

+ Customer...

Telefónica reaches 307 million accesses



Telefónica is the world's fifth-largest operator by number of customers as well as the world's largest integrated company. It holds the first-or second-largest market share in most countries where it operates. The Group's strategy is based on capturing growth in our markets and especially on attracting high-value-added customers.



Stores of Telefónica's three commercial brands (Vivo, and Brazil; O2 in Europe, except Spain; Movistar, Spain and Latin America).

The Company ended 2011 with close to 7% growth in accesses amid a complicated setting in terms of the macroeconomic scenario and the negative effects of regulation as well as intense competition. Most of this growth has been seen in the mobile business, in particular in mobile broadband and in the greater penetration of contract accesses. The Group had 38 million mobile broadband customers at 31 December 2011, for a penetration rate of 16% of the Group's total mobile access base. Mobile broadband accesses were 1.6 times higher than at year-end 2010.

The Company's activity soared in the second half of 2011, as a result of commercial repositioning and the changes in the Company's commercial offering in the main countries in which it operates. In the second half of the year, access growth accelerated, for a net gain of close to 13 million accesses (72% higher than in the first half of 2011, and more than twice as high as in the second half of 2010).

The basis of the Company's success are its customers, and Telefónica's growth strategy for the coming years is centred on improving the customer experience in order to continue increasing the number of accesses and to spearhead growth through:

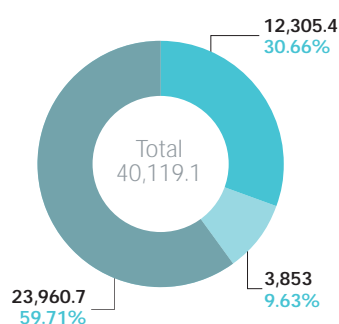
- ↳ The emphasis on the penetration of smart phones in all markets in order to raise the rate of growth of mobile data by monetising their increasingly widespread use.
- ↳ The defence of the Company's competitive position in the fixed-line business with a focus on broadband, offering increasingly higher speeds, comprehensive packages and IP services for voice and video.
- ↳ The development of the growth opportunities that have arisen in an increasingly digital context: video, OTT, financial services, cloud, e-Health, media, etc.

2011

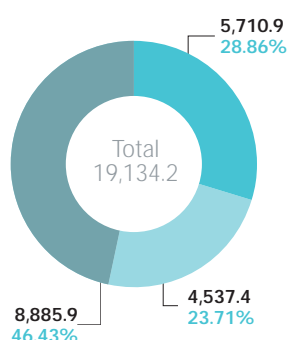
■ Spain
 ■ Europe
 ■ Latin America

Thousands

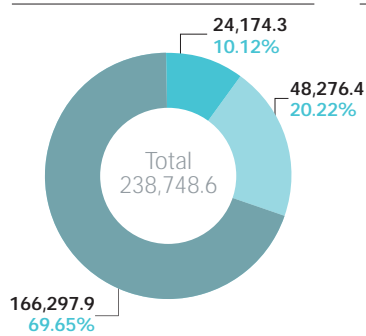
Fixed telephony accesses



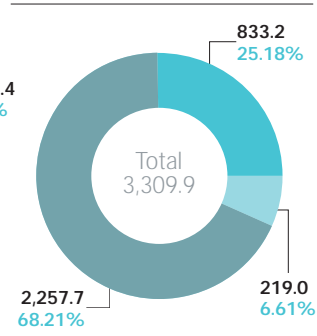
Internet and data accesses



Mobile accesses



Pay TV



Mobile telephony

At year-end 2011, Telefónica had 238.7 million mobile phone customers, with 8.4% year-on-year organic growth. The largest share of this growth took place in Latin America (+11.4%). Overall, mobile phone clients now represent 69.6% of the total.

The Company has focused on attracting high-value-added customers, that is, those in the contract segment. This higher-value segment experienced 11% year-on-year growth, and now represents close to one third of the total mobile access base.

Mobile broadband accesses—e.g., with a data rate attached and therefore made by active users of the service—stood at more than 38 million at year-end 2011 (+61% year-on-year). This represents a penetration rate of 16% of Telefónica's total mobile access base (+5 percentage points from December 2010). Telefónica Europe reached a penetration rate of 31%, followed by Telefónica España (29%). There is enormous potential to increase penetration at Telefónica Latinoamérica (10%).

Data and Internet

The number of data and Internet accesses stood at 19.1 million in 2011, for 2.8% year-on-year growth. Of this total, 18.0 million were broadband-based, for 5% year-on-year growth. The most important growth was in Latin America (+7.9%).

An important element of the trend in the number of data and Internet accesses is the success of bundling voice, broadband and television services, which has gradually increased in both Spain and Latin America. At year-end 2011, close to 90% of the customer base making retail fixed broadband accesses had dual or triple service packages.

Accesses by Country

Figures in millions

Latin America	
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
Europe	
Germany	24.5
United Kingdom	23.0
Czech Republic	7.8
Ireland	1.6
Eslovaquia	1.2
Spain	
	47.1
Total	306^(*)

(*) 116,000 accesses from Costa Rica are not included as service launching took place at the end of 2011 (November). Terra accesses to Internet are not included in the split for countries.

Pay TV accesses rose by 18.7%, owing largely to the successful commercial repositioning of the service and Latin America

Pay TV

The growth rate of TV accesses rose sharply, to 18.7%. The higher growth rate was due primarily to the successful commercial repositioning in Latin America, where net additions in 2011 were three times higher than in 2010, as well as the inclusion of TVA clients in Brazil in June and the strong commercial performance in Spain in the second half of the year.

Fixed telephony

The fixed-line market continues to show that it has matured, as net accesses for the consolidated total once again dropped. The number of total fixed-line accesses declined at a stable rate throughout the year (-3.0%), with a total decline of 40.1 million in the year.

Of total fixed-line accesses, 60% are in Latin America, one percentage point higher than the total for Telefónica the previous year.

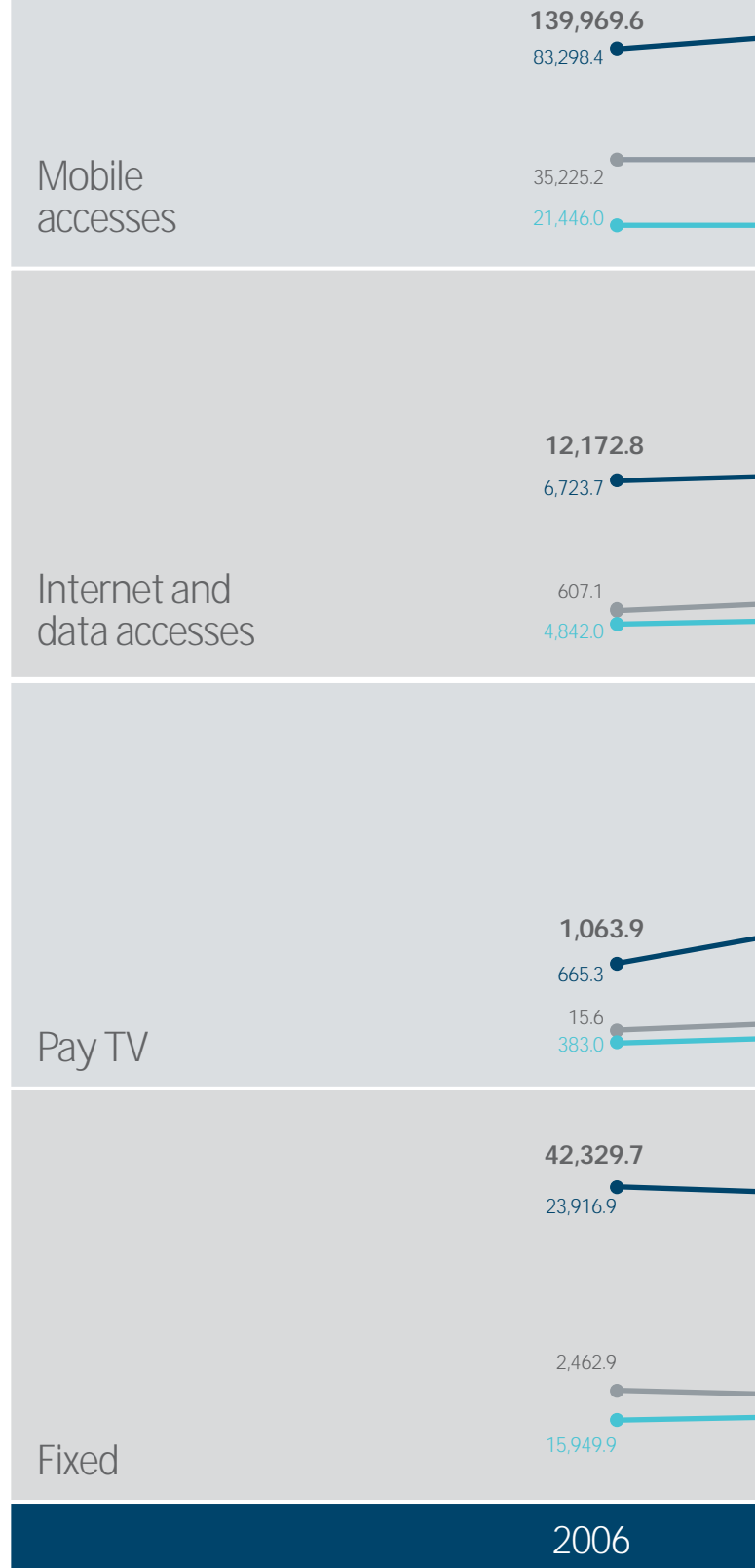
Customer satisfaction

The Telefónica Customer Satisfaction Index (CSI) stood at 7.13 in 2011, and was unchanged from 2010. Telefónica thus ended the year as the market leader in customer satisfaction, with a 0.04 point advantage over our closest competitor.

By region, in Spain the Company had a score of 6.4 out of ten; in Europe, 7.3; and in Latin America, 7.6. The businesses whose customer satisfaction levels improved the most in 2011 were corporate services in Brazil, followed by the mobile businesses in El Salvador and Guatemala.

Accesses trend by segment

Thousands of accesses



2006

