

Telefónica



Telefónica's 7th Investor Conference Q&A Transcript

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Q&A session

Luigi Minerva - *HSBC*

Good morning, it's Luigi Minerva, HSBC. In Spain if you could give us more details about your fibre VDSL plan over the next three years?, maybe indicating how much you're going to invest? And secondly with Telco, at the end of the month the deadline for the shareholder's agreement is to be confirmed, what's your preferred outcome and what hurdles do you see?. Thank you.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Thank you, Luigi. Regarding fibre, as you may recall in London, we speak about EUR 1 billion investment for four years. Given that the market changed in terms of growth and the competitive scenario has already changed also, we roughly have extended it to six years what we said we were going to invest in four years, rough numbers.

So we are right now to give you an idea: we have 350,000 loops passed, considering home, corporate sites and SME sites. We have roughly 10,000 homes connected and 40,000 corporate sites connected, so roughly 50,000 connections with fibre. And we are moving along very well in terms of developing products and services like high definition that we have to continue moving along as I mentioned before and also develop other services.

And regarding VDSL from central office we already have a footprint of roughly two million loops covered by VDSL and in the next few months we're going to start offering high definition on VDSL2.

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

And with regards to Telco I would like to make a few comments. We, in Telefónica, we are very happy and have a very good relationship. But first we have a very good relationship and trust on Telco and second, Telefónica management has a very good relationship, a very good relationship and trust with Telecom Italia management.

As you all know, when we made the investment in Telco and we worked on a synergies plan between Telecom Italia and Telefónica we came up with a figure, EUR1.3 billion, between 2008, 2009 and 2010. And we are fully on track to get those synergies delivered. As you remember, that synergies were 55% for Telecom Italia and 45% for Telefónica. So I think the collaboration with Telefónica and these synergies as you all know are only in Europe.

This is a very important figure, so everyone has to be happy because at the end of the day it means EUR 600 more million in EBITDA which is a nice figure, 700 for them, 600 for us, more or less. So that's a very good figure. So we are very happy with the EUR600 million figure we're getting in synergies and I'm sure that Telco shareholders are very happy with the EUR600 million that they have obtained because of the synergy of collaboration with Telefónica.

We are working on the progress of the new synergies, when this plan is finished, and that is a fact. And the fact is that is very profitable for Telecom Italia and for Telefónica to have these industrial alliance and the personal relationship has been very, very good and, which is very important, the knowledge and the sharing of best

practices and targets between the managers of Telecom Italia and the managers of Telefónica are very, very good. We have the chemistry and this is the real fact about Telco and Telecom Italia and the relationship with Telefónica.

Maria García-Legaz - *Telefónica S.A. – IR*
First question over there please? Over there.

Mathieu Robilliard – *Exane BNP Paribas*
Good morning, Mathieu Robilliard, Exane BNP Paribas. I have two questions, on M&A, in the past you've articulated your M&A strategy goals around the issues of scale and growth, now I was wondering if there was any change in the Industry that makes you believe that you don't have to right scale anymore?.

And with regards to growth presumably you would agree that your growth profile has declined, and are you satisfied with it at this stage or do you think you need acquisitions to increase that? And then quickly on VIVO, I would expect that you include some MTR cuts in your guidance for VIVO. And I was wondering what that could do to the margins and how is the interaction between that and what you just described as possibly lower commercial expenses for the margin outlook of VIVO? Thank you.

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*
With regards to scale, I think we have the scale. We have the scale we wanted to achieve and as I said in my presentation we are the fifth number player in the world by total assets, which is very important. And by the way, the three ahead of us are Chinese and we're going to have 10% of one of them, so we are very well situated. We're integrated. When you look at integration there are only two integrated companies in the world that have more assets than we have and one is China Telecom and the other is China Unicom and we are very near them. And one of them is a strategic partner for us, so I mean, at the end of the day, with our industrial alliance, we cover 10% of the world population. And I think that is the right scale.

On the regional side, we have the scale in Europe and we have the scale in Latin America, so we are very happy and as we said for us the most important thing is to be number one or number two in the markets where we are. And you have seen what we are doing is working more in market consolidation, where we think you can bring benefit to our shareholders, or not, so we are very satisfied with the scale.

On our growth, well, I think I put a comparison in my presentation, which we saw that we are number one, when you compare revenue growth with EBITDA growth in 2008. We are growing faster than the rest of our competitors and we'll keep growing. The guidance we give today is a clear indication that we think we are still going to grow organically very, very strongly.

And so, from that point of view, I think we have the scale, we have the growth ahead of us. And then we have the important thing that we know how to translate that into earnings per share and dividends, clearly. So we feel very satisfied.

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

We think that MTR cuts are going to come to Brazil as they have come everywhere else. In fact, in most of the countries in Latam have already occurred; the way that that is going to come is uncertain yet. I mean, in terms, you know, there are still agreements signed within the different players until next year. So Anatel is going to be deciding by year end next year what is going to be the path and everything on MTR declines. We have been including that in our own scenario, in our projections. But let me tell you also that all the players and precisely us we have become less dependent on interconnection at the EBITDA level in terms of the net exposure between revenues and costs because all of that we have been working in terms of the on-net tariffs and in terms of creating clusters of customers and communities of customers. And in fact the total weight of interconnections to the total revenues just in the last 12 months has dropped more than four percentage points. So all of us are getting prepared for that scenario.

In the meantime, you know it keeps working in terms of having sound revenue, service revenue growth. As we speak, data ARPU is also growing nicely and VIVO is taking advantage of the explosion of the wireless Internet in Brazil. So I think, as a result of all of that, the business plan for VIVO is sustainable and much less dependent on interconnection.

Maria García-Legaz - *Telefónica S.A. – IR*

The next question, Robin?

Robin Bienenstock – *Sanford Bernstein*

Thanks very much. This is Robin Bienenstock, from Sanford Bernstein. Just two questions, first about Venezuela. I'm hoping you're not going to cut me out of the transcript again this time. On Venezuela given the hyper inflationary environment in Venezuela it looks set to deliver around 2.5% group free cash flow growth in 2009, and my estimates roughly states that growth of group free cash flow over the next three years. So does that mean that I'm right in looking at your group free cash flow estimate as really being 2.5% to 5% rather than 5% to 7.5%? And can you tell me anything about cash repatriation from Venezuela?

My second question is about Spain and the Spanish growth which seems to depend in part on cyclical recovery and also I guess my question here is on my recent consumer research you're perceived as by far the most expensive operator in Spain. So I'm wondering, can emotional engagement overcome that, or should I expect further price cuts from you in broadband and mobile going forward?

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

Let me take the Venezuelan cash question first. An average depending on whether you take the upper or the lower part of our guidance, Venezuela might contribute about 50 basis points of our expected operating cash flow growth going forward, in the 2009-2012 period. Of course, that might change depending on how well Venezuela does relative to our other properties and whether or not other properties recover earlier than we anticipate or take longer. So it's hard to make precise statements. But just to put things into perspective, it's about 50 basis points of that growth.

In terms of the cash repatriation, we continue to expect and now we think we have a better claim of those than a couple of months ago because of the latest turns, which are much more pro business than the Venezuelan government has taken, we should be very cautious about all this because we've already waited very long. But we have more reasons to believe that better news expect us or await us rather than the worst news.

That having been said it's still going to be very difficult, very slow and rather drawn out to repatriate the cash. But it's not the repatriation but the generation that we worry about most of these days.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Regarding Spain, Robin, in fact, let me separate the answer for the fixed and the mobile. In fixed, in fact, we are more expensive than our competitors; we're the incumbent, and as it happens in other European countries, incumbents tend to have a premium over the rest of the market.

We have sustained our market share, and as I showed you in the presentation, we are conducting a rational decrease of prices in connectivity. Is that sustainable? Maybe your question. We believe it's hard but it's sustainable; we are fighting to do that, and I think the trick there is to continue commanding a quality premium. It's not easy. You have to renew it day by day in all the services we do, as you mentioned, correctly mentioned, we are perceived as more expensive than our competitors but more reliable. So what we need is not only technical reliability but also some more emotional reliability meaning that in hard times you need to prove yourself more than one time. In mobile, there the situation is more similar. We are in terms of price perception, according to our research, more similar to our main competitor, to Vodafone.

Again, we need to prove there that we have the right intrinsics in terms of quality and coverage and so on. In the third quarter we are doing very well in both markets. You will see that in November in terms of commercial activity. I mean, traffic is not coming back but in terms of commercial activity, we're doing very well. So we are defending market share and we do have the challenge to defend a price premium and we've done that in the past in good times, and we are doing that in hard times.

Michael Hufton – *Sloane Robinson*

Two quick questions for Matthew. Firstly, you mentioned about how important it would be to see democratization of the smartphone and moving that mass market, and you mentioned the chipset in that. And clearly things have moved dramatically recently with MediaTek having come out with some compelling chipsets at much cheaper prices. Can you accelerate the development of a cheap smartphone by negotiating direct with the likes of MediaTek or do you leave people like Samsung to do that for you?

And then second question would be with regard to Tesco Mobile where you talked about how well that's going. Do you see any further conflict of interest with Tesco as they look to expand that into rolling out their own stores? I think they're talking about 100 by year end.

Matthew Key - *Telefónica S.A. - CEO Telefónica Europe*

So let me talk about the chipset first and then I'll talk about Tesco Mobile. We've got a variety of approaches to the market in terms of routes and channels. Our preferred approach is to actually work with the handset manufacturers and the conversations I was referring to it was actually in Korea two or three weeks ago actually with Samsung and LG, and with Huawei actually in China, in Shenzhen, actually challenging them to try and get to this EUR150 because we really think it's going to be very good for the whole industry as far as the whole take up is concerned. So probably through the handset manufacturers is the answer.

With Tesco Mobile no, absolutely no conflict whatsoever, in fact, a very positive thing for us. And what we do on an annual basis is we have an annual strategy day with Terry and Andy Higginson. We just had that and we talked about how we were going to leverage the phone shops, which they're rolling out quite rightly, say to about 100, really to exploit the product set that we've got. Now they sell branded product in there as well as Tesco Mobile, but Tesco Mobile takes a relatively healthy share in the stores. So it's still a partnership that works very well for us both.

David Wright – *Deutsche Bank*

Thank you, it's David Wright from Deutsche Bank. Perhaps just to revisit the M&A theme a little more directly. You have historically talked about HanseNet as a potential acquisition in Germany. Matthew, maybe you could update us a little on that. I can't live without it, perhaps?

Also Cuba, I think Julio, you've mentioned that one Telecom Italia asset. VIVO was mentioned as long ago as Valencia I guess, and Matthew you also said I think JVs are fraught with difficulties. If I could quote you which suggest in Germany perhaps nothing on the cards of e-Plus or maybe I'm wrong?

Matthew Key - *Telefónica S.A. - CEO Telefónica Europe*

I'll pick up HanseNet and E-Plus and then others can pick up the other bits. I think on HanseNet public knowledge that we're talking to Telecom Italia. There seems to be a willing seller and a willing buyer but there doesn't seem to be a price that we can agree on at the moment. Now both of us are going to obviously look after our shareholders and actually only do a deal if it's shareholder accretive and we haven't reached that agreement as yet.

On e-Plus, I think I'd start in Germany by saying clearly our organic performance is now starting to pick up and hopefully you saw that through the presentation, and we believe in the market that data is going to play a more and more important role. And as you also saw and heard me talk about actually it's probably a three-player market now in the data market so we think that's a key area of expansion for us. Having said that, very difficult to deny the industrial logic of the third and fourth player getting together in a market that size and in the UK. Does that mean you should now be writing we're going to buy e-Plus? No it doesn't. And if your next question on JVs, we think JVs are fraught with difficulties, so would we be prepared to pursue a JV route? Absolutely not.

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

With regards to VIVO, you know the thing I said in Valencia Investor Conference that we wanted to buy the 50% of VIVO from Portugal Telecom that has been one of

my biggest wishes for years and we haven't bought it because Portugal Telecom doesn't want to sell it. So we like to buy the 50% stake from Portugal Telecom at the right price. But the fact it is that Portugal Telecom doesn't want to sell it and that's the truth. And maybe José María can elaborate more on Cuba.

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

I would rather take the Cuban one, well, Cuba is an interesting market, 11 million people, less than 10% penetration on the wireless side, so if that was to be open we will certainly look at it. But there is not clear opportunity yet, so too soon to say. Is it a clear opportunity, growth opportunity? ... it is, but we don't know the timing.

Michele Morin – *Barclays Capital*

Michele Morin from Barclays Capital. I was wondering, given the success of your iPhone exclusive deal in Europe, why we haven't seen any exclusive deals in Latin America, specifically given your position in the Mexican market.

And then secondly, you had a point in the presentation about your plan to raise your mix of subscribers and this is, again, specific to Latin America. Your subscribers in the postpaid segment, and I wonder how you would plan to achieve that given that over the last few years your share has actually been declining in the postpaid market?

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Well, in terms of exclusivity of the iPhone, in Mexico, Telcel has it, had it. I mean we don't have it, so in Mexico it was not available and in the remainders parts of Latin America where we are leaders, yes the value equation didn't match. The price of the handset was a limitation in terms of how many customers we can reach at the level of ARPU's that are available in Latin America, so we didn't find the right equation between the price of the exclusivity in terms of subsidies, and in terms of OIBDA impact for us. Remember that still the share of smartphones in Latin America is relatively low and therefore it's going to increase progressively but for that we need to have cheaper handsets because if not that's not going to happen, we're not at the same pace.

In terms of how we intend to do the migration from prepaid to postpaid, it is, out of the absolute number of contract customers, it is true that globally speaking, the region has not been increasing. But because we have been increasing significantly on prepaid, growth has been higher, much higher in prepaid than in contract. But now that we are reaching high penetration rates, there are some examples of countries where we are operating where this is happening; take the case of Chile for example. Where we are already reaching 100% penetration and we have been significantly increasing the total customer contract base over total customers.

How we have been doing that?, first, by making a value proposition to the customer in terms of that there is more value by migrating first to hybrids rather than a few contract proposals. By subsidizing less the handset on prepaid and by subsidizing more in terms of loyalty programs, the same thing that was done in Spain years ago. And results are already there, in Chile, in Argentina and starting to get results in Mexico.

So it is true that the total number has not been increasing but because the prepaid has been growing very rapidly and now we are convinced and committed that we can do the same case that we have been doing in Chile, all around Latin America.

Maria García-Legaz - *Telefónica S.A. – IR*
Next question over there please.

Luis Prota – *Morgan Stanley*

Yes, hello, it's Luis Prota, from Morgan Stanley. I have a question on your guidance for 2012. If we are looking at the dividend per share for 2010 and the payout over net income is like 66%, I wonder whether you could elaborate a bit on what kind of payout ranges are you considering for 2012?

And I also noted that you have not given free cash flow per share guidance, whether you are still expecting free cash flow per share by 2012 to be well above EPS, maybe like 20% higher like you were expecting at the stress test scenario?

And the second question is on line losses in Spain, whether you have a clue on what's the percentage of bitstream customer base from Orange that has already been migrated into naked-share unbundling; and whether this percentage is already very high and maybe the line loss reduction that you are expecting in the future is going to give rise to 100% revenue loss instead of previously when you still kept the wholesale?

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

Your numbers are right, and the only thing I can tell you that we are very consistent. When you make your calculations for 2012, so they are consistent with the numbers you worked. We had decided to concentrate our guidance in revenues, OIBDA operating income, operating cash flow, which is a key factor, and dividend per share and the rest is easy to calculate.

By the way, I would like to make an additional comment on EUR2.1 earnings per share for 2010, as Santiago has said, and I have said, this is embedded in our guidance. We are going to have efficiencies in every line of the P&L which means taxes and finance and some non core assets. But I wanted to tell you I think the EUR2.1 is a minimum, it's not a target but a minimum, we hope the earnings per share will be higher.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Regarding the question about fixed line loss, roughly I think, half of our line loss is still wholesale. As you know, therefore, we still have some ARPU there. Regarding specifically Orange, I don't have the number here and I don't think they're finished yet; they still have some volume, but unfortunately, I don't have the exact number for Orange here.

I think that the trend of migrating from bitstream to ULL will finish, the majority by next year, and then we will continue to see an unbundling from local carriers, as a natural source of new growth.

So roughly, again, our estimates in the last quarter were about half, roughly half of the losses, actual loss, meaning somebody getting rid of the line at all, no copper

there, and half was still the copper is there but with a different retailer and we keep the role as the wholesaler.

David George – *Credit Suisse*

Thank you, David George at Credit Suisse. The first question, just going back to the 2010 EPS, the EUR1 billion, could you give us a little bit more granularity on that, how much is asset disposals, how much is other items? And is any of that sustainable or should we view that as a one-off contribution in 2010?

Secondly, just on the outlook for Spain, there was a comment obviously that we would expect to see a recovery at mobile looking at 2011, but what's the profile that you expect today for 2010, is it one of reducing declines or is stability something you think you can achieve?

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

Thank you David, for the question. Let me take the EPS granular question first. The reason we provided, I provided the number is simply so that you can square out the things. Because if you plug in the guidance number, if we just provide it, and apply sensible rates for both in financial costs and taxes, you are unlikely to arrive at the 2.1 which is what we've mentioned. But the progress that we are making around multiple projects which are going to result in either tax efficiency, financial savings or more likely asset disposals, are likely to contribute jointly that rough figure of EUR1 billion. Is that billion going to be indispensable? Well, we'll see, it all will depend very much on what the 2010 profile looks like. But if we need it, it will be applied to meeting the guidance. And they will be supporting the dividend payment which was the whole thing. I just cannot tell you because there are multiple projects, seven of them, and it's very difficult to imagine, from where we stand, how many of them will fall due in 2010. Some of them might even fold earlier than 2010, those things are difficult to time, and some of them might overrun 2010 and get into 2011. Because, again, it's not the kind of thing that we can time perfectly. But we will keep you updated on how those things evolve. The basic message is: we have the capability to produce those EUR2.1 per share, even if we missed one full year of growth which is probably what happened, once you look at what the economy has done.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Regarding the mobile business in Spain, first one point, what we have seen in this year, last year, is that the mobile business particularly in voice have suffered more than the fixed business; and in voice is, particularly, minutes of use. So what we expect is that next year is going to be still on the negatives, but better than this year and based on the consensus that we are looking at in private consumption, expect the traffic getting in positives and better numbers into 2011, with some uncertainty because the volatility of the forecast, the dispersion of the forecast is very wide. But we believe that mobile will come back before fixed and fixed is more resilient to the downs and to the ups then.

Maria García-Legaz - *Telefónica S.A. – IR*

Next question over there, please.

John Karidis – MF Global

Thank you very much, John Karidis from MF Global. I just had a couple of questions. Just, firstly, going back to Germany if I may please, Matthew. Vodafone and Deutsche Telecom are integrating fixed and mobile operations and does that put pressure on you to find more quickly the right price for HanseNet, or any other assets in that market?

And then secondly, with regard to what you said about e-Plus, do you think there's more than a 50% chance that the regulator would actually allow the market to go from four to three players, even if there is undeniable industrial logic in this, from your perspective?

And then completely separately, Santiago, if I could get back to what you said about buybacks, am I right to read into your words that you look at buybacks predominantly with regard to whether that helps you to have the right net debt and the right leverage for this business and that is a key driver when it comes to assessing whether you should do a buyback or not?

Matthew Key - Telefónica S.A. - CEO Telefónica Europe

So John, maybe let me pick up your two points on Germany first. I can't speculate what the regulator would say or not say. So I'm not going to sit here and try to speculate that. And clearly, even in the UK we don't know the outcome of that process yet, with Orange and T-Mobile.

On the asset side, we've actually already got a fixed network through Telefónica Deutschland which we've now merged with O2 Germany to make one company. What we don't have in Germany on the fixed side is critical mass and that's where a Hansenet potentially fits in as part of the equation. So we have a network; we don't have a critical mass in customers. And our view to get traction in fixed customer growth rather than mobile customer growth is a lot more difficult. So that's where Hansenet potentially comes into the equation.

Santiago Fernandez Valbuena - Telefónica S.A. – CFO

And in terms of a buyback I think I may have mis-explained that, because it's the exact opposite. We think of buybacks as a part of shareholder remuneration, which has another component in dividends. We have decided that dividends were probably more important and more informationally achievable and that's why we have decided to lean heavy on that side. Does that mean that no buybacks are to be expected?

Well, only as we presented on the slides, as a means of distributing the excess cash flow from generation outside of distribution. We do not think we have a particularly acute issue in the capital structure, we are not sitting on idle piles of cash as some other companies might, nor do we think that going far into that territory is going to serve a useful purpose. Which is why we think we're about happy where we are. Having that flexibility to be used for the GVTs of this world, should they come our way.

Maria García-Legaz - Telefónica S.A. – IR

Next question.

Tim Boddy – *Goldman Sachs*

Yes, thanks, it's Tim Boddy from Goldman Sachs. Just a couple of questions, first of all, in general your targets are to reduce commercial expenses in the various regions I just wonder whether as we see an economic recovery wouldn't we see more competition? And what would be your attitude in responding to that competition especially in Latin America?

And secondly on M&A, as you look to deepen the emotional bonds and the level of service with your customers, do you think ownership of content starts to become more important and does that feature in you plans?

Julio Linares – *Telefónica S.A.*

Well, regarding our commercial expenses, we see opportunities in the market today as I said before, making more intelligent management of subsidies and because we are moving ahead as an integrated company more and more in the different countries we are operating. We see an opportunity on the integration of channels and because we are moving on our online channels, then we see an opportunity to review the mix of channels and because of that we really believe that we are able to reduce commercial expenses without jeopardizing our competitive position in the market.

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

In Latin America, when we are talking about more rational, what we mean is that most of the markets have become a three-player market. In most of them we are, realistically speaking, we have tried to lead where we are leaders, the commercial deployments, sending messages that we think that at some point it's good to balance increase of commercial activity with rational activity in terms of handset subsidy, mainly in prepaid.

And to balance that with the sim-only space, which is also tricky ... if we were to place 100% on sim-only then it would become a rather commoditized market. So this balance roughly corresponds to the leader in each of the countries, and we do think also the tougher economic environment has helped to be more focused on customer value rather than just capturing new adds based on sim-only, that's what we were meaning.

In order to do that, as I was telling you before, what we are doing is reinforcing our points of contact with the customer. In terms of online, in terms of distribution and in terms of basing the rewards to the commercial distribution channel much more on quality than just fewer net adds.

And the way we are doing that is, that the 30 days or the 60 days or the 90 days churn of the new customer gives an extra if the new customer doesn't churn, give an extra commission to the distributor, for example. That's the way we are implementing, those are the messages that we are sending to our competitors.

Julio Linares – *Telefónica S.A.*

I think you asked, as well, about our strategy on content. We are not planning to be content producer; our major effort will be on content aggregation. We recognize that we need some internal skills to be good on content aggregation and that is extremely important in order to differentiate our offer. In the market and of course

our major effort will be content distribution. We recognize that exclusivities are very relevant on pay-TV on any market based on content and then we have to take care of exclusivities on country-by-country basis. But we are not planning to be content producers overall.

Maria García-Legaz - *Telefónica S.A. – IR*
Next question, Terry, please.

Terry Sinclair – *Citigroup*

Thank you, it's Terry Sinclair from Citi. Two questions for José María. First of all, what proportion of your growth over the next few years would you expect to come from overall market growth rather than taking share?. Secondly, can you comment on fixed capacity outside Brazil?; there's always been some issues with broadband capacity in Brazil. Is there anywhere else that we should be concerned about?

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Well, taking first the second part of the question, as you might imagine what the issues that we have in Brazil, we have been circulating around the regions in order to make sure that all other wireline networks are in good shape. So I think that you should expect from us to have, in each of the countries, the best network, that's what we aim. And the good news is that we are on the right direction in TeleSP, and therefore I think that you should expect from us better news in TeleSP, in terms of not only in commercial activity but levels of churn and levels of customer satisfaction index in the next months, in the next days.

In terms of broadband market share, I think it was your first question, if I remember correctly ...

Terry Sinclair – *Citigroup*
Overall growth

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Overall growth? I mean, we do think that broadband as we speak, wireline broadband is growing significantly. We have been retained from selling in Sao Paulo and that's going to be affecting our figures for the third quarter. But we have been reviving activity and therefore we are back on track and we are getting a significant chunk of that.

At the regional level, broadband is exploding both in wireline and in wireless. Customer is very demanding, in terms of speed of access and quality of signal. So you can take that as a proof of recovery, really the broadband in Latin America is doing very well.

Maria García-Legaz - *Telefónica S.A. – IR*
Next question over there, please.

Mitchell Collett - *Cazenove*

Thank you. Hello. Sorry. It's Mitch Collett from Cazenove. I just wanted to ask, regarding the 1 billion of non-operating profit you're talking about to get to the 2.1 of EPS for 2010. Was that in your thinking, when you gave the stress guidance initially? And if not, what's changed?

And then secondly, I just wondered if you could give us your best guess as to what you're going to have to spend on spectrum in the 2010 to 2012 period?. Thanks.

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

I don't remember, quite honestly. We have an ongoing program of things that are ongoing, some of them mature in one year, some of them mature the next. We've never hidden that it would not only be through operational means, that we would achieve those numbers. And certainly, reality has been harsher than we expected. We freely admit that. But I think it's almost irrelevant now, whether or not we had that in mind.

Certainly, when we spoke about the stress case in February, with the full-year results, we had a fair view that the storm was strong. And it was going to last. Some of these things have been righted since then, especially on the FX front; others haven't. And so it's a new contribution that we have to put on the table and probably try and bring it forward, rather than expect it to come to fruition as it would have done naturally.

Julio Linares - *Telefónica S.A. - COO*

And regarding the spectrum, well, I am sorry that we are not able to provide you specific numbers today, because the visibility in the different countries were there are going to be bids or auctions around the spectrum, now it is very, very limited.

So it is absolutely impossible to figure out what are going to be our needs regarding those opportunities that we are going to face in several countries: not only in Europe, but in Latin America. And now it's too early, but we expect the rational behaviour in the market, taking into account the experience we faced in the UMTS previous processes.

Maria García-Legaz - *Telefónica S.A. – IR*

Next question. Gadi, please.

Gadi Slade – *Capital World Investments*

Gadi Slade from Capital World Investors. A quick question for Santiago, then two questions for Matthew.

Santiago, if you could give some visibility on the distribution of dividends going forward between the interim and the final?

And then Matthew, first, if you could comment on the iPhone and to what extent has it caught your networks and what is being done to fix the problems, if there are problems? And then also for Matthew, how does Hansenet stack up versus cable in Germany, in terms of having a fixed line presence?

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

In terms of the dividends, although we have to submit on a regular basis to the Board the final decision, Company's intention is to continue with the two tranches. This is sort of the middle of the road, between small shareholders that always complain that more frequent payments actually end up costing them a lot in terms of banking charges and then, you know, one single payment, which tends to distort some of the derivative markets that many investors use. So we think this is a happy middle of the road sort of scenario.

Just exactly how much will be, it will tend to be 50-50% on each. But again, this is just an indication and on the term-by-term basis, we'll have to continue updating.

The next payments are already known. And the next one is right before our Q3 results on November the 12th, I think, it's the fifty cents.

Matthew Key - Telefónica S.A. - CEO Telefónica Europe

So let me pick up the iPhone question. I think it's fair to say that operators around the world that have got a predominance of iPhone in the networks in concentrated areas have seen some challenges in how the device works with the handset. And any of you that would live in London and use the iPhone may have seen some difficulties on our network over the last two or three months.

It's been a tough learning process and the reality is that we're learning how smartphones interact with the network. One of the biggest things that we've seen is the strain that applications put on the network because those applications pull back into the network actually; it's effectively blocking one of the signaling channels. It's like creating a voice call.

The good news is from a UK perspective, it's been very isolated. It really is in just some hot spots where we've got significant traffic flowing and we've got a technology fix that both we've been working with the network suppliers, but also with Apple and the other smartphone manufacturers as far as how the applications work and how they interact with the network.

So is it an insurmountable problem? No. It's probably two or three months before we really come out of the other end. Is that going to mean a lot of CapEx to sort it, not significant, no. And as far as our overall data capacity is concerned we're pretty comfortable with where we are. In the UK, for example, we've probably already got capacity for a good couple of years. So it's relatively isolated and just a learning process of how smart phones interact with the network, which has been tough, but we need to address.

Cable versus DSL, we've looked at the cable operators. We wouldn't be interested in a cable operator in Germany. We don't think any of them got the right footprint for us. There's no technology synergies for us as well. And as I've said, having looked to the market, Hansenet will be a choice to drive our scale. But we need to do the right deal for shareholders and we won't do a bad deal.

Maria García-Legaz - Telefónica S.A. – IR

Next question. Over there, Fabian.

Fabián Lares – M&B Capital

Hi. Good morning. It's Fabián Lares from M&B Capital. Two questions, please. The first one, related to the China Unicom industrial or deal that you have right now, alliance. Could you be more specific as to the kind of steps this involves? What kind of an impact? I know you've already quantified Telecom Italia and Telefónica. Could you do something similar with China Unicom?

And the second question is for the Latin American operations. Particularly still slightly concerned over the Brazilian situation with Telesp, what happened with the regulator. Are you concerned in any way as to possible brand damage because of what happened? Thank you.

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

Thank you. In regards to the synergies, which we are going, where we are working, the teams of Telefonica and China Unicom are working, they will be working in the coming months, there are many, many, many possibilities of synergies between one company that covers 1.3 billion people and Telefónica. And there is a lot possibilities there, but we will quantify that in the future and when we and the whole team's complete the work. Okay?

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Well, on the Telesp question, well, we have been working very tough, as you might imagine, to turn around the situation. Of course we have had an impact in customer satisfaction and that's measured immediately in terms of a drop in our customer satisfaction levels.

During the month of, till the month of June, July. Since then, we have been able to pick up. Because we, again, we changed the total processes of the company based on customer satisfaction. Not only of the new adds, but also on the existent customers. And on the claims we have significantly reduced the number of claims that are officially filed in Anatel and in Procom. Those have come to less than a half of what they used to be in the last three months. And as a result of all those measures and in spite of the fact that we have been back on the market in terms of selling and therefore having more commercial activity, customer satisfaction index has started to pick up. Not only claims have been going down, but customer satisfaction index has started to pick up. So, we think that we are on the right track.

New customers are coming with much higher customer satisfaction in the first state of relationship, which is attention at the call centre at the time of serving and attention at the time of installation, which is probably the most sensitive one. So those first layers of customer satisfaction, we have been significantly increased compared with the previous period and then also with lower levels of churn and high ARPU. So, we are sure we are in the right direction.

All the other wireline operators, which is something that I wanted to complement to Terry's question before, are significantly increasing this customer satisfaction level. Especially in the residential, which is the massive market. So this transformation effort that we are doing in processes is paying results. So we think that we have fixed the problems and you should expect very good news coming from us in the wireline side.

Maria García-Legaz - *Telefónica S.A. – IR*

Next question over there. Just in the middle, please. Thank you.

James Ratzer – *New Street Research*

Yes. Hello. It's James Ratzer from New Street Research. I had two questions please. The first question for Santiago. Regarding the 2012 dividend target of 1.75, you mentioned in your presentation, you didn't want to bring Telefónica close to the edge. Now if I get my math right, it suggests a pay-out of free cash flow of about 70% to 80%. And if for any reason Venezuelan cash flow won't come through, it suggests that pay-out could rise to near 75% to 90%. Do you think that potentially limits your flexibility in the credit markets with regard to future M&A? Or should we be expecting future disposals in 2011-2012 to help fund the dividend?

And the second question, please, for Guillermo, about the Spanish mobile market, you've been talking quite a bit about how elasticity is greater than one between Spanish, the Spanish economy, and mobile revenues. I was therefore surprised to see you talking about usage being only growing 1% to 3% in 2011-2012 versus your top-down assumption for consumption to grow 5% per annum. Is there any reason for that just seeming cautious outlook on minutes growth in mobile?. Thank you.

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

Let me take the question on how much the dividend is going to consume out of the free cash flow. And on our numbers, by 2012, even if we only hit the lower part of guidance, which we think is very unlikely, it will not exhaust 100% of free cash flow or earnings, which means that it will not be necessary to go into debt to buy dividends, which, by the way, we would not consider a very great idea.

So the strategic flexibility is going to remain intact to do the things that we need to do, if we need to do them. And it is not going to be endangered by what appears from today a significantly rising dividend payment.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

With regarding mobile, it's a prudent guidance. I can tell from personal experience, when I was in the crisis in Argentina, the recovery was much faster than anybody expected, so I hope that's the case here in Spain, but we were building on the prudent side, because the history so far is that all the forecasts for Spain have been worsening and worsening and worsening. So we have to lay on the conservative side. And my opinion, we might have a positive surprise, but I haven't seen it yet.

What we are seeing in the third quarter is --which is good on one side and no news on other one-- is that we are seeing much more commercial activity. By commercial activity, I mean, more sales of fixed broadband, less losses of fixed lines and more pay TV and more mobile as a whole. We haven't seen yet a recovery of traffic; it's not getting worse, taking out all the summer campaigns and labor days: like for like. And we prefer to be on the conservative side on traffic.

My opinion, I think it's going to be even better, but I think we have to wait a little bit to realize that trend, no? It will come back, we are not sure about the shape, it might be better, but we have to wait a couple of quarters to be more sure about that.

Maria García-Legaz - *Telefónica S.A. – IR*

James, please?

James McKenzie – *Fidentiis*

Hi, I've got a couple of questions for Santiago. First you said, I believe, that you're not going to increase debt to pay a dividend, nor do a share buyback. You're at the bottom end of your debt range at the moment, two times net debt over EBITDA. And you've got EBITDA growing over the coming years, which means in effect that debt should also be growing. And I was wondering if you could give us your thoughts on that?

And then in London, I think you guided to an interest rate or an average financing cost of around 6%. And since London, we've seen dramatic interest rate cuts, which should have affected your floating rate debt. And I'm wondering, when you talk

about, I think you said a financing cost of less than 6%, could it not be less than 5% or close to 4%? You're not being very conservative there in the short term.?

Santiago Fernandez Valbuena - *Telefónica S.A. – CFO*

Well a couple of things have happened. Let me take the second part of your question first. The number is similar. The substance behind those two numbers, 6% London, 6% Madrid, 2009, are radically different.

In between, we've seen interest rates go up for ourselves, because interest rates, as measured by the Central Banks, have plummeted, but credit spreads have skyrocketed. And only in 2009 have they been converging. So the overall cost is actually much higher than it would appear if you only look at government bonds. So it's been coming down, but much more gently than other costs have.

And second, the Latin American content has actually increased in over the total of our debt that is very expensive debt, as we have seen. And it has not been coming down to the same extent as European rates have.

So it's a combination of both things. But it's, therefore it's a coincidence that the numbers appear similar.

As to the debt ratio, the strategic flexibility is there to be used for the right purposes. And because we do not think we have the particularly accrued imbalance between debt and equity, if needed and as we progress, that excess flexibility will either be used to remain around the 2.0, which is sort of the sweet spot, or will have to be used if for whatever reason, regulation becomes harsher, some business does not perform as we expect, the devaluations hit our shores and the other myriad things that might happen, including the acquisition front, of which we have not been very active in this year, but not because we have not tried. A number of things are out there and that there are still pending.

Maria García-Legaz - *Telefónica S.A. – IR*

There is a question over there.

Javier Borrachero – *Kepler*

Hi. This is Javier Borrachero from Kepler. A question on Latin America for Jose Maria. Judgment on your EBITDA margin forecast, on both fixed and mobile, particularly if you think that the good performance of the previous year is sustainable going forward. Obviously in mobile, you mentioned a couple of potential positive trends, like the, this lower subsidies, lower subscriber acquisition costs and potentially cost dilution, but I mean, I see maybe that there could be other caps like mentioned regulatory factors or the end of the GSM migration. And on fixed, to what extent there are still cost efficiencies to be collected. So if you could maybe comment on these two things. Thank you.

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Thanks Javier. In fact, what we envision on the wireless side, is keep improving on the profitability side. Scale is helping us significantly, and becoming or staying leader, in first or second place in each of the markets, has a substantial impact on us in terms of our portfolio of assets, the kind of negotiations that we have with suppliers, not only for handsets, but also network deployment in the case of 3G, and therefore that we have been covering on the distribution channels that we intend to reduce the level, the impact, of subsidies and it's mainly on prepaid. And

therefore, all of that is going to help us to boost the profitability. A significant part of that is going to be reinvested in improving our networks, but still you should expect from us margin expansion on the wireless side.

On the wireline side, we intend, we aim to stabilize the decrease of the margin of the wireline business, because the transformation effort implies several things. First, that the new revenue stream comes with lower margins than a traditional business and therefore that's impacting us. This impact is reduced down when you are improving the mass, the critical mass, of the new businesses. And therefore what you should expect on the wireline side is a stabilization of the total reduced, a drop in the decreasing trend that we have been having so far.

At the same time, the level of customer satisfaction is also helping us to reduce down churn both in wireless and in wireline and on the wireline side, I should suggest you to focus, for example, in what's happening in Chile or in Peru, in our operation, or in Argentina, because it's where we are more advance in the transformation effort.

So basically speaking, yes, you should expect from us margin improvements, but as you know, we are no longer giving any guidance by region, so excuse me for not being able to quantify that.

Maria García-Legaz - *Telefónica S.A.* - IR
Next question, over there, please? Thank you.

Will Milner - *Arete Research*
Will Milner, Arete Research. Would you consider raising CapEx guidance to capture the explosion of broadband demand in Latin America? Would that be reallocated from Europe? And as unemployment benefits run out in Spain, do you have a specific strategy to deal with this over the next year? Thank you.

Julio Linares - *Telefónica S.A.* - COO
Of course, the 30 billion euros that we included in our guidance is absolutely related with the growth that we are expecting in the markets we are, and the growth that we are expecting in the revenues in those markets. If the economic situation improves or if in the market there are additional opportunities that will have an impact on the strategy that we shared with you today, of course, we will be very open to taking into account and to review our position regarding CapEx.

In addition to that, I think we have flexibility within the guidance that we provided today in order to manage and to allocate CapEx to different revenue sources depending on the evolution of the markets. So I would say that we will have the necessary flexibility to allocate CapEx to the growth opportunities that may happen in the future.

Our current guidance, it is based on our current view of the growth opportunities. And we are not missing any growth opportunities, based on our current view of the markets and the evolution of the services.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Regarding unemployment in Spain, as you can imagine, we've been doing a lot of research to understand the customer behaviour in each of these large communities of customers. We found two things. First is that in general, they want to keep telecom services with them, basically, mobile and broadband, because they allow them a chance to get in touch with families and friends and to get a job, no?

What they do want is more control of their expenditures. So what we are trying to do is to enhance, and we did that this year, to enhance the number and type of tariffs that allows different degrees of consumption, so they have predictability on their bills.

Second, as you know, we launched in March a special campaign with a discount up to 50%, and with a cap of 20 euros in the fixed and 20 euros in the mobile, for customers of Telefonica and Movistar, that were unemployed. Roughly something between, the number between, 100 and 150 thousand of customers signed up. And that's another measure to try to give some comfort to this unfortunately large community of customers.

Maria García-Legaz - *Telefónica S.A. - IR*

There's one question over there, please? Thank you.

Christopher Nicholson - *Oraca*

Christopher Nicholson from ORACA. Two questions. One reasonably general. As an organization and a culture does Telefónica still have appetite for extremely large acquisitions that might change the telecom's map in its various regions of operation?

And the second question is that in response, as a result of your focus on IT process and network, one of the assumptions perhaps is that it will lead to considerably reduced headcount numbers. And in many of your regions, given that you, as an industry, are a major employer, I would have thought that that would come up against certain political barriers and therefore, extracting the operational efficiencies and cash terms might take a lot longer.

César Alierta - *Telefónica S.A. - Executive Chairman and CEO*

With regard to the first question, I think we have said that we have the right scale, we are very happy with the scale we have and we're concentrating on organic growth and focused on market consolidation and I say that figure is very selective growth opportunities that are appropriate, which means what it means. I mean, nothing relevant okay?. That is our M&A focus, okay?

Julio Linares - *Telefónica S.A. - COO*

In the current guidance that we shared with you today, there are not major restructuring programs included. There are some adjustments in different countries, but not major programs.

And right now, because of the effort that we are going to do around the networks and IT, as you mentioned, there will be some adjustments, but not major programs included.

Maria García-Legaz - *Telefónica S.A. - IR*

Yes, one question in the back, please? Thank you.

Torsten Achtmann – *JP Morgan*

If your assumption of a recovery in 2011 for any reasons does not come through, how much room do you still have in your operating and CapEx numbers to cap them to hit your EPS and free cash flow numbers?

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

You know, I think, one of the points we are making in Telefonica is that we are highly predictable and that we do our commitments and we do our commitments and you know, I mean, when we do our guidance, we do a lot of sensitive analysis, let me tell you. I mean, we work a lot on those numbers.

And I mean, it is true that two years ago we didn't know what was coming. Maybe because we were not a bank. And, but having said that, what I can reassure you that this is a fact: many people are working on any sensitivities everywhere, okay? So we really believe in our guidance because we have been working a lot on that.

Maria García-Legaz - *Telefónica S.A. – IR*

We have another question there, please.

Konstantin Von Knieriem– *BCM and Partners*

Konstantin BCM and Partners. You have done a great job in managing the business in a deflationary environment for some time, by focusing on cash flow and efficiency. And in terms of risk-reward, as a fund manager, you have to ask yourself, what am I missing here? And I wanted to know whether you, what threats you see? Are you worried by things like Skype or Mobile Skype? Are there possibly new technologies, which could come up, and especially in South America, all of a sudden arrive much earlier than they, than the development has been in Europe?

Julio Linares - *Telefónica S.A. - COO*

Well, really, our major issue for the future as we told you today, it is focused on evolving the whole organization towards this change in our relationship with our customers and that's one of the key focus that is driving all our effort.

The second one is to try to monetize all the volume growth that we are going to see. Unfortunately, there is volume growth for everybody, for us, for our competitors and for the newcomers to our industry, like companies that you mentioned. And the third focus of our company is to manage regulation in such a way that we are able to build third phase in the evolution of regulation in the way that it should be a more balanced regulation that will incentivate investment and innovation. That's what we call the third phase of regulation. And those are our major priorities and that's where are today focusing the whole company.

There are a lot of discussions about the impact of Voice-over-IP. For instance, this could be one of the, maybe, one of the services that you identify from the point of view of your question. We have been living with Voice-over-IP for many, many years. Ten years ago, when we had these kind of meetings, Voice-over-IP was a threat for the whole business the traditional voice was going to disappear and Voice-over-IP was going to take all the traditional voice. Ten years later, if you look at Spain, 1% is Voice-over-IP. We recognize that Voice-over-IP is different in the mobile business, and it's different, taking into account the power of the smartphones. But for us, those kinds of technology are more opportunities than threats. And we believe that

around Voice-over-IP and about IP-based services, we have a lot of opportunities in order to develop new services and to compete with the new entrants in our market.

Maria García-Legaz - *Telefónica S.A. – IR*

Okay. We have time for the last question. Is over there, please.

George Lerodiamonou – *ING*

George Lerodiamonou ING. I have two questions. The first one is regarding the differences in your strategy in Spain for mobile broadband, where you are the incumbent, versus Germany and the UK. Both from a commercial and a network point of view.

And my second question is on Telesp. You mentioned launching lower-end offers to address new segments in the broadband market. How would that offer differ from the mobile broadband offers that you make available with certain limits? Thank you.

Guillermo Ansaldo - *Telefónica S.A. - CEO Telefónica España*

Sorry. In the case of Spain, I don't know, the starting point is obviously different to other regions where the incumbent in the fixed business and also the leader in mobile. And we are truly finding, in the case of Big Screen, we are really finding complementarity on the customer side. And we have good capacity on the network. So for us, makes all the sense of the world to push it, and we are measuring, month by month if the degrees of complementarity are still there. And we are testing the market with different formulas of pricing and capacity to see that we are getting the economics right. It's an emerging market, so we, I'm sure in the future, we will learn more than a couple of things about this market.

But again, we are, we started with the corporates and SMEs, offering our customers to the employees mobility for their PCs, well accepted and with good degrees of complementarity and with good ARPU. And now we're moving to the residential segment.

Matthew Key - *Telefónica S.A. - CEO Telefónica Europe*

I think actually we've got a slight strategy difference between Germany and the UK. And it's largely driven by market pricing. If the German market price is 30/35 euros maybe, the UK market price is 10/15 pounds. And we need to be very careful that we don't drive bad business.

Now, a lot of the customers in the UK market will be profitable, but if you pick up the, what I call the UBI users, which are the peer-to-peer file sharers, for example, you have to question the profitability of those sort of very high intense users on our network. So in Germany, we're aggressive market, pricing driven, strength of data network. We've got a very strong data network in the UK, but the market pricing did take a slightly different approach to the market.

José María Álvarez-Pallete - *Telefónica S.A. - CEO Telefónica Latinoamérica*

Taking the question on Telesp and how we intend to proceed with the renewal of our broadband offer. First, as I was telling you before, out of the selling process, we are trying to become much more efficient in terms of crossing the databases of the network with the databases of customers and having at a first level of response to the customer what kind of product he can have and when we can install it, and therefore, reducing down the selling process costs and reinvesting that in efficiency.

We are also, we have also launched an auto-install kit that is also going to help us. And most of that, we are going to be separating the offer from the wireless broadband in terms of the speed of access. I mean, we intend to move by four the speed of access, region-wide and mainly, and probably more aggressively, in Telesp. And in some neighbourhoods, we're going to be deploying optic fiber selectively.

We do think that if you compare the product of the wireline versus the wireless and mainly in Latin America, those are different products because of the different speed of access uplink versus downlink and because of the different pricing schemes that we are going to be offering in the region. So we tend to think that those are more complementary than substitution at a certain level, and therefore we are going to be focusing on segmenting our offer, both on the wireless side and on the wireline side, and adapting it to the revenue capacity of each layer of population.

So we are, we have already the product. It's ready. The networks are ready. We are getting results and we will keep you posted on the results.

César Alierta – *Telefónica S.A. – Executive Chairman and CEO*

Well, thank you very much. I would like to make a few comments. The first comment is that, if you remember, the first thing I said after saying that we didn't see two years ago in London what was coming, that shareholders should be very confidential because of the 2008 results, our 2009 guidance and our long term guidance. That really means that we reconfirm our 2009 guidance. Okay? So this is a clear message. It's a confirmation of what we said at the beginning of the year, we are going to fulfil it.

Also I want to make another comment, because there have been many questions about the 2.1 euros earnings per share in 2010. This is going to be a minimum. Our earnings per share in 2010 won't be lower than 2.10. There are much more possibilities that it will be higher than that, okay? And I want to you to have that in mind.

I want to make a small comment. I mean we are going to say, we are going to generate in the next three years 64 billion euros, that is 50% of our enterprise value. Not of our market cap, but of our enterprise value. So this company is going to generate, in the next three years, at minimum 64 billion euros, which is 50% of the enterprise value of the company.

And then we have 40 billion euros of free cash flow at least in the next three years, and where I can assure, that as we said, the 1.40 in dividends is clear and I said, also, in my presentation that for 2012, the 1.75 is a minimum and we can really pay the dividend.

So thank you very much for your assistance. And as Santiago said, we are very happy to have you here in Distrito C, which he has found a new version of Distrito C. Distrito C means Comunicaciones in Spanish, but Santiago has said Confidence and Commitment. And we really want to thank all of you for for being here today. As you all know