

TELEFONICA S A
Form 6-K
November 14, 2011

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, 2011
Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

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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 Form 40-F

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 No

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Yes No

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 No

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JANUARY SEPTEMBER 2011**

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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.

January September 2011 Results TELEFÓNICA

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ACCESSES

Unaudited figures (thousands)

	2011	September 2010	% Chg
Final Clients Accesses	294,536.6	277,414.0	6.2
Fixed telephony accesses (1)	40,447.6	41,475.0	(2.5)
Internet and data accesses	19,005.6	18,361.6	3.5
Narrowband	1,031.3	1,491.7	(30.9)
Broadband (2)	17,817.3	16,707.9	6.6
Other (3)	157.0	161.9	(3.0)
Mobile accesses	231,874.9	214,852.2	7.9
Prepay	157,072.3	148,077.7	6.1
Contract	74,802.6	66,774.5	12.0
Pay TV (4)	3,208.5	2,725.3	17.7
Wholesale Accesses	5,180.0	4,404.8	17.6
Unbundled loops	2,799.1	2,422.7	15.5
Shared ULL	215.0	296.7	(27.5)
Full ULL	2,584.1	2,126.0	21.5
Wholesale ADSL (5)	793.7	621.4	27.7
Other (6)	1,587.1	1,360.7	16.6
Total Accesses	299,716.6	281,818.8	6.4

Notes:

- *Year-on year changes are affected by the inclusion of the customers of HanseNet since March 2010 and the exclusion of the customers of Manx since July 1st, 2010.*

(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 151 thousand clients of TVA from June 2011.*

(5) *Includes ULL rented by T. Germany.*

(6) *Circuits for other operators. Includes Wholesale Line Rental (WLR) in Spain.*

TELEFÓNICA

Consolidated Results

Despite Telefónica's new organisational structure approved in September 2011, the Company will continue reporting its third and fourth quarter results of 2011 in the previous organization structure as this was the base to settle the Company's commitments for 2011 and also the structure employed to report first half of 2011 results.

The restructuring of Telefónica 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. For the purpose of presenting information on a regional basis, revenue and expenses arising from invoicing among companies within the Telefónica consolidation scope for the use of the brand and management contracts have been excluded from the operating results for each Group region, while centrally-managed projects are included at the regional level. This form of presentation does not affect the consolidated results of Telefónica.

In line with this organisation, Telefónica has included in the Telefónica España, Telefónica Latinoamérica and Telefónica Europe regional businesses units all information pertaining to wireline, wireless, cable, internet and Television businesses, in accordance with each location. The Other companies heading includes the Atento business and other holding companies and eliminations in the consolidation process.

As of 1 January 2011, and in accordance with the new organisation approved by the Company in September 2010, Telefónica Europe, on top of the businesses in the UK, Germany, Ireland, the Czech Republic and Slovakia, also includes in its consolidation perimeter Telefónica International Wholesale Services (TIWS) and Telefónica North America (TNA), whose activities are primarily focused on the provision of services to multinationals as well as the provision of global wholesale telecommunications services to international fixed and wireless voice operators, ISPs and content providers. In the fiscal year 2010 both companies were part of the consolidation perimeter of Telefónica Latinoamérica. Therefore, the results of Telefónica Europe and Telefónica Latinoamérica have been restated for the fiscal year 2010 to reflect the new organisational structure as of 1 January 2010. As this is an intragroup change, Telefónica results are unaffected.

Also, in the context of the organisation and integrated management of the fixed and wireless businesses in Latin America, and with the objective of facilitating understanding and monitoring of the financial performance of the Company's operations in this region and avoiding distortions which, without affecting the consolidated results of Telefónica España, may result in an erroneous interpretation of the individual performance of each of the businesses – especially at the level of operating expenses and investment -, from the first quarter of 2011 the Company has decided to publish the selected consolidated financial data corresponding to Telefónica Latinoamérica, providing breakdown by business only at a revenue level. The Company has continued to report all the operating metrics previously reported.

In the first nine months of the year the Company has focused its commercial strategy on fostering the penetration of broadband services, both wireless and wireline, as well as the use of services beyond connectivity as the key levers for future revenue growth.

In this regard, the Company is increasing its efforts to massively expand smartphones and other mobile broadband devices, leveraging the increasing availability of a handset portfolio with more competitive prices and tiered pricing adapted to customer needs in accordance with its usage profile.

This strategy led to a significant increase in the commercial activity in the third quarter of the year, especially in Latin America, which posted record net adds (4.9 million new accesses in the third quarter, 1.6 times higher than in the third quarter of 2010), with strong momentum in mobile contract and mobile broadband accesses.

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Total accesses managed by Telefónica increased by 6% in reported terms to 299.7 million at the end of September 2011, setting the basis for the Company's future revenue growth. By region, Telefónica Latinoamérica and Telefónica Europe, with year-on-year growth of 9% and 5% respectively, were the major contributors to Telefónica's customer base growth.

Telefónica's **mobile accesses** reached 231.9 million by the end of September 2011, up 8% year-on-year in reported terms, underpinned by the sustained increase in the **contract** segment (+12% year-on-year), which now accounts for 32% of the total mobile access base (+1.2 percentage points year-on-year).

The Company's focus on capturing high-value customers was reflected in the contract segment contribution to total net adds, which accounted for close to 50% in the first nine months of 2011, and rose above 100% for Telefónica España, and stood at 95% for Telefónica Europe.

Mobile broadband accesses -accesses with a data rate attached and therefore active users of the service- exceeded 34 million at the end of September 2011 (+76% year-on-year). This figure represents a penetration rate of 15% of Telefónica's total mobile access base (+4 percentage points versus December 2010). Telefónica Europe reached a penetration rate of 29%, followed by Telefónica España (27%). Meanwhile, there is huge scope for increasing penetration at Telefónica Latinoamérica (9% at the end of September 2011).

Growth in mobile broadband accesses was reflected in mobile data revenues, growing at 19.6% in organic terms and accelerating with respect to previous quarters to account for 30% of Telefónica's mobile service revenues. Noteworthy was the strong increase in non-P2P SMS data revenues (+38.8% year-on-year in organic terms), which represent more than 50% of total data revenues.

Retail fixed broadband accesses reached a total of 17.8 million (+7% year-on-year). The Company continues to push its bundling strategy for voice, broadband and television services, which has proved to be a key driver to churn control. Hence, both in Spain and Latin America almost 90% of retail fixed broadband accesses are bundled as part of either a dual or triple service package.

The number of **pay TV accesses** stood at 3.2 million at the end of September 2011 (+18% year-on-year), with a pick-up in the growth rate thanks to the success of commercial repositioning of the service in Latin America and in Spain and the incorporation of TVA's customers in Brazil since June.

Fixed telephony accesses totalled 40.4 million, down 3% year-on-year. This decline remained stable in recent quarters.

It is important to bear in mind that Vivo has been fully consolidated since October 2010 (prior to that date, the results of Vivo were proportionately consolidated). Consequently, this has an impact on the year-on-year comparisons of Telefónica's financial results in reported terms.

In January-September 2011 **revenues** totalled 46,672 million euros, a year-on-year increase of 5.4%, driven by higher revenues from Telefónica Latinoamérica (+18.1% year-on-year). Changes in the consolidation perimeter contributed with 5.6 percentage points to this growth, while foreign exchange rates dragged 0.5 percentage points to revenue growth.

In organic terms, revenues rose 0.3% in the first nine months of 2011, negatively impacted by mobile termination rate cuts across all regions, which dragged 632 million euros to consolidated revenues. Excluding this impact, organic revenue growth would have reached 1.6% (+6.8% in reported terms).

By services, the contribution of services with the highest growth potential continues to increase (fixed/mobile broadband, services beyond connectivity) to exceed 26% of consolidated revenues by the end of September (+3 percentage points with respect to January-September 2010). This contribution virtually offsets the lower contribution by traditional access and voice revenues.

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By regions, revenues from Telefónica Latinoamérica already account for 46% of total consolidated revenues (+5 percentage points with respect to September 2010) and remain the Company's main growth engine and the largest contributor to consolidated revenues in organic terms (+2.2 percentage points), thereby offsetting the lower contribution by Telefónica España (-2.1 percentage points) and Telefónica Europe (-0.2 percentage points). Revenues from Telefónica Europe represent 25% of the consolidated revenues, while Telefónica España contributes with some 28%.

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Consolidated **operating expenses** stood at 33,475 million euros (+16.9% year-on-year in reported terms), negatively affected by the accounting of a non cash-impact provision for restructuring expenses (2,671 million euros consolidated) associated to the workforce restructuring plan recently approved by the Company (2,591 million euros at Telefónica España and 80 million euros at other Group companies). In addition, the strong commercial activity registered in the third quarter of the year also led to a year-on-year increase in commercial expenses. In organic terms, the year-on-year increase in operating expenses stood at 2.9%, explained by:

Supply costs amounted to 13,397 million euros, a 1.8% increase in organic terms versus January-September 2010 (+5.5% in reported terms), as a result of increased handset costs in the three regions associated with growing smartphone adoption. Nevertheless, this effect is partially offset by lower mobile termination rates in the three regions.

Subcontract expenses totalled 9,584 million euros, up 3.5% year-on-year in organic terms (+13.3% in reported terms), mainly coming from Telefónica Latinoamérica, reflecting higher investment in customer care, increased commercial expenses linked to higher commercial activity, as well as higher systems management expenses associated to the deployment of the 3G network.

Personnel expenses amounted to 8,916 million euros, rising 5.4% in organic terms, mainly due to higher personnel expenses in Spain after wage adjustments linked to 2010 CPI, and also in Latin America due to in-sourcing processes developed in Brazil in 2010 and higher inflation in certain markets within the region. In reported terms, personnel expenses increased year-on-year by 49.5% as a result of the provision for the workforce restructuring plan in Spain mentioned above.

The average number of employees at the end of September 2011 was 285,063 (20,395 more than at the end of September 2010), mainly due to the larger workforce at Atento. Excluding Atento, Telefónica's consolidated average workforce was 133,841 employees (126,591 at the end of September 2010).

Additionally, Telefónica's efficiency global projects continued to make a positive contribution to consolidated results in the first nine months of 2011 (441 million euros in terms of revenue and 368 million euros in OIBDA).

In this regard, and reflecting the benefits of our scale, it is worth to highlight the incorporation of Sunrise to Telefónica's *Partners Programme* in September 2011, adding to Bouygues and Etisalat, which joined the programme in previous quarters. The *Partners Programme* is an initiative which makes available to selected operators and under commercial terms a host of services that allows partners to leverage on Telefónica's scale and to cooperate on key business topics (roaming, services to multinationals, procurement, devices, etc.).

Gains on sales of fixed assets totalled 293 million euros in the first nine months of the year, mainly due to the positive impact of the partial reduction of our economic exposure to Portugal Telecom (183 million euros). It is worth to remind that in the third quarter of 2010 this item included the positive impact of a revaluation of the previously-held stake in Vivo at its fair value at the date of acquisition of the 50% in Brasilcel owned by Portugal Telecom (3,797 million euros) as well as the capital gain from the disposal of Manx Telecom at the end of June (61 million euros). Moreover, linked with a number of initiatives developed by the business units to optimise the use of capital, this item also includes the impact of sales of non-strategic towers for 82 million euros in January-September 2011 (74 million euros in the same period in 2010).

Thus **operating income before depreciation and amortization (OIBDA)** in the first nine months of the year stood at 14,251 million euros. In underlying terms, OIBDA remained stable (+0.1%), despite an increase in commercial activity and the negative impact of interconnection (149 million euros to the end of September).

In organic terms, OIBDA fell by 4.6% year-on-year (-30.0% in reported terms), mainly due to the lower contribution by Telefónica España (-4.3 percentage points), not being offset by the higher contribution from Telefónica Europe (+0.2 percentage points). Telefónica Latinoamérica dragged 0.4 percentage points from consolidated OIBDA organic growth, reflecting the negative impact of the Mexican business, lower revenues from regional initiatives with respect to 2010 and strong commercial activity.

Despite intense commercial activity and the negative impact from regulation, the organic OIBDA margin in the first nine months of the year stood at 35.8%, posting a limited erosion of 1.8 percentage points year-on-year, in line with the Company's expectations.

By region, Telefónica Latinoamérica accounted for 46% of underlying OIBDA (+4 percentage points year-on-year), rising to 65% including also the contribution by Telefónica Europe.

Depreciation and amortization in the first nine months of the year (7,554 million euros) posted a year-on-year increase of 12.0% in reported terms, reflecting full consolidation of Vivo and the amortization of Vivo's purchase price allocation (255 million euros for the period). Total depreciation and amortization charges derived from purchase price allocation processes amounted to 844 million euros in the first nine months of the year (+6.6% year-on-year). In organic terms, depreciation and amortization rose by 0.9% with respect to January-September 2010.

As a result, **operating income (OI)** from January to September 2011 amounted to 6,696 million euros, with a 6.8% year-on-year decline in underlying terms. In organic terms, operating income in the first nine months of the year was 8.6% down year-on-year (-50.8% in reported terms).

Profit from associates stood at -506 million euros for January-September 2011 versus +68 million euros at the end of September 2010. The year-on-year change was mainly the result of the non-cash impact of Telco SpA's revision of its value of its investment recorded in the second quarter of 2011 amounting to 505 million euros (353 million euros after the related tax effect at Telefónica S.A.). This item was also affected by Portugal Telecom's deconsolidation as of the second half of 2010 (the company contributed 43 million euros in the first six months of 2010).

Total **financial expenses** up to September 2011 were 2,045 million euros, which yield an effective cost of 4.85% on a total average debt of 56,327 million euros during the first nine months of the year. In comparison with the same period last year, financial expenses decrease by 69 basis points since financial results, excluding foreign exchange results, have only increased 21 million euros, even though the average debt of the Group increased by 8,718 million euros (+18% year-on-year). The cost of debt (excluding foreign exchange results) has been reduced by 24 basis points (excluding for comparison purposes last year's transfer of the difference in market value in our stake in BBVA, from equity to financial results, which increased financial costs by 191 million euros), not applicable this year. The cost of debt reduction is mainly explained by the fact that 87% of the new debt is denominated in euros, with a much lower yield curve than Latam currencies.

Telefónica's **Free Cash Flow** up to September 2011 amounted to 5,701 million euros, an increase of 591 million euros (+11.6%) year-on-year. Free Cash flow per share reached 1.26 euros. It is worth to mention that this amount includes 0.11 euros per share related to spectrum acquisition.

Net Financial Debt has been reduced by 163 million euros with respect to December 2010 (55,593 million euros), reaching 55,430 million euros as of the end of September 2011. It is worth highlighting that net financial debt has been reduced by around 1,000 million euros during the last quarter. Free Cash Flow after shareholder remuneration and financial investments and divestments reduced debt by 225 million euros during the period. On the other side, accrued interests higher than payments, the increase in the present value of obligations due to derivative transactions, and other effects (net of savings due to currency depreciation), have increased net financial debt by 61 million euros.

The **leverage ratio**, net debt over last twelve months OIBDA (excluding results on the sale of fixed assets and adjusted by firm commitments relating to the Fundación Telefónica's social welfare activities and by workforce restructuring plan in Spain), stood at 2.49 times at September 2011, and at 2.55 including commitments.

During the first nine months of 2011, Telefónica's **financing activity**, excluding short term Commercial Paper Programmes activity and including the extension on the Vivo syndicated facility, rose to above 9,900 million equivalent euros, with the main objective of refinancing in advance 2011 maturities and smoothing our debt maturity profile for 2013 at the holding level. It is worth highlighting the financing activity of the Company during the first nine months of 2011, both, in the bank and bond markets:

A 6 year bond issue in the euro market, for an amount of 1,200 million raised in February, increased by another 100 million euros through a private placement in March.

In the US, Telefonica has issued an American dollar denominated bond for an amount of 2,750 million US dollars raised in February, distributed in two tranches: 5 year 1,250 million US dollars, and a 10 year tranche of 1,500 million US dollars.

In the month of May, it was signed a 4,000 million euros extension on the three year tranche Vivo syndicated facility, whereby out of the 5,000 million euros initially maturing in July 2013, 2,000 million euros have been extended by one year, to July 2014, and another 2,000 million euros by three years, to July 2016.

In May, it was also signed a loan facility for telecom equipment purchases for an amount of 376 million dollars with the guaranty of the Finnish Export Credit Agency (Finnvera).

It is worth highlighting the financing activity during the month of October in the bond market:

A 4 year and 3 month issuance in the euro market for an amount of 1,000 million euros.

A 5 year JPY denominated bond for an amount of JPY 7,000 million, maturing in 2016 through a private placement.

Telefónica S.A. and its holding companies have remained active during the first nine months of 2011 under its various Commercial Paper Programmes (Domestic and European), for an outstanding balance of 1,636 million euros at the end of September.

Regarding Latin America, Telefónica's subsidiaries have tapped the capital markets up to September for an amount of nearly 2,100 million equivalent euros. It is to note the 3,000 million Brazilian reais loan granted to Vivo S.A to be used for investments in expansion and improvement of the current network, implementation of the infrastructure necessary for new technologies, from 2011 to 2013, in addition to research and development. At September 30th 2011, none of this loan had been drawn down.

Telefónica maintains total undrawn committed credit lines for an amount above 9,100 million euros, with 6,400 million maturing long term. This amount excludes the 2,000 million euros undrawn of the Vivo syndicated facility signed in July 28, 2010. It is to highlight that on October 31st 2011 Telefónica, S.A. drew down 2,000 million euros under its 8,000 million euros of aforementioned syndicated facility to make the last payment to Portugal Telecom for Brasilcel acquisition.

At the end of September 2011, bonds and debentures represented 63%, on the **consolidated financial debt** breakdown, while debt with financial institutions reached a 37% weight.

Corporate income tax in the first nine months of the year totalled 1,082 million euros which, over income before tax of 4,145 million euros, results in an accrued rate of 26.1%. Both the profit before taxes and the income tax have been affected in the third quarter by the accounting of the provision related to the workforce restructuring plan in Spain.

Profit attributable to minority interests dragged net income by 330 million euros in the first nine months of the year, mainly due to minority interests in net income by Telefónica Brazil and Telefónica Czech Republic, which have more than offset the minority interests in Telefónica Telecom losses.

As a result of the above items, **consolidated net income** for the first nine months of 2011 was 2,733 million euros which, a year-on-year decrease of 10.6% in underlying terms, with the **basic earnings per share**, also in underlying terms, standing at 1.20 euros (-10.4% year-on-year). In reported terms, net income fell by 69.1% year-on-year, mainly impacted in the third quarter of the year by the accounting of the provision related to the workforce restructuring plan in Spain, above mentioned. Basic earnings per share stood at 0.60 euros (-69.0% year-on-year).

CapEx in the first nine months of the year stood at 6,625 million euros (-8.5% year-on-year) and includes the cost of the spectrum in Spain, Brazil and Costa Rica, whereas total investment at September 2010 mainly included spectrum investment in Germany and Mexico during the second and third quarters of 2010, respectively. In organic terms, CapEx rose by 5.0% with respect to January-September 2010.

The Company continues to focus its investments on growth and transformation projects, fostering the development of fixed and mobile broadband services.

Consequently, **operating cash flow (OIBDA-CapEx)** totalled 7,626 million euros at the end of September (-8.6% in organic terms). In underlying terms, operating cash flow stood at 11,209 million euros (-5.6% versus January-September 2010).

Definitions

Organic growth: In financial terms, it assumes constant average exchange rates as of January-September 2010, and excludes changes in the perimeter of consolidation and hyperinflation accounting in Venezuela. Therefore, in January-September 2010 the consolidation of Vivo, HanseNet, Tuenti and Acens are included whereas the revaluation of our pre-existing stake in VIVO accounted for in Q3 10, the results of Manx Telecom and restructuring costs in Germany are excluded. In OIBDA terms, in January-September 2011 the positive impact from the partial reduction of our economic exposure to Portugal Telecom is excluded, as well as workforce provision related to the workforce restructuring plan approved in Spain and the impact of the capital gain from the sale of Manx Telecom booked in Q2 10. Results from the Costa Rica operation are excluded from the organic growth calculation. Telefónica's Capex

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excludes the Real Estate Efficiency Programme at T. España, the real estate commitments associated with Telefónica's new headquarters in Barcelona and investments in spectrum. Net additions exclude accesses disconnections made in the second quarter of 2010 and in the third quarter of 2011.

2011 Financial results and accesses include from the second quarter of the year and retroactively from January 1st, 2011, the full consolidation of TVA, company that was already part of Telefónica's perimeter since the fourth quarter of 2007.

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Underlying growth: Reported figures, excluding exceptional impacts and spectrum acquisition. In 2011 the following items were excluded: provision for workforce restructuring plan in Spain (2,671 million euros; 1,870 million euros net of taxes), the positive impact from the partial reduction of our economic exposure to Portugal Telecom (183 million euros), Telco, S.p.A.'s writedown of its stake in Telecom Italia (505 million euros; 353 million euros net of taxes) and PPAs (844 million euros; 664 million euros net of taxes). In 2010 the following items were excluded: the positive impact from the revaluation of the previously-held stake in Vivo at its fair value at the date of acquisition of the 50% in Brasilcel owned by Portugal Telecom (3,797 million euros; 3,476 million euros net of tax), restructuring costs in Germany (202 million euros; 141 million euros net of tax), capital gains on the sale of Manx Telecom (61 million euros), write-down of T. Capital (6 million euros) and PPAs (792 million euros; 633 million euros net of taxes).

Average total debt: Average balance at September 2011 of the items shown in the Net financial debt and commitments table.

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 Financial Data
 TELEFÓNICA
 CONSOLIDATED INCOME STATEMENT
Unaudited figures (Euros in millions)

	January - September			July - September		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	46,672	44,280	5.4	15,786	15,227	3.7
Internal exp capitalized in fixed assets	531	519	2.3	179	185	(3.4)
Operating expenses	(33,475)	(28,635)	16.9	(13,169)	(9,872)	33.4
Supplies	(13,397)	(12,696)	5.5	(4,504)	(4,363)	3.2
Personnel expenses	(8,916)	(5,965)	49.5	(4,777)	(2,172)	119.9
Subcontracts	(9,584)	(8,457)	13.3	(3,273)	(2,846)	15.0
Bad Debt Provisions	(595)	(604)	(1.4)	(244)	(170)	43.5
Taxes	(983)	(913)	7.7	(371)	(321)	15.7
Other net operating income (expense)	234	218	7.0	105	73	42.9
Gain (loss) on sale of fixed assets	293	3,944	(92.6)	48	3,844	(98.7)
Impairment of goodwill and other assets	(5)	42	c.s.	(3)	5	c.s.
Operating income before D&A (OIBDA)	14,251	20,368	(30.0)	2,946	9,463	(68.9)
<i>OIBDA margin</i>	<i>30.5%</i>	<i>46.0%</i>	<i>(15.5p.p.)</i>	<i>18.7%</i>	<i>62.1%</i>	<i>(43.5p.p.)</i>
Depreciation and amortization	(7,554)	(6,744)	12.0	(2,598)	(2,295)	13.2
Operating income (OI)	6,696	13,624	(50.8)	348	7,167	(95.1)
Profit from associated companies	(506)	68	c.s.	29	(5)	c.s.
Net financial income (expense)	(2,045)	(1,974)	3.6	(880)	(719)	22.4
Income before taxes	4,145	11,718	(64.6)	(503)	6,443	(107.8)
Income taxes	(1,082)	(2,730)	(60.4)	189	(1,301)	(114.5)
Income from continuing operations	3,063	8,988	(65.9)	(315)	5,142	(106.1)
Income (Loss) from discontinued ops.						
Non-controlling interests	(330)	(153)	115.4	(114)	(83)	38.2
Net income	2,733	8,835	(69.1)	(429)	5,059	(108.5)
Weighted average number of ordinary shares outstanding during the period (millions)	4,519	4,526	(0.2)	4,508	4,514	(0.1)
Basic earnings per share (euros)	0.60	1.95	(69.0)	(0.10)	1.12	c.s.

Notes:

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HanseNet and Jajah have been included in T. Europe's consolidation perimeter since mid February 2010 and January 2010, respectively. The perimeter of consolidation of T. España includes Tuenti since August of 2010 and Acens Technologies since August 2011. The perimeter of consolidation of T. Latinoamérica includes 100% of Vivo since October 2010.

- *2011 T. Latinoamérica results include from the second quarter of the year and retroactively from January 1st, 2011, the full consolidation of TVA, company that was already part of Telefónica's perimeter since the fourth quarter of 2007.*
- *Telefónica International Wholesale Services (TIWS) and Telefónica North America (TNA) have been included in the consolidation perimeter of Telefónica Europe since 1st January 2011 (previously in the consolidation perimeter of Telefónica Latam). As a result, the results of Telefónica Europe and Telefónica Latinoamérica have been restated for the fiscal year 2010, to reflect the above mentioned new organization. Telefónica consolidated results for 2010 are not affected.*
- *OIBDA, OIBDA margin and OI of T. España include in the third quarter of 2011 the impact of 33 million euros from the sale of non-strategic assets and a workforce provision related to the Redundancy Program approved in Spain (2,591 million euros; 2,671 million euros at Group level). Additionally, in the third quarter of 2010 T.España results in reported terms were affected by the following: booking of the Universal Service in 2009 (56 million euros in revenues and 18 million euros in OIBDA), sale of application rights (52 million euros in revenues and also in OIBDA) and bad debts recovery (20 million euros in OIBDA). In T. Latinoamérica OIBDA, OIBDA margin and OI are affected by the positive impact from the revaluation of the previously-held stake in Vivo at its fair value at the date of the acquisition of the 50% in Brasilcel owned by Portugal Telecom (3,797 million euros in the third quarter of 2010), and in T. Europe include a capital gain of 61 million euros from the sale of Manx Telecom in the second quarter of 2010 and is affected by 202 million euros of restructuring costs in T. Germany in the third quarter of 2010.*
- *For the basic earnings per share calculation purposes, the weighted average number of ordinary shares outstanding during the period have been obtained applying IAS 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.*
- *2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.*

TELEFÓNICA
RESULTS BY REGIONAL BUSINESS UNITS

Unaudited figures (Euros in millions)

	REVENUES			OIBDA			OIBDA MARGIN		
	January - September			January - September			January - September		
	2011	2010	% Chg	2011	2010	% Chg	2011	2010	Chg
Telefónica España (1)(2)	13,058	14,042	(7.0)	3,316	6,670	(50.3)	25.4%	47.5%	(22.1p.p.)
Telefónica Latinoamérica (1)(2)(3)(4)	21,529	18,236	18.1	7,767	10,771	(27.9)	36.1%	59.1%	(23.0p.p.)
Telefónica Europe (1)(2)(4)	11,529	11,571	(0.4)	3,166	2,982	6.2	27.5%	25.8%	1.7p.p.
Other companies and eliminations	557	431	29.0	2	(55)	c.s.	n.m.	n.m.	n.m.
Telefónica (1)(2)(3)	46,672	44,280	5.4	14,251	20,368	(30.0)	30.5%	46.0%	(15.5p.p.)
	OPERATING INCOME			CAPEX			OpCF (OIBDA-CAPEX)		
	January - September			January - September			January - September		
	2011	2010	% Chg	2011	2010	% Chg	2011	2010	% Chg
Telefónica España (1)(2)(5)	1,741	5,192	(66.5)	2,090	1,293	61.7	1,226	5,377	(77.2)
Telefónica Latinoamérica (1)(2)(3)(4)(5)	4,202	7,970	(47.3)	3,214	3,239	(0.8)	4,553	7,532	(39.6)
Telefónica Europe (1)(2)(4)(5)	867	624	38.9	1,119	2,572	(56.5)	2,047	410	n.m.
Other companies and eliminations	(114)	(162)	c.s.	202	137	46.9	(200)	(193)	3.8
Telefónica (1)(2)(3)(5)	6,696	13,624	(50.8)	6,625	7,241	(8.5)	7,626	13,127	(41.9)

- (1) *HanseNet and Jajah have been included in T. Europe's consolidation perimeter since mid February 2010 and January 2010, respectively. The perimeter of consolidation of T. España includes Tuenti since August of 2010 and the perimeter of consolidation of T. Latinoamérica includes 100% of Vivo since October 2010.*
- (2) *OIBDA, OIBDA margin, OI and OpCF of T. España include in the third quarter of 2011 the impact of 33 million euros from the sale of non-strategic assets and a workforce provision related to the Redundancy Program approved in Spain (2,591 million euros; 2,671 million euros at Group level). Additionally, in the third quarter of 2010 T.España results in reported terms were affected by the following: booking of the Universal Service in 2009 (56 million euros in revenues and 18 million euros in OIBDA), sale of application rights (52 million euros in revenues and also in OIBDA) and bad debts recovery (20 million euros in OIBDA). In T. Latinoamérica OIBDA, OIBDA margin, OI and OpCF are affected by the positive impact of remeasuring the pre-existing stake in Vivo at the fair value at the date of the acquisition of the 50% in Brasilcel owned by Portugal Telecom (3,797 million euros of OIBDA in the third quarter of 2010), and in T. Europe include a capital gain of 61 million euros from the sale of Manx Telecom in the second quarter of 2010 and is affected by*

202 million euros of restructuring costs in T. Germany in the third quarter of 2010.

- (3) 2011 T. Latinoamérica results include from the second quarter of the year and retroactively from January 1st, 2011, the full consolidation of TVA, company that was already part of Telefónica s perimeter since the fourth quarter of 2007.*
- (4) Telefónica International Wholesale Services (TIWS) and Telefónica North America (TNA) have been included in the consolidation perimeter of Telefónica Europe since 1st January 2011 (previously in the consolidation perimeter of Telefónica Latam). As a result, the results of Telefónica Europe and Telefónica Latinoamérica have been restated for the fiscal year 2010, to reflect the above mentioned new organization. Telefónica consolidated results for 2010 are not affected.*
- (5) CapEx includes 423 million euros from the the spectrum acquired in Brasil (354) and Costa Rica (69)in the second quarter of 2011, and 669 million euros from the acquisition of spectrum in Spain in the third quarter of 2011. 2010 CapEx includes 1,379 million euros from the acquisition of spectrum in Germany in the second quarter of 2010 and 1,010 million euros from the acquisition of spectrum in Mexico in the third quarter of 2010.*

Notes:

- OIBDA and OI are presented before brand fees and management fees.*
- OIBDA margin calculated as OIBDA over revenues.*
- 2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.*

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TELEFÓNICA
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Unaudited figures (Euros in millions)

	September 2011	December 2010	% Chg
Non-current assets	104,867	108,721	(3.5)
Intangible assets	23,471	25,026	(6.2)
Goodwill	28,450	29,582	(3.8)
Property, plant and equipment and Investment properties	34,019	35,802	(5.0)
Non-current financial assets and investments in associates	12,585	12,618	(0.3)
Deferred tax assets	6,342	5,693	11.4
Current assets	20,423	21,054	(3.0)
Inventories	1,082	1,028	5.2
Trade and other receivables	11,728	12,426	(5.6)
Current tax receivable	1,740	1,331	30.7
Current financial assets	2,255	1,574	43.3
Cash and cash equivalents	3,354	4,220	(20.5)
Non-current assets classified as held for sale	265	475	(44.3)
Total Assets = Total Equity and Liabilities	125,290	129,775	(3.5)
Equity	23,166	31,684	(26.9)
Equity attributable to equity holders of the parent	17,939	24,452	(26.6)
Non-controlling interests	5,227	7,232	(27.7)
Non-current liabilities	69,344	64,599	7.3
Non-current financial debt	53,888	51,356	4.9
Deferred tax liabilities	6,136	6,074	1.0
Non-current provisions	7,204	4,865	48.1
Other non-current liabilities	2,116	2,304	(8.2)
Current liabilities	32,780	33,492	(2.1)
Current financial debt	7,289	9,744	(25.2)
Trade and other payables	8,532	9,314	(8.4)
Current tax payables	2,646	2,822	(6.2)
Current provisions and other liabilities	14,313	11,612	23.3
Financial Data			
Net financial Debt (1)	55,430	55,593	(0.3)

(1) *Figures in million euros. Includes: Long term financial debt + other long term liabilities (1,620) + Short term financial debt + short-term provisions and other liabilities (1,998) + trade and other payables (56) - non-current financial assets and investments in associates (3,755) - trade and other receivables (56) - temporary financial investment included in current financial assets - cash and cash equivalents.*

Note: 2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.

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TELEFÓNICA
 FREE CASH FLOW AND CHANGE IN DEBT
Unaudited figures (Euros in millions)

		January - September		
		2011	2010	% Chg
I	Cash flow from operations	15,028	14,978	0.3
II	Net interest payment (1)	(1,546)	(1,680)	
III	Payment for income tax	(1,457)	(1,660)	
A=I+II+III	Net cash provided by operating activities	12,025	11,638	3.3
B	Payment for investment in fixed and intangible assets (2)	(6,701)	(7,073)	
C=A+B	Net free cash flow after CapEx	5,324	4,565	16.6
D	Net Cash received from sale of Real Estate	19	27	
E	Net payment for financial investment	(1,368)	(5,197)	
F	Net payment for operations with minority shareholders and treasury stock (3)	(3,750)	(3,808)	
G=C+D+E+F	Free cash flow after dividends	225	(4,413)	c.s.
H	Effects of exchange rate changes on net financial debt	(529)	2,411	
I	Effects on net financial debt of changes in consolid. and others	590	4,129	
J	Net financial debt at beginning of period	55,593	43,551	
K=J-G+H+I	Net financial debt at end of period	55,430	54,504	1.7

- (1) *Including cash received from dividends paid by subsidiaries that are not fully consolidated.*
- (2) *Includes 490 million euros from the spectrum payments in Spain (356 million euros) and Latam (134 million euros).*
- (3) *Dividends paid by Telefónica S.A., operations with treasury stock and operations with minority shareholders from subsidiaries that are fully consolidated.*

-Note: 2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.

January September 2011 Results TELEFÓNICA

RECONCILIATIONS OF CASH FLOW AND OIBDA MINUS CAPEX

Unaudited figures (Euros in millions)

	January - September		
	2011	2010	% Chg
OIBDA	14,251	20,368	(30.0)
- CapEx accrued during the period	(6,625)	(7,241)	
- Payments related to cancellation of commitments	(609)	(612)	
- Net interest payment	(1,546)	(1,680)	
- Payment for tax	(1,457)	(1,660)	
- Results from the sale of fixed assets (1)	2,378	(3,944)	
- Investment In working capital and other deferred income and expenses	(1,068)	(666)	
= Net Free Cash Flow after CapEx	5,324	4,565	16.6
+ Net Cash received from sale of Real Estate	19	27	
- Net payment for financial investment	(1,368)	(5,197)	
- Net payment for operations with minority shareholders and treasury stock	(3,750)	(3,808)	
= Free Cash Flow after dividends	225	(4,413)	c.s.

Unaudited figures (Euros in millions)

	January - September		
	2011	2010	% Chg
Net Free Cash Flow after CapEx	5,324	4,565	16.6
+ Payments related to cancellation of commitments	609	612	
- Operations with minority shareholders	(232)	(68)	
= Free Cash Flow	5,701	5,110	11.6
Weighted average number of ordinary shares outstanding during the period (millions)	4,519	4,526	
= Free Cash Flow per share (euros)	1.26	1.13	11.7

(1) *Includes in 2011, 2,671 million euros from the workforce provision related to the Redundancy Program approved in Spain.*

Notes:

- *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 accommodate 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.

- *2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.*

NET FINANCIAL DEBT AND COMMITMENTS

Unaudited figures (Euros in millions)

	September 2011
Long-term debt (1)	55,508
Short term debt including current maturities (2)	9,342
Cash and cash equivalents	(3,354)
Short and Long-term financial investments (3)	(6,066)
A Net Financial Debt	55,430
Gross commitments related to workforce reduction (4)	3,133
Value of associated Long-term assets (5)	(864)
Taxes receivable (6)	(902)
B Net commitments related to workforce reduction	1,366
A + B Total Debt + Commitments	56,796
Net Financial Debt / OIBDA (7)	2.5x
Total Net Debt + Commitments/ OIBDA (7)	2.6x

(1) *Includes long-term financial debt and 1,620 million euros of other long-term debt .*

(2) *Includes short-term financial debt , 1,998 million euros of short-term provisions and other liabilities for the pending payment commitment with Portugal Telecom from the acquisition of Brasilcel and 56 million euros of trade and other payables from Rent to Rent operations of T. España.*

(3) *Includes Current financial assets , 3,755 million euros recorded under the caption of Non-current financial assets and investments in associates and 56 million euros of trade and other receivables from Rent to Rent operations of T. España.*

(4) *Mainly in Spain. This amount is detailed in the captions Long-term provisions and Short-term provisions and other liabilities of the Statement of Financial Position, 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 .*

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

(6) *Net present value of tax benefits arising from the future payments related to actual workforce reduction commitments.*

(7) *Calculated based on the last 12 months OIBDA, excluding results on the sale of fixed assets and adjusted by the provision on the firm commitments relating to the Telefónica Foundation s social activities and the workforce provision in Spain.*

-Note: 2011 reported figures include the hyperinflationary adjustments in Venezuela.

DEBT STRUCTURE BY CURRENCY

Unaudited figures

September 2011

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Debt structure by currency	EUR	LATAM	GBP	CZK	USD
	73%	15%	6%	3%	3%

CREDIT RATINGS

	Long-Term	Short-Term	Perspective	Date of last rating change
Moody ^{1s}	Baa1	P-2	Stable	07/29/2010
JCR ²	A	-	Stable	12/17/2008
S&P ¹	BBB+	A-2	Stable	8/11/2011
Fitch/IBCA ¹	BBB+	F-2	Stable	09/27/2011

(1) *The rating is issued by a credit rating agency established in the EU and registered under Regulation (EC) 1060/2009.*

(2) *The rating is issued by a third country credit rating agency that is certified in accordance with Regulation (EC) 1060/2009.*

TELEFÓNICA
EXCHANGES RATES APPLIED

	P&L and CapEx (1)		Statement of Financial Position (2)	
	Jan - Sept 2011	Jan - Sept 2010	September 2011	December 2010
USA (US Dollar/Euro)	1.406	1.313	1.350	1.336
United Kingdom (Sterling/Euro)	0.871	0.857	0.867	0.861
Argentina (Argentinean Peso/Euro)	5.746	5.113	5.678	5.313
Brazil (Brazilian Real/Euro)	2.294	2.336	2.504	2.226
Czech Republic (Czech Crown/Euro)	24.359	25.461	24.755	25.060
Chile (Chilean Peso/Euro)	666.769	682.515	704.533	625.356
Colombia (Colombian Peso/Euro)	2,562.545	2,500.438	2,604.743	2,557.460
Guatemala (Quetzal/Euro)	10.934	10.586	10.625	10.708
Mexico (Mexican Peso/Euro)	16.911	16.677	18.633	16.502
Nicaragua (Cordoba/Euro)	31.329	27.869	30.646	29.239
Peru (Peruvian Nuevo Sol/Euro)	3.892	3.716	3.745	3.754
Uruguay (Uruguayan Peso/Euro)	26.838	26.317	27.344	26.850
Venezuela (Bolivar Fuerte/Euro) (3)	5.806	5.869	5.806	5.746

(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/11 and 31/December/10.*

(3) *After considering Venezuela as an hyperinflationary country, P&L and CapEx from the operations in the country are to be accounted at the closing exchange rate Bolivar Fuerte/Euro.*

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RESULTS BY REGIONAL BUSINESS UNITS

Telefónica Latinoamérica¹

Latin America consolidates another quarter with a positive macroeconomic scenario, healthy growth rates and economic growth outpacing Europe and the US. Private consumption and foreign investment remained solid, consolidating their role as the main growth drivers in the region.

At the end of September 2011 Telefónica managed a total of 194.9 million accesses in Latin America, with growth accelerating versus prior quarters to 9% year-on-year. This evolution reflects the strong commercial activity in the quarter, with record customer net additions for a third quarter, setting the foundations for future growth.

Highlights of key trends in the **mobile business** in the first nine months of 2011 include:

Estimated penetration in Latin America stood at 106% (+11 percentage points year-on-year).

Telefónica's **mobile accesses** rose by 10% year-on-year to 159.8 million.

The Company's focus on **high-value customers** and **leadership in the development of mobile broadband** is reflected in the sharp rise in contract accesses (+20% year-on-year), which now account for over 21% of total accesses (+2 percentage points year-on-year), and mobile broadband accesses, which stand at 13.7 million (x2 year-on-year), representing 9% of total mobile accesses (5% in December 2010).

Thus, 41% of net additions in the first nine months of 2011 were contract accesses, while mobile broadband net additions reached 6.1 million (3.0 million in the quarter), leveraging the strong growth of smartphones.

Net additions in the quarter rose by 59% year-on-year, excluding the disconnection of 360 thousand inactive prepay customers in Chile, to 4.6 million accesses (10.9 million in the first nine months of the year), a new record for the third quarter. Net additions recorded a significant increase of 18% quarter-on-quarter.

Churn stood at 2.7% in the first nine months of the year, a slight year-on-year increase largely attributable to higher disconnections of inactive or lower value customers.

Managed **traffic** climbed 13% year-on-year through September, with growth accelerating in the third quarter (+16%).

Data revenues remain as a key growth driver and increased by 32% year-on-year in organic terms in the first nine months of 2011 (ramping-up to 34% in the third quarter), underpinned by the larger weight of mobile broadband customers. As a result, data revenues now account for 25% of mobile service revenues in the region, with a growing contribution from non-P2P data sales, which now represent 53% of total data revenues.

The positive performance of **ARPU** also confirms the differential focus of the Company on the quality of its customer base in the region. ARPU grew by 1.2% year-on-year in organic terms through September (+0.3% in the first half of 2011), despite the acceleration in customer growth. Outgoing ARPU organic growth was 2.4% in the nine-month period (+2.9% in the quarter).

Highlights from the **fixed business** include the following:

Telefónica managed 35.1 million **fixed-line accesses** in the region at the end of September 2011 (+2% year-on-year).

The focus on **bundling** and broadband is reflected in the fact that 71% of wireline accesses now have some kind of bundled services (+6 percentage points year-on-year), while 90% of broadband accesses have a 2P or 3P offer.

Organic growth: It assumes constant average exchange rates as of January-September 2010, and excludes changes in the perimeter of consolidation and hyperinflation accounting in Venezuela. In OIBDA terms, in January-September 2011 the positive impact from the partial reduction of our economic exposure to Portugal Telecom is excluded, as well as the results from the Costa Rica operation, and the revaluation of our pre-existing stake in VIVO accounted for in Q3 10 is excluded. Capex excludes investments in spectrum. 2011 Financial results and accesses include from the second quarter of the year and retroactively from January 1st, 2011, the full consolidation of TVA, company that was already part of Telefónica's perimeter since the fourth quarter of 2007.

January September 2011 Results TELEFÓNICA

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In **broadband**, the Company managed 8.1 million accesses (+13% year-on-year), after recording net additions of 692 thousand in the first nine months (273 thousand in the third quarter; +17% compared with the previous quarter).

The **Pay TV** customer base stood at 2.2 million, with net additions of 398 thousand accesses in the first nine months of the year (247 thousand excluding TVA), reflecting the success of the commercial repositioning undertaken. Net additions stood at 83 thousand in the third quarter, a five-fold increase compared with the same period in 2010.

Traditional fixed telephony accesses remained virtually unchanged year-on-year through September 2011 at 24.1 million (-1% year-on-year).

It should be noted that Telefónica Latinoamérica's reported year-on-year financial results reflect the full consolidation of Vivo from October 2010 (previously this company's results were proportionately consolidated). On the other hand, in the third quarter of 2010 3,797 million euros were booked arising from the positive impact of the revaluation of the previously held stake in Vivo at the date of acquisition of the 50% in Brasilcel owned by Portugal Telecom.

Also noteworthy, and negatively impacting year-on-year comparisons both in organic and reported terms, are the lower contribution from regional projects, (with a nil contribution in the first nine months of 2011 versus +153 million euros in revenues and OIBDA in the first nine months of 2010; +61 million euros in the third quarter 2010) and the impact booked in the third quarter of 2010 in Chile for the compensations received from insurance policies for the damage derived from the country's earthquake.

Revenues for the first nine months of 2011 totalled 21,529 million euros, registering a solid year-on-year reported growth of 18.1%, 4.9% in organic terms. Excluding Mexico, affected by the sharp reduction in termination rates, Telefónica Latinoamérica's revenue would rise by 20.7% in reported terms and by 6.1% in organic terms (similar to the growth reported in the first half of the year).

Revenue performance reflects the sustained acceleration in mobile service revenues, underpinned by the sharp rise in data revenues, and the consolidation of internet, TV and content revenues as a key growth driver at the fixed business. Brazil consolidated its role as the region's main market, accounting for 50% of revenues in the first nine months of the year. Similarly, Brazil is the main contributor to organic revenue growth (+2.6 percentage points). Telefónica's next-largest markets by revenue are Argentina (11%), Chile and Venezuela (8%), and Peru (7%).

Operating expenses totalled 14,180 million euros in the first nine months of 2011, up 7.7% year-on-year in organic terms (+21.8% reported) against a backdrop of significantly higher commercial activity than in the same period a year earlier to boost future revenue growth.

Supply expenses increased by 4.9% year-on-year in organic terms to September to 5,524 million euros, the result of higher commercial activity and the growth of new businesses. The increased commercial activity is reflected in the rise in handset costs, with higher weight of high end devices such as smartphones. The growth of new businesses impacts in the increase of expenses for content providers and in costs derived from the increase in network capacity.

Subcontract expenses amounted to 5,735 million euros, up 8.2% year-on-year in organic terms. This rise reflects the efforts to maintain high levels of quality, resulting in higher systems costs, and higher investment in customer care. Moreover, the higher commercial activity led to an increase in dealers commissions and marketing costs.

Personnel expenses totalled 1,956 million euros, up 14.3% year-on-year in organic terms, a consequence of the personnel internalization in Brazil and higher inflation in some markets in the region.

OIBDA amounted to 7,767 million euros in the first nine months of 2011, down 0.9% year-on-year in organic terms (-27.9% reported; +10.9% excluding the impact of the capital gain from the revaluation of the pre-existing stake in Vivo accounted in 2010, as well as the capital gain from the partial reduction of our economic exposure to Portugal Telecom in 2011).

The deceleration in OIBDA in the third quarter is due to the increased commercial focus on high value customers, the performance of the Mexican business and the lower contribution of regional projects and other one-off impacts.

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Among the latter ones is the sale of non strategic towers, totaling 74 million euros in the first nine months of 2011 versus 63 million in the same period last year (31 and 37 million euros, respectively, in the third quarter).

Thus, and despite the intense commercial activity in highly competitive markets, the Company maintained high efficiency ratios, with OIBDA margin reaching 36.1% in the first nine months (34.8% in the quarter).

CapEx in first nine months reached 3,214 million (+9.2% in organic terms; -0.8% reported). It should be noted that the year-on-year comparison is affected by the incorporation in the first nine months of 2011 of the cost of the spectrum granted in Brazil (354 million euros) and of the spectrum acquired in Costa Rica (69 million euros) compared with the 1,010 million euros on spectrum acquired in Mexico in 2010.

Operating cash flow amounted to 4,553 million euros, posting a year-on-year decrease of 5.8% in organic terms.

BRAZIL (year-on-year changes in organic terms)

The Brazilian telecommunications market continued to show great dynamism, showing high rates of growth driven by a favourable economic context and the acceleration in the adoption of new services. Against this backdrop, Telefónica continues to bolster its leadership of the market, especially in higher-value market segments requiring superior levels of service quality, leveraged in the strengths of an integrated position over a base of differential assets.

Telefónica managed 82.8 million **accesses** in Brazil at the end of September 2011, with year-on-year growth accelerating in the quarter to 13%, mainly due to outstanding performances in both mobile business (+16% year-on-year) and fixed broadband business (+14% year-on-year).

The higher access growth with respect to previous quarters was primarily due to mobile accesses, following three months of intense commercial activity with a clear focus on higher-value segments. Net additions of mobile accesses during the quarter totalled 3.0 million, an all-time high for the Company in a third quarter (+72% year-on-year; +50% versus the previous quarter).

This robust commercial activity reflects the strong focus during the quarter on bolstering the offer of services for existing products, and also the launch of new products and services. Among new offers of existing services were prepaid recharges campaigns for local and long-distance services. New products and services feature the launch of the push-to-talk offer (Vivo Direto), which registered net additions during its first quarter similar to the total added by competitors. This commercial strengthening continued during the fourth quarter with the launch of a fixed wireless technology service for 31 new cities in Brazil, new convergent fixed-mobile services and a reinforce commercial campaigns in the northeast and north of the country with the introduction of the network in 1,800 MHz.

It should be noted that reported year-on-year financial results reflect the full consolidation of Vivo from October 2010 (previously this company's results were proportionately consolidated). Similarly, as of June 2011 and retroactively to 1 January this year, TVA has been fully consolidated and has contributed 151,000 pay TV accesses, revenues of 61 million euros and 15 million euros in OIBDA in the first nine months of 2011.

Telefónica's **revenues** in Brazil stood at 10,725 million euros in the first nine months, a year-on-year increase of 5.4%, reflecting the steady acceleration of mobile service revenues and the virtually stable performance in fixed-service revenues. Revenues rose by 3.5% year-on-year in the quarter.

Operating expenses increased by 5.5% year-on-year in the first nine months of 2011, mainly due to the rise in subcontract expenses (+7.2% year-on-year) driven by the more intense commercial activity in the mobile business and higher maintenance and customer care costs. Personnel expenses were also up by 19.4% year-on-year, as a result of staff increases partially due to the in-sourcing processes implemented in 2010 and to the salary revision that took place in the third quarter. Supply expenses were stable year-on-year, since lower interconnection costs were offset by higher costs on roaming and on content providers.

OIBDA for the first nine months reached 3,896 million euros, a strong year-on-year increase of 7.8%, maintaining the Company's solid operating efficiency, with an OIBDA margin of 36.3% (+0.8 percentage point year-on-year), despite greater commercial activity. The margin for the quarter reflected the intense commercial activity and stood at 34.3%.

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CapEx totalled 1,652 million euros (+32.5% year-on-year), of which 354 million euros were related to the spectrum awarded in 2010. Excluding the spectrum, the CapEx increase would have been 4.1% year-on-year. Particularly noteworthy is the continuation of efforts to increase the coverage of a 3G network which already provides service to 1,557 locations, the equivalent of 75% of the population of Brazil, well ahead of the competition. The Company also continued to roll out its fibre optic network on a selective basis in Sao Paulo.

Finally, **operating cash flow** stood at 2,245 million euros (-5.3% year-on-year), impacted by the spectrum purchase. Excluding spectrum acquisition, operating cash flow growth would have been risen by 9.8% year-on-year.

Commercial activity and revenue performance by business unit

Wireless business

Estimated penetration of the Brazilian wireless market stood at 116% at the end of September 2011, up 17 percentage points year-on-year.

During the third quarter of the year, Telefónica Brazil intensified the rhythm of growth in new accesses, with a year-on-year increase in net additions of 72% to almost 3 million customers (+50% quarter-on quarter). At the end of September, the Company managed 67 million **accesses** (+16% year-on-year), after posting net additions of 6.7 million accesses since the beginning of the year. The Company has led market growth over the last twelve months, resulting in a market share of 29.5%, but constantly expanding its share in higher-value segments, reaching 37% in the contract segment and 43% in mobile broadband, which is a clear indicator of the advantages in network quality and coverage.

One particularly noteworthy feature was the composition of net additions in the first nine months of the year, with the contract segment accounting for 40% of the total. At the same time, the Company focus on new services was reflected in its efforts to foster the adoption of smartphones. This brought the contract customer base up by 27% year-on-year to 23% of the total, whereas mobile broadband penetration reached 9%, doubling last year figure.

Against a backdrop of intense competition, **churn** was 2.8% at the end of September 2011 (2.9% for the quarter), and almost flat year-on-year (+0.1 percentage point).

The **traffic** managed showed a year-on-year increase of 19% during the first nine months of 2011, and continued accelerating during the quarter (+23% year-on-year), with growth outstripping that of the customer base, thanks to higher on-net and long-distance traffic derived from the Company's new offers.

The increased traffic, the higher proportion of high-value customers and substantial growth in data revenues led to positive trend in ARPU, which rose by 3.0% year-on-year in the quarter and by 0.5% in the first nine months of the year, despite strong growth in the customer base.

Once again, the growth of **revenues** accelerated with respect to previous quarters, showing a year-on-year increase of 14.8% (+16.7% in the quarter) to stand at 6,663 million euros over the first nine months of 2011. It is worth to highlight the growth of mobile service revenue in the first nine months of the year posting an increase of 16.5% year-on-year, after accelerating in the quarter (+19.5% year-on-year).

The data business consolidates its role as one of the Company's key growth drivers, with a year-on-year revenue increase of 43% in the first nine months to account for 22% of mobile service revenues (+4 percentage points year-on-year for both the quarter and the first nine months). Revenues from non-P2P SMS data represent 63% of total data revenues, pointing to a outstanding performance by mobile broadband business, where the Company clearly leads the sector leveraged on the competitive advantage of having the market's best network.

Wireline business

Telefónica managed 15.7 million **accesses** in Brazil (+1% year-on-year) by the end of the third quarter of 2011.

Accesses in traditional wireline business stood at 11.1 million at the end of September (-2% year-on-year), continuing the downward trend in line losses which started the previous quarter (-40 thousand accesses in the course of the third quarter and -206 thousand accesses year to date).

In terms of broadband business, accesses increased year-on-year by 14% to 3.6 million at the end of September 2011, accounting for 32% of the Company's wireline accesses (+4 percentage points year-on-year). Net additions in the quarter were 81 thousand accesses, against a backdrop of increasing competition.

The Company managed 693 thousand pay TV accesses at the end of September 2011 (+49% year-on-year), including TVA accesses (151 thousand customers). Net additions in the first nine months of the year were 56 thousand accesses (excluding the TVA addition) and 11 thousand accesses in the quarter (vs. a net loss during the same quarter in 2010).

Revenue over the first nine months of 2011 stood at 5,440 million euros, a year-on-year increase of 5.0%, mainly due to the improvement in the traditional business and the growth of revenues from new business.

Traditional wireline telephony revenues increased by 1.1% year-on-year (+2.9% on the quarter), driven mainly by growth in the SMP service to offset a reduction in other traffic. Meanwhile, revenues from Internet, pay TV and content posted noteworthy gains as they continued to boost their share of total revenues to 20%, excluding sales on SMP traffic over the first nine months of the year and continue increasing its contribution to revenues.

ARGENTINA (year-on-year changes in local currency)

Telefónica Argentina remained focused on customer value as its main growth lever, concentrating in particular on a fixed and mobile broadband differential offer.

The Company managed 22.6 million **accesses** at the end of September 2011, a similar figure to the same period in 2010, with a particularly good performance in fixed broadband accesses, a positive evolution in the mobile business and stable traditional wireline accesses.

Revenues stood at 2,305 million euros for the first nine months of 2011, with a year-on-year increase of 15.2% (+13.3% in the third quarter), virtually in line with previous quarters, despite the non-recurrent impact booked in the third quarter of 2010. Excluding this effect, revenues in the third quarter rose by 15.0% year-on-year (+15.8% year-on-year up to September).

Operating expenses rose by 19.6% year-on-year to reach 1,534 million euros, contained versus the growth recorded in the first half of 2011. This year-on-year performance is explained by a general increase on prices that entailed higher personnel expenses and higher subcontracts expenses, and by the rise in mobile traffic, leading to higher interconnection and roaming costs.

OIBDA stood at 782 million euros, a year-on-year increase of 7.9% (+4.0% in the third quarter), while the OIBDA margin was 33.1% (-2.1 percentage point year-on-year). Stripping out the non-recurrent effect booked in the third quarter of 2010, OIBDA would have increased by 9.5% up to September (+8.2% in the third quarter).

Operating cash flow reached 509 million euros (-2.1% year-on-year), following an increase in CapEx to 273 million euros (+33.1% year-on-year), reflecting a focus on deployment and improvement in terms of coverage and quality of broadband services.

Commercial activity and revenue performance by business unit

Wireless business

The estimated penetration rate in Argentina's mobile market stood at 133% by the end of September 2011, a year-on-year increase of 6 percentage points.

Telefónica Argentina managed 16.4 million mobile **accesses** at the end of the third quarter of 2011, virtually stable year-on-year, following net additions in the first nine months of the year of 253 thousand accesses (49 thousand in the quarter). Particularly noteworthy was the performance of the contract segment, showing a 9% increase year-on-year and already accounting for 37% of total accesses, following net additions of 321 thousand accesses in the nine months.

Churn in the first nine months of 2011 stood at 2.6% (+0.6 percentage point year-on-year), with a positive performance in the contract churn and the increase in prepay churn associated with low-value customers.

The **traffic** continued its positive trend and rose 8% year-on-year, both in the course of the first nine months of the year and also during the quarter.

ARPU posted a solid performance, and in the third quarter accelerated its year-on-year growth (+20.4% in the third quarter; +17.5% to September) on the back of outgoing ARPU, which grew by 23.5% year-on-year in the third quarter (+20.5% year-on-year up to September).

Revenues amounted to 1,473 million euros, with a year-on-year increase of 15.5%, remaining stable with respect to the first six months of the year. This positive trend reflects the good performance in mobile service revenue (+14.1% year-on-year up to September; +14.9% in the third quarter) and handset sales (+35.0% year-on-year; +23.1% in the quarter), stemming from higher commercial activity associated with the Company's focus on capturing and retaining high-value customers.

Data revenues showed a solid year-on-year increase of 27.2% in the first nine months of 2011, and accelerated in the third quarter (+30.6% year-on-year) to account for 40% of mobile service revenues in the third quarter (+5 percentage points year-on-year).

Wireline business

Telefónica Argentina managed 6.2 million fixed **accesses** by the end of September 2011, a year-on-year increase of 2%.

Broadband accesses totalled 1.6 million, a year-on-year increase of 13%, continuing the gradual improvement in additions along the year, with 54 thousand net additions in the third quarter (128 thousand to September). Telefónica continues to consolidate its competitive position in the market, leveraging its high quality levels and the excellence of its service, as showed by its low churn rate.

The number of **traditional telephony accesses** stood at 4.6 million at the end of September 2011, stable year-on-year (-0.1%). The Company continues to prioritise bundling, and 74% of accesses now include some type of services bundling (+2 percentage points year-on-year).

Revenues totalled 907 million euros for the first nine months of 2011, a year-on-year increase of 15.3% (+10.5% in the third quarter), being the third quarter year-on-year comparison affected by the non-recurrent revenue booked in the third quarter of 2010. Excluding this effect, revenues would have increased by 16.9% year-on-year in the third quarter (+14.9% to September). It is noteworthy the strong increase in Internet and content revenue (+31.0% year-on-year to September), and also from data, IT and capacity rental revenues (+15.5% year-on-year), still the main growth drivers of revenues, together accounting for 44% of revenues (+3 percentage points year-on-year).

CHILE (year-on-year changes in local currency)

Telefónica, operating under the Movistar brand, remained as the market leader in Chile, consolidating its competitive advantage with integrated and global unique offers.

Telefónica managed 12.3 million **accesses** in Chile at the end of September 2011, a year-on-year increase of 8%, with year-on-year comparisons affected by the disconnection of 360 thousand inactive prepaid mobile accesses in the third quarter. Also noteworthy is the strong performance of fixed broadband and pay TV accesses against a backdrop of high competition.

Revenues stood at 1,718 million euros for the first nine months of 2011, up 6.1% year-on-year (+5.5% in the third quarter), reflecting the stability of the fixed business and the good performance of mobile revenues.

Operating expenses totalled 981 million euros in the first nine months of 2011, a year-on-year increase of 6.0%. This trend was explained by higher supplies (+17.8% year-on-year) as a result of increased commercial activity in the mobile business, higher content costs and growth in interconnection traffic. However, other expenses fell by 0.7% year-on-year thanks to the Company's efficiency measures.

OIBDA stood at 764 million euros with growth of 3.9% versus the first nine months of 2010, leaving the OIBDA margin at 44.5% (-0.9 percentage points year-on-year). In the third quarter OIBDA fell by 3.7% year-on-year due to the book in the third quarter of 2010 of part of the collection of insurance claims associated with the earthquake that shook Chile in February 2010 and the impact of the disposal of non-core towers (13 million euros in 2010; 11 million euros in 2011).

Operating cash flow reached 436 million euros (-9.3% year-on-year) on an increase of 28.9% y-o-y in **CapEx**, which totalled 328 million euros in the first nine months of 2011.

Commercial activity and revenue performance by business unit

Wireless business

Estimated penetration of the Chilean mobile market stood at 134% at the end of September 2011 (+17 percentage points year-on-year).

The Company managed 9.1 million mobile **accesses** at the end of September 2011 (+10% year-on-year), with net additions of 332 thousand accesses since the beginning of the year, despite the disconnection of 360 thousand inactive prepay accesses in the third quarter of 2011. It is worth highlighting the solid performance of contract accesses, with a 13% year-on-year increase.

Traffic managed through September increased by 3.9% year-on-year (+0.5% in the third quarter).

ARPU fell by 4.9% year-on-year due to the lower prepay ARPU, which the positive performance of the contract segment failed to offset. Nonetheless, the third quarter showed a better performance (-4.1% year-on-year; +2.7% quarter-on-quarter) thanks to a better trend in outgoing ARPU in both segments.

Revenue for the first nine months of 2011 totalled 1,038 million euros, showing solid year-on-year growth of 11.4% (+10.0% in the quarter), fostered by the strong increase in mobile service revenue (+10.4% in the first nine months; +8.6% in the third quarter).

Data revenue showed a strong dynamism, jumping 40.1% year-on-year in the first nine months of 2011 (+35.8% in the quarter), accounting for 19% of mobile service revenue (+4 percentage points year-on-year). It is important to note that non-P2P SMS revenue accounted for 72% of data revenue (+8 percentage points year-on-year).

Wireline business

Telefónica managed 3.1 million fixed **accesses** at the end of September 2011, with a year-on-year increase of 1%. The Company's strategy is focused on enhancing customer value as a key growth lever, and almost all accesses are associated with a service bundled offer.

Broadband accesses consolidated its positive trend in the quarter and stood at 865 thousand at the end of the first nine months of 2011 (+6% year-on-year), following net additions of 43 thousand accesses in the nine month period (+21 thousand accesses in the third quarter), significantly higher than a year ago (+34% through September; +2% in the quarter).

Pay TV accesses stood at 381 thousand, up 18% year-on-year, with net additions of 40 thousand accesses in the nine-month period. Telefónica continues developing a TV service that takes into account the differentiated profiles of its customers and continues improving its offer with high-definition channels and the launch of a prepay TV service.

Traditional fixed accesses stood at 1.9 million, down 4% year-on-year, with a slightly lower line loss than in the same period of 2010 thanks to the stabilisation of gross additions and churn.

Revenue stood at 774 million euros for the first nine months of 2011, a slight year-on-year growth of 0.8%, with acceleration in the quarter (+1.1% year-on-year) compared with previous months. This evolution reflects the Company's transformation strategy, with higher Internet, TV and content revenues (+11.2% year-on-year; +9.8% in the quarter) and from data, IT and capacity rental revenues (+10.9% year-on-year; +13.1% in the quarter), accounting both for 47% of fixed business revenue in the first nine months of the year (+4 percentage points year-on-year). The good evolution in these services offset lower revenue from the traditional business (-6.9% year-on-year through September; -6.7% in the quarter).

PERÚ (year-on-year changes in local currency)

The telecommunications market in Peru maintains its high growth potential and keeps showing solid growth. Against this backdrop Telefónica maintains its position as market leader, managing a total of 18.2 million **accesses** at the end of September 2011 (+10% year-on-year).

Particularly noteworthy are the growth in mobile accesses (+11% year-on-year), the accelerating growth in the TV business (+9% year-on-year), and the increase in fixed broadband accesses (+26% year-on-year). It is also important to highlight the fact that the traditional wireline business registered positive net additions after 2 years of access losses.

Revenue totalled 1,480 million euros for the first nine months of 2011, a year-on-year increase of 5.7% (+6.8% in the quarter), thereby consolidating the growth trend registered in previous quarters, boosted by the positive performance of mobile service revenues (+11.8% year-on-year through to September).

Operating expenses stood at 950 million euros (+8.5% year-on-year), largely driven by the strong increase in commercial activity, both fixed and mobile, which resulted in higher subcontract expenses (+10.1% year-on-year) and increased supply costs (+10.8% year-on-year). Personnel expenses remained under control, posting a 3.4% year-on-year growth.

OIBDA totalled 558 million euros in the first nine months of 2011 (-2.2% year-on-year; -12.7% in the quarter), year-on-year comparison is affected by the sale of non-strategic towers in 2010 (19 million euros). Excluding this impact, OIBDA would have been up on the year. **OIBDA margin** stood at 37.7% for the first nine months (-3.1 percentage points year-on-year) and at 37.8% in the third quarter.

CapEx totalled 171 million euros, registering a year-on-year growth of 2.0%. This left **operating cash flow** at 387 million euros (-3.9% year-on-year).

Commercial activity and revenue performance by business unit

Wireless business

Peru's estimated mobile market penetration at the end of the first nine months of 2011 was 75% (+10 percentage points year-on-year).

Telefónica managed 13.5 million mobile **accesses** in Peru by the end of September 2011 (+11% year-on-year), accelerating the growth versus previous quarters, thanks to the sound performance of the contract segment (+24% year-on-year), which now accounts for 21% of total accesses. Net additions in the third quarter registered their biggest gain in the last three years, totalling 586 thousand accesses (1 million year to date), thanks to the significant increase in gross additions (+20.6% year-on-year).

During the first nine months of the year, the **churn** rate stood at 3.2% (+0.2 percentage points year-on-year), and at 3.1% (+0.3 percentage points year-on-year) for the quarter.

Traffic increased 27% year-on-year through to September (+30% in the quarter), thanks to the positive performance of outgoing traffic.

In the first nine months, **ARPU** rose 1.9% year-on-year (+2.1% year-on-year in the quarter), consolidating the growth registered in previous quarters, due to the good performance of outgoing ARPU (+4.0% year-on-year during the first 9 months).

Revenue totalled 788 million euros over the first nine months of 2011 (+12.4% year-on-year; +13.3% in the third quarter), reflecting the good performance of mobile service revenues (+11.8% year-on-year in the first nine months; +13.3% in the quarter).

It is noteworthy to mention the positive evolution of data revenue, which rose 39.0% year-on-year (+27.1% in the quarter), thanks to a 57.1% increase in non-P2P SMS revenue (+41.2% in the quarter), which now accounts for 64% of data revenues.

Wireline business²

Telefónica managed a total of 4.7 million fixed accesses in Peru at the end of September 2011, with year-on-year growth of 5%.

Traditional wireline accesses totaled 2.9 million at the end of September (-1% year-on-year), registering a change in trend during the third quarter with net additions of 13 thousand accesses.

Broadband accesses totalled more than 1 million at the end of September (+26% year-on-year), accelerating their growth rate compared with previous quarters (+18% at the end of June 2011), and consolidating as the main driver behind the growth in the wireline business. It is worth underlining the 190 thousand net additions since the beginning of the year (66 thousand in the third quarter). This positive trend reflects the effectiveness of the Company's commercial offer and churn control, which remained practically stable year-on-year.

The Company's **pay TV accesses** had a good quarter performance, accelerating the pace of their year-on-year growth with net additions of 37 thousand accesses (82 thousand through to September) to total 773 thousand accesses (+9% year-on-year).

² Fixed-line phone accesses include all Telefónica's fixed accesses in Peru, both those managed by the fixed wireless business and those managed by the mobile business. However, earnings from fixed wireless accesses are

included in the results of the Peruvian mobile business.

At the end of September 2011, 61% of traditional phone accesses were bundled (+8 percentage points year-on-year), and 77% of fixed broadband accesses were marketed under a Dúo or Trío package (+6 p.p. year-on-year), thereby consolidating service bundling as one of the key features behind Telefónica's success in Peru.

Revenue amounted to 786 million euros during the first nine months of 2011 (-1.1% year-on-year; -0.4% in the third quarter), affected by lower revenues from traditional business (impacted by regulatory measures), that were not offset by higher Internet, TV and content revenues (+8.3% year-on-year growth) and higher data, IT and capacity rental revenues (+12.4% year-on-year). Revenues from Internet, TV, data and IT now account for more than half of the Company's total revenues in Peru.

COLOMBIA (year-on-year changes in local currency)

At the end of September 2011, Telefónica managed 13.1 million **accesses** in Colombia, a year-on-year increase of 8%, doubling the growth rate posted in the previous quarter, thanks to accelerating growth in mobile accesses (+10% year-on-year), the sharp increase in fixed broadband (+15% year-on-year) and pay TV (+33% year-on-year) accesses.

Revenue totalled 1,160 million euros in the first nine months of 2011 (+4.9% year-on-year and 5.0% in the quarter), thus consolidating the positive trend registered in previous quarters, underpinned by the strong performance of mobile revenue.

Operating expenses increased by 5.5% year-on-year in the first nine months to 839 million euros. This growth was mainly due to higher supply costs (+14.3% year-on-year) arising from the dynamism of the market that boosts fixed and mobile broadband services, higher interconnection and infrastructure rental costs. Taxes rose by 18.7% impacted by the recent fiscal reform. The rest of OpEx fell year-on-year (-2.6% personnel expenses; -0.3% subcontract expenses), reflecting the Company's efforts to maximise efficiency.

Hence, **OIBDA** stood at 385 million euros for the first nine months, virtually stable year-on-year (-0.5%; -5.1% in the quarter), affected by the increase in commercial activity during the quarter and the disposal of non-core towers in 2010 (31 million euros) and 2011 (17 million euros). OIBDA margin in the first nine months stood at 33.2% (-1.8 percentage points year-on-year) and at 35.0% in the third quarter (-3.4 percentage points year-on-year).

CapEx in the first nine months of the year totalled 214 million euros (+6.4% year-on-year). As a result, **operating cash flow** declined 8.0% year-on-year to 172 million euros.

Commercial activity and revenue performance by business unit

Wireless business

Penetration of Colombia's mobile market was estimated at 105% at the end of September 2011, a year-on-year increase of 11 percentage points.

Telefónica managed 10.7 million mobile **accesses**, with year-on-year growth accelerating to 10%. It is worth to highlight the uptake in the third quarter of net additions, totalling 751 thousand accesses (695 thousand in the year to date), a four-fold increase compared with the third quarter of 2010. In addition, the contract segment also performed well, posting a 21% year-on-year growth, as did mobile broadband, which further consolidated its position as one of the Company's key growth drivers.

The **churn** rate fell by 1.6 percentage points year-on-year in the quarter to 1.9% and stood at 3.1% in the year to date (-0.3 percentage points year-on-year).

Traffic rose by 13% year-on-year in the first nine months of the year (+14% in the quarter) thanks to a 15% rise in outgoing traffic (+17% in the quarter).

ARPU remained strong, growing 1.0% in the first nine months of the year (+1.8% in the quarter), thanks to the strength of outgoing ARPU, which grew by 3.9% in the first nine months (+4.9% in the quarter).

Revenue stood at 678 million euros at the end of September 2011 (+8.7% year-on-year; +7.9% in the quarter), reflecting the good performance of mobile service revenues (+8.1% year-on-year; +8.2% in the quarter) and handset sales (+18.3% year-on-year; +4.6% in the quarter).

Data revenue further consolidated its role as a growth lever, rising by 57.5% year-on-year, (+52.7% in the quarter) to account for 22% of mobile service revenues (+7 percentage points year-on-year). Noteworthy that non-P2P SMS data revenue performed especially well, posting growth of 71.5% during the first nine months of the year (+61.5% year-on-year in the third quarter) and accounting for 87% of data revenue (+7 percentage points year-on-year).

Wireline business

Telefónica managed 2.4 million fixed accesses at the end of September 2011 (+1.6% year-on-year), after registering 35 thousand net additions (17 thousand in the quarter).

The Company's **broadband accesses** totalled 607 thousand at the end of September 2011 (+15% year-on-year) after registering net additions of 59 thousand accesses (19 thousand in the quarter), despite the fierce level of competition in the market.

At the end of the first nine months of 2011, **pay TV accesses** maintained their growth trend and totalled 246 thousand (+33% year-on-year), with robust net additions of 18 thousand accesses in the third quarter (41 thousand in the first nine months).

In the **traditional business**, the Company managed 1.5 million accesses (-6.3% year-on-year) at the end of September 2011.

One of the major focuses of the Company's strategy is bundling of different services. 77% of fixed-line accesses were bundled at the end of September 2011 and all broadband accesses were marketed as part of either a Dúo or Trío package.

Revenue stood at 509 million euros in the first nine months, virtually stable year-on-year (-0.3% year-on-year; -0.2% in the quarter). Internet, TV and content revenues increased by 16% year-on-year during the nine-month period (+12% in the third quarter of 2011), and now account for 26% of total wireline revenues (+4 percentage points year-on-year). Data, IT and capacity rental revenues rose by 3.0% year-on-year during the first nine months (+6.9% in the quarter). Traditional services revenues decreased 9.0% year-on-year in the first nine months (-9.3% in the quarter).

MEXICO (year-on-year changes in local currency)

The estimated penetration rate in the Mexican mobile market reached 86% by the end of September 2011, a year-on-year increase of 6 percentage points.

Telefónica Mexico's nine-month operating and financial performance is driven by the commercial repositioning carried out since the second half of 2010, which is now also being adapted to the new interconnection framework introduced in the second quarter of 2011, which led to a 61% nominal reduction in mobile termination rates. Additionally, the higher commercial activity compared with 2010, and the push to roll out 3G coverage following the acquisition of spectrum last year led to higher operating expenses.

On the commercial front, the Company has redesigned its tariff plan, strengthening its focus on all destiny tariffs, in order to take advantages of the lower termination rates in the medium term, not only to reinforce its position in an increasingly competitive mobile market but also in order to accelerate the capture of wireline business value. Meanwhile, and from the third quarter, the Company introduced more restrictive criteria for both gross additions and disconnections, in order to improve the quality of the customer base.

By the end of September 2011, Telefónica Móviles México managed 21.2 million **accesses** (+10% year-on-year growth). Mobile accesses stood at 20.5 million (+9% year-on-year). Net additions over the first nine months of 2011 reached 854 thousand accesses, following a net loss of 51 thousand accesses during the third quarter due to the increased number of disconnections in the prepaid segment relating to low-value customers.

The focus on high-value customers is reflected in the positive performance of the contract segment, that recorded a 21% year-on-year growth and net additions of 148 thousand accesses in the quarter (+24% year-on-year). Moreover, there was an acceleration in the growth rate of mobile broadband accesses which, by the end of September, quadrupled the number of accesses a year earlier.

The **churn** rate for the first nine months of 2011 stood at 2.6% (+0.4 percentage points year-on-year), reflecting higher prepaid disconnections recorded in the third quarter. The contract churn rate continued to show a positive performance at 1.0% both for the quarter and for the first nine months.

As a result, Telefónica Móviles México achieved an estimated 22% of mobile market share (+0.3 percentage points year-on-year).

Traffic consolidated the positive trend seen over the last few quarters, and the growth rate accelerated to 11% year-on-year in the third quarter (+1% in the first nine months), driven by the positive performance in outgoing traffic, where growth rose to 22% year-on-year in the quarter (+7% in the first nine months).

ARPU evolution reflected the negative impact of the cut in termination rates, declining 22.3% year-on-year in the first nine months of 2011 and improving slightly in the third quarter (-21.0%). Outgoing ARPU consolidated its gradual improvement, increasing 1.3% quarter-on-quarter, though decreased 8.2% year-on-year in the quarter (-14.1% in the first nine months).

Revenues totalled 1,184 million euros in the first nine months of 2011, with a slowdown in the year-on-year decrease versus the previous quarter (-11.7% year-on-year in the third quarter; -15.2% in the second; -12.6% year-to-date), impacted by the sharp reduction in mobile termination rates (74 million euros impact on revenues) and the lower revenues in the prepay segment, which nevertheless performed better than in previous quarters.

On the positive side, it is worth highlighting the higher revenues in the contract segment and the upbeat performance from data revenue, which recorded 18.9% year-on-year growth in the third quarter (+10.0% through to September 2011) and accounted for 30% of mobile service revenue in the quarter, with year-on-year growth of 8 percentage points (28% through to September). Non-P2P SMS revenue was the main driver behind this upbeat performance, and was 2.4 times higher than in the third quarter of 2010 (2.2x higher in the nine months). It is also important to note the return to growth in outgoing revenue in the third quarter (+2.2% year-on-year).

Excluding the impact of lower termination rates, revenues would have declined 2.4% year-on-year in the quarter (-7.1% year-on-year through to September).

OIBDA totalled 298 million euros in the first nine months of the year (-36.3% year-on-year; -46.6% year-on-year in the third quarter) and includes the impact from the sale of non-strategic towers (23 million euros). The negative year-on-year evolution was caused by the higher expenses driven by the commercial push and the deployment of the 3G network, and also by the negative impact of the reduction in termination rates (33 million euros through to September); all this against a backdrop of intense pressure on revenues. OIBDA margin stood at 25.1% (21.5% for the quarter).

CapEx totalled 201 million euros through to September (-83.1% year-on-year; +10.1% excluding the spectrum acquisition made in 2010), reflecting the investment effort to roll out 3G coverage. As a result, **operating cash flow** reached 96 million euros (-65.7% year-on-year excluding the spectrum).

VENEZUELA (year-on-year changes in organic terms)

Venezuela's estimated mobile market penetration at the end of September 2011 was 97% (-6 percentage points year-on-year).

Telefónica Móviles Venezuela continued to focus its strategy on innovation and maximizing customer value as the main cornerstone for strengthening its leadership position, with a services portfolio that is a market benchmark.

At the end of September 2011, Telefónica managed 10.2 million **accesses** in Venezuela (10.9 million in September 2010). Mobile accesses totalled 9.2 million, down 6% year-on-year due to lower prepay accesses and despite the positive performance in the contract segment, with a 20% year-on-year growth.

The mobile **churn** rate stood at 2.5% in the third quarter (-0.2 percentage points year-on-year), consolidating its gradual downward trend (2.8% for the nine months), while contract churn, a market benchmark, stood at 0.7% at the end of September.

There was an acceleration in year-on-year **traffic** growth, increasing by 5.4% in the third quarter (+1.0% over the first nine months of the year), despite the lower customer base.

The Company's strategy to maximize customer value was reflected in the **ARPU** evolution, which rose by 25.2% year-on-year (+23.4% in the quarter), boosted by the strong growth in data ARPU.

Thus, **revenue** in the first nine months of 2011 reached 1,827 million euros, a year-on-year increase of 10.8%, showing an acceleration in the third quarter (+12.2% year-on-year), thanks to the positive performance in mobile service revenue which rose by 12.4% year-on-year in the third quarter (+11.5% in the first nine months of the year).

Data revenues remained as the main growth driver, with a 22.8% year-on-year increase to September (+23.3% in the third quarter), and now account for 36% of mobile service revenue (+3 percentage points year-on-year).

January September 2011 Results TELEFÓNICA

OIBDA stood at 807 million euros for the first nine months of the year, up 5.0% year-on-year (+4.3% year-on-year in the quarter). Thus, the Company's OIBDA margin stood at 44.2% (-2.6 percentage points year-on-year) following a third quarter margin of 45.5%, with continued high levels of efficiency in an environment of widespread increase in prices that translated into higher personnel expenses and higher subcontract expenses.

CapEx stood at 210 million euros for the first nine months of 2011 (+22.3% year-on-year), and **operating cash flow** totalled 597 million euros, a slight increase of 0.4% year-on-year.

CENTRAL AMERICA (year-on-year changes in organic terms)³

Estimated mobile penetration in Telefónica's Central American markets stood at 104% by the end of September 2011 (+9 percentage points year-on-year).

At the end of September 2011, Telefónica managed a total of 7.5 million **accesses** (+14% year-on-year) in these markets. Mobile accesses totalled 7 million (+14% year-on-year), maintaining the trend of accelerating growth recorded in recent quarters.

Mobile net additions maintained the high levels of previous quarter, reaching 614 thousand accesses since the start of the year, with a 71% year-on-year growth (+73% in the quarter). This reflects higher commercial activity, especially in the third quarter, when record levels of gross additions were achieved (+19% year-on-year).

Churn decreased both in the quarter (2.7%; -0.2 percentage points year-on-year) and over the first nine months (2.6%; -0.1 percentage points year-on-year).

In the first nine months of 2011, **revenue** totalled 394 million euros (+0.9% year-on-year; +3.5% in the quarter), consolidating the turnaround reported in the second quarter. This improvement is driven by the increase in mobile service revenue in countries such as Nicaragua and El Salvador, which offset the lower revenues from Guatemala and Panama.

Especially noteworthy is the performance of data revenue, which increased by 26.6% year-on-year in the first nine months (+36.8% in the third quarter) and now account for 19% of mobile service revenue (+4 percentage points year-on-year). This improvement was underpinned by non-P2P SMS data revenue (+32.9% year-on-year; +47.0% in the quarter), which account for 53% of data revenue (+2 percentage points year-on-year).

OIBDA stood at 102 million euros to September 2011 (-10.9% year-on-year; -10.0% in the quarter), affected by higher commercial expenses resulting from the increase in commercial activity. The OIBDA margin stood at 25.9% (-3.8 percentage points year-on-year) and at 22.7% in the third quarter (-4.1 percentage points year-on-year).

CapEx totalled 111 million euros through September, including the booking of spectrum licence cost in Costa Rica (69 million euros). CapEx decreased by 46.9% year-on-year, leading to an **operating cash flow** of -9 million euros (+13.3% year-on-year).

ECUADOR (year-on-year changes in local currency)

Estimated penetration of the Ecuadorean mobile market stood at 108% at the end of September 2011, up 7 percentage points year-on-year.

Telefónica managed a total of 4.5 million **accesses** (+8% year-on-year) in this market at the end of September 2011. Mobile net additions reached 240 thousand accesses in the first nine months of the year (5 thousand in the third quarter), leading to 4.5 million mobile accesses, up 10% year-on-year.

The mobile **churn** rate stood at 2.7% in the first nine months, virtually stable year-on-year, with a good performance in the contract segment (1.1%; -0.9 percentage points year-on-year).

Traffic in the first nine months of the year totalled 3,497 million minutes (+10% year-on-year; +9% in the quarter), on the back of a solid increase in outgoing traffic (+11% to September year-on-year).

³ Year-on-year variations in organic terms: in financial terms, year-on-year changes are assumed in constant euros, with the results of the Costa Rica operation excluded from calculation of organic growth.

ARPU consolidated the accelerating growth trend posted in previous quarters (+3.3% in the third quarter; +1.7% year-on-year in the first nine months of 2011), mainly due to the positive performance of outgoing ARPU (+5.4% year-on-year in the third quarter), growing across the contract and prepay segments.

Revenue rose 6.9% year-on-year to 293 million euros in the first nine months, with growth accelerating in the third quarter (+7.4% year-on-year), reflecting the strong performance of mobile service revenue (+12.0% year-on-year in the third quarter; +9.6% year-on-year to September).

Data revenue again rose sharply year-on-year (+20.9%) and now accounts for 28% of mobile service revenue (+3 percentage points year-on-year in the first nine months). Non-P2P SMS data revenue fared especially well, with growth of 43.5% in the first nine months of the year (+48.6% year-on-year in the third quarter), accounting for 62% of total data revenue (+10 percentage points year-on-year).

OIBDA stood at 97 million euros for the first nine months of 2011, up 18.5% year-on-year (+16.6% in the third quarter). The OIBDA margin stood at 33.2% (34.0% in the third quarter), expanding by 3.3 percentage points year-on-year in the first nine months of the year.

CapEx totalled 23 million euros (-26.1% year-on-year in the first nine months of the year), with **operating cash flow** growing by 45.2% year-on-year to 75 million euros.

TELEFÓNICA LATINOAMERICA
ACCESSES*Unaudited figures (thousands)*

	2010			2011		% Chg
	September	December	March	June	September	
Final Clients Accesses	179,102.5	183,686.9	185,984.0	190,318.0	194,832.9	8.8
Fixed telephony accesses (1)	24,456.5	24,403.6	24,196.2	24,173.4	24,126.6	(1.3)
Internet and data accesses	8,102.7	8,235.1	8,327.9	8,513.5	8,720.2	7.6
Narrowband (2)	808.0	674.8	586.7	539.5	476.6	(41.0)
Broadband (3) (4)	7,183.0	7,442.3	7,629.0	7,861.5	8,134.4	13.2
Other (5)	111.7	118.0	112.3	112.5	109.2	(2.2)
Mobile accesses	144,790.1	149,255.4	151,589.0	155,523.1	159,795.4	10.4
Prepay (6)	116,267.5	119,359.1	120,676.5	123,108.6	125,569.4	8.0
Contract	28,522.6	29,896.3	30,912.5	32,414.4	34,226.0	20.0
Pay TV (7)	1,753.2	1,792.7	1,870.9	2,108.0	2,190.6	25.0
Wholesale Accesses	56.1	55.9	54.5	54.4	53.8	(4.1)
Total Accesses	179,158.5	183,742.8	186,038.6	190,372.4	194,886.7	8.8

(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. Total fixed wireless accesses included.

(2) Includes narrowband ISP of Terra Brasil and Terra Colombia.

(3) Includes broadband ISP of Terra Brasil and Terra México.

(4) Includes ADSL, optical fiber, cable modem and broadband circuits.

(5) Retail circuits other than broadband.

(6) 360 thousand inactive accesses were disconnected in Chile in the third quarter of 2011.

(7) Includes 151 thousand clients of TVA from June 2011.

TELEFÓNICA LATINOAMERICA
CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - September			July - September		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	21,529	18,236	18.1	7,411	6,307	17.5
Internal exp capitalized in fixed assets	112	100	12.1	38	34	12.2
Operating expenses	(14,180)	(11,645)	21.8	(4,982)	(3,949)	26.2
Supplies	(5,524)	(4,805)	15.0	(1,901)	(1,590)	19.6
Personnel expenses	(1,956)	(1,552)	26.0	(695)	(545)	27.5
Subcontracts	(5,735)	(4,471)	28.3	(2,005)	(1,565)	28.2
Bad debt provision	(360)	(345)	4.4	(167)	(88)	89.1
Taxes	(606)	(472)	28.2	(213)	(161)	32.9
Other net operating income (expense)	183	195	(6.1)	75	78	(4.1)
Gain (loss) on sale of fixed assets	126	3,879	(96.8)	38	3,841	(99.0)
Impairment of goodwill and other assets	(2)	6	c.s.	(2)	7	c.s.
Operating income before D&A (OIBDA)	7,767	10,771	(27.9)	2,577	6,319	(59.2)
OIBDA Margin	36.1%	59.1%	(23.0p.p.)	34.8%	100.2%	(65.4p.p.)
Depreciation and amortization	(3,565)	(2,801)	27.3	(1,248)	(948)	31.6
Operating income (OI)	4,202	7,970	(47.3)	1,329	5,370	(75.2)

Notes:

- OIBDA and OI before management and brand fees.
- 2010 and 2011 reported figures include the hyperinflationary adjustments in Venezuela in both years.
- T. Latinoamérica reported figures include 100% of Vivo since October 2010.
- From January 1st, 2011, the perimeter of consolidation of T. Latinoamérica excludes Telefónica International Wholesale Services (TIWS) and Telefónica North America (TNA) (actually T.Europe). As a result, the results of T. Latinoamérica have been restated for the fiscal year 2010, to reflect the above mentioned new organization from January 1st, 2010.
- 2011 T. Latinoamérica results include from the second quarter of the year and retroactively from January 1st, 2011, the full consolidation of TVA, company that was already part of Telefónica's perimeter since the fourth quarter of 2007.
- OIBDA, OIBDA margin and Operating Income are affected by the positive impact from the revaluation of the previously-held stake in Vivo at its fair value at the date of the acquisition of the 50% in Brasilcel owned by Portugal Telecom (3,797 million euros in the third quarter of 2010).

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TELEFÓNICA LATINOAMERICA
ACCESSES BY COUNTRY (1)

Unaudited figures (Thousands)

	2010			2011		% Chg
	September	December	March	June	September	
BRAZIL						
Final Clients Accesses	73,243.2	75,919.6	77,592.3	79,767.2	82,750.8	13.0
Fixed telephony accesses (1)	11,299.3	11,292.6	11,172.6	11,126.6	11,086.6	(1.9)
Internet and data accesses	3,764.0	3,848.2	3,849.7	3,909.8	3,933.1	4.5
Narrowband	547.0	446.2	378.1	344.2	287.7	(47.4)
Broadband (2)	3,138.9	3,319.2	3,393.6	3,486.9	3,567.5	13.7
Other (3)	78.1	82.8	78.0	78.8	77.9	(0.2)
Mobile accesses	57,714.4	60,292.5	62,061.3	64,049.1	67,038.4	16.2
Prepay	45,641.8	47,658.6	48,742.0	49,809.7	51,679.3	13.2
Contract	12,072.6	12,633.9	13,319.2	14,239.4	15,359.1	27.2
Pay TV (4)	465.5	486.3	508.7	681.7	692.7	48.8
Wholesale Accesses	33.8	33.9	32.9	32.4	32.0	(5.3)
Total Accesses	73,277.0	75,953.5	77,625.2	79,799.6	82,782.8	13.0
ARGENTINA						
Final Clients Accesses	22,501.9	22,275.8	22,142.2	22,537.3	22,630.4	0.6
Fixed telephony accesses (1)	4,620.9	4,621.5	4,614.6	4,621.3	4,617.1	(0.1)
Fixed wireless	38.8	35.5	36.8	40.2	38.2	(1.7)
Internet and data accesses	1,468.4	1,505.4	1,527.8	1,562.6	1,611.1	9.7
Narrowband	76.5	65.7	54.9	48.4	43.4	(43.3)
Broadband (2)	1,391.9	1,439.7	1,472.9	1,514.1	1,567.7	12.6
Mobile accesses	16,412.6	16,148.9	15,999.8	16,353.5	16,402.2	(0.1)
Prepay	10,793.3	10,370.4	10,127.8	10,347.3	10,303.2	(4.5)
Contract	5,619.3	5,778.5	5,871.9	6,006.2	6,099.0	8.5
Wholesale Accesses	12.8	13.0	12.8	13.2	13.2	2.9
Total Accesses	22,514.8	22,288.8	22,155.0	22,550.5	22,643.6	0.6
CHILE						
Final Clients Accesses	11,397.8	11,910.5	12,214.7	12,442.1	12,253.1	7.5
Fixed telephony accesses (1)	1,952.8	1,939.3	1,920.2	1,903.8	1,871.4	(4.2)
Internet and data accesses	830.6	836.0	834.9	857.1	875.1	5.4
Narrowband	7.0	6.6	6.3	6.0	6.0	(14.4)
Broadband (2)	815.7	821.5	820.8	844.2	864.9	6.0
Other (3)	7.9	7.9	7.8	6.8	4.2	(47.0)
Mobile accesses	8,290.8	8,794.0	9,100.5	9,308.3	9,125.5	10.1
Prepay (5)	5,805.3	6,179.3	6,448.1	6,586.0	6,326.0	9.0
Contract	2,485.4	2,614.7	2,652.5	2,722.3	2,799.5	12.6
Pay TV	323.6	341.2	359.1	372.9	381.1	17.8

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Wholesale Accesses	5.7	5.3	5.1	5.1	4.9	(15.0)
Total Accesses	11,403.5	11,915.8	12,219.8	12,447.1	12,258.0	7.5

(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. Total fixed wireless accesses included.*

(2) *Includes ADSL, cable modem and broadband circuits.*

(3) *Retail circuits other than broadband.*

(4) *Includes 151 thousand clients of TVA from June 2011.*

(5) *360 thousand inactive accesses were disconnected in Chile in the third quarter of 2011.*

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TELEFÓNICA LATINOAMÉRICA
ACCESSES BY COUNTRY (II)*Unaudited figures (Thousands)*

	2010			2011		% Chg
	September	December	March	June	September	
PERU						
Final Clients Accesses	16,611.5	16,954.3	17,057.3	17,504.6	18,205.6	9.6
Fixed telephony accesses (1)	2,895.4	2,871.2	2,852.0	2,842.8	2,855.8	(1.4)
Fixed wireless	535.6	537.8	515.4	491.7	471.2	(12.0)
Internet and data accesses	863.1	885.4	934.3	1,005.3	1,070.3	24.0
Narrowband	15.9	15.4	11.0	10.5	9.8	(38.2)
Broadband (2)	828.4	850.8	903.6	974.7	1,040.3	25.6
Other (3)	18.8	19.2	19.7	20.1	20.2	7.5
Mobile accesses	12,141.9	12,507.1	12,559.9	12,920.9	13,506.8	11.2
Prepay	9,880.8	10,104.4	10,100.5	10,300.8	10,707.6	8.4
Contract	2,261.1	2,402.7	2,459.5	2,620.1	2,799.2	23.8
Pay TV	711.1	690.6	711.1	735.6	772.6	8.7
Wholesale Accesses	0.5	0.5	0.5	0.5	0.5	(5.4)
Total Accesses	16,611.9	16,954.8	17,057.7	17,505.1	18,206.0	9.6
COLOMBIA						
Final Clients Accesses	12,062.9	12,350.3	12,338.5	12,312.8	13,081.0	8.4
Fixed telephony accesses (1)	1,623.7	1,586.9	1,569.2	1,540.4	1,521.0	(6.3)
Internet and data accesses	534.5	553.6	581.6	594.3	613.6	14.8
Narrowband	5.3	5.6	6.0	6.7	7.1	33.6
Broadband (2)	529.2	548.0	575.6	587.6	606.5	14.6
Mobile accesses	9,720.1	10,004.5	9,970.6	9,949.4	10,700.0	10.1
Prepay	7,520.5	7,679.1	7,531.4	7,420.0	8,047.6	7.0
Contract	2,199.6	2,325.5	2,439.2	2,529.4	2,652.4	20.6
Pay TV	184.7	205.3	217.1	228.7	246.4	33.4
Wholesale Accesses	3.3	3.3	3.3	3.3	3.3	0.0
Total Accesses	12,066.2	12,353.6	12,341.8	12,316.1	13,084.3	8.4
MEXICO						
Mobile accesses	18,760.5	19,661.6	20,057.0	20,566.7	20,515.7	9.4
Prepay	17,289.7	18,061.3	18,476.2	18,930.9	18,731.4	8.3
Contract	1,470.8	1,600.2	1,580.8	1,635.9	1,784.3	21.3
Fixed wireless	496.0	565.5	604.1	667.6	726.6	46.5
Total Accesses	19,256.5	20,227.1	20,661.1	21,234.3	21,242.2	10.3
VENEZUELA						
Mobile accesses	9,851.0	9,514.7	9,078.1	9,359.7	9,246.2	(6.1)
Prepay	9,137.0	8,740.3	8,272.2	8,515.7	8,391.7	(8.2)
Contract	714.0	774.4	805.9	843.9	854.6	19.7

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Fixed wireless	1,023.4	966.2	916.3	920.0	893.7	(12.7)
Pay TV	68.3	69.3	74.9	89.0	97.8	43.1
Total Accesses	10,942.7	10,550.2	10,069.2	10,368.6	10,237.8	(6.4)

(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. Total fixed wireless accesses included.*

(2) *Includes ADSL, optical fiber, cable modem and broadband circuits.*

(3) *Retail circuits other than broadband.*

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TELEFÓNICA LATINOAMÉRICA
 ACCESSES BY COUNTRY (III)

Unaudited figures (Thousands)

	2010			2011		
	September	December	March	June	September	% Chg
CENTRAL AMERICA (1)						
Fixed telephony accesses (2)	451.0	465.7	470.6	491.2	512.3	13.6
Fixed Wireless	238.4	301.7	303.1	314.2	328.0	37.6
Internet and data accesses	10.9	3.0	2.7	2.9	2.9	(73.1)
Broadband (3)	9.5	0.5	1.6	1.7	1.8	(81.6)
Other (4)	1.3	2.4	1.1			