TELEFONICA S A
Form 6-K
July 26, 2012
Table of Contents

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of July, 2012

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant s name into English)

Distrito Telefónica, Ronda de la Comunicación, sn

28050 Madrid, Spain

3491-459-3050

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes x No ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ¨ No x

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Table of Contents

Telefónica, S.A.

TABLE OF CONTENTS

Table of Contents

FINANCIAL HIGHLIGHTS

Second quarter results showed an improvement vs. the first quarter, with a better performance across all metrics from OIBDA to net income in underlying terms.

OIBDA showed a significant improvement in the second quarter of the year in all regions and totalled 10,431 million euros in the first half of 2012, with an OIBDA margin of 33.7%:

Second quarter consolidated OIBDA (5,350 million euros) increased 5.3% vs. the first quarter. Consolidated OIBDA margin improved sequentially to 34.6% in the second quarter of 2012 in underlying terms (32.8% in the first quarter), reflecting cost containment measures.

Telefónica España s OIBDA totalled 1,718 million euros in the second quarter of 2012, posting a 3.0% quarter-on-quarter growth, with a significant OIBDA margin expansion (45.0% in the second quarter vs. 42.8% in the first quarter).

Consolidated revenues totalled 30,980 million euros in the first half of the year (+0.3% year-on-year), with different realities across regions reflecting the benefits of diversification:

Solid revenue growth in Latin America (+7.0% year-on-year) offset lower sales in Europe (-6.1%), strongly impacted by adverse economic and regulatory conditions.

Excluding the impact of mobile termination rate cuts, revenues grew 1.5% year-on-year during the first half of 2012.

Mobile data revenues continued to show strong dynamism, rising by 15.7% year-on-year to account for 34% of consolidated mobile service revenues

Telefónica reached 312 million accesses at the end of the first half of 2012, posting a 6% year-on-year growth:

The strong expansion in mobile accesses (+7% year-on-year) remains the main growth driver of total accesses.

Mobile broadband accesses maintained their solid growth rate (+51% year-on-year), already accounting for 18% of total mobile accesses, as a result of a massive smartphone adoption.

Remarkable increased commercial activity in Latin America and churn contention in Europe, improving the commercial momentum in this region.

Net income stood at 1,327 million euros in the second quarter of 2012 (1,534 million euros in underlying terms) vs. 748 million euros in the previous quarter (1,284 million euros in underlying terms).

The Company confirms its guidance for 2012 in terms of OIBDA margin, CapEx/Sales and leverage ratio while restating its revenue target:

Revenue growth flat to positive in current euros (previously > 1%)

Lower OIBDA margin decline than in 2011.

Similar CapEx/sales as in 2011, excluding spectrum.

Net financial debt / OIBDA < 2.35x (equivalent to previous (Net Debt+Commitments) / OIBDA < 2.5x).

The Board of Directors has decided that, under the criteria of prudent administration and extremely challenging conditions, it is in the best interest of all Telefónica s stakeholders that the dividend and share buyback program corresponding to 2012 be cancelled (including November

Table of Contents

2012 and May 2013 cash and scrip payments, respectively) **as a one-time exceptional measure. The Company will resume its shareholder remuneration in 2013 by paying a dividend of 0.75 euros per share,** with the intention of paying it in two tranches: a first payment in the fourth quarter of 2013 and a second payment in the second quarter of 2014.

The proactive financing policy during the first half of the year and the adjustment in shareholder remuneration policy enable the Company to have debt maturities covered till the end of 2013

2012 operating guidance criteria: Assumes current exchange rates (2012 average FX of 1: US: 1.32x; 1: BRL 2.30; 1: £ 0.85) and constant perimeter of consolidation. At the OIBDA level, excludes write-offs, capital gains/losses from companies disposals and significant exceptionals. CapEx excludes spectrum licenses.

2011 bases for 2012 targets:

Net Financial Debt / OIBDA: 2.46 x.

Revenues: 62,837 million euros.

OIBDA Margin: 36.1%.

CapEx/Sales, ex spectrum: 14.2%.

Table of Contents

Comments from César Alierta, Executive Chairman:

Telefónica s second quarter results showed an improvement quarter-on-quarter, especially at OIBDA level. In underlying terms, OIBDA increased sequentially across regions and translated into margin expansion, as a result of the strict cost-containment measures undertaken.

Our strong diversification continues to be a key lever amid challenging trading conditions in some of our markets, with a growing contribution of Telefónica Latinoamérica to consolidated results and market risk perception decoupled from solid business fundamentals.

I would especially like to highlight our achievements in Spain, where initiatives to recover market competitiveness are already leading to a sharp reduction in churn and a significant improvement in customer satisfaction, driving significant efficiencies in both commercial expenses and investment. In addition, the removal of handset subsidies for new customers coupled with the fast execution of the redundancy programme, have generated material savings. As such, business profitability improved, with quarter-on-quarter growth in OIBDA.

January-June performance allows us to reiterate our year-end targets for OIBDA margin and CapEx to Sales ratio. However, due to the weaker than anticipated economic conditions in some countries and a stronger negative impact from regulation than envisaged, we have updated our revenue guidance and we now expect to deliver flat to positive revenue growth in current euros in 2012.

On the other hand, the Company continues making progress with initiatives to optimise the use of resources, such as the network-sharing agreements reached recently with other operators in the UK and Mexico.

In parallel, we continue to push forward with the development of Telefónica Digital to capture new growth opportunities in the digital world and bolster our growth profile, making significant progress in our transformation into a Digital Telco .

Lastly, to show the Company s determination to effectively defuse potential financial risks that are being exacerbated by unprecedented exogenous factors in the current extremely challenging economic and financial environment, the Board of Directors has decided that under the criteria of prudent administration it is in the best interest of all Telefónica s stakeholders that the dividend and share buyback program corresponding to 2012 are cancelled as a one-time exceptional measure. The Company will resume its shareholder remuneration in 2013 by paying a dividend of 0.75 euros per share. This exceptional decision, will immunize the company from debt markets liquidity conditions, by having debt maturities covered till the end of 2013, without considering announced asset disposals to which the Company remains fully committed.

Year-to date we have distributed to our shareholders 2.8 billion euros in cash dividends and we will continue remunerating our shareholders via dividend payments in 2013 .

Table of Contents

TELEFÓNICA

SELECTED FINANCIAL DATA

Unaudited figures (Euros in millions)

	January - June		% Chg	
	2012	2011	Reported	Organic
Revenues	30,980	30,886	0.3	(0.5)
Telefónica Latinoamérica	14,963	13,978	7.0	6.4
Telefónica Europe	15,076	16,063	(6.1)	(7.1)
Other companies & eliminations	941	845	11.3	
OIBDA	10,431	11,304	(7.7)	(6.7)
Telefónica Latinoamérica	5,212	5,172	0.8	0.8
Telefónica Europe	5,185	5,996	(13.5)	(13.9)
Other companies & eliminations	34	136	(74.7)	
OIBDA margin	33.7%	36.6%	(2.9 p.p.)	(2.2 p.p.)
Telefónica Latinoamérica	34.8%	37.0%	(2.2 p.p.)	(2.0 p.p.)
Telefónica Europe	34.4%	37.3%	(2.9 p.p.)	(2.7 p.p.)
Operating Income (OI)	5,300	6,348	(16.5)	(13.9)
Telefónica Latinoamérica	2,730	2,861	(4.6)	(3.5)
Telefónica Europe	2,691	3,492	(22.9)	(23.1)
Other companies & eliminations	(122)	(5)	n.s.	
Net income	2,075	3,162	(34.4)	
Basic earnings per share (euros)	0.46	0.69	(33.3)	
CapEx	3,658	3,838	(4.7)	9.2
Telefónica Latinoamérica	1,910	2,067	(7.6)	15.7
Telefónica Europe	1,562	1,603	(2.6)	(3.7)
Other companies & eliminations	186	167	11.1	
OpCF (OIBDA-CapEx)	6,774	7,466	(9.3)	(13.4)
Telefónica Latinoamérica	3,302	3,105	6.3	(6.2)
Telefónica Europe	3,623	4,393	(17.5)	(17.7)
Other companies & eliminations	(151)	(31)	n.m.	

Reconciliation included in the excel spreadsheets.

Notes:

OIBDA and OI are presented before brand fees and management fees.

OIBDA margin calculated as OIBDA over revenues.

2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela in both years.

CapEx includes 6 million euros from the spectrum acquired out of which 5 correspond to Nicaragua in the first quarter of 2012, 355 in Brazil and 68 in Costa Rica in Q2 11.

From January 1st, 2012, and due to the implementation of the new organization announced in September 2011, companies related to the digital world and global resources that were previously included in the consolidation perimeter of T.Latinoamérica (Terra, Medianetworks Perú, Wayra and the joint venture Wanda), T. España and T. Europe (TIWS, TNA, Jajah, Tuenti and Terra España) have been excluded from their consolidation perimeters and are included within Other companies and eliminations . Additionally, from the beginning of the year, the perimeter of consolidation of T.Europe includes T.España. As a result, the results of T. Europe, T. Latinoamérica and Other companies and eliminations have been restated for the fiscal year 2011, to reflect the above mentioned new organization. As this is an intragroup change, Telefónica consolidated results for 2011 are not affected.

***Organic criteria**: In financial terms, it assumes constant average exchange rates as of January-June 2011, and excludes hyperinflation accounting in Venezuela. Therefore, in OIBDA and OI terms, the first half-year of 2011 excludes the positive impact of the partial sale of our stake in Portugal Telecom (+183 million euros). Telefónica s CapEx excludes spectrum investment and, in 2011, Real Estate commitments in relation to the new Telefónica headquarters in Barcelona.*

Table of Contents

January June 2012

TABLE OF CONTENTS

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union, which do not differ for the purposes of the Telefónica Group, from IFRS as issued by the International Accounting Standards Board (IASB). This financial information is unaudited.

The English language translation of the consolidated financial statements originally issued in Spanish has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain omissions or approximations may subsist. Telefónica, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the Spanish-language version prevails.

Table of Contents

TELEFÓNICA

TELEFÓNICA

ACCESSES

Unaudited figures (thousands)

	June		
	2012	2011	% Chg
Final Clients Accesses	306,211.3	290,029.0	5.6
Fixed telephony accesses (1)	40,038.4	40,693.9	(1.6)
Internet and data accesses	19,342.9	18,909.6	2.3
Narrowband	758.8	1,117.1	(32.1)
Broadband (2)	18,429.8	17,631.9	4.5
Other (3)	154.3	160.6	(3.9)
Mobile accesses (4)	243,506.0	227,323.6	7.1
Prepay (5)	164,997.9	154,751.8	6.6
Contract (6)	78,508.1	72,571.7	8.2
Pay TV (7)	3,324.0	3,101.9	7.2
Wholesale Accesses	5,540.3	4,994.2	10.9
Unbundled loops	3,107.4	2,702.3	15.0
Shared ULL	192.5	223.7	(13.9)
Full ULL	2,914.9	2,478.5	17.6
Wholesale ADSL (8)	823.8	785.7	4.9
Other (9)	1,609.0	1,506.2	6.8
Total Accesses	311,751.6	295,023.2	5.7

TELEFÓNICA

MOBILE ACCESSES

Unaudited figures (thousands)

	June		
	2012	2011	% Chg
Prepay percentage (%)	67.8%	68.1%	(0.3 p.p.)
Contract percentage (%)	32.2%	31.9%	0.3 p.p.
MBB accesses (000)	44,901.6	29,801.1	50.7%
MBB penetration (%)	18%	13%	5.3 p.p.
Smartphone penetration (%)	16%	10%	5.9 p.p.

Notes:

(1)

PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company s accesses for internal use and total fixed wireless included. Includes VoIP and Naked ADSL. Since the first quarter of 2012, fixed telephony accesses include 384 thousand VoIP customers in Germany and 65 thousand fixed lines in UK to homogenize these accesses to the criteria of Telefónica.

(2) ADSL, satellite, optical fiber, cable modem and broadband circuits.

(3) Retail circuits other than broadband.

(4) First quarter of 2012 includes the disconnection of 2.0 million inactive accesses in Spain.

(5) First quarter of 2012 includes the disconnection of 1.2 million inactive accesses in Spain. Additionally, 360 thousand inactive accesses were disconnected in Chile in the third quarter of 2011. In Brazil, 1.0 million inactive accesses were disconnected in the fourth quarter of 2011 and 1.6 million inactive accesses in the second quarter of 2012.

(6) First quarter of 2012 includes the disconnection of 0.8 million inactive accesses in Spain.

(7) Includes 150 thousand clients of TVA in June 2011.

(8) Includes ULL rented by T. Germany and T. UK.

(9) Circuits for other operators. Includes Wholesale Line Rental (WLR) in Spain.

TELEFÓNICA

Consolidated Results

Beginning in January 2012, Telefónica s consolidated results are reported in line with the new corporate structure approved in September 2011 that contemplates two regional business units, Telefónica Europe and Telefónica Latinoamérica, and two global business units, Telefónica Digital and Telefónica Global Resources.

Telefónica s management model, regional and integrated, means that the legal structure of the companies is not relevant for the release of Group financial information, and therefore, the operating results of each of these business units are presented independently, regardless of their legal structure.

For the purpose of presenting information on a regional basis, revenue and expenses arising from invoicing among companies within Telefónica s perimeter of consolidation for the use of the brand and management contracts have been excluded from the operating results for each Group region, while centrally-managed projects are included at the regional level. This breakdown of the results does not affect Telefónica s consolidated earnings.

In line with this reorganisation, Telefónica has included in the Telefónica Latinoamérica and Telefónica Europe regional business units all information pertaining to fixed, mobile, cable, data, Internet and television businesses based on their respective locations. The Other companies heading includes the global business units Telefónica Digital and Telefónica Global Resources, which are not taken into account for segmental reporting, the Atento business, as well as other Group subsidiaries and eliminations from the consolidation process.

As of 1 January 2012, Telefónica Europe s consolidation perimeter encompasses Telefónica España, with the exception of Tuenti and Terra España. Conversely, Telefónica International Wholesale Services (TIWS), Telefónica North America (TNA) and Jajah are excluded. The latter three companies are now listed under the Other Companies and Eliminations heading, as part of a group of businesses managed by Telefónica Digital and Telefónica Global Resources. Similarly, the operations of Terra, Medianetworks Peru, Wayra and the joint venture Wanda, which in 2011 fell under Telefónica Latinoamérica s scope, are now listed under the Other Companies and Eliminations heading, as part of a group of businesses run by Telefónica Digital.

With the aim of facilitating a homogeneous understanding of the information, the financial results of Telefónica Europe and Telefónica Latinoamérica have been restated for the fiscal year 2011 to reflect the new corporate structure as of January 2011. Telefónica s consolidated results are unaffected by the restatement.

Also, with the objective to provide greater detail in a consistent manner across regions, from January 2012 the revenue breakdown by country is reported under a new structure. Thus, the fixed business is subdivided into Broadband and new services revenues, Voice and Access Revenue and Others , while reporting of mobile revenues is subdivided into Mobile Service Revenue, that include Mobile Data Revenue, and Handset Revenues.

In the first half of 2012, Telefónica s results were significantly impacted by the difficult trading environment in key countries, including adverse economic conditions, intense competition and the negative effects of regulation.

Against this backdrop, the Company s highly diversified portfolio and the increasing contribution of Latin America and Germany, where solid growth is maintained, are the key levers to offset the performance in the rest of Europe.

7

Table of Contents

Nevertheless, second quarter results showed a better OIBDA performance with quarter-on-quarter growth across regions and a sequential quarter-on-quarter OIBDA margin expansion, leveraging on cost contention initiatives across regions, being particularly noteworthy the return to positive quarter-on-quarter OIBDA growth in Telefónica España.

In this regard, since the beginning of the year the Company announced a number of significant initiatives focusing on maximising efficiency and improving profitability, that will result in strong benefits for the whole market. As such, it should be highlighted the introduction of a new commercial model in Spain, with handset subsidies removal in new customer acquisition. This will result in a strong commercial expenses reduction, with net savings already visible. In this sense, handset subsidies were gradually reduced in the UK in the second quarter of the year. Additionally, in the UK and Mexico network sharing agreements with other operators were recently signed, which will lead to further savings in the coming years.

In parallel, the Company has achieved relevant progress to capture new opportunities in the digital world, reaching important agreements in relation to M2M, Security, Cloud and Financial Services.

Total **accesses** increased by 6% year-on-year to 312 million by the end of June 2012, driven by the mobile segment (+7% year-on-year). Mobile net additions in the first half totalled 8.3 million (excluding 3.6 million mobile accesses disconnections in Spain and Brazil), up 18% year-on-year. Contract mobile accesses grew 8% year-on-year, accounting for 32% of total mobile accesses.

The Company s **mobile broadband accesses** posted a solid growth of 51% year-on-year to 44.9 million at the end of the first half, accounting for 18% of mobile accesses (+5 percentage points year-on-year). It should be highlighted the continued smartphone adoption by our customers (with attached data tariffs), with 6.9 million net additions in the first half. Out of this amount, 4.8 million came from Latin America doubling the net additions registered in the same period of 2011.

Telefónica s **retail fixed broadband accesses** increased 5% year-on-year to 18.4 million at the end of June 2012, with 364 thousand net additions (89 thousand in the second quarter), with a sustained growth of Telefónica Latinoamérica accesses.

By regions, Telefónica Latinoamérica s total access base grew 10% year-on-year, after recording 8.5 million mobile net additions during the first half of the year (excluding the disconnections mentioned above), up 36% year-on-year.

Revenues in the first half of 2012 totalled 30,980 million euros, with a year-on-year growth of 0.3%, underpinned by higher sales at Telefónica Latinoamérica (+7.0% year-on-year), which more than offset the lower revenues from the European operations (-6.1% year-on-year). Excluding the negative impact of lower mobile termination rates, revenues rose 1.5% year-on-year. Exchange rate fluctuations contributed with 0.8 percentage points to the growth (-0.5% in organic terms).

The Company s focus in capturing the high-growth in the mobile data business was reflected in the sustained growth of mobile data revenues (+15.7% year-on-year; +14.1% in organic terms), accounting for more than 34% of mobile service revenues in the first half of the year (30% over the same period in 2011). There was also a sharp increase in non-SMS data revenues (+26.6% year-on-year; +25.1% in organic terms), accounting for more than 56% of total data revenues (+5 percentage points vs. January-June 2011).

The Company s high diversification was reflected by the increased contribution of Telefónica Latinoamérica, which accounted for 48% of consolidated revenues during the first half of the year (+3.0 percentage points year-on-year) and remains the main growth driver (+3.2 percentage points year-on-year). On the other hand, Telefónica Europe accounted for 49% of consolidated revenues (-3.3 percentage points year-on-year) and, within the former, Telefónica España s contribution fell by 3.4 percentage points to represent 25% of consolidated revenues.

Table of Contents

Consolidated **operating expenses** amounted to 21,268 million euros, up 4.7% vs. the first half of 2011 (+3.8% in organic terms), decelerating significantly their growth rate in the second quarter (+3.6% reported vs. +5.9% in the first quarter) mainly due to a lower increase in commercial costs and higher efficiencies achieved.

Supplies during the first half of the year totalled 9,060 million euros, up 1.9% year-on-year (+0.2% in organic terms) due to increased purchases of handsets in Latin America related to the increased smartphone penetration in the region. Nevertheless, the year-on-year growth eased in the second quarter compared to the first quarter (+2.7% reported; +1.9% in organic terms in the first quarter of 2012), positively affected by various factors: lower mobile interconnection costs, reversion of a provision in Brazil and reduction of commercial expenses in some European markets.

Subcontract expenses (6,708 million euros) rose by 6.3% year-on-year (+6.0% in organic terms), decreasing its year-on-year growth with respect to the first quarter of the year (+8.7% reported; +8.4% organic in the first quarter of 2012), mainly due to optimised spending on advertising and marketing and more efficient management of network and system costs.

Personnel expenses stood at 4,377 million euros, up 5.7% year-on-year (+5.3% in organic terms), decelerating with respect to the first quarter (+6.7% reported; +6.6% in organic terms in the first quarter of 2012). This item reflected rising costs in Latin America in countries with higher inflation and non-recurrent expenses associated to redundancy programs in Brazil, Czech Republic and Ireland, which were partially offset by major savings in Spain deriving from the redundancy program approved in 2011.

The average headcount was 287,437 employees (2,348 employees more than the average for the first half of 2011), mainly due to the higher workforce at Atento. Excluding Atento, Telefónica s average workforce stood at 132,667 employees, 948 fewer than in the same period of 2011, following the redundancy programs mentioned above.

Gains on sales of fixed assets during the first half of the year stood at 285 million euros, compared to 245 million euros in the first half of 2011. In 2012 this amount mainly includes the impact from the sale of non-strategic towers, principally in Spain, Brazil and Mexico, for a total amount of 211 million euros (88 million euros in the second quarter mainly in Brazil and Mexico), as well as a capital gain of 39 million euros from the sale of applications in the second quarter (including 18 million euros from the sale of applications in Telefónica España). This heading, in the first half of 2011, included the positive effects of the partial reduction of our economic exposure to Portugal Telecom (183 million euros; 93 million euros in the second quarter) and the sale of non-strategic towers (44 million euros; 32 million euros in the second quarter).

During the first half of 2012, **operating income before depreciation and amortisation (OIBDA)** amounted to 10,431 million euros (-7.7% year-on-year; -6.2% in underlying terms), and recorded an improvement of 1.1 percentage points compared to the first quarter of the year (+1.2 percentage points in underlying terms), leveraging on cost initiatives and efficiencies achieved.

OIBDA margin stood at 33.7% in the first half of the year (-2.9 percentage points year-on-year; -2.3 percentage points in underlying terms), showing a significant sequential improvement vs. the first quarter. Thus, OIBDA margin in the second quarter was 34.6% in underlying terms vs. 32.8% in the first quarter, registering, as well, a lower year-on-year erosion (-1.9 percentage points vs. -2.8 percentage points in the first quarter).

Telefónica s geographic diversification is again reflected by the increasing contribution of Telefónica Latinoamérica to consolidated underlying OIBDA, accounting for 50% (+3.8 percentage points with respect to 2011). It is worth to highlight that Telefónica España s contribution to total OIBDA fell to

9

32% (-2.8 percentage points year-on-year), and thus Telefónica Europe accounts for 50% of total OIBDA.

Depreciation and amortisation in the first six months of the year (5,131 million euros) increased by 3.5% year-on-year (+2.5% in organic terms) mainly due to the amortisation of the new spectrum acquired in Germany, Brazil, Colombia, Spain and Mexico, and the increase of fixed assets. The depreciation and amortisation charges derived from purchase price allocation processes amounted to 492 million euros in the January-June period (-12.9% year-on-year).

In the first half of the year, **operating income (OI)** totalled 5,300 million euros (-16.5% year-on-year; -13.9% in underlying terms), with an improved trend in the second quarter (-15.3% year-on-year; -12.2% in underlying terms).

Profit from associates stood at -498 million euros in the first semester (-534 million euros during the same period in 2011), mainly due to Telco, S.p.A. s adjustment of the value of its investment in Telecom Italia, as well as of the operating synergies achieved, with both effects totalling 512 million euros in 2012 and 505 million euros in 2011. It should be pointed out that these effects were non-cash impacts.

Net financial expenses in the first half of 2012 reached 1,585 million euros, of which 20 million euros were negative foreign exchange differences. This yielded an effective cost of debt of 5.82% in the last 12 months (5.22% at December 31st 2011). Excluding foreign exchange differences, the effective cost of debt would be 5.47% compared to 4.91% at December 31st 2011, mainly explained by higher financing costs as a result of the tightening of credit markets, a higher proportion of fixed rate debt, the redundancy program of Telefónica España, a higher leverage in Latin-American currencies and other various effects.

Cash Flow from operations reached 8,961 million euros (-6.3% year-on-year) reflecting a significant improvement in the second quarter (5,005 million euros) compared to the first quarter.

It is worth noting the higher working capital consumption resulting from payment for CapEx, as a consequence of higher spectrum payments. Excluding this impact, in the first half of the year working capital presented a year-on-year improvement of 395 million euros.

Interest payments totalled 1,863 million euros, 697 million euros more than in the first half of 2011. Out of this amount, nearly 200 million euros were non-recurrent effects, most of which were already registered in the first quarter of 2012 (payment of interests related to the restructuring of Colombian companies, payments to the SUNAT in Peru and front-end fees related to financial operations signed). The remaining is mainly due to the seasonality in the payment of interests and the negative evolution of credit markets. It is worth mentioning that interest payments were 298 million euros higher than the interest accrued in the semester, which will be corrected during the second half of the year.

Payment for taxes totalled 717 million euros during the first half of 2012, 278 million lower than in the first half of 2011, mainly due to the refund of corporate taxes paid in advance in Spain and the lower tax payments in the UK and Brazil, the latter due to the materialisation of tax synergies.

As a result, **Free Cash Flow** for the first half of the year amounted to 1,727 million euros (-44.9% year-on-year), posting an improvement of 1,645 million de euros compared to the first quarter of 2012, in line with Company estimates. Free cash flow evolution during the first semester should not be extrapolated to the rest of the year due to the differences created by seasonality in various headings, where payments were higher than accruals.

At the end of June 2012, **net financial debt** amounted to 58,310. The evolution with respect to December 2011 (+2,006 million euros) can be explained, on the one hand, by shareholder remuneration (3,551 million euros), not fully compensated by the debt reduction in Colombia (1,499 million euros) due to the merger of the Colombian subsidiaries. On the other hand, the free cash flow generated during the first half of the year is almost offset by the appreciation of the sterling pound and the Colombian peso, as well as by the payments due to commitments, financial investments and other effects.

The **leverage ratio** for the past 12 months (net debt over OIBDA, adjusted by the provision related to the redundancy program in Spain), stood at 2.65 times as of end of June 2012. If net commitments related to workforce reduction are considered, the ratio of total net debt plus commitments over OIBDA (excluding results on the sale of fixed assets and adjusted by the provision related to the redundancy program in Spain) stood at 2.85 times.

During the first half of 2012, Telefónica s **financing activity**, excluding short-term Commercial Paper Programmes activity, stood slightly over 8,000 million equivalent euros, and the main focus was on financing in advance debt maturing in 2012, and smoothing the debt maturity profile for 2013 at the Holding level. Net debt maturities for 2013 amount to 6,700 million euros and for 2014 to 7,900 million euros. Main financing operations included:

In January, a loan facility with a Chinese financial entity was signed to finance telecom equipment purchases with a local supplier for an amount of 375 million US dollars.

In February, Telefónica increased the 6 year euro bond issued last February 2011 through a private placement, for an amount of 120 million euros.

In February, Telefónica issued a 6 year bond in the euro market for an amount of 1,500 million euros that experienced an excess of demand of over 6.5 times.

In the month of February Telefónica signed a 3 year loan with a financial entity for an amount of 200 million euros.

In March, Telefónica issued a bond in sterling pounds for an amount of 700 million and 8 year maturity, which was 3.8 times oversubscribed.

Also in March, Telefónica issued a 5 year bond in Czech crowns through a private placement, for an amount of 1,250 million Czech crowns.

It is worth highlighting, in the loan market, the refinancing signed in March with nearly 40 lenders for two tranches of the O2 syndicated loan maturing in December 2012 and December 2013 for approximately 3,400 million equivalent sterling pounds. On the one hand, Telefónica extended to December 2015 a total of approximately 1,300 million pounds of the 2,100 million sterling pounds maturing in December 2012. On the other hand, Telefónica extended to February 2017 the 2,100 million sterling pounds maturing in December 2013.

In June, a 6-year 10,000 million Japanese yen bond was issued through a private placement.

Telefónica, S.A. and its holding companies have remained active during the first half of 2012 under its various Commercial Paper Programmes (Domestic and European), with an outstanding balance of nearly 1,900 million euros at the end of June.

Regarding Latin America, as of June 2012 Telefónica s subsidiaries have tapped the capital markets for an amount of nearly 800 million equivalent euros. In addition, Telefonica Brasil has recently received firm placement guarantee offer for the issuance of debentures amounting to

2.000 million Brazilian reals with the maximum term of 7 years.

Telefónica maintains total undrawn committed credit lines for an amount of approximately 8,900 million euros, with around 7,300 million maturing in more than 12 months.

At the end of June 2012, bonds and debentures represented 63% of **consolidated financial debt** breakdown, while debt with financial institutions weighted 37%.

Table of Contents

Corporate income tax during the first half of 2012 totalled 960 million euros which, over an income before taxes of 3,217 million euros, implied an effective tax rate of 30%, normalising with respect to the rate recorded during the previous quarter.

Profit attributable to minority interests dragged net income by 182 million euros in the first six months of 2012 and fell by 15.8% year-on-year.

As a consequence of all the items mentioned above, **consolidated net income** in the first half of 2012 stood at 2,075 million euros (-34.4% year-on-year), and **basic earnings per share** were 0.46 euros. In underlying terms, consolidated net profit fell by 24.1% and basic earnings per share stood at 0.62 euros.

CapEx for the first six months of the year totalled 3,658 million euros, 4.7% lower than in the same period of 2011. In 2011 this item included the cost of spectrum acquisition in Brazil and Costa Rica. Therefore, in organic terms, CapEx rose year-on-year by 9.2%. The Company continues to devote the bulk of its investment to growth and transformation projects (81% of total investment), fostering the expansion of high speed broadband services, both fixed and mobile. The CapEx over sales ratio (excluding spectrum investments) was 11.8% in the first half of 2012. It should be noted that the year-on-year change of the first half of the year cannot be extrapolated to the full year given the different levels of investment execution in both years.

Operating cash flow (OIBDA-CapEx), excluding spectrum investment, stood at 6,780 million euros for the first half of 2012 (-13.4% year-on-year in organic terms; -12.0% in underlying terms).

Definitions

Organic growth: In financial terms, it assumes constant average exchange rates as of January-June 2011, and excludes hyperinflation accounting in Venezuela. Therefore, in OIBDA and OI terms, the first half-year of 2011 excludes the positive impact of the partial sale of our stake in Portugal Telecom (+183 million euros). Telefónica s CapEx excludes spectrum investment and, in 2011, Real Estate commitments in relation to the new Telefónica headquarters in Barcelona.

Underlying growth: Reported figures, excluding exceptional impacts and spectrum acquisition. First half of 2012 also excludes the reduction in the value of Telecom Italia investment and operating synergies achieved (-512 million euros; -358 million euros net of taxes), and also PPAs (-492 million euros; -363 million euros net of tax and minority interests) and difference in market value of BBVA stake (-30 million euros; -21 million euros net of tax and minority interests). Figures for the first half of 2011 exclude value adjustments in relation to the stake in Telecom Italia (-505 million euros; -353 million euros net of tax), the positive impact arising from a partial reduction of Telefónica s economic exposure to Portugal Telecom (+183 million euros) and also PPAs (-564 million euros; -381 million euros net of taxes and minority interests).

Table of Contents

TELEFÓNICA

Financial Data

TELEFÓNICA

CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - June			April - June		
	2012	2011	% Chg	2012	2011	% Chg
Revenues	30,980	30,886	0.3	15,470	15,451	0.1
Internal exp capitalized in fixed assets	394	352	11.9	208	183	13.4
Operating expenses	(21,268)	(20,306)	4.7	(10,493)	(10,130)	3.6
Supplies	(9,060)	(8,893)	1.9	(4,464)	(4,417)	1.1
Personnel expenses	(4,377)	(4,139)	5.7	(2,160)	(2,061)	4.8
Subcontracts	(6,708)	(6,311)	6.3	(3,308)	(3,182)	3.9
Bad Debt Provisions	(412)	(351)	17.3	(167)	(170)	(1.9)
Taxes	(711)	(612)	16.3	(394)	(300)	31.6
Other net operating income (expense)	42	129	(67.6)	18	87	(78.8)
Gain (loss) on sale of fixed assets	285	245	16.4	149	141	5.9
Impairment of goodwill and other assets	(2)	(2)	40.0	(2)	(1)	8.8
Operating income before D&A (OIBDA)	10,431	11,304	(7.7)	5,350	5,730	(6.6)
OIBDA margin	*33.7%*	*36.6%*	*(2.9 p.p.)*	*34.6%*	*37.1%*	*(2.5 p.p.)*
Depreciation and amortization	(5,131)	(4,956)	3.5	(2,562)	(2,439)	5.0
Operating income (OI)	5,300	6,348	(16.5)	2,789	3,291	(15.3)
Profit from associated companies	(498)	(534)	(6.9)	(16)	(518)	n.m.
Net financial income (expense)	(1,585)	(1,165)	36.1	(767)	(586)	31.0
Income before taxes	3,217	4,649	(30.8)	2,006	2,187	(8.3)
Income taxes	(960)	(1,271)	(24.4)	(559)	(543)	3.0
Income from continuing operations	2,257	3,378	(33.2)	1,447	1,645	(12.0)
Non-controlling interests	(182)	(216)	(15.8)	(119)	(106)	12.1
Net income	2,075	3,162	(34.4)	1,327	1,538	(13.7)
Weighted average number of ordinary shares outstanding during the period (millions)	4,524	4,597	(1.6)	4,503	4,598	(2.1)
Basic earnings per share (euros)	0.46	0.69	(33.3)	0.29	0.33	(11.9)

Notes:

For the basic earnings per share calculation purposes, the weighted average number of ordinary shares outstanding during the period has been obtained applying IAS rule 33 Earnings per Share . Thereby, the weighted average number of shares held as treasury stock during the period has not been taken into account as outstanding shares.

In accordance with IAS 33, Earnings per Share , the weighted average number of ordinary shares outstanding during the period have been restated for 2011 and 2012 to reflect the bonus share issue due to the scrip dividend. As a consequence basic earnings per share have also been restated.

2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela in both years.

TELEFÓNICA

GUIDANCE 2012

Unaudited figures (Euros in millions)

	2012			
	Jan-Mar	Jan-Jun	Guidance 2012	2011 Base
Revenues (%Chg YoY)	0.5%	0.3%	³ 0% (previous >1%)	62,837
OIBDA Margin (Chg YoY)	(2.8 p.p.)	(2.3 p.p.)	Lower margin decline than in 2011	(2.1 p.p.)
CapEx / Sales (ex spectrum)	11.0%	11.8%	Similar Capex / Sales as in 2011	14.2%
Net financial debt / OIBDA	2,55x	2,65x	Net financial debt / OIBDA < 2,35	2.46x

2012 guidance criteria: Assumes current exchange rates (2012 average FX of 1: US$ 1.32; 1: BRL 2.30; 1: £ 0.85) and constant perimeter of consolidation. At the OIBDA level, excludes write-offs, capital gains/losses from companies disposals and significant exceptionals. CapEx excludes spectrum licenses.

Table of Contents

TELEFÓNICA

REPORTED VS. UNDERLYING

Unaudited figures (Euros in millions)

	January - June			%	
	Jan-Jun 2012 Reported	Jan-Jun 2012 Underlying	Jan-Jun 2011 Underlying	Underlying Change y-o-y	Reported Change y-o-y
Revenues	30,980	30,980	30,886	0.3%	0.3%
OIBDA	10,431	10,431	11,122	-6.2%	-7.7%
OIBDA margin	33.7%	33.7%	36.0%	(2.3 p.p.)	(2.9 p.p.)
Operating Income (OI)	5,300	5,792	6,730	-13.9%	-16.5%
Net income	2,075	2,818	3,713	-24.1%	-34.4%
Basic earnings per share (euros)	0.46	0.62	0.81	-22.9%	-33.3%
OpCF (OIBDA-CapEx) ex-spectrum	6,780	6,780	7,707	-12.0%	-14.1%

Exceptional items	2012	2011
Reported OIBDA	10,431	11,304
PT capital gain		(183)
Underlying OIBDA	10,431	11,122
Reported Net Income	2,075	3,162
PT capital gain		(183)
Telco write-down	358	353
Difference in market value of BBVA stake	21	
PPAs	363	381
Underlying Net Income	2,818	3,713

Underlying growth: *Reported figures, excluding exceptional impacts and spectrum acquisition. First half of 2012 also excludes the reduction in the value of Telecom Italia investment and operating synergies achieved (-512 million euros; -358 million euros net of taxes), and also PPAs (-492 million euros; -363 million euros net of tax and minority interests) and difference in market value of BBVA stake (-30 million euros; -21 million euros net of tax and minority interests). Figures for the first half of 2011 exclude value adjustments in relation to the stake in Telecom Italia (-505 million euros; -353 million euros net of tax), the positive impact arising from a partial reduction of Telefónica s economic exposure to Portugal Telecom (+183 million euros) and also PPAs (-564 million euros; -381 million euros net of taxes and minority interests).*

15

TELEFÓNICA

REPORTED VS. UNDERLYING

Unaudited figures (Euros in millions)

	April - June			%	
	Apr-Jun 2012 Reported	Apr-Jun 2012 Underlying	Apr-Jun 2011 Underlying	Underlying Change y-o-y	Reported Change y-o-y
Revenues	15,470	15,470	15,451	0.1%	0.1%
OIBDA	5,350	5,350	5,637	-5.1%	-6.6%
OIBDA margin	34.6%	34.6%	36.5%	(1.9 p.p.)	-2.5 p.p.
Operating Income (OI)	2,789	3,019	3,437	-12.2%	-15.3%
Net income	1,327	1,534	1,964	-21.9%	-13.7%
Basic earnings per share (euros)	0.29	0.34	0.43	-20.3%	-12.1%
OpCF (OIBDA-CapEx) ex-spectrum	3,405	3,405	3,773	-9.8%	-11.9%

Exceptional items	2012	2011
Reported OIBDA	5,350	5,730
PT capital gain		(93)
Underlying OIBDA	5,350	5,637
Reported Net Income	1,327	1,538
PT capital gain		(93)
Telco write-down	21	353
Difference in market value of BBVA stake	21	
PPAs	165	166
Underlying Net Income	1,534	1,964

Underlying growth: *Reported figures, excluding exceptional impacts and spectrum acquisition. In the second quarter of 2012 also excludes the reduction in the value of Telecom Italia investment and operating synergies achieved (-30 million euros; -21 million euros net of taxes), and also PPAs (-230 million euros; -165 million euros net of tax and minority interests) and difference in market value of BBVA stake (-30 million euros; -21 million euros net of tax and minority interests). In the second quarter of 2011 exclude value adjustments in relation to the stake in Telecom Italia (-505 million euros; -353 million euros net of tax), the positive impact arising from a partial reduction of Telefónica s economic exposure to Portugal Telecom (+93 million euros) and also PPAs (-239 million euros; -166 million euros net of taxes and minority interests).*

Table of Contents

TELEFÓNICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited figures (Euros in millions)

	June 2012	December 2011	% Chg
Non-current assets	106,544	108,800	(2.1)
Intangible assets	23,000	24,064	(4.4)
Goodwill	29,206	29,107	0.3
Property, plant and equipment and Investment properties	35,249	35,469	(0.6)
Non-current financial assets and investments in associates	12,486	13,743	(9.1)
Deferred tax assets	6,603	6,417	2.9
Current assets	21,966	20,823	5.5
Inventories	1,238	1,164	6.4
Trade and other receivables	11,275	11,331	(0.5)
Current tax receivable	1,473	1,567	(6.0)
Current financial assets	2,839	2,625	8.2
Cash and cash equivalents	4,003	4,135	(3.2)
Non-current assets classified as held for sale	1,138	1	n.m.
Total Assets = Total Equity and Liabilities	128,510	129,623	(0.9)
Equity	26,026	27,383	(5.0)
Equity attributable to equity holders of the parent	20,700	21,636	(4.3)
Non-controlling interests	5,326	5,747	(7.3)
Non-current liabilities	70,473	69,662	1.2
Non-current financial debt	56,640	55,659	1.8
Deferred tax liabilities	4,863	4,739	2.6
Non-current provisions	6,824	7,172	(4.9)
Other non-current liabilities	2,146	2,092	2.6
Current liabilities	32,011	32,579	(1.7)
Current financial debt	12,260	10,652	15.1
Trade and other payables	8,519	9,406	(9.4)
Current tax payables	2,585	2,568	0.7
Current provisions and other liabilities	8,647	9,953	(13.1)
Financial Data			
Net financial Debt (1)	58,310	56,304	3.6

(1) Figures in million euros. Includes: Long-term financial debt + other long term liabilities (1,633) + short-term financial debt + trade and other payables (53) non-current financial assets and investments in associates (5,381) trade and other receivables (53) current financial assets cash and cash equivalents.

Note: 2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela in both years.

17

TELEFÓNICA

FREE CASH FLOW AND CHANGE IN DEBT

Unaudited figures (Euros in millions)

		January - June		
		2012	2011	% Chg
I	Cash flow from operations	8,961	9,562	(6.3)
II	Net interest payment (1)	(1,863)	(1,166)	
III	Payment for income tax	(717)	(995)	
A=I+II+III	Net cash provided by operating activities	6,381	7,401	(13.8)
B	Payment for investment in fixed and intangible assets (2)	(4,870)	(4,481)	
C=A+B	Net free cash flow after CapEx	1,511	2,919	(48.3)
D	Net Cash received from sale of Real Estate	14	11	
E	Net payment for financial investment	(540)	(1,036)	
F	Net payment for operations with minority shareholders and treasury stock (3)	(3,735)	(3,414)	
G=C+D+E+F	Free cash flow after dividends	(2,750)	(1,520)	81.0
H	Effects of exchange rate changes on net financial debt	657	(220)	
I	Effects on net financial debt of changes in consolid. and others	(1,401)	(474)	
J	Net financial debt at beginning of period	56,304	55,593	
K=J-G+H+I	Net financial debt at end of period	58,310	56,420	3.3

(1) Including cash received from dividends paid by subsidiaries that are not fully consolidated.

(2) Figures in million euros. In 2012, it includes 396 for the spectrum payments in Spain, 19 in Colombia, 7 in Mexico and 2 in Nicaragua. In 2011, it includes 58 in Mexico, 35 in Brazil, 3 in Nicaragua and 68 in Costa Rica.

(3) Dividends paid by Telefónica S.A., operations with treasury stock and operations with minority shareholders from subsidiaries that are fully consolidated.

Note: 2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela in both years.

Table of Contents

TELEFÓNICA

RECONCILIATIONS OF CASH FLOW AND OIBDA MINUS CAPEX

Unaudited figures (Euros in millions)

	January - June		
	2012	2011	% Chg
OIBDA	10,431	11,304	(7.7)
- CapEx accrued during the period	(3,658)	(3,838)	
- Payments related to cancellation of commitments	(401)	(425)	
- Net interest payment	(1,863)	(1,166)	
- Payment for tax	(717)	(995)	
- Results from the sale of fixed assets	(285)	(245)	
-Investment In working capital and other deferred income and expenses	(1,997)	(1,715)	
= Net Free Cash Flow after CapEx	1,511	2,919	(48.3)
+ Net Cash received from sale of Real Estate	14	11	
- Net payment for financial investment	(540)	(1,036)	
- Net payment for operations with minority shareholders and treasury stock	(3,735)	(3,414)	
= Free Cash Flow after dividends	(2,750)	(1,520)	81.0

Unaudited figures (Euros in millions)

	January - June		
	2012	2011	% Chg
Net Free Cash Flow after CapEx	1,511	2,919	(48.3)
+ Payments related to cancellation of commitments	401	425	
- Operations with minority shareholders	(184)	(212)	
= Free Cash Flow	1,727	3,133	(44.9)
Weighted average number of ordinary shares outstanding during the period (millions)	4,524	4,597	
= Free Cash Flow per share (euros)	0.38	0.68	(44.0)

Notes:

The concept Free Cash Flow reflects the amount of cash flow available to remunerate Telefónica S.A. Shareholders, to protect solvency levels (financial debt and commitments), and to accomodate strategic flexibility.

The differences with the caption Net Free Cash Flow after CapEx included in the table presented above, are related to Free Cash Flow being calculated before payments related to commitments (workforce reductions) and after operations with minority shareholders, due to cash recirculation within the Group.

2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela in both years.

19

Table of Contents

TELEFÓNICA

NET FINANCIAL DEBT PLUS COMMITMENTS

Unaudited figures (Euros in millions)

		June 2012
	Long-term debt (1)	58,273
	Short term debt including current maturities (2)	12,313
	Cash and cash equivalents	(4,003)
	Short and Long-term financial investments (3)	(8,274)
A	Net Financial Debt	58,310
	Gross commitments related to workforce reduction (4)	4,061
	Value of associated Long-term assets (5)	(918)
	Taxes receivable (6)	(1,218)
B	Net commitments related to workforce reduction	1,924
A + B	Total Debt + Commitments	60,234
	Net Financial Debt / OIBDA (7)	2,65x
	Total Net Debt + Commitments / OIBDA (8)	2.85x

(1) Includes long-term financial debt and 1,633 million euros of other long-term debt .
(2) Includes short-term financial debt and 53 million euros of trade and other payables from Rent to Rent operations of T. España.
(3) Includes Current financial assets , 5,381 million euros recorded under the caption of Non-current financial assets and investments in associates and 53 million euros of trade and other receivables from Rent to Rent operations of T. España.
(4) Mainly in Spain. This amount is detailed in the captions Long-term provisions and Short-term provisions and other liabilities of the Statement of Financial Position, and is the result of adding the following items: Provision for Pre-retirement, Social Security Expenses and Voluntary Severance , Group Insurance , Technical Reserves , and Provisions for Pension Funds of Other Companies .
(5) Amount included in the caption Non-current financial assets and investments in associates of the Statement of Financial Position. Mostly related to investments in fixed income securities and long-term deposits that cover the materialization of technical reserves of the Group insurance companies.
(6) Net present value of tax benefits arising from the future payments related to actual workforce reduction commitments.
(7) Calculated based on the last 12 months OIBDA adjusted by the workforce provision in Spain in the third quarter of 2011.
(8) Calculated based on the last 12 months OIBDA excluding results on the sale of fixed assets and adjusted by the workforce provision in Spain.
Note: 2012 reported figures include the hyperinflationary adjustments in Venezuela.

Table of Contents

DEBT STRUCTURE BY CURRENCY

Unaudited figures

	June 2012				
	EUR	LATAM	GBP	CZK	USD
Debt structure by currency	77%	11%	6%	2%	4%

CREDIT RATINGS

	Long-Term	Short-Term	Perspective	Date of last rating change
Moody's[1]	Baa2	P-2	Credit Watch Negative	20/06/2012
JCR[2]	A		Negative	23/03/2012
S&P[1]	BBB	A-2	Negative	24/05/2012
Fitch/IBCA[1]	BBB+	F-2	Negative	08/06/2012

(1) The rating is issued by a credit rating agency established in the EU and registered under Regulation (EC) 1060/2009.
(2) The rating is issued by a third country credit rating agency that is certified in accordance with Regulation (EC) 1060/2009.

TELEFÓNICA

EXCHANGES RATES APPLIED

	P&L and CapEx (1)		Statement of Financial Position (2)	
	Jan - Jun 2012	Jan - Jun 2011	June 2012	December 2011
USA (US Dollar/Euro)	1.296	1.403	1.259	1.294
United Kingdom (Sterling/Euro)	0.822	0.868	0.807	0.835
Argentina (Argentinean Peso/Euro)	5.697	5.677	5.699	5.569
Brazil (Brazilian Real/Euro)	2.410	2.288	2.545	2.427
Czech Republic (Czech Crown/Euro)	25.163	24.346	25.640	25.800
Chile (Chilean Peso/Euro)	638.570	667.080	631.816	671.795
Colombia (Colombian Peso/Euro)	2,323.323	2,575.879	2,246.812	2,513.662
Costa Rica (Colon/Euro)	663.570	712.758	634.115	670.691
Guatemala (Quetzal/Euro)	10.087	10.882	9.878	10.106
Mexico (Mexican Peso/Euro)	17.179	16.685	16.881	18.047
Nicaragua (Cordoba/Euro)	30.170	31.066	29.634	29.726
Peru (Peruvian Nuevo Sol/Euro)	3.466	3.902	3.361	3.489
Uruguay (Uruguayan Peso/Euro)	25.932	26.908	27.590	25.746
Venezuela (Bolivar Fuerte/Euro) (3)	5.414	6.215	5.414	5.564

(1) These exchange rates are used to convert the P&L and CapEx accounts of Telefónica foreign subsidiaries from local currency to euros.
(2) Exchange rates as of 06/30/12 and 12/31/11.
(3)

After considering Venezuela as an hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro.

Table of Contents

RESULTS BY REGIONAL BUSINESS UNITS

Telefónica Latinoamérica[1]

In the first six months of 2012, Telefónica Latinoamérica continued to improve the Company s repositioning in those business areas with greater long-term growth potential, especially fixed and mobile broadband.

By the end of June, Telefónica managed 208 million accesses in the region, with year-on-year growth of 10%. It should be pointed out that growth was adversely affected by the disconnection of inactive prepaid mobile customers in Brazil during the quarter (1.6 million accesses)

Main trends in the **mobile business** include the following:

Estimated **penetration** in Latin America was 114% (+11 percentage points year-on-year) at the end of June 2012.

Mobile accesses amounted to 173.2 million in June, with year-on-year growth of 11%, affected by the customer disconnections already mentioned.

Telefónica has retained its leadership of the **contract** segment in the region, with 37.1 million accesses (+15% year-on-year), representing 21% of total mobile accesses.

Mobile broadband accesses stood at 21.5 million, doubling year-on-year and representing 12% of the mobile access base. It is worth highlighting the sharp increase in smartphones, almost tripling from June 2011.

The Company s **net additions** stood at 8.5 million accesses during the six-month period (4.0 million in the quarter), with a year-on-year growth of 36%. Against a backdrop of intense commercial activity in the first six months of the year gross additions increased by 21% year on year (+19% in the quarter), being the net additions affected by the increase in churn (3.0%; +0.3 percentage points for the six months; +0.6 percentage point in the second quarter) arising from the disconnections mentioned above.

Traffic continued to grow at strong pace both in the quarter and in the first six months. In homogenous terms (excluding the tariff change from minutes to seconds applied as of the first quarter of 2012 in Mexico), traffic was up by 15.7% during the six months (+14.3% in the second quarter), above the pace of growth in accesses.

ARPU remains roughly stable in the region (-0.5% year on year in the first six months) despite the negative impact derived from the reduction of mobile termination rates. Outgoing ARPU rose 3.1% year on year in the first six months, reflecting the Company focus on maximizing customer value.

Highlights in the **fixed** business include the following:

Accesses reached a year-on-year growth of 1%, practically in line with the previous quarter, to 34.8 million accesses.

Accesses in traditional business totaled 23.9 million, representing a slight year-on-year decrease of 1%, similar to the one recorded in the first quarter.

[1] **Organic growth:** In financial terms, it assumes constant average exchange rates and excludes changes in the perimeter of consolidation and hyperinflation in Venezuela. Therefore, in OIBDA and OI terms, the second quarter of 2011 excludes the positive impact of the partial sale of our stake in Portugal Telecom (+35 million euros). Capex excludes investments in spectrum.

Table of Contents

Retail broadband accesses amounted to 8.2 million, up by 10% year-on-year, following net adds of 332 thousand accesses during the first six months of the year (163 thousand in the second quarter).

Pay TV accesses showed year-on-year growth of 10%, standing at 2.3 million at the end of June following net adds of 62 thousand accesses for the six-month period (25 thousand in the quarter).

The continued focus on bundling and broadband is reflected in the fact that 75% of fixed accesses had signed up for some form of bundled offer (+6 percentage points year-on-year), while 90% of broadband accesses are also under 2P/3P offers.

Telefónica Latinoamérica s **revenues** amounted to 14,963 million euros in the first six months of 2012, with 7.0% year-on-year growth in reported terms (+5.8% in the quarter) and 6.4% in organic terms (+5.1% in the quarter). This growth reflects the good performance of mobile service revenues (+12.4% year on year on the first six months, +11.5% in the quarter), despite the negative impact from regulation (-1.9 percentage points both in the first six months and in the second quarter).

Growth of mobile broadband services remains as a key growth driver, with a year-on-year increase in mobile data revenues of 27.3% (25.9% during the quarter), now accounting for 29% of mobile service revenues (+3 percentage points year-on-year). Rising connectivity revenues bolstered the growing importance of non-SMS data revenues, which accounted for 55% of data revenues (+2 percentage points year-on-year).

Operating expenses amounted to 10,050 million euros over the first six months of 2012, increasing by 10.7% year-on-year (+10.3% in organic terms), showing an improvement trend in the second quarter (+6.8% year-on-year in organic terms) versus the first quarter (+13.8% organic), despite the intense competition and the high levels of commercial activity:

Supply costs showed a year-on-year increase of 4.2% (+2.8% in organic terms) reaching 3,742 million euros, and remained affected by the growth of new businesses. However there is a better performance in the second quarter (-1.2% organic; +6.7% in the first quarter), partially explained by the reversion of a provision in Brazil, as excluding this effect growth in supply costs would continue being lower than in the first quarter (+4.8% organic).

Subcontract expenses stood at 4,119 million euros, after increasing by 11.8% year-on-year (+12.1% in organic terms). The second quarter also shows a better performance (+9.8% organic) than in the first quarter (+14.6%) as a consequence of systems costs contention, lower top-up commissions and lower marketing costs due to synergies generated by the fixed and mobile integration.

Personnel expenses stood at 1,437 million euros, with a year-on-year increase of 17.8% (+16.7% in organic terms), partially associated to the non-recurring restructuring costs recorded mainly in the first quarter and to the effect of higher inflation in some countries as Argentina and Venezuela. The trend improvement in the second quarter, with an increase of 12.4% organic (+20.9% in the first quarter), partly reflects the restructuring efforts completed in the first quarter.

OIBDA stood at 5,212 million in the first six months of 2012, with year-on-year growth of 0.8% in both organic and reported terms (+0.7% reported and +1.2% organic in the second quarter) despite sound commercial activity in the quarter. OIBDA margin stood at 34.8% in the six-month period (35.8% in the quarter).

OIBDA, both in absolute terms and in margin was adversely affected by a number of factors that affect various countries (integration costs, rebranding and provision reversal in Brazil, service interruption in Argentina, retroactive impact from new regulation in Venezuela, etc.), reducing OIBDA

by 42 million euros over the six-month period and having a positive impact of 24 million in the quarter. OIBDA was also affected by sales of non-strategic towers in the first six months of the year (183 million euros vs. 44 million euros in the first six months of 2011; 87 million euros in the second quarter of 2012 vs. 32 million euros in 2011).

CapEx amounted to 1,910 million euros during the six-month period (-7.6% year-on-year in reported terms; +15.7% in organic terms), mainly related to network rollout to provide voice and fixed and mobile broadband services, and investment in the deployment of pay TV services, corporate services and systems. The year-on-year reported evolution is affected by spectrum investments in Brazil (355 million in the first six months of 2011), Nicaragua (5 million in the first six months of 2011) and Costa Rica (68 million in the first six months of 2011).

Operating cash flow stood at 3,302 million euros, up by 6.3% year-on-year in reported terms (-6.2% organic).

BRAZIL (year-on-year changes in organic terms)

The Brazilian telecommunications market continued to post strong dynamism in the second quarter of the year, consolidating its status as a key sector in the development of the country s economy.

Telefónica Brasil remained the market benchmark, having strengthened its commercial positioning as an integrated operator following the launch of the Vivo brand for all services (fixed and mobile) in the month of April. Moreover, the focus on providing the best service quality continued strengthening its leadership in the higher value segments.

The focus on guaranteeing the best quality of service and offering the most advanced services is reflected in the Company s strong commitment with investment, as the recent award of spectrum for delivering 4G services and the provision of rural coverage in certain areas of the country demonstrated.

In the second quarter of the year the Company continued posting an intense commercial activity in the mobile business, thanks to the success of new services and tariff plans launched in the second half of 2011, along with the provision of national coverage in the 1800 MHz band. At the fixed business, the Company continued to promote its ADSL broadband offer while strengthening its focus on quality improvement through the high speed broadband offer over fiber and cable. It also maintained the fixed offer outside Sao Paulo, through the fixed wireless technology, which is now available in the country s eight largest metropolitan areas. Likewise, it is also noteworthy the launch of convergent services, with the addition of mobile favourite numbers included in the fixed traditional business commercial offer.

The Company managed 91.2 million **accesses** at the end of June, with a strong year-on-year increase (+14%), and despite the disconnection of 1.6 million inactive mobile accesses in the quarter.

Regarding the operating performance of the **mobile business** highlights were:

Penetration in Brazil stood at 131% (+19 percentage points year-on-year) at the end of the first half.

Vivo maintained its leadership in the market with a **market share** of 29.6% (+0.1 percentage points year-on-year) and attaining a 36.6% share in the contract segment (+0.5 percentage points), reflecting the strong positioning in higher value segments thanks to its competitive advantages in terms of quality, network coverage and brand image.

Mobile accesses stood at 75.7 million as of June 2012 (+18% year-on-year), mainly underpinned by the contract segment (+21% year-on-year), which accounts for 23% of total accesses. Particularly noteworthy was the acceleration of the growth of mobile broadband

24

Table of Contents

accesses, which accounted for 12% of total accesses, doubling the figure as of June 2011 on the back of the marked growth in smartphones with data plans attached (x3 year-on-year).

Net additions totalled 5.8 million in the first six months of the year (excluding the disconnection of 1.6 million inactive prepay accesses in the second quarter), up 53% year-on-year. Excluding disconnections, net additions in the quarter stood at 2.5 million accesses (+28% year-on-year) thanks to the sharp increase in gross additions (+31% year-on-year in both the second quarter and the first half) that showed the clear Company s focus on growth in a highly competitive market.

Churn was affected by inactive accesses disconnections. Excluding this impact, churn in the first half stood at 2.8%, stable year-on-year (3.1% in the quarter). It is worth highlighting the positive performance of the contract churn (1.7% in the second quarter) that remained as a market benchmark.

The strong take-up for the new tariff plans in all segments is reflected in the year-on-year performance of **traffic**, which posted sustained growth both in the quarter and in the first six months (+27% and +28% respectively), highlighting the strong increase in prepay top-ups (+25% in the first half; +26% in the quarter).

ARPU decreased by 7.3% in the first six months of the year (-9.1% in the second quarter) mainly as a result of the reduction in mobile termination rates and growth in accesses amid higher penetration levels, which also affected to the outgoing ARPU trend, that fell by 2.9% year-on-year.

Regarding commercial activity at the **fixed business** the main first half highlights were:

Traditional accesses stood at 10.8 million (-3% year-on-year) with the same year-on-year decline recorded in the first quarter.

Retail Broadband accesses totalled 3.7 million (+7% year-on-year), with 84 thousand net additions in the first six months. Net additions during the quarter totalled 32 thousand accesses, against a backdrop of increased competition. Fixed broadband accesses as a percentage of fixed accesses increased by 3 percentage points compared with the first half of 2011 to 35%.

The Company s ultra-broadband customer base through fiber continued to grow, reaching 88 thousand accesses at the end of the first half, while penetration increased steadily and now stands at over 1 million homes passed.

Pay TV accesses stood at 650 thousand (-5% year-on-year), reflecting the loss of MMDS technology accesses associated with the future return of the licence. The Company is planning to launch a new TV platform in the second half of the year which will improve its competitive position in the market.

Revenues amounted to 6,898 million euros in the first half, up 2.1% year-on-year (virtually stable in the quarter). The mobile business continued to post a positive performance in the quarter, offsetting the decline in fixed business revenues. Note that second quarter revenues were affected by the reduction in mobile termination rates (VUM; -13.7% since 1 March) and in the fixed-mobile retail rate (VC; -10.4% since 24 February). These lower rates had a negative impact of 101 million euros on the revenues of the first half (72 million in the quarter). Excluding these effects revenues would have grown by 3.6% year-on-year in the first six months and 2.1% in the quarter.

Mobile revenues in the first half of 2012 stood at 4,253 million euros, up a strong 9.2% year-on-year (+8.1% in the quarter).

Mobile service revenues maintained a solid trend, increasing by 12.0% year-on-year in the six months (+10.4% in the quarter). Excluding the impact of the reduction in mobile termination

Table of Contents

rates, with a negative impact of 73 million euros in the first half and 54 million euros in the quarter, mobile service revenue would have grown by 14.0% year-on-year (+13.3% in the second quarter).

Particularly noteworthy is the growing contribution of **data revenues**, which advanced 25.3% year-on-year in the first half and accounted for 26% of mobile service revenues (+3 percentage points year-on-year). Non-SMS data revenues accounted for 62% of total data revenues thanks to the good performance of the mobile broadband business.

Fixed revenues stood at 2,645 million euros in the first half (-7.6% year-on-year; -11.0% in the second quarter). Year-on-year performance in the second quarter was chiefly shaped by the following factors: i) the full consolidation of TVA since the second quarter of 2011, retroactively to 1 January of that year, which means six months of TVA s earnings were included in the second quarter of 2011; ii) the seasonality associated with the different execution of projects in the corporate segment; and iii) the reduction in the fixed-mobile retail tariff, with a negative impact in the half year revenues of 28 million euros (19 million euros in the quarter) dragging year-on-year revenue growth in the period by 1.0 percentage points (1.3 percentage points in the quarter). Breakdown by component:

Voice and access revenues (-11.3% in the half year; -12.2% in the quarter) reflected the abovementioned cut in fixed-mobile retail tariffs (-9.5% in the half year and -10.2% in the quarter excluding this effect) and the ongoing mobile business substitution effect, both in terms of traffic, especially long-distance, and in traditional fixed accesses.

Broadband and new services revenues remained virtually stable in the half year (+0.3%). Performance in the quarter (-8.8%) was to a large extent shaped by the abovementioned consolidation of TVA (33 million euros added to revenues in the quarter with retroactive impact of 17 million) and the different execution of corporate projects, with data and IT revenues especially high in the second quarter of 2011, against a backdrop of strong competition.

Operating expenses showed an increase of 4.5%, decelerating growth in the second quarter due to the reduction on mobile termination rates and lower personnel expenses. On the other hand, the increase in other cost items reflected the strong accesses expansion due to higher commercial activity, higher contingencies, as well as the rebranding impact and integration costs. It is important to note that coupled with the costs associated with the integration process, the quarter reflects the reversal of contingency provisions, with a net positive impact for both effects of 77 million euros (12 million euros in the first half including higher restructuring expenses accounted in the first quarter).

Moreover, the first half of 2012 included 163 million euros from the sale of non-strategic towers (70 million euros in the second quarter) compared to 24 million euros in the same period in 2011, all registered in the second quarter. Also worth noting is the negative impact of the reduction in mobile termination rates and fixed-mobile retail tariffs, which stood at 38 million euros in the first half (28 million in the quarter).

As a result, **OIBDA** in the first half of 2012 totalled 2,515 million euros (+0.9% year-on-year in the six months; +1.4% in the quarter), with an OIBDA margin of 36.5% (38.5% in the second quarter), with a sequential improvement quarter-on-quarter on the back of higher efficiencies.

CapEx in the first six months of 2012 amounted to 963 million euros (+32.6% year-on-year excluding the investment in spectrum made in the second quarter of 2011) mainly related to the mobile network expansion aiming to secure rapid data and accesses growth, as well as increased speed in the broadband service.

ARGENTINA (year-on-year changes in local currency)

In the first half of 2012 Telefónica Argentina maintained its market leadership with benchmark products and services, strengthening its bundled offer of broadband and value-added services with a

Table of Contents

highly segmented approach which enables it to meet all customer needs, and continuing the improvement and development of integrated fixed and mobile broadband offers.

It should also be noted that the Company s second-quarter 2012 economic results were negatively impacted by the compensation to customers associated with the software fault in the equipment which manages signalling in Movistar s national network, which affected the service on April, 2. Moreover, the severe weather conditions that affected the northern area of Buenos Aires on 4 April had also a further negative impact on the results.

The Company managed 23.0 million **accesses** at the end of the first half of the year, up 2% year-on-year.

Operating highlights at the **mobile business** in the first half were:

- The estimated penetration rate in the market stood at 140% (+8 percentage points year-on-year).

- The Company s **mobile accesses** stood at 16.7 million (+2% year-on-year), with the contract segment standing out, with a 7% growth and already accounting for 38% of total accesses.

- **Churn** stood at 2.7% in the quarter, and despite improved trends (3.0% in the six months) continued to reflect the increase in disconnections of low value customers in the prepay segment. By contrast, contract churn (0.9%) maintains its positive evolution as market benchmark.

- **Traffic** increased by 9% year-on-year both in the first six months and in the second quarter.

- **ARPU** continued to post a positive performance, increasing by 17.5% year-on-year in the first six months (+16.7% in the second quarter) thanks to growth in voice traffic and progressive uptake of data services.

Regarding commercial activity at the **fixed business** the main highlights were:

- **Traditional fixed accesses** stood at 4.6 million, virtually stable year-on-year (-1%) thanks to the success of service bundling, as 75% of accesses included some type of service bundle.

- **Retail broadband accesses** totalled 1.7 million, up 10% year-on-year, with net additions in the second quarter (32 thousand) in line with the figure from the previous quarter (64 thousand accesses in the first half).

Revenues reached 1,779 million euros in the first six months of 2012, up 18.0% year-on-year, with growth virtually stable in the quarter (+17.5%).

Mobile revenues totalled 1,158 million euros in the six months, growing 21.1% year-on-year (+21.4% in the quarter):

- **Mobile service revenues** posted a positive trend (+20.9% year-on-year in the half year; +20.0% in the quarter), reflecting the high levels of usage. Data revenues were the main growth driver, advancing by 34.6% year-on-year in the six months (+34.8% in the second quarter), already accounting for 43% of service revenues (+4 percentage points year-on-year).

Fixed revenues totalled 680 million euros, up 13.3% year-on-year in the six months (+11.3% in the quarter):

Voice and access revenues increased by 5.6% in the half year (+3.3% in the quarter) thanks to the positive result of the bundling voice services and access stability.

Particularly noteworthy is the strong increase in **broadband and new service revenues** (+24.4% year-on-year in the first six months; +22.9% in the quarter), which reflected the solid growth of the internet and content revenues and of the data, IT and capacity rental revenues.

Table of Contents

Operating expenses totalled 1,248 million euros and increased by 24.3% in the first half. This trend was underpinned by widespread price increases that translated into higher personnel expenses and higher subcontract expenses, as well as by the effects above mentioned (temporary suspension of mobile service and the severe climate conditions).

OIBDA in the first half stood at 516 million euros, up 1.4% year-on-year (-5.2% in the quarter), with an OIBDA margin of 28.4% in the first six months of the year and of 26.3% in the quarter (-4.9 percentage points and -7.0 percentage points year-on-year respectively).

CapEx reached 175 million euros in the first half, up 8.7% year-on-year, reflecting the focus on strengthening the leadership on quality, especially in fixed and mobile broadband services, and the negative impact on the network caused by the severe weather conditions in Buenos Aires. It should be noted that year-on-year comparison cannot be extrapolated to the rest of the given the different levels of investment execution in both years.

CHILE (year-on-year changes in local currency)

Telefónica continued to lead the Chilean telecommunications market, with a differentiated integrated services offer in a highly competitive environment. It is important to note the introduction of mobile number portability nationwide in January 2012 and the gradual implementation in the fixed business, reaching nationwide scope in the third quarter of the year.

Against this backdrop, the Company maintained the focus on services bundling and development of the fixed ultra-broadband offer through VDSL and fiber optic technology as future growth levers, in addition to continuous improvement of mobile broadband offer plans.

Thus, Telefónica managed a total of 12.7 million **accesses** in Chile at the end of June 2012, with a year-on-year increase of 2%.

Regarding the operating performance of **wireless business** highlights were as follows:

- Estimated penetration of the Chilean mobile market stood at 148% (+16 percentage points year-on-year).

- Telefónica Chile s **mobile accesses** stood at 9.6 million, posting year-on-year growth of 4%, with net additions of 92 thousand accesses in the first six months. A net loss of 63 thousand accesses was posted in the quarter, as a result of higher **churn** (2.9%) affected by the introduction of portability.

- **Traffic** increased by 6% year-on-year in the first half (+7% in the second quarter).

- **ARPU** posted a decrease of 2.4% year-on-year in the first six months (-2.2% in the second quarter), impacted by higher competitive intensity.

Regarding commercial activity in **fixed business** highlights were:

- **Traditional accesses** stood at 1.8 million, maintaining the trends posted during the previous quarter, with a net loss of 68 thousand accesses in the first six months (30 thousand accesses in the quarter).

- **Retail broadband accesses** totaled 905 thousand at the end of the first half, with a good year-on-year growth (+7%) and net additions of 27 thousand accesses in the first six months of the year (19 thousand accesses in the quarter).

Pay TV accesses stood at 408 thousand, growing by 9% year-on-year, with net additions of 17 thousand accesses in the first six months of 2012 (7 thousand accesses in the quarter).

Revenues totaled 1,239 million euros in the first half of 2012, with year-on-year growth of 4.6% in the first six months of the year (+3.5% in the quarter).

Table of Contents

Mobile revenues stood at 747 million euros, with a year-on-year increase of 4.4% during the first six months of the year (+2.7% in the second quarter).

- **Mobile service revenues** increased by 4.5% versus the first six months of 2011 (+3.1% in the second quarter), driven by customer base expansion and the increasing contribution of **data revenues** (+4.6% year-on-year in the first six months of the year; +4.3% in the quarter), despite the negative impact of a change in the Premium SMS marketing strategy. Non-SMS revenues accounted for 73% of data revenues (+1 percentage points year-on-year), thanks to the higher penetration of mobile broadband services.

Revenues from **fixed business** reached 541 million euros in the first half of 2012, with year-on-year growth of 1.3% (+0.7% in the quarter):

- **Broadband and new services** revenues, now accounting for 51% of fixed business (+5 percentage points year-on-year), increased by 13.6% year-on-year (+12.4% in the quarter), reflecting the growth coming from Internet, TV and content revenues and also from data, IT and capacity rentals.

- **Voice and access revenues** decreased by 8.9% year-on-year (-9.5% in the quarter) amid a more mature market environment and lower traditional accesses.

Operating expenses showed a year-on-year increase of 14.1%, explained by the increase of supply costs due to higher commercial activity in the mobile business, higher content costs and interconnection traffic growth. In addition, other expenses increased, reflecting the growth of subcontract expenses as a result of higher marketing spending and costs in customer service.

OIBDA reached 492 million euros in the first six months (-7.6% year-on-year in the first half; -10.2% in the second quarter), with OIBDA margin at 39.7% in the half-year and 40.6% in the quarter (-5.2 percentage points and -6.3 percentage points year-on-year respectively). It is important to note that year-on-year OIBDA comparison was affected by the sale of non-strategic towers during the second quarter of 2011 (7 million euros).

CapEx stood at 259 million euros in the first half of 2012, with a year-on-year increase of 24.2%, mainly related to the development and improvement of the quality of fixed and mobile broadband services. It should be noted that year-on-year figures cannot be extrapolated to the rest of the year given the different levels of investment execution in both years.

PERÚ (year-on-year changes in local currency)

By the end of June 2012, Telefónica maintained its leadership of Peru s telecommunications market leveraged on its integrated services offer.

During the second quarter of the year, the Company s commercial offer was focused on bundled offers in fixed business and on mobile broadband, with data plans to boost smartphones adoption.

Telefónica Peru managed 19.7 million **accesses** at the end of the first half of the year, with year-on-year growth of 13%.

Highlights of the operating performance of the **mobile business** include:

- The estimated penetration rate in the mobile market stood at 81% (+11 percentage points year-on-year).

- **Mobile accesses** totalled 14.7 million, with major growth of 14% year-on-year driven by a sound performance in the contract segment, which increased by 24% year-on-year representing 22% of total accesses (+1.9 percentage points year-on-year).

Net adds during the first half of the year amounted to 686 thousand accesses, almost two times year-on-year (239 thousand in the second quarter of 2012).

Table of Contents

- **Mobile broadband accesses** showed solid year-on-year growth, tripling the figure for the first six months of 2011 and reached a penetration of 5% of the total base.

- **Churn** in the first half of the year stood at 3.6% (+0.3 percentage points year-on-year) and at 3.9% in the quarter (+0.8 p.p. year-on-year), due to the performance of the prepaid segment.

- **Traffic** during the first six months and second quarter of 2012 showed year-on-year growth of 29% thanks to the continued improvement in outgoing traffic.

- **ARPU** fell by 2.8% year-on-year during the first half of the year (-3.8% in the quarter) due to the interconnection tariff reduction applied in October 2011 and the change in the fixed-mobile tariff.

Regarding commercial activity in the **fixed business** the main highlights were as follows:

- **Traditional accesses** retained their positive trend totalling 2.9 million by the end of June 2012 and accelerated their year-on-year growth to 2.3%, with net adds of 60 thousand accesses during the first half of the year (31 thousand accesses in the quarter) after registering negative net adds in 2011.

- **Retail broadband accesses** amounted to 1.2 million, with strong year-on-year growth of 25% driven by net adds of 125 thousand during the first six months of the year (63 thousand in the quarter).

- The **pay TV accesses** stood at 856 thousand, up by 16% year-on-year with net adds of 57 thousand accesses between January and June (28 thousand accesses in the quarter).

Revenues in the first six months of 2012 totalled 1,148 million euros, showing 5.0% year-on-year growth (+4.1% in the quarter) despite adverse regulatory impacts which affected fixed mobile calls (due to the change of call ownership and also to a drop in the regulated retail rate), and the mobile interconnection rate cut in October 2011. Excluding these impacts, revenues increased by 8.4% year-on-year in the first six months of the year (+7.4% in the quarter).

Mobile revenues in the first half of 2012 stood at 627 million euros, up by 8.5% year-on-year (+7.0% in the quarter):

- **Mobile service revenues** showed a solid performance, increasing by 10.3% year-on-year (+8.8% in the quarter), despite the negative impact of the regulatory changes mentioned above. Excluding these effects, growth was 15.1% year-on-year in the first half of the year (+13.6% in the quarter).

There was a solid performance by **mobile data revenues,** with year-on-year growth of 33.0% (+37.8% in the quarter), accounting for 17% of service revenues (+3 percentage points year-on-year), reflecting the solid contribution by non-SMS data revenues (+37.3% year-on-year growth during the six-month period ;+42.0% in the quarter), representing 65% of mobile data revenues (+2 percentage points year-on-year).

Revenues from **fixed business** stood at 585 million euros in the first six months of the year (-0.1% year-on-year):

Revenues from broadband and new services are the driver of growth in fixed business, with year-on-year growth of 10.1% (+9.5% in the quarter) to reach 59% of fixed revenues, thanks to solid performances of revenues from Internet, TV and content.

Voice and access revenues fell by 12.5% year-on-year (-13.3% in the quarter) highly affected by the impact of regulatory changes (-7.3% year-on-year during the six-month period and -8.4% in the quarter, excluding these factors).

Table of Contents

Operating expenses grew by 9.0% in the first six months of the year (+7.9% year-on-year in the quarter) due to higher commercial activity in both, the fixed and mobile businesses with a higher weight on smartphones.

OIBDA stood at 402 million euros for the first six months of 2012 (-2.4% year-on-year; -5.2% year-on-year in the quarter), adversely affected by the regulatory changes aforementioned and the increased commercial costs related to higher subsidies in the mobile business due to the growing weight of smartphones. OIBDA margin stood at 35.0% for the six-month period (-2.6 percentage points year-on-year) and at 34.1% for the quarter (-3.3 percentage points).

CapEx during the first six months of 2012 was 123 million euros, representing year-on-year growth of 28.9% as the result of network deployment for broadband both, fixed and mobile, and new services. It should be noted that year-on-year growth cannot be extrapolated to the full year given the different levels of investment execution in the two years.

COLOMBIA (year-on-year changes in local currency)

In the second quarter of 2012, Telefónica continued improving its positioning in the Colombian telecommunication market, both in the commercial and financial fronts.

Thus, following the closing of the merger process between Telefónica Móviles Colombia, S.A and Colombia Telecomunicaciones, S.A. ESP in late June, Telefónica holds 70% of the share capital of the resulting Company while the Government controls the remaining 30%, creating the second largest integrated operator in Colombia.

Furthermore, all the company s services were brought together under the Movistar brand in the second quarter of 2012, with all the operational and commercial benefits this implies.

Telefónica in Colombia managed 14.7 million **accesses** at the end of the first half, up 20% year-on-year.

The main highlights of the first-half operating performance of the **mobile business** include:

The estimated mobile penetration rate in the market stood at 115% at the end of June 2012, up 15 percentage points year-on-year.

The Company s **mobile accesses** stood at 12.4 million, with year-on-year growth accelerating for the fourth consecutive quarter to 24%, with a positive performance in both the prepay (+27% year-on-year) and contract (+15% year-on-year) segments.

Net additions maintained a very positive trend and reached 967 thousand accesses in the first six months of the year (426 thousand in the second quarter), compared with a net loss of accesses in the same period of 2011. This significant commercial upturn was underpinned both by gross additions momentum (+34% year-on-year) and a reduction in churn, which stood at 2.6% in the first six months (-1.1 percentage points year-on-year) and at 2.8% in the second quarter (-1.0 percentage points year-on-year).

Traffic decreased by 1% year-on-year in the first six months (-6% in the quarter).

ARPU decreased by 9.3% year-on-year (-14.4% in the second quarter), affected by the reduction in mobile termination rates, the strong growth in the customer base and a higher weighting of prepay customers, though data uptake continued to post a very positive trend.

Regarding commercial activity in **fixed business** the main highlights were as follows:

Traditional fixed line accesses stood at 1.5 million at the end of June 2012, with a significant slowdown in the loss of accesses in the last two quarters (-30 thousand in the first six months, -13 thousand in the second quarter).

The Company managed 644 thousand **retail broadband accesses**, up 10% year-on-year, a slight acceleration versus the previous quarter after registering similar net additions (32 thousand accesses in the first six months; 16 thousand in the second quarter).

Pay TV accesses totalled 258 thousand at the end of the first half, up 13% year-on-year, reflecting the Company s effort to reposition its offer as a differential aspect of its bundling strategy.

Revenues in the first half of 2012 totalled 878 million euros, up 4.1% year-on-year (+1.3% in the second quarter).

Mobile revenues in the first six months of the year stood at 534 million euros, up 8.5% year-on-year (+6.0% in the quarter).

This reflects the strong performance of **mobile service revenues** (+8.7% year-on-year in the first six months; +6.7% in the second quarter), despite the reduction in mobile termination rates. Stripping out this impact mobile service revenues would have grown by 9.8% in the half year period (+8.9% in the second quarter).

Data revenues remained as a key growth lever, posting a strong year-on-year growth of 22.7% in the first six months of the year (+15.9% in the quarter) and accounting for 24% of mobile service revenues (+3 percentage points year-on-year). **Non-SMS revenues** accounted for 89% of data revenues (+2 percentage points year-on-year) and grew by 25.3% year-on-year in the first half of the year (+18.3% in the quarter).

Fixed revenues totalled 363 million euros (-2.3% year-on-year in the first six months; -5.4% in the quarter):

Broadband and new services revenues, which accounted for 51% of total revenues, grew by 9.3% year-on-year in the first half (+3.6% in the quarter), fuelled by the strong growth in Internet and content revenues, despite being strongly affected by the seasonality of corporate projects.

Voice and access revenues posted a year-o-year decrease of 11.9% in the first half (-12.7% in the second quarter) due to a lower number of accesses in a highly competitive market environment.

Operating expenses decreased by 0.4% year-on-year in the first six months of 2012 as lower personnel expenses and other external services offset higher supply costs mainly due to increasing handset acquisition, as the result of the higher commercial activity.

OIBDA stood at 282 million euros in the first half of 2012, up 3.6% year-on-year (+1.8% in the quarter), with an OIBDA margin of 32.1% (33.0% in the second quarter), virtually stable in year-on-year terms (-0.2 percentage points year-on-year in the first six months and +0.1 percentage points in the quarter). The year-on-year comparison was affected by the accounting of rights of use of non-core assets in the first half of 2011 (13 million euros).

CapEx amounted to 91 million euros in the first half of 2012 (-35.6% year-on-year). It should be noted that year-on-year growth cannot be extrapolated to the full year given the different levels of investment execution in the both years.

MEXICO (year-on-year changes in local currency)

Telefónica continued to bolster its commercial position in the Mexican market with a clear focus on all-destination tariff plans following the sharp reduction in termination rates approved by the regulator in the second quarter of 2011.

Table of Contents

In this regard, it is worth highlighting the launch of Nueva Movistar in the second quarter, with products and services focusing on innovation and customer experience. It provides a unique services offer in the market which includes plans billed by the second, innovation in roaming (applying the same rate for national and international calls to the US and Canada), new applications, and the launching of Movistar Total , an integrated service plan (fixed line, mobile line, the PTT-Moviltalk- service and internet access) at a fixed monthly fee. Take-up also remains strong for the Lite and Plus plans in the prepaid segment, based on tariffs to all destinations.

In addition, on June 13 2012 Telefónica México and Iusacell signed a strategic alliance which will allow them to significantly reinforce the coverage and capacity of the services that both companies offer, and will contribute to close the digital gap in the Mexican market between rural and urban areas. This Alliance includes a reciprocal agreement for national roaming, both for voice and data services, which yields an immediate improvement in the network reach of both companies. Moreover, Movistar and Iusacell have agreed to share sites and to analyse a joint deployment of next-generation infrastructures. In financial terms, the strategic alliance will enable Movistar to generate additional revenue and synergies in network expenses and investment.

Highlights of the operating performance of the business include:

The estimated penetration in the Mexican mobile market stood at 86% (+1 percentage points year-on-year).

Telefónica s **total accesses** in the country stood at 20.0 million (-6% year-on-year).

Mobile accesses totalled 19.2 million, down 7% year-on-year, following the application of more selective criteria to both gross additions and customer disconnections from the third quarter of 2011 with the aim of improving the quality and value of the customer base.

Mobile net additions were also affected by these more restrictive criteria (-584 thousand accesses in the six months; -52 thousand in the second quarter).

In the first half of the year **churn** rate stood at 3.2% (+0.8 percentage points year-on-year), but in the second quarter (3.0%; +0.6 percentage points year-on-year) improved versus the previous quarter (-0.5 percentage points).

Mobile broadband accesses were 2.5 times higher than in June 2011, reflecting the rapid rollout of the 3G network and the commercial repositioning of the Company in the data business.

ARPU grew year-on-year for the first time in 11 quarters, rising by 2.2% in the first half and by 6.7% in the second quarter thanks to the success of the policies implemented to improve customer quality. Outgoing ARPU grew 10.2% year-on-year, both in the first half and in the second quarter.

Revenues in the first six months of the year totalled 776 million euros, with a marked change in trend in the second quarter when the Company returned to growth (+1.3%; -1.1%, in the first half). This performance reflects the growth in **mobile service revenues** (+1.3% in the quarter; -2.0% in the first six months) and the increase in handset sale revenues. The reduction in termination rates continued to take a toll, reducing revenues by 81 million euros in the first six months and by 41 million euros in the second quarter. Excluding this effect, mobile service revenues would have shown sharp year-on-year growth of 4.7% (+4.6% in the second quarter), fuelled by the growth in outgoing revenues (+5.9% year-on-year in the first half).

Data revenues jumped by 23.8% year-on-year in the first half (+18.7% year-on-year in the second quarter) and accounted for 34% of mobile service revenues (+7 percentage points year-on-year). Non-SMS data revenues grew by 75.4% in the first half of the year (+54.3% in the second quarter) and accounted for 35% of data revenues (+10 percentage points year-on-year).

Table of Contents

Operating expenses rose by 5.8% year-on-year in the first six months of 2012, mainly affected by the increase in customer care service and advertising costs and the growth of expenses associated with the strong network development.

OIBDA in the first half stood at 186 million euros (-11.8% year-on-year; +2.3% in the quarter), with an OIBDA margin of 23.9% in the first six months of the year and of 26.5% in the quarter (-2.9 percentage points and +0.3 percentage points year-on-year respectively).

OIBDA and OIBDA margin were affected year-on-year by the aforementioned reduction in termination rates (30 million euros in the first six months and 15 million euros in the quarter) and by the sale of non-strategic towers (15 million euros in the quarter).

CapEx amounted to 74 million euros in the first half (-38.4% year-on-year), and was mainly devoted to investment in capacity and coverage in 2G and 3G network deployment and on distribution channels and points of sale to ensure growth in capillarity. It should be noted that year-on-year figures cannot be extrapolated to the full year in view of the different levels of investment execution in both years.

VENEZUELA (year-on-year changes in organic terms)

Venezuela s estimated mobile market penetration in June 2012 was 107% (+7 percentage points year-on-year).

Telefónica maintained its leadership position in the Venezuelan market in the second quarter, with a strategic focus on satisfying the customer needs with regard to innovation, technical capacity and service quality in the highest value segments, and in lower income segments via new rate plans.

Telefónica managed a total of 10.9 million **accesses** in Venezuela at the end of June 2012 (+5% year-on-year). The highlights of operating performance in the business are as follows:

- **Mobile accesses** totalled 9.8 million (+5% year-on-year), with net additions of 388 thousand in the six months (131 thousand in the second quarter).

- **Churn** stood at 2.1% in the six months, up 1.0 percentage points year-on-year (2.2% in the second quarter; -0.3 percentage points year-on-year). The contract churn rate stood at 0.6% in the half year (-0.1 percentage points year-on-year) and remains a market benchmark.

- **Traffic** consolidated its consistent year-on-year growth with an increase of 9% in the first six months (+10% in the second quarter).

- **ARPU** climbed 18.1% year-on-year in the first six months (+17.3% in the quarter) on the back of a 21.8% increase in outgoing ARPU (+20.6% in the second quarter).

Revenues totalled 1,510 million euros in the first half of 2012, with year-on-year growth accelerating to 25.3% (+27.0% in the second quarter). This performance reflects the strength of **mobile service revenues**, which rose by 22.6% in first six months (+22.5% in the second quarter), driven by a larger customer base and ARPU growth. Excluding the impact of lower mobile termination rates, service revenues grew by 24.5% year-on-year in the half year. **Data revenues** performed especially well, growing by 35.9% year-on-year in the first half and accelerating its growth trend to 37.4% in the second quarter, to account for 38% of mobile service revenues (+4 percentage points year-on-year). Non-SMS data revenues represented 52% of data revenues (+12 percentage points year-on-year).

Operating expenses increased by 29.1% in the first half of 2012, mainly as a result of higher personnel expenses following the reform of the labor law on 1 May, which caused a retroactive adjustment in the calculation of social benefits and drove personnel expenses up by 25 million euros in the second quarter. Additionally, the widespread increase in prices moves into higher personnel and subcontract expenses.

Table of Contents

OIBDA totalled 636 million euros in the first half, up 21.7% year-on-year (+25.8% in the second quarter). The Company s OIBDA margin stood at 42.1% in the first half and at 41.1% in the second quarter (-1.1 percentage points and +0.4 percentage points year-on-year respectively), maintaining high levels of efficiency.

CapEx amounted to 157 million euros in the first half (-6.1% year-on-year), and was mainly devoted to investment in capacity, 3G network deployment, distribution channel, points of sale and call centres. It should be noted that year-on-year growth cannot be extrapolated to the full year given the different levels of investment execution in the two years.

Table of Contents

LATINOAMERICA

ACCESSES

Unaudited figures (thousands)

	2011			2012		
	June	September	December	March	June	% Chg
Final Clients Accesses	189,779.0	194,260.6	200,760.5	205,433.8	207,908.5	9.6
Fixed telephony accesses (1)	24,173.4	24,126.6	23,960.7	23,905.3	23,860.0	(1.3)
Internet and data accesses	7,974.5	8,147.9	8,244.2	8,397.3	8,537.9	7.1
Narrowband	449.3	386.9	304.6	291.1	268.3	(40.3)
Broadband (2)	7,412.7	7,651.8	7,828.9	7,997.8	8,161.2	10.1
Other (3)	112.5	109.2	110.6	108.4	108.4	(3.6)
Mobile accesses	155,523.1	159,795.4	166,297.9	170,836.9	173,191.0	11.4
Prepay (4)	123,108.6	125,569.4	131,087.2	134,802.7	136,055.4	10.5
Contract	32,414.4	34,226.0	35,210.7	36,034.2	37,135.6	14.6
Pay TV (5)	2,108.0	2,190.6	2,257.7	2,294.3	2,319.6	10.0
Wholesale Accesses	54.4	53.8	50.9	49.3	44.0	(19.3)
Total Accesses T. Latam	189,833.5	194,314.4	200,811.3	205,483.1	207,952.5	9.5
Terra Accesses	539.0	572.3	641.7	691.5	660.6	22.6
Total Accesses in Latin America	190,372.4	194,886.7	201,453.0	206,174.6	208,613.1	9.6

TELEFÓNICA LATINOAMERICA

MOBILE ACCESSES

Unaudited figures (thousands)

	2011			2012		
	June	September	December	March	June	% Chg
Prepay percentage (%)	79.2%	78.6%	78.8%	78.9%	78.6%	(0.6 p.p.)
Contract percentage (%)	20.8%	21.4%	21.2%	21.1%	21.4%	0.6 p.p.
MBB accesses (000)	10,766.6	13,724.6	16,283.3	18,554.3	21,472.4	99.4
MBB penetration (%)	7%	9%	10%	11%	12%	5.5 p.p.
Smartphone penetration (%)	4%	6%	7%	8%	10%	5.6 p.p.

(1) PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company s accesses for internal use included. Total fixed wireless accesses included.

(2) Includes ADSL, optical fiber, cable modem and broadband circuits.

(3) Retail circuits other than broadband.

(4) 360 thousand inactive accesses were disconnected in Chile in the third quarter of 2011. In Brazil, 1.0 million inactive accesses were disconnected in the fourth quarter of 2011 and 1.6 million inactive accesses in the second quarter of 2012.

(5) Includes 150 thousand clients of TVA in June 2011.

Table of Contents

TELEFÓNICA LATINOAMERICA

CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - June			April - June		
	2012	2011	% Chg	2012	2011	% Chg
Revenues	14,963	13,978	7.0	7,445	7,037	5.8
Internal exp. capitalized in fixed assets	83	74	12.5	43	39	10.9
Operating expenses	(10,050)	(9,077)	10.7	(4,915)	(4,583)	7.2
Supplies	(3,742)	(3,592)	4.2	(1,826)	(1,811)	0.8
Personnel expenses	(1,437)	(1,220)	17.8	(696)	(609)	14.4
Subcontracts	(4,119)	(3,686)	11.8	(2,046)	(1,880)	8.8
Bad debt provision	(270)	(188)	43.3	(98)	(86)	14.3
Taxes	(482)	(390)	23.4	(249)	(198)	25.7
Other net operating income (expense)	28	110	(74.2)	(1)	71	c.s.
Gain (loss) on sale of fixed assets	188	88	112.9	91	80	13.5
Impairment of goodwill and other assets						
Operating income before D&A (OIBDA)	5,212	5,172	0.8	2,663	2,645	0.7
OIBDA Margin	*34.8%*	*37.0%*	*(2.2 p.p.)*	*35.8%*	*37.6%*	*(1.8 p.p.)*
Depreciation and amortization	(2,481)	(2,311)	7.4	(1,242)	(1,163)	6.8
Operating income (OI)	2,730	2,861	(4.6)	1,421	1,482	(4.1)

Notes:

OIBDA and OI before management and brand fees.

2011 and 2012 reported figures include the hyperinflationary adjustments in Venezuela.

From January 1st, 2012, and due to the implementation of the new organization announced in September 2011, companies related to the digital world and global resources that were previously included in the consolidation perimeter of T. Latinoamérica (Terra, Medianetworks Perú, Wayra and the joint venture Wanda) have been excluded from the consolidation perimeter and are included within Other companies and eliminations . As a result, the results of T. Latinoamérica and Other companies and eliminations have been restated for the fiscal year 2011, to reflect the above mentioned new organization. As this is an intragroup change, Telefónica consolidated results for 2011 are not affected.

Table of Contents

TELEFÓNICA LATINOAMERICA

ACCESSES BY COUNTRY (I)

Unaudited figures (Thousands)

	2011			2012		
	June	September	December	March	June	% Chg
BRAZIL						
Final Clients Accesses	79,767.2	82,750.8	87,172.1	90,333.7	91,136.9	14.3
Fixed telephony accesses (1)	11,126.6	11,086.6	10,977.4	10,880.9	10,767.4	(3.2)
Internet and data accesses	3,909.8	3,933.1	3,942.6	3,986.3	3,999.2	2.3
Narrowband	344.2	287.7	214.5	207.9	188.8	(45.1)
Broadband (2)	3,486.9	3,567.5	3,648.0	3,700.1	3,732.0	7.0
Other (3)	78.8	77.9	80.0	78.2	78.4	(0.5)
Mobile accesses	64,049.1	67,038.4	71,553.6	74,783.7	75,719.7	18.2
Prepay (4)	49,809.7	51,679.3	55,438.1	58,163.0	58,542.3	17.5
Contract	14,239.4	15,359.1	16,115.5	16,620.7	17,177.4	20.6
Pay TV (5)	681.7	692.7	698.6	682.8	650.5	(4.6)
Wholesale Accesses	32.4	32.0	28.0	26.9	25.7	(20.8)
Total Accesses	79,799.6	82,782.8	87,200.1	90,360.6	91,162.6	14.2
ARGENTINA						
Final Clients Accesses	22,537.3	22,630.4	23,008.4	22,786.3	23,009.8	2.1
Fixed telephony accesses (1)	4,621.3	4,617.1	4,611.0	4,597.0	4,582.7	(0.8)
Fixed wireless	40.2	38.2	38.2	36.8	49.5	23.1
Internet and data accesses	1,562.6	1,611.1	1,630.7	1,655.0	1,685.0	7.8
Narrowband	48.4	43.4	35.7	28.4	26.1	(46.1)
Broadband (2)	1,514.1	1,567.7	1,595.1	1,626.6	1,659.0	9.6
Mobile accesses	16,353.5	16,402.2	16,766.7	16,534.2	16,742.1	2.4
Prepay	10,347.3	10,303.2	10,581.3	10,274.0	10,325.0	(0.2)
Contract	6,006.2	6,099.0	6,185.4	6,260.2	6,417.1	6.8
Wholesale Accesses	13.2	13.2	13.9	13.4	9.4	(28.9)
Total Accesses	22,550.5	22,643.6	23,022.3	22,799.7	23,019.2	2.1
CHILE						
Final Clients Accesses	12,442.1	12,253.1	12,674.4	12,809.1	12,742.2	2.4
Fixed telephony accesses (1)	1,903.8	1,871.4	1,848.1	1,810.3	1,780.1	(6.5)
Internet and data accesses	857.1	875.1	887.4	894.9	913.8	6.6
Narrowband	6.0	6.0	5.8	5.7	5.5	(8.1)
Broadband (2)	844.2	864.9	878.1	886.0	905.4	7.3
Other (3)	6.8	4.2	3.5	3.2	2.9	(57.7)
Mobile accesses	9,308.3	9,125.5	9,548.1	9,703.3	9,640.3	3.6
Prepay (6)	6,586.0	6,326.0	6,732.7	6,922.7	6,818.9	3.5
Contract	2,722.3	2,799.5	2,815.4	2,780.6	2,821.5	3.6
Pay TV	372.9	381.1	390.8	400.6	407.9	9.4

Wholesale Accesses	5.1	4.9	5.2	5.3	5.2	2.0
Total Accesses	12,447.1	12,258.0	12,679.6	12,814.4	12,747.4	2.4

(1) PSTN (including Public Use Telephony) x1; ISDN Basic access x1, ISDN Primary access, 2/6 Access x30. Company s accesses for internal use included. Total fixed wireless accesses included.
(2) Includes ADSL, cable modem and broadband circuits.
(3) Retail circuits other than broadband.
(4) In Brazil, 1.0 million inactive accesses were disconnected in the fourth quarter of 2011 and 1.6 million inactive accesses in the second quarter of 2012.
(5) Includes 150 thousand clients of TVA in June 2011.
(6) 360 thousand inactive accesses were disconnected in Chile in the third quarter of 2011.

Table of Contents

TELEFÓNICA LATINOAMÉRICA

ACCESSES BY COUNTRY (II)

Unaudited figures (Thousands)

	2011			2012		
	June	September	December	March	June	% Chg
PERU						
Final Clients Accesses	17,504.6	18,205.6	18,766.1	19,332.8	19,694.1	12.5
Fixed telephony accesses (1)	2,842.8	2,855.8	2,848.4	2,877.2	2,908.6	2.3
Fixed wireless	491.7	471.2	444.6	638.0	631.8	28.5
Internet and data accesses	1,005.3	1,070.3	1,120.4	1,182.5	1,245.0	23.8
Narrowband	10.5	9.8	9.4	9.7	8.6	(17.7)
Broadband (2)	974.7	1,040.3	1,090.6	1,152.2	1,215.6	24.7
Other (3)	20.1	20.2	20.4	20.5	20.7	3.1
Mobile accesses	12,920.9	13,506.8	13,998.3	14,445.2	14,684.1	13.6
Prepay	10,300.8					