Update on the acquisition of PT's stake in Brasilcel and Vivo-Telesp combination

October 1st, 2010

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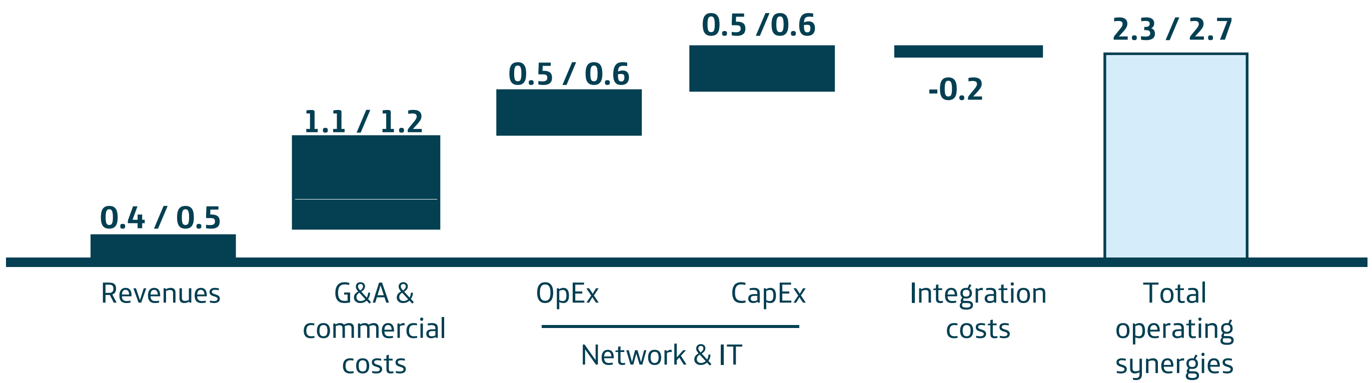
Operating synergies are maximized by our regional & integrated management model …

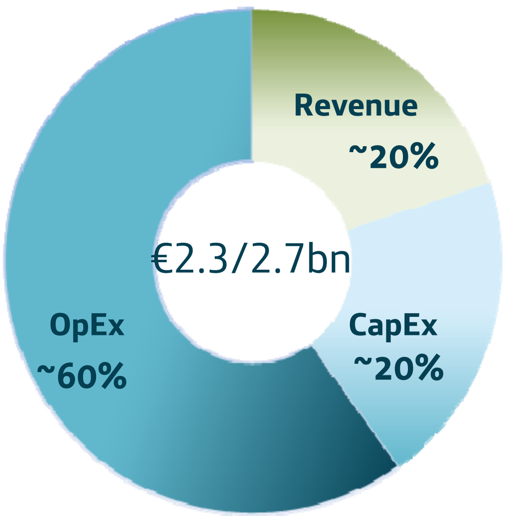
Sources	Rational	Estimated Impact[1]
Revenue	■ Integrated offer, mainly for Corporates and SMEs. ■ LD service (“15”) for Vivo clients. ■ Churn improvement & Bundled offers. ■ Regional contracts: extension and scale benefits.	0.7-0.8% over revenues
G&A and commercial costs	■ Personnel costs: optimization of administrative and back office functions. ■ Administrative costs reduction (logistics, rentals,…). ■ Call center costs reduction. ■ Marketing and promotion costs optimization. ■ Common distribution channel. ■ Scale and brand integration.	3-4% over G&A&C costs
Network & IT OpEx	■ Data center and systems unification (scale synergies and improve outsourcing costs). ■ Common traffic management and network operations. ■ Cost reduction in backbone usage/rentals. ■ Leverage in Vivo’s network outside Sao Paulo.	5-6% over N &IT costs
CapEx	■ Use of Vivo’s infrastructure outside Sao Paulo. ■ Common network & IT planning. ■ Regional scale.	3-4% over CAPEX

(1) Percentage calculated with run rate figures over aggregated figures for Vivo+Telesp

… with a minimum NPV of €2.3-2.7Bn

Operating synergies NPV (€ in billions)





- 3-4 years to fully exploit
- Savings from year 1

Clear execution path to fully capture synergies while maintaining focus to sustain commercial momentum

6 months	6-18 months	>18 months
Accelerate each operation **Quick wins** of joint initiatives	Start to capture **core business synergies**, changing basic processes	Operating as an **integrated business**

Operation level

- Telesp: Complete turnaround and accelerate Premium segment
- Vivo: Strengthening market leadership, capture MBB opportunity, improve margins

Continued agenda

Country level

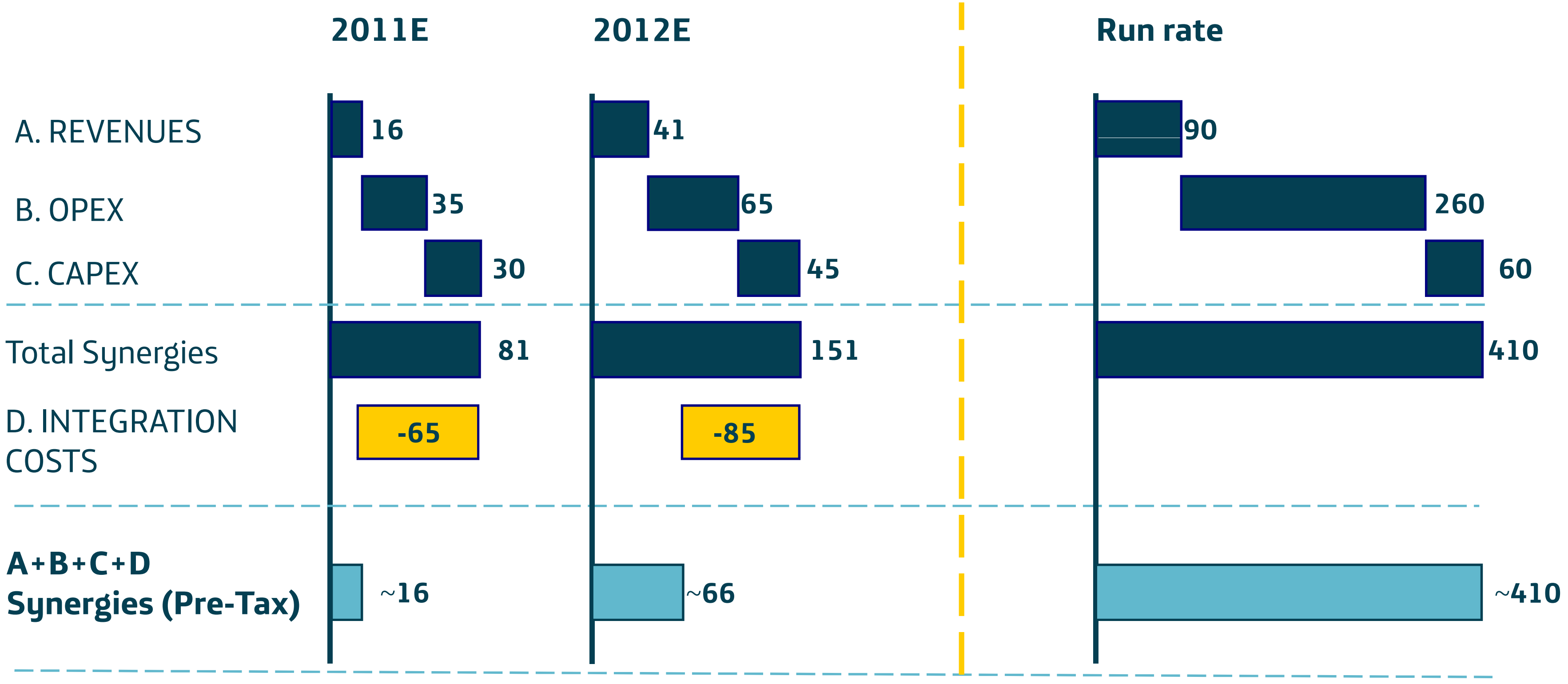
6 months	6-18 months	>18 months
Coordinated support functions	Common support functions	Integrated core functions
Corporate segment	SMEs segment	Shared channels
Coordination on network planning	Optimization data network deployment	
F-M combined offers in SP	F-M combined offers outside SP	Full range integrated offer

Regional/Group level

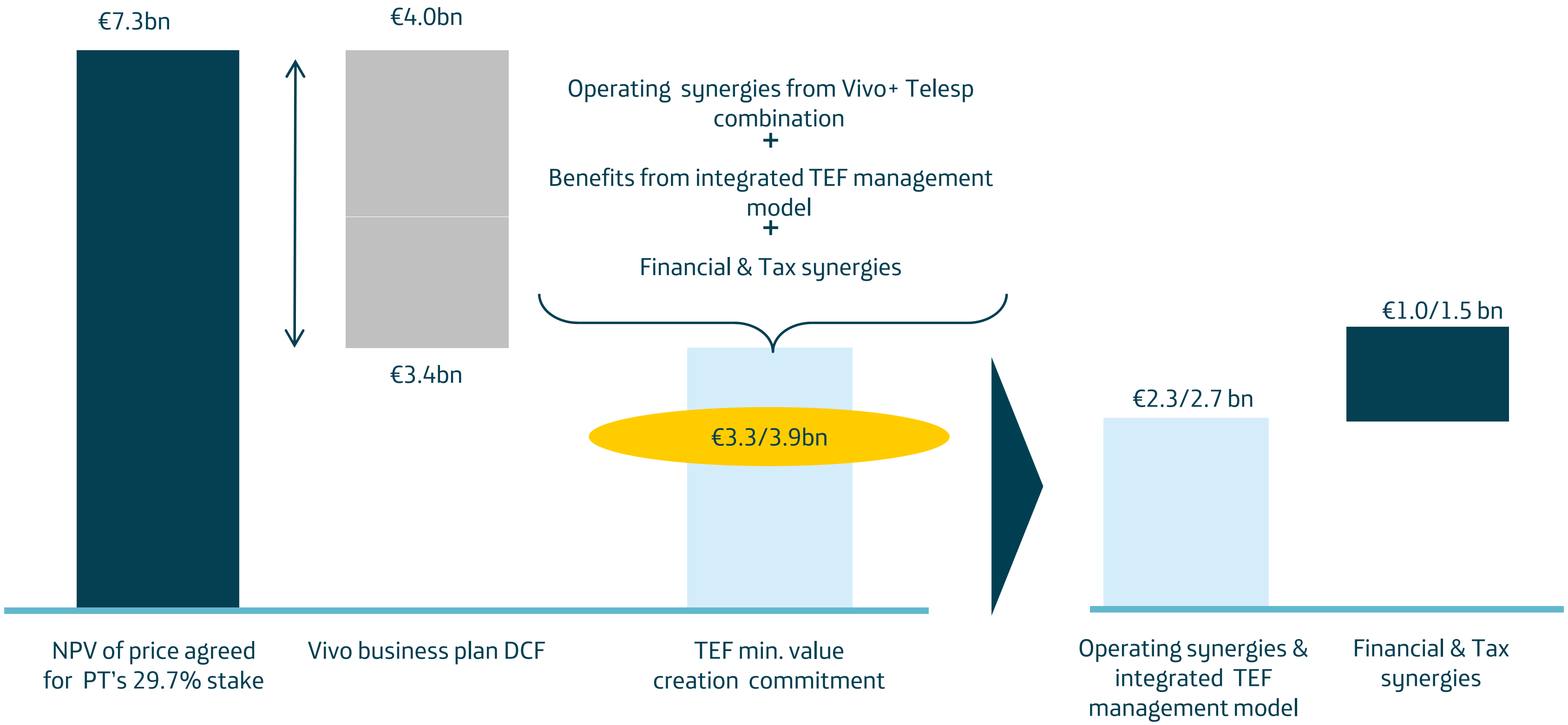
6 months	6-18 months / >18 months
Common projects, purchases & T. Gestiona	Platforms & IT

Realistic timetable for execution

Annual flows
(€ in millions)



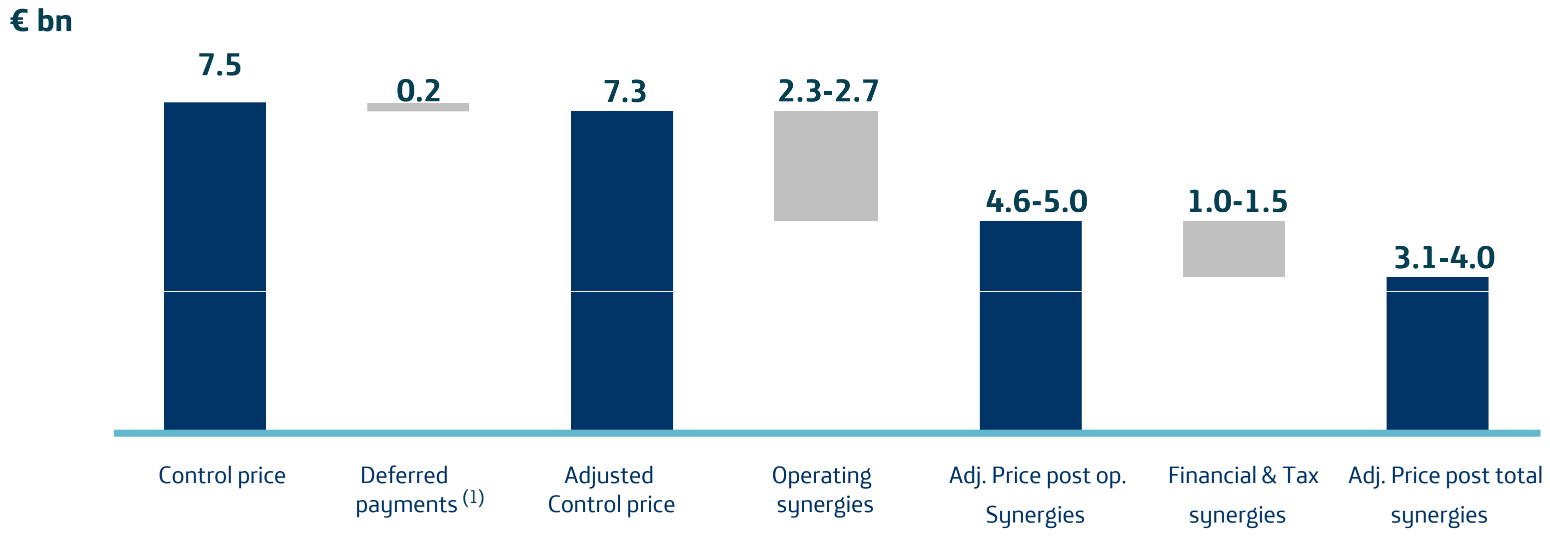
Value creation commitment supported by operating, financial & tax synergies



July 2010:
€3.3/3.9bn minimum value creation commitment

Oct. 2010: €3.3/4.2bn
min value creation commitment

Control price averaged down by synergies



EV/Ebitda'10	11.9x	11.6x	10.4x-10.6x	9.8x-10.2x
EV/Ebitda'11	10.6x	10.4x	9.3x-9.5x	8.7x-9.1x

These multiples will be further enhanced post the Tender offer on ON's

(1) Includes adjustment for VIVO remaining 2009 dividend

Multiples based on analysts consensus estimates for Vivo.

A transaction with positive tangible results from day 1

- Strengthened position in the booming Brazilian market
- EPS and FCF accretive from 2010:
  - +€3.5bn impact in net income in 2010 derived from the business combination achieved in stages in Vivo (+€0.8/share)
- €2.3/2.7bn[1] from operating synergies and benefits from Telefónica's management model
- Additional €1/1.5bn[1] savings from financial and tax synergies
- Limited Impact on leverage (0.3x)
- Fair treatment of minorities guaranteed by TEF's long track record and willingness to keep continued access to the market in best conditions

[1] Net present value