

TELEFÓNICA, S.A.

Ordinary General Shareholders' Meeting

By resolution of the Board of Directors of TELEFÓNICA, S.A., the shareholders are hereby called to the Ordinary General Shareholders' Meeting, to be held in **Madrid, at the Recinto Ferial de la Casa de Campo, Pabellón de Cristal, Avenida de Portugal, sin número**, on May 17, 2011 at 1:00 p.m. on first call, or, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on first call, on May 18, 2011 on second call, at the same place and time, in order to deliberate and decide upon the matters included in the following

AGENDA

- I. Examination and approval, if applicable, of the Individual Annual Accounts, the Consolidated Financial Statements (Consolidated Annual Accounts) and the Management Report of Telefonía, S.A and of its Consolidated Group of Companies, as well as of the proposed allocation of the profits/losses of Telefonía, S.A. and the management of its Board of Directors, all with respect to Fiscal Year 2010.
- II. Compensation of shareholders: Distribution of dividends to be charged to Unrestricted Reserves.
- III. Amendment of the By-Laws.
 - III.1 Amendment of Articles 1, 6.2, 7, 14, 16.1, 17.4, 18.4, 31 *bis* and 36 of the By-Laws for adjustment thereof to the latest legislative developments.
 - III.2 Addition of a new paragraph 5 to Article 16 of the By-Laws.
 - III.3 Addition of a new Article 26 *bis* to the By-Laws.
- IV. Amendment of the Regulations for the General Shareholders' Meeting.
 - IV.1 Amendment of Articles 5, 8.1, 11 and 13.1 of the Regulations for the General Shareholders' Meeting for adjustment to the latest legislative developments.
 - IV.2 Amendment of Article 14.1 of the Regulations for the General Shareholders' Meeting.

- V. Re-election, appointment and ratification, if applicable, of Directors:
 - V.1 Re-election of Mr. Isidro Fainé Casas.
 - V.2 Re-election of Mr. Vitalino Manuel Nafría Aznar.
 - V.3 Re-election of Mr. Julio Linares López.
 - V.4 Re-election of Mr. David Arculus.
 - V.5 Re-election of Mr. Carlos Colomer Casellas.
 - V.6 Re-election of Mr. Peter Erskine.
 - V.7 Re-election of Mr. Alfonso Ferrari Herrero.
 - V.8 Re-election of Mr. Antonio Massanell Lavilla.
 - V.9 Appointment of Mr. Chang Xiaobing.
- Determination of the number of Directors.
- VI. Authorization granted to the Board of Directors to increase the share capital pursuant to the terms and conditions of Section 297.1.b) of the Companies Act, over a maximum period of five years, delegating the power to exclude pre-emptive rights pursuant to Section 506 of the Companies Act.
- VII. Re-election of the Auditor for Fiscal Year 2011.
- VIII. Long-term incentive plan based on shares of Telefónica, S.A. Approval of a long-term incentive Plan consisting of the delivery of shares of Telefónica, S.A. aimed at members of the Executive Team of the Telefónica Group (including Executive Directors).
- IX. Restricted Share Plan of Telefónica, S.A. Approval of a long-term incentive restricted Plan consisting of the delivery of shares of Telefónica, S.A. aimed at Employees and Executive Personnel and linked to their continued employment in the Telefónica Group.
- X. Global incentive share purchase Plan of Telefónica, S.A. Approval of an incentive share purchase Global Plan for the Employees of the Telefónica Group.
- XI. Delegation of powers to formalize, interpret, correct and implement the resolutions adopted by the shareholders at the General Shareholders' Meeting.

In addition, and following the presentation of the matters included on the Agenda, the shareholders at the Meeting will be informed of the amendments to

the Regulations of the Board of Directors of the Company pursuant to Section 516 of the Companies Act (*Ley de Sociedades de Capital*), and a Report explaining the matters included in the former Section 116.bis of the Securities Market Act (*Ley del Mercado de Valores*) (included in the Company's Management Report) will be submitted to them.

SUPPLEMENT TO THE CALL TO THE GENERAL SHAREHOLDERS' MEETING

Pursuant to the provisions of Section 172 of the Companies Act (*Ley de Sociedades de Capital*), shareholders representing at least five percent of the share capital may request the publication of a supplement to this call to the General Shareholders' Meeting, including one or more items in the Agenda. This right must be exercised by means of verifiable notice (which will include the corresponding documents evidencing shareholder status) that must be received at the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the General Secretary & Secretary of the Board of Directors) within five days of the publication of this call to Meeting.

RIGHT TO RECEIVE INFORMATION

In connection with Items I, III, IV and VI on the Agenda, and pursuant to applicable laws and regulations, it is stated for the record that shareholders have the right to examine and obtain at the Company's registered office, or to request the Company to send them, immediately and free of charge, a copy of the following documents:

- Individual and consolidated Annual Accounts of Telefónica, S.A. and the proposed allocation of profits/losses, all for fiscal year 2010.
- Individual and consolidated Management Reports of Telefónica, S.A. for fiscal year 2010.
- Audit Reports on the individual and consolidated Annual Accounts of Telefónica, S.A. for fiscal year 2010.
- Report of the Board of Directors relating to the proposal for amendment of the By-Laws of Telefónica, S.A. referred to in item III of the Agenda, which includes the complete text of the proposed amendments.
- Report of the Board of Directors relating to the proposal for amendment of the Regulations for the General Shareholders' Meeting of Telefónica, S.A. referred to in item IV of the Agenda, which includes the complete text of the proposed amendments.
- Report of the Board of Directors relating to the proposal for granting

authorization to that body to increase the share capital and to exclude preemptive rights referred to in item VI of the Agenda.

In addition, the following documents are made available to the shareholders at the registered office of the Company:

- Complete text of the proposed resolutions set forth in items on the Agenda that are submitted by the Board of Directors.
- Summary of the professional profile of each of the Directors and of the persons included in the proposed resolutions relating to item V of the Agenda.
- Current text of the Regulations of the Board of Directors.
- The explanatory report relating to matters contemplated in the former Section 116.bis of the Securities Market Act (included in the Company's Management Report).
- The Report on Directors' Compensation Policy.
- The Annual Corporate Governance Report for fiscal year 2010.

All of the documents set forth above will be available electronically on the Company's website (www.telefonica.com).

Pursuant to Sections 197 and 527 of the Companies Act, the shareholders may, until the seventh day prior to the date on which the General Shareholders' Meeting is scheduled to be held and by completing the form posted on the Company's website for such purpose, or by postal correspondence sent to the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the Oficina del Accionista [Office of the Shareholder]), request such information or clarifications as they deem necessary, or ask such questions as they deem appropriate, regarding the matters included on the Agenda or about the information available to the public that has been provided by Telefónica, S.A. to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) since June 2, 2010, i.e., the date on which the last General Shareholders' Meeting was held.

RIGHT TO ATTEND THE MEETING IN PERSON OR BY PROXY

The right to attend the General Shareholders' Meeting hereby called accrues to shareholders that hold at least 300 shares registered in their name in the corresponding book-entry registry five days in advance of the date on which the Meeting is to be held and who provide evidence thereof by means of the appropriate attendance card or by producing a certificate issued by any of the depositaries participating in the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* [Securities Registration, Clearing and Settlement

Systems Management Company] (IBERCLEAR) or by any other means allowed under applicable law.

Any shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, who need not be a shareholder. A proxy may be granted by using the proxy-granting form printed on the attendance card or by any other means allowed by Law. The documents containing proxies for the General Shareholders' Meeting must set forth the instructions regarding the manner of voting, provided that, where no express instructions are given, it shall be understood that the proxy-holder must vote in favor of the proposed resolutions submitted by the Board of Directors regarding the matters on the agenda, and shall vote in such direction as he deems most appropriate, taking into account the corporate interest and that of the shareholder granting the proxy, in relation to any other matters that are not included in the agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the General Shareholders' Meeting.

If the proxy-granting form does not set forth a specific person to whom the shareholder grants the proxy, such proxy will be deemed granted in favor of the Chairman of the Board of Directors of the Company or of such other person as may replace him as Chairman of the General Shareholders' Meeting. In the event that, in accordance with the foregoing, the representative is involved in a conflict of interest upon voting on any of the proposals, whether or not included in the Agenda, which are put to the vote at the General Shareholders' Meeting, the proxy will be deemed granted to the Secretary for the General Shareholders' Meeting in his capacity as a shareholder having the right to attend.

Shareholders who do not hold the minimum number of shares required to attend may grant a written proxy in respect thereof in favor of another shareholder having the right to attend, or come together with other shareholders that are in the same situation such that they reach the required number of shares and grant a written proxy to one of such shareholders.

PARTICIPATION OF A NOTARY AT THE MEETING

The Board of Directors has resolved to request the presence of a Notary Public to draw up the minutes of the Meeting, pursuant to Section 203 of the Companies Act, read together with Sections 101 and 103 of the Regulations of the Commercial Registry.

PROTECTION OF PERSONAL DATA

The personal data sent by the shareholders to the Company to exercise their rights to attend and vote at the General Shareholders' Meeting or to grant proxies, or the personal data provided for such purpose by the entities which are the depositaries of the shares held by such shareholders, shall be used by

Telefónica, S.A. to manage the development, compliance with and control of the existing shareholding relationship. Furthermore, pursuant to the Personal Data Protection Act (Organic Act 15/1999, of December 13), the data received will be kept in a database for which Telefónica, S.A. is responsible, the purpose of which is to send shareholders information relating to their investment and any advantage inherent to their status as shareholders in the telecommunications, new information technologies, tourism, culture, insurance, financial and home assistance industries. Shareholders have 30 days from the date of the General Shareholders' Meeting to object to such treatment (which they may do by calling toll-free at 900 111 004); upon expiration of such period they will be deemed to have given their consent for such purpose. The rights of access, correction, cancellation and challenge may be exercised by letter accompanied by a copy of the Identity Document (DNI), addressed to the Office of the Shareholder of Telefónica, S.A., Distrito C, Ronda de la Comunicación s/n, Edificio Oeste 2, planta baja, 28050 Madrid.

ACCESSES TO THE RECINTO FERIAL DE LA CASA DE CAMPO – PABELLÓN DE CRISTAL

Entrance on Paseo de Extremadura (Puerta del Ángel or Main Gate)

Underground stations: “Alto de Extremadura” or “Puerta del Ángel”, line 6 and “Lago”, line 10

FOR ANY ADDITIONAL INFORMATION, SHAREHOLDERS MAY CONTACT TELEFÓNICA'S OFFICE OF THE SHAREHOLDER BY CALLING TOLL-FREE AT 900 111 004, FROM 9:00 A.M. TO 7:00 P.M., MONDAY THROUGH FRIDAY.

Madrid, April 15, 2011
General Secretary and Secretary of the Board
Mr. Ramiro Sánchez de Lerín García-Ovies