of 2015 (133 million in Ecuador and 6 million in Chile) and 187 million in the million in the first quarter of 2014 (108 in Colombia and 79 million in Panama). Investments were dedicated to the roll

out of new generation networks, with LTE available in most countries in the region, as well as to the ongoing improvement of the transport network to tackle the strong traffic increase.

Telefónica Argentina *(year-on year variations in organic terms)*

In the first quarter of 2015, Telefónica Argentina maintained a solid year-on-year revenue growth and a strong expansion of the OIBDA margin, as a result of the efficiency plans implemented and the rationalisation of the commercial costs to offset the impact of the inflation. The Company managed 26.3 million accesses as of March 2015 (stable year-on-year).

Revenues totalled 935 million euros in the first quarter of 2015, 23.4% of year-on-year growth, driven by both the fixed and the mobile businesses. OIBDA amounted to 273 million euros in the first three months and grew by 38.3% year-on-year. CapEx for the quarter (146 million euros) increased by 21.7% and was mainly devoted to the expansion of fixed and mobile networks and the development of new products and services.

Telefónica Chile *(year-on year variations in organic terms)*

In the first quarter of 2015, Telefónica Chile maintained a solid performance in underlying terms; although revenue and OIBDA growth continued to be negatively affected by the strong regulatory impact. Telefónica Chile managed 13.9 million accesses as of March 2015, with year-on-year growth of 2%.

Revenues in the January-March 2015 period amounted to 565 million euros and remained stable year-on-year (+0.4%) being negatively affected by the aforementioned regulation. Excluding this effect, revenues would have grown by 4.6%. OIBDA reached 176 million euros and decreased 2.1% year-on-year, mainly as a result of the negative impact of regulatory changes, as well as the increased commercial activity. Excluding the regulatory impact, the OIBDA would have increased 2.2% year-on-year. CapEx totalled 123 million euros (+20.0% year-on-year) and was aimed at the improvement of mobile (4G) and fixed (fibre) networks.

Telefónica Peru *(year-on year variations in organic terms)*

During the first quarter of the year Telefónica Perú recorded solid commercial results in the higher value segments, both in the mobile business and the fixed business, which resulted in a sustained revenue growth in both businesses. Telefónica Perú reached 22.1 million total accesses at the end of March (+5% year-on-year).

Revenues stood at 692 million euros in January-March 2015 (+5.3% year-on-year) driven by both the sustained growth in the mobile business (acceleration in data revenue growth) and TV in the fixed business. OIBDA reached 238 million euros and declined by 2.2% vs. the first three months of 2014, mainly due to the higher commercial effort. CapEx totalled 63 million euros in the quarter (+13.6% year-on-year), with a special focus on the deployment of the 4G network and the penetration and capacity of the 3G network in the mobile business and in broadband and television, aimed at increasing the quality of the offering of the different services.

Telefónica Colombia *(year-on year variations in organic terms)*

In the first three months of 2015, Telefónica Colombia posted, once again, a solid set of financial results maintaining the sustained growth of revenues (excluding regulation) together with the efficient cost management (commercial cost rationalisation), which was translated into a strong year-on-year OIBDA growth with a significant expansion of the margin. At the end of the first quarter, the Company managed 15.8 million accesses, up 4% compared to the same period of the previous year.

Revenues amounted to 398 million euros in the January-March period (+0.3% year-on-year) and were affected by the aforementioned reduction in termination rates and the elimination of the subsidy by the Government to broadband plans for the least favoured segments. OIBDA stood at 150 million euros in the first three months of the year, and grew by 9.2% year-on-year, thanks to stability in revenues and the efficiencies achieved in expenses and despite the regulatory impacts on revenues. CapEx totalled 48 million euros in the first quarter of the year as a result of the deployment of the 4G and 3G networks in the mobile, as well as of the improvement in the fixed business base speed and pay TV expansion.

Telefónica Mexico *(year-on year variations in organic terms)*

In the first quarter of 2015, Telefónica México maintained 2014's strong year-on-year revenue and OIBDA growth trend, with a significant expansion in profitability. These results reflect the growing generation of economies of scale, the intense commercial activity and the new regulatory framework, which combined with the quality of Telefónica México's network, allowed the Company to continue capturing market share. Telefónica México manages 24.1 million accesses, 16% more than in March 2014.

Revenues in January-March stood at 444 million euros and grew 5.9% year-on-year despite the negative impact of the reduction in termination rates. OIBDA amounted to 109 million euros in the the first quarter of 2015 and grew by 69.8% year-on-year on the back of the solid growth in revenues, the benefits of the new regulatory environment and the generation of economies of scale. CapEx totalled 47 million euros (+10.6% vs. January-March 2014), mostly focused towards the transformation and growth activities (80% of the total), deploying and increasing the capacity of 3G and 4G networks, and improving the quality of the distribution channel with the opening of own stores.

Telefónica Venezuela & Central America *(year-on year variations in organic terms)*

In the first quarter of the year Telefónica posted a solid set of results in Venezuela and Central America and continued progressing in its commitment to offer the best quality of service. Thus, after the spectrum acquisition in 2014, the Company launched in the quarter its 4G offer in Venezuela and Panama, with a very positive adoption.

On the other hand, the economic-financial results in Venezuela for the first quarter of 2015 are affected by the Company's decision to adopt the exchange rate for the Venezuelan bolivar of 52.1 bolivars fuertes per dollar (last SICAD II assignment of 11 February 2015); and the results of the first quarter of 2014, for better comparative purposes, have been restated applying the exchange rate used in the conversion for the full year 2014 results (50 bolivars fuertes per dollar).

Regarding operating trends in the business Accesses amounted to 23.7 million at March 2015, stable year-on-year despite the disconnection of 1.8 million inactive prepay accesses in Central America in the fourth quarter of 2014. Thus, accesses in Central America totalled 11.6 million (-4% year-on-year) and 12.1 million in Venezuela (+5% year-on-year).

Revenues during the first quarter 2015 stood at 426 million euros, with a year-on-year growth of 25.2%. In Venezuela, revenues amounted to 212 million euros (+64.3% with compared to the first three months of 2014) and in Central America 214 million euros (+3.0% compared to the January-March period of last year). OIBDA amounted to 105 million euros in the first quarter of 2015, growing by 17.8% year-on-year. CapEx reached 41 million euros in January-March (+75.9% year-on-year) and was mainly dedicated to the roll-out and improvement of 3G and 4G networks throughout the region.