Second Investor Conference
March, 2002, Seville

Eduardo Caride
Executive Chairman of Telefónica Data
Telefónica Data

Creating value for our Corporate Customers
Safe harbour

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Content

• 2001 Commitment´s in a challenging environment

• Reorientation of our Business Model

• Achievements to date and strategic priorities looking forward

• Summary of commitments moving forward
**Financial results for 2001 were below expectations**

<table>
<thead>
<tr>
<th></th>
<th>RIO 2001 (E)</th>
<th>2001</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incumbent Spain + LatAm</td>
<td>1,226 M€</td>
<td>1,228 M€</td>
<td>100%</td>
</tr>
<tr>
<td>New Entrant LatAm</td>
<td>64 M€</td>
<td>43 M€</td>
<td>67%</td>
</tr>
<tr>
<td>New Entrant Europe</td>
<td>807 M€</td>
<td>598 M€</td>
<td>74%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>176 M€</td>
<td>24 M€</td>
<td>11%</td>
</tr>
</tbody>
</table>

- **Strong focus on launching:**
  - Startup businesses in Brazil (out of Sao Paulo), Mexico, USA, Italy and an International Network
  - Value Added Services: Hosting & ASP and Consulting
Slowdown in demand has reduced growth expectations

During 2001, the market has strongly reduced its expectations on the business growth for the coming years recognizing ramp up for demand will take longer than expected.

- Steep decline in demand from New Economy Players, last year’s most promising segment.
- Lower telecom expenditure growth and lengthening of sales cycles due to economic slowdown.
- Distressed alternative carriers cut-off from financing.
- “Need to sell anything at any price” reduced market prices.
- “Flight to Quality” by customers to most sustainable providers.

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Moving forward we have repositioned our strategic focus

**Situation at Río**

• Capture the Data Services / VAS growth opportunity leveraging on *massive client base* in domestic markets

• Strengthen position from *selective expansion* in new markets: attractive customer bases and focus on Corporate and NEPs

• Leverage *infrastructure / presence* to serve multinational customers

**Current focus**

• Serve *Corporate Customers offering customized solutions* through specialized sales force in our domestic markets

• Turn profitable the businesses in new markets by achieving necessary *scale*, offering packaged solutions to targeted segments

• Leverage our distinctive regional position to *better serve* multinational corporations and boost our international services
**Markets presence**

<table>
<thead>
<tr>
<th>Europe</th>
<th>America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>Argentina</td>
</tr>
<tr>
<td></td>
<td>Brazil *</td>
</tr>
<tr>
<td></td>
<td>Chile</td>
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<tr>
<td></td>
<td>Peru</td>
</tr>
<tr>
<td>Germany</td>
<td>Mexico</td>
</tr>
<tr>
<td>Italy</td>
<td>USA</td>
</tr>
<tr>
<td>UK</td>
<td>Colombia</td>
</tr>
<tr>
<td>Austria</td>
<td>Uruguay</td>
</tr>
</tbody>
</table>

Leverage the competitive advantage of Telefónica’s wireline operator

Achieve scale as an alternative carrier, concentrating on the most attractive segments and services

* In Brazil Telefónica is new entrant out of Sao Paulo
### Business Model

<table>
<thead>
<tr>
<th>Incumbent Markets</th>
<th>New Entrant Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clients</strong></td>
<td><strong>Services</strong></td>
</tr>
<tr>
<td>Large corporations and ISPs</td>
<td>One stop Shopping</td>
</tr>
<tr>
<td>Multinationals within current portfolio</td>
<td>Complete portfolio of IP services</td>
</tr>
<tr>
<td>SMEs/ISPs</td>
<td>Packaged solutions (xDSL, VoIP, IP-VPN)</td>
</tr>
<tr>
<td>Telefonica companies</td>
<td></td>
</tr>
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</tbody>
</table>
Corporate customers require integrated solutions for their various needs

Need for customized solutions for their particular needs

Integrated Solutions

Need of voice communications among employees and third parties

Hosting

Need to handle huge volumes of information and make it available to third parties

Internet Access

Need to access internet content & email

Corporate Customer

Need to connect computers to share information

Data Communications

We are a “One Stop Shopping” solution provider for our customers to deal with the IT and Telecom technological convergence
Repositioning of our focus in the new environment

**Incumbent markets**
- Focus on large corporate customers
- Reputation of high-quality advanced solutions
- Increased emphasis on efficiency
- Close relationship with Telefonica’s Wireline Operators

**New entrant markets**
- Focus on achieving critical scale in most attractive segments and markets
- “Pragmatic” growth based on local market environment
- Speed-up of “path to profitability”

**Increased focus on efficiency**
- Lean Corporate Center
- Leverage shared services from Telefonica’s Group
- Unification of IT platform
- Leverage regional footprint to serve global/regional accounts
Content

• 2001 Commitment’s in a challenging environment

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2001 pro forma financials

€ Millions

- **Revenues**
  - 2000: €1,442
  - 2001: €1,850
  - CAGR: 28%

- **EBITDA**
  - 2000: €108
  - 2001: €24
  - CAGR: -78%

- **CapEx**
  - 2000: €459
  - 2001: €427
  - CAGR: -7%

**Significant revenue growth**

**Growth efforts in start-up operations significantly impacted EBITDA**
- Italy
- Mexico
- US data center
- International Network

**Overall containment of CapEx**
**Contribution to results by market type**

**Percentage**

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Incumbent markets</strong></td>
<td>71%</td>
<td>66%</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>New entrant markets</strong></td>
<td>29%</td>
<td>34%</td>
<td>59%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

- **Significant revenue growth**
  - Steady growth in incumbent markets (especially LatAm)
  - Increase in new markets contribution to the total revenue

- **Overall EBITDA impacted by increasing share of revenues from new entrant markets where operations are in start-up phase**
High quality revenues
2001. Percentage

Revenue source
Wholesale: 100
Internet traffic & access to ISPs: 20
Retail: 80

Product mix
Equipment: 6
Telephony Solutions: 4
Hosting/ASP: 6
Data and Internet*: 3

High quality of revenue mix
- Portfolio based on managed services
- Retail client focus
- Low exposure to voice revenues

* No Voice nor leased lines
Our strategic priorities moving forward

1. Strengthen leadership in incumbent markets by increasing share of wallet
2. Complete expansion to main Latin-American markets
3. Make profitable the European expansion ventures
4. Ascend in the value chain into higher margin and stronger loyalty impact services
5. Capitalize our distinctive regional position to better serve multinational corporations and boost our international services

Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies
Pro forma results in incumbent markets

€ Millions

Spain

2000 2001

699 797

14%

LatAm Incumbent*

2000 2001

303 431

42%

• Substantial revenue growth even in most mature markets (Spain)
• Sustained leadership/market share in corporate data services in Spain (~75%) and increasing market share in Brazil/Sao Paulo (30%)
**Pro forma results in incumbent markets**

€ Millions

<table>
<thead>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>699</td>
<td>797</td>
<td>155</td>
<td>155</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>LatAm Incumbent*</td>
<td>303</td>
<td>431</td>
<td>15</td>
<td>31</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

- Flat EBITDA in Spain due to pricing pressure and launch of new businesses (hosting/ASP)
- Expansion of EBITDA margins in Latin America
- Significant wholesale revenues generated to Telefónica´s fixed line operators (2nd largest wholesale client)

* Argentina, Brazil, Chile, Peru
**Capex adjustments in incumbent markets**

€ Millions

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>CapEx/Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td>118</td>
<td>88</td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>LatAm Incumbent</strong></td>
<td>167</td>
<td>143</td>
<td><strong>55%</strong></td>
</tr>
</tbody>
</table>

**Significant CAPEX rationalization under way**

* Argentina, Brazil, Chile, Peru
**Strategic objectives in Brazil**

**Competitive platform**

**In Sao Paulo**
- 30% market share:
  - Retail revenues coming from data products
  - Top corporations
- Complete portfolio of services
- Broad commercial capillarity

**Out of Sao Paulo**
- National license since March 2002
- ITAU national infrastructures and business
- 1 PoP deployed in Rio and 7 additional PoPs in installation phase in 7 other cities

**Strategic objective**

**Achieve leadership in all corporate segments**

**About 45% market share by 2005**

**Serve the global needs of Sao Paulo corporations and capture additional business on SMEs**

**About 25% market share by 2005**
**2001-2005 financial projections in incumbent markets**

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>LatAm Incumbent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>9-13% CAGR</td>
<td>15-19% CAGR</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>10-14% CAGR</td>
<td>35-40% CAGR</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>18-22% by 2005</td>
<td>11-15% by 2005</td>
</tr>
</tbody>
</table>

**Strategic priorities**

- Reinforce leadership in all incumbent markets
- Increase loyalty and revenues per client through:
  - Integrated advanced solutions leveraging broadband access (eBA)
  - Specialized sales force by industry
- Reduce operating expenses and CapEx to improve ROIC
- Leverage incumbent wireline operator network and commercial activity
Our strategic priorities moving forward

1. Strengthen leadership in incumbent markets by increasing share of wallet
2. Complete expansion to main Latin-American markets
3. Make profitable the European expansion ventures
4. Ascend in the value chain into higher margin and stronger loyalty impact services
5. Capitalize our distinctive regional position to better serve multinational corporations and boost our international services

Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies
Pro forma results in Latam new entrant markets*

€ Millions

- Strong revenue growth
- Negative impact on EBITDA of launch of new ventures
  - Mexico
  - USA
- Slump of Colombia’s overall profitability

Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>24</td>
</tr>
<tr>
<td>2001</td>
<td>44</td>
</tr>
</tbody>
</table>

EBITDA Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>9%</td>
</tr>
<tr>
<td>2001</td>
<td>-70%</td>
</tr>
</tbody>
</table>

* Colombia, Mexico, Uruguay and USA
Complete expansion to main Latin-American markets to consolidate regional player role

Competitive platform

- Mission critical data center in Miami interconnected to Telefónica’s Latin-America operations over the Telefónica’s international backbone
- Interconnection agreements in the US

US based operations

- Network upgrade to multi-service level and IP protocol
- Value Added Services over IP
- Initial portfolio of large customers of T-Data

Mexico

Strategic objective

Capture Latin-American multinational business of US corporations

- Target large corporations requiring integrated advanced telecom solutions in diverse Latin American countries
- Provide remote hosting services for Latin American companies

Capture large accounts and strongly reduce interconnection costs to achieve positive returns

- VPN solutions to outsource the private networks of large corporations
- Leverage business opportunities with/from other Telefónica Companies
- International traffic to US and Miami remote hosting
Financial projections: Latam new entrant markets*

2001-2005 projections

- **Revenues**: 50-60% CAGR
- **EBITDA**: Break even by 2003
- **EBITDA Margin**: 12-16% by 2005

**Strategic priorities**

- Complete regional footprint
- Compete aggressively in selected markets
- Expand aggressively in value added services (especially hosting)

* Colombia, Mexico, Uruguay and USA
Our strategic priorities moving forward

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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies
**Pro forma results in Europe’s new entrant markets**

* Germany, Italy, UK and Austria

Includes €318 M from Mediaways 2000 pro forma

**Strong revenue growth**

**Negative impact on EBITDA due to launch of Italian operations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (€ Millions)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>380 **</td>
<td>1%</td>
</tr>
<tr>
<td>2001</td>
<td>598</td>
<td>-5%</td>
</tr>
</tbody>
</table>
Priorities for Germany, our major new entrant initiative in Europe

- IP infrastructure providing broad coverage and latest value added services for a small investment
  - 2nd Nationwide IP Network
  - No fiber hauls owned
  - 270 Pops (planning to go up to 475)
    - ensuring most favorable interconnection rates
  - ~250,000 ports
- One-stop solutions for ISPs
- Complete portfolio of corporate services

By end 2001, 2nd largest narrow-band access provider and carrier of switched online minutes (35% market share) …

…but requiring to achieve broadband capabilities to sustain its competitiveness in the near future
Achieved broadband capabilities through HighwayOne acquisition

Deal Rationale

- Become most attractive alternative to DT for broadband solutions to corporate segments
- Protect Internet traffic business
- Shorten time to market in strategic service

Service offering

Broadband

Narrowband

Media Ways + Highway One acquisition

Media Ways stand alone

Client segment

Corporations/ISPs

SMEs
### Strategic Priorities

- Selectively attack customer segments and geographies using cost competitive IP infrastructure
  - Concentrate on profitable bundling of voice and data products
  - Focus on SMEs and ISP
  - Capture corporations as second growth lever (IP-VPNs)
  - Leverage indirect channels
  - Selectively deploy/acquire infrastructure

- Capture significant market share in each country to achieve positive returns

#### 2001-2005 Projections

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>25-30% CAGR</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>Break even by 2003</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>11-15% by 2005</td>
</tr>
</tbody>
</table>

*Germany, Italy, UK and Austria*
Our strategic priorities moving forward

1. Strengthen leadership in incumbent markets by increasing share of wallet
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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies
Significant progress to date has been achieved

### Switching & Data Services

**Status**
- 10 data centers and 16 collocation sites interconnected by Telefónica backbone
- Complete service portfolio
- Blue chip customer base

**Revenues**
- 247% growth
- 3% of total revenues

### Hosting & ASP solutions

**Status**
- Outsourcing and consulting services in several countries
- Leverage internal resources from Telefónica Sistemas

**Revenues**
- 29% growth
- 6% of total revenues

### eBusiness consulting & systems integration

**Status**
- Increasing presence in high value added services (9% of total 2001 revenues)

**Revenues**
- 116

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*32*
**Competitive hosting – ASP offering**

**Partnership agreements**
- Service Providers
  - Akamai
  - Globix
  - Verisign
- Systems integrators
  - Accenture
- Technology providers
  - Cisco Systems
  - HP
  - Microsoft
  - Oracle
  - Sun

**Deployed services**
- Housing
- Storage
- Shared hosting
- Dedicated hosting
- Remote hosting
- Digital certificates
- Content streaming
- Content delivery
- Managed services
- Application services platforms

**Main reference clients**
- Addeco
- Ahold
- AOL
- Banco Popular
- Barclays Bank
- BBVA
- Bradesco
- Canon
- Compuserve
- Der Spiegel
- Eli Lilly
- Eroski
- Fiat
- Admira
- Atento
- Telefónica

- Iberia
- Pixelpark
- PriceWaterHouse Coopers
- Mc Donald’s
- RTVE
- RTL
- RBA Ediciones
- Scopus
- UPS
- Varig
- Versum
- Visanet
- Katalyx
- Terra-Lycos
- T Móviles
Telecom and hosting components become increasingly important as corporations externalize their IT solutions.

**Systems integration capabilities**

**Deployed services**
- Telecom-IT networks
- Outsourcing
- Call centers
- Internet applications design and development
- Intranets/extranets
- Application services hosting and management
- CRM
- ePayments
- E-Procurement
- E-Learning
- Security and certification

**Main Reference Clients**
- Adquira
- Aena
- Banco Popular
- BBVA
- CaixaCataluña
- Cruzcampo
- Falabella
- Fiat
- Iberia
- Itaú
- Renault
- Spanish Defense Ministry
- SCH
- Terra
- Visanet

**Integrated solutions**
Providing integrated solutions across the entire value chain to increase share of wallet

- Boost high-capilarity broadband communications and usage of Data Centers
- Develop high value added services
- Reassure reliable solutions and high quality management
- Industry specific solutions

Development of complete, customized, “end-to-end”, industry-specific solutions for corporations
- To help customer increase efficiency in their own businesses
- To capture larger part of corporate communication expenditures
### Financial projections: value added services

<table>
<thead>
<tr>
<th>Hosting/ASP</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>70 – 80 %</td>
<td>20 – 25 %</td>
</tr>
<tr>
<td>13 – 17%</td>
<td>6 - 10%</td>
</tr>
</tbody>
</table>

### Strategic priorities
- Consolidate value added services product offering to increase loyalty of our customers
- Ensure quick adoption of value added services by clients
- Optimize infrastructure utilization

- Increase sector/vertical market focus
- Become the “one stop shopping” solution for our customers to deal with the IT and Telecommunication convergence

### Revenues

<table>
<thead>
<tr>
<th>CAGR 2001-2005</th>
<th>Share of total 2005 Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 – 17%</td>
<td>6 - 10%</td>
</tr>
<tr>
<td>70 – 80 %</td>
<td>20 – 25 %</td>
</tr>
</tbody>
</table>
Our strategic priorities moving forward

1. Strengthen leadership in incumbent markets by increasing share of wallet
2. Complete expansion to main Latin-American markets
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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies.
Strategic priorities and progress to date in global customers and international services

<table>
<thead>
<tr>
<th>Global customers</th>
<th>Commercial Focus</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Provide first class service to multinational accounts requiring integrated management of their diverse local and international solutions</td>
<td>• Global Account Teams ensure one stop shopping for large multinationals across all geographies</td>
</tr>
<tr>
<td></td>
<td>• Develop international services</td>
<td>• Active accounts generate annual revenues close to 470M Euros</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>International services</th>
<th>Commercial Focus</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Channel management model with representatives at each local Business Unit</td>
<td>• Centralized product development and presale/post-sale engineers unit</td>
</tr>
<tr>
<td></td>
<td>• 300 customers generating about 35M Euros</td>
<td>• 300 customers generating about 35M Euros</td>
</tr>
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Objectives 2005

Reach a portfolio of 120-150 global accounts generating annual revenues of €650 to 700 M

23 - 27% expected CAGR on revenues over international services to 2005
Content

- 2001 Commitments in a challenging environment
- Reorientation of our Business Model
- Achievements to date and strategic priorities looking forward
- Summary of commitments moving forward
### Summary of our financial projections

<table>
<thead>
<tr>
<th></th>
<th>2001 Results</th>
<th>00-01 Change</th>
<th>2001-2005 growth projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1850</td>
<td>28%</td>
<td>18-22% CAGR</td>
</tr>
<tr>
<td>EBITDA</td>
<td>24</td>
<td>- 69%</td>
<td>over 90% CAGR</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>1%</td>
<td>- 6 p.p.</td>
<td>13-17% by 2005</td>
</tr>
<tr>
<td>CapEx</td>
<td>€ 427 M</td>
<td>- 7%</td>
<td>€ 300-350 M*</td>
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* Annual average  
Note: Financial highlights presented for the four geographies don’t add-up to the financials presented for the Telefonica Data line of business due to operating costs of the corporate center and adjustments & inter-company operations
Our levers to accomplish these objectives

- Focus on specific market segments
- Improve quality of revenues by offering higher margin value added solutions
- Capitalize on our distinctive regional positioning to multinationals in Spain and LatAm
- Increase operating efficiency
- Reduce learning curve experience by efficiently transferring know-how across borders
- Benefit from Telefonica Group’s financial strength
Telefónica Data

Creating value for our Corporate Customers