Closing remarks

César Alierta
Executive Chairman and Chief Executive Officer
9 October 2009
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Outperforming growth with higher efficiency will lead us to a superior cash flow generation

**Outperforming revenue growth**
- Non-replicable Latam growing portfolio
- Market share gains in T.Europe
- Ready to capture cyclical recovery in Spain

**Best-in-class efficiency**
- Execution skills & proven track record
- Scale benefits
- 71.5% efficiency ratio\(^1\) by 2012E

**Superior CF generation**
- \(>€ 64\) bn OpCF\(^2\) cumulative FY 2009-2012E
- 85% OpCF\(^2,3\) from investment grade countries
- \(>47\%\) of EV\(^4\)

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1. Efficiency ratio = (Operating expenses - CapEx) / Internal expenses capitalized in fixed assets). Revenue CapEx figure excludes Real Estate Efficiency Program of T.España and spectrum licensees.
2. OpCF = OIBDA - CapEx; 2008 adjusted figures for guidance exclude Segeca capital gain (€1.63m) and the application of provisions made in T.Europe in respect of potential contingencies deriving from the past disposal of shareholdings, and those risks had dissipated or had not materialized (€1.74m). Includes 9 months of consolidation of Telefónica in T.Latam. Figures for guidance assume 2008 constant FX (average FX in 2008) and exclude changes in consolidation. In terms of guidance calculation OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx excludes Real Estate Efficiency Program of T.España and spectrum licensees.
Telefónica: A profitable, stable and lower risk investment case

Shareholder oriented mindset

Strong capital discipline

Unbeaten & visible returns

- €1.40\(^2\) DPS in FY 2010E
- €1.75\(^{2,3}\) DPS minimum target for FY 2012E
- Financial flexibility

Sector outperformance in the past 5 years: x4\(^4\)

1. FCF available to remunerate Telefónica’s shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility. Figures assuming 2008 constant exchange rates (average exchange rates in 2008) and excluding changes in consolidation.
2. It is company’s intention to maintain its current practice so that dividends will be payable in two tranches.
3. Targeted under current guidance hypothesis.
4. Telefónica share price vs DJ Telco performance from 30/09/04 to 30/09/09.