

Group Structure

Three integrated general divisions are created for Spain, Europe and Latin America

In 2006, Telefónica adopted an integrated regional management model.

Telefónica provides the Company with a more flexible and dynamic structure to reinforce its leadership and extend its competitive advantage in the sector. The key to the new Telefónica structure lies in strengthening its customer orientation and taking advantage of its scale.

Throughout recent years, Telefónica has concentrated its telecommunications business, strengthening its presence in fixed and mobile telephony markets, and focusing its business model on satisfying all its customers' communication needs. This restructuring was manifested through the approval of the new Company management structure by the Board of Directors of Telefónica S.A. at its meeting in July 2006.

The different operations of the Telefónica Group, in a total of 23 countries, are organised around three geographical regions: Spain, Latin America and Europe. In addition, there are other areas of activity with specific functions to support the companies dedicated to offering telecommunication services

The new Telefónica is a stronger and more flexible company which, following the changes experienced in recent years and the consolidation of its acquisitions in Latin America and Europe, moves from a privileged position to strengthen its leadership and take advantage of opportunities in the sector and the competitive advantage over its competition.

From this position of strength, which is reflected by excellent financial and business results, significant presence in Europe and leadership in Spain and Latin America, the Company is adopting a new management model designed to follow the path of growth in revenue and profitability; fully develop advantages of scale and diversity and guide the convergence process between fixed and mobile telephony from an integrated and clearly customer orientated vision of the business.

Corporate Centre

The Corporate Centre is responsible for the global strategy and corporate policies, for the management of common activities and the coordination of the activities of the business units.

The new organizational structure revolves around the promotion of the General Director of Coordination, Business Development and Synergies and a regional integrated business division, which guarantees proximity to the customer. The mission of the General Director of Coordination, Business Development and Synergies, responsible for the areas of Strategy, Budgeting and Control, Sales, Infrastructures and Information Systems, Logistics, Purchasing and Human Resources, is to guarantee the integrated operation of Telefónica as a single, customer orientated company.

The General Director of Corporate Finance and Development reports to the Chairman, and is responsible for the management of the Company's activities in all regions, inorganic growth strategies through acquisitions and potential disinvestment in non-strategic assets.

With respect to corporate support functions, the Board approved the creation of the Technical General Secretary of the Presidency who, reporting to the Chairman, assumes the responsibilities of the areas of Corporate Communication and Institutional Relations and Fundación Telefónica. The Board's Legal General Secretary is responsible for Legal Services, also reporting directly to the Chairman.



Business Units

Today, the different markets in which Telefónica is present have their own rate of growth and degrees of competitiveness. Therefore, following the reincorporation of Telefónica Móviles in Telefónica, the Company wanted to ensure an entire market vision, assigning single heads to the fixed and mobile businesses, defining strategies adapted to the regional reality and seeking growth in revenue and profitability in each geographical area.

This same vision has led to the creation of three business units, with the same level as a General Direction of Telefónica S.A. (Telefónica España, Telefónica Europa and Telefónica Latinoamérica) and with responsibility on the integrated business; that is, fixed and mobile assets.

Telefónica España

Its main activity is providing fixed, mobile and broadband telephony services in Spain. Today, it manages more than 16 million fixed telephony accesses, 4.4 million data and Internet accesses and more than 21 million mobile accesses.

Telefónica Latinoamérica

Its main activity is providing fixed, mobile and broadband telephony services in Latin America, with presence in all of the key markets of Latin America.

At the close of 2006, it managed more than 21 million fixed telephony accesses, 5.9 million data and Internet accesses and more than 83 million mobile accesses.

Countries in which services are offered: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, United States, Guatemala, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Uruguay and Venezuela. It also manages the Telefónica office in China and the alliance with China Netcom.

Telefónica O2 Europa

Its main activity is providing fixed, mobile and broadband telephony services in Europe. This business unit develops its operations in the United Kingdom, Ireland, Germany, the Czech Republic and Slovakia.

At the close of 2006, Telefónica O2 Europa managed 35.2 million mobile accesses, 2.4 million fixed accesses and 607,000 data and Internet accesses.

Other Lines of Activity

Atento provides customer assistance services through contact centres or multi-channel platforms. It has call centres in Spain, Argentina, Brazil, Chile, Colombia, El Salvador, Guatemala, Morocco, Mexico, Peru, Puerto Rico and Venezuela. At the close of 2006, it employed more than 106,000 professionals.

gestiona is dedicated to offering management support services in the following areas: economic-financial, administration, human resource management, logistics, integral management of buildings and services. It develops activities in Spain, Argentina, Brazil, Chile and Peru.

Telefónica I+D is oriented towards the creation of services, the management of networks, services and businesses, with special attention to technological innovation of a strategic nature or non-existent in the market.

The company acts as a driving force for the company's innovation, developing new forward looking services and identifying emerging technological opportunities. It has a network of Centres of Excellence with headquarters in Spain, Brazil and Mexico.

Governing bodies

Composition of the Board of Directors

Executive Chairman

Mr. César Alierta Izuel

Vice Chairmen

Mr. Isidro Fainé Casas

Mr. Gregorio Villalabeitia Galarraga

Directors

Mr. Fernando de Almansa Moreno-Barreda

Mr. José M^a Álvarez-Pallete López

Mr. David Arculus

Mr. Maximino Carpio García

Mr. Carlos Colomer Casellas

Mr. Peter Erskine

Mr. Alfonso Ferrari Herrero

Mr. Gonzalo Hinojosa Fernández de Angulo

Mr. Pablo Isla Álvarez de Tejera

Mr. Julio Linares López

Mr. Antonio Massanell Lavilla

Mr. Vitalino Manuel Nafría Aznar

Mr. Enrique Used Aznar

Mr. Antonio Viana-Baptista

Secretary (Non-Director)

Mr. Ramiro Sánchez de Lerín García-Ovies

Vice Secretary (Non-Director)

Mr. Antonio Hornedo Muguiro

Executive Commission

Executive Chairman

Mr. César Alierta Izuel

Vice Chairmen

Mr. Isidro Fainé Casas

Mr. Gregorio Villalabeitia Galarraga

Vocals

Mr. Maximino Carpio García

Mr. Carlos Colomer Casellas

Mr. Peter Erskine

Mr. Julio Linares López

Mr. Antonio Viana-Baptista

Secretary

Mr. Ramiro Sánchez de Lerín García-Ovies

Composition of the Committees of the Board of Directors

Audit and Control Committee:

Mr. Maximino Carpio García (Chairman)
 Mr. Antonio Massanell Lavilla
 Mr. Gonzalo Hinojosa Fernández de Angulo
 Mr. Gregorio Villalabeitia Galarraga

Nominating, Compensation and Corporate Governance Committee:

Mr. Alfonso Ferrari Herrero (Chairman)
 Mr. Maximino Carpio García
 Mr. Pablo Isla Alvarez de Tejera
 Mr. Gonzalo Hinojosa Fernández de Angulo

Human Resources and Corporate Reputation Committee:

Mr. Pablo Isla Alvarez de Tejera (Chairman)
 Mr. Alfonso Ferrari Herrero
 Mr. Antonio Massanell Lavilla
 Mr. Enrique Used Aznar

Regulation Committee:

Mr. Enrique Used Aznar (Chairman)
 Mr. Fernando de Almansa Moreno-Barreda
 Mr. Julio Linares López
 Mr. Gregorio Villalabeitia Galarraga

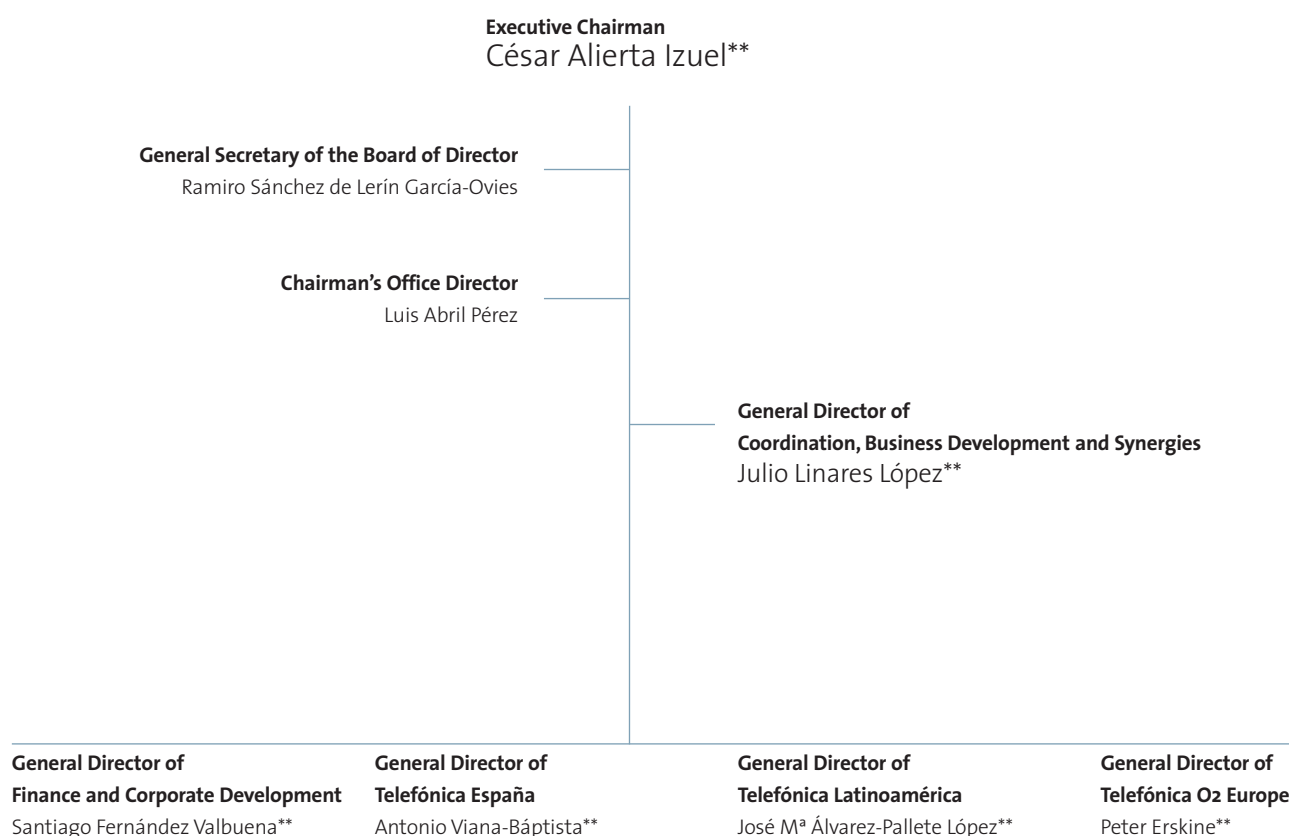
Serve Quality and Customer Service Committee:

Mr. Gonzalo Hinojosa Fernández de Angulo (Chairman)
 Mr. Carlos Colomer Casellas
 Mr. Antonio Massanell Lavilla

International Affairs Committee:

Mr. Fernando de Almansa Moreno-Barreda (Chairman)
 Mr. Alfonso Ferrari Herrero
 Mr. Gonzalo Hinojosa Fernández de Angulo
 Mr. Enrique Used Aznar
 Mr. Gregorio Villalabeitia Galarraga

Organisational Structure*



* December 2006

** Member of the Executive Committee

Group structure

Telefónica Group

	% Part
Telefónica de España	100.00
Telefónica Móviles ¹	100.00
Telefónica Latinoamérica	100.00
Telefónica de Contenidos	100.00
Grupo Atento	91.35
Telefonica O2 Europa	100.00

¹ Telefónica Móviles has been absorbed by Telefónica S.A.

Telefónica de España Group

	% Part
Telyco	100.00
Telefónica Telecomunic. Públicas	100.00
Telefónica Soluciones Sectoriales	100.00
T. Soluciones de Informatica y Comunicaciones de España	100.00

Note: Terra Networks España and Telefónica Empresas España has been absorbed by merger with Telefónica de España.

Telefónica Latinoamérica Group

	% Part
Telesp ¹	87.95
Telefónica del Perú ²	98.18
Telefónica de Argentina	98.03
TLD Puerto Rico	98.00
Telefónica Chile ³	44.89
Telefónica Telecom ⁴	52.03
Terra Networks Perú	99.99
Terra Networks México	99.99
Terra Networks USA	100.00
Terra Networks Guatemala	100.00
Terra Networks Venezuela	100.00
Terra Networks Brasil	100.00
Terra Networks Argentina	99.99
Terra Networks Chile	100.00
Terra Networks Colombia	99.99
Telefónica Data Argentina	97.92
Telefónica USA ⁵	100.00
T. Intern. Wholesale Serv. (TIWS) ⁶	100.00

¹ Effective participation 88.01%.

² Telefónica Empresas Perú has been absorbed by T.del Perú as of May 1st 2006.

³ CTC has changed its name.

⁴ Colombia Telecom has changed its name.

⁵ Company name change. Was previously Telefónica Data USA

⁶ Telefónica, S.A. owns 92.51% and Telefónica DataCorp owns 7.49%.

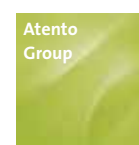
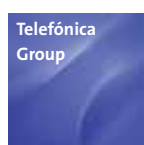
Note: Telefónica Empresas Brasil has been absorbed by Telesp

Telefónica O2 Europe

	% Part
O2 UK	100.00
O2 Alemania	100.00
O2 Irlanda	100.00
Manx	100.00
Airwave	100.00
Be	100.00
Telefónica O2 República Checa ¹	69.41

¹ Company owned through Telefónica S.A.

Note: Telefónica Deutschland absorbed by O2 Germany



Telefónica Móviles Group

	% Part
Telefónica Móviles España	100.00
Brasilcel ¹	50.00
T. Móviles Argentina	100.00
T. Móviles Perú	98.53
T. Móviles México	100.00
TM 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	99.99
T. Móviles Uruguay	100.00
Telefonía Celular Nicaragua	100.00
Telefónica Móviles Chile	100.00
Group 3G (Alemania)	57.20
IPSE 2000 (Italia) ²	45.59
3G Mobile AG (Suiza)	100.00
Medi Telecom	32.18
Mobipay España	13.36
Mobipay Internacional	50.00
T. Móviles Soluciones y Aplicac. (Chile)	100.00
Tempos 21	43.69

¹ Joint Venture which fully consolidates the subsidiary Vivo, S.A., through participation at Vivo Participações, S.A. (62.94%)

² Additionally, Telefónica Group holds a 4.08% of IPSE 2000 through Telefónica DataCorp.

Note: Radiocomunicaciones Móviles SA (Argentina) has been absorbed by Móviles Argentina

Atento Group

	% Part
Atento Teleservicios España, S.A.	100.00
Atento Brasil, S.A.	100.00
Atento Argentina, S.A.	100.00
Atento de Guatemala, S.A.	100.00
Atento Mexicana, S.A. de C.V.	100.00
Woknal (Uruguay)	100.00
Centro de Contacto Salta	100.00
Mar de Plata Gest y Contactos, S.A.	100.00
Atento Perú, S.A.C.	99.46
Atento Chile, S.A.	77.95
Atento Maroc, S.A.	100.00
Atento El Salvador, S.A. de C.V.	100.00

Telefónica de contenidos Group

	% Part
Telefé	100.00
Endemol ¹	99.70
Telefónica Servicios de Música	100.00
Telefónica Servicios Audiovisuales	100.00
Hispasat	13.23

¹ Ownership held by Telefónica S.A. Endemol Holding NV is the parent company of Endemol Group and owns 75% of Endemol NV, company quoted in the Amsterdam Stock Exchange.

Other participations

	% Part
Lycos Europe	32.10
Sogecable ¹	16.76
Portugal Telecom ²	9.84
China Netcom Group ³	5.00
BBVA	1.07
Amper	6.10

¹ Telefónica de Contenidos, S.A. holds 15.63% and Telefónica, S.A. holds 1.13%.

² Telefónica Group's effective participation. Telefónica Group's participation would be 9.96% if we exclude the minority interests.

³ Ownership held by Telefónica Latinoamérica