TELEFONICA S A
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of November, 2014

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant s name into English)

Distrito Telefónica, Ronda de la Comunicación s/n,

28050 Madrid, Spain

3491-482 87 00

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ¨ No x

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ¨ No x

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Telefónica, S.A.

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INTERIM MANAGEMENT STATEMENT

JANUARY SEPTEMBER 2014

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The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union, which do not differ for the purposes of the Telefónica Group, from IFRS as issued by the International Accounting Standards Board (IASB). This financial information is unaudited.

Telefónica s management model, regional and integrated, means that the legal structure of the companies is not relevant for the release of Group financial information, and therefore, the operating results of each of these business units are presented independently, regardless of their legal structure. For the purpose of presenting information on a business unit basis, revenue and expenses arising from invoicing among companies within Telefónica s perimeter of consolidation for the use of the brand and management contracts have been excluded from the operating results for each business unit. This breakdown of the results does not affect Telefónica s consolidated earnings.

The English language translation of the consolidated financial statements originally issued in Spanish has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain omissions or approximations may subsist. Telefónica, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the Spanish-language version prevails.

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CONSOLIDATED RESULTS

Telefónica delivered a solid set of results for the third quarter of 2014, with year-on-year revenue and OIBDA growth accelerating as a result of the sustained commercial momentum in high-value customers and services.

Smartphone and fibre net additions in the quarter reached record levels. In addition, the ongoing efforts to maximise efficiencies, unlock synergies and simplify our operating model enabled us to stabilize OIBDA margin year-on-year erosion and to post a sequential margin expansion despite higher commercial (focused on maintaining revenue growth acceleration) and network (oriented to manage the strong increase in data traffic) costs.

Telefónica s total accesses stood at 316.1 million at the end of September 2014, up 2% year-on-year in organic terms (excluding the accesses of T. Czech Republic and T. Ireland from the basis of 2013, following their disposal in January and July 2014, respectively), driven by the sustained growth of higher value and quality segments such as mobile contract (smartphones and LTE), fibre and pay TV, which maintained a high level of commercial activity in the quarter. Total churn in the quarter stood at 2.8%, virtually flat both year-on-year and quarter-on-quarter (+0.1 percentage points in both cases).

Mobile accesses totalled 249.4 million, up 2% in organic terms compared with September 2013. Mobile contract accesses grew at a faster pace (+8% year-on-year in organic terms) and now account for 36% of mobile accesses (+1 percentage point year-on-year). Particularly noteworthy was the gradual improvement at T. España, with 95 thousand mobile contract net additions in the quarter after returning to growth in the previous quarter.

As a result of the Company s strategic focus on growing data services, **smartphones** (all with a data plan attached) stood at 82.3 million, up 43% year-on-year in organic terms (+5 percentage points compared with June), reaching a penetration rate of 35% over total access base (+10 percentage points year-on-year). Organic quarterly net additions reached 8.5 million accesses boosted by Telefónica Brasil, with 5.8 million net additions, almost 3 times the figure posted in the same period of the last year. Organic net additions in the first nine months totalled 19.3 million (+28% year-on-year).

Retail fixed broadband accesses totalled 17.7 million (+1% year-on-year organic) posting a sustained figure of 52 thousand net additions in the quarter in organic terms (57 thousand accesses in the second quarter).

Fibre accesses stood at 1.4 million at September 2014, 2.1 times vs. September 2013, after posting record net additions in the quarter of 265 thousand accesses (206 thousand accesses in the second quarter) boosted by T. España (208 thousand accesses).

Pay TV accesses totalled 4.6 million, with growth accelerating for the sixth consecutive quarter to 41% in organic terms on the back of 458 thousand net additions in the quarter, 4 times the figure in July-September 2013. This acceleration in commercial activity was primarily driven by Telefónica España, which posted net quarterly additions of 370 thousand accesses (+6.2% compared with the second quarter). Net additions in organic terms in the first nine months totalled 1.1 million accesses (over 10 times greater year-on-year). Also noteworthy were the performances of T. Brasil and T. Hispanoamérica, both posting double-digit year-on-year growth in their customer bases.

In the first nine months of 2014, the year-on-year evolution of exchange rates negatively impacted financial results, in particular the depreciation of the Argentine peso, the implicit devaluation of the Venezuelan bolivar following the introduction of the new exchange rate mechanism (SICAD I), along with the depreciation of the Brazilian real. Thus, in the January-September period exchange rates reduced both year-on-year revenue and OIBDA growth by 9.3 percentage points. This impact eased in the third quarter mainly due to the performance of the Brazilian real and reduced year-on-year revenue and OIBDA growth by 6.1 and 6.0 percentage points, respectively (3.9 and 4.0 percentage points less, respectively, than their contribution in the second quarter of 2014).

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Exchange rate fluctuations also reduced payments in euros related to CapEx, interest, taxes and minorities, offsetting the negative impact of exchange rates on OIBDA and neutralising the impact on cash flow generation in the first nine months of the year.

The results of Telefónica Czech Republic and Telefónica Ireland were deconsolidated from January 2014 and July 2014, respectively, as a result of the disposal of both companies, therefore affecting the year-on-year comparison of Telefónica s reported financial results.

Thus, in January-September changes in the perimeter of consolidation reduced year-on-year revenue growth by 3.4 percentage points and year-on-year OIBDA growth by 4.0 percentage points (revenues -3.9 percentage points and OIBDA -4.5 percentage points in the third quarter).

Revenues totalled 37,978 million euros in January-September 2014 (13,021 million euros in the third quarter), up 1.9% year-on-year in organic terms, with growth accelerating to 2.8% year-on-year in the third quarter.

The improvement in revenue growth was driven by T. Hispanoamérica, which continued to post double-digit growth, and by mobile data and digital services revenues, with improving contribution from T. España and T. Deutschland (+0.6 percentage points and +0.3 percentage points, respectively, compared with the second quarter).

Mobile data revenues in January-September 2014 accounted for 40% of mobile service revenues (+3 percentage points year-on-year) and increased by 9.7% year-on-year in organic terms, with growth accelerating for the third consecutive quarter to 11.1%. Non-SMS data revenues advanced 24.3% year-on-year in organic terms to September (improving to 25.3% in the quarter) and now account for 73% of data revenues (+9 percentage points compared with January-September 2013).

Excluding the negative impact of regulation, revenues in organic terms grew 3.6% year-on-year both in the third quarter and in January-September 2014.

In reported terms, revenues fell by 7.4% year-on-year in July-September (-10.9% in January-September), impacted by exchange rate fluctuations and changes to the consolidation perimeter mentioned above.

Operating expenses in January-September totalled 26,486 million euros, up by 2.7% year-on-year in organic terms (-9.6% reported) and by 5.0% in the quarter (-4.8% reported) despite the savings resulting from the transformation of the operating model and Telefónica s scale, due to higher commercial and network and systems costs.

Breakdown by component:

Supplies (11,101 million euros in January-September 2014) declined 2.0% year-on-year in organic terms (-12.2% reported), and fell 1.5% in the third quarter, mainly due to lower mobile interconnection costs, despite increased handset consumption owing to larger sales of high-end devices and higher TV content costs.

Personnel expenses, 4,949 million euros in the first nine months of the year, grew 4.3% year-on-year in organic terms (-9.0% reported) and by 7.5% compared with July-September 2013 (-4.0% reported), impacted by the increase in prices in some countries, which was partially offset by the savings from restructuring plans carried out in recent years (mainly in Spain, Brazil and the UK). Non-recurring restructuring expenses amounted to 23 million euros in the first nine months of 2014 (8 million euros in Germany in the third quarter) compared with 105 million euros in 2013, mainly in the UK and Brazil (mostly in the first half).
The average headcount declined by 8.4% compared with January-September 2013 (-3.3% excluding the deconsolidation of T. Czech Republic and T. Ireland) and stood at 119,722 employees.

Other operating expenses stood at 10,436 million euros in the first nine months of 2014, 7.2% higher in organic terms year-on-year (-6.9% reported), mainly due to commercial expenses associated with the increased commercial momentum in the quarter, network costs related to data traffic growth and expenses associated with network modernisation. In the third quarter, year-on-year growth stood at 11.3% in organic terms (-0.6% reported) due to the greater commercial effort and the increase in network and system costs.

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Gains on sales of fixed assets totalled 119 million euros in the first nine months of 2014 (61 million euros in the third quarter), mainly associated with the sale of non-strategic towers (58 million euros of impact on OIBDA, 3 million euros in the third quarter in Latin America) and the reporting of a profit associated with the asset disposal of the United Kingdom fixed business once all the conditions set out in the sale agreement had been satisfied.

Operating income before depreciation and amortisation (OIBDA) in the first nine months amounted to 12,325 million euros (4,269 million euros), up slightly year-on-year in organic terms (+0.2%). Organic growth accelerated in the third quarter to 0.8% year-on-year driven by better sales momentum and despite the higher commercial efforts. In the quarter, especially noteworthy were the double-digit growth posted by T. Hispanoamérica (+15.1% underpinned by the acceleration in Mexico, Colombia and Perú), the growing contribution of T. Brasil (+0.2 percentage points quarter-on-quarter) and the lower negative contribution from T. España (+0.6 percentage points compared with the second quarter).

Excluding the negative impact of regulation, organic OIBDA growth stood at 1.5% in the first nine months and 1.6% in the quarter.

In reported terms, OIBDA fell by 12.6% year-on-year in January-September, impacted by the exchange rate fluctuations and changes to the consolidation perimeter mentioned earlier (-8.7% year-on-year in July-September).

OIBDA margin stood at 32.5% in the first nine months of 2014, with limited year-on-year erosion in organic terms (-0.5 percentage points). In the third quarter the margin expanded sequentially 0.4 percentage points to 32.8% (-0.6 percentage points year-on-year in organic terms).

Depreciation and amortisation in January-September 2014 totalled 6,291 million euros, 4.0% lower year-on-year in organic terms (+3.3% in the third quarter) and -15.1% in reported terms (-7.8% in July-September) due to lower fixed asset depreciation. Total depreciation and amortisation charges arising from purchase price allocation processes amounted to 482 million euros (-29.5% year-on-year).

Operating income (OI) totalled 6,034 million euros in the January-September period, 4.5% higher year-on-year in organic terms, with a change in trend in the third quarter (-1.3%). In reported terms, OI fell 9.7% year-on-year in the first nine months and 9.6% in the third quarter.

Share of profit (loss) of **investments accounted for by the equity method** amounted to -69 million euros in the first nine months (-9 million euros in July-September), mainly due to losses registered on the Telco, S.p.A. investment in the second quarter. In 2013, this item amounted to -117 million euros (-145 million euros in the third quarter), mainly due to the impact of Telco S.p.A. s adjustments of the value of its investment in Telecom Italia.

Net financial expenses amounted to 2,114 million euros in the first nine months of 2014, of which 193 million euros were due to net negative foreign exchange differences primarily as a result of the implicit devaluation of the Venezuelan bolivar against the US dollar. Excluding this effect, net financial expenses fell 5.3% year-on-year (108 million euros) due to a 13.6% reduction in average debt, an improvement in credit spreads and the fall of interest rates in the eurozone. The effective cost of debt over the last twelve months was 5.73%, 39 basis points higher than in December 2013, as most of the average debt reduction has been in euros and Czech crowns and as liquidity position (cash) in euros has increased to complete the payment of the acquisitions, resulting in a larger proportion of Latin American debt (with above average costs).

Corporate income tax in January-September 2014 totalled 723 million euros, implying an effective tax rate of 18.8%. This is 6.1 percentage points lower year-on-year, mainly due to the impact of the revaluation of deferred taxes in Brazil following a regulatory change in the second quarter of 2014.

Profit attributable to minority interests reduced net income by 279 million euros in the first nine months of 2014 (-190 million euros in the first nine months of 2013) mainly as a result of the revaluation of deferred taxes at Telefónica Brasil in the second quarter mentioned above. In the third quarter this item amounted to -80 million euros (-52 million euros in the same period of 2013), mainly due to the higher profit attributed to minority interests in Brazil as a result of the improved operating performance of the business.

As a result, **consolidated net income** in the first nine months of 2014 amounted to 2,849 million euros (947 million euros in July-September), down 9.4% year-on-year (-13.0% in the third quarter). **Basic earnings per share** amounted to 0.61 euros (-12.9% year-on-year) and to 0.20 euros in the third quarter (-16.6% year-on-year).

In the third quarter, the Company remained focused on technological transformation and network modernisation, with over 73% of total investment in the year devoted to transformation and growth. As a result, **CapEx** grew 26.2% year-on-year in organic terms in the first nine months (+24.6% year-on-year in July-September) and totalled 5,738 million euros, including 192 million euros relating to spectrum acquisition (in Colombia and Central America in the first quarter), 43 million euros relating to changes in the urban qualification of real estate properties in July-September and 29 million euros corresponding to the purchase of Telefónica s headquarters in Barcelona, also in the third quarter.

Operating cash flow (OIBDA-CapEx) totalled 6,587 million euros in the first nine months, 14.4% lower year-on-year in organic terms (-18.5% reported).

Interest payments amounted to 2,117 million euros in the first nine months of 2014, 7.1% higher year-on-year, due to the greater concentration of coupon payments in the period, interest payment on a zero-coupon bond and a series of non-recurring impacts that offset lower interest payments relating to the 13.6% reduction in average debt.

Payment of taxes in the first nine months of 2014 totalled 875 million euros, which, over an income before taxes of 3,851 million euros, implied an effective tax rate of 22.7%, 3.2 percentage points lower than in the same period of 2013 mainly due to compensation of losses from previous years in 2014 and lower advanced payments year-on-year.

Working capital consumed 376 million euros in the January-September period and improved by 773 million euros compared with the first nine months of 2013 mainly due to the increase of deferred income from advanced collections in Germany, Brazil and Mexico, lower spectrum acquisition payments vs. accruals and working capital management measures (focused on factoring collections from handset sales and maintaining supplier financing). In the third quarter, working capital generation stood at 95 million euros.

Operations with minority shareholders totalled 271 million euros in January-September 2014, 36 million euros less than in the same period of 2013, mainly affected by the performance of the Brazilian real on Telefónica Brasil dividend payment and changes in the perimeter of consolidation (sale of Telefónica Czech Republic).

As a result, **free cash flow** amounted to 2,839 million euros in the first nine months.

Net financial debt stood at 41,200 million euros at the end of September 2014, down 4,181 million euros year-on-year and 2,591 million euros lower quarter-on-quarter, prior to the acquisition of E-Plus, which was completed on 1 October.

Net financial debt reduction in January-September was mainly due to the issue of equity instruments for a total amount of 3,853 million euros (including minorities from the capital increase in Germany), free cash flow generation before spectrum payments of 3,018 million euros, and proceeds of 3,136 million euros from disposals (the sale of T. Czech Republic for 2,306 million euros and the sale of T. Ireland for 830 million euros). In contrast, factors that increased debt include 2,854 million euros as remuneration of equity instruments (including the net purchase of treasury stock), the impact of 1,711 million euros from exchange rate fluctuations, in particular the implicit devaluation of the Venezuelan bolivar (accounting for two thirds) and the average appreciation of Latin American currencies and the US dollar (one third), the payment of labour commitments mainly associated with early retirements (600 million euros), net financial investments (424 million euros), spectrum payments (179 million euros) and other factors that increased debt by 58 million euros.

Net financial debt reduction vs. June 2014 was mainly due to the issue of equity instruments for a total amount of 2,104 million euros (including minorities from the capital increase in Germany), free cash flow generation before spectrum payments of 1,197 million euros and proceeds of 830 million euros from disposals (T. Ireland). In contrast, factors that increased debt include the impact of 382 million euros from exchange rate fluctuations, the payment of labour commitments mainly associated with early retirements (141 million euros), spectrum payments (22 million euros) and other factors that increased debt by 993 million euros, including financial investments and the net purchase of treasury stock.

The **leverage ratio (net debt over OIBDA)** for the last 12 months stood at 2.39 times and at 2.52 times[1] including post-closing events (related to the acquisition of E-Plus, the sale of 2.5% of the stake in China Unicom and the sale of the remaining 4.9% stake in O2 Czech Republic along with the changes to the Licence Agreement of the brand O2).

In the first nine months of 2014, Telefónica s **financing activity** through capital markets stood at around 13,900 million equivalent euros. This activity was mainly focused on completing the financing for the acquisition of E-Plus (via the issue of a 1,500 million euro bond mandatorily convertible into Telefónica shares and the execution of T. Deutschland capital increase), strengthening the liquidity position, actively managing the cost of debt and smoothing the debt maturity profile of Telefónica S.A. for the following years. Therefore, as of the end of September, the Group maintains a comfortable liquidity position to accommodate the next debt maturities. In Hispanoamérica, Telefónica s subsidiaries tapped financing markets for approximately 235 million equivalent euros in the January-September 2014 period. Also noteworthy is the 500 million euro bond placement by T. Deutschland in January.

T. Deutschland completed a capital increase entirely subscribed by Telefónica, S.A. and other minority shareholders, the latter increasing total Telefónica s financing amount in over 800 million euros.

Telefónica S.A. and its holding companies have remained active under the various Commercial Paper Programmes (Domestic and European), with an outstanding balance of approximately 1,633 million euros at the end of September.

Telefónica maintains total undrawn committed credit lines with different credit entities for an approximate amount of 11,500 million euros, with around 10,600 million euros maturing in more than 12 months, which, together with the cash position, increases liquidity to 23.3 billion euros (not including the payment related to the acquisition of E-Plus).

Digital Services

Third-quarter highlights in the area of the Chief Commercial Digital Officer (CCDO) include the following progress:

> In **Consumer**, revenue of the **Video** business amounted to 717 million euros in the first nine months of the 2014. Year-on-year growth in organic terms accelerated for the third quarter in a row to 24% in January-September (vs. +15% January-June 2014), reflecting the higher customer base at September (+41% year-on-year organic), with Spain nearly tripling the access base at September 2013, Brazil growing by 24% and Hispanoamérica by 14%.

On the other hand, Telefónica signed in Spain a strategic agreement with Samsung, whereby its SmartTVs come integrated with the Movistar TV service, in order to make it easier for customers to configure the service and avoid the installation of additional equipment at home.

In **Financial Services**, Yaap Money was launched in Spain, a new mobile application for person-to-person money transfers, which follows Yaap Shopping customer loyalty community application, launched in the second quarter by the joint venture with CaixaBank and Santander. In Peru, the Movistar: tu dinero móvil service was extended nationwide in order to capture opportunities from the remittances business.

Global Device Management continued to drive the acceleration of the smartphone adoption, with a special focus on LTE. Thus, in the third quarter, 72% of total devices acquired by the Company were smartphones, and 30% were LTE (24% in the first nine months of the year).

[1] Includes annualized first half of 2014 OIBDA of E-Plus

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Additionally, Firefox was launched during the third quarter in Germany, Panama, Nicaragua, El Salvador and Guatemala, reaching 13 countries.

In the area of **Security** for end customers, Brazil reached 6.3 million customers as of September, (2.4 times more than in September 2013), and additional device security products were launched during the quarter in Chile and Mexico.

The number of active Evernote and Rhapsody subscribers continued to rise and reached 470 thousand and 153 thousand respectively, as a result of the **Global Partnerships** formed by the Company.

In the **Corporate (B2B)** area, **M2M** revenues stood at 146 million euros in the first nine months of the year (+44% year-on-year in organic terms), fostered by the growth of M2M accesses (+15% year-on-year organic). On the other hand, revenues from the **Cloud** business grew by 31% year-on-year in organic terms to reach 241 million euros.

In the **Information Security** area, revenues in the first nine months of 2014 stood at 75 million euros, with a year-on-year growth of 42% organic. The Company continued to improve its value proposition through the launch of Sinfonier, a knowledge cooperation community in security intelligence, allowing for a new communication channel between Cybersecurity organizations, companies and specialists.

Telefónica Global Resources

Telefónica Global Resources continued to drive the Company s technological transformation, with the benefits in investments and efficiency initiatives to modernise and transform the networks and systems now becoming visible, enabling the Company to differentiate its propositions in key markets.

The **Global Network and Operations unit** stepped up the UBB rollout, reaching 12.5 million premises passed with fibre at the end of September (around 2 times more than in September 2013), surpassing 16,500 base stations with LTE (2.5 times more year-on-year), with over 80% of 3G and LTE base stations connected at high speed to the transmission network. 4G coverage in Europe stands at 54%, while availability is steadily growing in Latin America, with 8 countries now in service. Additionally, regarding the expansion of network capacity, it should be highlighted:

Telefonica was the first Spanish operator to roll out LTE-A, with speeds of up to 300 Mb, doubling LTE speeds. Madrid and Barcelona are the first cities to benefit from this new technological development, which benefits all customers as it releases capacity and increases bandwidth for non-LTE-A customers. This new technology will be deployed over 2014 in the main Spanish capital cities and will be fully developed in 2015 when the 800 Mhz band becomes available.

Preparation of the mobile network for VoLTE services in Germany, as the starting point not only for the delivery of high-definition voice services but also of other IP multimedia services.

This allows to anticipate the network development to the strong data traffic growth (+37% year-on-year in the third quarter), mainly driven by mobile broadband traffic (+55% year-on-year) and fixed broadband traffic (+35%

year-on-year).

Network modernisation and the benefits of scale enabled the Company to execute several initiatives around simplification, process homogenisation (processes and tools) and standardisation (requirements and specifications) that helped to improve operational efficiency. These include:

- Effective implementation of the OSS transformation office, which will lead the standardisation, simplification and global optimisation of processes and support systems.

- Introduction of end-to-end management of customer equipment specifications, which resulted in lower costs and faster innovation.

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The **global IT area** uses technology as a transformation driver to achieve better levels of efficiency, service and customer relationship and promotes projects focused on automation, standardisation, recycle and modernisation to enhance agility and efficiency. As an example, it should be highlighted projects related to digital capabilities and customer experience:

- The new online convergent customer channel in Spain.
- The launch of the first virtual assistant for Vivo customers.
- Improvement of the online channel in Latin America with a unified e-commerce function.
- The full digitalisation of processes such as order management in Brazil.

Additionally, this area contributes to maximise the benefits of scale through shared IT services, in order to progress towards *doing things once*, unlocking efficiencies and quality improvements. As such, there has been a boost on transforming applications and processes via Full Stack projects (in Argentina all prepay customers are managed with the new system and has already started to apply to the contract segment while work is being done with other Hispanoamérica countries) and unified convergent data warehouse has been launched through Hispanoamérica.

Finally, the strategic indicators showed continuous simplification of the IT environment:

- A 10% reduction in physical servers and around 300 applications were eliminated in the first nine months, reaching in advanced the targets set for the end of 2014.
- Increase of virtualised servers to 40% at the end of September (5.9 percentage points more vs. December 2013).
- Three data centers were closed this year including Brazil and Argentina in the third quarter.

Definitions

2014 guidance criteria: 2014 guidance in organic terms assumes constant 2013 exchange rates (average FX in 2013), excludes Venezuela in both years and considers a constant perimeter of consolidation. OIBDA level guidance excludes write-offs, capital gains/losses from the sale of companies, tower sales and material non-recurring impacts such as restructurings, etc. CapEx also excludes spectrum acquisition and, in the third quarter of 2014, CapEx excludes changes in the urban qualification of real estate properties and the investment in Telefónica s headquarters in Barcelona.

Organic growth: Assumes constant exchange rates as of 2013 (average FX in 2013), excludes hyperinflationary accounting in Venezuela in both years and considers a constant perimeter of consolidation. In OIBDA and OI terms, excludes write-downs, capital gains/losses from the sale of companies, tower sales and material non-recurring impacts. CapEx also excludes spectrum acquisition and, in the third quarter of 2014, CapEx excludes changes in the urban qualification of real estate properties and the investment in Telefónica s headquarters in Barcelona.

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TELEFÓNICA

ACCESSES

Unaudited figures (thousands)

	2013				2014			
	March	June	September	December	March	June	September	% Chg
Final Clients Accesses	309,785.3	311,331.2	314,141.6	316,759.9	306,816.6	309,332.7	309,561.4	(1.5)
Fixed telephony accesses (1) (2) (3)	39,764.2	39,520.8	39,399.8	39,338.5	37,593.5	37,544.0	37,325.4	(5.3)
Internet and data accesses	19,404.6	19,023.3	19,112.4	19,102.0	18,121.9	18,168.2	18,168.1	(4.9)
Narrowband	618.2	590.0	567.7	510.8	421.0	411.9	397.8	(29.9)
Broadband (4)	18,633.7	18,287.3	18,395.6	18,447.8	17,585.5	17,642.6	17,657.9	(4.0)
Other (5)	152.7	145.9	149.1	143.4	115.4	113.6	112.4	(24.6)
Mobile accesses	247,312.0	249,460.0	252,188.1	254,717.2	247,534.1	249,428.6	249,417.9	(1.1)
Prepay (6)	164,500.5	164,550.6	165,133.3	165,557.0	161,410.9	161,299.0	160,535.5	(2.8)
Contract	82,811.5	84,909.4	87,054.9	89,160.3	86,123.3	88,129.6	88,882.5	2.1
M2M (7)	7,142.7	7,768.0	8,175.8	8,631.8	8,307.0	8,761.2	8,957.5	9.6
Pay TV (8)	3,304.5	3,327.1	3,441.2	3,602.2	3,567.1	4,191.9	4,650.0	35.1
Wholesale Accesses	5,866.1	6,003.2	6,173.9	6,358.5	6,327.7	6,438.6	6,585.6	6.7
Unbundled loops	3,404.8	3,522.0	3,665.4	3,833.4	3,910.8	3,979.1	4,034.1	10.1
Shared ULL	169.5	157.6	147.3	130.6	116.1	105.5	96.6	(34.4)
Full ULL	3,235.3	3,364.4	3,518.1	3,702.9	3,794.7	3,873.7	3,937.5	11.9
Wholesale ADSL	854.7	857.6	864.0	866.9	746.8	751.3	849.5	(1.7)
Other	1,606.7	1,623.6	1,644.5	1,658.2	1,670.1	1,708.1	1,702.0	3.5
Total Accesses	315,651.4	317,334.4	320,315.5	323,118.4	313,144.3	315,771.3	316,147.0	(1.3)

TELEFÓNICA

MOBILE ACCESSES

Unaudited figures (thousands)

	2013				2014			
	March	June	September	December	March	June	September	% Chg
Prepay percentage (%)	66.5%	66.0%	65.5%	65.0%	65.2%	64.7%	64.4%	(1.1 p.p.)
Contract percentage (%)	33.5%	34.0%	34.5%	35.0%	34.8%	35.3%	35.6%	1.1 p.p.
MBB accesses (000)	55,249.2	63,300.5	67,420.1	72,844.0	76,191.3	81,304.4	89,112.6	32.2%
MBB penetration (%)	22%	25%	27%	29%	31%	33%	36%	9.0 p.p.
Smartphones (000)	46,925.1	55,083.3	59,370.6	65,029.9	68,907.0	74,171.9	82,282.2	38.6%
Smartphone penetration (%)	20%	24%	25%	27%	30%	32%	35%	10.0 p.p.

Note:

T. Czech Republic accesses are de-consolidated since the first quarter of 2014. T. Ireland accesses are de-consolidated since the third quarter of 2014.

(1) PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Digital Access x30. Company s accesses for internal use included. Voice fixed wireless accesses included. Includes VoIP and Naked ADSL.

(2) In the first quarter of 2014, 45 thousand fixed wireless inactive accesses were disconnected in Mexico.

(3) In the second quarter of 2014, fixed telephony accesses include 50 thousand fixed wireless additional customers in Peru.

(4) Includes ADSL, satellite, optical fiber, cable modem and broadband circuits.

(5) Retail circuits other than broadband.

(6) In the first quarter of 2014, 1.9 million inactive accesses were disconnected in Mexico.

(7) In the first quarter of 2014, 569 thousand inactive accesses were disconnected in Spain.

(8) In the second quarter of 2014, Pay TV accesses included 131 thousand TV Mini customers in Spain.

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TELEFÓNICA

CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - September		% Chg		July - September		% Chg	
	2014	2013	Reported	Organic	2014	2013	Reported	Organic
Revenues	37,978	42,626	(10.9)	1.9	13,021	14,063	(7.4)	2.8
Internal exp. capitalized in fixed assets	536	579	(7.4)	(3.0)	195	185	5.4	8.8
Operating expenses	(26,486)	(29,290)	(9.6)	2.7	(9,058)	(9,515)	(4.8)	5.0
Supplies	(11,101)	(12,644)	(12.2)	(2.0)	(3,836)	(4,203)	(8.7)	(1.5)
Personnel expenses	(4,949)	(5,440)	(9.0)	4.3	(1,672)	(1,741)	(4.0)	7.5
Other operating expenses								