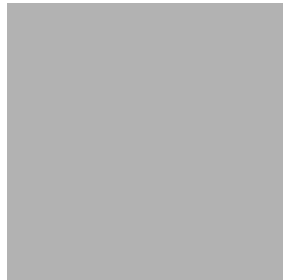


Quarterly Results

January – September 2004



November 12th, 2004



Quarterly Results
January – September
2004

Telefonica

Disclaimer

This presentation contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator.



Quarterly Results
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2004

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Financial highlights

(€ in Millions)

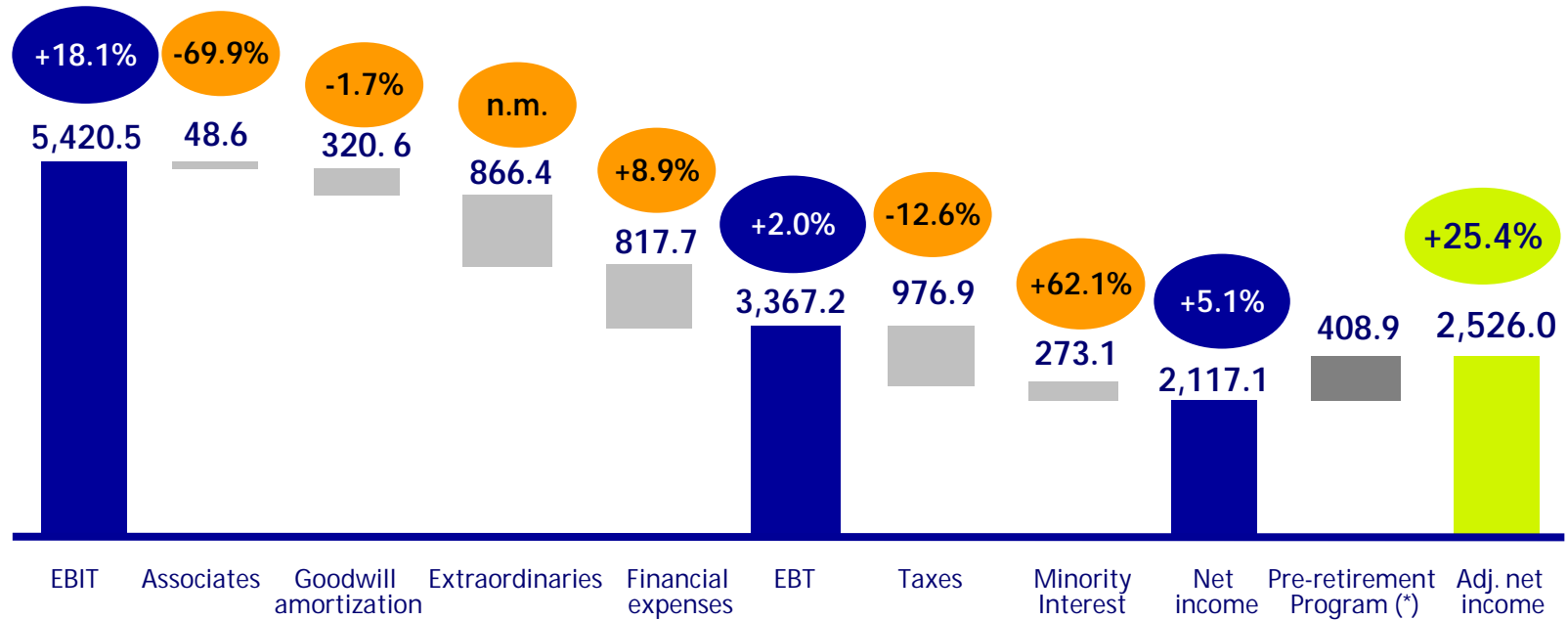
	Jan-Sep 04	Jan-Sep 03	% Change 9M04/9M03
Operating Rev.	21,926.5	20,833.2	+5.2%
Operating Costs	(12,271.4)	(11,694.2)	+4.9%
EBITDA	9,807.0	9,294.1	+5.5%
EBITDA Margin	44.7%	44.6%	+0.1 p.p.
D&A	(4,386.5)	(4,702.7)	(6.7%)
EBIT	5,420.5	4,591.4	+18.1%
Net Income	2,117.1	2,014.4	+5.1%
OpCF (*)	7,397.7	6,937.2	+6.6%

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(*) EBITDA - CapEx.

Net Income is affected by the full provision of 2004 Pre-retirements

(€ in Millions)



Adjusting for Pre-retirements, Net Income would have ended just above 2.5 Billion €, exceeding a 25% annual increase



Quarterly Results
January – September
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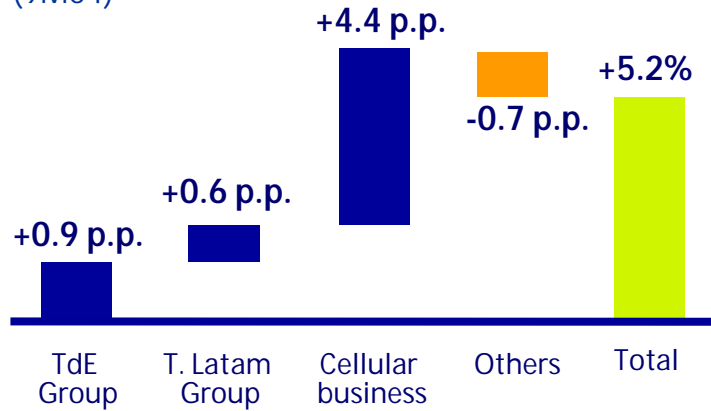


Quarterly Results
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2004

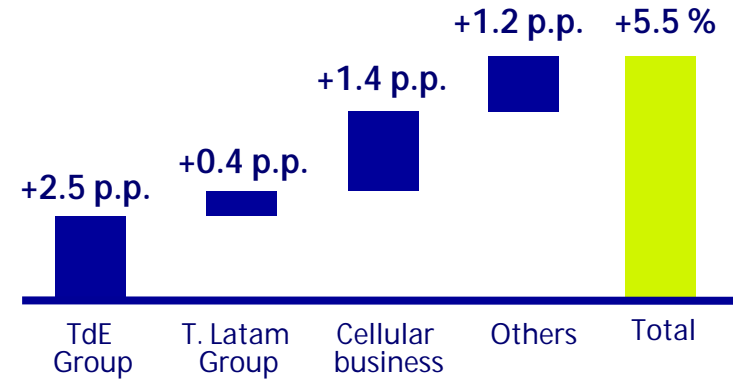


Contribution by business line

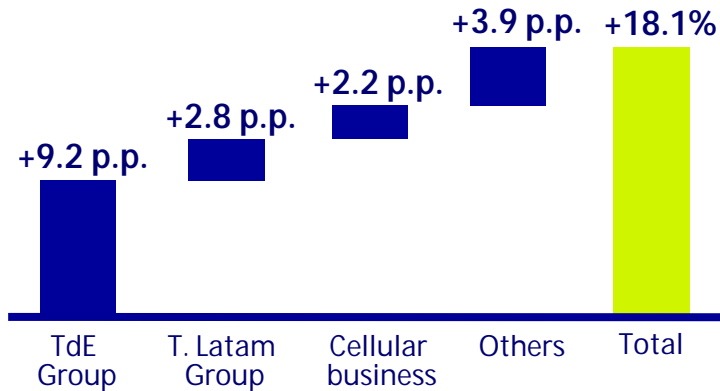
Contribution to revenue growth (*)
(9M04)



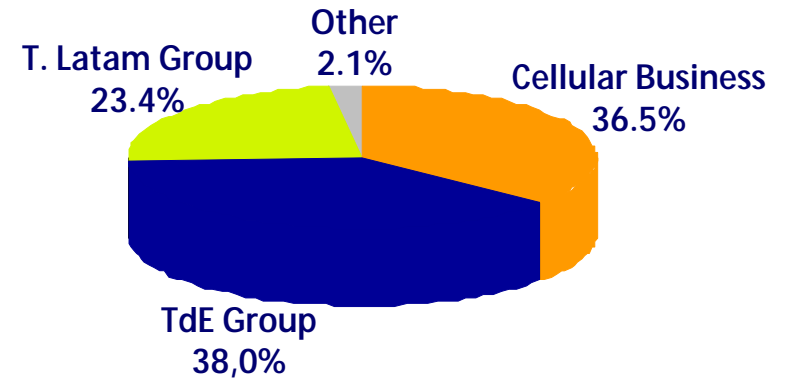
Contribution to EBITDA growth (*)
(9M04)



Contribution to EBIT growth (*)
(9M04)



Weight on EBITDA by business lines (*)
(9M04)



More than 60% coming from wireline

Forex impact is remaining limited across the year and drains little to organic growth...

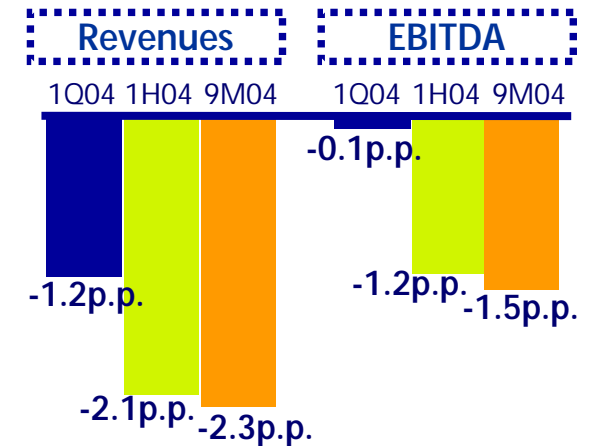


Quartely Results
January – September
2004

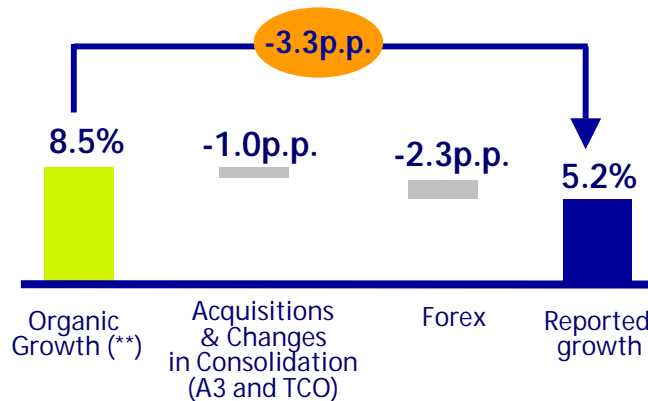
Yearly comparison of main currencies (*)

	P&L Fx 9M03 (Average)	P&L Fx 9M04 (Average)	% CHANGE 9M04/9M03	% CHANGE 1H04/1H03
BRAZIL/€	3.457	3.639	-5.0%	-2.5%
ARGENTINA/€	3.287	3.592	-8.5%	-7.2%
CHILE/€	733.788	745.789	-1.5%	-1.2%
PERU/ €	3.867	4.093	-5.5%	-10.1%
MEXICO/ €	12.131	13.976	-13.2%	-17.4%

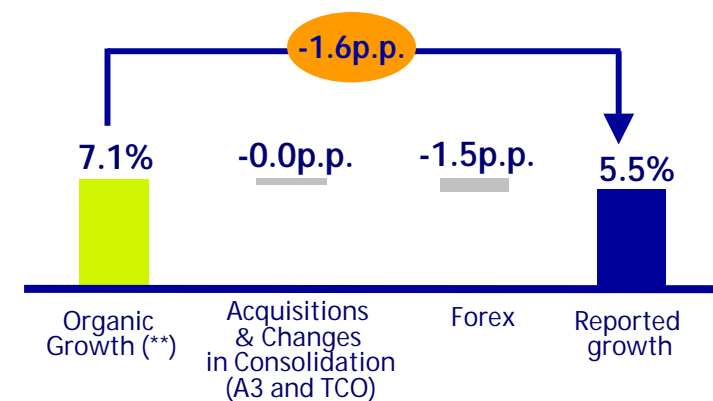
Forex impact in 2004



Organic vs Reported revenue growth



Organic vs Reported EBITDA growth



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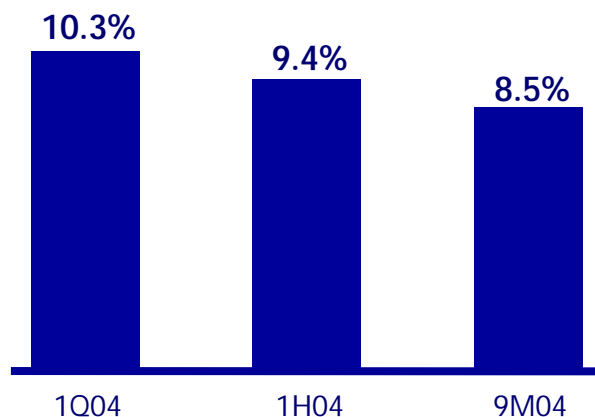


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2004

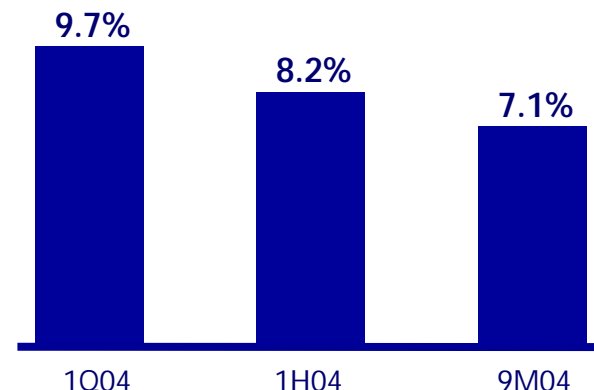
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...which is being supported by the solid performance of our key divisions

Evolution of organic revenue growth (*)



Evolution of organic EBITDA growth (*)



Organic revenue growth evolution (*)

	% Change 1Q04/1Q03	% Change 1H04/1H03	% Change 9M04/9M03
TdE Group	+1.7%	+2.2%	+2.3%
Cell. Business	+19.4%	+14.7%	+13.2%
T. LATAM	+10.3%	+10.3%	+8.0%

Organic EBITDA growth evolution (*)

	% Change 1Q04/1Q03	% Change 1H04/1H03	% Change 9M04/9M03
TdE Group	+4.2%	+6.2%	+6.6%
Cell. Business	+8.7%	+4.3%	+2.9%
T. LATAM	+7.2%	+7.8%	+7.2%



Quartely Results
January – September
2004

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A balanced portfolio of CapEx intensive businesses and cash generative ones

CapEx breakdown

(€ in Millions)

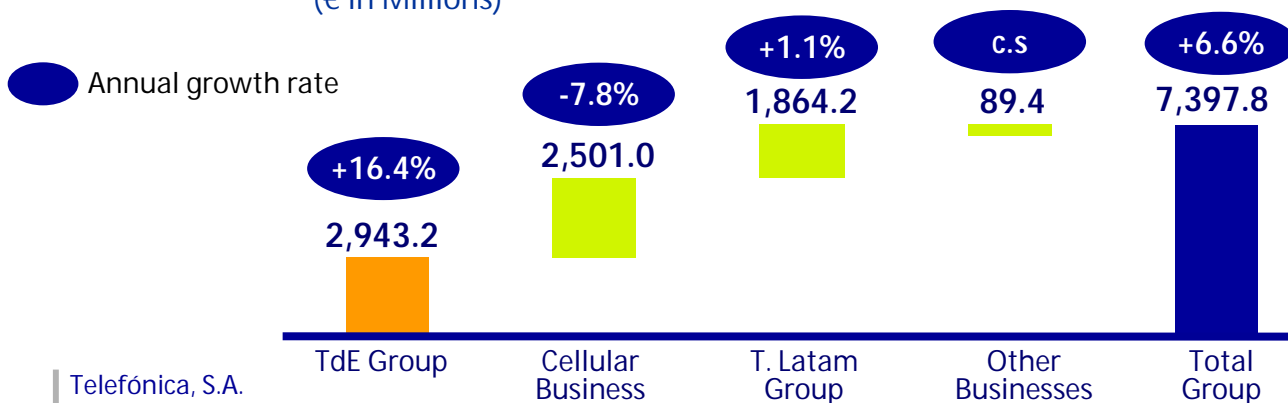
	Group Total	% Change 9M04/9M03	% Change 1H04/1H03
TdE Group	793.0	-18.8%	-19.4%
Cell. Business	1,076.8	+45.9%	-3.4%
T. LATAM	427.6	+4.8%	-12.1%
TOTAL	2,409.2	+2.2%	-11.9%

More than 3 Bn.€ committed as of September

- Keeping efficiency high at Telefónica de España
- Ongoing network deployment in mobile, particularly in Brazil and Mexico, is showing progressively as committed CapEx is accrued
- Broadband development is pushing T. Latam investments up, led by Brazil

OpCF (EBITDA-CapEx) breakdown

(€ in Millions)



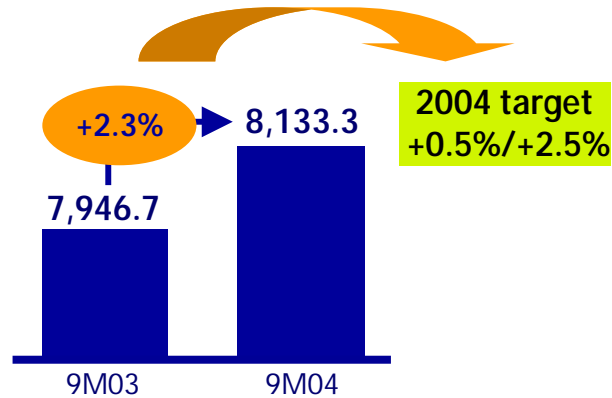
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Telefónica de España Group: accelerating top line growth

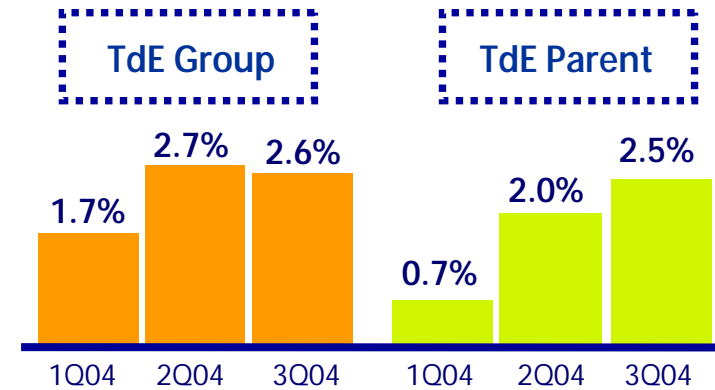


Quarterly Results
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2004

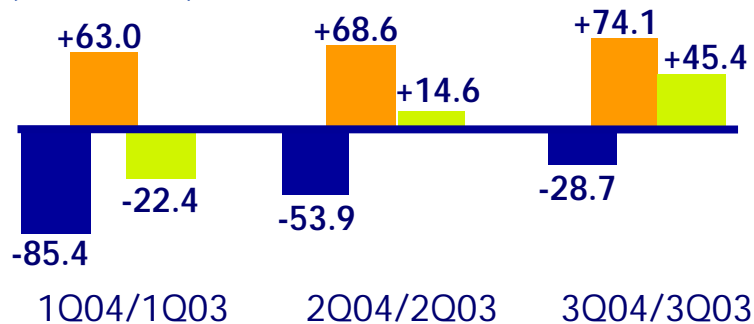
Operating revenues (*)
(€ in Millions)



Quarterly evolution of operating revenues (*)
(% annual growth rate)

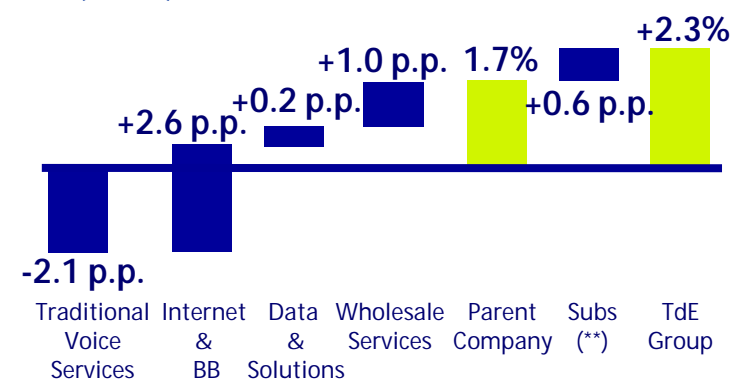


Rev. contribution gap: BB vs traditional (*)
(€ in Millions)



■ Traditional Services ■ Internet & BB ■ Gap

Contribution to revenue growth (*)
(9M04)



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(*) New management perimeter, including data & solutions operations.
(**) Telyco, TTP, Cable.

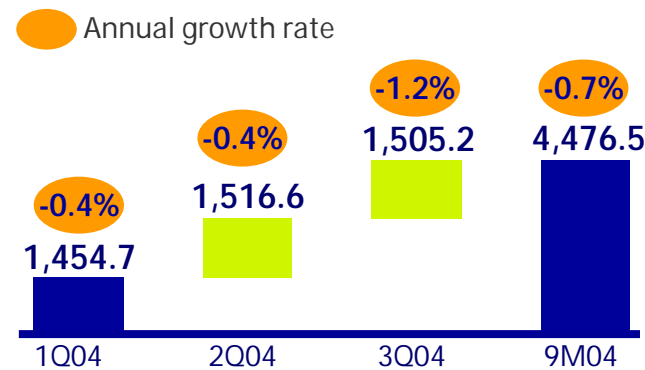
Telefónica de España Group: balancing profitability and a deeper commercial focus



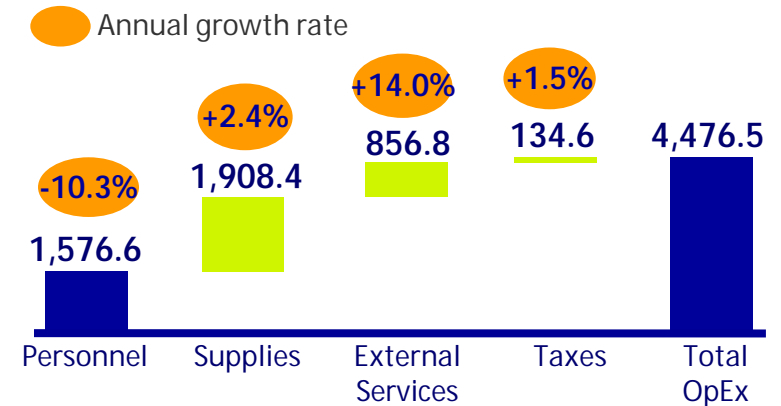
Quarterly Results
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TdE Group OpEx evolution (*)
(€ in Millions)

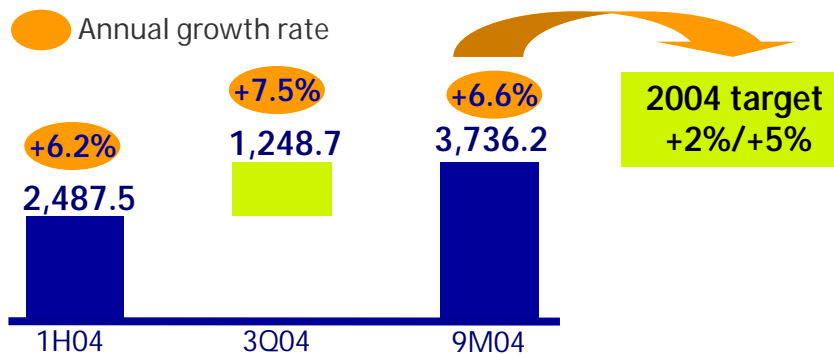


TdE Group 9M04 OpEx breakdown (*)
(€ in Millions)

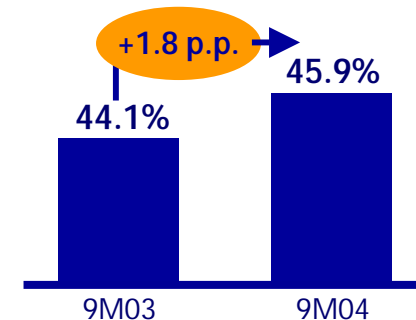


OpEx at TdE parent declining by 2.1% y-o-y

TdE Group EBITDA (*)
(€ in Millions)



TdE Group EBITDA margin (*)



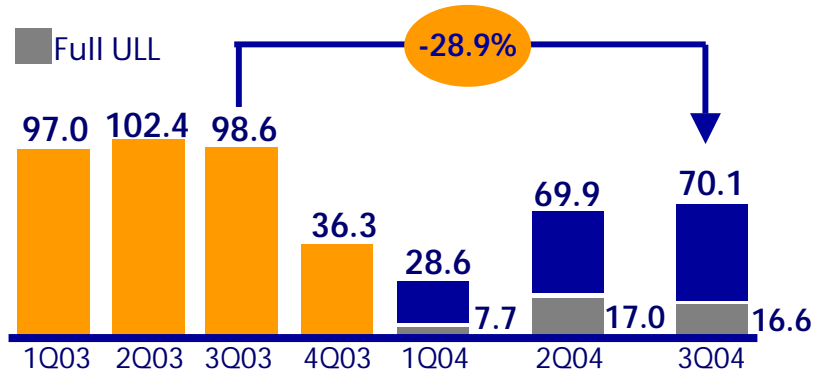
Telefónica de España parent: traditional services



Quartely Results
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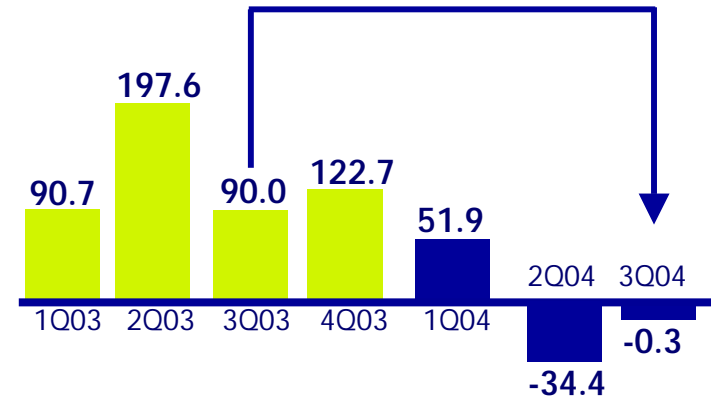
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Access lines net losses
(PSTN + B.A. ISDN; thousands)



Quarter	Shared ULL net adds (thousands)
1Q04	0.2
2Q04	2.1
3Q04	12.2

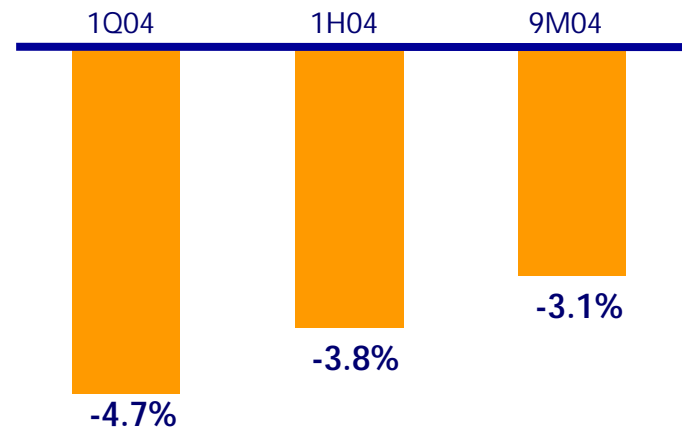
Pre-selected lines net adds
(Thousands)



Estimated Traffic
(Million minutes)

	9M04	9M03	% Change 9M04/9M03
OUTGOING	51,790	61,272	-15.5%
Voice (*)	35,478	39,872	-11.0%
Local	18,705	21,651	-13.6%
Provincial	4,556	5,123	-11.1%
DLD	4,672	5,164	-9.5%
International	1,280	1,248	2.5%
F2M	4,340	4,416	-1.7%
IN (**) & Others	1,926	2,270	-15.2%
Internet	16,311	21,401	-23.8%
INCOMING	41,168	38,163	7.9%
TOTAL	92,958	99,435	-6.5%

Traditional revenue performance
(% growth y-o-y)



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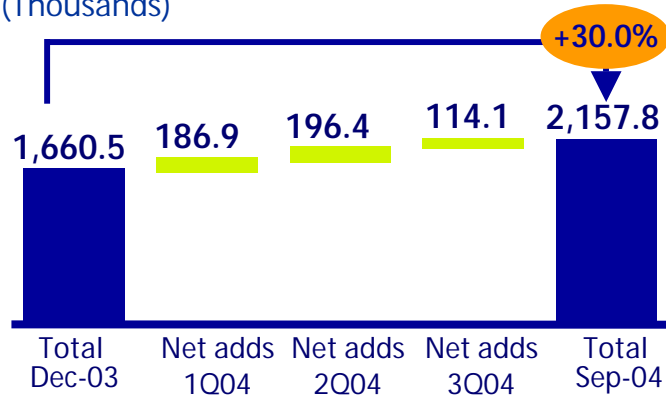
(*) Outgoing - Internet
(**) Intelligent Network

Telefónica de España parent: ADSL, a profitable story



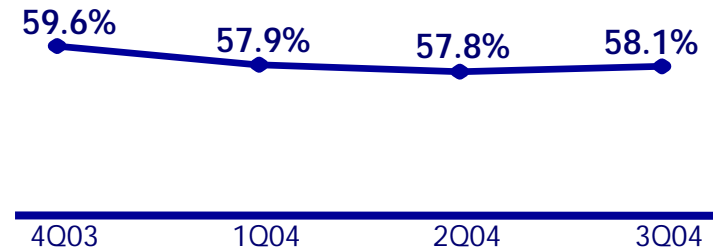
Quarterly Results
January – September
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ADSL Connections
(Thousands)



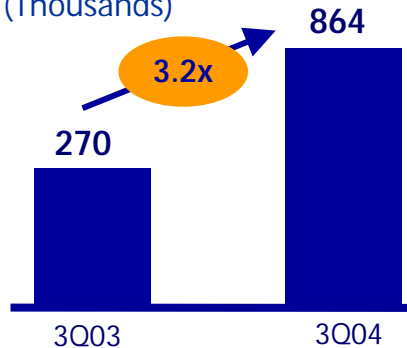
More than 1.4 million retail connections
(+54% y-o-y)

Estimated Group broadband market share

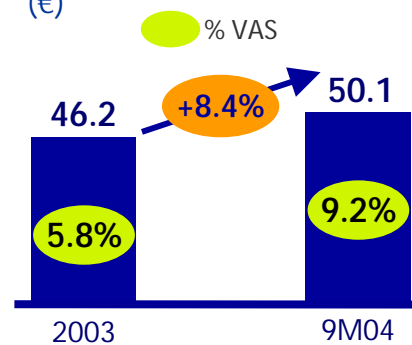


Group net adds accounted for 62% of total
Broadband net adds in 3Q04

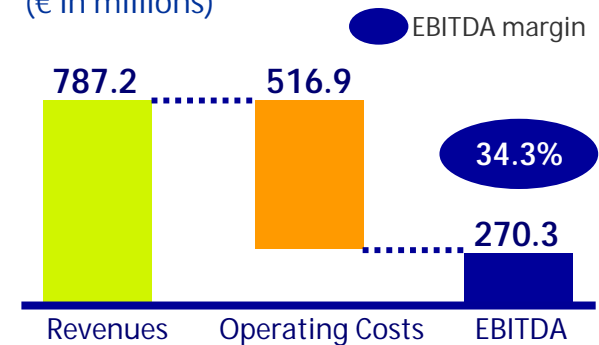
Operative VAS
(Thousands)



ADSL Retail ARPU
(€)



9M04 ADSL EBITDA margin
(€ in millions)



39% of retail connections have at least one VAS



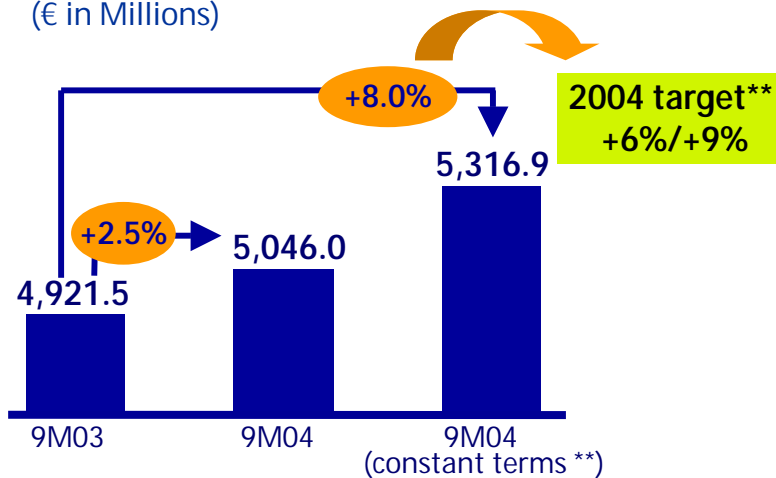


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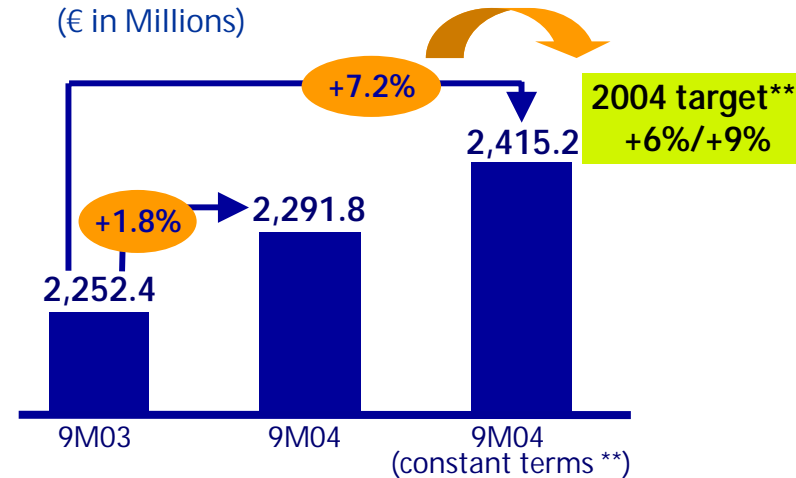
Telefonica

Telefónica Latinoamérica (*): solid organic growth that stays within year-end targets

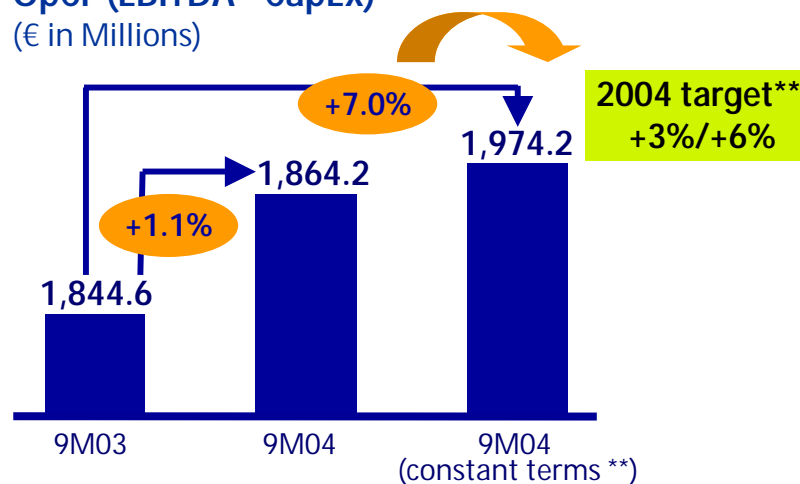
Revenues
(€ in Millions)



EBITDA
(€ in Millions)



OpCF (EBITDA - CapEx)
(€ in Millions)



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(*) New management perimeter, including data operations and TIWS.
(**) Assuming constant exchange rates as of 9M03 (as of 2003 for year-end target).
All figures exclude changes in consolidation.

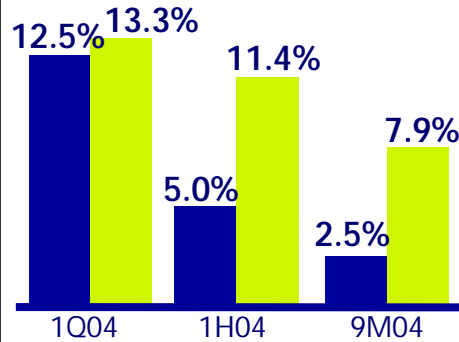
Telefónica Latinoamérica: progressing on efficiency to drive margins and cash generation



Quarterly Results
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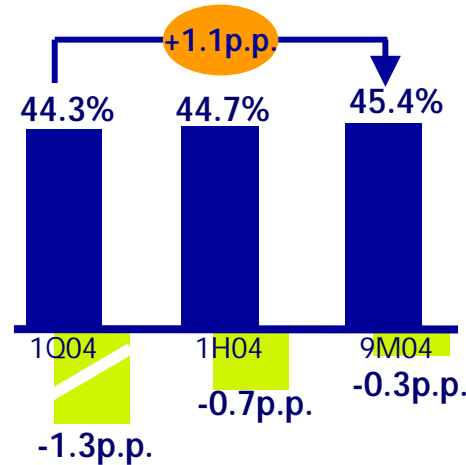
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Annual change in OpEx



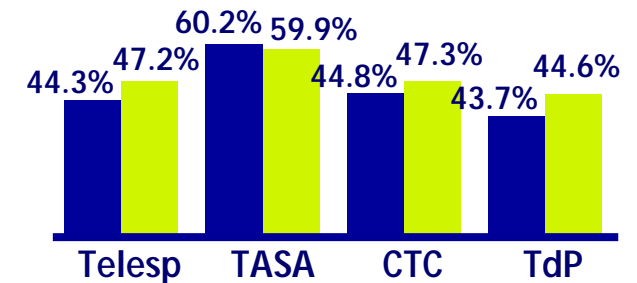
■ € current ■ € constant

EBITDA margin



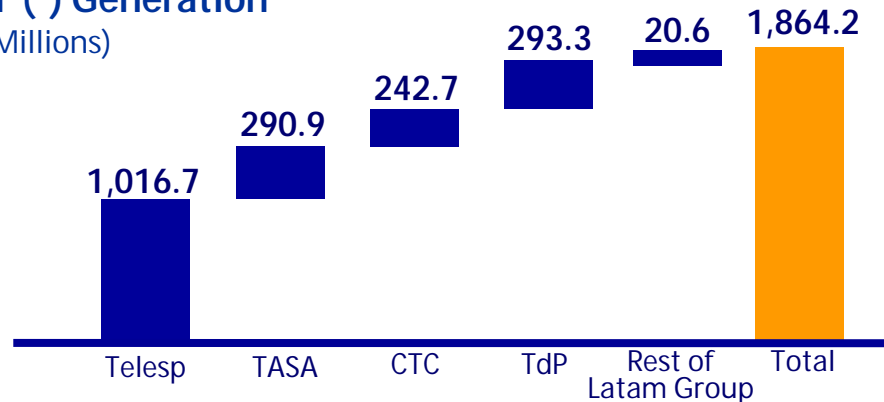
■ Absolut terms ■ % Change y-o-y

EBITDA margin by operator



■ 1H04 ■ 3Q04

OpCF (*) Generation
(€ in Millions)

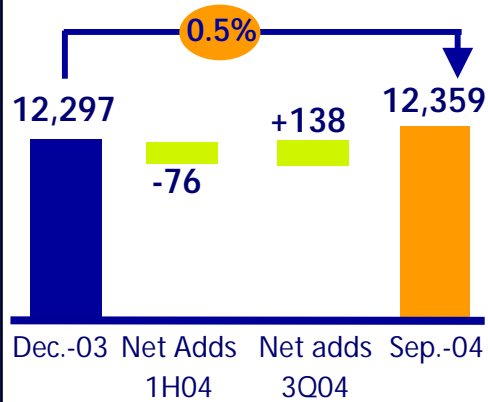


Telefónica Latinoamérica: Telesp continues as the key contributor to organic growth...

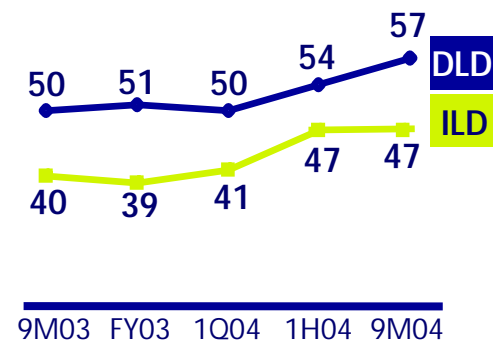


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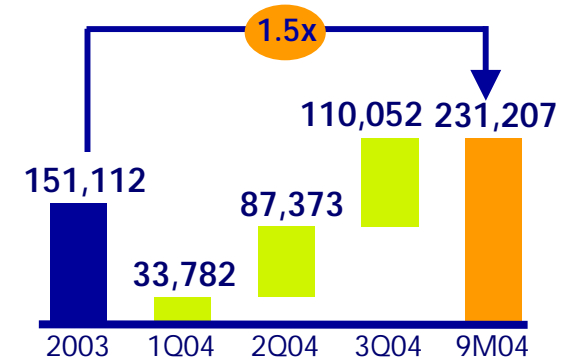
Operating drivers
Traditional LIS



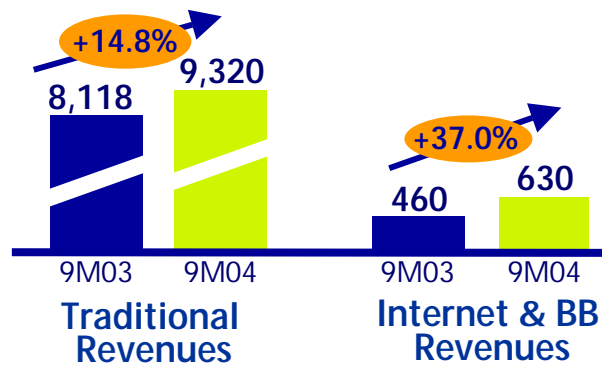
Operating drivers
LD Market Share (%)



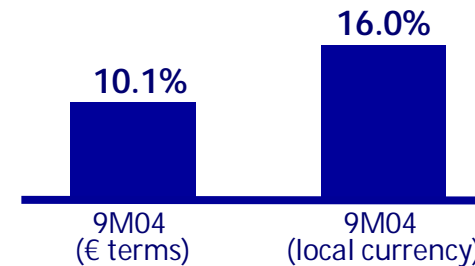
Operating drivers
ADSL Net Adds (Thousands)



Telesp operating revenues
breakdown (BRL in millions)



Telesp operating revenue growth



Forex drained close to 6 p.p. to revenue growth in 9M04, vs a 4 p.p. positive contribution in 1Q04





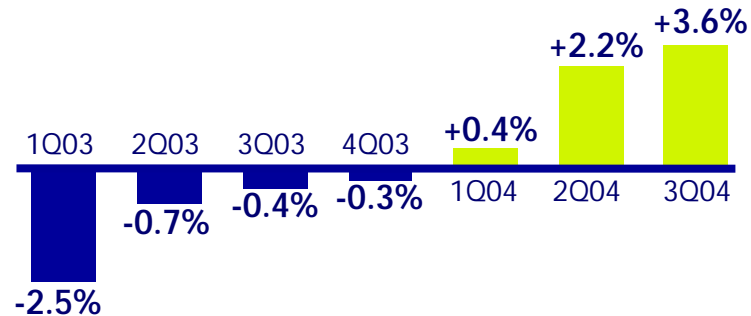
Quarterly Results
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... with TASA as a solid complement, benefiting from an improved macro scenario

Operating drivers

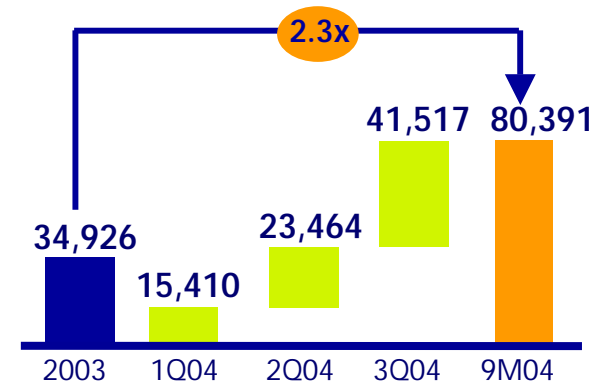
Traditional LIS (y-o-y growth rate)



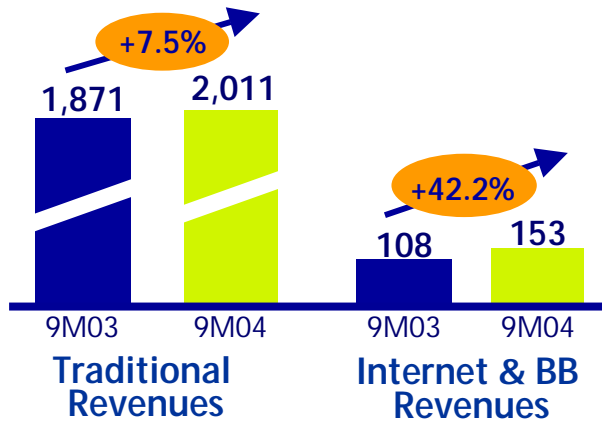
+147,000 net adds in 9M04 vs -15,500 in 9M03
Traffic per line per day up by 8.5% in 9M04

Operating drivers

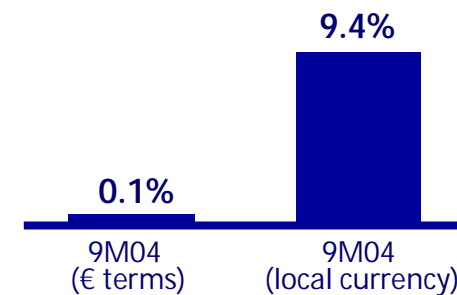
ADSL Net Adds



TASA operating revenues breakdown (ARS in millions)



TASA revenue growth



Forex drained above 9 p.p. to revenue growth in 9M04, 2 p.p. ahead of 1Q04 negative contribution

Telefónica Móviles Group: high commercial activity in a challenging operating environment...



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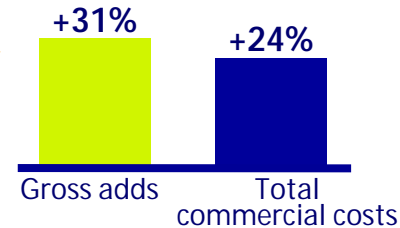
Strong competitive pressure in Spain since the beginning of the year, intensified in 3Q04 and October:

- Intense competition in number portability continues at a high cost
- Ongoing pressures on pricing, mainly in the corporate segment

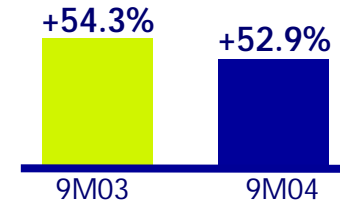
Client growth in Latam is surpassing all expectations, driven by:

- Increased competition, pressuring margins
- Macro-economic stability

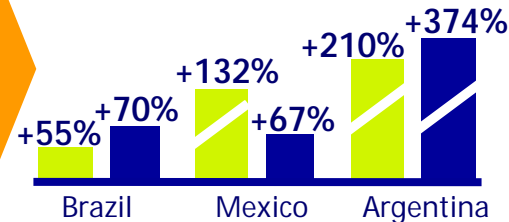
9M04 commercial activity (y-o-y growth)



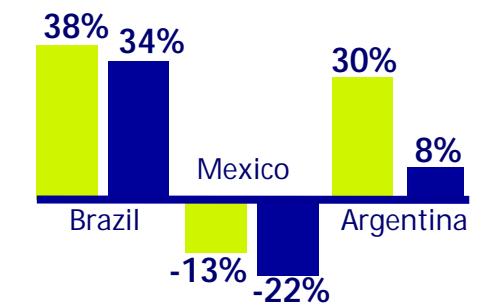
EBITDA margin



9M04 commercial activity (y-o-y growth)



EBITDA margin



■ Gross Adds ■ Total commercial costs

■ 9M03 ■ 9M04

A twofold strategy that keeps commercial efforts up

In SPAIN, defend leadership, particularly in revenues, while keeping **operating efficiency** at European benchmark levels

In LATAM, lead the market, taking full advantage of the region's growth potential

...that leads to update 2004 guidance

2004 TELEFONICA MOVILES GROUP GUIDANCE (*)

	PREVIOUS	NEW
REVENUE GROWTH	>+13%	+12%/+13%
EBITDA GROWTH	>+7%	Around +3%

■ Committed guidance (*) for TELEFONICA DE ESPAÑA GROUP and TELEFONICA LATINOAMERICA GROUP remains unchanged

2004 TELEFONICA GROUP GUIDANCE (*)

	PREVIOUS	NEW
REVENUE GROWTH	+7%/+10%	Unchanged
EBITDA GROWTH	+7%/+10%	+5%/+7%
EBIT GROWTH	+15%/+18%	Unchanged
CAPEX GROWTH	0%/+3%	Unchanged
OpCF (**) GROWTH	+8%/+11%	+7%/+9%

Quartely Results
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Debt reduction and active liability management are driving net financial expenses cut



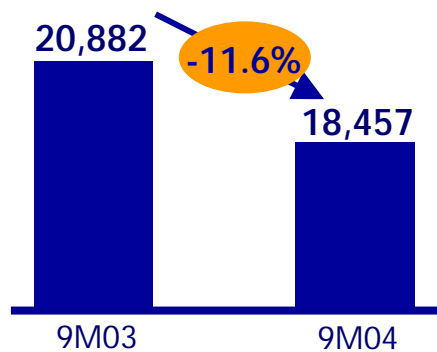
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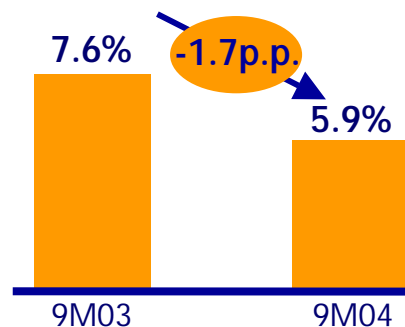
€ in Millions	9M04	9M03	
Net Financial Expenses	(809.7)	(1,190.4)	(32.0%)
Argentinean Peso effects	(8.0)	172.3	
USD debt amortization		267.5	
Reported Financial Results	(817.7)	(750.6)	

Close to 400 Million Euros decrease in interest payments^(*) explains the 10.4p.p. increase in Net Free Cash Flow after Capex.

Average net debt (€ in Millions)



Effective interest rate on net debt



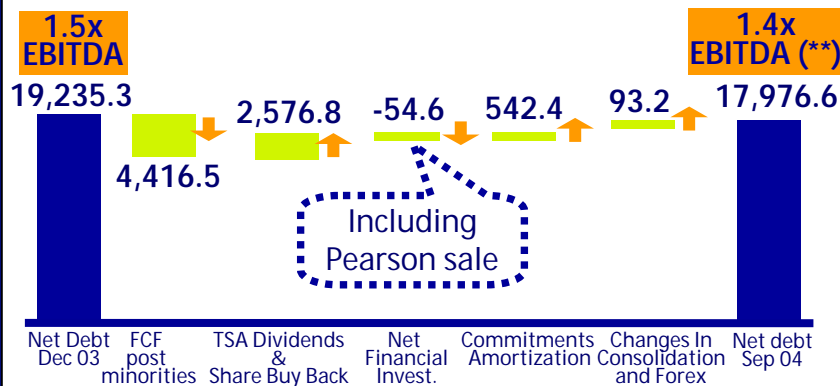
A 15% cash flow increase



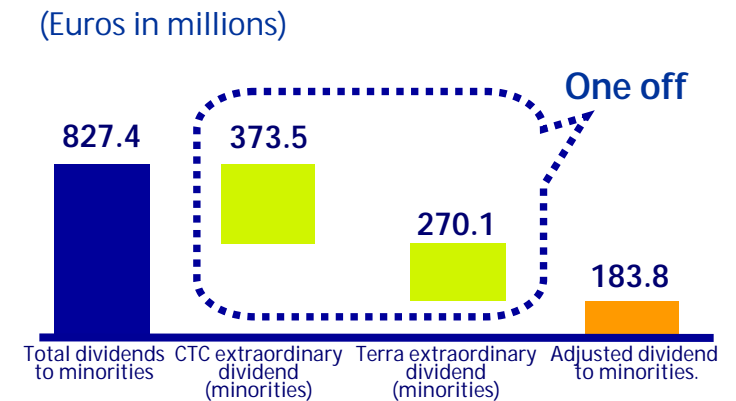
Quartely Results
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(Euros in millions)		9M04	9M03	
A	EBITDA	9,807.0	9,294.1	+5.5%
I	CapEx accrued during the period (EoP exchange rate)	(2,409.2)	(2,356.9)	
II	Extraordinary payments related to operating activities & commitments	(695.0)	(697.4)	
III	Net interest payment	(889.9)	(1,314.3)	
IV	Payment for income tax	(151.0)	(167.8)	
V	Investment in working capital	(960.3)	(678.9)	
B=A-I-II-III-IV-V	Net Free Cash Flow after CapEx	4,701.5	4,078.8	+15.3%
VI	Payments related to cancellation of commitments	542.4	556.0	
VII	Dividends paid to minorities	(827.4)	(179.1)	
C= B+VI-VII	Free Cash Flow (*)	4,416.5	4,455.6	-0.9%

Contribution to Debt evolution (Euros in millions)



9M04 dividends to minorities (Euros in millions)



- Net Debt + Commitments: 21,948 Million Euros, 1.7x EBITDA (**)
- Devoting 1,352 Mill.€ to debt reduction (807 Mill.€ in 3Q04) to anticipate to Bellsouth acquisition

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(*) Madrid Conference criteria; (**) 12 months rolling EBITDA (October 03-September 04)

Share buy-back program progress report



Quartely Results
January – September
2004

Telefonica

Principles

- Minimum € 4.0 bn.
- Up to end '06
- Conditioned on
 - FCF generation
 - Share price

Value of Treasury stock (*)

- Average price TEF 1/1/04-04/10/04: € 12.28
- Market value of treasury stock (*): € 2,212 M
- Percentage of buy-back program: 55.3%

- **BUY BACK COMMITMENT
PROGRESSING FASTER THAN TIME:
55.3% VS. 12/39 MONTHS (30.8%)**
- **OPTION-BASED PURCHASES
EXPIRING 1Q05**

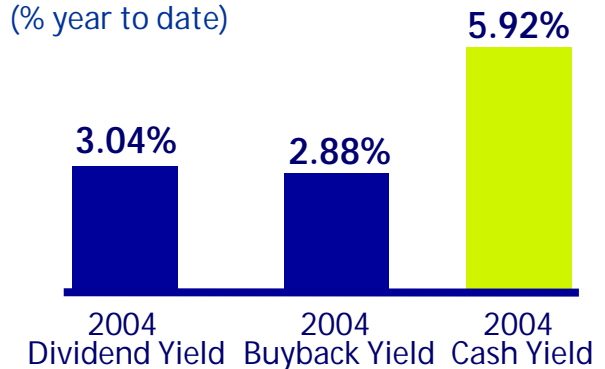
Treasury stock

(n° of shares in Millions)

DATE	CASH	OPTION BASED	TOTAL % OF CAPITAL
30-SEP-03	25.6	--	0.5
31-DEC-03	40.5	33.0	1.5
31-MAR-04	64.8	33.0	2.0
30-JUN-04	131.1	15.0	2.9
30-SEP-04	173.4	3.0	3.6
04-OCT-04	183.4	3.0	3.8

2004 total shareholder remuneration (**)

(% year to date)





Quarterly Results
January – September
2004

Telefonica

Conclusions

- We are keeping solid organic top line growth by leveraging on a more intense commercial approach that targets to enhance market positioning
- Our wireline divisions are showing strong resilience to challenging operating environments, posting results in line with year-end guidance and keeping their positive contribution to organic growth at healthy levels
- We are actively tackling competitive pressures in the Spanish mobile market and addressing the growth potential of our Latam operations with determination, at the expense of short term profitability
- We are sustaining efficiency initiatives across business lines to compensate for increased commercial expenses, retaining healthy margins at the Group level

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