

Telefonica

Millions of Euros		2009	2010	2011	2012	2013	Subsequent years	FAIR VALUE			TOTAL
								Total	Underlying debt	Associated derivatives	
	Spread	0.74%	0.49%	3.64%	3.74%	3.75%	-	2.20%			
Fixed rate		139	59	25	24	24	39	310	59	192	251
	Interest rate	21.00%	4.23%	10.03%	10.03%	10.03%	9.96%	13.83%			
Rate cap		-	-	-	-	-	-	-			
Instruments in CLP		349	105	170	102	78	-	804	(15)	820	805
Floating rate		212	105	151	102	78	-	648	113	475	588
	Spread	-0.20%	0.09%	0.06%	0.13%	-	-	-0.01%			
Fixed rate		137	-	19	-	-	-	156	(128)	345	217
	Interest rate	8.59%	-	4.70%	-	-	-	8.11%			
Rate cap		-	-	-	-	-	-	-			
Instruments in UFC		2	2	68	2	2	4	80	173	(95)	78
Floating rate		-	-	-	-	-	-	-	86	(86)	-
	Spread	-	-	-	-	-	-	-			
Fixed rate		2	2	68	2	2	4	80	87	(9)	78
	Interest rate	6.53%	6.56%	4.43%	7.45%	6.00%	6.00%	4.74%			
Rate cap		-	-	-	-	-	-	-			
Instruments in PEN		161	181	102	82	61	339	926	807	155	962
Floating rate		-	-	-	-	-	-	-	-	-	-
	Spread	-	-	-	-	-	-	-			
Fixed rate		161	181	102	82	61	339	926	807	155	962
	Interest rate	5.63%	7.13%	6.67%	6.70%	7.45%	6.23%	6.47%			
Rate cap		-	-	-	-	-	-	-			
Instruments in COP		579	56	82	33	69	183	1,002	391	587	978
Floating rate		8	43	36	33	30	-	150	148	-	148
	Spread	-	-	-	-	-	-	-			
Fixed rate		571	13	46	-	39	183	852	243	587	830
	Interest rate	12.66%	15.82%	14.10%	-	13.44%	-	10.10%			
Rate cap		-	-	-	-	-	-	-			
Instruments in UVR		-	-	-	-	-	2,006	2,006	2,006	-	2,006
Floating rate		-	-	-	-	-	-	-	-	-	-
	Spread	-	-	-	-	-	-	-			
Fixed rate		-	-	-	-	-	2,006	2,006	2,006	-	2,006
	Interest rate	-	-	-	-	-	7.67%	7.67%			
Rate cap		-	-	-	-	-	-	-			
Instruments in VEB		(1,998)	-	-	-	-	-	(1,998)	(1,999)	-	(1,999)
Floating rate		-	-	-	-	-	-	-	-	-	-
	Spread	-	-	-	-	-	-	-			
Fixed rate		(1,998)	-	-	-	-	-	(1,998)	(1,999)	-	(1,999)
	Interest rate	10.34%	-	-	-	-	-	10.34%			
Rate cap		-	-	-	-	-	-	-			
Instruments in MXN		479	426	-	186	-	-	1,091	597	498	1,095
Floating rate		47	266	-	-	-	-	313	412	63	475
	Spread	3.30%	0.61%	-	-	-	-	1.01%			
Fixed rate		432	160	-	186	-	-	778	185	435	620
	Interest rate	12.85%	8.17%	-	9.25%	-	-	11.02%			

Telefonica

Millions of Euros	2009	2010	2011	2012	2013	Subsequent years	Total	FAIR VALUE		TOTAL
								Underlying debt	Associated derivatives	
Rate cap	-	-	-	-	-	-	-	-	-	-
Instruments in GTQ	(4)	-	-	-	-	-	(4)	(4)	-	(4)
Floating rate	(4)	-	-	-	-	-	(4)	(4)	-	(4)
Spread	0.01%	-	-	-	-	-	0.01%	-	-	-
Fixed rate	-	-	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-	-
Rate cap	-	-	-	-	-	-	-	-	-	-
ASIA	-	-	-	-	-	-	-	575	(597)	(22)
Instruments in JPY	-	-	-	-	-	-	-	575	(597)	(22)
Floating rate	-	-	-	-	-	-	-	152	(158)	(6)
Spread	-	-	-	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-	423	(439)	(16)
Interest rate	-	-	-	-	-	-	-	-	-	-
Rate cap	-	-	-	-	-	-	-	-	-	-
AFRICA	-	-	-	88	-	-	88	-	84	84
Instruments in MAD	-	-	-	88	-	-	88	-	84	84
Floating rate	-	-	-	-	-	-	-	-	-	-
Spread	-	-	-	-	-	-	-	-	-	-
Fixed rate	-	-	-	88	-	-	88	-	84	84
Interest rate	-	-	-	4.54%	-	-	8.57%	-	-	-
Rate cap	-	-	-	-	-	-	-	-	-	-
TOTAL	1,405	5,742	10,150	5,828	5,372	14,016	42,513	40,887	(1,478)	39,409
Floating rate	(9,784)	355	7,012	1,020	4,647	642	3,892	11,733	(8,425)	3,308
Fixed rate	10,506	5,377	2,728	923	715	11,044	31,293	22,036	6,862	28,898
Rate cap	683	10	410	3,885	10	2,330	7,328	7,118	85	7,203
Currency options	-	-	-	-	-	-	(202)	-	(202)	-
Other	-	-	-	-	-	-	422	-	-	-

<i>Figures in euros</i>		CURRENCY OPTIONS					
		MATURITIES					
		2009	2010	2011	2012	2013	2013+
Call USD/Put BRL							
Notional amount of options bought		287,418,265	-	-	-	-	-
Strike		2.36	-	-	-	-	-
Notional amount of options sold		290,062,464	-	-	-	-	-
Strike		2.36	-	-	-	-	-
Put USD / Call BRL							
Notional amount of options bought		114,284,734	-	-	-	-	-
Strike		1.86	-	-	-	-	-
Notional amount of options sold		143,709,133	-	-	-	-	-
Strike		1.86	-	-	-	-	-
Call USD / Put ARS							
Notional amount of options bought		15,825,484	-	-	-	-	-
Strike		3.38	-	-	-	-	-
Call USD / Put EUR							
Notional amount of options bought		291,010,994	-	208,378,242	-	148,020,407	1,723,431,774
Strike		1.59	-	1.59	-	1.49	1.40
Notional amount of options sold		268,984,547	-	195,129,693	-	-	831,255,453
Strike		1.51	-	1.49	-	-	1.20

<i>Figures in euros</i>		INTEREST RATE OPTIONS				
		MATURITIES				
		2009	2010	2011	2012	2013+
Collars						
Notional bought		781,127,398	-	400,000,000	200,000,000	2,689,686,974
Strike Cap		3.897%	-	4.000%	3.80%	4.53%
Strike Floor		2.733%	-	3.300%	2.80%	3.13%
Caps						
Notional bought		-	-	-	6,784,908,136	-
Strike		-	-	-	4.28%	-
Notional sold		700,000,000	-	400,000,000	6,784,908,136	2,689,686,974
Strike		4.75%	-	4.55%	5.156%	5.24%
Floors						
Notional bought		1,481,127,398	-	400,000,000	567,454,068	2,599,868,766
Strike		0.71%	-	1.00%	1.15%	1.72%
Notional sold		1,050,000,000	367,974,663	-	1,067,454,068	-
Strike		2.73%	4.39%	-	2.75%	-

APPENDIX IV: INTEREST-BEARING DEBT

The main financing transactions included under this heading outstanding at December 31, 2009 and 2008 and their nominal amounts are as follows:

Name Summary	Amount of contract (millions)	Outstanding nominal balance (million euros)		Arrangement date	Maturity date
		12/31/09	12/31/08		
Telefónica Europe, B.V. syndicated loan O2 acquisition	5,250 GBP	3,091	4,203	12/07/06	12/14/13
Telefónica Europe, B.V. loan	15,000 JPY	113	119	08/23/07	07/27/37
Telefónica, S.A. syndicated loan Cesky acquisition	6,000 EUR	6,000	6,000	06/28/05	06/28/13
Telefónica, S.A. syndicated loan with savings banks	700 EUR	700	700	04/21/06	04/21/17
TELFISA EIB financing	257 USD	179	211	09/15/04	09/15/16
TELFISA EIB financing	109 EUR	109	125	11/15/04	09/15/16
TELFISA EIB financing	300 EUR	300	300	12/12/06	12/12/11
TELFISA EIB financing	100 EUR	100	100	01/31/07	01/31/15
TELFISA EIB financing	375 EUR	375	375	01/30/08	01/30/15
Vivo loans	765 BRL	287	211	07/13/07	08/15/14
Telesp loans	2,034 BRL	792	525	10/23/07	05/15/15
CTC loans	4 UFC	103	86	04/14/05	04/14/10
CTC syndicated loans	150 USD	104	108	10/28/05	06/21/11
CTC syndicated loans	150 USD	104	108	06/09/08	05/13/13
Telefónica Móviles Chile syndicated loans	180 USD	125	129	01/05/06	01/05/11
Telefónica Móviles Chile syndicated loans	100,000 CLP	105	113	11/15/06	11/15/12
Colombia Telecomunicaciones loans	310,000 COP	105	99	12/28/09	12/28/14
Telefónica Móviles Colombia loans	600 USD	417	431	12/20/07	11/15/12
Other		4,849	5,987		
TOTAL		17,958	19,930		

APPENDIX V: MAIN COMPANIES COMPRISING THE TELEFÓNICA GROUP

The table below lists the main companies comprising the Telefónica Group at December 31, 2009 and the main investments consolidated using the equity method.

Included for each company are the company name, corporate purpose, country, functional currency, share capital (in million of functional currency units), the Telefónica Group's effective shareholding and the company or companies through which the Group holds a stake.

Name and corporate purpose	Country	Currency	Share capital	% Telefónica Group	Holding company
Parent company:					
Telefónica, S.A.	Spain	EUR	4,564		
Telefónica Spain					
Telefónica de España, S.A.U. <i>Telecommunications service provider</i>	Spain	EUR	1,024	100%	Telefónica, S.A. (100%)
Telefónica Móviles España, S.A.U. <i>Wireless communications services provider</i>	Spain	EUR	423	100%	Telefónica, S.A. (100%)
Telefónica Serv. de Informática y Com. de España, S.A.U. <i>Telecommunications systems, networks and infrastructure engineering</i>	Spain	EUR	6	100%	Telefónica de España, S.A.U. (100%)
Telefónica Soluciones Sectoriales, S.A.U. <i>Consulting services for ICT companies</i>	Spain	EUR	14	100%	Telefónica de España, S.A.U. (100%)
Interdomain, S.A.U. <i>Internet resources operator</i>	Spain	EUR	-	100%	Telefónica Soluciones Sectoriales, S.A. (100%)
Teleinformática y Comunicaciones, S.A.U. (TELYCO) <i>Promotion, marketing and distribution of telephone and telematic equipment and services</i>	Spain	EUR	8	100%	Telefónica de España, S.A.U. (100%)
Telyco Marruecos, S.A. <i>Promotion, marketing and distribution of telephone services</i>	Morocco	MAD	6	54.00%	Teleinformática y Comunicaciones, S.A. (TELYCO) (54.00%)
Telefónica Telecomunicaciones Públicas, S.A.U. <i>Installation of public telephones</i>	Spain	EUR	1	100%	Telefónica de España, S.A.U. (100%)
Telefónica Remesas, S.A. <i>Remittance management</i>	Spain	EUR	-	100%	Telefónica Telecomunicaciones Públicas, S.A.U. (100%)
Telefónica Salud, S.A. <i>Management and operation of telecommunications and public television services</i>	Spain	EUR	-	51.00%	Telefónica Telecomunicaciones Públicas, S.A.U. (51.00%)
Iberbanda, S.A. <i>Broadband telecommunications operator</i>	Spain	EUR	3	58.94%	Telefónica de España, S.A.U. (58.94%)
Telefónica Cable, S.A.U. <i>Cable telecommunication services provider</i>	Spain	EUR	3	100%	Telefónica de España, S.A.U. (100%)
Telefónica Latin America					
Telefónica Internacional, S.A. <i>Investment in the telecommunications industry abroad</i>	Spain	EUR	2,839	100%	Telefónica, S.A. (100%)
Telefónica International Holding, B.V. <i>Holding company</i>	Netherlands	USD	548	100%	Telefónica Internacional, S.A. (100%)
Latin American Cellular Holdings, B.V. (NETHERLANDS) <i>Holding company</i>	Netherlands	EUR	281	100%	Telefónica, S.A. (100%)
Telefónica Datacorp, S.A.U. <i>Telecommunications service provider and operator</i>	Spain	EUR	700	100%	Telefónica, S.A. (100%)
Telecomunicações de Sao Paulo, S.A. - TELESP <i>Wireline telephony operator in Sao Paulo</i>	Brazil	BRL	6,558	87.95%	Telefónica Internacional, S.A. (65.30%) Sao Paulo Telecomunicações Participações, Ltda. (22.65%)
Brasilcel, N.V. (*) <i>Joint Venture and holding company for wireless communications services</i>	Netherlands	BRL	-	50.00%	Telefónica, S.A. (50.00%)
Vivo Participações, S.A. (*) <i>Holding company</i>	Brazil	BRL	8,780	33.31%	Brasilcel, N.V. y subsidiarias (29.63%) Subsidiaries of Telefónica Group (3.68%)
Vivo, S.A. (*) <i>Wireless services operator</i>	Brazil	BRL	5,999	33.31%	Vivo Participações, S.A. (33.31%)
Telemg Celular, S.A. (*) <i>Wireless services operator</i>	Brazil	BRL	528	33.31%	Vivo Participações, S.A. (33.31%)
Compañía Internacional de Telecomunicaciones, S.A. <i>Holding company</i>	Argentina	ARS	731	100%	Telefónica Holding de Argentina, S.A. (50.00%) Telefónica International Holding, B.V. (37.33%) Telefónica Internacional, S.A. (12.67%)
Telefónica de Argentina, S.A. <i>Telecommunications service provider</i>	Argentina	ARS	624	100%	Compañía Internacional de Telecomunicaciones, S.A. (51.49%) Telefónica Internacional, S.A. (16.20%) Telefónica Móviles Argentina, S.A. (29.56%) Telefónica/Telefónica International Holding, B.V. (0.95%) Telefónica, S.A. (1.80%)

Telefónica

Name and corporate purpose	Country	Currency	Share capital	% Telefónica Group	Holding company
Telefónica Móviles Argentina, S.A. <i>Wireless telephone services provider</i>	Argentina	ARS	1,198	100%	Telefónica Móviles Argentina Holding, S.A. (84.60%) Telefónica, S.A. (15.40%)
Telcel, C.A. <i>Wireless operator</i>	Venezuela	VEF	905	100%	Latin America Cellular Holdings, B.V. (97.21%) Telefónica, S.A. (0.08%) Comtel Comunicaciones Telefónicas, S.A. (2.71%)
Telefónica Móviles Chile, S.A. <i>Wireless communications services operator</i>	Chile	CLP	1,628,654	100%	TEM Inversiones Chile Ltda. (100%)
Telefónica Chile, S.A. <i>Local, long distance and international telephony services provider</i>	Chile	CLP	578,078	97.89%	Inversiones Telefónica Internacional Holding Ltda. (53.00%) Telefónica Internacional de Chile, S.A. (44.89%)
Telefónica del Perú, S.A.A. <i>Local, domestic and international long distance telephone service provider</i>	Peru	PEN	2,962	98.34%	Telefónica Internacional, S.A. (49.90%) Latin America Cellular Holdings, B.V. (48.28%) Telefónica, S.A. (0.16%)
Telefónica Móviles Perú, S.A.C. <i>Wireless communications services provider</i>	Peru	PEN	602	100%	Telefónica del Perú, S.A.A. (100%)
Colombia Telecomunicaciones, S.A. ESP <i>Communications services operator</i>	Colombia	COP	909,929	52.03%	Telefónica Internacional, S.A. (52.03%)
Telefónica Móviles Colombia, S.A. <i>Wireless operator</i>	Colombia	COP	-	100.00%	Olympic, Ltda. (50.58%) Telefónica, S.A. (49.42%)
Telefónica Móviles México, S.A. de C.V. (MEXICO) <i>Holding company</i>	Mexico	MXN	46,271	100%	Telefónica Internacional, S.A. (100%)
Pegaso Comunicaciones y Sistemas, S.A. de C.V. <i>Wireless telephone and communications services</i>	Mexico	MXN	27,173	100%	Telefónica Móviles México, S.A. de C.V. (100%)
Telefónica Móviles del Uruguay, S.A. <i>Wireless communications and services operator</i>	Uruguay	UYU	196	100%	Latin America Cellular Holdings, B.V. (68.00%) Telefónica, S.A. (32.00%)
Telefónica Larga Distancia de Puerto Rico, Inc. <i>Telecommunications service operator</i>	Puerto Rico	USD	111	98.00%	Telefónica Internacional, S.A. (98.00%)
Telefónica Móviles Panamá, S.A. <i>Wireless telephony services</i>	Panama	USD	71	100%	Telefónica, S.A. (56.31%) Panamá Celular Holdings, B.V. (43.69%)
Telefónica Móviles El Salvador, S.A. de C.V. <i>Provision of wireless and international long distance communications services</i>	El Salvador	SVC	367, 541	99.08%	Telefónica El Salvador Holding, S.A. de C.V. (99.08%)
Telefónica Móviles Guatemala, S.A. <i>Wireless, wireline and radio paging communications services provider</i>	Guatemala	GTQ	1,420	99.98%	TCG Holdings, S.A. (65.99%) Telefónica, S.A. (13.60%) Guatemala Celular Holdings, B.V. (13.12%) Panamá Celular Holdings, B.V. (7.27%)
Telefonía Celular de Nicaragua, S.A. <i>Wireless telephony services</i>	Nicaragua	NIO	247	100%	Latin America Cellular Holdings, B.V. (98.00%) Telefónica El Salvador Holding, S.A. de C.V. (2.00%)
Otecel, S.A. <i>Wireless communications services provider</i>	Ecuador	USD	156	100%	Ecuador Celular Holdings, B.V. (100%)
Telefónica International Wholesale Services, S.L. <i>International services provider</i>	Spain	EUR	230	100%	Telefónica, S.A. (92.51%) Telefónica Datacorp, S.A.U. (7.49%)
Telefónica International Wholesale Services America, S.A. <i>Provision of high bandwidth communications services</i>	Uruguay	UYU	579	100%	Telefónica, S.A. (76.85%) Telefónica International Wholesale Services II, S.L. (23.15%)
Telefónica International Wholesale Services France, S.A.S. <i>Provision of high bandwidth communications services</i>	France	EUR	-	100%	Telefónica International Wholesale Services, S.L. (100%)
Telefónica International Wholesale Services Argentina, S.A. <i>Provision of high bandwidth communications services</i>	Argentina	USD	78	100%	T. International Wholesale Services America, S.A. (99.94%) Telefónica International Wholesale Services, S.L. (0.06%)
Telefónica International Wholesale Services Brasil Participações, LtdParticipações, Ltd. <i>Provision of high bandwidth communications services</i>	Brazil	USD	62	100%	Telefónica International Wholesale Services, S.L. (99.99%) Telefónica Internacional, S.A. (0.01%)
Telefónica International Wholesale Services Perú, S.A.C. <i>Provision of high bandwidth communications services</i>	Peru	USD	20	100%	T. International Wholesale Services America, S.A. (100%) Telefónica Servicios Integrados, S.A.C.
Telefónica International Wholesale Services USA, Inc. <i>Provision of high bandwidth communications services</i>	United States	USD	36	100%	T. International Wholesale Services America, S.A. (100%)
Telefónica International Wholesale Services Puerto Rico, Inc. <i>Provision of high bandwidth communications services</i>	Puerto Rico	USD	24	100%	T. International Wholesale Services America, S.A. (100%)
Telefónica International Wholesale Services Ecuador, S.A. <i>Provision of high bandwidth communications services</i>	Ecuador	USD	6	100%	T. International Wholesale Services America, S.A. (99.99%) Telefónica International Wholesale Services Perú, S.A.C. (0.01%)
Terra Networks Brasil, S.A. <i>ISP and portal</i>	Brazil	BRL	1,046	100%	Sao Paulo Telecomunicações Participações, Ltda. (100%)
Terra Networks Mexico, S.A. de C.V. <i>ISP, portal and real-time financial information services</i>	Mexico	MXN	45	99.99%	Terra Networks Mexico Holding, S.A. de C.V. (99.99%)

Telefonica

Name and corporate purpose	Country	Currency	Share capital	% Telefonica Group	Holding company
Terra Networks Perú, S.A. <i>ISP and portal</i>	Peru	PEN	10	99.99%	Telefonica Internacional, S.A. (99.99%)
Terra Networks Argentina, S.A. <i>ISP and portal</i>	Argentina	ARS	18	100%	Telefonica Internacional, S.A. (99.92%) Telefonica Telefonica International Holding, B.V. (0.08%)
Terra Networks Guatemala, S.A. <i>ISP and portal</i>	Guatemala	GTQ	154	99.99%	Telefonica Internacional, S.A. (99.99%)
Telefonica Telefonica China, B.V. <i>Holding company</i>	Netherlands	EUR	-	100%	Telefonica Internacional, S.A. (100%)
Telefonica Europe					
Telefonica Europe plc <i>Holding company</i>	UK	GBP	13,061	100%	Telefonica, S.A. (100%)
MmO2 plc <i>Holding company</i>	UK	GBP	20	99.99%	Telefonica Europe plc (99.99%)
O2 Holdings Ltd. <i>Holding company</i>	UK	EUR	12	100%	MmO2 plc (100%)
Telefonica O2 UK Ltd. <i>Wireless communications services operator</i>	UK	GBP	10	100%	O2 Networks Ltd. (80.00%) O2 Cedar Ltd. (20.00%)
The Link Stores Ltd. <i>Telecommunications equipment retailer</i>	UK	GBP	-	100%	Telefonica O2 UK Ltd. (100%)
Bc Un Limited (Be) <i>Internet services provider</i>	UK	GBP	10	100%	Telefonica O2 UK Ltd. (100%)
Tesco Mobile Ltd. (*) <i>Wireless telephony services</i>	UK	GBP	-	50.00%	O2 Ash Ltd. (50.00%)
O2 (Europe) Ltd. <i>Holding company</i>	UK	GBP	1,239	100%	Telefonica, S.A. (100%)
Telefonica O2 Germany GmbH & Co. OHG <i>Wireless communications services operator</i>	Germany	EUR	51	100%	Telefonica O2 Germany Verwaltungs GmBh (99.99%) Telefonica O2 Germany Management GmBh (0.01%)
Tchibo Mobilfunk GmbH & Co. KG (*) <i>Telecommunications equipment retailer</i>	Germany	EUR	16	50.00%	Telefonica O2 Germany GmbH & Co. OHG (50.00%)
Telefonica Telefonica O2 Ireland Ltd. <i>Wireless communications services operator</i>	Ireland	EUR	98	100%	Kilmaine, Ltd. (1%) O2 Netherland Holdings B.V. (99%)
Manx Telecom Ltd. <i>Telecommunications service provider</i>	Isle of Man	GBP	12	100%	O2 (Netherlands) Holdings BV (100%)
Telefonica O2 Czech Republic, a.s. <i>Telecommunications service provider</i>	Czech Republic	CZK	32,209	69.41%	Telefonica, S.A. (69.41%)
Telefonica O2 Slovakia, s.r.o. <i>Wireless telephony, internet and data transmission services</i>	Slovak Republic	EUR	192	69.41%	Telefonica O2 Czech Republic, a.s. (100%)
Other companies					
Telefonica de Contenidos, S.A.U. <i>Organization and operation of multimedia service-related businesses</i>	Spain	EUR	1,865	100%	Telefonica, S.A. (100%)
Atlántida Comunicaciones, S.A. <i>Media</i>	Argentina	ARS	22	100%	Telefonica Media Argentina S.A. (93.02%) Telefonica Holding de Argentina, S.A. (6.98%)
Televisión Federal S.A. - TELEFE <i>Provision and operation TV and radio broadcasting services</i>	Argentina	ARS	148	100%	Atlántida Comunicaciones S.A. (79.02%) Enfisar S.A. (20.98%)
Telefonica Servicios Audiovisuales, S.A.U. <i>Provision of all type of audiovisual telecommunications services</i>	Spain	EUR	6	100%	Telefonica de Contenidos, S.A.U. (100%)
Gloway Broadcast Services, S.L. <i>DSNG-based transmission and operation services</i>	Spain	EUR	-	100%	Telefonica Servicios Audiovisuales, S.A.U. (100%)
Telefonica Servicios de Música, S.A.U. <i>Provision of telemarketing services</i>	Spain	EUR	1	100%	Telefonica de Contenidos, S.A.U. (100%)
Atento Inversiones y Teleservicios, S.A.U. <i>Telecommunications service provider</i>	Spain	EUR	24	100%	Telefonica, S.A. (100%)
Atento N.V. <i>Telecommunications service provider</i>	Netherlands	EUR	-	100%	Atento Inversiones y Teleservicios, S.A. (100%)
Atento Teleservicios España, S.A.U. <i>Provision of all type of telemarketing services</i>	Spain	EUR	1	100%	Atento N.V. (100%)
Atento Brasil, S.A. <i>Telecommunications services provider</i>	Brazil	BRL	152	100%	Atento N.V. (100%)
Atento Argentina, S.A. <i>Telecommunications services provider</i>	Argentina	ARS	3	100%	Atento Holding Chile, S.A. (97.99%) Atento N.V. (2.01%)
Teleatento del Peru, S.A.C. <i>Telecommunications services provider</i>	Peru	PEN	14	100%	Atento N.V. (83.33%) Atento Holding Chile, S.A. (16.67%)
Atento Chile, S.A. <i>Telecommunications services provider</i>	Chile	CLP	11,128	99.06%	Atento Holding Chile, S.A. (71.16%) Compañia de Telecomunicaciones de Chile, S.A. (26.52%) Telefonica Empresas Chile, S.A. (0.93%) Telefonica Larga Distancia, S.A. (0.45%)
Atento Centroamérica, S.A. <i>Provision of call-center services</i>	Guatemala	GTQ	55	100%	Atento N.V. (99.99%) Atento El Salvador, S.A. de C.V. (0.01%)
Terra Networks Asociadas, S.L. <i>Holding company</i>	Spain	EUR	7	100%	Telefonica, S.A. (100%)
Red Universal de Marketing y Bookings Online, S.A. (RUMBO) (*) <i>Online travel agency</i>	Spain	EUR	1	50.00%	Terra Networks Asociadas, S.L. (50.00%)

Telefonica

Name and corporate purpose	Country	Currency	Share capital	% Telefonica Group	Holding company
Telefónica Learning Services, S.L. <i>Vertical e-learning portal</i>	Spain	EUR	1	100%	Terra Networks Asociadas, S.L. (100%)
Telefónica Ingeniería de Seguridad, S.A.U. <i>Security services and systems</i>	Spain	EUR	1	100%	Telefónica, S.A. (100%)
Telefónica Engenharia de Segurança <i>Security services and systems</i>	Brazil	BRL	21	99.99%	Telefónica Ingeniería de Seguridad, S.A. (99.99%)
Telefónica Capital, S.A.U. <i>Finance company</i>	Spain	EUR	7	100%	Telefónica, S.A. (100%)
Lotca Servicios Integrales, S.L. <i>Aircraft ownership and operation</i>	Spain	EUR	17	100%	Telefónica, S.A. (100%)
Fonditel Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. <i>Administration of pension funds</i>	Spain	EUR	16	70.00%	Telefónica Capital, S.A. (70.00%)
Fonditel Gestión, Soc. Gestora de Instituciones de Inversión Colectiva, S.A. <i>Administration and representation of collective investment schemes</i>	Spain	EUR	2	100%	Telefónica Capital, S.A. (100%)
Telefónica Investigación y Desarrollo, S.A.U. <i>Telecommunications research activities and projects</i>	Spain	EUR	6	100%	Telefónica, S.A. (100%)
Telefónica Investigación y Desarrollo de México, S.A. de C.V. <i>Telecommunications research activities and projects</i>	Mexico	MXN	-	100%	Telefónica Investigación y Desarrollo, S.A. (100%)
Telefónica Pesquisa e Desenvolvimento do Brasil, Ltda. <i>Telecommunications research activities and projects</i>	Brazil	BRL	1	100%	Telefónica Investigación y Desarrollo, S.A. (100%)
Casiopea Reaseguradora, S.A. <i>Reinsurance</i>	Luxemburg	EUR	4	100%	Telefónica, S.A. (99.97%) Telefónica Finanzas, S.A. (TELFISA) (0.03%)
Pléyade Peninsular, Correduría de Seguros y Reaseguros del Grupo Telefónica, S.A. <i>Distribution, promotion or preparation of insurance contracts</i>	Spain	EUR	-	100%	Casiopea Reaseguradora, S.A. (83.33%) Telefónica, S.A. (16.67%)
Altair Assurances, S.A. <i>Direct insurance transactions</i>	Luxemburg	EUR	6	100%	Casiopea Reaseguradora, S.A. (95.00%) Seguros de Vida y Pensiones Antares, S.A. (5.00%)
Seguros de Vida y Pensiones Antares, S.A. <i>Life insurance, pensions and health insurance</i>	Spain	EUR	51	100%	Telefónica, S.A. (89.99%) Casiopea Reaseguradora, S.A. (10.01%)
Telefónica Finanzas, S.A.U. (TELFISA) <i>Integrated cash management, consulting and financial support for Group companies</i>	Spain	EUR	3	100%	Telefónica, S.A. (100%)
Fisatel Mexico, S.A. de C.V. <i>Integrated cash management, consulting and financial support for Group companies</i>	Mexico	MXN	5	100%	Telefónica, S.A. (100%)
Telfisa Global, B.V. <i>Integrated cash management, consulting and financial support for Group companies</i>	Netherlands	EUR	-	100%	Telefónica, S.A. (100%)
Telefónica Europe, B.V. <i>Fund raising in capital markets</i>	Netherlands	EUR	-	100%	Telefónica, S.A. (100%)
Telefónica Finance USA, L.L.C. <i>Financial intermediation</i>	United States	EUR	2,000	0.01%	Telefónica Europe, B.V. (0.01%)
Telefónica Emisiones, S.A.U. <i>Financial debt instrument issuer</i>	Spain	EUR	-	100%	Telefónica, S.A. (100%)
Spiral Investments, B.V. <i>Holding company</i>	Netherlands	EUR	39	100%	Telefónica Móviles España, S.A.U. (100%)
Solivella Investment, B.V. <i>Holding company</i>	Netherlands	EUR	881	100%	Telefónica Móviles España, S.A.U. (100%)
Aliança Atlântica Holding B.V. <i>Holder of 5,225,000 Portugal Telecom, S.A. shares</i>	Netherlands	EUR	-	93.99%	Telefónica, S.A. (50.00%) Telecomunicações de São Paulo, S.A. - TELES P (43.99%)
Telefónica Gestión de Servicios Compartidos España, S.A. <i>Provision of management and administration services</i>	Spain	EUR	8	100%	Telefónica, S.A. (100%)
Telefónica Gestión de Servicios Compartidos, S.A.C. <i>Provision of management and administration services</i>	Argentina	ARS	-	99.99%	T. Gestión de Servicios Compartidos España, S.A. (95.00%) Telefónica, S.A. (4.99%)
Telefónica Gestión de Servicios Compartidos, S.A. <i>Provision of management and administration services</i>	Chile	CLP	1,017	97.89%	Compañía de Telecomunicaciones de Chile, S.A. (97.89%)
Telefónica Gestión de Servicios Compartidos, S.A. <i>Provision of management and administration services</i>	Peru	PEN	1	100%	T. Gestión de Servicios Compartidos España, S.A. (100%)
Cobros Serviços de Gestao, Ltda. <i>Provision of management and administration services</i>	Brazil	BRL	-	99.33%	T. Gestión de Servicios Compartidos España, S.A. (99.33%)
Tempotel, Empresa de Trabajo Temporal, S.A. <i>Temporary employment agency</i>	Spain	EUR	-	100%	T. Gestión de Servicios Compartidos España, S.A. (100%)
Telefónica Gestao de Serviços Compartidos do BRASIL, Ltda. <i>Provision of management and administration services</i>	Brazil	BRL	12	99.99%	T. Gestión de Servicios Compartidos España, S.A. (99.99%)
Telefónica Gestión de Servicios Compartidos Mexico, S.A. de C.V. <i>Provision of management and administration services</i>	Mexico	MXN	50	100%	T. Gestión de Servicios Compartidos España, S.A. (100%)
Telefónica Servicios Integrales de Distribución, S.A.U. <i>Distribution services provider</i>	Spain	EUR	2	100%	T. Gestión de Servicios Compartidos España, S.A. (100%)
Telefónica Compras Electrónicas, S.L. <i>Development and provision of information society services</i>	Spain	EUR	-	100%	T. Gestión de Servicios Compartidos España, S.A. (100%)
Companies accounted for using the equity method					
Telco S.p.A. <i>Holding company</i>	Italy	EUR	3,588	46.18%	Telefónica, S.A. (46.18%)

Telefonica

Name and corporate purpose	Country	Currency	Share capital	% Telefónica Group	Holding company
Telecom Italia S.p.A. <i>Holding company</i>	Italy	EUR	10,674	10.49%	Telco S.p.A. (10.49%)
Portugal Telecom, SGPS, S.A. <i>Holding company</i>	Portugal	EUR	27	9.86%	Telefónica, S.A. (8.51%) Telecomunicações de Sao Paulo, S.A. - TELES P (0.79%) Aliança Atlântica Holding B.V. (0.56%)
Lycos Europe, N.V. <i>Internet portal</i>	Netherlands	EUR	3	32.10%	LE Holding Corporation (32.10%)
Telefónica Factoring Mexico, S.A. de C.V. SOFOM ENR <i>Factoring services provider</i>	Mexico	MXN	33	50%	Telefónica, S.A. (40.5%) Telefónica Factoring España, S.A. (9.50%)
Hispasat, S.A. <i>Operation of a satellite telecommunications system</i>	Spain	EUR	122	13.23%	Telefónica de Contenidos, S.A.U. (13.23%)
Telefónica Factoring España, S.A. <i>Factoring services provider</i>	Spain	EUR	5	50.00%	Telefónica, S.A. (50.00%)
Telefónica Factoring Do Brasil, Ltd. <i>Factoring services provider</i>	Brazil	BRL	5	50.00%	Telefónica, S.A. (40.00%) Telefónica Factoring España, S.A. (10.00%)
Ipe 2000 S.p.A. <i>Installation and operation of 3G wireless communications systems</i>	Italy	EUR	13	39.92%	Solvella Investment, B.V. (39.92%)
China Unicom (Hong Kong) Limited <i>Telecommunications service operator</i>	China	RMB	2,329	8.37%	Telefónica Internacional, S.A. (8.37%)

(*) Companies consolidated using proportionate consolidation.

Through these consolidated financial statements, O2 (Germany) GmbH & Co. OHG, complies with the provisions of Art. 264b HGB ["Handelsgesetzbuch": Germany code of commerce], and is exempt in accordance with the stipulations of Art. 264b HGB.

2009 Consolidated Management Report

CONSOLIDATED RESULTS

We continued to increase our customer base, measured in terms of total accesses, by 2.1% to 264.6 million accesses at December 31, 2009 from 259.1 million accesses at December 31, 2008, which was a 13.3% increase from the 228.7 million accesses we had at December 31, 2007. This growth from December 31, 2008 to December 31, 2009 was primarily driven by a 3.3% increase in mobile accesses, a 8.2% increase in broadband accesses and a 9.8% increase in pay TV accesses, which more than offset our 5.4% loss of fixed telephony accesses and 28.5% loss of narrowband accesses as these technologies continue to be substituted by customers for mobile and broadband technologies, respectively. Growth in our total number of accesses from December 31, 2007 to December 31, 2008 was primarily driven by strong growth in mobile and broadband accesses.

The growth in our customer base from December 31, 2008 to December 31, 2009 under difficult economic circumstances did not compensated a decrease of 2.1% in revenues in 2009 compared to 2008. However, excluding foreign exchange rate effects and Venezuela's hyperinflationary economy, revenues would have increased 0.3% in 2009 compared to 2008. In Spain and Europe, the competitive environment remained intense and continued to put downward pressure on our tariff structures, which resulted in revenue growth not keeping pace with access growth. In addition, further downward pressure was placed on our revenues from mobile accesses as a result of regulatory action in the European Union and certain Latin American countries, which resulted in decreased interconnection and roaming rates during the period. This decrease in revenues led to a 1.4% decrease in OIBDA to €22,603 million in 2009 from €22,919 million 2008. Nonetheless, excluding foreign exchange rate effects and Venezuela's hyperinflationary economy, OIBDA would have increased 0.5% in 2009 compared to 2008. Operating income decreased 1.6% to €13,647 million in 2009 from €13,873 million in 2008, while profit for the year attributable to equity holders of the parent company increased 2.4% to €7,776 million in 2009 from €7,592 million in 2008 as a result of our share of profit of associates and lower corporate income tax.

At December 31, 2008, our customer base, measured in terms of total accesses, increased 13.3% to 259,1 million accesses from the 228.7 million accesses we had at December 31, 2007. Growth in our total number of accesses from December 31, 2007 to December 31, 2008 was primarily driven by strong growth in mobile and broadband accesses. The strong growth in our customer base from December 31, 2007 to December 31, 2008 under difficult economic circumstances translated into a moderate increase of 2.7% in revenues in 2008 compared to 2007. Negative exchange rate effects resulted in a reduction of our revenue growth by 3.0 percentage points. This modest increase in revenues led to a small increase in OIBDA to €22,919 million in 2008 from €22,824 million 2007, which amount in 2007 included non-recurring gains on the sales of Airwave (€1,296 million) and Endemol (€1,368 million). Operating income rose 3.6% to €13,873 million in 2008 from €13,388 million in 2007, while profit for the year attributable to equity holders of the parent company decreased 14.8% to €7,592 million in 2008 from €8,906 million in 2007.

By geographic area, Telefónica Europe had the largest percentage increase in accesses with an increase of 6.9% to 49.2 million accesses at December 31, 2009 from 46.1 million accesses at December 31, 2008, primarily driven by a 6.5% increase in mobile accesses. Telefónica Latin America had the largest percentage increase in accesses from December 31, 2007 to December 31, 2008, with an increase of 18.0% to 158.3 million accesses at December 31, 2008 from 134.1 million accesses at December 31, 2007, primarily driven by strong growth in its mobile business, increased broadband sales and an expanding pay TV customer base.

By access type, we increased **mobile accesses** by 3.3% to 202.3 million (no longer including 9.0 million accesses of Medi Telecom, which we sold in December 2009) at December 31, 2009 from

195.8 million at December 31, 2008 (including approximately 4.0 million accesses of Telemig, which we incorporated in April 2008), which was a 16.7% increase from the 167.8 million mobile accesses we had at December 31, 2007. Contributions to mobile net adds from December 31, 2008 to December 31, 2009, by country, were Brazil (6.8 million additional mobile accesses), Mexico (2.1 million additional mobile accesses), Germany (1.3 million additional mobile accesses) and Argentina (1.1 million additional mobile accesses) and the United Kingdom (1.0 million additional mobile accesses), and with negative mobile net adds of 1.0 million mobile accesses in Colombia. Contributions to mobile net adds from December 31, 2007 to December 31, 2008, by country, were also dominated by countries in Latin America, with the highest growth in Brazil (7.5 million additional mobile accesses, excluding the previously mentioned mobile accesses of Telemig), Mexico (2.8 million additional mobile accesses), and Peru (2.5 million additional mobile accesses). In Europe, Germany was a strong contributor to the growth in mobile accesses with 1.7 million additional mobile accesses from December 31, 2007 to December 31, 2008.

We also increased **broadband accesses** by 8.2% to 13.5 million at December 31, 2009 from 12.5 million at December 31, 2008, which was a 20.9% increase from the 10.3 million broadband accesses we had at December 31, 2007. We increased our number of broadband accesses from December 31, 2007 to December 31, 2009 primarily as a result of robust demand for Duo and Trio bundles, including broadband, pay TV and fixed telephony, which have made a significant contribution to the development of the broadband market and to increased customer loyalty. From December 31, 2008 to December 31, 2009, we increased broadband accesses by 4.4% in Spain to 5.5 million, by 5.9% to 6.4 million in Latin America and by 37.1% to 1.6 million in Europe. At December 31, 2009, in Spain 88% of our broadband accesses were included in Duo or Trio bundles, while in Latin America the weight of packaged products continued to grow, with 56% of broadband accesses bundled in Duo and Trio bundles at the same date. This growth in broadband accesses more than offset the continued decrease in narrowband accesses from 2.7 million accesses at December 31, 2007 to 2.0 million accesses at December 31, 2008 to 1.4 million accesses at December 31, 2009.

Finally, we increased **pay TV accesses** by 9.8% to 2.5 million at December 31, 2009 from 2.3 million at December 31, 2008, which was a 29.7% increase from the 1.7 million pay TV accesses we had at December 31, 2007. The continued growth in pay TV accesses from December 31, 2007 to December 31, 2009 was primarily as a result of further market penetration in the areas in which this service is available, which as of December 31, 2009, included Spain, the Czech Republic, Peru, Chile, Colombia, Brazil and Venezuela, and the success of bundling this service with others.

During 2009 and the beginning of 2010 several factors have surfaced with respect to the Venezuelan economy that have led us to reconsider the accounting treatment that the Telefónica Group previously applied in the translation of the financial statements of our subsidiaries in that country, and the recoverability of our financial investments in there. Key among these factors are: the inflation index reached in 2009 and the cumulative inflation index over the last three years, restrictions in the official foreign exchange market, and the devaluation of the bolivar fuerte on January 8, 2010. Consequently, according to IFRS, the Venezuelan economy should be considered as hyperinflationary for 2009.

Revenues decreased 2.1% to €56,731 million in 2009 compared to €57,946 million in 2008. Excluding foreign exchange rate effects and excluding considering Venezuela a hyperinflationary economy, revenues would have increased 0.3% in 2009 compared to 2008.

By geographic area, Telefónica Latin America contributed the greatest percentage to our revenues in 2009, accounting for 40.5% of the total, which represents an increase of 2.2 percentage points from 2008. Telefónica Spain contributed 34.7% (36.0% in 2008) of our 2009 revenues and Telefónica Europe contributed 23.9% (24.7% in 2008).

Other income decreased to €1,645 million in 2009 compared to €1,865 million in 2008. Excluding foreign exchange rate effects and excluding considering Venezuela a hyperinflationary economy, other income would have decreased 9.7% in 2009 compared to 2008. Other income in 2009 included a €220 million gain on the sale of our stake in Medi Telecom. In 2008, other income included a €143 million gain on the sale of our stake in Sogecable.

Total expenses include supplies, personnel expenses and other expenses (mainly external services and taxes). Total expenses do not include depreciation and amortization. Our total expenses decreased 3.0% to €35,773 million in 2009 compared to €36,892 million in 2008. Excluding foreign exchange rate effects and excluding considering Venezuela a hyperinflationary economy, total expenses would have decreased 0.4% in 2009 compared to 2008.

Supplies decreased 6.2% to €16,717 million in 2009 compared to €17,818 million in 2008. On a constant euro basis and excluding considering Venezuela a hyperinflationary economy, supplies would have decreased 3.1% from 2008 to 2009. This decrease is primarily due to lower interconnection costs associated with lower fixed-mobile traffic and the reduction of mobile termination rates.

Personnel expenses increased 0.2% to €6,775 million in 2009 compared to €6,762 million in 2008. On a constant euro basis and excluding considering Venezuela a hyperinflationary economy, personnel expenses would have increased 2.7% from 2008 to 2009. This increase was primarily due to increases in our work force and wages over the period. The average workforce during 2009 reached 255,151 employees, with a net increase of 3,376 employees compared to 2008, mainly due to the workforce increases within Atento. Excluding employees of Atento, our average number of employees in 2009 would have increased by 381 employees to 125,266 employees compared to 2008.

Other expenses are mainly comprised of external services, which consist of commercial expenses related to our business (such as commissions to distributors of services, marketing and advertising expenses and customer service related expenses), network maintenance expenses, general administrative expenses and subcontracted services expenses, as well as certain types of taxes. Other expenses also include changes in operating allowances and other operating expenses. Other expenses decreased 0.2% to €12,281 million in 2009 from €12,312 million in 2008. Excluding foreign exchange rate effects and excluding considering Venezuela a hyperinflationary economy, other expenses would have increased 2.0% in 2009 compared to 2008. This increase was principally driven by higher customer care, network and IT expenses in Telefónica Latin America.

As a result of the foregoing, our **operating income before depreciation and amortization (OIBDA)** decreased 1.4% to €22,603 million in 2009 compared to €22,919 million in 2008. On a constant euro basis and excluding considering Venezuela a hyperinflationary economy, OIBDA would have increased 0.5% from 2008 to 2009.

Of our 2009 OIBDA, Telefónica Spain contributed 43.2% (44.9% in 2008), while Telefónica Latin America and Telefónica Europe contributed 40.5% (36.8% in 2008) and 17.3% (18.2% in 2008), respectively.

Our OIBDA margin increased to 39.8% in 2009 compared to 39.6% in 2008. For a reconciliation of OIBDA to operating income, see “—Presentation of Financial Information—Non-GAAP financial information—Operating income before depreciation and amortization”.

Our depreciation and amortization decreased 1.0% to €8,956 million in 2009 compared to €9,046 million in 2008. On a constant euro basis and excluding considering Venezuela a hyperinflationary economy, depreciation and amortization would have increased 1.3% from 2008 to 2009, principally driven by Telefónica Latin America and Telefónica Europe depreciation and amortization increases. Telefónica Europe depreciation and amortization in 2009 includes the amortization of the purchase price allocation made following the acquisitions of the O2 Group

(€635 million; €689 million in 2008) and Telefónica O2 Czech Republic (€89 million; €131 million in 2008).

As a result of the foregoing, our **operating income** decreased 1.6% to €13,647 million in 2009 from €13,873 million in 2008. On a constant euro basis and excluding considering Venezuela a hyperinflationary economy, operating income would have remained constant in 2009 compared to 2008.

Our **share of profit (loss) of associates** amounted to a gain of €47 million in 2009 compared to a loss of €161 million in 2008, primarily as a result of share of profits we recorded in respect to our interest in Portugal Telecom and lower share of loss we recorded in respect to our interest in Telco S.p.A.. In 2008, the loss in our share of profit (loss) of associates was primarily the result of the net adjustment Telco made to the valuation of its investment in Telecom Italia. To estimate the adjustment to be recorded by the Telefónica Group, we took the value of the estimated synergies that we expect to achieve by improving certain processes in our operations in Europe as a result of certain alliances reached with Telecom Italia. As a result of this revaluation, we recorded a loss of €209 million in 2008, which more than offset share of profits we recorded in respect of our interest in Portugal Telecom.

Net financial expense increased 18.2% to €3,307 million in 2009 compared to €2,797 million in 2008, leaving the average cost of debt of the Group in the 7.3%. The impact of Venezuela is of €630 million; if this effect is not taken into account the average cost is 5.9%, the financial cost is reduced 4.3% in respect of the previous year due to:

- A decrease of the expenses in €298 million due to the interest rates drop during 2009 mainly in European currencies.
- A decrease of 3.7% in the average debt, which has generated savings of €104 million.
- Changes of the actual value of commitments derived mainly from the pre-retirement plans and other positions equally accounted at market value have generated a lower income by €85 million in comparison with the same period of the previous year as the positive 2008 results were not repeated.
- Changes in the FX gains and losses up to December 2009 with respect to the same period in 2008 yield a higher cost of about €197 million.

Corporate income tax decreased to €2,450 million in 2009 compared to €3,089 million in 2008, implying an effective tax rate of 23.6%. We would highlight that in December 2007, the European Commission opened an investigation involving the Kingdom of Spain on the potential consideration of the deduction for tax amortization of the financial goodwill arising on certain foreign shareholding acquisitions as government aid under the provisions of article 12.5 of the revised Spanish Income Tax Law ("TRLIS"). This investigation led to widespread uncertainties regarding the scope of the European Commission's decision on the future for, among others, the Telefónica Group. In the case of the Telefónica Group, as a result of this uncertainty the Company deemed it necessary to recognize a liability in the consolidated financial statements until the proceedings were clarified as it had been applying a tax incentive. In December 2009, the European Commission released its decision regarding the investigation, deeming the deduction as state aid. This decision does not affect investments made before December 21, 2007, which is the case of the Telefónica Group's investments in O2 Group companies, the operators acquired from BellSouth, Colombia Telecomunicaciones, ESP and Telefonica O2 Czech Republic, a.s. As a result of this decision and considering the corporate structure of these investments, income tax in the Telefónica Group's consolidated income statement for the year ended December 31, 2009 is 591 million euros lower due to the reversal of this liability.

Telefonica

Our **non-controlling interests** amounted to a negative figure of €161 million in 2009 compared to a negative figure of €234 million in 2008, primarily as a result of lower profits at Telesp and Telefónica Chile (after the public offering dropped on the minority shareholders of it in 2008) and higher loss at Colombia Telecom, which we account for as non-controlling interests.

As a result of the above, our **profit for the year attributable to equity holders of the parent company** increased 2.4% to €7,776 million in 2009 compared to €7,592 million in 2008.

The following table shows our total accesses at the dates indicated. The classifications and explanatory notes below also apply, to the extent applicable, to the tables detailing our accesses by business area and country elsewhere in this section.

	At December 31,		
	2007	2008 (1)	2009
	(in thousands)		
Fixed telephony accesses (2)	43,433.6	42,930.8	40,606.0
Internet and data accesses	13,156.6	14,654.3	15,082.5
Narrowband accesses	2,678.7	1,997.2	1,427.5
Broadband accesses (3)	10,320.2	12,472.1	13,492.6
Other accesses (4)	157.7	185.0	162.4
Mobile accesses (5) (6)	167,781.1	195,818.6	202,332.5
Pay TV accesses	1,748.1	2,267.5	2,489.2
Final clients accesses	226,119.4	255,671.1	260,510.2
Unbundled local loop accesses	1,396.5	1,748.1	2,206.0
Shared UL accesses	776.4	602.3	447.7
Full UL accesses	620.1	1,145.8	1,758.3
Wholesale ADSL accesses (7)	571.7	534.7	463.4
Other accesses (8)	656.0	1,150.1	1,426.0
Wholesale accesses	2,624.2	3,433.0	4,095.3
Total accesses	228,743.6	259,104.1	264,605.5

- (1) From January 1, 2008, fixed wireless public use telephony accesses are included under the caption "fixed telephony accesses".
- (2) PSTN (including public use telephony) x1; ISDN basic access x1; ISDN primary access; 2/6 access x30. Includes the Group's accesses for internal use. It also includes VOIP and naked ADSL accesses.
- (3) Includes ADSL, satellite, fiber optic, cable modem and broadband circuits and naked ADSL.
- (4) Includes remaining non-broadband final client circuits.
- (5) Includes accesses of Telemig since 2008. Medt Telecom accesses are excluded in 2009.
- (6) As of 1 January 2008, in order to align the criteria for the key performance indicators of the mobile operations of the Group, the series of mobile accesses, and therefore, of total accesses, have been revised, including machine to machine accesses. In addition, the accounting criteria for prepaid access in the Czech Republic and Slovakia have been modified to align them, changing from 13 months (registered) to three months (active).
- (7) Includes unbundled lines by Telefónica O2 Germany.
- (8) Includes circuits for other operators.

SERVICES AND PRODUCTS

a) Fixed business

The principal services we offer in our fixed businesses in Spain, Europe and Latin America are:

- *Traditional fixed telecommunication services.* Our principal traditional fixed telecommunication services include PSTN lines; ISDN accesses; public telephone services; local, domestic and international long distance and fixed-to-mobile communications services; corporate communications services; supplementary value-added services (including call waiting, call forwarding, voice and text messaging, advanced voicemail services and conference-call facilities); video telephony; business-oriented value-added services; intelligent network services; leasing and sale of terminal equipment; and telephony information services.
- *Internet and broadband multimedia services.* Our principal Internet and broadband multimedia services include Internet service provider service; portal and network services; retail and wholesale broadband access through ADSL, naked ADSL (broadband connection without the monthly fixed line fee); narrowband switched access to Internet for universal service, and other technologies; residential-oriented value-added services (including instant messaging, concerts and video clips by streaming video, e-learning, parental control, firewall protection, anti-virus protection, content delivery and personal computer sales); television services such as *Imagenio*, our IPTV business, cable television and satellite television; companies-oriented value-added services, like *puesto integral o puesto informático*, which includes ADSL, computer and maintenance for a fixed price and VoIP services. Telefónica Spain is also providing services based on Fiber to the Home (FTTH), including a new range of products and services named "FUTURA". This line of products includes high speed Internet access (currently up to 30Mb), which allows Telefónica Spain to provide its customers with advanced IPTV services such as Multiroom (allowing clients to watch different TV channels in different rooms) and Digital Video Recording (DVR).
- *Data and business-solutions services.* Our data and business-solutions services principally include leased lines; virtual private network, or VPN, services; fiber optics services; the provision of hosting and application, or ASP, service, including web hosting, managed hosting, content delivery and application, and security services; outsourcing and consultancy services, including network management, or CGP; and desktop services and system integration and professional services.
- *Wholesale services for telecommunication operators.* Our wholesale services for telecommunication operators principally include domestic interconnection services; international wholesale services; leased lines for other operators' network deployment; and local loop leasing under the unbundled local loop regulation framework. It also includes bit stream services, bit stream naked, wholesale line rental accesses and leased ducts for other operators' fiber deployment.

b) Mobile business

We offer a wide variety of mobile and related services and products to personal and business customers. Although the services and products available vary from country to country, the following are our principal services and products:

- *Mobile voice services.* Our principal service in all of our markets is mobile voice telephony.

- *Value added services.* Customers in most of our markets have access to a range of enhanced mobile calling features, including voice mail, call hold, call waiting, call forwarding and three-way calling.
- *Mobile data and Internet services.* Current data services offered include Short Messaging Services, or SMS, and Multimedia Messaging Services, or MMS, which allow customers to send messages with images, photographs and sounds. Customers may also receive selected information, such as news, sports scores and stock quotes. We also provide mobile broadband connectivity and Internet access. Through mobile Internet access, our customers are able to send and receive e-mail, browse the Internet, download games, purchase goods and services in m-commerce transactions and use our other data services.
- *Wholesale services.* We have signed network usage agreements with several MVNOs in different countries.
- *Corporate services.* We provide business solutions, including mobile infrastructure in offices, private networking and portals for corporate customers that provide flexible on-line billing.
- *Roaming.* We have roaming agreements that allow our customers to use their mobile handsets when they are outside of our service territories, including on an international basis.
- *Fixed wireless.* We provide fixed voice telephony services through mobile networks in Venezuela, Argentina, Peru, Mexico, Ecuador, El Salvador, Guatemala and Nicaragua.
- *Trunking and paging.* In Spain and Guatemala, we provide digital mobile services for closed user groups of clients and paging services.

REGULATORY ENVIRONMENT

The regulatory debate in the EU has focused on three issues that will go a long way to shaping the future regulatory framework and the development of the telecommunications market in Europe.

First is the completion of the review of the European regulatory framework governing electronic communications in effect since 2002 following the agreement between the European Parliament and Council, which gave rise to a new set of rules governing the sector across Europe once the new legislation is transposed into national law of the EU Member States. As a result of this review, a new European-wide communications body ("BEREC") was established to strengthen co-operation among the national regulatory authorities of EU Member States.

Second is the major initiative being undertaken by the European Commission to encourage the rollout of broadband networks, which has led to the publication of new community guidelines aimed at clarifying the role of public administrations in this field. Also worth highlighting is the heated debate regarding community policy on next-generation rollouts, particularly fiber networks, which is expected to culminate in a recommendation by the European Commission in 2010.

Third are the various initiatives in the area of mobile communications regulation. On the one hand, the European Commission issued a new recommendation for national regulatory authorities of Member States aimed at reducing call termination rates in mobile and fixed networks in order to achieve greater symmetry between them. On the other, the review of the GSM Directive has led to the removal of the restriction on the exclusive use of the 900MHz bank for GSM services and the European Commission has issued a Decision on harmonized technical specifications for the use of other wireless technologies (3G and future 4G technologies) on the 900MHz and 1800MHz banks.

Meanwhile, in Spain, the Telecoms regulator, CMT (*Comisión del Mercado de Telecomunicaciones*) continued with the second round of analysis of relevant markets in accordance with the new definitions established by the European Commission in 2007. At the beginning of 2009, the CMT approved the resolution enacting the new regulation for direct and indirect access wholesale broadband services. Subsequently, in July, it approved the regulation of the wholesale circuit leasing market. In practical terms, this second round has spelled continuity in terms of existing regulation to date, punctuated by small steps in terms of deregulation, for example of the retail line leasing market (minimum set of leased lines), decided in July 2009.

As for price regulation, the CMT approved an average 25% reduction in the price of Telefónica's regulated indirect or bitstream accesses and a 31.3% cut in the monthly wholesale shared loop price.

Among initiatives aimed at clarifying regulation of next-generation networks, the CMT approved a benchmark third-party access offering to Telefónica's civil engineering infrastructure (ducts, posts, catch basins, etc.). In addition, Ministry for Industry held a public consultation on the potential appointment of other operators besides Telefónica as providers of certain services within the scope of the universal service and the possible extension of the regulatory perimeter of these services to broadband (speed of 1 MB/second).

The CMT also confirmed that Orange and Vodafone were liable for contributing to the cost incurred by Telefónica in providing universal service, which in 2006 amounted to 75.3 million euros. In addition, the CMT recognized that the net cost of the universal service in 2007 was 71.1 million euros.

Also worth highlighting is the approval in July 2009 of the regulation setting the new multi-year schedule for reducing mobile call termination rates by between 40% and 50% over the next three years. The new interconnection prices will remain in effect until April 2012, when the target prices of 0.04 euros/min for calls terminating on the networks of Telefónica Móviles, Vodafone and Orange and their respective mobile virtual network operators, and 0.0497 euros/min for Yoigo (Xfera) will have been achieved.

In the other European markets where Telefónica operates, especially Germany and the UK, discussions surrounding the procedures for awarding and sharing radioelectric spectrum have intensified. As regards this issue, we would underscore the proposed merger in Germany of Deutsche Telecom's and France Télécom's operations announced in September 2009, which is considerably shaping the mobile regulatory agenda in general and the procedure for the new spectrum auction in particular. Meanwhile, in 2009 other regulatory action was taken in the area of interconnection services, with specific decisions taken on the validity of the mobile termination prices applicable in Germany and the UK. In the UK, the regulator also initiated a consultation on potential alternatives to the existing interconnection models of mobile services. Meanwhile, progress was made on the various reviews of the necessary relevant markets to bring prevailing regulatory frameworks in line with the market's development on various fronts; although none of the initiatives undertaken in 2008 had a material impact on the Group's European operations.

In Latin America, a new Audiovisual Communication Services Law was enacted in Argentina, maintaining the limitations for telecommunications operators to be able to offer television services. Meanwhile, in August 2009, Telefónica and the Argentine government submitted a joint request for withdrawal to the ICSID arbitration court in an attempt to resolve the conflict arising from the Argentine government's decision in 2002 to proceed with the pesification and the freezing of tariffs; the arbitration court accepted the request in September 2009. During the course of 2009, the national court for the defense of competition (*Comisión Nacional de Defensa de la Competencia*, "CNDC") analyzed the impact on the Argentine market of the acquisition of a stake by Telefónica, S.A. in Telecom Italia S.p.A. As a result, the CNDC issued a resolution forcing Telecom Italia to sell all of its assets in Argentina.

In Brazil, as a result of the service quality issues surrounding the Telesp's ADSL service, "Speedy", at the end of June ANATEL decided to suspend the sale of broadband services until the agency could verify that the quality problems had been resolved and that a network improvement plan had been initiated. The suspension on the sale of Telesp's broadband services was lifted in August, as Telesp carried out the network improvement plan presented. In addition, in March ANATEL released the outcome of a public consultation over the five-year review of the concession agreement, which included a new General Quality Target Plan (PGMQ) and a new General Universal Service Target Plan (PGMU). In addition, in the latter months of 2009 the Federal government began making progress on designing the National Broadband Plan aimed at boosting the penetration of broadband services in Brazil. The Plan is expected to take form in the early months of 2010. Finally, we would highlight the approval by ANATEL of Telefónica, S.A.'s purchase of a stake in Telecom Italia S.p.A.

In Chile, the tariff-setting procedures for establishing the access charges of Telefónica Móviles Chile (TMCH) and Telefónica CTC (TCH) for 2009-2014 was completed. For the first time, the court of the defense of free competition allowed Telefónica CTC to freely set its rates for local services, monthly charges and local prices per minute. In addition, an auction of 3G spectrum was held, in which Telefónica and the rest of the existing operators were not allowed to participate. This facilitated the arrival of new competitors to the Chilean wireless market, VTR and Nextel.

In Colombia, the new law regulating the information and communication technology (ICT) sector was enacted in July. The features of the law with the greatest impact on Telefónica are the requirement of all operators to contribute a percentage of their revenue to the Fund for

Telefonica

Information and Communication Technologies (“ICT Fund”), the gradual elimination of the current system of subsidies and contribution in the fixed telephony market. In the wireless market, existing concession agreements will be respected until their expiration (March 2014), after which the provision of mobile services will fall within a general authorization scheme. Meanwhile, in March the Resolution on Relevant Markets was published. The main implications were the liberalization of the local retail rates of all operators and the consideration that Comcel has a dominant position in the wireless market, imposing certain obligations on retail tariff setting.

In Mexico, the Federal Telecommunications commission published the terms and conditions of the tender for frequencies on the 1.9 GHz and 1.7-2.1 GHz bands, establishing the calendar for the spectrum auction in the first quarter of 2010. These terms and conditions include a limit on spectrum per operator (spectrum cap) of 70 MHz across the 850MHz to 1.9 GHz bands, and of 80 MHz from those plus the 1.7-2.1 GHz band. Meanwhile, the Federal Competition Commission declared TELMEX a dominant operator in local wireline termination and origination, switch leasing and carrying.

In Peru, the Ministry of Communications granted the renewal of Telefónica del Perú, S.A.’s Concession Agreement for 2019-2023 (a total of four years and two months) and 2023-2027 (a total of four years and three months). In addition, OSIPTEL completed its review of interconnection charges on wireless networks, establishing a nearly 50% reduction in access charges and introduction interconnection by capacity, which will come into force as of April 1, 2010. This issue is currently the subject of an arbitration proceeding initiated by Telefónica del Perú, S.A. Finally, in the wireless business, number portability entered into force on January 1, 2010.

SHARE PRICE PERFORMANCE

In 2009, Telefónica's share price resumed the bullish trend of 2003-2007, ending the year up 23.2% at 19.52 euros per share. This solid performance, underpinned by the overall recovery of equity markets in the year, solidifies the Company's unique profile, as it outperformed both its European benchmark, the DJ Stoxx Telecommunications index, which rose 11.2%, and the broader EStoxx-50 index, which gained 21.3%.

Telefónica's outperformance of its European peers Vodafone (+3.2%), BT (+1.5%), Deutsche Telekom (-4.3%), Telecom Italia S.p.A. (-5.4%) and France Telecom (-12.2%) reflects the advantages afforded by its highly diversified geographical and business mixes, its proven record in delivering amid ever-changing environments, its cash generative ability and its focus on shareholders. This focus on shareholders is clearly reflected in the operator's commitment to increasing shareholder returns via dividends. After announcing a 15% increase in the annual dividend to 1.15 euros per share in February 2009, Telefónica announced a 21.7% increase in the 2010 dividend at the Investor Conference held in October 2009 to 1.40 euros per share, along with a medium-term target of paying out a dividend of least 1.75 euros per share in 2012.

This takes the total return for Telefónica shares in 2009 to 29.5% including the dividends paid in 2009 (0.5 euros per share on May 12, 2009 and 0.5 euros per share on November 11, 2009).

This performance made Telefónica the world's third largest telecommunications company by market cap and one of the 50 largest companies in the world of any kind. Telefónica's market cap at year-end 2009 stood at 89,089 million euros.

INFORMATION BY BUSINESS LINE

Telefónica Spain Operations

Telefónica Spain's total accesses decreased 1.2% to 46.8 million accesses at December 31, 2009 from 47.3 million accesses at December 31, 2008. Total accesses at December 31, 2009 included 23.5 million mobile accesses, 14.2 million fixed telephony accesses, 5.7 million Internet and data accesses and 0.7 million pay TV accesses. Additionally, it included 2.2 million unbundled local loop accesses and 0.4 million of wholesale ADSL accesses.

The following table presents, at the dates indicated, selected statistical data relating to our operations in Spain:

	At December 31,		
	2007	2008	2009
	(in thousands)		
Fixed telephony accesses	15,918.8	15,326.3	14,200.1
Internet and data accesses.....	5,321.8	5,670.0	5,722.5
Narrowband accesses	660.8	388.0	219.5
Broadband accesses	4,614.0	5,246.4	5,476.8
Other accesses.....	47.0	35.6	26.2
Mobile accesses	22,826.6	23,604.8	23,538.6
Pre-pay accesses	9,181.8	9,037.0	8,204.5
Pay TV accesses	511.1	612.5	703.0
Final clients accesses.....	44,578.2	45,213.6	44,164.2
Wholesale accesses.....	1,855.5	2,136.1	2,614.0
Total accesses	46,433.6	47,349.7	46,778.2

Telefónica Spain's revenues decreased 5.4% to €19,703 million in 2009 from €20,838 million in 2008.

Revenues from Telefónica Spain's fixed business decreased 3.3% to €12,167 million in 2009 from €12,581 million in 2008 principally due to the decrease in the revenues of traditional voice service and accesses.

- Revenues from traditional accesses include all revenues from our customers for rental and connection to public switched telephone network (PSTN) lines (for basic telephony service), ISDN lines (for integration of voice, data and video services), corporate services, PUT, additional recharges and advertising in telephone booths. Revenues from traditional accesses decreased 5.2% to €2,792 million in 2009 compared to €2,944 million in 2008, as a result of the reduction in the number of accesses which was partially offset by revenues derived from recognizing receipt of the universal service.
- Revenues from traditional voice services decreased 10.2% to €3,983 million in 2009 compared to €4,436 million in 2008. This evolution is mainly affected by lower fixed-to-mobile traffic, the decrease of international traffic and the increasing importance of traffic included in national flat tariff plans.
- Revenues from Internet and broadband services decreased 1.9% to €2,960 million in 2009 compared to €3,017 million in 2008. Retail broadband service revenues decreased 1.7% in 2009 compared to 2008, due to the lower accesses growth and the ARPU reduction. Wholesale broadband service revenues increased 3.3% in 2009 compared to 2008 reflecting the customer base for unbundled local loop growth in 2009.

- Revenues from data services grew 8.7% to €1,294 million in 2009 from €1,190 million in 2008, driven by increased revenues from leased circuits to mobile operators, mainly Telefónica Móviles España, as a result of the rapid growth in mobile broadband.
- Revenues from information technology services grew 14.7% to €508 million in 2009 from €443 million in 2008.

Revenues from Telefónica Spain's mobile business decreased 7.4% to €8,965 million in 2009 from €9,684 million in 2008, due to lower consumption by customers. Customer revenues decreased 5.4% to €6,571 million in 2009 from €6,943 million in 2008 due to lower usage patterns. Interconnection revenues decreased 19.5% to €1,001 million in 2009 from €1,243 million in 2008, due primarily to regulated interconnection price cuts. Roaming-in revenues fell 22.8% to €153 million in 2009 from €198 million in 2008 due to the downward trend in roaming consumption and wholesale prices. Revenues from handset sales decreased 7.3% to €1,137 million from €1,227 million in 2008.

Regarding expenses, Telefónica Spain's total expenses decreased 4.2% to €10,443 million in 2009 from €10,901 million in 2008 principally due to lower supplies expenses, as described below:

- Supplies decreased 6.7% to €4,293 million in 2009 from €4,604 million in 2008, mainly due to lower interconnection expenses.
- Personnel expenses decreased 3.0% to €2,305 million in 2009 from €2,375 million in 2008, principally due to the revision of the estimates of redundancy program provision accounts made in previous years, which resulted in lower expenses of €90 million.
- Other expenses decreased 2.0% to €3,845 million in 2009 from €3,922 million in 2008, principally due to 3.4% decrease in external expenses to €3,102 million in 2009 from €3,212 million in 2008, as a result of containment in commercial expenses. This decrease was partially offset by an increase in other expenses in 2009 due to expenses related to the universal service.

In the fixed business, total expenses decreased 3.4% to €6,567 million in 2009 from €6,799 million in 2008 principally due to lower expenses across categories, as described below.

- Supplies decreased 6.0% to €2,786 million in 2009 from €2,962 million in 2008 mainly due to lower interconnection expenses according to a lower fixed to mobile traffic usage and to a reduction in mobile termination rates.
- Personnel expenses decreased 0.9% to €2,052 million in 2009 from €2,071 million in 2008, mainly due to the revision of redundancy program provision accounts made in previous years, which resulted in lower expenses of €58 million. The average number of employees for the fixed business in 2009 was 31,111, a 0.4% reduction in comparison with the average number of employees in 2008.
- Other expenses decreased 2.1% to €1,729 million in 2009 from €1,766 million in 2008, principally due to a 2.7% decrease in external expenses to €1,300 million in 2009 from €1,336 million in 2008. This decrease was partially offset by an increase in expenses related to the universal service.

Telefónica Spain's total expenses related to its mobile business decreased 4.0% to €5,281 million in 2009 from €5,502 million in 2008 principally due to lower supplies expenses, as described below.

- Supplies decreased 8.9% to €2,430 million in 2009 from €2,667 million in 2008 due to decreases in interconnection and roaming expenses as result of lower traffic usage and to a reduction in mobile termination rates.
- Personnel expenses decreased 16.3% to €250 million in 2009 from €299 million in 2008, mainly due to the revision of redundancy program provision accounts made in previous years, which resulted in lower expenses of €32 million. The number of employees for the mobile business in the end of 2009 was 4,199, a 6.0% reduction in comparison with the average number of employees in 2008.
- Other expenses increased 2.5% to €2,601 million in 2009 from €2,537 million in 2008 mainly due to higher customer management expenses and expenses related to the universal service in 2009.

As a result of the foregoing, Telefónica Spain's OIBDA decreased 5.1% to €9,757 million in 2009 from €10,285 million in 2008. Telefónica Spain's OIBDA, as a percentage of Telefónica Spain's revenues, was 49.5% in 2009 compared to 49.4% in 2008.

Regarding depreciation and amortization, Telefónica Spain's depreciation and amortization decreased 4.5% to €2,140 million in 2009 from €2,239 million in 2008, principally due to variation of the useful life of assets subject to depreciation in 2009 compared to 2008.

As a result of the foregoing, Telefónica Spain's operating income decreased 5.3% to €7,617 million in 2009 from €8,046 million in 2008.

Telefónica Spain - Fixed business

Telefónica Spain provides fixed telephony services in Spain through the operator Telefónica de España.

The following table presents, at the dates indicated, selected statistical data relating to the operations of Telefónica de España:

	At December 31,		
	2007	2008	2009
		(in thousands)	
Fixed telephony accesses (1)	15,918.8	15,326.3	14,200.1
Internet and data accesses.....	5,321.8	5,670.0	5,722.5
Narrowband accesses.....	660.8	388.0	219.5
Broadband accesses	4,614.0	5,246.4	5,476.8
Other accesses	47.0	35.6	26.2
Pay TV accesses	511.1	612.5	703.0
Final clients accesses.....	21,751.6	21,608.8	20,625.6
Wholesale line rental accesses.....	-	9.5	97.4
Unbundled local loop accesses.....	1,353.9	1,698.0	2,153.8
Shared UL accesses.....	776.4	602.3	447.7
Full UL accesses	577.6	1,095.7	1,706.1
Wholesale ADSL accesses	495.5	423.8	359.0
Other accesses.....	6.0	4.7	3.7
Wholesale accesses.....	1,855.5	2,136.1	2,614.0
Total accesses	23,607.1	23,744.8	23,239.6

(1) It includes naked ADSL and VOIP accesses.

In 2009, the Spanish market of fixed telephony accesses was affected by an unfavorable economic environment and showed an estimated decrease of 0.8% year-on-year based in number of accesses. During the same period, Telefónica Spain's fixed telephony accesses decreased by 7.3% to 14.2 million accesses at December 31, 2009, from 15.3 million accesses at December 31, 2008. Telefónica Spain had net fixed telephony accesses losses of 1.1 million in 2009, higher than the 0.6 million net fixed telephony accesses losses recorded in 2008.

Estimated net adds in the total Spanish broadband market decreased 47.9% to 0.6 million accesses in 2009 from 1.1 million in 2008. The total estimated Spanish broadband access market was 9.9 million accesses at December 31, 2009. Telefónica Spain's broadband accesses increased 4.4% to 5.5 million accesses at December 31, 2009 from 5.2 million accesses at December 31, 2008.

The estimated market share of unbundled local loops in the broadband access market in Spain increased to 21.1% at December 31, 2009 from almost 18.3% at December 31, 2008. Unbundled local loops at December 31, 2009 amounted to 2.2 million accesses, of which nearly 21% were shared access loops.

Telefónica Spain's total wholesale ADSL accesses were 0.4 million accesses at December 31, 2009 a decreased of 15.3% compared to the accesses at December 31, 2008, mainly because of the migration to unbundled local loops.

In 2009, Telefónica Spain continued to increase its presence in the pay TV market, achieving a customer base of 0.7 million accesses at December 31, 2009 from 0.6 million accesses at December 31, 2008.

Since 2005 Telefónica Spain has bundled ADSL products with other products in Duo bundles, which include voice services, and Trio bundles, which include voice and IPTV services. The total number of Duo and Trio bundles increased by 7.2% to 4.9 million units at December 31, 2009 from 4.5 million units at December 31, 2008. At December 31, 2009, 88% of Telefónica Spain's broadband accesses were included in Duo or Trio bundles compared to 85% at December 31, 2008.

Regarding marketing, one of our main priorities has been to satisfy customer needs and increase customer loyalty by improving the quality of our customer service and offering a wide range of integrated telecommunications services. We have reinforced our strategy of customer segmentation in order to tailor our services to best meet the specific needs of each customer segment.

In 2009 we marketed new products and promotions to strengthen our position in the market for fixed-mobile convergence, both for residential and business customers.

In 2009 we were also very active in capturing new fixed telephony customers (which, in many cases, included broadband customers as well) through "free-connection fee" campaigns. These campaigns stimulated new adds. At the same time, we improved the value of fixed lines creating for example *Línea 3*, a new product that offers our costumers free national calls to their three most called numbers.

During 2009 Telefónica Spain continued marketing bundled ADSL products, which included voice and IPTV services, and Quadruple bundles, which include fixed telephony, mobile telephony, broadband access and IPTV services, some of these new bundles include:

- *Banda ancha total*: bundle of fixed and mobile broadband; and
- *ADSL + voz móvil*: bundle of fixed broadband and free mobile traffic during the weekends.

Telefonica

In September 2009, the CMT modified the regulatory framework for retail offers allowing Telefónica Spain to carry out promotions to its clients under certain conditions and simplifying the replicability analysis of the quadruple play.

In October 2009 Telefónica Spain launched *ADSL Libre*, a new product that allows customers to subscribe for a broadband connection without the monthly fixed line fee (Naked ADSL).

ADSL commercial campaigns carried out to capture new broadband customers were very intense during 2009. In particular, the *Semana Loca* campaigns introduced new promotions with more attractive prices that allowed Telefónica Spain to defend its market share.

In the business segment, we continued to promote our *Puesto de Trabajo* services, which is a package of services designed to meet the voice, data and IT needs for small- and medium-sized businesses.

The customer service model employed by Telefónica Spain, which is focused on achieving the highest degree of efficiency in customer service, has the following features:

- a 24-hour personal customer service line for purchasing any type of product and service and handling customer queries;
- Telefónica stores (*Tiendas Telefónica*) where customers can test and buy the products we market, including the opening in 2008 of our flagship store at the historic Telefónica headquarters building on the Gran Vía (Madrid), which is the largest telecommunications store in Spain;
- the Telefónica On Line Store, accessible by Internet (www.telefonica.es), which offers customers the ability to order and purchase online the majority of services and products we offer; and
- a customer service system for corporate customers, with a dedicated sales force.

Regarding competition, Telefónica Spain's main competitors in the fixed telephony market fall within three main categories:

- cable operators, such as Spanish nationwide cable operator ONO, which offers triple play, and regional cable operators (Euskaltel, Telecable and Grupo R);
- ULL operators, such as Orange, Jazztel and Vodafone; and
- large-business oriented operators, such as British Telecom and Colt, which offer voice and data Virtual Private Networks (VPNs).

Telefónica Spain's estimated market share at December 31, 2009 was as follows:

- fixed telephony accesses market share amounted to approximately 72% of retail accesses (down from approximately 77% at December 31, 2008),
- broadband market share amounted to approximately 56% of retail accesses (down from approximately 57% at December 31, 2008); and
- pay TV market share amounted to approximately 17% of the market in terms of accesses (up from approximately 14% at December 31, 2008).

In November 2008, the CMT approved "Wholesale Access for Telephone Lines", or AMLT, a new product that allows operators to resell telephone lines to their final customers. During 2009 this product has shown a very slow growth.

Regarding network and technology, Telefónica Spain has made significant investments to develop its broadband access business through ADSL/VDSL technology, as well as in capacity and security of its aggregation, transport and data network.

Telefónica Spain - Mobile business (Spain)

Telefónica Spain provides mobile services in Spain through the operator Telefónica Móviles España S.A.U..

The Spanish mobile market exceeded 55.4 million accesses at September 30, 2009, which represented a penetration rate of 121%, an increase of more than 5 percentage points from December 31, 2008. The Spanish mobile market showed growth as a result of data services development based in the transmission.

The following table presents, at the dates or for the periods indicated, selected statistical data relating to Telefónica Spain's mobile business.

	At or for the year ended December 31,		
	2007	2008	2009
Total mobile accesses (in thousands)	22,826.6	23,604.8	23,538.6
Pre-pay accesses (in thousands)	9,181.8	9,037.0	8,204.5
MOU (minutes).....	161	156	n.a.
Traffic (million of minutes).....	n.a.	43,568	42,039
ARPU (in euros).....	32.3	30.4	27.5

Traffic is defined as minutes used by the Company customers, both outbound and inbound. On-net traffic is only included once (outbound), and promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in; MVNOs; interconnection of third parties and other business lines) is excluded. Traffic volume is not rounded.

In order to avoid the distortion on MoU of the strong growth of mobile devices which mostly use data services (M2M and mobile broadband devices), the Company has decided to publish the traffic evolution in absolute terms (million minutes).

Our mobile customer base in Spain, measured in terms of accesses, stood at 23.5 million accesses at December 31, 2009, a decrease of 0.3% from 23.6 million at December 31, 2008. This evolution was primarily driven by a 9.2% decrease in accesses in the prepaid segment. We must take into account that in December we proceeded to disconnect 715 thousand prepaid accesses from the customer base as a consequence of lower activity level, without an impact in the economic result.

In the context of an increasingly competitive market, with strong competition in number portability and pressure on pricing, Telefónica Móviles España's main commercial objective was to maintain its market leadership in revenue share, based on its competitive tariff scheme, strong focus on high value customers and effective marketing and advertising strategies. Telefónica Spain's mobile business achieved negative net adds of 66 thousand accesses in 2009, compared to positive net adds of 0.8 million accesses in 2008, with a noteworthy number of net accesses gains in the contract segment, 0.8 million accesses in 2009, down from 0.9 million in 2008.

In terms of portability, which is customers transferring their number to Telefónica Móviles España from a competitor, Telefónica Móviles España's total net adds was a negative figure of 0.2 million lines in 2009. However, by continuing to focus on the higher value customer segments, net portability adds of contract lines was a positive figure of 8.1 thousand lines in 2009.

At December 31, 2009, approximately 65% of our mobile accesses in Spain were contract, which represents an increase of 3.4 percentage points from December 31, 2008.

ARPU for Telefónica Spain's mobile business decreased 9.7% to €27.5 in 2009 from €30.4 in 2008. The decrease was driven by a decrease in voice ARPU of 12.4% to €22.1 in 2009 from €25.2 in 2008 as a result of increased competition, interconnection price cuts, roaming-out regulation and less usage. Outgoing voice ARPU also decreased 10.3% to €19.0 in 2009 from €21.2 in 2008. These decreases were partially offset by an increase in data ARPU of 3.0% to €5.4 in 2009 from €5.2 in 2008, with outgoing data ARPU growing 3.4% to €4.8 in 2009 from €4.7 in 2008.

Traffic carried in 2009 decreased 3.5% to 42,039 million minutes compared to 43,568 million minutes in 2008 mainly due to a lower voice usage.

At December 31, 2009, Telefónica Spain's customers held more than 8.9 million UMTS/HSDPA handsets, representing a penetration of 40% of our accesses base, an increase of 12 percentage points from December 31, 2008.

Regarding marketing, Telefónica Spain is focused on key initiatives to preserve its position as a leading mobile operator in the market, leading it to increase commercial efforts with measures including:

- in-depth market segmentation, with a focus on customer value;
- programs to promote customer loyalty; and
- pricing policies to stimulate usage, including launching segmented packages and innovative tariff options.

Since Telefónica Spain began providing mobile services in Spain, its sales and marketing strategy has been to generate increased brand awareness and customer satisfaction to achieve customer growth and increased revenues. Telefónica Spain utilizes several types of marketing channels, including television, radio, exterior billboards, telemarketing, direct mail and Internet advertising. Telefónica Spain also sponsors several cultural and sporting events in order to increase its brand recognition.

During 2009 Telefónica Spain's main marketing campaigns focused on boosting demand for mobile broadband, with the launch of data flat rates for browsing the web by a handset or small screen (contents, music, television, etc) as well as browsing the web by a laptops or big screen, developing new concepts and campaigns "try and buy". In addition, Telefónica Spain offers access mobile broadband services with HSPA technology. These favorable data rates and mobile broadband capable devices have been bundled by Telefónica Spain in order to promote an increase in the number of accesses and level of use of mobile broadband services in Spain. In order to help achieve this goal:

- In June 2009, Telefónica launched mobile broadband services for prepaid customers.
- In September 2009, Telefónica launched "mstore" with a catalogue of more than 1,000 mobile telephony applications and services, available to all Movistar customers, and ready to download to mobile phones and computers.
- Also, in November 2009, Telefónica launched HSPA+ services and tariffs which allow downloading at peak speeds of 21Mbs.

Regarding competition, Telefónica Spain's main competitors in the Spanish market for mobile communications service are: Vodafone España, a subsidiary of Vodafone plc, Orange, which is the trade name of France Telecom España S.A., Yoigo, whose principal shareholder is TeliaSonera, and other MVNO operators.

Telefonica

Telefónica Spain's estimated market share in Spain in terms of mobile accesses was approximately 43% at September 30, 2009 (down from approximately 44% at December 31, 2008).

Regarding network and technology, Telefónica Spain's digital network in Spain is based upon the GSM/UMTS standard. The prevalence of the GSM standard, together with Telefónica Spain's international roaming agreements, enable its mobile customers to make and receive calls in more than 200 countries worldwide. Telefónica Spain's GSM/UMTS based network provides its customers with access to many of the most advanced mobile handsets and a full range of services and products

In 2009, Telefónica Spain invested in building out and enhancing its networks in Spain and developing its technological platforms and information systems. At December 31, 2009, Telefónica Spain's GSM/GPRS digital network in Spain, which consisted of approximately 22,293 base stations of 2G. In 2009, Telefónica Spain accelerated the expansion of its UMTS network with 1,547 new base stations with a total of more than 10,820 UMTS base stations installed at the end of the year.

With respect to Telesp, Telefónica Latin America's fixed line business in Brazil, revenues decreased to €5,766 million in 2009 from €6,085 million in 2008 (a decrease of 1.8% in local currency). This decrease was due to lower traditional business revenues that were not offset by the growth of new services. Broadband, pay TV and data/IT services revenues increased as a percentage of total revenues (19.2% in 2009 compared to 16.3% in 2008). Traditional fixed line revenues decreased (5.9% in local currency), mainly driven by lower local and long distance traffic that was not compensated by higher interconnection traffic revenues coming primarily from mobile networks. Telesp's performance was conditioned by the decision of Anatel, the Brazilian regulator, which suspended the commercialization of Speedy, Telesp's broadband service, from June 22nd, 2009 to August 27th, 2009 as a result of quality problems.

- Telefónica Latin America's revenues from Venezuela increased to €3,773 million in 2009 from €2,769 million in 2008 (an increase of 20.4% in local currency and excluding Venezuela as a hyperinflationary economy), primarily driven by higher growth in service revenues in 2009 (an increase of 24.2% in local currency and excluding Venezuela as a hyperinflationary economy). This growth in local currency was due mainly to an integrated telecommunication offer (mobile, fixed, pay TV and broadband) and tariff increases.
- Telefónica Latin America revenues from Argentina increased to €2,609 million in 2009 from €2,527 million in 2008 (an increase of 15.3% in local currency) with both fixed and mobile business contributing. Of this, Telefónica Móviles Argentina's revenues increased to €1,643 million in 2009 from €1,585 million in 2008 (an increase of 15.8% in local currency). This increase was primarily driven by an increase of 5.7% in service revenues in 2009 (an increase of 18.1% in local currency). This growth in local currency was mainly due to data revenue growth and tariff increases. Revenues in the fixed line business increased to €1,047 million in 2009 from €1,027 million in 2008 (an increase of 13.9% in local currency), with the traditional fixed line business contributing 3.9 percentage points to this growth, the Internet business contributing 6.7 percentage points and data and IT businesses contributing 2.8 percentage points.
- Telefónica Latin America's revenues from Chile decreased to €1,831 million in 2009 from €1,936 million in 2008 (a decrease of 3.3% in local currency) as a result of the reduction of tariffs as a consequence of the regulatory decree within interconnection rates, which became into effect at January 23, 2009 for mobile termination (an average tariff decrease of 44.6%), while on May 7 the decree governing wireline accesses/operator charges was also enacted. This entailed an additional reduction in wireline termination rates. With respect to Telefónica Móviles Chile, Telefónica Latin America's mobile business in Chile, revenues decreased to €1,010 million in 2009 from €1,051 million in 2008 (a decrease of 1.8% in local currency) largely due to tariff decree established from January 23, 2009. Service revenues decreased 5.3% in 2009 (a decrease of 3.2% in local currency), because of the tariff decree. With respect to Telefónica Chile, Telefónica Latin America's fixed line business in Chile, revenues in 2009 decreased to €893 million in 2009 from €974 million in 2008 (a decrease of 6.3% in local currency). Broadband, pay TV, data and IT businesses growth did not offset the decrease in revenues from the traditional fixed telephony business.
- Telefónica Latin America's revenues from Mexico decreased to €1,552 million in 2009 from €1,631 million in 2008 (an increase of 10.0% in local currency). This growth in local currency was underpinned by service revenues growth of 17.8% in 2009 as a result of the customer base increase and new tariff plans. This increase in local currency was greater than the 14.7% rate of growth in the customer base over the same period.

- Telefónica Latin America's revenues from Peru increased to €1,716 million in 2009 from €1,627 million in 2008 (an increase of 3.0% in local currency). Revenue growth was primarily driven by outgoing revenues in the pre-pay segment of the mobile business and broadband services and pay TV and IT services in the fixed line business. With respect to Telefónica Móviles Perú, Telefónica Latin America's mobile business in Peru, revenues increased to €840 million in 2009 from €773 million in 2008 (an increase of 6.1% in local currency), driven primarily by revenue growth in the pre-pay segment as a result of the increase of accesses and higher consumption. Service revenues increased 5.4% in 2009 (an increase of 3.0% in local currency). With respect to Telefónica del Perú, Telefónica Latin America's fixed line business in Peru, revenues increased to €1,006 million in 2009 from €977 million in 2008 (an increase of 0.6% in local currency). This increase was primarily due to broadband and pay TV businesses revenues growth (6.2% and 9.2% in local currency, respectively). Also revenues of public telephony business increased by 2.3% in local currency in 2009 principally due to an increase in usage caused by tariff reductions, especially to fixed phones.
- Telefónica Latin America's revenues from Colombia decreased to €1,269 million in 2009 from €1,490 million in 2008 (a decrease of 11.6% in local currency). This evolution is the consequence of a highly competitive environment both in mobile and fixed telephony. With respect to Telefónica Móviles Colombia, Telefónica Latin America's mobile business in Colombia, revenues decreased to €685 million in 2009 from €815 million in 2008 (a decrease of 12.7% in local currency), losing 1.0 million mobile accesses. Service revenues decreased 13.6% in 2009 (a decrease of 10.3% in local currency). With respect to Colombia Telecomunicaciones, Telefónica Latin America's fixed line telephony business in Colombia, revenues decreased to €615 million in 2009 from €710 million in 2008 (a decrease of 10.0% in local currency) primarily due to the lower revenues from traditional fixed telephony services as of result of lower accesses and a decrease in traffic, not compensated by the increased broadband and pay TV revenues.
- Telefónica Latin America's revenues from Central America decreased to €565 million in 2009 from €568 million in 2008, (a decrease of 2.5% in constant euro terms). This decrease in constant euro terms was mainly due to a highly competitive environment. Service revenues decrease 1.4% in constant euro terms in 2009 compared to 2008.
- Telefónica Latin America's revenues from Ecuador increased to €337 million in 2009 from €318 million in 2008 (an increase of 0.6% in local currency). Service revenues increased 14.2% in 2009 (an increase of 9.5% in local currency).

Regarding expenses, Telefónica Latin America's total expenses increased 1.0% in 2009 to €14,486 million from €14,338 million in 2008 (an increase of 3.1% on a constant euro basis and excluding Venezuela as a hyperinflationary economy).

- Supplies decreased 2.9% to €6,188 million in 2009 from €6,371 million in 2008 (a decrease of 1.4% on a constant euro basis and excluding Venezuela as a hyperinflationary economy), mainly due to a decrease in Chile, Mexico and Colombia, who compensated the increase in Venezuela, as described below.

Supplies for Telefónica Latin America in Brazil decreased to €2,440 million in 2009 from €2,479 in 2008 (an increase of 2.0% in local currency), principally due to higher interconnection costs.

Supplies for Telefónica Latin America in Venezuela increased to €978 million in 2009 from €770 million in 2008 (an increase of 6.6% in local currency and excluding Venezuela as a hyperinflationary economy), principally due to higher content providers

and value added services such as RIM Licences, TV Licences and mobile SMS premium applications affected by higher exchange rate.

Supplies for Telefónica Latin America in Argentina decreased to €613 million in 2009 from €650 million in 2008 (an increase of 5.3% in local currency). This increase in local currency was principally due to higher interconnection costs at fixed line business, as a result of higher traffic and capacity needs, and equipment costs at mobile business.

Supplies for Telefónica Latin America in Chile decreased to €416 million in 2009 from €503 million in 2008 (a decrease of 15.5% in local currency), principally due to lower mobile interconnection cost caused by the tariff decree.

Supplies for Telefónica Latin America in Mexico decreased to €584 million in 2009 from €716 million in 2008 (a decrease of 5.8% in local currency). This decrease in local currency was primarily driven by lower equipment cost as a consequence of a lower commercial activity.

Supplies for Telefónica Latin America in Peru increased to €414 million in 2009 from €413 million in 2008 (a decrease of 2.0% in local currency). This decrease in local currency was primarily driven by a reduction in equipment costs in the mobile business as a consequence of a lower commercial activity.

Supplies for Telefónica Latin America in Colombia decreased to €298 million in 2009 from €394 million in 2008 (a decrease of 21.4% in local currency), principally due to, in the mobile business, a lower equipment cost as a consequence of a lower commercial activity, and a lower interconnection costs in both fixed and mobile businesses.

Supplies for Telefónica Latin America in Central America reached €178 million in 2009.

Supplies for Telefónica Latin America in Ecuador decreased to €101 million in 2009 from €112 million in 2008 (a decrease of 14.6% in local currency), due to lower equipment cost as a consequence of a lower commercial activity and to lower interconnection costs.

- Personnel expenses for Telefónica Latin America increased 3.1% to €1,789 million in 2009 from €1,735 million in 2008, (an increase of 5.8% on a constant euro basis and excluding Venezuela as a hyperinflationary economy), principally due to the increase in Venezuela and Argentina by the effect of higher inflation on wages as described below.

Personnel expenses for Telefónica Latin America in Brazil decreased to €439 million in 2009 from €513 million in 2008 (a decrease of 11.3% in local currency), primarily as a result of a decrease in the fixed line business average number of employees, after 2008 restructuring program, and the revision of contingencies related to employees.

Personnel expenses for Telefónica Latin America in Venezuela increased to €203 million in 2009 from €131 million in 2008 (an increase of 36.8% in local currency and excluding Venezuela as a hyperinflationary economy). This increase in local currency was principally due to the effects of higher inflation on wages.

Personnel expenses for Telefónica Latin America in Argentina increased to €321 million in 2009 from €303 million in 2008 (an increase of 18.4% in local currency). This increase in local currency was principally due to the effects of higher inflation on wages.

Personnel expenses for Telefónica Latin America in Chile stood at €182 million in 2009 from €182 million in 2008 (an increase of 1.8% in local currency). This evolution in local currency was primarily driven by the increase of compensation expenses due to the integration of fixed-mobile structures.

Personnel expenses for Telefónica Latin America in Mexico decreased to €82 million in 2009 from €96 million in 2008 (a decrease of 1.3% in local currency) principally due to a lower average number of employees and wages containment.

Personnel expenses for Telefónica Latin America in Peru increased to €171 million in 2009 from €159 million in 2008 (an increase of 4.9% in local currency), mainly due to the increase in the variable remuneration associated with both, fixed and mobile businesses financial performance.

Personnel expenses for Telefónica Latin America in Colombia decreased to €115 million in 2009 from €122 million in 2008 (a decrease of 1.5% in local currency), primarily driven by a lower average number of employees at the fixed line business.

Personnel expenses for Telefónica Latin America in Central America reached €41 million in 2009.

Personnel expenses for Telefónica Latin America in Ecuador increased to €30 million in 2009 from €26 million in 2008 (an increase of 8.7% in local currency), principally due to an increase in the average number of employees.

- Other expenses for Telefónica Latin America increased 4.4% to €6,508 million in 2009 from €6,232 million in 2008 (an increase of 6.9% on a constant euro basis and excluding Venezuela as a hyperinflationary economy), mainly due to Venezuela and to a lesser extent to Brazil, as described below.

Other expenses for Telefónica Latin America in Brazil increased to €2,628 million in 2009 from €2,543 million in 2008 (an increase of 7.1% in local currency). This increase in local currency was primarily driven by higher sales and commissions in the mobile business due to commercial activity and higher FISTEL (a regulatory tax linked to net adds of customers) costs due to customer base growth in Vivo. Other expenses also increased in the fixed line business mainly due to higher call center and maintenance expenses, primarily as a result of the action plan put in place in the second semester of the year to deal with network quality problems.

Other expenses for Telefónica Latin America in Venezuela increased to €787 million in 2009 from €553 million in 2008 (an increase of 23.8% in local currency and excluding Venezuela as a hyperinflationary economy), driven primarily by increased network expenses and higher operational taxes.

Other expenses for Telefónica Latin America in Argentina increased to €715 million in 2009 from €678 million in 2008 (an increase of 17.9% in local currency), principally as a result of higher inflation affecting external services.

Other expenses for Telefónica Latin America in Chile decreased to €516 million in 2009 from €556 million in 2008 (a decrease of 5.2% in local currency). This decrease in local currency was principally due to costs containment, particularly network maintenance, and lower commissions.

Other expenses for Telefónica Latin America in Mexico decreased to €381 million in 2009 from €430 million in 2008 (an increase of 2.4% in local currency). This increase in local currency was principally due to higher commissions and customer services costs.

Other expenses for Telefónica Latin America in Peru decreased to €459 million in 2009 from €467 million in 2008 (a decrease of 4.1% in local currency). This decrease in local currency was principally due to costs containment.

Other expenses for Telefónica Latin America in Colombia increased to €531 million in 2009 from €515 million in 2008 (an increase of 7.1% in local currency), principally due to higher bad debt provisions in both mobile and fixed businesses.

Other expenses for Telefónica Latin America in Central America reached €126 million in 2009.

Other expenses for Telefónica Latin America in Ecuador increased to €114 million in 2009 from €93 million in 2008 (an increase of 17.1% in local currency), principally due to higher commission costs driven by the increase of top ups.

As a result of the foregoing, Telefónica Latin America's OIBDA, increased 8.3% to €9,143 million in 2009 from €8,445 million in 2008 (an increase of 10.3% on a constant euro basis and excluding Venezuela as a hyperinflationary economy). By country, (on a constant euro basis and excluding Venezuela as a hyperinflationary economy), Venezuela contributed most to OIBDA growth (4.0 percentage points), followed by Mexico (2.7 percentage points) and Argentina (2.2 percentage points). In absolute terms, in 2009 Brazil was the largest contributor to Telefónica Latin America's OIBDA, accounting for 34.3% of the total, followed by Venezuela at 20.0%, Argentina at 10.8% and Mexico at 6.2%.

Telefónica Latin America's OIBDA in 2009 as a percentage of Telefónica Latin America's revenues for the same period was 39.8%, 1.7 percentage points higher than in 2008.

- Telefónica Latin America's OIBDA in Brazil decreased to €3,139 million in 2009 from €3,359 million in 2008 (a decrease of 3.1% in local currency).
- Telefónica Latin America's OIBDA in Venezuela increased to €1,818 million in 2009 from €1,328 million in 2008 (an increase of 25.4% in local currency and excluding Venezuela as a hyperinflationary economy).
- Telefónica Latin America's OIBDA in Argentina increased to €986 million in 2009 from €919 million in 2008 (an increase of 19.9% in local currency).
- Telefónica Latin America's OIBDA in Chile increased to €763 million in 2009 from €740 million in 2008 (an increase of 5.5% in local currency).
- Telefónica Latin America's OIBDA in Mexico increased to €564 million in 2009 from €420 million in 2008 (an increase of 55.2% in local currency).
- Telefónica Latin America's OIBDA in Peru increased to €712 million in 2009 from €621 million in 2008 (an increase of 12.0% in local currency).
- Telefónica Latin America's OIBDA in Colombia decreased to €397 million in 2009 from €515 million in 2008 (a decrease of 20.0% in local currency).
- Telefónica Latin America's OIBDA in Central America increased to €241 million in 2009 from €217 million in 2008 (an increase of 9.0% on a constant euro basis).
- Telefónica Latin America's OIBDA in Ecuador increased to €100 million in 2009 from €92 million in 2008 (an increase of 3.0% in local currency).

Regarding depreciation and amortization, Telefónica Latin America's depreciation and amortization increased 4.1% to €3,793 million in 2009 from €3,645 million in 2008, (an increase of 5.3% on a constant euro basis and excluding Venezuela as a hyperinflationary economy).

Telefonica

As a result of the foregoing, Telefónica Latin America's operating income increased 11.5% to €5,350 million in 2009 from €4,800 million in 2008, (an increase of 14.1% on a constant euro basis and excluding Venezuela as a hyperinflationary economy).

Brazil

The following table presents, at the dates indicated, selected statistical data relating to our operations in Brazil.

	At December 31,		
	2007	2008	2009
	(in thousands)		
Fixed telephony accesses	11,960.0	11,661.9	11,253.8
Internet and data accesses.....	3,288.6	3,625.8	3,440.2
Narrowband accesses	1,155.9	996.4	723.1
Broadband accesses	2,069.6	2,557.8	2,638.4
Other accesses.....	63.1	71.6	78.7
Mobile accesses(1).....	33,483.5	44,945.0	51,744.4
Pre-pay accesses.....	27,236.4	36,384.0	41,960.7
Pay TV accesses	230.9	472.2	487.2
Final clients accesses.....	48,963.1	60,704.9	66,925.7
Wholesale accesses	37.4	34.1	34.2
Total accesses	49,000.5	60,739.1	66,959.8

(1) Includes accesses of Telemig from April 2008.

Telefónica Latin America's accesses in Brazil increased 10.2% to 67.0 million accesses at December 31, 2009 from 60.7 million accesses at December 31, 2008. This growth reflects a 15.1% year-on-year increase in Vivo's (Telefónica Latin America's jointly-controlled Brazilian mobile business) customer base and, to a lesser extent, the expansion of Telesp's (Telefónica Latin America's Brazilian fixed line business) broadband and pay TV businesses. These increases were offset by a reduction in the number of fixed telephony accesses at Telesp and a decrease in narrowband Internet accesses primarily as a result of a strong migration to broadband accesses.

Brazil Fixed Business – Telecomunicações de São Paulo, S.A. – Telesp

Telesp provides fixed telephony and other telecommunications services in the Brazilian state of São Paulo under concessions and licenses from Brazil's federal government.

Telesp's fixed telephony, Internet and data and pay TV accesses decreased 3.7% to 15.2 million accesses at December 31, 2009 from 15.8 million accesses at December 31, 2008 primarily due to the reduction in the number of fixed telephony accesses, within the context of increased fixed-to-mobile substitution as a result of the growth in Brazil's mobile sector, and a decrease in narrowband Internet accesses, as a result of migration to broadband solutions, that was not compensated by broadband accesses increase. Telesp's fixed telephony accesses decreased 3.5% to 11.3 million accesses at December 31, 2009 from 11.7 million accesses at December 31, 2008. Of these, 25.8% were pre-pay accesses or accesses with consumption limits.

The Brazilian broadband market continued to grow in 2009. Telesp increased its broadband customer base by 3.2% to 2.6 million accesses at December 31, 2009. This increase was affected by Anatel's decision, the Brazilian telecom regulator, to suspend the sell of the broadband products from June 22nd to August 27th as a result of several technical problems on our network. Telesp offers pay TV mainly through a DTH solution and, since the fourth quarter of 2007 after the acquisition of Navy Tree, also offers MMDS technology, reaching 0.5 million accesses at December 31, 2009, 15 thousand accesses more than at December 31, 2008.

Telefónica

Telesp's voice traffic decreased by 5.0% in 2009 compared to 2008, mainly due to lower local and long distance traffic that was not compensated by higher interconnection traffic coming primarily from mobile networks. Fixed local traffic decreased 7.4% due to lower fixed telephony accesses, and the implementation of flat rates and minutes bundles. Fixed-to-mobile traffic, measured in minutes, fell 7.9% in 2009 compared to 2008 as a result of a migration of traffic to mobile networks.

Regarding marketing, in Brazil, we employ a differentiated approach to marketing whereby we use a mix of human and technological resources (a specialized team and business intelligence tools, respectively), in addition to specific studies that allow us to target various market segments according to the relevant needs of the customers in each segment. We continuously monitor market trends in an effort to develop new products and services that may address the future needs of our customers.

Telefónica Latin America employs the following strategies to deliver fixed telephony and other telecommunications solutions to residential, small and medium enterprises, or SMEs, and corporate customers in Brazil:

- person-to-person sales: customized sales services to achieve and preserve customer loyalty, customized consulting telecommunication services and technical and commercial support;
- telesales: a telemarketing channel;
- indirect channels: outsourced sales by certified companies in the telecommunications and data processing segments to provide an adequately sized network for our products and services;
- Internet: the Telefónica website;
- virtual shop for corporate clients: a "gateway" for our corporate customers to acquaint themselves with our portfolio through the Internet; and
- door-to-door: door-to-door sales of services by consultants in the State of São Paulo in order to approach more SMEs to convert them into *Telefónica Negocios* clients.

We offer bundled products, which include both local and long-distance traffic and minutes bundled with broadband responding to the increase demand from our customers. We believe that the trend towards bundled offers in Brazil will continue to grow, and that further developing such offers will be important to maintaining our competitiveness in the market. Also, in 2009 Telesp launched its X-treme products, based on FTTX technology, and its IPTV services as well.

In terms of competition, our fixed telephony business in Brazil currently faces strong competition in the corporate and premium residential segments in respect of several types of services. In the corporate segment, there is strong competition in both voice services (local and long distance) and data transmission, resulting in greater retention costs to maintain client relationships.

Our main competitors in the corporate fixed telephony line segment are Oi, Intelig and Embratel, a subsidiary of Telmex International. In the high-income residential service segment, we compete for long-distance customers with Embratel and for broadband customers with cable TV providers, mainly NET Serviços de Comunicação S.A., or Net. For the local voice and high-income segments, we also face increasing competition from mobile telecommunications services, which have lower rates for certain types of calls, such as mobile-to-mobile calls. Such competition increases our advertising and marketing costs. We are taking several steps to defend ourselves from increasing competition. We are focused on improving our broadband products, by offering bundled services that include voice, broadband and television, and by increasing the access speed

offered to our clients. In addition, we are improving our market segmentation and developing more competitive products intended to defend our client base from our competitors' product offerings and to defend our market share.

In the low-income, local fixed telecommunications segment, we face less direct competition due to the low profitability of this market. The most significant competition is from pre-pay mobile telecommunications providers.

Telesp had an estimated market share in the fixed telephony market in the State of São Paulo of approximately 74.4% at December 31, 2009 based on the number of fixed telephony accesses, down from approximately 83.5% at December 31, 2008. This decrease is mainly due to intense competition from Net, which offers its "Net Phone" service as part of its offer of pay TV and broadband.

Regarding network, during the first half of 2009, Telesp had some problems with its network that affected the quality of the service of some products. In order to guarantee the stability of the service, Anatel suspended the sell of Speedy, our broadband product, on June, 22nd. That suspension was temporary and subject to the implementation by Telesp of an action plan to improve the service. Telesp presented its action plan that included capital expenditure and customer care and network expenses. As a result of this, the suspension was revoked on August, 27th. In addition, Telesp continued through 2009 to develop its ADSL network as long as the deployment of the fibre access network as a pilot project.

Brazil mobile business – Brasilcel (Vivo)

With 174 million mobile accesses, Brazil ranked first in Latin America in terms of number of mobile accesses at December 31, 2009. At December 31, 2009, Brazil had an estimated mobile market penetration rate of 90.5% compared to 79% at December 31 2008.

Telefónica and Portugal Telecom are 50:50 shareholders in Brasilcel, a joint venture which combines Telefónica's and Portugal Telecom's mobile businesses in Brazil. This joint venture is the leading mobile operator in Brazil in terms of number of mobile accesses at December 31, 2009. All of the operating companies participating in the joint venture have been operating under the brand name "Vivo" since April 2003. The licensed areas of Brasilcel include 20 states in Brazil with an aggregate population of approximately 192.3 million people.

Vivo's customer base, in terms of number of accesses, increased 15.1% to 51.7 million accesses at December 31, 2009 from 44.9 million accesses at December 31, 2008. Of these, 9.8 million were contract accesses. The primary factors contributing to this growth include the increasing importance of the new mobile broadband accesses, the wider range of handsets available, Vivo's leadership in terms of brand and distribution chain, ongoing marketing campaigns for pre-pay traffic and an improved capacity to attract contract accesses first with *Vivo Escolha* plans and with *Vivo Voçe*. *Vivo Voçe*, launched to improve *Vivo Escolha* plans, started to be commercialized at the end of November. These plans, which are customized plans that allow customers to choose the mix of services with an extra bunch of free voice minutes, messaging, or mobile Internet access. *Vivo Voçe* also helped to increase customer loyalty by encouraging increased minute consumption and maintaining the perception on the market of Vivo's lower prices than its competitors. These plans are divided into different categories depending on the number of minutes included as well as additional upgrade features, such as extra SMS, extra minutes of long distance calls and extra MMS, with the improvement of being able to choose two of this upgrades instead of one as in the previous plans and a 3G Internet upgrade option added.

	Year ended December 31,		
	2007	2008	2009
Traffic (million of minutes)	n.a.	40,547	52,134
ARPU (in euros)	11.9	11.2	9.9

Traffic is defined as minutes used by the Company customers, both outbound and inbound. On-net traffic is only included once (outbound), and promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in; MVNOs; interconnection of third parties and other business lines) is excluded. Traffic volume is not rounded.

Traffic carried in 2009 increased 28.6% to 52,134 million minutes compared to 40,547 million minutes in 2008 due to the characteristic of the promotion that VIVO offered in 2009, focusing on pre-pay and control segments (minimum of consumption, when extinguished a prepaid recharge must be done).

ARPU was €9.9 in 2009 compared to €11.2 in 2008 (a decrease of 8.6% in local currency), reflecting the increased proportion of "SIM only" accesses in the pre-pay customer base and control accesses in the contract customer base, despite of the growth in data consumption.

Regarding marketing, Brasilcel actively manages its distribution channels, which consisted of approximately 12,070 points of sale at December 31, 2009. Also, pre-pay customers have access to a wide range of "recharge" points. Credit recharges can also be made by electronic transfers through the commercial banking network. At December 31, 2009, approximately 18.9% of Brasilcel's customer base were contract accesses and the remaining 81.1% were pre-pay accesses. Contract accesses growth was driven by customer acquisition and retention campaigns focused on high-value customers, with an emphasis on the *Vivo Escolha* and *Vivo Voçe* plans.

In terms of competition, Vivo was the leading mobile operator in Brazil in terms of number of accesses at December 31, 2009. The growth of the Brazilian market was considerable during the past years while being accompanied by an increase in competition due to the introduction of new competitors in the regions in which Vivo operates. Vivo's major competitors are subsidiaries of Telecom Italia, America Móvil and Oi.

Vivo's market share in terms of mobile accesses in the Brazilian mobile markets in which it operates was 29.7% at December 31, 2009, down from approximately 30.0% market share shown at December 31, 2008.

Regarding network and technology, the licenses granted to the companies integrated under the Vivo brand allow operations over the WCDMA, GSM, CDMA, CDMA 1XRTT, CDMA EVDO and TDMA systems. Vivo offers both analog and digital services in the bands of 800 MHz, 1900 MHz and 2100 MHz. In 2009 migration from the CDMA to the GSM network continued. Vivo's GSM customer base at December 31, 2009 amounted to 40.7 million accesses, 78.7% of its total customer base.

Venezuela

Venezuela mobile business – Telcel, S.A. – Telcel

The following table presents, at the dates indicated, selected statistical data relating to our operations in Venezuela: