

statistical appendi

EXHIBIT I

Contribution of the Group companies to reserves and translation differences

The contribution of the Group companies to consolidated reserves and translation differences as of December 31, 2002 and 2001, was as follows:

Companies	12/31/02		12/31/01	
	To reserves	To translation differences	To reserves	To translation differences
Fonditel	26.22	-	20.94	-
Atento Group	(229.52)	(7.42)	(94.06)	19.10
Casiopea Group	62.53	-	45.33	0.79
Comet Group	(6.58)	-	(6.16)	-
Telefónica DataCorp Group	(527.58)	(221.41)	(65.58)	(49.02)
Telefónica de España Group	295.80	(0.02)	102.21	(0.01)
Telefónica Internacional Group	1,537.61	(4,315.82)	906.52	(2,703.90)
Telefónica Contenidos Group	(1,262.99)	(248.38)	(875.13)	(188.23)
Telefónica Publicidad e Información Group	74.28	(44.73)	47.73	(1.18)
Telefónica Móviles Group	4,612.68	(985.06)	3,597.32	(354.80)
Terra Networks Group	(559.65)	(129.29)	(355.71)	(45.90)
Venturini Group	(0.62)	-	(0.84)	-
Inmobiliaria Telefónica	(0.76)	-	(0.29)	-
Playa de Madrid	0.74	-	0.34	-
Taetel	11.23	-	10.81	-
Telefónica Europe B.V.	5.38	-	3.76	0.02
Telfisa	3.44	-	1.37	-
Tidsa	33.94	-	32.17	-
Urbana Ibérica	0.56	-	0.55	-
Katalyx Group	(99.72)	(5.98)	(69.54)	(0.93)
Emergia Group	(127.18)	(41.49)	7.73	(5.21)
Telefónica and other	20,306.04	(508.22)	19,145.79	50.98
Total Telefónica Group	24,155.65	(6,507.82)	22,455.26	(3,278.29)
Intercompany fixed asset transactions	64.31	-	(94.08)	-
Total contribution	24,219.96	(6,507.82)	22,361.18	(3,278.29)

DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation method	Value in consoli- dation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Telefónica de Contenidos, S.A. (SPAIN) (*) (**) (1) (6)	100.00%		100.00%	3,003.53	(1,358.15)		–	(669.15)	2,241.88	Full	–
<i>Organization and operation of activities and businesses relating to multimedia services</i>											
Paseo de la Castellana, 141 – 28046 Madrid											
Telefónica Media Argentina, S.A. (ARGENTINA) (1)		100.00%	100.00%	52.29	(48.98)		–	–	453.19	Full	–
<i>Holdings in businesses in areas related to the media Tucumán, 1 Pta,17º - Buenos Aires</i>											
AC Inversora, S.A. (ARGENTINA) (1)		100.00%	100.00%	104.91	(98.33)		–	(6.60)	–	Full	–
<i>Holdings in free-to-air television channels</i>											
Atlántida Comunicaciones, S.A. (ARGENTINA) (1) (6)		100.00%	100.00%	492.26	(557.42)		–	(428.73)	–	Full	–
<i>Free-to-air television and radio Tucumán, 1 Pta. 20 - Buenos Aires</i>											
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/D	E.M.	0.48
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/D	C.	–
Telefónica Medios de Comunicación, S.A. (SPAIN) (*) (**) (1)		100.00%	100.00%	21.20	–		–	(18.90)	100.37	Full	–
<i>Holding of shares of companies in the media industry Paseo de la Castellana, 141 - 28046 Madrid</i>											
Telefónica Sport, S.A. (SPAIN) (*) (**)		100.00%	100.00%	0.06	–		–	(0.79)	1.39	Full	–
<i>Management and exploitation of audiovisual rights in any medium</i>											
Paseo de la Castellana, 141 - 28046 Madrid											
Gestora de Medios Audiovisuales de Fútbol, S.L. (SPAIN) (*) (**) (1)		100.00%	100.00%	50.33	(10.16)		–	(15.53)	278.43	Full	–
<i>Exploitation of rights to broadcast soccer matches Paseo de la Castellana, 141 - 28046 Madrid</i>											
Audiovisual Sport, S.L. (SPAIN) (3)		40.00%	40.00%	73.47	29.42		–	(54.24)	138.02	E.M.	19.45
<i>Holder of Spanish soccer league and knock-out cup rights Avda. Diagonal, 477 Pº. 7ª - Barcelona</i>											
Producciones Multitemáticas, S.A. (SPAIN) (*) (**) (4)		100.00%	100.00%	12.02	–		–	(4.40)	22.38	Full	–
<i>Production, distribution, sale, purchase and operation of television and film productions. Virgilio, 2 - Edificio 2 - Ciudad de la Imagen (*) - 28223 Madrid.</i>											
Lola Films, S.A. (SPAIN) (1) (6)		70.00%	70.00%	20.57	(1.06)		–	(8.71)	25.63	Full	–
<i>Film production Velázquez, 12 - Madrid</i>											
Other holdings (1)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	–	C	0.07
Telefónica Servicios Audiovisuales, S.A. (SPAIN) (*) (**) (1)		100.00%	100.00%	6.01	21.55		–	1.86	8.37	Full	–
<i>Provision of all manner of audiovisual telecommunications services Virgilio, 2 - Edificio 2 - Ciudad de la Imagen (*) - 28223 Madrid</i>											
Servicios de Teledistribución, S.A. (S.T. HILO) (SPAIN) (*) (**) (4)		100.00%	100.00%	1.26	1.90		–	0.76	1.79	Full	–
<i>Provision of services in the teledistribution industry Luchana, 23, 1º - 28010 Madrid</i>											

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(**) Companies filing consolidated corporate income tax returns in 2002.

DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group	Capital							
Telefónica Media Internacional y de Contenidos, S.A. (SPAIN) (*) (**) <i>Operation of media services in Latin America</i> <i>Gran Vía, 28 - 28013 Madrid</i>	100.00%	100.00%	0.60	–	–	(3.50)	16.02	Full	–		
Telefónica Media Internacional y de Contenidos USA, Inc. (USA) <i>Operation of media services in the U.S.</i> <i>1221 Brickell Av. - Miami</i>	100.00%	100.00%	21.50	(17.85)	–	(5.72)	20.93	Full	–		
Famosos, Artistas, Músicos y Actores, S.A.U. (**) (SPAIN) <i>Representation of artists</i> <i>C/ Mártires de Alcalá, 4 - 28015 Madrid</i>	100.00%	100.00%	0.06	0.06	–	(2.69)	4.51	Full	–		
Euroleague Marketing, S.L. (SPAIN) (1) <i>Exploitation of rights on basketball's Euroleague</i> <i>Paseo de la Castellana, 141 - 28046 Madrid</i>	70.00%	70.00%	0.06	(21.62)	–	(34.84)	0.04	Full	–		
Fieldy, B.V. (NETHERLANDS) (6) (1) <i>Record label, audiovisual distribution and organization of events</i> <i>Locatellikade, 1 1076 A-Z - Amsterdam</i>	51.00%	51.00%	0.09	7.64	–	(15.54)	42.44	Pl.	–		
Intercio Games, S.A. (SPAIN) <i>Leisure-related technology for dissemination</i> <i>Paseo de la Castellana, 141 - 28046 Madrid</i>	50.00%	50.00%	1.50	(0.01)	–	(0.00)	0.75	E.M.	0.75		
Líderes Entertainment Group, Inc. (USA) (1) <i>Management and marketing of artists' rights</i> <i>3191 Coral Way - Miami</i>	49.00%	49.00%	0.01	(2.58)	–	(2.03)	19.96	Pl.	–		
DTS Distribuidora de Televisión Digital, S.A. (SPAIN) (1) <i>Digital satellite TV. services</i> <i>Virgilio, 2 - Edificio 1 - Ciudad de la Imagen (*) - 28223 Madrid</i>	48.63%	48.63%	164.37	(388.90)	–	(239.75)	409.61	E.M.	(225.56)		
Antena 3 de Televisión, S.A. (SPAIN) (1) (6) <i>Management of public and satellite T.V. Service</i> <i>Avda. Isla Graciosa, s.n. - San Sebastián de los Reyes - 28700 Madrid</i>	47.52%	47.52%	166.67	322.51	–	(39.34)	319.22	E.M.	213.74		
Tick Tack Ticket, S.A. (SPAIN) (1) <i>Management, distribution and sale of tickets for shows and other events</i> <i>Almogáraves, 183 - Barcelona</i>	47.50%	47.50%	0.50	2.52	–	(1.96)	6.01	E.M.	0.50		
Patagonik Film Group, S.A. (ARGENTINA) (2) <i>Production of audiovisual content</i> <i>Godoy Curz, 1540 - 1414 Buenos Aires</i>	30.00%	30.00%	1.26	0.02	–	0.79	8.58	E.M.	0.62		
Torneos y Competencias, S.A. (ARGENTINA) (3) (6) <i>Television producer and advertising agency</i> <i>Balcarce 510 - Buenos Aires</i>	20.00%	20.00%	14.19	31.14	–	(17.92)	81.81	E.M.	–		
Hispasat, S.A. (SPAIN) (2) <i>Operation of a satellite telecommunications system</i> <i>Gobelas, 41 - 28023 Madrid</i>	13.23%	13.23%	121.95	131.44	–	18.37	17.59	E.M.	35.96		
Media Park, S.A. (SPAIN) (2) (6) <i>Production of audiovisual content</i> <i>Pol.Ind., nº1 c/Bullidor S/N - 08960 Sant Just Desvern - Barcelona</i>	7.40%	7.40%	45.25	27.24	–	(27.91)	63.11	C	10.13		

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica		Capital	Reserves	Interim dividend	Income loss					
	Direct	Indirect									
Pearson Plc. (U.K.) (2) (6) <i>Publishing</i> <i>3 Burlington Gardens, London W1X 1LE</i>		4.85%	4.85%	307.46	5,516.69	(115.30)	(318.22)	757.10	E.M.	261.57	
Endemol Entertainment Holding, N.V. (NETHERLANDS) (3) (6) <i>Production of audiovisual content</i> <i>Bonairelaan, 4 - 1213 Vh Hilversum - Netherlands</i>	99.47%		99.47%	0.79	56.90	-	52.55	840.03	Full	-	
Other holdings (3)		N/A	N/A	N/A	N/A	N/A	N/A	-	E.M.	4.90	
Telefónica Datacorp, S.A.U. (SPAIN) (*) (**) (1) (6) <i>Provision and exploitation of audiovisual rights</i> <i>Gran Vía, 28 - 28013 Madrid</i>	100.00%		100.00%	2,228.63	(616.39)	-	(464.70)	1,330.55	Full	-	
Telefónica Data España, S.A.U. (SPAIN) (*) (**) (1) <i>Data transmission</i> <i>Beatriz de Bobadilla, 18 - 28040 Madrid</i>		100.00%	100.00%	39.27	8.90	(26.04)	79.03	130.81	Full	-	
Agencia de Certificación Electrónica, S.A. (SPAIN) (**) (2) <i>Development of "Electronic notary" business</i> <i>using SET technology</i> <i>Sor Angela de la Cruz, 3 - 28020 Madrid</i>		100.00%	100.00%	0.94	-	-	(3.74)	0.00	Full	-	
Interdomain, S.A. (SPAIN) (*) (**) (4) <i>Operation of Internet resources</i> <i>Fernando El Santo, 15 - 28010 Madrid</i>		100.00%	100.00%	0.30	0.35	-	0.13	0.38	Full	-	
Segurvirtual MVS, S.A. (SPAIN) (3) <i>Virtual insurance market research</i> <i>Plaza de la Lealtad, 4 - 28014 Madrid</i>		49.00%	49.00%	3.49	(4.32)	-	(2.75)	1.59	E.M.	(1.75)	
Servicios On Line Para Usuarios Múltiples, S.A. (SPAIN)		33.33%	33.33%	0.60	1.49	-	(0.38)	0.70	E.M.	0.57	
Euroinfomarket, S.A. (SPAIN) (1)		5.00%	5.00%	3.01	(1.15)	-	(1.99)	0.20	C	0.20	
Telefónica Data Mexico Holding (MEXICO) (1) <i>Global telecommunication services</i> <i>Mexico</i>		100.00%	100.00%	37.14	(4.92)	-	(6.66)	40.34	Full	-	
Telefónica Data Mexico, S.A. De C.V. (MEXICO) (1) <i>Global telecommunication services</i> <i>Sierra Santa Rosa, 61 - Lomas de Chapultepec - 11650 Mexico City</i>		51.00%	100.00%	61.44	(28.32)	-	(12.05)	53.50	Full	-	
Telefónica Data Colombia, S.A. (COLOMBIA) (1) <i>Global telecommunication services</i> <i>Bogotá</i>		99.99%	99.99%	9.34	(4.73)	-	(6.18)	16.87	Full	-	
Telefónica Data do Brasil, Ltda. (BRAZIL) (1) <i>Telecommunications services</i> <i>Rua da Consolação, 247 - 6 - Sao Paulo</i>		100.00%	100.00%	249.87	(112.26)	-	(12.49)	249.62	Full	-	
Telefónica Data Brasil Holding (BRAZIL) (1) (6) <i>Ownership of companies providing network</i> <i>and telecommunication services</i> <i>Avda. Brig. Faria Lima, 1188 plta. 7ª andar-parte - Sao Paulo</i>		53.66%	93.98%	345.67	(158.66)	-	(21.67)	271.86	Full	-	
Telefónica Empresas (BRAZIL) (1) <i>Provision and operation of telecommunication services</i> <i>Avda. Tamboré, 341/371 - Barueri - Sao Paulo</i>		100.00%	100.00%	17.15	10.98	-	(11.92)	85.60	Full	-	

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(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group	Capital							
Telefónica Datos de Venezuela, S.A. (VENEZUELA) (1) <i>Telecommunications services</i> <i>Avda. Las Palmas, 3º - 1050 Caracas</i>		100.00%	100.00%	0.02	0.23	–	0.13	0.02	Full	–	
Telefónica Sistemas, S.A. (SPAIN) (*) (**) (3) <i>Systems engineering, networks and telecommunications infrastructure</i> <i>Sor Angela de la Cruz, 3 - Pl. 9ª - 28020 Madrid</i>		100.00%	100.00%	8.43	6.57	–	(9.23)	15.85	Full	–	
Telefónica Sistemas Ingeniería de Productos Guatemala, S.A. (GUATEMALA) <i>Telecommunications systems and equipment engineering</i> <i>Guatemala City</i>		100.00%	100.00%	0.00	(0.22)	–	(0.04)	0.00	Full	–	
Telefónica Ingeniería de Comunicaciones, S.A. (SPAIN) (*) (**) (3) <i>Management and marketing of networks</i> <i>Goya, 4 - 28001 Madrid</i>		100.00%	100.00%	1.00	0.01	–	(0.21)	0.56	Full	–	
Telefónica Sistemas El Salvador, S.A. de C.V. (EL SALVADOR) <i>Provision of Engineering and systems services</i> <i>San Salvador</i>		100.00%	100.00%	0.04	0.02	–	(0.10)	0.03	Full	–	
Telefonica Deutschland, GMBH (GERMANY) <i>Internet and telecommunications services</i> <i>Landshuter Allee, 8 - 80637 Munich</i>		100.00%	100.00%	2.60	579.15	–	(32.50)	638.54	Full	–	
MediaWays U.K. (U.K.) <i>Provider of IP services in the B2B market</i> <i>2nd Floor, 33-34 Alfred Place - WC1E 7DP London</i>		100.00%	100.00%	–	(4.16)	–	0.14	0.00	Full	–	
Factoría de Contenidos Digitales, S.A. (SPAIN) (*) (**) (4) <i>Interactive audiovisual content</i> <i>Jorge Manrique, 12 - 28006 Madrid</i>		100.00%	100.00%	0.60	0.95	–	(1.79)	0.75	Full	–	
Telefónica Data Canadá, Inc. (CANADA) <i>Telecommunications services</i> <i>Telefónica Data Caribe (SPAIN)</i>		100.00%	100.00%	0.01	–	–	–	–	C.	–	
Telefónica Data USA Inc. (USA) (1) <i>Telecommunications services</i> <i>1221 Brickell Avenue - 33131 Miami - Florida</i>		10.00%	100.00%	0.00	48.53	–	(34.61)	70.44	Full	–	
Cafitel, S.L. (SPAIN) (*) (**) (1) <i>Granting of loans, guarantees and financial assistance</i> <i>to the Telefónica Group</i> <i>Alcalde Mandillo Tejero, 8 - Edificio Simón Bolívar -</i> <i>Santa Cruz de Tenerife</i>		100.00%	100.00%	0.00	–	–	(0.43)	0.00	Full	–	
Telefónica Data Argentina, S.A. (ARGENTINA) (1) (6) <i>Provision and operation of telecommunications services</i> <i>Tucumán, 1 plta, 18º - 1049 Buenos Aires</i>		97.92%	97.92%	108.79	(85.07)	–	(7.31)	97.49	Full	–	
Tyssa, Telecomunicaciones y Sistemas, S.A. (ARGENTINA) (1) <i>Intelsat</i>		80.00%	98.34%	4.36	0.12	–	(17.57)	0.92	Full	–	
New Skies Satellites N.V. <i>Intelsat</i>		0.09%	0.09%	N/D	N/D	N/D	N/D	1.88	C.	1.88	
		0.00%	0.00%	N/D	N/D	N/D	N/D	–	C.	–	

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(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Telefónica Data Perú (PERU) (1) (6) <i>Provision and operation of telecommunications services</i> <i>Jorge Basadre, 582 7º - San Isidro - Lima</i>		97.07%	97.07%	28.74	(2.23)	–	3.07	18.16	Full	–	
Telefónica Servicios Financieros, S.A.C. (PERU) (1) <i>Information systems advisory and consulting services</i> <i>Los Sauces, 374, Torre Roja, oficina 1002 - San Isidro - Lima</i>		99.90%	96.97%	3.49	(0.54)	–	1.06	N/D	Full	–	
Telefónica Data Caribe (*) (**) (SPAIN) (1) <i>Global telecommunications services</i> <i>Beatriz de Bobadilla, 14 - 28040 Madrid</i>		90.00%	90.00%	0.06	(0.00)	–	(2.04)	0.06	Full	–	
Telefónica Data Cuba (CUBA) <i>Provision and operation of telecommunications services</i> <i>Ave, 47 s/n entre 18ª y 20 - Miramar Playa - Havana</i>		50.00%	50.00%	14.92	–	–	–	7.63	C.	7.63	
Telefónica Data Atlas, S.A. (MOROCCO) (5) <i>Provision and operation of telecommunications services</i> <i>Tour Bmce, Rond Point Hassan II - Casablanca</i>		59.86%	59.86%	300 m.DH	N/D	N/D	N/D	0.02	C.	0.02	
Telefónica Data Mexico, S.A. De C.V. (MEXICO) (1) Atlanet, S.p.A. (ITALY) (1) <i>Telecommunications services</i> <i>Via Mario Bianchini, 60 - 00142 Rome</i>		49.00%	34.00%	120.57	86.82	–	(117.20)	170.74	E.M.	30.66	
Ipse - 2000 (ITALY) (1) <i>Exploitation of a UMTS license</i> <i>Piazza dei Caprettari, 70 - 00186 Roma</i>		12.00%	4.08%								
Consorzio Topix Torino e Piemonte Exchange Point (ITALY) Eurnetcity, S.p.a. (ITALY)		11.00%	3.74%	1.01	–	–	(0.04)	0.10	C.	–	
		10.00%	3.40%	3.50	(0.04)	–	(0.17)	0.35	C.	–	
Telefónica de España, S.A.U. (SPAIN) (*) (**) (1) (6) Provision of telecommunications services in Spain Gran Via, 28 - 28013 Madrid	100.00%		100.00%	1,023.68	2,228.56	(715.93)	807.93	3,033.86	Full	–	
Telefónica Soluciones Sectoriales, S.A. (SPAIN) (*) (**) (4) <i>Consulting services for companies in the communications and IT industries</i> <i>Av. Burgos, 17-10.º-28036 Madrid</i>		100.00%	100.00%	13.73	(3.76)	–	0.10	10.72	Full	–	
Portel Servicios Telemáticos, S.A. (SPAIN) (1) <i>Systems engineering and telecommunications in port areas</i> <i>Avda. de Partenón, 10 Campo de las Naciones - 28042 Madrid.</i>		49.00%	49.00%	3.01	0.18	–	0.06	1.35	E.M.	1.53	
SODETEL, Comercial de Servicios de Telecomunicaciones, S.A. (SPAIN) <i>Provision of consulting services, installation and the provision of telecommunications services</i> <i>Parque industrial y de Servicios de Mairena del Aljarafe - Seville</i>		50.00%	50.00%	0.12	0.03	–	(0.01)	0.07	E.M.	0.07	
Bitel Baleares Innovación Telemática, S.A. (SPAIN) <i>Provision of services and systems engineering in the IT and communications fields</i> <i>Paseo Marítimo, 38 A - 07005 Palma de Mallorca</i>		39.00%	39.00%	1.50	(0.16)	–	(0.11)	0.69	E.M.	0.48	
Instituto de Comunicaciones 7 (SPAIN) <i>Provider of multimedia services</i> <i>Cebrián, 3 - 35003 Las Palmas de Gran Canaria</i>		40.00%	40.00%	0.08	(0.02)	–	–	0.03	E.M.	0.03	

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(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value added contribution
	% of Ownership		Telefónica		Capital	Reserves					
	Direct	Indirect	Group	Capital							
Tecnología e Ingeniería de Sist. y Servicios Avanzados de Telec., S.A. (TISSAT) (ESPAÑA) (2) <i>Systems engineering and marketing of advanced services</i> <i>Correos, 1 - 46002 Valencia</i>		30.77%	30.77%	0.78	2.28	–	(0.01)	0.17	P.E.	0.94	
SEMCA (ESPAÑA) <i>Emergency TELEPHONE service in the Autonomous Community of Cantabria</i> <i>Casimiro Sainz, 4 - Santander</i>		20.00%	20.00%	0.75	(0.09)	–	N/D	0.12	C.	0.12	
ATENET (ESPAÑA) <i>Teaching via computer systems</i> <i>C/ Jorge Juan 32 - Madrid</i>		8.68%	8.68%	0.33	(0.36)	–	N/D	0.12	C.	0.12	
Barcelona Emprend, S.A. (ESPAÑA) <i>Promotion of non-financial companies</i> <i>C/ Llacuna, 162 - Barcelona</i>		6.98%	6.98%	6.45	(0.03)	–	N/D	0.45	C.	0.45	
Foment Ciutat Vella, S.A. (ESPAÑA) <i>Performance of urban projects</i> <i>C/ Pintor Fortuny, 17-19 - Barcelona</i>		5.00%	5.00%	6.01	0.00	–	N/D	0.30	C.	0.30	
Teleinformática y Comunicaciones, S.A. (TELYCO) (ESPAÑA) (*) (**) (3) <i>Promotion, marketing and distribution of telephone and telematic equipment and services</i> <i>Plaza del Descubridor Diego de Ordás, 3 - 28003 Madrid</i>		100.00%	100.00%	2.77	24.05	–	(11.53)	12.47	I.G.	–	
Telyco Maroc, S.A. (MARRUECOS) (3) <i>Promotion, marketing and distribution of telephone and services</i> <i>Boulevard Abdelmoumen, 88 - Casablanca</i>		54.00%	54.00%	0.60	(0.12)	–	0.17	0.32	I.G.	–	
Telefónica Telecomunicaciones Públicas, S.A. (ESPAÑA) (*) (**) (1) <i>Installation of public telephones</i> <i>Plaza de Carlos Trias Bertrán, 7 - 28020 Madrid</i>		100.00%	100.00%	1.20	67.84	–	5.88	64.12	I.G.	–	
Andalucía Digital Multimedia, S.A. (ESPAÑA) <i>Development of the audiovisual industry in Andalucía</i> <i>Edificio Azul, Parque Tecnológico de Andalucía - Málaga</i>		24.00%	24.00%	4.00	(0.20)	–	(2.62)	8.90	P.E.	0.28	
Adquira Spain, S.A. (ESPAÑA) <i>E-commerce</i> <i>Plaza de Pablo Ruiz Picasso, s/n. Edif. Torre Picasso - Madrid</i>		20.00%	20.00%	0.45	27.08	–	(8.86)	7.64	P.E.	2.79	
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	27.63	C.	27.63	
Telefónica Cable, S.A. (ESPAÑA) (*) (**) (7) <i>Cable telecommunications services</i> <i>Virgilio, 2, Edificio 2 - Ciudad de la Imagen (*) - 28223 Madrid</i>		100.00%	100.00%	26.81	(8.23)	–	(15.52)	29.58	I.G.	–	
Telefónica Cable Castilla La Mancha, S.A. (ESPAÑA) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Cuesta de Carlos V, 5 - Toledo</i>		100.00%	100.00%	6.01	(0.76)	–	0.02	0.61	I.G.	–	
Telefónica Cable Andalucía, S.A. (ESPAÑA) (7) <i>Cable television systems and value-added services</i> <i>Grahan Bell, 5 - 41010 Sevilla</i>		100.00%	100.00%	6.01	(0.91)	–	0.01	5.95	I.G.	–	
Telefónica Cable Castilla y León, S.A. (ESPAÑA) (7) <i>Cable television systems and value-added services</i> <i>Avda. de los Reyes Católicos, 38 - 09005 Burgos</i>		100.00%	100.00%	6.01	(0.76)	–	0.02	6.02	I.G.	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership							Gross book value	Consoli- dation method	Value in consoli- dation (8)
	Telefónica			Capital	Reserves	Interim dividend	Income loss			
	Direct	Indirect	Group							
Sociedad General de Cablevisión Canarias, S.A. (SPAIN) (7) <i>Cable television systems and value-added services</i> <i>Alcalde Mandillo Tejera, 8 - 38007 Santa Cruz de Tenerife</i>		100.00%	100.00%	1.23	(1.15)	–	(0.01)	1.17	Full	–
Telefónica Cable Menorca, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Santiago Ramón y Cajal, 13 - Mahón - Menorca</i>		100.00%	100.00%	0.60	(0.13)	–	0.00	0.56	Full	–
Telefónica Cable Asturias, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Gral. Elorza, 8 - 33001 Oviedo</i>		100.00%	100.00%	0.60	0.06	–	0.01	0.61	Full	–
Telefónica Cable Ceuta, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Santa María Soledad, 6 - 11006 Cádiz</i>		100.00%	100.00%	0.60	0.02	–	0.02	0.56	Full	–
Telefónica Cable Aragón, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Vía Universitas, 10 - Zaragoza</i>		100.00%	100.00%	0.60	(0.05)	–	–	0.50	Full	–
Telefónica Cable Melilla, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Hilera, 2 - 28007 Málaga</i>		100.00%	100.00%	0.60	0.08	–	0.01	0.61	Full	–
Telefónica Cable La Rioja, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>San Millán, 3 - 26004 Logroño</i>		100.00%	100.00%	0.60	(0.28)	–	(0.00)	0.61	Full	–
Telefónica Cable Extremadura, S.A. (SPAIN) (7) <i>Cable television systems and value-added services</i> <i>Plza. de la Soledad, 2 - 06001 Badajoz</i>		83.00%	83.00%	0.60	0.07	–	0.01	0.51	Full	–
Telefónica Cable Navarra, S.A. (SPAIN) (**) (7) <i>Cable television systems and value-added services</i> <i>Monasterio Oliva, 8 - 31011 Pamplona</i>		100.00%	100.00%	0.50	(0.16)	–	0.01	0.76	Full	–
Telefónica Cable Madrid, S.A. (SPAIN) (**) (7) <i>Cable television systems and value-added services</i> <i>Virgilio, 12 - Edificio 2 - Ciudad de la Imagen (*) - 28223 Madrid</i>		100.00%	100.00%	0.47	(0.16)	–	0.01	0.82	Full	–
Telefónica Cable Murcia, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>San Antón, 4 - 30005 Murcia</i>		100.00%	100.00%	0.40	(0.14)	–	–	0.54	Full	–
Telefónica Cable Balears, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Federico García Lorca, 2 - 07014 Palma de Mallorca</i>		100.00%	100.00%	0.35	(0.12)	–	–	0.51	Full	–
Telefónica Cable Cantabria, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>La Milagrosa, 2 - 38001 Santander</i>		100.00%	100.00%	0.34	(0.11)	–	(0.01)	0.52	Full	–
Telefónica Cable Euskadi, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>Gregorio de la Revilla, 27 - 48010 Bilbao</i>		100.00%	100.00%	0.32	(0.11)	–	(0.00)	0.52	Full	–

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value i consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Telefónica Cable Valencia, S.A. (SPAIN) (*) (**) (7) <i>Cable television systems and value-added services</i> <i>San Vicente, 148 – 46007 Valencia</i>		100.00%	100.00%	0.06	0.56	–	0.00	1.16	Full	–	
Telefónica Cable Catalunya, S.A. (SPAIN) (**) (7) <i>Cable television systems and value-added services</i> <i>Avda. Icaria, 136 – 08805 Barcelona</i>		100.00%	100.00%	0.06	(0.01)	–	0.01	1.05	Full	–	
Telefónica Cable Galicia, S.A. (SPAIN) (7) <i>Cable television systems and value-added services</i> <i>Ronda de Outerio, 1–3 – A Coruña</i>		85.00%	85.00%	0.60	0.08	–	0.01	0.53	Full	–	
Taetel, S.L. (SPAIN) (*) (**) (1) <i>Acquisition, holding and disposal of shares and ownership</i> <i>interests in other companies</i> <i>Beatriz de Bobadilla, 3 – 28040 Madrid</i>	100.00%		100.00%	28.25	11.23	(0.83)	0.92	28.25	Full	–	
Lotca Servicios Integrales, S.L. (**) (SPAIN) <i>Holding and operation of aircraft and the lease thereof</i> <i>Gran Vía, 28 – 28013 Madrid</i>	100.00%		100.00%	16.92	–	–	–	16.92	Full	–	
Telefónica Consultora de Proyectos, S.A. (SPAIN) (*) (**) (2) <i>Teleassistance and value-added services</i> <i>Condesa de Venadito, 1 – 28027 Madrid</i>	100.00%		100.00%	10.82	(2.43)	–	(0.78)	9.10	Full	–	
Telefónica Ingeniería de Seguridad, S.A. (SPAIN) (*) (**) (2) <i>Security services and systems</i> <i>Condesa de Venadito, 1 – 28027 Madrid</i>		100.00%	100.00%	0.90	0.78	–	(1.12)	3.58	Full	–	
Telefónica Engenharia de Segurança (BRAZIL) <i>Security services and systems</i> <i>Rua Haddock Lobo, 337 2º andar, conjunto 21 –</i> <i>01414-001 - Sao Paulo</i>		99.99%	99.99%	0.22	0.25	–	(0.27)	0.20	Full	–	
Telefónica Ingeniería de Seguridad México, S.A. (MEXICO)		65.00%	65.00%	N/D	N/D	N/D	N/D	0.34	C.	0.34	
Telefónica Consultora y Servicios, S.A. (SPAIN) (*) (**) (2) <i>Administrative and network outsourcing</i> <i>Condesa de Venadito, 1 – 28027 Madrid</i>		100.00%	100.00%	0.30	0.71	–	(0.16)	0.63	Full	–	
Inmobiliaria Telefónica, S.L. (SPAIN) (*) (**) (1) <i>Purchase, sale and lease of real estate</i> <i>Gran Vía, 28 – 28013 Madrid</i>	100.00%		100.00%	10.04	92.64	–	9.97	103.44	Full	–	
Telefónica Capital, S.A. (SPAIN) (**) (3) <i>Financial institution</i> <i>Gran Vía, 28 – 28013 Madrid</i>	100.00%		100.00%	7.00	38.01	–	(0.62)	18.12	Full	–	
Fonditel Entidad Gestora de Fondos de Pensiones, S.A. (SPAIN) (3) <i>Administration of pension funds</i> <i>Pedro Teixeira nº 8 – 3ª P. – 28020 Madrid</i>		70.00%	70.00%	15.70	11.68	–	6.72	34.99	Full	–	
Telefónica Gestión de Servicios Compartidos, S.A. de C.V. (MEXICO) (1) (6) <i>Provision of management and administration services</i> <i>Blvd. Díaz Ordaz Pte N 123 2º, Col. Santamaría – 6465 Monterrey</i>	100.00%		100.00%	6.76	(0.17)	–	(2.24)	6.76	Full	–	
Atento Servicios Corporativos, S.A. (SPAIN) (*) (**) (1) <i>Holding company</i> <i>C/ Gran Vía, 28 – 28,013 Madrid</i>	100.00%		100.00%	6.12	43.71	–	(7.16)	107.58	Full	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Telepizza, S.A. (SPAIN)		4.89%	4.89%	N/D	N/D	N/D	N/D	102.02	C.	102.02	
Atento N.V. (NETHERLANDS) (1) (6)	100.00%		100.00%	0.09	116.63	-	(90.43)	282.71	I.G.	-	
<i>Provision of telecommunications services</i>											
<i>Locatellikade, 1 - 1076 AZ Amsterdam</i>											
Atento Holding, Inc. (USA) (1) (6)		100.00%	100.00%	-	116.68	-	(90.33)	282.71	Full	-	
<i>Holding company</i>											
<i>1013 Center Road, Wilmington - Delaware</i>											
Atento Teleservicios España, S.A. (SPAIN) (4)		100.00%	100.00%	1.38	37.53	-	4.14	27.26	Full	-	
<i>Provision of promotion, marketing and market research services relating to direct marketing</i>											
<i>Santiago de Compostela, 84 - 7ª - 28035 Madrid</i>											
Tempotel, Empresa de Trabajo Temporal, S.A. (SPAIN) (4)		100.00%	100.00%	0.06	1.13	-	0.30	0.06	Full	-	
<i>Temporary employment agency</i>											
<i>Príncipe de Vergara.28 Madrid</i>											
Gestión de Servicios de Emergencia y Atención al Ciudadano, S.A. (SPAIN) (4)		100.00%	100.00%	0.60	2.70	-	(2.83)	0.81	Full	-	
<i>Information and communication systems for emergency situations</i>											
<i>Paseo Marítimo, 38 A - 1º E - 07014 Palma de Mallorca</i>											
Atento Brasil, S.A. (BRAZIL) (6)		100.00%	100.00%	249.75	(146.97)	-	(31.46)	223.16	Full	-	
<i>Provision of call-center services</i>											
<i>Av. Maria Coelho de Aguiar, 215 - Bloco B, 8 - 05804-800 Sao Paulo</i>											
Atento Puerto Rico Inc. (PUERTO RICO)		100.00%	100.00%	7.12	(5.15)	-	(0.54)	3.05	Full	-	
<i>Provision of call-center services</i>											
<i>Valencia Park calle 2 edificio 17 suite 600, Guaynabo - Puerto Rico 00868</i>											
Atento Colombia, S.A. (COLOMBIA)		38.82%	99.98%	1.55	2.73	-	(0.42)	9.15	Full	-	
<i>Provision of call-center services</i>											
<i>Santa Fé de Bogotá</i>											
Atento Maroc, S.A. (MOROCCO)		100.00%	100.00%	2.52	(2.48)	-	2.31	0.07	Full	-	
<i>Provision of call-center services</i>											
<i>Bd Abdelmoumen, Angle rue Errazi et Charles Lebrun - Casablanca</i>											
Atento Argentina, S.A. (ARGENTINA)		88.89%	100.00%	0.28	(5.39)	-	(15.61)	0.25	Full	-	
<i>Provision of call-center services</i>											
<i>Avda. de Mayo, 645 P.1º - Buenos Aires</i>											
Atento Uruguay, S.A. (URUGUAY) (1)		100.00%	100.00%	0.26	(0.05)	-	(0.86)	0.79	Full	-	
<i>Provision of call-center services</i>											
<i>Montevideo</i>											
Atento USA Inc (USA)		100.00%	100.00%	-	6.11	-	(8.71)	4.13	Full	-	
<i>Provision of call-center services</i>											
<i>1001 Brickell Bay Drive P.32º - Miami - Florida 33132</i>											
Atento Colombia, S.A. (COLOMBIA)		61.16%									
Atento Argentina, S.A. (ARGENTINA)		11.11%									
Atento Italia (ITALY)		1.00%									

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Atento Venezuela (VENEZUELA) <i>Provision of call-center services</i> <i>Caracas</i>		100.00%	100.00%	11.19	(5.51)	–	(2.09)	0.29	Full	–	
Atento Centroamérica, S.A. (GUATEMALA) <i>Provision of call-center services</i> <i>14 Calle 3-51 Zona 10 Edificio Murano Center 18 Nivel - Guatemala</i>		100.00%	100.00%	15.95	(3.77)	–	(0.29)	13.93	Full	–	
Atento El Salvador, S.A. de C.V. (EL SALVADOR) <i>Provision of call-center services</i> <i>San Salvador</i>		7.41%	100.00%	4.40	(3.09)	–	(0.21)	3.97	Full	–	
Atento de Guatemala, S.A. (GUATEMALA) <i>Provision of call-center services</i> <i>Guatemala City</i>		100.00%	100.00%	19.40	(9.10)	–	(2.95)	17.98	Full	–	
Atento El Salvador, S.A. de C.V. (EL SALVADOR) <i>Provision of call-center services</i> <i>San Salvador</i>		92.59%									
Atento Guatemala Comercial, S.A. (GUATEMALA) <i>Provision of call-center services</i> <i>Guatemala City</i>		100.00%	100.00%	–	0.20	–	(0.09)	–	Full	–	
Atento Holding Chile, S.A. (CHILE) <i>Holding company</i> <i>Santiago de Chile</i>		100.00%	100.00%	38.85	(9.05)	–	(0.25)	34.33	Full	–	
Atento Chile, S.A. (CHILE) <i>Provision of call-center services</i> <i>Diagonal Paraguay, 386 - Santiago de Chile</i>		69.99%	83.08%	21.72	(9.63)	–	0.15	13.83	Full	–	
Nexcom (CHILE) (1) <i>Provision of call-center services</i> <i>Santiago de Chile</i>		100.00%	100.00%	1.73	(0.77)	–	(0.15)	0.86	Full	–	
Atento Educación, Ltda. (CHILE) <i>Provision of call-center services</i> <i>Santiago de Chile</i>		100.00%	100.00%	–	(0.03)	–	0.04	–	Full	–	
Atento Recursos, Ltda. (CHILE) <i>Provision of call-center services</i> <i>Santiago de Chile</i>		100.00%	100.00%	–	(0.21)	–	–	–	Full	–	
Teleatento del Perú, S.A.C. (PERU) <i>Provision of call-center services</i> <i>C/ Jiron Camaná, 654 - 01 Lima</i>		70.00%	99.12%	8.90	(5.51)	–	(1.39)	16.02	Full	–	
Atento Asia Pacific (JAPAN) <i>Provision of call-center services</i> <i>Chiyoda-Ku - Tokyo</i>		99.50%	99.50%	0.10	(0.03)	–	–	0.09	Full	–	
Atento Pasona (JAPAN) <i>Provision of call-center services</i> <i>Chiyoda-Ku - Tokyo</i>		69.99%	69.99%	8.91	(5.64)	–	(2.93)	5.32	Full	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership							Gross book value	Consoli- dation method	Value in consoli- dation (8)
	Telefónica			Capital	Reserves	Interim dividend	Income loss			
	Direct	Indirect	Group							
Atento Italia (ITALY) <i>Provision of call-center services</i> <i>Via Lamaro, edif. D/2 - Rome</i>		99.00%	100.00%	0.01	(2.23)	–	–	5.79	Full	–
Atento Mexico (MEXICO) <i>Provision of call-center services</i> <i>Mexico City</i>		100.00%	100.00%	5.36	(3.70)	–	(0.03)	–	Full	–
Atento Servicios Mexico (MEXICO) (1) <i>Provision of call-center services</i> <i>Mexico City</i>		100.00%	100.00%	0.02	(0.04)	–	(0.03)	–	Full	–
Atento North América (USA) (1) <i>1221 Brickell Avenue - 33131 Miami (Florida)</i> <i>Provision of call-center services</i>		100.00%	100.00%	–	–	–	–	–	Full	–
Telefónica Investigación y Desarrollo, S.A. (SPAIN) (*) (**) (3) <i>Telecommunications research activities and projects</i> <i>Emilio Vargas, 6 - 28043 Madrid</i>	100.00%		100.00%	6.01	35.64	–	13.26	6.01	Full	–
Corporación Admira Media, S.A. (SPAIN) (*) (**) (1) <i>Provision of call-center services</i> <i>Jorge Manrique, 12 - 28006 Madrid</i>	100.00%		100.00%	6.01	–	–	(1.21)	6.06	Full	–
Comunicapital Inversiones, S.A.U. (SPAIN) (1) <i>Global telecommunications fund</i> <i>Gran Vía, 28 - 28013 Madrid</i>	100.00%		100.00%	6.00	(75.71)	–	(1.27)	6.00	C.	6.00
Compañía Española de Tecnología, S.A. (SPAIN) (*) (**) (3) <i>Promotion of business initiatives and disposition of</i> <i>marketable securities</i> <i>Villanueva, 2 duplicado planta 1ª Oficina 23 - 28001 Madrid</i>	100.00%		100.00%	3.99	(0.21)	–	(0.08)	10.11	Full	–
Cleon, S.A. (SPAIN) (3) <i>Property development</i> <i>Villanueva, 2 duplicado planta 1ª Oficina 23 - 28001 Madrid</i>		50.00%	50.00%	8.23	(0.51)	–	(0.16)	4.12	Full	–
Casiopea Reaseguradora, S.A. (LUXEMBOURG) (3) <i>Reinsurance</i> <i>73, Rue du Fort Neipperg - L-2230 Luxembourg</i>	100.00%		100.00%	3.60	6.64	–	41.49	2.99	Full	–
Seguros de Vida y Pensiones Antares, S.A. (SPAIN) (3) <i>Life insurance, pensions and health insurance</i> <i>Avda. General Perón, 38 Master II - 17ª P. - 28020 Madrid</i>	94.67%	5.33%	100.00%	204.33	2.23	–	(2.73)	216.48	Full	–
Pléyade Peninsular Correduría de Seguros del Grupo Telefónica, S.A. (SPAIN) (3) <i>Distribution, promotion or preparation of insurance contracts,</i> <i>operating as a broker</i> <i>Avda. General Perón, 38 Master II - 17ª P. - 28020 Madrid</i>	16.67%	83.33%	100.00%	0.36	1.28	–	2.01	0.63	Full	–
Other holdings (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.04	C.	0.04
Zeleris Soluciones Integrales, S.L. (**) (SPAIN) (3) <i>Provision of Spanish and foreign mail, directory and parcel</i> <i>distribution services</i> <i>Paseo de Graçia, 81 1º - Barcelona</i>	100.00%		100.00%	3.40	(2.04)	–	0.91	6.49	Full	–

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value added
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group	Capital							
Zeleris España, S.A. (SPAIN) (*) (**) (3) Provision of mail, directory and parcel distribution services C/ Gran Vía, 28 - 28,013 Madrid		100.00%	100.00%	2.38	(1.54)	-	0.77	-	Full	-	
Telefónica Finanzas, S.A. (TELFISA) (SPAIN) (*) (**) (3) <i>Integrated cash management, counseling and financial support for Group companies</i> Gran Vía, 30 - 4ª Plta. - 28013 Madrid	100.00%		100.00%	3.01	5.46	-	2.30	12.61	Full	-	
Venturini España, S.A. (SPAIN) (*) (**) (2) <i>Printing, graphic arts and direct marketing</i> Avda. de la Industria, 17 Tres Cantos - 28760 Madrid	100.00%		100.00%	3.01	(0.03)	-	0.33	3.60	Full	-	
Venturini, S.A. (SPAIN) (*) (**) (2) Direct marketing Vía Augusta, 117, 2º 1ª - 08006 Barcelona		100.00%	100.00%	0.18	0.03	-	(0.00)	0.20	Full	-	
Telefónica Procesos y Tecnología de la Información, S.A. (SPAIN) (*) (**) (3) <i>Provision of IT related services</i> José Abascal, 4 - 28003 Madrid	100.00%		100.00%	3.00	4.16	-	0.63	3.01	Full	-	
Telefónica Gestión de Servicios Compartidos, S.A. (*) (**) (SPAIN) (1) <i>Provision of management and administration services</i> Gran Vía, 28 - 28013 Madrid	100.00%		100.00%	2.08	6.77	-	(5.37)	11.86	Full	-	
Urbana Ibérica, S.A. (SPAIN) (*) (**) (3) <i>Debt collection and management of the cash generated on the sale of land and buildings</i> C/ Gran Vía, 30 4ªPta. - 28013 Madrid	100.00%		100.00%	1.59	(0.25)	-	(0.01)	0.09	Full	-	
Playa de Madrid, S.A. (SPAIN) (*) (**) (4) <i>Distribution of all manner of goods, operation of sporting and hospitality facilities</i> Complejo Deportivo y Social Playa de Madrid, Km. 1.700 carretera de El Pardo - 28035 Madrid	100.00%		100.00%	0.24	0.82	-	0.27	0.33	Full	-	
Communicapital Gestión, S.A.U. (SPAIN) (*) (**) (1) <i>Global telecommunications fund</i> Gran Vía, 28 - 28013 Madrid	100.00%		100.00%	0.06	(0.01)	-	(0.02)	0.06	Full	-	
Telefónica Europe, B.V. (NETHERLANDS) (1) <i>Fund raising in capital markets</i> Aert van Nesstraat 45, 4º 3000 AM Rotterdam - P.O. Box 548	100.00%		100.00%	0.05	4.74	-	1.32	0.05	Full	-	
Telefónica Finance USA, L.L.C. (U.S.A.) <i>Financial intermediation</i> Corporation Trust Center, 1208 Orange street - Wilmington/New Castle County - Delaware		0.01%	0.01%	2,000.00	-	(0.46)	0.49	0.01	Full	-	
Telefónica North America, INC (U.S.A.) (3) <i>Financial intermediation</i> 1209 Orange Street, 19.801 Wilmington/New Castle County Delaware	100.00%		100.00%	0.01	-	-	-	0.01	Full	-	
Telefónica USA, Inc. (USA) <i>E-commerce</i> 1221 Brickell Avenue - Miami - Florida 33131	100.00%		100.00%	0.01	(2.25)	-	(2.08)	0.01	Full	-	
Telefónica B2B, Inc. (U.S.A.) (1) <i>B2B e-commerce</i> 1001 Brickell Bay Drive - Miami, Florida 33131	100.00%		100.00%	-	-	-	-	0.01	Full	-	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Telefónica B2B Licencing, Inc. (U.S.A.) (1)	100.00%		100.00%	0.01	0.41		–	(4.14)	0.01	Full	–
Telefonica Gestao de Serviços Compartilhados do Brasil, Ltda. (BRAZIL) (1)	99.99%		99.99%	8.45	(4.27)		–	(1.46)	5.00	Full	–
<i>Provision of management and administration services Rua Do Livramento, 66 Bolco Ibirapuera - Sao Paulo</i>											
Telefónica Gestión de Servicios Compartidos, S.A.C. (PERU) (1) (6)	99.99%		99.99%	3.40	0.14		–	0.90	3.00	Full	–
<i>Provision of management and administration services Shell, 310 - Miraflores</i>											
Telefónica Gestión de Servicios Compartidos, S.A. (ARGENTINA) (1)	99.99%		99.99%	0.01	–		–	(0.01)	0.01	Full	–
<i>Provision of management and administration services</i>											
Katalyx, Inc. (U.S.A.) (1)	99.90%	0.10%	100.00%	138.25	(105.70)		–	(30.02)	138.23	Full	–
<i>Administrative management services 1221 Brickell Avenue - Miami, Florida</i>											
Katalyx Brasil, Ltd. (BRAZIL) (1)		100.00%	100.00%	0.46	(1.37)		–	(0.48)	0.77	Full	–
<i>Administrative management services Rua Joaquim Floriano, 1052 - Sao Paulo</i>											
Katalyx España, S.L. (SPAIN) (1)		100.00%	100.00%	0.01	(1.84)		–	(2.80)	0.01	Full	–
<i>Administrative management services Pl. Pablo Ruíz Picaso, s/n. Edif. Torre Picasso - Madrid</i>											
Soluciones Tecnologicas para la Alimentacion, S.L.		49.00%	49.00%	4.73	4.73		–	(0.71)	2.47	E.M.	1.80
<i>E-commerce C/Roselló,515,08025-Barcelona</i>											
Katalyx Mexico, S.A. de C.V. (MEXICO) (1)		100.00%	100.00%	0.01	(2.08)		–	(1.95)	0.01	Full	–
<i>Administrative management services Boulevard Avila Camacho, 24 - Mexico D.F.</i>											
Katalyx Argentina, S.A. (ARGENTINA) (1)		100.00%	100.00%	0.00	(4.33)		–	(0.07)	0.01	Full	–
<i>Administrative management services Bouchard, 680 - Buenos Aires</i>											
Adquira, Inc. (U.S.A.) (1)		100.00%	100.00%	–	(19.35)		–	(2.60)	–	Full	–
<i>E-commerce 1221 Brickell Avenue - Miami, Florida</i>											
Adquira Brasil, Ltd. (BRAZIL) (1)		100.00%	100.00%	2.74	(2.62)		–	(0.78)	5.34	Full	–
<i>E-commerce Rua Joaquim Floriano, 1052 - Sao Paulo</i>											
Adquira Argentina, S.L. (ARGENTINA) (1)		100.00%	100.00%	0.89	(2.47)		–	(0.43)	3.19	Full	–
<i>E-commerce Bouchard, 680 - Buenos Aires</i>											
Adquira Mexico, Ltd. (MEXICO) (1)		50.00%	50.00%	8.02	(3.03)		–	(1.74)	4.67	E.M.	1.72
<i>E-commerce Boulevard Avila Camacho, 24 - Mexico City</i>											

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Katalyx Food Service, Llc (U.S.A.) (1) <i>E-commerce</i> <i>1221 Brickell Avenue - Miami, Florida</i>		100.00%	100.00%	-	(2.75)	-	(0.10)	-	Full	-	
Katalyx Food Service Argentina, S.R.L. (ARGENTINA) (1) <i>E-commerce</i> <i>Bouchar, 680 - Buenos Aires</i>		100.00%	100.00%	0.00	(0.67)	-	0.03	0.01	Full	-	
Katalyx Food Service Mexico, S.R.L. de C.V. (MEXICO) (1) <i>E-commerce</i> <i>Boulevard Avila Camacho, 24 - Mexico City</i>		100.00%	100.00%	-	(1.37)	-	(0.70)	-	Full	-	
Katalyx Transportation, Llc. (U.S.A.) (1) <i>E-commerce</i> <i>1221 Brickell Avenue - Miami, Florida</i>		100.00%	100.00%	-	(2.81)	-	(1.01)	-	Full	-	
Katalyx Transportation España, S.L. (SPAIN) (1) <i>E-commerce</i> <i>Pl. Pablo Ruiz Picaso, s/n. Edif. Torre Picaso - Madrid</i>		100.00%	100.00%	0.01	(1.50)	-	(1.18)	0.01	Full	-	
Katalyx Transportation Argentina, S.R.L. (ARGENTINA) (1) <i>E-commerce</i> <i>Bouchar, 680 - Buenos Aires</i>		100.00%	100.00%	0.00	(0.01)	-	(0.00)	0.01	Full	-	
Katalyx Transportation Mexico, Llc. (MEXICO) (1) <i>E-commerce</i> <i>Boulevard Avila Camacho, 24 - Mexico City</i>		100.00%	100.00%	-	(2.32)	-	(0.93)	-	Full	-	
Katalyx Transportation Brasil, Ltd. (BRAZIL) (1) <i>E-commerce</i> <i>Rua Joaquim Floriano, 1052 - Sao Paulo</i>		100.00%	100.00%	-	(0.83)	-	(0.58)	-	Full	-	
Katalyx Cataloguing, Inc. (U.S.A.) (1) <i>E-commerce and cataloging</i> <i>1221 Brickell Avenue - Miami, Florida</i>		100.00%	100.00%	-	(4.23)	-	(0.90)	-	Full	-	
Katalyx Cataloguing España, S.L. (SPAIN) (1) <i>E-commerce and cataloging</i> <i>Pl. Pablo Ruiz Picaso, s/n. Edif. Torre Picaso - Madrid</i>		100.00%	100.00%	0.01	(0.51)	-	(1.14)	0.01	Full	-	
Katalyx Cataloguing Argentina, S.R.L. (ARGENTINA) (1) <i>E-commerce and cataloging</i> <i>Bouchar, 680 - Buenos Aires</i>		100.00%	100.00%	0.00	(0.13)	-	(0.00)	0.01	Full	-	
Katalyx Cataloguing Mexico, S.R.L. de C.V. (MEXICO) (1) <i>E-commerce and cataloging</i> <i>Boulevard Avila Camacho, 24 - Mexico City</i>		100.00%	100.00%	-	(0.06)	-	(0.05)	0.01	Full	-	
Katalyx Cataloguing Brasil, Ltd. (BRAZIL) (1) <i>E-commerce and cataloging</i> <i>Rua Joaquim Floriano, 1052 - Sao Paulo</i>		100.00%	100.00%	-	(0.10)	-	(0.11)	-	Full	-	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)	
				Telefónica		Capital						Reserves
	Direct	Indirect	Group	Capital	Reserves							
Katalyx Construction, Inc. (U.S.A.) (1) <i>E-commerce</i> 1221 Brickell Avenue - Miami, Florida		100.00%	100.00%	-	(4.65)	-	-	0.01	Full	-		
Katalyx Construction Argentina (ARGENTINA) (1) <i>E-commerce</i> Bouchar, 680 - Buenos Aires		100.00%	100.00%	0.00	-	-	(0.00)	0.01	Full	-		
Katalyx SIP, Llc. (U.S.A.) (1) <i>E-commerce financial services</i> 1221 Brickell Avenue - Miami, Florida		100.00%	100.00%	-	(2.00)	-	(0.47)	-	Full	-		
Mercador, S.A. (BRAZIL) (1) <i>E-commerce</i> Rua Joaquim Floriano, 1052 - Sao Paulo		54.00%	54.00%	12.62	(8.30)	-	(1.21)	20.66	E.M.	1.75		
Hotelnet b2b, S.A. (1) <i>E-commerce</i>		12.25%	12.25%	0.11	11.35	-	(1.13)	1.43	C.	1.43		
Emergia Holding, N.V. (NETHERLANDS) (1) (6) Holding company Drentestraat, 24 bg - 1083 HK Amsterdam	99.56%	0.34%	100.00%	25.20	127.54	-	(162.53)	368.51	Full	-		
Emergia Hispana, S.A. (SPAIN) (1) <i>Provision of telecommunications services</i> Francisco Silvela, 42 - Madrid		100.00%	100.00%	0.05	-	-	(0.66)	(0.54)	Full	-		
Emergia, S.A. (URUGUAY) (1) Provision of high bandwidth communications services Luis A. de Herrera, 1248 Piso 4 - Montevideo	99.17%	0.83%	100.00%	481.10	144.46	-	(194.96)	499.47	Full	-		
Emergia USA, Inc. (U.S.A.) (1) <i>Provision of high bandwidth communications services</i> 1221 Brickell Avenue, Piso 6 - 33131 Miami (Florida)		100.00%	100.00%	31.23	(13.32)	-	(5.63)	13.45	Full	-		
Emergia Puerto Rico, Inc. (PUERTO RICO) (1) <i>Provision of high bandwidth communications services</i> Metro Office Park Edificio 17, Calle 2, Suite 600 - Guaynabo		100.00%	100.00%	25.20	127.54	-	(162.53)	1.54	Full	-		
Emergia Argentina, S.A. (ARGENTINA) (1) <i>Provision of high bandwidth communications services</i> Paraguay, 1345 Piso 6 - Buenos Aires		99.99%	99.99%	48.24	(12.02)	-	(23.23)	(27.28)	Full	-		
Emergia Participacoes, Ltd. (BRAZIL) (1) <i>Provision of high bandwidth communications services</i> Rua Martiniano de Carvalho, n°851, 16° andar, Bela Vista		99.99%	99.99%	-	-	-	-	-	Full	-		
Emergia Brasil, Ltd. (BRAZIL) (1) <i>Provision of high bandwidth communications services</i> Av. Brigadeiro Faria Lima, 2055 Piso 6 - San Pablo		99.99%	99.99%	70.31	(10.74)	-	(18.96)	3.87	Full	-		
Emergia Chile, S.A. (CHILE) (1) <i>Provision of high bandwidth communications services</i> Ricardo Lyon, 222 Piso 14 - Santiago de Chile		99.99%	99.99%	28.01	(5.13)	-	(4.05)	1.42	Full	-		

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Emergia Guatemala, S.A. (GUATEMALA) (1) <i>Provision of high bandwidth communications services</i> <i>Bldv. Los Próceres, 5-56 Piso 11, zona 10 - Guatemala City</i>		99.99%	99.99%	21.36	(3.57)	–	(4.78)	3.38	Full	–	
Emergia Perú, S.A.C. (PERU) (1) <i>Provision of high bandwidth communications services</i> <i>Av. de la Floresta, 487 Piso 5 - San Borja</i>		99.99%	99.99%	21.22	(7.40)	–	(6.98)	9.44	Full	–	
Telefónica Internacional, S.A. (SPAIN) (*) (**) (1) (6) <i>Investment in the telecommunications industry abroad</i> <i>C/ Gran Vía, 28 - 28013 Madrid</i>	98.75%	1.25%	100.00%	7,381.66	(1,184.06)	–	(182.54)	8,148.10	Full	–	
Telefónica Panamericana - MCI Holding, B.V. (NETHERLANDS) (1) <i>Holding Company</i>		50.00%	50.00%	20 M.NLG	N/D	–	–	4.82	C.	4.82	
Sao Paulo Telecomunicações Holding, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Sao Paulo</i>		100.00%	100.00%	1,232.18	(6.56)	(33.78)	59.21	2,882.52	Full	–	
Telecomunicações de Sao Paulo, S.A. - TELESP (BRAZIL) (1) <i>Wireline telephony operator in Sao Paulo</i> <i>Sao Paulo</i>		86.72%	87.42%	541.37	3,253.30	(277.11)	391.01	4,535.10	Full	–	
Telefónica Finance Limited (ISLE OF MAN) (1) <i>Finance</i>		100.00%	100.00%	N/D	N/D	N/D	N/D	N/D	Full	–	
Telefónica del Perú Holding, S.A. (PERU) (1) <i>Holding Company</i>		100.00%	100.00%	1,793.75	105.19	–	–	N/D	Full	–	
Telefónica del Perú, S.A.A. (PERU) (1) <i>Operator of local, long distance and international</i> <i>telephony services in Peru</i> <i>Avda. Arequipa, 1155 Santa Beatriz - Lima</i>		97.07%	97.15%	785.51	129.06	–	8.31	749.38	Full	–	
Atento Perú, S.A.C. (PERU)		30.00%									
Telefónica Publicidade e Informação, S.A. (BRAZIL)		49.00%									
Telefónica Internacional USA Inc. (U.S.A.) (1) <i>1221 Brickell Avenue suite 600 - 33131 Miami - Florida</i>		100.00%	100.00%	–	0.56	–	(0.56)	N/D	Full	–	
Telefonica International Holding, B.V. (NETHERLANDS) (1) <i>Holding Company</i>		100.00%	100.00%	602.84	535.70	–	6.14	N/D	Full	–	
Telefónica Chile Holding, B.V. (NETHERLANDS) (1) <i>Holding Company</i>		100.00%	100.00%	30.86	90.61	–	(0.01)	N/D	Full	–	
Telefónica Internacional de Chile, S.A. (CHILE) (1) <i>Holding Company</i>		100.00%	100.00%	15.04	785.39	–	(10.56)	N/D	Full	–	
<i>Compañía de Telecomunicaciones de Chile, S.A. (C.T.C.),</i> (CHILE) (1)		43.54%	43.64%	979.50	755.31	–	(23.51)	N/D	Full	–	
<i>Operator of telecommunications services in Chile</i> <i>Avenida Providencia, 111 piso 28 Santiago de Chile</i> <i>Telefónica Gestión de Servicios Compartidos Chile, S.A.</i> (CHILE)		99.99%	43.64%	1.94	(1.00)	–	(0.21)	0.92	Full	–	
<i>Provision of management and administration services</i>											
Impresora y Comercial Publiguías, S.A. (CHILE) (1)		9.00%									
Atento Chile, S.A. (CHILE) (1) (6)		30.00%									

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(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Compañía de Inver. en Telecomunicaciones, S.A. (ARGENTINA) (1) <i>Holding Company</i> <i>Tucumán, 1 P-18 Buenos Aires</i>		99.98%	99.98%	150.15	(60.38)		–	70.51	372.57	Full	–
Telefónica Holding de Argentina, S.A. (ARGENTINA) (1) <i>Holding Company</i> <i>Tucumán, 1 P-17 Buenos Aires</i>		99.96%	99.96%	114.52	183.40		–	(583.68)	998.90	Full	–
Telefónica de Argentina, S.A. (ARGENTINA) (1) <i>Telecommunications operator in southern Argentina</i> <i>Presidente Perón, 848 - piso 7 - 1038 Buenos Aires</i>		98.04%	98.04%	494.06	1,156.16		–	(973.10)	866.22	Full	–
Telefónica Móviles, S.A. (**) (SPAIN)		21.43%									
Telefónica Venezuela Holding, B.V. (NETHERLANDS) (1) <i>Holding Company</i> <i>Cía. Anónima N. de Teléfonos de Venezuela, C.A. (CANTV)</i> <i>(VENEZUELA) (1)</i>		100.00%	100.00%	0.02	18.57			28.83	47.42	Full	–
<i>Telecommunications operator</i> <i>Avenida Libertador, Centro Nacional de Telecomunicaciones, Piso 1 - 1226 Caracas</i>		32.94%	6.91%	2,477.20	(0.87)		(193.35)	9.43	N/D	E.M.	102.06
Telefónica Larga Distancia de Puerto Rico, INC. (PUERTO RICO) (1) <i>Telecommunications operator</i> <i>Calle 1, Edificio nº 8. Metro Office Park. Sector de Buchanan. Guaynabo - Puerto Rico</i>		98.00%	98.00%	106.62	(17.45)			(24.77)	N/D	Full	–
Telecomunicaciones Ultramarinas de Puerto Rico (PUERTO RICO) <i>Telecommunications operator</i> <i>P.O.Box 10855 - 00822-0855 San Juan de Puerto Rico</i>		14.90%	14.90%	N/D	N/D			N/D	N/D	C.	19.71
Infonet Services Corporation (U.S.A.) (1) <i>Telecommunications operator</i> <i>2100 East. Crand Avenue. El Segundo, California 80245 - 1022 USA</i>		14.32%	14.32%	–	–			–	N/D	E.M.	153.94
Fandem, Ltd. (IRELAND) (1) <i>Holding Company</i> <i>2 Harbour Master Place, Custom House Dock - Dublin</i>		100.00%	100.00%	1.00	N/D			N/D	N/D	C.	0.08
Teléfonos de los Urales (TELUR) (RUSSIA) <i>Telephone manufacturing</i>		5.00%	5.00%	6 M. Rub.	N/D			N/D	N/D	C.	0.32
Communication Technology, Inc. (U.S.A.) <i>Provider of long distance telecommunications services</i> <i>Delaware</i>		100.00%	100.00%	–	1.26			(3.44)	18.66	Full	–
Other holdings		N/A	N/A	N/A	N/A		N/A	N/A	N/A	E.M.	45.99
Other holdings		N/A	N/A	N/A	N/A		N/A	N/A	N/A	C.	76.14
Telefónica Móviles, S.A. (SPAIN) (*) (**) (1) (6) Holding company Goya, 24 - 28001 Madrid	71.00%	21.43%	92.43%	2,165.28	4,715.54		–	(3,724.40)	3,066.21	Full	–
Telefónica Móviles México, S.A. de C.V. (MEXICO) (1)		92.00%	85.04%	1,874.46	–		–	(180.56)	995.62	Full	–
Telefónica Finanzas México, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	0.05	–		–	2.04	–	Full	–
Baja Celular Mexicana, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i> <i>Avda. Gómez Morín, 350 Valle del Campestre - 66265 Garza García - Nuevo León</i>		100.00%	85.04%	126.07	29.96		–	(27.92)	–	Full	–

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Baja Celular Servicios Corporativos, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	0.01	0.51	–	0.16	–	Full	–	
Tamcel, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		99.99%	85.03%	48.08	6.27	–	(13.05)	–	Full	–	
Movitel de Noroeste, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i> <i>Avda. Gómez Morín, 350 Valle del Campestre -</i> <i>66265 Garza García - Nuevo León</i>		90.00%	76.52%	17.26	32.87	–	(15.62)	–	Full	–	
Movicelular, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		90.00%	76.52%	0.01	(0.30)	–	0.02	–	Full	–	
Moviservicios, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		90.00%	76.52%	0.01	0.24	–	0.33	–	Full	–	
Corporativo Integral Comunicación, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	8.23	(7.92)	–	(4.37)	–	Full	–	
Telefonía Celular del Norte, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i> <i>Avda. Gómez Morín, 350 Valle del Campestre -</i> <i>66265 Garza García - Nuevo León</i>		100.00%	85.04%	29.94	(28.46)	–	(20.80)	–	Full	–	
Todo para Celulares, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	–	0.11	–	(0.02)	–	Full	–	
Grupo Corporativo del Norte, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	6.24	5.86	–	(15.32)	–	Full	–	
Celular de Telefonía, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i> <i>Prestación de servicios de radiotelefonía celular</i> <i>Avda. Gómez Morín, 350 Valle del Campestre -</i> <i>66265 Garza García - Nuevo León</i>		100.00%	85.04%	53.90	(7.69)	–	(58.53)	–	Full	–	
Soluciones Celulares, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	2.17	(1.20)	–	0.52	–	Full	–	
Enlaces del Norte, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		94.90%	80.70%	0.01	0.18	–	2.35	–	Full	–	
Grupo de Telecomunicaciones Mexicanas, S.A. de C.V. (MEXICO) (1) <i>Provision of wireless local loop services</i>		100.00%	85.04%	0.01	9.40	–	5.84	–	Full	–	
Pegaso Telecomunicaciones, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	939.81	(315.57)	–	(896.32)	–	Full	–	
Pegaso Comunicaciones y Sistemas, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	744.80	(294.99)	–	(827.02)	–	Full	–	
Pegaso PCS, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	13.35	(15.65)	–	(26.11)	–	Full	–	
Pegaso Recursos Humanos, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	2.93	(0.78)	–	(2.12)	–	Full	–	
Pegaso Finanzas, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	0.01	–	–	–	–	Full	–	
Pegaso Finco I, S.A. de C.V. (MEXICO) (1)		100.00%	85.04%	0.01	–	–	–	–	Full	–	
Telefónica Móviles Aplicaciones y Soluciones, S.A. (CHILE) (1)		100.00%	92.43%	8.57	0.21	–	0.50	9.22	Full	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Telefónica		Group	Capital	Reserves						
	Direct	Indirect									
TCG Holdings, S.A. (GUATEMALA) (1) <i>Holding company</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Guatemala City</i>		100.00%	92.43%	230.51	(0.64)	–	(0.56)	82.10	Full	–	
Telefónica Centroamérica Guatemala, S.A. (GUATEMALA) (1) <i>Provision of wireless, wireline and radio paging communications services</i> <i>Bulevar Los Próceres 5-56 Zona 10 - Guatemala City</i>		100.00%	92.43%	162.45	(96.88)	–	(15.94)	162.45	Full	–	
Telescucha, S.A. (GUATEMALA) (1)		100.00%	92.43%	3.30	(2.25)	–	0.33	3.30	Full	–	
Telefónica El Salvador Holding, S.A. de C.V. (EL SALVADOR) (3) <i>Holding company</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>		100.00%	92.43%	150.19	(2.89)	–	(1.71)	101.99	Full	–	
Telefónica Móviles El Salvador, S.A. de C.V. (EL SALVADOR) (3) <i>Provision of wireless and international long distance communications services</i> <i>Alameda Roosevelt y Avenida Sur. Torre Telefónica nivel 10 - San Salvador</i>		90.30%	83.46%	113.43	(61.97)	–	(13.84)	129.67	Full	–	
Brasilcel, N.V.		50.00%	46.21%	0.10	3,796.45	–	(20.89)	1,899.42	P.I.	–	
Tagilo Participações, S.A. (BRAZIL) (1)		100.00%	46.21%	95.06	5.44	(1.00)	0.72	–	Full	–	
Sudestecel Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. Brigadeiro Faria Lima, 3728-10º, andar-Parte, Sao Paulo</i>		89.50%	41.36%	364.31	0.38	–	0.01	–	Full	–	
Tele Sudeste Celular Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. Brigadeiro Faria Lima, 3728-10º, andar-Edifício Birman-28, Itaim-Bibi, Sao Paulo</i>		85.59%	39.56%	184.95	284.62	(28.00)	52.19	–	Full	–	
Telerj Celular, S.A. (BRAZIL) (1) <i>Provision of wireless communications services</i> <i>Praia de Botafogo, 501-5º a 8º Andares, Botafogo - Rio de Janeiro</i>		100.00%	39.56%	245.36	130.91	(9.00)	48.72	–	Full	–	
Telest Celular, S.A. (BRAZIL) (1) <i>Provision of wireless communications services</i> <i>Avda. Nossa Senhora da Penha - Praia do Canto, Vitoria - Espiritu Santo</i>		100.00%	39.56%	39.35	29.34	–	(2.60)	–	Full	–	
Portelcom Fixa, S.A.		100.00%	46.21%	39.64	(2.90)	–	2.01	–	Full	–	
Telefónica BRAZIL Sul Celular Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. José Bonifacio, 245, parte, Porto Alegre - Rio Grande Do Sul</i>		96.26%	44.49%	157.93	2.92	(2.00)	4.10	–	Full	–	
Celular CRT Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. José Bonifacio, 245, Farroupilha, Porto Alegre - Rio Grande Do Sul</i>		49.38%	22.40%	36.31	155.25	(10.00)	53.65	–	Full	–	
Celular CRT, S.A. (BRAZIL) (1) <i>Provision of wireless communications services</i> <i>Avda. José Bonifacio, 245, Farroupilha, Porto Alegre - Rio Grande Do Sul</i>		100.00%	22.40%	127.00	60.30	(8.00)	54.15	–	Full	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
	% of Ownership		Telefónica		Reserves	Capital					
	Direct	Indirect	Group	Capital							
Iberoleste Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. Antônio Carlos Magalhaes, 357, 6 167 andar, parte - Pituba, Salvador - BA</i>		100.00%	46.21%	128.86	(8.89)	–	(0.96)	–	Full	–	
Tele Leste Celular Participações, S.A. (BRAZIL) (1) <i>Holding company</i> <i>Avda. Antonio Carlos Magalhaes, 357, Pituba, na cidade de Salvador, Estado de Bahia</i>		27.70%	12.80%	82.42	38.07	–	(1.86)	–	Full	–	
Telebahia Celular, S.A. (BRAZIL) (1) <i>Provision of wireless communications services</i> <i>Avda. Antonio Carlos Magalhaes, 357, Pituba, na cidade de Salvador, Estado de Bahia</i>		100.00%	12.80%	96.57	31.74	–	(29.50)	–	Full	–	
Telergipe Celular, S.A. (BRAZIL) (1) <i>Provision of wireless communications services</i> <i>Avda. Francisco Porto, 686, 13 de julho - Aracaju, Sergipe</i>		100.00%	12.80%	9.35	1.27	–	0.41	–	Full	–	
Intertelecom, Ltda.		99.99%	46.21%	139.12	(14.75)	–	(7.79)	–	Full	–	
Ptelecom Brasil, S.A.		100.00%	46.21%	955.68	(73.88)	–	(67.56)	–	Full	–	
Portelcom Participações, S.A.		100.00%	46.21%	600.30	(368.23)	–	(32.55)	–	Full	–	
Telesp Celular Participações, S.A.		65.12%	30.10%	1.18	0.21	–	(0.42)	–	Full	–	
Telesp Celular, S.A.		100.00%	30.10%	0.51	0.31	–	0.09	–	Full	–	
Daini do Brasil, S.A.		100.00%	30.10%	0.12	(0.22)	–	(0.28)	–	Full	–	
Global Telcom Telecom, S.A.		100.00%	30.10%	0.02	(0.05)	–	0.06	–	Full	–	
Inepar S.A. Part. Invest. de Telecom, S.A.		100.00%	30.10%	0.01	(0.03)	–	0.03	–	Full	–	
Global Telecom, S.A.		100.00%	30.10%	0.90	(0.36)	–	(0.28)	–	Full	–	
Telefónica Móviles España, S.A.U. (SPAIN) (*) (**) (1) <i>Provision of wireless communications services</i> <i>Plaza de la Independencia, 6 - Pta. 5 - 28001 MADRID</i>		100.00%	92.43%	423.34	481.96	–	(3,350.29)	933.21	Full	–	
Serea Investment, B.V. (NETHERLANDS) (1) <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>		100.00%	92.43%	0.05	7.19	–	(7.19)	0.06	C.	0.03	
ST 3G (FRANCE)		40.00%	36.97%	N/D	N/D	N/D	N/D	–	C.	–	
Nuevo Cosmos, S.A. (*) (**) (SPAIN) <i>José Abascal, 45 - Madrid</i>		100.00%	92.43%	0.06	–	–	–	0.06	C.	0.06	
Spiral Investment, B.V. (NETHERLANDS) (1) <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>		100.00%	92.43%	38.54	(15.67)	–	(118.93)	38.54	Full	–	
3G Mobile AG (SWITZERLAND) (1)		100.00%	92.43%	37.94	36.84	–	(118.22)	86.77	Full	–	
MobiPay España, S.A. (SPAIN) <i>Provision of payment services through wireless telephony</i> <i>Avda. Europa, 20 - Alcobendas - Madrid</i>		13.33%	12.32%	20.50	(0.88)	–	(4.57)	2.73	E.M.	2.01	
Telefónica UK (U.K.)		100.00%	92.43%	N/D	N/D	N/D	N/D	N/D	C.	–	

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(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
3G Mobile Telecommunications, GmbH (AUSTRIA) (1) <i>Provision of telecommunications services</i> <i>Guglgasse 7-8-A-1030 - Vienna</i>		100.00%	92.43%	32.00	26.02	–	(157.26)	68.54	Full	–	
Solivella Investment, B.V. (NETHERLANDS) (1) <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>		100.00%	92.43%	880.70	(45.78)	–	(1,462.58)	880.66	Full	–	
Ipse 2000, S.p.A. (ITALY) <i>Installation and operation of third-generation wireless systems</i> <i>Piazza dei Capprettari, 70 - Rome</i>		45.59%	46.22%	2,150.00	289.33	–	(167.98)	1,424.85	E.M.	1,013.69	
Group 3G UMTS Holding, GmbH (GERMANY) (1) <i>Network development and provision of third-generation telecommunications services</i> <i>Lilienthalallee, 40 - Munich</i>		57.20%	52.87%	250.03	8,658.68	–	(8,968.36)	5,518.96	Full	–	
Group 3G UMTS, GmbH (GERMANY) (1) Opco (GERMANY) (1)		100.00%	52.87%	250.03	8,782.21	–	–	9,247.23	Full	–	
Médi Telecom, S.A. (MORROCO) <i>Provision of wireless communications services</i> <i>Angle boulevards Zertouni et El Massira El Kadra</i>		31.34%	28.97%	780.72	(394.50)	–	(168.04)	253.42	E.M.	62.89	
Setaber Investments, B.V. (NETHERLANDS) (1) <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>		100.00%	92.43%	0.06	(0.02)	–	(0.02)	0.06	C.	0.06	
Senda Investments, B.V. (NETHERLANDS) (1) <i>Strawinskylaan 3105 - 1077ZX - Amsterdam</i>		50.00%	46.21%	0.55	(0.52)	–	(0.04)	0.07	C.	0.07	
Gruppo 3G, S.p.A. (ITALY) <i>Via Lepetit, 4 - Milan</i>		100.00%	92.43%	0.67	N/D	N/D	N/D	0.10	C.	0.10	
Tempos 21 Innovación en Aplicaciones Móviles, S.A. (SPAIN) <i>Research, development and commercial operation of wireless services and applications</i> <i>Avda. Diagonal, 640 - Barcelona</i>		38.50%	35.59%	13.22	N/D	N/D	(0.97)	5.11	C.	5.11	
Main Instituto Superior de Tecnología y Empresa, S.L. (SPAIN) <i>Teaching relating to new corporate technologies</i> <i>Españoleto, 18 - Madrid</i>		20.00%	18.49%	0.75	(0.19)	–	(0.55)	0.15	C.	0.15	
Telefónica Mobile Solutions, S.A.U. (SPAIN) (*) (**) (1) <i>Consulting services in the Internet industry and wireless communications</i> <i>Gran Vía, 28 - Madrid</i>		100.00%	92.43%	0.06	0.10	–	(12.40)	0.06	Full	–	
Telefónica Mobile Solutions Chile, S.A.C. (CHILE) (1) <i>Engineering activities relating to hardware and systems</i> <i>Avda. Seminario, 15 - Providencia - Santiago de Chile</i>		99.90%	92.34%	0.13	0.02	–	(1.07)	0.19	Full	–	
Telefónica Mobile Solutions Perú, S.A.C. (PERU) (1) <i>Advisory and other services relating to communications</i> <i>Avda. Camino Real, 155 4º - San Isidro - Lima</i>		99.90%	92.34%	–	0.26	–	(0.14)	N/D	Full	–	
Telefónica Mobile Solutions Brasil, Ltda. (BRAZIL) (1) <i>Engineering activities relating to hardware and systems</i> <i>Na de Botafogo, 501 2º andar, sales 202 y 203 - Rio de Janeiro</i>		99.90%	92.34%	0.01	0.15	–	(1.44)	0.01	Full	–	

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	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
Telefónica Mobile Solutions Argentina, S.A. (ARGENTINA) (1) <i>Engineering activities relating to hardware and systems</i> <i>Carlos Pellegrini, 1148 10° - Buenos Aires</i>		99.90%	92.34%	0.01	–	–	(0.14)	0.01	Full	–	
Terra Mobile, S.A. (SPAIN) (1) <i>Operation of content and services through WAP</i> <i>wireless telephony</i> <i>Gran Vía, 28 - 28013 Madrid</i>		80.00%	81.56%	3.60	135.02	–	(231.25)	261.77	Full	–	
Terra Mobile Brasil, Ltd. (BRAZIL) (1)		100.00%	73.94%	4.79	(1.53)	–	(9.95)	6.73	Full	–	
Termespa, S.A. (1)		100.00%	73.94%	6.10	(1.85)	–	(3.50)	6.10	Full	–	
Terra Mobile (Finland) Oy (1)		100.00%	73.94%	0.91	(0.85)	–	0.04	1.41	Full	–	
Terra Mobile UK Ltd. (1)		100.00%	73.94%	22.75	(13.79)	–	(9.54)	8.83	Full	–	
I.O.Box Deutschland, GmbH (1)		100.00%	73.94%	0.03	5.88	–	(6.34)	5.59	Full	–	
Telefónica Móviles USA, Inc. (U.S.A.) <i>Telecommunications consulting services</i> <i>1221 Brickell Avenue - Miami - Florida</i>		100.00%	92.43%	–	(1.10)	–	(0.10)	N/D	Full	–	
TELCA Gestión Guatemala, S.A. (GUATEMALA) <i>Operation and management of services and goods</i> <i>Diagonal 6, 10-01 zona 10 Centro las Margaritas, Torre II</i>		100.00%	92.43%	N/D	N/D	N/D	N/D	N/D	Full	–	
TELCA Gestión, S.A. de C.V. (EL SALVADOR) <i>Managememnt of and counseling on telecommunications services</i> <i>63 Avda. Sur y Alameda Roosevelt, Torre B nivel 10 - San Salvador</i>		100.00%	92.43%	0.02	0	–	–	0.02	Full	–	
MobiPay Internacional, S.A. (SPAIN) <i>Provision of payment services through wireless telephony</i>		36.00%	33.27%	30.05	(2.66)	–	(15.93)	10.82	E.M.	5.73	
Telefónica Móviles Perú Holding, S.A.A. (PERU) (1) <i>Holding company</i> <i>Avda. Arequipa, 1155 Lima, 01</i>		97.97%	90.55%	221.31	11.32	–	13.52	254.46	Full	–	
Telefónica Móviles, S.A.C. (PERÚ) (1) <i>Provision of wireless communications services</i> <i>Avda. Arequipa, 1155 Lima, 01</i>		100.00%	90.55%	214.10	15.37	–	1.44	–	Full	–	
Telefónica Móviles Argentina, S.A. (ARGENTINA) (1)		97.93%	90.52%	147.80	(64.96)	–	(760.05)	495.79	Full	–	
Telefónica Comunicaciones Personales, S.A. (ARGENTINA) (1) <i>Provision of wireless communications services</i>		100.00%	90.52%	151.39	(68.22)	–	(760.17)	–	Full	–	
Radioservicios, S.A. (ARGENTINA) <i>Telecommunications under SRCE license (trunking)</i> <i>Avda. Córdoba, 1856 3° - Buenos Aires</i>		99.99%	90.51%	0.28	(0.32)	–	–	N/D	C.	(0.04)	
Radio Móvil Digital Argentina, S.A. (ARGENTINA)		99.99%	90.51%	1.77	(3.12)	–	(0.10)	N/D	C.	(1.45)	
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	N/A	C.	0.02	
Telefónica de Centroamérica, S.L. (**) (SPAIN) (1)		100.00%	92.43%	N/D	N/D	N/D	N/D	1.33	C.	1.33	
Telefónica Móviles Uruguay Holding, S.A. (URUGUAY)		100.00%	92.43%	0.02	–	–	(0.01)	0.05	C.	0.05	
Telefónica Móviles Uruguay, S.A. (URUGUAY)		100.00%	92.43%	0.02	–	–	(0.01)	–	C.	–	

(*) Companies filing consolidated corporate income tax returns in 2001.

(**) Companies filing consolidated corporate income tax returns in 2002.

DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership							Gross book value	Consoli- dation method	Value in consoli- dation (8)
	Telefónica			Capital	Reserves	Interim dividend	Income loss			
	Direct	Indirect	Group							
Paging de Centroamérica, S.A. (GUATEMALA)		100.00%	92.43%	N/D	N/D	N/D	N/D	–	C.	–
Telefónica Soporte y Tecnología, S.A. (GUATEMALA)		99.99%	92.42%	N/D	N/D	N/D	N/D	–	C.	–
Telefónica Publicidad e Información, S.A. (SPAIN) (2) (6) <i>Publishing of directories and advertising in all types of media</i> Avda. de Manoteras, 12 – 28050 MADRID	59.90%		59.90%	18.41	81.79	–	75.42	4.06	Full	–
Telefónica Publicidad e Información Internacional, S.A.U. (SPAIN) <i>Holding company</i> <i>Avda. de Manoteras, 12 - 28050 MADRID</i>		100.00%	59.90%	49.34	(0.02)	–	(0.11)	49.34	Full	–
Directories Holding, B.V. (NETHERLANDS) <i>Holding company</i> <i>Drentestraat 24 BG 1083 HK - Amsterdam</i>		100.00%	59.90%	0.02	13.16	–	(0.02)	47.58	Full	–
Publiguías Holding, S.A. (CHILE) <i>Holding company</i> <i>Avda. Santa María 0782 - Providencia - Santiago de Chile</i>		100.00%	59.90%	13.73	(1.39)	–	(0.21)	13.19	Full	–
Urge Chile, S.A. (CHILE) <i>Construction and upkeep of buildings. Refurbishment</i> <i>work in general</i> <i>Moneda 870, piso 12 - Santiago de Chile</i>		100.00%	59.90%	0.09	(0.00)	–	(0.07)	0.08	Full	–
Impresora y Comercial Publiguías, S.A. (CHILE) (2) (17) <i>Telephone directory and related products and telephone</i> <i>files business</i> <i>Avda. Santa María 0782 - Providencia - Santiago de Chile</i>		51.00%	34.48%	4.93	18.13	–	10.21	12.84	Full	–
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	0.18	C.	0.18
Telefónica Publicidad e Información Perú, S.A.C. (PERU) <i>Publishing of Peruvian market directories</i> <i>Avda. Arequipa, 1155 - Santa Beatriz - Lima</i>		100.00%	59.90%	20.74	(4.82)	–	0.70	36.28	Full	–
Goodman Business Press, S.A.U. (SPAIN) <i>Publishing of technical and professional publications</i> <i>in several industries</i>		100.00%	59.90%	0.66	8.91	–	–	11.02	Full	–
Fuerteventura, 21- San Sebastián de los Reyes. Madrid Cernet, S.L. (Sole-Stockholder Company) (SPAIN) (16) <i>Construction and upkeep of buildings. Refurbishment</i> <i>work in general</i> <i>Claudio Coello, 76 - Madrid</i>		100.00%	59.90%	0.06	0.49	–	(0.38)	0.58	Full	–
Buildnet, S.A. (SPAIN) (2) <i>Creation, development, management and provision</i> <i>of on-line information services</i> <i>Claudio Coello, 76 - Madrid</i>		97.59%	58.46%	0.24	(0.36)	–	(0.03)	0.20	Full	–
Telefónica Publicidade e Informação, Ltda. (BRAZIL) (2) <i>Publishing of directories and advertising in the states</i> <i>of Sao Paulo and Rio Grande do Sul</i> <i>Av. Paulista 1106 - Sao Paulo</i>		51.00%	79.55%	18.96	(18.03)	–	(46.36)	9.67	Full	–
Guia Local Network, S.A. (BRAZIL) (15) <i>City guide Internet portal</i> <i>Avda. Das Americas, 500 Bl. 6A - Rio de Janeiro</i>		20.00%	11.98%	3.70	–	–	(2.93)	1.57	C.	1.57
Adquira Spain, S.A. (SPAIN) <i>E-commerce</i> <i>Goya, 4, 4ª planta - Madrid</i>		20.00%	11.98%	0.45	27.08	–	(8.86)	3.17	E.M.	3.73

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value consolidated
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group	Group							
Eureedit, S.A. (FRANCE) <i>Publication of European yearbooks</i> <i>Avda. Friedland, 8 - 75008 Paris (*)</i>		5.00%	2.99%	N/D	N/D	N/D	N/D	0.23	C.	0.23	
Aliança Atlântica Holding B.V. (NETHERLANDS) Holder of 5.225.000 Portugal Telecom, S.A. shares Strawinskylaan 1725, 1077 XX Amsterdam	50.00%	43.37%	93.37%	40.00	N/D	N/D	N/D	21.97	E.M.	-	
Telefónica Factoring Establecimiento Financiero de Crédito, S.A. (SPAIN) (1) Loans and credits (consumer and mortgage loans and commercial transactions) Pedro Teixeira, 8 - 28020 Madrid	50.00%		50.00%	5.11	2.95	-	1.27	2.64	E.M.	3.21	
Telefónica Factoring Do Brasil, Ltd. (BRAZIL) (1) Development of factoring business Avda. Paulista, 1106	40.00%	10.00%	50.00%	2.41	(1.35)	-	0.69	0.97	E.M.	0.78	
Torre de Collçerola, S.A. (SPAIN) (2) Operation of a telecommunications mast and technical assistance and consulting services Ctra. Vallvidrera-Tibidabo, s/nº - 08017 Barcelona	42.00%		42.00%	12.02	0.38	N/D	N/D	5.08	E.M.	5.21	
Banco Bilbao Vizcaya Argentaria, S.A. (ESPAÑA) (1) (6) Banking Gran Vía, 1 - 48001 Bilbao (Vizcaya)	1.13%		1.13%	1,565.97	9,928.89	(862.89)	1,719.00	555.62	C.	555.62	
Terra Networks, S.A. (SPAIN) (1) (6) Provision and operation of telecommunications services Nicaragua, 54 - 08029 Barcelona	37.15%	0.63%	38.58%	1,216.32	3,983.44	-	(2,008.87)	2,750.82	Full	-	
Ifigenia Plus, S.L. (SPAIN) (1) <i>Vertical education and cultural content development portal</i> <i>Plaza Alonso Martínez, 3 -28004 Madrid</i>	100.00%		38.58%	0.14	0.47	-	(1.53)	10.11	Full	-	
Educaterra, S.L. (SPAIN) (1) <i>Vertical education Internet portal</i> <i>Plaza Alonso Martínez, 3 -28004 Madrid</i>	100.00%		38.58%	0.06	-	-	(1.77)	0.06	Full	-	
Terra Lycos, S.A. (SPAIN) <i>Internet services provider</i> <i>Vía Dos Castillas, 33 - Comp. Ática Ed. 1, 1ª Plta. Pozuelo de Alarcón - 28224 Madrid</i>	100.00%		38.58%	0.06	-	-	-	0.06	C.	0.06	
Terra Lycos Intangibles, S.A. (SPAIN) (1) <i>Internet services provider</i> <i>Vía Dos Castillas, 33 - Comp. Ática Ed. 1, 1ª Plta. Pozuelo de Alarcón - 28224 Madrid</i>	100.00%		38.58%	0.66	13.55	-	(0.14)	19.29	Full	-	
Lycos, Inc. y subsidiarias (U.S.A.) (1) (6) <i>Worldwide portal services</i> <i>400-2 Totten Pond Road - Waltham, MA 02451 - Massachusetts</i>	100.00%		38.58%	1.37	1,197.00	-	(549.83)	3,172.72	Full	-	
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	81.51	E.M.	81.50	
Other holdings		N/A	N/A	N/A	N/A	N/A	N/A	27.32	C.	86.12	
Terra Networks USA, Llc. (U.S.A.) (1) (6) <i>Holding company</i> <i>1201 Hays Street, Tallahassee - Florida</i>	100.00%		38.58%	7.50	(115.05)	-	(44.86)	67.47	Full	-	
Terra Networks Operations, Inc. (U.S.A.) <i>Development and management of Terra's business in the U.S.</i> <i>1200 South Pine Island Road - Miami - Florida</i>	100.00%		38.58%	0.01	N/D	-	N/D	N/D	Full	-	
Terra Networks Sales (U.S.A.) <i>Advertising</i> <i>Miami - Florida</i>	100.00%		38.58%	0.01	-	-	N/D	N/D	Full	-	
Terra Networks Financial Services USA Llc. (U.S.A.) <i>Financial services for the Terra U.S.A. Group</i> <i>New Jersey</i>	100.00%		38.58%	0.01	N/D	-	N/D	N/D	Full	-	

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(**) Companies filing consolidated corporate income tax returns in 2002.

DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership			Capital	Reserves	Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation (8)
	Direct	Indirect	Telefónica Group							
Aremate.com, Inc. (U.S.A.) <i>Internet content and E-commerce</i> 1018 Centre Road, Wilmington - Delaware		29.50%	11.38%	–	–	–	–	4.79	C.	4.79
Terra Networks Guatemala, S.A. (GUATEMALA) (1) <i>ISP and portal</i> C/ Diagonal, 6 Edificio Las Margaritas II - Guatemala City		100.00%	38.58%	8.70	(5.39)	–	(2.48)	15.06	Full	–
Terra Networks El Salvador, S.A. (EL SALVADOR) (1) <i>Development of the Internet business in El Salvador</i> Nuevo San Salvador		99.99%	38.57%	0.01	N/D	–	N/D	N/D	Full	–
Terra Networks Honduras, S.A. (HONDURAS) <i>Internet portal</i>		99.99%	38.57%	0.04	N/D	–	N/D	N/D	Full	–
Terra Networks Costa Rica, S.A. (COSTA RICA) <i>Internet portal</i>		99.99%	38.57%	0.04	N/D	–	N/D	N/D	Full	–
Terra Networks Nicaragua, S.A. (NICARAGUA) <i>Internet portal</i>		99.99%	38.57%	0.04	N/D	N/D	N/D	N/D	Full	–
Centro de Investigación y Experimentación de la Realidad Virtual, S.L. (SPAIN) <i>Design of communications products</i> Almirante, 16 - Madrid		100.00%	38.58%	0.00	(7.67)	–	(3.80)	10.08	E.M.	–
Corporation Real Time Team, S.L. (SPAIN) (6) <i>Development, programming, advertising and consulting on the Internet</i> Almirante, 16 - Madrid		35.16%	13.56%	N/D	N/D	–	N/D	12.40	E.M.	–
UNO-E Bank, S.A. (SPAIN) <i>On-line banking</i> Capitan Haya, 1 28020 - Madrid		49.00%	18.90%	54.09	51.77	–	(24.37)	189.83	E.M.	39.93
Terra Networks Asociadas, S.L. (SPAIN) <i>Holding company</i> Via de Dos Castillas, 33 - Comp. Ática Ed. 1, 1ª Pta. Pozuelo de Alarcón - 28224 Madrid		100.00%	38.58%	6.79	56.21	–	(60.19)	60.52	Full	–
Maptel Networks, S.A.U. (SPAIN) (1) <i>Design, development, implementation and marketing of digital cartography</i> Rosario Pino, 5 - 28020 Madrid		100.00%	38.58%	1.50	–	–	(0.68)	1.37	Full	–
Terra Mobile, S.A. (SPAIN) (6)		20.00%								–
Emplaza, S.A. (SPAIN) (1) <i>Corporate portal</i> Centro Europa Empresarial - Edificio Roma. C/ rozabella.8. 28230 Las Rozas (Madrid)		80.00%	30.86%	1.20	(0.45)	–	(1.70)	5.77	Full	–
Bumeran Participaciones, S.L. (SPAIN) (1) <i>Vertical employment and human resources portal</i> Via Dos Castillas, 33 - Comp. Ática Ed. 1, 1ª Pta. Pozuelo de Alarcón - 28224 Madrid		84.00%	32.41%	5.81	3.28	–	(7.36)	15.58	Full	–
Azeler Automoción, S.A. (SPAIN) <i>Motoring portal</i> Serrano, 48 - 28006 Madrid		50.00%	19.29%	1.80	5.70	–	(5.23)	5.22	E.M.	1.14
Red Universal de Marketing y Bookings Online, S.A. (SPAIN) <i>Tourism, passenger transport and hospitality services on the Internet</i> Proción 1 y 3 La Florida - Madrid		50.00%	19.29%	9.00	(4.88)	–	(4.60)	7.50	E.M.	–
Inversis Networks, S.A. (SPAIN) <i>Computer and telematic systems and software</i> C/ Arrastacia, 13 . Poligono de las Mercedes. Madrid		9.00%	3.47%	50.44	19.04	–	–	7.55	C.	7.55
A Tu Hora, S.A. (SPAIN) <i>E-commerce</i> Avda. de Europa, 24 - Parque empresarial La Moraleja - Madrid		50.00%	19.29%	7.18	(2.66)	–	(0.72)	6.59	E.M.	1.91

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value i consol
			Telefónica		Capital	Reserves					
	Direct	Indirect	Group								
One Travel.com, Inc. (U.S.A.) <i>Travel booking portal</i> <i>258 Main Street, 3rd floor - East Greenville</i>		39.60%	15.28%	0.01	10.92	–	(1.76)	26.30	E.M.	3.70	
Iniciativas Residenciales en Internet, S.A. (ATREA) (SPAIN) <i>Real esate portal</i> <i>Pº de Recoletos, 10 Ala Norte 1ª pta. - 28001 Madrid</i>		50.00%	19.29%	1.42	4.99	–	(2.61)	3.86	E.M.	1.90	
Terra Networks España, S.A. (SPAIN) (4) <i>ISP and portal</i> <i>Vía Dos Castillas, 33 - Comp. Ática Ed. 1, 1ª</i> <i>Plta. Pozuelo de Alarcón - 28224 Madrid</i>	100.00%		38.58%	8.12	(167.42)	–	(237.22)	76.47	Full	–	
Terra Networks Mexico Holding, S.A. De C.V. (MEXICO)		17.46%									
Terra Networks Colombia Holding, S.A. (COLOMBIA)		8.30%									
Terra Networks Guatemala, S.A. (GUATEMALA)		1.66%									
Ordenamiento de Links Especializados, S.L. (SPAIN) (7) <i>Spanish-language Internet browser</i> <i>Nicaragua, 54 - Barcelona</i>	100.00%		38.58%	6.00	(7.92)	–	–	18.03	Full	–	
OLE de Contenidos Interactivos, S.A. (SPAIN) (7) <i>Gathering, preparation and dissemination</i> <i>of information of all kinds</i> <i>Paseo de la Castellana, 210 - 28046 Madrid</i>	100.00%		38.58%	0.09	(0.08)	–	–	6.01	Full	–	
ADQ Advertising Quality, S.L. (SPAIN) <i>Computarized advertising services</i> <i>Paseo de la Castellana, 210 - 28046 Madrid</i>	100.00%		38.58%	0.01	–	–	–	0.01	C.	0.01	
Terra Networks LATAM, S.A. (SPAIN) (1) <i>Foreign securities holding company</i> <i>Gran Vía, 28 - 28013 Madrid</i>	100.00%		38.58%	52.48	399.94	–	(341.85)	491.06	Full	–	
Terra Networks Venezuela, S.A. (VENEZUELA) (1) <i>Development of the Internet business in Venezuela</i> <i>Avda. San Felipe, Torre Bancaracas Plta. 11 - Caracas</i>	100.00%		38.58%	1.27	5.01	–	(7.20)	20.28	Full	–	
Terra Networks Perú, S.A. (PERU) (1) <i>ISP and portal</i> <i>Los Sauces, 374 - Torre Roja - San Borja - Lima</i>	99.99%		38.57%	2.54	24.64	–	(20.76)	52.80	Full	–	
Terra Networks Mexico Holding, S.A. De C.V. (MEXICO) (1) (6) <i>Portfolio company</i> <i>Antonio L. Rodríguez 1884, Monterrey - Nuevo León</i>	100.00%		38.58%	90.16	83.23	–	(177.72)	345.08	Full	–	
Terra Networks Mexico, S.A. de C.V. (MEXICO) (1) (6) <i>ISP and portal and provisions of real-time financial information</i> <i>Monterrey - Nuevo Leon</i>	99.99%		38.57%	4.15	115.03	–	(103.25)	26.45	Full	–	
Telefónica Interactiva Brasil, Ltda. (BRAZIL) (1) (6) <i>Portfolio company</i> <i>Rua de Consolação, 247, 6º - Sao Paulo</i>	99.99%		38.57%	319.74	(201.35)	–	(37.88)	359.66	Full	–	
Terra Networks Brasil, S.A. And Dependent Companies (BRAZIL) (1) (6) <i>ISP and portal</i> <i>Morro de Santa Teresa - Porto Alegre</i>	100.00%		38.57%	219.89	(146.51)	–	(85.20)	231.89	Full	–	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consoli- dation metod	Value in consoli- dation (8)
	Telefónica			Capital	Reserves						
	Direct	Indirect	Group								
Terra Global Management, Inc. (U.S.A.) (7) <i>Corporate management in the U.S.</i>		100.00%	38.58%	–	0.03	–	(0.22)	0.10	Full	–	
Terra Networks Chile Holding Limitada (CHILE) (1) (6) <i>Portfolio company</i> <i>C/ Moneda, 870, piso 12 - Santiago</i>		99.99%	38.57%	95.18	(47.52)	–	(10.41)	95.18	Full	–	
Terra Networks Chile, S.A. (CHILE) (1) <i>ISP and portal and provision of real-time financial information</i> <i>C/ Moneda, 870, piso 12 - Santiago</i>		100.00%	38.57%	33.52	(26.88)	–	(6.47)	66.80	Full	–	
Terra Networks Caribe, S.A. (DOMINICAN REPUBLIC) (4) <i>Internet portal</i> <i>Tantino Falco n° 24, Edif. J. Baez, 1er Piso, Santo Domingo</i>		99.98%	38.57%	1.29	(0.85)	–	(0.55)	1.29	Full	–	
Terra Networks Argentina, S.A. (ARGENTINA) (1) <i>ISP and portal</i> <i>Tucumán, 1, piso 17 - Buenos Aires</i>		100.00%	38.58%	39.47	(36.84)	–	(12.09)	39.54	Full	–	
Terra Networks Uruguay (URUGUAY) (1) <i>ISP and portal</i> <i>Pje. Peat. Cont. Echevarriarza n° 3535</i> <i>Torres del Puerto A 11300 Montevideo</i>		100.00%	38.58%	–	0.70	–	(1.16)	5.06	Full	–	
Terra Networks Marocs, S.A.R.L. (MOROCCO) (7) <i>Inactive company</i>		100.00%	38.58%	0.03	N/D	–	N/D	0.03	C.	0.03	
Terra Networks Colombia Holding, S.A. (COLOMBIA) (1) <i>Portfolio company</i> <i>Avda. 100 n° 7-33 Torre 11 Of,301, Bogota</i>		100.00%	38.58%	0.03	19.81	–	(30.77)	36.04	Full	–	
Terra Networks Colombia, S.A. (La Ciudad.com) (COLOMBIA) (1) <i>Portal and Internet in general</i> <i>Avda. 100 n° 7-33 Torre 11 Of,301, Bogota</i>		65.00%	25.08%	2.42	1.15	–	(3.40)	19.54	Full	–	
Terra Networks Serviços de Acesso a Internet e Trading Ltd. (PORTUGAL) (7) <i>Inactive company</i> <i>Avda. Arriaga, 73-2° andar, sala 112 - Freguesia de Se,</i> <i>Concelho do Funchal</i>		100.00%	38.58%	0.01	N/D	–	N/D	0.01	C.	0.01	

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DETAILS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTEES AS OF DECEMBER, 31, 2002

(amounts in millions of euros)

	% of Ownership						Interim dividend	Income loss	Gross book value	Consolidation method	Value in consolidation
	Telefónica		Group	Capital	Reserves						
	Direct	Indirect									
Sistemas Técnicos de Loterías del Estado, S.A. (SPAIN) (2) <i>Operation of a gaming terminal system for the Spanish State Gaming Organization</i> <i>Manuel Tovar, 9 - 28034 Madrid</i>	31.75%		31.75%	12.02	41.67	N/D	N/D	3.82	E.M.	17.04	
Amper, S.A. (SPAIN) (1) (6) <i>Development, manufacture and repair of telecommunications systems and equipment and related components</i> <i>Torrelaguna, 75 - 28027 Madrid</i>	6.10%		6.10%	27.91	71.66	-	(22.37)	11.83	E.M.	4.11	
Portugal Telecom, S.G.P.S., S.A. (PORTUGAL) (1) <i>Holding company</i> <i>Avda. Fontes Pereira de Melo, 40 - 1089 Lisbon</i>	3.95%	0.74%	4.69%	1,254.29	2,543.73	-	(311.70)	361.59	E.M.	177.54	
Catalana D'Iniciatives, C.R., S.A. (SPAIN) <i>Promotion of non-finance companies</i> <i>Passeig de Gracia, 2 - 2ºB - 08007 Barcelona</i>	5.99%		5.99%	30.86	N/D		N/D	2.82	C.	2.82	
Nexus Capital, S.A. (SPAIN) <i>Passeig de Gracia, 2 - 2ºB - 08007 Barcelona</i>	5.99%		5.99%	15.43	N/D		N/D	0.95	C.	0.95	
I-CO Global Communications (HOLDINGS) Limited (U.K.)	N/D		N/D	N/D	N/D		N/D	6.03	C.	6.03	
Other holdings	N/A	N/A	N/A	N/A	N/A		N/A	1,17	C.	1.17	
TOTAL VALUE IN CONSOLIDATION, ASSOCIATED COMPANIES (Note 8)											2,081.1
TOTAL VALUE IN CONSOLIDATION, INVESTEES (Note 8)											932.0

(1) Company audited by Deloitte & Touche. In Spain Deloitte & Touche ESPAÑA, S.L.

(2) Company audited by PriceWaterhouseCoopers.

(3) Company audited by K.P.M.G. Peat Marwick.

(4) Company audited by B.D.O. Audiberia.

(5) Company in liquidation.

(6) Consolidated figures.

(7) Inactive company.

(8) This value relates to the contribution to the Telefónica Group and not to the subgroups to which the contributing companies belong. Amounts in foreign currencies: M=millions and m= thousands. Provisional figures for associated companies and investees.

Full. Fully consolidated companies

P.I. Proportionally consolidated companies.

E.M. Companies accounted for by the equity method.

C. Investees.

N/D No data.

N/A Not available.

EXHIBIT II	Group's consolidated financial statements.
The variations in the scope of consolidation in the years ended December 31, 2002 and 2001, were as follows:	In January Telefónica, S.A. acquired 50,000 shares of Telefónica Móviles, S.A. for g0.41 million. Following this acquisition and the above-mentioned contributions, the Telefónica Group owns direct and indirect holdings of 92.43% in Telefónica Móviles, S.A., which continues to be fully consolidated in the Telefónica Group.
2002	
The variations in the scope of consolidation in the year ended December 31, 2002, were as follows:	In February Telefónica, S.A. participated in the incorporation of the Brazilian company Telefónica Factoring do Brasil, S.A. and subscribed and paid 40% of this company's capital stock for g0.96 million. This company is accounted for by the equity method in the Telefónica Group's consolidated financial statements.
Telefónica	
In March 2002, under the last part of the agreement entered into between Telefónica, S.A. and Iberdrola, S.A. for the acquisition by the Company of all the holdings which the Iberdrola Group owned in the Brazilian operators in which the two companies are direct or indirect stockholders, Telefónica, S.A. acquired a 3.38% holding in Tele Leste Celular Participações, S.A. in exchange for 799,411 of its own shares.	In January Zeleris España, S.A. (formerly Telefónica Servicios de Distribución, S.A.), a wholly-owned subsidiary of Telefónica, S.A., increased capital by g1.92 million, which was subscribed and paid in full by the Parent Company. Subsequently, in June Zeleris Soluciones Integrales, S.L., a wholly-owned subsidiary of Telefónica, S.A., increased capital by g0.82 million, which was subscribed and paid in full by Telefónica, S.A. through the nonmonetary contribution of Zeleris España, S.A. Both companies continue to be fully consolidated in the Telefónica Group's consolidated financial statements.
Following completion of the acquisition by Telefónica, S.A. of the aforementioned holdings owned by the Iberdrola Group, in May 2002 Telefónica, S.A. contributed to its subsidiary Telefónica Móviles, S.A. the shares owned by it of the following Brazilian companies, which accounted for 7% of the capital stock of TBS Celular Participações, S.A. and Sudestecel Participações, S.A., in addition to holdings of 3.38% in Tele Leste Celular Participações, S.A. and of 62.02% in Iberoleste Participações, S.A. In exchange, Telefónica received all the news shares issued (26,801,494 new shares of g0.5 par value each) by the subsidiary in the two capital increases carried out in that month. Also in relation to the Iberdrola Group's investments, Telefónica sold to its subsidiary Telefónica Móviles, S.A. 0.66% of the capital stock of Celular CRT Participações, S.A. for g11.54 million.	In 2002 Telefónica acquired 717,465 shares of the subsidiary Terra Networks, S.A. for g5.53 million, bringing the Telefónica Group's direct and indirect holding in this company, which continues to be fully consolidated, to 38.58%. On May 31, 2002, the Dutch company Atento N.V. was incorporated through the nonmonetary contribution of all the shares of the U.S. company Atento Holding Inc. The new company, which is a wholly-owned investee of Telefónica, S.A., was fully consolidated in the Telefónica Group.
Following this transaction, the Telefónica Group's owned the following direct and indirect holdings in these Brazilian companies: 40.91% in TBS Celular Participações, S.A., 83.56% in Sudestecel Participações, S.A., 27.71% in Tele Leste Celular Participações, S.A. and all the shares of Iberoleste Participações, S.A. All these companies and Celular CRT Participações, S.A. were fully consolidated in the Telefónica Group's consolidated financial statements (Tele Leste Celular Participações, S.A. was accounted for by the equity method in the Telefónica Group's 2001 consolidated financial statements) through December 31, 2002, the date on which their respective balance sheets were proportionally consolidated through the joint venture Brasilcel, N.V. (see section on Telefónica Móviles).	In 2002 the following subsidiaries were fully consolidated for the first time in the Telefónica Group: – Telefónica Gestión de Servicios Compartidos, S.A. de C.V. (Mexico) – Telefónica Gestión de Servicios Compartidos, S.A.C. (Peru) – Telefônica Gestao de Serviços Compartilhados do Brasil, Ltda. (Brazil) – Telefónica Gestión de Servicios Compartidos, S.A. (Argentina)
Telefónica, S.A. sold to Telefónica Internacional, S.A. 64,673 common shares of Telecomunicações de Sao Paulo, S.A., 189,278,445 "quotas" of SP Telecomunicações Holding, Ltda. and 2,669,724,381 common shares and 834,622,796 preferred shares of Telefónica Data Brasil Holding, S.A., which it had acquired in 2001 from the Iberdrola Group for its book value. All these companies continue to be fully consolidated in the Telefónica Group's consolidated financial statements.	In January Telefónica, S.A. incorporated the wholly-owned subsidiary Telefónica Capital, S.A. and paid this company's initial capital stock (g6 million) in full. Subsequently, Telefónica Capital increased capital by g1 million with additional paid-in capital of g38.01 million, all of which was subscribed and paid by its sole stockholder Telefónica, S.A. through the nonmonetary contribution of 201,682 shares of Fonditel, Entidad Gestora de Fondos de Pensiones, S.A. representing 77.22% of this company's capital stock. Telefónica Capital, S.A. was fully consolidated in the Telefónica Group's consolidated financial statements.
In January Telefónica, S.A. acquired 50,000 shares of Endemol Entertainment Holding, N.V. (Endemol) for g2 million. Following this acquisition, the Telefónica Group owns a holding of 99.47% in Endemol, which continues to be fully consolidated in the Telefónica	In December Telefónica Capital, S.A., a wholly-owned subsidiary of Telefónica, S.A., sold 28,736 shares of Fonditel, Entidad Gestora de Fondos de Pensiones, S.A. for g6.14 million. Also, Telefónica, S.A.'s wholly-owned subsidiary Seguros de Vida y Pensiones Antares, S.A.,

<p>which owned 9,881 shares of Fonditel, sold these shares to Telefónica Capital for g2.11 million. As a result of these transactions, the Telefónica Group's direct and indirect holding in Fonditel decreased from 81% in 2001 to 70% in 2002. The company continues to be fully consolidated in the Telefónica Group.</p>	<p>Subsequently, the German company increased capital by g2.57 million with additional paid-in capital of g634.5 million, which was subscribed and paid in full by the Telefónica Group. As part of the reorganization of the Telefónica Group by business line, HighwayOne Germany, GmbH acquired for their market price from Telefónica all the shares of MediaWays, GmbH and subsequently merged with this company. Lastly, the German company changed its corporate name to Telefónica Deutschland, which was fully consolidated in the Telefónica Group.</p>
<p>In December Telefónica acquired from its Luxembourg subsidiary Casiopea Reaseguradora, S.A. 110,000 shares of Seguros de Vida y Pensiones Antares, S.A. for g59.63 million. Following this transaction, the Telefónica Group continues to own all the capital stock of this company, which continues to be fully consolidated in the Telefónica Group.</p>	<p>In July 2002 the holding in the Austrian company European Telecom International, GmbH, a wholly-owned subsidiary of Telefónica Datacorp, S.A.U., was sold, giving rise to a loss for the Telefónica Group of g38.79 million. This company, which had been fully consolidated in 2001, was excluded from the scope of consolidation of the Telefónica Group.</p>
<p>In November Telefónica, S.A. acquired Gran Vía Media, S.L. from its wholly-owned subsidiary Telefónica de Contenidos, S.A. Gran Vía Media, S.L. changed its corporate name to Lotca Servicios Integrales, S.L. In December Lotca increased capital by 16,920 shares of g1 par value each, which the Telefónica Group subscribed in full through a nonmonetary contribution. Lotca was fully consolidated for the first time in the Telefónica Group.</p>	<p>The Uruguayan company Telefónica Data Uruguay, S.A., which was fully consolidated in 2001, was sold in November, giving rise to a loss of g2.28 million. Accordingly, it was excluded from the scope of consolidation of the Telefónica Group.</p>
<p>In December, by virtue of its agreements with the Tyco Group, Telefónica, S.A. acquired 17,872,341 shares of the Dutch company Emergia Holding, N.V. for g47.09 million. The Telefónica Group thereby became the sole stockholder of this company, which continues to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>	<p>Also, in September Telefónica Datacorp, S.A. acquired all the shares of Telefónica Data México, S.A. de C.V. held by its minority stockholders for g5.16 million. Following this transaction, Telefónica Datacorp owned all the shares of Telefónica Data México, S.A. de C.V., which continues to be fully consolidated in the Telefónica Group.</p>
<p>The Uruguayan company Emergia, S.A. increased capital in December by US\$ 500 million. Telefónica subscribed and paid the capital increase in full by converting loans to this company into capital. Following this transaction, the Telefónica Group directly or indirectly owns all the shares of this Uruguayan company, which continues to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>	<p>The Datacorp Group, through its subsidiary Telefónica Data de Brasil Ltd., subscribed to the capital increase carried out by Telefónica Data Brasil Holding, S.A., contributing the loans previously granted amounting to 482,9 million reais, thereby increasing the Telefónica Group's holding in this company from 87.48% to 93.98%.</p>
<p>Grupo Admira Media, S.A. and Telefónica Internet, S.A., both of which are wholly-owned subsidiaries of Telefónica, S.A., changed their corporate names in 2002 to Telefónica de Contenidos, S.A. and Corporación Admira Media, S.A., respectively.</p>	<p>The 34%-owned investee of Telefónica Datacorp, S.p.A., the Italian company Atlanet, S.A., which through June 30, 2002, had been fully consolidated, has since that date been accounted for by the equity method because it no longer fulfills the management control requirements for full consolidation.</p>
<p>In 2002 the U.S. company Katalyx, Inc. increased capital by US\$ 124 million, which Telefónica, S.A. subscribed in full and paid through the conversion of loans to this company into capital. As a result of this transaction, Telefónica b2b Inc., the former sole stockholder of Katalyx, Inc., had a 0.1% holding, with Telefónica owning the remaining 99.9% of the capital stock of Katalyx, Inc., which continues to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>	<p>On July 2, 2002, Telefónica Data España, S.A., a wholly-owned investee of Telefónica Datacorp, S.A., sold 24% of the holding owned by it in Gestión del Conocimiento, S.A., giving rise to a gain of g58 thousand. This company, which had been accounted for in the consolidated financial statements of the Telefónica Group, was excluded from consolidation.</p>
<p>In 2002 Telefónica Europe, B.V., a wholly-owned investee of Telefónica, S.A., formed Telefónica Finance USA, L.L.C., which issued preferred shares amounting to g2,000 million. As a result, as of December 31, 2002, the Telefónica Group had a 0.01% holding in and held all the voting rights at Telefónica Finance USA, L.L.C.</p>	<p>Also, in July 2002 Telefónica Data España, S.A. acquired a 33.33% holding in Servicios On Line para Usuarios Múltiples, S.A. (Solium) for g0.7 million. This company is accounted for by the equity method in the consolidated financial statements of the Telefónica Group.</p>
<p>Telefónica Datacorp Group</p>	<p>In November 2002 the Telefónica Datacorp Group acquired 15% of the capital stock of Agencia de Certificación Electrónica, S.A. for g3. As a result of this acquisition, the Telefónica Group became the sole stockholder of this company, which continues to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>
<p>In January Telefónica DataCorp, S.A. acquired all the shares of the German company HighwayOne Germany, GmbH for g1.38 million.</p>	<p></p>

<p>Telefónica de España Group</p>	<p>Also, on July 22, 2002, Telefónica Móviles carried out a capital increase agreed upon by its Stockholders' Meeting on April 4, 2002, for a total amount (par value plus additional paid-in capital) of g27.66 million. Mesotel paid these new shares in full through the contribution of the shares of the following companies held by it: TES Holding, S.A. de C.V., Telca Gestión, S.A. de C.V., TCG Holdings, S.A., Telca Gestión Guatemala, S.A., Paging de Centroamérica, S.A. and Telefónica de Centroamérica, S.L. Following this capital increase, Telefónica Móviles, S.A. owned all the shares of each of these companies.</p>																								
<p>In 2002 Telefónica Cable, S.A., a wholly-owned subsidiary of Telefónica de España, S.A., made the following acquisitions:</p>																									
<ul style="list-style-type: none"> - 22% of the capital stock of Telefónica Cable Extremadura, S.A. - 10% of the capital stock of Telefónica Cable Catalunya, S.A. - 10% of the capital stock of Telefónica Cable Madrid, S.A. - 11 % of the capital stock of Telefónica Cable Navarra, S.A. - 15% of the capital stock of Telefónica Cable Galicia, S.A. - 27 % of the capital stock of Telefónica Cable Andalucía, S.A. - 49% of the capital stock of Sociedad General de Cablevisión Canarias, S.A. - 49% of the capital stock of Telefónica Cable Castilla y León, S.A. 	<p>In April 2002 Tele Sudeste Celular Participações, S.A. and Celular CRT Participações, S.A. carried out capital increases that were subscribed by Telefónica Móviles, S.A.</p>																								
<p>Following these acquisitions Telefónica Cable, S.A., the parent company of all these companies, owned all the companies' shares, except in the case of Telefónica Cable Extremadura, S.A., in which it has a 83% holding, and Telefónica Cable Galicia, S.A. in which its new percentage of ownership is 85%. g5.82 million were disbursed for these investments. All these companies continue to be fully consolidated in the Telefónica Group.</p>	<p>On September 10, 2002, Telefónica Móviles acquired a 65.23% holding in Pegaso PCS (Mexico) for g92.87 million. Subsequently, in order to strengthen its net worth position, Pegaso carried out a capital increase in which Telefónica Móviles, S.A. paid g211.45 million corresponding to its 65.23% holding. The agreements entered into with Burillo contained a commitment to contribute the holdings of the two companies in the Pegaso Group and in the northern Mexican companies to a new Mexican company of which the two groups would be stockholders. This transaction was implemented through the sale of their holdings to Telefónica Móviles Mexico, followed by the conversion of the debt into equity by the creditors. Telefónica Móviles has a holding of 92% in this new holding company.</p>																								
<p>In December Iniciativa de Mercados Interactivos, S.A. (I.M.I.) absorbed Adquira Spain, S.L., following which the Telefónica de España Group controlled 20% of the absorbing company's capital. I.M.I., which changed its corporate name to Adquira Spain, S.A., is accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>																									
<p>Telefónica de España, S.A.U. and Telefónica Móviles España, S.A.U. have formed two joint ventures called "Telefónica de España, S.A.U. – Telefónica Móviles España, S.A.U., Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo y Ley 12/1991, de 29 de abril" and "Telefónica de España, S.A.U. – Telefónica Móviles España, S.A.U., Unión Temporal de Empresas II, Ley 18/1982 de 26 de mayo y Ley 12/1991, de 29 de abril", both with an initial endowment fund of g3,006, which was paid in proportion to the two companies' respective ownership interests, i.e. 90% in the case of Telefónica de España and 10% in the case of Telefónica Móviles España for both joint ventures.</p>	<p>On October 21, 2002, Telefónica Móviles, S.A. acquired from Portugal Telecom SGPS, S.A. a 14.68% holding in Telesp Celular Participações, S.A. for g200.31 million.</p> <p>On December 27, 2002, once Brazilian legislation had been complied with, Telefónica Móviles, S.A. and PT Móveis Serviços de Telecomunicações, SGPS, S.A. (PT Móveis) formed the joint venture Brasilcel, N.V., 50% owned by each company, through the contribution of all the shares directly or indirectly held by the two groups in the wireless communications companies in Brazil, the detail being as follows:</p>																								
<p>In April the wholly-owned subsidiary Telefónica Soluciones Sectoriales sold its holdings in the associated companies Madrid 112, S.A. (24.5%) and Fitex, S.A. (30.93%), giving rise to gains of g115 thousand and g30 thousand, respectively. These companies, which had been accounted for by the equity method in the Telefónica Group's consolidated financial statements, were excluded from consolidation.</p>	<table border="1"> <thead> <tr> <th data-bbox="828 1408 990 1471">Companies contributed</th> <th colspan="3" data-bbox="990 1408 1599 1440">% Contributed</th> </tr> <tr> <th data-bbox="828 1440 990 1471"></th> <th data-bbox="990 1440 1153 1471">Telefónica Móviles</th> <th data-bbox="1153 1440 1315 1471">PT Móveis</th> <th data-bbox="1315 1440 1599 1471">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="828 1491 990 1522"><i>Celular CRT Participações, S.A.</i></td> <td data-bbox="990 1491 1153 1522">40,90%</td> <td data-bbox="1153 1491 1315 1522">7,58%</td> <td data-bbox="1315 1491 1599 1522">48,48%</td> </tr> <tr> <td data-bbox="828 1522 990 1554"><i>Tele Leste Celular Participações, S.A.</i></td> <td data-bbox="990 1522 1153 1554">27,70%</td> <td data-bbox="1153 1522 1315 1554">–</td> <td data-bbox="1315 1522 1599 1554">27,70%</td> </tr> <tr> <td data-bbox="828 1554 990 1585"><i>Tele Sudeste Celular Participações, S.A.</i></td> <td data-bbox="990 1554 1153 1585">83,56%</td> <td data-bbox="1153 1554 1315 1585">–</td> <td data-bbox="1315 1554 1599 1585">83,56%</td> </tr> <tr> <td data-bbox="828 1585 990 1616"><i>Telesp Celular Participações, S.A.</i></td> <td data-bbox="990 1585 1153 1616">14,68%</td> <td data-bbox="1153 1585 1315 1616">50,44%</td> <td data-bbox="1315 1585 1599 1616">65,12%</td> </tr> </tbody> </table>	Companies contributed	% Contributed				Telefónica Móviles	PT Móveis	Total	<i>Celular CRT Participações, S.A.</i>	40,90%	7,58%	48,48%	<i>Tele Leste Celular Participações, S.A.</i>	27,70%	–	27,70%	<i>Tele Sudeste Celular Participações, S.A.</i>	83,56%	–	83,56%	<i>Telesp Celular Participações, S.A.</i>	14,68%	50,44%	65,12%
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<p>Telefónica Móviles Group</p>																									
<p>On January 10, 2002, Telefónica Móviles acquired one-third of the shares of each of the following companies owned by Mesotel de Costa Rica, S.A. (Mesotel): TES Holding, S.A. de C.V., Telca Gestión, S.A. de C.V., TCG Holdings, S.A., Telca Gestión Guatemala, S.A., Paging de Centroamérica, S.A. and Telefónica de Centroamérica, S.L. (except for the holdings in Telefónica de Centroamérica Guatemala, S.A. - one share - and Tele-Escucha, S.A. - two shares -, which it acquired in full). As consideration, Mesotel received 7,333,180 existing shares of Telefónica Móviles.</p>	<p>The value of the contribution to Brasilcel, N.V. of the wireless assets owned by Telefónica Móviles, S.A. was g1,898 million. Its balance sheet was proportionally consolidated in the consolidated financial statements and the results for the whole year of the Brazilian companies contributed by Telefónica Móviles were recorded in the consolidated statement of operations when this transfer was made (on December 27, 2002).</p>																								

<p>Telefónica de Contenidos Group</p> <p>In September all the shares of the Uniprex Onda Cero Group and of Cadena Voz de Radiodifusión, S.A. owned by Telefónica de Contenidos, S.A. were sold to the Antena 3 de Televisión Group, giving rise to gains of g35.82 million. In 2002 the two companies, which in 2001 had been fully consolidated in the Telefónica Group, were included in the Antena 3 de Televisión Group and accounted for by the equity method.</p>	<p>In July Telefónica Publicidad e Información, S.A., the parent company of the Group, acquired a 9.33% holding in the Spanish company Goodman Business Press, S.A. for g0.98 million. As a result of this acquisition, the parent company controls all the capital of this company, which continues to be fully consolidated in the Telefónica Group.</p>
<p>In 2002 Mediapark, S.A. carried out a capital increase not subscribed by Telefónica de Contenidos. Therefore, since its holding in this company was reduced to 7.40%, the holding was recorded in the Telefónica Group's consolidated financial statements as of December 31, 2002, as a minority investment.</p>	<p>Katalyx Group</p> <p>In April the wholly-owned subsidiary Adquira, Inc. sold one-half of its 50% holding in Adquira Mexico, Ltd. for a gain of g0.37 million. This company which had been fully consolidated, is currently accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>
<p>In April Telefónica de Contenidos sold 4.11% of its holding in Hispasat, S.A., giving rise to gains of g26.10 million. Telefónica de Contenidos, which owns a 13.23% holding in Hispasat, S.A., continues to account for this company by the equity method in its consolidated financial statements.</p>	<p>On October 30, 2002, Katalyx España, S.L. acquired a 49% holding in Soluciones Tecnológicas para la Alimentación, S.L., as consideration for which it contributed all the shares of Katalyx Food España, S.L. Soluciones Tecnológicas para la Alimentación, S.L. is accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>
<p>In June 2002 Telefónica de Contenidos sold its holding in Prime Argentina, S.A., which owns the Azul Televisión channel, for US\$ 12 million, giving rise to a loss of g162.78 million. This company, which was accounted for by the equity method in the Telefónica Group's consolidated financial statements, was excluded from consolidation.</p>	<p>Atento Group</p> <p>In May Atento Holding Inc. carried out capital increases at companies that were already investees for an overall amount of g39.69 million. Atento Holding Inc. now owns all the shares of the companies in Central America, Puerto Rico, Italy, Venezuela and Mexico, and has a 99.998% holding in the company in Morocco. All these companies continue to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>
<p>Telefónica Internacional Group</p> <p>In September 2002 the Telefónica Internacional Group sold a 25% holding in the Chilean Group Sonda, S.A. for US\$ 38 million, giving rise to a loss in consolidation of g1.62 million. This sale reduced the Telefónica Internacional Group's ownership interest in Sonda to 35% (this holding is subject to certain commitments detailed in Note 22). This company, which had been fully consolidated, was accounted for by the equity method from September 2002 onwards.</p>	<p>Terra Group</p> <p>In July 2002 Emplaza, S.A. increased capital by g1,421 thousand. In this capital increase, Terra Networks, S.A. acquired the share required to increase its holding in this company from 50% to the current 80%. This company, which had been accounted for by the equity method in the Telefónica Group's consolidated financial statements, is now fully consolidated.</p>
<p>T.P.I. Group</p> <p>On February 11, 2002, Telefónica Publicidad e Información, S.A. acquired all the shares of T.P.I. Perú, S.A.C., from Telefónica Internacional, S.A. for g36.28 million. The Telefónica Group's effective holding in this company, which continues to be fully consolidated, decreased from 97.07% to 59.90%.</p>	<p>In 2002 One Travel.com, Inc. increased capital by g4 million. In this capital increase, Terra Networks, S.A. acquired the share required to increase its holding in this company from 27.8% to the current 39.6%, and disbursed US\$ 2.02 million in this connection. This company continues to be accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>
<p>In December Iniciativa de Mercados Interactivos, S.A. (I.M.I.) absorbed Adquira Spain, S.L., following which the T.P.I. Group controlled 20% of the absorbing company's capital. I.M.I., which changed its corporate name to Adquira Spain, S.A., is accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>	<p>In August Terra Networks, S.A., through its wholly-owned U.S. subsidiary Lycos, Inc., sold all its holding (44.82%) in Lycos Korea, Inc., obtaining gains in consolidation of g10.62 million. Also, in September, Lycos, Inc. sold its minority holding in the Canadian company Sympatico Lycos, obtaining gains in consolidation of g8.49 million. In December the Terra Group sold all its holding in Lycos Japan, K.K., incurring a loss on the sale of g2.47 million. All these companies, which had been accounted for by the equity method in the Telefónica Group's consolidated financial statements, were excluded from the scope of consolidation.</p>
<p>In December Publiguías Holding, S.A., a wholly-owned subsidiary of the Telefónica Publicidad e Información Group, participated in the incorporation of Urge Chile, S.A. by subscribing and paying 59.94 Chilean pesos relating to 99.99% of this company's capital stock. Urge Chile, S.A. was fully consolidated in the Telefónica Group's consolidated financial statements.</p>	

2001

Telefónica

As part of the plan to restructure the Telefónica Group by business line, Telefónica Móviles, S.A., Telefónica Datacorp, S.A. and Telefónica Internacional, S.A. carried out various capital increases in 2001. As consideration for these capital increases, Telefónica, S.A. made a non-monetary contribution of the shares which it directly owned of the capital stock of Telefónica de Argentina, S.A., Telefónica del Perú, S.A.A. and Telecomunicações de Sao Paulo, S.A. (TELESP).

– On January 25, 2001, Telefónica Móviles, S.A. carried out one of the capital increases authorized by the Stockholders' Meeting on October 26, 2000, for g87,432 thousand. Telefónica, S.A. paid the new shares in full through the contribution of shares of the Argentine company Telefónica de Argentina, S.A. (TASA) representing 15.09% of its capital stock. At 2001 year-end Telefónica Móviles owned 97.93% of the capital stock of Telefónica Móviles Argentina, S.A. which in turn owned all the shares of Telefónica Comunicaciones Personales, S.A. Also, as authorized by the aforementioned Stockholders' Meeting, on March 7, 2001, capital was increased by g32,970 thousand, and shares representing a 16.45% holding in Telefónica del Perú, S.A.A. were received, increasing the ownership interest in Telefónica Móviles Perú Holding, S.A.A., the sole stockholder of Telefónica Móviles, S.A.C., to 97.97%.

– On March 7, 2001, Telefónica Intercontinental, S.A. (which was absorbed in 2001 by Telefónica Móviles España, S.A.) received official notification of the grant of the UMTS license in Switzerland for a period of 15 years at a cost of g32,508 thousand. The company which holds the license, 3G Mobile AG, was fully consolidated.

– Telefónica Datacorp, S.A. received shares of the capital stock of Telefónica Argentina and Telefónica Peru, representing holdings of 97.92% in the Argentine company Advance, S.A. and of 93.22% in the Peruvian company Telefónica Data Perú, S.A.A., as well as the assets and liabilities assigned to the data business owned by Telefónica de Argentina and Telefónica del Perú.

– Telefónica Internacional, S.A., received shares of the capital stock of Telefónica de Argentina and Telefónica del Perú determined on the basis of the value of the wireline telephony and supplementary assets and liabilities owned by Telefónica de Argentina and Telefónica del Perú.

– Telefónica Internacional, S.A., received 306,211,253,813 shares representing 61.96% of the capital stock of the Brazilian company Telesp.

These contributions did not change the scope of consolidation with respect to the previous year.

Telefónica, S.A. acquired 4,713,015 shares of Terra Networks, S.A. for g53.96 million. As a result of these purchases, the Telefónica Group increased its percentage of ownership in Terra Networks, S.A. to 37.63%. The company continues to be fully consolidated in the consolidated financial statements of the Telefónica Group.

In January 2001, pursuant to an agreement entered into in May 2000, Telefónica, S.A. acquired all the shares of Mediaways, GmbH Internet Services for g1,473.08 million from the German company Bertelsmann, A.G. The company was fully consolidated in the Telefónica Group. Also, in December 2001 Telefónica, S.A. subscribed to a capital increase carried out by this company for g62.5 million.

In 2001 Telefónica, S.A. acquired a total of 8,289,305 shares of Telefónica Móviles, S.A. for g68.68 million, giving it a 92.70% holding in this company. The company continues to be fully consolidated in the Telefónica Group's consolidated financial statements.

In February Telefónica, S.A. incorporated the wholly-owned subsidiary Telefónica Gestión de Servicios Compartidos, S.A., and paid in full the initial capital of this company (g0.06 million). In December Telefónica Gestión de Servicios Compartidos, S.A. increased its capital by g2 million which was fully subscribed and paid by its parent company. The company was fully consolidated in the Telefónica Group's consolidated financial statements.

In June Telefónica, S.A. increased capital by 122,560,575 shares of g1 par value each and additional paid-in capital of g4.5 per share. As consideration for this capital increase, Telefónica received as a non-monetary contribution from Motorola certain investments in the wireless business in Mexico: all the shares of Corporación Integral de Comunicación, S.A. de C.V.; all the shares of Grupo Corporativo del Norte, S.A. de C.V. (the remaining 21% was contributed indirectly through the acquisition of all the shares of Corporación Integral de Comunicación, S.A. de C.V.); 73.81% of the capital stock of Celular de Telefonía, S.A. de C.V. (the remaining 26.19% was contributed indirectly through the acquisition of all the shares of Grupo Corporativo del Norte, S.A. de C.V.); all the shares of Baja Celular Mexicana, S.A. de C.V.; 0.00001% of the capital stock of Baja Celular Servicios Compartidos, S.A. de C.V. (the remaining 99.99999% was contributed indirectly through the acquisition of all the shares of Baja Celular Mexicana, S.A. de C.V.); 0.00001% of the capital stock of Tamcel, S.A. de C.V. (the remaining 99.99999% was contributed indirectly through the acquisition of all the shares of Baja Celular Mexicana, S.A. de C.V.); 22% of the capital stock of Movitel del Noroeste, S.A. de C.V. (a further 68% was contributed indirectly through the acquisition of all the shares of Tamcel, S.A. de C.V.); 22% of the capital stock of Moviservicios, S.A. de C.V. (a further 68% was contributed indirectly through the acquisition of all the shares of Tamcel, S.A. de C.V.) and 22% of the capital stock of Movicelular, S.A. de C.V. (a further 68% was contributed indirectly through the acquisition of all the shares of Tamcel, S.A. de C.V.). Additionally, to supplement this transaction, Telefónica contributed g12.33 million in cash. These holdings were contributed in July to Telefónica Móviles, S.A., which increased capital by 203 million shares which were fully subscribed by Telefónica, S.A. The market value of the holdings acquired on the date of the transaction was g2,173.74 million. The companies were fully consolidated in the Telefónica Group.

In August, Telefónica acquired 51,987 shares in Endemol Entertainment Holding, N.V. (Endemol), for g2.06 million, a transaction which generated consolidation goodwill of g1.86 million. This transaction increased the Telefónica Group's holding in Endemol to 99.35%. The company continued to be fully consolidated in the consolidated financial statements of the Telefónica Group.

<p>In September, Telefónica, S.A. acquired 114,500 shares of the subsidiary Telefónica Publicidad e Información, S.A. (T.P.I.) for g0.36 million, a transaction which generated consolidation goodwill of g0.32 million. This transaction increased Telefónica's holding in T.P.I. to 59.9%. The company continued to be fully consolidated in the consolidated financial statements of the Telefónica Group.</p>	<p>Also, in 2001 Terra Networks incorporated and became the sole stockholder of Terra Networks Financial Services USA Llc. and Terra Networks Caribe, for which it disbursed g2.12 million and g1.29 million, respectively. The two companies were fully consolidated in the Telefónica Group's consolidated financial statements in 2001.</p>
<p>Telefónica, S.A. and Iberdrola, S.A. entered into an agreement whereby the Company acquired all the holdings which the Iberdrola Group owned in the Brazilian operators in which the two companies were direct or indirect stockholders. These holdings were acquired by Telefónica, S.A. in exchange for its own shares at the following exchange ratios:</p>	<p>In order to restructure the holdings in Spain of its associated companies, Terra Networks, S.A. formed Terra Networks Asociadas, S.L. with initial capital stock of g3,005, fully subscribed and paid by Terra Networks, S.A.</p>
<ul style="list-style-type: none"> - Holding of 3.48% in the capital stock of SP Telecomunicações Holding, S.A., the majority stockholder of Telecomunicações de Sao Paulo, S.A. (Telesp), for 6,638,157 shares of Telefónica, S.A. - Holding of 7% in the capital stock of TBS Celular Participações, S.A., the majority stockholder of Celular CRT Participações, S.A., for 1,493,902 shares of Telefónica, S.A. - Holding of 7% in the capital stock of Sudestecel Participações, S.A., the majority stockholder of Tele Sudeste Celular Participações, S.A., for 3,693,775 shares of Telefónica, S.A. - Holding of 62.02% in the capital stock of Iberoleste Participações, S.A., the majority stockholder of Tele Leste Celular Participações, S.A., for 6,526,736 shares of Telefónica, S.A. - Holding of 0.66% in the capital stock of Celular CRT Participações, S.A. for 634,541 shares of Telefónica, S.A. 	<p>Also, Terra Networks, S.A. incorporated and acquired a 50% stake in Iniciativas Residenciales en Internet, S.A. ("ATREA", a real estate portal). The initial investment was g1,205 thousand. The company was recorded in the Telefónica Group's consolidated financial statements at cost.</p> <p>Inversis Valores y Bolsa, Sociedad de Valores S.A. (formerly Electronic Trading System Valores, S.A.) was sold for g4.5 thousand. The company, which had been recorded at cost in the Group's consolidated financial statements, was excluded from consolidation.</p> <p>Maptel Networks, S.A.U. which had been recorded at cost in 2000 was fully consolidated in the Telefónica Group's consolidated financial statements in 2001.</p>
<p>Also, within the framework of this agreement, the exchange of 3.38% of the capital stock of Tele Leste Celular Participações, S.A. for 783,736 shares of Telefónica, S.A. was not carried out pending obtainment of the prior regulatory authorizations. As indicated above, this exchange took place in 2002.</p>	<p>Pursuant to the agreements entered into with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) in August 2001, Terra Networks, S.A. acquired a 49% holding in Uno-e Bank, S.A. for a disbursement of g160.43 million. This transaction gave rise to goodwill amounting to g130.2 million in the consolidated financial statements of the Telefónica Group. This company was accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>
<p>Telefónica, S.A. paid g248.05 million to fully subscribe the capital increase carried out by its wholly-owned investee Telefónica Datacorp, S.A.U., pursuant to the agreement entered into by the Telefónica Group and the Brazilian bank Banco Itáú for the provision of services to the bank based on the management of its corporate telecommunications network.</p>	<p>Telefónica Internacional Group</p> <p>In 2001 Telefónica Internacional, S.A. sold its 35.86% holding in the Argentine company Cablevisión, S.A., giving rise to a capital gain of g255.92 million. The investee was excluded from the Telefónica Group's scope of consolidation.</p>
<p>Telefónica Publicidad e Información</p>	<p>Telefónica Internacional, S.A. acquired an additional holding of 10% in Telefónica Perú Holding, S.A. for g227.34 million, giving rise to consolidation goodwill of g46.27 million. As a result of this acquisition Telefónica Internacional became the sole stockholder of this company, which continued to be fully consolidated in the Telefónica Group's consolidated financial statements.</p>
<p>Goodman Business Press, S.A., which was acquired in 2000, was fully consolidated in the Telefónica Group in 2001.</p>	<p>In 2001, following the requisite authorization by the regulatory body Anatel, the sale to Telefónica Internacional, S.A. of shares of São Paulo Telecomunicações Holding, S.A., which owned the shares of Telesp Participações, S.A., under a sale option executed by BBVA in December 2000, was concluded. This transaction increased the ownership interest in SPT Holding by 0.5292%, and a disbursement of g80.10 million was made in this connection. This company continued to be fully consolidated in the Telefónica Group.</p>
<p>As a result, Goodman Business Press, S.A.'s wholly-owned investee Cernet, a company which engages in the design of web pages, was also fully consolidated in 2001. Buildnet, S.A., in which Telefónica Publicidad e Información, S.A. had a holding of 46.35% and Goodman had a holding of 51.24%, was fully consolidated in 2001 (in 2000 it had been accounted for by the equity method).</p>	<p>The ownership interests of the parent company Telefónica Internacional, S.A. in the subsidiaries Telefónica de Perú, Telefónica de Argentina, Telesp and CEI Citicorps Holdings were increased as a result of the above transactions.</p>
<p>Terra Networks Group</p> <p>Terra Networks, S.A. participated in the incorporation of the Spanish company Azeler Automoción, S.A. with initial capital of g8.41 million, 50 % subscribed and paid by Terra Networks, S.A. The company was accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>	<p>The ownership interests of the parent company Telefónica Internacional, S.A. in the subsidiaries Telefónica de Perú, Telefónica de Argentina, Telesp and CEI Citicorps Holdings were increased as a result of the above transactions.</p>

<p>result of the aforementioned contributions of shareholdings by Telefónica, S.A. Capital was reduced at Telefónica Holding Argentina, S.A. through the reimbursement of contributions to the other stockholders in order to give Telefónica Internacional, S.A. a 99.96% holding in this company.</p>	<p>Telefónica Data Holding. On March 6 capital was increased by 16,743,904 shares, of which 5,228,385 were acquired by Telefónica Data Holding and 11,515,519 by T. Datacorp. Following these capital increases the capital of Telefónica Data México amounted to MXP 241,738,667.8 and the stockholder structure was as follows:</p>
<p>Telefónica Móviles Group</p>	<p>T. Data Holding México: 45.66%. T. Data Holding: 11.88%. T. Datacorp: 37.11%.</p>
<p>Since October 1, 2001, Ipse 2000 S.p.A. has been accounted for by the equity method in the consolidated financial statements. Under Article 11.2.b of Royal Decree 1815/1991 approving the regulations for the preparation of consolidated financial statements, this method is the most appropriate, because since October 1, 2001, certain difficulties have been progressively disclosed which, in practice, have substantially affected the Telefónica Group's effective control over the management of Ipse 2000 S.p.A.</p>	<p>The Spanish company Telefónica Data Caribe, S.A., a wholly-owned investee of the Telefónica DataCorp Group, participated in the incorporation of Telefónica Data Cuba, by subscribing to 50% of the capital stock for g0.1 million. The company was recorded in the Telefónica Group's consolidated financial statements at cost.</p>
<p>The Spanish company Movipay International, S.A., in which Telefónica Móviles had a 38% ownership interest and which had been recorded at cost in the Telefónica Móviles Group's 2000 consolidated financial statements, was accounted for by the equity method in 2001.</p>	<p>Telefónica de España Group</p>
<p>Telefónica de Contenidos Group</p>	<p>In March 2001 all the shares of Telefónica Sistemas de Información Geográfica, S.A., a wholly-owned investee of Telefónica de España, S.A.U., were sold to Telecomunicaciones Sistemas de Ingeniería de Productos, S.A.U., S.A. for g1.38 million, giving rise to a gain of g5.02 million in the Telefónica Group's consolidated financial statements. This company, which had been fully consolidated in the Telefónica Group's consolidated financial statements, was excluded from consolidation.</p>
<p>In January 2001 the Endemol Group acquired the remaining 50% of the capital of Endemol France for g159.3 million. As a result of this acquisition, the Endemol Group became the sole stockholder of this company, which was fully consolidated in the Telefónica Group's consolidated financial statements in 2001.</p>	<p>In August 2001 Telyco Maroc S.A., in which Telyco S.A.U. had a holding of 53.988%, was incorporated with an initial capital stock of MAD 6 million (g0.601 million). This company's corporate purpose is the promotion, marketing and distribution in Morocco of equipment, systems and, in general, all manner of products relating to telecommunications.</p>
<p>In 2001 T. de Contenidos sold 15,740 shares representing 5.40% of the capital stock of Hispasat, S.A., giving rise to a gain of g35.17 million. As of December 31, 2001, T. de Contenidos had a 17.34% holding in that company.</p>	<p>Atento Group</p>
<p>T. de Contenidos acquired Antena 3 de TV shares from minority stockholders for g1.79 million, increasing its holding to 47.51%. This company continued to be accounted for by the equity method in the Telefónica Group's consolidated financial statements.</p>	<p>In June 2001 Atento Chile, S.A. increased capital by 3,338,287 shares of 1,000 Chilean pesos each, which were fully subscribed by the Chilean companies Compañía de Telecomunicaciones de Chile, S.A. (CTC), a company in which the Telefónica Group has an indirect holding of 43.643%, consisting of 3,049,998 shares, and which is fully consolidated in the consolidated financial statements of the Telefónica Group; Compañía de Teléfonos de Chile Transmisiones Regionales, S.A. (52,732 shares); Telefónica Empresas CTC Chile, S.A. (106,474 shares) and Sociedad Impresora y Comercial Publiguías, S.A. (129,083 shares).</p>
<p>In April T. de Contenidos, S.A. acquired all the shares of Famosos, Artistas, Músicos y Actores, S.A. (FAMA), which had formerly been owned by Antena 3 de Televisión, S.A. The total cost of the transaction amounted to g6.21 million and consolidation goodwill totaling g3.25 million was generated. In 2001 the company was fully consolidated in the Telefónica Group.</p>	<p>Following this transaction, the Atento Group reduced its holding in Atento Chile from 99.99% to approximately 70%. As a result, the remaining non-Group companies had an ownership interest of 29.99% in the capital stock of this company. Atento Chile continued to be fully consolidated in the Telefónica Group.</p>
<p>Capital was increased by g11.12 million at Rodven. This company was proportionally consolidated in the Telefónica Group in 2001.</p>	<p>Emergia Group</p>
<p>In September 2001 T. de Contenidos, S.A. acquired a 47.5% holding in Tick Tack Ticket, S.A. for g6.01 million. This transaction gave rise to consolidation goodwill of g4.15 million for the Telefónica Group. The company was accounted for by the equity method in 2001.</p>	<p>In December 2001 the subsidiary Emergia Holding, N.V. incorporated Emergia Hispana, S.A. with capital stock of g60,000, which was fully subscribed and paid by its parent company. The company was fully consolidated in the Telefónica Group.</p>
<p>Telefónica Datacorp Group</p>	
<p>On January 16, 2001, Telefónica Data México (formerly Optel) increased capital by 16,992,251 shares, all of which were acquired by</p>	

EXHIBIT III

Consolidation Goodwill

The detail of the balance of the consolidation goodwill and of the related accumulated amortization as of December 31, 2002 and 2001, and of the variations therein in 2002 and 2001 is as follows:

Millions of Euros	Balance at				Translation	Balance at
Consolidation Goodwill	12/31/01	Additions	Retirements	Transfers	differences	12/31/02
Fully consolidated companies:						
<i>C.T.C. (Chile)</i>	148.98	–	(13.28)	(18.12)	(20.51)	97.07
<i>T. de Argentina and subsidiaries (Argentina)</i>	594.50	–	(4.78)	2.96	(11.17)	581.51
<i>T. Peru Holding (Peru)</i>	49.04	–	–	1.37	–	50.41
<i>Telefónica del Perú (Peru)</i>	281.26	–	–	–	–	281.26
<i>Telefónica Multimedia, S.A.C. (Perú)</i>	10.82	–	–	–	(1.65)	9.17
<i>Telefónica Móviles Chile, S.A. (Chile)</i>	325.54	–	–	–	(58.09)	267.45
<i>Telesp Participações (Brazil)</i>	103.01	–	–	3.51	–	106.52
<i>Cti (U.S.A.)</i>	15.64	–	(14.08)	–	–	1.56
<i>Cointel (Argentina)</i>	484.29	–	–	–	–	484.29
<i>Goodman (Spain)</i>	7.96	0.11	–	0.22	–	8.29
<i>Telefonica Internacional (Spain)</i>	281.66	–	–	–	–	281.66
<i>Telefonica Móviles (Spain)</i>	113.21	12.63	–	–	–	125.84
<i>T. Data España (Spain)</i>	154.96	–	–	–	–	154.96
<i>Atlanet S.p.A. (Italy)</i>	65.39	–	–	(65.39)	–	–
<i>T. Data Brasil (Brazil)</i>	220.68	–	–	–	(92.90)	127.78
<i>Mediaways (Germany)</i>	1,225.66	–	(530.00)	(6.55)	–	689.11
<i>Telefónica Deutschland GmbH (Germany)</i>	–	10.82	–	–	–	10.82
<i>Fieldy Group (Netherlands)</i>	35.84	–	(20.49)	–	(7.26)	8.09
<i>Endemol (Netherlands)</i>	826.20	6.84	–	–	–	833.04
<i>Endemol Group (Netherlands)</i>	311.23	89.98	(18.73)	–	(3.36)	379.12
<i>Atco Group (Argentina)</i>	338.43	–	(32.47)	189.29	(118.01)	377.24
<i>Telefónica Media Argentina (Argentina)</i>	18.81	–	(1.83)	9.72	–	26.70
<i>Atento Perú (Peru)</i>	7.58	–	–	(0.11)	(1.71)	5.76
<i>Atento Brasil (Brazil)</i>	157.44	–	–	–	(24.78)	132.66
<i>Terra Brasil Holding (Brazil)</i>	234.91	–	–	–	(2.41)	232.50
<i>Ordenamiento de Links Especializados, S.L.</i>	12.25	–	(5.43)	–	–	6.82
<i>Terra Networks Mexico (Mexico)</i>	266.26	–	(129.47)	0.75	–	137.54
<i>Terra Chile Holding (Chile)</i>	25.05	–	–	–	–	25.05
<i>Terra Networks Argentina (Argentina)</i>	12.06	–	(2.33)	–	–	9.73
<i>Terra Networks Venezuela (Venezuela)</i>	4.49	–	(2.86)	–	–	1.63
<i>Ifigenia Plus (Spain)</i>	11.17	–	–	–	–	11.17
<i>Terra Networks Colombia (Colombia)</i>	21.53	–	(14.67)	–	–	6.86
<i>Lycos (USA)</i>	884.37	–	(574.88)	–	–	309.49
<i>Lycos companies (U.S.A.)</i>	727.05	–	(383.45)	39.08	(96.13)	286.55
<i>Bumeran (Spain)</i>	8.13	0.28	(4.09)	–	–	4.32
<i>Terra Networks, S.A. (Spain)</i>	17.78	(0.58)	–	–	–	17.20
<i>Emergia Holding, N.V. (Netherlands)</i>	2.30	49.65	(49.65)	–	–	2.30
<i>Tele Sudeste Celular (Brazil)</i>	174.40	–	(60.43)	(113.97)	–	–
<i>Tele Leste Celular (Brazil)</i>	–	8.26	(6.41)	(1.85)	–	–
<i>Crt Celular (Brazil)</i>	353.08	0.54	(176.81)	(176.81)	–	–
<i>T.Centroamerica Guatemala (Guatemala)</i>	10.02	41.40	–	–	(0.53)	50.89
<i>Telefónica El Salvador (El Salvador)</i>	64.72	19.82	–	–	(9.08)	75.46
<i>Corporativo Del Norte (Mexico)</i>	230.51	0.70	(18.50)	(212.71)	–	–
<i>Corporativo Integral Comunicación (Mexico)</i>	137.86	0.02	(11.03)	(126.85)	–	–
<i>Brasicele and subsidiaries (Brazil)</i>	–	268.69	–	243.65	–	512.34
<i>Móviles México and subsidiaries (Mexico)</i>	140.40	598.44	–	342.19	(43.87)	1,037.16
<i>I.O.Box (Finland)</i>	233.45	–	(154.47)	(3.25)	–	75.73
<i>Other companies</i>	31.31	5.59	(8.91)	0.30	–	28.29
	9,381.23	1,113.19	(2,239.05)	107.43	(491.46)	7,871.34

Millions of Euros

Consolidation goodwill	Balance at 12/31/01	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/02
Companies accounted for by the equity method:						
<i>Venworld (Venezuela)</i>	134.21	–	–	–	–	134.21
<i>Mercador (Brazil)</i>	11.12	–	(6.50)	–	–	4.62
<i>Portugal Telecom (Portugal)</i>	274.12	–	–	(55.25)	–	218.87
<i>Torneos y Competencias (Argentina)</i>	45.10	–	(33.92)	–	–	11.18
<i>Amper (España)</i>	5.59	–	–	–	–	5.59
<i>Dts. D.ª TV Digital (Spain)</i>	88.11	–	–	–	–	88.11
<i>Antena 3 (Spain)</i>	209.48	–	–	–	–	209.48
<i>Pearson (United Kingdom)</i>	479.70	–	(173.38)	(13.33)	–	292.99
<i>Tick Tack Ticket (Spain)</i>	4.15	–	(3.63)	–	–	0.52
<i>Patagonik (Argentina)</i>	7.31	–	–	–	–	7.31
<i>Lideres Enterteim Group (U.S.A.)</i>	20.19	–	(18.18)	–	–	2.01
<i>Atlanet (Italy)</i>	–	–	(59.14)	65.40	–	6.26
<i>Uno-e Bank (Spain)</i>	130.25	–	–	–	–	130.25
<i>One Travel (U.S.A.)</i>	14.12	3.25	–	–	–	17.37
<i>Meditel (Brazil)</i>	–	5.10	–	–	–	5.10
<i>Andalucía Digital Multimedia (Spain)</i>	6.13	–	–	–	–	6.13
<i>Other companies</i>	203.82	–	(40.07)	(96.86)	(5.11)	61.78
Total	1,633.40	8.35	(334.82)	(100.04)	(5.11)	1,201.78
Total goodwill	11,014.53	1,121.64	(2,573.87)	7.39	(496.57)	9,073.12

Millions of Euros						
Amortization of consolidation goodwill	Balance at 12/31/01	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/02
Fully consolidated companies:						
<i>C.T.C. (Chile)</i>	55.75	8.68	(3.29)	(7.82)	(4.62)	48.70
<i>T. de Argentina and subsidiaries (Argentina)</i>	35.35	29.56	–	0.47	(4.13)	61.25
<i>T. Perú Holding (Perú)</i>	2.11	2.50	–	–	–	4.61
<i>Telefónica del Perú (Perú)</i>	27.44	14.23	–	–	–	41.67
<i>Telefónica Multimedia, S.A.C. (Perú)</i>	3.56	1.00	–	–	(0.64)	3.92
<i>Telefónica Móviles Chile, S.A. (Chile)</i>	66.14	14.54	–	–	(7.58)	73.10
<i>Telesp Participações (Brazil)</i>	9.46	5.43	–	–	–	14.89
<i>Cti (USA)</i>	0.78	0.78	–	–	–	1.56
<i>Cointel (Argentina)</i>	167.13	21.67	–	–	–	188.80
<i>Goodman (Spain)</i>	0.42	0.42	–	0.22	–	1.06
<i>Telefónica Internacional (Spain)</i>	58.44	14.02	–	–	–	72.46
<i>Telefónica Móviles (Spain)</i>	3.97	6.03	–	–	–	10.00
<i>T. Data España (Spain)</i>	107.25	2.98	–	–	–	110.23
<i>Atlanet S.p.A (Italy)</i>	4.63	–	–	(4.63)	–	–
<i>T. Data Brasil (Brazil)</i>	5.43	8.30	–	–	0.09	13.82
<i>Mediaways (Germany)</i>	73.66	48.81	–	(1.76)	–	120.71
<i>Telefónica Deutschland GmbH (Germany)</i>	–	0.50	–	–	–	0.50
<i>Fieldy Group (Netherlands)</i>	1.44	0.57	–	–	–	2.01
<i>Endemol (Netherlands)</i>	58.43	42.00	–	–	–	100.43
<i>Endemol Group (Netherlands)</i>	16.80	20.51	–	(0.36)	–	36.95
<i>Atco Group (Argentina)</i>	87.29	7.11	–	223.06	–	317.46
<i>Telefónica Media Argentina (Argentina)</i>	26.32	1.43	–	(24.04)	–	3.71
<i>Atento Perú (Perú)</i>	0.97	0.34	–	(0.17)	(0.20)	0.94
<i>Atento Brasil (Brazil)</i>	14.47	7.42	–	(0.66)	(2.37)	18.86
<i>Terra Brasil Holding (Brazil)</i>	102.13	18.84	–	–	–	120.97
<i>Ordenamiento de Links Especializados, S.L.</i>	5.95	0.87	–	–	–	6.82
<i>Terra Networks Mexico (Mexico)</i>	116.40	20.37	–	0.77	–	137.54
<i>Terra Chile Holding (Chile)</i>	11.38	2.19	–	–	–	13.57
<i>Terra Networks Argentina (Argentina)</i>	9.39	0.34	–	–	–	9.73
<i>Terra Networks Venezuela (Venezuela)</i>	1.24	0.39	–	–	–	1.63
<i>Ifigenia Plus (Spain)</i>	2.74	0.99	–	–	–	3.73
<i>Terra Networks Colombia (Colombia)</i>	4.93	1.93	–	–	–	6.86
<i>Lycos (USA)</i>	123.88	120.59	–	–	–	244.47
<i>Lycos companies (U.S.A.)</i>	162.29	70.60	–	39.07	(19.05)	252.91
<i>Bumeran (Spain)</i>	3.63	0.69	–	–	–	4.32
<i>Terra Networks, S.A. (Spain)</i>	11.31	0.74	–	–	–	12.05
<i>Emergia Holding, N.V. (Netherlands)</i>	0.06	0.12	–	–	–	0.18
<i>Tele Sudeste Celular (Brazil)</i>	8.17	6.52	(7.22)	(7.47)	–	–
<i>Tele Leste Celular (Brazil)</i>	–	0.56	(0.43)	(0.13)	–	–
<i>Crt Celular (Brazil)</i>	22.32	20.28	(21.30)	(21.30)	–	–
<i>T. Centroamérica Guatemala (Guatemala)</i>	1.22	2.51	–	–	(0.16)	3.57
<i>Telefónica El Salvador (El Salvador)</i>	7.97	4.04	–	–	(1.45)	10.56
<i>Corporativo del Norte (Mexico)</i>	5.76	8.67	(1.15)	(13.28)	–	–
<i>Corporativo Integral Comunicación (Mexico)</i>	3.44	5.17	(0.69)	(7.92)	–	–
<i>Brasicele and subsidiaries (Brazil)</i>	–	–	–	28.95	–	28.95
<i>Móviles México and subsidiaries (Mexico)</i>	61.29	19.55	–	21.37	(13.27)	88.94
<i>I.O.Box (Finland)</i>	57.06	18.67	–	–	–	75.73
<i>Other companies</i>	13.45	7.34	(0.02)	1.23	–	22.00
	1,563.25	590.80	(34.10)	225.60	(53.38)	2,292.17

Millions of Euros						
Amortization of consolidation goodwill	Balance at 12/31/01	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/02
Companies accounted for by the equity method:						
<i>Venworld (Venezuela)</i>	97.04	4.13	-	-	-	101.17
<i>Mercador (Brazil)</i>	1.12	1.05	-	-	1.39	3.56
<i>Portugal Telecom (Portugal)</i>	44.79	8.10	-	-	-	52.89
<i>Torneos y Competencias (Argentina)</i>	8.93	2.26	-	(0.01)	-	11.18
<i>Amper (Spain)</i>	0.94	0.28	-	-	-	1.22
<i>Dts. D.º TV Digital (Spain)</i>	12.24	4.40	-	-	-	16.64
<i>Antena 3 (Spain)</i>	39.49	10.36	-	(0.01)	-	49.84
<i>Pearson (United Kingdom)</i>	60.06	21.65	-	0.01	-	81.72
<i>Tick Tack Ticket (Spain)</i>	0.10	0.41	-	0.01	-	0.52
<i>Patagonik (Argentina)</i>	0.74	0.36	-	-	-	1.10
<i>Líderes Enterteiment Group (U.S.A.)</i>	1.01	1.01	-	(0.01)	-	2.01
<i>Atlanet (Italy)</i>	-	1.63	-	4.63	-	6.26
<i>Uno-e Bank (Spain)</i>	4.34	13.03	-	-	-	17.37
<i>One Travel (U.S.A.)</i>	2.08	1.50	-	-	-	3.58
<i>Meditel (Brazil)</i>	-	-	-	-	-	-
<i>Andalucía Digital Multimedia (Spain)</i>	0.62	5.51	-	-	-	6.13
<i>Other companies</i>	48.94	1.01	(2.32)	14.11	-	61.74
	322.44	76.69	(2.32)	18.73	1.39	416.93
Total accumulated amortization	1,885.69	667.49	(36.42)	244.33	(51.99)	2,709.10
Unamortized consolidation goodwill	9,128.94	454.05	(2,537.45)	(236.94)	(444.58)	6,364.07

Millions of Euros						
Consolidation goodwill	Balance at 12/31/00	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/01
Fully consolidated companies:						
<i>C.T.C. (Chile) and subsidiaries</i>	33.10	–	–	–	–	33.10
<i>T. de Argentina and subsidiaries (Argentina)</i>	38.50	1.55	(8.86)	–	(10.87)	20.32
<i>T. Perú Holding (Peru)</i>	2.77	46.27	–	–	–	49.04
<i>Telefónica del Perú (Peru)</i>	204.32	76.94	–	–	–	281.26
<i>Telesp Participações (Brazil)</i>	96.05	8.22	–	(1.26)	–	103.01
<i>Cei Citicorp Group (Argentina)</i>	571.91	–	–	2.27	–	574.18
<i>Cti (U.S.A.)</i>	–	15.64	–	–	–	15.64
<i>Instacom (Chile)</i>	9.51	–	–	–	(0.42)	9.09
<i>Startel (Chile)</i>	340.69	–	–	–	(15.15)	325.54
<i>Sonda (Chile)</i>	50.11	–	–	0.16	(2.12)	48.15
<i>Sonda companies (Chile)</i>	10.49	–	–	3.07	1.71	15.27
<i>Cointel (Argentina)</i>	484.29	–	–	–	–	484.29
<i>Telefonica Multimedia (Perú)</i>	10.22	–	–	–	0.60	10.82
<i>Vtr (Chile)</i>	37.47	–	–	–	(1.66)	35.81
<i>Goodman</i>	–	7.96	–	–	–	7.96
<i>Telefónica Internacional</i>	281.56	–	–	–	–	281.66
<i>Telefónica Móviles</i>	–	113.21	–	–	–	113.21
<i>T. Data España</i>	154.96	–	–	–	–	154.96
<i>Atlanet (Italy)</i>	68.55	–	(3.16)	–	–	65.39
<i>Telefónica Data México</i>	15.70	–	–	–	–	15.70
<i>T. Data Brasil</i>	–	233.55	–	–	(12.87)	220.68
<i>Mediaways</i>	–	1,474.66	(249.00)	–	–	1,225.66
<i>Uniprex</i>	84.64	–	–	(84.64)	–	–
<i>Fieldy Group</i>	–	36.18	–	–	(0.34)	35.84
<i>Endemol</i>	802.27	23.93	–	–	–	826.20
<i>Endemol Group</i>	71.45	244.68	(6.11)	–	1.21	311.23
<i>Atco Group (Argentina)</i>	450.54	17.26	–	–	(129.37)	338.43
<i>Telefónica Media Argentina</i>	18.81	–	–	–	–	18.81
<i>Atento Perú</i>	6.96	–	–	–	0.62	7.58
<i>Atento Brasil</i>	149.30	–	–	–	8.14	157.44
<i>Terra Brasil Holding</i>	219.47	–	–	–	–	219.47
<i>Olé</i>	12.25	–	–	–	–	12.25
<i>Terra Networks México</i>	214.42	–	–	51.84	–	266.26
<i>Infosel (México)</i>	49.98	–	–	(49.98)	–	–
<i>Terra Chile Holding (Chile)</i>	25.05	–	–	–	–	25.05
<i>Terra Networks Argentina</i>	12.06	–	–	–	–	12.06
<i>Terra Networks USA</i>	9.63	–	–	–	–	9.63
<i>Ifigenia Plus</i>	11.17	–	–	–	–	11.17
<i>Terra Networks Colombia</i>	21.53	–	–	–	–	21.53
<i>Lycos</i>	964.01	11.05	(150.16)	840.64	(54.12)	1,611.42
<i>Lycos companies</i>	881.99	–	–	(881.99)	–	–
<i>Bumeran</i>	5.78	2.35	–	–	–	8.13
<i>Terra Brasil Holding subsidiaries (Brazil)</i>	18.08	–	(4.48)	–	1.84	15.44
<i>Terra Networks</i>	10.03	7.75	–	–	–	17.78
<i>Telesudeste Celular</i>	117.05	–	(0.02)	57.37	–	174.40
<i>Crt Celular</i>	285.96	–	–	67.12	–	353.08
<i>T. Centroamérica Guatemala</i>	9.91	–	–	(0.01)	0.12	10.02
<i>Subsidiaries of T.E.S. Holding</i>	61.35	–	–	–	3.37	64.72
<i>Móviles México</i>	–	10.30	–	135.14	(5.04)	140.40
<i>Corporativo del Norte</i>	–	230.51	–	–	–	230.51
<i>Celular de Telefonía</i>	–	137.86	–	–	–	137.86
<i>I.O. Box</i>	233.45	–	–	–	–	233.45
<i>Other companies</i>	66.62	8.92	(1.39)	3.95	0.07	78.17
	7,224.06	2,708.79	(423.18)	143.58	(214.28)	9,439.07

Millions of Euros						
Consolidation goodwill	Balance at 12/31/00	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/01
Companies accounted for by the equity method:						
<i>Venworld (Venezuela)</i>	134.21	-	-	-	-	134.21
<i>Cablevisión (Argentina)</i>	265.38	-	(265.38)	-	-	-
<i>Mercador (Brazil)</i>	-	-	-	11.12	-	11.12
<i>Portugal Telecom</i>	198.12	76.00	-	-	-	274.12
<i>Torneos y Competencias</i>	45.10	-	-	-	-	45.10
<i>Azul Televisión (Acisa Group)</i>	17.36	-	-	-	(5.73)	11.63
<i>Dts. D.ª TV Digital</i>	88.11	-	-	-	-	88.11
<i>Antena 3</i>	208.19	1.29	-	-	-	209.48
<i>Pearson</i>	524.00	-	(44.30)	-	-	479.70
<i>Media Park</i>	38.16	1.89	-	-	-	40.05
<i>Patagonik (Argentina)</i>	7.31	-	-	-	-	7.31
<i>Lideres USA (Rodven)</i>	-	-	-	20.19	-	20.19
<i>Uno-e Bank</i>	-	130.25	-	-	-	130.25
<i>One Travel</i>	14.12	-	-	-	-	14.12
<i>Andalucía Digital Multimedia</i>	6.13	-	-	-	-	6.13
<i>Other companies</i>	26.27	100.50	(3.25)	40.38	(1.99)	161.91
Total goodwill	1,572.46	309.93	(312.93)	71.69	(7.72)	1,633.43
	8,796.52	3,018.72	(736.11)	215.37	(222.00)	11,072.50

Millions of Euros						
Amortization of consolidation goodwill	Balance at 12/31/00	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/01
Fully consolidated companies:						
<i>C.T.C. (Chile) and subsidiaries</i>	27.57	0.67	–	–	–	28.24
<i>T. De Argentina and subsidiaries (Argentina)</i>	9.02	3.56	(2.29)	0.53	(4.18)	6.64
<i>T. Perú Holding (Perú)</i>	1.20	0.91	–	–	–	2.11
<i>Telefónica del Perú (Perú)</i>	9.69	17.75	–	–	–	27.44
<i>Telesp Participações (Brazil)</i>	7.31	2.15	–	–	–	9.46
<i>Grupo Cei Citicorp (Argentina)</i>	–	28.71	–	–	–	28.71
<i>Cti (U.S.A.)</i>	–	0.78	–	–	–	0.78
<i>Instacom (Chile)</i>	6.15	3.20	–	–	(0.26)	9.09
<i>Startel (Chile)</i>	52.22	16.23	–	–	(2.31)	66.14
<i>Sonda (Chile)</i>	4.87	3.26	–	0.20	(0.20)	8.13
<i>Sonda companies (Chile)</i>	2.64	1.14	–	(0.09)	(0.14)	3.55
<i>Cointel (Argentina)</i>	145.46	21.67	–	–	–	167.13
<i>Telefónica Multimedia (Perú)</i>	2.45	0.97	–	–	0.14	3.56
<i>Vtr (Chile)</i>	4.21	1.78	–	–	(0.18)	5.81
<i>Goodman</i>	–	0.42	–	–	–	0.42
<i>Telefónica Internacional</i>	44.42	14.02	–	–	–	58.44
<i>Telefónica Móviles</i>	–	3.97	–	–	–	3.97
<i>T. Data España</i>	104.26	2.98	–	0.01	–	107.25
<i>Atlanet (Italy)</i>	1.20	3.43	–	–	–	4.63
<i>Telefónica Data México</i>	0.47	15.23	–	(0.01)	–	15.69
<i>T. Data Brasil</i>	–	5.45	–	(0.02)	–	5.43
<i>Mediaways</i>	–	73.65	–	0.01	–	73.66
<i>Uniprex</i>	6.27	4.23	(10.50)	–	–	–
<i>Fieldy Group</i>	–	1.44	–	–	–	1.44
<i>Endemol</i>	16.71	41.72	–	–	–	58.43
<i>Endemol Group</i>	1.23	15.57	–	–	–	16.80
<i>Atco Group (Argentina)</i>	87.29	–	–	–	–	87.29
<i>Telefónica Media Argentina</i>	0.86	25.46	–	–	–	26.32
<i>Atento Perú</i>	0.55	0.37	–	–	0.05	0.97
<i>Atento Brasil</i>	6.26	7.84	–	–	0.37	14.47
<i>Terra Brasil Holding</i>	65.77	30.18	–	–	–	95.95
<i>Olé</i>	4.29	1.66	–	–	–	5.95
<i>Terra Networks México</i>	46.69	58.33	–	11.38	–	116.40
<i>Infosel (México)</i>	11.66	–	–	(11.66)	–	–
<i>Terra Chile Holding (Chile)</i>	7.20	4.18	–	–	–	11.38
<i>Terra Networks Argentina</i>	2.93	6.47	–	(0.01)	–	9.39
<i>Terra Networks USA</i>	0.80	8.83	–	–	–	9.63
<i>Ifigenia Plus</i>	1.12	1.62	–	–	–	2.74
<i>Terra Networks Colombia</i>	1.80	3.13	–	–	–	4.93
<i>Lycos</i>	32.14	254.03	–	–	–	286.17
<i>Lycos companies</i>	41.34	–	–	(41.34)	–	–
<i>Bumeran</i>	–	3.64	–	(0.01)	–	3.63
<i>Terra Brasil Holding subsidiaries (Brazil)</i>	3.60	3.01	–	(0.01)	(0.42)	6.18
<i>Terra Networks</i>	10.03	1.28	–	–	–	11.31
<i>Telesudeste Celular</i>	1.59	6.33	–	0.25	–	8.17
<i>Crt Celular</i>	4.22	18.10	–	–	–	22.32
<i>T. Centroamérica Guatemala</i>	0.60	0.60	–	–	0.02	1.22
<i>Subsidiaries of T.E.S. Holding</i>	3.01	4.39	–	–	0.57	7.97
<i>Móviles México</i>	–	4.38	–	59.23	(2.32)	61.29
<i>Corporativo del Norte</i>	–	5.76	–	–	–	5.76
<i>Celular de Telefonía</i>	–	3.44	–	–	–	3.44
<i>I.O. Box</i>	23.34	33.72	–	–	–	57.06
<i>Other companies</i>	45.47	3.11	–	(0.41)	0.02	48.19
	849.91	774.75	(12.79)	18.05	(8.84)	1,621.08

Millions of Euros						
Amortization of consolidation goodwill	Balance at 12/31/00	Additions	Retirements	Transfers	Translation Differences	Balance at 12/31/01
Companies accounted for by the equity method:						
<i>Venworld (Venezuela)</i>	92.91	4.13	-	-	-	97.04
<i>Cablevisión (Argentina)</i>	12.33	-	(12.33)	-	-	-
<i>Mercador (Brazil)</i>	-	1.11	-	-	0.01	1.12
<i>Portugal Telecom</i>	31.17	13.62	-	-	-	44.79
<i>Torneos y Competencias</i>	6.67	2.36	-	-	-	9.03
<i>Azul Televisión (Acisa Group)</i>	1.24	0.94	-	-	-	2.18
<i>Dts. D.ª TV Digital</i>	7.83	4.41	-	-	-	12.24
<i>Antena 3</i>	29.16	10.33	-	-	-	39.49
<i>Pearson</i>	39.40	20.66	-	-	-	60.06
<i>Media Park</i>	0.96	2.05	-	-	-	3.01
<i>Patagonik (Argentina)</i>	0.37	0.37	-	-	-	0.74
<i>Lideres USA (Rodven)</i>	-	1.01	-	-	-	1.01
<i>Uno-e Bank</i>	-	4.34	-	-	-	4.34
<i>One Travel</i>	-	2.08	-	-	-	2.08
<i>Andalucía Digital Multimedia</i>	0.31	0.31	-	-	-	0.62
<i>Other companies</i>	9.46	2.72	(0.06)	35.43	(2.82)	44.73
	231.81	70.44	(12.39)	35.43	(2.81)	322.48
Total accumulated amortization	1,081.72	845.19	(25.18)	53.48	(11.65)	1,943.56
Unamortized consolidation goodwill	7,714.80	2,173.53	(710.93)	161.89	(210.35)	9,128.94

EXHIBIT IV

Minority interests

This caption relates to the equity of minority stockholders in the net worth and results for the year of the fully consolidated Group companies. As of December 31, 2002, the balance of this caption comprised the holdings of minority stockholders in the following companies:

Millions of Euros Company	% Ownership	Net Worth	Translation Differences	Income (Loss)	Variation in % of Ownership	Balance at 12/31/02
Terra Network, S.A.	61.42%	3,399.38	(211.32)	(1,233.85)	–	1,954.21
C.T.C., S.A.	56.36%	726.03	69.11	3.05	–	798.19
Fonditel Entidad Gestora de Fondos de Pensiones, S.A.	30.00%	8.22	–	2.02	–	10.24
Impresora y Comercial Publiguías, S.A.	49.00%	15.78	(4.49)	5.00	–	16.29
Telefónica Argentina, S.A.	1.97%	14.99	1.87	(18.71)	–	(1.85)
Telefónica del Perú, S.A.	1.98%	36.54	(18.29)	0.24	–	18.49
Telefónica Larga Distancia, Inc.	2.00%	1.92	0.01	(0.10)	–	1.83
Telefónica Publicidad e Información, S.A.	40.10%	42.03	(1.95)	30.17	–	70.25
Telesp Participações, S.A.	12.58%	446.74	(12.75)	47.13	–	481.12
Telefónica Móviles, S.A.	7.57%	606.56	(85.79)	(281.94)	–	238.93
Group 3G UMTS Holding, GmbH (Note 1)	42.80%	3,941.58	–	(4,324.12)	–	(382.44)
Telefónica Móviles Argentina, S.A.	2.07%	3.13	(7.92)	(6.93)	–	(11.72)
Telefónica Finance USA	99.99%	2,000.00	–	–	–	2,000.00
Brasilcel (Participaciones)	50.00%	216.00	–	–	36.05	252.05
Telefónica Móviles México, S.A.	8.00%	149.94	(3.05)	(13.54)	–	133.25
Emergia Holding N.V.	0.00%	–	–	(11.70)	11.70	–
Other companies		36.13	(9.76)	7.77	(0.05)	34.09
Total		11,645.17	(284.33)	(5,795.61)	47.70	5,612.93

As of December 31, 2001, the balance of this caption comprised the holdings of minority stockholders in the following companies:

Millions of Euros Company	% Ownership	Net Worth	Translation Differences	Income (Loss)	Variation in % of Ownership	Balance at 12/31/01
C.R.T. Celular Participações, S.A.	59.58%	147.56	(17.89)	25.83	–	155.50
C.T.C., S.A.	56.36%	567.38	523.48	3.13	–	1,093.99
Terra Networks España, S.A.	62.37%	3,937.29	(76.08)	(353.42)	(67.13)	3,440.56
Fonditel, S.A.	19.00%	7.48	–	1.46	–	8.94
Lola Films, S.A.	30.01%	5.14	–	(3.56)	–	1.58
Publiguías, S.A.	49.00%	9.52	(0.39)	5.64	–	14.77
Telefónica de Argentina, S.A.	1.96%	88.02	(64.78)	0.74	–	23.98
Telefónica del Perú, S.A.	2.93%	27.15	(4.02)	(1.66)	–	21.47
TES Holding, S.A. de C.V.	49.00%	53.55	3.02	(18.27)	–	38.30
Telefónica Larga Distancia, Inc.	2.00%	2.50	(1.11)	0.09	–	1.48
Telefónica Publicidad e Información, S.A.	40.10%	31.27	(0.91)	25.75	–	56.11
Telesp Participações	13.28%	310.51	438.76	125.06	–	874.33
Tele Sudeste Celular Participações, S.A.	16.84%	96.64	(11.77)	17.97	–	102.84
Telefónica Móviles	7.30%	542.50	(27.16)	64.39	(58.54)	521.19
Group 3G UMTS Holding, GmbH	42.80%	912.10	–	(21.78)	–	890.32
IPSE 2000	–	4.20	(0.01)	(4.19)	–	–
Atlanet	66.00%	191.42	–	(54.55)	–	136.87
Endemol	0.65%	12.80	–	3.06	–	15.86
Telefónica Móviles Argentina, S.A.	2.07%	9.36	0.48	(14.41)	–	(4.57)
T.C.G. Holding, S.A.	49.00%	26.85	(2.28)	(26.70)	–	(2.13)
Movitel del Noroeste, S.A. de C.V.	10.00%	7.10	(0.29)	(0.71)	–	6.10
Emergia Holding N.V.	6.01%	23.61	(0.33)	(11.26)	–	12.02
Other companies		60.65	(3.09)	(33.62)	–	23.94
Total		7,074.50	755.63	(271.01)	(125.67)	7,433.55

Variations in minority interests

The variations in minority interests in 2002, were as follows:

Millions of Euros Company	Balance at 12/31/01	Capital Contributions and Inclusion of Companies	Income (Loss) for the Year	Variation in Translation Differences	Other Variations	Acquisitions and Capital Reductions	Dividends Paid	Balance at 12/31/02
Celular C.R.T. Participações, S.A.	155.50	–	32.06	(81.81)	(105.75)	–	–	–
C.T.C., S.A.	1,093.99	–	3.05	(229.30)	(67.74)	–	(1.81)	798.19
Terra Network, S.A.	3,440.56	–	(1,233.85)	(136.40)	(29.50)	(86.70)	–	1,954.21
Fonditel.	8.94	–	2.02	–	(0.72)	–	–	10.24
Lola Films, S.A.	1.58	5.40	(2.61)	–	(1.13)	–	–	3.24
Impresora y Comercial Publigúías, S.A.	14.77	–	5.00	(3.82)	0.34	–	–	16.29
Telefónica de Argentina, S.A.	23.98	–	(18.71)	(7.66)	0.54	–	–	(1.85)
Telefónica del Perú, S.A.	21.47	–	0.24	(2.89)	(0.33)	–	–	18.49
Telefónica del Salvador, S.A.	38.30	–	(4.38)	(2.45)	(27.23)	–	–	4.24
Telefónica Larga Distancia Inc.	1.48	–	(0.10)	0.45	(0.00)	–	–	1.83
Telefónica Publicidad e Información, S.A.	56.11	–	30.17	(1.04)	(0.22)	–	(14.77)	70.25
Telesp Participações, S.A.	874.33	–	47.13	(348.84)	(0.01)	–	(91.49)	481.12
Tele Sudeste Celular participações, S.A.	102.84	–	5.65	(47.78)	(59.93)	–	–	0.78
Telefónica Móviles, S.A.	521.19	18.50	(281.94)	(56.72)	37.90	–	–	238.93
Group 3G UMTS Holding, GmbH (Note 1)	890.32	3,051.36	(4,324.12)	–	–	–	–	(382.44)
Tele Leste Celular Participações, S.A.	–	–	(1.65)	(49.10)	50.75	–	–	–
Atlanet, S.p.a.	136.87	–	(33.48)	–	(99.79)	–	–	3.60
Endemol Entertainment Holding, N.V.	15.86	0.33	4.07	(0.38)	(0.04)	(17.31)	(0.56)	1.97
Telefónica Móviles Argentina, S.A.	(4.57)	–	(6.93)	(0.22)	–	–	–	(11.72)
Telefónica Centroamérica Guatemala, S.A.	(2.13)	–	(3.46)	1.00	4.71	–	–	0.12
Movitel del Noroeste, S.A.	6.10	–	(0.25)	(0.81)	(5.34)	–	–	(0.30)
Emergia Holding N.V.	12.02	–	(11.70)	(0.36)	0.04	–	–	–
Telefónica Finance USA	–	2,000.00	–	–	–	–	–	2,000.00
Telefónica Móviles México, S.A.	–	166.13	(13.64)	(19.24)	–	–	–	133.25
Brasilcel (Participaciones)	–	82.92	–	–	169.13	–	–	252.05
Other companies	23.94	1.01	11.82	(3.14)	(8.38)	(4.32)	(0.49)	20.44
Total	7,433.55	5,325.65	(5,795.61)	(990.61)	(142.70)	(108.33)	(109.12)	5,612.93

The variations in minority interests in 2001 were as follows:

Millions of Euros Company	Balance at 12/31/00	Capital		Variation in Translation Differences	Other Variations	Acquisitions and Capital Reductions	Dividends Paid	Balance at 12/31/01
		Contributions and Inclusion of Companies	Income (Loss) for the Year					
Celular C.R.T. Participações, S.A.	164.32	–	25.83	(17.89)	(9.71)	–	(7.05)	155.50
C.T.C. Chile, S.A.	1,113.59	–	3.13	(14.49)	(1.99)	–	(6.25)	1,093.99
Terra Networks, S.A.	3,843.10	–	(353.42)	(3.32)	(45.70)	–	–	3,440.56
Fonditel	7.90	–	1.46	–	–	–	(0.42)	8.94
Lola Films, S.A.	5.21	–	(3.56)	–	(0.07)	–	–	1.58
Impresora y Comercial Publiguías, S.A.	9.75	–	5.64	(0.67)	0.05	–	–	14.77
Telefónica de Argentina, S.A.	10.89	–	0.74	(77.74)	96.93	–	(6.84)	23.98
Telefónica del Perú Holding	164.89	–	–	6.64	(1.93)	(169.60)	–	–
Telefónica del Perú, S.A.	41.08	–	(1.66)	(48.44)	35.53	–	(5.04)	21.47
Telefónica del Salvador, S.A.	52.20	–	(18.27)	3.02	1.35	–	–	38.30
Telefónica Larga Distancia, Inc.	1.32	–	0.09	0.08	(0.01)	–	–	1.48
Telefónica Publicidad e Información, S.A.	46.91	–	25.75	(0.52)	1.11	–	(17.14)	56.11
Telesp Participações, S.A.	913.59	–	125.06	(23.75)	(66.22)	–	(74.45)	874.33
Tele Sudeste Celular Participações, S.A.	107.87	–	17.97	(11.77)	(6.94)	–	(4.29)	102.84
Telefónica Móviles, S.A.	397.59	107.96	64.39	(21.05)	(27.70)	–	–	521.19
CEI	203.58	–	–	–	–	(203.68)	–	–
Group 3G UMTS Holding, GmbH	905.73	–	(21.78)	–	6.37	–	–	890.32
IPSE 2000	1,169.99	–	(4.19)	(0.01)	(1,165.79)	–	–	–
Atlanet, S.p.a.	117.37	74.06	(54.55)	–	(0.01)	–	–	136.87
Endemol Entertainment Holding, N.V.	13.63	–	3.06	(0.25)	(0.19)	–	(0.39)	15.86
Telefónica Móviles Argentina, S.A.	–	12.00	(14.41)	(2.03)	(0.13)	–	–	(4.57)
Telefónica Centroamérica Guatemala, S.A.	(1.28)	–	(26.70)	(2.28)	28.13	–	–	(2.13)
Movitel del Noroeste, S.A.	–	7.10	(0.71)	(0.29)	–	–	–	6.10
Emergia Holding N.V.	23.94	–	(11.26)	(0.66)	–	–	–	12.02
Other companies	16.43	14.43	(33.62)	(0.07)	26.72	0.05	–	23.94
Total	9,329.80	215.55	(271.01)	(215.49)	(1,130.20)	(373.23)	(121.87)	7,433.55

EXHIBIT V

Debentures and bonds

The detail of the debentures and bonds outstanding as of December 31, 2002, and of the main features thereof is as follows (in millions of euros):

Telefónica and instrumentality companies	Currency	Interest Rate %	Maturing in					Subsequent Year	Total
			2003	2004	2005	2006	2007		
Debentures and bonds:									
FEBRUARY 1990 SERIES B	Euros	12.60	-	-	8.22	-	-	-	8.22
FEBRUARY 1990 SERIES C	Euros	12.60	-	-	-	-	-	3.76	3.76
FEBRUARY 1990 SERIES E	Euros	12.85	-	-	59.19	-	-	-	59.19
FEBRUARY 1990 SERIES F	Euros	12.58	-	-	-	-	-	6.43	6.43
DECEMBER 1990	Euros	13.58	-	-	554.55	-	-	-	554.55
OCTOBER 2004 C	Euros	8.25	-	69.24	-	-	-	-	69.24
APRIL 1999	Euros	4.50	-	-	-	-	-	500.00	500.00
JUNE 1999	Euros	4.45	-	-	-	-	-	300.00	300.00
JULY 1999 zero-coupon	Euros	6.37	-	-	-	-	-	37.11	37.11
MARCH 2000	Euros	3.51	-	-	-	-	-	50.00	50.00
APRIL 2000	Euros	5.63	-	-	-	-	500.00	-	500.00
Debentures subtotal:			-	69.24	621.96	-	500.00	897.30	2,088.56
EMTN ISSUE	Euros	Libor+0.07	-	74.82	-	-	-	-	74.82
EMTN ISSUE	USD	6.37	476.78	-	-	-	-	-	476.78
MARCH 1998	Euros	4.84	-	-	-	-	-	420.71	420.71
EMTN ISSUE	JPY	1.23	-	49.84	-	-	-	-	49.84
GLOBAL BOND	USD	7.35	-	-	1,191.96	-	-	-	1,191.96
GLOBAL BOND	USD	7.75	-	-	-	-	-	2,383.89	2,383.89
GLOBAL BOND	USD	8.25	-	-	-	-	-	1,191.96	1,191.96
GLOBAL BOND	Euros	6.13	-	-	1,000.00	-	-	-	1,000.00
EMTN ISSUE	JPY	Libor+0.22	241.18	-	-	-	-	-	241.18
EMTN ISSUE	Euros	4.90	-	39.50	-	-	-	-	39.50
EMTN ISSUE	Euros	Eonia+0.26	150.00	-	-	-	-	-	150.00
EMTN ISSUE	Euros	Euribor+0.70	-	1,000.00	-	-	-	-	1,000.00
EMTN ISSUE	Euros	5.12	-	-	-	1,000.00	-	-	1,000.00
EMTN ISSUE	Euros	4.08	100.00	-	-	-	-	-	100.00
EMTN ISSUE	Euros	0.15	-	-	50.00	-	-	-	50.00
EMTN ISSUE	Euros	Eonia+0.30	-	80.00	-	-	-	-	80.00
Bonds subtotal			967.96	1,244.16	2,241.96	1,000.00	-	3,996.56	9,450.64
Total issues:			967.96	1,313.40	2,863.92	1,000.00	500.00	4,893.86	11,539.14

Foreign operators	Currency	Interest Rate %	Maturing in					Subsequent Years	Total
			2002	2003	2004	2005	2006		
Debentures and bonds:									
Yankee Bonds	USD	7.63	-	-	-	191.15	-	-	191.15
Yankee Bonds	USD	8.38	-	-	-	191.15	-	-	191.15
Eurobonds	Euros	5.38	-	157.94	-	-	-	-	157.94
Series E	UF	6.00	3.49	-	-	-	-	-	3.49
Series F	UF	6.00	1.59	1.59	1.59	1.59	1.59	13.52	21.47
Series I	UF	5.50	2.78	2.78	2.78	2.78	2.78	20.88	34.78
Series K 1998	UF	6.75	-	0.17	0.84	1.52	2.19	84.37	89.09
CTC CHILE:			7.86	162.48	5.21	388.19	6.56	118.77	689.07
Bonds 1 st Program T. Perú (1)	N.Sol	VAC+6.94	-	-	-	28.93	-	-	28.93
Bonds 1 st Program T. Perú (2)	N.Sol	VAC+7.00	-	-	-	-	-	12.59	12.59
Bonds 1 st Program T. Perú (4)	USD	8.13	34.00	-	-	-	-	-	34.00
Bonds 1 st Program T. Perú (6)	N.Sol	12.59	13.56	-	-	-	-	-	13.56
Bonds 1 st Program T. Perú (7)	N.Sol	12.53	17.90	-	-	-	-	-	17.90
Bonds 2 nd Program T. Perú (2)	N.Sol	7.50	14.92	-	-	-	-	-	14.92
Bonds 2 nd Program T. Perú (3)	N.Sol	VAC+6.19	-	-	-	27.44	-	-	27.44
Bonds 2 nd Program T. Perú (4)	N.Sol	6.38	-	4.55	-	-	-	-	4.55
Bonds 2 nd Program T. Perú (5)	N.Sol	VAC+6.25	-	-	-	-	3.33	-	3.33
Bonds 2 nd Program T. Perú (6)	N.Sol	7.75	-	2.57	-	-	-	-	2.57
Bonds 2 nd Program T. Perú (7)	USD	4.38	-	-	33.37	-	-	-	33.37
Bonds 2 nd Program T. Perú (7-Series B)	USD	4.00	-	-	9.54	-	-	-	9.54
Telefónica del Perú:			80.38	7.12	42.91	56.37	3.33	12.59	202.70
Marketable debentures	USD	11.88	-	286.07	-	-	-	-	286.07
Marketable debentures	USD	9.13	-	-	-	-	-	351.39	351.39
Marketable debentures	USD	9.88	-	-	-	68.06	-	-	68.06
TASA			-	286.07	-	68.06	-	351.39	705.52
Marketable debentures	USD	9.75	-	-	-	-	7.20	-	7.20
CEI			-	-	-	-	7.20	-	7.20
Series A 1997	USD	8.85	-	214.55	-	-	-	-	214.55
Series B 1997	USD	10.38	-	49.52	-	-	-	-	49.52
Cointel			-	264.07	-	-	-	-	264.07
Total issues:			88.24	719.74	48.12	512.62	17.09	482.75	1,868.56
Total Group issues:			1,056.20	2,033.14	2,912.04	1,512.62	517.09	5,376.61	13,407.70

The detail of the maturities and redemption values of the zero-coupon bonds and debentures as of December 31, 2002, is as follows (in millions of euros):

Zero-coupon Debentures and Bonds

(Issue value + Accrued Interest at 12/31/02)	Redemption Date	Redemption Date	Book Value	Redemption Value
DEBENTURES				
FEBRUARY-90 SERIES E	26-02-2005	613.338%	59.19	76.79
FEBRUARY-90 SERIES F	26-02-2010	1,069.470%	6.43	15.04
DECEMBER-90	28-12-2005	675.000%	554.55	811.37
JULY-99	21-07-2029	637.538%	37.11	191.29
Total issues			657.28	1,094.49

EXHIBIT VI

The detail, by type of derivative, of the notional values of the derivatives arranged by the Group as of December 31, 2002, is as follows:

Millions

Type of Risk	Equivalent Euro Value	Value	Group Receives Currency	Value	Group Pays Currency
Euro interest rate swaps	5,025.36				
-from fixed to floating	1,348.92	1,348.92	EUR	1,348.92	EUR
-from floating to fixed	2,713.11	2,713.11	EUR	2,713.11	EUR
-from floating to floating	963.33	962.95	EUR	963.33	EUR
Cross-currency swaps	8,493.29				
-from fixed to floating	2,472.85				
USD/USD	2,462.10	2,582.00	USD	2,582.00	USD
BRL/BRL	10.75	39.85	BRL	39.85	BR
-from floating to fixed	5,520.53				
USD/USD	5,363.15	5,624.33	USD	5,624.33	USD
GBP/GBP	122.98	80.00	GBP	80.00	GB
MXN/MXN	34.40	372.00	MXN	372.00	MXN
-from floating to floating	499.91				
USD/USD	476.78	500.00	USD	500.00	USD
BRL/BRL	23.13	85.70	BRL	85.70	BR
Exchange rate swaps	16,096.81				
-from fixed to fixed	687.23				
EUR/USD	193.28	194.39	EUR	202.69	USD
JPY/USD	80.54	8,816.00	JPY	84.57	USD
USD/EUR	70.61	65.00	USD	70.61	EUR
USD/JPY	132.29	136.00	USD	16,456.00	JPY
USD/BRL	116.97	180.00	USD	433.43	BR
BRL/USD	93.44	363.28	BRL	98.00	USD
-from fixed to floating	1,794.67				
EUR/USD	101.08	100.00	EUR	106.00	USD
JPY/EUR	113.90	12,400.00	JPY	113.90	EUR
JPY/USD	129.68	16,456.00	JPY	136.00	USD
JPY/BRL	77.99	14,275.02	JPY	289.00	BR
USD/EUR	119.58	109.00	USD	119.58	EUR
USD/BRL	1,252.42	1,720.72	USD	4,640.69	BR
-from floating to fixed	1,791.40				
EUR/JPY	49.84	56.95	EUR	6,200.00	JPY
EUR/BRL	77.77	96.99	EUR	288.17	BR
EUR/MAD	32.70	33.76	EUR	349.09	MAD
USD/EUR	1,357.18	1,247.73	USD	1,357.18	EUR
USD/BRL	39.84	57.00	USD	147.62	BR
USD/PEN	81.14	85.00	USD	299.09	PEN
USD/MXN	41.64	45.00	USD	450.33	MXN
BRL/USD	111.29	427.17	BRL	116.70	USD
-from floating to floating	11,823.51				
EUR/USD	5,955.34	6,025.88	EUR	6,245.36	USD
EUR/GBP	384.32	387.08	EUR	250.00	GB
JPY/EUR	282.00	30,000.00	JPY	282.00	EUR
USD/EUR	4,865.52	4,560.34	USD	4,865.52	EUR
USD/MXN	336.33	362.50	USD	3,637.33	MXN
Forwards	1,591.84				
USD/EUR	38.67	37.61	USD	38.67	EUR
EUR/USD	61.95	65.37	EUR	64.97	USD
USD/CLP	39.46	41.26	USD	29,737.41	CLP
USD/UFC	1,005.61	1,119.40	USD	45.26	UFC
USD/PEN	446.14	451.83	USD	1,644.57	PEN
Subtotal	31,207.30				

Notional amounts of structured products with options	Euros	Notional Amounts	
Interest rate options	4,912.72		
-Caps & Floors	3,705.14		
US DOLLAR	1,695.40	1,777.96	USD
EURO CURRENCY	2,009.74	2,009.74	EUR
-Swaptions	1,128.25		
US DOLLAR	1,048.92	1,100.00	USD
EURO CURRENCY	79.33	79.33	EUR
-Interest rate options	79.33	79.33	EUR
Exchange rate options	411.96		
USD/BRL	15.73	16.50	USD
USD/MXN	286.07	300.00	USD
BRL/USD	32.39	120.00	BRL
BRL/EUR	77.77	288.17	BRL
Equity swaps	377.05		
Subtotal	5,701.73		
Total	36,909.02		

The detail, by type of derivative, of the notional values of the derivatives arranged by the Group as of December 31, 2001, is as follows:

Millions	Equivalent	Group Receives		Group Pays	
Type of Risk	Euro Value	Value	Currency	Value	Currency
Euro interest rate swaps	4,375.76				
-from fixed to floating	1,071.32	1,071.32	EUR	1,071.32	EUR
-from floating to fixed	2,239.22	2,239.22	EUR	2,239.22	EUR
-from floating to floating	1,065.22	1,064.73	EUR	1,065.22	EUR
Cross-currency swap	7,374.11				
-from fixed to floating	3,579.12				
BRL/BRL	236.47	497.31	BRL	497.31	BRL
USD/USD	3,342.65	2,990.00	USD	2,990.00	USD
-from floating to fixed	3,236.08	2,895.00	USD	2,895.00	USD
-from floating to floating	558.91	500.00	USD	500.00	USD
Cross-currency swap	15,913.72				
-from fixed to fixed	2,293.01				
EUR/USD	124.29	95.69	EUR	111.18	USD
EUR/GBP	128.77	121.49	EUR	80.00	GBP
EUR/MAD	3.34	33.76	EUR	349.09	MAD
JPY/USD	262.21	25,698.50	JPY	234.57	USD
USD/EUR	1,467.85	1,356.52	USD	1,467.85	EUR
USD/JPY	306.55	286.00	USD	33,338.50	JPY
-from fixed to floating	3,261.32				
EUR/USD	118.49	100.00	EUR	106.00	USD
USD/EUR	173.12	157.16	USD	173.12	EUR
JPY/EUR	725.53	78,200.00	JPY	725.53	EUR
JPY/BRL	152.03	15,293.75	JPY	319.73	BRL
JPY/USD	152.02	16,456.00	JPY	136.00	USD
USD/BRL	1,940.13	1,717.88	USD	4,080.28	BRL
-from floating to fixed	207.29	466.34	BRL	185.45	USD
-from floating to floating	10,152.10				
EUR/USD	6,294.28	5,096.01	EUR	5,630.86	USD
EUR/GBP	273.64	265.59	EUR	170.00	GBP
JPY/EUR	282.00	30,000.00	JPY	282.00	EUR
USD/EUR	3,302.18	3,013.23	USD	3,302.18	EUR
Forwards	3,055.61				
USD/ARS	401.74	342.50	USD	359.40	ARS
USD/PEN	561.64	463.83	USD	1,731.42	PEN
USD/CLD	61.57	50.00	USD	36,072.00	CLP
USD/EUR	680.02	637.01	USD	680.02	EUR
USD/UFC	1,350.54	1,262.80	USD	48.65	UFC
Subtotal	30,719.20				

Notional amounts of structured products with options	Euros	Nocional Amounts	
Interest rate options	6,694.38		
-Caps & Floors	3,949.21		
US DOLLAR	3,392.58	3,035.00	USD
EURO CURRENCY	556.63	556.63	EUR
-Swaptions	2,665.84		
US DOLLAR	2,403.31	2,150.00	USD
EURO CURRENCY	262.53	262.53	EUR
-Interest rate options	79.33	79.33	EUR
Exchange rate options	1,568.06		
EUR/BRL	21.00	21.00	EUR
USD/ARS	723.79	647.50	USD
USD/BRL	725.46	649.00	USD
USD/CLP	89.43	80.00	USD
USD/MXN	8.38	7.50	USD
Equity swaps	448.85	448.85	EUR
Subtotal	8,711.29		
Total	39,430.49		

The detail, by maturity, of the hedging transactions arranged as of December 31, 2002, is as follows:

Millions of Euros					
Underlying Instrument Hedged	Amount	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
With Underlying Instrument					
Promissory notes					
Loans	23,409.96	5,850.00	12,229.59	2,583.20	2,747.17
In national currency	12,163.29	1,656.69	6,248.78	2,181.57	2,076.25
In foreign currencies	11,246.67	4,193.31	5,980.81	401.53	670.92
MTN debentures and bonds	9,574.61	5,305.94	2,931.18	138.27	1,199.22
In national currency	509.74	–	149.64	–	360.10
In foreign currencies	9,064.87	5,305.94	2,781.54	138.27	839.12
Liability	3,547.40	1,160.59	715.17	–	1,671.54
Swaps	491.17	81.14	238.39	–	171.64
Exchange rate options	125.89	125.89	–	–	–
Interest rate options	2,930.34	953.56	476.78	–	1,500.00
Shares	377.05	377.05	–	–	–
Total	36,909.02	12,693.58	15,875.94	2,721.47	5,618.03

The detail, by maturity, of the hedging transactions arranged as of December 31, 2001, is as follows:

Millions of Euros					
Underlying Instrument Hedged	Amount	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
With Underlying Instrument					
Promissory notes	–	–	–	–	–
Loans	14,041.63	4,438.78	6,459.06	756.90	2,386.89
In national currency	5,044.04	206.18	1,883.40	662.10	2,292.36
In foreign currencies	8,997.59	4,232.60	4,575.66	94.80	94.53
MTN debentures and bonds	18,577.08	5,168.36	7,634.22	2,209.40	3,565.10
In national currency	5,016.50	958.42	2,248.95	864.61	944.52
In foreign currencies	13,560.58	4,209.94	5,385.27	1,344.79	2,620.58
Liability	6,362.93	4,648.00	1,338.32	16.51	360.10
Swaps	1,108.73	482.64	609.58	16.51	–
Exchange rate options	1,568.06	1,568.06	–	–	–
Interest rate options	1,210.55	121.71	728.74	–	360.10
Forward transactions	2,475.59	2,475.59	–	–	–
Shares	448.85	448.85			
Total	39,430.49	14,703.99	15,431.60	2,982.81	6,312.09

MANAGEMENT REPORT OF THE TELEFÓNICA GROUP

2002

Initial summary

In 2002 the Telefónica Group obtained sound operating results which were nevertheless adversely affected by exchange rate trends, leading to falls of 8.5% and 8.4% in operating revenues and EBITDA ⁽¹⁾, respectively. Disregarding the exchange rate effect, these two items would have increased by 6.1% and 6.2%, respectively. The net losses are a result of the write-downs made in the year in order to reflect the actual value of the Group's assets, including most notably the value adjustments made to the UMTS licenses and the write-offs of goodwill made by the Terra Lycos Group.

The Telefónica Group's operations in 2002 were carried out against the backdrop of the general slowdown of economic growth, the adverse evolution of exchange rates and the current uncertainty overshadowing the Latin American markets in which it is present, all of which were compounded by the widespread increase in competitive and regulatory pressure.

In view of this situation, Telefónica adapted its management priorities by focusing on the development and profitability of its traditional business activities, using its customer base to harness the potential for natural growth, simplifying its organization based on customer segments and optimizing its investments, in a quest to achieve profitable growth and enhanced cash flow.

In 2002 Telefónica continued to seek additional business opportunities through the development of new higher value-added products and services, including most notably its firm commitment to broadband, wireless telephone data services and the corporate solutions area. It also stepped up its presence in the cellular telephony business with the expansion in Brazil and Mexico.

Also worthy of note was the drive to contain costs and investments at the Group companies in order to enhance operating efficiency and the returns on their operations by optimizing the use of resources and generating more cash flow.

Organization by line of business

In 2002 the Telefónica Group continued its organization by line of business, each of which is headed by a subsidiary: wireline telephony in Spain (Telefónica de España), wireless telephony in Latin America (Telefónica Latinoamérica), wireless telephony (Telefónica Móviles), data (Telefónica Data), media and content (Admira), Internet (Terra Lycos), directories (TPI), call centers (Atento) and capacity (Emergia). Telefónica S.A. heads the Group and gives it cohesion by identifying synergies, centralizing the management of financial resources and purchases and developing horizontal initiatives aimed at reducing costs and expenditure, such as T-Gestiona to concentrate support activities and for the standardization of processes and systems, Inmobiliaria Telefónica to optimize the Group's real estate assets and Zeleris to manage the logistics line

of business by reducing the cost base in relation to assets and inventories

Noteworthy was the creation of a business unit, Telefónica International Wholesale Services (TIWS), which manages the business activities carried on by Emergia and the international units of the Group, wireline telephony operators and the international wholesale voice, IP, data and capacity services and the network supporting them, whose aim it is to become a leading wholesale telecommunication operator worldwide.

In addition, as part of a strategy aimed at harnessing new business opportunities, in the second quarter of 2002 Telefónica Soluciones made up of Telefónica Sistemas, Katalyx, Art Media and Telefónica Mobile Solutions, was created to group together all the Group's consulting and business solutions activities and concentrate its system and customer consulting activities. The functional and operating consolidation of the four companies, aimed at minimizing overheads, obtaining business synergies and improving the company's positioning in the market, is currently under way.

In May 2002 the Board of Directors of the Admira Group decided to spin it off into two separate business lines: a media division, "Corporación Admira Media", and a division grouping together all the investments in content and pay TV, "Telefónica de Contenidos". At year-end the spin-off had not been formally completed.

The comments on the conduct of business included in this report deal with the Telefónica Group's financial performance by business line and are based on the assumption that each of these business lines participates in the companies owned by the Group in the related business, whether or not the investment has been transferred, even if Telefónica, S.A. ultimately intends to transfer it in the future.

It should be noted that the assumptions on which the comments on each business line are based do not in any case alter the total results obtained by the Telefónica Group.

International expansion

Telefónica continues to consolidate its presence in Latin America and is setting its sights firmly on the region despite the current economic situation. Telefónica shares the experts' positive long-term expectations and is seeking to make its investments within a predictable and stable regulatory framework favorable to the sustainable development of networks and services and to obtaining an adequate return on the investments. Noteworthy in the year were the Group's transactions in Brazil and Mexico.

Since December Móviles Brasilcel, the joint venture 50% owned each by Telefónica and Portugal Telecom set up to reinforce the Groups wireless business in Brazil, which will group together all the assets of the two groups in the wireless telephony business in Brazil, has been included in the Group. This joint venture had a customer base of 13.7 million at year-end. Anatel approved its formation on December 10, 2002.

In 2003, continuing the process of expansion, Brasilcel entered into an agreement with the Brazilian company Fixcel for the acquisition

⁽¹⁾ EBITDA: Operating Income before Depreciation and Amortization.

<p>of a controlling interest in the Brazilian wireless telephony operator Tele Centro Oeste (TCO). This transaction will consolidate the Móviles Group's leadership and competitive capacity in the Brazilian market, capturing over 16.8 million customers. Tele Centro Oeste is present in eleven Brazilian states and in Brasilia.</p>	<p>Authorization, Access and Interconnection and Universal Service Directives), which establish a new European regulatory framework for telecommunications and trigger the process of transformation and adaptation of the whole of the regulatory legislation of the EU member states.</p>
<p>Also in Brazil, in April Anatel granted Telefónica a license for the operation of domestic and international long-distance telephony traffic, thanks to the early meeting of the targets relating to the provision of a universal telephony service which were set following the privatization of the industry in July 1998. This license will also make it possible to provide local telephony services outside the concession area (Sao Paulo), thereby enabling it to operate nationwide.</p>	<p>In Spain, as a result of this new framework legislation, amendment of the General Telecommunications Law has commenced and is expected to be completed in the first half of 2003.</p> <p>In the wireline telephony area, 2002 saw the entry into force of the rate changes envisaged in the price cap, thanks to which the rate imbalance is being redressed, through increases in the monthly subscription charges and reductions in the rates for long-distance (provincial, interprovincial and international) calls. In the 2003 price cap, although the downward pressure on prices present in former years persists, the subscription charge is excluded from the price cap, thereby increasing it. Regarding the Universal Service, it should be noted that the Financing Fund has not yet been set up, and, accordingly, Telefónica de España must continue to bear the cost of providing the related services, which will foreseeably be increased in the future as a result of inclusion therein of the Internet functional access service.</p>
<p>Turning to Mexico, in September a 65% stake was acquired in the Mexican wireless telephony Pegaso, which was included in Telefónica Móviles México, the company resulting from the acquisition in July 2001 of assets of Motorola, which groups together the northern Mexican operators Bajacel, Movitel, Norcel and Cedetel. Telefónica Móviles controls 92% of the capital of this new entity, and the former stockholders of the Pegaso Group own the remaining 8%.</p>	<p>Also noteworthy in 2002 in the wireline telephony area were the changes in the Subscriber Loop and Reference Interconnection Offer services provided by Telefónica de España.</p>
<p>This transaction has enabled Telefónica Móviles to operate through Mexico, a market with over 100 million inhabitants, and to obtain immediate access to Mexico City which, with 20 million inhabitants, is the most attractive market in the country.</p>	<p>Noteworthy in the wireless telephony area was the reduction with respect to 2001 in the fees payable by Telefónica Móviles España (TME) to reserve use of the radio spectrum. By a resolution of the regulator, there was a 17.13% reduction in call termination charges in the TME network. Other notable developments were the commencement by TME of deployment of its third-generation (UMTS) network and the partial cancellation of the guarantees relating to the start-up of this network, as a result of which TME will be able to recover them.</p>
<p>Outside Latin America, noteworthy was the redefinition of Telefónica's objectives in Germany, Austria, Italy and Switzerland, in view of the delay in the availability of UMTS technology and the need to review the business model in view of the market situation in these countries, in which Telefónica has been awarded third-generation licenses. In this context, Telefónica Móviles considered that the company's soundest strategic option was to reduce its risk exposure in these markets by maximizing the generation of cash flow at short term and maintaining a sound financial structure. Accordingly, Telefónica Móviles reviewed the value of the assets in these countries reflected in its balance sheet and in 2002 recorded significant extraordinary provisions to write down these assets and to reflect the related restructuring expenses.</p>	<p>In Latin America, the economic situation in Argentina, in particular the pesification and rate freezing measures, significantly affected the regulation of telecommunications in this country.</p>
<p>As regards the data business, in 2002 Telefónica Data placed particular emphasis on enhancing the efficiency and profitability of its operations. Accordingly, the Telefónica Data Group's presence in the countries in which the scale achieved was not sufficient to achieve a return on future investments was reviewed. Thus, in mid-2002 ETI (the subsidiary in Austria) was sold and at year-end the sale of Data Uruguay was concluded. From July 2002 Atlanet (the subsidiary in Italy) was accounted for by the equity method. Also, at the end of 2002 Telefónica decided to merge Mediaways and Highway One (a company acquired in January 2002 to reinforce the broadband strategy), creating a new ISP, Telefónica Deutschland, which will rank second in the German market.</p>	<p>Particularly significant in Brazil was the commencement, due to a ruling by the regulator (ANATEL), of the extension of the Concession Agreement expiring on December 31, 2005, although Telefónica must express its interest in extending it before June 30, 2003. Also notable was the approval by ANATEL of the transfer of assets of the wireless companies in Brazil from Telefónica Móviles and Portugal Telecom to the joint venture formed by the two companies.</p>
<p>Regulatory environment</p> <p>The most significant regulatory development in the European Union in 2002 was the publication in the Official Journal of the European Communities, on April 24, 2002, of four directives (the Framework,</p>	<p>In Chile, in March 2002 CTC-Chile filed a claim against the Chilean state alleging the unlawful nature of the Rate Decree in 1999. Also significant was the approval by the regulator of the discount plans for high-consumption users and the commencement of the process of definition and discussion of the conceptual framework for the setting of the 2004-2009 rates. In December 2002 the Free Trade Treaty between the U.S. and Chile, containing a chapter on telecommunications which might lead to alterations of the regulatory framework, came into force.</p>

<p>In Peru, there are social and political pressures at work for the removal of the basic monthly subscription charge, although negotiations are under way with the executive authorities to reduce this charge by bringing forward the price cap profitability indices.</p>	<p>At year-end the Telefónica de España Group's EBITDA stood at 4,517.2 million, an increase of 0.2% with respect to 2001. There was a significant reduction in the allowance for bad debts due to the successful application of the control measures applied.</p>
<p>Lastly, salient events in Spain in 2002 include the debate, which is still continuing, regarding the possibility of more flexible management of the spectrum, enabling wireless operators to retail it, the loosening of the UMTS license coverage obligations, and the putting on hold of Telefónica Móviles' UMTS projects in Europe (Germany, Austria, Italy and Switzerland).</p>	<p>The estimated volume of minutes of usage sold totaled 144,204 million, an increase of 3.8%, due to the 20.5% increase in incoming traffic due mainly to the interconnection traffic of the wireless operators. Outgoing traffic totaled 97,171 million minutes, including most notably provincial and wireline-wireless traffic, which grew by 15.9% and 4.7%, respectively. Average consumption in terms of minutes per line and day totaled 22.24, an increase of 5.3% with respect to 2001.</p>
<p>Share performance and significant variables</p>	
<p>For the third consecutive year, telecommunications shares performed poorly on the stock markets, in a climate of uncertainty and investor aversion to risk on the main international stock exchanges, with share prices plunging to their lowest levels for several years. Telefónica's share prices were also influenced by the crisis in Latin America, which explains their poor performance in the year with respect to the European industry (-41.0% compared with -38.8%). As of December 31, 2002, Telefónica was tenth in the world ranking of telecommunications companies and its stock market capitalization stood at 41,461 million.</p>	<p>Equivalent lines in service amounted to 20.8 million. Noteworthy was the strong performance of the Integrated Services Digital Network basic accesses, with year-on-year growth of 8.1%, and the ADSL service (growth of 154.7%) and the negative growth of the Basic Telephony Service (BTS) (-619,309 lines), a decrease of 3.9% with respect to the previous year.</p> <p>In 2002 Telefónica de España continued to develop the Internet and broadband business and to focus on the deployment of ADSL. At year-end 606,417 of the 957,204 customers of this service in Spain were retail ADSL customers. In November the average maximum daily installations numbered 4,316 lines per day.</p>
<p>At 2002 year-end Telefónica's customers numbered 84.7 million, including those of all the subsidiaries of Brasilcel, the joint venture owned with Portugal Telecom in Brazil, up 15.1% on 2001. Wireless customers amounted to 41.4 million, almost half the total customers managed by the Group. For the first time Latin America made the largest contribution to total customers (50.9%, while Spain had 47.2%). The Telefónica Group's ADSL connections amounted to 1.4 million at year-end, an increase of almost 800,000 customers with respect to the previous year, testifying to Telefónica's commitment to broadband.</p>	<p>Wireline telephony in Latin America</p> <p>Telefónica Latinoamerica's operating revenues amounted to 6,954.1 million at 2002 year-end, a year-on-year decrease of 31.4% caused by the negative impact of the exchange rates of the local currencies, in particular the Brazilian real and the Argentine peso. In constant terms, revenues grew by 0.6% due to the 11.4% increase in revenues at Telesp as a result of the 5.8% increase in average plant, the 8.3% rate increase in the local basket in July, and the launch of new long-distance services. Conversely, TASA's revenues fell by 12.3% as a result of the economic situation in Argentina. The revenues of CTC and TdP also fell slightly, due mainly to the drop in their long-distance revenues and by the contraction of the market and the increase in competition, respectively.</p>
<p>Information on lines of business</p>	
<p>Wireline telephony in Spain</p>	
<p>At year-end the Telefónica Group's operating revenues in Spain amounted to 10,272.1 million, up 0.5% on the previous year. Despite the scant growth of the market and the strict regulatory framework, the drive to develop the Internet and broadband business, which grew by 41.6%, enabled growth in terms of both revenues and in EBITDA. The revenues from the Group's traditional business, which represent 79% of the revenues of the operator, fell by 1.3%, due both to the loss in market share in the direct and indirect access area and to the impact of the price reductions as a result of the price cap. These two factors were partially offset by the rise in the BTS subscriber charge, enabling significant progress in redressing the rate imbalance.</p>	<p>Operating expenses rose by 3.0% in constant terms to 3,664.8 million. This rise is attributable to the increase in procurements due mainly to the increase in interconnection (11.8% in constant terms) and outside services. Mention should be made of the fall in personnel expenses (9.7% in constant terms), due to the 15.6% reduction in the headcount (4,752 employees), partly due to the change in the method of consolidation of Sonda, which was accounted for by the equity method in 2002.</p> <p>In addition, there was a decrease in the allowance for bad debts.</p>
<p>The Telefónica de España Group's operating expenses increased by 2.9%, due mainly to the increase in procurement expenses as a result of the rise in wireline-wireline interconnection expenses, which was partly offset by the containment of commercial expenses and outsourcing. Telefónica de España's year-end headcount was down by 0.5% to 40,659, giving a productivity ratio of 511.7 lines/employee.</p>	<p>Telefónica Latinoamerica's EBITDA was 3,346.7 million at year-end, a decrease of 35.2% due to the impact of exchange rates. In constant terms the decrease would be 3.4%.</p> <p>2002 was marked by uncertainty in the macroeconomic environment, despite which the businesses in Latin America were consolidated.</p>

<p>dated and the free cash flow ⁽²⁾ generated increased as a result of the adaptation of corporate policy to the new market conditions, based on stringent cost containment and the harnessing of synergies between operators.</p>	<p>the cash flow level (with the exception of Sonda) with respect to the previous year.</p>
<p>The number of lines managed directly fell slightly by 0.9% to 21.4 million attributable mainly to Telesp, the economic crisis in Argentina and the retirement of lines with bad debt problems at CTC. Telefónica continued to focus on ADSL Internet and broadband business which exceeded 450,000 customers at year-end, an increase of 85% with respect to the customer base in the previous year.</p>	<p>Telefónica del Perú consolidated its leadership in the local market by increasing the number of wireline telephony lines by 5.4%. Its growth was based on public telephony and by prepaid and consumption control products, which represent 36% of the plant and cover the needs of the less affluent sectors of the population, and also reduce bad debts. However, there was a significant reduction in the long-distance business following the commencement in April of the call preselection system through any operator. Cash flow was sufficient to reduce the financial debt, and this, combined with the lower interest rates, had a positive impact on the operator's earnings.</p>
<p>All the operators implemented labor force reduction plans in the year in order to adapt their headcounts to the new market situation. However, in Peru the Constitutional Court ordered TdP to re-hire certain of its employees initially affected by its labor force reduction plan, and the Argentine government froze the labor force reduction plan launched by TASA in view of the crisis.</p>	<p>Cellular telephony</p> <p>The Telefónica Group's wireless telephony business reported operating revenues of 9,449.3 million, up 8.2% on the previous year. Spain's contribution accounted for 72% and Latin America's for 28% of this amount, a decrease with respect to the previous year due to the impact in the year of the devaluation of the Argentine peso and the decline in value of the Brazilian real.</p>
<p>Following the early fulfillment of targets in September 2001, Telesp started providing International Long-Distance services in May and inter-state Domestic Long-Distance services in June in Sao Paulo.</p>	<p>Operating expenses amounted to 5,600.3 million, up 6.7% on 2001, due mainly to the increase in procurements and personnel expenses. The growth in procurements was due largely to the entry into force of the New Centralized Model for Handset Sales launched in December 2001 and to the changes in the consolidated group following the acquisition of the Mexican operators and Pegaso and the full consolidation of Teleleste.</p>
<p>Despite the delay in the launch of these services, the company amply exceeded projections and ended the year with shares of 83% of the intrastate Domestic Long-Distance market, 36% of the inter-state Domestic Long-Distance market and 32% of the International Long-Distance market. Notable also was the expansion of broadband, as a result of which the company increased its customer base by 68% to over 330,000. Financial expenses decreased as a result of the fall in interest rates despite the growth in average debt due to the substantial investments made in 2001.</p>	<p>EBITDA increased by 12% from 3,418 million in 2001 to 3,830 million in 2002. EBITDA as a percentage of operating revenues increased to 40.5% in 2002 compared with 39.2% in 2001. Operations in Spain represent 91% of the EBITDA from the wireless business in 2002, up 24% on the previous year. The EBITDA from the operations in Latin America accounted for 18% in 2002. Without the impact of exchange rates, Latin America would have contributed 23% of consolidated EBITDA in 2002.</p>
<p>Due to the economic situation in Argentina, TASA was obliged to adopt strict cost control measures as well as measures to manage bad debts (launch of new products, debt financing plans, etc.) which partially offset the negative effect of the fall in demand and the facts that rates were not revised. Noteworthy in this connection was the maintenance of a stable level of EBITDA in the second half of the year, accompanied by a reduction in operating expenses, thereby offsetting the effect on these expenses of the dollarization and inflation. TASA's accounts were negatively impacted by the devaluation of the peso, which generated negative exchange differences and led to higher financial expenses.</p>	<p>The following matters deserve to be highlighted in the area of international expansion:</p> <ul style="list-style-type: none"> - Redefinition of the short- and medium-term objectives of Telefónica Móviles in Europe in view of the delay in the availability of UMTS technology and the need to re-assess the business model bearing in mind the situation of the market in Germany, Italy, Austria and Switzerland, where the company had been awarded third-generation licenses. Consequently, Telefónica Móviles reviewed the value of the assets in its balance sheet and recorded significant extraordinary provisions in the year to write down assets in the aforementioned countries and to cover restructuring expenses. - The formation by Telefónica Móviles and Portugal Telecom of Brasilcel, a joint venture 50% owned by each company, which groups together the two groups' wireless telephony assets in Brazil. The new company was launched in December 2002 with a customer base of 13.74 million. - Subsequently, in 2003, Brasilcel entered into an agreement with the Brazilian company Fixcel to acquire a controlling interest in
<p>In September CTC sold a 25% holding in Sonda, bringing its total holding to 35% and, accordingly, this company is now accounted for by the equity method. A strike in July, by approximately 70% of the labor force, had an adverse impact on sales and this, compounded by the sluggishness of the long-distance market (particularly the domestic market), led to a slight fall in revenues in the year. In addition, in the last months of the year CTC focused on eliminating lines with bad debt problems which did not generate revenues. With regard to expenditure, strict control of investments in property, plant and equipment and intangible assets made it possible to increase</p>	
<p>⁽²⁾ Free Cash-Flow: EBITDA – Property, Plant and Equipment and Intangible Assets – Financial Income without Monetary Correction – Corporate Income Tax.</p>	

Tele Centro Oeste (TCO), a Brazilian wireless telephony operator. Estimates at the end of 2002 indicate that the joint venture will consolidate its leadership position and competitive capacity in the Brazilian market, and will have over 16.8 million customers and a market share of over 50%. The resulting entity will have 11 million customers more than the second largest operator in Brazil.

- The acquisition of a 65% holding in the Mexican wireless telephony operator Pegaso PCS. The subsequent merger of the four Telefónica Móviles operators in northern Mexico with Pegaso PCS resulted in a new combined entity owned 92% by Telefónica Móviles and 8% by Pegaso. Thanks to this transaction Telefónica Móviles has reinforced its position in the second largest Latin American market and holds nationwide licenses in a country of over 100 million inhabitants and high growth potential given the fact that only 20% of the population currently have access to wireless telephony.

In operating terms, at year-end the group had 41.4 million customers (including those of the joint venture with Portugal Telecom), compared with 29.8 million at 2001 year-end. It should also be pointed out that in 2002 Pegaso's customer base was included in that of the Telefónica Móviles Group.

Telefónica Móviles maintained a strong competitive position in all the regions in which it operates, despite the growing competition, as a result of the customer loyalty-building policies implemented by the various operators. Noteworthy in this connection was the positive trend in Telefónica Móviles España's market share, which remained stable with respect to the preceding year, making it a point of reference for the operators established in the various European markets.

Telefónica Móviles España further confirmed its determination to spearhead technological innovation by launching the Multimedia Paging service in Spain, which can be used to send color photos and combined voice, sound and text messages. In this connection, in 2002 TME deployed its UMTS network in 21 Spanish cities and entered into numerous agreements with leading companies in the industry (suppliers, technology partners and content providers).

Mention should be made of the growing use of data services at all the Group's operators. In this connection, the performance of the Spanish operator merits particular attention, with over 6.6 million e-motion users and 8,400 million short messages in 2002 (up 35% on the previous year).

Data

The Telefónica Data Group's operating revenues amounted to 1,731.4 million in 2002, down 6.4% on the previous year. Revenues were adversely affected mainly by Latin American exchange rates and changes in the consolidated group due to the exclusion of ETI, Atlanet and Uruguay. Had exchange rates remained constant, revenues would have grown by 5.5% due to the strong performance of the Spanish subsidiary and the expansion of the business in Brazil.

Operating expenses fell by 15.6% due to cost containment and the efficiency drive implemented in 2002, due mainly to the decrease in procurements, the renegotiation with the wireline telephony operators as a result of which circuit costs were reduced, and the drop in outside service expenses.

Thanks to the drive to enhance profitability, the Group's EBITDA amounted to g169.9 million compared with g23.6 million in 2001. The EBITDA ⁽³⁾ margin (9.8%) represented an increase of 8.5 percentage points with respect to the same figure in the previous year. This improvement was due mainly to the positive results obtained in Spain, Brazil and Argentina as a result of the cost containment policies implemented, and to the lower losses of T.DataCorp thanks to the greater efficiency of the International Network and the containment of the holding company's expenses.

As mentioned earlier, in 2002 the Telefónica Data Group placed special emphases on enhancing the efficiency and profitability of its operations.

Along these lines, the Telefónica Data Group's presence in countries in which the scale achieved was not sufficient to achieve a return on future investments was reviewed. Accordingly, in mid-2002 ETI (the subsidiary in Austria) was sold, while the sale of Data Uruguay was concluded at the end of the year. In July 2002 Atlanet (the subsidiary in Italy) was accounted for by the equity method.

Also as part of this profitability strategy, several of the Group subsidiaries were reorganized. In the U.S., the business was refocused on marketing the services of the Data Internet Center in Miami. In Mexico the Group focused on seeking synergies with other Group lines and identifying joint commercial actions with the U.S.

Following the acquisition of MediaWays at the beginning of 2001 HighwayOne was acquired in order to boost the Group's presence in the German data market, thereby supplementing the strategy based on the development of broadband and the provision of integrated communications solutions using IP Network for companies. At the end of 2001 the two companies were merged to form Telefónica Deutschland, which is the second largest ISP in Germany after Deutsche Telekom.

In order to enhance operating efficiency, mechanisms were introduced to ensure a more rational use of resources to increase return and reduce cash requirements. These measures include most notably the reorganization of the investment control process, the retirement of network assets and the postponement of projects which are less high-priority.

In order to lay the groundwork for a future growth in revenues, the Group's business capacity was reinforced in terms of the higher value added services offered by it, based on broadband and the DataCenter services (the eBA concept). The Group also enhanced customer services by creating new posts such as Service Managers, who provide pre-sale and after-sale technical support.

Media and content

2002 saw the reorganization of the Telefónica Group's Media business. On May 30, 2002, the Board of Directors of the Admira Group decided to spin this group off into two separate business lines: a media division, "Corporación Admira Media", and a division grouping

⁽³⁾ EBITDA margin: % (EBITDA / Operating Revenues).

<p>together all the group's investments in content and pay TV, "Telefónica de Contenidos".</p>	<p>It should be noticed that in 2002 business in Argentina was affected by the economic recession and the devaluation of the peso, which negatively impacted sales and the results contributed to the consolidated financial statements.</p>
<p>Corporación Admira Media groups together the investments in Antena 3, which owns all the shares of Onda Cero, the Atco group in Argentina (Telefé y Radio Continental) and the holding in the Pearson Group. The holdings owned by Telefónica de Contenidos include most notably Endemol and Vía Digital in addition to the other assets of the former Admira. At 2002 year-end the spin-off had not been formally completed and, accordingly, the results of the two divisions were published jointly.</p>	<p>It should also be pointed out that the advertising market continues to be sluggish and is highly sensitive to the general slowdown of economic growth registered in the year. This factor influenced first the free to air television and radio business and, subsequently, the audiovisual content production business, due to the effect on the free to air television and radio business of the reduction of revenues from their main source.</p>
<p>The consolidated revenues of the Admira Group (Corporación Admira Media + Telefónica de Contenidos) in 2002 stood at g1.076,2 million, 23.3% down on the previous year. This fall in revenues was mainly at ATCO, due to the effect of the crisis in Argentina and the devaluation of the peso. Other contributing factors were Onda Cero, which in 2002 was accounted for by the equity method, and Endemol due to the crisis in its traditional European markets.</p>	<p>Internet</p> <p>In 2002 Terra Lycos obtained g600 million of operating revenues, of which over half related to the media business and the remainder to the access business.</p>
<p>The Admira Group obtained consolidated EBITDA of g114.5 million, down 24.9% on 2001, although the consolidated EBITDA margin remained unchanged at 11%.</p>	<p>The year posed the biggest challenge yet for the Terra Lycos Group in terms of maintaining the position achieved in previous years as one of the world's leading Internet companies. This was due mainly to the negative macroeconomic situation in the countries in which the company operated in the year, compounded by the worsening in the crisis of online advertising and the Internet market. However, thanks to the cost containment drive negative EBITDA of g141.7 million was obtained, an improvement of 45% with respect to 2001.</p>
<p>Key events in the year included the sale of Azul Televisión (the third free to air Argentine television network) to the HFS Group, which took place in mid-2002. This sale was made in order to comply with Argentine legislation, which bars any one corporate group from owning stakes in more than one television network, and under which the Telefónica Group had until December 31, 2002, to dispose of one of the two networks owned by it in Argentina.</p>	<p>At 2002 year-end the Terra Lycos had over 4.1 million Internet access customers (4.7% fewer than in 2001 due to the drop in dial-up customers and in free access customers following the discontinuation of the service in Brazil in 2001 and in Mexico in 2002), of which 69% related to Spain and 21% to Brazil. If new pay access and media services, OBP (Open, Basic, Premium) and CSP (Communication Service Provider) are included, Terra has 5.9 million customers (29% of customers relate to these services, generating 13% of total revenues).</p>
<p>May 2002 saw the announcement of Telefónica's agreement with Sogecable for the merger of their digital platforms, Canal Satélite Digital and Vía Digital. The transaction will be implemented through a capital increase at Sogecable, to be subscribed by the present stockholders of Vía Digital, and the contribution of Vía Digital to Sogecable. Also envisaged is the acquisition by Sogecable of the Admira Group's 40% holding in AVS, which holds the audiovisual rights on soccer in Spain. This merger forms part of the pay-TV concentration process in other neighboring countries.</p>	<p>The Terra Lycos Group is present in 42 countries following the divestments in the year from Lycos Korea and Lycos Japan.</p>
<p>On November 29, 2002, the Spanish Government approved the merger subject to compliance with 24 general conditions and 14 conditions relating to exploitation of soccer rights. On January 29, 2003, Sogecable and Telefónica decided to go ahead with the merger. However, an appeal was filed with the Supreme Court requesting the annulment of some of these conditions. Under the final agreement, Telefónica may have a higher stake in the capital than the other two major stockholders, the Prisa Group and Groupe Canal +, which will own holdings of 16.38% each once the transaction has been completed. However, Telefónica will waive its voting rights in relation to the portion of its holding that exceeds the individual percentage of ownership of each of the other two stockholders.</p>	<p>Noteworthy at the organizational level was the creation of a new business unit, Global Operations, which groups together under the responsibility of a single person the functions that were already global and includes the units involved in the conception, development and production of platforms, products and services.</p> <p>With profitability as its prime objective, Terra Lycos' key strategy is the shift away from free value added services and products towards a differentiated and quality range of products enabling it to charge its customers for services and content through the implementation of the OBP model and the CSP communication strategy aimed at providing users, no matter where they are located and what equipment they use, with better services offering enhanced communications.</p>
<p>In September 2002 the Admira Group's holdings in Uniprex (Onda Cero Radio) and Radio Voz were sold to Antena 3 de Televisión, effective January 1, 2003. On January 7, 2003, the Telefónica Group exercised its purchase option on an additional 11.72% of the capital stock of Antena 3 owned by Banco Santander Central Hispano.</p>	<p>Also, within the access business area, in 2002 Terra Lycos once again maintained its firm commitment to broadband, on which it first focused in 2001, centered mainly on ADSL in Latin America and Spain. The Group ended the year with over 375,000 ADSL customers in Spain and Latin America, 62% more than at 2001 year-end.</p>

<p>In the media business, Terra Lycos concentrated on the provision of integral marketing services which, together with the sale of online advertising, allows it to strengthen its relationship with customers and to harness the full potential of the company's sales force while enabling advertisers to access a highly segmented audience and to exploit the Internet to the full as an advertising medium.</p>	<p>ly part of Telefónica del Perú) was included in the TPI Group's consolidated financial statements in 2002.</p> <ul style="list-style-type: none"> – Diversification of revenue sources. While continuing to focus on the company's main business, TPI is devoting significant material and human resources to the development of new revenue sources, such as the launch of pocket telephone directories in Spain, the marketing of MMS advertising or the use of multimedia proximity searching.
<p>In this connection, a salient feature was the implementation of the CheckM8 media technology to enable higher-impact advertising, and the acquisition in October 2002 of GetRelevant, an online provider of direct marketing services which signifies the addition of a powerful product package to Terra Lycos' range of services. Another significant development was the creation of Lycos Enterprise Services in May 2002, which extended the Terra Group's business activities to new business sectors or units to which it can now offer resources for hosting, navigation and functionalities for commercial websites.</p>	<ul style="list-style-type: none"> – Increased profitability. The continued drive to rationalize expenses and maximize returns constitutes one of the main pillars of management and enables synergies to be harnessed, for example through joint purchasing of services and supplies, the implementation of new developments and the transfer of best practices between Group companies.
<p>Also, in 2002 Terra Lycos entered into important strategic and commercial alliances, notably with Foxsports (an alliance for the joint creation of a sports channel), MovieTickets (an agreement for the creation of a ticket reservation web page) and the BBVA Group (to launch a secure e-commerce system on the Internet).</p>	<p>Call centers</p> <p>At 2002 year-end the Atento Group's operating revenues stood at g571.1 million, a reduction of 11% with respect to 2001, due mainly to exchange rate trends. Spain and Brazil continued to account for the highest proportion of revenues. The percentage contribution of non-Group customers to total revenues continued to increase, as did diversification in different industries, with the consumption, financial and government sectors accounting for a higher proportion of revenues with respect to the previous year.</p>
<p>Directories</p>	<p>Atento continued to focus on providing higher value added services combining these with automation and delocation of services as an alternative for increasing margins.</p>
<p>Sustained growth in all business areas, combined with the sound position of TPI España, enabled significantly higher earnings to be achieved in this area in 2002.</p>	<p>The Atento Group's operating expenses fell by 12.6% due mainly to the control of operating costs and overheads.</p>
<p>Publishing products continue to represent the company's main source of revenue; however, the highest percentage growth corresponded to products relating to new technologies, even though these still represent a small percentage of total revenues. Operating revenues fell by 11.2% with respect to the previous year's pro forma revenues (including those of Telinver, the Group's telephone directory subsidiary in Argentina), due to the impact on earnings in Brazil of the loss of the contract with the publishing house Listel and the publication of a reduced edition of Telesp's "LTOG" telephone directories rather than the full edition published in 2001) and in Argentina of the economic situation and the exchange rate.</p>	<p>The Atento Group's EBITDA stood at g54.3 million at year-end, representing growth of 1% with respect to 2001, principally due to the improved profit margins in Mexico, Morocco and Venezuela and the control of operating costs and overheads during the year.</p>
<p>Thanks to the cost containment policy implemented, 2002 EBITDA was g150.9 million, representing growth of 19.6%. Spain contributed 89% of the Group's EBITDA and the remainder came from the Latin American companies.</p>	<p>Atento carries on its business activity through contact centers and multichannel platforms (telephone, fax, Internet), offering its customers a broad range of services from customer service, sales and collection management to more sophisticated products such as the design, implementation and monitoring of loyalty-building, research and market/customer segmentation programs.</p>
<p>TPI's strategy is based on three large areas of action aimed at meeting customer requirements while maximizing the creation of value for stockholders.</p>	<p>Atento provides services to over 500 companies which, apart from the Telefónica Group, include multinationals and corporations mainly in the financial services, telecommunications, consumption and government sectors.</p>
<ul style="list-style-type: none"> – The consolidation of Publicidad e Información as a global group. In 2002 the company reinforced its position in the Spanish- and Portuguese-speaking telephone directory markets, increasing its market share in the mature market in Spain, cutting down on the investment in advertising and strengthening its presence in the Brazilian market. Also, in line with the strategy of grouping together the Group's businesses by business line first implemented in 2001, Telefónica Publicidad e Información Perú, S.A.C (initial- 	<p>In 2002 the company continued to consolidate its presence as a leading contact center service provider for the Spanish- and Portuguese-speaking markets. Atento has achieved its objective through a management policy aimed at the development of long-term strategic relationships with the leading customers in each industry, at operating excellence geared to achieving best practice in the industry and at cost reduction.</p> <p>At year-end Atento had a network of over 50 call centers with over 27,000 positions.</p>

<p>Capacity</p>	<p>contribution to growth, followed by Telefónica de España, while revenues from the other business lines were down on the previous year. Disregarding the adverse effect of exchange rates, the Group's revenues grew by 6.1%.</p>
<p>Emergia, which is part of Telefónica International Wholesale Services (TIWS), offers city-to-city, door-to-door connectivity in Latin America and Europe and from Latin America to the U.S. and Europe through its fiber optic network.</p>	<p>There was a year-on-year drop of 9% in operating expenses, due to the containment of these expenses in all the business lines and to the evolution of exchange rates. Noteworthy was the increase in expenses at Telefónica Móviles and Telefónica de España in line with their revenues growth. Disregarding the exchange rate effect, there was a 4.9% increase in expenses.</p>
<p>This business unit, which also comprises the international units of Telefónica DataCorp, Telefónica de España, Telesp, Telefónica de Argentina, Telefónica del Perú and CTC Mundo, was created with the aim of becoming a leading wholesale operator in the world.</p>	<p>The depreciation and amortization expense fell by 9.2% in 2002, as compared with the 5.9% increase in 2001, due to the impact of exchange rates and the drop in the volume of investment in the year.</p>
<p>TWS's drive to coordinate the Group's wholesale businesses in 2002 led to an increase in its volume of business with operators, enhanced operating efficiency due to the rationalization of assets and a reduction in investments and cash outflows due to the exchange of products and services with customers and/or competitors.</p>	<p>The losses of associated companies increased as a result of the losses incurred by the companies in which the Telefónica Móviles (g159.5 million), Telefónica Contenidos (g191.3 million) and Terra Lycos (g148.9 million) Groups have minority holdings.</p>
<p>Following the completion in 2001 of the installation of the 25,000 km fiber optic land and underwater ring, Emergia has positioned itself as the only operator in Latin America with a fully operational high-speed fiber optic network.</p>	<p>Amortization of consolidation goodwill decreased by 21% to g667.5 million, due to the extension of the period of amortization of the goodwill relating to Terra Lycos to ten years and to the write-down of the goodwill relating to Mediaways in 2001 and mid-2002.</p>
<p>In 2002 Emergia managed to position itself in the market as a stable and solvent broadband provider in a difficult competitive environment, strengthening its commercial links with a growing customer base and providing the Telefónica Group with an international broadband infrastructure at extremely competitive prices.</p>	<p>The extraordinary expenses related mainly to the write-down of the UMTS businesses in Europe (Móviles and Data) and the other write-downs made by the Group in the year (Terra, Mediaways, Ibox, etc.).</p>
<p>Earnings</p>	
<p>Consolidated loss</p>	<p>The Telefónica Group reported a consolidated net loss for the year of g5,576.8 million, as compared with the consolidated net income of g2,106.8 million obtained in 2001.</p>
<p>When analyzing the year-on-year variations, it should be noted that they are affected by the changes in the scope of consolidation the most significant of which were as follows: the inclusion in 2001 of the Mexican wireless operators, and in 2002 the inclusion of Teleleste (for the whole year) and Pegaso (from September 2002) and the exclusion of Onda Cero (from January 2002), Sonda (from September 2002) and Atlantel (from July 2002), which were accounted for by the equity method.</p>	<p>Revenues</p> <p>Operating revenues amounted to g29,236.7 million in 2002, down 8.8% on the previous year.</p> <p>Revenues from operations, which represented over 97% of the total and amounted to g28,411.3 million, decreased by 8.5%, while capitalized in-house work on fixed assets decreased due to the cutback in investment and other operating revenues (which were marginal) rose by 16.8%.</p>
<p>Operating revenues fell by 8.5%, mainly due to the negative impact of exchange rates. However, there was a substantial cost control drive in the year in the face of the poor performance of revenues. Disregarding the exchange rate effect, operating expenses grew by 4.9% (compared with a 9% fall in real terms) and revenues rose by 6.1%, giving rise to a 6.2% increase in EBITDA (compared with a fall of 8.4% in real terms).</p>	<p>The main contributions to consolidated revenues were made by the Telefónica de España Group (33%), the wireless line of business (28%) and Telefónica Latinoamérica (24%).</p>
<p>Also noteworthy in the year was the cutback in investment in the various business lines by 53.4% with respect to 2001.</p>	<p>Telefónica de España's operating revenues remained steady with respect to 2001 at g9,831.9 million. If Telefónica de España's subsidiaries are taken into account, the operating revenues amount to g10,272.1 million, a year-on-year increase of 0.5%, due to the strong performance of Telyco as a result of the growth of its business activity in the wireless market and the development of its subsidiary Telyco Maroc.</p>
<p>The performance of the aggregates with the greatest bearing on consolidated results for the year is summarized as follows:</p>	
<p>Operating revenues amounted to g28,411.3 million in 2002, down 8.5% on 2001, due mainly to the adverse effect on Telefónica Latinoamérica of exchange rates and the economic situation in Latin America. The Group's wireless telephony business made the biggest</p>	<p>The operating revenues of the wireless business amounted to g9,449.3 million, up 8.2% with respect to those reflected in the 2001 pro forma consolidated financial statements.</p>

<p>The operating revenues of the Spanish wireless operator amounted to g6,770 million, up 18% on 2001. Despite rising competition, Telefónica Móviles España remains the market leader with an estimated market share of 55%, and in 2002 it accounted for more than 40% of the net market growth in customer numbers.</p>	<p>The increase in Telefónica de España's expenses was mainly attributable to the increase in interconnection and personnel expenses.</p>
<p>As of December 31, 2002, the financial statements of Pegaso PCS were included effective September 10.</p>	<p>Operating expenses continue to comprise mainly interconnection expenses, particularly at the wireline operators, commercial and marketing expenses relating to wireless telephony customer loyalty building policies and personnel expenses.</p>
<p>Turning to the Latin American wireless operators, consolidated operating revenues amounted to g6,954.1, a decrease of 31.4% with respect to 2001. This decrease was attributable to the devaluation of all the currencies, in particular the Argentine peso and Brazilian real, since in constant terms revenues grew by 0.6%.</p>	<p>The growth in Telefónica de España's interconnection expenses was due to the increase in wireline-wireline traffic associated with the traffic to intelligent networks of other operators. Notable among the Latin American wireline operators, disregarding the exchange rate effect, was Telesp, whose interconnection expenses increased due to the increase in average plant in service (which led to a higher volume of traffic), the increase in the interconnection rate imposed by Anatel in February 2002 and the launch of the new Interstate Long-Distance and International Long-Distance businesses.</p>
<p>Telesp made the largest contribution to revenues in 2002, accounting for 53% of the total as compared with 44% in 2001. The Brazilian operator ended the year with an increase in revenues of 11.4% in local currency, reporting revenues of g12.5 million from lines in service (0.9% down on the previous year) with a slight fall in the segments yielding lower revenues. Telefónica de Argentina's revenues fell by 12.3% in local currency, and its plant in service fell by 3% to 4.4 million lines, due to the economic recession. The Chilean wireline operator ended the year with a drop in revenues of 1.1% in local currency and 2.7 million lines in service, representing a decrease of 1.3%, due to the retirement of lines with bad debt problems that were not generating revenues for the company. The Peruvian operator reported a 0.2% fall in revenues in local currency, but its plant in service rose by 5.4% to 1.8 million lines, with a steady increase in the relative weight of prepaid lines.</p>	<p>The commercial and marketing expenses of the wireless operators were down on 2001 due to the across-the-board policy of cost containment and, in particular, to Telefónica Móviles España's strategy of giving priority to loyalty-building rather than capturing new customers.</p> <p>The Group's personnel expenses fell by 11.1% with respect to the previous year. As of December 31, 2002, the Telefónica Group had 152,845 employees, 5.4% fewer than at 2001 year-end. Atento, Telefónica de España and Telefónica Latinoamérica had the most employees.</p>
<p>The Telefónica Data Group's operating revenues fell by 6.4% in 2002 to g1,731.4 million, impacted mainly by exchange rates in Latin America and the changes in the scope of consolidation.</p>	<p>2002 saw various restructuring processes and labor force reduction plans, chiefly affecting Telefónica Latinoamérica and the wireless telephony business. In Telefónica Latinoamérica, the restructuring plans were mainly prompted by the difficult economic situation in the region, while in the wireless telephony business the chief cause was the freezing of the business activities of the European operators, the adaptation of the labor forces of the Brazilian operators to the structure of the joint venture and the restructuring of the business in Mexico.</p>
<p>Expenses</p>	
<p>Operating expenses, including procurements, outside services, personnel expenses and taxes other than income tax, amounted to g16,773.3 million, a year-on-year decrease of 7.6%. This decrease was principally due to exchange rate trends. Disregarding this effect, expenses rose by 5.7%.</p>	<p>The other operating expenses include most notably the provision for bad debts, which decreased significantly in 2002 due to the greater control of bad debts in both Spain and Latin America. At Telefónica de España the decrease was affected by the higher provision recorded in 2001 by public telephony companies, while in Latin America it was due to the improved quality of the customer roster and to the control measures implemented to reduce bad debts relating to prepaid products and consumption control.</p>
<p>The wireless telephony business, Telefónica de España and Telefónica Latinoamérica are, in that order, the lines of business which account for the greatest relative amount of the Group's expenses, representing 72% of the total expenses.</p>	
<p>There was an across-the-board reduction in expenses with respect to 2001 due to cost containment measures and the increase in operating efficiency at the Group companies and to exchange rates. The only two lines with an increase in expenses with respect to the previous year were the wireless telephony business and Telefónica de España, although the increases were in line with their revenue growth.</p>	<p>EBITDA and EBITDA margin</p> <p>In 2002 EBITDA amounted to g11,724.2 million, a decrease of 8.4% as compared with the growth of 7.4% in the previous year, due mainly to the impact of exchange rates. Disregarding the exchange rate effect, Ebitda increased by 6.2%.</p>
<p>The increase in the expenses of the wireless telephony business was partially due to the New Centralized Model for Handset Sales and by the changes in the scope of consolidation following the acquisition of the Mexican operators and Pegaso and the full consolidation of Teleleste.</p>	<p>There was a growth in EBITDA at Telefónica Móviles, Telefónica de España, Telefónica Data, Telefónica Publicidad e Información and Atento and a reduction in losses at Terra Lycos, Emergia and Katalyx.</p>

<p>which however did not offset the negative impact of the performance of Latinoamérica due to the adverse effect of exchange rates, and of Admira Media.</p>	<p>vative company which made an important contribution in 2002 by developing the strategies defined by the Telefónica Group's business lines.</p>
<p>The EBITDA margin was 41.3% in 2002, 0.1 percentage points higher than in 2001. The year-on-year fall in the margin of the Latin American wireline business and at Telefónica de España and Admira Media was offset by the growth in the other businesses.</p>	<p>The projects undertaken by the Telefónica Group in 2002 focused on profitable innovation, process efficiency, the creation of new sources of revenues, customer satisfaction, geographical expansion and technological leadership. The R&D activities, in particular, were incorporated into Telefónica's strategy aimed at creating value through broadband communications and services and IP networks.</p>
<p>The Group's operating income, which stood at g5,031.8 million, was down 7.3% on the 2001 year-end figure. However, this decrease is less than the decrease in EBITDA due to the reduction in the depreciation and amortization expense, which fell by 9.2% compared with the increase of 5.9% in the previous year, due mainly to exchange rate charges.</p>	<p>At the same time, projects were carried out to promote the Information Society and new services were prepared which will use the UMTS capacities and the capacities of the new wireless handsets. Work was also carried out to ensure early identification of the emerging technologies which may have an important impact on Telefónica's business lines, and these technologies were tried out with new services, applications and platform prototypes.</p>
<p>Investment activity</p>	
<p>In 2002 the Telefónica Group recorded intangible asset and property, plant and equipment additions of g3,926.2 million, 53.4% less than in 2001. This decrease was mainly due to the investment rationalization and containment drive implemented in all the lines in 2002. Mention should be made of the significant fall in the investments of Telefónica Latinoamérica thanks to the drive in Brazil in 2001 aimed at meeting targets. The fall is also affected by the severe depreciation of all the Latin American currencies, particularly the Brazilian real and the Argentine peso.</p>	<p>R&D activities made an important contribution to the Telefónica Group's intellectual property portfolio and, consequently, to the reduction of the technological deficit in Spain.</p> <p>Research and development expenses capitalized due to their future contribution to Group income amounted to g94.4 million in 2002, as compared with g170,8 million in 2001.</p>
<p>In 2002 Telefónica de España continued to refocus its investments on shifting the company towards broadband and new businesses without overlooking the needs of the traditional business.</p>	<p>Other salient matters</p> <p>In July Telefónica Móviles and NTT DoCoMo announced an agreement for the launch in Spain of i-mode, the world's most popular wireless Internet service, in the first half of 2003. The two companies have entered into a license agreement under which NTT DoCoMo will make available to Telefónica Móviles España the necessary patents, know-how and technology to offer the i-mode service through its GPRS network. In addition, together they will forge a technological and business alliance encompassing all areas of wireless communications.</p>
<p>Investment in wireless telephony was down by 50.7%, due principally to the freezing of the business activities in July 2002 of the European companies as a result of the delay in the implementation of UMTS technology and the fall in investments in Spain and Latin America.</p>	
<p>In 2002 and 2001 substantial investments were made in the construction of SAM-1, Emergia's fiber optic ring interconnecting the main Latin American cities.</p>	<p>Financial earnings</p>
<p>Investments in property, plant and equipment totaled g2,819.65 million in 2002, down 58.4% from 2001, due to the across-the-board curtailment of investments by Group companies.</p>	<p>Net financial expenses totaled g2,221.6 million in 2001, g528.8 million of which were due to the impact of the devaluation of the Argentine peso. Without this effect, financial earnings for 2002 amounted to g1,692.8 million, 9% down on the comparable figures for 2001 (1,862.3 million). This decrease was due mainly to the reduction in average net indebtedness and in the average cost thereof.</p>
<p>Investments in intangible assets totaled g1,106,6 million in 2002, a drop of 32.9% with respect to 2001.</p>	
<p>Long-term investments fell by 26% to g921.5 million, due to the reduction in the acquisition of holdings in associated companies and other shareholdings.</p>	<p>In 2002 the Group's net indebtedness ⁽⁴⁾ fell by 12% with respect to 2001 thanks to the cash flows generated and the strengthening of the euro with respect to the dollar and the Latin American currencies. This reduction was achieved despite the inclusion of new companies in consolidation in 2002 as a result of the investments made in the year.</p>
<p>R&D</p>	
<p>In 2002 Telefónica Group continued to be firmly committed to its research and development policy as the main pillar with which to achieve a competitive edge and foster technological innovation. Many of these activities were channeled through the international research and development center Telefónica I+D, a benchmark inno-</p>	<p>⁽⁴⁾ Net Debt: Long-Term Debt (excluding accounts payable to minority interests) + Debentures, Bonds and Other Marketable Debt Securities and Payables to Credit Institutions – Short-Term and Long-Term Investments – Cash.</p>

Financing	Rating agencies
<p>The Telefónica Group's net debt decreased by g6,408.5 million from g28,941.6 million at 2001 year-end to g22,533.1 million at the end of 2002. This reduction was attributable to the operating cash flow of g4,546 million generated by the Group, the g3,044 million decrease in the value of the non-euro debt due to the appreciation of the euro against the U.S. dollar and the Latin American currencies and the preferred share issue launched in December 2002 amounting to g2,000 million. This debt reduction was offset by the financial investments of g1,564 million made in the period and by the g1,618 million increase in debt due to the variations in the scope of consolidation and other circumstances.</p>	<p>On December 2, 2002, the rating agency Moody's reduced Telefónica's credit rating to A3, with a stable outlook, and on August 9, 2002, the rating agency Fitch-IBCA reduced Telefónica's credit rating from A+ to A, with a stable outlook.</p> <p>Lastly, on February 5, 2002, the rating agency Standard & Poors confirmed Telefónica's credit rating as A, with a stable outlook.</p>
<p>The principal financing transactions in 2002 were as follows:</p>	<p>Events subsequent to December 31, 2002</p>
<p>On February 13, 2002, the first capital increase with a charge to unrestricted reserves authorized by Telefónica's Stockholders' Meeting on June 15, 2001, was carried out. Capital was increased by g93,438,317 through the issuance of 93,438,317 new shares, which were assigned to the Company's stockholders at a ratio of one new share for every 50 shares held by them.</p>	<p>Note 23 to the financial statements describes the salient events which have occurred since December 31, 2002. The most significant are as follows:</p>
<p>On April 12, 2002, the second capital increase with a charge to unrestricted reserves authorized by Telefónica's Stockholders' Meeting on June 15, 2001, was carried out. Capital was increased by g95,307,084 through the issuance of 95,307,084 new shares, which were assigned to the Company's stockholders at a ratio of one new share for every 50 shares held by them.</p>	<p>Capital increase in progress with a charge to reserves</p> <p>February 2003 saw the first of the Company's two capital increases with a charge to unrestricted reserves approved by the Stockholders' Meeting on April 12, 2002, which the Board of Directors resolved to carry out at its Meeting on December 18, 2002.</p>
<p>On April 12, 2002, Telefónica's Stockholders' Meeting resolved to carry out three capital increases, two with a charge to unrestricted reserves to remunerate stockholders and the third to cater for the compensation scheme tied to the market value of Telefónica, S.A. shares targeted at Endemol Group employees (on December 18, 2002, the Board of Directors of Telefónica, pursuant to the powers granted to it, ultimately decided to not implement the last of these resolutions, and opted for a different means of covering the stock options).</p>	<p>The capital increase was carried out through the issuance of 97,213,225 new common shares of the Company of g1 par value each, thereby increasing the capital stock by g97,213,225 to g4,957,874.511. These new shares were assigned free of charge to the stockholders in the proportion of one new share for every 50 shares already owned.</p>
<p>On April 19, 2002, Telefónica Europe BV issued (underwritten by Telefónica S.A.) a structured bond under the EMTN program for g50 million. This bond matures on April 19, 2005, and bears interest tied to Euribor plus a spread of 40 basis points.</p>	<p>The deed of capital increase was executed on February 12, 2003, and registered at the Mercantile Registry on February 18, 2002.</p> <p>Also, on February 12, 2003, the Standing Committee of the Board of Directors of Telefónica, S.A., making use of the powers granted to it by the Board of Directors on January 29, 2003, resolved to carry out the second capital increase with a charge to unrestricted reserves approved by the Stockholders' Meeting on April 12, 2002, through the issuance of 99,157,490 new common shares of the Company, of the same series and carrying the same rights as the outstanding shares, of g1 par value each, which will be assigned free of charge to the stockholders in the proportion of one new share for every 50 shares already owned.</p>
<p>On June 18, 2002, Telefónica Europe BV issued (underwritten by Telefónica S.A.) a bond under the EMTN program with a face value of g80 million. This bond matures on June 18, 2004, and bears interest tied to EONIA plus a spread of 0.30%.</p>	<p>The period for the assignment free of charge of the shares relating to the second capital increase is scheduled to commence in the second half of March 2003, and the new shares will foreseeably be admitted to official listing in mid-April 2003.</p>
<p>On April 11, 2001, Telefónica Europe BV issued (underwritten by Telefónica S.A.) a bond under the EMTN program with a face value of g100 million, issued at a discount at an annual discount rate of 4.0807% and maturing on April 11, 2003.</p>	<p>Merge of Vía Digital with Sogecable</p>
<p>Lastly, on December 30, 2002, Telefónica Finance USA LLC, a wholly-owned subsidiary of Telefónica Europe B.V., issued preferred shares totaling g2,000 million (underwritten by Telefónica S.A.). This amount was lent in full to Telefónica Europe B.V. through a ten-year loan.</p>	<p>On May 8, 2002, Sogecable S.A. and Telefónica S.A. (the latter through its subsidiary Telefónica de Contenidos S.A. - Sole-Stockholder Company) entered into an agreement relating to the merger of DTS Distribuidora de Televisión Digital, S.A. (Vía Digital) with Sogecable.</p> <p>The transaction was ratified by the Board of Directors of Telefónica de Contenidos S.A. (Sole-Stockholder Company) and Sogecable S.A. in May 2002, subject to the authorization of the relevant public authorities, which was granted on November 29, 2002, through the</p>

<p>adoption by the Council of Ministers of certain resolutions authorizing the merger provided that certain conditions were met.</p>	<p>Strategic alliance between Telefónica, Terra and Bertelsmann</p>
<p>On January 29, 2003, Sogecable S.A., Telefónica, S.A. and Telefónica de Contenidos S.A. (Sole-Stockholder Company) entered into an agreement whereby they deemed the contract terms established for the merger of Sogecable and Vía Digital to have been fully met. Also, Telefónica de Contenidos S.A. (Sole-Stockholder Company) and Sogecable S.A. agreed on the related detailed action plans and deadlines for the instrumentation of the conditions imposed by the Government in the aforementioned Council of Ministers resolutions. Through these plans, Telefónica de Contenidos S.A. (Sole-Stockholder Company) and Sogecable S.A. accepted the conditions established by the Government; however, they filed appeals for judicial review against certain of the conditions (obligation to distribute channels, joint marketing of commercial packages, price caps and prohibition of strategic alliances).</p>	<p>On February 12, 2003, Telefónica and Terra Networks, S.A. entered into a Framework Strategic Alliance Agreement to replace the Strategic Agreement dated May 16, 2000, to which Bertelsmann was also a party (whereby, in the framework of the acquisition of Lycos by Terra, Telefónica, S.A. undertook to commission from Terra, the portion of the advertising services committed by Bertelsmann that the latter did not commission from Terra, up to a maximum amount of US\$ 675 million).</p> <p>Additionally, on February 12, 2003, Telefónica, Terra, Lycos and Bertelsmann, entered into a preferential interest agreement which will enable them to continue to explore opportunities for the mutual provision of communications, development and content services in the on-line market.</p>
<p>The terms under which the transaction will be carried out in accordance with the agreements dated May 8, 2002 and January 29, 2003, are as follows:</p>	<p>The term of the Framework Strategic Alliance Agreement is six years, ending on December 31, 2008. The Agreement is automatically renewable for one-year periods unless it is expressly terminated by the parties.</p>
<ul style="list-style-type: none"> - The transaction will be carried out through a capital increase at Sogecable, S.A. targeted at the stockholders of Vía Digital, who will be able to contribute their Vía Digital shares. - If all the shareholders of Vía Digital subscribe to the capital increase, the percentages of ownership of Sogecable, S.A. after the capital increase will be 77% in the case of the present stockholders of Sogecable and 23% in the case of the present stockholders of Vía Digital. - After the exchange has been carried out, the Telefónica Group will have an ownership interest in the capital stock of Sogecable, S.A. equal to that of its two stockholders Prisa and Groupe Canal + after the dilution arising from the share exchange, which, if all the capital stock of Vía Digital is exchanged, would represent 16.38% of the capital stock of Sogecable, S.A. With this ownership interest, Telefónica would not exercise such voting rights carried by the shares received in the exchange as might exceed the aforementioned percentage. - Telefónica has stated that its present strategic plans envisage that the aforementioned ownership interest will not be disposed of for at least three years from the date of the exchange. - The representation of Telefónica, Prisa and Groupe Canal + on the Board of Directors of Sogecable, S.A. will be consistent with their respective ownership interests, and each of the aforementioned three entities will appoint five directors. The Chairman of the Board of Directors will be chosen from among the five directors appointed by Telefónica. - Prisa and Groupe Canal + will maintain their present shareholders' agreement, to which Telefónica will not be a party. - Each of the three major stockholders will grant a ten-year participating loan of g50 million earning interest at 11%. - Sogecable, S.A. will offer its shareholders the possibility of participating in a nine-year subordinated debt security issue of g175 million, the subscription of which will be underwritten by Telefónica, bearing interest at 10.28%. The remuneration for the subscribers will include the issuance of warrants equal, overall, to 1% of the capital stock of Sogecable, S.A. - The debt of Vía Digital and of Sogecable, S.A. as of April 30, 2003, must not exceed g425 million and g705 million, respectively. 	<p>The main features of this Framework Strategic Alliance Agreement are summarized as follows:</p> <ol style="list-style-type: none"> 1. Strengthening of the Terra Lycos Group as: <ul style="list-style-type: none"> - The exclusive provider of essential portal elements, including brand image, and aggregator of the broad and narrow band Internet content and services targeted at the residential, SOHO and, when so agreed, SME market segments, for the Telefónica Group companies' connectivity and ISP services. - Preferential provider of audit, consulting, management and maintenance services for the country portals of the Telefónica Group companies. - Exclusive provider of Telefónica Group employee on-line training services. - Preferential provider of on-line integral marketing services for the Telefónica Group companies. 2. Guaranteed minimum volume of acquisitions of Terra Lycos Group on-line advertising space by Telefónica Group companies. 3. Exclusive acquisition of connectivity and wholesale Internet access services by Terra Lycos Group companies from Telefónica Group companies under the legally permitted most-favored-customer conditions. 4. Outsourcing by Terra Lycos Group companies to Telefónica Group companies of all or part of the services and/or operation of the Internet access elements for the provision of ISP services to its residential, SOHO and, when so agreed, SME customers under the legally permitted most-favored-customer conditions. 5. Exclusive acquisition by Terra Lycos Group companies from Telefónica Group companies of the advanced broad and narrow band network and platform services required to construct the range of services to be offered to residential, SOHO and, when so agreed, SME customers under the legally permitted most-favored-customer conditions.

<p>The Framework Strategic Alliance Agreement guarantees the generation for the Terra Lycos Group of a minimum annual value throughout the term of the Agreement of g78.5 million. This amount is the difference between the revenues arising from the services provided under the aforementioned Framework Strategic Alliance Agreement and the costs and investments directly associated therewith.</p>	<p>establishes the following liquidity mechanism (sale option) relating to the Uno-e Bank, S.A. shares owned by Terra: Terra has the right to sell to BBVA, and BBVA is obliged to acquire, Terra's holding in Uno-e Bank, S.A. between April 1, 2005 and September 30, 2007, at market value, established as the higher of the two following values: (i) that determined by an investment bank; and (ii) that obtained by multiplying the income after taxes of Uno-e Bank, S.A. by the PER of BBVA multiplied by the percentage of the ownership interest held by Terra that it is intended to sell as of that date.</p>
<p>Terra Networks, S.A.-BBVA (Uno-e Bank, S.A.)</p>	
<p>On May 15, 2002, Terra Networks, S.A. (Terra) and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) entered into a memorandum of understanding to integrate the consumer finance lines of business of Finanzia Banco de Crédito, S.A. (a subsidiary of BBVA) and Uno-e Bank, S.A. The agreement relating to this integration was subject to a legal, financial and business review, and to the obtainment of the relevant internal and administrative authorizations. When the integration takes place, Terra's ownership interest in Uno-e Bank, S.A. will be 33% and that of the BBVA Group will be 67%.</p>	<p>Also, the exercise price of the aforementioned option may not be lower than g148.5 million if Uno-e Bank, S.A. does not achieve the net ordinary revenue and pre-tax income targets set for 2005 and 2006.</p>
<p>On that same date (May 15, 2002), BBVA and Terra entered into an agreement in which they established the following liquidity mechanisms (purchase and sale options) relating to the Uno-e Bank, S.A. shares owned by Terra:</p>	<p>Acquisition of shares of Antena 3 de Televisión, S.A.</p>
<ul style="list-style-type: none"> - Terra has the right to sell to BBVA, and BBVA is obliged to acquire, Terra's holding in Uno-e Bank, S.A. between May 15, 2004 and May 15, 2006, at the higher of the following prices: (i) the market value as determined by an investment bank; and (ii) the price paid by Terra to acquire its ownership interest (g189.4 million). - BBVA has the right to acquire from Terra, and Terra is obliged to sell, Terra's holding in Uno-e Bank, S.A. between May 15, 2004 and May 15, 2006, at the higher of the following prices: (i) the market value as determined by an investment bank; and (ii) the price paid by Terra to acquire its ownership interest (g189.4 million), plus annual interest at a rate of 4.70%. - If a definitive agreement were reached regarding the aforementioned integration of the consumer finance lines of business of Finanzia Banco de Crédito, S.A. and Uno-e Bank, S.A., the liquidity mechanisms would be modified. BBVA would lose its right of purchase and Terra would retain its right of sale, but only at the market value as determined by an investment bank. 	<p>In 1997 and 2000 Telefónica provided guarantees to the entity that is now Banco Santander Central Hispano, S.A. to ensure the liquidity and value of the investments made by it in Antena 3 de Televisión, S.A. To execute these agreements, in 1999 Telefónica Media, S.A. (Sole-Stockholder Company) (now Telefónica de Contenidos, S.A. (Sole-Stockholder Company)), a subsidiary of Telefónica, S.A., acquired shares representing 7.1395% of the capital stock of Antena 3 de Televisión, S.A. Additional acquisitions have yet to be formalized and the guarantee on certain of the shares has yet to be executed.</p>
<p>On January 10, 2003, Terra and BBVA entered into an agreement to integrate the consumer finance lines of business of Finanzia Banco de Crédito, S.A. and Uno-e Bank, S.A. in terms that were more in keeping with their respective interests and those of Uno-e Bank, S.A. than those provided for in the memorandum of understanding dated May 15, 2002. Accordingly, the memorandum of understanding was rendered null and void, and the definitive agreement was made conditional upon obtainment of the relevant internal and administrative authorizations, which must be secured prior to June 30, 2003, as a condition for the formalization and performance of the integration. After the integration takes place, Terra's ownership interest in Uno-e Bank, S.A. will be 33% and that of the BBVA Group will be 67%.</p>	<p>On January 7, 2003, as a result of a change in the legal conditions applicable to the ownership of shares of television concession holder companies, Telefónica, S.A. and its subsidiary Telefónica de Contenidos, S.A. (Sole-Stockholder Company) exercised vis-à-vis Banco Santander Central Hispano, S.A. purchase options on 17,365,125 and 2,167,500 shares of Antena 3 de Televisión, S.A. which, taken as a whole, represent 11.719% of the capital stock of Antena 3 de Televisión, S.A. The shares were to be acquired by the Telefónica, S.A. subsidiary Corporación Admira Media, S.A. (Sole-Stockholder Company).</p> <p>After the related procedural formalities had been carried out, on February 5, 2003, the transfer of the aforementioned shares was formalized, and, accordingly, as of that date, the guarantees provided to Banco Santander Central Hispano, S.A. were fully executed and fulfilled. The resulting ownership interest was 59.24%.</p>
<p>On that same date (January 10, 2003), BBVA and Terra entered into a liquidity agreement that will replace that dated May 15, 2002, once the aforementioned integration has taken place. This agreement</p>	<p>Acquisition of Tele Centro Oeste Celular Participações (TCO)</p> <p>In January 2003 Brasilcel N.V., owned 50% by Telefónica Móviles, S.A. and 50% by Portugal Telecom Moveis, S.A., the joint venture created by these companies to manage and develop their cellular telephony business in Brazil, entered into an agreement to acquire, through its subsidiary Telesp Celular Participações, S.A., from the Brazilian company Fixcel 61.10% of the common shares with voting rights of Tele Centro Oeste Celular Participações, S.A. (TCO) representing 20.37% of the latter's total capital stock. The formalization of this acquisition is subject to the satisfactory conclusion of the due diligence review currently in progress and to the obtainment of the pertinent administrative authorizations.</p> <p>If this acquisition is concluded, pursuant to current stock market legislation in Brazil, a tender offer will be launched for the TCO.</p>

common shares held by the other stockholders. Subsequently, TCO's shares will be exchanged for preferred shares of Telesp Celular Participações, S.A., which will give the latter company the opportunity to own all the shares of TCO.

Restructuring of the debt of Telefónica Comunicaciones Personales (Argentina)

In January 2003 Telefónica Comunicaciones Personales, S.A., a subsidiary of Telefónica Móviles, S.A. in Argentina, entered into agreements with various Ericsson Group Companies to refinance its debt of US\$ 130 million to the Ericsson Group.

Also, Telefónica Comunicaciones Personales refinanced its intercompany debt of US\$ 630 million to Telefónica Móviles, S.A.

Telefónica Europe, B.V. bond issue

On February 6, 2003, Telefónica Europe B.V. launched two long-term bond issues underwritten by Telefónica S.A. The first issue, which matures on February 14, 2013, has a face value of g1,500 million and an annual coupon of 5.125%. The second issue, with a face value of g500 million, matures on February 14, 2033, and has an annual coupon of 5.875%.

Treasury Stock

At the beginning of 2002 Telefónica held treasury stock representing 0.97264% of capital stock, i.e. 45,440,901 shares with a book value of g14.85, giving a total of g674.73 million and a par value of g45.44 million

In 2002 the Company acquired for consideration 55,169,765 shares of treasury stock (representing 1.135% of capital stock and with a par value of g55.17 million) at an average price of g9.49 per share, and 1,819,821 shares were assigned to it in the capital increases at no cost to the stockholders. Also, 799,411 shares (representing 0.016% of capital stock and with a par value of g0.80 million) were used to acquire from Iberdrola, S.A. holdings in Brazilian telephony companies, and 10,000,000 shares (representing 0.2057% of capital stock and with a par value of g10.00 million) were sold for an average price of g8.67 per share, giving rise to a loss of g1.79 million.

As a result of these transactions, 91,631,076 shares (1.88516% of capital stock) of treasury stock were held at year-end, acquired at an average price of g11.65, giving a total of g1,067.94 million and a par value of g91.63. As indicated in Note 4-i, pursuant to current accounting legislation, these shares of treasury stock were valued at their underlying book value and, consequently, a provision of g733.38 million was recorded.

