

Annual Results

January – December 2007

TELEFONICA S.A.

February 28th, 2008



TELEFONICA S.A.
Investor Relations

This presentation is being broadcast live on the Internet

Telefonica

Disclaimer

This document contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and other important factors that could cause actual developments or results to differ materially from those expressed in our forward looking statements.





Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator.


The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is un-audited and, therefore, is subject to potential future modifications.

Telefónica: Solid fundamentals and high returns



2007 results: Solid performance across the board...

€ in millions (% change y-o-y)	Jan-Dec 2007	Jan-Dec 2006	% Change FY 07/FY 06	% Change organic ¹	
Revenues	56,441	52,901	+6.7%		+7.4%
Operating Income before D&A (OIBDA)	22,825	19,126	+19.3%		+6.8%
Operating Income (OI)	13,388	9,421	+42.1%		+18.1%
Net Income	8,906	6,233	+42.9%		
OpCF (OIBDA-CapEx)	14,797	11,123	+33.0%		+11.8%



**Growth rates
acceleration
from top to
bottom line**

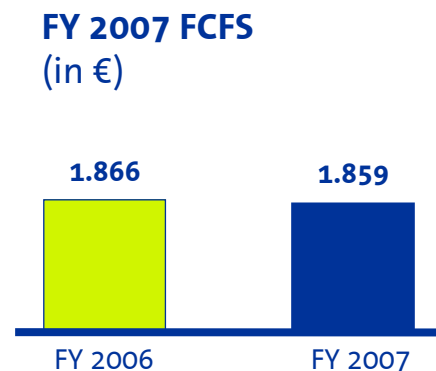
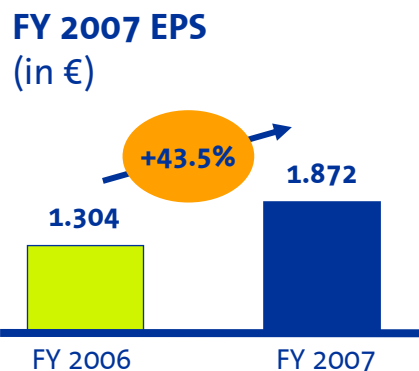
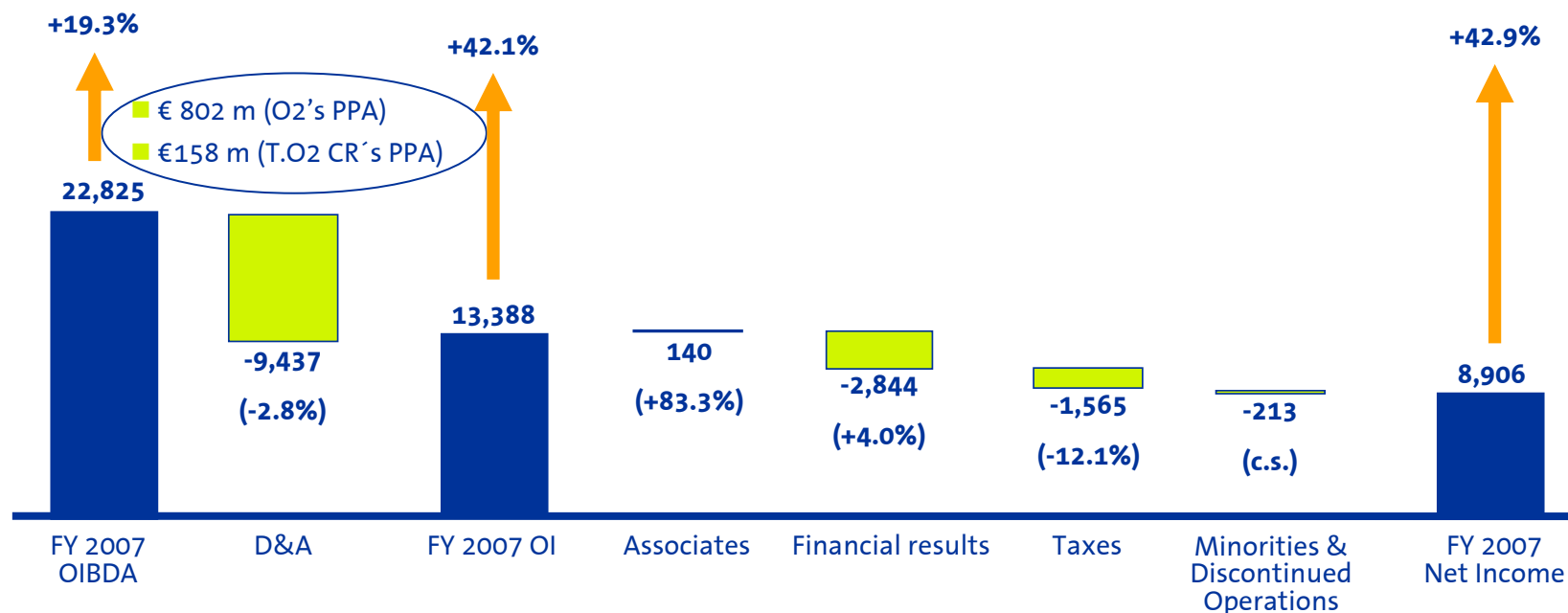
Forex deducted 1.1 p.p. to 1.4 p.p. to nominal growth rates of major metrics

Note: TPI was 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-December 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-December 2007, the consolidation of TVA in October-December 2007, the consolidation of Airwave in April-December 2006 and the consolidation of Endemol in July-December 2006. OIBDA and OI exclude Airwave and Endemol capital gains.

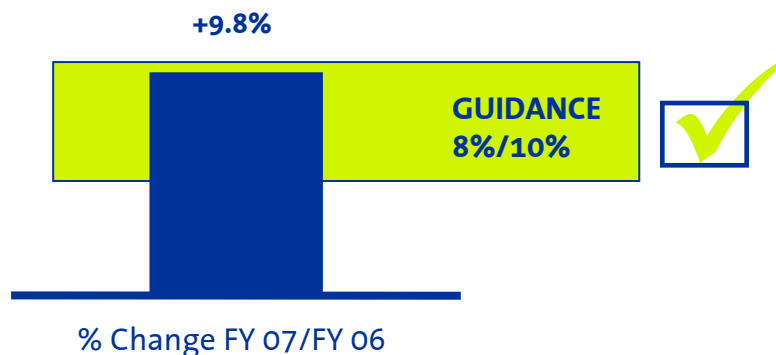
...with very strong increases in net income and EPS ...

€ in millions
(% change y-o-y)

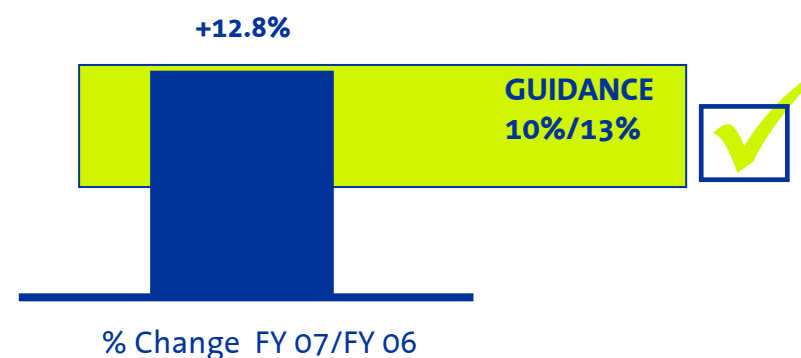


We have met or exceeded our upgraded guidance ...

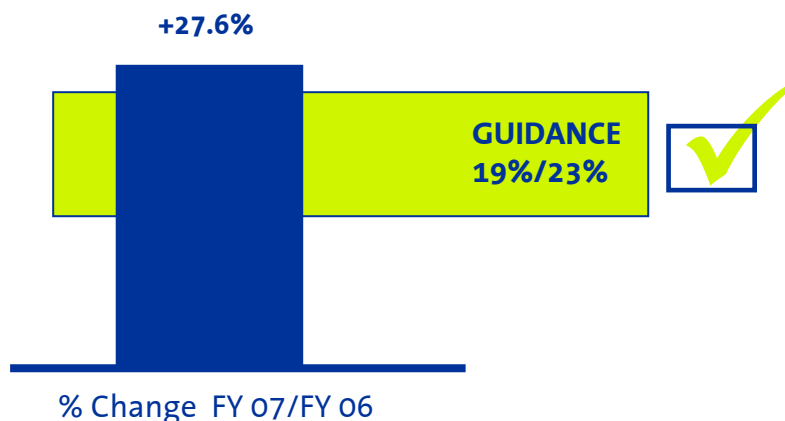
Revenue Growth



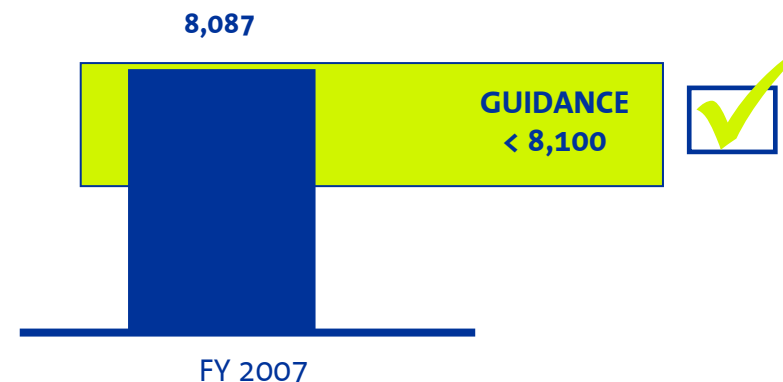
OIBDA Growth



OI Growth

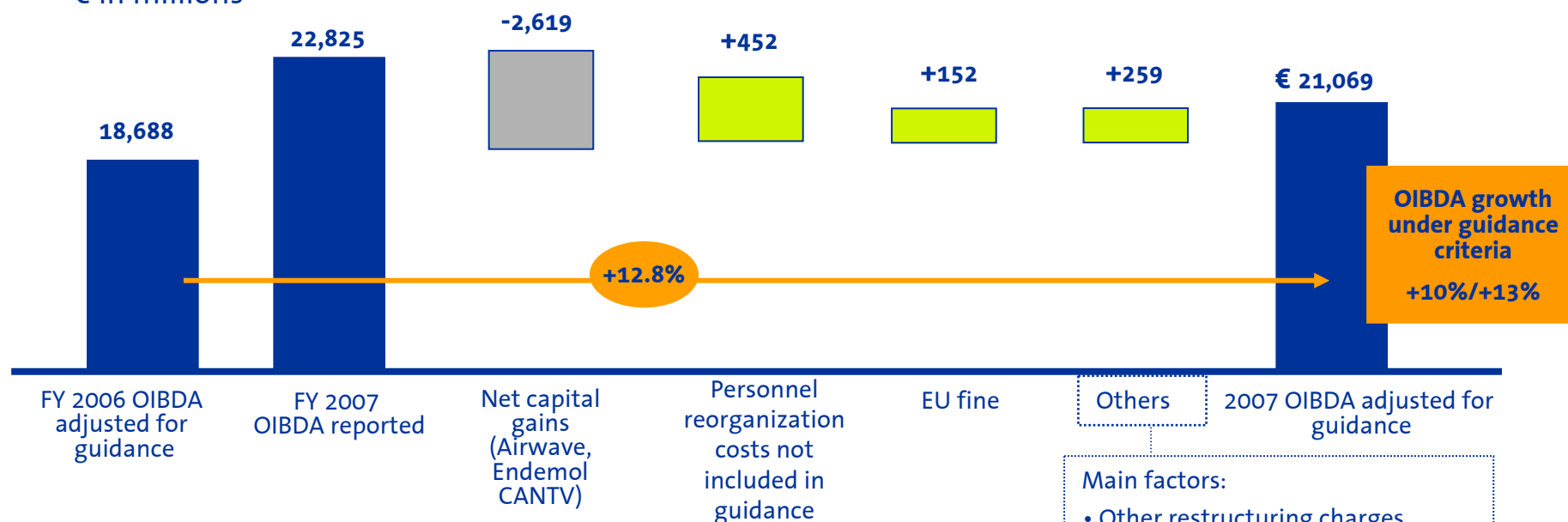


CapEx



We are implementing restructuring measures that will further enhance efficiency in the coming future

FY 2007 OIBDA
€ in millions



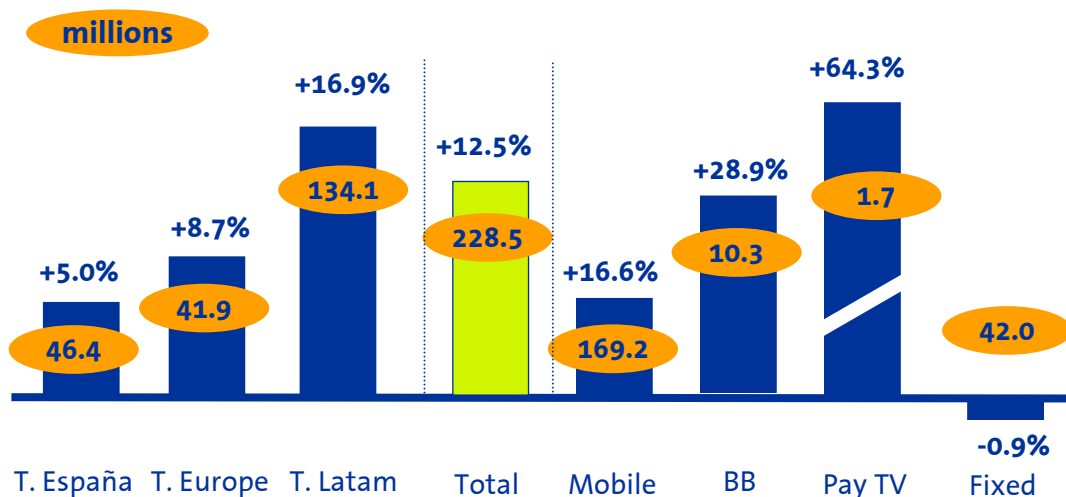
Personnel Reorganization:

- TOTAL: € 1,199 m; € 452 m not included in guidance
- Telefónica España: € 667 m; € 37 m not included in guidance
- Telefónica Latinoamérica: € 318 m; € 258 m not included in guidance
- Telefónica Europe: € 158 m not included in guidance

We are capitalizing our diversification, driving customer growth ...

Strong customer expansion across markets & businesses

Accesses (Dec-07/Dec-06)

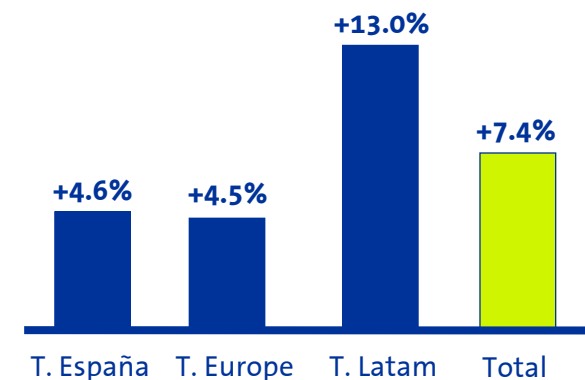


Increasing value from our customers:

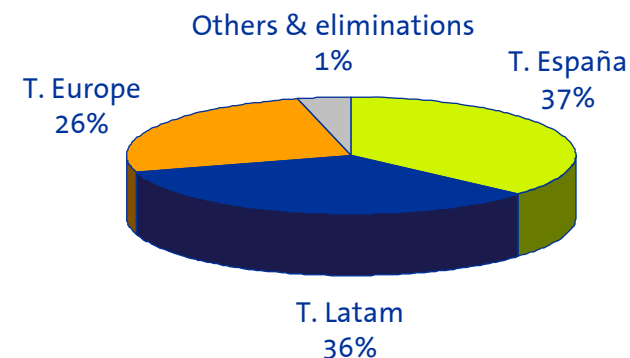
- Cross selling & upselling
- Capturing bundling opportunities

34% with voice, BB and TV bundles (+8 p.p. vs Dec-06)

FY 2007 Revenue growth by regions
(Organic¹ y-o-y growth)



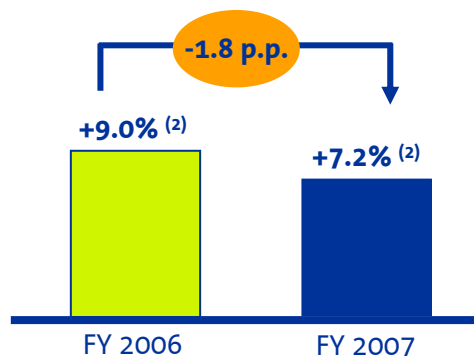
FY 2007 Revenue breakdown



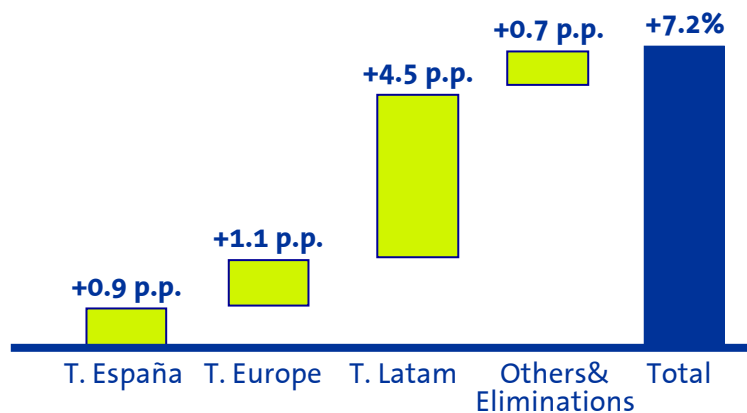
(1) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-December 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-December 2007, the consolidation of TVA in October-December 2007, the consolidation of Airwave in April-December 2006 and the consolidation of Endemol in July-December 2006. OIBDA and OI exclude Airwave and Endemol capital gains.

... while scale and cost contention sustain a healthy profitability...

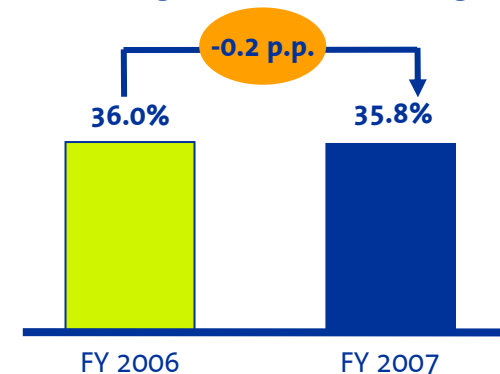
OpEx¹ Organic Growth



2007 Organic OpEx¹ breakdown



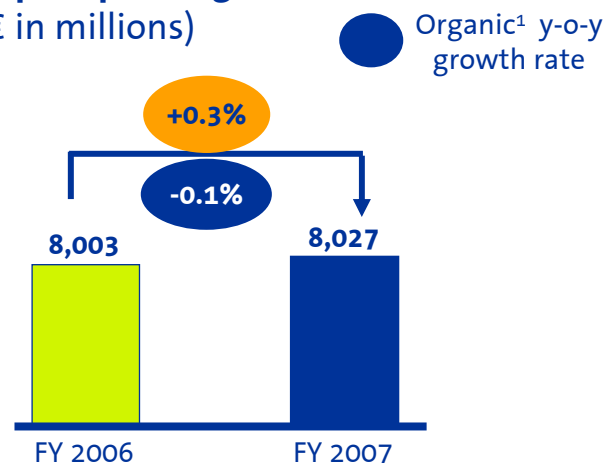
Organic² OIBDA Margin



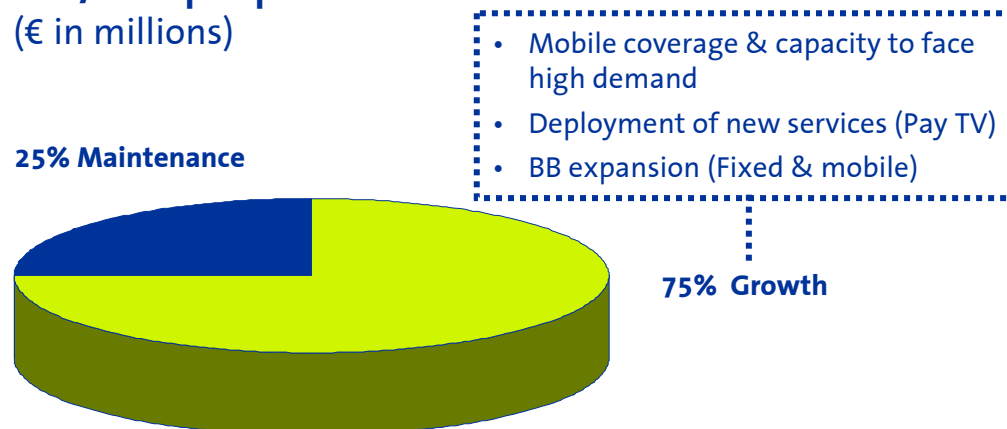
(1) Supplies, Personnel Expenses (ex-restructuring costs), External Services (ex- indemnities and similar), Bad Debt Expenses and Taxes
 (2) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-December 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-December 2007, the consolidation of TVA in October-December 2007, the consolidation of Airwave in April-December 2006 and the consolidation of Endemol in July-December 2006. OIBDA and OI exclude Airwave and Endemol capital gains.

We are investing for future growth while generating high OpCF

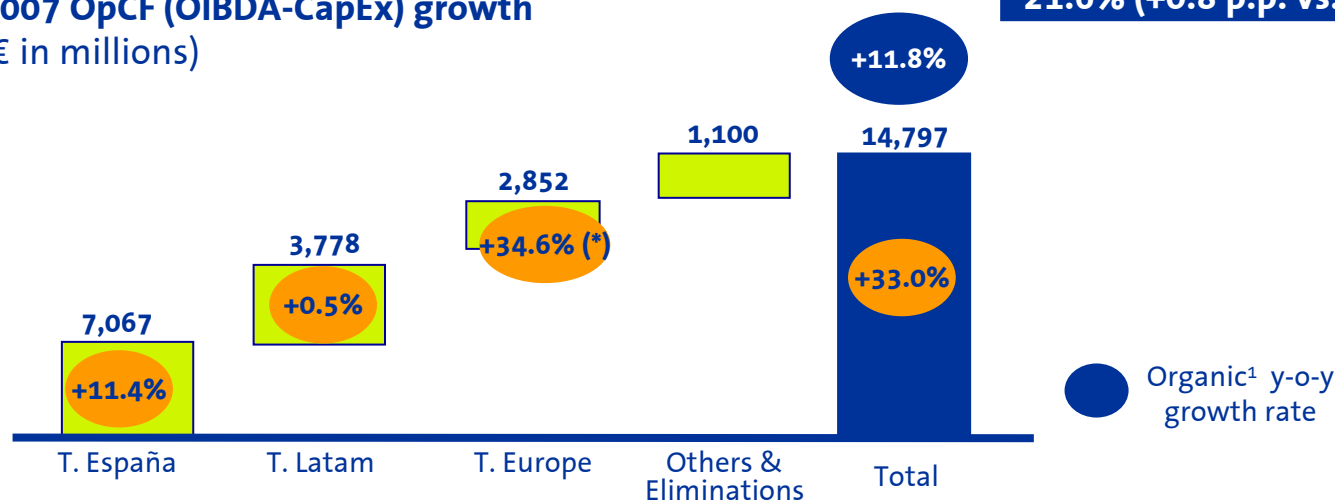
CapEx spending (€ in millions)



2007 Group CapEx breakdown (€ in millions)



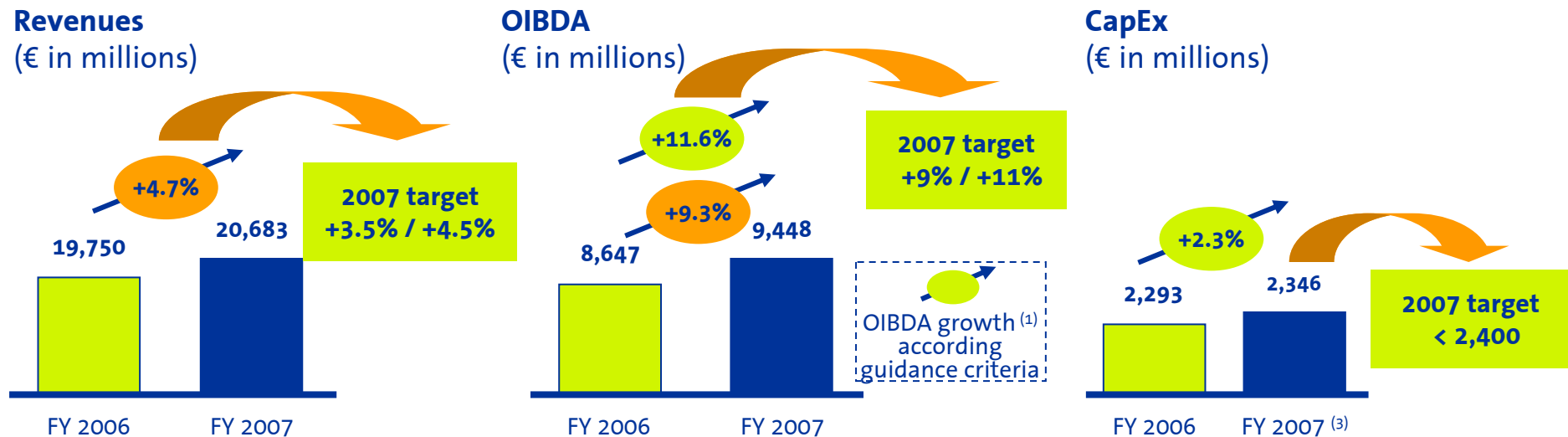
2007 OpCF (OIBDA-CapEx) growth (€ in millions)



Organic¹ OpCF/Revenues: 21.6% (+0.8 p.p. vs. FY 2006)

(*) Exclude Airwave capital gain
 (1) Assuming constant exchange rates and including the consolidation of the O2 Group, Telefónica Telecom and Iberbanda in January-December 2006. It excludes the consolidation of Telefónica O2 Slovakia in January-December 2007, the consolidation of TVA in October-December 2007, the consolidation of Airwave in April-December 2006 and the consolidation of Endemol in July-December 2006. OIBDA and OI exclude Airwave and Endemol capital gains.

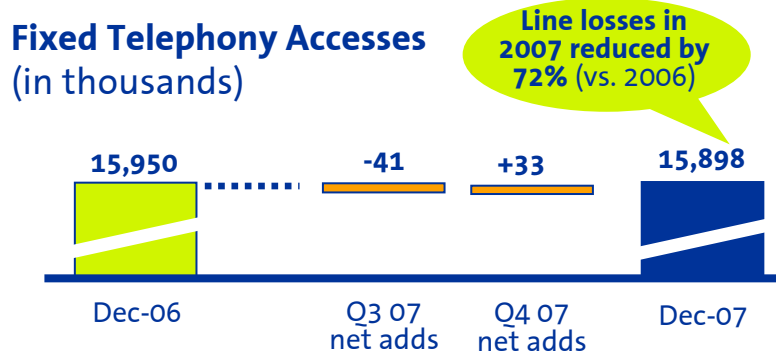
Telefónica España: strong results, delivering on guidance



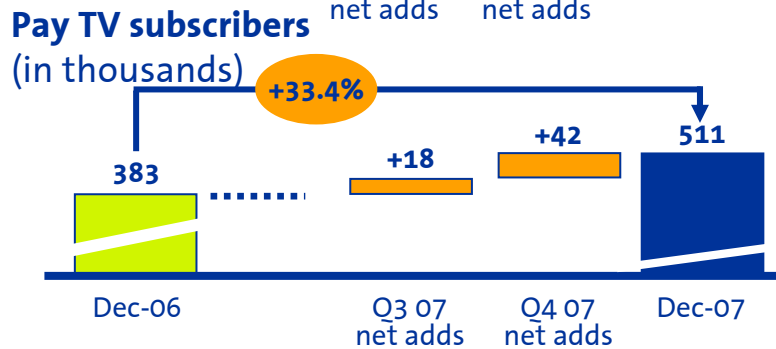
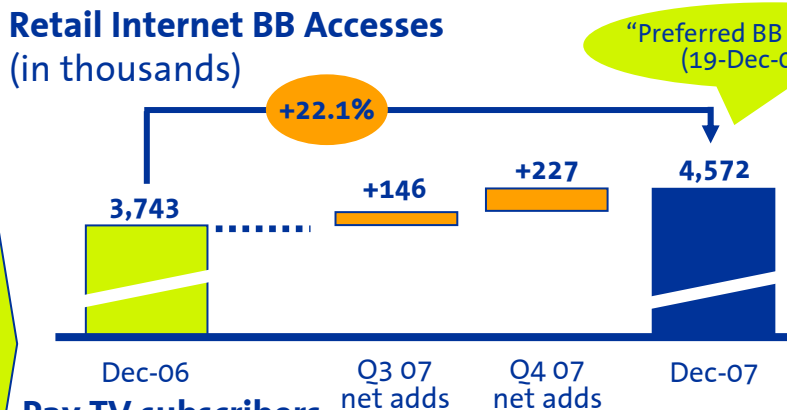
- **2007 targets met or exceeded at all levels, outperforming European peers.**
- **Sound Q4 07 performance:** strong commercial activity, steady revenue and OIBDA growth
 - **Wireline: positive net adds in fixed telephony access; BB market share above 56%E.**
 - **Wireless: leading the growth in the market** with focus on value customers and **churn** contention.
 - Revenues: +3.8%; OIBDA: +15.7% (Q4 07 vs. Q4 06)
- **Underlying OIBDA growth⁽²⁾ of +5.6% (2007 vs. 2006)**
- **Total personnel reorganization provision amounting to € 667 m in 2007**
 - **2003-2007 Redundancy program (wireline business) concluded**
 - Total 13,870 employees joining 2003-2007 program
 - € 345 m provision and 1,102 employees joining the program in 2007
 - **New program with a total provision of € 322 m started in 2007 and implemented in 2008**
 - € 168 m provision for Wireline and € 154 m for Wireless

Wireline Business: expanding access base by upselling and getting new customers ...

RETAIN
CUSTOMER
BASE

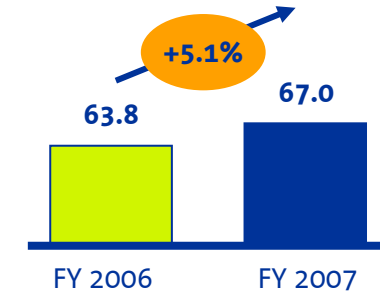


FOSTER
NEW
SERVICES
TAKE UP

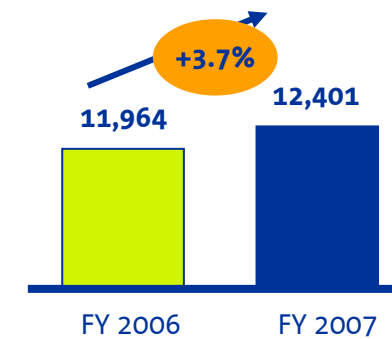


INCREASING
CUSTOMER
QUALITY
AND
REVENUES

Total ARPU
(€)

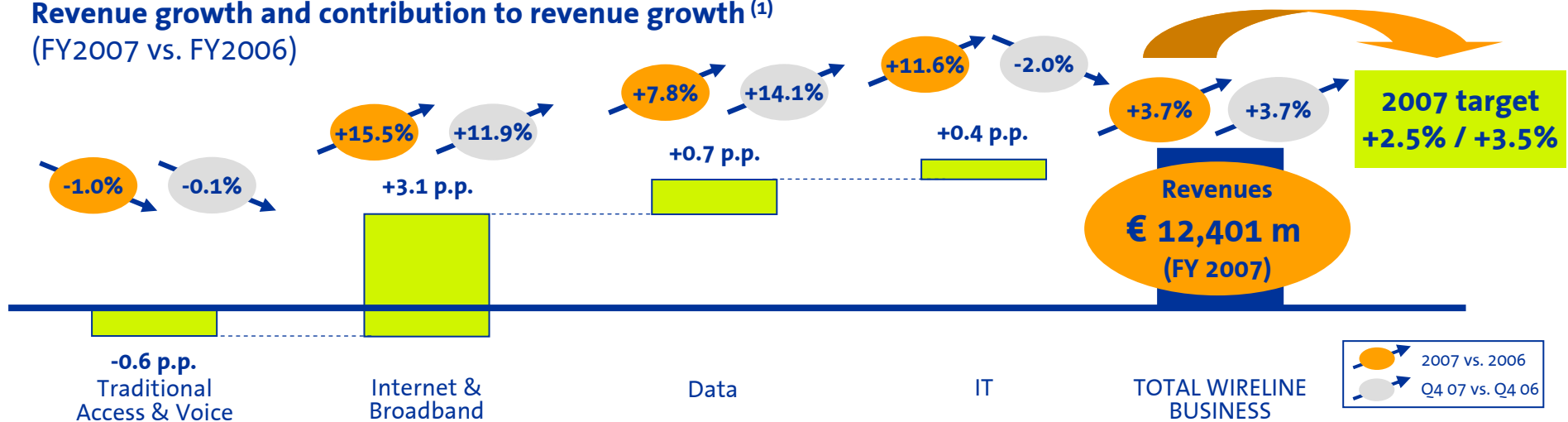


Revenues
(€ in millions)



Wireline Business: outstanding top line growth

Revenue growth and contribution to revenue growth ⁽¹⁾
(FY2007 vs. FY2006)

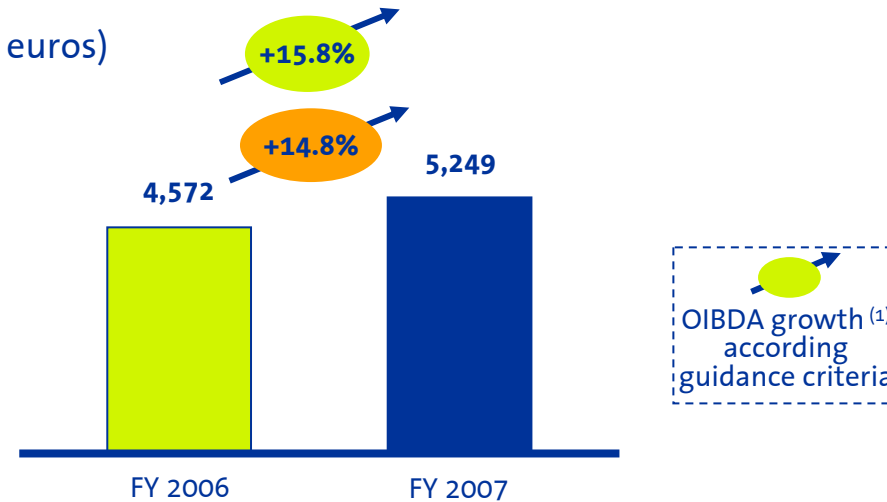


- +2.0% PSTN monthly fee increase in 2007 (+2.0% in 2008)
- Line losses capped down to -0.3%
- Outgoing voice traffic declined by just 1.2% in 2007
- Sustained BB ARPU at 45.3€; increased contribution of VAS (18.1% of total)
- >0.8 m Retail Internet BB accesses net adds in 2007
- >70% VPNs already migrated from traditional to advanced VPNs

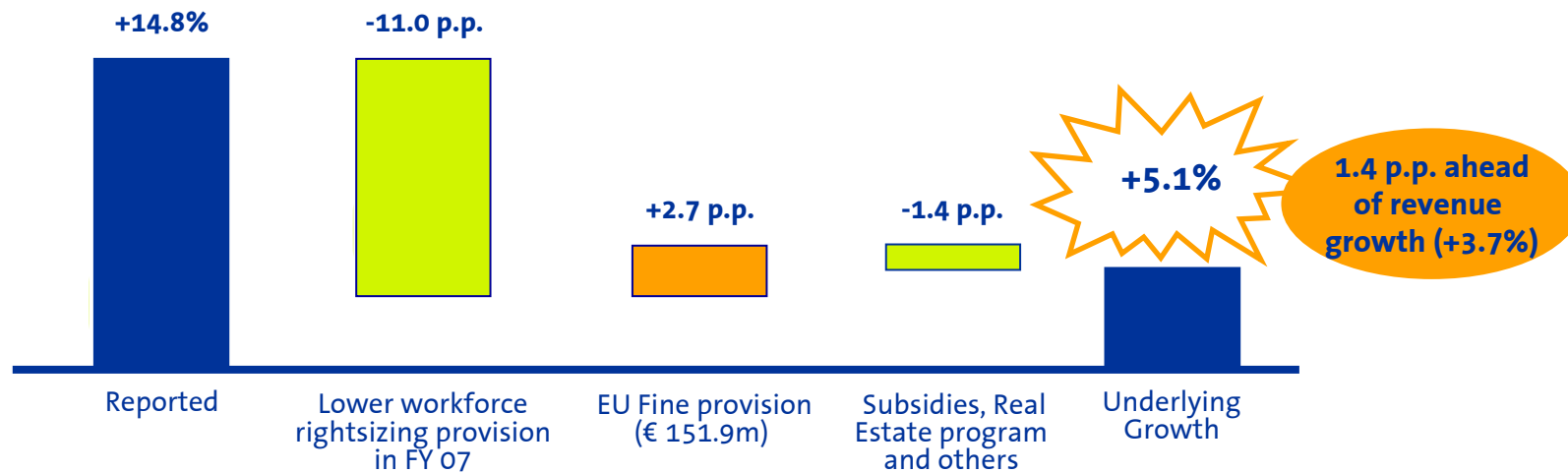
UNMATCHED GROWTH IN EUROPE

Wireline Business: Top line growth increased at OIBDA level

OIBDA
(million euros)



Underlying OIBDA Growth FY 2007/FY 2006



Wireless Business: Strong focus on value

Gross adds
(in thousands)



Churn
(%)



Net Adds
(in thousands)



Xmas campaign



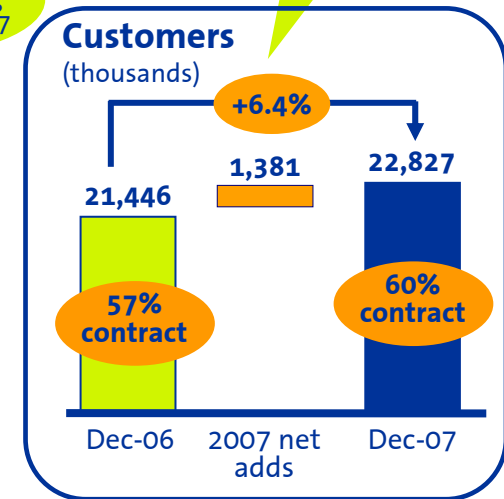
CONTRACT

9 MVNOs and 4th operator entering the market in 2007

Positive results in number portability

Contract: +12.4%
Prepaid: -1.3%

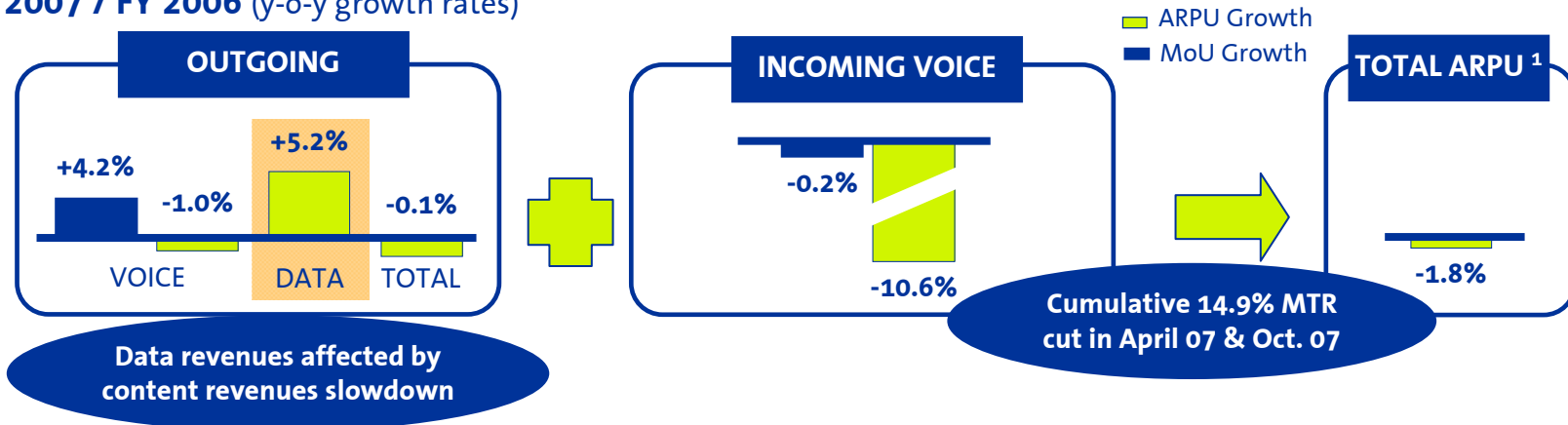
Customers

(thousands)


Leading the growth in the market

Wireless Business: Sustained outgoing ARPU on solid data usage

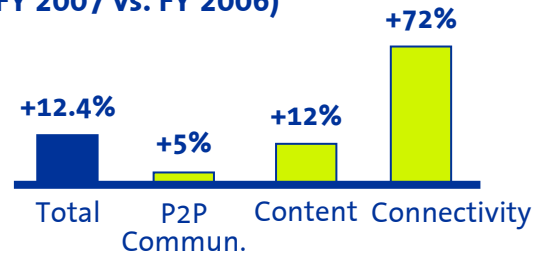
FY 2007 / FY 2006 (y-o-y growth rates)



DATA ARPU GROWTH SUSTAINED

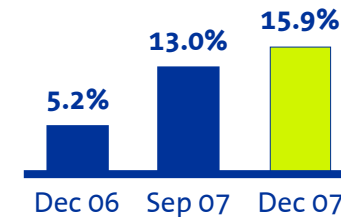
Data revenues split	2006	2007
P2P Communications	58%	54%
P2P SMS	56%	52%
Content	33%	32%
Connectivity	9%	14%

Data revenues growth (FY 2007 vs. FY 2006)



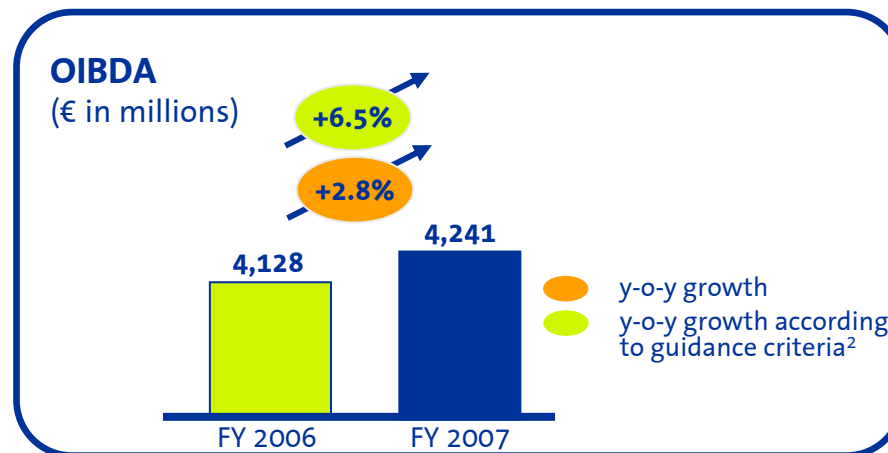
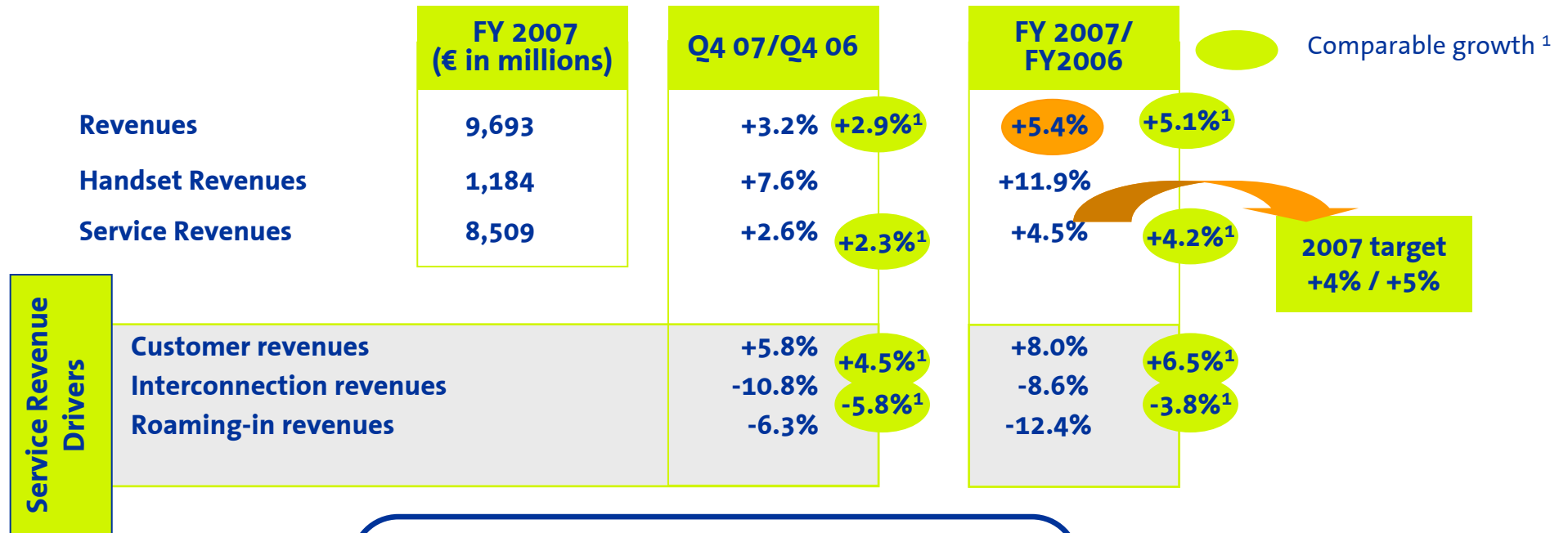
■ ~500K flat & daily rates

3G over Customer Base ex-M2M



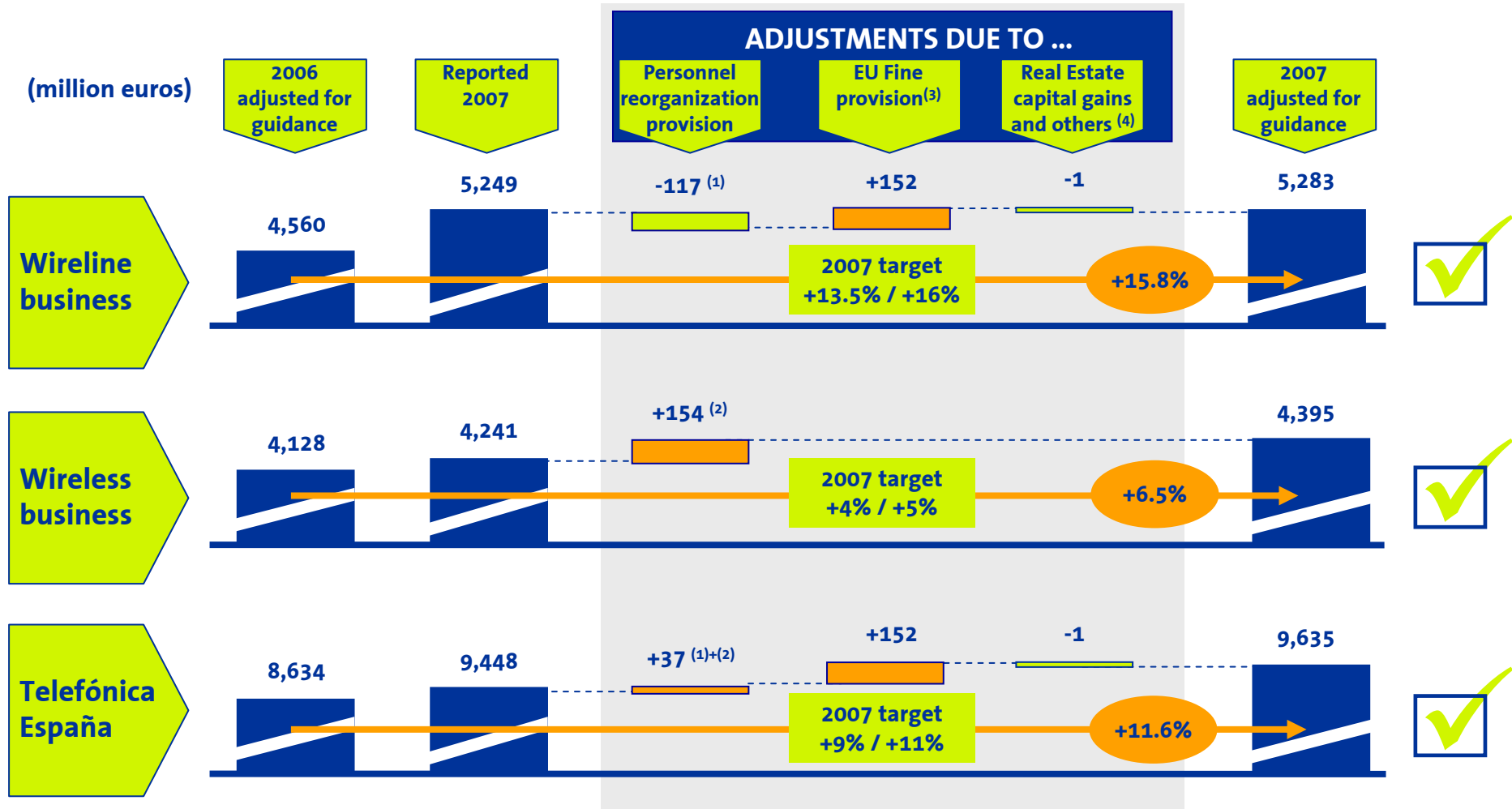
- ~3.5M 3G devices at Dec-07
- Leading the push in Q4 07: +687K devices

Wireless Business: robust top line growth while improving efficiency



2007 OIBDA margin ex-provisions reached 45.3% increasing by +0.5 p.p. vs. 2006 despite tougher competition on high quality revenues

Telefónica España: from Reported OIBDA to adjusted OIBDA for guidance comparison



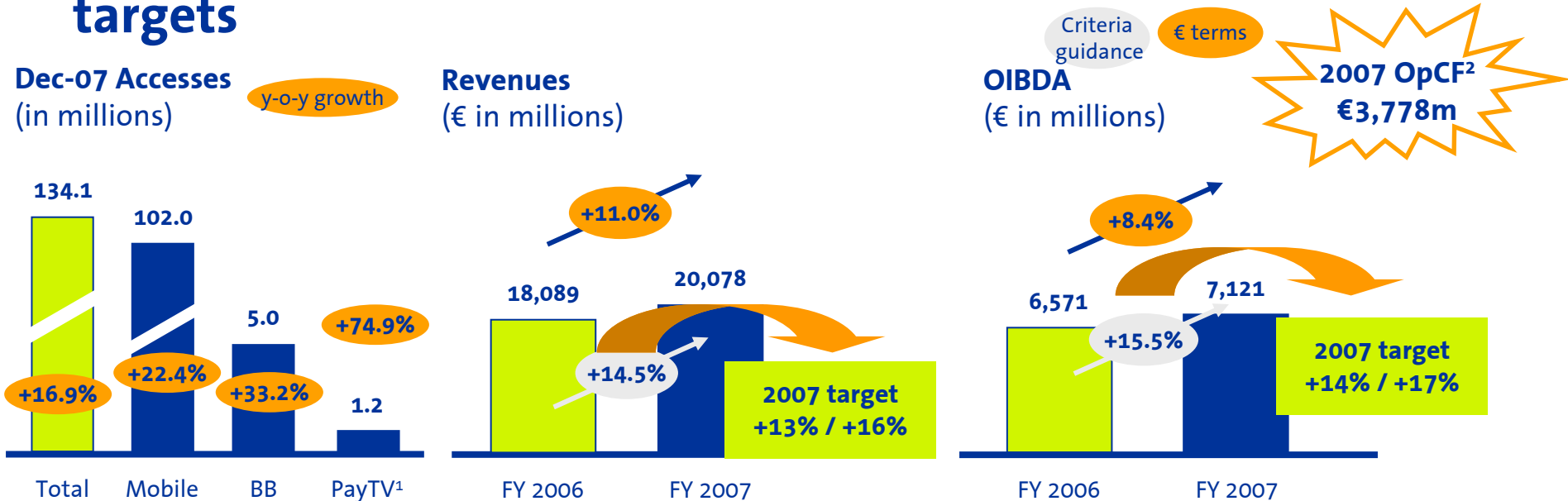
(1) Expected personnel reorganization provision €630 m. Actual 2007 personnel provision €513 m. For guidance comparison -€117 m = (-630 - (-513)) to be added to adjusted OIBDA.

(2) Expected personnel reorganization provision €0 m. Actual 2007 personnel provision €154 m. For guidance comparison +€154 m to be added to adjusted OIBDA.

(3) €151.9 m European Union Fine was not foreseeable for 2007 guidance set up, as such, +€151.9 m to be added to adjusted OIBDA for guidance comparison.

(4) Expected Real Estate capital gains + others €162 m. Actual 2007 Real Estate capital gains + others €163 m. For guidance comparison -€1 m = (162 - (163)) to be added to adjusted OIBDA.

Telefónica Latinoamérica: robust performance, meeting targets



- **Strong commercial activity** in a high growth region:
 - Average Latin America **mobile penetration surpasses 70%** by Dec-07 (58% by Dec-2006)
- **Delivering 2007 growth targets:**
 - **Wireline broadband and mobile** services stand out as **growth drivers**
 - **BB revenues offset pressure** on traditional fixed line revenues
 - **Record mobile net adds in Q407** to expand customer base in the year by 18.7 m to 102 m. ARPU growth (+6.3% 2007 vs. 2006) boosting mobile revenues
- Personnel reorganization measures to further enhance efficiency: € 258 m provision in Q407; € 318 m in FY2007. OIBDA growth ex-provision: +11.8%
- **Strong OpCF generation across markets.**

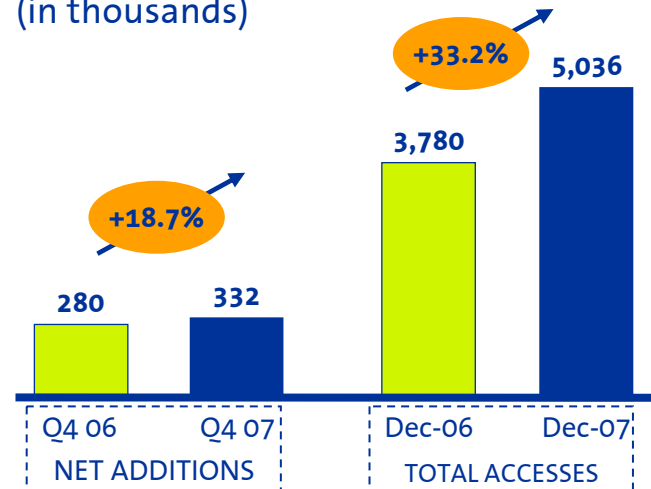
Healthy growth in revenues and OIBDA in all major markets

● Ex personnel reorganization provision

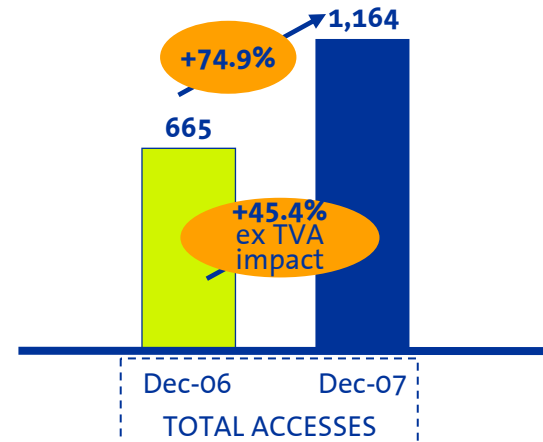
	Revenues		OIBDA		
	FY 2007 (€ in millions)	% change ¹	FY 2007 (€ in millions)	% change ¹	
Integrated					
■ Brazil²	7,662	+3.2%	3,026	-3.8%	-3.0%
■ Argentina	2,264	+15.7%	773	+8.0%	+18.9%
■ Chile	1,814	+14.3%	716	+8.2%	+6.8%
■ Peru	1,513	+10.5%	469	-15.6%	+3.2%
■ Colombia³	1,569	+27.9%	485	+42.5%	+44.1%
Mobile					
■ Venezuela	2,392	+27.8%	1,060	+42.0%	
■ Mexico	1,431	+58.5%	179	c.s.	
■ Central America⁴	585	+15.9%	236	+26.7%	
■ Ecuador	291	+9.5%	73	+24.8%	
■ Uruguay	104	+42.9%	28	+61.6%	

Accelerating fixed transformation by fostering bundles, broadband and Pay TV

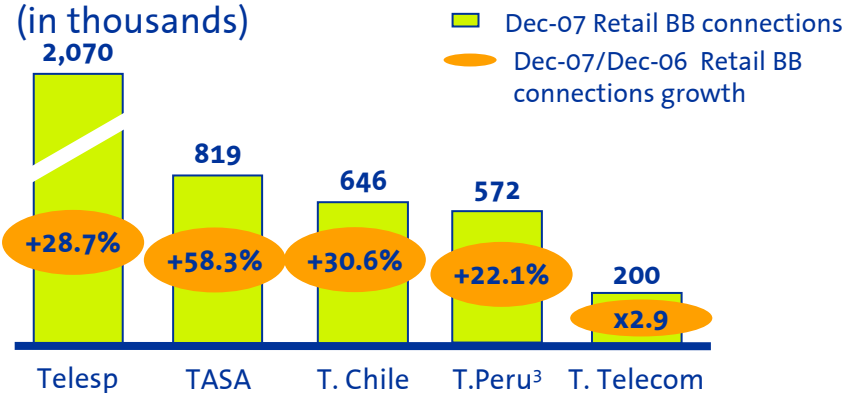
Retail Internet BB connections¹
(in thousands)



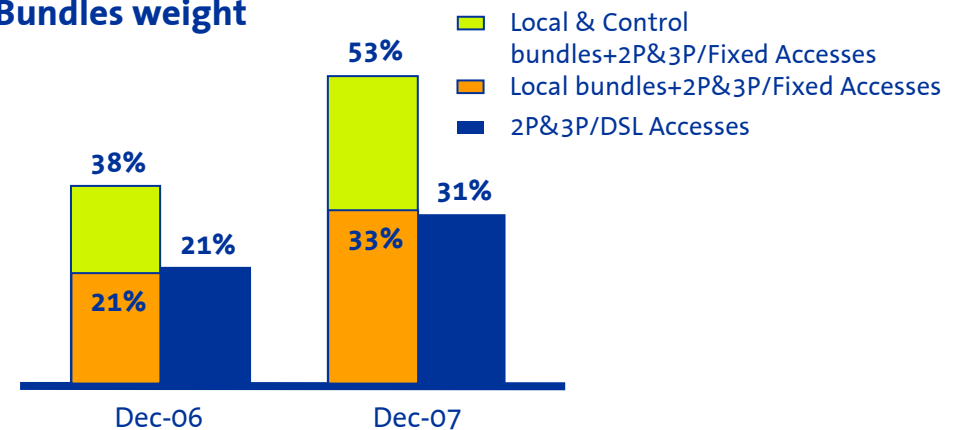
Pay TV clients²
(in thousands)



Breakdown of retail BB connections
(in thousands)



Bundles weight

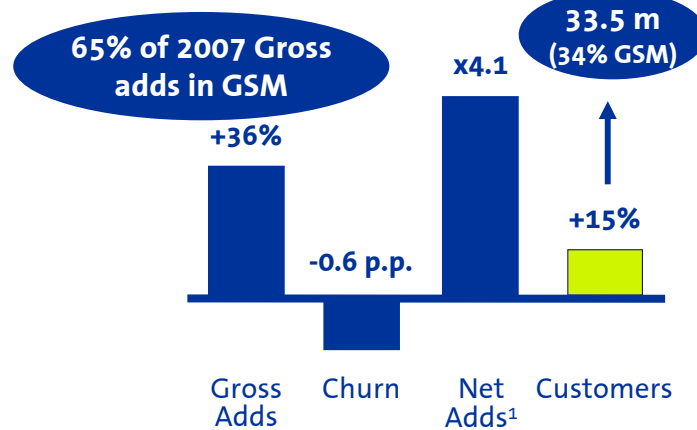
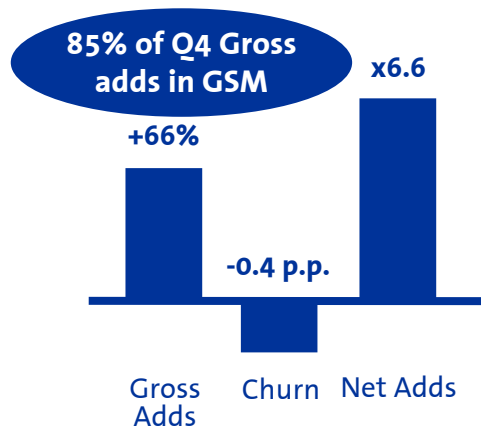


Brazil wireless: robust commercial activity accelerates top line and OIBDA growth

Q4 07/Q4 06 change

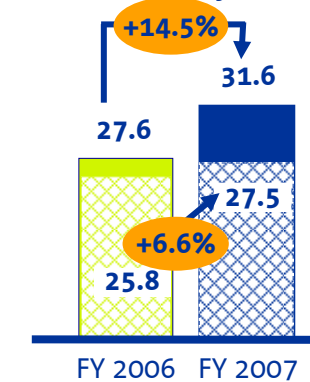
Market leader in December

2007/2006 change



ARPU

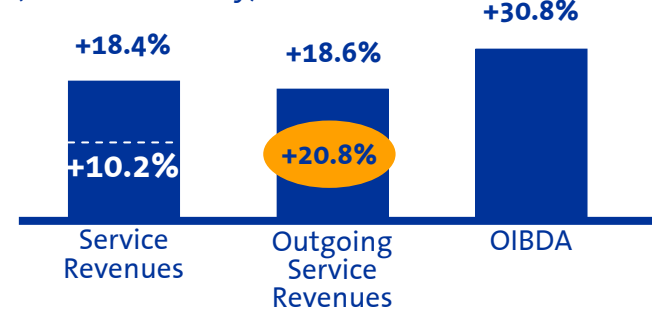
(local currency)



Excluding B&K effect

2007/2006 growth

(in local currency)

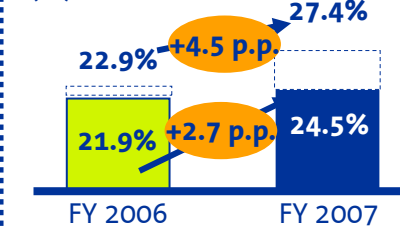


Excluding B&K effect

- Leadership in network and service quality²
- Strongest distribution channel
- Most reliable brand in the market

OIBDA margin

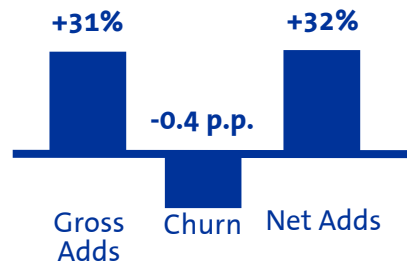
(%)



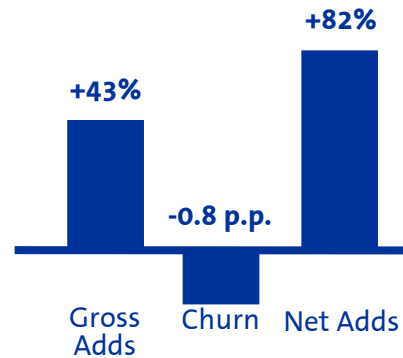
Excluding B&K effect

Mexico wireless: further enhancement of operations

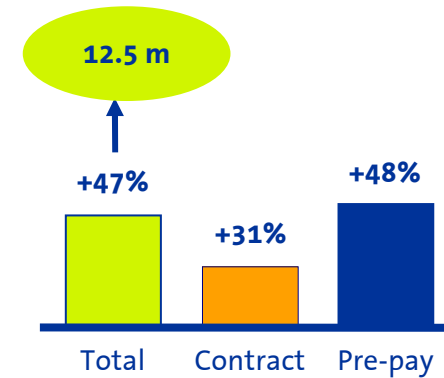
Q4 07/Q4 06 change



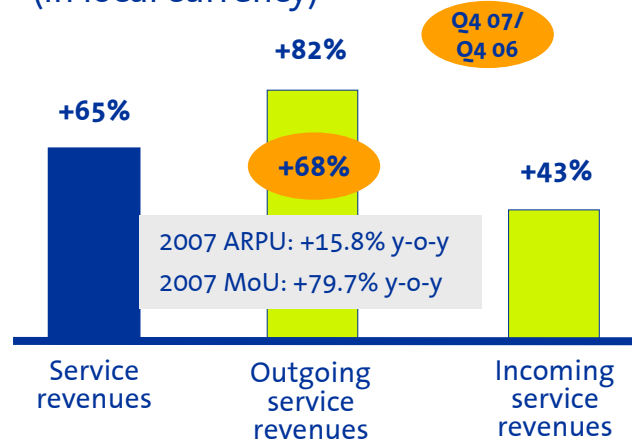
2007/2006 change



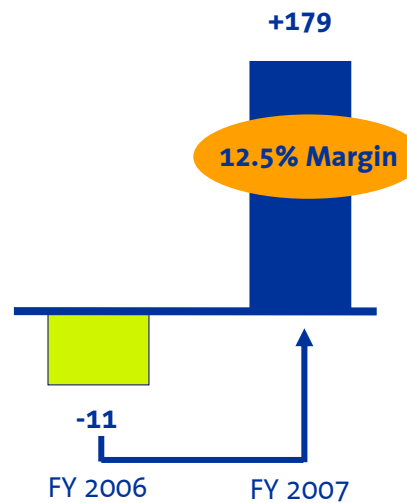
Customer growth (y-o-y)



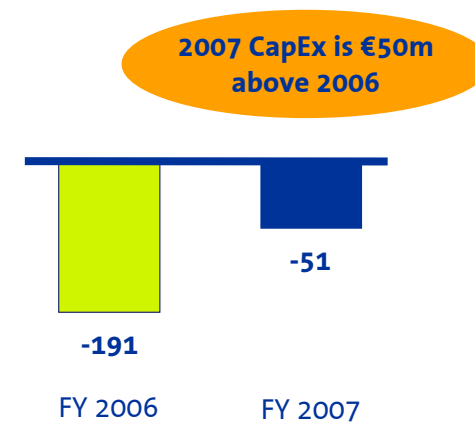
2007/2006 growth (in local currency)



OIBDA (€ in millions)



















Op CF (€ in millions)

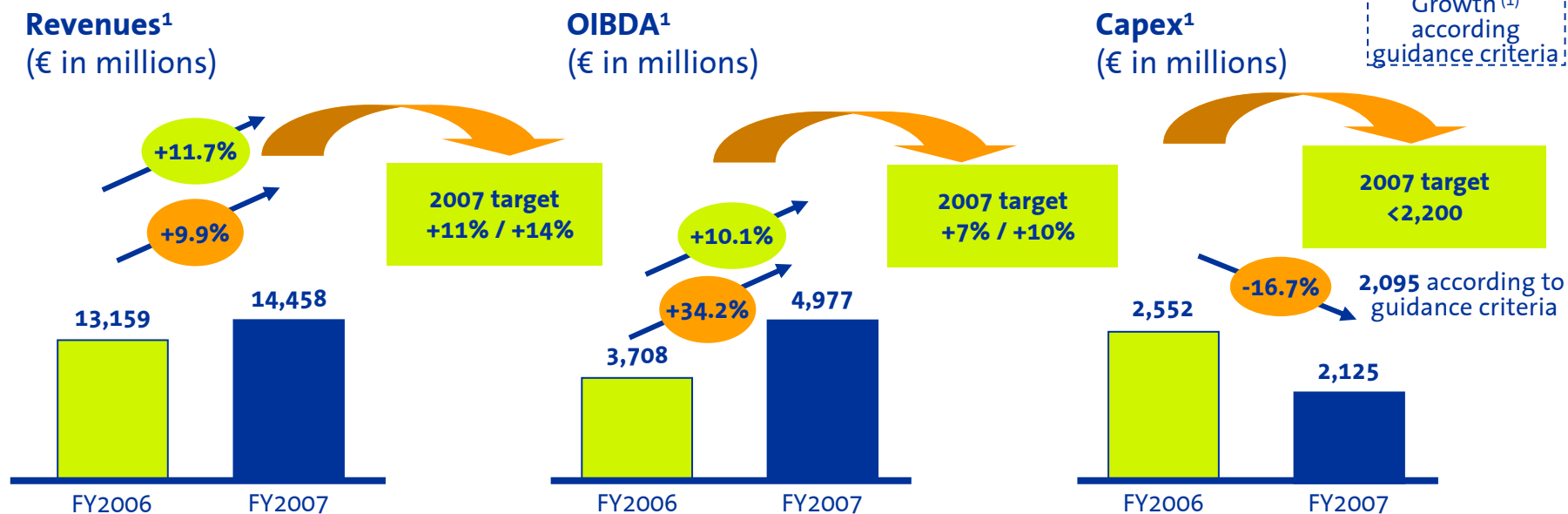


Key highlights for other Latam mobile operations

 y-o-y growth

	Dec-07 customer base (million)	FY 2007/FY 2006 service revenue growth ¹	Outgoing service revenue growth ¹		FY 2007 OIBDA margin	
			FY 2007/ FY 2006	Q4 07/ Q4 06		
ARGENTINA	13.7 	+21%	+24%	+24%	30.9% 	
VENEZUELA	10.4 	+27%	+32%	+25%	44.3% 	<i>Outgoing service revenue outpace customer growth driving service revenue up at a healthy rate. Further advances in efficiency drive margin improvement</i>
URUGUAY	1.1 	+50%	+62%	+54%	26.6% 	
COLOMBIA	8.4 	+13%	+17%	+26%	21.4% 	
CENTRAL AMERICA	5.3 	+17%	+29%	+25%	40.3% 	<i>Solid service revenue growth underpinned by customer and outgoing service revenue growth</i>
PERU	8.1 	+46%	+72%	+50%	26.2% 	<i>Sustained customer growth with robust revenue and OIBDA growth</i>
CHILE	6.3 	+23%	+23%	+33%	37.5% 	<i>Strong service revenue growth outpaces customer growth on steady ARPU expansion.</i>
ECUADOR	2.6 	+0%	+3%	+16%	25.1% 	<i>High usage uptake leads to high service revenue growth above 14% in Q4</i>

Telefónica Europe: increased commercial activity to foster revenue growth

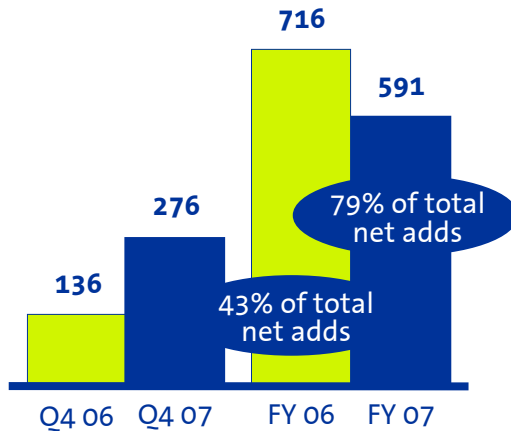


- **2007 targets met at Telefonica Europe level.**
- **Strong Q4:**
 - **UK: outperformed the market, record contract net adds, helped by iPhone.**
 - **Germany: strong postpay net adds (+48% y-o-y); FONIC base 200k.**
 - **Czech Republic: mobile net adds +51% y-o-y; fixed line losses continue to slow down.**
- **Personnel reorganization to enhance future efficiency & cancellation of T-Mobile national roaming agreement and others totalled € 338 m in 2007.**



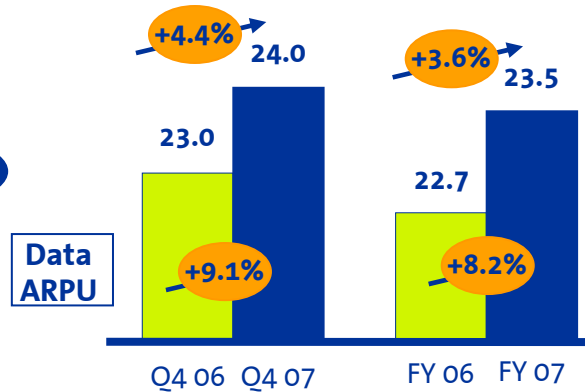
O2 UK: continued outperformance

Mobile contract net adds
(in thousands)



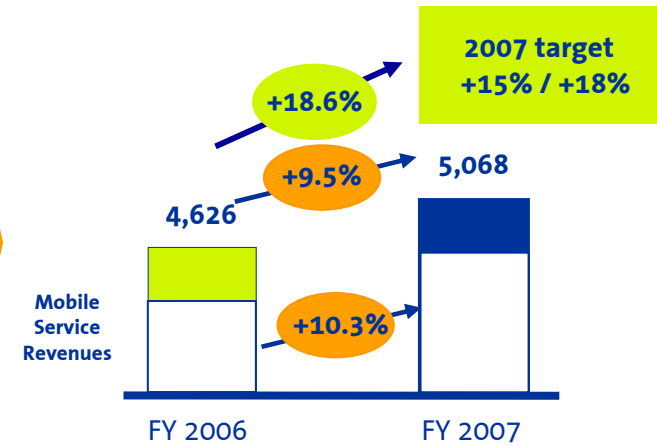
- Total customer base 18.4m (+4.2%)
- 37% of base in contract (+1.8 p.p.)

ARPU
(in £)

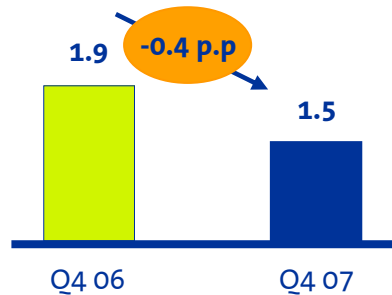


- MoU²: +9.8% y-o-y to 197 minutes

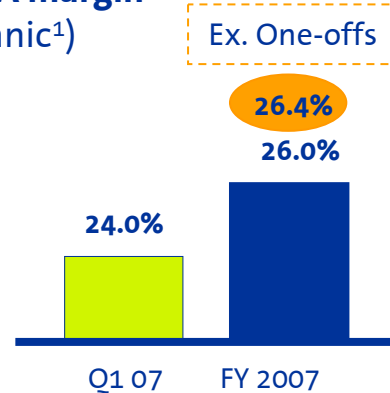
Revenues
(Organic¹, £ in millions)



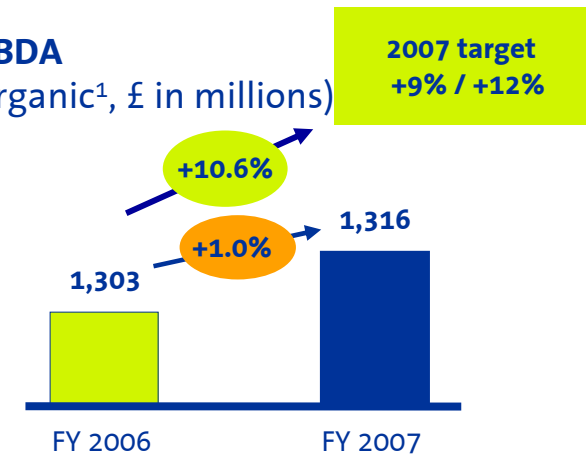
Contract churn
(%)



OIBDA margin
(Organic¹)



OIBDA
(Organic¹, £ in millions)

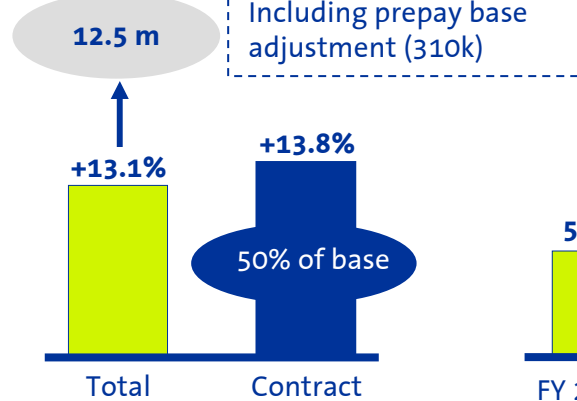


(1) On a comparable basis (January-December for both FY 2006 and FY 2007)
(2) Quarterly Monthly Average

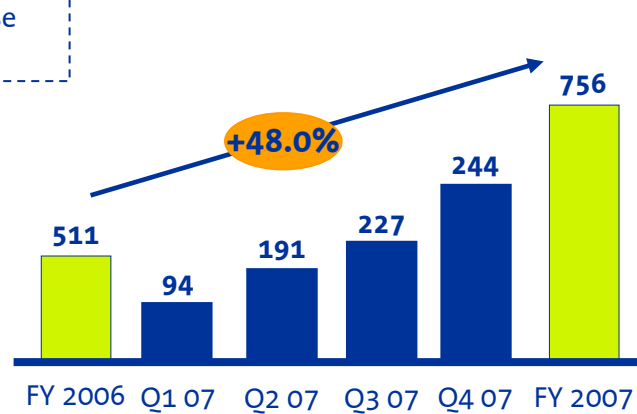
Growth rates under guidance criteria

O2 Germany: increasing commercial activity to capture growth

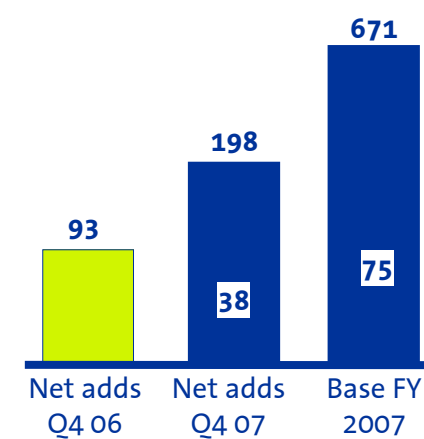
Mobile customer growth (y-o-y)



Contract Net additions (in thousands)



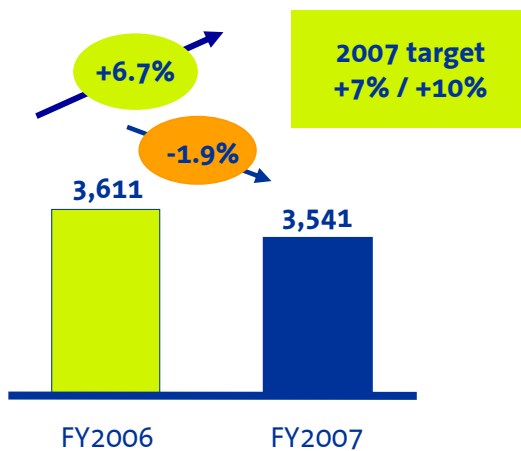
ULL lines (in thousands)



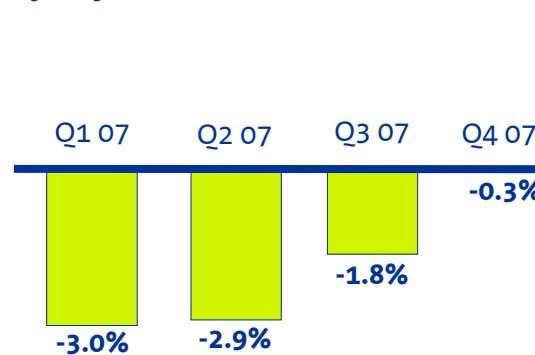
Order book of ~50,000

O2 DSL

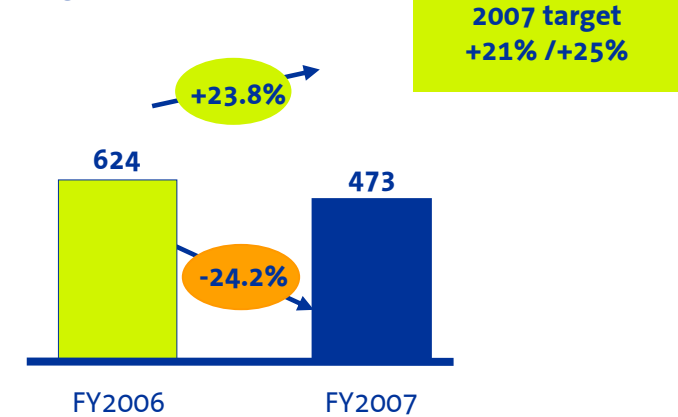
Revenues (Organic¹, € in millions)



Revenue growth (y-o-y)



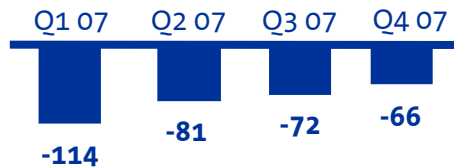
OIBDA (Organic¹, € in millions)



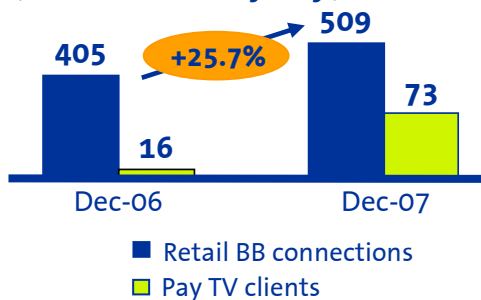
FY 2007 OIBDA margin ex one-offs 20.3%

T.O2 Czech Republic: Maintaining growth with improved efficiency

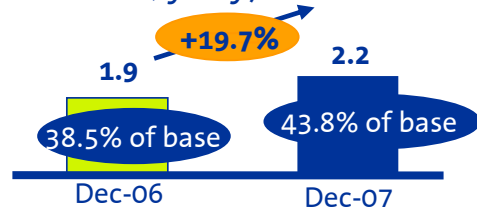
Fixed Telephony net adds
(in thousands)



Retail Internet BB connections and Pay TV clients
(in thousands, y-o-y)

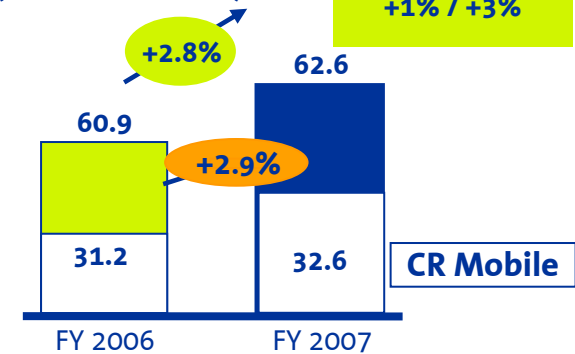


Mobile Contract customers (CR)
(in million, y-o-y)

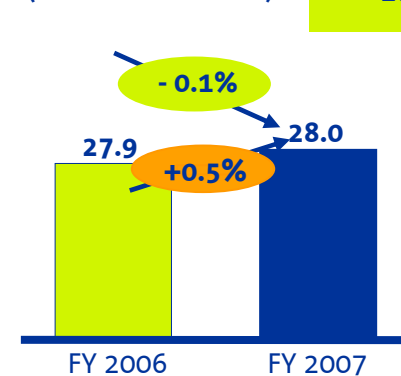


- Decline in fixed line losses trend
- Focus on bundled propositions
- New Trio Bundle
- 100,000 customers on bundles (O2 Duo and O2 Trio)
- Q4 ARPU: +2.3% y-o-y in l.c. driven by increasing data ARPU and changing mix
- Continued prepay to postpay migration

Operating revenues
(CZK in billions)



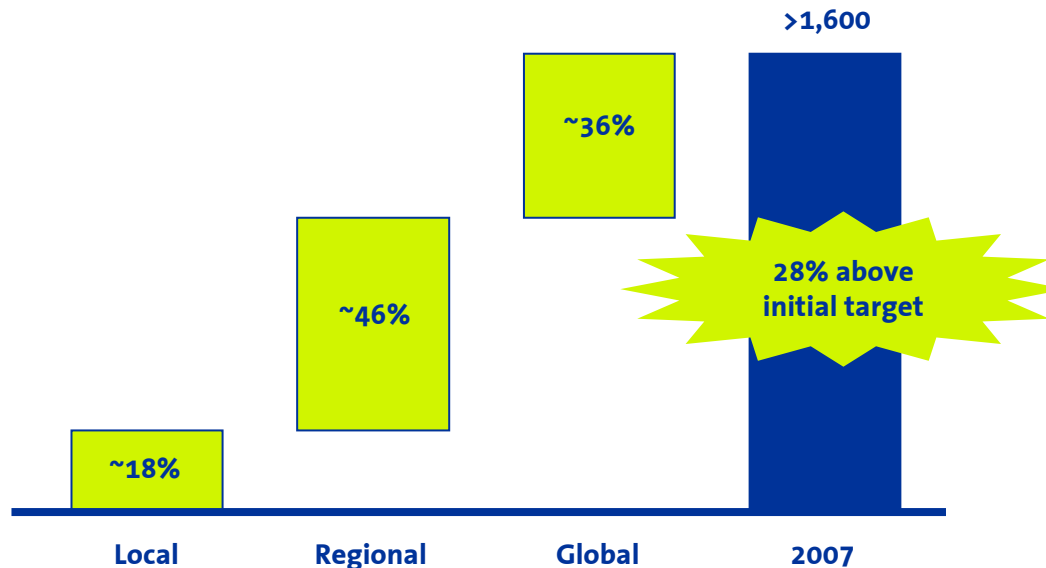
OIBDA
(CZK in billions)



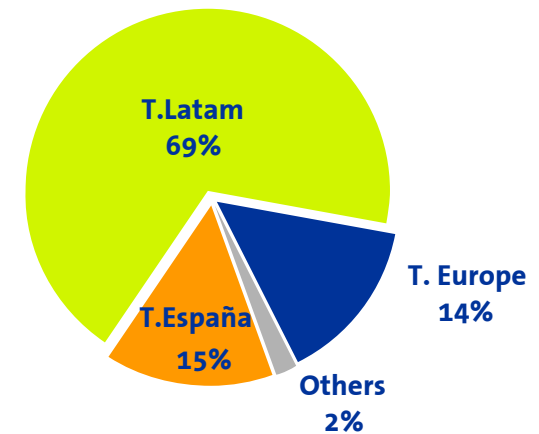
- FY 2007 margin 44.8% (-1.1 p.p. vs. FY 2006, but ~2 p.p. due to Slovak operation)

Maintaining good performance in Synergies

OpCF (OIBDA-CapEx)
(€ in millions)



2007 Synergies by Business Units



Others: Distrito C, Corporate University

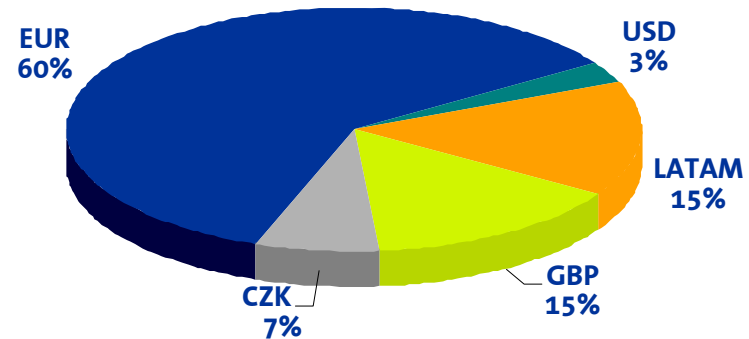
LOCAL	REGIONAL	GLOBAL
<p>Commercial F-M integration P&S Roadmap Channels integration</p> <p>Technology, Operations & Systems integration (T.O.S.) Fixed-Mobile Combination of 3 areas</p>	<p>Commercial Approach Brand, Recharges Model, Devices logistic</p> <p>Integration of T.O.S. Network Operations, Processes, IT</p>	<p>Shared Services Procurement, Administrative Support</p> <p>Knowledge Sharing DSL Deployment, Knowledge Network</p> <p>Cross Regional Units Roaming Wholesale, MNCs, International Traffic, Desktop Global Services</p> <p>Centres of Competence IPTV, Internet PC, Internet Mobile</p>

Stable financial profile and Comfortable liquidity position

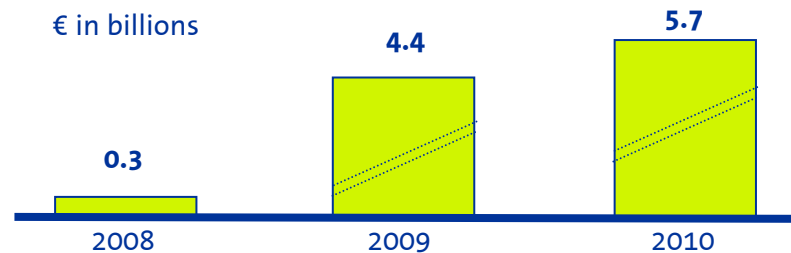
Stable cost of debt

€ in millions	2007
Net Interest Expenses	(2,844)
Total Average Debt	50,844
Effective Interest rate	5.59%

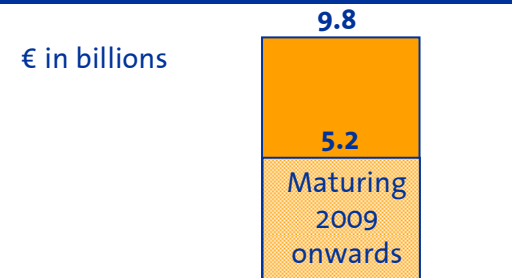
Currency mix



Dec-07 Net Financial Debt Maturity



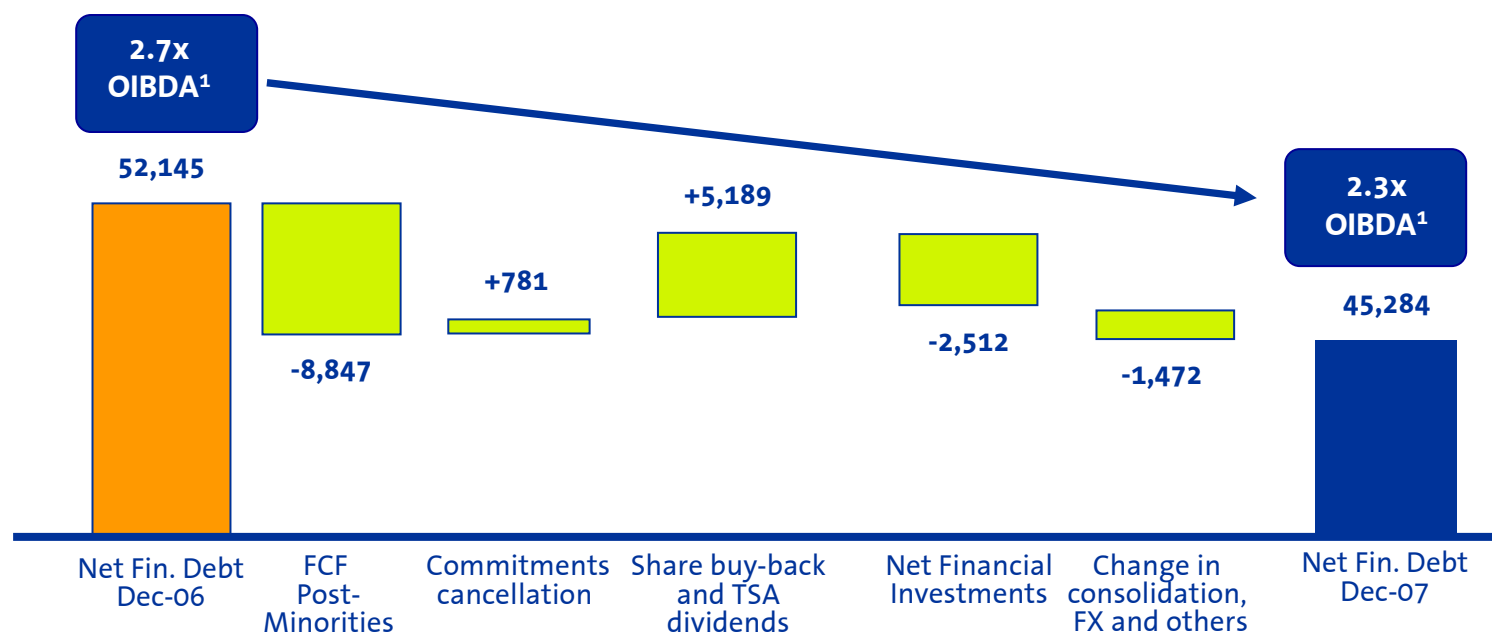
Dec-07 Unused committed credit facilities



- 5.59% Cost of debt, as anticipated, despite market interest rates increases.
- Slightly higher weight of Euro denominated debt, due to usage of Euro cash and GBP and USD depreciation.
- Average debt life above years (6.3 years), longer than time needed for full repayment.
- Close to € 1 Bn niche financing raised in Q4 07 despite market turmoil. Ongoing access to Commercial Paper markets.

Shareholder remuneration increased and de-leverage target achieved

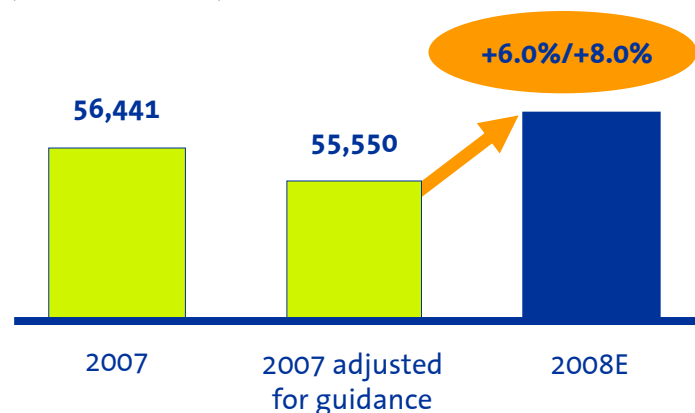
12M07 Net Financial Debt Evolution
(€ in millions)



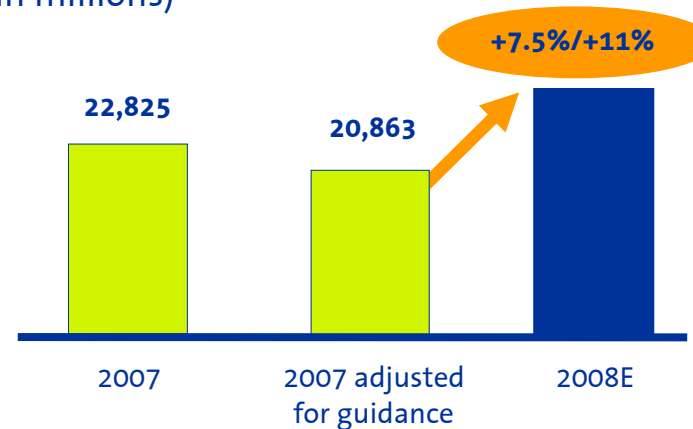
- Net Debt & commitments at 2.4x OIBDA, within leverage target range
- €5.2bn shareholder remuneration in 2007, slightly above 2006

Solid 2008 guidance, in line with our long term targets...

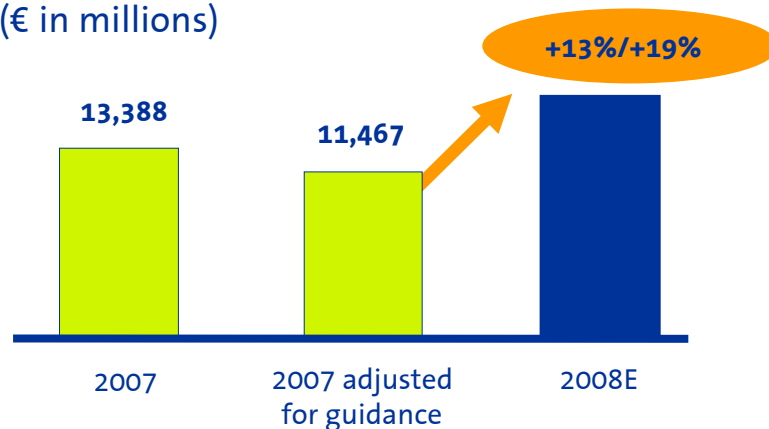
Group Revenues
(€ in millions)



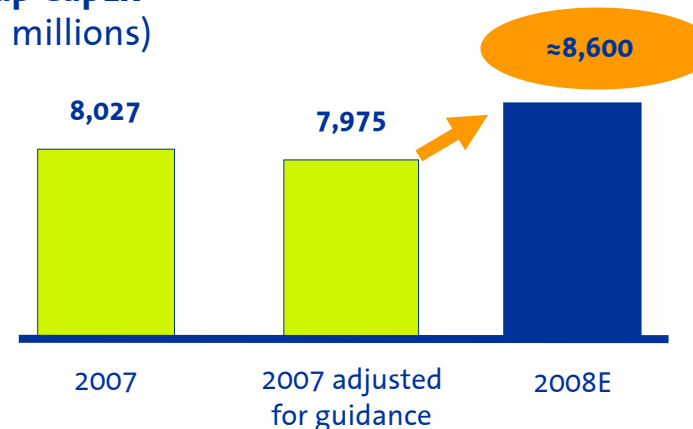
Group OIBDA
(€ in millions)



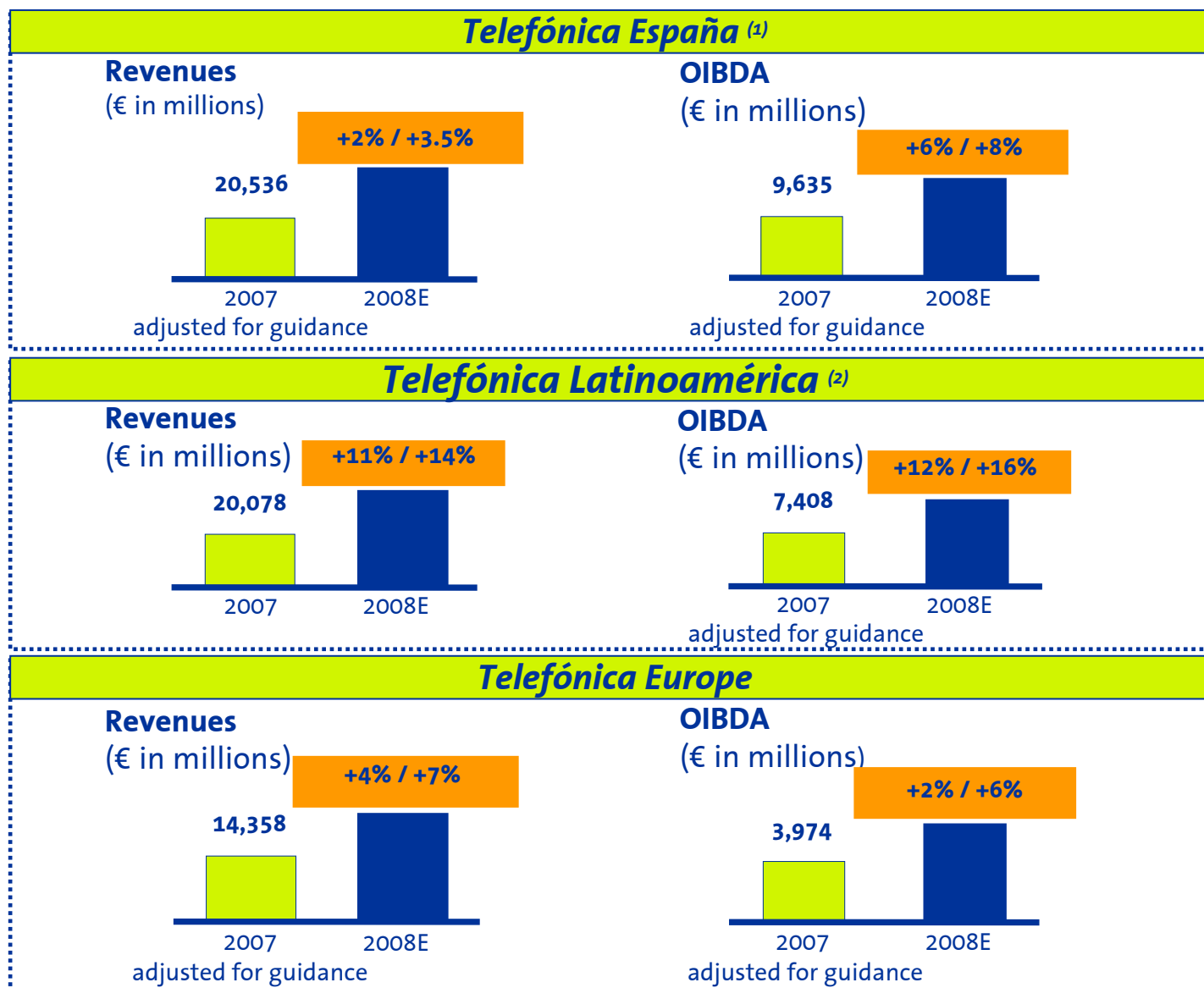
Group OI
(€ in millions)



Group CapEx
(€ in millions)



...well positioned to capture additional growth in our markets ...

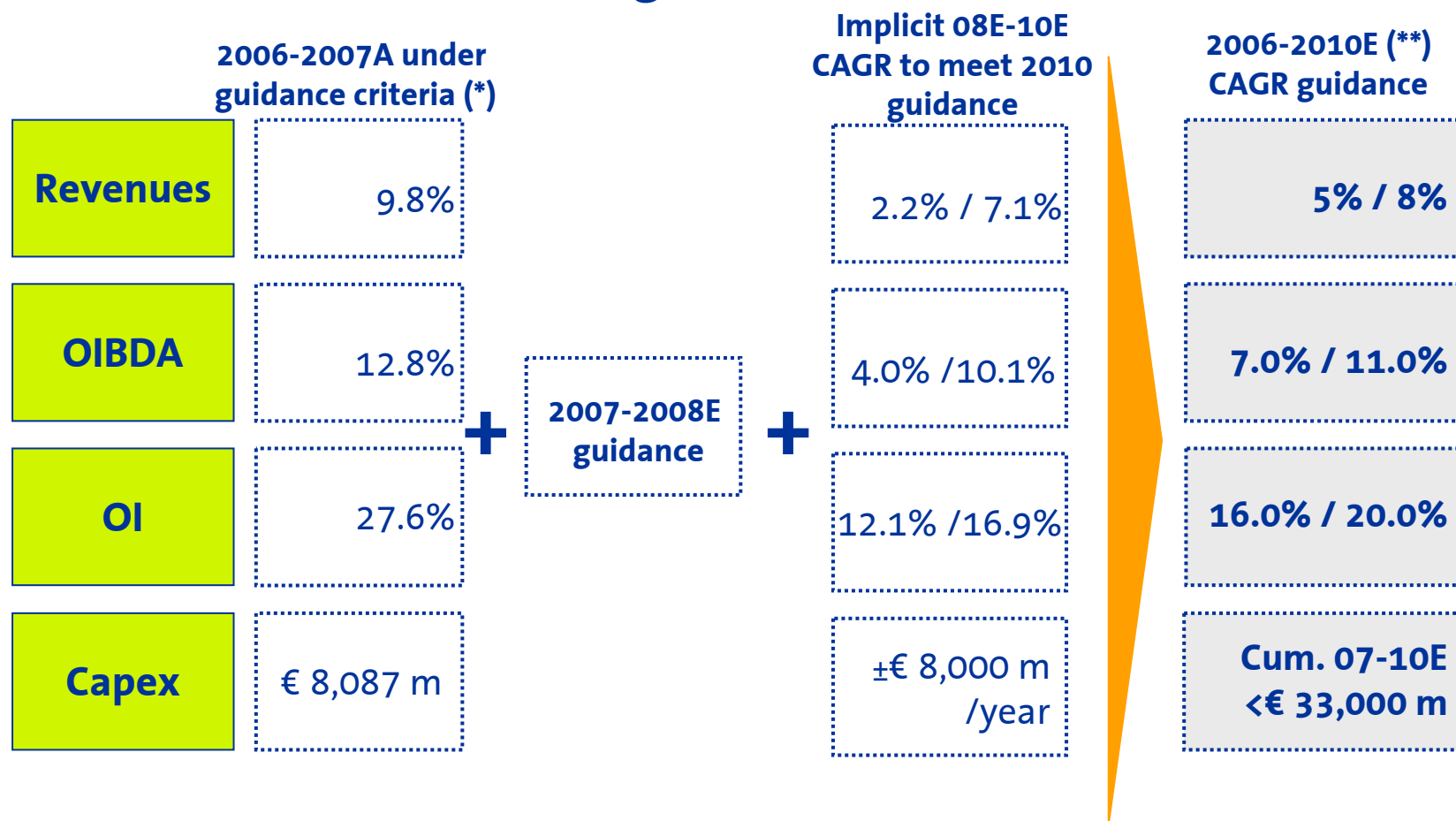


TELEFONICA S.A.
Investor Relations

- Results for our regional business units exclude brand fees
- (1) 2007 T. España revenues are adjusted for new public voice telephony services business model (refer to slide 35 for full detail). Expected 2008 Real Estate capital gains of aprox. € 94 m (€ 162 m in 2007)
- (2) Includes 3 months of consolidation of TVA in 2007. In 2008 Includes TVA (12 months), Telemig (9 months) and Deltax (12 months)

Telefónica

On track to meet 2010 targets



(*) 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), three months of start-up losses in Slovakia, and exclude Endemol and Airwave results. 2007 guidance assumes constant exchange rates as of 2006 and excludes changes in consolidation (TVA). In terms of guidance calculation, OIBDA and OI exclude other exceptional revenues/expenses not foreseeable in 2007. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses, with the exception of the ones decided after the guidance communication at the beginning of the year. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures. CapEx excludes Real Estate Efficiency Program (REEP).

(** 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. 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 2007-2010E. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures. CapEx excludes Real Estate Efficiency Program (REEP). 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)

2008 targets, a guide to calculations

2007 ADJUSTED FIGURES FOR GUIDANCE:

- Excludes Endemol and Airwave (revenues: € 643 m and € 99 m respectively; OIBDA: € 87 m and € 40 m)
- Excludes Airwave and Endemol capital gains (€ 1,296 m and € 1,368 m respectively)
- Telefónica España and Group revenues are adjusted considering the new 2008 business model for public voice telephony services. As a result of the new regulatory framework, the business is now run by a pure wholesale approach (only net margin accounted as revenues) vs. previous retail oriented criteria (wholesale price of traffic accounted as revenues and expenditure to promote traffic through resellers as commercialization costs): - € 147 m approx. (impact on operating company traffic revenues amounts to approx € 194 m due to eliminations with TTP)
- CapEx excludes Real Estate Efficiency Program
- Includes the consolidation of 3 months of TVA in T. Latinoamérica: € 14 m in revenues and € 1 m in OIBDA

Telefónica España:

- Revenues adjusted considering the 2008 business model for public voice telephony services
- OIBDA excludes EU fine (€ 152 m), Personnel Reorganization (€ 37 m) and others

Telefónica Latinoamérica:

- OIBDA excludes € 258 m personnel reorganization, € 45 m capital loss of CANTV and others

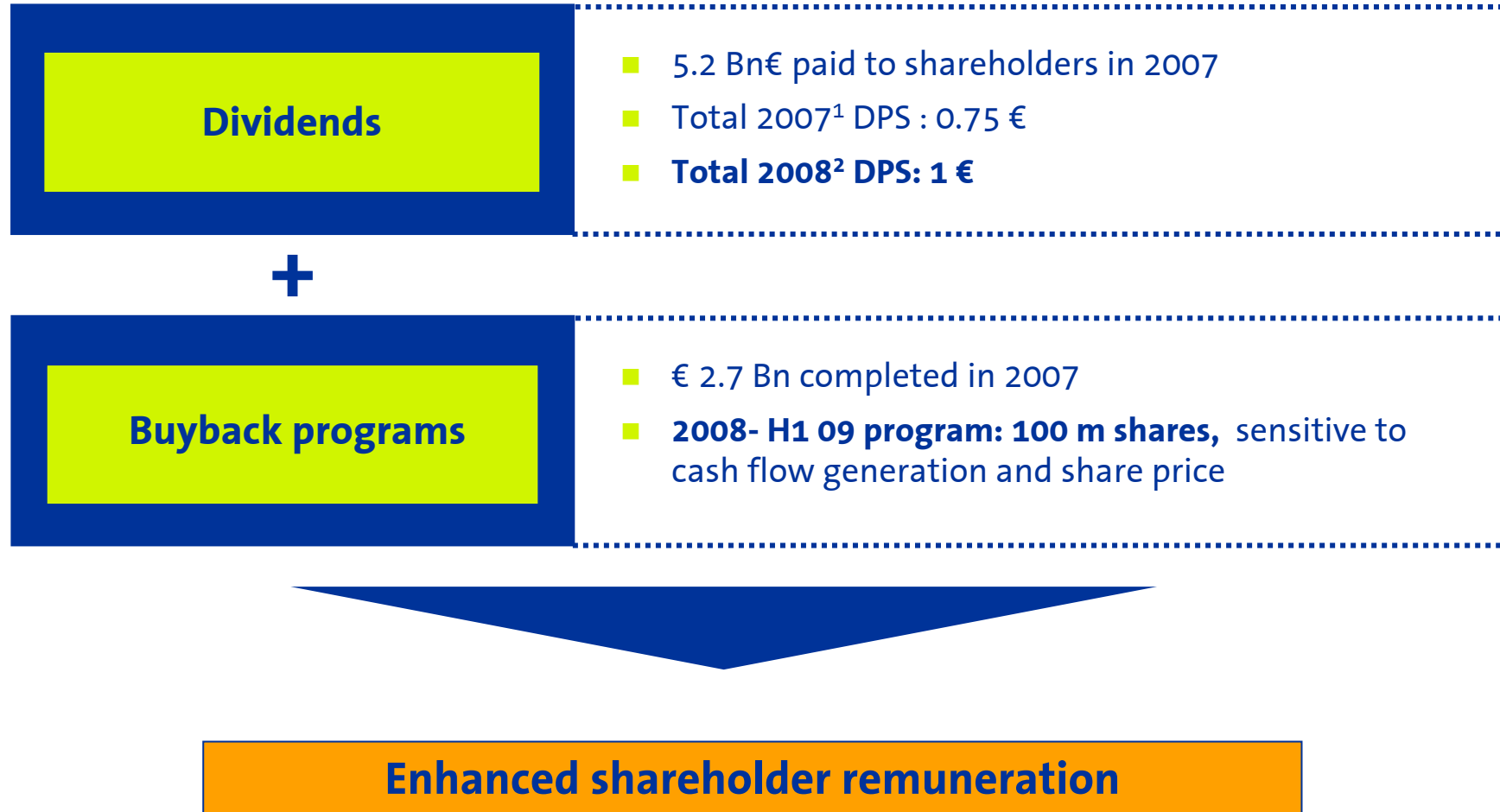
Telefónica Europe:

- Excludes 3 months of the consolidation of Airwave and its capital gain
- OIBDA excludes restructuring measures of € 333 m and others

2008 FIGURES FOR GUIDANCE:

- Includes the consolidation of Deltax (12 months) in Telefónica Europe, TVA (12 m) and 9 months of Telemig in Telefónica Latinoamérica
- Assumes constant exchange rates as of 2007 and excludes changes in consolidation
- Expected Real Estate capital gains of aprox. € 94 m at Telefónica España level (€ 162 m in 2007)
- OIBDA excludes other exceptional revenues/expenses not foreseeable in 2008 as capital gains and impairments. Equivalent other exceptional revenues/expenses are also deducted from 2007 figures
- CapEx guidance does not include potential acquisition spectrum others than those already being granted. Group's CapEx excludes Real Estate Efficiency Program.

A growing path on shareholders returns



Closing remarks



Telefonica
