



Main magnitudes 2015_

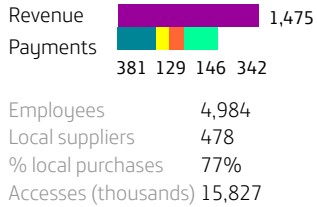


Financial highlights

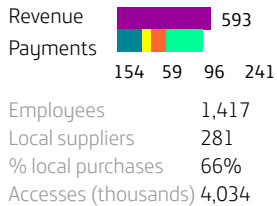
All economic data in millions of euros

■ Revenue
 ■ Provisioning
 ■ Salary costs
■ Supported tax contributions
 ■ Investment

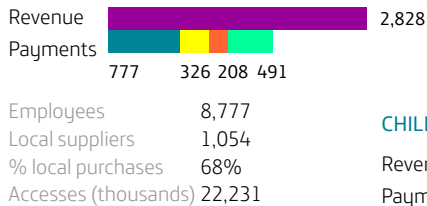
COLOMBIA 2015



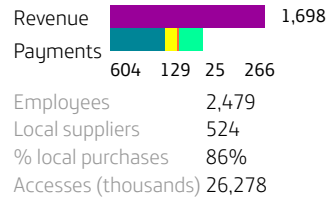
ECUADOR 2015



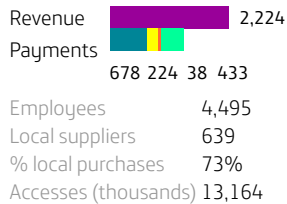
PERU 2015



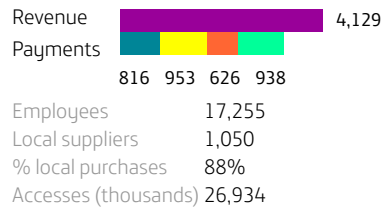
MEXICO 2015



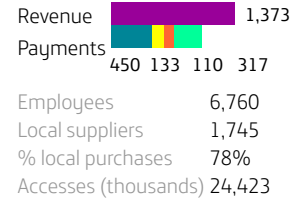
CHILE 2015



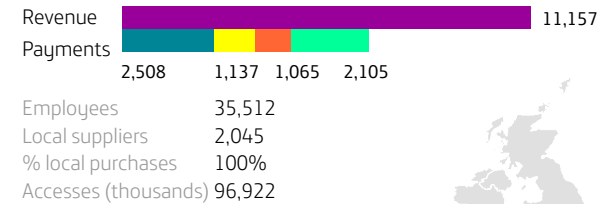
ARGENTINA 2015



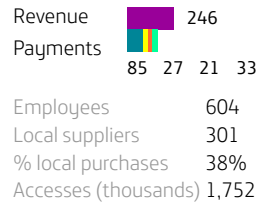
VENEZUELA + CENTRAL AMERICA 2015



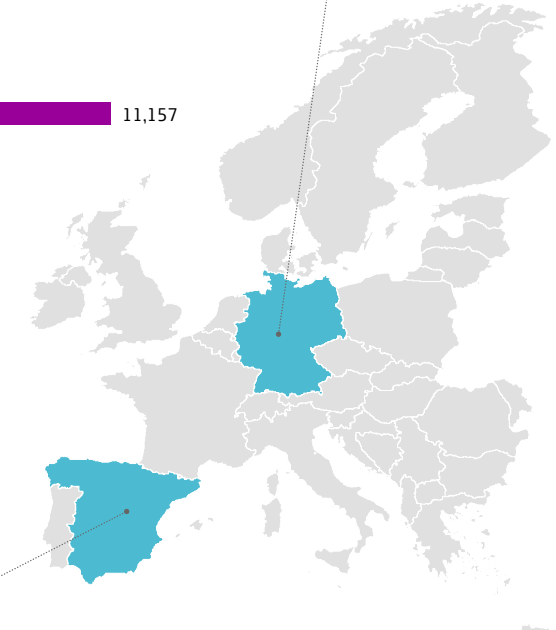
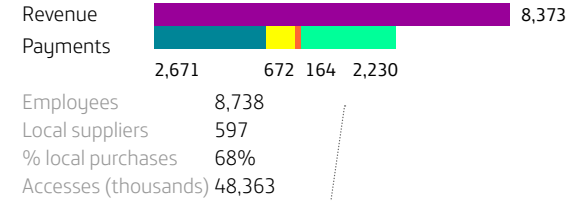
BRAZIL 2015



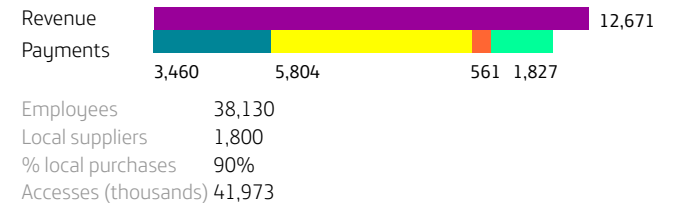
URUGUAY 2015



GERMANY 2015



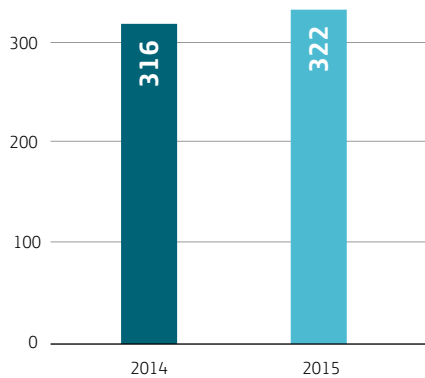
SPAIN 2015





TOTAL ACCESSES

Millions

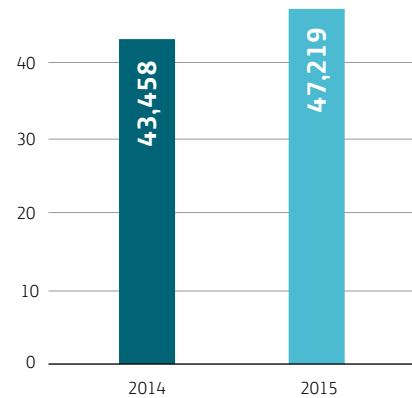


Note: For comparative purposes, the figure for 2014 is reported without the contribution of Telefónica United Kingdom, which has been considered a discontinuing asset since 1 January 2015.

Total accesses grew year-on-year by 2% in 2015 (-1% in organic terms), to reach 322.3 millions. This increase was driven by Telefónica Latin America (+2%), which accounts for 42% of the total, and was affected by a more restrictive calculation of the pre-paid accesses at Telefónica Brazil (which showed a net loss of 6.8 million customers). The solid organic growth of value customers continues to stand out, notably: fibre (+30% year-on-year), pay TV (+12%), smartphones (+29%) and LTE (3 times more).

REVENUE

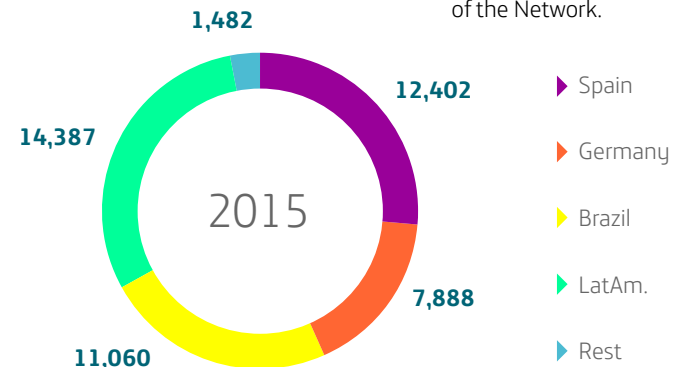
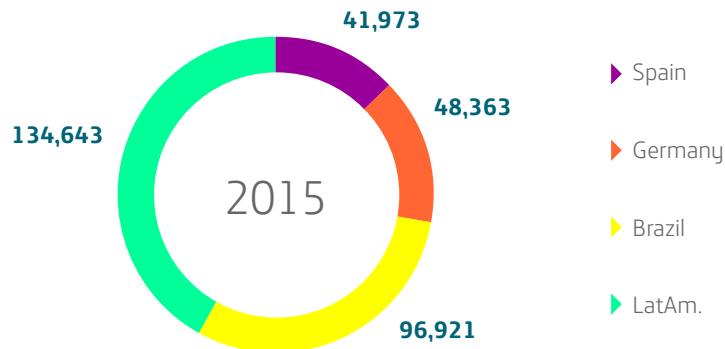
Millions of euros



Note: For comparative purposes, the figure for 2014 is reported without the contribution of Telefónica United Kingdom, which has been considered a discontinuing asset since 1 January 2015.

In the period from January-December revenue totalled 47,219 million Euros and maintained a solid growth rate of 4.0% on the previous year in organic terms (+8.7% reported). Telefónica Latin America headed the figures, reporting double digit growth, while Telefónica Brazil came in close behind, with growth accelerating to around 5%.

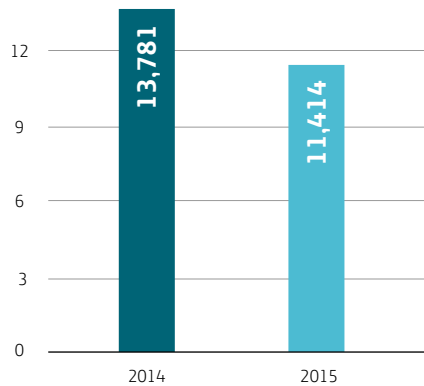
Mobile data revenue rose by 16.9% in organic terms, and now account for 42% of mobile service revenue due to the greater penetration of smartphones (+15 pp) and the growing importance of LTE customers (+8 pp). Meanwhile, the rise in revenue from non-SMS data sequentially improved by 1 pp to 27.8% in year-on-year organic terms (+25.3% in 2015), accounting for 82% of data revenue (+5 pp year-on-year). We should also highlight the greater average use of data traffic among LTE customers (63% greater than a 3G customer), which was reflected in double-digit ARPU increases, and generates a more efficient use of the Network.





OIBDA

Millions of euros

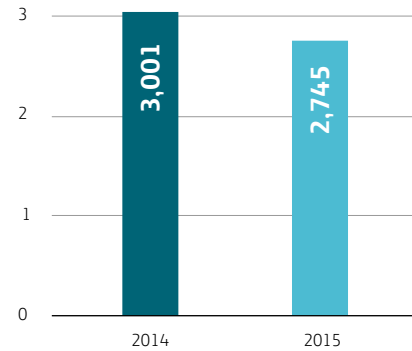


Note: For comparative purposes, the figure for 2014 is reported without the contribution of Telefónica United Kingdom, which has been considered a discontinuing asset since 1 January 2015.

In 2015, operating income before depreciation and amortisation (OIBDA) totalled 11,414 million euros and its year-on-year growth rate accelerated in organic terms (+3.6%) compared to 2014 figures. It is noteworthy that, in underlying terms, OIBDA totalled 14,926 million euros. The OIBDA margin remained stable against 2014, as a result of the rise in the rate of revenue growth, the greater containment of costs and the tangible benefits of the generation of synergies due to the integration of the newly-acquired companies.

NET PROFIT

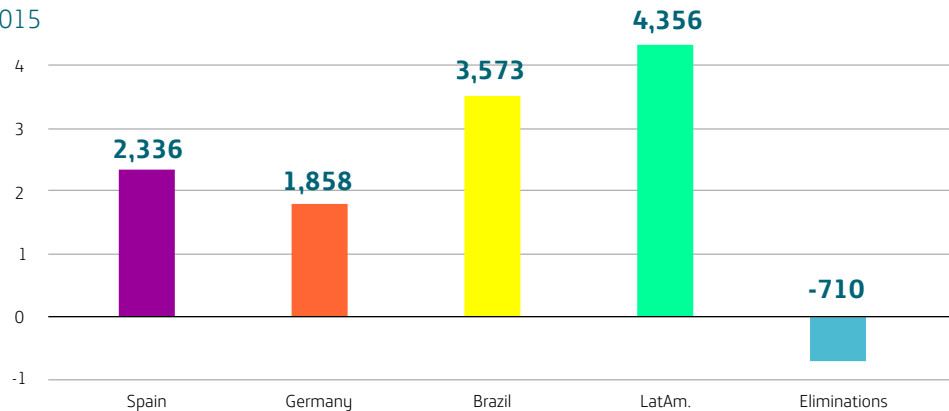
Millions of euros



Note: For comparative purposes, the figure for 2014 is reported without the contribution of Telefónica United Kingdom, which has been considered a discontinuing asset since 1 January 2015.

In 2015 net profit stood at 2,745 million euros, although the underlying net profit amounted to 5,787 million euros in 2015 (representing +29.7% year-on-year) and the basic net profit per share totalled 1.12 Euros (+23.9%), also in underlying terms. It is important to highlight that, in the latter months of the year, the Company's reported net profit was impacted by extraordinary factors. These factors included the provision for restructuring expenditures (-3,212 million euros), the provision for future years of Fundación Telefónica (-325 million euros), the provision for optimisation of the distribution Network in Spain (-30 million euros), adjustments in the valuation of some companies (-23 million euros), the final agreement on the purchase price of E-plus (+102 million euros), the result of the spectrum swap in Mexico (+79 million euros), the expiration of a payment obligation in Brazil (+98 million euros) and capital gains on the sale of property and phone towers (+100 million euros).

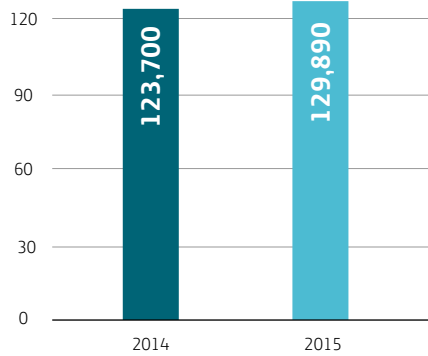
2015





EMPLOYEES

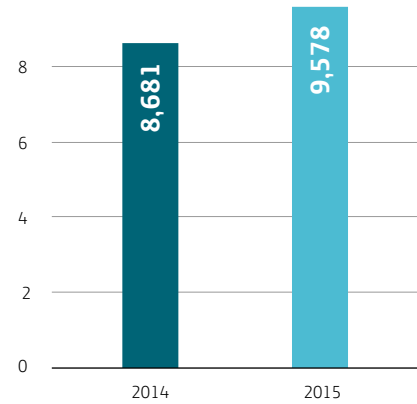
People



At the end of 2015 the Group had 129,890 employees, of which fewer than 1% held management positions. The workforce increased by 5% on the previous year. This increase is heavily influenced by the acquisition of GVT and DTS and the deconsolidation of O2 United Kingdom. Organic variation of the workforce, without taking into account corporate movements, fell by 3.7% in comparison with 2014. 95.8% of our workforce have permanent employment contracts and people under 30 now account for 20% of our workforce.

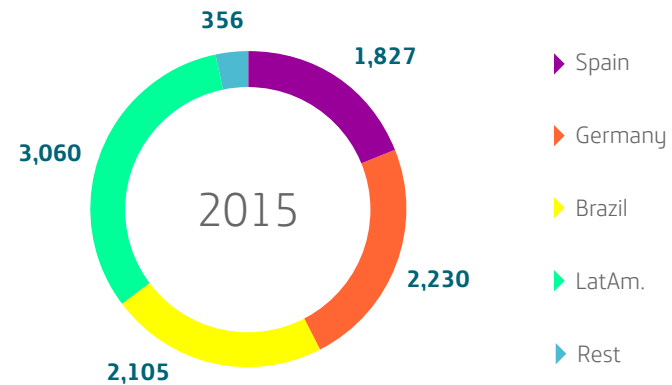
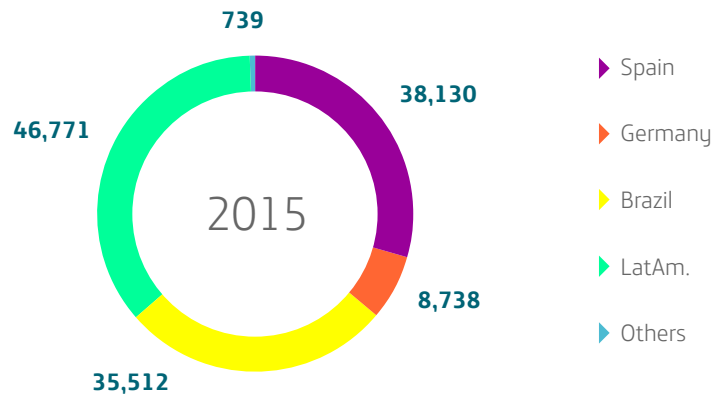
INVESTMENT

Millions of euros



In 2015 investment grew by 5.0% year-on-year in organic terms, reaching 9,578 million euros (+10.3% in reported terms). This figure includes 1,585 million euros of spectrum acquisition (76% of the total in Germany). During 2015, the Company took another step forward in its ongoing investment plan aimed at the growth and transformation of networks and systems, devoting 75% of total investment thereto, excluding the acquisition of spectrum.

Note: For comparative purposes, the figure for 2014 is reported without the contribution of Telefónica United Kingdom, which has been considered a discontinuing asset since 1 January 2015.

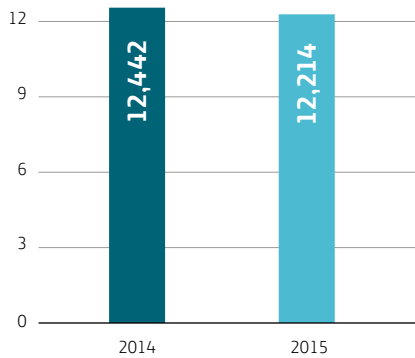




SUPPLIERS

Millions

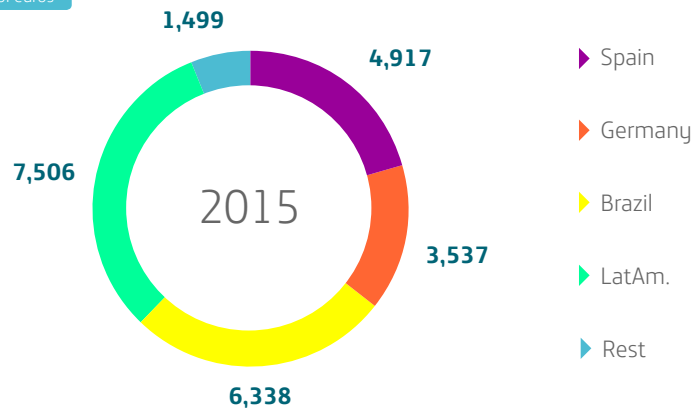
Number of suppliers



The total volume of purchases awarded during 2015 amounted to 23,797 million euros. The total number of suppliers contracted by Telefónica was 12,214 and we should highlight that 83% of these suppliers are local to the different countries in which Telefónica operates.

Volume of purchases

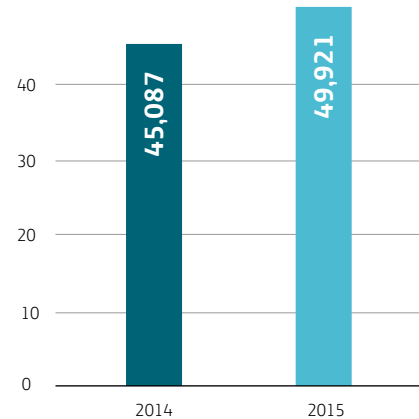
Millions of euros



DEBT

Millions of euros

Net financial debt



Net financial debt stood at 49,921 million euros in December 2015, reporting a year-on-year increase of 4,834 million euros. The factors which drove up the debt include: I) 6,934 million euros in net financial investments including changes to the perimeter; II) shareholder remuneration (dividends, treasury shares and hybrid coupons) amounting to 4,188 million euros; III) spectrum payments totalling 1,307 million Euros; IV) payment of work-related commitments (721 million euros), mainly for early retirements and v) other factors affecting the valuation of the liabilities totalling 1,185 million euros (primarily due to the refinancing of commercial liabilities). Conversely, the factors which reduced the debt include: i) the generation of free cash before the spectrum payment totalling 4,821 million euros; ii) the increase of capital of Telefónica S.A. totalling 3,003 million euros; iii) the contribution of minority interests to the increase of capital of Telefónica Brazil totalling 1,258 million euros and iv) the issuance of capital instruments amounting to 419 million euros.

The debt ratio (net debt over OIBDA) for the last 12 months was 2.91x at the close of December 2015. If the completion of the sale of O2 UK were taken into account, this ratio would be 2.38x.



Income statements

Millions of euros

	2014	2015
Revenues	43,458	47,219
Internal expense capitalised	651	784
Operating expenses	(30,783)	(37,132)
Supplies	(11,750)	(12,910)
Personnel costs	(6,621)	(9,800)
Other operating expenses	(12,412)	(14,422)
Other net revenues (expenses)	189	284
Result of disposal of fixed assets	269	275
Impairment and goodwill	(3)	(16)
Operating Income Before Depreciation and Amortisation (OIBDA)	13,781	11,414
OIBDA Margin	31.7%	24.2%
Depreciation and amortization	(7,430)	(8,517)
Operating income (OI)	6,350	2,897
Share of investment results by the equity method	(498)	(5)
Net financial income	(2,779)	(2,581)
Pre-tax income	3,074	311
Income tax	(260)	(13)
Earnings in the fiscal year from continued operations	2,814	298
Earnings in the fiscal year from discontinued operations	439	2,582
Profit for the year	3,252	2,880
Results attributable to minority interests	(251)	(135)
Net income	3,001	2,745
Weighted average number of ordinary shares outstanding (millions)	4,714	4,928
Net earnings per share from continued operations (euros)	0.50	(0.02)
Net earnings per share from discontinued operations (euros)	0.09	0.52
Basic net earnings per share (euros)	0.60	0.51

Notes:

Since the first quarter of 2015 Telefónica's operations in the UK have been reported as a discontinuing operation within the Telefónica Group, and its assets and liabilities are classified as "held for sale" in accordance with the IFRS, as a result of the signing of the definitive agreement for the sale of the company in March 2015. Similarly, the results for 2014 are reported in accordance with the same criterion.

The weighted average number of outstanding shares during the period is obtained by applying IAS 33 "Earnings per share". Therefore, the weighted average of treasury shares during the period do not count as outstanding shares. Moreover, the denominators are adjusted with the transactions which entail a modification of the number of outstanding shares without an associated variation in the equity (as if they have occurred at the beginning of the first presented period) and for the "scrip dividend" for 2014 and 2015. Likewise, the ordinary shares which are issued for the conversion of the imperatively convertible bonds issued on 24 September 2014 have been included in the calculation from that date onwards.

The net earnings per share from continued operations is obtained by dividing the earnings in the fiscal year from continued operations, including the results attributable to minority interests, adjusted for the allocation to the year of the net coupon corresponding to the "Other equity instruments", between the weighted average of ordinary outstanding shares during the period.

The net earnings per share from discontinued operations is obtained by dividing the figure for earnings for the fiscal year from discontinued operations, including the results attributable to minority interests, between the weighted average of ordinary outstanding shares during the period.

The basic net earnings per share is obtained by dividing the figure for net income, adjusted for the allocation to the year of the net coupon corresponding to the "Other equity instruments", between the weighted average of ordinary outstanding shares during the period.

The data reported in 2014 and 2015 includes the adjustments for hyperinflation in Venezuela in both years.

The consolidated results of the Telefónica Group consolidate the results of GVT and DTS since 1 May 2015, consolidate the results of E-Plus since the fourth quarter of 2014 and deconsolidate the results of Telefónica Ireland since the third quarter of 2014.



Consolidated statement of financial position

Millions of euros

	Dec-2014	Dec-2015
Non-current assets	99,448	91,398
Intangible	22,227	18,562
Goodwill	25,437	21,745
Tangible fixed assets and investment properties	33,156	30,549
Equity-accounted investments	788	74
Non-current financial assets	10,973	10,008
Deferred tax assets	6,867	10,460
Current assets	22,900	31,576
Stocks	934	1,360
Debtors and other accounts receivable	10,637	8,301
Current financial assets	2,932	2,971
Tax receivables	1,749	1,341
Cash and cash equivalents	6,529	2,599
Non-current assets held for sale	119	15,004
Net worth	30,321	27,556
Net worth attributable to parent company shareholders and other equity instruments holders	21,135	17,891
Net worth attributable to minority interests	9,186	9,665
Non-current liabilities	62,318	60,549
Long-term financial debt	50,688	47,117
Creditors and other long-term accounts payable	2,384	2,381
Deferred tax liabilities	2,566	2,313
Long-term provisions	6,680	8,738
Current liabilities	29,709	34,869
Short-term financial debt	9,094	12,953
Creditors and other short-term accounts payable	16,951	14,235
Tax payables	2,026	1,769
Short-term provisions	1,595	1,971
Liabilities associated with non-current assets held for sale	43	3,941
Total Assets = Total Liabilities	122,348	122,974
Financial data		
Net financial debt ⁽¹⁾	45,087	49,921

Notes:

Since the first quarter of 2015 Telefónica's operations in the UK have been reported as a discontinuing operation within the Telefónica Group, and its assets and liabilities are classified as "held for sale" in accordance with the IFRS, as a result of the signing of the definitive agreement for the sale of the company in March 2015.

The data reported in 2014 and 2015 includes the adjustments for hyperinflation in Venezuela in both years.

The consolidated statement of financial position on 31 December 2014 has been re-expressed as a result of the completion of the assignment process of the purchase price of E-Plus, which took place in the third quarter of 2015.

(1) Figures in millions of euros. The net financial debt in September 2015 includes: Long-term financial debt + Creditors and other long-term accounts payable (1,073) + Short-term financial debt + Creditors and other short-term accounts payable (462) - Non-current financial assets (5,793) - Current financial assets - Debtors and other accounts receivable CP (321) - Cash and cash equivalents.



Non-financial indicators

TRACKING TABLE FOR THE TELEFÓNICA GROUP'S NON-FINANCIAL INDICATORS

Economic	Unit	2014	2015
Impact on communities			
Number of direct, indirect and induced jobs ⁽¹⁾	People	n.a.	1,228,096
Purchases awarded locally	Percentage	85.0%	84.7%
Average period for payment to suppliers ⁽²⁾	Days	51	49
Global tax contribution: taxes borne ⁽³⁾	Millions of euros	3,555	3,130
Global tax contribution: total contribution ⁽⁴⁾	Millions of euros	12,057	11,454
Internal impact			
Number of audits of risk suppliers	Units	1,395	1,577
Suppliers with improvement plans arising from the audits	Units	520	608
Ratio of standard entry level wage compared to local minimum wage ⁽²⁾	Times	2.16	2.15
Customer			
Delivered traffic ⁽⁵⁾	Tbytes/month	1,103,789	1,653,406
Customer satisfaction index	Points out of 10	7.40	7.56
Digital Trust			
Attendees at courses related to data protection	People	62,950	49,352
Procedures initiated on data protection issues during the year	Units	n.a.	154
Number of fines confirmed for data protection issues during the year	Units	n.a.	78
Anti-corruption			
Number of trained active employees	People	59,360	75,648
Total communications processed in 2015 due to possible incidents	Units	n.a.	822
Total number of identified incidents of corruption and bribery	Units	0	0
Number of disciplinary measures taken in consequence	Units	0	0
Measures adopted as a result of the investigation of complaints (dismissals)	Units	4	38

(1) Direct impact as own activity, indirect impact as an ecosystem of suppliers and impact induced as consumption for salary income.

(2) As these are local and non-consolidated indicators, data referring to the domestic market, Spain, is provided.

(3) Taxes paid by Telefónica to administrations of the various States in which it operates, which cause the Company to assume an effective cost.

(4) Taxes managed by Telefónica that have been entered on behalf of other contributors as a result of the economic activity of the Company; that is, tax revenues obtained due to the economic value generated by this economic activity.

(5) Information from the internal Corporate Management Control systems.

Social	Unit	2014	2015
Internal impacts (HR)			
Total number of employees at the end of the period	People	123,700	129,890
Voluntary turnover	Percentage	7.6%	7.8%
Employees younger than 30 years of age	People	25,646	25,791
Percentage of women on the payroll	Percentage	38.0%	37.7%
Percentage of women in management positions	Percentage	20.6%	19.1%
Number of employees with disabilities	People	1,033	886
Total average salary of women in comparison with that of men with no difference in seniority: managers ⁽²⁾	Percentage	95.9%	96.5%
Total average salary of women in comparison with that of men with no difference in seniority: middle management ⁽²⁾	Percentage	96.4%	96.2%
Percentage of employees covered by collective bargaining agreements	Percentage	62.3%	70.4%
Rating of overall work environment	Points out of 100	79	79
Number of training hours	Thousands of hours	3,712.0	3,986.4
Absenteeism rate ⁽⁶⁾	Units	5,113	6,565
Accident rate ⁽⁷⁾	Units	1.01	1.04
External impacts			
Evolution of mobile broadband penetration into our communities	Percentage	33.6%	48.5%
Prepay mobile customers	Thousands	164,959.2	157,283.7
Payments for Universal Service ⁽⁸⁾	Millions of euros	350.6	324.2
Investment in social + cultural action Fundación/Sponsorships	Millions of euros	130.1	116.6

Environmental	Unit	2014	2015
Waste			
Internal waste managed (operations, offices)	Tonnes	20,838	23,423 ⁽¹⁰⁾
Customer waste (recycling and reuse)	Tonnes	1,928	2,765 ⁽¹¹⁾
Energy			
Total energy consumption	GJ	22,868,596	23,178,864
Energy from renewable sources	Percentage	15	16
GHG emissions			
Direct emissions (scope I)	tCO ₂ eq	92,004	95,677
Indirect emissions (scope II)	tCO ₂ eq	1,880,938	1,908,230
Indirect emissions (scope III) ⁽⁹⁾	tCO ₂ eq	36,430	34,075 ⁽¹²⁾
Consumption			
Water	Thousands of m ³	4,125	3,898

(6) (Number of days lost due to absences during the period/total number of days worked during the period) x 200,000.

(7) (Total number of accidents/total hours worked) x 200,000.

(8) The figure from Brazil corresponds to 2014, as the 2015 figure is pending adjustments.

(9) Business trips.

(10) The increase is due to the incorporation of GVT into Telefónica and its cable waste. More than 90% of the total waste managed by the Telefónica Group is made up of cables used in network roll-out.

(11) The increase is due to improvements in the reverse logistics processes which promote the circular economy and the reuse and recycling of equipment.

(12) Scope III indirect emissions correspond to business trips.



Share price performance

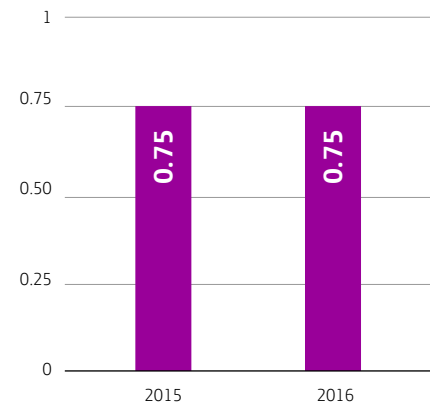
European equity markets were very volatile in 2015, with the year dividing into two parts. The first part of the year, to August, saw improving macroeconomic indicators and strong performance by exporting sectors, supported by a more competitive euro (as a result of ECB stimulus measures), driving markets upwards. However, uncertainty about economic growth in China and devaluation of the Yuan (increasing volatility for all emerging economy currencies and causing a collapse in commodity prices) and expectations of interest rate increases by the US Federal Reserve (with the first rise since January 2009 taking place on December 16), dragged the markets back from mid-August onwards. Against this backdrop, the performance of European indices varied over the year: CAC-40, +8.5%; DAX, +9.6%; FTSEMIB, +12.7%; EStoxx-50, +3.8%; Ibex-35, -7.2%; and FTSE-100, -4.9%. The Ibex-35 underperformed its peers due to the greater exposure of some of its companies to emerging economies, political uncertainty and the greater weight of exporting sectors in other European indices.

In terms of DJ Stoxx-600 sectors, the gainers in Europe were led by travel and leisure (+19.6%), financial services (+18.7%) and consumer goods (+18.7%), whilst basic materials (-34.9%), energy (-7.8%) and utilities (-3.7%)

led the fallers. The telecommunications sector was up 8.5% over the year, 1.7 p.p. higher than the DJ Stoxx-600 (+6.8%), due to operators experiencing a return to revenue growth in general terms and a better outlook for the future, together with announced and expected consolidations.

The Telefónica share ended 2015 at 10.24 euros per share, down 13.2%. This fall is reduced to 7.9% when the dividends distributed in the year (0.40 euros in cash and 0.35 euros in scrip dividend) are included.

In terms of individual shares, there were noteworthy performances by Telecom Italia (+33.2%, driven by consolidation in the domestic market, expectations of corporate actions involving its Brazilian subsidiary TIM, and the entry of significant new shareholders) and Deutsche Telekom (+26.0%, with a positive performance in its domestic market and the possible divestment of its T-Mobile subsidiary). In addition, BT finished the year up 17.5%, Telefónica Deutschland rose by 10.8% and Orange was up 9.4%. On the negative side, Vodafone fell 0.7%, and TeliaSonera was down 16.3%, impacted by corporate governance problems in its investments in Eurasia.



► Dividend, euros per share

Other leading Spanish companies by stock market capitalization also struggled (Repsol -34.9%, Santander -34.8% and BBVA -14.2%).

At 2015 year end, Telefónica's stock market capitalization stood at 50,921 million euros, the eleventh largest telecommunications company worldwide. The average trading volume in its shares on the Spanish continuous market was 33.7 million shares.

18%
Total shareholder return 2012-2015

At the Shareholders' Office we ensure that we maintain smooth and transparent communication with our private investors. As a result, in the past year we have attended a total of 61,221 calls on the shareholder information line (900 111 004), with a monthly average of 5,101 inquiries, and a further 3,338 inquiries via e-mail and post.

FURTHER INFORMATION
Refer to the "Shareholders and Investors" section of our corporate website.