MORGAN STANLEY
VII EUROPEAN TMT CONFERENCE

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CFO, TELEFONICA S.A.
November 15th, 2007
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The best ever Telefónica

1. A leading integrated telco platform
2. A unique track-record of **organic growth**
3. The right scale and diversification for an outstanding business performance
4. Consistently delivering on commitments
5. A trusted company

*A growth stock in a promising industry*
9M07 results in line with our long term vision...

Revenues, OIBDA, OI and Net income continue to show outstanding growth rates

- Reinforced organic growth
- Guidance upgrade for 2007 fiscal year reiterated

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<table>
<thead>
<tr>
<th>€ in millions (% change y-o-y)</th>
<th>% YoY change</th>
<th>% YoY organic change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>+8.6%</td>
<td>+7.6%</td>
</tr>
<tr>
<td>Operating Income before D&amp;A (OIBDA)</td>
<td>+24.5%</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Operating Income (OI)</td>
<td>+51.0%</td>
<td>+19.2%</td>
</tr>
<tr>
<td>OpCF (OIBDA-CapEx)</td>
<td>+37.9%</td>
<td>+12.1%</td>
</tr>
</tbody>
</table>

Note: TPI has been discontinued in 2006 following Telefónica’s acceptance of Yell's offer in July 4th, 2006. Figures are presented considering the Purchase Price Allocation of O2 as of February 2006.

(1) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-September 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-September 2007, the consolidation of Airwave in April-September 2006 and the consolidation of Endemol in July-September 2006. OIBDA and OI exclude Airwave and Endemol capital gains.
...in all geographies, backed on strong customer base growth

**9M07 Revenue breakdown**

- T. España: 37%
- T. O2 Europe: 26%
- T. Latam: 35%
- Others & eliminations: 2%

**9M07 Revenue growth by regions**

- (Organic\(^1\) y-o-y growth)
  - T. España: +4.9%
  - T. O2 Europe: +4.9%
  - T. Latam: +12.6%

\(^{1}\) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-September 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-September 2007, the consolidation of Airwave in April-September 2006 and the consolidation of Endemol in July-September 2006.

**9M07 OIBDA growth by regions**

- (y-o-y growth)
  - T. España: +7.6%
  - T. O2 Europe\(^2\): +2.0%
  - T. Latam: +10.4%

\(^{2}\) 9M07 excludes Airwave capital gain.
Telefónica España leads wireline Broadband and Pay-TV growth...

**FIXED TELEPHONY**
- Maintaining inter annual access loss rate at record low levels: -0.7% (Sep-07 vs. Sep-06)

**INTERNET BROADBAND**
- Maintaining market share slightly over 56%:
  - 4.3M retail BB accesses (Sep-07)

**PAY TV**
- Increasing market share to reach 12%:
  - 469K PayTV customers (Sep-07)

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**Enhancing Broadband offering to tap all market segments**

- New 1 Mbps DÚO
  - Entry price reduced (cap on downloads)

- New REFERENCE offer
  - 1Mbps clients migrated to 3Mbps

- New IMPROVED DÚO offer
  - 1Mbps clients migrated to 3Mbps

- New IMAGENIO
  - PAST TV
  - SHIFT TV
  - INSTANT REWIND
  - PVR
  - NEW CHANNEL BUNDLES (ASIATIC, CARIBBEAN, ...)

**note:** All market data based on Telefónica España’s estimates
... while mobile customer growth remains focused on value and usage increase

CHURN CONTAINMENT
- Top post-pay churn performance below 1%
- Leveraging community effect across the Group
- Summer and Pre-Xmas campaign

FOCUS ON VALUE CUSTOMER GROWTH
- Already 59% post-pay base
- Segmented offer: SME´s specific plans, seniors
- Strong Loyalty program

Customer growth (y-o-y)
- >22.4M
- +6.7%
- +13.1%

Total
Contract

USAGE
- **Voice**: Traffic promotions in Q3 07 increased traffic by 14.9%
- **Data**: New data tariffs & services drive Q3 07 outgoing data ARPU 6.3% up y-o-y
- **Roaming**: Roamer growth outpaces customer growth
Telefónica O2 Europe is maintaining momentum while positioned to exploit opportunities as an integrated operator

**UK: managing growth / margin balance**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ARPU (in £)</th>
<th>OIBDA margin (Organic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 06</td>
<td>23.1</td>
<td>24.0%</td>
</tr>
<tr>
<td>Q3 07</td>
<td>24.3</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

**Germany: segmented approach to capture growth in mobile and fixed BB market**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Mobile Net additions (in thousands)</th>
<th>ULL lines (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>330 2007</td>
<td>75 2006 x6</td>
</tr>
<tr>
<td>Q2</td>
<td>159 2007</td>
<td>236 2006</td>
</tr>
<tr>
<td>Q3</td>
<td>237 2007</td>
<td>610 2006</td>
</tr>
</tbody>
</table>

**Czech Republic: maintaining top line growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Retail Internet BB connections and Pay TV clients (in thousands, y-o-y)</th>
<th>Mobile Contract customers (in million, y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-06</td>
<td>364 32.9%</td>
<td>1.8 21.3%</td>
</tr>
<tr>
<td>Sep-07</td>
<td>484 53</td>
<td>2.2</td>
</tr>
</tbody>
</table>
Telefónica Latinoamérica stands out as main growth driver

**WIRELINE: FOCUS ON TRANSFORMATION**

**Bundles weight**

- Local bundles+2P&3P/Fixed Accesses
- 2P&3P/DSL Accesses

<table>
<thead>
<tr>
<th></th>
<th>Sep-06</th>
<th>Sep-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.3%</td>
<td>17.2%</td>
<td>28.5%</td>
</tr>
</tbody>
</table>

**Retail Internet**

- **BB connections** (in thousands)
- **Pay TV clients** (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Sep-06</th>
<th>Sep-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay TV</td>
<td>574</td>
<td>880</td>
</tr>
<tr>
<td>Pay TV</td>
<td>3,500</td>
<td>4,704</td>
</tr>
<tr>
<td>Pay TV</td>
<td>+34.4%</td>
<td>+53.2%</td>
</tr>
</tbody>
</table>

**WIRELESS: FOCUS ON PROFITABLE GROWTH**

- Strong increase in mobile penetration (+11 p.p. vs. Sep-06)
- Robust ARPU growth (+8.4% 9M07 vs. 9M06)
- Strong mobile customer base expansion (+20.2%)
Brazil & Mexico wireless: strong commercial activity along with robust top line and enhanced profitability

**VIVO**

- **9M07/9M06 change**
  - 77% of Q3 Gross adds in GSM
  - +25% Gross Adds
  - -0.6 p.p. Churn
  - +204% Net Adds
  - +9% Customers

- **Q3 07/Q3 06 change**
  - 31.3M (22% GSM)
  - +9% adjusting for B&K
  - +11% ARPU

- **9M07/9M06 growth**
  - +18.9% Service Revenues
  - +8.1% Outgoing Service Revenues
  - +24.2% OIBDA

- **9M07/9M06 growth (in local currency)**
  - +23.2%

- **Service Revenues**
  - Margin: 24.2%

- **Outgoing Service Revenues**
  - Margin: 11.2%

**MEXICO**

- **9M07/9M06 change**
  - +49% Gross Adds
  - -1.0 p.p. Churn
  - +134% Net Adds
  - +49% Customers

- **Q3 07/Q3 06 change**
  - 11.1 M
  - +14% ARPU

- **9M07/9M06 growth**
  - +70% Service revenues
  - +89% Outgoing service revenues

- **OIBDA (€ in millions)**
  - +113

**Notes**

1. ex adjustment of 1.8M inactive pre-pay lines at the end of H1 06
Telefónica has set ambitious targets for the 2007-2010 period

### TELEFONICA GROUP

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2006 (1)</th>
<th>FY2006 (Adj) (2)</th>
<th>CAGR 06-10E (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>52,901</td>
<td>51,298</td>
<td>+5%/+8%</td>
</tr>
<tr>
<td>OIBDA</td>
<td>19,126</td>
<td>18,688</td>
<td>+7%/+11%</td>
</tr>
<tr>
<td>OI</td>
<td>9,421</td>
<td>9,098</td>
<td>+16%/+20%</td>
</tr>
</tbody>
</table>

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)
4. Reported EPS
5. FCF available to remunerate Telefónica S.A. shareholders to protect solvency levels and to accommodate strategic flexibility

TELEFONICA S.A.  
Investor Relations
Leveraging a sound growing Spanish market ... 

<table>
<thead>
<tr>
<th>SPAIN</th>
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<tbody>
<tr>
<td><strong>GDP</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>POPULATION</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>TELECOM MARKET REVENUES</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAGR 06-10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>+2.9%</td>
</tr>
<tr>
<td>+0.9%</td>
</tr>
<tr>
<td>+6%+/7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed BB penetration per household with fixed line</th>
</tr>
</thead>
<tbody>
<tr>
<td>42% ~75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobile BB penetration per laptop</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% &gt;70%</td>
</tr>
</tbody>
</table>

- Fixed and mobile broadband- massive adoption
- Business opportunity beyond connectivity
- Mobile data showing real signs of taking off
- Strong demand for ICT solutions from corporates and SME customers

(1) Source: “Consensus Forecast” for GDP; INE and Eurostat for population
(2) Target market: telephony, broadband, Pay TV, target IT areas (includes CPD outsourcing, LAN and workstations management, Security, Contact Centers, Relationship Solutions, Digital Asset Management, GIS), Online Advertisement, Online contents and Digital Home. Source: Telefónica

**Telefónica S.A.**
Investor Relations
… together with additional growth at Telefonica O2 Europe

**EUROPE**

Telefónica O2 Europe Accesses
(millions)

- **Become an integrated operator and exploit cross-selling opportunities**
- **UK:** Continue to grow above the market
- **Germany:** Investing for the long term to increase growth rate
- **Czech Republic:** Maintain share and leverage integrated offerings
T-Latam is uniquely positioned for further growth

LATAM

Economy

- GDP per capita (PPP)
  +5.7% CAGR 2006-10E

Population

- +58 million workers
- +74 million people in urban areas
- +7.8%* fastest growing region in the world

Telecom market

- Mobile penetration
  56% Dec-06
  ~83% Dec-10E
  +140/160 million additional mobile access

- Broadband penetration
  10% Dec-06
  ~23% Dec-10E
  +18/19 million additional BB access

* Source: IDC

LATAM
Telefónica has set a disciplined use of FCF with clear priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1st: SHAREHOLDER REMUNERATION | 2008 DPS of 1 Euro \(^{(2)}\)  
Share buybacks to be considered, as stated below |
| 2nd: DELEVERAGE    | Net Debt + Cash Commitments over OIBDA in the 2.0 – 2.5x range               |
| 3rd: SELECTIVE M&A | To foster growth in current markets                                          |

Excess FCF will be allocated once it is generated and following these priorities

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Free Cash Flow is the cash flow available to remunerate Telefónica’s shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility.

Fiscal year 2008E, to be paid in H2 08 and H1 09
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
- A great track-record of delivering on what we promised

TELEFÓNICA: A growth stock in a promising industry
Telefonica