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Shareholder return

The total shareholder return of Telefónica in 2013 stood at 19.6%, once included dividends distributed throughout the year.

In 2014, the dividend remains at €0.75 per share, payable in two installments

Share price

In mid-2014, Telefónica ranks sixth in the telecommunications industry worldwide per market capitalization, as the first as European integrated operator and in the twentieth in the Eurostoxx 50 ranking, which includes the largest companies in the Euro zone. The average daily volume of Telefónica trading in the Spanish continuous market was 35.8 million shares during the whole 2013 (42.9 million shares in 2012)

Profitability

During the fiscal year 2013, in line with the transformation plan initiated last year, Telefónica consolidated its commitment to a sustainable long-term growth, increasing their competitive positioning in segments and higher value markets, enhancing their efficiency level through continuous effort of simplification and cost reduction, focusing investment in growth areas, managing the asset portfolio proactively, and increasing the Company financial flexibility. This has enabled Telefónica to spend in November 0.35 Euros per share in cash to pay shareholders as a first payment of €0.75 in cash engaged by the company, chargeable to 2013 (second cash payment in the second quarter of 2014). Thus, the total shareholder return of Telefónica in 2013 stood at 19.6% (once included dividends distributed throughout the year).

Targets for 2014

In 2014 Telefónica will accelerate this transformation. Among our objectives, we wish to continue accelerating revenue growth while we continue generating efficiencies to proceed in margin stabilization; at the same time we will increase investment to anticipate the growth of

demand derived from increasingly intensive use of data services, and the expected recovery of demand in some of our major markets.

This intensification of investment is consistent with our commitment to continuous improvement of financial flexibility as well as an attractive payment to our shareholders. Among the objectives of 2014, further reduction in net debt is found, maintaining the dividend at € 0.75 per share paid in the fourth quarter of 2014 (0.35 euros per share in the form of scrip dividend and in the second quarter of 2015 (EUR 0.40 per share in cash). For such purpose, we will continue to execute our strategy to optimize the asset portfolio, releasing no strategic resources that would allow us to further improve our position and growth potential in key markets, both in organic and inorganic form, through an increase in investment in 2014.

Telefónica has always been a reference in terms of efficiency, and the technological revolution, the strengthening our technological position and infrastructure is consistent with the increase in our efficiency. For this, we launched a new plan to generate synergies in order to generate savings amounting to 1,500 million Euros annually in the coming years.

Shareholders

At March 21 2014 Telefónica, S.A.'s share capital amounted to 4,551,024,586 ordinary shares per value of 1 euro and grant the same rights and obligations to all shareholders. All the Telefónica shares are ordinary, of a sole class, and are represented by account entries and grant the same rights and obligations to all shareholders. Telefónica's shares do not have any accessory liabilities whatsoever. Likewise, the Articles of Association of Telefónica contain no provision on privileges, special powers or rights arising from the holding of shares.

Moreover, there are no statutory provision articles that impose any restriction or limitation on the free transfer of Telefónica's shares. According to the information coming from CNMV, the most relevant participations above 3% are:

Significant shareholders	Number of shares	%
Banco Bilbao Vizcaya Argentaria, S.A. ⁽¹⁾	313,707,133	6,89%
Caja de Ahorros y Pensiones de Barcelona (la Caixa) ⁽²⁾	246,977,147	5,43%
Blackrock, Inc. ⁽³⁾	177,257,649	3,89%

⁽¹⁾ According to the information provided by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) for the Annual Corporate Governance Report of Telefónica, S.A. regarding the 2013 financial year.

⁽²⁾ According to the information provided by Caja de Ahorros y Pensiones de Barcelona, "la Caixa" for the Annual Corporate Governance Report of Telefónica, S.A. regarding the 2013 financial year.

⁽³⁾ According to the communication filed with the National Stock Exchange Commission (CNMV) as of February 4, 2010.

The shares of Telefónica, S.A. are traded in the Continuous Market of the Spanish Stock Exchanges, as well as in the markets of New York, London, Buenos Aires and Lima, and they have all the same features, rights and obligations. In the New York and Lima Stock Exchange, shares of Telefónica, S.A. are listed through American Depository Shares (ADSs), each ADS representing one share of the Company.

In compliance with the obligation to communicate the purchase of treasury stock, Telefónica notified the Spanish stock market regulator, the CNMV, on January 29, 2014, the acquisition of a total of 47,122,215 shares of treasury stock (cumulative gross purchases since the previous notification submitted to the CNMV on July 25, 2013), representing 1.035% of share capital. Telefónica's treasury stock position as of January 29, 2014 was 38,326,031 shares representing 0.842% of its share capital.

According to the information obtained from "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores" (Securities, Recording, Clearing and Settlement

Systems Management Company) (Iberclear), dated on April, 2014, the number of shareholders of Telefónica, according to separate records in favour of individuals and corporations, amounted to approximately 1,419,053 shareholders.

Shareholder's Office

From the Office of the Shareholder, Telefónica ensures smooth and transparent communication with individual shareholders, providing the same information in a timely manner that is provided to institutional shareholders. At the end of 2013, more than 200,000 shareholders are registered in the Shareholder Services, and are receiving card identifying them as such. We distribute among them the quarterly magazine Acción Telefónica, a publication with financial news reports and exclusive information on campaigns that can be accessed. During 2013, about 600,000 copies were sent to the address of the shareholders.

The Shareholder's Office of Telefónica has a free phone number (900 111 004), from which have been attended a total of 49,780 calls during 2013, with a monthly average of 4,148. In the period coinciding with the GSM it increased to reach the 16,900 calls per month. In addition, the Shareholder's Office attended nearly 4,000 inquiries received via email (accion.telefonica@telefonica.es) and mailing.

A leader Corporation



6th Telco in the Global ranking by market capitalization



19.6% Total Shareholder Return in 2013



2014 Commitment 0.75 euro/ share

- 0.35 scrip dividend
- 0.40 cash



2nd European Telco by revenues



20th in the Eurostoxx ranking



More information In the 'Shareholders and investors' section of the corporate website.