JANUARY/JUNE

2009 Results

Investor Relations
July 30th, 2009

Telefónica

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H1 09 results key highlights

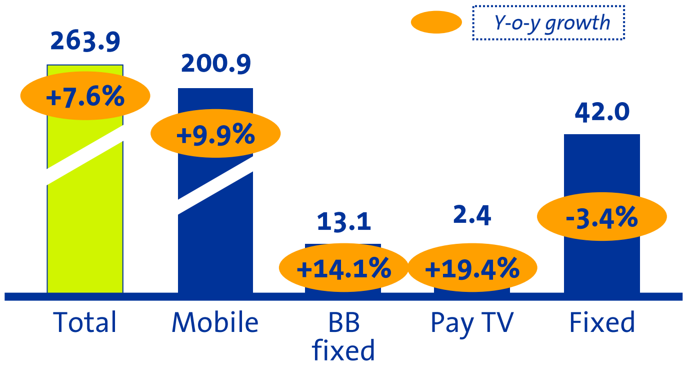
- Solid set of results, Q2 09 trends in line with Q1 09 performance
- Positive organic revenue growth capitalizing on our diversification
- Robust profitability and ramp-up in organic OpCF generation driven by OpEx&CapEx discipline and economies of scale
- Double digit underlying increase in net income
- Strong balance sheet
- On track to meet 2009 guidance. Growing dividend policy confirmed

Solid performance across the board

€ in millions	Jan-Jun 2009	Change H1 09/H1 08	Change organic[1] H1 09/H1 08
Revenues	27,588	-2.0%	+1.4%
Operating Income before D&A (OIBDA)	10,939	-1.7%	+3.0%
OIBDA Margin	39.7%	+0.1p.p.	+0.6p.p.
Operating Income (OI)	6,551	-0.8%	+4.2%
Net income	3,619	+0.7%	
OpCF (OIBDA-CapEx)	8,156	+6.3%	+11.9%

- **Negative impacts in nominal growth rates due to FX, deducting:**
  - Revenues: -3.6p.p. in H1 09
  - OIBDA: -2.5p.p. in H1 09
  - OI: -1.0p.p. in H1 09

Telefónica Group Accesses
(in millions)



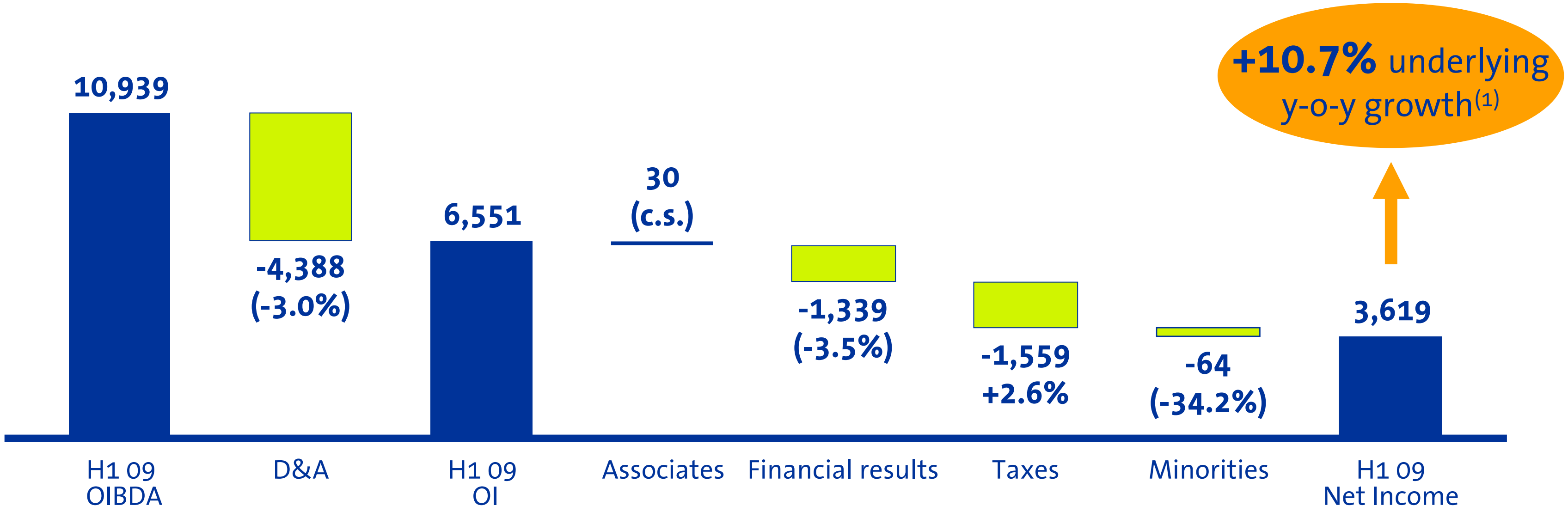
Contribution by regions

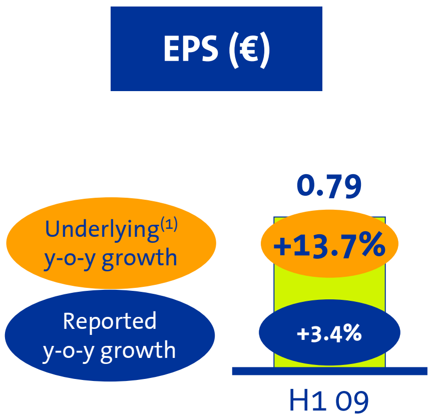
% Group	Revenues H1 09	OIBDA H1 09
T. España	35.4%	44.2%
T. Latam	39.8%	39.0%
T. Europe	23.8%	17.2%

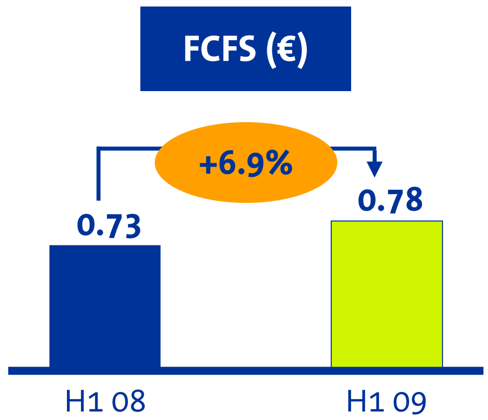
(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains derived from Airwave and Sogecable disposals registered in Q2 08.

Pushing underlying EPS up by almost 14%

€ in millions
(% change y-o-y)



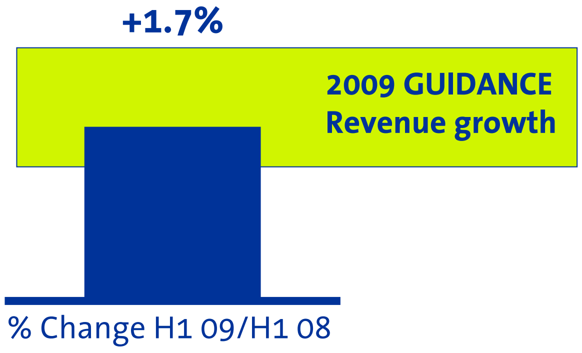




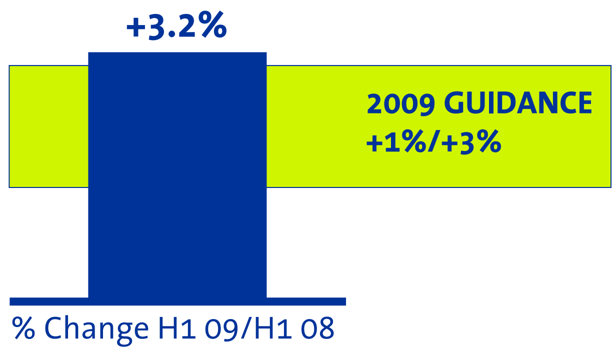
(1) Excludes the impact derived from Airwave and Sogecable disposals registered in 2008.

H1 09 performance in-line with year-end targets

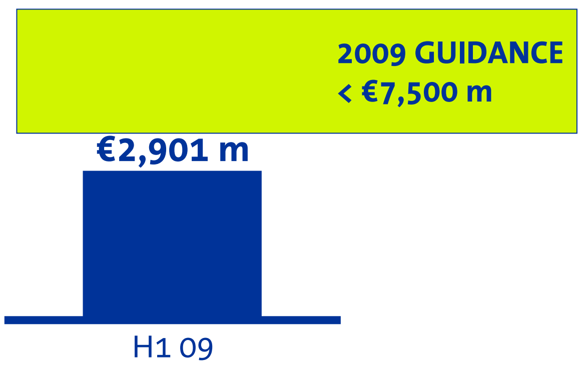
Revenue Growth(1)



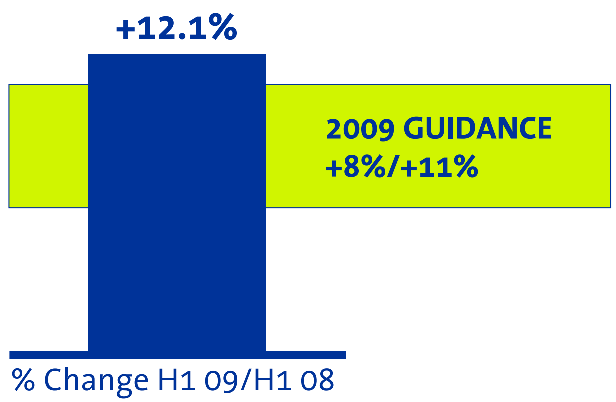
OIBDA Growth(1)



CapEx(1)



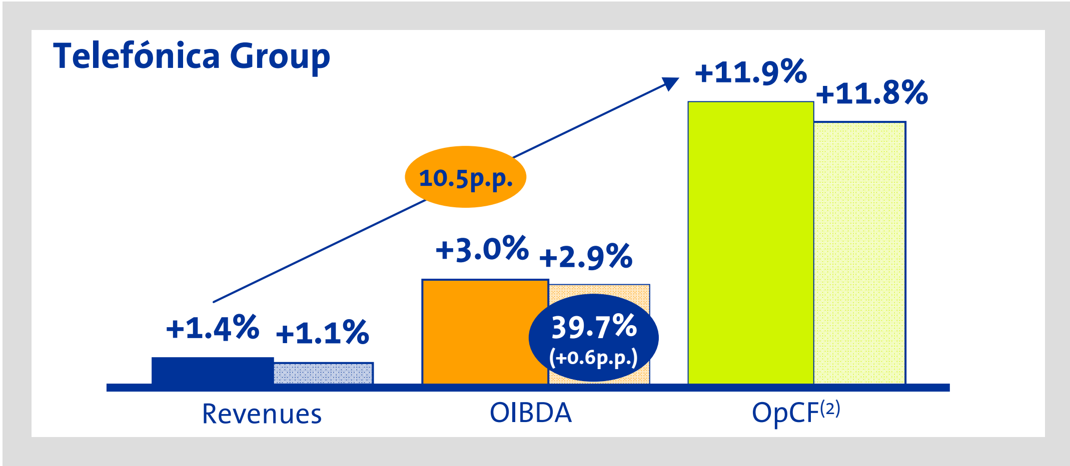
OpCF(1)



(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.

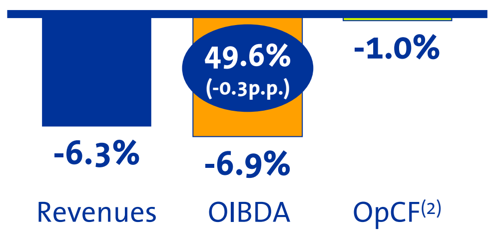
Generating healthy OpCF with a benchmark profitability

H1 09 Organic growth[1] (y-o-y growth)

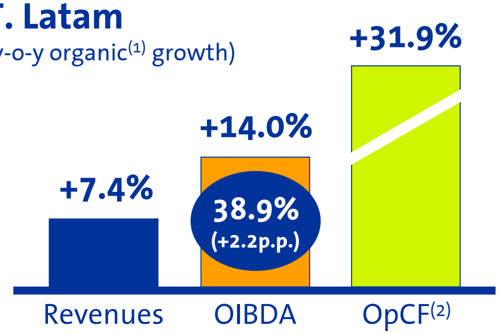


Considering comparable terms [3] in T. España

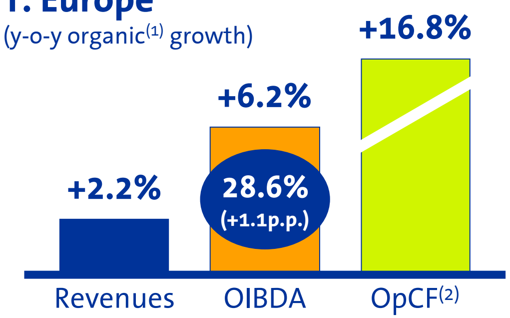
T. España
(y-o-y growth in comparable terms[3])



T. Latam
(y-o-y organic[1] growth)



T. Europe
(y-o-y organic[1] growth)

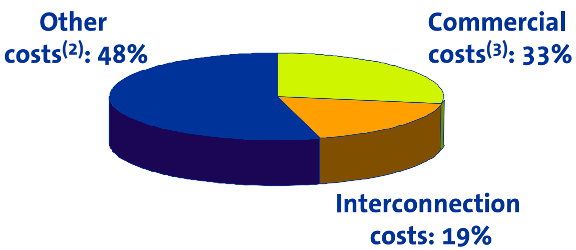


OIBDA margin reported (y-o-y organic growth and in comparable terms[3] in T. España)

(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), bad debt recovery in Q1 08 (Wireline: € 17 m; Wireless: € 8 m), Real Estate capital gains (Wireline: € 0.4 m in H1 09 and € 68 m in H1 08) and the revision of the estimates for the adjustment to workforce provision provided for in prior periods, which has resulted in lower expenses in the second quarter of 2009 (Wireline: € 58 m; Wireless: € 32 m).

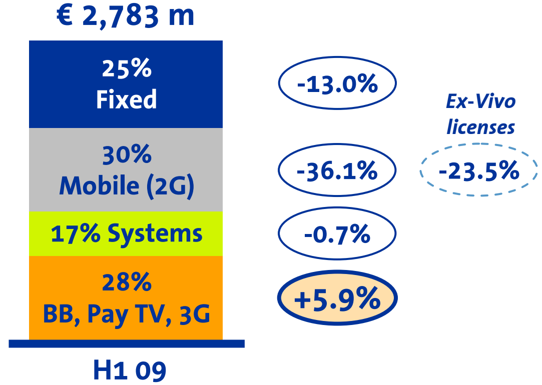
Managing OpEx & CapEx to maximize OpCF generation

Group OpEx Breakdown



H1 09 y-o-y Organic (1) growth: -0.6%

Group CapEx Breakdown



H1 09 y-o-y Organic (1) growth: -16.0% (-10.2% ex-Vivo licenses)

- **-6.2% organic[1] decrease in total commercial costs:**
  - Cuts in handset subsidies mainly in T. Latam, advertising in the 3 regions and commissions costs in T. Latam and T. España
- **Interconnection costs** reduction (-2.1% organic[1] y-o-y) due to lower MTRs
- **Other costs (organic[1]):**
  - Higher OpEx in T. Latam explained by fast customer growth, US$ denominated costs and higher prices
  - Higher taxes due to T. Latam and USO impact in T. España (€ 54 m in Q1 09)

- **BB, Pay TV, 3G:** Focus on BB growth opportunities (fixed & mobile) across regions. **3G: +50.0% y-o-y**
- **Mobile:** Lower commercial activity in traditional wireline business
- **Mobile:** GSM coverage/capacity already in place in most European markets
- **Systems:** CapEx affected by seasonality

- **H1 09 CapEx breakdown in line with 2009 targets (75% transformation & 25% maintenance)**
- **2009 committed CapEx as of June: ~50% of annual target**

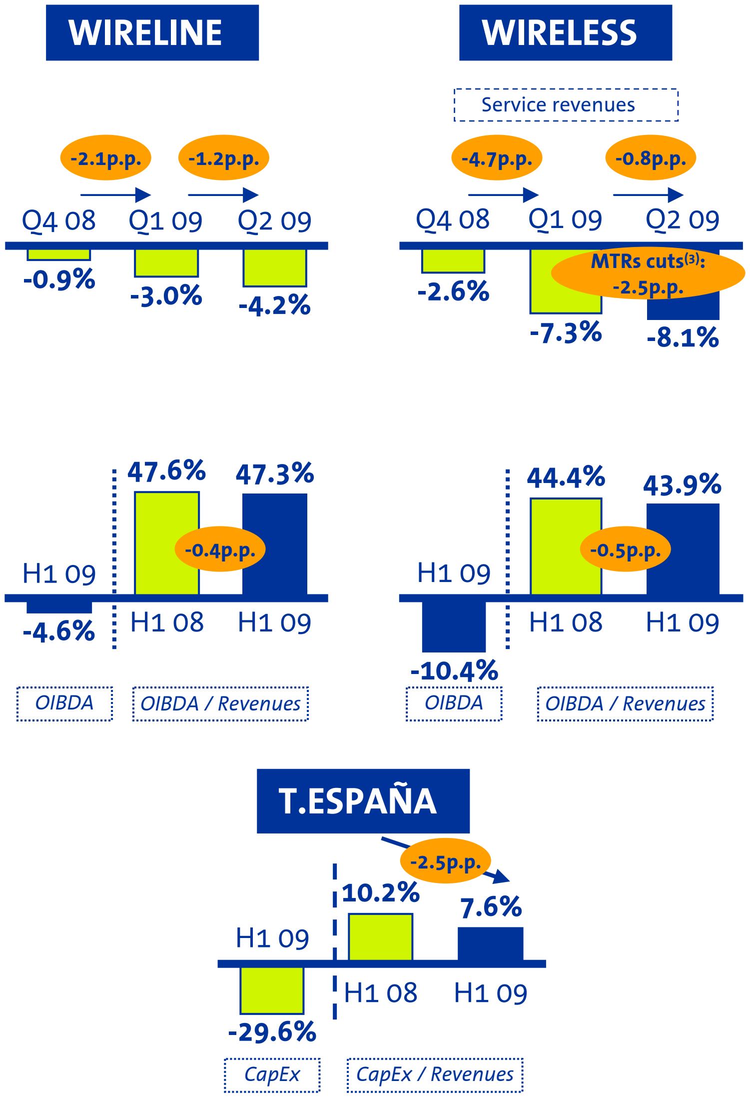
(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008.
(2) Other costs: Non commercial personal expenses, network costs, systems and rentals, customer equipment purchases, among others.
(3) Commercial costs: Handsets subsidies, advertising, billing, commissions, personnel expenses and customer services.

T.España: Focus on OpEx and CapEx to maximize OpCF

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

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

CapEx and CapEx over revenues; (comparable(2))



- **Positive second derivative in revenue y-o-y change**
- **Sound profitability across businesses: 48.8% comparable(2) OIBDA margin**
- **CapEx focused on growing businesses**

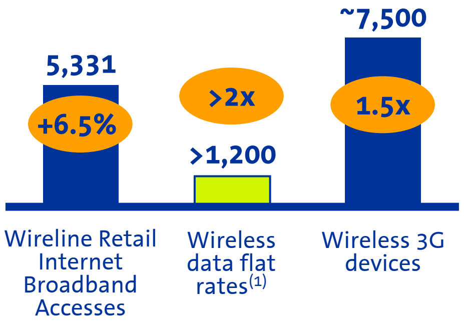
T. España OpCF: € 4,099 m; -1.0%(2) y-o-y

(1) Ex PUT in Q4 08, ex USO in Q1 09 and seasonality in Q2 09.
(2) Excludes impact of USO in Q1 09 on revenues (Wireline: € 75 m) and OIBDA (Wireline: € 46 m; Wireless: € -24 m), bad debt recovery in Q1 08 (Wireline: € 17 m; Wireless: € 8 m), Real Estate capital gains (Wireline: € 0.4 m in H1 09 and € 68 m in H1 08) and the revision of the estimates for the adjustment to workforce provision provided for in prior periods, which has resulted in lower expenses in the second quarter of 2009 (Wireline: € 58 m; Wireless: € 32 m).
(3) MTRs cuts have a negative impact of 2.5 percentage points in both quarters (Q1 09 and Q2 09).

KPIs: improved performance q-o-q in most services

Broadband KPIs (Jun-09; ´000)

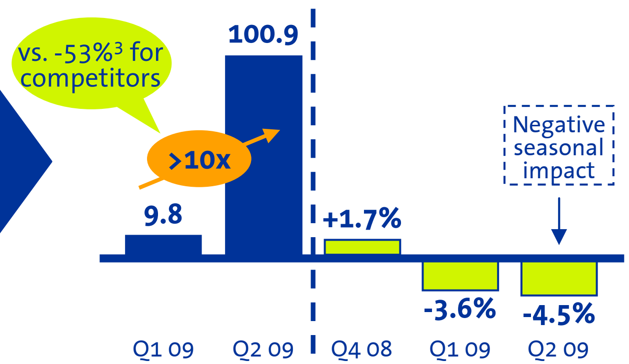
y-o-y growth



- **Sustained leadership in the wireline Broadband market:**
  - Market share at 56%
  - Effective BB ARPU: -6.6% y-o-y in H1 09
  - 86% of retail BB accesses with 2P/3P
- **Continued momentum in mobile BB take-up**
- **Back to positive net adds in Pay TV: 4.7K in Q2 09**

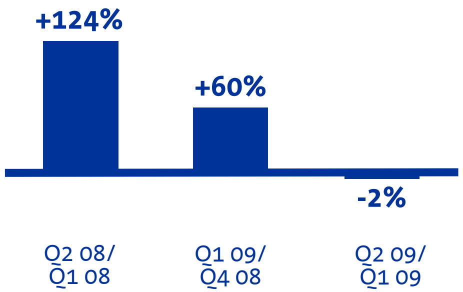
Wireless net adds and traffic

Net adds ('000)
Traffic y-o-y change



- 62% of the customer base already in contract
- Leading share of net adds in Q2. Positive results in contract MNP(2) in Q2
- Stable churn vs. Q1 09 at 1.9% (1.4% in contract)
- Lower economic churn
- Slowdown in ARPU decline: -0.8p.p. in Q2 vs. Q1; -2.5 p.p. in Q1 09 vs. Q4 08 despite new MTR cut and seasonal effect
- Positive Data ARPU performance: +2.9% y-o-y in H1 09

Fixed Telephony Lines Losses



- Stabilization of line losses vs. Q1 09
- Retail lines down 6.2% y-o-y
- **55% of H1 09 net line losses compensated by a net increase in wholesale lines which generate revenue stream**
- Remaining 45% due to shrinking market and direct access
- **Lines lost have lower ARPU than average**

(1) Monthly flat rates.
(2) MNP: Mobile Number Portability.
(3) Q2 09 vs. Q1 09 joint net adds for Vodafone, Orange, Yoigo (companies' press releases) and MVNOs (Telefónica's estimates)

Q2 revenue performance shows similar trends to previous quarter

HIGHLIGHTS

	Q2 09	H1 09
Solid growth of wireline data revenues	+7.1%	+5.4%
Sustained healthy IT revenue growth, despite seasonality	+4.8%	+13.5%
Robust wireless data connectivity revenues	+56.6%	+53.6%
Stabilization of y-o-y decline in total wireless revenues	-9.5%	-9.5%

LOWLIGHTS

Negatively impacted by seasonality

	Q2 09	H1 09
Lower PSTN access revenue, in line with accesses evolution	-5.9%	-5.6%(1)
Flattish wireline Internet and BB revenues on lower accesses growth market and ARPU decline	-2.3%	-1.4%
Wireline voice service impacted by lower usage	-12.1%	-10.2%
Wireless incoming revenues (roaming-in and interconnection) down on price cuts and lower traffic	-19.1%	-19.1%
Outgoing wireless revenues due to lower usage patterns	-6.6%	-5.8%

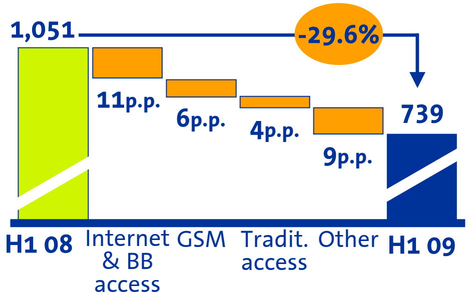
Maintaining revenue share(2) leadership across businesses y-o-y

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

OpEx & CapEx discipline to preserve OpCF generation

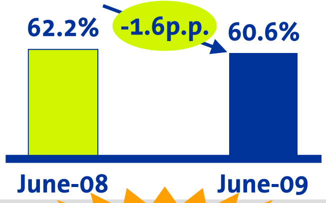
2009 committed CapEx as of June <€ 1,200 m

CapEx
H1 09 vs. H1 08 (€ in millions)



- **Focus on growth businesses: mobile data**
- **Enhanced CapEx efficiency:** Significant vendors **per unit cost reductions**
  - Benefiting from Group purchasing power
  - Vendors adapting to economic downturn
- **Lower investment in GSM and traditional access**
- **Fiber rollout adapted** to current environment

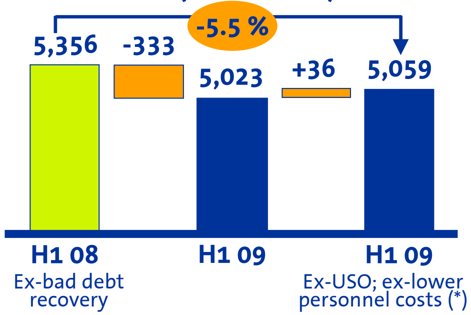
Efficiency ratio
(OpEx+CapEx) /Revenues(1)
12 month rolling



IMPROVED!

Track record of capability to manage OpEx&CapEx

OpEx
H1 09 vs. H1 08 (€ in millions)

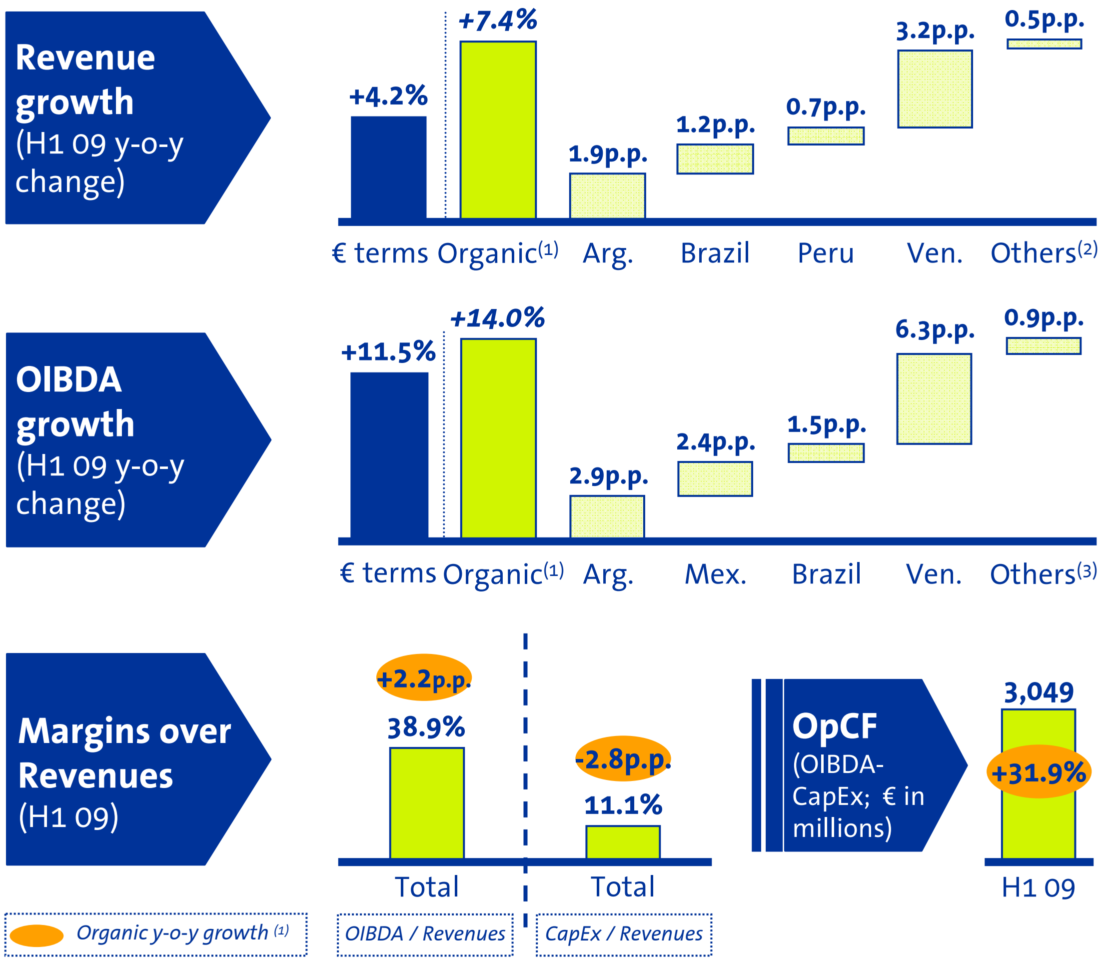


- **Lowering pressure on personnel costs** -8.6% -1.2%(*)
  - CPI reduction vs. 2008
  - 2008 Workforce adaptation program bearing fruit in 2009
  - lower costs on review of previous years estimates relating workforce reorganization programs
- **Lower commercial costs² (as commercial activity and unit cost go down)** -7.7%
- **Lower mobile handset costs** -17.4%
- **Interconnection costs down on lower usage and prices** -12.2%

(*) Excluding the revision of the estimates for the adjustment to workforce provision provided for in prior periods, which has resulted in lower expenses of 90 million euros in the second quarter of 2009

(1) Efficiency ratio: Defined as last 12 months ([OpEx+CapEx-Internal exp. Capitalized in fixed assets-other non-recurring expenses]/Revenues). CapEx figure excludes spectrum acquisition.
(2) Handset subsidies, commissions to dealers and advertising.

T.Latam: Solid top line growth and strong profitability

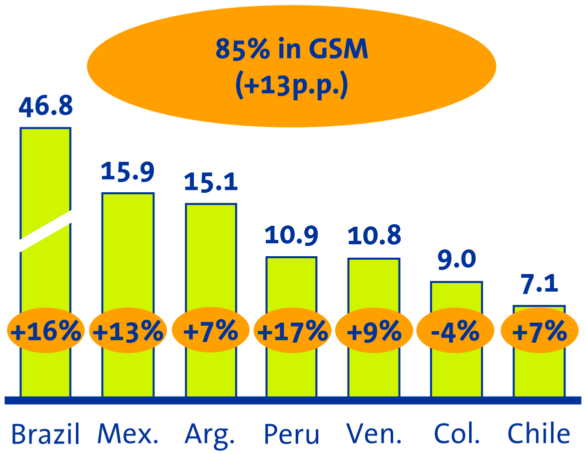


- **High single digit accesses growth (+8.7% y-o-y)** underpinned by mobile (+11.1%) and BB (+15.0%)
- **Robust organic revenue y-o-y performance** driven by mobile and Internet & TV sales
- **Sustained OIBDA margin expansion** led by enhanced profitability in mobile (wireless margin up 7.0p.p. y-o-y in Q2 09)
- **Strong advance in OpCF**

(1) Assuming constant exchange rates and including the consolidation of Telemig in Jan-Mar2008.
(2) Includes Central America, Colombia, Mexico, Ecuador, Chile, Uruguay and Others.
(3) Includes Peru, Central America, Colombia, Ecuador, Chile, Uruguay and Others.

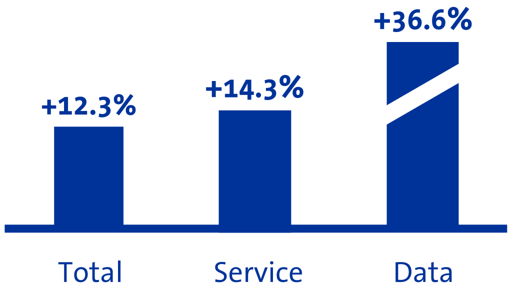
Wireless business: Healthy operating performance drives revenue growth

Mobile customers (Jun-09; in millions)



Penetration E (%)	83	73	114	62	99	91	99

Mobile revenue growth (y-o-y organic[1])



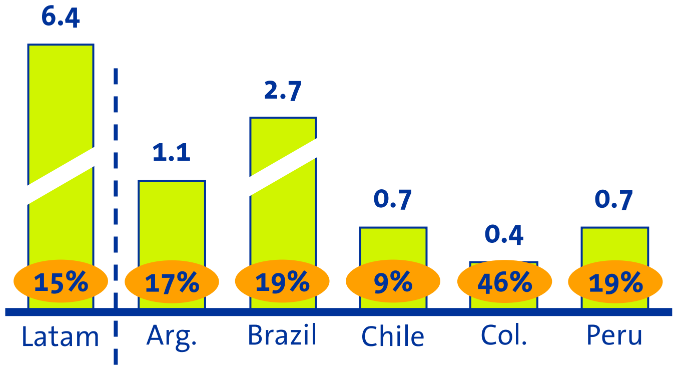
	Brazil[1]	Mex.	Arg.	Peru[2]	Ven.	Col.	Chile
Data Rev. Growth (%) H1 09 y-o-y	+32	+25	+33	+5	+67	+33	+29

- **Strong accesses growth continues despite increased penetration**
  - Average penetration in the region: 85% (+10p.p. vs. Jun-08)
  - Q2 09 net adds up 6.7% q-o-q
  - Selective customer acquisition approach, focused on value: 29% of net adds in contract vs. 19% in Q2 08
  - Sustained churn reduction: -0.1p.p.[1] vs. H1 08
- **ARPU evolution impacted by strong customer growth & MTRs cuts**
  - H1 09 traffic up 9.3% y-o-y
  - H1 09 organic[1] ARPU (-2.9% y-o-y) with a better performance of outgoing organic ARPU[1] (+1.1% y-o-y)
- **Robust top line expansion on the back of wireless data and strong outgoing usage**
  - Solid mobile data revenue growth to 17.2% of service revenue in H1 09 (+2.4p.p.[1] y-o-y)

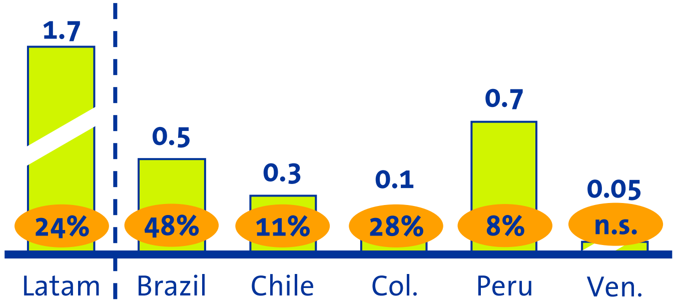
(1) Assumes constant exchange rates and includes Telemig in Jan-Mar 2008.
(2) On a comparable basis.

Wireline business: Transforming our business

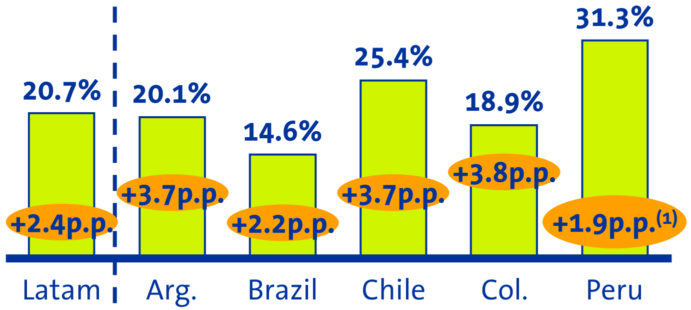
Retail BB accesses (Jun-09; in millions)



Pay TV Accesses (Jun-09; in millions)



Internet & PayTV rev/ Total rev (H1 09)



- **Robust BB accesses growth, leveraging strong push in bundles**
  - Sustained net adds in Q2 09: 143k
  - 2P&3P/BB: +10p.p. y-o-y
  - Total bundles/fixed lines: +4p.p. y-o-y
- **Increasing weight of Internet & Pay TV revenue to 20.7% of total wireline revenues**
- **Solid expansion in Pay TV accesses**
- **Flattish fixed line accesses**

(1) Excluding Medianetworks in 2008.

Sustained healthy performance in most markets

H1 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]	+4.7%	+9.5%[2]	+1.4%	+19.4%	+3.9%	+24.6%[2]	-2.4%
Argentina	+17.5%	+22.1%	+15.8%	+41.7%	+29.1%	+49.9%	+7.3%
Chile	-0.5%	-0.6%	-3.0%	+ 13.7%	+3.5%	+9.5%	-3.5%
Peru[3]	+9.3%	+6.5%	+4.3%	+11.2%	+17.7%	+38.6%	+6.5%
Colombia	-9.0%	-9.0%	-3.4%	+20.6%	-21.5%	-28.7%	-16.9%
Venezuela	+28.4%	+29.7%			+45.7%		
Mexico	+8.7%	+17.9%			+53.0%		

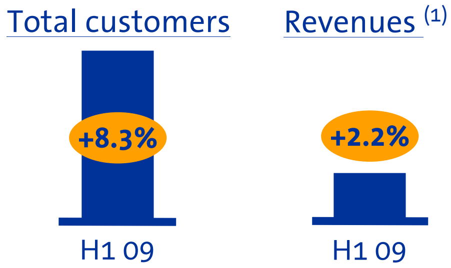
- **Rum-up in service revenue growth and increased profitability in Mexico:** net adds up 127.0% q-o-q; service revenue growth acceleration to +19.1% in Q2 09; 33.9% OIBDA margin in Q2 09 (+8.3p.p. y-o-y); 4x increase in OpCF vs. H1 08
- **Vivo continues to focus on revenue share leadership**. Flattish ARPU ex-fx q-o-q despite strong net adds. Solid OIBDA margin expansion to 30.1% in H1 09 (+4.0p.p [2] y-o-y)
- **Telesp's** performance impacted by service quality and network issues in a very competitive environment
- **Wireless in Peru** maintains its solid market position and shows significant OIBDA margin expansion
- **Solid results in Argentina and Venezuela** driven by fast customer growth and increased usage

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

T. Europe: strong performance in key markets, driving efficiency higher

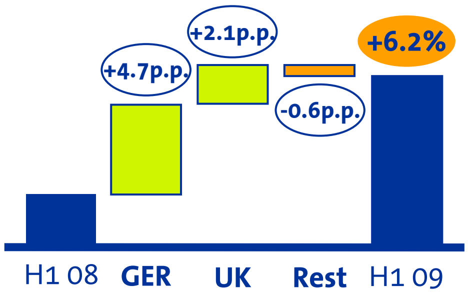
Top Line

y-o-y growth



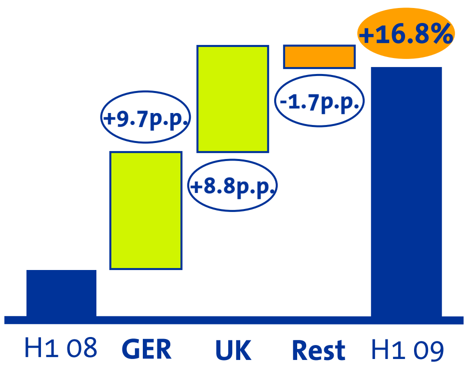
OIBDA

y-o-y growth (1)
Contribution to growth (p.p.) (1)



Operating Cash Flow
(OIBDA-CapEx)

y-o-y growth (1)
Contribution to growth (p.p.) (1)



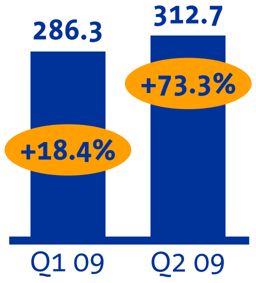
- **Maintaining momentum across markets**
  - 85.0% of H1 09 mobile net additions in contract
    - Lower y-o-y churn
    - Steady mobile BB expansion
- **Revenue growth despite challenging economic backdrop and regulation**
  - Ongoing optimisation of bundles & top ups
  - Lower roaming activity
  - MTR cuts in most countries dragging 0.8p.p. in organic[1] revenue growth
  - Strong non-P2P SMS organic[1] revenue growth: +33.7% y-o-y in H1 09
- **Accelerating OpCF growth leveraging efficiencies and a more rebalanced portfolio of businesses**
  - 1.8% y-o-y decrease in non-commercial costs compensating increased commercial activity
  - Telefónica O2 Germany sequentially improving profitability
  - Adapting CapEx to current trading environment
  - +1.1p.p. margin expansion[1] to 28.6% in H1 09

(1) Organic growth: Assuming constant exchange rates. The impact derived from past assets disposals (€ 114 m in the second quarter of 2008 from Airwave) is also excluded from the calculation.

T. O2 UK: strategic consistency, continued outperformance

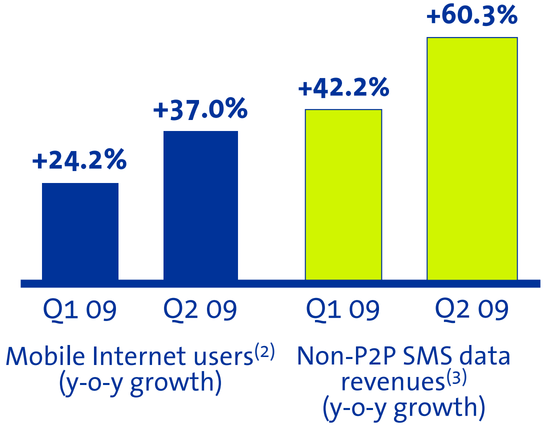
Mobile contract net adds (´000)

Y-o-y growth (%)



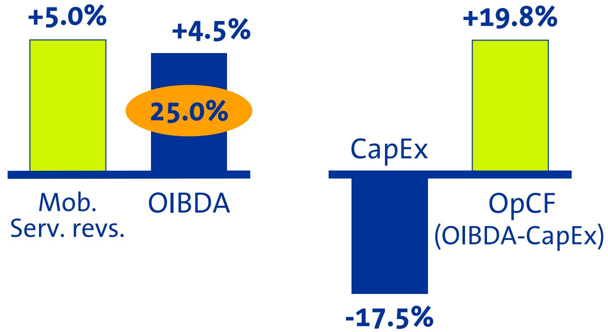
Best Network 2009 (1)

Mobile Data



Financial metrics (H1 09 y-o-y growth In local currency)

OIBDA Margin (%)

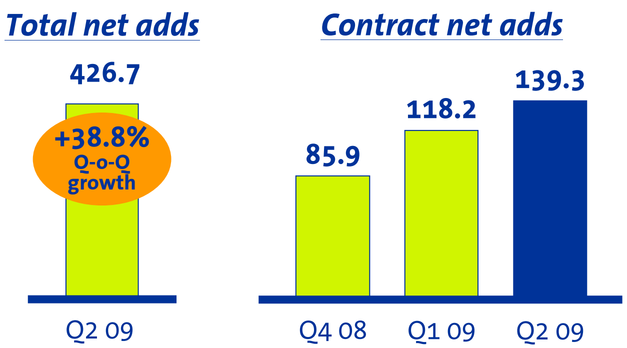


- **Strengthening our leadership in the declining UK mobile market**
  - Sustained outperformance in contract segment leveraging best churn rate in the market (1.2%)
  - Further improving customer satisfaction gap vs. competitors
  - Ongoing usage optimization driving voice ARPU down 6.6% y-o-y in local currency in H1 09
  - Mobile Internet ramping up
  - Continued success around Simplicity & Smartphones + Innovative propositions targeting families
- **Focused efficiency program is helping to maintain momentum**
  - Best churn in market driving down retention costs
  - Increased commercial activity across segments
  - Ongoing efficiencies in OpEx&CapEx boosting OpCF growth

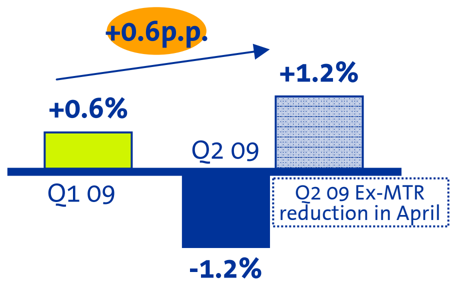
(1) 2009 Mobile Awards.
(2) Customers accessing Internet over mobile networks.
(3) Local currency.

T. O2 Germany: Gaining momentum in the market

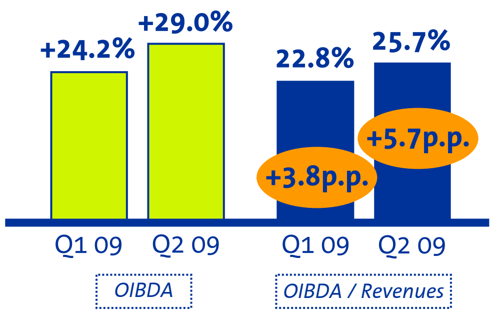
Mobile Net adds
(´000)



Mobile Service Revenue
(y-o-y growth)



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



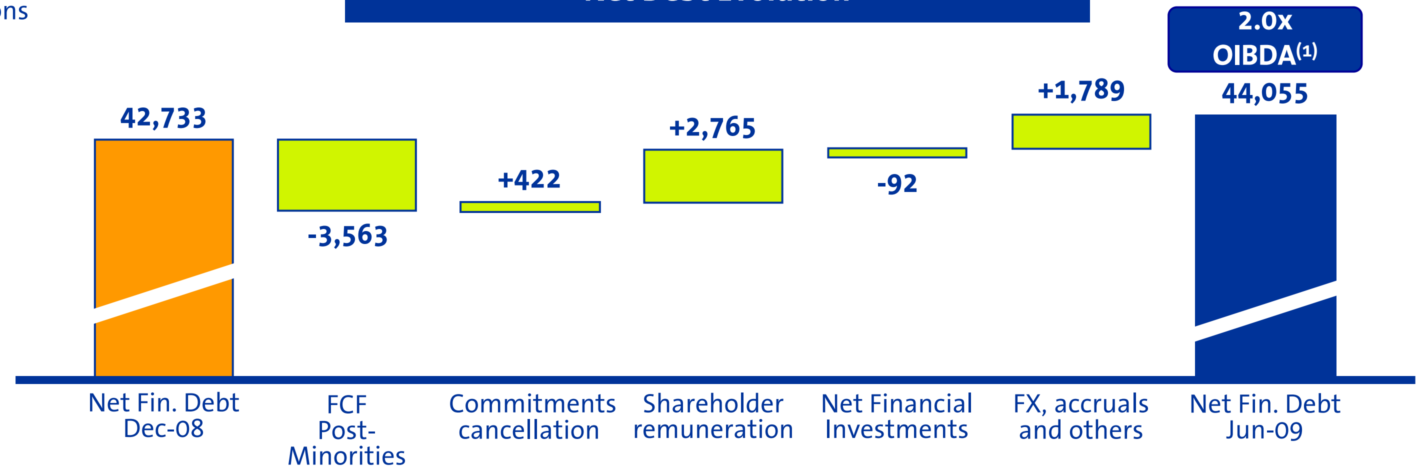
- **Continued mobile customer growth, leveraging differential voice & broadband propositions**
  - "O2 o" progressing well, gaining traction in the market
  - 0.3 p.p. churn reduction over Q1 09
  - Fastest UMTS network in Germany(1)
- **Improved y-o-y financial performance on solid foundations and focused commercial approach**
  - Enhanced mobile service revenue growth ex-regulatory drag (-2.4p.p. in Q2 09)
  - Robust growth in data revenues (+8.2% y-o-y in Q2 09)
  - Commercial model change reflected in improved profitability levels
  - Steady OpCF increase to € 77 m in H1 09

(1) According to www.umtsspeedtest.de

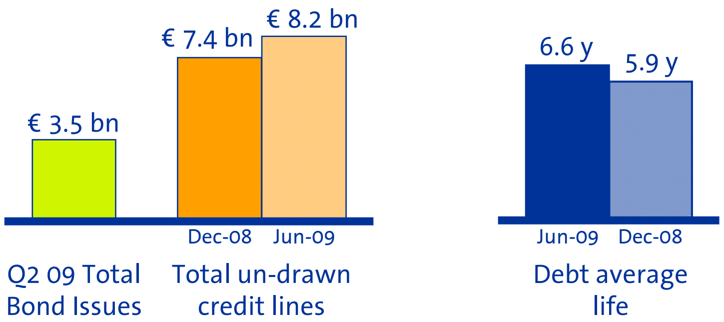
Longer maturity profile at a lower cost

Net Debt Evolution

€ in millions



2009 prudent financing activity, increasing debt average life and total credit lines



Lower cost of debt

	H1 09
Net interest Expenses	€ -1,221 m
FX results	€ -118 m
Total Financial Results	**€ -1,339 m**
Total Average Debt	€ 45,128 m
Effective interest rate **(FX result constant in the year)**	**5.7%**

- Combining improvement of liquidity profile and debt cost reduction
- Leverage target, including commitments, kept in the low part of our target range (2.1x OIBDA)

(1) Calculation based on H1 09 OIBDA figure annualized excluding results on the sale of fixed assets.

Closing remarks

- Solid set of results, Q2 09 trends in line with Q1 09 performance
- Positive organic revenue growth capitalizing on our diversification
- Robust profitability and ramp-up in organic OpCF generation driven by OpEx&CapEx discipline and economies of scale
- Double digit underlying increase in net income
- Strong balance sheet
- On track to meet 2009 guidance. Growing dividend policy confirmed

Telefónica