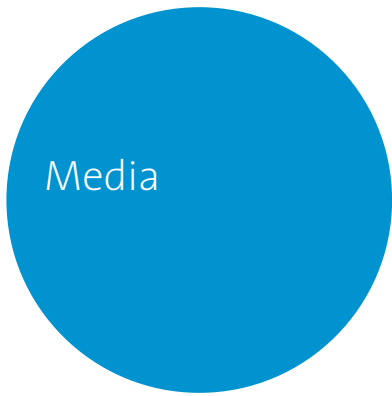


10 Media

Media: Information and transparency

Contents

| | |
|--------------------------------------|-----|
| Letter from the chairman | 4 |
| Telefónica, driving progress for all | 6 |
| 00 Telefónica in 2005 | 8 |
| 01 Corporate Governance | 20 |
| 02 Identity | 32 |
| 03 Driving progres | 66 |
| 04 Customers | 104 |
| 05 Shareholders | 168 |
| 06 Employees | 178 |
| 07 Society | 226 |
| 08 The Enviroment | 252 |
| 09 Suppliers | 292 |
| <hr/> | |
| 10 Media | 304 |
| Information and Transparency | 306 |
| Investment in publicity | 307 |
| <hr/> | |
| 11 ANNEX I | 310 |
| | 292 |



Press Coverage of the Telefónica Group in Spain

| Year | News | Reports | Opinion | Interviews | Letters to the Editor |
|------|------|---------|---------|------------|-----------------------|
| 2005 | 92.7 | 3.1 | 3.1 | 0.2 | 0.9 |
| 2004 | 87.4 | 7 | 1.8 | 0.5 | 1.7 |
| 2003 | 79 | 15 | 2 | 2 | 1 |

Distribution of Telefónica Group Press releases in Spain by Topics

| | 2004 | 2005 |
|--------------------------|-------|-------|
| Telefónica S.A. | 55 | 71 |
| Telefónica de España | 206 | 53 |
| Telefónica Móviles | 1,313 | 1,747 |
| Telefónica Latinoamérica | 765 | 1,045 |
| Fundación Telefónica | 65 | 70 |
| TPI | 25 | 21 |
| Cesky Telecom* | - | 130 |
| Eurotel* | - | 53 |

* Both Cesky Telecom and Eurotel became part of the Telefónica Group in June 2005.

CASE STUDY

Online Press Room

In order to foster transparency and make information more accessible, the Telefónica Group offers journalists and the media an Online Press Room (www.telefonica.es/saladeprensa) with the following services available:

- Publication of all the press releases since 1997.
- Press release search, classified by country, business line and dates, including a direct search service.
- Download of more than 300 photographs, management organigram, graphs and results.
- Real-time consultation of Telefónica share prices.
- Link to websites of the Telefónica Group companies.
- Contact list for journalists.

This channel received 176,052 visits from users in 2005 (82,073 in 2004) which shows the increasing interest.

Information and Transparency

The Telefónica Group encourages a policy of communication based on truthfulness and transparency, with constant interaction with the media. Its relationship with the media is an important tool for the Telefónica Group as a means of open communication with all its audiences: customers, shareholders, professional team and society in general. Telefónica, aware of its corporate responsibility, thus maintains a communications policy based on closeness to the media, and on rigour and transparency in information.

The Corporate Communications area has the task of coordination in order to ensure the coherence of the strategic, financial and operations messages. It works closely with the Communications areas of all the subsidiaries, and all together maintain a policy of continuous, planned and agreed communication, that means that information flows regularly and constantly between the Company and the media. As a fruit of this close communication strategy, the Telefónica Group in Spain has held more than 300 meetings with the media, including news conferences, breakfast briefings, and social events -organised through Fundación Telefónica.

Noteworthy among the more than 3,000 press releases issued by the Telefónica Group to the media in 2005 is the dissemination of information about the products and services offered by the Company (42.2%), followed by financial information (20.1%) and strategic and related to the Company's investment capacity (10.8%). Agreements with third parties, whether suppliers or technology partners, among others, are also the subject of press releases.

Regarding the journalistic treatment of the information from the Telefónica Group in Spain by the media, a 92.7% of the press coverage of the information issued by the Telefónica Group in Spain is in the form of news. Other forms such as reports (3.1%) and opinion (3.1%) occur at similar levels, but far from that of news.

Investment in publicity

Telefónica is a company that has intense publicity activity, making it one of the main investors in the media. All the investment activity is channelled through the corporate media area, following criteria of maximum publicity effectiveness.

For this a unified policy of negotiation and hiring of publicity media has been established in the Group, with the technical area of the Departments of Marketing and of Purchases in each country working together on this.

By media type, television is the means most used with 47% of the Group's investment in publicity, followed by the press (19%), external support (18%) and radio (10%). By country, given the highly commercial character of publicity, Spain concentrates 56.5% of the publicity investment, followed by Brazil with 10.2%, Mexico with 8.9%, Argentina with 5.6% and Chile and Venezuela with 4.6% each. The chapter on customers contains more information about the intense publicity activity of Telefónica.

CASE STUDY

The Telefónica website as a means of communication with society

The telefonica.country model of portal has become the single point of access to the Company in each country, offering the visitor a broad view of the Company, not only commercially, but in its economic, social and technological impact.

To develop this model, more than 200 projects have been carried out in the past three years in 13 countries under the "Alquimia" project. This portal model is currently set up in Germany, Argentina, Brazil, Chile, Colombia, El Salvador, Spain, United States, Guatemala, Morocco, Mexico, Peru and Puerto Rico.

The end result is that it makes a range of products and services available to customers suited to their needs, and offers specific solutions aimed at private individuals, professionals and companies. At the same time the portal helps interaction with other groups such as shareholders, investors, suppliers, partners, employees and communications media. The model has now become a benchmark for the sector.

- The Telefónica S.A. website won the prize of websites for Investor Relations and Online Annual Reports (known as the MZ Awards) in February 2005: First prize in Spain for the Shareholders and Investors page of Telefónica S.A. and that for Best Annual Report Online in Spain for the Telefónica online report.
- In October, 2005, www.telefonica.es was the website that won the highest points for its handling of its social impact, in the report "Social action in the websites of large companies and savings banks", written by Empresa y Sociedad based on a comparative analysis of 65 large companies and 10 savings banks.

The telefonica.country websites have become the means by which citizens consult information of interest about Telefónica, as seen in the fact that the number of visits (single sessions) received in 2005 was over sixty million in Latin America and three million per month in Spain.

Credits

Departments that collaborated in the preparation of the report

| Capítulo | Áreas implicadas |
|-------------------------------|---|
| 01 Corporate Governance | Secretariat General / Internal Auditing Department |
| 02 Identity | Communication (Brand, Reputation and CSR) / Human Resources Office / Sponsorship / Internal Auditing Department |
| 03 Driving Force for Progress | Finance (Consolidation, Management Control), Tax, Regulatory Affairs, Innovation, Telefónica I+D, Institutional Relations, Information Systems, Investor Relations |
| 04 Customers | Corporate Marketing Development / Quality, marketing and customer service departments of the main business lines (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica) / Secretariat General / Communication / Security |
| 05 Shareholders | Shareholders' Office / Investor Relations / Secretariat General |
| 06 Employees | Corporate Human Resources / Human Resources Departments of the main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, TPI, Terra, Atento, T-Gestiona) / Communication / Health and Safety / Fundación Telefónica / ATAM / Fonditel |
| 07 Society | Main lines of business (Telefónica de España, Telefónica Latinoamérica, Telefónica Móviles) / Institutional Relations / Management Control / Regulatory Affairs / Reputation and Corporate Social Responsibility / Fundación Telefónica / ATAM / Sponsorship |
| 08 Environment | Internal Auditing / Reputation and Corporate Social Responsibility / Environmental Departments of the main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica) |
| 09 Suppliers | Purchasing / Internal Auditing / Reputation and Corporate Responsibility |
| 10 Media | Communication |
| Annex 1: About the Report | Reputation and Corporate Responsibility |
| Annex 2: Verification Report | Ernst&Young. Report |
| Coordination | Reputation, Brand and Corporate Social Responsibility (G.D. of Communication) |

