

CABLE UNPLUGGED CONFERENCE

Ezequiel Nieto
Deputy General Manager Investor Relations
Telefónica Group



A SUPERIOR COMBINATION
OF GROWTH
&
CASH RETURNS

Telefónica

London, October 7th, 2005

Morgan Stanley

Disclaimer

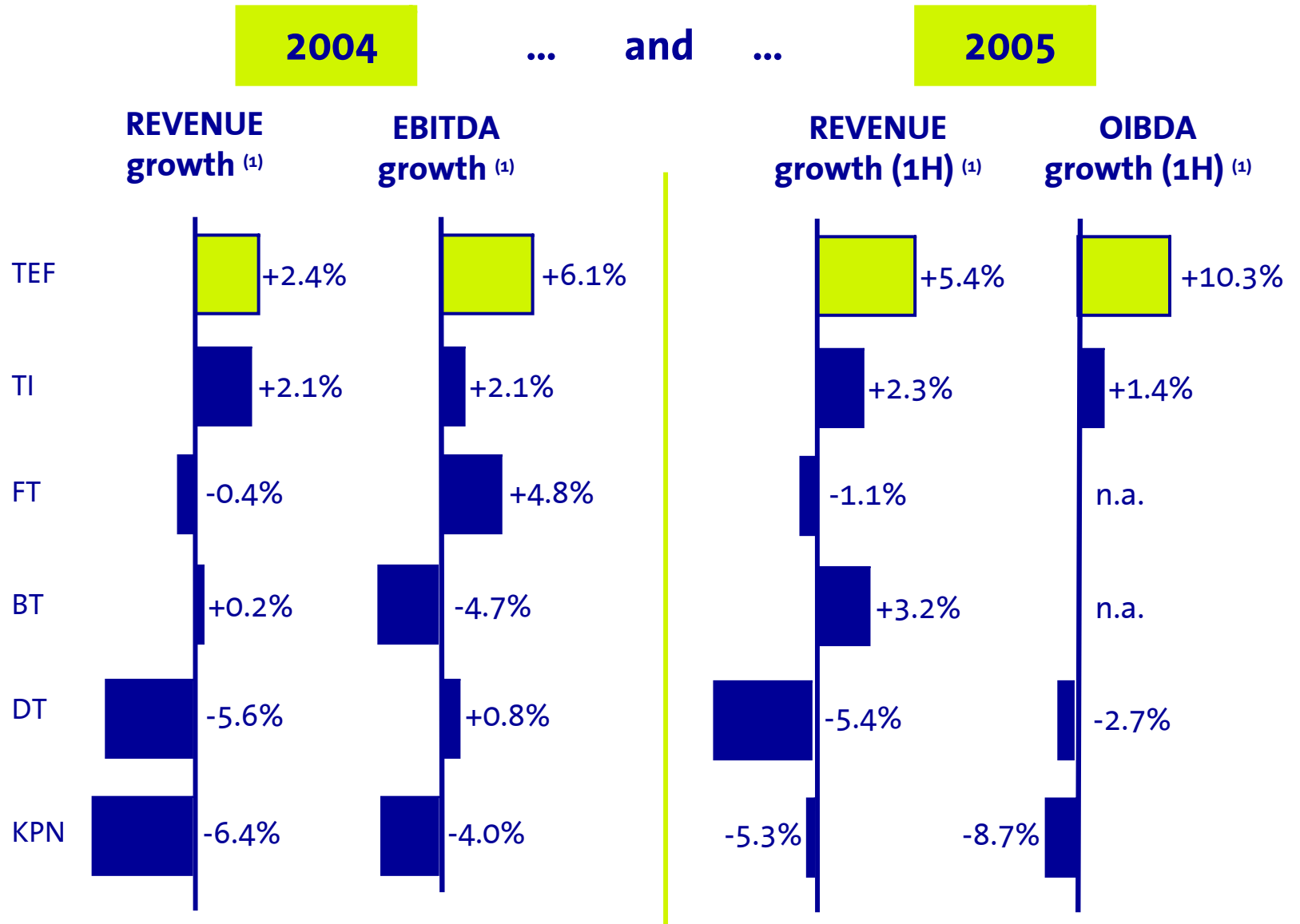
This presentation contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or 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.

This presentation contains financial results and estimates reported under IFRS. These results and estimates are preliminary, as only full compliance with International Financial Reporting Standards issued at 31/12/2005 is required, and unaudited, being potentially not final and subject to 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 consolidated financial statement and, consequently, does not represent a complete and final adoption of these regulations.

Domestic Wireline's performance excelling across Europe



(1) Revenues and EBITDA figures reported by Companies for Domestic Wireline. BT figures for January-December 04vs.03., and January-June 05vs.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

>4 Mill. ADSL
retail accesses
by 2008*

- Defend BB market share

>50% by
2008*

02 ... WHILE DEFENDING TRADITIONAL BUSINESS,

- Stop Access line losses and diminish outgoing traffic decline

Reduce decline
from 11% in 2004
to 7%-10% by 2008

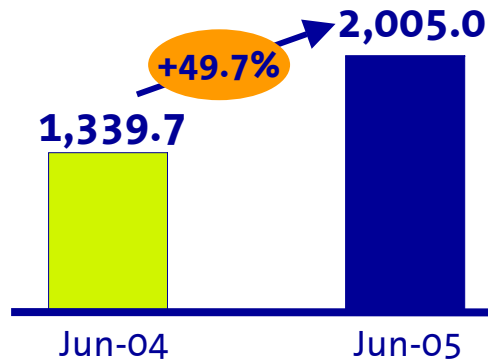
03 AND CONTINUE WITH EFFICIENCY EFFORT

- Complete redundancy program
- CapEx control

26.000
employees by
2008E **

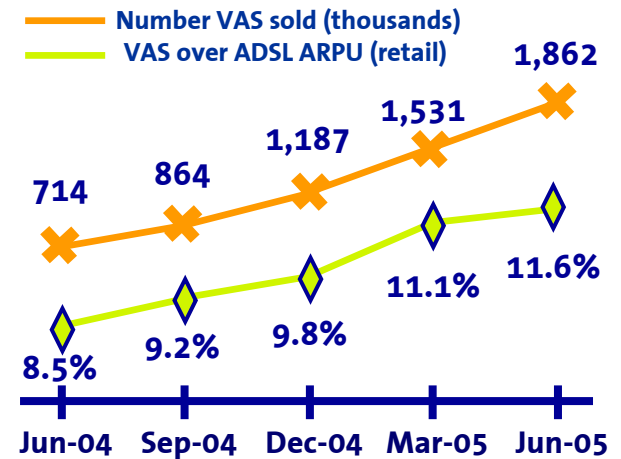
01 Broadband business (I): Increase BB penetration while managing ARPU

Retail ADSL Connections
(TdE Parent; thousands)



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

ADSL VAS (TdE)

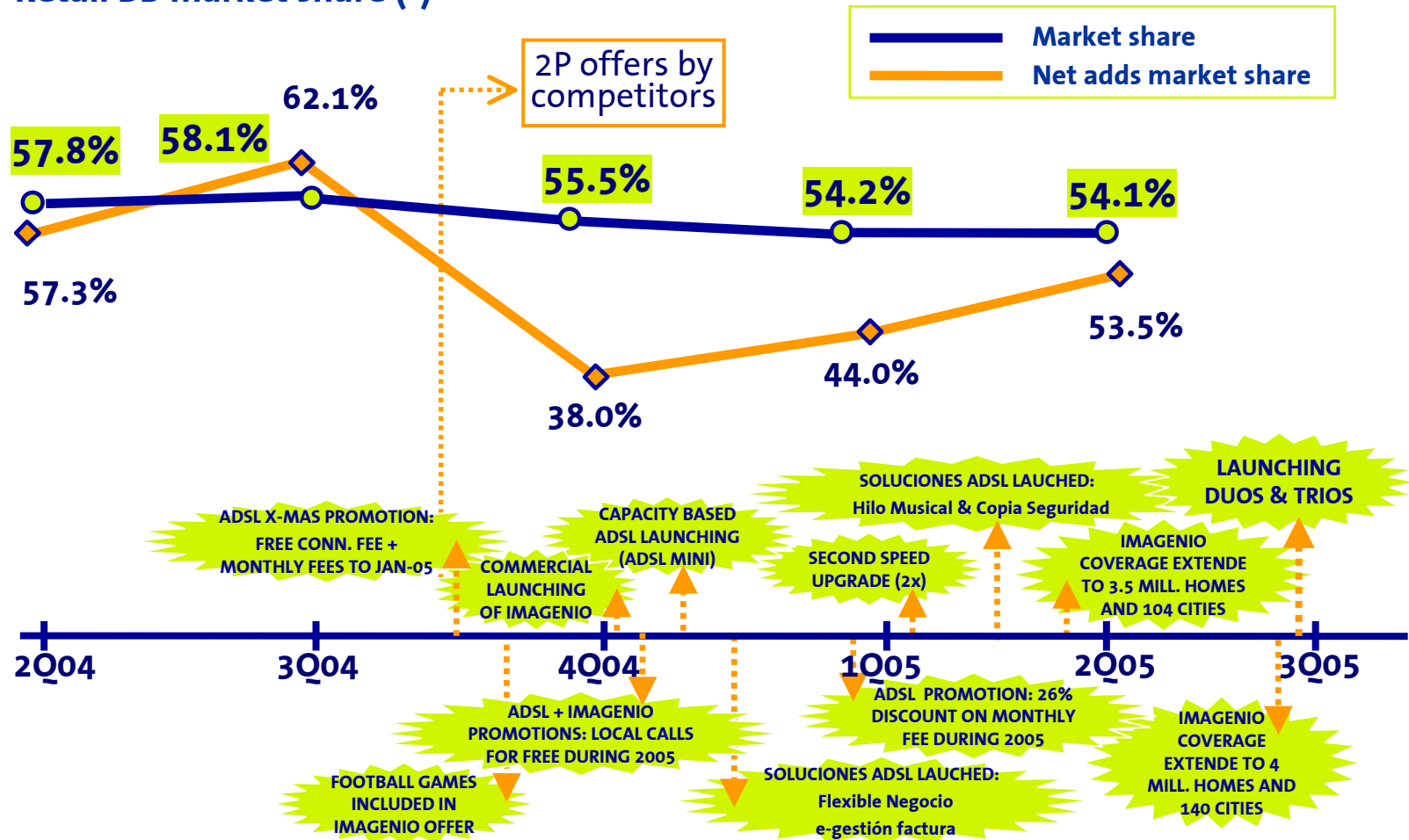


ARPU levels sustained by VAS through wider portfolio offering

Internet & Broadband contribution of 3.7 p.p. to TdE Group revenue growth in 1H05

01 Broadband business (II): Actively defending market share

Retail BB market share (*)



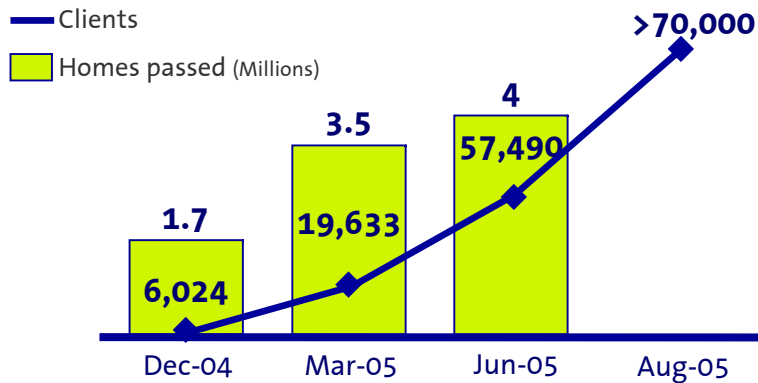
Broadband lead based on the best Product & Services portfolio + commercial campaigns

(*) Estimated for Telefónica Group

01 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



And now, we reinforce our position with the launch of 2P & 3P bundles in September 2005

39.90 €/month

ADSL 24 hrs. + Domestic Calls

19.90 (1) €/month

Imagenio + Domestic Calls

Dúos y Tríos

ADSL Mini + Imagenio + Domestic Calls

38.00 (2) €/month

(1) Promotional monthly fee, starting January 2005 monthly fee of €25.00
(2) Promotional monthly fee, starting January 2005 monthly fee of €46.00

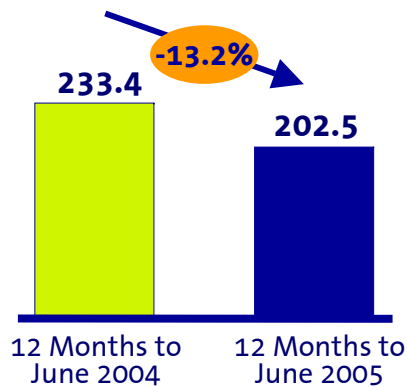
02 Traditional Business: Defence of traditional accesses and traffic

Free connection
fee promotions

Preselection
winback campaigns

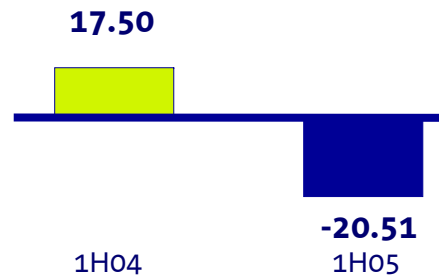
International
traffic

Lines Losses
(Thousands)



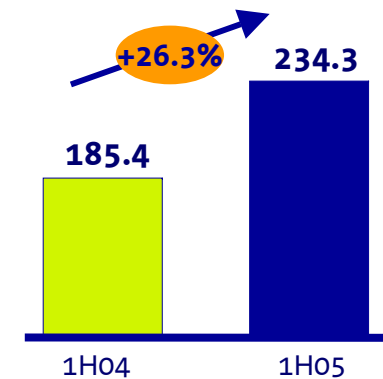
New campaign
18th-30th
September

Preselected lines net adds
(Thousands)



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

ILD Revenues
(Mill. euros)



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



Other initiatives...

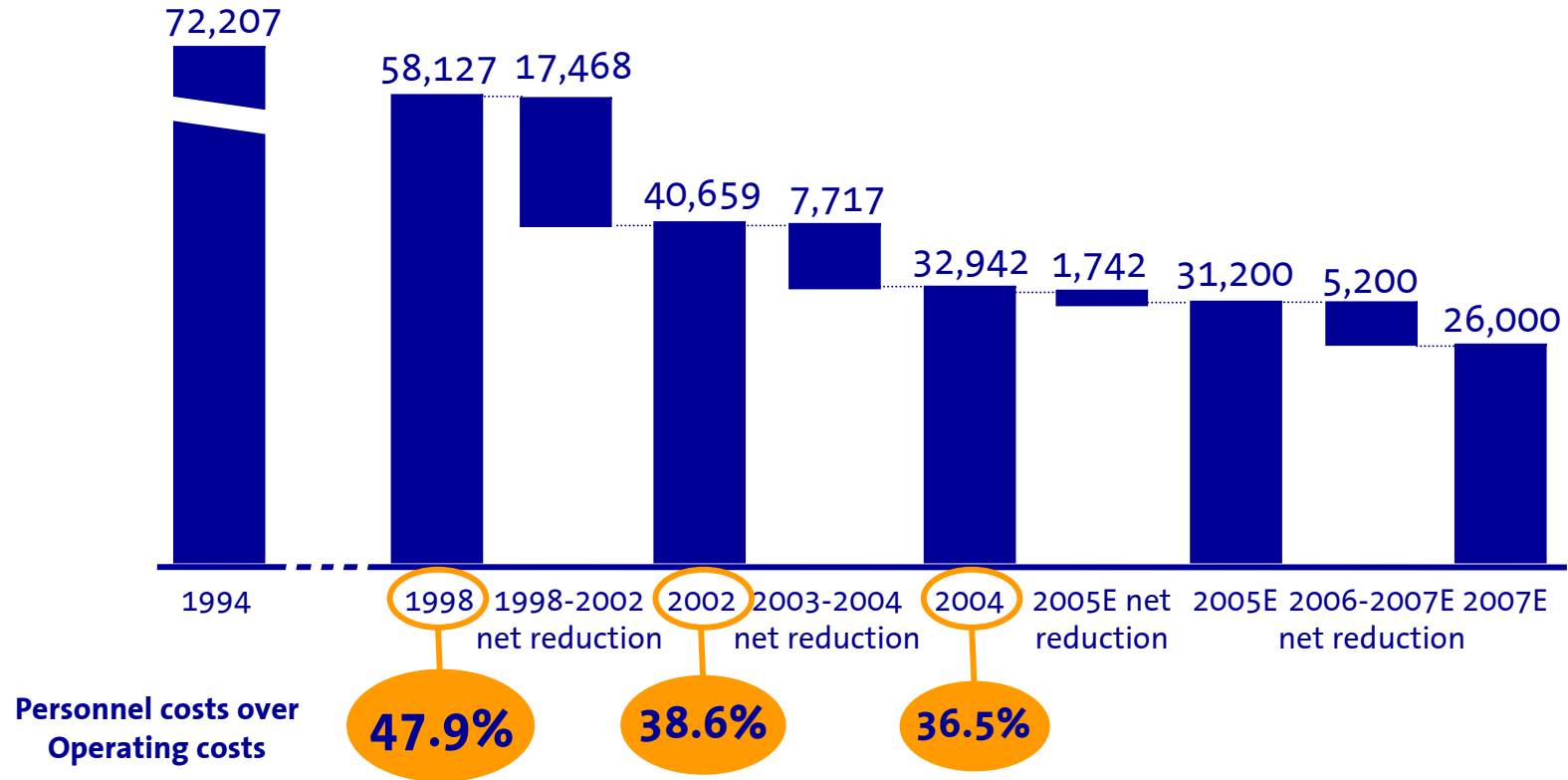
- Launching of Traffic Flat Rate Tariffs: over 500.000 sold
- New Information Service 11822
- New MMS cordless terminals



03

Unparallel Redundancy Program: enables transferring gains in commercial push

Workforce reduction*

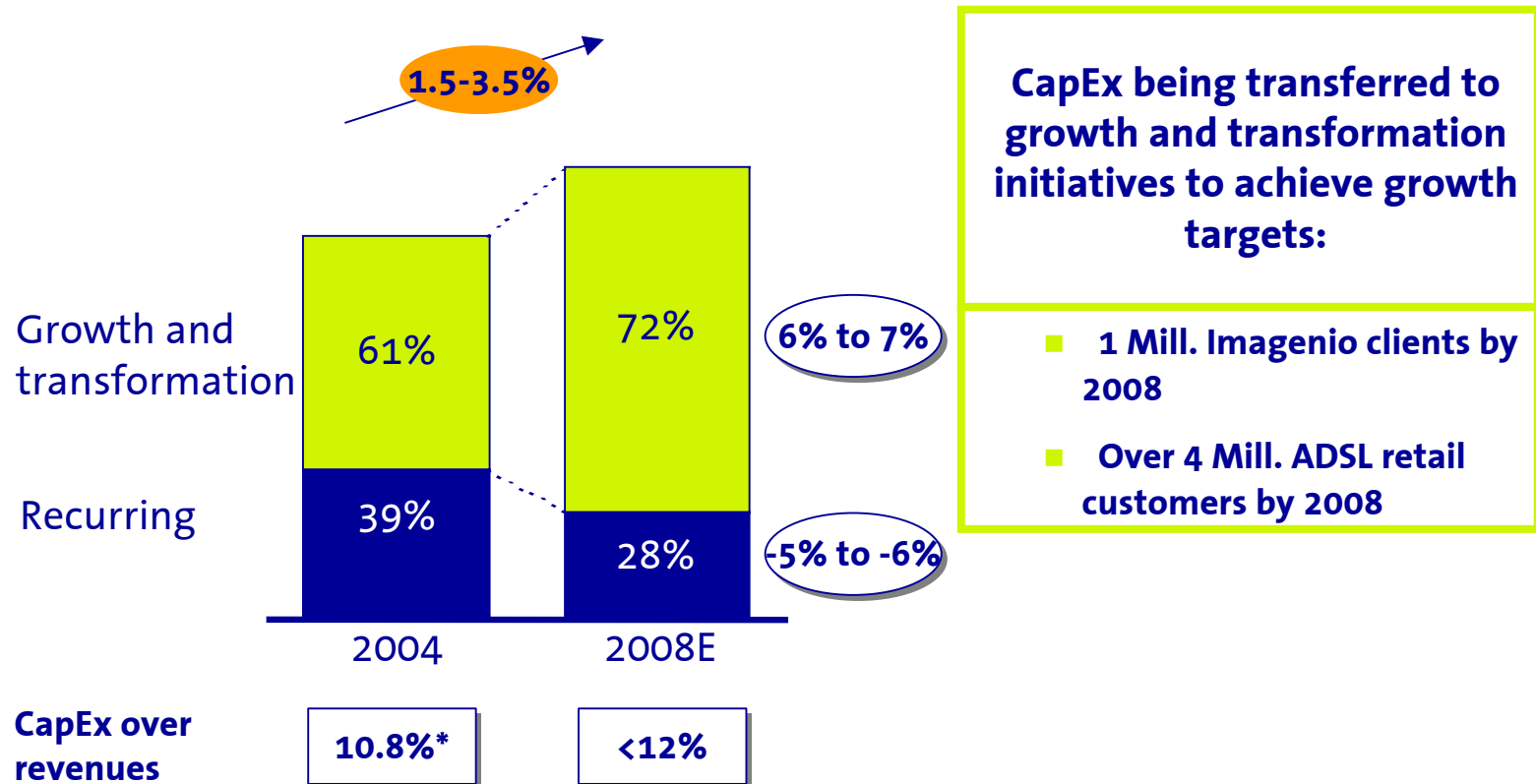


Personnel savings transferred to commercial activities to drive top-line growth without affecting company efficiency

*Not including T-Data and T-Soluciones
** 1,700 Parent company and 50 other TdE Group companies

03 We maintain strong CapEx control, while accelerating the investment in growth areas

CapEx mix



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**



***Telefónica de España presents
superior profile***

Telefonica



Visit our website
www.telefonica.es/investors