

Mobile Telephony

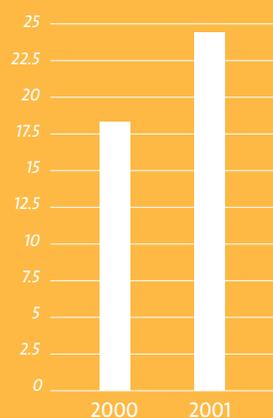
Telefónica Móviles Group Consolidated Income (millions of Euros)

	December 2001	December 2000	% Var.
Operating revenues	8,411.1	7,401.2	13.6
Work on fixed assets (1)	128.6	137.1	(6.2)
Operating expenses	(5,029.4)	(4,942.6)	1.8
Other net revenues (expenses)	(176.5)	(144.3)	22.3
EBITDA	3,333.7	2,451.4	36.0
Amortization/Depreciation	(1,258.2)	(1,039.5)	21.0
Operating income	2,075.5	1,412.0	47.0
Income associated companies	(119.2)	(97.0)	22.9
Financial income	(328.1)	(296.1)	10.8
Amortization Goodwill	(53.8)	(29.5)	82.6
Extraordinary income	(100.7)	(58.2)	73.1
Income before taxes	1,473.8	931.3	58.3
Tax provision	(628.8)	(320.0)	96.5
Income prior to minority shareholders	845.0	611.3	38.2
Income from minority shareholders	48.4	(20.6)	c.s.
Net Profit	893.4	590.7	51.2

(1) Includes work in progress

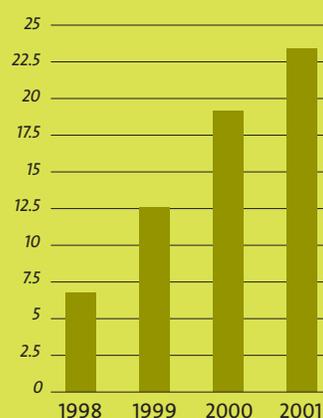
Telefónica Móviles Group Productivity

Increased productivity
measured in EBITDA/employee
(Millions of Euros)



Telefónica Móviles España Change in Number of Customers

(Millions of customers)



Telefónica Móviles España
is the operator with the
largest market share
in its country

Mobile Telephony

Telefónica Móviles' operators had, at the end of 2001, more than 29 million managed customers

A record growth year

In a fiscal year marked by the economic slowdown and high penetration rates in the Spanish market, Telefónica Móviles has yet again achieved record growth rates, at the same time as it improved the profitability of its business and reinforced its balance sheet.

The operators that Telefónica Móviles consolidates globally had more than 29 million managed customers at the end of 2001. The total number of active customers of Telefónica Móviles, which includes customers of the operators managed in Chile and Puerto Rico, reached 29.8 million.

In January 2002, Telefónica Móviles reached the figure of 30 million managed customers, of which 17 million are in Spain.

Operating income totalled 8,411.1 million euros (a 13.6% increase) thanks to the increased use of the networks in minutes (26.7%), to the growing use of data services by all the Group's operators, to the expansion of the e-moción platform, and to the 178% increase in Short Message traffic.

Thanks to success of the cost control policies, which limited the growth of operating expenses to just 1% in the entire year, the gross operating margin (EBITDA) reached 3,333.7 million euros, a 36% increase. Net profit, 893.4 million euros, had a year-to-year increase of 51.2%.

Spain

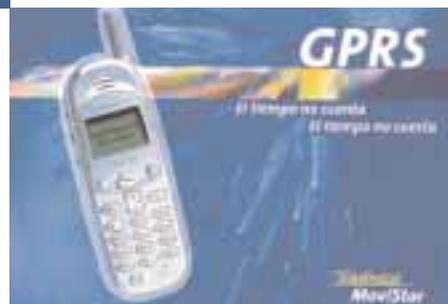
The Spanish mobile phone market has had yet another growth year in 2001, during which the penetration rate has exceeded 70%. Of its almost 30 million customers, close to 17 million belong to Telefónica Móviles España, which thus has one of Europe's highest market shares and a net gain share –percentage of customers gained by the company out of the total number of new customers in the market – of almost 60%.

Data business growth has also been boosted as one of the business engines, and in 2001, has already reached 13.4% of total turnover. As an example, the SMS hit a historic new high, reaching a global figure for the year of 6.31 billion messages. These initiatives have also been accompanied by new price reductions, which have been made possible by transferring to the customers the efficiencies and economies of scale that are made possible by the development of the mobile telephone market.

Telefónica Móviles España has a wide range of voice, data and messaging services, in addition to a wide range of rates and plans, both for business customers and for private users, which are marketed by a large retail network of 14,000 points of sale.



Telefónica Móviles España has been the first European operator to offer GPRS with nationwide coverage and services for all kinds of customers during 2001



Telefónica Móviles España has devoted a great deal of effort to intensifying its technological leadership, the best example of which is the launch of the GPRS technology, the precursor of UMTS, known as Generation 2.5. Telefónica Móviles was the first European operator to offer nationwide coverage in January, with services for all kinds of customers. In July, it offered companies a whole array of new services or applications, and in October it reduced GPRS prices, getting ever closer to the flat rate concept. Furthermore, it extended the use of GPRS to prepaid users.

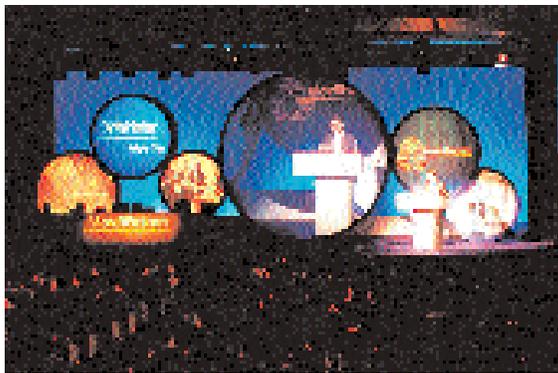
A very important milestone in technological innovation during 2001 was reached with the creation last February of Movilforum, a platform that TME placed at the disposal of all companies interested in developing applications for the Mobile Internet environment.

Telefónica Móviles España's goal is to reach the start of third-generation mobile telephone (UMTS) operations with the best possible technological offer. To that end, in February it carried out the first experimental UMTS tests.

Brazil

Telefónica Móviles has grouped three companies operating in different states throughout Brazil under the name Telefónica Celular.

During 2001, Telefónica Móviles concentrated its efforts on expanding telephone networks, and on developing additional services with improved quality. This made it possible to reach a figure of 5.6 million customers in December, which represents an increase of more than one million in one year.



In February 2001, Telefónica Móviles España creates MovilForum, a platform that includes all the companies interested in developing applications for the Mobile Internet environment

Tele Sudeste Celular ended the year with over 3 million customers, with a market share of 62% in Rio de Janeiro and Espirito Santo. Celular CRT reached 1.78 million customers in the state of Rio Grande do Sul, with a market share of 69%. Tele Leste Celular obtained 822,000 customers and a market share of 63% in the states of Bahia and Sergipe. These operators focused their sales efforts during 2001 on an offer that is differentiated due to its quality, customer loyalty, and cost reduction.

Telefónica Móviles has moved ahead with the preparations for a 'joint venture' that was signed early in the year with Portugal Telecom, since several initiatives have materialized to integrate the mobile telephone operations of both companies in Brazil.

Mexico

Telefónica Móviles México includes the operators Bajacel, Movitel, Norcel, and Cedetel, who operate in the northern part of the country and had been transferred to Telefónica Móviles in the month of July.

The commercial launch of the company took place in October, with the single, unified brand name of Telefónica Movistar. In just a few months, Telefónica Móviles' operators in Mexico were positioned with a highly differentiated offer of products and services, and with an excellent level of customer service. This has allowed them to become consolidated as the second mobile telephone group in northern Mexico, after reaching more than 1.21 million active customers at year-end. In the last quarter of the year, the net customer gain exceeded by more than 150% the gain obtained in the third quarter.



Argentina

Telefónica Móviles, which operates in Argentina under the brand name Unifón, managed in 2001, despite the country's difficult macro-economic situation, to reach a total of 1,794,013 active customers, which is 2.1% higher than the figure for the year 2000.

Unifón's policy is two-fold. On the one hand, to intensify measures which tend to cut costs, which in 2001 led to a decrease of more than 30% in expenses in local currency, and, on the other, take advantage of the synergies of the Telefónica Móviles Group to offer the most complete range of products and services to the Argentinean user. This is the case with e-moción, Telefónica Móviles' access platform to mobile Internet, SMS messaging services, or the mobile chat service.

Peru

Over the past few years, and despite the entry of new competitors into the market, Telefónica Móviles Perú has managed to keep its solid position in this market, now greater than the market for fixed telephony.

At year-end, it had 1.087 million active customers, an increase of 21% over the year 2000.

The company's success is based on the result of the recent advertising campaigns targeted at different groups of customers, which combine a rate offer that has no competition with a differentiated range of products and services that is unique in that country.

Central America

The operators in Guatemala and El Salvador had at the end of 2001 a joint customer pool of 395,397 active customers, which was a 6% increase over the previous year's figures, in line with the moderate growth shown by the mobile telephone markets in both countries.

Chile

Telefónica Móviles manages the Chilean operator Telefónica Móvil, a subsidiary of Telefónica CTC. At the end of 2001, its customer base reached 1,570,087 managed active customers, in other words, a year-over-year increase of 28%.

Telefónica Móviles has made substantial efforts throughout 2001 to improve the quality of the network, expand its coverage, and improve the customer service processes. It has also continued working on its goals of achieving a more complete structure of distribution channels, and continues to implement and expand added value service platforms, such as Voice Messaging, Short Messages (SMS), Corporate Manager, or WAP technology.

Puerto Rico

Telefónica Movistar Puerto Rico has consolidated its position in a highly competitive market, with a 25% growth in the number of customers managed at the end of 2001, when the year closed with more than 187,000 active customers.

unifón

A vos, muchísimas gracias.
Porque con tu aporte hemos logrado unificar los sistemas de gestión comercial Alianza y Siscol.

Ahora, nos queda por delante el camino. ¿Entos estos destellos?

Proyecto Unificación

- El servicio al cliente
- El servicio de atención al cliente

Telefónica
unifón

Los únicos 100% controlables por mí

Planes Pyme

Los únicos planes de menor costo de mantenimiento, a un precio más atractivo que el de los otros, porque también te pagan.

Y porque, los únicos, te permiten equiparar los minutos por los minutos.

Telefónica
Móvil
10 años de calidad

Unifón managed in 2001, in the midst of Argentina's economic crisis, to have 1,794,013 active customers. In Chile, Telefónica Móvil reached a figure of 1,570,087 active managed customers, in other words, an annual increase of 28%.

This has been possible thanks to the launch of innovative products and services, the greater development of the distribution network through its own channels, and to the improvements made in the processes and information systems.

Europe

The management of the companies that have obtained third generation mobile telephony licenses in Germany, Italy, Switzerland and Austria has focused since the first day on taking advantage of synergies and economies of scale, together with a limited financial exposure.

During 2001, we have negotiated supply and financing contracts with suppliers, made significant progress in negotiations with other operators to share part of the network infrastructure required to deploy UMTS, and consolidated the Group's internal processes to achieve agile management and coordination of the business and decision-making.

Germany: Group 3G

After obtaining a UMTS license in Germany in August 2000, the Group 3G consortium, (57.2% belonging to Telefónica Móviles and 42.8% to the Finnish operator Sonera), has managed to become during 2001 the first of the newly licensed mobile operators to launch its commercial activities.

After reaching nationwide roaming and interconnection agreements, Group 3G, using the brand name Quam, placed at the disposal of German users, on 22 November 2001, a wide range of GSM and GPRS voice and data services, minimizing the company's cost structure. At the same time, Quam began to prepare the conditions for developing its UMTS strategy.

Italy: IPSE 2000

In Italy, the Telefónica Móviles Group has a 45.6% share in the Ipse 2000 consortium, together with prestigious local partners - Fiat, Banca di Roma, and Acea, among others - and the Finnish company Sonera.

Ipse 2000, whose headquarters are in Rome, expects to launch commercial UMTS services as soon as the new technology is available. It is currently negotiating the shared use of part of the infrastructure with other operators to complete its nationwide UMTS coverage.

Switzerland: 3G Mobile AG

Telefónica Móviles began during 2001 to put in motion the launch of 3G Mobile AG, establishing the company's headquarters in Zurich. Currently, it is negotiating nationwide roaming agreements that will provide nationwide coverage from the very start of its commercial launch.



Austria: 3G Mobile

In November 2000, Telefónica Móviles acquired a UMTS license in Austria. Starting in January 2001, it launched the company's activities, with headquarters in Vienna, focused on interconnection, nationwide roaming, and shared infrastructures.

Mediterranean Basin

Morocco

Telefónica Móviles controls 30.5% of the share capital of Médi Telecom, the Moroccan mobile telephone operator, and is responsible for its management, jointly with Portugal Telecom.

Médi Telecom obtained a second mobile telephone license in Morocco in 1999. Before a year had gone by, the company already had over one million customers. At the end of 2000, and using the brand name Méditel, it had more than 1,113,000 active customers, which represents an annual increase of 116%, and an estimated market share of 38%.

Méditel combines a wide range of products and services for individual and corporate customers, with a fully consolidated distribution network, which permits it to gain higher quality customers and ensure their loyalty to the company.

Horizontal Businesses

Terra Mobile

Terra Mobile refocused its business model at the end of 2001 towards a structure more closely linked to changes in mobile technology, which will lead to a significant cost reduction, taking better advantage of the synergies with Telefónica Móviles, and concentrating on the most significant markets.

The company ended the fiscal year with more than 5.8 million registered users, i.e. an increase of 98%.

Mobipay

Through Mobipay España and Mobipay Internacional, Telefónica Móviles leads the creation of standards for making payments using the mobile telephone handset. In Spain, the company has managed to obtain the participation of all the mobile operators and the main banking entities, which permits its quick deployment in the Spanish market, and opens the way for its international expansion.



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