

Telefónica in the world in 2012



Present in 24 countries: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Czech Republic, Ecuador,



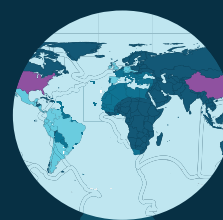
62,356 M€ *
joint revenues



9,458 M€*
total investment



133,263 employees
95% of all contracts are permanent



And

Telefónica reinforces its global scale with alliances and collaboration agreements. Through our strategic alliances with China Unicom and Telecom Italia, we reach 871 million customers.

* Million euros

** In thousands

El Salvador, Germany, Guatemala, Ireland, Italy, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Slovakia, Spain, UK, Uruguay, USA and Venezuela

 **315.7 million** accesses

 **1st** European operator by revenue

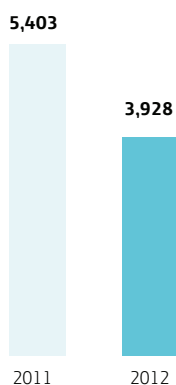
 **7th** operator in the world by market capitalization

Telefónica in numbers (2012)

Net profit

▼ - 27.3%

Million euros



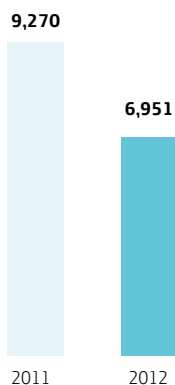
The behavior of net profit in 2012 compared to that of 2011 (-27.3%) was affected by various extraordinary impacts, which reduced this quantity by 2,536 million in the last year.

These include the value adjustment in the participation in Telecom Italia and Telefónica Ireland, and the effect of the devaluation of the Venezuelan bolívar. Without these effects, the consolidated net profit was 6,465 million euros.

Cash flow

▼ - 25%

Million euros



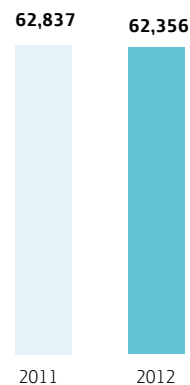
The free cash flow was 25.0% less than 2011, fundamentally as a result of lower generation of working capital and higher interest payments.

Nevertheless the financial flexibility has been increased and there is ample provision for the dividends promised for 2013.

Revenue

▼ - 0.8%

Million euros



Revenue fell by 0.6% year-on-year (rise of 0.7% excluding the impact of regulation).

Noteworthy is the solid growth in mobile data revenue (+12.8% year-on-year) and the evolution of this in Latin America (+5.5%), which accelerated in the fourth quarter to grow by 7.5% organically.

OIBDA

▲ + 5.1%

Million euros

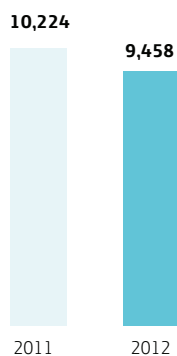


The consolidated OIBDA of Telefónica grew by 5.1% in reported terms to 21,231 million euros, which situated the OIBDA margin at 34% (+1.9pp).

Investment

▼ - 7.5%

Million euros

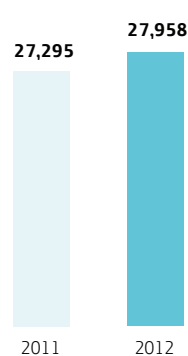


During the year, Telefónica allocated 14.2% of its revenue to investment (excluding investments made in spectrum). Of this, 81% was assigned to projects of growth and transformation.

Suppliers

▲ + 2.4%

Purchasing volume.
Million euros

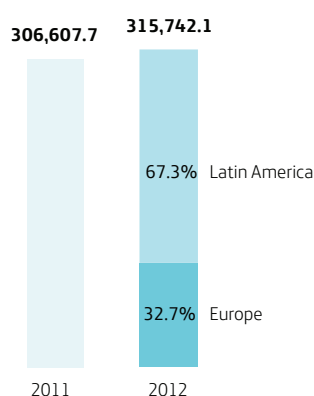


In 2012, Telefónica had about 20,000 contracted suppliers from 68 countries, of whom 85.6% are contracted at a local level. The purchasing volume was close to 28,000 million euros, which is 2.4% greater than the previous year.

Accesses

+ 3%

In millions



Telefónica closed the year with a customer base that grew 3% to reach 316 million accesses and with recovery in the commercial impetus in Europe.

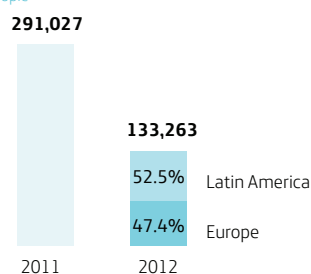
Mobile clients reached 247 million accesses at the end of 2012 (+4%), with a growth rate of +7% in the contract segment.

At the end of December, Telefónica had 52.8 million mobile broadband customers (+38%) and with 18.6 million end-user accesses of fixed broadband (+3%).

Employees

n.s.

Number of people



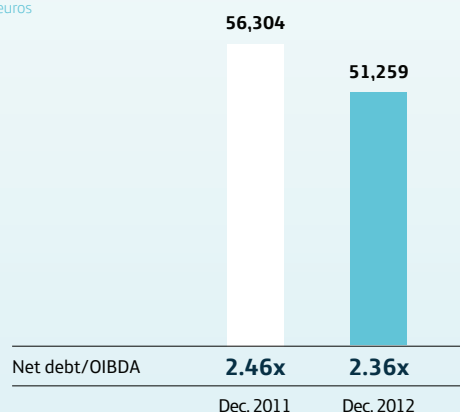
The number of workers at 31 December 2012 is affected by the **sale of Atento**, which had over 150,000 employees. If we exclude this effect, the total workforce is 4.1% less than in 2011 due to the restructuring processes that the Company is carrying out in various operations to improve the fit of the workforce to the new business requirements.

Latin America still has the greatest percentage of the Telefónica Group workforce, with 52.5%, while 47.4% are based in Europe. Telefónica continues to opt for sustainable work policies, so that 95% of its workforce have permanent work contracts.

Debt

-5,045

Million euros



Between January and December, Telefónica reduced its net financial debt by more than 5,000 million euros to reach 51,259 million euros, which situates the ratio of net financial debt to OIBDA at 2.36 times.

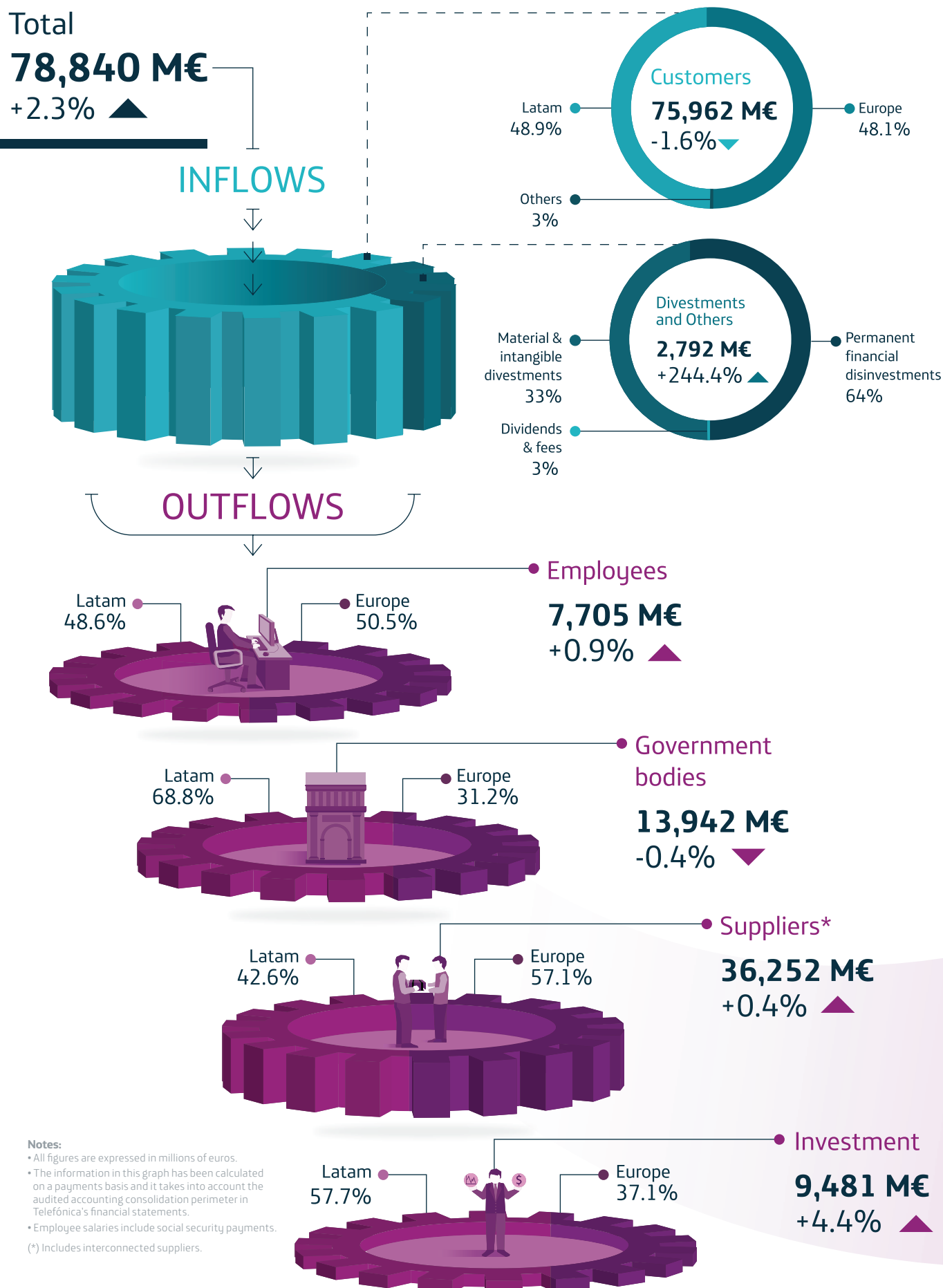
Moreover, thanks to an active financing policy (15,000 million euros between January and December), the debt maturity profile of Telefónica is now provided for until beyond 2014. All this is compatible with the investments in areas of greatest growth and in acquisition of spectrum.

Remuneration of shareholders

2012 underlying EPS (euros/share)



The evolution of the liquidity and the results throughout the year permit the renewal of the policy of remuneration of shareholders for 2013, with the distribution of a cash dividend of 0.75 euros per share.



Telefónica in terms of economic impact: motor of progress

The Company has shown a significant improvement in its financial flexibility thanks to asset management and cash generation.

In 2012, the total amount distributed by Telefónica increased by 0.9% to reach 78,840 million euros. Regarding inflows, it should be emphasized that an important part of this amount comes from permanent financial divestments in China Unicom and Atento. Both sales were commitments already announced by Telefónica to improve financial flexibility and ensure provision for the Company's commitments to its stakeholders in 2013. It should also be said that these divestments compensate for the fall in net revenues that has taken place in the period, mainly impacted by the complex environment for operations in Europe, exchange rates and regulation.

This financial flexibility has manifested itself in an important increase in the liquidity position of the Company, which reached 5,803 million euros at 31 December 2012 and reduced the ratio of net debt over OIBDA from 2.46x to 2.36x. In addition, it has managed to reduce the outflow towards financial institutions by improved debt management, which has allowed the effective rate of interest of the Company to be reduced from 5.50% to 5.37%.

Just as in the preceding year, there were notable divestments in non-strategic mobile infrastructures. These make up a series of initiatives carried out to optimize the use of capital and improve the energy efficiency of services to Telefónica's customers.

