

Telefonica

Telefónica Móviles, S.A.

Móviles

**TELEFÓNICA MÓVILES, S.A. AND
COMPANIES COMPOSING THE
TELEFÓNICA MÓVILES GROUP**

CONSOLIDATED FINANCIAL STATEMENTS FOR 2004
TOGETHER WITH MANAGEMENT REPORT
AND AUDITORS' REPORT

Deloitte

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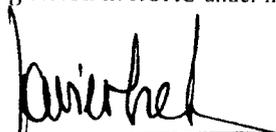
Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Stockholders of
Telefónica Móviles, S.A.:

1. We have audited the consolidated financial statements of Telefónica Móviles, S.A. and Subsidiaries comprising the consolidated balance sheet as of December 31, 2004, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2004 figures for each item in the consolidated balance sheet and consolidated statements of income and of changes in financial position, the figures for 2003. Our opinion refers only to the 2004 consolidated financial statements. Our auditors' report dated February 18, 2004, on the 2003 consolidated financial statements contained an unqualified opinion.
3. In our opinion, the consolidated financial statements for 2004 referred to above present, in all material respects, a true and fair view of the net worth and financial position of Telefónica Móviles, S.A. and Subsidiaries as of December 31, 2004, and of the results of their operations and of the funds obtained and applied by them in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
4. The accompanying consolidated management report for 2004 contains the explanations which the Parent Company's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2004. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any pro forma information or information other than that drawn from the Consolidated Companies' accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692


Javier Ares San Miguel
March 4, 2005

Translation of consolidated financial statements originally issued in Spanish and prepared
in accordance with generally accepted accounting principles in Spain (see Note 21).
In the event of a discrepancy, the Spanish-language version prevails.



Telefónica Móviles, S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

	Thousands of Euros	
ASSETS	2004	2003
FIXED AND OTHER NONCURRENT ASSETS	14,163,000	10,372,308
Start-up expenses (Note 5-a)	285,272	360,506
Intangible assets (Note 5-b)	3,970,422	2,692,699
Research and development expenses	8,929	6,324
Concessions, patents, licenses and other	3,686,561	2,398,912
Rights on leased assets	17,756	12,682
Computer software and other	1,971,082	1,133,980
Accumulated amortization and allowances	(1,713,906)	(859,199)
Property, plant and equipment (Note 6)	5,639,994	4,384,354
Land and structures	1,451,590	942,980
Telephone installations	10,561,333	7,563,497
Furniture, fixtures and other	838,681	474,992
Computer hardware	678,739	504,168
Construction in progress	887,572	605,424
Accumulated depreciation and allowances	(8,777,921)	(5,706,707)
Long-term investments (Note 7)	4,267,312	2,934,749
Investments in associated companies	58,805	121,651
Other investments	10,959	9,115
Other long-term investments	592,040	551,869
Loans to Telefónica Group companies (Note 11)	2,342,861	1,203,205
Receivable from public authorities (Note 13-a)	1,316,116	1,052,266
Allowances	(53,469)	(3,357)
CONSOLIDATION GOODWILL (Note 8)	3,142,012	1,146,468
DEFERRED CHARGES	38,323	21,113
CURRENT ASSETS	6227,579	4,124,176
Inventories	410,580	154,540
Inventories	428,956	182,506
Advances	21,810	169
Allowances	(40,186)	(28,135)
Accounts receivable	2,906,983	2,163,174
Trade receivables	2,030,929	1,663,644
Receivable from Telefónica Group companies (Note 11)	361,497	409,808
Sundry accounts receivable	80,358	79,798
Employee receivables	4,404	3,452
Receivable from public authorities (Note 13-b)	782,938	315,078
Allowances for bad debts	(353,143)	(308,606)
Short-term investments	2,461,887	1,670,074
Loans to Telefónica Group companies (Note 11)	1,783,208	1,334,286
Other loans	678,679	335,788
Cash	341,287	61,920
Accrual accounts	106,842	74,468
TOTAL ASSETS	23,570,914	15,664,065

The accompanying Notes 1 to 21 and Exhibit I are an integral part of these consolidated balance sheets.

Translation of consolidated financial statements originally issued in Spanish and prepared
in accordance with generally accepted accounting principles in Spain (see Note 21).
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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

	Thousands of Euros	
	2004	2003
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY (Note 9)	4,719,893	4,040,435
Capital stock	2,165,275	2,165,275
Additional paid-in capital	154,894	154,894
Other reserves of the Parent Company	903,785	433,055
Legal reserve	433,055	433,055
Other reserves	470,730	
Reserves at consolidated companies	1,212,783	871,630
Translation differences in consolidation	(1,350,754)	(1,192,257)
Income for the year	1,633,910	1,607,838
Income of the Parent Company and subsidiaries	1,650,422	1,667,367
Income of associated companies (Note 14-d)	(38,232)	(80,656)
Loss attributable to minority interests (Note 10)	21,720	21,127
MINORITY INTERESTS (Note 10)	(57,130)	74,671
DEFERRED REVENUES	119,152	41,119
PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 4-m)	1,153,551	1,149,591
LONG-TERM DEBT	8,552,323	5,410,343
Security issues	74,518	69,435
Long-term nonconvertible debentures and bonds	69,145	69,435
Other marketable debt securities	5,373	0
Payable to credit institutions (Note 12)	434,708	310,033
Payable to Telefónica Group companies (Note 11)	7,817,441	4,864,423
Other payables	136,913	130,641
Payable to public authorities (Note 13-a)	88,743	35,811
CURRENT LIABILITIES	9,083,125	4,947,906
Security issues	9,427	20,594
Short-term marketable debt securities	9,427	20,594
Payable to credit institutions	868,199	553,246
Loans and other payables (Note 12)	829,726	545,145
Interest payable	38,473	8,101
Payable to Telefónica Group companies (Note 11)	4,188,109	1,473,285
Trade accounts payable	2,480,710	2,190,514
Accounts payable for purchases and services	2,480,710	2,190,514
Other nontrade payables	1,387,568	595,969
Payable to public authorities (Note 13-b)	845,672	394,386
Other nontrade payables	541,896	201,583
Accrual accounts (Note 4-p)	149,112	114,298
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	23,570,914	15,664,065

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*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 21).
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CONSOLIDATED STATEMENTS OF INCOME FOR 2004 AND 2003

Thousands of Euros

DEBIT	2004	2003
EXPENSES		
Variation in inventories	-	15291
Procurements	3,676,302	2592541
Purchases	2134534	1314574
Purchases from Telefónica Group companies (Note 11)	40374	23397
Work performed by other companies	1290133	1058334
Work performed by Telefónica Group companies (Note 11)	211261	196236
Personnel expenses (Note 14-b)	539917	485993
Depreciation and amortization expense	1611003	1420648
Property, plant and equipment (Note 6)	1122059	1060331
Intangible assets (Note 5-b)	390896	307961
Deferred charges	98048	52356
Variation in operating allowances	86723	99274
Variation in allowances for bad debts and inventories	86723	99274
Other operating expenses	3040952	2581995
Outside services	2342526	1896019
Outside services provided by Telefónica Group companies (Note 11)	529060	515577
Taxes other than income tax	169366	170399
OPERATING INCOME	3089964	3042236
Financial expenses on debts to Telefónica Group companies (Note 11)	339366	323545
Other interest on debts and similar expenses	254406	318660
Exchange losses	331946	646269
FINANCIAL INCOME	-	-
Share in losses of companies accounted for by the equity method (Note 14-d)	38232	80656
Amortization of consolidation goodwill (Note 8-b)	94708	101703
INCOME FROM ORDINARY ACTIVITIES	2603256	2481740
Variation in fixed asset and control portfolio allowances	6453	14528
Losses on intangible assets	81	6931
Losses on property, plant and equipment	12168	5701
Extraordinary expenses and losses (Note 14-e)	121159	32496
EXTRAORDINARY INCOME	-	-
INCOME BEFORE TAXES	2510307	2477204
Corporate income tax (Note 13-c)	898117	890493
INCOME FOR THE YEAR	1612190	1586711
Income attributed to minority interests (Note 10)	45053	35930
INCOME FOR THE YEAR	1633910	1607838

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Telefónica

Telefónica Móviles, S.A.

Móviles

CONSOLIDATED STATEMENTS OF INCOME FOR 2004 AND 2003

	Thousands of Euros	
CREDIT	2004	2003
REVENUES		
Net sales to Telefónica Group companies (Note 11)	1,446,267	1,461,320
Net sales and services (Note 14-a)	10,381,324	8,608,964
Variation in inventories	33,983	-
Capitalized expenses of in-house work on fixed assets	93,493	90,140
Other operating revenues ⁴	89,794	77,554
Non-core and other current operating revenues from Telefónica Group companies (Note 11)	24,420	9,887
Non-core and other current operating revenues	53,092	41,332
Overprovision for contingencies and expenses	12,282	26,335
OPERATING LOSS	-	-
Revenues from other securities and loans	169,830	163,992
Telefónica Group companies (Note 11)	71,259	68,949
Other companies	98,571	95,043
Exchange gains	402,120	746,345
FINANCIAL LOSS	353,768	378,137
LOSS ON ORDINARY ACTIVITIES	-	-
Gains on fixed asset disposals	1,311	3,136
Gains on disposals of investments in consolidated companies (Note 2-c)	10,234	14,081
Capital subsidies	30	348
Extraordinary revenues (Note 14-e)	35,337	37,555
EXTRAORDINARY LOSS	92,949	4,536
LOSS BEFORE TAXES	-	-
LOSS FOR THE YEAR	-	-
Loss attributed to minority interests (Note 10)	66,773	57,057
LOSS FOR THE YEAR	-	-

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TELEFÓNICA MÓVILES S.A. AND COMPANIES COMPOSING THE TELEFÓNICA MÓVILES GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2004

1) INTRODUCTION AND GENERAL INFORMATION

On January 12, 2000, the Stockholders' Meeting of Telefónica, S.A. resolved to incorporate a company to group together all the Telefónica Group's wireless communications businesses in the world, which were located in Europe, Latin America and the Maghreb. Pursuant to this resolution, Telefónica Móviles, S.A., with registered office at Goya, 24, Madrid (Spain), was incorporated on February 14, 2000.

Telefónica Móviles, S.A. ("the Company", "the Parent Company" or "Telefónica Móviles") and its subsidiaries and investees make up an integrated group of companies ("the Telefónica Móviles Group", "the Móviles Group" or "the Group") operating mainly in the telecommunications industry.

The corporate purpose of Telefónica Móviles, per Article 2 of its bylaws, is the performance of all manner of business activities in the field of telecommunications and value added services in the broadest sense. All the business activities that constitute the corporate purpose may be performed either directly by the Company or through ownership interests in companies with an identical or a similar corporate purpose.

On October 26, 2000, the Stockholders' Meeting of Telefónica Móviles resolved to launch an initial public offering (IPO) through a capital increase. In November 2000 Telefónica Móviles, S.A. applied for the admission of its shares to listing on the New York Stock Exchange (NYSE), instrumented in American Depositary Shares (ADS), and on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges, and for the inclusion of its shares in the Spanish computerized trading system (continuous market). All the shares were subscribed in the initial public offering.

The Company's main asset consists of holdings in various telecommunications operators in several different countries. The companies composing the Group as of December 31, 2004, and Telefónica Móviles, S.A.'s direct, indirect and total percentages of ownership in each of them are detailed in Exhibit I to these notes to consolidated financial statements. The main holdings are as follows:

- **Telefónica Móviles España, S.A.:** the company responsible for the management and operation of wireless communications in Spain.
- **Telefónica Móviles Interacciona, S.A.:** a Spanish company whose corporate purpose is to operate content and services through wireless networks using WAP technology or any other technology that may be developed in the future.

- **Mobipay International, S.A.:** a company whose main corporate purpose is the provision of wireless telephony payment services worldwide, except Spain.
- **Mobipay España, S.A.:** a company whose main corporate purpose is the provision of wireless telephony payment services in Spain.
- **Telefónica Comunicaciones Personales, S.A.:** a company which provides wireless communications services in Argentina.
- **Telefónica Móviles, S.A.C.:** a company which provides wireless communications services in Peru.
- **Telefónica de El Salvador, S.A. de C.V.:** a company which provides wireless communications and international long-distance services in El Salvador.
- **Telefónica Centroamérica Guatemala, S.A.:** a company which provides wireless and wireline communications services and radio-paging services in Guatemala.
- **Medi Telecom, S.A.:** a company which provides wireless communications services in Morocco.
- **Telefónica Móviles Soluciones y Aplicaciones, S.A.:** a Chilean company whose main corporate is the development of commercial software and the provision of counseling services for the Telefónica Móviles Group's communications and Internet companies.
- **Brasilcel, N.V.:** a company to which the holdings owned by Telefónica Móviles, S.A. and the Portugal Telecom Group in wireless telephony companies in Brazil were contributed as of December 27, 2002. This joint venture, which is 50% owned and managed by each of the two groups, comprises the following wireless communications operators:
 - **Tele Sudeste Celular Participações, S.A.:** a Brazilian company which provides wireless communications services in the states of Rio de Janeiro and Espírito Santo through its operators Telerj Celular, S.A. and Telest Celular, S.A., respectively.
 - **Tele Leste Celular Participações, S.A.:** a Brazilian company which provides wireless communications services in the states of Bahia and Sergipe through its operators Telebahia Celular, S.A. and Telergipe Celular, S.A., respectively
 - **Celular CRT Participações, S.A.:** a Brazilian company which provides wireless communications services in the state of Rio Grande do Sul through its operator Celular CRT, S.A.
 - **Telesp Celular Participações, S.A.:** a Brazilian company which provides wireless communications services in the states of São Paulo (through its operator Telesp Celular, S.A.), Paraná and Santa Catarina (through its operator Global Telecom, S.A.).
 - **Tele Centro Oeste Celular Participações, S.A.:** A Brazilian company, subsidiary of Telesp Celular Participações, S.A., acquired on April 25, 2003 (see Note 2-c), which provides wireless communications services in the Central-Western region (formed by the States of Brasilia, Goias, Etocantins, Mato Grosso, Mato Grosso do Sul, Rondônia and Acre) and in the Amazonia region (in the states of Amapá, Amazonas, Maranhao, Pará and Roraima).

- **Telefónica Móviles México, S.A. de C.V.:** a Mexican company to which all the shares of the Telefonía Móviles Group and the Pegaso Group in Mexican wireless operators were contributed on September 10, 2002. This company, which is 92% owned by Telefonía Móviles, manages the following wireless communications operators:
 - **Pegaso Telecomunicaciones, S.A. de C.V.:** a Mexican holding company which provides telecommunications services through the operator Pegaso Comunicaciones y Sistemas, S.A. de C.V. This company has a license to operate in all the regions of the Republic of Mexico.
 - **Grupo Corporativo del Norte, S.A. de C.V.:** a Mexican holding company which provides cellular telephony services through the operator Celular de Telefonía, S.A. de C.V. (Cedotel) in the states of Nuevo León, Tamaulipas and part of the state of Coahuila.
 - **Corporación Integral de Comunicación, S.A. de C.V.:** a Mexican holding company which provides cellular telephony services through the operator Telefonía Celular del Norte, S.A. de C.V. (Norcel) in the states of Chihuahua, Durango and part of the state of Coahuila.
 - **Baja Celular Mexicana, S.A. de C.V.:** a Mexican holding company which provides cellular telephony services in the states of Baja California Norte, Baja California Sur and in the municipality of San Luis del Río Colorado in Sonora.
 - **Movitel del Noroeste, S.A. de C.V.:** a Mexican company, subsidiary of Baja Celular Mexicana, S.A. de C.V., which provides cellular telephony services in the States of Sinaloa and Sonora, except for the municipality of San Luis del Río Colorado municipality.
- **Telefónica Móvil de Chile, S.A.:** a company which provides wireless communications services in Chile.
- **Otecel, S.A.:** a company which provides wireless communications services in Ecuador.
- **Telefónica Móviles Guatemala y Cía, S.C.A.** (formerly BellSouth Guatemala y Cía., S.C.A.): a company which provides telecommunications, radio communications, Internet and data transmission services in Guatemala.
- **Telefónica Móviles Panamá, S.A.:** a company which provides wireless communications and international long-distance services in Panama.
- **Telefónica Móviles Colombia, S.A.:** (formerly BellSouth Colombia, S.A.): a Colombian company which provides wireless communications services in the three regions (Eastern, Atlantic Coast and Western) into which Colombia has been divided for the purpose of providing the cellular wireless telephony service in that country.
- **Telefonía Celular de Nicaragua, S.A.:** a company which provides wireless communications and international long-distance services in Nicaragua.
- **Comunicaciones Móviles del Perú, S.A.:** (formerly BellSouth Perú, S.A.): a company which provides wireless communications services in Peru. It also provides national long-distance, international long-distance and public wireline telephony services in the city of Lima and the province of Callao.

- **Abiatar, S.A.:** a company which provides wireless communications, Internet, cordless data transmission and international long-distance telephony services in Uruguay.
- **Telcel, C.A.:** a company which provides wireless communications, international and national local and long-distance wireline telephony, Internet access, data transmission, private network system and vehicle tracking services in Venezuela.

The Móviles Group operators providing telecommunications services as of December 31, 2004, are subject to specific regulatory frameworks, and in some cases the ratemaking system is regulated. Also, some of these companies have commitments to the regulatory bodies whereby they are obliged, for a given time period, to comply with certain installation and service quality indexes. As of December 31, 2004, all the operators had complied with these commitments.

2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) True and fair view

These consolidated financial statements of the Telefónica Móviles Group were prepared from the accounting records of Telefónica Móviles, S.A. and of each of the companies composing the Telefónica Móviles Group. All the accounting regulations in force were applied, and, accordingly, the consolidated financial statements give a true and fair view of the net worth, financial position, results of operation and funds obtained and applied in 2004 and 2003, in accordance with the rules for the preparation of consolidated financial statements.

These consolidated financial statements as of December 31, 2004, which were prepared by the Company's directors, will be submitted for approval by the Stockholders' Meeting, and it is considered that they will be approved without any changes.

The figures shown in the documents composing these consolidated financial statements are expressed in thousands of euros, unless indicated otherwise.

b) Accounting policies

The items in the consolidated financial statements were valued in accordance with the generally accepted accounting principles in force in Spain. At the companies where accounting methods that differ from those of the Group were applied, the related adjustments were made in consolidation in order to present the consolidated financial statements on a uniform basis.

Consolidation was performed by applying the consolidation methods and procedures contained in the accounting regulations in force:

- The companies over which effective control is exercised were fully consolidated.
- The companies which are managed jointly with third parties were proportionally consolidated.
- The companies in which there is significant influence over their management but not effective control or joint management with third parties are accounted for by the equity method.

The investees which are either not included in the foregoing categories or which, although included, do not have a material impact on consolidation, are carried at cost net of the necessary allowances to reflect their market value if this is lower than cost.

All the accounts receivable and payable, purchases, sales and gains or losses on transactions between fully consolidated companies were eliminated in consolidation.

The accounts payable and receivable, purchases and sales and the gains or losses on transactions between proportionally integrated companies were eliminated in consolidation in proportion to the Group companies' percentage of ownership of the capital of the jointly managed companies.

In accordance with standard practice in Spain, the consolidated financial statements do not include the tax effect, if any, of transferring the reserves and retained earnings of the consolidated companies to the Parent Company's accounts, since it is considered either that such reserves and earnings will not be distributed or that those that might be distributed will not give rise to a material additional tax cost.

The equity of the minority interests in the net worth and result for the year is recorded under the "Minority Interests" and "Income/Loss Attributed to Minority Interests" captions, respectively in these consolidated financial statements.

The consolidated statements of income include the revenues and expenses of the companies that are no longer in the Group up to the date on which the related holding was sold or the company in question was liquidated, and those of the new companies included in the Group from the date on which the holding was acquired or the company in question was formed through year-end.

c) Comparative information and changes in the consolidated Group

Except for the acquisitions made and described below, there were no significant events preventing comparison of the amounts relating to the reporting year with those of the preceding year.

The scope of consolidation of the Telefónica Móviles Group has existed since the date of incorporation of the Parent Company, through the formation or acquisition of companies and the contribution, by the majority stockholders, of holdings in companies providing wireless communications services which have historically belonged to other Telefónica Group companies.

The main changes in the consolidated Group in 2004 and 2003 were as follows:

2004

On June 10, 2004, an additional holding of 13.95% was acquired in Mobipay Internacional, thereby increasing the total ownership interest in this company to 50%, as a result of which this company, which had been accounted for by the equity method, was proportionally consolidated in 2004.

On July 23, 2004, Telefónica Móviles, S.A. acquired all the shares of Telefónica Móvil de Chile, S.A., which provides wireless telecommunications services in Chile, for US\$ 1,058 million and the assumption of debt amounting to CLP 168,000 million. Since that date, Telefónica Móvil de Chile, S.A. has been fully consolidated in the Móviles Group. The acquisition cost for Telefónica Móviles was €870 million.

At the end of June 2004 Brasilcel N.V. acquired the holdings owned by NTT DoCoMo, Inc. and Itochu Corporation in Sudestecel Participações, S.A. -a holding company which controls a package of shares of the operator Tele Sudeste Celular Participações, S.A.- equal to 10.5% of its capital stock for €20,839 thousand. As a result of this transaction, Brasilcel, N.V. now owns all the shares of Sudestecel Participações, S.A.

In August 2004 Brasilcel, N.V. and Telesp Celular Participações, S.A. (TCP) announced their intention to launch friendly tender offers for Tele Sudeste Celular Participações, S.A., Tele Leste Celular Participações, S.A., Celular CRT Participações, S.A and Tele Centro Oeste Celular Participações, S.A. (TCO). These tender offers were effectively implemented in October, and the following ownership interests were acquired:

	Percentage of Ownership before Tender Offers	Percentage of Ownership after Tender Offers
Brasilcel, N.V.		
Tele Sudeste Celular Participações, S.A.	86.7%	90.9%
Tele Leste Celular Participações, S.A.	27.9%	50.6%
Celular CRT Participações, S.A.	51.5%	67.0%

	Percentage of Ownership before Tender Offers	Percentage of Ownership after Tender Offers
Telesp Celular Participações, S.A.		
Tele Centro Oeste Celular Participações, S.A.	28.9%	50.6%

These tender offers gave rise to a cash payment of approximately BRL 607 million for Brasilcel, N.V. and of BRL 902 million for Telesp Celular Participações, S.A. (TCP).

On October 8, 2004, Telesp Celular Participações, S.A. approved a capital increase of BRL 2,054 million. As a result of this capital increase, which was completed on January 4, 2005, and was fully subscribed, Brasilcel, N.V.'s ownership interest in this company increased from 65.12% to 65.70% (see Note 19).

On March 5, 2004, Telefónica Móviles, S.A. reached an agreement with BellSouth Corporation ("BellSouth") for the acquisition of all the holdings owned by latter in Argentina, Chile, Peru, Venezuela, Colombia, Ecuador, Uruguay, Guatemala, Nicaragua and Panama.

The effective transfer of the shares of these companies was conditional upon the obtainment of the required regulatory authorizations in each country and on the acceptance of the offers by the minority stockholders. The shares were effectively transferred in the last quarter of 2004. BellSouth's holdings in Ecuador, Guatemala and Panama were transferred on October 14, 2004, and the holdings in Colombia, Nicaragua, Peru, Uruguay and Venezuela were transferred on October 28, 2004. Lastly, the holdings in Chile and Argentina were transferred on January 7 and 11, 2005, respectively (see Note 19).

In addition to the acquisition of the BellSouth Group's ownership interests in the wireless telephony operators in Latin America, in compliance with the commitments assumed under share purchase agreements, Telefónica Móviles offered to acquire the ownership interest held by the minority stockholders of these companies, and in all cases the acquisition price was equal to that agreed on with BellSouth.

Under this agreement, the total assets of the aforementioned operators were valued at US\$ 4,330 million (US\$ 5,850 million including the investments in Argentina and Chile acquired in January 2005). The total acquisition cost for Telefónica Móviles, adjusted by the net debt of the

companies at the transfer date, amounted to €3,252,539 thousand (excluding Chile and Argentina).

Following are the values assigned to each transaction and the acquisition cost for Telefónica Móviles:

- Acquisition of all the shares of the operator Otecel, S.A. (Ecuador) for a total company value of US\$ 833 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €663,428 thousand.

- Acquisition of all the shares of Telefónica Móviles y Compañía, S.C.A. for a total company value of US\$ 175 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €92,538 thousand.

- Acquisition of a 99.57% holding in BellSouth Panamá, S.A. for a total company value of US\$ 657 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €549,275 thousand.

- Acquisition of all the shares of Telcel, S.A. (Venezuela) for a total company value of US\$ 1,195 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €1,223,984 thousand.

- Acquisition of all the shares of Telefónica Móviles Colombia, S.A. for a total company value of US\$ 1,050 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €517,456 thousand.

- Acquisition of a 99.85% holding in Comunicaciones Móviles del Perú, S.A. for a total company value of US\$ 210 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €7,697 thousand.

- Acquisition of all the shares of Telefonía Celular de Nicaragua, S.A. for a total company value of US\$ 150 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €148,742 thousand.

- Acquisition of all the shares of Abiatar, S.A. for a total company value of US\$ 60 million. The acquisition cost for Telefónica Móviles, adjusted by the company's net debt, was €9,419 thousand.

Pursuant to the agreement with BellSouth, certain procedures were performed to validate the cash and debt of the companies acquired, the end results of which are currently being negotiated by Telefónica Móviles and Bellsouth Corporation. As a result of these negotiations, the debt and cash amounts taken into account for the purpose of calculating the ultimate price of the shares could be subject to slight changes, which in no case would be material with respect to the transaction taken as a whole.

2003

On April 25, 2003, Telesp Celular Participações, S.A. (TCP), 65.12% owned by Brasilcel, N.V., acquired from the Brazilian company Fixcel (controlled by the Splice Group) 61.10% of the common voting shares of the Brazilian company Tele Centro Oeste Celular Participações, S.A. (TCO), representing 20.37% of its total capital stock, for BRL 1,505.5 million.

In October 2003 TCP, availing itself of Brazilian legislation, launched a tender offer for the other common voting shares of TCO held by minority stockholders. As a result of this offer, the

acceptance period for which ended on November 18, 2003, TCP acquired 74.23% of the shares targeted by the offer which, together with the shares it already owned, gave it an ownership interest of 86.58% of TCO's common shares (90.73% disregarding the shares of treasury stock owned by TCO), representing 28.87% of the total capital stock (29.31% excluding the shares of treasury stock). The amount paid for this additional holding was BRL 538.8 million.

Although TCP had declared its intention of exchanging (or acquiring) TCO shares to thus become its sole stockholder, this exchange was cancelled on January 12, 2004, as a result of the opinion issued by the Brazilian Securities Market Commission (CVM) which, in the opinion of the Boards of Directors of TCP and TCO, advised against implementing the aforementioned proposal.

On June 12, 2003, Telefónica Móviles acquired a 20% holding in Terra Mobile, S.A., giving it a 100% ownership interest in this company. The price agreed on was €.

On June 24, 2003, Telefónica Móviles, the sole stockholder of Terra Mobile, S.A., resolved to merge Termespa, S.A. into Terra Mobile, S.A., with the dissolution without liquidation of Termespa, S.A. and the transfer *en bloc*, by way of universal succession, of the assets and liabilities of the absorbed company to the absorbing company, which would acquire, by way of universal succession, the former's rights and obligations. Also, the corporate name of Terra Mobile, S.A. was changed to Telefónica Móviles Interacciona, S.A.

On June 27, 2003, Telefónica Móviles sold its holding in Telefónica Mobile Solutions S.A. to Telefónica Sistemas, S.A. for €1,129 thousand, the company's book value at the date of sale.

On July 29, 2003, Medi Telecom, S.A. carried out a capital increase in which Telefónica Móviles España disbursed €1,234 thousand and, since not all the stockholders subscribed to the capital increase, its holding was increased to 32.18%.

In September 2003 the convertible promissory notes representing the investment of Telefónica Internacional, S.A. in the Puerto Rican operator Newcomm Wireless Services, Inc. were transferred to the Móviles Group. These convertible promissory notes, totaling US\$ 60,945 thousand, were recorded under the "Other Long-Term Investments" caption and will entitle the Móviles Group, once it receives the requisite authorizations from the regulatory authorities, to convert the notes into 49.9% of the capital stock. Also, the Móviles Group will be entitled to acquire an additional 0.2% of the capital stock, which would give it a controlling interest in the Puerto Rican operator.

On December 15, 2003, Telefónica Móviles sold all the shares of Telefónica Móviles Interacciona to Telefónica Móviles España, S.A. for €; also on this date, all the loans granted to Telefónica Móviles Interacciona (and the accrued interest receivable) were transferred to Telefónica Móviles España. This transaction did not have any accounting impact on the consolidated financial statements.

On December 23, 2003, Telefónica Móviles España, S.A. and Mobilkom Austria Aktiengesellschaft & Co KG (Mobilkom) entered into an agreement whereby the latter would acquire all the shares of 3G Mobile Telecommunications GmbH, the Austrian subsidiary of Telefónica Móviles España, S.A. and holder of a third-generation wireless telephony license (UMTS). This company was sold for €3,650 thousand, giving rise to a gain of €3,572 thousand.

3) PROPOSED DISTRIBUTION OF INCOME OF THE PARENT COMPANY

The Board of Directors will propose for approval by the Stockholders' Meeting the following distribution of 2004 income:

	Thousands of Euros
Income for the year	854,379
<u>Distribution:</u>	
Dividends	835,796
To voluntary reserves	18,583

4) VALUATION STANDARDS

The main valuation methods applied in preparing the consolidated financial statements were as follows:

a) Consolidation goodwill

The amount paid for the acquisition of investments in companies in excess of the underlying book value of such investments at the acquisition date and not directly allocable to the companies' assets is recorded as consolidation goodwill. The amounts allocable to the acquired company's assets will be allocated to the related assets and liabilities after the related valuation has been made, up to the limit of their market value.

Consolidation goodwill is amortized during the period in which it contributes to the obtainment of revenues by the companies for which the goodwill was recorded. The maximum goodwill amortization period is 20 years.

b) Translation of the financial statements of foreign companies included in consolidation

The financial statements of the companies located abroad were expressed in euros. The assets and liabilities were translated to euros at the year-end exchange rates; capital stock, reserves and first-time consolidation differences at the historical exchange rates; and revenues and expenses at the average exchange rates for the year. The difference arising between translating the related items by the aforementioned methods and translating them at the year-end exchange rates is reflected under the "Stockholders' Equity - Translation Differences" caption in the accompanying consolidated balance sheets, net of the portion of such difference that relates to minority interests (see Note 9-c).

The companies which use accounting methods with adjustments for inflation apply the accounting rules in force in their respective countries, which consist of valuing monetary assets and liabilities at their face value and adjusting the historical cost of nonmonetary assets and liabilities for the inflation between the date on which the related item was first recorded by the company and year-end. Accordingly, the effect of the inflation for the year on the monetary assets and liabilities is included in the statement of income for the year under the "Exchange Losses" or "Exchange Gains" captions. The figures thus adjusted are translated to U.S. dollars at the year-end exchange rates and are subsequently translated to euros using the translation method described in the previous paragraph.

The consolidation of the Group companies located in Argentina constitutes a special case. Pursuant to a ruling of the Spanish Accounting and Audit Institute, the assets of these

companies do not included the effect of applying the adjustment for inflation which, for a transitional period, was permitted under local Argentine accounting legislation in 2002 and the first quarter of 2003.

c) Start-up expenses

Start-up expenses, which comprise incorporation, capital increase and preopening expenses, are recorded at cost and are amortized on a straight-line basis over five years from the commencement of the related activities.

d) Intangible assets

This caption includes mainly the cost of the licenses obtained by the Group from various public authorities in order to be able to provided wireless communications services, and the value attributed to the licenses held by certain companies when they were included in the Telefónica Móviles Group. The licenses are amortized over the term thereof and, in general, on the basis of their estimated capacity to generate revenues in each period.

The “Computer Software and Other” also includes the amount of the purchase price allocable to customers obtained (see Note 4a), which is amortized over the period that the customers are expected to remain as such. Computer software is amortized on a straight-line basis over 3 to 5 years.

e) Property, plant and equipment

Property, plant and equipment are carried at the lower of cost or market.

Cost includes external costs plus internal costs comprising warehouse materials used and direct labor used in installation work. The latter item is recorded under the “Capitalized Expenses of In-House Work on Fixed Assets” caption in the accompanying consolidated statements of income.

The costs of expansion, modernization and improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized. Upkeep and maintenance expenses are expensed currently.

The Group depreciates its property, plant and equipment by the straight-line method at annual rates based on the following years of estimated useful life:

Assets	Years of Estimated Useful Life
Structures	5-15
Telephone installations	5-10
Computer hardware	3-5
Furniture, fixtures and other	2-10

f) Long-term investments

The investments which are not fully or proportionally consolidated or accounted for by the equity method in the consolidated financial statements are recorded at cost net of the required investment valuation allowances if cost is higher than market value. The market value is taken to be the underlying book value or stock market value of the investment.

g) Short-term investments

Short-term investments are valued at face value plus the accrued interest receivable at year-end.

h) Inventories

Warehouse installation materials and consumables and spare parts are valued at the lower of weighted average cost or market.

i) Accounts receivable and payable

Long- and short-term receivables and payables are recorded in the consolidated balance sheet at face value. The interest included in the face value of receivables and payables maturing at over 12 months is recorded under the “Deferred Revenues” or “Deferred Charges” captions in the consolidated balance sheet, respectively, and credited or charged, as appropriate, to period income by the interest method.

The related allowance for bad debts is recorded on the basis of the age of the debt and of the solvency of the debtor.

j) Corporate income tax

The accrued corporate income tax expense of the Group companies is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, defined as those arising between taxable income and book income before taxes that do not reverse in subsequent periods.

Tax assets for unused tax losses and prepaid taxes are recorded when their future recovery is reasonably assured. Prepaid taxes which will foreseeably be reversed over a period exceeding ten years are not recognized, unless there are deferred taxes for the same or a higher amount and their reversal period is the same as that of the prepaid taxes.

Deferrable investment tax credits are recorded under the “Deferred Revenues” caption.

The Spanish companies in which Telefónica, S.A. had a direct or indirect holding of at least 75% in 2004 and 2003 are taxed under Spanish corporate income tax under the consolidated tax regime. Telefónica Móviles, S.A. and the Spanish subsidiaries that fall into this category file consolidated tax returns as part of the Telefónica, S.A. consolidated tax group.

k) Foreign currency transactions

Fixed-income securities and receivables and payables denominated in foreign currencies are translated to euros at the exchange rates ruling at the transaction date, and are adjusted at year-end to the exchange rates then prevailing.

Exchange differences arising on adjustment of foreign currency accounts payable and receivable to year-end exchange rates are classified by currency and due date, and for this purpose currencies which, although different, are officially convertible are grouped together.

The resulting positive net differences in each group of currencies are recorded under the “Deferred Revenues” caption on the liability side of the consolidated balance sheet, unless exchange losses have been charged to income in prior years or in the current year, in which case the positive differences are credited to period income up to the limit of the negative net

differences charged to income in prior years or in the current year. Negative differences are charged directly to income.

The positive differences deferred in prior years are credited to income in the year in which the related accounts receivable and payable fall due or are settled early, or as negative exchange differences for the same or a higher amount are recognized in each homogeneous group.

The exchange differences arising from foreign currency transactions to specifically finance investments in investees which hedge the exchange rate risk on these investments are included under the "Translation Differences" caption in the accompanying consolidated balance sheets.

These transactions are deemed to be hedging transactions when the foreign currency in which the financing is denominated is the same as the functional currency of the country in which the investment is made and of the cash flows generated by the investment. Consequently, to ensure uniformity in the treatment of the exchange differences on the subsidiaries' assets and on the liabilities financing such transactions, and to enable the appropriate matching of revenues and expenses, the exchange differences on these loans were allocated, in accordance with International Accounting Standards, to the "Translation Differences" caption.

l) Recognition of revenues and expenses

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principle of prudence, foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known.

Various Móviles Group companies carry out sales promotions based on the obtainment of points by subscribers for telephone usage. These points can be exchanged for discounts on purchases of handsets, for usage or other services, based on the number of points obtained and the type of contract with the companies. The consolidated balance sheets include the related accounting provision based on the estimated value of the accumulated points at those dates.

m) Provisions for contingencies and expenses

The balance of this caption includes the estimated amount required for probable or certain third-party liability arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount to be borne by the companies.

The balance of this caption as of December 31, 2003, includes a provision of €385,976 thousand relating mainly to the absorption of losses of minority interests of Group 3G UMTS Holding GmbH (see Note 10), and a provision of €727,437 thousand for the decline in the value of the investment in Ipse 2000, S.p.A. As of December 31, 2004, the related amounts were €385,976 thousand and €32,396 thousand, respectively. The decrease of €95,041 thousand relating to Ipse 2000, S.p.A. relates to the reclassification of this provision as reduction of the equity-method amount corresponding to the investment in this company, since certain items for which provisions had previously been recorded by Telefónica Móviles were recorded in Ipse 2000, S.p.A.'s statutory accounts (see Note 7).

Also, this caption includes the provisions recorded by the companies for severance pay based on employees' years of service, in accordance with the legislation applicable in each country or with the contractual agreements entered into, and the provisions recorded for probable third-party liability.

n) Derivative products

Transactions whose purpose and effect is to eliminate or significantly reduce exchange, interest rate or market risk on asset and liability positions or on other transactions are treated as hedging transactions. The gains or losses arising during the life of these derivatives are taken to the consolidated statement of income using the same timing of recognition method as that used to recognize the gains or losses on the underlying hedged asset or transaction (see Note 17).

Transactions which, for accounting purposes, were not assigned to hedge risks, are not treated as hedging transactions. In transactions of this kind, the related provision is recorded with a charge to income as soon as potential losses are anticipated; gains are recorded when finally settled.

o) Pension plans

Telefónica Móviles, S.A. and its Spanish subsidiaries have arranged a pension plan pursuant to Pension Plans and Funds Law 8/1987, July, 8 of Pensions and Funds Plans, with the following features:

- Contribution of between 4.51% and 6.87% of the participants' regulatory salary.
- Obligatory contribution for participants of a minimum of 2.2% of their salary.
- Individual financial capitalization system.

The plan is assigned to "FONDITEL B, FONDO DE PENSIONES", managed by the Telefónica Group company Fonditel Entidad Gestora de Fondos de Pensiones, S.A ("Fonditel"). The amount of the contributions made by the Group in 2004 and 2003 totaled €6,947 thousand and €6,630 thousand, respectively, and these amounts are included under the "Personnel Expenses" caption in the accompanying consolidated statements of income.

The Brazilian companies have arranged defined-contribution pension plans that cover most of these companies' serving employees. The Brazilian companies contribute the same amounts to the individual plans as the participants. These amounts vary, depending on the company, up to a maximum of 9% of the participant's salary, based on the percentage chosen by the participant.

p) Liability accrual accounts

Under this caption the Group companies record mainly the amount of purchases made by subscribers to the prepaid service for topping up or acquiring cards which, at year-end, has not yet accrued or been recorded as a revenue because the subscribers to this service have not used up the full balance of their cards or top-ups.

5) START-UP EXPENSES AND INTANGIBLE ASSETS

a) Start-up expenses

Start-up expenses comprise incorporation, capital increase and preopening expenses. Preopening expenses relate mainly to direct costs incurred in the launch of various GSM digital telephony services, and expenses relating to third-generation wireless telephony (UMTS) services in Spain, until they started to be marketed (first quarter of 2004). The expenses are recorded at cost and are amortized on a straight-line basis over five years from the date of commencement of the related activities.

The detail of the balances of the start-up expenses and of the variations therein in 2003 and 2004 is as follows:

	Thousands of Euros						
	Balance at 12/31/02	Inclusion of Companies	Additions	Amortization	Transfers	Translation Differences	Balance at 12/31/03
Incorporation and preopening Expenses	273,149	4,112	47,163	(32,563)	1,717	484	294,062
Capital increase expenses	98,691	-	478	(32,725)	-	-	66,444
Total	371,840	4,112	47,641	(65,288)	1,717	484	360,506

	Thousands of Euros						
	Balance at 12/31/03	Inclusion of Companies	Additions	Amortization	Transfers	Translation Differences	Balance at 12/31/04
Incorporation and preopening Expenses	294,062	-	8,074	(53,314)	2,514	246	251,582
Capital increase expenses	66,444	-	-	(32,754)	-	-	33,690
Total	360,506	-	8,074	(86,068)	2,514	246	285,272

b) Intangible assets

This caption relates mainly to the value of the licenses and concessions required to provide telecommunications services in the countries in which Telefónica Móviles has an operating presence. The term of these licenses ranges from 15 to 30 years.

The Group's main licenses are as follows:

- Licenses to provide the wireless communications services of the Company's awarded to the Telefónica Group in the privatization of Telebrás in Brazil, as a result of the allocation made when these companies were acquired, since the market value of these assets exceeded the cost thereof per the balance sheets of the acquired companies.
- Licenses to operate nationwide wireless communications services in Mexico. On completion of the related valuations, a portion of the goodwill arising on the acquisition of Telefónica Móviles México was allocated to this account.
- Licenses to operate the UMTS service in Spain, Germany and Switzerland. In the case of Spain, due to the unavailability of the related technology and in accordance with the matching principle of accounting, these licenses started to be amortized when the commercial operation thereof commenced, and the amortization is being taken over the term of the licenses. For the other countries, the initial acquisition cost was written down in 2002

and the carrying value reflects the current estimate of the realizable value of these businesses.

- Licenses to operate telecommunications services in countries where the companies acquired from BellSouth Corporation and in Chile through Telefónica Móvil de Chile, S.A. operate (see Note 2-c).

The detail of the balances of the intangible asset accounts and of the variations therein in 2003 and 2004 is as follows:

b.1) Cost

	Thousands of Euros							
	Balance at 12/31/02	Inclusion Of Companies	Exclusion Of Companies	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/03
Research and development expenses	8,394	-	-	-	-	(2,070)	-	6,324
Concessions, patents, licenses and other	1,981,335	8,297	-	3	(12,292)	507,834	(86,265)	2,398,912
Rights on leased assets	7,716	-	-	4,024	(3,408)	4,180	170	12,682
Computer software and other	902,528	14,682	(402)	212,796	(22,847)	37,900	(10,677)	1,133,980
Total intangible assets	2,899,973	22,979	(402)	216,823	(38,547)	547,844	(96,772)	3,551,898

	Thousands of Euros							
	Balance at 12/31/03	Inclusion Of Companies	Exclusion Of Companies	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/04
Research and development expenses	6,324	-	-	-	-	2,605	-	8,929
Concessions, patents, licenses and other	2,398,912	1,257,372	-	9,863	(2,814)	76,045	(52,817)	3,686,561
Rights on leased assets	12,682	7,366	-	612	-	(3,321)	417	17,756
Computer software and other	1,133,980	554,111	-	259,509	(1,163)	12,135	12,510	1,971,082
Total intangible assets	3,551,898	1,818,849	-	269,984	(3,977)	87,464	(39,890)	5,684,328

b.2) Accumulated amortization

	Thousands of Euros							
	Balance at 12/31/02	Inclusion Of Companies	Exclusion Of Companies	Provisions	Retirements	Transfers	Translation Differences	Balance at 12/31/03
Research and development expenses	1,352	-	-	1,277	-	-	-	2,629
Concessions, patents, licenses and other	214,947	1,620	-	79,615	(2,578)	(1)	(21,998)	271,605
Rights on leased assets	5,000	-	-	1,530	(2,272)	(2,411)	(43)	1,804
Computer software and other	378,647	4,938	(50)	225,539	(14,969)	(1,566)	(11,511)	581,028
Total accumulated amortization	599,946	6,558	(50)	307,961	(19,819)	(3,978)	(33,552)	857,066

Allowance for decline in value	4,800	-	-	-	(21)	(2,636)	(10)	2,133
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	Thousands of Euros							
	Balance at 12/31/03	Inclusion Of Companies	Exclusion of Companies	Provisions	Retirements	Transfers	Translation Differences	Balance at 12/31/04
Research and development expenses	2,629	-	-	1,232	-	42	-	3,903
Concessions, patents, licenses and other	271,605	270,364	-	107,882	(2,814)	(8)	(10,259)	636,770
Rights on leased assets	1,804	956	-	1,852	-	(2,265)	(19)	2,328
Computer software and other	581,028	200,266	-	279,930	(651)	3,686	5,422	1,069,681
Total accumulated amortization	857,066	471,586	-	390,896	(3,465)	1,455	(4,856)	1,712,682

Allowances for decline in value	2,133	-	-	140	(944)	-	(105)	1,224
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In 2003 the “Inclusion of Companies” column reflects the inclusion in the scope of consolidation of Tele Centro Oeste Celular Participações, S.A. (see Note 2-c). In 2004 this column relates mainly to the inclusions in consolidation of Telefónica Móvil de Chile, S.A. and of the companies acquired from BellSouth (see Note 2-c).

The “Exclusion of Companies” column from 2003 reflects the exclusion from the scope of consolidation of Telefónica Mobile Solutions, S.A. and 3G Mobile Telecommunications GmbH, as indicated in Note 2-c.

The “Additions” column for 2003 includes mainly the investments made in computer and billing systems, and in the development of new services such as the i-mode services.

In 2003, €504,651 thousand were recorded as an addition to the net value of the licenses obtained to operate nationwide wireless communications services in Mexico. This amount was reclassified from the “Consolidation Goodwill” once the related valuations had been completed (see Note 8). In 2004, €76,065 thousand were recorded as an addition to the net value of the licenses of Tele Centro Oeste Celular Participações, S.A. (see Note 8).

Also, in 2004 €730,008 thousand were assigned as an addition to “Licenses” and €276,724 thousand as an addition to “Computer Software and Other” (€1,562 thousand of software and €245,162 thousand as the purchase price allocable to customers obtained) based on valuations by independent appraisers of the assets acquired in the acquisition of both Telefónica Móvil de Chile, S.A. and of BellSouth’s operators (see Notes 4-a and 8). These allocations are included in the “Inclusion of Companies” column. This column also includes investments in information systems and in the development of services.

The “Translation Differences” column shows the effect of the exchange rate fluctuations on the beginning balances of the foreign companies and the monetary adjustment that certain companies apply to their balances to adjust for the effect of inflation in accordance with accounting practices in their respective countries. The effect of exchange rate fluctuations on the period variations is included in the column relating to each variation.

6) PROPERTY, PLANT AND EQUIPMENT

The detail of the balances of property, plant and equipment accounts, of the related accumulated depreciation and of the variations therein in 2003 and 2004 are as follows:

a) Cost

	Thousands of Euros							
	Balance at 12/31/02	Inclusion Of Companies	Exclusion of Companies	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/03
Land and structures	804,476	6,738	-	7,744	(883)	141,051	(16,146)	942,980
Telephone installations	7,323,497	156,796	-	107,217	(6,958)	348,675	(365,730)	7,563,497
Furniture, fixtures and other	473,926	13,532	(1,246)	34,624	(11,648)	(10,349)	(23,847)	474,992
Computer hardware	479,952	5,389	(2,618)	25,069	(2,344)	15,699	(16,979)	504,168
Construction in progress	349,432	7,032	-	822,188	(10,263)	(541,458)	(21,507)	605,424
Total property, plant and Equipment	9,431,283	189,487	(3,864)	996,842	(32,096)	(46,382)	(444,209)	10,091,061

	Thousands of Euros							
	Balance at 12/31/03	Inclusion Of Companies	Exclusion of Companies	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/04
Land and structures	942,980	325,930	-	48,437	(2,536)	147,649	(10,870)	1,451,590
Telephone installations	7,563,497	2,381,213	-	160,195	(68,034)	629,918	(105,456)	10,561,333
Furniture, fixtures and other	474,992	270,538	-	49,855	(19,900)	65,999	(2,803)	838,681
Computer hardware	504,168	142,073	-	34,654	(6,446)	21,928	(17,638)	678,739
Construction in progress	605,424	135,875	-	1,059,159	(4,428)	(888,226)	(20,232)	887,572
Total property, plant and Equipment	10,091,061	3,255,629	-	1,352,300	(101,344)	(22,732)	(156,999)	14,417,915

b) Accumulated depreciation

	Thousands of Euros							
	Balance at 12/31/02	Inclusion of Companies	Exclusion of Companies	Provisions	Retirements	Transfers	Translation Differences	Balance at 12/31/03
Land and structures	237,534	1,892	-	70,389	(211)	9,300	(5,305)	313,599
Telephone installations	4,005,720	72,836	-	839,686	(4,840)	(12,472)	(174,013)	4,726,917
Furniture, fixtures and other	194,003	8,493	(301)	54,727	(5,192)	1,076	(10,836)	241,970
Computer hardware	306,153	2,310	(1,662)	95,529	(1,583)	2,744	(14,717)	388,774
Total accumulated depreciation	4,743,410	85,531	(1,963)	1,060,331	(11,826)	648	(204,871)	5,671,260

Allowance for decline in value	26,144	-	-	13,282	(5,215)	2,787	(1,551)	35,447
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	Thousands of Euros							
	Balance at 12/31/03	Inclusion of Companies	Exclusion of Companies	Provisions	Retirements	Transfers	Translation Differences	Balance at 12/31/04
Structures	313,599	140,551	-	80,196	(1,282)	13,618	(11,932)	534,750
Telephone installations	4,726,917	1,710,243	-	854,336	(57,928)	(5,940)	(100,985)	7,126,643
Furniture, fixtures and other	241,970	211,067	-	119,669	(12,705)	(11,927)	(6,760)	541,314
Computer hardware	388,774	94,910	-	67,858	(5,152)	(8,879)	(6,898)	530,613
Total accumulated depreciation	5,671,260	2,156,771	-	1,122,059	(77,067)	(13,128)	(126,575)	8,733,320

Allowance for decline in value	35,447	8,556	-	4,838	(1,275)	(2,076)	(889)	44,601
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The “Inclusion of Companies” column in 2003 reflects the inclusion of Tele Centro Oeste Celular Participações, S.A. in the scope of consolidation of the Telefónica Móviles Group, as indicated in Note 2-c.

As in the case of the intangible assets, the Company is performing a valuation of the property, plant and equipment acquired as part of the acquisition of the operators of BellSouth and Telefónica Móvil de Chile, S.A. in order to allocate to them the corresponding portion of the acquisition price up to the limit of their market value. As a result of this valuation, certain assets were identified that had been overstated by approximately €17 million, and this amount is presented as a reduction of the value of the assets acquired. Although at the date of preparation of these consolidated financial statements the aforementioned valuation had not been completed, no material differences are expected to arise with respect to the net book value of the assets recorded.

In 2004 the “Inclusion of Companies” column relates mainly to the inclusion in the scope of consolidation of Telefónica Móvil de Chile, S.A. and of the companies acquired from BellSouth (see Note 2-c).

The “Exclusion of Companies” column in 2003 relates to the exclusion from the scope of consolidation of Telefónica Mobile Solutions, S.A. and 3G Mobile Telecommunications GmbH (see Note 2-c).

In both 2003 and 2004 the “Additions” column includes mainly the increase in and deployment of the capacity of the GSM and GPRS networks and of the UMTS network in Spain.

The “Translation Differences” column shows the effect of the exchange rate fluctuations on the beginning balances of the foreign companies and the monetary adjustment that certain companies apply to their balances to adjust for the effect of inflation in accordance with accounting practices in their respective countries. The effect of exchange rate fluctuations on the period variations is included in the column relating to each variation.

c) Other information

The detail of the property, plant and equipment owned by fully consolidated Group companies located abroad is as follows:

	Thousands of Euros	
	12/31/04	12/31/03
Cost	8,425,367	4,529,395
Accumulated depreciation and allowances	(4,664,902)	(2,057,968)
Total property, plant and equipment located abroad	3,760,465	2,471,427

The detail of the fully depreciated assets is as follows:

	Thousands of Euros	
	12/31/04	12/31/03
Structures	98,076	23,709
Telephone installations	3,803,578	2,116,558
Furniture, fixtures and other	231,695	101,122
Computer hardware	381,698	231,186
Total fully depreciated property, plant and equipment	4,515,047	2,472,575

The Group companies take out insurance policies to reasonably cover the possible risks to which their property, plant and equipment are subject.

7) LONG-TERM INVESTMENTS

The main variations in long-term investments in 2003 and 2004 were as follows:

	Thousands of Euros							
	Balance at 12/31/02	Inclusion of Companies	Exclusion of Companies	Additions	Retire-ments	Transfers	Translation Differences	Balance at 12/31/03
Investments in associated companies	1,082,845	-	-	9,250	-	(968,808)	(1,636)	121,651
Other investments	6,986	-	-	567	(237)	1,800	(1)	9,115
Other long-term investments	307,887	8,147	(205)	208,362	(78,589)	99,854	6,413	551,869
Loans to Telefónica Group companies	1,673,313	-	(958)	392,351	(1,016,449)	134,742	20,206	1,203,205
Receivable from public authorities	1,136,488	3,544	(395)	163,569	(161,822)	(86,844)	(2,274)	1,052,266
Allowances	(1,354)	-	-	(2,433)	29	336	65	(3,357)
Total long-term investments	4,206,165	11,691	(1,558)	771,666	(1,257,068)	(818,920)	22,773	2,934,749

	Thousands of Euros							
	Balance at 12/31/03	Inclusion of Companies	Exclusion of Companies	Additions	Retire-Ments	Transfers	Translation Differences	Balance at 12/31/04
Investments in associated companies	121,651	-	-	35,602	1,680	(99,939)	(189)	58,805
Other investments	9,115	-	-	966	(272)	1,067	83	10,959
Other long-term investments	551,869	2,027	-	127,123	(75,079)	(950)	(12,950)	592,040
Loans to Telefónica Group companies	1,203,205	-	-	229,617	(2,248)	957,253	(44,966)	2,342,861
Receivable from public authorities	1,052,266	36,372	-	328,161	(73,850)	(24,685)	(2,148)	1,316,116
Allowances	(3,357)	-	-	(49,143)	225	(1,117)	(77)	(53,469)
Total long-term investments	2,934,749	38,399	-	672,326	(149,544)	831,629	(60,247)	4,267,312

As indicated in Note 2c, the Group has convertible promissory notes of the Puerto Rican operator Newcomm Wireless Services, Inc. amounting to US\$ 60,945 thousand, which are included under the "Other Long-Term Investments" caption. In 2004, based on this company's financial and net worth situation, a provision of €46,632 thousand was recorded in this connection (see Note 14-e).

The "Other Long-Term Investments" caption includes mainly the balances covering guarantees of Ipse 2000, S.p.A. amounting to €467,675 thousand as of December 31, 2003, and to €400,866 thousand as of December 31, 2004. The balance of these deposits will decrease as and when the respective obligations guaranteed are reduced (see Note 15).

The detail of the "Investments in Associated Companies" caption and of the variations therein in 2004 and 2003 is as follows:

	Thousands of Euros					
	Balance at 12/31/02	Additions	Translation Differences	Retirements	Transfers	Balance at 12/31/03
IPSE 2000, S.p.A.	1,013,691	34,338	-	-	(968,808)	79,221
Medi Telecom., S.A.	62,886	(22,531)	(1,731)	-	-	38,624
Mobipay International, S.A.	5,733	(1,503)	-	-	-	4,230
Mobipay España, S.A.	2,006	(766)	-	-	-	1,240
Other companies accounted for by the equity method	(1,471)	(288)	95	-	-	(1,664)
Total	1,082,845	9,250	(1,636)	-	(968,808)	121,651

	Thousands of Euros					
	Balance at 12/31/03	Additions	Translation Differences	Retirements	Transfers	Balance at 12/31/04
IPSE 2000, S.p.A.	79,221	48,579	-	-	(95,041)	32,759
Medi Telecom., S.A.	38,624	(13,304)	(284)	-	-	25,036
Mobipay International, S.A.	4,230	668	-	-	(4,898)	-
Mobipay España, S.A.	1,240	(176)	-	-	-	1,064
Other companies accounted for by the equity method	(1,664)	(165)	95	1,680	-	(54)
Total	121,651	35,602	(189)	1,680	(99,939)	58,805

The net exposure of the Móviles Group as of December 31, 2004, in connection with the holding in Ipse 2000, S.p.A., including the financing obtained, amounted to €136 million. Although this company has an unbalanced financial and net worth position, it was not considered necessary to record any allowance additional to that recorded in 2002, as a result of the business opportunities afforded by the regulatory framework in Italy (assignment or sale of the radio spectrum) and of the possibility of optimizing and offsetting the accumulated tax losses.

The “Additions” column includes the share in the income or losses of companies accounted for by the equity method, the underlying book value of the investments at the time of acquisition and the share in the capital increases carried out during the year, except in the case of conversions of loans granted in prior years into capital.

The “Transfers” column for 2003 reflects the transfer of €68,808 thousand of the provision for contingencies and expenses for Ipse 2000 recorded in 2002, since this company partially wrote down the third-generation wireless telephony license in its accounts (see Note 4-m).

The transfers column in 2004 relates to the transfer of €5,041 thousand from the provisions for contingencies and expenses recorded for Ipse 2000, S.p.A., since this company recognized in its statutory accounts items for which Telefónica Móviles had already recorded provisions (see Note 4-m), and the transfer relating to Mobipay International, S.A., since this company, which had been accounted for by the equity method, was proportionally consolidated in 2004 (see Note 2-c).

8) CONSOLIDATION GOODWILL

This caption includes the amount paid to acquire holdings in companies in excess of the underlying book value of these holdings at the purchase date and not allocable directly to the companies’ assets. The positive difference between the underlying book value allocable to the acquired company’s assets and their market value will be assigned to the related asset and liability accounts after the respective valuations are completed.

The variations in consolidation goodwill in 2003 and 2004 were as follows:

	Thousands of Euros
Balance at December 31, 2002	1,564,874
Inclusion/Exclusion of companies	745
Period additions	251,217
Transfers	(504,255)
Amortization	(101,703)
Retirements	(18,984)
Translation differences	(45,426)
Balance at December 31, 2003	1,146,468
Inclusion/Exclusion of companies	592,989
Period additions	1,573,857
Transfers	(81,603)
Amortization	(94,708)
Translation differences	5,009
Balance at December 31, 2004	3,142,012

In accordance with the estimates and forecasts available to Company management, the projected revenues attributable to the Group companies arising from the investments that give rise to goodwill guarantee at least the recovery of both the net assets and the amount yet to be amortized of the related goodwill in the corresponding periods.

a) Gross consolidation goodwill

	Thousands of Euros						
	Balance at 12/31/02	Inclusion of Companies	Additions	Translation Differences	Retirements	Transfers	Balance at 12/31/03
Goodwill relating to fully and proportionally consolidated companies							
Telefónica Móviles España, S.A.	14,569	-	-	-	-	-	14,569
Subsidiaries of Brasilcel, N.V.	512,339	745	245,758	1,886	-	-	760,728
TES Holding, S.A. de C.V.	24,156	-	-	-	-	-	24,156
Subsidiaries of TES Holding, S.A. de C.V.	51,311	-	-	(8,705)	-	-	42,606
Telefónica Móviles Perú Holding, S.A.A.	3,438	-	-	-	-	-	3,438
Telefónica Móviles México Group	781,256	-	-	-	(17,819)	(523,773)	239,664
Subsidiaries of Mexican companies	255,902	-	-	(53,402)	(1,165)	(28,766)	172,569
TCG Holdings, S.A.	47,556	-	-	-	-	-	47,556
Subsidiaries of TCG Holdings, S.A.	3,338	-	-	(662)	-	-	2,676
Total gross goodwill relating to fully and proportionally consolidated companies	1,693,865	745	245,758	(60,883)	(18,984)	(552,539)	1,307,962
Goodwill relating to companies accounted for by the equity method							
Medi Telecom, S.A.	5,097	-	5,459	-	-	-	10,556
Subsidiaries of Telefónica Móviles Argentina, S.A.	-	-	-	-	-	791	791
Total gross goodwill relating to companies accounted for by the equity method	5,097	-	5,459	-	-	791	11,347
Total gross consolidation goodwill	1,698,962	745	251,217	(60,883)	(18,984)	(551,748)	1,319,309

	Thousands of Euros						
	Balance at 12/31/03	Inclusion of Companies	Additions	Translation Differences	Retire- ments	Transfers	Balance at 12/31/04
Goodwill relating to fully and proportionally consolidated companies							
Telefónica Móviles España, S.A.	14,569	-	-	-	-	-	14,569
Subsidiaries of Brasilcel, N.V.	760,728	-	111,678	4,259	-	(81,603)	795,062
TES Holding, S.A. de C.V.	66,762	-	-	(3,103)	-	3	63,662
Telefónica Móviles Perú Holding, S.A.A.	3,438	-	-	-	-	-	3,438
Telefónica Móviles México Group	239,664	-	-	-	-	-	239,664
Subsidiaries of Mexican companies	172,569	-	-	(4,815)	-	(1,833)	165,921
TCG Holdings, S.A.	50,232	-	-	(107)	-	-	50,125
Telefónica Móvil de Chile, S.A.	-	-	451,471	-	-	-	451,471
Telcel, C.A.	-	-	376,242	(11,564)	-	-	364,678
Olympic, Ltd.	-	592,989	(91,143)	20,613	-	-	522,459
Otecel, S.A.	-	-	397,443	-	-	-	397,443
Comunicaciones Móviles de Perú, S.A.	-	-	4,464	(246)	-	-	4,218
Telefónica Móviles Panamá, S.A.	-	-	238,228	-	-	-	238,228
Telefónica Móviles Guatemala y Cía., S.C.A.	-	-	26,747	-	-	-	26,747
Telefónica Móviles Uruguay, S.A.	-	-	3,909	(181)	-	-	3,728
Telefonía Celular de Nicaragua, S.A.	-	-	54,818	(2,851)	-	-	51,967
Total gross goodwill relating to fully and proportionally consolidated companies	1,307,962	592,989	1,573,857	2,005	-	(83,433)	3,393,380
Goodwill relating to companies accounted for by the equity method							
Medi Telecom, S.A.	10,556	-	-	-	-	-	10,556
Subsidiaries of Telefónica Móviles Argentina, S.A.	791	-	-	(70)	-	-	721
Total gross goodwill relating to companies accounted for by the equity method	11,347	-	-	(70)	-	-	11,277
Total gross consolidation goodwill	1,319,309	592,989	1,573,857	1,935	-	(83,433)	3,404,657

b) Amortization of goodwill

	Thousands of Euros					
	Balance at 12/31/02	Provisions	Translation Differences	Retirements	Transfers	Balance at 12/31/03
Goodwill relating to fully and proportionally consolidated companies						
Telefónica Móviles España, S.A.	1,635	726	-	-	-	2,361
Subsidiaries of Brasilcel, N.V.	28,953	43,620	(324)	-	-	72,249
TES Holding, S.A.	1,470	1,230	-	-	-	2,700
Subsidiaries of TES Holding, S.A. de C.V.	9,080	2,384	(1,795)	-	-	9,669
Telefónica Móviles Perú Holding, S.A.A.	442	174	-	-	-	616
Telefónica Móviles México Group	31,323	38,040	-	-	(47,493)	21,870
Subsidiaries of Mexican companies	57,617	12,347	(13,068)	-	-	56,896
TCG Holdings, S.A.	2,450	2,391	-	-	-	4,841
Subsidiaries of TCG Holdings, S.A.	1,118	424	(270)	-	-	1,272
Total amortization of goodwill relating to fully and proportionally consolidated companies	134,088	101,336	(15,457)	-	(47,493)	172,474
Goodwill relating to companies accounted for by the equity method						
Medi Telecom, S.A.	-	367	-	-	-	367
Total goodwill relating to companies accounted for by the equity method	-	367	-	-	-	367
Total amortization of goodwill	134,088	101,703	(15,457)	-	(47,493)	172,841

	Thousands of Euros					
	Balance at 12/31/03	Provisions	Translation Differences	Retirements	Transfers	Balance at 12/31/04
Goodwill relating to fully and proportionally consolidated companies						
Telefónica Móviles España, S.A.	2,361	726	-	-	-	3,087
Subsidiaries of Brasilcel, N.V.	72,249	43,357	433	-	-	116,039
TES Holding, S.A.	12,369	3,396	(895)	-	3	14,873
Telefónica Móviles Perú Holding, S.A.A.	616	174	-	-	-	790
Telefónica Móviles México Group	21,870	11,940	-	-	-	33,810
Subsidiaries of Mexican companies	56,896	9,037	(2,430)	-	(1,833)	61,670
TCG Holdings, S.A.	6,113	2,778	(76)	-	-	8,815
Telefónica Móvil de Chile, S.A.	-	9,406	-	-	-	9,406
Telcel, C.A.	-	3,135	(96)	-	-	3,039
Olympic, Ltd.	-	4,182	20	-	-	4,202
Otecel, S.A.	-	3,312	-	-	-	3,312
Comunicaciones Móviles de Perú, S.A.	-	37	(4)	-	-	33
Telefónica Móviles Panamá, S.A.	-	1,987	-	-	-	1,987
Telefónica Móviles Guatemala y Cía., S.C.A.	-	223	-	-	-	223
Telefónica Móviles Uruguay, S.A.	-	33	(2)	-	-	31
Telefonía Celular de Nicaragua, S.A.	-	457	(24)	-	-	433
Total amortization of goodwill relating to fully and proportionally consolidated companies	172,474	94,180	(3,074)	-	(1,830)	261,750
Goodwill relating to companies accounted for by the equity method						
Medi Telecom, S.A.	367	528	-	-	-	895
Total goodwill relating to companies accounted for by the equity method	367	528	-	-	-	895
Total amortization of goodwill	172,841	94,708	(3,074)	-	(1,830)	262,645

In 2003 €04,651 thousand were allocated as a net addition to the licenses obtained to operate nationwide wireless communications services in Mexico. This amount was reclassified, once the respective valuations had been completed, to the “Intangible Assets – Concessions, Patents, Licenses and Other” caption (see Note 5-b). In 2004 €76,065 thousand were allocated as a net addition to the licenses of Tele Centro Oeste Celular Participações, S.A. (see Note 5-b).

In 2004 €730,008 thousand were allocated as an addition to the “Concessions, Patents, Licenses and Other” caption and €276,724 thousand were allocated as an addition to the “Computer Software and Other” caption in relation to the operators acquired from BellSouth and Telefónica Móvil de Chile, S.A. (see Note 5-b). Also, certain items of property, plant and equipment overstated by €17 million when these companies were included in the Group were identified. These amounts were allocated on the basis of the preliminary conclusions drawn from the related valuation performed by independent appraisers. However, once the process of allocating the acquisition price to all the assets and liabilities of the companies acquired has been completed at the end of 2005, the amounts of the goodwill recorded could be modified in the form of reclassifications to other balance sheet captions, although it is considered that such reclassifications would not be material.

The 2003 additions to the “Gross Consolidation Goodwill” table relate mainly to the goodwill arising in the acquisition of Tele Centro Oeste Celular Participações (see Note 2-c). In 2004 this column relates mainly to the inclusions in consolidation of Telefónica Móvil de Chile, S.A. and of the companies acquired from BellSouth, as well as increases in ownership interests arising from the friendly tender offers for Brazilian operators (see Note 2-c).

9) STOCKHOLDERS' EQUITY

The detail of the equity accounts and of the variations therein in 2003 and 2004 is as follows:

	Thousands of Euros							
	Capital Stock	Additional Paid-in Capital	Legal Reserve	Other Reserves of the Parent Company	Consolidation Reserves	Translation Differences	Income (Loss) for the Year	Total
Balance at 12/31/02	2,165,275	4,619,883		(601,630)	1,929,898	(1,135,122)	(3,730,721)	3,247,583
Offset of accumulated losses	-	(3,274,083)	-	601,630	-	-	2,672,453	-
Legal reserve	-	(433,055)	433,055	-	-	-	-	-
Translation differences	-	-	-	-	-	(57,135)	-	(57,135)
Dividends	-	(757,851)	-	-	-	-	-	(757,851)
Allocation of loss	-	-	-	-	(1,058,268)	-	1,058,268	-
Income for the year	-	-	-	-	-	-	1,607,838	1,607,838
Balance at 12/31/03	2,165,275	154,894	433,055	-	871,630	(1,192,257)	1,607,838	4,040,435
Translation differences	-	-	-	-	-	(158,497)	-	(158,497)
Dividends	-	-	-	(795,955)	-	-	-	(795,955)
Distribution of income	-	-	-	1,266,685	341,153	-	(1,607,838)	-
Income for the year	-	-	-	-	-	-	1,633,910	1,633,910
Balance at 12/31/04	2,165,275	154,894	433,055	470,730	1,212,783	(1,350,754)	1,633,910	4,719,893

a) Capital stock and additional paid-in capital

2004

As of December 31, 2004, the capital stock consisted of 4330,550,896 fully subscribed and paid common shares, of the same series, of €0.5 par value each, recorded by the book-entry

system, which are listed on the Spanish Continuous Market and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao) and on the New York Stock Exchange.

On April 16, 2004, the Stockholders' Meeting of Telefónica Móviles approved the payment of a dividend in cash on each of the Company's outstanding shares of €0.1838 gross out of 2004 income. This dividend was paid on June 16, 2004. The aforementioned Stockholders' Meeting also resolved to allocate the remainder of the income for the year, amounting to €470,730 thousand, to voluntary reserves.

Also, on April 16, 2004, the Stockholders' Meeting adopted, inter alia, the following resolutions:

- To authorize the Board of Directors to make derivative acquisitions of Company shares, within the limits and under the terms and conditions established by the Stockholders' Meeting, within a maximum period of 18 months from April 16, 2004, provided that the par value of the shares acquired, added to those already owned by the Company or its subsidiaries, does not exceed 5% of capital stock. The Stockholders' Meeting expressly put on record that this authorization could be exercised fully or partially to acquire shares of "Telefónica Móviles" that the latter had to deliver or transfer to directors or employees of the Company or of companies in its Group as a result of the exercise by the directors or employees of their stock option rights within the framework of the compensation systems tied to the market value of the Company's shares.

As of December 31, 2004, a very small number of shares (496) were held as treasury stock. These shares were acquired in the framework of the partial execution of the MOS Program (see Note 18). These shares will either be delivered to beneficiaries who exercise their options on subsequent dates or will be retired pursuant to the commitments assumed by the Company. In accordance with current legislation, the related restricted reserve of €1,000 was recorded.

The stockholder structure of Telefónica Móviles, S.A. as of December 31, 2004, was as follows:

Stockholder	Number of Shares	% of Ownership
Telefónica S.A.	3,075,983,129	71.03%
Telefónica Internacional, S.A.	927,917,620	21.43%
Other stockholders	326,650,147	7.54%
Total at 12/31/04	4,330,550,896	100.00%

2003

The capital stock as of December 31, 2003 consisted of 4,330,550,896 fully subscribed and paid common shares, of the same series, of €0.5 par value each, recorded by the book-entry system, which are listed on the Spanish Continuous Market and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao) and on the New York Stock Exchange.

On April 1, 2003, the Stockholders' Meeting of Telefónica Móviles resolved to record the Company's legal reserve in full (€33,055 thousand) with a charge to the "Additional Paid-in Capital" caption, so that the legal reserve would amount to 20% of capital stock. This Meeting also resolved to pay a dividend of €0.175 gross on each of the Company's outstanding shares, with a charge to the "Additional Paid-in Capital" caption. This dividend was paid on June 18, 2003. The same Meeting also resolved to offset accumulated losses and the 2002 loss with a charge to the "Additional Paid-in Capital" caption.

On April 1, 2003, the Stockholders' Meeting adopted, inter alia, the following resolutions:

- To delegate to the Board of Directors the power to issue nonconvertible, exchangeable and/or convertible debentures, bonds, promissory notes and other fixed-income securities, and to authorize it, in the case of these securities, to exclude the preemptive subscription rights of the stockholders and holders of convertible securities, and to guarantee the issues of the subsidiaries. As of the date of preparation of these consolidated financial statements, the Board of Directors had not made use of this authorization, which remains in force.
- To authorize the Board of Directors to make derivative acquisitions of Company shares, within the limits and under the terms and conditions established by the Stockholders' Meeting, within a maximum period of 18 months from April 1, 2003, provided that the par value of the shares acquired, added to those already owned by the Company or its subsidiaries, did not exceed 5% of capital stock. This authorization was renewed by the Stockholders' Meeting on April 16, 2004, for a maximum period of 18 months.

The stockholder structure of Telefónica Móviles, S.A. as of December 31, 2003, was as follows:

Stockholder	Number of Shares	% of Ownership
Telefónica S.A.	3,075,178,440	71.01%
Telefónica Internacional, S.A.	927,917,620	21.43%
Other stockholders	327,454,836	7.56%
Total at 12/31/03	4,330,550,896	100.00%

b) Consolidation reserves

The variations in the consolidation reserves arose as a result of the prior year's retained earnings.

c) Translation differences

The "Translation Differences" caption relates mainly to the effect of exchange rate fluctuations on the net assets of the companies located abroad and the effect of the adjustment for inflation on the assets contributed by companies which use this accounting method (see Note 4b). Negative differences of €42,675 thousand and of €56,140 thousand arose in this connection in 2003 and 2004, respectively.

This caption also includes the exchange gains or losses arising from foreign currency transactions specifically financing investments in investee companies performed by the Parent Company to hedge the exchange rate risk on these investments (see Note 4k). Negative differences of €4,460 thousand and of €2,357 thousand arose in this connection in 2003 and 2004, respectively.

d) Contribution of Group companies to reserves and translation differences

The contribution of the Group companies to consolidated reserves and translation differences as of December 31, 2004 and 2003, was as follows:

	Thousands of Euros			
	12/31/04		12/31/03	
	Reserves	Translation Differences	Reserves	Translation Differences
Telefónica Móviles España, S.A.	(1,676,319)	-	(3,532,951)	-
Group 3G UMTS Holding GmbH	(5,853,487)	-	(5,809,071)	-
Brasilcel Group	127,903	(473,443)	180,814	(481,580)
Telefónica Móviles Soluciones y Aplicaciones, S.A.	1,855	378	476	(325)
TES Holding Group	(48,283)	(22,047)	(35,391)	(18,392)
TCG Holdings Group	(73,595)	(28,764)	(51,524)	(26,074)
Telefónica Móviles Interacciona Group	(299,322)	470	(276,455)	470
Telefónica Móviles Argentina Group	(869,652)	(49,491)	(947,026)	(97,885)
Telefónica Móviles Perú Group	23,476	(54,750)	9,095	(61,644)
Telefónica Móviles México Group	(649,890)	182,237	(235,221)	63,070
3G Mobile AG	(137,151)	3,683	(133,096)	3,884
Medi Telecom, S.A.	(169,697)	(8,992)	(131,363)	(8,729)
Ipse 2000, S.p.A.	(149,155)	-	(110,734)	-
Telefónica Móviles Guatemala y Cía, S.C.A.	-	(2,062)	-	-
Otecel, S.A.	-	(15,046)	-	-
Telcel Venezuela Group	-	(51,650)	-	-
Telefónica Móviles Panamá, S.A.	-	(5,555)	-	-
Comunicaciones Móviles de Perú, S.A.	-	(419)	-	-
Telefónica Móviles Colombia Group	-	21,797	-	-
Telefonía Celular de Nicaragua, S.A.	-	(8,677)	-	-
TEM Inversiones Chile Ltda. Group	-	10,854	-	-
Ablitur, S.A.	-	(1,524)	-	-
Telefónica Móviles and other	12,044,779	(847,753)	12,532,026	(565,052)
Total Telefónica Móviles Group	2,271,462	(1,350,754)	1,459,579	(1,192,257)

e) Legal reserve

Under the revised Corporations Law, 10% of income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Otherwise, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

On April 1, 2003, the Stockholders' Meeting of Telefónica Móviles resolved to record the Company's legal reserve in full (€133,055 thousand) with a charge to the "Additional Paid-in Capital" caption. As a result, since 2003 the legal reserve has amounted to 20% of capital stock.

f) Legislation regulating the sale of holdings

Following the amendment of Law 5/1995 on the legal regime applicable to the disposal of public shareholdings in certain companies introduced by Law 62/2003 (Law accompanying the State Budget Law), until February 18, 2007, there is a new regime of administrative involvement (need to notify the Spanish State and the latter's power to veto disposals) in relation to the disposal of shares of Telefónica Móviles representing at least 10% of its capital stock. The acquisition of shares representing 10% or more of the capital stock of Telefónica Móviles, S.A. constitutes an exception to this obligation to notify the Spanish State when the

purpose of such acquisition is merely financial and is not to assume control over or the management of the Company.

Also, the acquisition of significant ownership interest in the capital stock of Telefónica Móviles is subject to the notification of significant ownership interests obligations provided for in Royal Decree 377/1991, March 15, as amended by Royal Decree 2590/1998, December 7, on amendments to the legal regime applicable to the securities markets.

10) MINORITY INTERESTS

The balances of the “Minority Interests” caption relate to the following direct and indirect holdings of non-Group stockholders in the equity of the companies detailed below:

	12/31/04	12/31/03
Group 3G UMTS Holding GmbH	42.80%	42.80%
Telefónica Móviles Perú Holding, S.A.A.	2.03%	2.03%
Telefónica Móviles Argentina, S.A.	2.07%	2.07%
Telefónica Móviles México, S.A. de C.V.	8.00%	8.00%
Subsidiaries of Brasilcel, N.V.		
Tele Sudeste Celular Participações, S.A.	4.56%	8.06%
Tele Leste Celular Participações, S.A.	24.96%	36.15%
Celular CRT Participações, S.A.	17.03%	25.22%
Telesp Celular Participações, S.A.	17.44%	17.44%
Tele Centro Oeste Celular Participações, S.A.	33.51%	40.60%
Telefónica Móviles Panamá, S.A.	0.43%	-
Comunicaciones Móviles Perú, S.A.	0.15%	-
Sistemas Timetrac, C.A.	25.00%	-

The breakdown, by company, of the balances of the “Minority Interests” caption as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros				
	Net Worth	Income (Loss)	Variation in Ownership Interest	Total at 12/31/04	Total at 12/31/03
Subsidiaries of Brasilcel, N.V.	378,592	36,264	(106,841)	308,015	387,977
Telefónica Móviles Perú Holding, S.A.A.	4,552	(289)	-	4,263	4,410
Telefónica Móviles Argentina, S.A.	(8,717)	(1,489)	-	(10,206)	(9,718)
Telefónica Móviles México, S.A. de C.V.	72,580	(52,767)	-	19,813	70,276
Group 3G UMTS Holding GmbH	(382,442)	-	-	(382,442)	(382,442)
Telefónica Móviles Panamá, S.A.	392	21	-	413	-
Comunicaciones Móviles de Perú, S.A.	(10)	(5)	-	(15)	-
Sistemas Timetrac, C.A.	2,200	93	-	2,293	-
Other companies, net	4,284	(3,548)	-	736	4,168
Total	71,431	(21,720)	(106,841)	(57,130)	74,671

The “Variation in Ownership Interest” column includes the effect on minority interests of the changes in the percentage of ownership of various investees of Brasilcel, N.V., as described in Note 2-c.

The variations in the “Minority Interests” caption in 2004 and in 2003 were as follows:

	Thousands of Euros							
	Balance at 12/31/02	Inclusion of Companies	Income (Loss)	Translation Differences	Additions	Transfers	Other Variations	Balance at 12/31/03
Subsidiaries of Brasilcel, N.V.	252,054	3,414	21,876	2,629	120,083	-	(12,079)	387,977
Telefónica Móviles Interacciona, S.A.	(18,526)	-	-	(8)	8,000	-	10,534	-
Telefónica Móviles Perú Holding, S.A.A.	4,822	-	298	(710)	-	-	-	4,410
Telefónica Móviles Argentina, S.A.	(11,708)	-	1,645	345	-	-	-	(9,718)
Group 3G UMTS Holding GmbH	(382,442)	-	-	-	-	-	-	(382,442)
Telefónica Móviles México, S.A. de C.V.	133,266	-	(42,404)	(20,586)	-	-	-	70,276
Other companies, net	8,117	-	(2,542)	(1,265)	-	-	(142)	4,168
Total	(14,417)	3,414	(21,127)	(19,595)	128,083	-	(1,687)	74,671

	Thousands of Euros							
	Balance at 12/31/03	Inclusion of Companies	Income (Loss)	Translation Differences	Additions	Transfers	Other Variations	Balance at 12/31/04
Subsidiaries of Brasilcel, N.V.	387,977	-	36,264	4,783	4,245	6,590	(131,844)	308,015
Telefónica Móviles Perú Holding, S.A.A.	4,410	-	(289)	142	-	-	-	4,263
Telefónica Móviles Argentina, S.A.	(9,718)	-	(1,489)	1,001	-	-	-	(10,206)
Group 3G UMTS Holding GmbH	(382,442)	-	-	-	-	-	-	(382,442)
Telefónica Móviles México, S.A. de C.V.	70,276	-	(52,767)	2,304	-	-	-	19,813
Telefónica Móviles Panamá, S.A.	-	420	21	(28)	-	-	-	413
Comunicaciones Móviles de Perú, S.A.	-	(12)	(5)	2	-	-	-	(15)
Sistemas Timetrac, C.A.	-	2,282	93	(82)	-	-	-	2,293
Other companies, net	4,168	-	(3,548)	66	50	-	-	736
Total	74,671	2,690	(21,720)	8,188	4,295	6,590	(131,844)	(57,130)

In 2003 the “Transfers” column includes mainly the increase in minority interests as a result of the acquisition of Tele Centro Oeste Celular Participações, as indicated in Note 2-c.

The “Other Variations” column in 2004 relates to the increase in Brasilcel, N.V.’s ownership interests in various Brazilian subsidiaries, as indicated in Note 2-c.

The balance receivable from the minority interests of Group 3G UMTS Holdings GmbH amounting to €382,442 thousand (see Note 4-m) has been provisioned in full, and the related amount is recorded under the “Provisions for Contingencies and Expenses” caption in the accompanying consolidated balance sheet.

11) BALANCES AND TRANSACTIONS WITH TELEFÓNICA GROUP COMPANIES

The breakdown of the accounts receivable from and payable to Telefónica Group and associated companies as of December 31, 2004 and 2003, is as follows:

	Thousands of Euros			
	2004		2003	
	Receivable	Payable	Receivable	Payable
Telefónica, S.A.	2,333,940	11,078,319	1,149,370	5,699,553
Telefónica de España, S.A.	208,730	96,191	255,068	98,402
Telefónica Internacional, S.A.	448	308,300	1,208	12,391
Telefónica Investigación y Desarrollo, S.A.	787	20,687	1,056	18,770
Telescomunicações de Sao Paulo, S.A.	24,537	44,682	26,843	16,232
Telefónica Finanzas, S.A. (Telfisa)	1,422,843	300,649	984,953	320,170
Teleinformática y Comunicaciones, S.A.	19,053	9,188	53,040	7,349
Atento Group	659	11,663	570	12,463
Ipse 2000, S.p.A.	313,694	-	280,608	-
Telefónica del Perú, S.A.A.	21,820	33,524	67,349	80,019
Tele Leste Celular Participações, S.A.	2,325	-	2,994	-
Medi Telecom, S.A.	74,169	-	70,131	-
CRT Celular, S.A.	1,241	-	4,980	53
Telesudeste Participações Group	9,551	533	13,414	3
Tele Brasil Sul Celular Participações, S.A.	1,158	-	-	-
Fisatel Mexico, S.A. de C.V.	386	40,074	1,894	19,620
CTC Chile Group	16,411	7,324	445	48
Other Telefónica Group companies	35,814	54,416	33,376	52,635
Total	4,487,568	12,005,550	2,947,299	6,337,708

The breakdown of the accounts payable is as follows:

	Thousands of Euros			
	2004		2003	
	Short Term	Long Term	Short Term	Long Term
Loans and credit lines	1,797,620	7,817,441	1,193,605	4,864,416
Filing of consolidated corporate income tax returns	2,058,793	-	-	7
Purchases, services, etc.	331,696	-	279,680	-
Total	4,188,109	7,817,441	1,473,285	4,864,423

The breakdown of the balances drawn down against the loans and credit lines granted by Telefónica Group companies as of December 31, 2004 and 2003 is as follows:

Company	Thousands of Euros			
	2004		2003	
	Short Term	Long Term	Short Term	Long Term
Telefónica Móviles, S.A.				
- Telfisa credit line in U.S. dollars	14,979	-	-	-
- Telefónica, S.A. credit lines in euros	972,917	5,159,606	-	1,745,762
- Telefónica, S.A. credit lines in U.S. dollars	221,593	1,060,873	4,350	180,339
- Telefónica, S.A. loan in euros	240,000	867,252	999,601	2,047,067
- Telefónica, S.A. loans in U.S. dollars	133,424	111,982	130,061	391,320
- Other financial debts	139,989	68,131	7,434	161,531
Telefónica Móviles España, S.A.				
- Telfisa-BEI loan in euros	25,718	102,875	25,718	128,594
- Telfisa-BEI loan in U.S. dollars	-	146,972	-	158,353
Telefónica Móviles Interacciona, S.A.				
- Telfisa credit line in euros	9,303	-	6,988	-
Telefónica Móviles México, S.A. de C.V.				
- Fisatel México, S.A. de C.V. credit line in MXN	39,697	-	19,453	-
Telefónica Móviles Perú Holding, S.A.A.				
- Telefónica del Peru, S.A.A loan in U.S. dollars.	-	-	-	51,450
Inversiones Telefónica Móviles Holding Limitada				
- Telefónica Internacional Chile, S.A. loan in euros	-	299,750	-	-
Total	1,797,620	7,817,441	1,193,605	4,864,416

All the loans and credit lines detailed above bear interest at market rates. The average interest rates on the aforementioned financing in 2004 and 2003 were 4.01% and 4.19%, respectively.

Of the outstanding balance payable to Telefónica Group companies as of December 31, 2003, €1,477,429 thousand were repaid in 2004 (including the repayment of a loan against which €276,028 thousand had been drawn down in 2004). Also, the additional financing drawn down by the Telefónica Móviles Group amounted to €5,058,065 thousand, and this amount was principally used to finance the acquisition of the BellSouth operators in Latin America.

As of December 31, 2004 and 2003, credit lines had been granted by the Telefónica Group totaling €7,730 million and €2,195 million, respectively. Of the credit lines granted as of December 31, 2004, €1,297 million were denominated in U.S. dollars and €54 million were denominated in Mexican pesos. As of December 31, 2003, €291 million were denominated in U.S. dollars and €106 million were denominated in Mexican pesos.

The balances drawn down against the aforementioned credit lines as of December 31, 2004 and 2003, amounted to €7,479 million and €1,956 million, respectively, of which €1,297 million and €85 million, respectively, relate to the credit lines denominated in U.S. dollars. Of the balances drawn down as of December 31, 2004 and 2003, €40 million and €19 million, respectively, were denominated in Mexican pesos.

Although the Group's books reflect a working capital deficiency as of December 31, 2004, based on the 2005 budget no liquidity problems are expected to arise in the coming year.

Telefónica Móviles, S.A., Telefónica Móviles España, S.A. and Telefónica Móviles Interacciona, S.A. centralize all their cash balances at the Telefónica Group company Telefonía y Finanzas, S.A. (Telfisa), through transfers from and to the banks with which it has demand deposits. The balances with Telfisa earn and bear interest at market rates.

The main transactions with Telefónica Group and associated companies in 2003 were as follows:

	Thousands of Euros			
	Operating Revenues	Financial Revenues	Financial Expenses	Procurements and Outside Services
Telefónica, S.A.	2,515	6,779	314,064	34,920
Telefónica de España, S.A.	828,155	-	-	415,818
Telefónica Internacional, S.A.	575	-	-	644
Telefónica Investigación y Desarrollo, S.A.	889	-	-	11,977
Telefónica Telecomunicaciones Públicas, S.A.	28,417	-	-	275
Zeleris España, S.A.U	433	-	-	24,763
Telecomunicações de Sao Paulo, S.A.	232,650	-	-	31,393
Telefonía y Finanzas, S.A. (Telfisa)	3	38,477	6,688	-
Teleinformática y Comunicaciones, S.A.	256,529	-	-	31,191
Atento Group	2,906	72	-	65,693
Ipse 2000, S.p.A.	-	19,520	-	-
Telefónica Argentina, S.A.	975	-	-	31,145
Telefónica del Perú, S.A.A.	96,108	1,101	2,497	22,502
Medi Telecom, S.A.	541	1,397	-	1
Telefónica Mobile Solutions, S.A.	599	275	-	16,225
Other Telefónica Group companies	19,912	1,328	296	48,663
Total	1,471,207	68,949	323,545	735,210

The main transactions with Telefónica Group and associated companies in 2004 were as follows:

	Thousands of Euros			
	Operating Revenues	Financial Revenues	Financial Expenses	Procurements and Outside Services
Telefónica, S.A.	14,484	8,010	327,539	41,030
Telefónica de España, S.A.	745,812	-	-	391,810
Telefónica Internacional, S.A.	3,113	-	1,757	101
Telefónica Investigación y Desarrollo, S.A.	457	-	-	11,248
Telefónica Telecomunicaciones Públicas, S.A.	31,763	-	-	283
Zeleris España, S.A.U.	130	-	-	39,459
Telecomunicações de Sao Paulo, S.A.	256,994	-	-	48,122
Telefonía y Finanzas, S.A. (Telfisa)	3	38,730	5,857	-
Teleinformática y Comunicaciones, S.A.	286,249	-	-	40,674
Atento Group	3,380	13	-	76,992
Ipse 2000, S.p.A.	-	20,705	-	-
Telefónica Argentina, S.A.	996	-	-	39,010
Telefónica del Perú, S.A.A.	87,345	94	321	22,480
Telefónica Gestión Servicios Compartidos Group	297	-	-	14,537
CTC Group	22,850	-	102	7,805
Telefónica Soluciones de Informática y Com. de España	690	-	-	11,630
Medi Telecom, S.A.	616	2,857	-	-
Other Telefónica Group companies	15,508	850	3,790	35,514
Total	1,470,687	71,259	339,366	780,695

The Company has entered into technical capacity transfer and business management and support contracts with Telefónica Móviles El Salvador, S.A. de C.V., Telefónica Móviles Guatemala, S.A. and Telefónica Móviles, S.A.C. Under these contracts the Company receives a fee equal to 1% of the services billed for transactions and 9% of the operating income of the aforementioned companies.

Also, in October 2000 the Company was subrogated to Telefónica Internacional, S.A.'s consulting services contracts with the Brazilian companies Telerj Celular, S.A., Telest Celular, S.A., Telebahia Celular, S.A., Telergipe Celular, S.A. and Celular CRT, S.A. Under these contracts, the Company is entitled to receive a fee ranging from 1% to 2% of the revenues received for services billed in connection with the transactions of these companies.

In the framework of the agreements entered into by Telefónica Móviles and Portugal Telecom for the formation of a joint venture, in 2004 the parties agreed that the amounts obtained by them from January 1, 2003, in connection with the management contracts entered into by the groups with their former Brazilian subsidiaries would be offset so that each party would receive the same amount in this connection.

Also, the Telefónica Móviles Group has entered into a management contract with Medi Telecom, S.A. under which it receives a fee equal to 1% of the gross revenues or 4.5% of the income before interest and taxes of Médi Telecom, S.A., depending on the operating income reported by this company.

In addition, in the period from January 1, 2002 to September 2004 Telefónica Móviles, S.A. provided management services for the operations of Newcomm Wireless Services, Inc. (Newcomm), as a result of the subrogation of Telefónica Móviles, S.A. to the position of Telefónica Larga Distancia de Puerto Rico, Inc. in the management contract that it had entered into with Newcomm.

12) PAYABLE TO CREDIT INSTITUTIONS

The detail of the accounts payable to credit institutions as of December 31, 2003 and 2004, is as follows:

Company	Thousands of Euros	Maturity	
		2003	Short Term
Telefónica Móviles España, S.A.	26,879	-	26,879
Celular CRT, S.A.	42,584	10,501	32,083
Tele Sudeste Celular Participações, S.A.	25,701	20,700	5,001
Tele Leste Celular Participações, S.A.	30,433	11,170	19,263
Telesp Celular Participações, S.A.	625,682	438,493	187,189
TES Holding, S.A. de C.V.	14,865	14,865	-
Telefónica Móviles Argentina, S.A.	17,174	9,719	7,455
Telefónica Móviles Perú Holding, S.A.A.	8,123	398	7,725
Telefónica Móviles México, S.A.	54,819	30,869	23,950
Telefónica Móviles Puerto Rico, Inc.	8,160	8,160	-
Telefónica Móviles Soluciones y Aplicaciones, S.A.	758	270	488
Total	855,178	545,145	310,033

Company	Thousands of Euros 2004	Maturity	
		Short Term	Long Term
Telefónica Móviles España, S.A.	38,260	-	38,260
Celular CRT, S.A.	33,476	12,900	20,576
Tele Sudeste Celular Participações, S.A.	6,034	6,034	-
Tele Leste Celular Participações, S.A.	46,460	8,212	38,248
Telesp Celular Participações, S.A.	575,598	390,897	184,701
TES Holding, S.A. de C.V.	4,772	4,772	-
TCG Holdings, S.A.	1,276	1,276	-
Telefónica Móviles Argentina, S.A.	6,913	3,825	3,088
Telefónica Móviles Perú Holding, S.A.A.	7,165	672	6,493
Telefónica Móviles México, S.A.	43,490	17,492	25,998
Telefónica Móviles Puerto Rico, Inc.	5,602	5,602	-
Telefónica Móviles Soluciones y Aplicaciones, S.A.	1,036	478	558
Telcel Venezuela Group	16,502	6,601	9,901
Comunicaciones Móviles de Perú, S.A.	146,963	146,963	-
Olympic Group	326,084	219,199	106,885
Otecel, S.A.	4,803	4,803	-
Total	1,264,434	829,726	434,708

All the loans to Group companies bear interest at market rates. Some of these loans are subject to certain financial restrictions. At the date of preparation of these consolidated financial statements, these conditions were either being met satisfactorily or were being negotiated, where appropriate, with the related financial institutions.

The breakdown, by maturity, of the Group's total accounts payable is as follows:

Company	Thousands of Euros						
	Maturity						
	2005	2006	2007	2008	2009	Subsequent Years	Total
Telefónica Móviles España, S.A.	-	-	-	-	-	38,260	38,260
Celular CRT, S.A.	12,900	171	20,405	-	-	-	33,476
Tele Sudeste Celular Participações, S.A.	6,034	-	-	-	-	-	6,034
Tele Leste Celular Participações, S.A.	8,212	17,811	33	20,404	-	-	46,460
Telesp Celular Participações, S.A.	390,897	84,743	87,073	3,915	3,426	5,544	575,598
TES Holding, S.A. de C.V.	4,772	-	-	-	-	-	4,772
TCG Holdings, S.A.	1,276	-	-	-	-	-	1,276
Telefónica Móviles Argentina, S.A.	3,825	3,088	-	-	-	-	6,913
Telefónica Móviles Perú Holding, S.A.A.	672	878	1,085	1,202	1,330	1,998	7,165
Telefónica Móviles México, S.A. de C.V.	17,492	6,011	5,711	5,710	5,711	2,855	43,490
Telefónica Móviles Puerto Rico, Inc.	5,602	-	-	-	-	-	5,602
Telefónica Móviles Soluciones y Aplicaciones, S.A.	478	414	144	-	-	-	1,036
Telcel Venezuela Group	6,601	6,601	3,300	-	-	-	16,502
Comunicación Móviles de Perú	146,963	-	-	-	-	-	146,963
Olympic Group	219,199	19	17	106,660	12	177	326,084
Otecel, S.A.	4,803	-	-	-	-	-	4,803
Total	829,726	119,736	117,768	137,891	10,479	48,834	1,264,434

The Group arranges financial instruments, as indicated in Note 17, to hedge its exchange rate risk. In markets where it is not possible to arrange a derivative with the same characteristics and term as the loan being hedged, the Group seeks to renew the derivatives through the maturity of the loans.

As of December 31, 2004 and 2003, there were no credit lines other than those granted by Telefónica Group companies disclosed in Note 11.

The detail of the euro and foreign currency loans as of December 31, 2004 and 2003, is as follows:

Company	Foreign Currency (Millions)	Thousands of Euros	Foreign Currency (Millions)	Thousands of Euros
	2004		2003	
Tele Sudeste Celular Participações, S.A.				
- U.S. dollars	9	6,034	32	25,701
Tele Leste Celular Participações, S.A.				
- U.S. dollars	57	40,726	38	30,433
- Brazilian reais	21	5,734	-	-
Telesp Celular Participações, S.A.				
- Euros	-	225	138	138,210
- U.S. dollars	505	316,466	511	300,209
- Brazilian reais	846	234,015	542	145,606
- Japanese yen	3,470	24,892	5,681	41,657
TES Holding, S.A. de C.V.				
- U.S. dollars	6	4,772	19	14,865
TCG Holdings, S.A.				
- Quetzales	13	1,276	-	-
Celular CRT, S.A.				
- U.S. dollars	51	33,305	67	42,584
- Brazilian reais	1	171	-	-
Telefónica Móviles México Group				
- U.S. dollars	63	36,360	72	47,156
- Mexican pesos	109	7,130	109	7,663
Telefónica Móviles Perú Holding, S.A.A.				
- U.S. dollars	10	7,165	10	8,123
Telefónica Móviles Puerto Rico, Inc				
- U.S. dollars	8	5,602	10	8,160
Telefónica Móviles Argentina, S.A.				
- U.S. dollars	9	6,913	22	17,174
Telefónica Móviles España, S.A.				
- U.S. dollars	52	38,260	34	26,879
Telefónica Móviles Soluciones y Aplicaciones, S.A.				
- Chilean pesos	785	1,036	569	758
Otecel, S.A.				
- U.S. dollars	7	4,803	-	-
Comunicaciones Móviles de Perú, S.A.				
- U.S. dollars	200	146,963	-	-
Olympic Group				
- U.S. dollars	419	307,612	-	-
- Colombian pesos	60,171	18,472	-	-
Telcel Venezuela Group				
- U.S. dollars	23	16,502	-	-
Total		1,264,434		855,178

13) TAX MATTERS

The Company files consolidated corporate income tax returns and, accordingly, is not obliged to pay its tax debt directly to the Spanish Treasury. All the tax assets and tax bases up to the ceiling of the deduction applicable to the Telefónica tax group are transferred to Telefónica, S.A., and a balance receivable from or payable to the Parent Company is recorded for the tax loss or taxable income, respectively, of the individual company, which is recorded under the “Loans to Telefónica Group Companies” caption if a tax loss is reported by the Móviles, S.A. Group company, or under the “Payable to Telefónica Group Companies” caption if taxable income is contributed to the Parent Company.

The balance of the “Loans to Telefónica Group Companies” caption is reduced through cash payments by Telefónica, S.A. to the Móviles Group companies that have contributed the tax losses, as the tax losses contributed by the Móviles Group are actually offset by the Telefónica tax group.

The corporate income tax expense was calculated by aggregating the corporate income tax or similar tax expenses recorded by companies reporting taxable income. The tax amounts were determined in accordance with the tax regulations in force in each country and on the basis of the income or loss reflected in the individual financial statements, the sum of which does not necessarily coincide with consolidated income.

The years open for review by the tax inspection authorities vary at each Group company, based on each country’s tax legislation and on their respective statute-of-limitations periods. No material liabilities are expected to arise in the event of a tax audit of the open years.

a) Deferred tax assets and liabilities

The detail as of December 31, 2004 and 2003, of the Telefónica Móviles Group’s deferred tax assets and liabilities and of the variations therein is as follows:

	Thousands of Euros			
	Deferred Tax Assets		Deferred Tax Liabilities	
	Long Term	Short Term	Long Term	Short Term
Balance at 12/31/02	1,136,488	-	58,505	126,148
Additions	97,299	14,114	16,719	3,750
Reversals	(128,465)	(7,754)	(31,126)	(9,397)
Inclusion/Exclusion of companies	5,119	5,433	3,529	143,457
Transfers	(264,823)	21,833	(42,199)	(117,007)
Balance at 12/31/03	845,618	33,626	5,428	146,951
Additions	240,383	22,774	43,320	17,515
Reversals	(68,061)	(12,892)	(8,273)	(43,195)
Inclusion/Exclusion of companies	5,996	312	3,033	770
Transfers	38,464	17,921	13,829	(132)
Balance at 12/31/04	1,062,400	61,741	57,337	121,909

The balance of the “Long-Term Investments - Tax Receivables” caption in the accompanying consolidated balance sheet, which amounted to €1,316,116 thousand as of December 31, 2004, includes, in thousands of euros, deferred tax assets relating to the provisions for contingencies and expenses at the subsidiaries in Germany (€256,870 thousand), Italy (€22,807 thousand), Mexico and Argentina (€286,187 thousand) and Switzerland, Morocco and Puerto Rico (€5,090 thousand). It also includes tax assets amounting to €3,150 thousand recorded by the foreign subsidiaries and €8,295 thousand relating to other items (provisions for expenses that are temporarily not deductible for tax purposes).

In addition to the deferred tax assets described in the preceding paragraph, there are tax credits totaling €88,650 thousand (export, research, development and innovation and international double taxation tax credits, etc.), tax assets relating to the tax losses of companies not included in the Telefónica tax group amounting to €70,488 thousand, and other tax assets (VAT refundable at long term, other taxes refundable, etc.) totaling €4,578 thousand.

The balance of the “Long-Term Debt – Payable to Public Authorities” caption in the accompanying consolidated balance sheet, which amounted to €88,743 thousand as of December 31, 2004, includes various local taxes and the deferred tax liabilities detailed below.

b) Receivable from and payable to public authorities

The detail of the “Accounts Receivable – Receivable from Public Authorities” and “Other Nontrade Payables – Payable to Public Authorities” in short term, captions as of December 31, 2004 and 2003, is as follows:

Receivable from public authorities:	Thousands of Euros	
	2004	2003
Indirect taxes refundable	496,986	213,936
Deferred tax assets	61,741	33,626
Corporate income tax prepayments	114,251	27,518
Tax assets and other tax receivables	109,541	37,967
Other	419	2,031
Total	782,938	315,078

Payable to public authorities:	Thousands of Euros	
	2004	2003
Indirect taxes payable	482,067	181,907
Deferred tax liabilities	121,909	146,951
Corporate income tax	137,351	24,542
Social security taxes	13,330	11,137
Personal income tax withholdings	7,896	6,314
Withholdings from income from movable capital	5,358	4,253
Other	77,761	19,282
Total	845,672	394,386

c) Reconciliation of the income per books to the taxable income for corporate income tax purposes

The reconciliation of the income/loss per books to the tax base for corporate income tax purposes for 2004 and for 2003 is as follows:

	Thousands of Euros	
	2004	2003
Income per books	2,510,307	2,477,204
Permanent differences	(281,245)	(602,833)
Timing differences	439,249	(225,230)
Taxable income	2,668,311	1,649,141
Gross tax payable	932,524	585,428
Tax credits and tax relief	(46,948)	(17,489)
Tax effect of timing differences and deferred revenues	(156,582)	75,444
Prior years' corporate income tax	8,516	-
Spanish corporate income tax	737,510	643,383
Recognition of deferred tax liabilities in consolidation	122,075	222,247
Foreign taxes	38,532	24,863
Total income tax	898,117	890,493

The permanent differences arose mainly from the results obtained by the companies located abroad, the amortization of consolidation goodwill and the depreciation/amortization of the assets assigned in consolidation and the positive results attributable to associated companies. These latter two items, which arose in consolidation, do not form part of the individual tax bases resulting from the calculation of the related taxes at each Group company.

The main timing differences arose from the period provisions for bad debts, investment valuation provisions and provisions for the decline in value of property, plant and equipment that are not deductible for tax purposes in the period.

d) Detail of tax assets

As of December 31, 2004, the accumulated tax losses incurred by the Móviles Group companies amounted to €9,832,108 thousand. Pursuant to the applicable tax legislation, tax assets for recoverable tax losses amounting to €1,386,275 thousand have been generated, and this amount is recorded under the “Long-Term Investments – Receivable from Public Authorities” or “Receivable from Telefónica Due to Consolidated Taxation” captions in the consolidated balance sheet, depending on whether or not the companies that incurred the losses form part of the Telefónica tax group.

Pursuant to local accounting and corporate law, of the total tax losses indicated above, €2,028,867 thousand have not been recognized in the accounting records.

The detail, by country, of the accumulated tax assets as of December 31, 2004, that will be used in each country is as follows:

<i>Country / Thousands of €</i>	<i>Tax Losses Incurred</i>	<i>Tax Asset Recognized</i>	<i>Tax Asset Not Recognized</i>	<i>Period and General Conditions for Offset per Applicable Legislation</i>
Spain	6,314,184	1,353,258	856,702	15 years (after first year of income)
Brazil (1), (2)	699,338	30,579	207,174	No time limit, but annual maximum of 70% of taxable income
Mexico	1,679,303	-	554,170	10 years
Argentina	452,183	-	158,264	5 years
Chile	3,463	589	-	No time or quantitative limits
Ecuador	3,318	1,194	-	5 years and annual maximum of 25% of taxable income
Colombia	570,130	-	219,500	8 years and annual maximum of 25% of accumulated losses
Peru	105,858	-	31,758	4 years
Uruguay	4,331	-	1,299	3 years
TOTAL	9,832,108	1,385,620	2,028,867	

- (1) For accounting consolidation purposes in Spain, €21,734 thousand were eliminated as a result of goodwill adjustments in Brazil.
- (2) The tax asset recognized includes €30 thousand at short term. The remainder, up to €30,579 thousand is a long-term tax asset.

Also, as of December 31, 2004, in Spain there is an account receivable from Telefónica totaling €5,882 thousand relating to international double taxation tax credits. Also, the Group has tax credits and tax assets relating to timing differences amounting to €39,926 thousand which, in accordance with the accounting legislation in force, were not recorded in the accounting records either because they did not meet the requirements for being recorded or because they did not have to be recorded.

Country / Thousands of €		Total
Spain	Export tax credit	114,185
	Other tax credits	1,992
Other countries	Tax credits due to performance of various activities and others arising from timing differences	23,749
TOTAL		139,926

Under Spanish tax legislation, under certain circumstances, the goodwill arising from the acquisition of foreign securities can be amortized for tax purposes. The portion of the goodwill that can be deemed to be tax deductible, within certain limits, is the goodwill that remains after the financial goodwill relating to the foreign securities acquired has been allocated to assets, rights and contingent liabilities. The Company is completing an analysis of the portion of the goodwill that might be deductible as a result of the acquisition of the assets of BellSouth and Telefónica Móvil de Chile, S.A.

Lastly, Telefónica Móviles, S.A. made a negative adjustment of €1,137,243 thousand in its corporate income tax settlement for 2002 as a result of the transfer in 2002 of certain holdings acquired in prior years the market value of which differed from the book value at which they had been recorded (underlying book value) because the Company availed itself of Article 159 of the Corporations Law. No accounting effects arising from this adjustment were taken into account, since tax rulings have been handed down by the tax authorities that differ from the Company's interpretation.

14) REVENUES AND EXPENSES

a) *Net sales and services*

The breakdown of the "Net Sales and Services" caption in 2004 and 2003 is as follows:

	Thousands of Euros	
	2004	2003
Spain	6,859,711	6,106,989
Brazil	1,264,714	1,145,190
Argentina	356,347	238,772
Peru	176,330	151,379
Mexico	727,846	540,018
Venezuela	215,216	-
Chile	159,596	-
El Salvador	100,569	93,314
Colombia	94,858	-
Guatemala	87,065	66,161
Ecuador	43,826	-
Panama	23,957	-
Nicaragua	8,296	-
Uruguay	5,596	-
Other	257,397	267,141
Total	10,381,324	8,608,964

As indicated in Note 2-b, the consolidated statements of income include the revenues and expenses of the companies from the date on which the related holding was acquired or the company was formed through year-end. Therefore, the revenues relating to the companies acquired from BellSouth relate to two months of operations, and the revenues of Telefónica Móvil de Chile, S.A. relate to five months of operations.

b) Personnel expenses

The detail of the “Personnel Expenses” caption in 2004 and 2003 is as follows:

	Thousands of Euros	
	2004	2003
Wages and salaries	374,227	327,843
Contributions to pension and other funds	9,752	9,809
Employee welfare and other personnel expenses	155,938	148,341
Total	539,917	485,993

The average number of employees of the Telefónica Móviles Group in 2004 and 2003 was 13,524 and 12,384, respectively. The breakdown, by professional category, for 2004 and 2003 is as follows:

	Average Number of Employees	
	2004	2003
Senior management	21	17
Executives and supervisors	1,470	1,359
Other employees	12,033	11,008
Total	13,524	12,384

c) Foreign currency transactions

In addition to the operating transactions carried out by the fully consolidated companies in the currencies of their respective countries, there are other foreign currency transactions carried out by the Group which relate mainly to the payment of interest and the repayment of loans, the amounts of which are shown in Note 11.

d) Information by groups of companies

The share in the income for the year of the companies composing the Group in 2004 and 2003 was as follows:

	Thousands of Euros	
	2004	2003
Fully and proportionally consolidated companies	1,672,142	1,688,494
Companies accounted for by the equity method	(38,232)	(80,656)
Total	1,633,910	1,607,838

The contribution to the Group’s income made by the fully consolidated operators in 2004 and 2003 was as follows:

	Thousands of Euros	
	2004	2003
Telefónica Móviles España, S.A.	2,152,117	1,856,632
Telefónica Mobile Solutions, S.A.	-	(229)
Group 3G UMTS Holding GmbH	(38,390)	(44,416)
Brasilcel Group	(54,347)	(52,057)
TES Holding, S.A. de C.V.	(17,653)	(12,893)
TCG Holdings, S.A.	(15,626)	(22,071)
Telefónica Móviles Interacciona, S.A.	(6,631)	(22,867)
Telefónica Comunicaciones Personales, S.A.	(70,935)	77,374
3G Mobile AG	573	(4,055)
3G Mobile Telecommunications GmbH	-	(6,068)
Telefónica Móviles, S.A.C.	(13,977)	14,381
Telefónica Móviles México, S.A. de C.V. Group	(547,892)	(414,669)
Telefónica Móvil de Chile, S.A.	(1,571)	-
Mobipay International, S.A.	(777)	-
Telefónica Móviles Puerto Rico, Inc.	(45,409)	-
Telcel Venezuela Group	16,444	-
Comunicaciones Móviles de Perú, S.A.	(2,833)	-
Olympic Group	(5,078)	-
Otecel, S.A.	(5,394)	-
Telefonía Celular de Nicaragua, S.A.	660	-
Abiatar, S.A.	229	-
Telefónica Móviles Panamá, S.A.	4,212	-
Telefónica Móviles Guatemala y Cía, S.C.A.	2,083	-
Holding companies and other consolidation adjustments	322,337	319,432
Total	1,672,142	1,688,494

The “Holding Companies and other Consolidation Adjustments” caption includes mainly the results of Telefónica Móviles, S.A. and the elimination of the variation in investment valuation allowances and intercompany transactions.

The contribution to the Group’s income by the companies accounted for by the equity method in 2004 and 2003 was as follows:

	Thousands of Euros	
	2004	2003
Medi Telecom, S.A.	(13,304)	(38,335)
Mobipay International, S.A.	(773)	(2,847)
Mobipay España, S.A.	(684)	(765)
Ipse 2000, S.p.A.	(23,308)	(38,421)
Other	(163)	(288)
Total	(38,232)	(80,656)

e) Extraordinary revenues and expenses

The detail of the extraordinary revenues and expenses in 2004 and 2003 is as follows:

Expenses	Thousands of Euros	
	2004	2003
- Penalties and fines	357	1,927
- Period provision for contingencies and expenses	26,732	-
- Prior years' expenses and losses	7,153	5,204
- Severance costs, indemnities, etc.	6,861	12,357
- Absorption of minority interests by Telefónica Móviles Interacciona, S.A.	-	10,539
- Insurance claims	36	48
- Period provision for long-term loans and other receivables (see Note 7)	59,828	-
- Tax contingencies	13,696	-
- Other extraordinary expenses	6,496	2,421
Total	121,159	32,496

Revenues	Thousands of Euros	
	2004	2003
- Recovery of insurance premiums	18	2,487
- Revenues due to halting of UMTS operations in Europe	-	2,468
- Other extraordinary and prior years' revenues	2,116	4,902
- Loans forgiven	-	5,375
- Taxes recovered	14,358	14,675
- Uncollectible accounts recovered	1,658	1,829
- Other	17,187	5,819
Total	35,337	37,555

15) ADDITIONAL DISCLOSURES

a) *Guarantees*

The most significant guarantees provided as of December 31, 2004, were as follows:

- On April 5 and 10, 2000, as a result of the final guarantee required for the award of the UMTS license, Telefónica Móviles España, S.A. provided guarantees totaling €1,100 million to the Ministry of Development. Telefónica Móviles España, S.A. initiated negotiations with the Ministry of Development with a view to changing the existing system of guarantees. This process was completed through an Official Notice issued by the Secretary of State for Telecommunications and for the Information Society on July 28, 2003, as a result of which the guarantees in force at that date that were securing the commitments assumed under the UMTS license were returned to Telefónica Móviles España, S.A., after the latter had arranged, in the same month, a guarantee of €67.5 million with the Government Depository to secure compliance with the UMTS service commitments prior to launch of the UMTS and the commitments of the first year from the date of commercial launch, in accordance with the new system of guarantees. In September 2003 Telefónica Móviles España, S.A. cancelled the returned guarantees at the respective banks.

On June 23, 2004, the Ministry of Industry, Tourism and Commerce issued an order authorizing the change in the commitments assumed by Telefónica Móviles España, S.A. in connection with the operation of the third-generation wireless telecommunications (UMTS) service. Under this Order, the requests filed by Telefónica Móviles España, S.A. in this respect were upheld, compliance with certain commitments was reinterpreted and other commitments were eliminated for the benefit of the public interest.

As a result of this change, the amount to be guaranteed by Telefónica Móviles España, S.A. as a performance bond for the commitments assumed prior to the launch of the UMTS service and in the first year of service was reduced to €57.5 million. The guarantee therefore amounted to €57.5 million as of December 31, 2004.

- Telefónica Móviles España, S.A., as a stockholder of Medi Telecom, signed a “Stockholders’ Support Agreement” together with Portugal Telecom, SGPS, S.A. and the BMCE Group. This commitment requires the signatories to jointly and severally provide financial assistance to Medi Telecom, S.A. of up to €10 million in the event of noncompliance with financial clauses and of up to €50 million in the event of a shortfall in funds at Medi Telecom, S.A. that prevented it from meeting its debt servicing obligations. If Medi Telecom, S.A. obtains given levels of operating income before depreciation and amortization during a certain period of time and if it fulfills all its obligations under the loan agreement, this financial commitment will be automatically cancelled. As a result of loans, capital increases subscribed, inter alia, by Telefónica Móviles España, S.A. and new commitments, the outstanding amounts in this connection as of December 31, 2004, totaled €18.3 million and €50 million, respectively.
- On December 23, 2003, Telefónica Móviles, S.A. arranged a counterguarantee for Telefónica, S.A. for the obligation of Newcomm Wireless Services, Inc. (Puerto Rico), regarding a bridge loan of US\$ 61 million granted by ABN AMRO which matures on June 30, 2005. These guarantees are deemed to be recoverable on the basis of the company’s business plan and of their seniority for credit ranking purposes with respect to capital stock.
- The Group has granted a bank guarantee to Mobilkom Austria Aktiengesellschaft & Co KG (Mobilkom) to cover possible contingencies relating to the sale in December 2003 of 3G Mobile Telecommunications GmbH for a maximum amount of €1,650 thousand and for a maximum period of validity of two years.
- At 2000 year-end Ipse 2000, S.p.A. acquired a UMTS license for €3,269 million. In accordance with the license terms and conditions, approximately 40% of the amount agreed on will be paid by this company in ten annual installments through 2010.
- On December 27, 2002, Telefónica Móviles, S.A. arranged a counterguarantee for Telefónica, S.A., which in turn was counterguaranteed by Telefónica Móviles España, S.A., whereby, under certain terms and conditions, Telefónica Móviles, S.A. undertakes Telefónica, S.A. to pay for 91.79% of the amounts to be paid by the latter, by law or as a result of a contract or a court order, in connection with the guarantee that Telefónica, S.A. (jointly with other strategic partners of Ipse 2000, S.p.A.) provided to certain banks, which in turn provided a bank guarantee for the Italian authorities as security for the deferred payment for the UMTS license. Payment of the deferred amount for the base license (€16,010 thousand) had been completed as of November 30, 2004. In order to avoid execution of the guarantee by the Italian government and subject to the resolution of the litigation in progress, in addition to and together with the payment of the base license price, Ipse 2000, S.p.A. paid €104,324 thousand as part of the installment outstanding in connection with the deferred payment of the additional 5 MHz of spectrum which was granted to Ipse 2000, S.p.A. by the Italian government for a total amount of €26,331 thousand. This additional 5 MHz of spectrum was returned by Ipse 2000, S.p.A. There is currently a dispute between this company and the Italian government in connection with the validity of this return.
- On October 25, 2000, Ipse 2000, S.p.A. signed an agreement with Ferrovie dello Stato, S.p.A., an Italian railroad company, whereby Ipse 2000, S.p.A. was granted certain access and usage rights on certain specific sites owned by the railroad company. Telefónica, S.A. provided a guarantee of up to €48.2 million to secure the amounts owed under this

agreement. On November 28, 2003, Ipse 2000, S.p.A. gave notice of its decision to terminate the agreement with Ferrovie dello Stato, S.p.A. on the grounds that the agreement was a lease agreement subject to unilateral termination in the event of exceptional circumstances. Since Ferrovie dello Stato, S.p.A. rejected this stance, on July 6, 2004, arbitration proceedings were initiated to resolve the dispute as stipulated in the agreement.

- On October 28, 2004, Telefónica Móviles, S.A. provided counterguarantees to Telefónica, S.A. for the following obligations guaranteed by Telefónica, S.A.:
 - a) Bridge loans of US\$ 273,934 thousand arranged by BellSouth Colombia, S.A. (now Telefónica Móviles Colombia, S.A.) with Santander Overseas Bank, Inc. and of US\$ 23,500 thousand with Santander Colombia, S.A. (both of which are Santander Group companies), maturing in both cases on October 28, 2005.
 - b) Syndicated loan of US\$ 200 million of BellSouth Perú, S.A. (now Comunicaciones Móviles del Perú, S.A.) maturing on February 25, 2005.

Group management considers that the probability of additional liabilities for which provisions have not been recorded arising from the guarantees provided is remote.

b) *Litigation*

Telefónica Móviles, S.A. and its Group companies are involved in various lawsuits relating to civil, labor, administrative, tax and antitrust law, none of which, taken individually, is significant. The Company considers that it may be reasonably concluded that any adverse outcome of these lawsuits would not have a material effect on the economic and financial position or the solvency of the Group.

c) *Alliances*

In July 2003 Telefónica Móviles, T-Mobile International, Telecom Italia Mobile (TIM) and Orange entered into a cooperation agreement for the establishment of a strategic alliance in the wireless telephony industry in order to offer their customers in the countries in which they operate more advanced common products and services, thereby strengthening the partners' ability to compete in international markets. This alliance was formalized in December 2003 through the formation of a legal entity (Association) in the Netherlands under the business name (and common trade name) "Freemove".

In February 2003 Telefónica Móviles, Orange, T-Mobile and Vodafone entered into an agreement for the creation of a wireless telephone payment services association, which has been operating under the Simpay brand name since June 2003. The aim of this association is to promote the use of m-commerce among consumers, content suppliers, commercial establishments and banks by creating a wireless telephone payment solution that is open, interoperable and under a common brand name.

d) *Environmental matters*

The Telefónica Móviles Group, through its investees, and in line with its environmental policy, has been undertaking various activities and projects relating to environmental matters. In 2003 and 2004 it incurred expenses and made investments for scanty significant amounts, which were recorded in the consolidated statements of income and consolidated balance sheets, respectively.

As regards the systems currently in place at the various Group companies aimed at reducing the environmental impact of their facilities, several prevention systems were implemented, and the cost of these items was included in the cost of the facilities in which they are housed.

As regards possible environmental contingencies, there are sufficient internal control mechanisms which are periodically supervised, either in-house or by prestigious outside firms. No significant contingencies have been disclosed in this connection.

e) Fees paid to auditors

The fees paid in 2004 and 2003 to the various member firms of the Deloitte & Touche international organization, to which Deloitte & Touche España, S.L., the auditors of the Telefónica Móviles Group, belongs, amounted to €3,839 thousand and €2,947 thousand, respectively.

The detail of the foregoing amount is as follows:

	Thousands of Euros	
	2004	2003
Audit of financial statements	2,279	1,707
Other audit services	1,325	1,012
Work additional to or other than audit services	235	228
TOTAL	3,839	2,947

The fees paid to other auditors in 2004 and 2003 amounted to €4,778 thousand and €765 thousand, respectively, the detail being as follows:

	Thousands of Euros	
	2004	2003
Audit of financial statements	227	106
Other audit services	-	145
Work additional to or other than audit services	4,551	514
TOTAL	4,778	765

These fees include the amounts paid to the auditors of the fully and proportionally consolidated Spanish and foreign Telefónica Móviles Group companies. In this connection, the amounts paid in 2004 and 2003 include €606 and €917 thousand relating to 50% of the fees of the proportionally consolidated companies (Deloitte Touche Tohmatsu €606 and €703 thousand in 2004 and 2003, respectively; and other auditors €) and €214 thousand in 2004 and 2003, respectively).

f) International Financial Reporting Standards (IFRS)

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after January 1, 2005, in conformity with the International Financial Reporting Standards (IFRS) previously adopted by the European Union. In conformity with this Regulation, the Group will have to present its consolidated financial statements for 2005 in accordance with the IFRS adopted by the European Union.

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards, although the first consolidated financial statements prepared in accordance with IFRS will, in the case of the Group, be those for the year ending December 31, 2005, it will be necessary to include, for comparison purposes, the figures for the preceding year (2004) prepared on a basis consistent with that used to calculate the figures for 2005. Accordingly, an opening balance sheet will have to be prepared as of the date of transition to IFRS accounting methods (January 1, 2004, in the case of the Group), also in accordance with the IFRS in force as of December 31, 2005.

In order to meet the obligation imposed by Regulation (EC) no. 1606/2002, the Group has established a plan for the transition to IFRS that includes, inter alia, the following steps:

1. Analysis of the differences between the methods provided for in the National Chart of Accounts in force in Spain and IFRS.
2. Selection of the methods to be used in cases or areas in which IFRS permit alternative accounting treatments to be applied.
3. Assessment and determination of the appropriate changes to or adaptations of the operating procedures and systems used for compiling and providing the information required in order to prepare the consolidated financial statements.
4. Preparation of the opening consolidated financial statements, as of the transition date, in accordance with IFRS.

The Group started to implement the plan for the transition to IFRS in 2003 and the stage of completion is currently as planned for the adaptation to be completed in 2005.

16) DIRECTORS' COMPENSATION AND OTHER BENEFITS

a) Directors' compensation and other benefits

The compensation of Telefónica Móviles, S.A.'s directors is governed by Article 20 of the Company's bylaws, which states that the amount of the compensation to be paid by the Company to its directors shall be that determined by the Stockholders' Meeting for this purpose and this amount shall remain unchanged until the Stockholders' Meeting resolves to change it. The Board of Directors is responsible for setting the exact amount to be paid within the stipulated limits and for distributing it among the directors.

In this connection, on April 1, 2003, the Stockholders' Meeting set the maximum gross annual amount to be paid to the Board of Directors at €2 million, which includes a fixed payment and attendance fees for attending the Board of Directors advisory committee or control committee meetings. Subsequently, on April 29, 2003, the Board of Directors resolved, pursuant to the bylaws, that the exact amount to be paid would be the same as that established when the Company was incorporated in 2002 and that it should be shared out among the directors in the same way.

Also, in 2004 the Appointments and Compensation Committee reviewed, in accordance with Article 25.b) 5) of the Rules of the Board of Directors, the compensation system for the Company's directors, which had not been revised since the Company was incorporated (2000), except as regards the fees for attending the Board of Directors Committee meetings -submitted a proposal to the Board of Directors to change the compensation system-. On October 26, 2004, the Board of Directors resolved to revise the fixed annual amount to be paid as compensation to the members of the Board of Directors and the amount of the fees for attending the meetings of the Board Committees, and to establish a fixed annual amount to be paid as compensation to the

members of these Board Committees; all within the maximum limit set by the Stockholders' Meeting on April 1, 2003.

Therefore, the compensation of the directors of Telefónica Móviles in their capacity as members of the Board of Directors and of the advisory and control committees consists of a fixed amount payable monthly and fees for attending the meetings of the Board Committees. Additionally, executive directors receive the related amounts for discharging their executive duties as stipulated in their respective contracts.

2004

In 2004 the directors of Telefónica Móviles earned €1,593,778.17 for discharging their duties as such, the detail being as follows: €1,473,031.67 of fixed monthly payments, including the compensation earned as members of the Boards of Directors of other Telefónica Móviles companies, and €20,746.5 of attendance fees for attending the Board of Directors Committee meetings. Also, certain directors received a total of €32,198.6 for advisory services provided to the Company.

Also, the Executive Director, as a Company executive, received €1,299,422.76 of salary plus variable compensation; €60,210.56 of compensation in kind, including life and health insurance premiums and housing contributions; and €8,000 of contributions paid by the Company, as sponsor, to pension plans.

The breakdown of the compensation and benefits received by the directors in 2004 is as follows:

A) Board of Directors: annual amount of the fixed payment received by each director (in euros):

Position	2004
Chairman	97,614
Directors, nominee directors and independent directors	97,614
Secretary	97614

The directors do not receive any fees for attending Board of Directors' meetings.

B) Board Committees

a) Fixed amount received by each director who is a member of any of the Board Committees, based on the position held, for October, November and December 2004 (in euros):

Position	2004
Chairman ⁽¹⁾	5,000
Directors	2,500

(1) The Chairman of the Standing Committee does not receive a fixed amount.

Total amounts paid in 2004 for attending the Board Committee meetings received by the directors who are members thereof taken as a whole (in euros):

Committees	2004
Audit and Control Committee	Attendance fee per meeting (through 09/30/04): 1,352.28 Attendance fee per meeting (from 10/01/04): 1,250.00 Number of meetings paid: 12 Total received: 39,852.4
Appointments and Compensation Committee	Attendance fee per meeting (through 09/30/04): 901.51 Attendance fee per meeting (from 10/01/04): 1,250.00 Number of meetings paid: 10 Total received: 50,242.5
Standing Committee	Attendance fee per meeting (through 09/30/04): 901.51 Attendance fee per meeting (from 10/01/04): 1,250.00 Number of meetings paid: 5 Total received: 30,651.6

C) **Executive directors** : total amounts received by the Executive Directors for discharging their executive duties, for the items indicated below:

	Euros
Salaries	698,410.76
Variable compensation	601,012.00
Compensation in kind ⁽¹⁾	60,210.56
Contributions to pension plans	8,000.00

(1) Including health and life insurance premiums and housing contributions.

The Executive Directors, as executives of the Móviles Group, are beneficiaries of the “MOS Program” options plan described in Note 18.

Additionally, it should be noted that the nonexecutive directors do not receive and did not receive in 2004 any compensation in the form of pensions or life insurance, and they do not participate in the compensation plans linked to share market price.

The Company does not grant and did not grant in 2004 any advances, bans or credits to the directors, or to its top executives, thus complying with the requirements of the Sarbanes-Oxley Act passed in the U.S. which is applicable to Telefónica as a listed company in that market.

2003

In 2003 the Directors of Telefónica Móviles received compensation totaling €2,446 thousand, which included €1,294 thousand relating to the fixed allocation, including compensation for serving on the Boards of Directors of other companies of the Telefónica Móviles Group; €79 thousand of fees for attending meetings of the Board Committees; €127 thousand for advisory services provided by certain directors; €875 thousand relating to the executive directors’ salaries and variable compensation; €63 thousand of compensation in kind paid to the executive directors, which included life and health insurance premiums and housing contributions; and €8 thousand of pension plan contributions made by the Company, as the promoter, for the executive directors.

The compensation and benefits received by the Directors in 2003 were as follows:

A) **Board of Directors** : Fixed allocation received by each director in 2003.

POSITION	Thousands of Euros
Chairman	90
Directors, nominee directors and independent directors	90
Secretary	90

The Directors do not receive fees of any kind for attending the Board meetings.

B) Other Committees of the Board of Directors: total fees received by the directors as a whole for attending the Advisory and Standing Committee meetings:

COMMITTEES		Thousands of Euros
Audit and Control Committee ⁽¹⁾	Fees per meeting: €1,352.28 Number of meetings: 9	31
Appointments and Compensation Committee	Fees per meeting: €01.51 Number of meetings: 9	28
Standing Committee	Fees per meeting: €01.51 Number of meetings: 3	20

⁽¹⁾ Although 10 meetings were held, the fees for the last meeting in December 2002 are included. The fees received by the Audit and Control Committee members were established on the basis of the large volume of work and specific duties of these members.

C) Executive Directors: total amounts received by the Executive Directors in the following connection:

	Thousands of Euros
Salaries	634
Variable remuneration	241
Compensation in kind ⁽¹⁾	63
Contributions to pension plans	8

⁽¹⁾ Including health and life insurance and housing contributions.

The Executive Directors, as executives of Grupo Móviles, S.A., are beneficiaries of the “MOS Program” options plan described in Note 18.

a) Detail of holdings in companies with similar activities and performance of similar activities by the Directors for their on account or for the account of others

Pursuant to Article 127 ter.4 of the Spanish Corporations Law, introduced by Law 26/2003, July 17, which amends Securities Market Law 24/1988, July 28, and the revised Spanish Corporations Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of Telefónica Móviles, S.A. in which the members of the Board of Directors own equity interests, and of the functions, if any, that they discharge thereat.

Stockholder	Investee	Percentage of Ownership	Line of Business	Function Discharged or Position Held
Antonio Viana Baptista	Telefónica, S.A.	< 0.01%	Telecommunications	Director
Antonio Viana Baptista	Portugal Telecom., SGPS.	< 0.01%	Telecommunications	Director
Antonio Viana Baptista	PT Multimedia	< 0.01%	Internet	None
José María Álvarez-Pallete	Telefónica, S.A.	< 0.01%	Telecommunications	Member of Management Committee
Maximino Carpio García	Telefónica, S.A.	< 0.01%	Telecommunications	Director
José María Más Millet	Telefónica, S.A.	< 0.01%	Telecommunications	None
Javier Echenique Landiribar	Telefónica, S.A.	< 0.01%	Telecommunications	None
Luis Lada Díaz	Telefónica, S.A.	< 0.01%	Telecommunications	Director
Luis Lada Díaz	Sogetel, S.A.	< 0.01%	Television, telecommunications and audiovisual production services	Director
Fernando de Almansa Moreno-Barreda	Telefónica, S.A.	< 0.01%	Telecommunications	Director
Fernando de Almansa Moreno-Barreda	Lucent Technologies	< 0.01%	Telecommunications	None
Antonio Massanell Lavilla	Telefónica, S.A.	< 0.01%	Telecommunications	Director
Alejandro Burillo Azcárraga	PanAmsat, S.R.L. de C.V.	51%	Provision de satellite Capacity	None
Alejandro Burillo Azcárraga	Grupo Wcom, S.A. de C.V.	99%	Value added satellite services	None
Alejandro Burillo Azcárraga	Televisión Internacional, S.A. de C.V.	11.7%	Cable, Internet and telephone signal routing services	None

Additionally, in accordance with the aforementioned Article, following is a detail of the activities carried on by the directors, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the corporate purpose of Telefónica Móviles, S.A.:

Name	Activity Performed	Arrangement under which Activity Is Performed	Company through which Activity is Performed	Position Held or Functions Discharged at Company through which Service is Provided
Antonio Viana Baptista	Telecommunications	Employee	Telefónica, S.A.	Director
Antonio Viana Baptista	Wireline telecommunications	Employee	Telefónica	Director
Antonio Viana Baptista	Wireless telecommunications	Employee	Telefónica Internacional, S.A.	Director
Antonio Viana Baptista	Wireline telecommunications	Employee	Telefónica Móviles España, S.A.	Director
Antonio Viana Baptista	Wireless telecommunications	Employee	Telefónica de Argentina, S.A.	Director
Antonio Viana Baptista	Telecommunications	Employee	Brasilcel, N.V.	Director
Antonio Viana Baptista	Telecommunications	Employee	Portugal Telecom., SGPS	Director
José María Álvarez-Pallete	Telecommunications	Employee	Telefónica, S.A.	Member of Management Committee
José María Álvarez-Pallete	Wireline telecommunications	Employee	Telefónica Internacional, S.A.	Executive Chairman
José María Álvarez-Pallete	Data telecommunications	Employee	Telefónica Datacorp, S.A.	Director
José María Álvarez-Pallete	Wireline telecommunications	Employee	Telefónica de España, S.A.	Director
José María Álvarez-Pallete	Wireless telecommunications	Employee	Telefónica Móviles España, S.A.	Director
José María Álvarez-Pallete	Wireline telecommunications	Employee	Telefónica de Argentina, S.A.	Director
José María Álvarez-Pallete	Wireline telecommunications	Employee	Telecomunicações de Sao Paulo, S.A.	Director
José María Álvarez-Pallete	Wireline telecommunications	Employee	Compañía de Telecomunicaciones de Chile, S.A.	Director
José María Álvarez-Pallete	Telecommunications	Employee	Compañía de Teléfonos de Chile Transmisiones Regionales, S.A.	Director
José María Álvarez-Pallete	Wireline telecommunications	Employee	Telefónica del Perú, S.A.	Director
José María Álvarez-Pallete	Telecommunications	Employee	Telefónica Larga Distancia, Inc.	Director
José María Álvarez-Pallete	Telecommunications	Employee	Compañía Internacional de Telecomunicaciones, S.A.	Director
José María Álvarez-Pallete	Telecommunications	Employee	Telefónica Internacional Chile, S.A.	Director
José María Álvarez-Pallete	Telecommunications	Employee	Telefónica Publicidad e Información, S.A.	Representative of Telefónica de España
Maximino Carpio García	Telecommunications	Employee	Telefónica, S.A.	Director
Maximino Carpio García	Supplier of telecommunications equipment	Employee	Abengoa, S.A.	Member of the Advisory Committee
Fernando de Almansa Moreno-Barreda	Telecommunications	Employee	Telefónica, S.A.	Director
Fernando de Almansa Moreno-Barreda	Wireline telecommunications	Employee	Telefónica de Argentina, S.A.	Director
Fernando de Almansa Moreno-Barreda	Wireline telecommunications	Employee	Telecomunicações de Sao Paulo, S.A.	Director
Fernando de Almansa Moreno-Barreda	Wireline telecommunications	Employee	Telefónica del Perú, S.A.	Director
Luis Lada Díaz	Telecommunications	Employee	Telefónica, S.A.	Director
Luis Lada Díaz	Television, telecommunications and audiovisual production services	Employee	Sogetel, S.A.	Director
Luis Lada Díaz	Wireline telecommunications	Employee	Telefónica Internacional, S.A.	Director

Name	Activity Performed	Arrangement under which Activity Is Performed	Company through which Activity is Performed	Position Held or Functions Discharged at Company through which Service is Provided
Luis Lada Díaz	Wireless telecommunications	Employee	SudesteCel Participações, S.A.	Director
Javier Echenique Landiribar	Wireless telecommunications	Employee	Telefónica Móviles México, S.A.	Director
Antonio Masanell Lavilla	Telecommunications	Employee	Telefónica, S.A.	Director
José María Más Millet	Wireless telecommunications	Employee	TELCEL, S.A.	Director
Lars M. Berg	Wireless telecommunications	Employee	TELCEL, S.A.	Director
Lars M. Berg	Wireless telecommunications	Employee	Telefónica Móviles Colombia, S.A.	Director
Alfonso Merry del Val	Internet	Employee	Terra Networks, S.A.	Director
Fernando Xavier Ferreira	Wireless telecommunications	Employee	Brasilcel, N.V.	Director

Name	Activity Performed	Arrangement under which Activity Is Performed	Company through which Activity is Performed	Position Held or Functions Discharged at Company through which Service is Provided
Fernando Xavier Ferreira	Wireless communications	Employee	Tele Sudeste Celular Participações, S.A.	Director
Fernando Xavier Ferreira	Wireless communications	Employee	Tele Leste Celular Participações, S.A.	Director
Fernando Xavier Ferreira	Wireless communications	Employee	Telesp Celular, S.A.	Director
Fernando Xavier Ferreira	Wireless communications	Employee	Celular CRT Participações, S.A.	Director
Fernando Xavier Ferreira	Wireless communications	Employee	Tele Centro Oeste Celular Participações, S.A.	Director
Fernando Xavier Ferreira	Wireline telecommunications	Employee	SP Telecomunicações Holding, Ltda.	Director
Fernando Xavier Ferreira	Wireline telecommunications	Employee	Telecomunicações de Sao Paolo, S.A.	Director
Fernando Xavier Ferreira	Wireless communications	Employee	Telefónica Internacional, S.A.	Director
Fernando Xavier Ferreira	Underwater cable	Employee	Aliança Atlântica, B.V.	Director
Fernando Xavier Ferreira	Underwater cable	Employee	Emergia Participações, Ltda.	General Manager
Fernando Xavier Ferreira	On-line trading, e-transactions	Employee	Mercador, S.A.	Director
Fernando Xavier Ferreira	Factoring	Employee	Telefónica Factoring do Brasil, S.A.	Director
Fernando Xavier Ferreira	Business management services	Employee	Telefónica Gestao de Servicos Compartilhados do Brasil, Ltda..	Chairman of Control Committee
Fernando Xavier Ferreira	Foundation	Employee	Fundación Telefónica	Chairman of the Board
Fernando Xavier Ferreira	Development of new technologies	Employee	Telefónica Pesquisas e Desenvolvimento do Brasil, Ltda	Chairman of the Board
Fernando Xavier Ferreira	Data telecommunications	Employee	Telefónica Data Brasil Holding, S.A.	Director

17) FINANCIAL DERIVATIVES

The Company uses derivatives to hedge interest rate and exchange risks on unhedged positions and to adapt its debt structure to market conditions.

Móviles

As of December 31, 2004 and 2003, the total outstanding balance of derivatives transactions arranged to hedge on-balance-sheet exposure to fluctuations in interest and exchange rates amounted to €7,243 million and €5,593 million, respectively. Of these amounts, €1,955 million related to interest rate risk and €5,288 million to exchange risk as of December 31, 2004, and €729 million related to interest rate risk and €2,864 million to exchange risk as of December 31, 2003.

The detail, by type and maturity, of the Group's derivatives portfolio as of December 31, 2003, is as follows:

Type of Risk	Amounts in Millions				
	Equivalent Euro Value	Group Pays		Group Receives	
		Value	Currency	Value	Currency
Euro interest rate swaps:	525				
From floating to fixed	340	340	EUR	340	EUR
From fixed to floating	185	185	EUR	185	EUR
Currency interest rate swaps:	204				
From floating to fixed					
MXN/MXN	204	2,900	MXN	2,900	MXN
Currency swaps:	2,535				
- floating to fixed	196				
EUR/BRL	97	288	BRL	97	EUR
EUR/MAD	34	349	MAD	34	EUR
USD/PEN	36	159	PEN	45	USD
USD/MXN	29	372	MXN	36	USD
- floating to floating	1,237				
EUR/USD	243	298	USD	243	EUR
USD/EUR	660	871	EUR	834	USD
USD/MXN	334	4,261	MXN	422	USD
- fixed to floating	1,102				
USD/EUR	168	183	EUR	212	USD
USD/BRL	673	1,941	BRL	849	USD
JPY/BRL	42	152	BRL	5,682	JPY
EUR/BRL	219	541	BRL	219	EUR
Exchange rate options	329				
- bought	237				
MXN/EUR	237	243	EUR	3,365	MXN
- sold	92				
BRL/USD	92	150	USD	338	BRL
Total at 12/31/03	3,593				

Type of Transaction	Millions of Euros				
	Amount	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
With underlying asset (loans):	3,193	844	1,507	797	45
In euros	1,306	123	540	608	35
In foreign currencies	1,887	721	967	189	10
Without underlying asset (liability)	400	396	4	-	-
Exchange rate options	330	330	-	-	-
Currency swaps	70	66	4	-	-
Total at 12/31/03	3,593	1,240	1,511	797	45

The detail, by type and maturity, of the Group's derivatives portfolio as of December 31, 2004, is as follows:

Type of Risk	Amounts in Millions				
	Equivalent Euro Value	Group Pays		Group Receives	
		Value	Currency	Value	Currency
Euro interest rate swaps:	684				
Fixed to floating	185	185	EUR	185	EUR
Floating to fixed	499	499	EUR	499	EUR
Currency interest rate swaps:	718				
Floating to fixed in MXN	187	2,871	MXN	2,871	MXN
Floating to fixed in BRL	443	1,601	BRL	1,601	BRL
Floating to fixed in USD	88	120	USD	120	USD
Currency swaps:	2,878				
- floating to fixed	671				
EUR/BRL	97	288	BRL	97	EUR
USD/ARS	59	233	ARS	80	USD
EUR/MAD	34	349	MAD	34	EUR
EUR/CLP	242	183,405	CLP	242	EUR
USD/PEN	99	464	PEN	135	USD
USD/COP	115	392,124	COP	156	USD
USD/MXN	25	348	MXN	34	USD
- fixed to floating	1,110				
USD/EUR	85	126	EUR	116	USD
USD/BRL	951	3,208	BRL	1,296	USD
EUR/BRL	25	93	BRL	25	EUR
JPY/BRL	49	180	BRL	6,827	JPY
- floating to floating	1,167				
EUR/USD	251	308	USD	251	EUR
USD/EUR	580	791	EUR	790	USD
USD/MXN	305	4,200	MXN	416	USD
EUR/CLP	31	22,863	CLP	31	EUR
Exchange rate options	962				
- bought	657				
EUR/USD	657	880	USD	657	EUR
- sold	305				
EUR/USD	305	290	EUR	415	USD
Interest rate options	553				
- bought	184				
USD	184	251	USD	251	USD
- sold	369				
USD	369	502	USD	502	USD
Currency forwards	1,378				
EUR/USD	220	267	USD	220	EUR
USD/EUR	749	782	EUR	1,020	USD
USD/ARS	15	60	ARS	20	USD
USD/CLP	233	197,508	CLP	317	USD
USD/COP	95	344,580	COP	130	USD
USD/PEN	48	216	PEN	65	USD
USD/MXN	18	285	MXN	25	USD
Total at 12/31/04	7,243				

Type of Transaction	Millions of Euros				
	Amount	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
With underlying asset (loans):	4,844	2,110	1,520	1,195	4
In euros	1,428	316	298	814	-
In foreign currencies	3,401	1,794	1,222	381	4
Without underlying asset (liability):	2,414	2,064	17	333	-
Forwards	804	804	-	-	-
Exchange rate options	962	962	-	-	-
Currency swaps	315	298	17	-	-
Interest rate options	333	-	-	333	-
Total at 12/31/04	7,243	4,174	1,537	1,528	4

18) OTHER COMMITMENTS

Stock option plan-

On October 26, 2000, the Special Stockholders' Meeting of Telefónica Móviles, S.A. authorized the establishment of a corporate stock option plan for the executives and employees of Telefónica Móviles, S.A. and its subsidiaries and, in order to facilitate coverage of the Company's obligations to the beneficiaries of the plan, resolved to increase the capital stock of Telefónica Móviles, S.A. by €1,400,000 through the issuance of 22,800,000 shares of €0.50 par value each.

Subsequently, on June 1, 2001, the Stockholders' Meeting of Telefónica Móviles, S.A. approved certain modifications and clarifications of the stock option plan with a view to making it more attractive and a more efficient mechanism for the motivation and loyalty-building of its beneficiaries.

Lastly, on September 21, 2001, the Board of Directors of Telefónica Móviles S.A. resolved to develop and establish, in conformity with the aforementioned resolutions of the Stockholders' Meetings on October 26, 2000 and June 1, 2001, the terms and conditions of the stock option plan. The main features of this plan are as follows:

1. The plan is open to all the executive directors, executives (including general managers or similar) and employees who on December 1, 2001, were working for companies in which Telefónica Móviles, S.A. directly or indirectly, during the term of the plan (i) has a holding carrying voting rights of over 50%; or (ii) has the right to appoint over 50% of the members of the Board of Directors.

Without prejudice to the above, the MOS Program envisaged the possibility of awarding new options at dates subsequent to its initial implementation. In order to carry this out, following the issuance of a report by the Appointments and Compensation Committee, the Board of Directors resolved to assign options to both the employees of the new companies which, when joining the Telefónica Móviles Group, met the aforementioned requirements and the employees hired by companies already participating in the MOS Program. Similarly, the Board resolved that employees could join the plan until December 31, 2003. Consequently, new beneficiaries joined the plan in 2002 and 2003. In 2003 certain companies were excluded from the MOS Program because they ceased to comply with the requirements to remain in it.

2. There are three types of option:
 - Type A options, with an exercise price of €1.
 - Type B options, with an exercise price of €6.5.
 - Type C options, with an exercise price €7.235 euros.
3. Each beneficiary of the Program receives an equal number of type-A and type-B options and a number of type-C options equal to the sum of the type-A and type-B options received.
4. The executive directors and executives who are beneficiaries of the MOS Program must place a deposit on one share of Telefónica Móviles, S.A. for every 20 options assigned to them.
5. Each option, regardless of its type, entitles its holder to receive one share of Telefónica Móviles, S.A.
6. The options may be exercised at a rate of one-third each year from the day after the day on which two, three and four years have elapsed from the option grant date (January 2, 2002). The first exercise period commenced on January 2, 2004. The second period commenced on January 3, 2005.
7. At the exercise date, the options may be settled, at the beneficiary's request, either (i) through delivery of shares of Telefónica Móviles, S.A., once the beneficiary has paid the option exercise price; or (ii) cashless for cash.

The first phase of the Program commenced on January 2, 2002. The second phase of the plan, which included the companies and new employees who fulfilled the requirements envisaged in the plan, commenced on June 1, 2002, and finished on December 31, 2003. The total number of beneficiaries of the MOS Program was 7,575 as of December 31, 2004 (8,434 as of December 31, 2003). Of these beneficiaries, one is an executive director of Telefónica Móviles, S.A. and ten are general managers or similar executives. As of December 31, 2004, 11,137,144 options had been assigned (12,819,072 as of December 31, 2003).

In 2004, in the second exercise period, 778 employees exercised a total of 79,823 options. Of these employees, two beneficiaries opted for the cashless system and the remainder for the cashless for cash system. The amount received by these beneficiaries upon the exercise of their options was €109 thousand.

Additionally, in 2004, 859 employees, owning a total of 1,681,928 options, left the program as a result of early settlement or voluntary withdrawal. €844 thousand were paid in this connection in 2004.

In order to provide coverage for the MOS Program, on September 21, 2001, the Board of Directors resolved to carry out the capital increase approved by the Special Stockholders' Meeting on October 26, 2000. Since not all the shares comprising the capital increase were subscribed, the Company issued 21,445,962 shares of €0.50 par value each, which were subscribed and paid by BBVA (50%) and La Caixa (50%).

On September 27, 2001, Telefónica Móviles, S.A., on the one hand, and BBVA and La Caixa, on the other, entered into the related share subscription and call option contracts under which the two aforementioned financial institutions granted Telefónica Móviles, S.A. a call option on each of the shares subscribed in order to enable Telefónica Móviles, S.A. to meet its commitments to the beneficiaries of the MOS Program, as described above.

The implementation of the MOS Program and the capital increase to provide coverage for the Program were notified to the Spanish National Securities Market Commission (CNMV) and

published in the Abridged Prospectus, which was verified and registered in the CNMV's Official Register on November 2, 2001.

Agreements with Portugal Telecom-

On January 23, 2001, Telefónica, S.A. and its subsidiary Telefónica Móviles, S.A., on the one hand, and Portugal Telecom SGPS, S.A. and its subsidiary PT Moveis, SGPS, S.A., on the other, entered into an agreement in order to group together all their wireless telephony businesses in Brazil.

To implement this agreement, on October 17, 2002, Telefónica Móviles, S.A., on the one hand, and Portugal Telecom SGPS, S.A. and its subsidiary PT Móveis SGPS, S.A., on the other, entered into the definitive agreements. On December 27, 2002 (after having obtained the necessary authorizations), the two Groups' holdings in their respective Brazilian wireless telephony operators were contributed to a Dutch joint venture, Brasilcel N.V.

In accordance with the aforementioned definitive agreements, Telefónica Móviles, S.A. and the Portugal Telecom Group will have the same voting rights at Brasilcel, N.V. This equality in voting rights will cease to exist if, as a result of capital increases at Brasilcel, N.V., the percentage of ownership of either of the parties falls below 40% during an uninterrupted period of six months. In this event, if the Group with the reduced interest were the Portugal Telecom Group, it would be entitled to sell to Telefónica Móviles, S.A., which would be obliged to buy (directly or through another company), all the Portugal Telecom Group's ownership interest in Brasilcel N.V. This right expires on December 31, 2007. The price for the acquisition of the Portugal Telecom Group's holding in Brasilcel, N.V. would be calculated on the basis of an independent appraisal (in the terms provided for in the definitive agreements) performed by investment banks, selected using the procedure established in these agreements. Subject to certain conditions, the payment could be made, at Telefónica Móviles' choice, in (i) cash; (ii) Telefónica Móviles S.A. shares and/or Telefónica, S.A. shares; or (iii) a combination of the two. This put option would be exercisable in the 12 months subsequent to the end of the aforementioned six-month period, provided that the Portugal Telecom Group had not increased its ownership interest to 50% of the total capital stock of Brasilcel N.V.

Also, in accordance with the definitive agreements, the Portugal Telecom Group will be entitled to sell to Telefónica Móviles, S.A., which will be obliged to buy, its holding in Brasilcel, N.V. should there be a change in control at Telefónica, S.A., at Telefónica Móviles, S.A. or at any other subsidiary of the latter that held a direct or indirect ownership interest in Brasilcel N.V. Similarly, Telefónica Móviles, S.A. will be entitled to sell to the Portugal Telecom Group, which will be obliged to buy, its holding in Brasilcel, N.V. if there is a change of control at Portugal Telecom SGPS, S.A., at PT Móveis SGPS, S.A. or at any other subsidiary of either company that held a direct or indirect ownership interest in Brasilcel N.V. The price will be determined on the basis of an independent appraisal (in the terms provided for in the definitive agreements) performed by investment banks, selected using the procedure established in these agreements. The related payment could be made, at the choice of the group exercising the put option, in cash or in shares of the wireless telephony operators contributed by the related party, making up the difference, if any, in cash.

Agreements for the acquisition of Pegaso-

Under the agreements entered into for the acquisition of Pegaso, the Burillo Group has certain mechanisms with which it can cease to be a stockholder, instrumented through an option to sell its holding in Telefónica Móviles México, S.A. de C.V. The Burillo Group can exercise its put option in 2007 or 2008, or, if its holding in the company falls below 50% of its original ownership interest, on the date on which such decrease occurs. If the Burillo Group did not

exercise its put option, Telefónica Móviles could exercise its purchase option on the shares of the company owned by the Burillo Group. In this case, the purchase price for the shares would be determined on the basis of a valuation of the company on the date on which the rights were exercised. The agreements entered into provide that a portion of the purchase price will be paid in cash, the amount of which will depend upon the Burillo Group's original investment in the company, to which interest will be added and from which any cash distribution received by the Burillo Group will be deducted. The remaining portion of the purchase price, if any, will be paid, at Telefónica Móviles' choice, in cash, in shares of Telefónica Móviles or a combination of the two.

Also, under the stockholders' agreement entered into, the Burillo Group has certain rights to veto agreements on the conversion of shares from one class to another, declarations of bankruptcy or Chapter 11-type insolvency proceedings, dissolution or liquidation, bylaw amendments which adversely affect the rights of the Burillo Group and mergers or corporate reorganizations which do not afford the Burillo Group the opportunity to maintain a given percentage of ownership.

Long-distance national license obtained by GTM-

Telefónica Móviles S.A. is backing the commitments assumed by Grupo de Telecomunicaciones Mexicanos, S.A. de C.V. (GTM) to the regulator, COFETEL for the long-distance national license it has obtained. The maximum amount of this support is MXP 124,155 thousand. As of the date of preparation of these consolidated financial statements no disbursements had been made in this connection.

19) SUBSEQUENT EVENTS

Acquisition of assets of BellSouth

All the shares of the Chilean and Argentine operators owned by BellSouth were acquired on January 7 and January 11, 2005, thus completing the acquisition of BellSouth's Latin American operators.

BellSouth's Chilean operators were acquired on January 7, 2005. The corporate value of these companies under the share purchase agreement dated March 5, 2004, amounted to US\$ 531,894 thousand. As a result of the companies' net debt at the time of acquisition, the final purchase price was US\$ 405,505 thousand.

The Argentine companies that belonged to the BellSouth Group were acquired on January 11, 2005. The agreed-upon corporate value of these companies amounted to US\$ 988,355 thousand and the price finally paid, after deducting the companies' net debt, was US\$ 673,535 thousand.

The agreement entered into with BellSouth stipulates that, after the acquisition of these companies, Telefónica Móviles will perform various procedures to validate their cash and debt. If as a result of these procedures the debt and cash figures used in the calculation of the final share price at the closing date were found to be inaccurate, the purchase price could be increased or reduced in order to reflect the difference disclosed. Accordingly, the acquisition price might be adjusted slightly upwards or downwards as a result of the validation processes currently under way.

Chile

On January 7, 2005, Telefónica Móviles, S.A. provided a counterguarantee to Telefónica, S.A. for the syndicated loan of US\$ 179,615 thousand arranged by BellSouth Comunicaciones and guaranteed by Telefónica, S.A., which matures on January 7, 2006.

Puerto Rico

In January 2005 the loan of US\$ 11 million granted by Banco Santander de Puerto Rico to Telefónica Móviles Puerto Rico was repaid. Accordingly, the counterguarantee provided on September 29, 2003, by Telefónica Móviles, S.A. for Telefónica Internacional, S.A. was released.

Capital increase at Telesp Celular Participações (TCP)

On October 8, 2004, TCP resolved to increase capital by approximately BRL 2,054 thousand. Through this capital increase, which was completed on January 4, 2005, and was fully subscribed. Brasilcel increased its ownership interest from 65.12% to 65.70% (see Note 2-c).

20) CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Application of Funds	Thousands of Euros		Source of Funds	Thousands of Euros	
	2004	2003		2004	2003
Funds applied in operations	-	-	Funds obtained from operations	3,133,778	3,783,940
Start-up expenses and deferred charges	16,248	61,043	Deferred revenues	8,162	13,228
Fixed asset additions					
a) Intangible assets	269,984	216,823			
b) Property, plant and equipment	1,352,300	996,842	Long-term debt	4,366,055	1,394,980
c) Long-term investments	5,639,609	1,054,419			
<i>Acquisition of companies</i>	<i>4,514,574</i>	<i>443,038</i>			
<i>Other long-term investments</i>	<i>1,125,035</i>	<i>611,381</i>			
			Transfer to long term of current liabilities	6,281	120,261
Repayment or transfer of long-term debt	1,546,521	2,990,319	Redemption of long-term investments	28,472	83,213
			Fixed asset disposals		
Dividends	795,955	757,846	a) Intangible assets and property, plant and equipment	11,632	24,618
			c) Long-term investments	8,826	14,318
			Increase in working capital due to translation differences	231,943	390,585
Decrease in working capital due to acquisition/contribution of companies	206,348	127,683	Other funds obtained	-	17,819
Total funds applied	9,826,965	6,204,975	Total funds obtained	7,795,149	5,842,962
Funds obtained in excess of funds applied (Increase in working capital)	-	-	Funds applied in excess of funds obtained (Decrease in working capital)	2,031,816	362,013
Total	9,826,965	6,204,975	Total	9,826,965	6,204,975

Variations in working capital

Increase in working capital	Thousands of Euros		Decrease in working capital	Thousands of Euros	
	2004	2003		2004	2003
Inventories	256,040	12,525	Inventories	-	-
Accounts receivable	743,809	508,152	Accounts receivable	-	-
Accounts payable	-	-	Accounts payable	4,100,405	1,365,515
Short-term investments	791,812	518,766	Short-term investments	-	-
Cash	279,367	-	Cash	-	58,626
Accrual accounts	-	22,685	Accrual accounts	2,439	-
Total	2,071,028	1,062,128	Total	4,102,844	1,424,141
Variation in working capital	2,031,816	362,013	Variation in working capital	-	-
Total	4,102,844	1,424,141	Total	4,102,844	1,424,141

The reconciliation of the balances of the consolidated statements of income to the funds obtained from operations is as follows:

	Thousands of Euros	
	2004	2003
Income	1,633,910	1,607,838
Loss attributed to minority interests	(21,720)	(21,127)
Income of associated companies	38,232	80,656
Add:		
Depreciation and amortization expense	1,611,003	1,420,648
Reversal of long-term deferred tax assets and liabilities	65,499	126,199
Amortization of consolidation goodwill	94,708	101,703
Fixed asset provisions	53,085	14,528
Provisions for contingencies and expenses	71,472	7,198
Loss on the disposal of property, plant and equipment and intangible assets	10,938	9,497
Long-term asset due to taxation on a consolidated basis	2,223	1,011,825
Deferred revenues	68,494	-
Less:		
Gain on disposal of property, plant and equipment and long-term investments	10,234	14,081
Additions to long-term deferred tax assets and liabilities	268,477	151,937
Provisions for contingencies and expenses	12,808	19,336
Deferred revenues	-	25,491
Additions to long-term asset due to taxation on a consolidated basis	202,547	364,180
Funds obtained from operations	3,133,778	3,783,940

21) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform

with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

Telefonica

Telefónica Móviles, S.A.

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Brascel, N.V. (1) <i>Joint venture</i> <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>	50.00%	-	50.00%	IP	102	4,454,242	5,628	-	2,179,379	-
Vivo Brasil Comunicação Ltda <i>Holding company</i> <i>Rua da Consolação, 247 - 6º andar / sala 57-F São Paulo - SP</i>	-	100.00%	50.00%	IP	-	-	-	-	-	-
Tagilo Participações, S.A. (1) <i>Ownership of intellectual and industrial property</i> <i>Rua Martiniano de Carvalho, 851, 20 andar, Parte, Bela Vista, São Paulo.</i>	-	99.99%	50.00%	IP	97,424	8,659	767	-565	-	-
Sudestecel Participações, S.A. (1) <i>Holding company</i> <i>Rua Martiniano de Carvalho, 851, 20 andar, Parte, Bela Vista, São Paulo.</i>	-	100.00%	50.00%	IP	533,607	3,283	2,012	-1,325	-	-
Avista Part. S.L. (1) <i>Holding company</i> <i>Rua da Consolação, 247 - 6º andar / sala 57-F São Paulo - SP</i>	-	100.00%	50.00%	IP	170,373	-	-3,763	-	-	-
Tele Sudest Celular Participações, S.A. (1) <i>Holding company</i> <i>Praia de Botafogo 501,20 andar, parte bela Vista, São Paulo</i>	-	90.89%	45.44%	IP	246,560	279,872	25,573	-7,055	-	-
Telerj Celular, S.A. (1) <i>Wireless communications services operator</i> <i>Praia de Botafogo, 501-5º a 8º Andares, Botafogo - Rio de Janeiro</i>	-	100.00%	45.44%	IP	297,224	142,765	9,120	-2,176	-	-
Telest Celular, S.A. (1) <i>Wireless communications services operator</i> <i>Avda. Nossa Senhora da penha 275 - Praia de Santa Helena, Vitoria - Espiritu Santo</i>	-	100.00%	45.44%	IP	44,333	28,321	16,909	-6,361	-	-
Portelcom Fixa, S.A. (1) <i>Holding company</i> <i>Av Brigadeiro Faria Lima, 2277, 15º andar, Conj1503, Jardim Paulistano, São Paulo</i>	-	100.00%	50.00%	IP	-	-	-	-	-	-
TBS Celular Participações, S.A. (1) <i>Holding company</i> <i>Avda. Martiniano de Carvalho, 851, 20 andar, parte São Paulo, São Paulo</i>	1.12%	96.26%	49.25.00%	IP	161,854	11,784	9,638	-3,536	525	-
Celular CRT Participações, S.A. (1) <i>Holding company</i> <i>Rua José Bonifácio, 245, Bon Fim, Porto Alegre - Rio Grande Do Sul</i>	-	66.97%	33.27%	IP	71,162	192,943	50,106	-20,826	-	-
Celular CRT, S.A. (1) <i>Wireless communications services operator</i> <i>Rua José Bonifácio, 245, Bon Fim, Porto Alegre - Rio Grande Do Sul</i>	-	100.00%	33.27%	IP	148,569	89,465	52,485	-23	-	-
Tele Leste Celular Participações, S.A. (1) <i>Holding company</i> <i>Rua Silveria Martins, n 1036, Cabula, Salvador- Bahia</i>	-	50.58%	25.29%	IP	84,737	27,220	-8,335	-	-	-
Telebahia Celular, S.A. (1) <i>Wireless communications services operator</i> <i>Rua Silveria Martins, n 1036, Cabula, Salvador- Bahia</i>	-	100.00%	25.29%	IP	98,965	949	-12,584	-	-	-
Telergipe Celular, S.A. (1) <i>Wireless communications services operator</i> <i>Avda. Francisco Porto, 686, 13 de julho - Aracaju, Sergipe</i>	-	100.00%	25.29%	IP	9,854	961	3,461	-242	-	-
Ptelecom Brasil, S.A. (1) <i>Holding company</i> <i>Rua Cubatao, 320, 4 andar, Sao Paulo, São Paulo</i>	-	100.00%	49.99%	IP	726,948	-410,742	-9,159	-	-	-
Portelcom Participações, S.A. (1) <i>Holding company</i> <i>Av Brigadeiro Faria Lima, 2277, 15º andar, Conj1503, Jardim Paulistano, São Paulo</i>	-	100.00%	49.99%	IP	979,403	-165,203	-34,417	-	-	-
Telesp Celular Participações, S.A. (1) <i>Holding company</i> <i>Av. Roque petroni Júnior, nº 1464, 6 andar-parte, bloco B, Morumbi, Sao Paulo, São Paulo</i>	-	65.12%	32.56%	IP	1,209,667	-269,980	-134,956	-	-	-
Telesp Celular S.A. (1) <i>Holding company</i> <i>Av. Roque petroni Júnior, nº 1464, 6 andar-parte, bloco B, Morumbi, Sao Paulo, São Paulo</i>	-	100.00%	32.56%	IP	519,921	172,866	127,120	-	-	-
Global Telcom Telecom, S.A. (1) <i>Wireless services operator</i>	-	100.00%	32.56%	IP	1,119,420	-708,728	-49,657	-	-	-

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend		
<i>Av. Higienópolis, nº 1635, Curitiba, Parana</i>										
Tele Centro Oeste Celular Participações, S.A. (1) <i>Holding company and telecommunications services operator</i> <i>Sector Comercial Sul, Quadra 2, Bloco C, nº 226, Edif Telebrasília Celular, 7 andar, Brasília</i>	-	50.65%	16.49%	IP	219,319	352,305	140,051	-11,183	-	-
Telegoiás Celular, S.A. (1) <i>Wireless services operator</i> <i>Rua 136-C, Quadra F-44, nº 150, Setor Sul Goiania, Goias</i>	-	100.00%	16.49%	IP	68,539	87,635	50,215	-	-	-
Telemat Celular, S.A. (1) <i>Wireless services operator</i> <i>Av. Getúlio Vargas, nº 1,300, Centro, Cuiabá, Matogrosso</i>	-	100.00%	16.49%	IP	39,716	54,409	30,574	-	-	-
Telems Celular, S.A. (1) <i>Wireless services operator</i> <i>Av. Alfonso pena, nº 2,386, Ed Dolor de Andrade, Campo Grande, Matogrosso Do Sul</i>	-	100.00%	16.49%	IP	31,334	38,346	21,086	-	-	-
Teleron Celular, S.A. (1) <i>Wireless services operator</i> <i>Av. Getúlio Vargas, 1941, Porto Velho, Rondonia</i>	-	100.00%	16.49%	IP	9,667	14,829	4,193	-	-	-
Teacre Celular, S.A. (1) <i>Wireless services operator</i> <i>Rua Minas Gerais, nº 64, Ivete Vargas, Rio Branco-Acre</i>	-	100.00%	16.49%	IP	5,204	7,156	2,664	-	-	-
Norte Brasil Telecom, S.A. (1) <i>Wireless services operator</i> <i>Travessa Padre Eutíquio, nº 1,226, Barrio Batista Campos, Belém, Para</i>	-	100.00%	16.49%	IP	49,784	2,215	9,785	-	-	-
Tele Centro Oeste IP, S.A. (1) <i>Wireless services operator</i> <i>AC/ Sul Quadra 02, Bloco C, nº 256, 3º Pavimento, Ed Toufic, Plano Piloto, Brasília</i>	-	100.00%	16.49%	IP	277	-1,496	-1,389	-	-	-
Telefónica Móviles El Salvador Holding, S.A. de C.V. (1) <i>Holding company</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>	100.00%	-	100.00%	IG	130,911	-4,488	-1,188	-	153,932	-
Telefónica Móviles El Salvador, S.A. de C.V. (1) <i>Provision of wireless communications and international long-distance services</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>	-	91.75.00%	91.75.00%	IG	102,789	-67,793	-18,053	-	0	-
Telefónica Multiservicios, S.A. de C.V. (1) <i>Cable modem services operator</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>	-	77.5%	71.11%	IG	6,519	-682	-760	-	0	-
Telefónica Móviles Centroamérica, S.A. de C.V. (1) <i>Operating company</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>	-	100.00%	91.75.00%	IG	1,049	-81	29	-	0	-
Telefónica El Salvador, S.A. de C.V. (1) <i>Operating company</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>	-	100.00%	91.75.00%	IG	18	-15	-7	-	0	-
TCG Holdings, S.A. (1) <i>Holding company</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Unicentro nivel 11, Guatemala City</i>	100.00%	-	100.00%	IG	198,309	-1,221	-393	-	238,540	-
Telefónica Móviles Guatemala, S.A. (1) <i>Provision of wireless communications, wireline telephony and radio-paging services</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Univentro Nivel 11, Guatemala City</i>	-	100.00%	100.00%	IG	193,199	-106,611	-15,525	-	-	-
Tele Escucha, S.A. (1) <i>Provision of telecommunications and paging services</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Univentro Nivel 11, Guatemala City</i>	-	100.00%	100.00%	IG	2,390	-1,583	-396	-	-	-
Infraestructura Internacional, S.A. (1) <i>Provision of telecommunications and paging services</i> <i>5ª avenida, 7-76 Zona 10, Guatemala City</i>	-	70.00%	70.00%	IG	410	-136	-9	-	-	-
PageMart de Centroamérica <i>Operating company</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Univentro Nivel 11, Guatemala City</i>	-	30.00%	30.00%	IG	-	-	-	-	-	-
Telefónica Móviles España, S.A., Unipersonal (1) <i>Provision of wireless communications services</i> <i>Plaza de la Independencia, 6 - Pta. 5 - 28001 MADRID</i>	100.00%	-	100.00%	IG	423,343	-1,011,696	2,148,162	-	933,211	-
Spiral Investments B.V. (1)	-	100.00%	100.00%	IG	38,535	-133,511	-2,533	-	-	-

	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
<i>Subsidiaries and their Investments</i> <i> Holding company</i> <i> Strawinskylaan 3105 - 1077ZX - Amsterdam</i>										

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
3G Mobile AG (1) <i>Wireless telephony operator</i> <i>Bahnhofplatz 4, 8001 Zurich</i>	-	100.00%	100.00%	IG	35,712	-78,702	572	-	-	-
Mobipay España, S.A. (1) <i>Provision of wireless telephony payment services</i> <i>Avda. Europa, 20 - Alcobendas - Madrid</i>	-	13.36%	13.36%	PE	16,052	-2,995	-5,094	-	-	1,064
Solvella Investments B.V. (1) <i>Holding company</i> <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>	-	100.00%	100.00%	IG	880,699	-1,553,163	-50,982	-	-	-
Ipse 2000, S.p.A. (1) <i>Installation and execution of 3G wireless communications systems</i> <i>Piazza dei Capprettari, 70 - Rome</i>	-	45.59%	45.59%	PE	150,500	177,061	-254,766	-	-	32,759
Group 3G UMTS Holding GmbH (1) <i>Development of network and provision of 3G telecommunications services</i> <i>Alois-Wolfmüller-Str. 8 80939 Munich</i>	-	57.2%	57.2%	IG	250,025	-10,195,879	-15	-	-	-
Quam GmbH (1) <i>Provision of UMTS services</i> <i>Alois-Wolfmüller-Str. 8 80939 Munich</i>	-	100.00%	57.2%	IG	250,025	-250,018	-37,663	-	-	-
Opco Mobile Services GmbH (1) <i>Provision of UMTS services</i> <i>Alois-Wolfmüller-Str. 8 80939 Munich</i>	-	100.00%	57.2%	IG	50	-1	-1,119	-	-	-
Medi Telecom, S.A. (1) <i>Provision of wireless communications services</i> <i>Twin Center, Tour A. Angle Bd Zertouni et El Massira El Kadra, Casablanca</i>	-	32.18%	32.18%	PE	786,833	-666,783	-42,925	-	-	25,036
Gruppo 3G, SRL (2) <i>Holding company</i> <i>Via Lepetit, 4 - Milan</i>	-	100.00%	100.00%	C	67	-	-	-	-	-
Tempos 21, Innovación en Aplicaciones Móviles, S.A. (1) <i>Research, development and marketing of wireless services and applications</i> <i>Avda. Diagonal, 640 - Barcelona</i>	-	38.5%	38.5%	C	13,224	-6,323	-4,263	-	-	1,096
Telefónica Móviles Interacciona, S.A. (1) <i>Consulting services for wireless environment engineering</i> <i>Gran Vía, 28 - 28013 Madrid</i>	-	100.00%	100.00%	IG	3,997	-79,402	-6,644	-	-	-
Terra Mobile, Brasil Ltd. (1) <i>Inactive</i> <i>22° ANDAR 17 - Bairro ou Distrito FLAMENGO, Rio de Janeiro</i>	-	100.00%	100.00%	IG	5,650	-5,634	-	-	-	-
Simpay, Ltd. (2) <i>Wireless payment systems</i> <i>62-65 Chandos Place, London WC2N 4LP</i>	25.00%	-	25.00%	C	-	-	-	-	-	-
Omicron Ceti, S.L. (2) <i>Holding company</i> <i>José Abascal, Madrid</i>	100.00%	-	100.00%	C	3	-	-1	-	4	4
Telefónica Móviles Puerto Rico, Inc. (1) <i>Ownership of holdings in wireless operators in Puerto Rico</i> <i>Metro Office Park Calle Edificio #17, Suite 600 - 00968 Guaynabo</i>	100.00%	-	100.00%	IG	29	981	-45,409	-	1,212	-
Telefónica Móviles USA, Inc. (2) <i>Telecommunications consulting services</i> <i>1221 Brickell Avenue - Miami - Florida</i>	100.00%	-	100.00%	IG	-	-848	-76	-	751	-
TELCA Gestión Guatemala, S.A. <i>Telecommunications services management and advisory services</i> <i>Guatemala</i>	100.00%	-	100.00%	C	-	-	-	-	24	24
MobilPay Internacional, S.A. (4) <i>Provision of wireless payment services</i> <i>Avenida de Europa 20, Alcobendas, Madrid</i>	50.00%	-	50.00%	IP	11,822	-79	-3,500	-	5,212	-
Telefónica Móviles Perú Holding, S.A.A. (1) <i>Holding company</i> <i>Avda. Arequipa, 1155 Lima, 01</i>	97.97%	-	97.97%	IG	174,951	34,163	1,027	-	254,457	-
Telefónica Móviles, S.A.C. (1) <i>Provision of wireless communications services</i> <i>Avda. Arequipa, 1155 Lima, 01</i>	-	100.00%	97.97%	IG	201,474	7,954	1,077	-	-	-

	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Subsidiaries and their Investments										

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Telefónica Móviles Argentina, S.A. (1) <i>Holding company</i>	97.93%	-	97.93%	IG	128,734	-566,579	-84,577	-	495,786	-
<i>Ing HUergo 723,piso 17-Capital Federal-Argentina</i>										
Telefónica Comunicaciones personales, S.A. (1) <i>Provision of wireless communications services</i>	-	100.00%	97.93%	IG	131,859	-569,326	-84,448	-	-	-
<i>Ing HUergo 723,piso 17-Capital Federal-Argentina</i>										
Radio Servicios, S.A. (1) <i>Inactive</i>	-	100.00%	97.93%	PE	244	-286	-19	-	-	-54
<i>Ing HUergo 723,piso 17-Capital Federal-Argentina</i>										
Telefónica de Centroamérica, S.L. (2) <i>Inactive</i>	100.00%	-	100.00%	C	500	10	-127	-	1,326	1,326
<i>Gran Vía, nº 28, Madrid</i>										
Telefónica Móviles Holding Uruguay, S.A. (1) <i>Inactive</i>	100.00%	-	100.00%	IG	24,006	-	54	-	25,803	-
<i>Plza de la Independencia 8, planta baja, Montevideo</i>										
Telefónica Móviles Uruguay, S.A. (1) <i>Inactive</i>	-	100.00%	100.00%	IG	24,006	-	58	-	-	-
<i>Plza de la Independencia 8, planta baja, Montevideo</i>										
Wireless Network Ventures <i>Holding company</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
<i>Palm Grove House, PO Box 438, tortola, BVI</i>										
Paging de Centroamérica, S.A. (2) <i>Provision of telecommunications and paging services</i>	99.98%	0.02%	100.00%	C	-	-	-	-	1	1
<i>Bulevar Los Próceres 5-56 Zona 10 - Univentro Nivel 11, Guatemala City</i>										
Telefónica Soporte y Tecnología, S.A. (2) <i>Provision of telecommunications and paging services</i>	99.98%	0.02%	100.00%	C	-	-	-	-	1	1
<i>Bulevar Los Próceres 5-56 Zona 10 - Univentro Nivel 11, Guatemala City</i>										
Telefónica Móviles México, S.A. de C.V. (1) <i>Holding company</i>	92.00%	-	92.00%	IG	1,443,010	-594,678	-658,734	-	998,991	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Telefónica Finanzas México, S.A. de C.V. (1) <i>Promotion, incorporation, organization, exploitation and operation of companies and investment therein</i>	-	100.00%	92.00%	IG	4	457	529	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Baja Celular Mexicana, S.A. de C.V. (1) <i>Provision of wireless telephony services</i>	-	100.00%	92.00%	IG	97,053	-14,044	-33,985	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Movitel de Noroeste, S.A. de C.V. (1) <i>Provision of wireless telephony services</i>	-	90.00%	82.80%	IG	14,062	107	-17,749	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Moviservicios, S.A. de C.V. (1) <i>Technical, administrative, consulting, advisory and supervisory services</i>	-	99.99%	91.99%	IG	1,585	669	176	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Corporación Integral de Comunicación, S.A. de C.V. (3) <i>Holding company</i>	-	100.00%	92.00%	IG	6,513	-13,297	-1,433	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Telefonía Celular del Norte, S.A. de C.V. (1) <i>Provision of wireless telephony services</i>	-	100.00%	92.00%	IG	23,710	-57,125	-26,646	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Grupo Corporativo del Norte, S.A. de C.V. (3) <i>Acquisition, disposal and custody of securities</i>	-	100.00%	92.00%	IG	4,359	-18,897	-2,993	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Celular de Telefonía, S.A. de C.V. (1) <i>Provision of wireless telephony securities</i>	-	100.00%	92.00%	IG	23,027	-68,549	-50,599	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Enlaces del Norte, S.A. de C.V. (1) <i>Acquisition, disposal and custody of securities</i>	-	94.9%	87.31%	IG	34	2,394	-12,079	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										
Grupo de Telecomunicaciones Mexicanas, S.A. de C.V. (1) <i>Provision of wireless telephony services</i>	-	100.00%	89.61%	IG	9	13,399	-22,174	-	-	-
<i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>										

	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Subsidiaries and their Investments										

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Pegaso Telecomunicaciones, S.A. de C.V. (1) <i>Installation, maintenance and operation of public and private telecommunications networks</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	723,493	-1,152,076	-454,607	-	-	-
Pegaso Comunicaciones y Sistemas, S.A. de C.V. (1) <i>Provision of wireless telephony services</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	573,363	-984,318	-153,483	-	-	-
Pegaso PCS, S.A. de C.V. (1) <i>Provision of wireless telephony services</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	10,281	-54,013	-285,899	-	-	-
Pegaso Recursos Humanos, S.A. de C.V. (1) <i>Provision of professional technical services for the deployment of public telecommunications networks</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	2,265	-1,229	2,197	-	-	-
Pegaso Finanzas, S.A. de C.V. (3) <i>Obtainment of financing and loans and grant of loans to entities with which it has business relationships</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	4	-	-	-	-	-
Pegaso Finco I, S.A. de C.V. (3) <i>Operation of public telecommunications networks and of frequency bands</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	4	-	-	-	-	-
Activos para Telecoms, S.A. de C.V. (1) <i>Provision of wireless telecommunications services</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	3	-47,671	-17,236	-	-	-
Telecomunicaciones Punto a Punto Mexico, S.A. de C.V. (1) <i>Provision of wireless telecommunications services</i> <i>Paseo de los Tamarindos No. 400-A, piso 4, Col. Bosques de las Lomas, Mexico City 05120</i>	-	100.00%	92.00%	IG	3	-31,782	224	-	-	-
Telefónica Telecomunicaciones México <i>Holding company</i> <i>Río Duero 31, Mexico City 06500</i>	94.9%	-	94.90%	IG	-	-	-	-	0	-
Telefónica Móviles Soluciones y Aplicaciones, S.A. (1) <i>Provision of computer and communications services</i> <i>Avenida del Cóndor N°720, piso 4, comuna de Huechuraba, Santiago</i>	100.00%	-	100.00%	IG	9,142	-358	-4,778	-	9,500	-
Inversiones Telefónica Móviles Holding Limitada (1) (5) <i>Holding company</i> <i>Miraflores 130, piso 12, Santiago</i>	100.00%	-	100.00%	IG	428,232	-	-22,147	-	423,886	-
Tpe Inversiones Chile Limitada (1) (5) <i>Holding company</i> <i>Miraflores 130, piso 12, Santiago</i>	-	100.00%	100.00%	IG	885,358	10,624	-23,858	-	-	-
Telefónica Móvil de Chile, S.A. (1) (5) <i>Operator of wireless communications services</i> <i>Miraflores 130, piso 12, Santiago</i>	-	100.00%	100.00%	IG	273,294	828	-3,855	-	-	-
Telefónica Móviles Soluciones, S.A. <i>Services company</i> <i>Miraflores 130 piso 12 Santiago</i>	-	100.00%	100.00%	IG	13	-	-	-	-	-
Tpe eServices Latin America, Inc. (1) (5) <i>Provision of computer services</i> <i>Mellon Financial Center 1111 Brickell Ave. Suite 1000, Miami, Florida 33131</i>	100.00%	-	100.00%	IG	-	-	-	-	0	-
Ecuador Cellular Holding, B.V. (1) (5) <i>Holding company</i> <i>Strawinskylaan 3105, Atium 7th, Amsterdam</i>	100.00%	-	100.00%	IG	-	219,708	-6,821	-	663,428	-
BS Ecuador Holdings, Ltd. <i>Holding company</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Otecel, S.A. (1) (5) <i>Provision of wireless communications services</i> <i>Avda. de la República y la Pradera esq. Casilla, Quito</i>	-	100.00%	100.00%	IG	61,153	26,561	-5,187	-	-	-
Cellular Holdings (Central America), Inc. <i>Holding company</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	100.00%	-	100.00%	IG	-	-	-	-	37,934	-
Guatemala Cellular Holdings, B.V. (1) (5) <i>Holding company</i> <i>Strawinskylaan 3105, Atium 7th, Amsterdam</i>	100.00%	-	100.00%	IG	-	4,278	822	-	29,387	-

	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Subsidiaries and their Investments										

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
TMG (BVI) Holdings Ltd <i>Holding company</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Centram Communications, LP <i>Holding company</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Tpe Guatemala Ltd. <i>Holding company</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Telefónica Móviles Guatemala y Cía, S.C.A. (1) (5) <i>Wireless communications operator</i> <i>Blvd Los Próceres Torre Telefónica 10, Guatemala</i>	-	100.00%	100.00%	IG	100,815	-46,002	2,083	-	-	-
Central America Servies Holding Ltd <i>Inactive</i> <i>Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Multi Holding Corporation <i>Holding company</i> <i>Edificio HSBC, Piso 11, Avd Samuel Lewis, Panama</i>	99.23%	-	99.23%	IG	-	-	-	-	298,715	-
Panamá Cellular Holdings, B.V. (1) (5) <i>Holding company</i> <i>Strawinskylaan 3105, Atium 7th, Amsterdam</i>	100.00%	-	100.00%	IG	-	40,138	2,292	-	238,174	-
BellSouth Panamá, Ltd. <i>Holding company</i> <i>Cayman Islands</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Panamá Cellular Holdings, LLC <i>Holding company</i> <i>Delaware, U.S.A.</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
BSC de Panama Holdings, SRL (1) (5) <i>Holding company</i> <i>Avda Samuel Lewis y Calle 54, Edificio Afra, Panama</i>	-	100.00%	100.00%	IG	-	60,843	2,411	-	0	-
BSC Cayman <i>General partnership</i> <i>Cayman Islands</i>	-	100.00%	99615,00%	IG	-	-	-	-	0	-
Telefónica Móviles Panamá, S.A. (1) (5) <i>Wireless telephony services</i> <i>Edificio Magna Corp. Calle 51 Este y Avda Manuel Maria Icaza, Panama</i>	-	100.00%	99.57%	IG	41,089	37,429	4,497	-	-	-
Panamá Cellular Investments, LLC <i>Management of services</i> <i>Delaware, U.S.A.</i>	-	100.00%	99.57%	IG	-	-	-	-	0	-
Latin America Cellular Holdings, B.V. (1) (5) <i>Holding company</i> <i>Strawinskylaan 3105, Atium 7th, Amsterdam</i>	100.00%	-	100.00%	IG	558	1,284,593	6,961	-	1,377,722	-
Ablitur, S.A. (1) (5) <i>Holding company</i> <i>Constituyente 1467 Piso 23, Montevideo 11200, Uruguay</i>	-	100.00%	100.00%	IG	35,495	-8,591	176	-	-	-
Redanil, S.A. (1) (5) <i>Holding company</i> <i>Constituyente 1467 Piso 23, Montevideo 11200, Uruguay</i>	-	100.00%	100.00%	IG	4,700	10,460	176	-	-	-
Abiatar, S.A. (1) (5) <i>Wireless communications and operator and provision of services</i> <i>Constituyente 1467, Montevideo, Uruguay</i>	-	100.00%	100.00%	IG	5,451	19,571	229	-	-	-
Comunicaciones Móviles de Perú, S.A. (1) (5) <i>Wireless telephony operator</i> <i>Av. Republica e Panamá n°3055, San Isidro, Lima</i>	2.42%	97.43%	99.85%	IG	23,094	-30,036	-1,324	-	167	-
BellSouth Nicaragua, S.A. <i>Holding company</i> <i>Managua, Nicaragua</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Pisani Resources y Cía, Ltd. <i>Holding company</i> <i>Managua, Nicaragua</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Doric Holding y Cía, Ltd. <i> Holding company Managua, Nicaragua</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Kalamai Holdings, Ltd. <i> Holding company Palm Grove House, PO Box 438, tortola, BVI</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Kalamai Hold. y Cía, Ltd. <i> Holding company Managua, Nicaragua</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Telefonía Celular de Nicaragua, S.A. (1) (5) <i> Wireless telephony services Carretera Mazalla, Managua, Nicaragua</i>	-	100.00%	100.00%	IG	11,210	31,412	1,139	-	-	-
Telecomunicaciones BBS, S.R.L. (1) (5) <i> Wireless telephony services Torre Aba, Calle Veracruz, Las Mercedes, Caracas, 1060</i>	-	100.00%	100.00%	IG	-	486,838	16,856	-	-	-
Comtel Comunicaciones Telefónicas, S.A. (1) (5) <i> Holding company Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	65.14%	34.86%	100.00%	IG	23,229	127,251	5,558	-27,562	153	-
Telcel, C.A. (1) (5) <i> Wireless telephony operator Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	1.00%	99.00%	100.00%	IG	104,374	365,118	17,479	-86,130	240,468	-
Sistemas Timetrac, C.A. (1) (5) <i> Fleet location services Calle Pantin, Edificio Grupo Secusat. Piso 3. Caracas, Venezuela</i>	-	75.00%	75.00%	IG	1,585	288	394	6,940	-	-
Servicios Telcel, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Telcel International, Ltd. <i> Holding company Cayman Islands</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Corporación 271191, C.A. <i> Purchase and sale of movable and immovable property Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Promociones 4222, C.A. <i> Purchase and sale of movable and immovable property Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Mérida, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Ciudad Ojeda, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. San Cristóbal <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Maracaibo, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Punto Fijo, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Valera, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Valencia, C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
SyRed, T.E.I., C.A. <i> Customer service and telecommunications services Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-

	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Subsidiaries and their Investments										

Subsidiaries and their Investments	Percentage of Ownership			Consolidation Method	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books	Value in Consolidation
Servicios Telcel Acarigua, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Servicios Telcel Barquisimeto, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Serv. Telcel Charallave <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Cumana, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Guarenas, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Los Teques, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Maracay, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Margarita, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Maturín, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
S.T. Puerto Ordaz, C.A. <i>Customer service and telecommunications services</i> <i>Av. Francisco de Miranda, Edif Parque Cristal, Caracas 1060, Venezuela</i>	-	100.00%	100.00%	IG	-	-	-	-	0	-
Olympic, Ltda. (1) (5) <i>Holding company</i> <i>Av. 82 N° 10-62, piso 6</i>	-	100.00%	100.00%	IG	25	583,497	9,217	-	-	-
Telefónica Móviles Colombia, S.A. (1) (5) <i>Wireless communications operator</i> <i>Calle 100, N° 7-33, Piso 15, Bogotá, Colombia</i>	22.44%	77.56%	100.00%	IG	287	143,570	13,822	-	115,601	-
Bautzen Inc. (1) (5) <i>Financial services management</i> <i>Panama</i>	-	100.00%	100.00%	IG	211	-202	-	-	-	-
Comoviles S.A. (1) (5) <i>Telecommunications services</i> <i>Calle 100 N° 7-33, piso 17, Bogotá, Colombia</i>	-	99.97%	99.97%	IG	-	173	-2	-	-	-
Comunicaciones Trunking, S.A. (1) (5) <i>Provision of trunking services</i> <i>Calle 100 N° 7-33, piso 16, Bogotá, Colombia</i>	-	99.98%	99.95%	IG	18	67	-2	-	-	-
Paracomunicar, S.A. (1) (5) <i>Telecommunications services</i> <i>Calle 100 N° 7-33, piso 17, Bogotá, Colombia</i>	-	99.35%	99.31%	IG	-	2	-	-	-	-
Kobrocom Electrónica Ltda. (1) (5) <i>Telecommunications services</i> <i>Calle 100 N° 7-33, piso 15, Bogotá, Colombia</i>	-	100.00%	99.95%	IG	44	-18	1	-	-	-
Other investments	-	N/A	N/A	C	0	0	0	0	-	1,669
					3,124	2,786	2,338	(830)	1,626	(24)

(1) Data obtained from the individual financial statements of these companies as of December 31, 2004. The data relating to companies outside the euro zone were translated to euros by applying the year-end exchange rates to capital and reserves and the average exchange rates for the period to their results.

(2) Data obtained from the individual financial statements of these companies as of December 31, 2003.

(3) Data obtained from the individual financial statements of these companies as of June 30, 2004.

(4) Data obtained from the individual financial statements of these companies as of October 31, 2004.

	Percentage of Ownership			Consolidation	Stockholders' Equity (Thousands of Euros)				(Thousands of Euros)	(Thousands of Euros)
	Direct	Indirect	Móviles Group		Method	Capital	Reserves	Income (Loss)	Interim Dividend	Gross Value per Telefónica Móviles, S.A. Books
Subsidiaries and their Investments										

(5) The "Income (Loss)" column reflects the companies' revenues and expenses from the date of acquisition of the holding or incorporation of the company through year-end.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

TELEFÓNICA MÓVILES, S.A.**2004 MANAGEMENT REPORT**

In 2004 the occurrence of several significant events enabled Telefónica Móviles to end the year with 74.4 million managed customers, compared with 52 million at 2003 year-end, thereby consolidating its position as one of the leading operators in the industry. These events included most notably:

- The acquisition of BellSouth's ten wireless telephony operators in Latin America (agreement signed in March 2004 and conclusion of the acquisitions in October 2004 and January 2005) enabled Telefónica Móviles to consolidate its leadership in the region, reinforcing its presence in key countries in which it already had a presence (Argentina, Chile and Peru), while at the same time, achieving a significant position in fast-growing markets where it hitherto had not been present (Venezuela, Colombia, Ecuador and Uruguay) and a large critical mass in Central America (Guatemala, El Salvador, Panama and Nicaragua).
- In December 2004 the eight operators acquired in October 2004 and consolidated in the Telefónica Móviles Group had 10.98 million customers and the BellSouth operators in Argentina and Chile, the acquisition of which was concluded in January 2005, had 3.8 million customers at 2004 year-end.
- Telefónica Móviles, in addition to exploiting the potential for growth in the markets in which it is present, expects to obtain significant synergies by consolidating its position in Argentina, Chile, Peru and Guatemala.
- In July 2004 Telefónica Móvil Chile was acquired from Telefónica CTC (a Telefónica Group company).
- The main Latin American markets were highly dynamic in 2004, driven by strong and growing competitive pressure and a stable macroeconomic climate in the region, which led to a significant increase in commercial activity and to solid year-on-year growth in the total number of customers.
- Noteworthy in this respect was the rapid expansion of the Brazilian market, in which VIVO (the joint venture owned on an equal-footing basis by Telefónica Móviles and Portugal Telecom) maintained its position and gained the largest number of new customers in this country. At 2004 year-end VIVO had 26.5 million customers, with an estimated average market share in its operating areas of 51%.
- Also significant was VIVO's ongoing strategy of launching new data services, backed by the expansion of the coverage of the CDMA 1xRTT network, the quickest in the market, and the launch of services based on EVDO technology, which offers a data transmission speed comparable to that of 3G.
- As proof of the commitment of Telefónica Móviles and Portugal Telecom to the Brazilian cellular market and to VIVO, Brasilcel increased its holdings in certain of its subsidiaries, by launching friendly tender offers for some of the outstanding shares either directly or indirectly through its subsidiary Telesp Celular Participações (TCP) in October 2004.

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- In Mexico, Telefónica Móviles made significant progress both in the improvement of the capillarity and efficiency of its distribution channel (which had over 10,400 points of sale in December 2004, as compared with 6,200 at 2003 year-end) and in the deployment of its GSM network, which in December 2004 covered a population representing 77% of Mexican GDP.
- Also, in the second half of the year Telefónica Móviles México announced the implementation of EDGE technology on its GSM network, which enables it to offer the most sophisticated wireless broadband service in the Mexican market, and launched new services for the residential segment and for companies. Telefónica Móviles México has thus consolidated its position as the second operator in the market with 5.6 million customers in December 2004, as compared with 3.5 million in 2003.
- In Argentina and Chile, the increase in the commercial activity of all the operators and the deployment of GSM networks made the markets highly dynamic. As a result, in December 2004 Telefónica Móviles had 3.4 million customers in Argentina and 3.3 million in Chile. With the inclusion of the customers of the BS operators, which were effectively acquired at the beginning of January 2005, TEM's customers in these countries would number 5.7 million and 4.8 million, respectively, making TEM the leading operator in both markets.
- The Spanish market was characterized by increasing maturity and by a major change in the competitive environment, with strong commercial pressure brought to bear by the other two operators, particularly in the area of portability, which obliged Telefónica Móviles España (TME) to step up its commercial drive aimed at attracting customers and building customer loyalty. TME concentrated its efforts on higher-value segments and segments with a high potential for growth and, as of December 31, 2004, it continued to lead the Spanish market with almost 18.9 million customers.
- It should be noted that due to the growing trend in the Spanish market towards inactive second lines and shared lines and in order to be able to more accurately monitor the fundamental business ratios and the actual contribution made by customers to the generation of revenues, Telefónica Móviles España decided to exclude for the purposes of the declared number of customers 1.3 million inactive prepaid SIM cards, effective April 1, 2004.
- In line with its commitment to technological leadership, in May 2004 Telefónica Móviles España began to market the first UMTS videotelephony services in Spain, and at the same extended its "Oficin@ Movistar UMTS/GPRS" wireless connectivity service, launched in November 2003, to the residential market. At 2004 year-end, with its 3,800 base stations, Telefónica Móviles España was spearheading the deployment of UMTS in Spain.
- In Morocco, Medi Telecom gained a significant number of new customers, giving it 2.73 million customers at 2004 year-end, thereby significantly improving its market position.
- Lastly, evidence of the progress made by the FreeMove alliance (formed by Telefónica Móviles, T-Mobile International, Telecom Italia Mobile and Orange) in offering common products and services to its customers was the launch in the third quarter of the year of the new Single European Tariff for calls in Western Europe between the networks of the members of the alliance.

On April 16, 2004, the Stockholders' Meeting of Telefónica Móviles approved the payment of a dividend in cash on each of the Company's outstanding shares of €0.1838 gross out of 2004 income. This dividend was paid on June 16, 2004.

The financial statements shown below include in 2004 the full consolidation of Telefónica Móvil Chile, which Telefónica Móviles had been managing since August 2004, following its acquisition in July 2004. They also include the full consolidation in November and December of BellSouth's eight wireless telephony operators in Latin America, the acquisition of which was concluded in October (Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela).

In 2003 and 2004 the following changes took place in the scope of consolidation:

2003:

- Following the agreement reached with Terra Lycos in the first quarter of 2003 for the restructuring of Terra Mobile, Telefónica Móviles consolidated this company fully in its financial statements. This company had already been fully consolidated in the financial statements since September 2001.
- Following the acquisition of 61.10% of the common voting stock (representing 20.37% of the total capital stock) of Tele Centro Oeste Celular Participações, S.A. ("TCO") by Telesp Celular Participações, S.A., this company was fully consolidated from May 1, 2003, in the consolidated financial statements of Brasilcel. At year-end Telesp Celular Participações, S.A. had an ownership interest of 28.87% in TCO.
- In June 2003 all the shares of Telefónica Mobile Solutions, S.A. were sold to the Telefónica Group company TS Telefónica Sistemas, S.A., effective March 31, 2003. Accordingly, from that date it was excluded from the scope of consolidation of the Telefónica Móviles Group.
- In July 2003 capital was increased at Medi Telecom, as a result of which Telefónica Móviles increased its ownership interest to 32.18%.
- In December 2003 the Austrian subsidiary of the Telefónica Móviles Group, 3G Mobile Telecommunications GmbH, was sold to the wireless operator Mobilkom Austria. Accordingly, from that date it was excluded from the consolidated Group.

2004:

- In June 2004 an additional holding of 13.95% was acquired in Mobipay Internacional, thereby increasing the ownership interest in this company to 50%, as a result of which this company, which had been accounted for by the equity method in 2003, was proportionally consolidated in 2004.
- At the end of June 2004 Brasilcel N.V. acquired the holdings owned by NTT DoCoMo, Inc. and Itochu Corporation in Sudestecel Participações, S.A. (a holding company which controls a package of shares of the operator Tele Sudeste Celular Participações) equal to 10.5% of its capital stock. As a result of this transaction, Brasilcel now owns all the shares of Sudestecel Participações.
- On July 23, 2004, all the shares of Telefónica Móvil Chile, which provides wireless telecommunications services in Chile, were acquired from Telefónica CTC (a Telefónica Group company) for €70 million. Since that date, Telefónica Móvil Chile has been fully consolidated in the Móviles Group.

- After the favorable reception of the friendly tender offers for Tele Sudeste Celular (TSD), Tele Leste Celular (TBE), Celular CRT (CRT) and Tele Centro Oeste (TCO) launched in August 2004 by Brasilcel directly or indirectly through its subsidiary Telesp Celular Participações (TCP) and effectively implemented in October 2004, Brasilcel's ownership interests in these subsidiaries increased to: 90.9% in TSD, 50.6% in TBE, 67.0% in CRT and 50.6% in TCO.
- At the same time, Telesp Celular Participações (TCP) made public the Board of Director's approval of a capital increase of approximately BRL 2,054 million. This capital increase was subscribed in full in January 2004. A portion of the amount received will be used to finance the increase in TCP's holding in Tele Centro Oeste (TCO), and the remainder will be used to partially repay the company's short-term debt and improve its capital structure, providing it with the financial flexibility required to undertake its investment program.
- Following the global agreement entered into in March 2004 for the acquisition by Telefónica Móviles of BellSouth's ten wireless telephony operators in Latin America, for which purpose the ten companies were valued (firm value) at US\$ 5,850 million, in October 2004, once the necessary regulatory authorizations were received, the acquisition of the first eight operators was concluded. The acquisitions were financed through Telefónica Móviles' cash flow generating capacity and debt.
- On October 14, 2004, Telefónica Móviles concluded the acquisition of all the shares owned by the BellSouth Group in its wireless telephony operators in Ecuador, Guatemala and Panama, and on October 28, 2004, the acquisition of all the shares owned by the BellSouth Group in its wireless telephony operators in Venezuela, Colombia, Peru, Nicaragua and Uruguay was also concluded.
- Subsequent to 2004 year-end, the acquisitions of all the shares of the Chilean operator and of all the shares of the Argentine operator were concluded on January 7, 2005 and January 11, 2005, respectively.

STATEMENTS OF INCOME OF TELEFÓNICA MÓVILES, S.A.

<i>(Data expressed in millions of euros)</i>	December 2004	December 2003	% Variation
Operating revenues	11,827.6	10,070.3	17.5%
Other revenues	217.3	152.4	42.6%
TOTAL REVENUES	12,044.9	10,222.7	17.8%
Purchases and procurements	(3,676.3)	(2,592.5)	41.8%
Personnel expenses	(539.9)	(486.0)	11.1%
Variation in allowances	(86.7)	(99.3)	(12.6)%
Other operating expenses	(3,041.0)	(2,582.0)	27.5%
TOTAL EXPENSES	(7,343.9)	(5,759.8)	27.5%
EBITDA	4,701.0	4,462.9	5.3%
EBITDA as % of net sales	39.7%	44.3%	(4.6)%
Depreciation and amortization expense	(1,611.0)	(1,420.6)	13.4%
OPERATING INCOME	3,090.0	3,042.2	1.6%
Financial loss and other	(486.7)	(560.5)	(13.2)%
Extraordinary loss	(92.9)	(4.5)	1,949.1%
INCOME BEFORE TAXES	2,510.3	2,477.2	1.3%
Corporate income tax	(898.1)	(890.6)	c.s
Income attributed to minority interests	21.7	21.1	2.8%
<u>INCOME FOR THE YEAR</u>	1,633.9	1,607.8	1.6%

⁽¹⁾ EBITDA: Operating income before depreciation and amortization.

a) *Operating revenues*

OPERATING REVENUES

<i>(Data expressed in millions of euros)</i>	2004	2003	% Variation
Spain	8,190.0	7,495.5	9.3%
Latin America	3,649.8	2,568.9	42.1%
Other and intercompany eliminations	(12.2)	5.9	c.s.
TOTAL	11,827.6	10,070.3	17.5%

Consolidated operating revenues increased by 17.5% with respect to 2003 to €1,827.6 million. Assuming constant exchange rates and disregarding the changes in the scope of consolidation¹, revenues would have increased by 13.6%.

The growth in consolidated revenues was mainly brought about by the increase in the customer base. In 2004 the number of Telefónica Móviles' managed active customers rose by over 22 million, representing an annual increase of over 43.6%. Telefónica Móviles ended 2004 with more than 74.4 million managed customers, or 78.2 million if the new companies acquired in Chile and Argentina are included. The increase in the customer base

¹ Disregarding the impact of the consolidation of Telefónica Móvil Chile from August 1, 2004, and of the assets acquired from BellSouth in Latin America from November 1, 2004.

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and higher levels of traffic through its operators' networks enabled the Group to obtain service revenues of €10,239 million in 2004, up 15.4% on 2003.

- *Operating revenues in Spain:* operating revenues in Spain increased by 9.3%, due to the 12% growth of traffic in 2004. Data ARPU amounted to €4.3 and the contribution of GPRS services (mainly connectivity with Internet and intranet access, content, game downloads and applications) increased.
- *Operating revenues in Latin America:* operating revenues in Latin America accounted for 31% of consolidated revenues, with a year-on-year gain in euro terms of 42%. Disregarding the impact of exchange rates and the aforementioned inclusions in the scope of consolidation, these revenues would have grown by 27%, due largely to the strong increase in the number of customers in Mexico (63.3%) and Argentina (84.8%).

The variations in the main operating expenses, distributed among the principal operating areas, were as follows

b) *Procurements*

Procurements, which include mostly terminal purchase and interconnection items, increased by 41.8% to €3,676.3 million in 2004, as compared with €2,592.5 million in 2003. In 2004 procurements represented 31% of operating revenues, up 5 percentage points from the 25.7% that they accounted for in 2003.

- *Operations in Spain:* total procurement expenses increased by 13.6% from €1,799 million in 2003 to €2,044 in 2004, due to the 3.9% increase in sales campaigns (which included new connections, migrations and exchanges) and to the 15.3% increase in interconnection expenses, due mainly to the growth in outgoing traffic to other wireless operators. However, procurements as a percentage of operating revenues in Spain increased by only 0.9 percentage points to 25% in 2004, as compared with 24% in 2003.
- *Operations in Latin America:* these expenses amounted to €1,638 million in 2004, as compared with €788 million in 2003. Disregarding the impact of changes in the scope of consolidation and exchange rate fluctuations, procurements would have increased by 83.6%, due mainly to the greater commercial activity in Mexico and Argentina. Procurements as a percentage of operating revenues in Latin America rose to 44.9% in 2004, as compared with 30.7% in 2003.

c) *Personnel expenses*

At 2004 year-end the fully and proportionally consolidated Telefónica Móviles Group companies had 20,282 employees, up on the 2003 year-end headcount due largely to the changes in the scope of consolidation.

Personnel expenses increased by 11.2% from €486 million in 2003 to €539.9 million in 2004 and, as a percentage of operating revenues, fell from 4.8% in 2003 to 4.6% in 2004.

- *Operations in Spain:* Spain accounts for 48% of the Telefónica Móviles Group's personnel expenses. These expenses increased by 8.2% from €238 million in 2003 to €258 million in 2004, due to the 1.3% growth in the average headcount, the improvement of employee welfare benefits and the revision of the collective labor agreement. Personnel expenses represented 3.2% of operating revenues in Spain.
- *Operations in Latin America:* the Telefónica Móviles Group's operations in Latin America accounted for 44.5% of the total personnel expenses. Disregarding the aforementioned changes in the scope of consolidation and exchange rate fluctuations, personnel expenses would have increased by 12.4%, due mainly to the revision of the collective labor agreement in Brazil.

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d) Other operating expenses

This item, which is made up of the outside services arising from commercial activities, increased by 18% from €2,582.2 million in 2003 to €3,041 million in 2004 and, as a percentage of operating revenues, rose slightly from 25.6% in 2003 to 25.7% in 2004.

- *Operations in Spain:* operations in Spain accounted for 57.8% of these expenses in 2004, up 13%, due to higher advertising and terminal support expenses, from €1,557 million in 2003 to €1,759 million in 2004. These expenses as a percentage of operating revenues in Spain rose from 20.8% in 2003 to 21.5% in 2004.
- *Operations in Latin America:* operations in Latin America accounted for 40.8% of total expenses. These expenses amounted to €1,242 million in 2004, as compared with €1,001 million in 2003. These expenses as a percentage of operating revenues in Latin America dropped from 39% in 2003 to 34% in 2004. Disregarding the changes in the scope of consolidation and exchange rate fluctuations, the other operating expenses would have increased by 16.6%, in line with the increased commercial activity in Brazil, Argentina and Mexico.

e) EBITDA

EBITDA

(Data expressed in millions of euros)	2004	2003	% Variation
Spain	4,202.0	3,940.8	6.6%
Latin America	567.6	579.1	(2.0)%
Other and intercompany eliminations	(68.6)	(57.0)	20.4%
TOTAL	4,701.0	4,462.9	5.3%

EBITDA improved by 5.3% from €4,463 million in 2003 to €4,701 million in 2004. Disregarding the effect of exchange rate fluctuations and changes in the scope of consolidation, the annual growth in consolidated EBITDA would have been 3.1%. The consolidated EBITDA margin was 39.7%, as compared with 44.3% in 2003.

- *Operations in Spain:* operations in Spain accounted for 89% of the Telefónica Móviles Group's EBITDA in 2004, up 6.6% from 2003. The EBITDA margin as a percentage of operating revenues was 51.3% in 2004, as compared with 52.6% in 2003. The EBITDA per customer and month of Telefónica Móviles España continued to grow, reaching an average of €8.75 in 2004.
- *Operations in Latin America:* the EBITDA of the operations in Latin America fell by 2% in euro terms and represented 12.1% of the EBITDA of the Telefónica Móviles Group in 2004. Assuming constant exchange rates and disregarding the aforementioned changes in the scope of consolidation, EBITDA would have fallen by 19.3% with respect to December 2003, due to higher losses in Mexico and the lower EBITDA in Argentina, as a result of the increased commercial activity in 2004. EBITDA as a percentage of operating revenues was 15.6% in 2004, as compared with 22.5% in 2003.

f) Financial revenues and expenses

Financial revenues and expenses include the results of the companies accounted for by the equity method, amortization of consolidation goodwill and financial revenues and expenses. The financial loss in 2004 was 13% lower than in 2003, due mainly to the following:

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- Lower losses at the companies accounted for by the equity method, which decreased by 53% with respect to 2003, due mainly to the 65% drop in the losses of Medi Telecom (€13 million attributable to the Móviles Group) and the 39% fall in the losses of IPSE 2000 (€23 million attributable to the Móviles Group).
- Lower consolidation goodwill amortization expense (down 6.9%) than in 2003, due largely to the allocation in 2003 of a portion of the goodwill of Telefónica Móviles México as an addition to the value of the company's license. It should be borne in mind that the figure for 2004 includes five months of amortization of the goodwill generated in the acquisition of Telefónica Móvil Chile and two months of amortization of the goodwill generated in the acquisition of the BellSouth operators in Latin America, and that since October 2004 the amortization of the goodwill of Brasilcel has increased following the completion of the tender offers for its subsidiaries.
- Financial expenses were 6.4% lower than in 2003, due to the inclusions in the scope of consolidation mainly as a result of the 6% reduction in the Móviles Group's average debt.

g) *Extraordinary items*

The extraordinary loss in 2004 was mainly attributable to the provision recorded for the investment in, and the loans granted to, Movistar Puerto Rico after the operator's management contract was terminated in September 2004.

h) *Corporate income tax*

In 2004 the corporate income tax expense amounted to €98.1 million. However, the related cash outflow was lower because of the tax assets generated in 2002.

i) *Net debt*

The consolidated net debt of the Telefónica Móviles Group increased by 61% with respect to December 2003 to stand at €1,176 million at 2004 year-end, due to the inclusion of new operators. Disregarding this effect, net consolidated debt would have been lower due to the cash generated in Spain.

j) *Capex*

At consolidated level, investments in tangible fixed assets and intangible assets amounted to €1,618 million in 2004, up 33% from 2003, due to heavier investments in the principal markets (deployment of TME's UMTS network and the GSM networks in Argentina and Mexico, and the capacity increase in Brazil) and to the impact of including Telefónica Móvil Chile (investment of €69 million) and the BellSouth Latin American operators (investment of €81 million) in the consolidated Group.

Innovation and R&D

For the Telefónica Móviles Group, innovation is one of the pillars on which the development of its future transformation process will be based. In line with this strategy, innovation is strengthened as a fundamental means of obtaining sustainable competitive advantages, such as preempting the market and differentiating itself from its rivals by, on the one hand, incorporating new technologies and, on the other, developing new products and services, such as the inclusion of information and communication technologies in business processes in order to become a more effective, efficient and flexible company whose business is built around its customers.

In 2004 Telefónica invested €1,286 million in technological innovation projects. As part of its investment rationalization process, each year Telefónica Móviles continues to raise the percentage of the investment it earmarks for new businesses.

In its quest for innovative solutions, Telefónica remains convinced that to be able to differentiate itself from its competitors and achieve wider acceptance in the market a strategy based on acquired technologies alone is not sufficient. In-house research and development must be fostered to guarantee this differentiation and drive forward other innovative activities. In 2004 the Telefónica Group allocated €153 million to R&D, representing 1.5% of its revenues.

The R&D projects executed by the Telefónica Móviles Group in 2004 focused on profitable innovation, process efficiency, the creation of new revenue sources, customer satisfaction, consolidation of the new markets and technological leadership. These projects were carefully woven into Telefónica Móviles' strategy with the aim of creating value through data and multimedia wireless communications and services that make use of the emerging capabilities of UMTS and the new wireless terminals, and of developing and improving the commercial and network and service management systems.

Treasury stock

As of December 31, 2004, a total of 496 shares were held as treasury stock. These shares, which were acquired in the framework of the partial execution of the MOS Program, will either be delivered to beneficiaries who exercise their options on subsequent dates or will be retired pursuant to the commitments assumed by the Company. In accordance with current legislation, the related restricted reserve of €1,000 was recorded.