TELEFONICA S A
Form 6-K
November 12, 2009

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the month of November, 2009
Commission File Number: 001-09531
Telefónica, S.A.
(Translation of registrant s name into English)
Distrito C, Ronda de la Comunicación s/n,
28050 Madrid, Spain
3491-482 85 48
(Address of principal executive offices)

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

Form 20-F þ Form 40-F o

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

Yes o No þ

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

Yes o No þ

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

Yes o No þ

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

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Quarterly results
January September 2009

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The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited.

The English language translation of the consolidated financial statements originally issued in Spanish has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain omissions or approximations may subsist. Telefónica, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the Spanish-language version prevails.

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TELEFÓNICA GROUP

Market Size

(Data in thousands accesses)

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Market Size
TELEFÓNICA GROUP
ACCESSES
Unaudited figures (thousands)

	September		
	2009	2008	% Chg
Final Clients Accesses	264,754.0	248,872.5	6.4
Fixed telephony accesses (1)	41,446.9	43,243.9	(4.2)
Internet and data accesses	14,941.0	14,393.5	3.8
Narrowband	1,566.5	2,212.1	(29.2)
Broadband (2)	13,211.3	12,028.1	9.8
Other (3)	163.2	153.2	6.5
Mobile accesses	205,883.1	189,077.0	8.9
Pay TV	2,483.0	2,158.1	15.1
Wholesale Accesses	3,878.4	3,243.5	19.6
Unbundled loops	2,073.8	1,633.9	26.9
Shared ULL	500.0	640.2	(21.9)
Full ULL	1,573.8	993.6	58.4
Wholesale ADSL (4)	442.4	570.8	(22.5)
Other (5)	1,340.3	1,038.8	29.0
Total Accesses	268,632.4	252,116.0	6.6

Note: As of 31 December 2007, in order to align the criteria for the key performance indicators of the mobile operations of the Group, the series of mobile accesses, and therefore, of total accesses, have been revised, including machine to machine accesses. In addition, the accounting *criteria for pre-pay access in the Czech Republic and Slovakia have been modified to align them, changing from 13 months (registered) to three months (active).*

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

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

(3) Retail circuits other than broadband.

(4) Includes Unbundled Lines by T. O2 Germany.

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

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Consolidated Results

The structure of the Telefónica Group by business unit (Telefónica España, Telefónica Latinoamérica and Telefónica Europe), in line with the current integrated, regional management model, means that the legal structure of the companies is not relevant for the presentation of Group financial information. Therefore, the operating results of each of these business units are presented independently, regardless of their legal structure.

In line with this organisation, Telefónica has included in the Telefónica España and Telefónica Latinoamérica regional businesses units all information pertaining to the wireline, wireless, cable, Internet and TV businesses. Furthermore, the results for Telefónica Europe include those of Telefónica O2 UK, Telefónica O2 Germany, Telefónica O2 Ireland, Telefónica O2 Czech Republic and Telefónica O2 Slovakia.

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

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

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

In the first nine months of 2009 Telefónica achieved solid results, reflecting the success of the Company s strategy, which is focused on increasing the customer base and promoting the use of its services, while working to maximise efficiency and increase cash flow.

The Company s commercial approach, focused on capturing growth in its markets, has resulted in the Telefónica Group s **total accesses** increasing by 6.6% compared to September 2008, to exceed 268 million. This increase was mainly underpinned by the rise in wireless (+8.9%), fixed broadband (+9.8%) and pay TV (+15.1%) accesses. By region, the growth rates reported by Telefónica Europe (+8.0% year-on-year) and by Telefónica Latinoamérica (+6.9% year-on-year) must be highlighted.

By type of access, the Telefónica Group had over 205 million **wireless accesses** at the end of the third quarter, with net adds in January-September 2009 of slightly over 10.0 million accesses. There was a significant rise in commercial activity in the third quarter 2009, with net adds of around 5.0 million accesses, in line with the figure for the first half and almost double the level in the second quarter. Of particular note was the substantial improvement in Spain (net adds over 2.5 times larger than in the first half of the year) and Latin America (capturing 1.2 times more customers than in the first six months of the year).

The main drivers of wireless net adds in the first nine months of 2009 were Brazil (3.9 million), Germany (1.2 million), Mexico (1.2 million) and the UK (0.7 million).

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Retail internet broadband accesses stood at 13.2 million, a year-on-year increase of 9.8%, driven by the growing adoption of bundled voice, ADSL and pay-TV service packages. In Spain over 87% of retail broadband accesses are bundled as part of some kind of dual or triple service package, while in Latin America almost 55% of broadband accesses are bundled as part of a dual or triple package. In the first nine months of 2009 net adds were over 0.7 million accesses (0.2 million in the third quarter), mostly from Argentina and the UK, and a particularly strong increase in Spain in the last three months (net adds rose 2.3 times quarter-on-quarter).

Pay TV accesses stood at around 2.5 million at the end of September, 15.1% up a year earlier. It is worth mentioning that the Company now offers pay TV services in Spain, the Czech Republic, Peru, Chile, Colombia, Brazil, Venezuela and Argentina.

As a result, despite the current economic context, the high diversification in its operations, both in terms of businesses and geographies, enabled the Group to achieve **revenues** of 41,721 million euros in the first nine months of 2009, virtually in line (+0.1%) with the same period in 2008 in organic terms[1], with significant increases in revenues in Telefónica Latinoamérica, which contributed 2.2 percentage points to growth, and, to a lesser extent, Telefónica Europe, which contributed 0.3 percentage points in the period.

By service, connectivity revenues from both wireline and mobile broadband, together with revenues from applications and new services, are increasing their contribution to total Group revenues.

Reported revenues fell by 3.3% compared to the first nine months of 2008. However, this was mainly as a result of the negative impact from foreign exchange rates, which reduced growth by 3.6 percentage points. Changes in the consolidation perimeter added a further 0.2 percentage points to revenue growth.

In absolute terms, Telefónica Latinoamérica contributed 39.8% (+2.0 percentage points compared to the same period in 2008) to total Group revenues, while Telefónica España and Telefónica Europe contributed 35.1% and 24.1% of overall revenue respectively.

On the other hand, the Telefónica Group s **operating expenses** in the period January-September 2009 amounted to 25,776 million euros, down 5.2% compared to the end of September 2008. Stripping out the impact of foreign exchange rates, operating expenses fell by 1.2% year-on-year, as the higher expenses at Telefónica Latinoamérica, mainly from network and systems costs, are offset by lower expenses at Telefónica España (due to lower supply costs and lower commercial costs, mostly related to advertising). In organic terms[1], operating expenses dropped by 1.3%.

Supply costs fell by 8.3% year-on-year to 12,109 million euros in the first nine months of the year. Excluding the impact of foreign exchange rates, supply costs declined by 3.8% due to cost reductions at Telefónica España (mainly explained by lower interconnection and handset costs) and Telefónica Latinoamérica (lower equipment and card costs) which offset a slight increase at Telefónica Europe.

Personnel expenses fell by 1.2% year-on-year to 5,003 million up to September (+2.1% in constant euros). The average number of employees in the period was 254,534 (+3,775 on September 2008), mainly due to increased staff at the Atento Group. Excluding the Atento Group workforce, the average number of employees in the Telefónica Group was virtually the same as in September 2008 at 125,096.

External service expenses (7,190 million euros) fell by 3.8% year-on year in January-September 09. Excluding foreign exchange rate effects, these expenses were practically unchanged (+0.2%).

Gains on sale of fixed assets to September amounted to 18 million euros compared to 236 million euros in January-September 2008 (mainly due to capital gains on the sale of Sogecable and Real Estate disposals by Telefónica España and Telefónica O2 Czech Republic).

The Company s focus on increasing efficiency and exploiting economies of scale was reflected in 1.8% growth in **operating income before depreciation and amortisation (OIBDA)** in organic terms[1] to 16,647 million euros in the first nine months of 2009. This growth was mainly due to the contributions of Telefónica Latinoamérica (+4.9 percentage points) and Telefónica Europe (+0.8 percentage points), which offset Telefónica España s lower contribution to OIBDA (-3.7 percentage points). In organic terms[2], the Telefónica Group improved its OIBDA margin by 0.7 percentage points to 39.9%, fuelled mainly by expanding margins at Telefónica Latinoamérica (+2.7 percentage points) and Telefonica Europe (+0.9 percentage points year-on-year).

[1] Assuming constant exchange rates and including the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and Sogecable.

[2] Assuming constant exchange rates and including the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and Sogecable.

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In reported terms, **OIBDA** fell by 2.2% year-on-year, although excluding the impact derived from asset sales in 2008 (Airwave and Sogecable), OIBDA dropped slightly (-0.7%) compared to the same period in the previous year. Excluding the impact derived from disposals (Airwave and Sogecable) on 2008 earnings, the Telefónica Group s OIBDA margin increased by 1.0 percentage point compared to the same period a year earlier.

OIBDA at Telefónica España accounted for 43.5% of total Group OIBDA, compared to 39.9% and 17.3% for Telefónica Latinoamérica and Telefónica Europe, respectively.

Depreciation and amortisation in the first nine months of 2009 totalled 6,623 million euros, down 2.6% year-on-year. In organic terms[2], this item increased by 1.4%, mainly due to higher depreciation and amortisation at Telefónica Latinoamérica.

In the first nine months of the year, **operating income (OI)** amounted to 10,024 million euros, with 2.1% year-on-year growth in organic terms[2] (-2.0% in reported terms).

Profit from associated companies stood at 47 million euros to September (20 million euros in the same period in 2008), mainly as a result of higher profits from the Company s holdings in Portugal Telecom and reduced losses from the participation in Telco, S.p.A..

Net financial results to September 2009 amounted to 2.058 million euros, down 2.0% vs. the same period of 2008, mainly due to:

- A decrease of the average cost of the Group s debt to 5.57% over total average debt excluding foreign exchange results that leads to a lower expense of 209 million euros due to lower interest rates in 2009.
- A decrease of 3.3% in the average debt, which generated savings of 70 million euros.
- Changes of the actual value of commitments derived mainly from pre-retirement plans and other positions equally accounted at market value have generated more expenses of 39 million euros in comparison with the same period of the previous year.
- Changes in FX gains and losses up to September 2009 with respect to the same period of 2008 yielded a higher cost of 199 million euros.

Free cash flow generated by the Telefónica Group up to September 2009 amounted to 6,733 million euros. Out of this figure 737 million euros were assigned to Telefónica s share buybacks, 2,277 million euros to Telefónica S.A. dividend payment and 620 million euros to commitment cancellations derived mainly from workforce adaptation plans. In addition there was a net payment of 834 million euros due to financial investments and divestments. As a result, net financial debt decreased by 2,265 million euros. On the other hand, net debt increased by 2,067 million euros because of the foreign exchange impact, changes in the consolidation perimeter and other effects on financial accounts. All this led to a decrease of 198 million euros with respect to the net financial debt at the end of 2008 (42,733 million euros), leaving the final figure in September 2009 at 42,535 million euros.

[2] Assuming constant exchange rates and including the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and

Sogecable.

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As a result, the **leverage ratio (net debt/OIBDA)** stood at 1.9 times at September 2009, compared to 2.0 times at June 2009. This improvement is explained by a reduction on the net financial debt amount together with an increase in the OIBDA figure.

During first nine months of 2009, the **financing activity** of Telefonica Group, excluding short term Commercial Paper Programmes activity, rose up to roughly 11,000 million euros mainly focused on refinancing 2009 maturities and pre-financing part of 2010 and 2011 debt at Telefonica, S.A. level. To highlight the 5 years Euro-denominated bond issue for an amount of 2,000 million euros raised in January, 1,000 million euros raised in March through a 7 years bond issue, the re-opening of this last one in June for another 500 million euros and a 6-years private issue of 400 million euros placed in the same month. In addition, in June a US dollar-denominated issue was launched for 2,250 million US dollars divided in 2 tranches of 5.5 and 10 years maturity. Thanks to these transactions, the Group s cash position amply exceeds 2009 and 2010 maturities.

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

Telefonica S.A. and its holding companies have continued active in these months of 2009 under its various Commercial Paper Programmes (Domestic and European), for an outstanding balance of 1,070 million euros in September.

Regarding Latin America,Telefónica s subsidiaries have tapped the capital markets up to September 2009 for an amount of close to 1,500 million equivalent euros, mainly for refinance 2009 maturities and renewing existing debt.

At the end of September, bonds and debentures represented 59% of the consolidated **financial debt** breakdown, while debt with financial institutions reached a 41% weight.

In the first nine months of 2009 **income taxes** totalled 2,291 million euros, implying a tax rate of 28.6%, which was not affected by any one-off transactions.

Profit attributable to minority interests reduced net income to the end of September by 111 million euros (-36.0% year-on-year), associated mainly to minority interests in the profits of Telesp, Telefónica O2 Czech Republic and in the losses of Telefónica Telecom. This year-on-year change in performance is explained by the lower profits attributable to minority interests in Telefónica Chile (following the takeover bid for minority interests in 2008) and Telesp, and higher losses at Telefónica Telecom.

As a result of the above, **consolidated net income** to September 2009 amounted to 5,610 million euros, up 6.4% on the same period of 2008, stripping out the impact of capital gains from asset disposals (Airwave and Sogecable) booked in the first nine months of 2008. Reported consolidated net income in the period January-September 2009 was practically unchanged compared to the same period in 2008 (+0.3%).

At the end of September, **basic earnings per share** rose by 9.0% year-on-year to 1.23 euros, excluding the impact of the asset sales in 2008 described above. In reported terms, the year-on-year increase was 2.7%.

CapEx in the first nine months of 2009 amounted to 4,376 million euros, with **operating cash flow (OIBDA-CapEx)** of 12,270 million euros, up 10.1% year-on-year in organic terms[3]. This performance was driven by strong growth in Telefónica Latinoamérica (+31.4% in organic terms[3]; 4,668 million euros) and Telefónica Europe (+16.1% in organic terms[3]; 1,687 million euros), which offset the lower cash flow generated by Telefónica España in comparable terms[4] (-3.3% to 6,113 million euros). Reported operating cash flow increased 5.6% year-on-year.

[3] Assuming constant exchange rates and including the consolidation of Telemig in January-March 2008. OIBDA and OI figures

do not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and Sogecable.

4 Comparable basis, excluding: Universal Service: 183 million euros in revenue and 51 million euros in OIBDA in the third quarter of 2008 and 75 million euros in revenues and 22 million euros in OIBDA in the first quarter of 2009; sale of bad debt portfolios: 25 million euros in OIBDA in the first quarter of 2008; real estate capital gains: 0.5 million euros in OIBDA January-September 2009 and 73 million euros in OIBDA in the same period in 2008; revision of the estimates for the adjustment to workforce adaptation plans provided for in prior periods, which has resulted in lower expenses of 90 million euros in the second quarter of 2009 and sale of applications rights: 48 million euros in revenue and OIBDA in the third quarter of 2009.

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Economies of scale and efficient management of operating expenses and CapEx resulted in an efficiency ratio[5] of 73.9%, a year-on-year improvement of 2.2 percentage points.

As a result, it has been posted an **acceleration in organic growth[6] rates across the various income statement items, from revenues (+0.1%) to OIBDA (+1.8%) and OI (+2.1%), becoming more relevant at the operating cash flow level**, which exceeded revenue growth by 10.0 percentage points.

5 Defined as (Operating expenses + CapEx Own work capitalised) / Revenues for the last twelve months. The CapEx figure excludes spectrum acquisitions and the Property Efficiency Programme in T. España.

6 Assuming constant exchange rates and including the consolidation of Telemig in January-March 2008. OIBDA and OI figures do not include the impact of capital gains registered in the second quarter of 2008 from the sale of Airwave and Sogecable.

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CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	January - September			July - September		
	2009	2008	% Chg	2009	2008	% Chg
Revenues	41,721	43,141	(3.3)	14,134	14,993	(5.7)
Internal exp capitalized in fixed assets	483	529	(8.7)	164	177	(7.0)
Operating expenses	(25,776)	(27,186)	(5.2)	(8,732)	(9,341)	(6.5)
Supplies	(12,109)	(13,210)	(8.3)	(4,105)	(4,548)	(9.7)
Personnel expenses	(5,003)	(5,065)	(1.2)	(1,743)	(1,676)	4.0
Subcontracts	(7,190)	(7,472)	(3.8)	(2,409)	(2,532)	(4.9)
Bad Debt Provisions	(653)	(562)	16.2	(228)	(185)	22.9
Taxes	(821)	(876)	(6.3)	(247)	(400)	(38.2)
Other net operating income (expense)	211	314	(32.9)	127	77	65.0
Gain (loss) on sale of fixed assets	18	236	(92.5)	20	(1)	c.s.
Impairment of goodwill and other assets	(10)	(9)	12.8	(5)	(1)	n.m.
Operating income before D&A (OIBDA)	16,647	17,026	(2.2)	5,708	5,903	(3.3)
OIBDA margin	*39.9%*	*39.5%*	*0.4p.p.*	*40.4%*	*39.4%*	*1.0p.p.*
Depreciation and amortization	(6,623)	(6,803)	(2.6)	(2,236)	(2,282)	(2.0)
Operating income (OI)	10,024	10,223	(2.0)	3,472	3,621	(4.1)
Profit from associated companies	47	20	140.7	17	24	(29.4)
Net financial income (expense)	(2,058)	(2,099)	(2.0)	(719)	(711)	1.1
Income before taxes	8,013	8,144	(1.6)	2,771	2,934	(5.6)
Income taxes	(2,291)	(2,374)	(3.5)	(732)	(854)	(14.3)
Income from continuing operations	5,722	5,770	(0.8)	2,039	2,080	(2.0)
Income (Loss) from discontinued ops.	0	0	n.s.	(0)		n.m.
Minority interest	(111)	(174)	(36.0)	(48)	(77)	(38.3)
Net income	5,610	5,596	0.3	1,991	2,003	(0.6)
Weighted average number of ordinary shares outstanding during the period (millions)	4,552	4,664	(2.4)	4,536	4,626	(1.9)
Basic earnings per share (euros)	1.23	1.20	2.7	0.44	0.43	1.4

Notes:

- Starting April 2008, Vivo consolidates Telemig.
- For the basic earnings per share calculation purposes, the weighted average number of ordinary shares outstanding during the period have been obtained applying IFRS rule 33 Earnings per share . Thereby, there are not been taken into account as outstanding shares the weighted average number of shares held as treasury stock during the period.
- The second quarter of 2008 includes a positive impact of 113 million euros from Airwave disposal.
- Sogecable capital gain amounting 143 million euros is recorded in the second quarter of 2008.

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RESULTS BY REGIONAL BUSINESS UNITS

Unaudited figures (Euros in millions)

	REVENUES			OIBDA			OIBDA MARGIN		
	January - September			January - September			January - September		
	2009	2008	% Chg	2009	2008	% Chg	2009	2008	Chg
Telefónica España (1)	14,655	15,706	(6.7)	7,240	7,857	(7.9)	49.4%	50.0%	(0.6p.p.)
Telefónica Latinoamérica (2)	16,616	16,311	1.9	6,636	6,029	10.1	39.9%	37.0%	3.0p.p.
Telefónica Europe (3)	10,055	10,691	(5.9)	2,878	3,072	(6.3)	28.6%	28.7%	(0.1p.p.)
Other companies and eliminations	394	434	(9.1)	(108)	68	c.s	n.m.	n.m.	n.m.
Total Group (2)(3)(4)	41,721	43,141	(3.3)	16,647	17,026	(2.2)	39.9%	39.5%	0.4p.p.

	OPERATING INCOME			CAPEX			OPCF (OIBDA-CAPEX)		
	January - September			January - September			January - September		
	2009	2008	% Chg	2009	2008	% Chg	2009	2008	% Chg
Telefónica España (1)	5,642	6,168	(8.5)	1,127	1,555	(27.5)	6,113	6,302	(3.0)
Telefónica Latinoamérica (2)	3,897	3,312	17.7	1,968	2,403	(18.1)	4,668	3,626	28.7
Telefónica Europe (3)	690	768	(10.1)	1,191	1,380	(13.7)	1,687	1,693	(0.3)
Other companies and eliminations	(205)	(24)	c.s.	91	69	32.4	(198)	(1)	n.s.
Total Group (2)(3)(4)	10,024	10,223	(2.0)	4,376	5,406	(19.0)	12,270	11,621	5.6

Notes:

- *OIBDA and OI are presented bebore brand fees and management fees.*

- *OIBDA margin calculated as OIBDA over revenues.*

(1) In comparable terms revenues of Telefónica España would decline by 6.4%, OIBDA would

decrease by 8.2% and OpCF would drop 3.3%. Comparable basis, excluding: Universal Service: 183 million euros in revenue and 51 million euros in OIBDA in the third quarter of 2008 and 75 million euros in revenues and 22 million euros in OIBDA in the first quarter of 2009; sale of bad debt portfolios: 25 million euros in OIBDA in the first quarter of 2008; real estate capital gains: 0.5 million euros in OIBDA January-September 2009 and 73 million euros in OIBDA in the same period in 2008 and revision of the estimates for the adjustment to workforce adaptation plans provided for in prior periods, which resulted in lower expenses of 90 million euros in the second quarter of 2009 and sale of applications rights: 48 million euros in revenue and OIBDA in the third quarter of 2009.

(2) Starting April 2008, Vivo consolidates Telemig.

(3) The second quarter of 2008 includes a positive impact of 113 million euros derived from Airwave disposal. OIBDA and OI include 42 million euros from restructuring costs registered in 2009.

(4)

Sogecable capital gain amounting 143 million euros is recorded in the second quarter of 2008.

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TELEFÓNICA GROUP
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CONSOLIDATED BALANCE SHEET
Unaudited figures (Euros in millions)

	Sept 2009	Dec 2008	% Chg
Non-current assets	82,268	81,923	0.4
Intangible assets	15,652	15,921	(1.7)
Goodwill	18,860	18,323	2.9
Property, plant and equipment and Investment property	30,818	30,546	0.9
Non-current financial assets and investments in associates	10,082	10,153	(0.7)
Deferred tax assets	6,855	6,980	(1.8)
Current assets	22,912	17,973	27.5
Inventories	1,018	1,188	(14.3)
Trade and other receivables	10,015	9,315	7.5
Current tax receivable	1,472	970	51.8
Current financial assets	2,065	2,216	(6.8)
Cash and cash equivalents	8,176	4,277	91.1
Non-current assets classified as held for sale	166	7	n.m.
Total Assets = Total Equity and Liabilities	105,179	99,896	5.3
Equity	19,920	19,562	1.8
Equity attributable to equity holders of the parent	17,428	17,231	1.1
Minority interest	2,492	2,331	6.9
Non-current liabilities	55,001	55,202	(0.4)
Long-term financial debt	45,044	45,088	(0.1)
Deferred tax liabilities	3,751	3,576	4.9
Long-term provisions	4,990	5,421	(7.9)
Other long-term liabilities	1,216	1,117	8.8
Current liabilities	30,259	25,132	20.4
Short-term financial debt	10,296	8,100	27.1
Trade and other payables	7,607	7,939	(4.2)
Current tax payable	4,079	2,275	79.3
Short-term provisions and other liabilities	8,278	6,818	21.4
Financial Data			
Net financial Debt (1)	42,535	42,733	(0.5)

(1) Net Financial Debt = Long term financial debt + Other long term liabilities +

Short term financial debt Short term financial investments Cash and cash equivalents Long term financial assets and other non-current assets.

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TELEFÓNICA GROUP

Financial Data

TELEFÓNICA GROUP

FREE CASH FLOW AND CHANGE IN DEBT

Unaudited figures (Euros in millions)

		January - September		
		2009	2008	% Chg
I	Cash flow from operations	15,322	14,685	4.3
II	Net interest payment (1)	(1,732)	(2,392)	
III	Payment for income tax	(1,672)	(999)	
A=I+II+III	Net cash provided by operating activities	11,919	11,294	5.5
B	Payment for investment in fixed and intangible assets	(5,763)	(5,498)	
C=A+B	Net free cash flow after CapEx	6,156	5,796	6.2
D	Net Cash received from sale of Real Estate	235	65	
E	Net payment for financial investment	(1,069)	(404)	
F	Net payment for operations with minority shareholders and treasury stock (2)	(3,057)	(3,708)	
G=C+D+E+F	Free cash flow after dividends	2,265	1,749	29.5
H	Effects of exchange rate changes on net financial debt	1,286	(528)	
I	Effects on net financial debt of changes in consolid. and others	781	(151)	
J	Net financial debt at beginning of period	42,733	45,284	
K=J-G+H+I	Net financial debt at end of period	42,535	42,856	(0.7)

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

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

consolidation method.

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TELEFÓNICA GROUP

Financial Data

RECONCILIATIONS OF CASH FLOW AND OIBDA MINUS CAPEX

Unaudited figures (Euros in millions)

	January - September		
	2009	2008	% Chg
OIBDA	16,647	17,026	(2.2)
- CapEx accrued during the period	(4,376)	(5,406)	
- Payments related to cancellation of commitments	(620)	(552)	
- Net interest payment	(1,732)	(2,392)	
- Payment for income tax	(1,672)	(999)	
- Results from the sale of fixed assets	(18)	(236)	
- Investment In working capital and other deferred income and expenses	(2,073)	(1,646)	
= Net Free Cash Flow after CapEx	6,156	5,796	6.2
+ Net Cash received from sale of Real Estate	235	65	
- Net payment for financial investment	(1,069)	(404)	
- Net payment for operations wirh minority shareholders and treasury stock	(3,057)	(3,708)	
= Free Cash Flow after dividends	2,265	1,749	29.5

	January - September		
Unaudited figures (Euros in millions)	2009	2008	% Chg
Net Free Cash Flow after CapEx	6,156	5,796	6.2
+ Payments related to cancellation of commitments	620	552	
- Operations with minority shareholders	(43)	(72)	
= Free Cash Flow	6,733	6,276	7.3
Weighted average number of ordinary shares outstanding during the period (millions)	4,552	4,664	
= Free Cash Flow per share (euros)	1.48	1.35	9.9

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

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

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TELEFÓNICA GROUP
Financial Data
NET FINANCIAL DEBT AND COMMITMENTS
Unaudited figures (Euros in millions)

		September 2009
	Long-term debt (1)	45,475
	Short term debt including current maturities	10,296
	Cash and cash equivalents	(8,176)
	Short and Long-term financial investments (2)	(5,060)
A	Net Financial Debt	42,535
	Guarantees to IPSE 2000	149
B	Commitments related to guarantees	149
	Gross commitments related to workforce reduction (3)	4,517
	Value of associated Long-term assets (4)	(709)
	Taxes receivable (5)	(1,203)
C	Net commitments related to workforce reduction	2,605
A + B + C	Total Debt + Commitments	45,289
	Net Financial Debt / OIBDA (6)	1.9x
	Total Debt + Commitments/ OIBDA (6)	2.0x

(1) *Includes long-term financial debt and 430 million euros of other long-term debt .*

(2) *Current financial assets and 2,995 million euros recorded under the caption of Non-current financial assets and investments in associates .*

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

provisions and other liabilities of the Balance Sheet, and is the result of adding the following items: Provision for Pre-retirement, Social Security Expenses and Voluntary Severance , Group Insurance , Technical Reserves , and Provisions for Pension Funds of Other Companies .

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

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

commitments.

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

DEBT STRUCTURE BY CURRENCY

Unaudited figures

	September 2009				
	EUR	LATAM	GBP	CZK	USD
Currency mix	65%	15%	8%	7%	5%

CREDIT RATINGS

	Long-Term	Short-Term	Perspective	Last review
Moody s	Baa1	P-2	Positive	17/2/2009
JCR	A		Stable	17/12/2008
S&P	A-	A-2	Stable	2/12/2008
Fitch/IBCA	A-	F-2	Stable	25/11/2008

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TELEFÓNICA GROUP
Financial Data
TELEFÓNICA GROUP
EXCHANGES RATES APPLIED

	P&L and CapEx (1)		Balance Sheet (2)	
	Jan - Sept 2009	Jan - Jun 2008	September 2009	December 2008
USA (US Dollar/Euro)	1.363	1.520	1.464	1.392
United Kingdom (Sterling/Euro)	0.886	0.781	0.909	0.952
Argentina (Argentinean Peso/Euro)	5.035	4.721	5.627	4.806
Brazil (Brazilian Real/Euro)	2.827	2.562	2.604	3.252
Czech Republic (Czech Crown/Euro)	26.608	24.832	25.165	26.930
Chile (Chilean Peso/Euro)	780.031	733.676	805.802	885.740
Colombia (Colombian Peso/Euro)	3,012.048	2,824.859	2,816.901	3,125.000
El Salvador (Colon/Euro)	11.928	13.300	12.813	12.177
Guatemala (Quetzal/Euro)	11.038	11.463	12.215	10.830
Mexico (Mexican Peso/Euro)	18.605	15.983	19.774	18.841
Nicaragua (Cordoba/Euro)	27.546	29.261	30.144	27.623
Peru (Peruvian Nuevo Sol/Euro)	4.164	4.358	4.225	4.371
Uruguay (Uruguayan Peso/Euro)	31.781	30.529	31.409	33.888
Venezuela (Bolivar/Euro)	2.931	3.268	3.148	2.992

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

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

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

The strategy pursued by Telefónica España in 2009 and its capacity to adapt to changes in the operating environment arising from the current macroeconomic scenario have enabled the Company to consolidate its market **leadership,** showing its commitment to future growth, and to maintain a **high cash flow generation** despite the pressure on its revenues.

It is worth noting the sharp increase in commercial activity posted by **Telefónica España** in the third quarter of 2009, with marked improvements in all its services. Quarterly net adds for retail wireline broadband Internet accesses were 1.1 times greater than net adds for the first half of 2009; as for Pay TV accesses, net adds were 9.5 times greater than second quarter 2009 net adds; and the Company delivered a remarkable improvement in the quarterly net loss of wireline telephony accesses, which was 33.4% lower than in the second quarter. Wireless net adds in the third quarter were 2.5 times greater than net adds for the six months to June 2009.

Thus, the Company has led the Spanish market in terms of customer acquisition in the quarter, managing a **total of 47.3 million accesses** (+0.2% year-on-year). Highlights include the greater number of **retail broadband Internet accesses,** which grew by 6.0% **to more than 5.4 million**, and growth in the **wireless customer base to 24.0 million** (+2.4% year-on-year), driven by the rising appetite for flat-rate data plans, which exceed 1.5 million up to September 2009.

Operating cash flow (OIBDA-CapEx) totalled 6,113 million euros in the first nine months of 2009 (-3.3% vs. the same period in 2008 on a comparable basis[1]; -3.0% in reported terms), reflecting the drive to contain OpEx and CapEx (-9.7% vs. the first nine months of 2008).

Revenues totalled 14,655 million euros in the first nine months of 2009, down 6.6% year-on-year in the third quarter on a comparable basis[1], showing a slight slowdown in its rate of decline vs. the previous quarter, and 6.4% in the first nine months. Once again, the major driver of this evolution was the lower consumption of voice services amid a market slowdown. On the other hand, in the wireline business IT Services (+12.7% year-on-year) continued to perform well in the first nine months, as did Data Services (+7.8% year-on-year), while wireless data connectivity revenues recorded a significant jump (+50.9% vs. the same period in 2008).

In reported terms revenues declined 6.7% year-on-year to September. July-September revenues declined 8.9%, affected by the booking in the third quarter of 2008 of 183 million euros revenues associated with the recognition of the Universal Service Obligation. Also, and in the context of the Group s global systems initiatives to centralise best practices and implement global processes, in the third quarter of 2009 the wireless business has sold application rights for 48 million euros to Telefónica S.A.

Operating income before depreciation and amortisation (OIBDA) fell on a comparable basis[1] by 8.2% year-on-year in the first nine months of 2009, mainly due to the loss of higher margin revenues such as wireline and wireless voice traffic, and wireline accesses related revenues. In the third quarter of 2009 OIBDA declined 10.5% on a comparable basis[1], reflecting the Company s increased commercial activity compared to the first half of the year and the slowdown in the year-on-year decline of personnel expenses compared to the first half of the year. The OIBDA margin on a comparable basis[1] stood at 48.7% in the first nine months of 2009.

1 Comparable basis exclude: Universal Service Obligation: 183 million euros in revenue and 51 million euros in OIBDA in the third quarter of 2008 and 75 million euros in revenues and 22 million euros in OIBDA in the

first quarter of 2009; bad debt recovery: 25 million euros in OIBDA in the first quarter of 2008; real estate capital gains: 0.5 million euros in OIBDA January-September 2009 and 73 million euros in OIBDA in the same period in 2008; revision of the estimates for the adjustment to workforce provision provided for in prior periods, which has resulted in lower expenses of 90 million euros in the second quarter of 2009; and sale of applications rights: 48 million euros in revenue and OIBDA in the third quarter of 2009.

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

Reported OIBDA stood at 7,240 million euros to September, down 7.9% year-on-year, putting the OIBDA margin at a similar level to last year s (49.4%; -0.6 percentage points).

CapEx in the first nine months totalled 1,127 million euros, down 27.5% year-on-year, reflecting the Company s ability to adapt to fluctuating demand and to prioritise investments in those business areas which continue to show strong growth, such as mobile broadband.

WIRELINE BUSINESS

In the third quarter there was a marked slowdown in Telefónica s net loss of wireline telephony accesses, which improved by 104,562 from the previous quarter (-33.4%) and stand at 208,944 accesses (-634,847 in the first half).

The Company s **wireline telephony accesses** declined by 843,791 in the first nine months of 2009 to around 14.5 million (-6.7% year-on-year), leading to an estimated market share of around 74%. This evolution was recorded in a market that remains affected by a challenging economic environment, showing an estimated 0.9% year-on-year-decline in total accesses to September, and which is also affected by ongoing loop unbundling.

The number of pre-selected lines continued to decline, dropping by 93,577 in the third quarter and by 284,232 in the first nine months of 2009 to below 1.2 million lines at the end of September.

The Company s improved commercial activity was also reflected in third-quarter **wireline retail broadband Internet** net adds, which were 1.1 times greater than net adds for the first half of 2009. In the third quarter net adds totalled 92,149, compared with 39,605 in the second quarter and 45,363 in the first quarter. The Company s wireline retail broadband Internet accesses topped 5.4 million (+6.0% vs. September 2008), with net adds of 177,117 accesses in the first nine months of 2009.

Wireline broadband Internet accesses topped an estimated 9.6 million in the Spanish market, with the year-on-year growth rate unchanged from June 2009 (+8.0%). Telefónica remains market leader with an estimated market share around 56% and marked improvement in its share of net adds in the third quarter.

The drop of wholesale indirect broadband accesses continued to gather pace for a net loss of 31,551 accesses in the quarter, and 86,525 accesses in the first nine months. The wholesale indirect ADSL access customer base stood at 337,239 (-24.2% vs. September 2008).

The pace of growth in unbundled loops has eased in recent quarters, with a net add of 70,599 in the third quarter, down 38.8% vs. the second quarter and 48.6% from the first. Net adds stood at 323,294 to September. The total grew to over 2.0 million loops, of which almost 25% are shared access loops, with the remaining 75% fully unbundled loops (including more than 379,000 naked shared access loops). Growth in fully unbundled loops also slowed, with a net add of 116,647 in the third quarter, down 24.4% vs. the previous quarter. Of this total, 25% were naked shared access loops, while shared access loops fell by 102,343 in the first nine months of 2009. Net adds of fully unbundled loops stood at 425,637 in the first nine months.

In the third quarter of 2009, Telefonica s **Pay TV** accesses had a more than remarkable performance, with net adds totalling 44,721 customers (compared to a net loss of 2,960 in the January-June 2009 period), thanks to a much-improved content offering after football channel Gol TV being added. Thereof, net adds in the first nine months stood at 41,761, bringing the total number of customers to 654,255 (+11.0% year-on-year) and reaching an estimated market share around 16% by September 2009.

The total number of Duo and Trio bundles stood at almost 4.8 million, with more than 87% of retail broadband accesses now part of a double or triple offer bundle.

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

Revenues totalled 8,997 million euros in the first nine months of 2009, down 3.9% on a comparable basis[2] and 4.0% in the third quarter, an improvement on the previous quarter (-4.7% year-on-year). In reported terms, revenues fell by 5.0% year-on-year to September. By item:

- **Traditional access revenues** fell by 6.3% year-on-year to September on a comparable basis[2] and by 7.6% in the third quarter, affected by the lower number of accesses (-6.7% year-on-year). In reported terms, revenues fell by 10.5% year-on-year in the first nine months and by 27.1% in the quarter, with a marked impact from the booking of revenues associated with the recognition of the Universal Service Obligation in the third quarter of 2008 (183 million euros) and in the first quarter of 2009 (75 million euros).
- **Voice service revenues** fell by 10.4% in the first nine months (-10.8% in the quarter) as a result of lower fixed-to-mobile and international traffic handled and the growing weight of traffic under flat-rate plans, stemming from consumer usage optimization. To highlight the revenues decline in the third quarter, which was smaller than the fall in the second quarter (-12.1%).
- **Internet and broadband revenues** fell by 1.9% year-on-year to September (-3.1% in the quarter):
  - Retail broadband service revenues dropped by 1.4% year-on-year in the first nine months (-3.2% in the quarter), mainly due to slower growth in the total number of accesses and a reduction in effective ARPU (-6.8% to September).
  - Wholesale broadband revenues (+1.8% year-on-year to September; +4.4% in the quarter) reflect the growth in unbundled loops, which was partially offset by the 25% average reduction in wholesale ADSL and shared access loop prices approved by the CMT in September 2009.
- **Data service revenues** continued showing an outstanding performance, rising year-on-year, with the pace of growth accelerating from previous quarters (+12.7% in the quarter and +7.8% to September).
- **IT service revenues** increased by 12.7% year-on-year to September (+11.1% in the third quarter).

Meanwhile, operating expenses declined by 2.2% year-on-year on a comparable basis[2] to September (-1.0% in the quarter). In reported terms, expenses declined by 3.8% to 4,815 million euros, broken down as follows:

- External service expenses fell by 1.6% in the first nine months to 962 million euros.
- Personnel expenses dropped by 2.8% to 1,524 million euros. Excluding the impact of the revision of estimates for the adjustment to workforce provision provided for in previous periods, personnel costs were virtually unchanged (+0.8% vs. the first nine months of 2008).
- Supply costs decreased 5.3% to 2,068 million euros to September, thanks to lower interconnection costs associated with lower fixed-to-mobile traffic and the reduction in mobile termination rates.

As a result, **operating income before depreciation and amortisation (OIBDA)** in the first nine months of 2009 reached 4,300 million euros, falling 5.3% year-on-year on a comparable basis[2] (-6.6% in the third quarter). The OIBDA margin was virtually unchanged on a comparable basis[2] at 47.0% (47.7% at the end of September 2008), and stood at 46.6% in the third quarter.

January-September 2009 reported OIBDA fell by 7.1% year-on-year while the OIBDA margin stood at 47.8%.

[2] Comparable basis exclude: Universal Service Obligation: 183 million euros in revenue and 110 million euros in OIBDA in the third quarter of 2008 and 75 million euros in revenue and 46 million euros in OIBDA in the

first quarter of 2009; bad debt recovery: 17 million euros in OIBDA in the first quarter of 2008; real estate capital gains: 0.5 million euros in OIBDA January-September 2009 and 73 million euros in OIBDA in the same period in 2008; revision of the estimates for the adjustment to workforce provision provided for in prior periods, which has resulted in lower expenses of 58 million euros in the second quarter of 2009.

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

WIRELESS BUSINESS

The **Spanish wireless market** exceeded the 55.4 million-line mark in September 2009, with an estimated penetration rate of 121% (6 percentage points higher than in September 2008).

The positive evolution of Telefónica España s wireless net adds was remarkable, after reaching 277,582 lines in the third quarter of 2009 (+31.8% year-on-year), 2.5 times the net add figure in the first half of 2009. The strong performance of net adds was underpinned by contract customers, with 314,784 new lines in the quarter (+122.6% from the prior quarter and +60.1% year-on-year). January-September total net adds stood at 388,321, while contract net adds totalled 441,324.

In this context, the Company s main commercial objective is still to maintain its market leadership in revenue share, with a positive differential between its share of outgoing revenues and customer market share of between 3 and 4 percentage points, despite the current economic climate in a highly competitive and mature market.

At the end of September 2009 Telefónica España s **wireless customer base** reached 24.0 million, up 2.4% year-on-year, with growth accelerating from June 2009, underpinned by the 3.8% growth in the contract customer base, which now accounts for 62.6% of the total (+0.9 percentage points vs. September 2008).

In **number portability**, the Company net gain reached 2,057 lines in the third quarter, reversing the trend seen in recent quarters. To highlight, a positive balance of 38,185 customers was recorded in the contract segment, more than 2.3 times the figure reported in the second quarter and 2.4 times more than in the same period a year earlier.

Churn stood at 2.0% at the end of September 2009 (+0.2 percentage points year-on-year) and at 2.1% in the third quarter (+0.3 percentage points year-on-year). To remark the positive evolution of contract churn, which at 1.2% remained significantly lower than the total at the end of September, down 0.1 percentage points from the previous quarter and virtually unchanged year-on-year (+0.1 percentage points).

In terms of **usage**, there was a slowdown in the pace of the year-on-year decline in traffic. Traffic declined by 3.8% in the quarter and by 3.9% in the first nine months of 2009 to 31,544 million minutes. The drop reflects customers growing optimisation patterns, especially on voice services.

Voice ARPU was also affected by cuts in mobile termination rates made over the last 12 months (-19.2% year-on-year following the cuts made in October 2008 and April 2009). However, the pace of the year-on-year decline in voice ARPU in the third quarter (-11.8% year-on-year) slowed slightly vs. the first half (-12.5% to June), with improvements in both outgoing voice ARPU and contract voice ARPU. As a result, ARPU in the first nine months fell by 12.3% year-on-year to 22.4 euros.

Data ARPU climbed 2.2% year-on-year in the quarter, similar to the second-quarter growth figure, to 5.3 euros in the first nine months of the year (+2.9% year-on-year). This was partly due to the lower contribution of person-to-person SMS. Connectivity-related revenue grew a solid 46.9% in the quarter (+50.9% in the first nine months), driven by a growing adoption of flat-rate data plans. These totalled 1.5 million at the end of September, more than double the figure a year earlier, with a slight acceleration in the growth rate in the third quarter. Data ARPU accounted for 19.1% of total ARPU in the first nine months (+2.3 percentage points year-on-year).

The number of 3G handsets continued to rise in the quarter and topped 8.3 million (1.5 times more than in September 2008).

As a consequence, **total ARPU** was down 9.4% year-on-year in the quarter and 9.8% in the nine months to September 2009 vs. September 2008, to stand at 27.7 euros for the January-September 2009 period. Outgoing ARPU (-7.6% year-on-year in the third quarter) improved vs. June (-8.2%), standing at 24.0 euros (-8.0% year-on-year).

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

Revenues in the first nine months totalled 6,687 million euros, down 6.4% in the third quarter and 8.4% to September 2009 on the back of lower usage, lower contribution of wholesale revenue (interconnection, roaming, etc) and lower handset sales. Revenues were down 9.1% in the nine months to September 2009 on a comparable basis[3] and 8.3% in the third quarter. Highlights by revenue item:

- **Service revenues** fell by 8.0% year-on-year in the quarter on comparable terms[3] (1.0 percentage points less than in the previous quarter) and 8.1% in the first nine months. In reported terms service revenues totalled 5,930 million euros, down 7.4% year-on-year in the first nine months. Lower mobile termination rates accounted for 2.3 percentage points of the year-on-year fall in the quarter and 2.4 percentage points in the year to September.
  - **Customer revenue** fell by 5.3% in the quarter and 5.6% in the first nine months, to 4,936 million euros, a slight improvement from the second quarter of 2009 (-6.6%) despite the continued impact of weaker customer usage patterns.
  - **Interconnection revenues** dropped 18.1% in the quarter, hit by the cut in mobile termination rates, and by 18.5% in the year to September to 780 million euros.
  - **Roaming-in revenues** fell by 21.9% in the quarter and by 21.8% in the first nine months, reflecting the reduction in wholesale roaming prices.
- **Revenues from handset sales** totalled 757 million euros through to September, down 15.8% year-on-year and 10.5% vs. the third quarter of 2008.

Operating expenses fell by 6.5% year-on-year in the quarter and by 8.3% in the first nine months to 3,771 million euros, thanks to the Company s measures to improve efficiency and adapt to the current economic environment and despite the commercial drive over the last two quarters. It should be noted that a provision of 59 million euros was made in the third quarter of 2008 to cover the expenses associated with the Universal Service Obligation. On a comparable basis[3], operating expenses fell by 6.9% in the year to September and by 2.4% in the quarter, despite the significant increase in commercial activity in the quarter.

As a result of revenue and operating expenses performance, **Operating income before depreciation and amortisation (OIBDA)** fell in reported terms by 6.3% in the quarter. Reported OIBDA for the January-September 2009 period totalled 2,961 million euros, down 9.0% year-on-year (-12.1% on a comparable basis[3]). The OIBDA margin stood at 44.6% in the third quarter (unchanged year-on-year) and 44.3% in the year to September (-0.3 percentage points vs. the same period a year earlier). On a comparable basis[3] the OIBDA margin stood at 43.8% (-1.5 percentage points from the same period in 2008) and at 43.4% in the third quarter (-3.5 percentage points, affected by the strong commercial activity in the quarter).

[3] Comparable basis excluding the sale of bad debt portfolios: 8 million euros of OIBDA in the first quarter of 2008; 59 million euros of expenses reported in the third quarter of 2008 associated with the

Universal Service and 24 million euros in the first quarter of 2009; revision of the estimates for the adjustment to workforce adaptation plans provided for in prior periods, which has resulted in lower expenses of 32 million euros in the second quarter of 2009 and sale of application rights:
48 million euros in revenue and OIBDA in the third quarter of 2009.

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica España

TELEFÓNICA ESPAÑA

ACCESSES

Unaudited figures (thousands)

	2008		2009			
	September	December	March	June	September	% Chg y-o-y
Final Clients Accesses	45,160.7	45,213.6	44,885.7	44,676.7	44,858.6	(0.7)
Fixed telephony accesses (1)	15,526.9	15,326.3	15,004.9	14,691.4	14,482.5	(6.7)
Internet and data accesses	5,608.3	5,670.0	5,661.3	5,660.1	5,728.7	2.1
Narrowband	453.9	388.0	336.4	297.6	276.5	(39.1)
Broadband (2)	5,117.0	5,246.4	5,291.8	5,331.4	5,423.5	6.0
Other (3)	37.4	35.6	33.1	31.1	28.7	(23.5)
Mobile accesses	23,436.0	23,604.8	23,614.7	23,715.6	23,993.2	2.4
Pre-Pay	8,978.5	9,037.0	9,061.8	9,021.2	8,984.0	0.1
Contract	14,457.5	14,567.8	14,552.9	14,694.4	15,009.1	3.8
Pay TV	589.6	612.5	604.8	609.5	654.3	11.0
Wholesale Accesses	2,035.0	2,136.1	2,271.5	2,369.1	2,418.1	18.8
WLR (4)	0.0	9.5	25.9	45.4	55.6	n.s.
Unbundled loops	1,585.2	1,698.0	1,835.3	1,950.7	2,021.3	27.5
Shared ULL	640.2	602.3	584.8	546.1	500.0	(21.9)
Full ULL (5)	945.0	1,095.7	1,250.5	1,404.7	1,521.3	61.0
Wholesale ADSL	444.8	423.8	405.8	368.8	337.2	(24.2)
Other (6)	5.0	4.7	4.4	4.2	3.9	(22.5)
Total Accesses	47,195.7	47,349.7	47,157.2	47,045.7	47,276.6	0.2

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

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

(3) Leased lines.

(4) *Wholesale Line Rental.*

(5) *Includes naked shared loops.*

(6) *Wholesale circuits.*

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

	January - September			July - September		
	2009	2008	% Chg	2009	2008	% Chg
Revenues	14,655	15,706	(6.7)	4,898	5,375	(8.9)
Internal exp capitalized in fixed assets	148	151	(2.5)	50	45	11.1
Operating expenses	(7,577)	(8,080)	(6.2)	(2,554)	(2,749)	(7.1)
Other net operating income (expense)	24	31	(22.7)	7	13	(45.5)
Gain (loss) on sale of fixed assets	(4)	54	c.s.	2	1	145.9
Impairment of goodwill and other assets	(5)	(5)	(2.6)	(2)	(1)	41.6
Operating income before D&A (OIBDA)	7,240	7,857	(7.9)	2,402	2,684	(10.5)
OIBDA margin	*49.4%*	*50.0%*	*(0.6p.p.)*	*49.0%*	*49.9%*	*(0.9p.p.)*
Depreciation and amortization	(1,598)	(1,689)	(5.4)	(531)	(549)	(3.4)
Operating income (OI)	5,642	6,168	(8.5)	1,871	2,135	(12.4)

Notes:

- *OIBDA and OI before brand fees.*

- *In comparable terms revenues of Telefónica España would decline by 6.4%, OIBDA would decrease by 8.2% and OpCF would drop 3.3%. Comparable terms exclude: Universal Service: 183 million euros in revenue and 51 million euros in OIBDA in the third quarter of 2008 and 75 million euros in* *revenues and 22 million euros in OIBDA in the first quarter of 2009; sale of bad debt portfolios: 25 million euros in OIBDA in the first quarter of 2008; real estate capital gains: 0.5 million euros in OIBDA January-September 2009 and 73 million euros in OIBDA in the same period in 2008 and revision of the estimates for the adjustment to workforce adaptation plans provided for in prior periods, which resulted in lower expenses of 90 million euros in the second quarter of 2009 and sale of applications rights: 48 million euros in revenue and OIBDA in the third quarter of 2009.*

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RESULTS BY REGIONAL BUSINESS UNITS
Telefónica España
TELEFÓNICA ESPAÑA: WIRELINE BUSINESS
SELECTED FINANCIAL DATA
Unaudited figures (Euros in millions)

	January - September			July - September		
	2009	2008	% Chg	2009	2008	% Chg
Revenues	8,997	9,468	(5.0)	2,949	3,255	(9.4)
OIBDA	4,300	4,629				