

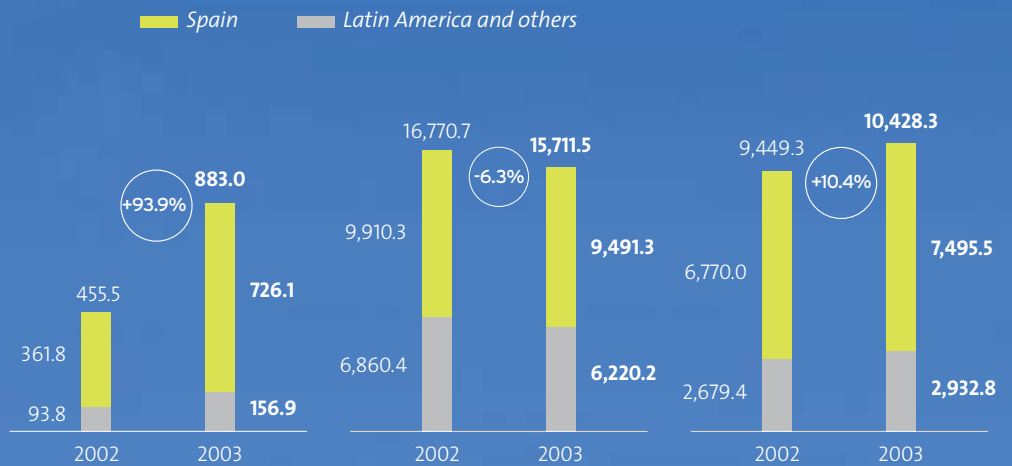
Telefónica is committed to distributing an annual minimum dividend of 0.4 euros per share over the period 2004-2006

Profitability for shareholders of Telefónica in 2003 for all items is 46% (dividend, bonus share issues, extraordinary distributions and share price increase)

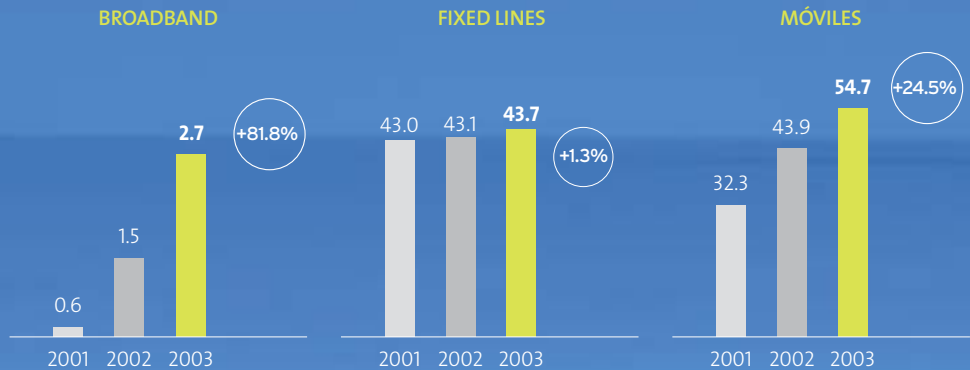
Telefónica is the 5th telecommunications company in the world in terms of stock market capitalisation (10th March, 2004)

Telefónica generated cash flow (EBITDA-CAPEX) of 8,875 million euros in 2003.

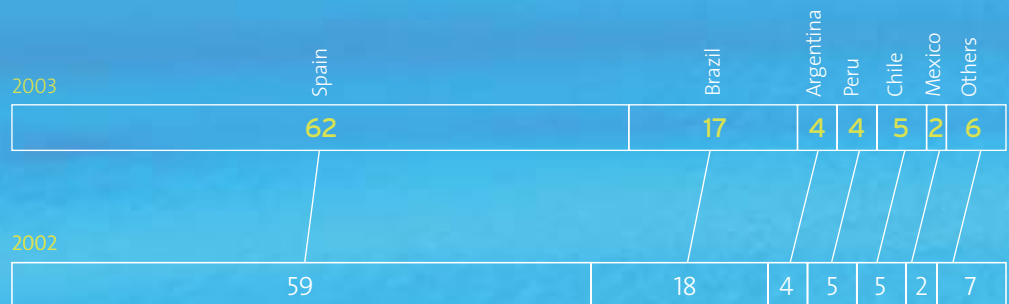
## Business Growth (revenue in current euros)



## Commercial transformation (in millions of customer totals)



## Revenues by countries (in percentages)



# Profitability

Highlights 2003

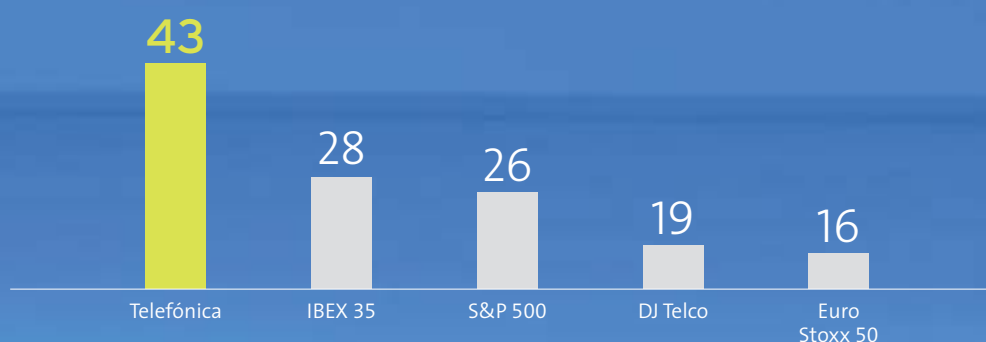
## Shareholder Remuneration



Telefónica hit the 100 million<sup>th</sup> customer mark in 2003

In 2003, more than 11 million new customers signed up with the company.

## Stock market performance (revaluation in percentage in 2003)



ADSL connections grew to 2.7 million in 2003, 82% more than in 2002.

Brazil is the second country in terms of revenue for Telefónica.

## Financial data

JANUARY – DECEMBER

	2003	2002	Var. %
Income by operations	28,399.8	28,411.3	(0.0)
EBITDA	12,602.1	11,724.2	7.5
Operating result	6,327.9	5,031.8	25.8
Result before taxes	3,362.5	(14,601.1)	—
Net income	2,203.6	(5,576.8)	—
Net income per share	0.44	(1.10)	—
Average n° of shares, millions (1)	4,984.6	5,057.0	(1.4)

(1) Número Weighted average of number of shares for the period adjusted for free capital increases drawn on reserves during the period that imply a change in the number of shares without a correlative change in Assets, as if they had taken place at the beginning of the first declared period. There were two free rights issues drawn on reserves involved, which were registered at the Business Register on the 18th February 2003 and 24th April 2003, respectively. Likewise, the figure for 2003 is affected by the reduction of capital through cancellation of its own shares as from 11th April 2003, the date of its approval by the AGM, which was registered at the Business Register on 10th June 2003. Thus, the average number of shares at the end of the period is 4,984,615,303 shares.