

Countries

Offers services in 20 countries and has an indirect presence in a further 4



For more information:
www.telefonica.es/abouttelefonica
www.telefonica.es/shareholdersandinvestors

Telefónica is present in 24 countries*

Telefónica has achieved the most geographically balanced profile of all telecommunication operators, with foreign countries contributing 63% of consolidated revenue.

In 2007, Telefónica put in practice its model of regional organisation, focused on three main geographical regions: Spain, Latin America and Europe.



Present in
24 countries

169 million
mobile telephony
accesses

42 million
fixed telephony
accesses

More than
10 million
Broadband
accesses

More than
228 million
customer accesses

Revenues of more than
56.4 billion
euros

42%
of shareholder return in
2007

1.7 million
pay-TV accesses

63%
of revenues come
from outside Spain

More than
4.35 billion
euros invested
in R&D&i

More than
248,000
professionals

106.1 billion
euros market cap.

United Kingdom

Employees: 13,221
Suppliers: 7,240
Data accesses and internet O2 United Kingdom: 71
Mobile Access O2 United Kingdom: 18,382

Ireland

Employees: 1,617
Suppliers: 824
Mobile Access O2 Ireland: 1,646

Spain

Employees: 53,300
Suppliers: 4,065
Fixed Telephony accesses: 15,898
Data accesses and internet: 5,279
Mobile Access: 22,827
Pay-TV customers: 511

Portugal

8.32% Ownership of Portugal Telecom

Italy

Indirect participation of Telefónica and a 9.98% voting right of Telecom Italia, S.p.A.

Morocco

Employees: 1,646
Suppliers: 442
Mobile Accesses Morocco: 6,153

Germany

Employees: 5,101
Suppliers: 2,179
O2 Germany Internet and data accesses: 75
O2 Germany mobile accesses: 12,472

Slovakia

Employees: 354
Suppliers: 90
TO2 Slovakia Mobile Accesses: 565

Czech Republic

Employees: 8,695
Suppliers: 391
TO2 Czech Republic fixed telephony accesses: 2,069
TO2 Czech Republic internet and data accesses: 573
TO2 Czech Republic internet and data accesses: 5,125
O2TV: 73

China**

Participation of 5% in China Netcom Group.

* Data at 31 of December of 2007.

** Telefónica, S.A., through its TELEFÓNICA INTERNACIONAL, S.A.U. subsidiary, reached an agreement for the acquisition of an additional part on CHINA NETCOM (CNC). After this acquisition, Telefónica Group's participation in CNC became approximately 7.22%.

Customers

The company added 25 million new customer accesses in 2007



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Telefónica is the world's biggest integrated operator by customer accesses

Telefónica ended 2007 with over 228 million customer accesses, 12.5% more than in 2006 thanks to the Group's intense sales efforts.

Wireless and Broadband were the main drivers of this performance. By region, Latin America grew the fastest, at 16.9%.

Fixed telephony

The telecoms markets has been changing in recent years, giving customers new communications alternatives to traditional fixed accesses.

Telefónica ended 2007 with close to 42 million fixed lines, 0.9% fewer than the year before, in a mature market

In Spain, Telefónica held fixed-line losses to just 0.3%, with a total cumulative reduction in 2007 of 51,901 lines, the smallest annual reduction since 2001. Market share was unchanged at near 81%.

Latin America had 23.9 million fixed telephony accesses, in line with 2006. The big rise in Peru's accesses (+11.3%) offset a fall in the number of lines in service elsewhere, such as Argentina, Brazil, Chile and Colombia, with declines of between 1.2% and 1.5%.

In the Czech Republic total wireline accesses ended the year at 2.1 million, a 14% drop on the previous year as a result of fixed-mobile substitution.

Broadband

Telefónica is solidly placed to seize opportunities in the new digital environment.

By the end of 2007, retail Broadband accesses totalled over 10.2 million.

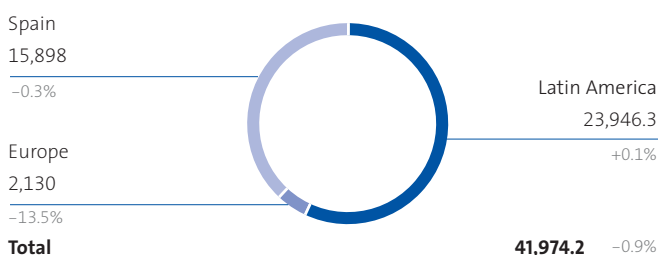
In Spain, Telefónica competed strongly in the Broadband market, maintaining its estimated market share at above 56%. At the end of December, it had 4.6 million Broadband retail accesses.

Retail internet accesses in Latin America numbered over 5 million with numbers again growing strongly from the year before (+33.2%), thanks to strong commercial activity by all operators.

In Europe, at the end of 2007 Telefónica had over 670,000 Broadband accesses, mostly in the Czech Republic. The Broadband offer in the UK also met with an excellent reception, scoring highest of any ISP in a survey carried out just two months after the service was first launched.

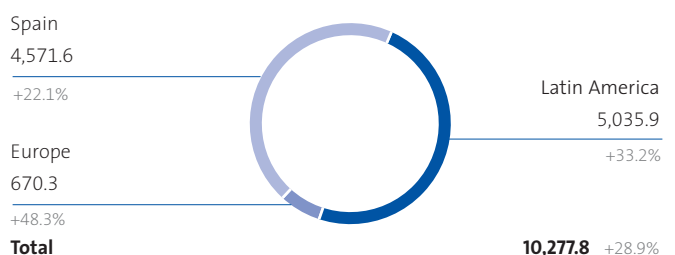
FIXED TELEPHONY ACCESSES

Data in thousands of accesses / % Chg 2007/2006



MINORITY BROAD BAND ACCESSES

Data in thousands of accesses / 06-07 Evolution



TELEFÓNICA GROUP CUSTOMER ACCESSES

Unaudited figures (thousands)	2007	2006	Geographical breakdown		
			Spain	Latin America	Europe
Final customer accesses	225,910.3	200,700.7	44,514.9	134,041.8	41,201.2
Fixed telephony accesses ¹	41,974.2	42,340.7	15,898	23,946.3	2,130
Internet and data accesses	12,968.4	12,170.9	5,279.3	6,95.8	734.2
Narrowband	2,532.9	3,997.7	660.8	1,815.6	56.6
Broadband ²	10,277.8	7,974.8	4,571.6	5,035.9	670.3
Others ³	157.7	198.4	47	103.4	7.3
Mobile accesses	169,219.7	145,125.1	22,826.6	101,976.9	38,263.8
Pay-TV	1,748.1	1,064.0	511.1	1,163.8	73.2
Wholesale accesses ^{4,5}	2,628.0	2,479.4	1,859.2	62.6	706.2
Total accesses	228,538.3	203,180.2	46,374.2	134,104.4	41,907.3

Note: mobile accesses, fixed telephony accesses and internet and data accesses include MANX's customers. The breakdown by geographical regions does not include Morocco.

¹ RTB (including TUP) x1; RDSI x1 basic access; RDSI primary access; 2/6 x30 Digital Accesses. Includes self-consumption.

² ADSL, satellite, optic fibre, modem wire and broad band circuits.

³ Rest of retail circuits that are not broad band.

⁴ Includes rented loops by Telefónica Deutschland.

⁵ Includes circuits whose final customer is operators.

Pay-TV

Content distribution is one of the value-added services around which Telefónica plans to build its integrated value solution for the customer.

In Spain, the *imagenio* service, available through all Broadband lines, had an estimated market share of under 13% at end-2007, with over half a million accesses.

In Latin America, Telefónica had 1.2 million pay-TV customers via cable or satellite with operations in Peru, Chile, Colombia and, from 3Q 2007, in Brazil.

In the Czech Republic, following the launch of new bundled products, the total of O2 TV customers rose to 73,000 at end-2007.

Wireless telephony

Wireless is a core driver of Telefónica's growth.

The Company, which operates in mobile telephony through the Movistar and O2 brands, ended 2007 with net adds of 24 million accesses, and an internal growth of 16.6%.

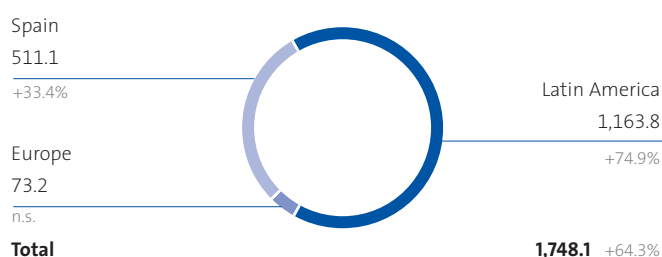
In the highly competitive Spanish market, Telefónica achieved more than 22.8 million mobile lines, with more than 50.7 million customers and penetration of 111%. The year saw strong growth in the contract base (+12.4%) to nearly 60% of all wireless customers.

In Latin America, mobile accesses were nearly 102 million (+22.4% vs. 2006) with strong growth in nearly all countries. Highlights were Mexico (+46.6%), Argentina (+22.6%) and Peru (+58.5%).

In Europe, the iPhone was a big success in the UK, becoming the fastest-ever selling handset in the country and commanding a 30% higher ARPU than the average contract user. In March 2008 the iPhone was launched in Ireland.

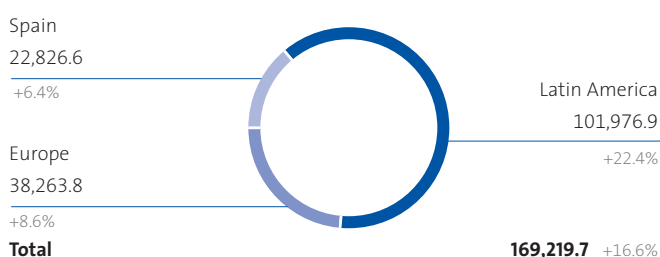
PAY-TV TV ACCESSES

Data in thousands of accesses / 06-07 Evolution



MOBILE TELEPHONY ACCESSES

Data in thousands of accesses / 06-07 Evolution



Share Value

Telefónica's market capitalisation at year-end 2007 stood at 106.1 billion euros, ranking it the fourth largest telecommunications operator by this measure



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In 2007, total returns to Telefónica shareholders amounted to 41.9%

In 2007, the Telefónica Group strengthened its position as the fastest growing European incumbent operator and the player who created the most value for shareholders.

Earnings per share jumped 43.5% in 2007 to 1,872 euros.

Shareholder remuneration

In 2007, the Company spent 5.2 billion euros on shareholder remuneration, including dividends and share repurchases; it concluded the announced 2.7 billion euro share buyback programme.

On 17 May 2007, Telefónica paid a gross final dividend against 2006 earnings of 0.30 euros per share, on top of the interim dividend of 0.30 euros per share paid on 10th November 2006.

On 14 November 2007 the Company paid an interim dividend of 0.35 euros per share against 2007 earnings. In addition, on 27 February 2008 the Board of Directors agreed to propose at the General Shareholders' Meeting scheduled for April 2008 payment of a final dividend of 0.40 euros per share, gross, against 2007 earnings, payable on 13 May 2008. If ratified this would raise the total dividend against 2007 earnings to 0.75 euros per share.

At the VI Investor Conference, held in London on 11th October 2007, the Company announced it would pay a gross dividend of 1 euro per share against 2008 earnings, up 33% on that paid against 2007 earnings. This dividend will be paid in two instalments, one in 2H08 and one in 1H09.

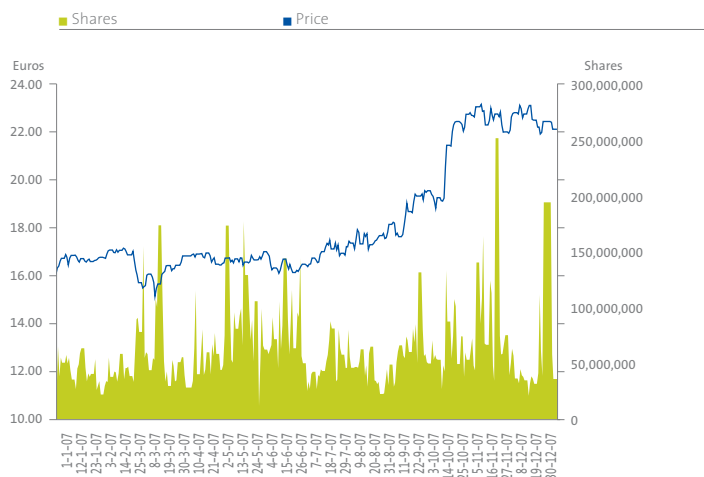
In addition, in February 2008, Telefónica announced a new share buyback programme. Under the new plan, the Company will buy back 100 million shares during 2008 and 1H09, as a function of the share price performance and cash flow generation. On 17 March 2008, Telefónica held 83,313,468 treasury shares, accounting for 1.745% of total outstanding shares. Accordingly, the Company plans to ask its shareholders to ratify the cancellation of 68,500,000 treasury shares at the next scheduled general meeting.

SHARE PROFITABILITY IN 2007

Share profitability in 2007	Number of shares	Gross amount euros
Value of 100 shares on 1st of January of 2007	100	1,612
Dividend in cash (17th of May 2007)	100	30
Dividend in cash (14th of November 2007)	100	35
Value of 100 shares on 1st of January of 2008	100	2,222
Total value of the portfolio made up by 100 shares		2,287
Profitability		41.9%

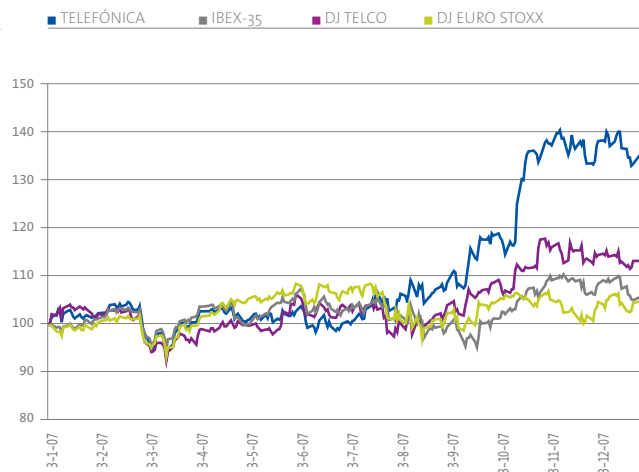
PRICE / VOLUME

Source: Bloomberg



2007 STOCK MARKET EVOLUTION

Source: Bloomberg



Share price performance

The equity markets performed well in 2007. Specifically, Telefónica's shares rallied 37.8% to 22.2 euros per share, outperforming the European comparable index (the DJ Stoxx Telecommunications) which rose 14.6%, the Ibex-35, up 7.3% and the Eurostoxx-50 which closed 6.8% higher. Telefónica also outperformed its closest peers in Europe (Vodafone rallied 32.7%, France Telecom, 17.5% and Deutsche Telecom, 8.5% while BT shed 9.5% and Telecom Italia lost 7.2%).

Telefónica's strong share price performance was underpinned by the company's higher organic growth relative to its peers (on customers, revenues, profitability and cash flow generation), the upwards revision to 2007 guidance provided, greater asset diversification and increasingly attractive shareholder remuneration. These competitive advantages came to the fore on 11 October at the Telefónica Investor Conference, where it unveiled its strategy and guidance for 2007-2010.

Telefónica's market capitalisation at year-end 2007 stood at 106.1 billion euros, ranking it the fourth largest telecommunications operator by this measure

Average daily trading volume in Telefónica shares in 2007 in the Spanish continuous market was 61.8 million shares, compared to 53.4 million in 2006.

Earnings per share growth

In 2007, Telefónica posted record earnings once again. Earnings per share jumped 43.5% to 1.872 euros per share (from 1.304 euros per share in 2006), the fourteenth consecutive quarter of growth.

Other data of interest

Exchanges

Telefónica trades on the Spanish continuous market (within the benchmark Ibex-35 index), on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia), the LSE, the Tokyo Stock Exchange, the NYSE and the stock exchanges of Buenos Aires, Lima and Sao Paulo. In October 2007, Telefónica, S.A. began the process of delisting its shares from the Paris and Frankfurt stock exchanges, effective from 1Q08.

Share capital

4,773,496,485 euros, following the cancellation of a number of treasury shares in June 2007 (in the amount of 147,633,912 euros). The nominal value of all shares outstanding is 1 euro.

Number of shareholders

The Company had 1.5 million shareholders at 29 February 2008, according to itemised investor registries and based on Iberclear (the Spanish securities registration, clearing and settlement system) data.

Significant shareholdings

At year-end 2007, La Caixa held a 5.5% interest while BBVA held a 6.3% stake.

Revenues, OIBDA and operating income driven higher by scale, diversification and integrated management



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Telefónica posted record net profit of 8.9 billion euros in 2007

The OIBDA margin stood at 40.4%.

FCF generation soared 33% in 2007 to 14.797 billion euros

Debt was cut by 6.9 billion euros in 2007 to 45.3 billion euros.

Revenue*

Revenue rose 6.7% in 2007 to 56.4 billion euros, driven by the growth in the Group's customer base.

Organic growth¹ in revenue was 7.4%, with increases across all businesses. Telefónica Latinoamérica posted a 13% increase, Telefónica España a 4.6% improvement and Telefónica O2 Europe a 4.5% increase. By business, the biggest growth drivers were the mobile and Broadband businesses.

By unit, Spain accounted for 36.6% of total revenues, Latin America for 35.6% and Europe, 25.6%. This diversification profile is the most balanced in the telecommunications industry.

Profitability*

Group OIBDA² rose 19.3% to 22.8 billion euros. The OIBDA margin stood at 40.4% (or 35.7% stripping out capital gains from Airwave and Endemol vs. 36.2% in 2006).

By unit, Telefónica España contributed 46.9% of total OIBDA, Telefónica Latinoamérica 35.3% and Telefónica O2 Europe, 18.3%. These figures exclude capital gains generated on the sale of Airwave and Endemol. Meanwhile, OIBDA was reduced by Telefónica's ongoing redundancy programmes, which will translate into higher profitability in the future.

TELEFÓNICA GROUP RESULTS BY BUSINESS UNITS

Unaudited figures (million euros)

January-December

	BUSINESS FIGURE NET AMOUNT			OIBDA			OPERATING INCOME		
	2007	2006	% Chg	2007	2006	% Chg	2007	2006	% Chg
Telefónica España	20,683	19,750	4.7	9,448	8,647	9.3	7,067	6,113	15.6
Telefónica Latinoamérica	20,078	18,089	11.0	7,121	6,571	8.4	3,562	2,900	22.8
Telefónica O2 Europa ¹	14,458	13,159	9.9	4,977	3,708	34.2	1,591	309	n.s.
Other companies and eliminations ²	1,221	1,903	(35.8)	1,278	200	n.s.	1,168	99	n.s.
Total Group	56,441	52,901	6.7	22,825	19,126	19.3	13,388	9,421	42.1

Note: Figures of 2006 are presented considering the Purchase Price Allocation of O2 as of February 2006.

Note: OIBDA for wireline operations in Latin America is presented after management fees.

¹ Telefónica Europe includes in 2006 Telefónica O2 Czech Republic (January-December), T. Deutschland (January-December), O2 Group (February-December) and O2 Germany (February-December). OIBDA figures exclude brand fee.

² OIBDA and Operating Income exclude the variation in investment valuation allowances accounted by Telefónica, S.A.

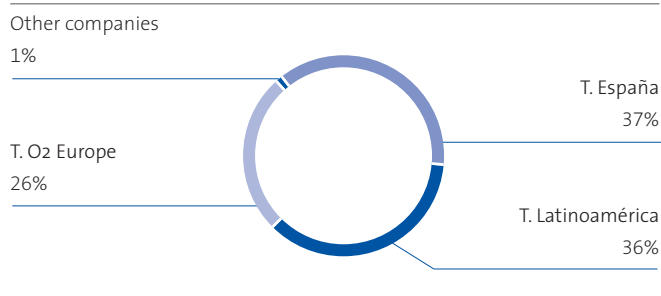
* For a detailed analysis of the Group's financial performance please refer to the audited consolidated financial statements and accompanying notes.

¹ Assuming constant exchange rates and factoring in the consolidation of O2, Telefónica Telecom and Iberbanda for all of FY06.

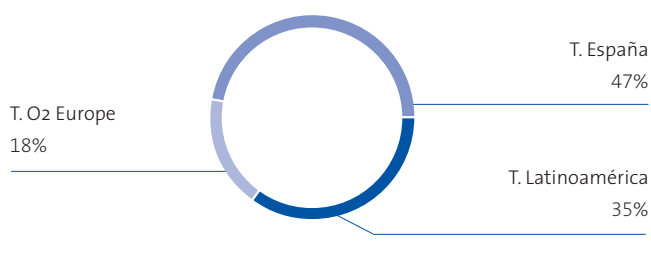
Telefónica O2 Slovakia is excluded from the scope of consolidation for FY07 and TVA is stripped out from October-December 2007. Airwave is excluded from April-December 2007 and Endemol from July-December 2006.

² Includes 1.296 million euros of capital gains from the sale of Airwave and 1.368 billion euros from the sale of Endemol.

DISTRIBUTION OF INCOME BY BUSINESS



DISTRIBUTION OF OIBDA BY BUSINESS**



Note: Data reported to the "Comisión Nacional del Mercado de Valores"

** The consolidated OIBDA of Telefónica Group from January to December of 2007 excludes the capital gains of 1,296 million euros and 1,368 million euros from the disposals of Airwave and Endemol respectively.

Cash Flow Generation*

Operating Cash Flow³ jumped 33% in 2007 to 14.8 billion euros, driven by synergies, cost rationalisation and diversification. This increase was recorded despite capex in the year (8.1 billion euros).

Free cash flow generation in the year totalled 8.8 billion euros, of which Telefónica, S.A. spent 2.1 billion euros on repurchasing shares and 3.1 on dividends, while 781 million euros went to cancelling Group commitments, mainly related to workforce reduction plans.

Disposals of investments in the year, mainly the sales of Airwave and Endemol and the stake acquired in TELCO, amounted to 2.512 billion euros, helped drive a 5.389 billion euros reduction in financial debt.

Changes in exchange rates and consolidation scope plus other impacts on the financial statements led to a further 1.5 billion euro reduction in debt. Combined, the total consolidated debt reduction in the year was 6.9 billion euros, from 52.1 billion euros to 45.3 billion euros.

Shareholder Remuneration*

Last year, Telefónica generated the most net profit of any integrated operator in the world.

Telefónica's consolidated net profit rose 42.9% in 2007 to 8.9 billion euros. This reinforced the Group's position as the fastest growing European incumbent operator and the player creating the most value for shareholders.

Basic EPS jumped 43.5% to 1.872 euros per share (2006: 1.304 euros per share), marking the fourteenth consecutive quarter of growth.

Shareholder returns stood at 41.9%, well above 19.3% return on the DJ Eurostoxx Telecommunications index.

³ OIBDA-CapEx.



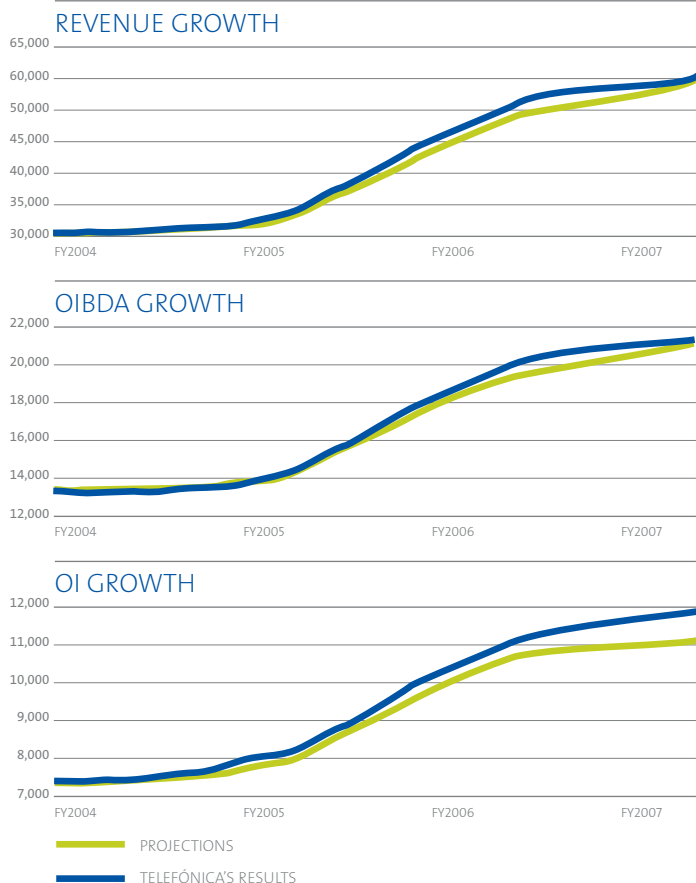
Telefónica announced a dividend of 1 euro per share against 2008 earnings

The excellent performance of the business and the disciplined use of free cash flow has allowed Telefónica to revise upward its previous commitments. Cash flow will be allocated as generated to the following priorities:

Shareholder remuneration: dividend per share in 2008 of 1 euro*
Debt reduction: net debt + cash commitments of between 2x and 2.5x OIBDA.
Selective acquisitions to boost growth in existing markets.

A track record of promises kept

In recent years Telefónica has made a habit of sharing its earnings forecasts with the analyst and investor communities. Despite the level of uncertainty inherent in such a dynamic sector, and in contrast to its peers, Telefónica has consistently beaten the earnings guidance provided. Its credibility is underpinned by ongoing and systematic delivery of the promises made to the markets.



Opportunities for organic growth

Based on the criteria used to set its 2008 financial targets, the Telefónica Group's forecasts at the consolidated level are as follows:

Forecast revenue growth in 2008 in the range of 6-8%.

- Telefónica España: 2-3,5%.
- Telefónica Latinoamérica: 11-14,0%.
- Telefónica O2 Europe: 4-7%.

The guidance for OIBDA in 2008 is for growth in the range of 7,5-11%.

- Telefónica España: 6-8%.
- Telefónica Latinoamérica: 12-16%.
- Telefónica O2 Europe: 2-6%.

The guidance for operating income (OI) in 2008 is for growth in the range of 13-19%.

Budgeted Capex for 2008 is approximately 8.6 billion euros.

*Against 2008 earnings, payable in 2Ho8 and 1Hog.

TELEFÓNICA GROUP

Data Unaudited figures (million euros)	2007	2007 (Ajus.) ¹	CAGR06-10E ²
Income	56,441	55,550	5% / 8%
OIBDA	22,825	20,863	7% / 11%
OI	13,388	11,467	16% / 20%
Capex	8,027	7,975	Acum. 07-10E < 33,000 mill.€

¹ 2007 adjusted figures exclude Airwave and Endemol, include 3 months of consolidation of TVA. 2007 T. España revenues are adjusted for new public voice telephony services business model. Group revenues are also adjusted accordingly. 2008 figures Includes TVA, Deltax and Telemig (from April 2008). Telefónica's CapEx excludes Real Estate Efficiency Programme. Guidance growths assume 2007 constant FX. In terms of guidance calculation OIBDA and OI exclude other exceptional revenues/expenses not foreseeable in 2007.

² Base 2006 reported numbers include eleven months of O2 Group (consolidated since February 2006), eight months of Telefónica Telecom (consolidated since May 2006), six months of Iberbanda (consolidated since July 2006), three months of start-up losses in Slovakia, and exclude Endemol and Airwave results. 2007 guidance assumes constant exchange rates as of 2006 and excludes changes in consolidation (TVA). In terms of guidance calculation, OIBDA and OI exclude other exceptional revenues/expenses not foreseeable in 2007. Personnel Restructuring and Real Estate Programmes are included as operating revenues/expenses, with the exception of the ones decided after the guidance communication at the beginning of the year. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures. CapEx excludes investments related to Real Estate Efficiency Plan.

Cashing in on growth

The guidance provided by Telefónica in October 2007 points to strong organic growth with bottom line growth outpacing the topline.

- Accesses are expected to grow at an annual compound rate (CAGR) of above 9%.
- CAGR revenue growth in 2006-2010E is expected to range between 5% and 8%.
- OIBDA is expected to grow at a CAGR of between 7% and 11% over the same period.
- Operating income is forecast to grow at a CAGR of between 16% and 20% between 2006 and 2010E.

The scope to achieve organic growth, coupled with disciplined financial management, should drive an increase in profits and free cash flow.

- Earnings per share (EPS), which was ?1.304 in 2006 is expected to be one full euro higher by 2010 (?2.304).
- Free cash flow per share (FCFS)² is also expected to rise by one euro between 2006 and 2010, to ?2.87 per share (from ?1.87 per share in 2006).

TELEFÓNICA GROUP

	2006	2010
EPS (?) ¹	1,304	2,304
FCF per share ²	1.87	2.87

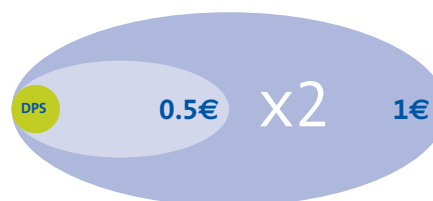
¹ Reported EPS.

² "Free Cash Flow" reflects the amount of cash flow available to remunerate Telefónica S.A. Shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility.

Shareholder remuneration policy

Telefónica is bringing forward the commitment announced in May 2006 to double the dividend by 2009. In fact, Telefónica will pay 1 euro per share dividend against 2008 earnings.

Payment will be made in two instalments: one in 2H08 and the other in 1H09. In addition to the dividend increase announced last October, on 27 February 2008, the Company announced a new share buyback programme under which it will repurchase 100 million shares, around 2.095% of the total outstanding, during 2008 and 1H09.



DISCLAIMER:

These forward looking statements are not, due to their very nature, guarantees of future performance and are subject to many risks, uncertainties and other significant assumptions that are difficult to predict and that could cause actual results to differ materially from the opinions expressed in these forward-looking statements.

Social Cash Flow

In 2007 the Company created over 67.5 billion euros in wealth



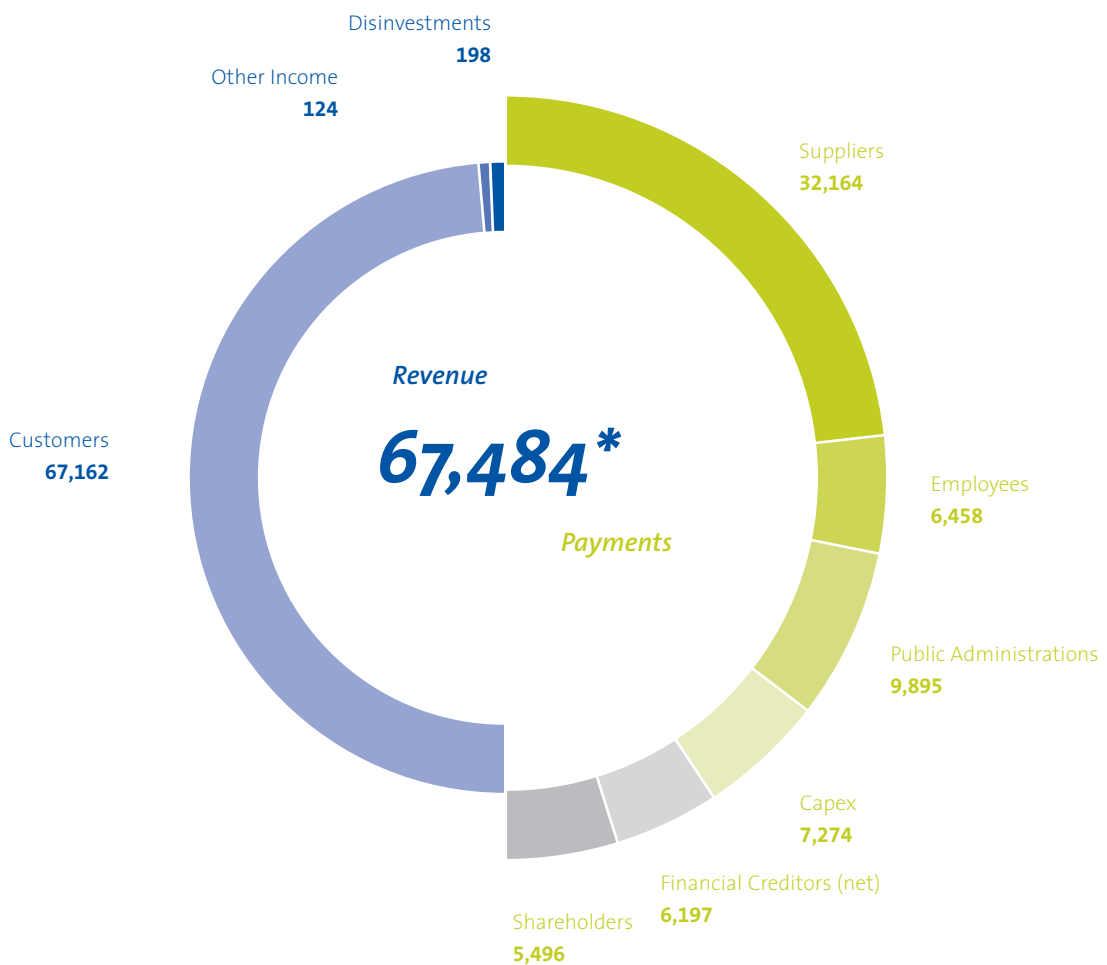
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Telefónica is a driver of economic, technological and social development in the countries where it operates

In 2007 the Company earned nearly 67,000 million euros from its customers.

Of this 6,458 million euros went in wages to its employees, 9,895 million in tax to Public Administrations, 32,164 million in payments to its suppliers and nearly 5,500 million as dividends to its shareholders. This is the effect of wealth creation.

In addition, the Company's sales and business in 2007 contributed an average of 1.2% to the GDP of the countries where it operates.



* Figures in million euros.

¹ The information published on this page has been obtained from internal cash flow evolution sources of the Telefónica Group, and verified by the auditor of the CR report. The mentioned data could be subject to variations as a result of subsequent events and evolutionary effects that could cause changes in their content. This information has been consolidated on a payments basis, whereas the information on the following page of income has been calculated on an accruals basis. For a detailed analysis of the consolidated financial statements of Telefónica Group, the audited information is included in the annual accounts report.

Contribution to progress

SPAIN	ECONOMIC IMPACT	REVENUE/GDP	MAGNITUDES
SPAIN	Revenue: 20,806 Payments: 7,413 (Purchases), 3,711 (Salaries), 2,635 (Taxes), 2,381 (Investment)	2.0%	Employees: 53,300 Suppliers: 4,065 (87.7%) Accesses: 46,374
LATIN AMERICA			
ARGENTINA	Revenue: 2,368 Payments: 905 (Purchases), 413 (Salaries), 470 (Taxes), 289 (Investment)	1.3%	Employees: 21,493 Suppliers: 1,451 (95%) Accesses: 19,471
BRAZIL	Revenue: 8,139 Payments: 4,117 (Purchases), 936 (Salaries), 3,519 (Taxes), 1,087 (Investment)	0.9%	Employees: 75,839 Suppliers: 3,231 (99.2%) Accesses: 49,000
CENTRAL AMERICA	Revenue: 587 Payments: 300 (Purchases), 54 (Salaries), 78 (Taxes), 133 (Investment)	1.2%	Employees: 5,786 Suppliers: 2,005 (68.3%) Accesses: 5,425
CHILE	Revenue: 1,825 Payments: 988 (Purchases), 231 (Salaries), 248 (Taxes), 418 (Investment)	1.6%	Employees: 14,613 Suppliers: 1,728 (90.7%) Accesses: 9,377
COLOMBIA	Revenue: 1,585 Payments: 836 (Purchases), 128 (Salaries), 302 (Taxes), 360 (Investment)	1.3%	Employees: 6,369 Suppliers: 1,430 (89.4%) Accesses: 10,974
ECUADOR	Revenue: 281 Payments: 173 (Purchases), 24 (Salaries), 48 (Taxes), 60 (Investment)	0.9%	Employees: 773 Suppliers: 390 (80%) Accesses: 2,582
MEXICO	Revenue: 1,571 Payments: 1,002 (Purchases), 167 (Salaries), 120 (Taxes), 230 (Investment)	0.2%	Employees: 16,589 Suppliers: 1,111 (93.4%) Accesses: 12,538
PERU	Revenue: 1,506 Payments: 834 (Purchases), 309 (Salaries), 378 (Taxes), 281 (Investment)	2.0%	Employees: 14,554 Suppliers: 2,143 (89.8%) Accesses: 12,174
URUGUAY	Revenue: 111 Payments: 94 (Purchases), 7 (Salaries), 0.3 (Taxes), 15 (Investment)	0.7%	Employees: 250 Suppliers: 445 (72.8%) Accesses: 1,148
VENEZUELA	Revenue: 2,430 Payments: 961 (Purchases), 135 (Salaries), 652 (Taxes), 370 (Investment)	1.5%	Employees: 6,873 Suppliers: 1,130 (89%) Accesses: 10,430
EUROPE			
GERMANY	Revenue: 3,560 Payments: 1,539 (Purchases), 466 (Salaries), 29 (Taxes), 850 (Investment)	0.1%	Employees: 5,101 Suppliers: 2,179 (94%) Accesses: 13,142
IRELAND	Revenue: 966 Payments: 365 (Purchases), 108 (Salaries), 114 (Taxes), 117 (Investment)	0.5%	Employees: 1,617 Suppliers: 824 (92.5%) Accesses: 1,646
UK	Revenue: 7,792 Payments: 5,280 (Purchases), 780 (Salaries), 597 (Taxes), 832 (Investment)	0.4%	Employees: 13,221 Suppliers: 7,240 (98.6%) Accesses: 18,453
CZECH REPUBLIC Including Slovakia	Revenue: 2,233 Payments: 373 (Purchases), 255 (Salaries), 438 (Taxes), 281 (Investment)	1.8%	Employees: 9,049 Suppliers: 481 (87.2%) Accesses: 8,517

■ Purchases ■ Salaries ■ Taxes ■ Investment

Note:

Revenue, personnel expenses, payment of tax in the country, purchases and investment (capex) in million euros.

Revenue correspond to all Telefónica business units in the country.

Employees: direct employees of the Telefónica Group in the country (headcount at 31 December 2007).

Suppliers: suppliers awarded businesses in the country in 2007.

% in parentheses represents the % awarded to local suppliers (% awarded to suppliers domiciled in the country/total awards based on volume).

Accesses: number of fixed + mobile + ADSL + TV accesses (thousand).

Revenue TEF/GDP: ratio between Telefónica revenue (contribution by the country to consolidated revenue of the Telefónica Group) and forecast GDP for the country (source: IMF).

Employees

In 2007, the Group created over half a million direct and indirect jobs



For more information:
www.telefonica.es/cro7/employees

Telefónica directly employs over 248,000 professionals

By region, Latin America accounts for 66% of total headcount. Spain, at 22%, is the second most important region by employment, while Europe accounts for 12%.

Atento, with a staff of over 123,000, is the largest employer among the Telefónica Group companies.

Headcount Trend

At the end of 2007, the Telefónica Group had over 248,000 employees, 5.78% more than the year before. Growth was highest in Latin America at almost 15%.

The most significant factors affecting headcount during the year were:

- New hires. The total number of employees was lifted by job creation at Atento (+16%) and t-gestiona (+37%).
- Business integration, in line with the Group's reorganisation into three major regions, integrating the fixed and mobile businesses.
- Disposals. The European workforce declined 13.3% with the sales of Endemol (Europe) and Airwave (UK).
- Redundancies. Telefónica de España reduced its staff by 7% as part of an ongoing redundancy programme.

Professional Profiles

By job type, and excluding Atento, 41% of Telefónica's workforce is engaged in sales roles, 45% in service provision and 14% in support services. 48.3% of the Company's workers is female, a figure that rises to 61.5% at Atento.

Telefónica Group employees have been with the Company on average for 5.8 years and are 31.3* years of age, on average. Length of service is lowest at Atento at 2 years on average while the average age of its employees is 27.

90% of the workforce has a permanent or indefinite employment contract. Atento has the highest percentage of temporary workers of all Telefónica Group companies.

The hierarchical degree of the Group's workforce stands at 11.9% up from 7% in 2006, due to the additions of companies in Telefónica O2 Europe.

Indirect Employment

In 2007, the Group created almost 225,000** indirect jobs in Spain and Latin America, the majority by outsourcing certain activities to collaborating companies.

PHYSICAL WORKFORCE BY REGION

	2007	2006	2005	% GROWTH(07/06)
Spain	53,300	57,058	60,405	-6.6
Europe	29,310	33,818	14,326	-13.3
Latin America	164,231	142,983	131,968	14.9
Rest of the World	1,646	1,041	942	58.1
Total Telefónica Group	248,487	234,900	207,641	5.8

* Figures excluding Atento

** Calculation: Total cost of hirings in the year/average cost per employee on staff This figure includes Spain, Europe and Latin America.

INDICATORS OF EMPLOYEES 2007

	With Atento	Without Atento
Total Number of employees	248,487	124,895
Spain	53,300	40,284
Europe	29,310	29,310
Latin America	164,231	55,201
Rest of the World	1,646	-
Job creation		
Number of incorporations	146,292	17,419
Number of voluntary redundancies	78,242	5,834
Number of mandatory redundancies	47,685	8,683
External churn	50.68%	11.62%
Professional development		
Total expenditure on training	59,143	53,430
Hours of training	14,350,414	4,675,838
Diversity		
% of women	48.3%	35.2%
Number of employees with a disability	1,538	975

New ways of working

Technology facilitates full connectivity, enabling professionals to work when and where they need to. At the end of 2007, Telefónica had nearly 30,000 teleworkers and more than 8,600 employees in mobility, representing 15.3% of total staff.

Healthy and Safety

Telefónica provides the means for avoiding accidents, injuries and illness at work related to the job by strictly complying with all health and safety regulations. In 2007, over 500 emergency drills were carried out, nearly 135,000 employees underwent medical tests and more than 2,700 risk assessments were made on the health of employees.

Career development

In 2007, we spent 59 million euros on employee training. Employees received more than 14 million hours of training and nearly 100,000 employees were given individual training, 36.3 % more than in 2006.

The Telefónica Corporate University

The Telefónica Corporate University began in 2007. It was a year of transition, with the definitive campus at La Roca del Vallés, 30km outside Barcelona, scheduled to open its doors by the end of 2008.

During the year, the University offered 39 senior level programmes and started up a virtual campus to promote relations among the over 1,000 Telefónica professionals and managers who studied at the centre.



Telefónica and Social Dialogue

In December 2007, the Company and the UNI, UGT and CC.OO. trade unions signed a new code of conduct, which replaced one in place since 2001. With this agreement, Telefónica is committed to upholding union and worker rights at all our operations, providing protection to all Group employees regardless of where they work.

Representatives of Telefónica, UNI, UGT and CC.OO. at the signing of the new code.

Innovation

In 2007, Telefónica spent 594 million euros¹ on R&D, the fourth most among global operators and the first of any Spanish company



For more information:
www.telefonica.es/abouttelefonica

In 2007, Telefónica spent over 4.35 billion euros on Technological Innovation

Last year Telefónica launched over 600 products and services worldwide.

The Company has built up an open innovation network, with inputs from each of the Group companies and a corporate innovation programme spearheaded by Telefónica I+D.

It participates in 190 projects sponsored by Spanish and European authorities and collaborates with 920 institutions.

Research

Last year, Telefónica's applied research projects (Expertise Building) enabled the Company to develop and identify new technology applications and business models. It is worth noting Telefónica's participation in the European Union "Framework Programme". Telefónica I+D plays the most prominent role in initiatives of this nature of all European ICT players. In 2007, it participated in 190 projects sponsored by Spanish and European authorities and collaborated with 920 institutions across 41 countries, including 169 universities. In relation to projects backed by public funding in Spain, it is worth highlighting the initiation in 2007 of 5 CENIT projects; CENIT is the Spanish government's most important programme for encouraging corporate R&D in Spain.

Development

Product and service development

Last year the number of intellectual and industrial property copyrights registered by the Group rose to 3,327 with 267 new Telefónica I+D developments.

Movilforum

In 2007, Telefónica España's catalogue of solutions included 193 products developed by 67 of movilforum's 119 member firms. Meanwhile, movilforum Latin America defined a portfolio of regional mobile solutions. This project, located in 13 countries, currently comprises over 50 developers and 170 products.

Innovation

In 2007, Telefónica resolved to put the client even more firmly under the spotlight, not only to increase customer satisfaction, but also to boost knowledge of customers' real needs under the framework of developing new ideas for products and services.

Corporate Innovation

Last year at the corporate level Telefónica launched a series of initiatives under the umbrella of its innovation programme. The overriding goal of these programmes is to boost organic growth at Telefónica.

- The Venture Capital programme. In 2007, Telefónica set up a venture capital fund to take minority interests in leading

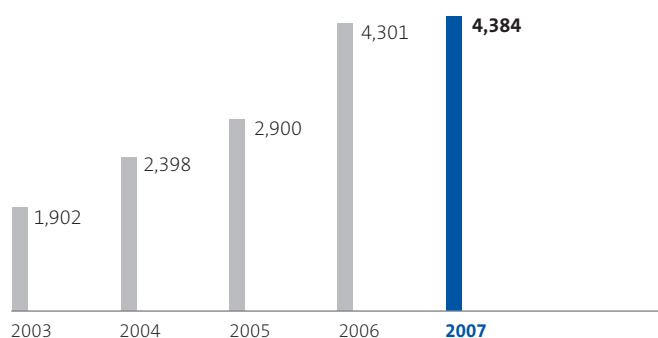
TELEFÓNICA'S NETWORK OF OPEN INNOVATION



¹ Investment in technological innovation according to OCDE criteria.

TOTAL INVESTMENT IN TECHNOLOGICAL INNOVATION¹

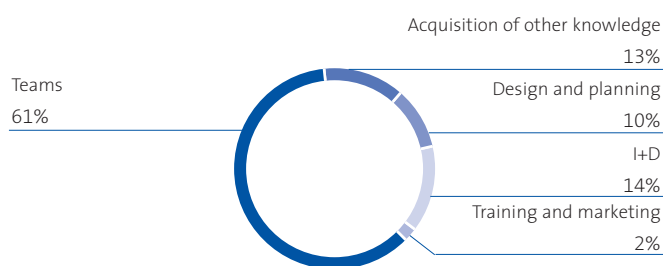
(Data in million euros)



¹ Technological innovation according INE and OCDE criteria.

DISTRIBUTION OF 2007 INVESTMENT

(Data in % on 4,394 million euros)



companies with the goal of broadening the Company's ability to innovate in core areas. The fund invested 10 million euros in 2007, specifically it took minority stakes in decentral.tv or Kyte (a P2P user generated content platform), GestureTek (specialised in gesture recognition technology) and Amobee (advertising solutions for mobile handsets).

- Corporate innovation projects. Telefónica finances projects in core business areas (internet, the digital home, etc.) that are developed and executed by Telefónica I+D (the spend in 2007 amounted to 45.4 million euros). Over 1,000 ideas were analysed in 2007, which were distilled into 35 specific projects.
- The "Incubator" programme. Mid-2007, Telefónica launched a 2 million euro programme with the aim of transforming ideas into commercially viable products/services. Last year the incubator fund made investments in Brazil, Spain, Ireland, Mexico, Peru and the UK. Some of these projects, at the pre-commercial phase, are already generating revenues.
- "Ambassadors for Innovation". This programme was created in 2007 to identify and group all employees related, directly or indirectly, to innovation. The community was inaugurated last October with a multi-day event in Madrid. Leading companies on the innovation front (Nike, Starbucks, Philips, etc.) participated in the event alongside the Telefónica's Group's senior management. Today the community is made up of almost 400 Group people.

- Alliances with innovation leaders. During 2007 Telefónica signed or expanded agreements with a range of companies (Apple, Sony, Ericsson, Motorola, Huawei, ALU, Nokia, etc.), and signed collaboration agreements with prestigious institutes, such as MIT (Massachusetts Institute of Technology).

Open Movilforum

Telefónica España launched Open Movilforum last year, an open source platform to enable developers and programmers to access services on Telefónica's network and incorporate them into their applications (mash-ups).

Living Labs

Telefónica I+D launched its first living lab in Granada in 2007, dedicated to health and wellbeing related services, and backed by the Andalusian regional government. The idea is to bring research out of the laboratory into real-life contexts to stimulate innovation. Citizens are brought into the process, testing services in their homes.

New products and services

Innovation is measured by results: in 2007, Telefónica launched over 600 new products, services and commercial packages (bundles). Of these, 174 were launched by Telefónica España.

Telefónica I+D

Telefónica I+D is the Group subsidiary engaged in core R&D initiatives. Last year the Company hired scientists and professionals from the most prestigious research institutions and universities in the world. 1,800 Group employees (1,285 of Telefónica I+D) and almost 5,000 professionals from outside companies and institutions worked on Telefónica's R&D initiatives in 2007.

During the year Telefónica I+D continued to reinforce its network of research centres across Madrid, Huesca, Valladolid, Barcelona and Granada. The latter two are dedicated centres (the Barcelona centre is specialised in internet and multimedia while the Granada centre is focused on telemedicine and teleassistance). Abroad, the level of activity at the Mexico City and Sao Paulo centres, with combined investment of 23 million euros, was noteworthy. Research initiatives were also launched in conjunction with China Netcom Labs.



Telefónica offers wireless services via 80,499 base stations

The Company continued to transform its network in 2007, bringing fibre optic to the home and expanding its 3G and 3.5G capacity

Work in the infrastructure arena also concentrated on setting common service standards for the entire Group to reduce time to market.

In 2007 Telefónica continued to work on several fronts to extend and upgrade its network infrastructure and equipment, not only to boost capacity and coverage but also to exploit synergies between the various Group companies by leveraging economies of scale and tapping growth opportunities in complementary businesses. The overriding goal of this strategy is to reinforce the company's leadership as an integrated operator.

Network infrastructure

The Group's network infrastructure initiatives extended to all layers of the network: the personal digital environment or customer devices (fixed and mobile handsets, portable devices, etc.), customer access (fixed, mobile, voice, data accesses), transmission (connectivity and the core layer), the control layer (where intelligence regarding the network and service switching is centralised) and the service layer (where the logic underpinning the customer services provided over the networks is stored). The main achievements in each of these areas in 2007 are summarised below:

The personal digital environment

In 2007, Telefónica continued to work on enhancing the digital home concept to configure tailored services; the goal is to become a reference point in connectivity and end services/content for the home. One of the noteworthy initiatives on this front was the reinforcement of *imagenio's* IPTV Centre of Excellence, an Advanced Services Centre set up at the end of 2006 whose main mandate is to coordinate and manage the actions necessary to ensure rapid customer response times.

On the devices front, Telefónica worked to generate common mobile handset specifications for all Group companies to increase bargaining power with manufacturers and reduce time to market.

Network transformation

Last year, the Company continued to upgrade its network to increase coverage and capacity. In fixed access, in a pioneering move, Telefónica began the rollout of fibre to the home (FTTH) technology. The FTTH rollout was most intense in Spain, but was also implemented, albeit to a lesser extent, in Latin America. In 2008 this process will pick up pace across the Group.

In terms of wireless networks, work continued on making 3G and 3.5G technology more broadly available across all operators to increase wireless data connection capacity. At year-end 2007, the Group had 80,499 base stations.

In 2007, Telefónica focused more on rolling out GSM rather than CDMA technology in Latin America. The aim is to broaden 2G coverage as available spectrum increases (at present, spectrum is shared by several technologies that coexist over time).

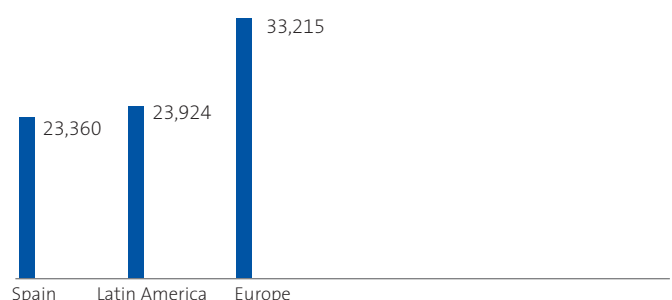
Fixed-mobile convergence

In 2007, Telefónica continued the process of extending its fixed-to-mobile architectures to boost convergent services. The work in this field was concentrated in Spain, Argentina, Brazil, Chile, Colombia, Peru, the UK, Germany and the Czech Republic.

Control

One of the most important milestones last year was the strategic agreement reached with Ericsson to rollout IMS (Internet

NUMBER OF BASE STATIONS BY REGIONS



CAPEX BY BUSINESS UNITS

Unaudited figures (million euros)	January-December		
	2007	2006	% Chg
T. España	2,381	2,304	3.4
T. Latinoamérica	3,343	2,811	18.9
T. O2 Europe ¹	2,125	2,552	(16.7)
Other companies and eliminations	178	336	(47.1)
Total Telefónica Group	8,027	8,003	0.3

Note: Telefónica Group CapEx at accumulated average exchange rates.

¹ On 2006, Telefónica O2 Europe includes Telefónica O2 Czech Republic (January-December), T.Deutschland (January-December), O2 Group (February-December) and O2 Germany (February-December).

Multimedia Subsystem) technology at all the operators. This technology enables network control, the provision of fixed-to-mobile services and shortens time to market for new services, among other features.

Services

Telefónica focused on the implementation of VoIP services and corporate solutions such as IP-Centrex, across all the various Group operators. The Company also analysed SDP (Service Delivery Platform) architectures, which enable faster service development.

Basic infrastructure

Last year the Company conducted the first studies on the viability of fuel cell technology for energy supply at its base stations as an alternative to conventional, and more pollutant, lead-acid batteries (lead, cadmium, etc.).

Best practices were cross-fertilised in various areas ranging from the rollout of new FTTH services to energy saving initiatives in temperature control in radio stations and central buildings. This was achieved by holding internal workshops targeted at the operators from the Group's three regions.

Transmission

In 2007, Telefónica continued to extend its optical transmission technologies (DWDM and CWDM, and GPON in part of the access layer and on a pilot basis in Spain and Brazil). These technologies are more efficient and provide greater capacity at lower cost. This entails a gradual tapering off of investment in 'traditional' transport technology such as ATM and SDH.

To complement the rollout, the Company analysed new higher capacity interfaces; the goal is to introduce the first 40 Gb/s interfaces in 2008. These interfaces are necessary so that increased network capacity results in the ability to offer new Broadband services by multiplying user bandwidth in a transparent manner.

Two million ADSL users have already gone from 1Mb to 3Mb

By the end of 2007 Telefónica España had concluded the migration of almost two million retail ADSL customers from 1Mb to 3Mb, including ADSL accesses managed in bundled packages such as Duo and *imagenio*.

This migration has multiplied speed on Telefónica's benchmark Broadband access product by a factor of three.

This enhanced service was provided at no additional cost to its customers, with no impact whatsoever on their monthly bills, i.e. customers continued to pay exactly what they were paying for their 1Mb ADSL service. All customer segments benefited from the initiative, including employees and customers of the Senior Club. The move enabled 90% of the retail Broadband customer base to enjoy speeds of 3Mb or higher





Telefónica launched over 600 products and services in 2007

The Company took advantage of new technologies and drove convergence of its offer for retail customers and companies alike. Its product portfolios were enhanced with Broadband and wireless services, content offering, etc.

New Technology

Faster internet

In 2007, Telefónica started to rollout HSPA (high-speed packet access) which extends and complements 3G mobile technology. The new technology has accelerated web access speeds in Spain, Brazil and Argentina, allowing customers to download information up to 10 times faster. At the same time, Telefónica also launched the USB HSPA Novatel MC950D, the first HSPA modem on the market in memory stick format.

The iPhone, exclusive UK rights

Telefónica started selling iPhones in November 2007 as exclusive dealer on the UK market.



Mobile innovations

Telefónica launched a people location system using cell phones.

At Mundo Internet 2007, held in Spain in May, Telefónica unveiled the two-dimensional codes (pictograms that work as access keys, bypassing the keypad) that extend mobile functionality by, for instance, generating virtual movie tickets.

Cutting edge handsets: Chinese manufacturer ZTE began developing 3G mobiles for Telefónica.

New technology for the home

The Company rolled out trials for its “Fibre to the home” (FTTH) technology, customised by Telefónica R&D. The first commercial phase of this high performance Broadband network starts in 2008.

Products for companies

In Spain, Telefónica launched Ibercom IP and Corporate IP, enhancing corporate communications with IP telephony solutions.

Convergence

An integrated response for business

Telefónica launched “Company Response” in 2006, turning itself into a full-service provider for all the ICT needs of small and mid-sized companies, businesses and professionals in Spain. For a single monthly fee Telefónica will supply and maintain all the workplace technologies a company needs: office IT (PCs, peripherals, servers and applications), voice (lines, handsets and switchboards) and data communications (web access, cabled or wireless LAN and corporate intranets).

As part of “Business Response”, in 2007 a number of different services were launched: Professional Office, creating a mobile workplace in a context of convergence, with maintenance for the IT equipment, corporate data networks, etc.

The project was extended to Latin America.



Convergent communications

Several countries also launched the first convergent communications services in 2007, including Chile, Peru and Colombia. These integrated traditional telephony networks with IP services, to create a closed user group for each customer with unlimited communications and advanced functionalities, such as a network-based PBX for places with no normal PBX, etc.

Similarly, Telefónica in Spain presented “Uno Pymes” the first convergent rate for the SME segment. This creates a closed user group of fixed and wireless lines in a company where users can talk free.



Content

Digital TV

In 2007, Telefónica began offering digital TV for the first time in countries such as Brazil. The Brazil start-up included an offer of 76 channels and customisable bundles.

In Spain, the Company also expanded *imagenio*, its IPTV offering, with a video service: “You Missed it”, which allows customers to see content broadcast on different TV channels and to pause or fast-forward the picture. A similar video system was also launched in Chile (PVR or Personal Video Recorder) for digital TV.

Advertising and other mobile content

Last year Telefónica became the first company to offer mobile adverts to advertisers. Telefónica brought TV to mobile screens. In Chile, it launched the “Multimedia Generation”, a service where cell phone users can access TV programmes live as well as swapping and commenting on video clips. And in Spain it brought out a 42-channel flat rate offer.

Also in Spain, Telefónica began marketing the mobile version of Pixbox, where movistar users can choose from more than 750,000 songs to download. Later, the music download services to mobile and PC were expanded with the first flat-rate offer. Telefónica also linked up with Yahoo! to give its customers access to Flickr, one of the leading online photo sharing communities. In addition, the Group signed a content sharing deal with Nokia through its new internet portal.

In Argentina it offered its customers “Fotolog”, with unlimited capacity to upload up to ten images daily, and created the first online mobile video community. It also rolled out a new version of m-Play to download whole tunes directly to a mobile phone.

Commercial activity

Double and triple play offers

Last year, Telefónica led the transformation of the internet in Latin America by selling a bundled offer of Broadband web access and voice for a single monthly rate. This was structured into different bundles of double and triple play offers for home customers in various markets.

Meanwhile, in Europe, Telefónica O2 Czech Republic launched the Dúo-Móvil service.

Flat rates

The Company continues to push low and flat rates: in Spain it launched a new email format (Blackberry and Mail Movistar), with flat rates for video calls and wireless Broadband for each day's connection.

Low cost solution

In Germany, Telefónica O2 Europe launched the discount mobile brand Fonic in August 2007.

Services for pre-pay customers

Movistar extended to countries including Argentina or Mexico its continuous connection service for pre-pay customers (“They want to talk to you”, “Call me, I'm out of credit”, etc.), where other users can return calls.

Home offer

Telefónica España launched last year its Easy PC offer for home customers (finance, two-year guarantee, technical support, etc.) with the aim of driving bundled sales of computers with ADSL service.

One-stop Messaging

In December 2007 Telefónica launched its “Business Messaging” service, allowing users to send and receive multi-operator SMSs facilitating two-way communication with customers, providers and employees.

Suppliers

In 2007, more than 28,000 suppliers were awarded business



For more information:
www.telefonica.es/cro7/suppliers
www.adquira.com

Telefónica awarded more than 27 billion euros of contracts to its suppliers in 2007

By country, Spain and Brazil were again the biggest sources by purchase volumes. The ten biggest suppliers by volume are: Nokia, Ericsson, Sony Ericsson, Alcatel, Motorola, Brightstar, Samsung, LG, Siemens and Nokia Siemens.

The Telefónica Procurement Model

Telefónica has developed a coordinated procurement system that relies on a management model first introduced ten years ago. The basic principals are: aggregation of needs, transparency, equality of opportunities, objectivity and unanimity in decision-making, a service culture for internal and external customers, and meeting commitments with suppliers.

Telefónica divides its purchasing into six product lines. Most of its procurement in 2007 came under the category of “Services and Works” which, along with “Market Products” (including mobile handsets) and “Network Infrastructure” made up over 80% of total purchasing. The rest was split between “IT systems”, “Advertising and Marketing” and “Content”.

E-Commerce

At Telefónica we take the view that internet tools improve efficiency for both purchaser and supplier, create greater transparency and ensure better control at every stage of the supplier relationship by linking operations together electronically: sourcing, contract, order, delivery note, reception and billing. Also, access to a broad market of suppliers combined with transparency means a real increase in competition, which is healthy not only for Telefónica’s own purchasing but for the market as a whole.

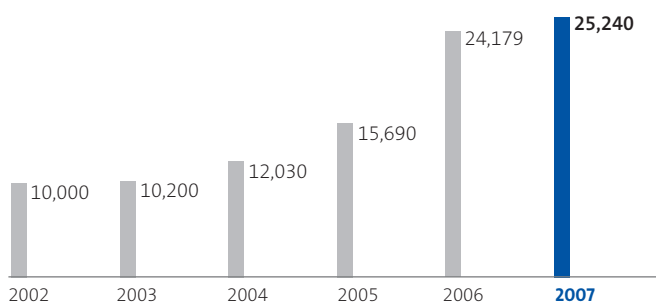
E-commerce is also a real medium for developing the internet and the information society in Telefónica’s markets, as well as encouraging values such as professionalism, honesty and objectivity in commercial dealings and transactions.

Telefónica now e-sources 87% of its Spanish and Latin American operators’ supply budgets in a process that last year involved 33,000 transactions, including 4,100 electronic auctions.

In December 2007 nearly 16,000 Telefónica suppliers were registered in this e-market, which covers sixteen countries: Spain, Argentina, Brazil, Chile, Mexico, Peru, Colombia, Venezuela, Guatemala, Panama, Nicaragua, El Salvador; the Czech Republic with the UK, Germany and Ireland currently being integrated to the system.

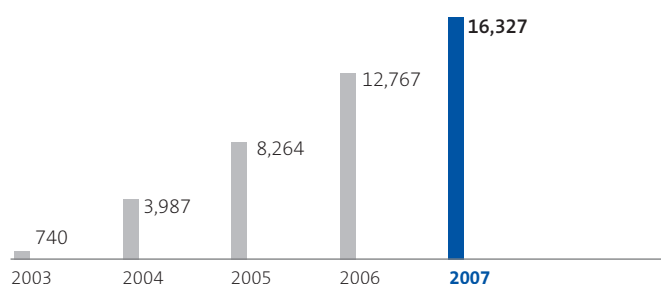
VOLUME OF PURCHASES

(Data in million euros)



EVOLUTION OF NEGOTIATED PURCHASES THROUGH E-SOURCING

(Data in million euros)



Besides the negotiation process, e-transactions available are: formal processing of deals through contracts; award of tender letters or orders; dispatch of the delivery note by the supplier; reception of the goods/services; and e-billing, based on the order data once the receipt for the goods has been received. In 2007, 111,519 orders were carried out in this way on purchases for a total of 6,411 million euros.

The e-market where Telefónica trades with its providers is Adqira España. Adqira also works with other major companies such as BBVA, Iberia and Repsol and others of similar size. The use of a shared system means companies can pool resources and costs: the infrastructure of the suppliers market. For suppliers, too, it is an advantage to have a single access point for a set of their customers.

Telefónica Compras Electrónicas

As a complement to the Adqira e-market, with the aim of developing e-commerce internally among its 140 companies, in 2007 Telefónica created Telefónica Compras Electrónicas (TCE).

This subsidiary will manage the technical support platform for e-sourcing, contracts and orders, using it to develop new functionalities tailored to Telefónica's needs and completing the rollout of e-procurement to all products and services.

Supplier Satisfaction Survey

Every two years Telefónica carries out a confidential survey among its main registered suppliers to find out how satisfied they are with the Telefónica purchase model.

In 2007, 7,094 suppliers were surveyed with responses from 13.47%. The main conclusions were as follows.

Strong Points

The Procurement Model

- › Transparent decision-making process
- › Promotion and defence of competition
- › Equal opportunities
- › Standardised operation in all countries

Purchaser Management

- › Ethics and honesty of the purchaser
- › Training in technical aspects of purchasing
- › Notification of results to tender winners

Operational Relationship with Telefónica

- › Consideration given to suppliers' recommendations
- › Auctions are a transparent way to award contracts

E-Commerce

- › Introduction of tools for electronic formalisation of commitments
- › Convenience of Telefónica's e-commerce tools

Corporate Responsibility

- › There were no practises that could be considered unethical
- › Telefónica requires compliance with minimum standards for working conditions

Areas for improvement in

The Procurement Model

- › Management time required for each purchase

Operational Relationship with Telefónica

- › Notification of results to those not awarded a tender

Corporate Responsibility

- › Telefónica is concerned to ensure suppliers meet environmental standards