



Quarterly results

JANUARY – JUNE

2001

Telefonica

Quarterly Results



JANUARY - JUNE 2001

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NOTES:

The financial statements contained in this report have been compiled from the conversion of the items posted in pesetas to Euros. Sub-totals are already stated in Euros. This could result in small rounding differences.

Market Size

Telefónica Group



Market Size

Telefónica Group

TELEFÓNICA GROUP MARKET SIZE

	(Thousands)					
	JANUARY - JUNE		% CHG. 01/00	WEIGHTED		% CHG. 01/00
	2001	2000		JUN-2001	JUN-2000	
Lines in service	44,177.4	40,129.4	10.1	38,335.4	24,717.5	55.1
In Spain	20,618.6	19,797.8	4.1	20,618.6	19,797.8	4.1
In other countries (1)	23,558.8	20,331.6	15.9	17,716.8	4,919.7	260.1
Cellular customers	28,520.7	20,820.8	37	20,103.9	13,843.0	45.2
In Spain	14,853.3	11,450.7	29.7	13,754.2	11,450.7	20.1
In other countries (2)	13,667.3	9,370.1	45.9	6,349.7	2,392.4	165.4
Pay TV customers	1,061.6	892.2	19	672.6	404.2	66.4
In Spain	710.2	550.5	29	345.2	267.6	29
In other countries (3)	351.3	341.7	2.8	327.4	136.7	139.6
TOTAL	73,759.6	61,842.4	19.3	59,112.0	38,964.8	51.7

(*) Weighted by the economic stake in each of the companies.

(1) Lines in service: includes all lines in service as of June 2001 and 2000 of Telefónica de España, Telefónica CTC Chile, Telefónica de Argentina, Telefónica del Peru, Telesp and CANTV.

(2) Cellular customers: includes all cellular customers as of June of 2001 of Telefónica Servicios Móviles España, Medi Telecom, Telefónica Móvil Chile, TCP Argentina, Telefónica Móviles Peru, CRT Celular, TeleSudeste Celular, NewCom Wireless Puerto Rico, Telefónica Móviles Guatemala, Telefónica Móviles El Salvador, Bajacel, Movitel, Norcel, Cedetel and CANTV celular. In March of 2000 the customers of the Mexican companies Bajacel, Movitel, Norcel and Cedetel are not included.

(3) Pay TV customers: includes all pay TV customers as of June of 2001 and 2000 of Via Digital and Cable Mágico.

Telefónica Group Results

Telefónica Group

The management comments included in this report refer to the financial evolution of the Telefónica Group according to the new organizational structure by business lines. This structure was created after the completion of the tender offers for the acquisition of the minority stakes in various Latin American operators, given their relative high level of capital contribution in the Group.

In this sense, to facilitate comparisons between the results obtained by the Telefónica Group in each business line and those for the same period of the prior year, pro-forma income accounts were prepared for each business line, for the four quarters of fiscal year 2000.

These pro-forma income accounts are based on the assumption that each business line has a stake in the companies owned by the Group in the corresponding businesses, regardless of whether this stake has already been transferred or not, although ultimately, Telefónica, S.A. intends to transfer it in the future.

Furthermore, in order to facilitate the comparison and analysis of the results obtained by the Telefónica Group, the companies included in each business line have been consolidated effective January 1, regardless of when certain consolidations were actually made throughout the period. The results corresponding to the same period of the previous fiscal year are also on a pro-forma basis, under the same assumptions.

It should be mentioned that the assumptions considered in the preparation of these pro-forma statements by business line do not alter in any way the overall results of the Telefónica Group, and that such results have been incorporated as of the date of the acquisition of each stake by the Group.

During the first half of 2001, the Telefónica Group obtained a net profit of 1,148.6 million Euros, up 16.1% versus the same period of the previous fiscal year.

The customer base, which is the main asset of the Group, totaled at the end of June 69.1 million managed customers for fixed and mobile telephony and pay television. This means a growth of 2.2 million customers in a single quarter, 11.3 million (19.6% versus 1H00) more than in the same period of the previous fiscal year.

Once again, cellular telephony represented the highest growth for the Group, with 7.2 million new managed customers in the last twelve months (1.2 million in the last quarter). However, the growth rate is slowing down as compared to the past fiscal year, as a result of the degree of maturity reached by the Spanish cellular market and the profitable growth model which has been chosen in Latin America. Nevertheless, it is expected that in spite of this slow-down, cellular telephony will continue being the business with the highest contribution to customer base growth for the Group, thanks to the opening of new markets in Latin America and Europe.

From a geographic perspective, in spite of the difficult macroeconomic circumstances faced by certain countries of the region, Latin America registered a very positive growth rate for total number of customers, increasing by 1.4 million customers a quarter. This was mainly due to the customer growth registered by Telesp (0.8 million) and cellular operators in the region, through prepaid products and rigorous acquisition cost control and customer retention policies.

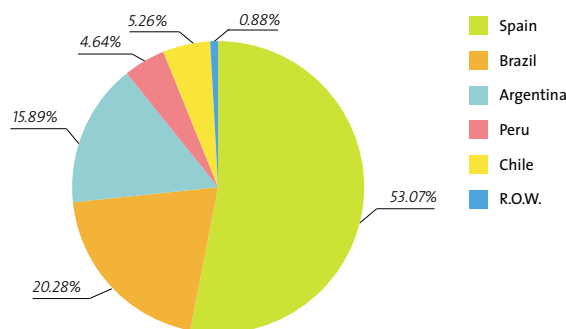
In this context of operating growth, the results of the Telefónica Group during the first half of the fiscal year can be considered satisfactory in terms of growth and quality. Thus, consolidated EBITDA reached 6,356.6 million Euros, up 9.2% versus the same period of the previous fiscal year. This growth, which is higher than that registered in the same period of the previous fiscal year (5.4%), occurred in a completely different macroeconomic climate than that existing in fiscal 2000. The Argentine economic situation has been deteriorating throughout the first six months of the fiscal year, and fear of the possibility of a "domino" effect on the other economies of the region has adversely impacted the exchange rates of the bordering countries. This last factor has negatively affected EBITDA growth in Euro terms by more than 2 p.p. It is important to note, however, that the acquisitions carried out contribute a positive 1.5 percentage points to the growth of the group's EBITDA. If we considered neither the variations in the exchange rate, nor the contribution of the companies which have been incorporated into the Group during the fiscal year, EBITDA growth would have been 9.9%.

The main contributors to this growth are Telefónica Móviles, Telefónica de España and Telefónica Latinoamérica. Thus, Telefónica Móviles shows an EBITDA growth of 32.4% totaling 1,551.6 million Euros, due to the success of our

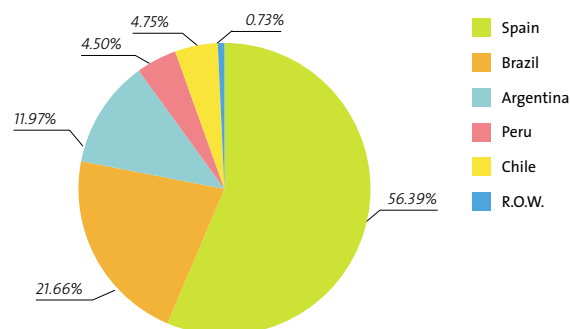
Telefónica Group Results

Telefónica Group

EBITDA PER COUNTRIES 1H2000



EBITDA PER COUNTRIES 1H2001



profitable growth model focused on the optimization of the cost structure, reflected in the EBITDA margins obtained by the Group (39.4% versus 34.0% in the first semester of 2000).

Telefónica de España shows a year-on-year EBITDA growth of 4.2%, totaling 2,440.2 million Euros, a result of both positive evolution of revenues, and the aforementioned positive trend in operating expense cuts in the previous quarter, decreasing 3.0% versus the same period of the previous fiscal year, when the decrease in the first quarter was only 0.9%.

Although Telefonica de España's EBITDA continues to be positive, as indicated in the first quarter results report, a slow-down in growth can be seen, resulting from the price reduction made by the company, as well as a more intense competitive environment, all of which translates into a gradual reduction in market share. Both factors will continue affecting results during the fiscal year. In spite of these two factors, the expected evolution of the business of Telefónica de España in fiscal 2001 will be more positive than that recorded during 2000.

It is especially noteworthy that, in spite of the difficult macroeconomic climate of the region, which effect is already seen in the accounts, the fixed telephony business in Latin America, especially Brazil, shows a better than expected result, and continues being the highest contributor in absolute value terms to the EBITDA of the Group, reaching 2,579.8 million Euros, up 2.6% versus the same period of the previous fiscal year.

Finally, in regard to EBITDA, the positive contribution of Telefónica Media is remarkable, reaching 69.2 million Euros in the first semester of the fiscal year, compared with a decrease of 9.7 million Euros in the same period of the previous fiscal year. Also highly important is the gradual improvement registered for Terra-Lycos, which shows a negative EBITDA lower above to that of the first semester of fiscal 2000 (-141,5 million Euros in 1S01 versus -153,9 million Euros in 1S00), with four times higher gross sales and, more importantly, less negative results during the second quarter of the fiscal year than in the same period of the previous fiscal year. Both companies thus demonstrate their profitable tendencies.

Revenue trends during this first half have been a key factor in the evolution of the Group's operating income, showing an increase of 15.2% versus the first semester of 2000, totaling 15,302.7 million Euros.

Telefónica de España is the one business line of the Group that contributes the most to consolidated income, with 5,159.8 million Euros, 2.2% more than in the first semester of 2000. Telefónica Móviles brings a total of 3,933.9 million Euros (14.2%) and Telesp 2,206.5 million Euros, a 13.1% year-on-year growth. As a whole, the fixed telephony business of Telefónica in Latin America, with sales similar in absolute value as those obtained in the Spanish market, registered a growth rate in euros (6.8%) much higher than that registered by Telefónica de España (2.2%), which reaffirms the growth prospects of the telecommunications business in the region under Telefónica's management in spite of an economic slowdown.

Telefónica Group Results

Telefónica Group

It is necessary to mention that goodwill amortization, 483.2 million Euros, continues having an adverse effect on the Group's income, as a result of the acquisitions made during the past fiscal year, showing high rates of growth (195.3%) and mainly affecting Terra-Lycos, Telefónica Media and Telefónica Data. These growth rates should decrease throughout the fiscal year, since these acquisitions are not registered in the results of the first semester of 2000.

To provide a sense of the magnitude of the effects of said goodwill amortizations, if we were not to consider goodwill for the globally consolidated business lines, the Group's results would have increased to 1,462.1 million Euros, an increase of 29.0% over the same period of last year (1,133.8 million Euros).

Furthermore, net income for the quarter has been affected by the smaller amount of positive extraordinary results in the period (203.4 million Euros in 1H01 versus 306.0 in 1H00), arising from lower capital gains from the sale of securities portfolio for 164.4 million Euros, net of its corresponding fiscal effects.

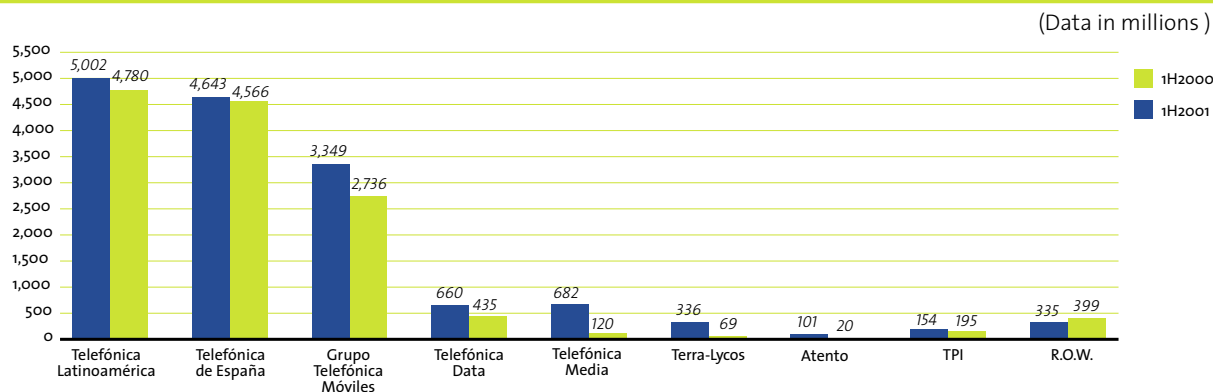
Finally, minority interests have continued positively affecting the Group's results due to the increased stake in its Latin

American subsidiaries in July 2000, as well as the proportional allocation of the losses of Terra-Lycos to external partners, with the total proportion of the minority shareholders increasing from negative 397.8 million Euros in the first semester of fiscal 2000 to positive 256.6 million Euros in this first half of the fiscal year.

It is worth to mention the stabilised net debt level of Telefónica Group during the second quarter, growing 1.6 billion Euros, mainly due to the depreciation of the Euro against the Dollar. On the other hand, accumulated net debt at the end of the first six months of the year totaled 31.2 billion Euros, 4,293 million more than the same period of 2000 (15.9% growth). This was due to financial investments of approximately 1.9 billion Euros, as well as the appreciation of the dollar versus the Euro, which impacted debt by 2.2 billion Euros.

Finally, the tangible and intangible investment of the Group totaled 3,767.2 million Euros, which supposes a year-on-year growth of 27.7%, explained by Telesp's objective to anticipate the goals set by ANATEL, as well as broadband deployment. Nevertheless, the growth rate of the investment will slow down throughout the second half of the fiscal year, ending at even lower levels than those of fiscal 2000.

REVENUES BY BUSINESS LINE



Selected Financial Data

Telefónica Group

TELEFÓNICA GROUP SELECTED FINANCIAL DATA

Unaudited Data	(Euros in Millions)		
	JANUARY - JUNE		% CHG. 01/00
	2001	2000	
Operating income	15,302.7	13,278.0	15.2
EBITDA	6,356.6	5,823.2	9.2
Operating income	2,737.9	2,524.0	8.5
Income before taxes	1,351.0	1,840.9	(26.6)
Net earnings	1,148.6	989.0	16.1
Net earnings per share	0.25	0.29	(11.8)
AVG. NO. OF SHARES, MILLIONS (1)	4,543.4	3,451.7	36.8

(1) Average number of shares of the period. It includes capital increases to fund the acquisition of new stakes in Telefónica de Argentina, Telefónica del Perú, Telesp, Telesudeste, Endemol and ATCO and Mexican assets, as well as the issuance of new shares originating from convertible bonds, weighted for the number of days over which they have been traded. Bonus issues charged to reserves are excluded from calculations, as they involve no change in the ownership structure.

The total number of shares at the end of the period is 4,671,915,885.

TELEFÓNICA GROUP INCOME BY COMPANIES

Unaudited Data	(Euros in Millions)								
	REVENUES			EBITDA			OPERATING RESULTS		
	JANUARY - JUNE			JANUARY - JUNE			JANUARY - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.	2001	2000	% CHG.
Telefónica de España	5,159.8	5,048.8	2.2	2,440.2	2,342.5	4.2	1,058.8	869.3	21.8
Telefónica Móviles	3,933.9	3,445.5	14.2	1,551.6	1,171.5	32.4	923.4	690.5	33.7
Telefónica Latinoamérica	5,178.0	4,847.5	6.8	2,579.8	2,515.4	2.6	1,284.6	1,259.3	2.0
Telefónica Data	922.6	525.4	75.6	22.2	53.9	(58.9)	(63.2)	14.0	c.s.
Terra-Lycos	356.6	80.6	342.2	(141.5)	(153.9)	(8.1)	(229.3)	(180.9)	26.8
Directories business	192.8	176.8	9.0	9.2	31.0	(70.3)	(0.6)	21.8	c.s.
Telefónica Media	683.6	121.2	464.2	69.2	(9.7)	c.s.	29.6	(27.8)	c.s.
Atento	317.0	194.9	62.6	25.6	18.3	39.5	(10.8)	(0.4)	n.s.
Other affiliates	484.9	571.7	(15.3)	(119.0)	(118.0)	0.9	(149.0)	(110.2)	35.2
Eliminations	(1,926.6)	(1,734.4)	11.1	(80.5)	(27.9)	188.5	(105.7)	(11.8)	n.s.
GROUP	15,302.7	13,278.0	15.2	6,356.6	5,823.2	9.2	2,737.9	2,524.0	8.5

Selected Financial Data

Telefónica Group

TELEFÓNICA, S.A. CONSOLIDATED INCOME STATEMENT FULL CONSOLIDATION

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	15,302.7	13,278.0	15.2	7,699.4	6,830.3	12.7
Internal expend cap. in fixed assets (1)	323.6	440.7	(26.6)	213.4	219.6	(2.8)
Operating expenses	(8,914.8)	(7,710.1)	15.6	(4,504.0)	(3,931.5)	14.6
Supplies	(3,452.9)	(2,640.8)	30.8	(1,801.7)	(1,391.4)	29.5
Personnel expenses	(2,686.5)	(2,385.1)	12.6	(1,353.1)	(1,218.0)	11.1
Subcontracts	(2,521.8)	(2,466.5)	2.2	(1,228.4)	(1,242.8)	(1.2)
Taxes	(253.6)	(217.7)	16.5	(120.8)	(79.3)	52.3
Other operating income (expense) net	(354.9)	(185.5)	91.3	(180.5)	(115.0)	56.9
EBITDA	6,356.6	5,823.2	9.2	3,228.4	3,003.4	7.5
Depreciation and amortization	(3,618.7)	(3,299.2)	9.7	(1,846.0)	(1,663.2)	11.0
OPERATING PROFIT	2,737.9	2,524.0	8.5	1,382.3	1,340.2	3.1
Profit from associated companies	(180.3)	(53.4)	237.5	(39.2)	(52.1)	(24.7)
Financial income (expense) net	(926.8)	(772.0)	20.0	(439.1)	(393.2)	11.7
Amortization of goodwill	(483.2)	(163.6)	195.3	(251.1)	(87.4)	187.3
Extraordinary income (expense) net	203.4	306.0	(33.5)	174.1	179.8	(3.2)
INCOME BEFORE TAXES	1,351.0	1,840.9	(26.6)	827.1	987.4	(16.2)
Income taxes	(459.1)	(454.0)	1.1	(254.1)	(150.8)	68.5
NET INCOME BEFORE MINORITY INTERESTS	891.9	1,386.9	(35.7)	572.9	836.5	(31.5)
Minority interests	256.6	(397.8)	c.s.	143.8	(193.5)	c.s.
NET INCOME	1,148.6	989.0	16.1	716.7	643.0	11.5
OUTSTANDING SHARES (MILLION) (2)	4,543.4	3,451.7	31.6	4,543.4	3,451.7	31.6
NET INCOME PER SHARE	0.25	0.29	(11.8)	0.16	0.19	(15.3)

(1) Including work in process.

(2) Average number of shares in the period. The figure includes capital increases to fund the acquisition of new shareholdings in Telefónica de Argentina, Telefónica del Perú, Telesp, Telesudeste, Endemol, ATCO and Motorola assets, and the issuance of new shares in respect of convertible bonds, weighted for the number of days over which they have traded. Bonus issues charged to reserves are excluded from calculations, as they involve no change in the ownership structure.

Total number of outstanding shares at the end of the period was 4,671,915,885.

Selected Financial Data

Telefónica Group

TELEFÓNICA, S.A. CONSOLIDATED BALANCE SHEET

Unaudited Data	(Euros in Millions)		
	JUNE		% CHG. 01/00
	2001	2000	
Subscribed shares not paid-in	423.8	3.1	N.S.
Long-term assets	68,706.1	52,031.2	32.0
Start up expenses	635.9	209.0	204.2
Intangible net assets	20,357.9	7,294.2	179.1
Fixed net assets	39,574.2	37,470.4	5.6
Investments	8,138.1	7,057.6	15.3
Goodwill on consolidation	9,219.9	4,830.4	90.9
Deferred expenses	950.5	1,176.0	(19.2)
Current assets	15,110.7	11,603.4	30.2
Inventories	870.1	811.9	7.2
Accounts receivable	10,133.6	8,159.1	24.2
Short-term investments	2,374.1	1,753.6	35.4
Cash and banks	647.6	459.8	40.9
Other	1,085.2	419.0	159.0
ASSETS = LIABILITIES	94,411.0	69,644.1	35.6
Shareholders' equity	27,251.5	15,637.6	74.3
Minority interests	8,852.3	11,841.6	(25.2)
Badwill on consolidation	34.6	0.0	N.S.
Deferred income	1,384.3	1,072.5	29.1
Provisions for risks and expenses	6,712.6	6,746.9	(0.5)
Accrued taxes payable	1,857.7	1,171.6	58.6
Long-term debt	24,426.5	16,685.5	46.4
Short-term debt including current maturities	9,839.7	7,618.9	29.1
Interest payable	508.3	409.0	24.3
Other creditors	13,543.5	8,460.5	60.1
FINANCIAL DATA			
Consolidated net debt (1)	31,244	22,091	41.4
CONSOLIDATED DEBT RATIO (2)	44.3%	42.6%	1.7 P.P.

(1) Net debt: Long-term debt + Short-term debt including current maturities - Short-term investments - Cash and banks.

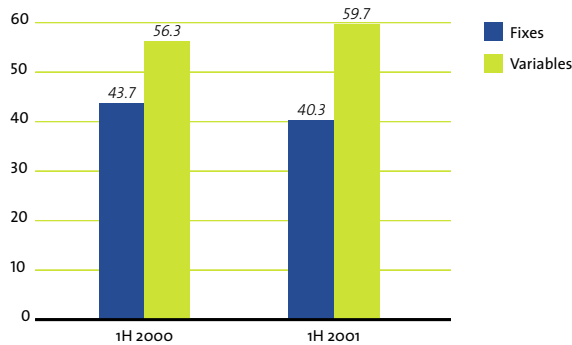
(2) Debt ratio: Net debt / (Shareholders' equity + Minority interests + Deferred income + Accrued taxes payable + Net debt)

Fixed Line Business Telefónica de España Group

The first six months of the year confirm the positive performance of the Fixed line business, where Telefónica de España is advancing positively in a totally liberalized market, mainly characterized by increasingly active competition.

In agreement with the "Price cap" system, Telefónica de España has introduced a 2.7% price reduction through the end of the semester, which will be completed during the second semester of the fiscal year, with the purpose of reaching 7% of the required reduction for the entire year. The freedom and flexibility to fix prices within the product basket defined in the model, along with increases in the monthly fee and the positive reception of franchised products, are allowing the company to advance towards a new tariff balance and improve the relative position of its fixed versus variable revenue, which is already at 44% as opposed to 56%, contributing to the reduction of revenue volatility.

BREAKDOWN OF REVENUES - TELEFÓNICA DE ESPAÑA



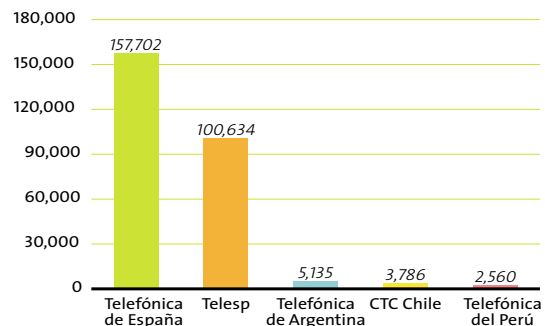
The Operating Revenue of the Telefónica de España Group in the first semester of 2001 rose to 5,159.8 million Euros, reaching a year-on-year increase of 2.2%. The revenues corresponding to the Parent Company represents 96.6% of the total, up 4.2% versus the same quarter of the previous year. The positive evolution of usage revenues, the impact of the increase in monthly fee in August 2000 and March 2001, growth in ISDN, and the leasing of circuits and interconnection, explain the positive revenues in the January-June period.

Telephone usage measured in terms of minutes by line and day is 21.13, 35.3% up from the first half of the previous year, mainly due to the growth in internet traffic and the interconnection with fixed-line operators. Total traffic reached 68,940

million minutes, up 38.2% from the previous year, with a positive trend for both outgoing and incoming traffic. Outgoing traffic represents almost 73.1% of the total minutes and grew 19.8%, mainly due to the growth of the Internet (71.7%), Intelligent Network (60.1%), International (25.8%) and Provincial (20%). DLD traffic increased 3.4%, while local traffic dropped 3.6% in the first semester versus the same period of the previous year. The growth of fixed-to-mobile stayed at 10.8%, directly related to the degree of maturity reached by the cellular market in Spain. On the other hand, incoming traffic, which accounts for 26.9% of the total, shows a very dynamic behaviour, with a growth of 137.6%.

Usage revenues in the month of June grew 1.2%, as a result of the increase in lines and the growth of minutes per line coming from the success of franchised products, which compensates for the reduction in effective revenue per minute produced by price reductions and discount plans. The intense commercial activity carried out by Telefónica de España has met with favorable response from customers. Thus, the subscribers of Bonos Ciudad and Bonos Ciudad Plus (local traffic products) total 712,020 and 1,329,590 respectively, just seven months after their launching. The flat-rate Internet tariff registered 219,964 subscribers at the end of June, and the Pais 30 (DLD traffic) and Europa 15 (international traffic to Europe) plans reached 472,918 and 209,174 subscribers, respectively.

ADSL CUSTOMERS



The Company's commitment to the development of Broadband continues, as reflected in the efforts made towards the deployment of technologies directly related to the development of ADSL. In June, ADSL coverage reached 15.5 million lines, 81.2% of coverage, and the number of users was 157,702 in June

Fixed Line Business

Telefónica de España Group

2001, reaching an average daily installation of more than 1,333 lines per day. ISDN continues experiencing high growth, 54.3% in basic access and 33.1% in primary access, versus June 2000, while lines in service is 752,535 and 15,291 respectively.

Operating expenses for the Telefónica de España Group reached 2,750.7 million Euros, down 3.0 % from the same period of fiscal 2000. This decrease is mainly driven by the increase in interconnection expenses (+9.1% in 1S00 versus +47.2% in 1S99), personnel expenses of Telefónica de España and the effort to reduce discretionary expenses.

Operating expenses for Telefónica de España totaled 2,585.2 million Euros, a reduced growth of 0.8% versus the first semester of 2000 (2.2% in the first quarter of the fiscal year). This performance is mainly explained by the trend in Telefónica de España's interconnection expenses, which registered slower growth of 9.1% year-on-year (13.7% in the first quarter of the year). This reflects a moderate increase in fixed-to-mobile traffic, in line with current trends in the cellular market, the reduction in interconnection prices of the two main mobile operators, which took place this year, and the strong expansion in fixed-to-fixed interconnection.

Telefónica de España's expenses before interconnection costs reached 1,738.3 million Euros in the first semester, down

2.8% compared to the previous year, as a result of the reduction in personnel expenses (-6.3%) and the reduction in discretionary expenses.

The result for personnel expenses of Telefónica de España is due to the 10.1% reduction in the average headcount, and the impact of the deviation in the 2000 CPI and anticipated wage revision in the present fiscal year. These cost control efforts have allowed Telefónica de España to have a staff of 41,010 employees, reaching a level of productivity of 502.8 lines per employee, clearly the highest for European companies in the sector.

Finally, supplies and external services expenses for Telefónica de España in June grew 2.8%, due mainly to the 8.5% increase in outsourcing expenses produced by the expansion of Customer Care Service and reduced employment.

The EBITDA of the Telefónica de España Group totaled 2,440.2 million Euros and shows an year-on-year increase of 4.2%, a consequence of the evolution of operating income and expenses (+2.2% and -3% respectively). Operating Income grew 21.8%, reaching 1,058.8 million Euros, due to the positive EBITDA result and the 6.2% reduction in fixed assets amortization.

Fixed Line Business

Telefónica de España Group

TELEFÓNICA DE ESPAÑA SELECTED OPERATING DATA

Unaudited Data	JANUARY - JUNE		
	2001	2000	% CHG.
	Lines in service (thousands) (1)	20,618.6	19,797.8
ISDN basic access	752,535	487,612	54.3%
ISDN primary access	15,291	11,488	33.1%
Lines in service / 100 inhabitants (1)	51.7%	49.7%	2.0 P.P.
ADSL connections	157,702	15,326	N.S.
% ADSL coverage	81.2%	48.6%	32.6 P.P.
Traffic (million of minutes)	68,940	49,871	38.2%
Employees	41,010	45,637	-10.1%
Lines/employees (1)	502.8	433.8	15.9%

(1) Basic telephony lines (including public telephones, Ibercom, ISDN and connections lines with PABX)

TELEFÓNICA DE ESPAÑA OPERATING REVENUES (INDIVIDUAL)

Unaudited Data	JANUARY - JUNE		
	(Euros in Millions)		
	2001	2000	% CHG.
REVENUE DERIVED FROM USAGE	2,967.0	2,932.1	1.2
Local	899.5	903.1	(0.4)
Provincial	283.4	289.0	(1.9)
Domestic long distance	478.1	522.5	(8.5)
International long distance (outgoing) (1)	337.2	264.3	27.6
Fixed to mobile	741.9	738.7	0.4
Interconnection International (Incoming)	140.3	111.3	26.1
Interconnection National Operators (1)	262.3	191.3	37.1
Others	(175.6)	(88.2)	N.S.
Monthly fee	1,638.5	1,516.0	8.1
Connection fee	130.6	144.5	(9.6)
Customer equipments	136.1	69.4	96.2
Others (2)	113.3	123.5	(8.2)
TOTAL OPERATING REVENUES	4,985.6	4,785.5	4.2

(1) Net of foreign participation.

(2) Including special services, IRIS services and others.

Fixed Line Business

Telefónica de España Group

TELEFÓNICA DE ESPAÑA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	5,159.8	5,048.8	2.2	2,571.1	2,568.2	0.1
Telefonica de España	4,985.6	4,785.5	4.2	2,491.9	2,432.0	2.5
Others and eliminations	174.2	263.4	(33.9)	79.2	136.3	(41.9)
Internal expend cap. in fixed assets (1)	88.9	129.4	(31.3)	46.1	66.2	(30.4)
Operating expenses	(2,750.7)	(2,837.0)	(3.0)	(1,395.1)	(1,469.3)	(5.1)
Other operating income (expense) net	(57.9)	1.2	c.s.	(37.6)	3.7	c.s.
EBITDA	2,440.2	2,342.5	4.2	1,184.5	1,168.8	1.3
Depreciation and amortization	(1,381.4)	(1,473.2)	(6.2)	(704.7)	(729.4)	(3.4)
OPERATING PROFIT	1,058.8	869.3	21.8	479.8	439.4	9.2
Profit from associated companies	(0.6)	0.3	c.s.	(0.6)	0.3	c.s.
Financial income (expense) net	(204.1)	(264.4)	(22.8)	(99.2)	(129.2)	(23.2)
Amortization of goodwill	(0.2)	(0.2)	0.0	(0.1)	(0.1)	20.0
Extraordinary income (expense) net	129.6	118.7	9.2	77.9	241.2	(67.7)
INCOME BEFORE TAXES	983.6	723.6	35.9	457.9	551.6	(17.0)
Income taxes	(263.1)	(206.4)	27.4	(120.0)	(170.0)	(29.4)
NET INCOME BEFORE MINORITY INTERESTS	720.5	517.2	39.3	337.9	381.6	(11.5)
Minority interests	0.0	0.1	c.s.	0.0	0.2	c.s.
NET INCOME	720.5	517.3	39.3	337.9	381.9	(11.5)

(1) Including works in process.

Note: TTP has been included on the accounts of Telefónica de España, both in 2000 and 2001.

Note: Telefónica Sistemas Group and TSIP are not consolidated in Telefónica de España, both in 2000 and 2001.

Fixed Line Business

Telefónica Latinoamérica Group

As a result of the restructuring of the Telefónica Group by business lines, Telefónica Latinoamérica consolidates the fixed-line business in Latin America (Brazil, Argentina, Chile, Peru, Puerto Rico and Venezuela) as well as the businesses of Advance (ISP of Argentina), Cable Mágico (Cable TV of Peru) and Sonda (services in Chile). It also includes the acquisition of the carrier CTI in November of 2000, for the integrated management of international traffic to and from the U.S. handled by the Latin American operators of the Telefónica Group.

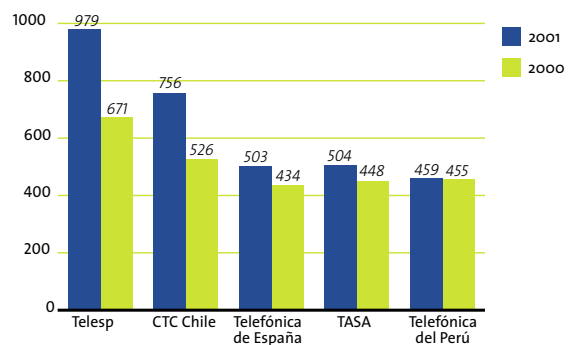
Although they slowed down in the second quarter of the fiscal year as a result of the economic situation faced by the region, results for the Telefonica Latinoamericana Group continue showing satisfactory growth rates. Consolidated revenue increased in the first half by 6.8% year-on-year, a rate that rises to 9.5% if the effects of the exchange rate are not taken into consideration. The growth in gross sales results from the growth in local currency of the revenues of Telesp (27.1%), Telefónica CTC Chile (8.2%) and Telefónica del Perú (0.6%), which offset the lower sales of TASA (-4.4%), mainly impacted by increased competition primarily in the long distance business. Furthermore, all operators have registered growth in their EBITDA in local currency, except TASA, due increased competition and the worsening of the country's economic situation.

With respect to the operating performance of Telefónica Latinoamérica in the first half of 2001 it is necessary to emphasize the following:

- Year-on-year growth of 17.7% in lines in service exceeding 20.9 million customers. The advance in lines in service is led by Telesp, which, with an average rate of more than 340,000 new subscribers/month exceeded 12 million lines, in accordance with its strategy to reach the targets set by Anatel for 2003 by 2001. For the Argentine and Chilean operators, the increase of lines in service, TASA (+5.9%) and Telefónica CTC Chile (+4.4%), is being driven by the marketing of prepaid and limited expense products, in order to maximize the profitability of lines in services and lowering the risk of bad debt.
- Good performance of the companies in the long distance business, with higher than expected market shares.
- Increase in productivity of 732 lines per employee, up 31.3% from June 2000 (12.4% as opposed to the first quarter of

2001), achieved after the headcount restructuring plan implemented in June by Telefónica CTC Chile (1,584 persons in fixed line) to adjust to an increasingly competitive environment.

LINES PER EMPLOYEE



- As a result of the commitment to the broadband development, ADSL customers reached 112,115 in June, up 64.4% versus the total number recorded in the first quarter of the year. 90% of ADSL customers are concentrated in Brazil (São Paulo).

As regards the financial results, it is necessary to highlight:

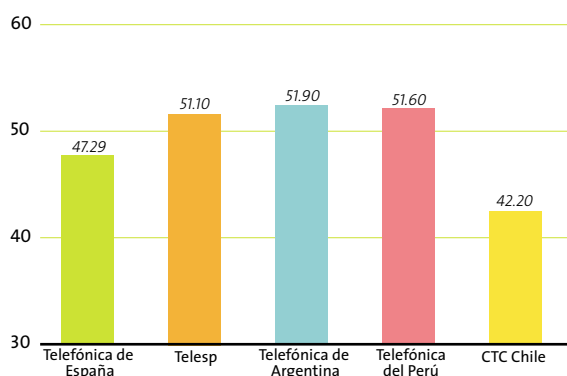
- Operating income, which totaled 5,178.0 million Euros, up 6.8% versus the first half of 2000 (9.5% higher if we do not take into account the effects of the exchange rate), primarily due to the expansion of lines in service at Telesp, which has compensated for intensified competition in Peru and Argentina.
- Total operating expenses for Telefónica Latinoamérica increased 11.0% in Euros versus the same period of the previous fiscal year, mainly due to: higher interconnection expenses of Telesp arising from the increase in tariffs and traffic; higher expenses for bad debts of Telefónica de Argentina due to the macroeconomic slowdown and the settlement of a more conservative bad debt policy at Telesp in line with Telefónica Group criteria.
- EBITDA totaled 2,579.8 million Euros, up 2.6% versus the same period of the previous fiscal year, mainly due to revenue growth at Telesp. EBITDA would have totaled 2,643.7

Fixed Line Business

Telefónica Latinoamérica Group

million Euros without considering forex effect, a 5.1% growth over the previous year.

EBITDA MARGIN - FIXED TELEPHONY



- The net income of Telefónica Latinoamérica in the first semester rose to 653.2 million Euros, with a year-on-year increase of 390.9%. This positive performance is due to the fact that the 2.0% growth in operating income was accompanied by a reduction in financial expenses (-13.8%), lower debt and financing costs, and a change in extraordinary income (92.1 million Euros), in spite of the restructuring plan of Telefónica CTC Chile, thanks to an extraordinary income from the sales of Cable Vision (256 million Euros). The year-on-year reduction in minority interests in the amount of 350.3 million Euros also positively impacted results.

Brazil

From an operational standpoint, it is important to emphasize that at the end of June Telesp had a waiting list of 764,000 customers, down 69% from December 2000. With a rate of more than 340,000 new subscribers per month, Telesp plans to eliminate the waiting list in the third quarter of this fiscal year.

On the other hand, in June, ADSL users exceeded 100,000 customers, up 146% from the number recorded at the end of the previous fiscal year. A greater expansion of the service in the second half of the year is expected.

Another significant development is the increase in productivity, with 979 lines per employee (year-on-year +46%).

From a regulatory point of view, last June Anatel approved an average tariff increase of 10.4%. The monthly fee and local interconnection rates have increased by 18% and 8.7% respectively, whereas the connection fee and the local rate per minute have not changed. These increases will have a positive influence on the company's performance during the second semester of the fiscal year.

The year-on-year growth of 29.3% in net income in local currency (15.4% in Euros) of Telesp at the end of the first semester of 2001 is based on the increase of EBITDA (1,128.6 million Euros), namely 23.0% in local currency (9.1% in Euros). The growth in EBITDA comes from the expansion of lines in service (+30.3% year-on-year) as well as the tariff increase of 14.2% in local currency, introduced in July 2000, that has allowed the company to record an income of 2,206.5 million Euros. A year-on-year growth of 27.1% in local currency (13.1% in Euros), compensated for the higher interconnection expenses (due to higher tariff and traffic), bad provision and taxes (new taxes applied from January 2001, representing 1.5% of the net income).

Argentina

During the first half of the fiscal year (Oct.00 – Mar. 01), TASA's performance was heavily impacted by the difficult economic situation in Argentina. Thus, EBITDA before management fee in local currency terms registered in this first half of the fiscal year is down 17.0% in versus the same period of the previous fiscal year (-11.1% in Euros). This reduction is caused mainly by lower long distance revenues from tariff reductions due to increased competition, as well as higher operating expenses. Among the latter, the main variations are registered in provisions for bad debts (due to the worsening of the economic situation of the country and the settlement of the debt of Major Customers and SMEs), higher sales expenses, higher supply costs related to pre-subscriptions for LD services due to an increase in equipment sales and the introduction of a new tax as of January 2001 (Universal Service contribution), which represents 1% of revenue.

At the operating level, local traffic per line has increased (+9%) thanks to the growth in Internet traffic and in lines in service (+5.9%), mainly through prepaid products designed to reduce the risk of bad debt.

Fixed Line Business

Telefónica Latinoamérica Group

Chile

Last June, Telefónica CTC Chile implemented a headcount reduction in fixed-line by 1,584 persons, with expected costs savings to be reflected in the second half. This plan is designed to improve the company's position in a deregulated and increasingly competitive market. As a result, in local currency terms net income for the period shows a year-on-year decrease of 30.7%, which contrasts with the company's 5.7% operating income growth.

The company's EBITDA increased 7.8% in local currency terms with respect to the same period of the previous fiscal year (-1.1% in Euros). There was a notable increase in long distance income, thanks to the positive trend in traffic, which compensates for lower income from international leased lines due to lower rates.

At the operating level, the 4.4% increase in lines in service year-on-year with respect to the first semester of 2000 is outstanding. Also outstanding is the increase in market share in national long distance (+3.9 p.p. versus 2000) and international (+2.3 p.p.).

Peru

At the closing of the first half of 2001, Telefónica del Perú continued leading the local market, reaching revenue of 663.9 million Euros, up 0.6% in local currency terms (7.1% in Euros) over the same period of the previous year. This growth is driven by the interconnection businesses (+12%), Cable Mágico (+9%) and public telephony (+7%), the latter case being explained by the 11% growth of lines in service. On the other hand, the effect of the competitive environment on long distance impacted the 10% year-on-year drop in revenue.

The positive result for revenue, as well as the reduction in expenses has generated an year-on-year EBITDA increase of 4.0% in local currency (11.0% in Euros). However, net income registered a fall of 47% in local currency terms (43% in Euros), due to the effect of higher amortization, extraordinary expenses, and positive effects coming from monetary correction.

Finally, in the month of June, the "price cap" for the revision of tariffs was approved, applicable as of September of 2001 (IPC-6%).

Fixed Line Business

Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP COMPANIES FINANCIAL DATA

Unaudited data	(Euros in Millions)		
	JANUARY - JUNE		
	2001	2000	% CHG.
TELESP			
Operating revenues	2,206.5	1,951.6	13.1
EBITDA	1,128.6	1,034.9	9.1
EBITDA margin	51.1%	53.0%	(1.9 p.p.)
TELEFÓNICA DE ARGENTINA (1)			
Operating revenues	1,542.3	1,504.8	2.5
EBITDA	800.8	900.9	(11.1)
EBITDA margin	51.9%	59.9%	(7.9 p.p.)
TELEFÓNICA CTC CHILE			
Operating revenues	719.8	725.2	(0.7)
EBITDA	303.8	307.2	(1.1)
EBITDA margin	42.2%	42.4%	(0.2 p.p.)
TELEFÓNICA DEL PERÚ			
Operating revenues	663.9	619.9	7.1
EBITDA	342.4	308.5	11.0
EBITDA margin	51.6%	49.8%	1.8 p.p.

Note: EBITDA before management fees.

Note: Data for Telefónica de Argentina include the ISP business of Advance, while those of Telefónica CTC Chile and Telefónica del Perú include Sonda and CableMágico, respectively.

(1) The data for Telefónica de Argentina refer to the period October 2000-March 2001.

Fixed Line Business

Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	5,178.0	4,847.5	6.8	2,583.3	2,549.6	1.3
Internal expend cap. in fixed assets (1)	88.5	110.2	(19.7)	43.9	58.1	(24.5)
Operating expenses	(2,477.3)	(2,359.0)	5.0	(1,199.1)	(1,218.8)	(1.6)
Other operating income (expense) net	(209.5)	(83.3)	151.6	(139.7)	(41.2)	238.8
EBITDA	2,579.8	2,515.4	2.6	1,288.3	1,347.6	(4.4)
Depreciation and amortization	(1,295.2)	(1,256.2)	3.1	(638.1)	(654.1)	(2.4)
OPERATING PROFIT	1,284.6	1,259.3	2.0	650.2	693.5	(6.2)
Profit from associated companies	1.2	6.1	(79.8)	3.2	5.5	(41.9)
Financial income (expense) net	(423.7)	(491.2)	(13.8)	(225.7)	(275.7)	(18.1)
Amortization of goodwill	(40.2)	(26.5)	51.9	(19.6)	(13.4)	45.9
Extraordinary income (expense) net	92.1	(66.8)	c.s.	168.4	(75.5)	c.s.
INCOME BEFORE TAXES	914.1	680.9	34.2	576.5	334.4	72.4
Income taxes	(201.1)	(137.8)	46.0	(79.7)	(113.7)	(29.9)
NET INCOME BEFORE MINORITY INTERESTS	713.0	543.1	31.3	496.8	220.7	125.1
Minority interests	(59.8)	(410.1)	(85.4)	(18.1)	(171.4)	(89.5)
NET INCOME	653.2	133.1	390.9	478.7	49.3	871.0

(1) Including works in process.

Note: Financial statements for 2000 include only the fixed telephony assets of the Telefónica Latinoamericana Group as of 1 January, and the entire stake acquired in the 2000 takeover round.

Fixed Line Business

Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP SELECTED OPERATING DATA

Unaudited Data

	JANUARY - JUNE		
	2001	2000	% CHG.
LINES IN SERVICE (THOUSANDS)	20,912	17,766	17.7%
Telesp	12,006	9,217	30.3%
Telefónica de Argentina	4,450	4,203	5.9%
Telefónica CTC Chile	2,743	2,627	4.4%
Telefónica del Perú	1,713	1,719	(0.3%)
ADSL CONNECTIONS	112,115	5,349	-
Telesp	100,634	5,349	-
Telefónica de Argentina	5,135	0	-
Telefónica CTC Chile	3,786	0	-
Telefónica del Perú (1)	2,560	0	-
% ADSL COVERAGE			
Telesp	61%	-	-
Telefónica de Argentina	57%	-	-
Telefónica CTC Chile	46%	-	-
Telefónica del Perú	44%	-	-
TOTAL TRAFFIC (MILLION OF MINUTES) (2)	58,294	54,690	6.6%
Telesp	31,409	28,631	9.7%
Telefónica de Argentina	14,488	12,960	11.8%
Telefónica CTC Chile	8,141	8,491	(4.1%)
Telefónica del Perú	4,256	4,608	(7.6%)
EMPLOYEES	32,055	36,808	(12.9%)
Telesp	12,257	13,737	(10.8%)
Telefónica de Argentina	8,822	9,373	(5.9%)
Telefónica CTC Chile	5,913	7,542	(21.6%)
Telefónica del Perú	5,063	6,156	(17.8%)
LINES/EMPLOYEES (3)	732	557	31.3%
Telesp	979	671	46.0%
Telefónica de Argentina	504	448	12.5%
Telefónica CTC Chile	756	526	43.7%
Telefónica del Perú	459	455	0.8%

Note: Data for Telefónica CTC Chile correspond to its fixed telephony and Sonda businesses. Data for Telefónica de Argentina refer to the period October 2000-March 2001.

(1) Including the lines in service of CABLENET.

(2) Including local, DLD and ILD minutes in cumulative terms to June 01. In Peru billed traffic is generated by PSTN lines.

(3) This ratio excludes Sonda employees in the case of Telefónica CTC Chile, and Cable Mágico employees in the case of Telefónica del Perú.

Cellular Business

Telefónica Móviles Group

In the first half of 2001 Telefónica Móviles obtained a combined pro-forma net income of 378.8 million Euros, equivalent to year-over-year growth of 19.5%, 6.1 p.p. higher than the increase in the first quarter of the year.

This reflects a marked improvement in operating profitability, with healthy growth in all margins and a sharp increase in EBITDA, equivalent to a year-over-year growth of 32.4%. EBITDA margin was 39.4%, 5.4 p.p. higher than in June 2000.

Furthermore, two factors should be noted that reflect the quality of these results. First, year-over-year increases are indicative of organic growth in operations due to the fact that in the last twelve months changes to the pro-forma consolidation sphere have had no significant impact on these figures. Second, fluctuations in the exchange rates of Latin American currencies vs. the euro had a slightly negative impact on the results, smoothing year-over-year growth rates.

However, an excellent performance in Spain more than offsets the lower growth in Latin America, leading to double-digit growth in the main lines of the income statement and in some cases higher growth than in first quarter.

Highlights of Telefónica Móviles' operating and financial performance in the first half of 2001 include:

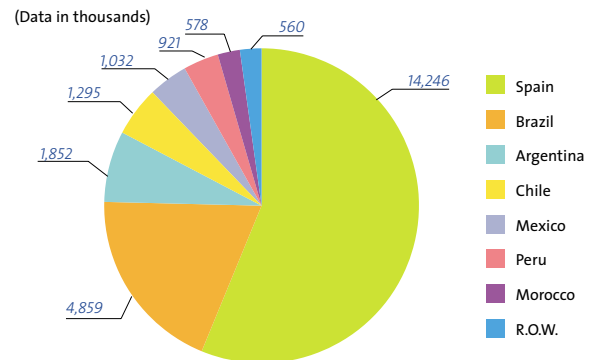
- Positive growth in operating revenues, with a year-over-year advance of 14.2% on June 2000 and quarter-over-quarter growth of 11.2%.

Underpinning this growth were the 29% year-over-year increase in the customer bases of fully consolidated operators, to 22.4 million, and the higher traffic carried by these operators (24%). These advances were partly offset by an average decline in ARPU of 16%, the depreciation of local currencies vis-à-vis the euro in the last twelve months, the impact of which was especially marked in second quarter, and the amounts accrued by Telefónica Móviles España's customers as loyalty programme "points", which are accounted for as a reduction in revenue.

In addition to positive traffic growth, we would also emphasize the increasing use of short message services (SMS), which continue to rise rapidly, up 202% compared with the first half of 2000.

The Company's customer base at the end of June 2001, including all the operators in which Telefónica Móviles held stakes, was 23.9 million. Adding the cellular customers of the Chilean, Puerto Rican and Mexican wireless operators managed by Telefónica Móviles, the Company's customer base exceeded 26.5 million by the end of June 2001.

DISTRIBUTION OF MANAGED CUSTOMERS IN MOBILE TELEPHONY



- Steady improvement in profitability, with EBITDA registering absolute growth of 3380.1 million, an annual growth rate 18.2 p.p. higher than the growth of operating revenues.

As in the first quarter, the increase in EBITDA was driven mainly by Telefónica Móviles España, which accounts for 26 p.p. of growth in consolidated EBITDA. Telefónica Móviles España's contribution to consolidated EBITDA was 80%.

It is worth to mention the positive evolution of operating expenses, which registered a growth of 8.8 p.p. lower than revenues thanks to a steady decline in subscriber acquisition costs (SAC), both in unit and absolute terms, economies of scale due to higher business volumes and improved productivity.

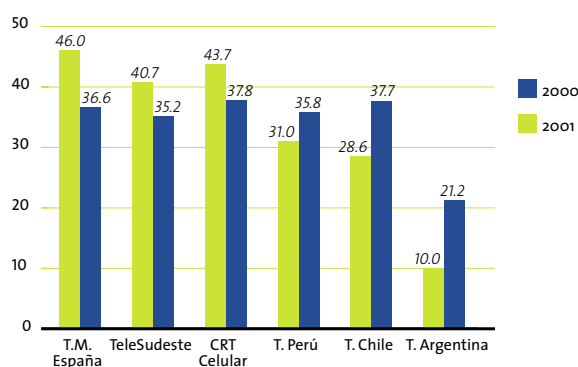
We would also draw attention to the growth in operating profit, EBIT (+33.7% year-over-year), achieved despite the increase of fixed assets amortization, and the 3.4 p.p. improvement in EBIT margin compared to June 2000, to 23.5%.

Cellular Business

Telefónica Móviles Group

- Net income advanced 19.5% after deducting the higher net financial expenses resulting from the increase in consolidated financial debt (to 10.46 billion Euros from 3.65 billion Euros in June 2000) required to fund business development; and rise in interest rates on Latin American currencies which affects the debt/hedging structures denominated in these currencies; higher extraordinary losses derived from extraordinary provisions made in first quarter 2001; and higher taxes, owing to the decline in tax credits and deductions.

EBITDA MARGIN - TELEFÓNICA MÓVILES



This increase in consolidated debt levels includes 100% of the debt used to fund the acquisition of UMTS licenses, while proportionate net debt rose by 3.42 billion Euros over the last twelve months to 6.86 billion Euros.

BUSINESS PERFORMANCE BY GEOGRAPHIC REGION

Spain

The Spanish cellular market had around 26.6 million customers at the end of June 2001, equivalent to a 66.6% penetration rate for the total Spanish population, which reflects an increase of 2.8 p.p. in the second quarter of the year, similar to that of first quarter. As had been anticipated, on the basis of patterns seen throughout Europe, growth is gradually slowing down, although we could see some recovery at certain times of the year (e.g., summer and Christmas) in line with the seasonal fluctuations of the business.

Telefónica Móviles España had 14,853,336 active customers at the end of June 2001 (219,530 of ETACS-Moviline and 14,633,806 of GSM-MoviStar) with two thirds of the total accounting for prepaid. This subscriber base implies a 30% increase on the previous year and an absolute increase 5% higher than the advance achieved in the first quarter of the year, so underscoring the success of the new growth model.

Telefónica Móviles España's estimated share of declared customers at the end of June was 55.8%, a mere 0.1 p.p. lower than at the end of March and just 1.7 p.p. below the level at the end of June 2000, which represents the lowest share market loss since the liberalization of the Spanish market. Telefónica Móviles España's estimated share of traffic stands at 61%, far above its customer market share, due to the fact that it uses more conservative criteria to calculate the customer base than its competitors and its higher quality customers. These results have been obtained thanks to a more than 53% estimated share of net adds in the second quarter, outstripping both first quarter 2001 and second quarter 2000 levels even though the competitive environment has toughened since then.

The Company continues to benefit from its customer loyalty programme, with a sharp decline in the churn rate of around 45%. More important still is that the economic churn rate, which measures the economic impact of the disconnections over sales, is approximately 30% less than the conventional churn rate (measured by number of lines), as the average usage of Telefónica Móviles España's disconnections is far lower than that of its customers.

In addition, traffic totaled 6.52 billion airtime minutes in second quarter, an increase of 7% from first quarter (against only 4% growth in the customer base) and nearly 30% increase from the same period last year.

At present, Telefónica Móviles España's customers use their mobile telephones for communication purposes 85 times a month (including conventional calls and SMS), compared with less than 80 times a month in the first half of last year. This improvement, which underscores the real growth potential for the use of mobile telephony in Spain, was made possible by the concurrence of the following factors:

Cellular Business

Telefónica Móviles Group

- The significant increase in SMS, which allows the Company to introduce customers to the use of basic data transmission services in a natural way and registered year-over-year growth rates of 200%. Data services now account for nearly 12.5% of customer revenue, virtually double the figure in first half 2000.
- Stabilisation in the number of billable minutes per client (MOU), derived from the more stable communication patterns of increasingly mature users, despite the 30% increase in the customer base, have caused the annual trend of decline in this measure to slow steadily. As a result of these, the MOU in first half 2001 was a mere 2.5% lower than in the second half of 2000, in spite of the increase in the number of short messages.

As a result, average revenues per user (ARPU) in the second quarter 2001 were down just 12% on the same period of last year, marking the lowest annual decline to date and in line with the upbeat prospects for this indicator in the medium term. This ARPU performance looks more impressive still, when we consider that it was coincident with two sharp reductions in call termination rates.

Regarding the launch of new services this quarter, it should be noted the roll-out of new GPRS services like MoviStar Intranet GPRS and Correo Móvil GPRS, which are destined to become essential services for business users in the coming months, further strengthening the popularity of this technology.

Other increasingly important factors are efficiency levels, the achievement of economies of scale and tight cost control policies—all particularly important in the light of the Spanish macroeconomic and regulatory environment of the last few months. The near 40% decline in SAC in comparison with the first half of 2000 leads to a considerable improvement in operating margins. Likewise, productivity ratios shows improvements, reaching more than 3,500 connections per employee, one of the highest among European operator.

In all, Telefónica Móviles España's financial results continue to show solid growth, reflecting the Company's competitive position and ability to foresee shifts and trends in the market.

- Operating revenues in the first half of 2001 were 2.67 billion Euros, an increase of 20% on the same period in 2000. Operating revenues in the second quarter of 2001 (1.37 billion Euros) were 5.5% higher than in the first quarter of 2001, in line with the seasonal nature of the business. It should be noted that the sums accrued by contract clients as "points" under the loyalty programmes are deducted from revenues, and that the fact the Company has stepped up its efforts in this respect in recent months, has had an effect on growth rates. In fact, stripping out the impact of these programmes, revenues would have been 24% higher than in the previous year. In addition, the reductions to call termination rates introduced this year (17%) should also be noted, as these have had a negative impact on revenue growth.

- EBITDA reached 1.24 billion Euros, 52.9% higher than in the first half of 2000. This growth far outstripped growth in both revenues and customer numbers, thanks to the improved operating efficiency of Telefónica Móviles España, and the sharp decrease in SAC, as shown by the comparison of growth between first quarter and second quarter (13.4% increase in EBITDA compared with 5.6% rise in revenues). To properly compare EBITDA growth with the previous year, as we pointed out last quarter, it is important to consider the accounting criteria generally used by the Company, whereby the costs of launching new technologies are capitalized until their commercial launch, since they are considered start-up costs. This policy affects the costs of developing UMTS technology, including the fee for use of the spectrum assigned to Telefónica Móviles España for the future operation of this technology, as it has since the Company obtained the license in April 2000. Of the total 117.4 million Euros of fees accrued in 2001, 81.5 million Euros corresponding to UMTS licenses have been capitalized.

Rest of Europe

The second quarter saw a number of significant events that helped the Company advance towards its goal of bringing forward the commercial launch of operations in Germany, Italy, Austria and Switzerland through the launch of services using GSM/GPRS technology, which will enable it to sign up customers in these markets prior to the launch of UMTS services.

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On April 27, the Company concluded a roaming agreement with E-Plus in Germany that will allow GSM/GPRS services to be launched in the next few months. Negotiations for similar roaming agreements with operators in the other countries are being carried out.

In Italy, an interconnection agreement with Telecom Italia was reached in June and the initial interconnection tests have been completed successfully. Subsequent to the end of the first half, on 17 July, an interconnection agreement was reached in Germany with Deutsche Telecom. At the same time, negotiations for interconnection agreements in Austria and Switzerland are in the advanced stages and should result in similar agreements in the short term.

Also, the Company has already contracted the GSM/GPRS network switching equipment, as well as the most important service platforms, with installation set to begin towards the end of July.

Meanwhile, the management teams of the German and Italian operators are now complete at top level, and will very soon be in Austria and Switzerland, where the CEOs have already been appointed. Currently, more than 600 people are working directly on launching these companies in Germany, Austria, Italy and Switzerland.

At the same time, Telefónica Móviles has made significant progress towards setting up a common operational framework that allows synergies in Europe to be maximised. These include reducing installation time in the areas of operating systems, platforms and service portfolios.

Additionally, on 5 June the German regulator (RegTP) announced a proposal for a new UMTS infrastructure sharing rule that includes virtually all the points Group 3G had submitted previously. Specifically, the rule includes the possibility of two or more operators sharing network sites and radio equipment and network roll-out via agreements for area sharing. Negotiations are currently underway with other mobile operators to reach deals of this type, in Germany and elsewhere. This would significantly decrease the level of capex estimated initially and the operating expenses associated with the networks, which explains the delay in the supply and financing contracts with suppliers needed to adapt them to the new scenario.

Morocco

Medi Telecom closed June 2001 with 754,821 customers, more than triple the prior-year figure, and has achieved a market share of 32.6% in its first 15 months of operations. Growth in the second quarter was particularly strong, with nearly triple the level of net adds in first quarter of 2001, reflecting the success of advertising campaigns designed to boost prepaid recharges.

Financially, the company became EBITDA positive for the first time since the launch of operations in the month of June, setting it well on track to achieving its goal of EBITDA breakeven by the end of 2001.

Latin America

The performance of Telefónica Móviles' subsidiaries in Latin America in the first half of 2001 has been characterised by the continued growth of the prepaid segment, which still leads the increases in operators' customer bases and allows for a reduction of bad debt risk and subscriber acquisition costs. At the end of June, the prepaid segment represented 68% of the customer base managed by Telefónica Móviles in the region which, excluding customers in Mexico, reached 9.9 million subscribers. Taking into account the Mexican operators in the north of Mexico, total customers under management in the region (including Mexico) reached 10.9 million.

The efforts made in the area of customer loyalty through various initiatives aimed at both the prepaid and the contract segments should also be highlighted. These are showing positive results, with the year-over-year churn rate down for the majority of operators.

It is worth noting the positive financial performance of the main operators in their local currencies, which show an improvement in the profitability of operations. This positive margin performance is the result of cost control efforts made by all the operators. Of note on the marketing front is the continued across-the-board trend towards lower SACs, which, as a result of operators' policies to improve customer profitability, has shown an average 14% decrease in euro terms.

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Brazil

At the end of the first half of 2001, the Brazilian operators managed by Telefónica Móviles—TeleSudeste Celular, Celular CRT and TeleLeste Celular—had roughly 5.1 million customers, having achieved more than 1.1 million net adds over the last twelve months. This growth has largely been driven by the prepaid segment which, as of June 2001, represented 63% of the Brazilian customer base.

The management of the three Brazilian operators in the first six months of the year has focused on the application of a selective and profitable growth model. As a result, although the total volume of gross additions continues to rise, the current exchange rate climate has prompted operators to focus their efforts on customer retention. This commercial strategy has enabled the three Brazilian operators to maintain their leads, in spite of growing competitive pressures, in their respective markets, with average market shares of 65% and, in the case of Celular CRT, 71%.

The measures adopted to increase the retention rates for higher-value customer contributed to an improvement in the churn rates of the contract segment which, on average, dropped 0.6 p.p. between January and June.

The changes in the pattern of customer usage should also be stressed. Although in year-over-year terms this has logically dropped with the addition of new subscribers with a lower MOUs, in the contract segment the MOU has stabilised compared to previous months.

Operating revenues for Telefónica Móviles subsidiaries consolidated by the global integration method in Brazil (i.e., TeleSudeste Celular and Celular CRT) showed an 11.4% growth in local currency terms over the same period last year. This performance is explained by the increase in the customer base, which was partially offset by the lower ARPUs.

The operators' margins showed an excellent performance with respect to the first half of 2000, with a 41.7% margin as a whole (compared to 36.1% in 2000). This performance can be attributed to positive results from cost control policies and to the constant improvements in productivity, which allow for EBITDA growth in local currency terms of 29%, or 17.4 p.p. higher than the growth in revenues.

In euro terms, this growth slowed by the depreciation of the real against the euro over the last 12 months.

Argentina

TCP at the end of June 2001 had 1.86 million customers, representing year-over-year growth of 35.6%, narrowing the gap with its main competitor. In the last twelve months, it has seen a growth of 488,000 customers, representing 25% of the total net additions in the Argentinean market.

This growth has been achieved thanks to the prepaid segment. In one year it has almost doubled its weighting within the total customer base (reaching 64% in June 2001), thereby reducing bad debt risk.

Over the last quarter the Company continued to develop measures to cut SACs, the most important of which entailed a reduction in handset subsidies, lower commissions to distributors and fewer traffic promotions, in line with the policy of selective growth the company is pursuing in the new operating context.

TCP's operating revenues for the first half of 2001 (i.e., from October 2000 to March 2001) came to 388.1 million Euros, an increase of 5% year-over-year. This performance can be attributed to the moderate growth in additions and to lower ARPUs despite the increased volume of minutes derived from the growth in the customer base.

For the six months ending 31 March 2001, EBITDA reached 38.9 million Euros, or 2.5% of Telefónica Móviles consolidated EBITDA. It should be noted the positive performance of EBITDA margin with respect to previous months, reflecting the cost control policies being implemented, focused principally on the following: lowering SAC's, reducing spending on advertising, strict restrictions on network costs and general expenses, corporate reorganization – which has included transferring customer care service activities to Atento – as well as adjusting capex in line with levels of demand.

All this reflects a clear improvement in operations in recent months, as is shown in the increase in EBITDA margin, which in the second quarter of 2001 (which ended in March) reached 10.5%, an increase of 1 percentage point from the pre-

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vious quarter. This improving trend in the company's margins has persisted through June.

Peru

Telefónica Móviles SAC ended the month of June with 973,065 customers, maintaining its leadership, with an estimated market share of 66%. It should be pointed out that despite the increase in the number of competitors since the start of the year, in the second quarter Telefónica Móviles SAC increased its share of net adds by 14 p.p. from the first quarter.

On the commercial front, in the last three months the company broadened the data service and the Red Privada Movistar (Movistar Private Network) offer aimed at the corporate segment. These initiatives are already proving to be successful, with a 23% rise in the corporate customer base in the second quarter of the year.

Telefónica Móviles SAC also continued with its loyalty programmes, encouraging calls between mobile phones using its network and offering lower tariffs which allowed it to reduce the contract-client churn rate by 65% compared with the first six months of 2000.

In the first half of 2001, Telefónica Móviles SAC obtained revenues of 142.6 million Euros, up 16% on the same period last year. This rise is explained by the increase in the customers base, which was partially offset by lower ARPUs derived from the increase in the number of prepaid customer (79% vs. 73% in June 2000).

The EBITDA margin improved significantly in the second quarter of the year over the first, rising by 7 p.p. to 34%, giving an accumulated figure of 31%. In absolute terms, EBITDA reached similar figures to June 2000, marking a turning point in the downward trend followed in the first quarter of the year. This was largely due to the slowdown in the growth of operating costs, especially in commercial areas, the year-over-year decline in per unit SACs and the reduction of interconnection expenses after new termination rates for fixed-mobile calls were set in March 2001.

Chile

At the end of June 2001, Telefónica Móvil, the subsidiary of Telefónica CTC Chile managed by Telefónica Móviles, had 1.4 million clients, 15.6% more than at the same period of last year. The pace of growth of new subscribers is clearly improving, despite the decline in SAC, with net adds exceeding 120,000 in the second quarter (+70% from first quarter 2001). We would point out the increasingly narrow gap in customer numbers between the operator and its main competitor, which in second quarter 2001 decreased by more than 46% compared to first quarter 2001.

Meanwhile, Telefónica Móviles is bidding for new 1900 MHz mobile licenses, with the awarding process expected to be announced in the coming months.

Mexico

During the second quarter of 2001, the management of Bajacel, Movitel, Norcel and Cedetel has focused on customer loyalty initiatives, which have lowered the churn rate by 3 p.p. in the last few months. These operators had a customer base of 1,060,159 customers at the end of June. In spite of the stepped-up activity of new entrants, since Telefónica Móviles began managing these companies there has been a reversal in the trend of diminishing customer numbers, with positive net adds in all customer segments.

On the commercial front several initiatives have been carried out to improve the distribution network. In this regard, it should be noted the development of the consumer sales channel, which has entailed reaching commercial agreements with new distributors and large department stores and the start-up of nearly 600 new points of sale. The weighting of this channel in total gross adds has already reached 15% in only four months. Other improvements included the training of sales forces for the companies segment and the design of a plan for the scope of the distribution network.

In line with Telefónica Móviles' business model for operators, it is planned to set up a new logistics framework, outsourcing this activity and continuing to select specialist distributors, as well as developing new systems for the settlement of commissions.

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Guatemala and El Salvador

At the end of the first half of 2001, the customer base of Telefónica Móviles' subsidiaries in Guatemala and El Salvador totalled 393,343, 33.2% more than at the end of June 2000. Their combined market share remained stable throughout the year despite on competition, especially in Guatemala with the recent entry of a fourth operator.

HORIZONTAL BUSINESS

At the end of June 2001, Terra Mobile had nearly five million registered users, with a 64% growth from December 2000.

Geographically, the growth in registered users in Germany and the UK was 15% and 21% respectively on the first quarter

2001. At present, Germany accounts for 25% of total registered users and will be a key market for the roll-out of our GPRS operations.

Quarterly growth in Spain was also strong with more than half a million registered users at the end of June 2000 (+35% with respect to March 2001).

Turning to Mobipay, on May 30, Telefónica Móviles, BBVA, Airtel and BSCH signed an agreement to integrate all their mobile telephony payments systems projects. Other financial entities, mobile operators and payment methods processing companies have joined the project or have stated their intention of doing so, including Amena, CajaMadrid, Banco Popular, Banesto, Banco Sabadell and Xfera and the processors Red 6000, SERMEPA and 4B.

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Telefónica Móviles Group

TELEFÓNICA MÓVILES GROUP COMPANIES FINANCIAL DATA

Unaudited Data	(Euros in Millions)		
	JANUARY - JUNE		
	2001	2000	% CHG.
TELEFÓNICA MÓVILES ESPAÑA			
Operating revenues	2,671.1	2,224.9	20.1
EBITDA	1,244.9	814.1	52.9
EBITDA margin	46.6%	36.6%	10.0 P.P.
BRAZILIAN COMPANIES (1)			
Operating revenues	632.0	635.7	(0.6)
EBITDA	263.6	229.3	15.0
EBITDA margin	41.7%	36.1%	5.6 P.P.
TCP ARGENTINA			
Operating revenues	388.1	368.5	5.3
EBITDA	38.9	78.1	(50.2)
EBITDA margin	10.0%	21.2%	(11.2 P.P.)
TELEFÓNICA MÓVILES PERÚ			
Operating revenues	142.6	122.9	16.0
EBITDA	44.2	44.0	0.5
EBITDA margin	31.0%	35.8%	(4.8 P.P.)
T. MÓVILES GUATEMALA Y EL SALVADOR			
Operating revenues	93.3	89.9	3.8
EBITDA	(0.6)	7.1	c.s.
EBITDA margin	(0.6%)	7.9%	c.s.

Note: EBITDA before management fees.

(1) TeleSudeste Celular and CRT Celular.

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TELEFÓNICA MÓVILES GROUP SELECTED OPERATING DATA

	CELLULAR CUSTOMERS		
	JUNE - 2001	% CHG 01/00	WEIGHTED % PARTIC. (1)
(Data in thousands)			
T Móviles España	14,853	29.7%	13,754
CRT Celular	1,592	36.5%	541
TeleSudeste Celular	2,729	26.6%	2,072
TeleLeste Celular	740	25.6%	74
TCP Argentina	1,860	35.6%	1,686
T Móviles S.A.C. Perú	973	20.1%	840
TEM Guatemala	239	22.6%	98
TEM El Salvador	154	53.7%	73
NewCom Wireless Puerto Rico	181	122.8%	---
Mexican operators (2)	1,060	N.S.	---
Medi Telecom	755	N.S.	213
Telefónica Móvil Chile (3)	1,416	15.6%	617
TOTAL	26,552	37.0%	19,968

- (1) Number of lines weighted for the Telefónica Group's stake in each company.
(2) Bajacel, Movitel, Norcel and Cedetel. Management control was assumed in March, though we do not consolidate those operations as a transaction process has been concluded during July 2001.
(3) Managed by TEM and part-owned by the Telefónica Group.

TELEFÓNICA MÓVILES ESPAÑA

	(Thousands)		
	JANUARY - JUNE		% CHG.
	2001	2000	
Cellular subscribers	14,853	11,451	29.7
Contract	4,988	4,090	22.0
Prepaid	9,865	7,361	34.0
Subscribers net adds in year to date (a)	1,184	2,398	(50.6)
Contract	221	543	(59.3)
Prepaid	963	1,856	(48.1)
TME Penetration (b)	37.2%	28.6%	8.6 p.p.
Total airtime minutes, in millions (a)	12,618	9,568	31.9
Employees	4,089	3,662	11.7

- (a) January-June accumulated data.
(b) Telefónica Móviles España cellular lines / 100 inhabitants.

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TELEFÓNICA MÓVILES GROUP PARTICIPATED COMPANIES

	(Thousands)		
	JANUARY - JUNE		
	2001	2000	% CHG.
Europe and Mediterranean area customers	15,608	11,683	33.6
Contract	5,035	4,111	22.5
Prepaid	10,573	7,572	39.6
Latin America customers (1)	8,287	6,388	29.7
Contract	3,028	2,870	5.5
Prepaid	5,259	3,518	49.5
TOTAL MINUTES	14,931	11,751	27.1

(1) Includes only Telefónica Móviles participations.

TELEFÓNICA MÓVILES GROUP COMBINED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	3,933.9	3,445.5	14.2	1,994.6	1,793.8	11.2
Internal expend cap. in fixed assets (1)	55.4	28.8	92.2	39.3	15.6	151.1
Operating expenses	(2,344.1)	(2,224.7)	5.4	(1,194.1)	(1,136.4)	5.1
Other operating income (expense) net	(93.6)	(78.1)	19.8	(39.3)	(59.9)	(34.3)
EBITDA	1,551.6	1,171.5	32.4	800.4	613.2	30.5
Depreciation and amortization	(628.1)	(480.9)	30.6	(323.2)	(254.4)	27.0
OPERATING PROFIT	923.4	690.5	33.7	477.2	358.7	33.0
Profit from associated companies	(70.8)	(32.8)	115.6	(40.3)	(31.2)	29.4
Financial income (expense) net	(185.1)	(138.9)	33.2	(100.1)	(81.8)	22.4
Amortization of goodwill	(16.1)	(13.9)	16.2	(8.8)	(6.0)	48.7
Extraordinary income (expense) net	(27.6)	(6.9)	299.3	20.1	40.4	(50.1)
INCOME BEFORE TAXES	623.9	498.0	25.3	348.0	280.2	24.2
Income taxes	(262.8)	(151.1)	74.0	(132.0)	(66.5)	98.6
NET INCOME BEFORE MINORITY INTERESTS	361.1	347.0	4.1	216.0	213.7	1.1
Minority interests	17.7	(30.0)	c.s.	8.3	(13.7)	c.s.
NET INCOME	378.8	317.0	19.5	224.4	200.1	12.2

Note: Financial statements for 2000 include all the mobile telephony assets held by the Telefónica Móviles Group as of 1 January, and the entire stake acquired in the 2000 takeover round.

(1) Including works in process.

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In line with our strategy for expansion and consolidation in Latin America and Europe, during the second quarter we have come close to completing all the necessary steps for the integration of our affiliates in Latin America and Germany into Telefonica Data.

As a consequence, Telefonica Data now has a local Latin American presence in Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela, and local European presence in Spain, Germany, Austria and Italy. To these regions, we can add Puerto Rico and Miami, where a Telefonica Internet Data Center is currently located, with a total surface area of more than 16,000 m² at the end of June.

Furthermore, the last weeks have seen the advancement of the geographic roll-out, with the start-up of operations in the United Kingdom through the company mediaWays UK. Thus, at the end of June, Telefónica Data Group is present in 14 countries.

This increased geographical coverage allows Telefonica Data to increase its international network and incorporate services to benefit both local and regional clients.

As a provider of global telecommunications services for businesses, Telefonica Data has an extensive portfolio of services including data and Internet service, telephony, advanced integrated client solutions and all of our new hosting services.

From a commercial standpoint, it is worth mentioning the new agreements signed in this quarter with Sol Meliá and Fiat Auto España. In the former, Telefónica Data signed a collaboration agreement that includes, among other points, the deployment of a network linking the 350 hotels of the company, located in 30 countries, as well as the company's corporate headquarters. This will improve internal communications, the generation of important efficiencies and cost savings, and will facilitate, in the medium term, direct access to Internet from all the establishments of the hotel chain. The second agreement involves the creation of a data communications network linking more than 100 concessionaires of the company in Spain. This network, based on the interLAN service of Telefónica Data, will allow for the total integration of geographically dispersed equipment and offices, ensure communications between concessionaires and between the latter and Fiat Auto España.

Also noteworthy is the strategic alliance signed in Brazil with Banco Itaú, strategic leader in the main States of Brazil, with a broad coverage national network. This alliance will allow the provision of quality, value-added services to the bank, based on the management of its corporate telecommunications network, which, as of the beginning of 2002, consists of 3,000 agencies and customer service points, and 12,000 electronic ATMs. More than 2 million customers daily use one of the remote channels of the bank.

Furthermore, in the second quarter of the year, progress was made in the provision of Hosting, Housing and other services to ASPs (Application Services Providers). In addition to the Telefónica Internet Centers (TICs) already existing in Miami, Lima, São Paulo, Buenos Aires and Madrid, new additions are the TIC of Santiago de Chile and, in Europe, new facilities in Germany, Italy and Austria, which allow offering value added services directly in 9 countries. At the end of June 2001 there were 9 centers with 25,594 square meters available.

From an operational viewpoint, the total number of connections of the Group reached, at the end of June 2001, 525,936 ports, with continued migration from traditional technologies to IP technologies, which today represent 71% of the connections. Of these ports, 76% are deployed in Europe (including Spain), and the remaining 24% in America. The number of POPs reached 1,239, of which 64% are in Europe and 36% in America.

From an economic-financial viewpoint, Telefónica Data Group's revenues reached 922.6 million Euros in the first semester of 2001, with an increase of 75.6% over the first half of 2000.

Revenue growth was significantly boosted by Telefónica Data Spain, which reached 358.6 million Euros at the end of June, up 19.3% from the first semester of 2000, accounting for 38% Telefónica Data Group's income.

As for the Americas, segregated affiliates revenues (Argentina, Brazil and Peru) totaled 171.4 million Euros, reflecting an increase of 46.5% versus the same period of the prior year. The total contribution of these affiliates to the Americas reached 82%, Argentina having the highest contribution (41%) and Brazil having the highest growth versus the first half of 2000 (95%). Revenue for the start-ups in America (Mexico, the

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USA and Uruguay) grew at a solid rate, leveraged on the global customer base of the Group.

The income of the first semester of 2001 in Europe (excluding Telefónica Data España) reached 357.6 million Euros. These numbers are the best evidence of the strategic importance of the Telefónica Data Group's presence in Europe. Of all the companies, the highest revenue contribution comes from MediaWays (65% of the total revenues for Europe), which had the highest revenue growth versus the same period of the previous year (103%). MediaWays is established in the market as Germany's number two IP network, with a market share of 30% in Internet services. On the other hand, the operations of Atlantel in Italy have generated 16% of revenues coming from Europe, totaling 56.4 million Euros.

With respect to EBITDA, the consolidated results of the first semester of 2001 reached 22.2 million Euros, equivalent to 2.4% of the Total revenues of the Telefónica Data Group, as opposed to 53.9 million Euros in the first half of 2000. Said variation was mainly the consequence of the following factors:

- The incorporation of certain companies in Europe, which are still in their first stages of activity, as is the case of Atlantel in Italy which, along with ETI in Austria, generated this semester a negative EBITDA of 25.5 million Euros; and, in the Americas, due to expenses from the launch of the

Uruguayan affiliates, Mexico, and the USA (Miami), which generated altogether a negative EBITDA of 14.2 million Euros in 1H00.

- The results of Telefónica DataCorp reflect the restructuring of its Service Business and International Services units (TDSI). The latter, created in the beginning of 2001, has made a concerted effort for the establishment of the International Network and the leasing of the necessary circuits. In this context, TDSI has generated a negative EBITDA of 15.5 million Euros. Given this circumstance, TDSI is in the process of rationalizing its assets and commitments with third parties that will allow the optimization of the international network, assuring a critical mass of customers and achieving economies of scale to improve this operating indicator.
- It should be noted that Telefonica Data Spain reached EBITDA of 66.5 million Euros, with a 19% EBITDA margin.

Nevertheless, these results cannot be extrapolated to the rest of the fiscal year, since a continuous improvement in revenue growth is expected. Concerning costs, it must be noted that the Group has started a general cost and investment rationalization plan, which will bring substantial improvements in operating income in the coming quarters.

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TELEFÓNICA DATA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	922.6	525.4	75.6	516.3	270.0	91.2
Internal expend cap. in fixed assets (1)	10.3	11.0	(6.1)	1.2	(0.1)	c.s.
Operating expenses	(909.2)	(479.0)	89.8	(500.5)	(242.3)	106.5
Other operating income (expense) net	(1.5)	(3.5)	(57.1)	(2.1)	(0.7)	200.9
EBITDA	22.2	53.9	(58.9)	14.9	26.8	(44.4)
Depreciation and amortization	(85.4)	(39.9)	114.0	(45.6)	(19.6)	132.6
OPERATING PROFIT	(63.2)	14.0	c.s.	(30.7)	7.2	c.s.
Profit from associated companies	(0.8)	(2.6)	(68.7)	(0.7)	(2.4)	(72.0)
Financial income (expense) net	(23.4)	(2.8)	n.s.	(16.5)	(1.8)	n.s.
Amortization of goodwill	(40.7)	(2.8)	n.s.	(20.3)	(1.5)	n.s.
Extraordinary income (expense) net	(0.6)	6.2	c.s.	2.9	6.1	(52.9)
INCOME BEFORE TAXES	(128.8)	12.0	c.s.	(65.3)	7.6	c.s.
Income taxes	(3.1)	(5.6)	(44.1)	5.2	0.0	n.s.
NET INCOME BEFORE MINORITY INTERESTS	(132.0)	6.4	c.s.	(60.1)	7.6	c.s.
Minority interests	27.9	(1.3)	c.s.	16.5	(0.7)	c.s.
NET INCOME	(104.1)	5.1	c.s.	(43.6)	7.0	c.s.

(1) Including works in process.

Note: 2000 figures have been restated to include ETI and Telefónica Sistemas, which were previously part of Telefónica Intercontinental and Telefónica de España Group respectively. Include all the data assets of the companies of Telefónica Group.

Media Business

Telefónica Media Group

Telefónica Media Group reached an EBITDA of 69.2 million Euros in the first half of the year, compared to the negative EBITDA of 9.7 million Euros in the same period of the previous fiscal year (the second quarter of the fiscal year is the third consecutive quarter in which Telefónica Media obtained positive EBITDA, reaching 58.7 million Euros, as compared to a similarly positive balance of 10.5 million Euros in the first quarter of this year). This trend is especially remarkable considering the complicated economic situation in Latin America and the crisis in the Spanish advertising market. These results enable the Company to advance in its goal of anticipating its EBITDA break-even level and achieving self-financing of the Group's operations.

It is also necessary to emphasize that, for the first time since the formation of Telefónica Media as a Group, operating income is positive at the end of the semester, with a profit of 29.6 million Euros, as opposed to losses of 27.8 million Euros in the first semester of 2000.

Analysis of the first semester results of the Telefónica Media Group reflects strong growth during fiscal 2000, due to a significant change in its sphere of consolidation. An important factor of this change was the addition of ATCO, in which stake was increased throughout the fiscal year from 26.8% to 100%, consolidated by the global integration method since May 2000, (i.e. the last two months of operations were incorporated in the numbers of the last fiscal year), as well as the addition of Endemol, which has been consolidated by the global integration method since August 2000, and which therefore, did not appear in the financial statements published in the first semester of the previous fiscal year.

The addition of these two companies has caused very important changes in the Telefónica Media Group, in terms of both in revenues and EBITDA.

FREE-TO-AIR TELEVISION AND RADIO BUSINESS

ANTENA 3

The television advertising market has continued the negative trend started during the first quarter of the fiscal year, when it showed a decrease of 6.3% with respect to the same quarter of the previous fiscal year; an increase in advertising time and an aggressive price strategy to increase market share, adopted by RTVE, should be noted. In this context, advertising revenues for

the channel reached 287.3 million Euros, down 8.5% versus the end of the first semester 2000. Nevertheless, the channel continues maintaining the best ratio between advertising market share and audience rate, reaching at the end of the first semester a ratio of 1.34 as opposed to 1.28 in the same period of the previous fiscal year.

Finally, EBITDA in the first semester rose to 78.5 million Euros, 28.7% less than in the same period of the previous fiscal year, reflecting the unfavorable conditions of the advertising market explained above.

ATCO

The current macroeconomic uncertainty in Argentina has caused a deterioration in the Argentine advertising market during the second quarter of the fiscal year, due to the change in consumer expectations and a reduction in corporate confidence.

In spite of this situation, *Telefé* continues being the leading channel in the Argentine market and the second largest channel in Latin America in terms of audience share, with an average share of 39.4%, up 1.5 percent to its audience in the same period of the previous fiscal year.

Nevertheless, in spite of the positive market share performance of the channel, the prolongation of the macroeconomic uncertainties in the region has caused a drop in revenue, in comparison to the same period of the previous fiscal year (18.6%). This has been more than compensated by the reduction in operating expenses (20.8%). This reduction in expenses, which has occurred since the company was managed by Telefónica Media and new management control systems were implemented, contributed to slightly positive EBITDA in the semester (205,151 Euros), compared to negative 3.2 million Euros recorded in the same period of fiscal 2000.

ONDA CERO RADIO

Similar to Antena 3, Onda Cero has been affected by the slowdown in the advertising market arising from the symptoms of economic deceleration, as well as by the change in the commercial policy of RTVE, which is much more aggressive in prices and has more dedicated advertising time. This has caused many advertisers to switch media (from radio to TV).

Media Business

Telefónica Media Group

However, Onda Cero is presently the number two national radio station in the broadcast market, according to the second results of the General Media Survey. This report shows an increase of 50% in the number of listeners, compared to the same period of the previous fiscal year, reaching 2,512,000 listeners.

In line with this audience share improvement, Onda Cero revenues at the end of the first semester grew 34% with respect to June of 2000. Although not translated into an improvement in EBITDA in the first semester of the fiscal year, (negative 3.8 million Euros, compared to negative 3.7 million Euros in the same period of the previous fiscal year) it does signal the strong probability of achieving positive EBITDA numbers at the end of the year.

CONTENT BUSINESS

ENDEMOL

During this first semester of the fiscal year, Endemol's global leadership in entertainment content creation has allowed it to reach 450.3 million Euros in revenue, up 73.4% with respect to the same period of the previous fiscal year. This behavior can be considered very positive, if we take into account the reduction of the advertising market in Europe and the remaining countries where the production companies of Grupo Endemol operate.

As a result of the positive revenue evolution, accumulated EBITDA for the first semester reached 91.0 million Euros, up 108.0% with respect to the same period of the previous fiscal year, surpassing the company's expectations at the beginning of the fiscal year.

These results reflect the success of the integration of Endemol with Telefonica Media, as well as the optimization of the enormous creative and entrepreneurial potential of this company.

Finally during this quarter, Endemol's M&A activity continued with the acquisitions of the British company Brighter Pictures Ltd. and the Fuchsia company. These companies, along with the purchase of the remaining 50% of ASP Endemol in France (which will change its name to Endemol Entertainment France) during the first quarter of the fiscal year, are incorporated into the financial statements of the Group by the global integration method.

Lately, Endemol has reached an agreement with TV Globo, the undisputable leader of Brazilian broadcasting market, to create a joint-venture to commercialize all Endemol formats in Brazil and to develop new initiatives in this market.

PAY TELEVISION AND DISTRIBUTION BUSINESS

VIA DIGITAL

The pay television market continues being characterized by an aggressive competitive environment of promotions to increase subscriptions, a situation further aggravated by card piracy, the aggressiveness of new entrants, increased activity from cable companies, and competitors' promotional strategies.

In this highly competitive environment, Via Digital has practically covered its new subscription targets for the first semester of the fiscal year, reaching 710,229 subscribers (159,699 subscribers more than in the first semester of 2000), a growth of 29% year-on-year.

In financing terms, operating revenues grew 37% versus the first semester of the previous year, reaching 132.1 million Euros. On the other hand, costs have increased at a lower rate (7.6%), which led to 10% higher EBITDA than in the same period of 2000 (-145.7 million Euros, as opposed to -161.9 million Euros).

Media Business

Telefónica Media Group

TELEFÓNICA MEDIA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	683.6	121.2	464.2	400.0	90.9	340.1
Internal expend cap. in fixed assets (1)	0.6	0.1	N.S.	0.5	0.1	N.S.
Operating expenses	(616.7)	(129.3)	377.1	(343.3)	(92.4)	271.7
Other operating income (expense) net	1.7	(1.7)	C.S.	1.5	(1.6)	C.S.
EBITDA	69.2	(9.7)	C.S.	58.7	(3.1)	C.S.
Depreciation and amortization	(39.5)	(18.1)	118.4	(22.3)	(9.5)	134.5
OPERATING PROFIT	29.6	(27.8)	C.S.	36.4	(12.6)	C.S.
Profit from associated companies	(56.9)	(38.5)	48.0	(26.5)	(35.1)	(24.6)
Antena 3TV	21.5	33.3	(35.4)	13.1	22.3	(41.2)
Via Digital	(68.7)	(65.4)	5.0	(35.5)	(30.1)	17.9
Others	(9.8)	(6.4)	53.9	(4.2)	(27.3)	(84.8)
Financial income (expense) net	(48.9)	(14.3)	242.4	(27.7)	(14.2)	95.4
Amortization of goodwill	(63.6)	(31.9)	99.5	(33.6)	(19.7)	70.6
Extraordinary income (expense) net	(42.7)	(8.6)	393.4	(40.1)	(2.4)	N.S.
INCOME BEFORE TAXES	(182.5)	(121.1)	50.7	(91.5)	(84.0)	9.0
Income taxes	16.2	22.5	(28.3)	(5.5)	12.0	C.S.
NET INCOME BEFORE MINORITY INTERESTS	(166.3)	(98.5)	68.8	(97.1)	(72.0)	34.7
Minority interests	9.9	11.0	(10.3)	3.8	11.0	(65.3)
NET INCOME	(156.5)	(87.6)	78.7	(93.2)	(61.1)	52.7

(1) Including works in process

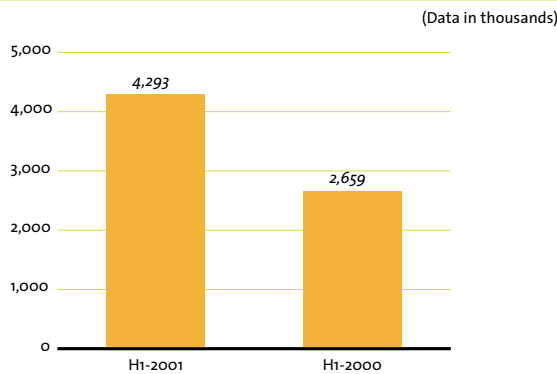
Internet Business

Terra-Lycos Group

Total revenues for Terra-Lycos during the quarter reached 179.4 million Euros, 6% higher than the upper revenues range expected for the period. On the other hand, EBITDA margin was -36%, in line with the best case scenarios projected for the period.

From an operating viewpoint, positive trends with respect to subscribers and audience share continue. Thus, the total number of subscribers for Spain and Latin America reached 4.3 million.

ISP CUSTOMER

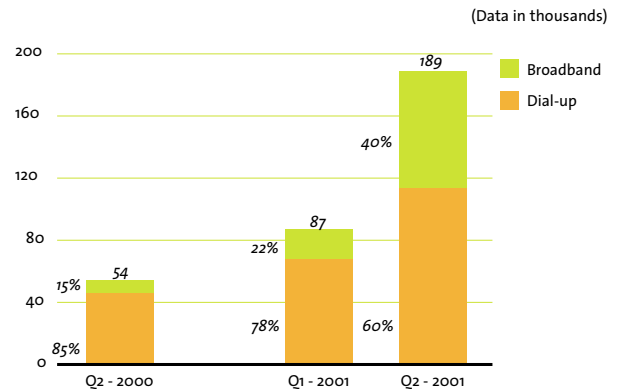


During the quarter, following Terra-Lycos' strategy to focus on the pay access business, the company terminated the free access service in Brazil after completing the migration of customers to the paid product. Altogether, Terra-Lycos customers have decreased by 470,000 due to the cancellation of the free service, which explains the reduction of the total number of subscribers with respect to the previous quarter.

Nevertheless, following the strategy of focusing on pay products through the supply of differentiated, quality service, Terra-Lycos has obtained during this quarter a historical record in new pay customers. Thus, during the quarter, 190,000 new pay subscribers have been obtained, which brings to 30% the total portfolio of subscribers in this category.

Particularly remarkable is the increase experienced in broadband customers through ADSL, a highly strategic development for the Telefónica Group. As of June, Terra-Lycos had 133,000 subscribers, an increase of 123% in only one quarter.

NEW PAY SUBSCRIBERS PER QUARTER



As far as the audience of the Group's portals is concerned, daily page views during the month of June reached 460 million, an increase of 6.7% versus March.

The number of unique users reached 103 million in June, 4% more than in the previous quarter and 37.3% in annual terms.

Concerning the pro-forma financial results of the second quarter, Terra-Lycos achieved total revenue of 179.4 million Euros, 34% more than in the same quarter of the previous year. If we compare the six first months of this year to the same period of the previous year, the growth is 46%. Thus, the geographic and business diversification of Terra-Lycos's revenue source serves to mitigate the effects of macroeconomic circumstances, such as the slowdown of the economy in the U.S. which impacts online advertising.

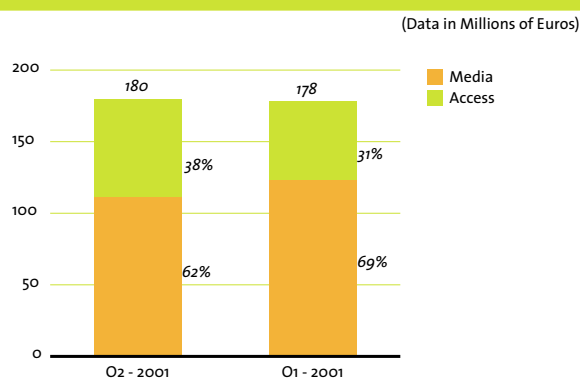
In terms of revenue by business line, 38%, i.e. 69.0 million Euros, come from the access business, the highest figure in Terra's history.

On the other hand, revenues from the media business, which includes both advertising and electronic commerce, reached 110.7 million Euros, accounting for 62% of total revenue in the second quarter. It is necessary to emphasize that this gross sales figure continues showing a maintained growth, both during the quarter, 4%, and in the accumulated figures of the year, 21%, over the same period in the previous fiscal year.

Internet Business

Terra-Lycos Group

REVENUES BY BUSINESS ACTIVITIES



In turn, Terra-Lycos continues improving operational profitability, although it is still negative, as expected from an emerging business in full growth phase. Thus, EBITDA margin in the second quarter of the year was -36%.

The improving profitability trend for Terra-Lycos began in the third quarter of the previous year, with an improvement of 35 percentage points in EBITDA margin, (31 million Euros).

Terra-Lycos has continued developing products and services, and benefiting from its global presence. In this sense, it is

important to emphasize the agreements reached with Unilver and eBay, achieved due to multicountry presence of the Company and distribution capacity to an audience of nearly 100 million internet users.

At the same time, Terra Lycos continues focusing on vertical content for its portals, where it is improving its offer. From employment search portals like Bumeran, which was just launched in Mexico, or Lycos Carreer in the U.S., which has increased its audience 200%; to financial portals such as Quote.com in the U.S., which started offering Quote.com TV, a service equivalent to a financial television channel. This type of vertical integration, such as in the case of Lycos Zone, a children's site, has allowed Terra Lycos to get customers like Danone for the marketing of its products to children.

Among newly launched services, we can highlight Lycos 411, which is a pay Internet-access service through a telephone operator. In Mexico, E-line has been launched, a pay service that permits customers to receive incoming telephone calls while they are connected to the Internet.

TERRA-LYCOS GROUP OPERATING DATA

	JUNE - 2001	JUNE - 2000
ISP Customers, in thousands (1)	4,293	2,659
Average daily page views (mill.)	460	205
Unique Visitors (mill.)	103	75

(1) Without Lycos-Europe.

Internet Business

Terra-Lycos Group

TERRA-LYCOS GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	356.6	80.6	342.2	179.4	44.9	299.6
Internal expend cap. in fixed assets (1)	0.3	1.0	(71.4)	0.2	0.0	N.S.
Operating expenses	(487.8)	(234.1)	108.4	(241.1)	(139.4)	72.9
Other operating income (expense) net	(10.6)	(1.5)	N.S.	(3.3)	1.5	C.S.
EBITDA	(141.5)	(153.9)	(8.0)	(64.8)	(93.0)	(30.3)
Depreciation and amortization	(87.8)	(26.9)	226.6	(49.4)	(15.3)	223.0
OPERATING PROFIT	(229.3)	(180.9)	26.8	(114.2)	(108.3)	5.4
Profit from associated companies	(126.3)	(4.8)	N.S.	(13.8)	(4.7)	192.9
Financial income (expense) net	68.9	0.3	N.S.	38.9	(3.3)	C.S.
Amortization of goodwill	(271.0)	(57.8)	369.0	(143.4)	(30.6)	368.0
Extraordinary income (expense) net	(6.7)	(0.5)	N.S.	(72.2)	(0.1)	N.S.
INCOME BEFORE TAXES	(564.4)	(243.7)	131.6	(304.7)	(147.0)	107.2
Income taxes	173.3	76.2	127.6	87.8	51.0	72.1
NET INCOME BEFORE MINORITY INTERESTS	(391.1)	(167.3)	133.7	(216.9)	(96.0)	125.8
Minority interests	0.7	1.7	N.S.	0.9	0.5	94.9
NET INCOME	(390.4)	(165.6)	135.7	(216.0)	(95.6)	126.0

(1) Including works in process.

Directories Business

Telefónica's Directories Business

As we indicated in the previous quarter, the results published under the heading "Directories Business" include not only all the companies consolidated within TPI, but also those currently in the process of integration, such as Telinver in Argentina, and Guitel in Peru.

From a financial perspective, consolidated revenue for the directories business grew 9.0% versus the same period of fiscal 2000. This growth reflects the positive revenues from TPI Spain which grew 5% compared to the first semester of the previous year, in spite of the fact that no revenues from the sale of White Pages were obtained. In the first semester of 2000, this income totaled 16.5 million Euros, and represented 15.3% of the total income obtained by TPI Spain in the first half of 2000. Without taking this effect into consideration, TPI Spain's revenue would have increased 24%, and EBITDA would have increased 73%.

With regard to the publishing business, in these first six months of 2001 a total of 25 Yellow Pages directories have been published, two more than in the same period of the previous year. On a book-to-book basis, revenue increased 7.6% with respect to the previous edition. Concerning the White Pages, a total of 17 directories have been published, 7 more than in the same period of the previous year with a 7.2% growth in revenues.

The most substantial growth took place in Internet, with revenue growth of 135.6% and total customers reaching 145,000 in the period.

In the Latin American directories business, the most notable highlight is the publication of the first edition of GuiaMais

in São Paulo, which contributes as of June around 21 million Euros in income. This has amply compensated the lower contribution of Publiguías to the income of the Group (-14.2%) basically due to the depreciation of the Chilean peso with respect to the Euro. In Chile, it is also necessary to emphasize that, during the first semester, the negotiation of the new contractual framework between Publiguías and Telefónica CTC has been concluded; this framework will prevail during the next five years, and its immediate effect is a substantial improvement in the operating margin of Publiguías, whose EBITDA margin rose from 7% to an expected 25-30% by the end of 2001.

Nevertheless, the positive trend in consolidated revenue has not been reflected in the Group's EBITDA for two main reasons: the failure to obtain net income from White Pages advertising sales, which were booked directly in EBITDA since there were practically no associated expenses, and; higher expenses derived from the start-up of commercial activity in Sao Paulo with the launching of GuiaMais. Isolating these two effects, the EBITDA of the Group would have increased by more than 35%.

On the other hand, it is necessary to emphasize that the higher level of financial expenses is affected by debt incurred from the financing of the purchase of 51% of Publiguías from Telefónica International, and the beginning of the operations in Brazil.

During the first half of the present fiscal year, Spain represents 56% of the income of the directories business of Telefónica S.A.

Directories Business

Telefónica's Directories Business

TPI - PÁGINAS AMARILLAS GROUP SELECTED OPERATING DATA (SPAIN)

Unaudited Data	JANUARY - JUNE		
	2001	2000	% CHG.
	Books (published) Páginas Amarillas (Yellow pages)	25	23
Advertising revenues			
Páginas Amarillas (Yellow pages)	86.7	80.6	7.6
Páginas Blancas (White pages)	11.9	11.1	7.2
Revenues On-Line	7.9	3.4	135.6
Páginas Amarillas Habladas	1.9	1.5	25.0

(1) On Like-for-like basis. Páginas Blancas not including advertising revenues from Telefonica in 2000.

TPI - PÁGINAS AMARILLAS GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	152.8	114.8	33.1	128.2	98.9	29.6
Operating expenses	(140.7)	(81.2)	73.3	(107.1)	(67.9)	57.9
EBITDA	12.1	33.6	(64.1)	21.1	31.1	(32.0)
Depreciation and amortization	(8.1)	(4.7)	73.7	(4.3)	(2.5)	73.5
Operating profit	3.9	28.9	(86.4)	16.8	28.6	(41.2)
Profit from associated companies	(0.5)	0.0	N.S.	(0.3)	0.0	N.S.
Financial income (expense) net	(5.7)	0.0	N.S.	(3.7)	0.0	N.S.
Amortization of goodwill	(1.1)	0.0	N.S.	(0.6)	0.0	N.S.
Extraordinary income (expense) net	0.8	0.2	220.8	0.7	0.2	252.6
Income before taxes	(2.5)	29.1	c.s.	12.9	28.7	(55.2)
Income taxes	1.5	(10.6)	c.s.	(3.9)	(10.3)	(62.4)
Net income before minority interests	(1.1)	18.6	c.s.	9.0	18.4	(51.1)
Minority interests	(8.8)	(0.8)	N.S.	(6.5)	(0.7)	N.S.
Net income	7.8	19.3	(59.7)	15.5	19.1	(18.6)

Directories Business

Telefónica's Directories Business

DIRECTORIES OF TELEFÓNICA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	192.8	176.8	9.0	141.2	117.5	20.2
Internal expend cap. in fixed assets (1)	0.3	26.9	(98.9)	1.1	9.3	(87.7)
Operating expenses	(172.8)	(163.8)	5.5	(115.9)	(95.0)	22.1
Other operating income (expense) net	(11.1)	(8.9)	24.5	(6.3)	(5.7)	10.6
EBITDA	9.2	31.0	(70.3)	20.2	26.1	(22.7)
Depreciation and amortization	(9.9)	(9.2)	7.7	(4.5)	(4.6)	(2.0)
Operating profit	(0.6)	21.8	c.s.	15.7	21.5	(27.1)
Profit from associated companies	(0.2)	0.0	N.S.	(0.1)	0.0	N.S.
Financial income (expense) net	(8.5)	(5.2)	62.9	(2.6)	(2.7)	(3.7)
Amortization of goodwill	(1.1)	0.0	N.S.	(0.5)	0.0	N.S.
Extraordinary income (expense) net	2.0	0.3	N.S.	2.0	0.8	146.5
Income before taxes	(8.4)	16.9	c.s.	14.5	19.6	(26.2)
Income taxes	0.8	(12.6)	c.s.	(4.1)	(11.1)	(63.5)
Net income before minority interests	(7.6)	4.3	c.s.	10.4	8.5	22.5
Minority interests	9.3	8.8	6.1	6.6	7.0	(5.7)
Net income	1.7	13.1	(87.0)	17.0	15.5	9.8

Note: Including all Telefónica Group directories businesses as of 1 January 2000.

(1) Including works in process.

Call Center Business

Atento Group

During the second quarter of 2001, commercial activity for the Atento Group has continued to focus on developing future relations with foreign markets, and improving strategic relations with the companies of the Telefónica Group to create and implement cost reductions and productivity, as was the case with the automation of certain services at Telesp.

From a financial viewpoint, Atento Group's revenue reached 317.0 million Euros, 62.6% more than as of June of 2000, with the local market accounting for 68% of total revenue, 2 p.p. less than in the previous quarter. This percentage reduction is due to the new agreements with external companies in newly added markets such as Argentina, Japan, Mexico and Venezuela, and to global contracts signed with customers such as BBVA, Cigna, and Warrantech.

Furthermore, it is worth highlighting our continued geographic diversification, as those countries with greater participation (Spain, Brazil, Chile) have reduced their weighting. Peru maintains its participation, and an increased weighting was registered for Puerto Rico, Morocco, Central America, Colombia, Argentina, Italy, Japan, Mexico and Venezuela.

As a result of the revenue performance, the Group's EBITDA was 25.6 million Euros, up 39.5% versus the same period of the previous year, with an improvement in EBITDA margin in the second quarter versus the first of more than one percentage point (8.7% versus 7.4%).

Profitability improvement resulted from the continuous consolidation of the business, (following an initial "start-up"

stage), as well as a strategy centered on greater operating efficiency, generation of value added long term contracts with strategic customers, and strict control of expenses and investments.

For the second half of 2001, it is anticipated that margins will continue improving, thanks to the higher contributions coming from new markets (especially Japan, Argentina and Venezuela), strong cost control initiatives, rationalizing investments and the implementation of new services, currently in the process of negotiation.

With regard to operating performance, as of June 30, Atento had 28,628 positions, 2,288 more than in March of the current fiscal year, filled by 47,069 persons. This represents a quarterly growth of 10.7%, driven by activity in new markets such as Venezuela, Japan, Mexico, as well as the capacity increase in Peru and Morocco.

Finally, Atento continues its international expansion, having inaugurated its service center in Monterrey, Mexico, a country in which it was already operating. The center required an investment of 5.6 million Euros, and currently has more than 600 customer service positions. Atento Mexico plans to open by the end of year a new customer service center in Mexico City, as a second phase of its expansion in the country. At the moment it is already present in 15 countries in four continents.

Call Center Business

Atento Group

ATENTO GROUP CONSOLIDATED INCOME STATEMENT

Unaudited data	(Euros in Millions)					
	JANUARY - JUNE			APRIL - JUNE		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	317.0	194.9	62.6	163.5	103.9	57.3
Internal expend cap. in fixed assets (1)	0.0	(0.1)	c.s.	0.0	(0.1)	c.s.
Operating expenses	(291.1)	(178.4)	63.2	(149.0)	(99.9)	49.1
Other operating income (expense) net	(0.3)	1.8	c.s.	(0.3)	3.8	c.s.
EBITDA	25.6	18.3	39.5	14.2	7.7	83.4
Depreciation and amortization	(36.4)	(18.7)	94.4	(20.2)	(10.8)	87.0
Operating profit	(10.8)	(0.4)	N.S.	(6.0)	(3.1)	96.1
Profit from associated companies	0.0	0.0	N.S.	0.0	0.0	N.S.
Financial income (expense) net	(28.1)	(15.3)	83.4	(13.7)	(10.2)	34.7
Amortization of goodwill	(4.2)	(0.3)	N.S.	(2.1)	(0.3)	N.S.
Extraordinary income (expense) net	(0.8)	(1.4)	(42.4)	1.3	(1.5)	c.s.
Income before taxes	(43.9)	(17.4)	152.2	(20.5)	(15.0)	36.1
Income taxes	6.4	0.7	N.S.	2.6	1.2	117.3
Net income before minority interests	(37.4)	(16.7)	124.7	(17.8)	(13.8)	29.0
Minority interests	1.0	(0.1)	c.s.	0.6	0.0	N.S.
Net income	(36.4)	(16.8)	116.9	(17.2)	(13.8)	24.7

(1) Including works in process.

Broadband Capacity Management Business

Emergia

Emergia has been positioned as the only operator in Latin America with a 100% operational high capacity closed broadband loop. Besides having its own infrastructure, Emergia has expanded its network and route availability to the United States and Europe through the purchase and sale of capacity in the amount of 66.9 million Euros. Thus, Emergia is prepared to offer better service to its global customers and optimize the international management of the Group's broadband capacity.

It is noteworthy that the agreements reached were made with operators already present in Latin America, which is why the number of competitors in the region did not increase.

During the period, 27 STM-1s equivalent have been activated (4,185 Mbps), 16 in Emergia's loop and 11 in third-party networks acquired by interchange of capacity.

Finally, it is necessary to clarify that the work related to the Project Brazil 2002 has begun, in line with the strategic target to obtain greater terrestrial capillarity using Emergia's capacity as exchange currency to minimize investment. The objective is to interconnect more than 50 cities in one of the markets with the greatest potential in the region, enhancing the possibility of obtaining synergies among the various companies of the Group involved in the project.

Companies included in each Financial Statement

- Telefónica, S.A. directly participates in the share capital of Endemol Entertainment Holding, N.V. and Mediaways GmbH Internet Services, S.A., which have been considered into Telefónica Media, S.A. and Telefónica Data, S.A., respectively.
- Furthermore, Telefónica, S.A. has participated directly in CEI Citicorp Holdings until May 2001, when it was contributed to Telefónica Latinoamérica. For the purposes of this report, the 50% stake held by this company in Cointel was consolidated within Telefónica Latinoamérica (Telefónica Internacional, S.A.), which, in turn, holds 52.88% of the capital of Telefónica de Argentina (TASA). Also, CEI holds 26.82% of Atlántida de Comunicaciones, S.A. (ATCO) and 26.82% of AC Inversora, S.A. which, for the purposes of the pro-forma financial statements, are 100% consolidated in Telefónica Media.
- With respect to the acquisitions made by Telefónica, S.A. in fiscal 2000 in the share capital of Telefónica de Argentina, Telecomunicações de São Paulo, S.A. (Telesp) and Telefónica del Peru, S.A., the contribution of these stakes to Telefónica Latinoamérica, Telefónica Móviles, S.A. y Telefónica Data, S.A. was assumed as of the beginning of the year, in the proportion in which each of these, after the spin-off carried out, consolidate the business which the Latin American companies carry out in fixed telephony, mobile telephony and data transmission, respectively.
- In the case of Company de Telecomunicaciones de Chile, S.A. (CTC), in which Telefónica Latinoamérica has a stake, although its process of separation has not yet started, its data transmission activity has already been assigned to Telefónica Data. On the other hand, Telefónica Latinoamérica does not include the mobile telephony business, carried out by Telefónica Movil (Startel), with pro-forma presentation of results exclusively for the fixed telephony activity in Latin America.
- In relation to the businesses kept by TASA and Telefónica del Peru after the aforementioned spin-off, consolidated within Telefónica Latinoamérica, it should be noted that these companies still include the directories activity, which has been added for the presentation of these pro-forma income statements to the TPI Group, in light of the directories business of the Telefónica Group.

In order to facilitate the follow-up of Telefónica Group, the proforma financial statements of each activity line of Telefónica Group for each one quarter of fiscal 2000 are presented in addendum. There are a series of differences between the proforma results enclosed and those published in the first quarter of the fiscal year, arising from the final definition on the composition of the activity lines.

Key Holdings of the Telefónica Group and its Subsidiaries

TELEFÓNICA, S.A.

	% PARTICIPATION
TELEFÓNICA DE ESPAÑA	100.00%
TELEFÓNICA MÓVILES	92.81%
TELEFÓNICA DATACORP	100.00%
TELEFÓNICA LATINOAMÉRICA	100.00%
TPI	59.87%
TERRA LYCOS	37.98%
TELEFÓNICA MEDIA	100.00%
EMERGIA	94.02%
ATENTO	100.00%
TELEFÓNICA B2B	100.00%

TELEFÓNICA MÓVILES

	% PARTICIPATION
TELEFÓNICA MÓVILES ESPAÑA	100.00%
TELESUDESTE CELULAR	82.02%
CRT CELULAR	38.20%
TELEESTE CELULAR	10.75%
TCP ARGENTINA	97.93%
TEM PERU	97.06%
TEM EL SALVADOR	44.20%
TEM GUATEMALA	51.00%
GROUP 3G ALEMANIA	57.20%
IPSE 2000	45.59%
3G MOBILE AUSTRIA	100.00%
3G MOBILE AG (SUIZA)	100.00%
MEDI TELECOM	30.50%
TERRA MOBILE	51.00%
M-SOLUTIONS	100.00%
MOBIPAY INTERNACIONAL	50.00%

TELEFÓNICA DATA CORP

	% PARTICIPATION
TELEFÓNICA DATA ESPAÑA	100.00%
TELEFÓNICA SISTEMAS	100.00%
TELEFÓNICA DATA MÉXICO	52.04%
TELEFÓNICA DATA URUGUAY	100.00%
TELEFÓNICA DATA COLOMBIA	50.01%
REY MORENO	50.00%
TELEFÓNICA DATA BRASIL	100.00%
TELEFÓNICA DATA VENEZUELA	99.99%
TELEFÓNICA DATA PERU	100.00%
TELEFÓNICA DATA ARGENTINA	100.00%
TELEFÓNICA DATA CANADA	100.00%
TELEFÓNICA DATA USA	100.00%
ETI AUSTRIA	100.00%
ATLANET	34.00%
MEDIAWAYS	100.00%

TPI

	% PARTICIPATION
GOODMAN BUSINESS PRESS	90.67%
TPI ESPAÑA	100.00%
PUBLIGUIAS CHILE	100.00%
TPI BRASIL	51.00%
BUILDNET	92.81%

Key Holdings of the Telefónica Group and its Subsidiaries

TELEFÓNICA LATINOAMÉRICA

	% PARTICIPATION
TELESP	86.71%
TELEFÓNICA DEL PERÚ	93.22%
TELEFÓNICA ARGENTINA	97.92%
TLD	98.00%
TELEFÓNICA CTC CHILE	43.64%
CANTV	6.91%

TELEFÓNICA MEDIA

	% PARTICIPATION
ANTENA 3 TV	47.51%
ONDA CERO	100.00%
RADIO VOZ	100.00%
SIENTA CONTINENTAL	100.00%
TVI	100.00%
TELEFE	100.00%
AZUL TELEVISIÓN	50.00%
ENDEMOL	99.20%
PATAGONIK FILM GROUP	30.00%
LOLA FILMS	70.00%
ART MEDIA	100.00%
TORNEOS Y COMPETENCIAS	20.00%
ST HILO	100.00%
RODVEN	51.00%
EUROLEAGUE	70.00%
AUDIOVISUAL SPORT	40.00%
TELEFÓNICA SPORT	100.00%
VIA DIGITAL	48.60%
TELEFÓNICA SERVICIOS AUDIOVISUALES	100.00%
PEARSON	4.88%
MEDIAPARK	25.00%
HISPASAT	22.74%

TERRA-LYCOS

	% PARTICIPATION
IBERSWAP	100.00%
LYCOS VIRGINIA	100.00%
TERRA NETWORKS PERU	99.99%
TERRA NETWORKS MÉXICO	100.00%
TERRA NETWORKS USA	100.00%
TERRA NETWORKS GUATEMALA	100.00%
TERRA NETWORKS EL SALVADOR	99.99%
TERRA NETWORKS VENEZUELA	100.00%
TERRA NETWORKS BRASIL	100.00%
TERRA NETWORKS ARGENTINA	100.00%
TERRA NETWORKS ESPAÑA	100.00%
TERRA NETWORKS CHILE	100.00%
TERRA NETWORKS URUGUAY	100.00%
TERRA NETWORKS MARRUECOS	100.00%
TERRA NETWORKS CARIBE	100.00%
TERRA NETWORKS COLOMBIA	100.00%
TERRA MOBILE	49.00%
BUMERAN	83.20%
A TU HORA	50.00%
ONE TRAVEL.COM	27.73%
INVERDIS VALORES Y BOLSA	10.00%

Significant Events

- On August 9, Telefónica de España launched the U.S.A. 15 plan, allowing customers to make telephone calls to the U.S. for 15 minutes daily for 15.0 Euros.
- On August 3, Terra Lycos announced the acquisition of 49% of the capital of Uno-e (the remaining 51% remains held by BBVA).
- On July 26, Terra Lycos and IBM signed an agreement by which the latter will become the preferred supplier of servers, corporate software and services for the worldwide e-business infrastructure of Terra Lycos.
- That same day, the Board of Directors of Terra approved the appointment of Angel Vilá Boix and Luis Ramon Arrieta Durana, as directors of the company, representing Telefónica and BBVA., replacing Fernando Abril-Martorell and Juan de Asúa, respectively.
- On July 17, 3G Group reached an interconnection agreement in UMTS networks with the German operator Deutsche Telekom. Similarly, Ipse 2000 reached an interconnection agreement with the fixed network of Telecom Italia.
- On July 24, Telefónica Móviles and Nokia reached an agreement to develop applications designed to provide value added services to the customers of Telefónica Móviles. In the first stage, the services will use the technologies currently available in the network of Telefónica Móviles, and in the second stage, advanced services based on UMTS will be created.
- On July 10, Telefónica de España, TPI Páginas Amarillas, BBVA E-commerce, Repsol YPF and Iberia announced the formation of Adquira, the largest Spanish B2B platform through the Internet, which offers B2B solutions for the supply, purchase and negotiation of goods and indirect services, particularly computers, communications, office supplies, furniture, travel, financial and insurance products, maintenance and repair, and cleaning services. The final holding of each partner is as follows: 40% Telefónica Group (20% Telefónica de España, 20% TPI Páginas Amarillas), 40% BBVA E-commerce, 10% Repsol YPF and 10% Iberia. For the beginning of the activities, the partners have decided to integrate Iniciativas de Mercado (IMI), a B2B platform targeted at small and medium-size companies, developed by TPI and BBVA, with Adquira, targeted at medium and large companies, created by Telefónica B2B, BBVA, Repsol YPF and Iberia.
- On July 9, Telefónica Móviles and Sun Microsystems signed a global collaboration agreement with the objective of launching services based on Java technology on the GPRS network of Telefónica Móviles España.
- On July 6, the acquisition of Bajacel, Movitel, Norcel and Cedetel, the four operators in the north of Mexico managed by Telefónica Móviles since March, was completed. The acquisition was made through a capital increase of approximately 203 million shares.
- On May 18, the General Shareholders Meeting of Celular CRT Participações S.A. approved the delisting of the shares of the Company. Later, on June 1, the General Shareholders Meeting of Telefónica Móviles S.A. approved the capital increases necessary to complete the tender offer announced by Telefónica Móviles on the outstanding shares of Celular CRT Participações. Both resolutions allow advancing the process of execution of this transaction. Finally, a modification was made in one of the conditions of the tender offer, that conditioned the validity of the offer, changing the reference date of the variation of the stock-exchange index of the São Paulo stock exchange. The index, expressed in dollars, could not drop by a percentage of 25% or more at the closing price of the trading session of last February 26. Now the reference date is July 24. Finally, on August

Significant Events

17 and August 21, Telefónica Móviles filed with the SEC and the CVM, respectively, the new documentation for the transaction, which complements the information sent last June.

- On May 10, Telefónica Móviles appointed Kurt Lüscher and Lars Reichelt presidents of its affiliates in Austria and Switzerland. Previously, Lüscher was CEO of UTA Telekom, a fixed

alternative and Internet Austrian operator, while Reichelt was Director of Yahoo Móviles.

- On April 30, Telefónica de España applied a rate reduction for fixed-to-mobile calls, by moving back the reduced rate schedule from 10 p.m. to 8 p.m., Monday through Friday and all weekend, which assumes a reduction of more than 40%.

Changes to the Sphere and Accounting Criteria of Consolidation

TELEFÓNICA

As part of the reorganization plan of the Telefónica Group by business lines, Telefónica Móviles, S.A., Telefónica DataCorp, S.A. and Telefónica Internacional, S.A. implemented several capital increases during the first half of the fiscal year. In exchange for such increases, Telefónica, S.A. made a non-monetary contribution of its shares of the capital of Telefónica de Argentina, S.A., Telefónica del Peru, S.A.A. and Telecomunicações de São Paulo, S.A. (TELESP).

- Telefónica Móviles received shares of Telefónica de Argentina and Telefónica del Peru, representing 97.93% of the Argentine company Telefónica Comunicaciones Personales, S.A. and 97.06% of the Peruvian company Telefónica Móviles Peru Holding, S.A.A., which companies arose from the spin-off of the mobile businesses in Argentina and Peru.
- Telefónica DataCorp received shares of Telefónica de Argentina and Telefónica del Peru, representing 100% of the Argentine company Advance, S.A. and 100% of the Peruvian company Telefónica Data Peru, S.A.A., as well as the assets and liabilities of the data business owned by Telefónica de Argentina and Telefónica del Peru.
- Telefónica Internacional, S.A. received shares of Telefónica de Argentina and Telefónica del Peru, calculated on the basis of the value of the assets and liabilities of fixed telephony and complementaries, owned by Telefónica de Argentina and Telefónica del Peru.
- Telefónica Internacional, S.A. received 306,211,253,813 shares representing 61.96% of the capital of the Brazilian company Telesp.

These contributions have not modified the consolidation sphere as compared to the previous semester.

During this semester, Telefónica, S.A. acquired 4,406,606 shares of Terra Networks, S.A. in an amount of 8,679.6 million pesetas (52.16 million Euros). With these purchases, the holding percentage of Grupo Telefónica in said company reaches 37.98%. The company continues being included in the financial statements of Telefónica Group by the global integration method.

In the month of January, Telefónica, S.A. acquired 100% of Mediaways GmbH for an amount of 1,472.9 million Euros. The company was included in the sphere of consolidation of the Telefónica Group by the global integration method.

During the first six months of the fiscal year, Telefónica, S.A. acquired a total of 7,862,728 shares of Telefónica Móviles, S.A. for an amount of 65.84 million Euros. The stake of the Telefónica Group in said company reached 92.81%. The company continues being included in the financial statements of the Telefónica Group by global integration.

In the month of February, Telefónica, S.A. formed the 100%-owned affiliate Telefónica Gestión de Servicios Compartidos, S.A., disbursing in full an initial capital of 60,102 Euros. The company was included in the sphere of consolidation in the consolidated financial statements of the Telefónica Group by the global integration method.

In the month of June, Telefónica, S.A. increased its capital by 122,560,575 shares with a face value of 1 euro and with an issue premium of 4.5 Euros per share. In exchange for this capital increase, Telefónica received, as a non-monetary contribution of Motorola, certain investments in mobile business in Mexico: 100% of the capital of the company Corporación Integral de Comunicación, S.A. de C.V.; 100% of the capital of the company Grupo Corporativo del Norte, S.A.; 79% of the capital of the company Telefonía Celular del Norte, S.A. de C.V. (the remaining 21% is contributed indirectly through the acquisition of 100%

Changes to the Sphere and Accounting Criteria of Consolidation

of Corporación Integral de Comunicación, S.A. de C.V.); 73.81% of the capital of Celular de Telefonía, S.A. de C.V. (the remaining 26.19% is indirectly contributed through the acquisition of 100% of Grupo Corporativo del Norte, S.A. de C.V.); 100% of Baja Celular Mejicana, S.A. de C.V.; 0.00001% of the capital of Baja Celular Servicios Compartidos, S.A. (the remaining 99.99999% is contributed indirectly through the acquisition of 100% of Baja Celular Mexicana, S.A. de C.V.); 0.00001% of the capital of Tamcel, S.A. de C.V. (the remaining 99.99999% is contributed indirectly through the acquisition of 100% of Baja Celular Mexicana, S.A. de C.V.); 22% of the capital of Movitel del Noroeste, S.A. de C.V. (the remaining 68% is contributed indirectly through the acquisition of 100% of Tamcel, S.A. de C.V.); 22% of the capital of the Moviservicios, S.A. de C.V. (the remaining 68% is contributed indirectly through the acquisitions of 100% of the Tamcel, S.A. de C.V.) and 22% of the capital of the Movicelular, S.A. de C.V. (the remaining 68% is contributed indirectly through the acquisition of 100% of Tamcel, S.A. de C.V.). In addition, as a complement to this operation, Telefónica contributed in cash 12.33 million Euros. These stakes were contributed after June 30 to Telefónica Móviles, S.A.

TELEFÓNICA PUBLICIDAD E INFORMACIÓN

The company Goodman Business Press, S.A., acquired in fiscal 2000, was included in the sphere of consolidation of the Telefónica Group in the present fiscal year by the global integration method.

As a consequence of the event indicated in the previous paragraph, Goodman's 100%-held affiliate Cernet was also included in the sphere of consolidation for this fiscal year by the global integration method in 2001; it is a company dedicated to Web page design. The company Buildnet, S.A., 46.35%-held by Telefónica Publicidad e Información, S.A. and 51.24%-held by Goodman,

was consolidated by the global integration method in 2001 (in 2000 it was integrated by the equity method).

TERRA-LYCOS GROUP

During the first semester of the fiscal year, Terra Networks, S.A. participated in the formation of the Spanish company Azeler Automoción, S.A. with an initial capital of 8.41 million Euros, subscribed and paid up 50% by Terra Networks, S.A.. The company was included at acquisition cost in the consolidated financial statements of Telefónica Group.

Also during the first quarter of fiscal 2001, Terra Networks formed the 100%-owned companies Terra Networks Financial Services USA LLC, Terra Networks Maroc and Terra Networks Caribe, an investment of 12.12 million Euros, 0.01 million Euros and 0.26 million Euros, respectively. The first of these companies was included in the financial statements of the Telefónica Group by the global integration method; the other two were booked at acquisition cost.

TELEFÓNICA LATINOAMÉRICA GROUP (TELEFÓNICA INTERNACIONAL, S.A.)

Telefónica Internacional, S.A. has sold this year 35.86% of its capital in the Argentine company Cablevisión, S.A., obtaining capital gains of 255.67 million Euros. The company was eliminated from the sphere of consolidation of Telefónica Group.

The parent company the Telefónica Internacional increased its stakes in the affiliates Telefónica del Peru, Telefónica de Argentina, Telesp and CEI Citicorps Holdings, by contributing the aforementioned stakes of Telefónica, S.A.

On January 30, 2001, Telefónica de Argentina approved the reorganization of certain businesses, including those of its subsidiaries TCP S.A., Advance, S.A. and TYSSA S.A. On January 1, 2001 there were spin-offs and mergers at Telinver

Changes to the Sphere and Accounting Criteria of Consolidation

S.A., Advance S.A. and TCP S.A.. On February 1, 2001 commitments were made between TASA, Advance and TMA, S.A. (Telefónica Móviles Argentina) for corporate reorganizations.

TELEFÓNICA MEDIA GROUP

In January, Grupo Endemol acquired 50% of Endemol France for an amount of 159.3 million Euros. The company was included in the financial statements of Telefónica Group by the global integration method.

TELEFÓNICA DATACORP GROUP

On January 16, Telefónica Data Mexico (formerly Optel) increased its capital by 16,992,251 shares, which were all acquired by Telefónica Data Holding. On March 6, it increased its capital by 16,743,904, shares with Telefónica Data Holding acquiring 5,228,385 shares and T. Datacorp 11,515,519 shares. After these increases, the capital of Telefónica Data Mexico is 241,738,667.8 Mexican pesos and the holding in the Company is as follows:

- T. Data Holding Mexico 52.04%
- T. Data Holding 20.41%
- T. Datacorp 18.37%

The Spanish company Telefónica Data Caribe, S.A., 90%-owned subsidiary of Telefónica DataCorp, S.A. had a 50% participation in the formation of Telefónica Data Cuba, for an investment of 106.59 thousand Euros. The company was included in the financial statements of Grupo Telefónica at its acquisition cost.

TELEFÓNICA DE ESPAÑA GROUP

In March, all the shares of Telefónica Sistemas de Información Geográfica, S.A., a company 100%-

owned by Telefónica de España, S.A.U., were sold to T. Sistemas de Información Geográfica, S.A., for 1.38 million Euros, generating a profit in the consolidated accounts of the Telefónica Group of 5.02 million Euros. The company, which was included in the financial statements of Telefónica Group by the global integration method, was eliminated from the Group's sphere of consolidation.

TELEFÓNICA MÓVILES GROUP

The Spanish company Movipay International, S.A., 50%-held by Telefónica Móviles, and included in the financial statements of Telefónica Móviles Group in fiscal 2000 at its acquisition cost, is consolidated by the equity method in this fiscal year.

ATENTO GROUP

In June, the company Atento Chile, S.A., increased its capital by 3,338,287 shares of 1,000 pesos each; the increase was fully subscribed by Compañía de Telecomunicaciones de Chile, S.A. (CTC), a company indirectly held by the Telefónica Group at 43.64%, included in the Annual Accounts of Telefónica Group by the global integration method.

After this operation, the Atento Group reduced its stake in Atento Chile from 99.99% to 70% approximately, while CTC now has 29.99% of the capital of that company. The Telefónica Group obtained in this operation, through the reduction of the direct and indirect holding in the capital of Atento Chile, a profit of 0.96 million Euros, reflected in the first half financial statements under the heading "profits from sales of holdings in consolidated companies". Atento Chile continues being included in the sphere of consolidation of the Telefónica Group through the global integration method.

Proforma Statements - Year 2000

TELEFÓNICA DE ESPAÑA GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	2,480.6	5,048.8	7,601.1	10,182.9
Internal expend cap. in fixed assets	63.2	129.4	186.6	236.5
Operating expenses	(1,367.6)	(2,837.0)	(4,395.2)	(5,884.8)
Other operat. income (expense) net	(2.4)	1.2	(10.4)	(86.1)
=EBITDA	1,173.7	2,342.5	3,382.0	4,448.4
Depreciation and amortization	(743.8)	(1,473.2)	(2,176.8)	(2,901.2)
=OPERATING PROFIT	429.9	869.3	1,205.3	1,547.2
Profit from associated companies	0.0	0.3	0.1	0.1
Financial income (expense) net	(135.2)	(264.4)	(378.6)	(480.9)
Amortization of goodwill	(0.1)	(0.2)	(0.2)	(0.3)
Extraordinary income (expense) net	(122.5)	118.7	39.6	(806.8)
= INCOME BEFORE TAXES	172.1	723.6	866.1	259.3
Income taxes	(36.5)	(206.4)	(232.0)	(43.6)
= NET INC. BEFORE MINORITY INTER.	135.6	517.2	634.1	215.8
Minority interests	(0.1)	0.1	0.2	0.8
= NET INCOME	135.5	517.3	634.3	216.6

Proforma Statements - Year 2000

TELEFÓNICA INTERNACIONAL GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	2,297.9	4,847.5	7,531.0	10,371.3
Internal expend cap. in fixed assets	52.1	110.2	156.9	218.6
Operating expenses	(1,140.2)	(2,359.0)	(3,603.0)	(4,928.6)
Other operat. income (expense) net	(42.0)	(83.3)	(149.8)	(302.1)
=EBITDA	1,167.8	2,515.4	3,935.1	5,359.3
Depreciation and amortization	(602.1)	(1,256.2)	(1,897.3)	(2,653.4)
=OPERATING PROFIT	565.7	1,259.3	2,037.8	2,705.9
Profit from associated companies	0.6	6.1	6.2	(2.9)
Financial income (expense) net	(215.5)	(491.2)	(777.9)	(1,046.0)
Amortization of goodwill	(13.0)	(26.5)	(38.7)	(53.6)
Extraordinary income (expense) net	8.7	(66.8)	(101.0)	(331.4)
= INCOME BEFORE TAXES	346.5	680.9	1,126.3	1,272.1
Income taxes	(24.1)	(137.8)	(337.2)	(286.1)
= NET INC. BEFORE MINORITY INTER.	322.4	543.1	789.1	985.9
Minority interests	(238.6)	(410.1)	(494.3)	(538.5)
= NET INCOME	83.8	133.1	294.8	447.4

Proforma Statements - Year 2000

TELEFÓNICA MÓVILES GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	1,651.7	3,445.5	5,475.3	7,401.2
Internal expend cap. in fixed assets	13.2	28.8	113.0	137.1
Operating expenses	(1,088.3)	(2,224.7)	(3,603.8)	(4,942.6)
Other operat. income (expense) net	(18.2)	(78.1)	(117.5)	(144.3)
=EBITDA	558.3	1,171.5	1,867.1	2,451.4
Depreciation and amortization	(226.5)	(480.9)	(742.4)	(1,039.5)
=OPERATING PROFIT	331.8	690.5	1,124.7	1,411.9
Profit from associated companies	(1.6)	(32.8)	(68.0)	(97.0)
Financial income (expense) net	(57.1)	(138.9)	(219.9)	(296.1)
Amortization of goodwill	(7.9)	(13.9)	(21.8)	(29.5)
Extraordinary income (expense) net	(47.3)	(6.9)	(8.6)	(58.2)
= INCOME BEFORE TAXES	217.8	498.0	806.3	931.1
Income taxes	(84.6)	(151.1)	(289.0)	(319.9)
= NET INC. BEFORE MINORITY INTER.	133.3	347.0	517.3	611.2
Minority interests	(16.3)	(30.0)	(30.1)	(20.6)
= NET INCOME	117.0	317.0	487.2	590.6

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TELEFÓNICA DATA GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	255.4	525.4	821.7	1,123.7
Internal expend cap. in fixed assets	11.1	11.0	6.0	36.1
Operating expenses	(236.7)	(479.0)	(747.2)	(1,077.5)
Other operat. income (expense) net	(2.8)	(3.5)	(6.1)	(7.3)
=EBITDA	27.1	53.9	74.4	75.0
Depreciation and amortization	(20.3)	(39.9)	(71.3)	(91.0)
=OPERATING PROFIT	6.8	14.0	3.2	(16.0)
Profit from associated companies	(0.3)	(2.6)	1.1	(1.1)
Financial income (expense) net	(1.0)	(2.8)	(2.5)	(10.7)
Amortization of goodwill	(1.2)	(2.8)	(3.9)	(6.1)
Extraordinary income (expense) net	0.1	6.2	4.2	(23.7)
= INCOME BEFORE TAXES	4.4	12.0	2.1	(57.6)
Income taxes	(5.6)	(5.6)	(10.3)	1.2
= NET INC. BEFORE MINORITY INTER.	(1.2)	6.4	(8.2)	(56.5)
Minority interests	(0.6)	(1.3)	7.0	7.3
= NET INCOME	(1.8)	5.1	(1.2)	(49.1)

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TELEFÓNICA MEDIA GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	30.3	121.2	332.9	723.9
Internal expend cap. in fixed assets	0.0	0.1	0.2	0.3
Operating expenses	(36.9)	(129.3)	(350.6)	(709.0)
Other operat. income (expense) net	(0.1)	(1.7)	(6.3)	(1.5)
=EBITDA	(6.6)	(9.7)	(23.8)	13.6
Depreciation and amortization	(8.6)	(18.1)	(31.8)	(48.8)
=OPERATING PROFIT	(15.2)	(27.8)	(55.5)	(35.2)
Profit from associated companies	(3.3)	(38.5)	(58.6)	(86.1)
Financial income (expense) net	(0.1)	(14.3)	(42.7)	(79.4)
Amortization of goodwill	(12.2)	(31.9)	(60.5)	(93.8)
Extraordinary income (expense) net	(6.3)	(8.6)	41.8	(606.5)
= INCOME BEFORE TAXES	(37.1)	(121.1)	(175.5)	(901.1)
Income taxes	10.6	22.5	49.8	221.5
= NET INC. BEFORE MINORITY INTER.	(26.5)	(98.5)	(125.7)	(679.6)
Minority interests	0.0	11.0	23.0	52.2
= NET INCOME	(26.5)	(87.6)	(102.7)	(627.4)

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TERRA-LYCOS GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	35.7	80.6	139.0	304.0
Others operating revenues	0.0	0.8	1.7	2.6
Internal expend cap. in fixed assets	1.0	1.0	1.8	1.0
Operating expenses	(94.6)	(234.1)	(395.9)	(649.0)
Other operat. income (expense) net	(3.0)	(1.5)	(4.4)	(15.2)
Other operating expenses	(3.0)	(2.3)	(6.1)	(17.8)
=EBITDA	(60.9)	(153.9)	(259.6)	(359.2)
Depreciation and amortization	(11.6)	(26.9)	(50.8)	(83.5)
=OPERATING PROFIT	(72.5)	(180.9)	(310.4)	(442.8)
Profit from associated companies	(0.1)	(4.8)	(17.7)	(59.3)
Financial income (expense) net	3.6	0.3	7.1	35.8
Amortization of goodwill	(27.1)	(57.8)	(88.5)	(203.6)
Extraordinary income (expense) net	(0.4)	(0.5)	(5.7)	(134.2)
= INCOME BEFORE TAXES	(96.5)	(243.7)	(415.2)	(804.0)
Income taxes	25.2	76.2	129.2	248.1
= NET INC. BEFORE MINORITY INTER.	(71.3)	(167.3)	(286.0)	(555.9)
Minority interests	1.3	1.7	0.5	0.7
= NET INCOME	(70.0)	(165.6)	(285.5)	(555.2)

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DIRECTORIES BUSINESS

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	59.3	176.8	363.4	607.7
Internal expend cap. in fixed assets	17.6	26.9	17.8	(1.9)
Operating expenses	(68.8)	(163.8)	(279.2)	(450.6)
Other operat. income (expense) net	(3.2)	(8.9)	(16.4)	(41.6)
=EBITDA	4.9	31.0	85.7	113.7
Depreciation and amortization	(4.6)	(9.2)	(10.2)	(19.2)
=OPERATING PROFIT	0.3	21.8	75.5	94.4
Profit from associated companies	0.0	0.0	(0.5)	(1.4)
Financial income (expense) net	(2.5)	(5.2)	(6.1)	(11.8)
Amortization of goodwill	0.0	0.0	0.0	0.0
Extraordinary income (expense) net	(0.5)	0.3	0.4	(3.6)
= INCOME BEFORE TAXES	(2.7)	16.9	69.2	77.6
Income taxes	(1.4)	(12.6)	(27.4)	(38.3)
= NET INC. BEFORE MINORITY INTER.	(4.2)	4.3	41.8	39.4
Minority interests	1.8	8.8	0.8	15.7
= NET INCOME	(2.4)	13.1	42.6	55.1

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ATENTO GROUP

	(Euros in Millions)			
	MARCH 2000	JUNE 2000	SEPTEMBER 2000	DECEMBER 2000
Operating revenues	91.0	194.9	361.5	526.9
Internal expend cap. in fixed assets	0.0	(0.1)	(0.1)	0.0
Operating expenses	(78.4)	(178.4)	(333.7)	(495.7)
Other operat. income (expense) net	(2.0)	1.8	(0.8)	(6.0)
=EBITDA	10.6	18.3	26.9	25.2
Depreciation and amortization	(7.9)	(18.7)	(31.5)	(51.3)
=OPERATING PROFIT	2.7	(0.4)	(4.6)	(26.0)
Profit from associated companies	0.0	0.0	0.0	0.0
Financial income (expense) net	(5.1)	(15.3)	(25.8)	(37.8)
Amortization of goodwill	0.0	(0.3)	(2.9)	(7.1)
Extraordinary income (expense) net	0.1	(1.4)	(3.5)	(78.4)
= INCOME BEFORE TAXES	(2.4)	(17.4)	(36.8)	(149.3)
Income taxes	(0.5)	0.7	4.1	37.3
= NET INC. BEFORE MINORITY INTER.	(2.8)	(16.7)	(32.7)	(112.0)
Minority interests	(0.1)	(0.1)	0.0	0.3
= NET INCOME	(3.0)	(16.8)	(32.7)	(111.8)

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