

DRIVER OF PROGRESS

Contribution to the public administrations

A total of 24.6 euros out of every 100 that Telefónica collects overall is paid in taxes

Corporate Income Taxes accounted for 38% of borne tax, while 32% refers to other taxes and fees associated with our economic activity

Telefónica makes quantifiable economic and social contributions by paying taxes to the authorities of the different countries where it operates. The countries where tax payments are largest are precisely the jurisdictions in which Telefónica obtains its main income, namely Brazil, Spain and Argentina.

The total tax contributions of Telefónica in the financial year 2013 were 14,060 million euros, 4,792 million euros of which corresponds to taxes borne and 9,267 million euros to taxes collected. This means that for every 100 euros of Company turnover, 24.6 euros was dedicated to the payment of taxes, or 8.4 to taxes borne and 16.2 to taxes collected. These figures include the payment of taxes and other local fees such as operator general taxes, numbering fees, charges for using the public domain, fees to finance the Public Radio and Television in Spain, and other similar taxes in other countries. Spectrum

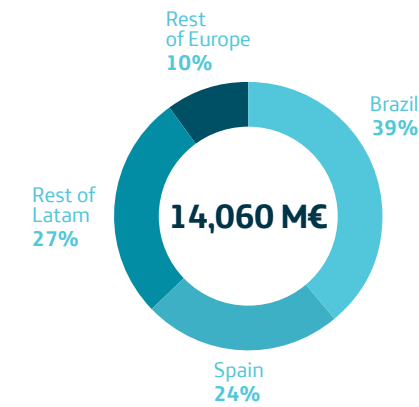
payments are not included due to their different classification and accounting treatment.

Taxes on profits represent 38% of the total tax borne. Taxes on goods and services, which are mostly special levies on the telecoms sector, made up 32%, and taxes associated to employment made up 21%. Among the taxes collected, VAT stands out, representing 83% of the total.

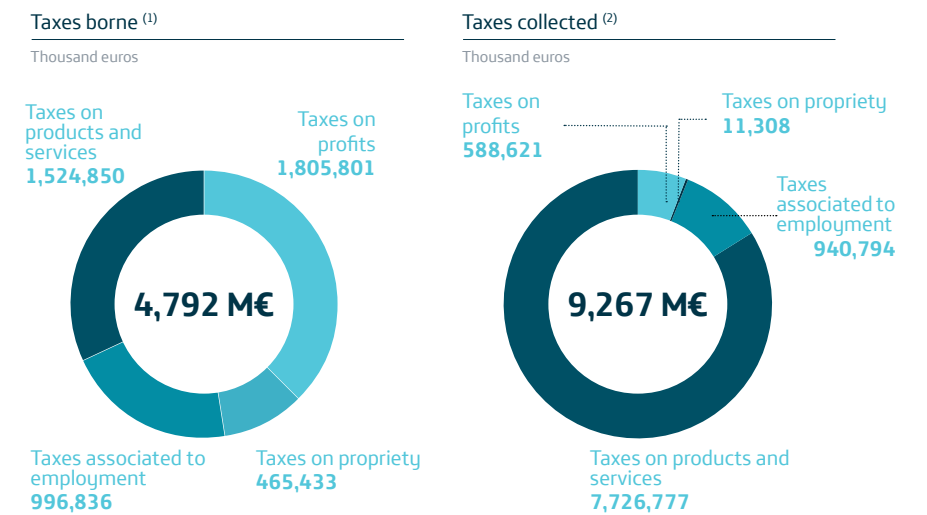
The Company's tax contributions in Spain in 2013 were 3,443 million euros, or 24.5% of the total. The tax contribution ratio for Telefónica in Spain was 35.67%: that is, during 2013, Telefónica paid 36 euros out of every 100 euros of pre-tax profits generated in Spain, in taxes.

Out of every 100 euros of Total Value Distributed^(*) by Telefónica in 2013, 51 euros were used to taxes.

Distribution of taxes paid by geographical areas



Breakdown of the total tax contribution in the world



Breakdown of Telefónica's global tax contribution

Country	Taxes borne ⁽¹⁾	Taxes collected ⁽²⁾	Total contribution ⁽³⁾
Brazil	1,197,612	4,222,062	5,419,674
Spain	1,094,284	2,349,171	3,443,455
Argentina	507,294	687,723	1,195,017
Central America	774,087	221,836	995,922
Germany	170,834	454,200	625,034
Peru	299,364	299,648	599,012
United Kingdom	43,742	319,308	363,050
Chile	158,961	192,036	350,997
Colombia	160,654	170,907	331,561
Czech Republic	130,231	200,423	330,653
Ecuador	84,650	20,536	105,186
Mexico	47,035	48,044	95,079
Ireland	38,494	38,154	76,648
Uruguay	41,047	16,719	57,767
Slovakia	7,377	19,021	26,398
Luxembourg	18,394	2	18,396
Puerto Rico	7,881	8,220	16,101
Netherlands	7,203	146	7,349
Israel	1,826	1,534	3,359
Others	1,951	2,191	240
Total	4,792,921	9,267,499	14,060,419

⁽¹⁾ Taxes borne. Those taxes paid by Telefónica to the administrations of the various states in which it operates, and have been a cash cost to the Company.
⁽²⁾ Taxes collected. Those taxes collected by Telefónica that have been entered on behalf of other taxpayers as a result of the economic activity of the Company, i.e. tax revenues are obtained thanks to the economic value generated by it.
⁽³⁾ Total contribution. CT measures the total impact represented by taxes.

(*) According to the methodology of the CTT of Price Waterhouse Cooper, distributed tax value of a company consists of the sum of the following elements: shareholder value (dividends, reserves, etc.), wages and salaries (net of tax raised to employees), net interest and tax (borne and collected).