

Customers

259 million customers accesses

Presence in **25** countries

196 million mobile phone accesses

43 million landline accesses

More than **12** million retail accesses to Broadband Internet

More than **2** million accesses to paid television

A **6.92** (out of 10) Customer Satisfaction rating at the end of 2008

Professionals

257,000 professionals

69% rating on the Employee satisfaction index

Corporate Responsibility

60,219 employees with training in Business Principles

More than **1,100** suppliers evaluated by the Extension of Business Principles to the Supply Chain

Results

57,946 million euros revenue

64% of revenue comes from outside of Spain

A net profit of **7,592** million euros

1.63 euros per share of net profit

74,574 million euros of share capitalization

Social and Cultural Activity

Close to **115** million euros in social and cultural activities with **40** million people benefiting from the 2008 initiatives

Some **22,000** employees are Telefónica Volunteers

Thanks to Proniño **107,602** children have access to school, contributing to the eradication of child labour in Latin America

Investment

8,401 million euros of annual investment (CapEx)

4,614 million euros invested in R+D+I

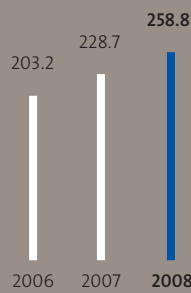
Environment

Commitment to reduce electricity usage by **30%*** on their networks by 2015

* Kwh/equivalent access

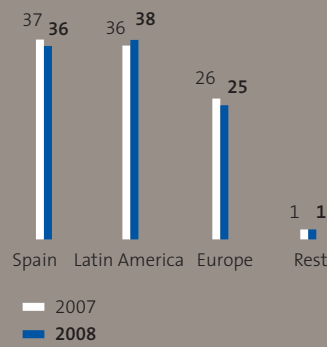
Total Accesses

Millions

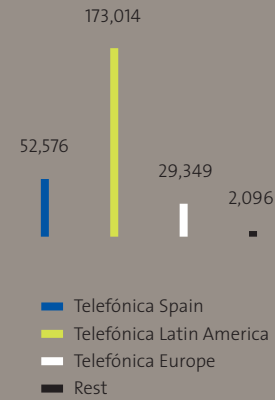


Revenue Distribution by Region

Percentage



Physical Staff by Region



Client satisfaction reaches 6.92 points

Telefónica ended 2008 with 259 million customer accesses

Its intense commercial activity allowed it to increase the number of accesses by 30 million, the equivalent of a year-on-year increase of 13.2%, thanks to advances obtained in mobile telephony, Broadband and pay TV.

The mobile accesses were close to 196 million by the end of 2008, that is 16.6% more than in 2007. Additionally in a mature market like that of fixed line telephony, the Company closed the financial year with 42.9 million accesses, compared to 43.4 million from the previous year. For their part, the wholesale accesses to Broadband Internet were at 12.5 million at the 31st of December 2008, with a year-on-year increase that is close to 21%, boosted by voice package services, ADSL and Pay TV. The TV pay accesses exceeded 2.3 million, which supposes an increase of close to 30%.

At the same time, the Telefónica Client Satisfaction Index (ISC) was at 6.92 out of 10 points at the close of the financial period, compared to 6.77 in 2007¹.

Share profit increased 41.4%¹ in 2008

Telefónica achieved a net profit of 7,592 million euros

The net amount of the business figure (revenue) of Telefónica was at 57,946 million euros in 2008, with a year-on-year increase of 2.7%. The mobile business, with a growing contribution from data, fixed Broadband and Pay TV, is consolidated as the principal motivators of this organic growth.

The free cash flow generated increased to 9,145 million euros; and the net financial debt was reduced by 5.6% to 42,733 million euros. The net profit for Telefónica increased 38% more in comparable terms and the basic net profit per share increased 41.4%¹ to 1.63 euros.

In the 2008 financial year, 69% of the cash flow generated was allocated to shareholders, which is equivalent to 10% of the shareholding capitalisation of the Company. Furthermore, amongst the Group priorities, it is important to progressively increase the dividend per share.

Telefónica ended the year with a capitalisation of 74,574 million euros, occupying fourth place amongst companies in this sector worldwide.

The Employee Satisfaction Index increased to 69%

Telefónica gives direct employment to 257,000 professionals

Last year, the physical staff of the Company increased by 3.4%. The area of greatest growth, close to 5.3% was Latin America, which team already represents 67% of the total. Spain is, with 20%, the second region for the size of its team and Europe makes up 11%.

Atento was, with more than 132,000 employees, the company which has the greatest number of professionals in the Group.

To the direct jobs can be added about 330,000 indirect positions belonging to collaborating companies.

The Employee Satisfaction Index of Telefónica professionals during the last financial year improved 3 points, according to the survey on work environment in which 70.4% of employees participated.

The Company objective is to be the best place to work. For this they are supporting the project 'Promise to the Employee', with four pillars of action: improve employee satisfaction by offering them an optimal work environment; consolidate a culture of high performance; behave like an international company and share talent.

¹ The data of the global ISC have been adjusted as a consequence of the homogenisation project of the measurement methodology over the whole group. This project allowed the scale and the questions on satisfaction to be joined, amongst other things.

¹ Excludes the impact from share sales (Airwave, Endemol and Sogetel) in both periods, as well as the Grupo Telefónica shareholding in the reorganization of the Telco S.p.A. company, as well as on their shareholding in Telecom Italia.
² On 25/02/09.

Investment in Technological Innovation (R+D+I)¹

Millions of euros



4,614 million dedicated to Technological Innovation, that is 5% more

Telefónica CapEx in 2008 increased to 8,401 million euros

In 2008, the Group emphasised the deployment of fibre, the development of mobile Broadband and transformation of the network to gain efficiency.

Their investment in R+D+I was 4,614 million euros, 5% more than in 2007. Specifically, the effort in R+D increased to 668 million euros, an increase of 12.5%.

The Company pushed their innovation collaboration models: support to technological companies via Movilforum; the acquisition of minority shareholdings in innovative companies like Loomia; *Living Labs* to count on the experience of the users to carry out services, etc.

At the same time, the Business Divisions of Telefónica have been innovating in order to launch TV services, increase the possibilities of new Broadband networks, etc.

Telefónica Research and Development maintained itself as the most important R+D private company organisation in Spain, with over 211 million euros of activity in 2008. The company participates in more than 200 projects with nearly 1,000 organizations, including more than 150 Universities.

Sales volumes

Millions of euros



More than 30,000 suppliers awarded in 2008

Telefónica awarded more than 25,926 million euros to their suppliers

The Network infrastructures, Services and Works, Market Products (including customer devices, highlighting mobile terminals) represent 80% of the Company purchases.

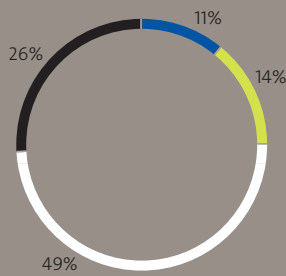
The top ten main suppliers by amount spent were: Nokia, Sony Ericsson, Ericsson, Nokia Siemens, Huawei, Samsung, Apple, Alcatel Lucent, Motorola and LG.

In 2008 Telefónica promoted electronic dealings, which exceeded 18,000 million euros (34,410 deals). The electronic sales platform of the Company exceeded 18,000 providers – 12% more than the previous year – from 18 countries in Europe and Latin America.

Electronic processing operations amounted to 7,406 million euros in 2008, and advanced the deployment of the electronic invoice with suppliers (18,000 invoices were submitted in Spain).

On the other hand, in 2008, Telefónica intensified their collaboration with Telecom Italia and China Unicom interchanging the best practices in procurement processes and systems and carrying out purchases together with the relevant suppliers.

Inclusion incentives per type of divide



■ Economic
■ Geographic
■ Educational
■ Disabled

More than 60 initiatives carried out

Telefónica invested more than 370 million euros¹ to reduce the digital divide

The Company designated 275 million euros to Universal Service Funds; nearly 15 million to training in Information and Communication Technology and more than 80 million in projects to reduce the economic and geographic divide.

In total Telefónica carried out more than 60 digital inclusion projects in 2008. The 'Extension Plan for Rural Broadband' in Spain; the '2008 Coverage' programme in Ecuador; or 'Include me' in Peru are some examples. Also in Spain, coverage of rural settlements was increased to 87% compared to an average of 70% in the European Union; and in Ecuador mobile coverage in suburban and rural areas and the road network reached 87.2%.

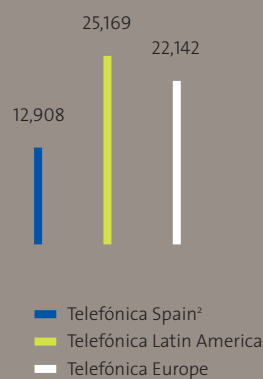
At the close of the financial year, Telefónica had more than 6 million prepaid fixed lines consumer controlled in Spain and Latin America; and in the latter region more than 82% of their 123 million clients for mobile services used prepaid products.

In 2008, more than 230,000 people benefited from Telefónica training programmes to reduce the educational divide.

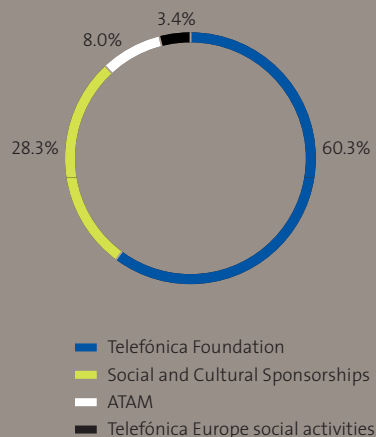
¹ Investment in technological innovation calculated in accordance the criteria established by the OCDE.

¹ 104 million euros correspond to the net cost for 2007 for the Universal Service by Telefónica Spain.

Employees trained in Business Principles¹



Investment in social and cultural activities



Telefónica's carbon footprint

Thousands of tonnes of CO₂



More than 1,100 suppliers assessed for CR during the last financial period

60,219 employees' received training in the Business Principles

By 1st March 2009, close to 50% of professionals had been trained in the ethics code, with the objective of reaching one hundred percent in 2011.

The Business Principles channels at the disposal of the employees, received a total of 169 communications in reference to their interpretation and application. Also as a consequence of investigations for possible deviations from the Principles, 358 interventions were carried out to ensure compliance.

As part of the application of their Extension of Business Principles to the Supply Chain, the Company carried out more than 1,100 evaluations of suppliers 10% over the objective planned for the first year, and 55 audits.

Additionally they approved internal policies on Data Protection and Risk Management, and defined the basic lines for the Promotion of Integration of Disabled people into the Workplace. The Company will deploy ten policies in full force over the next three years.

Fundación Telefónica benefited more than 40 million people

Telefónica allocated close to 115 million euros to social and cultural projects in 2008

Investment increased 23% compared to 2007, according to the LBG international methodology. A year later the initiatives centred on improving education and promoting equal opportunities.

The Fundación Telefónica, the pillar of social and cultural action of the Group, invested nearly 70 million euros in 3,565 projects. The Foundation carried out five large transnational programmes: EducaRed; Proniño; Telefónica Volunteers, with 21,807 employees; Debate and Understanding, as well as Art and Technology. They are present in 8 countries: Argentina, Brazil, Chile, Columbia, Spain, Mexico, Peru and Venezuela and it reaches 14 with some programs. Amongst the most notable milestones of 2008, the 107,602 children schooled by Proniño should be mentioned, 103% more than the previous year, to contribute to eradicating child labour in Latin America.

Other projects are being carried out via social and cultural sponsorship, with an investment of 32 million euros in 2008; ATAM, the Telefónica association aimed at increasing quality of life for disabled people, to which 58,226 employees belong; and the activities of Telefónica Europe.

In 2008 electric consumption decreased by 5%¹

Telefónica commits to reduce electricity consumption by 30%¹ on its networks by 2015

In 2008, the Company also announced that it would cut electrical consumption in its offices by 10% by 2015. This will considerably decrease Greenhouse Gas Emissions globally.

Telefónica created its Climate Change Office with a twin objective. The first, focused on the reduction of energy consumption in Group operations, by means of energy efficiency activities, and the second, directed at the development of business opportunities by means of products and services that allow other sectors to be more efficient.

The climate change strategy is based on 5 core activities: Operations, Suppliers, Employees, Customers and Society.

The Operation core is in charge of promoting energy efficiency on networks and systems, as well as promoting the use of renewable energies. The Suppliers core seeks to include energy efficiency requirements in the acquisition processes for products and services for the whole Group. The Employee core creates a culture that is focused on an adequate use of resources. The Customer core boosts the use of products and services which allow other sectors to reduce their energy consumption and greenhouse gas emissions. And the Society core works to position Telefónica as a telecommunications company that is a leader in the fight against climate change.

¹ Employees trained as of 1st March 2009. Teleoperation personnel are excluded.

² Includes container business, ggestion and others.

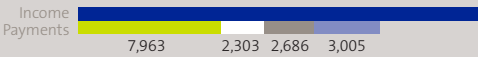
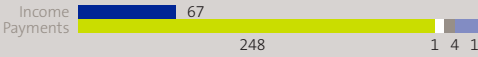

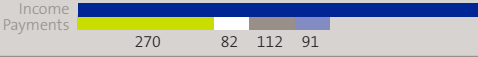
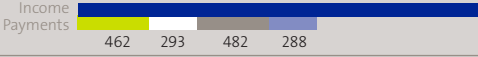

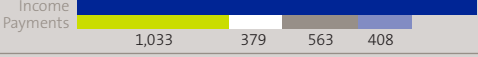








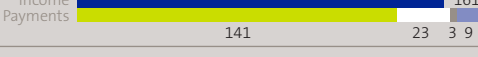

¹ Telefónica Europe counted on about 1,000 volunteer employees in 2008.

¹ Kwh/equivalent access.

² Kwh/No. of employees.

Driving force for progress

Contribution towards progress

	Economic Impact	Revenue/GDP	Magnitudes
Spain			
Spain	 <p>Income Payments: 20,943 Components: 7,963 (Revenue), 2,303 (CapEx), 2,686 (Tax), 3,005 (Salaries)</p>	1.8%	Employees: 52,576 Suppliers awarded contracts: 4,212 (88.0%) Total accesses: 47,350
Morocco	 <p>Income Payments: 67 Components: 248 (Revenue), 1 (CapEx), 4 (Tax), 12 (Salaries)</p>	0.1%	Employees: 2,096 Suppliers awarded contracts: 341 (73.0%) Total accesses: 7,434
Europe			
Germany	 <p>Income Payments: 3,561 Components: 1,654 (Revenue), 924 (CapEx), 47 (Tax), 351 (Salaries)</p>	0.1%	Employees: 4,805 Suppliers awarded contracts: 1,527 (94.2%) Total accesses: 15,542
Ireland	 <p>Income Payments: 929 Components: 270 (Revenue), 82 (CapEx), 112 (Tax), 91 (Salaries)</p>	0.5%	Employees: 1,538 Suppliers awarded contracts: 672 (80.2%) Total accesses: 1,728
Czech Republic + Slovakia	 <p>Income Payments: 2,556 Components: 462 (Revenue), 293 (CapEx), 482 (Tax), 288 (Salaries)</p>	1.7%	Employees: 9,563 Suppliers awarded contracts: 394 (72.9%) Total accesses: 8,609
UK	 <p>Income Payments: 7,207 Components: 3,243 (Revenue), 861 (CapEx), 840 (Tax), 628 (Salaries)</p>	0.4%	Employees: 13,133 Suppliers awarded contracts: 7,487 (55.3%) Total accesses: 19,811
Latin America			
Argentina	 <p>Income Payments: 2,627 Components: 1,033 (Revenue), 379 (CapEx), 563 (Tax), 408 (Salaries)</p>	1.1%	Employees: 21,550 Suppliers awarded contracts: 1,510 (94.1%) Total accesses: 20,727
Brazil	 <p>Income Payments: 9,132 Components: 5,274 (Revenue), 1,653 (CapEx), 3,657 (Tax), 985 (Salaries)</p>	0.8%	Employees: 82,288 Suppliers awarded contracts: 3,541 (98.5%) Total accesses: 60,739
Chile	 <p>Income Payments: 1,942 Components: 1,010 (Revenue), 452 (CapEx), 221 (Tax), 245 (Salaries)</p>	1.6%	Employees: 13,712 Suppliers awarded contracts: 1,838 (90.2%) Total accesses: 10,014
Central America	 <p>Income Payments: 570 Components: 303 (Revenue), 126 (CapEx), 90 (Tax), 61 (Salaries)</p>	1.0%	Employees: 5,778 Suppliers awarded contracts: 1,843 (75.9%) Total accesses: 6,158
Colombia	 <p>Income Payments: 1,496 Components: 858 (Revenue), 426 (CapEx), 293 (Tax), 137 (Salaries)</p>	0.9%	Employees: 6,108 Suppliers awarded contracts: 1,155 (86.1%) Total accesses: 12,803
Ecuador	 <p>Income Payments: 307 Components: 188 (Revenue), 133 (CapEx), 34 (Tax), 26 (Salaries)</p>	0.8%	Employees: 1,083 Suppliers awarded contracts: 430 (80.2%) Total accesses: 3,212
US and Puerto Rico	 <p>Income Payments: 103 Components: 38 (Revenue), 6 (CapEx), 2 (Tax), 31 (Salaries)</p>	0.0%	Employees: 810 Suppliers awarded contracts: 245 (71.8%) Total accesses: n.a.
Mexico	 <p>Income Payments: 1,776 Components: 929 (Revenue), 354 (CapEx), 37 (Tax), 180 (Salaries)</p>	0.2%	Employees: 17,768 Suppliers awarded contracts: 1,153 (92.1%) Total accesses: 15,464
Peru	 <p>Income Payments: 1,615 Components: 1,072 (Revenue), 293 (CapEx), 375 (Tax), 215 (Salaries)</p>	1.8%	Employees: 15,213 Suppliers awarded contracts: 2,083 (87.4%) Total accesses: 14,983
Uruguay	 <p>Income Payments: 161 Components: 141 (Revenue), 23 (CapEx), 3 (Tax), 9 (Salaries)</p>	0.8%	Employees: 615 Suppliers awarded contracts: 654 (72.8%) Total accesses: 1,421
Venezuela	 <p>Income Payments: 2,819 Components: 1,239 (Revenue), 310 (CapEx), 718 (Tax), 166 (Salaries)</p>	1.2%	Employees: 8,089 Suppliers awarded contracts: 1,125 (89.0%) Total accesses: 11,905

- Economic data in millions of euros (revenue, personnel costs, payment of taxes, purchases and investments (CapEx))
- Revenue amounts: consolidated revenue amounts corresponding to all the business units of Telefónica in the country.
- TEF/GDR Revenue: ratio between Telefónica revenue (contribution from the country to the revenue consolidation of the Telefónica Group) and the estimated GDR for the country (Source: FMI).
- CapEx amounts in current euros.
- Employees: Direct employees of the Telefónica Group in the country (physical staff at 31st December 2008).
- Suppliers: Number of suppliers that were selected in the country in 2008. The % of local suppliers represents the % of the awards made to suppliers based in the country over the total volume awarded in the country.
- Accesses: equals the number of fixed + mobile + Broadband + Paid TV accesses (units in thousands).