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.
WE ARE EXECUTING OUR STRATEGIC INITIATIVES...
...TO STRENGTHEN OUR CASH FLOW GENERATION CAPABILITIES

AND WE HAVE CONTINUED TO REINFORCE OUR FINANCIAL PROFILE...

...WHICH GIVES US FULL FLEXIBILITY TO MAXIMIZE SHAREHOLDER´S RETURNS

EXECUTED INITIATIVES HAVE SET THE BASIS FOR PROFITABLE GROWTH IN COMING YEARS...

...AS 1Q03 RESULTS ALREADY SHOW
WE ARE EXECUTING OUR KEY STRATEGIC INITIATIVES ...

STRENGTHENING OUR POSITION IN CORE BUSINESSES IN NATURAL MARKETS, TO REINFORCE GROWTH AND CASH FLOW

- More than 1.2 Mill. ADSL subscribers
- More than 18.7 Mill. wireless clients, 55% mkt. share
- +42% & 32% mkt. share in DLD & ILD for Telesp
- Incorporation of JV+acquisition of TCO, with >18 Mill. subs. and access to 80% of Brazilian GDP
- Pegaso acquisition + integration with existing operations, with 2.4 Mill. clients

RESTRUCTURING NON-PERFORMING BUSINESSES TO STOP CASH OUTFLOW

- Closing of all operations. Saving 1.8 Bill.€ and 2.4 Bill.€ in EBITDA and Net losses, respectively
- Sale of ETI (Austria) and T. Data Uruguay
- Combination of Mediaways/Highwayone
- Merger agreement Sogecable/Vía Digital
- Divestiture from A3 structured and approved
- Tender offer for up to 100% of minorities

REINFORCE FINANCIAL MANAGEMENT TO PRESERVE FLEXIBILITY

- Repatriation of 1.5 Bill.€ from the region in 2002
- Over 7.4 Billion € in the last five quarters

SETTING THE BASIS FOR ENHANCED SHAREHOLDER REMUNERATION
TELEFONICA DE ESPAÑA: TOUGH COMPETITIVE ENVIRONMENT

LIBERALIZATION IS ALREADY A REALITY ...

COMPETITION INDICATORS

PRESELECTED LINES OVER (LINES IN SERVICE - ADSL)

TELEFONICA DE ESPAÑA ACCESS MARKET SHARE

VOICE TRAFFIC DOWN 6.6% FROM 1Q02

VOICE TRAFFIC EFFECTIVE PRICE PER MINUTE* DECREASES BY 2.0% TO 5.77 € cents/minute FROM 1Q02

TRADITIONAL SERVICES REVENUES DECREASE BY 2.6% IN 1Q03

INTERNET TRAFFIC DOWN 10.5%

... BUT TELEFONICA DE ESPAÑA IS ADAPTING SUCCESSFULLY

PARENT COMPANY OPERATING REVENUES (million €)

OPERATING REVENUES BREAKDOWN

TELEFONICA DE ESPAÑA EBITDA MARGEN

* Voice usage revenues divided by voice traffic

INTERNET & BB REVENUES
TRADITIONAL SERVICES and WHOLESALE REVENUES
RECURRING FIXED REVENUES
NOT FIXED REVENUES

96.6% 95.2% 9.2% 10.6%
6.7% 8.0% 93.9% 92.1%
3Q01 1Q02 3Q02 1Q03
...WITH FIXED TO MOBILE SUBSTITUTION ADDING PRESSURE

IMPACT ON TdE WIRELINE REVENUES...

ACCESS LINES
- 2.5 Mill. ACCESSES WITHOUT A FIXED CONNECTION
  17% Households only have a mobile access
+ CAPACITY AND CIRCUITS LEASED TO MOBILE OPERATORS

TRAFFIC
- DECREASE IN TRAFFIC: TRAFFIC COMING FROM LOST ACCESSES
  20%-25% Voice traffic generated in wireless networks
+ INCREASE IN TRAFFIC: FIXED TO MOBILE AND MOBILE TO FIXED
  13.8% CAGR (1Q99-1Q03)

...IS PARTLY OFFSET BY OUR LEADING POSITION IN WIRELESS

- OVER 55% MARKET SHARE
- MARGINS ABOVE WIRELINE INCUMBENT
  44.0% 51.6% 44.6% 55.1%

TESA 2002 TME TESA 1Q03

HAVING A STRONG DOMESTIC MOBILE OPERATOR IS KEY TO
MINIMIZE F2M SUBSTITUTION FOR THE GROUP, IN THE LONG RUN

Telefónica
WHILST ADSL POSITIVE PERFORMANCE IS EMERGING AS MAIN WIRELINE GROWTH DRIVER

- Over 40% new ADSL customers in 2002 did not have IP traffic at all
- Net adds increase by 18% from 1Q02
- 1Q03 gross Incremental Margin over Revenues increases by 25.8 p.p. versus 2002 figure to exceed 49%

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Direct Costs (1)</th>
<th>Gross Incremental Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>145.5</td>
<td>73.8</td>
<td>71.7</td>
</tr>
</tbody>
</table>

CAPEX per new connection (€) (12 month rolling)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX per new connection (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>-46.2%</td>
</tr>
<tr>
<td>2002</td>
<td>-12.6%</td>
</tr>
<tr>
<td>1Q03</td>
<td>-46.2%</td>
</tr>
</tbody>
</table>

Retail SAC per new connection (€)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail SAC per new connection (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q02</td>
<td>65% of basic retail adds</td>
</tr>
<tr>
<td>2002</td>
<td>-28.5%</td>
</tr>
<tr>
<td>1Q03</td>
<td>-52.6%</td>
</tr>
</tbody>
</table>

Retail ARPU (€)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Retail ARPU (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q02</td>
<td>42.0</td>
</tr>
<tr>
<td>2002</td>
<td>42.9</td>
</tr>
<tr>
<td>1Q03</td>
<td>44.7</td>
</tr>
</tbody>
</table>

ADSL Connections (thousands)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ADSL Connections (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q02</td>
<td>151.8</td>
</tr>
<tr>
<td>2Q02</td>
<td>133.3</td>
</tr>
<tr>
<td>3Q02</td>
<td>86.2</td>
</tr>
<tr>
<td>4Q02</td>
<td>210.2</td>
</tr>
<tr>
<td>1Q03</td>
<td>178.9</td>
</tr>
</tbody>
</table>

GROSS INCREMENTAL MARGIN (euros in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>GROSS INCREMENTAL MARGIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>-28.5%</td>
</tr>
<tr>
<td>1Q03</td>
<td>-46.2%</td>
</tr>
</tbody>
</table>

Net adds increase by 18% from 1Q02

- 1Q03 gross Incremental Margin over Revenues increases by 25.8 p.p. versus 2002 figure to exceed 49%
Recovery in 1Q03 to reach inflection point in ARPU trend
6% Increase in Service Revenues
Prepaid and Contract CHURN below 1%
TELESP ACHIEVES A SOLID UNDERLYING PERFORMANCE

LOCAL REVENUES ($R in millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q02</th>
<th>1Q03</th>
<th>YoY change in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>1,658</td>
<td>1,787</td>
<td>+7.8%</td>
</tr>
</tbody>
</table>

- Monthly fee: +6% yoy driven by a 13% tariff increase in 02
- Usage revenues: +9.5% yoy driven by tariff increases in 02 and a 2% increase in local traffic/line/day

LONG DISTANCE REVENUES ($R in millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q02</th>
<th>1Q03</th>
<th>YoY change in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>297</td>
<td>508</td>
<td>+70.8%</td>
</tr>
</tbody>
</table>

- 42% DLD (interstate) market share as of March 03
- 33% ILD market share as of March 03

EBITDA ($R in millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q02</th>
<th>1Q03</th>
<th>YoY change in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,213</td>
<td>1,308</td>
<td>+7.8%</td>
</tr>
</tbody>
</table>

CASH-FLOW (EBITDA - CAPEX) ($R in millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q02</th>
<th>1Q03</th>
<th>YoY change in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH-FLOW</td>
<td>831</td>
<td>1,019</td>
<td>+22.7%</td>
</tr>
</tbody>
</table>

8

Telefónica
BRAZILIAN AND MEXICAN WIRELESS MARKETS

- 19 States (86% country coverage)
- Access to 80% of Brazil GDP
- 16.8 Mill. subscribers as of December 2002 (above 50% market share; TCO included)*
- LAUNCH OF UNIFIED COMMERCIAL BRAND “VIVO” IN APRIL

- 2.4 Mill. subscribers as of December 2002 (12% market share)
- Integration completed and launch of MoviStar brand in 2003
- GSM Service in Mexico City, Monterrey, Guadalajara and Tijuana from last May 13th
- GSM Roll-out: 500-600 million € estimated Capex in 2003
TERRA-LYCOS TENDER OFFER: KEY TRANSACTION TERMS

Consideration

- Cash tender offer under applicable Regulations
- Up 100% of minorities (62.05% of outstanding share capital)

Price

- For each Terra Lycos share: 5.25 €
- Premium over:

<table>
<thead>
<tr>
<th>Aggregate value (ex-cash) (1)</th>
<th>Equity value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last closing price (2)</td>
<td>51.2%</td>
</tr>
<tr>
<td>Pre-NSA announcement</td>
<td>41.3%</td>
</tr>
<tr>
<td>Over last 6 months</td>
<td>44.9%</td>
</tr>
<tr>
<td>Target prices (3) (5.21 €)</td>
<td>2.0%</td>
</tr>
<tr>
<td></td>
<td>16.2%</td>
</tr>
<tr>
<td></td>
<td>13.6%</td>
</tr>
<tr>
<td></td>
<td>14.6%</td>
</tr>
<tr>
<td></td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Conditions

- TEF to reach a 75% minimum stake after completion

(1) Cash position of €1,731.3 Mill.€ excluded from equity value. 559.6 Mill. shares outstanding, excluding option plans.
(2) As of May 27, 2003.
(3) Mean of selected analysts’ reports target prices issued in 2003.
INTERNET BUSINESS MODELS HAVE EXPERIENCED DEEP CHANGES SINCE TERRA LYCOS IPO, CHALLENGING THE EXISTENCE OF INDEPENDENT COMPANIES

Telefónica has consistently adapted to business model changes, supporting its Internet offering.

INTERNET IS A BUSINESS OPPORTUNITY DIRECTLY LINKED TO WIREDLINE, AND DRIVEN BY BROADBAND

The new Internet Model demands integration.

A combined Group effort is needed to fully capture the business opportunity Internet represents.

ASSETS RESTRUCTURING AND BUSINESS INTEGRATION WITH WIREDLINE OPERATIONS IS THE BEST OPTION TO CREATE VALUE FOR BOTH TERRA LYCOS AND TELEFONICA SHAREHOLDERS

TERRA LYCOS HOLDERS: all cash transaction, with a 16.2% and 51.2% premium to current stock price and implicit business market valuation, respectively.

TERRA-LYCOS TENDER OFFER: TELEFONICA HOLDERS, FINANCIAL IMPACT IN TELEFONICA’S VALUE

- **268.9 Mill. € incremental EBITDA in 2003-2006**
- **Around 1% dilutive at net income level in 2003 and improving thereafter**

The deal is impact-free for Telefónica value, as benefits from completing the transaction are offsetting the cost of buy-out.

Complete clarity of the Group’s Internet strategic positioning post transaction adds value to the deal.

* Including restructuring costs.
** Fourth quarter 2003 and full years 2004, 2005 and 2006

All calculations estimate a 100% acceptance for the buy-out.
WE ARE IMPROVING CASH FLOW GENERATION...

2002 OPERATING CASH FLOW BREAKDOWN (Million Euros)

- **TdE Mobile Business**: 2,830.6 (94.1%)
- **T. Latam Business**: 2,658.8 (26.1%)
- **Other Businesses**: 327.5 (-75.0%)
- **Total Group**: 7,935.2 (27.9%)

2002 LATAM REPATRIATED CASH FLOW (Million Euros)

- **Dividends**: 1,500
- **Management Fees**:
- **Intragroup Debt & Others**:
- **Repatriated Cash Flow**:

- **Annual growth rate**: 5.6%

- All fixed line businesses in Latam are contributing positively
- 2/3 of operating cash flow is generated in Spain
- €2,218 Mill. Cash Flow generated in 1Q03 with wireline and wireless growing in excess of 15%
...AND STRENGTHENING OUR CREDIT PROFILE...

CONSOLIDATED DEBT EVOLUTION
(€ IN MM)

28,942 25,789 22,533 21,502
FY2001 2Q02 FY2002 1Q03

-25.7%

COMPONENTS OF 1Q2003
DEBT REDUCTION

22,533 1,458 423 463 387 21,502
2002 Operating FCF Forex Financial Investments Changes in Consolidation 1Q 2003

A BALANCED DEBT STRUCTURE

22%
Latam countries

78%
ex-Latam countries

NET DEBT*/EBITDA 02
Group 1.83x
Latam 1.14x
Group ex-Latam 2.21x

(*) As of March 03
...THROUGH THE SOLID MANAGEMENT OF THE GROUP´s DEBT PORTFOLIO...

- Adapting the debt profile to the Group´s Cash Flow generation
  - Average debt maturity (6 years) exceeding time for complete repayment (4 years)
  - 2003 financing needs already covered (long term debt equivalent to 99% of total debt)

- Hedging Latam currencies´assets through debt in local currencies and derivatives (3 Bill.€ debt reduction in 2002 linked to exchange rates evolution)

- Minimizing exchanges rates losses in the P&L related to $US denominated external debt held by Latam subsidiaries

- Anticipating Yield curve movements, on the basis of the debt structure by currencies

- Protecting against Sovereign & Exchange rate risk
- Maintaining alternative sources of financing
- Accessing Latam subsidiaries operating cash flows directly

RATING OBJECTIVE OF “A”
...SETTING THE BASIS FOR ENHANCED SHAREHOLDER REMUNERATION

APPROVED AT THE AGM HELD THE 11TH OF APRIL 2003

- Reinstatement of a cash dividend policy, distributing 0.25 € / share
- In-kind dividend for 30% of Antena 3, with a book value of 420 Million €
- 2% share buy-back

COMBINING CASH FLOW GENERATION AND RETURN

2003E DIVIDEND YIELD *

** Cash dividend + dividend in-kind.
BUSINESS INITIATIVES WILL PAVE THE WAY FOR PROFITABLE GROWTH IN COMING YEARS...

IMPROVING P&L AT ALL LEVELS...

CONSISTENT GROWTH * IN:
- REVENUES
- EBITDA
- EBIT

LEVERAGING ON:
- CLIENTS & NATURAL MARKETS
- SERVICES
- EFFICIENCY

BOTTOM LINE

EFFECTIVE IMPROVEMENT OF:
- GOODWILL
- EXTRAORDINARIES
- NET INCOME

LEVERAGING ON:
- 2002 WRITE-DOWNS

...STRENGTHENING BALANCE SHEET QUALITY

% INTANGIBLES/TOTAL ASSETS

- TEF 2001: 32%
- TEF 2002: 23%
- TI: 23%
- DT: 23%
- FT: 23%

2002 ROIC 7.6%

* Excluding forex

DOUBLE DIGIT ROIC IN 2005
THAT WILL DERIVE INTO A SET OF SOUND FINANCIALS ...

** REVENUES (€ IN MM) **
- 2002: 28,411.3
- 2003: [Bar Graph]

- Change: +5/8%

** EBITDA (€ IN MM) **
- 2002: 11,724.2
- 2003: [Bar Graph]

- Change: +6/9%

** EBIT (€ IN MM) **
- 2002: 5,031.8
- 2003: [Bar Graph]

- Change: +18/21%

** CAPEX (€ IN MM) **
- 2002: 3,789.0
- 2003: [Bar Graph]

- Change: 0/+3%

** CASH FLOW **

** (€ IN MM) **
- 2002: 7,935.2
- 2003: [Bar Graph]

- Change: +9/12%

* All financials are excluding forex & changes in consolidation
** EBITDA - Capex
...AS 1Q03 RESULTS ARE ALREADY SHOWING...

<table>
<thead>
<tr>
<th></th>
<th>Jan-Mar 03</th>
<th>% Change Jan-Mar 03/ Jan-Mar 02</th>
<th>% Change FY 02/ FY 01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>6,458.9</td>
<td>-12.9%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>3,822.4</td>
<td>-16.0%</td>
<td>-9.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,819.1</td>
<td>-7.4%</td>
<td>-8.4%</td>
</tr>
<tr>
<td>EBIT *</td>
<td>1,258.1</td>
<td>+4.1%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Adj. EBIT **</td>
<td>1,073.2</td>
<td>+50.5%</td>
<td>c.s.</td>
</tr>
<tr>
<td>Net Income</td>
<td>543.4</td>
<td>+348.9%</td>
<td>c.s.</td>
</tr>
</tbody>
</table>

GROWTH RATES EXCLUDING FOREX

- Revenues: +4.3%
- EBITDA: +11.0%
- EBIT: +19.9%

CONTRIBUTION TO EBITDA GROWTH (EX-FX)

- Cell. business: 6.0%
- T.Latam: 2.4%
- TdE: 3.2%
- Rest of companies: -0.6%
- EBITDA growth: 11.0%

* EBITDA less depreciation
** EBIT less Goodwill amortization, Associates and Extraordinaries
WE HAVE WORKED TO IMPROVE THE OUTLOOK OF OUR BUSINESSES, ADAPTING TO MACRO AND SECTOR CONDITIONS, AND STRENGTHENING THEIR EFFICIENCY AND CAPACITY TO GENERATE CASH FLOW

WE HAVE SET THE PACE FOR FUTURE GROWTH IN TERMS OF RETURN ON INVESTED CAPITAL AND CASH GENERATION

TELEFONICA’S CASH FLOW IS STABLE AND WELL BALANCED, AND WILL GROW BY LEVERAGING ON CORE BUSINESSES AND NATURAL MARKETS

WE HAVE THE FINANCIAL FLEXIBILITY TO USE CASH FLOW FOR MAXIMIZING SHAREHOLDER RETURNS
Telefonica