

*Telefonica*

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# Rights Issue Presentation

26 March 2015

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Telefónica, S.A. (together with its consolidated subsidiaries, “Telefónica” or the “Company”) has filed a registration statement (including a prospectus), and expects to file later today a prospectus supplement, for the offering to which this presentation relates. Before you invest, you should read the prospectus, in that registration statement, including the documents incorporated by reference therein, and other documents Telefónica has filed with the SEC, for more complete information about Telefónica and this offering. You may get these documents for free by visiting EDGAR on the SEC web site at [www.sec.gov](http://www.sec.gov). Alternatively, Telefónica, any underwriter or any dealer participating in the offering will arrange to send you the prospectus, when available, if you request it by emailing [project\\_gisele\\_2015@jpmorgan.com](mailto:project_gisele_2015@jpmorgan.com) or [Gisele-Core@morganstanley.com](mailto:Gisele-Core@morganstanley.com)

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# Offering summary

## Offering structure

- Share capital increase with preemptive subscription rights for existing shareholders
- Public offering in Spain and Argentina and SEC registered offering in the US
- Listing of the new shares on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and quoted on the Automated Quotation System of the Spanish Stock Exchanges. Also listed on London and Buenos Aires Stock Exchanges and, in the form of ADSs, on the NYSE and on the Lima Stock Exchange
- Rights traded on Barcelona, Bilbao, Madrid and Valencia Stock Exchanges. Also in Buenos Aires Stock Exchange

## Offering size

- €3.0bn through an offering of 281.2 million new shares pursuant to pre-emptive subscription rights

## Subscription price

- €10.84 per new share (Discount to TERP of 18.9%)

## Subscription ratio

- 1 right per each existing share
- Subscription ratio of 16 rights per 1 new share

## Use of proceeds

- Telefónica may use the proceeds from the Offering for general corporate purposes, including the partial funding of its participation in the Telefonica Brasil Capital Increase. However, the Offering is not conditioned upon the consummation of the Telefonica Brasil Capital Increase or the GVT Acquisition, and all the proceeds of the Offering may be used for general corporate purposes.

## Key dates

- March 28th - April 12th : Rights trading and subscription period
- April 17th: Disbursement of the new shares and granting of the public deed evidencing the capital increase
- April 20th : Registration of capital increase
- April 21st : Admission to listing of new shares
- April 22<sup>nd</sup>: Trading of new shares
- April 24th : Settlement of “Rump” (if any)

## Lock-Up

- No disposals of Telefónica, S.A. ordinary shares within 150 days as from 26 March, subject to certain exceptions

## Underwriters/ Syndicate structure

- Joint Global Coordinators: Banco Santander, BBVA, CaixaBank, J.P. Morgan, Morgan Stanley and UBS
- Joint Bookrunners: BofAML, Barclays, BNP Paribas, Citibank, HSBC and Soc. Generale
- Co-Lead Managers: Banca IMI, Sabadell, Commerzbank, CAI, Credit Suisse, Fidentiis, Mitsubishi UFJ, Nomura and Unicredit

# GVT Transaction summary

## GVT Transaction

- Acquisition of 100% of GVT for a total implied consideration of **€7.45bn**, through a combination of cash and a stake in Telefónica Brasil

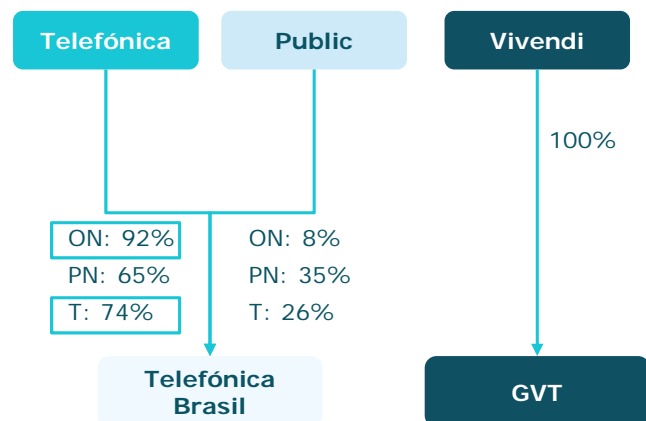
- €4.66bn cash**, financed through a capital increase at Telefónica Brasil

- 12% stake in Telefónica Brasil** (post capital increase)

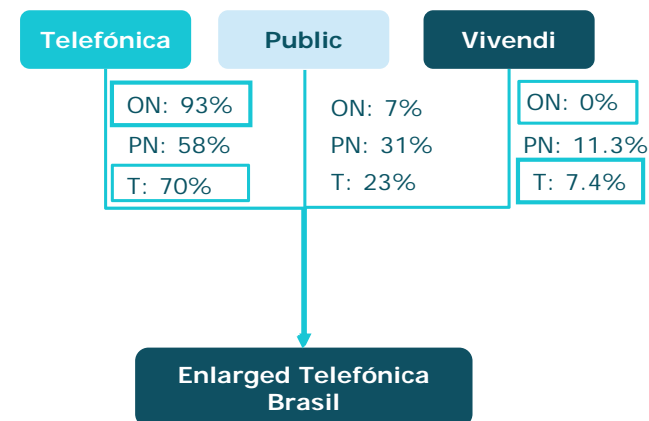
- At closing, Telefónica will exchange an 8% voting stake in Telecom Italia for 4.5% stake in the enlarged Telefónica Brasil
- As a result, Vivendi will own a 7.4% stake in Telefónica Brasil

- Telefónica intends to subscribe at least its proportionate share of Telefónica Brasil capital increase (approx. €3.4bn)**
- Telefónica intends to use proceeds from the Offering to fund a portion of its participation in Telefónica Brasil capital increase** (the Offering size of €3.0bn being smaller in order to minimize shareholders' dilution)
- The GVT transaction has been **approved by Anatel and CADE** subject to certain conditions

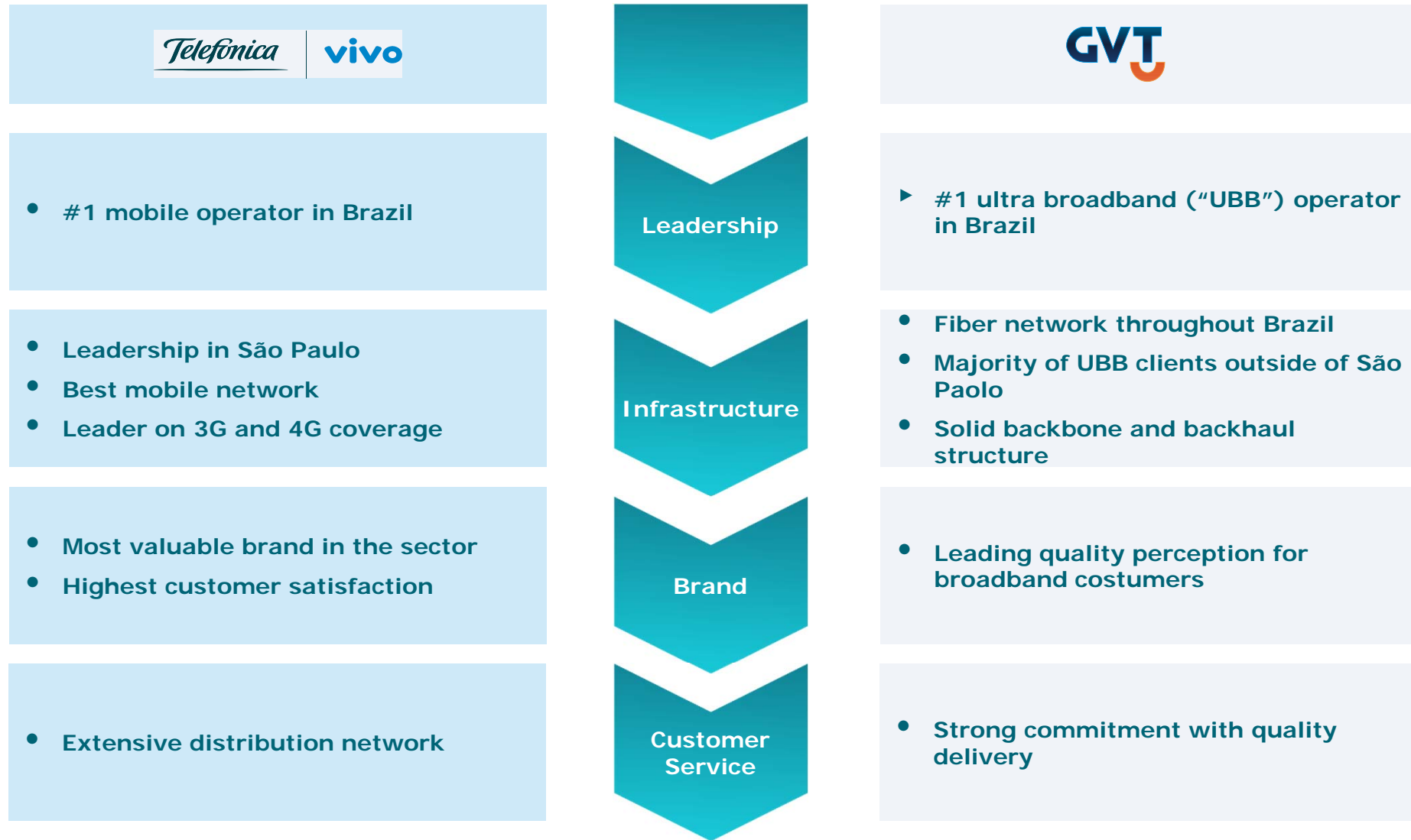
## Current Structure



## Post GVT Acquisition



# GVT acquisition: The perfect fit



# Creating the Leader in the Brazilian Telecom & Pay TV market



# Key investment highlights



# 1 Ongoing Transformation Driving Growth and Efficiency

2012-14

TRANSFORMING THE BUSINESS IN ORDER TO...

- Investing to set the foundation for growth
- Monetising data opportunity
- Growing digital revenues
- Simplifying the business
- Extracting value from scale
- Proactively managing regulation
- Focusing portfolio
- Recovering financial flexibility
- De-risking the balance sheet
- Displaying clear proof points

FY 14 GUIDANCE ACHIEVED



2015-16E

...RETURN TO SUSTAINABLE PROFITABLE GROWTH

- Accelerate growth
- Monetise booming data reality
- Invest further to grow (2017 to revert)
- Continue to simplify & transform
- Deliver synergies from consolidation (Germany, Brazil)
- Maintain leading profitability
- Continue to strengthen portfolio
- Maintain financial flexibility to support sustainable growth
- Grow cash dividend (Post proposed O2 UK sale closing)

UPGRADING AMBITION FOR 2015-16E



## 2 Positioned for growth acceleration

1

Returning to growth in Spain

- Strong macroeconomic outlook
- Positive market trends: appetite for higher value services and market rationalisation
- Key differentiation assets /infrastructure (fiber, Pay TV, LTE)

2

Fuelling data monetisation

- Higher data adoption (LTE across markets; prepaid smartphone penetration in Brazil & HispAm)
- Monetising beyond the allowances and connecting everything
- Capturing digital opportunities: video, cloud, M2M & security

3

Continued network & IT transformation

- Steady roll-out of a differential future-proof network
- Accelerating the transformation of the business leveraging Full Stacks
- Continue to optimise legacy

4

Delivering synergies on Germany & Brazil

- Additional revenue streams from upselling / cross-selling and efficiencies

5

Sustainable efficiency gains

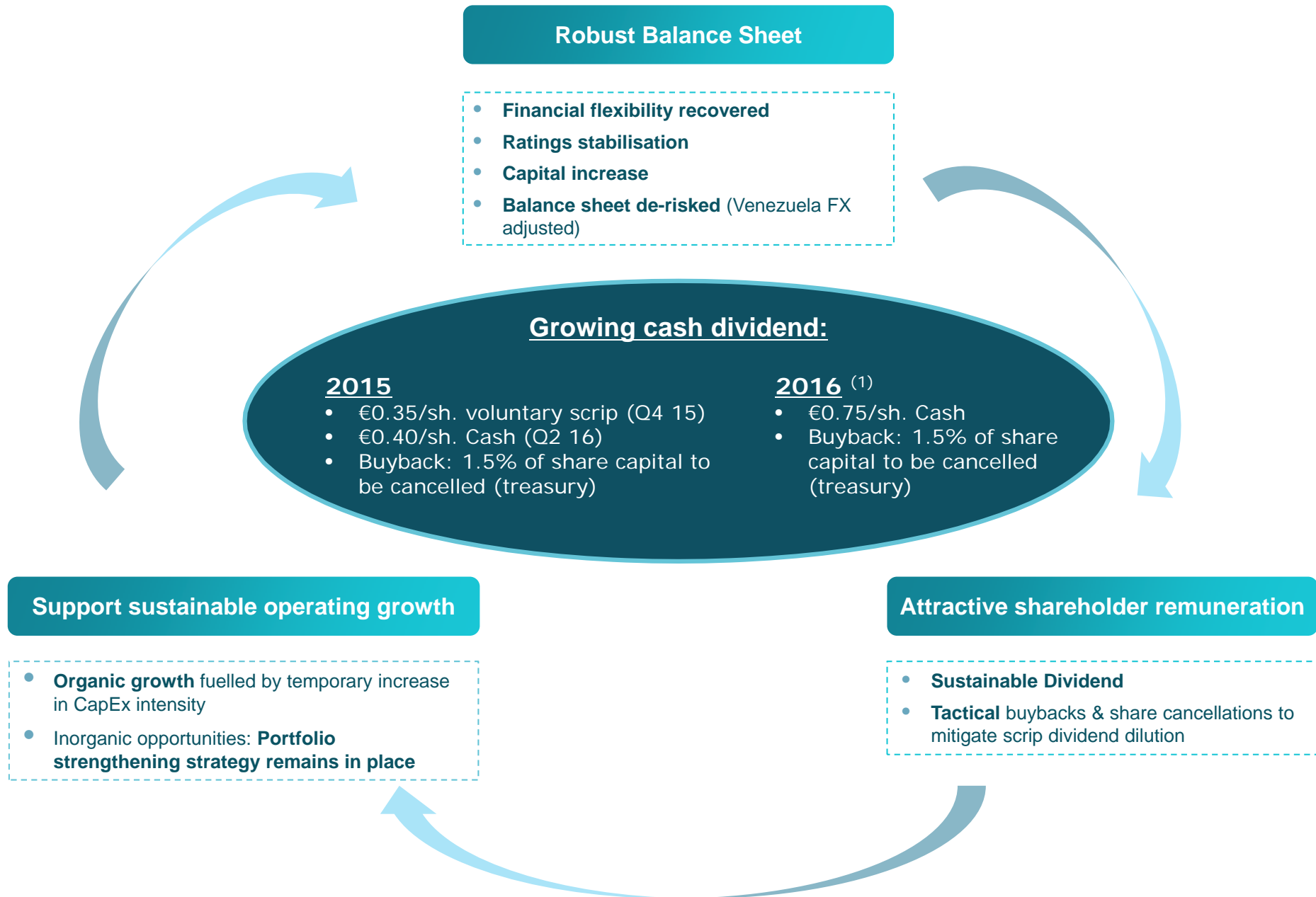
- Delivering significant savings from simplification across markets

6

External factors: from headwinds to tailwinds

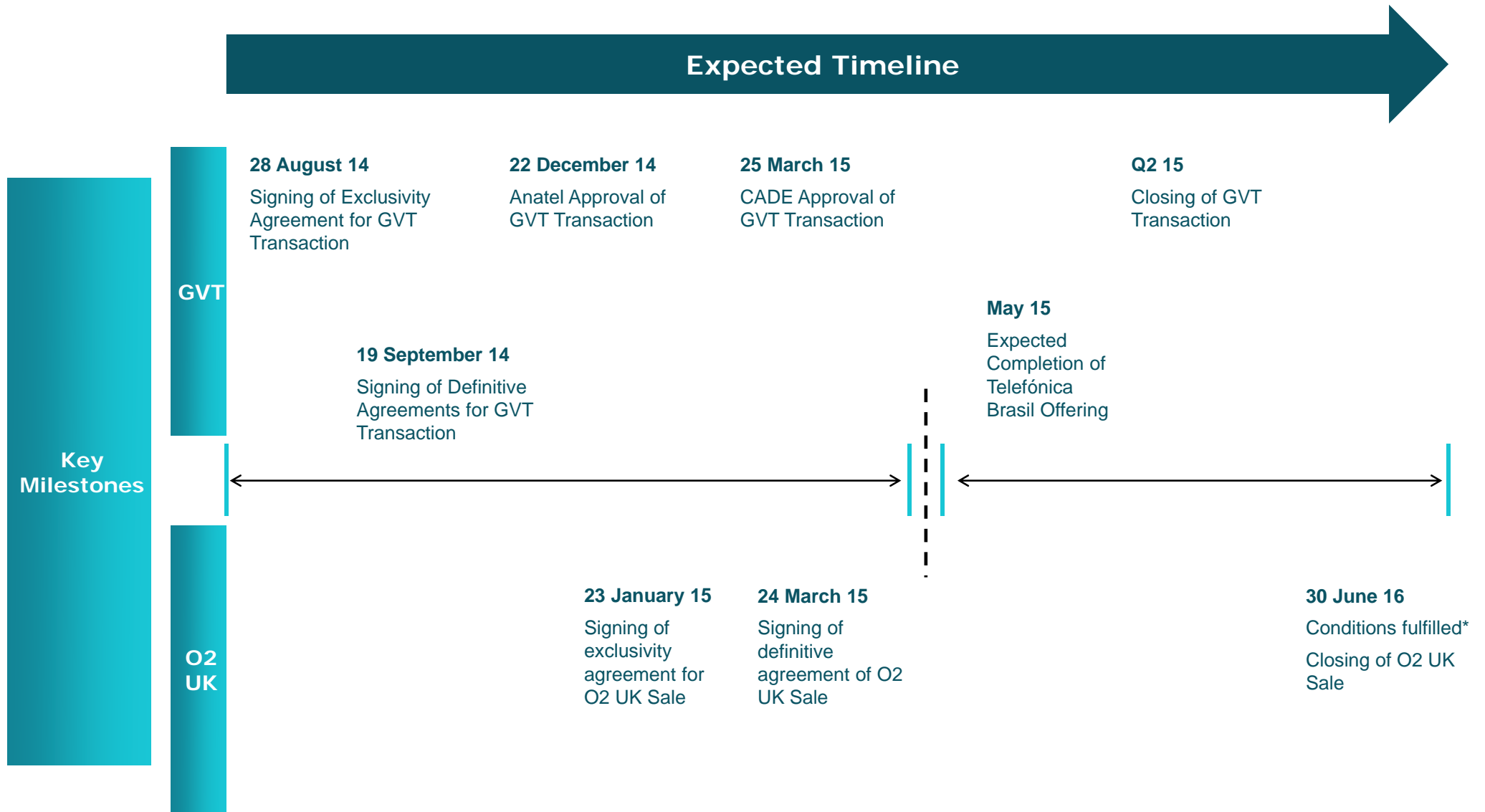
- Improved Market structure, Macro and Regulatory environment

### 3 Committed to financial discipline



(1) Subject to the closing of the proposed sale of O2 UK

# Timetable for Key ongoing Transactions



\* This date may be extended to 30 September 2016 in circumstances specified in SPA



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