TELEFONICA S A
Form 6-K
May 13, 2010

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the month of May, 2010
Commission File Number: 001-09531
Telefónica, S.A.
(Translation of registrant s name into English)
Distrito C, Ronda de la Comunicación s/n,
28050 Madrid, Spain
3491-482 85 48
(Address of principal executive offices)

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

Form 20-F þ Form 40-F o

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

Yes o No þ

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

Yes o No þ

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

Yes o No þ

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

Telefónica, S.A.

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January December 2009

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

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

TELEFÓNICA GROUP
Market Size

TELEFÓNICA GROUP
Market Size
TELEFÓNICA GROUP
ACCESSES
Unaudited figures (thousands)

	January - March		
	2010	2009	% Chg
Final Clients Accesses	269,216.3	257,700.8	4.5
Fixed telephony accesses (1)	42,002.4	42,439.2	(1.0)
Internet and data accesses	17,895.6	14,736.1	21.4
Narrowband	1,737.7	1,798.2	(3.4)
Broadband (2)	15,996.2	12,778.5	25.2
Other (3)	161.7	159.4	1.4
Mobile accesses	206,704.7	198,177.8	4.3
Pre-pay	144,882.8	142,966.3	1.3
Contract	61,821.9	55,211.5	12.0
Pay TV	2,613.6	2,347.7	11.3
Wholesale Accesses	4,052.6	3,654.3	10.9
Unbundled loops	2,313.1	1,886.7	22.6
Shared ULL	380.1	584.8	(35.0)
Full ULL	1,933.0	1,301.9	48.5
Wholesale ADSL (4)	526.6	513.9	2.5
Other (5)	1,212.9	1,253.7	(3.3)
Total Accesses	273,268.9	261,355.1	4.6

Notes:

Year-on year changes affected by the disconnection of inactive customers in December 2009.

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

total fixed wireless included. Includes VoIP and Naked ADSL.

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

(3) *Retail circuits other than broadband.*

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

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

TELEFÓNICA GROUP

Consolidated Results

The structure of the Telefónica Group by business unit (Telefónica España, Telefónica Latinoamérica and Telefónica Europe), in line with the current integrated, regional management model, means that the legal structure of the companies is not relevant for the presentation of Group financial information.

Therefore, the operating results of each of these business units are presented independently, regardless of their legal structure. For the purpose of presenting information on a regional basis, revenue and expense resulting from intra-group invoicing for use of the brand and management contracts have been excluded from the operating results for each Group region. At the same time, the impacts derived from projects managed at a centralized level are included at a regional level. In any case, these effects do not have an impact on consolidated results.

In line with this reorganisation, Telefónica has included in Telefónica España, Telefónica Latinoamérica and Telefonica Europe all the information related to the fixed, mobile, cable, Internet and pay tv businesses, in accordance with its geographic allocation. The Other companies heading includes the Atento Business and other holding companies and eliminations in the consolidation process.

Also, in the context of the organisation and integrated management of the fixed and wireless businesses in Spain, and with the objective of facilitating understanding and monitoring of the financial performance of the Company s operations in this market and avoiding distortions which, without affecting the consolidated results of Telefónica España, may result in an erroneous interpretation of the individual performance of each of the businesses especially at the level of operating expenses and investment , from the first quarter of 2010 the Company has decided to publish the selected consolidated financial data corresponding to Telefónica España, providing breakdown by business only at a revenue level. The Company will continue to report all the operating metrics previously reported.

At the same time, effective from January, 1st, 2010, the Company provides information on total broadband accesses, fixed and mobile, both at the Group and at the region level.

With regard to financial results, it is worth mentioning that during 2009 and the beginning of 2010 several factors have surfaced with respect to the Venezuelan economy that according to International Financial Reporting Standards (IFRS) led to consider as hyperinflationary from January 1st, 2009. As a result, the financial results of Telefónica Group and, therefore, those of Telefónica Latinoamérica and the Atento Group published in March 2009 were restated taking into consideration the above mentioned effects.

Definitions

Organic growth, in financial terms, assumes constant exchange rates as of Q1 09 (average fx) and excludes the consolidation of HanseNet (since mid February) and Jajah (January-March) in 2010. Telyco Morocco results are excluded in January-March 2009. Excludes hyperinflationary accounting in Venezuela in both years.

In terms of KPIs, Hansenet accesses are excluded, being this asset included in the Group consolidated perimeter from mid-February 2010. On the other hand, accesses from Medi Telecom are excluded from Group s mobile accesses, after its disposal in the fourth quarter of 2009.

Growth ex-regulatory impacts: Mobile termination rate cuts are excluded.

Comparable growth in T. España: Excludes the following effects: Universal Service Obligation: +75 million euros in revenues and +22 million euros in OIBDA in the first quarter of 2009; real state capital gains: +0.4 million euros in OIBDA in the first quarter of 2009, sale of Telyco Morocco from the consolidation perimeter: +17 million euros in revenues and +0.7 million euros in OIBDA in the first quarter of 2009 and TV tax: -38 million euros in OIBDA in the first quarter of 2010.

Efficiency ratio definition: Last twelve months (OpEx+CapEx-Internal expenses capitalized in fixed assets)/Revenues. CapEx excludes the acquisition of spectrum and Efficiency Program at T. España.

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Consolidated Results

The results for the first quarter of the year reflect the strategic priorities established by the Company for 2010, which are focused on capturing the growth opportunities in its markets to boost revenue, reinvesting efficiency gains to foster revenue expansion, while maintaining high profitability and strong cash flow generation.

The results for the first quarter are in line with the Company s expectations and its financial targets for the full year announced in February, which point to an acceleration in the pace of the Group growth over the coming quarters.

In line with these priorities, in the first three months of 2010 the Company has intensified its commercial activity, focusing in particular on the highest value segments and on strong growth services, to strengthen its positioning for future growth. As a result, the **gross adds** increased by 16.9% year-on-year, with a slight improvement in the Group churn to stand at 2.2% (-0.1 p.p. year-on-year), despite the intense competitive pressure in its main markets, thanks to the quality and attractive services portfolio and efficient management of customer loyalty and retention activities. As a result, total **net adds** in the quarter stood at 4.3 million in organic terms, 2.6 times higher than in the first quarter of 2009.

Total **accesses** grew by 6.1% year-on-year in organic terms to around 273 million, showing an acceleration of 1.0 percentage points compared to year-end 2009 growth figure. This growth was underpinned by the year-on year increase in wireless (+8.7% in organic terms), fixed broadband (+8.7% in organic terms) and pay TV (+9.3% in organic terms) accesses. Broadband accesses (retail+wholesale) surpassed the 35 million mark in the quarter, with solid year-on-year increases both in the fixed retail broadband (+8.7% in organic terms; +25.2% reported) and in the mobile broadband (+97.5%) accesses.

By region, the growth rates reported by Telefónica Europa (+6.7% year-on-year organic) and Telefónica Latinoamérica (+8.1% year-on-year) were especially noteworthy. By access type:

Telefónica Group had over 206 million **mobile accesses** at the end of March, with net adds of 4.4 million accesses in the quarter, 2.5 times higher than in the first quarter of 2009 in organic terms. It is noteworthy the performance of the contract segment in the first quarter, representing 53% of total net adds in the quarter (44% in the same period of 2009), to reach 2.3 million accesses. As a result, at the end of March, contract customers accounted for almost 30% of total wireless accesses of the Group.

By region, year-on-year growth in net adds was especially impressive in Spain (+189 thousand accesses in the first quarter of 2010 versus 10 thousand in the same period of 2009) and Latin America (+3.7 million accesses, almost tripling the figure reported in January-March 2009). In terms of volume, the main drivers of net adds in the quarter were Brazil (2.2 million), Mexico (0.4 million), Germany (0.4 million), Colombia (0.3 million) and Spain (0.2 million).

Mobile broadband accesses also registered significant growth, reaching close to 16 million at the end of March.

Retail broadband accesses stood at around 16 million, solid year-on-year organic growth of 8.7%. In the first quarter of 2010 net adds in organic terms stood at 0.4 million accesses, up 30.6% compared with the same period in 2009. The highest net adds were reported in Brazil (163 thousand accesses) Telesp set a new record, obtaining the best first-quarter figure since the launch of the broadband services and Spain (102 thousand accesses), with net adds more than doubling the figure in the first quarter of 2009 and exceeding net adds for the first half of last year.

The weighting of bundled voice, broadband and pay TV packages, which play a key role in churn management, continues to grow. In Spain 89% of retail broadband accesses are bundled as part of a dual or triple service package, while in Latin America 57% of broadband accesses are bundled as part of a dual or triple package.

Pay TV accesses stood at 2.6 million at the end of March 2010, up 9.3% year-on-year in organic terms. It is worth mentioning that the Company now offers pay TV services in Spain, the Czech Republic, Germany, Peru, Chile, Colombia, Brazil and Venezuela.

The sequential revenue growth trend, initiated in 2009, was consolidated in the first quarter of the year, on the back of the higher commercial activity posted in the last quarters. Group **revenue** reached 13,932 million euros, increasing by 1.7% in reported terms (-2.1% in full year 2009), with an organic growth of 0.9% compared with the same period in 2009. Stripping out regulatory impacts, organic revenue growth stands at 2.4% year-on-year.

Particularly noteworthy is the significant increase in revenues at Telefónica Latinoamérica, which contributed 2.1 percentage points to organic growth and, to a lesser extent, at Telefonica Europe, which contributed 0.4 percentage points. Also worth noting, once again, is the improved revenue performance from Telefónica España in comparable terms, with a slowdown in the pace of year-on-year decline of 0.6 percentage points, mainly driven by improved wireless revenues.

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The positive impact from foreign exchange rates contributed 0.1 percentage points to revenue growth excluding the impact from hyperinflationary accounting, while changes in the consolidation perimeter added 0.7 percentage points, also excluding the adjustment from hyperinflationary accounting.

By service, broadband connectivity revenues (fixed and wireless) and revenues from applications and new services continued to increase their contribution to Group revenues, adding 2.3 percentage points to organic revenue growth in the first quarter.

In absolute terms, it is worth highlighting that two thirds of Group revenues are now generated outside Spain (Telefónica Latinoamérica accounts for 40.4% of the total, while Telefonica Europe contributes 25.0%).

Telefónica Group s **operating expenses** in January-March 2010 amounted to 9,021 million euros, posting a 3.1% increase from the same period in 2009 in organic terms (+5.0% in reported terms), explained by higher personnel and external services expenses.

Supply expenses remained stable year-on-year in reported terms compared with the first quarter of 2009, amounting to 4,024 million euros. In organic terms, supply expenses fell 1.1% year-on-year. This decline is mainly due to lower interconnection costs after the mobile termination rates cuts applied in different countries in the last twelve months.

Personnel expenses rose 6.7% year-on-year in organic terms to 1,842 million euros (+8.8% in reported terms). The average number of employees in the first quarter of the year was 259,209 employees (+2,577 employees more than the first quarter of 2009 average), mainly due to the larger workforce at the Atento Group. Excluding the Atento Group workforce, the average number of employees in Telefonica Group was close to 1% higher than in the same period of last year, to stand at 125,707 employees.

External service expenses (2,660 million euros) rose 9.6% year-on-year in the first quarter in organic terms (+13.3% in reported terms). This increase is largely due to the higher commercial costs in all countries and increased customer and network management expenses at Telefónica Latinoamérica.

Operating income before depreciation and amortisation (OIBDA) totalled 5,114 million euros in the first quarter (-4.1% in reported terms; -3.4% in organic terms), reflecting the increased commercial activity and the strong focus on the contract segment at the wireless business and the negative impact of regulatory measures and non-recurrent effects, that account for 2.6 percentage points of the year-on-year change, and mainly affect the OIBDA of Telefónica España (which is also affected by the loss of higher margin revenues in the current economic environment) and of Telefonica Europe.

By geographies, particularly noteworthy is the increased contribution to OIBDA of Telefónica Latinoamérica which, together with Telefonica Europe, account for 58.1% of Group OIBDA.

The Company continues to maintain a high level operating efficiency, which is reflected in the OIBDA margin, at 36.7% (-1.6 percentage points in organic terms).

Depreciation and amortisation in the first quarter of 2010 totalled 2,184 million euros, down 4.8% year-on-year in organic terms, with the three regions contributing to this decline. In reported terms, depreciation and amortisation was up 0.4% year-on-year.

In the first quarter of the year, **operating income (OI)** amounted to 2,930 million euros, down 2.4% year-on-year in organic terms (-7.2% in reported terms).

Profit from associates amounted to 36 million euros (versus 5 million euros in the same period in 2009), mainly as a result of increased profits from the Company s stake in Portugal Telecom and reduced losses from its stake in Telco, S.p.A.

Net Financial Results at the end of March 2010 amounted to -573 million euros (-26.0% versus the first quarter of 2009), leaving the average cost of debt at 5.0%. Year-on year performance is explained mainly by:

Changes in the foreign exchange gains and losses up to March 2010 yielded a lower expense of 66 million euros in comparison with March 2009.

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A 63 million euros decrease in expenses due to interest rate drops captured throughout last year mainly in European currencies.

Changes of the actual value of commitments derived mainly from the pre-retirement plans and other positions equally accounted at market value have generated a lower expense of 48 million euros in comparison with the same period of the previous year.

Changes in Venezuela s hyperinflation effect yielded a lower expense of 42 million euros.

An increase of 3.1% in the average debt has generated expenses of 17 million euros.

Free cash flow generated by the Telefónica Group up to the end of March 2010 amounted to 1,225 million euros of which 446 million euros were devoted to the acquisition of Telefónica treasury shares, and 243 million euros to commitment cancellations derived mainly from the pre-retirements plans. In addition, there was a net payment of 1,213 million euros due to financial investments and divestments. As a result, net financial debt increased by 678 million euros in the quarter. On the other hand, net debt increased by an additional 1,053 million euros because of the foreign exchange impact, changes in the consolidation perimeter and other effects on financial accounts. All this has led to an increase of 1,730 million euros with respect to the net financial debt at the end of 2009 (43,551 million euros), leaving the final figure in March 2010 at 45,281 million euros.

The leverage ratio, net debt over OIBDA, stands at 2.2 times at March 2010, increasing from December 2009 reported ratio, mainly as a result of the increase in net debt due to the foreign exchange impact (Venezuela devaluation and the Colombian peso appreciation versus the euro) and the higher financial investments made during this period, among them, the payment of the HanseNet acquisition (912 million euros) and Jajah (145 million euros).

During the first quarter of 2010, the **financing activity** of Telefonica Group, excluding short term Commercial Paper Programmes activity, rose to nearly 2,200 million euros. Out of this figure, around 1,800 million of equivalent euros have been raised at Telefónica, S.A. level with the objective of financing in advanced 2011 debt maturities, given that the Group s cash position already exceeds 2010 maturities. To highlight the 5 years Euro-denominated bond issue for an amount of 1,400 million euros raised in March and the loan facility for telecom equipment purchases for an amount of nearly 500 million dollars with the guaranty of the Swedish Export Credit Agency (EKN).

During the first quarter, we have proceeded to pay back banking debt (syndicate facility) maturing in 2011 for an amount of 1,000 million euros.

Telefonica S.A. and its holding companies have continued active during the first quarter of the year under its various Commercial Paper Programmes (Domestic and European), for an outstanding balance of approximately 1,300 million euros.

Regarding Latin America, Telefonica s subsidiaries have tapped the capital markets up to March 2010 for an amount of nearly 400 million equivalent euros, mainly for refinancing 2010 maturities.

At the end of March 31^{st}, bonds and debentures represented 64%, on the **consolidated financial debt breakdown**, while debt with financial institutions reached a 36% weight.

In the first quarter of 2010 **income taxes** totalled 714 million euros, implying a tax rate of 29.8%.

Losses attributable to **minority interests** reduced net profit at the end of March by 23 million euros (-31 million euros through March 2009), mainly due to minority interests in the profits of Telesp, Telefónica O2 Czech Republic and in the losses of Telefónica Telecom. This year-on-year change is explained by the lower profits attributable to minority interests in Telefónica O2 Czech Republic and the increased losses at Telefónica Telecom.

As a result of the above, **consolidated net income** in January-March 2010 stood at 1,656 million euros, up 2.0% from the first quarter of 2009 in reported terms, while **basic earnings per share** stood at 0.36 euros, up 2.6% year-on-year.

CapEx in the first quarter stood at 1,191 million euros (-0.2% year-on-year in organic terms), with investment in growth and transformation projects prioritised (73% of the total in the first quarter of 2010), particularly those serving to meet demand for fixed and wireless broadband services.

As a result **operating cash flow (OIBDA-CapEx)** remained high in the quarter at 3,923 million euros (-4.3% year-on-year in organic terms; -5.1% in reported terms). This performance was driven by the lower contribution by Telefónica España (-9.2% in comparable terms to 1,820 million euros), which offsets the growth at Telefónica Latinoamérica (+2.6% in organic terms to 1,577 million euros) and at Telefonica Europe (+7.4% in organic terms to 583 million euros).

Finally, economies of scale and efficient management of operating expenses and investment enabled an efficiency ratio of 74.5% to be achieved, a year-on-year improvement of 1.0 percentage points.

TELEFÓNICA GROUP

Financial Data

TELEFÓNICA GROUP

CONSOLIDATED INCOME STATEMENT

Unaudited figures (Euros in millions)

	January - March		
	2010	2009	% Chg
Revenues	13,932	13,698	1.7
Internal exp capitalized in fixed assets	150	155	(3.5)
Operating expenses	(9,021)	(8,587)	5.0
Supplies	(4,024)	(4,027)	(0.1)
Personnel expenses	(1,842)	(1,693)	8.8
Subcontracts	(2,660)	(2,347)	13.3
Bad Debt Provisions	(216)	(215)	0.8
Taxes	(278)	(305)	(8.8)
Other net operating income (expense)	23	64	(64.2)
Gain (loss) on sale of fixed assets	5	6	(23.7)
Impairment of goodwill and other assets	25	(2)	c.s.
Operating income before D&A (OIBDA)	5,114	5,334	(4.1)
OIBDA margin	*36.7%*	*38.9%*	*(2.2 p.p.)*
Depreciation and amortization	(2,184)	(2,176)	0.4
Operating income (OI)	2,930	3,158	(7.2)
Profit from associated companies	36	5	n.m.
Net financial income (expense)	(573)	(775)	(26.0)
Income before taxes	2,393	2,388	0.2
Income taxes	(714)	(735)	(2.8)
Income from continuing operations	1,679	1,653	1.6
Income (Loss) from discontinued ops.	0	(5)	c.s.
Minority interest	(23)	(31)	(23.9)
Net income	1,656	1,623	2.0
Weighted average number of ordinary shares outstanding during the period (millions)	4,543	4,568	(0.5)
Basic earnings per share (euros)	0.36	0.36	2.6

Notes:

HanseNet and Jajah have been included in Telefónica Europe s consolidation perimeter since mid February 2010 and 1 January 2010 *respectively, and the perimeter of consolidation of Telefónica España excludes Telyco Morocco since January 1st, 2010.*

For the basic earnings per share calculation purposes, the weighted average number of ordinary shares outstanding during the period have been obtained applying IFRS rule 33 Earnings per share . Thereby, there are not been taken into account as outstanding shares the weighted average number of shares held as treasury stock during the period.

2009 and 2010 reported figures include the hyperinflationary adjustments in Venezuela in both years.

TELEFÓNICA GROUP

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RESULTS BY REGIONAL BUSINESS UNITS

Unaudited figures (Euros in millions)

	REVENUES January - March			OIBDA January - March			OIBDA MARGIN January - March		
	2010	2009	% Chg	2010	2009	% Chg	2010	2009	Chg
Telefónica España (1)	4,633	4,913	(5.7)	2,153	2,402	(10.4)	46.5%	48.9%	(2.4 p.p.)
Telefónica Latinoamérica	5,626	5,398	4.2	2,056	2,061	(0.3)	36.5%	38.2%	(1.6 p.p.)
Telefónica Europe	3,486	3,245	7.4	914	883	3.6	26.2%	27.2%	(1.0 p.p.)
Other companies and eliminations	187	142	31.8	(9)	(11)	(23.4)	n.m.	n.m.	n.m.
Total Group (2)	13,932	13,698	1.7	5,114	5,334	(4.1)	36.7%	38.9%	(2.2 p.p.)

	OPERATING INCOME January - March			CAPEX January - March			OpCF (OIBDA-CAPEX) January - March		
	2010	2009	% Chg	2010	2009	% Chg	2010	2009	% Chg
Telefónica España (1)	1,660	1,871	(11.3)	333	334	(0.1)	1,820	2,068	(12.0)
Telefónica Latinoamérica	1,109	1,168	(5.1)	479	474	1.1	1,577	1,587	(0.7)
Telefónica Europe (2)	205	163	25.7	331	356	(7.0)	583	527	10.7
Other companies and eliminations	(44)	(44)	0.4	48	35	38.3	(57)	(46)	22.9
Total Group (2)	2,930	3,158	(7.2)	1,191	1,198	(0.6)	3,923	4,136	(5.1)

Notes:

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

OIBDA margin calculated as OIBDA over revenues.

2009 and 2010 reported figures include the hyperinflationary adjustments in Venezuela in both years.

(1) *Since January 1st 2010, the perimeter of consolidation of Telefónica España excludes Telyco Marruecos. In comparable terms revenues of Telefónica España would decline by 3.9%, OIBDA would decrease by 7.9% and OpCFwould drop 9.2%. Comparable terms exclude Universal Service: 75 million euros in revenue and 22 million eurosin OIBDA in the first quarter of 2009; real estate capital gains: 0.4 million euros in OIBDA in the first quarter of 2009; exit of Telyco Marruecos from the consolidation perimeter: 17 million euros in revenue and 0.7 million euros in OIBDA in the first quarter of 2009 and TV tax: 38 million euros*

in OIBDA in the first quarter of 2010.

(2) *HanseNet and Jajah have been included in Telefónica Europe s consolidation perimeter since mid February 2010 and 1 January 2010 respectively.*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited figures (Euros in millions)

	March 2010	December 2009	% Chg
Non-current assets	85,672	84,311	1.6
Intangible assets	15,961	15,846	0.7
Goodwill	19,557	19,566	(0.0)
Property, plant and equipment and Investment property	32,646	32,003	2.0
Non-current financial assets and investments in associates	11,793	10,925	7.9
Deferred tax assets	5,716	5,971	(4.3)
Current assets	21,993	23,830	(7.7)
Inventories	845	934	(9.5)
Trade and other receivables	10,638	10,622	0.2
Current tax receivable	996	1,246	(20.1)
Current financial assets	1,618	1,906	(15.1)
Cash and cash equivalents	7,882	9,113	(13.5)
Non-current assets classified as held for sale	13	9	46.9
Total Assets = Total Equity and Liabilities	107,665	108,141	(0.4)
Equity	23,926	24,274	(1.4)
Equity attributable to equity holders of the parent	21,246	21,734	(2.2)
Minority interest	2,681	2,540	5.5
Non-current liabilities	55,869	56,931	(1.9)
Long-term financial debt	46,540	47,607	(2.2)
Deferred tax liabilities	3,074	3,082	(0.2)
Long-term provisions	5,029	4,993	0.7
Other long-term liabilities	1,226	1,249	(1.9)
Current liabilities	27,870	26,936	3.5
Short-term financial debt	11,371	9,184	23.8
Trade and other payables	7,491	7,365	1.7
Current tax payable	2,557	2,766	(7.6)
Short-term provisions and other liabilities	6,452	7,621	(15.3)
Financial Data			
Net financial Debt (1)	45,281	43,551	4.0

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

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

Note: 2009 and 2010 reported figures include the hyperinflationary adjustments in Venezuela in both years.

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Financial Data

TELEFÓNICA GROUP

FREE CASH FLOW AND CHANGE IN DEBT

Unaudited figures (Euros in millions)

		January - March		
		2010	2009	% Chg
I	Cash flow from operations	4,376	4,558	(4.0)
II	Net interest payment (1)	(891)	(844)	
III	Payment for income tax	(532)	(512)	
A=I+II+III	Net cash provided by operating activities	2,953	3,202	(7.8)
B	Payment for investment in fixed and intangible assets	(1,969)	(2,064)	
C=A+B	Net free cash flow after CapEx	984	1,138	(13.6)
D	Net Cash received from sale of Real Estate	2	28	
E	Net payment for financial investment	(1,215)	(86)	
F	Net payment for operations with minority shareholders and treasury stock (2)	(448)	(299)	
G=C+D+E+F	Free cash flow after dividends	(678)	782	c.s.
H	Effects of exchange rate changes on net financial debt	1,945	(28)	
I	Effects on net financial debt of changes in consolid. and others	(892)	333	
J	Net financial debt at beginning of period			