

Telefónica, the power behind progress for all



Customers
Quality and fulfilment



Shareholders
Profitability and transparency



Employees
Clarity and professional development

Economic Progress

Customer satisfaction

84% fixed Spain
73% fixed Argentina
55% fixed Brazil
66% fixed Chile
63% fixed Peru
>70% mobile LATAM

Price evolution

Fall of 12% in mobile telephony in Spain in 2005
5.1% a year fall in fixed telephony in Spain (since 1998)

Productivity increases

Investment

>1.5 million shareholders

Profitability

+76% accumulated profitability 2003-2005
0.5 € dividend per share

Results 2005

+40% results
+24% income
+17 free cash flow generation

Employment

207,000 employees
60,405 Spain
14,326 Europe
131,968 LATAM

Compensation

5,045 billion euros
147,000 employee with variable salaries

Pension Plans

94 million € contributed by Telefónica to private plans
>12% profitability (fonditel)

Technological Progress

Innovation

2,9 billion € on innovation in 2005
533 million € on R&D
>130 new products

Operation

2.18% faults in Spain
4.17% faults in Latam
95% minimum network efficiency GSM CDMA

Digital household

150 cities with digital television coverage in Spain in December 2005 (3 in Dec. 2004)

Shareholder and investor website

1,182,000 visits
963,000 downloads

Shareholder helpline

>88,000 queries

Training

9.3 million hours
48 training hours per employee
20% online training
>43,000 training plans

Telework

>1,000 teleworkers

Professional career

350 published vacancies

Competencies

>78,000 jobs evaluated

Social Progress

Digital inclusion

5.5 million low income lines in Latin America
>300,000 social subscribers in Spain

Telefónica Accessible

>30 services for the disabled

Service responsibility

Responsible investment

48.1 million euros invested by Fonditel in responsible funds (1.01% of total)



Working practices

142,000 employees in collective agreements

Work auditing

26 companies audited in 2004
4 companies audited in 2005

Integration

1,079 disabled employees
49.3% women
21.8% female managers

Contracting

85.4% payroll with permanent or indefinite contract



Society

Contribution and proximity

Economic impact

(% TEF income on GDP)
 2.2% Spain
 1.3% Argentina
 1.1% Brazil
 1.8% Chile
 2.1% Peru
 1.6% Venezuela

Public Administrations

8,511 billion € paid in 2005



Suppliers

Equal opportunities and mutual benefit

Purchases

>13 billion €
 >18,000 awarded suppliers
 >42,000 suppliers in catalogue

Local suppliers

90% awarded suppliers
 85% volume adjudicated

Supplier satisfaction

67,5% overall satisfaction



Environment

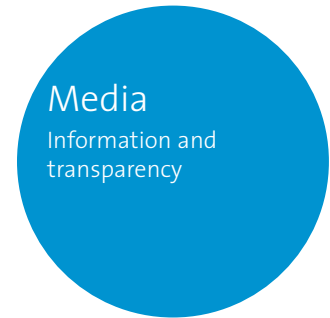
Respect and protection

Investments

District C: largest rooftop solar power producing park in Europe (21.5 million €) (16,600 solar panels)

Support to environmental organisations

10 NGOs receive support from Telefónica



Media

Information and transparency

Advertising investment

47% television
 19% press
 18% exterior
 10% radio

Digital inclusion ADSL coverage

97,3% Spain, 89,5% Argentina, 96,8% Brazil, 96,5% Chile, 97,0% Peru

Mobile coverage

99% Spain, 92% Argentina, 95% Chile, 76% Ecuador, 69% Mexico, 62% Peru, 93% Venezuela

Public services

≈700,000 boxes

Online purchasing

>8 billion € adjudicated
 >20,000 online purchasing processes

Online auctions

685 million € adjudicated
 948 purchasing processes

Joint innovation

5,000 people collaborate with Telefónica

Environmental impact of ICT

12 studies in 2005

Internal training

3,348 employees trained in 2005

Infrastructure development

Agreement with the Federation of Municipalities for the development of the Information Society

Online press room

176,000 sessions in 2005 (82,000 in 2004)

Product information

42% press notes on products

Social action

>54 million € invested

Fundación Telefónica

763 projects
 31,000 participating entities
 41 million participants

Internet training

>5,000 schools connected in Chile

Telefónica Accessible

Manual of accessible communication in collaboration with CERMI

Ethical standards in the supply chain

90% of suppliers support them (survey)

Compliance with payment times

98% invoices
 96% amount (data for Spain)

Global environmental management

13 countries share the regulation of minimum environmental requirements

Training in society

Social training on electromagnetic emissions

Transparency

Telefónica, the company with the best information in social action*
 1º Telefónica: 746 points
 2º Classified: 496 points
 3º Classified: 465 points

*Fundación Empresa y Sociedad