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AUDIT REPORT ON THE ANNUAL ACCOUNTS

"Translation of a report and financial statements originally issued in Spanish. In the event of a discrepancy the Spanish-language version prevails" (See Note 20).

To the Shareholders of Telefónica Móviles, S.A.

- We have audited the annual accounts of Telefónica Móviles, S.A., which consist of the balance sheet as of December 31, 2005, the profit and loss account and the notes thereto for the year then ended, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the aforementioned annual accounts taken as a whole, based upon work performed in accordance with generally accepted auditing standards in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts and the evaluation of their presentation, of the accounting principles applied and of the estimates made.
- In compliance with Spanish mercantile law, for comparative purposes, the Company's Directors have included for each of the captions presented in the balance sheet, the profit and loss account and the statement of source and application of funds, in addition to the figures of 2005, those of 2004. Our opinion refers only to the annual accounts for 2005. On March 4, 2005 other auditors issued their audit report on the 2004 annual accounts, in which they expressed an unqualified opinion.
- In our opinion, the accompanying 2005 annual accounts give a true and fair view, in all material respects, of the net equity and financial position of Telefónica Móviles, S.A. at December 31, 2005 and of the results of its operations and of the source and application of funds for the year then ended, and contain the required information necessary for their adequate interpretation and understanding, in conformity with generally accepted accounting principles and criteria in Spain, applied on a basis consistent with those of the preceding year.
- The accompanying management report for the year ended December 31, 2005 contains such explanations as the Directors consider appropriate concerning the situation of Telefónica Móviles, S.A., the evolution of its business and other matters, and is not an integral part of the annual accounts. We have checked that the accounting information included in the report mentioned above agrees with the annual accounts for the year ended December 31, 2005. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not/include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

José Luis Perelli Alonso

February 28, 2006



ASSETS	Thousands of Euros	
	2005	2004
FIXED AND OTHER NON CURRENT ASSETS	15.127.017	15.126.66
Start-up expenses (Note 5)	1.088	32.17
Intangible assets (Note 6)	1.396	3.67
Concessions, patents, licences, trademarks, et. al.	4,863	4.86
Computer software	6.416	6.12
Computer software under development	87	11
Accumulated amortization	(9.970)	(7.4:
Property, plant and equipment (Note 7)	1.689	3.4
Other installations, tools and furniture	3.035	3.0
Computer hardware	5.307	5.2
Technical installations	4.249	4.4
Payments on account of property, plant and equipment	33	4.4
Accumulated depreciation	(10.935)	(9.3
Long-term financial investments	15.122.844	15.087.3
Investments in Group and associated companies (Note 8-a)	9.846.600	8,724,2
Loans to Group and associated companies (Notes 8-a and 11)	6.768.872	7.458.8
Long-term deposits and guarantees (Note 8-a)	337.529	401.7
Other long-term loans	123.213	106.7
Receivable from public administrations (Notes 8-a and 12-a)	467.253	330.7
Provisions (Note 8-b)	(2.420.623)	(1.934.9
DEFERRED EXPENSES (Note 4-f)	120.093	8.15
CURRENT ASSETS	2.824.658	770.40
Accounts receivable	133.713	137.5
Receivable from Group and associated companies (Note 11)	124.951	133.4
Employee receivables	1124,931	33
Receivable from public administrations (Note 12-b)	5.276	2.8
Sundry accounts receivable	3.368	9:
thort-term investments	2.688.263	624.6
Loans to Telefónica Group companies (Notes 9 and 11)	2.685.377	518.9
Short-term deposits and guarantees and other (Note 9)	2.003.377 944	103.7
Short-term securities portfolio	1.942	2.02
Cash	668	
Prepayments and accrued income	2.014	8.12
TOTAL ASSETS	18.071.768	15.905.21

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

Telefinica

Telefónica Móviles, S.A.

Móviles

	TD3	
	Thousands of Euros	
SHAREHOLDERS' EQUITY AND LIABILITIES	2005	2004
SHAREHOLDERS' EQUITY (Note 10)	4.026.474	4.078.33
Share capital	2.165.275	2.165.2
Share premium	154.894	154.8
Legal reserve	433.055	433,0
Other reserves	489.312	470.7
Profit for the year Profit for the year	783.938	854.3
•	783.938	854.3
DEFERRED INCOME (Note 4-f)	197.092	90.19
PROVISIONS FOR LIABILITIES AND CHARGES (Note 13-b)	1.187.437	868.46
LONG-TERM LIABILITIES	9,239,386	9.083.48
Payable to Telefónica Group and associated companies (Note 11)	9.239.386	9.083.4
CURRENT LIABILITIES	3.421.379	1.784.73
Payable to Group and associated companies (Note 11)	3.397.557	1.764.42
Accounts payable for purchases and services	16.530	14.33
Other non trade payables	7.292	5.97
Payable to public administrations (Note 12-b) Other non trade payables	1.091 6.201	89 5.08
COTAL SHAREHOLDERS' EQUITY AND LIABILITIES	18.071.768	15.905.21

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