

NOTA DE PRENSA

PRESS RELEASE

MEGAFON AND TELEFONICA RENEW STRATEGIC PARTNERSHIP AND CONTINUE TO EXPAND MAJOR INTERNATIONAL CUSTOMER BASE

Madrid/Moscow, 8th October 2015- MegaFon, a leading Russian mobile operator, and Telefónica today announced the extension of their strategic partnership. Extending the agreement will make it possible for both companies to continue to benefit from their collaboration in a variety of areas, including procurement, expansion of their international customer base and exchange of best practices.

The companies started their strategic partnership in 2013. Since then, MegaFon and Telefónica have developed a strong collaboration in the areas originally agreed between them. For instance, the companies have collaborated on marketing and channel approaches, on new network technologies such as NFV, and on procurement of selected network equipment. The partnership also includes cooperation on international wholesale for selected parts of the world.

The companies have also completed a number of projects for major multinational companies (MNCs). They have expanded their customer base with new data and wireless projects for Russian and international companies, and new projects are currently being prepared for rollout. These MNC projects have generated significant incremental revenues. The companies will now also collaborate to provide fixed line and mobile services for Russian clients with a presence abroad.

"Extending our strategic partnership with this leading international telecommunications firm fully fits in with MegaFon's business strategy. Implementing projects together with Telefónica is allowing MegaFon to have access to the experience of a large international operator and allow it to continue to expand its base of large international clients in Russia," said Alexander Sobolev, Chief Strategy Officer, MegaFon.

For Telefónica, Mario Martín, Director of Industrial Alliances, said: "We are very pleased with the alliance we have established with MegaFon, a leading player in the important Russian market. We believe this type of relationship is crucial for the transformation of telcos in the new industry scenario. We are confident the benefits we are both accruing will be further expanded in the next stage of the collaboration, contributing to both growth and efficiency."

Thanks to the extension of this partnership, MegaFon will continue its membership in the Telefónica Partner Program, which offers significant advantages given the scale of the business. In addition to MegaFon, program participants and other Telefonica strategic collaborations include



international operators that cover 48 markets worldwide. For its part, Telefónica will continue to extend its reach to the Russian market and benefit from industry insights provided by MegaFon.

Additional Information:

MegaFon

Media: Peter Lidov

plidov@megafon.ru

Tel: + 7 926 200 6699

Investors: Dmitry Kononov

dkononov@megafon.ru

Tel: + 7 926 200 6490

Telefónica S.A.

Press Office

Tel.: +34 914823800

prensa@telefonica.es

NOTES TO EDITORS

MegaFon PJSC is a leading Russian integrated telecommunication service provider, operating in all segments of the telecommunications markets in Russia, and in the Republics of Abkhazia, South Ossetia and Tajikistan. MegaFon is a recognized market leader in the provision of mobile data services, was the first operator in Russia to launch commercial operation of a third generation (3G) network and was the first operator in the world to launch commercial operation of an LTE-Advanced (4G) data network. MegaFon is traded on the Moscow Stock Exchange and the London Stock Exchange under the symbol MFON. Additional information about MegaFon and the products and services provided by MegaFon can be found at: <http://www.megafon.ru>

Telefónica is one of the largest telecommunications companies in the world in terms of market capitalisation and number of customers. With its best in class mobile, fixed and broadband networks, and innovative portfolio of digital solutions, Telefónica is transforming itself into a 'Digital Telco', a company that will be even better placed to meet the needs of its customers and capture new revenue growth.

The company has a significant presence in 21 countries and a customer base of 329 million accesses around the world. Telefónica has a strong presence in Spain, Europe and Latin America, where the company focuses an important part of its growth strategy.

Telefónica is a public company, with more than 1.5 million direct shareholders. Its share capital currently comprises 4.938.417.514 ordinary shares which are traded on the Spanish Stock Market as well as in London, New York, Lima, and Buenos Aires.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some of the information in this document may contain or refer to projections or other forward-looking statements regarding future events or the future financial performance of the company. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "forecast", "intend", "will", "could", "may", or "might" the negative of such terms or other similar expressions. The company wishes to caution you that these statements are only predictions, and are based upon various assumptions which are inherently subject to significant uncertainties and

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