

BALANCE SHEET AT DECEMBER 31, 2005 AND 2004

Thousands of Euros

ASSETS	2005	2004
FIXED AND OTHER NON CURRENT ASSETS	15.127.017	15.126.660
Start-up expenses (Note 5)	1.088	32.179
Intangible assets (Note 6)	1.396	3.677
Concessions, patents, licences, trademarks, et. al.	4.863	4.863
Computer software	6.416	6.128
Computer software under development	87	119
Accumulated amortization	(9.970)	(7.433)
Property, plant and equipment (Note 7)	1.689	3.406
Other installations, tools and furniture	3.035	3.051
Computer hardware	5.307	5.220
Technical installations	4.249	4.469
Payments on account of property, plant and equipment	33	13
Accumulated depreciation	(10.935)	(9.347)
Long-term financial investments	15.122.844	15.087.398
Investments in Group and associated companies (Note 8-a)	9.846.600	8.724.290
Loans to Group and associated companies (Notes 8-a and 11)	6.768.872	7.458.862
Long-term deposits and guarantees (Note 8-a)	337.529	401.706
Other long-term loans	123.213	106.713
Receivable from public administrations (Notes 8-a and 12-a)	467.253	330.757
Provisions (Note 8-b)	(2.420.623)	(1.934.930)
DEFERRED EXPENSES (Note 4-f)	120.093	8.151
CURRENT ASSETS	2.824.658	770.406
Accounts receivable	133.713	137.587
Receivable from Group and associated companies (Note 11)	124.951	133.409
Employee receivables	118	339
Receivable from public administrations (Note 12-b)	5.276	2.880
Sundry accounts receivable	3.368	959
Short-term investments	2.688.263	624.677
Loans to Telefónica Group companies (Notes 9 and 11)	2.685.377	518.904
Short-term deposits and guarantees and other (Note 9)	944	103.752
Short-term securities portfolio	1.942	2.021
Cash	668	13
Prepayments and accrued income	2.014	8.129
TOTAL ASSETS	18.071.768	15.905.217

The accompanying Notes 1 to 20 are an integral part of these balance sheet.

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Thousands of Euros

SHAREHOLDERS' EQUITY AND LIABILITIES	2005	2004
SHAREHOLDERS' EQUITY (Note 10)	4.026.474	4.078.333
Share capital	2.165.275	2.165.275
Share premium	154.894	154.894
Legal reserve	433.055	433.055
Other reserves	489.312	470.730
Profit for the year	783.938	854.379
Profit for the year	783.938	854.379
DEFERRED INCOME (Note 4-f)	197.092	90.198
PROVISIONS FOR LIABILITIES AND CHARGES (Note 13-b)	1.187.437	868.462
LONG-TERM LIABILITIES	9.239.386	9.083.485
Payable to Telefónica Group and associated companies (Note 11)	9.239.386	9.083.485
CURRENT LIABILITIES	3.421.379	1.784.739
Payable to Group and associated companies (Note 11)	3.397.557	1.764.428
Accounts payable for purchases and services	16.530	14.333
Other non trade payables	7.292	5.978
Payable to public administrations (Note 12-b)	1.091	897
Other non trade payables	6.201	5.081
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	18.071.768	15.905.217

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