This document contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and other important factors that could cause actual developments or results to differ materially from those expressed in our forward looking statements.

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The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is un-audited and, therefore, is subject to potential future modifications.
1 2009 results

- Focus on cash flow generation
- Increasing commercial activity and improving revenue trends in H2 09

2 Looking ahead

- External factors
- Our priorities
2009 results: rich cash-flow generation with improving revenue trends in last 2Qs

<table>
<thead>
<tr>
<th></th>
<th>Revenue (€ in millions)</th>
<th>OIBDA (€ in millions)</th>
<th>CapEx (€ in millions)</th>
<th>OpCF (OIBDA-CapEx; € in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 09</td>
<td>-5.4%</td>
<td>-5.1%</td>
<td>-15.6%</td>
<td>-2.3%</td>
</tr>
<tr>
<td></td>
<td>19,703</td>
<td>9,757</td>
<td>1,863</td>
<td>7,893</td>
</tr>
</tbody>
</table>

Revenue (€ in millions)

- Reported y-o-y change
- Comparable (2) y-o-y change

REVENUE (underlying(1) y-o-y change)

<table>
<thead>
<tr>
<th></th>
<th>T. ESPAÑA</th>
<th>WIRELINE</th>
<th>WIRELESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 09</td>
<td>-5.9%</td>
<td>-3.7%</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Q1</td>
<td>-5.7%</td>
<td>-3.0%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Q2</td>
<td>-6.2%</td>
<td>-4.2%</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Q3</td>
<td>-6.6%</td>
<td>-4.0%</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Q4</td>
<td>-4.5%</td>
<td>-2.9%</td>
<td>-7.7%</td>
</tr>
</tbody>
</table>

(1) Excluding USO (Q4 09, Q1 09 and Q3 08), seasonality in Q2 09 and Application Sale in Q3 09.

(2) Excludes impact of USO in Q4 09 on revenues (Wireline: € 148 m) and OIBDA (Wireline: € 91 m; and Wireless: € -44 m), in Q1 09 on revenues (Wireline: € 17 m; and OIBDA (Wireline: € -24 m; Wireless: € 8 m), in Q2 09 on OIBDA (Wireline: € 110 m; and Q3 08 on revenues (Wireline: € 183 m) and OIBDA (Wireline: € 110 m; Wireless € -59 m), bad debt recovery in Q1 08 (Wireline: € 17 m; Wireless: € 8 m), Real Estate capital gains (Wireline: € 6 m in FY 09 and € 74 m in FY 08), revision of the estimates for the adjustment to workforce adaptations plans provided for in prior periods, which resulted in lower expenses in Q2 09 (Wireline: € 58 m; Wireless: € 32 m); the sale of applications rights (Wireless: € 48 m on revenues and OIBDA); and capital gains from the disposal of Medi Telecom (Wireless: € 220 m).
# Evidences of top line recovery by services

## Wireline

<table>
<thead>
<tr>
<th>Revenues (y-o-y)</th>
<th>Q2 09</th>
<th>Q3 09</th>
<th>Q4 09</th>
<th>FY 09</th>
<th>% of revenues (FY 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>+4.8%</td>
<td>+11.1%</td>
<td>+19.5%</td>
<td>+14.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Data (1)</td>
<td>+7.1%</td>
<td>+12.7%</td>
<td>+11.3%</td>
<td>+8.7%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Voice service</td>
<td>-12.1%</td>
<td>-10.8%</td>
<td>-9.5%</td>
<td>-10.2%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Retail BB</td>
<td>-2.2%</td>
<td>-3.2%</td>
<td>-2.7%</td>
<td>-1.7%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

(1) Data revenues include revenue from leased lines/circuits to T.España Wireless Business.

## Wireless

<table>
<thead>
<tr>
<th>Revenues (y-o-y)</th>
<th>Q2 09</th>
<th>Q3 09</th>
<th>Q4 09</th>
<th>FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data connectivity</td>
<td>+56.6%</td>
<td>+46.9%</td>
<td>+55.1%</td>
<td>+52.2%</td>
</tr>
<tr>
<td>Outgoing</td>
<td>-6.6%</td>
<td>-5.3%</td>
<td>-4.5%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Mobile ARPU ex-MTRs</td>
<td>-7.8%</td>
<td>-7.1%</td>
<td>-6.6%</td>
<td>-7.2%</td>
</tr>
</tbody>
</table>

**Oct-09 ID target**

ICT and new revenue sources ≈€1bn in 2012E
We have focused on efficiency along the year...

**T. España Efficiency**\(^{(1)}\) Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>61.5%</td>
</tr>
<tr>
<td>2009</td>
<td>61.6%</td>
</tr>
</tbody>
</table>

+0.1 p.p.

2009 OpCF €7,893 M

**Highest conversion rate of revenues into OpCF across Europe**

\(\text{(1) Defined as last twelve months (OpEx+CapEx- Internal exp. Capitalized in fixed assets)/Revenues. CapEx excludes the acquisition of spectrum and Efficiency Program.}\)
and remained a European benchmark

TEspaña to remain a efficiency reference in EU market

<table>
<thead>
<tr>
<th>Domestic operations (2009)</th>
<th>OIBDA margin (comparable/adjusted terms as defined by companies)</th>
<th>Revenues per employee (000's euros; Dec-09)</th>
<th>Employees (000's employees; Dec-09)</th>
<th>Household consumption in communications (1) (% of total spending)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telefónica</td>
<td>48.0%</td>
<td>558</td>
<td>35.3</td>
<td>2.7%</td>
</tr>
<tr>
<td>Telecom Italia</td>
<td>46.5%</td>
<td>466</td>
<td>58.4</td>
<td>2.2%</td>
</tr>
<tr>
<td>PT</td>
<td>44.2%</td>
<td>303</td>
<td>11.0</td>
<td>3.0%</td>
</tr>
<tr>
<td>KPN</td>
<td>39.1%</td>
<td>376</td>
<td>25.1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>39.1%</td>
<td>255</td>
<td>92.6</td>
<td>3.3%</td>
</tr>
<tr>
<td>Weighted average (ex-TEF)</td>
<td>41.0%</td>
<td>326</td>
<td>81.3</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

While adapting our commercial strategy to market conditions

Strong commercial activity in the last part of the year...

... building foundations for 2010
Adapting investments to market conditions ...

**INVESTING IN GROWTH OPPORTUNITIES**

- Allocating CapEx in growth opportunities
  - 3G access network
  - Data network
  - CapEx to grow in 2010 (vs. 2009)

**CapEx (€ in millions)**

<table>
<thead>
<tr>
<th>Period</th>
<th>CapEx</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 09</td>
<td>1,863</td>
</tr>
<tr>
<td>Q1 09</td>
<td>333.7</td>
</tr>
<tr>
<td>Q2 09</td>
<td>405.8</td>
</tr>
<tr>
<td>Q3 09</td>
<td>387.5</td>
</tr>
<tr>
<td>Q4 09</td>
<td>736.2</td>
</tr>
</tbody>
</table>

**y-o-y change**

- FY 09: -15.6%
- Q1 09: -28%
- Q2 09: -31%
- Q3 09: -23%
- Q4 09: +13%

**CapEx breakdown**

- Transformation & growth
- Maintenance

<table>
<thead>
<tr>
<th>Year</th>
<th>Transformation &amp; growth</th>
<th>Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>2009</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>
... while increasing competitive advantage

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

(1) Expansión: March 10th, 2010 (Vodafone data 12 months to Sep-09 vs. 12 months to Sep-08 in local currency)
Mobile customers: focus on value

Contract customers up to 65% of total customer base

Wireless contract customers (000's)

Contract customers

Dec-09

Net adds

Q1 09

Q2 09

Q3 09

Q4 09

+5.3%

+60%

+194%

-105%

-14.9

141.4

314.8

324.9

y-o-y change

Q3 09

Q4 09

-105%

-55%

-14.9

141.4

314.8

324.9


2009 contract net adds (000's)

766

475

320

223

2009 ARPU (y-o-y)

Contract

Prepaid

-9.9%

-13.4%

2009 Churn

1.3%

2.1%

Contract

Total

(1) Excluding disconnection of inactive prepay lines in net adds and growth rates
Mobile customers: rational pricing environment

Wide range of attractive offers to foster usage and capture new clients ...

... without loosing focus on profitability

Mobile ARPU ex-MTRs (y-o-y change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 09</td>
<td>-7.2%</td>
</tr>
</tbody>
</table>

Outgoing ARPM (y-o-y change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 08</td>
<td>-4.7%</td>
</tr>
<tr>
<td>FY 09</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>

Oct-07 ID target

Outgoing ARPM -5% / -7%
CAGR 06-10 E
Mobile broadband: exploiting growth opportunity

Oct-09 ID target
MBB accesses
= 7 M
(≈ x7 vs Dec-08)

Wireless data rates
(000’s)(1)

> x2
1,945
Dec-09
168
Q1
177
Q2
303
Q3
434
Q4

Fostering data usage

- 38% of total customer base on 3G as of Dec-09
  (+11 p.p. vs. Dec-08)
- Tiered pricing, avoiding flat rates

Only 5% of current MBB customers substitute the FBB(2)

(1) Monthly rates
(2) Data for residential customers as of Q1 09
Fixed broadband: sustaining 56% market share

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

- **FY 09**: -6.3%
- **Q1**: -6.6%
- **Q2**: -5.7%
- **Q3**: -6.8%
- **Q4**: -5.6%

**Oct-07 ID target**

- Conn. ARPU: -4% / -7%
- CAGR 06-10 E

**Oct-09 ID target**

- FBB accesses: +4% / +7%
- CAGR 08-12 E

**Quality based offering**

- **New 2P reference offer**: 10 Mbps for 41.9 €/month
- **Increasing upload speeds for 10 & 6 Mbps**
- **Speed upgrade of FO based services with TV going HD**

**Stable churn in 2009**

**FBB (000’s)**

- **Dec-09**: 5,477
- **Q1**: 45
- **Q2**: 40
- **Q3**: 92
- **Q4**: 53

- **y-o-y change**

- **FBB accesses**

- **Net adds**
PayTV: accelerating in H2 09 and further growth potential ahead

- PayTV access: Dec-09 703, y-o-y change +15%
- PayTV accesses Q3: H1 09 -105%, H2 09 +160%
- Net adds: Q3 44.7, Q4 48.7

GROWTH POTENTIAL ON LOW PENETRATION LEVELS IN SPAIN

- Pay TV penetration (1) in Spain 25%, Europe 54%

(1) Pyramid Research. Penetration over households (Dec-09).
Fixed telephony accesses: line losses decelerating along 2009

Oct-09 ID target
-4% / -5%
CAGR 09-12 E

Retail telephony lines (000's)

-7.3%
14,200
Dec-09

H1 09
+155%
Q1

H2 09
+43%
Q4

-321
-314
-209
-282
Net adds
Lines in Service

Q4 09 shows lowest line losses for 2009 excluding the seasonality of Q3 09
Line losses peaked in 2009

Wireline accesses (000's)

-2.4%
66%
Dec-08
Retail telephony lines loss

Wholesale lines net adds
Dec-09

66% of lines lost in 2009 offset by wholesale line net adds
Wireline market growing since Nov-09 (CMT data)
2010: Economy environment

Economy indicators\(^{(1)}\)

- **Unemployment rate increase (y-o-y)**
  - 2010 E: +1.5 p.p.

- **Real GDP growth (y-o-y)**
  - 2009: -3.6%
  - 2010 E: -0.5%

- **Real household consumption growth (y-o-y)**
  - 2009: -5.0%
  - 2010 E: -0.5%

**Consumption growth (%)**

- Actual consumption
- Consumption based on fundamentals

\(^{(1)}\) Analysts’ consensus for 2010 forecasts

**Gradual improvement**

**Growth far away from fundamentals**
2010: Spanish BENIGN regulatory environment?

Wholesale pricing among lowest in Europe

- Spanish Full ULL price 14% down on EU’s average
- Last CMT decisions decreasing rates while other NRA’s increasing rates
- New glide path reducing MTRs every six months, down to 4 € cents/min. by 2012
- PSTN monthly fee frozen for 2 years (2009 & 2010)

Retail line rental (€)

<table>
<thead>
<tr>
<th></th>
<th>EU averages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.20</td>
</tr>
<tr>
<td></td>
<td>7.79</td>
</tr>
<tr>
<td></td>
<td>8.00</td>
</tr>
<tr>
<td></td>
<td>8.49</td>
</tr>
<tr>
<td></td>
<td>8.62</td>
</tr>
<tr>
<td></td>
<td>8.99</td>
</tr>
<tr>
<td></td>
<td>9.00</td>
</tr>
<tr>
<td></td>
<td>9.19</td>
</tr>
</tbody>
</table>

Full ULL rate (€/month)

- Spanish Full ULL price 14% down on EU’s average

Average MTR (€cent/min)

- Last CMT decisions decreasing rates while other NRA’s increasing rates
- New glide path reducing MTRs every six months, down to 4 € cents/min. by 2012
- PSTN monthly fee frozen for 2 years (2009 & 2010)

Residential line rental

- Telefónica

TV tax of ≈150 M euros in 2010
Our 2010 and long term priorities

2010

- Maintain a strong commercial momentum (FBB & MBB) and market leadership to capture market recovery

**January 2010 FBB and Mobile customers net adds similar to full Q1 09**

2011

- Market back to growth in 2011

2012 targets

**Mobile Accesses (1)**
- Dec-08: 23.6
- Dec-12E: +3%/*+5%*

**MBB Accesses (2)**
- Dec-08: 1
- Dec-12E: *x7*

**Retail FBB accesses**
- Dec-08: 5.2
- Dec-12E: +4%/*+7%*

**Pay TV Accesses**
- Dec-08: 0.6
- Dec-12E: *x2*

---

(1) Mobile accesses including voice, MBB data-only cards and M2M access base. Prepay identification effect not included

(2) MBB including: Big and Small screen
Our 2010 and long term priorities

**2010**
- Reinvest efficiency gains in the short term to ensure business growth prospects
- Deliver a strong cash-flow generation

Low commercial activity and USO revenues during Q1 09, and TV tax through 2010 to weight on Q1 10 vs. Q1 09 comparison

**2012 targets**

>70% CapEx resources for growth and transformation

<table>
<thead>
<tr>
<th>3G cover over population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-08: 81%</td>
</tr>
<tr>
<td>Dec-12E: 97%</td>
</tr>
</tbody>
</table>

Local loop coverage by speed

| 25 Mbps | Dec-08: 66% | Dec-12E: 71% |
| 10 Mbps |            |             |

≈55% OpEx(1) resources for customer focus

Share of online transactions

<table>
<thead>
<tr>
<th>FY 2008</th>
<th>FY 2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Non commercial OpEx / access (2)

<table>
<thead>
<tr>
<th>FY 2008</th>
<th>FY 2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1%/-3%</td>
<td></td>
</tr>
</tbody>
</table>

---

(1) OpEx considered for this calculation defined as revenues – OIBDA
(2) Non-Commercial OpEx: Network & Operations, IT, Admin. & Support, Bad debt, Taxes and non-recurrent results
Conclusions

Rich cash flow generation in 2009 through focus in efficiency: T.España a benchmark among peers

Underlying revenue trends improving for second quarter in a row

2010 focus in commercial activity and market leadership to capture market recovery
Telefonica