

The top half of the slide features a background of wood grain with concentric growth rings, transitioning from light tan to dark brown.

Second Investor Conference

March, 2002, Seville

The Telefonica logo is located in the top right corner, featuring the word "Telefonica" in a yellow, cursive font with a thin underline, set against a dark blue rectangular background.

Telefonica

The bottom half of the slide features a background of blue water ripples, with concentric circles radiating from a central point, creating a sense of movement and depth.

Eduardo Caride

Executive Chairman of Telefónica International Wholesale Services

Telefónica International Wholesale Services

Generating value by leveraging Telefónica Group's international assets and strengths

Safe harbour

This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company .

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Content

- **A new initiative**
 - Context and market approach
 - Emergia results during 2001
 - Financial commitments and summary

Telefónica International Wholesale Services

**Become one of
the world
leaders in the
telecom
wholesale
business,
particularly
Spanish &
Portuguese
speaking
countries**

- Will manage all international voice, data, and capacity services and the networks that support them
- A new initiative to compete actively in the carriers' carrier market
- Manages every element of the business: commercial, network, legal & regulatory, finance, and administrative
- Concentrates Telefónica's international resources of Spain, Argentina, Brazil, Chile, Perú, Central America and USA
- Handles internationally 7.8bn minutes of voice, 25 Gbps of IP traffic and 35 Gbps of capacity
- A "virtual" business unit, not a legal entity

Global objective translated into management priorities for 2002

2002 priorities

-Increase the business volume with carriers

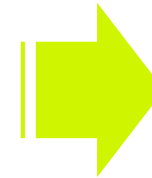
- broader set of products and services
- wider geographical coverage



€ 40MM

-Improve return on assets

- operative efficiency
- rationalize overlapped or obsolete



€ 20MM

-Reduce cash out

- minimize capex
- increase interchange of products



€ 40MM

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2001 has been a tough year for the telecom sector, especially for the data transmission business

Short term prices plunge...

- Lower growth:
 - Steep decline in demand from NEPs
 - Telecom expending decline and cutback from corporations due to economic slowdown
- Distressed global carriers cut-off from financing
- Desperation for cash

...but growth continuous due to broadband and IP

- Definitive take-off of residential and SMEs BB demand (xDSL)
- Growing IP services demand: VPN-IP, VoIP
- Reassurance of hosting/ASP services long-term growth potential

...and the situation varies across geographies

- Demand/supply balance
- City-to-city connectivity

- **Capacity can be differentiated, especially on service quality**
- **Need to focus on operating efficiency and asset management**
- **Financial stability becomes an important commercial asset**

Telefónica Wholesale is based on Telefónica's strengths

- **Leading operator in Spain and Latin America**
- **Existing customers base (more than 78 millions) generating large amounts of international traffic (voice and IP) from countries where Telefónica is present**
- **Telefónica's financial strength**
- **Emergia:**
 - Leading provider in Latam
 - Technologically advanced high-capacity network
 - City-to-city connectivity

..., such as voice volume

WORLD RANKING 2000					
Million of minutes					
Rnk 2000	Rnk 1999	Carrier	2000	1999	Var 00/99 (%)
1	2	WorldCom	14,811	9,795	51.2%
2	1	AT&T	11,204	11,929	-6.1%
3	3	Sprint	5,368	4,844	10.8%
4	4	Teleglobe	5,282	4,646	13.7%
5	7	BT	4,559	4,029	13.2%
6	6	Deutsche Telekom	4,525	4,385	3.2%
7	5	France Telecom	4,393	4,390	0.1%
8	8	Telecom Italia	3,735	3,528	5.9%
9	10	C&W	3,487	2,529	37.9%
10	11	Telefónica	3,067	2,354	30.3%
11	9	Reach	2,732	2,714	0.7%
12	12	Swisscom	2,050	2,259	-9.3%
13	13	China Telecom	2,050	1,950	5.1%
14	14	KPN	1,636	1,625	0.7%
15	15	Singapore Telecom	1,440	1,350	6.7%
16	16	Belgacom	1,278	1,288	-0.8%
17	18	Saudi Telecom	1,195	1,060	12.7%
18	17	Telmex	1,183	1,063	11.3%
19	19	Etisalat (EAU)	1,124	963	16.7%
20	22	Primus	1,083	868	24.8%

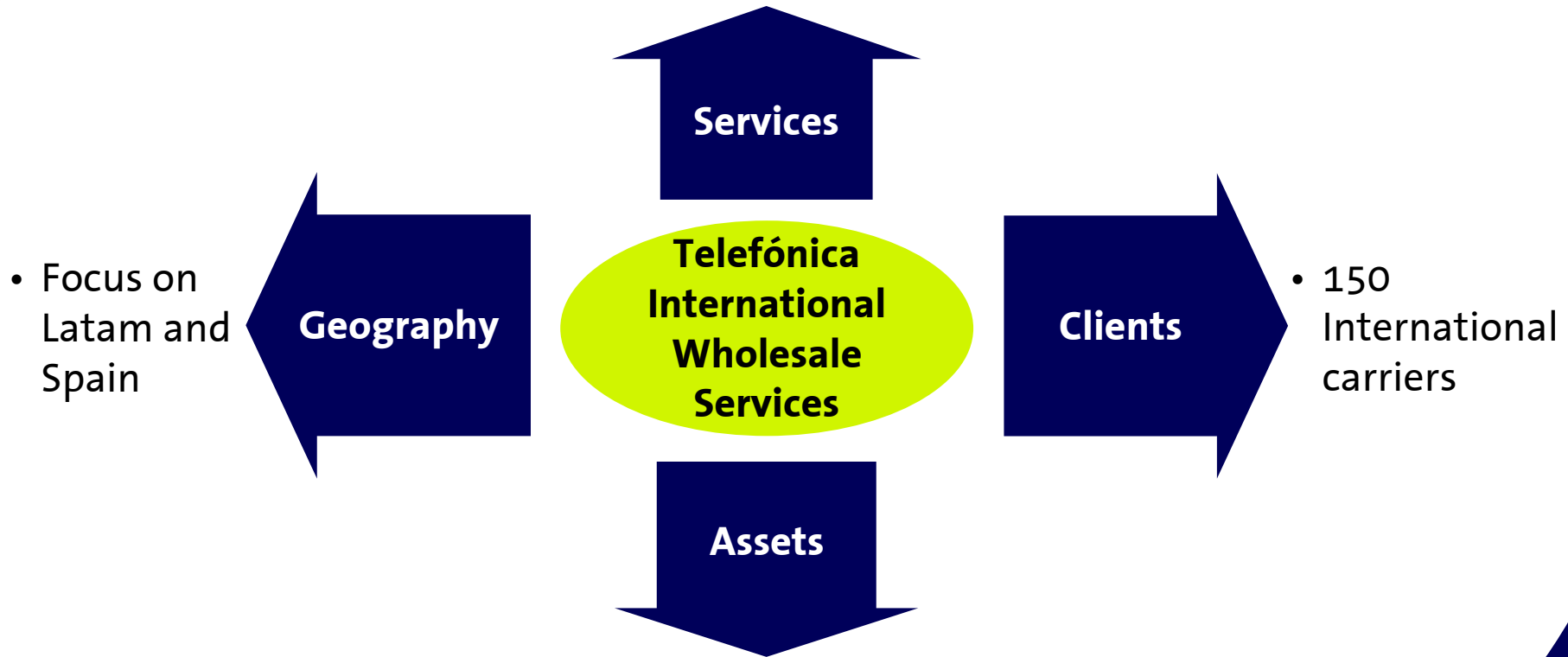
Rank expected in 2002
4,479 MM minutes
+17.0 %

Estimated rank 2001
3,828 MM minutes
+24.8 %

Source: Telegeography 2002 & TdE

Telefónica International Wholesale Services' market approach

- Voice
- IP/Data
- International capacity



- Latinamerican international backbone (Emergia)
- Telefónica Data international service infrastructure
- International wholesale business of Telefónica's wireline operators

Leveraging Telefónica's comprehensive set of products and services, unique in Latam,...

	VOICE	IP / DATA	CAPACITY
Products	<ul style="list-style-type: none"> • Termination services • Transit services • VoIP 	<ul style="list-style-type: none"> • IP transit 	<ul style="list-style-type: none"> • City-to-City capacity • Access network • Co-location
2001 Revenues (1)	€ 501MM	€ 32 MM	€ 14 MM
2001 Sales	7.8bn minutes	25 Gbps	35 Gbps

Estimated Mkt Shares

• Europe	4 %	5 %	1 %
• Latam	18 %	14 %	25 %

- All figures are actually included in the Income Statement of every wireline incumbent operator, T-Data, and Emergia

...and its international assets



- Significant client base
- High standard of service recognized by clients and competitors
- Benefits Telefónica Group's companies by providing top quality broadband capacity at highly competitive prices
- Established and recognized brand name



SATELLITE

- Communication centers: 5
- Antennas: 54

NODES

- Voice: 24 (7 VoIP)
- Data: 30
- Capacity: 13

SUBMARINE CABLES

- TEF's countries: 17 cables
- Not TEF's countries: 45 cables
- Emergia represents 93% of total cable capacity

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In this context, Emergia has been able to deliver financial results better than expected

2001. Millions of Euros



Million euros

	2001	2001/05 CAGR
REVENUES (1)	14	90/100%
EBITDA (1)	- 60	Positive 2004
NET INCOME (1)	- 182	Positive 2005/06
CASH SALES	110	40/50%
OPERATING CASH FLOW	40	70/80%
CAPEX	195	-5/-10%

- **Network ready for service on April 1st, 2001**
- **100% availability for customers on submarine segments**
- **46% of occupancy by third parties**
- **13% less Capex**

(1) US GAAP

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Financial commitments

2001 – 2005 CAGR.

Telefónica International Wholesale Services (1)

REVENUES (2)	9/13%
voice	2/3%
IP/data	18/22%
Emergia	90/100%

(1) All figures are actually included in the Income Statement of every wireline incumbent operator, T-Data, and Emergia

(2) US GAAP

In summary,

We will leverage Telefónica's international assets and strengths to fully capture the potential of the international wholesale business by

- Increasing business with carriers by an integrated management of international wholesale services
- Concentrating the buy-and-sell of capacity, voice and IP
- Minimizing capex and reducing cash out
- Capturing network and commercial synergies of every Telefónica's international wholesale unit
- Taking advantage of Telefónica's strong retail presence in the region

Become one of the world leaders in the telecom wholesale business, particularly Spanish and Portuguese speaking countries

Telefónica International Wholesale Services

Generating value by leveraging Telefónica Group's international assets and strengths

Telefónica
