

TELEFONICA S A  
Form 6-K  
July 30, 2009

**Table of Contents**

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16**  
**of the Securities Exchange Act of 1934**  
**For the month of July, 2009**  
**Commission File Number: 001-09531**  
**Telefónica, S.A.**

(Translation of registrant's name into English)

**Distrito C, Ronda de la Comunicación s/n,**  
**28050 Madrid, Spain**  
**3491-482 85 48**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**Telefónica, S.A.**  
TABLE OF CONTENTS

| <b>Item</b>  | <b>Sequential<br/>Page<br/>Number</b> |
|--|---------------------------------------|
| <u>1. Telefónica Group: First half-yearly financial report</u> | 2                                     |

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**Table of Contents**

1. Telefónica Group: First half-yearly financial report  
Review Report  
TELEFÓNICA, S.A. AND SUBSIDIARIES  
Condensed Consolidated Interim Financial Statements and  
Consolidated Interim Management Report  
for the six-month period ended  
June 30, 2009

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**Table of Contents**

REPORT ON REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*Translation of a report and condensed consolidated interim financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails (see Note 14)*

To the Shareholders of

Telefónica, S.A., at the request of Management

1. We have carried out a review of the accompanying condensed consolidated interim financial statements (hereinafter the interim financial statements) of Telefónica, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group), which comprise the interim statement of financial position at June 30, 2009, the interim income statement, the interim statement of comprehensive income, the interim statement of changes in equity, the interim statement of cash flows, and selected explanatory notes, all of which have been consolidated, for the six-month period then ended. It is the Parent Company's directors' responsibility to prepare said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union for the preparation of condensed interim financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

2. Our review was performed in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity. A review of the interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying certain analytical and other review procedures. A review is substantially less in scope than an audit and therefore, does not enable us to obtain assurance that we have become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

3. As explained in the Note 2 of the accompanying interim financial statements, these statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the Group's consolidated financial statements for the year ended December 31, 2008.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid  
Inscrita en el Registro Mercantil de Madrid al  
Tomo 12749. Libro 0. Folio 215. Sección 8\*,  
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

**Table of Contents**

4. During the course of our review, which under no circumstances can be considered an audit of financial statements, nothing has come to our attention which would lead us to conclude that the accompanying condensed consolidated interim financial statements for the six-month period ended June 30, 2009 have not been prepared, in all material respects, in accordance with the requirements established by International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation condensed interim financial statements.

5. The accompanying consolidated interim management report for the six-month period ended June 30, 2009 contains such explanations as the Parent Company's directors consider necessary regarding the events which occurred during said period and their effect on the interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended June 30, 2009. Our work is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the consolidated companies' accounting records.

6. This report has been prepared at the request of Management of the Parent Company with regard to the publication of the semi-annual financial report required by article 35 of Securities Market Law 24/1988, of July 28, by Royal Decree 1362/2007, of October 19.

ERNST & YOUNG, S.L.

/s/ José Luis Perelli Alonso

José Luis Perelli Alonso

July 29, 2009

**Table of Contents**

**TELEFÓNICA GROUP  
CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS (CONDENSED ANNUAL ACCOUNTS) AND  
CONSOLIDATED INTERIM MANAGEMENT REPORT AS OF AND  
FOR THE SIX MONTHS ENDED JUNE 30, 2009**

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**Table of Contents****INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| (Millions of euros)                                 | Note | UNAUDITED<br>06/30/2009 | AUDITED<br>12/31/2008 |
|---|------|-------------------------|-----------------------|
| <b>A) NON-CURRENT ASSETS</b>                        |      | <b>82,721</b>           | <b>81,923</b>         |
| Intangible assets                                   | 6    | 16,115                  | 15,921                |
| Goodwill  | 6    | 19,214                  | 18,323                |
| Property, plant and equipment                       | 6    | 31,030                  | 30,545                |
| Investment properties                               |      | 5                       | 1                     |
| Investments in associates                           | 7    | 2,642                   | 2,777                 |
| Non-current financial assets                        | 9    | 6,647                   | 7,376                 |
| Deferred tax assets                                 |      | 7,068                   | 6,980                 |
| <b>B) CURRENT ASSETS</b>                            |      | <b>19,818</b>           | <b>17,973</b>         |
| Inventories   |      | 1,138                   | 1,188                 |
| Trade and other receivables                         |      | 9,864                   | 9,315                 |
| Current financial assets                            | 9    | 2,005                   | 2,216                 |
| Tax receivables                                     |      | 1,307                   | 970                   |
| Cash and cash equivalents                           | 9    | 5,498                   | 4,277                 |
| Non-current assets held for sale                    |      | 6                       | 7                     |
| <b>TOTAL ASSETS (A + B)</b>                         |      | <b>102,539</b>          | <b>99,896</b>         |
| <b>A) EQUITY</b>                                    |      | <b>18,600</b>           | <b>19,562</b>         |
| Equity attributable to equity holders of the parent |      | 16,157                  | 17,231                |
| Minority interests                                  |      | 2,443                   | 2,331                 |
| <b>B) NON-CURRENT LIABILITIES</b>                   |      | <b>57,879</b>           | <b>55,202</b>         |
| Interest-bearing debt                               | 9    | 47,521                  | 45,088                |
| Trade and other payables                            |      | 1,517                   | 1,117                 |
| Deferred tax liabilities                            |      | 3,698                   | 3,576                 |
| Provisions  |      | 5,143                   | 5,421                 |
| <b>C) CURRENT LIABILITIES</b>                       |      | <b>26,060</b>           | <b>25,132</b>         |
| Interest-bearing debt                               | 9    | 6,532                   | 8,100                 |
| Trade and other payables                            |      | 15,049                  | 13,651                |
| Current tax payables                                |      | 3,519                   | 2,275                 |

|   |                |               |
|---|----------------|---------------|
| Provisions                                  | 960            | 1,106         |
| <b>TOTAL EQUITY AND LIABILITIES (A+B+C)</b> | <b>102,539</b> | <b>99,896</b> |

Condensed notes 1 to 14 and Appendix I are an integral part of the interim consolidated statement of financial position.

**Table of Contents****INTERIM CONSOLIDATED INCOME STATEMENT**

| <b>Unaudited (Millions of euros)</b>                                      | <b>Note</b> | <b>Six months ended</b> |                |
|---|-------------|-------------------------|----------------|
|   |             | <b>June 30</b>          |                |
|   |             | <b>2009</b>             | <b>2008</b>    |
| Revenues from operations  | 5           | 27,588                  | 28,149         |
| Other Income  |             | 502                     | 957            |
| Supplies  |             | (8,004)                 | (8,662)        |
| Personnel expenses  |             | (3,260)                 | (3,389)        |
| Other expenses  |             | (5,887)                 | (5,932)        |
| <b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>              | <b>5</b>    | <b>10,939</b>           | <b>11,123</b>  |
| Depreciation and amortization   | 5           | (4,388)                 | (4,521)        |
| <b>OPERATING INCOME</b>   | <b>5</b>    | <b>6,551</b>            | <b>6,602</b>   |
| Share of profit (loss) of associates                                      |             | 30                      | (4)            |
| Finance income  |             | 340                     | 425            |
| Exchange gains  |             | 2,663                   | 2,811          |
| Finance expenses  |             | (1,561)                 | (1,829)        |
| Exchange losses   |             | (2,781)                 | (2,795)        |
| <b>Net financial expenses</b>   |             | <b>(1,339)</b>          | <b>(1,388)</b> |
| <b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>                       |             | <b>5,242</b>            | <b>5,210</b>   |
| Corporate income tax  |             | (1,559)                 | (1,520)        |
| <b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>                   |             | <b>3,683</b>            | <b>3,690</b>   |
| Profit for the period attributable to minority interest                   |             | (64)                    | (97)           |
| <b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b> |             | <b>3,619</b>            | <b>3,593</b>   |

|  |             |             |
|--|-------------|-------------|
| <b>Basic and diluted earnings per share attributable to equity holders of the parent (euros)</b> | <b>0.79</b> | <b>0.77</b> |
|--|-------------|-------------|

Condensed notes 1 to 14 and Appendix I are an integral part of the interim consolidated income statement.

**Table of Contents****INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| <b>Unaudited (Millions of euros)</b>   | <b>Six months ended June 30</b> |              |
|--|---------------------------------|--------------|
|  | <b>2009</b>                     | <b>2008</b>  |
| <b>Profit for the period</b>   | <b>3,683</b>                    | <b>3,690</b> |
| Gain (loss) on available-for-sale investments  | 257                             | (346)        |
| Reclassification adjustment for gains included in the income statement                     |                                 | (143)        |
| Income tax   | (51)                            | 32           |
|  | 206                             | (457)        |
| Gains on hedges arising during the period  | (1,082)                         | 235          |
| Reclassification adjustment for gains included in the income statement                     | (2)                             | 93           |
| Income tax   | 315                             | (98)         |
|  | (769)                           | 230          |
| Translation differences  | 1,369                           | (752)        |
| Actuarial gains and losses and impact of limit on assets for defined benefit pension plans | 12                              | 6            |
| Income tax   | (3)                             | (2)          |
|  | 9                               | 4            |
| Share of income (loss) directly recognized in equity of associates                         | (46)                            | (87)         |
| Income tax   | 3                               | 3            |
|  | (43)                            | (84)         |
| <b>Total comprehensive income recognized in the period, net of taxes</b>                   | <b>4,455</b>                    | <b>2,631</b> |
| Attributable to:   |                                 |              |
| <b>Equity holders of the parent</b>  | <b>4,148</b>                    | <b>2,427</b> |
| <b>Minority interests</b>  | <b>307</b>                      | <b>204</b>   |
|  | <b>4,455</b>                    | <b>2,631</b> |

Condensed notes 1 to 14 and Appendix I are an integral part of the interim consolidated statement of comprehensive income.

**Table of Contents****INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  | Attributable to equity holders of the parent |                |               |                     |                 |                   |                                |              |                                   |                |               | Minority interests | Total equity  |
|--|--|----------------|---------------|---------------------|-----------------|-------------------|--------------------------------|--------------|-----------------------------------|----------------|---------------|--------------------|---------------|
|  | Share capital                                | Share premiums | Legal reserve | Revaluation reserve | Treasury shares | Retained earnings | Available for sale investments | Hedge        | Equity of Translation differences | Total          |               |                    |               |
| <b>Financial position at December 31, 2008</b> | <b>4,705</b>                                 | <b>460</b>     | <b>984</b>    | <b>172</b>          | <b>(2,179)</b>  | <b>16,069</b>     | <b>(566)</b>                   | <b>1,413</b> | <b>(216)</b>                      | <b>(3,611)</b> | <b>17,231</b> | <b>2,331</b>       | <b>19,562</b> |
| Profit for the period                          |  |                |               |                     |                 | 3,619             |                                |              |                                   |                | 3,619         | 64                 | 3,683         |
| Other comprehensive income (loss)              |  |                |               |                     |                 | 9                 | 206                            | (770)        | (43)                              | 1,127          | 529           | 243                | 768           |
| <b>Total comprehensive income</b>              |  |                |               |                     |                 | <b>3,628</b>      | <b>206</b>                     | <b>(770)</b> | <b>(43)</b>                       | <b>1,127</b>   | <b>4,148</b>  | <b>307</b>         | <b>4,455</b>  |
| Movement in treasury shares                    |  |                |               |                     | (509)           |                   |                                |              |                                   |                | (509)         |                    | (509)         |
| Dividends declared                             |  |                |               |                     |                 | (4,551)           |                                |              |                                   |                | (4,551)       | (255)              | (4,806)       |
| Other movements                                |  |                |               |                     |                 | (162)             |                                |              |                                   |                | (162)         | 60                 | (102)         |
| <b>Financial position at June 30, 2009</b>     | <b>4,705</b>                                 | <b>460</b>     | <b>984</b>    | <b>172</b>          | <b>(2,688)</b>  | <b>14,984</b>     | <b>(360)</b>                   | <b>643</b>   | <b>(259)</b>                      | <b>(2,484)</b> | <b>16,157</b> | <b>2,443</b>       | <b>18,600</b> |
| <b>Financial position at December 31, 2007</b> | <b>4,773</b>                                 | <b>522</b>     | <b>984</b>    | <b>180</b>          | <b>(232)</b>    | <b>13,025</b>     | <b>457</b>                     | <b>463</b>   | <b>(144)</b>                      | <b>97</b>      | <b>20,125</b> | <b>2,730</b>       | <b>22,855</b> |
| Profit for the period                          |  |                |               |                     |                 | 3,593             |                                |              |                                   |                | 3,593         | 97                 | 3,690         |
| Other comprehensive income (loss)              |  |                |               |                     |                 | 4                 | (457)                          | 230          | (79)                              | (864)          | (1,166)       | 107                | (1,082)       |
| <b>Total comprehensive income</b>              |  |                |               |                     |                 | <b>3,597</b>      | <b>(457)</b>                   | <b>230</b>   | <b>(79)</b>                       | <b>(864)</b>   | <b>2,427</b>  | <b>204</b>         | <b>2,631</b>  |
| Movement in treasury shares                    |  | 1,074          |               |                     | (2,088)         | (232)             |                                |              |                                   |                | (1,246)       |                    | (1,246)       |
| Dividends declared                             |  |                |               |                     |                 | (1,869)           |                                |              |                                   |                | (1,869)       | (227)              | (2,096)       |
| Other movements                                |  |                |               |                     |                 | (1,060)           |                                |              |                                   |                | (1,060)       | 199                | (861)         |
| <b>Financial position at June 30, 2008</b>     | <b>4,773</b>                                 | <b>1,596</b>   | <b>984</b>    | <b>180</b>          | <b>(2,320)</b>  | <b>13,461</b>     |                                | <b>693</b>   | <b>(223)</b>                      | <b>(767)</b>   | <b>18,377</b> | <b>2,906</b>       | <b>21,283</b> |

Condensed notes 1 to 14 and Appendix I are an integral part of the interim consolidated statement of changes in equity.

**Table of Contents****INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

| <b>Unaudited (Millions of euros)</b>   | <b>Six months ended June 30</b> |                |
|--|---------------------------------|----------------|
|  | <b>2009</b>                     | <b>2008</b>    |
| Cash received from customers   | 32,650                          | 33,566         |
| Cash paid to suppliers and employees   | (22,842)                        | (24,318)       |
| Dividends received   | 88                              | 83             |
| Net interest and other financial expenses paid                                   | (1,366)                         | (1,819)        |
| Taxes paid   | (1,306)                         | (629)          |
| <b>Net cash from operating activities</b>  | <b>7,224</b>                    | <b>6,883</b>   |
| Proceeds on disposals of property, plant and equipment and intangible assets     | 234                             | 65             |
| Payments on investments in property, plant and equipment and intangible assets   | (4,063)                         | (3,767)        |
| Proceeds on disposals of companies, net of cash and cash equivalents disposed    | 12                              | 683            |
| Payments on investments in companies, net of cash and cash equivalents acquired  | (19)                            | (206)          |
| Proceeds on financial investments not included under cash equivalents            |                                 | 17             |
| Payments made on financial investments not included under cash equivalents       | (133)                           | (63)           |
| Payments made on cash surpluses not included under cash equivalents              | (650)                           | 48             |
| Capital grants received  | 19                              | 2              |
| <b>Net cash flows used in investing activities</b>                               | <b>(4,600)</b>                  | <b>(3,221)</b> |
| Dividends paid   | (2,330)                         | (1,915)        |
| Operations with equity holders   | (476)                           | (1,150)        |
| Proceeds on issue of debentures and bonds  | 4,186                           | 1,306          |
| Proceeds on loans, credits and promissory notes                                  | 570                             | 4,846          |
| Repayments of debentures and bonds   | (1,860)                         | (548)          |
| Repayments of loans, credits and promissory notes                                | (1,676)                         | (6,250)        |
| <b>Net cash flows used in financing activities</b>                               | <b>(1,586)</b>                  | <b>(3,711)</b> |
| <b>Effect of foreign exchange rate changes on collections and payments</b>       | <b>183</b>                      | <b>(86)</b>    |
| <b>Effect of changes in consolidation methods and other non-monetary effects</b> |                                 | <b>16</b>      |
| <b>Net (decrease)/increase in cash and cash equivalents during the period</b>    | <b>1,221</b>                    | <b>(119)</b>   |

|  |              |              |
|--|--------------|--------------|
| <b>Cash and cash equivalents at January 1</b>                                  | <b>4,277</b> | <b>5,065</b> |
| <b>CASH AND CASH EQUIVALENTS AT JUNE 30</b>                                    | <b>5,498</b> | <b>4,946</b> |
| <b>Reconciliation of cash and cash equivalents with the financial position</b> |              |              |
| <b>FINANCIAL POSITION AT JANUARY 1</b>   | <b>4,277</b> | <b>5,065</b> |
| Cash on hand and at banks  | 3,236        | 2,820        |
| Other cash equivalents   | 1,041        | 2,245        |
| <b>FINANCIAL POSITION AT JUNE 30</b>   | <b>5,498</b> | <b>4,946</b> |
| Cash on hand and at banks  | 3,421        | 2,557        |
| Other cash equivalents   | 2,077        | 2,389        |

Condensed notes 1 to 14 and Appendix I are an integral part of the interim consolidated statement of cash flows.

**Table of Contents**

**TELEFÓNICA, S.A. AND SUBSIDIARIES COMPOSING THE  
TELEFÓNICA GROUP**  
**CONDENSED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS (CONDENSED ANNUAL ACCOUNTS) FOR THE  
SIX MONTHS ENDED JUNE 30, 2009**

**(1) INTRODUCTION AND GENERAL INFORMATION**

***Telefónica Group organizational structure***

Telefónica, S.A. and its subsidiaries and investees make up an integrated group of companies (the Telefónica Group or the Group ) operating primarily in the telecommunications, media and contact center industries.

The parent company of the Group is Telefónica, S.A. ( Telefónica or the Company ), a public limited company incorporated for an indefinite period on April 19, 1924. Its registered office is at calle Gran Vía 28, Madrid (Spain).

***Corporate structure of the Group***

Telefónica s basic corporate purpose, pursuant to Article 4 of its bylaws, is the provision of all manner of public or private telecommunications services, including ancillary or complementary telecommunications services or related services. All the business activities that constitute this stated corporate purpose may be performed either in Spain or abroad and wholly or partially by the Company, either through shareholdings or equity interests in other companies or legal entities with an identical or a similar corporate purpose.

The Telefónica Group follows a regional, integrated management model based on three business areas by geographical market and combining the wireline and wireless telephony businesses:

Telefónica Spain

Telefónica Latin America

Telefónica Europe

The business activities carried out by most of the Telefónica Group companies are regulated by broad-ranging legislation, pursuant to which permits, concessions or licenses must be obtained in certain circumstances to provide the various services.

In addition, certain wireline and wireless telephony services are provided under regulated rate and price systems.

**Table of Contents**

**(2) BASIS OF PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements for the six months ended June 30, 2009 (the interim financial statements ) have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and Article 12 of Royal Decree 1362/2007. Therefore, it does not contain all the information and disclosures required in complete annual consolidated financial statements and, for adequate interpretation, it should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2008.

The accompanying interim financial statements were approved by the Company's Board of Directors at its meeting on July 29, 2009.

Unless indicated otherwise, the figures in this interim financial statements are expressed in millions of euros and rounded.

**(3) COMPARATIVE INFORMATION**

Comparative data in the interim financial statements refer to the six-month periods ended June 30, 2009 and 2008, except the statement of financial position, which compares data at June 30, 2009 to December 31, 2008.

The interim consolidated statement of comprehensive income and statement of changes in equity for the six months ended June 30, 2009 have been presented in accordance with amendment to IAS 1 *Revised Presentation of Financial Statements* (see Note 4). The information presented for the six months ended June 30, 2008 has been adapted accordingly.

Appendix I of the interim financial statements presents the main changes in consolidation scope occurring in the first half of 2009.

With respect to seasonality, the historical performance of consolidated results shows minimal variations in the Group's operations between the first and second half of the year.

**(4) ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the interim financial statements for the half-year end as of June 30, 2009 are consistent with those used in the preparation of the Group's annual financial statements for the year ended December 31, 2008, except for the adoption of new standards, amendments to standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union, effective as of January 1, 2009, noted below:

Amendment to IAS 23 *Borrowing costs (revised)*

The amendment consists of the elimination of the possibility to immediately recognise in profit or loss the borrowing costs related to the production or development of qualifying assets. This amendment has had no impact on the accounting policies applied by Telefónica.

**Table of Contents**

*Amendment to IAS 1 Presentation of Financial Statements (revised)*

The revised Standard separates owner from non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes presented as a single line. In addition, the Standard introduces the statement of comprehensive income which can be presented in one single statement or in two linked statements. Telefónica has elected to present two statements. This change is not mandatory but Telefónica has decided to use the proposed titles, which are:

statement of financial position, instead of balance sheet

income statement

statement of comprehensive income, instead of statement of recognized income and expense

statement of changes in equity instead of movements in equity

statement of cash flows instead of cash flow statement

*Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations*

This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is cancelled because a non-vesting condition is not met. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

*Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation*

These amendments include a limited scope exemption for puttable financial instruments to be classified as equity if they fulfill specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

*IFRIC 13, Customer loyalty programmes*

This interpretation establishes that entities that have programmes which award points or credits to their customers as the result of a commercial transaction, which in the future will be redeemed for free or discounted products or services, must treat these points as part of the commercial transaction that generates them. In other words, it is a transaction with multiple components, comprising the sale of the product or service itself and the sale of points or credits, therefore such that a part of the amount earned must be allocated to the points awarded and its recognition deferred until their redemption. The portion corresponding to the points will be determined by reference to their fair value. The adoption of this interpretation did not have a significant impact on the financial position or performance of the Group.

*Improvements of IFRSs (May 2008)*

These improvements establish a broad range of amendments to current IFRSs with the primary aim of removing inconsistencies and clarifying wording. These amendments have not had any impact on the financial position or performance of the Group.

**Table of Contents**

At the date of preparation of these interim financial statements, the following amendments and interpretations, effective for annual periods beginning on or after January 1, 2009, have been published by the IASB but not adopted by the European Union:

*Amendments to IFRS 7, Financial Instruments: Disclosures*

This amendment enhances the disclosure required about fair value measurements and liquidity risk. It adds the requirement to disclose any kind of change in the method of measuring fair value and the reasons behind it. Furthermore it establishes a three-tier hierarchy for fair value measurements.

*Amendments to IFRIC 9 and IAS 39, Embedded derivatives*

These amendments clarify the impact that a reclassification of a financial asset out of the *fair value through profit or loss* category has on the assessment of whether an embedded derivative shall be separated from its host contract. Additionally, it prohibits the reclassification when the embedded derivative is not subject to a separate valuation upon the moment of reclassification of a hybrid contract out of the aforementioned category.

*Amendment to IAS 39, regarding hedges between segments*

This amendment, embedded in the IFRS regarding Improvements to IFRSs published in April 2009, clarifies that entities cannot hedge inter-segment transactions, in line with IAS 39, which does not allow hedge accounting among entities in the same Group in consolidated financial statements.

The Group has assessed the impact of adoption of these amendments and interpretations and their adoption has not had a material effect on the consolidated financial statements in the period of their initial adoption.

The European Union has adopted IFRIC 16 *Hedges of a net investment in a foreign operation*, effective, at the latest, as of the beginning of the first annual accounting period beginning after June 30, 2009. This interpretation provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both, the hedging instrument and the net investment, to be recycled on disposal of the net investment. The Group has elected to early adopt this interpretation for the 2009 financial statements and its adoption did not have any impact on the financial position or performance of the Group.

In addition, the European Union has adopted IFRIC 12, *Service Concession Arrangements* applicable to annual periods beginning on or after March 29, 2009. This interpretation prescribes the accounting treatment applicable to the development, financing, operation and/or maintenance of infrastructure related to a provision of a public service where, according to the contract, the public entity controls or regulates what services the operator must provide and at what price, and any residual interest in the assets at the end of the term of the arrangement. A key feature of this Interpretation is the accounting treatment for the operator's rights to the infrastructure, providing two models based on the nature of the consideration received by the concessionaire. The adoption of this interpretation will not have any impact on the financial position or performance of the Group.

**Table of Contents**

*New standards, amendments and interpretations issued but not effective as at June 30, 2009*

At the time of publication of these interim financial statements, the following IFRSs, amendments to IFRIC and Interpretations were issued but not effective as at June 30, 2009:

| <b>Standards and amendments to standards</b> |  | <b>Effective for annual periods beginning on or after</b> |
|--|--|---|
| IFRS 3 Revised                               | <i>Business Combinations</i>                               | July 1, 2009  |
| Amendment to IAS 27                          | <i>Consolidated and Separate Financial Statements</i>      | July 1, 2009  |
| <i>Improvements to IFRSs (April 2009)</i>    |  | January 1, 2010 (*)                                       |
| Amendment to IAS 39                          | <i>Eligible hedged items</i>                               | July 1, 2009  |
| Amendment to IFRS 2                          | <i>Group cash-settled share based payment transactions</i> | January 1, 2010   |

(\*) The amendments to IFRS 2, IAS 38 (with respect to intangible assets acquired in business combinations), IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after July 1, 2009. Likewise, the additional guidance to the IAS 18 appendix regarding the principal/agent determination, does not establish effective date, as the appendix is not part of the standard.

**Effective for annual periods beginning on or**

**Interpretations**

**after**

|          |   |              |
|----------|---|--------------|
| IFRIC 17 | <i>Distributions of Non-cash Assets to Owners</i> | July 1, 2009 |
| IFRIC 18 | <i>Transfers of assets from customers</i>         | (**)         |

(\*\*) Effective for transfers received on or after July 1, 2009.

The Group is currently analyzing the impact of application of these standards, amendments and interpretations and it is expected that the application of the aforementioned standards, amendments and interpretations will not have a material impact on the consolidated financial statements in the period of their initial application.

**Table of Contents****(5) SEGMENT INFORMATION**

The following table presents profit and capital expenditure information regarding the Group's operating segments for the six months ended June 30, 2009 and 2008:

| Millions of euros                   | Six months ended June 30, 2009 |                                |                      |                           |                |
|-------------------------------------|--------------------------------|--------------------------------|----------------------|---------------------------|----------------|
|                                     | Telefónica<br>Spain            | Telefónica<br>Latin<br>America | Telefónica<br>Europe | Other and<br>eliminations | Total<br>Group |
| External sales                      | 9,615                          | 10,874                         | 6,533                | 566                       | 27,588         |
| Inter-segment sales                 | 142                            | 94                             | 38                   | (274)                     |                |
| Other operating income and expenses | (4,919)                        | (6,697)                        | (4,692)              | (341)                     | (16,649)       |
| <b>OIBDA (*)</b>                    | <b>4,838</b>                   | <b>4,271</b>                   | <b>1,879</b>         | <b>(49)</b>               | <b>10,939</b>  |
| Depreciation and amortization       | (1,067)                        | (1,805)                        | (1,451)              | (65)                      | (4,388)        |
| <b>OPERATING INCOME</b>             | <b>3,771</b>                   | <b>2,466</b>                   | <b>428</b>           | <b>(114)</b>              | <b>6,551</b>   |
| <b>INVESTMENTS IN FIXED ASSETS</b>  | <b>739</b>                     | <b>1,222</b>                   | <b>749</b>           | <b>73</b>                 | <b>2,783</b>   |
|                                     | Six months ended June 30, 2008 |                                |                      |                           |                |
| Millions of euros                   | Telefónica                     |                                |                      |                           |                |
|                                     | Telefónica<br>Spain            | Telefónica<br>Latin<br>America | Telefónica<br>Europe | Other and<br>eliminations | Total<br>Group |
| External sales                      | 10,176                         | 10,435                         | 6,983                | 555                       | 28,149         |
| Inter-segment sales                 | 155                            | 96                             | 23                   | (274)                     |                |
| Other operating income and expenses | (5,158)                        | (6,700)                        | (4,973)              | (195)                     | (17,026)       |
| <b>OIBDA (*)</b>                    | <b>5,173</b>                   | <b>3,831</b>                   | <b>2,033</b>         | <b>86</b>                 | <b>11,123</b>  |
| Depreciation and amortization       | (1,140)                        | (1,781)                        | (1,541)              | (59)                      | (4,521)        |
| <b>OPERATING INCOME</b>             | <b>4,033</b>                   | <b>2,050</b>                   | <b>492</b>           | <b>27</b>                 | <b>6,602</b>   |
| <b>INVESTMENTS IN FIXED ASSETS</b>  | <b>1,051</b>                   | <b>1,499</b>                   | <b>856</b>           | <b>44</b>                 | <b>3,450</b>   |

(\*) For the presentation of the segment reporting,

revenue and expenses arising from the use of the trademark and management contracts that do not affect the Group's consolidated results have been eliminated from the operating results of each segment.

**Table of Contents**

The following table compares segment assets, liabilities and investments in associates at June 30, 2009 and December 31, 2008.

| Millions of euros           | At June 30, 2009 |                          |                   |                        | Total Group |
|-----------------------------|------------------|--------------------------|-------------------|------------------------|-------------|
|                             | Telefónica Spain | Telefónica Latin America | Telefónica Europe | Other and eliminations |             |
| INVESTMENTS IN ASSOCIATES   | 100              | 125                      |                   | 2,417                  | 2,642       |
| NON-CURRENT ASSETS          | 14,034           | 23,109                   | 28,007            | 1,209                  | 66,359      |
| TOTAL ALLOCATED ASSETS      | 30,923           | 40,323                   | 33,947            | (2,654)                | 102,539     |
| TOTAL ALLOCATED LIABILITIES | 20,702           | 21,139                   | 7,082             | 35,016                 | 83,939      |

| Millions of euros           | At December 31, 2008 |                          |                   |                        | Total Group |
|-----------------------------|----------------------|--------------------------|-------------------|------------------------|-------------|
|                             | Telefónica Spain     | Telefónica Latin America | Telefónica Europe | Other and eliminations |             |
| INVESTMENTS IN ASSOCIATES   | 99                   | 107                      |                   | 2,571                  | 2,777       |
| NON-CURRENT ASSETS          | 14,372               | 21,959                   | 27,265            | 1,193                  | 64,789      |
| TOTAL ALLOCATED ASSETS      | 32,273               | 37,942                   | 32,726            | (3,045)                | 99,896      |
| TOTAL ALLOCATED LIABILITIES | 20,754               | 21,998                   | 6,420             | 31,162                 | 80,334      |

**6) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND GOODWILL**

The movements in Intangible assets and Property, plant and equipment in the first half of 2009 are as follows:

| Millions of euros                              | Intangible assets | Property, plant and equipment | Total         |
|--|-------------------|-------------------------------|---------------|
| <b>Financial position at December 31, 2008</b> | <b>15,921</b>     | <b>30,545</b>                 | <b>46,466</b> |
| Additions                                      | 551               | 2,232                         | 2,783         |
| Depreciation and amortization                  | (1,385)           | (3,003)                       | (4,388)       |
| Decreases                                      |                   | (34)                          | (34)          |
| Translation differences                        | 1,028             | 1,290                         | 2,318         |
| <b>Financial position at June 30, 2009</b>     | <b>16,115</b>     | <b>31,030</b>                 | <b>47,145</b> |

The movement in Goodwill in the first half of 2009 is as follows:

| <b>Millions of euros</b>                       | <b>Goodwill</b> |
|--|-----------------|
| <b>Financial position at December 31, 2008</b> | <b>18,323</b>   |
| Additions                                      | 50              |
| Translation differences                        | 841             |
| <b>Financial position at June 30, 2009</b>     | <b>19,214</b>   |

Noteworthy is the impact of translation differences on these three headings caused by fluctuations in the exchange rates of currencies of the countries where the Group operates.

**Table of Contents****7) RELATED PARTIES****Significant shareholders**

The main transactions carried out between Group companies and significant shareholders (Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and Caja de Ahorros y Pensiones de Barcelona (La Caixa), and their subsidiaries) are as follows:

| <b>Revenue and expenses</b><br><b>(Millions of euros)</b>          | <b>Six months ended June 30</b> |             |
|--|---------------------------------|-------------|
|  | <b>2009</b>                     | <b>2008</b> |
| Finance cost   | 18                              | 23          |
| Leases   | 2                               | 4           |
| Receipt of services  | 12                              | 8           |
| Other expenses   | 5                               | 2           |
| <b>EXPENSES</b>  | <b>37</b>                       | <b>37</b>   |
| Finance revenue  | 25                              | 38          |
| Dividends received   | 3                               | 15          |
| Services rendered  | 98                              | 116         |
| Sale of goods (finished or in progress)                            | 5                               | 23          |
| Other income   | 4                               |             |
| <b>REVENUE</b>   | <b>135</b>                      | <b>192</b>  |
| <b>Other transactions</b><br><b>(Millions of euros)</b>            | <b>Six months ended June 30</b> |             |
|  | <b>2009</b>                     | <b>2008</b> |
| Finance arrangements: loans and capital contributions (lender)     | 1,001                           | 1,378       |
| Sale of PP&E, intangible or other assets                           |                                 |             |
| Finance arrangements: loans and capital contributions (loanee)     | 933                             | 625         |
| Finance leases (leasee)  | 20                              | 15          |
| Repayment or cancellation of loans and lease arrangements (leasee) | 1                               | 2           |
| Guarantees and deposits given                                      | 13                              | 18          |
| Guarantees and deposits received                                   | 1                               | 4           |
| Dividends and other earnings distributed                           | 275                             | 232         |
| Other transactions (derivatives)                                   | 9,553                           | 7,442       |

**Table of Contents****Associates**

The breakdown of amounts recognized in the consolidated statement of financial position corresponding to associates is as follows:

| <b>(Millions of euros)</b>                         | <b>6/30/2009</b> | <b>12/31/2008</b> |
|--|------------------|-------------------|
| Investments in associates                          | 2,642            | 2,777             |
| Long-term loans to associates                      | 52               | 49                |
| Short-term loans to associates                     | 68               | 77                |
| Receivables from associates for current operations | 133              | 120               |
| Loans granted by associates                        | 88               | 109               |
| Payables to associates from current operations     | 63               | 73                |

The main transactions carried out with associates in the first half of 2009 and 2008 are as follows:

| <b>Millions of euros</b>                 | <b>Six months ended June 30</b> |             |
|--|---------------------------------|-------------|
|  | <b>2009</b>                     | <b>2008</b> |
| Revenue from operations with associates  | 100                             | 84          |
| Expenses from operations with associates | 260                             | 239         |

Deposits given by the Group to associates at June 30, 2009 amounts to 356 million euros.

**Joint ventures**

On December 27, 2002, Telefónica Móviles, S.A. (now Telefónica, S.A.) and PT Movéis Serviços de Telecomunicações, SGPS, S.A. (PT Movéis) set up a 50/50 joint venture, Brasilcel, N.V., (VIVO Group) via the contribution of 100% of the groups' direct and indirect shares in Brazilian cellular operators. This company is consolidated in the consolidated financial statements of the Telefónica Group by the proportionate method.

The contributions of Brasilcel, N.V. to the Telefónica Group's consolidated statement of financial position at June 30, 2009 and December 31, 2008 are as follows:

| <b>Millions of euros</b> | <b>06/30/2009</b> | <b>12/31/2008</b> |
|--------------------------|-------------------|-------------------|
| Current assets           | 1,187             | 1,234             |
| Non-current assets       | 5,356             | 4,616             |
| Current liabilities      | 1,214             | 1,351             |
| Non-current liabilities  | 1,452             | 1,212             |

**Table of Contents**

In addition, the main contributions to operating income in the consolidated income statements for the six-month periods ended June 30, 2009 and 2008 are as follows:

| <b>Millions of euros</b> | <b>Six months ended June 30</b> |             |
|--------------------------|---------------------------------|-------------|
|                          | <b>2009</b>                     | <b>2008</b> |
| Revenue from operations  | 1,248                           | 1,243       |
| Expenses from operations | 953                             | 1,144       |

**Directors and senior executives compensation and other information**

The following table presents the compensation and other benefits paid to members of the Board of Directors in the first six months of 2009 and 2008 in accordance with the disclosure established in *Circular 1/2008, of January 30, of the Spanish National Securities Market Commission (la Comisión Nacional del Mercado de Valores) on interim financial reporting by issuers of securities.*

| <b>Directors:</b><br><i>(Thousands of euros)</i> | <b>Six months ended June 30</b> |               |
|--|---------------------------------|---------------|
|  | <b>2009</b>                     | <b>2008</b>   |
| Fixed remuneration                               | 5,387                           | 4,638         |
| Variable remuneration                            | 8,058                           | 7,886         |
| Attendance fees                                  | 131                             | 108           |
| Other (1)  | 1,219                           | 831           |
| <b>TOTAL</b>                                     | <b>14,795</b>                   | <b>13,463</b> |

- (1) Other includes amounts paid for:
- (i) general medical and dental insurance;
  - (ii) fees for membership to the Catalonia, Andalusia and Valencia advisory committees; and
  - (iii) contributions by the Telefónica Group to the Pension Plan for Managers (Retirement Plan).

| <b>Other directors benefits</b><br><i>(Thousands of euros)</i> | <b>Six months ended June 30</b> |             |
|--|---------------------------------|-------------|
|  | <b>2009</b>                     | <b>2008</b> |
| Pension plans and funds: contributions                         | 20                              | 19          |
| Life insurance premiums  | 106                             | 90          |
| <b>TOTAL</b>   | <b>126</b>                      | <b>109</b>  |

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The following table presents the total remuneration paid to the Company's senior executives (excluding those who are also members of the Board of Directors) in the first six months of 2009 and 2008.

| <b>Senior executives:</b><br><i>(Thousands of euros)</i> | <b>Six months ended June 30</b> |             |
|--|---------------------------------|-------------|
|  | <b>2009</b>                     | <b>2008</b> |
| Total remuneration received by senior executives         | 7,624                           | 10,582      |

- 16 -

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**Table of Contents****8) SHAREHOLDERS REMUNERATION****Dividends**

The following dividends were paid in the first half of 2009 and 2008:

|   | Six months ended June 30, 2009 |                       |                | Six months ended June 30, 2008 |                       |                |
|---|--------------------------------|-----------------------|----------------|--------------------------------|-----------------------|----------------|
|   | %<br>of<br>nominal             | Euros<br>per<br>share | Amount<br>paid | %<br>of<br>nominal             | Euros<br>per<br>share | Amount<br>paid |
| Millions of euros                       |                                |                       |                |                                |                       |                |
| Interim dividend from 2009              | 50%                            | 0.50                  | 2,277          |                                |                       |                |
| Dividends charged to voluntary reserves |                                |                       |                | 40%                            | 0.40                  | 1,869          |

In addition, at the General Shareholders Meeting of June 23, 2009, approval was given to pay a gross 0.50 euro dividend per outstanding share charged against unrestricted reserves up to a maximum of 2,352 million euros. This dividend will be payable on November 11, 2009. The amount pending payment is recognized in Trade and other payables under current liabilities in the accompanying consolidated statement of financial position.

**Treasury shares**

The following transactions were carried out involving treasury shares in the first half of 2009 and 2008:

|   |                    |
|---|--------------------|
| <b>Treasury shares at December 31, 2008</b> | <b>125,561,011</b> |
| Acquisitions                                | 32,809,322         |
| <b>Treasury shares at June 30, 2009</b>     | <b>158,370,333</b> |
| <b>Treasury shares at December 31, 2007</b> | <b>64,471,368</b>  |
| Acquisitions                                | 62,216,603         |
| Disposals                                   | (68,759)           |
| <b>Treasury shares at June 30, 2008</b>     | <b>126,619,212</b> |

At June 30, 2009 and 2008, the Group held options on 11 million and 36 million Telefónica, S.A. shares, respectively. On June 30, 2009 the first phase of the share-based payment plan involving Telefónica, S.A. shares ended. This phase entails the delivery of up to 6,530,615 shares to Telefónica Group managers and is fully hedged with an instrument that at June 30, 2009 was recognized under Treasury shares in the accompanying consolidated statement of changes in equity.

At the General Shareholders Meeting of Telefónica, S.A. on June 23, 2009 an agreement was reached to reduce capital by means of the cancellation of 141,000,000 treasury shares. This capital decrease is pending to be formally carried out as of the date of approval of these interim financial statements.



**Table of Contents**

Furthermore, at the General Shareholders Meeting of Telefónica, S.A. on April 22, 2008 an agreement was reached to reduce capital by means of the cancellation of 68,500,000 treasury shares. This capital decrease was formally carried out on July 18, 2008.

**9) FINANCIAL ASSETS AND LIABILITIES**

The breakdown of the Telefónica Group's financial assets and liabilities by category at June 30, 2009 and December 31, 2008 is as follows:

| Millions of euros             | At June 30, 2009                  |                   |                    |                |              | Total carrying amount |
|-------------------------------|-----------------------------------|-------------------|--------------------|----------------|--------------|-----------------------|
|                               | Fair value through profit or loss |                   | Available-for-sale | Amortized cost | Hedges       |                       |
|                               | Held for trading                  | Fair value option |                    |                |              |                       |
| Non-current financial assets  | 985                               | 134               | 2,451              | 1,544          | 1,533        | 6,647                 |
| Investments                   |                                   |                   | 1,698              |                |              | 1,698                 |
| Long-term credits             |                                   | 134               | 753                | 803            |              | 1,690                 |
| Long-term prepayments         |                                   |                   |                    | 94             |              | 94                    |
| Deposits and guarantees       |                                   |                   |                    | 826            |              | 826                   |
| Derivative instruments        | 985                               |                   |                    |                | 1,533        | 2,518                 |
| Provisions                    |                                   |                   |                    | (179)          |              | (179)                 |
| Current financial assets      | 905                               | 189               | 143                | 698            | 70           | 2,005                 |
| Cash and cash equivalents     |                                   |                   |                    | 5,498          |              | 5,498                 |
| <b>Total financial assets</b> | <b>1,890</b>                      | <b>323</b>        | <b>2,594</b>       | <b>7,740</b>   | <b>1,603</b> | <b>14,150</b>         |

| Millions of euros                  | At June 30, 2009                  |                   |                |              | Total carrying amount |
|------------------------------------|-----------------------------------|-------------------|----------------|--------------|-----------------------|
|                                    | Fair value through profit or loss |                   | Amortized cost | Hedges       |                       |
|                                    | Held for trading                  | Fair value option |                |              |                       |
| Issues                             |                                   |                   | 31,680         |              | 31,680                |
| Interest-bearing debt              | 567                               |                   | 19,255         | 2,363        | 22,185                |
| Other financial liabilities        |                                   |                   | 188            |              | 188                   |
| <b>Total financial liabilities</b> | <b>567</b>                        |                   | <b>51,123</b>  | <b>2,363</b> | <b>54,053</b>         |

**Table of Contents**

At December 31, 2008

| Millions of euros             | Fair value through profit or loss |                   | Available-for-sale | Amortized cost | Hedges       | Total carrying amount |
|-------------------------------|-----------------------------------|-------------------|--------------------|----------------|--------------|-----------------------|
|                               | Held for trading                  | Fair value option |                    |                |              |                       |
| Non-current financial assets  | 1,182                             | 92                | 2,327              | 1,371          | 2,404        | 7,376                 |
| Investments                   |                                   |                   | 1,584              |                |              | 1,584                 |
| Long-term credits             |                                   | 88                | 743                | 771            |              | 1,602                 |
| Long-term prepayments         |                                   |                   |                    | 92             |              | 92                    |
| Deposits and guarantees       |                                   |                   |                    | 905            |              | 905                   |
| Derivative instruments        | 1,182                             | 4                 |                    |                | 2,404        | 3,590                 |
| Provisions                    |                                   |                   |                    | (397)          |              | (397)                 |
| Current financial assets      | 700                               | 273               | 181                | 674            | 388          | 2,216                 |
| Cash and cash equivalents     |                                   |                   |                    | 4,277          |              | 4,277                 |
| <b>Total financial assets</b> | <b>1,882</b>                      | <b>365</b>        | <b>2,508</b>       | <b>6,322</b>   | <b>2,792</b> | <b>13,869</b>         |

At December 31, 2008

| Millions of euros                  | Fair value through profit or loss |                   | Amortized cost | Hedges       | Total carrying amount |
|------------------------------------|-----------------------------------|-------------------|----------------|--------------|-----------------------|
|                                    | Held for trading                  | Fair value option |                |              |                       |
| Issues                             |                                   |                   | 30,079         |              | 30,079                |
| Interest-bearing debt              | 1,013                             | 3                 | 19,930         | 1,980        | 22,926                |
| Other financial liabilities        |                                   |                   | 183            |              | 183                   |
| <b>Total financial liabilities</b> | <b>1,013</b>                      | <b>3</b>          | <b>50,192</b>  | <b>1,980</b> | <b>53,188</b>         |

The change in Available-for-sale assets mainly relates to the changes in the market values of these investments.

**Table of Contents**

The movements in the Group's issues in the six-month periods ended June 30, 2009 and 2008 are as follows:

| <b>Issues (Millions of euros)</b>  | <b>Balance at<br/>12/31/2008</b> | <b>Issues</b> | <b>Repurchases<br/>or<br/>redemptions</b> | <b>Exchange-rate<br/>effects and<br/>other</b> | <b>Balance at<br/>06/30/2009</b> |
|--|----------------------------------|---------------|---|--|----------------------------------|
| Debt securities issued in a EU Member State requiring the registry of a prospectus     | 19,632                           | 4,044         | (1,624)                                   | (584)  | 21,468                           |
| Debt securities issued in a EU Member State not requiring the registry of a prospectus | 174                              |               |   | 5  | 179                              |
| Other debt securities issued outside an EU Member State                                | 10,273                           | 263           | (760)                                     | 257  | 10,033                           |
| <b>TOTAL</b>   | <b>30,079</b>                    | <b>4,307</b>  | <b>(2,384)</b>                            | <b>(322)</b>                                   | <b>31,680</b>                    |

| <b>Issues (Millions of euros)</b>  | <b>Balance at<br/>12/31/2007</b> | <b>Issues</b> | <b>Repurchases<br/>or<br/>redemptions</b> | <b>Exchange-rate<br/>effects and<br/>other</b> | <b>Balance at<br/>06/30/2008</b> |
|--|----------------------------------|---------------|---|--|----------------------------------|
| Debt securities issued in a EU Member State requiring the registry of a prospectus     | 19,598                           | 1,250         | (960)                                     | (552)  | 19,336                           |
| Debt securities issued in a EU Member State not requiring the registry of a prospectus | 173                              |               |   | (10)   | 163                              |
| Other debt securities issued outside an EU Member State                                | 10,286                           | 68            | (15)                                      | (526)  | 9,813                            |
| <b>TOTAL</b>   | <b>30,057</b>                    | <b>1,318</b>  | <b>(975)</b>                              | <b>(1,088)</b>                                 | <b>29,312</b>                    |

The description of the conditions of the main issues or redemptions in the first half of 2009 is as follows:

| <b>Name of issuer</b>   | <b>ISIN<br/>code</b> | <b>Issue/<br/>Cancellation</b> | <b>Type of security</b> | <b>Transaction<br/>date</b> | <b>Nominal<br/>amount</b> | <b>Issue<br/>currency</b> | <b>Outstanding<br/>balance</b> | <b>Interest<br/>rate</b> | <b>Listing<br/>market</b> |
|-------------------------|----------------------|--------------------------------|-------------------------|-----------------------------|---------------------------|---------------------------|--------------------------------|--------------------------|---------------------------|
| Telefónica, S.A.        | ES0278430931         | Cancellation                   | Bond                    | 04/14/2009                  | (25009)                   | EUR                       |                                | 4.500%                   | AIAF                      |
| Telefónica, S.A.        | ES0278430949         | Cancellation                   | Bond                    | 06/30/2009                  | (23009)                   | EUR                       |                                | 6.038%                   | AIAF                      |
| T. Emisiones,<br>S.A.U. | XS0410258833         | Issue                          | Bond                    | 02/03/2009                  | 2009                      | EUR                       | 2,038                          | 5.431%                   | London                    |
| T. Emisiones,<br>S.A.U. | XS0419264063         | Issue                          | Bond                    | 04/01/2009                  | 2009                      | EUR                       | 1,010                          | 5.496%                   | London                    |
| T. Emisiones,<br>S.A.U. | XS0430789411         | Issue                          | Bond                    | 06/03/2009                  | 2009                      | EUR                       | 522                            | 5.496%                   | London                    |
| T. Emisiones,<br>S.A.U. | XS0430779537         | Issue                          | Bond                    | 06/02/2009                  | 2009                      | EUR                       | 400                            | Euribor%<br>(3m)+        | London                    |

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|                         |              |              |                  |             |     |     |                                  |        |
|-------------------------|--------------|--------------|------------------|-------------|-----|-----|----------------------------------|--------|
| T. Emisiones,<br>S.A.U. | US87938WAD56 | Cancellation | Bond             | 06/10/2009  | USD |     | 1.825<br>Libor<br>(3m)+<br>0.30% | NYSE   |
| T. Emisiones,<br>S.A.U. | XS0293449574 | Cancellation | Bond             | 03/30/2009  | EUR |     | Euribor<br>(3m)+<br>0.13%        | London |
| Telefónica, S.A.        | Misc.        | Issue        | Promissory note  | Misc. 674   | EUR | 124 | 1.522%                           | AIAF   |
| Telefónica, S.A.        | Misc.        | Issue        | Promissory note  | Misc. 569   | EUR | 190 | 1.702%                           | AIAF   |
| Telefónica, S.A.        | Misc.        | Cancellation | Promissory note  | Misc(1,137) | EUR |     | 3.186%                           | AIAF   |
| Telefónica, S.A.        | Misc.        | Cancellation | Promissory note  | Misc. (531) | EUR |     | 2.478%                           | AIAF   |
| T. Europe, B.V.         | Misc.        | Issue        | Commercial Paper | Misc.2,669  | EUR | 951 | 1.4179%                          | N/A    |
| T. Europe, B.V.         | Misc.        | Cancellation | Commercial Paper | Misc(2,563) | EUR |     | 2.3155%                          | N/A    |

The credit rating of all the issuers is A-/A-/Baa1 .

**Table of Contents**

Additionally, on February 13, 2009, Telefónica, S.A. executed, with a group of participating banks in the 6,000 million syndicated line of credit dated June 28, 2005 maturing on June 28, 2011, an extension of 4,000 million euros of the 6,000 million euros available at such date, for an additional period of one year for 2,000 million euros and two years for the remaining 2,000 million euros.

Telefónica, S.A. has provided a full and unconditional guarantee on the issues of Telefónica Emisiones, S.A.U. and Telefónica Europe, B.V., 100% owned subsidiaries of Telefónica, S.A.

**10) AVERAGE NUMBER OF GROUP EMPLOYEES**

The Group's average headcount in the first half of 2009 and 2008 is as follows:

| <b>Average number of employees</b> | <b>At June 30, 2009</b> | <b>At June 30, 2008</b> |
|------------------------------------|-------------------------|-------------------------|
| Men                                | 127,119                 | 124,211                 |
| Women                              | 128,463                 | 125,674                 |
| <b>Total</b>                       | <b>255,582</b>          | <b>249,885</b>          |

The average number of employees at the various companies of the Atento Group performing contact center activities was 130,642 and 125,404 at June 30, 2009 and 2008, respectively.

**11) INCOME TAX**

The accompanying interim consolidated income statements do not show material differences in the effective tax rate for the six month periods ended June 30, 2009 and 2008. The difference that would have arisen had the legal tax rates prevailing in each of the countries where the Telefónica Group operates been applied is mainly the result of tax incentives and nondeductible expenses as indicated by the various tax authorities.

**12) OTHER INFORMATION**

With regard to ongoing litigation and commitments, the main developments in the first six months of 2009 in the litigation reported in Note 21.a) and the commitments reported in Note 21.b) to the consolidated annual financial statements for the year ended December 31, 2008, in accordance with their status at June 30, 2009 are as follows:

**Claim before the ICSID**

With the last of the extensions granted on April 6, 2009 having expired, the parties jointly informed the Arbitration Court that they are in advanced talks regarding an agreement that would put an end to the arbitration proceedings.

**Cancellation of the UMTS license granted to Quam GMBH in Germany.**

The appeal lodged by Quam GMBH against the ruling by the Cologne Administrative Court rejecting its petition to overturn the order canceling the license and the partial or total repayment of the original amount paid for the license was rejected by the Supreme Administrative Court of North Rhine-Westphalia. Quam GmbH is deciding whether to file a new appeal in a third instance against this ruling.

**Table of Contents**

**Proceeding before the Prague District Court against the ruling of the Czech Telecommunications Office dated December 22, 2003.**

Regarding the suit filed by T-Mobile before Prague District Court 3 demanding execution of the ruling of December 23, 2003 entailing an amount of approximately 1,859 million Czech crowns in principal and interest (approximately 57.3 million euros) and in order to pre-empt the impact of a potential execution and lift the precautionary embargo on Telefónica O2 Czech Republic's assets, this company paid the amount.

Nonetheless, the procedure went through the courts and in April 2009, T-Mobile and Telefónica O2 Czech Republic reached an agreement that put an end to the procedure and entailed the reimbursement by T-Mobile of approximately 1,053 million Czech crowns (approximately 40 million euros) to Telefónica O2 Czech Republic.

**Litigation initiated by the Sao Paulo Governmental Authority**

The litigation has been initiated by the Sao Paulo Governmental Authority for the alleged malfunctioning of services provided by Telecomunicaciones de Sao Paulo, S.A. (Telesp), and seeks that compensation be provided to affected customers. Such Governmental Authority has made a general estimate of the claim in the amount of 1,000 million Brazilian Reais, the calculation of which has been based on the revenues of the company for the past five years. The eventual assumption of responsibility by Telesp will be made in the form of payment of the requested compensation to each affected customer. The estimated exposure regarding this litigation is not estimable at this time.

The contingencies arising from the litigation and commitments described above were evaluated in the preparation of the interim financial statements at June 30, 2009, as described in the consolidated financial statements for the year ended December 31, 2008, and the provisions recorded with respect to the commitments taken as a whole are not material.

**13) SUBSEQUENT EVENTS**

The following events regarding the Group took place between the closing date of the accompanying interim consolidated financial statements and July 29, 2009:

On July 6, 2009, under the debt issuance programme registered with the Securities and Exchange Commission on May 8, 2009, issuances were made in a nominal amount of 2,250 million dollars, structured in two tranches: (1) a first tranche in a nominal amount of 1,250 million dollars with an annual coupon rate of 4.949% payable semi-annually and maturing on January 15, 2015 and (2) a second tranche in a nominal amount of 1,000 million dollars with an annual coupon rate of 5.877% payable semi-annually and maturing on July 15, 2019.

**14) ADDITIONAL NOTE FOR ENGLISH TRANSLATION**

These interim financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

These interim financial statements are presented on the basis of International Accounting Standard (IAS) 34 Interim Financial Reporting and Article 12 of Royal Decree 1362/2007. Consequently, certain accounting practices applied by the Group do not conform with generally accepted accounting principles in other countries.



**Table of Contents**

**ANNEX I: CHANGES IN THE CONSOLIDATION PERIMETER**

From the date of approval of the 2008 consolidated financial statements, the following changes have occurred in the consolidation perimeter:

**Telefónica O2 Europe**

The companies BT Cellnet Ltd and SPT Telecom Finance, B.V. have been disposed of. Both entities, previously incorporated in the consolidated financial statements of the Telefónica Group under the global integration method, have caused a decrease in the consolidation perimeter.

**Telefónica Latin America**

Due to the merger between Telefónica Móviles Perú Holding, S.A.A. (TMPH) and Telefónica del Perú, S.A.A. (TdP), the legal formation of TMPH has been dissolved, as the entity has been absorbed by TdP effective December 31, 2008. As such, TdP became a shareholder of Telefónica Móviles, S.A. (TM), with ownership of 14,992,457,864 voting shares of the share capital of TM. Telefónica Group holds 99.9953% of the total shares issued. TMPH, which was incorporated in the consolidated financial statements of the Telefónica Group under the global integration method, has caused a decrease in the consolidation perimeter.

**Other entities**

In the month of February 2009 the entity Telefónica International Wholesale Services II, S.L was created with an initial capital of 3,006 euros, fully subscribed and paid by Telefónica, S.A. The entity, which has been incorporated in the consolidated financial statements of the Telefónica Group under the global integration method, has caused an increase in the consolidation perimeter.

Table of Contents

**INTERIM CONSOLIDATED MANAGEMENT REPORT  
TELEFÓNICA GROUP**

*Consolidated Results*

The structure of the Telefónica Group by business unit (Telefónica España, Telefónica Latinoamérica and Telefónica Europe), in line with the current integrated, regional management model, means that the legal structure of the companies is not relevant for the presentation of Group financial information. Therefore, the operating results of each of these business units are presented independently, regardless of their legal structure. In line with this organisation, Telefónica has included in the Telefónica España and Telefónica Latinoamérica regional businesses units all information pertaining to the wireline, wireless, cable, Internet and TV businesses. Furthermore, the results for Telefónica Europe include those of Telefónica O2 UK, Telefónica O2 Germany, Telefónica O2 Ireland, Telefónica O2 Czech Republic and Telefónica O2 Slovakia.

The **Other companies** heading includes the Atento business and other holding companies and eliminations in the consolidation process.

For the purpose of presenting information on a regional basis, revenue and expense resulting from intra-group invoicing for use of the brand and management contracts which do not have an impact on consolidated results have been excluded from the operating results for each Group region.

As of 31 December 2007, in order to align the criteria for the key performance indicators of the mobile operations of the Group, the series of mobile accesses and therefore the total Group accesses have been revised, including machine to machine accesses, thus reporting ARPU and churn figures accordingly. Furthermore, in order to avoid the distortion on MoU of the strong growth of mobile devices which mostly use data services (M2M and mobile broadband devices), the Company has decided to publish the traffic evolution in absolute terms (million minutes), using this indicator to replace the previous MoU metric. In addition, the accounting criteria for prepaid access in the Czech Republic and Slovakia have been modified to align them, changing from 13 months (registered) to three months (active), thus reporting ARPU and churn figures accordingly.

Revenues in the first half of 2009 stood at 27,588 million euros (-2.0% year-on-year) mainly by revenue performance at Telefónica Latinoamérica.

In terms of services, the Company consolidated its positive evolution in broadband connectivity revenues, both wireline and wireless, while the revenue contribution from value added services continued to grow, showing the successful commercial strategy of the Company.

**Operating income before depreciation and amortisation (OIBDA)** reached 10,939 million euros at the end of June (-1.7% year-on-year).

It is noteworthy the acceleration of **operating cash flow (OIBDA-CapEx)** year-on-year growth, totalling 8,156 million euros in the first half, an increase of 6.3% versus the first half of 2008.

At the same time, the Company's focus on capturing growth in expanding markets led to a 7.6% rise in the **total number of accesses** for the Telefónica Group compared to the first half of 2008, to close to 264 million. This increase was underpinned by the rise in wireless (+9.9%), broadband (+14.1%) and pay TV (+19.4%) accesses. By region, Telefónica Latinoamérica's contribution to growth in Group accesses continues to rise, with 160.8 million accesses across the region by the end of June (up +8.7% on June 2008).

**Table of Contents**

By type of access, the Telefónica Group's **wireless accesses** exceeded 200 million at the end of June, with net adds of slightly more than 5 million customers in the first half of 2009. The main drivers of net adds in the first half were Brazil (1.9 million), Germany (0.7 million), Mexico (0.6 million) and the United Kingdom (0.4 million).

**Retail internet broadband accesses** stood at 13.1 million, a year-on-year increase of 14.1%, driven by the growing adoption of bundled voice, ADSL and pay-TV service packages. In Spain over 86% of retail broadband accesses are bundled as part of some kind of dual or triple service offers, while in Latin America 51% of broadband accesses are bundled as part of a dual or triple package. In the first half net adds were close to 0.6 million accesses, most of which were in Brazil and the United Kingdom.

**Pay TV accesses reached** 2.4 million by the end of June, almost 19.4% more than a year ago. It is worth mentioning that the Company now has pay TV operations up and running in Spain, the Czech Republic, Peru, Chile, Colombia, Brazil and Venezuela.

Reported **revenue** fell by 2.0% compared to the first half of 2008, mainly as a result of the negative exchange rate effect, which reduced growth by 3.6 percentage points. Changes in the perimeter of consolidation added a further 0.2 percentage points to revenue growth.

In absolute terms, Telefónica Latinoamérica's contribution to total Group revenue continued to grow, rising to 39.8% (+2.3 percentage points compared to the same period in 2008), while Telefónica España and Telefónica Europe contributed 35% and 24% of total revenue respectively.

The Telefónica Group reported **operating expenses** in the first half of 17,044 million euros, down 4.5% year-on-year. Excluding the exchange rate effect, operating expenses fell by 0.3% on a year-on-year basis, as the higher expenses from Telefónica Latinoamérica coming mainly from Brazil (higher customer service, systems and network maintenance costs) and Venezuela (higher external services) are offset by lower expenses at T. España (lower supply costs and less commercial costs).

At the end of June, **supply costs** fell by 7.6% year-on-year to 8,004 million euros. Excluding the exchange rate effect, supply costs declined by 2.8% due to cost reductions at Telefónica España, caused mainly by lower interconnection and lower handset purchases and, to a lesser degree, at Telefónica Latinoamérica, which offset increased costs at Telefónica Europe.

**Personnel expenses** dropped 3.8% year-on-year to 3,260 million euros (-0.8% in constant euros). The average headcount during the period was 255,582, an increase of 5,697 employees compared to June 2008, mainly due to the expansion of the Atento Group workforce. Excluding the Atento Group workforce, the average number of employees at the Telefónica Group was virtually stable year-on-year at 124,940.

**External service expenses** (4,780 million euros) fell by 3.3% year-on-year. Excluding the exchange rate effect, external service expenses rose by 0.8%, mainly due to increased expenses at Telefónica Latinoamérica mostly from higher commissions, customer service and network and system maintenance costs in Brazil, Venezuela and Argentina, together with increased customer service expenses at Telesp.

In the first half of the year, **gains on asset disposals** totalled -3 million euros (vs. 237 million euros in January-June 2008). It is worth noting that in the first half of 2008 the Company booked gains from Real Estate disposals by Telefónica España and Telefónica O2 Czech Republic, in addition to the net gain from the sale of Sogecable.

**Table of Contents**

**Operating income before depreciation and amortisation (OIBDA)** fell 1.7% vs. the first half of 2008. In absolute terms, OIBDA at Telefónica España accounted for 44.2% of total Group OIBDA, compared to 39.0% and 17.2% in Telefónica Latinoamérica and Telefónica Europe, respectively.

**Depreciation and amortisation** in the first half totalled 4,388 million euros, 3.0% down year-on-year.

**Operating income (OI)** fell by 0.8% year-on-year to 6,551 million euros in the first half.

**Profit from associated companies** was 30 million euros for the period January-June 2009 (vs. -4 million euros in the first half of 2008). Profit from the Company's stake in Portugal Telecom partially offset the losses from the Telefónica Group's shareholdings in Lycos Europe and Telco S.p.A.. The negative result registered in the first half of 2008 is explained mainly by the losses generated by the participation of the Group in Telco S.p.A., not offset by the profits obtained by the participation in Portugal Telecom.

**Net financial results** to June 2009 stood at 1,339 million euros, a decrease of 3.5% vs. the same period a year earlier, primarily due to:

The drop in the average cost of Group debt, to 5.5% of average total net debt excluding exchange rate effects, prompting a decrease of 202 million euros in financing costs thanks to interest rate cuts in 2009.

The 4.8% decrease in average debt, generating savings of 58 million euros.

Changes in the current value of commitments derived mainly from the pre-retirement plans and other positions also booked at market value generated a cost increase of 77 million euros up to June 2009, compared with the same period a year earlier.

Changes in the FX gain and losses to June 2009 generated 134 million euros in higher costs compared to first half of 2008.

Telefónica Group's **free cash flow** generated to June 2009 amounted to 3,563 million euros, of which 488 million euros were used for the purchase of treasury shares and 2,277 million euros for payment of dividends by Telefónica S.A. Group commitments, primarily in respect of pre retirements plans, accounted for 422 million euros of the use of free cash flow. In addition, the Company collected a net 92 million euros from financial investments and disposals carried out in the period. As a consequence, net financial debt decreased by 467 million euros. Financial debt rose by a further 1,789 million euros due to exchange rate fluctuations, changes in the consolidation perimeter and other effects on financial accounts. As a result, the total increase in net financial debt amounted to 1,322 million euros from the figure recorded in 2008 (42,733 million euros), leaving the Telefónica Group's net financial debt at 44,055 million euros at the end of June 2009. As a result, **the leverage ratio** (net debt/OIBDA) stood at 2.0 times at June 2009.

During first half of 2009, the **financing activity** of Telefonica Group, excluding short term Commercial Paper Programmes activity, rose up to 10,500 million euros mainly focused on refinancing 2009 maturities and pre-financing part of 2010 y 2011 debt at Telefonica, S.A. level. To highlight the 5-year bond issue for an amount of 2,000 million euros launched in January, a 7-year bond issue in an aggregate amount of 1,000 million euros launched in March, the re-opening of this last one in June for another 500 million euros and a 6-year private issue of 400 million euros placed in the same month. In addition, in June a US dollar-denominated issue of USD 2,250 million was launched, split into 2 tranches of 5.5 and 10 years maturity, though the settlement date was 6 July. With these transactions, the Group's cash position amply exceeds 2009 maturities.

**Table of Contents**

Additionally, a 4,000 million euros extension on a syndicated facility maturing in 2011 was successfully signed, shifting 2,000 million euros to 2012 and the remaining 2,000 million euros to 2013, adjusting 2011 maturities to levels more in line with cash flow generation figure.

Telefonica S.A. and its holding companies have continued active in these first months of 2009 under its various Commercial Paper Programmes (Domestic and European), for an outstanding balance as of June 2009 of 1,265 million euros, maintaining spreads over reference rates.

Regarding Latin America, our subsidiaries have tapped the capital markets up to June 2009 for an amount above 950 million equivalent euros, mainly for refinance 2009 maturities and renewing existing debt. To highlight the local currency issue launched by CTC (Chile), for an equivalent of 160 million euros.

As of June 30<sup>th</sup>, as a result of recent bond public capital markets transactions, bonds and debentures continue increasing their weight on the consolidated **financial debt** breakdown to 59%, with debt with financial institutions representing 41%.

At the close of the first half, the **income taxes** totalled 1,559 million euros, implying a tax rate of 29.7%, which was not affected by any one-off operations.

**Profit attributable to minority interests** reduced net income by 64 million euros to June, a year-on-year decrease of 34.2%. Shareholdings in Telesp, Telefónica O2 Czech Republic and Telefónica Telecom largely account for minority interest figures. The year-on-year decline is mainly attributable to the minority interests in Telefónica Chile (following a takeover bid for minority shareholders launched in 2008) and Telesp together with the increased losses at Telefónica Telecom.

As a result of the above, **consolidated net income** for the first half amounted to 3,619 million euros, up 0.7% on the same period of 2008.

**Basic earnings per share** in the first half stood at 0.79 euros, with year-on-year growth of 3.4% in the first half of 2009.

**Table of Contents**TELEFÓNICA GROUP  
ACCESSES*Unaudited figures (thousands)*

|                              | 2009      | January - June<br>2008 | % Chg  |
|------------------------------|-----------|------------------------|--------|
| Final Clients Accesses       | 260,105.6 | 242,208.7              | 7.4    |
| Fixed telephony accesses (1) | 41,952.8  | 43,432.0               | (3.4)  |
| Internet and data accesses   | 14,878.1  | 13,924.1               | 6.9    |
| Narrowband                   | 1,654.0   | 2,314.6                | (28.5) |
| Broadband (2)                | 13,059.5  | 11,448.1               | 14.1   |
| Other (3)                    | 164.6     | 161.4                  | 1.9    |
| Mobile accesses              | 200,853.1 | 182,824.5              | 9.9    |
| Pay TV                       | 2,421.6   | 2,028.0                | 19.4   |
| Wholesale Accesses           | 3,808.5   | 3,066.9                | 24.2   |
| Unbundled loops              | 2,002.1   | 1,578.9                | 26.8   |
| Shared ULL                   | 546.1     | 683.6                  | (20.1) |
| Full ULL                     | 1,456.1   | 895.4                  | 62.6   |
| Wholesale ADSL (4)           | 476.6     | 578.7                  | (17.6) |
| Other (5)                    | 1,272.9   | 909.3                  | 40.0   |
| Total Accesses               | 263,914.1 | 245,275.6              | 7.6    |

*Note: As of 31 December 2007, in order to align the criteria for the key performance indicators of the mobile operations of the Group, the series of mobile accesses, and therefore, of total accesses, have been revised, including machine to machine accesses. In addition, the accounting criteria for*

*pre-pay access  
in the Czech  
Republic and  
Slovakia have  
been modified to  
align them,  
changing from  
13 months  
(registered) to  
three months  
(active).*

*(1) PSTN (including  
Public Use  
Telephony) x1;  
ISDN Basic  
access x1; ISDN  
Primary access;  
2/6 Access x30.  
Company s  
accesses for  
internal use and  
total fixed  
wireless  
included.*

*(2) ADSL, satellite,  
optical fibre,  
cable modem  
and broadband  
circuits.  
(3) Retail  
circuits other  
than broadband.*

*(3) Retail circuits  
other than  
broadband.*

*(4) Includes  
Unbundled Lines  
by T.  
Deutschland.*

*(5) Circuits for  
other operators.  
Includes  
Wholesale Line  
Rental (WLR).*

TELEFÓNICA GROUP  
FREE CASH FLOW AND CHANGE IN DEBT

Unaudited figures (Euros in millions)

|            |  | January - June |         |        |
|------------|--|----------------|---------|--------|
|            |  | 2009           | 2008    | % Chg  |
| I          | Cash flow from operations  | 9,827          | 9,249   | 6.2    |
| II         | Net interest payment (1)   | (1,278)        | (1,735) |        |
| III        | Payment for income tax   | (1,306)        | (629)   |        |
| A=I+II+III | Net cash provided by operating activities                                    | 7,243          | 6,885   | 5.2    |
| B          | Payment for investment in fixed and intangible assets                        | (4,062)        | (3,763) |        |
| C=A+B      | Net free cash flow after CapEx   | 3,181          | 3,122   | 1.9    |
| D          | Net Cash received from sale of Real Estate                                   | 233            | 62      |        |
| E          | Net payment for financial investment   | (141)          | 431     |        |
| F          | Net payment for operations with minority shareholders and treasury stock (2) | (2,806)        | (3,065) |        |
| G=C+D+E+F  | Free cash flow after dividends   | 467            | 550     | (15.0) |
| H          | Effects of exchange rate changes on net financial debt                       | 1,005          | (285)   |        |
| I          | Effects on net financial debt of changes in consolid. and others             | 785            | (476)   |        |
| J          | Net financial debt at beginning of period                                    | 42,733         | 45,284  |        |
| K=J-G+H+I  | Net financial debt at end of period  | 44,055         | 43,973  | 0.2    |

(1) Including cash received from dividends paid by subsidiaries that are not under the full consolidation method.

(2) Dividends paid by Telefónica S.A., operations with treasury stock and operations with minority shareholders from subsidiaries that are under full consolidation method.

**Table of Contents**

## RECONCILIATIONS OF CASH FLOW AND OIBDA MINUS CAPEX

*Unaudited figures (Euros in millions)*

|  | 2009    | January - June<br>2008 | % Chg  |
|--|---------|------------------------|--------|
| OIBDA  | 10,939  | 11,123                 | (1.7)  |
| - CapEx accrued during the period  | (2,783) | (3,450)                |        |
| - Payments related to cancellation of commitments                          | (422)   | (372)                  |        |
| - Net interest payment   | (1,278) | (1,735)                |        |
| - Payment for income tax   | (1,306) | (629)                  |        |
| - Results from the sale of fixed assets                                    | 3       | (237)                  |        |
| -Investment In working capital and other deferred income and expenses      | (1,971) | (1,578)                |        |
| = Net Free Cash Flow after CapEx   | 3,181   | 3,122                  | 1.9    |
| + Net Cash received from sale of Real Estate                               | 233     | 62                     |        |
| - Net payment for financial investment                                     | (141)   | 431                    |        |
| - Net payment for operations with minority shareholders and treasury stock | (2,806) | (3,065)                |        |
| = Free Cash Flow after dividends   | 467     | 550                    | (15.0) |

*Unaudited figures (Euros in millions)*

|   | 2009  | January - June<br>2008 | % Chg |
|---|-------|------------------------|-------|
| Net Free Cash Flow after CapEx                                | 3,181 | 3,122                  | 1.9   |
| + Payments related to cancellation of commitments             | 422   | 372                    |       |
| - Operations with minority shareholders                       | (40)  | (72)                   |       |
| = Free Cash Flow  | 3,563 | 3,422                  | 4.1   |
| Weighted average number of ordinary shares outstanding during | 4,560 | 4,683                  |       |
| = Free Cash Flow per share (euros)                            | 0.78  | 0.73                   | 6.9   |

*Note: The concept*

*Free Cash Flow reflects the amount of cash flow available to remunerate Telefónica S.A. Shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility.*

*The differences with the caption Net Free Cash Flow after CapEx included in the table presented above, are related to Free Cash Flow being calculated before payments related to commitments (workforce reductions and guarantees) and after operations with minority shareholders, due to cash recirculation within the Group.*

**Table of Contents**

## NET FINANCIAL DEBT AND COMMITMENTS

*Unaudited figures (Euros in millions)*

|           | June 2009 |
|-----------|-----------|
|           | 48,094    |
|           | 6,532     |
|           | (5,498)   |
|           | (5,073)   |
| A         | 44,055    |
|           | 149       |
| B         | 149       |
|           | 4,671     |
|           | (711)     |
|           | (1,246)   |
| C         | 2,714     |
| A + B + C | 46,917    |
|           | 2.0x      |
|           | 2.1x      |

(1) *Includes long-term financial debt and 573 million euros of other long-term debt .*

(2) *Current financial assets and 3,067 million euros recorded under the caption of Non-current financial assets and investments in associates .*

(3) *Mainly in Spain. This amount is detailed in the captions Long-term provisions and Short-term provisions and other*

*liabilities of the Balance Sheet, and is the result of adding the following items:*

*Provision for Pre-retirement, Social Security Expenses and Voluntary Severance , Group Insurance , Technical Reserves , and Provisions for Pension Funds of Other Companies .*

- (4) *Amount included in the caption Non-current financial assets and investments in associates of the Balance Sheet. Mostly related to investments in fixed income securities and long-term deposits that cover the materialization of technical reserves of the Group insurance companies.*

- (5) *Net present value of tax benefits arising from the future payments related to workforce*

reduction  
commitments.

- (6) *Calculated based on June 2009 OIBDA, annualized and excluding results on the sale of fixed assets.*

#### DEBT STRUCTURE BY CURRENCY

*Unaudited figures*

|                | EUR       | LATAM      | June 2009<br>GBP | CZK         | USD |
|----------------|-----------|------------|------------------|-------------|-----|
| Currency mix   | 67%       | 13%        | 9%               | 7%          | 4%  |
| CREDIT RATINGS |           |            |                  |             |     |
|                | Long-Term | Short-Term | Perspective      | Last review |     |
| Moody's        | Baa1      | P-2        | Positive         | 17-Feb-09   |     |
| JCR            | A         |            | Stable           | 17-Dec-08   |     |
| S&P            | A-        | A-2        | Stable           | 02-Dec-08   |     |
| Fitch/IBCA     | A-        | F-2        | Stable           | 25-Nov-08   |     |

**Table of Contents**TELEFÓNICA GROUP  
EXCHANGES RATES APPLIED

|                                   | P&L and CapEx (1) |                | Balance Sheet (2) |                  |
|-----------------------------------|-------------------|----------------|-------------------|------------------|
|                                   | Jan - Jun<br>2009 | Jan - Jun 2008 | June 2009         | December<br>2008 |
| USA (US Dollar/Euro)              | 1.331             | 1.529          | 1.413             | 1.392            |
| United Kingdom (Sterling/Euro)    | 0.894             | 0.774          | 0.852             | 0.952            |
| Argentina (Argentinean Peso/Euro) | 4.836             | 4.797          | 5.367             | 4.806            |
| Brazil (Brazilian Real/Euro)      | 2.915             | 2.595          | 2.758             | 3.252            |
| Czech Republic (Czech Crown/Euro) | 27.126            | 25.207         | 25.890            | 26.930           |
| Chile (Chilean Peso/Euro)         | 780.031           | 713.267        | 751.315           | 885.740          |
| Colombia (Colombian Peso/Euro)    | 3,076.923         | 2,808.989      | 3,030.303         | 3,125.000        |
| El Salvador (Colon/Euro)          | 11.650            | 13.379         | 12.367            | 12.177           |
| Guatemala (Quetzal/Euro)          | 10.690            | 11.610         | 11.518            | 10.830           |
| Mexico (Mexican Peso/Euro)        | 18.433            | 16.250         | 18.660            | 18.841           |
| Nicaragua (Cordoba/Euro)          | 26.746            | 29.251         | 28.741            | 27.623           |
| Peru (Peruvian Nuevo Sol/Euro)    | 4.133             | 4.360          | 4.254             | 4.371            |
| Uruguay (Uruguayan Peso/Euro)     | 31.442            | 31.105         | 33.076            | 33.888           |
| Venezuela (Bolívar/Euro)          | 2.863             | 3.287          | 3.039             | 2.992            |

(1) *These exchange rates are used to convert the P&L and CapEx accounts of the Group foreign subsidiaries from local currency to euros.*

(2) *Exchange rates as of 30/June/09 and 31/December/08.*

**Table of Contents**

***Information on risks and uncertainties***

The most significant risks and uncertainties faced by the Group in the second half of this year which could affect its businesses, its financial position and results are the following:

*Risk related to the current global economic and financial crisis.* The current economic and financial crisis and the prevailing uncertainty surrounding global economic conditions could have an adverse impact on demand from existing and potential customers. In addition, the Group's business could be affected by other possible ramifications from the economic crisis, such as the insolvency of key suppliers or customers. A loss of customers and decline in sales could have an adverse effect on the financial position, results of operations and cash flow generation of the Group, ultimately jeopardizing its growth targets.

*Country risk (investments in Latin America).* The Telefónica Group's investments and operations in Latin America (including revenue generated by them, their fair value, dividends and management fees) could be affected by a series of risks related to economic, political and social factors in these countries.

*Foreign currency and interest rate risk.* The Group is exposed to diverse market risks in the ordinary course of its business, including risks associated with exposure to changes in interest or exchange rates, counterparty risk in treasury operations (cash and cash equivalents) as well in certain financing transactions.

*Dependence on external sources of financing.* The development of the services marketed by the Group and the operation, expansion and upgrade of its networks requires significant amounts of financing. If the Group's ability to generate cash flow were to deteriorate due to the global economic and financial situation, it could have to significantly increase its debt to service its liquidity and capital requirements in order to development and growth of the business. The current state of financial markets, or an even greater worsening, could make it more difficult and more expensive for the Group to refinance its debt or tap new sources of financing.

*Regulatory risk.* New market regulations affecting wholesale services could lead to increased competition in the provision of high speed telecommunications services. In addition, the reform of spectrum usage, including the possibility distribution of frequencies or limitations to the Company's chances of securing additional spectrum capacity, could hurt the Group's wireless telephony businesses in some countries. Meanwhile, higher tax burdens on some services provided by the Group could had a negative impact on the profits expected from the services.

*Risks associated with unforeseen network interruptions.* Unforeseen network interruptions due to system failure, accidental or otherwise, or hardware or software issues that affect the quality or interrupt the supply of our services could lead to unsatisfied customers, potential fines or other measures by the regulators, or require costly repair work that could ultimately hurt the Group's results and damage its reputation.

*Risk of asset impairment.* Each year, or more often as circumstances dictate, the Telefónica Group assesses the fair value of each of its assets and subsidiaries to determine whether their carrying amount can be recovered through projected cash flows; in some instances these cash flow projections include forecast synergies built into their acquisition cost. The current economic environment and the economic outlook over the short and medium term horizon, together with any potential changes of a regulatory, business or political nature, could entail the need to revise the estimates made and to write down goodwill or items of property, plant and equipment or intangible assets for impairment accordingly.

This information should be read in conjunction with the description of the general risks and uncertainties facing the Telefónica Group's business included in the 2008 Management Report and Note 16 - Derivative Financial Instruments and Risk Management Policies- to the consolidated financial statements for the year ended December 31, 2008.



**Table of Contents**

**RESULTS BY REGIONAL BUSINESS UNITS**

***Telefónica España***

In line with the management priorities announced at the beginning of the year, in the current economic environment the company remains focused **on maximising cash flow generation and strongly defending its highest value customers.**

This strategy allowed Telefónica España to keep its high cash flow generation virtually unchanged from the same period in 2008, despite pressure on revenue, reflecting the efforts made to contain operating expenses and capital expenses (-9.7% vs. the first half of 2008).

**Operating cash flow (OIBDA-CapEx)** totalled 4,099 million euros in the first half of 2009 (-0.6% vs. the same period in 2008).

By the end of June, Telefónica España managed a total of 47.0 million **accesses**. Highlights include the rise in the number of retail broadband Internet accesses, which grew by 6.5% to more than 5.3 million and growth in the mobile customer base to 23.7 million (+2.1% year-on-year), driven by the growing adoption of flat-rate data plans, which exceeded 1.2 million.

**Revenues** totalled 9,757 million euros in the first half, a year-on-year fall of 5.6%, reflecting a continuation of the trends seen in the previous months of the year (a slowdown in the market as a whole, high competition and lower consumption of voice services from customers).

It is worth noting that the company has revised its estimates for the adjustment to workforce provision provided for in prior periods. This revision resulted in reduction in expenses of 90 million euros.

**Operating income before depreciation and amortisation (OIBDA)** stood at 4,838 million euros in the first half, a decrease of 6.5% year-on-year, with a margin of 49.6%.

**CapEx** totalled 739 million euros in the first half of 2009, a decrease of 29.6% from a year earlier, reflecting the management's capacity to adapt to changes in demand and prioritise investments in those business areas which continue to show strong growth, such as mobile broadband.

**WIRELINE BUSINESS**

The wireline telephony access market in Spain continued to reflect the impacts from the current economic climate, resulting in a year-on-year estimated decrease of 0.8% by June end, 2009.

Against this background, and also affected by the ongoing unbundling of loops, in the first half of 2009 the company registered a net loss of 634,847 **wireline telephony accesses** to reach close to 14.7 million accesses at the end of June 2009 (-6.2% year-on-year), with an estimated market share of around 75%.

The declining trend of pre-selected lines continued through the year, dropping by 190,655 in the first half, to less than 1.3 million lines at the end of June 2009.

The **wireline broadband Internet access** market growth continued to slow down, affected partly by sharp growth in mobile broadband, reaching an estimated total of 9.5 million accesses, 8.0% higher than in June 2008. Telefónica maintained its leadership with an estimated market share of 56% following net adds of 84,968 accesses in the first half to more than 5.3 million accesses (+6.5% vs. June 2008).

**Table of Contents**

The loss of wholesale indirect broadband accesses gathered pace, with a net loss of 54,974 accesses in the first half. The wholesale indirect ADSL access customer base stood at 368,790 (-20.4% vs. June 2008).

Growth of unbundled loops slowed, with net adds of 252,695 loops in the first half. Total unbundled loops reached over 1.9 million, of which almost 28% are shared access loops, with the remaining 72% fully unbundled loops (including more than 350,000 naked shared access loops). Net adds of fully unbundled loops stood at 308,990 in the first half, of which 29% were naked shared access loops, while shared access loops declined by 56,295 in the first half of 2009.

Telefónica's estimated share of the **pay TV market** exceeded 14% at the end of June 2009. In the first half the company registered a net loss of 2,960 Pay TV accesses, with a total of 609,534 Pay TV customers at June end (+5.7% year-on-year).

The total number of Duo and Trio bundles reached close to 4.7 million. This means that more than 86% of the company's retail broadband accesses were part of a double or triple offer bundle.

**Revenues** totalled 6,049 million euros through June 2009, a year-on-year decrease of 2.6%. By item:

**Traditional access revenues** slipped 0.2% year-on-year in the first half, which followed the booking of 75 million euros in revenues linked to Universal Service Obligation, and mainly affected by a lower number of accesses.

**Voice service revenues** fell by 10.2% in the first half as a result of lower fixed-to-mobile and international traffic and the growing contribution from traffic under flat-rate plans, stemming from consumers usage optimization.

**Internet and Broadband revenues** fell by 1.4% in the first half:

Retail broadband service revenues dropped by 0.5% in the first half, mainly due to slower growth in the total number of accesses and a reduction in effective ARPU (-6.6% in the first half).

The performance of wholesale broadband revenues (+0.5% in the first half of 2009), reflects the impact of the 20% reduction in monthly fees for fully unbundled loops since December 2008, which was offset by growth in the number of unbundled loops.

**Data service revenues** continued to grow year-on-year in the first half, rising 5.4%, to 617 million euros in January-June 2009.

**IT service** revenues totalled 234 million euros in the first half, up 13.5% year-on-year.

Operating expenses declined by 3.1% in the first half to 3,195 million euros, broken down as follows:

External service expenses fell by 3.1% to 651 million euros.

Personnel expenses dropped by 5.2% to 995 million euros.

Supply costs decreased 5.5% to 1,370 million euros, thanks to lower interconnection costs associated with lower fixed-to-mobile traffic and the reduction in mobile termination rates.

As a result, **operating income before depreciation and amortisation (OIBDA)** in the first half of 2009 fell 3.8% year-on-year to 2,928 million euros, with an OIBDA margin of 48.4%.

**WIRELESS BUSINESS**

The **Spanish wireless market** hit the 54.5 million-line mark in June 2009, with an estimated penetration rate of 119% (6 percentage points higher than in June 2008).

**Table of Contents**

In the current economic climate, and in a highly mature and competitive market, the company is focussing its commercial activity on maintaining its market leadership in terms of revenue share (with a positive differential between its share of outgoing revenue and share of customers estimated at between 4 and 5 percentage points).

At the end of June 2009 Telefónica España's wireless **customer base** topped 23.7 million, up 2.1% year-on-year, underpinned by a 3.0% rise in contract customers, which now make up 62.0% of the total customer base (+0.6 percentage points vs. June 2008). Net adds in the first half totalled 110,739 lines.

In **number portability**, Telefónica España's wireless business successfully reversed the trend seen in the last months in the contract segment, however, recording a balance of -55,082 customers in the first half.

**Churn** stood at 1.9% in the first half, slightly above last year figure (+0.1 percentage points).

In terms of **usage**, traffic dropped 4.0% year-on-year in the first six months of 2009, to 20,537 million minutes in the first half. The drop reflects customers' growing optimisation patterns, especially on voice services.

**Voice ARPU** was also impacted by cuts in mobile termination rates made over the last 12 months (-19.2% following the latest cut in April 2009). As a result, ARPU fell by 12.5% year-on-year, to 22.4 euros in the half year.

**Data ARPU** climbed 2.9% year-on-year to 5.2 euros in the first half of 2009. Connectivity-related revenue grew 53.6% in the first half, driven by a growing adoption for flat-rate data plans (over 1.2 million flat-rate data plans in June 2009, more than doubling June 2008 figures). Data ARPU accounted for 18.9% of total ARPU in the first half (+2.4 percentage points year-on-year).

The number of 3G handsets held by customers continued to rise in the first half to over 7.5 million, 1.5 times more than in June 2008.

As a consequence, total ARPU in the first half of 2009 stood at 27.6 euros (-10.0% year-on-year) and outgoing ARPU was 23.8 euros (-8.2% vs. the same period a year earlier).

**Revenues** in the first half totalled 4,361 million euros, 9.5% down on the same period in 2008, prompted by lower wholesale revenue (interconnection, roaming, etc.) and fewer revenue from handset sales. Highlights by revenue item:

- Service revenues** fell 8.2% year-on-year in the first half of 2009 to 3,860 million euros.
  - Customer revenue** fell by 5.8% in the first half from a year earlier (3,244 million euros), affected by weaker customer usage patterns.
- Interconnection revenues**, hit by the cut in mobile termination rates, fell 18.7% year-on-year in the first half to 519 million euros.

The lower **roaming-in revenues** reflect the reduction in wholesale roaming prices and shrinking traffic, with year-on-year declines of 21.7% in the first half.

**Revenues from handset sales** in the first half fell by 18.3% year-on-year to 501 million euros, reflecting the different phasing of handset shipments to the channel.

Meanwhile, **operating expenses** fell by 9.1% in the first half to 2,466 million euros, thanks to the company's improved efficiency and a range of cost-cutting measures implemented to adjust spending to the current economic environment.

**Operating income before depreciation and amortisation (OIBDA)** in the first half fell 10.3% year-on-year to 1,925 million euros. The OIBDA margin stood at 44.1% in the first half, vs. the 44.6% from the same period in 2008.

**Table of Contents**TELEFÓNICA ESPAÑA  
ACCESSES*Unaudited figures (thousands)*

|                              | 2008     |           |          | 2009     |          | % Chg<br>y-o-y |
|------------------------------|----------|-----------|----------|----------|----------|----------------|
|                              | June     | September | December | March    | June     |                |
| Final Clients Accesses       | 45,019.7 | 45,160.7  | 45,213.6 | 44,885.7 | 44,676.7 | (0.8)          |
| Fixed telephony accesses (1) | 15,670.0 | 15,526.9  | 15,326.3 | 15,004.9 | 14,691.4 | (6.2)          |
| Internet and data accesses   | 5,547.6  | 5,608.3   | 5,670.0  | 5,661.3  | 5,660.1  | 2.0            |
| Narrowband                   | 502.3    | 453.9     | 388.0    | 336.4    | 297.6    | (40.8)         |
| Broadband (2)                | 5,005.0  | 5,117.0   | 5,246.4  | 5,291.8  | 5,331.4  | 6.5            |
| Other (3)                    | 40.4     | 37.4      | 35.6     | 33.1     | 31.1     | (22.9)         |
| Mobile accesses              | 23,225.4 | 23,436.0  | 23,604.8 | 23,614.7 | 23,715.6 | 2.1            |
| Pre-Pay                      | 8,964.6  | 8,978.5   | 9,037.0  | 9,061.8  | 9,021.2  | 0.6            |
| Contract                     | 14,260.8 | 14,457.5  | 14,567.8 | 14,552.9 | 14,694.4 | 3.0            |
| Pay TV                       | 576.6    | 589.6     | 612.5    | 604.8    | 609.5    | 5.7            |
| Wholesale Accesses           | 2,001.3  | 2,035.0   | 2,136.1  | 2,271.5  | 2,369.1  | 18.4           |
| WLR (4)                      | 0.0      | 0.0       | 9.5      | 25.9     | 45.4     | n.s.           |
| Unbundled loops              | 1,532.6  | 1,585.2   | 1,698.0  | 1,835.3  | 1,950.7  | 27.3           |
| Shared ULL                   | 683.6    | 640.2     | 602.3    | 584.8    | 546.1    | (20.1)         |
| Full ULL (5)                 | 849.1    | 945.0     | 1,095.7  | 1,250.5  | 1,404.7  | 65.4           |
| Wholesale ADSL               | 463.3    | 444.8     | 423.8    | 405.8    | 368.8    | (20.4)         |
| Other (6)                    | 5.3      | 5.0       | 4.7      | 4.4      | 4.2      | (21.0)         |
| Total Accesses               | 47,020.9 | 47,195.7  | 47,349.7 | 47,157.2 | 47,045.7 | 0.1            |

(1) PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company s accesses for internal use included.

(2) ADSL, satellite, optical fibre and broadband circuits.

(3) Leased lines.

(4) *Wholesale Line Rental.*

(5) *Includes naked shared loops.*

(6) *Wholesale circuits.*

TELEFÓNICA ESPAÑA  
CONSOLIDATED INCOME STATEMENT  
*Unaudited figures (Euros in millions)*

|  | 2009         | January - June<br>2008 | % Chg        | 2009         | April - June<br>2008 | % Chg           |
|--|--------------|------------------------|--------------|--------------|----------------------|-----------------|
| Revenues                                 | 9,757        | 10,331                 | (5.6)        | 4,844        | 5,200                | (6.9)           |
| Internal exp capitalized in fixed assets | 97           | 106                    | (8.3)        | 53           | 55                   | (4.7)           |
| Operating expenses                       | (5,023)      | (5,331)                | (5.8)        | (2,457)      | (2,685)              | (8.5)           |
| Other net operating income (expense)     | 17           | 18                     | (6.4)        | 2            | 12                   | (80.8)          |
| Gain (loss) on sale of fixed assets      | (7)          | 53                     | c.s.         | (4)          | (5)                  | (22.1)          |
| Impairment of goodwill and other assets  | (3)          | (4)                    | (17.9)       | (1)          | (3)                  | (47.9)          |
| Operating income before D&A (OIBDA)      | 4,838        | 5,173                  | (6.5)        | 2,437        | 2,576                | (5.4)           |
| <i>OIBDA margin</i>                      | <i>49.6%</i> | <i>50.1%</i>           | <i>p.p.)</i> | <i>50.3%</i> | <i>49.5%</i>         | <i>0.8 p.p.</i> |
| Depreciation and amortization            | (1,067)      | (1,139)                | (6.3)        | (536)        | (562)                | (4.6)           |
| Operating income (OI)                    | 3,771        | 4,033                  | (6.5)        | 1,900        | 2,014                | (5.6)           |

*Notes:*

*OIBDA and OI before brand fees.*

*In comparable terms revenues would decline by 6.3%, OIBDA would decrease by 6.9% and OpCF would drop 1.0%. Comparable terms exclude: Universal Service Obligation: 75 million euros in revenue and 22 million euros in OIBDA in the first*

*quarter of 2009;  
bad debt recovery:  
25 million euros in  
OIBDA in the first  
quarter of 2008;  
real state capital  
gains: 0.4 million  
euros in OIBDA in  
January-June 2009  
and 68 million  
euros in OIBDA in  
same period in  
2008; 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.*

**Table of Contents**TELEFÓNICA ESPAÑA: WIRELINE BUSINESS  
SELECTED FINANCIAL DATA*Unaudited figures (Euros in millions)*

|                     | 2009         | January - June<br>2008 | % Chg       | 2009         | April - June<br>2008 | % Chg           |
|---------------------|--------------|------------------------|-------------|--------------|----------------------|-----------------|
| Revenues            | 6,049        | 6,213                  | (2.6)       | 2,987        | 3,134                | (4.7)           |
| OIBDA               | 2,928        | 3,045                  | (3.8)       | 1,465        | 1,488                | (1.5)           |
| <i>OIBDA margin</i> | <i>48.4%</i> | <i>49.0%</i>           | <i>(0.6</i> | <i>49.0%</i> | <i>47.5%</i>         | <i>1.6 p.p.</i> |
| CapEx               | 522          | 702                    | (25.7)      | 282          | 403                  | (30.0)          |
| OpCF (OIBDA-CapEx)  | 2,406        | 2,343                  | 2.7         | 1,183        | 1,085                | 9.0             |

*Notes:**OIBDA before  
brand fee.*

*A total of  
75 million euros  
of revenue were  
booked in the  
first quarter of  
2009 associated  
with the  
recognition of  
the Universal  
Service  
Obligation at  
Telefónica  
España Wireline  
Business for the  
2006 fiscal year.  
This had a  
positive impact  
of 46 million  
euros on  
OIBDA. In the  
second quarter  
of 2009 it was  
made a revision  
of the estimates  
for the  
adjustment to  
workforce  
provision  
provided for in  
prior periods,*

resulting in  
lower expenses  
of 58 million  
euros.

## TELEFÓNICA ESPAÑA: WIRELINE BUSINESS

## SELECTED REVENUES DATA

Unaudited figures (Euros in millions)

|                               | January - June |       |        | April - June |       |        |
|-------------------------------|----------------|-------|--------|--------------|-------|--------|
|                               | 2009           | 2008  | % Chg  | 2009         | 2008  | % Chg  |
| Traditional Access (1)        | 1,391          | 1,394 | (0.2)  | 650          | 691   | (5.9)  |
| Traditional Voice Services    | 2,030          | 2,262 | (10.2) | 999          | 1,136 | (12.1) |
| Traffic (2)                   | 1,136          | 1,335 | (14.9) | 548          | 663   | (17.4) |
| Interconnection (3)           | 459            | 470   | (2.3)  | 230          | 235   | (2.4)  |
| Handsets sales and others (4) | 435            | 457   | (4.8)  | 221          | 237   | (6.7)  |
| Internet Broadband Services   | 1,490          | 1,511 | (1.4)  | 752          | 770   | (2.3)  |
| Narrowband                    | 20             | 35    | (42.8) | 10           | 15    | (35.6) |
| Broadband                     | 1,471          | 1,476 | (0.4)  | 742          | 754   | (1.6)  |
| Retail (5)                    | 1,307          | 1,314 | (0.5)  | 658          | 673   | (2.2)  |
| Wholesale (6)                 | 163            | 162   | 0.5    | 84           | 82    | 3.3    |
| Data Services                 | 617            | 585   | 5.4    | 317          | 296   | 7.1    |
| IT Services                   | 234            | 206   | 13.5   | 120          | 115   | 4.8    |

(1) Monthly and connection fees (PSTN, Public Use Telephony, ISDN and Corporate Services) and Telephone booths surcharges.

(2) Local and domestic long distance (provincial, interprovincial and international) fixed to mobile traffic, Intelligent Network Services, Special Valued Services, Information Services

*(118xy),  
bonusses and  
others.*

- (3) Includes  
revenues from  
fixed to fixed  
incoming traffic,  
mobile to fixed  
incoming traffic,  
and transit and  
carrier traffic.*
- (4) Managed Voice  
Services and  
other businesses  
revenues.*
- (5) Retail ADSL  
services and  
other Internet  
Services.*
- (6) Includes  
Megabase,  
Megavía,  
GigADSL and  
local loop  
unbundling.*

*Note: A total of  
75 million euros  
of revenue were  
booked in the  
first quarter  
associated with  
the recognition  
of the Universal  
Service  
Obligation for  
the 2006 fiscal  
year, recorded  
under the  
caption of  
traditional  
access.*

**Table of Contents**TELEFÓNICA ESPAÑA: WIRELESS BUSINESS  
SELECTED FINANCIAL DATA*Unaudited figures (Euros in millions)*

|                     | 2009         | January - June<br>2008 | % Chg       | 2009         | April - June<br>2008 | % Chg       |
|---------------------|--------------|------------------------|-------------|--------------|----------------------|-------------|
| Revenues            | 4,361        | 4,817                  | (9.5)       | 2,189        | 2,419                | (9.5)       |
| OIBDA               | 1,925        | 2,147                  | (10.3)      | 980          | 1,099                | (10.8)      |
|                     |              |                        | (0.4)       |              |                      | (0.7)       |
| <i>OIBDA margin</i> | <i>44.1%</i> | <i>44.6%</i>           | <i>p.p.</i> | <i>44.8%</i> | <i>45.4%</i>         | <i>p.p.</i> |
| CapEx               | 218          | 349                    | (37.6)      | 123          | 185                  | (33.1)      |
| OpCF (OIBDA-CapEx)  | 1,707        | 1,798                  | (5.1)       | 857          | 914                  | (6.3)       |

*Notes:**OIBDA before  
brand fee.*

*There is a  
negative impact  
of 24 million  
euros on  
OIBDA due to  
the recognition  
of the Universal  
Service  
Obligation for  
the 2006 fiscal  
year, and the  
revision of the  
estimates for the  
adjustment to  
workforce  
provision  
provided for in  
prior periods,  
which has  
resulted in  
lower expenses  
of 32 million  
euros in the  
second quarter  
of 2009*

TELEFÓNICA ESPAÑA: WIRELESS BUSINESS  
SELECTED REVENUES DATA*Unaudited figures (Euros in millions)*

January - June

April - June

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|                   | 2009  | 2008  | % Chg  | 2009  | 2008  | % Chg  |
|-------------------|-------|-------|--------|-------|-------|--------|
| Service Revenues  | 3,860 | 4,204 | (8.2)  | 1,940 | 2,132 | (9.0)  |
| Customer Revenues | 3,244 | 3,444 | (5.8)  | 1,636 | 1,752 | (6.6)  |
| Interconnection   | 519   | 639   | (18.7) | 252   | 315   | (20.1) |
| Roaming - In      | 69    | 89    | (21.7) | 40    | 46    | (11.9) |
| Other             | 28    | 33    | (14.8) | 12    | 19    | (36.1) |
| Handset revenues  | 501   | 613   | (18.3) | 250   | 287   | (13.0) |

- 38 -

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**Table of Contents**TELEFÓNICA ESPAÑA: WIRELESS BUSINESS  
SELECTED OPERATING DATA*Unaudited figures*

|                                    | 2008   |        |        | 2009   |        | % Chg<br>y-o-y |
|------------------------------------|--------|--------|--------|--------|--------|----------------|
|                                    | Q2     | Q3     | Q4     | Q1     | Q2     |                |
| Traffic (Million minutes)          | 10,991 | 11,441 | 10,727 | 10,038 | 10,499 | (4.5)          |
| ARPU (EUR)                         | 30.8   | 30.9   | 29.5   | 27.6   | 27.6   | (10.4)         |
| Pre-pay                            | 14.5   | 15.4   | 13.8   | 12.5   | 12.6   | (13.2)         |
| Contract                           | 41.1   | 40.6   | 39.3   | 36.9   | 36.8   | (10.4)         |
| Data ARPU (EUR)                    | 5.0    | 5.3    | 5.5    | 5.3    | 5.1    | 2.4            |
| %non-P2P SMS over data<br>revenues | 53.6%  | 54.8%  | 55.5%  | 59.4%  | 60.6%  | 7.0 p.p.       |

*Notes:*

*ARPU  
calculated as  
monthly  
quarterly  
average.*

*Traffic is  
defined as  
minutes used by  
the company  
customers, both  
outbound and  
inbound. On-net  
traffic is only  
included once  
(outbound), and  
promotional  
traffic is  
included. Traffic  
not associated  
to the  
Company's  
mobile  
customers  
(roaming-in,  
MVNOs,  
interconnection*

*of third parties  
and other  
business lines)  
is excluded.  
Traffic volume  
non rounded.*

## TELEFÓNICA ESPAÑA: WIRELESS BUSINESS

## SELECTED OPERATING DATA

*Unaudited figures*

|                                 | 2009   | January - June<br>2008 | % Chg    |
|---------------------------------|--------|------------------------|----------|
| Traffic (Million minutes)       | 20,537 | 21,399                 | (4.0)    |
| ARPU (EUR)                      | 27.6   | 30.6                   | (10.0)   |
| Pre-pay                         | 12.5   | 14.5                   | (13.6)   |
| Contract                        | 36.9   | 41.1                   | (10.3)   |
| Data ARPU (EUR)                 | 5.2    | 5.1                    | 2.9      |
| %non-P2P SMS over data revenues | 60.0%  | 53.1%                  | 6.9 p.p. |

*ARPU  
calculated as  
monthly first  
half average.*

*Traffic is  
defined as  
minutes used by  
the company  
customers, both  
outbound and  
inbound. On-net  
traffic is only  
included once  
(outbound), and  
promotional  
traffic is  
included. Traffic  
not associated  
to the  
Company's  
mobile  
customers  
(roaming-in,  
MVNOs,  
interconnection  
of third parties  
and other*

*business lines)  
is excluded.  
Traffic volume  
non rounded.*

**Table of Contents****RESULTS BY REGIONAL BUSINESS UNITS*****Telefónica Latinoamérica***

In the first half of 2009, amid a lower commercial activity in the region's telecommunications market, Telefónica Latinoamérica continued to focus on profitable growth in wireless telephony and on transforming its wireline business, while at the same time striving to improve operating efficiency. This strategy has once again allowed the company to deliver an outstanding set of financial and operating results.

Telefónica Latinoamérica continued to post solid revenue growth (+4.2% year-on-year) to 10,968 million euros in the first half of 2009, with **operating income before depreciation and amortisation (OIBDA)** and **operating cash flow (OIBDA CapEx)**, growing ahead of revenues, rising by 11.5% and 30.7% respectively (to 4,271 million euros and 3,049 million euros).

At the end of June 2009, Telefónica Latinoamérica managed 160.8 million **accesses** in the region, up 8.7% year-on-year. Underpinning this advance was the sustained growth of its wireless, broadband and pay TV businesses.

In **wireless telephony**, estimated penetration stood at 85%, close to 10 percentage points higher than in June 2008. Telefónica Latinoamérica had 126.0 million accesses, up 11.1% year-on-year, with net adds of more than 2.6 million accesses in the half year, driven by solid growth in Brazil, Mexico, Argentina, Chile, Venezuela and Peru.

The **wireline** customer base totalled 34.8 million accesses, up 1.0% year-on-year. Underpinning this advance was the increased weighting of growth businesses (broadband, pay TV and data), driven by service bundling and an improved product offering. 51% of broadband accesses form part of a Duo and Trio offering (+10 percentage points vs. June 2008). Including local and controlled usage bundles, close to 61% of wireline accesses form part of a bundle (up 4 percentage points from June 2008). By service:

**Broadband** accesses topped 6.3 million and growth remains strong (+15.0% year-on-year), driven by the solid advances in Brazil (+18.8% year-on-year), Argentina (+16.6% year-on-year) and Peru (+18.9%). Nets adds totalled 285,261 accesses in the half-year.

In the **pay TV business**, Telefónica Latinoamérica now has almost 1.7 million customers (+24.1% year-on-year) after recording 138,903 net adds in the first half of 2009.

**Wireline** accesses fell slightly by 1.4% from June 2008 to 25.4 million at the end of June 2009, largely as a result of wireline-wireless substitution.

The company's positive operating performance led to a significant improvement in its financial results. Reported figures were negatively affected by the fluctuation in exchange rates in the half year, though nearly all currencies made up ground against the euro in the second quarter.

Reported **revenues** increased 4.2% compared to the first half of 2008 in current euros (exchange rate fluctuations dragged 4.0 percentage points from revenue growth). By country, Brazil remained the main engine for the company, accounting for 35.7% of Telefónica Latinoamérica's first half revenues in current euros, followed by Venezuela (15.9%) and Argentina (12.1%).

Operating expenses totalled 6,777 million euros in the first half, down 0.9% year-on-year in reported terms.

**Operating income before depreciation and amortisation (OIBDA)** increased by 11.5% in current euros in the half year. Exchange rate fluctuations detracted 3.1 percentage points from OIBDA growth. It is noteworthy that OIBDA growth outpaced revenue growth thanks to the benefits of increased scale and cost reduction initiatives.

**Table of Contents**

By market, Brazil contributed 34.8% of Telefónica Latinoamérica's OIBDA, followed by Venezuela and Argentina (20.9% and 11.6% respectively).

**BRAZIL**

The Brazilian telecommunications market remained buoyant in the first half of 2009, with wireless telephony especially strong.

At the end of June 2009, Telefónica managed 62.5 million accesses in Brazil, up 11.3% year-on-year, underpinned by the positive performance in both wireless and broadband accesses. Net adds in the first half 2009 totalled 1.7 million accesses.

**Revenues** totalled 3,920 million euros in the first half of 2009, a year-on-year increase of 4.7% in local currency. Telesp continues to post positive growth in a highly competitive environment with a steadily expanding wireless market, while VIVO has further bolstered its position as market leader.

**Operating income before depreciation and amortisation (OIBDA)** in the first half of the year, rose 3.9% year-on-year in local currency to 1,487 million euros, leaving an OIBDA margin of 37.9%, virtually unchanged from June 2008.

**CapEx** in the first six months totalled 502 million euros, down 20.0% in local currency. It should be noted that 2008 CapEx includes the acquisition of 3G licences by VIVO.

As a result, **operating cash flow (OIBDA - CapEx)** stood at 986 million euros in the first half of 2009, up 22.6% in local currency from the same period in 2008.

**VIVO**

The Brazilian wireless telephony market had 160 million users at the end of June 2009. As a result, penetration stands at 83%, 14 percentage points higher than in June 2008.

VIVO had over 46.8 million **accesses** at the end of June, up 15.8% year-on-year. Net adds for the first six months of the year stood at 1.9 million customers. GSM and 3G customers now account for 77% of VIVO's total customer base. VIVO remains focused in maintaining its leadership in terms of revenue share, with contract customers growing ahead of the total base. In a highly competitive environment VIVO obtained 9.0 million in the first half, up 2.9% year-on-year.

**Churn** stood at 2.6% in the first half of 2009, unchanged from June.

**Traffic** in the first half of 2009 stood at 21,263 million minutes, up 14.3% year-on-year.

**ARPU** in the first half of 2009 fell 8.8% year-on-year in local currency.

The data business continues to fare well. This positive performance was underpinned by the increased contribution of non-SMS data revenue, the result of the company's commitment to widening the availability of mobile broadband and increased use of content services.

**Revenues** totalled 1,389 million euros in the first half of 2009, a year-on-year increase of 13.2% in local currency. Service revenues grew 14.9% in local currency in the half year.

**Table of Contents**

**Operating income before depreciation and amortisation (OIBDA)** totalled 418 million euros in the first half, up 31.7% in local currency. With OIBDA growth outpacing the increase in revenue, the OIBDA margin stood at 30.1% in the first half.

**CapEx** in the half year stood at 192 million euros. The year-on-year comparison is affected by the purchase of 3G licences in 2008.

**Operating cash flow (OIBDA-CapEx)** stood at 226 million euros in the first half, vs. negative figures in the same period in 2008.

**TELESP**

Telesp managed 15.6 million **accesses** at the end of June 2009, virtually unchanged from June 2008. Growth in broadband and TV accesses offset the fall in traditional telephony accesses (-3.6% year-on-year).

The company's performance in the first half of the year was affected by operating problems related with the quality of service and the company's networks, which caused Anatel decision to stop the sale of broadband accesses from 22 June. It is worth highlighting that the company has already presented to Anatel and has implemented an action plan aimed to stabilize the operating situation of the network and continues working in a plan to increase the capacity of its broadband network.

Telesp continued to add broadband and TV accesses in the first half of 2009, focusing on service bundling as a value driver. The company managed 2.7 million broadband accesses at the end of June 2009, a year-on-year increase of 18.8%. It is noteworthy that 58% of fixed telephony accesses and 29% of ADSL accesses are bundled. Pay TV accesses grew 48.3% compared with June 2008 to over 514,300 with net adds of 42,123 accesses in the half year.

Telesp's **revenues** totalled 2,730 million euros in the first half of the year, a year-on-year increase of 1.4% in local currency. The ongoing transformation of the company led to significant growth at its new businesses, offsetting the drop in revenues from traditional wireline telephony. Revenues from new businesses accounted for 14.6% of the total in the first half, 2.2 percentage points more than twelve months ago. Broadband, pay TV and content revenue growth in the first half stood at 19.4% in local currency in a highly competitive environment. Meanwhile, data and IT revenues were still robust, advancing by 28.9% in local currency in the half year. Traditional telephony revenues, which declined 3.8% in local currency through to June, reflect the lower number of accesses (-3.6% year-on-year).

Operating expenses grew 3.9% year-on-year in the first half of the year in local currency. New businesses and wireless-related traffic (SMP), together with the improved customer relationship model, were the main reasons behind growth in operating expenses. Bad debt provisions stood at 3.3% at the end of June, virtually unchanged from June 2008 (3.4%).

Consequently, **operating income before depreciation and amortisation (OIBDA)** totalled 1,070 million euros in the first half, down 2.4% year-on-year in local currency. The OIBDA margin stood at 39.2% in the first half of 2009, down 1.6 percentage points.

**CapEx** in the first half totalled 310 million euros (up 1.1% year-on-year in local currency) mainly devoted to broadband and TV. **Operating cash flow (OIBDA-CapEx)** totalled 760 million euros (down 3.8% year-on-year in local currency).

**Table of Contents**

**ARGENTINA**

Argentina's telecommunications market continues to show strong growth potential, with both wireless and broadband maintaining high year-on-year growth rates in a context where penetration levels are already high.

Telefónica remains a benchmark for innovation and market leadership, with 21.0 million accesses at the end of June 2009 (+4.9% year-on-year). The company continues to focus on increasing customer value, both in the wireless business by promoting initiatives to boost consumption and offering new products such as wireless broadband, as well as in the wireline business by implementing a bundling strategy.

Against this backdrop Telefónica achieved a strong set of financial results. **Revenues** totalled 1,332 million euros in the first half of 2009, a year-on-year increase of 17.5% in local currency.

**Operating income before depreciation and amortisation (OIBDA)** rose 29.1% year-on-year in the first half of 2009 in local currency to 495 million euros. As a result, the OIBDA margin stood at 36.1% at the end of June 2009 (up 3.4 percentage points year-on-year). This efficiency improvement was based on effective cost management, outstripping revenue growth.

**CapEx** to June 2009 totalled 123 million euros, leaving **operating cash flow (OIBDA-CapEx)** of 372 million euros, up 43.5% in local currency from June 2008.

**T. MÓVILES ARGENTINA**

The penetration rate in Argentina's wireless telephony market was 114% at the end of June 2009 (+11 percentage points year-on-year).

Telefónica now manages 15.1 million wireless **accesses**, up 7.1% year-on-year. Net adds in the first half stood at 286,789 accesses. The company continues to focus its commercial strategy on maximising customer value.

**Traffic** reached 7,228 million minutes in the first half of the year (+23.7% from the same period in 2008), thanks to the success of policies aimed at boosting on-net traffic (+52.0% year-on-year in the first half).

In addition to the growth in voice services, the data business also plays a key role in boosting ARPU. Data revenues now account for 27.6% of service revenues and grew above 33.0% year-on-year in local currency both in the first half of 2009. Particularly noteworthy was the strong performance of connectivity services, driven by the sharp rise in mobile broadband customers.

As a result, **ARPU** in the first half of 2009 grew 12.3% year-on-year in local currency.

**Revenues** totalled 831 million euros in the first half of the year, a year-on-year increase of 17.8% in local currency. This performance was negatively affected by handset revenues. Especially noteworthy was the year-on-year increase in outgoing revenues, which stood at 29.0% in local currency in the first half.

This performance, along with efficiency gains and the larger scale of the business, boosted **operating income before depreciation and amortisation (OIBDA)**, which totalled 294 million euros up to June 2009, a 49.9% jump year-on-year in local currency. Ongoing efficiency improvements are reflected in the OIBDA margin, which stood at 35.4% in the year to June, up 7.6 percentage points.

**Table of Contents**

Despite the higher **CapEx** vs. the first half of 2008 (+68.0% in local currency), **operating cash flow (OIBDA-CapEx)** rose 45.8% in local currency to 234 million euros in the half year.

**TELEFÓNICA DE ARGENTINA**

Telefónica de Argentina managed 5.9 million **accesses** at the end of June 2009, virtually unchanged vs. recent quarters, thanks to the growth in broadband (+16.6% year-on-year), which offset the lower number of traditional accesses (-1.5% year-on-year). Broadband accesses were over 1.1 million, after net adds of 45,243 were reported in the half year.

The broadband business, service bundling and service quality all play key roles in ensuring customer loyalty and increasing customer value. Over 61% of broadband accesses enjoy a Duo service. Telefónica has also reached an agreement with Direct TV for the joint marketing of telephony, internet and TV with a differentiated offering in the market.

**Revenues** totalled 543 million euros in the first half of 2009, a year-on-year increase of 15.8% in local currency. This sharp rise was underpinned by the strong performance of its new businesses, which underline the progress made in the company's transformation process. Internet, TV and Content revenues advanced 41.7% year-on-year in local currency in the first half and accounted for 20.1% of total revenues to June 2009 (+3.7 percentage points vs. the first six months of 2008). Moreover, the traditional business reported 8.1% year-on-year growth in local currency in the first half thanks to the focus on bundling.

Operating expenses are largely shaped by prices evolution and rose 18.1% in local currency to June. Bad debt provisions totalled 1.7% of revenues, 0.5 percentage points higher than in the first half of 2008.

As a result, Telefónica de Argentina reported **operating income before depreciation and amortisation (OIBDA)** of 201 million euros in the first half of 2009, up 7.3% in local currency, leaving an OIBDA margin of 32.9% (-1.7 percentage points compared with the first half of 2008).

OIBDA growth together with lower **CapEx**, which fell 29.1% in local currency to June, resulted in a 39.9% increase in local currency in **operating cash flow (OIBDA-CapEx)** to 138 million euros in the half year.

**CHILE**

In Chile, the company is focused on improving efficiency ratios and the development of a long-term strategy to boost customer value. Therefore, its commercial policy is being adjusted to reflect the reality of a market with high penetration levels for both wireless telephony and broadband.

At the end of June 2009 Telefónica managed 10.2 million accesses in Chile, up 5.1% year-on-year. This growth was driven by the larger wireless and broadband customer bases, which now total 7.1 million and 740,305 accesses respectively.

First-half financial results were significantly affected by the regulatory measures contained in the tariff decrees, which affect both the wireline and wireless businesses. On 23 January the new tariff decree entailing a 44.6% cut in mobile termination rates came into effect while on 7 May the wireline accesses/operators charges decree was also enacted. This entails an additional reduction in wireline termination rates.

**Table of Contents**

In a context of lower market growth and given the impact of the abovementioned regulatory measures, **revenues** in the first half 2009 totalled 900 million euros, down 0.5% year-on-year in local currency.

Improving efficiency remains the priority in Chile, which is again reflected in the OIBDA margin expansion. OIBDA margin stood at 38.7% in the first half 2009, 1.5 percentage points higher than in June 2008. **Operating income before depreciation and amortisation (OIBDA)** reached 349 million euros in the first half, up 3.5% year-on-year in local currency.

**Operating cash flow (OIBDA-CapEx)** topped 206 million euros in the first half, up 25.0% year-on-year in local currency, with **CapEx** down 17.2% in local currency.

**T. MÓVILES CHILE**

The estimated penetration of the Chilean wireless market stood at 99% at the end of the first half, 5 percentage points higher than in June 2008.

At the end of June, Telefónica had a wireless customer base of 7.1 million **accesses**, up 7.5% year-on-year. 906,849 gross adds were recorded in the half year (-15.9% year-on-year), with net adds of 229,379 accesses. It is worth noting that 98% of the customer base use GSM technology, up 4 percentage points from June 2008.

The performance of the customer base, against a backdrop of a slowdown in gross adds, reflects the focus on fostering loyalty, with **churn** standing at 1.6% in the first half of 2009, a reduction of 0.3 percentage points year-on-year.

**Traffic** stood at 5,090 million minutes in the first half of 2009 (+8.9% year-on-year). Outgoing traffic was the growth driver, rising 11.6% year-on-year in the half year thanks to the growth of on-net traffic.

As a result, **ARPU** fell 9.2% year-on-year in local currency in the first half, affected by larger impact from the tariff decree. Incoming revenue fell 24.5% year-on-year in the first half in local currency.

The policies implemented to actively promote mobile broadband and 3G services are becoming key to the success of the data business. As a result, the data business continues to perform well, as reflected in the 29.2% year-on-year growth in data revenue in local currency. Data revenues accounted for 11.3% of service revenues in the first half of 2009 (+2.6 percentage points year-on-year).

**Revenues** totalled 491 million euros in the first six months of 2009, a year-on-year increase of 1.0% in local currency. Outgoing service revenues, which are not affected by the tariff decree and reflect the company's operating performance, grew 7.3% year-on-year in the first half.

Thanks to the focus on improving efficiency **operating income before depreciation and amortisation (OIBDA)** stood at 196 million euros in the first half, up 9.5% year-on-year in local currency. This left the first half OIBDA margin at 40.0%, 3.1 percentage points higher than in June 2008.

**Operating cash flow (OIBDA-CapEx)** grew 37.9% year-on-year in local currency to 112 million euros in the half year, reflecting the strong OIBDA performance and lower **CapEx** of 84 million euros (-14.0% in local currency).

**Table of Contents****TELEFÓNICA CHILE**

Telefónica Chile managed 3.1 million **accesses** at the end of June 2009, virtually unchanged from June 2008. The broadband business reached net adds of 23,743 accesses in the first half of the year. The customer base grew 8.9% year-on-year to June, reaching 740,305. The number of pay TV accesses stood at 267,648, up 11.1% year-on-year. The growth of the new businesses offsets the lower number of wireline accesses, which fell 3.7% from June 2008. The company maintains its leadership in the market within a clear strategic focus on bundled services. More than 94.2% of broadband accesses form part of a Dúo or Trío service and 64% of wireline accesses include a bundled service.

Telefónica Chile's **revenues** were affected both by the mobile termination rates decree applied in January and the wireline accesses/operators charges decree approved in May. First half revenues totalled 445 million euros, down 3.0% year-on-year in local currency. This fall reflects the abovementioned impacts, the smaller wireline customer base and the decline in traffic.

The success of the company's strategy to improve the value of its customer base is reflected in the strong performance of its new businesses. Internet, TV and Content revenues advanced 13.7% year-on-year in local currency, accounting for 25.4% of total revenues (+3.7 percentage points from June 2008). As a result, the company is cementing its transformation process, thereby minimising the impact of the decline in traditional wireline revenues, which were down by 11.3% year-on-year in local currency in the first six months.

The focus on efficiency remains a key aspect of management strategy. Thanks to this drive, the company kept a tight rein on operating expenses, which fell 4.3% year-on-year in local currency in the first half due to lower supply and external service costs. Bad debt provisions stood at 4.8% of revenues at the end of June.

**Operating income before depreciation and amortisation (OIBDA)** fell 3.5% year-on-year in local currency in the first six months to 152 million euros, smaller than the decline in revenues. The OIBDA margin stood at 34.3% at the end of June 2009, virtually unchanged from June 2008 (-0.2 percentage points).

**CapEx** in the half year totalled 58 million euros, down 21.3% in local currency from June 2008. **Operating cash flow (OIBDA-CapEx)** advanced 12.3% year-on-year in local currency to 94 million euros.

**PERU**

Telefónica managed 15.4 million **accesses** in Peru at the end of June 2009, an increase of 13.8% from June 2008, driven by the sustained increase in wireless (+16.5% year-on-year) and broadband (+18.9% year-on-year) accesses. Also noteworthy was the positive performance in wireline accesses that with 82,268 net adds in the first half, rose 6.1% year-on-year. Pay TV accesses stood at 703,239, up 7.7% year-on-year.

**Revenues** maintained a positive evolution reaching 860 million euros at the end of June 2009 (+7.7% in local currency). This improvement was underpinned by the expansion of wireless telephony and the steady growth of the Broadband, Data and IT businesses.

The company continued to strive to improve efficiency. As a result **operating income before depreciation and amortisation (OIBDA)** advanced up to June 2009 to 340 million euro (+16.4% in local currency). As result, the OIBDA margin stood at 39.5% at the end of June (+3.0 percentage points year-on-year).

**Table of Contents**

**Operating cash flow (OIBDA-CapEx)** totalled 271 million euros in the half-year (+22.1% in local currency) on the back of higher OIBDA and contained **CapEx** (69 million euros in the first half, -1.6% year-on-year in local currency).

**T. MÓVILES PERÚ**

At the end of June estimated penetration of the Peruvian wireless market stood at 62%, up 8 percentage points from June 2008.

Against a backdrop of a slowdown in market growth, the company scaled back mass traffic promotions for new adds, focusing its strategy on attracting higher value customers. At the end of June Telefónica had 10.9 million wireless **accesses** in Peru, year-on-year growth of 16.5%.

**Churn** containment, which stood at 3.3% at the end of June (virtually unchanged vs. January-June 2008), boosted net adds which totalled 250,471 in the first half, with contract customers up by 24.5% from June 2008.

A total of 93% of customers used GSM technology at the end of the first six months (+8 percentage points year-on-year).

**Traffic** stood at 5,601 million minutes through to June, with a significant year-on-year growth of 18.1% underpinned by the **Single Rate** for all destinations launched in April 2008.

First half **ARPU** fell 14.2% year-on-year in local currency, due to the sharp growth in the customer base over the last twelve months and commercial campaigns focused on increasing customer value.

**Revenues** totalled 419 million euros through to June, a year-on-year increase of 16.4% in local currency. This growth was driven by higher handset sale revenues, a result of the smaller weighting of **SIM only** customers, and the change arising from the introduction of the **Single Rate**. Service revenues advanced 6.5% year-on-year in local currency, on the back of the steady growth of incoming revenues (+16.4% year-on-year in local currency) and the increased weighting of data revenues. These now account for 10.8% of service revenues.

**Operating income before depreciation and amortisation (OIBDA)** jumped 38.6% in the first half in local currency to 154 million euros. As a result, the OIBDA margin stood at 36.8% (+5.9 percentage points year-on-year).

**Operating cash flow (OIBDA-CapEx)** to June advanced 67.6% to 130 million euros thanks to the sharp growth in OIBDA and the fall in **CapEx** in the first half (-28.8% in local currency to 24 million euros).

**TELEFÓNICA DEL PERÚ**

Telefónica del Perú continued to post a good commercial performance across all its services and managed 4.6 million **accesses** at the end of June (up 7.9% year-on-year).

Especially noteworthy was the performance of the broadband business, which added 46,553 new accesses in the half year, bringing its total customer base to 744,971 (+18.9% year-on-year). TV accesses advanced by 7.7% year-on-year to 703,239 and fixed wireless accesses by 74.8%.

Telefónica continues to focus on bundling and service segmentation to drive the growth of the broadband business and increase the value of its customer base. A total of 59% of broadband customers now have a Duo or Trio service.

**Revenues** totalled 508 million euros to June (+2.2% in local currency).

**Table of Contents**

In the first half of 2009 new businesses continued to fare well. Accordingly, internet, TV and content revenues accounted for 31.3% of total revenues.

Meanwhile, operating expenses advanced in the first half. This rise was due to higher personnel and interconnection expenses as a result of the increase in fixed to mobile and long-distance traffic. Bad debt provisions represented 2.4% of revenues at the end of June.

**Operating income before depreciation and amortisation (OIBDA)** rose +4.8% in local currency to 189 million euros in the first half. Consequently, the OIBDA margin stood at 37.1% in June.

**CapEx** in the first half totalled 45 million euros (+23.4% year-on-year in local currency), mainly invested in the development of new businesses. As a result, **operating cash flow (OIBDA-CapEx)** reached 144 million euros (flat in local currency).

**COLOMBIA**

At the end of June Telefónica managed 11.8 million **accesses** in Colombia, down 2.7% year-on-year, driven by the shrinking of the wireless telephony market following changes in operators' commercial strategies.

At the end of June, the company had over 9.0 million wireless **accesses**, 2.2 million fixed telephony accesses, 427,819 broadband and 143,828 pay TV accesses.

**Revenues** totalled 631 million euros in the first six months of 2009, down 9.0% year-on-year in local currency, as a result of lower wireless and wireline revenues.

**Operating income before depreciation and amortisation (OIBDA)** stood at 171 million euros in the first half of 2009, down 21.5% year-on-year in local currency. Consequently, the OIBDA margin stood at 27.1% in the half year (-4.3 percentage points year-on-year).

**Operating cash flow (OIBDA-CapEx)** totalled 82 million euros in the first six months of 2009, with CapEx down 34.1% year-on-year in local currency at 88 million euros.

**T. MÓVILES COLOMBIA**

The Colombian wireless telephony market is undergoing an adjustment process that is considered to be affecting all market players. At the end of June penetration stood at an estimated 91%, up 10 percentage points year-on-year.

The company managed over 9.0 million wireless **accesses** (-3.5% year-on-year), after reporting a net loss of 935,117 in the half year. The decline was mainly due to the sharp drop in gross adds compared with the first half of 2008 (-42.4%). This performance was shaped by the change in the marketing of SIM only cards since April (which no longer include traffic promotions), a more restrictive policy for gross adds activation and lower handset subsidies aimed at improving gross add quality. **Churn** in the half-year stood at 4.4% (+1.0 percentage points year-on-year).

Additionally, GSM penetration continues to increase and this technology accounted for 95% of the total customer base at the end of June (+7 percentage points year-on-year).

**Traffic** stood at 6,473 million minutes in the first half of 2009, similar to the figures recorded in the same period a year earlier.

**ARPU** fell 16.7% in local currency from the first six months of 2008.

**Table of Contents**

First half **revenues** totalled 334 million euros, down 13.5% year-on-year in local currency, hit by the fall in handset sales revenues (-55.8% year-on-year in the first six months in local currency) following the change in the company's commercial policy (which resulted in a reduction in handset subsidies). Service revenues in the half year fell 9.0% in local currency, reflecting customer and ARPU performance.

By contrast, data revenues remained buoyant, rising 33.2% year-on-year in local currency in the first half. As a result, the data business accounted for 7.8% of first half service revenues (+2.5 percentage points year-on-year).

**Operating income before depreciation and amortisation (OIBDA)** stood at 60 million euros in the first half, down 28.7% year-on-year in local currency, sharply hit by the increase in bad debt provision related with the distribution channel. The OIBDA margin at the end of June stood at 18.0% (-3.8 percentage points year-on-year).

**CapEx** in the first half fell 51.5% year-on-year in local currency, leaving **operating cash flow (OIBDA-CapEx)** at 31 million euros, a year-on-year jump of 28.9% in local currency.

**TELEFÓNICA TELECOM**

Telefónica Telecom managed 2.8 million **accesses** at the end of June 2009, in line with the customer base in June 2008. The company had 427,819 broadband accesses (+45.5% year-on-year), with net adds of 33,948 accesses in the half year and 143,828 TV accesses (+27.7% from June 2008). The year-on-year rise in broadband and pay TV accesses offset the fall in traditional accesses (-7.1% year-on-year), which were sharply affected by the wireline-wireless substitution.

Driven by the service bundling strategy, 72% of wireline accesses and 81% of broadband accesses at the end of June were part of a bundled package.

**Revenues** totalled 311 million euros in the first half of 2009, a year-on-year fall of 3.4% in local currency. The fall in traditional telephony revenues (-12.8% in local currency in the half year) was partially mitigated by the success of new businesses. Internet, TV and content revenues rose 20.6% year-on-year in local currency to June and now account for 18.9% of total revenues (+3.8 percentage points year-on-year). Meanwhile, data, IT and capacity rental revenues grew 17.9% in the first half in local currency.

Operating expenses advanced 6.0% year-on-year in local currency in the half year, mainly as a result of higher supply costs and the increase in the bad debt provision, that reached 5.1% of revenues in the half year (+2.6 percentage points year-on-year).

**Operating income before depreciation and amortisation (OIBDA)** totalled 111 million euros, down 16.9% year-on-year in local currency in the first six months. The OIBDA margin stood at 35.6% in the first half, a 5.8 percentage point decrease from June 2008.

**CapEx** in the first half of 2009 stood at 59 million euros (-19.9% year-on-year in local currency), with **operating cash flow (OIBDA-CapEx)** falling 13.1% year-on-year in local currency to 51 million euros.

**MEXICO**

Growth in the Mexican wireless market remained strong with an estimated penetration level of 73% at the end of June (+5 percentage points from June 2008).

**Table of Contents**

Against this backdrop, Telefónica continues to focus on leveraging on growth in its customer base and improving operating profitability. Particularly noteworthy was the launch of the Movistar Porqué no ( Why not Movistar ) campaign to strengthen the brand's values with focus on the contract segment and on boosting the use of value added services.

The main commercial initiatives launched, included the Mothers Day campaign, the relaunch of traffic and handset promotions aimed at the prepay segment and the ongoing development of segmented promotions based on customer top-up profile (this complements the Movistar 1,2,3 plan).

Thanks to these initiatives, gross adds reached 2.9 million in the year to date. **Churn** in the first half was pretty stable at 2.4%. Net wireless adds to the end of June stood at 611,959 customers.

Against this backdrop, Telefónica's wireless **customer base** topped 15.9 million at the end of June 2009, up 13.0% from June 2008. The total customer base stood at 16.1 million (+13.9% year-on-year).

**Traffic** in the first half stood at 11,098 million minutes, down 3.4% on the same period in 2008. This was mainly due to the fall in outgoing traffic, affected by the decline in economic activity in the country.

First half **ARPU** fell 5.6% in local currency.

The larger customer base and higher data revenues (20.2% of service revenues; +25.4% in local currency from June 2008) underpinned the sharp 17.9% increase in service revenues in local currency, easily outstripping total revenue growth. Especially noteworthy was the growth in outgoing revenues (+12.7% in the half-year).

**Revenues** advanced 8.7% in local currency from the first half of 2008 to 751 million euros.

The lower commercial activity compared with the first half of 2008, the focus on improving efficiency and the larger scale of the business drove a 53.0% year-on-year jump in local currency in **operating income before depreciation and amortisation (OIBDA)** to 236 million euros. As a result, the OIBDA margin increased by 9.1 percentage points year-on-year to 31.5% in the first half.

The company continues to deliver significant increases in **operating cash flow (OIBDA-CapEx)**, which stood at 150 million euros in the first half. This is over four times the amount in local currency reported in the same period of 2008.

**VENEZUELA**

In the first half of 2009, the Venezuelan wireless market maintained one of the highest penetration rates in the region, standing at an estimated rate 99% at the end of June, up 6 percentage points from June 2008.

Telefónica's operations in Venezuela continued to perform exceptionally well both in the first half, underpinned by solid commercial and financial results.

The company's commercial focus remained on capturing market growth, leveraging periods such as the Mother's Day campaign and continuing to capitalise on its value proposition as an integrated operator (voice + broadband + TV). At the same time, it continues to improve commercial efficiency with more stringent credit scoring processes, segmented promotions for contract customers and lower handset subsidies.

As a result, the company achieved net adds of 168,833 wireless accesses in the first half, with churn significantly lower at 2.4% in the first semester (-0.4 percentage points year-on-year).

**Table of Contents**

Telefónica Móviles Venezuela reached 12.1 million total accesses at the end of June (+9.1% vs. June 2008), driven by a 9.3% year-on-year increase in wireless customers to over 10.7 million and by growth in fixed wireless accesses (+3.8% year-on-year).

GSM customers now account for 59% of the total customer base, an increase of 11 percentage points compared to June 2008.

**Traffic** in the first half of 2009 stood at 7,458 million minutes (+3.2% year-on-year), underpinned by the strong performance of both incoming and outgoing traffic.

Data services continued to show a solid performance with data revenues increasing 66.8% year-on-year in the first six months of 2009 in local currency accounting for 26.0% of service revenues in the first half.

As a result, **ARPU** continued to post a strong growth (+19.3% in local currency in the first half).

**Revenues** recorded a solid increase of 28.4% year-on-year in local currency in the first half to 1,748 million euros, driven by the sharp rise in service revenues (+29.7% in local currency in the first half), which continues to comfortably outstrip customer growth. Particularly noteworthy was the strong performance of outgoing revenues, which increased 37.4% year-on-year in local currency in the first six months of 2009.

**Operating income before depreciation and amortisation (OIBDA)** stood at 891 million euros in the first half, up 45.7% on the same period in 2008 in local currency, driven by significant commercial savings on subsidies and commissions and lower interconnection costs. As a result, the OIBDA margin reached 51.0%, a rise of 6.1 percentage points on the first half of 2008.

**Operating cash flow (OIBDA-CapEx) increased** by 38.8% in local currency from the first half of 2008 to 753 million euros, despite a doubling of investment vs. the first six months of 2008 due to the rollout of the GSM and 3G network and satellite pay TV service.

**CENTRAL AMERICA**

The estimated wireless penetration rate in the Central American markets where Telefónica operates reached 86% at the end of June (+10 percentage points year-on-year), with the sector growth rate recording a slowdown in the period.

At the end of June 2009, Telefónica managed 6.1 million accesses in these markets (+1.5% year-on-year). In the first half of 2009, Telefónica posted net losses of 90,340 accesses.

In an environment of slower growth, the company is focusing its management efforts on cash flow generation, developing more selective commercial policies and actively managing efficiency, with operating expenses posting a better performance. Thus, despite the lower revenues in the first half of the year (-5.5% year on year in constant currency to 288 million euros), **operating income before depreciation and amortisation (OIBDA)** rose 12.5% year-on-year in constant currency to 120 million euros. The OIBDA margin stood at 41.6% in the first half, an improvement of 6.6 percentage points year-on-year.

**Operating cash flow (OIBDA-CapEx)** recorded a solid year-on-year growth of 38.7% in constant currency, to 109 million euros in the first half, also driven by lower CapEx (-60.3% in constant currency).

**Table of Contents**

**ECUADOR**

The estimated penetration rate in the Ecuadorian wireless market reached 83% by the end of June, 8 percentage points higher than the same period a year earlier.

Telefónica Móviles Ecuador had a total of 3.3 million **accesses** at the end of June 2009 (+13.1% year-on-year), with net adds of 117,698 customers in the first half of the year. This performance was underpinned by a steady reduction in **churn**, which stood at 3.0% in the first half (-0.2 percentage points year-on-year), in an environment of lower commercial activity aimed at customer acquisition.

The penetration of GSM technology continued to increase and by the end of June 88% of customers were using this technology (+10 percentage points vs. the same period in 2008).

**Traffic** continued to post strong growth (+45.3% year-on-year in the first half), driven largely by outgoing traffic, which benefited from commercial campaigns to encourage top-ups and usage.

**ARPU** in the first half fell 1.7% in local currency year-on-year, affected by larger promotions than those launched in 2008.

Data revenues recorded a 25.6% year-on-year growth in local currency in the first half of 2009. As a result, data revenues accounted for 20.2% of service revenues in the first half of 2009.

**Revenues** totalled 167 million euros in the first half, virtually unchanged from a year earlier (-0.5% in local currency), impacted by lower handset sale revenues. Service revenues grew 10.7% in the first half in local currency, driven by the strong growth of outgoing revenues (+22.1% in local currency on the first half of 2008).

The company continues to strive to improve operating efficiency, with a noteworthy reduction in expenses, allowing it to achieve 22.5% year-on-year growth in local currency in **operating income before depreciation and amortisation (OIBDA)** in the first half of 2009, to 51 million euros. This left the OIBDA margin at 30.3%, an increase of 5.7 percentage points year-on-year.

**Operating cash flow (OIBDA-CapEx)** stood at 30 million euros, up a solid 27.2% year-on-year in local currency despite increased **CapEx** (up 16.4% year-on-year in local currency).

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
ACCESSES*Unaudited figures (thousands)*

|                            | 2008      |           |           | 2009      |           | % Chg<br>y-o-y |
|----------------------------|-----------|-----------|-----------|-----------|-----------|----------------|
|                            | June      | September | December  | March     | June      |                |
| Final Clients Accesses     | 147,845.8 | 153,060.9 | 158,200.1 | 159,401.5 | 160,749.5 | 8.7            |
| Fixed telephony accesses   |           |           |           |           |           |                |
| (1)                        | 25,757.6  | 25,758.2  | 25,644.5  | 25,517.1  | 25,391.2  | (1.4)          |
| Internet and data accesses | 7,275.1   | 7,572.4   | 7,629.8   | 7,611.1   | 7,662.5   | 5.3            |
| Narrowband (2)             | 1,635.3   | 1,587.9   | 1,445.8   | 1,306.4   | 1,207.7   | (26.1)         |
| Broadband (3) (4)          | 5,525.8   | 5,875.7   | 6,067.0   | 6,208.9   | 6,352.2   | 15.0           |
| Other (5)                  | 114.0     | 108.8     | 117.0     | 95.8      | 102.6     | (10.0)         |
| Mobile accesses            | 113,459.6 | 118,269.8 | 123,385.2 | 124,658.3 | 126,016.4 | 11.1           |
| Pre-Pay                    | 93,527.9  | 97,713.7  | 102,329.7 | 103,333.4 | 104,298.9 | 11.5           |
| Contract                   | 19,931.7  | 20,556.1  | 21,055.5  | 21,324.9  | 21,717.5  | 9.0            |
| Pay TV                     | 1,353.6   | 1,460.5   | 1,540.5   | 1,615.1   | 1,679.4   | 24.1           |
| Wholesale Accesses         | 57.6      | 69.6      | 59.0      | 58.5      | 58.1      | 0.9            |
| Total Accesses             | 147,903.4 | 153,130.5 | 158,259.0 | 159,460.0 | 160,807.7 | 8.7            |

(1) *PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company's accesses for internal use included. Total fixed wireless accesses included.*

(2) *Includes narrowband ISP of Terra Brasil and Terra Colombia.*

(3) *Includes broadband ISP*

*of Terra Brasil  
and Terra  
México.*

*(4) Includes ADSL,  
optical fiber,  
cable modem  
and broadband  
circuits.*

*(5) Retail circuits  
other than  
broadband.*

TELEFÓNICA LATINOAMÉRICA  
CONSOLIDATED INCOME STATEMENT  
*Unaudited figures (Euros in millions)*

|   | 2009         | January - June<br>2008 | % Chg           | 2009         | April - June<br>2008 | % Chg           |
|---|--------------|------------------------|-----------------|--------------|----------------------|-----------------|
| Revenues                                    | 10,968       | 10,531                 | 4.2             | 5,565        | 5,373                | 3.6             |
| Internal exp capitalized in<br>fixed assets | 53           | 56                     | (5.4)           | 30           | 34                   | (12.7)          |
| Operating expenses                          | (6,777)      | (6,839)                | (0.9)           | (3,405)      | (3,543)              | (3.9)           |
| Other net operating income<br>(expense)     | 38           | 72                     | (47.1)          | 7            | 73                   | (90.3)          |
| Gain (loss) on sale of fixed<br>assets      | (10)         | 12                     | c.s.            | (5)          | 17                   | c.s.            |
| Impairment of goodwill and<br>other assets  | (1)          | (0)                    | n.m.            | (1)          | 0                    | c.s.            |
| Operating income before D&A<br>(OIBDA)      | 4,271        | 3,831                  | 11.5            | 2,190        | 1,954                | 12.1            |
| <i>OIBDA Margin</i>                         | <i>38.9%</i> | <i>36.4%</i>           | <i>2.6 p.p.</i> | <i>39.4%</i> | <i>36.4%</i>         | <i>3.0 p.p.</i> |
| Depreciation and amortization               | (1,805)      | (1,781)                | 1.3             | (924)        | (890)                | 3.9             |
| Operating income (OI)                       | 2,466        | 2,050                  | 20.3            | 1,266        | 1,064                | 19.0            |

*Note:*

*OIBDA and OI  
before  
management  
and brand fees.*

*Starting  
April 2008,  
Vivo s  
consolidation  
perimeter  
includes  
Telemig.*



**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
ACCESSES BY COUNTRIES (I)*Unaudited figures (Thousands)*

|                              | 2008     |           |          | 2009     |          | % Chg y-o-y |
|------------------------------|----------|-----------|----------|----------|----------|-------------|
|                              | June     | September | December | March    | June     |             |
| <b>BRAZIL</b>                |          |           |          |          |          |             |
| Final Clients Accesses       | 56,098.3 | 58,165.3  | 60,704.9 | 61,332.8 | 62,418.5 | 11.3        |
| Fixed telephony accesses (1) | 11,893.5 | 11,860.7  | 11,661.9 | 11,578.3 | 11,469.9 | (3.6)       |
| Internet and data accesses   | 3,423.1  | 3,601.9   | 3,625.8  | 3,610.7  | 3,615.0  | 5.6         |
| Narrowband                   | 1,055.2  | 1,079.2   | 996.4    | 882.9    | 811.5    | (23.1)      |
| Broadband (2)                | 2,297.1  | 2,458.3   | 2,557.8  | 2,659.2  | 2,728.7  | 18.8        |
| Other (3)                    | 70.8     | 64.4      | 71.6     | 68.6     | 74.8     | 5.6         |
| Mobile accesses              | 40,434.8 | 42,276.6  | 44,945.0 | 45,641.5 | 46,819.3 | 15.8        |
| Pre-Pay                      | 32,689.9 | 34,161.5  | 36,384.0 | 36,847.3 | 37,775.5 | 15.6        |
| Contract                     | 7,745.0  | 8,115.1   | 8,561.0  | 8,794.1  | 9,043.8  | 16.8        |
| Pay TV                       | 346.9    | 426.1     | 472.2    | 502.4    | 514.3    | 48.3        |
| Wholesale Accesses           | 35.0     | 47.1      | 34.1     | 34.9     | 34.7     | (0.9)       |
| Total Accesses               | 56,133.3 | 58,212.4  | 60,739.1 | 61,367.7 | 62,453.2 | 11.3        |
| <b>ARGENTINA</b>             |          |           |          |          |          |             |
| Final Clients Accesses       | 19,999.2 | 20,533.4  | 20,717.0 | 20,856.7 | 20,969.9 | 4.9         |
| Fixed telephony accesses (1) | 4,656.1  | 4,599.0   | 4,603.1  | 4,592.3  | 4,585.6  | (1.5)       |
| Fixed wireless               | 90.1     | 13.2      | 22.4     | 26.0     | 31.2     | (65.4)      |
| Internet and data accesses   | 1,234.6  | 1,281.6   | 1,284.3  | 1,262.0  | 1,267.9  | 2.7         |
| Narrowband                   | 249.4    | 215.9     | 182.8    | 156.0    | 140.7    | (43.6)      |
| Broadband (2)                | 966.4    | 1,046.2   | 1,082.0  | 1,106.0  | 1,127.2  | 16.6        |
| Other (3)                    | 18.9     | 19.5      | 19.5     | 0.0      | 0.0      | n.s.        |
| Mobile accesses              | 14,108.4 | 14,652.7  | 14,829.6 | 15,002.4 | 15,116.4 | 7.1         |
| Pre-Pay                      | 9,003.9  | 9,473.6   | 9,687.6  | 9,889.2  | 10,057.7 | 11.7        |
| Contract                     | 5,104.6  | 5,179.0   | 5,142.0  | 5,113.2  | 5,058.7  | (0.9)       |
| Wholesale Accesses           | 9.8      | 10.1      | 10.0     | 9.5      | 9.7      | (1.2)       |
| Total Accesses               | 20,009.0 | 20,543.4  | 20,726.9 | 20,866.1 | 20,979.5 | 4.9         |
| <b>CHILE</b>                 |          |           |          |          |          |             |
| Final Clients Accesses       | 9,709.4  | 9,816.7   | 10,002.7 | 10,078.5 | 10,208.5 | 5.1         |
| Fixed telephony accesses (1) | 2,148.1  | 2,134.6   | 2,121.0  | 2,088.5  | 2,069.2  | (3.7)       |
| Internet and data accesses   | 709.3    | 728.7     | 743.8    | 741.3    | 767.2    | 8.2         |
| Narrowband                   | 20.7     | 19.7      | 18.7     | 20.1     | 18.7     | (9.9)       |
| Broadband (2)                | 679.8    | 700.2     | 716.6    | 712.8    | 740.3    | 8.9         |
| Other (3)                    | 8.8      | 8.8       | 8.6      | 8.5      | 8.3      | (5.9)       |
| Mobile accesses              | 6,611.3  | 6,702.6   | 6,875.0  | 6,986.0  | 7,104.4  | 7.5         |

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|                    |         |         |          |          |          |        |
|--------------------|---------|---------|----------|----------|----------|--------|
| Pre-Pay            | 4,850.0 | 4,856.3 | 4,956.0  | 5,030.6  | 5,078.0  | 4.7    |
| Contract           | 1,761.3 | 1,846.3 | 1,919.0  | 1,955.3  | 2,026.4  | 15.1   |
| Pay TV             | 240.8   | 250.9   | 263.0    | 262.8    | 267.6    | 11.1   |
| Wholesale Accesses | 12.4    | 12.0    | 11.5     | 10.5     | 10.0     | (19.0) |
| Total Accesses     | 9,721.8 | 9,828.8 | 10,014.3 | 10,089.1 | 10,218.5 | 5.1    |

(1) *PSTN (including Public Use Telephony) x1; ISDN Basic access x1, ISDN Primary access, 2/6 Access x30. Company's accesses for internal use included. Total fixed wireless accesses included.*

(2) *Includes ADSL, cable modem and broadband circuits.*

(3) *Retail circuits other than broadband.*

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
ACCESSES BY COUNTRIES (II)*Unaudited figures (Thousands)*

|                              | 2008     |           |          | 2009     |          | % Chg y-o-y |
|------------------------------|----------|-----------|----------|----------|----------|-------------|
|                              | June     | September | December | March    | June     |             |
| <b>PERU</b>                  |          |           |          |          |          |             |
| Final Clients Accesses       | 13,542.8 | 14,300.9  | 14,982.6 | 15,221.8 | 15,414.6 | 13.8        |
| Fixed telephony accesses (1) | 2,893.1  | 2,941.5   | 2,986.5  | 3,029.3  | 3,068.7  | 6.1         |
| Fixed wireless               | 349.2    | 412.0     | 485.5    | 555.5    | 610.5    | 74.8        |
| Internet and data accesses   | 672.4    | 703.3     | 728.9    | 755.4    | 779.4    | 15.9        |
| Narrowband                   | 34.1     | 21.5      | 17.7     | 22.5     | 20.3     | (40.6)      |
| Broadband (2)                | 626.8    | 669.8     | 698.4    | 719.0    | 745.0    | 18.9        |
| Other (3)                    | 11.5     | 11.9      | 12.8     | 13.8     | 14.2     | 23.1        |
| Mobile accesses              | 9,324.0  | 10,010.1  | 10,612.7 | 10,756.2 | 10,863.2 | 16.5        |
| Pre-Pay                      | 8,411.1  | 9,036.7   | 9,575.2  | 9,667.4  | 9,726.9  | 15.6        |
| Contract                     | 912.9    | 973.4     | 1,037.5  | 1,088.9  | 1,136.3  | 24.5        |
| Pay TV                       | 653.2    | 646.0     | 654.5    | 680.9    | 703.2    | 7.7         |
| Wholesale Accesses           | 0.4      | 0.4       | 0.4      | 0.4      | 0.5      | 22.3        |
| Total Accesses               | 13,543.2 | 14,301.3  | 14,983.0 | 15,222.3 | 15,415.0 | 13.8        |
| <b>COLOMBIA</b>              |          |           |          |          |          |             |
| Final Clients Accesses       | 12,116.7 | 12,516.9  | 12,800.5 | 12,625.5 | 11,792.4 | (2.7)       |
| Fixed telephony accesses (1) | 2,349.9  | 2,320.4   | 2,299.2  | 2,247.2  | 2,182.9  | (7.1)       |
| Internet and data accesses   | 295.7    | 357.0     | 395.9    | 427.0    | 437.7    | 48.0        |
| Narrowband                   | 0.3      | 0.3       | 0.3      | 8.9      | 7.7      | n.s.        |
| Broadband (2)                | 294.0    | 355.1     | 393.9    | 416.0    | 427.8    | 45.5        |
| Other (3)                    | 1.5      | 1.6       | 1.7      | 2.0      | 2.2      | 49.0        |
| Mobile accesses              | 9,358.5  | 9,702.0   | 9,963.1  | 9,805.8  | 9,028.0  | (3.5)       |
| Pre-Pay                      | 7,506.0  | 7,959.7   | 8,327.3  | 8,206.1  | 7,409.6  | (1.3)       |
| Contract                     | 1,852.5  | 1,742.2   | 1,635.8  | 1,599.6  | 1,618.4  | (12.6)      |
| Pay TV                       | 112.6    | 137.5     | 142.3    | 145.6    | 143.8    | 27.7        |
| Wholesale Accesses           | 0.0      | 0.0       | 2.9      | 3.2      | 3.2      | n.s.        |
| Total Accesses               | 12,116.7 | 12,516.9  | 12,803.4 | 12,628.7 | 11,795.6 | (2.7)       |
| <b>MEXICO</b>                |          |           |          |          |          |             |
| Mobile accesses              | 14,114.2 | 14,662.0  | 15,330.6 | 15,517.7 | 15,942.5 | 13.0        |
| Pre-Pay                      | 13,288.9 | 13,779.2  | 14,432.4 | 14,623.0 | 15,026.6 | 13.1        |
| Contract                     | 825.4    | 882.8     | 898.1    | 894.7    | 915.9    | 11.0        |
| Fixed wireless               | 62.5     | 99.4      | 133.6    | 167.9    | 203.3    | n.s.        |
| Total Accesses               | 14,176.7 | 14,761.3  | 15,464.2 | 15,685.6 | 16,145.9 | 13.9        |

|                 |          |          |          |          |          |      |
|-----------------|----------|----------|----------|----------|----------|------|
| VENEZUELA       |          |          |          |          |          |      |
| Mobile accesses | 9,841.2  | 10,280.2 | 10,584.0 | 10,679.5 | 10,752.9 | 9.3  |
| Pre-Pay         | 9,238.5  | 9,659.7  | 9,970.7  | 10,070.2 | 10,139.0 | 9.7  |
| Contract        | 602.7    | 620.5    | 613.3    | 609.3    | 613.9    | 1.9  |
| Fixed wireless  | 1,242.5  | 1,281.8  | 1,312.8  | 1,291.5  | 1,290.3  | 3.8  |
| Pay TV          | 0.0      | 0.0      | 8.5      | 23.4     | 50.4     | n.s. |
| Total Accesses  | 11,083.8 | 11,562.0 | 11,905.3 | 11,994.4 | 12,093.5 | 9.1  |

(1) *PSTN (including Public Use Telephony) x1; ISDN Basic access x1, ISDN Primary access, 2/6 Access x30. Company's accesses for internal use included. Total fixed wireless accesses included.*

(2) *Includes ADSL, optical fiber, cable modem and broadband circuits.*

(3) *Retail circuits other than broadband.*

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
ACCESSES BY COUNTRIES (III)*Unaudited figures (Thousands)*

|                              | 2008    |           |          | 2009    |         | % Chg y-o-y |
|------------------------------|---------|-----------|----------|---------|---------|-------------|
|                              | June    | September | December | March   | June    |             |
| <b>CENTRAL AMERICA (1)</b>   |         |           |          |         |         |             |
| Fixed telephony accesses (2) | 429.2   | 435.2     | 437.2    | 441.1   | 444.9   | 3.6         |
| Fixed Wireless               | 281.4   | 276.7     | 278.7    | 288.7   | 288.3   | 2.4         |
| Internet and data accesses   | 20.1    | 19.3      | 18.4     | 17.6    | 16.6    | (17.1)      |
| Broadband (3)                | 18.2    | 17.3      | 16.5     | 15.6    | 14.6    | (19.8)      |
| Other (4)                    | 1.8     | 1.9       | 1.9      | 2.0     | 2.0     | 8.9         |
| Mobile accesses              | 5,530.2 | 5,665.8   | 5,702.0  | 5,630.2 | 5,605.7 | 1.4         |
| Pre-Pay                      | 5,152.1 | 5,281.6   | 5,315.3  | 5,242.7 | 5,213.4 | 1.2         |
| Contract                     | 378.1   | 384.1     | 386.7    | 387.5   | 392.3   | 3.8         |
| Total Accesses               | 5,979.5 | 6,120.2   | 6,157.6  | 6,089.0 | 6,067.3 | 1.5         |
| <b>ECUADOR</b>               |         |           |          |         |         |             |
| Mobile accesses              | 2,862.2 | 2,957.4   | 3,122.5  | 3,179.2 | 3,253.3 | 13.7        |
| Pre-Pay                      | 2,406.4 | 2,491.5   | 2,650.5  | 2,711.6 | 2,772.1 | 15.2        |
| Contract                     | 455.8   | 465.9     | 472.0    | 467.6   | 481.2   | 5.6         |
| Fixed Wireless               | 82.7    | 85.5      | 89.4     | 81.0    | 76.3    | (7.7)       |
| Total Accesses               | 2,944.9 | 3,042.9   | 3,211.9  | 3,260.2 | 3,329.6 | 13.1        |
| <b>URUGUAY</b>               |         |           |          |         |         |             |
| Mobile accesses              | 1,274.7 | 1,360.6   | 1,420.7  | 1,459.9 | 1,530.8 | 20.1        |
| Pre-Pay                      | 981.3   | 1,013.8   | 1,030.6  | 1,045.4 | 1,100.1 | 12.1        |
| Contract                     | 293.5   | 346.7     | 390.1    | 414.5   | 430.7   | 46.8        |
| Total Accesses               | 1,274.7 | 1,360.6   | 1,420.7  | 1,459.9 | 1,530.8 | 20.1        |

(1) *Includes  
Guatemala,  
Panama, El  
Salvador and  
Nicaragua.*

(2) *PSTN (including  
Public Use  
Telephony) x1;  
ISDN Basic  
access x1; ISDN  
Primary access,  
2/6 Access x30.  
Company s  
accesses for  
internal use  
included. Total  
fixed wireless*

*accesses  
included.*

*(3) Includes optical  
fiber, cable  
modem and  
broadband  
circuits.*

*(4) Retail circuits  
other than  
broadband.*

**Table of Contents**TELEFÓNICA LATINOAMERICA  
SELECTED MOBILE BUSINESS OPERATING DATA BY COUNTRY*Unaudited figures*

|                           | Q2     | 2008<br>Q3 | Q4     | 2009<br>Q1 | Q2     | % Chg y-o-y Local Cur |
|---------------------------|--------|------------|--------|------------|--------|-----------------------|
| <b>BRAZIL</b>             |        |            |        |            |        |                       |
| Traffic (Million minutes) | 11,013 | 10,951     | 10,990 | 10,344     | 10,918 | (0.9)                 |
| ARPU (EUR)                | 10.9   | 12.0       | 10.0   | 9.0        | 9.7    | (7.9)                 |
| <b>ARGENTINA</b>          |        |            |        |            |        |                       |
| Traffic (Million minutes) | 3,158  | 3,426      | 3,673  | 3,485      | 3,744  | 18.5                  |
| ARPU (EUR)                | 8.1    | 8.9        | 9.8    | 9.3        | 8.6    | 10.1                  |
| <b>CHILE</b>              |        |            |        |            |        |                       |
| Traffic (Million minutes) | 2,379  | 2,447      | 2,583  | 2,537      | 2,553  | 7.3                   |
| ARPU (EUR)                | 12.2   | 11.7       | 11.7   | 11.0       | 10.4   | (11.0)                |
| <b>PERU</b>               |        |            |        |            |        |                       |
| Traffic (Million minutes) | 2,373  | 2,550      | 2,745  | 2,809      | 2,792  | 17.7                  |
| ARPU (EUR)                | 5.8    | 5.9        | 6.1    | 5.5        | 5.6    | (10.1)                |
| <b>COLOMBIA</b>           |        |            |        |            |        |                       |
| Traffic (Million minutes) | 3,215  | 3,518      | 3,585  | 3,265      | 3,208  | (0.2)                 |
| ARPU (EUR)                | 7.3    | 6.6        | 6.2    | 5.4        | 5.7    | (14.5)                |
| <b>MEXICO</b>             |        |            |        |            |        |                       |
| Traffic (Million minutes) | 6,024  | 5,351      | 5,591  | 5,378      | 5,720  | (5.0)                 |
| ARPU (EUR)                | 8.2    | 8.2        | 7.9    | 6.7        | 7.3    | (1.4)                 |
| <b>VENEZUELA</b>          |        |            |        |            |        |                       |
| Traffic (Million minutes) | 3,718  | 3,809      | 3,958  | 3,767      | 3,692  | (0.7)                 |
| ARPU (EUR)                | 15.3   | 16.7       | 20.3   | 21.0       | 20.6   | 17.3                  |
| <b>CENTRAL AMERICA</b>    |        |            |        |            |        |                       |
| Traffic (Million minutes) | 1,892  | 1,779      | 1,724  | 1,690      | 1,691  | (10.7)                |
| ARPU (EUR)                | 7.0    | 7.1        | 7.9    | 7.5        | 7.2    | (6.4)                 |
| <b>ECUADOR</b>            |        |            |        |            |        |                       |
| Traffic (Million minutes) | 647    | 759        | 869    | 802        | 902    | 39.4                  |
| ARPU (EUR)                | 6.3    | 6.7        | 7.4    | 7.3        | 6.9    | (4.1)                 |
| <b>URUGUAY</b>            |        |            |        |            |        |                       |
| Traffic (Million minutes) | 374    | 514        | 643    | 616        | 628    | 67.9                  |
| ARPU (EUR)                | 8.1    | 8.5        | 8.7    | 8.9        | 8.1    | 5.3                   |

*Notes:*

*ARPU  
calculated as a  
monthly  
quarterly  
average.*

*Traffic is  
defined as  
minutes used by  
the company  
customers, both  
outbound and  
inbound. On-net  
traffic is only  
included once  
(outbound), and  
promotional  
traffic is  
included. Traffic  
not associated  
to the  
Company's  
mobile  
customers  
(roaming-in,  
MVNOs,  
interconnection  
of third parties  
and other  
business lines)  
is excluded.  
Traffic volume  
non rounded.*

**Table of Contents**TELEFÓNICA LATINOAMERICA  
SELECTED MOBILE BUSINESS OPERATING DATA BY COUNTRY*Unaudited figures*

|                           | 2009   | January - June<br>2008 | % Chg Local Cur |
|---------------------------|--------|------------------------|-----------------|
| <b>BRAZIL (1)</b>         |        |                        |                 |
| Traffic (Million minutes) | 21,263 | 18,606                 | 14.3            |
| ARPU (EUR)                | 9.4    | 11.4                   | (8.8)           |
| <b>ARGENTINA</b>          |        |                        |                 |
| Traffic (Million minutes) | 7,228  | 5,842                  | 23.7            |
| ARPU (EUR)                | 8.9    | 8.0                    | 12.3            |
| <b>CHILE</b>              |        |                        |                 |
| Traffic (Million minutes) | 5,090  | 4,673                  | 8.9             |
| ARPU (EUR)                | 10.7   | 12.9                   | (9.2)           |
| <b>PERU</b>               |        |                        |                 |
| Traffic (Million minutes) | 5,601  | 4,744                  | 18.1            |
| ARPU (EUR)                | 5.5    | 6.1                    | (14.2)          |
| <b>COLOMBIA</b>           |        |                        |                 |
| Traffic (Million minutes) | 6,473  | 6,465                  | 0.1             |
| ARPU (EUR)                | 5.6    | 7.3                    | (16.7)          |
| <b>MEXICO</b>             |        |                        |                 |
| Traffic (Million minutes) | 11,098 | 11,489                 | (3.4)           |
| ARPU (EUR)                | 7.0    | 8.4                    | (5.6)           |
| <b>VENEZUELA</b>          |        |                        |                 |
| Traffic (Million minutes) | 7,458  | 7,226                  | 3.2             |
| ARPU (EUR)                | 20.8   | 15.2                   | 19.3            |
| <b>CENTRAL AMERICA</b>    |        |                        |                 |
| Traffic (Million minutes) | 3,380  | 3,671                  | (7.9)           |
| ARPU (EUR)                | 7.3    | 7.4                    | (11.0)          |
| <b>ECUADOR</b>            |        |                        |                 |
| Traffic (Million minutes) | 1,704  | 1,172                  | 45.3            |
| ARPU (EUR)                | 7.1    | 6.3                    | (1.7)           |
| <b>URUGUAY</b>            |        |                        |                 |
| Traffic (Million minutes) | 1,243  | 666                    | 86.7            |
| ARPU (EUR)                | 8.5    | 8.2                    | 5.1             |

(1) *Includes Telemig  
from April 2008.*

*Note: ARPU calculated as a monthly January-December period average.*

*Traffic is defined as minutes used by the company customers, both outbound and inbound. On-net traffic is only included once (outbound), and promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is excluded. Traffic volume non rounded.*

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
SELECTED FINANCIAL DATA (I)

Unaudited figures (Euros in millions)

|                       | January - June |       |            | % Chg y-o-y<br>Local Cur | April - June |       |            | % Chg y-o-y<br>Local Cur |
|-----------------------|----------------|-------|------------|--------------------------|--------------|-------|------------|--------------------------|
|                       | 2009           | 2008  | % Chg      |                          | 2009         | 2008  | % Chg      |                          |
| <b>BRAZIL</b>         |                |       |            |                          |              |       |            |                          |
| Revenues              | 3,920          | 4,205 | (6.8)      | 4.7                      | 2,023        | 2,165 | (6.6)      | 1.9                      |
| OIBDA                 | 1,487          | 1,608 | (7.5)      | 3.9                      | 787          | 831   | (5.3)      | 3.4                      |
| OIBDA margin          | 37.9%          | 38.2% | (0.3 p.p.) |                          | 38.9%        | 38.4% | 0.5 p.p.   |                          |
| CapEx                 | 502            | 704   | (28.8)     | (20.0)                   | 281          | 509   | (44.8)     | (39.6)                   |
| OpCF<br>(OIBDA-CapEx) | 986            | 903   | 9.1        | 22.6                     | 506          | 322   | 57.1       | 71.7                     |
| <b>Vivo (1)</b>       |                |       |            |                          |              |       |            |                          |
| Revenues              | 1,389          | 1,379 | 0.8        | 13.2                     | 714          | 735   | (2.9)      | 5.8                      |
| OIBDA                 | 418            | 356   | 17.3       | 31.7                     | 215          | 166   | 29.3       | 41.0                     |
| OIBDA margin          | 30.1%          | 25.8% | 4.2 p.p.   |                          | 30.1%        | 22.6% | 7.5 p.p.   |                          |
| CapEx                 | 192            | 360   | (46.7)     | (40.2)                   | 105          | 312   | (66.4)     | (63.3)                   |
| OpCF<br>(OIBDA-CapEx) | 226            | (3)   | c.s.       | c.s.                     | 110          | (146) | c.s.       | c.s.                     |
| <b>Telesp</b>         |                |       |            |                          |              |       |            |                          |
| Revenues              | 2,730          | 3,022 | (9.7)      | 1.4                      | 1,407        | 1,523 | (7.6)      | 0.7                      |
| OIBDA                 | 1,070          | 1,232 | (13.1)     | (2.4)                    | 572          | 645   | (11.3)     | (3.0)                    |
| OIBDA margin          | 39.2%          | 40.7% | (1.6 p.p.) |                          | 40.7%        | 42.4% | (1.7 p.p.) |                          |
| CapEx                 | 310            | 345   | (10.0)     | 1.1                      | 176          | 196   | (10.6)     | (2.0)                    |
| OpCF<br>(OIBDA-CapEx) | 760            | 887   | (14.3)     | (3.8)                    | 397          | 449   | (11.6)     | (3.5)                    |
| <b>ARGENTINA</b>      |                |       |            |                          |              |       |            |                          |
| Revenues              | 1,332          | 1,142 | 16.6       | 17.5                     | 641          | 583   | 10.1       | 14.7                     |
| OIBDA                 | 495            | 386   | 28.0       | 29.1                     | 244          | 199   | 22.7       | 27.5                     |
| OIBDA margin (2)      | 36.1%          | 32.8% | 3.4 p.p.   |                          | 36.9%        | 33.1% | 3.8 p.p.   |                          |
| CapEx                 | 123            | 125   | (1.8)      | (1.1)                    | 77           | 73    | 5.5        | 8.0                      |
| OpCF<br>(OIBDA-CapEx) | 372            | 261   | 42.4       | 43.5                     | 166          | 125   | 32.7       | 38.9                     |
| <b>T. Moviles</b>     |                |       |            |                          |              |       |            |                          |
| <b>Argentina</b>      |                |       |            |                          |              |       |            |                          |
| Revenues              | 831            | 711   | 16.9       | 17.8                     | 399          | 363   | 9.9        | 14.5                     |
| OIBDA                 | 294            | 198   | 48.6       | 49.9                     | 149          | 101   | 48.3       | 53.7                     |
| OIBDA margin          | 35.4%          | 27.8% | 7.6 p.p.   |                          | 37.5%        | 27.8% | 9.7 p.p.   |                          |
| CapEx                 | 60             | 36    | 66.6       | 68.0                     | 46           | 25    | 86.0       | 88.8                     |
| OpCF<br>(OIBDA-CapEx) | 234            | 162   | 44.6       | 45.8                     | 104          | 76    | 36.2       | 42.6                     |
| <b>Telefónica de</b>  |                |       |            |                          |              |       |            |                          |
| <b>Argentina</b>      |                |       |            |                          |              |       |            |                          |
| Revenues              | 543            | 472   | 14.9       | 15.8                     | 262          | 239   | 9.9        | 14.3                     |

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|                         |       |       |            |        |       |       |          |        |
|-------------------------|-------|-------|------------|--------|-------|-------|----------|--------|
| OIBDA                   | 201   | 189   | 6.5        | 7.3    | 95    | 98    | (3.2)    | 1.1    |
|                         |       |       |            |        |       |       | (3.6     |        |
| OIBDA margin (2)        | 32.9% | 34.7% | (1.7 p.p.) |        | 32.1% | 35.7% | p.p.)    |        |
| CapEx                   | 63    | 89    | (29.6)     | (29.1) | 32    | 49    | (34.8)   | (32.3) |
| OpCF                    |       |       |            |        |       |       |          |        |
| (OIBDA-CapEx)           | 138   | 100   | 38.8       | 39.9   | 63    | 49    | 28.6     | 34.4   |
| <b>CHILE</b>            |       |       |            |        |       |       |          |        |
| Revenues                | 900   | 989   | (9.0)      | (0.5)  | 448   | 484   | (7.5)    | (2.9)  |
| OIBDA                   | 349   | 368   | (5.4)      | 3.5    | 175   | 178   | (2.0)    | 2.9    |
| OIBDA margin            | 38.7% | 37.3% | 1.5 p.p.   |        | 39.1% | 36.9% | 2.2 p.p. |        |
| CapEx                   | 142   | 188   | (24.3)     | (17.2) | 77    | 104   | (25.7)   | (21.3) |
| OpCF                    |       |       |            |        |       |       |          |        |
| (OIBDA-CapEx)           | 206   | 180   | 14.3       | 25.0   | 98    | 74    | 31.1     | 36.1   |
| <b>T. Móviles Chile</b> |       |       |            |        |       |       |          |        |
| Revenues                | 491   | 532   | (7.6)      | 1.0    | 243   | 258   | (5.9)    | (1.3)  |
| OIBDA                   | 196   | 196   | 0.2        | 9.5    | 99    | 96    | 3.5      | 8.8    |
| OIBDA margin            | 40.0% | 36.9% | 3.1 p.p.   |        | 41.0% | 37.2% | 3.7 p.p. |        |
| CapEx                   | 84    | 107   | (21.4)     | (14.0) | 45    | 62    | (27.5)   | (23.0) |
| OpCF                    |       |       |            |        |       |       |          |        |
| (OIBDA-CapEx)           | 112   | 89    | 26.1       | 37.9   | 54    | 34    | 61.0     | 66.3   |
| <b>Telefónica Chile</b> |       |       |            |        |       |       |          |        |
| Revenues                | 445   | 502   | (11.3)     | (3.0)  | 223   | 246   | (9.4)    | (4.9)  |
| OIBDA                   | 152   | 173   | (11.8)     | (3.5)  | 75    | 82    | (8.3)    | (3.9)  |
| OIBDA margin            | 34.3% | 34.4% | (0.2 p.p.) |        | 33.8% | 33.4% | 0.4 p.p. |        |
| CapEx                   | 58    | 81    | (28.1)     | (21.3) | 32    | 42    | (23.0)   | (18.7) |
| OpCF                    |       |       |            |        |       |       |          |        |
| (OIBDA-CapEx)           | 94    | 92    | 2.7        | 12.3   | 43    | 41    | 6.8      | 11.3   |

*Note: OIBDA is presented before management and brand fees.*

*(1) 50% of Vivo. Includes Telemig from April 2008.*

*(2) Margin over revenues includes fixed to mobile interconnection.*

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
SELECTED FINANCIAL DATA (II)*Unaudited figures (Euros in millions)*

|                                | January - June |       |            | % Chg y-o-y<br>Local Cur | April - June |       |             | % Chg y-o-y<br>Local Cur |
|--------------------------------|----------------|-------|------------|--------------------------|--------------|-------|-------------|--------------------------|
|                                | 2009           | 2008  | % Chg      |                          | 2009         | 2008  | % Chg       |                          |
| <b>PERU</b>                    |                |       |            |                          |              |       |             |                          |
| Revenues                       | 860            | 757   | 13.7       | 7.7                      | 431          | 380   | 13.2        | 6.0                      |
| OIBDA                          | 340            | 277   | 22.9       | 16.4                     | 179          | 144   | 24.2        | 16.4                     |
| OIBDA margin                   | 39.5%          | 36.6% | 3.0 p.p.   |                          | 41.6%        | 38.0% | 3.7 p.p.    |                          |
| CapEx                          | 69             | 66    | 3.8        | (1.6)                    | 51           | 37    | 39.8        | 31.6                     |
| OpCF<br>(OIBDA-CapEx)          | 271            | 210   | 28.9       | 22.1                     | 128          | 108   | 18.9        | 11.3                     |
| <b>T. Móviles Perú</b>         |                |       |            |                          |              |       |             |                          |
| Revenues                       | 419            | 342   | 22.8       | 16.4                     | 209          | 176   | 19.1        | 11.6                     |
| OIBDA                          | 154            | 105   | 46.2       | 38.6                     | 78           | 59    | 32.2        | 24.0                     |
| OIBDA margin                   | 36.8%          | 30.9% | 5.9 p.p.   |                          | 37.1%        | 33.4% | 3.7 p.p.    |                          |
| CapEx                          | 24             | 32    | (24.9)     | (28.8)                   | 14           | 13    | 1.1         | (5.5)                    |
| OpCF<br>(OIBDA-CapEx)          | 130            | 74    | 76.8       | 67.6                     | 64           | 45    | 41.5        | 32.8                     |
| <b>Telefónica del Perú (1)</b> |                |       |            |                          |              |       |             |                          |
| Revenues                       | 508            | 471   | 7.9        | 2.2                      | 254          | 232   | 9.5         | 2.5                      |
| OIBDA                          | 189            | 171   | 10.5       | 4.8                      | 100          | 85    | 17.3        | 9.9                      |
| OIBDA margin                   | 37.1%          | 36.2% | 0.9 p.p.   |                          | 39.3%        | 36.7% | 2.6 p.p.    |                          |
| CapEx                          | 45             | 34    | 30.2       | 23.4                     | 38           | 23    | 62.3        | 53.2                     |
| OpCF<br>(OIBDA-CapEx)          | 144            | 136   | 5.6        | 0.0                      | 62           | 62    | 0.5         | (6.2)                    |
| <b>COLOMBIA</b>                |                |       |            |                          |              |       |             |                          |
| Revenues                       | 631            | 759   | (16.9)     | (9.0)                    | 316          | 391   | (19.4)      | (11.7)                   |
| OIBDA                          | 171            | 238   | (28.3)     | (21.5)                   | 52           | 117   | (55.3)      | (52.1)                   |
| OIBDA margin                   | 27.1%          | 31.4% | (4.3 p.p.) |                          | 16.6%        | 30.0% | (13.3 p.p.) |                          |
| CapEx                          | 88             | 147   | (39.9)     | (34.1)                   | 67           | 113   | (40.8)      | (35.1)                   |
| OpCF<br>(OIBDA-CapEx)          | 82             | 91    | (9.6)      | (1.0)                    | (15)         | 4     | c.s.        | c.s.                     |
| <b>T. Móviles Colombia</b>     |                |       |            |                          |              |       |             |                          |
| Revenues                       | 334            | 423   | (21.0)     | (13.5)                   | 167          | 219   | (23.7)      | (16.4)                   |
| OIBDA                          | 60             | 92    | (35.0)     | (28.7)                   | 8            | 48    | (83.1)      | (83.4)                   |
| OIBDA margin                   | 18.0%          | 21.8% | (3.8 p.p.) |                          | 4.8%         | 21.8% | (17.0 p.p.) |                          |
| CapEx                          | 29             | 66    | (55.8)     | (51.5)                   | 26           | 53    | (51.1)      | (46.3)                   |
| OpCF<br>(OIBDA-CapEx)          | 31             | 26    | 17.7       | 28.9                     | (18)         | (5)   | n.s.        | n.s.                     |
| <b>Telefónica Telecom</b>      |                |       |            |                          |              |       |             |                          |
| Revenues                       | 311            | 353   | (11.8)     | (3.4)                    | 154          | 181   | (15.3)      | (7.2)                    |

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|                       |       |       |            |        |       |       |            |        |
|-----------------------|-------|-------|------------|--------|-------|-------|------------|--------|
| OIBDA                 | 111   | 146   | (24.1)     | (16.9) | 44    | 69    | (36.1)     | (30.4) |
| OIBDA margin          | 35.6% | 41.3% | (5.8 p.p.) |        | 28.8% | 38.2% | (9.4 p.p.) |        |
| CapEx                 | 59    | 81    | (26.9)     | (19.9) | 41    | 60    | (31.6)     | (25.2) |
| OpCF<br>(OIBDA-CapEx) | 51    | 65    | (20.7)     | (13.1) | 3     | 9     | (65.1)     | (68.8) |

**MEXICO (T.  
Móviles Mexico)**

|                       |       |       |          |        |       |       |          |        |
|-----------------------|-------|-------|----------|--------|-------|-------|----------|--------|
| Revenues              | 751   | 784   | (4.2)    | 8.7    | 391   | 394   | (0.7)    | 10.8   |
| OIBDA                 | 236   | 175   | 34.9     | 53.0   | 133   | 101   | 31.4     | 46.9   |
| OIBDA margin          | 31.5% | 22.4% | 9.1 p.p. |        | 33.9% | 25.7% | 8.3 p.p. |        |
| CapEx                 | 87    | 137   | (37.0)   | (28.6) | 52    | 120   | (56.3)   | (51.0) |
| OpCF<br>(OIBDA-CapEx) | 150   | 38    | n.s.     | n.s.   | 80    | (19)  | c.s.     | c.s.   |

**VENEZUELA (T.  
Móviles  
Venezuela)**

|                       |       |       |          |      |       |       |          |       |
|-----------------------|-------|-------|----------|------|-------|-------|----------|-------|
| Revenues              | 1,748 | 1,186 | 47.4     | 28.4 | 865   | 614   | 40.7     | 22.8  |
| OIBDA                 | 891   | 533   | 67.3     | 45.7 | 428   | 259   | 65.2     | 44.0  |
| OIBDA margin          | 51.0% | 44.9% | 6.1 p.p. |      | 49.5% | 42.2% | 7.3 p.p. |       |
| CapEx                 | 138   | 60    | 129.3    | 99.7 | 83    | 30    | 175.1    | 138.1 |
| OpCF<br>(OIBDA-CapEx) | 753   | 473   | 59.4     | 38.8 | 346   | 229   | 50.8     | 31.7  |

**CENTRAL  
AMERICA (2)**

|                       |       |       |          |        |       |       |          |        |
|-----------------------|-------|-------|----------|--------|-------|-------|----------|--------|
| Revenues              | 288   | 272   | 5.8      | (5.5)  | 138   | 134   | 2.9      | (7.3)  |
| OIBDA                 | 120   | 95    | 25.9     | 12.5   | 57    | 47    | 22.0     | 10.0   |
| OIBDA margin          | 41.6% | 34.9% | 6.6 p.p. |        | 41.3% | 34.8% | 6.5 p.p. |        |
| CapEx                 | 11    | 25    | (55.8)   | (60.3) | 8     | 23    | (63.6)   | (67.5) |
| OpCF<br>(OIBDA-CapEx) | 109   | 70    | 55.3     | 38.7   | 49    | 24    | 105.8    | 85.9   |

**ECUADOR (T.  
Móviles Ecuador)**

|                       |       |       |          |       |       |       |          |        |
|-----------------------|-------|-------|----------|-------|-------|-------|----------|--------|
| Revenues              | 167   | 146   | 14.3     | (0.5) | 80    | 77    | 4.7      | (8.4)  |
| OIBDA                 | 51    | 36    | 40.6     | 22.5  | 23    | 20    | 17.8     | 3.4    |
| OIBDA margin          | 30.3% | 24.6% | 5.7 p.p. |       | 28.8% | 25.6% | 3.2 p.p. |        |
| CapEx                 | 21    | 16    | 33.7     | 16.4  | 16    | 13    | 28.0     | 11.6   |
| OpCF<br>(OIBDA-CapEx) | 30    | 20    | 46.0     | 27.2  | 7     | 7     | (0.1)    | (10.6) |

*Note: OIBDA is presented before management and brand fees.*

*(1) From 1 January 2009, Medianetworks*

*is being  
consolidated as  
T.  
Internacional,  
S.A.U. s  
subsidiary  
(previously  
consolidated as  
Telefónica del  
Perú s  
subsidiary).*

(2) *Includes  
Guatemala,  
Panama, El  
Salvador and  
Nicaragua.*

**Table of Contents**TELEFÓNICA LATINOAMÉRICA  
SELECTED FINANCIAL DATA (III)*Unaudited figures (Euros in millions)*

|                                     | January - June |       |            |                          | April - June |       |            |                          |
|-------------------------------------|----------------|-------|------------|--------------------------|--------------|-------|------------|--------------------------|
|                                     | 2009           | 2008  | % Chg      | % Chg y-o-y<br>Local Cur | 2009         | 2008  | % Chg      | % Chg y-o-y<br>Local Cur |
| <b>URUGUAY (T. Móviles Uruguay)</b> |                |       |            |                          |              |       |            |                          |
| Revenues                            | 84             | 68    | 24.1       | 25.5                     | 40           | 34    | 17.4       | 22.8                     |
| OIBDA                               | 29             | 20    | 48.5       | 50.1                     | 14           | 8     | 64.4       | 72.7                     |
| OIBDA margin                        | 34.7%          | 29.0% | 5.7 p.p.   |                          | 34.0%        | 24.3% | 9.7 p.p.   |                          |
| CapEx                               | 13             | 8     | 64.8       | 66.6                     | 10           | 3     | n.s.       | n.s.                     |
| OpCF<br>(OIBDA-CapEx)               | 16             | 12    | 37.3       | 38.8                     | 4            | 5     | (26.1)     | (19.2)                   |
| <b>TIWS</b>                         |                |       |            |                          |              |       |            |                          |
| Revenues                            | 181            | 154   | 17.3       | 10.0                     | 90           | 79    | 15.0       | 7.9                      |
| OIBDA                               | 47             | 48    | (2.1)      | (12.3)                   | 25           | 22    | 13.9       | 2.9                      |
| OIBDA margin                        | 25.9%          | 31.0% | (5.1 p.p.) |                          | 28.1%        | 28.3% | (0.3 p.p.) |                          |
| CapEx                               | 22             | 13    | 69.8       | 47.9                     | 20           | 10    | 99.0       | 73.3                     |
| OpCF<br>(OIBDA-CapEx)               | 25             | 35    | (29.0)     | (34.7)                   | 5            | 12    | (58.4)     | (56.8)                   |

*Note: OIBDA is presented before management and brand fees.*

**Table of Contents****RESULTS BY REGIONAL BUSINESS UNITS*****Telefónica Europe***

At the end of June 2009 Telefónica Europe's total customer base reached 47.6 million (+8.3% year-on-year). Mobile customer net additions for the first half of 2009 were 1.2 million, reaching a total **mobile customer base** of 42.6 million (+7.3% year-on-year). Telefónica Europe continued its focus on the contract segment (+11.7% year-on-year; 85.0% of total mobile net additions in the first half of 2009), built on propositions around flat rates, SIM-only, mobile broadband, high-end devices, as well as successful retention activities across markets.

**Revenues** in the first half of 2009 reached 6,571 million euros, showing a resilient year-on-year growth of 2.2% in constant currency, driven by the positive performance in the UK and German businesses, which compensated the lower year-on-year revenues from the Czech and Irish businesses. It is important to highlight that regulatory measures (mainly mobile termination rates reductions in Germany since April and in the Czech Republic since February), dragged revenue growth.

Operating expenses amounted to 4,815 million euros in the first half of the year, a year-on-year increase of 1.0% in constant currency terms, reflecting the increased commercial activity across the businesses that helped to maintain momentum in the market, partially compensated by ongoing efficiency measures.

**Operating income before depreciation and amortization (OIBDA)** in the first half of 2009 stood at 1,879 million euros.

Reported revenues and OIBDA for the first half of 2009 showed a year-on-year decline of 6.2% and 7.6%, respectively, mainly impacted by British Sterling and Czech Koruna depreciations in the period, on top of the factors affecting year-on-year performance already mentioned. OIBDA margin on a reported basis in the first half of 2009 was 28.6%, 0.4 percentage points lower than in the same period of 2008.

**Operating cash flow (OIBDA-CapEx)** totalled 1,130 million euros in the first half of 2009, helped by **CapEx** reduction (-6.9% year-on-year in constant currency).

**TELEFÓNICA O2 UK**

In the first six months of the year, Telefónica O2 UK maintained its leadership position in the market through best-in-class contract churn and customer satisfaction indicators. The company recently came away with the most prestigious award of Best Network Operator at the 2009 Mobile Awards for the second year in a row.

The company's total **mobile customer base** at the end of June 2009 reached 20.7 million lines (excluding Tesco Mobile), representing a 6.6% year-on-year growth. Net mobile additions in the first half of 2009 reached 394,021. The contract segment continued to record a strong performance, totalling 598,940 net additions in the first half (+41.8% year-on-year). Contract customers made up 43.6% of the total base at the end of June 2009 (40.6% in June 2008). This positive evolution was mainly due to churn containment, the ongoing prepay to contract migration process and continued commercial activity around Simplicity and high-end devices.

The UK prepay market continued to be very tough in the first half of the year, with the company focusing on retaining value customers within this segment with propositions such as Top Up Surprises. As a result, 204,920 net disconnections were registered in the first half of the year.

**Table of Contents**

**Churn** in the contract segment sustained its solid evolution at 1.2% for the first half of the year, showing a year-on-year reduction (0.2 percentage points in the first half). Total churn for the first half was 2.7% (+0.1 percentage points, year-on-year).

In terms of usage, **traffic** carried in the first half of 2009 grew 16.2% year-on-year to 26,102 million minutes. Prepay customers increased usage on propositions such as Unlimited , while contract customers continued optimising their voice bundle utilisation.

Voice ARPU showed a year-on-year decline of 6.6% in local currency, reaching 15.8 euros in the first half of the year, due to the continued uptake of customer propositions, such as Simplicity (with reduced acquisition costs), as well as the optimising behaviour of customers when using voice bundles. In addition, outgoing roaming activity in the first half was impacted by less travelling in the current economic environment.

Data ARPU rose 1.7% year-on-year in local currency in the first half of 2009, reaching 9.0 euros, reflecting the continued increase of customers accessing the Internet through mobile connections, partially offset by a decline in SMS ARPU due to the optimising behaviour of customers and the voluntary reduction of mobile termination rates.

As a result, Telefónica O2 UK s **total ARPU** for the first half of the year showed a 3.8% year-on-year decline in local currency to 24.7 euros.

Telefónica O2 UK s DSL **broadband** service added 116,016 lines in the first half of 2009, leaving the total fixed broadband customer base at 456,882 lines at the end of June (2.4 times higher than in June 2008).

**Revenues** for the first half of 2009 were 3,194 million euros, a solid increase of 5.5% year-on-year in local currency. Mobile service revenues in the first half of 2009 were 2,926 million euros, a 5.0% year-on-year growth in local currency, with an increasing contribution from data revenues (+8.7% year-on-year in local currency in the first half of the year). Non P2P-SMS data revenues registered strong growth of 51.3% year-on-year in local currency in the first half. Revenue growth from handset sales continued its downward trend in the second quarter (change in phasing of prepay handset shipments and more commercial activity around SIM-only).

**Operating income before depreciation and amortization (OIBDA)** totalled 798 million euros in the first half of 2009, a 4.5% year-on-year growth in local currency, leveraging on optimisation of customer retention costs (market leading churn and increased proportion of SIM-only customers), compensating increased commercial activity in the contract segment. Continued operational efficiencies in non-commercial costs, as well as improved contribution from the DSL business also helped to sustain margins. OIBDA margin for the first half was 25.0%, broadly flat year-on-year (-0.2 percentage points).

**Operating cash flow (OIBDA-CapEx)** for the first half was very strong, totalling 539 million euros, an increase of 19.8% year-on-year in local currency, reflecting the positive OIBDA performance and **CapEx** reduction of 17.5% year-on-year in local currency.

**TELEFÓNICA O2 GERMANY**

Telefónica O2 Germany s **mobile customer base** reached 14.9 million at the end of June, 2009 (+10.0% year-on-year). The new and simpler core product portfolio ( Q , O2 Mobile Flat , O2 Inklusivpaket ) is gaining traction in the O2 exclusive channels, with partners also playing an important role. As a result, 734,192 new mobile customers were added in the first half of 2009, of them, 257,513 were contract customers. At the end of June, the contract segment represented 48.4% of the base.

**Table of Contents**

Churn for the first half of 2009 stood at the 2.0% level (+0.2 percentage points, year-on-year).

**Traffic** carried in the first half of 2009 remained broadly flat year-on-year at 11,375 million minutes.

Voice ARPU declined 13.3% year-on-year to 11.1 euros in the first half of the year, mainly as a result of mobile termination rate cuts from April (-19%), the migration process to new value tariffs throughout 2008, as well as the increase of customers from partner brands in the base.

Data ARPU reached 4.7 euros in the first half of the year (-3.7% year-on-year), mainly due to the impact on SMS usage from the introduction of better value tariffs and flat rate voice promotions, which is not fully compensated by the strong growth of mobile broadband customers in the base.

As a result, total **ARPU** in the first half was down 10.6% year-on-year to 15.8 euros.

O2 **DSL** customer base reached 253,429 at the end of June, after adding 38,646 new customers in the first half of 2009. Telefónica Deutschland reported 1.5 million ULL lines in total at the end of June (+43.6% year-on-year).

**Revenues** totalled 1,781 million euros in the first half of 2009 (+1.9% year-on-year). This performance was driven by continued growth from the fixed and DSL businesses whilst the mobile business in terms of service and hardware revenue declined year on year (impacted by MTR cuts and SIM-only uptake). Mobile service revenues declined 0.4% year-on-year in the first half of the year to total 1,402 million euros. Data revenues also continued its positive contribution to mobile service revenue growth (+7.6% year-on-year in the first half), mainly backed on non P2P-SMS data revenue growth (+33.0% year-on-year in the first half) driven by continued success of mobile broadband Surfsticks .

Wholesale fixed broadband business contributed to revenues with 218 million euros in the first half of the year, +8.3% year-on-year.

**Operating income before depreciation and amortization (OIBDA)** recorded a very strong performance in the first half of 2009, showing a 26.7% year-on-year growth to 432 million euros. As a result, OIBDA margin improved by 4.8 percentage points to 24.3% in the first half of the year. This evolution is driven by the increased own mobile network coverage, improved distribution network, enhanced profitability of the fixed broadband wholesale business, as well as the new commercial approach introduced in the fourth quarter of 2008, which significantly reduced acquisition and retention costs.

**Operating cash flow (OIBDA-CapEx)** amounted to 77 million euros in the first half of 2009, a significant improvement compared to the negative 16 million euros registered in the same period of the prior year, with a year-on-year decrease in **CapEx** of 0.7%.

**Table of Contents****TELEFÓNICA O2 IRELAND**

In a difficult trading and economic environment, Telefónica O2 Ireland continued making progress in the first half, with some signs of operational improvement and increased operating cash flow generation.

Total **mobile customer base** increased 1.7% year-on-year to reach 1.7 million customers at the end of June 2009. The contract segment continued to drive growth for Telefónica O2 Ireland, with 19,513 net additions in the first half of 2009 to reach 662,604 lines (+11.8% year-on-year, representing 38.6% of the total customer base).

**Churn** reached 2.7% in the first half of 2009, 0.1 percentage points lower than in the same period of 2008.

**Traffic** carried in the first half of 2009 declined year-on-year by 2.4% to 2,328 million minutes. This was driven by an increasing number of customers optimising their usage, the continued voice to text substitution trend as a result of the value for money price plans in the marketplace (such as O2 Experience offering free SMS to any Irish mobile network), as well as a decrease of roaming activity from customers.

Voice ARPU registered a year-on-year decline of 14.2% in the first half to reach 27.8, mainly due to the better value for money propositions, customers managing their spend and reduced roaming activity.

Data ARPU rose 8.1% year-on-year in the first half to reach 11.8 euros. As a result, data revenues increased 11.3% year-on-year in the first half of the year, with non P2P-SMS data revenues increasing by 33.2% year-on-year, up to June 2009.

Total **ARPU** recorded a year-on-year reduction of 8.6% in the first half to reach 39.5 euros.

**Revenues** for the first half were 450 million euros, a year-on-year decline of 4.0%. Mobile service revenues for the first half declined 5.9% year-on-year to 421 million euros, with the decline in ARPU partially offset by growth in the customer base.

The revenue shortfall was mitigated by more efficient investments in customer acquisition and retention as a result of better churn, alongside stronger cost discipline, overall. As a result, **operating income before depreciation and amortization (OIBDA)** for the first half of 2009 was 145 million euros, 3.6% lower than in the same period of the previous year. The OIBDA margin for the first half was 32.1%, 0.2 percentage points higher than in the same period of last year.

The strong **CapEx** reduction made by the company to adapt to the current environment allowed **operating cash flow (OIBDA-CapEx)** to increase 2.3% year-on-year, reaching 123 million euros in the first half of 2009.

**TELEFÓNICA O2 CZECH REPUBLIC**

Financial performance at Telefónica O2 Czech Republic was impacted by the rapid deterioration of the macroeconomic environment since the beginning of the year, as well as mobile termination rate cuts. In Slovakia the company reported the best quarterly customer net additions in its history and continued having good financial performance.

At the end of June, the total number of **accesses** for Telefónica O2 Czech Republic, including Slovakia, stood at 8.1 million, an increase of 3.0% year-on-year.

**Fixed telephony accesses** amounted to 1.8 million at the end of June 2009 (-6.9% year-on-year), with continued improvement in net disconnections, which amounted to 89,461 during the first half (32.0% better than in the same period of 2008).

**Table of Contents**

**Retail Internet broadband accesses** reached 639,346 (+18.3% year-on-year), with 55,648 net additions in the first half of 2009 (+79.6% year-on-year), leveraging continued strong commercial activity. In May 2009, the company launched a new concept of services for households, changing the proposition from voice centric to broadband centric, enabling full flexibility to combine fixed and mobile services to serve all customers' needs. The total number of **O2 TV customers** reached 132,639 at the end of June (up 35.5% year-on-year).

**Total mobile customer base** in the Czech Republic reached 4.8 million at the end of June 2009 (+2.1% year-on-year). The contract base went up 12.4% year-on-year to 2.7 million with 143,271 net additions in the first half of 2009 (+14.5% year-on-year) as a result of continued prepay to contract migration and success of O2 NEON flat rate tariffs. Prepay customer base showed a year-on-year decline of 8.2%. At the end of June 2009, contract customers represented 55.1% of the base (50.0% at the end of June 2008). In Slovakia, mobile customer base increased 51.7% year-on-year to 417,002 customers, with 91,668 net additions in the first half.

**Churn** in the Czech mobile business declined 0.2 percentage points year-on-year in the first half of 2009 to 1.9%. In terms of usage, mobile **traffic** carried in the Czech Republic in the first half of 2009 grew by 10.0% year-on-year to 4,025 million minutes.

In the first half of 2009, voice ARPU declined 9.1% year-on-year in local currency to reach 14.4 euros.

Data ARPU was 5.5% year-on-year lower in local currency in the first half to 4.7 euros, driven by migrations of customers to better value bundled based price plans and continued optimisation of usage by customers.

Total mobile **ARPU** in the Czech Republic showed an 8.2% year-on-year decline in local currency in the first half to reach 19.1 euros.

**Revenues** for the Telefónica O2 Czech Republic Group showed a 4.8% year-on-year decrease in constant currency in the first half of 2009 to reach 1,096 million euros, reflecting the increasing challenging environment of the business. Mobile service revenue in the Czech Republic declined by 5.0% year-on-year in local currency in the first half, owing to optimisation of usage, decreasing roaming revenues and MTR cuts (-11.4% from February, 2009). Data revenues were impacted also by optimisation behaviour from customers, and had a decrease in local currency of 4.8% year-on-year in the first half of the year.

Fixed revenues in the Czech Republic fell by 5.6% year-on-year in local currency in the first half of 2009 due to lower traditional access and voice revenues driven by fixed line losses and lower voice traffic, which were not fully compensated by broadband revenues. Revenues from Slovakia grew 53.7% year-on-year in the first half, showing continued quarter over quarter growth acceleration.

**Operating income before depreciation and amortization (OIBDA)** in the first half of 2009 was 3.7% year-on-year lower in constant currency to reach 519 million euros. OIBDA margin in the first half of 2009 increased 0.4 percentage points to 47.3%.

**Operating cash flow (OIBDA-CapEx)** in the first half of 2009 decreased 8.3% year-on-year in constant currency to reach 412 million euros on the back of the decline of OIBDA and increased **CapEx** due to a different spending profile than in the previous year.

**Table of Contents**TELEFÓNICA EUROPE  
ACCESSES*Unaudited figures (thousands)*

|                              | 2008     |           |          | 2009     |          | % Chg<br>y-o-y |
|------------------------------|----------|-----------|----------|----------|----------|----------------|
|                              | June     | September | December | March    | June     |                |
| Final Clients Accesses       | 42,938.0 | 43,866.4  | 44,823.5 | 45,356.5 | 46,197.4 | 7.6            |
| Fixed telephony accesses (1) | 1,998.1  | 1,952.3   | 1,952.7  | 1,909.6  | 1,861.8  | (6.8)          |
| Internet and data accesses   | 1,101.4  | 1,212.7   | 1,354.5  | 1,463.7  | 1,555.4  | 41.2           |
| Narrowband                   | 177.0    | 170.3     | 163.4    | 155.4    | 148.7    | (16.0)         |
| Broadband                    | 917.3    | 1,035.5   | 1,158.7  | 1,277.8  | 1,375.9  | 50.0           |
| Other (2)                    | 7.1      | 6.9       | 32.4     | 30.4     | 30.9     | n.s.           |
| Mobile accesses (3)          | 39,740.6 | 40,593.3  | 41,401.8 | 41,855.5 | 42,647.5 | 7.3            |
| Pre-Pay                      | 22,072.0 | 22,353.7  | 22,729.4 | 22,673.4 | 22,916.5 | 3.8            |
| Contract                     | 17,668.7 | 18,239.6  | 18,672.4 | 19,182.1 | 19,731.1 | 11.7           |
| Pay TV                       | 97.9     | 108.1     | 114.5    | 127.8    | 132.6    | 35.5           |
| Wholesale Accesses (4)       | 1,008.1  | 1,139.0   | 1,237.9  | 1,324.4  | 1,381.3  | 37.0           |
| Total Accesses               | 43,946.1 | 45,005.3  | 46,061.4 | 46,680.9 | 47,578.8 | 8.3            |

(1) *PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company s accesses for internal use included.*

(2) *Retail circuits other than broadband.*

(3) *As of 31 December 2007, in order to align the criteria for the key performance indicators of the mobile operations of the*

*Group, the series of mobile accesses, and therefore, of total accesses, have been revised, including machine to machine accesses. In addition, the accounting criteria for prepaid access in the Czech Republic and Slovakia have been modified to align them, changing from 13 months (registered) to three months (active).*

- (4) *Includes Unbundled Lines by T. Deutschland.*

*Note: Mobile accesses, Fixed telephony accesses and Broadband accesses include MANX customers.*

**Table of Contents**TELEFÓNICA EUROPE  
CONSOLIDATED INCOME STATEMENT*Unaudited figures (Euros in millions)*

|   | 2009    | January - June<br>2008 | % Chg         | 2009    | April - June<br>2008 | % Chg          |
|---|---------|------------------------|---------------|---------|----------------------|----------------|
| Revenues                                    | 6,571   | 7,006                  | (6.2)         | 3,326   | 3,533                | (5.9)          |
| Internal exp capitalized in<br>fixed assets | 108     | 86                     | 25.2          | 53      | 46                   | 16.3           |
| Operating expenses                          | (4,815) | (5,202)                | (7.4)         | (2,385) | (2,600)              | (8.3)          |
| Other net operating income<br>(expense)     | 2       | 117                    | (98.1)        | 1       | 116                  | (98.8)         |
| Gain (loss) on sale of fixed<br>assets      | 14      | 30                     | (54.6)        | 0       | 29                   | n.m.           |
| Impairment of goodwill and<br>other assets  | (1)     | (3)                    | (78.5)        | (0)     | (3)                  | (90.0)         |
| Operating income before D&A<br>(OIBDA)      | 1,879   | 2,033                  | (7.6)<br>(0.4 | 996     | 1,121                | (11.2)<br>(1.8 |
| <i>OIBDA Margin</i>                         | 28.6%   | 29.0%                  | <i>p.p.</i>   | 29.9%   | 31.7%                | <i>p.p.</i>    |
| Depreciation and amortization               | (1,451) | (1,541)                | (5.9)         | (731)   | (764)                | (4.3)          |
| Operating income (OI)                       | 428     | 492                    | (13.0)        | 265     | 358                  | (25.8)         |

*Notes:*

*OIBDA and OI  
before  
management  
and brand fees.*

*The second  
quarter of 2008  
includes a  
positive impact  
of 114 million  
euros derived  
from Airwave  
disposal.*

**Table of Contents**
**TELEFÓNICA EUROPE  
 ACCESSES BY COUNTRIES**  
*Unaudited figures (Thousands)*

|   | 2008     |           |          | 2009     |          | % Chg<br>y-o-y |
|---|----------|-----------|----------|----------|----------|----------------|
|   | June     | September | December | March    | June     |                |
| <b>TELEFÓNICA O2 UK</b>                 |          |           |          |          |          |                |
| Final Clients Accesses                  | 19,586.8 | 20,105.5  | 20,615.6 | 20,821.0 | 21,125.6 | 7.9            |
| Internet and data accesses              | 194.2    | 267.1     | 340.9    | 404.5    | 456.9    | 135.2          |
| Broadband                               | 194.2    | 267.1     | 340.9    | 404.5    | 456.9    | 135.2          |
| Mobile accesses (1)                     | 19,392.6 | 19,838.4  | 20,274.7 | 20,416.5 | 20,668.7 | 6.6            |
| Pre-Pay                                 | 11,525.1 | 11,649.3  | 11,862.5 | 11,718.0 | 11,657.6 | 1.1            |
| Contract                                | 7,867.5  | 8,189.2   | 8,412.2  | 8,698.5  | 9,011.1  | 14.5           |
| Total Accesses                          | 19,586.8 | 20,105.5  | 20,615.6 | 20,821.0 | 21,125.6 | 7.9            |
| <b>TELEFÓNICA O2<br/>GERMANY</b>        |          |           |          |          |          |                |
| Final Clients Accesses                  | 13,741.3 | 14,176.4  | 14,413.3 | 14,737.6 | 15,186.1 | 10.5           |
| Internet and data accesses              | 165.4    | 198.1     | 214.8    | 231.7    | 253.4    | 53.2           |
| Broadband                               | 165.4    | 198.1     | 214.8    | 231.7    | 253.4    | 53.2           |
| Mobile accesses                         | 13,575.9 | 13,978.3  | 14,198.5 | 14,506.0 | 14,932.7 | 10.0           |
| Pre-Pay                                 | 6,841.4  | 7,097.2   | 7,231.5  | 7,420.7  | 7,708.1  | 12.7           |
| Contract                                | 6,734.5  | 6,881.1   | 6,967.0  | 7,085.2  | 7,224.5  | 7.3            |
| Wholesale Accesses (2)                  | 897.4    | 1,026.7   | 1,128.4  | 1,215.7  | 1,273.1  | 41.9           |
| Total Accesses                          | 14,638.7 | 15,203.1  | 15,541.7 | 15,953.3 | 16,459.2 | 12.4           |
| <b>TELEFÓNICA O2<br/>IRELAND</b>        |          |           |          |          |          |                |
| Mobile accesses                         | 1,687.6  | 1,713.1   | 1,727.7  | 1,710.6  | 1,716.7  | 1.7            |
| Pre-Pay                                 | 1,094.9  | 1,082.5   | 1,084.6  | 1,059.4  | 1,054.0  | (3.7)          |
| Contract                                | 592.6    | 630.6     | 643.1    | 651.2    | 662.6    | 11.8           |
| Total Accesses                          | 1,687.6  | 1,713.1   | 1,727.7  | 1,710.6  | 1,716.7  | 1.7            |
| <b>TELEFÓNICA O2 CZECH<br/>REPUBLIC</b> |          |           |          |          |          |                |
| Final Clients Accesses                  | 7,495.0  | 7,441.3   | 7,589.5  | 7,564.7  | 7,590.5  | 1.3            |
| Fixed telephony accesses (3)            | 1,937.7  | 1,892.4   | 1,893.4  | 1,851.0  | 1,803.9  | (6.9)          |
| Internet and data accesses              | 724.4    | 729.4     | 779.5    | 803.2    | 818.9    | 13.0           |
| Narrowband                              | 177.0    | 170.3     | 163.4    | 155.4    | 148.7    | (16.0)         |
| Broadband                               | 540.4    | 552.2     | 583.7    | 617.3    | 639.3    | 18.3           |
| Other (4)                               | 7.1      | 6.9       | 32.4     | 30.4     | 30.9     | n.s.           |
| Mobile accesses                         | 4,735.0  | 4,711.4   | 4,802.1  | 4,782.8  | 4,835.1  | 2.1            |
| Pre-Pay (5)                             | 2,365.9  | 2,282.0   | 2,282.8  | 2,186.7  | 2,172.5  | (8.2)          |
| Contract                                | 2,369.1  | 2,429.4   | 2,519.3  | 2,596.1  | 2,662.6  | 12.4           |
| Pay TV                                  | 97.9     | 108.1     | 114.5    | 127.8    | 132.6    | 35.5           |
| Wholesale Accesses                      | 110.7    | 112.2     | 109.5    | 108.7    | 108.2    | (2.3)          |
| Total Accesses                          | 7,605.8  | 7,553.5   | 7,698.9  | 7,673.4  | 7,698.7  | 1.2            |

TELEFÓNICA O2  
SLOVAKIA

|                 |       |       |       |       |       |      |
|-----------------|-------|-------|-------|-------|-------|------|
| Mobile accesses | 275.0 | 277.3 | 325.3 | 365.2 | 417.0 | 51.7 |
| Pre-Pay (5)     | 200.1 | 199.2 | 226.3 | 247.6 | 281.2 | 40.5 |
| Contract        | 74.9  | 78.1  | 99.0  | 117.6 | 135.8 | 81.4 |
| Total Accesses  | 275.0 | 277.3 | 325.3 | 365.2 | 417.0 | 51.7 |

(1) *As of 31 December 2007, in order to align the criteria for the key performance indicators of the mobile operations of the Group, the series of mobile accesses, and therefore, of total accesses, have been revised, including machine to machine accesses.*

(2) *Includes Unbundled Lines by T. Deutschland.*

(3) *PSTN (including Public Use Telephony) x1; ISDN Basic access x1; ISDN Primary access; 2/6 Access x30. Company s accesses for internal use included.*

(4) *Retail circuits other than broadband.*

(5)

*The accounting criteria for Pre-Pay access in the Czech Republic and Slovakia have been modified to align them, changing from 13 months (registered) to three months (active).*

**Table of Contents**TELEFÓNICA EUROPE  
SELECTED MOBILE BUSINESS OPERATING DATA BY COUNTRIES*Unaudited figures*

|   | 2008   |        |        | 2009   |        | % Chg y-o-y<br>Local Cur |
|---|--------|--------|--------|--------|--------|--------------------------|
|   | Q2     | Q3     | Q4     | Q1     | Q2     |                          |
| <b>TELEFÓNICA O2 UK</b>                 |        |        |        |        |        |                          |
| Traffic (Million minutes)               | 11,571 | 11,845 | 12,281 | 12,798 | 13,304 | 15.0                     |
| ARPU (EUR)                              | 29.2   | 29.5   | 27.1   | 24.2   | 25.3   | (3.9)                    |
| Pre-Pay                                 | 15.6   | 15.9   | 14.4   | 12.3   | 12.8   | (8.8)                    |
| Contract                                | 49.0   | 49.3   | 45.1   | 40.6   | 41.6   | (5.7)                    |
| Data ARPU (EUR)                         | 10.0   | 10.0   | 9.7    | 8.8    | 9.2    | 1.9                      |
| %non-P2PSMS over data revenues          | 18.1%  | 20.9%  | 22.0%  | 23.9%  | 26.6%  | 8.5 p.p.                 |
| <b>TELEFÓNICA O2 GERMANY</b>            |        |        |        |        |        |                          |
| Traffic (Million minutes)               | 5,741  | 5,512  | 5,454  | 5,555  | 5,819  | 1.4                      |
| ARPU (EUR)                              | 17.6   | 17.3   | 16.9   | 15.9   | 15.7   | (10.8)                   |
| Pre-Pay                                 | 6.1    | 6.0    | 5.8    | 5.4    | 5.5    | (10.2)                   |
| Contract                                | 29.3   | 28.9   | 28.3   | 26.8   | 26.5   | (9.4)                    |
| Data ARPU (EUR)                         | 4.8    | 4.9    | 4.8    | 4.7    | 4.6    | (2.4)                    |
| %non-P2PSMS over data revenues          | 26.9%  | 29.6%  | 31.7%  | 33.5%  | 34.8%  | 7.9 p.p.                 |
| <b>TELEFÓNICA O2 IRELAND</b>            |        |        |        |        |        |                          |
| Traffic (Million minutes)               | 1,225  | 1,231  | 1,250  | 1,158  | 1,170  | (4.4)                    |
| ARPU (EUR)                              | 43.2   | 43.7   | 42.6   | 39.3   | 39.8   | (7.9)                    |
| Pre-Pay                                 | 26.9   | 27.7   | 26.7   | 24.2   | 25.6   | (5.0)                    |
| Contract                                | 73.8   | 72.2   | 69.2   | 64.5   | 62.5   | (15.3)                   |
| Data ARPU (EUR)                         | 10.6   | 10.6   | 10.9   | 11.6   | 11.9   | 12.9                     |
| %non-P2PSMS over data revenues          | 30.2%  | 31.2%  | 32.6%  | 35.8%  | 36.4%  | 6.2 p.p.                 |
| <b>TELEFÓNICA O2 CZECH REPUBLIC (1)</b> |        |        |        |        |        |                          |
| Traffic (Million minutes)               | 1,874  | 1,850  | 1,911  | 1,940  | 2,085  | 11.2                     |
| ARPU (EUR)                              | 23.1   | 24.0   | 22.5   | 18.7   | 19.4   | (9.9)                    |
| Pre-Pay                                 | 11.5   | 12.2   | 11.5   | 8.0    | 8.6    | (20.4)                   |
| Contract                                | 34.7   | 35.1   | 32.6   | 28.2   | 28.4   | (12.1)                   |
| Data ARPU (EUR)                         | 5.5    | 5.3    | 5.5    | 4.7    | 4.7    | (9.3)                    |
| %non-P2PSMS over data revenues          | 44.0%  | 45.7%  | 43.5%  | 45.5%  | 43.1%  | (0.9 p.p.)               |

*(1) KPIs for Mobile business in*

*Czech Republic  
do not include  
Slovakia.*

*Notes:*

*ARPU  
calculated as  
monthly  
quarterly  
average.*

*Traffic is  
defined as  
minutes used by  
the company  
customers, both  
outbound and  
inbound. On-net  
traffic is only  
included once  
(outbound), and  
promotional  
traffic is  
included. Traffic  
not associated  
to the  
Company's  
mobile  
customers  
(roaming-in,  
MVNOs,  
interconnection  
of third parties  
and other  
business lines)  
is excluded.  
Traffic volume  
non rounded.*

**Table of Contents**TELEFÓNICA EUROPE  
SELECTED OPERATING MOBILE BUSINESS DATA BY COUNTRIES*Unaudited figures*

|   | 2009   | January - June<br>2008 | % Chg Local<br>Cur |
|---|--------|------------------------|--------------------|
| <b>TELEFÓNICA O2 UK</b>                 |        |                        |                    |
| Traffic (Million minutes)               | 26,102 | 22,459                 | 16.2               |
| ARPU (EUR)                              | 24.7   | 29.6                   | (3.8)              |
| Pre-Pay                                 | 12.6   | 15.9                   | (8.7)              |
| Contract                                | 41.1   | 50.2                   | (5.4)              |
| Data ARPU (EUR)                         | 9.0    | 10.2                   | 1.7                |
| %non-P2PSMS over data revenues          | 25.2%  | 18.1%                  | 7.1 p.p.           |
| <b>TELEFÓNICA O2 GERMANY</b>            |        |                        |                    |
| Traffic (Million minutes)               | 11,375 | 11,347                 | 0.2                |
| ARPU (EUR)                              | 15.8   | 17.7                   | (10.6)             |
| Pre-Pay                                 | 5.5    | 6.0                    | (9.3)              |
| Contract                                | 26.6   | 29.5                   | (9.6)              |
| Data ARPU (EUR)                         | 4.7    | 4.8                    | (3.7)              |
| %non-P2PSMS over data revenues          | 34.2%  | 27.6%                  | 6.5 p.p.           |
| <b>TELEFÓNICA O2 IRELAND</b>            |        |                        |                    |
| Traffic (Million minutes)               | 2,328  | 2,386                  | (2.4)              |
| ARPU (EUR)                              | 39.5   | 43.3                   | (8.6)              |
| Pre-Pay                                 | 24.9   | 26.8                   | (7.2)              |
| Contract                                | 63.5   | 74.6                   | (14.9)             |
| Data ARPU (EUR)                         | 11.8   | 10.9                   | 8.1                |
| %non-P2PSMS over data revenues          | 36.1%  | 30.2%                  | 5.9 p.p.           |
| <b>TELEFÓNICA O2 CZECH REPUBLIC (1)</b> |        |                        |                    |
| Traffic (Million minutes)               | 4,025  | 3,659                  | 10.0               |
| ARPU (EUR)                              | 19.1   | 22.4                   | (8.2)              |
| Pre-Pay                                 | 8.3    | 11.1                   | (19.8)             |
| Contract                                | 28.3   | 34.0                   | (10.5)             |
| Data ARPU (EUR)                         | 4.7    | 5.3                    | (5.5)              |
| %non-P2PSMS over data revenues          | 44.3%  | 43.8%                  | 0.6 p.p.           |

(1) *KPIs for Mobile  
business in  
Czech Republic  
do not include  
Slovakia.*

*ARPU  
calculated as  
monthly H1*

*average.*

*Traffic is defined as minutes used by the company customers, both outbound and inbound. On-net traffic is only included once (outbound), and promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is excluded. Traffic volume non rounded.*

**Table of Contents**

TELEFÓNICA EUROPE  
 SELECTED FINANCIAL DATA  
*Unaudited figures (Euros in millions)*

|   | January - June |              |                   |                    | April - June |              |                   |                    |
|---|----------------|--------------|-------------------|--------------------|--------------|--------------|-------------------|--------------------|
|   | 2009           | 2008         | % Chg             | % Chg<br>Local Cur | 2009         | 2008         | % Chg             | % Chg<br>Local Cur |
| <b>TELEFÓNICA O2 UK</b>                     |                |              |                   |                    |              |              |                   |                    |
| Revenues                                    | 3,194          | 3,494        | (8.6)             | 5.5                | 1,631        | 1,740        | (6.2)             | 4.1                |
| OIBDA                                       | 798            | 881          | (9.4)             | 4.5                | 422          | 459          | (8.0)             | 2.4                |
| <i>OIBDA margin</i>                         | <i>25.0%</i>   | <i>25.2%</i> | <i>(0.2 p.p.)</i> |                    | <i>25.8%</i> | <i>26.4%</i> | <i>(0.5 p.p.)</i> |                    |
| CapEx                                       | 259            | 362          | (28.5)            | (17.5)             | 134          | 169          | (20.6)            | (12.1)             |
| OpCF (OIBDA-CapEx)                          | 539            | 519          | 3.8               | 19.8               | 287          | 289          | (0.7)             | 10.9               |
| <b>TELEFÓNICA O2<br/>GERMANY</b>            |                |              |                   |                    |              |              |                   |                    |
| Revenues                                    | 1,781          | 1,749        | 1.9               | 1.9                | 896          | 894          | 0.2               | 0.2                |
| OIBDA                                       | 432            | 341          | 26.7              | 26.7               | 230          | 178          | 29.0              | 29.0               |
| <i>OIBDA margin</i>                         | <i>24.3%</i>   | <i>19.5%</i> | <i>4.8 p.p.</i>   |                    | <i>25.7%</i> | <i>19.9%</i> | <i>5.7 p.p.</i>   |                    |
| CapEx                                       | 355            | 357          | (0.7)             | (0.7)              | 171          | 221          | (22.6)            | (22.6)             |
| OpCF (OIBDA-CapEx)                          | 77             | (16)         | c.s.              | c.s.               | 59           | (42)         | c.s.              | c.s.               |
| <b>TELEFÓNICA O2<br/>IRELAND</b>            |                |              |                   |                    |              |              |                   |                    |
| Revenues                                    | 450            | 469          | (4.0)             | (4.0)              | 226          | 237          | (4.5)             | (4.5)              |
| OIBDA                                       | 145            | 150          | (3.6)             | (3.6)              | 76           | 75           | 1.2               | 1.2                |
| <i>OIBDA margin</i>                         | <i>32.1%</i>   | <i>32.0%</i> | <i>0.2 p.p.</i>   |                    | <i>33.6%</i> | <i>31.7%</i> | <i>1.9 p.p.</i>   |                    |
| CapEx                                       | 22             | 30           | (26.8)            | (26.8)             | 13           | 14           | (8.1)             | (8.1)              |
| OpCF (OIBDA-CapEx)                          | 123            | 120          | 2.3               | 2.3                | 63           | 61           | 3.4               | 3.4                |
| <b>TELEFÓNICA O2<br/>CZECH REPUBLIC (1)</b> |                |              |                   |                    |              |              |                   |                    |
| Revenues                                    | 1,096          | 1,236        | (11.3)            | n.c.               | 549          | 636          | (13.7)            | n.c.               |
| OIBDA                                       | 519            | 580          | (10.6)            | n.c.               | 272          | 312          | (12.7)            | n.c.               |
| <i>OIBDA margin</i>                         | <i>47.3%</i>   | <i>47.0%</i> | <i>0.4 p.p.</i>   |                    | <i>49.6%</i> | <i>49.0%</i> | <i>0.6 p.p.</i>   |                    |
| CapEx                                       | 107            | 96           | 11.4              | n.c.               | 70           | 65           | 8.5               | n.c.               |
| OpCF (OIBDA-CapEx)                          | 412            | 484          | (15.0)            | n.c.               | 202          | 247          | (18.3)            | n.c.               |

(1) *Includes  
Slovakia.*

*Note: OIBDA before  
management  
and brand fee.*

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Telefónica, S.A.**

Date: July 30<sup>th</sup>, 2009

By: /s/ Santiago Fernández Valbuena  
Name: Santiago Fernández Valbuena  
Title: Chief Financial Officer