Closing remarks

Sixth Investor Conference
Turning organic growth into superior shareholder value

César Alierta
Executive Chairman and CEO of Telefónica
London, October 11th 2007
This is our investment value proposition

- Unique organic growth opportunities, putting the customer at the heart of everything we do
- The right scale & diversification
- Further opportunities in efficiency gains
- We are turning organic growth into cash
- A great track-record of delivering on what we promised

TELEFÓNICA: A growth stock in a promising industry
Going forward, Telefónica’s organic growth will keep on outperforming macroeconomic growth...

![Real GDP growth where TEF operates vs. TEF revenue organic growth](chart)

(1) Source: International Monetary Fund, World Economic Outlook Database, April 2007
Our guidance will lead to a high organic growth where the increase in operating income will outpace revenue growth.

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<thead>
<tr>
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<th>TELEFONICA GROUP</th>
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<tbody>
<tr>
<td></td>
<td>FY2006 (1)</td>
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<tr>
<td><strong>ACCESSSES</strong></td>
<td>203</td>
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<tr>
<td><strong>REVENUES</strong></td>
<td>52,901</td>
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<tr>
<td><strong>OIBDA</strong></td>
<td>19,126</td>
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<tr>
<td><strong>OI</strong></td>
<td>9,421</td>
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(1) 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) and three months of start-up losses in Slovakia.

(2) In terms of guidance calculation, Endemol and Airwave results are excluded from the base 2006. OIBDA and OI exclude other exceptional revenues/expenses not foreseeable in 2007E-2010E. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures. CapEx excludes investments related to Real State Efficiency Plan.

(3) CAGR 06-10E guidance assumes constant exchange rates as of 2006. All figures exclude changes in consolidation, other than Telemig acquisition (50% through TEF stake in Vivo), TVA and Deltax (Czech Republic).
Our sound business execution, together with a disciplined use of FCF, allow us to upgrade our previous DPS commitments...

DPS

2005

0.5 €

x2

2008E1

1 €

(1) Fiscal year 2008, to be paid in H2 08 and H1 09
... at the same time than upgrading our targets for turning organic growth into EARNINGS and CASH

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<th>Year</th>
<th>EPS</th>
<th>FCFS</th>
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<tr>
<td>2006</td>
<td>1.304 €</td>
<td>1.87 €</td>
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<tr>
<td>2010E</td>
<td>2.304 €</td>
<td>2.87 €</td>
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(1) Reported EPS
(2) FCF available to remunerate Telefónica S.A. shareholders, to protect solvency levels and to accommodate strategic flexibility
Telefonica