

Quarterly Results

January – September 2007

TELEFONICA S.A.

November 12th, 2007



This presentation is being broadcast live on the Internet

Disclaimer





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9M07 financial highlights: Strong organic growth...

€ in millions (% change y-o-y)	9M07 2007	9M06 2006	% Change 9M07/9M06		% Change 9M07/9M06 organic ¹
Revenues	42,014	38,704	+8.6%		+7.6%
Operating Income before D&A (OIBDA)	18,248	14,654	+24.5%		+6.8%
Operating Income (OI)	11,263	7,460	+51.0%		+19.2%
Net Income	7,848	5,198	+51.0%		
OpCF (OIBDA-CapEx)	13,221	9,587	+37.9%		+12.1%

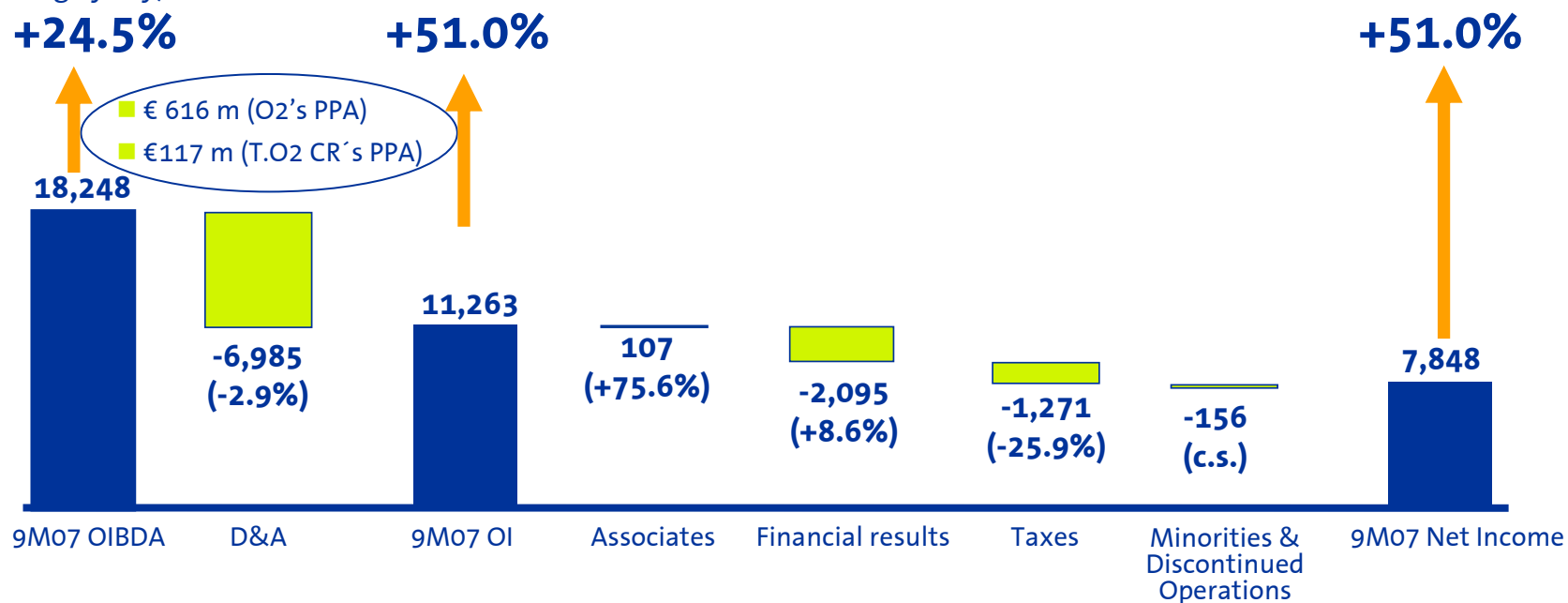
- Negative contribution of forex across the P&L limited to around 1 p.p. to nominal growth rates of major metrics

Note: TPI has been discontinued in 2006 following Telefónica's acceptance of Yell's offer in July 4th, 2006. Figures are presented considering the Purchase Price Allocation of O2 as of February 2006.

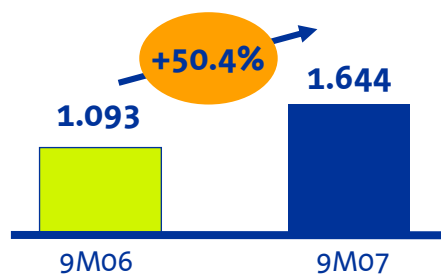
(1) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-September 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-September 2007, the consolidation of Airwave in April-September 2006 and the consolidation of Endemol in July-September 2006. OIBDA and OI exclude Airwave and Endemol capital gains.

...turning into a solid growth in EPS...

€ in millions
(% change y-o-y)

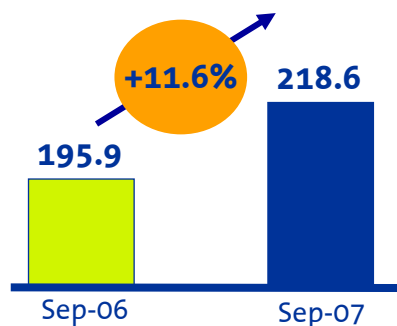


EPS growth (in €)

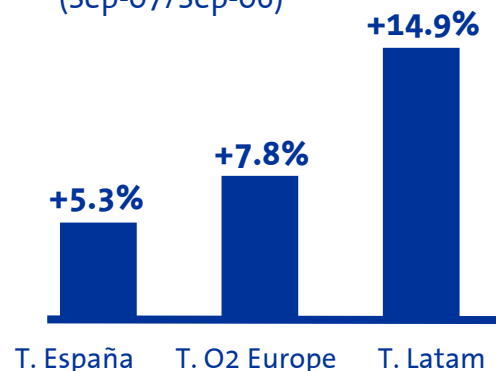


...as we leveraged our customer growth and diversification...

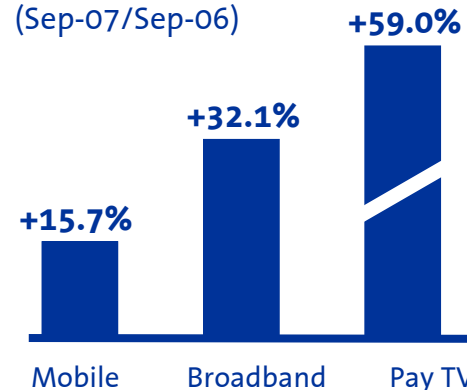
Accesses
(in millions)



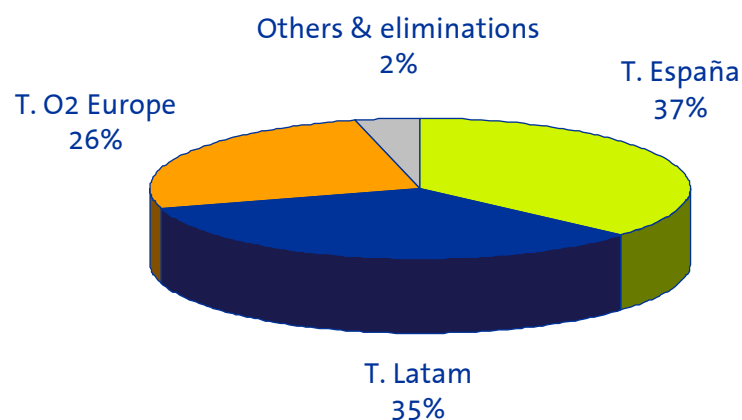
Accesses by regions
(Sep-07/Sep-06)



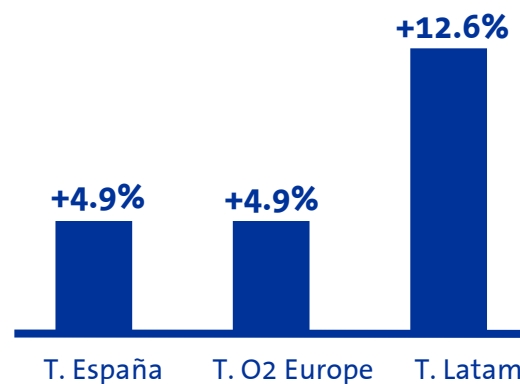
Accesses by business
(Sep-07/Sep-06)



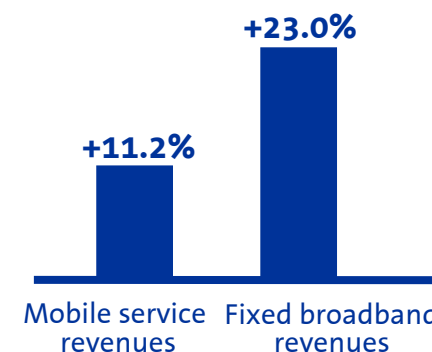
9M07 Revenue breakdown



9M07 Revenue growth by regions
(Organic¹ y-o-y growth)



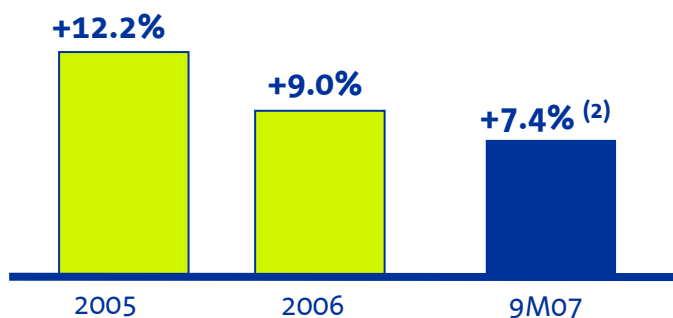
9M07 Revenue growth by business
(Organic¹ y-o-y growth)



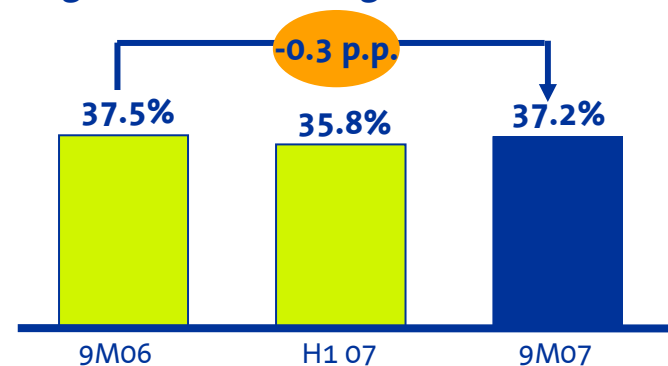
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...with the benefit of our scale fostering profitability...

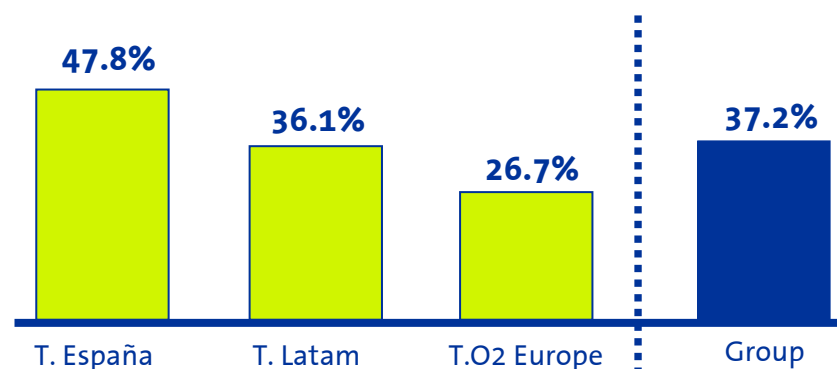
OpEx¹ Organic Growth



Organic² OIBDA Margin Evolution

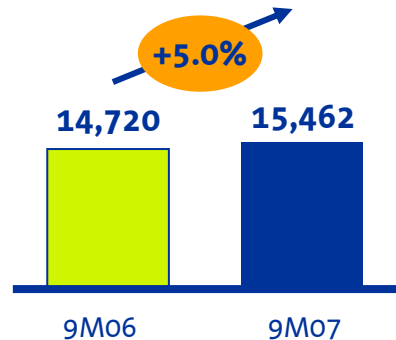


9M07 Organic OIBDA Margin

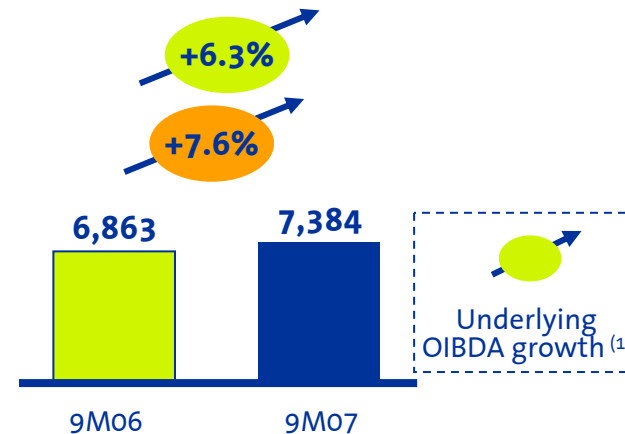


Telefónica España: delivering sound results

Revenues
(€ in millions)



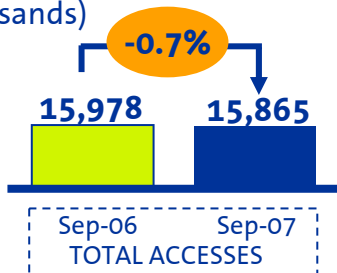
OIBDA and Underlying OIBDA ⁽¹⁾
(€ in millions)



- **Over 45 million accesses, posting a (+5.3%) y-o-y growth**
- **Wireline: Broadband growth and minimizing losses of fixed telephony access lead to increase revenues and secure clients**
- **Wireless: Successful Summer campaigns and new voice & data tariff schemes to maintain low churn, boost data usage and achieve healthy customer growth**

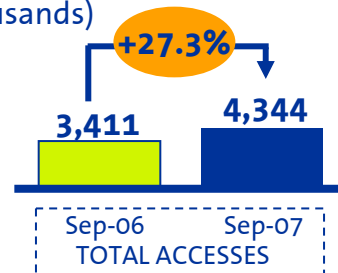
Wireline Business: TEF leads Broadband and Pay-TV growth ...

Fixed Telephony Accesses
(in thousands)



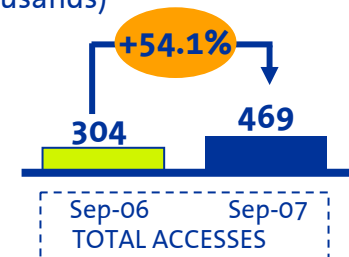
■ Maintaining interannual loss rate at record low levels

Retail Internet BB Accesses
(in thousands)



■ Maintaining market share slightly over 56%

Pay TV subscribers
(in thousands)



■ Increasing market share to reach 12%

... while enhancing BB offering to tap all market segments

NUEVO dúo 1Mb
ADSL + LLAMADAS NACIONALES

29,90 €/mes PRECIO DEFINITIVO

GRATIS ALTA Y PRIMER MES

(Fuente promoción: 29,90€-6). Impuestos: Indiviso no incluido. Período: 30 días. Alquiler y Boleto: IVA 10%. Comisión: 0€. Sujeto a autorización de 12 meses.

ENTRY PRICE REDUCED
Cap on downloads

duo AUTÉNTICO ADSL 3 MEGAS + LLAMADAS

39.90 €/month

NEW 3Mb REFERENCE OFFER
1Mbps clients migrated to 3Mbps

Dúo ADSL 10 Mb + Llamadas

Router Wi-Fi GRATIS ¡SÓLO ONLINE!

Alta y 1 mes GRATIS

44.90 €/month

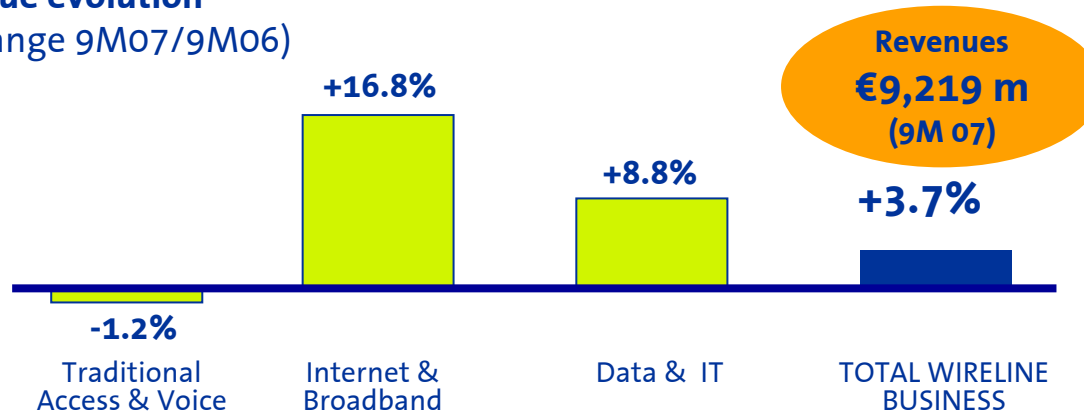
HOLLYWOOD

NEW IMPROVED DUO OFFER

Wireline Business: superior top line growth

Revenue evolution

(% change 9M07/9M06)

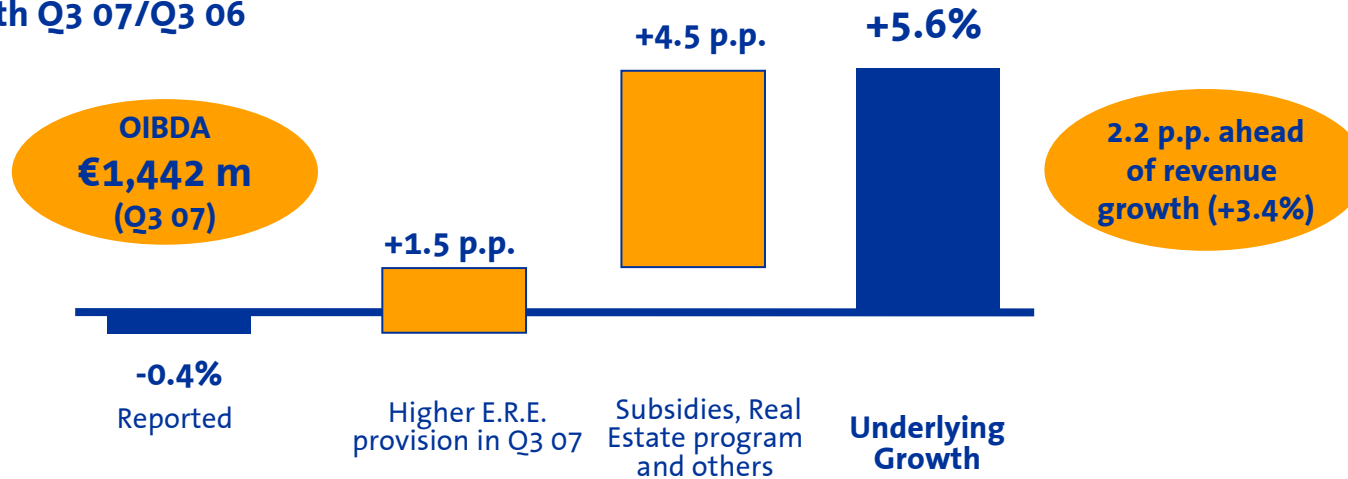


MAJOR
Q3
DRIVERS

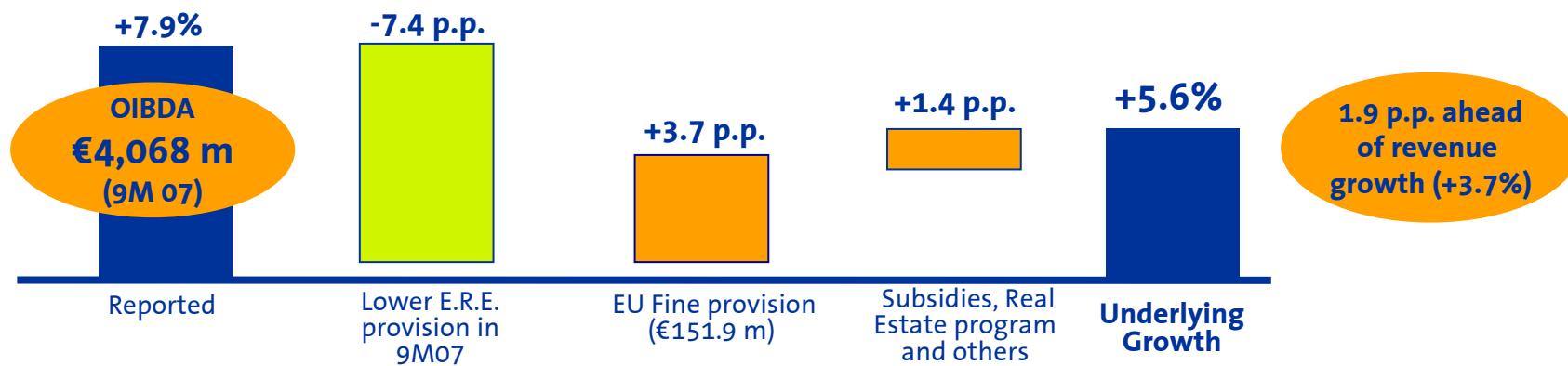
- **Expanding BB** customer base
 - ✓ 49% of Spanish households with fixed line have a BB connection (39% in Sep-06)
- **Promoting 2P/3P** (ARPU uplift & loyalty)
 - ✓ 80% of retail BB accesses with 2P/3P
 - ✓ Maintaining **flattish Retail BB ARPU**
 - ✓ **VAS ARPU growing 10.9%** to account for 18% of Retail BB ARPU
- **Maintaining unmatched traditional access** business trends

Wireline Business: strong focus on operational efficiency leading to margin improvement

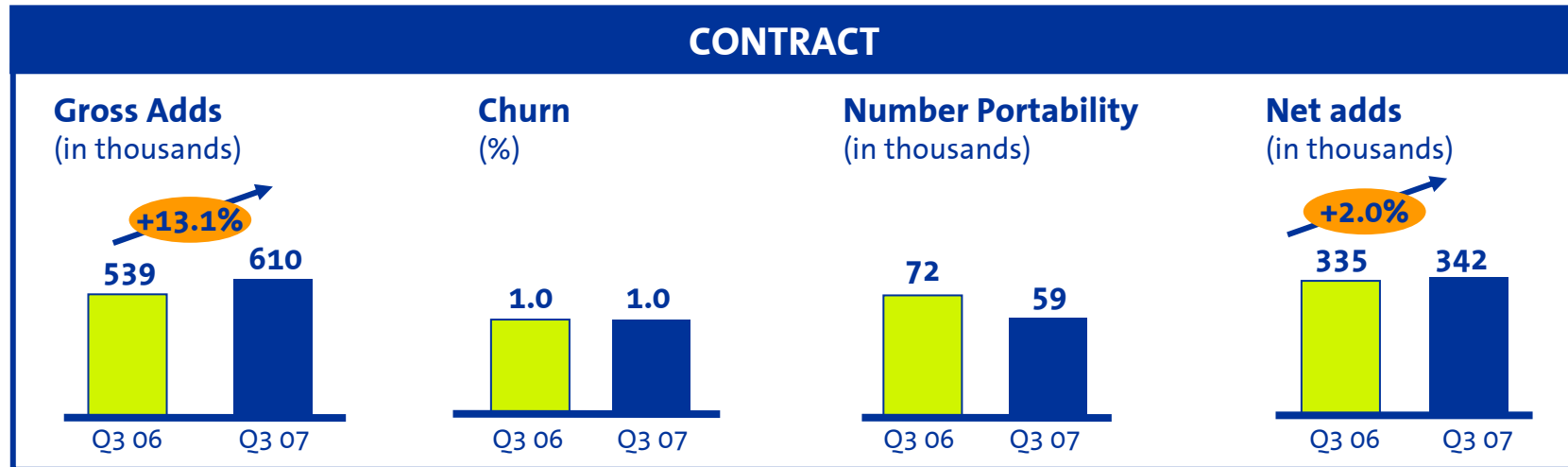
OIBDA Growth Q3 07/Q3 06



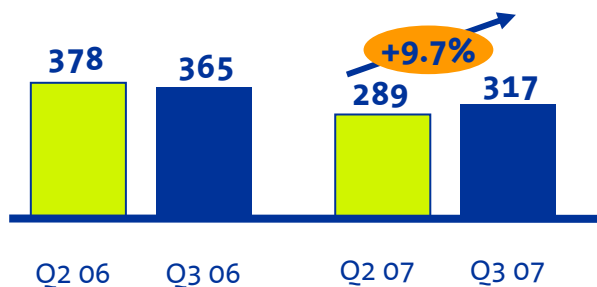
OIBDA Growth 9M07/9M06



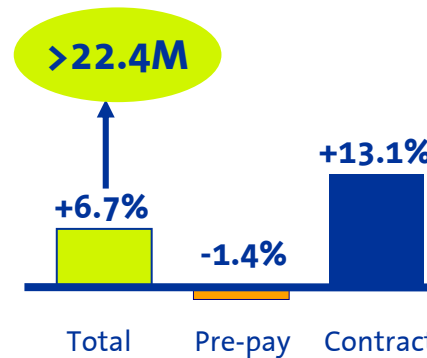
Wireless Business: significant growth in Q3 07 focused on value



Net adds
(in thousands)



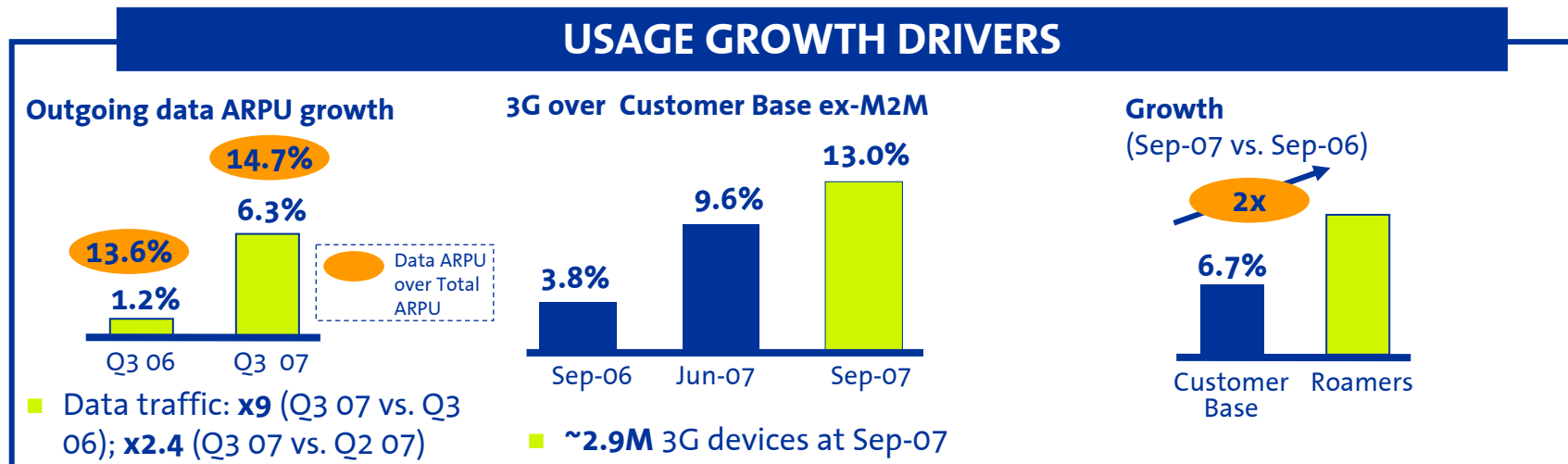
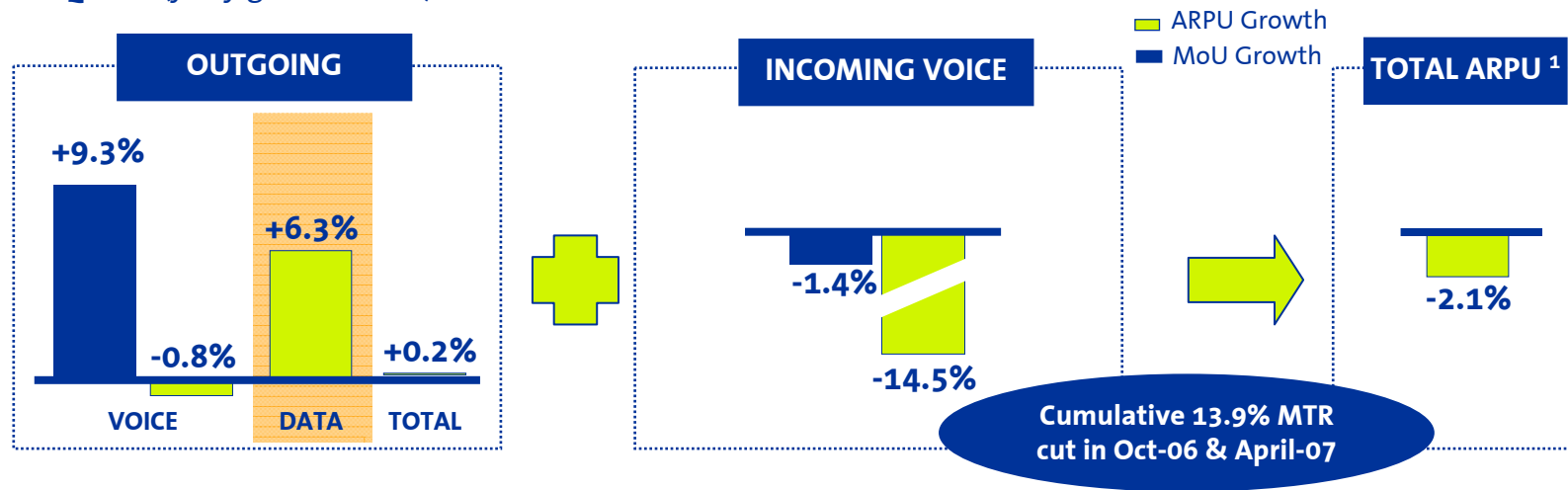
Customer growth
(y-o-y)



59% contract mix
(56% in Sep-06)

Wireless Business: sustained ARPU on strong voice & data usage

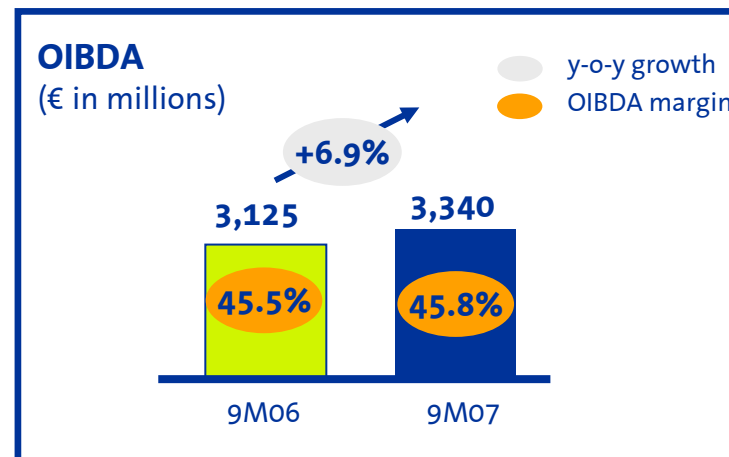
Q3 07/Q3 06 (y-o-y growth rates)



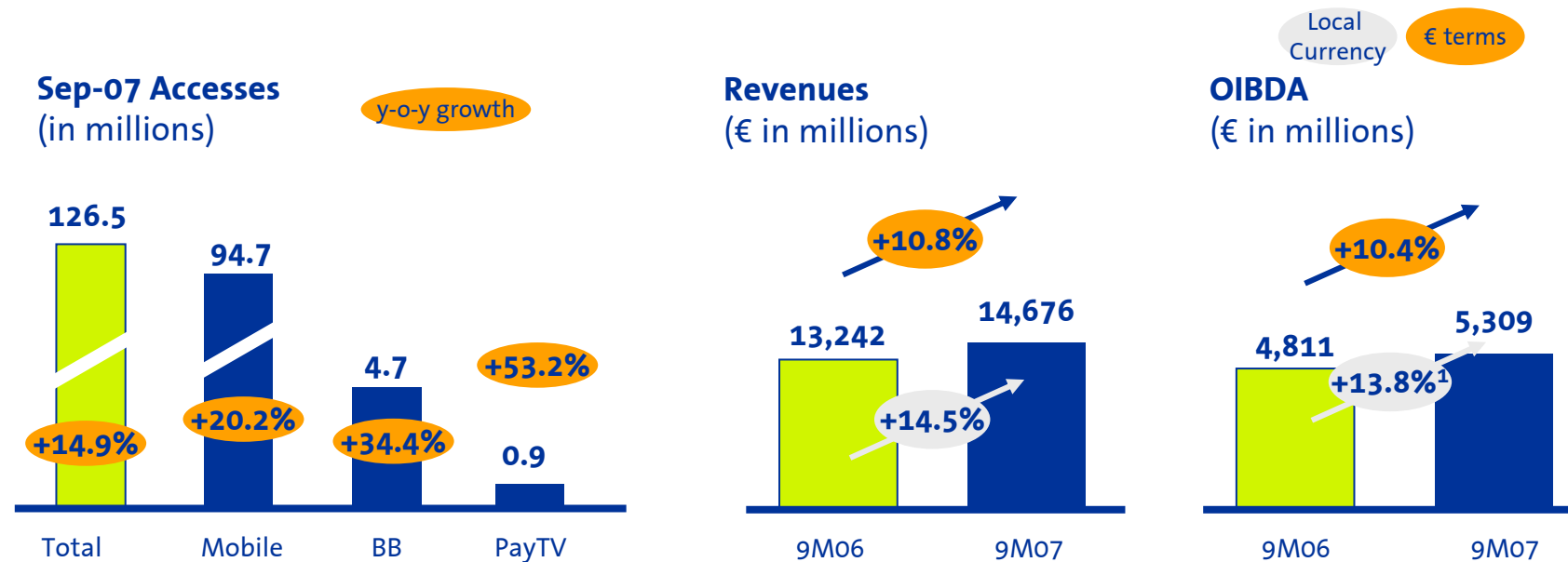
Wireless Business: strong top line growth while improving efficiency

	9M07 (€ in millions)	Q3 07/Q3 06	9M07/9M06
Revenues	7,287	+3.6% +3.3%¹	+6.1% +5.9%¹
Handset Revenues	888	+6.7%	+13.5%
Service Revenues	6,398	+3.3% +2.9%¹	+5.2% +4.9%¹
Service Revenue Drivers	Customer revenues	+7.2% +5.6%¹	+8.8% +7.2%¹
	Interconnection revenues	-11.8% -7.4%¹	-7.8% -3.1%¹
	Roaming-in revenues	-11.7%	-13.8%

 Comparable growth ¹




Telefónica Latinoamérica: robust access growth fully flowing to top line and OIBDA growth



- Strong increase in mobile penetration (+11 p.p. vs. Sep-06)
- Strong growth of Mobile, BB and Pay TV accesses
- Revenue growth acceleration led by solid mobile and broadband performance
- Mobile revenues backed by robust ARPU growth (+8.4% 9M07 vs. 9M06) with strong mobile customer base expansion (+20.2%)
- Sound OpCF² generation: >€3.4bn in 9M07 (+10.7% in constant terms vs. 9M06), with positive OpCF¹ in all countries with the exception of Mexico

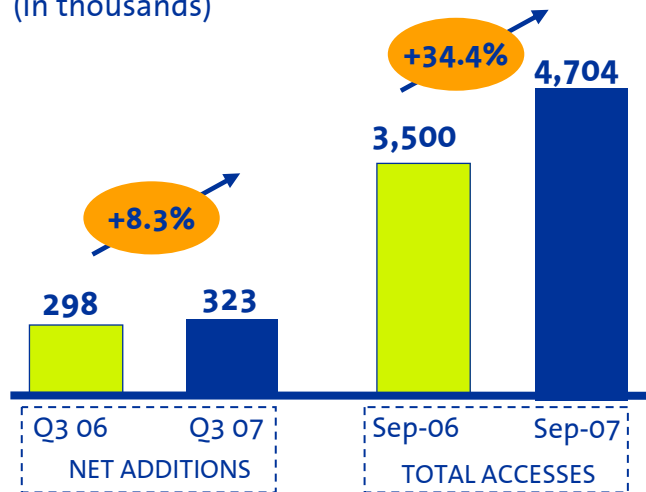
Healthy growth in revenues and OIBDA in all major markets

 Excluding PIS/COFINS impact

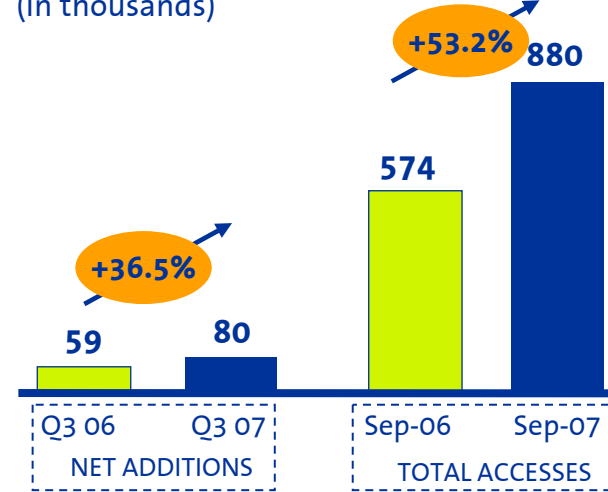
	Revenues		OIBDA	
	9M07 (€ in millions)	% change ¹	9M07 (€ in millions)	% change ¹
Integrated				
■ Brazil ²	5,637	+3.5%	2,226	-5.4%  -0.4%
■ Argentina	1,678	+16.6%	605	+16.6%
■ Chile	1,319	+12.3%	514	+10.3%
■ Peru	1,126	+11.2%	415	-1.9%
■ Colombia ³	1,138	+31.1%	328	+59.8%
Mobile				
■ Venezuela	1,716	+27.9%	756	+41.0%
■ Mexico	1,011	+59.4%	113	C.S.
■ Central America ⁴	439	+18.6%	171	+47.2%
■ Ecuador	211	+3.6%	52	+3.2%
■ Uruguay	72	+44.8%	17	+83.3%

Accelerating fixed transformation by fostering bundles, broadband and Pay TV

Retail Internet BB connections¹
(in thousands)

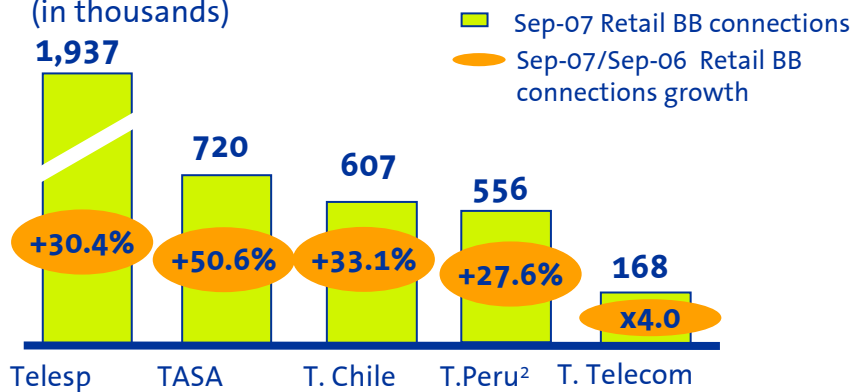


Pay TV clients
(in thousands)

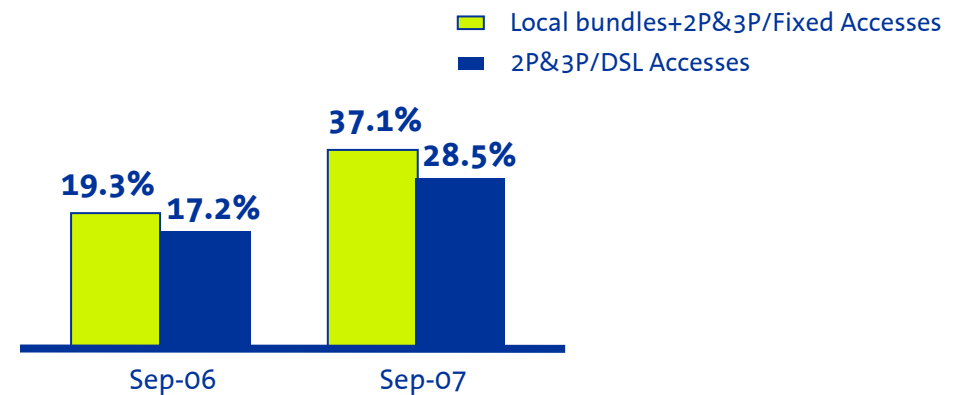


- Over 37% on DTH
- 197,300 clients in Chile
 - 77,600 clients in Peru
 - 46,200 clients in Colombia
 - Recent launch in Brazil

Breakdown of retail BB connections
(in thousands)



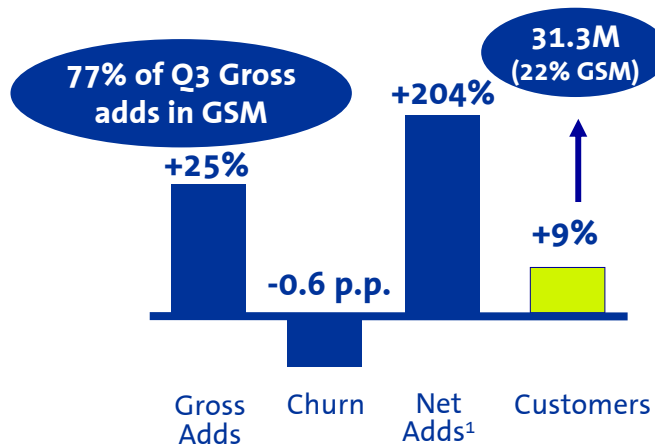
Bundles weight



TELEFONICA S.A. Investor Relations (1) Including Terra Latam.
(2) Including cable modem.

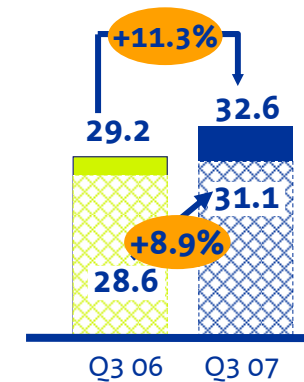
Brazil wireless: strong commercial activity along with robust top line and enhanced profitability

9M07/9M06 change

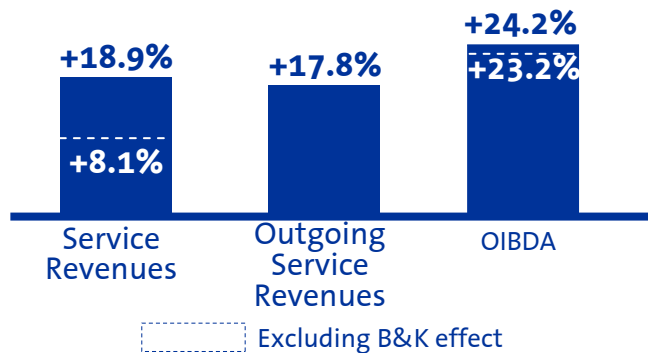


- Leadership in quality perception
- Strongest distribution channel

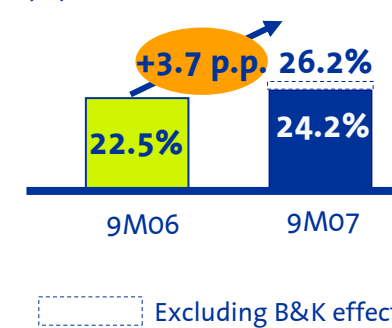
ARPU (local currency) Adjusting for B&K effect



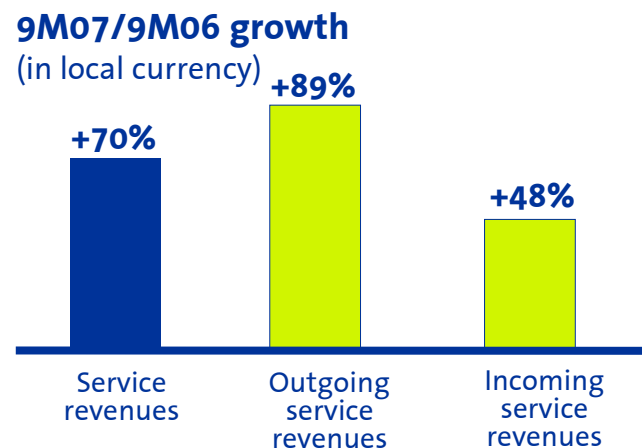
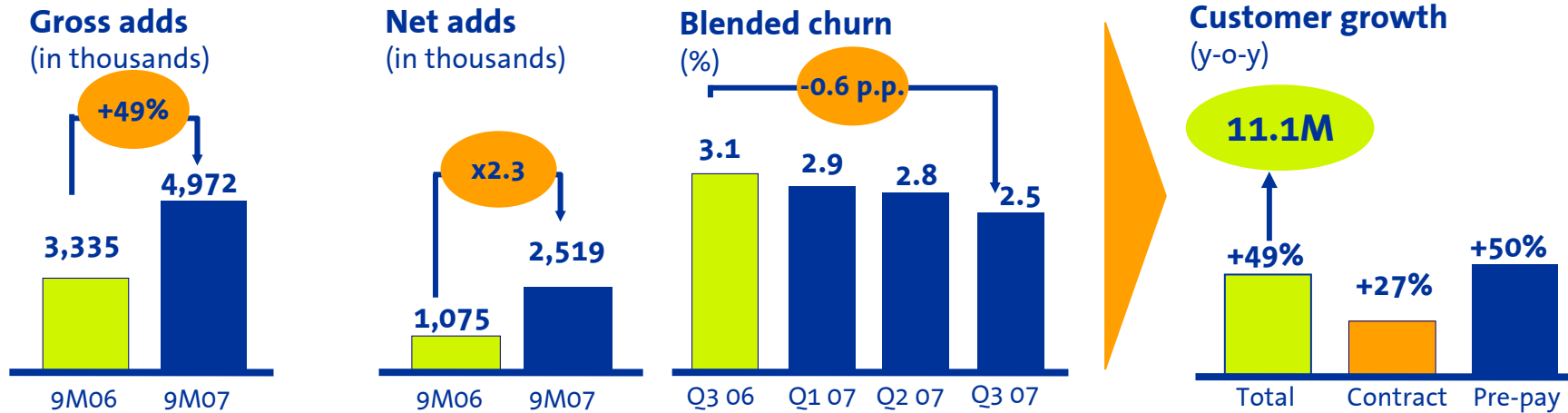
9M07/9M06 growth (in local currency)



OIBDA margin (%)

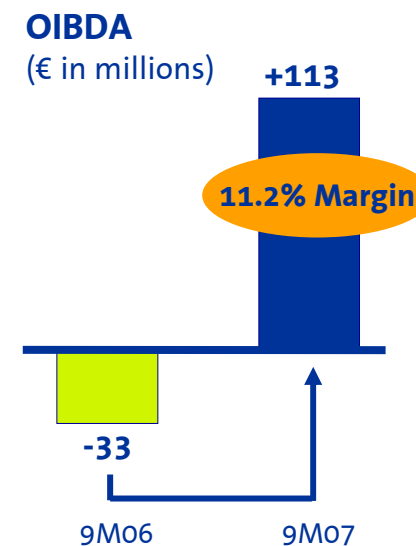


Mexico wireless: strong and sustained performance in a highly competitive market














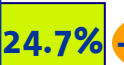




Strong ARPU & MoU growth despite new commercial offer already launched in Q3 06:

- Q3 07 ARPU: +14.4% y-o-y
- Q3 07 MoU: +65.6% y-o-y



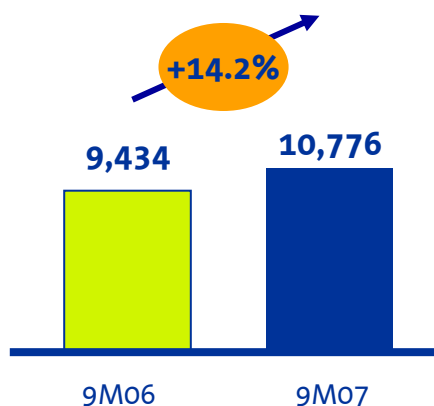
Key highlights for other Latam mobile operations

 y-o-y growth

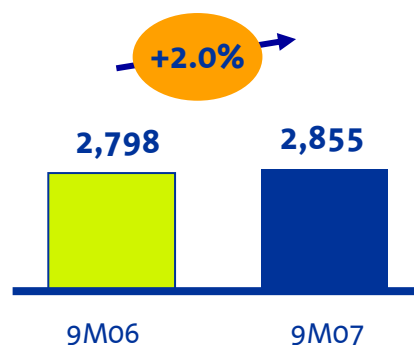
	Sep-07 customer base (million)	9M07/9M06 service revenue growth ¹	9M07/9M06 outgoing service revenue growth ¹	9M07 OIBDA margin	
ARGENTINA	13.1  +29%	+22%	+24%	28.9%  +5.0 p.p.	Strong customer growth fully flows into service revenue backed by robust outgoing service revenue. Further advances in efficiency drive margin improvement
VENEZUELA	9.8  +23%	+30%	+34%	44.0%  +4.1 p.p.	
CENTRAL AMERICA	4.9  +37%	+19%	+30%	39.1%  +7.6 p.p.	
URUGUAY	1.0  +60%	+52%	+65%	23.9%  +5.0 p.p.	
COLOMBIA	7.6  -2%	+13%	+14%	16.9%  +2.4 p.p.	Reshaping distribution network limits customer expansion, while ARPU improvement accelerates revenue growth
PERU	7.2  +60%	+52%	+81%	24.7%  -4.1 p.p.	Sustained customer growth with robust revenue and OIBDA growth
CHILE	6.1  +8%	+20%	+19%	36.3%  +4.1 p.p.	Service revenue growth outpaces customer growth leveraging strong ARPU expansion with enhanced profitability
ECUADOR	2.7  +11%	-4%	-1%	24.4%  -0.1 p.p.	New commercial offer paying off , as usage is up driving Q3 07 revenue up (+15% vs. Q3 06 in l.c.)

Telefónica O2 Europe: maintaining momentum and positioned to exploit opportunities as an integrated operator

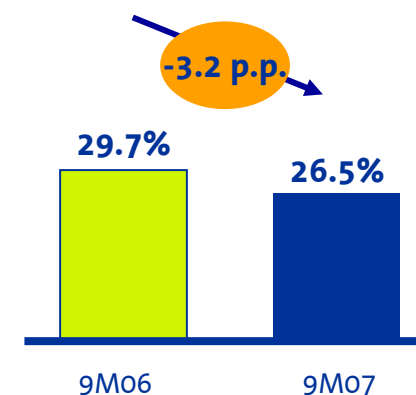
Revenues¹
(€ in millions)



OIBDA¹
(€ in millions)



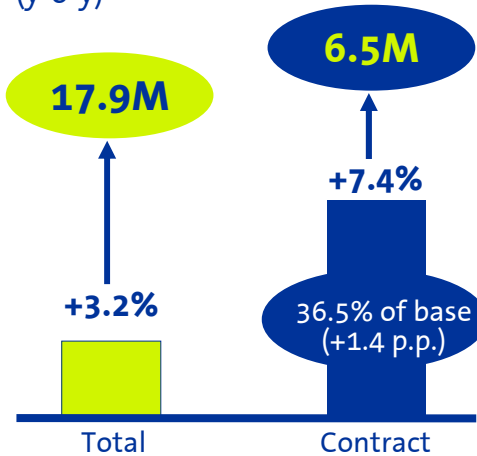
OIBDA Margin¹
(%)



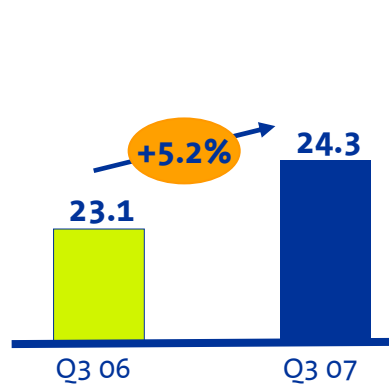
- UK: managing growth / margin balance
- Germany: segmented approach to capture growth in mobile and fixed BB market
- Czech Republic: maintaining top line growth

O2 UK: managing growth / margin balance

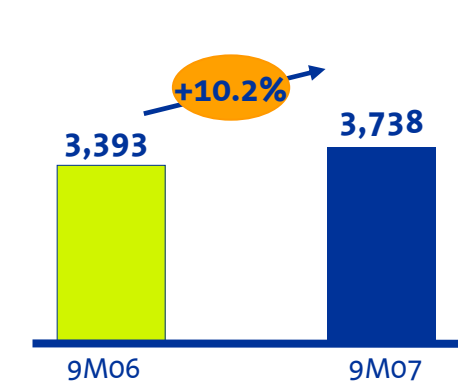
Mobile customer growth
(y-o-y)



ARPU
(in £)

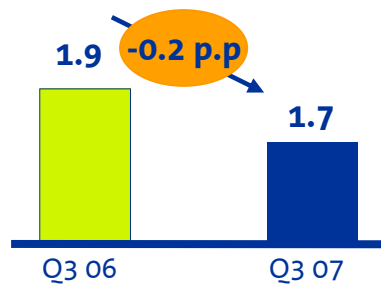


Revenues
(Organic¹, £ in millions)

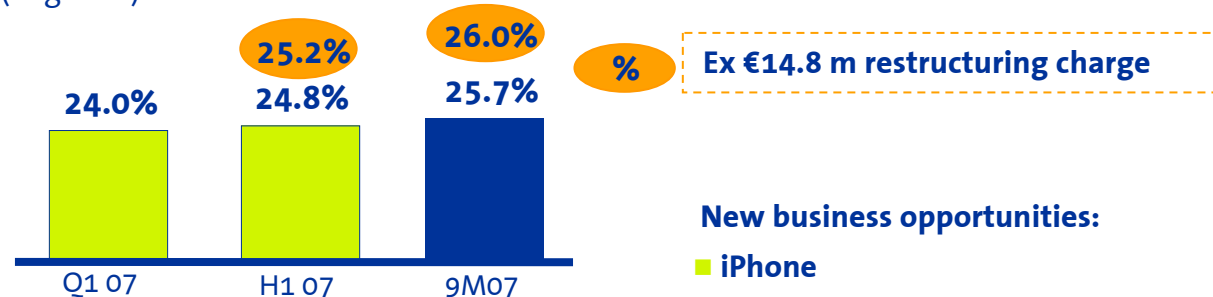


- MoU²: +10.3% y-o-y to 193 minutes
- Data ARPU²: +4.2% y-o-y to 7.5 £ (non-SMS data +20.6%)

Contract churn
(%)



OIBDA margin
(Organic¹)



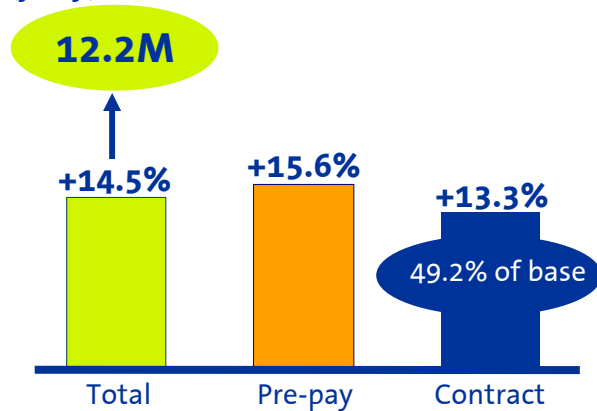
New business opportunities:

- iPhone
- O2 Broadband

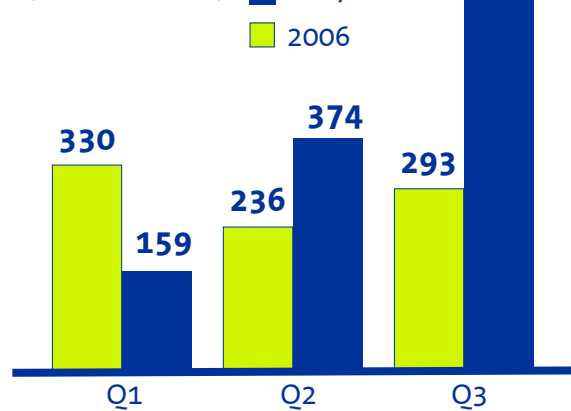
TELEFONICA S.A. Investor Relations (1) On a comparable basis (January-September for both 9M06 and 9M07)
(2) Quarterly Monthly Average

O2 Germany: segmented approach to capture growth in mobile and fixed BB market

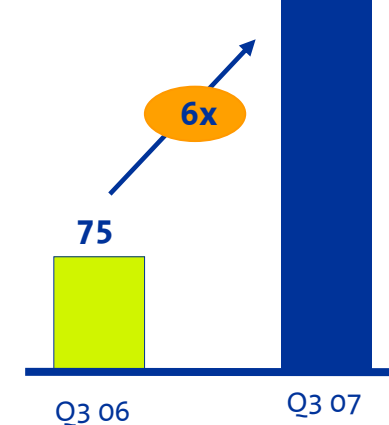
Mobile customer growth (y-o-y)



Mobile Net additions (in thousands)

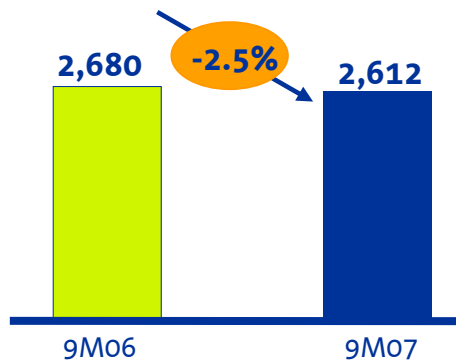


ULL lines (in thousands)



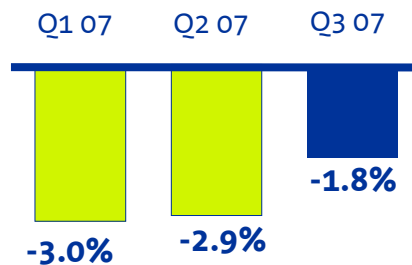
Revenues

(Organic¹, € in millions)



Revenue growth

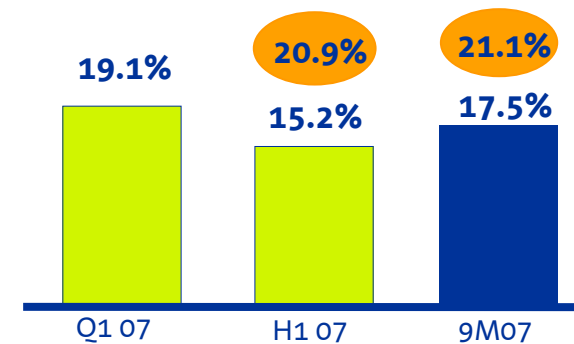
(y-o-y)



OIBDA margin

%

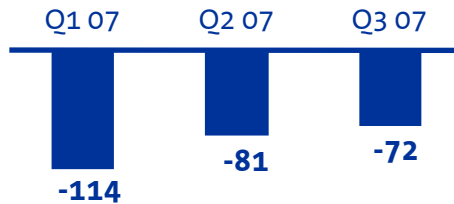
Ex €96.5 m restructuring charge



T.O2 Czech Republic: Healthy growth based on solid fundamentals performance

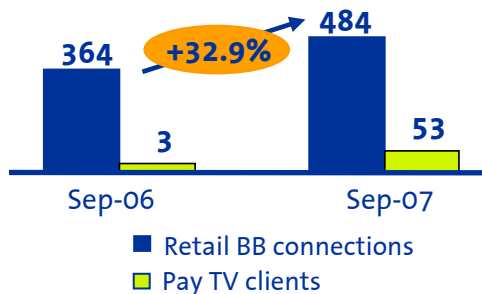
Fixed Telephony Access

(Quarterly net adds, in thousands)



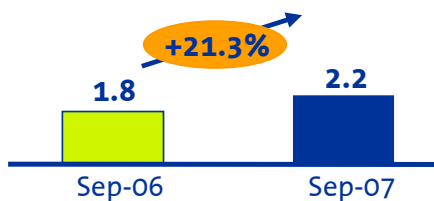
Retail Internet BB connections and Pay TV clients

(in thousands, y-o-y)



Mobile Contract customers

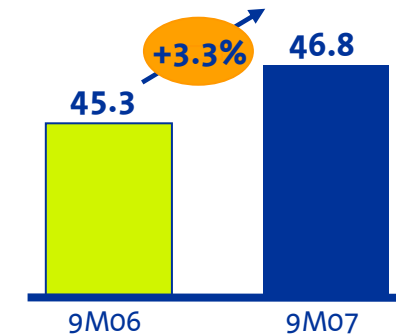
(in million, y-o-y)



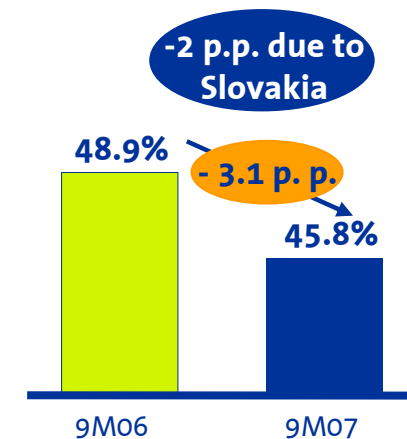
- Fixed line losses contention trend
- Focus on bundling and value proposition to defend access base
- Fostering growth on BB & TV adoption
- Improved BB portfolio via speed upgrades and bundles (O2 Duo and O2 Trio)
- Content proposition enhancement
- Contract customers up 21.3% y-o-y
- Improving customer mix (43.5% of base on contract vs. 37.4% in Sep-06)
- Q3 07 Data ARPU up 4.6% y-o-y driven by CDMA and UMTS (Full availability of data connection in all O2 networks)

Operating revenues

(CZK in billions)



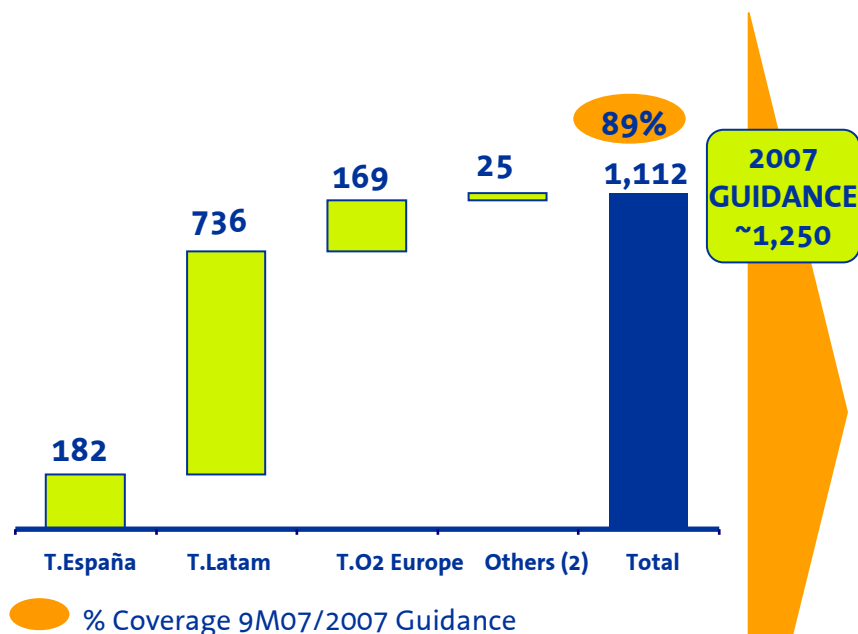
OIBDA margin



9M07 synergies very close to annual guidance

OpCF 9M07 from synergies

(€ in millions)



9M07 main initiatives for synergies generation

LOCAL

~20%

COMMERCIAL F-M INTEGRATION (P&S + Channels)
T.O.S.⁽³⁾ INTEGRATION (F-M + Combination of 3 areas)

REGIONAL

~40%

COMMERCIAL APPROACH
INTEGRATION OF T.O.S.

GLOBAL

~40%

KNOWLEDGE SHARING
(Commercial Wings, Knowledge Network)

SHARED SERVICES
(Procurement, Administrative Support...)

CROSS REGIONAL UNITS
(Roaming Wholesale, MNCs, International Traffic, Desktop
Global Services)

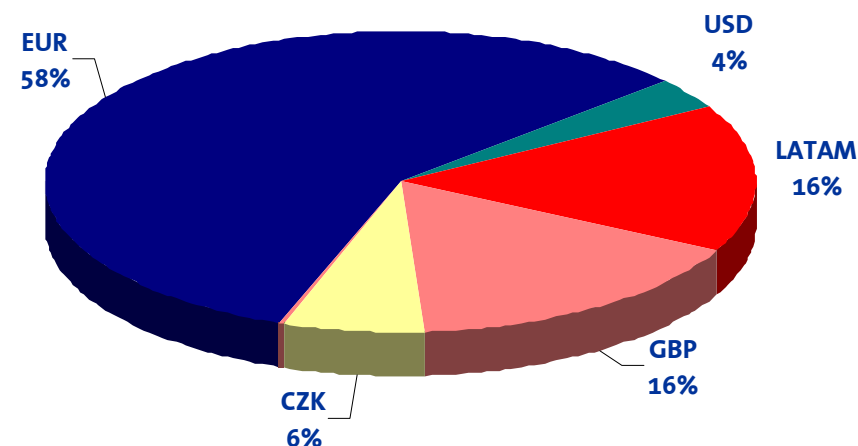
CENTRES OF COMPETENCE
(IPTV, Internet PC, Mobile Data)

Stable financial profile

Stable cost of debt

	9M07
Net Interest Expenses	(2,095)
Total Average Debt	51,939
Effective Interest rate	5.39%

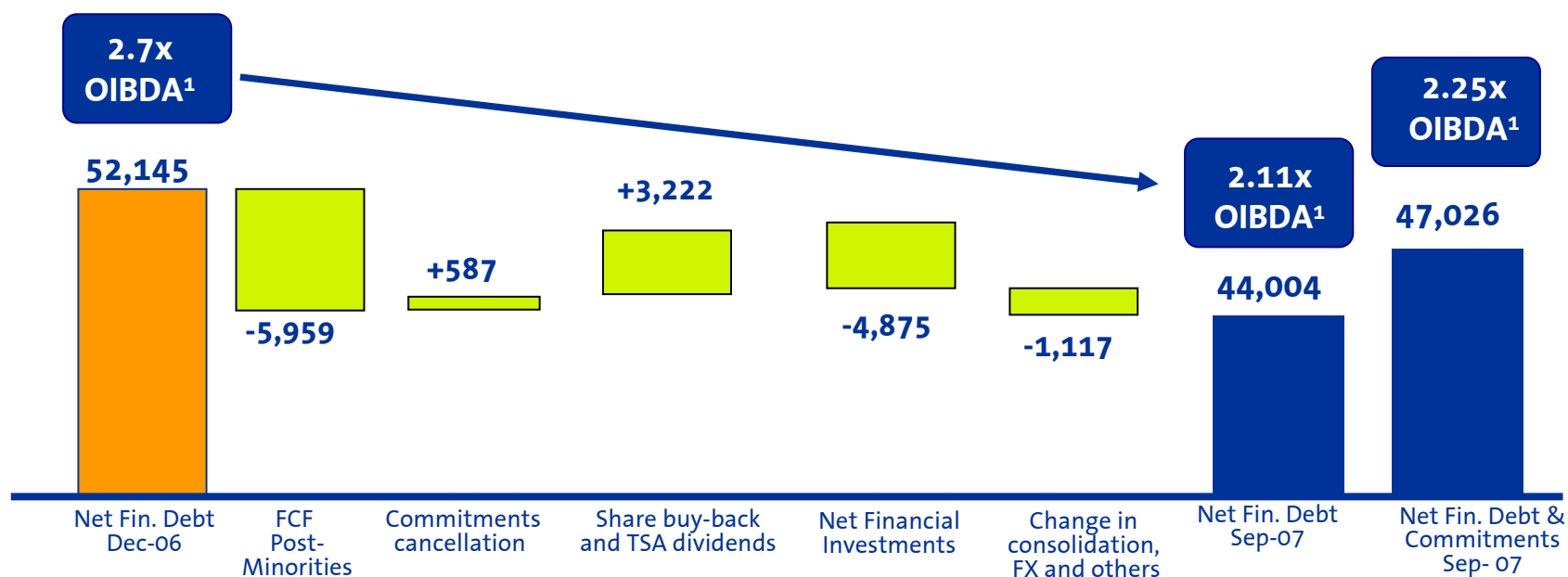
Currency mix



- Slight decrease in the cost of debt vs. H1 07 (-6 b.p.)
- Broadly stable liabilities currency mix, with some increase in Czech koruna debt
- Stable debt maturity profile
 - ✓ Cash comfortable exceeding debt maturing in 2007; €2.7 bn maturing in 2008
 - ✓ Average financial debt life kept at 6.8 years
 - ✓ Ongoing access to Commercial Paper markets

De-leverage target achieved

9M07 Net Financial Debt Evolution (€ in millions)



- **Net Debt & commitments at 2.25x OIBDA pro-forma:**
 - ✓ Below the 2.5x limit set in 2006 Investor Conference, for the medium term
 - ✓ In the middle of the 2.0x-2.5x target range set in 2007 Investor Conference
 - ✓ However, leverage to rise in the last quarter of the year
- **Buy-back program completed**

Conclusions

1. **Strong commercial activity** *backed on mobile and broadband*

- Accesses: 218.6 millions (+11.6% y-o-y)
- Pushing 2P/3P offers (4.8 millions as of September 07)

2. **Solid growth** across the board, from top to bottom

- Non-stop growth for 14th consecutive quarters in revenues, OIBDA, OI and net income
- +7.6% organic¹ revenue growth rate
- +50.4% increase in EPS

3. Keeping **efficiency improvements**, extracting value from **integration**

- 37.2% organic¹ OIBDA margin with 7.4% organic¹ growth in operating expenses

4. On track to achieve **FY 2007 guidance**

Telefonica
