



RAMIRO SÁNCHEZ DE LERÍN
General Secretary and Secretary
to the Board of Directors
TELEFÓNICA, S.A.

Telefónica, S.A., as provided in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), hereby reports the following

SIGNIFICANT EVENT

Further to the notice sent on February 27th, 2008 and because of the official calling of the Annual General Shareholders' Meeting of the Company to be held on April 21st and 22nd, 2008, at first and second call respectively, the full text of the official announcement of the calling of the Annual General Shareholders' Meeting, together with the proposals to be submitted for approval at the Meeting, are enclosed to this report.

The aforesaid proposals together with the additional information, are available to shareholders, for examination, at the Company's registered office. Additionally, these documents will be accessible on - line via de Company's website: (www.telefonica.es)

We hereby highlight that the time for the Annual General Shareholders' Meeting to be held, has been changed to 13.00 p.m.

Madrid, March 14th, 2008

TELEFONICA, S.A.

Annual General Shareholders' Meeting

By decision of the Board of Directors of TELEFÓNICA, S.A., the shareholders are hereby called to the Annual General Shareholders' Meeting, **to be held in Madrid, at the premises of Casa de Campo, Pabellón de Cristal, Avenida de Portugal, s/n**, at 13 p.m. on April 22nd 2008 on second call, if the legally required quorum is not reached and therefore the Meeting cannot be held on first call on April 21st 2008 at the same place and time, according to the following

AGENDA

- I. Examination and approval, if appropriate, of the Individual Annual Accounts, of the Consolidated Financial Statements (Consolidated Annual Accounts) and of the Management Report of Telefónica, S.A. and its Consolidated Group of Companies, as well as of the proposed allocation of profits/losses of Telefónica, S.A. and of the management of its Board of Directors, all with respect to the Fiscal Year 2007.
- II. Re-election, ratification, and appointment, if appropriate, of Directors:
 - II.1 Re-election of Mr. José Fernando de Almansa Moreno-Barreda.
 - II.2 Ratification of the interim appointment of Mr. José María Abril Pérez.
 - II.3 Ratification of the interim appointment of Mr. Francisco Javier de Paz Mancho.
 - II.4 Ratification of the interim appointment of Ms. María Eva Castillo Sanz.
 - II.5 Ratification of the interim appointment of Mr. Luiz Fernando Furlán.
- III. Authorization to acquire the Company's own shares, either directly or through Group Companies.
- IV. Reduction of the share capital through the cancellation of shares of treasury stock, excluding creditors' right to object, and amendment of the article of the By-Laws relating to the share capital.
- V. Appointment of the Auditors of the Company for the Fiscal Year 2008.
- VI. Delegation of powers to formalize, interpret, cure and carry out the resolutions adopted by the shareholders at the General Shareholders' Meeting.

After the presentation of the items included in the Agenda, the General Shareholders' Meeting will be informed about the amendment to the Board Regulations pursuant to Section 115 of the Securities Market Act. A Report will be presented explaining the subjects included in the Management Report pursuant to Section 116.bis, of the Securities Market Act.

SUPPLEMENT TO THE CALL TO GENERAL SHAREHOLDERS' MEETING

Pursuant to the provisions of Section 97.3 of the Companies Act, shareholders representing at least five percent of the share capital may request the publication of a supplement of this call to the General Shareholders' Meeting, including one or more items in the Agenda. This right must be exercised by means of verifiable notice (which will include the corresponding documents evidencing shareholder status) that must be received at the Company's registered office (Gran Vía, número 28, planta 12^a, Madrid, código postal 28013, to the attention of the General Secretary and Secretary of the Board of Directors) within five days of the publication of this call to Meeting.

PARTICIPATION OF A PUBLIC NOTARY IN THE ANNUAL GENERAL SHAREHOLDERS' MEETING

The Board of Directors has resolved to request the presence of a Public Notary to draw up the minutes of the Meeting, pursuant to Section 114 of the Companies Act in connection with Sections 101 and 103 of the Regulations of the Commercial Registry.

RIGHT TO RECEIVE INFORMATION

In connection with Items I and IV on the Agenda, and pursuant to the legal terms, it is stated for the record that shareholders have the right to examine and obtain at the Company's registered office, or to request the Company to send them, immediately and free of charge, a copy of the following documents:

- Individual Annual Accounts, Consolidated Financial Statements (Consolidated Annual Accounts) and Management Report of Telefónica, S.A. and its Consolidated Group of Companies, the corresponding audit reports and the proposed allocation of profits/ losses of Telefónica, S.A.
- Proposed reduction in share capital as set forth in Item IV on the Agenda, together with the mandatory Directors' Report.

Furthermore, the following documents are made available to the shareholders at the Company's registered office:

- The text of the proposed resolutions relating to all other items on the Agenda.
- Brief description of the professional profile for each of the Directors included in the proposed resolution under Item II on the Agenda.
- Full text of the Regulations of the Board of Directors.
- Report referred to Section 116. bis of the Securities Market Act.
- Report on the Director's Remuneration Policy for the Fiscal Year 2007.
- Annual Report on Corporate Governance for the Fiscal Year 2007.

All of the documents set forth above will be available electronically on the Company's website (www.telefonica.es).

Pursuant to Section 112.1 of the Companies Act, the shareholders may, until the seventh day prior to the date on which the General Shareholders' Meeting is scheduled to be held by completing the form posted on the Company's website for such purpose, or by postal correspondence sent to the Company's registered office (Gran Vía, número 28, planta 11^a, Madrid, código postal 28013, to the attention of the *Oficina del Accionista* [Shareholder Office]), request such information or clarifications as they deem necessary, or ask such questions as they deem appropriate, regarding the matters included on the Agenda or about the information available to the public that has been provided by Telefónica, S.A. to the National Securities Market Commission since May 10, 2007, i.e., the date on which the last General Shareholders' Meeting was held.

RIGHT TO ATTEND THE MEETING IN PERSON OR BY PROXY

The right to attend the General Shareholders' Meeting hereby called applies to shareholders that hold at least 300 shares registered in their name in the corresponding book-entry registry five days in advance of the date on which the Meeting is to be held and who provide evidence thereof by means of the appropriate attendance card or by producing a certificate issued by any of the depositaries participating in the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores* [Securities Registration, Clearing and Liquidation Systems Management Company] (IBERCLEAR) or by any other means allowed under applicable Law.

Any shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, who need not be a shareholder. A proxy may be granted by using the proxy-granting form printed on the attendance card or by any other means allowed by Law. The documents containing proxies for the General Shareholders' Meeting must set forth the instructions regarding

the manner of voting, provided that, where no express instructions are given, the representative will vote in favor of the proposed resolutions submitted by the Board of Directors regarding the matters on the Agenda, and will vote against of those resolutions that are not included in the Agenda that might be put to the vote at the Meeting.

If the proxy-granting form does not set forth a specific person to whom the shareholder grants the proxy, such proxy will be deemed granted in favor of the Chairman of the Board of Directors of the Company or of such other person as may replace him as Chairman of the General Shareholders' Meeting. In the event that, in accordance with the foregoing, the representative is involved in a conflict of interest upon voting on any of the proposals, whether or not included in the Agenda, which are put to the vote at the General Shareholders' Meeting, the proxy will be deemed granted to the Secretary of the General Shareholders' Meeting in his capacity as a shareholder having the right to attend.

Shareholders who do not hold the minimum number of shares required to attend may grant a written proxy in respect thereof in favor of another shareholder having the right to attend, or come together with other shareholders that are in the same situation such that they reach the required number of shares and grant a written proxy to one of such shareholders.

DATA PROTECTION

The personal data that shareholders send to the Company in order to attend, grant proxy or vote at the Shareholders' Meeting, or the data provided by the entities where those shareholders have deposited their shares, via de legal entity that registers the book entries, Iberclear, shall be used only by Telefónica, S.A. to draw up, complete and monitor the existing shareholder list. Likewise, those data shall be included into a computer file owned by Telefónica, S.A. whose purpose is sending to shareholders any information related to their investment and any other advantage in the sectors of telecommunications, IT, tourism, culture, insurance, financial and home assistance that may derive from their status of shareholders. Each shareholder will have a period of 30 days within the General Shareholders' Meeting holding date to oppose to the data processing (by calling toll free at 900 111 004). The shareholder's approval will be deemed granted for this purpose once this period is over. The right of access, rectification, cancellation and opposition to the data processing may be exercised by postal correspondence by attaching a copy of the Identity Card addressed to the attention of the Telefónica, S.A. Shareholder Office located in Distrito C, Ronda de la Comunicación, Edificio Oeste 2, Planta baja 28050 Madrid.

HOLDING OF THE MEETING ON SECOND CALL

Shareholders are advised that, based on experience from previous years, the General Shareholders' Meeting is expected to be held on second call, at 13 p.m. on April 22nd 2008, at the place indicated above.

ENTRANCE AT THE RECINTO FERIAL DE LA CASA DE CAMPO-PABELLÓN DE CRISTAL

**Entrance at the Paseo de Extremadura: Puerta del Ángel or Main Entrance
Metro Station "Lago", lines 6 and 10**

FOR ANY ADDITIONAL INFORMATION, SHAREHOLDERS MAY CONTACT TELEFÓNICA'S SHAREHOLDER OFFICE BY CALLING TOLL-FREE AT 900 111 004, FROM 9:00 A.M. TO 7:00 P.M., MONDAY THROUGH FRIDAY.

Madrid, 14th March 2008
General Secretary and Secretary of the Board

ANNUAL GENERAL SHAREHOLDERS' MEETING
OF "TELEFÓNICA, S.A." - YEAR 2008 -

**PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF
DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING**

21 / 22 April 2008

Proposal regarding Item I on the Agenda: Examination and approval, if appropriate, of the Individual Annual Accounts, of the Consolidated Financial Statements (Consolidated Annual Accounts) and of the Management Report of Telefónica, S.A. and its Consolidated Group of Companies, as well as of the proposed allocation of profits/losses of Telefónica, S.A. and of the management of its Board of Directors, all with respect to Fiscal Year 2007.

- A) To approve the Individual Annual Accounts (Balance Sheet, Profit and Loss Statement and Notes), the Consolidated Financial Statements -Consolidated Annual Accounts- (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Recognized Income and Expense, and Notes), and the Management Reports of Telefónica, S.A. and its Consolidated Group of Companies for the Fiscal Year 2007 (ended December 31 of such year), as drawn up by the Board of Directors of the Company at its meeting on February 27, 2008, as well the management performed by the Board of Directors of Telefónica, S.A. during such Fiscal Year.

In the Individual Annual Accounts, the Balance Sheet as of December 31, 2007 reflects assets and liabilities in the amount of 83.159 million Euros each, and the Profit and Loss Account as of the end of the fiscal year reflects positive results of 6.620 million Euros.

In the Consolidated Financial Statements (Consolidated Annual Accounts), the Balance Sheets as of December 31, 2007 reflect assets, and equity and liabilities in the amount of 105.956 million Euros each, and the Income Statement as of the close of the Fiscal Year reflects positive results of 8.908 million Euros.

- B) To approve the following Distribution of Telefónica, S.A.'s Profit from Financial Year 2007:

To use the profit obtained by Telefónica, S.A. in Financial Year 2007, adding up to €6,619,861,136.05 as follows:

- €1,651,746,290.95 to pay an interim dividend (fixed sum of €0.35 gross per share for the total of 4,773,496,485 shares comprising the Company's share capital, with the right to receive it. The said dividend was fully paid out on November 14th 2007).

- A maximum of €1,909,398,594.00 to pay a final dividend (maximum amount to be distributed equal to €0.40 gross per share for the total of 4,773,496,485 shares comprising the Company's share capital).
- The remaining profit (a minimum of €3,058,716,251.10) to the Voluntary Reserve.

The payment of the final dividend shall be made on May 13th, 2008 through the Entities participating in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A." (IBERCLEAR), the Spanish securities registrar, clearing and Settlement Company.

The gross amounts paid shall be subject, where appropriate, to the withholdings required by the applicable legislation from time to time.

Proposal regarding Item II on the Agenda: Re-election, ratification and appointment, if appropriate, of Directors:

II.1 To re-elect as an external Director Mr. Fernando de Almansa Moreno-Barreda, appointing him for a new period of five years.

II.2 To ratify the interim appointment as a Director of the Company, as previously approved by the Board of Directors, of Mr. José María Abril Pérez, appointing him as a proprietary Director for a period of five years, pursuant to the provisions of Law and the By-Laws.

Mr. José María Abril Pérez was appointed as a Director on an interim basis by resolution of the Board of Directors on July 25th, 2007 to fill the vacancy produced by the resignation of Mr. Gregorio Villalabeitia Galarraga.

II.3 To ratify the interim appointment as a Director of the Company, as previously approved by the Board of Directors, of Mr. Francisco Javier de Paz Mancho, appointing him as an independent Director for a period of five years, pursuant to the provisions of Law and the By-Laws.

Mr. Francisco Javier de Paz Mancho was appointed as a Director on an interim basis by resolution of the Board of Directors on December 19th, 2007 to fill the vacancy produced by the resignation of Mr. Enrique Used Aznar.

II.4 To ratify the interim appointment as a Director of the Company, as previously approved by the Board of Directors, of Ms. María Eva Castillo Sanz, appointing her as an independent Director for a period of five years, pursuant to the provisions of Law and the By-Laws.

Ms. María Eva Castillo Sanz was appointed as a Director on an interim basis by resolution of the Board of Directors on January 23rd, 2008 to fill the vacancy produced by the resignation of Mr. Antonio Viana-Baptista.

II.5 To ratify the interim appointment as a Director of the Company, as previously approved by the Board of Directors, of Mr. Luiz Fernando Furlán, appointing him as an independent Director for a period of five years, pursuant to the provisions of Law and the By-Laws.

Mr. Luiz Fernando Furlán was appointed as a Director on an interim basis by resolution of the Board of Directors on January 23rd, 2008 to fill the vacancy produced by the resignation of Mr. Maximino Carpio García, previously filled by Mr. Manuel Pizarro Moreno, whom resigned on January 23rd 2008.

Furthermore, the ratification of any interim appointments of Directors that may have been approved by the Board of Directors since the call to the General Shareholders' Meeting and the meeting event will be proposed, if applicable.

Proposal regarding Item III on the Agenda: Authorization to acquire the Company's own shares, either directly or through Group Companies.

- A) To authorize, pursuant to the provisions of Sections 75 et. seq. and the first additional provision, paragraph 2, of the current Spanish Companies Act [*Ley de Sociedades Anónimas*], the derivative acquisition, at any time and as many times as deemed appropriate, of Telefónica, S.A.'s own fully paid-in shares -either directly or through any subsidiaries it controls- by purchase or by any other legal means of consideration.

The minimum acquisition price or consideration shall be equal to the par value of the shares acquired, and the maximum price or consideration shall be equal to the listing price of the shares acquired on an official secondary market at the time of acquisition.

Such authorization is granted for a period of 18 months from the date of this Meeting and is made expressly subject to the limitation that at no time may the nominal value of the Company's shares acquired through the use of this authorization, added to those already possessed by Telefónica, S.A. and any of its controlled subsidiaries, exceed 5 percent of the share capital thereof at the time of acquisition, and the limitations established by the regulatory authorities in the markets where shares of Telefónica, S.A. are admitted for listing must also be respected.

It is expressly stated for the record that the authorization to acquire the Company's own shares may be used in whole or in part for the acquisition of shares of Telefónica, S.A. that it must deliver or transfer to administrators or employees of the Company or companies within its Group, either directly or as a result of the exercise by them of options, all within the framework of duly approved compensation systems linked to the listing price of the Company's shares.

- B) To authorize the Board of Directors, upon the broadest terms possible, to exercise the authorization covered by this resolution and to carry out the other provisions hereof, and such powers may be delegated by the Board of Directors to the Executive Commission, the Executive Chairman of the Board of Directors, the Chief Operating Officer, or any other person that the Board of Directors expressly authorizes for such purpose.

- C) To rescind the unutilized portion of the authorization granted under item III of the Agenda of the Company's General Shareholders' Meeting of May 10th, 2007.

Proposal regarding Item IV on the Agenda: Reduction of the share capital through the cancellation of shares of treasury stock, excluding creditors' right to object, and amendment of the article of the By-Laws relating to the share capital.

- A) To reduce the share capital of the Company by the amount of 68,500,000 euros, by means of the cancellation of 68,500,000 shares of the Company's treasury stock, which were previously acquired in reliance on the authorization previously granted by the shareholders at the General Shareholders' Meeting, within the limits established in Sections 75 et seq. and in additional provision 1, paragraph 2, of the Spanish Companies Act. Accordingly, Article 5 of the By-Laws regarding the amount of the share capital is hereby amended and shall henceforth read as follows:

"Article 5.- Share capital

1. *The share capital is 4,704,996,485 euros, divided into 4,704,996,485 common shares of a single series, with a par value of one euro each, fully paid in.*
2. *The shareholders at the General Shareholders' Meeting may, complying with the requirements and within the limits legally established for such purpose, delegate to the Board of Directors the power to increase the share capital."*

The reduction of the share capital is made with a charge to discretionary reserves, cancelling the corresponding amount of the restricted reserve mentioned in Section 79.3 of the Spanish Companies Act, and funding a reserve due to capital reduction in the amount of 68,500,000 euros (an amount equal to the par value of the cancelled shares) which may only be used complying with the same requirements as those established for the reduction of the share capital, pursuant to the provisions of item 3 of Section 167 of the Spanish Companies Act. Accordingly, as provided therein, the creditors of the Company shall not have the right to object mentioned in Section 166 of the Spanish Companies Act in connection with the capital reduction resolved to be made.

The reduction does not involve a return of contributions, since the Company itself is the owner of the cancelled shares. The purpose of the reduction will thus be to cancel the shares of treasury stock.

It is stated for the record, in order to comply with the provisions of Section 289.1 of the Spanish Companies Act, that the consent of the Bondholders Syndicates [*Sindicatos de Obligacionistas*] for the outstanding issues of debentures and bonds is not required since the capital reduction resolved to be made does not reduce the original ratio between the sum of capital plus reserves and the amount of the debentures pending repayment.

- B) To authorize the Board of Directors, within one year from the date of adoption of this resolution, to determine the other matters that have not been expressly established in this resolution or that are a result hereof, and to adopt the resolutions, take the actions and execute the public or private documents that may be necessary or appropriate for the full implementation of this resolution including, without limitation, the publication of the legally required notices, the making of the appropriate applications and the giving of the appropriate notices required to delist the cancelled shares; such powers may be delegated by the Board of Directors to the Executive Commission, the Executive Chairman of the Board of Directors, the Chief Operating Officer, or to any other person expressly authorized by the Board of Directors for such purpose.

Proposal regarding Item V on the Agenda: Appointment of the Auditors of the Company for the Fiscal Year 2008.

According to the proposal made by the Audit and Control Committee, the Board of Directors submits the following resolution to the approval of the General Shareholders' Meeting

Appoint Ernst & Young, S.L. as Auditor for the accounts of Telefónica, S.A. and its' Consolidated Group of Companies for the Fiscal Year 2008. Ernst & Young, S.L. is registered in Madrid, at Plaza Pablo Ruiz Picasso, 1, and its tax code is B-8970506.

Proposal regarding Item VI on the Agenda: Delegation of powers to formalize, interpret, cure and carry out the resolutions adopted by the Shareholders at the General Shareholders' Meeting.

To jointly and severally authorize the Executive Chairman, the Chief Operating Officer, the Secretary and the Deputy Secretary of the Board of Directors, such that, without prejudice to any other delegations included in this foregoing resolutions and any powers-of-attorney to convert existing resolutions into public instruments, any of them may formalize and execute the foregoing resolutions, with the power for such purpose to execute the public or private documents that are necessary or appropriate (including those of interpretation, clarification, correction of errors and the curing of defects) for the most correct performance thereof and for the registration thereof, to the extent required, with the Commercial Registry [*Registro Mercantil*] or any other Public Registry.