Telefónica FY 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 full year results. I am María García-Legaz, Head of Investor Relations. Before proceeding, let me mention that this document contains financial information that has been prepared under international financial reporting standards. This financial information is unaudited.

This presentation may contain announcements that constitute forward-looking statements, which are not guarantees of future performance and involve risks and uncertainties, and that certain results may differ materially from those in the forward-looking statements as a result of various factors. We invite you to read the complete disclaimer included in the first page of the presentation, which you will find on our website.

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 Chairman and CEO, Mr. César Alierta, who will be leading this conference call.

Presentation

2008 key highlights

César Alierta Izuel

Good afternoon, ladies and gentlemen, and thank you for attending Telefónica´s 2008 full year results conference call. Today I have with me Julio Linares, Chief Operating Officer, Santiago Fernandez Valbuena, CFO, Guillermo Ansaldo, head of Telefónica España, José María Alvarez-Pallete, head of Telefónica Latin America, and Matthew Key, head of Telefónica Europe. During the Q&A session you will have the opportunity to ask questions directly to them.

We have released today a very strong set of results. In a more challenging environment, our highly diversified portfolio, proven execution skills and our differentiated integrated business model have led Telefónica, once again, to deliver our commitments, meeting or exceeding Group guidance on all metrics. The very strong performance recorded in Latin America has boosted our growth profile.

We have fully exploited the organic growth potential in every single region of operations, and despite worsening economic conditions towards the end of the year, we have been able to maintain organic revenue growth close to 7%, while OIBDA and OI , posted double digit growth rates, well ahead of top line growth.

At the same time, the high cash generation delivered shows our continuous focus to enhance efficiency.

Finally, in 2008 we have further strengthened our solid balance sheet, leading to a very comfortable position that allows us to prioritize shareholder returns for the use of the FCF. In 2008 we have devoted 10% of Telefónica´s current market capitalization to remunerate our shareholders and we have recently announced a solid dividend increase for 2009.

A set of very strong results
César Alierta Izuel

Let me now share with you the drivers behind this performance.

Reported year-on-year growth rates are negatively impacted by the capital gains on the sale of Airwave and Endemol recorded in 2007, changes in the perimeter of consolidation and forex movements.

But the underlying performance of our business remained very robust. Organic growth rates are unmatched across peers, showing a significant acceleration from top line to OI.

Revenue growth in organic terms reached 6.9% in 2008, pretty stable vs. the first 9M figure.

Organic OIBDA rose close to 15% year-on-year, compared to close to 10% up to September, leading to a very healthy 38.7% organic OIBDA margin, showing our ability to balance growth and profitability.

Organic operating income rose close to 29%, 11 p.p. more than the growth recorded in the first nine months of the year.

Net income reached roughly 7.6 billion euros, while Operating Cash Flow almost doubled this figure and topped 14.5 billion Euros in 2008.

Robust underlying EPS growth
César Alierta Izuel

Moving to slide number 5…

2008's net income was below 2007 reported figures, but excluding the impacts from assets disposals in both periods, and our proportional stake in the impairment charge taken by Telco on its investment in Telecom Italia, the bottom line posted an outstanding 38.0% year on year growth.

Reported fully diluted Earnings per Share reached 1.63 euros, 41.4% more than in 2007 in underlying terms, reflecting the lower number of shares outstanding due to our active share buyback activities.

Excluding the impact from the Purchasing Price Allocation, EPS would reach 1.78 Euros in 2008.

Reported Free Cash Flow per Share rose to 1.97 euros, compared to 1.86 euros in 2007.

Meeting Group guidance by far
César Alierta Izuel

Let me quickly review guidance fulfillment.

In 2008, despite more adverse trading conditions than we were anticipating, we have met by far all our growth targets for all the Group metrics.

After adjustments for guidance calculation, revenue growth was 7.3%, just topping the middle point of the guidance.

OIBDA grew 10.6%, at the top of the 7.5% to 11% target range.

And we exceeded our OI targets, with a 20.4% year on year growth under guidance criteria.

CapEx in 2008 was totally in line with our full year guidance.

Leveraging a highly diversified portfolio
César Alierta Izuel

Group diversification and subscribers growth pushed our results and are outlined on slide number 7.

Our commercial focus to full exploit growth potential, mainly in mobile and fixed broadband, allowed us to reach 259 million accesses at the end of December, 13% more than a year ago.

Our operations in Latin America continued to drive our solid performance, contributing 50% of our organic OIBDA growth in 2008, while our European operations, including Spain, contributed to the other 50% of the growth.

High conversion rate of top line growth into cash-flow
César Alierta Izuel

Please turn now to slide 8, which shows the high conversion rate of top line growth into operating cash-flow expansion.

This is true not only for the Group as a whole, but for every single region of operations.

Despite pressure on revenue growth in Europe and significant investments in all our markets, we continued to capitalise efficiency measures, as always, and our levers to manage OpEx and CapEx, increasing cash-flow generation across businesses and geographies.

As a result, organic operating cash-flow growth rate reached 20.2% in 2008, 13.3 percentage points over the top line growth rate.

Strengthening our networks
César Alierta Izuel

Slide number 9 provides more colour on our investments in 2008.

Total CapEx reached 8.4 Billion Euros in nominal terms, with a 4.7% year on year growth or 7% in organic terms, driven by the higher CapEx in Latin America to further expand our wireless networks, both in terms of capacity and coverage, as well as the enhancement of our broadband and Pay TV infrastructures.

CapEx in Spain fell 7%, with a significant cut in the last quarter of the year that evidences clearly our ability to retain control of our investment process.

In Europe, CapEx peaked at roughly 2 billion euros in 2008, most of it to build a high quality proprietary network in Germany.

77% of the Group CapEx was devoted to growth and network transformation projects. This proportion shows that, if trading conditions were to deteriorate in our markets, we have ample room to manoeuvre and achieve our cash-flow targets.

Let me now hand over the call to Santiago.

T.España: Strong OIBDA and high cash-flow generation
Santiago Fernández Valbuena

Thank you César and good afternoon ladies and gentlemen,

In the next couple of minutes we would like to review our regional performance, starting with Telefónica España.

In the fourth quarter of 2008 economic conditions further deteriorated in Spain, but our revenues declined just under 1%, to leave a 1.5% revenue growth for the whole year, 0.5 percentage points below our guidance. We have been able to cope with lower voice usage patterns and a market growth slowdown across businesses thanks to our market leadership and our integrated approach.
Integration efficiencies and cost management pushed up OIBDA growth to 7% according to guidance criteria, just in the middle of our 2008 guidance.

We have adapted CapEx to the current environment, and as a result CapEx to sales ratio decreased almost 1 percentage point vs. 2007.

Better efficiency ratios led to a 1 Billion Euros increase in operating cash-flow, with a year on year growth above 14%. If we were to exclude all non comparable effects in 2008 and 2007, operating cash-flow growth would stand at a noteworthy 2.6% growth, ahead of revenue growth.

Revenue growth slowdown trend on worse trading conditions
Santiago Fernández Valbuena

Turning to slide 11, let me highlight that revenue performance in the fourth quarter of the year was pretty similar to the one recorded in the previous quarter excluding the Universal Service Obligation impact, leading to a 2.7% top line expansion in wireline and a flat performance in wireless for the whole year.
Wireline operations' growth trended down in the last quarter, after Universal Service Obligation revenues were accounted for in the third quarter and we noticed lower usage patterns:

- More costly voice traffics, such as International Long Distance and fixed to mobile, put pressure on traditional voice revenues that erased 2.3 percentage points of revenue growth in the fourth quarter.

- Internet and Broadband added 1.2 percentage points to revenue growth in the quarter, as total market growth decelerated through the year.

Wireless revenues remained flat in 2008, mainly impacted by regulatory measures.

While customer revenues added 0.8 p.p. to revenue growth in 2008, or -0.2 p.p. in the fourth quarter, affected by a lower y-o-y customer growth and the decrease in outgoing ARPU, incoming revenues subtracted 1.5 p.p. to revenue growth in 2008 and 2.2 p.p. in Q4, due to the cumulative 17% cut in mobile termination rates and lower wholesale roaming tariffs.

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

On slide number 12 we analyze wireline operating performance.

Fixed telephony lines declined 3.7% year-on-year. Let me highlight that 83% of the lines lost remain as Telefónica's wholesale lines, and as such, continue generating revenues for the Company.

We added 0.6 million retail broadband lines in the year, to reach 5.2 million, maintaining our market share around 57%, with a solid broadband ARPU performance, declining less than 4% in the year.

In the PayTV market, we are capturing most of the modest market growth, increasing our market share up to 14%.

Leveraging the high proportion of double and triple play bundles, total wireline ARPU went up 3.4% to 69.5 euros in 2008.

Wireless Business: ARPU trends remain stable in Q4 08
Santiago Fernández Valbuena

In wireless, during 2008 we focused on the higher value segments, to reach 23.6 million mobile customers, up 3.4% vs. December 2007, driven by the good performance of the contract segment, which increased 6.8%.

Churn is key, even more in a highly penetrated and competitive market, and we have been able in 2008 to contain it at 1.9%.

Quarter on quarter ARPU trend improved along the year. In Q4 the year-on-year decline only increased by 0.3 percentage points, driven by the improved performance of outgoing voice ARPU. We continue to monitor usage performance very closely to see if this trend is here to stay.

Let me highlight the strong push in data revenues, fully driven by the outstanding performance of connectivity revenues, up 65%, both in the year and in the quarter.

T. Latam: Robust set of results, beating guidance
Santiago Fernández Valbuena

Let me now continue with the review of our operations in Latin America, where we are successfully managing growth, transformation and profitability.
2008´s results were very robust, allowing us to exceed all our guidance for the region.

During the last quarter of the year we continued posting a very strong revenue organic growth, close to 13%, in line with the performance recorded up to September, with Brazil, Venezuela, Argentina and Mexico as its main contributors.

The outstanding top line performance and enhanced efficiency levels led to a ramp up in OIBDA growth during the last quarter of the year, with a significant margin expansion both y-o-y and q-o-q. The OIBDA margin reached over 41% in Q4 08, more than 4 p.p. above the margin recorded up to September.

Despite strong CapEx, OpCF topped 4.4 bn euros, with a remarkable 22% year on year increase in organic terms.

Wireless business: Solid growth enhancing our profitability
Santiago Fernández Valbuena

On slide 15 we outline our Latin American wireless businesses.

In 2008 we showed very healthy customer growth across markets, with double digit rates in most cases. Penetration in the region reached 82% by year end, 13 percentage points above December 2007.

We ended 2008 with more than 123 million mobile accesses in the region, an 18% organic increase vs. a year ago. Mexico has now become our second largest market in Latin America by mobile customers.

ARPU performance stood stable vs. 9M 08, impacted by the strong customer growth and lower mobile termination rates. Initiatives to foster usage drove outgoing minutes of use up 14%, leading to a 1% organic growth in outgoing ARPU. Data revenues kept growing at a strong pace, north of 36% year on year, with still a very high potential.

We delivered outstanding margins in the fourth quarter of the year, showing an OIBDA margin expansion of close to 7 percentage points compared to cumulative

September figures, as we leveraged further commercial efficiencies and scale economies.

Wireless business: Accelerating the transformation
Santiago Fernández Valbuena

In wireline we are accelerating the transformation of our operations.

In 2008 we pushed broadband and Pay TV through bundles promotions, already representing 49% of our DSL accesses, which reached 6.1 million or a 20.5% increase on an annual basis. It is worth to highlight the growth recorded in Colombia, doubling last year figure, and the sustained increase in Argentina and Brazil.

In Pay TV we continue to gain momentum, with close to 400,000 net adds in the year.

The higher adoption of 2P and 3P offers drove total wireline revenue per access up 6.4% y-o-y in constant terms in 2008, ramping up from the growth reached up to September.

The transformation of the businesses is shown in the increased contribution of Internet & TV revenues to total revenues, that weighted across the region 18.6% or an advance of 3.5 percentage points over 2007.

Let me also highlight profitability levels, with OIBDA margin stabilization along the year, reducing the y-o-y decline to 0.6 percentage points in 2008 vs. 5.6 percentage points in the first quarter.

Main operations review
Santiago Fernández Valbuena

On next slide, let me review our main operations.

In Brazil, 2008 results recorded higher growth rates than in 2007, on the back of a very solid performance both at Telesp and Vivo.

Telesp posted a strong line expansion along the year, ramping up to close to 11% year-on year in the fourth quarter, 3.2 p.p. more than in the first nine months of the year, with an improved trend in quarterly OIBDA margins since the beginning of 2008.

Vivo reaffirmed its market leadership, with a very strong commercial activity in the fourth quarter. The remarkable operating performance led to a 16% annual growth in outgoing service revenues in 2008, ramping up in the last quarter of the year. Revenue evolution coupled with higher efficiencies resulted in a 22% annual organic increase in OIBDA in 2008, expanding margins by 2.1 percentage points.

TASA also delivered very positive results, with double digit revenue growth in local currency in 2008. In terms of profitability, the OIBDA margin reached 34.4%, practically flat vs. 9M 08.

In México, we have strengthened our competitive position. With more than 15.3 million customers, we already have an estimated 19.5% market share. Outgoing service revenues increased 38% in local currency vs. 2007 while economies of scale and better efficiencies ratios led to an annual OIBDA margin of 25.7%. The OIBDA evolution in the fourth quarter was outstanding, doubling the amount reached in the same quarter of 2007.

Sum-up: Strong growth on the back of our integrated and diversified operations
Santiago Fernández Valbuena

To sum-up,

Latin America as a region presented a year of very healthy growth, with the performance recorded in the fourth quarter being stronger than in previous quarters.

We delivered solid top line performances in most markets of operations, driven by double digit growth in mobile outgoing service revenues in most cases and notable year-on-year growth rates in Broadband and TV revenues.

OIBDA growth was also strong across the region, leveraging on efficiency measures put in place last year, that are paying off this year.

T.Europe: Delivering results, anticipating customer needs
Santiago Fernández Valbuena

Moving on now to slide 19 which shows

Telefónica Europe has delivered a strong set of results in 2008, successfully meeting all financial targets:

- Revenue grew almost 6% in the year, in line with the performance of the business in the first nine months.
- OIBDA growth, close to 5% for the year, stood at the high end of the guidance range, overall maintaining margins over 2007 on the back of a more focused commercial approach across businesses and efficiencies being achieved at a Group level.

As a result, Operating Cash Flow exceeded 2 Billion Euros in 2008, leading to a sound 31% growth, on an organic basis, and 7% on a like for like basis.

T.O2 UK: sustained market outperformance
Santiago Fernández Valbuena

Turning to slide 20...

Telefónica O2 UK has outperformed, again, the UK mobile market in financial and operational metrics, thanks to a consistent focus on delivering against customer needs, which has been rewarded again with the best contract churn rate in the market and confirmed as the clear leader in customer satisfaction in all categories.

Commercial activity was strong in the year, with prepay to contract migrations improving customer mix and propositions such as “Simplicity”, the iPhone and a refreshed mobile broadband being amongst the main drivers for contract customers growth.

Total ARPU showed a 1.4% year-on-year growth in local currency in 2008, and a decline of 1.7% in the quarter, as improving customer mix towards contract is not compensating the year-on-year decline in voice ARPU, reflecting a more optimizing and budget conscious behaviour from customers.

Mobile service revenues showed a healthy 8% year-on-year growth in the fourth quarter, and 10% for the year, with increasing contribution of non-SMS data revenues.

As revenue performance comes with lower level of customer acquisition costs, leading churn rates and improved efficiency, the whole equation is positive in terms of OIBDA generation throughout 2008 (+9% y-o-y growth on a like- for-like basis), reaching a 26% margin in 2008.

T.O2 Germany: finishing foundations& new commercial approach
Santiago Fernández Valbuena

In Germany,

The business continued growing in a more competitive and overall smaller market, with 1.7 million net additions in the year, with a significant contribution of 0.9 million from partners.

In the fourth quarter, Telefónica O2 Germany returned to positive mobile service revenue growth and still positive taking into account the like-for-like effect of mobile termination rates in the month of December, as the business had successfully built on its foundations strategy:

- Network infrastructure is on track
- Distribution network is ahead of the target, with 805 retail shops open so far
- Migration of customers from legacy to new tariffs already completed

A new commercial approach was launched in the fourth quarter, towards a new and more efficient acquisition concept, and increasing contribution from SIM only tariffs which had an encouraging start in the direct channels, which drives the 7 p.p. year-on-year margin increase seen in the quarter in like-for-like terms.

In summary, an enhanced performance towards the end of the year, both in terms of growth and profitability.

Let me also mention that the operations in the rest of our European geographies are improving year-on-year trends in the 4th quarter, notably the fixed line business in the Czech Republic.

Financial expenses on target and upgraded credit ratings
Santiago Fernández Valbuena

Turning now to our financial profile, I want to highlight how we continue improving on few points:

The first key point is that we have been able to make compatible an enhanced shareholder remuneration with solvency improvement, which we consider essential in the current environment.
Our leverage ratio has been reduced by 0.4 points, to place our net financial debt at 1.89 times OIBDA as of December. When adding our cash commitments to the financial debt, the ratio stands at 2.02x, within the low part of our goals. Our progress in this field has been acknowledged by 3 rating agencies in the last quarter of 2008. Fitch, S&P and the Japanese JCR upgraded our rating to A- or A and in Q1 09 Moody´s upgraded the outlook to positive.

These upgrades paved the way for improving our maturity profile in early 2009, through the issuance of €2bn bond and by agreeing with the banks the option to extend €4bn of our syndicated loan facility maturing in 2011, moving 50% 1 year later and 50% 2 years later. As such our average debt life exceeds 6 years, with an increase of nearly 0.4 years due to the refinancing, which is longer than the time we need to fully repay it.

The second point to highlight are the results of our financial management:

Our foreign exchange liability mix has been the major contributor to debt reduction, as the depreciation from the pound and LatAm currencies during 2008 led to a €2.1 billion euros savings in the value of our debt, when measured in Euros.
And finally we slightly beat our 6% target for our financial expenses, which finally stood at 5.95% of our average total debt, despite very difficult market conditions throughout the year.
Let me now hand back again the call back to our Chairman

Group guidance for 2009
César Alierta Izuel

Thank you Santiago. Let me now run you through our 2009 guidance, which clearly outlines our focus on maximising operating cash-flow generation.

Although at this time we have decided to provide only Group guidance, Telefónica continues to be a benchmark in the industry in terms of visibility and commitments with the market.

Our 2009 guidance assumes tough economic conditions in our European markets while we expect Latin America to outgrow most markets worldwide, despite showing a deceleration compared to 2008.

Group revenue is expected to grow, mainly driven by a healthy top line expansion in Latin America, where the growth potential both in mobile and broadband is still untapped, and further revenue growth at Telefónica Europe.

We anticipate consolidated OIBDA to go up between 1% to 3% in 2009, leveraging our flexibility to manage OpEx, economies of scale and the benefits of an integrated management model.

Total CapEx should be below 7.5 billion euros in 2009, with significant year-on year decreases across regions. Again, most of the CapEx will be allocated in Latin America.

As a result, Operating Cash-Flow is expected to reach an outstanding year on year growth in the range of 8% to 11%.

2009 regional priorities
César Alierta Izuel

Market conditions change across regions, leading to different regional priorities, which are best outlined on slide number 24.

In Spain, we aim to maintain our leading competitive position, focusing our commercial efforts on customer loyalty from a rational approach. In a difficult environment, our primary focus will be on OpCF, on the back of efficiency measures.

In Europe, we have been working to maintain our outperformance in the UK, while we will capitalize our enhanced network and commercial platforms to further grow our business in Germany. Growing OpCF across markets through enhanced profitability is a priority for the region.

In Latin America, our commercial push will focus on capturing additional growth potential, both in wireless and broadband, while we aim at further expanding OIBDA margins and increasing our OpCF.

In summary, we are totally focused on executing our strategy to fully exploit our organic growth potential in those markets that keep growing and to maximise cash-flow generation in others where trading conditions in 2009 are more adverse.

Accelerating transformation to adapt to new environment
César Alierta Izuel

Slide number 25 shows some examples of the actions we are already taking to sharpen OpEx and CapEx efficiency initiatives.

This slide is self explanatory, but the message I want to pass is that despite being an industry benchmark in terms of profitability, there are several areas where we can clearly enhance our performance and we are already working on them.

Prioritizing shareholder returns
César Alierta Izuel

Our confidence in preserving our high free cash flow generation profile is proven by the continuous delivery of very attractive shareholder returns.

In the past we stated that our first priority for the use of FCF was our shareholder remuneration. And it continues to be so, as our M&A ambitions are very very limited, and focused on markets where we are already present, and there's no need for further deleverage.

In 2008, combining dividends and share buybacks, we devoted 6.3 Billion Euros or 69% of our FCF to shareholder remuneration.
And for 2009 we have already announced a proposal to increase by 15% the DPS to 1.15 euros, while we might use share buyback programs tactically to further enhance shareholders returns.

Our current dividend yield is 8.2%, which in my view is too high for a growing company.

Let me highlight that among the top 50 companies in the world by market cap we are ranked number 2 by dividend yield and we are ranked number 4 by FCF yield, why we are showing strong EPS and FCFS growth for the coming years that we are going to see in the next slide.

2010 "stress case" vs. guidance
César Alierta Izuel

Let me now spend a few words on our EPS and FCFS 2010 targets, which have been subject to increasing scepticism as 2008 unfolded.

A weaker environment and sudden and significant depreciations of the real and the pound have led many investors to think that these targets are not achievable.

We have a highly diversified portfolio and proven execution skills. The weaker the environment, the sharper our efficiency actions will become, and the more uncertain the outlook, the more conservative our CapEx deployment will be.

We continue to operate in a very resilient industry relatively sheltered from cyclical pressures and we continue to mitigate the bottom line impact of currency movements through our foreign exchange hedging policy.

However, in order to assess the impact of extrapolating current economic weakness, uncertain trading outlook and depreciated currencies through the end of 2010 we have run a stress test that should indicate the extreme points. We still get to 2.10 EPS and 2.50 FCFS under this scenario. And let me state clearly that we are not changing our targets, but testing our results under extreme conditions.

Nowadays, when other companies are not providing visibility either on the short or medium term targets, Telefónica continues to commit delivering on 2009 and 2010 goals. And we take guidance very seriously. Since we started to provide Group guidance, back in 2003, we have never missed it.

And valuation multiple analysis, even under 2010 stress case scenario, shows in my opinion the significant upside our stock offers at current prices.

Conclusions
César Alierta Izuel

To recap:

- Capitalizing our strategically diversified asset portfolio, execution skills and integrated management model we continue to show a distinctive profile in the industry, combining healthy top line growth, robust financial position and strong FCF generation.

- We have, once again, fully delivered our Group commitments.

- In 2009 we are giving absolute priority to cash flow, without jeopardising the growth opportunities we see in our markets, mainly in Latin America.

- We are fully committed to offer very attractive shareholder returns.

- We have a solid track record of execution, and I am sure we will deliver a strong performance even in these adverse economic conditions, striving the current turmoil even stronger and more competitive than ever.

Under the current uncertain circumstances, we aim to be one of the most reliable companies among the top 50 large companies worldwide.

Before starting the Q&A, I would like to invite you all of to our seventh Investor Conference which will take place in Madrid next October 8th and 9th which I think will be very interesting.

Thank you very much for you attention. Now we are ready to take you questions.

Q&A session

Luis Prota- Morgan Stanley

I have a question on the extreme scenario that you are describing in the last slide. If you could elaborate a bit more on the assumptions behind that, whether you are using a spot rate for Latin American currencies or you are expecting a further devaluation. And also, what are your assumptions in terms of GDP slowdown? You are looking at the same conditions from today, or you are expecting further deterioration?

And then the second question would be on domestic mobile, do you see further pressure from increasing churn in 2009, and what could be the impact on OIBDA margins in this year?

Santiago Fernandez Valbuena – Telefónica S.A. CFO

Let me give you some colour on the extreme scenario, the stress test. What we have done is we have used 2008 average exchange rates and subjected them to an across-the-board 10% to 20% depreciation, assuming that the Euro starts. That's the FX part. And I would rather not be much more specific about which currencies might fly more than the others.

In terms of GDP, we have just extrapolated the current trading environment, which is one of negative growth. We assume that we are going to continue for the next eight quarters the way we have been in the last two. And I emphasize this because extreme weakness is not a one-year event; it has been a two or three quarters event.

Guillermo Ansaldo - Head of Telefónica España

Luis, this is Guillermo Ansaldo. Regarding your question on domestic mobile churn, well, as you know, we defend very well into 2008. The total churn went up from 1.8% to 1.9% full year. Last quarter, it's 2.0%, so it's a slight tension on churn. But is still best in class compared to any other operator in Spain and to many others in Europe.

As you know and we mentioned in the quality priorities, it's one of our priorities, customer loyalty and we will keep a focus on that. We will have a hard time, but it is one of our key priorities. Again, our focus is operating cash flow and that will be the priority.

Brian Rusling - Cazenove

It's Brian Rusling at Cazenove in London, two questions. The first one is, why didn't you complete the share buyback by the end of last year, and has it now been completed?

The second question is really for Matthew. In the English press release for 02 Europe, you refer to the German operation and you talk about 2009 and you say that the plan is to deliver OBIDA margins that are on a par with the UK. Does that mean we should be expecting 27% margins in Germany for 2009?

Santiago Fernandez Valbuena - Telefónica S.A. CFO

Hi, Brian; Santiago again, let me take the share buyback question. What we decided at the end of the year was that because the stock price was recovering, but we couldn't be sure that that recovery would be the final one, we would rather save a few million shares of the buyback program and extend it on the first quarter of 2009.

Unfortunately for our share price that is exactly what happened and what we have been doing over the past couple of weeks as the year started is completing. Just a few million shares remain to be executed and they will be so in the next week or two.

Matthew Key - Head of Telefónica Europe

Brian, on Germany, I think you are actually referring to a comment that says the 2008 quarter four margin was in line with the UK, and that was designed to highlight the acceleration in our OIBDA margin in Germany in Q4. Clearly, for 2009, we are not guiding on margin by specific businesses. But it's just to highlight the fact that we drove profitability very hard in Q4 2008.

Jesús Romero – Bank of America-Merrill Lynch

Hi, this is Jesus Romero from Merrill Lynch in London. I had a question regarding the level of debt. You highlighted that there's no need to be leveraged further. Should we assume, therefore, that two times EBITDA should be the level going forward? And perhaps we should expect bigger buybacks? And then the second question was on CapEx. Are you including in the EUR7.5 billion or lower CapEx number any investment in spectrum in Mexico? And if you can say, when do you expect the spectrum in Mexico, the auction to take place, please?

Santiago Fernández Valbuena- Telefónica S.A. CFO

Jesus, Santiago again, let me take the debt question. We think we are in comfortable territory at about two times debt to OIBDA. As OIBDA is expected to increase, we would expect not to have to exercise any pressure on the absolute level of debt. That totally, when we meet our expectations for cash flow, should free up as the year progresses another significant amount of cash flow that will be devoted as the first priority as explained by the Chairman to shareholder remuneration.

Julio Linares - Telefónica S.A. COO

This is Julio Linares. Regarding your question on CapEx in the EUR7.5 billion, we have not included any CapEx for new spectrum during the year.

Jesús Romero – Bank of America-Merrill Lynch

And do you have a sense of when the auctions would take place in Mexico? And does that mean we are talking 2010 now?

José Maria Álvarez-Pallete - Head of Telefónica Latin America

This is Jose Maria Alvarez-Pallete speaking. We don't have a specific date to provide you with. We still think it's going to happen in this year, 2009, but we don't have a clear picture yet. We think it's going to be sooner rather than later, but no clear date yet.

David Wright - Deutsche Bank

It's David from Deutsche Bank in London. A couple of questions on the outlook for mobile pricing. I think both yourselves and Vodafone have alluded to lower prices in domestic mobile to support market share. Can you give us some sense of how those price reductions and whether they have already been put into the market, how the market is reacting perhaps in Q1? Or if not, what your plans are?

Following that, I think I noticed fixed broadband ARPU down a little faster in Q4. So should we be expecting similar pressure on that price?

And just very finally as an outside question, Venezuelan CapEx looked very low, around about the 10% of sales mark. In maturing LatAm markets, is that the kind of level we should be looking at now?

Guillermo Ansaldo - Head of Telefónica España

This is Guillermo Ansaldo. Regarding mobile pricing, two things. Of course, in this type of environment there are some segments of population that may be a little bit more price sensitive. And of course, all the companies will be focused on retaining customers, and that might or not lead to some price efforts. But we do not want to enter any price wars, and our focus is not market shares in terms of lines. It's market share in terms of value. So for me, it's much more important to retain a large corporate line than a residential line. And, of course, we will continue focusing on having a very strict policy in terms of admitting customers, especially managing the insolvencies, and which you know, is below 1% of our revenues, so a very good number. And also we will keep the same strict policy regarding measuring the activity of prepaid clients, which is not the case in other operators.

So for me it's value market share, and pricing it's a tactical tool, but we will not answer and follow any price wars. There will be some segments that will be looking for savings, but also savings is controlled. Many of our customers are turning to us to buy more flat rates and to have more ability of their expenditure. We will welcome that, and we'll foster that. But we will not do any crazy thing. We will focus on value and value creation.

And regarding fixed broadband, I'll mention to the following numbers. I think ARPU, ARPU in terms of revenues per customers in the broadband were, in my opinion, pretty stable. We have a decrease in the first quarter of 3.9%, again, a little bit more decrease on connectivity, and the rest is compensated with value added services. But, compared to other quarters, it's a small decrease. Third quarter was 3.4%, the fourth quarter was 3.9%. So you have some small iteration on ARPU, but not a significant change in this sense.

José Maria Álvarez-Pallete - Head of Telefónica Latin America

Taking the question on Venezuela CapEx figure, first of all Venezuela is not yet a mature market; it keeps growing, and it keeps growing very nicely. In fact, even at the beginning of the year it's growing very, very significantly. So I don't think it's a mature market, and in fact I don't think that you should extrapolate this 10% CapEx on sales figure because remember that we just deployed, a few months before, during the year of 2007 and ending in 2006, a planned new GSM network, and now we are starting to deploy the 3G network.

So, first, I think that Venezuela will keep growing; and second, I don't think that you should consider 10% as a benchmark for growing markets.

David Wright - Deutsche Bank

But just on the margin, I think the Q4 mobile adds were around about 5 million or so. It does look like the rate of additions are slowing a little. The margin was very strong. Should we continue to expect margin growth in the mobile business above sort of 35%, 40% levels? Or where should we be looking on that?

José Maria Álvarez-Pallete - Head of Telefónica Latin America

Well, the leverage you are referring to has much more to do with less handset subsidies than other things. In fact, the exchange rate implies that most of the operators are reducing handset subsidies. And that's having an impact on the growth, but not on the traffic or on the usage.

In terms of guiding, we are not providing guidance by regions and by operating unit, but I think that, as the Chairman stating on the slides, we keep looking for growth both in terms of top line and in terms of efficiencies.

Graeme Pearson - Nomura

On the wireline side in Spain, the unbundling has increased quite a bit in Q4. Can you talk a bit about who is actually driving that and whether you expect the increased rate of line losses in Q4 to continue into 2009?

And then, secondly, what does your 2009 guidance assume for mobile terminating rate cuts in Spain, and also in Latin America?

Guillermo Ansaldo- Head of Telefónica España

Regarding fixed-line losses, we lost in the year 592,000 lines. You know, we do have information about if those lines that we lost are wholesale lines, are continuing having traffic with customers, with a third operator and now according to estimations, 83% of these lines are still wholesales lines. That means that we don't count them as lines, but they are still wholesale lines, and also we have some ARPU, but less than before.

So to understand what I think was going on in Spain in fixed-line, there are three effects, if you want. One is this migration from other forms of wholesale connectivity to unbundling or to the naked share unbundling. And that's something that there's some new regulatory figures in Spain, and that has fostered the migration from other forms. Who is profiting from this? Many, many, many players like Orange, like Vodafone/Tele2 and all there, Jazztel, which is also doing a lot of full unbundling.

A second factor could be competition on direct access. That's not that relevant, but we do lose some customers to other operators like cable operators, not relevant, but it's the second factor.

And the third one, as you can imagine, is market deceleration. So this 83% of wholesale lines that we are keeping from the retail lines, I guess, it will start slowly going down because market deceleration will have more and more relevance. So it's a combination, again, of lines but also what ARPUs, what revenues, driving this.

So going forward, the trend will be tough because the regulatory figures will continue to be there and the market is not growing as a total. And we will try to retain as much retail customers as possible and as much as wholesale customers as possible, as usual.

Regarding mobile termination rates, the glide path is finishing, and the regulator has to define a new path. We are expecting some continuity in the path, not a disruption, and so a decrease obviously, in the mobile termination rate, but in a similar pattern as the one we saw in the last two years, so a continuous path, not a disrupted one.

José Maria Álvarez-Pallete- Head of Telefónica Latin America

Taking the question on MTR's in Latin America, most of the processes are already public information, the latest one being Chile very recently, are embedded in the figures that we are contemplating for 2009. Let me add that the exposure in terms of OIBDA, net of revenues and costs per interconnection is being reduced in Latin America, the biggest one being in Brazil. And remember that in Brazil for this year 2009 and on part of 2010, it has been bilateral agreement between operators, and therefore no changes should be expected during 2009.

So I guess that for MTR's, the situation has become much clearer in Latin America as of today.

Chris Alliott - Royal Bank of Scotland

A couple of quick questions on Germany, if I may. Firstly, you described a new commercial approach in the fourth quarter. I wonder if you could add some flesh on the bones of that. And the second question, related, I guess, I wonder if you think that the expansion of the EBITDA margin is short of more sustainable going forward, rather than you holding back from the market in the fourth quarter.

Matthew Key - Head of Telefónica Europe

I'll just talk about what happened in Germany and what drove our profitability in the fourth quarter, just to give you a bit of a view about OIBDA margins and also illustrate the new commercial approach at the same time.

So the first thing that happened was, as we said, during 2008 what we have done is continue to build our foundations. We have now got our network to a place where our reliance on T-Mobile for roaming is reducing every quarter, and that will continue through 2009 such that by the end of 2009 we will not be relying on them for roaming.

Secondly, we have continued to develop and expand our direct retail capability and in Q4 we get a higher proportion, again, of our connection through our direct stores, which actually mean, clearly, that the cost was lower to the P&L, as there wasn't so much indirect throughput.

Thirdly, the market was smaller in Germany in Q4, which we have seen across European markets. And the real push we did in Q4 was we shifted our propositions to SIM-only, away from handsets, effectively to give the customer value in the tariff as part of the SIM and not subsidize the handsets so much, so our proportion reduced.

So those four elements drove our profitability. That's our change in terms of commercial approach. Clearly, on specific OIBDA margins I wouldn't want to guide for Germany for 2009, but just to say that we are extremely happy with the foundations that we have built and we think we can drive on to further growth in Germany now.

Terence Sinclair - Citi

Can I ask three questions, please, on the CapEx reduction of forecasting in 2009? First of all, am I right in thinking that the bulk of those CapEx cuts can come from Spain and Vivo?

Secondly, obviously lower CapEx feeds through to lower depreciation, which helps you reach your EPS targets. Is there any change in asset life that we should be aware of?

And finally, connected with the same thing, in terms of the cash flow guidance you have reiterated for 2010, is there anything we need to know in terms of the payment timing on tax?

Santiago Fernandez Valbuena - Telefónica S.A. CFO

Let me take that cash flow question on tax. There is nothing particularly new or exciting about taxes. As you know, we have exhausted the tax shields that we had in Spain so we are starting in 2008 and certainly in 2009 in a complete fashion. We are going to be paying out in cash most of our accrued taxes. We have sort of softly indicated three-quarter of the accrued taxes to be paid out in the form of cash, roughly. Although, please, you should not take that as more than a soft indication, not a hard commitment.

On depreciation we do not expect any change in the accounting policies that we have followed. Our asset base continues to decline very modestly at about a 2% to 3% a year, depending on currency movements and we don't see any reason why there should be a significant change either in 2009 or 2010. So there should not really be any significant change relative to the trend that is already apparent.

Julio Linares - Telefónica S.A. COO

Regarding CapEx, first of all, you have to take into account that in 2008 we had a peak of investment, as we said before. So in 2009 we are going to see a decrease on CapEx in all the regions. Of course, there are some regions and countries where we made a special investment effort during 2008, because we were finishing our change of mobile technology in some regions and because we made an especial effort in some countries. So, because of that, there is some bigger decrease in several years than others. But you're going to see a significant decrease in all the regions during 2009.

James Ratzer- New Street Research

I've got two questions, please. The first one is just regarding Mexico, where it looks as if you have put in a very strong performance on revenue growth. And it looks that coincides with your average price per minute going up. But that seems to have had a negative effect on your share of subscriber net adds. Is that a strategy you're happy to run with in the medium term, or do you think you might have to start cutting price again to re-accelerate subscriber growth?

And the second question I have is just regarding fiber rollouts in Spain. I was just wondering if you could give us, please, an update on the various legal suits that are outstanding from, I think it's Orange and Vodafone. Do you expect to be investing, therefore, in fiber in 2009? And, can you give some CapEx guidance on that, please? Thank you.

José Maria Álvarez-Pallete - Head of Telefónica Latin America

I will take the question on Mexico. During the year, in fact, at the beginning of the end of first half of the year, we have been eliminating some promotions that were to all destinations and that were creating some tensions in terms of interconnection. And therefore, we have been much more selective on where we will be targeting our reductions in the ARPM.

And in fact, if you see the trends in there, in the fourth quarter, you will see that both ARPU and MOU has been increasing for us in Mexico. So we have been regaining the upward trend on those specific metrics, and that is very specific for us on that market.

And in terms of future behavior on the market, I think that the market is going to become, probably, more rational on that front. Subsidies are going to be probably less high, especially in that market. And I think that the 26% or 27% market share of net adds as we have been experiencing should be maintained or even increase.

So we are in a good situation. We are expanding margins, expanding MOU, slightly expanding MOU in the fourth quarter and slightly expanding ARPU and with a much more sound and profitable way of growing. So I think that we will be following a sound path of growth, both in market share and in financial metrics in Mexico.

Guillermo Ansaldo - Head of Telefónica España

This is Guillermo Ansaldo. Regarding the fiber regulation situation, last January, last month, the national regulator issued the resolution for the markets in infrastructure access and wholesale broadband, which are obviously related to fiber. And the main issues are that there is obligation for an offer for ducts, access to ducts. This is horizontal on ducts so a third party can pass fiber through the ducts and access a home, for example. We still need to finish up the vertical regulation for buildings for fiber that will complement the previous one.

Second, we are obliged to, have obligation to offer a wholesale and direct access wholesale offer at the national level, up to 30 megabits, both fiber and copper. And with that, we are allowed to start commercializing fiber to the home solutions in Spain. So that's basically -- it took more time than expected, because there were some consultations and changes and negotiations with the European Union. And this is the framework we have right now for regulation.

So it has some delay, in our opinion. In other markets, in Europe, there have been more pro-investments in fiber. This is an average regulation. So we are allowed, from June to start commercializing. We have to start commercializing fiber solutions, and in some areas where we have some fiber deployed, we will continue doing some tactical deployments, some product launches along there.

Now, we'll have to accommodate in general to the current environment. So we will be very prudent. Regarding the numbers, we are not providing, sorry, any guidance for CapEx, nor for specific items of CapEx.

James McKenzie - Fidentiis

Hi. Thank you very much. I got a couple of very quick questions. Firstly, on CapEx, just a question on the President's presentation. Did you say that more than half the CapEx would be coming from Latin America? And secondly, I just wanted to know, in the EBITDA guidance or your OIBDA guidance, are there any non-cash elements that you are including there?

Santiago Fernández Valbuena - Telefónica S.A. CFO

James, this is Santiago. There is no particular item included or excluded, no cash item. Regarding the growth, I just wanted to re-emphasize that, as usual, it is a constant currency OIBDA guidance that we are providing. So the 1 to 3 is on constant currency. But there is no particular expected number that you should deduct from it.

Julio Linares - Telefónica S.A. COO

Regarding Latin American CapEx, I think it's approximately half of the total CapEx of the Company, a little less but around that.

Guy Peddy - Macquarie

Good afternoon everyone, just few quick questions. Firstly, on your interest cost, around 6% level, do we see that number as being sustainable going forward?

Secondly, are you signaling in CapEx that we are actually going to have a cut that is permanent down to a EUR7.5 billion level from a number running over EUR8 billion level?

Thirdly, in the domestic business, you have had a very strong margin improvement in 2008. Do we think there's any more room to squeeze margins?

And, finally, just so that Matthew is not left out, in Germany we are still, we are getting closer, but we are still not quite there, at actually getting to operating cash flow breakeven. Is that something which is a target for 2009, to actually finally get there?

Santiago Fernández Valbuena - Telefónica S.A. CFO

Let me take the financial expense question first. While the markets are highly volatile, we are highly confident that our costs of servicing our debt should not be higher in 2009 than it has been in 2008. And, it is not unlikely that it will be about a quarter of a point lower, assuming, of course, that the current financial environment is not materially different from the one prevailing a couple of quarters down the road. So, remember that we still have a lot of our debt dominated in expensive Latin currencies, but that our spreads have been coming in, our ratings have been upgraded and our refinancing exercises are proceeding in a very comfortable way. So we do expect not to exceed the level reached last year.

María García-Legaz - Telefonica S.A. - Head of Investor Relations

Guy, could you please repeat just the question regarding CapEx?

Guy Peddy - Macquarie

Yes, there was some talk on the call as if it was like a permanent step-down in CapEx levels, that we've gone through the peak CapEx year, and therefore we have stepped down to a level of EUR7.5 billion that you are targeting. Do we think that that for the midterm, you are going to have a lower CapEx cycle than you have had in the past?

Julio Linares - Telefónica S.A. COO

First of all, I think it is important that you take into account that, of course, our CapEx depends very much on market demands and on competition. And then it will change, year on year, based on that. As far as the economic conditions change, the CapEx should be adaptive in order to cover the market demands and in order to allow us to lead our competitive position in the markets.

In any case, I think it is very important that you take into account that, with this CapEx that we are sharing today, we are going to cover our priorities, which are basically based on extending mobile coverage in the countries where we see a growth penetration and to extend our broadband offer in order, as well, to capture market demand.

Guillermo Ansaldo - Head of Telefónica España

Regarding the question in the room for improvement in margins in 2009, well, as I mentioned before, our focus is operating cash flow. Margin is one additional metric, but operating cash flow is the key focus. And it's a tough environment, but I do believe that there is room for improvement yet. Let me explain why.

First, on the top line, which, as you can guess, is toughest in this type of environment, there are still some buckets of demand to be captured. If you look at mobile broadband, that is exploding, it is above our expectations. Our data growth, you can see in the numbers, it's impressive. And just to give you a flavor, we are selling and we have more net adds of mobile broadband, flat tariffs than fixed. So this is a market that is exploding and we will continue to push on that.

On the side of efficiency, there's a lot of things going on. You have got to remember that we have like a three-level program. We have a lot of things going on. Spain, basically profiting from the integration of the wireline company and the wireless company. There are many initiatives going on. The low-hanging fruits we captured them in previous quarters. But there are a lot of initiatives that are linked to process improvements and IT improvement that takes time to be implemented, and they are coming soon. We have a very rich portfolio of initiatives that will give us satisfaction in 2009.

Then we have the group level synergies, as we have discussed before, and also at the third level, we have our collaboration with our industrial partners like Telecom Italia and our collaboration with China Unicom. We have a lot of projects going on. Of course, quarter by quarter it's hard to match maybe the growth on the top line and the savings on the efficiency side. But we have a strong focus on efficiency, both on OpEx and CapEx. And you can see the numbers in the last quarter that, even if you take away all the non-comparable items, our growth of operating cash flow, taking away things like the redundancy programs, real estate sales, the sale of bad debt portfolio at the beginning of the year and also the universal severance and so on, in the quarter we grew by 7.4%.

So, the focus is there, and we acknowledge that the environment is tough, but we have a lot of initiatives going on, and we are very confident.

Matthew Key - Head of Telefónica Europe

Thanks for your question on Germany. Yes, you are right; we are moving inextricably closer to operating cash flow breakeven. What I can tell you is that our CapEx did peak in 2008, as Julio said; for the Group, it peaked. But also from a German perspective it peaked, and we think that actually now we have built the right foundation to drive on for further growth.

One thing I would say is that we fundamentally believe we are creating value in Germany as far as the business that we are building for the long term to compete in the marketplace.

Luigi Minerva - HSBC
Good afternoon, two questions. The first one is on the further potential for share buyback. Would you consider them during the year, or you prefer to retain flexibility in terms of free cash flow generation?

And the second is on the Spanish market, if you can give us some indication in terms of how the KPI's are moving in fixed and mobile in the first months of 2009?

César Alierta - Telefonica S.A. Chairman & CEO.

Regarding the first question, as Santiago was saying before, we will consider share buy back as tactical operation which depends on the free cash flow generation and the level of the share price. You know, this tactical decision will be taken along the year, according to this framework.

Guillermo Ansaldo - Head of Telefonica España

Regarding the Spanish market, KPI as well, you know we have data for January and part of February. And we have traditionally seasonality, negative seasonality, in January after the Christmas campaign. So that's happening, obviously. And there is a slowdown that is comparable to the slowdown in the fourth quarter, taking away the seasonality effects of the Christmas campaign.

So it's too early to tell. It's a slow market, like the one we saw in the last quarter, taking away, again, the Christmas campaign, which is a special effect.

Then we have things that are natural. In February we will have one fewer day, because a normal day. So we have to see. It's a slow market, but the trends are similar to the ones we saw in the past taking away the Christmas campaign, which is a seasonality factor.

Robin Bienenstock - Sanford Bernstein

Thanks very much for taking my call. My first question was can you tell me whether you think that EUR 69.5 ARPU is sustainable in wireline in Spain? My second is, can you tell me whether or not you have reduced leakage in O2 in the UK? And if you have, to what extent that has contributed to some of the results you have seen there?

Guillermo Ansaldo- Head of Telefónica España

If I understood correctly your question, Robin, wireline ARPU in Spain, the EUR 69 -- or something that --?

Robin Bienenstock - Sanford Bernstein

Yes, do you think that's sustainable on a two- to three-year basis?

Guillermo Ansaldo - Head of Telefónica España

I think it's sustainable. You have to remember that we are present in all segments of the economy, not only residential, but middle market and large corporates and public administrations, that we not only sell voice, fixed voice and mobile voice, we have data and a broadband business and an IT business and a television business. So we are building ARPU by selling more in the categories where we have lower penetration and where we can provide value to the customer.

Of course, this year, we have switched a lot of our value proposition in large corporates, for example, to offer things that can save them money in other items of the P&L of the companies, like solutions, data solutions to save them money, in energy and so on. We have a very good intake in that type of IT solutions. So remember that we are not only in traditional voice, and we have a data business and IT business.

So in a per-unit basis, I think we not only will sustain it, I think we will continue evolving positively.

Matthew Key - Head of Telefónica Europe

Thank Robin, I'm Matthew Key. Could you just help me, explaining what do you mean by leakage?

Robin Bienenstock - Sanford Bernstein

Revenue leakage. So one of the things that goes on sometimes is, if billing systems aren't quite completely up to scratch, you can lose some revenue and have minutes that aren't billed. And I'm wondering, have you improved some of your results and have you seen some improvement by reducing leakage in the last year?

Matthew Key - Head of Telefónica Europe

All I can say is that we haven't had any revenue leakage, as far as I'm aware, in terms of significant issues in the UK for many years. Actually, what we have done is carried out and complete what we call revenue assurance checks, across all of our billing systems and we have found some small things, but certainly nothing material, that would merit reporting here. So there's no basis, I don't think, for revenue leakage in the first place.

Fabian Lares - M&B Capital

Two questions, please. First, related to possible levels of bad debt rise in Brazil. There's a fair amount of news flow as of late basically that the Brazilian economy is slowing down. I was wondering if I could get some feedback regarding how that could possibly be changing, although in the accounts for full year we have not seen any major impacts there, whether the start of the year has worsened.

And second, if could you give us some feedback on the flat-rate packages mobile launched in Spain? In particular, I'm referring to by the competition has been quite aggressive. Orange has recently launched a package, and whether you foresee that this is a trend in mobile, in domestic mobile, more flat-rate packages and what kind of impacts on ARPU and MOU's can we expect? Thank you.

José María Alvarez-Pallete - Head of Telefonica Latin America

Well, taking the first question on Brazil, so far we have not seen any sign of weakness in January, and the weeks that we have been having in February. Activity keeps being in the same pattern that has been in December. So no major signs of economic impact, so far, in Brazil, namely.

In terms of sales, gross adds of ADSL or other prices or bundles, the market is very, very competitive. Competition is very dynamic. So, so far, no major impact of economic slowdown in Brazil.

Guillermo Ansaldo - Head of Telefónica España

Regarding flat rates, obviously, in a market slowdown flat rates are very popular because it gives the customer control and predictability of expenditures. Regarding specifically the mobile business, and I think you mentioned the Orange plan that was launched recently, I think you were mentioning EUR59 plan that was launched by Orange. We launched a similar product in October. If you recall that lease is a EUR69, in our case, per-month package. It has some differences with the Orange one. We don't have a set-up charge when you get a new customer. We both have 500 minutes to any destination in the package.

In the case of Orange, I believe they have some mobile-to-fixed minutes also, which are not that relevant in the mobile business. And the price per minute, when you are away, or when you spend your 500 minutes, is lower in the case of Movistar. This is a similar product with some differences. We launched it five months ago. We call it “Planazo” that's the name and the commercial name. We have had it on TV, and that's an actual trend.

If it is a price war or not depends how you sell this. We have a family of flat rates, and where we try to use, obviously, not to sell the same flat rate to everybody. Otherwise, you have some revenue cannibalization, people going down. So what we try to do, we try to call, and this is the same case in the fixed business. We call customers, and we analyze before the traffic pattern, and we try to offer a plan that will give the customer some control and predictability, but trying not to damage our revenue side. So I think we will see more of these flat or semi-flat rates and, depending on the decision of each operator, it could be a price discount or not. And especially it depends on how you sell it. You have to sell it very selectively and almost customer by customer. So we prefer to do it out on this basis rather than massive basis.

Operator

Mr. César Alierta, Chairman and CEO, I hand the call back over to you for closing remarks.

César Alierta - Telefonica S.A. Chairman & CEO

I want to thank all of you on behalf of all us, the member of Executive Committee of Telefonica, for your presence in our conference call. As I said before, we are inviting you to our seventh investor conference, which will be held in Madrid on the eighth and ninth of October, in which we will share with you how we see this exciting new global digital business. Thank you very much.