Telefónica: Delivering sustainable growth

Frankfurt, May 27th, 2010
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This presentation includes certain non-GAAP (Generally Accepted Accounting Principles) financial measures which have not been subject to a financial audit for any period.
Conclusions

Industry: Is there growth in the Telecoms sector?

Telefónica Group:
  i. Will Telefónica maintain its differential growth profile?
  ii. Is your dividend policy sustainable?
  iii. What are your M&A ambitions?

T. España:
  i. Macroeconomic situation
  ii. Revenue performance: is the worst over?
  iii. Competitive environment: is there a price war in Spain?
  iv. Commercial activity across businesses
  v. Are you under investing?

T. Latam:
  i. Is the growth story in Latin America coming to its end?
  ii. How is Telesp performing?

T. Europe:
  i. How are you going to deliver growth in UK and Germany?

Conclusions
01 In the new digital world, advanced global operators are key to build new value proposals

Advanced data distribution & services platform
- Software & App providers
- User equipment manufacturers
- Internet content access platforms
- Network equipment providers
- Content creators

Agents from ICT business
New revenue streams from new mutually beneficial business models

Global Telco Operators

Agents from the “real” economy

Billion of customers
Intermediation & digital transformation partner

Financial services
- Government
- Retailers
- Health
- Education

Content creators
User equipment manufacturers
Network equipment providers
Software & App providers
Internet content access platforms

Software & App providers
User equipment manufacturers
Internet content access platforms
Network equipment providers
Content creators

In the new digital world, advanced global operators are key to build new value proposals.
01 Service platforms enable a new wave of revenues

Beyond applications: Advanced platforms for quality service delivery

Adding comprehensive connectivity & service management

Third Parties

Payment for distribution and additional services

Revenue sharing

Content, advertising, on-demand services & apps

Payment for segmented bundle of services

End User

Partner players around our capabilities

Unify and simplify for our customers

Telco service platforms for Comprehensive QoS
Our scale and value chain positioning places us as the partner choice in the new digital ecosystem to build high potential intersectorial alliances with every sector.
Communication demand will keep growing

- **Today**
  - Households: 1.0 Billion
  - People: 4.6
  - Machines: 1.4

- **2020**
  - Households: 1.2 Billion
  - People: 6
  - Machines: 40

- **M/(M+F)**
  - Today: 75%
  - 2020: 90%

- **MBB/BB**
  - Today: 37%
  - 2020: 95%

- **Internet of people**
- **Internet of things**

New digital applications and services will accelerate this trend, increasing ICT share in consumer's wallet.
We see a larger business with a change of mix in Telefónica

### % Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Access and Voice</th>
<th>BB</th>
<th>Applications</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>81%</td>
<td>13%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>2009(5)</td>
<td>79%</td>
<td>15%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>2012 E(5)</td>
<td>72%</td>
<td>21%</td>
<td>6%</td>
<td>1%</td>
</tr>
</tbody>
</table>

(1) Access & Voice: Fixed and mobile access and voice (SMS included), fixed and mobile equipment, narrowband Internet and M2M revenue.

(2) BB connectivity (MBB & FBB). FBB connectivity: (DSL, FO, cable modem, ...), fixed data services, retail and wholesale and equipment. MBB connectivity: Big & Small Screen, mobile e-mail, and WAP browsing revenue.

(3) Apps and New Business: TV, ICT solutions, online advertising (e-Commerce, Terra), MBB VAS (Mobile content / Application downloaded), other FBB VAS, new growth sources and other digital content service revenue.

(4) Revenues from subsidiaries and other companies.

(5) Assuming constant exchange rates as of 2008 (average FX 08) and excludes changes in consolidation.
Index

01 Industry: Is there growth in the Telecoms sector?

02 Telefónica Group:
   i. Will Telefónica maintain its differential growth profile?
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06 Conclusions
We have maintained our superior performance despite a very challenging environment.

- Despite the adverse economic environment in Spain, we have maintained our growth gap vs. the sector...
- ... while maintaining our benchmark cash flow generation and keeping investment in future growth.

**2009 Revenue Organic Growth**

- TEF: +0.2%
- FTE: -1.9%
- VOD: -2.6%
- KPN: -3.5%
- DTE: -3.6%
- BT: -4.8%
- TI: -5.6%

Average Ex TEF: -3.7%

**Change in Capex/Sales (2009 y-o-y)**

- TEF: -1.7 p.p.

Average Ex TEF: -1.7 p.p.

**2009 OpCF margin**

- TEF: 27.0%
- FTE: 22.8%
- VOD: 20.0%
- KPN: 25.0%
- DTE: 17.7%
- BT: 14.6%
- TI: 19.8%

Average Ex TEF: 20.1%

Source: Telefónica and Deutsche Bank (European Telecom Services. Incumbent operator trend analysis Q4 09, March 2010).
Revenue growth acceleration for the 2nd quarter in a row

- Organic y-o-y growth ex MTRs
- Total accesses (y-o-y organic growth)

Q1 10 Revenue by region
(contribution to organic growth y-o-y)

Q1 10 Revenue by mix of services
(contribution to organic growth y-o-y)

- Top line growth drove superior OpCF: €3,923 m
- Efficiency ratio improved 1.0 p.p. y-o-y to 74.5% in Q1 10

Weight over reported rev

76%  22%  2%
We have already set the bases for future growth

- Geographical & Business **DIVERSIFICATION**
- Strong **GROWTH POTENTIAL** in our markets

**Telefónica markets**

- **FBB** \( (2) \) +10%
- **Fixed** +0%
- **MBB** \( (3) \) +70%
- **Mobile** +4%

**Traffic** +46%

**CAGR 08 – 12** E number of accesses and traffic

**Broadband everywhere**

Access to support broadband

**Traffic explosion**

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(1) Telefónica Markets: Total markets from Telefónica footprint.
(2) FBB: Fixed Broadband.
(3) MBB: Mobile Broadband. Growth considers only Big Screen.
Growing our customer base & improving its quality

**Total accesses**
- Dec-08: 252 millions
- Mar-10: 273 millions
- Dec-12E: >320 millions
- Variation: +68 m

**Mobile Retail Accesses**
- Dec-08: 187 millions
- Mar-10: 207 millions
- Dec-12E: ≈228 millions
- Variation: +41 m

**Contract Mobile Accesses**
- Dec-08: 54.3 millions
- Mar-10: 61.8 millions
- Dec-12E: >89 millions
- Variation: +34 m

**MBB**
- Dec-08: 9 millions
- Mar-10: 16 millions
- Dec-12E: ≈67 millions
- Smartphone prices: < €100
- Variation: +58 m

- **+10 p.p. growth in the weight of contract customers by Dec-12E vs. Dec-08 (Telefónica Group)**
- **Contract ARPU(4) 4.5x prepay one in 2009, with better y-o-y evolution (Telefónica Group)**
- **MBB growth mainly driven by Smartphones**
- **ARPU of Smartphones in Spain 1.7x contract ARPU(4) in 2009**

**Notes:**
1. Morocco accesses excluded in 2008 for comparison reasons.
2. Mobile Retail accesses: Mobile voice accesses, M2M and Small Screen are included.
3. MBB accesses: Including Big and Small Screen.
4. Contract ARPU excluding M2M.
Massive MBB development (i)

**World mobile devices sales (1)**

<table>
<thead>
<tr>
<th>World; millions</th>
<th>Dec-07</th>
<th>Dec-09</th>
<th>Dec-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>1,153</td>
<td>1,214</td>
<td>1,636</td>
</tr>
<tr>
<td>%</td>
<td>11%</td>
<td>14%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Lead the small screen opportunity

- >70m smartphones in Latin America(5) by 2012E(6)

**MBB (2) penetration**

<table>
<thead>
<tr>
<th>% Big and Small screen accesses over mobile accesses</th>
<th>Dec-08</th>
<th>Mar-10</th>
<th>Dec-12E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
<td>8%</td>
<td>27%</td>
</tr>
</tbody>
</table>

**MBB accesses (2)**

<table>
<thead>
<tr>
<th>millions</th>
<th>Dec-08</th>
<th>Mar-10</th>
<th>Dec-12E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>16</td>
<td>~67</td>
</tr>
</tbody>
</table>

+65%

**MBB connectivity revenues (3)**

<table>
<thead>
<tr>
<th>€ in billions</th>
<th>FY 2008</th>
<th>FY 2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.3</td>
<td>5/5.7</td>
</tr>
</tbody>
</table>

+40%/+45%

- Competitive market pricing based on **tiered offers**, providing as much as possible on-demand:
  - Bandwidth
  - QoS
  - Volume
  - Latency
  - Peak – offpeak...

XaaS (7)

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(1) Source: Gartner, “Forecast Mobile Devices World 2003-2013”.
(2) MBB accesses: Including Big and Small Screen.
(3) MBB connectivity revenue: including Big and Small Screen, mobile email and WAP browsing revenues.
(4) Figures for guidance assume 2008 constant FX (average FX08) and exclude changes in consolidation.
(5) Smartphones includes High Tech.
(6) Telefonica estimates.
(7) XaaS: Everything as a service.
Massive MBB development (ii)

- **A reality even in a difficult environment: T. España**
  - Wireless data rates net adds (000's) **(1)**
    - Q1 09: 168
    - Q1 10: 364
    - Avg 09-10: 271
  - Data connectivity revenues (y-o-y change)
    - +50%
    - +68%

- **Tiered pricing in our markets: different customer needs, avoiding “all you can eat” tariffs**
  - **MEXICO (volume based)**
    - Profiles
      - Conecta: 300 Mb
      - Navega: 800 Mb
      - Descarga: 5 Gb
    - Allowance *
      - Conecta: x
      - Navega: 1.5 x
      - Descarga: 2.2 x
    - Price
      - Conecta: x
      - Navega: 1.5 x
      - Descarga: 2.2 x
  - **SPAIN (Smartphone - traffic based profiles)**
    - Profiles
      - Int. Móvil (IM): 1 Mbps
      - IM Plus: 3 Mbps
      - IM Premium: 3 Mbps
    - Allowance *
      - Int. Móvil (IM): 100 Mb
      - IM Plus: 200 Mb
      - IM Premium: 1 Gb
    - Price
      - Int. Móvil (IM): x
      - IM Plus: 1.5 x
      - IM Premium: 2.5 x
  - 2.3 monthly data flat rates in Mar-10 >x2 vs. Mar-09
  - +52% revenue growth in 2009

*Fair usage policy rules applied. Additional modules are charged.

*Unlimited volume. Download speed reduces to 64 Kbps when allowance volume reached. IM Plus and Premium includes unlimited access to Telefónica WiFi hotspots.

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(1) Monthly flat rates
Further FBB expansion through DSL upgrade and selective FO deployment

**DSL:**
- Expand BB markets; low coverage areas and low income segments
- Tiered offer including Premium at high speed (>10 Mbps)
- **Selective FO** deployment (speed > 25 Mbps)
- **Bundles across segments**

**Lines passed with**
> 25 Mbps in 2012
> x9 vs. 2008
02 Development of applications and new business

**Apps. & New business revenue**

<table>
<thead>
<tr>
<th>€ in billions</th>
<th>FY2008</th>
<th>FY 2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>+12%/+15%</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
</table>

**Mobile Apps. Market**

- From €6 bn to €17.5 bn in 2009-12

**Mobile applications:**

- >120 m Mobile applications downloaded in 2012E

**Pay TV:**

- >4.5 m Customers by 2012E vs. 2.3 m in December 2008

**Digital Home** services

**ICT solutions:** infrastructure alternatives, Cloud Computing, M2M, ....

**New Business:** e-Finance, e-Health, e-Travel, e-Learning, e-Security, ...

**WAC**

- Open platform
- Over 30 telco players
- 4 global suppliers
- 3 Bn mobile customers

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(1) Apps. & New business revenue: TV, ICT solutions, on line advertising (e-Commerce, Terra), MBB VAS (mobile content/application downloaded), other FBB VAS, new growth sources and other digital content services revenue.

(2) Figures for guidance assume 2008 constant FX (average FX08) and exclude changes in consolidation.

(3) BofAML March 2010.
Defense and growth of traditional business

- **Bundle access** with fixed and mobile voice to retain fixed voice only customers
- Capture **mobile penetration growth** opportunities (LatAm)
- Foster **prepay to contract migration**
- Innovative **tiered price plans**
- Increasing **loyalty**

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1. Morocco excluded in 2008 for comparison reasons.
2. Mobile: Mobile voice accesses. M2M and small screen are included.
3. Fixed: PSTN, Public Use Telephony, ISDN, Fixed wireless lines, self consumption, test and social interest lines, naked DSL, VOIP lines and narrowband internet accesses.
4. Access & Voice: Fixed and mobile access & voice (SMS included), fixed & mobile equipment, narrowband internet and M2M revenue.
5. Figures for guidance assume 2008 constant FX (average FX08) and exclude changes in consolidation.
We will fully capture revenue growth potential in our markets

**Revenue Mix**

**FY 2008**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accesses &amp; Voice (2)</td>
<td>81%</td>
</tr>
<tr>
<td>BB connectivity (3)</td>
<td>13%</td>
</tr>
<tr>
<td>Applications &amp; new business (4)</td>
<td>4%</td>
</tr>
<tr>
<td>Others (5)</td>
<td>2%</td>
</tr>
</tbody>
</table>

**FY 2012E**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accesses &amp; Voice (2)</td>
<td>72%</td>
</tr>
<tr>
<td>BB connectivity (3)</td>
<td>21%</td>
</tr>
<tr>
<td>Applications &amp; new business (4)</td>
<td>6%</td>
</tr>
<tr>
<td>Others (5)</td>
<td>1%</td>
</tr>
</tbody>
</table>

**CAGR 08-12E**

- **MBB**: +40%/+45%
- **Applications & new business**: +12%/+15%
- **FBB**: +5%/+8%
- **Traditional**: -2%/+1%

---

(1) Figures for guidance assume 2008 constant FX (average FX08) and exclude changes in consolidation.
(2) Access & Voice: fixed and mobile access & voice (SMS included), fixed and mobile equipment, narrowband internet and M2M revenue.
(3) BB connectivity (MBB & FBB). FBB connectivity: DSL, FO, cable modem …, fixed data services, retail and wholesale equipment. MBB connectivity: big and small screen, mobile email, and WAP browsing revenue.
(4) Apps. & New business revenue: TV, ICT solutions, online advertising (e-Commerce, Terra), MBB VAS (mobile content/application downloaded), other FBB VAS, new growth sources and other digital content service revenue.
(5) Revenues from subsidiaries and other companies.
Medium term guidance will lead to a sustainable growth and an even lower risk profile

<table>
<thead>
<tr>
<th><strong>Accesses</strong> (1) (millions)</th>
<th>2008 Adjusted (2)</th>
<th>CAGR 08-12E (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>252</td>
<td></td>
<td>&gt;320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Revenues</strong> € in millions</th>
<th>57,946</th>
<th>+1%/+4%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>OIBDA</strong> € in millions</th>
<th>22,602</th>
<th>+2%/+4%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>OI</strong> € in millions</th>
<th>13,556</th>
<th>+4%/+7%</th>
</tr>
</thead>
</table>

| **OpCF** € in millions      | 14,201            | +5%/+7.5%       |

Cumulative FCF (3) FY 2009-2012E

* Cumulative 09-12E >€64 bn

<table>
<thead>
<tr>
<th><strong>CapEx</strong> € in millions</th>
<th>~ € 30 bn</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Note</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Morocco Accesses excluded in 2008 for comparison reasons.</td>
</tr>
<tr>
<td>(2) 2008 adjusted figures for guidance exclude Sogecable gain (€143 m) and the application of provisions made in T.Europe in respect of potential contingences deriving from the past disposal of shareholding. One of these risks has dissipated or had not materialized (€174m), includes 9 months of consolidation of Telemig 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.</td>
</tr>
<tr>
<td>(3) Free Cash Flow available to remunerate Telefónica’s shareholders, to protect solvency levels (financial debt &amp; commitments), and to accommodate strategic flexibility. Figures assuming 2008 constant exchange rates (average exchange rates in 2008) and excluding changes in consolidation.</td>
</tr>
</tbody>
</table>
We have clear priorities for 2010

- Reinvesting efficiency gains to foster revenue expansion
- Higher CapEx to support growth in customers & volumes

### On the back of the operating guidance provided, further efficiencies in taxes and financial costs and potential assets sales:

- Interest expenses for 2010 are expected to be around 5.5%-5.75% (<6% guided in October 2009)
- 2010 accrued tax rate is estimated at 25%-27% (vs. previous guidance of 27%-28%)
- Continue to analyze value creation opportunities maintaining an active management of our non core asset portfolio

### €2.10 EPS target confirmed

**2009 Adjusted** | **2010 Guidance**
---|---
Revenue | 56,407 | +1%/+4%
OIBDA | 22,344 | +1%/+3%
CapEx | 7,262 | 7,450/7,650

---

2009 adjusted figures for guidance exclude Telco Morocco results in T. España, Medi Telecom capital gain and write-offs. 2010 guidance assumes constant exchange rates as of 2009 (average FX in 2009) and excludes hyperinflationary accounting in Venezuela in both years. It also includes 10 months of consolidation of Hansenet and Jajah in T. Europe. In terms of guidance calculation, OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx also excludes Real Estate Efficiency Program of T. España and spectrum licenses.
On track to meet 2010 guidance

**Revenue**

- **2010 GUIDANCE**
  - +1% / +4%

- **Q1 10/Q1 09**
  - +1.7%

**CapEx**

- **2010 GUIDANCE**
  - €7,450 / €7,650 m

- **Q1 10**
  - €1,208 m

**Revenue**

- **2009 GUIDANCE**
  - +1% / +3%

- **Q1 10/Q1 09**
  - -3.0%

**OIBDA**

- **2010 EPS target confirmed (€ 2.1)**

- **OIBDA**
  - **Q1 10**
  - **H1 10E**
  - **9M 10E**
  - **FY 10E**

  - **-3.0%**

- **2010 GUIDANCE**
  - €7,450 / €7,650 m

- **2010 EPS target confirmed (€ 2.1)**

**2009 adjusted figures for guidance exclude Teléfonos de México results in T. España, Meditel Telecom capital gain and write-offs. 2010 guidance assumes constant exchange rates as of 2009 (average FX in 2009) and excludes hyperinflationary accounting in Venezuela in both years. It also includes 10 months of consolidation of HanseNet and Jajah in T. Europe. In terms of guidance calculation, OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx also excludes Real Estate Efficiency Program of T. España and spectrum licenses.**
02 We maintain our selective M&A approach

M&A Priorities

- Spectrum auctions in current markets to foster growth:
  - Germany & Mexico in H1 2010
  - Potential awarding process in Spain along 2010

- In-market consolidation:
  - Offer for PT's stake in Brasilcel
  - Hansenet acquisition closed on February 16th

- Increase shareholding in China Unicom to 10%

Continue capturing synergies from our Strategic Alliances

- €740 m cash synergies(1) since Mar-08

- >670 million combined customer base(1)

(1) As of Mar-10
DPS targets reiterated
- Dividend is well covered
- No dependence on cash repatriation from any particular country in Latin America

Tactical share buybacks to be considered for FCF excesses
- 0.6% of capital held in treasury
- Derivatives on 150 m shares as of 31/12/09

(1) It is Company’s intention to maintain its current practice so that dividends will be payable in two tranches.
(2) Targeted under current guidance hypothesis.
01 Industry: Is there growth in the Telecoms sector?
02 Telefónica Group:
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05 T. Europe:
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06 Conclusions
03 Macroeconomic situation

Consumption growth (%)

Spain: consumption growth far from fundamentals

Below the European average

Household consumption in communications (% of total spending) (2)

Spain: consumption growth far from fundamentals

Number of households: +226K in 2009

TELEFONICA S.A.
Investor Relations

(1) Analysts’ consensus for 2010 forecasts.
03 T. España: continued top line recovery

**Revenues**
(comparable y-o-y change)

- Q1 09: -5.7%
- Q2 09: -6.9%
- Q3 09: -6.6%
- Q4 09: -4.5%
- Q1 10: -3.9%

FY 09: -5.9%

**Wireless**
(Service revenues)

- Q1 09: -7.3%
- Q2 09: -8.1%
- Q3 09: -8.0%
- Q4 09: -7.7%
- Q1 10: -7.1%

FY 09: -8.0%

**Wireline**
(comparable)

- Q4 09: -2.9%
- Q1 10: -4.8%

Comparative terms for Q1 10 y-o-y change exclude the following effects: USO in Q1 09, real estate capital gains in Q1 09, Telyco Morocco in Q1 09 and TV Tax in Q1 10. Previous quarters year-on-year comparable changes published in Company’s press releases.

Quarterly Gross adds variations include: Fixed telephony accesses, retail broadband accesses, mobile accesses and pay TV accesses.
Competitive environment: is there a price war in Spain?

Telefónica Market Shares (1)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-08</th>
<th>Dec-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total market revenues</td>
<td>55%</td>
<td>54%</td>
<td>46%</td>
<td>46%</td>
<td>57%</td>
<td>56%</td>
<td>14%</td>
<td>17%</td>
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<td>Wireless Contract</td>
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<tr>
<td>Fixed BB</td>
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<td>Pay TV</td>
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</tbody>
</table>

Strong leadership in the market

Rational pricing environment

Outgoing ARPM (y-o-y change)

- Q1 10
-6.5%

Oct-07 ID target

Retail BB connectivity ARPU (y-o-y change)

- Q1 10
-6.4%

Oct-07 ID target

Retail BB connectivity ARPU
-4% / -7%
CAGR 06-10 E

(1) Estimated market shares.
Strong commercial activity across businesses

Building foundations for future revenue growth

Net adds (000's)

- Wireless Contract
- Fixed Business
- Pay TV
- Fixed Lines

Q1 09: 197
Q1 10: 45
Q1 09: 102
Q1 10: -8
Q1 09: 30
Q1 10: 30
Q1 09: -8
Q1 10: -278

Q1 09: -321
Q1 10: -278
Are you under investing?

**TEF ACHIEVING HIGHER EFFICIENCIES BASED ON**

- Reduced prices on scale benefits
- Integrated player approach strategy
- Lower economic activity
- Lower eGSM investments
- Reduced Real Estate activity

---

**y-o-y CapEx evolution (1)**
(2009; % change)

- Telefonica: -15.6%
- Orange: -12.1%
- Jazztel: -22.6%
- Yoigo: -41.2%
- Weighted market average (ex-TEF): -19.5%

**Weight in market CapEx (1)**
(2009 %)

- Telefónica: 57%
- Orange: 19%
- Jazztel: 13%
- Yoigo: 7%
- 2%
- 2%

---

(1) Expansión: March 10th, 2010 (Vodafone data 12 months to Sep-09 vs. 12 months to Sep-08 in local currency).
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Is LatAm growth potential exhausted?

- **Macroeconomic strength:**
  - >5% annual GDP growth in 2004-08, but –2.3% in 2009E
  - >3.7% GDP growth in 2010E & 2011E

- **Structural social improvements** in the growth period:
  - Unemployment reduced from 11% to 7.5% since 2002
  - > 50 m people have left poverty since 2000
  - Brazil: Middle & upper class ascent even in the crisis period

- Countries > US$ 10 thousand GDP per capita PPP\(^{(1)}\) represent 75% of total
- >US$780 bn\(^{(2)}\) increase in Private Consumption from 90s to 2009E

- 80% of Latam population is urban
- 5 of the biggest cities worldwide in Latam

---

Source: United Nations and International Monetary Fund.

(1) Minimum for the development of the middle class.

(2) Assumes constant exchange rates as of 2009.
What are the growth opportunities in the region?

### FURTHER PENETRATION INCREASE

**Mobile penetration**
- Dec-08: 82%
- Dec-12E: >100%
- +130-140 m accesses: ~65% voice accesses

### POSTPAY MIGRATION: UP & CROSS SELLING

**Customer mix % postpay**
- Dec-08: 16%
- Dec-12E: 25-30%
- ARPU improvement

### MBB: NEXT KEY WAVE OF GROWTH

**MBB accesses**
- Dec-08: 1 m
- Dec-12E: 30-32 m

### FOCUS ON TRANSFORMATION

#### WIRELESS

**FBB/Fixed accesses**
- Dec-08: 23%
- Dec-12E: 40-43%

**Pay TV accesses**
- Dec-08: 23%
- Dec-12E: ~65% voice accesses

(1) Ex MBB Big Screen.
(2) MBB Accesses: Including big and small screen.
(3) Sao Paulo, Argentina, Chile, Colombia & Peru.
(4) Sao Paulo, Chile, Colombia & Peru.

**From Dec-08 to Dec-12E**

- **FBB Average Speed**: x4
- **2P+3P/LIS**: x2.4
ARPU upside through up & cross selling in a more mature market

- 106% penetration
- Strong customer growth in the market
- Lowest churn in the region

Outgoing ARPU evolution in Chile, Jul-09 (Index)

Customer mix (% Postpay)

- Dec-08: 28%
- Dec-12E: ~35%

Example (1)

- Prepay 100
- Prepay 143
- Prepay 200
- Hybrid-Post 286
- Hybrid-Post 371
- Postpay 429
- Postpay 514
- Data Plans 743

EXAMPLE (1)

Control Group Methodology.
Telesp gradual recovery

**Gaining commercial momentum:**
- Total accesses growth for the 1st time since Q3 08
- Limited activity in Jan-10 on heavy rains
- Positive fixed line net adds in March & April
- Strong BB churn reduction
- FBB net adds in Q1 10 is 2x FY 09 volume
- Close to 50% of Q1 10 net adds recorded in Mar-10
- Recovering market share
- Stable CapEx/sales: 13.5% last twelve months

**Improving revenue trend** towards positive growth
- **Lower churn** levels should reduce commercial expenses going forward
- **OIBDA impacted by increased activity and heavy rains**

---

**Net adds (000)**
- y-o-y growth

**Financials** (y-o-y in local currency)

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**Best Q1 in history for FBB**

- Total accesses growth for the 1st time since Q3 08
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How are you going to deliver growth in UK and Germany?

**UK**
- Base expansion & Mobile internet driving growth
  - Quality base improvement: 86% of Q1 mobile net adds in contract
  - “Home of Smartphones”: over 7 m MBB in Q1, positively impacting ARPU & churn

- UK: customer focus consistency, growing quality base
  - Keeping customer experience & contract churn leadership
  - Total ARPU up 2.7% y-o-y ex-MTR in local currency on higher contract and robust non–P2P SMS data growth
  - Leveraging rational commercial and network investments for capacity. Investing for capacity: 1,500 additional BSs in 2010 and improved network management (e.g. disconnecting abusers of fair use policy, encourage uptake on WIFI, apps/services to notify customers)

**Germany: challenger on P/S innovation and best-in-class network**
- Quality and choice offer (“My Handy” & “O2o”)
- Setting the market context as the disruptive player (O2o, O2On)
- Already solid #3 position in MBB; spectrum in 800 MHz, 2.0 GHz and 2.6 GHz band already secured. Total investment: 1.38 billion euros
- Acquisition of Hansenet: enhanced integrated approach; cross-selling potential and reduce churn
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Conclusions

- One of the best positioned players to take advantage of the growth industry
- Top quality performance in 2009 in a very challenging environment
- On track to meet 2010 positive guidance
- Very attractive medium term guidance reiterated
- Sector leading cash return. DPS targets confirmed
- Selective M&A policy maintained