



Grab the future today

Investor Conference

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Telefonica

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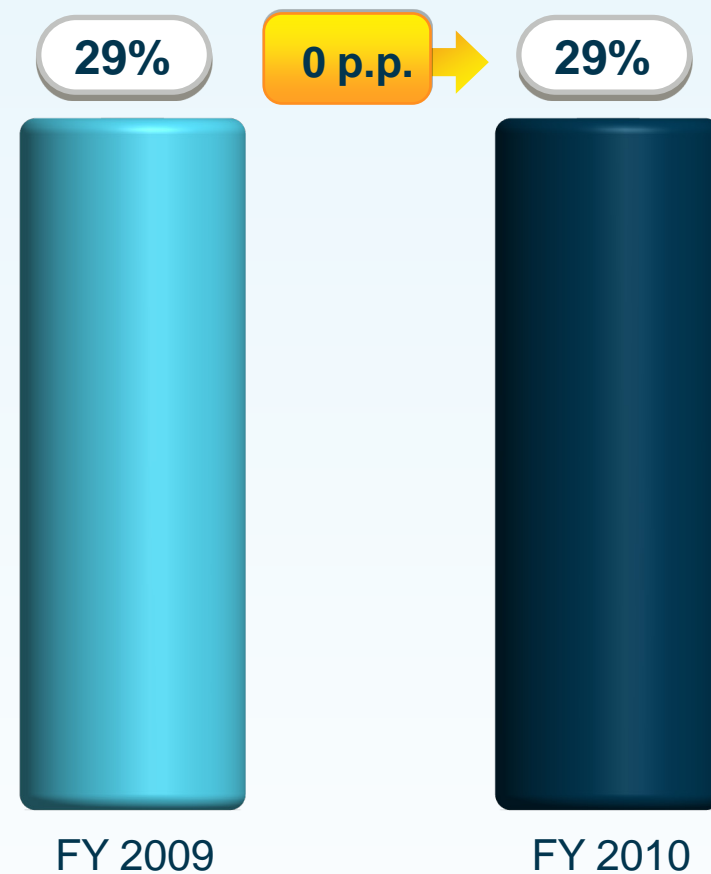
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Sustaining market leadership

Regional revenues share¹

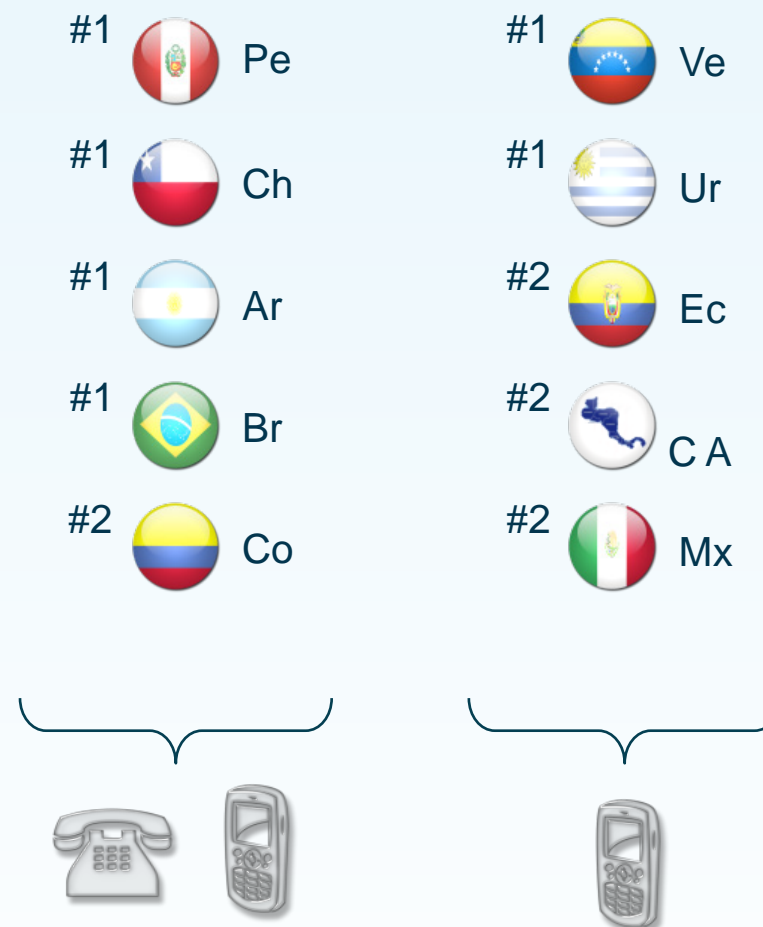
(Constant FX effect)



**Stable
Revenue share**

Market revenue share

FY10



**#1 - #2
In all markets**

Leader in value & growth

Dec-10

35 % MBB²
Regional access share¹

**40%
Brazil**

30 MM
The largest mobile contract base

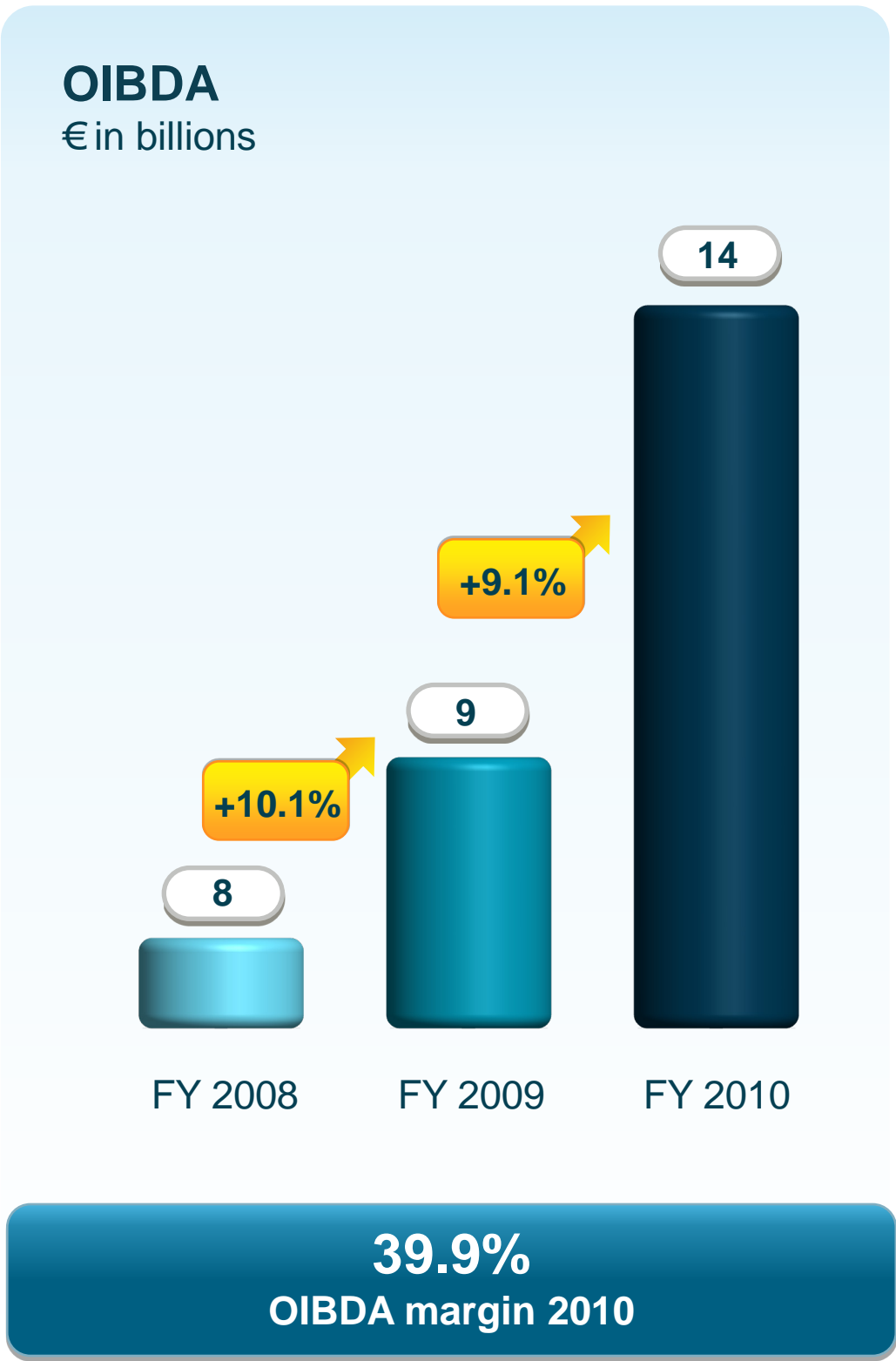
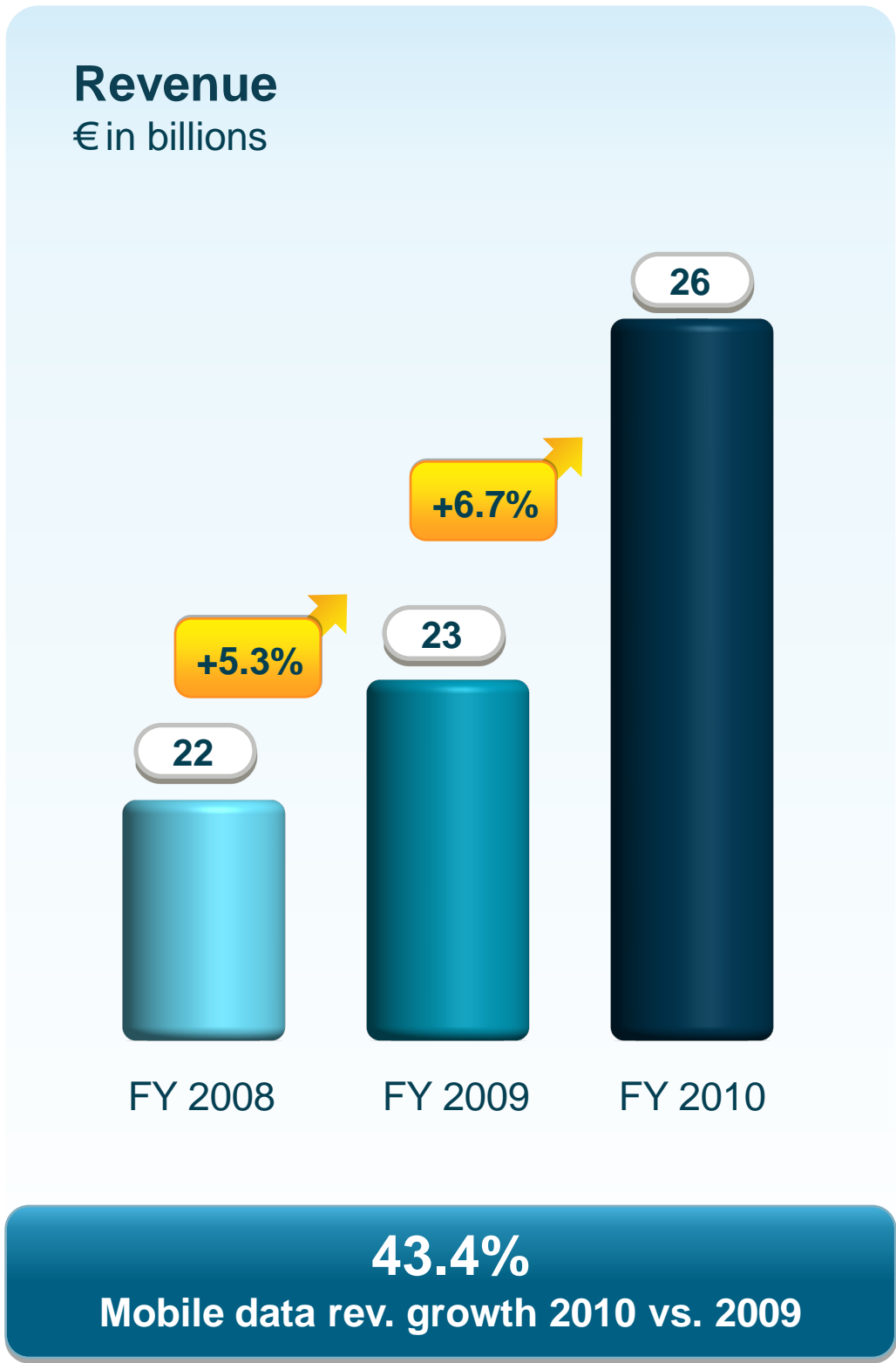
Moving faster

Source: Telefónica estimates

¹ Footprint share: only mobile in Mexico, Venezuela, Ecuador, Uruguay and Central America. Excluding TV in Argentina

² Dongles

Delivering profitable growth



Source: Reported Data; organic growth rates

01 Latin America in bold letters

02 Capturing current growth, building new options

03 Our Portfolio: leading Brazil, leveraging diversity

01

Latin America in bold letters

Latin America plays a key role in the new international arena

Latin America was the 2nd major destination of Chinese FDI, just behind Asia

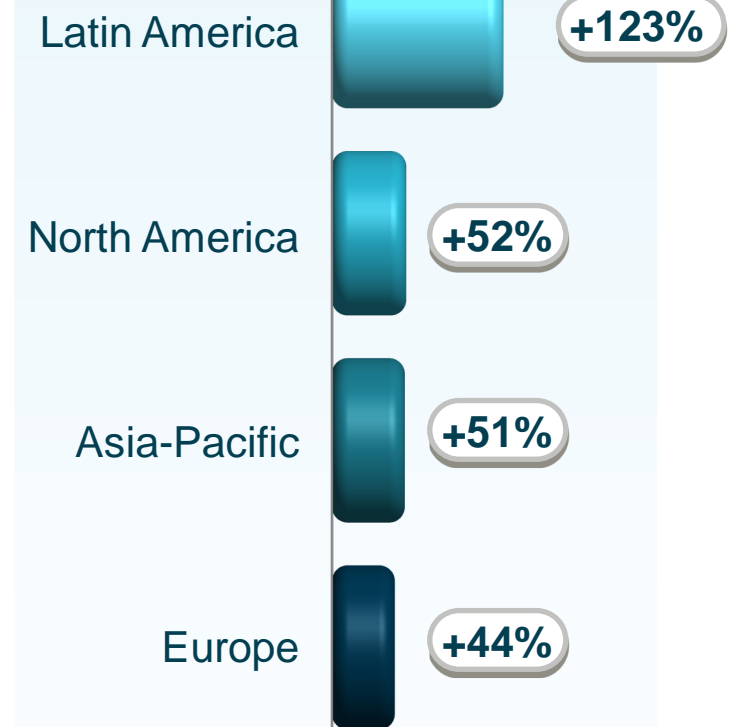
Multilatinas are emerging as a new force

US\$ 141 bn of FDI into the region in 2010

Sovereign wealth funds from Middle East and Asia investing more than ever in the region

MSCI¹

31/Dec/2008 to 31/Mar/2011



The market is starting to recognize this change

TEMASEK HOLDINGS

GIC

ADIA

中国投资有限责任公司
CHINA INVESTMENT CORPORATION

VALE EMBRAER

CEMEX


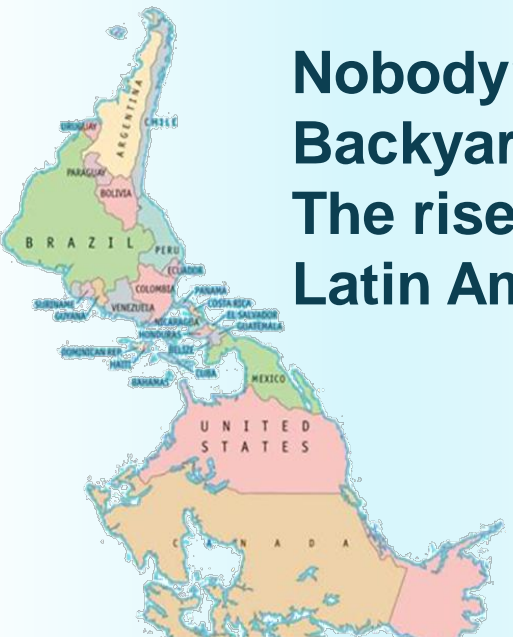
Itaú

¹ Morgan Stanley Composite Index

Latin America is growth & stability

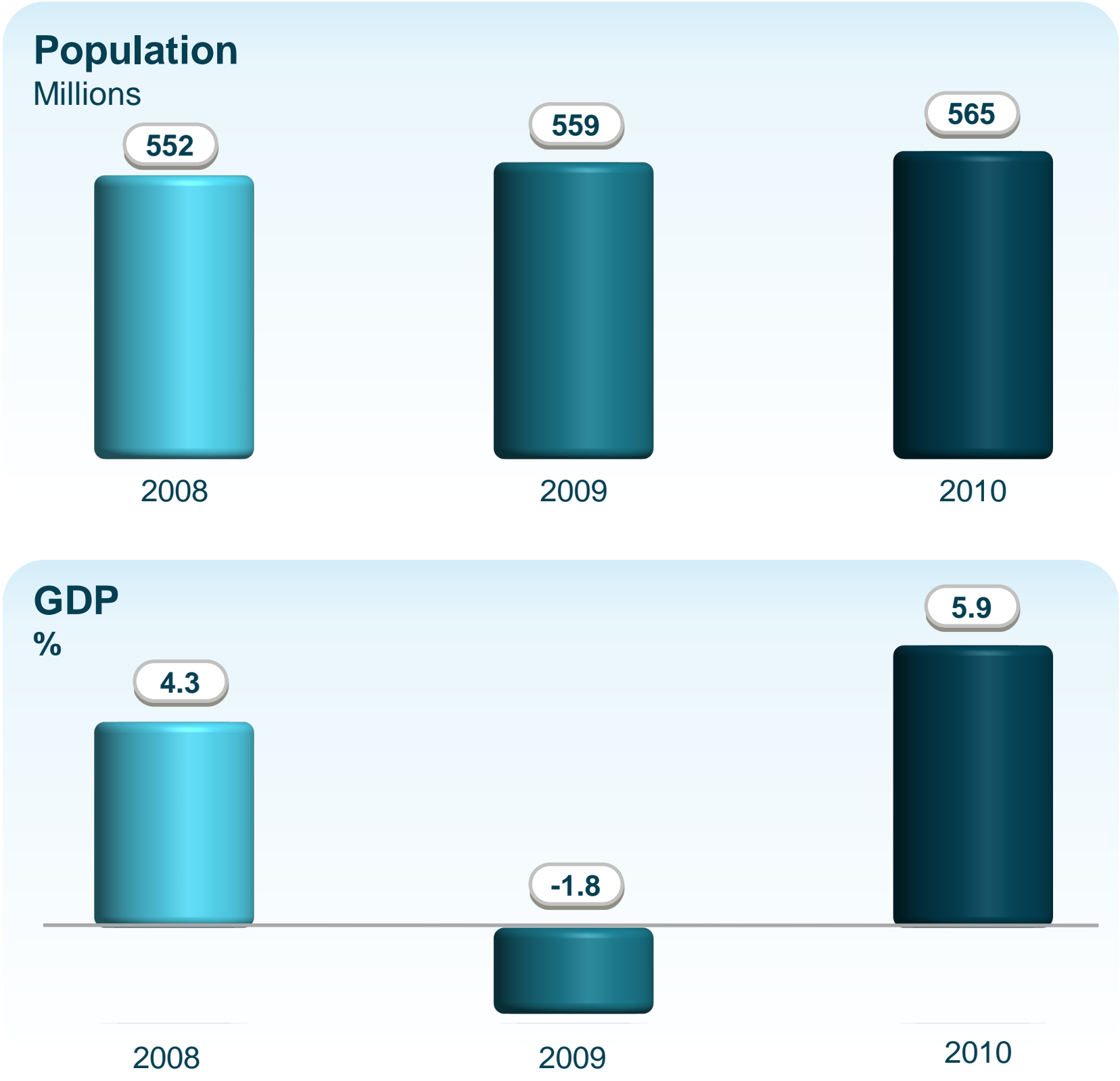
The Economist

Nobody's Backyard
The rise of Latin America



Latin America in an Uneven Global Recovery: Managing Abundance

Paris, January 24, 2011

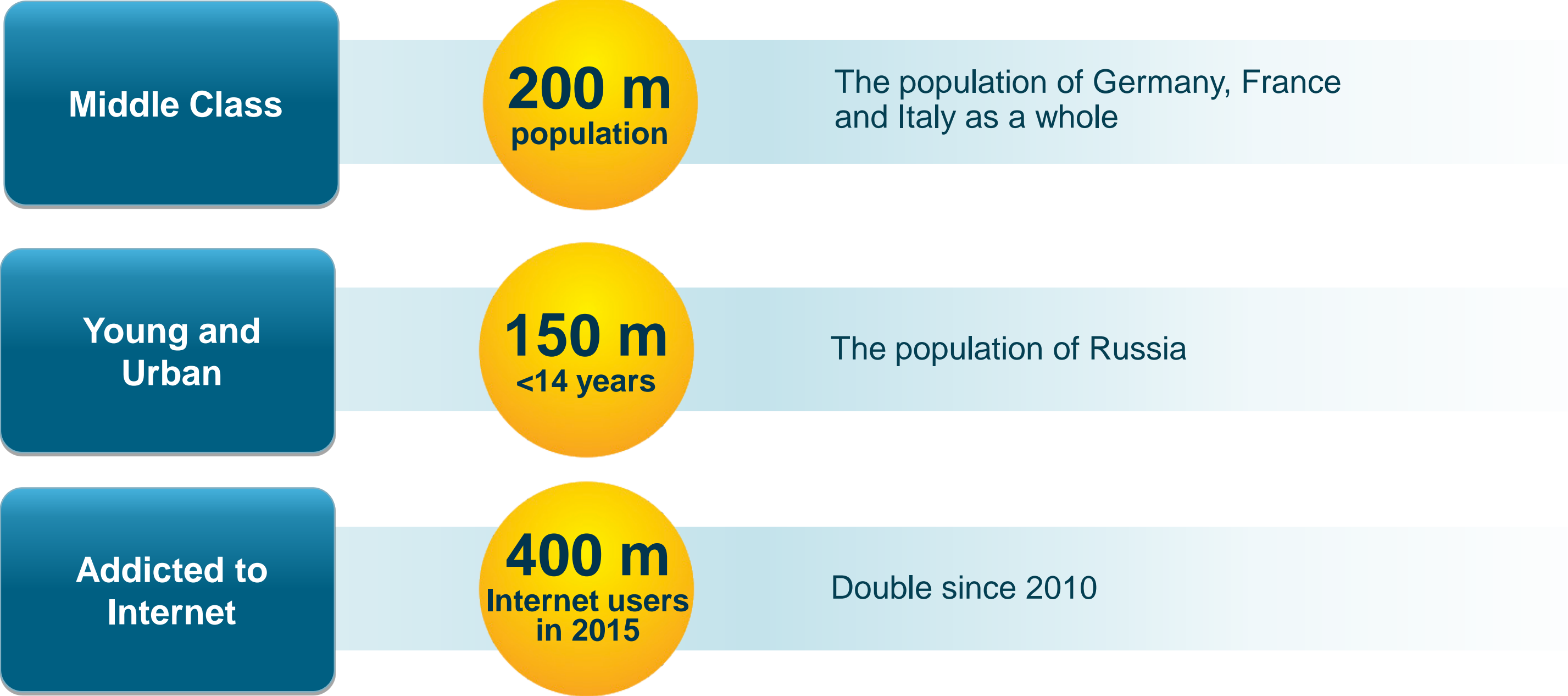


>70%
GDP
Investment
Grade

Source: IMF, Standard & Poors (Brazil, Colombia, Peru, Mexico, Panamá & Chile)



Latin America in bold letters

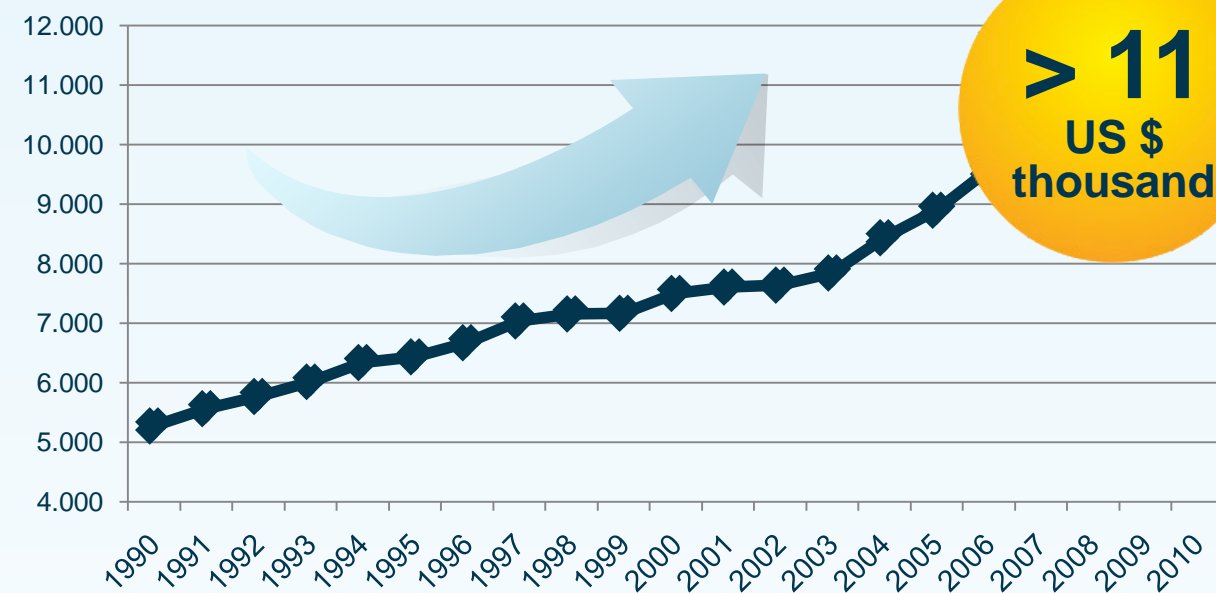


Latin America time is NOW

Source: ECLAC & Pyramid

Latin America has reached a critical level of development

GDP per capita
US\$ ppp



Income levels
support new and
more intense
patterns of
consumption

GDP per capita
US\$ ppp 2010



Income levels
way ahead of
other emerging
economies

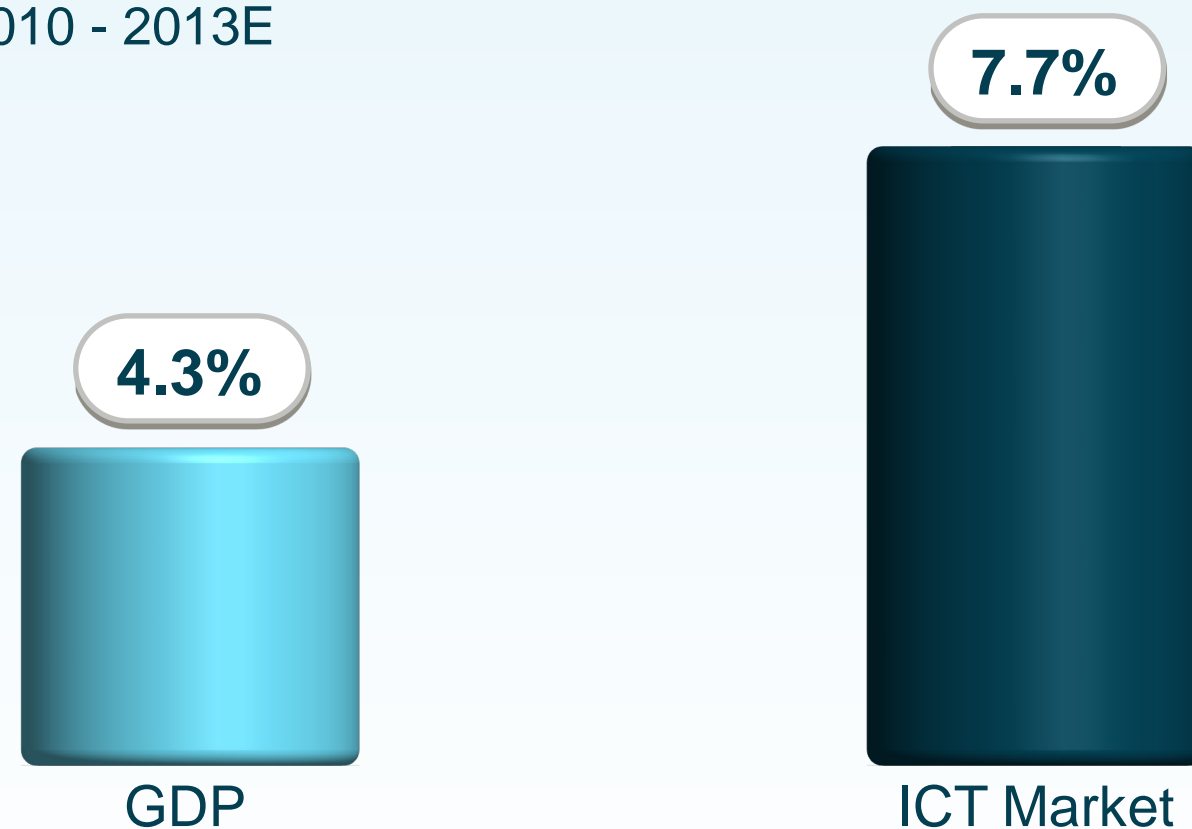
Latin America time is NOW

Telecom sector: thriving on regional growth

Telecom market expected to grow faster than GDP in Latin America

CAGR

2010 - 2013E



Positive context for Telcos

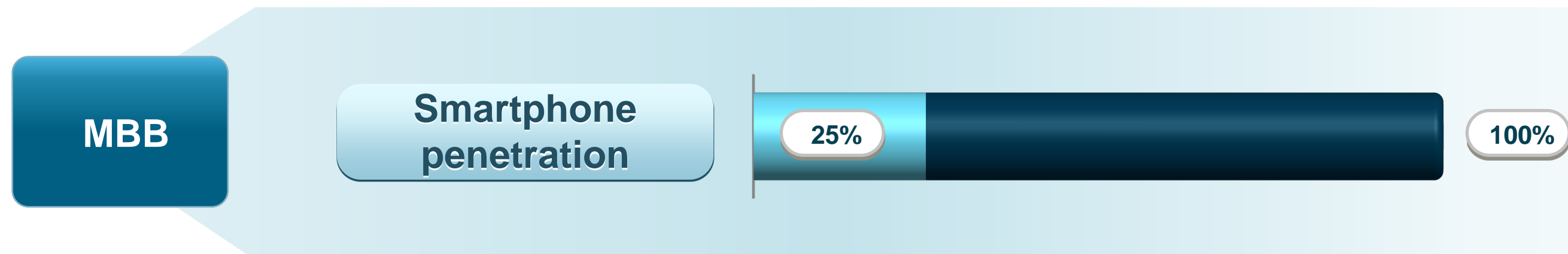
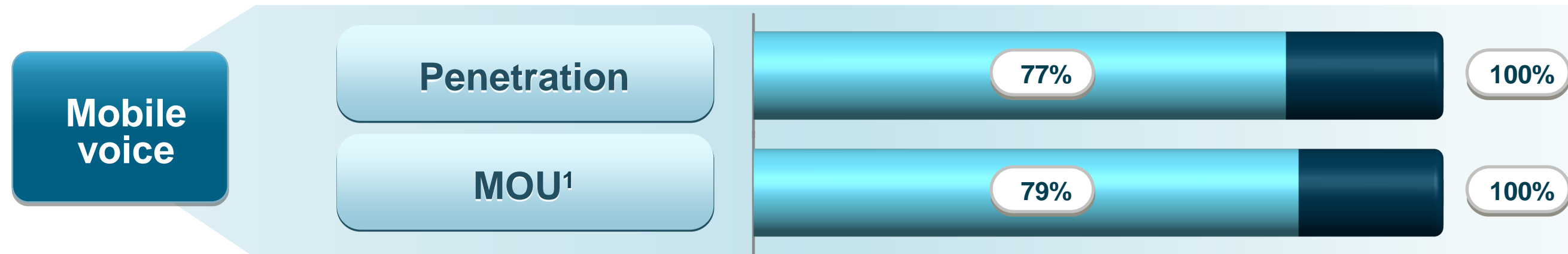
- Stable regulation, MTRs expected to follow predictable glide path
- Low and decreasing exposure to regulated prices (mobile retail prices, FBB, MBB and bundles not regulated)
- Major spectrum auctions already done
- Consolidated competitive market structure

Latin America time is NOW

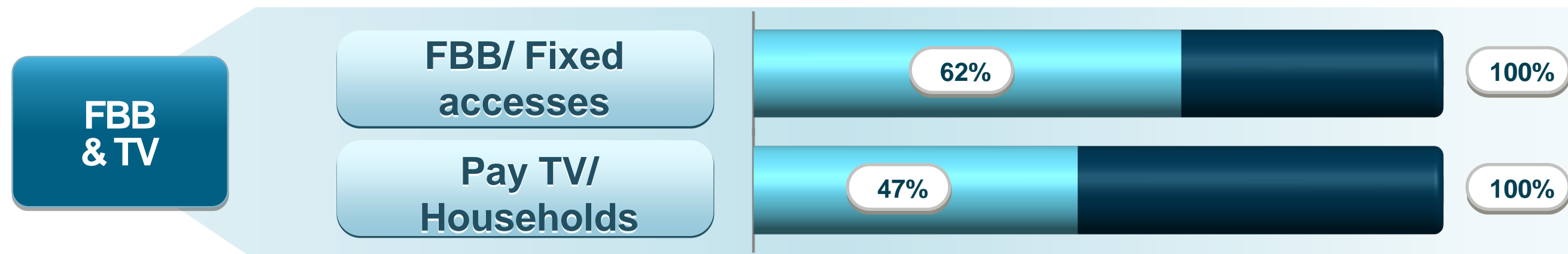
Plenty of room to grow

Latin American Market

European Market = 100%



Voice and data growing simultaneously



¹ Incoming and outgoing traffic
Source: Yankee Group, Pyramid, Q4 2010

02

Capturing current growth, building new options

Capturing current growth, building new options



Where?



How?

Capturing current growth, building new options

Where?

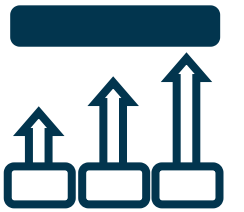
Boosting the value of a complete offer

**Growth of
traditional
business**

**Accelerating
advanced
connectivity**

**Building new
businesses**

An integrated and innovative complete offer



An empiric case that shows the value of an integrated offer

Mobile Data Service Revenues

FY 2010 vs. FY 2009
% local currency

+46.9%

Fixed Internet, Content and Pay TV Revenues

FY 2010 vs. FY 2009
% local currency

+10.0%

Accelerating growth businesses



One of the few companies in the world with a complete offer supported on a mobile network

Mobile ARPU

FY 2010 vs. FY 2009
% organic¹

+26.3%

Mobile Data Service Revenues

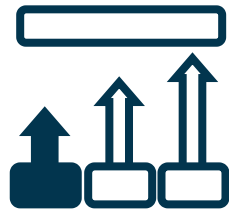
FY 2010 vs. FY 2009
% organic¹

+47.4%

Focusing on value

¹ In local currency and excluding hyperinflation accounting in both years

Driving mobile voice to the limit of its potential



Targeting untapped potential across segments



- New commercial approach to valuable young customers through social networks

Young and Urban

ISC improvements specially in prepaid

Savings in call center¹

Systematic up selling



Caribú Project

- 2.8 millions of net migrations to contract in FY2010

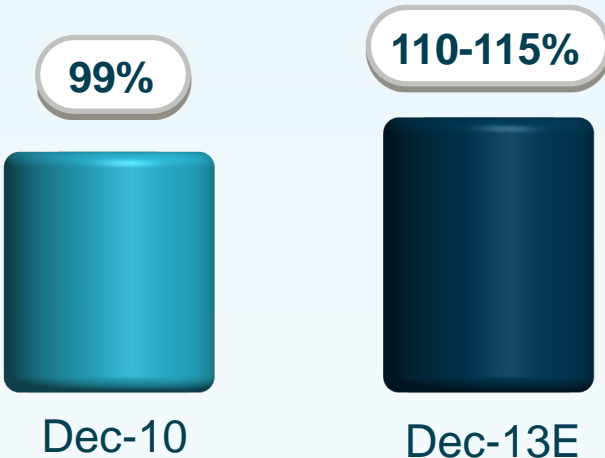
Potential of Middle Class

30 m
The largest contract base

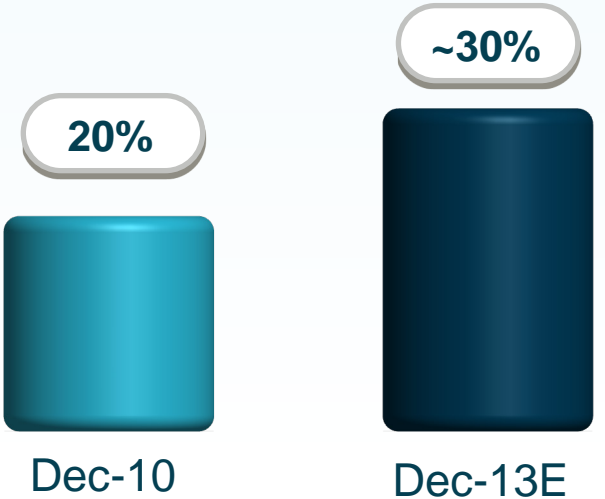


Key targets

Mobile voice market Penetration % population

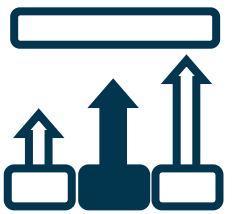


T. Latinoamérica Customer Mix % contract / Total mobile accesses



¹ Calls to call center: -28% mar'11 vs. aug'10

Accelerating on mobile broadband



Lowering entry barriers

100 US\$
Smartphone to
boost
growth

Dongles

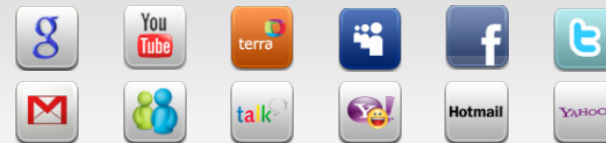
- One supplier
- Quality
- Time to market
- Simple portfolio

1.3 millions

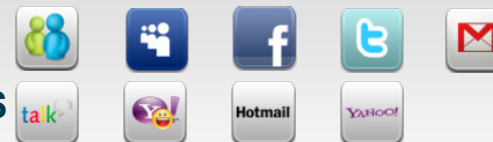
Dongles sold since Q3 10

Enhancing our commercial offer

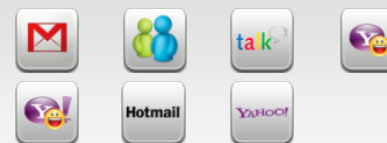
Paquete
NAVEGACIÓN



Paquete
REDES SOCIALES



Paquete
MAIL+CHAT



Paquete
CHAT



Paquete
MAIL



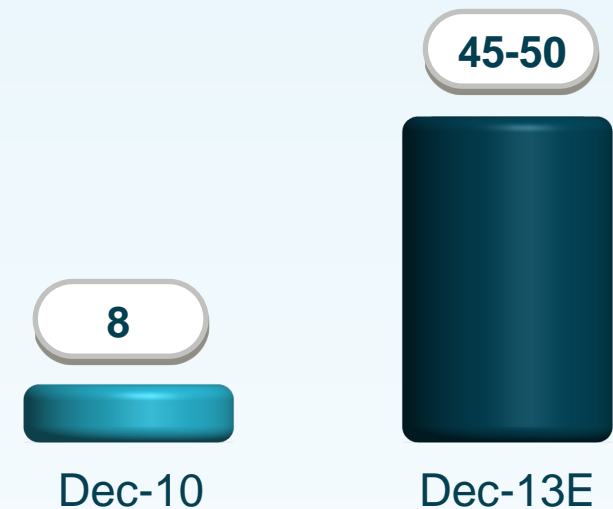
X 3.5

MBB accesses 2010 vs. 2009 in Colombia

Key targets

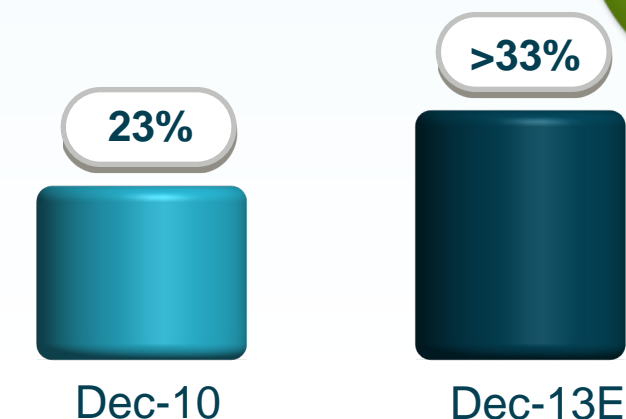
MBB accesses

T. Latinoamérica millions



Mobile data revenues

T. Latinoamérica
% Mobile service revenues



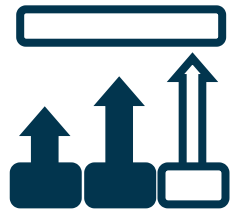
X3
non SMS/MMS
mobile data
revenues (€m
FX 2010)



Investor
Conference

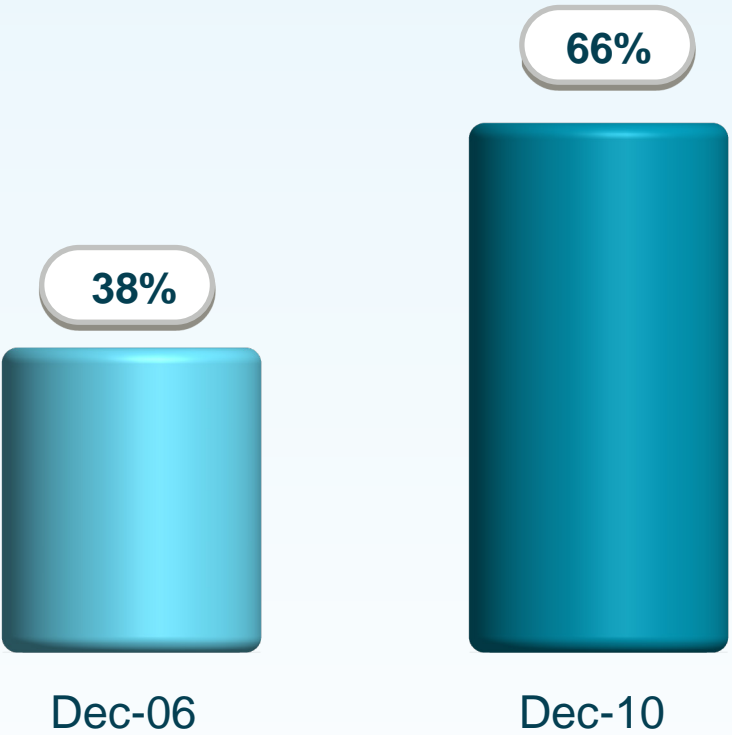
Telefonica

Capturing the fixed opportunity



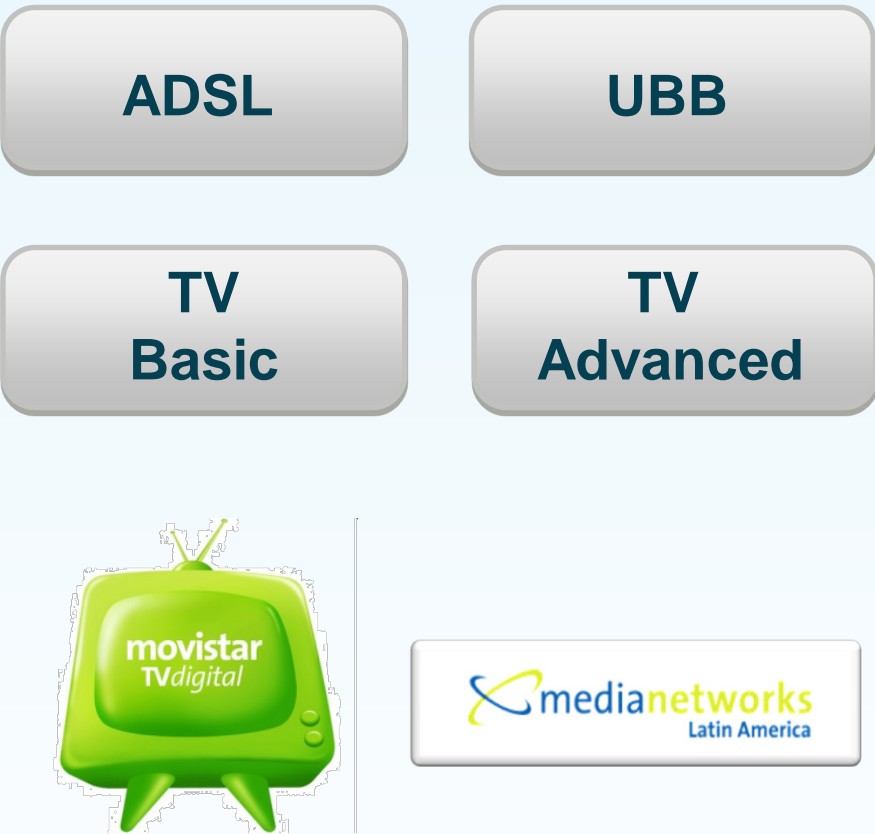
Intensifying bundles

Bundling¹
%Traditional fixed accesses



Minimizing F2M revenues cannibalization

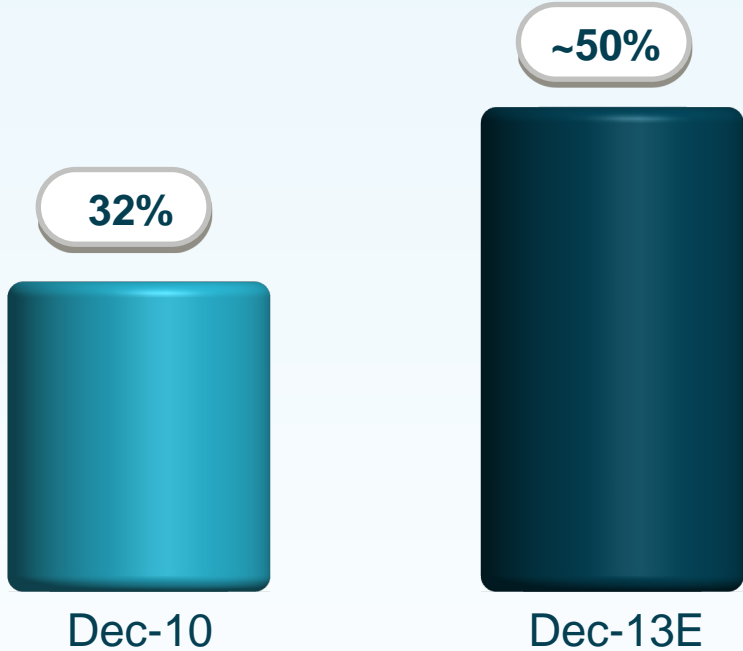
Segmented development of multimedia and connectivity offer



Develop a full offer for the 200+33 m middle class

Key targets

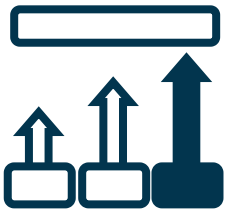
FBF penetration
T. Latinoamérica
% BB accesses/ fixed lines



No FBF access without valuable bundle (2P /3P)

¹ % of fixed accesses with bundled voice plans

Building new options



Video OTT

- Increased market potential
- Profitability improvement
- More value for BB access



Financial Services

- Banking the unbanked (70% of population without savings account)
- Innovative value propositions



Cloud Computing

- Leverage of Telefonica's Global Network
- Global T-Cloud



Terra TV

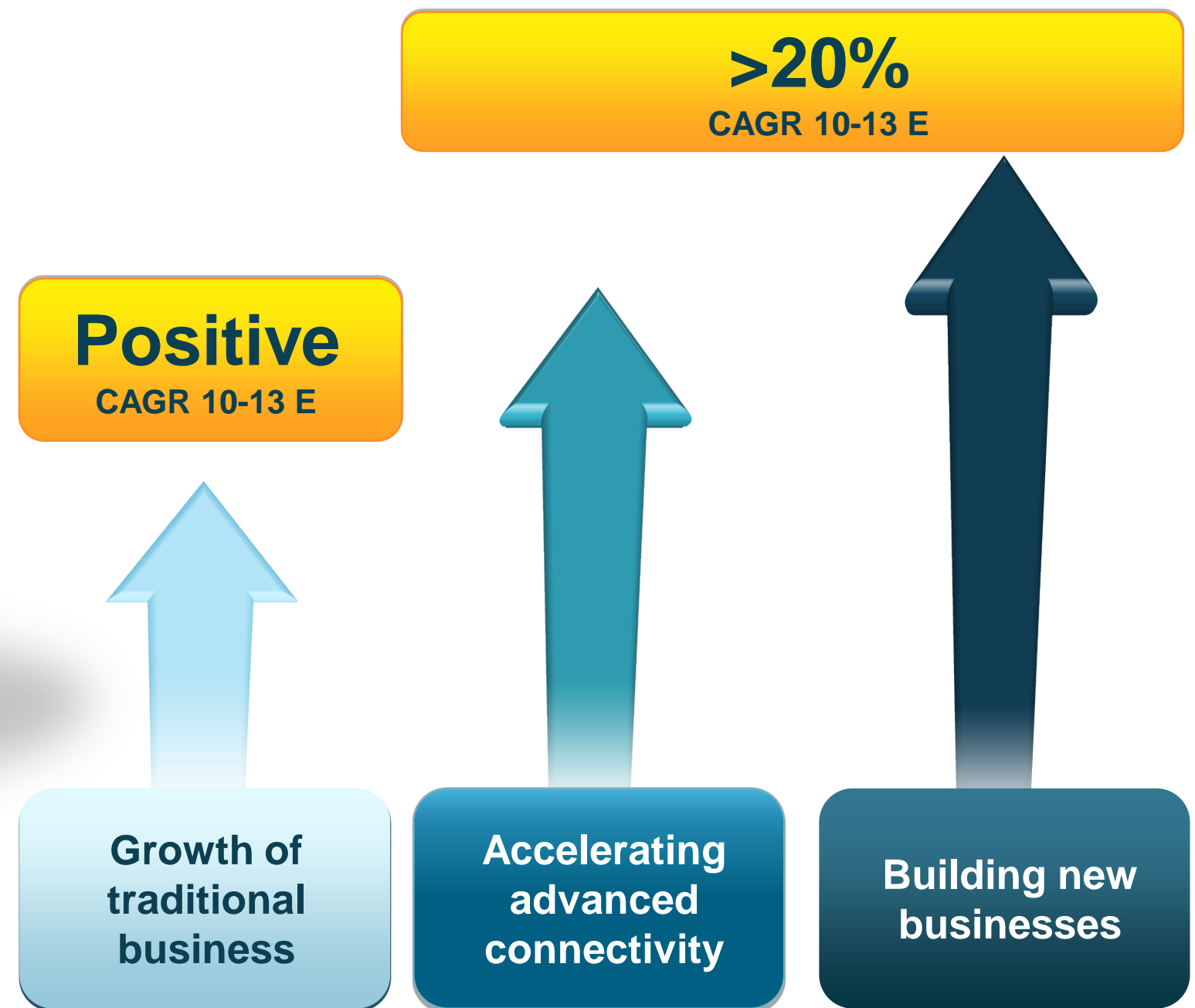
- Multimedia services across music, video and information



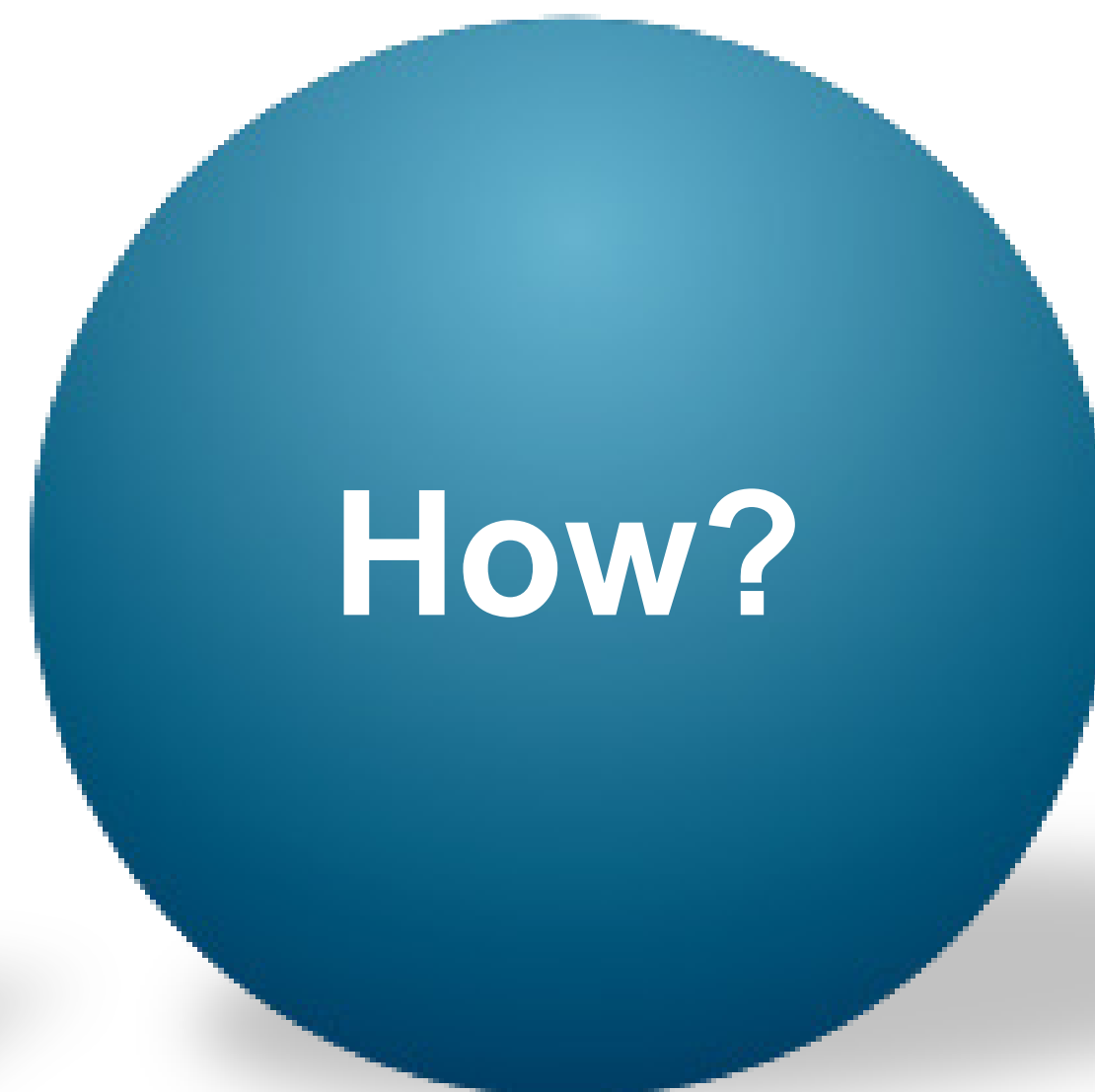
**Services beyond connectivity revenues
FY 2010 5% Total T.Latinoamérica Revenues**

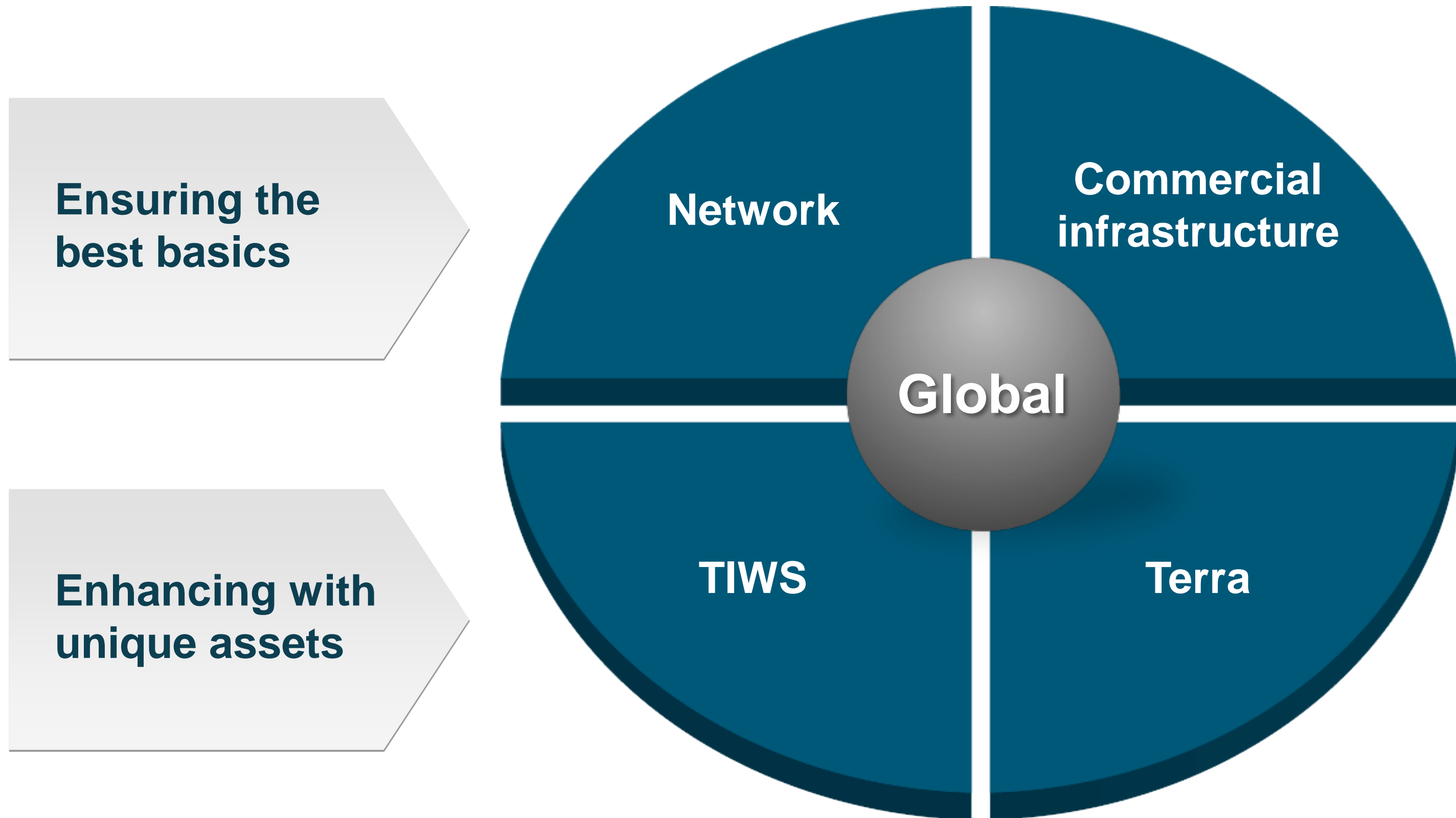
Capturing current growth, building new options

Boosting the value of a complete offer



Capturing current growth, building new options







7 Verticals



Video & DH



Apps



Financial services



eHealth



Security



M2M



Cloud

Leveraging global scale

Telefonica

~ 290 m accesses

**Key strategic
partnerships**

**+ 730 m combined
customers**

Sharing best practices

- Quality and customer oriented projects
- Network management
- Fixed transformation initiatives
- Medianetworks and TIWS capabilities
- Device strategy

TIWS allows us to manage traffic growth and to implement new technologies quicker and cheaper



Competitive advantages

**Economies
of scale**

**Economies
of scope**

**Access to
new markets**

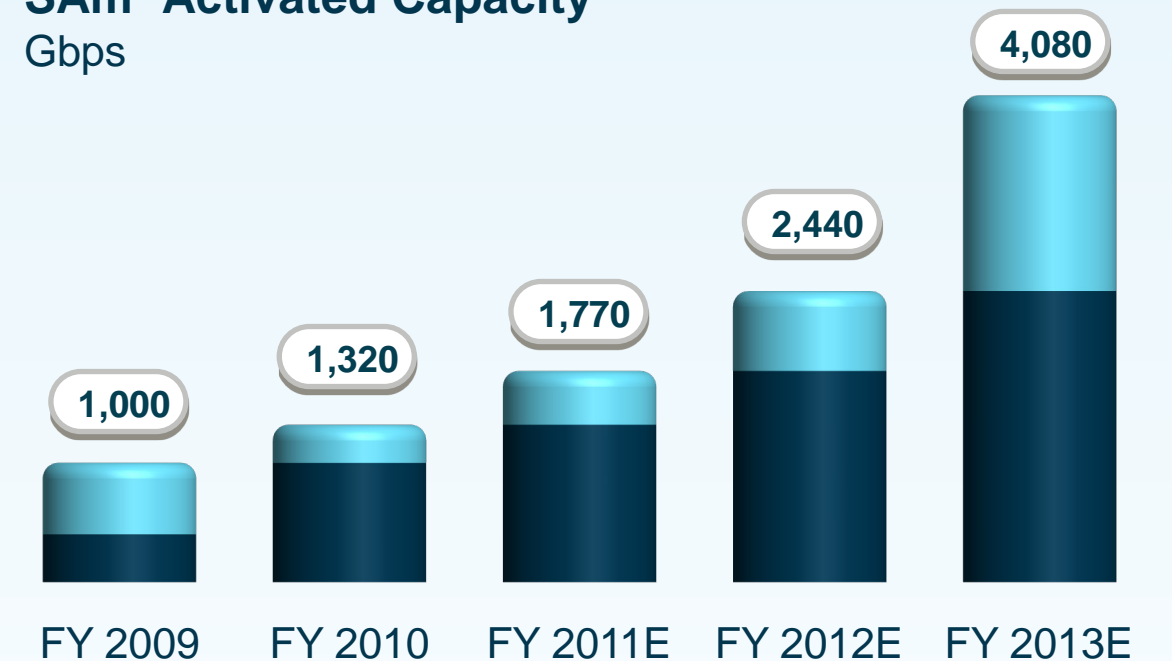
**Technological
evolution**

Unique Infrastructures



**4th largest
submarine
cable ring**

**SAm¹ Activated Capacity
Gbps**



- Key Asset in the region
- Terrestrial domestic networks
- Satellite Infrastructure provides extended coverage
- Global CDN¹ with local capillarity

¹ Content Delivery Network

Our brand attributes strengthen the value of a customer oriented strategy



**1# or 2#
Top of
mind in
every market**

Quality as the main driver for customer satisfaction



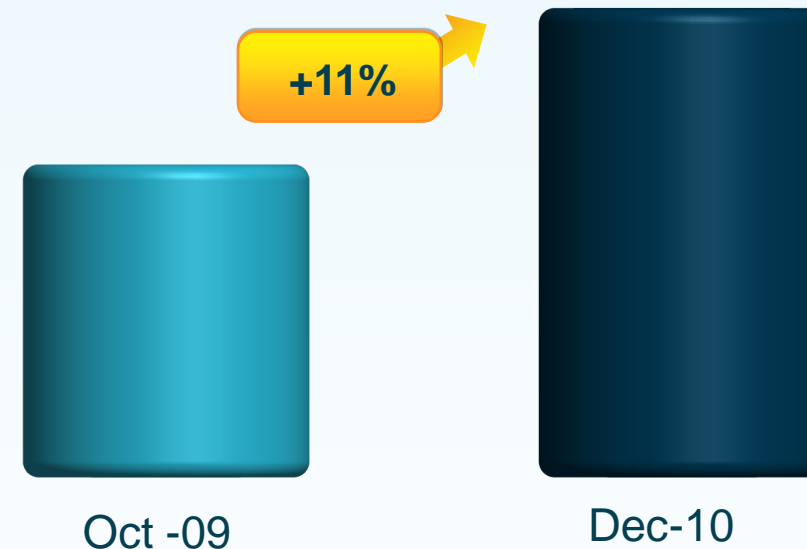
What we said in October 9th 2009

- Consistent Delivery
 - § End to end process focus & COPC¹ methodology
 - § FCR² focus & billing claims reduction
- Best Customer Experience
 - § Unique experience
 - § Strong reduction of unsatisfied
- Customer Culture
 - § Employee and customer program linked to customer experience

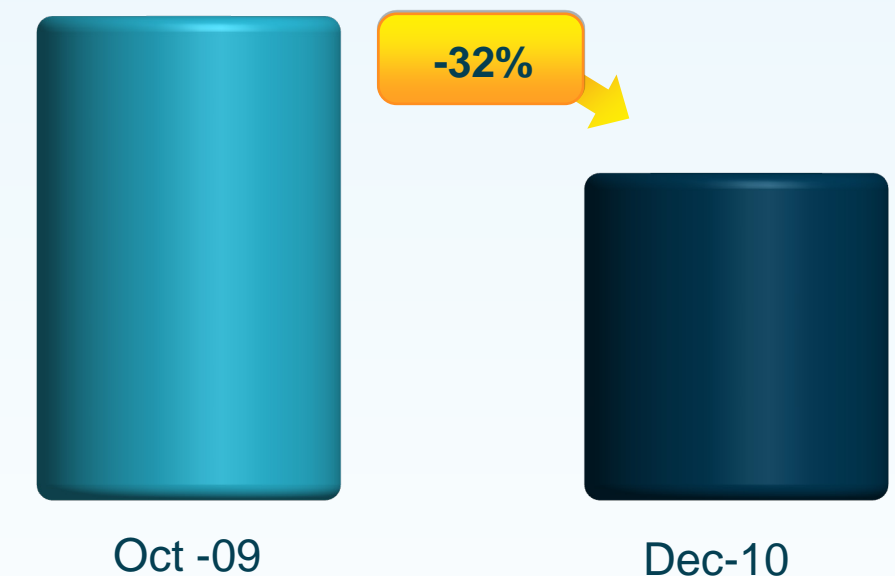
**Improving CSI
in every market**

What we have achieved so far

FCR²
%



Billing claims
%



Our customer oriented strategy and quality management have been a key factor in our commercial performance in every market

¹ COPC: Customer Operations Performance Center

² FCR: First Call Resolution

Business intelligence as a key driver to enhance customer focus



Key initiatives

- FCR focus & billing claims reduction
- Seamless multichannel experience
- Customer culture



An integrated, customer focus, regional and flexible business intelligent project

Best in class churn

Mobile Churn

FY 2010
%



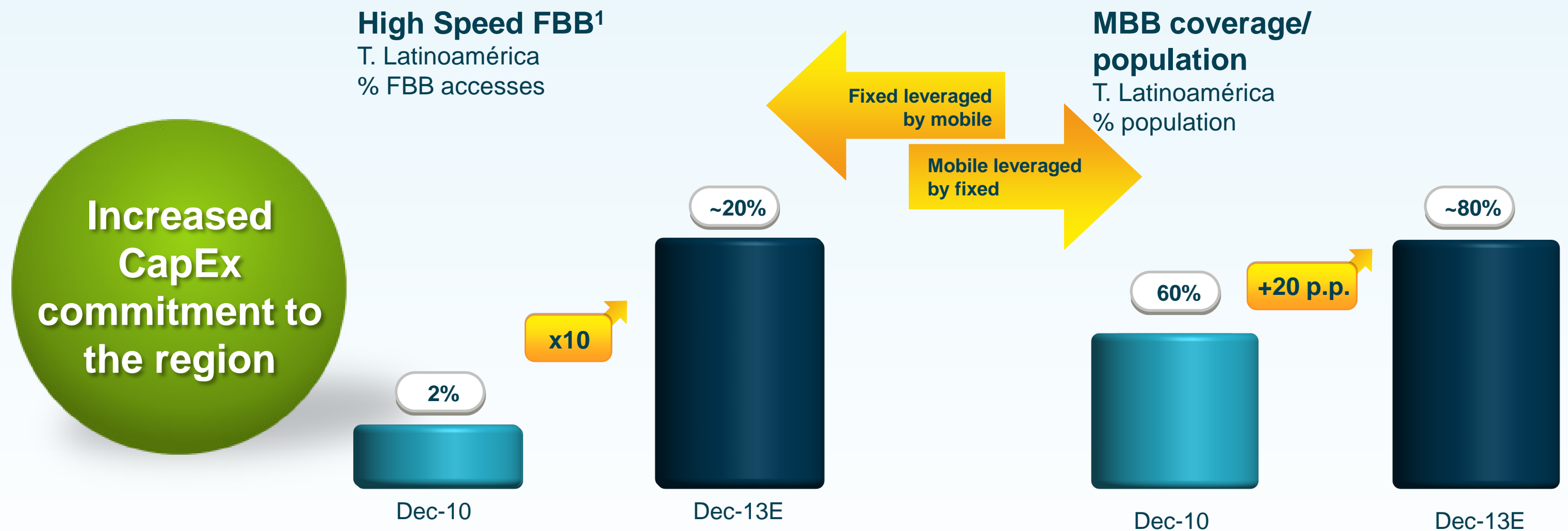
Reference in
customer
satisfaction
in main
markets

Capturing current growth, building new options



Committed to the opportunity

We are investing to capture the growth



¹ Equal or higher than 8 Mbps

03

Our portfolio:
leading Brazil, leveraging diversity

Leveraging diversity

FY 2010¹
Latam revenue



Brazil

- Our key growth pool
 - § Improving commercial momentum
 - § Capture synergies

48%



North Region (7 countries)

- Mexico, strong bet on 3G as the key driver to recover momentum
- Venezuela, focus on value through a complete offer

16%



South Region (6 countries)

- Complete and integrated offer
- Lead introduction of new services in our networks being the best provider of video and applications

33%

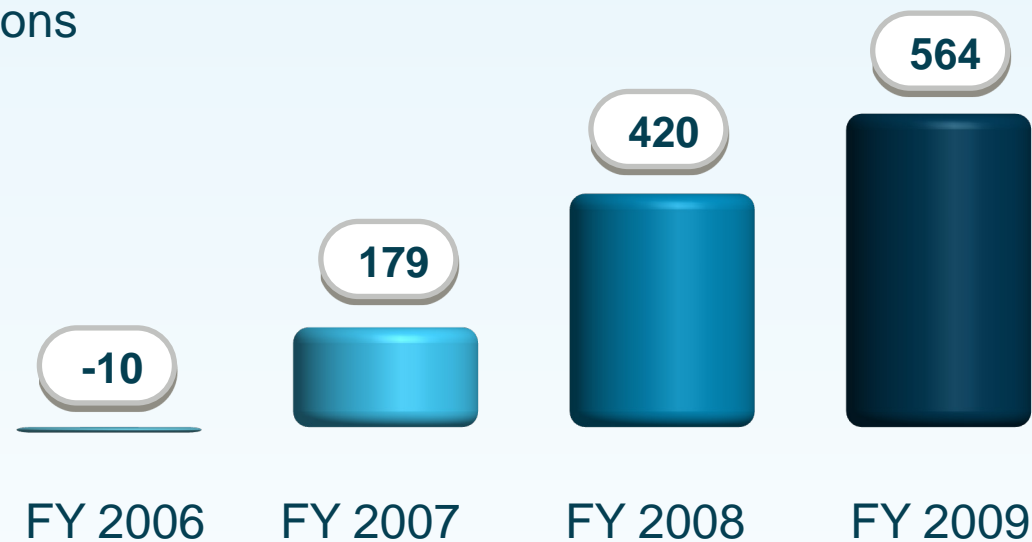
¹ Assumes 100% VIVO



Solid track record as an attacker

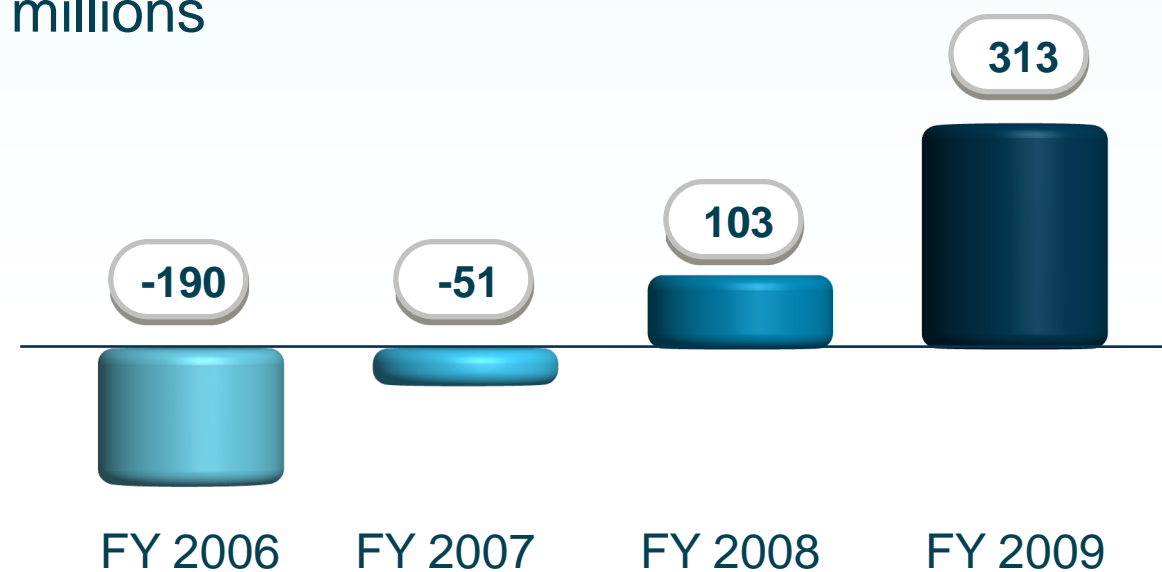
OIBDA

€ in millions



OpCF

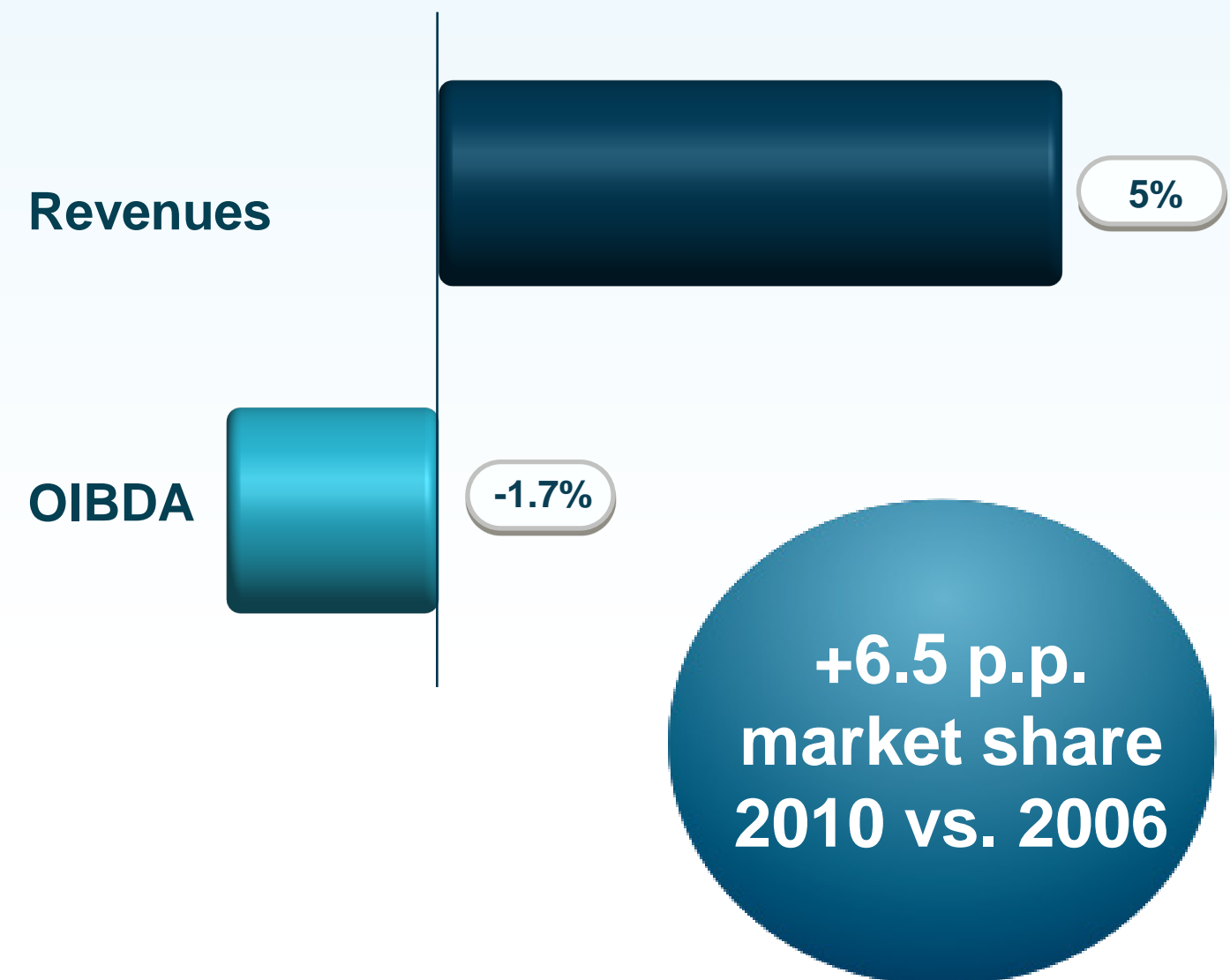
€ in millions



Challenging situation in 2010

FY 2010 vs. FY 2009

% Local Currency



A large growth potential

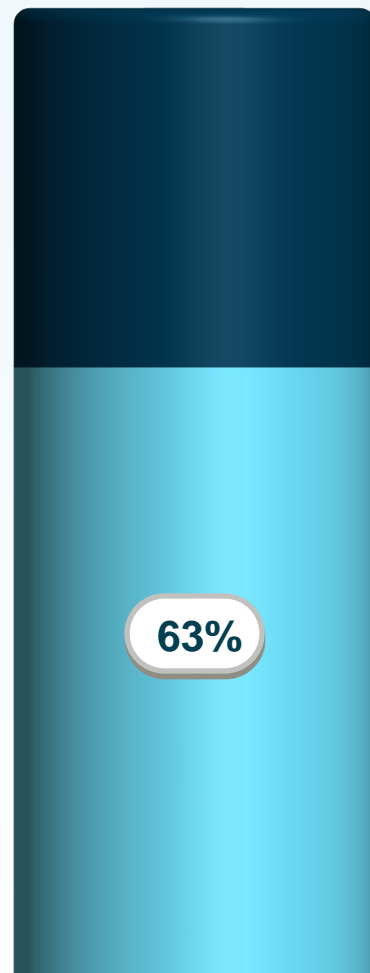


The opportunity

Mobile voice

Penetration

100%



% contract / Total mobile accesses

100%



MBB

Smartphone penetration

100%



■ Mexican Market

■ European Market = 100%

11th largest population in the World

Young & Urban
~32 m <14
78% urban

Internet Users
35 m

Social Networking
76% penetration among <24 years

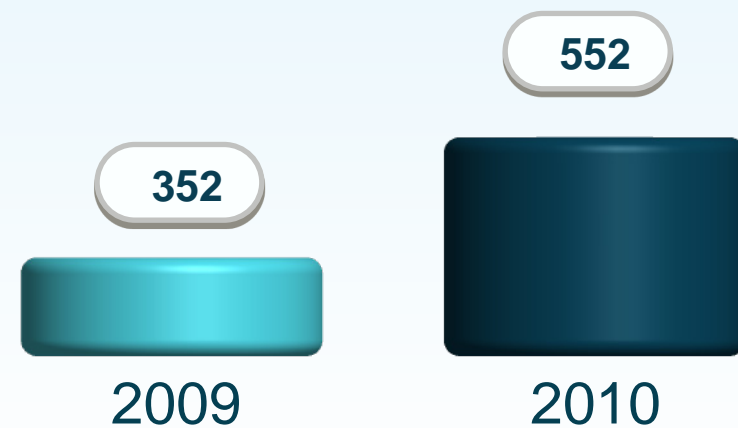
Highest GDP per capita in the region

And the platform to build upon it



Spectrum

MHz



Q310 Spectrum acquisition

1,700-1,900 MHz Band

Starting point to capture the MBB wave of growth

LD Backbone

Thousands Km



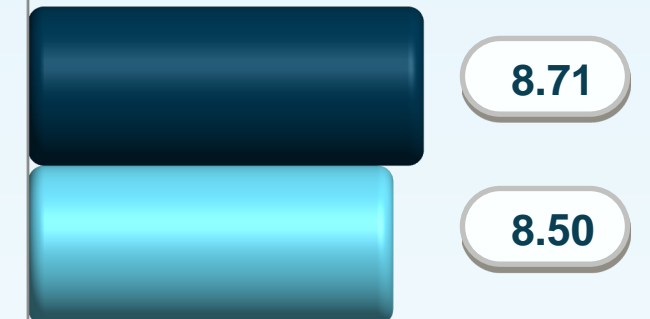
Signed dark fiber consortium in June 2010



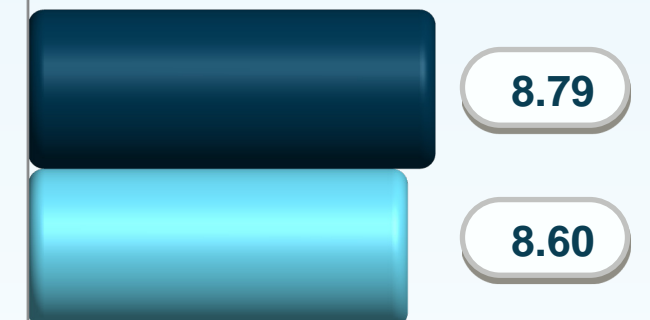
Customer satisfaction

CSI
Dec-10

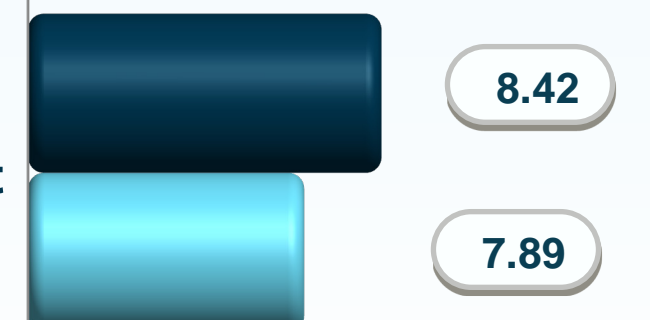
Mobile



Prepay



Contract

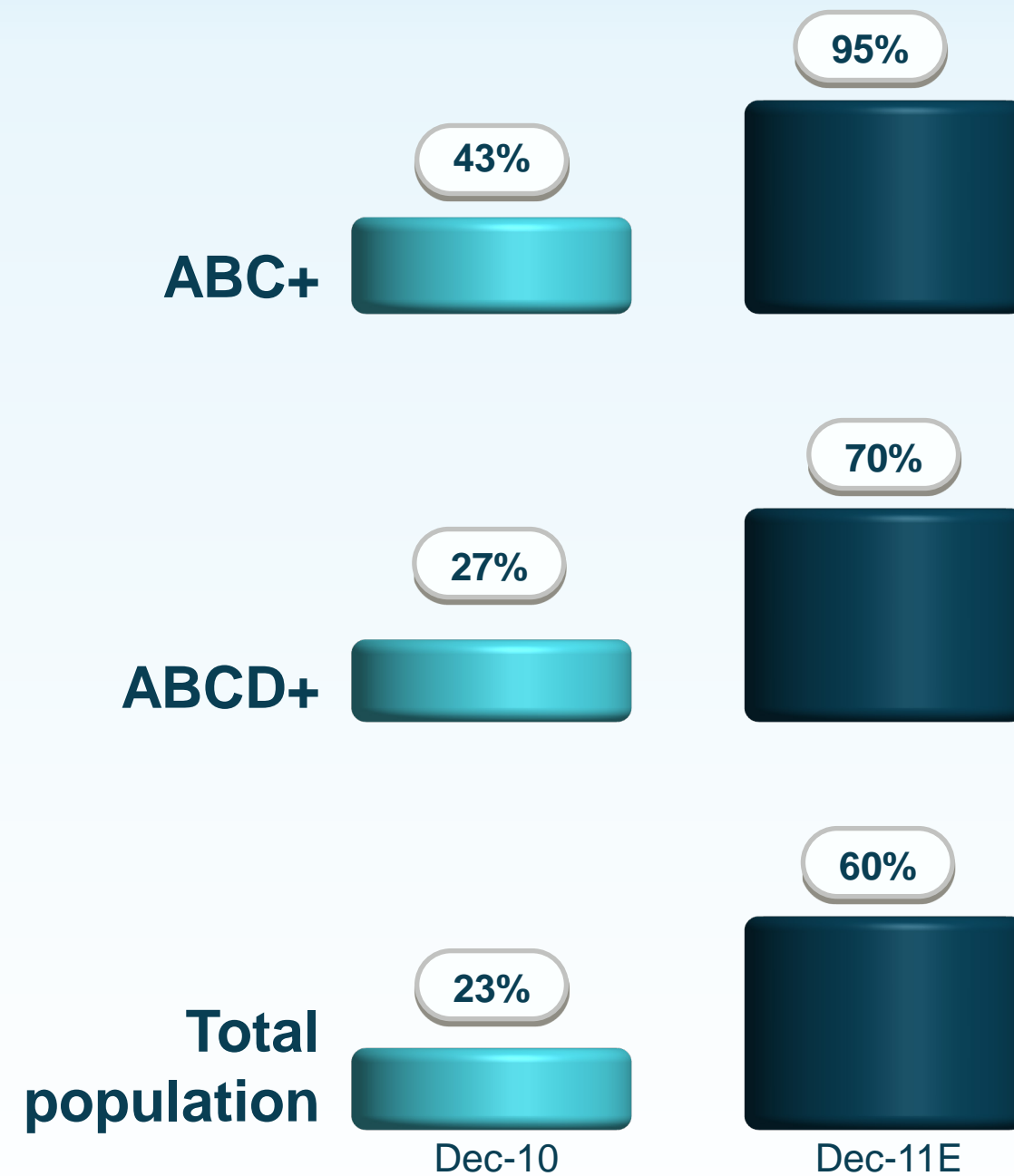


■ Telefónica ■ Main competitor

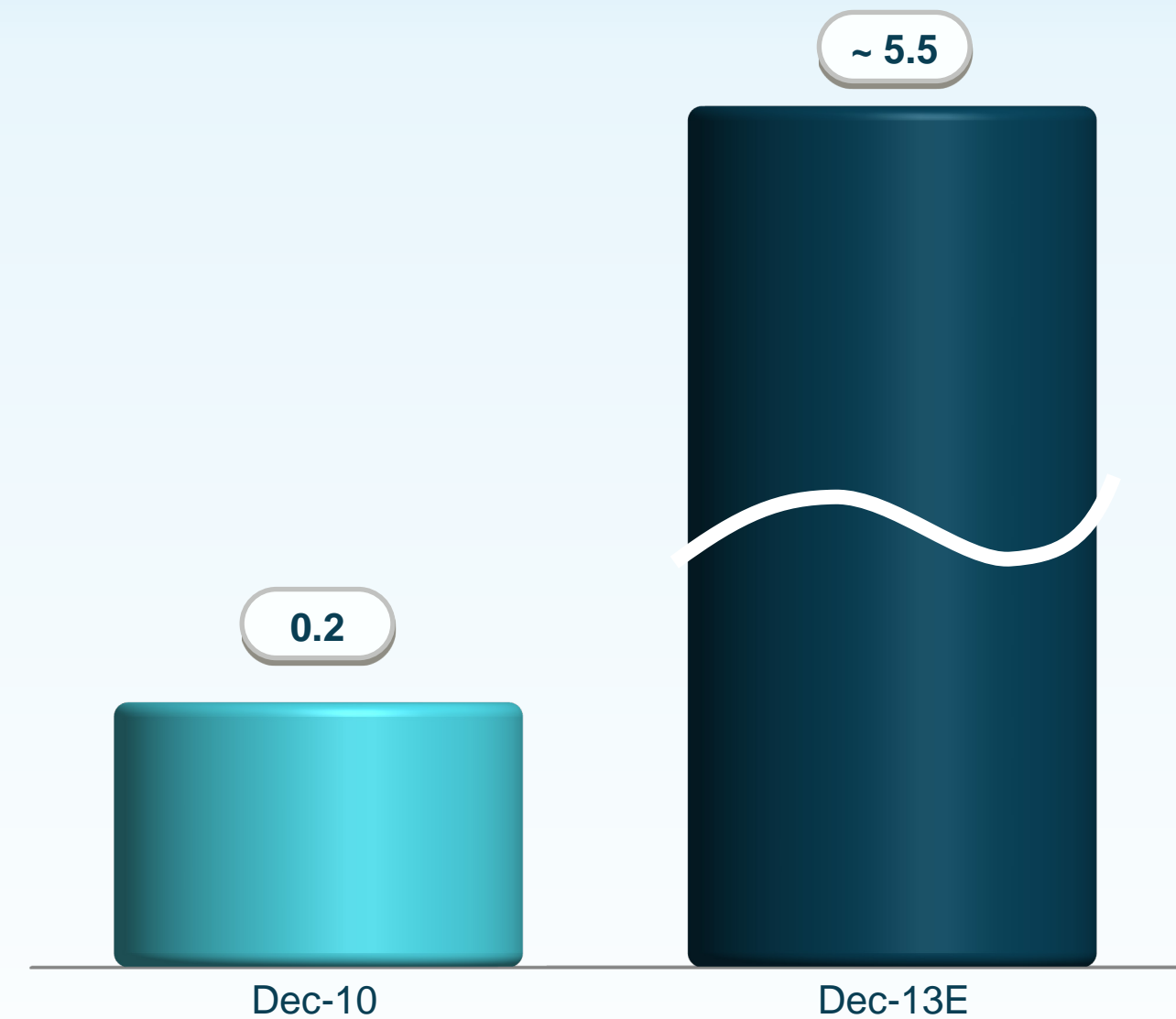
Betting on 3G to kickstart the new wave of growth



3G coverage by socioeconomic segment
%



Telefónica MBB accesses
In millions

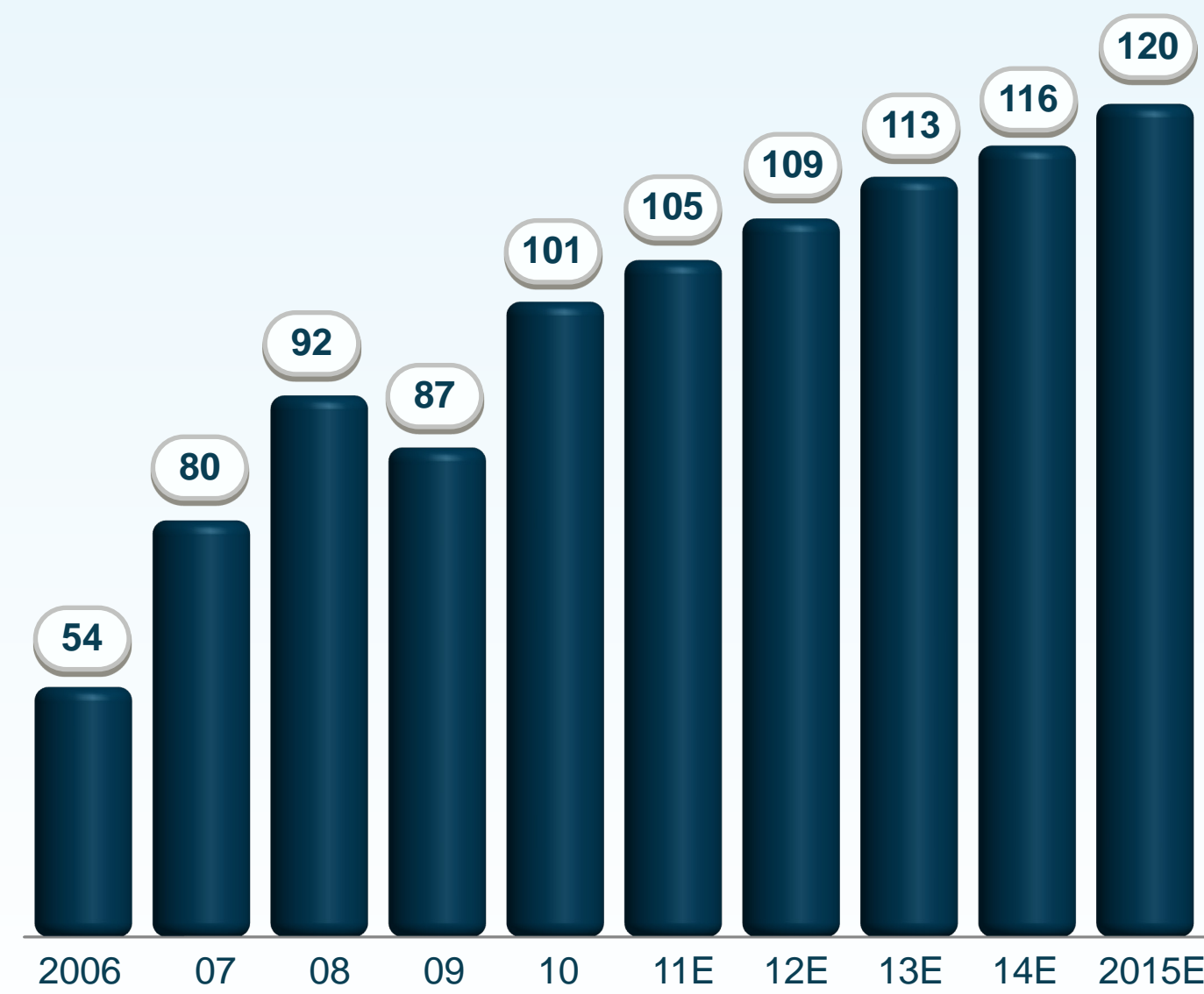


Brazil, a very large and rapidly growing market



Total Revenues Telecom Market Brazil

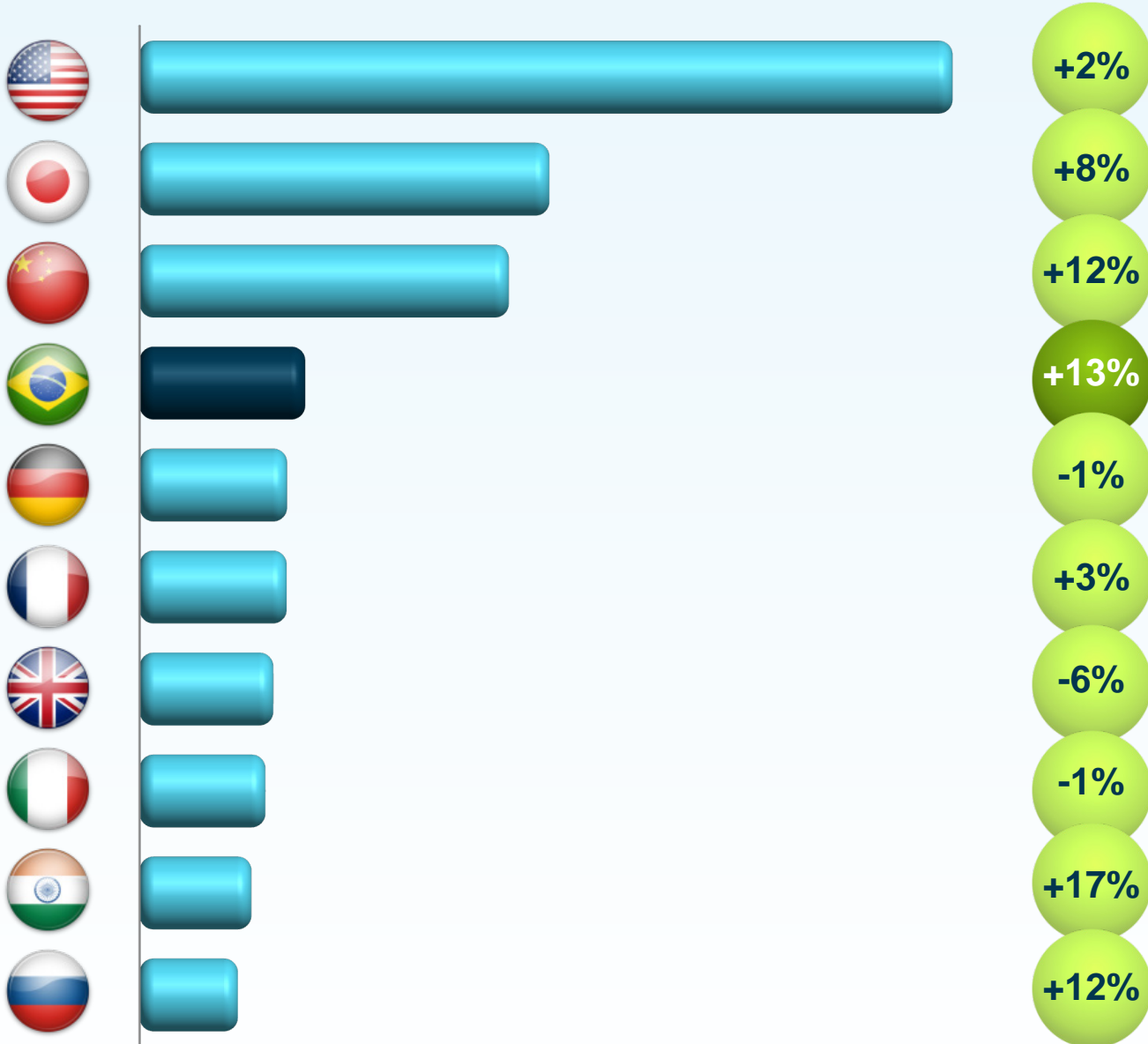
R\$ in billion



Top 10 telecom markets in the world per 2010 revenue

Total market revenues

CAGR FY06 - FY10



Source: Pyramid

Brazil, plenty of opportunities



The opportunity



**Middle class
~100 m
population**

**Young &
Urban
~50 m <14
87% urban**

**Internet Users
80 m**

**Leading
penetration
in Social
Networks**

GDP Growth

¹ Incoming and outgoing traffic
Source: Yankee Group, Pyramid, Q4 2010



Mobile Voice Market



FY 2010-2013E

**Mobile
Penetration
%**

+ 17 p.p.

**MOU¹
Min**

+ 3%

MBB Market



FY 2010-2013E

**Mobile
data users
%**

+ 23 p.p.

**Smartphone
penetration
%**

+ 8 p.p.

FBB & TV Market



FY 2010-2013E

**Pay TV
Subscribers /
Households
%**

+ 5 p.p.

**FBB/STB
%**

+ 12 p.p.

¹ Incoming and outgoing traffic
Source: Yankee Group, Pyramid, Q4 2010



Telefónica in Brazil, clear leadership

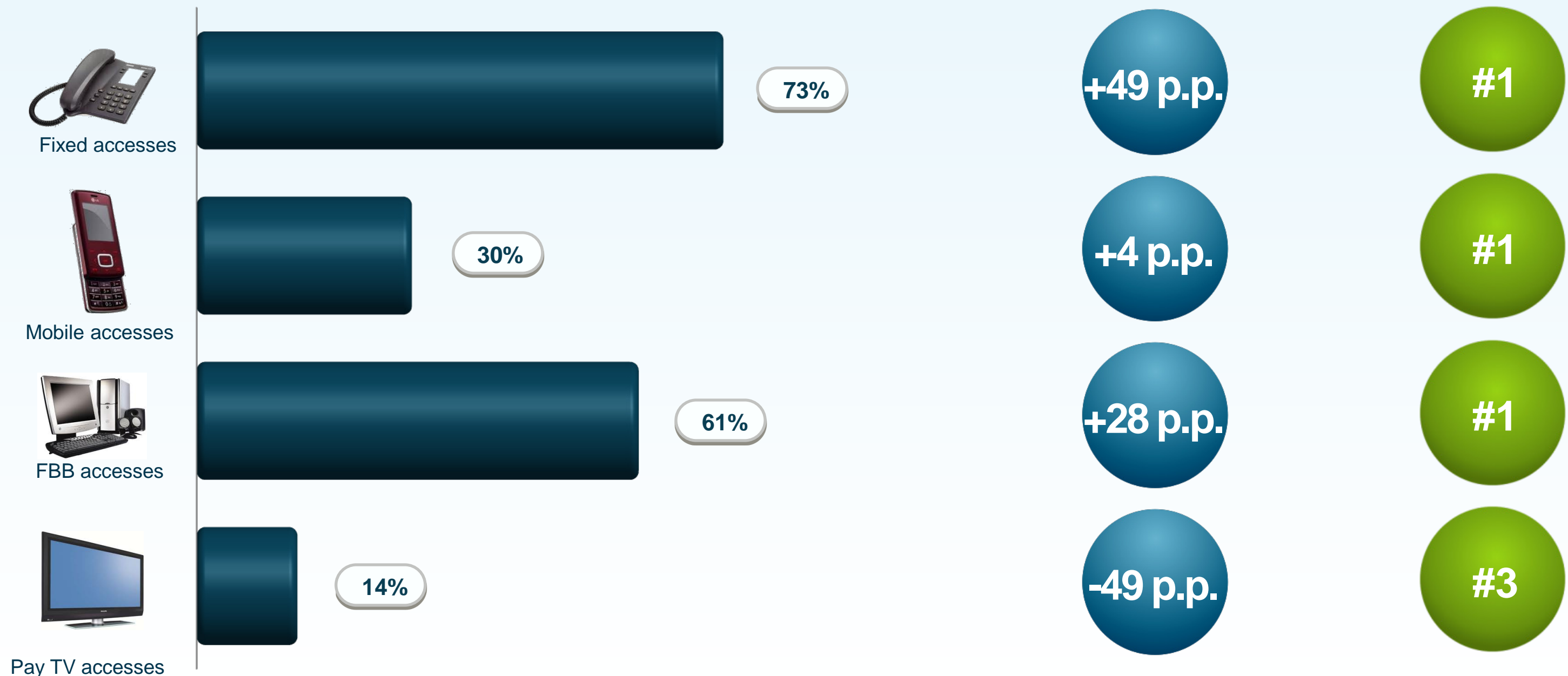


A leadership position¹
December 2010

Telefónica Access Market Share

Vs. the main competitor

Position



¹ Share and position in fixed voice, FBB and TV Sao Paulo
Source: Anatel and Telefónica estimates

Telesp, a strong fixed incumbent



Best performance vs. peers in Latin America

Thousands of fixed accesses net adds, FY 2010



Telefonica

39



TELMEX

-291



-1,268

Source: Company data

Customer satisfaction
improvement

First company to offer
>30 Mbps

Positive churn evolution

Historical level of FBB net gain



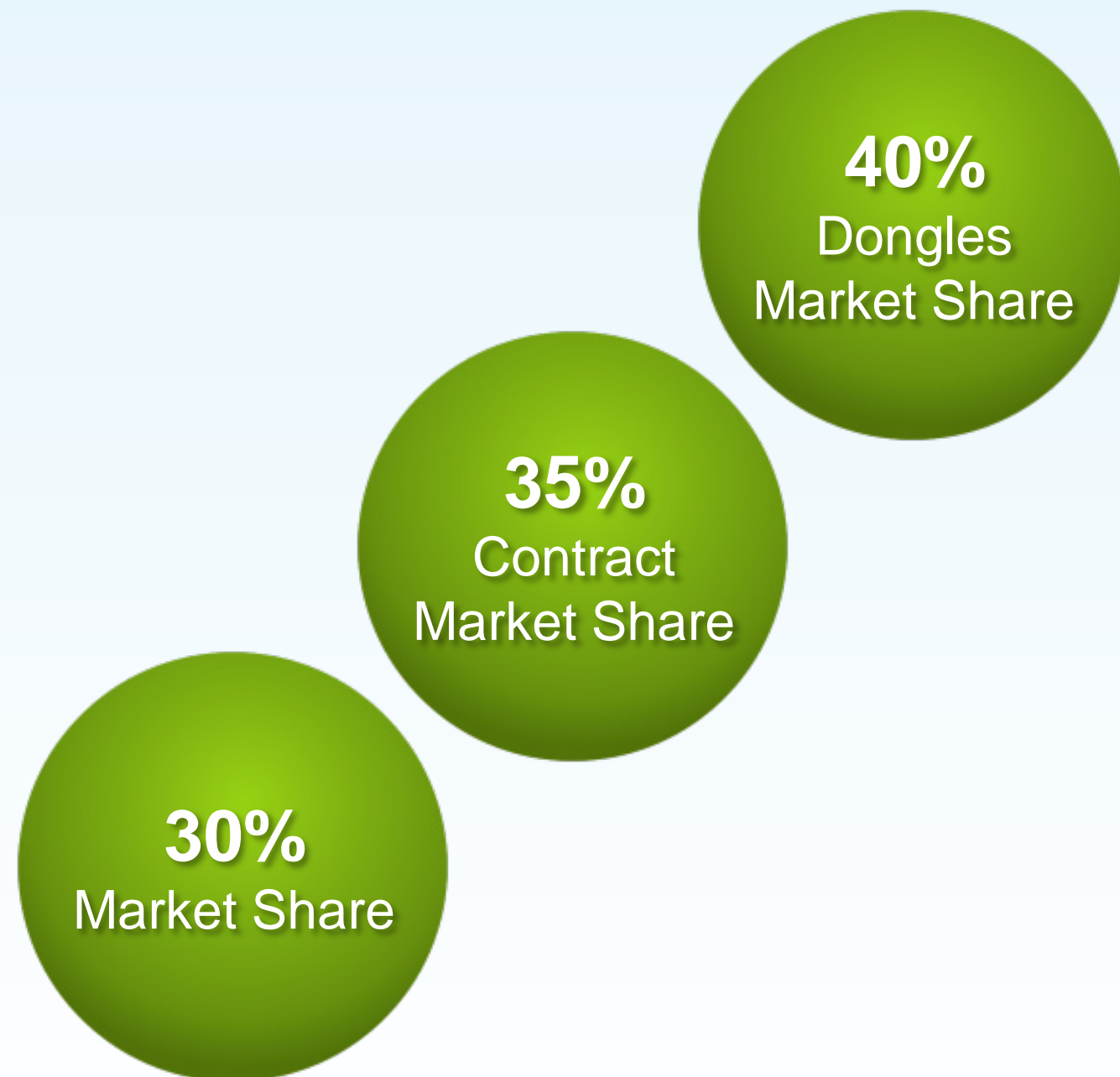
Investor
Conference

Telefonica

Vivo, the indisputable leader



VIVO 2010



**# 1 Top of mind
(6 p.p. above
competition)**

**#1 Customer
satisfaction**

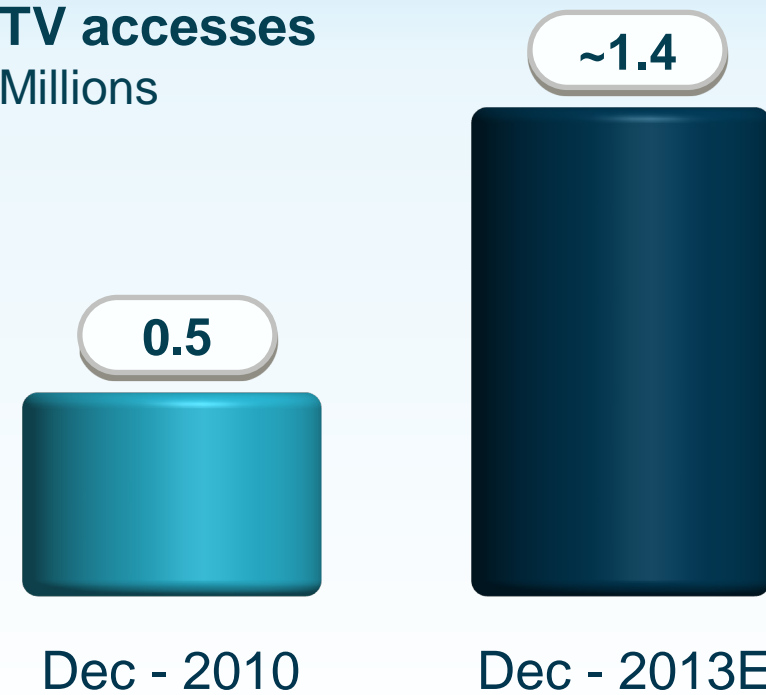
**Leader in
population
coverage (over
25 m advantage)**

**Leader in 3G
coverage
(x3 covered
towns closest
competitor)**

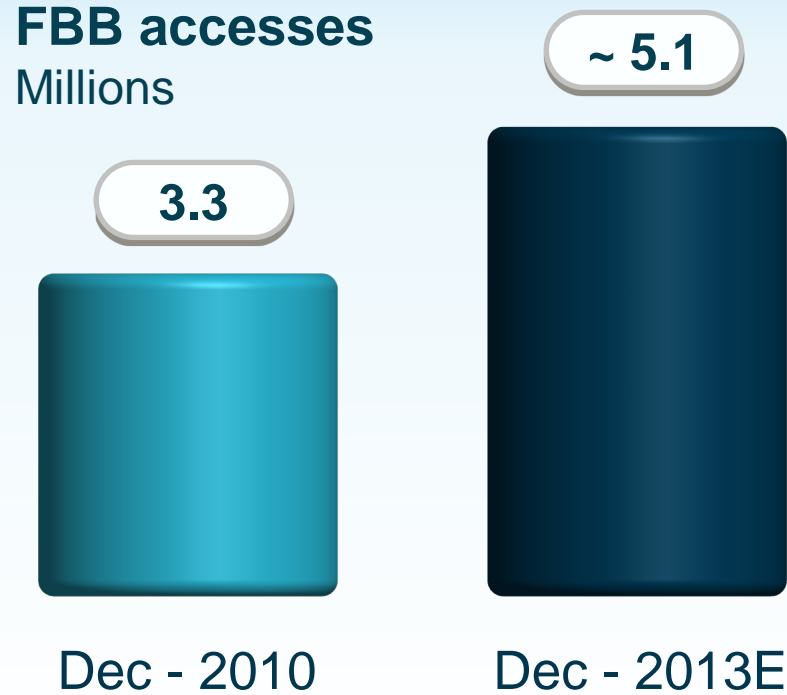
We are increasingly capturing growth opportunities



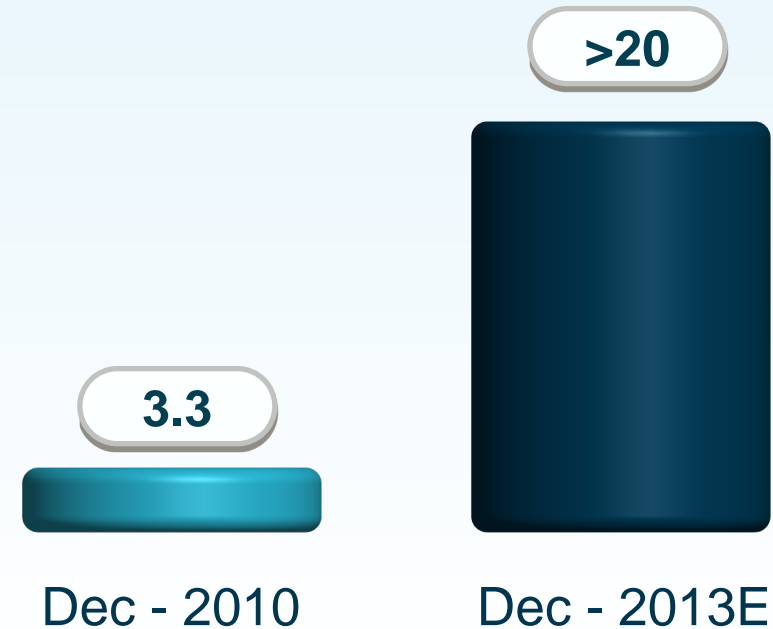
TV accesses
Millions



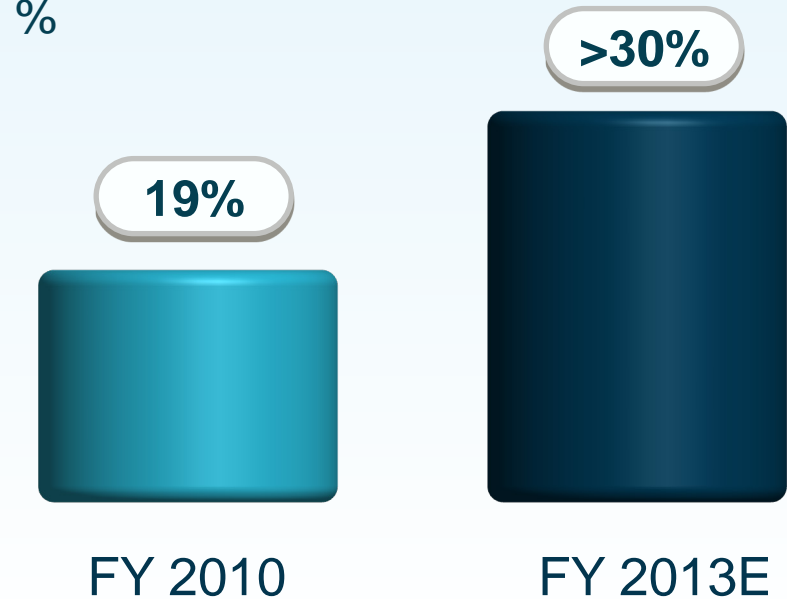
FBB accesses
Millions



MBB accesses
Millions



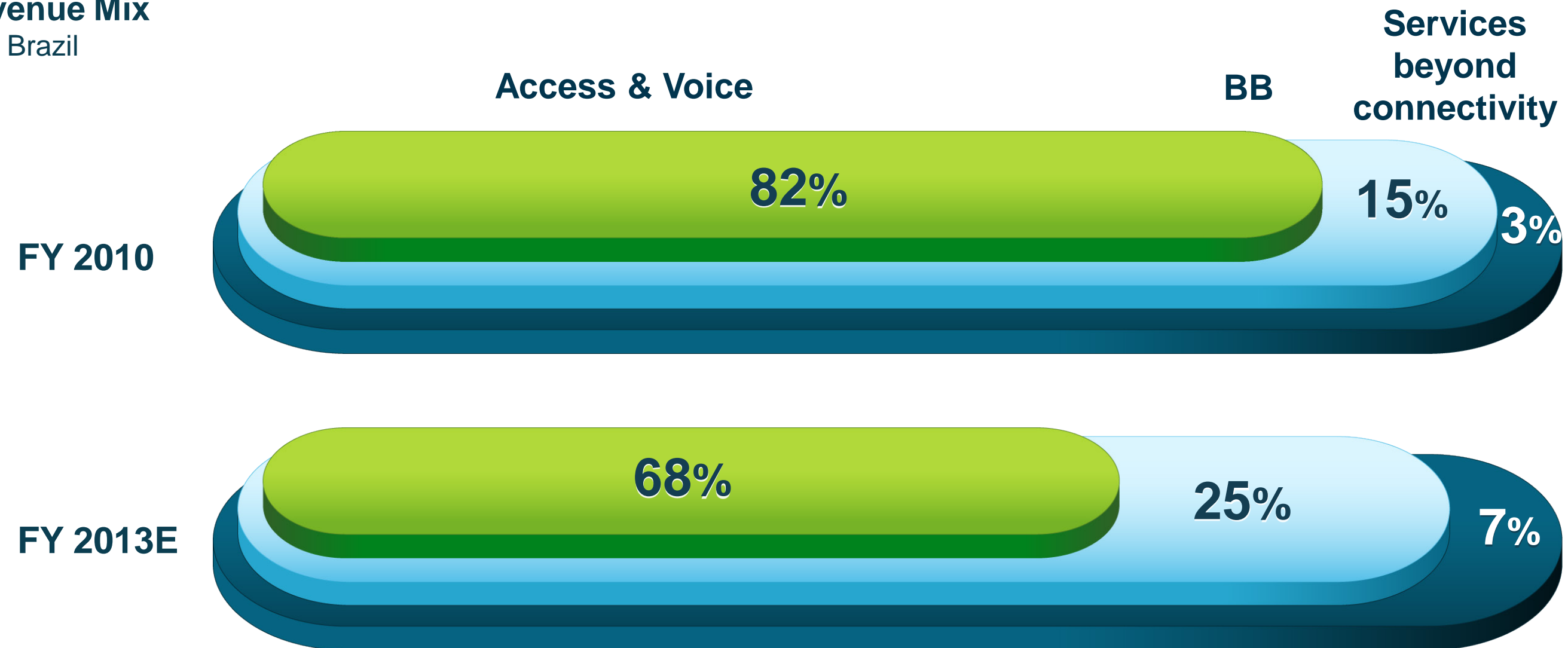
**Mobile data revenues /
Mobile service revenues**
%



We are transforming our company



Revenue Mix TEF Brazil



Margin
expansion
leveraging on
synergies

Investments
of R\$ 24,300 m
until 2014

¹Figures for guidance assume constant FX (average FY 2010), excludes hyperinflationary accounting in Venezuela and changes in consolidation perimeter

Voice and Access: Include fixed/mobile access & voice (SMS included), narrowband and mobile & fixed equipment revenues

BB: MBB and FBB revenues

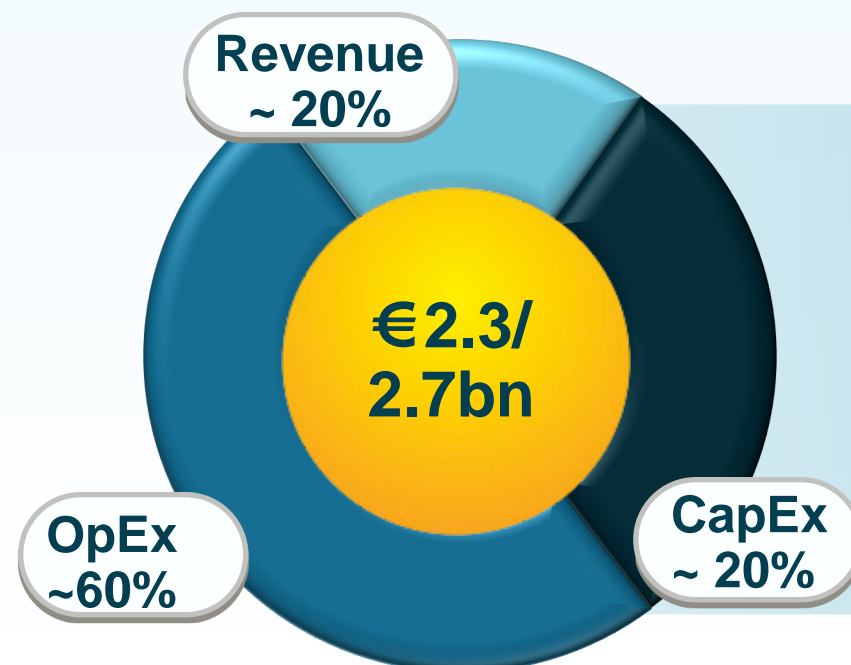
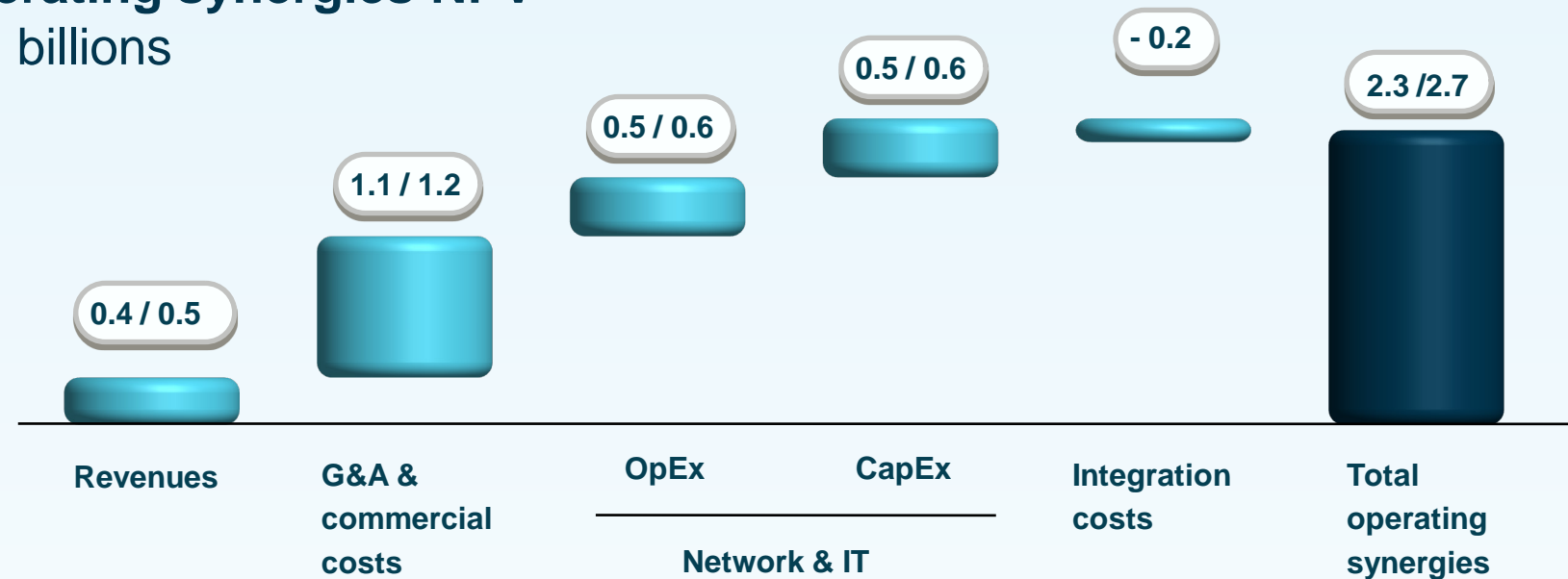
Services Beyond Connectivity: Include content, digital services, ICT solutions and vertical units revenues

We are going to capture a significant value



Minimum Synergy targets

Operating synergies NPV € in billions



- 3-4 years to fully exploit
- Savings from year 1

On track

Projects Launched Q4 10 – Q1 11 Examples

- Interconnection optimization
- Topology and network common design (voice and IP core)
- Unifying Internet access
- IT vendor management
- Up sell & cross sell for MCN's, corporate and SOHO common customers






Investor
Conference

Telefonica

Brazil, a country of opportunities



- 01 Latin America in bold letters 
- 02 Capturing current growth, building new options 
- 03 Our Portfolio: leading Brazil, leveraging diversity 



Telefónica Latinoamérica

- **Championing growth**
- **Accelerating investment**
- **Leading Brazil**

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