Telefónica 3Q 2008
Results Conference Call Transcript

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Introduction

María García-Legaz

Good afternoon, ladies and gentlemen, and welcome to Telefónica's conference call to discuss 2008 nine months results. I am María García-Legaz, Head of Investor Relations. Before proceeding, let me mention that this document contains financial information that is reported under IFRS. The financial information contained in this document has been prepared under international financial reporting standards. This financial information is unaudited.

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We encourage you to review our publicly available disclosure documents filed with the relevant securities market regulators. If you don't have a copy of the relevant press release and the slides, please contact Telefónica's investor relations team in Madrid by dialing the following telephone number, +34-91-482-8700. Now let me turn the call over to our CFO, Mr. Santiago Fernández Valbuena, who will be leading this conference call.

Presentation

Benchmark results in the industry

Santiago Fernández Valbuena

Good afternoon, ladies and gentlemen, and thank you for attending Telefónica's 9M08 results conference call. During the Q&A session you will have the opportunity to ask questions directly to our Executive Committee, as I have with me today Julio Linares, Chief Operating Officer, Guillermo Ansaldo, head of Telefónica España, José María Alvarez-Pallete, head of Telefónica Latin America, and Matthew Key, head of Telefónica Europe, who is connected from London.

Telefónica has delivered, once again, a solid set of results, well ahead of our peers. If I had to summarize our performance in the first nine months of the year I would stress that we continue to offer a unique combination of strong growth, high cash flow generation, sound financial position and strong focus on shareholder returns.

Our growth profile remains unmatched, with organic growth rates in every single region of operations beating those of our peers, as I'll show you later on. In the third quarter of the year, despite a more complex economic scenario, we have been able to accelerate revenue growth, on the back of the robust performance recorded in Latin America.

OIBDA and operating cash flow organic growth rates have exceeded revenue growth, showing our ability to preserve our high cash generation, leveraging our integrated management model, scale economies and strong focus to manage OpEx and CapEx.

We have a solid balance sheet that allows us to face the current financial turmoil with flexibility and confidence.

As of today, we are on track to meet our 2008 guidance.

And we are fully committed to prioritize shareholder returns for the use of our FCF. Year to date we have devoted 9% of Telefónica's market capitalization to remunerate our shareholders and we maintain our commitment to further increase dividends. As we have publicly stated several times, our M&A ambitions are very limited and our current priority is to fully exploit our organic growth potential.

Delivering a superior combination of growth and strong CF generation
Santiago Fernández Valbuena

Please turn now to slide number 4 to start with the detailed analysis of our nine month results.

Reported year-on-year growth rates in nominal terms have been negatively impacted by the capital gains on the sale of Airwave and Endemol registered in the Q2 07 and the Q3 07, changes in the perimeter of consolidation and forex effect.

Nevertheless, in organic terms and excluding the impact from capital gains, year-over-year growth rates remain robust and show an acceleration from top line to Operating Income.

Organic revenue growth reached 7% in the first nine months of the year, ramping up 0.3 p.p. versus the first half of the year, driven by the very solid top line expansion recorded in Latin America.

Organic OIBDA rose close to 10% year-on-year up to September, showing a notable margin expansion despite high commercial activity levels.

Operating income posted an annual increase of 18% in organic terms, while Operating Cash Flow surpassed 11.6 Billion Euros for the first nine months of 2008, more than 10% above the 2007 figure. This growth is purely organic.

Underlying EPS up by more than 26%
Santiago Fernández Valbuena

Turning now to slide number 5...

January-September 2008 net income topped 5.6 Billion Euros or 23.5% above last year's figure after deducting the impact from asset disposals in both periods, namely Airwave, Endemol and Sogecable.

Reported Earnings per Share reached 1.2 euros and continues to excel, increasing the underlying EPS 26% year-on-year.

Excluding the impact from PPA's, EPS would have reached 1.316 Euros

Capitalising on our highly diversified operations
Santiago Fernández Valbuena

Group diversification, which is key to reliable results, is best outlined on the next slide.

Our commercial drive to capture new customers and increase their usage patterns through new services and bundling offers allowed us to reach 252 million accesses at the end of September, which is 15% higher than a year ago.

With very strong net adds across businesses, the 19%, 25% and 54% growth rates posted by mobile, broadband and Pay TV customer bases have to be highlighted.

I'd like to stress that already 41% of our total accesses are voice, broadband and TV bundles, increasing by over 7 percentage points versus September of 2007.

From a regional perspective, Latin America continues to increase its contribution to consolidated results. This growing region already represents 38% of our total revenues, 2.9 percentage points more than a year ago, and it accounts for 35% of our consolidated OIBDA, vs. 29% in September 2007.

Capturing the potential growth in each market
Santiago Fernández Valbuena

The value of our diversification best emerges when reviewing the contribution to organic growth by regions, as shown in slide number 7.

We are actively pursuing the growth opportunities in each one of our markets, which lead to best in class organic growth rates.

Latin America is our key growth engine, both in terms of revenue and OIBDA. In the first nine months of the year our businesses in this region explained around 60% of Group sales and OIBDA organic growth.

Spain and Europe are also contributing to expand consolidated revenues and OIBDA, recording robust results in regions of lower economic growth and more mature businesses.
From a business perspective, high-growth services, namely mobile and fixed broadband, registered double digit organic revenue growth rates.

Outperforming our peers
Santiago Fernández Valbuena

Slide number 8 shows our differentiated growth profile in the industry.

As I said, we are outperforming our peers across every single region of operations. We are recording superior growth rates both in Europe and in Emerging Markets. The performance in Europe is even more remarkable taking into account that other players do not have operations in Spain.

Solid conversion rate of top line growth into cash-flow
Santiago Fernández Valbuena

Let's turn to slide number 9.

I'd like to stress the sound conversion rate of revenues into cash generation, with OpCF organic growth exceeding by more than 3 percentage points the growth rate of sales. This is mainly explained by our active management of OpEx and CapEx, along with higher efficiencies derived from further business integration and scale economies.

Group organic OIBDA margin reached 38.5%, 100 basis points above last year's figure, on the back of outstanding margins in Spain and margin expansion in Latin America.

Operating cash flow grew across all regions despite significant CapEx to enhance the coverage and capacity of our networks. In the first nine months 75% of Group CapEx was related with growth projects.

I'd also like to highlight that 87% of our OpCF comes from investment grade countries.

Strengthening our organization to further reinforce cash-flow generation levers
Santiago Fernández Valbuena

We have a proven track record of enhancing efficiency to increase further cash-flow generation.

And we continue working in the same direction.

We have recently strengthened our organization to take the most of our scale and diversity and to enhance our competitive position across regions, with a strong focus on innovation and transformation.

A global approach to both areas will allow us to continue recording differential revenue growth in the medium term while we foster the operating model transformation to maximize efficiency.

9M 08 performance in-line with year-end targets
Santiago Fernández Valbuena

Let now me quickly review guidance execution.

The results for the nine months of the year are hitting our growth targets for all Group metrics.

After adjustments for guidance calculation, growth in revenues, Operating Income before D&A and Operating Income was 7.4%, 7.8% and 14.2%, respectively, totally in line with our year end targets.

Cumulative CapEx to September topped 5.5 Billion Euros and we maintain our full year target of around 8.6 billion euros in constant currency.

As we anticipated when we provided our guidance, we were assuming a significant ramp up in the growth rate of OIBDA in this fourth quarter of the year.

With the information we have today, this is already happening. Therefore, we expect FY Group OIBDA growth close to the upper limit of our guidance range.

On track to meet 2008 regional and Group guidance
Santiago Fernández Valbuena

On the next slide we show that we are also fully on track to fulfil 2008 guidance across regions.

Let me remind you that OIBDA growth in Spain will accelerate in the fourth quarter of the year, as last year we recorded significant workforce reorganization provisions in the fourth quarter.

Let me now review the performance by regions.

Telefónica España: preserving strong margins and high CF generation
Santiago Fernández Valbuena

Telefónica España's performance shows our ability to preserve the cash in a more adverse economic climate. Our businesses in Spain have generated year to date 6.3 billion euros of OpCF, growing over last year figures even if you exclude one-offs. This robust performance is driven by:

- First, revenue expansion, which stood at 2.3% up to September, on the back of a continued double digit growth in wireline retail broadband revenues and the solid growth in wireless data connectivity revenues. As anticipated, Universal Service Obligation revenues corresponding to the years 2003-2005 were accounted for in the third quarter of this year.

- Second, OpEx optimisation. F2M integration synergies are being captured, we are enhancing our commercial efficiency. A reliable credit scoring program is allowing us to contain increases in bad debt levels, which continue to be below 1% of revenues. Obviously, we are also taking advantage of lower reorganisation costs vs. last year.

And there are many other ongoing initiatives that should bear fruits in the coming quarters, like the renegotiation of long term IT contracts, optimization of the in sourcing/ out sourcing ratio, etc.

All of these have enabled, excluding one-offs, a 1.5% OIBDA annual growth up to September, posting a very solid OIBDA margin of 49.4%. Let me highlight the 48%

margin of the wireline business. Excluding USO, there is also a sequential improvement in wireless margins since Q1 08.

Revenue growth in a more difficult environment
Santiago Fernández Valbuena

On slide number 14 shows in more detail Telefónica España's top line performance.

Wireline revenues grew by 3.9% up to September on a comparable basis, pushed up in the third quarter of the year by Universal Service Obligation revenues of 183 million euros, which are impacting traditional access revenues. Other than that, no major changes in wireline trends:

- Internet & Broadband grew by 10% y-o-y, in line with previous quarters.
- Traffic revenues fell on lower fixed to mobile and international traffic.
- IT revenue growth improved slightly in the quarter, as we were anticipating, as demand is catching up from Q1 delays in purchasing decisions.

In wireless, both total and service revenues remained flat up to September, after a 2% decline in the third quarter on lower customer usage and declining incoming revenues, which were impacted by tariff reductions. For roaming, this effect should ease in Q4 08, as the sharp price cuts took place in September 2007 and a lower weight of this business in the last quarter of the year.

I would like to highlight the value of being an integrated and incumbent player, having wireline /wireless diversified businesses, and the best quality customer base in the market. All these features are shaping a differentiated profile within current environment.

Wireline Business: Sustained commercial activity fostering 2P & 3P adoption
Santiago Fernández Valbuena

Please turn slide 15 for a better insight of the wireline operating metrics.

The Spanish traditional access market continues to grow, albeit at a slower pace, 1.6% up to September.

Unbundler's activity, shifting their approach towards the naked share model plus increased pressure from direct access competitors, resulted in a 2.2% year-on-year drop in our retail lines. Although this is not positive, it is a much better performance than those of our peers in Europe.

In Broadband, we have reinforced our solid leadership, with a share of net adds in the third quarter of 61%, above our market share of 57%. And we have been able to sustain healthy BB ARPUs at close to 44€, leveraging our best in class offering, with a very good uptake of our higher speed services.

In the TV market, which is growing less, impacted by the ongoing disputes over football rights, we have increased our market share to over 13%.

Finally, double and triple play adoption are encouraging ARPU growth, up 3.6% year-on-year to 69 euros.

Wireless Business: Stabilization in ARPU trends
Santiago Fernández Valbuena

On slide number 16 we review our wireless metrics in Spain.

Despite a higher number of competitors, we maintain our strong competitive position, leveraging our focus on higher value segments and churn containment.

An attractive product portfolio and initiatives like the i-Phone, which is outperforming our expectations, allowed us to record close to 200 thousand contract net adds in the quarter. Up to September, over 93% of our net adds were recorded in the contract segment, with a stable churn rate of 1.1%. Contract already accounts for 62% of our total base, growing 9% y-o-y.

ARPU is showing some signs of stabilization vs. previous quarters. While from Q1 08 to Q2 08 the year-on-year decline accelerated by 2.4 percentage points, it has only declined by 0.7 additional percentage points from Q2 to Q3.

Outgoing voice ARPU reflected lower usage patterns, though outgoing data ARPU remained solid, on the back of a very robust performance of connectivity revenues, which in the third quarter recorded the highest y-o-y growth rate since Q4 07: +71%.

We have doubled our 3G base in the last 12 months and one out of four customers already has a 3G handset.

Telefónica Latinoamérica: Outstanding results in a growing region
Santiago Fernández Valbuena

Slide number 17 shows at a glance the very strong performance of our businesses in Latin America, a growing region where we have already surpassed the 150 million customer mark, with a 18% growth in organic terms, sustaining the growth levels of June 2008.

We are posting solid revenue growth rates that have even accelerated in the third quarter of the year to reach close to 13% in organic terms up to September, driven by the very good performance of mobile outgoing service revenues and Internet & Pay TV revenue

Let me highlight the increased contribution of our Brazilian businesses, from 2.5 percentage points in the first half to 3.1 percentage points now, as a result of the good performance in both wireline and wireless.

Top line growth fully flows to OIBDA, driving margin up in the region by 0.8 percentage points to 37.0%, on the back of our enlarged scale and enhanced efficiency despite higher commercial activity across all businesses. OIBDA organic year-on-year growth stood at 15.6%, driven by the strong increase in mobile and the better performance in the wireline businesses

As a result Operating Cash Flow grew 9.6% ex-forex, exceeding the 3.6 Billion Euros mark in the first nine months of the year.

Wireless business: Capturing the growth potential and fostering usage
Santiago Fernández Valbuena

On slide number 18 we review our Latin American wireless businesses.

Commercial activity was very strong in the quarter with close to 13 million gross adds, 16% more than a year ago, with remarkable growth rates in Brazil and Colombia. Churn performance was positive, posting slight reductions in the quarter.

Our wireless customer base surpassed 118 million, with double digit growth rates in every single market in a context of an average penetration rate of 78%. We posted very strong performances in Brazil, Mexico and Peru while in Argentina and Chile we continue to record a fast growth rate despite the high penetration levels.

The weight of GSM customers increased to 76% of our total customer base.

ARPU was impacted by the strong customer expansion, promotions and lower MTRs. Outgoing MoU showed a sharp increase, close to 19% y-o-y, driven by successful commercial initiatives to trigger usage, while mobile data revenues rose by 39% year-on-year, driving outgoing ARPU ex-forex in the first nine months of the year up 1.2%.

Further expansion in penetration levels along with MoU and Data ARPU upside, the latter leveraging the introduction of 3G services and the development of wireless broadband, should continue to drive strong growth rates in mobile.

Wireless business: Strong advances in business transformation
Santiago Fernández Valbuena

Turning to the next slide, slide number 19, we are further advancing in the transformation of our wireline businesses, with a strong focus on bundles and broadband expansion.

Broadband net adds have consolidated their positive trend since the beginning of the year, showing increased volumes quarter after quarter. In Q3, net adds went up 21% vs. Q2, capitalising on our higher speeds, increased coverage and new commercial offers to push bundles. As a result, our retail broadband accesses grew by 25% y-o-y to almost 6 million, with an outstanding increase of over 45% in Argentina.

In Pay TV, we continue to gain market share in the region, increasing our customer base by 66% y-o-y.

Bundles, in their different types, are key in our transformation strategy and their strong uptake has driven fixed line revenue per access up 5.5% in constant terms, showing a significant acceleration of 200 basis points vs. the first half of the year.

Internet & Pay TV revenues continue increasing their weight quarter on quarter, to top 18% of total wireline revenues or 3 percentage points higher than a year ago.

The sound performance of Internet and Pay TV revenue along with an improved trend in traditional service sales drives the revenue growth acceleration achieved in this quarter.

Main operations review
Santiago Fernández Valbuena

Now, let me quickly review our main four operations in the region.

Revenue growth both in Telesp and TASA posted a strong acceleration in the first nine months, 270 basic points and 250 basic points respectively from the first half of the year, while OIBDA margins for both operations in Q3 were in line with the previous quarter, despite a higher commercial activity.

In Brazil, Vivo is consolidating its leadership in the market, expanding its customers by 21% in organic terms y-o-y. Top line grew 13% organically up to September in local currency, driven by the strong performance of outgoing service revenues. OIBDA growth was higher showing a solid margin expansion. In the third quarter the margin reached 31.5%, 5.8 percentage points more than a year ago, despite a much higher commercial activity and the consolidation of Telemig, which has a lower margin.

In Mexico, where we already have a 19.4% market share, our customers grew over 32%, driven by strong net adds and churn reduction. Outgoing service revenues outpaced revenue growth, advancing 44% y-o-y in local currency. OIBDA for the first nine months of 2008 almost tripled that of the same period of 2007, leaving a 23.5% margin, which expanded by 12 percentage points vs. September 2007, showing the benefits of our larger scale. Operating Cash Flow was strong, reaching 126 million euros up to September.

Sum-up: Very robust growth across the region leveraging our integrated and diversified profile
Santiago Fernández Valbuena

In summary, the third quarter has been again a quarter of strong growth in Latin America.

In a context of high commercial activity and the wireline business transformation, strong top line came along with increased efficiency levels, recording a solid OIBDA performance.

OIBDA margins expanded quarter on quarter in Brazil, Peru and Colombia, driven by the mobile operations, while margin expansion was strong year-on-year across all our mobile businesses.

Let me remark again the solid results achieved in Brazil, where we are recording fast revenue growth and a strong acceleration in OIBDA, from 2% up to June to over 7% in the first nine months of the year.

Finally, in Venezuela our results continue to be outstanding.

Telefónica Europe: robust performance across market
Santiago Fernández Valbuena

Moving to slide 22...

Telefónica Europe delivered another quarter of sound results, with revenue and OIBDA growing like for like by 5.9% and 3.4%, respectively in the first nine months of the year. The OIBDA margin kept its upward trend on a quarterly basis, though year on year was impacted by the strong mobile commercial activity and DSL operations.

In the third quarter we recorded a strong commercial activity, with more than 800 thousands mobile net adds, as we are anticipating customer needs around SIM-only, flat rates and broadband, as well as fitting existing customers with the right proposition, especially in Germany.

Customer base growth was driven by strong contract net adds, which accounted for 62% of total net adds in the quarter, with record levels in the UK and Ireland.

Telefónica O2 UK: Record contract growth while maintaining profitability
Santiago Fernández Valbuena

Turning to slide 23...

In the UK, we continue to gain revenue share, with strong revenue growth and resilient margin, despite increased commercial activity.

Telefónica O2 UK recorded the best ever quarter of contract net adds, 278 thousand, on the back of a strong commercial performance across segments, especially in the SMEs driven by a new sales structure, with churn falling to an industry benchmark of 1.3%.

Total ARPU continued to show a positive year-on-year trend in local currency, reflecting the focus on quality customer acquisition, and the 10% year-on-year data ARPU growth driven by the mobile BB proposition launched in April, and the iPhone.

In DSL, the business reached 267 thousand lines, on the back of high quality service levels and customer satisfaction. The recently launched comprehensive fixed/mobile broadband package, offering 12 month DSL connection when contracting mobile BB at a 20 pound level, is now positioned as the best value customer proposition in the market.

In the current economic environment, mobile service revenue posted a robust performance, with two digit growth for the nine months, clearly outperforming the market. We have not noticed so far significant increases in bad debts or churn.

Continued increases in efficiency helped margins to stay at the 26% level, stable vs. the previous quarter, despite the above-mentioned increased commercial activity.

Telefónica O2 Germany: continued customer growth & profitability
Santiago Fernández Valbuena

In Germany, where the mobile market is still seeing revenue declines year on year, our mobile customer base continue to grow taking advantage of a segmented approach: using low cost partner channels to acquire no frills customers and focusing on higher value customers in both contract and prepay with O2 branded tariffs.

One and half million mobile customers were added in the first nine months, almost one third higher than last year, with contract net adds impacted by the disconnection of non-revenue generating partner customers. Nevertheless, the business saw good traction in mobile broadband and improved the customer mix on contract gross adds.

Revenue growth showed a 0.7% year-on-year growth in the third quarter, with mobile service revenue impacted by the migration of customers onto new, better value tariffs, a process which is today around 90% completed and expected to finish in the fourth quarter, and by one off promotions from the second quarter. Preliminary data on revenue performance in October shows an improved revenue trend.

OIBDA grew quarter on quarter, though it showed a 3.5% decline on a like for like basis up to September, reflecting the above mentioned commercial activity around new value tariffs on contract.

Margin expanded on a sequential basis from the first quarter as we saw the benefits of restructuring, scale and a growing positive contribution from the ULL business.

Continuing leverage improvement
Santiago Fernández Valbuena

Turning now to our financial profile, I would like to highlight how we continue improving on:

First; we have dedicated €3.6bn to shareholder remuneration, completing our buy-back program established at the beginning of the year which allowed us to announce a new 50m shares buy-back program for this year.

Second, we have been able to make compatible this enhanced remuneration with yet another reduction of our leverage ratio, by moving net financial debt below the 2x mark to 1.91 times OIBDA as of September, although this ratio will likely increase in Q4 mainly due to our dividend distribution paid last November 12th and the completion of CTC's tender offer and stake increase in China Unicom. The ratio improvement has been the result more than 2.4bn euros debt reduction in 2008 coupled with OIBDA ongoing increase. When adding our cash commitments to the financial debt, the ratio stands at 2.05x, within the low part of the range set on our last Investor Conference.

Third, our liability mix keeps on benefiting from the pound and Latam currencies depreciation in the first 9 months of the year, more than offsetting the Czech koruna strength, leading to nearly 528 million euros savings in the value of our debt.

Fourth, despite current market conditions, we have been able to maintain the effective interest cost of our debt in line with our 6% target which is more challenging going forward.

And finally, we show a comfortable maturity profile for the coming years. As such, 2008 maturities are lower than existing cash and 2009 maturities are lower than undrawn committed credit lines expiring in 2010 and beyond. On top of that we count on our annual solid cash flow generation. Also may I remind you that our average debt life is around 6 years which is longer than the time we would need to fully repay it.

Closing remarks
Santiago Fernández Valbuena

To sum up, we continue to deliver benchmark results, reinforcing our differentiated profile in the telecoms industry.

We are posting superior organic growth rates, well ahead of our peers.

We continue to generate a high cash-flow, which keeps growing across all our markets.

We have a sound financial position.

We are fully on track to meet our 2008 guidance.

Shareholders' returns are our priority. We have not only increased dividends paid in 2008 but we have also expanded by 2.25x our original share buyback program for this year. Year to date, we have devoted 6.2 Billion euros or roughly 9% of our total market cap to remunerate our shareholders. Dividends will continue to grow and most of our future FCF is going to be used to remunerate our shareholders.

Thank you very much, and now we are ready to take your questions.

Q&A session

Jesús Romero – Merrill Lynch

Hi, thank you. I have three questions. The first one on the Spanish mobile. I don't know if Guillermo could give us his view for the fourth quarter both in terms of ARPU and service revenue growth?

The second one, regarding debt, Santiago, you mentioned that it would be challenging to keep that cost of debt at 6%. I wonder if you can give us a bit more detail and maybe what is the mix between fixed and variable out of your total debt?

And then the last one on working capital, should we expect in the fourth quarter, a similar move in positive working capital as we saw in 2006 and 2007 in the same quarter? Thank you.

Guillermo Ansaldo – Telefónica

Okay. Jesus, this is Guillermo. Thank you for the question. I will answer the first one. Regarding the fourth quarter on the mobile business, you know we have one, a couple of positive trends that should help us in this quarter. First, you remember the roaming tariff cuts were in September last year. So we're going into a quarter where roaming out will be a positive compared price to overprice. Second, mobile, data and iPhone in general is strong in terms of demand and in this Christmas campaign these are two key elements of our commercial activity. So these are positive trends. Obviously, the market is harder, in terms of a slowdown, but we believe that we can counteract this and overall, we are confident we can meet our goals.

Santiago Fernández Valbuena - Telefónica

Yes, Jesus. On debt, the effective cost of debt has increased slightly this quarter, and because mainly of volatility. You know that interest rates in Europe and the U.S are coming down, but interest rates in the Latin region are going up. So, the combined effect is of a modest increase. We don't expect final '08 cost, effective cost of debt, to deviate significantly from 6%, but I really want to alert that volatility is something we now have to play with. In terms of how much debt we have from fixed and variable, well 40% of our debt is fixed. And then the rest is split between what we call capped and straight variable or floating debt, and roughly the numbers are 35% is floating, 35% roughly, or 40 is fixed, the rest would be within bounds.

On working capital, we have had a special third quarter, where working capital consumption has been slightly higher than anticipated, because of a number of one-offs. We fully expect Q4 to be in seasonal, in the usual seasonal pattern, whereby we tend to generate more cash than we actually demand. And therefore, the Q4 pattern should be more similar to the one you saw in 2007 than this time. Roughly, in Q3 we have seen a consumption of working capital of 1.6 billion, 600 million of which are exceptionals, are linked to one-off events, which will wash out as the year progresses.

Mitchell Collett - Cazenove

Hi there. Just sticking with the Spanish mobile business. I noticed that MoU has come down both year-on-year and quarter-on-quarter. Is that a symptom of people moving their calls to the fixed network, and can you give us some feel for how the fixed network might be benefiting if that is the case?

And secondly, I think Orange has had the best service revenue performance in Spain this quarter, with your performance broadly in line with Vodafone. Can you give us a feel for what Orange is doing that's being successful?

And then thirdly, I know in some of your Latin American businesses and you're running both TDMA and GSM networks. And I wondered if you had a timeline of when those additional networks might be turned off, in terms of how many subscribers would have to be on the GSM network for that to happen and therefore what sort of cost saving that might create? Thanks.

Guillermo Ansaldo - Telefónica

Well, this is Guillermo Ansaldo. Thank you for the questions. Regarding the MoU, we do have a decrease in terms of minutes in this quarter. This is due to the fact that we have a summer campaign, which was 22 days shorter than the one we had last year. This has a positive impact in ARPU, but a negative impact in the MoU metrics. The second effect obviously is the data only SIMs. It's something that quarter-by-quarter will have an increasing impact in this ratio. We try to estimate these two impacts in our numbers, and it explains like two-thirds of the variation quarter-over-quarter, third quarter to second quarter. The rest of the variation, of course, we allocated to the slowdown of and change of pattern behaviours.

What are we seeing in the fixed network? Well, two different scenarios, one, in the expensive traffics like international and fixed-to-mobile, there is some stress, meaning, due to the slowdown during the summer, but in the cheaper traffics mainly in metropolitan, provincial, and national traffics, where there is a significant and growing portion of flat rates, our traffic is growing very well and even above our own estimation. So there is some change of traffic between mobile originated to fixed originated, but that to be honest, that does not explain the whole slowdown being a part of the MoU. So, part is summer campaign, part is going to the fixed, and part is a slowdown.

Regarding the comparison with other competitors, as you mentioned the behaviour in the quarter compared with Vodafone is pretty similar. Regarding Orange, we don't have the full information about Orange. When we look at ARPU, for example, as you remember, this competitor did a restatement of number of lines in the second quarter of '07. So when you compare annual ARPU against an annual ARPU, you have to take that into account, and that reduces the gap. And also in terms of ARPU again, this competitor has a different prepaid mix as us. Remember Telefónica has the highest postpaid and mix in the market. So that explains a little bit, but again, on a quarterly basis, very hard to extrapolate what's going on. Compared with Vodafone, as mentioned before, the trends are pretty similar in this quarter at this level.

José María Álvarez-Pallete – Telefónica

Taking your question about the Latin American business on the CDMA and GSM networks, cost of running both networks at the same time, I would tell you that the only place where we still have a significant or more significant activities in terms of CDMA are Brazil and Venezuela. And out of those, you have two different kind of impacts. One is in OpEx and the second one is in CapEx or in maintenance. In terms of OpEx, as most of our new adds are coming in GSM, or roughly 90% in the case of Brazil, the level of subsidies in terms of CDMA handsets has been significantly reduced, so the impact on the margin is already there, mostly, and it's mostly the same case in Venezuela.

In terms of maintenance of the networks and therefore in terms of CapEx, there are no significant additional efforts to be held because most of the sites are shared, and the maintenance costs are similar. So, I would tell you that probably by year 2010, if things keep going in the same direction, in terms of commercial activity in GSM, we'll be starting thinking of switching off the CDMA network. In order to give you an idea, in Brazil, right now, the level of CDMA client base has been reducing approximately 6 million subscriber year-on-year, from roughly 21 million last year, in December last year to roughly 15 million at the end of the third quarter. So, the effort is progressively been done on both, most of the impact in terms of the OpEx is been already absorbed or taken advantage of because of less need of additional subsidies in the CDMA handsets.

Terry Sinclair – Citigroup

Good afternoon. Two questions from me. First of all, is there any part of your business where you see the prospect of a sharp CapEx fall next year?

Secondly, can you just help me a little bit to understand why costs in Chile remain so strong relative to revenue growth?

And in a similar vein, is there anything you can say about Telefónica del Peru where we might see a turnaround there? Thank you.

José María Álvarez-Pallete – Telefónica

Well, I will take the second and the third one.

In terms of Chile, two effects. First of all, take into consideration the fact that inflation has been picking up roughly like 8% in Chile. And therefore, at the same time, we're running a significant business transformation on the wireline side, accelerating the development and the deployment of broadband and television and, with the level of penetration of the mobile market which is significant, and as a result, we are seeing a transformation of businesses towards I would say lower margin business in the case of the broadband and the TV business.

At the same time, we keep boosting the efficiency levels, and we keep increasing the quality parameters. And, therefore, you will see that the decreasing margins in Chile have been slowing down in the recent quarters, and we aim to have stable margins in the short run.

There is also a pickup, a slight pickup in bad debt, in Chile on the wireline side that has been also affecting us because of our aggressive commercial campaigns on the TV side in the first quarter of this year. So, if you net all these effects that we are working on, we are aiming to have stable margins in Chile in the short run.

In the case of Peru, it is different. Because in the case of Peru, what we're fighting is against a CPI minus 7% price cap, and therefore, if you take that into consideration, you will see that the effort in margins is still significant. So in the case of Peru, we are fighting against our revenue restrictions to say that we do not have in the case of Chile. So in the case of Peru, it is probably going to take us longer to moderate the situation than in the case of Chile.

Julio Linares – Telefónica.

This is Julio Linares. Regarding your question on CapEx, first of all, I think it is important to take into account that in 2008 we have a peak on CapEx. So next year we expect better level on CapEx. In addition to that, based on the information we have for the first nine months of this year, 75% of our CapEx was invested in what we call transformation and growth projects. Because of that, yes, 25% of our CapEx was to maintain our existing business. And then we believe that we have a huge flexibility to control our CapEx.

Terry Sinclair - Citigroup

Sorry, did you say 25% or 75%?

Julio Linares - Telefónica

75% is for transformation and growth opportunities and 25% to maintain our current businesses.

Mandeep Singh - Morgan Stanley

I would like to ask two quick questions please. First of all America Movil's CEO, recently gave an interview in The Wall Street Journal suggesting they may have to lower their guidance, due to the current economic situation. Can you explain why that may not apply to you?

And my second question is on Vivo and Portugal Telecom. If Portugal Telecom were willing, would you enter in a deal where you could merge Telesp with Vivo, and they could remain a partner with another shareholder agreement?

José María Álvarez-Pallete - Telefónica

Well, thanks for your question. And taking the first one on the macro situation of the region, and just commenting on our case, because I cannot comment on others' case. The situation that we are seeing is that is still very strong commercial activity, mostly in every market, probably with the exception of Central America, which is slowing down a little bit. But globally speaking, in terms of minutes of use, ARPUs, or gross adds, or in terms of globally speaking, commercial activity even with the figures of October, it's still sound growth ahead of us and sound growth to be captured.

So and if you just have on the levels of gross add that we had been having mostly year around, we have not seen any sign of deceleration so far. So what we can tell you is that we are comfortably in the levels of guidance that we have been sharing with you, and that we have no reason to review that, as we speak. So what we can tell you is that we are committed to the figures, and in fact as far of this year we are in the, significantly in the upper part of the guidance that we shared with you at the beginning of the year. And we are dealing with the normal operational issues with, that we have been dealing so far. So we will keep you posted, but for the time being, we have been seeing a very strong region.

Sorry, on the Vivo and PT we are, we have been expressing recurrently that we will like to, that would like to, that we are the buyer of the 50% stake of Vivo and PT, and that we are open to any kind of alternative that PT would consider convenient. But again, stressing that there is nothing we can do to urge their decision, that they are sovereign to take that decision, but we'll be delighted to comment or to discuss with them any alternative.

David Wright – Deutsche Bank

Yes, a couple of questions please. First of all, at the O2 Conference October last year, we heard your dividend announcement. If you could give us an idea of when we should expect the 2009 dividend to be announced, please?

Another couple of questions on guidance. You just indicated that you should be hitting the upper-end of the EBITDA range, yet you've chosen not to formalize that in this morning's statement. Is that to give you a little more flexibility in Q4? Perhaps iPhone's subsidies, etcetera, that you've clearly been successful in the UK, maybe mapping more into Spain and even LatAm regions?

And just very finally, a little more detail on Colombia. It seems like there has been a huge margin turnaround in Q3 margins, plus 9% or so versus the first half, a negative 5% year-on-year. I was wondering if you could just give us a bit more detail on that, to what extent that is sustainable, and then Colombia is looking more or like a 45% margin business? Thanks.

Santiago Fernández Valbuena - Telefónica

This is Santiago. Again, thanks for your questions. On dividends, you know we pay twice a year. One is an interim dividend, which we just paid ahead of 2008 results, and the final dividend, which will likely be paid in the spring. So the 2009 dividend will be announced in all likelihood in the first half of 2009. But we wanted to stress that we continue to be fully confident in the cash flow generation ability of the company, and that the dividend path is going to be one of increasing numbers. And we wanted to leave it deliberately open, so that when we have full visibility about the full-year results, in the short-term model we are more, we have more information available to actually hit that number. But, it will be a growing path of dividends going forward.

On guidance, you may have been over-interpreting a little bit our statements, we just wanted to reconfirm that we feel comfortable in hitting those numbers. And my comment that OIBDA is likely to be on the upper part, is more to signal our confidence than intended to have any second or third meaning. So no, we're not leaving anything behind. These ranges are there to be used, and we feel comfortable that, especially at the OIBDA level, we are more than likely to hit the upper part of it.

José María Álvarez-Pallete - Telefónica

David, taking your question about our Colombian operations, we have an improvement in margins in both of the units and on the wireline and on the wireless. In both cases, wee think it's there to stay. On the wireline side, you have a better comparison year-on-year, because of the improvement in systems that we have been installing in the last quarter of last year, and in terms of the regional efficiencies that we are starting during year 2008 to put in place in the region. And on top of that, we are accelerating also the deployment and the bundling of products, and we are having a successful experience there in terms of the deployment of broadband.

And in the case of the wireless business, there are I would say two major effects, first of all, we are having a decrease in the cost of terminals and its subsidies because of the CDMA migrations toward GSM. And on top of that, you have less interconnection cost because of the interconnection drop that we have been having this year. And both effects we think are there to stay.

David Wright – Deutsche Bank

Okay, thanks. Could I just chase one comment, Santiago, just on the dividend? I mean, I mentioned it was announced this time last year. But I think in previous years, it's typically been announced the very beginning of the year after you write the budgets. It sounds to me like that could be a little more delayed now, should we be thinking a dividend announced after the final for 2008, or sometime after the full-year results? Could you just give us a little more visibility on that?

Santiago Fernández Valbuena - Telefónica

David, the Board hasn't seen yet the budget, which is being finalized. You are right in pointing out that in the past we have acted the way we have acted. This year we wanted to give full visibility and full comfort when we have both visibility and comfort. We're not there yet, I'm not in a position to say it's going to be February when we publish the results, or it's going to be later in the year. I'm simply not in a position to say that, not because we're holding any information, but because we don't think it is absolutely necessary to commit to things which will start to be paid at the earliest in November of 2009, there is plenty of time.

James Ratzer - New Street Research

Yes, I've got two questions please, both on Latin America. The first one was, I was wondering if you could tell us of the €5.7 billion of cash on your balance sheet. How much that is in Venezuelan bolivars at the moment? And could you give us an outlook on your ability to repatriate cash from that business on an ongoing basis.

And the second question was just regarding your performance in Mexico, where the rate of growth does seem to be slowing at the top line. It looks like you've lost revenue market share to AMX, over the last couple of quarters. Can you give us an outlook on your strategy there? I mean it looks like prices have actually gone up this quarter. Do you expect to cut them more aggressively to try to regain market share? Thank you.

Santiago Fernández Valbuena - Telefónica

Yes. Well, in terms of our cash position, we'd rather not give the full disclosure of every single detail. The one thing I can say that we have repatriated with no difficulty from the region, from the Latin American region north of €1 billion this year. And that in particular from Venezuela, we have got in about $500 million I think it is, and we have no reason to not expect that trend to continue in the future. Certainly, Venezuela has as you are sure – are aware of currency controls. But currency controls are not currency prohibitions and yes, there is a very long and bureaucratic process to apply. But we have so far been able to extract and to repatriate the better part of that.

José María Álvarez-Pallete - Telefónica

Considering your question about Mexico, there are several aspects to comment there. First, in the third quarter of this year, we have had the portability issue in Mexico, which has not been very relevant in terms of numbers but has forced us to do a system change. And that's why, at the beginning of the quarter, we have been slowing down commercial campaigns in order to be focused on this community systems migration. And that's why we have been consciously slowing down our commercial campaign.

On top of that, that has been allowing us to really see what is the underlying level of our customer base in terms of recharges without significant or aggressive commercial promotions. And that's why we right now have a clear picture, or we think we have a clear picture or what is the real underlying MoU and the underlying ARPUs of the customer base. We have been retaking commercial activity in this last quarter. And the figures that we have for October show a pickup in ARPU and in MoU. So we think that we are now, as far as we are in this quarter, trends are going, are picking up slightly.

And in terms of the share of revenues, so we think that we have not been losing significantly with America Moviles we might be wrong, but probably more with Nextel, because it has been most on the postpaid part of the market where Nextel has been aggressive and successful. And we still need to be more focused on our postpaid offer because so far we have not been able to find a right balance there. So you're right, we need to do an additional effort there. But in terms of the Mexican situation, we are still seeing growth, double-digit growth and we are right now back on the commercial campaign intensively path and we will keep you posted on the progress.

Graeme Pearson - Nomura

Couple of questions on Europe please. In the UK, what was the total EBITDA investment for the iPhone in the quarter, and what trend do you expect in acquisition costs going forward?

And second, when do you think you can turnaround the negative EBITDA trends, sorry, the negative ARPU trends in Germany?

Matthew Key - Telefónica

So as far as the iPhone is concerned, frankly it's just part of our product mix, we'll always manage our business to the product mix. It was an important part, but also we really weren't after a business product, which is a SIM-only product in the UK and also recognized that our churn levels in the UK were the lowest that we've ever reported and I think the lowest any mobile operator in UK has ever reported. So those are the three key parts of our growth. So, yes, the iPhone had an impact, but we're still very, very comfortable with the quality of customers we're getting will drive long-term value for us.

As far as German ARPU is concerned, I guess it's difficult to say, as I've said, there are a few big moving parts in Germany. We're now 90% of way through migrating customers that were on older tariffs onto newer, better value tariffs, which is clearly an ARPU depressor in the short-term, recognize also that we're getting an element of our volume from partners business as well, which tend to come in at lower ARPU levels. And I guess finally, I would say in Germany that the market as a whole across the four operators in total are still showing, were showing a decline. So it's a market question as well as an us question.

James McKenzie - Fidentiis

Since we all met in London, the situation in Spain has changed quite radically. I wonder, could you give us an idea, quantify it if possible of what sort of levers you can pull in both of your Spanish business to ensure that the cash flow targets that can be met?

And then would it be possible to give me an idea of where the bad debts stand in Spain in the third quarter?

Guillermo Ansaldo - Telefónica

Thank you, James. This is Guillermo Ansaldo. Let me start with the last one it's easier. We are still below the 1% over revenues, bad debt provisions over revenues hasn't changed much since the last two quarters, although there is a stress as you can imagine of people not paying and so on. So far it's controlled, but it's a concern.

Regarding cash flow targets, one thing that is important is that, in these scenarios, as you'll understand very well, right now our focus is on cash flow generation in Spain and that's the key metrics. I know it's always important, but in these times, this is our test to provide the operating cash flow to the operation. So, in that sense we have two generic priorities.

First is to protect our revenue base, and that means, several things. First, to continue sustaining our leadership in broadband, both in fixed broadband and also to capture the growth opportunity on mobile data and mobile broadband, which we believe there is a growing demand, and is a trend that despite the overall environment, it provides growth for the whole sector and for us. First is to continue leading the broadband both wireline and wireless broadband arena.

Second one is churn. General retention of our key products, as right now, as you can imagine if the market is not growing as fast as we all expected to retain our best customer is a key priority. So, there we continue pushing bundles and investing in loyalty programs in the mobile business for example, and through our loyalty points programs, and also renewing terminals whenever we see opportunity to foster or to lengthen our contracts or commitment with clients. Third, it is tricky, but, I mean difficult, but there are some ARPU voice opportunities in mobile through a segmented approach. We don't believe in generic actions that start the migration of people without sense, but there are opportunities to specific actions in different segments. And the fourth, priority in the revenue side is to maintain our quality premium, and we have done so far and we can continue to do and wish to continue doing so. And so, that's on the revenue side.

If you go to the OpEx and CapEx, that's where we are also putting a lot effort as you can imagine. Generically, we believe that about 45% of our OpEx is manageable or variable in the short-term. And also, CapEx is something that we know how to manage in the short-term. Regarding OpEx, there are several measures. One is your question, that is bad debt or non-performing that's key priority. The second one is commercial efficiency. We are continuing pushing synergies between in the retail channels and direct force channels between the mobile and the fixed business. So we can capture any opportunity to get the same sales with the minimum resources. We will continue investing in all line channels and reducing product portfolio.

Regarding operating costs, while you know we continue with our redundancy program that we announced, we are, we have renegotiated IT contracts both on operating system and business systems, again capturing fixed to mobile synergies since we look at processes across the whole, the whole company. And we are keeping working on finding the right balance between insourcing and outsourcing and also in off-shoring. There is a lot of projects going on. Some of them are easy to implement, some of them take more time, but there is a lot of savings coming in. So regarding free cash flow, that's our key metrics. As you know we grew 8.4% in the nine, in the three quarters of this year. Even taking away all the one-offs, we are still growing operating cash flow. So that's our priority and we will keep our focus on that in any scenario.

Andrew Hogley - Execution

Hi, good afternoon, gentlemen. Three questions if I may. First of all, contract net adds in Spain were the weakest since the start of '05. Does that market change in strategy, or is it just an indication of the deterioration in market conditions?

Second, are you able to give us any indication of the number of mobile broadband SIMs you have got in each of the big three European markets?

And finally, we have seen a number of your global peers take exposure to India over the last few months. Do you have any desire to do the same?

Santiago Fernández Valbuena - Telefónica

Hi, this is Santiago. Let me start with the third one. The short answer is no. It is not a market that we consider approaching any closer than we have already done in the past, which is very little.

Guillermo Ansaldo - Telefónica

Hi, this is Guillermo. Let me try to answer the first question. If I understood correctly, you are asking about if the mix of postpaid and prepaid is not advancing as fast as before. Is that the first question?

Andrew Hogley - Execution

That is correct, yes.

Guillermo Ansaldo - Telefónica

Okay. Well this is one quarter, but of course, in this type of environment, there is a little bit more, there is a preference in the customer base for controlled tariffs and prepaid tariffs. So we keep on working on maintaining the contracts, but we are a little bit cautious on migration from prepaid to postpaid. Whenever we see an opportunity, we will do it. But if we don't see that our, let’s put it, credit scoring criteria are not met; we're going to be a little more cautious. So we're little bit more conservative, because at the end of the day, you are providing some credit to these customers. But it is very normal in this type of situations.

Regarding the broadband, I think you are asking about the three major markets. Regarding Spain, just to give a flavour, you know in mobile broadband you can measure the market in different ways. One cut is to look at data tariffs, and right now in Spain we have 800,000 data tariffs. This is basically high intensive tariffs for PC type of dongle tariffs in mobile. Second, tariffs for smart phones like the one we have in iPhone and also daily tariffs. This is 800,000 that is basically double the size we had one year ago.

Matthew Key - Telefónica

Andrew, I will talk about UK and Germany, two different stories for us. Both markets are continuing to accelerate. In the UK we actually came to the market relatively late because we wanted make sure the customer experience was right, and certainly the UK operators that have gone early have experienced significant returns from customers who, when they got their mobile broadband product at home, they haven’t got the right coverage and speed. So we’ve come late now we’ve launched what we feel is a right product, in terms of market churn.

Germany, a different story. We're trading above our weight in Germany, largely because we recognize that E-Plus does not have a strong data network. So it is more a three player market in Germany than a four player on mobile broadband.

Luigi Minerva - HSBC

Three questions on my side. The first one is on regulation in Spain. The European Commission this morning issued a statement raising doubts about the Spanish broadband regulation. If in January they reverse the CMT current framework, how is that going to affect your strategy in fibre? Will you, for example, be available to offer wholesale fibre products?

The second question is really on Brazil. If Vivo pays a dividend to Brasilcel, would you agree for Brasilcel to then distribute that dividend to Telefónica and PT?

And finally, the last question is on your 2010 target. If you can reiterate your EPS and the free cash flow per share target in 2010? Thank you.

Guillermo Ansaldo - Telefónica

All right, Luigi, regarding the first question, fibre regulation in Spain, what happened yesterday and it was a press release this morning, is that the local regulator is doing what we call a market analysis for a couple of possible markets. And that procedure implies that this market analysis when there is a dominant player in both has to be approved or seen by the European regulators. The European regulators can take three stances. They can approve it. They can veto all or they can enter in what they call a Phase II, which is a two-month period of gathering more information and trying to agree upon the proposal of the national regulator. That is what, in this case, that is what has happened with one of the markets, which is the market five. And this is particularly which is where the wholesale offer for copper and fibre is involved.

So what happened is that they have not vetoed the proposal of the local regulator. They just have decided to get into this Phase II scenario. This means that the CMT, the local Spanish regulator, has to provide more information on further discussion with the European authorities so as to come to a conclusion after this two-month period.

So we're confident and we hope that these discussions and this exchange of views will be positive, and we will have to in this case to wait for the discussions. So it is a little bit early to discuss outcomes and what happens if different outcomes are happening.

Regarding wholesale offers, our will has only been to offer wholesale offers to third parties. The discussion here is not wholesale or not wholesale. It’s a regulated offer or a commercial offer. But again, we have to wait till this two-month period or less because this is cap end, and this is now on the turf of the national regulator and the European Commission.

José María Álvarez-Pallete - Telefónica

Taking your second question about if Vivo was to pay any dividend and if we would be approving that dividend to be transferred to shareholders of Brasilcel, the answer is yes. There is no value in preserving cash at the level of Brasilcel. So as far as PT agrees, for us it is yes.

Santiago Fernández Valbuena - Telefónica

And on the 2010 EPS and free cash flow per share guidance, it is my pleasure to reiterate for the umpteenth time that we will get those numbers by 2010. Thanks for asking.

Luis Prota - Morgan Stanley

I have two questions, the first one is on the UK. You have been mentioning growth in contract resilience of ARPU. These are clearly the facts. But I would like to get some light on the key differentiating factors against O2 and the rest of competitors. What is your view on that?

And the second question is on Digital+. What are your plans here? What is the maximum price you would be keen to pay, and what is the stance regarding the football rights within Digital+? Thank you.

Matthew Key - Telefónica

I will pick up the UK question. Fundamentally it is about giving customers a product they want to buy and doing it consistently, as we have now done for many years and anticipating their needs in the current economic environment, and we recognize they want flexibility, certainty and value. And once you put bright propositions and market them properly and execute ruthlessly, so we just believe in the UK market. We've continued to do that. And consistency of management is also very important as far as maintaining the business.

Julio Linares - Telefónica

Regarding Digital+, you know that we still have cooperation with them. We continue having that cooperation because it is very important asset to complement our own offer, and because of that, we will follow everything that is around Digital+, we have been participating in the different open processes, but it's too early to try to be very specific on the type of, kind of questions that you are asking for.

Jonathan Dann – JP Morgan

Just to circle back on two questions. One is, I understand that the announcement of a 2009 dividend is delayed. Does that have any bearing with any ongoing union negotiations, perhaps?

And secondly, it is a sort of geekier question. Does O2 pay a sort of franchise fee back to Telefónica, and do any of the LatAm assets still pay management fees?

Santiago Fernández Valbuena - Telefónica

Let me answer maybe both questions. First, on the dividends, there is no dividend delay. I'm just pointing out the fact that 2008 is still running and that the dividend for 2008 has been fully committed to be one full Euro. It is the kind of thing that we revisit every once in a while and certainly when the cash becomes available, which has become more of a priority now than it may have been a couple of quarters ago.

Jonathan Dann – JP Morgan

So, I mean as analysts should we sort of look at our quarterly cash flow models in '09 to sort of kind of understand where you're coming from? Is that what we should do?

Santiago Fernández Valbuena - Telefónica

What we're going to do is to let '08 expire, get more visibility about what the outlook and the budget for 2009 are, and in all likelihood we will speak on those two numbers and the degree of confidence that we have on those are said along with guidance. But I would rather not make any formal commitment about when that is likely to happen.

On brand fees, it is a highly technical issue because when we purchased some of the Latin American assets, a management fee was included. We would be willing to go at length. It is fully public information. Because of the change to IFRS and of things we have had to change on the O2 sort of reorganize the brand fees schedule. But anything we provide on the businesses is net of those brand fees. Meaning you should not assume that any change of any, in the course of fees has any direct bearing on the businesses. Because it is, at the end of the day, something that we try to do mostly on tax reasons to please and naturally manage the tax authorities in different jurisdictions, which sometimes are quite picky and finicky about what gets paid where. Because obviously it has a tax impact that they are concerned about.

María García-Legaz - Telefónica

Thank you very much, everyone, for participating in this conference call, and we will join you at the end of February when we release our full-year results. Thank you.

Santiago Fernández Valbuena - Telefónica

Thanks, everyone, and thanks for attending the call.