

Quarterly Results

January – September 2005



November 11th, 2005



Quarterly Results
Jan – Sep 2005

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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. This data is preliminary as full compliance with International Financial Reporting Standards is not required until 31 December 2005, unaudited, and is therefore 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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9M05 Financial Highlights: Building an Attractive Growth Profile...

€ in Millions
(% change y-o-y)

	Jan-Sep 2005	Jan-Sep 2004	% Change 9M05/9M04	% Change 9M05/9M04 ex- Český ⁽¹⁾	% Change 1H05/1H04
Revenues	27,402.2	22,063.0	+24.2%	+21.9%	+20.0%
Operating Expenses ⁽²⁾	(16,758.0)	(13,212.9)	+26.8%		
Operating Income before D&A (OIBDA)	10,944.5	9,121.9	+20.0%	+17.2%	+15.3%
D&A	(4,820.0)	(4,204.4)	+14.6%		
Operating Income (OI)	6,124.5	4,917.4	+24.5%	+22.3%	+21.4%
Net Income	3,253.3	2,389.2	+36.2%		

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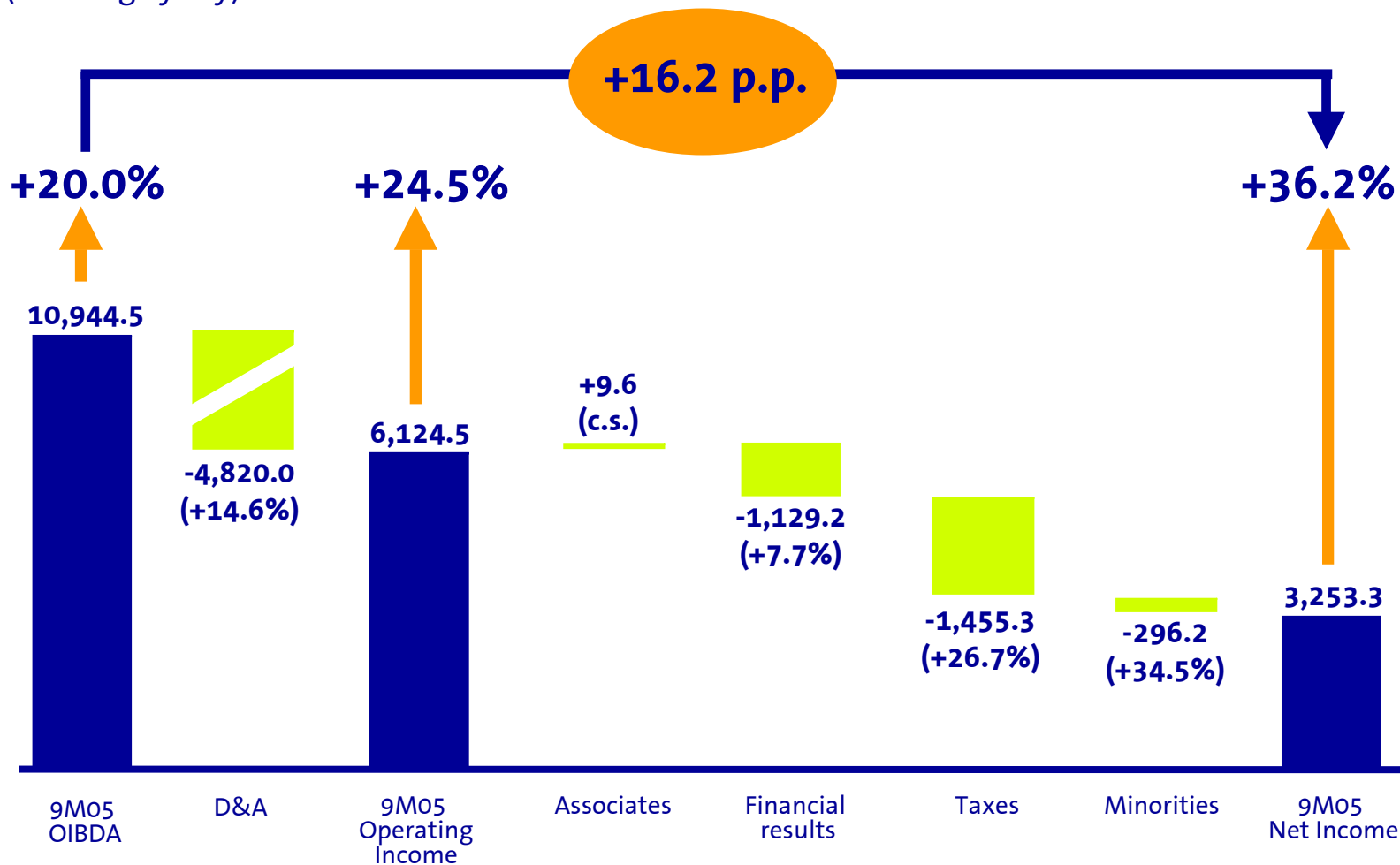
(1) Český Telecom is fully consolidated since July 2005
(2) Supplies, Personnel Expenses, External Services and Taxes



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...That Spreads From Top to Bottom with Non-Operating Results Managed Efficiently

€ in Millions
(% change y-o-y)



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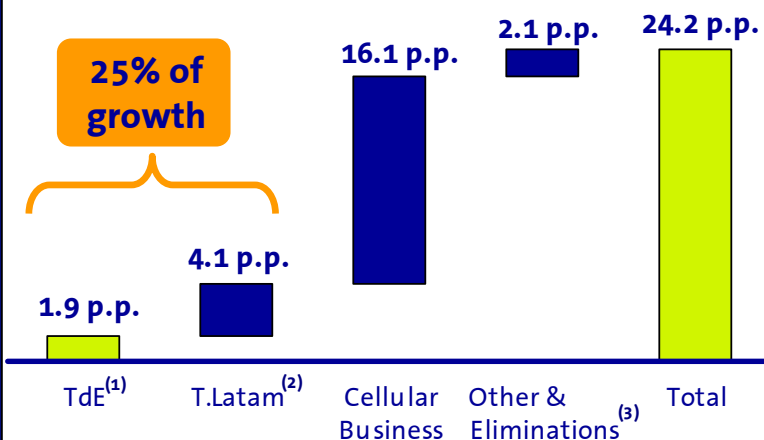
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We Are Benefiting from Diversification...

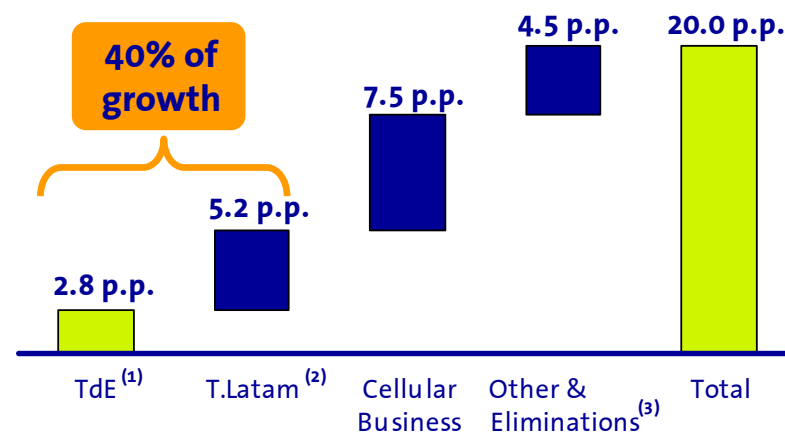


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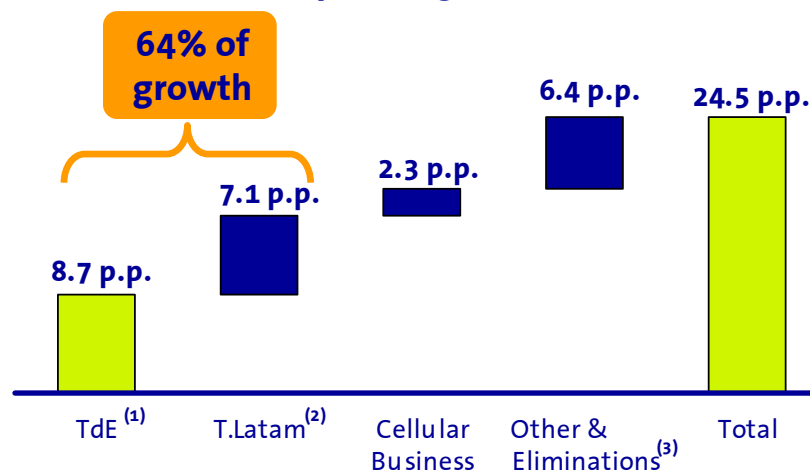
Contribution to Revenue Growth



Contribution to OIBDA Growth



Contribution to Operating Income Growth



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(1) Including Terra's Spanish unit 3Q05 numbers, with 1H05 numbers classified under Others

(2) Including Terra's Latam unit 3Q05 numbers, with 1H05 numbers classified under Others. Adjusted for the capital gains related to the sale of CTC mobile unit in 3Q04 for OIBDA and OI (425.5 MME)

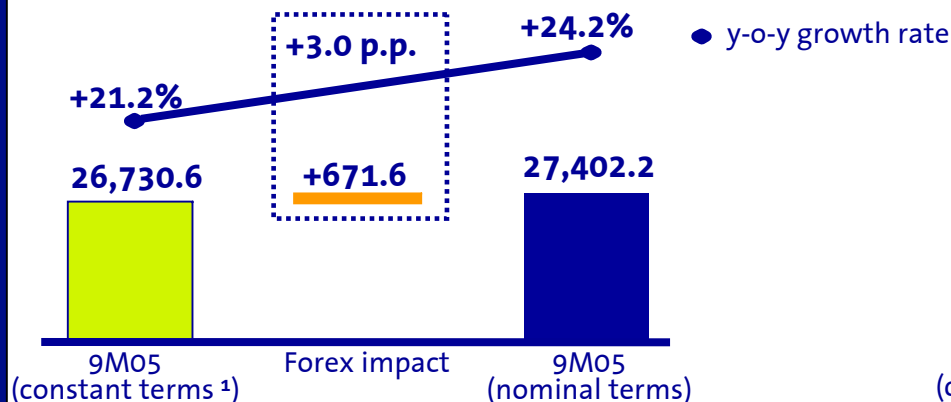
(3) Including Český Telecom since July 2005



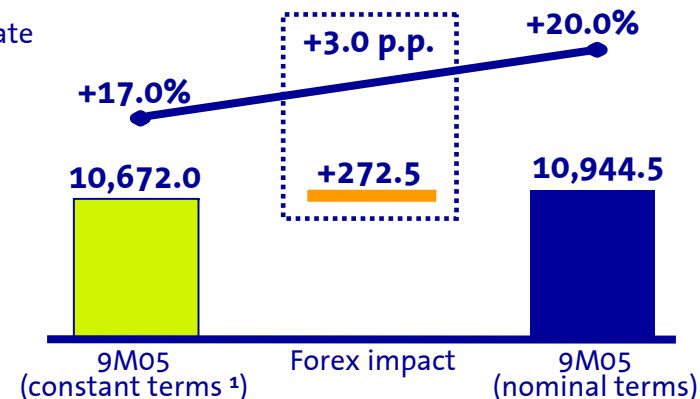
Quarterly Results
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...Having in this Year Positive Currency Environment...

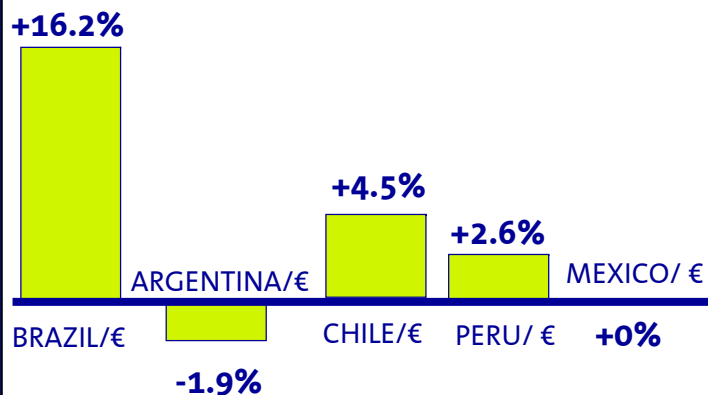
Revenues: Constant vs Nominal
(€ in Millions)



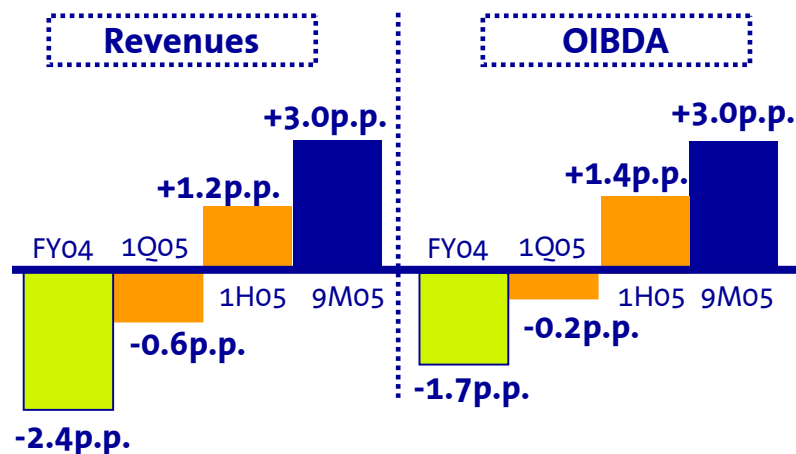
OIBDA: Constant vs Nominal
(€ in Millions)



Yearly Movement of Main Currencies (2)



Forex Impact Comparison (2004 vs 2005)



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(1) Assuming constant exchange rates as of 9M04
(2) Exchange rates used to translate local currency P&Ls into €



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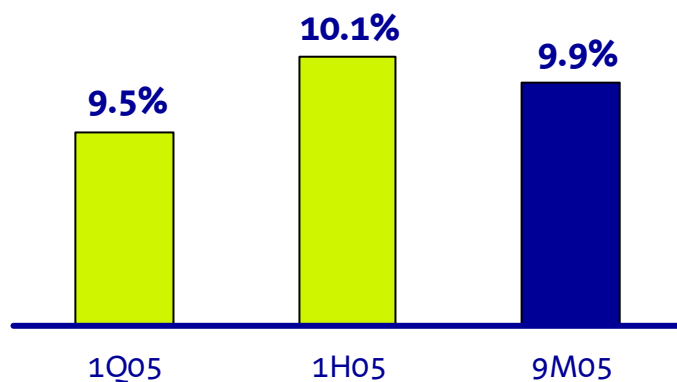
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...An Increasing Support to Capitalize on our Very Healthy Organic Growth

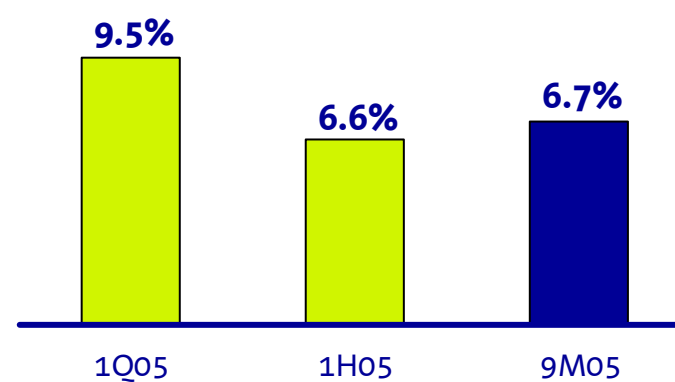
Organic Revenue Growth Evolution ⁽¹⁾

	% Change 1Q05/1Q04	% Change 1H05/1H04	% Change 9M05/9M04
TdE Group ⁽²⁾	+6.0%	+5.4%	+5.0%
Cell. Business	+17.5%	+19.5%	+18.0%
T. Latam ⁽²⁾	+3.2%	+6.2%	+6.2%

Evolution of Organic Revenue Growth ⁽¹⁾



Evolution of Organic OIBDA Growth ⁽¹⁾



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(1) Assuming constant exchange rates as of 9M04. 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's Group, from January 1st 2004

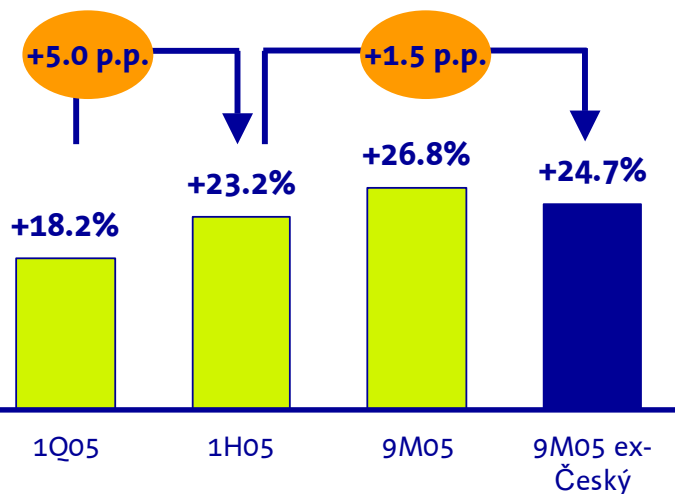
(2) Excluding 3Q05 revenues of Terra's Spanish and Latam units, which are consolidated under TdE and T.Latam since July 2005, respectively



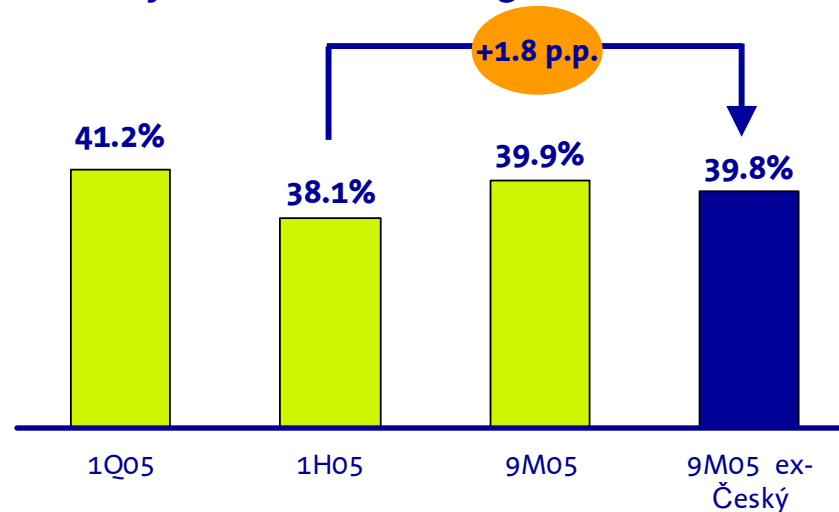
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The Drive on Revenues Pressures Costs and Margins Despite a Recovery in 3Q05...

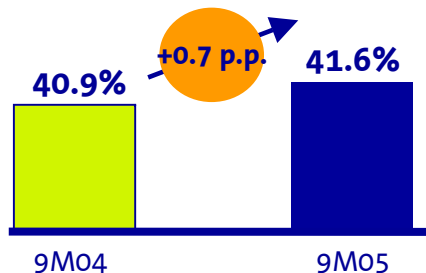
Operating Costs Growth ⁽¹⁾



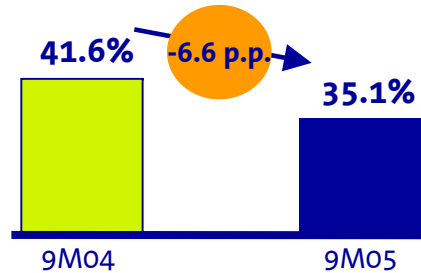
Yearly Trend in OIBDA Margin



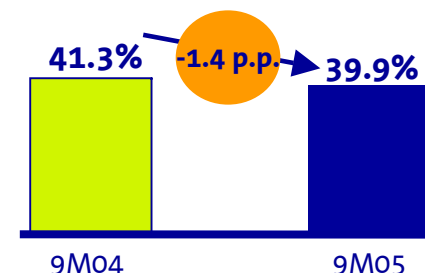
Wireline OIBDA Margin
(Aggregate TdE+T.Latam ²)



Cellular OIBDA Margin



Group OIBDA Margin



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(1) Current terms. Including Supplies, External Services, Personnel expenses, and taxes

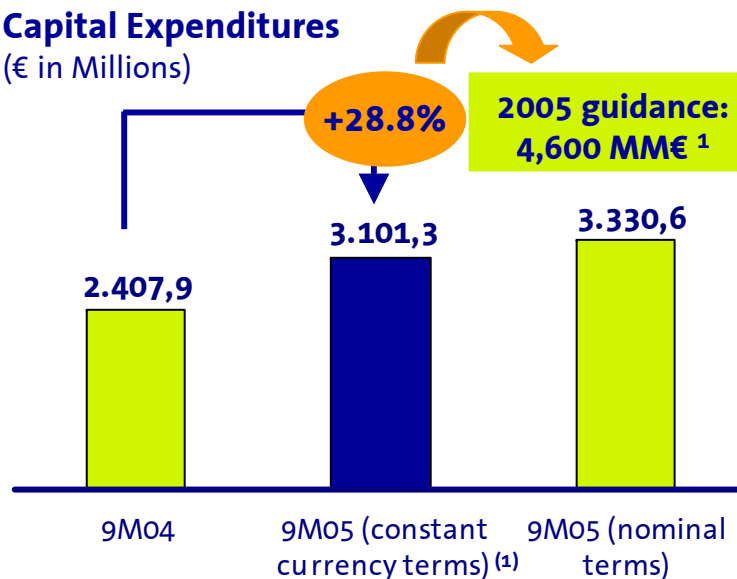
(2) Including Terra's Spanish & Latam units, respectively since July 2005. For T.Latam, OIBDA margin is calculated pre-capital gains (77.5 MM€ mainly from the sale of Infonet in 2005, and 426.8 MM€ mainly from the sale of CTC mobile unit in 2004, respectively)



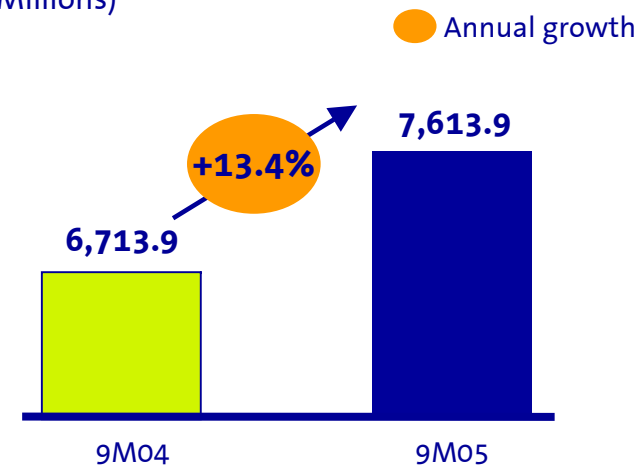
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...With Cash Generation Remaining Healthy

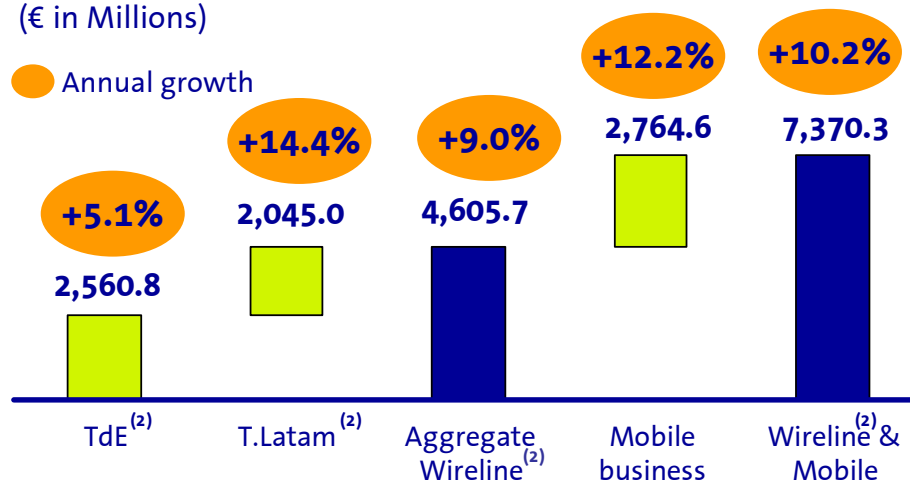
Capital Expenditures
(€ in Millions)



OpCF (OIBDA-CapEx)
(€ in Millions)



OpCF (OIBDA-CapEx) Breakdown
(€ in Millions)



**Wireline represents
>60% of Group's OpCF**



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(1) Assuming constant exchange rates as of 9M04 (as of 2004 for year-end guidance). Excluding changes in consolidation other than assets acquired to BellSouth in Argentina and Chile in 2005 (TEM), and Atrium (T.Latam)

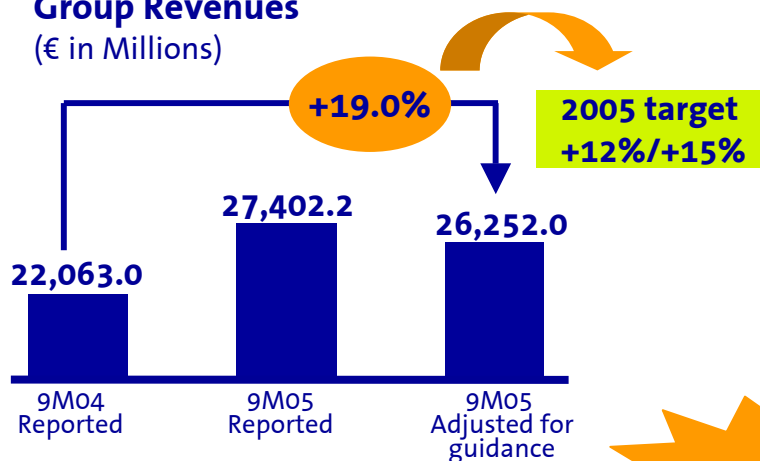
(2) Including Terra's Spanish & Latam units, respectively, since July 2005. For T.Latam, 9M04 OIBDA excludes capital gains from the sale of CTC mobile unit as it is an intra-group benefit (425.5 MM€), 9M05 OIBDA includes capital gains from the sale of Infonet (80.0 MM€)



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Year-end Guidance Update

Group Revenues
(€ in Millions)

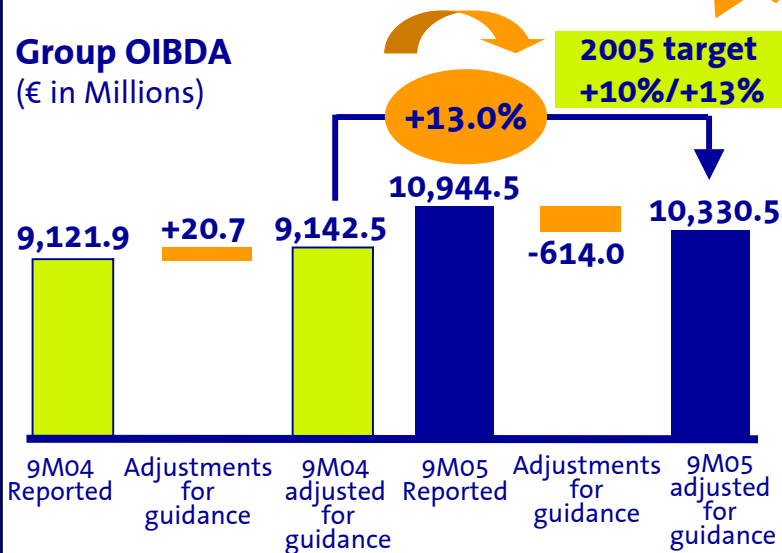


2005 REVENUE GUIDANCE UPGRADED
FROM +12%/+15% TO MORE THAN +15%

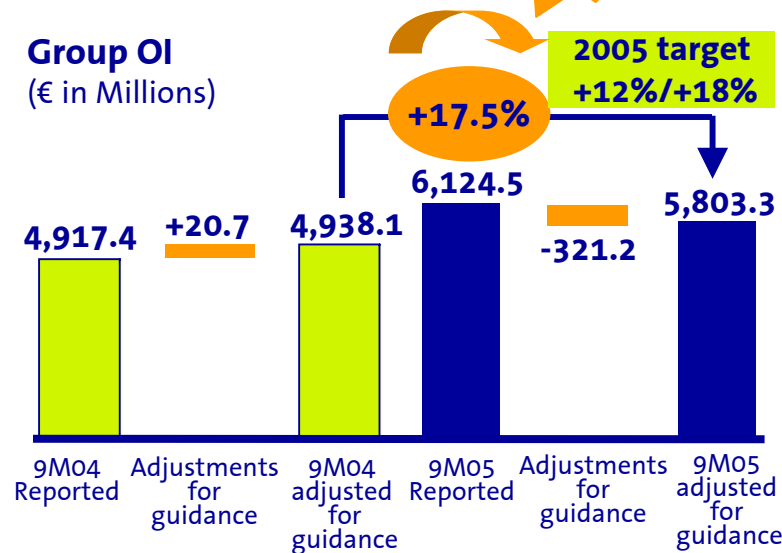
MAINTAINED

MAINTAINED

Group OIBDA
(€ in Millions)



Group OI
(€ in Millions)



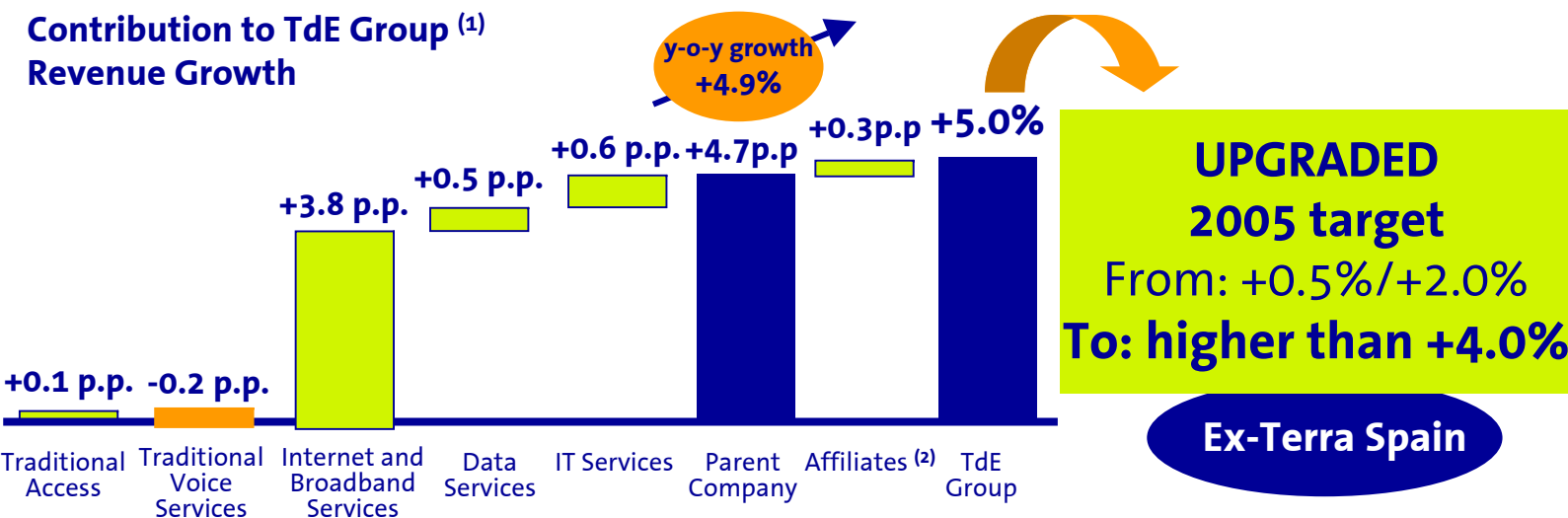
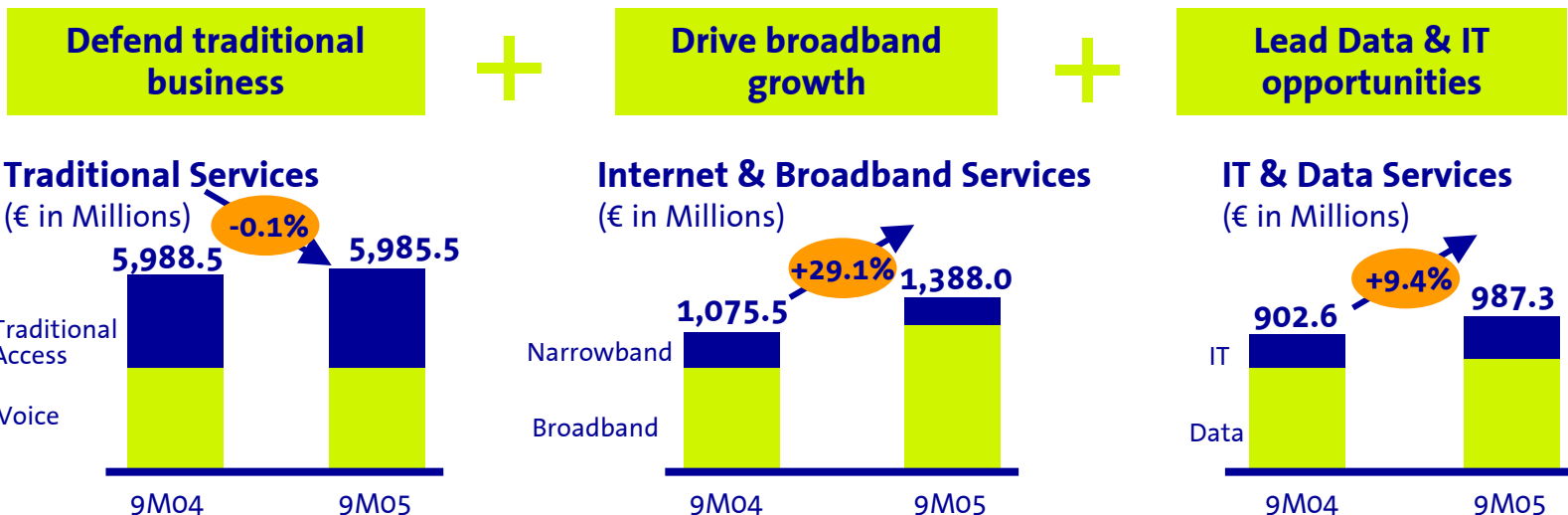
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9M05 adjusted for guidance assumes constant exchange rates as of 9M04 (as of 2004 for year-end target). All figures exclude changes in consolidation, other than assets acquired to BellSouth in Argentina & Chile in 2005 (TEM), and Atrium (T.Latam). 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 9M04 are also deducted from reported figures in terms of guidance calculation



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Telefónica de España Group: Upgrading Revenue Guidance after Three Excellent Quarters of Growth



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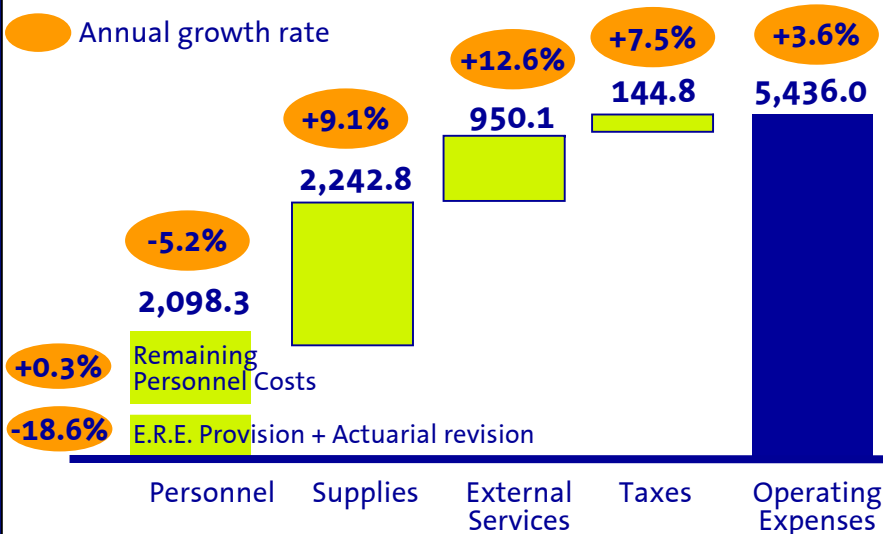
(1) Excluding revenues from Terra Spanish Unit (9.0 MM€ in 3Q05), which is consolidated under TdE Group since July 2005
(2) Telyco, TTP, T. Cable



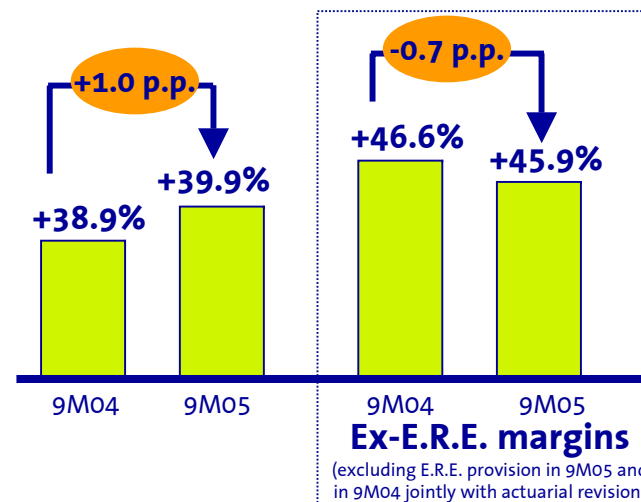
Quarterly Results
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... While Increased Supplies and Commercial Costs Lead us to MAINTAIN OIBDA GUIDANCE

TdE Group OpEx Breakdown (€ in Millions)



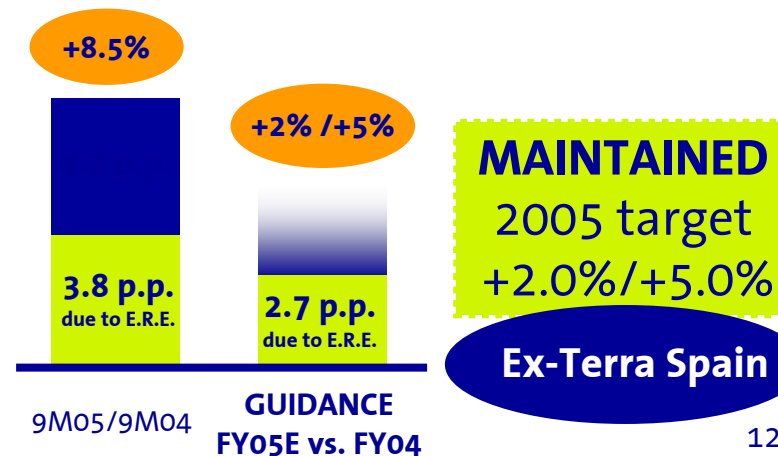
TdE Group OIBDA Margin (%)



TdE Group OIBDA Guidance (€ in Millions)

	OIBDA	Adjustments for guidance calculations	
9M04	3,228.9	-59.1	3,169.8
9M05	3,486.2	-46.8	3,439.4
Growth	+8.0%		+8.5%

TdE Group OIBDA: 9M05 vs Guidance



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Ex-Terra Spain



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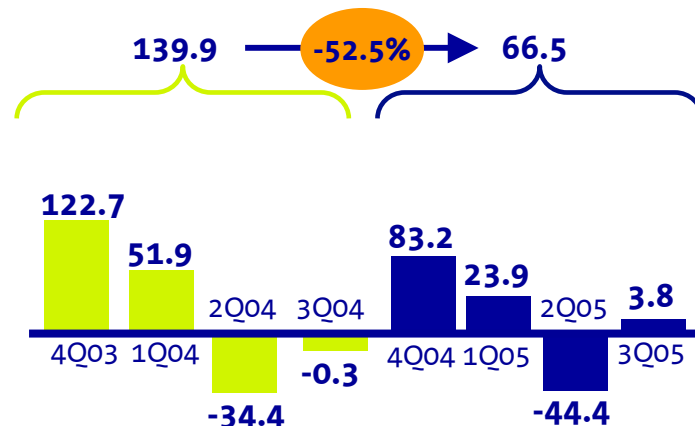
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Telefónica de España Parent: Traditional Services

Lines Evolution (Thousands)

	3Q04	4Q04	1Q05	2Q05	3Q05
Access lines net losses ⁽¹⁾	70.1	17.4	85.1	29.9	65.2
■ Full ULL net adds	16.6	20.7	21.8	20.2	12.0
Shared ULL net adds	12.2	23.2	55.5	83.3	52.4

Pre-selected Lines Net Adds (Thousands)



Estimated Traffic (Million minutes)

	9M05	9M04	% Change 9M05/9M04
OUTGOING	44,656	51,790	-13.8%
<i>Voice</i> ⁽²⁾	32,666	35,478	-7.9%
Local	16,478	18,705	-11.9%
Provincial	4,045	4,556	-11.2%
DLD	4,316	4,672	-7.6%
International	1,479	1,280	15.6%
F2M	4,300	4,340	-0.9%
IN ⁽³⁾ & Others	2,049	1,926	6.4%
<i>Internet</i>	11,990	16,311	-26.5%
INCOMING	38,078	41,168	-7.5%
TOTAL	82,733	92,958	-11.0%

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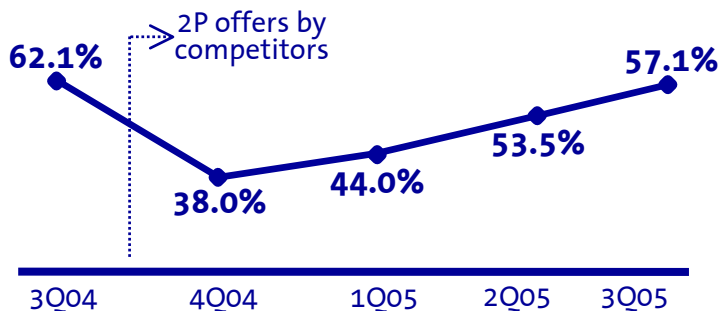
(1) PSTN & basic ISDN
(2) Outgoing - Internet
(3) Intelligent Network



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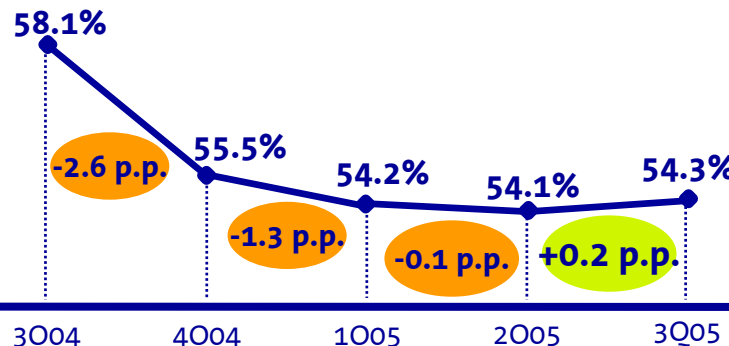
Telefónica de España: Recovering BB Market Share Through a Leading Commercial Approach

Retail BB Net Adds Market Share ⁽¹⁾



(1) Estimated for Telefónica de España Group

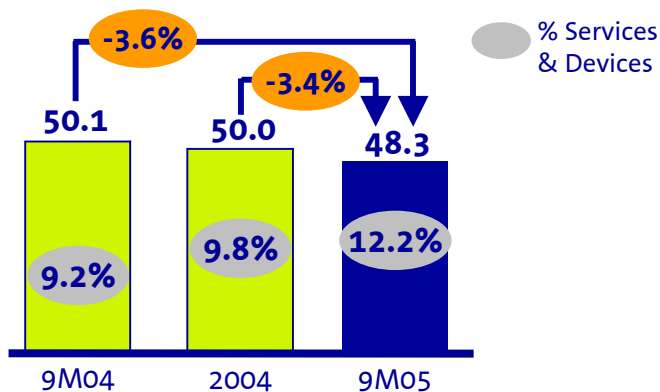
Retail BB Market Share ⁽¹⁾



Summer promotions, Imagenio, and Dúos & Tríos (2P & 3P bundles) launched in September driving estimated market share recovery in 3Q05

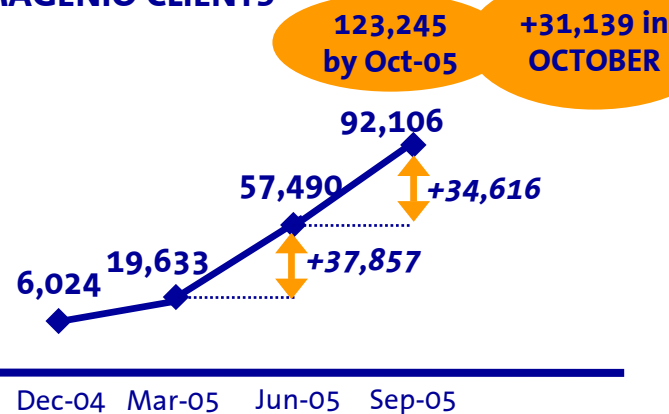
345,135 DÚOS & TRÍOS by Sep-05

ADSL Retail ARPU, TdE Parent (€)



ARPU from Services & Devices (non connectivity) growing by 27.0% as of September 2005

IMAGENIO CLIENTS



Imagenio accelerates customer growth after summer effect



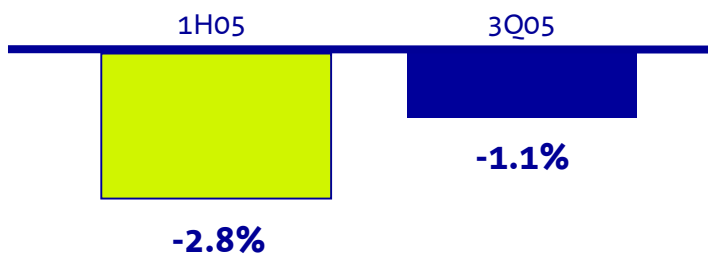


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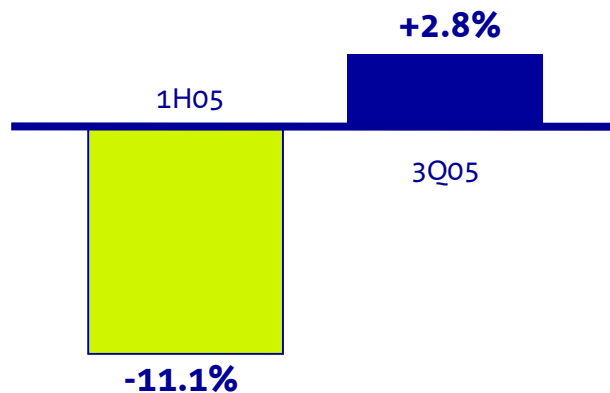
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Český Telecom: Progressing at All Levels in Just Three Months Since We Took Over

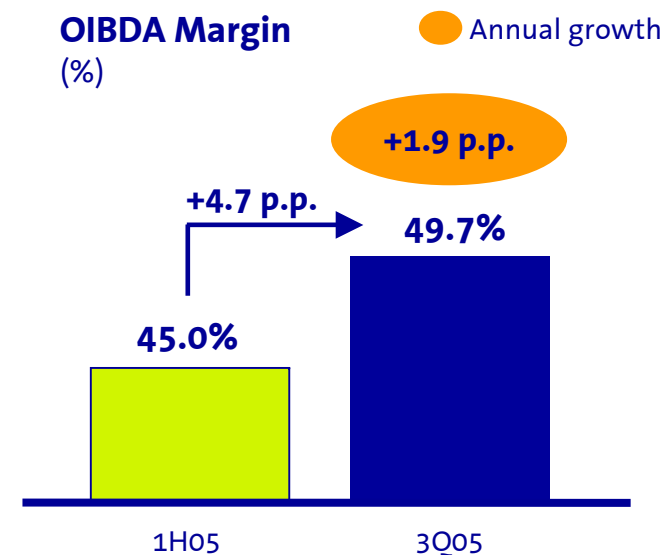
Annual Revenue Growth (Local currency)



Annual OIBDA Growth (Local currency)



OIBDA Margin (%)



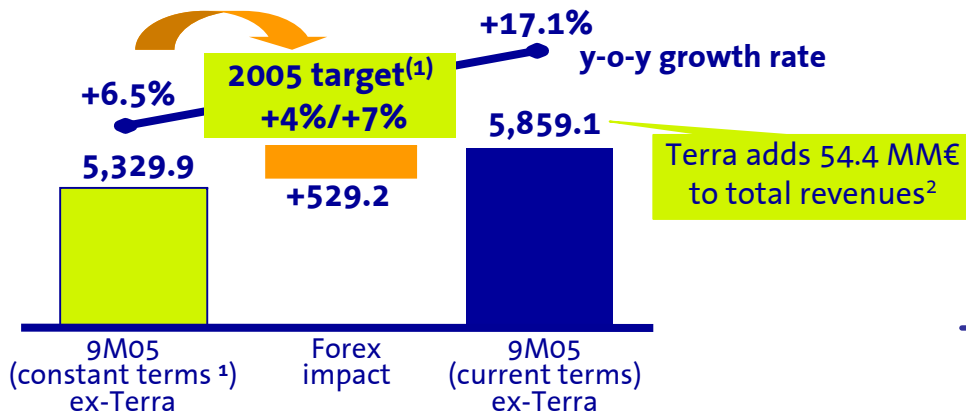


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Telefónica Latinoamérica: Growing Solidly across Regions...

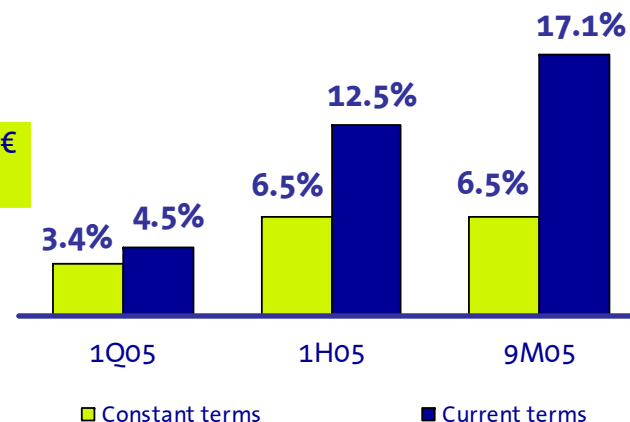
Revenues

(€ in Millions)



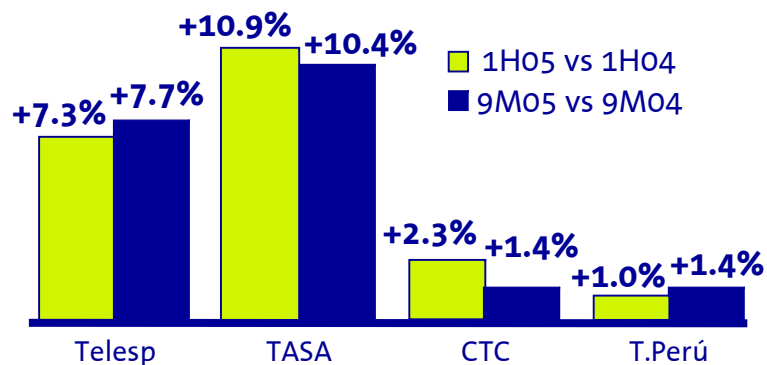
Revenue Growth Rate

(% annual change, ex-Terra)



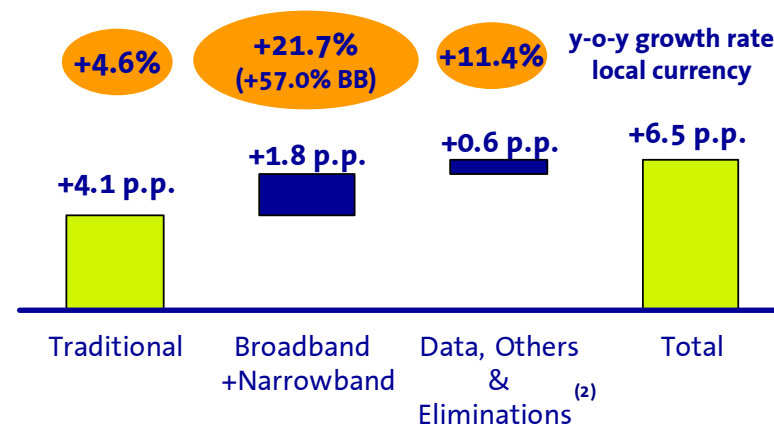
Revenue Growth by Operating Company

(Local currency)



Contribution to Revenue Growth by business line

(Local currency)



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Note: Excluding Terra's Latam unit, which is consolidated under T.Latam since July 2005

(1) Assuming constant exchange rates as of 9M04 (as of 2004 for year-end target). Excluding changes in consolidation other than Arrium;

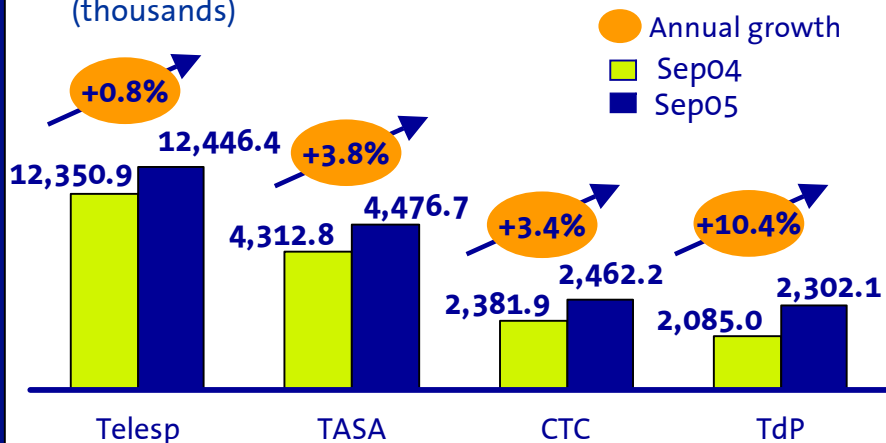
(2) TEA, TIWS and Others & Eliminations



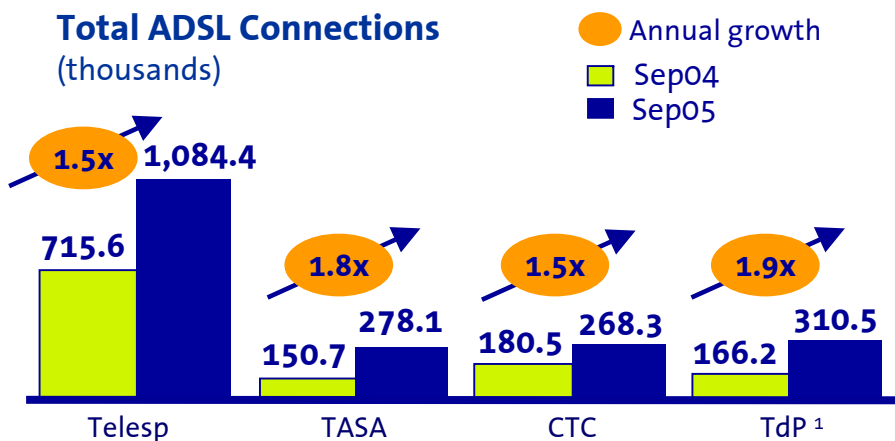
Quarterly Results
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...By Leveraging on the Provision of Both Traditional and Broadband Services...

Traditional Accesses in Service
(thousands)



Total ADSL Connections
(thousands)



2 Million ADSL clients in Latam by end of October (+57% y-o-y)⁽²⁾

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(1) Including cable modem
(2) Excluding Terra Latam unit

Active Commercial Strategy

- Promotion of Value Added Services
- Prepay & usage control schemes to tap the low income segment
- Traffic packages to segment the offering

Dynamic advertising campaigns

- Taylor-made products, by time & by capacity, to widen penetration
- Speed upgrades to improve user experience
- Timely promotions of products, services & devices
- New “Wi-fi” solutions for Home, Corporates & Public Spaces

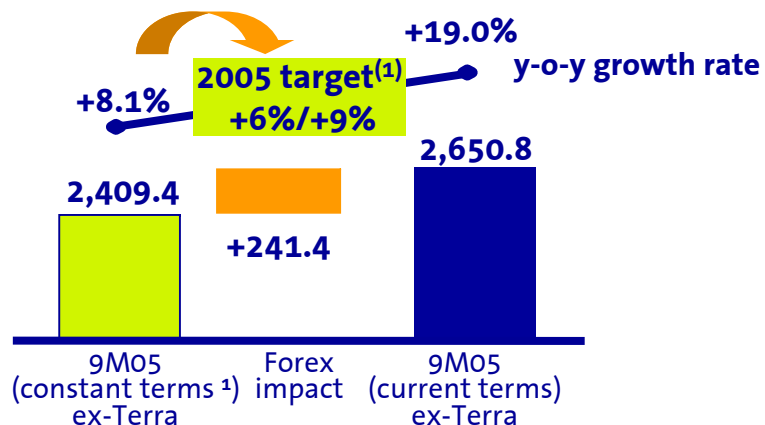
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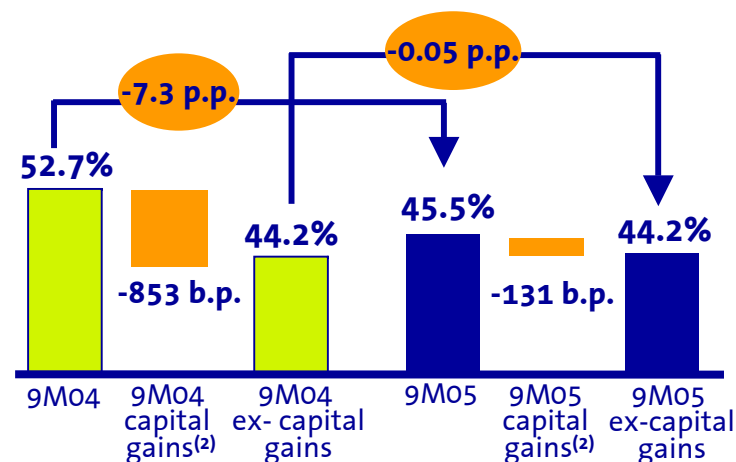
Quarterly Results
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...While Keeping Profitability High in Our Way to Reinforce our Market Positions

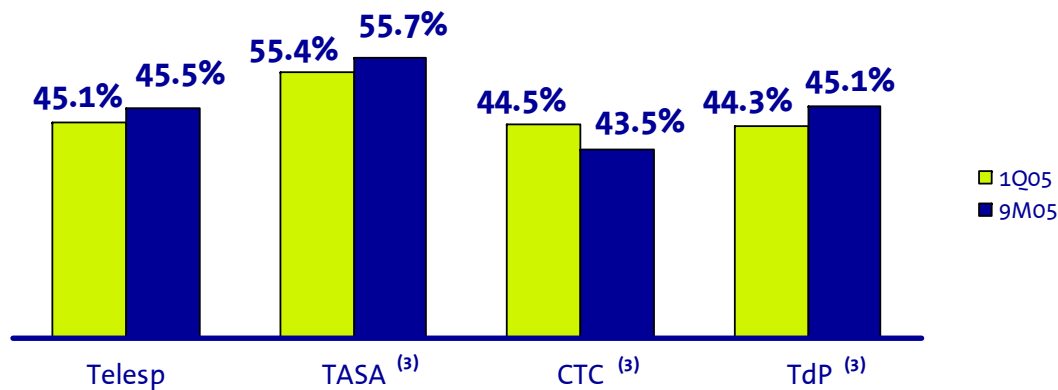
Adjusted OIBDA ⁽¹⁾
(€ in Millions)



Group OIBDA margin



OIBDA Margin by Company



Note: Including Terra's Latam unit since July 2005, except for OIBDA guidance calculation

(1) Adjusted for exceptional revenues & expenses not foreseeable in 2005. 9M05 and target refer to local currency (constant exchange rates) and exclude changes in consolidation other than Atrium

(2) 77.5 MM€ mainly from the sale of Infonet in 2005, and 426.8 MM€ mainly from the sale of CTC mobile unit in 2004, respectively

(3) For TASA, margins are net of F2M interconnection. For CTC, excluding 3Q05 extraordinary non-cash charge related to ILD (16.9 MM\$US). For TdP, excluding exceptional costs mainly related to contingencies

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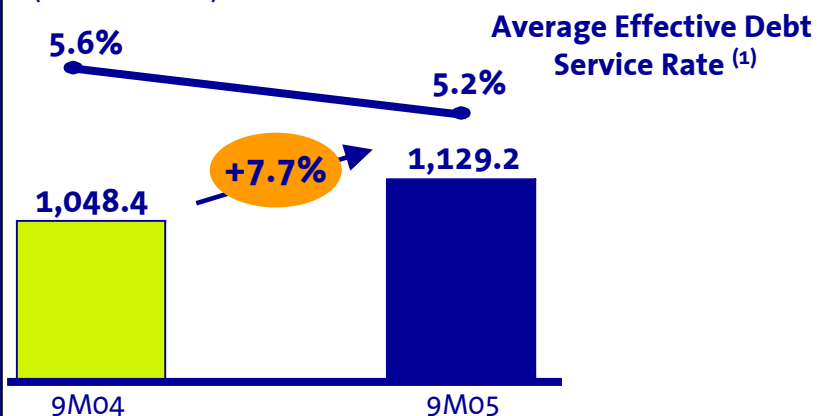


Quarterly Results
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An Active Management of Liabilities to Limit the Impact of Higher Gearing

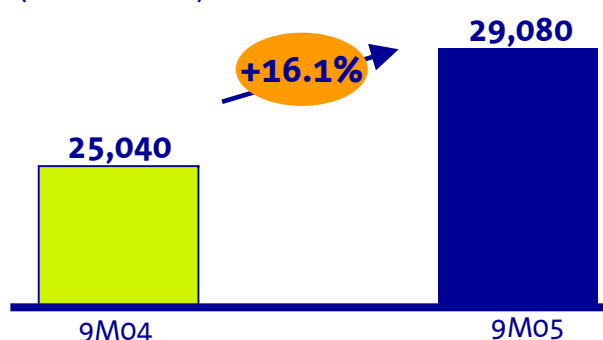
Evolution of Financial Expenses

(€ in Millions)



Evolution of Average Total Debt

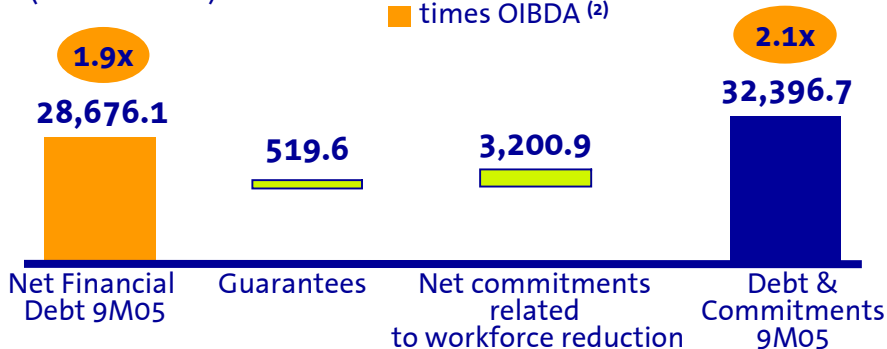
(€ in Millions)



51% out of the 4 Bn.€ increase in average debt is denominated in Latin American currencies

Debt and Commitments Breakdown

(€ in Millions)



Net Financial Debt: 68% Euro, 19% Latam, 8% USD, 5% CZK
Average maturity: >6 years taking into account syndicated facilities

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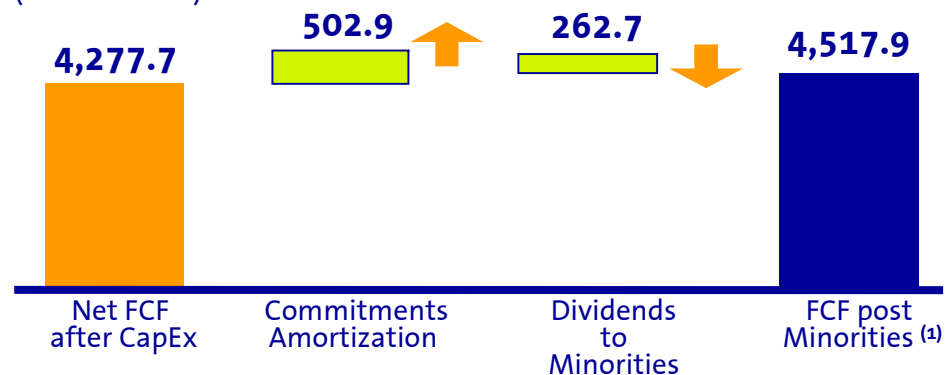
(1) Net financial expenses / Average total debt
 (2) Annualized OIBDA. Including Český Telecom January-September 2005 OIBDA



Quarterly Results
Jan – Sep 2005

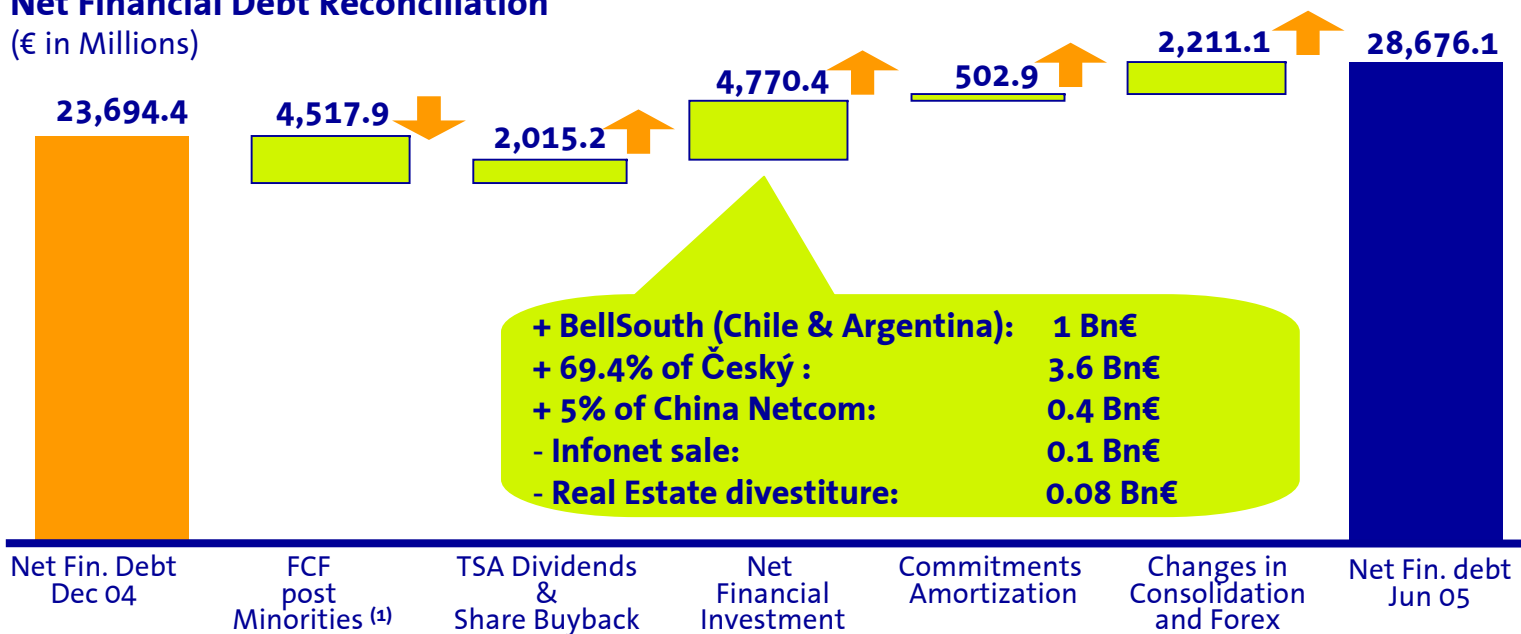
Cash Flow & Debt Reconciliation

Adjusted FCF (€ in Millions)



Net Financial Debt Reconciliation

(€ in Millions)



Telefonica

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Investor Relations

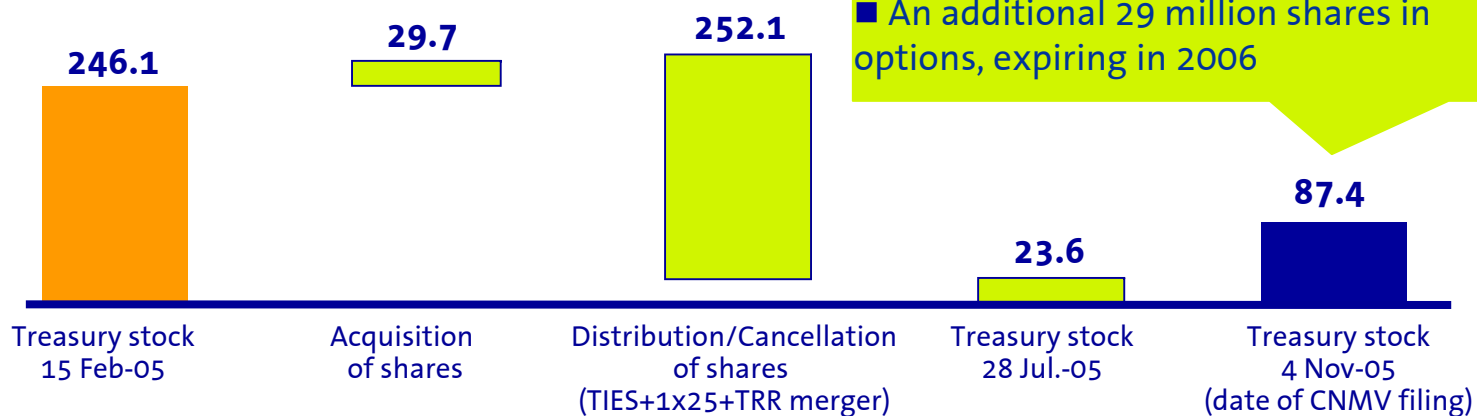
(1) Investor Conference criteria



Quarterly Results
Jan – Sep 2005

Share Buyback Program Progress Report

Evolution of Shares in Treasury (in Millions)



- 1.8% of capital currently held in treasury
- An additional 29 million shares in options, expiring in 2006

■ **PRINCIPLES: 6 BILLION EUROS UNTIL END 2007 (START IN MAY 2005), SENSITIVE TO CASH FLOW GENERATION AND SHARE PRICE**



Quarterly Results
Jan – Sep 2005

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Conclusions

- Organic growth remains solid across the year, as the benefits of integrated management flow into our financials
- Strong results, that are building our confidence up for the remaining of the year, allow us to upgrade Group's top line growth to "more than 15%"
- 2005 positive currency environment is being incremental to the Group's underlying performance
- Despite the commercial drive to strengthen market positioning, margins remain healthy backed by wireline and OpCF continues on the rise
- Wireline divisions remain industry benchmarks in terms of revenue growth, margins and cash generation, with Český Telecom starting to take profits from its integration into the Telefonica Group

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