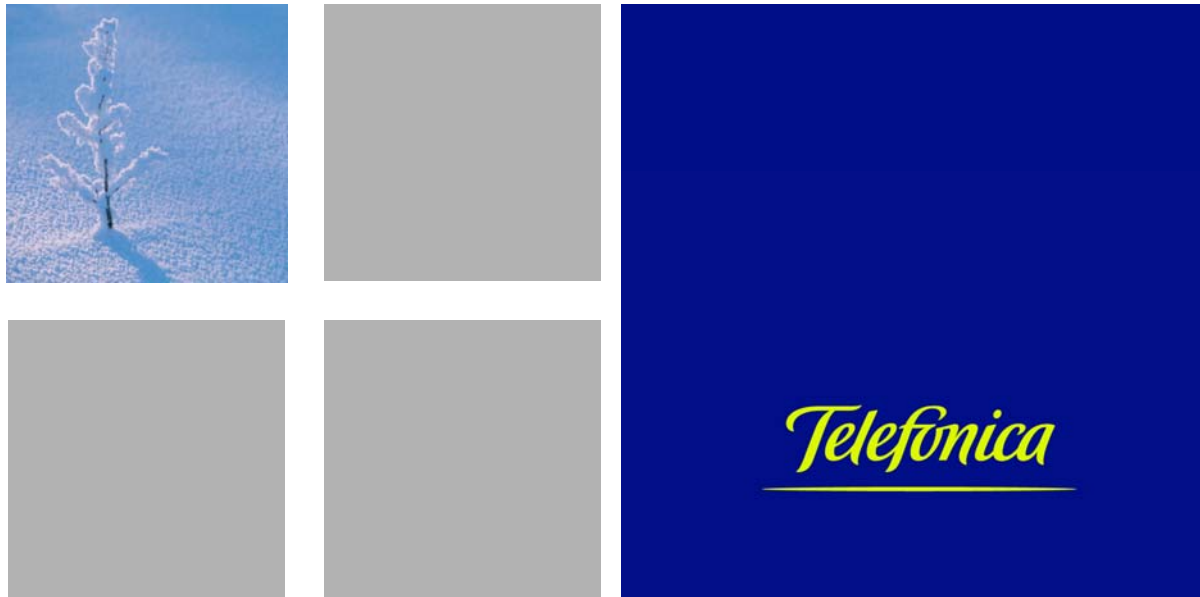


Quarterly Results January – March 2005



May 16th, 2005



Quarterly Results
January – March 2005

Disclaimer

This document 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.

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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.

This document contains financial information/data reported under IFRS. These data are preliminary, as only full compliance with International Financial Reporting Standards issued at 31/12/2005 is required, unaudited, and thus, being subject to potential future modifications. This financial information has been prepared based on the principles and regulations known to date, and on the assumption that IFRS principles presently in force will be the same as those that will be adopted to prepare the 2005 full year consolidated financial statements and, consequently, does not represent a complete and final information under these regulations. In addition, the IFRS financial information contained herein may not be comparable to financial information published by Telefónica that was prepared under Spanish GAAP.

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Quarterly Results
January – March 2005

Financial highlights

	Jan-Mar 2005	Jan-Mar 2004	% Change 1Q05/1Q04	% Change 1Q05/1Q04 ex-forex ⁽¹⁾	% Change 1Q05/1Q04 organic ⁽²⁾
Revenues	8,278.8	7,093.4	+16.7%	+17.3%	+9.2%
Operating Expenses ⁽³⁾	(4,993.6)	(4,225.4)	+18.2%		
Operating Income before D&A (OIBDA)	3,414.7	2,937.6	+16.2%	+16.4%	+9.5%
D&A	(1,526.4)	(1,432.9)	+6.5%		
Operating Income (OI)	1,888.3	1,504.7	+25.5%	+25.4%	+21.3%
Net Income	912.2	671.4	+35.9%		

(1) Assuming constant exchange rates as of 1Q04

(2) Assuming constant exchange rates as of 1Q04. Incorporating the assets acquired to BellSouth in Argentina, Colombia, Chile, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela into the mobile business and Atrium into Telefónica Latinoamérica Group, from January 1st 2004

(3) Supplies, Personnel Expenses, External Services and Taxes

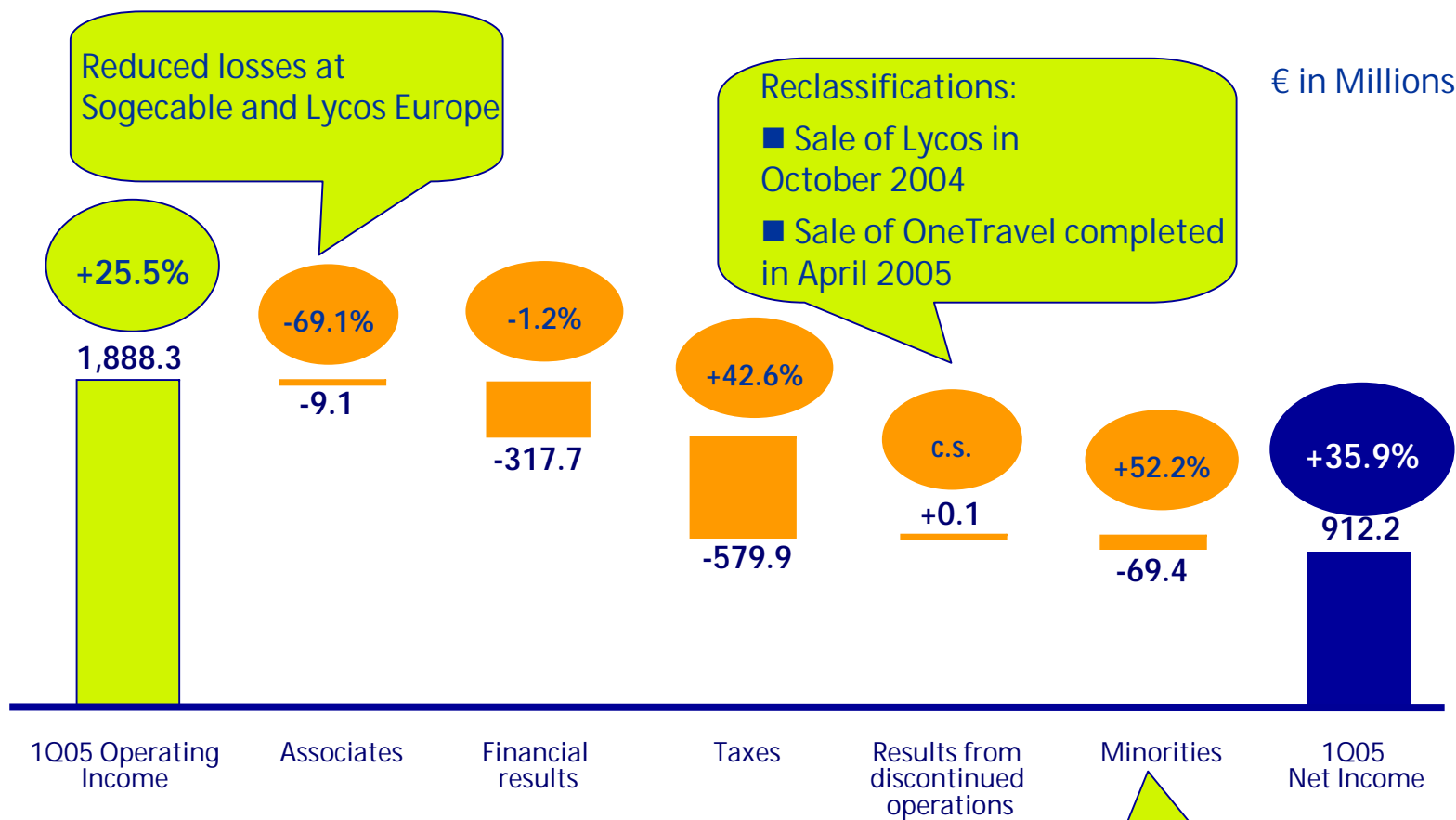
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Quarterly Results
January – March 2005

Strong management of bottom-line



Reduced losses at Sogecable and Lycos Europe

Reclassifications:
 ■ Sale of Lycos in October 2004
 ■ Sale of OneTravel completed in April 2005

■ Impact of sale of CTC mobile to TEM
 ■ Reduced losses at Terra



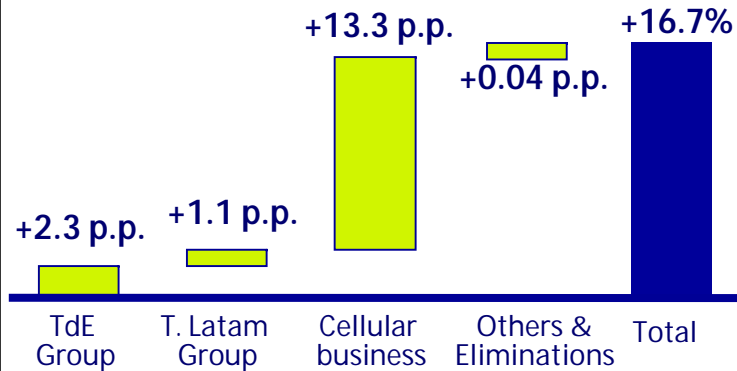


Quarterly Results
January – March 2005

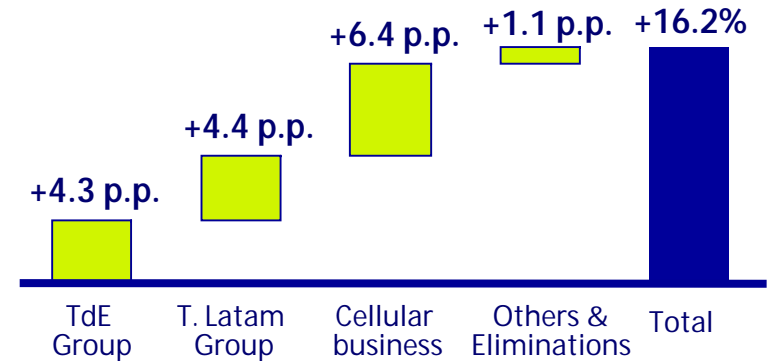
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A balanced portfolio of assets having complementary business profiles...

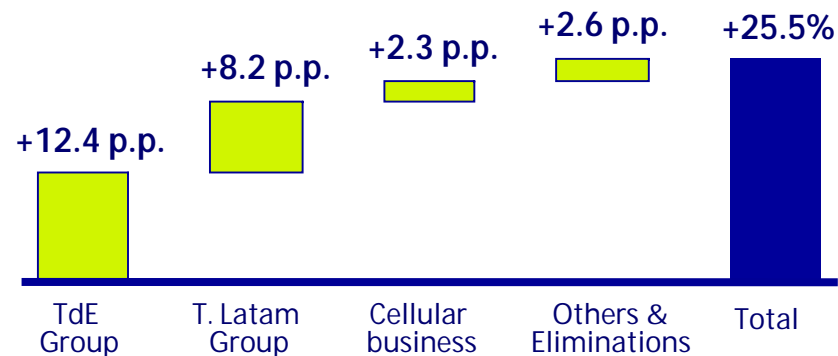
Contribution to revenue growth



Contribution to Operating Income before D&A (OIBDA) growth



Contribution to Operating Income growth

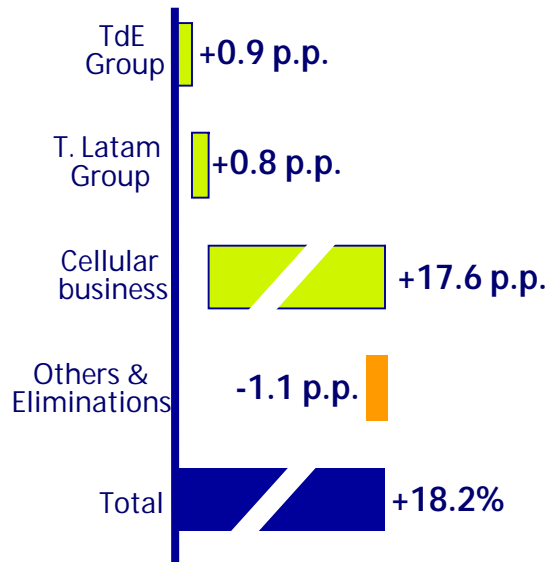




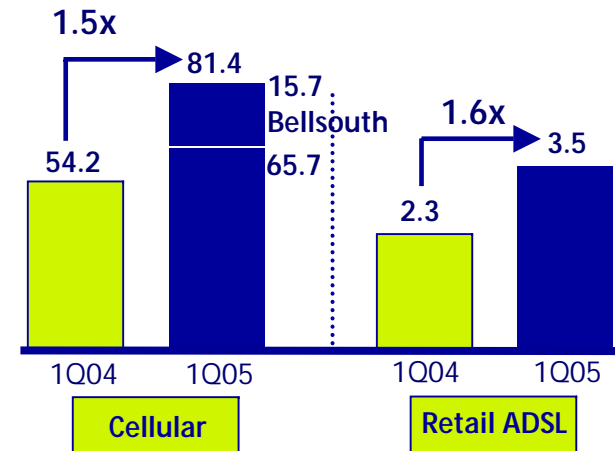
Quarterly Results
January – March 2005

...that we manage for growth and returns...

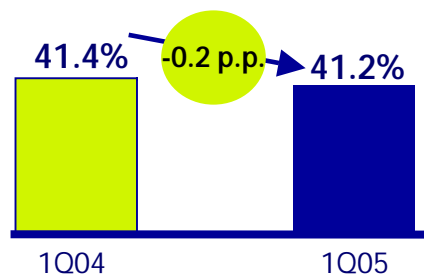
Contribution to OpEx(*) growth



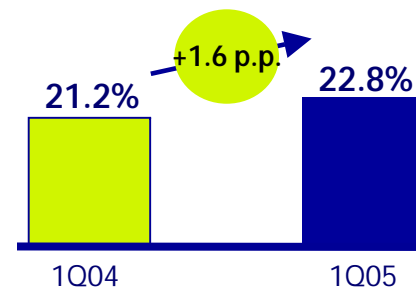
Group cellular & ADSL accesses
(Millions)



OIBDA Margin



Operating Income Margin



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Quarterly Results
January – March 2005

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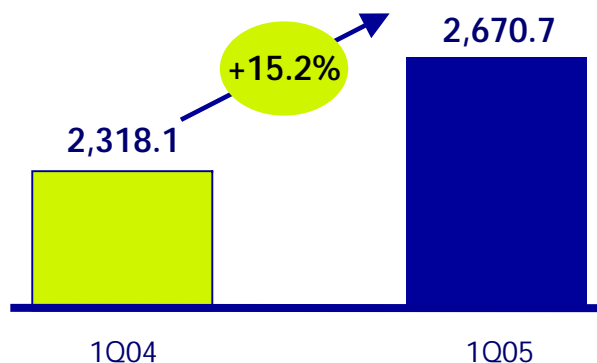
...and that excels in cash generation while investing in our high growth projects

CapEx breakdown (€ in Millions)

	Group Total	% Change 1Q05/1Q04
TdE Group	248.5	-5.4%
Cell. Business	311.4	+39.7%
T. LATAM	127.5	+24.3%
TOTAL	744.0	+20.1%

- **67% of TdE's investments were devoted to transformation**, with more than 100 cities being added to Imagenio coverage in 2005
- **18 p.p. of the Cellular Business growth in CapEx are related to the incorporation of Bellsouth**. Efforts to increase UMTS coverage in Spain (4,100 BTS installed to date) and the capacity of Latam networks continue
- **CapEx linked to stronger demand and broadband** at Telefónica Latinoamérica

OpCF (OIBDA-CapEx) breakdown (€ in Million)

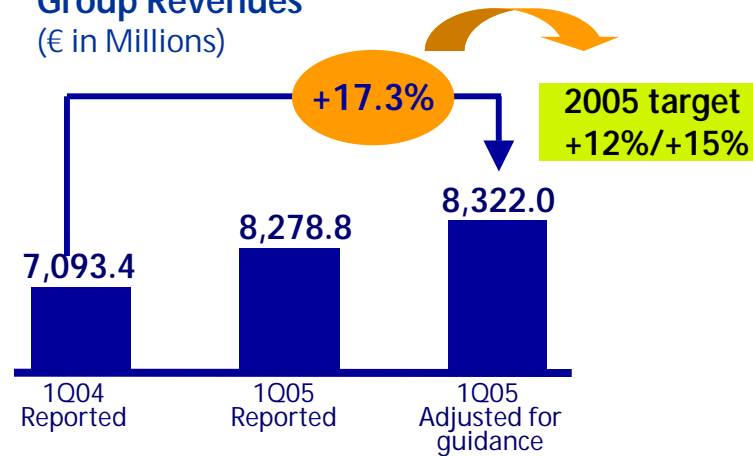




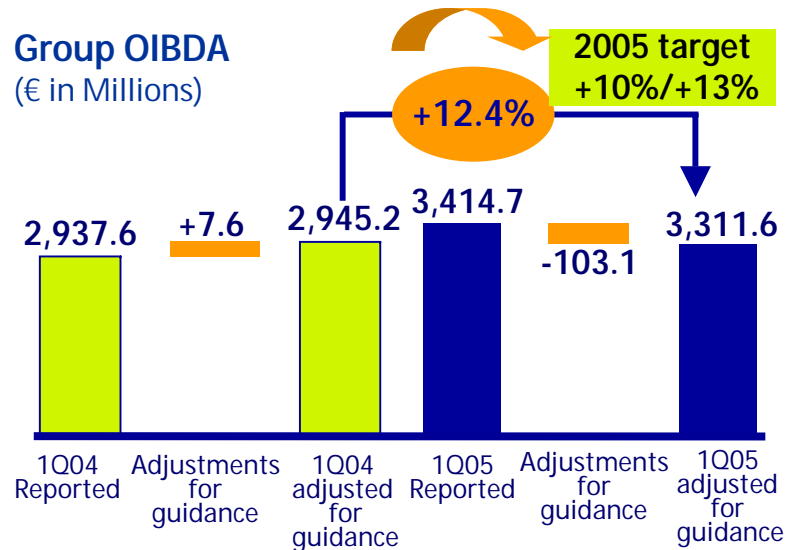
Quarterly Results
January – March 2005

1Q05 performance is in-line with year-end targets

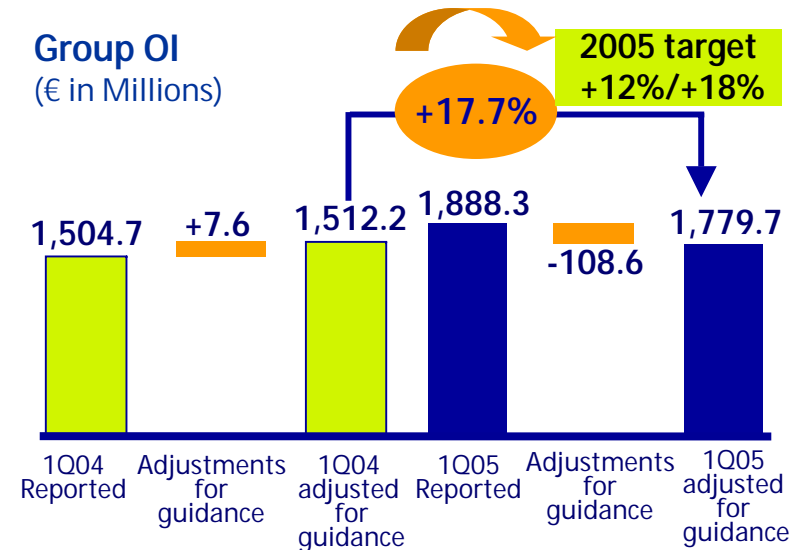
Group Revenues
(€ in Millions)



Group OIBDA
(€ in Millions)



Group OI
(€ in Millions)



Notes

1Q05 adjusted for guidance assumes constant exchange rates as of 1Q04 (as of 2004 for year-end target). All figures exclude changes in consolidation, other than assets acquired to BellSouth in Argentina & Chile in 2005 (TEM), and Atrium (T.Latam). In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses. For homogeneous comparison the equivalent other exceptional revenues/expenses registered in 1Q04 are also deducted from reported figures in terms of guidance calculation



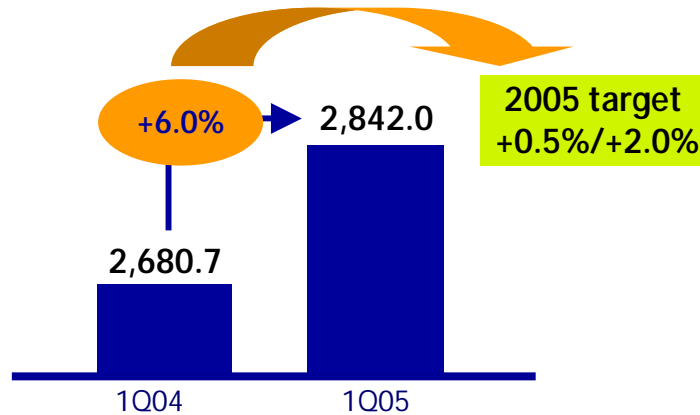
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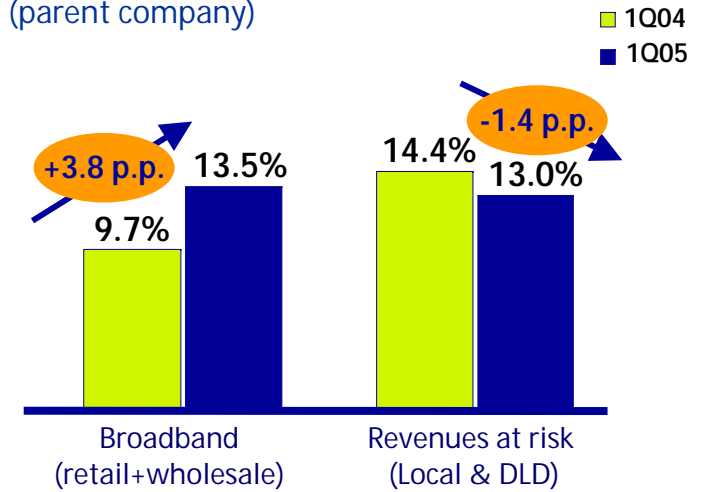
Quarterly Results
January – March 2005

Telefónica de España Group: Broadband focus leads to achieve growth targets in revenues ...

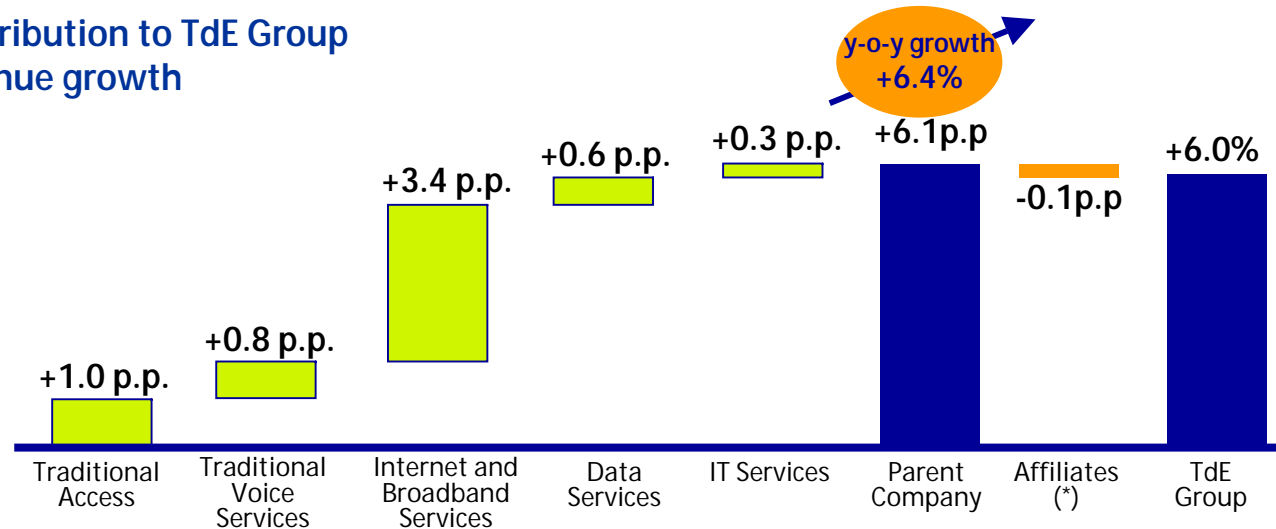
Operating revenues
(€ in Millions)



Weight over Operating revenues
(parent company)



Contribution to TdE Group
revenue growth



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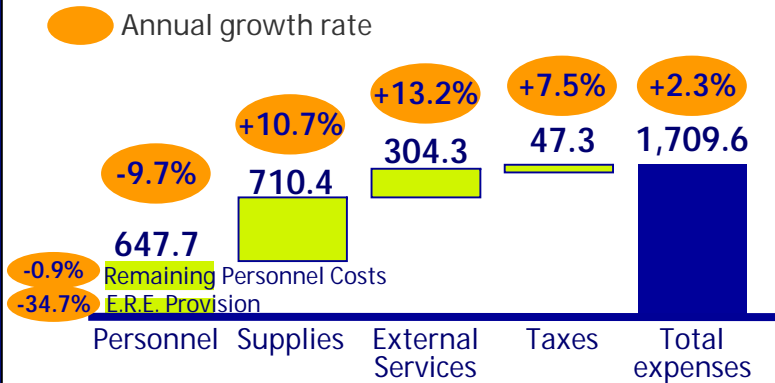
(*) Telyco, TTP, T. Cable



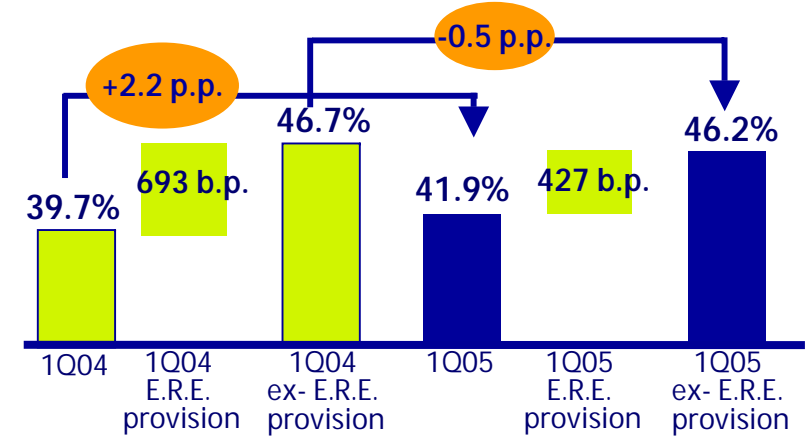
Quarterly Results
January – March 2005

... and OIBDA, as higher efficiencies offset pressure on margins due to increased supplies and commercial costs

TdE Group OpEx breakdown (€ in Millions)



TdE Group OIBDA margin



TdE Group OIBDA guidance
(€ in Million)

	OIBDA	Adjustments for guidance calculations	2005 Guidance
1Q04	1,065.0	-24.2	1,040.9
1Q05	1,191.9	-25.2	1,166.6
Growth	11.9%	12.1%	2% - 5%

- Pre-retirement Program accounts for half of 1Q05 OIBDA growth, a figure that will be reduced at year end
- Revenues are growing at 6% in 1Q05



Quarterly Results
January – March 2005

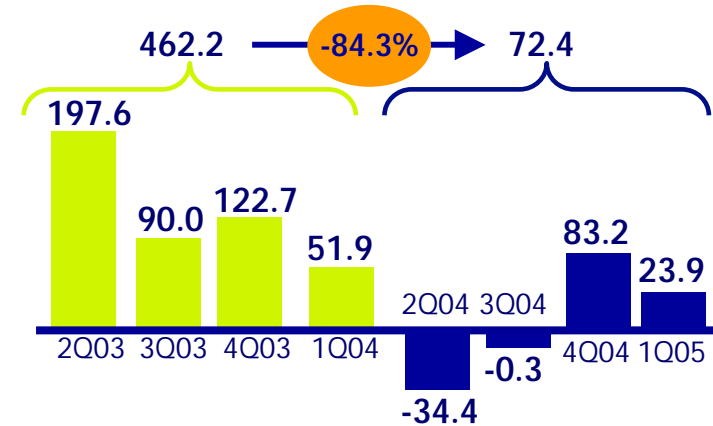
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Telefónica de España parent: traditional services

Lines evolution (Thousands)

	1Q04	2Q04	3Q04	4Q04	1Q05
Access lines net losses	28.6	69.9	70.1	17.4	85.1
- Full ULL net adds	7.7	17.0	16.6	20.7	21.8
Shared ULL net adds		2.1	12.2	23.2	55.5

Pre-selected lines net adds (Thousands)



Estimated Traffic (Million minutes)

	1Q05	1Q04	% Change 1Q05/1Q04
OUTGOING	15,965	18,674	-14.5%
<i>Voice (*)</i>	11,366	12,598	-9.8%
Local	5,947	6,855	-13.2%
Provincial	1,389	1,600	-13.2%
DLD	1,486	1,659	-10.4%
International	462	413	+11.6%
F2M	1,386	1,400	-1.0%
IN (**) & Others	696	670	+3.9%
<i>Internet</i>	4,599	6,076	-24.3%
INCOMING	13,284	14,076	-5.6%
TOTAL	29,249	32,750	-10.7%

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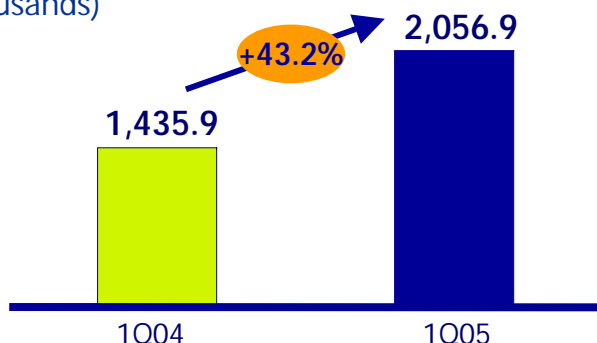
(*) Outgoing - Internet
(**) Intelligent Network



Quarterly Results
January – March 2005

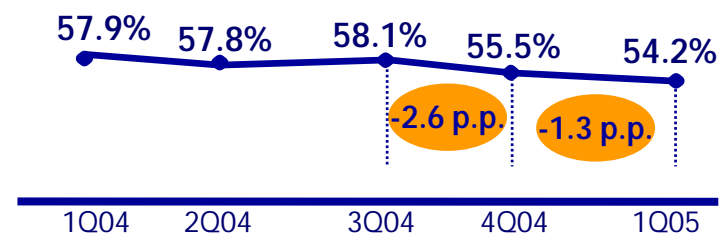
Telefónica de España: Retail ADSL is improving market positioning through innovative service offering

Retail ADSL Connections, Telefónica Group
(Thousands)



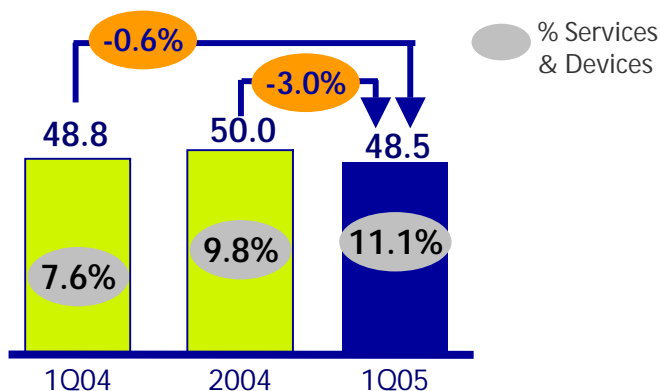
Sound broadband market growth with >421,000 net adds in 1Q05 (+54% vs.1Q04)

Estimated Group retail broadband market share



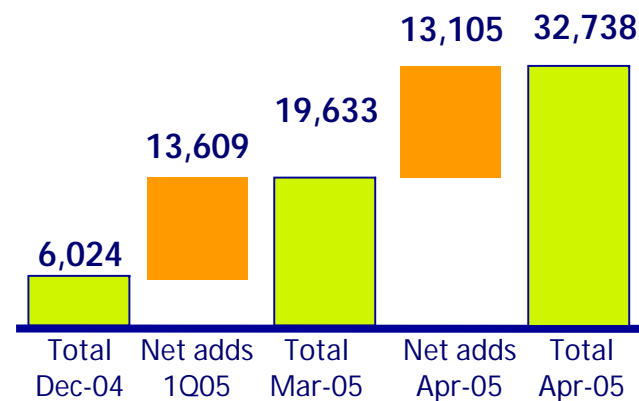
Contention of market share loss despite highly competitive environment

ADSL Retail ARPU, TdE parent
(€)



Services & Devices ARPU increased by 1.5x (1Q05 vs 1Q04) to 5.4 euros

IMAGENIO Clients



3 consumptions/month by clients using Video on Demand service

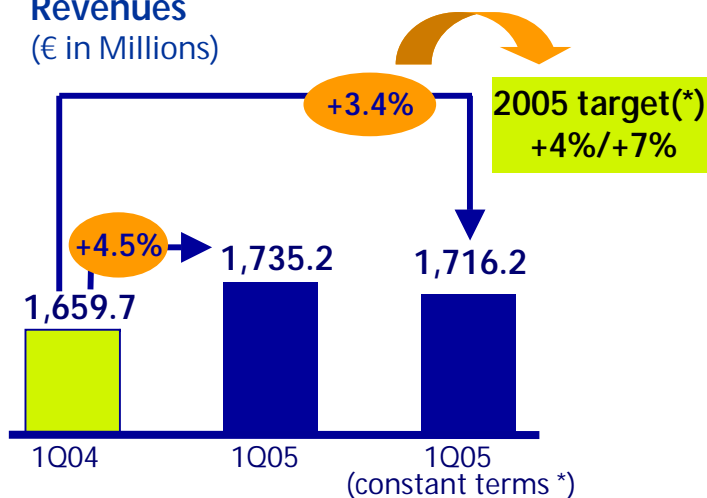
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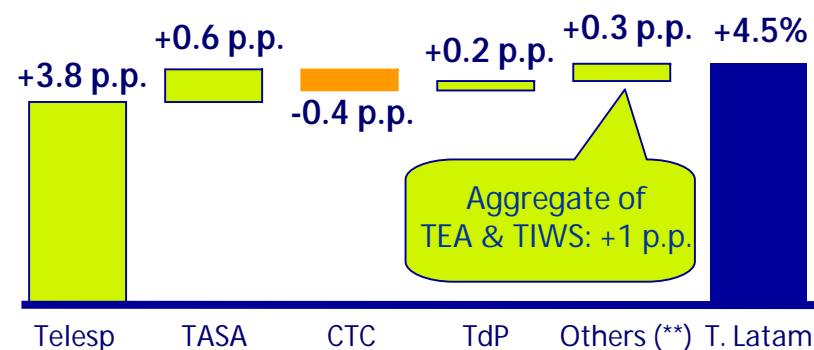
Quarterly Results
January – March 2005

Telefónica Latinoamérica: positive top-line performance...

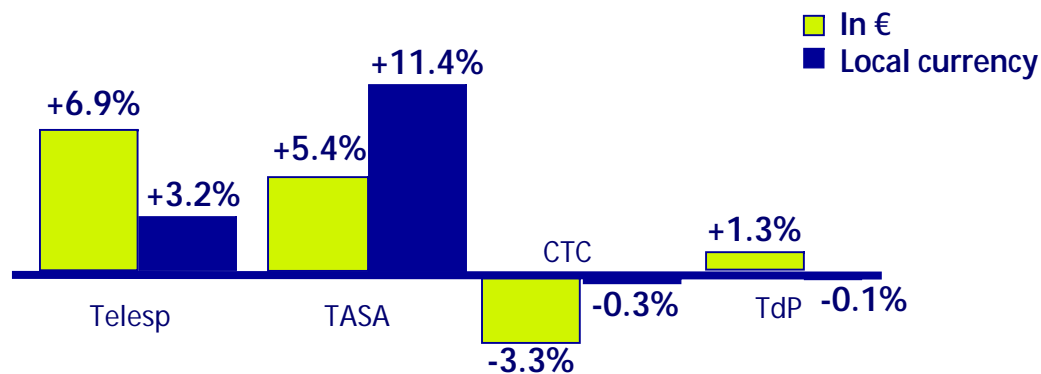
Revenues
(€ in Millions)



Contribution to Revenue growth by operating Company
(in €)



1Q05 Revenue growth by operating company



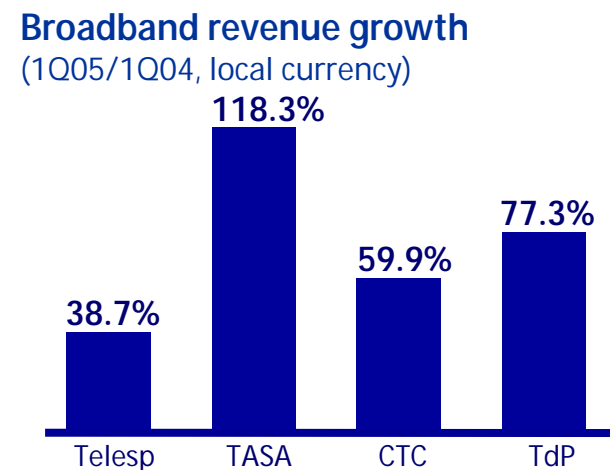
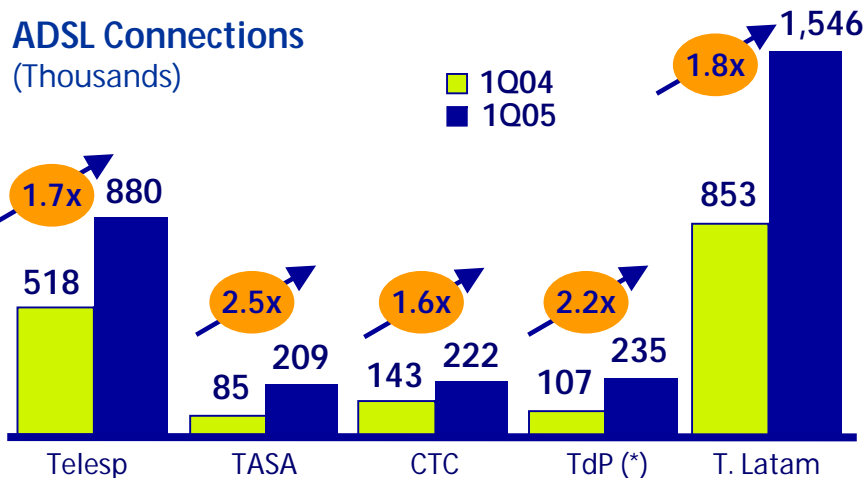
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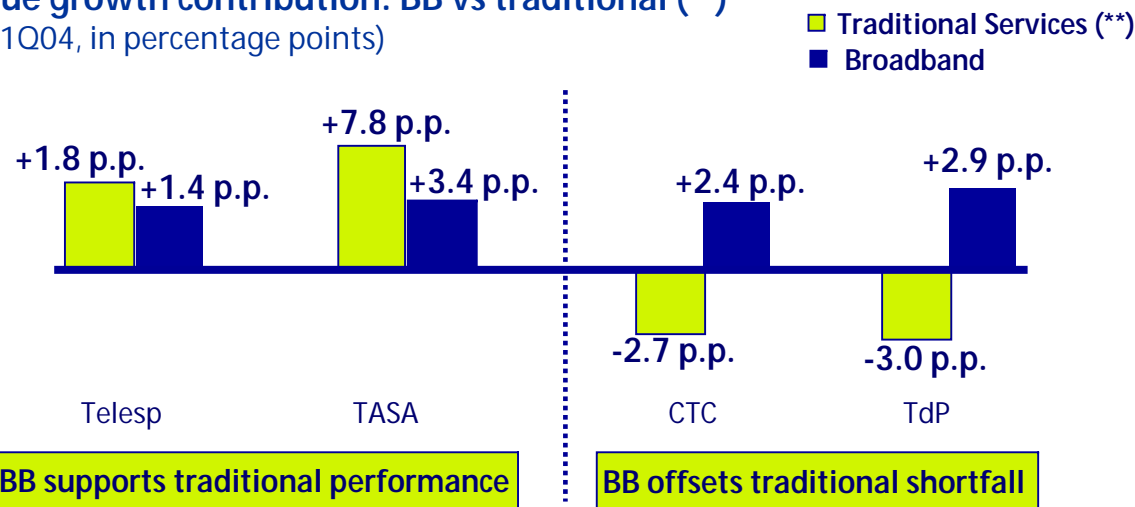
(*) Assuming constant exchange rates as of 1Q04 (as of 2004 for year-end target).
Excluding changes in consolidation other than Atrium.
(**) TEA, TIWS and Others & Eliminations



...driven by our ongoing commitment to develop broadband access across markets



Revenue growth contribution: BB vs traditional (**) (1Q05/1Q04, in percentage points)

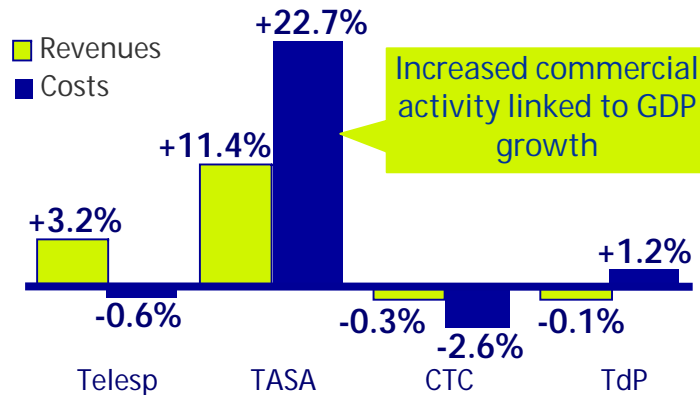




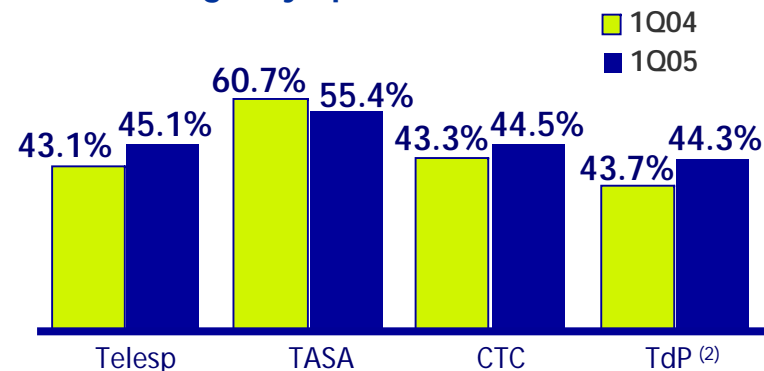
Quarterly Results
January – March 2005

Keeping efficiency efforts high to drive profitability

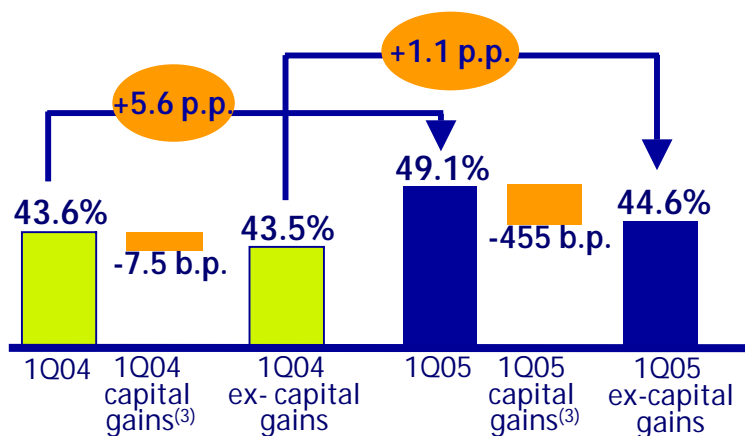
Evolution of revenues & costs⁽¹⁾
(Local currency, 1Q05/1Q04)



OIBDA margin by operator



Group OIBDA margin



OIBDA guidance
(€ in Millions)

	OIBDA	Adjustments for Guidance Calculations ⁽⁴⁾	2005 Guidance ⁽⁴⁾
1Q04	723.0	+1.8	724.8
1Q05	852.3	-80.4	771.9
Growth	17.9%	6.5%	+6%/+9%

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(1) Personnel, supplies, external services, taxes, bad debt & other operating expenses

(2) Excluding exceptional costs related to contingencies

(3) Capital gains from the sale of assets (mainly Infonet in 2005)

(4) Adjusted for exceptional revenues & expenses not foreseeable in 2005. 1Q05 & target refer to local currency (constant exchange rates) and exclude changes in consolidation other than Atrium



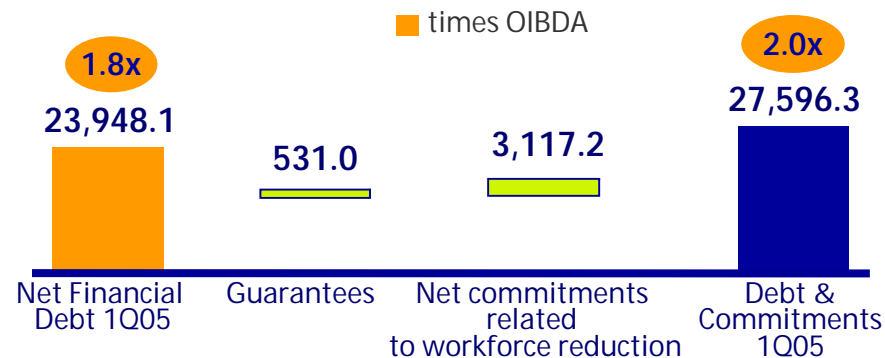
Quarterly Results
January – March 2005

Net financial expenses stable despite debt rise

€ in Millions	1Q05	1Q04	
Net Financial Expenses	(317.7)	(321.6)	(1.2%)
Net Interest Expenses	(380.5)	(394.1)	(3.5%)
FX Results	62.8	72.5	
Net Interest Expenses			
Average Total Debt	5.46%	6.65%	

1Q05 average total debt of
27,856 Million €
(+17.5% y-o-y)

Debt and Commitments breakdown (€ in Millions)



Net Financial Debt:

- 73% Euro, 18% Latam, 9% USD
- Average maturity: 5 years

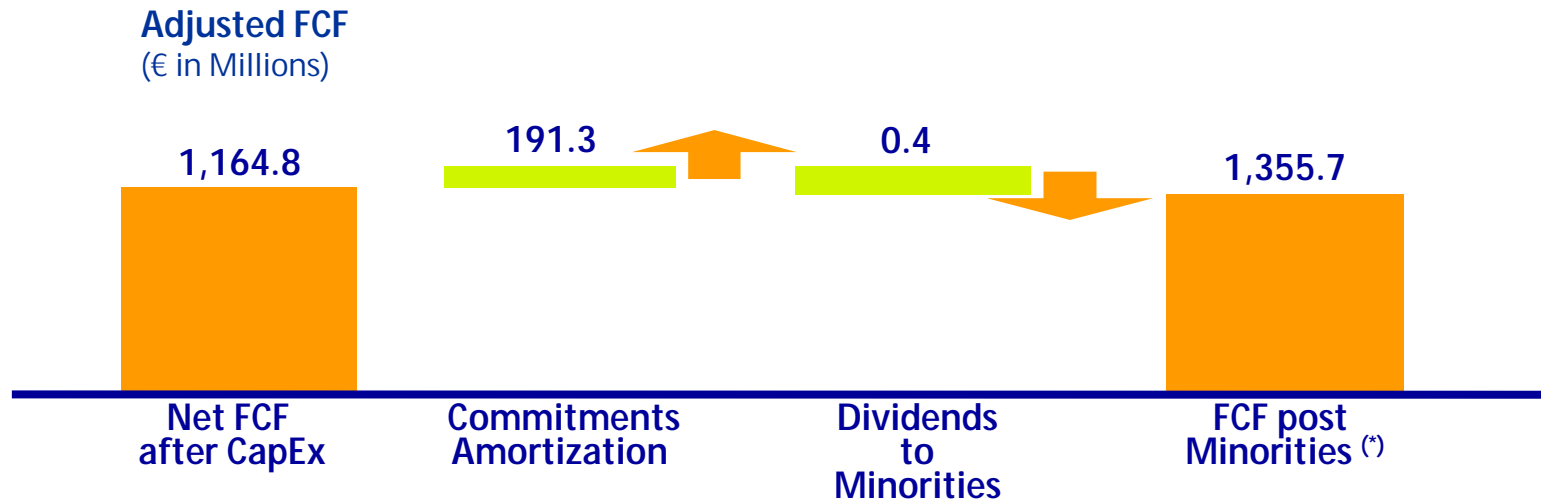
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Cash flow & Debt reconciliation

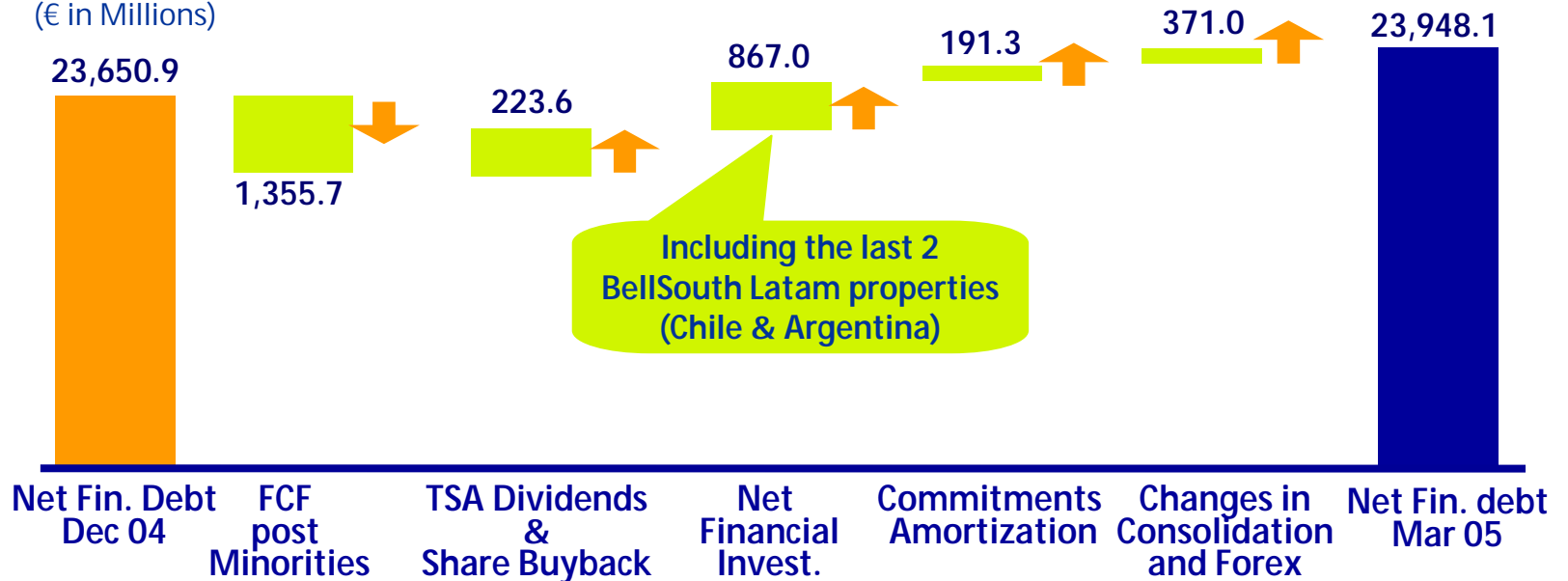


Quarterly Results
January – March 2005



Net Financial Debt reconciliation

(€ in Millions)



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(*) Investor Conference criteria



Quarterly Results
January – March 2005

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Conclusions

- Robust organic top-line growth, with all major subsidiaries contributing positively
- Solid revenue performance of our domestic operations, both fixed and mobile, in demanding competitive environments
- Positive sales evolution of our Latin American assets driven by the development of new business opportunities, namely broadband and BellSouth
- Strong commercial efforts to improve market positioning is being compatible with sound profitability at the Group level
- 1Q05 numbers underpin the Group's cash flow generation capabilities

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