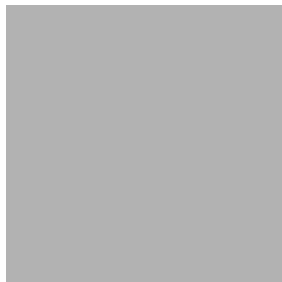
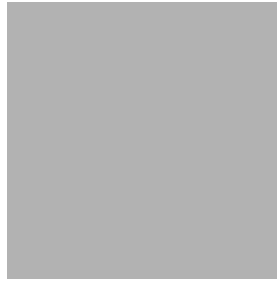


Quarterly Results January – March 2004



May 14th, 2004



Quarterly Results
January – March 2004

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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.



Quartely Results
January – March 2004

Financial highlights

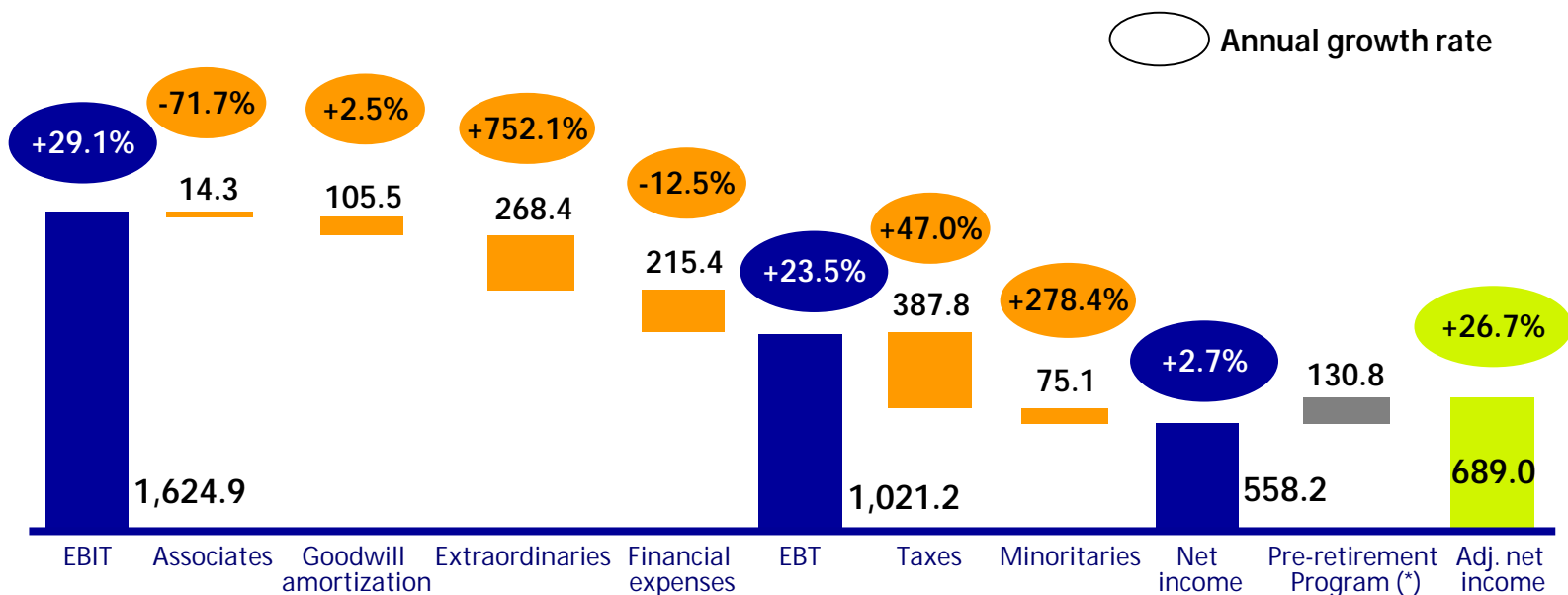
	Jan-Mar 04	Jan-Mar 03	% Change 1Q04/1Q03	
Operating Rev.	6,959.0	6,458.9	+7.7%	TOP LINE GROWTH
Operating Costs	(3,896.9)	(3,695.4)	+5.5%	
EBITDA	3,112.2	2,819.1	+10.4%	+
EBITDA Margin	44.7%	43.6%	+1.1 p.p.	IMPROVED PROFITABILITY
D&A	(1,487.3)	(1,560.9)	(4.7%)	
EBIT	1,624.9	1,258.1	+29.1%	+
Net Income	558.2	543.4	+2.7%	
OpCF (*)	2,492.7	2,218.2	+12.4%	CASH GENERATION

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Quarterly Results
January – March 2004

Growth in net income despite pre-retirements



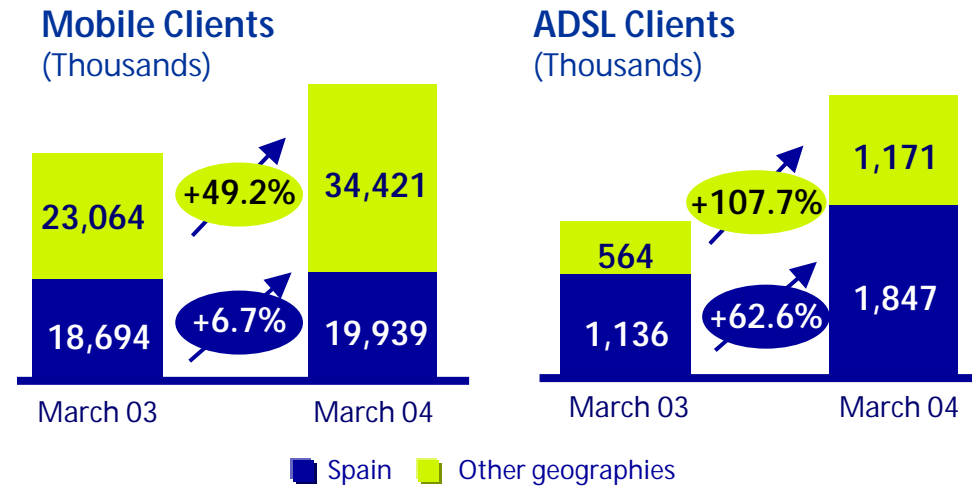
Adjusting for Pre-retirements, Net Income would have ended close to 690 Million €, equivalent to a 27% annual increase



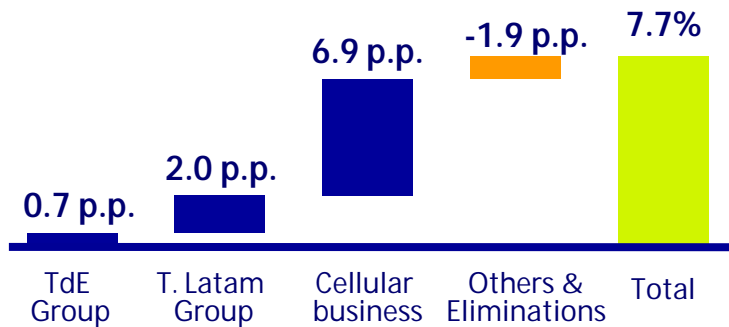
Quarterly Results
January – March 2004

A more active commercial approach to grow top line across the Group

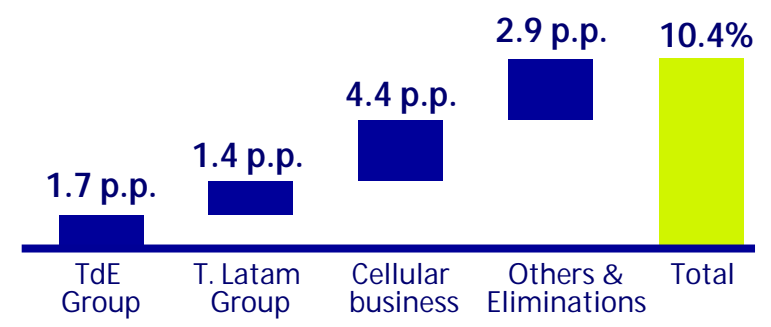
- Higher commercial activity in the mobile operations, particularly in Spain, Brazil and Mexico:
 - 2.3 Million net adds in all markets in 1Q04 (6x more than 1Q03 net adds)
- Higher commercial efforts to capture ADSL growth:
 - More than 265,000 new connections for the quarter, with Latam doubling 1Q03 net additions



Revenue contribution to growth by affiliate



EBITDA contribution to growth by affiliate

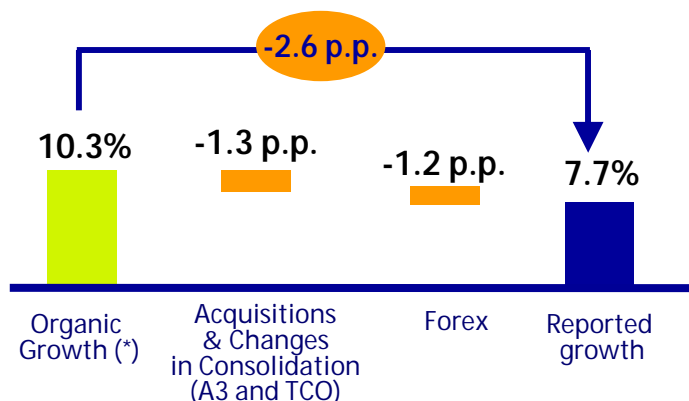




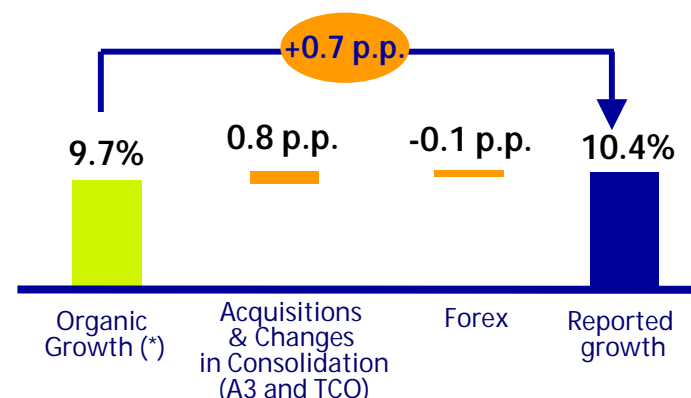
Quartely Results
January – March 2004

As opposed to 2003, FOREX is not significantly diluting organic growth...

Organic vs Reported revenue growth



Organic vs Reported EBITDA growth



Yearly comparison of main currencies

	Currency weight over Group EBITDA (**)	P&L FOREX 1Q03 (Average)	P&L FOREX 1Q04 (Average)	% CHANGE 1Q04/1Q03	P&L FOREX FY03 (Average)	% CHANGE 1Q04/FY03
BRAZIL/€	18%	3.739	3.619	+3.3%	3.454	-4.6%
ARGENTINA/€	4%	3.395	3.631	-6.5%	3.324	-8.5%
CHILE/€	4%	784.894	770.141	+2.3%	670.174	-13.0%
PERU/ €	4%	3.730	4.324	-13.7%	3.910	-9.6%
MEXICO/ €	-2%	11.552	13.936	-17.1%	12.681	-9.0%

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(*) Assuming constant exchange rates as of 1Q03. All figures exclude changes in consolidation.
(**) As of march 2004.

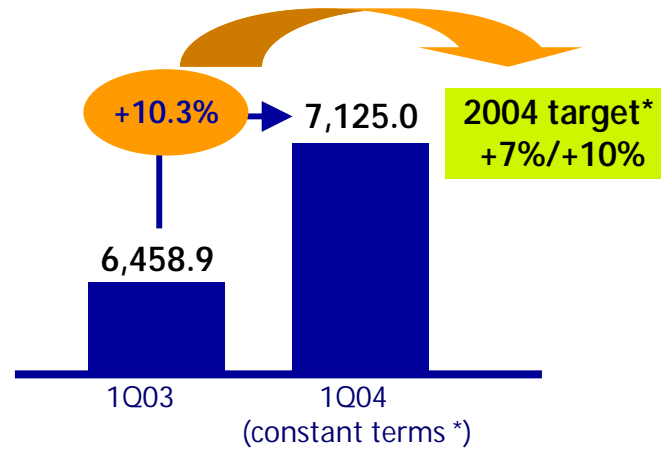


Quarterly Results
January – March 2004

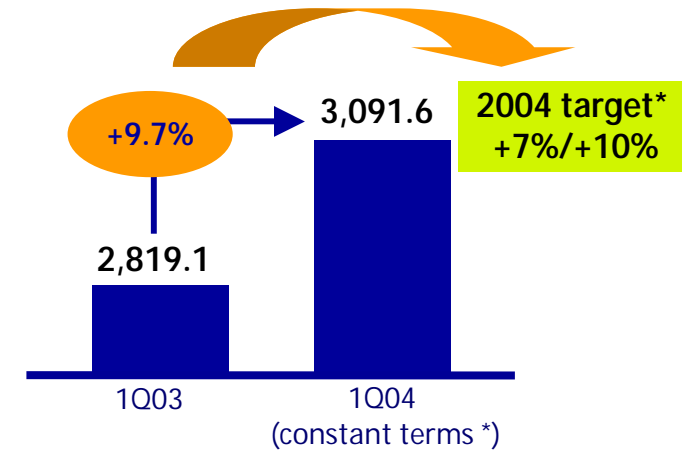
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... which remains solid and in line with year-end guidance

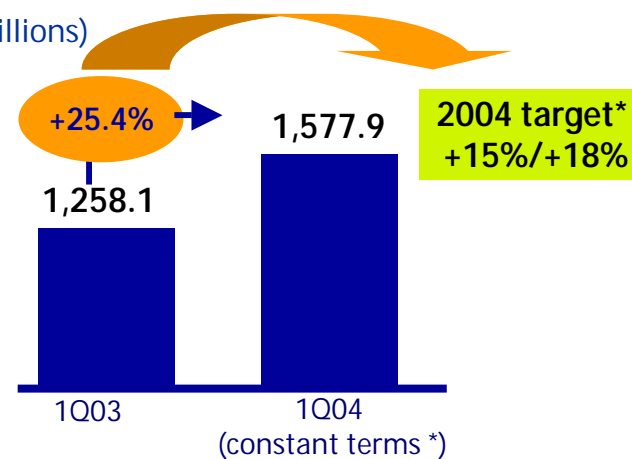
Revenues
(€ in Millions)



EBITDA
(€ in Millions)



EBIT
(€ in Millions)



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(*) Assuming constant exchange rates as of 1Q03 (as of 2003 for year-end guidance).
All figures exclude changes in consolidation.



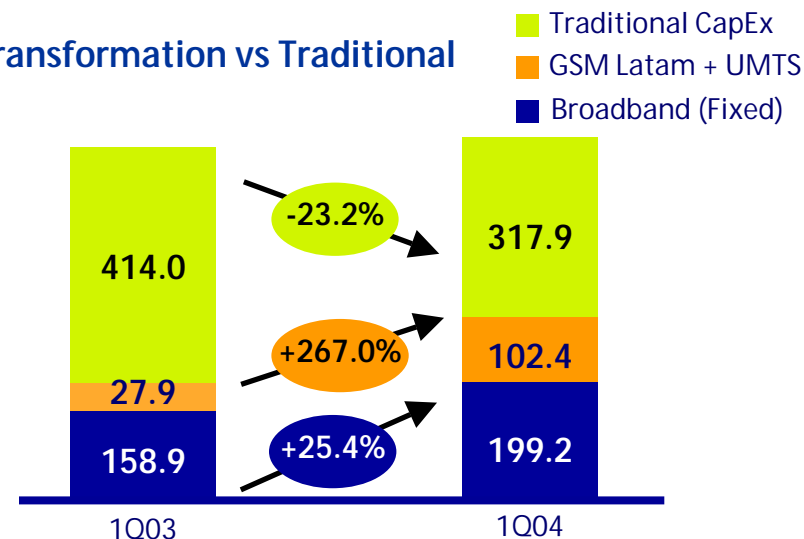
Quarterly Results
January – March 2004

Improving cash flow generation while increasing CapEx oriented to capture growth opportunities

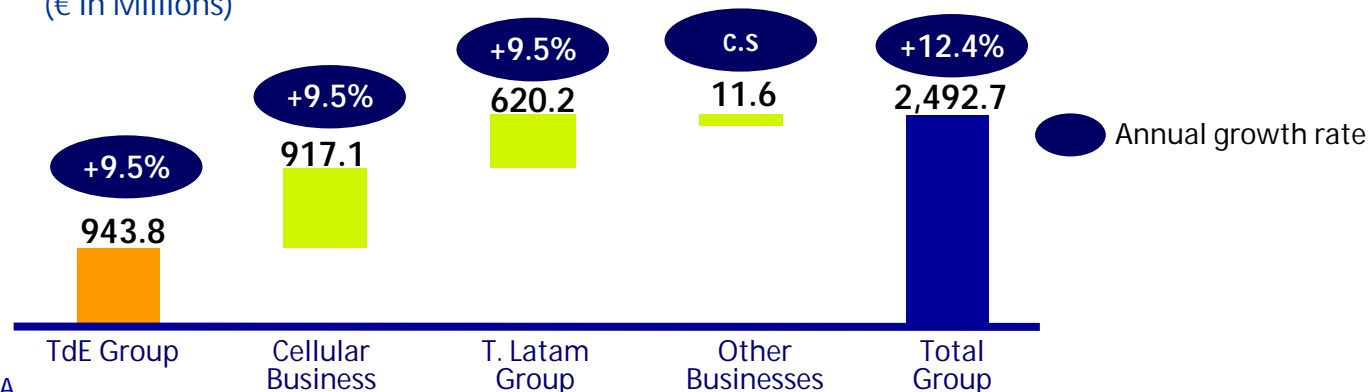
CapEx breakdown by affiliate

	Total € in Millions	% Change 1Q04/1Q03
TdE Group	262.6	-11.5%
Cell. Business	223.0	+24.7%
T. LATAM	102.6	-12.5%
TOTAL	619.5	+3.1%

Transformation vs Traditional



OpCF (EBITDA-CapEx) breakdown by affiliate
(€ in Millions)



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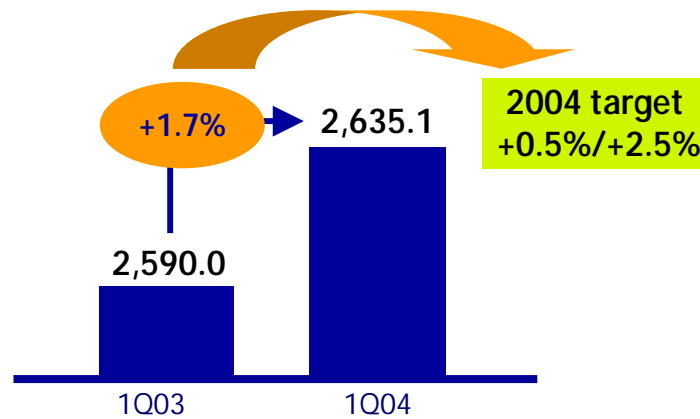
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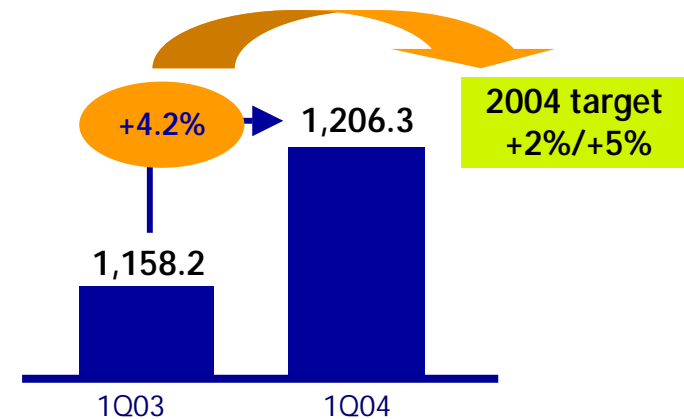
Quartely Results
January – March 2004

Telefónica de España Group: Growth in top line...

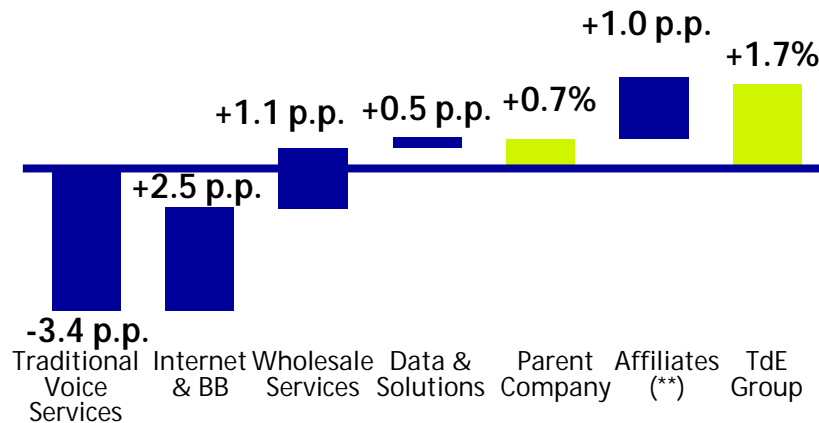
Operating revenues (*)
(€ in Millions)



EBITDA (*)
(€ in Millions)



Contribution to revenue growth (*)



100% of Group EBITDA
growth is generated by TdE
parent company

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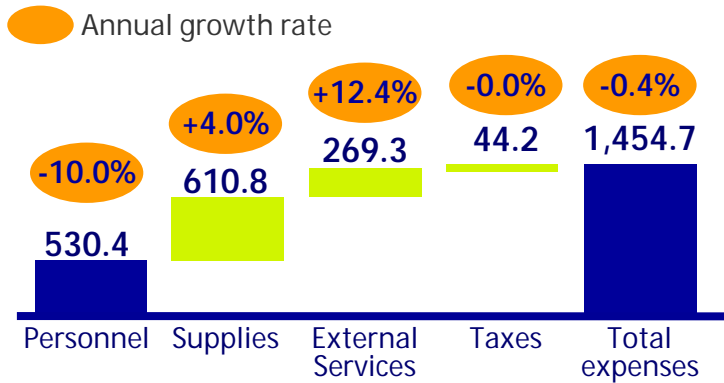
(*) New management perimeter, including data operations.
(**) Telyco, TTP, Cable.



Quarterly Results
January – March 2004

... is being compatible with higher efficiencies

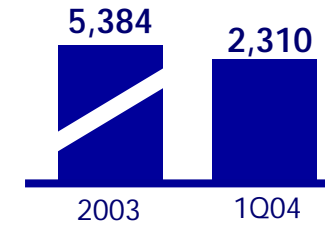
TdE Group OpEx breakdown (*)



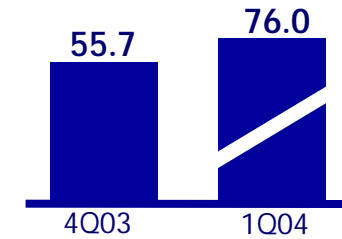
- Economies in personnel expenses (2,310 employees signing to the 2nd phase of Pre-retirement scheme in 1Q04) gives flexibility to foster commercial & marketing to support top line
- Growth in supplies linked to higher activity at Telyco (supplies at TdE parent were reduced by 1.7%)

TdE 2003-2007 Pre-Retirement program

Pre-retirees (**)
(Applications)

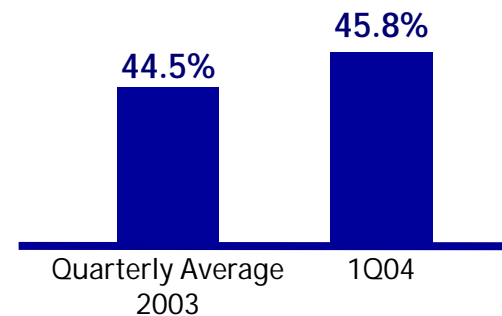


Savings in personnel expenses (€ in Millions)



- Execution ahead of schedule by more than 550 employees
- As anticipated, savings are not being reduced by outsourcing (equivalent outsourced personnel down 8.5% y-o-y)

TdE Group EBITDA margin (*)



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(*) New management perimeter, including data operations.
(**) TdE employees only (657 applications have been accepted in 1Q04 and the rest will be analyzed in the course of the year). Excludes former TdE employees working for other Group affiliates.

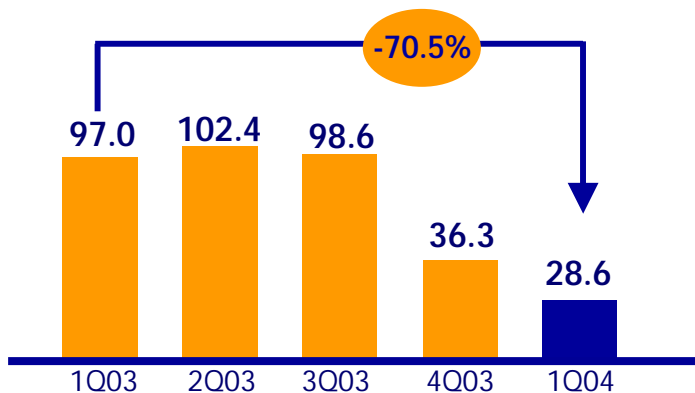


Quartely Results
January – March 2004

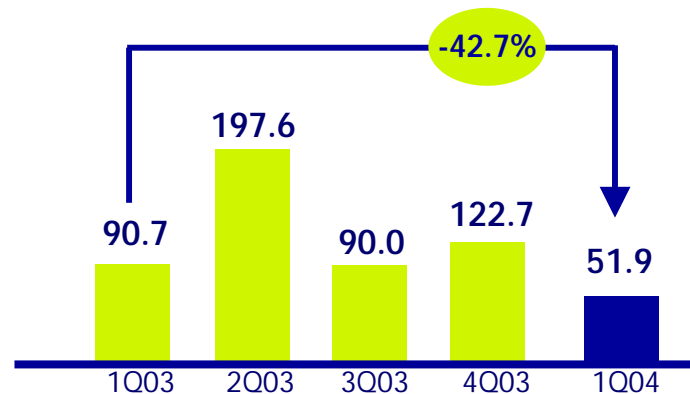
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Telefónica de España parent: traditional services

Access lines net losses
(PSTN + B.A. ISDN; thousands)



Preselected lines net adds
(Thousands)



Traffic (estimated)	(million minutes)		
	1Q04	1Q03	% Change 1Q04/1Q03
OUTGOING	18,685	22,199	-15.8%
<i>Voice (*)</i>	12,609	13,984	-9.8%
Local	6,855	7,890	-13.1%
Provincial	1,610	1,745	-7.7%
DLD	1,659	1,830	-9.3%
International	413	404	+2.4%
F2M	1,400	1,401	-0.1%
IN (**)& Others	971	714	+6.0%
<i>Internet</i>	6,076	8,215	-26.0%
INCOMING	14,076	12,797	+10.0%
TOTAL	32,760	34,997	-6.4%

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(*) Outgoing - Internet
(**) Intelligent Network

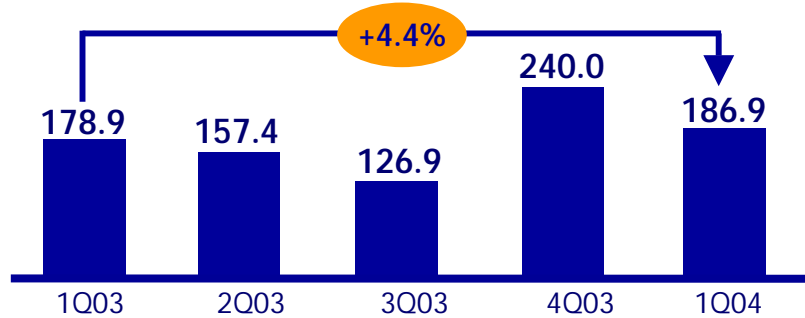


Quarterly Results
January – March 2004

Telefónica de España parent: ADSL, a profitable story

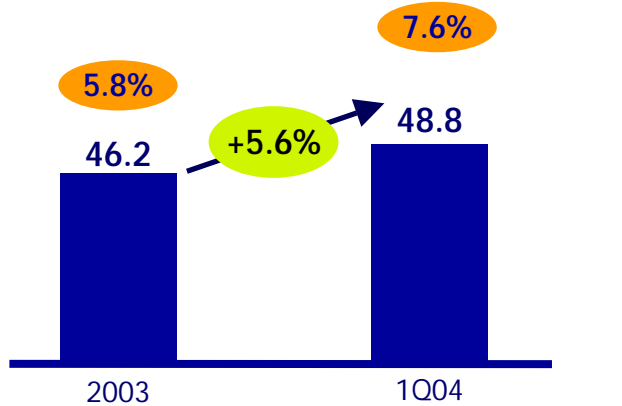
ADSL Connections
(Net adds, thousands)

ADSL CONNECTIONS	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03	Mar-04
	957.2	1,136.1	1,293.6	1,420.5	1,660.5	1,847.3



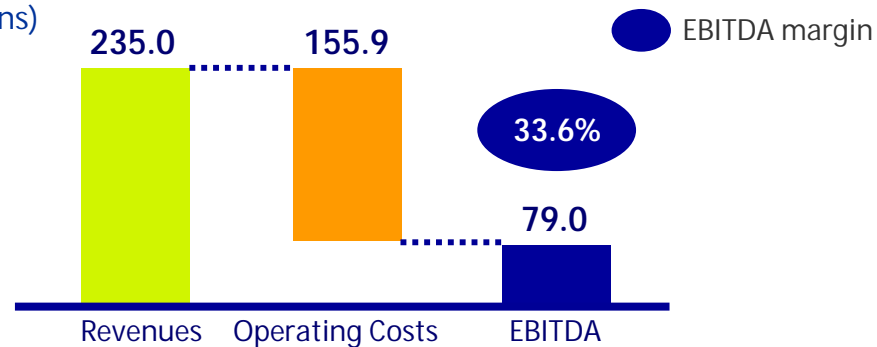
Close to 1.2 million retail connections (+61% y-o-y), equivalent to 65% of total ADSL market

ADSL Retail ARPU
(€)



Close to 28.5% of retail customers are paying for value added services

1Q04 ADSL EBITDA margin
(€ in millions)



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Quartely Results
January – March 2004

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Telefónica de España parent: Data & Solutions

VPNs for Corporates

N° Connections	1Q04	% Change 1Q04/1Q03
Traditional VPNs	86,130	-6.2%
ADSL IP VPNs	34,267	+118.1%
TOTAL	120,397	+12.0%

- Sustainable growth in VPN connection plant backed by a controlled migration from legacy networks to IP ADSL access based
- Revenues growth from VPNs supported by a 42% increase in Revenues per IP ADSL connection

**CORPORATE
NETWORKS REVENUES
1Q04 OF 170 M€ (1%
GROWTH)**

Corporate solutions & VAS

- 79 contracts to fully manage or outsource customer ITC premises
- +43.7 growth in hosting servers

**SOLUTIONS REVENUES
1Q04 OF 58 M€
(25% GROWTH)**

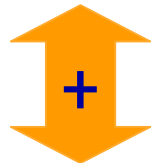
**0.5 p.p. contribution to Telefónica de España
Parent Revenue Growth**



Quarterly Results
January – March 2004

Telefónica Latinoamérica: a dual strategy to push financials up

ACTIVE COMMERCIAL APPROACH TO DRIVE TOP LINE

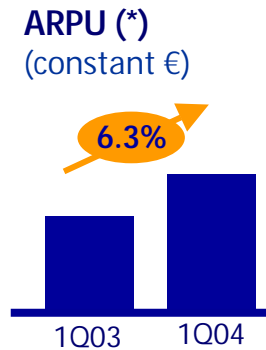


MANAGING RESOURCES TO GENERATE CASH FLOW

Traditional business

Main commercial initiatives

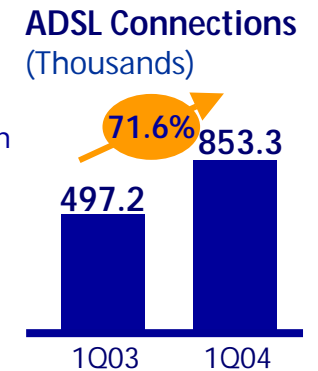
- Active management of prepay products in all geographies
- Loyalty campaigns & client retention initiatives (use of vacancies, 2nd lines...)
- VAS: Increase of product portfolio to drive ARPU



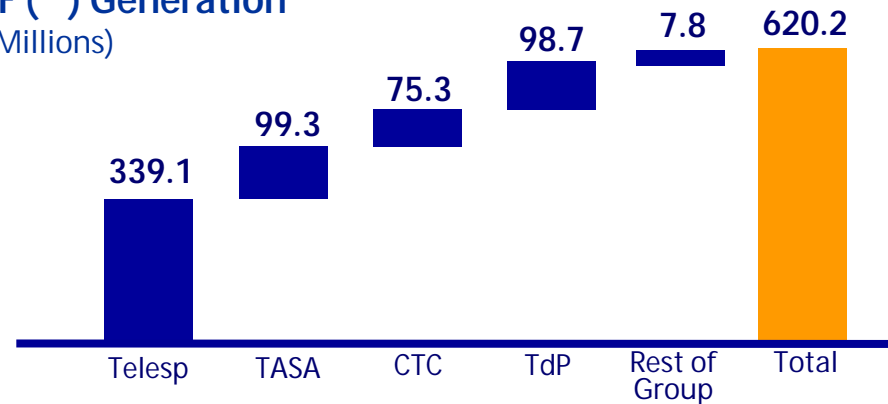
ADSL Business

Main commercial initiatives

- Launch of new portfolio of services in all geographies
- Client retention campaigns to reduce churn
- Up-sell campaigns to increase loyalty
- Wi-Fi: >350 hot spots



OpCF (**) Generation (€ in Millions)



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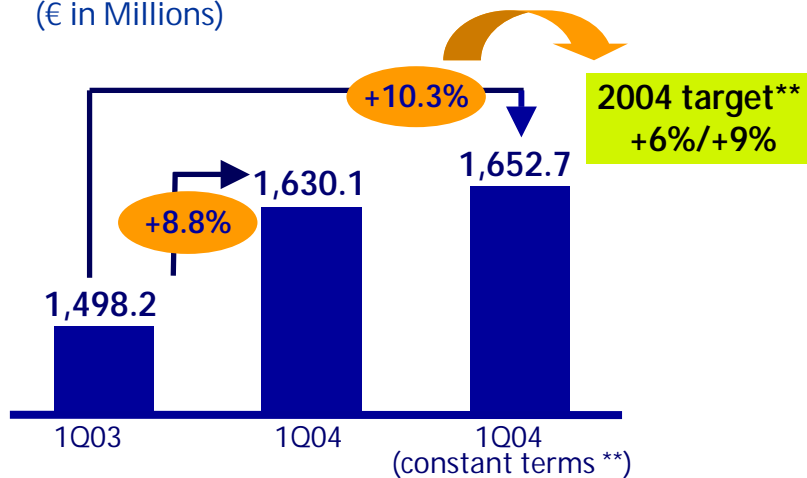
(*) Excluding Internet and Interconnection costs.
(**) EBITDA-Capex.



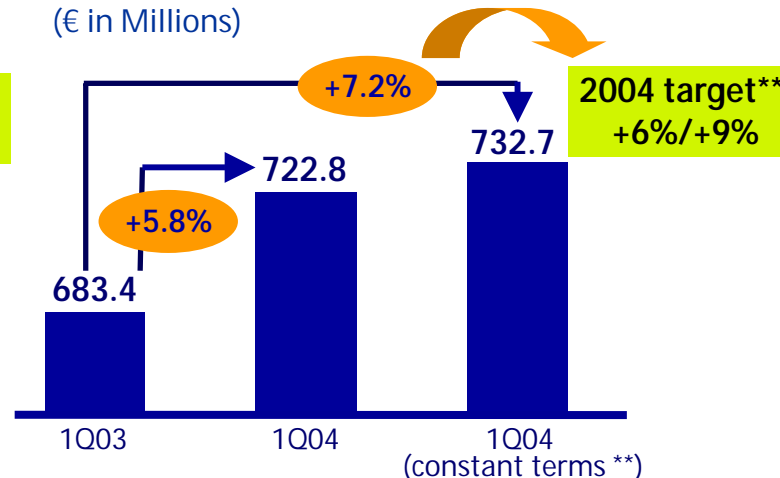
Quarterly Results
January – March 2004

Telefónica Latinoamérica (*): on track to achieve guidance ...

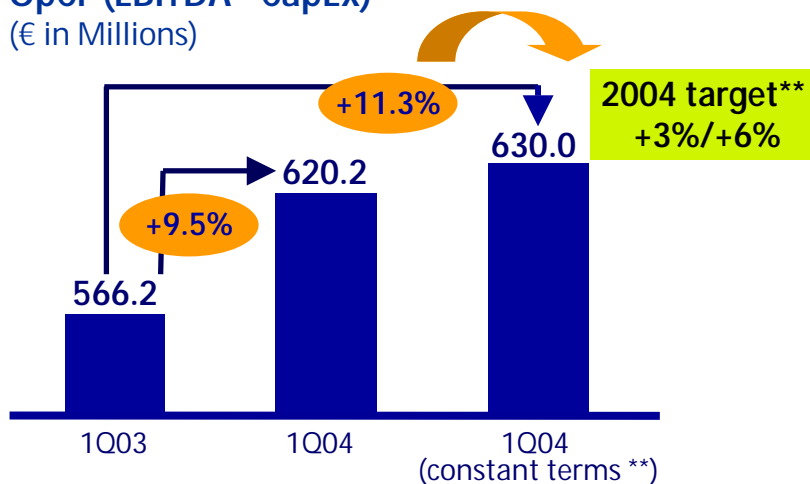
Revenues
(€ in Millions)



EBITDA
(€ in Millions)



OpCF (EBITDA - CapEx)
(€ in Millions)



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(*) New management perimeter, including data operations and TIWS

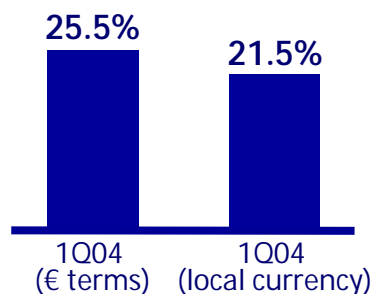
(**) Assuming constant exchange rates as of 1Q03 (as of 2003 for year-end target). All figures exclude changes in consolidation.



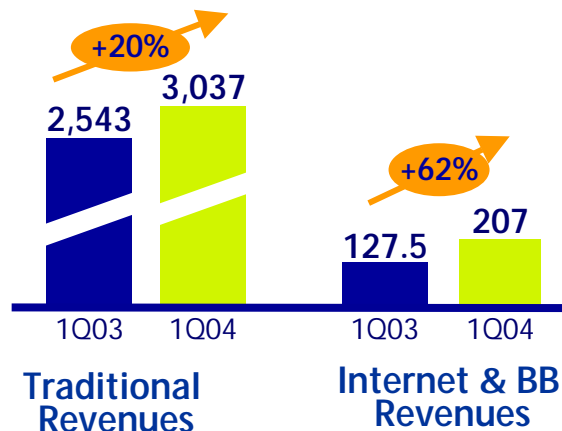
Quartely Results
January – March 2004

... driven by Telesp & TASA performances that show robust top line growth

Telesp revenue growth



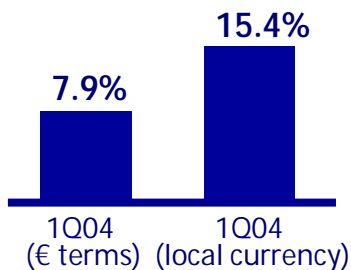
Telesp operating revenues breakdown (BRL in millions)



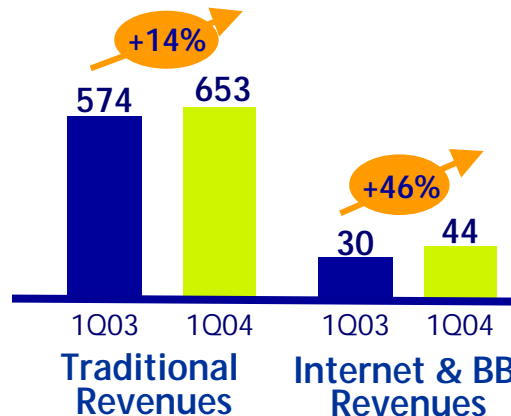
Operating drivers

- Local: 2003 tariff increases & a 3% local traffic per line annual increase
- LD: 50% market share in DLD (+9 p.p. y-o-y) & 41% in ILD (+8 p.p. y-o-y)
- ADSL: Close to 34,000 net adds in 1Q04 (2x 1Q03 net adds)

TASA revenue growth



TASA operating revenues breakdown (ARS in millions)



Operating drivers

- Local: Positive net adds in LIS in 1Q04 (traditional LIS +0.4% y-o-y) & +11% local traffic/line/day
- LD: LIS performance & +13% LD traffic/line/day
- ADSL: 4x in net adds 1Q04 vs 1Q03

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Quarterly Results
January – March 2004

Active liability management: decreasing financial expenses

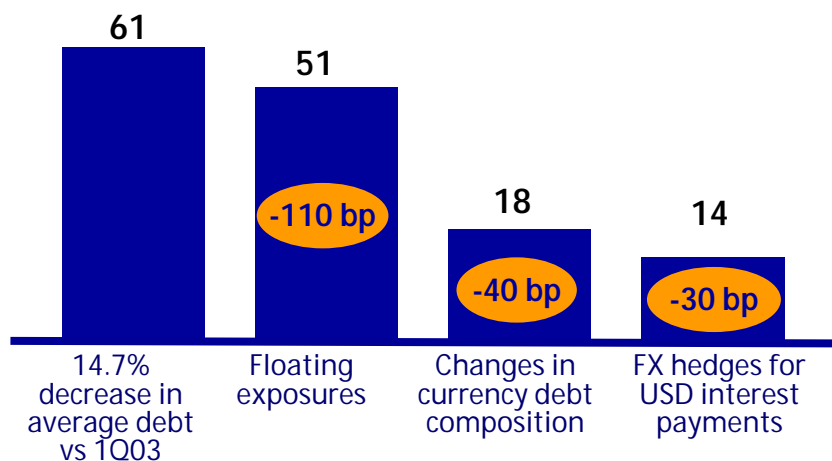
Euros in millions

Net Financial Expenses (1)	234.7
Argentinean Peso effects	(19.3)
Financial Result	215.4

Average net debt (2)	18,573
Effective interest rate	5.06%
[(1)/(2)]x4	

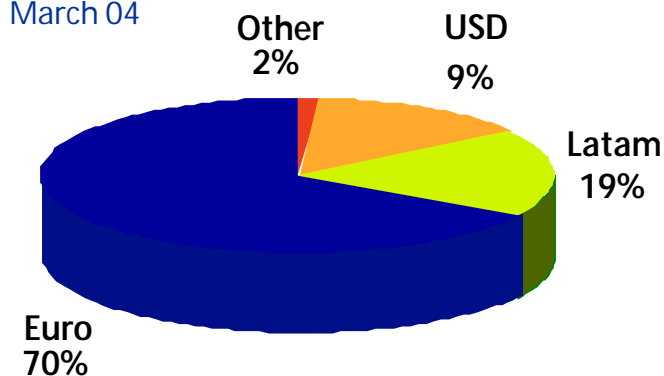
Main financial expenses saving vs 1Q03

- Savings in financial result vs 1Q 2003 (mill EUR)
- Impact in effective interest rate vs 1Q 2003



Debt by currencies

March 04



Average debt maturity (Mar 04)

6.0 yrs

Strong activity fixing future interest rates in the first quarter of 2004.

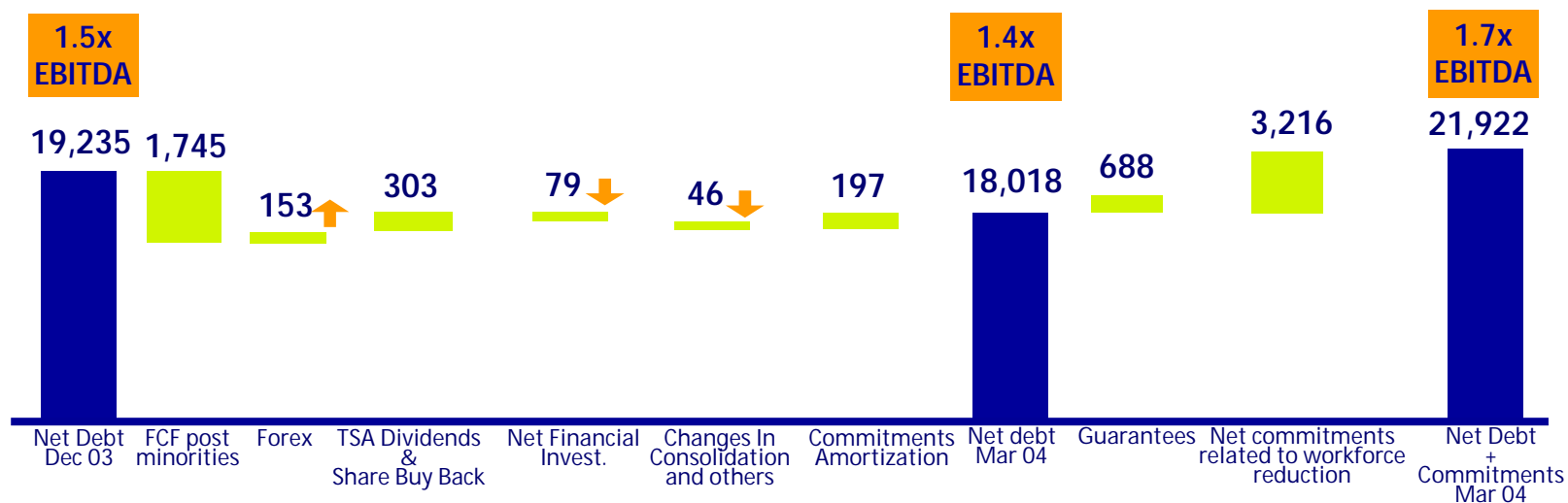
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Quarterly Results
January – March 2004

Cash flow generation and debt evolution

(Euros in millions)		1Q04	1Q03	
A	EBITDA	3,112.2	2,819.1	10.4%
I	CapEx accrued during the period (EoP exchange rate)	(619.5)	(600.9)	
II	Extraordinary payments related to operating activities & commitments	(231.9)	(189.0)	
III	Net interest payment	(361.9)	(394.0)	
IV	Payment for income tax	(32.5)	(34.6)	
V	Investment in working capital	(295.1)	(158.2)	
B=A-I-II-III-IV-V Net Free Cash Flow after CapEx		1,571.3	1,442.4	8.9%
VI	Payments related to cancellation of commitments	196.7	136.0	
VII	Dividends paid to minorities	(22.7)	(21.9)	
C= B+VI-VII Free Cash Flow (*)		1,745.3	1,556.5	12.1%



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(*) Madrid Conference criteria



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January – March 2004

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Share buy-back program progress report

Principles

- Minimum € 4.0 bn.
- Up to end '06
- Conditioned on
 - FCF generation
 - Share price

- Average price TEF 1/1/04-5/5/04: € 12.76
- Market value of treasure stock (*): € 1,476 M
- Percentage of buy-back program: 37%

Treasury stock

(n° of shares in Millions)

DATE	CASH	OPTION-BASED	TOTAL % OF CAPITAL
30-JUN-03	17.6	--	0.4
30-SEP-03	25.6	--	0.5
31-DEC-03	40.5	33.0	1.5
31-MAR-04	64.8	33.0	2.0
05-MAY-04	80.2	43.0	2.5

- **BUY BACK COMMITMENT PROGRESSING FASTER THAN TIME (37% VS. 7/39 MONTHS)**
- **OPTION-BASED PURCHASES EXPIRING AROUND MID-04**



Quarterly Results
January – March 2004

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Conclusions

- We are intensifying commercial efforts across the Group to foster top line growth in all subsidiaries
- Mobile major contribution to revenues and EBITDA growth is being complemented by the sequential improvement of fixed operations' financial profiles
- We are consistently implementing flexible business models to guarantee higher efficiencies, keeping EBITDA margin up at the group level year on year
- We are exceeding in cash generation while maintaining CapEx intensity to expand business opportunities

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