

TELEFONICA S A  
Form 6-K  
April 13, 2011

**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 April, 2011  
Commission File Number: 001-09531**

**Telefónica, S.A.**

(Translation of registrant's name into English)

**Distrito C, Ronda de la Comunicación s/n,  
28050 Madrid, Spain  
3491-482 85 48**

(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  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  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

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

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

**Telefónica, S.A.**  
TABLE OF CONTENTS

<b>Item</b>		<b>Sequential Page Number</b>
<u>1.</u>	<u>Eighth Investor Conference: Chief Strategy Officer Presentation</u>	2

---

**Table of Contents**

Título, máximo 2 líneas **Accounting and cash: Dividends here! Santiago Fernández Valbuena** Razón  
social Área Chief Strategy Officer, Telefónica

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**Table of Contents**

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**Table of Contents**

**Index** Investing in Telefónica: A true Story CF growth opportunities: outside and inside Telefónica  
Completing the P&L and the CF statement The asset side: portfolio The liability side: debt and equity  
Conclusions

---

**Table of Contents**

Investing in Telefónica: A true story

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**Table of Contents**

**Telefónica: a sizeable company FY 2010 OIBDA Source:** Bloomberg Annual equivalent total returns in local currencies. March 2006 to March 2011

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**Table of Contents**

**... beating returns... Total shareholders returns** (last 5 years)<sup>1</sup>**Source:** Bloomberg <sup>1</sup>Annual equivalent total returns in local currencies. March 2006 to March 2011

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**Table of Contents**

**for many years now Total shareholders returns** (last 20 years)<sup>1</sup> **Source:** Bloomberg <sup>1</sup> Annual equivalent total returns in local currencies. March 1991 to March 2011

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**Table of Contents**

CF growth opportunities: outside and inside Telefónica

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**Table of Contents**

**There is a macro recovery in our footprint... Telefónica s footprint: 2014 private consumption 14% above 2008** Dynamism to remain in Latam: average annual growth of 4% in FY 2011-2013 (f) Slow recovery in Spain **Source:** Consensus estimates and Telefónica .

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**Table of Contents**

**... income growth drives penetration and we are well placed to benefit from trends...**

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**Table of Contents**

**... and monetise it**

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**Table of Contents**

**To deliver CF growth as seen in many of our business units Selected Telefónica wireless units:  
OpCF change FY 2005-2010 (as percentage of FY 2010 revenues) Challenge: all units at full speed**

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**Table of Contents**

**Reforms to revert underperformance of Spain SPAIN vs. EURO ZONE: GDP growth rate differential** Source: IMF and OECD

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**Table of Contents**

Completing the P&L and the CF statement

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**Table of Contents**

**Our financial policy has served well our strategy CapEx increased where appropriate Spectrum won in major markets Vivo and other acquisitions fostering growth Dividends raised Valuation supported by low cost debt financing to be embedded in CF discount rates**

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**Table of Contents**

**Depreciation & Amortization growing in 2011 Total D&A bn Growth in FY 2011E mainly driven by increased in PPA due to the acquisition of Vivo and spectrum PPA decline from FY 2012E led by T. Europe** <sup>1</sup> Includes 3 months of Vivo s PP& Subject to FX rates and assuming constant perimeter

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**Table of Contents**

**Funding costs kept under control Yield from recent Bonds from Telefónica, S.A. at 4.465% at issue**

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**Table of Contents**

**Financial expenses below 6% medium term benchmark Financial Expenses** (ex-FX & Inflation adj)  
**Percentage of Net Debt** (Dec-10) Euro debt fixed ~1/4 p.p. better than prevailing rates at bond issue  
dates Floating exposure saving ~0.4 p.p. per year <sup>1</sup>Includes forward starting swaps fixing debt in FY 2011

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**Table of Contents**

**Cash taxes below average nominal tax rate** Effective and cash tax rate starting to decrease from FY 2012 onwards Beating nominal rates in the countries where we operate whilst being fair with the Societies Interests taxed at marginal tax rate, close to 30%: to be used for WACC, but FCF projections to include tax payments at rates on EBT at around 23%

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**Table of Contents**

**Working Capital active and efficiently managed FY 2011 2013E working capital consumption between 2% and 5% of OpCF FY 2010 investment in WC: 2.7 bn Non-recurrent business ~ 1 bn spectrum payment in Mexico ~ 0.7 bn restructuring provisions ~ 0.4 bn Fundación Telefónica commitments Recurrent business ~ 0.6 bn related to: 1 bn CapEx increase Payment terms improvement FY 2011 Drivers Full payment of FY 2010 restructuring provisions Yearly payment to Fundación Telefónica + CapEx increase and phasing + Enhancement Initiatives Telefónica Group (bad debt over external revenues) Spain BdE (% individuals doubtful debts excluding mortgages) Brazil - Bacen (Individuals bad debt ratio) UK Bank of England (Individuals unsecured lending write off rates)**

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**Table of Contents**

The asset side: portfolio

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**Table of Contents**

A sizable profitable asset portfolio

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**Table of Contents**

**... enjoying a high diversification and upstream cash flow capacity Diversified portfolio: > 2/3 of our revenues and OIBDA generated outside Spain in FY 2010 Oriented towards growth areas in FY 2010: > 60% of our accesses in Latam > 75% of our accesses are mobile**

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**Table of Contents**

**We have fostered growth Investing in the network acquiring spectrum Awarded spectrum  
processes FY 2010-2011 YTD, in billions and through acquisitions**

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**Table of Contents**

**We have achieved the right scale in our target footprint Spectrum auctions in current markets to foster growth Predictable M&A strategy Product & Service innovation to further strengthen our growth capabilities Atento Divesting non core assets PT**

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**Table of Contents**

The liability side: debt and equity

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**Table of Contents**

**Debt currency mix related to OIBDA and FCF to protect solvency Non debt reducing sensitivity of Debt/OIBDA ratio to FX movements without incurring in high costs Historical simulation: changes in FY 2010 debt/OIBDA ratios if changes in FX rates were equal to those seen in y-o-y**

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**Table of Contents**

**Our balanced approach to the credit markets... FY 2011 loan maturity extended Getting Bank Support 12 bn in FY 2009 and Brasilcel acquisition loan FY 2010 Undrawn credit lines increase Average debt Access to Bond Market Access life of bonds diverse funding Major currencies: , US\$ and GBP issued since Above 17 bn since sources FY 2009 2009: 7.5 years ~2/3 capital markets Export Credit Agencies and ~1/3 loans Other funding sources Development Banks Nearly 4 bn in FY 2009 and FY 2010 Loan and capital markets in Latam**

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**Table of Contents**

**... has contributed to a solid liquidity position to manage debt maturities Unused committed lines**  
**Average Net Debt Life Maturity profile (Dec-10) bn Years bn 11.7 11.0** Includes undrawn 5 bn of  
Vivo **9.0** amount on new **6.3** syndicated facility **+1.8 6.1** syndicated to cover **5.7** (ex-Brasilcel) pending  
payments **7.2** Covered by new **6.7** on Brasilcel **+0.4** issuance 1.2 acquisition ( 2 bn) **5.6** bn (Jan) & \$2.75  
bn (Feb) **3.0** **Undrawn Credit Undrawn Credit Dec-06 to Dec-09 Dec-10 Adjusted<sup>1</sup> Dec-10 FY 2011**  
**FY 2012 FY 2013 FY 2014 lines Dec-09 lines Dec-10 Average maturity targeting to be kept above**  
**6 years, overcoming temporary deviations Unused committed lines increased to 9bn in FY 2010;**  
**close to 60% maturing long term** <sup>1</sup> Adjusted average debt life calculated as of Dec-10, including 1,200  
m and US\$2,750 m bond issuances made in 2011

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**Table of Contents**

**On the way to de-leveraging Stable policy: Net Debt + Debt like Cash Commitments / OIBDA in the 2.0 - 2.5 range Trending progressively towards the middle of the leverage range Net Financial Debt + Commitments/OIBDA Leverage ratio sensitivity 0.05 improvement requires Average leverage ratio in the period 2007-2010 at 2.25x despite latest acquisitions OIBDA growth 2% 2.5x 2.25x or 2.0x Debt reduction 1.2 bn Dec-10**

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**Table of Contents**

**Disciplined growing remuneration policy, changing mix... 6.7 bn FCF Pre- Committed dividends  
spectrum 5.5 bn Payout 67% FCF Payout 7.9 bn 60% 90% 7.2 bn in 2010 52% in 2006 Dividends  
Dividends 3.6 bn 5.8 bn Share Buy-Back 1.9 bn Share Buy-Back 0.9 bn Avg. FY 2006-2009 FY  
2010 H2 11/H1 12 H2 12 / H1 13 Beyond 2012: 1.75 /share minimum annual shareholder  
remuneration target Shareholder remuneration not to be paid with debt**

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**Table of Contents**

**... supported by Earnings well above Dividends, and...**

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**Table of Contents**

... by FCF also exceeding dividend payments Sustained OIBDA growth trend Regions with positive organic growth in FY 2010 offset Spain decrease Change: 2010 vs. 2009 Spain Latam Europe -0.8 bn +0.8 bn +0.1 bn Additional FCF from Vivo acquisition: 0.2 No critical reliance on uncertain CF Venezuela FCF in FY 2010: 0.3 bn Interest payments savings vs. accrual (FY 2010): 0.4 bn Room for higher CapEx FY 2011E organic maximum CapEx increase: 0.5 bn Spectrum acquisition 1 Proportional FY 2010 Vivo s FCF acquired less annualised interest expenses after taxes

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**Table of Contents**

**To get the best combination of growth expectations and cash remuneration** <sup>1</sup> Source: average of 20 analysts: T. Italia pro-forma 2010, consensus analyst 2012

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**Table of Contents**

Conclusion

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**Table of Contents**

**Solid business and financial trends supporting shareholders returns and solvency 1 Shareholder remuneration, to be sustained beyond 2012 Solvency protection, aiming to limit net debt & cash 2 Financial policy focused on allocation of generated Cash- commitments within the range 2.0 to 2.5x OIBDA 3 Predictable M&A strategy, having achieved the right scale in our target footprint**

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**Table of Contents**

Telefonica

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**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Telefónica, S.A.**

Date: April 13<sup>th</sup>, 2011

By: /s/ Ramiro Sánchez de Lerín García-Ovies

Name: Ramiro Sánchez de Lerín  
García-Ovies

Title: General Secretary and Secretary to  
the  
Board of Directors