TELEFÓNICA: “Solid fundamentals, benchmark results”

SANTIAGO FERNANDEZ VALBUENA
TELEFÓNICA, S.A., CFO
June 18th, 2009
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Key messages

1. Leveraging our strengths to continue delivering a superior performance:
   - Highly diversified portfolio by businesses and geographies
   - Solid leadership in key markets
   - OpEx & CapEx discipline & flexibility to ensure OpCF generation
   - Steady financial profile

2. Clear strategy to fully exploit growth potential in our markets while increasing OpCF

3. Fully on track to meet 2009 guidance & 2010 guidance reiteration

4. Disciplined use of FCF with a clear priority: shareholder returns

5. A management team with a long expertise, strong track record in the telco sector and highly committed to share price performance
## Solid Group performance

<table>
<thead>
<tr>
<th></th>
<th>€ in millions</th>
<th>Jan-Mar 2009</th>
<th>Change Q1 09/Q1 08</th>
<th>Change organic(1) Q1 09/Q1 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>13,703</td>
<td>-1.4%</td>
<td>+2.8%</td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>5,354</td>
<td>-0.4%</td>
<td>+2.5%</td>
<td></td>
</tr>
<tr>
<td>before D&amp;A (OIBDA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OIBDA Margin</td>
<td>39.1%</td>
<td>+0.4 p.p</td>
<td>-0.1 p.p.</td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>3,190</td>
<td>+2.9%</td>
<td>+3.9%</td>
<td></td>
</tr>
<tr>
<td>(OI)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,690</td>
<td>+9.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OpCF (OIBDA-CapEx)</td>
<td>4,154</td>
<td>+2.4%</td>
<td>+4.5%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008.
Highly diversified portfolio by businesses and geographies

Q1 09 Revenue
- T. Europe: 39%
- T. España: 39%
- T. Latam: 24%
- Others & eliminations: 1%

Q1 09 OIBDA
- T. Europe: 16%
- T. España: 45%
- T. Latam: 39%
- Others & eliminations: 13%

Q1 09 OpCF (OIBDA-CapEx)
- T. Europe: -1%
- T. España: 50%
- T. Latam: 39%

Telefónica Group Accesses

- Total: 261.4 (Y-o-y growth: +11.9%)
- Mobile: 198.2 (Y-o-y growth: +15.4%)
- BB fixed: 12.8 (Y-o-y growth: +17.5%)
- Pay TV: 2.3 (Y-o-y growth: +24.8%)
- Fixed: 42.4 (Y-o-y growth: -2.4%)
01 Solid leadership in key markets

<table>
<thead>
<tr>
<th>Market revenue share position (Mar-09)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WIRELINE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Europe</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Latin America (&lt;sup&gt;(1)&lt;/sup&gt;)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Argentina</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Venezuela</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Chile</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Peru</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Colombia</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

93% of revenues generated in markets where holding #1 or #2 market share position

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<sup>(1)</sup> Market revenue share estimates for FY 2008.
OpEx & CapEx discipline & flexibility to ensure OpCF generation

GROUP CAPEX
(2009E)

<table>
<thead>
<tr>
<th>Recurrent</th>
<th>Growth(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>75%</td>
</tr>
</tbody>
</table>

2009 committed CapEx as of March: ~30% of annual target

GROUP OPEX
(2009E)

<table>
<thead>
<tr>
<th>Variable(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~45/50%</td>
</tr>
</tbody>
</table>

Q1 09 y-o-y Organic (3) growth 2.6%

- 4.3% decrease in total commercial costs:
  - Cuts in handset subsidies, advertising and billing costs
  - Interconnection costs reduction (-1.5% y-o-y) due to lower MTRs and usage in Spain

- Other costs:
  - Higher operating expenses in T. Latam explained by fast customer growth, US$ denominated costs and higher prices. Impact of the new call center law in Brazil (Telesp)
  - Higher handset costs due to an increased proportion of high end devices in T. Latam and T. Europe
  - USO impact (€54m costs in Q1 09) and bad debt recovery (€25 m Q1 08) in T. España

Global OpEx and CapEx initiatives already launched in Q1 to leverage our scale: >€100 m savings expected for 2009
**Steady financial profile**

- **Net Financial Debt/OIBDA**
  - Dec -07\(^1\): 2.3x
  - Dec -08\(^2\): 1.9x, -21%
  - Mar -09\(^3\): 1.95x

- **Increasing average debt maturity**
  - Dec-08: 5.9y
  - Q1 09: 6.4y

- **Debt distribution Mar-09**
  - Fixed: 39%
  - Variable: 45%
  - Bounded: 16%
  - EUR: 65%
  - Latam: 13%
  - GBP: 9%
  - USD: 6%
  - CZK: 7%

**Key Points**

- **Debt ratio stands below 2x:**
  - Net financial debt at € 42.3 Bn
- **5.95% effective interest rate in Q1 09**
- **Further improvement of our financial profile:**
  - € 7.4 Bn financing in Q1 09 and over € 1 Bn in Q2 09
  - Cash balance exceeds gross maturities for 2009
- **Active hedge policy to manage FX fluctuations risk**
- **Outlook upgrade from stable to positive by Moody’s last Feb-09,** following the upgrades performed by Fitch, S&P and JCR to A or A- at the end of 2008

\(^1\) Calculated based on 2007 OIBDA figure excluding results on the sale of fixed assets.  
\(^2\) Calculated based on 2008 OIBDA figure excluding results on the sale of fixed assets.  
\(^3\) Calculated based on Q1 09 OIBDA figure annualized excluding results on the sale of fixed assets.  
\(^4\) (Total Debt + Commitments)/OIBDA.
Key messages

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2. Clear strategy to fully exploit growth potential in our markets while increasing OpCF

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4. Disciplined use of FCF with a clear priority: shareholder returns

5. A management team with a long expertise, strong track record in the telco sector and highly committed to share price performance
### 2009 Priorities

#### Spain
- Sustain leading competitive position across businesses, emphasizing customer loyalty & rational value creation commercial initiatives
- Strong focus on OpCF

#### Europe
- Continue to outperform the market in the UK
- Capitalize strengthened business foundations in Germany to drive growth
- Enhance profitability across markets to deliver increased OpCF

#### Latin America
- Capture structural growth in the region (wireless and BB)
- Further OIBDA margin expansion
- Enriched OpCF profile, leveraging strong CapEx efforts in 2008

Focused strategy & high execution skills
## Delivering our priorities

### Q1 09 Organic growth (y-o-y growth)

#### Telefónica Group

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenues</th>
<th>OIBDA</th>
<th>OpCF&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>+2.8%</td>
<td>+2.3%</td>
<td>+3.8% (+0.6 p.p.)</td>
</tr>
<tr>
<td></td>
<td>+2.5%</td>
<td></td>
<td>+4.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+6.3%</td>
</tr>
</tbody>
</table>

#### T. España

( y-o-y growth in comparable terms<sup>(3)</sup>)

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenues</th>
<th>OIBDA</th>
<th>OpCF&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>-5.7%</td>
<td>+48.9% (+0.4 p.p.)</td>
<td>+0.2%</td>
</tr>
<tr>
<td></td>
<td>-5.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### T. Latam

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenues</th>
<th>OIBDA</th>
<th>OpCF&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>+8.7%</td>
<td>+13.9%</td>
<td>+14.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>38.5% (+1.7 p.p.)</td>
<td></td>
</tr>
</tbody>
</table>

#### T. Europe

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenues</th>
<th>OIBDA</th>
<th>OpCF&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic</td>
<td>+4.0%</td>
<td>+7.0%</td>
<td>+11.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27.2% (+0.8 p.p.)</td>
<td></td>
</tr>
</tbody>
</table>

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<sup>(1)</sup> Organic growth: Assumes constant exchange rates and includes the consolidation of Telemig in January-March 2008.

<sup>(2)</sup> OpCF: OIBDA-CapEx.

<sup>(3)</sup> Excludes impact on revenues (Wireline: € 75.3 m) and OIBDA (Wireline: € 45.6 m; Wireless: €-23.9 m) of USO in Q1 09, as well as bad debt recovery in Q1 08 (Wireline: € 17 m; Wireless: € 8 m) and Real Estate capital gains (Wireline: € 0.4 m Q1 09 and € 67 m Q1 08).
Key messages

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Fully on track to meet 2009 guidance

Revenue Growth
+3.3%

OIBDA Growth
+2.9%

CapEx
< €7,500 m

OpCF
+5.0%

2009 GUIDANCE
+1%/+3%

2009 GUIDANCE
+8%/+11%

Track record of execution: Meeting Group guidance for 6 years in a row

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(1) Full year 2008 adjusted figures for guidance exclude Sogecable capital gain (€ 143 m), the application of provisions made in T. Europe in respect of potential contingencies deriving from the past disposal of shareholdings, once these risks had dissipated or had not materialized (€ 174 m) and includes 9 months of consolidation of Telemig in T. Latam. 2009 figures for guidance assume 2008 constant FX (average FX in 2008). In terms of guidance calculation OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx excludes Real Estate Efficiency Program of T. España and spectrum licenses.
2010 guidance reiterated

2010 Guidance
October 2007

EPS \(^{(1)}\) 2.304 €

FCFS \(^{(2)}\) 2.87 €

“Stress case”
Scenario

2.10 €

2.50 €

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(1) Reported EPS.
(2) FCF available to remunerate Telefonica S.A. shareholders, to protect solvency levels and to accommodate strategic flexibility.
Key messages

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04 Disciplined use of FCF with a clear priority: shareholder returns

>40 Bn € FCF (Cumulative 07E-10E) (1)

1st: SHAREHOLDER REMUNERATION

2nd: DELEVERAGE

3rd: SELECTIVE M&A

Growing path of DPS

<table>
<thead>
<tr>
<th>Year</th>
<th>DPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 07</td>
<td>0.75</td>
</tr>
<tr>
<td>FY 08</td>
<td>1.0</td>
</tr>
<tr>
<td>FY 09(2)</td>
<td>1.15</td>
</tr>
</tbody>
</table>

Tactical Share Buybacks

- Q1 09 Debt leverage (2.08x)(3) already within target: 2.0–2.5x range
- Foster growth in current markets

69% of 08 FCF devoted to shareholder remuneration

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(1) Free Cash Flow is the cash flow available to remunerate Telefónica’s shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility.
(2) BoD approved the proposal to increase the dividend corresponding to 2009 fiscal year.
(3) Calculated based on January-December 2008 OIBDA, excluding results on the sale of fixed assets and annualized, [(Total Debt + Commitments)/OIBDA].
Key messages

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4. Disciplined use of FCF with a clear priority: shareholder returns

5. A management team with a long expertise, strong track record in the telco sector and highly committed to share price performance
A management team with a long expertise, strong track record in the telco sector and highly committed to share price performance

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Working for Telefónica</th>
<th>Exposure to Telefónica Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>César Alierta</td>
<td>EXECUTIVE CHAIRMAN</td>
<td>since July 2000</td>
<td>3.915 m shares + 10.2 m call options</td>
</tr>
<tr>
<td>Julio Linares</td>
<td>COO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santiago Fernández Valbuena</td>
<td>CFO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>José María Álvarez-Pallete</td>
<td>T LATINOAMÉRICA CHAIRMAN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guillermo Ansaldo</td>
<td>T ESPAÑA CHAIRMAN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matthew Key</td>
<td>T EUROPE CHAIRMAN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board of Directors (*)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: c.p. = current position. (*) Excluding Executive Committee.
Conclusions

- Leveraging our strengths to continue delivering a superior performance
- Clear strategy to fully exploit growth potential in our markets while increasing OpCF
- Fully on track to meet 2009 guidance & 2010 guidance reiteration
- Disciplined use of FCF with a clear priority: shareholder returns
- A management team with a long expertise, strong track record in the telco sector and highly committed to share price performance
Back-up information: Q1 09 Results
T. España: Successfully managing OpEx and CapEx to maximize OpCF

**Revenues & OpCF growth** (comparable (1) y-o-y change)

**OIBDA growth and OIBDA margin** (comparable (1) y-o-y change)

**CapEx growth and CapEx over revenues**; (comparable (1))

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**Focus on OpCF maximization across businesses without jeopardizing revenue share leadership**

**Limiting top line pressure with efficiency gains and CapEx discipline**

- Sustaining solid margins: flat in wireline, while expanding in wireless
- CapEx adapted to current trading environment

**T. España OpCF: €2,068m; +0.2%(1) y-o-y**

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(1) Excludes impact on revenues (wireline: € 75.3 m) and OIBDA (wireline: € 45.6 m; wireless: € -23.9 m) of USO in Q1 09, as well as bad debt recovery in Q1 08 (wireline: € 17 m; wireless: € 8 m) and Real Estate capital gains (wireline: € 0.6 m Q1 09 and € 67 m Q1 08).
## Revenue performance impacted by worse trading conditions

<table>
<thead>
<tr>
<th>POSITIVES</th>
<th>NEGATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong IT revenue growth (+24.5% y-o-y) on sound evolution of wireline data revenues (+3.6% y-o-y)</td>
<td>- Regulatory actions: 17.4% cut in MTRs; 20% reduction in full ULL prices and flat PSTN monthly fee</td>
</tr>
<tr>
<td>- Sustained healthy wireless connectivity revenues (+50.4% y-o-y), driving total mobile data revenues up 7.0%</td>
<td>- Wireless handset sales (-22.8% y-o-y) due to different phasing of handset shipments to the channel</td>
</tr>
<tr>
<td>- 2006 USO revenues (€75.3 m in wireline)</td>
<td>- Lower usage patterns both in wireline and wireless</td>
</tr>
<tr>
<td></td>
<td>- Decrease in wireless roaming in revenues (-32.3% y-o-y) driven by price cuts and lower visitors traffic</td>
</tr>
</tbody>
</table>

**Focus on revenue share**

- Maintaining leadership in outgoing service revenues market share in wireless: **+4/5 p.p. estimated gap vs. customer base market share, up y-o-y**
- **Improving gap** between revenue (62% E) and accesses market share **in wireline**

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(1) Based on historical data and Telefónica’s estimates.
OpEx & CapEx discipline to preserve OpCF generation

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

Mar-08 62.5% -1.3 p.p. 61.1% Mar-09

OpEx
Q1 09 vs. Q1 08 (€ in millions)

Q1 08 Ex-bad debt recovery Q1 09 Q1 09 ex-USO
2,671 -106 2,566 -54 2,512

CapEx
Q1 09 vs. Q1 08 (€ in millions)

Q1 2008 Q1 2009
Internet & BB access 7 p.p. 7 p.p. 463 334
GSM 3 p.p. 11 p.p. 334
Tradit. access 334
Other

Further opportunities

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

Q1 09

- Lowering pressure on personnel costs +0.3%
- CPI reduction vs. 2008
- 2008 Workforce adaptation program bearing fruit in 2009
- Lower commercial costs (as commercial activity and unit cost go down) -11%
- Lower mobile handset costs -24%
- Interconnection costs down on lower usage and prices -12%

OpEx & CapEx discipline to preserve OpCF generation

2009 committed CapEx as of March: <€ 600 m

Track record of capability to manage OpEx/CapEx

2009 committed CapEx as of March: <€ 600 m

IT systems rationalization
Network integration

- Energy rationalization & efficiency program
- Logistics and third party relations model simplification
- Mobile network sharing agreement

- Handset subsidies, commissions to dealers and advertising.

(1) Defined as last 12 months (OpEx (ex internal exp. Capitalized in fixed assets an non recurring items)+CapEx)/Revenues. CapEx figure excludes spectrum acquisition.
(2) Handset subsidies, commissions to dealers and advertising.
T. Latam: sustained strong results combining growth & enhanced efficiency

- **Healthy customer growth** across businesses: total accesses up 12.6%(4) y-o-y driven by mobile (+15.8%(4)) and BB (+18.6%)

- **Strong y-o-y organic revenue growth** driven by robust mobile and Internet & TV revenue growth

- **Outstanding OIBDA margin expansion** supported by mobile business leveraging scale economies and lower commercial activity

- **Significant OIBDA margin expansion** across every mobile operation: +5.6 p.p. in Argentina, +9.8 p.p. in Mexico, +8.3 p.p. in Peru

- **Solid OpCF** despite strong investments in growth platforms

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Revenue growth (Q1 09 y-o-y change)

- **€ terms Organic(1)**: +4.8%
- **Arg.**: +2.2 p.p
- **Brazil**: 1.8 p.p
- **Peru**: 0.8 p.p
- **Ven.**: 3.8 p.p
- **Others(2)**: 0.1 p.p

OIBDA growth (Q1 09 y-o-y change)

- **€ terms Organic(1)**: +10.9%
- **Arg.**: +3.0 p.p
- **Mex.**: 2.4 p.p
- **Peru**: 1.2 p.p
- **Ven.**: 6.8 p.p
- **Others(3)**: 0.5 p.p

Margins over Revenues (Q1 09)

- **Total**: +1.7 p.p
- **Organic y-o-y growth (4)**: 38.5%

- **Total**
  - **OIBDA / Revenues**: +0.3 p.p
  - **OpCF (OIBDA-CapEx; € in millions)**: +14.3%
  - **Q1 09**: 1,606

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Notes:

1. Assuming constant exchange rates and including the consolidation of Telemig in Jan-Mar 2008.
2. Includes Central America, Colombia, Mexico, Ecuador, Chile, Uruguay and Others.
3. Includes Brazil, Central America, Colombia, Ecuador, Chile, Uruguay and Others.
### Solid performance across major operations

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Revenue</th>
<th>Mobile Service Revenue</th>
<th>Wireline Revenue</th>
<th>BB &amp; TV Revenue</th>
<th>Total OIBDA</th>
<th>Mobile OIBDA</th>
<th>Wireline OIBDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil (1)</td>
<td>+7.8%</td>
<td>+10.0% (2)</td>
<td>+2.2%</td>
<td>+26.0%</td>
<td>+4.4%</td>
<td>+11.7% (2)</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Argentina</td>
<td>+20.6%</td>
<td>+23.9%</td>
<td>+17.4%</td>
<td>+50.4%</td>
<td>+30.8%</td>
<td>+45.7%</td>
<td>+14.3%</td>
</tr>
<tr>
<td>Chile</td>
<td>+1.9%</td>
<td>+2.2%</td>
<td>-1.0%</td>
<td>+14.3%</td>
<td>+4.1%</td>
<td>+10.3%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Peru (3)</td>
<td>+10.9%</td>
<td>+5.9%</td>
<td>+3.7%</td>
<td>+9.2%</td>
<td>+17.6%</td>
<td>+57.2%</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Colombia</td>
<td>-6.2%</td>
<td>-6.2%</td>
<td>+0.5%</td>
<td>+37.9%</td>
<td>+7.0%</td>
<td>+27.8%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>+34.5%</td>
<td>+33.3%</td>
<td>+47.3%</td>
<td>+47.3%</td>
<td>+47.3%</td>
<td>+47.3%</td>
<td>+47.3%</td>
</tr>
<tr>
<td>Mexico</td>
<td>+6.5%</td>
<td>+16.7%</td>
<td>+61.4%</td>
<td>+61.4%</td>
<td>+61.4%</td>
<td>+61.4%</td>
<td>+61.4%</td>
</tr>
</tbody>
</table>

- **Sound performance in Mexico:** continue to increase customer & revenue share while expanding margins (28.8% in Q1 09) with very robust OpCF growth (+41.3% in local currency vs. Q1 08)
- **Strong growth at Vivo coupled with higher OIBDA margin** (30.0% in Q1 09; +0.4 p.p. (2) y-o-y) in a highly competitive environment, maintaining its leadership
- **Telesp** continues advancing in its transformation strategy
- **Outstanding revenue and OIBDA growth rates in Argentina** driven by a strong push in on-net traffic in mobile while increasing bundled services in wireline
- **Venezuela:** very solid commercial and financial performance

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(1) Includes 50% of Vivo.
(2) Includes Telemig in January-March 2008.
T. Europe: Delivering on cash flow generation through a more rebalanced portfolio while maintaining momentum

- Solid Q1 09 performance across markets in an increasingly tough trading environment
  - +9.0% y-o-y increase in total customer base
  - Increasing value through product innovation and customer insight: flat rates, SIM-only, Mobile BB and retention activity:
    - Exceptional performance in mobile contract: 82% of new total accesses added in Q1 09
    - Solid mobile BB adoption, leading to a +28.5% y-o-y growth in non P2P-SMS data revenue
    - Continued optimizing behaviour of customers using bundles, less prepay and roaming activity

- Ongoing efficiency programmes and improved customer retention to deliver strong OpCF
  - OIBDA margin up 0.8 p.p.(1) year-on year to reported 27.2%
  - More streamlined commercial approach, mainly through direct channels
  - Lower non Commercial costs (-2.1% y-o-y(1)) despite increased activity levels
  - Improved profitability of fixed BB on increased scale
  - Keeping flexibility on CapEx commitments

---

**Revenues & OIBDA (Q1 09 vs. Q1 08)**

**REVENUES**

- +4.0% Constant currency
- -6.6% € terms

**OIBDA**

- +7.0% Constant currency
- -3.2% € terms

**Contribution to OpCF Growth (Q1 09 vs. Q1 08 in constant currency)**

<table>
<thead>
<tr>
<th>Country</th>
<th>OIBDA (Q1 09 vs. Q1 08)</th>
<th>CapEx (Q1 09 vs. Q1 08)</th>
<th>TOTAL (Q1 09 vs. Q1 08)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>+12.1 p.p.(2)</td>
<td>-0.3 p.p.</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Germany</td>
<td>+5.5 p.p.</td>
<td>+7.4 p.p.</td>
<td>€ 527 m</td>
</tr>
<tr>
<td>TOTAL Q1 08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OIBDA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CapEx</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL Q1 08</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(1) Assumes constant exchange rates.
(2) Includes OIBDA contribution to OpCF growth from other operating businesses.