JANUARY/SEPTEMBER

2009
Results

Investor Relations
November 12th, 2009

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9M 09 results highlights

Strong diversification & solid execution across businesses

- Fundamental business trends consistent with H1 09
- Significant ramp up in commercial activity in Q3; strong wireless net adds (~5 million), in line with total H1 09 figure
- Positive organic revenue growth despite continued cyclical impacts and substantial MTRs cuts
- OIBDA margin expansion sequentially and y-o-y on cost discipline and synergies
- Strong FCF generation & balance sheet strength
- High single digit growth in underlying EPS
- 2009 guidance reiterated and proposed €1.15 2009 DPS confirmed

A solid set of results in 9M 09

€ in millions	Jan-Sep 2009	Change 9M 09/9M 08	Change organic[1] 9M 09/9M 08
Revenues	41,721	-3.3%	+0.1%
Operating Income before D&A (OIBDA)	16,647	-2.2%	+1.8%
OIBDA Margin	39.9%	+0.4p.p.	+0.7p.p.
Operating Income (OI)	10,024	-2.0%	+2.1%
Net income	5,610	+0.3%	
OpCF (OIBDA-CapEx)	12,270	+5.6%	+10.1%

Contribution by regions

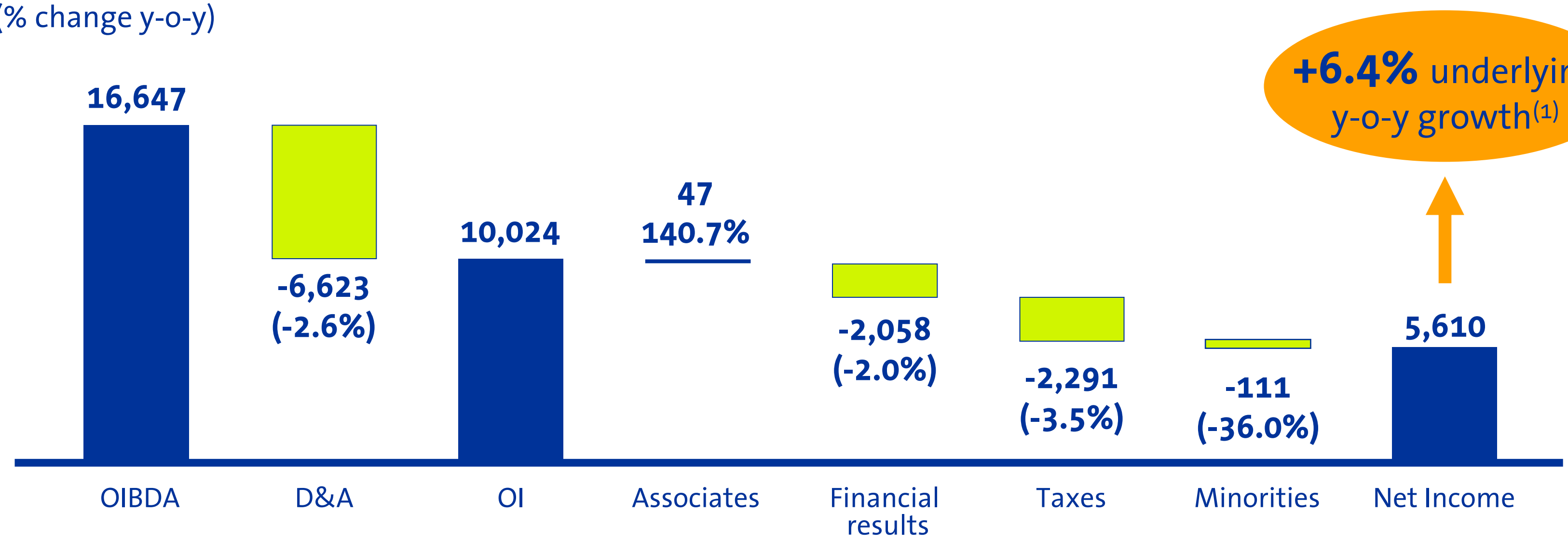
% Group	Revenues 9M 09	OIBDA 9M 09
T. España	35.1%	43.5%
T. Latam	39.8%	39.9%
T. Europe	24.1%	17.3%

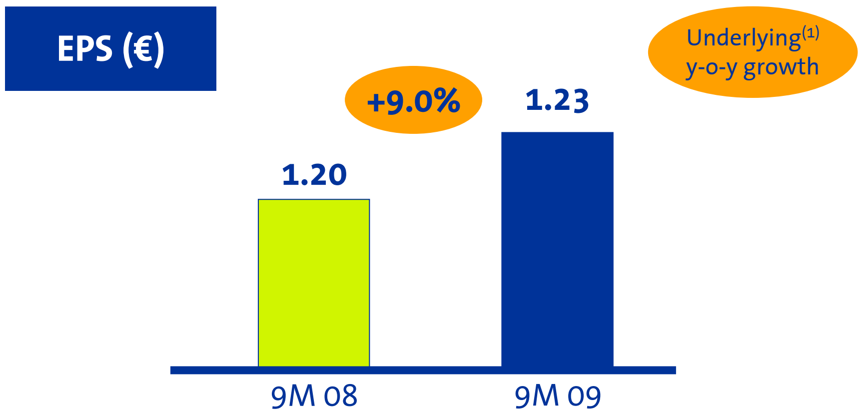
- **Negative contribution of forex across the P&L:**
  - Revenues: -3.6p.p. in 9M 09
  - OIBDA: -2.6p.p. in 9M 09
  - OI: -1.6p.p. in 9M 09

(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains derived from Airwave and Sogecable disposals registered in Q2 08.

High single digit underlying growth in EPS

9M 09
€ in millions
(% change y-o-y)

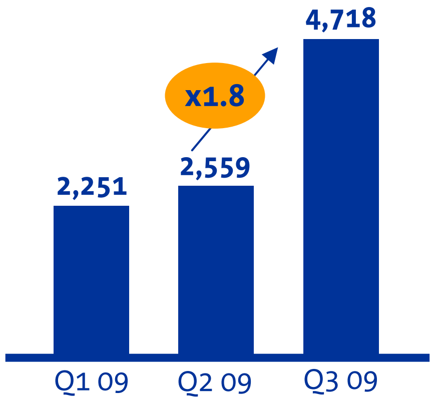




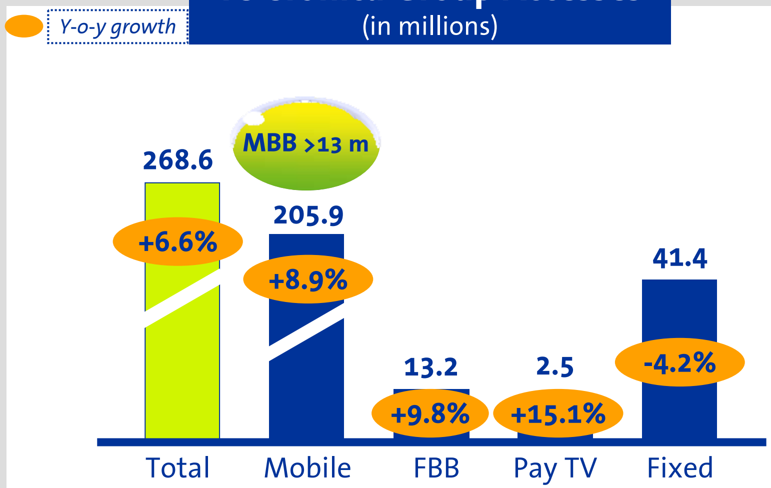
(1) Excludes the impact derived from Airwave and Sogecable disposals registered in 2008.

Good commercial momentum, driven by mobile

Group Total Net adds (´000)



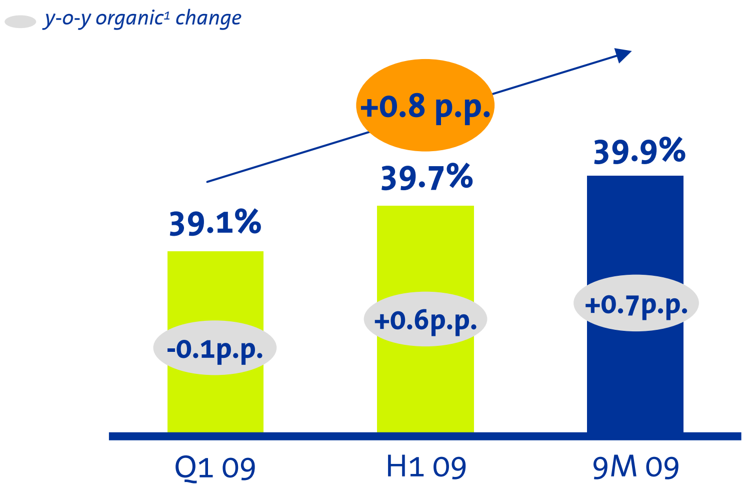
Telefónica Group Accesses (in millions)



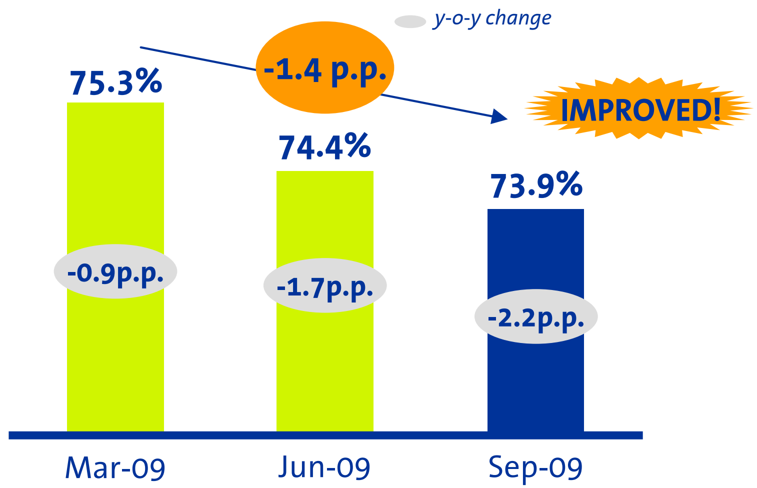
- Strong net adds on higher gross adds and churn contention
- Q3 mobile net adds in line with total customer gain in H1 09
- Robust acceleration in MBB net adds

Disciplined OpEx and CapEx to sustain benchmark profitability

OIBDA Margin



Efficiency ratio[2]



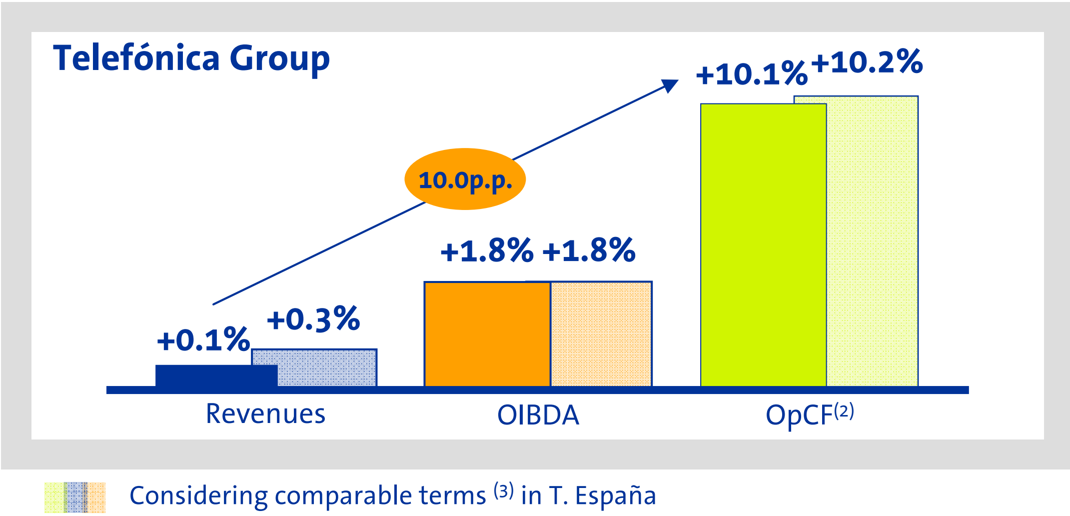
- **Cost discipline and synergies: 9M 09 organic[1] OpEx reduction (-1.3% organic[1] y-o-y):**
  - Lower commercial costs (-4.7% organic[1] y-o-y) mainly due to cuts in handset subsidies and advertising
  - Reduction in interconnection costs (-3.4% organic[1] y-o-y) driven by lower MTRs

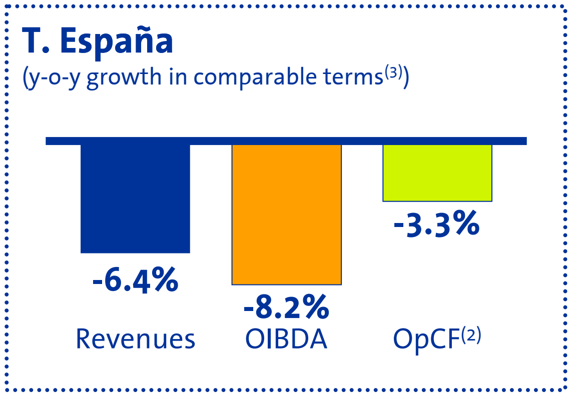
- **CapEx management without jeopardizing growth opportunities:**
  - Focus in BB growth opportunities (fixed & mobile) across regions. 3G CapEx: +56% y-o-y ex-fx
  - -15.7% organic[1] y-o-y (-11.9% ex-VIVO licenses)
  - Reductions across most items on the back of investments made in past years

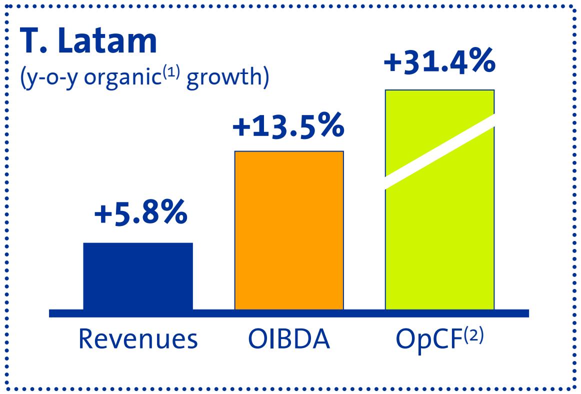
(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008. OIBDA margins do not include the impact of capital gains derived from Airwave and Sogecable disposals registered in Q2 08.
(2) Defined as last twelve months (OpEx+CapEx- Internal exp. Capitalized in fixed assets)/Revenues. CapEx excludes the acquisition of spectrum and Efficiency Program at T. España.

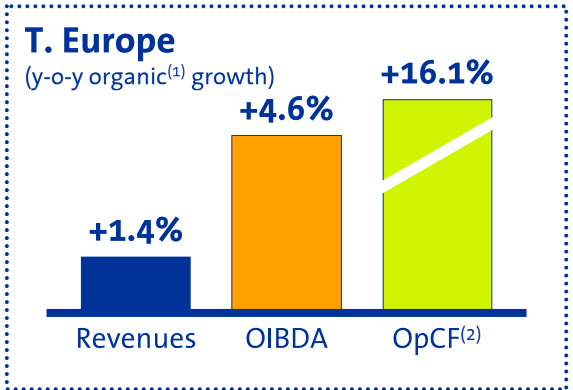
Healthy OpCF across the board, with superior conversion rate of revenues into cash generation

9M 09 Organic growth[1] (y-o-y)





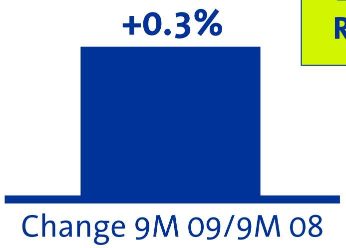




(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008. OIBDA figure does not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and Sogecable.
(2) OpCF: OIBDA-CapEx.
(3) Excludes impact of USO in Q1 09 on revenues (Wireline: € 75 m) and OIBDA (Wireline: € 46 m; Wireless: € -24 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: € 0.5 m in 9M 09 and € 73 m in 9M 08), the revision of the estimates for the adjustment to workforce adaptations plans provided for in prior periods, which resulted in lower expenses in the second quarter of 2009 (Wireline: € 58 m; Wireless: € 32 m) and the sale of application rights (Wireless: € 48 m on revenues and OIBDA).

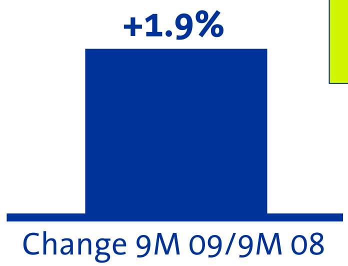
On track to meet 2009 guidance

Revenue Growth(1)



2009 GUIDANCE
Revenue growth

OIBDA Growth(1)

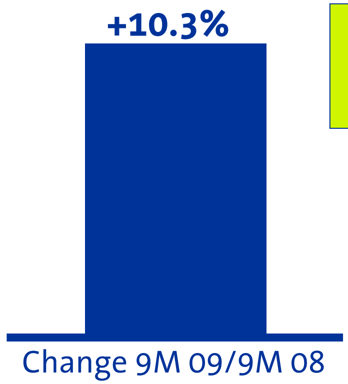


2009 GUIDANCE
+1%/+3%

CapEx(1)

2009 GUIDANCE
< €7,500 m

OpCF(1)



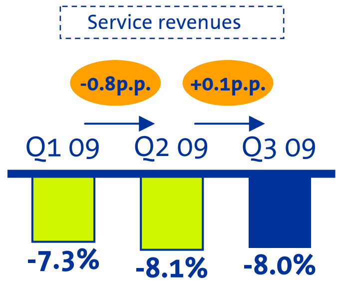
2009 GUIDANCE
+8%/+11%

(1) Full year 2008 adjusted figures for guidance exclude Sogecable capital gain (€ 143 m), the application of provisions made in T. Europe in respect of potential contingencies deriving from the past disposal of shareholdings, once these risks had dissipated or had not materialized (€ 174 m) and includes 9 months of consolidation of Telemig in T. Latam. 2009 figures for guidance assume 2008 constant FX (average FX in 2008). In terms of guidance calculation OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx excludes Real Estate Efficiency Program of T. España and spectrum licenses.

Enhanced commercial activity while maximizing OpCF

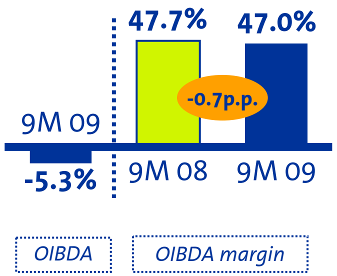
WIRELINE | **WIRELESS**

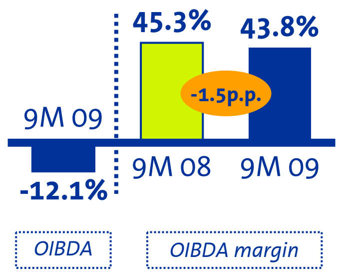
Revenue growth (Underlying [(1)] y-o-y change)



MTRs cuts[(3)]: -2.4 p.p. in 9M 09

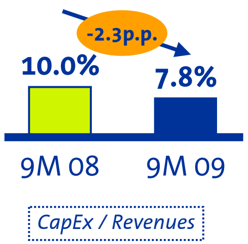
OIBDA and OIBDA margin (comparable [(2)] y-o-y change)

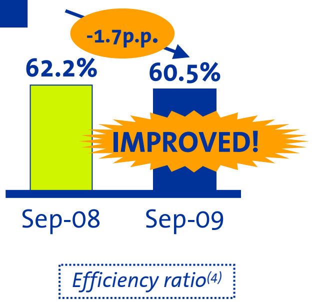




T.ESPAÑA

Margins over revenues; (comparable[(2)])



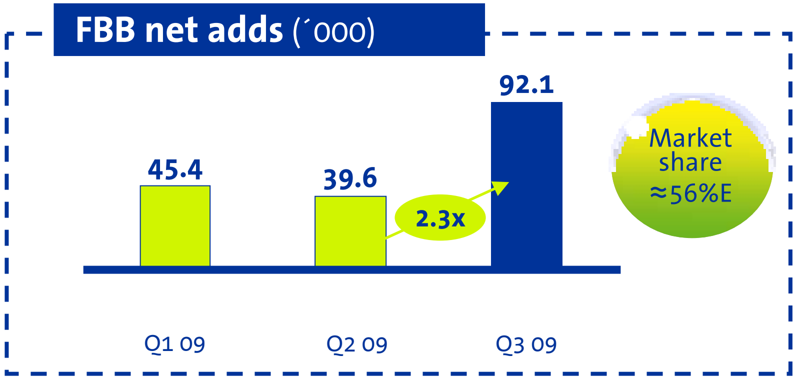


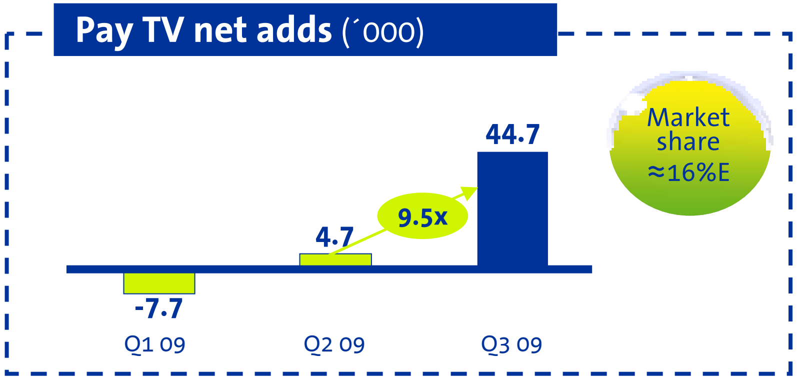
- **Slowdown in revenue decline ...**
- **... while sustaining sound profitability across businesses: 48.7% comparable[(2)] OIBDA margin ...**
- **... and investing in growth opportunities**

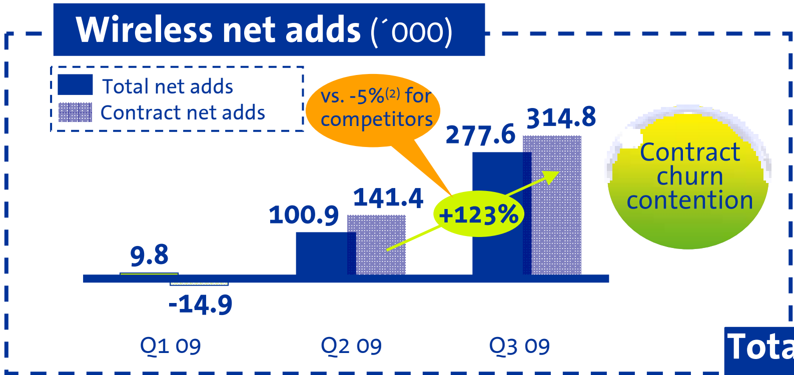
T. España OpCF: € 6,113 m; -3.3%[(2)] y-o-y

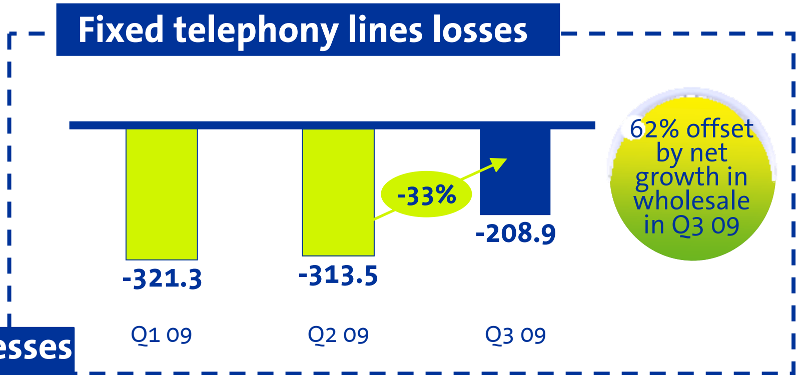
(1) Excluding USO (Q1 09 and Q3 08), seasonality in Q2 09 and Application Sale in Q3 09.
(2) Excludes impact of USO in Q1 09 on revenues (Wireline: € 75 m) and OIBDA (Wireline: € 46 m; Wireless: € -24 m) and Q3 08 on revenues (Wireline: € 183 m) and OIBDA (Wireline: € 110 m ;Wireless € -59 m), bad debt recovery in Q1 08 (Wireline: € 17 m; Wireless: € 8 m), Real Estate capital gains (Wireline: € 0.5 m in 9M 09 and € 73 m in 9M 08), the revision of the estimates for the adjustment to workforce adaptations plans provided for in prior periods, which has resulted in lower expenses in the second quarter of 2009 (Wireline: € 58 m; Wireless: € 32 m) and the sale of applications rights (Wireless: € 48 m on revenues and OIBDA).
(3) MTRs cuts have a negative impact in revenues of 2.4 percentage points in January-September 2009 vs. same period 2008.
(4) Defined as last twelve months (OpEx+CapEx- Internal exp. Capitalized in fixed assets)/Revenues. CapEx excludes the acquisition of spectrum and Efficiency Program at T. España.

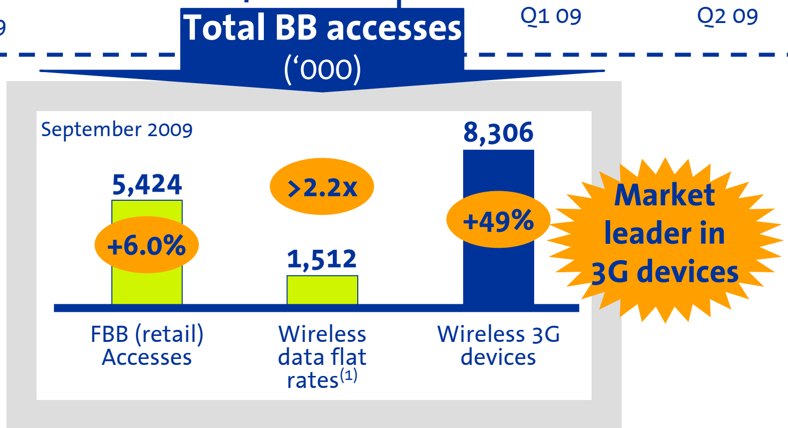
Commercial activity improves for second quarter in a row

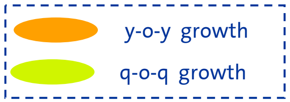






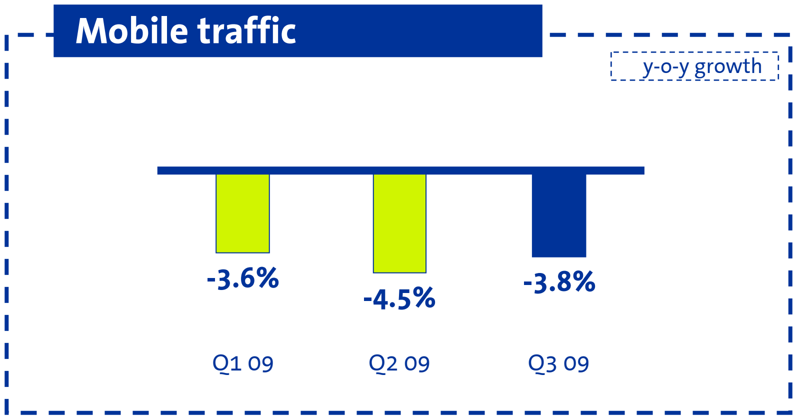


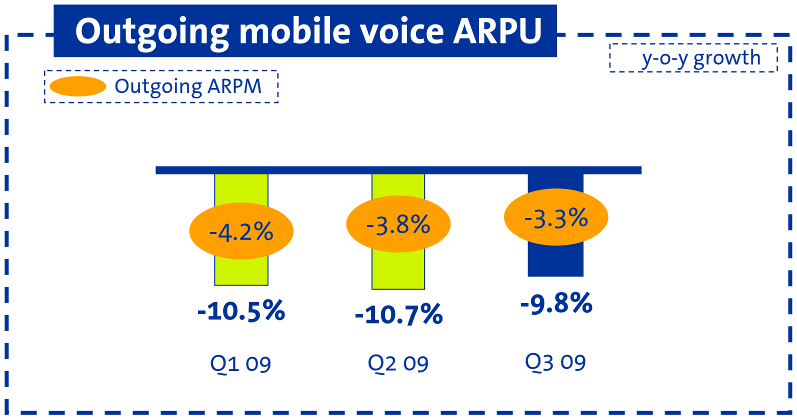


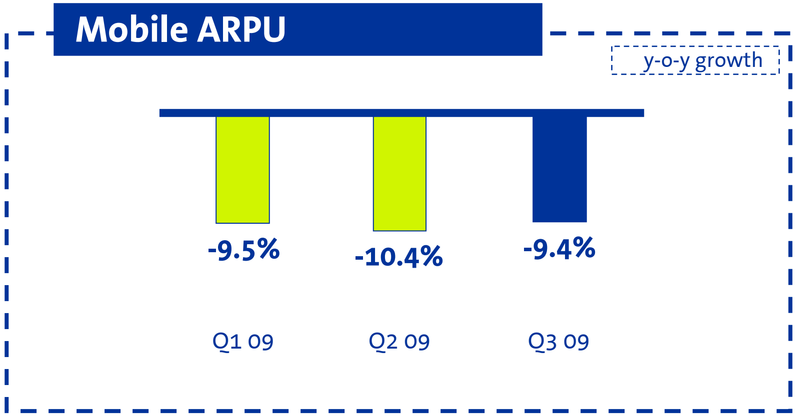


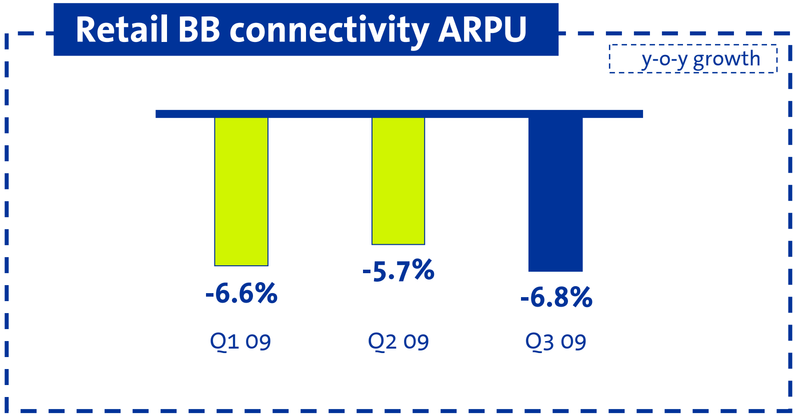
Estimated market shares.
(1) Monthly flat rates.
(2) Q3 09 vs. Q2 09 joint net adds for Vodafone, Orange, Yoigo (companies' press releases) and MVNOs (Telefónica's estimates)

Stable declines in usage and rational pricing competition









Trends in revenues similar to previous quarter

HIGHLIGHTS

	Q2 09	Q3 09	9M 09
Solid growth of wireline data revenues	+7.1%	+12.7%	+7.8%
Healthy IT revenue growth	+4.8%	+11.1%	+12.7%
Robust wireless data connectivity revenues	+56.6%	+46.9%	+50.9%

STABILIZATION

	Q2 09	Q3 09	9M 09
Wireline voice service revenues impacted by lower usage	-12.1%	-10.8%	-10.4%
Outgoing wireless revenues down on lower usage patterns	-6.6%	-5.3%	-5.6%
Wireless incoming revenues (roaming-in and interconnection) down on price cuts and lower traffic	-19.1%	-18.8%	-19.0%

LOWLIGHTS

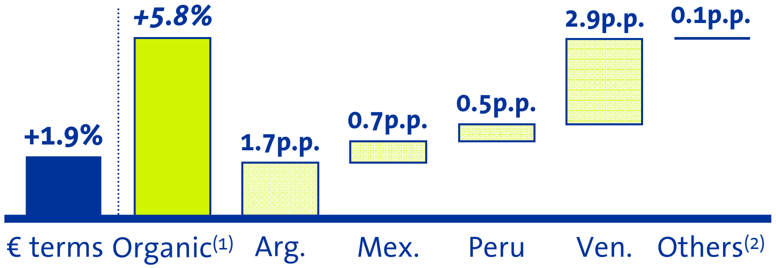
	Q2 09	Q3 09	9M 09
Lower PSTN access revenue, in line with accesses evolution	-5.9%	-7.6%(1)	-6.3%(1)
Decline in retail wireline BB revenues on lower accesses growth market and ARPU decline	-2.2%	-3.2%	-1.4%

Maintaining revenue share(2) leadership across businesses y-o-y

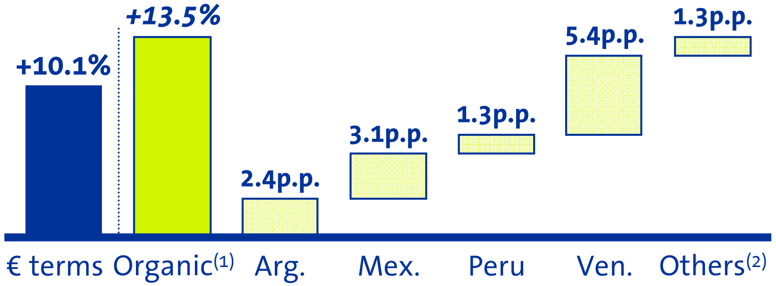
(1) Ex USO.
(2) Based on historical data and Telefonica's estimates.

T.Latam: A story of profitable growth

Revenue growth (9M 09 y-o-y change)

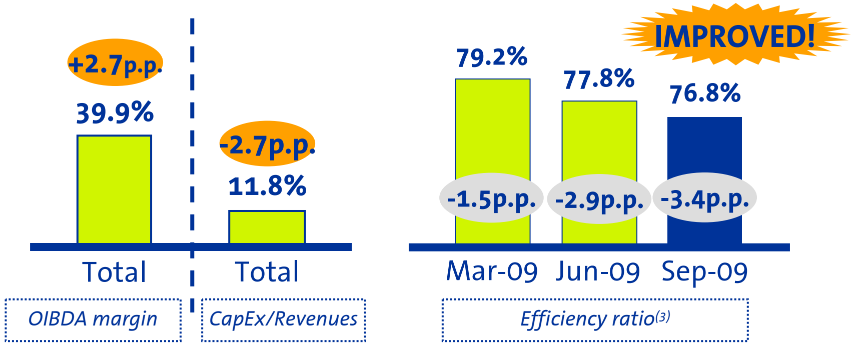


OIBDA growth (9M 09 y-o-y change)



Margins over revenues (9M 09)

Organic y-o-y growth (1)



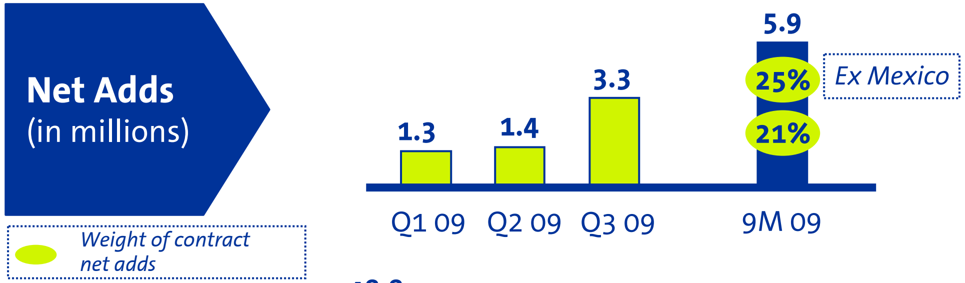
- **Sustained organic top line growth:**
  - Double digit growth in mobile and Internet & Pay TV
- **Increased commercial activity across markets in Q3 09**: total net adds up 2.4x q-o-q
- **Robust OIBDA growth:**
  - OpEx discipline and further synergies, leveraging scale
  - Q3 09 growth similar to H1 09 despite higher net adds
  - +2.7 p.p. margin(1) y-o-y expansion
- **Further improvement in efficiency ratio, boosting OpCF**

T. Latam OpCF: € 4,668 m; +31.4%(1) y-o-y

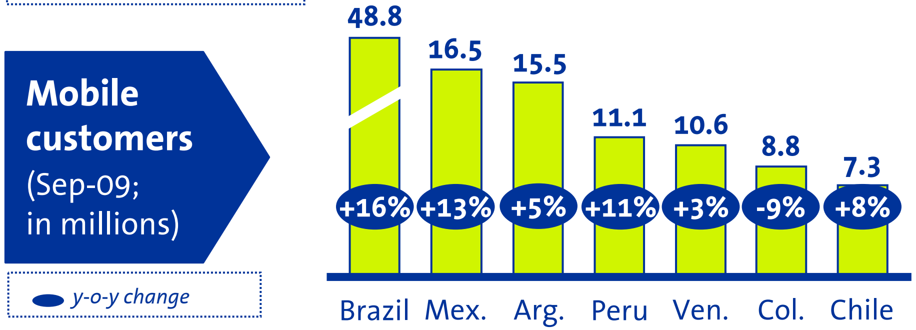
(1) Assuming constant exchange rates and including the consolidation of Telemig in Jan-Mar2008.
(2) Includes Brazil, Central America, Colombia, Ecuador, Chile, Uruguay and Others.
(3) Defined as last twelve months (OpEx+CapEx- Internal exp. Capitalized in fixed assets)/Revenues. CapEx excludes the acquisition of spectrum.

Wireless business: growing ahead of the market

Net Adds
(in millions)

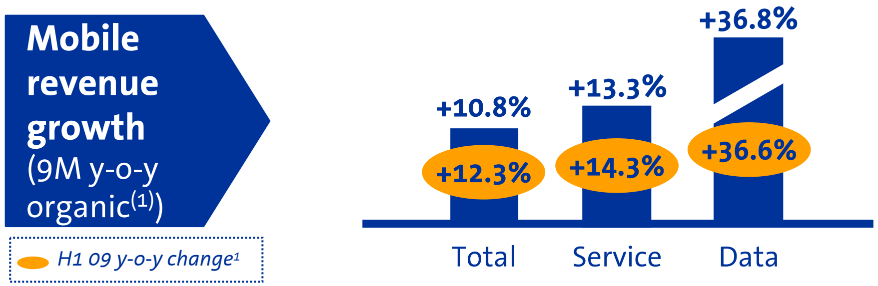


Mobile customers
(Sep-09; in millions)



	Brazil	Mex.	Arg.	Peru	Ven.	Col.	Chile
Q-o-q net adds growth	+72%	+36%	x3	x2.4	c.s.	n.s.	+28%

Mobile revenue growth
(9M y-o-y organic(1))



	Brazil(1)	Mex.	Arg.	Peru(2)	Ven.	Col.	Chile
Data Rev. Growth (%) 9M 09 y-o-y	+36	+29	+36	-2	+61	+35	+28

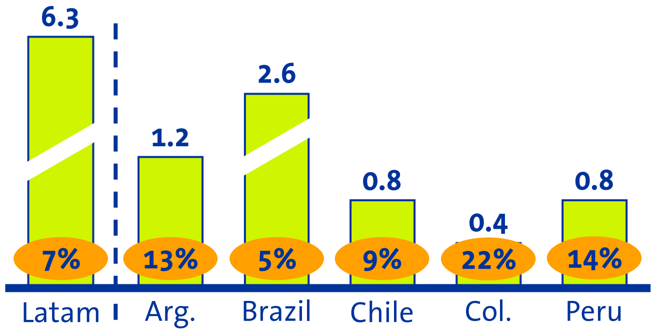
- **Enhanced net adds q-o-q, outperforming peers**
  - Gross adds acceleration: 12.1m in Q3 09 vs. 11.5m in Q2 09
  - Q-o-q churn reduction across markets: 2.3% in Q3 09 (-0.4 p.p. vs. Q2 09)
  - Q3 09 net adds q-o-q improvement in most countries
  - Better mix of net adds in 9M 09
- **Q-o-q ARPU stabilization**
  - 9M 09 traffic up 9.6% y-o-y
  - 9M 09 ARPU(1) down 2.3% vs. -2.9% in H1 09 due to a better outgoing ARPU(1) (+1.8% in 9M vs. +1.1% in H1)
- **Double digit organic(1) revenue growth fuelled by customer and usage boost**
  - Sound service revenue growth
  - Strong mobile data revenue growth to over 17.1% of service revenue in 9M 09 (+3.2 p.p.(1) y-o-y) on good MBB momentum
  - Lower handset sales: -9.2% y-o-y(1) in 9M 09 vs. -4.7% y-o-y(1) in H1 09

(1) Assumes constant exchange rates and includes Telemig in Jan-Mar 2008.
(2) On a comparable basis.

Wireline business: Ongoing transformation

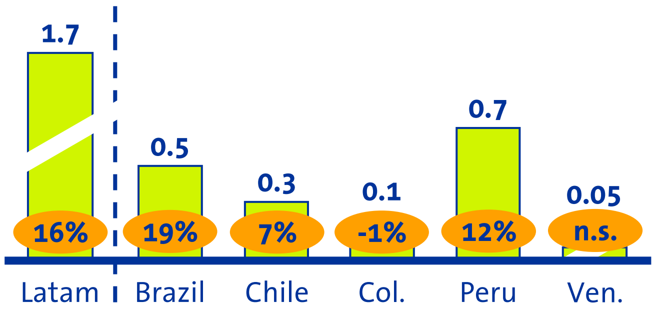
Retail BB accesses (Sep-09; in millions)

Y-o-y growth



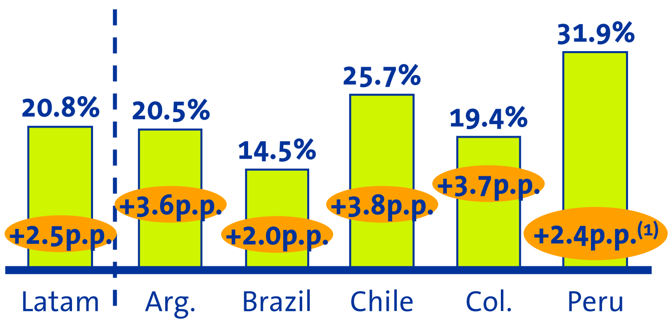
Pay TV Accesses (Sep-09; in millions)

Y-o-y growth



Internet & PayTV rev/ Total rev (9M 09)

Y-o-y growth



- **Sustained BB accesses growth** leveraging increased bundles penetration
  - BB/fixed lines: +2.3 p.p. y-o-y
  - 2P&3P/BB: +8.8 p.p. y-o-y
  - Total bundles/fixed lines: +2.3 p.p. y-o-y
  - 3P offer launched in Argentina, increasing customer value
  - Q3 09 net adds impacted by Anatel decision in Brazil
- **Increased contribution from Internet & Pay TV revenue**
- **Solid expansion in Pay TV accesses**
- **Flattish fixed line accesses**

(1) Excluding Medianetworks in 2008.

Sustained performance in most markets

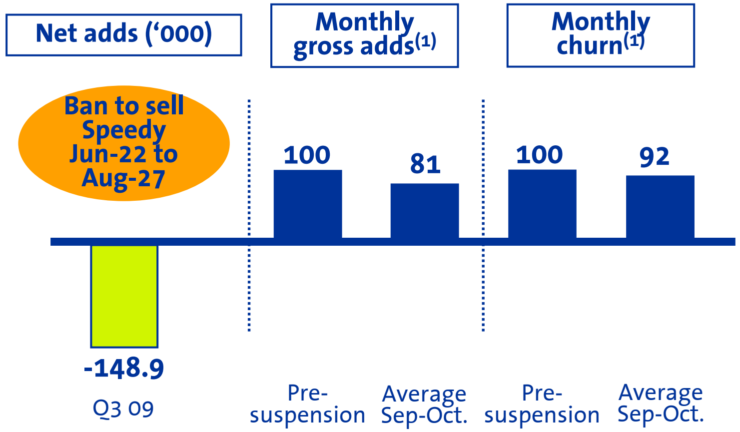
9M 09 y-o-y growth (in local currency)	Total revenue	Mobile service revenue	Total Wireline revenue	BB & TV revenue	Total OIBDA	Mobile OIBDA	Wireline OIBDA
Brazil(1)	+2.0%	+8.8%(2)	-1.0%	+14.8%	-0.1%	+17.4%(2)	-6.2%
Argentina	+15.3%	+19.0%	+14.9%	+39.6%	+23.5%	+39.0%	+6.0%
Chile	-1.8%	- 1.5%	-4.6%	+ 12.0%	+6.4%	+14.4%	-2.9%
Peru(3)	+6.6%	+4.6%	+4.1%	+12.5%	+17.9%	+29.2%	+10.6%
Colombia	-10.1%	-9.2%	-7.4%	+14.7%	-22.2%	-6.1%	-32.6%
Venezuela	+25.1%	+27.0%			+37.9%		
Mexico	+9.8%	+18.7%			+65.6%		

- **Accelerating growth in Mexico; gaining market share while expanding margins:** +1 p.p. in market share to >20%; mobile net adds up 36% q-o-q; sustained ramp-up in service revenue growth (+20.2% y-o-y in Q3 09); 35.4% OIBDA margin in 9M 09 (+11.9 p.p. y-o-y); 9M 09 OpCF 2.1x above 9M 08
- **Consolidating Vivo's superior performance in Brazil (leadership & enhanced profitability)**: +0.4% increase in ARPU q-o-q despite over 2m net adds in Q3 (+72.2% q-o-q). +3.0 p.p. y-o-y OIBDA margin expansion to 31.0% in 9M 09
- **Strong results in Argentina and Venezuela:** healthy top line expansion and outstanding profitability
- **Solid performance in Peru across businesses**

(1) Includes 50% of Vivo.
(2) Includes Telemig in January-March 2008.
(3) Excludes Medianetworks in 2008.

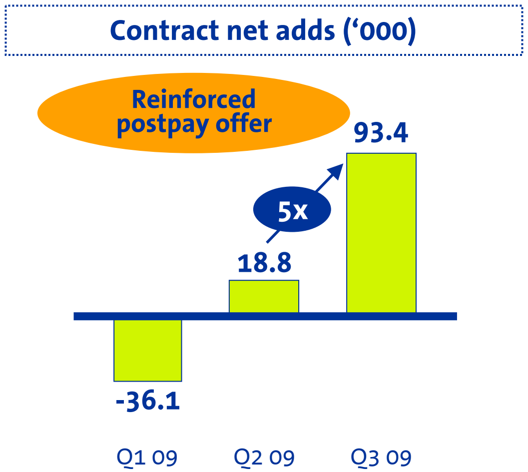
Initiatives to turn around operations in Telesp and Colombia mobile start to pay off

Telesp FBB



- Progressive resume of Speedy sales across distribution channels from September
- Absence of commercial campaigns until November
- Focus on good quality adds
- Improved quality and customer satisfaction KPIs, leading to lower churn

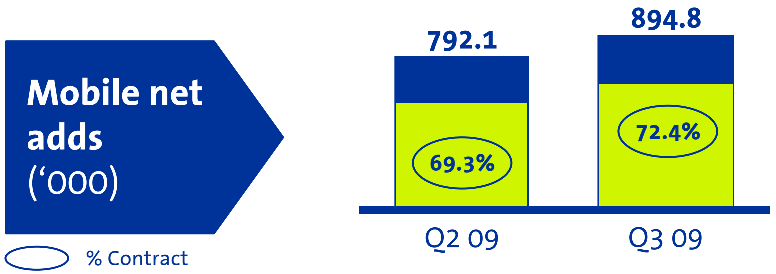
Colombia mobile

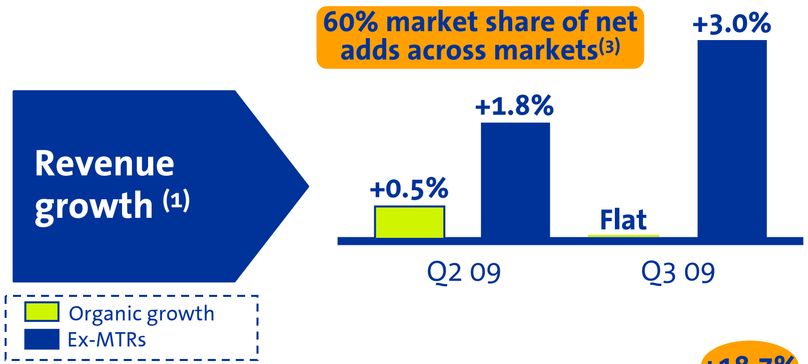


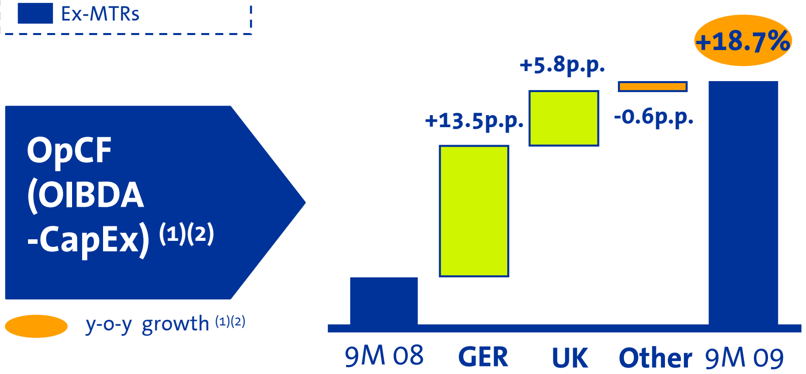
- Enhanced quality of gross adds
- Lower churn in Q3 09 (-1.2 p.p. q-o-q and -0.5 p.p. y-o-y)
- Improved ARPU performance: +6.2% q-o-q in local currency, on the back of solid data revenue growth (+39.7% y-o-y in Q3 09)
- Continued OIBDA margin expansion: +1.6 p.p. y-o-y to 25.6% in 9M 09

(1) Index (%)

T. Europe: consistent approach showing a distinctive performance in key markets





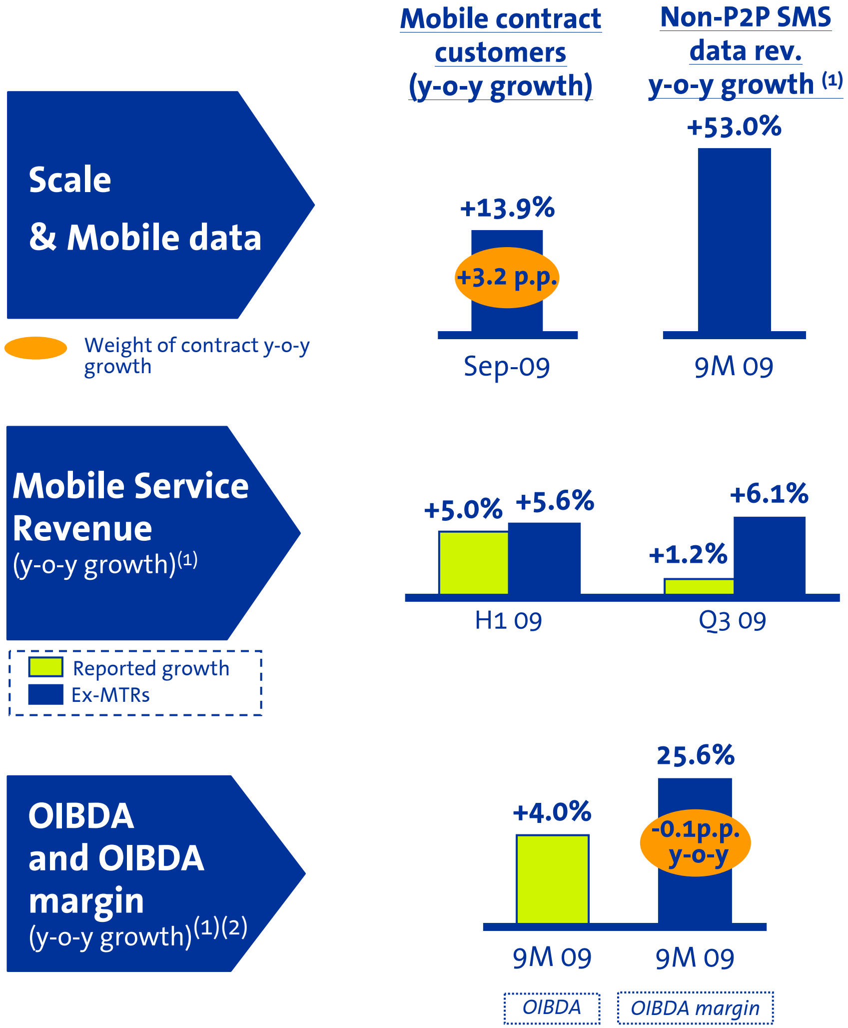


- **Customer growth drives revenue outperformance in key markets**
  - Commercial activity ramped up in Q3 09
  - Churn reduction in key segments & geographies (-0.2 p.p. to 1.4% y-o-y contract churn in Q3 09)
  - Sustained traction in the contract segment
  - Mobile Internet driving non-P2P SMS organic(1) revenue growth: +36.8% y-o-y in 9M 09

- **Continued OpCF growth leveraging efficiencies and increased contribution from Germany**
  - Further decrease in non-commercial costs, compensating higher commercial activity
  - +0.9 p.p. OIBDA margin expansion(1) to 28.6% in 9M 09
  - +6.0% y-o-y OIBDA ex restructuring costs in 9M 09(2)
  - Seasonal CapEx increase of 12.0%(1) q-o-q on increased commercial activity

(1) Organic growth: Assuming constant exchange rates. The impact derived from past assets disposals (€ 113 m in 2008 from Airwave) is also excluded from the calculation.
(2) Excluding restructuring costs of 42 million euros in the January-September 2009 period.
(3) Market share of mobile net additions in the 12 month period from Sep-08 in UK, Germany, Ireland and Czech Republic (does not include Slovakia). Source: Company reports and internal estimates.

T. O2 UK: sustained outperformance through customer experience leadership



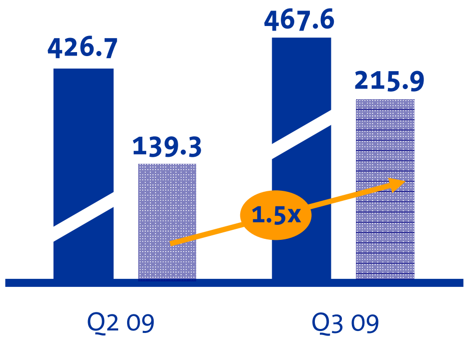
- **Ramp up in mobile service revenue growth in the quarter, ex MTR cuts**
  - Contract churn at 1.2%, sustaining over 312k contract net adds in Q3 09
  - No further deterioration of usage optimization behavior among customers
- **Further efficiency measures, setting the basis for future growth**
  - Increased commercial activity offset by 2.1%(1) y-o-y decrease of non-commercial OpEx in 9M 09
  - Improved contribution from DSL and customer retention on increased scale
  - Continued efficiencies in network & IT areas
  - Getting costs to the right place on a continued basis: € 28 m restructuring charges in Q3 09

(1) In local currency.
(2) Excluding restructuring charges of 28 million euros in Q3 09.

T. O2 Germany: delivering growth on solid foundations and focused commercial approach

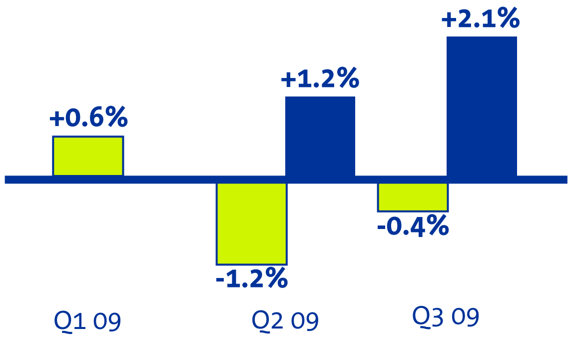
Mobile Net adds
(´000)

Total net adds
Contract net adds

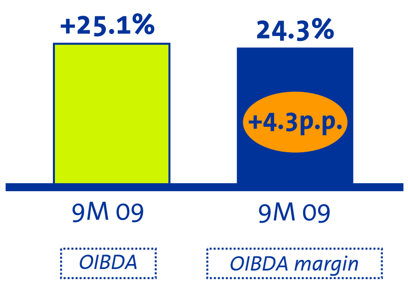


Mobile Service Revenue
(y-o-y growth)

Reported
Ex-MTRs from April 09



OIBDA and OIBDA margin
(y-o-y growth)



- **Gaining scale in the mobile market, leveraging our challenger strategy**
  - Improved customer oriented product portfolio: "O2o" gaining traction
  - Q3 contract net adds increasing 47.2% y-o-y
  - Network quality, already tested and recognized(1)
  - Robust growth in non-P2P SMS data revenues: +33.0% y-o-y in 9M 09
- **Continued OIBDA expansion on the back of**
  - Lower network dependence on 3rd parties
  - Enhanced profitability of the fixed & BB business
  - Improved distribution network: more sales through direct channel – now 861 O2 shops
  - New commercial approach implemented in Q4 08

(1) "Connect "magazine's network test.

Hansenet transaction perfectly completes our strategy towards the integrated play

Attractiveness of the ADSL German market

- **Largest ADSL market in Europe with significant growth potential**
  - 21.8 m ADSL accesses in 2008, +5.6% CAGR 08-12E, +14 p.p. penetration in 4 years(1)
- **Rising number of integrated households in Germany, an untapped opportunity**
  - Increase revenue/household through bundling & churn reduction

Hansenet: the best fit for T. O2 Germany

- **#4 player in BB market and strong network, successful partnering with TEF**
  - 2.3 m BB customers (Jun-09), 28% households own coverage, high market share in key cities
- **Leading brand, quadruple player and strong success story in fixed-mobile bundling**
  - 25% of Alice households also contracted Alice mobile (on O2 network)

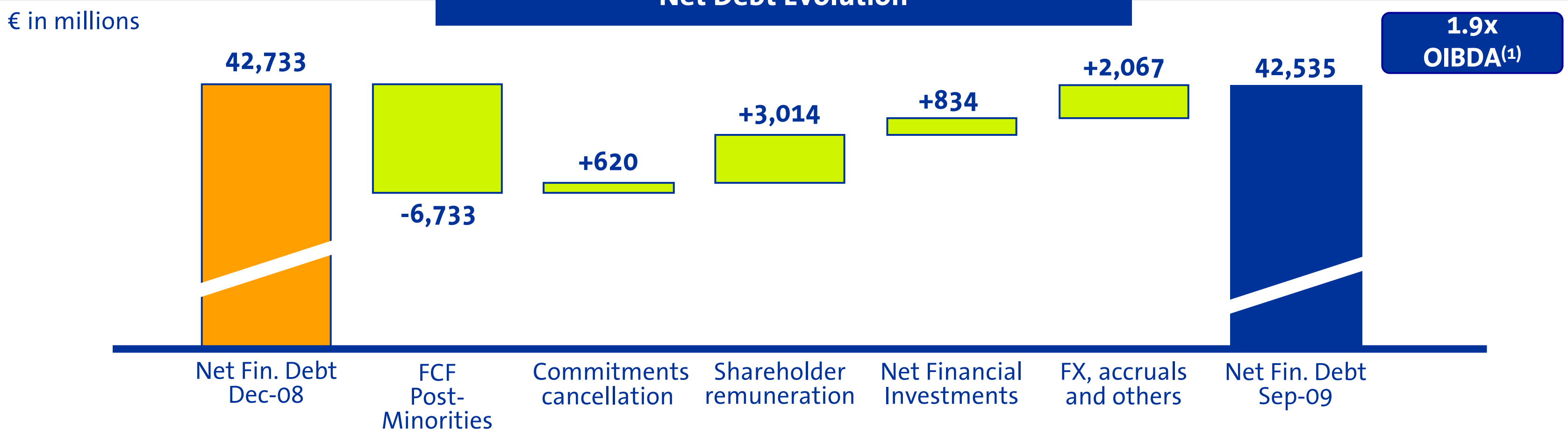
Benefits of the proposed transaction

- **T. O2 Germany to become #3 player in the German telco market**
  - € ~5 Bn annual revenue, ~2.6 m retail BB accesses, over 15m mobile customers(2)
- **Significant synergies potential – limited overlap with T. O2 Germany**
  - Commercial: Product up-selling – cross-selling & direct channel expansion
  - Further review of current operating model towards common platforms

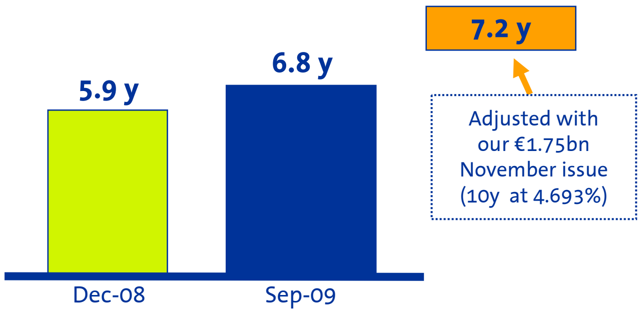
(1) Source: BoA-ML "European Telecoms Matrix Q3 2009", Sep -09. Penetration measured over households.
(2) Source: Telecom Italia and Telefónica quarterly releases as of September 2009.

Benefiting from a prudent financial policy

Net Debt Evolution



Average debt life



Lower cost of debt

	9M 09
Net interest Expenses	€ -1,889 m
FX results	€ -169 m
Total Financial Results	**€ -2,058 m**
Total Average Debt	€ 45,359 m

5.57% effective interest rate

- Leverage target, including commitments, kept in the low part of our target range (2.0x OIBDA)
- Contained financial expenses below the 6% mark
- Smoothing maturity profile, with cash exceeding maturities in short/medium term, and longer average debt life

(1) Calculation based on 9M 09 OIBDA figure annualized excluding results on the sale of fixed assets.

Conclusions

Strong diversification & solid execution across businesses

- Fundamental business trends consistent with H1 09
- Significant ramp up in commercial activity in Q3; strong wireless net adds (~5 million), in line with total H1 09 figure
- Positive organic revenue growth despite continued cyclical impacts and substantial MTRs cuts
- OIBDA margin expansion sequentially and y-o-y on cost discipline and synergies
- Strong FCF generation & balance sheet strength
- High single digit growth in underlying EPS
- 2009 guidance reiterated and proposed €1.15 2009 DPS confirmed

Telefonica