

This is Telefónica

Telefónica is the leading telecommunications operator in the Spanish and Portuguese-speaking world, and in December 2001, it became the second European operator in terms of stock market capitalization. It also ranks fourth in the world ranking of the sector in terms of value creation, between 1996 and 2000, with an average increase in profitability per year of 43 per cent.

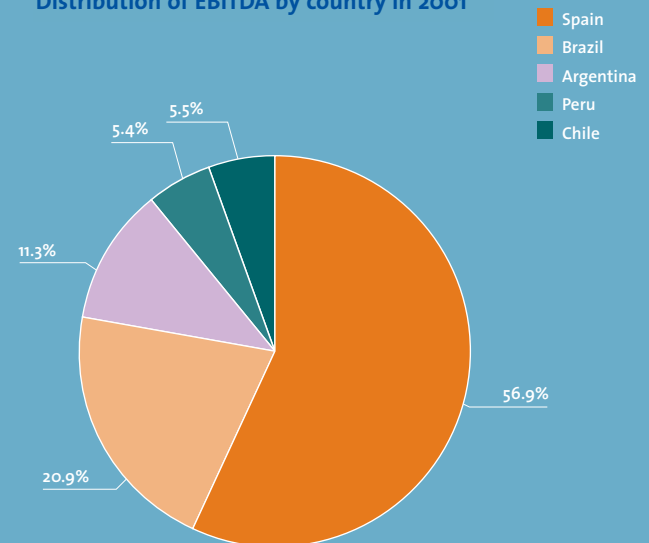
It offers services in 49 countries. Its most important markets are located in Spain and in Latin America, although in recent years it has increased its presence in other regions, such as Europe and the Mediterranean Basin (Morocco), basically through mobile telephony licences, CRM and corporate services. Albeit with less business volume, Telefónica is present in markets in Asia, the Republic of South Africa and Oceania (Australia and New Zealand), engaging in Internet (Terra Lycos), CRM (Atento) or Media and content (Admira) activities.

In the Americas, the most important markets are Argentina, Brazil, Chile and Peru, countries that could soon be joined by Mexico, where Telefónica has gradually been increasing its presence in recent months. It also engages in business in Canada, Colombia, Costa Rica, El Salvador, the United States, Guatemala, Honduras, Mexico, Nicaragua, Panama, Puerto Rico, the Dominican Republic, Uruguay and Venezuela. The takeover of Lycos, and the fact that the new company Terra Lycos operates in 43 countries, has enabled the company to strengthen its positioning in the United States and Canada, as well as in numerous markets experimenting rapid growth in America, Europe and Asia.

In Europe, Telefónica has strengthened its presence with the acquisition of third-generation UMTS licences in Germany, Austria, Italy and Switzerland, as well as through the rendering of services to companies in Austria, Germany and Italy, and the Internet services offered by Terra Lycos. In the Mediterranean Basin, more specifically in North Africa (Morocco), Telefónica engages in business in the areas of mobile telephony, CRM and commercial distribution (Telyco).

Telefónica S.A. is a 100% privately-owned company with more than one million direct shareholders. Its shares are listed on the continuous stock market of the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and on the stock exchanges of London, Paris, Frankfurt, Tokyo, New York, Lima, Buenos Aires, São Paulo and the London Stock Exchange SEAQ International System.

Distribution of EBITDA by country in 2001



A multidomestic and global company

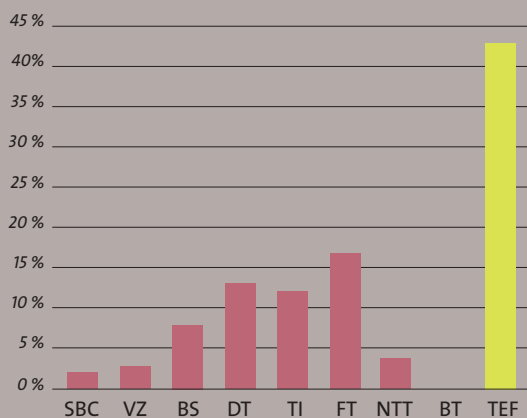
As a global operator in the telecommunications, Internet and media sectors, Telefónica supplies a wide range of services spanning a diverse group of activities: fixed line telephony, mobile telephony, corporate services, creation and distribution of content and services through the Internet and audiovisual media, distribution of directories and guides, CRM services, e-commerce, broadband undersea communications, etc.

Moreover, aware of the speed with which new communication technologies evolve, Telefónica carries on important activities in the field of technological innovation through Telefónica Investigación y Desarrollo (I+D). Research and development are seen as key activities for identifying factors that will influence the evolution of the Group's different business areas.

Fundación Telefónica (the Telefónica Foundation) has played an active social and cultural role in different countries. It has set itself the target of promoting social applications for technology, in order to foster equal opportunities and help to raise individual and community standards of living, with special attention to vulnerable groups and the needy. With projection in Spain, Argentina, Brazil, Chile, Peru and Morocco, the Foundation organizes and carries out projects and activities that are in line with local realities through independent foundations, all of which are linked by a common philosophy, sharing the same objectives and similar working methods.

Based on these values, in recent years Telefónica has become a multi-domestic global company; global because it offers a whole range of telecommunications services, optimizing synergies and economies of scale; and multi-domestic because in each country it offers services tailored closely to each market.

**% Consolidated EBITDA 2001
from markets other than the source market
of different operators**



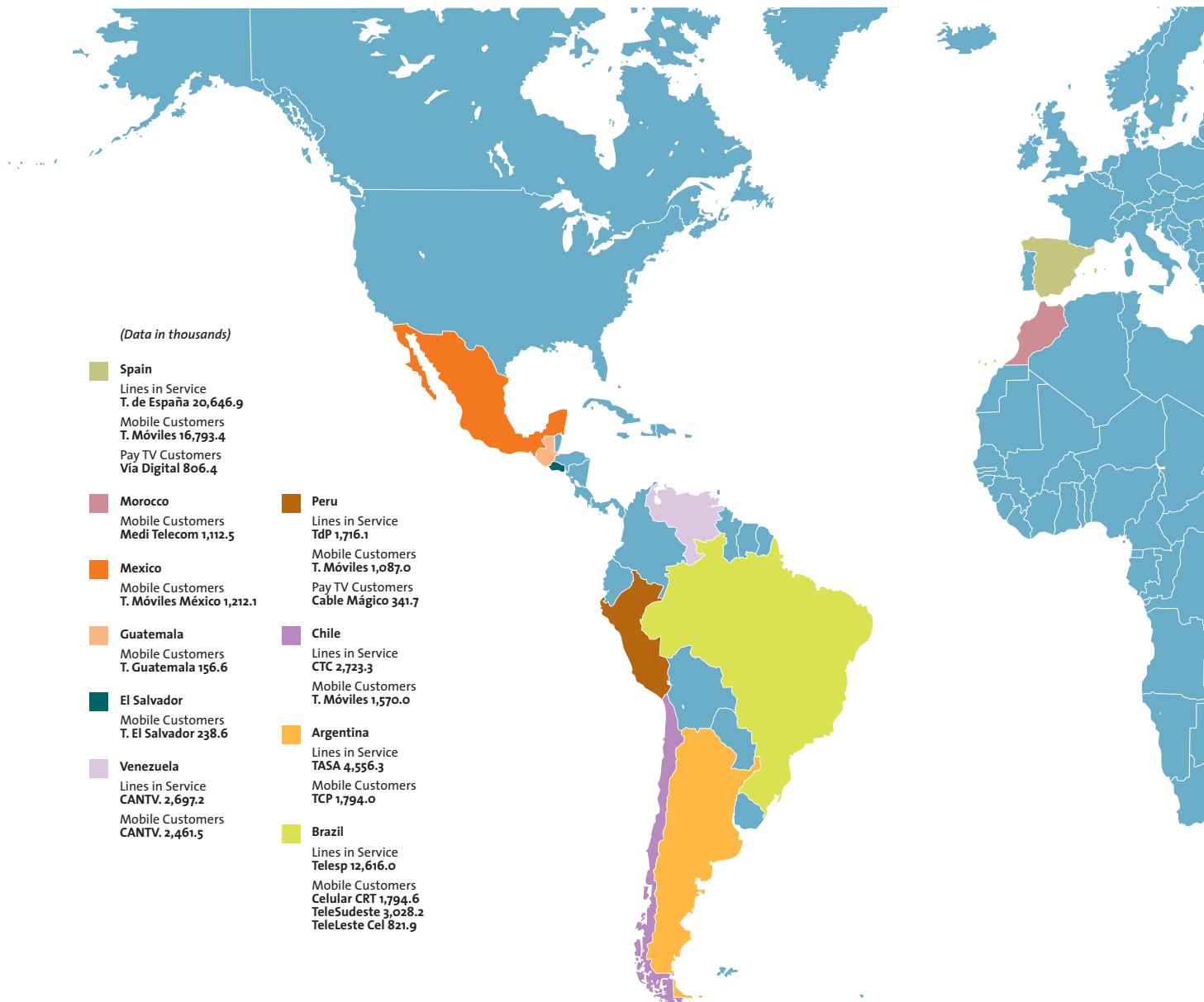
*Telefónica
is the only operator
that is incumbent
in all the countries
that are relevant
to its business*

78 million customers and 161,000 employees

Telefónica's entire management focus is on the customer, both corporate and residential, and its products and services are designed to satisfy all communications needs in any of the countries in which it operates.

At present, Telefónica has a total of 78.3 million customers worldwide, of which 44.9 million are fixed line telephony users, 32.2 million are mobile telephony users, and 1.14 million are pay television customers. Its client portfolio grows year after year and is expected to reach 100 million in 2004. Telefónica also employs 161,527 people worldwide, distributed by lines of business and countries. Their qualifications, experience and professionalism mean that they are treated as one of the Group's main assets.

Telefónica Group Market size



Leader in its markets

Telefónica is organized according to global lines of business, whose objective is to become leaders in their respective markets, and which are coordinated from a corporate headquarters. This organization enables Telefónica to combine the flexibility provided by the operative autonomy of each area with the solidity afforded by coordinated management and the exploitation of synergies.

In this organizational structure, Telefónica, S.A. is the parent company and head of the Telefónica Group, developing its business mainly through subsidiary companies that report directly to it, and which in turn control other companies operating in the same line of business.

As a result, the fixed telephony business in Spain is managed by Telefónica de España, while Telefónica Latinoamérica is responsible for that market in the Latin American region.

Mobile communications businesses worldwide are grouped under Telefónica Móviles S.A, which encompasses the Spanish, Latin American, European and Mediterranean Basin markets.

The Telephone guides and directories business is handled by Telefónica Publicidad e Información (TPI); Internet business is managed through Terra Lycos; data services and corporate services are controlled by Telefónica Data; CRM services by Atento; and production and content dissemination services are managed through audiovisual media in Admira.

Emergia has become the line of business dedicated to providing Broadband Communications Services through a high-capacity undersea fibre-optic network loop in Latin America and the United States.

Most important shareholdings of Telefónica S.A

	% SHAREHOLDING
Telefónica de España	100.00
Telefónica Móviles	92.70
Telefónica DataCorp	100.00
Telefónica Latinoamérica	100.00
TPI	59.90
Terra Lycos	37.63
Admira Media	100.00
Emergia	93.99
Atento	100.00
Telefónica B2B	100.00

Telefónica provides all kinds of telecommunications services in all the countries in which it is present, with an integrated program that is totally adapted to each market's peculiarities



Telefónica has 161,527 employees throughout the world, distributed by business line and by country

Building trust

During the year 2001, the Telefónica Group launched its institutional “Management by values” project, whose objective is to identify the corporate and institutional pillars that can be used to vertebrate relations with its main interest groups: customers, shareholders, employees, and the society.

To identify these values, the Group made an internal study, using as a sample all the companies and countries in which it is present. In addition, it has taken into account the qualitative and quantitative research done in the past ten years regarding the Group, in order to locate the main strengths of this historic institution.

As a result of this research, the Telefónica Group makes a public pledge: its goal is to make its shareholders, customers, employees, and the societies of the countries in which it operates be confident of its ability to assume and fulfil its commitments.

Trust is one of the Telefónica Group's corporate values, on which are based its relations with its customers, shareholders, employees, and the society

This trust is interpreted differently by each of the various interest groups:

- For the shareholder, trust means profitability and transparency
- For customers, quality of service and fulfilling promises
- For employees, clarity in their professional relationship and development
- For society as a whole, nearness, commitment, and contribution, leading to social responsibility.

In addition, the Telefónica Group has launched the institutional “Corporate Reputation” project to identify and limit the risks and opportunities that may affect the Company's good reputation.

