

02

Intangible assets



01

The brand as a bond with the customers

- Brand strategy and architecture
- Portfolio of Trademarks and Domains
- Brand recognition
- Contribution to revenues

CONTRIBUTION OF THE BRAND TO REVENUE GENERATION
[11-28%]

02

Research, development and innovation

- Investment in R&D&I
- Launching new services
- Telefónica I+D
- Patents and intellectual property registers

MILLION EUROS IN R+D
440

03

Values: Confidence in fulfilment of commitments

- Values of the Telefónica Group
- Recognition of commitments fulfilled

CONFIDENCE
▶ CUSTOMERS
▶ SHAREHOLDERS
▶ EMPLOYEES
▶ SOCIETY

04

Social responsibility

- Proactive risk management
- Flexibility and adaptability
- Relations with stakeholders
- Information transparency

ACTIVE PRESENCE IN INITIATIVES
11

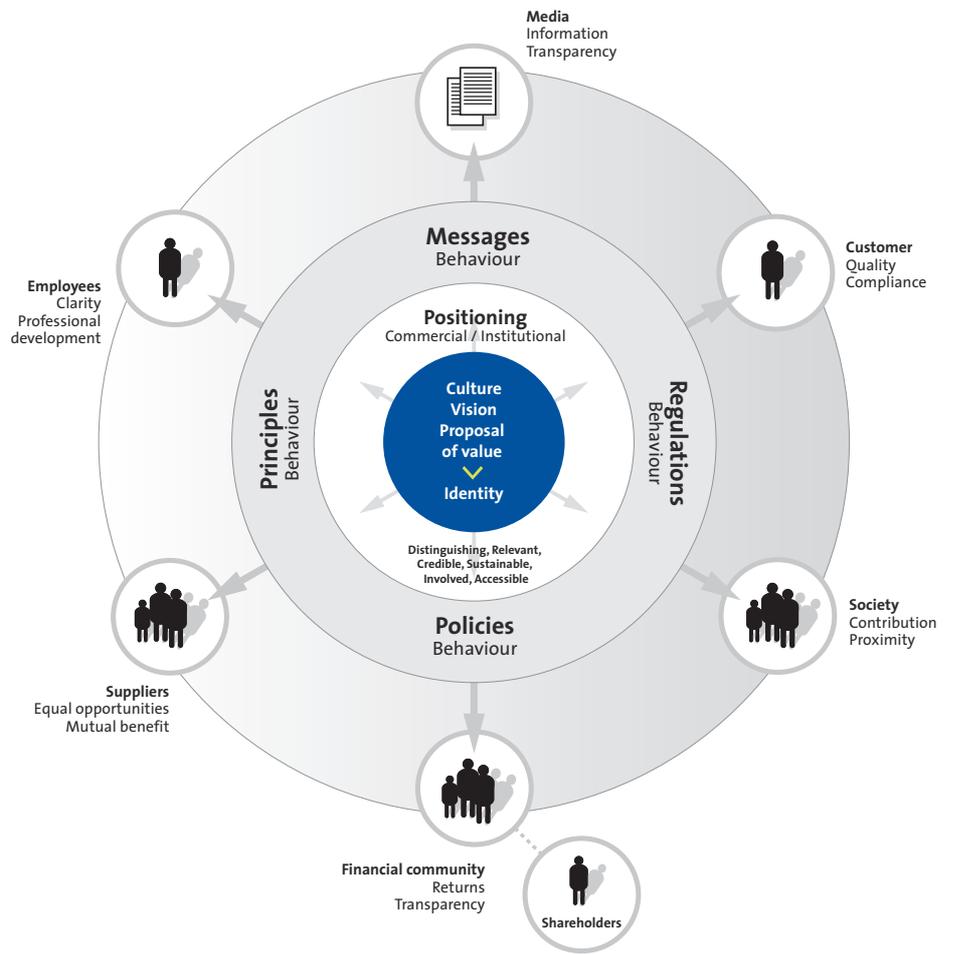
05

Institutional presence

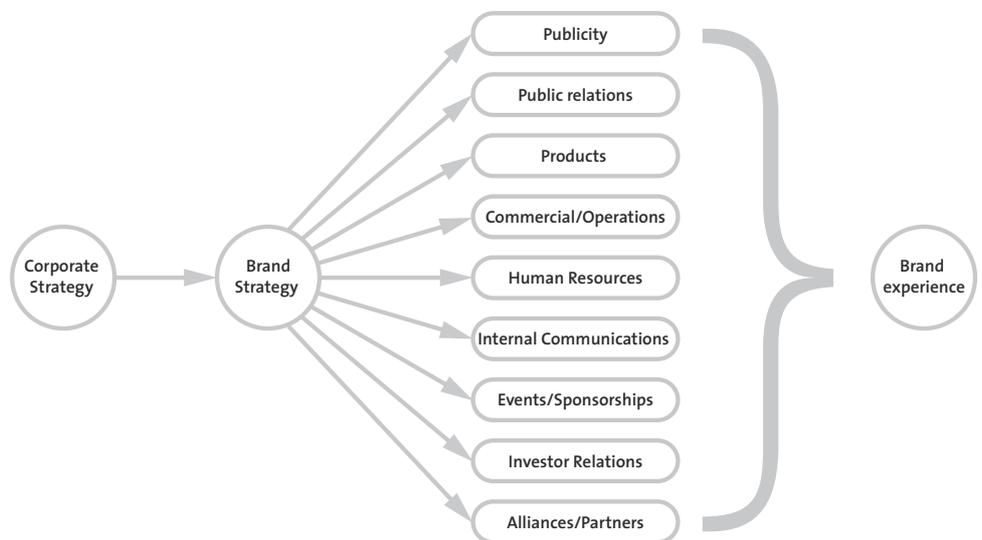
- Sponsorships
- Forums and conferences
- International organisations

SPONSORSHIPS
454

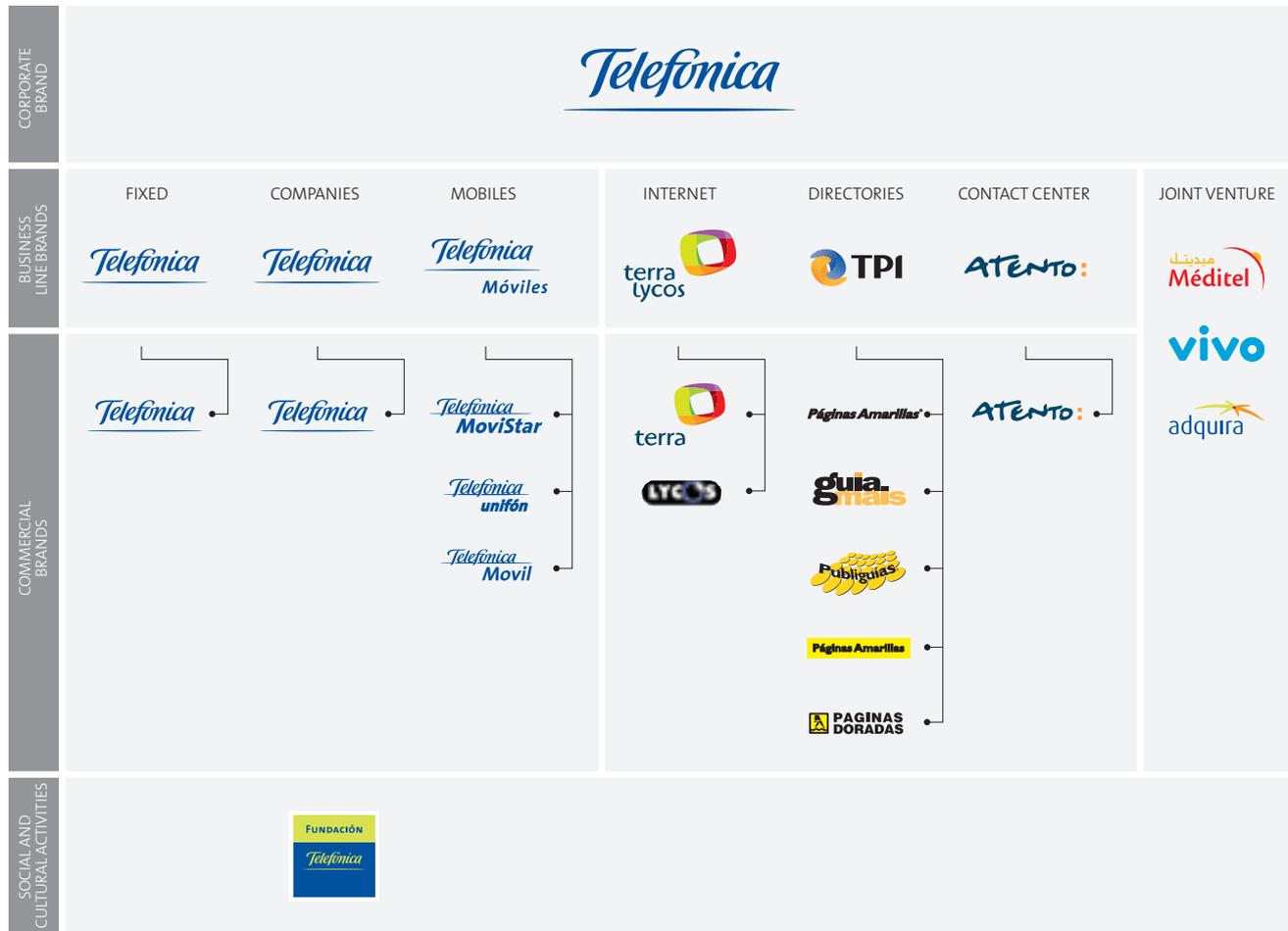
THE BRAND AS A BOND WITH STAKEHOLDERS



CORPORATE STRATEGY AND BRAND STRATEGY



TELEFÓNICA BRAND ARCHITECTURE



The Telefónica brand is the central axis to communicate the value proposal of the company to its different stakeholders:

- Dedicating all its resources and experience to satisfying its customers' needs.
- Turning technological advances into accessible communication solutions that improve people's lives, their homes and companies.
- Achieving the confidence of its customers, employees, shareholders, suppliers, media and the societies Telefónica works with, by fulfilling its commitments.
- Contributing to sustainable development of the societies in which it works.
- Maintaining an important institutional presence in keeping with its corporate dimension.

This proposal of values of Telefónica is embodied in important intangible assets, such as brand management, research and development investments, development of values, commitment to corporate social responsibility or institutional presence.

01 THE TELEFÓNICA BRAND AS A STRATEGIC BOND WITH CUSTOMERS

The strength and solid position of its brand on the market allows Telefónica to build long term relations with its audiences and to transmit its vision, position and distinguishing values in a clear and simple manner.

Telefónica is undertaking a profound transformation of its management model; from a product oriented company, towards a Group that is profoundly customer oriented. The customer is the centre of its activity, the key point of its strategy, the driving force of its organisation and the main source of revenue for the business.

The Telefónica brand becomes a guarantee for customers, generating greater willingness to buy and use its products and services, encouraging preference and loyalty towards the Company.

a) Brand strategy and architecture

The brand has a global impact on all the corporate activities, from the services provided, to all the institutional activities, as well as in the points of contact with its stakeholders. Due to this, the brand strategy is designed to serve the interests of the overall business strategy,

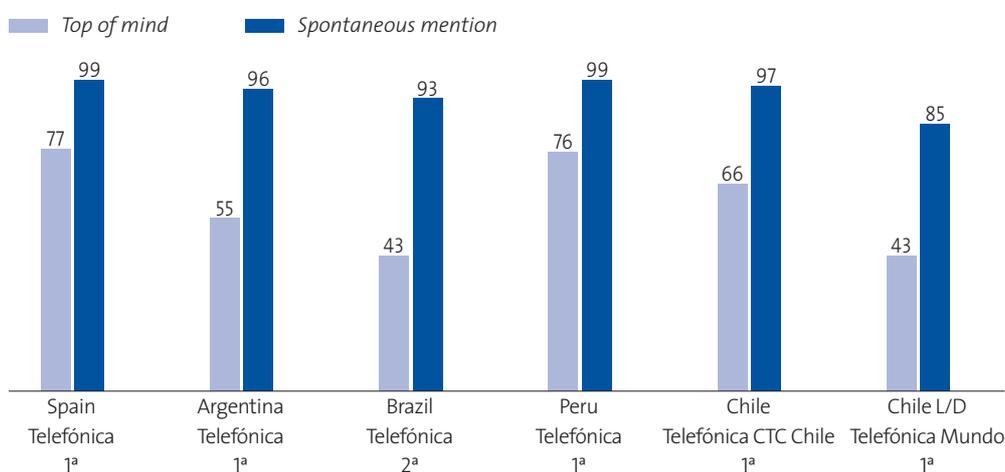
EVOLUTION OF TELEFÓNICA TRADEMARK AND DOMAIN PORTFOLIO

(Data in units)

		1999	2000	2001	2002	2003
Telefónica, S.A.	Trademarks	6,630	8,070	7,496	7,706	7,104
	Domains	340	865	2,210	2,182	1,885
Telefónica Móviles	Trademarks		1,106	2,822	4,041	4,556
	Domains					795
Terra	Trademarks	2,317	3,041	3,152	3,067	3,078
	Domains	430	1,221	1,343	844	680
TPI	Trademarks	560	594	619	700	861
	Domains	101	664	1,011	1,242	1,392
Total	Trademarks	9,507	12,811	14,089	15,514	15,599
	Domains	871	2,750	4,564	4,268	4,752

BRAND AWARENESS FIXED TELEPHONY *

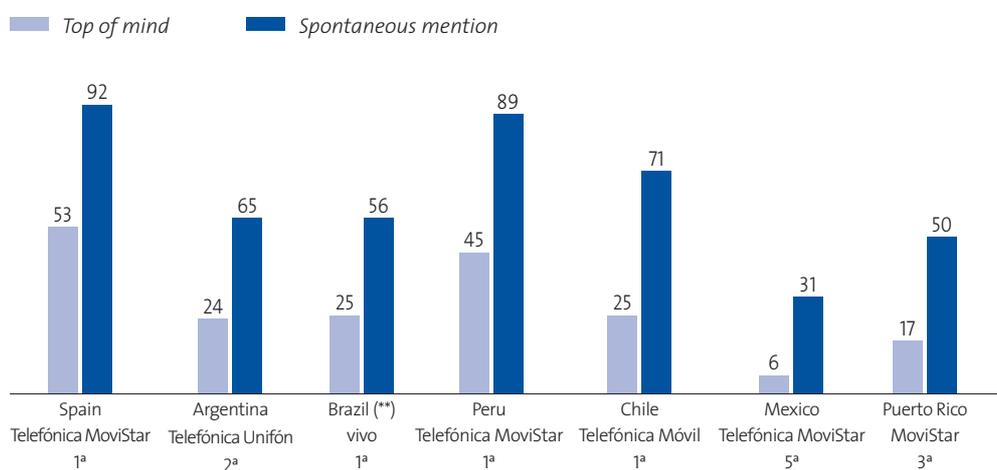
(Data in percentages)



(*) Source: Advertising Tracking and Brand Health 2002-2003. Millward Brown.

BRAND AWARENESS MOBILE TELEPHONY *

(Data in percentages)

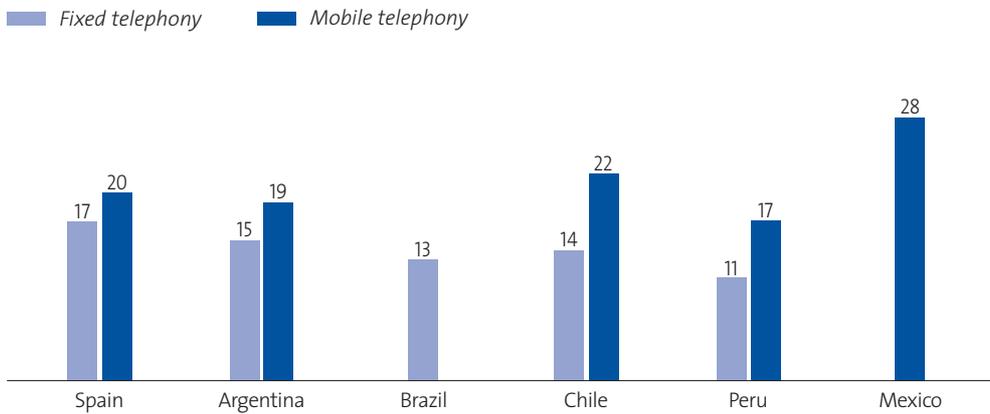


(*) Source: Tracking de Publicidad y Salud de Marca, 2003. Millward Brown.

(**) Source: IBESP. Vivo is the JV of Telefónica Móviles and Portugal Telecom, commercially launched in 2003.

ESTIMATION OF THE CONTRIBUTION OF THE TELEFÓNICA BRAND TO REVENUE GENERATION

(Data in percentages)



and is developed by means of its architecture, management and measuring systems.

The fundamental part of this strategy lies in listening to the customers, in order to understand their concerns, needs and aims, and correctly adapt them to each one of the market segments and countries where the firm operates. Building up a coherent, homogeneous discourse provides sense and cohesion to the multiple contacts that take place between the Telefónica brand and its customers. This is to ensure that the experience of the Telefónica brand fulfils its expectations and generates long term emotional bonds.

The objective of brand architecture is to provide clarity and coherence for the identification and communication of the commercial offerings of the group among its customers, both at global and local scale. With that aim, the corporate brand is boosted and commercial brands are built up in a strong, competitive, and leading market-specific way.

Within that architecture, the Telefónica brand is positioned in corporate terms within the organisation and establishes hierarchies between the different commercial brands, sub-brands and names of products and services. Hierarchic organisation and linking of the commercial brands to the Telefónica corporate image is based on the degree of association with the traditional business, or on the degree of linking that, for strategic, corporate or regulatory reasons, are established with a firm in the Group.

b) Customer oriented brand management

Brand management aims to increase the value the brand has, as one of the most strategic assets within the company; and assure its consistency and coherence at each one of the points of contact with its stakeholders. This requires a brand portfolio management system, directives and standards generation, and use of

tools to measure brand strength and validate the effectiveness of the messages.

On 31st December 2003, the worldwide portfolio of Telefónica Group trademarks and domains exceeded 15,000 trademark registrations and 4,700 domain names, managed in co-ordination among the four listed companies of the Group.

Telefónica has developed a set of tools to manage and analyse the common information between lines of business and countries. The objective is to perform permanent and systematic monitoring and control of brand awareness, image, and affinity with its different audiences. These tools also provide a consistent global vision of the situation of the brands on all the markets in which it operates.

In the category of fixed telephony, the Telefónica brand is the leader by awareness in all the countries except Brazil, where it comes in second place. In the category of mobile telephony, its leadership in the majority of the countries where it is present is broadly recognised.

In Mexico, the brand awareness achieved by the Telefónica Movistar brand just a few months after its nationwide launch is outstanding. Another noteworthy case is that of Vivo, the joint venture in Brazil with Portugal Telecom, which became the leader by awareness in its segment only three months after its commercial launch.

A strong brand combined with a solid position on the market allows new customer attraction and maintenance of existing ones to be performed at lower cost, lower distribution margins and extension of the product lines under the same brand with lower investment. According to estimates by Telefónica in 2003, its commercial brands contribute between 11% and 28% to revenue generation.

In 1999 the “Foro de Marcas Renombradas Españolas” (FMRE) was founded. This is an initiative by leading companies in different sectors to work on development, defence and promotion of Spanish recognised brands. Telefónica has been a representative member of the forum since it was founded. Its main activities include: promotion of the brand as a basic asset in the competitiveness of companies and encouragement of legal protection of industrial property rights and recognised, reputed brands.

Most of the R&D activity is performed at Telefónica Investigación y Desarrollo, 100% owned by Telefónica. It mainly works for business lines of Telefónica and participates in other research projects, in the national and international field.

Telefónica I+D now has three centres in Spain (Madrid, Valladolid and Barcelona), has commenced operations at the Technological Park of Walqa (Huesca) and has incorporated a subsidiary in Brazil (Telefonica Pesquisa e Desenvolvimento) in order to boost R&D in Latin America. It has also developed an active technical presence, with 238 contributions or impacts on the research community.

During 2003, Telefónica I+D worked on more than 1,800 projects, 35 of them belonging to the IST European Programme, participates or collaborates in 25 associations, forums or technological standardisation groups, gave direct employment to 1,225 people and indirectly to 1,258, involving 32 companies in the TIC sector and 14 Universities in its activity.

Telefónica I+D has been awarded numerous prizes and recognition for its work during 2003:

02 RESEARCH, DEVELOPMENT AND INNOVATION

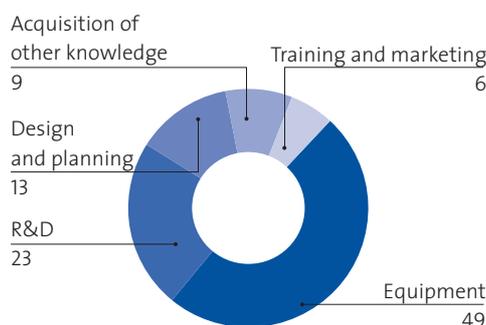
(1) Technological Innovation according to the definition by the Instituto Nacional de Estadística (Spain) and the OECD.

The Telefónica Group invested 1,303 million euros in technological innovation¹ in Spain in 2003. The investment by Telefónica in research and development amounted to 440 million euros, 304 of which were in Spain and the rest in other countries.

This activity has enabled it to launch more than 215 new products and services on the Spanish market, aimed at satisfying the demands of our customers, covering the fields of Internet and Broadband, Voice Market and Mobile Services.

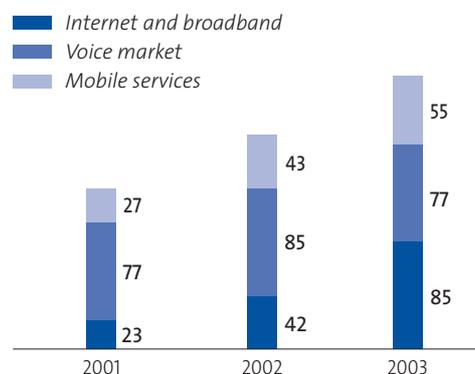
DISTRIBUTION OF TECHNOLOGICAL INNOVATION IN SPAIN

(Data in percentages)



NEW PRODUCTS BY TELEFÓNICA DE ESPAÑA AND TELEFÓNICA MÓVILES ESPAÑA

(Data in number of products)



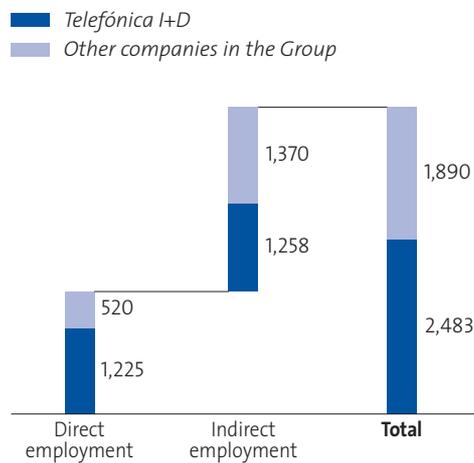
**TECHNICAL PRESENCE
EXTERNAL TELEFÓNICA I+D**

(Data in number of contributions)

Articles published	65
Speeches at conferences	53
Conferences	26
Courses	9
Participation at fairs and exhibitions	15
Presence in the media	49
Books	5
Organisation of congresses / debates	10
Total	238

**TELEFÓNICA JOB CREATION
DUE TO R&D ACTIVITY IN SPAIN**

(Data in units)



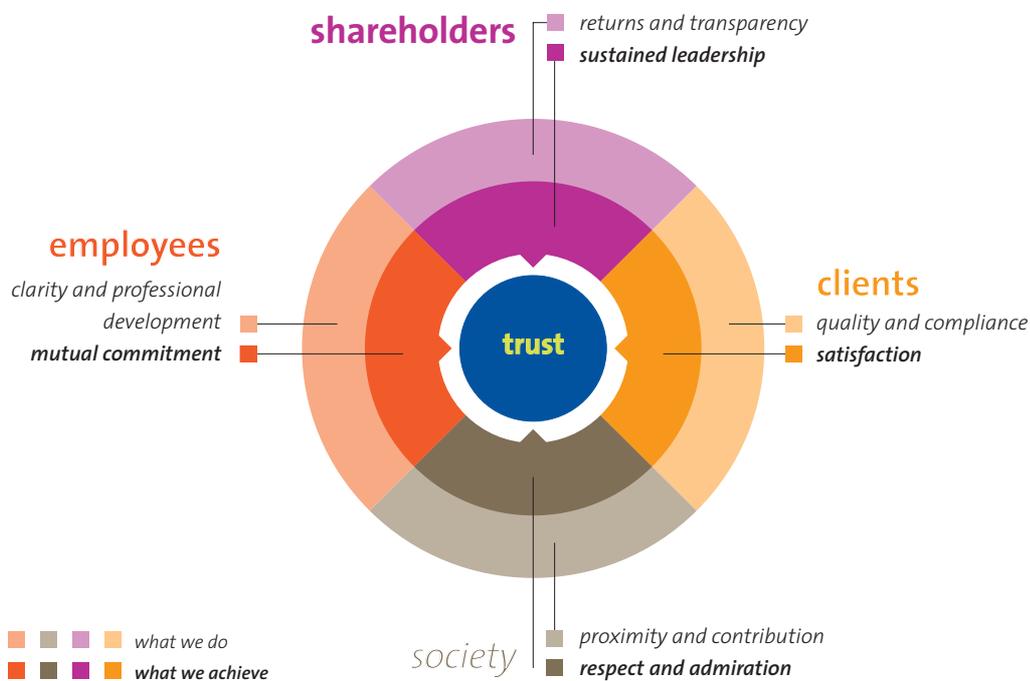
- First prize of the Object Management Group (OMG) for its product "InstantForce" June 2003.
- Runner up in the 20th edition of the Technological Innovation Prizes of the Regional Government of Catalonia, June 2003.
- Runner up in the Prizes of The European Information Society Technologies Prize (IST) with the project AGORA. June 2003.
- AUTELSI Prize for Development of the Information Society, in its mode of diffusion, for preparing reports on the Information Society for more than three years. October 2003.
- First and third Prize Telecom I+D 2003 at the Telefónica I+D forums: Radio interface for ultra-wide-band (UWB); Development of a

transmitter and dynamic routing strategies to postpone congestion of the network. November 2003.

- Second Prize for New Internet Applications, by the Telefónica professorship of the UPN for the e-Appraisal System. December 2003.
- Madrid Excelente: recognition of the excellence of the best companies from Madrid, considering these to be those that strive for constant innovation and improvement, satisfaction of persons and active contribution to economic and social development in Madrid. December 2002. Delivered in 2003.

Due to all this innovation activity, the Telefónica Group held 1,541 patents and models and 1,058 intellectual property registrations at the end of 2003.

THE VALUES OF THE TELEFÓNICA GROUP BY INTEREST GROUPS



With our shareholders and investors

- **Transparency:** striving to ensure that the shareholders, investors and the rest of the interest groups as well as have all the information they require.
- **Returns:** a solid business model with future.

With our customers

- **Quality:** ensuring that our offer of products and services, and our customer care, are always the most appropriate for their needs.
- **Compliance:** committing ourselves to do what we say.

With our employees

- **Clarity:** so the employees in the Group have complete, quality information at all times.
- **Professional development:** ensuring that Telefónica employees have the best opportunities in their professional career.

With society

- **Contribution:** to achieve a relation of confidence with society through our contribution to all social levels, with specific policies of solidarity, environmental attention and integration.
- **Proximity:** being a global, multi-domestic company, presenting a global offer, while attending to the needs and singularities of society, wherever we operate.

03 VALUES: CONFIDENCE IN FULFILLING COMMITMENTS

a) The values of the Telefónica Group

The aim Telefónica has is that its customers, employees, shareholders and companies in the countries where it operates trust in it due to its capacity to fulfil the commitments acquired.

The values of Telefónica are the keystone to relations with its interest groups. Thus, the Company seeks profitability and transparency in relation to its shareholders; quality and compliance in relation to its customers; clarity and professional development in employee relations; and contribution and proximity to society. The sum of these values is what establishes a bond of confidence.

Telefónica knows that the aim is not to speak of confidence, but to earn it, day by day, acquiring specific commitments and honouring them, proving, definitively, that it is able to do what it says it will.

Telefónica wishes to build up its vision of leadership based on that confidence: to be among the top telecommunications operators worldwide in the coming years, and to be recognised as a multi-domestic group, a leader and near player, able to be global and local, large and small at the same time. These values define the attributes of its personality: nearness and commitment.

b) Recognition of commitments fulfilled

During 2003, different companies in the Telefónica Group have received recognition for fulfilling their commitments. These are clear signs of confidence in Telefónica's activity.

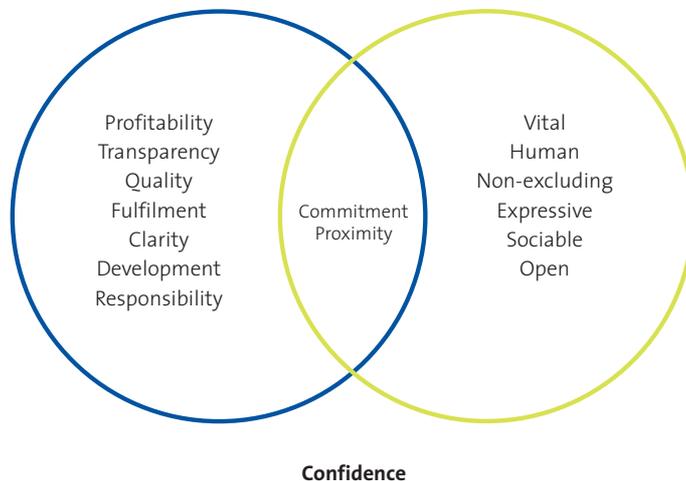
Recognition of corporate excellence:

- Telefónica is the most admired Spanish company, according to the survey performed in 2003 by Pricewaterhouse Coopers and The Financial Times.

- According to the Spanish Corporate Reputation Monitor (Merco), in 2003 Telefónica was among the three best reputed companies in Spain.
- In 2003, as in previous years, Telefónica was among the 10 most admired companies in Chile, according to the data gathered in the annual survey by Adimark, commissioned by the newspaper La Segunda.
- For the second consecutive year, Telefónica Sao Paulo (TeleSP) was recorded as the most admired company in the telephone operator sector among executives in Brazil, according to the annual ranking prepared by the magazine Carta Capital in collaboration with InterScience. Telefónica Móviles and Terra also received major recognition in their sectors.

VALUES AND ATTRIBUTES OF THE BRAND

- *Transversal values by audiences*
- *Attributes that express the brand personality*



- TeleSP and Telefónica Empresas (Brazil) received the prize for Corporate Excellence for their customer attention, awarded by the most important publication in the sector in Brazil, the magazine Consumidor Moderno.

Recognition of the commitment to local society:

- For the second time, Telefónica has received the distinction of “Company that Helps Sao Paulo,” which recognises the contribution by the Company to development of the city.
- Telefónica S.A. was awarded the AUTELSI Prize for Development of the Information Society for the work the Company has carried out over the last three years, preparing reports on the information society.
- In Brazil, four companies of the Telefónica Group obtained certification as “Child Friendly Companies,” a programme that deals with the challenge of developing policies to protect childhood in social and labour terms. These companies are TeleSP, Telefónica Data, Assist and t-gestiona.
- Telefónica de Argentina, through its External Communications Management, was awarded the Eikon 2003 Prize in the category of “Communication in Crisis Situation,” for the work carried out in management of communication during the problems caused by theft of the company’s cables during 2002.
- The Brazilian Government has praised the collaboration by Telefónica in the “Hunger Zero programme,” through which it is collaborating in reduction of hunger in the most deprived areas of the country.
- Telefónica de España was awarded the prize for the company with the best technological contribution to the Region of Murcia 2003.

04 EXERCISING SOCIAL RESPONSIBILITY

Telefónica understands Corporate Social Responsibility (CSR) to be a commitment to all its interest groups, based on the following principles:

- Proactive risks management (precautionary principle)
- Flexibility and adaptability to all the countries we operate in
- Relations with the interest groups
- Creation of sustained value for all the interest groups
- Informative transparency

These principles are implemented through different lines of work and are integrated in a whole, shaping the Corporate Social Responsibility Plan of the Telefónica Group.

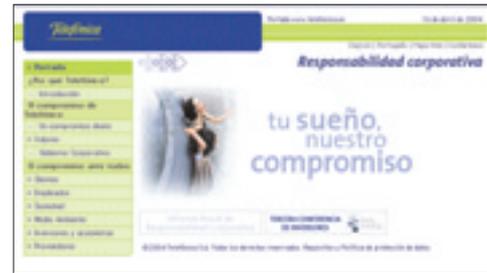
a) Proactive risks management

The Corporate Reputation Project, that began in December 2001, concluded its first phase with identification of 750 risks to reputation, 150 of them considered critical. All the areas of corporate management participated in this identification process, classifying the risks in six categories: product, management, technology, society, communication and regulation risks.

The second phase of the Corporate Reputation Project, which is still ongoing, aims to generate homogenous policies to manage those risks, to minimise their impact and avoid them reappearing.

b) Flexibility and adaptability

In recent years, the Group is making significant progress toward greater cohesion and a stronger internal culture. However, respect for



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the social, political and economic surroundings are required, as well as adaptation to the characteristics of each business unit. Social responsibility policies constitute an important generator of Group spirit, so from its initial phase, these are conceived as flexible, adaptable policies, that are applicable to the whole scope of operation of the Telefónica Group.

c) Relations with the stakeholders

Telefónica works with a multistakeholder approach and understands social responsibility management as the result of combining economic growth with satisfying the expectations of all its stakeholders. To understand the interests and concerns of these, Telefónica has an ongoing feedback policy through different bodies and associations.

Institutional presence, through active participation in public and private initiatives in which corporate responsibility and reputation are debated, are one of the main channels of dialogue and information gathering. The Telefónica Group is present in several groups that have the participation of very diverse agents: academic, third sector, Trade Unions, civil society, etc. Meeting points, in general, between companies and the main representatives of stakeholders.

The following description covers the most significant social responsibility and reputation initiatives Telefónica participated in during 2003:

International initiatives

- **United Nations Global Compact.** Telefónica is a signatory company of the Global Compact since March 2002 and a member of the co-ordination body in Spain, known as the Globalthe Global Compact Square Table. Telefónica also participated in III Learning Forum of the Global Compact, held in December at Belo Horizonte (Brazil), where it presented two case studies.

- **European Union.** Telefónica made two presentations in Brussels during 2003, where it explained its model of Reputation and Social Responsibility Management to the European Multistakeholders Forum and before a group of experts in measuring intangible assets.
- **Global Reporting Initiative (GRI).** The GRI Guidelines constitute an internationally recognised framework for measurement and communication of corporate activities. The Head of the Corporate Reputation and Social Responsibility Department at Telefónica is a member of the Stakeholders´ Council of the GRI since March 2003.
- **International Chamber of Commerce (ICC).** Telefónica participates in working groups on Social Responsibility and Anticorruption. During 2003, these groups have progressed in matters of collaboration and monitoring the activities of other initiatives, such as the United Nations Anticorruption Convention, or presence on the Advisory Group on Corporate Social Responsibility of ISO (International Organization for Standardization).
- **Global e-Sustainability Initiative (GeSI).** In 2002, Telefónica joined this initiative, promoted by the UNEP (United Nations Environmental Programme) and the ITU (International Telecommunication Union), grouping manufacturers and operators of the information technologies sector in order to promote sustainable development. A notable event in 2003 was the preparation of a telecommunication sector supplement to the GRI recommendations, and the constitution of a working group to study supply chains or participation in the World Summit on the Information Society.
- **European Telecommunication Network Operators (ETNO).** Telefónica is present in the Working Group on Sustainability, which extended its Environmental Charter in 2003 to a Sustainability Charter. Telefónica hosted the

last meeting of the Working Group in Madrid, in which representatives of 14 European operators participated.

- **Asociación Hispanoamericana de Centros de Investigación y Empresas de Telecomunicación (AHCJET).** Telefónica has been collaborating with AHCJET in promotion of good practices in terms of corporate responsibility in the Latin American telecommunications sector.
- **Reputation Institute:** Telefónica has been a member of the Reputation Institute since 2002. This is an American institution that has pioneered the study of corporate trends in communication, ethics, reputation, responsibility, identity and corporate governance.

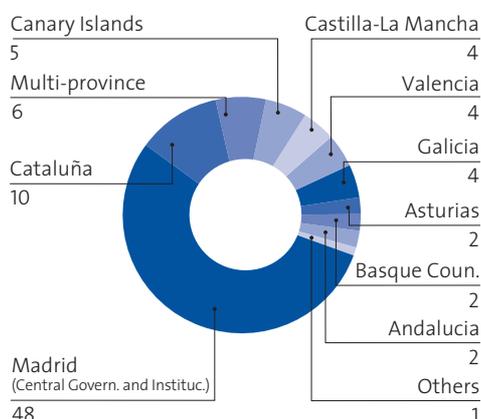
Spanish initiatives

- **Confederación Española de Organizaciones Empresariales (CEOE).** Telefónica is a member of the Social Responsibility Commission of the CEOE (Spanish Employers' Organisation), that has the aim of analysing trends and progress in responsible practice among Spanish companies.

- **Asociación Española de Contabilidad y Administración de Empresas (AECA).** This association has a Corporate Social Responsibility Study Committee. In December 2003, AECA (Spanish Accounting and Company Administration Association) published the Conceptual Framework on Social Responsibility. Telefónica was present on the drafting committee.
- **Foro de Reputación Corporativa (FRC).** Founded in September 2002 by Aguas de Barcelona, BBVA, Repsol-YPF and Telefónica, the FRC (Corporate Reputation Forum) is an initiative through which companies share management knowledge and experience in corporate reputation matters. In October 2003, the FRC was joined by Abertis, Ferrovial, Gas Natural, Iberdrola, Iberia, Inditex and Renfe. With them, the FRC has come to gather around 50% of the IBEX 35. Above all, the FRC aims to become a meeting place to analyse and divulge trends, tools and models of corporate reputation in management, for which it will seek the advice of experts from the academic and practitioners worlds. Its main objective is to increase the value of the member companies, based on the intangible assets as value generators.

DISTRIBUTION OF INSTITUTIONAL SPONSORSHIPS IN SPAIN

(Data in units)



Along with this institutional dialogue with the different parties interested in social responsibility and corporate reputation, the companies forming the Telefónica Group compile the opinions and expectations of their stakeholders through customer oriented surveys, employees, society at large, shareholders ... just as detailed in its specific chapters.

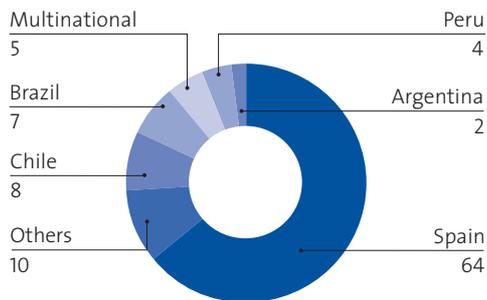
d) Creation of sustained value for all the stakeholders

During 2003, the company set up more than 30 projects, divided into management areas, with the aim of endowing corporate responsibility with a transversal nature, and ensuring permeable management at all corporate levels.

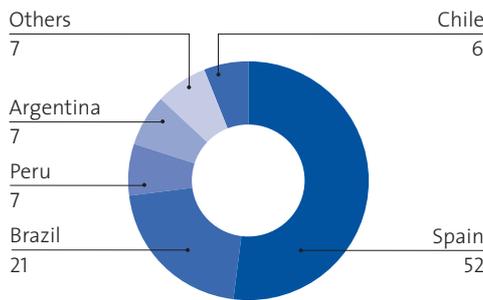
DISTRIBUTION OF SPONSORSHIP BY COUNTRIES

(Data in units)

Commercial sponsorship



Institutional sponsorship



Thus, it seeks to maintain balanced relations with all stakeholders.

In line with the above, and to guarantee that all the policies fall within the search for that balance, the Telefónica Group has set up a Corporate Social Responsibility Committee, in which all the areas involved in management of relations between the different stakeholders are involved, as well as the main business lines. The main objective of this Committee is to streamline initiatives and synergies and raise the contribution of social value to the Group. Thus, all the corporate responsibility policies that directly affect the core business and develop the company are kept within a single working framework.

The initiative has been promoted by the three corporate areas most directly involved in management of projects with social impact: Human Resources, Fundación Telefónica and Corporate Reputation and Social Responsibility. Representatives from the different corporate management areas also participate (Purchasing, Institutional Relations, Investor Relations ...) as do the business lines of the Group (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, Terra, Atento, Telefónica I+D...)

e) Information transparency

The Corporate Responsibility Report, the first edition of which was published in April 2003, covering all the information on social responsibility activity related to all the stakeholders, is the embodiment of the commitment to information transparency.

To prepare this Corporate Responsibility Annual Report, Telefónica performed prior analysis aimed at identifying the indicators demanded by the main stakeholders. Once the first edition was published, several meetings were held to exchange impressions on its content and to gather suggestions, most of which were taken into account to prepare this edition. During

financial year 2003, an Integrated Corporate Responsibility information System was set up, including in the financial information processes of the Telefónica Group, data and indicators on corporate responsibility.

Since December 2002, Telefónica has had a section on its web page on corporate responsibility, that has the same informative structure as the annual report. During 2003, that page was visited more than 60,000 times.

05 INSTITUTIONAL PRESENCE

As one of the leading companies in each one of the countries where it operates, Telefónica has a major institutional presence in all the fields where it is present. The following section summarises its involvement in sponsorships, conferences or collaboration with international bodies.

a) Sponsorship

Telefónica has an institutional presence in numerous society activities by sponsoring sporting, cultural, social and other kinds of activities. During 2003, it sponsored a total of 454 initiatives.

Commercial sponsorship is aimed at supporting events and activities that, due to their major relevance among the population, may help the companies to promote their products and services. For that reason, the key role of these sponsorships usually concentrates more on the companies in the Group.

Because of its high impact on society, sport is assigned most of the commercial sponsorship of the Telefónica Group (112 commercial sponsorships in 2003), especially in the fields of motor racing, tennis and golf. A sponsorship of special interest to Telefónica is the team of young motorcycling talent, that has supported such world champions as Dani Pedrosa (2003).

SPORT COMMERCIAL SPONSORSHIP BY THE TELEFÓNICA GROUP

MOTOR RACING

- Motorcycling: Telefónica MoviStar team in the 125 cc, 250 cc and MotoGP categories. The riders sponsored include Dani Pedrosa (World Champion in 2003), Sete Gibernau, Toni Elías and the team managers Ángel Nieto and Alberto Puig.
- Rallies: sponsorship of the Telefónica Dakar Rally and Movistar Cataluña –Costa Brava Rally; along with support for the Team Telefónica Movistar Citroën and Carlos Sáinz.
- Formula 1: in 2004, Telefónica returned to Formula 1, sponsoring Fernando Alonso and the Renault team.

TENNIS

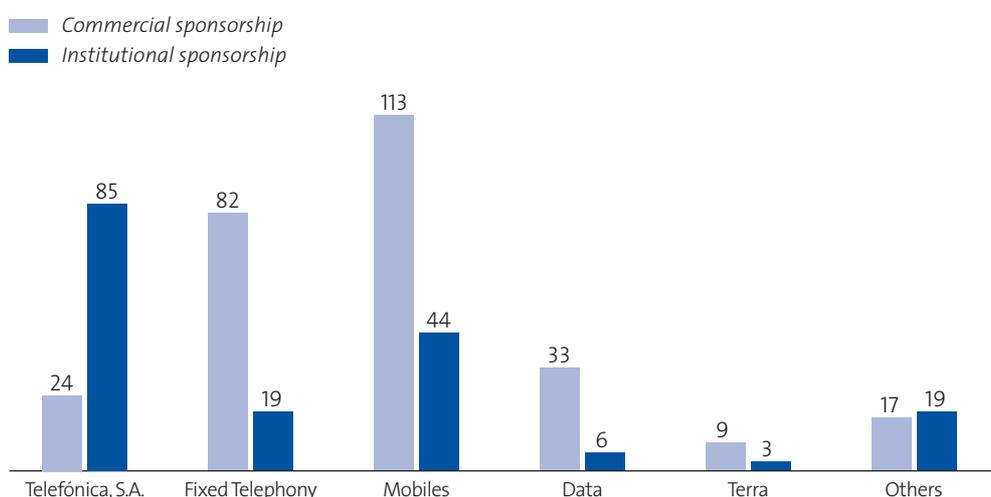
- Sponsorship of the Tennis Masters Madrid 2003 and Trofeo Conde de Godó,
- Sponsorship of the tennis players Juan Carlos Ferrero, (Spain), Fernando González and Nicolás Massú (Chile).

GOLF

- Sponsorship of the III Madrid Golf Open.

DISTRIBUTION OF SPONSORSHIP BY BUSINESS LINES

(Data in units)



Music is another field to which Telefónica associates its image by sponsoring activities: such as the Telefónica MoviStar concerts, fifteen editions of which have been held.

Institutional sponsorship is more related to events and activities in which Telefónica must be present as an institution. Thus, its role in such sponsorship is more that of the corporations (Telefónica, SA as well as Telefónica Móviles and the Country Corporate Centres), with a major presence in cultural sponsorship (92 sponsorships in 2003) over sporting ones (18) and others (66). A sign of the institutional nature of these may be seen in the distribution of the sponsorships in Spain by different autonomous communities.

b) Forums and conferences

Presence at international forums and conferences, especially if related to development of the telecommunications sector, economic development and the information society, is another area of institutional protagonism by the Telefónica Group.

During financial year 2003, Telefónica sponsored a total of 28 forums and conferences, to which one must add another 99 participations (23 more than in 2002). Sponsorship of forums has been aimed, mainly at non-profit organisations and, fundamentally, institutions, public bodies, Universities and Business Schools.

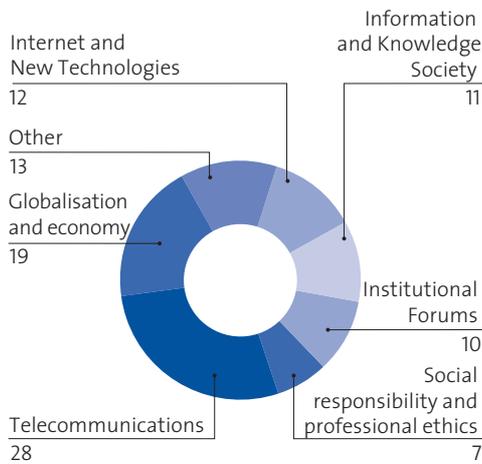
During 2003, 172 speakers from the Telefónica Group have participated in Forums and Conferences. These events have mainly taken place in Spain (75%), Europe (13%) and Latin America (12%). Attendance at these forums came to 90% of the forecasts, with a group of more than 8,600 people.

c) Collaboration with international organisations

Telefónica collaborates with prestigious, representative organisations worldwide, to which it assigns an annual budget of 1.45 million euros. The main associations and forums in which Telefónica is present are those related to telecommunications, mainly in the area of influence of the Company (Spain, Europe and Latin America).

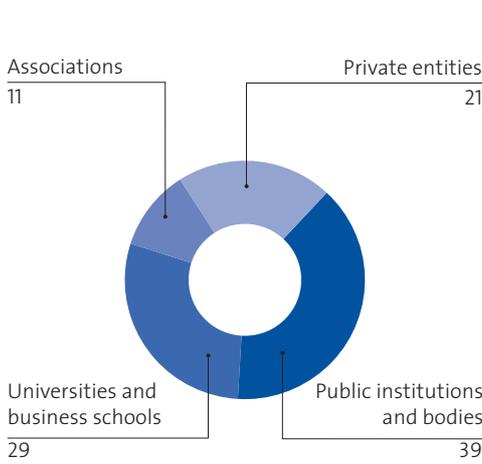
MOST RELEVANT THEMES OF THE FORUMS SPONSORED AND PARTICIPATED IN DURING 2003

(Data in percentages)



DISTRIBUTION OF FORUM SPONSORSHIP BY ORGANISATION

(Data in percentages)



International associations and organisations in the sector, or with influence over it, in which Telefónica is present:

- AHCIET (Asociación Hispanoamericana de Centros de Investigación y Empresas de Telecomunicación)
- ASETA (Asociación de Empresas de Telecomunicaciones de la Comunidad Andina)
- BRT (Brussels Round Table)
- CITEL (Comisión Interamericana de Telecomunicaciones)
- DSL Forum
- EIF (European Investment Foundation)
- ERT (European Round Table of Industrialists)
- ESF (European Services Forum)
- ETP (European Telecommunications Platform)
- ETNO (European Telecommunications Network Operators)
- ETSI (European Telecommunications Standards Institute)
- EURESCOM (European Institute for Research and Strategic Studies in Telecommunications)
- GBDe (Global Business Dialogue on e-commerce)
- GeSI (Global e-Sustainability Initiative)
- GSMa-GSMe (GSM Association - GSM Europe)
- ICANN (Internet Corporation for Assigned Names and Numbers)

- ICC (International Chamber of Commerce)
- Ipv6 Forum
- MEBF (Mercosur European Union Business Forum)
- TABD (TransAtlantic Business Dialogue)
- UIT (Unión Internacional de Telecomunicaciones)
- 3GPP (3rd Generation Partnership Project)

Spanish national associations in the sector or that influence it, in which Telefónica is present:

- AECE (Asociación Española de Comercio Electrónico)
- ANIEL (Asociación Nacional de Industrias Electrónicas y de Telecomunicaciones)
- AUTELSI (Asociación Española de Usuarios de Telecomunicaciones y de la Sociedad de la Información)
- CEOE (Confederación Española de Organizaciones Empresariales)
- CIECAT (Círculo Español para la Calidad en Telecomunicación)
- Círculo de Empresarios
- COTEC
- N-ECONOMÍA
- SEDISI (Asociación Española de Empresas de Tecnologías de la Información)