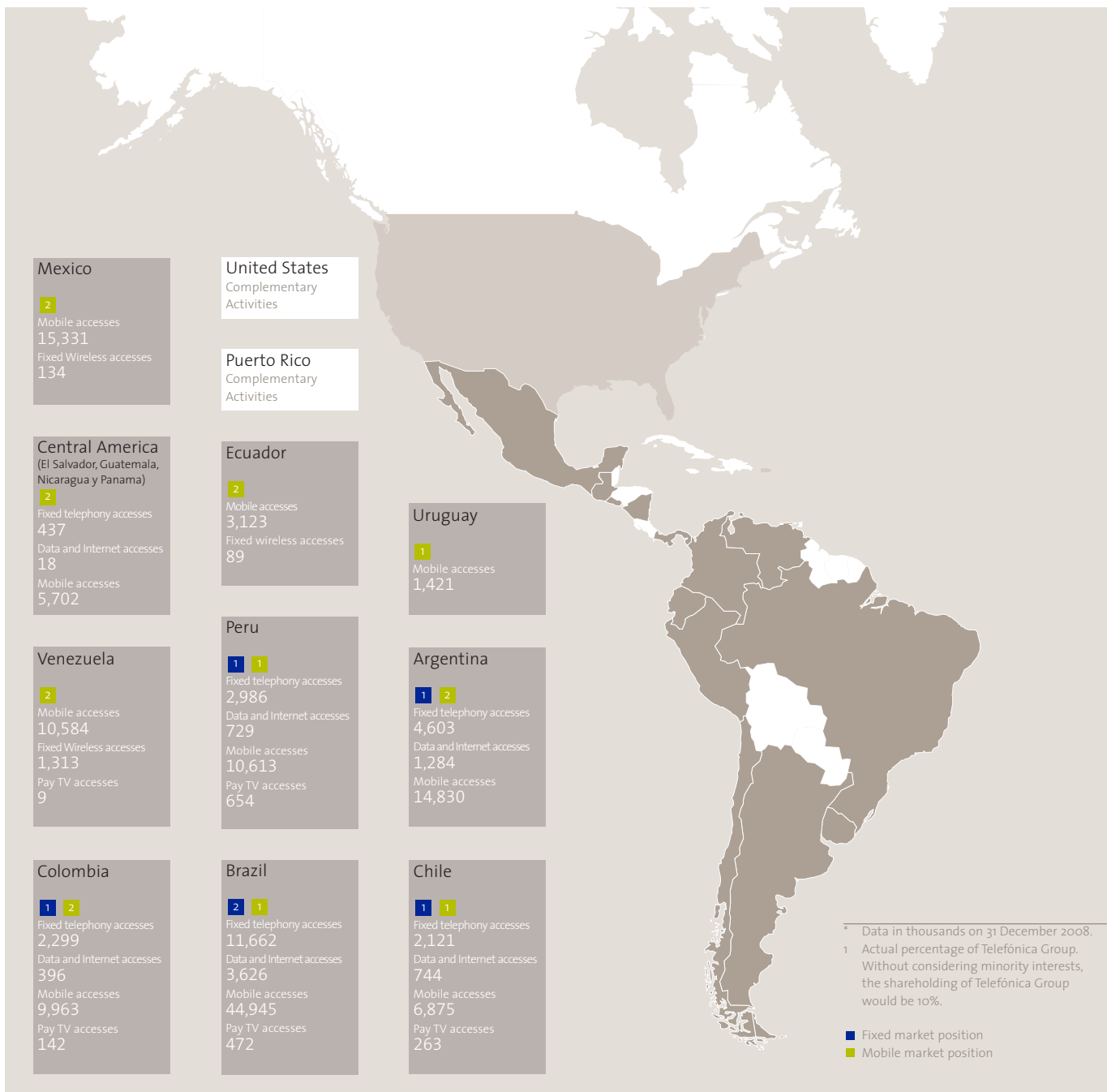


International Presence

Telefónica offer services in 21 countries and has an additional presence in 4 others

Telefónica is present in 25 countries

In geographical terms, the Company possesses an ideal revenue distribution: in 2008 they obtained 36% of revenue in Spain, 38% in Latin America, 25% in Europe and 1% in the other markets.



Present in
25 countries

196 million
mobile
accesses

43 million
fixed telephony
accesses

Over
12 million
broadband
accesses

Over
2 million
pay TV
accesses

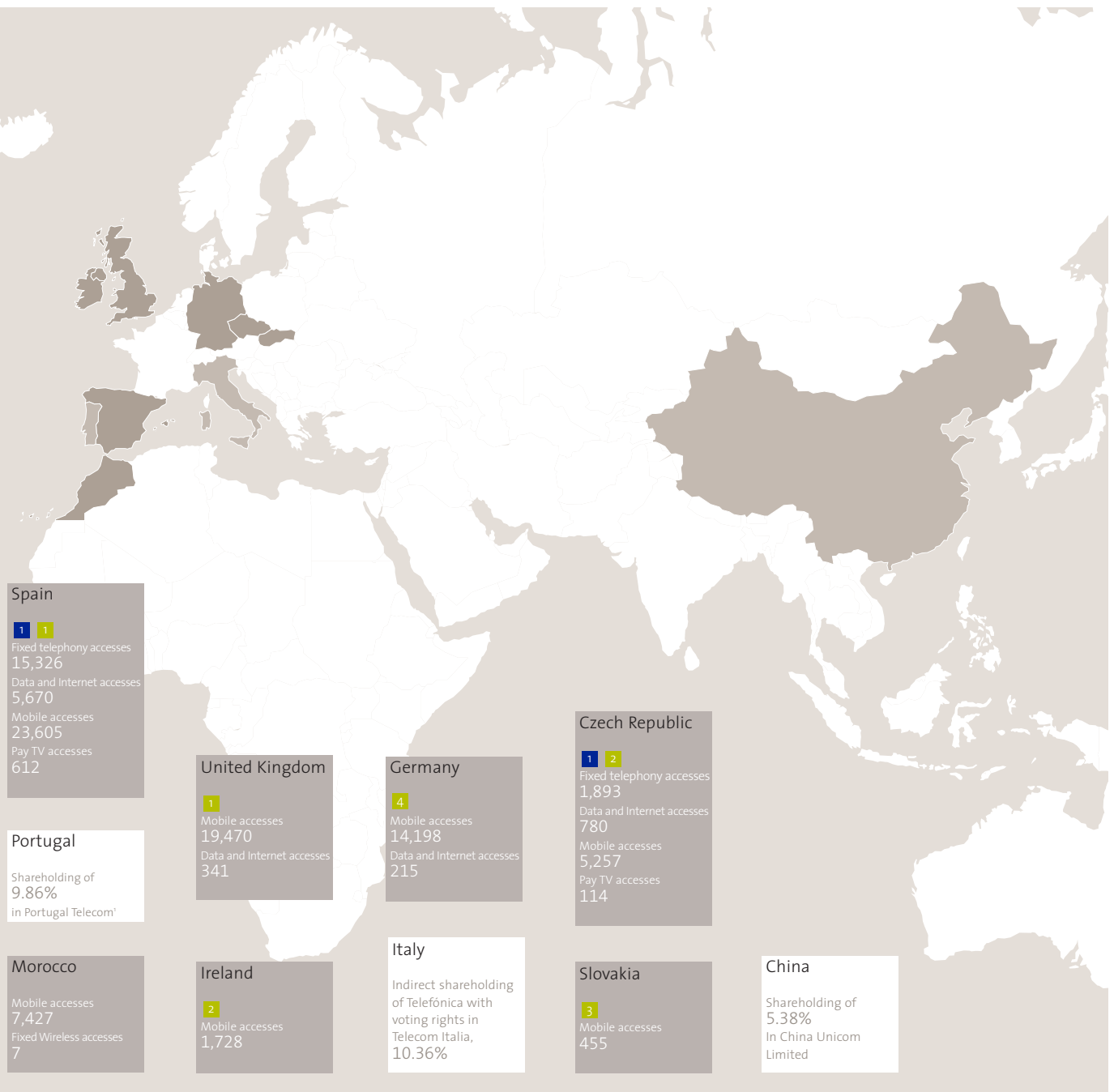
259 million
customer
accesses

57,946 million
euros in revenue

64% of revenue
generated outside
Spain

4,614 million
euros invested
in R+D+I

Over
257,000
professionals



Group Description

The Company's organisational structure promotes its scale and diversity as competitive advantages in the sector

Telefónica is organised structurally in three geographical regions: Spain, Latin America and Europe

During 2008, the Group consolidated its Multilocal Management model to take maximum advantage of shared business models and differential capacities.

Organisational profile

Corporate Centre

Telefónica's Corporate Centre is responsible for defining global and organisational strategies, corporate policy, management of joint activities and coordinating the business units. During 2008, it reinforced its commitment to these units by carrying out a reorganisation that resulted in the creation of two business divisions: the first dedicated to innovation, with the aim of helping to increase revenues; the second dealing with transformation in order to increase efficiency.



Julio Linares, Chief Operating Officer of Telefónica S.A.

Telefónica España

The activity of Telefónica España, which is concentrated in maximum value sectors, extends to fixed telephony services (including pay TV), mobile telephony and Broadband and includes investments in Morocco (via Meditel).

Telefónica Latinoamérica

Telefónica Latinoamérica operates in 13 countries, offering fixed and mobile business telephony, internet, Broadband and pay TV: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela. In addition, Telefónica International Wholesale Services provides wholesale telecommunications services worldwide. This catalogue of services includes Voice, Capacity, IP, Satellite, Corporate and mobile services, providing connectivity between Latin America, United States and Europe over an optical fibre network. Finally, Telefónica is carrying out complementary activities in Puerto Rico and United States.

Telefónica Europe

The activity of Telefónica Europe centres on fixed and mobile telephony and Broadband in Europe and it operates in the United Kingdom, Ireland, Germany, Czech Republic and Slovakia. In these markets Telefónica operates under the O2 brand.

Telefónica O2 Europe plc was renamed Telefónica Europe plc on 1 June 2008. Two years after its acquisition, this change is part of the natural process of integration into Telefónica. Thus, the name form of the companies operating in all regions now has the same structure - Telefónica España, Telefónica Latinoamérica and Telefónica Europe.

Partnerships and other shareholdings

Telefónica is present in China, Italy and Portugal, by means of shareholdings in China Unicom, Telecom Italia, and Portugal Telecom, respectively.

Other companies

Atento provides customer care services through contact centres. Its operating platforms are present in Spain, Argentina, Brazil, Central America, Chile, Colombia, US, Morocco, Mexico, Peru, Puerto Rico, Czech Republic, Uruguay and Venezuela.

tgestion offers comprehensive management support services in the areas of financial administration, HR, property, logistics and distribution; process consultancy and ERP; and back office integration. It is present in Spain, Argentina, Brazil, Chile and Peru.

Telefónica R+D, which is dedicated to technological investigation, is the leading private R+D centre in Spain in terms of activities and resources. It leads Europe in participation in European research projects and in the ICT sector. It operates in Spain, Brazil and Mexico.

Integrated Multilocal Management model

Telefónica's structure aims to maximise the value of its different operating levels: global, regional and local. Its organisational model is focused on: allowing the customer to take centre-stage; promoting innovation to generate revenues; and maintaining the transformational path. All of these are aimed at making the Company more efficient and upholding excellence when carrying out its operations.

Group Structure

Above all, 2008 was characterised by the increased presence of the Company in Telefónica Chile

The Telefónica Group's main shareholdings

The Company, which is present in 25 countries, bases its organisational model on three regional business units and possesses strategic and industrial alliances in China, Italy and Portugal

Telefónica España

	% Part
Telefónica de España	100.00
Telefónica Móviles España	100.00
Telyco	100.00
Telefónica Telecomunic. Públicas	100.00
T. Soluciones de Informática y Comunicaciones de España	100.00
Iberbanda	58.94
Medi Telecom	32.18

Telefónica Europe

	% Part
Telefónica O2 United Kingdom	100.00
Telefónica O2 Germany ¹	100.00
Telefónica O2 Ireland	100.00
Manx	100.00
Be	100.00
Group 3G (Germany) ²	100.00
Telefónica O2 Czech Republic ³	69.41
Telefónica O2 Slovakia ³	100.00

¹ Company owned through Telefónica S.A.

² Company owned through Telefónica O2 Germany.

³ Company owned through Telefónica O2 Czech Republic.

Telefónica Latinoamérica

	% Part
Telesp ¹	87.95
Telefónica del Perú	98.18
Telefónica de Argentina	98.20
TLD Puerto Rico	98.00
Telefónica Chile ²	96.75
Telefónica Telecom	52.03
Telefónica USA	100.00
T. Intern. Wholesale Serv. (TIWS) ³	100.00
Brasilcel ⁴	50.00
T. Móviles Argentina	100.00
T. Móviles Perú	98.63
T. Móviles México	100.00
Telefónica Móviles Chile	100.00
T. Móviles El Salvador	99.08
T. Móviles Guatemala	100.00
Telcel (Venezuela)	100.00
T. Móviles Colombia	100.00
Otecel (Ecuador)	100.00
T. Móviles Panamá	100.00
T. Móviles Uruguay	100.00
Telefonía Celular Nicaragua	100.00
T. Móviles Soluciones y Aplicac. (Chile)	100.00

¹ Effective participation 88.01%.

² Telefónica Internacional de Chile S.A. owns 44.89% and Inversiones Telefónica Internacional Holding Ltd. owns 51.86%. On 9 January 2009 the second takeover offer was completed increasing Telefónica Group participation over the Chilean company to 97.89%.

³ Telefónica, S.A. owns 92.51% and Telefónica DataCorp owns 7.49%.

⁴ Joint Venture which fully consolidates the subsidiary Vivo, S.A., through shareholding in at Vivo Participações, S.A. (63.73%).

Other holdings

	% Part
3G Mobile AG (Switzerland)	100.00
Grupo Atento	100.00
Telefónica de Contenidos (Spain)	100.00
Mobipay Internacional	50.00
Telco SpA (Italy) ¹	42.30
IPSE 2000 (Italy) ²	39.92
Mobipay España ³	13.36
Lycos Europe	32.10
Hispasat	13.23
Portugal Telecom ³	9.86
China Unicom Limited (Hong Kong, China)	5.38
ZON Multimedia ⁴	5.40
BBVA	0.97
Amper	6.10

¹ Telefónica holds an indirect stake of ordinary share capital (with voting rights) in Telecom Italia through Telco of 10.36%. If we take into account the saving shares (azioni di risparmio), which do not have voting rights, the indirect participation of Telefónica over Telecom Italia would be 7.15%.

² Ownership directly or indirectly held by Telefónica Móviles España.

³ Telefónica's Group effective stake Telefónica Group stake would be 10% if we exclude the minority interests.

⁴ Telefónica's Group effective holding, Telefónica Group holding would be 5.46% if we exclude minority interests.

