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. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.
Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica’s business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company’s Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.
• The clear leader in the region
• Good results in 2001 despite the economic turmoil
• Fit to manage the crisis in Argentina
• Strong position to capture growth potential in Brazil
• Continuing regional efforts to improve efficiency
• Solid FCF generator
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
  - Manage Argentinean crisis
  - Capture growth in Brazil
  - Consolidate performance through active regional management

• Financial projections: strong cash performance

• Summary
**T Latam is the clear wireline leader in the region**

**Peru**
- Population: 26 million
- Employees: 1.7 million
- GDP/capita ($): 2,030

**Chile**
- Population: 15 million
- Employees: 2.7 million
- GDP/capita ($): 4,203

**Argentina**
- Population: 37 million
- Employees: 4.6 million
- GDP/capita ($): 3,626**

**Sao Paulo**
- Populaación: 37 million
- Employees: 12.6 million
- GDP/capita ($): 4,645 (Brazil: 2,915)

---

*Management control in Puerto Rico’s TLD and 6.9% stake in CANTV

**After devaluation; exchange rate 1 USD = 2.0 Argentinean Pesos*
Common regional management priorities combined with attention to local context.

Common management principles for volatile environment … … with specific policies to face different local realities

Profitable Growth

Tight cash control

CHILE
Preserve cash flow generation and manage regulatory environment

Perú
Return to profitability in a harsh competitive and regulatory context

SAO PAULO
Anticipate regulatory goals and manage growth

ARGENTINA
Damage control during crisis and defend cash flows
Telefónica Latinoamérica

Telesp: anticipation of goals ("metas") and achievement of significant growth

Key management actions

Profitable growth
• Important effort to anticipate regulatory goals: 10,000 new lines installed every day
• ARPU maintained despite increase in penetration
• Productivity increased to 1,198 lines/employee (23% average line growth and 18% employee reduction)
• Active control of bad debt (3.4% vs. 8.0% Telemar, 5.3% Brazil Telecom and 16.0% Embratel)
• 200,000 ADSL LIS

Tight cash control
• High CAPEX (R$ 4.6 Billion) to anticipate "metas", but nearly self financed, maintaining a very low debt level (0.9x EBITDA)

Results, Million R$

<table>
<thead>
<tr>
<th></th>
<th>00</th>
<th>01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>7,312</td>
<td>9,136</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4,046</td>
<td>4,849</td>
</tr>
<tr>
<td>Net income</td>
<td>1,481</td>
<td>1,576</td>
</tr>
<tr>
<td>FCF*</td>
<td>-436</td>
<td>-293</td>
</tr>
</tbody>
</table>

(*) FCF=EBITDA-Net financial expense-taxes-CAPEX
Only player achieving “metas” two years in advance

Number of lines
Million

Waiting list
Million

CAPEX
Million R$

CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Million</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>99</td>
<td>8.4</td>
<td>25%</td>
</tr>
<tr>
<td>00</td>
<td>10.6</td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>12.6</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Million</th>
<th>CAPEX 01 to achieve 2001 goals</th>
<th>Increase of CAPEX to anticipate 2003 goals</th>
<th>CAPEX 01 to achieve goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>8.0</td>
<td>4,302</td>
<td>235</td>
<td>4,537</td>
</tr>
<tr>
<td>99</td>
<td>4.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>00</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

After the accomplishment of “metas”, Telesp will be able to:
- Provide full product range (voice and data) to all Sao Paulo clients
- Offer long distance service outside Sao Paulo
- Serve corporate clients nationwide with T Data
ARPU maintained even with a 23% growth in lines

Revenues
Million R$

2000 2001
7,312 9,136
25%

Average LIS
Million of lines

2000 2001
9.4 11.6
23%

ARPU
R$

2000 2001
776 787
1%

Remarkable growth in customer base…

... without reducing the average line profitability
Telefónica Latinoamérica

**TASA: damage control and cash-flow protection**

**Key management actions**

**Tight cash control**
- **Management for cash**: preserve cash-flow generation (739 Mill., including management fee)
- Close **control of bad debt** (6.4%*)
- Supplier **contract renegotiation**

**Profitable growth**
- **Cost control**: manageable costs down 9%
- **Freeze expansion** in Northern Argentina
- Retention of **profitable customers**
- Promotion of **traffic generating products**: 35% increase in voice mail services to 1.8 Mill.
- **Adjusted growth strategy** according to very high cost of capital (e.g. selective ADSL deployment)

**Results, Million Pesos**

<table>
<thead>
<tr>
<th></th>
<th>00</th>
<th>01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>-15%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>-34%</td>
<td></td>
</tr>
<tr>
<td>FCF**</td>
<td>-21%</td>
<td></td>
</tr>
</tbody>
</table>

(*) Excluding extraordinary provision for end-of-year devaluation

(**) FCF = EBITDA - Net financial expense - taxes - CAPEX
Management anticipated crisis and took measures early-on

- **Cash control**
  - Daily monitoring of cash movements and cash position
  - Net Debt reduction of 12%, resulting in Net Debt / Net Assets of 35.7%

- **Bad debt control**
  - Strict policy of telephone disconnection after 120 days
  - Extra recovery of 19% of debt through external agencies
  - Expand payment methods: bonds (Patacones, LECOPS)
  - Co-billing in Northern Argentina (bill collection up from 72% to 94%)

- **Cost reduction**
  - Personnel expenses reduced by 9%
  - Costs/line reduced by 9%
  - Special committee focused on defining expense priorities and approving cash outflows
CTC: return to positive results in a harsh competitive and regulatory context

Key management actions

Profitable growth
• Focus on **cost reduction** (e.g. 21% staff reduction)
• **Bad debt** expense down to 2.2%
• Recovered **LD market share leadership** and increased LD revenues in a tough competitive environment
• 6.2% revenue **growth in corporate segment** compensating stable residential market

Tight cash control
• Even in tough economic and regulatory environment, generation of **large and growing cash flow** (274 million in 2001)
• **Strong debt reduction** (USD -272Mill), resulting in Net Debt/Net Assets of 28%

Results (excluding SONDA)
‘000 Million Pesos

<table>
<thead>
<tr>
<th></th>
<th>’000 Million Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>697</td>
</tr>
<tr>
<td>2001</td>
<td>724</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>258</td>
</tr>
<tr>
<td>2001</td>
<td>329</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>-33</td>
</tr>
<tr>
<td>2001</td>
<td>67</td>
</tr>
<tr>
<td><strong>FCF</strong>*</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>93</td>
</tr>
<tr>
<td>2001</td>
<td>161</td>
</tr>
</tbody>
</table>

(*) FCF=EBITDA-Net financial expense-taxes-CAPEX
TdP: preserving cash flow generation and managing regulatory environment

Key management actions

**Tight cash control**
- **Strict CAPEX control** (13% reduction)
- **Maintain strong cash flow generation** (318 Mill., including Management Fee)

**Profitable growth**
- **Negotiation with regulator to settle interconnection rates and price cap** (-6%)
- **Active restructuring** of operations: Balance Sheet adjustment, CSC’s, Yellow Pages
- **Defense of market share leadership** (over 94% in DLD and 86% in ILD)
- **New products for** lower-income market segments controlling bad debt

(*) FCF=EBITDA-Net financial expense-taxes-CAPEX
CANTV

- Adequate perspective on Venezuela
- 75.3 million in cash received
- 6.9% ownership maintained (directly in CANTV shares)
- Direct participation in management

TLD

- First year with positive results (+3.3 vs. -9.1 million)
- New portfolio of products (Pre-paid cards, flat-fee tariff, internet services)
- Strict OPEX control

(*) Management control in Puerto Rico’s TLD and 6.9% stake in CANTV
Telefónica Latinoamérica

TLatam’s good operating results have been reduced by exchange rate evolution...

<table>
<thead>
<tr>
<th>Results before exchange rate and Argentinean devaluation adjustments</th>
<th>Results excluding Argentinean devaluation adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Million (constant)</td>
<td>2000 Million (current)**</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>10,371</td>
<td>10,371</td>
</tr>
<tr>
<td>11,249</td>
<td>10,137</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
</tr>
<tr>
<td>5,360</td>
<td>5,360</td>
</tr>
<tr>
<td>5,718</td>
<td>5,173</td>
</tr>
<tr>
<td>Net income*</td>
<td></td>
</tr>
<tr>
<td>447</td>
<td>447</td>
</tr>
<tr>
<td>x3.9</td>
<td>x3.5</td>
</tr>
<tr>
<td>1,759</td>
<td>1,585</td>
</tr>
</tbody>
</table>

* During year 2000 percentage of ownership was increased (Veronica)
** 2000-2001 Local currency/ depreciation: (-) depreciation / (+) appreciation...
  Brazil -19.5%, Argentina +3.1%, Chile -9.7%, Peru +5.5%
...and the end of the year devaluation in Argentina

Impact in 2001 financial results (following ICAC rules):

- Debt restatement at 1.7 peso/dollar
- Increase provision for uncollectibles (51 million)

T Latam's net income
Million (current)

<table>
<thead>
<tr>
<th>Net income</th>
<th>Argentinean crisis</th>
<th>Net income 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,585</td>
<td>310</td>
<td>1,275</td>
</tr>
</tbody>
</table>

Impact in 2001 financial results:

- Debt restatement at 1.7 peso/dollar
- Increase provision for uncollectibles (51 million)

Net income 2001 pre-devaluation adjustments

1,585

310

1,275
Even in this context, most of the Rio de Janeiro commitments for 2001 have been met.

TeleSP 2001 Million R$ 

- Anticipating regulatory requirements to 01: Waiting list reduced from 2,457 to 0.
- Boosting revenues by 14%-18%: Revenues increased from 7,312 to 9,136.
- EBITDA improvement of 15%-18%: EBITDA increased from 4,406 to 4,849.
- CAPEX reduction by 25%-35%: CAPEX reduced from 3,980 to 4,537.
- ADSL 2001: 350,000 ADSLs.

T Latam 

- Cost/line reduction of 6%: Cost/line reduced from 270 to 245.
- TLatam EBITDA contribution to Telefónica of 40%-45% in 2001: EBITDA decreased from 45 to 40.

Increased to satisfy growth in demand and allow revenues larger than expected.

As the regional perspective worsened, expansion plans were moderated/postponed.
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
  - Manage Argentinean crisis
  - Capture growth in Brazil
  - Consolidate performance through active regional management

• Financial projections: strong cash performance

• Summary
Effect of economic crisis in TASA

• In **local traffic**, the slight increase in fixed-fixed traffic has partially mitigated the important fall in fixed-mobile and internet traffic.

• **LD traffic (Domestic and International)** suffering a strong decrease despite maintaining market share.

*Telefónica Latinoamérica*
Conservative accounting policy for uncollectible accounts:
- Receivables above 120 days old are fully (100%) provisioned
- Progressive provision for uncollected receivables in residential segment, amounting to approximately 75% of debt aged 30-120 days
- Provision for corporations according to risk profile

Acceptance of local bonds as payment method (Patacones, LECOPs)

* Does not include devaluation adjustments (totals 9.2% with extra devaluation provisioning)
**TASA is best positioned to overcome the crisis**

<table>
<thead>
<tr>
<th>Metric</th>
<th>TASA</th>
<th>Telecom Argentina*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues/ LIS (pesos/line)</strong></td>
<td>601</td>
<td>580</td>
</tr>
<tr>
<td><strong>LIS/ employee</strong></td>
<td>526</td>
<td>379</td>
</tr>
<tr>
<td><strong>EBITDA margin (%)</strong></td>
<td>51%</td>
<td>44%</td>
</tr>
<tr>
<td><strong>EBT margin (%)</strong></td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>CAPEX/ sales (%)</strong></td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Net debt/ EBITDA (%)</strong></td>
<td>1.5x</td>
<td>3.2x</td>
</tr>
</tbody>
</table>

(*) September 2001 data

Higher operational efficiency

More solid financial situation
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
  - Manage Argentinean crisis
  - Capture growth in Brazil
  - Consolidate performance through active regional management

• Financial projections: strong cash performance

• Summary
Brazilian economy presents positive outlook

- Good GDP prospects
- Solid public accounts
- Low exposure to Argentina

**Brazil’s 2001 primary surplus**: 3.5% of GDP (IMF’s target: 2.2%)
- International reserves maintained around $35 billion dollar since 1999
- Strong Foreign Direct Investment for 2002, guaranteeing external financing needs

**Exports and imports to Argentina in 2001** were only 1.3% and 1.5% of GDP respectively
- Total Brazil’s investments in Argentina: ~0.3% of Brazil’s GDP
There are three main growth opportunities in Brazil:

1. **Local traffic, Monthly fee Fixed-mobile traffic**
   - 2001: 6,148 Million R$ (CAGR = ~12%, +56%)
   - 2005E: 14,000-14,400 Million R$

2. **Interconnection**
   - 2001: 1,121 Million R$
   - 2005E: 1,121 Million R$

3. **Others**
   - 2001: 798 Million R$
   - 2005E: 798 Million R$

**Profitable growth**
- 11-13%
- 20-24%
- 60-65%
- 20-24%
- 8-10%

**Large opportunity in remaining LD market in Sao Paulo and corporate LD market outside Sao Paulo**

**Important further growth in traditional business and increased penetration of new services**
*Telefónica* is better positioned to capture growth opportunities in the operational side...

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
<th>Embratel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue/LIS (R$)</strong></td>
<td>788</td>
<td>742</td>
<td>724</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBITDA margin (%)</strong></td>
<td>53%</td>
<td>34%</td>
<td>43%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Uncollectibles/net revenues (%)</strong></td>
<td>3.4%</td>
<td>8.0%</td>
<td>5.3%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

Note: 2001 Results
... As well as in the financial side

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
<th>Embratel</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBT margin (%)</td>
<td>20%</td>
<td>2%</td>
<td>9%</td>
<td>-10%</td>
</tr>
<tr>
<td>CAPEX/Sales (%)</td>
<td>49%</td>
<td>100%</td>
<td>56%</td>
<td>20%</td>
</tr>
<tr>
<td>Net debt/Equity (%)</td>
<td>23%</td>
<td>70%</td>
<td>45%</td>
<td>58%</td>
</tr>
<tr>
<td>Net debt/EBITDA (%)</td>
<td>0.9x</td>
<td>2.5x</td>
<td>1.0x</td>
<td>3.0x</td>
</tr>
</tbody>
</table>

Note: 2001 Results
The anticipation of "metas" has opened new growth opportunities.

### Sao Paulo

<table>
<thead>
<tr>
<th></th>
<th>Mill R$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>2,992</td>
</tr>
<tr>
<td>Intra-state</td>
<td>1,766</td>
</tr>
<tr>
<td>Inter-state</td>
<td>1,005</td>
</tr>
<tr>
<td>International</td>
<td>221</td>
</tr>
</tbody>
</table>

Include in product offering, interstate and international traffic service:
- 100% of the businesses in Sao Paulo are Telefonica’s clients
  - 70,000 SME’s
  - 1,500 corporations through T Data
- Corporate segment represents 50% of LD market

### Outside Sao Paulo

<table>
<thead>
<tr>
<th></th>
<th>Mill R$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>6,340</td>
</tr>
<tr>
<td>Intra-state</td>
<td>3,380</td>
</tr>
<tr>
<td>Inter-state</td>
<td>2,507</td>
</tr>
<tr>
<td>International</td>
<td>453</td>
</tr>
</tbody>
</table>

New available markets for Telefonica:
- 33% of Sao Paulo corporations have operations outside the state
- 80% of the top 250 largest Brazilian companies have their headquarters in Sao Paulo
TeleSP’s will leverage its client base and the Group’s assets in the region

**Sao Paulo**

- Provide comprehensive offer to residential and business customers
- Leverage customer knowledge and distinctiveness of offer (only player with a complete product range)
- Direct, targeted marketing to most profitable clients (top 20% generates 80% of revenues) leveraging T Data
- Bad debt control
- Avoiding downward pressure on prices

**Outside Sao Paulo**

- Focus on current Sao Paulo customers operating nationwide (corporate and business segments): establish national negotiations mainly through T Empresas sales force
- Leverage Telefonica’s brand image
- Target the JV cellular clients (40% of the total Brazilian cellular market)
Significant contribution to TeleSP’s growth can be expected from Brazil 2002 opportunity

If TeleSP were to capture:
- **São Paulo**: 15-18% of the interstate and international market (vs. 79% market share in intrastate’01)
- **Outside São Paulo**: 4-6% of the LD market

...this would mean nearly doubling LD revenues in 2002

- New long distance opportunity will be EBITDA positive already in 2002, with an EBITDA margin of ~20%
- The total CAPEX requirements for 2002 are ~R$ 90 million

**Total LD revenues**

R$ Million

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>São Paulo</th>
<th>Outside São Paulo</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>LD Revenues</td>
<td>1,110</td>
<td></td>
<td></td>
<td>1,800-2,000</td>
</tr>
</tbody>
</table>

Note: Market Share figures related to 2002 average
TeleSP will also continue its profitable broadband growth

### 2002 Priorities

- **Current TeleSP’s target market** includes:
  - 850,000 SMEs and SoHos
  - 1.2 million high-income homes
- **Emphasize self-installation kits** (reducing OPEX)
- **Promote upgrades to faster speeds**, particularly in SME segment (increasing ARPU)
- **Evolve Speedy from “access” to “solution”** providing complete set of content and services
- **Focus on SME segment** with specific products (Viacorp, VPN, hardware, ..)

### ADSL Lines/US (%) vs ADSL Lines (’000)

<table>
<thead>
<tr>
<th>ADSL lines (%)</th>
<th>ADSL lines (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3%</td>
<td>DT</td>
</tr>
<tr>
<td>1.2%</td>
<td>FT</td>
</tr>
<tr>
<td>1.5%</td>
<td>TI</td>
</tr>
<tr>
<td>2.2%</td>
<td>TdE</td>
</tr>
<tr>
<td>1.6%</td>
<td>TeleSP</td>
</tr>
<tr>
<td>0.5%</td>
<td>BT</td>
</tr>
</tbody>
</table>
In addition, traditional business will also experience remarkable growth.

- Full contribution of 2001 new adds
- Contractually established tariff rebalancing
- Increase in fixed to mobile traffic (15-20% expected growth in mobile customer base)
- 36% increase in VAS revenues in 2002 (call forwarding, conference call, caller ID ..)
- Increased commercial effort in SMEs
... while CAPEX gets significantly reduced

TeleSP CAPEX/sales (Percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX/ sales (%)</td>
<td>49%</td>
<td>15-17%</td>
<td>11-13%</td>
</tr>
</tbody>
</table>

CAPEX distribution (Percentage of total CAPEX)

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>LD</td>
<td>-65%</td>
<td>15-17%</td>
<td>11-13%</td>
</tr>
<tr>
<td>Broadband</td>
<td>3-5%</td>
<td>7-9%</td>
<td>2-4%</td>
</tr>
<tr>
<td>Traditional</td>
<td>30-32%</td>
<td>70-75%</td>
<td>80-87%</td>
</tr>
</tbody>
</table>

- Important reduction in overall CAPEX after achievement of “metas”
- Broadband CAPEX gradually assuming an important share of the investments
- Very moderate CAPEX for long distance services, leveraging Telefónica’s existing assets (Emergia)

FCF change from -139 Million in 2001 to ~ +1,200 Million in 2002
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
  - Manage Argentinean crisis
  - Capture growth in Brazil
  - **Consolidate performance through active regional management**

• Financial projections: strong cash performance

• Summary
Telefónica Latinoamérica

T- Latam’s management structure provides both flexibility and tight control

Local management
- Empowered CEOs and local managers
- Local perspective on market and on evolution of competitive environment
- Focus on local level performance

Corporate Center
- Lean corporate staff (67 people in 2001)
- Tight control on critical elements, e.g. CAPEX
- Integrated perspective
- Definition of regional agenda

Regional initiatives
- Local and corporate managers
- Driver for capturing regional synergies
- Task-force, initiative oriented
- Forcing device for local managers to adopt regional mindset

Group initiatives
- CSCs
- Broadband/ADSL product development
- T Data vs wireline
- Purchasing
- Systems
Priorities going forward are:

1. **Preserve CASH through a strict CAPEX discipline**

   - Continue with a strict, centralized CAPEX discipline defined by:
     - homogeneous evaluation criteria,
     - tight top management control
     - flexibility to respond to economics shifts

   - **Maintain CAPEX/Sales level in the long term**

   - Increasing CAPEX devoted to broadband

*Considering devaluation of Argentinean pesos (Exchange rate after devaluation 1USD = 2.0 Pesos)
...(2) continue aggressively reducing costs...

**Comprehensive regional projects...**

- **Network cost optimization** setting a common model base on:
  - Extension of best practices
  - Processes redesign and automation
  - Productivity improvement
  - Outsourcing
- Network OPEX line down by 24% in 3 years

**...already delivering results**

- Initiatives launched during 2002 will already achieve reduction in network OPEX/line of 7-9% in 2002

**ATIS**

- Implementation of a **common billing, collection and customer care system**
- Direct savings from
  - IT development and maintenance
  - Billing, back-office and call center cost-efficiency
- Enabled benefits in marketing and sales activities

- Basic version of billing and client service already working in CTC
- Successive updates throughout the year incorporating full functionality
(3) preserve leadership with focused commercial efforts

- Conduct focused, profitable ADSL expansion
- Extend successful products/practices
- Leverage customer knowledge for product/service development
- Improve sales force and call center effectiveness
- Leverage presence, brand and services from other Telefónica’s affiliates

**Example of practices to extend: growth in LD market share in Chile through new products**

<table>
<thead>
<tr>
<th>Plan SLM Residential plan for DLD calls based on semi flat fee structure</th>
<th>Market share</th>
<th>DLD Revenues (year variation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36%</td>
</tr>
</tbody>
</table>

**Broadband growth**

- **ADSL LUS (’000)**
  - 2001: 246
  - 2005: 52
  - CAGR: ~50%

- **ADSL Revenues (Mill 2001)**
  - 2001: 52
  - 2005: 2001
  - CAGR: ~80%
(4) capture further growth opportunities in the region

- Expand to other regions/countries in Latin America
- Leverage scale in increased wireline and Internet penetration
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
  - Manage Argentinean crisis
  - Capture growth in Brazil
  - Consolidate performance through active regional management

• **Financial projections: strong cash performance**

• Summary
Telefónica Latinoamérica

Good aggregated operational prospects for 2002

- 2002 financial perspectives hurt by devaluation of Argentinean peso
- However beyond 2002, T Latam’s results are expected to grow

### T Latam Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Million 2001 (Argentinean peso 1:1)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>10,137</td>
<td>9/11%</td>
</tr>
<tr>
<td>2002</td>
<td>-3/-5%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>7/9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Million 2001 except for Argentinean peso (2:1)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
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<tr>
<td>2002</td>
<td>-6/-8%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### T Latam EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>Million 2001 (Argentinean peso 1:1)</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>5,163</td>
<td>5/7%</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
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<td></td>
<td>6/8%</td>
</tr>
</tbody>
</table>
CAPEX will decrease significantly from this year on

- Major investments in infrastructures have already been made
- Marginal investments required for growth except for broadband
- Encompass CAPEX level with local cost of capital
- Improve ROIC

### CAPEX/sales (%)

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>Argentina</th>
<th>Chile</th>
<th>Perú</th>
<th>T Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>15-17</td>
<td>15</td>
<td>16</td>
<td>14</td>
<td>31</td>
</tr>
<tr>
<td>2002</td>
<td>11-13</td>
<td>5-6</td>
<td>13-15</td>
<td>10-12</td>
<td>13-15</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td>11-13</td>
<td>11-13</td>
<td>11-13</td>
</tr>
</tbody>
</table>
As a result, we see FCF nearly doubling in 2002.

Operating FCF 2001
Million

TASA: 739
TeleSP: 283
CTC: 318
TdP: 1,201

Operating FCF 2002*
Million

TASA: 1,201
TeleSP: 318
CTC: 283
TdP: 739

*Considering devaluation of Argentinean pesos (Exchange rate after devaluation 1USD=2.0 Pesos)
• T-Latam: delivering solid performance in our four operators

• Priorities for 2002
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• Summary
Summary

• The clear leader in the region
• Good results in 2001 despite the economic turmoil
• Fit to manage the crisis in Argentina
• Strong position to capture growth potential in Brazil
• Continuing regional efforts to improve efficiency
• Solid FCF generator