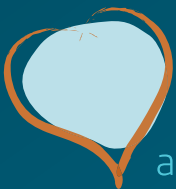


# 01

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## About Telefónica Group



*The customer*  
always comes first

# About Telefónica Group

## About Telefónica Group – introduction

Telefónica is one of the world's leading integrated operators in the telecommunications sector, providing communication, information and entertainment solutions, with presence in Europe, Africa and Latin America. The group operates in 25 countries. As of December 2010, Telefónica's total number of customers was 288 millions. Telefónica's growth strategy is focused on the markets in which it has a strong foothold: Spain, Europe and Latin America.

The Group stands in fourth position in the Telco sector worldwide in terms of market capitalisation, in first among European integrated operators and in third position in the Eurostoxx 50 rankings, composed of Europe's blue chip companies (March 2010).

Telefónica is a 100% private company with more than 1.5 million direct shareholders. Its stock trades on the continuous market on the Spanish Stock Exchanges and on those in London, Tokyo, New York, Lima, Buenos Aires and São Paulo.

Telefónica has one of the most international profiles in the sector with close to 70% of its business outside its home market and a reference point in the Spanish and Portuguese speaking market.

In Latin America, Telefónica served more than 183 million customers as of the end of 2010, thus becoming the leading operator in Brazil, Argentina, Chile and Peru. The group also has substantial operations in Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Puerto Rico, Uruguay and Venezuela. In Europe, the group owns operating companies in Spain, the United Kingdom, Ireland, Germany, Czech Republic and Slovakia, providing services to 104 million customers as of the end of 2010.

## Telefónica in figures

- 287.6 million accesses (103.9 million Europe; 183.7 million Latin America) (December 2010)
- Presence in 26 countries of the world (6 in Europe<sup>1</sup>; 14 in Latin America<sup>2</sup>; The group is active in three other countries through its strategic alliances<sup>3</sup>)
- 270,000 employees (30% in Europe; 69% in Latin America; 1 % in other countries) (December 2010)
- Revenues: 60,737 mil. euro (2010)
- OIBDA: 25,777 mil. euro (2010)
- Net profit: 10,167 mil. euro (2010)

<sup>1</sup> Including Morocco, <sup>2</sup> Including the USA and Puerto Rico, <sup>3</sup> China, Italy, Portugal

- The world's largest integrated telecommunications operator measured by number of accessed
- The largest integrated operator in Europe measured by market capitalisation
- First on the Dow Jones Sustainability Index
- Among the world's 50 largest companies measured by market capitalisation
- Among the world's 75 largest companies measured by revenues (Fortune Global 500)

## Telefónica – leader in the telecommunications market in Latin America



<b>Argentina</b>	
Number of accesses	22.3 mil.
Fixed line market	1.
Mobile market	2.
<b>Brazil</b>	
Number of accesses	76.0 mil.
Fixed line market	2.
Mobile market	1.
<b>Central America</b>	
Number of accesses	6.9 mil.
Fixed line market	–
Mobile market	3.

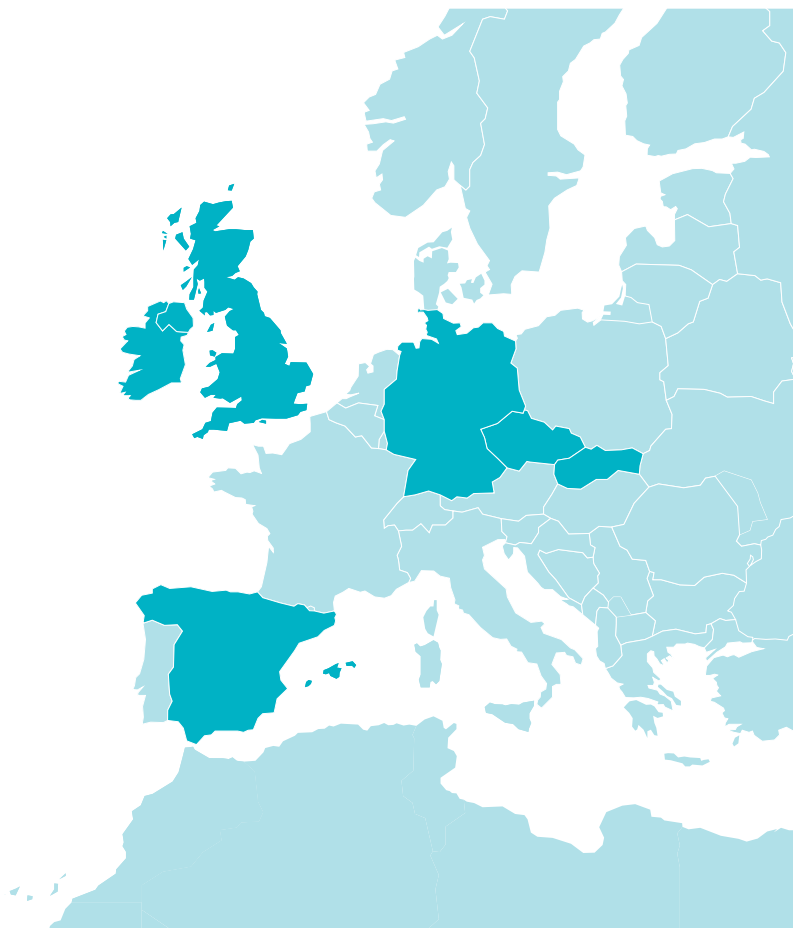
<b>Colombia</b>	
Number of accesses	12.4 mil.
Fixed line market	2.
Mobile market	2.
<b>Chile</b>	
Number of accesses	11.9 mil.
Fixed line market	1.
Mobile market	1.
<b>Ecuador</b>	
Number of accesses	4.3 mil.
Fixed line market	–
Mobile market	2.
<b>Mexico</b>	
Number of accesses	20.2 mil.
Fixed line market	–
Mobile market	2.
<b>Peru</b>	
Number of accesses	17.0 mil.
Fixed line market	1.
Mobile market	1.
<b>Uruguay</b>	
Number of accesses	1.7 mil.
Fixed line market	–
Mobile market	2.
<b>Venezuela</b>	
Number of accesses	10.6 mil.
Fixed line market	–
Mobile market	2.
<b>Total number of accesses</b>	<b>183.7 mil.</b>

\* Data from December 2010

Note: Central America includes Guatemala, Panama, El Salvador, Nicaragua and Costa Rica.

The number of accesses includes narrowband service provided by Terra Brasil and Terra Colombia and broadband service provided by Terra Brasil, Telefónica de Argentina, Terra Guatemala and Terra México.

## Telefónica – a strong player on the European market



\* Data from December 2010

<b>Spain</b>	
Number of accesses	47.4 mil.
Fixed line market	1.
Mobile market	1.
<b>United Kingdom</b>	
Number of accesses	22.9 mil.
Fixed line market	–
Mobile market	2.

<b>Germany</b>	
Number of accesses	23.1 mil.
Fixed line market	4.
Mobile market	4.
<b>Ireland</b>	
Number of accesses	1.7 mil.
Fixed line market	–
Mobile market	2.
<b>Czech Republic</b>	
Number of accesses	7.7 mil.
Fixed line market	1.
Mobile market	2.
<b>Slovakia</b>	
Number of accesses	0.9 mil.
Fixed line market	–
Mobile market	3.
<b>Total number of accesses</b>	<b>103.9 mil.</b>

## Corporate Centre

The Corporate Centre is responsible for the global and organisational strategy, corporate policies, management of joint activities and coordination of business unit operations. In 2008, the Corporate Centre reinforced its relationships with the organisation units by way of a reorganisation project, which gave rise to two organisation units dedicated to innovation and transformation, respectively; the units were established to give a stronger impetus to the drive for revenues and performance.

## Telefónica España

Telefónica was founded in 1924 in Spain, however (since 2008), the home country is no longer the main market of the company. The company's main operations are in Latin America. Telefónica España is well appointed in all main market segments; it provides fixed telephony services (including pay TV), mobile and data services, broadband internet access, and has – via its subsidiary Meditel – investments in Morocco.

## Telefónica Latinoamérica

Telefónica Latinoamérica has operations in 13 countries of Latin America – Argentina, Brazil, Chile, Ecuador, El Salvador, Guatemala, Colombia, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela, where it provides the services of mobile and fixed telecommunications, internet access and pay TV. Additionally, Telefónica International Wholesale Services provides wholesale telecommunications services to a global standard. Its portfolio spans voice, data, IP, satellite, corporate and mobile services, and its optical network connects Latin America, United States and Europe. Telefónica is also actively pursuing ancillary business in Puerto Rico and in the United States.

## Telefónica Europe

Telefónica O2 Europe plc changed its name to Telefónica Europe plc on 1 June 2008. The change came as an organic part of the integration process, two years after the company's integration in the group. The new corporate name structure follows the same pattern as in all the other regions – Telefónica España, Telefónica Latinoamérica and Telefónica Europe. With operations in the United Kingdom, Ireland, Germany, Czech Republic and Slovakia, Telefónica Europe provides the services of mobile and fixed telecommunications and broadband internet access.

On December 3, 2009, Telefónica's subsidiary in Germany, Telefónica Deutschland GmbH (“Telefónica Deutschland”), signed an agreement to acquire all of the shares of German company HanseNet Telekommunikation GmbH (“HanseNet”). On February 16, 2010, the Telefónica Group completed the acquisition of 100% of the shares of HanseNet.

## Partnerships and other shareholding

Telefónica is present in China, Italy and Portugal, by means of shareholdings in China Unicom and Telecom Italia, respectively.

## Other companies in the group

Atento offers the services of Customer Relationship Management via its network of contact centres. It has operating platforms in Spain, Argentina, Brazil, Chile, Colombia, United States, Morocco, Mexico, Peru, Puerto Rico, Czech Republic, Uruguay and Venezuela.

T-gestiona provides comprehensive administrative and financial support in the area of human resources, real property, logistics and distribution, consulting in the area of ERP processes and systems, and the services of a comprehensive back office. It operates in Spain, Argentina, Brazil, Chile and Peru.

Telefónica I+D is a research and innovation company in the field of technology. The volume of funds invested in innovation and development has made it the largest private research and development centre in Spain, and it is also the European leader in terms of participation in ICT research projects. It has operations in Spain, Brazil and Mexico.

## Integrated decentralised model of governance

It is Telefónica's goal to maximise the value of its activities at all levels – global, regional and local. The model of organisation puts the customer at the heart of the company's focus, sets out the role of innovation in revenue generation and in the transformation into a better-performing enterprise.

### Local

Spain, Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Uruguay, Venezuela, Germany, Ireland, United Kingdom, Czech Republic, Slovakia

- Customer Experience Model
- Single Point of Sales Model
- Integrated Production Model

### Regional

Telefónica Europe, Telefónica Latinoamérica, Telefónica España

- Support, governance, synergy

### Global

Telefónica

- New Engaged Corporate Model
- Innovation
- Transformation

## Group structure

Key Holdings of the Telefónica Group detailed by regional business units

<b>Telefónica España</b>	
Telefónica de España <sup>1</sup>	100 %
Telefónica Móviles España <sup>1</sup>	100 %
Telyco	100 %
Telefónica Telecomunic, Públicas	100 %
T, Soluciones de Informática y Comunicaciones de España	100 %
Telefónica Remesas <sup>2</sup>	100 %
Tuenti <sup>3</sup>	91,4 %
Iberbanda	58,9 %

<sup>1</sup> Company owned through Telefónica S.A.

<sup>2</sup> Company owned through Telefónica Telecomunicaciones Públicas, S.A.

<sup>3</sup> Company owned through Telefónica Móviles España, S.A.U.

<b>Telefónica Latinoamérica</b>	
Telesp <sup>1</sup>	88,0 %
Telefónica del Peru <sup>2</sup>	98,3 %
Telefónica de Argentina	100 %
TLD Puerto Rico	100 %
Telefónica Chile <sup>3</sup>	97,9 %
Telefónica Telecom	52,0 %
T, Intern, Wholesale Serv, (TIWS) <sup>4</sup>	100 %
Vivo Participações <sup>5</sup>	59,4 %
Vivo <sup>6</sup>	100 %
T, Móviles Argentina	100 %
T, Móviles Peru	100 %
T, Móviles Mexico <sup>5</sup>	100 %
Telefónica Móviles Chile	100 %
T, Móviles El Salvador	99,1 %
T, Móviles Guatemala	100 %
Telcel (Venezuela)	100 %
T, Móviles Colombia	100 %
Otecel (Ecuador)	100 %
T, Móviles Panama	100 %
T, Móviles Uruguay	100 %
Telefonía Celular Nicaragua	100 %
T, Móviles Soluciones y Aplicac, (Chile) <sup>5</sup>	100 %

<sup>1</sup> Effective stake 88.01%.

<sup>2</sup> Latin American Cellular Holdings, B.V. owns 48.28%, Telefónica Internacional S.A. owns 49.9% and Telefónica S.A. owns 0.16%.

<sup>3</sup> Telefónica Internacional de Chile Ltda. owns 44.89% and Inversiones Telefónica Internacional Holding Ltda. owns 53%.

<sup>4</sup> Telefónica, S.A. owns 80.56% and T. Int. Wholesale Services, S.L. owns 19.44%.

<sup>5</sup> Company owned through Telefónica S.A.

<sup>6</sup> Company owned through Vivo Participações, S.A.

<b>Telefónica Europe</b>	
Telefónica O2 UK	100 %
Telefónica O2 Germany <sup>1</sup>	100 %
Telefónica O2 Ireland	100 %
Be	100 %
HanseNet (Germany) <sup>2</sup>	100 %
Jajah (US)	100 %
Tesco Mobile	50 %
Telefónica O2 Czech Republic <sup>1</sup>	69,4 %
Telefónica O2 Slovakia <sup>3</sup>	100 %

<sup>1</sup> Company owned through Telefónica S.A.

<sup>2</sup> Company owned through T. O2 Germany.

<sup>3</sup> Company owned through T. O2 Czech Republic.

<b>Other stakes</b>	
Atento Group	100 %
Telefónica de Contenidos (Spain)	100 %
Telco SpA (Italy) <sup>1</sup>	46,2 %
IPSE 2000 (Italy)	39,9 %
DTS, Distribuidora de Televisión Digital	22,0 %
Hispasat	13,2 %
Portugal Telecom <sup>2</sup>	2,0 %
China Unicom (Hong Kong) Limited (China)	8,4 %
ZON Multimedia <sup>3</sup>	5,4 %
BBVA	1,0 %
Amper	5,8 %

<sup>1</sup> Through Telco, Telefónica holds an indirect stake in Telecom Italia of approximately 10.36% in ordinary shares (with voting rights). After discounting saving shares (azioni di risparmio), which do not confer control rights, the indirect interest of Telefónica in Telecom Italia was 7.15%.

<sup>2</sup> Real interest of the Telefónica Group. With minority shareholdings disregarded, Telefónica's interest would be in the range of 10%.

<sup>3</sup> Telefónica's Group effective stake. Telefónica Group stake would be 5.46% if we exclude the minority interests.