

The Depository Trust Company

IMPORTANT

B#: 2494-07
DATE: 11/14/2007
TO: All Participants
CATEGORY: Dividends
FROM: International Services
ATTENTION: Operations, Reorg & Dividend Managers, Partners & Cashiers
SUBJECT: TaxRelief-Country:Spain,Telefonica S.A.
CUSIP: 879382208
R/D 11/13/07 P/D 11/20/07

The Depository Trust Company has received from Citibank N.A., the attached information regarding certain tax refunds on the above captioned dividend.

As directed in the notice, participants that have qualified beneficial holders that expect to benefit from this procedure should secure the required documentation.

Important Legal Information: *The Depository Trust Company ("DTC") does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages.*

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.



IMPORTANT NOTICE

TELEFONICA, S.A.

ADR Record Date: November 13, 2007

ADR Paydate: November 20, 2007

As Depository for the American Depositary Shares ("ADSs") of **Telefonica S.A.**, CUSIP: 879382208 Citibank N.A./ GlobeTax is distributing this important notice announcing tax refund procedures for residents of the United States.

On **November 20, 2007**, Citibank N.A. will pay **82%** of the dividend to all DTC Participants, representing payment of the Telefonica S.A. dividend of 1.05 Euro per ADR (**0.35 Euro per Ordinary Share**). This dividend is subject to **18% withholding tax** under Spanish law. Under the Income Tax convention between the United States and Spain, U.S. residents are eligible for reduced Spanish withholding tax (for most people, at a rate of 15% rather than the usual 18%) on the dividends paid by Telefonica S.A.

QUICK FILING PROCEDURES FOR U.S. RESIDENTS DOCUMENTATION REQUIREMENTS – U.S. RESIDENTS (required for each Beneficial Owner)

1. **CITIBANK N.A. FILING COVER LETTER**: This cover letter must be submitted on the company letterhead of the DTC Participant. The cover letter should state the name, address, fiscal residence, taxpayer I.D., number of ADR shares, and the amount to be refunded for each ADR beneficial owner on the record date for which a claim is submitted. The format for the cover letter can be found in the following pages of this notice.
2. **CERTIFICATE OF RESIDENCY**: U.S. residents need to submit an **ORIGINAL** IRS Form 6166 signed and stamped by the Internal Revenue Service, which will verify the Beneficial Owner's name, tax identification number, and status as a resident of the United States. **This Form 6166 must mention the Double Taxation Agreement between the United States and Spain and must be dated within 11 months of submission to Citibank N.A.**

When you have received Form 6166 from the IRS, please send **both** the Citibank N.A. Filing Cover Letter and original IRS Form 6166 **together** to:

Citibank N.A./ GlobeTax
90 Broad Street, 16th Floor
New York, NY 10004-2205
Attn: Telefonica S.A.

All DTC Participants who wish to file a request for a refund of excess withholding tax must submit the required documentation to the above address.

NOTE IMPORTANT INFORMATION REGARDING FORM 6166: The U.S. Internal Revenue Service, "I.R.S." has recently imposed a \$35.00 user fee to produce and deliver Form 6166. Please see the I.R.S. website for guidance, or call Ryan Stewart at Citibank N.A. / GlobeTax, (800) 628-4646. It is up to each shareholder or their representative to determine if obtaining Form 6166 to pursue the withholding tax reclaim is beneficial based on the costs to obtain Form 6166 and the number of reclaims that you expect to make using the form that you obtain. Each individual's situation will vary depending on the number of shares held, the scope of Spanish securities held, and the expected returns of the withholding tax reclaim(s) that you plan to file. The user fee charged by the I.R.S. is unrelated to any fees charged by Citibank N.A./GlobeTax for their withholding tax reclamation service, and must be paid directly to the I.R.S.

PLEASE NOTE: Shareholders who are residents outside of the U.S. are not eligible to claim via the Quick Refund Process, however they may file claims via the Standard Process. The Non-U.S. treaty rates are as follows:

15% WITHHOLDING TAX:

Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Belgium, Belarus, Bolivia, Bulgaria, Brazil, Canada, Croatia, Cuba, Czech Republic, Denmark, Ecuador, Estonia, Finland, France, Georgia, Germany, Hungary, Iceland, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kyrgyzstan, Korea, Latvia, Lithuania, Luxembourg, Macedonia, Mexico, Moldavia, Morocco, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, Tajikistan, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan, and Vietnam

10% WITHHOLDING TAX:

Chile, China, Greece, Israel, Malta, Thailand, Venezuela

FILING DEADLINES:

The filing deadline for the quick process is **November 28, 2007 by 5 P.M. EST** for receipt by Citibank N.A./ GlobeTax.

LONG FORM FILING PROCEDURE – FOR ALL SHAREHOLDERS

Under the provisions of the Double Taxation Treaty, **shareholders generally have four years from the local payment date to file a claim** with Citibank N.A. / GlobeTax. Claims submitted after the quick process deadline of **November 28, 2007** must be sent to Citibank N.A. / GlobeTax.

Claims submitted after **November 28, 2007** will require:

1. **CITIBANK N.A. FILING COVER LETTER:** This cover letter must be submitted on the company letterhead of the DTC Participant. The cover letter should state the name, address, fiscal residence, taxpayer I.D., number of ADR shares, and the amount to be refunded for each ADR beneficial owner on the record date for which a claim is submitted. The format for the cover letter can be found in the following pages of this notice.
2. **CERTIFICATE OF RESIDENCY (or Petición de Devolución for non-U.S. residents):** U.S. residents need to submit an **ORIGINAL** IRS Form 6166 signed and stamped by the Internal Revenue Service, which will verify the Beneficial Owner's name, tax identification number, and status as a resident of the United States. **This Form 6166**

must mention the Double Taxation Agreement between the United States and Spain and must be dated within 11 months of submission to Citibank N.A.

Peticion de Devolucion must be completed by the country of residence of the beneficial owner and must cover the period of the dividend. These forms are only available for the following countries. (Germany, Belgium, Denmark, Netherlands, United Kingdom, and Sweden) A copy of these forms is available through Citibank N.A. / GlobeTax by calling Ryan Stewart at (800) 628-4646 or (212) 747-9100. Residents of all other countries must provide an original Certification of Residency signed and stamped by their country of residence.

3. **Spanish PODER ESPECIAL (Special Power of Attorney)**: must be submitted in Spanish and **must be Apostiled** by the relevant authorities. (See Poder Especial and Apostile). An English Version of this document has been provided for your assistance but only the version in Spanish will be accepted. A listing of offices that will Apostile the Poder Especial is attached.

To obtain the appropriate forms, please contact:

Citibank N.A. / GlobeTax
90 Broad Street, 16th Floor
New York, New York 10004-2205
Attn: Ryan Stewart
Telephone (800) 628-4646

QUICK REFUND PROCESSING IS SUBJECT TO A TAX RELIEF FEE OF \$0.0035 PER ADS CHARGED ON A PER BENEFICIAL OWNER BASIS.

STANDARD TAX RECLAIM PROCESSING IS SUBJECT TO A TAX RELIEF FEE OF \$0.005 PER ADS WITH A MINIMUM TAX RECLAMATION PROCESSING FEE OF \$25.00 AND A MAXIMUM OF \$5,000.00 PER BENEFICIAL OWNER CLAIM.

The Citibank N.A. Depositary

**SAMPLE FORMAT FOR COVER LETTER TO CITIBANK N.A. / GLOBETAX
CLAIMS WILL NOT BE ACCEPTED WITHOUT THIS COVER LETTER**

[DATE]

Citibank N.A. / GlobeTax
90 Broad Street, 16th Floor
New York, NY 10004-2205
Attn.: Telefonica S.A.

Enclosed please find tax reclamation documents which we have submitted on behalf of our clients who have had excess tax withheld on Spanish ADRs. We, [NAME OF DTC PARTICIPANT], also identified as DTC participant number [DTC PARTICIPANT NUMBER], hereby state that each beneficial owner cited below held the respective amount of shares on the record date of **November 13, 2007** for the security **Telefonica S.A.**

Below is the list of beneficial owners and their holdings. As required, original Certification of Residency, issued within the last 11 months (for each beneficial owner) and a PODER ESPECIAL (Apostiled) if necessary are attached. **The ratio is 1 ADR Share to 3 Ordinary share.** The information is as follows:

<u>Name & address</u>	<u>Fiscal residence</u>	<u>TIN/SSN</u>	<u># of ADR shares</u>	<u>Refund Amount</u>
1)				
2)				
3)				
4) etc.				
			Grand Total	_____

We ask that Citibank N.A., as Depositary, present these excess withholding tax refund requests on behalf of the above beneficial owners. Should you have any questions, please contact the undersigned at [SIGNATORY'S TELEPHONE NUMBER].

Sincerely,

[Signature of authorized signatory for DTC Participant]
[NAME AND TITLE OF AUTHORIZED OFFICER FOR DTC PARTICIPANT]

PAYMENT ADDRESS: _____

Indemnification

Citibank N.A. shall not be liable for failure to secure the refund and shall not be liable for any loss due to foreign exchange fluctuation. Any funds erroneously received shall be immediately returned to Citibank N.A. plus any interest, additions to tax or penalties imposed thereon. This is not tax advice. Please consult your tax advisor.

**NOT REQUIRED FOR QUICK PROCESS (ONLY REQUIRED FOR CLAIMS
SUBMITTED AFTER NOVEMBER 28, 2007)**

PODER ESPECIAL

(Lugar y fecha)

Ante mí, _____ actuando en calidad de Notario Público de la ciudad de

COMPARECE

_____ con domicilio en _____ y representante legal de

EXPONE

Que con el propósito de solicitar la reducción o devolución del exceso del impuesto español sobre las rentas retenido en la fuente.

OTORGA

Poder especial, tan amplio como en derecho sea necesario, a favor de Banco Bilbao Vizcaya Argentaria S.A. (BBVA) con número de identificación fiscal N° A-48265169 y con domicilio en Plaza San Nicolás 4, 48005 Bilbao, España para que pueda, en nombre y representación de _____ realizar todos los actos que sean necesarios y apropiados para:

1. Solicitar de las Autoridades Fiscales españolas la devolución del exceso del impuesto español sobre las rentas retenido en la fuente.
2. Cobrar las cantidades de que _____ sea acreedor por el concepto indicado y que deban ser devueltas por el Tesoro Público, firmando los recibos y otorgando las cartas de pago de los mismos.
3. Gestionar ante las sociedades emisoras expedientes de reducción.
4. Presentar toda clase de recursos administrativos y reclamaciones económico-administrativas ante las autoridades y tribunales correspondientes.

Este Poder ha de permanecer en vigor hasta que sea terminado por cualquiera de las partes, siempre que se haya dado aviso previo por escrito a la otra parte de la intención de terminarlo con cinco días de antelación.

Y PARA QUE CONSTE EN ACTA NOTARIAL

Y previa lectura, los comparecientes han firmado la presente acta con el Notario
(firmado) (sello del Notario)

English translation provided for information only

SPECIAL POWER OF ATTORNEY

(Place and date)

Before me, (name of Notary Public)

acting herein in my capacity as Notary Public of the city of _____

APPEARED

(final beneficiary's representative) domiciled at (address) and legal representative of (final beneficiary's name)

WHO DECLARED

That, for the purpose of requesting relief or refund of the excess Spanish tax assessed on income withheld at source.

GRANTS

A Special Power of Attorney, as broad as is necessary under the law, in favour of Banco Bilbao Vizcaya Argentaria S.A. (BBVA) with tax identification N° A-48265169 and domiciled at Plaza San Nicolás 4, 48005 Bilbao, Spain in order that it may, in the name and representation of (final beneficiary's name), carry out any and all acts which are necessary and appropriate for the following:

1. To present the Spanish Tax Authorities with a request for the refund of excess Spanish Tax Assessed on income withheld at source.
2. To collect the amounts owed to (final beneficiary's name) as a creditor in the above mentioned context to be refunded by the Public Treasury, and sign the receipts and execute the acquaintances of the same.
3. To manage in front of the issuing companies relief at source proceeds.
4. To present all types of administrative appeals and economic and administrative remonstrations to the relevant authorities and tribunals.

The Power of Attorney shall remain in effect until terminated by either party providing five days prior written notice of its intent to terminate to the other party.

IN WITNESS WHEREOF

After reading this instrument the affiants have signed it in the presence of the Notary.

(Signed)

(Notary Stamp)

APOSTILLE

(The Hague Convention of 5 October 1961/Convention de La Hague du 5 octobre 1961)

1.- Country:
Pays:

This public document/ Le present acte public

2.- has been signed by
a été signé par

3.- acting in the capacity of
agissant en qualité de

4.- bears the seal/stamp of
est revêtu du sceau/timbre de.....

CERTIFIED /ATTESTÉ

5.- at..... 6.- the/le.....

7.- by Her Majesty's Principal Secretary of State for Foreign and Commonwealth Affairs - Court of Justice - Ministry of Foreign Affairs / par le Secrétaire d'Etat Principal de Sa Majesté aux Affaires Etrangères et du Commonwealth - Cour de Justice - Ministère des Affaires Etrangères

8.- Number/sous N°

9.- Stamp:
Timbre

10.- Signature

.....
For the Secretary of State / Pour le Secrétaire d'Etat