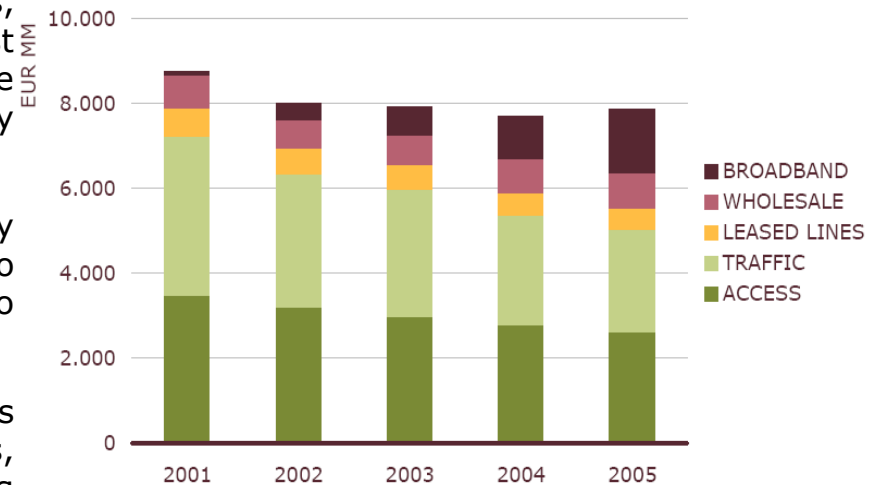


Review of the regulatory cost accounts of the Spanish fixed-line incumbent

- On behalf of Spanish regulator CMT, SVP Advisors was commissioned to review the cost accounts of fixed-line incumbent Telefónica de España.
- Our work comprised a review of the revenues and costs considered in the system, which comprised reconciliation with the financial statements and a review of the re-valuation of assets for the CCA standard. We also assessed the adequacy of the imputation of revenues and costs to services, including a review tailored to ensure that cost allocations between related retail and wholesale services were made on a non-discriminatory basis.
- As part of our work, we evaluated the adequacy of modifications introduced in the system due to the evolution of the company operations and to ameliorative proposals made by the NRA.
- At a general level, our review ensured that results were consistent with those of previous years, taking into account the market and operating trends affecting the company.
- Our conclusions, including a general overview of the most relevant trends affecting the results, were presented to the board of the NRA. The results of regulatory accounts are used by the NRA for a range of applications, including establishment of wholesale tariffs and monitoring relevant markets to ensure they are functioning correctly.

Evolution of current costs by regulated activity segment.



Source: SVP Advisors based on public information available at CMT.