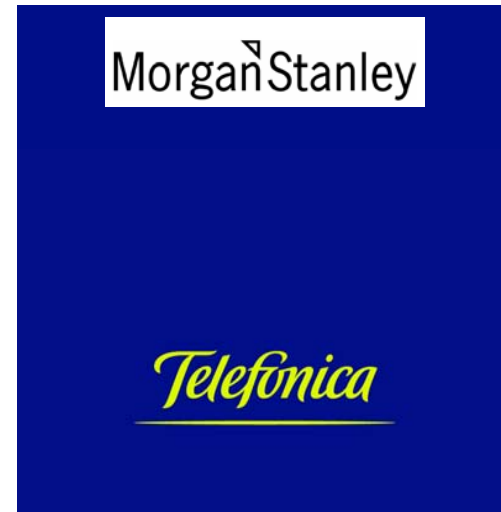
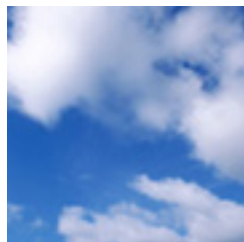


5th ANNUAL TMT CONFERENCE

***Santiago Fernández Valbuena, CFO
Telefónica Group***



Barcelona, November 18th, 2005



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Contents

Morgan Stanley

01 Achieving a Distinctive Profile by Leveraging on Scale

02 Strong Operating Performance Across The Group in 3Q05

03 Led to Benchmark Results, Based on Which We Upgraded Guidance



Morgan Stanley

01 Achieving a Distinctive Profile by Leveraging on The Benefits of Scale

WE HAVE AN AMBITIOUS ASPIRATION...

- To **grow top-line faster** than peers through better servicing our clients
- To **keep efficiency levels high in the long run** even in tough conditions (regulation, competition, technology)
- To achieve a **high cash flow conversion ratio**, for an attractive shareholder remuneration package

...AND THE VISION OF WHAT WE NEED TO SUCCEED

- To **achieve critical mass** in each of our local markets
- To exploit an **integrated management of operations** to enhance competitive positions and extract the full value of synergies
- To **leverage on a diversified** portfolio of assets by businesses and regions

The Best Combination of Growth and Cash Returns in the Industry...

...By Leveraging on Scale, Which Does Increasingly Matter



01 There Are at Least Eleven Benefits of Scale We Are Extracting Value From With Current Footprint

Morgan Stanley

Scale Impact	GLOBAL SCALE	REGIONAL SCALE	LOCAL SCALE
COSTS & CAPEX	1 Handset & equipment purchasing		
	2 Advertising		
	3 Content purchasing		
	4 Software development & IT operations		
		5 Network efficiency	
	6 Headquarter rationalisation		
SALES	7 Corporate solutions development		
	8 MNCs		
	9 Roaming		
	10 New services		
		11 Distribution	
OTHER	R&D Regulatory influence Attracting talent		



01 Telefónica Latinoamérica: An Example of Regional Management...

Morgan Stanley

COMMERCIAL INITIATIVES

- Transfer of commercial best practices
- Reduction of “time to market” in the development of products and services
- Joint development of campaigns and regional brand image
- Design of regional offers tailored to Corporates

EFFICIENCY INITIATIVES

- Transfer of best practices in the management of OpEx and CapEx
- Integration of headquarter functions
- Improved conditions on supplier’s contracts
- Development of integrated technological platforms
- Centralizing support functions



01 ...Out of Which We Are Obtaining Tangible Value

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Brazil

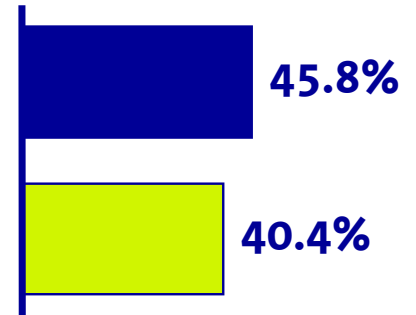
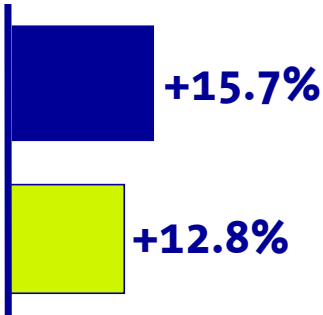


T. Latam (TeleSP)

Competition
(Average)

Revenue Growth
(CAGR 02-04)

EBITDA Margin
(2004)

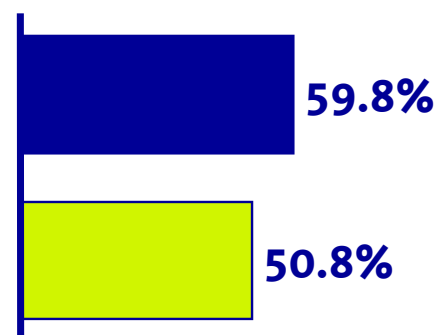
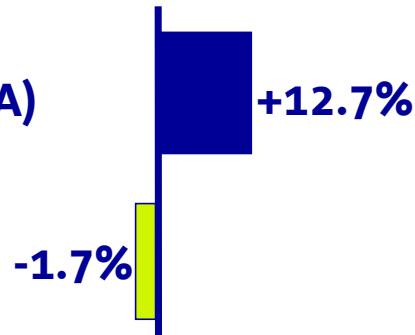


Argentina



T. Latam (TASA)

Competition
(Average)



We expect a deeper regional management to generate close to 100 MM€ a year in OpEx and CapEx savings from 2008 onwards



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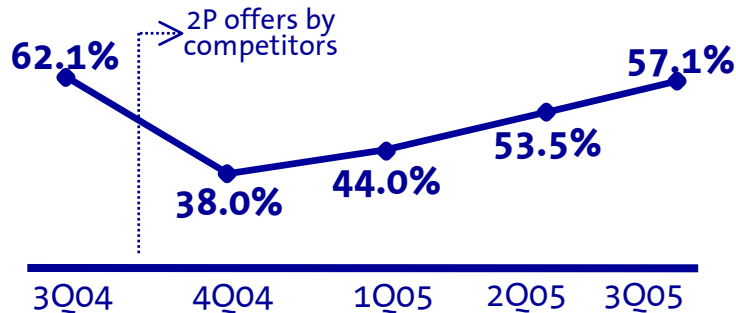
Morgan Stanley



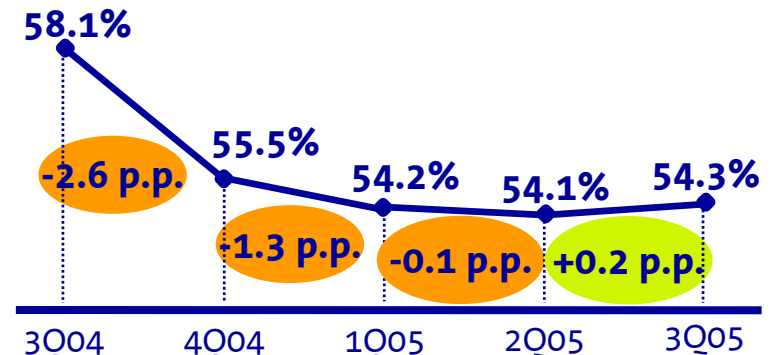
02 Telefónica de España: Recovering BB Market Share Through a Leading Commercial Approach

Morgan Stanley

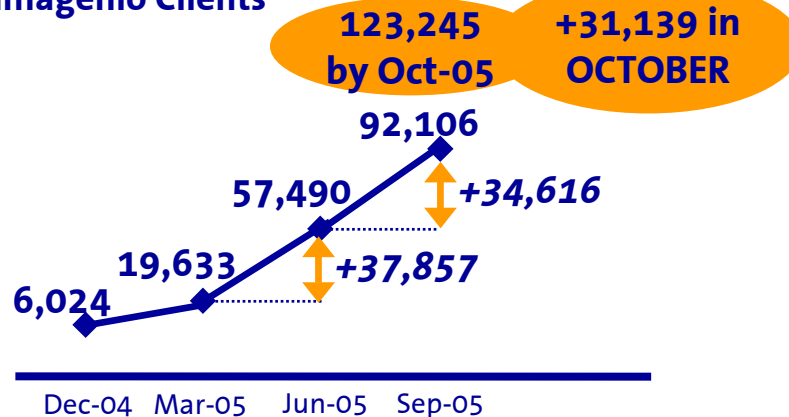
Retail BB Net Adds Market Share ⁽¹⁾



Retail BB Market Share ⁽¹⁾



Imagenio Clients



- Speed upgrades, **introducing ADSL2+**
- Timely promotions of products, services & devices
- Innovation in portfolio of services, **Unique Spanish player offering VoD**
- Innovation in pricing packages, with a compelling 2P/3P strategy, **Sole ADSL player with 3P (IP TV)**

Telefónica

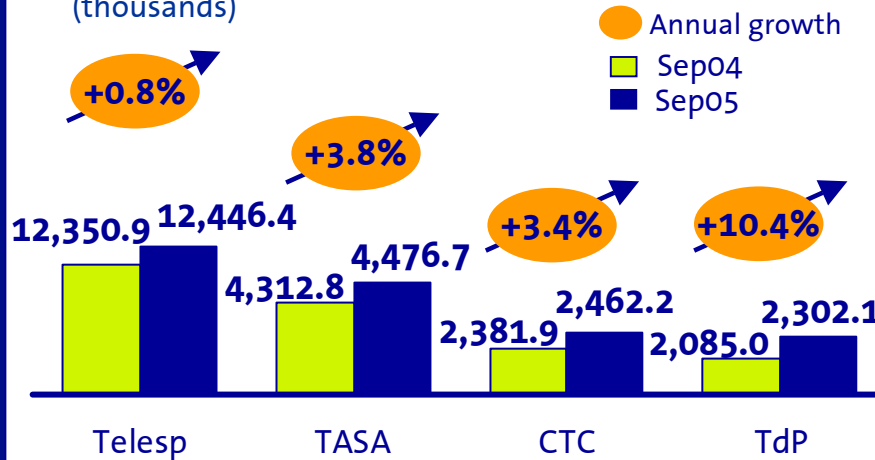
(1) Estimated for Telefónica de España Group



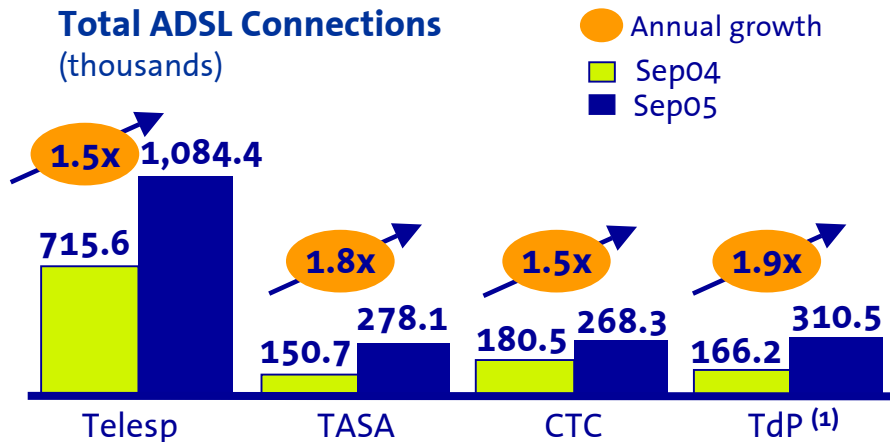
02 Telefonica Latinoamérica: Leveraging on Traditional and Broadband Growth

Morgan Stanley

Traditional Accesses in Service
(thousands)



Total ADSL Connections
(thousands)



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

(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

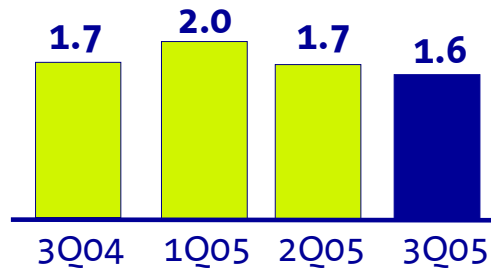


02 Telefónica Móviles: Targeting Share of Revenues Through a Pro-active Commercial Approach

Morgan Stanley

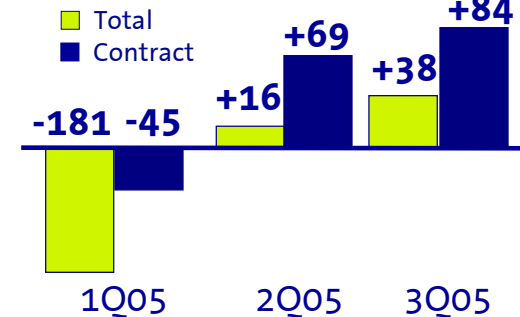
Spanish Operations

Churn rate (%)



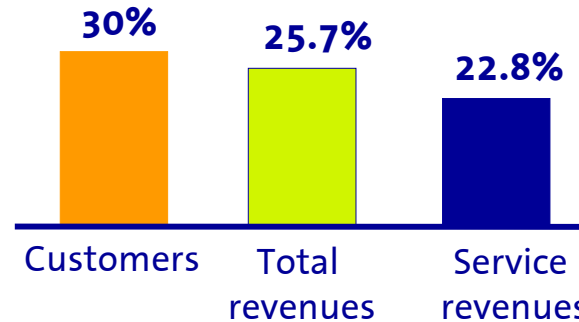
Contract churn <1% in 3Q05

Number portability (000s)



Latin American Operations

9M05 y-o-y growth ex-forex ⁽¹⁾



■ **24% of 3Q05 Net Adds in Contract (15% in 2Q05)**

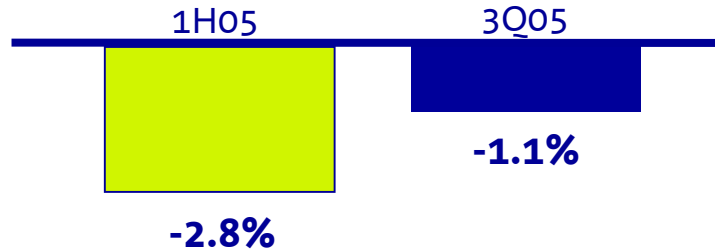
■ **Only operator with positive OpCF outside its home market**



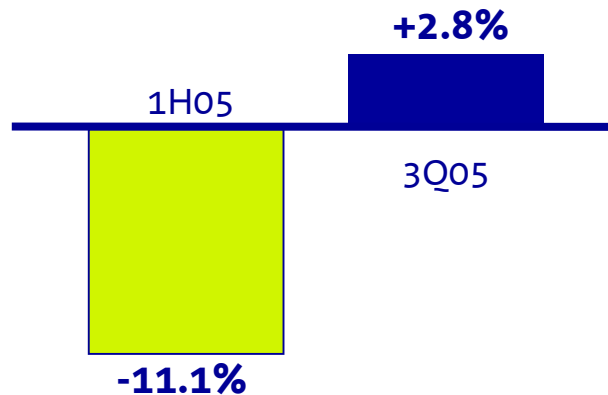
02 Český Telecom: Progressing at All Levels in Just Three Months Since We Took Over

Morgan Stanley

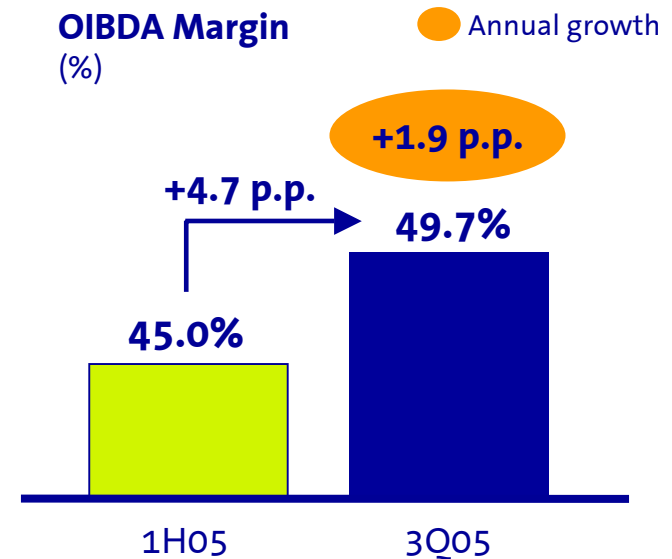
Annual Revenue Growth
(Local currency)



Annual OIBDA Growth
(Local currency)



OIBDA Margin
(%)





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03 9M05 Financial Highlights: Building an Attractive Growth Profile...

Morgan Stanley

(% change y-o-y)

■ Revenues

% Change
1H05/1H04

% Change
9M05/9M04

+20.0%

+24.2%

■ Operating Income
before D&A (OIBDA)

+15.3%

+20.0%

■ Operating Income (OI)

+21.4%

+24.5%

■ Net Income

+25.4%

+36.2%



03 ...By Capitalizing on Our Very Healthy Organic Growth Supported by Currencies

Morgan Stanley

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%

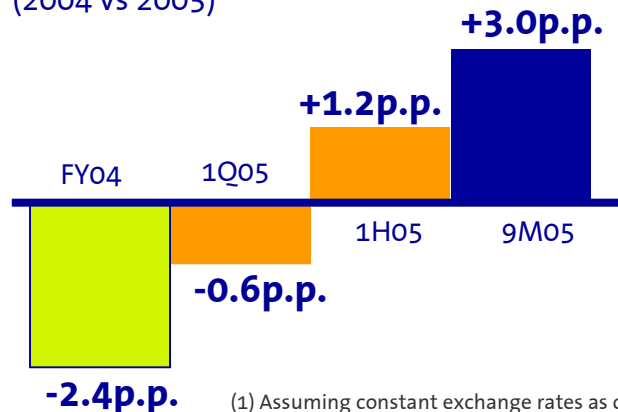
+6.2%

Group

+9.5%

+9.9%

Forex Impact Comparison ⁽³⁾
(2004 vs 2005)



■ **Positive contribution of forex for the first time in four years**

■ **+16% appreciation of BRL/€ in 2005**

Telefonica

(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 Telefonica Latinoamerica'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

(3) Exchange rates used to translate local currency P&Ls into €

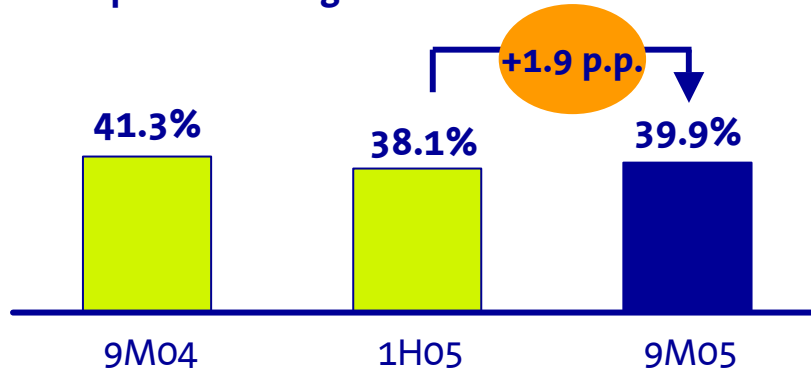


03

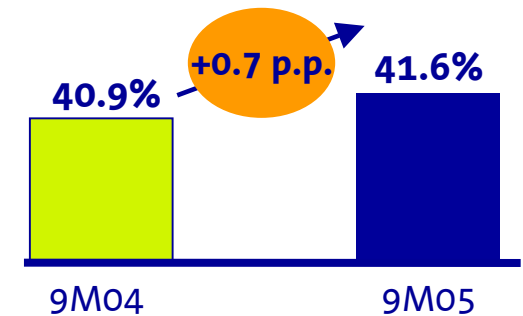
...With Margins and Cash Generation Remaining Healthy, Backed by Wireline

Morgan Stanley

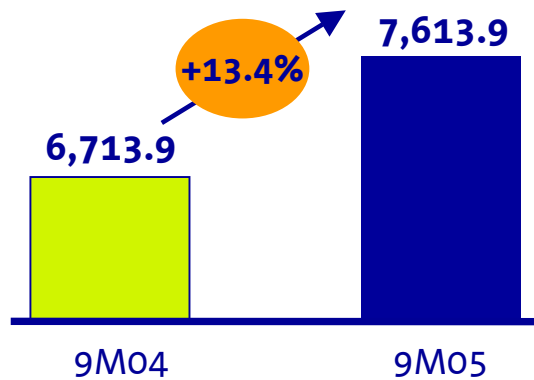
Group OIBDA Margin



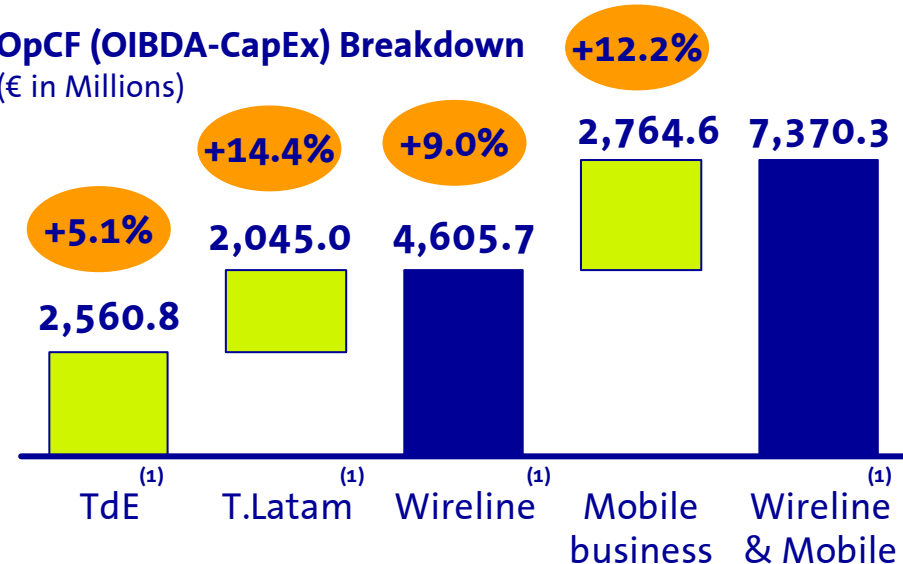
Wireline OIBDA Margin
(Aggregate TdE+T.Latam ¹)



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



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





03 3Q05 Numbers Strengthen Our Confidence on Year-end Revenue Guidance...

Morgan Stanley

Revenue Growth ⁽¹⁾
(2005 Guidance)

PREVIOUS

NEW

Telefonica
de España

0.5%/2%

>4%



3%/5%

5.5%/6.5%

Telefonica

12%/15%

>15%

The rest of Group and divisional targets are maintained

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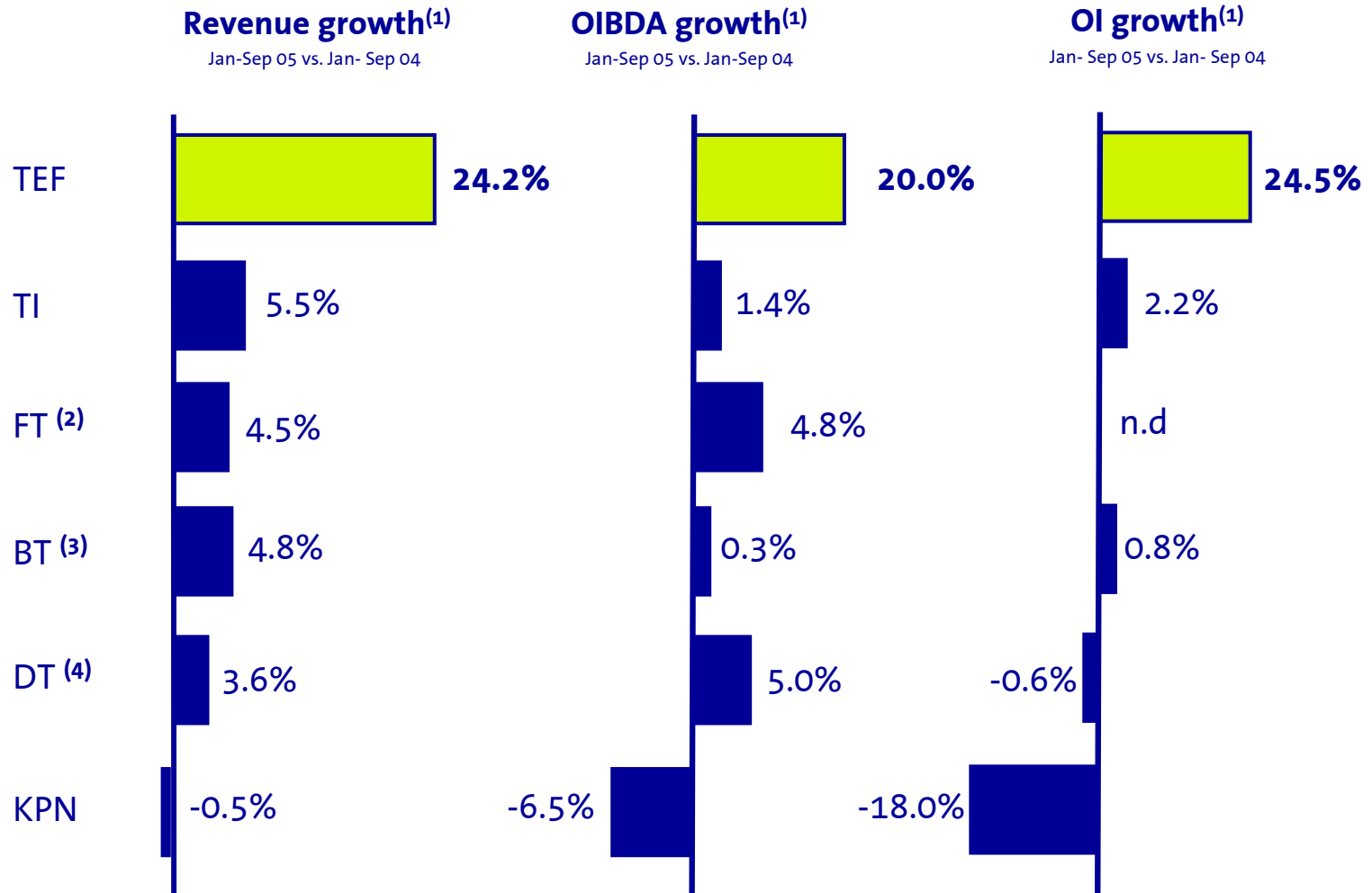
Guidance assumes constant exchange rates as of 2004. All figures exclude changes in consolidation, other than assets acquired to BellSouth in Argentina & Chile in 2005 (TEM), and Atrium (T.Latam). For TPI, upgrade reflects the forthcoming acquisition of Telinver (Argentina) and the start of operations in the Italian Directory Assistance market



03

...And Positions Telefónica at The Top of Peer's Performance

Morgan Stanley



(1) Based on data published by companies

(2) EBITDA = Gross operating margin as Revenues minus external purchases, operating costs (net of operating income) and wages and payroll expenses (labour costs). Labour costs do not include employee profit-sharing and shared-based payments

(3) Half year results to September 30, 2005. Data for EBITDA/EBIT is before specific items

(4) EBITDA and EBIT adjusted for special factors



Conclusion

- Our broadband lead and Latam exposure are pushing top-line growth ahead of that of peers
- Our confidence on year-end performance has led us to upgrade Group revenue profile for 2005
- Margins and Cash Flow remain healthy despite our commercial drive



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and shareholder returns, now and
in the long run***

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