

Obtaining Exemption From Spanish Withholding Tax

Under the terms of the recommended cash offer set out in the document dated 21 November 2005 you have elected to receive loan notes in Telefónica, S.A. (*Telefónica*) as part or all of the consideration for selling your shares in O2 plc. Your certificate in respect of these loan notes is enclosed. **Please keep this certificate in a safe place**, since you will need to produce it if you want to redeem your loan notes.

Unless you take advantage of the exemption described below, Spanish tax at the rate of 18 per cent. will be withheld from any interest payment in respect of the loan notes. Under Spanish Law, you can receive the interest free of any such withholding if you provide Equiniti Limited, as registrars and agents for Telefónica, with a certificate from your tax inspector or local tax office stating that you are resident for tax purposes in the United Kingdom. If you do not take advantage of this exemption, the Spanish tax withheld will be a real cost, as you are unlikely to be able to obtain relief for it against your liability to UK tax on the interest.

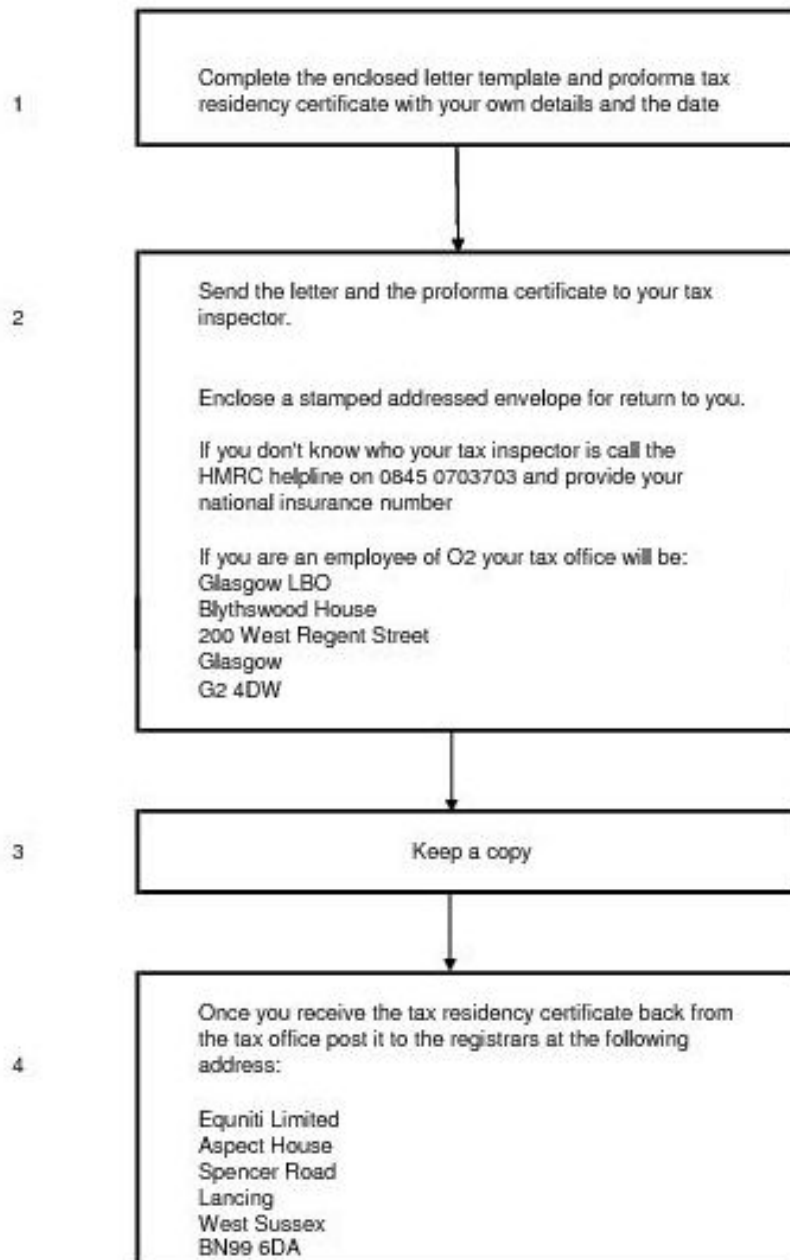
Enclosed is a pro-forma letter which requests a tax residency certificate. You should complete this letter and insert your details on the pro-forma certificate, including your Account Number as printed on your loan note certificate(s) and send the letter and the pro-forma certificate to your tax inspector or local tax office. (If you do not know your tax office address HM Revenue & Customs (HMRC) helpline will be able to help you on 0845 0703703. You will need to provide them with your National Insurance Number). When you receive the tax residency certificate back from HMRC you should send it as soon as possible to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA..

In order to take advantage of this exemption you must provide your tax residency certificate to Equiniti Limited before 31 May 2009 to ensure that no Spanish tax is withheld from the interest payable on 30 June 2009 and also interest payable on 31 December 2009. If the form is received after 31 May 2009, this will only ensure that no Spanish tax is withheld from the interest payable on 31 December 2009. **You must also provide Equiniti Limited with a new certificate before 31 May each calendar year for as long as you hold the loan notes** as each certificate is only valid for one year. It is therefore recommended that you keep a copy of the enclosed pro-forma in a safe place, so that you can use it in future years.

If Equiniti Limited has not received your valid tax residency certificate by 31 May, Spanish tax will be withheld from your June interest payment. It is possible to obtain a refund of Spanish tax withheld for up to four years after the date of the interest payment but to do this it is necessary to obtain the tax residency certificate (as before) and send it to the Spanish tax authorities. This is a more onerous process and it is strongly recommended that you obtain exemption from the withholding rather than reclaiming the tax subsequently.

May 2009

HOW TO OBTAIN EXEMPTION FROM SPANISH WITHHOLDING TAX



Note: The tax office certificate MUST reach Equiniti Limited by 31 May 2009 to ensure no Spanish tax is withheld from the first payment.

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Dear

Request for Certificate of UK Tax Residence

National Insurance Number:.....

As part of its acquisition of O2 plc in January 2006, I received certain loan notes in Telefónica, S.A., a Spanish company. These loan notes carry a right to interest.

I understand that, to avoid Spanish tax being withheld from this interest when paid, I need to provide Telefónica, S.A. with a valid certificate of my UK tax residence by the relevant interest record date. This would enable me to benefit from an exemption under Spanish domestic law.

The attached form shows the information required. Please could you copy the attached form onto HM Revenue & Customs headed paper, sign and stamp as indicated, and return it to me at your earliest convenience.

Yours faithfully

Loan Note Account Number:

Full name and address of applicant:

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.....
.....
.....

National Insurance Number:

The United Kingdom tax authorities certify that, to the best of their knowledge,

Las autoridades fiscals del Reino Unido certifican que, en cuanto les es posible conocer,

Mr./Mrs./Miss/ the company..... is a resident

Don/Senora/Senorita/la sociedad.....es residente

of the United Kingdom within the meaning of the Spain/United Kingdom tax convention

del Reino Unido en el sentido del convenio fiscal entre Espana y el Reino Unido.

Signed for and on behalf of HM Revenue & Customs:

Name of signatory and capacity (please print):

Date:

HM Revenue & Customs Office Stamp: