

NOTA DE PRENSA

PRESS RELEASE

Madrid, July 30, 2015

The company consolidates its new growth cycle quarter after quarter: in the first half acceses grew +13% yoy, revenues +12.5%, OIBDA +7.2%, and net profit 105.4%

TELEFÓNICA'S NET PROFIT DOUBLES TO 3,693 MILLION EUROS BETWEEN JANUARY AND JUNE AND THE COMPANY RAISES REVENUE GROWTH GUIDANCE FOR THE FULL YEAR

The results published today "confirm the strength of the new growth cycle initiated in the previous quarter", said César Alierta, Telefónica's Executive Chairman, who also highlighted the organic growth acceleration in the quarter "supported by the strong recovery in the Spanish business which in May and June reached revenue stabilization for the first time since December 2009"

- Telefónica raises its revenue growth guidance for the full year to >9.5 % (vs. >7% previously).
- Revenues totalled 23,419 million euros during the first half of the year, boosted by mobile data. Digital services revenues between January and June increased +29.7% yoy to 1,621 million euros.
- The solid business evolution is supported by the strong investments made to modernize and differentiate the networks. Capex in the first six months grew over 66% to 5,094 million euros.
- Telefónica Spain has the most extensive Fibre-to-the-home network in Europe with the highest number of connected customers reaching 12.5 million premises passed to June. In Brazil, Vivo's fibre optic network surpassed 16.1 million premises passed.
- The evolution of sales is reflected in the improvement of OIBDA which was boosted as well by the benefits of the synergies in Germany and the savings derived from the simplification and efficiencies program. Thus, OIBDA grew up to 7,320 million euros (+7.2% yoy) at the end of June and the OIBDA margin was 31.3%.
- Telefónica customer base totalled 329.4 million accesses after incorporating GVT in Brazil and Digital Plus in Spain, both key assets to reinforce Telefónica's growth potential and leadership in quality services.
- Higher value customers maintained a very strong growth trend, especially in mobile contracts (+16%), LTE and Fibre (almost 5x) and Pay TV (1,9x).

- Spain, Brazil and Germany contribute 66% to the Group's consolidated revenues and Hispam 30%.
 - Spain made solid progress and for the first time since December 2009 reached revenue stabilization during the months of May and June, an inflection point in its return to growth.
 - Telefónica Brasil, leading integrated operator in the market after incorporating GVT, posted revenue growth acceleration with positive contributions from both the mobile and fixed businesses.
 - Business in Germany already shows the benefits from synergies related to the e-Plus integration with an organic growth of the OIBDA of +12.5% during the quarter.

Madrid, July 30, 2015.- Telefónica presented today its results corresponding to the first semester of 2015 and reports a net profit of 3,693 million euros, double the amount reached in the same period of 2014 (+105.4%). Additionally, the Company has raised revenue growth guidance for the full year to >9.5% (vs. >7% previously).

Telefónica consolidates its new growth cycle quarter after quarter. Up until June, and in reported terms, consolidated revenue grew +12.5% to 23,419 million euros, OIBDA increased +7.2% to 7,320 million euros, and earnings per share (0.75 euros per share) doubled compared to the same period of 2014. At the end of June, Telefónica Group's customer base increased +13% yoy to 329,4 million accesses.

Second quarter numbers of the year confirm the new growth cycle started in the previous quarter and show an acceleration in the organic evolution of revenue and OIBDA growing +4.4% and +3.3% respectively between April and June (+12.4% and +6.8% in reported terms). This growth is based on a generalized improvement of the competitive positioning driven by a high value customer base (fibre, pay TV, LTE, "smartphones") and supported as well by the investments made on modernizing and transforming the networks. In fact, Telefónica Group CapEx during the first half of the year grew +66.4% to 5,094 million Euros.

It's worth highlighting that Telefónica España made solid progress and showed an inflection point in its return to growth by reaching revenue stabilization during the months of May and June. In this respect, the Executive Chairman of Telefónica, César Alierta underlined *"the strong recovery in the Spanish business which in May and June reached revenue stabilization for the first time since December 2009"*.

Similarly, the Executive Chairman stressed that the strength of the new growth cycle *"is generated on a solid foundation supported as it is by strong realised investments"*. In this way, Telefónica Spain has the most extensive Fibre-to-the-home network in Europe with the highest number of connected customers reaching 12.5 million premises passed to June.

Alierta also highlighted *"the importance of the incorporation of GVT in Brazil and DTS in Spain during the quarter, two key assets that are going to contribute in strengthening our presence in both markets and leadership in quality services, and will contribute to the generation of future synergies reinforcing our potential for growth in both cases"*.

2015 Guidance Upgraded

Finally, César Alierta explained that *"the strength of the evolution of the business in the first half of the year, coupled with our positioning in order to capture growth opportunities in the coming quarters, have led us to revise our objectives upwards for 2015"*. Thus, revenue guidance has been upgraded to >9.5 % (vs. >7% previously), with the new dates for the incorporation of GVT and DTS in the consolidation perimeter adding 1.8 percentage point to growth.

In the other hand, as a result of the impact of the new dates for the incorporation of GVT and DTS in the consolidation perimeter OIBDA margin limited erosion has been updated to around 1.2 p.p. (around 1 p.p. previously). Additionally, the CapEx/Sales excluding spectrum guidance is maintained at 17% for 2015 and the Net Debt/OIBDA objective is confirmed at below 2.35x, adjusted for the closing of the sale of O2 UK.

In relation to shareholder remuneration, Telefónica reiterates the dividend for 2015 (0.35 euros per share in the form of a voluntary scrip dividend in the fourth quarter 2015 and 0.40 euros per share in cash in the second quarter 2016). Additionally, the amortization of Treasury stock for a total of 1.5% share capital has been executed in July 2015.

Telefónica also reiterates the dividend for 2016 of 0.75 euros per share in cash and will also propose at the 2016 AGM the amortization of Treasury stock for a total of 1.5% share capital (in both cases subject to the closing of the sale of O2UK).

Customer base: 329.4 million total accesses

As of June 2015, accesses reached 329.4 million and grew 3% year-on-year organic (+13% reported), on the back of T. Brasil's and T. Hispanoamérica's solid growth pace (+4% and +3%, respectively). The strong year-on-year growth trend in high-value customers continued during the second quarter of 2015, especially in mobile contract (+16%), fibre (+4.6x) and Pay TV (1.9x).

On the one hand, mobile accesses stood at 253.6 million and increased 12% year-on-year (+3% organic) on the back of solid mobile contract growth (+16% year-on-year; +6% organic), which already accounted for 34% of mobile accesses. Smartphones totalled 99.2 million as of June 2015 and posted strong year-on-year growth of 56% (+30% organic) reaching a penetration of 41% (+11 percentage points year-on-year). LTE customers (18.6 million; 4.7x year-on-year) represented 8% of total mobile accesses (+6 percentage points year-on-year).

On the other hand, retail broadband accesses reached 20.8 million, a 2% increase compared to June 2014 in organic terms (+18% reported). Fibre accesses stood at 5.4 million (4.6 times vs. June 2014; 1.4 times in organic terms) and reached organic quarterly net additions of 301 thousand accesses (+32% year-on-year). Pay TV accesses (8 million; 1.9 times year-on-year) recorded organic quarterly net additions of 263 thousand customers, driven by T. Brasil and T. Hispanoamérica.

Income statement analysis

It is important to highlight that year-on-year evolution during the second quarter reflected the consolidation of GVT's results in Telefónica Brasil and DTS' in "Other companies and eliminations" (both since 1 May 2015), as well as E-Plus' in T. Deutschland (since 1 October 2014) and the deconsolidation of T. Ireland's results (since July 2014). Likewise, Telefónica's operations in the UK are reported as

discontinued operations within Telefónica Group, and their 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 sale agreement

Likewise, the Company has decided to adopt the exchange rate of the Venezuelan bolivar set at SIMADI at the end of the first six month-period of 2015, as being the most representative among the available exchange rates as of that date, impacting second quarter financial results. As of 30 June, this rate was set at 197 Venezuelan bolivars fuertes per dollar. This change in the conversion of the financial information implied a reduction in the quarter of 397 million euros in revenues and 90 million euros in OIBDA, with the purpose of adapting the results of the first half of the year to the new exchange rate.

As a result, the year-on-year variation of the exchange rates during the second quarter of 2015 is especially affected by the aforementioned SIMADI adoption and the depreciation of the Brazilian reais and the Colombian peso vs. the euro. Thus, the evolution of exchange rates detracted 2.7 percentage points from revenue and OIBDA year-on-year growth in April-June. In January-June 2015, FX contributed with 0.2 percentage points to year-on-year revenue growth and detracted 0.2 percentage points from OIBDA growth, as the aforementioned negative impacts were partially offset by the appreciation of the other Latin American currencies vs. the euro.

It is also important to highlight that organic growth assumes 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.

Revenues stood at 11,876 million euros in the second quarter of 2015 and increased 4.4% year-on-year in organic terms (+12.4% reported), accelerating vs. the previous quarter (+1.1 percentage points), on the back of better contribution from Telefónica España (+0.8 percentage points) and Telefónica Brasil (+0.3 percentage points). In January-June revenues reached 23,419 million euros, +3.9% year-on-year in organic terms (+12.5% reported). Changes in the perimeter of consolidation contributed 10.2 percentage points to year-on-year growth in the second quarter and 8.1 percentage points in the first half.

Per segment, T. España, T. Brasil and T. Deutschland represented 66% of revenues during the first six months of 2015. Telefónica Hispanoamérica represented 30%, 1 percentage point more compared to the same period of the previous year despite the lower weight of Venezuela, which already represented less than 1% of the total.

Mobile data revenue year-on-year growth accelerated in the quarter 5 percentage points vs. the previous quarter to 17.3% (+28.8% in reported terms) and already represented 42% of mobile service revenues (+5 percentage points year-on-year), on the back of higher smartphone penetration (+11 percentage points year-on-year) and a growing weight of LTE customers (+6 percentage points compared to June 2014). Non-SMS data revenue improved year-on-year organic growth by 8 percentage points to 26.6% (+35.8% reported) and already represented 82% of data revenue. It is important to highlight LTE's potential, with LTE traffic already representing 13% of mobile data traffic in the second quarter of the year and penetration over accesses still at 8%, due to the significant increase in unit per user consumption vs. 3G, generating double-digit ARPU uplift.

Operating expenses totalled 8,425 million euros in April-June 2015 and increased 4.4% year-on-year in organic terms (+14.6% reported), driven by growth in T. Hispanoamérica and T. Brasil, and despite the savings generated by T. Deutschland and T. España. In January-June 2015, expenses amounted to

16,610 million euros, and increased 4.2% year-on-year in organic terms (+14.7% reported) mainly as a result of higher network and system expenses.

Gains on sales of fixed assets totalled 28 million euros in the second quarter of 2015 (10 million euros in April-June 2014) mainly due to the sale of real estate assets in Spain (19 million euros impact in OIBDA). During the first half of 2015 this item reached 89 million euros (49 million euros in the same period of 2014) and primarily includes the sale of non-strategic towers (40 million euros of OIBDA impact), the aforementioned sale of real estate assets in Spain and the sale of "yourfone GmbH" in Germany (17 million euros of OIBDA impact).

OIBDA boosted by greater sales, synergies, and the program for simplification and efficiencies

Operating income before depreciation and amortization (OIBDA) in April-June 2015 amounted to 3,702 million euros (+6.8% year-on-year reported) and posted a year-on-year organic growth of 3.3%, accelerating vs. the first quarter (+0.9 percentage points), driven by T. España's contribution improvement and by T. Deutschland's strong growth rate. In the first half of 2015 OIBDA totalled 7,320 million euros (+7.2% year-on-year; +2.9% organic). The changes in the perimeter of consolidation contributed 6.7 percentage points to year-on-year OIBDA growth in April-June and 4.9 percentage points in the first half.

OIBDA margin in the second quarter stood at 31.2%, with a year-on-year organic erosion of 0.3 percentage points. In January-June, the margin reached 31.3% (-0.3 percentage points in organic terms vs. the same period of 2014).

Depreciation and amortization in April-June reached 2,145 million euros and increased 24.5% year-on-year (4,252 million euros in the first six months; +21.8%) affected by the incorporation of GVT, DTS and E-Plus into the perimeter of consolidation. In organic terms, it grew 7.4% year-on-year in the quarter (+4.6% in January-June 2015) predominantly due to the depreciation of the new spectrum acquired in Brazil and Spain and the higher investment effort.

The Operating income (OI) amounted to 1,557 million euros and fell 1.7% vs. to the second quarter of 2014 in organic terms (-10.8% reported). In the first half of 2015, operating income reached 3,068 million euros (+0.6% year-on-year organic; -8% reported).

Net financial expenses in the first half of 2015 totalled 1,129 million euros, 8.5% lower than the same period of the previous year. In the second quarter of 2015, net financial expenses accelerated their year-on-year drop compared to the previous quarter by 7.5 percentage points to -12.6% (485 million euros), despite the negative impact resulting from the adoption of the exchange rate set at SIMADI, mainly due to the positive impact caused by the divestment in Telecom Italia S.p.A. and the lower cost of debt in euros. During the first six months corporate income tax amounted to 71 million euros (230 million euros in the same period of 2014).

Profit from continuing operations stood at 1,385 million euros in April-June 2015 and increased 16.9% year-on-year. In the first half of the year, it reached 1,864 million euros (+2.6% vs. the same period of 2015). Profit from discontinued operations totalled 537 million euros in the quarter (88 million euros in the same period of 2014). Thus, in January-June it reached 1,841 million euros, with 1,320 million euros from deferred tax assets resulting from the estimation of the difference in Telefónica, S.A. between the fiscal value and the agreed value regarding the sale of Telefónica's UK operations, which are expected to materialize in the foreseeable future when they are finally made deductible in the sale.

Profit attributable to minority interests detracted 31 million euros from second quarter net income, down 80.9% year-on-year mainly due to the higher result attributed to minority interests in Brazil in 2014 and by the negative results attributed to T. Deutschland minorities. In January-June they detracted 12 million euros from the net income (-94% year-on-year).

Thus consolidated net income reached 1,891 million euros in April-June 2015 (1.7 times higher year-on-year) and 3,693 million euros in January-June (2.1 times higher). This translated into basic earnings per share of 0.37 euros in the quarter (+62.1% vs. the same period of the previous year) and of 0.75 euros up to June (2 times year-on-year).

Strong investments focused on ultrafast networks (Fibre and LTE)

CapEx in the first half of 2015 stood at 5,094 million euros (+12.6% year-on-year organic) and included 1,589 million euros in spectrum acquisitions (1,195 million in Germany and 204 million in Argentina, both in the second quarter; 135 million in Ecuador and 6 million in Chile in the first quarter; 49 million in Spain in the first six-month period). Growth and transformation projects continued being the main focus, reaching 76% of total investment (+5 percentage points year-on-year in organic terms).

The operating cash-flow (OIBDA-CapEx) totalled 289 million euros in the second quarter of 2015 (1,717 million euros excluding spectrum acquisitions) and fell 0.4% year-on-year organic (-83.4% reported). In the first half of 2015, it reached 2,226 million euros (3,815 million euros excluding spectrum), 4.7% less than in the same period of 2014 in organic terms (-40.9% reported).

Interest payments in the first half of 2015 (1,402 million euros) fell 9.2% compared to the same period of 2014, mainly due to lower coupon payments and the reduction in the cost of debt. In April-June (496 million euros) they fell 45.2% vs. the first quarter of 2015, due to the seasonality of bond coupons. On the other hand, payment of taxes amounted to 134 million euros in January-June 2015, 248 million euros less with respect to the same period of 2014, primarily due to tax recoveries on definitive tax filings of previous years.

Operations with minority shareholders totalled 400 million in January-June 2015, 146 million euros more year-on-year, fundamentally due to higher dividend payments in Germany. In the second quarter, these operations reached 374 million euros due to dividend payments in T. Deutschland.

All in all, the free cash flow, excluding spectrum payments, reached 1,144 million euros in January-June 2015 (-194 million euros after spectrum).

Financial Position

Net financial debt stood at 51,238 million euros as of June 2015 and increased 5,611 million euros in the quarter, driven mainly by seasonal and non-recurrent extraordinary factors, such as net financial investments including changes in the perimeter of consolidation (acquisitions of GVT and DTS and Telco S.p.A. demerger); spectrum payments; and other factors which include the impact of the adoption of the exchange rate set at SIMADI for the conversion of positions in Venezuelan bolivars, among others.

Including the collection of the full firm value on the sale of O2 UK, the leverage ratio (net debt over OIBDA) would stand at 2.38 times (2.35 times excluding second quarter corporate transactions: acquisitions of GVT and DTS, adjusting corresponding OIBDA, and Telco S.p.A. demerger).

During the first half of 2015, Telefónica's financing activity in capital markets stood at about 11.388 million euros equivalent and was mainly focused on financing the GVT acquisition as well as on strengthening the liquidity position and actively managing the cost of debt, through the extension of the maturity of the credit lines and credit margins reduction.

Telefónica maintains total undrawn committed credit lines with different credit entities for an approximate amount of 8,148 million euros, with around 7,329 million maturing in more than 12 months, which, along with the adjusted cash position, places liquidity at 13.9 billion euros.

Digital Services and Telefónica Global Resources

In the second quarter of 2015, digital services revenues totalled 938 million euros (+27.0 year-on-year in organic terms), reflecting the consolidation from 1 May of DTS and GVT. During the first six months of the year revenues totalled 1,621 million euros, with year-on-year growth in organic terms of 29.7%.

Revenues in the Video business in the second quarter stood at 541 million euros and grew 34.8% year-on-year in organic terms (862 million in the first half of the year; +41.9% year-on-year), leveraged on the expansion of the access base (8 million; +25% year-on-year in organic terms) in Spain, Brazil and Hispanoamerica as well as the inclusion of 1.4 million accesses from DTS and almost 1 million accesses from GVT. With the DTS acquisition, Telefónica consolidates a high-value customer base, expanding its opportunities for cross-selling.

During the second quarter of the year, Telefónica Global Resources continued contributing to a fast and agile development of technologies enabling the best digital end-to-end experience for our customers.

It is important to highlight that the Global Network and Operations Area accelerated ultra-broadband deployments, in both fixed (FTTx) and mobile (LTE) and drove the development, design and certification of homogeneous technological solutions. Thus, premises passed with fibre totalled 12.5 million in Spain and 16.1 million in Brazil. In LTE, population coverage in Europe and Latin America reached 67% and 35% respectively; LTE sites in service surpassed 25 thousand and 89% of 3G and LTE base stations were connected at high-speed to the transmission network. As a result, total data traffic grew 40% year-on-year organic, driven by mobile broadband (+52%) and fixed broadband (+39%). Moreover, average consumption per smartphone in the second quarter increased 30% year-on-year, driven by the higher LTE penetration, which offers a superior customer experience.

In the Global IT area, with regards to efficiency and simplification, 351 applications have been eliminated year-on-year, 4 Data Centers were released, the virtualization level increased 10 percentage points year-on-year organic, having reduced physical servers by 10%.

TELEFÓNICA ESPAÑA

Telefónica España's results confirmed yet another quarter of solid progress in its evolution. Thus, second quarter revenues in absolute terms (2,966 million euros) grew sequentially by 88 million euros, with a significant improvement in their year-on-year variation (-1.1% vs. -3.8% in the first quarter), after stabilising in the months of May (+0.1%) and June (+0.2%), for the first time since December 2009.

At the end of June, Telefónica España's access base stood at 40.9 million, stable year-on-year. Retail fixed broadband accesses reached 5.9 million, stable year-on-year, out of which, 1.7 million are fibre customers, twice the number compared to June 2014 and already representing 29% of total broadband accesses (+15 percentage points year-on-year).

Pay TV accesses reached 2.2 million customers (x1.8 compared to June 2014). Total mobile accesses base stood at 17.3 million, 3% lower than in June 2014. Smartphones represented 64% of the mobile voice customer base, 8 percentage points more than in June 2014, driving data traffic growth. LTE customers stood at 2.6 million, more than twice the number of customers in June 2014.

"Movistar Fusión" had 3.9 million customers and 1.5 million additional mobile lines (+16% and 12% year-on-year respectively) and represents 77% of fixed broadband customers and 60% mobile contracts, both in the consumer segment. Furthermore, the value of the customer base continued to increase, as 87% of the new "Fusión" customers in the quarter added new services. Likewise, fibre and TV penetration rates continued to grow and 25% of "Fusión" customers already had high-speed fibre, 100 or 300 Mb, (+8 percentage points year-on-year) and 52% had signed up for Pay TV services (+25 percentage points year-on-year).

Operating revenues reached 2,966 million euros in the second quarter of the year, and improved notably their year-on-year evolution to -1.1% (+2.7 percentage points sequentially), confirming the recovery trend throughout 2015. Thus, revenues stood at 5,844 million euros in the first half of the year (-2.5% year-on-year).

OIBDA in the second quarter reached 1,316 million euros and reflected the improving trend in revenues, the cost stabilization and the positive impact of the sale of real estate assets. Thus, its year-on-year organic decrease is reduced to 1.3%, a significant improvement of 7.1 percentage points compared to the first quarter. The OIBDA from January-June reached 2,598 million euros, 4.9% less than in the same period of the previous year in organic terms, and the OIBDA margin stood at 44.5% (-1.1 percentage points in organic terms).

Finally, CapEx amounted to 887 million euros, 26% higher than in the first half of 2014 (+19% in organic terms, excluding 22 million euros of spectrum in the first quarter due to the use of the 900 MHz band and 27 million euros in the second quarter due to the use of the 800 MHz band).

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

Telefónica Deutschland continued to deliver on key integration activities and started to benefit from related synergies. During the second quarter of the year, the Company posted solid commercial momentum and a strong set of financials leveraging on its continued focus on mobile data strategy.

Total access base was 48.0 million, 2% higher than in June 2014, driven by the 2% growth of the mobile base (42.6 million).

Revenues grew 1.3% year-on-year to 1,949 million euros in the second quarter (+67.8% reported) and increased 2.1% year-on-year (+68.6% reported) for the first six months to 3,849 million euros. OIBDA year-on-year performance accelerated its growth to 12.5% in the second quarter and reached 461 million euros, driven by the ongoing focused commercial approach and initial benefits derived from integration synergies, with more than 40% of the year-on-year improvement in the second quarter explained by these. As a result, OIBDA in the first half reached 869 million euros and grew 10.8% year-on-year (+68.5% year-on-year reported). OIBDA margin reached 22.6% in the first half (+1.8 percentage points year-on-year. Finally, CapEx (excluding spectrum) totalled 463 million euros for the period of January-June (+5.6% year-on-year) with focus on the deployment of LTE network.

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

On 28 May Telefónica Brasil completed the GVT acquisition process, after being approved in the Extraordinary Shareholder's Meeting, turning the new Company into the leading integrated operator in the Brazilian market, improving its strategic positioning and growth profile. Thus, the financial and operating results consolidate GVT since 1 May and, with the purpose of facilitating year-on-year comparisons in organic terms, 2014 data also includes GVT's results since 1 May.

Telefónica managed 106.6 million accesses in Brazil, 4% more in organic terms than in June 2014, despite the application of more restrictive criteria in the calculation of prepaid customers. By segments, mobile accesses reached 82.6 million and grew 4% year-on-year. The weight of the contract customer base increased 3 percentage points year-on-year to 36% of the total. Traditional accesses stood at 14.9 million, stable year-on-year in organic terms. It's worth highlighting that retail broadband accesses totalled 7.1 million with organic year-on-year growth of 6% while Pay TV accesses stood at 1.8 million and grew 22% year-on-year.

Telefónica Brazil's revenue performance during the second quarter posted yet again growth acceleration in organic terms with positive contributions from both the mobile and fixed businesses. This revenue performance, together with the efficiency measures, allowed for a boost in OIBDA, which once again posted year-on-year growth, despite the macroeconomic environment and the strong commercial activity. Thus, revenues in the second quarter of 2015 reached 2,943 million euros (5,737 million euros in the first six months) and accelerated their year-on-year growth to 5.2%.

The OIBDA stood at 919 million euros in the second quarter of 2015 (1,759 million euros in the first half) expanding 0.4% compared to the same period of the previous year. CapEx in the first six months of the year reached 961 million euros (up +8.7% year-on-year organic) and was dedicated to the improvement and expansion of 3G and 4G mobile networks and the development and connection of the fibre optic network in the fixed business.

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

Telefónica Hispanoamérica consolidated a solid year-on-year performance in revenues and OIBDA during the second quarter underpinned by the positive trend of profitability in Mexico, Colombia, Argentina and Chile. On the other hand, it is important to highlight that the Company decided to adopt the Venezuelan bolivar exchange rate fixed at SIMADI as explained under the headline "Income statement analysis".

Telefónica Hispanoamérica's total accesses stood at 132.3 million as of June 2015 (+3% year-on-year). Mobile accesses reached 110.9 million (+3% year-on-year). Smartphones grew by 41% year-on-year after recording strong net additions in the semester (7.4 million) and already represent 33% of the mobile access base. Moreover, the increase in the access base with 4G handsets was especially noteworthy, which reached 4.2 million after their commercial launch in all the countries of the region, except Nicaragua and El Salvador. Fixed telephony accesses amounted to 13.2 million and broadband accesses grew by 5% year-on-year reaching 5.5 million as of June 2015. Net additions in Pay TV showed, for the second consecutive quarter, a new record-high of 112 thousand accesses (217 thousand in the six-month period) reaching 2.6 million accesses (+15% year-on-year) and a penetration over broadband accesses of 48% (+4 percentage points year-on-year).

Revenues in the quarter showed solid year-on-year growth of 10.3% organic to 3,467 million euros. OIBDA for April-June stood at 1,025 million euros and increased year-on-year by 9.1% in organic terms (2,152 million in the first half of the year; +11.8% year-on-year)

CapEx totalled 1,474 million euros up to June 2015, 13.1% more than in January-June 2014 in organic terms, excluding 345 million euros in spectrum acquisitions in 2015 (204 million in Argentina in the second quarter and 135 million in Ecuador and 6 million in Chile in the first quarter); and 189 million in 2014 (110 million in Colombia and 79 million in Panama, both in the first quarter). CapEx was mainly devoted to the deployment of new generation networks, with the accelerated roll out of the LTE and the fibre transport network, as well as to the strong growth in broadband and Pay TV customers.

Telefónica Argentina

(year-on-year changes in organic terms)

Telefónica Argentina posted solid financial results in the second quarter of the year, highlighting both the year-on-year improvement of the OIBDA margin, despite the high inflation level, and the strong year-on-year revenue growth. The Company managed 26.3 million accesses as of June (stable year-on-year).

Revenues reached 981 million euros in April-June and increased by 22.5% year-on-year (+22.9% in the first half) after posting similar growth levels in the fixed and the mobile businesses. OIBDA amounted to 266 million euros in April-June and increased by 40.9% year-on-year (+39.6% in January-June). CapEx in the first six months (510 million euros) increased by 22.8% year-on-year (excluding the aforementioned spectrum acquisition).

Telefónica Chile

(year-on-year changes in organic terms)

In the second quarter of 2015, Telefónica Chile posted a strong acceleration in year-on-year revenue and OIBDA growth, along with a significant improvement in profitability. Telefónica managed 13.6 million accesses in Chile as of June 2015, and remained stable year-on-year.

Revenues in the second quarter of 2015 stood at 590 million euros and accelerated their growth to 4.4% year-on-year (1,156 million in the first half; +2.4% year-on-year), the highest year-on-year increase since the first quarter of 2012. OIBDA totalled 203 million euros and increased 6.9% year-on-year in the quarter (379 million euros in the first half; +2.5% year-on-year) as a result of a strong increase in revenues, cost control and higher rationality of the competitive environment. CapEx reached 238 million euros in the first six months of the year (+2.7% year-on-year excluding 6 million euros for the acquisition of spectrum).

Telefónica Perú

(year-on-year changes in organic terms)

During the second quarter of the year, Telefónica Peru posted solid commercial results in the high-end segments, with further growth of penetration in the contract segment, smartphones in the mobile business and Pay-TV in the fixed business, all of which occurred in an environment characterized by high-competition levels. As of the end of June, the Company manages 22.1 million accesses, with year-on-year growth of 4%.

Revenues totalled 684 million euros in April-June of 2015 and registered a year-on-year growth of 2.8% (+4.0% year-on-year in the first half to 1,376 million euros). OIBDA reached 212 million euros in the second quarter (-4.1% year-on-year; -3.1% in January-June). CapEx stood at 181 million euros in the first six months of the year (+9.4% year-on-year).

Telefónica Colombia

(year-on-year changes in organic terms)

During the second quarter of the year, Telefónica Colombia increased its commercial intensity sequentially, keeping year-on-year revenues stable, despite the effect of the mobile termination rate reduction (-42%) since 1 January 2015 and the highly competitive environment. Telefónica Colombia reached 15.3 million accesses at the end of the quarter (+2% year on year).

Revenues in the second quarter of 2015 reached 400 million euros, and decreased by 1.8% year-on-year (798 million euros in January-June, -0.7% year-on-year) affected by the high competition intensity and the aforementioned reduction of mobile termination rates. OIBDA reached 146 million euros in April-June of 2015, with year-on-year growth of 7.1%, (+8.2% in January-June). CapEx amounted to 159 million euros in the first six months of 2015.

Telefónica México

(year-on-year changes in organic terms)

Telefónica Mexico's better positioning in quality was reflected in a record level of commercial activity in a second quarter which allowed the Company to gradually gain market share and drove the strong year-on-year growth of both revenues and OIBDA. Thus, it is worth highlighting the year-on-year improvement in profitability, driven by both the increasing economies of scale and the benefits from the new regulatory environment. Telefónica Mexico managed 24.6 million accesses, 13% more than in March 2014.

Revenues in April-June period increased to 458 million euros and accelerated its year-on-year growth to 7.8% (+6.8% in the first half; 903 million euros). OIBDA increased to 105 million euros in the April-June period and grew 43.6% year-on-year (214 million euros in January-June; +55.8% year-on-year) as a result of the solid revenue growth and the progressive generation of economies of scale and the new regulatory framework. CapEx totalled 109 million euros in the first half of the year (+13.4% year-on-year), mainly devoted to the improvement in mobile network capacity and coverage, and the opening of own stores.

Telefónica Venezuela y Centroamérica

(year-on-year changes in organic terms)

In the second quarter of the year Telefónica strengthened its differential positioning in Venezuela and Central America as a result of the effort to offer the best services to its customers, as shown in the high uptake of 4G offers. All this is reflected in the solid operating and financial results.

Telefónica managed 24 million accesses, with growth of 1% despite the disconnection of 1.8 million of inactive prepay accesses in Central America in the fourth quarter of 2014. In Venezuela accesses reached 12.1 million (+6% year-on-year) and in Central America 11.8 million (-4% year-on-year).

Regarding financials, it is important to highlight that the Company decided to adopt the Venezuelan bolivar exchange rate fixed at SIMADI as explained under the headline "Income statement analysis". Thus, revenues in the first half of 2015 stood at 576 million euros, a 30% year-on-year increase. In Venezuela, revenues reached 141 million euros after the aforementioned adjustment and 435 million euros in Central America (+3.2% year-on-year; +3.5% in the quarter). OIBDA stood at 136 million euros in the first half and increased 4.0% year-on-year (-6.9% in the quarter). CapEx reached 88 million euros in the first six months of the year (more than twice the amount in the same period of 2014) and was mainly aimed at investments for the deployment and development of the 3G and 4G networks in the region.