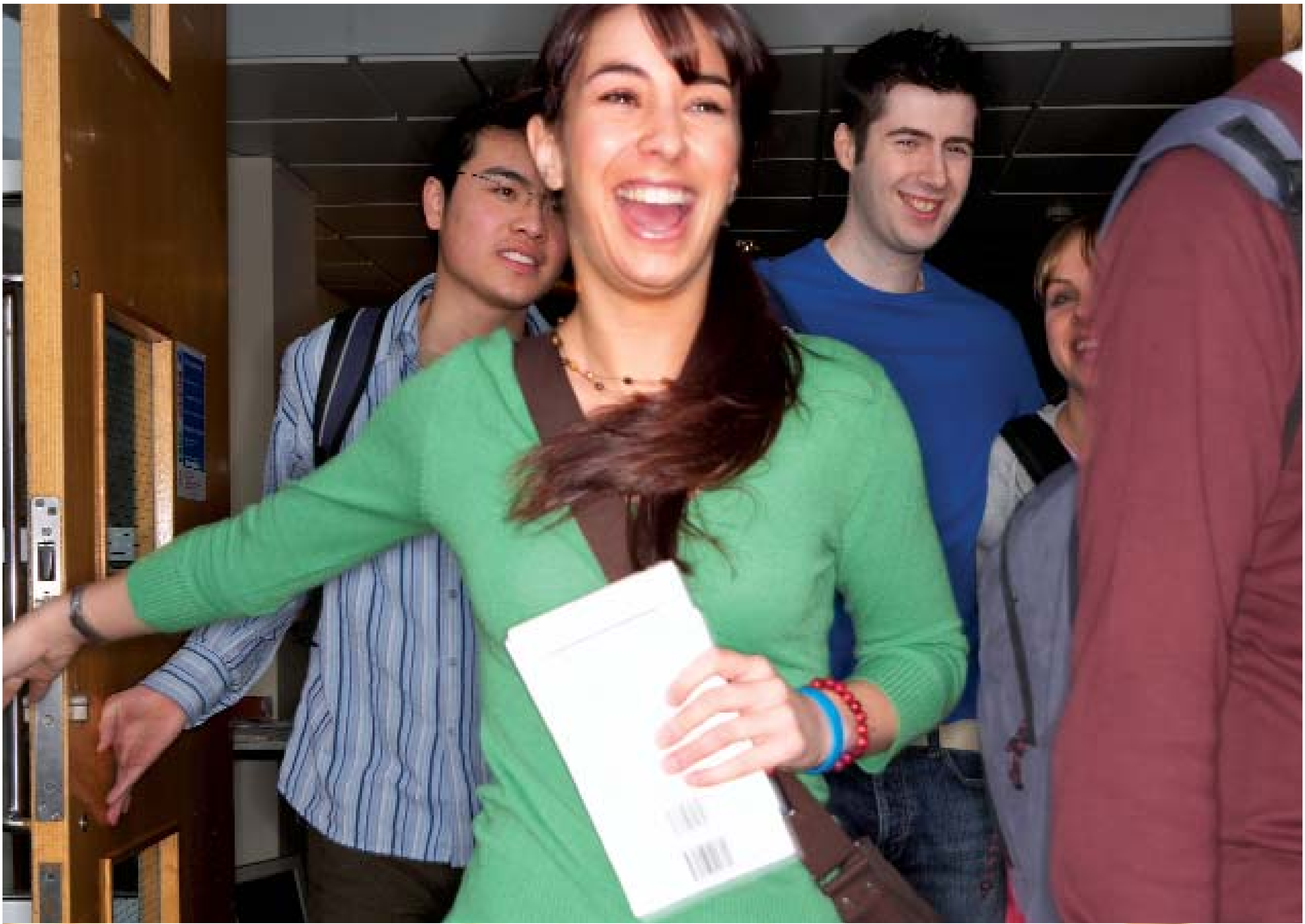
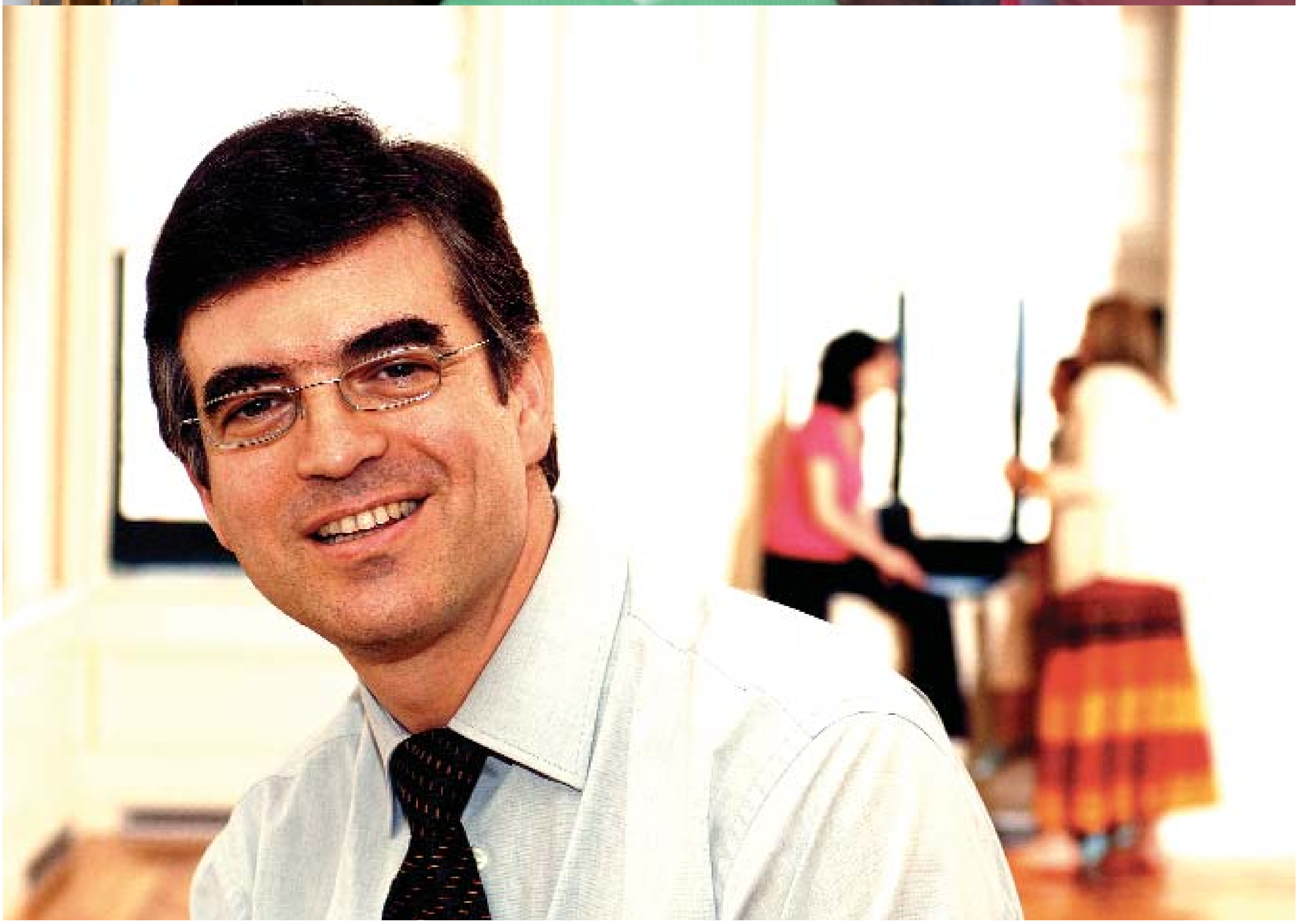
Information for Shareholders

02

In 2005, Telefónica reinforced its aim of positioning itself as the best combination in the sector in terms of growth and profitability for the Shareholder.





"Telefónica, the best combination in the sector in terms of growth and profitability for shareholders"

Information for shareholders

Shareholder remuneration in 2005

In Financial Year 2005, the Telefónica Group reinforced its strategic aim of positioning itself as the best combination in the telecommunications sector in terms of growth and profitability for its shareholders. In this sense, the shareholder remuneration policy has continued making progress during 2005 and the Company has positioned itself as one of the most attractive in the sector, further strengthened by the acquisition of O2, announced in October 2005. In 2005, a dividend of 0.5 ?/share was paid corresponding to financial year 2004, own shares of Telefónica S.A. representing 4% of share capital were distributed, and the share buyback programme continued. At March 30, 2006, the company's treasury stock represented 4.868% of the share capital.

The measures taken and approved by the last General Shareholders' Meeting held on May 31, 2005, were:

- The payment of a dividend charged against the results of the financial year closed on December 31, 2004, for the set gross sum of 0.23 euros per share. This dividend was paid on May 13, 2005.
- The distribution of own shares of Telefónica, S.A., in the proportion of one treasury stock share for every 25 shares held by shareholders, charged against paid-in surplus. The distribution consisted of a maximum of 190,611,206 shares.
- The payment of a dividend charged against paid-in surplus, for a set sum of 0.27 euros per share. This dividend was paid on November 11, 2005.

Telefónica has announced at its Fifth Investor Conference being held in Valencia that it has set as a strategic target for the year 2009 to double both earnings per share and dividend per share from the 0.91 euros and 0.50 euros reported for 2005.

Moreover, the Chairman of Telefónica will submit to the Board of Directors a proposal to pay an interim dividend of 0.30 euros per share from 2006 profits, to be paid in November 2006. This payment will be followed by an additional 0.30 euros per share to be paid in the first semester of 2007.

Finally, and until the end of 2007, the Company has decided to set a limit of 1.5 billion euros and a commitment not to issue new shares to execute net new acquisitions over those already announced. Shares to be acquired to complete the current buyback program will be cancelled.

Evolution of Share Performance in 2005

In 2005, the performance of the European Telecommunications sector was in contrast with that of the international stock exchanges, ending the financial year with a negative profitability of 1.8%. This worse relative performance was also different to that of the rest of sectors in Europe, all of them ending the year with positive returns, in a macroeconomic context that was more favourable for other sectors, and untouched by the perception of higher uncertainty in the telecommunications sector. Among the main risks associated with the telecommunications operators in 2005, it is important to point to the risk of mergers and acquisitions, both in cash and in shares, with the subsequent uncertainty with regard to future shareholder remuneration, as well as uncertainties associated with increased competition, technology and regulations.

In this context, the evolution of stock performance for telecommunications companies was generally negative, except for the companies considered to be acquisition targets (TDC +62.9%, OTE and Telecom Austria +36.2%, KPN +21.2%). However, Telefónica was the operator with best performance relative to other comparable operators, with a negative return of 8.3% compared to the drops registered by Telecom Italia (-18.3%), Deutsche Telecom (-15.4%), France Telecom (-13.5%) and Vodafone (-11.2%).

Telefónica's average daily trading volume on the Spanish stock market in 2005 was 44.5 million shares, up from the 41.4 million shares traded in 2004. The Company's market capitalisation at close of 2005 was 62.548 billion euros (74.113 billion dollars).

Stock exchanges where Telefónica shares are traded

- Spanish computerised trading system (within the "Ibex 35" Index) and the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia)
- London Stock Exchange
- Paris Stock Exchange
- Frankfurt Stock Exchange
- Tokyo Stock Exchange
- New York Stock Exchange
- Buenos Aires Stock Exchange
- Lima Stock Exchange
- Sao Paulo Stock Exchange

Returns for Shareholders

A shareholder who purchased 100 shares at January 1, 2005, would have obtained a return of –0.94% for financial year 2005, mainly due to the downward stock market trend in 2005 that affected the entire telecommunications sector, and would have obtained for his or her investment 4 additional shares due to the distribution of own shares of Telefónica S.A. in the proportion of 1x25, as well as 51.08 euros in dividends.

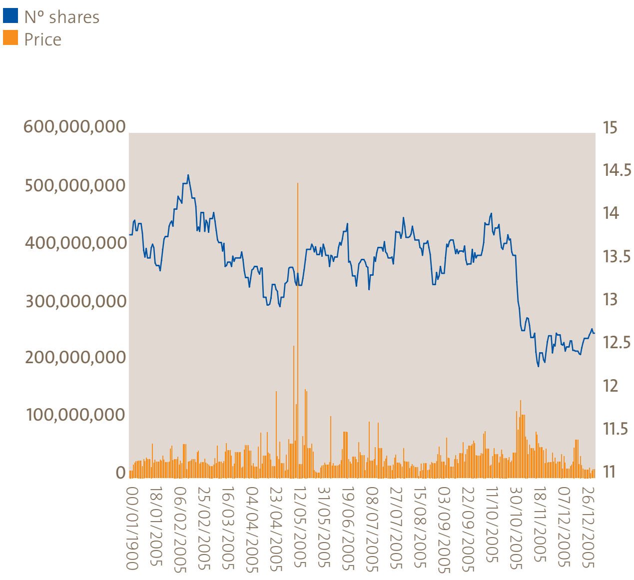
Company Share Capital

The latest share capital modification took place in June 2005 as a result of the reduction of the capital with the amortisation of treasury stock shares (for an amount of 34,760,964 euros), placing corporate share capital at 4,921,130,397 euros, which was maintained throughout financial year 2005.

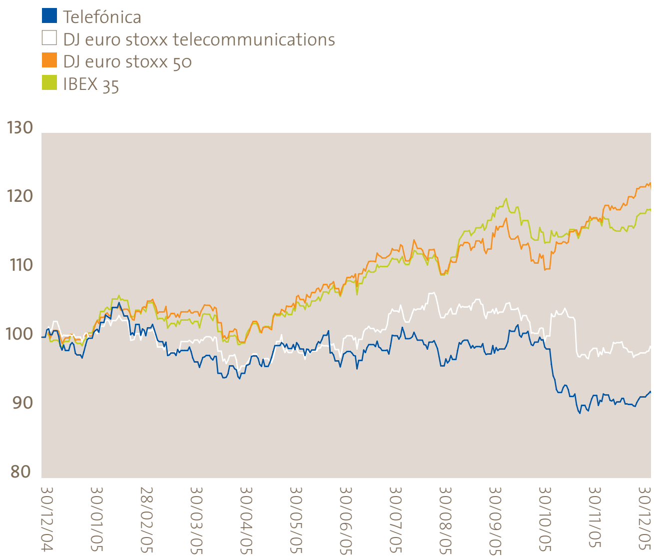
Number of Shareholders

According to the information obtained from the "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores" (Securities, Recording, Clearing and Settlement Systems Management Company) (Iberclear), dated April 3, 2006, the number of shareholders in Telefónica, according to separate records in favour of legal and natural persons, amounted to 1,570,039 shareholders.

Price / Volume



Stock performance in 2005



Purchase of 100 Telefónica shares on January 1, 2005

Earnings per share 2005

	Nº shares	Net amount
Value of 100 shares at January 1, 2005	100	1,386€
Cash Dividend May 13, 2005	100	0.23€/share
Dividend in kind in June distribution 1x25 shares	104	–
Cash Dividend November 11, 2005	104	0.27€/share
Value of 104 shares at January 1, 2006		1,321.8 €
Total value of portfolio of 104 shares		1,372.9€
Earnings 2005		**(0.94) %**

Significant Shareholdings[1]

Telefónica shares are recorded by the book entry system and therefore the company does not keep a shareholders' registry. It is therefore difficult to know the exact ownership structure.

In any case, according to the information available in the Company, there is currently no natural or legal person that exercises, or may exercise control, directly or indirectly, individually or jointly, over Telefónica, according to the terms established in article 4 of the Spanish Securities Exchange Act (Ley del Mercado de Valores).

There are, however, certain shareholders with shareholdings that can be considered significant, in accordance with the Ministerial Order 3722/2003, of December 26. These shareholders are listed below:

	Percentage	Total shares	Percentage	Direct shareholding shares	Percentage	Indirect shareholding shares
BBVA	6.63%	326,349,743	6.63%	326,256,235	0.00%	93,508
La Caixa	5.09%	250,466,066	1.41%	69,406,501	3.68%	181,059,565

Shares held by members of the Board of Directors[1]

Name	Direct Shareholding	Indirect Shareholding	Number of shares held
Mr. César Alierta Izuel	923,200	78,000	1,001,200
Mr. Isidro Fainé Casas	144,978	0	144,978
Mr. Gregorio Villalabeitia Galarraga	55	0	55
Mr. Fernando de Almansa Moreno-Barreda	3,849	0	3,849
Mr. Maximino Carpio García	8,069	0	8,069
Mr. Carlos Colomer Casellas	564	22,450	23,014
Mr. Alfonso Ferrari Herrero	1,883	103,480	105,363
Mr. Gonzalo Hinojosa Fernández de Angulo	39,476	150,000	189,476
Mr. Miguel Horta e Costa	368	0	368
Mr. Pablo Isla Álvarez de Tejera	401	0	401
Mr. Luis Lada Díaz	31,200	0	31,200
Mr. Julio Linares López	24,420	2,067	26,487
Mr. Antonio Massanell Lavilla	2,190	667	2,857
Mr. Vitalino Manuel Nafría Aznar	300	0	300
Mr. Enrique Used Aznar	20,228	34,000	54,228
Mr. Mario Eduardo Vázquez	10	0	10
Mr. Antonio Viana-Baptista	22,873	0	22,873
Total	**1,224,064**	**390,664**	**1,614,728**

[1] 31/12/2005

“Telefónica maintained a prudent coverage of its financial risks in 2005, at a reasonable price, reducing the average cost of its debt”

Risk Management

The Telefónica Group is exposed to several financial market risks, as a result of (i) its ordinary business, (ii) the debt undertaken to finance its operations, (iii) stakes in companies, and (iv) other financial instruments related to the previous points.

The main market risks that affect the Group's companies are:

- Exchange Rate Risk.
  This risk arises mainly due to the international presence of Telefónica, with investments and operations in countries with currencies other than the euro (mainly in Latin America, but also in the Czech Republic and, as from 2006, in the United Kingdom), and due to debt in currencies other than those of the countries where business is carried out or where the companies that have undertaken the debt are based.

- Interest Rate Risk.
  This risk is related to the variation of (i) the financial costs of debt with a variable interest rate (or with short term maturity, and foreseeable renewal), as a consequence of the variation in interest rates, and of (ii) the value of long term liabilities with fixed interest rates (whose market value increases when interest rates drop).

- Share Price Risk.
  This is the risk related to the variation of the value of the share stakes that can be subject to operations, of the derivatives of those stakes, of the company's own treasury stock, and of share derivatives.

In addition, the Group faces liquidity risk, which arises due to the possibility of imbalance between the need for funds (for operating and financial expenses, investment, debt maturity and committed dividends) and the sources of these (income, divestitures, financing commitments to financial bodies, and capital market operations). The cost of obtaining funds can also be affected by variations in credit margins (of interest rates) required by the lenders.

Lastly, it is important to note what is known as "country risk" (in combination with the market and liquidity risks) that is related to the possibility of asset value loss or to the reduction of flows generated or sent to the parent company, as a consequence of political, economic and social instability in the countries where the Telefónica Group operates, especially in Latin America.

The Telefónica Group actively manages these risks, with a view to stabilising:

- Cash flows, in order to aid the financial planning and to take advantage of the investment opportunities that arise,

- Financial Results, in order to aid investors in their understanding and predictions,

- The value of the company's equity, protecting the value of investments made.

In cases where these aims are mutually exclusive, the financial management of the group decides which aim should prevail.

In its risk management, Telefónica uses derivative financial instruments, mainly on exchange rates, interest rates and shares.

Exchange Rate Risk

The main aim of the exchange rate risk management policy is to compensate (at least partially) possible loss in the value of assets related to Telefónica's business caused by depreciation of currencies with regard to the euro, with the savings generated by the lower value in euros of the debt in foreign currency (due to the depreciation of the currency). The degree of coverage (percentage of foreign currency debt with regard to asset value) implemented tends to be higher:

- the higher the estimated correlation between the asset value and the foreign currency exchange rate, and
- the lower the estimated cost of the coverage (calculated as the spread between the additional financial costs for financing in the local currency and the expected depreciation of the currency with regard to the euro).
- the higher the liquidity of the currency and derivatives market.

In general, the estimated correlation between the asset value and the currency exchange rate is higher the higher the weight of cash flows generated in the first years as a percentage of the estimated value for the asset is.

The protection against future depreciations of Latin American currencies with regard to the euro is based, firstly, on the debt in Latin American currencies. As at December 31, the debt in Latin American currencies amounted to almost 5.4 billion euros. However, this debt is not uniformly distributed as the proportion of the flows generated in each country, so its future effectiveness as protection against exchange rate risks will depend on where depreciations may take place.

In addition, the protection against losses in the value of Latin American assets due to changes in exchange rates, is complemented with debt in dollars, both in Spain (associated to the investment while the coverage is deemed effective) and in the countries in question in the absence of a financing market in local currency or a deep enough coverage market. As at December 31, the Group's debt in dollars amounted to the equivalent of 2.999 billion euros.

Likewise, the exchange rate risk management is carried out by seeking to minimise the negative impact on the Financial Results, without prejudice to remaining flexible if required. The need for this flexibility may arise for three reasons: (i) due to the narrowness of some derivatives markets or due to the difficulty of obtaining financing in local currency, which does not allow for low cost coverage (as is the case in Argentina); (ii) due to financing by means of intra-group loans, with an accounting treatment of the foreign currency risk different from that applied to financing through capital contributions; (iii) due to company decisions.

In 2005 exchange rate management achieved positive results amounting to a total of 162.0 million euros, mostly because it was decided not to entirely cover the loans in dollars to Latin American subsidiaries, which led to profit as a result of the appreciation with regard to the dollar and of the dollar with regard to the euro.

Additionally, in 2005 the group acquired a 69.4% stake in Cesky Telecom for 3.658 billion equivalent euros. This acquisition was financed with debt, a substantial part of which (1.839 billion equivalent euros) was transformed by means of exchange rate derivatives into synthetic debt in Czech crowns. This implies that a substantial part of value of the acquisition has been left exposed to the risk of the Czech crown – Euro exchange rate. This decision was made on the basis of a positive opinion on the evolution of the Czech economy, an opinion which underlies the acquisition decision. From the moment of the acquisition until December 31, 2005 the crown increased in value by 3.5% with regard to the euro.

The recent acquisition of the British company O2 has been financed with a multicurrency loan signed in 2005. The final composition by currency of the liability resulting from the acquisition will take into account that part of the value of the company is due to its business in the Eurozone (Germany and Ireland), and that the lack of a perfect correlation between the value of the business in the United Kingdom and the Pound Sterling-Euro exchange rate does not make it advisable to finance it entirely in Pounds Sterling.

Interest Rate Risk

The financial costs to Telefónica are exposed to variations in interest rates. In 2005, short-term interest rates with the highest volume of exposed debt were mainly the Euribor, the Brazilian SELIC rate, the dollar Libor and the Chilean UF. At December 31, 2005, 55% of the total debt (or 66% of the long-term debt), had its rate fixed for a period of more than a year. Of the remaining 45% (floating debt or debt at a fixed interest rate with a maturity of under a year) 14 percentage points (or 16% of long-term debt) had a fixed interest rate for a period exceeding a year, whereas at December 31, 2004, 83% of the long-term debt had a fixed interest rate. The new debt undertaken in the course of the year also implied exposure to the long-term interest rates applicable at the time of contracting or coverage. In this sense, a syndicated loan of 6 billion euros was taken out, to which interest rate swaps were associated to fix the financial costs.

Lastly, the financial updating of the early retirement liabilities was carried out in the course of the year with the interest rate curve of the swap market. The drop in interest rates implied an increase in the value of these liabilities.

Financial costs in 2005 came to 1.6343 billion euros, 0.3% lower than those in 2004. However, excluding results due to exchange rate variations, the figures would be 1.7964 in 2005 and 1.4621 in 2004, which would entail a 22.9% increase in adjusted financial costs in 2005 with regard to 2004. To a great extent this rise is explained by the 18.6% increase in the total net average debt (29.5339 billion euros, at December 31, 2005, including early retirement commitments); the rest of the increase is due to the rise in interest rates in Brazil (average SELIC rate of 19.14% in 2005 compared to 16.38% in 2004) and to the increase of the debt in Latin American currencies, following the acquisitions of mobile telephony companies made in 2004 and beginning of 2005. Financial expenses in 2005 show an average cost of 5.5% for the total average net debt in the year, and of 6.1%, excluding the effect of variations in exchange rates.

The acquisition of O2 for almost 17.9 billion Pounds Sterling through a syndicated loan and its subsequent refinancing increases the exposure of the Group to changes in rates, including Pound Sterling exchange rates. In January 2006, Telefónica issued long-term bonds for amounts of 4 billion euros and 1.25 billion pounds sterling in order to prolong the maturity terms of its debt, with fixed interest rates similar to those used in the valuation of the acquired company.

Share Price Risk

One of the equity risks to which Telefónica is exposed is that related to the price of its own shares, as a result of the share buyback programme announced in October 2003 and renewed in April 2005, for an estimated amount of 6 billion euros until 2007 (inclusive), subject to cash flow generation and the evolution of the share price.

At December 2005, Telefónica S.A. held over 136 million own shares, and purchase options for 56 million own shares, with maturity in the first four months of 2006. This option strategy offers a certain degree of protection against the scenario where share prices rise, purchases become more expensive and fewer shares can be purchased with the previously established amount. The maximum financial losses that could be faced with this strategy is the premium paid for the option, if at maturity the share price were to be lower than the exercise price; however, in such case Telefónica would be able to purchase its shares on the market at a lower price.

Telefónica is also exposed to fluctuations in the prices of shares of its investee companies, especially to the extent that these are not integrated in its core business and may be subject to divesture. In 2005 the most significant divestiture was the sale of 25.0% of Endemol, for an estimated amount of 264.4 Mio. Eur, which generated a profit of 55.2 Mio. Eur before tax.

Liquidity Risk

Telefónica aims to adapt the maturity profile of its debt to its capacity to generate cash flows to pay it, maintaining a certain margin. In practice, that has led to the monitoring of two criteria:

1. The average maturity of the Group's debt must be longer than the time required to pay the debt (assuming fulfilment of the internal projections, and all the flows generated being allocated to payment of the debt, and not to dividends or acquisitions).
2. The group must be able to pay off all its commitments in the coming 12 months, without having to resort to further loans or to the capital markets (but maintaining the credit lines already firmly committed by financing institutions), assuming budgetary fulfilment.

At December 31, the average maturity of the net financial debt – 30.0669 billion euros- was 5.0 years. As was announced at the Investor Conference held in April 2005, the Telefónica Group expects to generate more than 36 billion euros in the four-year period from 2005-2008, assuming exchange rates stay at 2004 levels. This shows that the first of the criteria is fulfiled: in a period of less than four years the Group will be able to repay all its debt, which has a longer average maturity.

On the other hand, the gross maturity of debt in 2006 (8.824 billion euros or 9.066 billion euros taking into account the market value of derivatives with a maturity term of under a year and debt to employees), is less than the liquid assets, calculated as the sum of (i) liquid assets as at December 31 of 3.561 billion euros (temporary financial investments of 1.348 billion euros and treasury of 2.213 billion euros) (ii) the annual cash generation estimated for 2006 (projected to exceed the figure of 2005, which amounted to 6.975 billion euros), (iii) the unused lines of credit committed by banks with an initial maturity term of more than a year or extendible at the discretion of the Telefónica Group (3.029 billion euros at December 31, including Cesky Telecom and Endemol BV) and (iv) 1.264 billion euros in lines of credit with an initial maturity term of more than a year or extendible at the discretion of Telefónica used for the purchase of O2 shares, and which could be transferred to the syndicated loan of 18.5 billion pounds sterling structured for the acquisition of that company. The existing margin allows the Group to face the payment of a minimum dividend of 50 cents per share (approximately 2.4 billion euros), and the continuation of the own shares buyback programme.

Following the acquisition of O2 it is advisable to perform a liquidity analysis beyond 2006, estimating possible additional sums maturing in 2007. After exercising the extension option, these could amount to 2.175 billion pounds sterling (approximately 3.175 billion euros). This is due to the fact that after, (i) adjusting the cost of the acquisition to almost 17.9 billion pounds sterling, (ii) receiving requests for exchange of O2 shares for “Loan Notes”, and (iii) the January 2006 long-term bond issue for 4 billion euros and 1.25 billion pounds sterling, it has been possible to pay off part of the syndicated loan taken out for the acquisition. The amount of the loan was thus reduced to 14.175 billion pounds sterling, of which only 2.175 billion cannot be extended beyond October 2007.

To this amount, the long-term debt maturities for 2007 (almost 2.4 billion euros) must be added, which would result in a figure of approximately 5.5 billion euros, similar to net maturities in 2006 (gross maturity less cash). This figure will be affected by the results of the refinancing processes scheduled for 2006, which will have two contradictory impacts:

- An increase in maturities in 2007 due to short-term renewal of part of the debts with maturity in 2006 (especially commercial paper), and
- A reduction in 2007 maturities due to the raising of long-term financing (bonds and loans) largely to pay off the syndicated loan for the acquisition of O2.

The raising of long-term financing is exposed to the financial market risks, both with regard to volume and to cost. The possible variation in cost is due not only to changes benchmark rates (on sovereign bonds or swap rates) but also to changes on the credit spread to be paid on these benchmarks.

Having said this, given the scale of 2007 maturities, the Group should be able to meet its second criterion –to cover its 12 month commitments with available financing- at the end of 2006, assuming the operations generate the expected flows.

In any case, following the acquisition of O2, there is an increased need to have access to swift credit, at a good price and under good terms and conditions. To this aim, Telefónica has established two objectives as axes of its financial policy:

1. To maintain a BBB+/Baa1 credit rating as the minimum desirable rating, and
2. To maintain a net debt – assumable financial commitments ratio equal or less than 2.5 times the OIBDA (Operating Income Before Depreciation and Amortisation) in the medium term.

With regard to these points, the Group’s current ratings are BBB+ by Standard & Poor’s, Baa1 by Moody’s and A- by Fitch, and a pro-forma analysis with unaudited data at September 2005 (as if the O2 acquisition had taken place at that date) shows a net financial debt equal to 3.0 times the OIBDA.

Main credit ratios as at year-end 2005[1]

Operating highlights 2005

I	OIBDA	15,276.4
II	Free Cash Flow	7,108.1
III	Capex	4,409.9
IV	Telefónica, S.A. dividends	2,379.5
V=II+III-IV	Cash Flow Withheld (before capex)	9,138.5
VII	Pro-forma OIBDA	15,733.1

Liabilities at Dec 31, 2005

A	Financial debt	30,067.0
B	Guarantees	449.0
C	Net commitments for workforce reduction	3,057.7
D=A+B+C	Total debt + Commitments	33,554.3

Financial ratios

Financial Debt / Pro-forma OIBDA	1.91
Total debt + Commitments / Pro-forma OIBDA	2.13
Cash Flow Withheld (before capex) Total Debt + Commitments	27.23%

[1] Credit checking agencies also adjust their ratios for operational leasing and other commitments

Country Risk

The perception of sovereign risk in Latin America ended 2005 under 280 bps, an all-time low , due to a number of macroeconomic milestones, some of them historic. Thus, with a growth of over 4% in 2005, a path of high and solid growth is established, which has allowed an 11% growth of the income per capita in the region since 2003, the highest growth rate since the 1970s. In addition, this growth has occurred with no rise in inflation (6%) and, even more importantly, with the current account showing a record surplus of $30 billion.

Undoubtedly, the favourable international climate of growth and the prices of raw materials generated clear improvements in the region's terms of trade (31% above the average in the 1990s), driving export growth to almost 10%. This influx was accompanied by a strong increase in the remittances from expatriate workers, to $47.4 billion.

The current account surplus, equal to 1.3% of the GDP, was further strengthened by the $47 billion in direct foreign investment. This has made it possible to pay off $42 billion of foreign debt and to accumulate $35 billion in international reserves, reaching the highest level since 1990. That is, the region has taken advantage of the favourable climate to address its weakest points in terms of external vulnerability: high foreign debt and low reserves.

In addition, some governments in the region have taken advantage of the existing surplus liquidity and the emerging appetite for risk, to swap external debt for domestic debt on favourable terms (Argentina, Colombia and Peru) or to redeem debt issued on foreign markets (Argentina, Brazil, Mexico, Panama and Peru) so as to increase maturities for long-term debt and increase the percentage of foreign debt in local currency (especially in Mexico and Brazil).

All these measures –aimed at raising the credit rating of the region to 'investment grade'- have been reflected not only in the lowest country risk rate in history, as was mentioned at the beginning of this section, but also in the appreciation by 4% in the real trade-weighted exchange rate of the region with regard to the rest of the world and more moderate public debt ratios (42.9% of GDP), thereby boosting investor confidence and regaining investment ratios similar to those of 1998 (almost 23% of GDP), before the severe economic recession that lasted until 2002.

Although the macroeconomic scenario promises stability and the economic policies are still appropriate, it is necessary to bear in mind some risks that are still present on the microeconomic front, that affect the countries in the region when compared to other more economically developed countries. Among these risks are regulatory decisions, the highly bureaucratic procedures in business and the rigidity of some of the market of production factors, which prevent the region from achieving a higher growth through investment and productivity. Likewise, additional efforts are required in terms of reforms of the tax, educational and health systems that build on the achievements gained in human development in recent years for the region to meet the World Bank's Millennium Development Goals.

The previously mentioned improvement in the economic context and the positive outlook does not prevent Telefónica from continuing with its strict monitoring of the risk of unforeseen loss in value of Latin American assets due to possible social, economic or political instability. To this aim, it has continued by pursuing two broad lines of action (in addition to the normal management of its businesses):

1. To partially compensate the assets with liabilities in the Latin American companies, not guaranteed by the parent company, to ensure that any loss in asset value would go hand in hand with a reduction of liabilities, and
2. To repatriate funds generated in Latin America which are not expected to be made satisfactorily profitable in future, through opportunities for the development of the business in the region.

With regard to the first point, the Latin American companies have a net external debt volume unguaranteed by the Spanish companies amounting to 2.716 billion euros, 9% of the net financial debt of the Group, with Brazil (1.583 billion euros) and Argentina (760 million euros) as especially salient cases. In some mobile companies previously belonging to Bell South there was another debt guaranteed by Telefónica S.A. as a result of the acquisition process, part of which has already been refinanced without guarantee. In fact, in December 2005 the mobile subsidiary in Chile signed a loan for almost 180 million dollars (without guarantees from the parent company) in order to replace another loan for the same amount guaranteed by Telefónica S.A., for which reason this amount has been considered part of the total external debt without recourse in

[2] In accordance with the EMBI indicator drawn up by JP Morgan

Latin America (even though the replacement took effect at the beginning of January). In addition, the mobile subsidiary in Peru refinanced, without guarantees from the parent company, throughout 2005 and the beginning of this year, a loan for 200 million dollars guaranteed by Telefónica, S.A., whose outstanding balance at December 31 amounted to 163 million dollars (not included in the external debt without recourse in Latin America at December 31).

Also as an exceptional measure, Telefónica, S.A. guaranteed a programme for the issuance of certificados bursátiles (peso bond) for the amount of up to 12 billion Mexican pesos by its indirect subsidiary Telefónica Finanzas de Mexico, S.A. de C.V. The amount issued under this programme at December 31 amounted to 5 billion pesos. Subsequent issues have raised the amount to a total of up to 11.5 billion pesos, an amount that has not been included in the previous calculation of Latin American debt without recourse (nor has the calculation for the total unused cash at December 31 been included). The special factors that led to extending the guarantee in this specific case are:

- Difficulties to make contributions from the Telefónica Group, either in capital (due to the existence of a minority shareholder) or debt (due to fiscal inefficiencies).
- Impossibility of raising external financial resources for the necessary amount at a reasonable cost, given the long phase of expansion the company has embarked on, and that correspond to negative operating results due to the strong commercial activity and high investment in infrastructure.
- Possibility of legally implementing the guarantee without causing a structural subordination for the rest of Telefónica's creditors (from the point of view of the credit rating agencies).

With regard to the second point –repatriation of funds – in the year 2005 Latin America received a net sum of 1.684 billion euros –excluding Mexico- mostly in dividends (884 million euros) and the rest in loan interests and principal to the Latin American subsidiaries and management fees. In the opposite direction, the influx of funds into Mexico continued mainly to finance the needs of Telefónica Móviles both for capex -261 million euros-, and OIBDA losses -159 million euros-.

Lastly, the exposure of Telefónica SA's OIBDA to the different countries has altered slightly after the final completion of the acquisition of the subsidiary mobile companies of Bell South at the beginning of 2005 and the acquisition of Cesky Telecom. Thus, looking at the most important countries in terms of OIBDA generation, the Eurozone still dominates, with 61.8% of the total, followed by Brazil (generating 18.5% of the Group's OIBDA), Argentina (4.7%), Chile (4.2%), Venezuela (3.9%) and Peru (3.8%), with the exposure to the Czech Republic being 3% of the Group's OIBDA for 2005.

Derivatives Policy

At December 31, 2005 the nominal value of outstanding derivatives with external counterparties came to 58.1345 billion euros. This volume is so high because derivatives may be applied several times to the same debt for an amount equal to its nominal value; for instance, a debt in foreign currency may be hedged into euros, at a floating rate, and then for each interest rate period, the rate may be fixed by using an FRA. Even adjusting the position downwards, it is necessary to exercise extreme caution when using derivatives so as to avoid problems due to errors or lack of knowledge of the real position and its risks.

The policy followed in the use of derivatives emphasised the following points:

I. Existence of a clearly identified underlying, on which the derivative is based.

Acceptable underlying include profits, income and cash flows both in the Company's operating currency and in currencies other than the operating currency. These flows may be contractual (debt and interest payments, payment of accounts payable in foreign currency) which are reasonably certain or foreseeable (capex programme, future debt issues, commercial paper programmes, etc.). Whether the previously mentioned cases are counted as underlying, will not depend on whether or not they adapt to the criteria required by accounting regulations for underlying as hedged items, as occurs, for instance, with some intragroup transactions. In addition, in the case of the parent company, the investment in subsidiaries with an operating currency other than the euro also qualify as acceptable underlying assets.

Economic hedges, i.e. hedges with an assigned underlying asset and which in some circumstances may offset variations in the value of the underlying asset, do not always fulfil the requirements and effectiveness tests established by the various accounting regulations to be treated as hedges. The decision to maintain them after they fail to pass the effectiveness test or certain requirements are not fulfiled, will depend on the marginal impact on the financial statements and therefore on how far this might compromise the aim of stabilising the Financial Statements. In any event the results are recorded in the Profit and Loss Account.

In this sense, in 2004, hedging relationships were adjusted to take into account changes in the treatment that the IFRS gives to certain transactions with respect to previous regulations, so as to maintain the full economic hedge while limiting the combined impact of the hedge and its underlying in the financial statements.

II. Adjustment of the underlying to one side of the derivative.

This adjustment is applied mostly to debt in foreign currency and derivatives hedging payments in foreign currency in the Group's subsidiaries, as a way of cancelling the risk derived from variations in foreign currency interest rates. However, even when a perfect hedging of the flows is sought, the lack of depth to certain markets, especially those associated to LATAM currencies, has led to historical imbalances between the characteristics of the hedges and the debts covered. Telefónica Group's intention is to reduce these imbalances, so long as this does not involve disproportionate transaction costs. In this sense, if the adjustment is not possible for the reasons mentioned, the Group will seek to modify the financial duration of the foreign currency underlying in order to minimise foreign currency interest rate risk.

On some occasions, the definition of the underlying the derivative is assigned to does not coincide with the timing of the contractual underlying.

III. Identity of the country contracting the derivative and the company that owns the underlying.

In general, it is sought that the hedging derivative and the underlying asset or risk that it covers are held by the same company. However, on other occasions, hedges have been taken out by the holding of the companies which own the underlying asset, (Telefónica S.A., Telefónica Móviles S.A. and TISA). These transactions fail to meet the hedging criteria required by accounting standards and resulting gains or losses are therefore recognised on the Profit and Losses Account. The main reasons for the mentioned separation of the hedge and the underlying asset were possible differences in the legal validity of local hedges with regard to international hedged (as a result of unforeseen legal changes) and the different credit ratings of the counterparties (whether the companies of the Group involved or the banks).

IV. Capacity to measure the derivatives' market value, using the valuation systems available to the Group.

Telefónica uses a number of tools to measure and manage risks in derivatives and debt. The include, notably, Kondor+ system, licensed by Reuters and widely used by financial entities, as well MBRM specialist financial calculator libraries.

V. Sale of options only when there is an underlying exposure.

The sale of options is only allowed when: i) there is an underlying exposure (recorded on the balance or associated with a highly probable external flow) that would offset the potential loss from the exercise of the option by the counterparty, or ii) this option is part of a structure where there exists another derivative that can offset this loss. Likewise, the sale of options included in the option structures where at the time of contracting, the net premium is higher or equal to zero, is allowed.

For instance, short term options on interest rate swaps can be sold, which entitle the counterparty to enter a swap receiving a specific fixed interest rate, below the level prevailing at the time of selling the option; thus, if rates dropped, Telefónica would swap part of its debt from floating rate to a fixed rate, at lower levels to the initial ones, having collected a premium.

VI. Hedge Accounting:

The main risks that may qualify for hedge accounting (that is, with symmetry between the underlying asset and the hedge) are:

- Variations in market interest rates (either money market rates, or credit spreads, or both) that affect the value of the underlying asset or the measurement of the cash flows.
- Variations in exchange rates that affect the value of the underlying asset in the company's operating currency and that influence the measurement of the cash flow in the operating currency.
- Variations in the volatility associated with any financial variable, asset or liability, which modifies either the valuation or the measurement of flows in debts or investments with embedded options, whether or not these options are separable.
- Variations in the valuation of any financial asset, especially shares of companies held in the available-for-sale portfolio.

Regarding the Underlying Asset,

- Hedges can cover the total value or part of the value of the underlying asset.
- The risk to be hedged may be for the entire period of the transaction, or for a time fraction of said transaction.
- The underlying asset may be a highly probable future transaction, or a contractual underlying asset (loan, payment in foreign currency, investment, financial asset...) or a combination of both that defines an underlying asset with a longer term. Thus, there are cases in which the contracted hedges have longer terms than the contractual underlying assets to which they are associated. This occurs when Telefónica enters into long-term swaps, caps, or collars to protect itself against interest rates rises that may raise the financial costs generated by its promissory notes, commercial paper and certain floating rate loans which mature earlier than their hedges. The likelihood of renewing these financing operations with a floating interest rate is very high and the company commits to this by defining the underlying asset in more general terms as a financing programme with floating interest rates whose maturity coincides with the maturity of the hedge.

Hedges can be of three types:

- Fair value hedges.
- Cash flow hedges, for any value of the risk to be hedged (interest rates, exchange rates, etc.) or for a given range within said value (interest rates of between 2% and 4%, interest rates above 4%, etc.). In the latter case, options are used as the hedging instruments, and only the intrinsic value of the option is recognised as an effective hedge. Changes in the time value of the option are recorded as profits and losses.
- Hedges on net investment associated with subsidiaries that are integrated in the consolidation of the Group. In general these will be put in place by Telefónica S.A and other Group holding companies. Wherever possible, these hedges are implemented through real debt in foreign currency. However, this is often not possible for many Latin American currencies, as non-resident companies cannot issue debt in these currencies as they are not convertible. It may also be that the depth of the debt market in that currency is not sufficient to accommodate the required hedge (Czech Crown, Pound Sterling), or that an acquisition is made in cash, with no need for market finance. In these cases, the Group resorts to derivative instruments, either forwards or cross-currency swaps, to hedge the net investment. "Pay fixed-rate foreign currency" cross-currency swaps are valued using the forward calculation method (the interest spread and changes in value of the derivative due to changes in the interest rates are taken to equity). For "pay floating-rate foreign currency" swaps, the spot method is used (the interest spread and changes in value of the derivative due to movements in interest rates are taken to earnings). As an exception to this general rule, for those currencies in which the interest spreads with regard to the euro is high (e.g. Brazil), short-term structures are chosen (about 1 year) and the spot method is used even for fixed-rate foreign currency swaps, in order to make the Financial Statements easier to understand. For hedges with forwards the case is analysed currency by currency. For reasons related to technical market issues, or to a possible change in the fx risk perception, it may be decided to cancel the designation of a position as a hedge early, regardless of its maturity term. Likewise, for those hedging

positions approaching maturity (under 3 months), for technical market reasons, such as liquidity, depth, etc. maturity may be brought forward (by taking an offsetting position or selling the derivative on the market) should it have been decided not to renew, in which case the designation would be cancelled, and the operation can then be treated as effectively the same as the hedge reaching maturity. Otherwise, the hedge can be renewed early, in which case the designation of the first hedge is cancelled and the new hedge is designated in its stead. Sometimes, a derivative-based hedged may be renewed using foreign currency debt instruments.

Hedges can comprise a combination of different derivatives.

Management of accounting hedges need not be static, with an unchanging hedging relationship lasting through to maturity. In fact, hedging relationships may change to allow appropriate management that serves the Group's stated principles of stabilising cash flows, financial results and protecting the Group's share capital. Thus, the designation of the hedged may be cancelled, before their maturity, either by a change in the underlying asset or by a change in the perceived risk on the underlying asset. Derivatives included in these hedges may be reassigned to other possible new hedges that must pass the effectiveness tests and be properly documented.

The guiding principles for risk management are laid down by the General Management of Corporate Finance of the Telefónica Group and implemented by the financial managers of the companies (ensuring they are in keeping with both the individual interests of the companies and those of the Group). The General Management of Corporate Finance may authorise deviations from this policy for justifiable reasons, normally when the market is too thin for the volume of transactions or for clearly limited, reduced risks. Likewise, companies joining the Group as a result of acquisitions or mergers may require time to adapt.

Risk Control Systems

Telefónica carries out constant monitoring of the most significant risks that could affect the main companies that form part of its Group. To this aim it has a Corporate Model that is applied periodically and homogeneously in the Companies of the Group, allowing the evaluation of both the importance of each of the risks that could affect the companies, and the degree of control over each of the risks.

Thus, the Group has a risk map that allows it to identify those risks that require specific control and monitoring, prioritised in accordance with their importance. In addition, the model has a matrix that includes all the operational processes where each of the risks considered are managed, in order to allow the evaluation of the established controls and be able to have reasonable certainty that they will not materialise.

The identification of these risks and processes is carried out by the Internal Auditing Office, which is responsible for the internal control of the Group. Its results are informed periodically to Telefónica's Audit and Control Committee.

The 50 risks considered in the model are classified in the following categories:

- Business process risks: (operational risks, integrity risks, management and human resources risks, technological risks and financial risks).
- Information risks: (operational, financial and strategic)
- Contextual risks: (competition; shareholder relations; availability of resources; political and economic environment; legal and fiscal; regulations and changes in the sector).

“Telefónica’s Corporate Governance complies with the main national and international guidelines and requirements”

Corporate Governance

Shareholders with significant stakes

Name or corporate name	% total share capital
"La Caixa"	5.09%
BBVA	6.63%

Information as at December, 31, 2005

Ownership

Telefónica's fully subscribed and paid-up share capital amounts to 4,921,130,397 euros, and is divided into 4,921,130,397 ordinary shares, of a single class and series, with a nominal value of (1) one euro each, represented by book entries.

In accordance with the information available in the Company, there is currently no natural or legal person that exercises, or may exercise control, directly or indirectly, individually or jointly, over Telefónica. There are, however, two shareholders with significant shareholdings, directly and indirectly, as is shown in the following table: Caja de Ahorros y Pensiones de Barcelona (La Caixa), and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), with 5.09% and 6.632% of the share capital, respectively.

Corporate Governance in Telefónica

Principles of Corporate Governance

The basic corporate governance regulations of Telefónica are set out in the Company By-laws, in the Regulations of the General Shareholders Meeting and in the Regulations of the Board of Directors.

The Regulations of the General Shareholders' Meeting establishes the principles of organisation and its operation, offering shareholders a framework that guarantees and enables the exercise of their rights with regard to the General Shareholder's Meeting, as the governing body of the Company.

Likewise, the Regulations of the Board of Directors, as the founding rules of corporate governance for the Company, determine the principles guiding the actions of the Board of Directors, regulate its organisation and operation and establish the rules of conduct for its members.

In accordance with the foregoing, and as the basis of the governance structure of Telefónica, the Regulations of the Board of Directors of the Company determine the fundamental principles that guide the actions of the Board of Directors:

With respect to corporate interest. The Board of Directors executes its functions in accordance with corporate interest, understood as the Company's interest, and, This chapter presents a summarised version of the Annual Report on Corporate Governance of Telefónica S.A. for FY 2005. This report, which addresses the requirements established in the Circular 1/2004, of March 17, of the Comisión Nacional del Mercado de Valores (Spanish Stock Exchange Commission), is published on an annual basis, and can be accessed through the Company's website for shareholders and investors. (www.telefonica.es/investors).

in this respect, acts to guarantee the long term viability of the Company and maximise its value, whilst taking into account the plurality of legitimate public or private interests that converge in the execution of all business activities.

With respect to its shareholders. The Board of Directors, as the liaison between the shareholders and management, is responsible for setting up the necessary channels to be aware of the suggestions put forward by shareholders with respect to the corporate management. The Board of Directors also undertakes to guarantee equal treatment in its relations with shareholders.

With respect to the market. The Board undertakes to execute the acts and take the necessary measures to ensure the Company's transparency in financial markets, and to promote correct formation of the Company's share prices, particularly avoiding manipulation and abuse of privileged information.

The Board of Directors

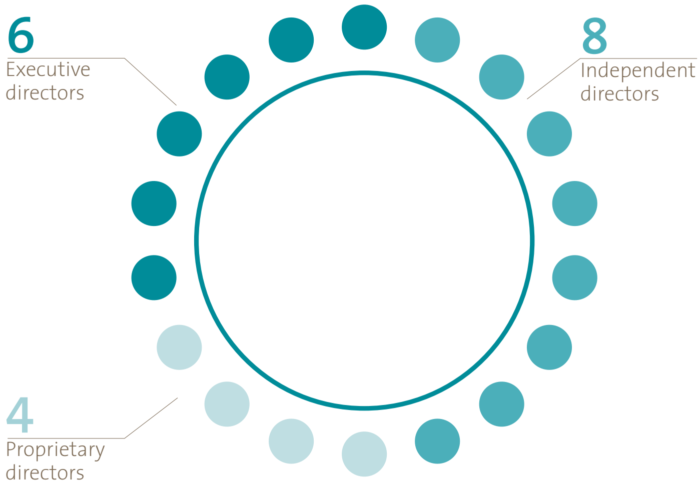
The Regulations of the Board of Directors establish it as a basically supervisory body controlling the Company's activity, while entrusting the day-to-day management of the business to the executive bodies and the management team. Moreover, and in keeping with the provisions of these Regulations, those powers that are legally or statutorily reserved for the Board of Directors may not be delegated, nor may any others necessary for the responsible performance of its basic supervisory and control duties.

Accordingly, and within the scope of its duties of supervision and control, the Board of Directors (i) determines the strategies and guidelines for the Company management, (ii) establishes the basis for corporate organisation to ensure its maximum efficiency, (iii) implements and oversees the suitable information procedures to report Company information to shareholders and the markets in general, (iv) makes decisions regarding business and financial transactions of particular importance to the Company and (v) approves the bases of its own organisation and operation to ensure the optimal fulfilment of these duties.

The Company By-Laws of Telefónica establish that the Board of Directors must comprise a minimum of five and a maximum of twenty Board Members. In April 2006, the Board of Directors of Telefónica was comprised of 18 Directors, of which 6 are Executive Directors, 4 are Proprietary Directors and 8 are Independent Directors.

Composition of the Board of Directors

May 2006



The Board of Directors Executive Committee

Subject to the legislation in force, the Board of Directors has expressly delegated all of its powers and attributes, save those that may not be legally or statutorily delegated, to an Executive Committee with general decision-making powers.

The relationship between the Board of Directors and its Executive Committee is based on the principle of transparency, such that the Board is always fully aware of the decisions adopted by the Committee. Thus, the Board of Directors is informed at each of its sessions of all the resolutions adopted by the Executive Committee, distributing a summary of the minutes of the Committee sessions for this purpose to all the Board members. The Board then proceeds to ratify these resolutions. Moreover, the election of the members of the Board of Directors to the Executive Committee must have the backing of, at least, two thirds of the Board of Directors.

The Board of Directors' Consultative or Control Committees

The Board of Directors of Telefónica has constituted several consultative or control Committees –precisely six- which it entrusts with the continual study and monitoring of areas of particular relevance for the Company's good governance, or for the monographic analysis of certain significant aspects or issues where such study is appropriate. These Committees are not corporate bodies, but rather are structured as instruments to serve the Board of Directors, which receives the conclusions reached in the matters and issues the Committees are instructed to study.

Among the consultative or control Committees constituted by the Board of Directors of Telefónica, are those that have been specifically recommended:

Audit and Control Committee, established in 1997, is regulated by the Company By-Laws and the Board Regulations. It verifies both the financial information and the annual accounts of the Company, ensuring that all the financial information is prepared in accordance with the same professional principles and practices. Its responsibilities are mainly (i) to know the financial information process and evaluate the accounting verification system, (ii) to safeguard the independence of the external auditor, supervising their work and serving as a liaison between the Board of Directors and the external auditor; (iii) to supervise the internal auditing services and (iv) to supervise compliance and integrity of the internal control systems for financial information.

The Nominating, Compensation and Corporate Governance Committee, regulated by the Board Regulations, has the following competencies: (i) to inform with regard to proposals for the appointment of Directors and other high-ranking officers of the Company and its subsidiaries, (ii), to approve the remuneration bands for the high-ranking officers of the Company, (iii) to approve the standard contracts for the high-ranking officers, (iv) to determine the remuneration scheme for the Chairman, (v) to inform and propose to the Board of Directors the retribution schemes for Directors and to revise them periodically, (vi) to inform of the incentive plans, (vii) to perform an annual analysis of the remuneration policy for Directors and high-ranking officers, (viii) to inform with regard to proposals for the appointment of members to the Board Committees, (ix), to prepare and keep a register of the status of the Directors and high-ranking officers of the Company, (x) to prepare the Annual Report on Corporate Governance and (xi) to exercise those competencies assigned to this Committee by the Board of Directors.

In addition, the Board of Directors deemed it convenient to constitute four additional consultative Committees: the Human Resources and Corporate Reputation Committee, the Regulation Committee, the Service Quality and Customer Service Committee and the International Affairs Committee.

Directors

Appointment

In accordance with the provisions of the Ley de Sociedades Anónimas (Spanish Corporations Act), the appointment of Directors is submitted for decision and approval by the General Shareholders' Meeting. In addition, and in accordance with the Regulations of the Board of Directors of the Company, the proposals for appointment are preceded by the relevant favourable report from the Nominating, Compensation and Corporate Governance Committee.

Rights and Obligations

The Regulations of the Board of Directors specifically devote title V, comprised of nine articles, to the detailed description of the rights and obligations of Directors. This title sets out the duties arising from the obligations of diligence, fidelity and loyalty of Directors and, in particular, envisages situations of conflict of interest, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets.

Telefónica's Board of Directors' Committee[1]

Board of Directors' Committee	Non-executive board members	Executive board members	Nº. of sessions 2005
Executive Committee	4	4	19
Audit and Control	4	0	12
Nominating, Compensation and Corporate Governance	4	0	10
Regulation	3	1	9
Human Resources and Corporate Reputation	4	0	5
Service Quality and Customer Service	3	1	4
International Affairs	5	0	6

[1]May 2006

Furthermore, the Regulations of the Board of Directors also includes the right of Directors to obtain the information and counsel necessary to perform their duties, as well as the establishment of the suitable channels for the exercise of such rights. In this respect, the Company has adopted the measures required to ensure that Directors are furnished in a timely manner with sufficient information specially drawn up to this effect, geared to preparing for the sessions of the Board and its Committees.

In accordance with the Regulations of the Board of Directors, the latter performs an annual evaluation of its performance and quality of its work on the occasion of the approval of the Annual Report on Corporate Governance.

Remuneration Policy

As regards the remuneration policy for Directors, this policy is proposed, evaluated and reviewed by the Nominating, Compensation and Corporate Governance Committee, always in keeping with criteria of moderation. Currently there is no remuneration system linked to the market price of the company shares or that involves handing over shares or stock options to Board Directors.

On an annual basis, the Company provides information regarding the remuneration received by the Members of the Board of Directors, both in its Annual Report and in the Report on Corporate Governance, in accordance with the criteria established for each of these documents.

Transparency of the Information for Shareholders

Regulations for Reporting to Markets

In 2003, The Board of Directors of Telefónica approved the "Regulations on Communication of Information to the Markets", which includes the legal requirements that affect Telefónica derived both from the Spanish law and from international laws applicable to the Company due to its shares being listed on other stock markets. In accordance with these Regulations, the Company disseminates immediately and simultaneously to the markets where it is present all the information that could be considered relevant, and therefore must be communicated to the market.

Likewise, these communications are published on the Company's website.

Independence of the External Auditor

Among the main competencies of the Audit and Control Committee is to propose to the Board of Directors, for submittal to the General Shareholders' Meeting, the appointment of the Accounts Auditor, as well as the terms and conditions of contract, the scope of the auditor's professional mandate and the renewal or not of their appointment.

The External Auditor has direct access to the Audit and Control Committee, and regularly takes part in its meetings, without the presence of the administrator when necessary.

In line with the legal requirements established by American regulations, the contracting of any service from the External Auditor of the Company must always be previously approved by the Audit and Control Committee. In addition, contracting services other than account auditing must be done in strict compliance with the Spanish Auditing Act and the Sarbanes-Oxley Act published in the United States, and its regulations. In this sense, the amount corresponding to work other than auditing with regard to the total amount invoiced by the auditing firm was 11% in FY 2005.

Composition of the Board of Directors of Telefónica S.A. and its Committees[1]

	Type of Director	Executive Committee	Audit and Control	Nominating Compensation, and Corporate Governance	Human Resources and Corporate Reputation	Regulation	Services Quality and Customer Services	International Affairs
César Alierta Izuel (Chairman)	Executive	Chairman						
Isidro Fainé Casas (Vice Chairman)	Proprietary	Director						
Gregorio Villalabeitia Galarraga (Vice Chairman)	Proprietary	Director	Director			Director		Director
Fernando de Almansa Moreno-Barreda	Independent					Director		Chairman
David Arculus	Independent							
Maximino Carpio García	Independent	Director	Director	Director				
Carlos Colomer Casellas	Independent	Director					Director	
Peter Erskine	Executive	Director						
Alfonso Ferrari Herrero	Independent			Chairman	Director			Director
Gonzalo Hinojosa Fernández de Angulo	Independent		Director	Director			Chairman	Director
Pablo Isla Álvarez de Tejera	Independent			Director	Chairman			
Luis Lada Díaz	Executive						Director	
Julio Linares López	Executive	Director				Director		
Antonio Massanell Lavilla	Proprietary		Chairman		Director		Director	
Vitalino Manuel Nafría Aznar	Proprietary							
Enrique Used Aznar	Independent				Director	Chairman		Director
Mario Eduardo Vázquez	Executive							
Antonio Viana-Baptista	Executive	Director						

Non- member Secretary

Ramiro Sánchez de Lerín García-Ovies		●	●	●		●		

[1] May 2006

- Executive
- Proprietary
- Independent
- Chairman
- Director

Handbook of Internal Control for Financial Information Reporting

The Sarbanes-Oxley Act affects companies listed on US financial markets and establishes, among their obligations, the need for senior managers of companies to evaluate the internal control systems regarding financial information reporting as a necessary condition for ensuring reliability.

Telefónica has considered this legal requirement as an opportunity for improvement and, far from merely complying with the law, it has fully developed its internal control structures, control mechanisms and applied evaluation procedures.

As a result of this experience, the "Manual de Control Interno para el Reporte de la Información Financiera" (Handbook of Internal Control for Financial Information Reporting) has been published, with three main goals:

- To share the knowledge acquired
- To transmit to the markets Telefónica's commitment to the development of good corporate governance practices
- To provide an easier understanding of the model developed, with a practical handbook for all its users or users of information reported by Telefónica with reference to its Internal Control Model for Financial Reporting (SEC, rating agencies...)