

Telefonica

Results

January - September 2015



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Highlights; Q3 fueling our organic growth profile

1 3rd consecutive quarter in 2015 of improving organic performance

- **Revenue accelerated to +4.8%**; Spain returned to positive growth (+0.2% y-o-y), first time since Q3 08
- **OIBDA growth accelerated to +4.8% y-o-y (+1.4 p.p. q-o-q)**; extracting value from synergies in Germany
- **Maintaining healthy profitability**: OIBDA margin at 31.0% (flat y-o-y)
- **OpCF growth in Q3** (+6.6% y-o-y)

2 Differential infrastructure leading to solid and targeted high-value commercial activity

- **Consistent investments in UBB** drive CapEx up 8.8% vs. 9M 14 (organic)
- **Delivering product innovation & quality**: 13.4m FTTH premises passed in Spain; 16.6m FTTx in Brasil; LTE coverage: 71% in Europe; 40% in LatAm
- **Increasing customer lifetime value**: Ramping-up Avg Rev/Access (+2.8% y-o-y organic); reducing churn (-0.7.p.p. y-o-y)

3 Strong earnings and FCF despite Q3 FX headwinds

- **9M EPS 0.91€** (+63.5% y-o-y); strong execution on non-operating results
- **Sequential FCF improvement** to €1.2Bn in 9M (**€2.5Bn ex-spectrum**). **Q3 FCF: €1.4Bn**
- **Net debt**: €49.7Bn Sep-15; leverage ratio at 2.32x (post-O2 UK sale), within <2.35x target

4 2015 results solid across the year and completely on track with upgraded guidance in Q2

- **DPS 2015 & 2016 confirmed**

Key financials

€ in millions	9M 15			Q3 15		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
Revenues	35,337	11.9%	4.2%	11,919	10.8%	4.8%
OIBDA	11,013	5.7%	3.5%	3,693	2.9%	4.8%
OIBDA Margin	31.2%	(1.8 p.p.)	(0.2 p.p.)	31.0%	(2.4 p.p.)	(0.0 p.p.)
OpCF (ex-spectrum)	5,499	(3.4%)	(1.3%)	1,684	(3.0%)	6.6%
Net Income	4,577	69.6%		884	(1.9%)	
EPS	0.91	63.5%		0.17	(9.6%)	
FCF	1,206	(58.8%)		1,400	3.6%	
FCF pre-spectrum	2,511	(19.1%)		1,397	1.8%	
Net Financial Debt	49,691	17.7%				
ND/OIBDA (post-O2 UK sale)	2.32x					

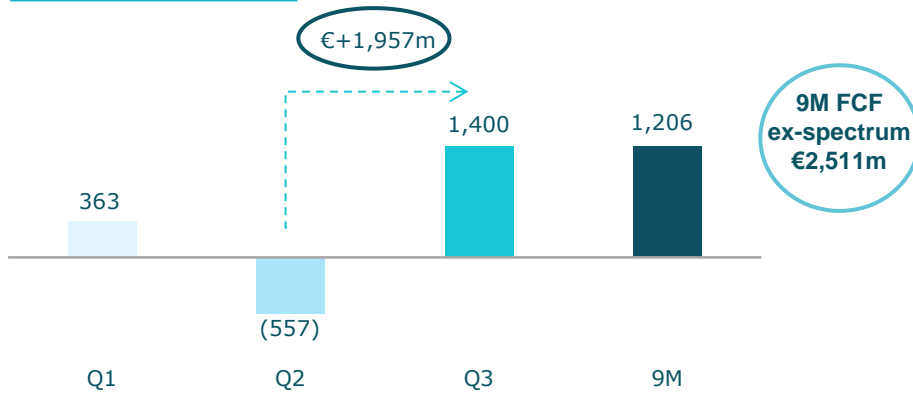
NEGATIVE FX EFFECT IN OIBDA OFFSET AT FCF LEVEL THROUGH LOWER CAPEX, INTEREST, TAX AND MINORITIES

Full year guidance confirmed; on track to meet targets

2015 Guidance (Constant FX 2014; ex-UK; ex-VZ; incl. 12M E-Plus, 8M GVT, 8M DTS)	Guidance 2015E	9M 15
Revenues	Growth >9.5%	13.8%
OIBDA margin	Limited margin erosion around 1.2 p.p. (to allow for commercial flexibility if needed)	(1.3 p.p)
CapEx/Sales	Around 17%	15.6%
Net Debt/OIBDA (adjusted for O2 UK sale)	<2.35x	2.32x
Dividend	€0.75/sh. • €0.35/sh. voluntary scrip Q4 15 • €0.40/sh. Cash Q2 16	First Tranche: €0.35/sh. Voluntary scrip dividend Nov-15
Share buyback: % share capital cancelled (treasury)	1.5%	Executed in Jun-15

Strong FCF in Q3, to accelerate further in Q4

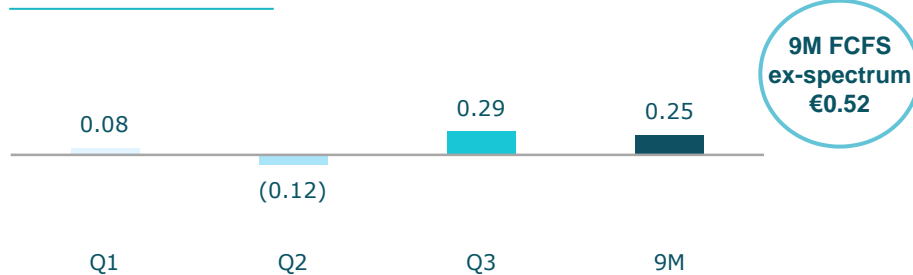
FCF 2015 (€ in millions)



€2Bn FCF improvement q-o-q

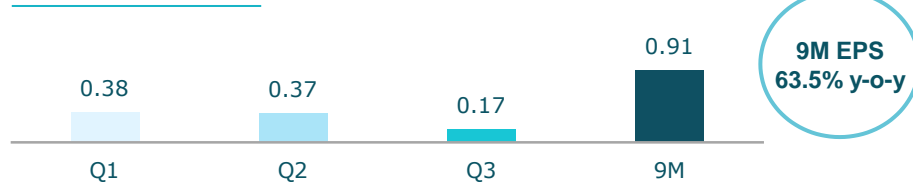
- Lower spectrum payments (-€1.2bn)
- Reduced interest payments (+€60m)
- Savings on tax payments (+€38m)
- Improved WC generation (+€98m)
- Less minority drag (+€363m)

FCFS 2015 (€/share)



FCF TO IMPROVE IN Q4 AS SEASONAL FACTORS IMPACT POSITIVELY

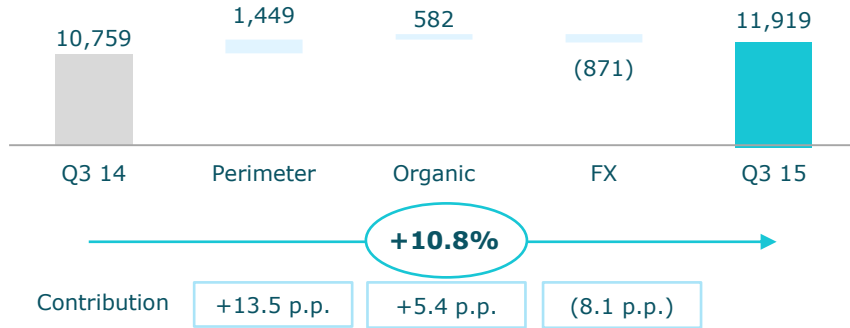
EPS 2015 (€/share)



Organic growth and perimeter outweighing Q3 FX impact

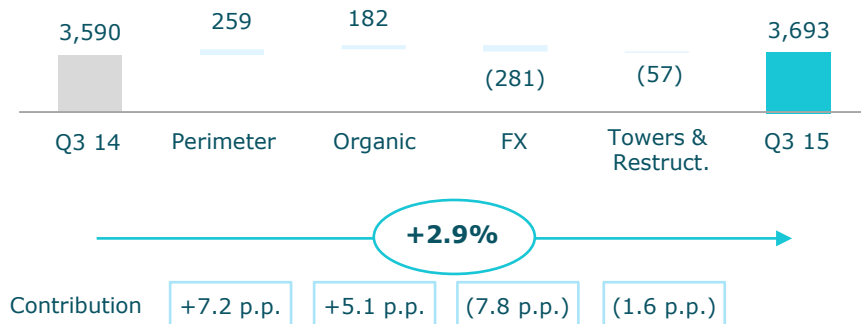
Q3 Revenue

€ in millions



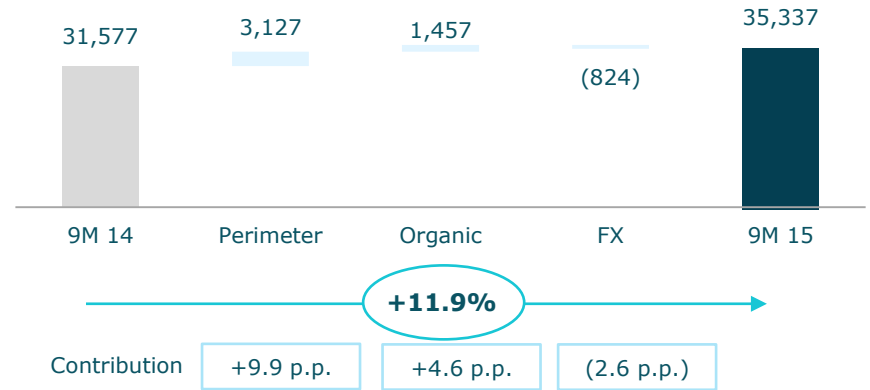
Q3 OIBDA

€ in millions



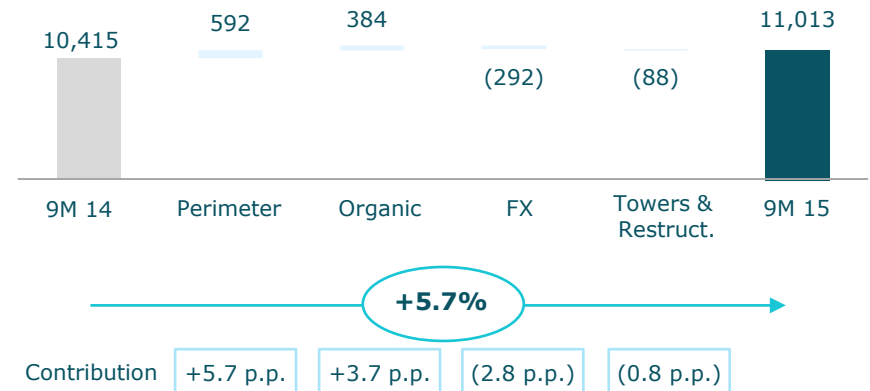
9M Revenue

€ in millions



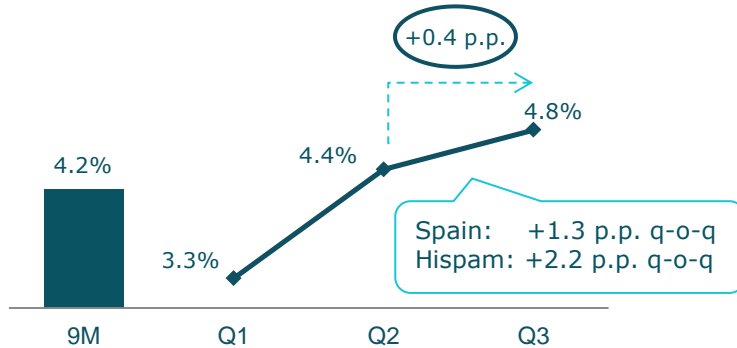
9M OIBDA

€ in millions



Revenue & OIBDA continue to accelerate

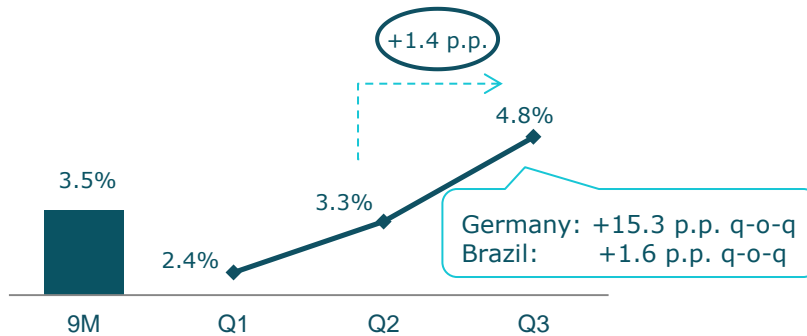
Revenue 2015 (organic growth y-o-y)



Group organic revenue growth ramping-up in Q3

- Proving strong progress in Spain to positive y-o-y
- Hispam ramping-up to +12.6% y-o-y
- Continued solid mid-single digit y-o-y in Brazil
- Data increase remains robust: +19.3% y-o-y
- Higher Digital Services sales
 - ▶ SoC revenues 11% of total; +1.9 p.p. y-o-y

OIBDA 2015 (organic growth y-o-y)



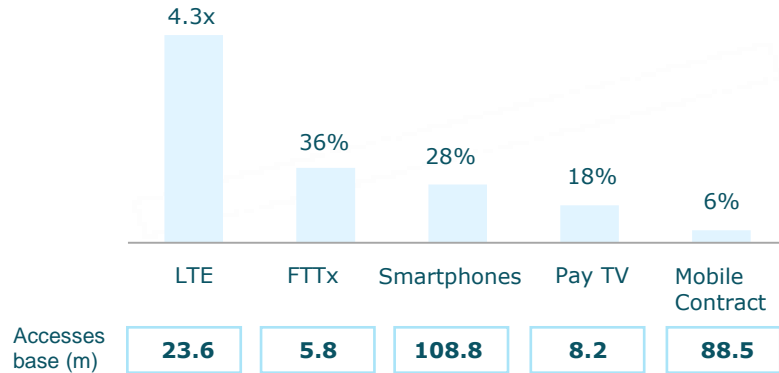
Right balance between growth and profitability

- OIBDA improved performance in Q3 supported by Germany and Brazil
 - ▶ Successful execution of initial synergies in Germany; Brazil to follow
- Strengthening efficiency over the year
 - ▶ Flattish margin at 31% (Range Q3: Spain 45% - Germany 20%)
- OpEx +4.8% (vs. Q3 14 organically)
 - ▶ Investment in value customers to capture market growth...
 - ▶ ... despite cost and simplification initiatives

Margin (reported)	31.2%	31.3%	31.2%	31.0%
Margin y-o-y (organic)	(0.2 p.p.)	(0.3 p.p.)	(0.3 p.p.)	0.0 p.p.

Attracting more customers and with higher value

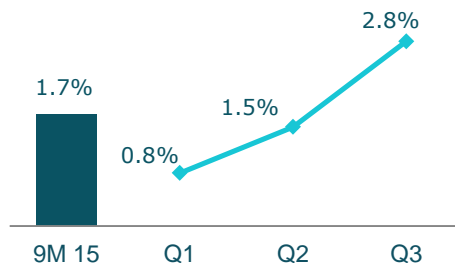
Accesses growth (Sep. organic y-o-y; except LTE)



Growing customer value

- **327m accesses;** steady increase of 1% y-o-y organic
 - ▶ Reported +12% (GVT+ DTS incorporation since May)
- **Rapid LTE adoption** drives robust smartphone growth in Q3
 - ▶ Added 5m LTE customers
- **Contract mix improved to 35%** (+2 p.p. y-o-y)
- **385k FTTx connected accesses** added to the base in Q3 (+28% q-o-q)
- Well positioned for **Pay TV opportunities**

Average Revenue / Access (organic y-o-y)



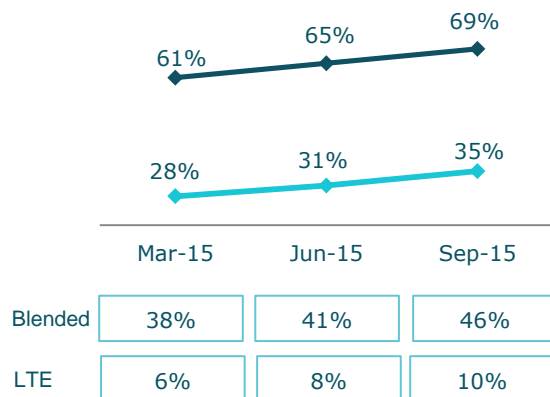
- **Enhanced customer loyalty:**
 - ▶ Lower Q3 churn y-o-y across all services

SUBSCRIBER VALUE DRIVES REVENUE PERFORMANCE

Data monetisation contributing to revenue acceleration

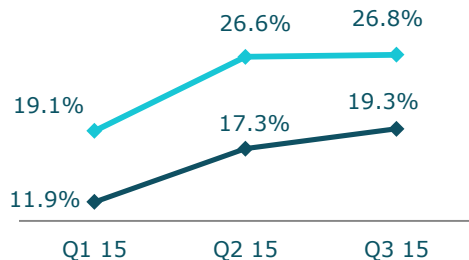
Smartphone penetration

■ Contract ■ Prepay



Mobile data revenue (y-o-y organic)

■ Data revs. ■ Non-SMS data revs.



Mobile Data/MSR: 44% in Q3 (+5 p.p. y-o-y)

Non-SMS/Mobile Data: 82% in Q3 (+5 p.p. y-o-y)

LTE strong take-up

- **Developing initiatives to further monetise data usage & upsell**
 - ▶ Evolving data propositions towards recurrent integrated packages in Hispam & Brazil
 - ▶ Roaming opportunity: new commercial proposals
- **Boosting data traffic growth**
 - ▶ LTE usage 63% higher vs. 3G
 - ▶ Q3 avg. usage per smartphone +21% y-o-y (563 MB/month)
 - ▶ LTE traffic (5x y-o-y) represents 17% of mobile data traffic
- **Further data potential in Hispam**
 - ▶ Prepay smartphone penetration at 27% vs. 47% in T. Brazil

Foundations to monetise data opportunity

- **Data beyond allowance**
 - ▶ Adds ~1 p.p. to Q3 organic revenue growth
 - ▶ “Bundle breakage”: 30% clients; of which >44% buy extra data
- **Clear ARPU benefits**
 - ▶ Double digit LTE ARPU uplift
 - ▶ ARPU strongly pushed by increasing data adoption in Hispam & Brazil
 - ▶ Significant ARPU uplift on prepay once they become data users

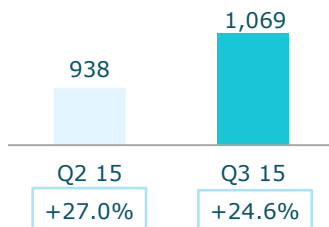
Digital services: developing a platform for growth

Video:
Technological superiority & ever-improving portfolio

Digital Services Revenue

€ in millions

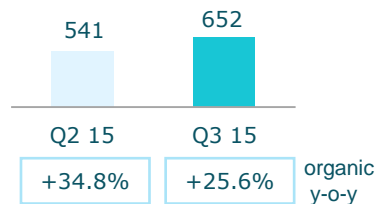
Organic y-o-y



Other Digital Services:
Pioneering partnerships & solid growth in key areas

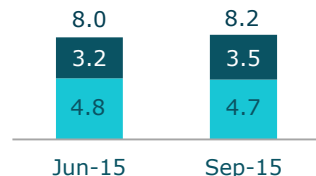
Video Revenue

€ in millions



Pay TV Accesses (m)

■ Satellite ■ IPTV/Cable



- **Exclusive content & superior technology driving accesses growth**
 - ▶ Total accesses in Spain (DTS + T. España): 3.6m (+18% y-o-y organic)
 - ▶ In Brazil, capturing whole market growth in 9M
 - ▶ Spain: exclusive 'Star Wars' content, basketball ("Liga ACB")
 - ▶ Colombia: launched 'Win Sports' channel (football league)
 - ▶ Integration of DTS & GVT delivering best available technology
- **Growing adoption of Pay TV services driving ARPU upside**

Cloud: partnering to widen global footprint

€99m; +22.7% (Q3 y-o-y organic)

VDC – launches in Peru, Argentina, Colombia & Chile
Partnerships – CU & Equinix (data centres);
Microsoft (SMEs packages)

M2M: leading in an ever-growing market

€46m; +41.5% (Q3 y-o-y organic)

'Leader' in global M2M services – Gartner
New energy efficiency projects in Spain

Security: innovating the industry

€72m; +29.4% (Q3 y-o-y organic)

FiLIP launched – the smartwatch for children
Gesdatos – now part of TEF's security portfolio

LTE & smartphones growth driving the data usage explosion

86% of Q3 purchased devices were smartphones
(+14 p.p. y-o-y), o/w 59% were LTE (+29 p.p. y-o-y)

TGR: Towards all-IP network; Further IT simplification

More technological Co. (UBB developments)

Best Quality Networks

Premises passed with fiber



FTTH



13.4m

FTTX



16.6m

LTE Coverage (%PoP)



71%



40%

LTE sites

>30K

3G/4G UBB

96%



All-IP

Deploying All-IP Architecture for Core and Backhaul in Spain

- Further simplification
- Higher capacity (for video traffic surge)

Network Innovation

Competitive differentiation

- HGU to substitute home devices
- Launched R&D lab for 5G (Successful Multivendor Wireless transport SDN Trial)
- Tested automatized VNFs deployment

Best-in-class operations

Addressing demand efficiently

- OSS transformation: deploying E2E diagnosis and integrated field force management
- Submarine cable network: increasing quality and capacity in Europe and LatAm

Supporting Business Transformation

- Full Stack :
 - ▶ Projects progressing in-line with 2015 targets: under deployment in 15 countries
 - ▶ Migrated prepay customers in Mexico
- Real Time Decision (RTD) launched in Argentina & Chile
- Brazil Online program: New store (mobile) rollout completed

Simplification (y-o-y organic)



Applications

-313



Physical Servers

-9%



Data Centers

-4



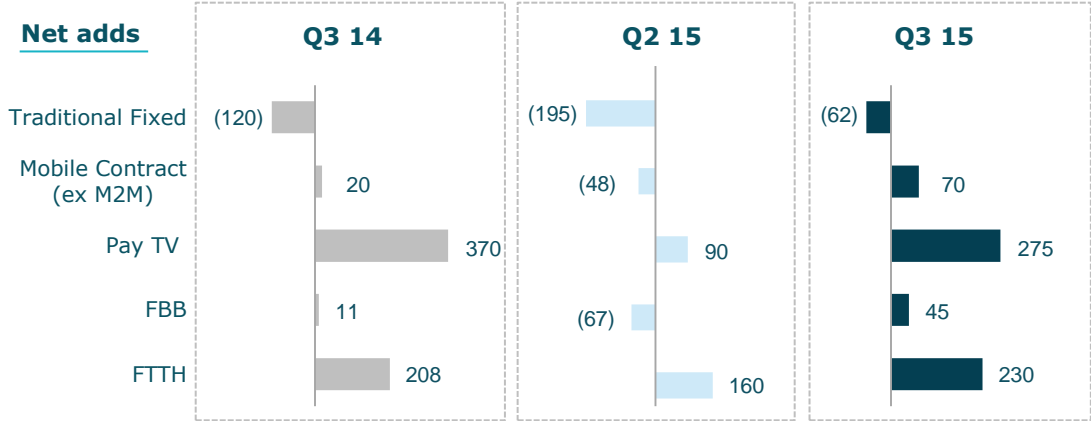
Virtualisation

+7 p.p.

Executing IT strategy: Better time to market & user experience

Spain: Strong trading and increasing value

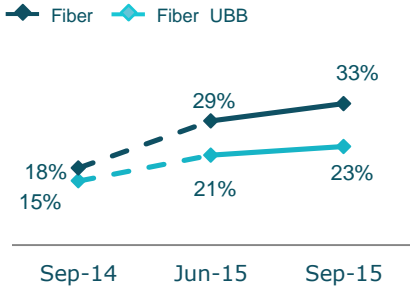
Net adds



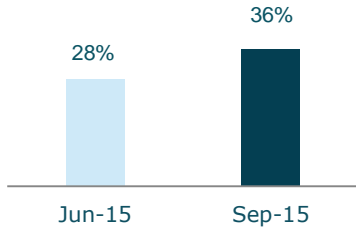
Capturing customers

- **Strong recovery in quarterly gross adds**
- **Solid churn** despite removal of retention clauses
- **Positive portability** in contract mobile
- **Best FBB & fixed telephony net adds** since “Fusion” launch in Q4 12
- **“Fusión” base: +14% y-o-y to 4m**

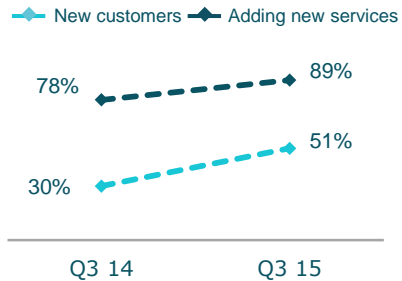
FTTH FBB base (%)



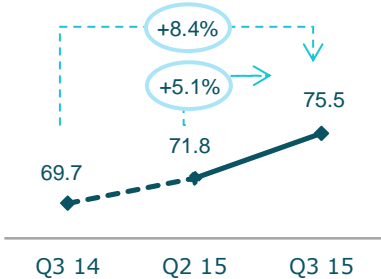
TV Add-ons/Pay TV base (%) (1)



“Fusión+” gross adds



“Fusión” ARPU (Euros)

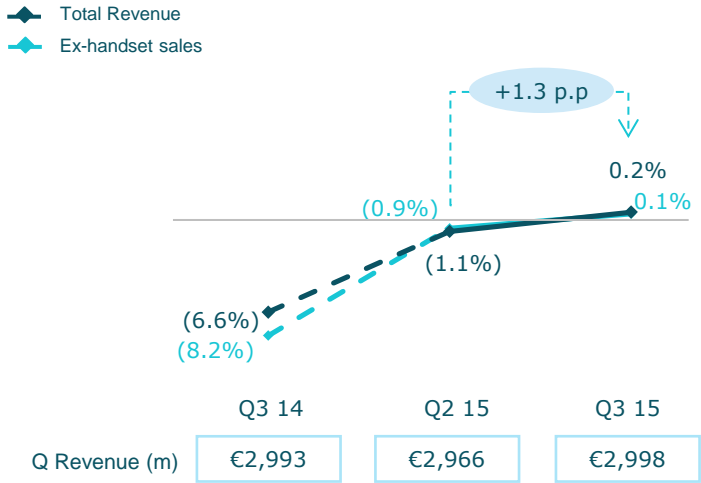


Upselling strategy is delivering value growth

- **“Fusión” fostering high-value**
 - ▶ **UBB:** 28% of base; 38% of Q3 gross adds
 - ▶ **IPTV:** 58% of base; 61% of Q3 gross adds
 - ▶ **TV add-ons:** 450 K joining TV promotion in Q3
 - 20% of the base (12% as of June)
- **Quad-play churn 25% below 3-Play**
 - ▶ **Fusión churn reduced** (1.1%; -0.3 p.p. q-o-q)
- **Undisputed leadership in network**
 - ▶ 13.4 m premises passed with FTTH (+4.6 m y-o-y)
 - ▶ LTE coverage: ~66% pop. after 800 MHz release

Spain: Return to revenue growth

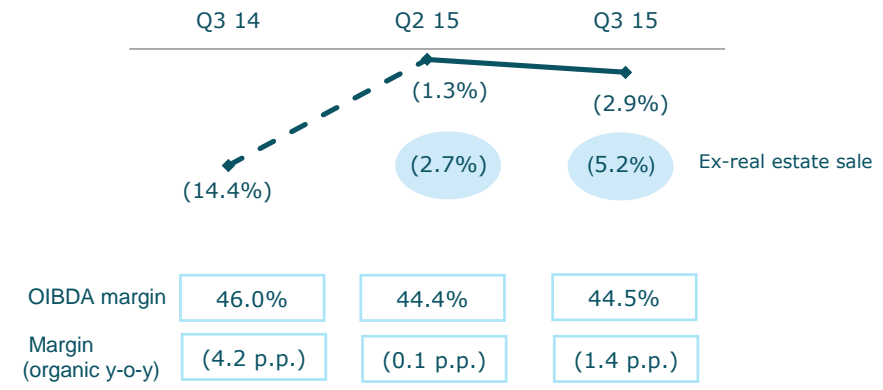
Revenue (y-o-y)



Value-oriented strategy driving a new revenue growth cycle

- **First quarterly revenue y-o-y growth since Q3 08**
 - ▶ +1.0 p.p. q-o-q improvement in service revenue y-o-y in Q3
- **Quality accesses growing & ARPU uplift**
- **Successful upselling and new revenue stream**
 - ▶ Full impact in Q3 from tariff update
 - ▶ Improved customer mix (UBB; Premium TV; LTE)
 - ▶ Wholesale revenues: Growing Pay TV & lower MVNO due to consolidation
 - ▶ Focus on IT services for corporates
 - ▶ Better market dynamics

OIBDA (organic y-o-y)

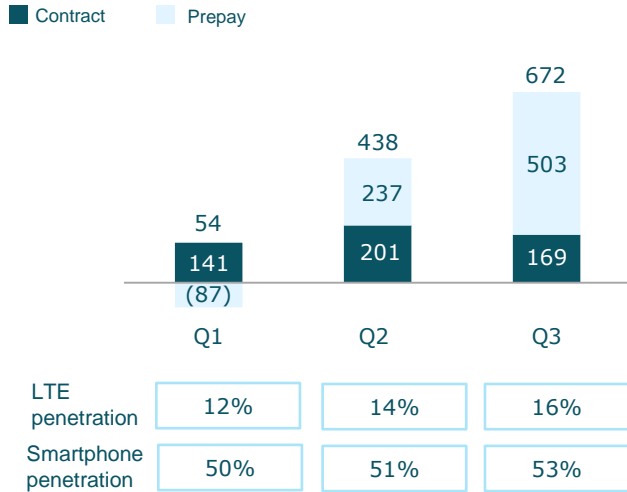


Solid OIBDA margin, slight erosion linked to new product launch

- **Q3 OpEx (+3.8% y-o-y)** mainly on increased content cost
- **Increased y-o-y margin erosion** in Q3 due to
 - ▶ Higher content costs; coupled with price promotion
 - ▶ Increased equipment and network costs
- Real estate capital gain (€32m in Q3; €19m in Q2)

Germany: Maintaining market momentum

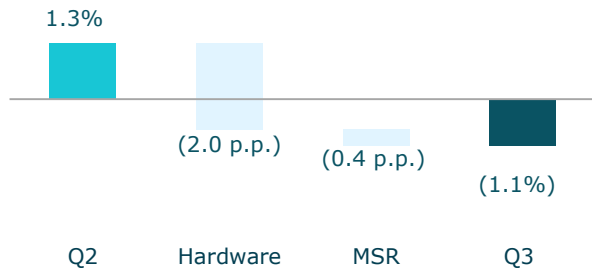
Net adds 2015 (‘000)



Balancing value with growth; Mobile customers +3% y-o-y organic

- **Q3 total net adds up 16% y-o-y**
 - ▶ Prepay segment leveraged on ethnic brands
 - ▶ 45% of Q3 contract gross adds from partners
 - ▶ Improved customer loyalty (contract churn: -0.1 p.p. y-o-y to 1.7%)
 - ▶ Enhanced O2 Premium brand; Revamped Blau portfolio
- **Continued mobile data monetisation**
 - ▶ LTE coverage: 73% at Sep-15; 75% target by YE
 - ▶ 37% new O2 Blue All-in clients take >1 Gb tariff
 - ▶ 54% automatic data extensions (opted-in O2 Blue All-in)
- **Steady VDSL growth** (Q3 net adds at 64k vs. 58k in Q2)

Revenue 2015 (organic y-o-y)



Total revenues +0.9% vs. 9M 14 organic

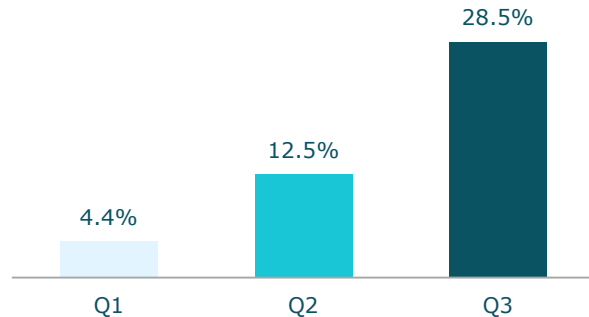
- **Q3 handset sales growth decelerated to 2.7%** (Q2: +18.7% y-o-y)
 - ▶ Focus on retention & customer base management
- **Slightly negative MSR performance in Q3** (-0.3% y-o-y); broadly stable in 9M (+0.4% y-o-y)
 - ▶ Increased contribution from key partners in contract
 - ▶ Non-SMS data up 2.9% y-o-y in Q3
- **Sustained trends in fixed** (Q3: -9.5% y-o-y; 9M: -10.0%)

Germany: Early synergy capture boosting profitability

16%
Group
Rev.

OIBDA 2015 (y-o-y)

Organic ex non-recurrent items

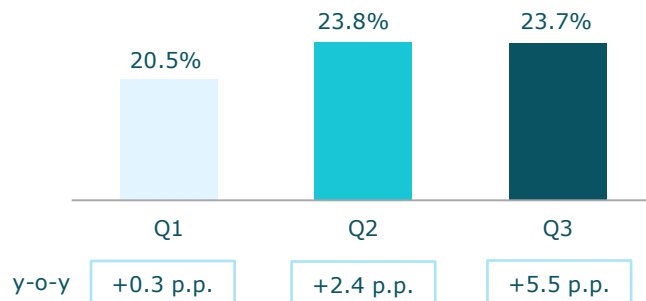


Outstanding Q3 OIBDA growth; >45% driven by integration savings

- **Continued synergies & Commercial costs savings** on focused subsidy approach & easier comps y-o-y
- €63m restructuring costs in Q3; mainly from network integration
- **9M 15 OpCF +44.9%** y-o-y (organic ex non-recurrent items)
 - ▶ Network synergies outweigh cost for LTE deployment

OIBDA margin 2015

Organic ex non-recurrent items



Updated outlook on synergy ramp-up

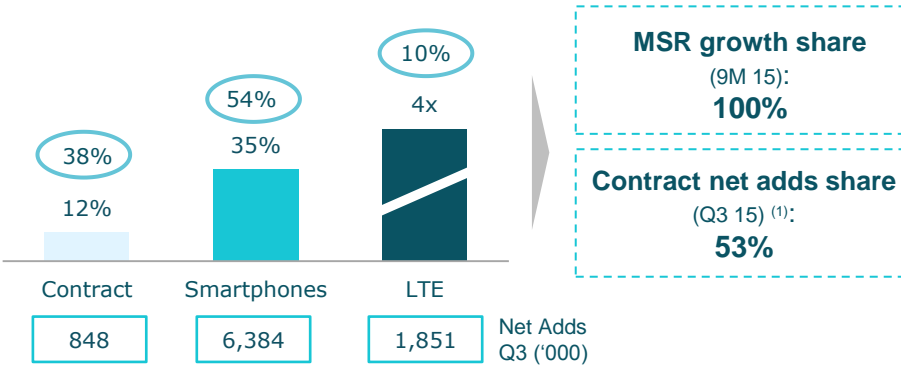
- **Acceleration on synergy capture**; total synergy case unchanged¹;
 - ▶ 2015 synergies: €280m OpCF savings (previous €250m run-rate)
- **Increased OIBDA growth target for 2015** (organic; post Group fees)
 - ▶ Expected to grow by 15% to 20% (previous +10%)
- **Lower CapEx spend expected in 2015**
 - ▶ Low double-digit pct. decline (vs. high single digit pct. decline prior)
- **MSR to remain broadly stable** in 2015 y-o-y (unchanged outlook)
- **Proposed €0.24 DPS** (stable vs. 2014)

(1) Synergies >€5 bn; run-rate: Approx. €800m run-rate OpCF synergies from year 5 of integration onwards

Brazil: Outperforming in high-value services

Mobile accesses (Sep-15 y-o-y)

○ Penetration

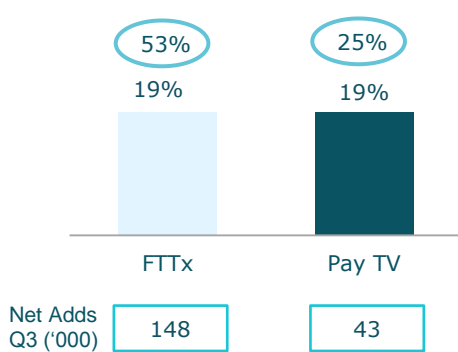


Strengthening leadership

- **Best-ever quarterly contract gross adds (+11% y-o-y)**
- Retaining the **most profitable prepaid customers**
 - ▶ Q3 R\$ volume top-ups +1.6% y-o-y vs. accesses -7%
 - ▶ Smartphone and LTE adoption driving **data ARPU acceleration** (+32.7% y-o-y; +27.1% in Q2)
 - ▶ **Q3 data traffic**: +20.0% y-o-y; LTE traffic 34% o/total in main cities
 - ▶ **LTE deployment**: 161 cities covered (leadership in market share: 38.5%)

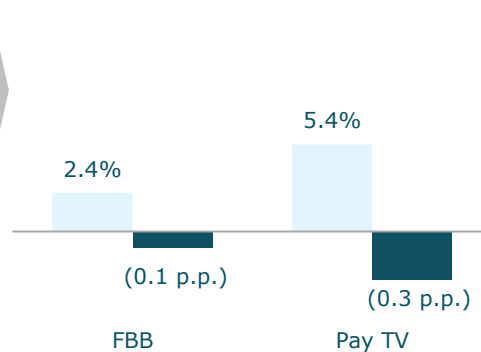
Fixed accesses (Sep-15 organic y-o-y)

○ Penetration o/FBB



ARPU & Churn (Q3 15 organic y-o-y)

■ ARPU ■ Churn



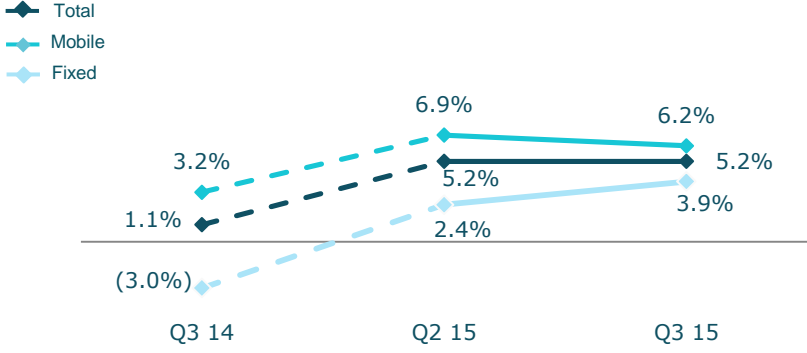
Fiber & video strategy paying-off

- **Progressive take-up of the most valuable services**
 - ▶ Capturing the entire Pay TV market growth (Jan-Aug 15)
 - ▶ 57% net adds share in FBB > 34 Mbps (Jan-Aug 15)
 - ▶ 3.8m accesses connected; FTTx premises passed 16.6m (Sep-15)

(1) Up to August

Brazil: Robust revenue & OIBDA growth

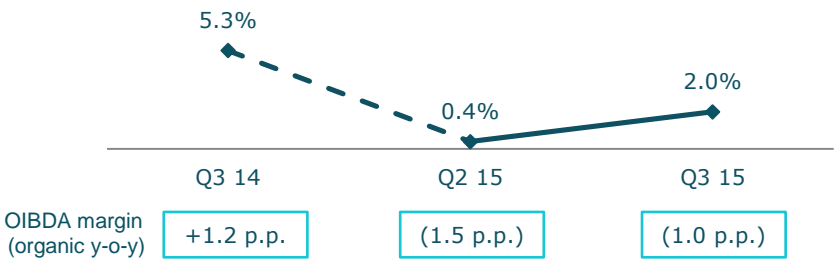
Revenue (organic y-o-y)



Continued mid-single digit revenue growth

- **Fixed & mobile growth rates outperforming the market**
 - ▶ Q3 MSR +4.5% y-o-y on data rev +36.0% (46% o/ MSR; +11 p.p. y-o-y)
 - ▶ Handset sales (+36.8% y-o-y) reflecting FX depreciation on handset prices and higher gross adds
 - ▶ Fixed revs acceleration mainly driven by return to growth in São Paulo
 - ▶ Negative impact from regulation (-2.5 p.p. Q3; -2.8 p.p. 9M)

OIBDA organic (y-o-y)

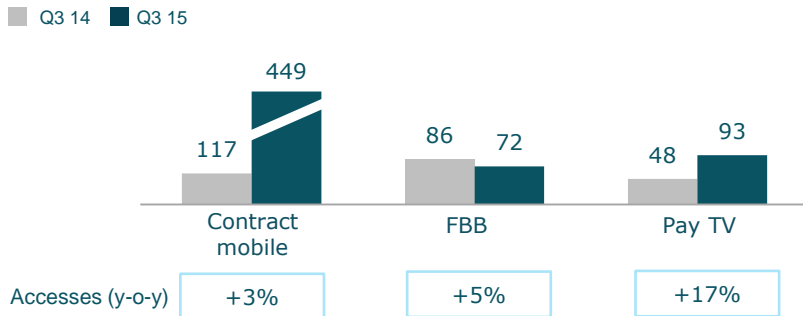


OIBDA y-o-y ramping-up in Q3 amid tough macro backdrop

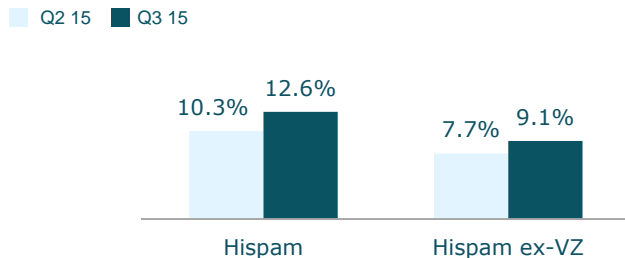
- **Revenue flowing into OIBDA**
 - ▶ Better sequential y-o-y trend in OpEx (Q3: +6.6%; Q2: +7.0%) despite both higher commercial cost and energy prices
 - ▶ Personnel expenses slowing down (+1.9% y-o-y; +4.6% Q2)
 - Redundancy program executed in Sep-15 (2.2k headcount) to further reinforce efficiency
 - ▶ Tougher macro driving higher bad debt y-o-y increase
 - ▶ Q3 OIBDA margin 30.4% (9M: 30.6%; -1.2 p.p. y-o-y).
- **Synergy execution evolving according to expectations**

Hispam: Commercial momentum driving revenue acceleration

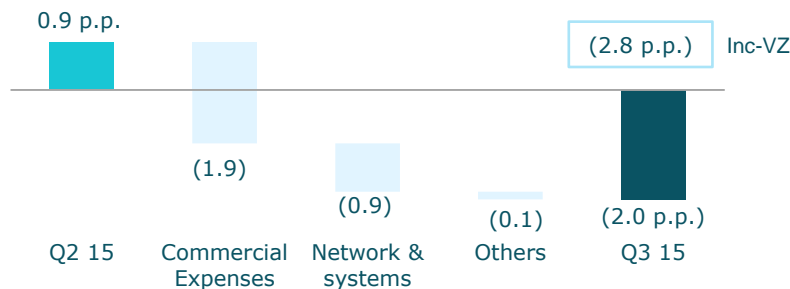
Net adds ('000)



Revenue (organic y-o-y)



OIBDA margin (organic y-o-y ex-VZ)



Robust commercial activity across segments

- **Contract mobile** boosted by **higher gross adds volume** (+14% y-o-y; +13% q-o-q)
 - ▶ Booming smartph. penetration (35%; +9 p.p. y-o-y) & LTE (6%)
 - ▶ Q3 data traffic +60% y-o-y; voice traffic +12%
- **Sound performance in Pay TV over the year**
 - ▶ Best-ever net adds in 9M (310k; +48% y-o-y)

Strong trading flowing into top line growth

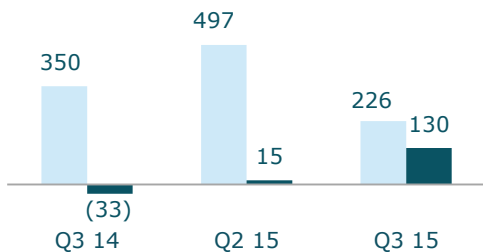
- **Revenue acceleration in Q3 on better traction in MEX & COL**
 - ▶ Data revs +27.6% y-o-y to 36% o/MSR (+4 p.p. y-o-y)
 - ▶ FBB & new services +18.4% to 64% o/fixd revs (+4 p.p. y-o-y)
- **OIBDA deceleration y-o-y** (Q3 +3.0%; Q2 +9.1%)
 - ▶ Higher commercial expenses (+15.1% y-o-y; +6.2% in Q2)
 - ▶ Growing handset sales & costs affected by FX depreciation

Mexico: Increasing scale & profitability

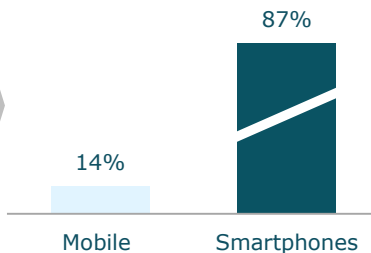
4%
Group
Rev.

Net adds ('000)

Contract Prepay



Accesses (y-o-y)

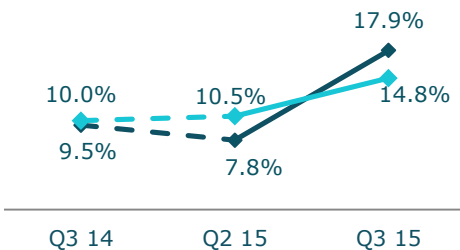


Continued strong commercial momentum

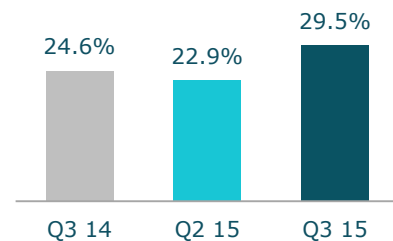
- **Outstanding improvement in contract gross adds;** launch of new “Planes Vas a Volar” (17th August)
- **Smartphone penetration increased** to 40% (+16 p.p. y-o-y)
- **Progressive LTE deployment** (1.3m accesses; 34% population coverage)

Revenue (organic y-o-y)

Revenue Revenue ex-regulation



OIBDA margin



OIBDA (organic y-o-y)

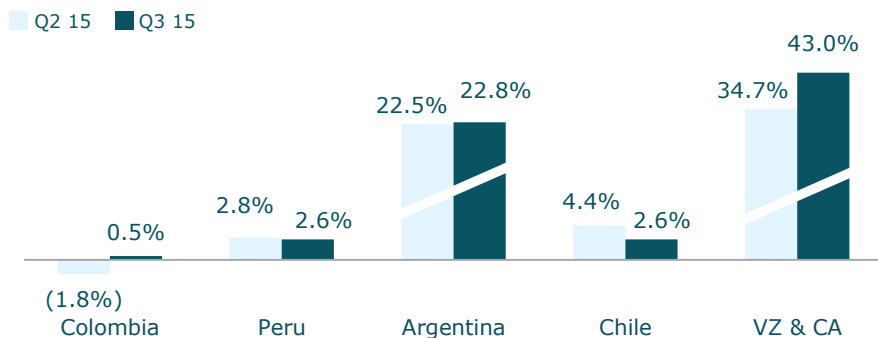
Q3 14	50.6%
Q2 15	43.6%
Q3 15	39.0%

Accelerating revenue growth

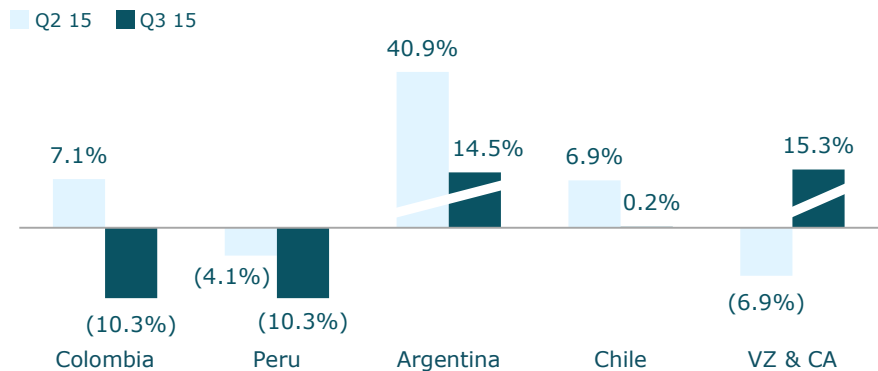
- **Sequential improvement**
 - ▶ Interconnection adjustment neutral in 9M (rev up +10.5% y-o-y)
 - ▶ Data revs +18.2% y-o-y in Q3 (Non-SMS data +28.2% y-o-y)
- **Robust OIBDA & margin expansion**
 - ▶ Q3 margin +4.4 p.p y-o-y organic; 9M 25.6% (+6.6 p.p.)
 - ▶ Accesses growth flowing into economies of scale
 - ▶ Q3 OIBDA y-o-y deceleration due to comparable regulation from Aug-15

Rest of Hispam: Capturing market value

Revenue (organic y-o-y)



OIBDA (organic y-o-y)



OIBDA margin (organic y-o-y)

Q3 15	(4.2 p.p.)	(5.0 p.p.)	(1.9 p.p.)	(0.8 p.p.)	(6.0 p.p.)
9M 15	+0.6 p.p.	(3.3 p.p.)	+1.6 p.p.	(0.3 p.p.)	(6.3 p.p.)

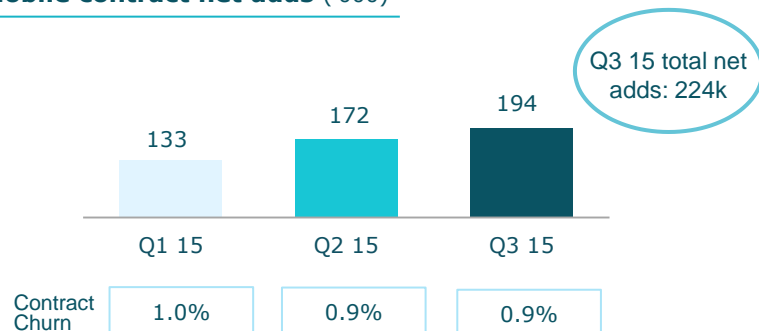
Better commercial trading across the board

- Colombia:**
 - Q3 revs return to positive y-o-y variation despite regulation (-3.6 p.p.)
 - Highest contract mobile net adds of last 2 years & record-high Pay TV gross adds impacting Q3 OIBDA
- Peru:**
 - Solid revenue increase despite MTRs reduction (-2.8 p.p. y-o-y)
 - Positive commercial momentum on high-value segments amid intense competition
- Argentina:**
 - Sound y-o-y mobile data rev. (+24.8%; 47% of MSR) and FBB & new services (+31.5%; 56% of fixed revs)
 - Profitability affected by outstanding commercial performance across services
- Chile:**
 - Sustained y-o-y accesses growth in contract mobile (+2%); FBB (+7%) and Pay TV (+10%)
 - Positive rev & OIBDA growth amid highly competitive market
- Venezuela & Central America:**
 - Launch of LTE services in Nicaragua from Oct 5th
 - Q3 voice & data traffic ramping-up y-o-y (+14%; +51% respectively), driving top line & OIBDA improvement

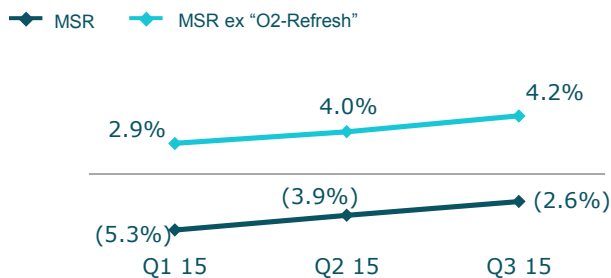
UK: Continue outperforming the market

Consolidated as discontinued operation

Mobile contract net adds ('000)

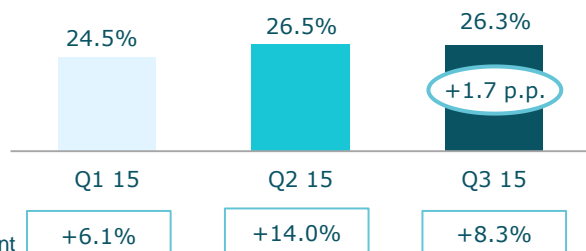


Mobile Service Revenues (y-o-y)



OIBDA margin

○ y-o-y ex non-recurrent



Record loyalty maintained

- **Sixth quarter in a row with mobile base growth** (+4% y-o-y to 25m)
 - ▶ Strong contract performance
- **LTE driving growth**
 - ▶ Penetration: 30% (+16 p.p. y-o-y)
 - ▶ Net adds at 862k in Q3 (Q2: 864k)
 - ▶ 78% outdoor coverage at Sep-15
 - ▶ Increasing demand for higher subscription bundles
 - >65% of gross adds & upgrades chose tariffs of 1GB or more

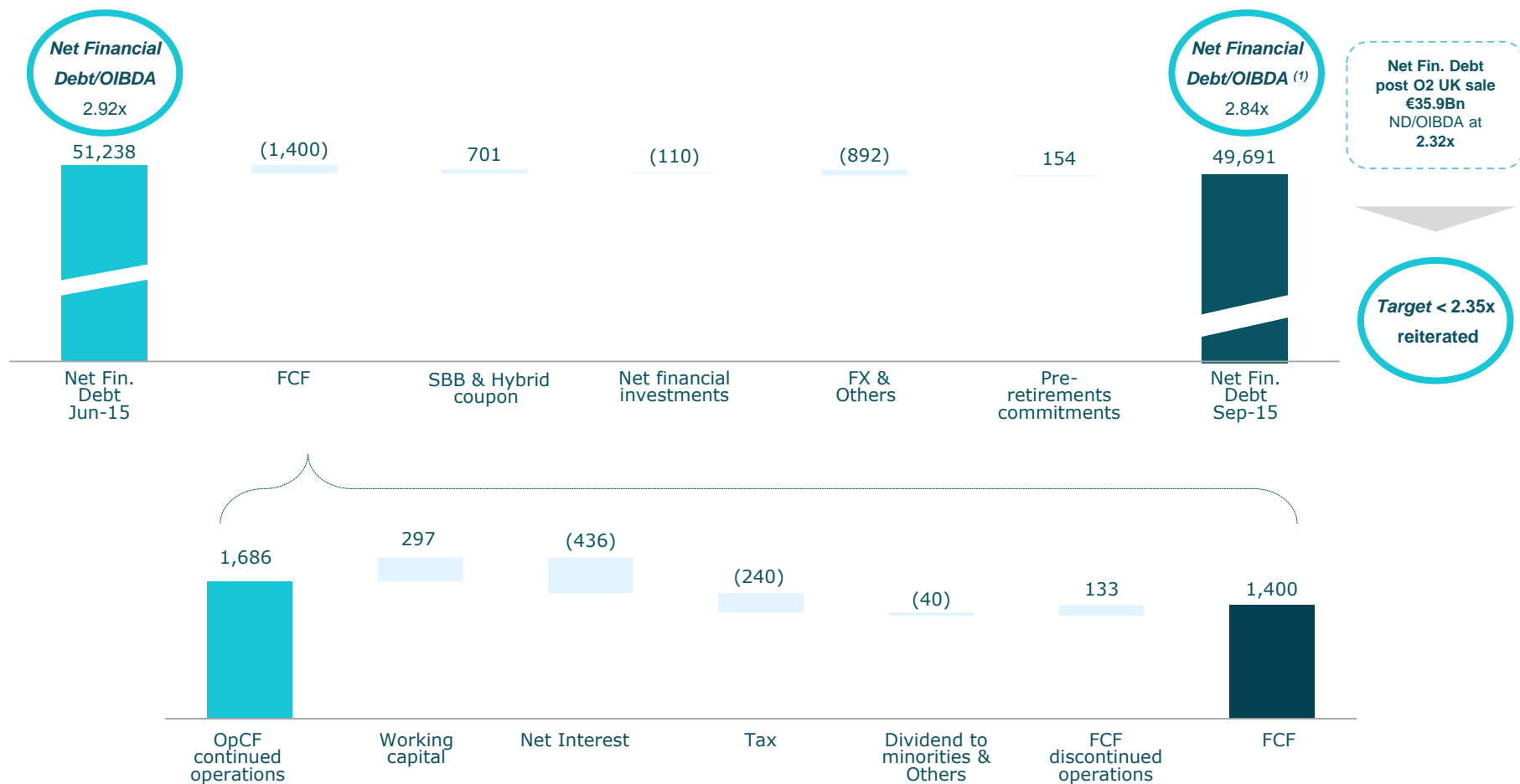
Twelfth quarter of continued MSR improvement (ex "O2 Refresh")

- **Total revenue up +5.1% y-o-y in Q3 ex "O2 Refresh"**
 - ▶ ARPU broadly flat ex "O2 Refresh" (Q3: -0.3% y-o-y; Q2: -0.8%)
 - ▶ MSR sequential improvement (+0.2 p.p. vs. Q2 ex "O2 Refresh")
 - ▶ Marginally lower handset sales
- **Strong OIBDA growth & profitability**
 - ▶ Optimisation of commercial costs
 - ▶ "O2 Refresh" deducted 0.1 p.p. of OIBDA margin
 - ▶ Q3 OIBDA impacted by increased investment in digital services
 - ▶ Q3 14 non-recurrent impact mostly related to final settlement from disposal of fixed business assets (+€34m)

€1.5bn net debt reduction in Q3 15

Net Financial Debt

€ in millions

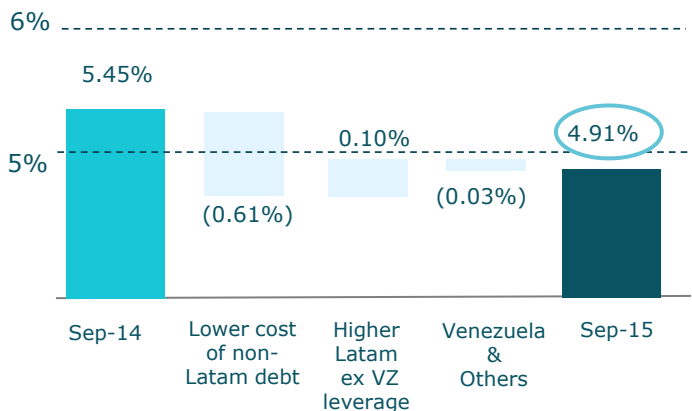


(1) OIBDA 12 month rolling, not considering O2 UK discontinuation, incorporating DTS' and GVT's OIBDA corresponding to Jul 14-April 15, and excluding the non-recurring impact from restructuring costs twelve month rolling.

Progressive improvement in financial costs

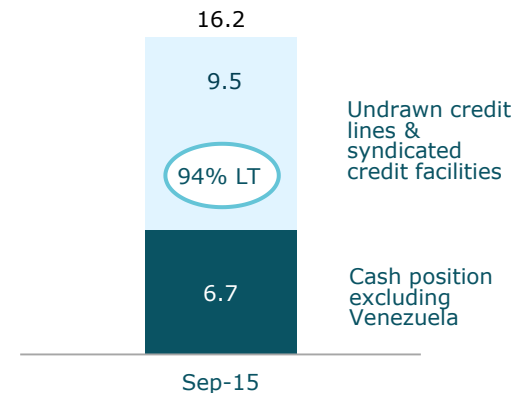
Effective interest cost: 54 b.p. lower y-o-y

----- Guidance



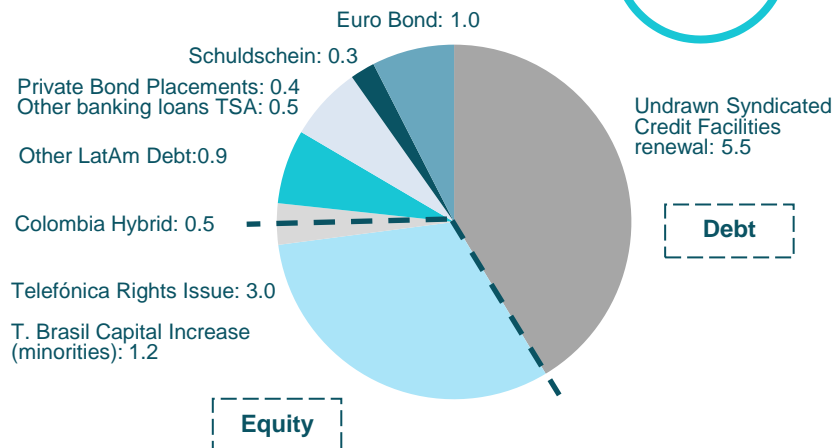
Liquidity position (Sep-15)

€ in billions



Long-term financing (€13.3bn YTD)

€ in billions



35% equity markets financing

Undrawn Syndicated Credit Facilities renewal: 5.5

Summary

Q3 ACCELERATING SUSTAINABLE PROFITABLE GROWTH

- 1 3rd consecutive quarter in 2015 of improving organic revenue & OIBDA performance
- 2 Continued momentum in commercial activity (fiber, LTE, Pay TV) backed by superior infrastructure
- 3 First tangible results from integration synergies in Germany; Brazil to follow
- 4 Investing in network quality; Data demand rocketing
- 5 Leadership in major markets; better competitive position on strong CapEx
- 6 9M 15 key metrics aligned with guidance; DPS confirmed (2015 & 2016)

ROBUST FUNDAMENTALS & STRENGTHENING POSITIONING FOR FUTURE GROWTH

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