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Q1 15: 1st step of the new profitable growth cycle

1. Delivering on growth

- Returning to growth across the board: Revenues (+12.6%), OIBDA (+7.7%), Net Income (+162%), EPS (+164%)
- Robust organic top line growth (+3.3% y-o-y) and sustainable improvement in OIBDA (+2.4% y-o-y)
  - Organic revenue growth ex-VZ accelerated on the back of improved performance in Spain, Brazil and Germany
  - Strong commercial performance maintained; enhancing commercial propositions with refreshed offers
  - Building high-quality & value KPIs
  - Successfully monetising mobile data
  - Continuous efforts to contain costs; ongoing savings on leaner operating model
- Investing further in networks & platforms (CapEx +21.5% y-o-y organic) is the foundation for the above
  - Building a differential future-proof network: Investments in growth & transformation are 76% of total

2. Deleveraging and strengthening the balance sheet

- Net debt/OIBDA 2.13x including O2 UK sale; cost of debt declining to 5.27% (-18 b.p. y-o-y)
- Strong FCF (+25.8% y-o-y) despite normal seasonality in Q1

3. Early signs of benefits from portfolio optimisation/in-market consolidation strategy

- Focus on key markets (Spain, Brazil and Germany), with solid and improving performance in Q1
- In-market consolidation: the first and boldest mover
- Digital+ transaction closed on April 30th; One step further to becoming a Video Company

4. Q1 performance fully consistent with FY guidance
Key financials

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Reported</th>
<th>Reported y-o-y</th>
<th>Organic y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>11,543</td>
<td>12.6%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>OIBDA</strong></td>
<td>3,618</td>
<td>7.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>OIBDA Margin</strong></td>
<td>31.3%</td>
<td>(1.4 p.p.)</td>
<td>(0.3 p.p.)</td>
</tr>
<tr>
<td><strong>OpCF (ex-spectrum)</strong></td>
<td>2,098</td>
<td>(5.0%)</td>
<td>(8.3%)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,802</td>
<td>2.6x</td>
<td>--</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>0.38</td>
<td>2.6x</td>
<td>--</td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td>363</td>
<td>25.8%</td>
<td>--</td>
</tr>
<tr>
<td><strong>Net financial debt</strong></td>
<td>45,627</td>
<td>3.8%</td>
<td>--</td>
</tr>
<tr>
<td><strong>ND/OIBDA (post O2 UK sale)</strong></td>
<td>2.13x</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

**Positive impacts from FX & changes in the perimeter**
- Most Latam currencies added y-o-y
  - Revenue: +3.2 p.p.; OIBDA +2.5 p.p.
- Consolidation perimeter contributed y-o-y

**2/3 of Revenues from Spain, Brazil and Germany**
- Spain: 25%
- Brazil: 24%
- Germany: 16%
- Hispam: 32%
Fully on track to meet 2015 outlook

<table>
<thead>
<tr>
<th>2015 Guidance (Constant FX 2014; ex-UK; ex-VZ; incl. 12M E-Plus and 6M GVT)</th>
<th>Guidance 2015E</th>
<th>Q1 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>&gt;7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>OIBDA margin</td>
<td>Limited margin erosion around 1 p.p. (to allow for commercial flexibility if needed)</td>
<td>(1.0 p.p)</td>
</tr>
<tr>
<td>CapEx/Sales</td>
<td>Around 17%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Debt/OIBDA (adjusted for O2 UK sale)</th>
<th>&lt;2.35x</th>
<th>2.13x</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>€0.75/sh.</td>
<td>First Tranche: €0.35/sh. Voluntary scrip proposal to the AGM (12th June)</td>
</tr>
<tr>
<td></td>
<td>• €0.35/sh. voluntary scrip Q4 15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• €0.40/sh. Cash Q2 16</td>
<td></td>
</tr>
</tbody>
</table>

| Share buyback: % share capital cancelled (treasury) | 1.5% | Proposal to the AGM (12th June) |
Strong operating and financial performance

Building a quality platform
Accesses (Mar-15 y-o-y organic growth)

<table>
<thead>
<tr>
<th>LTE</th>
<th>FTTH</th>
<th>Pay TV</th>
<th>Smartphones</th>
<th>Mobile Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>x5.1</td>
<td>111%</td>
<td>53%</td>
<td>29%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Q1 15 Revenue (y-o-y)

- Organic: €11,543m (+3.3%)
- Reported: €11,543m

Q1 15 Profitability (y-o-y organic)

- OIBDA: €3,618m (+2.4%)
- OIBDA Margin: 31.3% (-0.3pp)

Strong increase in value base drives distinctive growth profile

- Average Revenue/Access +0.8% y-o-y organic
  - Accesses +3% y-o-y organic
  - Lower churn: -0.2 p.p. y-o-y to 2.6%

- Accelerating organic growth ex-VZ q-o-q
  - Sequential improvements in Brazil, Germany and Spain

- Transformation of top line
  - CapEx effort made in recent years
  - Data monetisation key (data revenues +11.9% y-o-y organic)
  - Accelerating Digital Services: +33.7% y-o-y; Video +56.6% y-o-y

Continuation of improving trends in diversified OIBDA

- Executing on OIBDA growth and stabilising margin (y-o-y organic)
  - Synergies from simplification program on track; Synergies from acquisitions to increase throughout the year

- Focus on customer lifetime value along with market investment (OpEx +4.0% y-o-y organic)
  - Commercial costs (+4.4% y-o-y); Net adds: 12.4m smartphones, fiber 308k (x2 y-o-y); Pay TV 379k (>x3 y-o-y)
  - Network & systems costs up 7.4% y-o-y on traffic increase
LTE and Prepay data: Main levers for data monetisation

**Smartphone penetration**

- **Blended**
- **Contract**
- **Prepay**

<table>
<thead>
<tr>
<th></th>
<th>Mar-14</th>
<th>Dec-14</th>
<th>Mar-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended</td>
<td>53%</td>
<td>59%</td>
<td>61%</td>
</tr>
<tr>
<td>Contract</td>
<td>28%</td>
<td>34%</td>
<td>38%</td>
</tr>
<tr>
<td>Prepay</td>
<td>17%</td>
<td>22%</td>
<td>28%</td>
</tr>
</tbody>
</table>

**LTE penetration**

<table>
<thead>
<tr>
<th></th>
<th>LTE Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.8m</td>
</tr>
<tr>
<td>2015</td>
<td>14.1m</td>
</tr>
</tbody>
</table>

- **LTE: 52% of shipments in Q1**
- **LTE 6% of total mobile data traffic (+9 p.p. y-o-y)**

**Encouraging data dynamics**

- **Accelerating usage growth**
  - Mobile data traffic: +52% y-o-y
  - Average usage per smartphone +25% y-o-y (512 MB/month)
- **LTE fostering growth** (usage +60% vs 3G)
  - LTE traffic at 11% of total mobile data traffic (+9 p.p. y-o-y)
- **Prepay data upside in HispAm** (21% prepay smartphone penetration; +7 p.p. y-o-y)

**Q1 Mobile data revenue**

- **Q1 14**
- **Q1 15**

<table>
<thead>
<tr>
<th></th>
<th>Mobile Data/MSR</th>
<th>Non-SMS/Mobile Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>36%</td>
<td>77%</td>
</tr>
<tr>
<td>2015</td>
<td>40%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Q1 15 Non-SMS data rev: (+19.1% y-o-y)

**Additional revenues coming from data**

- **Monetising data beyond the allowance**
  - Contribution of 1 p.p. to Q1 15 y-o-y revenue growth
  - “Bundle Breakage”: 25% customers; of which ~1/3 buy data snack
  - New commercial schemes to optimise revenues in Spain, Germany & Brazil
- **LTE ARPU uplift: double digit**
Digital services: a strong start to 2015

- Cloud: Value-added service
  - Cloud Storage (Corporates)
  - Go to Cloud (SMEs)

- Security Innovation
  - SmartID (digital ID)
  - SealSign (e-signature & bio-authentication)
  - FilIP (smartwatch)

- Devices: Opening up the chain
  - Cyanogen investment (largest open source developer)

- M2M: Gaining scale
  - Global Partner Program in LatAm (>500 partners)

- Video: Key pillar for growth
  - 41% Pay TV / consumer FBB
  - Differential content
  - Digital+; a game changer

- Financial Services: Steady growth
  - Mobile-PoS launch (Ecuador)

**Digital Services Revenues €682m in Q1**

- +31.8%
- +76.0%
- +24.5%
- +56.6%
- +7.3%

**Organic Revenue y-o-y growth**
TGR: Network and IT supporting business transformation

Differential technology for Best Network Experience

**UBB Deployments (Mar-15)**
- Premises passed with fiber: 16.1m (x1.9 y-o-y)
- LTE Coverage (%PoP): 65% 28%
- LTE sites: ~21k
- 2 carrier LTE-A
- FTTH network supports 300MB offer
- 4G rollouts in new markets

**Addressing demand more efficiently**
- **Customer Experience**: global tool for enhanced self-care & fast diagnosis in call centers
- **Global platforms** (Video, M2M, Cloud): leveraging scale and boosting performance

**Trials for Technological excellence**
- 3 carrier LTE-A
- “LTE in a box” private networks
- E2E 4G virtualised network

**Best Quality Networks**
- VoLTE available, best-in-class QoS
- Proactive migration of DSL customers within fiber areas

**Excellent Operations**
- Customer Experience: global tool for enhanced self-care & fast diagnosis in call centers
- Global platforms (Video, M2M, Cloud): leveraging scale and boosting performance

**All-IP**

**Network Innovation**

**IT: Execute business transformation + enable differential digital capabilities**

**+Customer experience +Efficiency**
- Progressing on Full Stack projects in Argentina, Chile, Peru & Mexico
- Big Data (pilot in Spain)
- Online Channel renovation in Spain: sales automation
- DC consolidation through “Midrange” projects (Brazil + Spain)

**+Simple and agile (y-o-y organic)**

<table>
<thead>
<tr>
<th>Applications</th>
<th>-373</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Servers</td>
<td>(12%)</td>
</tr>
<tr>
<td>Data Centers</td>
<td>-5</td>
</tr>
</tbody>
</table>
Spain: Enhanced value mix in a better environment

**Mobile contract net adds (’000)**
- Accesses y-o-y
- +1.8%
- Q1 14: 79
- Q1 15: (102)

**FTTH net adds (’000)**
- Accesses y-o-y
- x2
- Q1 14: 108
- Q1 15: 244

**Fiber 100 in “Fusión” Penetration**
- Mar-14: 16%
- Mar-15: 23%

**Pay TV net adds (’000)**
- Accesses y-o-y
- x3
- Q1 14: 58
- Q1 15: 255

**Outstanding commercial performance**
- Access base back to growth: +1% y-o-y; Churn reduction across the board
- FTTH base: 1.6 m (x2 y-o-y): 26% of FBB base
  - Fiber 100 Mb to 1.2m (10€ premium; lower churn vs DSL)
- Strengthened Pay TV leadership: 2.1m (x3 y-o-y)

**Upselling on differential Quad-Play offer**
- 3.9m “Fusión” customers (+21% y-o-y); 1.4m mobile add-ons
- “Fusión” KPIs in the right direction
  - ARPU virtually stable y-o-y at €69.6
  - Churn: 0.9% -0.3 p.p. y-o-y
- Enhanced offer to increase premium quality
  - MBB data caps up ~25-36%; Fiber speed to 300 Mb

**Spain: first place in FTTH coverage and connections in Europe**
- Strong investment effort with current regulatory conditions
  - T. España: 11.5m premises passed
- LTE coverage to accelerate; 800 MHz available from April
Spain: Another step ahead towards revenue growth

**Revenue (y-o-y)**

- Revenue ex-handset sales
- Revenue

<table>
<thead>
<tr>
<th></th>
<th>Q3 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>(y-o-y)</td>
<td>(6.6%)</td>
<td>(6.1%)</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>(y-o-y)</td>
<td>(8.2%)</td>
<td>(4.9%)</td>
<td>(3.5%)</td>
</tr>
</tbody>
</table>

- +1.7 p.p.
- +1.1 p.p.
- +2.2 p.p.
- +2.6 p.p.

**Revenue to continue improving on solid fundamentals**

- Strong trading in high-end services & churn reduction
- Increased value in customer mix (TV & Fiber)
- Upselling & tariff update
- High penetration of convergence
  - 76% FBB & 59% mobile contract base in “Fusión” (consumer)
- Improved market conditions
- Handset sales softening y-o-y (Q1: -10.3% ; Q4 14: +14.7%)

**Solid profitability despite improved commercial activity**

- Q1 OIBDA (-8.4% y-o-y organic) affected by:
  - Higher trading; Pension plan, Higher content costs
- Efficiency progress
  - IT Simplification & distribution channel optimisation

**OIBDA margin**

- Organic y-o-y
- Ex-tower sales

- Q1 14: 46.9%
- Q1 15: 45.3%
- Q1 14: 44.5%
- Q1 15: 43.2%

- -2.1 p.p.

**Fiber 100 net adds**

- Q1 14: 108 k
- Q1 15: 142 k

**TV net adds**

- Q1 14: 58 k
- Q1 15: 255 k

**FBB net adds**

- Q1 14: 14 k
- Q1 15: 42 k

**Mobile contract net adds**

- Q1 14: -102 k
- Q1 15: 79 k
Germany: Executing on operations & key integration milestones

### Contract net adds (‘000)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Contract Gross Adds (y-o-y organic)</th>
<th>Contract Churn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 14</td>
<td>1.9%</td>
<td>318</td>
</tr>
<tr>
<td>Q1 15</td>
<td>1.7%</td>
<td>141</td>
</tr>
</tbody>
</table>

Ex-428k customer adjustment in E-Plus in Q4

**LTE driving growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>% Gross Adds with &gt;1GB (O2 consumer contract)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 14</td>
<td>15%</td>
</tr>
<tr>
<td>Q1 15</td>
<td>32%</td>
</tr>
</tbody>
</table>

**LTE customers (m)**

- 16% of Group revenue
- 16% of Group revenue

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**Focus on data monetisation in a more profitable environment**

- **Mobile base**: 42.2m (+2% y-o-y organic)
- **Stronger focus on customer base development**
  - 86% share of LTE-enabled Smartphones sold (O2 Premium)
  - LTE coverage at 68% (62% at Dec-14); 75% target by year-end
- **Value approach to handset sales** from the beginning of the year
- **VDSL uptake** (66k net adds) improving retail fixed base

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**30% of target synergy run-rate\(^{(1)}\) in 2015 on track**

- **Headcount restructuring**
  - 1,600 FTEs by 2018
  - 50% in 2015 from Q2

- **Shop reduction**
  - Planned by 1/3rd by year 5

- **Decommission of 14k mobile sites**
  - Planned by year 5

---

**Synergy target on track (€250m in 2015; more biased to H2)**

- **Staff negotiation process**
  - Agreement with Workers Councils reached in February
  - 2015 full-year goal well-advanced at the end of April
- **Distribution network consolidation**
  - Drillisch to take 301 shops in H2 15; significant portion of LT target
- **3G National Roaming agreement** from mid-April

---

\(^{(1)}\) Run-rate: Approx. €800m run-rate OpCF synergies from year 5 of integration onwards
Germany: Solid financial performance

**Revenue (y-o-y organic)**
- Revenue: 2.9%
- MSR: 1.5%
- Q4 14: 0.0%
- Q1 15: 1.5%

**Revenue composition**
- MSR: 14%
- Handset: 15%
- Fixed: 71%

**OIBDA (y-o-y)**
- Organic ex non-recurrent items: 4.4%
- Q4 14: (24.2%)
- Q1 15: 18.0%

**OIBDA margin**
- Organic ex non-recurrent items: 20.5%
- Q4 14: 18.0%
- Q1 15: 20.5%

**Strong revenue performance driven by data centric strategy**
- Top line growing sequentially
  - MSR momentum; favorable customer mix in acquisition & retention
    - Data revs/MSR: 51%
    - Non-SMS data revs +7.3% y-o-y (71% of data revs)
    - SMS volume decline stabilisation
  - Robust handset revenues y-o-y (Q1: +28.8%; Q4 14: +5.4%)

**Profitability turnaround**
- Revenue flow-through
- Efficient commercial approach
  - Customer base retention
  - Value-based handset sales
- OpEx synergies to accelerate from H2
- OpCF at €187m (+6.4% y-o-y organic ex non-recurrent items)
Brazil: Quality growth driving ARPU improvement

**Mobile accesses (Mar-15 y-o-y)**

- Smartphones: 49%
- Contract: 16%

**ARPU (y-o-y)**

- Q1 14: 3.3%
- Q4 14: 0.4%
- Q1 15: (0.2%)%

**Fixed accesses (Mar-15 y-o-y)**

- Fiber: 82%
- IPTV: 132%

**ARPU**

- FBB: x1.5
- Fiber: 1.5

**Consistent growth in high value segments**

- **Mobile data acceleration leading to y-o-y growth in ARPU**
  - 40% Smartphones penetration (+12 p.p. y-o-y); 5% LTE penetration (+4 p.p. y-o-y)
  - Data traffic booming (+50% y-o-y) driven by LTE higher usage on new data propositions

- **Strengthened leadership in mobile contract**
  - Market share of 41.6% (+1.0 p.p. y-o-y)
  - Best customer satisfaction on best quality and network coverage (141 cities covered with LTE)

**Focus on most profitable services**

- **FTTH premises passed almost doubling y-o-y** (4.3m at Mar-15)
  - 429k HH connected

- **Pay TV accesses** : +23% y-o-y

- **EGM (May 28th)** to close GVT transaction
Brazil: Strong revenue growth acceleration

Best revenue growth in last 3 years

- **Strong MSR improvement in Q1** (+4.6 p.p. vs Q4 14) leveraging data monetisation strategy
  - Data revenues/MSR: 39% (+7 p.p. y-o-y; +3 p.p. q-o-q); Non-SMS revenues +42.0% y-o-y
  - 8x higher adoption of data snacks since throttling elimination
- Enhanced fixed revenue y-o-y trend; higher contribution from Pay TV and fiber revenues
- Negative impact of regulation (-3.2 p.p. in y-o-y revenue growth)

Positive y-o-y OIBDA growth

- **OpEx (+4.9% y-o-y)** once again below inflation:
  - Strong efficiency efforts (personnel and G&A expenses) and MTR reduction
  - Offset higher subsidies (LTE adoption) and bad debt (more difficult environment)
- **OIBDA margin stood at 30.1%** (-1.0 p.p. y-o-y)
**Hispam: Resuming reported & organic growth**

**Accesses (Mar-15 y-o-y)**

<table>
<thead>
<tr>
<th></th>
<th>4%</th>
<th>35%</th>
<th>6%</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smartphones</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FBB</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay TV</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Revenue (organic y-o-y)**

- Hispam
- Hispam ex-Venezuela

<table>
<thead>
<tr>
<th></th>
<th>Q2 14</th>
<th>Q3 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.3%</td>
<td>10.0%</td>
<td>9.7%</td>
<td>8.9%</td>
<td>7.9%</td>
</tr>
<tr>
<td>14.1%</td>
<td>14.1%</td>
<td>18.2%</td>
<td>9.7%</td>
<td></td>
</tr>
</tbody>
</table>

**OIBDA (organic y-o-y)**

- Hispam
- Hispam ex-Venezuela

<table>
<thead>
<tr>
<th></th>
<th>Q2 14</th>
<th>Q3 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.1%</td>
<td>17.8%</td>
<td>16.8%</td>
<td>14.7%</td>
<td></td>
</tr>
<tr>
<td>11.8%</td>
<td>15.1%</td>
<td>15.6%</td>
<td>14.5%</td>
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</tr>
</tbody>
</table>

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

- +0.5 p.p.
- +2.2 p.p.
- +1.8 p.p.

**Commercial momentum across services**

- **3.1m Smartphone net adds (+62% vs. Q1 14)**
  - Limited penetration (29% total; 21% prepay) provides significant upside
- **Record-high net adds in Pay TV (104k)**
- **Volumes growing strongly y-o-y:** Voice (+6%) & data traffic (+52%)

**Margin expansion for 5th consecutive Q (organic y-o-y and ex-VZ)**

- **Positive impact from FX:** all currencies but Colombian COP$ contributing positively y-o-y
- **Combination of access & ARPU growth** fueling revenues
- **Data revenues 1/3 of total Q1 revenues**
  - Non-SMS data +25.1% y-o-y
- **Margin improvement: y-o-y trend maintained**
  - Main contributors: Mexico (+9.2 p.p.), Argentina (+3.3 p.p.) and Colombia (+3.0 p.p.)
Mexico: Operational momentum fostering growth

**Accesses (Mar-15 y-o-y)**
- 17% Accesses
- >2x Smartphones

**Q1 Traffic (y-o-y)**
- 28% Voice
- 77% Data

**strong commercial momentum**
- *Strengthened market positioning* boosting y-o-y accesses & traffic growth
  - Strong gross adds (Q1: 2.7m; +10% y-o-y); 2nd quarterly volume ever despite seasonality
  - Record-high in Smartphones; Q1 net adds 2.0m; New LTE plans fostering adoption (820k accesses at Mar-15)

**Q1 Revenue & OIBDA (y-o-y organic)**
- +8.6% Ex-Regulation
- 69.8% Revenue
- 24.5% (±9.2 p.p. y-o-y) OIBDA Margin

**Larger scale bringing further profitability**
- *Strong revenue growth y-o-y*
  - Steady increase of both accesses & usage (MOU +18%)
  - MTRs reduction dragging MSR growth by 3.2 p.p. in Q1
- *Increased profitability y-o-y*
  - Strong access growth delivering economies of scale
  - Successful implementation of efficiency plan
  - Asymmetric interconnection tariff
Rest of Hispam: Growth across the board

**Q1 Revenue (y-o-y)**
- **Colombia ex-reg:** 4.1% (Organic) 2.6% (Reported)
- **Peru:** 17.7% (Organic) 5.3% (Reported)
- **Argentina:** 30.5% (Organic) 23.4% (Reported)
- **Chile ex-reg:** 4.6% (Organic) 12.3% (Reported)
- **VZ & CA:** 55.5% (Organic) 25.2% (Reported)

**Q1 OIBDA (y-o-y)**
- **Colombia ex-reg:** 10.8% (Organic) 9.2% (Reported)
- **Peru:** 38.3% (Organic) 9.3% (Reported)
- **Argentina:** 46.3% (Organic) 2.2% (Reported)
- **Chile ex-reg:** 10.0% (Organic) 17.8% (Reported)
- **VZ & CA:** 34.7% (Organic) 2.2% (Reported)

**Q1 OIBDA margin (organic y-o-y)**
- **Colombia:** +3.0 p.p.
- **Peru:** +3.3 p.p.
- **Argentina:** (0.8 p.p.)
- **Chile:** (1.7 p.p.)
- **VZ & CA:**

**Solid start of the year**

- **Colombia:**
  - Strong organic OIBDA growth and margin expansion y-o-y
  - Asymmetric regulation extended until 2017

- **Peru:**
  - Solid growth in high-value accesses y-o-y: contract mobile +13%; Smartphones +31%; FBB +7%; Pay TV +15%
  - OIBDA y-o-y organic decline impacted by more intense competition

- **Argentina:**
  - Continued LTE deployment aiming to cover all provincial capitals by year end
  - Strong margin increase on efficiency efforts and rationalisation of commercial costs

- **Chile:**
  - Focus on quality of service: LTE (67% pop coverage) and FTTH (307k premises passed)
  - Regulatory effects dragging revenues and OIBDA y-o-y (-4.2 p.p. and -4.3 p.p. respectively)

- **Venezuela & Central America:**
  - 4G services launched in Q1 in Venezuela & Panama
  - Strong traffic volumes (voice +10% y-o-y; data +43% y-o-y)
UK: Commercial momentum & robust financials

Mobile contract net adds ('000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>135</td>
<td>291</td>
<td>133</td>
</tr>
<tr>
<td>Contract Churn</td>
<td>1.1%</td>
<td>1.0%</td>
<td>1.0%</td>
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</table>

Mobile base 24.6m (+4% y-o-y)

Revenues (y-o-y ex "O2 Refresh")

- Revenue
- MSR

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<th>Q1 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
</tr>
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<tbody>
<tr>
<td>Revenue</td>
<td>5.4%</td>
<td>5.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>MSR</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
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(2.7%) (6.3%)

OIBDA margin

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<th>Q1 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
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<tr>
<td>24.5%</td>
<td>23.6%</td>
<td>24.5%</td>
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</tbody>
</table>

Continued growth of customer base

- Fastest growing mobile operator
- Total net adds 138k (Q1 14: -73k)
  - Contract net adds reflect Q1 seasonality
    - Contract gross adds: +2% y-o-y on popularity on high-end devices
    - LTE penetration: 22%; 784k LTE net adds
  - Prepay base grew in Q1 for first time in 7 years
  - Continued LTE roll-out (66% outdoor coverage at Mar-15)
- Customer loyalty remains at record levels
  - Highest customer satisfaction
  - Popular commercial propositions: “Big Bundles”, “O2 Refresh”

Sustained financial performance

- Total revenue growth +1.1% y-o-y
- Q1 OIBDA +1.1% y-o-y (+6.1% ex non-recurrent items)
  - Continued efficiencies with savings in marketing and overheads
  - “O2 Refresh” represents 0.7 p.p. of OIBDA margin

(1) Q1 15 growth of new perimeter
(2) Q1 14: €24m true-up commissions & €5m restructuring costs
**Substantial deleverage following O2 UK sale**

**Net Financial Debt**

€ in millions

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<tbody>
<tr>
<td>45,087</td>
<td>(363)</td>
<td>493</td>
<td>140</td>
<td>(456)</td>
<td>461</td>
<td>266</td>
<td></td>
<td>45,627</td>
<td>(13,897)</td>
<td>31,730</td>
</tr>
</tbody>
</table>

**Net Financial Debt/OIBDA**

- **2.74x**
- **2.73x**
- **2.13x**

**OpCF continued operations**

€ in millions

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<thead>
<tr>
<th>Component</th>
<th>Value</th>
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<tbody>
<tr>
<td>2,098</td>
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<tr>
<td>(1,142)</td>
<td></td>
</tr>
<tr>
<td>+10.8% y-o-y</td>
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<tr>
<td>(906)</td>
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**FCF**

€ in millions

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<th>Component</th>
<th>Value</th>
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<td>19</td>
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**19**

(1) OIBDA 12 month rolling, not considering O2 UK discontinuation, incorporating E-Plus OIBDA corresponding to April-Sep 14 and excluding the non-recurring impact from restructuring costs in 2014.
Substantial diversified financing reinforcing credit quality

**Long-term financing (€10.8Bn YTD)**

- € in billions

- Other LatAm: 0.3
- Colombia hybrid: 0.5
- Schuldschein: 0.3
- Undrawn syndicated credit facilities renewal: 5.5
- Telefónica right issue: 3.0
- T. Brasil minorities: 1.2

**Net debt maturities (Mar-15)**

- € in billions

- 2015 & 2016: 5.4
- 2017: 9.0

Average debt life at 6 years

**Liquidity position (Mar-15)**

- € in billions

- Undrawn credit lines & syndicated credit facilities: 16.9
- 93% LT: 11.2
- Cash position excluding Venezuela: 5.7

**Effective interest cost (12 month rolling)**

- Guidance

- Mar-14: 5.45%
- Lower European rates: 0.30%
- Higher Latam leverage & Others: 0.12%
- Mar-15: 5.27%

18 b.p. reduction in effective interest cost
Outstanding support for both capital increases

**Telefónica Right issue**

- **Offering size**
  - €3Bn; issuance of new shares (281.2m)
- **Subscription price**
  - €10.84: discount to TERP of 18.9%

**T. Brasil follow-on offering**

- **Offering size**
  - BRL16.1Bn (~€4.7Bn)
- **Subscription price**
  - BRL47/share for PN shares (~2.4% discount to last price)

**Demand:** 3.7x of the shares offered in the rights issue

**Discount to TERP significantly lower** than other European rights issues in the last 2 years (~10 p.p)

**Largest equity transaction in LatAm in the last 4 years**

**First public registered offering in Brazil in the last 6 months**

**Market book oversubscribed**

**Lower discount than precedents**
## Conclusion

**SOLID START TO 2015; BEGINNING A NEW CYCLE OF PROFITABLE GROWTH**

1. Strengthening growth in Revenue, OIBDA & EPS

2. Encouraging demand for LTE, Smartphones, Fiber and Pay TV. Enlarging differentiation

3. Early signs of portfolio optimisation/in market consolidation benefits

4. Sound balance sheet

5. 2015 Guidance and 2016 ambition confirmed