

Telefónica

Results

January - June 2014



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Highlights

- **Execution of strategy on track. Strong commercial push; focus on high value segments**
 - ▶ Q2 net adds: 2m contract, 0.6m Pay TV, 0.2m FTTH
 - ▶ Increasing customer value through average life extension and improving ARPU
- **Fifth consecutive quarter of top line growth (Q2: +1.3% y-o-y)**
 - ▶ Highly diversified asset mix; improving trends in UK, Germany and Brazil
 - ▶ Outstanding commercial traction in Spain anticipates improving performance
- **OIBDA stable in H1 (-0.1% y-o-y) amid increased commercial activity in Q2**
 - ▶ Q2 OIBDA -0.7% y-o-y; limited erosion of 0.6 p.p. y-o-y in margin
 - ▶ Cost efficient organisation; H1 margin 32.3% (-0.5 p.p. y-o-y); OpEx savings continue to offset higher commercial expenses
- **Continued investments on developing high speed networks, enlarging market differentiation**
- **Robust FCF up to June (€1.7Bn); sustained financial flexibility**
 - ▶ Net debt €43Bn (2.43x ND/OIBDA) considering Ireland sale completed in July
- **Net income up 5% y-o-y in Q2 (€1.2Bn); EPS accelerating to €0.26 per/share**
- **2014 outlook and dividend confirmed**
 - ▶ Performance consistent with FY targets (Revenues +0.1%; OIBDA margin erosion -0.9 p.p.; CapEx/Sales 13.7%; all organic and ex-Venezuela)

All y-o-y changes are organic

Key figures / Financial summary

€ in millions	H1 14			Q2 14		
	Reported	Reported y-o-y	Organic y-o-y	Reported	Reported y-o-y	Organic y-o-y
Revenues	24,957	(12.6%)	1.4%	12,725	(11.8%)	1.3%
OIBDA	8,055	(14.5%)	(0.1%)	4,126	(15.0%)	(0.7%)
OIBDA Margin	32.3%	(0.7 p.p.)	(0.5 p.p.)	32.4%	(1.2 p.p.)	(0.6 p.p.)
OpCF (ex-spectrum)	4,722	(25.7%)	(13.5%)	2,161	(28.7%)	(16.9%)
Net Income	1,903	(7.5%)	---	1,210	4.9%	---
EPS	0.41	(11.0%)	---	0.26	2.0%	---
FCF	1,644	14.7%	---	1,325	(30.6%)	---
Net financial debt	43,791	(12.1%)	---	43,791	(12.1%)	---

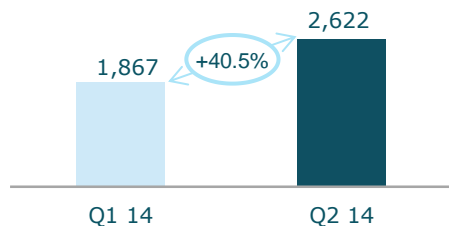
Reported growth rates impacted mainly by forex

- Depreciated FX rates, basically BRL, ARG and VEF dragged y-o-y:
 - ▶ Revenue and OIBDA; H1: -10.9 p.p.; Q2: -10.0 p.p.
- T. C. Republic deconsolidation drained y-o-y:
 - ▶ Revenue (H1 -3.1 p.p.; Q2: -3.0 p.p.); OIBDA (H1 and Q2: -3.7 p.p.)

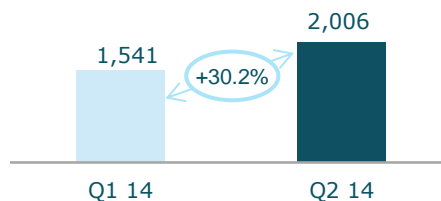
FX effect at FCF level virtually neutralised as lower CapEx, Interest, Tax & Minorities payments offset OIBDA impact

Accelerating commercial activity towards value and quality in Q2 (i)

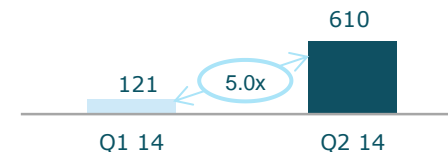
Total net adds ('000)



Mobile contract net adds ('000)



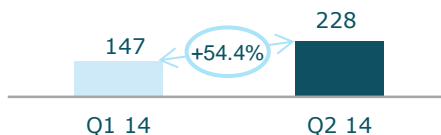
Pay TV net adds ('000)



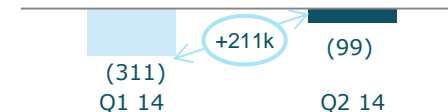
FBB net adds ('000)



FTTH net adds ('000)



Fixed line losses ('000)



GROWTH UNDERPINNED BY LOWER LEVELS OF CHURN: FOCUS ON CUSTOMER LOYALTY THROUGH DIFFERENTIAL VALUE PROPOSITIONS

Total Churn -0.3 p.p. vs. Q1; reducing across services

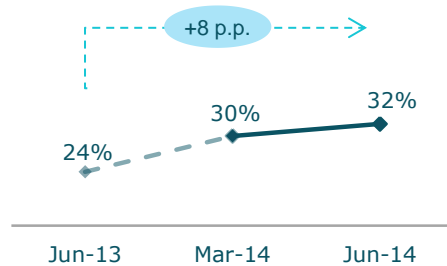
Investing in growth areas

- Innovative and renewed commercial offers
- Improved KPIs sequentially in most services
- Total accesses up 2% organic y-o-y to 316m
 - ▶ Mobile Contract up 9% y-o-y; 35% of total base

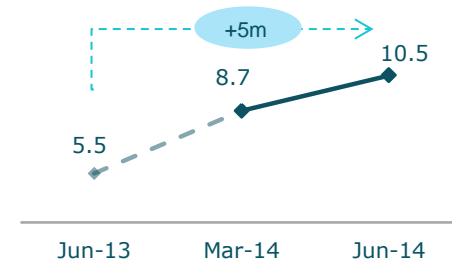
Net adds. Q2 14 excludes 131K TV Mini accesses in Spain, and 50K FW accesses in Peru, but includes backlog in Spain (Pay TV, FBB and FTTH). Q1 14 excludes disconnections made in Spain, Mexico and T. Czech Republic accesses as of Dec-13

Accelerating commercial activity towards value and quality in Q2 (ii)

Smartphone penetration

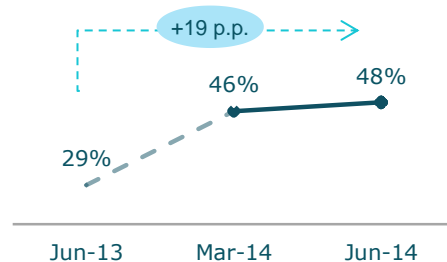


FTTH premises passed (m)



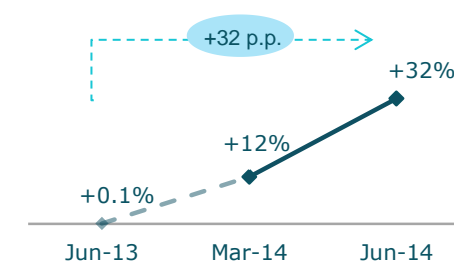
LTE coverage

◆ Europe



- Brazil 35% coverage (Jun-14)
- LTE launched in 5 T.Hispam markets

Pay TV accesses (organic y-o-y)



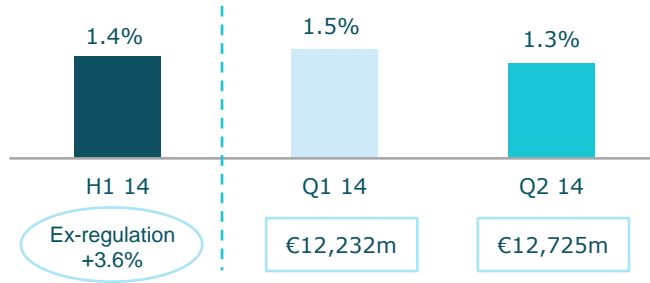
CONTINUED INVESTMENTS SET STAGE FOR FUTURE GROWTH

Increasing differentiation and customer experience

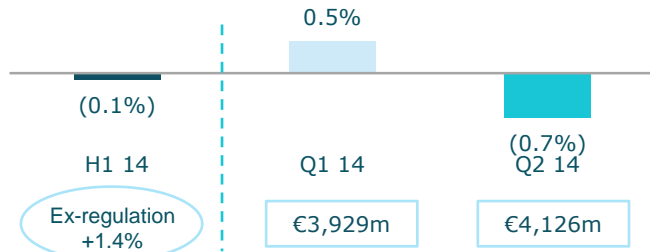
- Exploiting smartphone momentum: accesses +38% y-o-y organic
- FTTH connected accesses: 1.2m in Jun-14 (x2 y-o-y)
- Higher take-up and strong demand of LTE; fostering data monetisation
- Booming Pay TV adoption, mainly in Spain

Steady organic revenue growth; healthy profitability

Revenues (organic y-o-y)

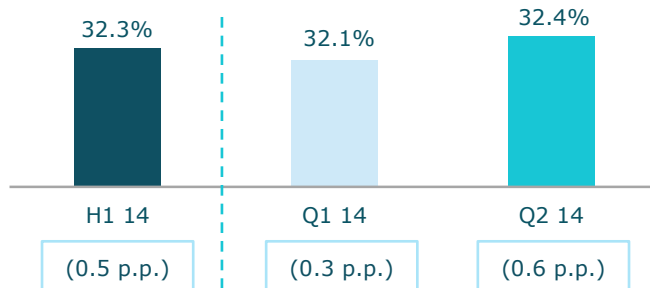


OIBDA (organic y-o-y)



OIBDA margin

□ organic y-o-y



All y-o-y changes are organic

Positive organic top line growth for the fifth consecutive quarter

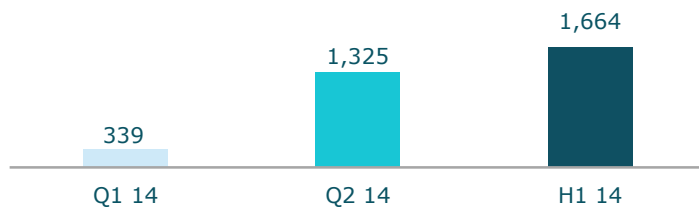
- **Benefits from diversification in H1:**
 - ▶ T. Hispam boosting growth (+13.0% y-o-y; +10.4% ex-VZ)
 - ▶ T. Brazil (+0.6% y-o-y)
 - ▶ T. España (-8.6% y-o-y)
 - ▶ Mobile data: 40% of MSR (+3 p.p. y-o-y)
 - ▶ Consistent acceleration of Q2 mobile data revenues to 9.2% y-o-y
- Q2 revenue y-o-y showed similar trend to previous quarter
 - ▶ Ramped-up in Q2 ex-regulation (+3.7% y-o-y vs. +3.4% in Q1)

OIBDA and margin reflected growth reinvestment

- **Broadly stable OIBDA in H1 y-o-y:**
 - ▶ Ongoing cost control and revenue flow
 - ▶ Targeted efficiencies and scale benefits
- Q2 OIBDA y-o-y decline affected by **increased customer investment for capturing market growth opportunities:**
 - ▶ Commercial costs +6.1% y-o-y vs. -1.3% in Q1 on higher advertising and commissions
 - ▶ Higher coverage, capacity and speed of UBB driving network costs 7.3% up y-o-y in Q2 (+2.2 p.p. q-o-q)

Solid double digit FCF growth

FCF (€ in millions)

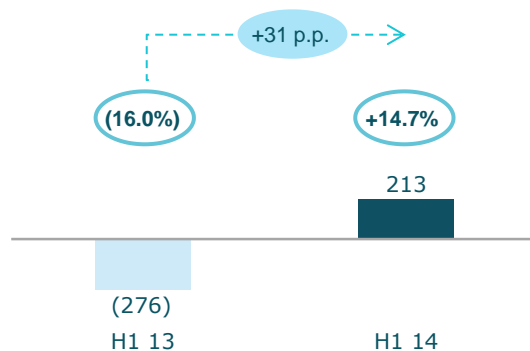


FCF
ex-spectrum
€1,821m

**Seasonal factors reducing
H1 FCF to revert in H2**

FCF absolute change y-o-y (€ in millions)

FCF y-o-y

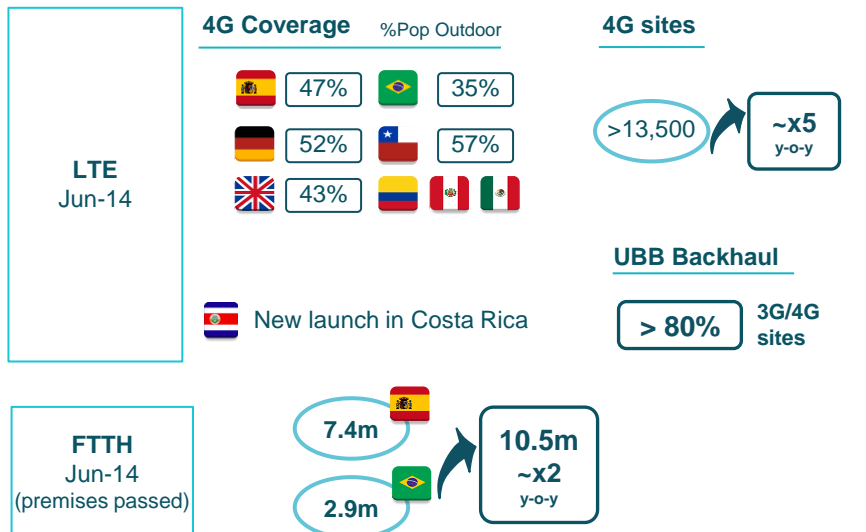


FCF improvement y-o-y

- **WC improvement** (+€767m) mainly driven by optimisation measures and advanced collections in Germany
- **Lower spectrum payments** (+€953m)
- **Savings on tax payments** (+€331m)
- **Reduced minority drag** (+€35m)
- **Higher interest payments** (-€35m)

TGR: leading technological transformation

Network modernisation: UBB & key technologies



Total CapEx in Growth and Transformation: 71% in H1 14

- Capturing technology benefits**

 - Optimise 4G roll-outs effectiveness: exploiting technical customer data
 - Speeding-up copper to fiber transition
 - Spreading fiber to capture business leadership opportunity
- Scale benefits:**
Leaner operations & processes homogenisation

 - Global roaming technical unit
 - Cloud-based tool to manage field technician workforce in Brazil
 - Global management of real estate for sites deployment

IT accelerating transformation into a Digital Company

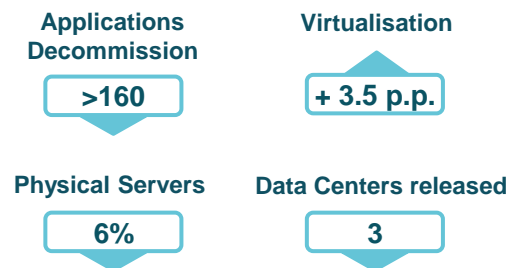
- Business transformation enabled by IT**

 - Automatisation
 - Standardisation
 - Reutilisation
 - Modernisation

- Pre-integrated BSS⁽¹⁾ suites: projects in T. Hispam
 - Fostering new online capabilities
- Exploiting IT shared services**

- Delivering efficiencies
 - Operational excellence
 - Leveraging scale
 - Improved procurement process: SRM⁽²⁾ deployment
 - Digital certificates ("Global KPI")

IT Simplification (YTD)



(1) Business Support System
(2) Supply Relationship Management

Digital Services: Innovative portfolio of digital solutions

B2B: Building our integrated B2B portfolio enhancing our digital services

Cloud	M2M	Information Security
<p>Revenue H1 (organic y-o-y) >20%</p> <ul style="list-style-type: none"> Steady revenue growth 	<p>Revenue H1 (organic y-o-y) >50%</p> <p>Accesses (Jun-14 y-o-y) +16%</p> <ul style="list-style-type: none"> Solid progress Key deals signed in the utilities industry in Germany and countries outside TEF operations 	<p>Revenue H1 (organic y-o-y) >40%</p> <ul style="list-style-type: none"> Relevant CyberSecurity projects awarded <ul style="list-style-type: none"> Spain: Retail and banking industry Extensive agreement with Etisalat <ul style="list-style-type: none"> To develop & implement a Security Operation Center in Dubai

Consumer: Enriching our offer with digital value added services leveraging our core capabilities

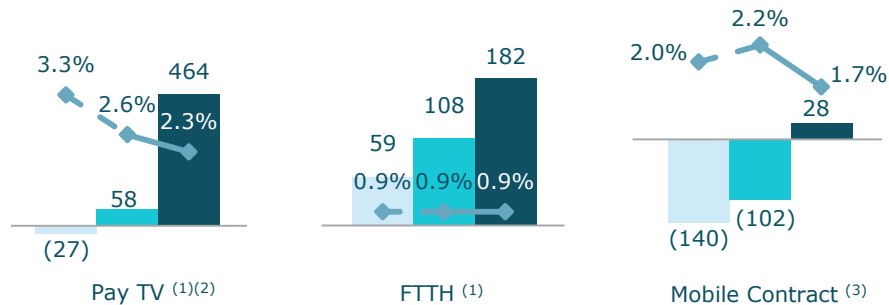
Video	Security	Other Digital Services	Financial Services	Strategic Partnerships	Global device management
<p>Revenue H1 (organic y-o-y) >15%</p> <p>Pay TV Accesses (Jun-14 y-o-y organic) +32%, +91%, +28%</p> <ul style="list-style-type: none"> Exclusive Sports in Spain <ul style="list-style-type: none"> 2016 Euro UEFA (qualifiers) 2018 FIFA World Cup (qualifiers) Roland Garros, F1 & MotoGP 	<p>Mobile Security</p> <p>5 m accesses (Jun-14) x3.8 y-o-y</p> <ul style="list-style-type: none"> Safe customers' devices 	<p>TU go</p> <ul style="list-style-type: none"> Calls on multiple devices through WiFi networks Launched in Argentina in Q2 (already launched in UK) 	<p>Yaap</p> <ul style="list-style-type: none"> Launched "Yaap Shopping" in Spain (already in 2 cities: solution for SMEs to offer customers discount offers and loyalty program) Launched "Movistar Dinero Móvil" in Peru 	<p>Accesses (Jun-14)</p> <p>Rhapsody 97K</p> <p>Evernote 302K</p>	<ul style="list-style-type: none"> 74% of total shipments in Q2 are smartphones x8 y-o-y LTE smartphones purchased volume in Q2

Spain: Starting the recovery; outstanding KPIs

24% of Group revenue

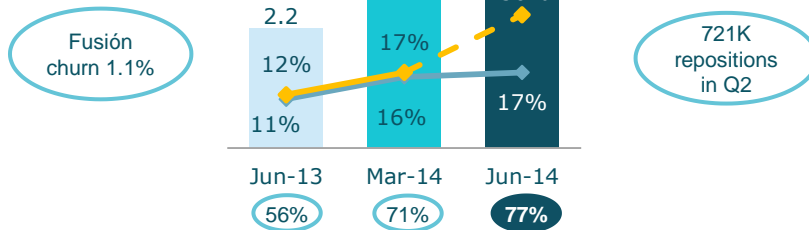
Net adds ('000)

■ Q2 13 ■ Q1 14 ■ Q2 14
◆ Q churn



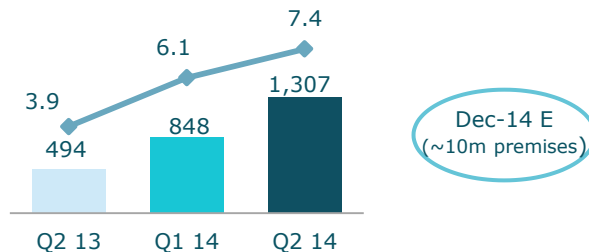
Movistar Fusión ('000)

○ % New & upselling quarterly adds
◆ Fusión TV
◆ Fusión fiber



FTTH ('000)

◆ Premises Passed (million)
■ New Premises Passed



- (1) Includes additional backlog in Q2 14 (116K in Pay TV; 22K in FTTH -100Mb-)
- (2) Excludes "TV Mini" accesses included in Q2 14
- (3) Excludes the disconnection of inactive M2M accesses in Q1 14
- (4) Internal estimate

Strong demand of "Fusión TV": Best 4P offer in the market

- **Pay TV: 1.2 m customers, nearly doubling y-o-y**
 - ▶ 27% market share⁽⁴⁾ (+9 p.p. q-o-q)
- **Steady growth in FTTH to 861K customers (791K 100Mb)**
 - ▶ 10€/month price premium (ex-VAT); 0.6x churn vs. DSL
- **Positive net adds in mobile contract in Q2, first since Q2 11**
 - ▶ Strong portability improvement (net loss in contract: -43% q-o-q)

Record high loyalty; enhancing the value of the base

- **Churn reduction extends lifetime of services**
 - ▶ Lifetime within "Fusión": 2.3x FBB & 3x Mobile contract
 - ▶ Loyalty reset by new portfolio (12 month)
- **Fostered growth in high-end packages**
 - ▶ 79% of "Fusión" gross adds in Q2 ≥60€/month
- **ARPU "Fusión": €68.8 in Q2**

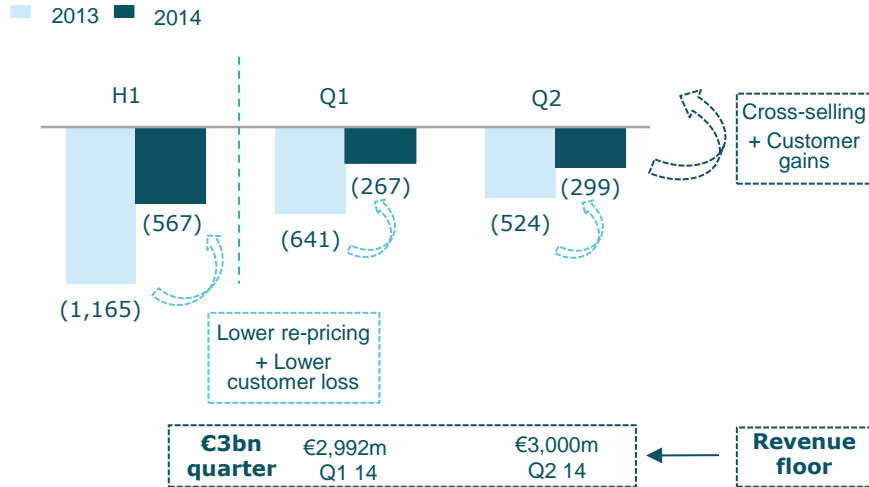
Accelerating UBB deployment

- **Widening our quality gap with FTTH**
 - ▶ 7.4m premises already covered
 - ▶ Fiber 10 Mb launched: 70K customers as of Jun-14
- **LTE reached ~47% of pop. by Jun-14 (~60% Dec-14E)**

Spain: Revenues have reached the bottom

24% of Group revenue

Revenue y-o-y (€ in million)



Consistent revenue stabilisation

- **Q2 revenue, a bottom underpinned by strong commercial trends**
- H1 sales -8.6% y-o-y (-9.1% y-o-y in Q2)
- **Backbook behind:** high convergent penetration (consumer)
 - ▶ 67% in FBB; 71% in contract mobile (including new 2013 mobile tariffs)
- **New “Fusión TV” portfolio not eroding revenue**
 - ▶ Repositions driving incremental ARPU (June)
- **Revenue performance to improve, leveraged on:**
 - ▶ Q2 commercial push not fully reflected in revenues (“Fusión TV”: 25th April)
 - ▶ Churn reduction (market share stabilisation)
 - ▶ Trading acceleration
 - ▶ Pay TV and fiber as key upselling levers

OIBDA margin

○ organic y-o-y

□ y-o-y

Handset upgrades

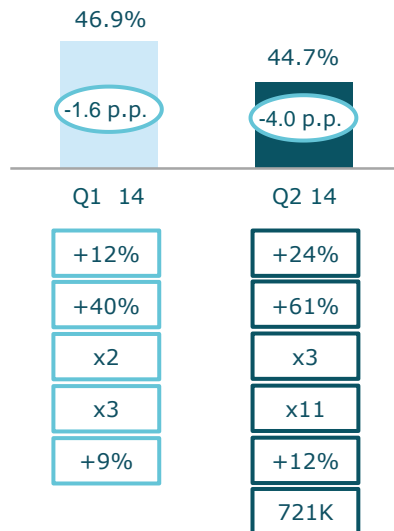
Handset sales (units)

Fiber gross adds

TV gross adds ⁽¹⁾

Mobile contract gross adds

“Fusión” repositions



(1) Excludes TV Mini accesses incorporated

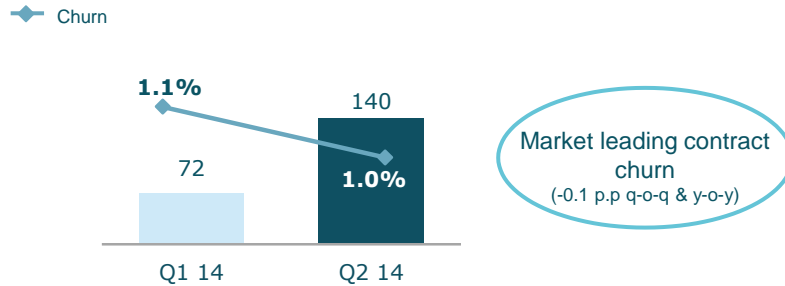
Capture of value growth impacted on margin

- **OIBDA margin at 45.8% in H1** (-2.8 p.p. y-o-y organic)
- **Lower OpEx decline in Q2** (-1.9% y-o-y; -5.1% in Q1):
 - ▶ Pension plan removal savings y-o-y comparable
 - ▶ Higher handset sales and content costs (“Fusión TV” launch)
- **Ongoing cost control**
 - ▶ Simplification, insourcing, distribution channel
- **Fast deployment of FTTH, Pay TV and LTE drives H1 CapEx** (+24.9% y-o-y organic)

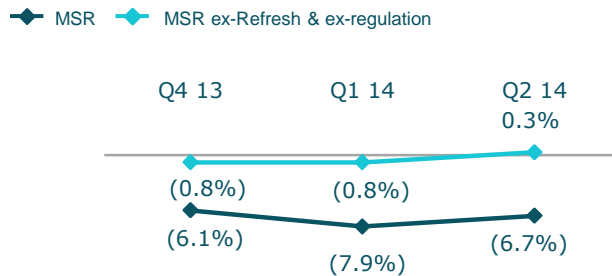
UK: Record loyalty on superior customer experience

13% of Group revenue

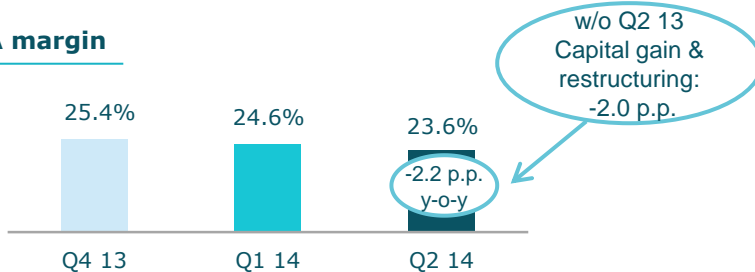
Contract net adds ex-M2M ('000)



Mobile Service Revenues (y-o-y)



OIBDA margin



Financial y-o-y change in local currency

Improved commercial traction

- **Sustained mobile base growth at 3% y-o-y**
 - ▶ “Refresh” tariffs keep momentum
 - ▶ Upgrade of high value customers to LTE
 - ▶ Further investment in LTE expansion (43% outdoor coverage Jun-14)
- **Strong contract access growth (+6% y-o-y)**
- **Launch of new set of prepaid tariff “Big Bundles” in May**

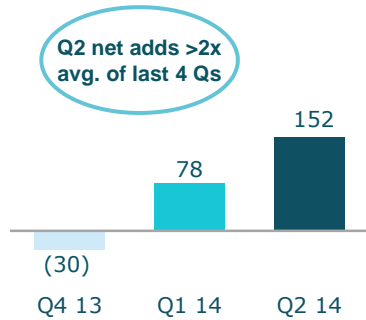
Top line returned to growth in Q2

- **Revenue growth: Q2 +0.1% y-o-y (Q1: -0.3% y-o-y)**
 - ▶ “Refresh” deducted 0.8 p.p. (+6.0 p.p. in Q1) and fixed assets disposal deducted 0.5 p.p. (-1.7 p.p. in Q1)
 - ▶ **ARPU uplift on data monetisation:** Non-SMS data revenue accelerated to 19.2% y-o-y in Q2
- **Q2 OIBDA (-8.4% y-o-y in Q2) impacted by:**
 - ▶ Disposal of fixed business assets in Q2 13 (€73 m)
 - ▶ Q2 13 restructuring expenses (€40 m)
 - ▶ Contribution of “Refresh” gradually normalising from April-14
- **OIBDA margin stable in Q2 y-o-y (ex-fixed business assets & restructuring), due to better business performance, despite “Refresh” (-1.0 p.p.)**

Germany: Successful data monetisation strategy

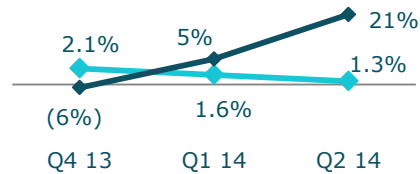
9% of Group revenue

Contract net adds



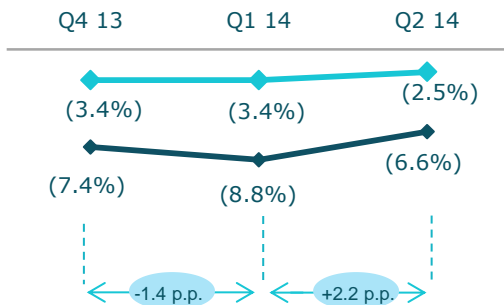
Commercial activity

◆ Contract gross adds (y-o-y) ◆ Contract churn

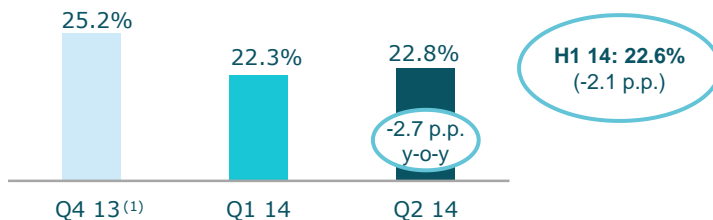


Revenues (y-o-y)

◆ Revenues ◆ MSR ex-MTR



OIBDA Margin



(1) Q4 13 excludes €76m of asset sales

Improved trading on new tariffs and lower churn

LTE key lever of mobile data:

- ▶ “O2 Blue All-in” portfolio refreshed & “O2 Unite” launch
- ▶ Higher 4G handset adoption (86% of total shipments in Q2; +46 p.p. y-o-y)
- ▶ Increasing value of “O2 Blue All-in” tariff mix
- ▶ LTE outdoor coverage at 52% in June

Gained conditional approval on E+ transaction (2 July, 2014)

Commercial traction flowing into revenue

Improving revenue trends in Q2:

- ▶ Lower erosion of handset sales (-6.9% in Q2 vs. -33.2% y-o-y in Q1)
- ▶ Better performance of MSR ex-MTR:
 - Stabilising SMS performance y-o-y (Q2: -2.2 p.p. of rev. growth vs. Q1: -2.6 p.p.)
 - Lower ARPU dilution y-o-y (Q2: -2.1%; Q1: -3.3%)

Non-SMS/data revenues at 72% in H1 (+8 p.p. y-o-y)

Sustained OIBDA erosion y-o-y with enhanced trading

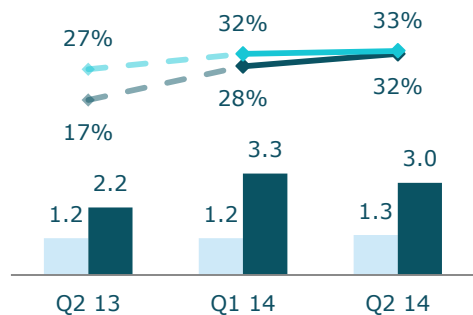
- OIBDA y-o-y (H1: -14.6%; Q2: -14.5%) affected by higher commercial spend to capture opportunities in a very competitive market

Brazil: Enhancing leadership in high value customers

22% of Group revenue

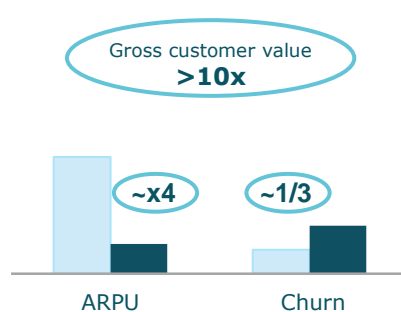
Net Adds (m)

Contract { Net adds Penetration } Smartphone { Net adds Penetration }



Contract vs. Prepaid

Contract Prepaid

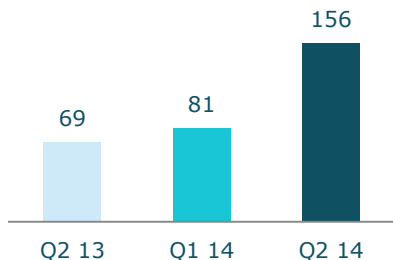


Focus on profitable growth

- 4th consecutive quarter capturing >60% of new contract customers in the market
 - +3.4 p.p. contract market share y-o-y to 41.3%
 - Highest coverage in 3G and 4G
 - Leadership in quality and brand perception
- Contract: record high gross adds (+7% y-o-y) and lowest churn ever (-0.5 p.p. y-o-y) in Q2 14
- Sound outgoing ARPU (+6.2% y-o-y organic in Q2 and H1)

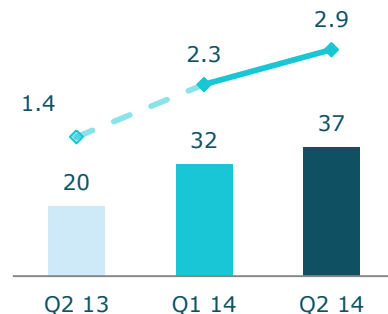
Fixed Services Net Adds ('000)

(Fixed telephony, TV and FBB)



FFTH net adds ('000)

Premises Passed (million)



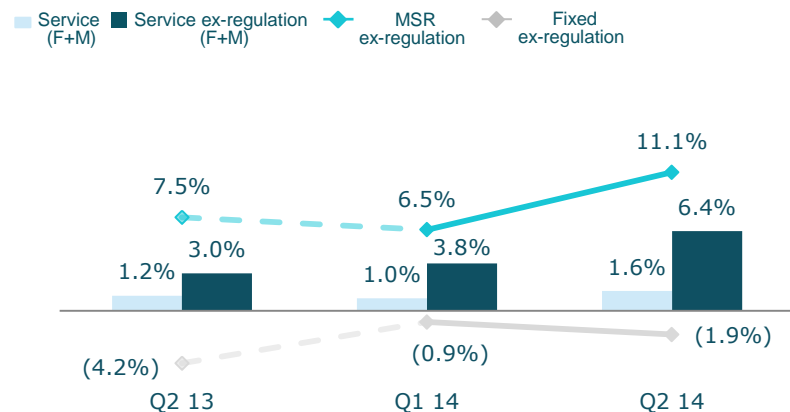
Execution of turnaround strategy on track

- Accelerating penetration of fiber: 19% of premises passed in São Paulo state
 - Fiber connected customers: 273k Jun-14
 - Fiber vs. ADSL customers 1.7x ARPU & 0.6x churn
- Growing Fixed Wireless, 89% net adds outside São Paulo (168k net adds in Q2 to 821k customers)

Brazil: Improved revenue and OIBDA trend

22% of Group revenue

Service Revenue (organic y-o-y)

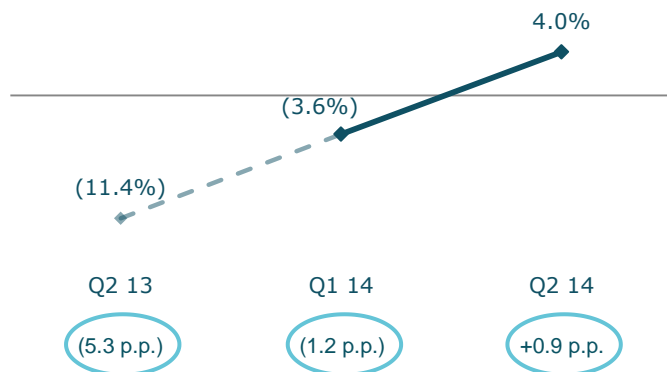


Revenue y-o-y growth acceleration

- Increased regulatory impact in Q2 (dragging y-o-y growth by 4.6 p.p. vs. 2.7 p.p. in Q1)
- Outgoing mobile revenues improved y-o-y** (+11.3% in Q2; +10.0% in H1) on steady non-SMS data revenue growth of 40%
- Fixed revenues** (H1: -4.6% y-o-y; Q2: -6.1% y-o-y) affected by seasonal effects and higher regulatory impact (-1.4% ex-regulation y-o-y in H1)

OIBDA (organic y-o-y)

OIBDA margin organic y-o-y



All y-o-y changes are organic

OIBDA returning to y-o-y growth in Q2

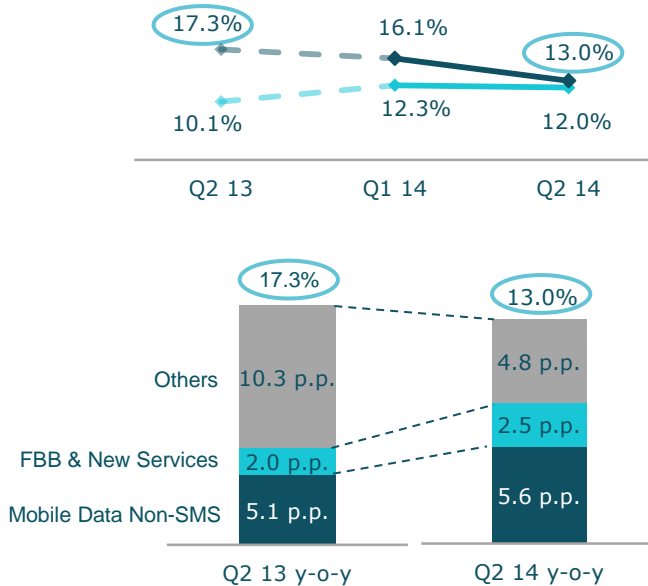
- Revenue improvement flowing into OIBDA**
- OIBDA margin** (32.1% in Q2) **ramped-up** both q-o-q and y-o-y
- Strict cost discipline** offsetting higher commercial and network costs

Hispam: Double digit revenue & OIBDA growth

28% of Group revenue

Revenue ex-regulation (organic y-o-y)

◆ Hispam ◆ Hispam ex-Venezuela

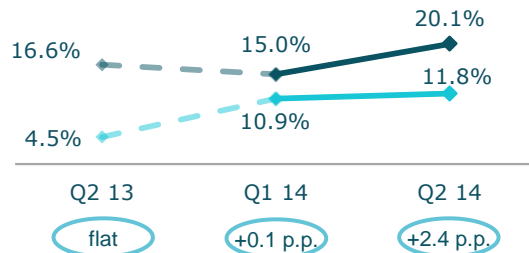


New revenue streams boosting revenue growth

- **Strong growth¹ across the board:** Peru (+9.7%); Chile (+2.8%); Mexico (+6.3%); Argentina (+26.4%); Colombia (+9.7%)
 - ▶ Higher regulatory effect and lower handset sales dragging Q2 organic y-o-y growth by -1.6 p.p. and -2.3 p.p. respectively
- **Non-SMS mobile data and FBB & new services:** +41.5% and +18.5% y-o-y in Q2, respectively
- **Voice traffic volumes booming:** MOU up +12% y-o-y in Q2
- **Commercial push** on high-value segments setting the basis for further growth

OIBDA (organic y-o-y)

◆ Hispam ◆ Hispam ex-Venezuela
○ OIBDA margin organic y-o-y



(1) Q2 14 organic growth ex-regulation y-o-y

Solid OIBDA growth acceleration

- **All countries (but Uruguay) posting OIBDA growth y-o-y**
- **OIBDA margin y-o-y trend steadily improving** (Q2 14: 32.8%)
 - ▶ Strong efficiency efforts offsetting higher commercial costs and network & IT expenses
- **CapEx growing strongly** (+44.2% y-o-y in H1 14) to capture further growth

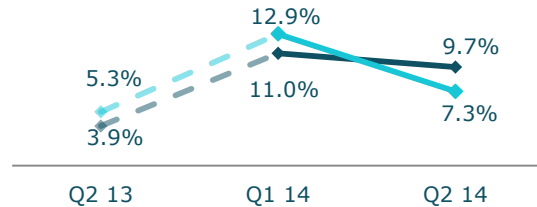
Hispam: Strong growth across the board (i)

Colombia

3% of Group Revenue

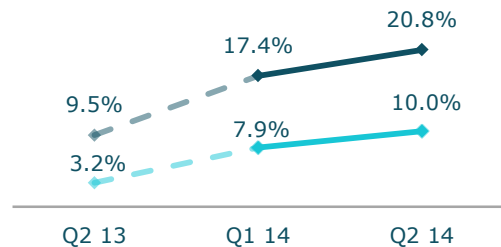
Revenues & OIBDA (organic y-o-y)

◆ Revenues ex-regulation ◆ OIBDA



Revenue breakdown (organic y-o-y)

◆ Non-SMS Data ◆ FBB & New services



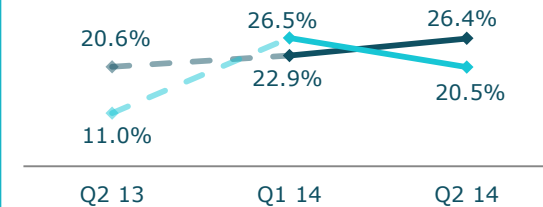
- **Structural changes** implemented by the regulator 1yr ago **underpinning solid performance**
- **Retaining most valuable customers in Q2** (upgrades +19% y-o-y)

Argentina

6% of Group Revenue

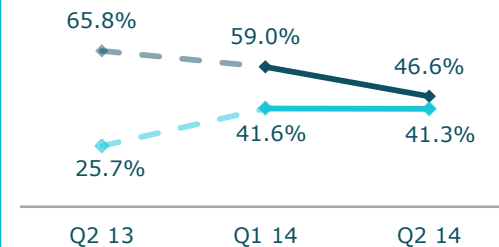
Revenues & OIBDA (organic y-o-y)

◆ Revenues ◆ OIBDA



Revenue breakdown (organic y-o-y)

◆ Non-SMS Data ◆ FBB & New services



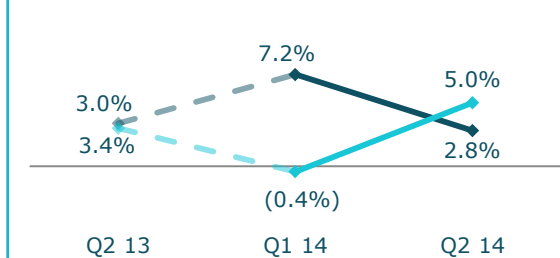
- **OIBDA margin decline to 23.1% in Q2 14** (-2.0 p.p. y-o-y) derived from currency depreciation and inflation driven costs

Chile

4% of Group Revenue

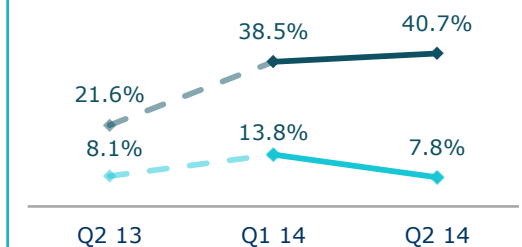
Revenues & OIBDA (organic y-o-y)

◆ Revenues ex-regulation ◆ OIBDA



Revenue breakdown (organic y-o-y)

◆ Non-SMS Data ◆ FBB & New services



- **Strong OIBDA margin improvement to 33.5% in Q2 14** (+3.2 p.p. y-o-y) on better commercial comps
- Commercial activity keeps momentum in most valuable segments

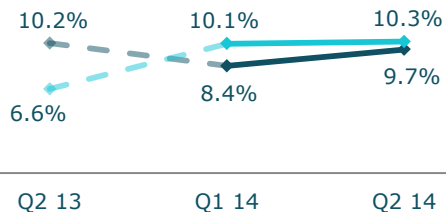
Hispam: Strong growth across the board (ii)

Peru

5% of Group Revenue

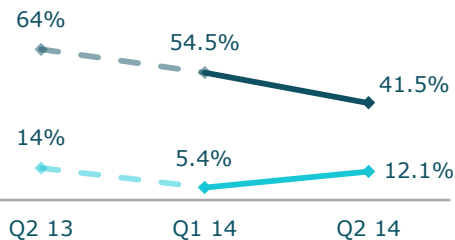
Revenues & OIBDA (organic y-o-y)

◆ Revenues ex-regulation ◆ OIBDA



Revenue breakdown (organic y-o-y)

◆ Non-SMS Data ◆ FBB & New services



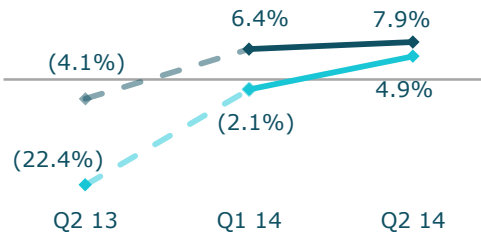
- Revenue y-o-y increase in Q2 14 driven by non-SMS data and FBB revenues
- OIBDA margin expansion to 34.4% in Q2 (+ 0.7 p.p. y-o-y organic)

Mexico

3% of Group Revenue

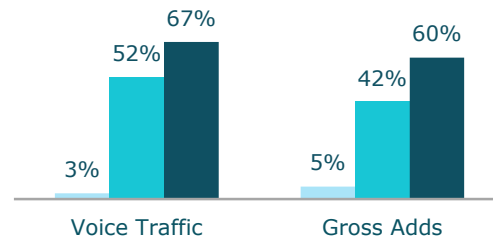
MSR & OIBDA (organic y-o-y)

◆ MSR ◆ OIBDA



Voice Traffic & Mobile Gross Adds (y-o-y)

■ Q2 13 ■ Q1 14 ■ Q2 14



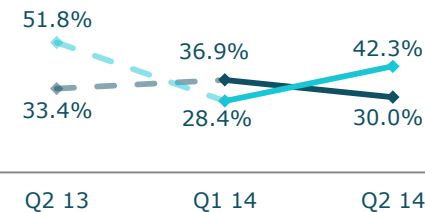
- OIBDA recovered y-o-y growth in Q2 14 on strengthened revenue performance
- New Federal Telecommunications Law about to be implemented to foster market dynamism from Q2

Venezuela & Central America

6% of Group Revenue

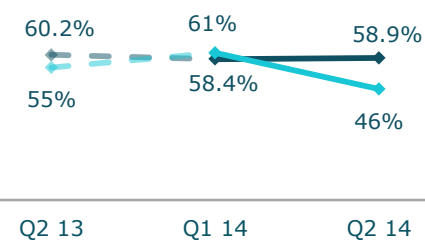
MSR & OIBDA (organic y-o-y)

◆ MSR ◆ OIBDA



Mobile data (y-o-y)

◆ Non-SMS revenue ◆ Data Traffic

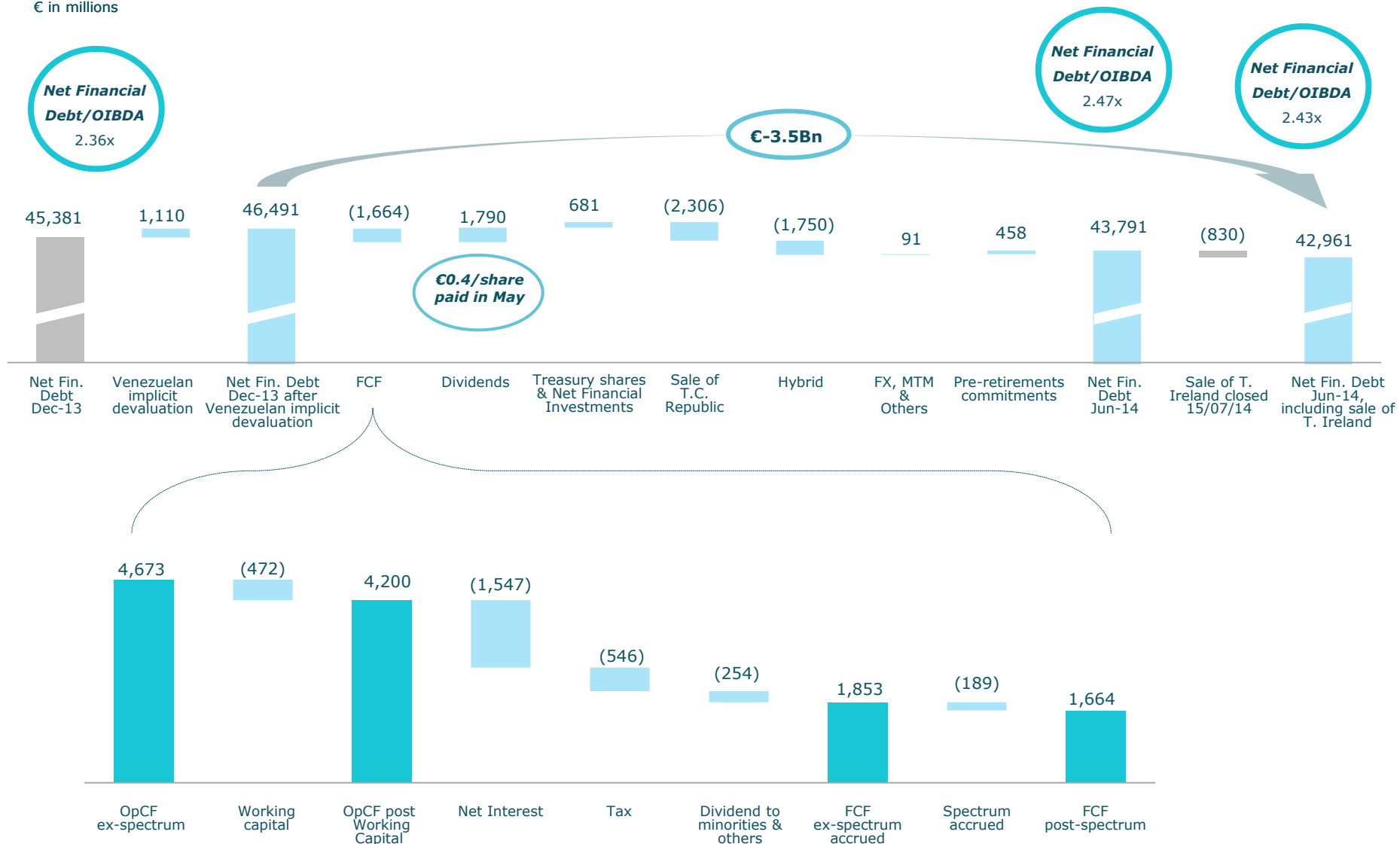


- Revenue y-o-y growth in Q2 severely affected by lower handset sales (-54.0% organic y-o-y)
- Right monetisation strategy leading non-SMS data increase in the region

Year to date net debt reduction to €43bn

Net Financial Debt

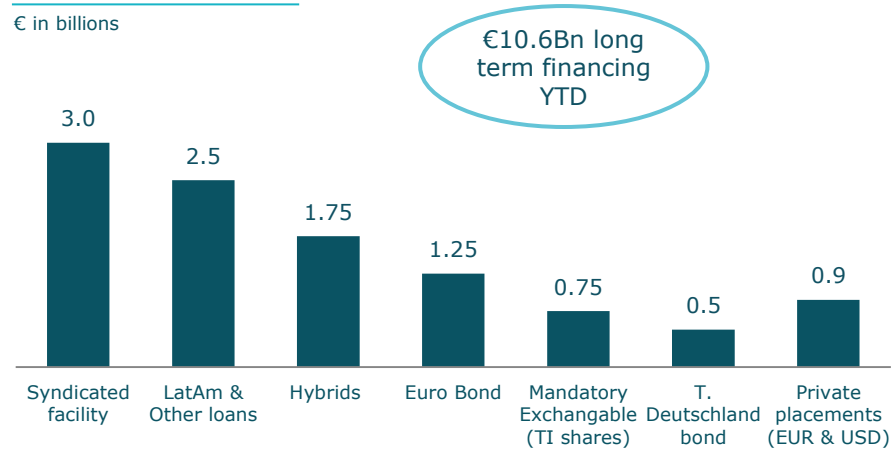
€ in millions



Diversified financing at managing liquidity

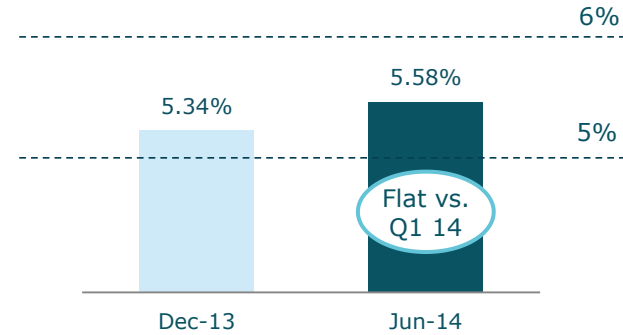
Long term financing

€ in billions



Effective interest cost (12 month rolling)

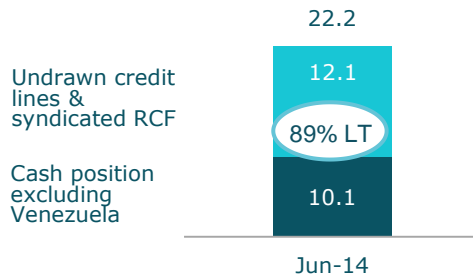
----- Guidance



Increasing average cost of debt on debt reduction, mainly in € and CZK (lower cost than average)

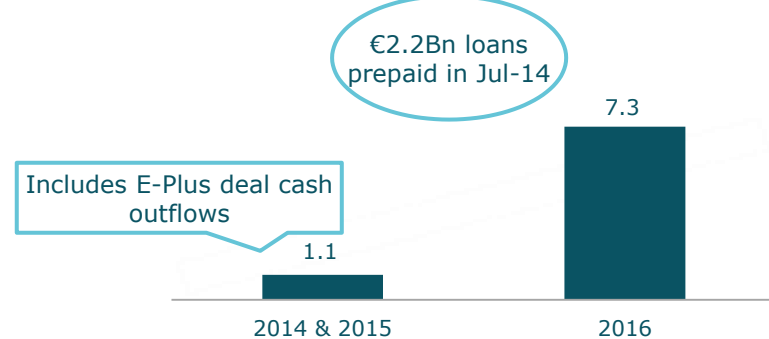
Liquidity position

€ in billions



Net debt maturities (Jul-14)

€ in billions



Conclusion

- **Consistently executing our transformation strategy**
- **Accelerated subscriber intake in Q2**
 - ▶ Strong traction of commercial offers and sequential churn improvement
 - ▶ Increased demand for value and quality services, with lower churn & higher associated ARPU
- **Consolidating revenue growth trends in Q2**
 - ▶ Improving revenues in Brazil, UK, and Germany offsetting slowdown in Spain and Hispam
 - ▶ Strong commercial traction in Spain anticipating revenue recovery
- **Limited OIBDA margin erosion despite intense commercial activity in Q2**
 - ▶ Robust margin of 32.3% in H1 (-0.5 p.p. y-o-y organic); 32.4% in Q2 (-0.6. p.p. y-o-y organic)
 - ▶ OpEx savings ongoing delivery
- **Strong focus on expanding 4G coverage and fiber networks**
- **Sound FCF increase in H1**
 - ▶ Net debt at €43Bn, including sale of T. Ireland closed in July

Telefónica
