Revenues from Telefónica Spain's fixed business increased 1.4% to €12,581 million in 2008 from €12,401 million in 2007 principally due to the growth of Internet and broadband service revenues.

- 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 increased 6.2% to €2,944 million in 2008 compared to €2,772 million in 2007, partially as a result of revenues derived from recognizing the Universal Service Cost provided for the period 2003 through 2005, which we accounted for in 2008 as revenues of €182.8 million.

- Revenues from traditional voice services decreased 7.4% to €4,436 million in 2008 compared to €4,792 million in 2007. Excluding the impact of the change in the business model applicable to PUT services, as described above, traditional voice revenues would have decreased by 3.5%. This evolution is mainly affected by lower fixed-to-mobile traffic, the decrease of effective prices in international traffic and the increasing importance of traffic included in national flat tariff plans.

- Revenues from Internet and broadband services increased 8.7% to €3,017 million in 2008 compared to €2,775 million in 2007. Retail broadband service revenues increased 11.6% in 2008 compared to 2007, and accounted for 2.2 percentage points of Telefónica Spain's, fixed business revenues growth. At the same time, wholesale broadband service revenues increased 2.6% in 2008 compared to 2007, mainly due to revenues associated with our larger customer base for unbundled local loop in 2008.

- Revenues from data services grew 2.6% to €1,190 million in 2008 from €1,160 million in 2007.

- Revenues from information technology services grew 1.2% to €443 million in 2008 from €437 million in 2007.

Revenues from Telefónica Spain's mobile business decreased 0.1% to €9,684 million in 2008 from €9,693 million in 2007, due to lower consumption by customers in terms of MOU and lower incoming revenues in terms of ARPU. Customer revenues increased 1.2% to €6,943 million in 2008 from €6,863 million in 2007, while interconnection revenues decreased 9.4% to €1,243 million in 2008 from €1,372 million in 2007, due primarily to the reduction in interconnection rates. Roaming-in revenues fell 9.9% to €198 million in 2008 from €220 million in 2007 due to the downward trend in roaming and wholesale prices. Revenue from handset sales increased 3.6% to €1,227 million from €1,184 million in 2007.

Expenses

Telefónica Spain's total expenses decreased 6.8% to €10,901 million in 2008 from €11,701 million in 2007, principally due to lower personnel expenses, as described below.

- Supplies decreased 0.7% to €4,604 million in 2008 from €4,639 million in 2007, mainly due to lower interconnection expenses.

- Personnel expenses decreased 23.7% to €2,375 million in 2008 from €3,111 million in 2007. Personnel expenses were affected in 2007 by non-recurring reorganization costs of €667 million.

- Other expenses decreased 0.7% to €3,922 million in 2008 from €3,951 million in 2007, principally due to a 2.3% decrease in external expenses to €3,212 million in 2008 from €3,287 million in 2007. This decrease in external expenses was mainly as a result of the change in the business model applicable to PUT services, as well as the fact that external expenses were affected in 2007 by Telefónica Spain's recording of an EU fine provision of €151.9 million in that year. This decrease was partially offset by an increase in other expenses in 2008 primarily due to the recognition in 2008 of the Universal Service Cost for the period 2003 through 2005.

In the fixed business, total expenses decreased 9.7% to €6,799 million in 2008 from €7,532 million in 2007, principally due to a decrease in personnel expenses.

- Supplies decreased 1.5% to €2,962 million in 2008 from €3,008 million in 2007 mainly due to lower interconnection expenses and fewer equipment purchases.

- Personnel expenses decreased 21.6% to €2,071 million in 2008 from €2,642 million in 2007, principally due to the non-recurrence in 2008 of personnel restructuring charges recorded in 2007. The average number of employees for the fixed business in 2008 was 31,243, a 6.0% reduction in comparison with the average number of employees in 2007.

- Other expenses decreased 6.1% to €1,766 million in 2008 from €1,881 million in 2007, principally due to a 5.4% decrease in external expenses to €1,336 million in 2008 from €1,413 million in 2007 partially as a result of the change in the business model applicable to PUT services as well as the inclusion in 2007 of the non-recurring EU fine provision described above. This decrease was partially offset by an increase in other expenses in 2008 primarily due to the recognition of the Universal Service Cost in 2008 for the period 2003 through 2005 in an amount of €73 million.

Telefónica Spain's total expenses related to its mobile business decreased 0.7% to €5,502 million in 2008 from €5,541 million in 2007. Total expenses in 2007 were affected by the provision of €154 million related to a personnel reorganization program. Excluding this provision in 2007, Telefónica Spain's expenses related to its mobile business would have increased by 2.1% from €5,387 million in 2007 to €5,502 million in 2008:

- Supplies decreased 0.4% to €2,667 million in 2008 from €2,677 million in 2007 due to decreases in interconnection and roaming expenses.

- Personnel expenses decreased 34.6% to €299 million in 2008 from €457 million in 2007, principally due to the non-recurrence in 2008 of personnel restructuring charges recorded in 2007. Excluding the aforementioned provision, personnel expenses would have decreased by 1.5% to €299 million in 2008 from €304 million in 2007.

- Other expenses increased 5.4% to €2,537 million in 2008 from €2,407 million in 2007 due to higher customer management expenses, the growth in network costs and the impact of the recognition in 2008 of the Universal Service Cost for the period 2003 through 2005.

Operating income before depreciation and amortization

As a result of the foregoing, Telefónica Spain's OIBDA increased 8.9% to €10,285 million in 2008 from €9,448 million in 2007. Telefónica Spain's OIBDA, as a percentage of Telefónica Spain's revenues, was 49.4% in 2008 compared to 45.7% in 2007.

Depreciation and amortization

Telefónica Spain's depreciation and amortization decreased 6.0% to €2,239 million in 2008 from €2,381 million in 2007, principally due to a decrease in the average value of assets subject to depreciation in 2008 compared to 2007.

Operating income

As a result of the foregoing, Telefónica Spain's operating income increased 13.9% to €8,046 million in 2008 from €7,067 million in 2007. The decrease was the result of the 16% decrease in OIBDA, primarily due to the previously described sale of Airwave in 2007, which was offset by a decrease of 10.4% in depreciation and amortization.

Telefónica Europe

Revenues

Telefónica Europe's revenues decreased 1.0% to €14,309 million in 2008 from €14,458 million in 2007. Telefónica Europe's 2008 revenues were negatively affected by the decline of the pound sterling to euro exchange rate.

- Revenues derived from Telefónica O2 UK decreased to €7,052 million in 2008 from €7,403 million in 2007 (an increase of 10.6% in local currency). The local currency increase in revenues was primarily driven by an increase in Telefónica O2 UK's customer base and ARPU growth.

- Revenues derived from Telefónica O2 Germany increased 1.5% to €3,595 million in 2008 from €3,541 million in 2007. The increase was mainly the result of the increase of broadband revenues in 2008.

- Revenues derived from Telefónica O2 Ireland decreased 3.4% to €957 million in 2008 compared to €991 million in 2007. The decrease was mainly the result of a lower customer spending in terms of euros and lower usage in terms of minutes.

- Revenues derived from Telefónica O2 Czech Republic, including Slovakia operations, increased by 14.4% to €2,581 million in 2008 from €2,257 million in 2007 (an increase of 2.9% in local currency) driven by growth in Slovakia in the year after launch of mobile services in that market. Revenues in the Czech fixed line segment increased 0.2% in local currency compared to 2007, while the mobile business was the key driver of growth with an increase in revenues of 2.8% in local currency.

Expenses

Telefónica Europe's total expenses decreased 4.3% to €10,523 million in 2008 from €10,999 million in 2007.

- Supplies decreased 2.6% to €6,611 million in 2008 from €6,787 million in 2007, mainly due to the decline of the pound sterling to euro exchange rate over the period.

- Personnel expenses decreased 14.9% to €1,340 million in 2008 from €1,575 million in 2007 principally due to the non-recurrence in 2008 of personnel restructuring charges recorded in 2007.

- Other expenses decreased 2.4% to €2,573 million in 2008 from €2,637 million in 2007, mainly due to the decrease in external services.

Operating income before depreciation and amortization

As a result of the foregoing, Telefónica Europe's OIBDA decreased 16.0% to €4,180 million in 2008 from €4,977 million in 2007. OIBDA in 2007 included non-recurring capital gains from the sale of Airwave of €1,296 million and personnel reorganization and other non-recurring charges totaling €338 million related to the UK, Irish and German businesses. OIBDA in 2008 included €174 million as the result of the release in 2008 of provisions made in respect of potential contingencies which were not realized once these risks had dissipated.

- OIBDA in Telefónica O2 UK decreased 4.3% to €1,839 million in 2008 from €1,923 million in 2007 (an increase of 11.1% in local currency).

- OIBDA in Telefónica O2 Germany increased 62.9% to €770 million in 2008 from €473 million in 2007. The increase was the result of cost reduction measures and the inclusion in 2007 of non-recurring personnel reorganization expenses.

- OIBDA in Telefónica O2 Ireland decreased 4.7% to €301 million in 2008 from €316 million in 2007.

- OIBDA in Telefónica O2 Czech Republic, including Slovakia operations, increased 14.7% to €1,159 million in 2008 from €1,010 million in 2007 (an increase of 3.2% in local currency).

Depreciation and amortization

Telefónica Europe's depreciation and amortization decreased 10.4% to €3,035 million in 2008 from €3,386 million in 2007 mainly due to exchange rate effects.

Operating income

As a result of the foregoing, Telefónica Europe's operating income decreased 28.1% to €1,145 million in 2008 from €1,591 million in 2007.

Telefónica Latin America

Revenues

Revenues at Telefónica Latin America increased 10.4% to €22,174 million in 2008 from €20,078 million in 2007 (an increase of 14.2% on a constant euro basis). On a constant euro basis, the countries contributing most to this revenue growth were Brazil (4.7 percentage points), Venezuela (2.8 percentage points) and Argentina (2.4 percentage points).

In 2008, Brazil continued to make the largest contribution to Telefónica Latin America's revenues (38.8%) followed by Venezuela (12.5%) and Argentina (11.4%).

- Telefónica Latin America's revenues from Brazil increased to €8,606 million in 2008 from €7,662 million in 2007 (an increase of 12.2% in local currency), with both fixed and mobile businesses contributing (increases of 8.2% and 22.3%, respectively, in local currency). With respect to Vivo, Telefónica Latin America's mobile business in Brazil, revenues increased to €2,932 million in 2008 from €2,396 million in 2007 (an increase of 22.3% in local currency), driven by strong growth in the customer base, an increase in outgoing revenues as a result of plan upgrades by existing customers, increased focus on mobile broadband, and by the acquisition of Telemig in the second quarter of 2008. With respect to Telesp, Telefónica Latin America's fixed line business in Brazil, revenues increased to €6,085 million in 2008 from €5,619 million in 2007 (an increase of 8.2% in local currency). This increase was due to the growth of broadband, pay TV and data/IT services, which have increased as a percentage of total revenues (16.3% in 2008 compared to 12.9% in 2007). Traditional fixed line revenues also grew (2.7% in local currency), mainly driven by higher fixed-to-mobile traffic and more value added services, which helped to offset the decrease in accesses and public telephony revenues.

- Telefónica Latin America's revenues from Venezuela increased to €2,769 million in 2008 from €2,392 million in 2007 (an increase of 23.9% in local currency), primarily driven by higher growth in service revenues of 14.6% (an increase of 22.6% in local currency). This growth in local currency was greater than the 14.1% rate of growth in the customer base over the same period.

- Telefónica Latin America's revenues from Argentina increased to €2,527 million in 2008 from €2,264 million in 2007 (an increase of 21.3% in local currency). Of this, Telefónica Móviles Argentina's revenues increased to €1,585 million in 2008 from €1,353 million in 2007 (an increase of 27.3% in local currency). This increase was primarily driven by an increase of 18.0% in service revenues (an increase of 28.2% in local currency). Revenues in the fixed line business increased to €1,027 million in 2008 from €984 million in 2007 (an increase of 13.5% in local currency), with the traditional fixed line business contributing 3.1 percentage points to this growth, the Internet business contributing 5.8 percentage points and data and IT businesses contributing 3.0 percentage points.

- Telefónica Latin America's revenues from Chile increased to €1,936 million in 2008 from €1,814 million in 2007 (an increase of 13.3% in local currency). Growth was primarily driven by the mobile, broadband and pay TV businesses, which offset the decline in the traditional fixed telephony business. With respect to Telefónica Móviles Chile, Telefónica Latin America's mobile business in Chile, revenues increased to €1,051 million in 2008 from €930 million in 2007 (an increase of 20.0% in local currency). Service revenues increased 13.4% in 2008 (an increase of 20.3% in local currency), driven by growth in ARPU. This trend was underpinned by migration to GSM technology, growth in the contract customer base (27.9%

of Telefónica Móviles Chile's mobile accesses were contract access at December 31, 2008 compared to 24.5% at December 31, 2007), plan upgrades and the sale of minute bundles and value added services. With respect to Telefónica Chile, Telefónica Latin America's fixed line business in Chile, revenues in 2008 remained relatively unchanged from 2007 at €974 million (an increase of 6.1% in local currency). Pay TV services growth and increased broadband penetration drove the local currency increase in Internet and broadband revenues, offsetting a decrease in revenues from the traditional fixed telephony business.

- Telefónica Latin America's revenues from Mexico increased to €1,631 million in 2008 from €1,431 million in 2007 (an increase of 23.8% in local currency). This growth was underpinned by service revenues growth of 21.6% in 2008 (an increase of 32.1% in local currency). This increase in local currency was greater than the 22.8% rate of growth in the customer base over the same period.

- Telefónica Latin America's revenues from Peru increased to €1,627 million in 2008 from €1,513 million in 2007 (an increase of 7.6% in local currency). Revenue growth was primarily driven by outgoing revenues in the pre-pay segment of the mobile business and broadband services and by pay TV in the fixed line business. With respect to Telefónica Móviles Perú, Telefónica Latin America's mobile business in Peru, revenues increased to €773 million in 2008 from €603 million in 2007 (an increase of 28.4% in local currency), driven primarily by revenue growth in the pre-pay segment. Service revenues increased 20.0% in 2008 (an increase of 20.1% in local currency). With respect to Telefónica del Perú, Telefónica Latin America's fixed line business in Peru, revenues decreased to €977 million in 2008 from €1,031 million in 2007 (a decrease of 5.1% in local currency). This decrease was primarily due to a decrease in revenues from public use telephony and fixed telephony as a consequence of Telefónica del Perú no longer being the default provider of long distance services as well as the continued migration of customers to mobile rather than fixed services. In the second half of 2008, Telefónica del Perú lowered the rates on calls from public use telephony to mobile, which slowed the pace of revenue decreases from public use telephony. In contrast, revenues from broadband and pay TV increased over the same period (21.0% and 6.0% in local currency, respectively).

- Telefónica Latin America's revenues from Colombia decreased to €1,490 million in 2008 from €1,569 million in 2007 (a decrease of 3.9% in local currency). The growth in Internet and broadband revenues in the fixed business and service revenues derived from the mobile business did not offset the reduction of interconnection tariffs implemented in December 2007. With respect to Telefónica Móviles Colombia, Telefónica Latin America's mobile business in Colombia, revenues decreased to €815 million in 2008 from €869 million in 2007 (a decrease of 5.1% in local currency). Service revenues decreased 6.6% in 2008 (a decrease of 5.5% in local currency) primarily due to a regulated reduction of interconnection tariffs. Revenues for the fixed line telephony business decreased to €710 million in 2008 from €739 million in 2007 (a decrease of 2.9% in local currency) primarily due to the lower revenues from traditional fixed telephony services not compensated by increased broadband and pay TV revenues.

- Telefónica Latin America's revenues from Central America decreased to €568 million in 2008 from €585 million in 2007 (an increase of 4.2% on a constant euro basis). This growth on a constant euro basis was primarily driven by improved commercial performance in the region. Service revenues grew 5.2% on a constant euro basis in 2008 compared to 2007.

- Telefónica Latin America's revenues from Ecuador increased to €318 million in 2008 from €291 million in 2007 (an increase of 16.8% in local currency). Service revenues increased 13.1% in 2008 (an increase of 20.8% in local currency).

Expenses

Telefónica Latin America's total expenses increased 5.4% in 2008 to €14,338 million from €13,605 million in 2007.

- Supplies increased 7.0% to €6,371 million in 2008 from €5,953 million in 2007, mainly due to higher interconnection costs and an increase in the cost of handsets driven by growth of gross adds and upgrades.

Supplies for Telefónica Latin America in Brazil increased to €2,479 million in 2008 from €2,045 million in 2007 (an increase of 21.1% in local currency), principally due to the increase of interconnection mobile costs as a result of outgoing traffic growth and higher co-billing costs in the fixed line business as a result of higher services traffic and more data services out of São Paulo.

Supplies for Telefónica Latin America in Venezuela decreased to €770 million in 2008 from €780 million in 2007 (an increase of 5.5% in local currency), principally due to lower handsets costs (generally, GSM handsets are less expensive than CDMA handsets) that partially compensated for higher roaming interconnection costs.

Supplies for Telefónica Latin America in Argentina increased to €650 million in 2008 from €556 million in 2007 (an increase of 27.0% in local currency), principally due to higher interconnection costs as a result of higher traffic and capacity needs as well as higher inflation.

Supplies for Telefónica Latin America in Chile increased to €503 million in 2008 from €472 million in 2007 (an increase of 13.0% in local currency), principally due to higher inflation, mobile interconnection costs, mobile handsets upgrades, purchases of pay TV content and the construction of increased broadband capacity.

Supplies for Telefónica Latin America in Mexico decreased to €716 million in 2008 from €732 million in 2007 (an increase of 6.3% in local currency). This increase in local currency was primarily due to an increase in interconnection costs driven by the growth of traffic and an increase in contract segment commercial activity.

Supplies for Telefónica Latin America in Peru increased to €413 million in 2008 from €386 million in 2007 (an increase of 6.9% in local currency). This increase was primarily driven by increased marketing efforts in both the mobile and fixed line businesses, and an increase in mobile traffic and interconnection tariffs.

Supplies for Telefónica Latin America in Colombia decreased to €394 million in 2008 from €530 million in 2007 (a decrease of 24.8% in local currency), principally due to a reduction in interconnection tariffs implemented by Colombian regulation in December 2007.

Supplies for Telefónica Latin America in Ecuador increased to €112 million in 2008 from €109 million in 2007 (an increase of 9.5% in local currency), principally due to an increase in interconnection costs driven by a growth of traffic.

- Personnel expenses for Telefónica Latin America decreased 8.0% to €1,735 million in 2008 from €1,886 million in 2007, principally due to the non-recurrence in 2008 of personnel restructuring charges recorded in 2007.

  Personnel expenses for Telefónica Latin America in Brazil decreased to €513 million in 2008 from €547 million in 2007 (a decrease of 6.3% in local currency), primarily as a result of the non-recurrence in 2008 of expenses associated with Telesp's program for restructuring its workforce in 2007.

  Personnel expenses for Telefónica Latin America in Venezuela increased to €131 million in 2008 from €108 million in 2007 (an increase of 30.4% in local currency), principally due to the effects of higher inflation on wages.

  Personnel expenses for Telefónica Latin America in Argentina decreased to €303 million in 2008 from €323 million in 2007 (an increase of 2.0% in local currency). This increase in local currency was due to higher expenses in the mobile business which offset reduced expenses in the fixed line business due to reduced headcount as a result of restructuring of the workforce realized during 2007.

  Personnel expenses for Telefónica Latin America in Chile increased to €182 million in 2008 from €169 million in 2007 (an increase of 14.7% in local currency). This increase was primarily driven by the implementation in 2008 of new labor legislation in Chile and higher inflation.

Personnel expenses for Telefónica Latin America in Mexico increased to €96 million in 2008 from €86 million in 2007 (an increase of 20.7% in local currency) principally due to an increase in the average number of employees in 2008 compared to 2007 and an increase in average wages.

Personnel expenses for Telefónica Latin America in Peru decreased to €159 million in 2008 from €251 million in 2007 (a decrease of 36.7% in local currency). 2007 personnel expenses were affected by a non-recurring €108 million charge related to workforce restructuring.

Personnel expenses for Telefónica Latin America in Colombia decreased to €122 million in 2008 from €123 million in 2007 (an increase of 0.4% in local currency), primarily driven by workforce restructuring costs in both the mobile and fixed line businesses.

Personnel expenses for Telefónica Latin America in Ecuador increased to €26 million in 2008 from €24 million in 2007 (an increase of 16.4% in local currency), principally due to an increase in the average number of employees.

- Other expenses for Telefónica Latin America increased 8.1% to €6,232 million in 2008 from €5,767 million in 2007, principally due to an increase in customer service activities and higher costs associated with the retention and acquisition of customers.

Other expenses for Telefónica Latin America in Brazil increased to €2,543 million in 2008 from €2,354 million in 2007 (an increase of 9.3% in local currency). This increase was primarily driven by higher sales and recharge commissions in the mobile business due to commercially aggressive offers and higher FISTEL (a regulatory tax linked to net adds of customers) costs due to stronger 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 growth of broadband and pay TV clients.

Other expenses for Telefónica Latin America in Venezuela increased to €553 million in 2008 from €449 million in 2007 (an increase of 31.7% in local currency), driven primarily by increased network expenses due to the launch of a GSM network and higher operational taxes and acquisition costs.

Other expenses for Telefónica Latin America in Argentina increased to €678 million in 2008 from €626 million in 2007 (an increase of 17.1% in local currency), principally as a result of higher inflation and a broader range of services offered.

Other expenses for Telefónica Latin America in Chile increased to €556 million in 2008 from €477 million in 2007 (an increase of 18.6% in local currency), principally due to increased customer service activities and network upgrades and repairs.

Other expenses for Telefónica Latin America in Mexico decreased to €430 million in 2008 from €468 million in 2007 (a decrease of 1.1% in local currency), due to the implementation of measures to control commissions and marketing and logistics costs.

Other expenses for Telefónica Latin America in Peru increased to €467 million in 2008 from €404 million in 2007 (an increase of 11.2% in local currency), principally due to the higher commission expenses, increased customer service activities and mobile advertising as a result of higher commercial activity.

Other expenses for Telefónica Latin America in Colombia increased to €515 million in 2008 from €476 million in 2007 (an increase of 9.6% in local currency), principally due to higher bad debt allowances in the mobile business.

Other expenses for Telefónica Latin America in Ecuador increased to €93 million in 2008 from €86 million in 2007 (an increase of 15.4% in local currency), principally due to an increase in commercial activity and the tax paid for the renewal of the mobile license.

Operating income before depreciation and amortization

As a result of the foregoing, Telefónica Latin America's OIBDA, increased 18.6% to €8,445 million in 2008 from €7,121 million in 2007 (an increase of 22.5% on a constant euro basis). By country, Venezuela contributed most to OIBDA growth (5.1 percentage points), followed by Brazil (4.0 percentage points) and Mexico (3.9 percentage points). In absolute terms, in 2008 Brazil was the largest contributor to Telefónica Latin America's OIBDA, accounting for 39.7% of the total, followed by Venezuela at 15.7% and Argentina at 10.9%.

Telefónica Latin America's OIBDA in 2008 as a percentage of Telefónica Latin America's revenues for the same period was 38.1%, 2.6 percentage points higher than in 2007.

- Telefónica Latin America's OIBDA in Brazil increased to €3,359 million in 2008 from €3,056 million in 2007 (an increase of 9.8% in local currency).
- Telefónica Latin America's OIBDA in Venezuela increased to €1,328 million in 2008 from €1,060 million in 2007 (an increase of 34.0% in local currency).
- Telefónica Latin America's OIBDA in Argentina increased to €919 million in 2008 from €788 million in 2007 (an increase of 26.7% in local currency).
- Telefónica Latin America's OIBDA in Chile increased to €740 million in 2008 from €716 million in 2007 (an increase of 9.7% in local currency).
- Telefónica Latin America's OIBDA in Mexico increased to €420 million in 2008 from €179 million in 2007 (an increase of 154.2% in local currency). The increase was the result of cost control measures and revenue growth.
- Telefónica Latin America's OIBDA in Peru increased to €621 million in 2008 from €482 million in 2007 (an increase of 29.0% in local currency).
- Telefónica Latin America's OIBDA in Colombia increased to €515 million in 2008 from €503 million in 2007 (an increase of 3.6% in local currency).
- Telefónica Latin America's OIBDA in Central America decreased to €217 million in 2008 from €236 million in 2007 (a decrease of 1.5% on a constant euro basis).
- Telefónica Latin America's OIBDA in Ecuador increased to €92 million in 2008 from €73 million in 2007 (an increase of 35.0% in local currency).

Depreciation and amortization

Telefónica Latin America's depreciation and amortization increased 2.4% to €3,645 million in 2008 from €3,559 million in 2007.

Operating income

As a result of the foregoing, Telefónica Latin America's operating income increased 34.8% to €4,800 million in 2008 from €3,562 million in 2007.

Atento

Revenues

Atento's revenues increased by 10.8% to €1,301 million in 2008 from €1,174 million in 2007. The increase in revenues was primarily driven by an increase in the customer activity of Telefónica, primarily in Brazil, Peru, Morocco and Central America, partially offset by a lower activity in Spain.

Expenses

Atento's expenses increased 10.0% to €1,120 million in 2008 from €1,018 million in 2007 primarily due to the increase in structural costs from the leasing of capacity associated with the growth of the business. This growth in expenses was partially offset by migrating services from the Spanish market to Latin American markets, which limited the growth of personnel expenses.

Operating income before depreciation and amortization

Atento's OIBDA increased 15.4% to €186 million in 2008 from €161 million in 2007, driven by an increase in activity and a slower growth rate for operational expenses.

Operating income

Atento's operating income increased 17.4% to €154 million in 2008 from €131 million in 2007.

B. Liquidity and Capital Resources

Cash Flow Analysis

The table below sets forth consolidated cash flow information for the periods indicated. Positive figures refer to cash inflows and those in parenthesis refer to cash outflows.

	Year ended December 31,		
	2007	2008	2009
IFRS		(in millions of euros)	
Net cash from operating activities	15,551	16,366	16,148
Net cash used in investing activities	(4,592)	(9,101)	(9,300)
Net cash used in financing activities	(9,425)	(7,765)	(2,281)

Net cash from operating activities

Net cash from operating activities decreased 1.3% to €16,148 million in 2009 from €16,366 million in 2008. In 2008, the increase was 5.2% from €15,551 million in 2007.

In 2009, we had cash received from customers (€67,358 million) less cash paid to suppliers and employees (€46,198 million) totaling €21,160 million, 2.9% more than the €20,560 million generated in 2008. This increase was largely driven by our extensive business diversification, our execution skills in a challenging environment and efficient management of both operating expenses and capital expenditure. Our strong commercial efforts also helped to drive modest growth in total accesses (primarily in mobile and broadband accesses). In 2008, cash received from customers less cash paid to suppliers and employees (€20,560 million) rose 2.3% compared to €20,105 million in 2007, due mostly to our strong position in our main markets, extensive business diversification and strategic commitment to growth in our operating markets.

Cash received from customers decreased by 2.5% to €67,358 million in 2009 from €69,060 million in 2008. This decrease was in line with the decline in revenues. In 2008, cash received from customers increased by 2.9% to €69,060 million from €67,129 million in 2007. This growth was the result of modestly higher revenue due to the growth in accesses, which in turn was due to the success of the commercial campaigns to win and retain customers.

Cash paid to suppliers and employees in 2009 decreased 4.8% to €46,198 million from €48,500 million in 2008. This reduction is the result of the drive to contain expenses and to maximize the efficiency of the cost structure. In addition, cash paid to employees in 2009 and 2008 was broadly in line with the evolution of the average headcount. In 2008 cash paid to suppliers and employees rose 3.1% to €48,500 million from €47,024 million in 2007. This increase was primarily attributable to greater commercial efforts in the various geographic areas while maximizing the efficiency of the cost structure and to higher interconnection charges.

Payments for net interest and other finance expenses decreased by 25.0% to €2,170 million in 2009 from €2,894 million in 2008, due to the decline in average interest rates applicable to our debt during the year and the reduction in our financial debt outstanding during the year. These figures do not include payments to be made on the main issuances of our debt securities made in 2009, with interest payments that will begin to become due in 2010. In 2008 payments for net interest and other finance expenses decreased 10.2% to €2,894 million from €3,221 million in 2007 mostly due to the decrease in our debt outstanding over the period.

Taxes paid in 2009 increased by 108.2% to €2,942 million from €1,413 million in 2008 due to the €1,297 million payment made by Telefónica, S.A. in the year. The increase was mainly due to the absence in 2009 of tax credits in Group companies. Taxes paid in 2008 fell 3.0% to €1,413 million from €1,457 million in 2007.

Net cash used in investing activities

Net cash used in investing activities in 2009 increased by 2.2% to €9,300 million from €9,101 million in 2008, mainly due to the investment of certain short-term cash surpluses in higher yielding financial investments.

Net cash used in investing activities increased by €4,509 million in 2008 to €9,101 million from €4,592 million in 2007. This net increase was primarily attributable to the following investments in 2008: the acquisitions of Telemig by Brasilcel for €347 million, of shares of CNC and China Unicom for €688 million and €424 million, respectively, and of a 51.8% interest in CTC from minority shareholders for €640 million. This net increase was partially offset by a 22.2% decrease in payments on investments in companies, net of cash and cash equivalents acquired, from €2,798 million in 2007 to €2,178 million in 2008. The main investment in 2007 was for a 42.3% stake in Telco for €2,314 million.

Payments on investment in property, plant and equipment and intangible assets in 2009 decreased by 3.8% to €7,593 million from €7,889 million in 2008. This decrease was in line with the evolution of the investment in capital expenditures in the period. Payments on investment in property, plant and equipment and intangible assets in 2008 totaled €7,889 million, an increase of €615 million from 2007, driven by further investment in fiber optics, 3G technology, pay TV technology and ADSL.

Proceeds on disposals of companies, net of cash and cash equivalents disposed amounted to €34 million in 2009. Proceeds on disposals of companies, net of cash and cash equivalents disposed, amounted to €686 million in 2008 mainly due to the €648 million obtained from the sale of Sogecable. In 2007, the figure was €5,346 million, as a result of our disposals of stakes in Airwave and Endemol for €2,841 million and €2,107 million, respectively.

Interest received on cash surpluses not included under cash equivalents in 2009 amounted €548 million. Net disposals of these investment in 2008 and 2007 amounted €76 million and €74 million, respectively.

Net cash used in financing activities

Net cash used in financing activities in 2009 decreased by 71% to €2,281 million from €7,765 million in 2008, mainly due to the increase of proceeds from the issuance of debentures and bonds in 2009 for aggregate proceeds of €8,617 million compared to aggregate proceeds of €1,317 million raised in 2008.

Net cash used in financing activities in 2008 totaled €7,765 million, down from €9,425 million in 2007. The €1,660 million decline is primarily due to a decrease in the repayment of financing as a result of a decrease in our average outstanding net debt in 2008 to €45,785 million compared to €48,938 million in 2007.

Anticipated Uses of Funds

Our principal liquidity and capital resource requirements consist of the following:

- capital expenditures for existing and new operations;
- acquisitions of new licenses or other operators or companies engaged in complementary or related businesses;

- costs and expenses relating to the operation of our business;
- dividend, other shareholder remuneration, and pre-retirement payments; and
- debt service requirements relating to our existing and future debt.

We have announced a capital expenditure target in the range of €7,450 million to €7,650 million for 2010. This target range was proposed based on constant 2009 exchange rates and excludes the effects of Venezuela being considered a hyperinflationary economy in 2009 and any effects should it remain a hyperinflationary economy in 2010. This target range also excludes any spectrum licenses which we may acquire and investments in our Real Estate Efficiency Program in Spain, a multi-year program related to the optimization of our real estate assets and rented properties in Spain. In 2010, we expect to continue investing mainly in our 3G and broadband networks to meet existing growth opportunities related to broadband, increased network traffic and the offering of new products and services utilizing new or evolving technologies. By region, our capital expenditures will be mainly directed to Latin America, as we view this region to possess the most growth potential for the Group, but we will manage spending depending on the needs of each country and return on potential investments, as our main goal is to sustain cash flow generation. Nevertheless, we expect to continue to make investments in our mobile and fixed networks due to increased usage and the need to offer new services and greater functionality afforded by new or evolving technologies. Our principal capital expenditures are described in "Item 4. Information on the Company". Our anticipated amounts of capital expenditures and investments in affiliates and the underlying assumptions are subject to risks and uncertainties, and actual capital expenditures and investments in affiliates may be less than or exceed these amounts. See "Cautionary Statement Regarding Forward-Looking Statements".

We may also use funds to acquire new licenses or other operators or companies engaged in complementary or related businesses.

We also have liquidity requirements related to the costs and expenses relating to the operation of our business, our payment of dividends, shareholder remuneration and pre-retirement payment commitments and financial and real estate investments. In 2009, with respect to these items, we had the following principal cash expenditures: €4,557 million in connection with the payment of dividends on Telefónica S.A. shares, €1,178 million in connection with financial and real estate net investments, €959 million in connection with our share buyback program and €793 million in connection with commitments under pre-retirement plans.

We also have liquidity requirements related to debt service requirements in connection with our existing and future debt. At December 31, 2009, we had gross financial debt of €56,791 million compared with €53,188 million at December 31, 2008. For the amortization schedule of our consolidated gross financial debt at December 31, 2009, see "—Anticipated Sources of Liquidity" below. Our net financial debt increased to €43,551 million at December 31, 2009 compared to €42,733 million at December 31, 2008. For a reconciliation of net financial debt to gross financial debt (the sum of current and non-current interest-bearing liabilities), see "—Presentation of Financial Information—Non-GAAP financial information—Net financial debt and net debt".

For a discussion of our liquidity risk management policy, see Note 16 to our Consolidated Financial Statements.

Anticipated Sources of Liquidity

Cash flows from operations are our primary source of cash funding for existing operations, capital expenditures, interest obligations and principal payments. We also rely on external borrowings, including a variety of short- and medium-term financial instruments, principally bonds and debentures, and borrowings from financial institutions. Cash and cash equivalents are mainly held in euro and euro-denominated instruments. We believe that, in addition to internal generation of funds, our medium-term note program, our euro commercial paper program, our corporate domestic promissory note program and available lines of credit will provide us with substantial flexibility for our future capital requirements as existing debt is retired. As of the date of this Annual Report, our management believes that our working capital is sufficient to meet our present requirements.

The following table shows the amortization schedule of our consolidated gross financial debt at December 31, 2009, as stated in euro using the European Central Bank buying rate for euro on such date. We may have exchange rate financial derivatives instruments assigned to the underlying debt instruments. In 2009, the average cost of net debt, which we measure as net financial expense divided by our average net debt, was 7.31%. The effects derived from Venezuela as a hyperinflationary economy as described in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Significant Factors Affecting the Comparability of our Results of Operations in the Periods Under Review—Classification of Venezuela as a Hyper inflationary Economy", resulted in an increase in net financial expense of €630 million in 2009. Excluding such effects in 2009 and negative exchange differences, our average cost of net debt in 2009 would have been 5.54%. The table below includes the fair value of those derivatives classified as financial liabilities (negative mark-to-market) under IFRS (€1,432 million). It does not include the fair value of derivatives classified as financial assets (positive mark-to-market) under IFRS (€537 million). For a further description of liquidity risk faced by us, see Note 16 to our Consolidated Financial Statements, and for a description of our financial liabilities, see Note 13 to our Consolidated Financial Statements.

	AMORTIZATION SCHEDULE FOR THE YEAR ENDED DECEMBER 31,						
	2010	2011	2012	2013	2014	Subsequent	Total
				(in millions of euros)			
Non-convertible euro and foreign currency debentures and bonds	5,090	3,275	1,749	4,174	4,763	13,911	32,962
Promissory notes and commercial paper	812	—	—	—	—	—	812
Other marketable debt securities	61	54	—	—	—	1,954	2,069
Loans and other payables (principal and interest accrued)	1,789	6,132	3,695	1,433	513	4,396	17,958
Derivatives financial liabilities	1,432	255	106	65	63	1,069	2,990
Total	9,184	9,716	5,550	5,672	5,339	21,330	56,791

(*) Estimated future interest payments as of December 31, 2009 on our interest-bearing-debt are as follows: €2,382 million in 2010, €2,074 million in 2011, €1,818 million in 2012, €1,620 million in 2013, €1,355 million in 2014 and €8,190 million in subsequent years. With respect to floating rate debt, we estimate future interest payments as the forward rates derived from yield curves quoted for the different currencies on December 31, 2009.

During 2009, we obtained financing of over €14,000 million (excluding financing under short-term commercial paper programs), mainly in connection with refinancing 2009 maturities and pre-financing part of the 2010 debt maturities.

In 2009, as a part of our refinancing plan to enhance our flexibility, primarily, we issued: (i) five-year bonds in an aggregate principal amount of €2,000 million, with an annual interest rate of 5.431%, on February 3, 2009; (ii) seven-year bonds in an aggregate principal amount of €1,000 million, with an annual interest rate of 5.496%, on April 1, 2009 increased up to an aggregate principal amount of €1,500 million, on June 3, 2009; (iii) six-year bonds in an aggregate principal amount of €400 million, which bear interest at a floating rate based on three-month EURIBOR plus a margin of 1.825%, on June 2, 2009 (iv) ten-year bonds in an aggregate principal amount of $1,000 million, with an annual interest rate of 5.877%, on July 6, 2009; (v) five and a half-year bonds in an aggregate principal amount of $1,250 million, with an annual interest rate of 4.949%, on July 6, 2009; (vi) ten-year bonds in an aggregate principal amount of €1,750 million, with an annual interest rate of 4.693%, on November 11, 2009; (vii) 13-year bonds in an aggregate principal amount of 650 million pounds sterling, with an annual interest rate of 5.289%, on December 10, 2009; (viii) five-year bonds in an aggregate principal amount of €100 million, which bear interest at a floating rate based on three-month EURIBOR plus a margin of 0.7%, on December 23, 2009. In 2009, some of our Latin American companies issued bonds with an aggregate principal amount equivalent to approximately €2,000 million.

In addition, on February 13, 2009, Telefónica, S.A. signed an agreement with the banks involved in its €6,000 million credit facility granted on June 28, 2005 and maturing on June 28, 2011, to extend the maturity of €4,000 million of the €6,000 million drawn-down in exchange for the payment of additional fees and an upward adjustment in interest rates, as follows: (i) the maturity date for €2,000 million outstanding was extended to June 28, 2012 and (ii) the maturity date for the remaining €2,000 million outstanding was extended to June 28, 2013.

During 2009, we have continued to be active under certain commercial paper programs (domestic and European) (with an outstanding balance of €800 million at December 31, 2009).

At December 31, 2009, we had unused committed credit lines of approximately €7,200 million, all of which bear interest at a floating rate based on market indices, principally the Euro Interbank Offered Rate, or EURIBOR and the London Interbank Offered Rate, or LIBOR. An aggregate of €2,779 million in principal amount of such credit lines are scheduled to expire prior to December 31, 2010.

On March 24, 2010 we issued five-year bonds in an aggregate principal amount of €1,400 million, with an annual interest rate of 3.406%.

Our borrowing requirements are not significantly affected by seasonal trends.

The table below sets forth the ratings of our short- and long-term debt as of the date of this Annual Report. A credit rating is not a recommendation to buy, sell or hold securities, may be subject to revision at any time and should be evaluated independently of any other rating.

Rating Agency	Issuer	Long-Term Debt	Short-Term Debt	Outlook	Last Update
Moody's	Telefónica, S.A.	Baa1	P-2	Positive	February 17, 2009
JCR	Telefónica, S.A.	A	-	Stable	December 17, 2008
Standard & Poor's	Telefónica, S.A.	A-	A-2	Stable	December 2, 2008
Fitch	Telefónica, S.A.	A-	F-2	Stable	November 25, 2008

- Moody's, on February 17, 2009, raised Telefónica S.A.'s rating outlook to "Baa1/positive outlook" from "Baa1/stable outlook".
- JCR, the Japanese rating agency, on December 17, 2008, upgraded its credit rating for Telefónica, S.A. to "A/stable outlook" from "A-/stable outlook".
- Standard & Poor's, on December 2, 2008, upgraded its rating of Telefónica S.A. from "BBB+/positive outlook" to "A-/stable outlook".
- Fitch, on November 25, 2008, upgraded its rating from "BBB+/positive outlook" to "A-/stable outlook".

Our ability to use external sources of financing will depend in large part on our credit ratings. We believe that we are well-positioned to raise capital in financial markets. However, negative conditions in the financial markets or a downgrade of any of the ratings of our debt by any of Fitch, Moody's, JCR and/or Standard & Poor's may increase the cost of our future borrowing or may make it more difficult to access the public debt markets. In connection with the credit rating agencies' review of our debt ratings, the rating agencies may give considerable weight to the general macroeconomic and political conditions, the performance of our businesses in countries where we operate, our financial and shareholder remuneration policy, our acquisition policy, our ability to integrate acquisitions and our ability to refinance debt.

For a discussion of our liquidity and country risk management policy, see Note 16 to our Consolidated Financial Statements.

Intragroup Loans

We lend funds to our operating subsidiaries, directly or through holding companies that head our different lines of business. At December 31, 2009, we had loans outstanding totaling €5,975 million (€13,594 million at December 31, 2008) to companies in the Telefónica Group (including subsidiaries located in Latin American countries). These funds are derived from retained cash flows, loans, bonds and other sources (such as asset disposals).

C. Research and Development, Patents and Licenses, etc.

We continue to be firmly committed to technological innovation as a key tool for achieving sustainable competitive advantage, preempting market trends and differentiating our products. Through the introduction of new technologies and the development of new products and business processes, we seek to become more effective, efficient and customer-oriented.

We have developed an open model for the management of technological innovation in order to promote the application of technical research to the development of commercial products and services. We focus on certain applied research and development, or R&D, priorities which are aligned with our strategy. This model promotes open innovation initiatives such as the creation of a venture capital fund and participation in enterprise collaboration forums, among other things. It also makes use of the knowledge developed at technological centers, universities, and start-up companies, among other sources, and encourages innovation in collaboration with other agents, who will become "technological partners", including clients, universities, public administrations, suppliers, content providers and other companies. We believe that differentiating our products from those of our competitors and improving our market position cannot be based solely on acquired technology. We also believe it is important to foster R&D activities in an effort to achieve this differentiation and to advance other innovation activities. Our R&D policy is aimed at:

- developing new products and services in order to gain market share;
- fostering customer loyalty;
- increasing revenues;
- improving management;
- improving business practices; and
- increasing the quality of our infrastructure and services to improve customer service and reducing costs.

In 2009, we undertook technological innovation projects focusing on profitable innovation, process efficiency, the creation of new sources of revenues, customer satisfaction, the consolidation of our presence in new markets and technological leadership.

Our technological innovation activities are an integral part of our strategy to create value through broadband, IP network, wireless and new generation (fiber optic) networks communications and services.

In 2009 we undertook projects to promote increased access to information technology, new services focused on new Internet business models, advanced user interfaces, mobile TV and other broadband services. These projects, among others, were undertaken based on our objective to quickly identify emerging technologies that might have a relevant impact on our businesses, and to test such technologies with trials relating to new services, applications and platform prototypes.

In 2009, new business and operational support systems were developed and existing systems were improved.

Most of our R&D activities are carried out by Telefónica Investigación y Desarrollo S.A.U., or Telefónica I+D, our wholly owned subsidiary, which works principally for our lines of business. In performing its functions, Telefónica I+D receives assistance from other companies and universities. Telefónica I+D's mission focuses on improving our competitiveness through technological innovation and product development. Telefónica I+D leads experimental and applied research and product development to increase the range of our services and reduce operating costs. It also provides technical assistance to our Latin American and European operations. Telefónica I+D's activities include the following:

- development of new products and fixed telephone services, particularly the development of such value added services as broadband, digital home, mobile communications and Internet services for the public, corporate, mobile TV and multimedia sectors;
- development of new modes of communications for communities, telemedicine, home and company telemonitoring and new infrastructure to provide such services, such as the Internet protocol environment and new generation networks, such as fiber optics;

- development of innovative solutions for the real time provisioning, operating and billing of our networks and services, which includes the development of management systems designed to strengthen infrastructure and its quality providing security, privacy and trust;
- development of business support systems to better identify customer characteristics in order to provide personalized and innovative solutions; and
- applied research to undertake, understand and develop those aspects, opportunities and specialty new technologies for the evolution of our different businesses.

In 2009, approximately 41% of Telefónica I+D's funding assigned to R&D was for the benefit of the business in Spain, 33% for businesses in Latin America, 13% for Telefónica (primarily the Corporate Innovation Program, which includes projects with a medium- to long-term focus involving two or more business units), 6% for Telefónica Europe and 7% to third-party customers.

At December 31, 2009, Telefónica I+D had 1,221 employees, who also collaborated with qualified professionals from 84 companies and more than 50 universities.

Our total R&D expenses were €594 million, €668 million and €693 million in 2007, 2008 and 2009, respectively. These expenses represented 1.1%, 1.2% and 1.2% of our consolidated revenues, respectively. These figures have been calculated using the guidelines set out in the OECD Manual. These guidelines include expenses for research and development that, because of timing of projects or accounting classifications, we do not include in their entirety in our consolidated statement of financial position.

During 2009, Telefónica registered 57 patents, 48 of which were registered at Spanish Patent Office and nine of which were registered at European or U.S. patent offices.

D. Trend Information

We are an integrated diversified telecommunications group that offers a wide range of services, mainly in Spain, Europe, and Latin America. Our activity is based upon providing fixed and mobile services, Internet and data, pay TV and value added services, among others. In addition, our holdings in China Unicom and Telecom Italia create opportunities for strategic alliances that reinforce our competitive position, scale and efficiency.

Our business is impacted by general economic conditions and other similar factors in each of the countries in which we operate. The continuing recession in Spain and uncertainty about an economic recovery elsewhere may negatively affect the level of demand of existing and prospective customers, as our services may not be deemed critical for these customers.

As a multinational telecommunications company that operates in regulated markets, we are subject to different laws and regulations in each of the jurisdictions in which we provide services. We can expect the regulatory landscape to change in Europe as a consequence of the revised regulations resulting from the implementation of the review of the common regulatory framework currently in place in the European Union. In addition, we may also face pressure from regulatory initiatives in some European countries regarding tariffs, the reform of rights of spectrum use and allocation, issues related to the quality of service and the regulatory treatment of new broadband infrastructure deployments.

We face intense competition in most of our markets, and we are therefore subject to the effects of actions taken by our competitors. The intensity of the competition may deepen, having an impact on tariff structures, consumption, market share and commercial activity, which could result in decreases in current and potential customers, revenues and profitability.

However, we are in a strong competitive position in most of the markets where we operate. We intend to continue to seek and take advantage of growth opportunities, such as by boosting both fixed and mobile broadband services and by furthering the development of services beyond connectivity, information technology services and related businesses. We seek to lead the industry by anticipating trends in the new digital environment.

We will continue transforming our operating model to increase our operational efficiency and capture the synergies arising from our integrated approach to businesses, processes and technologies and will maintain a regional approach to tackle this transformation more efficiently. At the same time, we will continue to be strongly committed to technological innovation as a key tool for achieving sustainable competitive advantages, anticipating market trends and differentiating our products. We continually seek to become a more efficient and customer-oriented Group, by introducing new technologies and developing new products and business processes.

In Spain, we will continue to intensify our commercial focus on offering higher quality services, by increasing the effectiveness of our sales channels and further improving our networks to increase customer satisfaction. We will seek to strengthen relations with our customers through targeted commercial offerings. We will focus on boosting mobile and fixed broadband growth and bundling services more effectively, taking into account the different geographical areas in which we operate. Efficiency will continue to play a very important role in all areas of management, both in commercial and operational areas, including systems, networks and processes.

In Latin America, our strategy is based on a regional model that captures growth and efficiency of scale without losing sight of the local management of the client. The mobile business will continue to play a fundamental role as an engine of regional growth. That is why we continue to further improve the capacity and coverage of our networks, adapting our distribution network to enhance the quality of our offer both in voice and data in order to keep and attract high value customers. With regard to the fixed telephony business, we will encourage the increase of broadband speed and expand the supply of bundled services. We will further advance efficiency, in operational and commercial terms and attempt to achieve further synergies by implementing global, regional and local projects.

In Europe, customers will remain at the center of our strategy and management priorities in the region. With the objective of offering our customers the best value, we will boost the mobile and fixed broadband services to strengthen our market position. Various initiatives will be implemented to improve our operating efficiency.

In summary, in the context of continued economic uncertainty, intense competition and regulatory pressure on pricing, we will continue strengthening our business model to make it more efficient and capture the synergies arising from the integrated approach of businesses, processes and technologies, while focusing even more on the client.

E. Off-Balance Sheet Arrangements

We have commitments that could require us to make material payments in the future. These commitments are not included in our consolidated statement of financial position at December 31, 2009 although they are described in the notes to our Consolidated Financial Statements. These commitments primarily relate to put rights pursuant to which third parties can require us to purchase some or all of their interests in certain of our subsidiaries or joint ventures, as in the case of Brasilcel, and contingent obligations in the form of guarantees. For additional detail on our off-balance sheet commitments, see Note 21(b) to our Consolidated Financial Statements.

F. Tabular Disclosure of Contractual Obligations

The following table describes our contractual obligations and commitments with definitive payment terms which may require significant cash outlays in the future. The amounts payable (including accrued interest payments) are as of December 31, 2009. For additional information, see our Consolidated Financial Statements included elsewhere herein.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 Years
			(in millions of euros)		
Financial liabilities (1)(2)	56,791	9,184	15,266	11,011	21,330
Operating lease obligations (3)	6,547	1,023	1,700	1,327	2,497
Purchase obligations (4)	3,151	1,305	769	395	682
Other liabilities (5)	1,695	296	1,399	—	—
Total	68,184	11,808	19,134	12,733	24,509

(1) Capital (finance) lease obligations are not calculated separately and are instead included as part of our long-term debt obligations.

(2) This item includes the fair value of those derivatives classified as financial liabilities (negative mark-to-market) under IFRS (€1,432 million). Future interest payments as of December 31, 2009 on our interest-bearing-debt are as follows: €2,382 million in 2010, €2,074 million in 2011, €1,818 million in 2012, €1,620 million in 2013, €1,355 million in 2014 and €8,190 million in subsequent years. With respect to floating rate debt, we estimate future interest payments as the forward rates derived from yield curves quoted for the different currencies on December 31, 2009. It does not include the fair value of derivatives classified as financial assets (positive mark-to-market) under IFRS (€537 million). For a more detailed description of our financial derivative transactions, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and Note 16 to our Consolidated Financial Statements.

(3) Our operating lease obligations have in some cases extension options conditioned on the applicable law of each country. Accordingly, we have included only those amounts that represent the initial contract period.

(4) This item includes definitive payments due for agreements to purchase goods (such as network equipment) and services.

(5) "Other liabilities" include long-term obligations that require us to make cash payments, excluding financial debt obligations included in the table under "Financial Liabilities" above. Because of the nature of the risks covered by "Other liabilities" such as "Other provisions", it is not possible to determine a reliable schedule of potential payments, if any. For details of the composition of "other provisions" see Note 15 to our Consolidated Financial Statements.

In addition, at December 31, 2009, we have short and long term employee benefits provisions amounting to €667 million and €3,594 million, respectively.

For details of the composition of, and changes in, our debt, see "—Liquidity and Capital Resources—Anticipated Sources of Liquidity" and Note 13 to our Consolidated Financial Statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

During 2009, our Board of Directors met 13 times. At March 25, our Board of Directors had met three times during 2010. At March 25, 2010, our directors, their respective positions on our Board and the year they were appointed to such positions were as follows:

Name	Age	First Appointed	Current Term Ends
Chairman			
César Alierta Izuel(1)	64	1997	2012
Vice-chairmen			
Isidro Fainé Casas(1)(2)	67	1994	2011
Vitalino Manuel Nafria Aznar(3)(4)(5)(6)(7)	59	2005	2011
Members (*vocales*)			
Julio Linares López(1)(8)	64	2005	2011
José María Abril Pérez (1)(3)(5)	58	2007	2013
José Fernando de Almansa Moreno-Barreda(5)(6)(9)	61	2003	2013
Jose María Álvarez - Pallete López	46	2006	2012
David Arculus (5)(6)	63	2006	2011
Eva Castillo Sanz (6)(9)(11)	47	2008	2013
Carlos Colomer Casellas(1)(8)(10)(11)	65	2001	2011
Peter Erskine(1)(8)(9)(10)	58	2006	2011
Alfonso Ferrari Herrero (1)(4)(5)(6)(7)(10)(11)	68	2001	2011
Luiz Fernando Furlán(5)	63	2008	2013
Gonzalo Hinojosa Fernández de Angulo (1)(4)(5)(7)(9)(10)(11)	64	2002	2012
Pablo Isla Álvarez de Tejera(6)(7)(8)(10)(11)	46	2002	2012
Antonio Massanell Lavilla(2)(4)(7)(8)(11)	55	1995	2011
Francisco Javier de Paz Mancho (1)(5)(6)(7)	51	2007	2013

(1) Member of the Executive Commission of the Board of Directors.

(2) Nominated by Caja de Ahorros y Pensiones de Barcelona ("La Caixa").

(3) Nominated by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA").

(4) Member of the Audit and Control Committee of the Board of Directors.

(5) Member of the International Affairs Committee.

(6) Member of the Regulation Committee.

(7) Member of the Human Resources and Corporate Reputation and Responsibility Committee.

(8) Member of the Innovation Committee.

(9) Member of the Strategy Committee.

(10) Member of the Nominating, Compensation and Corporate Governance Committee.

(11) Member of the Service Quality and Customer Service Committee.

Board Committees

At March 25, 2010, the committees of our Board of Directors and members thereof are as follows:

Executive Commission

Our Board of Directors has expressly delegated all of its authority and power to the Executive Commission except as prohibited by Spanish corporate law, under our Articles of Association, or under our Board Regulations. This commission is made up of fewer directors and meets more frequently than our Board of Directors. The members of the Executive Commission are Mr. César Alierta Izuel, Mr. Isidro Fainé Casas, Mr. Julio Linares López, Mr. José María Abril Pérez, Mr. Carlos Colomer Casellas, Mr. Peter Erskine, Mr. Alfonso Ferrari Herrero, Mr. Gonzalo Hinojosa Fernández de Angulo, Mr. Francisco Javier de Paz Mancho and Mr. Ramiro Sánchez de Lerin García-Ovies, as secretary.

Audit and Control Committee

The Audit and Control Committee functions are regulated by our bylaws and our Board Regulations. The Audit and Control Committee has the primary objective of providing support to our Board of Directors in its supervisory and oversight functions, specifically having the following responsibilities:

- to report, through its chairman, to our general meeting of shareholders on matters raised at the general meeting of shareholders relating to the functions and matters of competence of the committee;
- to propose to our Board of Directors to submit to our general meeting of shareholders the appointment of our auditors referred to in Article 204 of the Stock Company Act, as well as, when appropriate, the terms of their engagement, scope of professional assignment and revocation or non-renewal of their appointment;
- to supervise the internal audit services;
- to have an understanding of the process for gathering financial information and the internal control systems; and
- to maintain the necessary relations with the auditors to receive information on all matters that may put their independence at risk, and any other matters related to the process of auditing our accounts, as well as to receive information and maintain communication with our auditors as required by laws relating to the audit process and with respect to technical regulations on auditing.

The Audit and Control Committee meets at least once per quarter and as many times as considered necessary. During 2009, the Audit and Control Committee met ten times and, as of the date of this Annual Report, had met three times in 2010. The members of the Audit and Control Committee are Mr. Gonzalo Hinojosa Fernández de Angulo (chairman), Mr. Antonio Massanell Lavilla, Mr. Alfonso Ferrari Herrero and Mr. Vitalino Manuel Nafría Aznar.

Nominating, Compensation and Corporate Governance Committee

The Nominating, Compensation and Corporate Governance Committee is responsible for, among other things, reporting to our Board of Directors with respect to proposals for the appointment, re-election and removal of directors, members of the Executive Committee and the other committees of our Board of Directors and top members of our management and management of our subsidiaries. In addition, the Nominating, Compensation and Corporate Governance Committee is responsible for proposing to the Board of Directors, within the framework established in the bylaws, the compensation for the directors and reviewing it periodically to ensure that it is in keeping with the tasks performed by them, as provided in Article 35 of the Board Regulations, to propose to the Board of Directors, within the framework established in the bylaws, the extent and amount of the compensation, rights and remuneration of a financial nature, of the Chairman, the executive directors and the senior executive officers of Telefónica, including the basic terms of their contracts, for purposes of contractual implementation thereof and to supervise compliance with Telefónica's internal rules of conduct and the corporate governance rules thereof in effect from time to time.

The members of the Nominating, Compensation and Corporate Governance Committee are Mr. Alfonso Ferrari Herrero (chairman), Mr. Carlos Colomer Casellas, Mr. Peter Erskine, Mr. Gonzalo Hinojosa Fernández de Angulo and Mr. Pablo Isla Álvarez de Tejera. During 2009, the Nominating, Compensation and Corporate Governance Committee met nine times, and as of the date of this Annual Report, had met four times in 2010.

Human Resources and Corporate Reputation and Responsibility Committee

The Human Resources and Corporate Reputation and Responsibility Committee is responsible for reviewing our personnel policy and making proposals to our Board of Directors regarding our personnel policy, corporate reputation, responsibility and the promotion of our values within the Telefónica Group. The Human Resources and

Corporate Reputation and Responsibility Committee met five times during 2009, and as of the date of this Annual Report had met once in 2010. The members of the Human Resources and Corporate Reputation and Responsibility Committee are Mr. Francisco Javier de Paz Mancho (chairman), Mr. Alfonso Ferrari Herrero, Mr. Gonzalo Hinojosa Fernández de Angulo, Mr. Pablo Isla Álvarez de Tejera, Mr. Antonio Massanell Lavilla and Mr. Vitalino Manuel Nafría Aznar.

Regulation Committee

The Regulation Committee's main objective is to monitor the main regulatory matters which affect us. Another responsibility of the Regulation Committee is to act as a communication and information channel between our management team and our Board of Directors concerning regulatory matters. The members of the Regulation Committee are Mr. Pablo Isla Álvarez de Tejera (chairman), Mr. José Fernando de Almansa Moreno-Barreda, Mr. David Arculus, Ms. Eva Castillo Sanz, Mr. Alfonso Ferrari Herrero, Mr. Vitalino Manuel Nafría Aznar and Mr. Francisco Javier de Paz Mancho. During 2009, the Regulation Committee met six times, and as of the date of this Annual Report, had met once in 2010.

Service Quality and Customer Service Committee

The Service Quality and Customer Service Committee is responsible for monitoring and reviewing the standards of quality of the main services we provide. The Service Quality and Customer Service Committee acts as an information channel between our senior management team and our Board of Directors. The members of the Service Quality and Customer Service Committee are Mr. Antonio Massanell Lavilla (chairman), Ms. Eva Castillo Sanz, Mr. Carlos Colomer Casellas, Mr. Alfonso Ferrari Herrero, Mr. Gonzalo Hinojosa Fernández de Angulo, and Mr. Pablo Isla Álvarez de Tejera. During 2009 the Service Quality and Customer Service Committee met four times, and as of the date of this Annual Report, had met once in 2010.

International Affairs Committee

The International Affairs Committee is responsible for analyzing international events and matters that affect the Telefónica Group and reporting these events and possible consequences to our Board of Directors. The International Affairs Committee pays close attention to events taking place in countries where we have operations and which may affect our competitive position, corporate image and financial results. The International Affairs Committee also oversees our non-profit foundations in such countries. The members of the International Affairs Committee are Mr. José Fernando de Almansa Moreno-Barreda (chairman), Mr. José María Abril Pérez, Mr. David Arculus, Mr. Alfonso Ferrari Herrero, Mr. Luiz Fernando Furlán, Mr. Gonzalo Hinojosa Fernández de Ángulo, Mr. Vitalino Manuel Nafría Aznar and Mr. Francisco Javier de Paz Mancho. During 2009, the International Affairs Committee met four times, and as of the date of this Annual Report had met once in 2010.

Innovation Committee

The Innovation Committee is responsible for advising and assisting in all matters regarding innovation. Its main object is to examine, analyze and periodically monitor the Group's innovation projects, provide guidance and help ensure the implementation and development of innovation initiatives across the Group. The members of the Innovation Committee are Mr. Carlos Colomer Casellas (chairman), Mr. Pablo Isla Álvarez de Tejera, Mr. Antonio Massanell Lavilla, Mr. Peter Erskine and Mr. Julio Linares López. During 2009, the Innovation Committee met eight times, and as of the date of this Annual Report, had met three times in 2010.

Strategy Committee

Without prejudice to any other tasks that the Board of Directors may assign thereto, the primary duty of the Strategy Committee is to support the Board of Directors in the analysis and implementation of the global strategy policy of the Telefónica Group. The members of the Strategy Committee are Mr. Peter Erskine (chairman), Mr. José Fernando de Almansa Moreno-Barreda, Ms. Eva Castillo Sanz and Mr. Gonzalo Hinojosa Fernández de Angulo. The Strategy Committee met ten times during 2009, and as of the date of this Annual Report, had met three times in 2010.

Biographies of Directors

Mr. César Alierta Izuel serves as our Executive Chairman and Chairman of our Board of Directors. Mr. Alierta began his career in 1970 as general manager of the capital markets division at Banco Urquijo, S.A. in Madrid, where he worked until 1985. Subsequently, he founded and served as chairman of Beta Capital Sociedad de Valores, S.A. which he combined as from 1991 with his post as chairman of the Spanish Financial Analysts' Association (*Asociación Española de Analistas Financieros)*. Between 1996 and 2000, he was director and chairman of Tabacalera, S.A. At that time Tabacalera, S.A. changed its name into Altadis, S.A. (following its merger with the French Group, Seita-Société Nationale D'Éxplotation Industrielle des Tabacs et Allumettes) and he became director and chairman of Altadis, S.A. He has also been a member of the board of directors of the Madrid Stock Exchange (*Bolsa de Madrid*), Plus Ultra Compañía de Seguros y Reaseguros, S.A. and of Iberia, S.A. On January 1997, Mr. Alierta was appointed as a director of Telefónica and on July 26, 2000, he was appointed as our Executive Chairman. Mr. Alierta is director of Telecom Italia since November 8, 2007 and of China Unicom (Hong Kong) Limited since October 15, 2008. Mr. Alierta holds a law degree from the University of Zaragoza and an MBA from Columbia University (New York) and is currently a member of the Columbia Business School Board of Overseers.

Mr. Isidro Fainé Casas serves as Vice-Chairman of our Board of Directors. For over 40 years, Mr. Fainé has worked in several financial institutions, including amongst others: Banco Atlántico, S.A., (1964), Banco de Asunción (Paraguay) (1969), Banco Riva y García, S.A. (1973), Banca Jover, S.A. (1974), and Banco Unión, S.A. (1978). Mr. Fainé is currently chairman of Caja de Ahorros y Pensiones de Barcelona ("la Caixa") and of Criteria CaixaCorp, S.A., vice-chairman of Abertis Infraestructuras, S.A. and of Confederación Española de Cajas de Ahorros, and second vice-chairman of Repsol YPF, S.A. He is also a member of the board of directors of Banco Portugués de Investimento, S.A. (BPI), Hisusa, Holding de Infraestructuras y Servicios Urbanos, S.A., Grupo Financiero Inbursa and a non-executive director of Bank of East Asia. Mr. Fainé holds a doctorate degree in economics, a diploma in *Alta Dirección* (Senior Management) from IESE Business School (*Instituto de Estudios Superiores de la Empresa*) and an ISMP in business administration from Harvard University. He is a member of the *Real Academia de Ciencias Económicas y Financieras*.

Mr. Vitalino Manuel Nafría Aznar serves as Vice-Chairman of our Board of Directors. In 1966 he joined Banco de Vizcaya, S.A. In 1983, Mr. Nafria Aznar was appointed general manager of Induban, S.A. (Banco de Financiación Industrial) in Bilbao. In 1988 he worked as regional manager for Aragón, Navarra y Rioja at Banco Bilbao Vizcaya (BBV). In 1990, he was appointed business manager of BBV. In April 1998, he was appointed director of the board of directors and general manager of BBV in Mexico. In July 2000, he was appointed chief executive officer and director of the board of directors of Grupo Financiero BBA Bancomer (GFBB). In December 2001, he was appointed member of the executive committee of BBVA and in January 2003 he became general manager of BBVA America. Since January 2005 he has been the Retail Banking Manager in Spain and Portugal for BBVA. He is now in early retirement. Since February 2009, he is chairman of the board of directors of Metrovacesa, S.A.

Mr. Julio Linares López serves as a director of our Board of Directors and as our Chief Operating Officer since December 19, 2007. In May 1970, he joined our Research and Development Center, where he held several positions until he was appointed head of our Technology Department. In April 1990, he was appointed General Manager of Telefónica Investigación y Desarrollo, S.A. In December 1994, he became deputy general manager of the Marketing and Services Development department in the commercial area and subsequently, deputy general manager for Corporate Marketing. In July 1997, he was appointed chief executive officer of Telefónica Multimedia S.A. and chairman of Telefónica Cable and Producciones Multitemáticas, S.A. In January 2000, he was appointed executive chairman of Telefónica de España, S.A., a position which he held until December 2005, when he was appointed our managing director for Coordination, Business Development and Synergies. He is currently member of the board of directors of Telecom Italia. Mr. Linares holds a degree in telecommunications engineering from the Polytechnic University of Madrid (*Universidad Politécnica de Madrid*).

Mr. José María Abril Pérez serves as a director of our Board of Directors. From 1975 to 1982 he served as financial manager of Sociedad Anónima de Alimentación (SAAL). Since then, and until he joined the Banco Bilbao Vizcaya Argentaria Group (BBVA), he was financial manager of Sancel-Scott Ibérica, S.A. In 1985 he joined Banco Bilbao, S.A. as managing director of Investment Corporate Banking. From January to April 1993, he was appointed executive coordinator of Banco Español de Crédito, S.A. In 1998, he became general manager of the Industrial Group of BBVA. In 1999, he was appointed member of the executive committee of the BBVA Group. He has also been a member of the board of directors of Repsol, S.A., Iberia, S.A. and Corporación IBV. In 2002 he became managing director of the Wholesale and Investment Banking Division and a member of the executive committee of BBVA, and he is now in early retirement. Until July 2007, he was vice president of Bolsas y Mercados Españoles, S.A. He is currently a member of the board of directors of Advancell, S.A. He holds a degree in economics from the University of Deusto (Bilbao, Spain) and he has been professor at such university for nine years.

Mr. José Fernando de Almansa Moreno-Barreda serves as a director of our Board of Directors. In December 1974 he joined the Spanish Diplomatic Corps (*Cuerpo Diplomático*) and served from 1976 to 1992 as Secretary of the Spanish Embassy in Brussels, Cultural Counselor of the Spanish Delegation to Mexico, Chief Director for Eastern European Affairs, Director of Atlantic Affairs in the Spanish Foreign Affairs Ministry, Counselor to the Spanish Permanent Representation to NATO in Brussels, Minister-Counselor of the Spanish Embassy in the Soviet Union, General Director of the National Commission for the 5th Centennial of the Discovery of the Americas and Deputy General Director for Eastern Europe Affairs in the Spanish Foreign Affairs Ministry. From 1993 to 2002, Mr. Fernando de Almansa was appointed Chief of the Royal Household by His Majesty King Juan Carlos I, and is currently personal advisor to His Majesty the King. He is also a substitute director of BBVA Bancomer México, S.A. de C.V.. He holds a law degree from the University of Deusto (Bilbao, Spain).

Mr. José María Álvarez-Pallete López serves as a director of our Board of Directors and, since July 2006, as Chairman of Telefónica Latin America. He began his career at Arthur Young Auditors in 1987. In 1988, he joined Benito & Monjardín/Kidder, Peabody & Co., where he held various positions in the research and corporate finance departments. In 1995, he joined Valenciana de Cementos Portland, S.A. (Cemex) as head of the Investor Relations and Studies department. In 1996 he was promoted to chief financial officer of Cemex Group in Spain, and in 1998, to chief administration and financial officer of Cemex in Indonesia, headquartered in Jakarta, and he was appointed member of the Board of Cemex Asia, Ltd. In February 1999 he joined the Telefónica Group as general manager of Finance for Telefónica International, S.A. In September of the same year he was promoted to chief financial officer of Telefónica. In July 2002, he was appointed chairman and chief executive officer of Telefónica Internacional, S.A. Mr. Álvarez-Pallete holds a degree in economics from the Complutense University of Madrid. He also studied economics at the Université Libre de Belgique and holds an International Management Program from the Pan-American Institute of Executive Business Administration (IPADE) and an advance research degree from the Universidad Complutense of Madrid.

Sir David Arculus serves as a director of our Board of Directors. From 1998 to 2001, he was chairman of Severn Trent Plc. and IPC Group Ltd. From 2002 to 2004, he was chairman of Earls Court and Olympia Ltd. From 2004 to January 2006, he served as chairman of O2 (now Telefónica Europe). Sir David Arculus was deputy president of the Confederation of British Industry (CBI) until 2006 and is currently a member of the board of directors of Pearson, Plc. He is also chairman of Numis, Plc. In 1972 he received an MBA from the London Business School. In 1996, he received his master's degree in engineering and economics from Oriel College, Oxford, and in 2003 he received a degree *Honoris Causa* from the University of Central England.

Ms. Eva Castillo Sanz serves as a director of our Board of Directors. Ms. Castillo began her career at the Spanish broker Beta Capital Sociedad de Valores, S.A., where she worked for five years. After that, she worked for another five years for Goldman Sachs International in London in the International Equities department. In 1997 Ms. Castillo joined Merrill Lynch as head of Equity Markets for Spain and Portugal. In 1999, she was promoted to Country Manager for Spain and Portugal and in 2000 she became chief executive officer of Merrill Lynch Capital Markets Spain. After that, Ms. Castillo was appointed chief operating officer for EMEA Equity Markets. In October 2003 she was appointed head of Global Markets & Investment Banking in Spain and Portugal, as well as president of Merrill Lynch Spain. Until December 2009, she headed Global Wealth Management business operations in Europe, the Middle East and Africa, including Merrill Lynch Bank (Suisse) and the International Trust and Wealth Structuring business. She was a member of the Merrill Lynch EMEA Executive Committee, the Global Wealth Management Executive and Operating Committees. Ms. Castillo holds degrees in business, economics and law (ICADE – 3) from the Universidad Pontificia de Comillas of Madrid.

Mr. Carlos Colomer Casellas serves as a director of our Board of Directors. Mr. Colomer began his career in 1970 as marketing vice-chairman of Henry Colomer, S.A. In 1980, he was appointed chairman and general manager of Henry Colomer, S.A. and Haugron Cientifical, S.A. In 1986, he was also appointed president of Revlon for Europe. In 1989, he became chairman of Revlon International and in 1990, he was appointed executive vice-president and chief operating officer of Revlon Inc. In 2000, he was appointed chairman and chief executive officer of the Colomer Group. Mr. Colomer is chairman of the Colomer Group. He is also chairman of Ahorro Bursátil, S.A. SICAV and Inversiones Mobiliarias Urquiola, S.A. SICAV. Mr. Colomer has a degree in economics from the University of Barcelona and an MBA from IESE Business School (*Instituto de Estudios Superiores de la Empresa*).

Mr. Peter Erskine serves as a director of our Board of Directors. He began his career in the field of marketing and brand management in Polycell and in Colgate Palmolive. He worked for several years at the Mars Group, serving as vice-chairman for Europe of Mars Electronics. In 1990 he was appointed vice-president of Marketing and Sales of Unitel. From 1993 to 1998, he held a number of senior positions, including director of British Telecom (BT) Mobile and president and chief executive officer of Concert. In 1998 he became managing director of BT Cellnet. Subsequently, in 2001 he became chief executive officer and a director of the board of directors of Telefónica O2 Europe, Plc (now Telefónica Europe). In 2006 he became executive chairman of Telefónica O2 Europe, Plc and from July 2006 until December 2007 he served as general manager of the business unit Telefónica Europe. In 2008, he joined the Telecom Advisory Boards of Apax Partners and MacQuarie European Infrastructure Fund, and become a member of the Strategy Advisory Committee of Henley Management Centre. In January 2009 he joined the Board of Ladbrokes P.L.C. as a non executive director. Currently, he is also member of the advisory board of Henley Management Centre. In 1973, he received a degree in psychology from Liverpool University.

Mr. Alfonso Ferrari Herrero serves as a director of our Board of Directors. From 1968 to 1969 he was assistant to the financial manager of Hidroeléctrica del Cantábrico, S.A. From 1969 to 1985, he worked in Banco Urquijo, S.A. holding several positions as analyst, manager of Industrial Investments and as a representative in several subsidiaries in his capacity as member of the board of directors of Banco Urquijo, S.A. From 1985 to 1996 he was a member of the board of directors and manager of Corporate Finance of Beta Capital Sociedad de Valores, S.A., of which Mr. Ferrari was a co-founder. From 1996 until 2000 served as chairman and chief operating officer of Beta Capital, S.A. He has a doctorate in industrial engineering from the Industrial Engineers Technical School of the Polytechnic University of Madrid (*Escuela Técnica Superior de Ingenieros Industriales de la Universidad Politécnica de Madrid*) and holds an MBA from Harvard University.

Mr. Luiz Fernando Furlán serves as a director of our Board of Directors. Throughout his career he has been a member of the board of directors of several companies in Brazil and abroad such as Sadia, S.A., Embraco, S.A. (Brasmotor Group-Brazil) and Panamco (Pan American Beverages, Inc. – USA). He was also member of the consulting board of IBM in Latin America and of ABN Amro Bank in Brazil, as well as chairman of Brazilian Chicken Exporters Association (ABEF), Brazilian Association of Public Owned Companies (ABRASCA) and of Mercosur European Union Business Forum (MEBF). He also was vice-president of Sao Paulo Entrepreneurs Association (FIESP). From 2003 to 2007 he was Minister of Development, Industry and Foreign Trade of Brazil. Currently he is also chairman of the board of directors of Brasil Foods, S.A. and of Amazonas Sustainability Foundation and member of the board of directors of Redecard S.A. and Amil Participações S.A., and member of the Advisory/Consultive Board of Panasonic (Japan) and McLarty & Associates (USA). He holds a degree in chemical engineering from the Industrial Engineering Faculty of São Paulo and in business administration from University of Santana (São Paulo), with specialization in financial administration from Fundação Getúlio Vargas (São Paulo).

Mr. Gonzalo Hinojosa Fernández de Angulo serves as a director of our Board of Directors. He began his career in 1966 in Cortefiel, S.A. and served in several management positions since then. From 1976 to 1985 Mr. Hinojosa was general manager of Cortefiel, S.A. and from 1985 until 2006 he served as chief executive officer of the company, a post which he combined with his appointment as chairman since 1998. From 1991 through 2002, he served as a director of Banco Central Hispano Americano, S.A. and as a director of Portland Valderribas, S.A. He has also served as a director of Altadis, S.A. and of Dinamia Capital Privado, S.A., SCR. Mr. Hinojosa has a degree in industrial engineering from the Industrial Engineers Technical School of the Polytechnic University of Madrid (*Escuela Técnica Superior de Ingenieros Industriales de la Universidad Politécnica de Madrid*).

Mr. Pablo Isla Álvarez de Tejera serves as a director of our Board of Directors. Mr. Isla began his career in 1988 as Government Attorney (*Abogado del Estado*), and he joined the Body of Government Attorneys that year, in the first position of the candidates, for the Spanish Ministry of Transportation, Tourism and Communications. In 1991 he moved to the General Management of the Legal Services of the Spanish Government (*Dirección General* *del Servicio Jurídico del Estado*). From 1992 to 1996, Mr. Isla served as general manager of the Legal Services Department of Banco Popular, S.A. In 1996, he was appointed general manager of the National Heritage Department of the Treasury Department of Spain (*Ministerio de Economía y Hacienda*). He also served as General Secretary of Banco Popular Español, S.A. from 1998 to 2000. In July 2000, Mr. Isla was appointed chairman of the board of Grupo Altadis and co-chairman of the company. Since June 2005, Mr. Isla is the deputy chairman and chief executive officer of Inditex, S.A. Mr. Isla has a degree in law from the Universidad Complutense of Madrid.

Mr. Antonio Massanell Lavilla serves as a director of our Board of Directors. In 1971 he joined the Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), where he held several posts and in 1990, he was appointed assistant manager and secretary of the Steering Committee. In the same year, he was appointed member of the board of directors of VidaCaixa, S.A., Seguros de la Caixa, S.A., Socredit (Monaco), and Sociedad Española de Medios de Pago, S.A. From 1992 to 1994, Mr. Massanell served as Chairman of the Steering Committee of Sistema 6000 de la *Confederación Española de Cajas de Ahorros*. Mr. Massanell is currently executive deputy general manager of la Caixa and a member of the boards of directors of e-la Caixa 1, S.A., Boursorama, S.A., Caixa Capital Risc, S.G.E.C.R., S.A., and Serveis Informàtics "La Caixa", S.A. He is also chairman of Port Aventura Entertainment, S.A. and Barcelona Digital Centre Tecnològic (former Fundació Barcelona Digital). Mr. Antonio Massanell Lavilla holds a degree in economics from the University of Barcelona.

Mr. Francisco Javier De Paz Mancho serves as a director of our Board of Directors. From 1990 to 1993, he was Secretary to the Board of the Spanish Consumers Association (*Unión de Consumidores de España*, UCE). From 1993 to 1996, he served as general manager of Internal Trade of the Spanish Ministry of Tourism and Commerce. From 1994 to 1996, he was chairman of the Observatory of Trading of the Spanish Ministry of Tourism and Commerce (*Observatorio de la Distribución Comercial del Ministerio de Comercio y Turismo*); from 1996 to 2004, he was corporate strategy manager of the Panrico Donuts Group. From 1998 to 2004, he served as director of Mutua de Accidentes de Zaragoza (MAZ) and of the Panrico Group. From 2004 to 2006, he was director of Tunel de Cadí, S.A.C. and from 2003 to 2004, he served as chairman of the Patronal Pan y Bollería Marca (COE). From 2004 to 2007, he was chairman of the National Company MERCASA. He has also been a member of the board of directors of Altadis, S.A., and of the Economic and Social Board and its permanent commission. From July 2006, he has been a member of the Executive Committee of the Chambers Board (*Consejo Superior de Cámaras*). Mr. de Paz has a diploma in publicity and information and followed studies in law. He followed a *Programa de Alta Dirección de Empresas* from the IESE Business School (*Instituto de Estudios Superiores de la Empresa, University of Navarra*).

Executive Officers/Management Team

At March 25, 2010, our executive management team was composed of six general managers, in addition to our three executive officers who are also directors on our Board of Directors.

Name	Position	Appointed	Age
Mr. César Alierta Izuel	Chairman of the Board of Directors and Chief Executive Officer	2000	64
Mr. Julio Linares López	Chief Operating Officer	2007	64
Mr. José María Álvarez -Pallete López	Chairman of Telefónica Latin America	2002	46
Mr. Guillermo Ansaldo Lutz	Chairman of Telefónica Spain	2007	48
Mr. Matthew Key	Chairman of Telefónica Europe	2007	47
Mr. Santiago Fernández Valbuena	General Manager of Finance and Corporate Development	2002	52
Mr. Luis Abril Pérez	Technical General Secretary to the Chairman	2002	62
Mr. Calixto Ríos Pérez	General Manager of Internal Audit	2002	65
Mr. Ramiro Sánchez de Lerín García-Ovies	General Legal Secretary and Secretary to the Board	2003	55

Biographies of the Executive Officers and Senior Management

We present below the biographies of our executive officers and senior management who do not also serve on our Board of Directors.

Mr. Guillermo Ansaldo Lutz serves as Chairman of Telefónica Spain since December 2007, and he is also member of the Executive Committee of Telefónica. From 1989 to 2000 he worked for McKinsey & Company holding different positions in Spain and Argentina. In 1995, he was appointed partner of McKinsey & Company in Argentina. From 2000 to 2004 he was the chief executive officer of Telefónica de Argentina, S.A. and since April 2005, he held the position of chief executive officer of Telefónica de España, S.A. He holds a degree in industrial engineering from the Universidad de Buenos Aires and an MBA from The Amos Tuck School of Business Administration, Dartmouth College.

Mr. Matthew Key serves as Chairman of Telefónica Europe and is a member of the Executive Committee of Telefónica. From 1984 until 1998 he held various positions of responsibility in Arthur Young, the Grand Metropolitan Plc (1988), Coca Cola & Schweppes Beverages Ltd (1993-1995), Kingfisher Plc and finally, from 1998 to 2002, Vodafone Plc. From 2000 to 2002 he worked as non-executive director of Vodafone Egypt. He has served as chairman and non-executive director of Telco Mobile since 2003. From 2003 to 2005 he was non-executive director of Link Stores. In February 2002, he was appointed chief financial officer of Telefónica O2 UK until December 2004. In January 2005, he was appointed chief executive officer of Telefónica O2 UK. He holds a degree in economics from Birmingham University.

Mr. Santiago Fernández Valbuena serves as General Manager of Finance and Corporate Development since December 2002 and is a member of the Executive Committee of Telefónica. He has served as our chief financial officer since July 2002. He joined Telefónica Group in 1997 as chief executive officer of Fonditel, Telefónica's pension assets manager. Previously, he was the managing director of Societé Générale Equities, and also head of Equities & Research at Beta Capital in Madrid. Mr. Fernández Valbuena served as president of the Research Commission at the Spanish Institute of Financial Analysts. He has held senior teaching positions with the MBA programs of the Manchester Business School and Instituto de Empresa. He holds a degree in economics from the Universidad Complutense of Madrid and he also holds an M.S. and a PhD degree in economics and finance from Northeastern University in the United States.

Mr. Luis Abril Pérez serves as our Technical General Secretary to the Chairman. Mr. Abril started his professional career as a microeconomics professor in the Universidad Comercial de Deusto, where he went on to head its Finance Department. In 1978, he moved to Banco de Vizcaya, S.A., as treasury director and then worked as head of the president's technical department. During his work with the Banco Bilbao Vizcaya Group (1988 to 1991), he acted as general director for the Asset Management division. From 1994 to 1999, Mr. Abril acted as general director for Banco Español de Crédito, S.A. (Banesto), and he later acted as general director for communications for Banco Santander Central Hispano, S.A. (1999 to 2001). Mr. Abril holds a degree in economics and a law degree from the Universidad Comercial de Deusto and he also holds an MBA from the North European Management Institute, Oslo, Norway.

Mr. Calixto Ríos Pérez serves as our General Manager of Internal Audit. In 1973, Mr. Ríos joined Banco Exterior de España, S.A. as the General Manager of Extebank in New York City. Subsequently he was appointed chief executive officer and chief operating officer of Extebandes in Venezuela. Later, Mr. Ríos returned to Madrid as the general manager of International Banking Subsidiaries of Banco Exterior de España, S.A. In 1990, he was appointed chief executive officer responsible for overseeing the construction, management and marketing of the Olympic Village for the Olympic games of Barcelona and a year later was appointed chief financial officer of Tabacalera, S.A. After the merger of Tabacalera with the French company, Seita, he was appointed advisor to the chairman and head of Strategy and Planning. In November 2000, he joined the Telefónica Group as general manager for Institutional Relations, and in July 2002 he was appointed general manager for Internal Auditing and Communications. He holds a degree in economics from the Universidad Complutense of Madrid.

Mr. Ramiro Sánchez de Lerín García-Ovies serves as our General Secretary and Secretary to our Board of Directors. He began his career in Arthur Andersen, first working for its audit department and later for its tax department. In 1982, he became a Government Attorney (*Abogado del Estado*) and started working for the local tax authorities in Madrid (*Delegación de Hacienda de Madrid*). Afterwards he was assigned to the State Secretariat for the European Communities and later to the Foreign Affairs Ministry. He has been general secretary and secretary of the Board of Elosúa, S.A., Tabacalera, S.A., Altadis, S.A. and Xfera Móviles, S.A. He has also held teaching positions in Instituto Católico de Administración y Dirección de Empresas (ICADE), Instituto de Empresa and Escuela de Hacienda Pública.

B. Compensation

Directors

The compensation of our directors is governed by Article 28 of our bylaws, which states that the aggregate compensation amount that we may pay to all of our directors as remuneration and attendance fees shall be fixed by the shareholders at the general meeting of shareholders, and such amount shall remain unchanged until the shareholders decide to modify it. The Board of Directors shall determine the exact amounts to be paid within such limit and the distribution thereof among the directors. In this respect, on April 11, 2003, our shareholders set the maximum gross annual amount to be paid to the Board of Directors at €6 million. This includes fixed payments and fees for attending meetings of the Board of Directors' advisory or control committees described above. In addition, the compensation provided for above is in addition to other professional or employment compensation accruing to the directors by reason of any executive or advisory duties that they perform for the Group, other than the supervision and collective decision-making duties inherent in their capacity as directors.

Therefore, the compensation paid to our directors in their capacity as members of the Board of Directors, the Executive Commission and/or any of the advisory and control committees consists of a fixed amount payable monthly plus fees for attending the meetings of the Board's advisory or control committees. In this respect, executive board members, other than the Chairman, only receive compensation for discharging their executive duties as stipulated in their respective contracts and not in their capacity as directors.

The following table presents the fixed annual amounts paid to directors for membership in the Board of Directors, Executive Commission and any advisory or control committees.

Position	Board of Directors	Executive Commission	Advisory or Control Committees
		(in euros)	
Chairman	300,000	100,000	28,000
Vice Chairman	250,000	100,000	—
Board member (*vocal*):			
Executive	—	—	—
Proprietary	150,000	100,000	14,000
Independent	150,000	100,000	14,000
Other external	150,000	100,000	14,000

In addition, each director is paid a fee of €1,250 for attendance at each meeting of an advisory or control committee.

Total compensation paid to our directors for discharging their duties in 2009 amounted to €4,081,333 in fixed compensation and €252,500 in fees for attending advisory or control committee meetings. It should also be noted that the compensation paid to our directors for serving as members on the boards of directors of other Telefónica Group companies amounted to €1,791,104. In addition, the directors who are members of the regional advisory committees, including the Telefónica Corporate University Advisory Council, received additional aggregate compensation of €553,750 in 2009.

The following table presents the breakdown by item of the compensation and benefits paid to Telefónica directors for discharging their duties in 2009:

Board Members	Board of Directors	Executive Commission	Other Board Committees		Total
			Fixed payment	Attendance fees	
			(in euros)		
Chairman					
César Alierta Izuel	300,000	100,000	—	—	400,000
Vice chairmen					
Isidro Fainé Casas	250,000	100,000	—	—	350,000
Vitalino Manuel Nafría Aznar	250,000	—	56,000	22,500	328,500
Members					
Julio Linares López	—	—	—	—	—
José María Abril Pérez	150,000	100,000	14,000	1,250	265,250
José Fernando de Almansa Moreno-Barreda	150,000	—	56,000	21,250	227,250
José María Álvarez-Pallete López	—	—	—	—	—
David Arculus	150,000	—	28,000	11,250	189,250
Eva Castillo Sanz	150,000	—	14,000	10,000	174,000
Carlos Colomer Casellas	150,000	100,000	56,000	16,250	322,250
Peter Erskine	150,000	100,000	56,000	25,000	331,000
Alfonso Ferrari Herrero	150,000	100,000	84,000	38,750	372,750
Luiz Fernando Furlán	150,000	—	14,000	3,750	167,750
Gonzalo Hinojosa Fernández de Angulo	150,000	100,000	98,000	42,500	390,500
Pablo Isla Álvarez de Tejera	150,000	—	84,000	16,250	250,250
Antonio Massanell Lavilla	150,000	—	65,333	28,750	244,083
Francisco Javier de Paz Mancho	150,000	100,000	56,000	15,000	321,000
Total	2,600,000	800,000	681,333	252,500	4,333,833

In addition, the breakdown of the total paid to executive directors Mr. César Alierta Izuel, Mr. Julio Linares López and Mr. José María Álvarez-Pallete López for discharging their executive duties by item is as follows:

Item	2009
	(in euros)
Salaries	5,947,604
Variable compensation	8,058,179
Compensation in kind(1)	100,051
Contributions to pension plans	25,444

(1) "Compensation in kind" includes life and other insurance premiums (general medical and dental insurance).

In addition, under the Pension Plan for Senior Executives, we made total contributions in 2009 on behalf of executive directors of €1,925,387. The Pension Plan for Senior Executives is wholly funded by us. This plan envisages annual defined contributions equivalent to specific percentages of the relevant executives' fixed remuneration, in accordance with their professional category, and extraordinary contributions in accordance with the circumstances of each such executive as detailed in the plan. See Note 21 to the Consolidated Financial Statements.

Our executive directors also receive compensation under the Performance Share Plan approved at the general shareholders' meeting of June 21, 2006 and described in more detail below. The maximum number of shares corresponding to the second, third and fourth phases of the Performance Share Plan will be granted on July 1, 2010, July 1, 2011, and July 1, 2012 respectively, to each of our executive directors if all the terms established for such delivery are met as follows: for Mr. César Alierta Izuel, 116,239, 148,818 and 173,716 shares, respectively; for Mr. Julio Linares López, 57,437, 101,466 and 130,287 shares, respectively; and for Mr. José María Álvarez-Pallete López, 53,204, 67,644 and 78,962 shares, respectively. With respect to the payout under the first phase of the Performance Share Plan in July 2009, the beneficiaries received, in accordance with the general terms and conditions of the Performance Share Plan, all the shares assigned to them as follows: to Mr. César Alierta Izuel, 129,183 shares; to Mr. Julio Linares López, 65,472 shares; and to Mr. José María Álvarez-Pallete López, 62,354 shares. This maximum payout was made because our total shareholder return, or TSR (as defined in the

Performance Share Plan) exceeded that of the relevant comparison group. See Note 21 to the Consolidated Financial Statements.

It should be noted that the non-executive directors do not receive and did not receive in 2009 any compensation in the form of pensions or life insurance, nor do they participate in the share-based payment plans linked to our share price.

In addition, we do not grant and did not grant in 2009 any advances, loans or credits to the directors, or to our top executives, in accordance with the requirements of the Sarbanes-Oxley Act.

Executive Officers and Senior Management

In 2009, our six executive officers (excluding those that are also Directors) were paid a total compensation package of €10,533,852 in the aggregate.

Contributions made on behalf of these six executives under the Pension Plan for Senior Executives mentioned above amounted to an aggregate amount of €922,728 in 2009.

In addition, the maximum number of shares corresponding to the second, third and fourth phases of the Performance Share Plan, described below, to be delivered to these senior executives as a group, if all the established terms are met, is 130,911 shares, 306,115 shares and 394,779 shares, respectively. Similarly, as explained above, these senior executives received a total of 284,248 shares in 2009 as a result of satisfaction of the TSR requirement for the first phase under the Performance Share Plan.

Finally, executive officer contracts, including those of executive directors, generally include a severance clause entitling such executives to three years of salary plus another year based on the length of service with us. The annual salary on which the indemnity is based is the director's last fixed salary and the average amount of the last two variable payments received by contract.

Incentive Plans

In each of 2007, 2008 and 2009, the Telefónica Group had the following incentive payment plans linked to the share price of Telefónica, S.A. in effect.

Telefónica, S.A. share plan: "Performance Share Plan"

At our general meeting of shareholders on June 21, 2006, our shareholders approved the introduction of a long-term incentive plan for managers and senior executives of Telefónica, S.A. and other Telefónica Group companies (the "Performance Share Plan"). Under the Performance Share Plan, selected participants who meet the qualifying requirements are given a certain number of our shares as a form of variable compensation.

The Performance Share Plan was initially intended to last seven years. It is divided into five phases, each three years long, beginning on July 1 (the "Start Date") and ending on June 30 three years later (the "End Date"). At the start of each phase the number of shares to be awarded to Performance Share Plan beneficiaries is determined based on their success in meeting targets set. The shares are delivered, assuming targets are met, at the End Date of each phase. Each phase is independent from the others. The first started on July 1, 2006 (with all shares delivered on July 1, 2009, as described above) and the fifth phase begins on July 1, 2010 (with any shares earned delivered from July 1, 2013).

Award of the shares is subject to a number of conditions:

- The beneficiary must continue to work for us throughout the three years of the phase, subject to certain special conditions related to departures.
- The actual number of shares awarded at the end of each phase will depend on success in meeting targets and the maximum number of shares assigned to each executive. Success is measured by comparing TSR, which includes both the share price of and dividends on our shares, with the TSRs of a basket of listed

telecommunications companies that comprise the comparison group. Each employee who is a member of the plan is assigned at the start of each phase a maximum number of shares. The actual number of shares awarded at the end of the phase is calculated by multiplying this maximum number by a percentage reflecting degree of success at the date in question. This will be 100% if the TSR of Telefónica is equal to or better than that of the third quartile of the comparison group and 30% if Telefónica's TSR is in line with the average. The percentage rises on a linear basis for all points between these two benchmarks. If the TSR is below average no shares are awarded.

The end of the first phase of the Performance Share Plan was on June 30, 2009, which included the following maximum number of shares allocated:

Phase	Number of shares	Unit value (euros)	End date
1st phase July 1, 2006	6,530,615	6.43	June 30, 2009

With the expiration of the first phase of the Performance Share Plan in July 2009 a total of 3,309,968 shares (corresponding to a total of 4,533,393 gross shares less a withholding of 1,224,610 shares prior to delivery) were delivered to our directors included in the first phase. The shares delivered were deducted from our treasury shares in 2009.

All the shares delivered under the first phase of the Performance Share Plan were hedged with a derivative instrument acquired in 2006. The cost of this instrument was €46 million, which in unit terms is €6.43 per share. At June 30, 2009, the bank with whom the financial instrument was contracted delivered to us the shares contracted. These were initially accounted for as treasury shares.

The maximum number of the shares issuable in each of the three outstanding phases at December 31, 2009 is as follows:

Phase	Number of shares	Unit value (euros)	End date
2nd phase July 1, 2007	5,556,234	7.70	June 30, 2010
3rd phase July 1, 2008	5,286,980	8.39	June 30, 2011
4th phase July 1, 2009	6,356,597	8.41	June 30, 2012

The Performance Share Plan is equity-settled via the delivery of shares to the participants. Accordingly, an expense of €23 million, €38 million and €43 million of employee benefits was recorded in 2007, 2008 and 2009, respectively.

To ensure that we had enough shares to meet our obligations at the end of the first phase begun in 2006, we bought an instrument from a financial institution that delivered to us, at the end of the phase, a number of shares determined using the same measure of success as the plan, i.e. an instrument that mirrored the features of the first phase of the plan. The cost of this instrument was €46 million, which in unit terms is €6.43 per share, assuming the maximum number of shares under this instrument. See Note 20 to our Consolidated Financial Statements.

We have not arranged for any similar derivative for the second phase.

For the third phase, we have arranged a financial instrument under the same conditions as for the first phase, with possible delivery to us of up to 2,500,000 shares under such instrument. The cost of the financial instrument is €25 million, equivalent to €9.96 per share assuming the maximum number of shares under this instrument. See Note 20 to our Consolidated Financial Statements.

For the fourth phase of the Performance Share Plan, we have acquired an instrument from a financial institution with the same features of the fourth phase of the Performance Share Plan, whereby at the end of the phase, we may obtain part of the shares necessary to settle the phase (4,000,000 shares). The cost of the financial instrument was €34 million, equivalent to €8.41 per share. See Note 20 to our Consolidated Financial Statements.

Telefónica, S.A. share option plan targeted at Telefónica Europe employees: "Performance Cash Plan"

In addition to the Performance Share Plan, another plan called the "Performance Cash Plan", operating under the same conditions as the Performance Share Plan is targeted at employees of Telefónica Europe. This plan entails delivery to Telefónica Europe executives of a specific number of theoretical options in Telefónica, S.A., which are cash-settled at the end of each phase via a payment equivalent to the market value of the shares on settlement date up to a maximum of three times the value of the theoretical options, established for each phase, of the shares at the delivery date.

The value of the theoretical options is established as the average share price in the 30 days immediately prior to the start of each phase, except for the first phase, where the average share price during the 30 days immediately prior to May 11, 2006 (€12.83) was taken as the reference.

The estimated duration of this plan is also seven years, with five phases, each of three years, commencing on July 1 of each year, starting in 2006.

Like the Performance Share Plan, the performance rate for setting payments is measured based on the TSR of Telefónica shares with respect to the comparison group's TSRs. Payments will be made in line with the following criteria:

- Below average 0%
- Average 30%
- Equal to or higher than the third quartile 100%

The aggregate number of options assigned to the three phases outstanding at December 31, 2009 was 412,869.

The fair value at December 31, 2009 of the options delivered in each phase in force at that time was €19.55 per option. This value is calculated by taking our share price and including the estimated TSR and is updated at each year end.

C. Board Practices

Please see "—Directors and Senior Management" above.

D. Employees

Employees and Labor Relations

The table below sets forth the average number of employees at the dates indicated for the Telefónica Group during 2007, 2008 and 2009 and each of the consolidated companies of the Group which comprise our different lines of business and other consolidated subsidiaries.

	2007		2008		2009	
	Average	Year-end	Average	Year-end	Average	Year-end
Telefónica Spain	37,688	35,792	35,708	35,562	35,318	35,138
Telefónica Latin America	48,844	49,946	49,990	49,849	50,709	51,606
Telefónica Europe	29,249	29,305	28,828	28,888	28,249	27,023
Subsidiaries and other companies	128,271	133,444	137,249	142,736	140,875	143,459
Total	244,052	248,487	251,775	257,035	255,151	257,426

The number of employees shown in the table above corresponds to the consolidated companies. It is also worth highlighting the large number of employees at the various companies of the Atento Group performing call center activities included in the total numbers above, with an average of 129,885 in 2009 and 132,256 at December 31, 2009.

Of our total employees at December 31, 2009, approximately 51.8 % were women (50.8% at December 31, 2008).

Employee Benefits

We have a pension plan for our Spanish employees. Our contribution corresponds to 4.51% of an employee's fixed salary (for those employees who joined Telefónica de España S.A.U. before June 30, 1992 the amount is 6.87%). The obligatory minimum employee contribution is 2.2%. This plan is fully funded.

As of December 31, 2009, 52,912 of our employees were members of the pension plan managed by our subsidiary Fonditel Entidad Gestora de Fondos y Pensiones, S.A. (54,819 employees as of December 31, 2008 and 57,675 at December 31, 2007). The total amount contributed in 2009 by the different Telefónica Group companies was €97 million (€98 million and €95 million in 2008 and 2007 respectively).

In addition, in 2006, we approved a Management Benefits Plan (Retirement Plan) for senior executives, wholly funded by us, which complements the current pension plan. This Management Benefits Plan envisages annual defined contributions by Telefónica equivalent to specific percentages of the executives' fixed remuneration, in accordance with such executive's professional category, and extraordinary contributions in accordance with the circumstances of each executive, payable in line with the conditions of this plan.

No provision was made for this Management Benefits Plan by us, as its operation has been fully outsourced to an investment fund that is responsible for its operation.

E. Share Ownership

At March 25, 2010, the following members of our Board of Directors beneficially owned directly or indirectly an aggregate of 6,429,677 shares, representing approximately 0.141% of our capital stock.

Name	Percentage of Shares Beneficially Owned
Mr. César Alierta Izuel(1)	0.089%
Mr. Isidro Fainé Casas	0.010%
Mr. Vitalino Manuel Nafría Aznar	[illegible]
Mr. Julio Linares López	0.006%
Mr. José María Abril Pérez	—
Mr. José Fernando de Almansa Moreno-Barreda	—
Mr. José María Álvarez-Pallete López	0.004%
Mr. David Arculus	—
Ms. Eva Castillo Sanz	0.002%
Mr. Carlos Colomer Casellas(2)	0.001%
Mr. Peter Erskine	0.002%
Mr. Alfonso Ferrari Herrero(3)	0.013%
Mr. Luiz Fernando Furlán	[illegible]
Mr. Gonzalo Hinojosa Fernández de Angulo	0.011%
Mr. Pablo Isla Álvarez de Tejera	—
Mr. Antonio Massanell Lavilla	—
Mr. Francisco Javier de Paz Mancho	0.001%

(1) Since March 2, 2007, Mr. Alierta Izuel holds 8,200,000 European call options over our shares with an exercise price of €22, which, if exercised, must be exercised on March 2, 2011 and settled in cash. In addition to this, since April 11, 2008, he holds 2,000,000 European call options over our shares with an exercise price of €30, which, if exercised, must be exercised on March 2, 2011 and settled in cash.

(2) On April 6, 2009, Mr. Colomer Casellas reported to the Spanish Securities Markets Commission (CNMV) the sale of 14,815 puts over Telefónica, S.A. shares, with an exercise price of €13.50, as well as the sale of 24,000 puts over Telefónica, S.A. shares with an exercise price of €12.50. On August 6, 2009 Mr. Colomer Casellas reported to the CNMV the purchase of the above-mentioned 14,815 puts over our shares which were sold on April 6, 2009. On August 6, 2009 he reported the sale of 33,334 puts over our shares, with an exercise price of €15 that, if exercised, must be exercised on 31 May, 2010. On September 21, 2009 Mr. Colomer Casellas reported the purchase of the above-mentioned 24,000 puts over our shares, which were sold on April 6, 2009.

(3) In connection with his acquisition of 485,000 shares of Telefónica S.A. made on October 11, 2007, Mr. Ferrari Herrero holds 485,000 put warrants over our shares with an exercise price of €18.48 that, if exercised, must be exercised on October 11, 2010.

At March 25, 2010, members of our executive management team (excluding members of our Board of Directors listed above) beneficially owned an aggregate 878,888 of our shares, representing approximately 0.0193% of our capital stock.

None of our directors or executive officers beneficially owned shares representing one percent or more of our share capital at March 25, 2010.

None of our directors and executive officers held options in respect of shares representing one percent or more of our share capital at March 25, 2010.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

General

At March 25, 2010, we had 4,563,996,485 shares outstanding, each having a nominal value of €1.00 per share. All outstanding shares have the same rights.

At March 25, 2010, according to information provided to us or to the Spanish National Securities Commission, the CNMV, beneficial owners of 3% or more of our voting stock were as follows:

Name of Beneficial Owner	Number of Shares	Percent
Banco Bilbao Vizcaya Argentaria, S.A.(1)	252,999,646	5.54%
Caja de Ahorros y Pensiones de Barcelona ("la Caixa")(2)	235,973,505	5.17%
Blackrock, Inc.(3)	177,257,649	3.88%
Capital Research and Management Company(4)	144,578,826	3.16%

(1) Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. as at December 31, 2009 for the 2009 Annual Report on Corporate Governance.
(2) Based on information provided by Caja de Ahorros y Pensiones de Barcelona, "la Caixa" as at December 31, 2009 for the 2009 Annual Report on Corporate Governance. The 5.16% indirect shareholding in Telefónica is owned by Criteria CaixaCorp, S.A.
(3) According to notification sent to the Spanish National Securities Commission, the CNMV, dated February 4, 2010.
(4) According to notification sent to the Spanish National Securities Commission, the CNMV, dated May 20, 2009.

To the extent that our shares are represented by account in the book-entry form, we do not keep a shareholder registry and our ownership structure cannot be known precisely. Based on the information available to us there is no individual or corporation that directly or indirectly through one or more intermediaries may exercise any type of control over us. Nevertheless, we have certain shareholders whose holdings are considered material.

At December 31, 2009, approximately 171,523,317 of our shares were held in the form of ADSs by 917 holders of record, including Cede & Co., the nominee of the Depository Trust Company. The number of ADSs outstanding was 57,174,439 at December 31, 2009.

Ownership Limitations

There are no limitations with respect to the ownership of our assets or share capital except those derived from the application of the reciprocity principle. Article 6 of the General Telecommunications Law, or the GTL, provides for the application of the reciprocity principle under existing international treaties or agreements signed and ratified by Spain. The Spanish government, upon request, may authorize exceptions to the reciprocity principle contained in the GTL.

B. Related Party Transactions

During 2009 and through the date of this Annual Report, none of our directors and no member of our management team has been involved in any related party transactions with us.

Our Board of Directors' Regulations grant the Board of Directors the exclusive power to authorize any transactions with major shareholders or with our directors. Prior to authorizing any such transaction, our Board will receive an opinion from the Nominating, Compensation and Corporate Governance Committee addressing the fairness of the transaction to our shareholders and us. Any of our directors that may have an interest in the proposed transaction must abstain from voting on the proposed transaction.

Two of our major shareholders are financial institutions. We have entered into related party transactions with both companies within our ordinary course of business, and always on arm's length terms. During 2009, the executed transactions were generally loans or capital markets transactions provided to us by these financial institutions and agreements for us to provide telecommunications and broadband services to such institutions.

Related Party Transactions with Significant Shareholders

The main transactions between Telefónica Group companies and our significant shareholders were the following:

Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries comprising its consolidated group "BBVA":

- Financing transactions arranged under market conditions, with approximately €531 million drawn down at December 31, 2009 (€436 million at December 31, 2008).
- Time deposits under market conditions amounting to €878 million at December 31, 2009 (€355 million at December 31, 2008).
- Derivative transactions arranged at market conditions, for a total nominal amount of approximately €7,824 million at December 31, 2009 (€6,930 million at December 31, 2008).
- Guarantees granted by BBVA under market conditions for approximately €237 million at December 31, 2009 (€13 million at December 31, 2008).
- Dividends and other benefits paid to BBVA in 2009 for €287 million (€279 million in 2008).
- Services, mainly telecommunications and telemarketing, rendered by Telefónica Group companies to the BBVA Group, under market conditions.

Caja de Ahorros y Pensiones de Barcelona, "la Caixa", and subsidiaries comprising the consolidated group:

- Financing transactions arranged under market conditions, with approximately €643 million drawn down at December 31, 2009 (€682 million at December 31, 2008).
- Time deposits under market conditions amounting to €1,293 million at December 31, 2009 (€368 million at December 31, 2008).
- Derivative transactions entered into under market conditions, for a total nominal amount of approximately €800 million in 2009. There was no amount in 2008.
- Dividends and other benefits paid to La Caixa in 2009 for €260 million (€237 million in 2008).
- Guarantees granted by La Caixa under market conditions for approximately €17 million at December 31, 2009 (€1 million at December 31, 2008).
- The telecommunications services rendered by Telefónica Group companies to La Caixa group companies, under market conditions.

Intra-Group Loans

We are the parent company of the Telefónica Group and operate through our subsidiaries and affiliated companies. We coordinate group policies, including financial policy and, in some cases, actual financial management is conducted by us. Most of the transactions we perform with other members of the Telefónica Group relate to financing transactions, including covering their needs for funds and providing interest rate and exchange rate hedges.

At December 31, 2009, as recorded in our parent company accounts, we loaned a total of €5,975 million (€13,594 million at December 31, 2008) to companies of the Telefónica Group while companies of the Telefónica Group and their associates loaned us a total of €45,280 million (€46,694 million at December 31, 2008), of which €10,767 million (€12,331 million at December 31, 2008) was loaned to us by Telefónica Europe, B.V. and €24,532 million

(€17,771 million at December 31, 2008) was loaned to us by Telefónica Emisiones S.A.U., our financing subsidiaries devoted to raising funds in the capital markets, and €8,915 million (€12,671 million at December 31, 2008) was loaned to us by Telefónica Finanzas, S.A.U., our subsidiary in charge of financial support for Telefónica Group companies.

With respect to the balances with associated companies, the line item "Loans to Associates" on the consolidated statement of financial position at December 31, 2009, presents an amount of €18 million (€126 million at December 31, 2008).

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

Consolidated Financial Statements

Please see Item 18.

Legal Proceedings

Telefónica and its group companies are party to several legal proceedings which are currently in progress in the courts of law and the arbitration bodies of the various countries in which we are present.

Based on the advice of our legal counsel it is reasonable to assume that these legal proceedings will not materially affect our financial position or solvency, regardless of the outcome. We highlight the following unresolved legal proceedings or those underway in 2009:

Contentious proceeding in connection with the merger between Terra Networks, S.A. and Telefónica, S.A.

On September 26, 2006, Telefónica was notified of the claim filed by former shareholders of Terra Networks, S.A. (Campoaguas, S.L., Panabeni, S.L. and others) alleging breach of contract in respect of the terms and conditions set forth in the prospectus of the initial public offering of shares of Terra Networks, S.A. dated October 29, 1999. This claim was rejected by a ruling issued on September 21, 2009, and the appellants ordered to pay court costs. This ruling was appealed on December 4, 2009.

Claim before the Center for Settlement of Investment Disputes (ICSID) against the Argentine government

As a result of the enactment by the Argentine government of Public Emergency and Exchange Rules Reform Law 25,561, of January 6, 2002, Telefónica considered that the terms and conditions of the share transfer agreement approved by Decree 2332/90 (the "Transfer Agreement") and the pricing agreement ratified by Decree 2585/91, both of which were executed by Telefónica with the Argentine government, had been affected appreciably, since the law rendered ineffective any dollar or other foreign currency adjustment clauses, or indexation clauses based on price indexes of other countries, or any other indexation mechanism in contracts with the public authorities. The law also required that prices and rates derived from such clauses be denominated in pesos at an exchange rate of one peso to one U.S. dollar.

Accordingly, since negotiations with the Argentine Government were unsuccessful, on May 14, 2003, Telefónica filed a request for arbitration with the International Center for Settlement of Investment Disputes (ICSID) pursuant to the Agreement for the Promotion and Reciprocal Protection of Investments between the Argentine Republic and the Kingdom of Spain. On December 6, 2004, Telefónica filed the "Memorial" or claim with the ICSID.

On February 15, 2006, Telefónica de Argentina signed a memorandum of understanding with the Argentine government as a prerequisite to reaching an agreement to renegotiate the Transfer Agreement pursuant to the provisions of Article 9 of Law 25,561. Among other issues, the memorandum of understanding envisaged the suspension by Telefónica de Argentina and Telefónica for a certain period of all claims, appeals and demands planned or underway, based on events or measures taken as a result of emergency situation established by Law No. 25,561 with regard to the Transfer Agreement and the license granted to Telefónica de Argentina.

On August 21, 2009, after successive extensions of the period of suspension included in the memorandum of understanding, Telefónica and the Argentine government agreed to consider this arbitration proceeding concluded. As a result, both parties requested the ICSID Court to suspend the proceeding, which the court agreed to on September 24, 2009.

Appeal for judicial review of the Spanish Competition Court (TDC) ruling of April 1, 2004

On April 1, 2004, the TDC ruled that Telefónica de España had engaged in unfair trade practices prohibited under Article 6 of Antitrust Law 16/1989, dated July 17, and Article 82 of the EC Treaty, consisting in the abuse of a dominant market position, by conditioning the provision of certain services to the non-existence of predialing arrangements with rival operators and running disloyal advertising campaigns. It imposed a fine of €57 million.

Telefónica de España filed an appeal for judicial review of this decision. On January 31, 2007, the National Appellate Court ruled in favor of the appeal, thereby overturning the TDC's ruling. The State attorney filed an appeal to overturn the Supreme Court ruling on January 15, 2008, which Telefónica contested in July of 2008. This court has set April 6, 2010 as the judgment date.

Cancellation of the UMTS license granted to Quam GMBH in Germany

In December 2004, the Germany Telecommunications Market Regulator revoked the UMTS license granted in 2000 to Quam GmbH, in which Telefónica has a stake. After obtaining a suspension of the revocation order, on January 16, 2006, Quam GmbH filed a suit against the order with the German courts. This claim sought to overturn the revocation order and, if this failed, to be reimbursed for the total or partial payment of the original amount paid for the license.

This claim was rejected by the Cologne Administrative Court. Quam GmbH has appealed the decision before the Supreme Administrative Court of North Rhine-Westphalia, which also rejected its appeal.

Finally, Quam GmbH filed a new claim in third instance before the Federal Supreme court for Administrative Cases, which was not admitted for processing. Quam GmbH appealed this decision on August 14, 2009, and is currently awaiting another decision by this court.

Appeal against the European Commission ruling of July 4, 2007 against Telefónica de España's broadband pricing policy

On February 22, 2006, we were sent a statement of objections, initiating disciplinary proceedings for conduct that goes against Article 82 of EC Treaty rules. Subsequently, on July 9, 2007, the European Commission issued a decision, imposing a fine of €152 million on us and Telefónica de España. The ruling charged us with applying a margin squeeze between the prices we charged competitors to provide regional and national wholesale broadband services and our retail broadband prices using ADSL technology from September 2001 to December 2006.

On September 10, 2007, we and Telefónica de España both filed appeals to overturn the decision before the Court of First Instance of the European Community. The Kingdom of Spain also lodged an appeal to overturn the decision. Meanwhile, France Telecom and the Spanish Association of Bank Users (AUSBANC) filed requests to intervene, to which we have submitted our comments.

Appeal against the decision by Agencia Nacional de Telecomunicações (ANATEL) regarding the inclusion of interconnection and network usage revenues in the Fundo de Universalização de Serviços de Telecomunicações (FUST).

Brasilcel, N.V. (Vivo) Group operators, together with other Brazilian wireless operators, appealed ANATEL's decision of December 16, 2005, to include interconnection and network usage revenues and expenses in the calculation of the amounts payable into the Fund for Universal Access to Telecommunications Services (*Fundo de Universalização de Serviços de Telecomunicações*, or FUST for its initials in Portuguese), a fund to pay for the obligations to provide universal service, with retroactive application from 2000. On March 13, 2006, the Brasilia Federal Regional Court granted the injunction requested by the appellants, preventing ANATEL's decision from being applied. On March 6, 2007, a ruling in favor of the mobile operators was issued, stating that it was not appropriate to include the revenues received from other operators in the taxable income for the FUST calculation and rejecting the retroactive application of ANATEL's decision. ANATEL filed an appeal to overturn this decision with the Brasilia Regional Federal Court no.1. This appeal is pending resolution.

At the same time, Telesp and Telefónica Empresas, S.A., together with other fixed line operators through ABRAFIX (*Associação Brasileira de Concessionárias de Serviço Telefonico Fixo Comutado*) appealed ANATEL's decision of December 16, 2005, also obtaining injunctions. On June 21, 2007, Federal Regional Court no. 1 ruled that it was not appropriate to include the interconnection and network usage revenues and expense in FUST taxable income and rejected the retroactive application of ANATEL's decision. ANATEL filed an appeal to overturn this ruling on April 29, 2008 before Brasilia Federal Regional Court no. 1. This appeal is pending resolution.

Proceeding before the Prague District Court against the ruling of the Czech Telecommunications Office dated December 22, 2003.

On December 22, 2003, the Czech Telecommunications Office issued a ruling that required Cesky Telecom (now Telefónica O2 Czech Republic) to pay T-Mobile Czech Republic, a.s. 898 million Czech crowns (equivalent to approximately €26 million) in interconnection fees (call termination) for the period from January to November 2001.

Although the administrative procedure filed by Telefónica O2 Czech Republic against this resolution had yet to be resolved, in 2007 T-Mobile Czech Republic asked the Prague District Court no. 3 to enforce the decision, entailing an amount of approximately 1,859 million Czech crowns (approximately €57.3 million) of principal and interest. The Prague District Court accepted the petition and on May 23, 2007, issued a ruling initiate the execution of against any asset of Telefónica O2 Czech Republic. Telefónica O2 Czech Republic requested that the execution ordered by the Prague District Court 3 be limited to certain assets or be ruled inadmissible. No definitive ruling has yet been made. Telefónica O2 Czech Republic paid approximately 2,023 million Czech crowns (approximately €82 million) to prevent a potential order of execution and to remove the preventive embargo on its assets. Nonetheless, the procedure continued in the courts. In April 2009, an agreement was reached between T-Mobile Czech Republic and Telefónica O2 Czech Republic that ended the procedure, whereby T-Mobile Czech Republic returned approximately 1,053 million Czech crowns (approximately €40 million) to Telefónica O2 Czech Republic. All disputes and related proceedings between T-Mobile and Telefónica O2 Czech Republic regarding interconnection fees in 2001 were terminated according to this settlement agreement. The relevant courts issued decisions on termination of all related proceedings during May and June 2009.

Public civil procedure by the Sao Paulo government against Telesp for alleged repeated malfunctioning in the services provided by Telesp requesting compensation for damages to the customers affected.

In February 3, 2009, the Public Ministry of the State of Sao Paulo initiated proceedings against Telesp for alleged repeated malfunctioning in the telecommunication services provided by Telesp. The proceedings sought compensation for damages to the customers affected. A general claim was filed by the Public Ministry of the State of Sao Paulo suggesting an indemnification of 1,000 million Brazilian reais, calculated on the company's revenue base over the last five years. Telesp's potential responsibility will only be known in the calculation and enforcement of the award by affected consumers.

This proceeding was suspended via resolution dated November 5, 2009, for a period of 90 days, to assess the proposed agreement being negotiated between the parties. As no agreement was reached, the suspension was lifted and the procedure remains in the courts. It is not currently possible to evaluate the amount involved in this lawsuit.

Tax proceedings.

For information on legal proceedings related to tax matters, see Note 17 to our Consolidated Financial Statements.

Dividend information and shareholders' return

Dividend background

The table below sets forth the annual cash dividends declared per share and the year to which such dividends correspond. Generally, the dividend for a given year is paid in two tranches, one in the second-half of the relevant year and the other during the first half of the following year.

Year ended December 31,	Cash dividends per share (euro)
2009(1)	1.15
2008	1.00
2007	0.75
2006	0.60
2005(2)	0.52

(1) On January 28, 2009, our Board of Directors approved a proposal to increase the dividend for 2009 to a total amount of €1.15 per share, to be payable in two tranches. In accordance with this, a cash dividend of €0.50 per share was paid on November 11, 2009, charged against unrestricted reserves. In addition, the appropriate corporate resolutions will be passed during 2010 to complete the committed dividend payment for 2009.

(2) This amount includes a cash dividend of €0.27 per share paid on November 11, 2005 and charged against share premium. Additionally, there was a distribution on June 2005 of our treasury stock among our shareholders in the proportion of one share for every 25 shares held, also charged against share premium.

At our Seventh Investor Conference held on October 10, 2009, in Madrid, we announced a proposal to distribute a dividend of €1.40 per share for 2010. This dividend will be payable in two tranches. Additionally, we announced that we had set as a target to increase, up to a minimum of €1.75 per share, the dividend for 2012.

Payments of any future dividends will be dependent on our results of operations, liquidity and capital resources and market conditions at the time, all of which may be influenced by a variety of factors. See "Cautionary Statement Regarding Forward-Looking Statements".

Treasury shares and share buyback program

We held the following Telefónica, S.A. shares as treasury shares at the dates indicated:

	Number of shares	Acquisition price (euro per share)	Trading price (1) (euro per share)	Market value(2) (in millions of euros)	Percentage of our capital stock (3)
Treasury shares at December 31, 2009	6,329,530	16.81	19.52	124	0.13868%
Treasury shares at December 31, 2008	125,561,011	16.68	15.85	1,990	2.66867%
Treasury shares at December 31, 2007	64,471,368	16.67	22.22	1,433	1.35061%

(1) Closing price of our shares on the Automated Quotation System of the Spanish stock exchange at the indicated dates.

(2) Market value is calculated as trading price times number of shares held on treasury at the indicated dates.

(3) Calculated using capital stock at each date.

Telefónica S.A. is the only Group company which owns any Telefónica, S.A. shares.

The following transactions involving treasury shares were carried out in 2008 and 2009:

	Number of shares
Treasury shares at December 31, 2009	**6,329,530**
Acquisitions	65,809,222
Share exchange of Telefónica, S.A. shares for China Unicom shares	(40,730,735)
Performance Share Plan	(3,309,968)
Share cancellation	(141,000,000)
Treasury shares at December 31, 2008	**125,561,011**
Acquisitions	129,658,402
Disposals	(68,759)
Share cancellation	(68,500,000)
Treasury shares at December 31, 2007	**64,471,368**

The amount paid to acquire Telefónica, S.A. shares in 2009 was €1,005 million (€2,225 million in 2008).

At December 31, 2009, we held call options on 150 million Telefónica, S.A. shares. At December 31, 2008, we held put options on 6 million Telefónica, S.A. shares.

On February 27, 2008, and within our shareholder remuneration policy, our Board of Directors announced the launching of a new 2008 share buyback program for a total amount of 100 million Telefónica, S.A. shares. On October 13, 2008, we announced an increase in the program size by 50%, implying the acquisition of 50 million shares in addition to the 100 million shares already bought since the beginning of 2008. At March 31, 2009, we completed the second tranche of the program. Therefore the share buyback program for a total amount of 150 million shares was concluded.

In accordance with our commitment to cancel the shares purchased as part of share buyback programs, our annual general shareholders' meeting held on April 22, 2008, approved the reduction of our share capital by €68,500,000, by cancelling 68,500,000 shares of treasury stock. This capital reduction was completed in July 2008.

Further, our annual general shareholders' meeting held on June 23, 2009 approved the reduction of our share capital by the amount of €141,000,000 by means of the cancellation of 141,000,000 shares of our treasury stock. This capital reduction was completed in December 2009. This capital reduction required us to amend Article 5 of our bylaws, relating to share capital, which as of the date of this Annual Report stands at €4,563,996,485, made up of an equal number of ordinary shares, all of a single series and with a nominal value of €1.00 per share, totally paid in.

Item 9. The Offering and Listing

A. Offer and Listing Details

General

Our ordinary shares, nominal value €1.00 each, are currently listed on each of the Madrid, Barcelona, Bilbao and Valencia stock exchanges and are quoted through the Automated Quotation System under the symbol "TEF". They are also listed on various foreign exchanges such as the London, Buenos Aires and Tokyo stock exchanges. Our BDRs are listed on the São Paulo Stock Exchange. Our ADSs are listed on the New York Stock Exchange and the Lima Stock Exchange.

The table below sets forth, for the periods indicated, the reported high and low quoted closing prices, as adjusted for all stock splits, for our shares on the Madrid Stock Exchange, which is the principal Spanish market for our shares, and our ADSs on the New York Stock Exchange:

	Per Share (in euros)		Per ADS (in dollars)	
	High	Low	High	Low
Year ended December 31, 2005	14.560	12.320	56.63	43.41
Year ended December 31, 2006	16.400	11.920	64.91	44.34
Year ended December 31, 2007	23.260	15.200	103.11	60.44
Year ended December 31, 2008	22.780	12.730	101.92	47.65
Year ended December 31, 2009	19.750	13.690	89.08	51.73
Quarter ended March 31, 2008	22.780	17.890	101.92	82.18
Quarter ended June 30, 2008	19.540	16.760	91.87	78.79
Quarter ended September 30, 2008	17.950	15.990	83.26	72.02
Quarter ended December 31, 2008	17.350	12.730	72.74	47.65
Quarter ended March 31, 2009	16.420	13.690	68.09	51.73
Quarter ended June 30, 2009	16.250	14.410	68.66	56.29
Quarter ended September 30, 2009	19.060	15.605	84.03	65.37
Quarter ended December 31, 2009	19.750	18.480	89.08	80.63
Month ended September 30, 2009	19.060	17.210	84.03	73.58
Month ended October 31, 2009	19.340	18.480	86.81	80.63
Month ended November 30, 2009	19.650	18.755	88.51	83.33
Month ended December 31, 2009	19.750	19.040	89.08	82.13
Month ended January 31, 2010	19.820	17.275	85.65	71.60
Month ended February 28, 2010	17.500	16.440	73.01	67.58
Month ended March 31, 2010 (through March 23, 2010)	18.065	17.470	73.99	70.87

Source: Madrid Stock Exchange Information and Bloomberg.

On March 23, 2010, the closing price of our shares on the Automated Quotation System of the Spanish stock exchanges was €17.750 per share, equal to $24.02 at the Noon Buying Rate on March 19, 2010 for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on that date.

Our ADSs are listed on the New York Stock Exchange under the symbol "TEF". Citibank, N.A. is the Depositary issuing ADSs in form of certificated ADSs (American Depositary Receipts, or ADRs) or uncertificated ADSs pursuant to the deposit agreement dated as of November 13, 1996, as amended as of December 3, 1999 and as further amended as of June 23, 2000 and as of March 9, 2007 among Telefónica, the Depositary and the holders from time to time of ADSs (the "Deposit Agreement"). Each ADS represents the right to receive three shares.

At December 31, 2009, approximately 171,523,317 of our shares were held in the form of ADSs by 917 holders of record, including Cede & Co., the nominee of The Depository Trust Company. The number of ADSs outstanding was 57,174,439 at December 31, 2009.

Spanish Securities Market Legislation

The Spanish Securities Markets Act (*Ley del Mercado de Valores*, or the LMV), enacted in 1988 and further amended, regulates the primary and secondary securities markets in Spain by establishing principles for their