

An aerial photograph showing a multi-lane highway on the right side, with a residential neighborhood of houses and buildings adjacent to it. The left side of the image is dominated by a dense forest of trees with vibrant autumn foliage in shades of orange, yellow, and red, with some green trees still visible. The overall scene is captured from a high angle, looking down on the landscape.

Santander Annual Telecommunications Conference 2010

Cascais, June 17th, 2010

Antonio Marti, CFO Telefónica España

Disclaimer

This document does not constitute or form part of any offer for sale or solicitation of any offer to buy any securities in the United States or elsewhere nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment to purchase shares. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended.

This document contains statements that constitute forward looking statements in its general meaning and within the meaning of the U.S. 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.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator, for a discussion of some of the factors which could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements.

This presentation includes certain non-GAAP (Generally Accepted Accounting Principles) financial measures which have not been subject to a financial audit for any period.

1

Q1 10 results

2

Mid term prospects

GROUP 2010 PRIORITIES

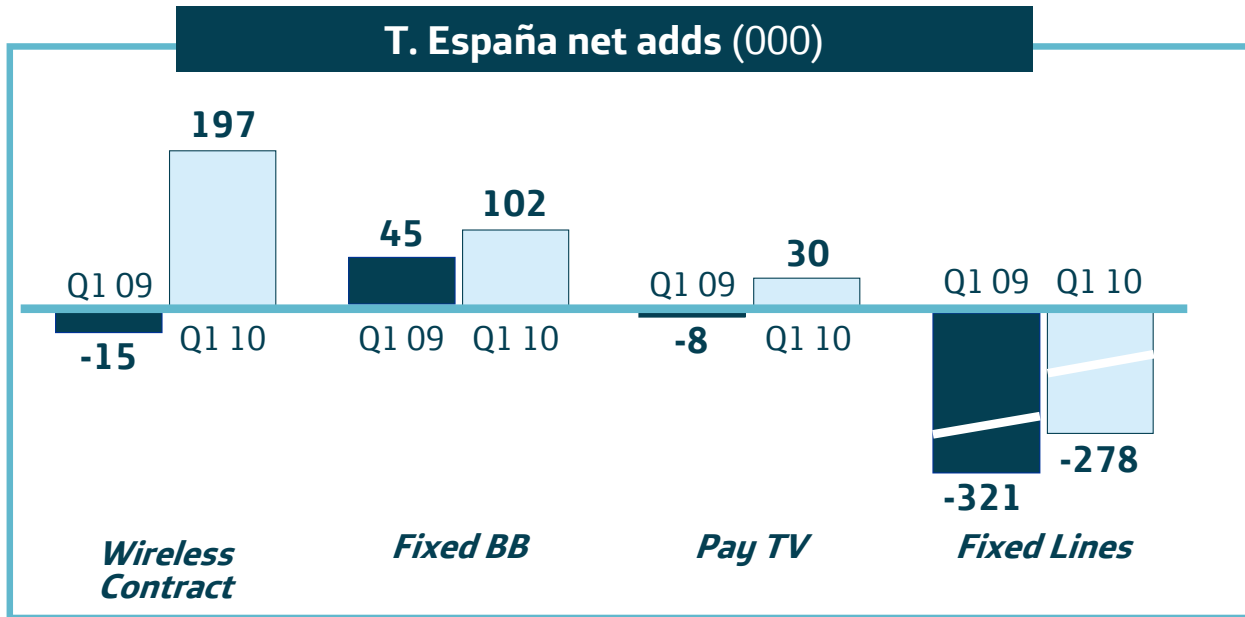
- **#1 Capturing top line growth prospects**
- **Reinvesting efficiency gains to foster revenue expansion**
- **Higher CapEx to support growth in customers & volumes**

T. ESPAÑA 2010 PRIORITIES

- **Maintain a strong commercial momentum (FBB & MBB) and market leadership to capture market recovery**
- **Reinvest efficiency gains in the short term to ensure business growth prospects**
- **Deliver a strong cash-flow generation despite slight increase in CapEx**

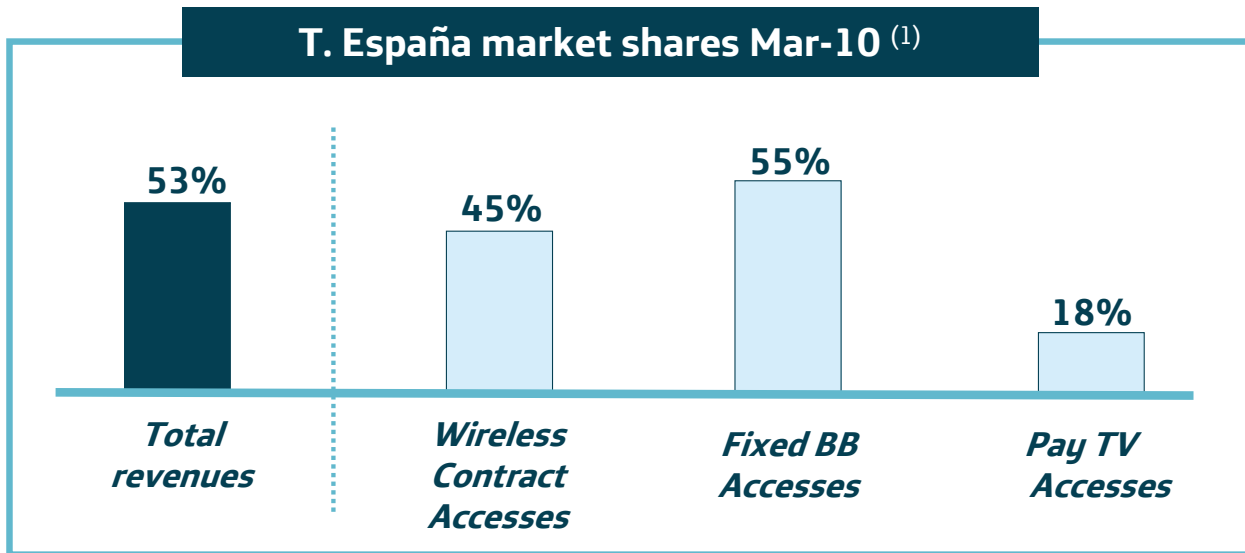
1

Strong commercial momentum across all businesses, to build foundations for future revenue growth



Churn stabilization in most businesses

Q1 10 gross adds⁽²⁾ up 25% y-o-y

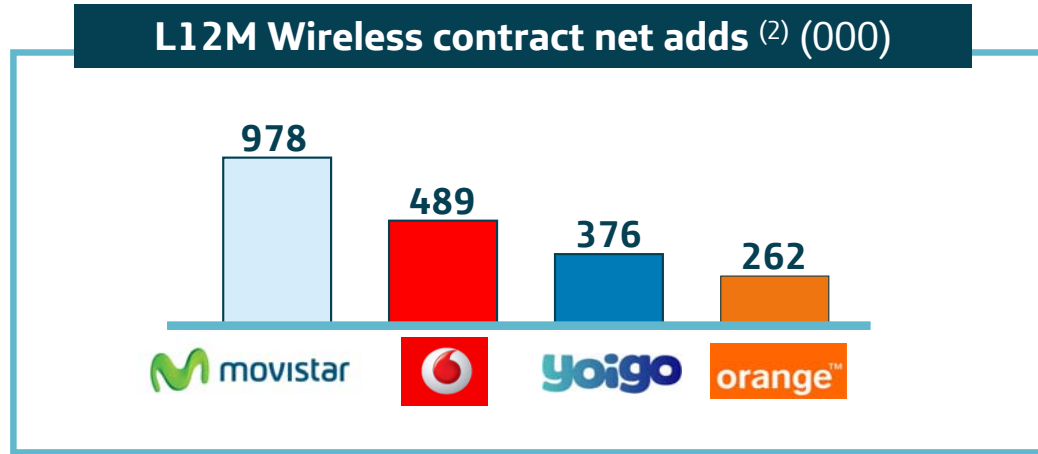
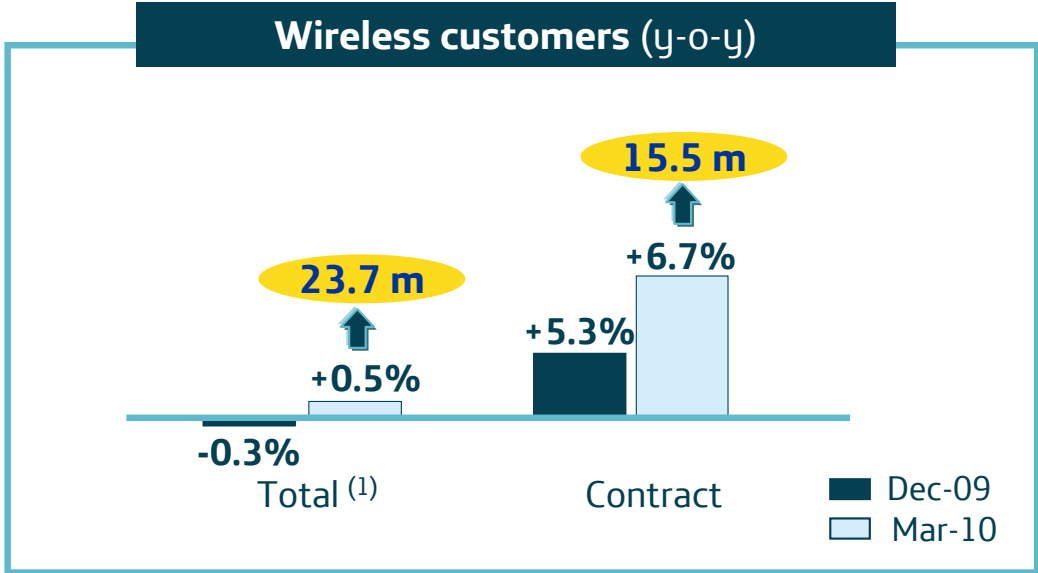


Strong leadership in the market

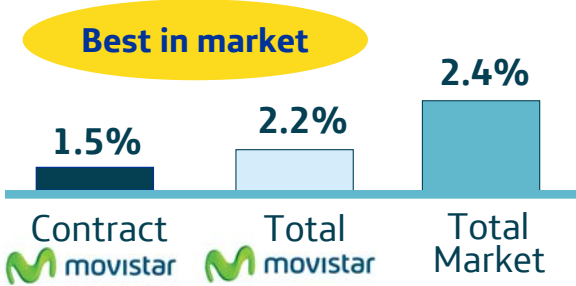
1

Focus on contract mobile...

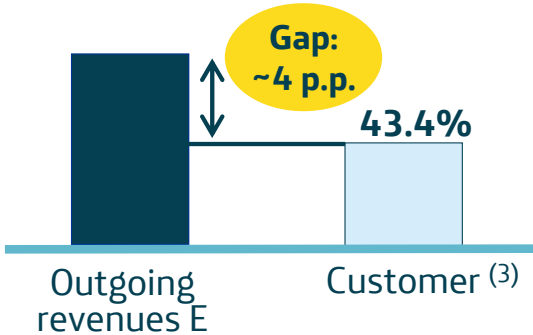
Contract customers up to 65% of total customer base



Q1 10 Churn



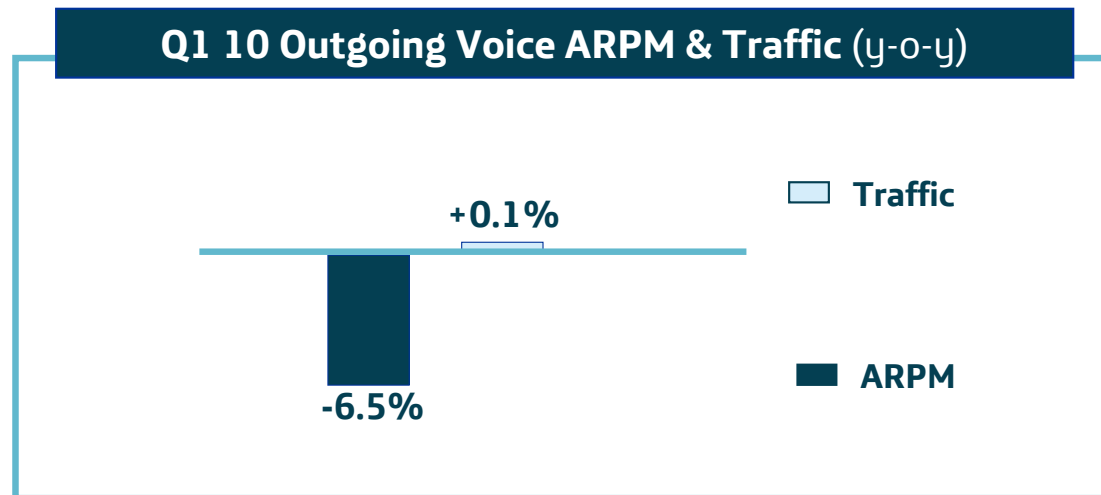
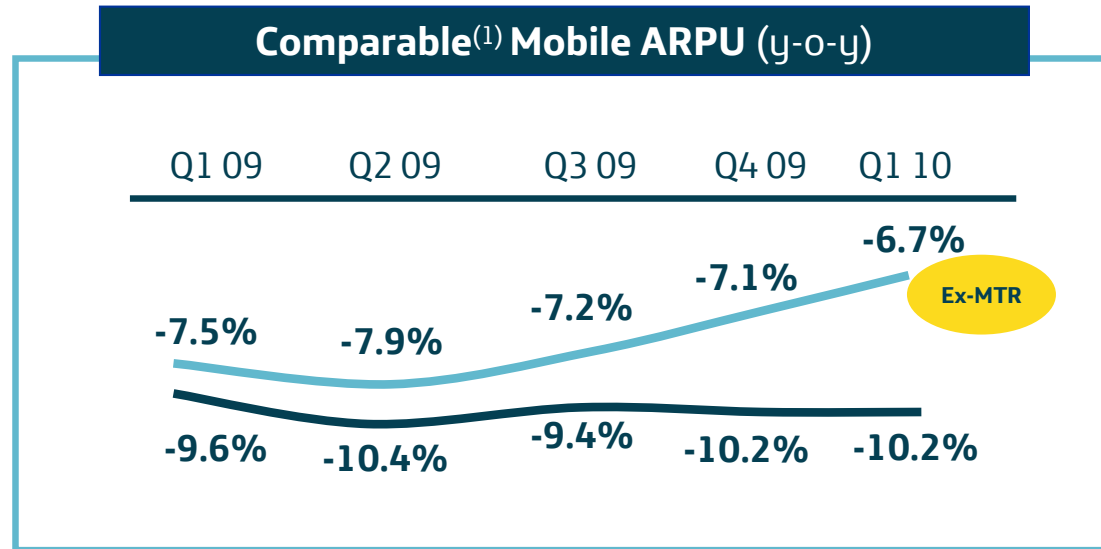
Q1 10 Market shares



(1) 715,000 inactive prepay accesses were disconnected in December 2009
 (2) According companies press releases as of Mar-10
 (3) According to CMT Mar-10 data

1

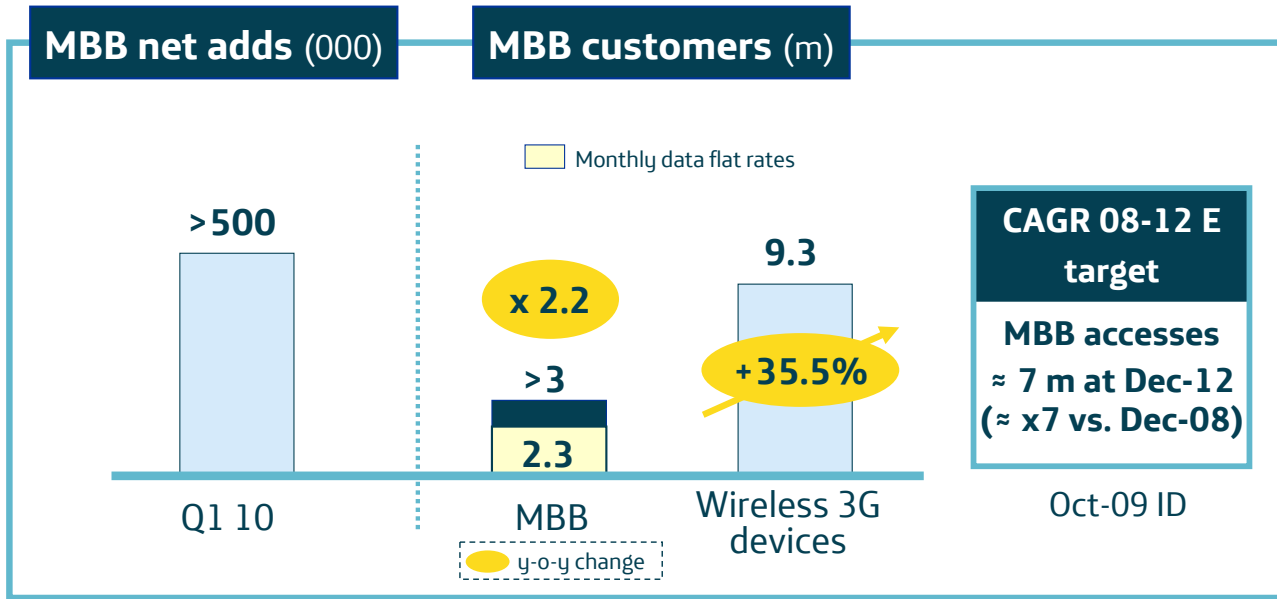
...in a rational pricing environment



CAGR 06-10 E target
Outgoing ARPM
 -5% / -7%
 Oct-07 ID

(1) Comparable mobile ARPU: Since Q1 09 excludes the disconnection of 715,000 inactive prepay lines in December 2009.

1 Exploiting the growth opportunity in MBB



- 41% of total customer base on 3G as of Mar-10 (+11 p.p. vs. Mar-09)
- Q1 10 Connectivity revenues up 68% y-o-y

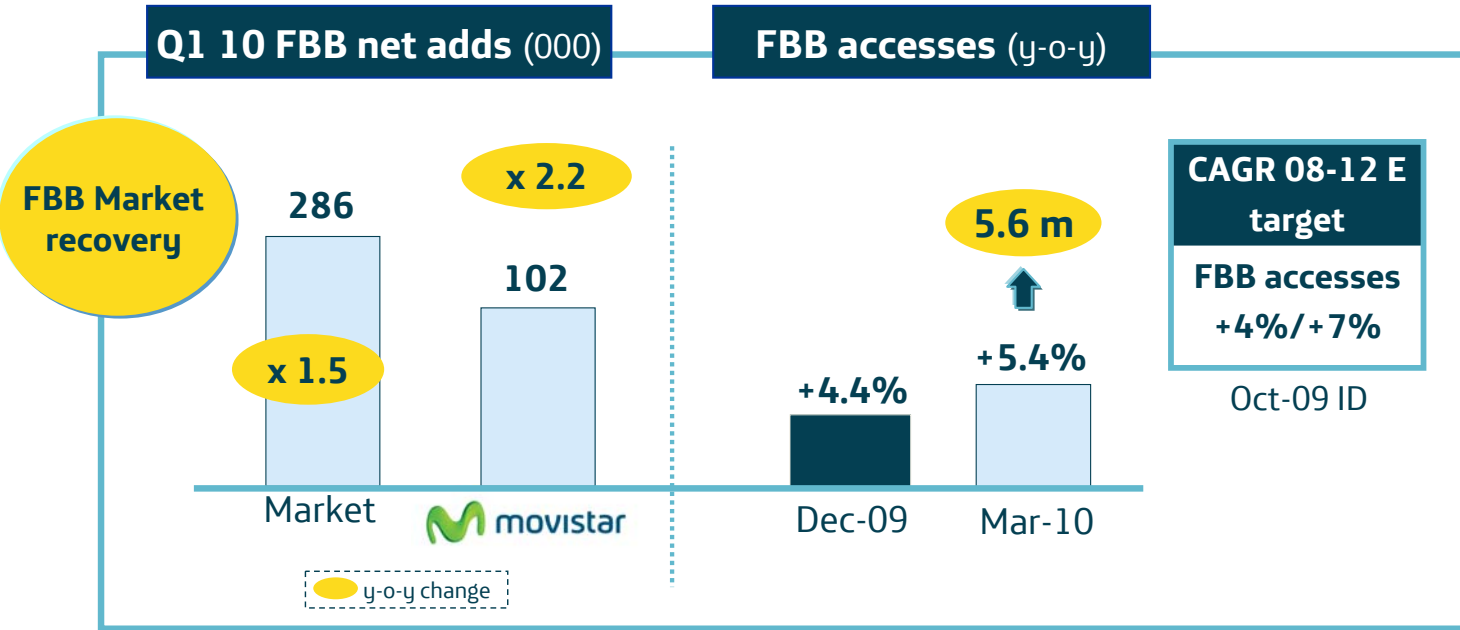
Offers with data control in our markets towards tiered pricing: different customer needs, avoiding "all you can eat" tariffs

Profiles	Max. down speed	Allowance*	Price
Int. Móvil (IM)	1 Mbps	100 Mb	x
IM Plus	3 Mbps	200 Mb	1.5 x
IM Premium	3 Mbps	1 Gb	2.5 x

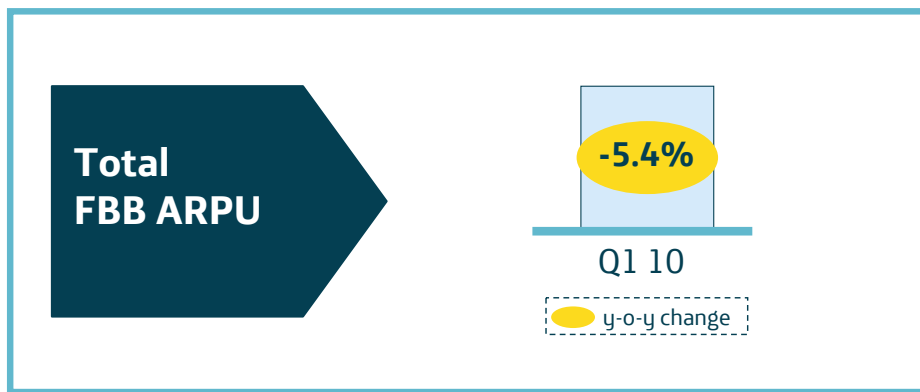
* Unlimited volume. Download speed reduces to 64 Kbps when allowance volume reached. IM Plus and Premium includes unlimited access to Telefónica Wi-Fi hotspots

3-5% of current MBB customers substitute the FBB (1)

1 Strong 55% market share in Fixed Broadband



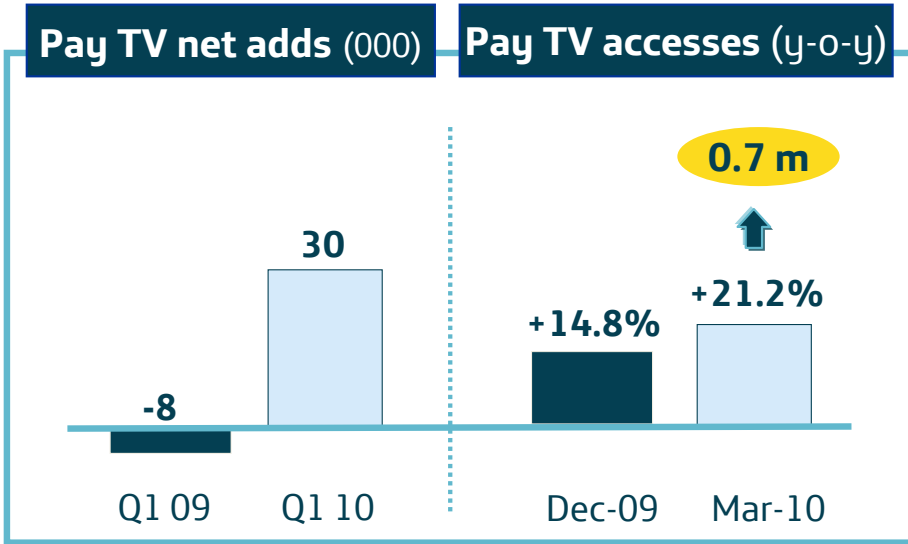
- Higher gross adds
 - Stable churn
- Quality based offering**
- Increased upload speeds (for 10 & 6 Mbps offers)
 - FO selective deployment



- Connectivity FBB ARPU erosion
- VAS ARPU represents over 20% of FBB ARPU

1

Pay TV: accelerating in Q1 10 and further growth potential ahead

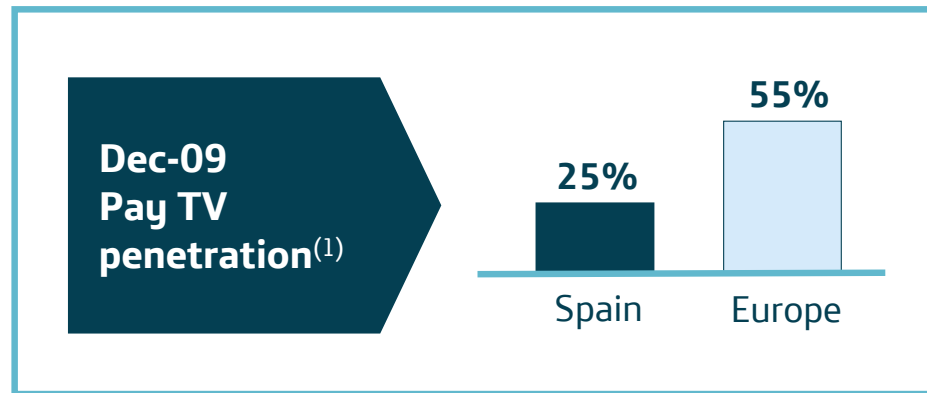


Market share increased to 18%^E despite limited coverage

Compelling offer

- Enhanced premium content
- Strong churn reduction

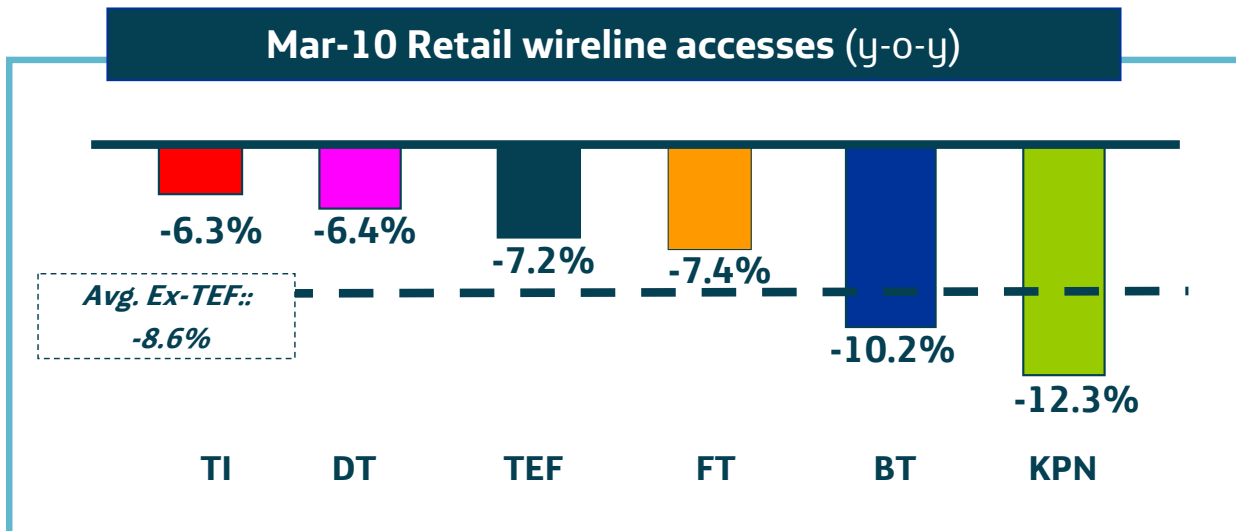
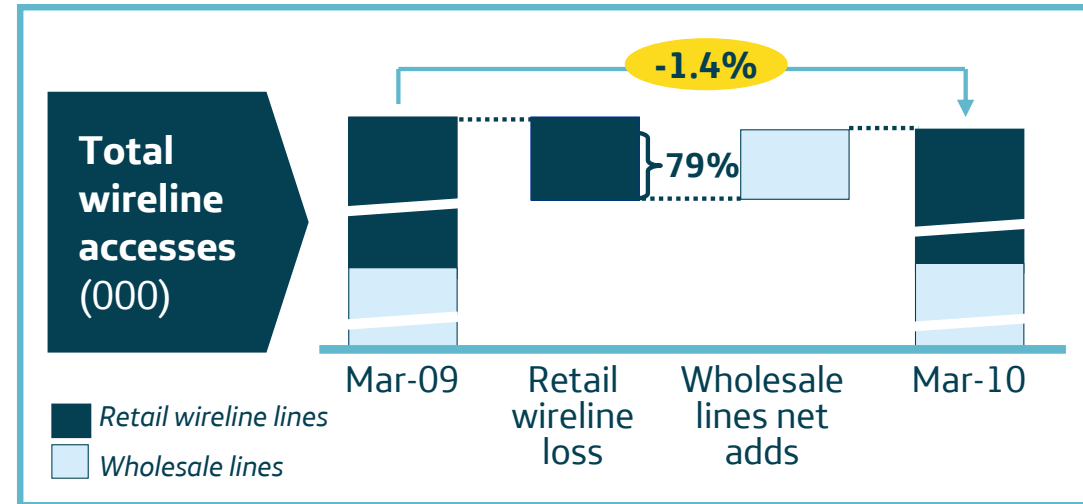
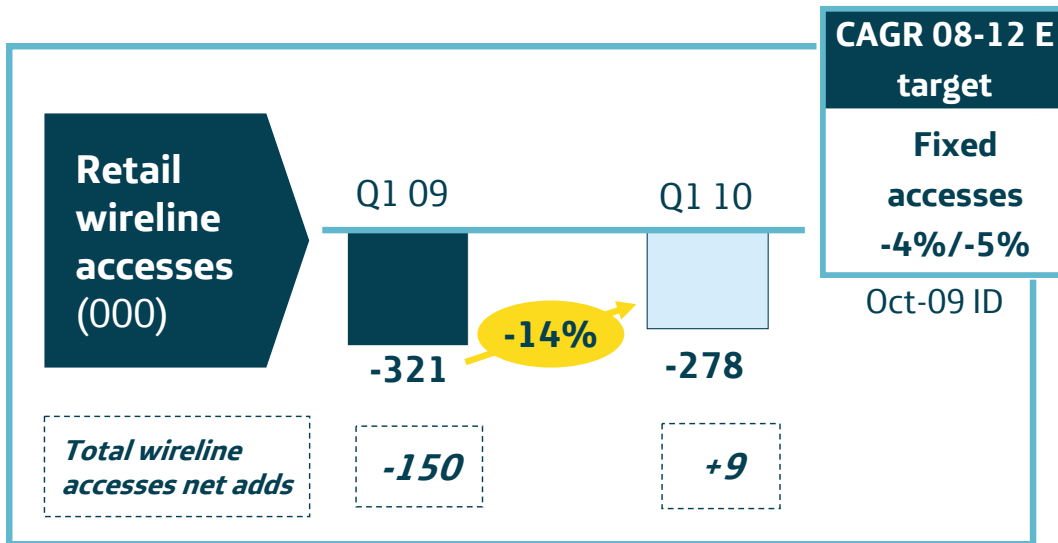
GROWTH POTENTIAL ON LOW PENETRATION LEVELS IN SPAIN



1

Fixed telephony line losses decelerating

103% retail wireline loss offset by wholesale net adds in Q1 10 (vs. 53% in Q1 09)



41%⁽¹⁾ of our fixed accesses are bundled

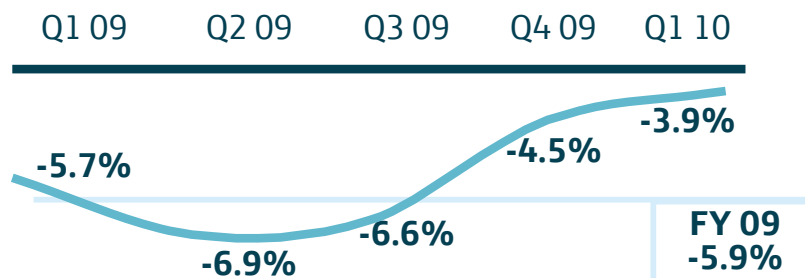
- Wireline market continues growing since Nov-09
- Lines losses stabilizing: lowest lines losses in last 5 quarters ex seasonality

(1) % of fixed lines with BB connectivity and/or PayTV

1

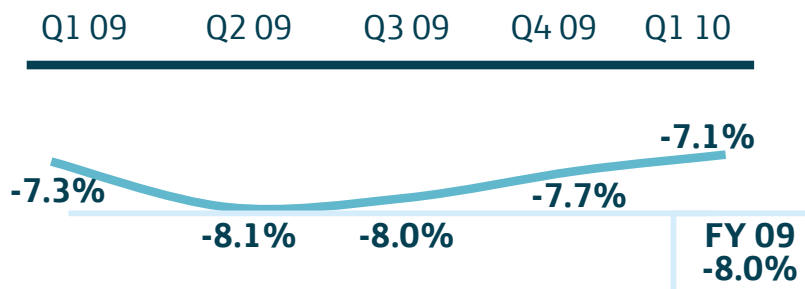
As a result, T. España is posting gradual top line recovery...

Revenues
(comparable
y-o-y change)



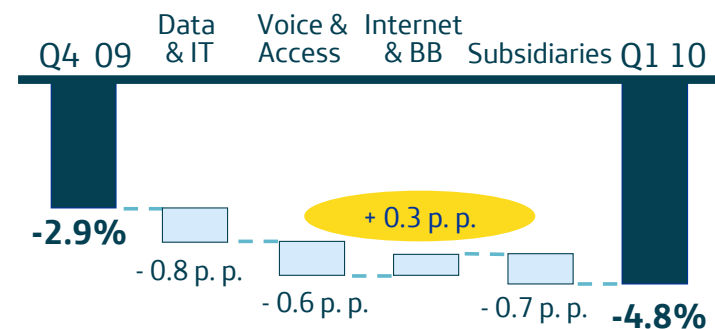
- **Top line gradual recovery**
- Lowest revenue decline for the last five quarters

Wireless
(Service
revenues y-o-y
change)



- **Sequential quarterly improvement since we reached the bottom** in Q2 09, driven by:
 - ramp up in customer growth
 - improvement in ARPU

Wireline
(comparable
y-o-y change)

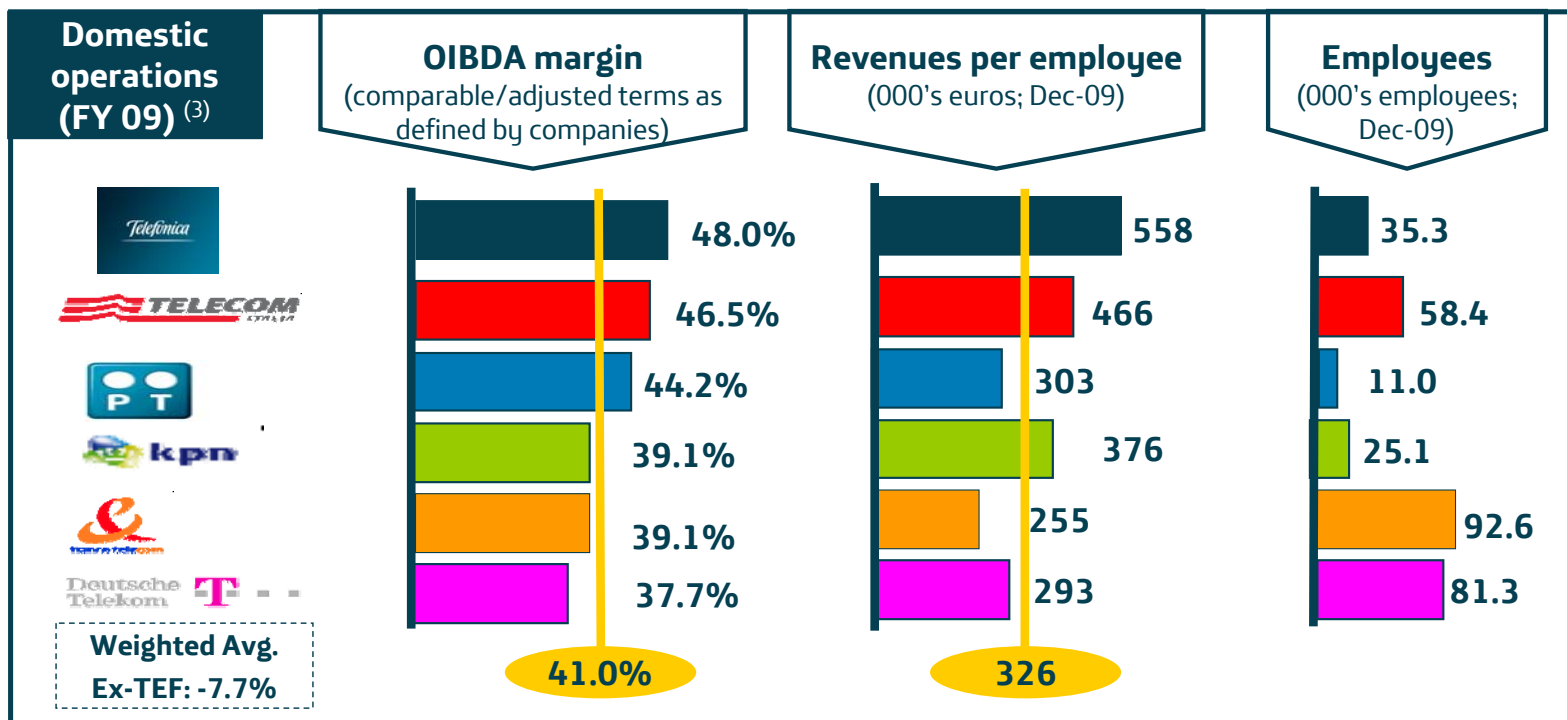
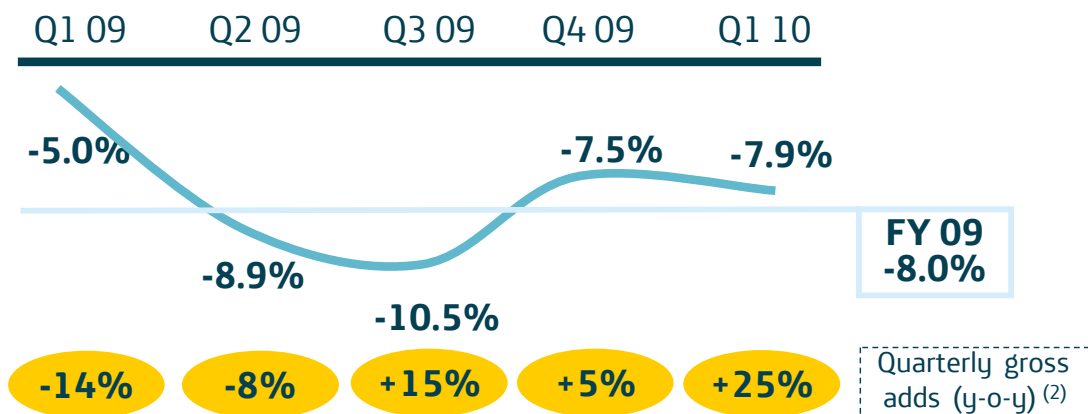


- Weaker performance vs. previous Qs affected by **lower contribution of subsidiaries**
- **Seasonality of the IT business**
- Lower voice and access revenues
- **BB revenue were back to growth** in the quarter

1

... and continues to be a benchmark in efficiency across the industry

OIBDA
(comparable⁽¹⁾
y-o-y change)

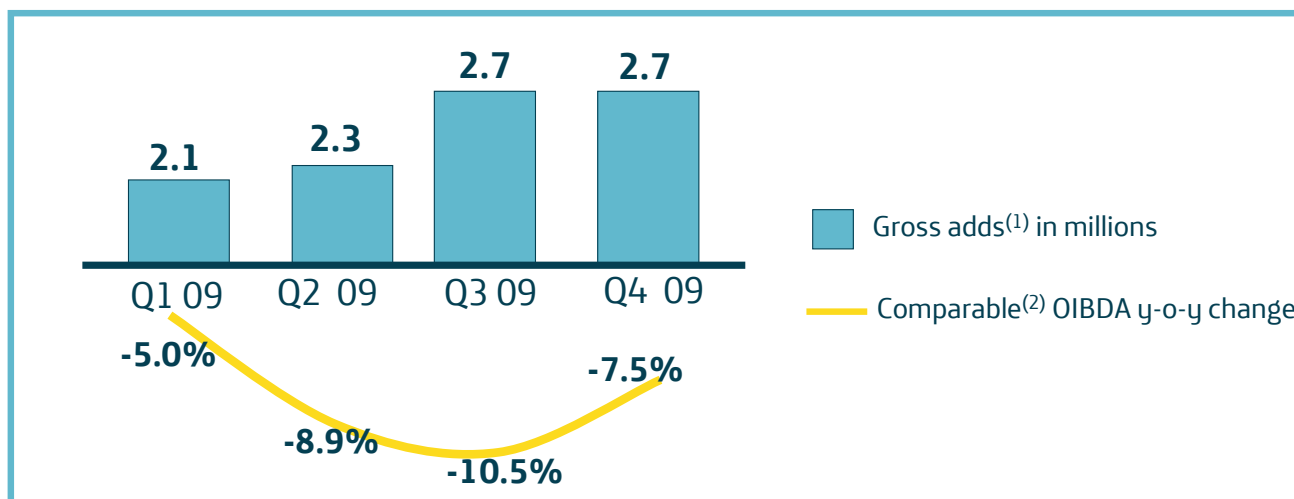


(1) Comparable terms for Q1 10 y-o-y change exclude the following effects: USO in Q1 09, real estate capital gains in Q1 09, Telyco Morocco in Q1 09 and TV Tax in Q1 10. Previous quarters year-on-year comparable changes published in Company's press releases.
 (2) Quarterly Gross adds variations include: Fixed telephony accesses, retail broadband accesses, mobile accesses and pay TV accesses.
 (3) According to companies press releases as of Dec-09.

2

Year-on-year performance will not be linear along the year

- Commercial activity ramped up along 2009
- OIBDA margin gradually eroded by higher commercial costs



2009 OIBDA one offs (€ m):	Q1	Q2	Q3	Q4
• Universal Service	+22			+47
• Reversion redundancy program provision		+90		
• Applications sale			+48	
• Meditel sale capital gain				+220

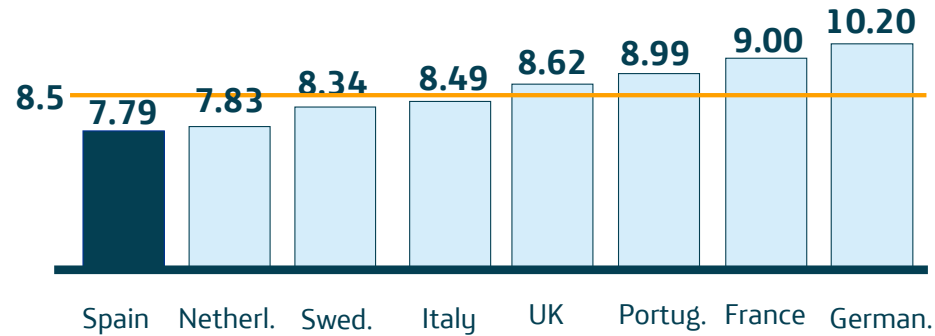
(1) Quarterly Gross adds include: Fixed telephony accesses, retail broadband accesses, mobile accesses and pay TV accesses.

(2) Comparable 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 Q110. Previous quarters year-on-year comparable changes published in Company's press releases.

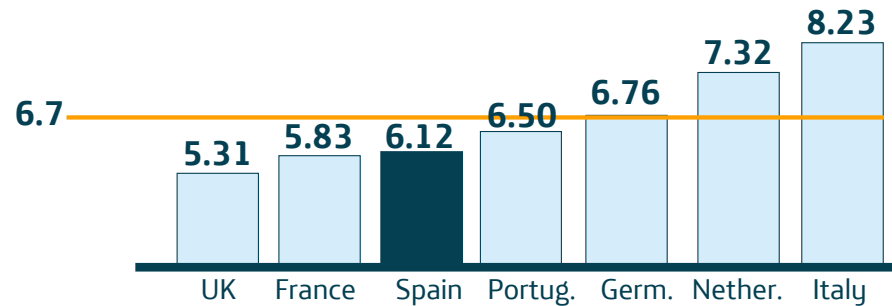
Wholesale pricing among lowest in Europe

Full ULL rate⁽¹⁾
(€/month)

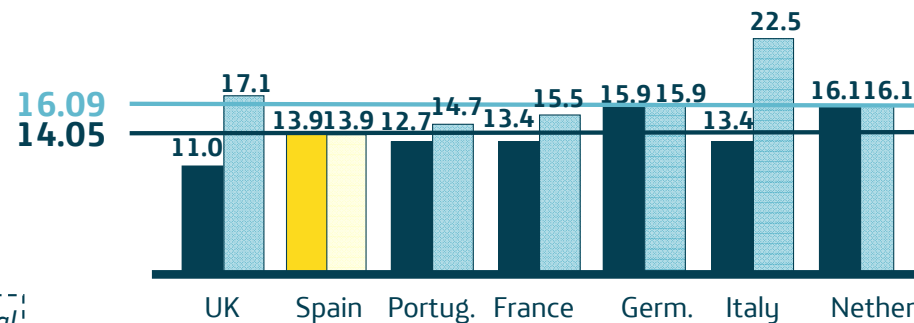
— EU average

Average MTR⁽¹⁾
(€cent/min)

— EU average

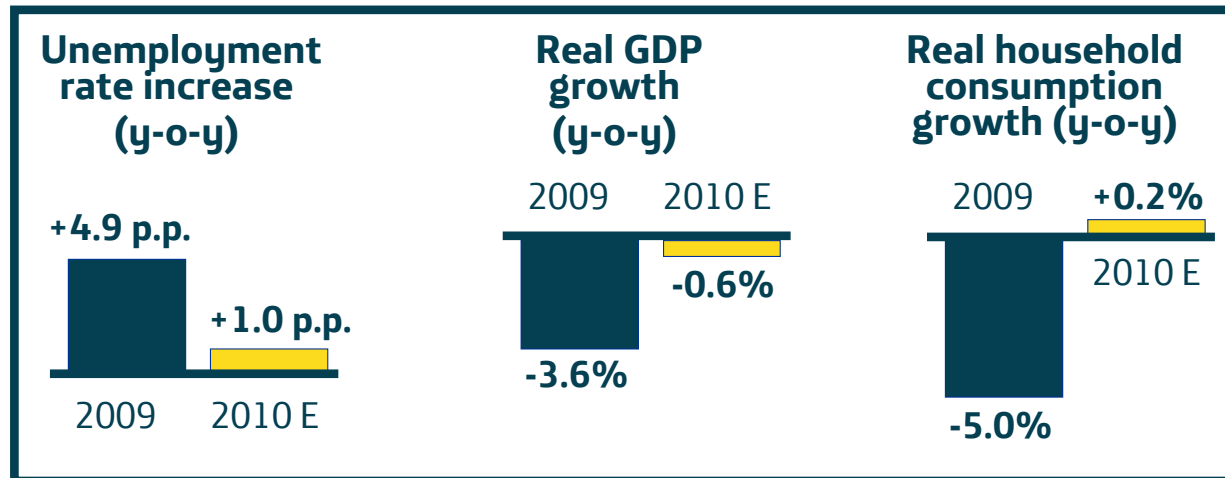
Retail line rental⁽²⁾
(€/month)

■ Residential line rental
■ Business line rental



- Spanish Full ULL price ~10% 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)

**TV tax ≈€150 m
in 2010 E**

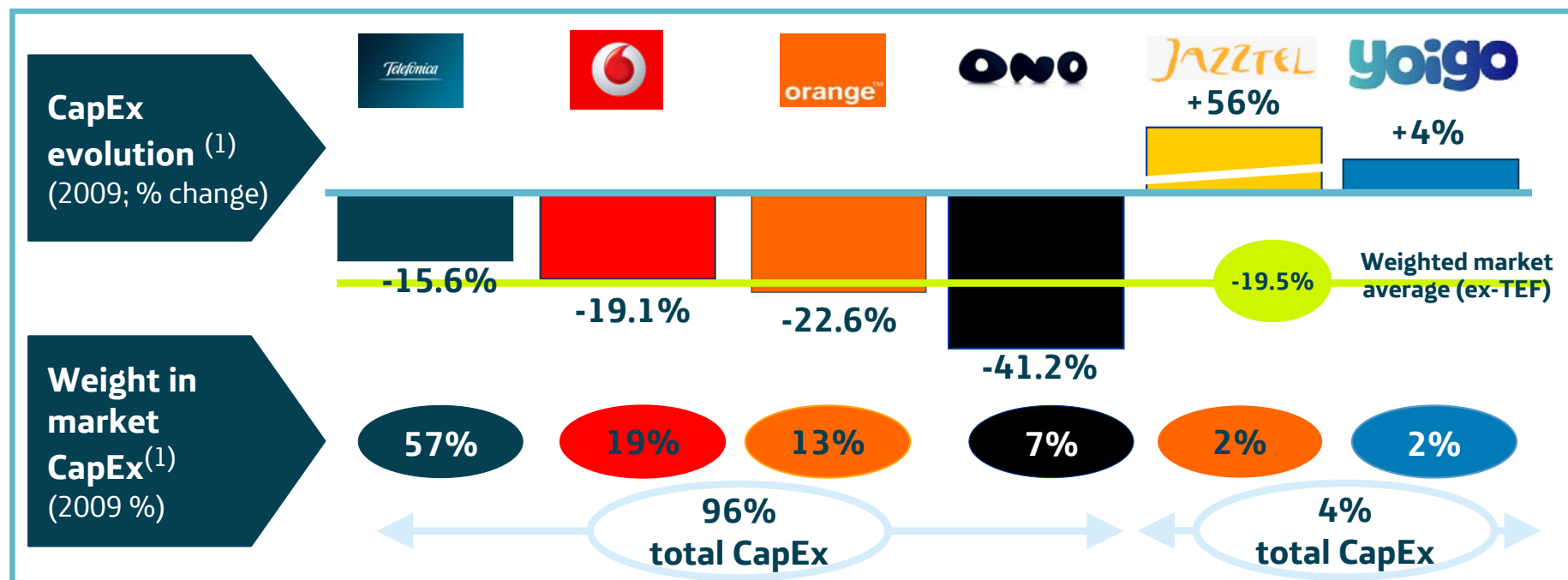
Economy indicators ⁽¹⁾

Gradual improvement

Government measures

- Public servants wages cut by 5% this year, frozen next year
- Pensions frozen
- Cuts in a number of subsidies (Personal income tax deduction, maternity benefit)
- VAT to be raised by 2 p.p. from July 2010
- Personal income tax raised in some regions
- Public investment cut by €6 bn
- Regional and local governments to cut spending by €1.2 bn

Are you under investing in Spain?



TELEFÓNICA ACHIEVING HIGHER EFFICIENCIES BASED ON

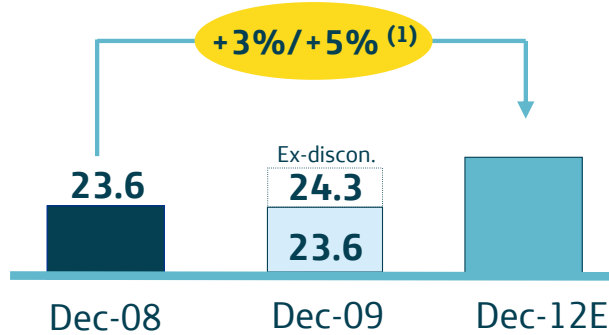
- Reduced prices on scale benefits
- Integrated player approach strategy
- Lower economic activity
- Lower eGSM investments
- Reduced Real Estate activity

2

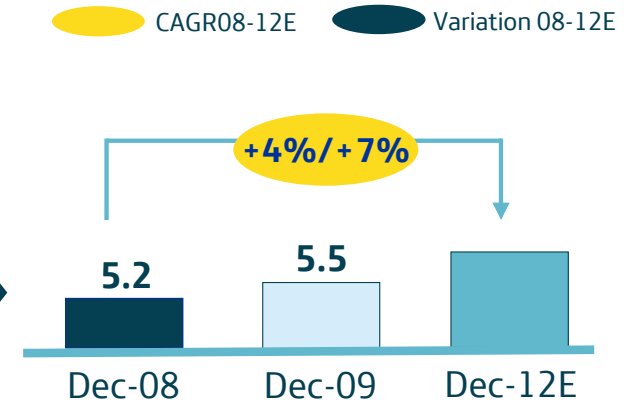
Our mid term priorities

2012 targets

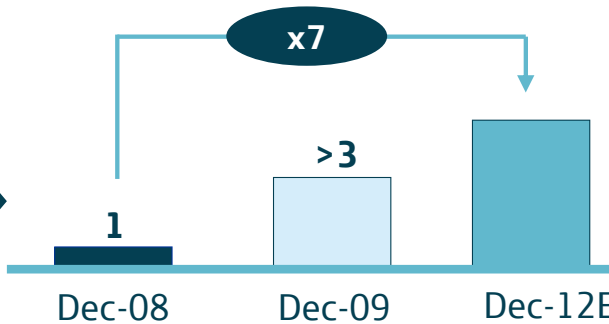
**Mobile
Accesses**
millions



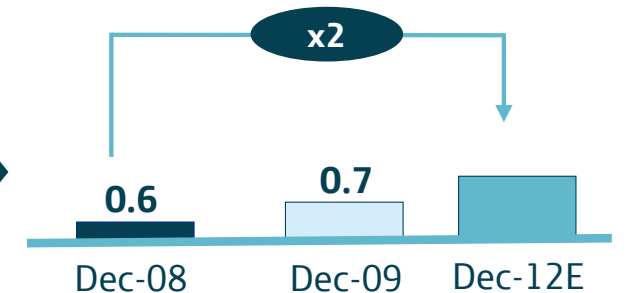
**Retail FBB
accesses**
millions



**MBB
Accesses (2)**
millions



**Pay TV
Accesses**
millions



Conclusions

- **Delivering on our priorities:**
Strong commercial activity and market leadership to capture market growth
- **Continued top line recovery:**
Underlying revenue trends in Q1 improving for the third quarter in a row
- **Rich cash flow generation through focus in efficiency:**
T. España a benchmark among peers

Telefonica
