CABLE UNPLUGGED CONFERENCE

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A SUPERIOR COMBINATION OF GROWTH & CASH RETURNS

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Domestic Wireline’s performance excelling across Europe

<table>
<thead>
<tr>
<th></th>
<th>Revenue Growth (1)</th>
<th>EBITDA Growth (1)</th>
<th>Revenue Growth (1H) (1)</th>
<th>OIBDA Growth (1H) (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEF</td>
<td>+2.4%</td>
<td>+6.1%</td>
<td>+5.4%</td>
<td>+10.3%</td>
</tr>
<tr>
<td>TI</td>
<td>+2.1%</td>
<td>+2.1%</td>
<td>+2.3%</td>
<td>+1.4%</td>
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<tr>
<td>FT</td>
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<td>+4.8%</td>
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<td>BT</td>
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<td>-4.7%</td>
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<tr>
<td>DT</td>
<td>-5.6%</td>
<td>+0.8%</td>
<td>-5.4%</td>
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</tr>
<tr>
<td>KPN</td>
<td>-6.4%</td>
<td>-4.0%</td>
<td>-5.3%</td>
<td>-8.7%</td>
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</table>

(1) Revenues and EBITDA figures reported by Companies for Domestic Wireline. BT figures for January-December 04 vs. 03., and January-June 05 vs. 04.
Spanish wireline strategy based on a set of priorities:

01 ACHIEVE THREE MAIN STRATEGIC GOALS IN BROADBAND...
- Increase BB penetration and manage BB ARPU
- Defend BB market share

02 ... WHILE DEFENDING TRADITIONAL BUSINESS,
- Stop Access line losses and diminish outgoing traffic decline

03 AND CONTINUE WITH EFFICIENCY EFFORT
- Complete redundancy program
- CapEx control

*Telefónica Group
** Not including T-Data and T-Soluciones
Broadband business (I): Increase BB penetration while managing ARPU

Retail ADSL Connections
(TdE Parent; thousands)

- Jun-04: 1,339.7
- Jun-05: 2,005.0
  +49.7%

Sound broadband market growth with >375,000 net adds in 2Q05 (+38% vs. 2Q04)

ADSL VAS (TdE)
Number VAS sold (thousands)
VAS over ADSL ARPU (retail)

- Jun-04: 714
- Sep-04: 864
- Dec-04: 1,187
- Mar-05: 1,531
- Jun-05: 1,862

8.5% 9.2% 9.8% 11.1% 11.6%

ARPU levels sustained by VAS through wider portfolio offering

Internet & Broadband contribution of 3.7 p.p. to TdE Group revenue growth in 1H05
Broadband business (II): Actively defending market share

Retail BB market share (*):

- 2P offers by competitors
- Market share
- Net adds market share

Broadband lead based on the best Product & Services portfolio + commercial campaigns

(*) Estimated for Telefónica Group
Broadband business (III): Last commercial campaigns focused on Imagenio and Duos & Trios

Sole Spanish ADSL operator with 3P product
Unique Spanish operator offering VoD

**IMAGENIO: Homes passed and Clients**

<table>
<thead>
<tr>
<th>Month</th>
<th>Homes passed (Millions)</th>
<th>Clients</th>
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</thead>
<tbody>
<tr>
<td>Dec-04</td>
<td>6,024</td>
<td>1.7</td>
</tr>
<tr>
<td>Mar-05</td>
<td>19,633</td>
<td>3.5</td>
</tr>
<tr>
<td>Jun-05</td>
<td>57,490</td>
<td>4</td>
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<tr>
<td>Aug-05</td>
<td>&gt;70,000</td>
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And now, we reinforce our position with the launch of 2P & 3P bundles in September 2005

- **ADSL 24 hrs. + Domestic Calls**
  - **Imagenio** + Domestic Calls: **39.90 €/month**
  - **Imagenio** + Domestic Calls: **19.90 €/month**  *(1) Promo*   

- **ADSL Mini + Imagenio + Domestic Calls**
  - **38.00 €/month** *(2) Promo*   

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*(1) Promotional monthly fee, starting January 2005 monthly fee of €25.00
(2) Promotional monthly fee, starting January 2005 monthly fee of €46.00*
Traditional Business: Defence of traditional accesses and traffic

- **Free connection fee promotions**
- **Preselection winback campaings**
- **International traffic**

**Lines Losses** (Thousands)
- 233.4 (12 Months to June 2004)
- 202.5 (12 Months to June 2005)

-13.2%

**Preselected lines net adds** (Thousands)
- 17.50 (1H04)
- -20.51 (1H05)

-20.51

**ILD Revenues** (Mill. euros)
- 185.4 (1H04)
- 234.3 (1H05)

+26.3%

New campaign
18th-30th September

Preselection net add reduced over 70% (12 month rolling)

New Information Service 11822

Launching of Traffic Flat Rate Tariffs: over 500,000 sold

Other initiatives...
- New Information Service 11822
- New MMS cordless terminals

Attractive segmented plans (i.e. immigrants, ...)

+26.3%
Unparallel Redundancy Program: enables transferring gains in commercial push

**Workforce reduction***

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<tr>
<td></td>
<td>72,207</td>
<td>58,127</td>
<td>40,659</td>
<td>32,942</td>
<td>31,200</td>
<td>26,000</td>
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Personnel costs over Operating costs

- **1998**: 47.9%
- **2002**: 38.6%
- **2004**: 36.5%

**Personnel savings transferred to commercial activities to drive top-line growth without affecting company efficiency**

*Not including T-Data and T-Soluciones
** 1,700 Parent company and 50 other TdE Group companies*
We maintain strong CapEx control, while accelerating the investment in growth areas.

CapEx mix

- **Growth and transformation**
  - 2004: 61%
  - 2008E: 72%
- **Recurring**
  - 2004: 39%
  - 2008E: 28%

CapEx being transferred to growth and transformation initiatives to achieve growth targets:

- 1 Mill. Imagenio clients by 2008
- Over 4 Mill. ADSL retail customers by 2008

**CapEx over revenues**

- 2004: 10.8%* (CAGR)
- 2008E: <12%

*TaE Group Under IFRS
CONCLUSIONS

- Our broadband lead supported on superior P&S portfolio, quality of service and commercial push
- Successfully limiting losses on traditional business
- Efficiency efforts enable transferring resources to commercial activity for improved top-line performance
- CapEx under control while accelerating investment in growth areas

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