

Telefónica's Profile

February 2012

Telefonica



Telefónica is the result of more than 85 years of anticipation and transformation ...

1924 - 1964	1965 - 1989	1990 - 1994	1995 - 1999
<ul style="list-style-type: none"> • CTNE is set up in Madrid; ITT is one of its initial shareholders (1924) • The Spanish government takes 79.6% of CTNE shares (1945) • Installs the phone 1 million (1953) • CTNE becomes the #1 Spanish enterprise (1960) 	<ul style="list-style-type: none"> • Start of satellite communications (1967) • Begins operations of the 1st European Data Transmission Special Network (1971) • Installs the phone number 10 million (1978) • Lists on New York Stock Exchange (1987) 	<ul style="list-style-type: none"> • Enters in Chile (CTC) and in Argentina (TASA) (1990) • Launches MoviLine in Spain (1990), the analogue mobile service, reaching a geographic coverage of 98% in three years. • Enters in Peru (TdP) (1994) • Launches digital mobile telephony: Movistar (1994) 	<ul style="list-style-type: none"> • Commercial Internet is being born. Telefónica launches InfoVía (1995) • Wins the tender for Telesp in Brazil (1998) • Telefónica becomes fully public again (1999) • Launches fixed broadband access service ADSL (1999)



... especially during the last decade

2000 - 2004	2005 - 2006	2007 - 2008	2009 - 2011
<ul style="list-style-type: none"> • Veronica Operation: Telefónica de Argentina; Telefónica del Perú; Telesp and Tele Sudeste in Brazil (2000) • Joint venture of Telefónica and Portugal Telecom in Brazil: Vivo (2003) • Launches Imagenio (2003) • Acquisition of BellSouth's assets in Latin America (2004) 	<ul style="list-style-type: none"> • Acquisition of Cesky Telecom (2005) • Takes a 5% stake in China Netcom (2005) • Acquisition of the O2 assets in the UK, Germany and Ireland (2006) • Mobile license awarded in Slovakia (2006) • 51% stake taken in Colombia Telecom (2006) 	<ul style="list-style-type: none"> • Industrial alliance with Telecom Italia (10.47% of the voting rights) (2007) • Acquisition of Telemig by Vivo in Brazil (2008) • Reaches a 5.38% participation in China Unicom after the CU-CNC merger (2008) • Stake in Telefónica CTC Chile increased to 97.89% (2008) 	<ul style="list-style-type: none"> • Acquisition of Hansenet in Germany, Jajah in Israel and Tuenti in Spain (2010) • Control of Vivo obtained by buying PT stake out of Brasilcel (2010) • Mobile license awarded in Costa Rica (2011) • Strengthening of the strategic alliance with China Unicom (2009) and increase of the share exchange (2011)


















Since the beginning of internationalization, the company has experienced a significant growth



Telefónica is a reference in the Latin American Telco market ...

Accesses December 2011 (million)
Brazil: 87.2
Argentina: 23.0
Mexico: 20.5
Peru: 18.8
Colombia: 13.8
Chile: 12.7
Venezuela: 10.4
Central America: 8.1
Ecuador: 4.5
Uruguay: 1.8



Notes:

- Central America includes Guatemala, Panama, El Salvador, Nicaragua and Costa Rica
- Total accesses figure includes Narrowband Internet accesses of Terra Brazil and Terra Colombia, and Broadband Internet accesses of Terra Brazil, Telefónica de Argentina, Terra Guatemala and Terra Mexico

... and has achieved a relevant scale in Europe

Accesses

December 2011 (million)

Spain: 47.1

Germany: 24.5

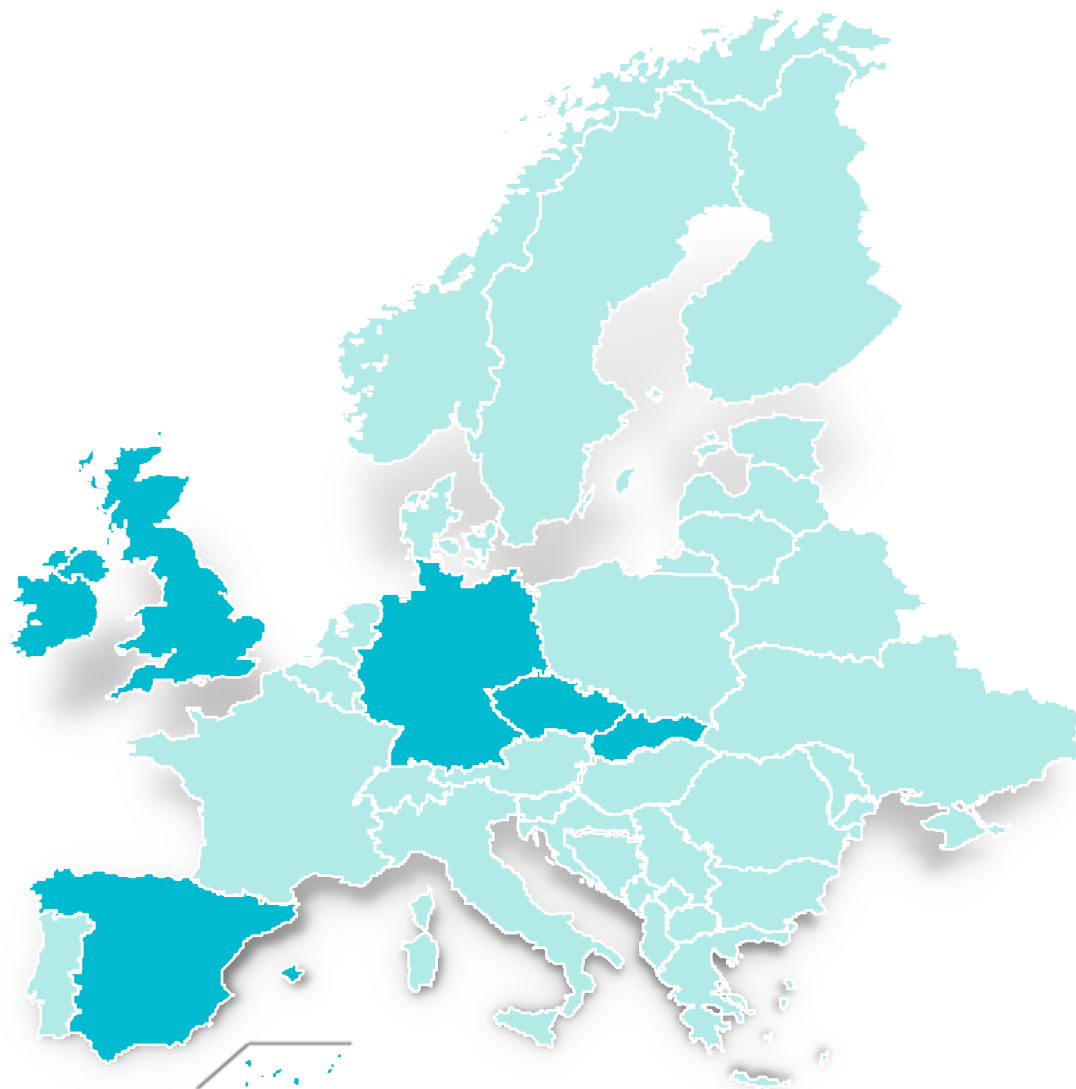
United Kingdom: 23.0

Czech Republic: 7.8

Ireland: 1.6

Slovakia: 1.2

Total Accesses
105 Mill.



Our scale is reinforced with global partnerships and collaboration agreements

Strategic & Industrial alliances

~ **808 million**

combined customers



Stake 9.7%



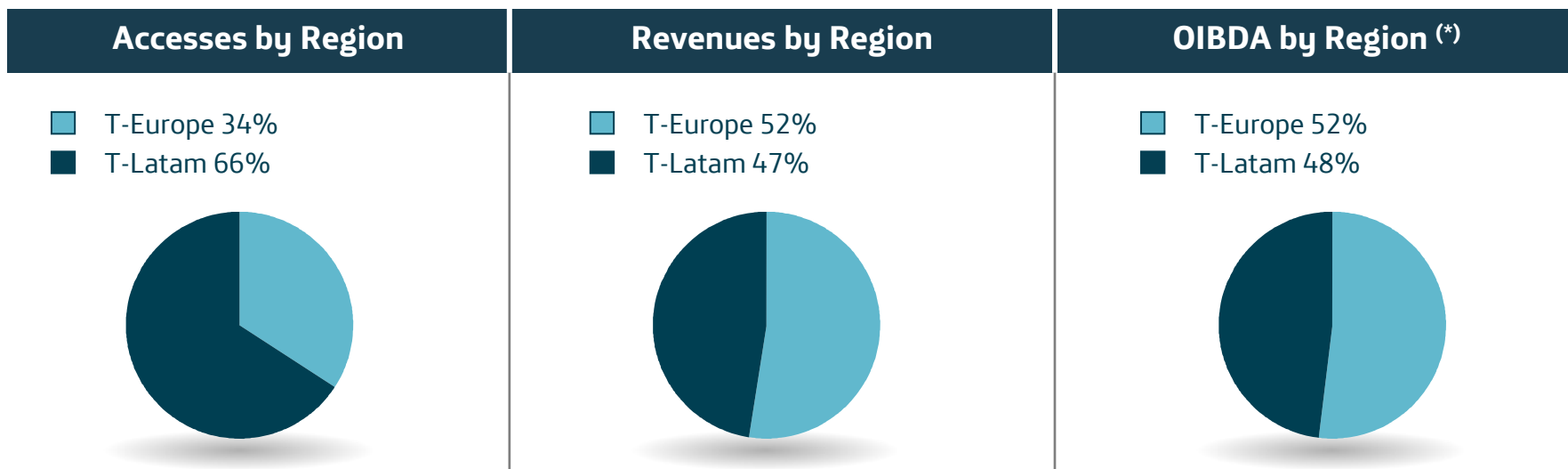
Stake 10.5%

Partners Program



Telefónica enjoys today a unique portfolio in the Telco industry ...







	FY 2011 (Mill. €)	% Underlying Var. vs FY 2010 (*)
Revenues	62,837	+3.5%
OIBDA	20,210	-2.1%
Operating CF (**)	11,282	-8.0%



(*) Underlying Figures: reported excluding exceptional items and spectrum acquisitions. Contribution to consolidated figures before intercompany eliminations

(**) Operating CF = OIBDA - CapEx (excluding spectrum)

... both by its diversification ...

% out of market of origin	Accesses	Revenues	OIBDA
 vodafone	95.2%	89.3%	91.6% (*)
 <i>Telefonica</i>	84.7%	72.5%	66.7% (**)
 américa móvil	70.5%	61.5%	48.9%
 france telecom	68.6%	50.2%	43.4%
 Deutsche Telekom	59.8%	59.0%	55.6%
 TELECOM ITALIA	58.8%	36.5%	24.5%

Operational data as of December 2011 and financial data as of January - December 2011

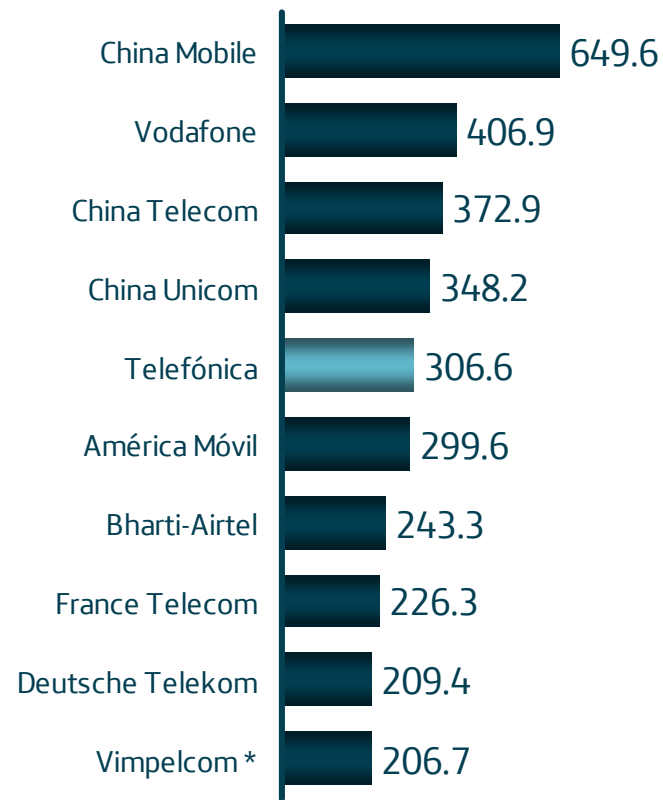
(*) Data as of April - September 2011

(**) Underlying Figure: reported excluding exceptional items and spectrum acquisitions. Contribution to consolidated figures before intercompany eliminations

Top 10 worldwide ...

... by total accesses

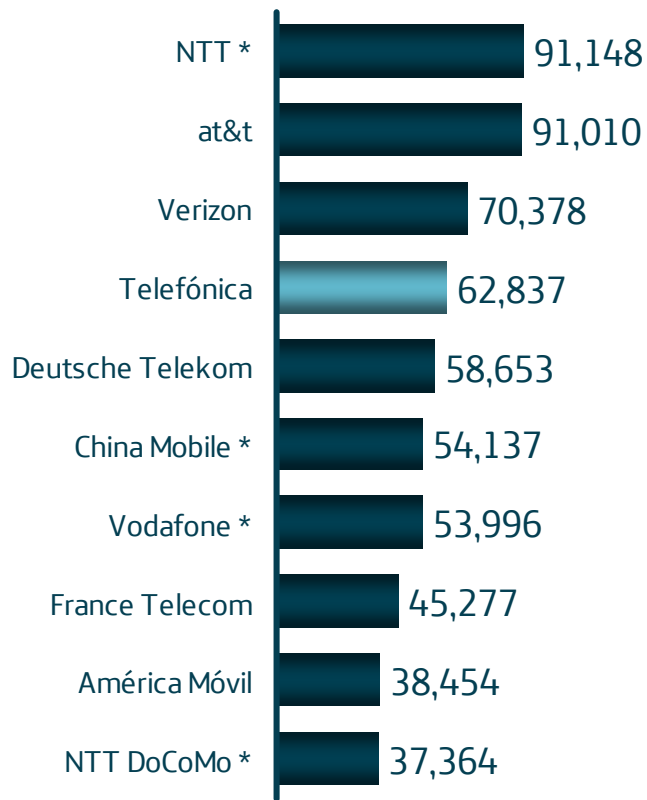
(Million, December 2011)



Total accesses (as reported by companies) = Fixed Lines + Mobile Customers + Narrow and Broad Band Internet + Pay TV
* Data as of September 2011

... by revenues

(Million Euros, FY 2011)



FY 2011 revenues as reported by companies
* Data as of FY2010

1st global integrated
Telco by customer base

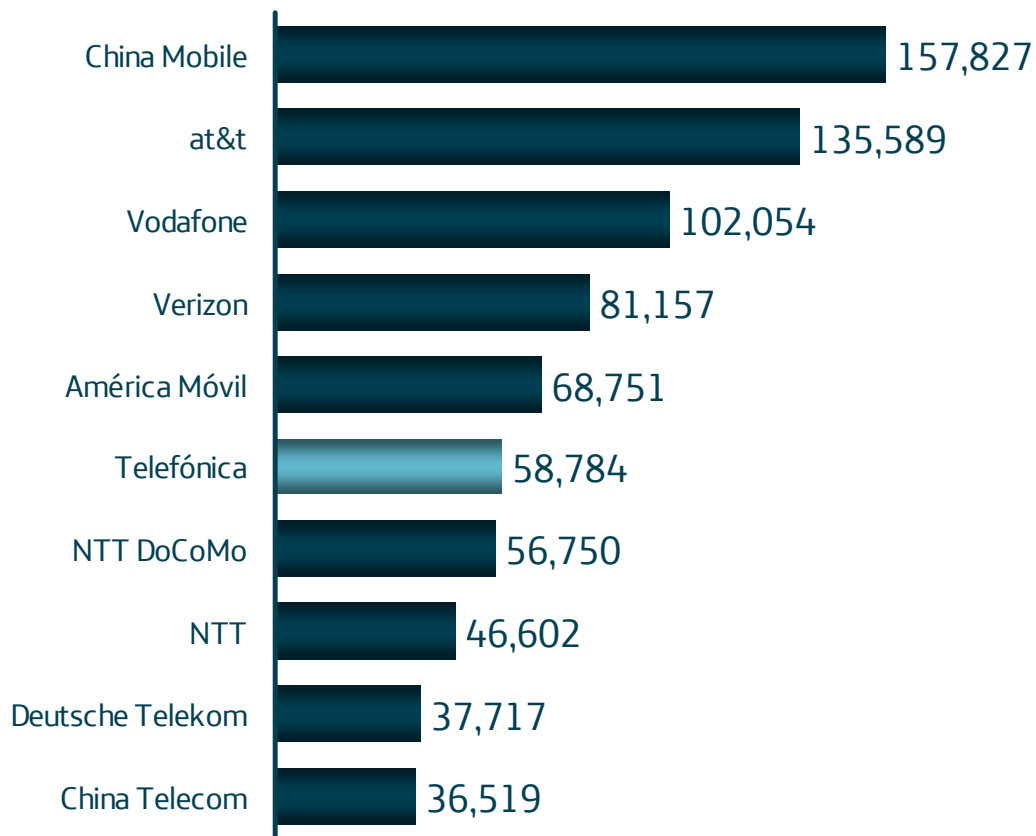
Among the top **50**
global companies by
revenues *

* Financial Times Global 500 (2010)

The value of Telefónica is recognised by the markets, ranking among the Top 10 in the Telco sector worldwide

Worldwide Telco sector ranking by market cap

(Million Euros)



1^a European
integrated Telco by
market capitalisation

Source: Bloomberg 02/23/2012

Telefónica's activity has a clear positive impact in the societies where it is present

As an engine for economic sustainable development and innovation ...

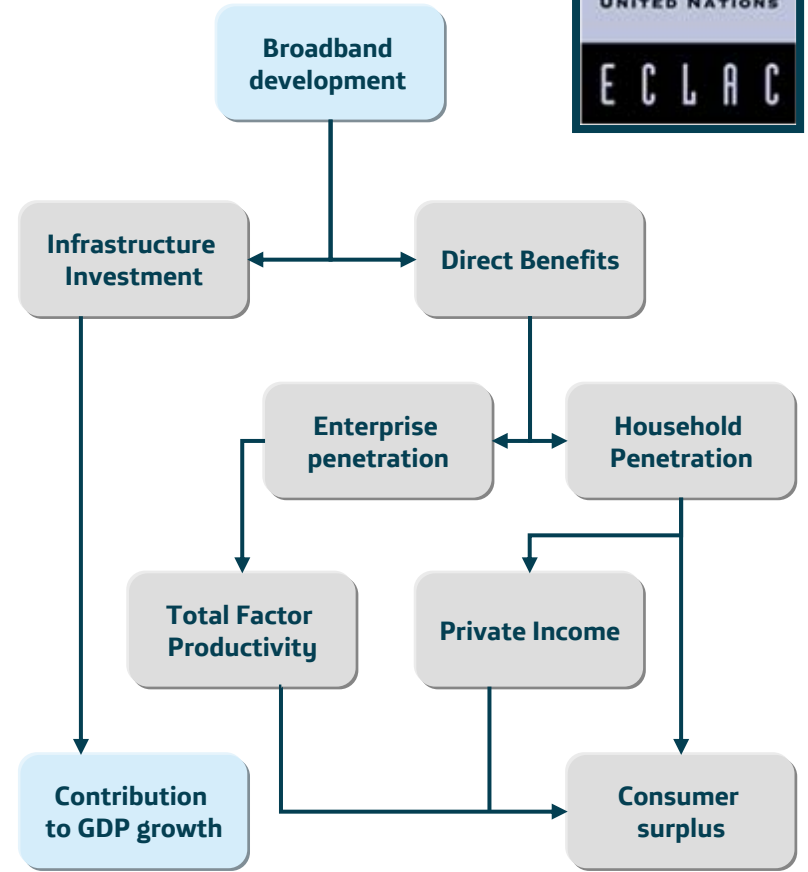
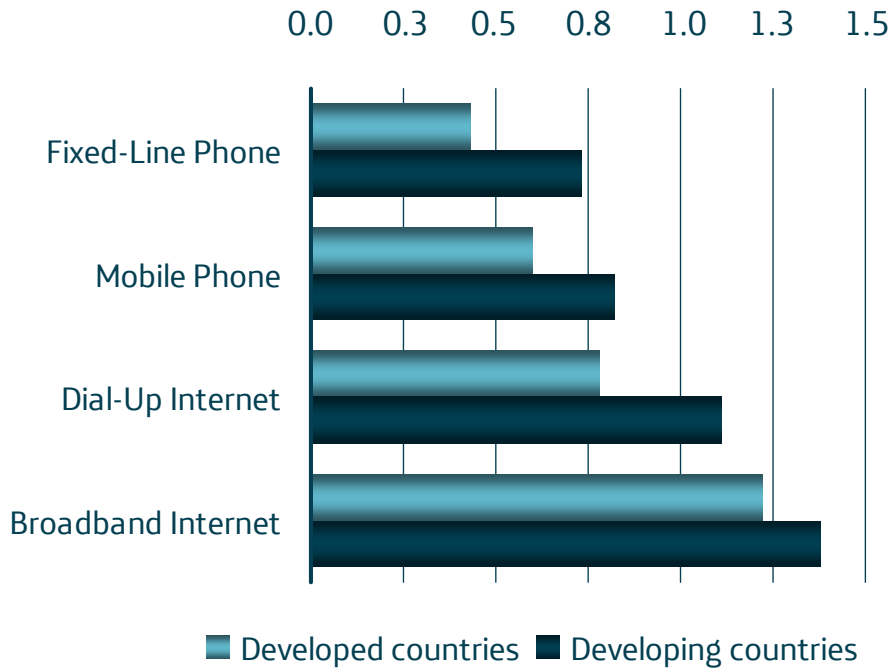
... and to help overcome social divides



The ICT sector is key to improve productivity and for economic sustainable growth

ICT impact on the economy

Increase in GDP growth (pp) per each 10 pp increase in penetration of Telco services



Source: World Bank; Qiang 2009

Telefónica's activity contributes to economic development in the countries where it operates ...

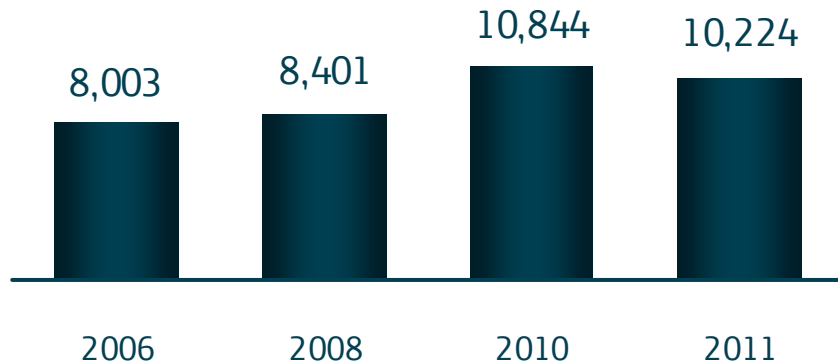
Broadband increases productivity 5% in industrial sector and 10% in service sector due to process improvement

Estimated impact of CapEx in Broadband

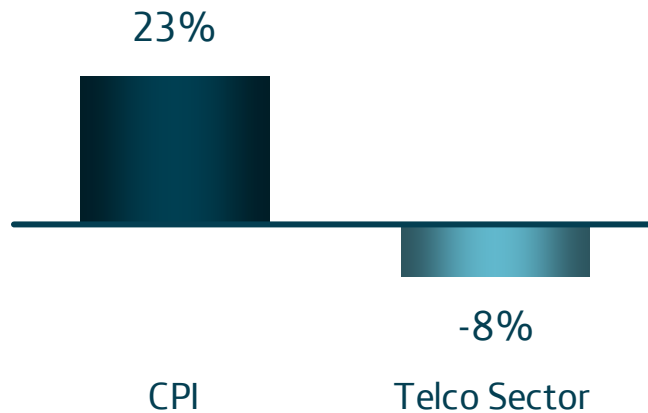


Source: LECG report for ETNO and MICUS for the European Commission

Telefónica CapEx
Million € (including spectrum)



Prices Var. 2002 – 2010 (*)
Spain



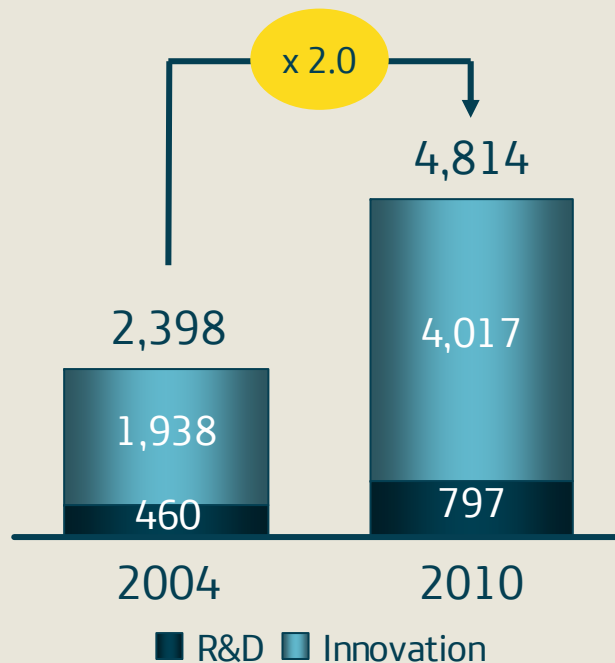
(*) Source: Instituto Nacional de Estadística



- Wayra launched in Colombia, Spain, Mexico, Argentina, Peru, Brazil, Venezuela and Chile
- More than **6,000 projects** received
- **100 innovative projects launched** in 2011



Evolution of Telefónica's global investment in R&D+i (Mill.€)



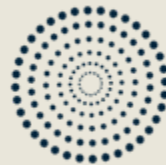
TEF's 2010 investment in R&D+i represents **7.9%** of total revenues

Beside Telefónica supports social cohesion through the development of social programs

Telefónica

ability awards

crecemos con la inclusión



Atam

La Asociación del Grupo Telefónica
para la atención de las personas
con discapacidad

think
big

**Educared
Proniño
Voluntarios**

Fundación Telefónica

Telefónica

- We have offered a better future to 280 thousand children in **13 Latin American countries**
- **432** classrooms supported by Fundación Telefónica



Educared
Fundación Telefónica

- More than **142,000** people attended the program
- **2,100** courses
- **1.2** million training hours

Different organizations have recognized our commitment with social corporate sustainability



2nd in Telco Sector 2011. Best practice in:

- Corporate Risk Management Model
- Global Environmental Management System
- Global Policy Responsibility Suppliers
- Impact of ICT in communities

FORTUNE

Best practice in Corporate Responsibility

CDP results and reports



Carbon Disclosure Project: Signed by 551 institutional investors, with assets of US\$71 trillion. CDP Global 500 Report examines the **carbon reduction activities at the world's largest public corporations**

Telefónica Leader in Telco Sector



Included in **FTSE4Good Index in 2011**, an index that **measure the performance of companies that meet globally recognized corporate responsibility standards**

Telefónica
