

Quarterly results

JANUARY – SEPTEMBER

2001

Telefonica

Quarterly Results



JANUARY - SEPTEMBER 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

	Unaudited figures						(Thousands)
	JANUARY - SEPTEMBER		% CHG. 01/00	WEIGHTED(*)		% CHG. 01/00	
	2001	2000		JUN-2001	JUN-2000		
Lines in service	44,936.7	41,056.5	9.5	39,009.4	35,562.2	9.7	
In Spain	20,662.6	20,052.7	3.0	20,662.6	20,052.7	3.0	
In other countries (1)	24,274.1	21,003.8	15.6	18,346.8	15,509.5	18.3	
Cellular customers	29,959.2	22,948.7	30.5	22,285.9	18,510.9	20.4	
In Spain	15,620.6	12,801.5	22.0	14,552.1	12,801.5	13.7	
In other countries (2)	14,338.6	10,147.2	41.3	7,733.7	5,709.4	35.5	
Pay TV customers	1,098.2	917.2	19.7	687.7	599.6	14.7	
In Spain	752.7	572.2	31.6	365.8	278.1	31.6	
In other countries (3)	345.5	345.0	0.2	321.8	321.5	0.1	
TOTAL	75,994.1	64,922.3	17.1	61,982.9	54,672.7	13.4	

(*) Weighted by the equity interest in each of the companies.

(1) Lines in services: includes all lines in service as of September 2001 and 2000, for Telefónica de España, Telefónica CTC Chile, Telefónica de Argentina, Telefónica del Perú, Telesp and CanTV.

(2) Cellular customers: includes all cellular customers, as of September 2001, of Telefónica Servicios Móviles España, Medi Telecom, Telefónica Móvil Chile, TCP Argentina, Telefónica Móviles El Salvador, Telefónica Móviles Mexico and CanTV Celular. In September of 2000 the customers of Telefónica Móviles México are not included.

(3) Pay TV customers: includes all pay TV customers, as of September 2001 and 2000, of Vía 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 noted 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 nine months of the fiscal year, the Telefónica Group obtained a net consolidated profit of 1,591.0 million euros, up 7.2% over the same period of the previous fiscal year.

The most important highlights are:

- Positive results with steady growth in an environment of high economic uncertainty.

- Revenues and EBITDA growth are slightly lower than till June 2001 as a result of the negative evolution in Latin American exchange rates, combined with a sustained EBITDA margin as a result of the containment of operating expenses.
- Decrease in the consolidated net debt balance, primarily as result of the quarterly appreciation of the euro with respect to the dollar, the cash generating capacity of the Group and the cost control policy.
- 2.7% drop in investment compared to the same period of the previous year, marking the beginning of the downward trend expected by the end of the year.

During the first nine months of 2001, the Group's fixed and mobile telephone and pay television managed customer base amounted to 71.2 million out of a total of 75.9 million customers, 10.5 million more than in the comparable period in fiscal year 2000, which represents a year-on-year increase of 17.2%. Significantly, only during the third quarter of the fiscal year, the number of customers increased by more than 2.1 million, thereby keeping the Group on track in its goal of surpassing 100 million customers by fiscal year 2004.

Cellular telephone service was the largest contributor to the Group's customer base, with more than 6.5 million new customers during the last twelve months, despite a slowdown with respect to the prior year resulting from a mature Spanish cellular market and the profit-driven growth model adopted for Latin American countries. These two factors notwithstanding, the number of new managed cellular customers serviced by the Group during the last quarter rose to more than 1.3 million, which clearly demonstrates the growth potential still existing in this business.

The geographic diversification in the growth of the customer base is noteworthy, as it allows the Group great stability in building up its main asset: its customers. Although Latin America continued to be the region with the highest rate of growth during the third quarter, with more than 1.1 million new customers for the Group (0.6 million from Telesp), Spain and the Mediterranean basin contributed nearly the same numbers.

Telefónica Group Results

Telefónica Group

During this quarter, there were two events of major importance for the future growth of the Group: the authorization granted to Telefónica de España by the Spanish regulatory agency to market the ADSL product on a retail basis, and Telesp's filing of the target achievement documents to the Brazilian regulatory agency (ANATEL) as required, for certification.

The approval for Telefónica de España to market the ADSL product on a retail basis will enable the Telefónica Group to reinforce its commitment to broadband, the key technology for the development of the so called "Information Society". Because of its marketing profile, this product will undoubtedly improve to Telefónica de España Group's revenue base.

Filing of the target achievement documents to the Brazilian regulatory agency means that, once certified, all the companies of the Telefónica Group in Brazil will be able to apply for licenses to offer new telecommunications services in the rest of the country. This will create new opportunities for future growth in a market that constitutes the Telefónica Group's biggest platform in Latin America, that broadly speaking, is similar in size in terms of revenues to the Spanish telecommunications market, excluding the State of Sao Paulo. It is noteworthy that the accomplishment of the targets happened two years ahead of time thus granting to the Group an important competitive advantage in relation to other operators competing in the country.

From a financial standpoint, the Telefónica Group's accumulated earnings as of the third quarter have been largely

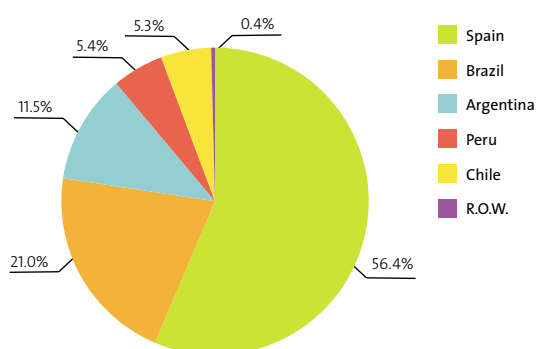
affected by two factors: on one hand by the negative evolution of the Latin American currencies exchange rates as a result of the difficult economic situation in Argentina and the fear that this might spread to the other economies in the region, especially impacting the Brazilian real (which as of September had suffered an accumulated depreciation of 17.1% versus the euro), and on the other by the change in the Group's consolidation perimeter.

There was a slowdown in the growth of the Group's consolidated revenues (11.2% as of September 30, 2001 compared to 15.2% accumulated till June 2001), primarily due to the negative effect of Latin American exchange rates, and also to the lower growth rate of sales in the fixed and mobile telephone businesses in Spain.

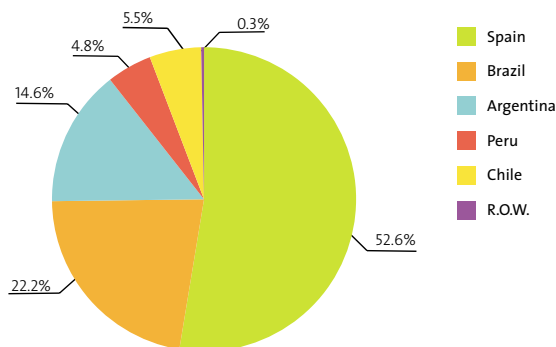
In absolute terms, the businesses lines that contributed the most to the consolidated revenues of the Group were, once again, Telefónica de España and Telefónica Latinoamérica, totaling 7,670.6 and 7,605.7 million euros, respectively, and representing growth rates of 0.9% and 1.0%. It must be pointed out that Telefónica Latinoamérica's revenues were significantly affected by the evolution of exchange rates in the region. Indeed, excluding these effects, Telefónica Latinoamérica would be the largest contributor in absolute terms to the Group's revenues, with a growth rate of 9.8% compared to the same period last year.

Nonetheless, the reported figures illustrate the Telefónica Group's capacity to generate positive earnings with a noteworthy diversification that adds to both quality and growth,

EBITDA DISTRIBUTION BY COUNTRIES 9M-2001



EBITDA DISTRIBUTION BY COUNTRIES 9M-2000



Telefónica Group Results

Telefónica Group

even during the most adverse economic circumstances. The EBITDA accumulated over the first nine months of the fiscal year totaled 9,641.2 million euros, which is 8.5% higher than in the comparable period last year, an increase that would have been 13.2% had the effect of the exchange rate not been taken into account. On the other hand, the changes in the Group's consolidation perimeter, as a result of the various acquisitions that took place during the year 2000 had a positive effect on the Group's consolidated EBITDA of approximately 1.4 p.p.

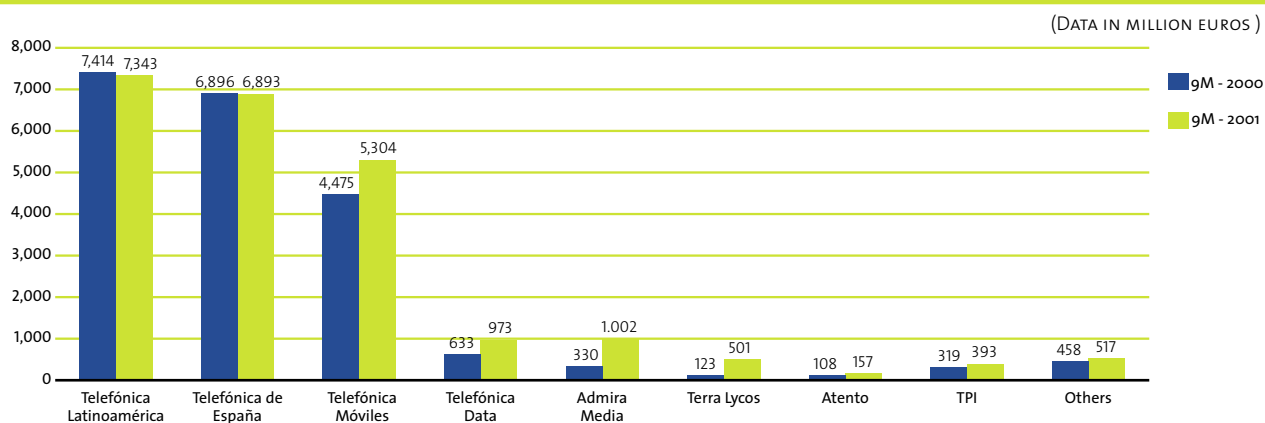
Excluding both of the aforementioned effects, the Group's EBITDA would have risen to 9,944.3 million Euros for an increase of 11.9% compared to September 2000. It should be noted that this analysis of the impact of exchange rate performance and changes in the consolidation perimeter, if applied to the 8.7% growth in EBITDA reported for the first nine months of the year 2000, would have meant a growth of only 4.6%, thus demonstrating, even more forcefully, the positive results achieved by the Group in 2001 in an unfavorable macroeconomic environment.

In terms of EBITDA margin, there was a slowdown in the drop experienced as of June compared to the same period in the previous year (-1.1p.p. as of September versus -2.3 p.p. as of June), totaling 41.8% as a result of the cost containment efforts being implemented in all the Group's business lines. In this respect, there was an overall improvement in the year-on-year change in the EBITDA margin for all the business lines, with the exception of Telefónica Latinoamérica, Telefónica Data and TPI.

The main contributors to the Group's consolidated EBITDA growth were, in this order, Telefónica Móviles, Admira Media (formerly known as Telefónica Media) and Telefónica de España, respectively accounting for 7.5 p.p., 1.2 p.p. and 1.1 p.p. of the aggregate 8.5% growth figure. Telefónica Móviles recorded a 35.5% increase in its consolidated EBITDA totaling 2,529.3 million euros, which is higher than Telefónica Móviles' consolidated EBITDA for the entire fiscal year 2000. This increase is the result of reactivated growth in the customer base in most markets, combined with a lower churn rate and cost structure optimization. The profit-driven growth model adopted by Telefónica Móviles has made it possible to limit the negative impact of the Latin American macroeconomic environment. This, along with the healthy business results obtained in Spain, has led to an EBITDA margin of 41.0% compared to 34.1% for the first nine months of the year 2000.

Telefónica de España reported 3,483.3 million euros in EBITDA for a year-on-year growth of 3.0%, due primarily to the positive trend in operating expenses, which were 4.8% lower than for the comparable period last year, whereas as of June 2001 they had only decreased by 3.0%. This positive trend in operating expenses served to offset the slowdown in revenues resulting from an increasingly competitive environment, which continues to translate into a gradual decline in the market share, and from price reductions implemented by the Company to satisfy requirements under the current price cap regulations. Despite these two factors, which will continue to have an impact over the course of the fiscal year, Telefónica de España forecasts an overall positive trend in the business for the year as compared to the fiscal year 2000.

REVENUES BY BUSINESS LINE



Telefónica Group Results

Telefónica Group

Admira Media posted 82.2 million euros in EBITDA, compared to a loss of 23.8 million euros as of September 2000. This turnaround is in large part due to the positive evolution of Endemol's business and the fact that Endemol was only consolidated two months during the comparable period in 2000.

The EBITDA result for Telefónica Latinoamérica is noteworthy, having dropped 2.3% with respect to the prior fiscal year for a total contribution to the Group's EBITDA of 3,856.4 million euros. This is largely due to the performance of exchange rates in the region, since the earnings in local currency obtained by the Telefónica Latinoamérica Group affiliates may be considered satisfactory (in particular, those registered by Telesp, with an increase in revenues and an EBITDA of 26% and 20%, respectively). Thus, excluding exchange rate effects, the EBITDA of the Telefónica Latinoamérica Group would have increased by 6.3%.

Goodwill amortization continued to influence the Group's net income, with a year-on-year increase of 122.5% for a total of 645.7 million euros, as a result of the acquisitions made during the prior fiscal year and mainly affecting the Admira Media, Telefónica Data, and Terra-Lycos Groups. However, it should be pointed out that the amortization period of Terra-Lycos' goodwill was extended during the last quarter; it will now be amortized over 10 years instead of the 5 year period over which it was previously being amortized. This extended period will result in a better matching between the economic condition of the acquired business and the actual rate of maturity of the Internet business.

The minority interests have continued to positively affect the Group's earnings, although to a lesser extent than as of June 2001, as a result of the slowdown in Terra-Lycos's losses and the higher net income of TPI- Páginas Amarillas.

Finally, it is noteworthy the higher quality of the net income reported as a result of lower extraordinaries, arising from lower capital gains from the sale of securities portfolio in the amount of 334.0 million euros, net of all applicable taxes.

Considering the Group's consolidated net debt level, a noteworthy reduction took place during the quarter as accumulated debt fell from 31,244 million euros as of June 2001 to 29,731 million as of September 2001. This reduction was mainly due to the dollar depreciation versus the euro and the cash generation of the Group, without accounting for any divestiture during the period. Furthermore, it should be noted that the Telefónica Group became the first European telecommunications company to tap the capital markets following the terrorist attacks of September 11. This took the form of a three- and five-year Eurobond issue for a total amount of two billion euros, to be used primarily to avoid refinancing risks during fiscal year 2002. With this successful placement, that registered a significant book-building surplus the Telefónica Group has become the first European operator to meet all of its refinancing needs for the next fiscal year.

Lastly, the Group's investment totaled 5,443.1 million euros, down 2.7% from the same period of the previous year thus implying a change in the trend recorded till June 2001. This drop reflects a number of factors: on one hand, reduced investment in Telesp as ANATEL targets were met (whereas in the same quarter of the previous fiscal year investment increased significantly), and the depreciation of the real, and on the other hand a lower level of investment by Emergia (169 million euros accumulated as of September 2001 compared to 652 million euros accumulated till September 2000). The Group is thus enabled to accomplish its predicted 7% reduction in its annual investment for the year 2001.

Telefónica Group Results

Telefónica Group

TELEFÓNICA GROUP SELECTED FINANCIAL DATA

Unaudited Figures	(Euros in Millions)		
	JANUARY - SEPTEMBER		% CHG. 01/00
	2001	2000	
Operating revenues	23,083.4	20,754.6	11.2
EBITDA	9,641.2	8,886.8	8.5
Operating profit	4,157.4	3,838.5	8.3
Income before taxes	1,979.8	2,570.1	(23.0)
Net income	1,591.0	1,483.7	7.2
Net income per share	0.35	0.40	(13.1)
AVG. NO. OF SHARES, MILLIONS (1)	4,586.7	3,716.9	23.4

(1) Average number of shares of the period. It includes capital increases to fund the acquisition of additional holdings new in Telefónica de Argentina, Telefónica del Perú, Telesp, Telesudeste, Endemol, ATCO and cellular companies acquired from Motorola, as well as the issuance of new shares with respect to convertible bonds, weighted for the number of days listed, excluding bonus capital increases charged to reserves, which do not involve any change in the ownership structure.

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

TELEFÓNICA GROUP RESULTS BY COMPANY

Unaudited Figures	(Euros in Millions)								
	REVENUES			EBITDA			OPERATING PROFIT		
	JANUARY - SEPTEMBER			JANUARY - SEPTEMBER			JANUARY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.	2001	2000	% CHG.
Telefónica de España G.	7,670.6	7,601.1	0.9	3,483.3	3,382.0	3.0	1,368.6	1,205.3	13.6
Telefónica Móviles G.	6,168.5	5,475.3	12.7	2,529.3	1,867.1	35.5	1,583.7	1,124.7	40.8
Telefónica Latinoamérica G.	7,605.7	7,531.0	1.0	3,856.4	3,947.4	(2.3)	1,913.2	2,050.1	(6.7)
Telefónica Data G.	1,365.4	821.7	66.2	32.8	74.4	(55.9)	(102.1)	3.2	c.s.
Terra-Lycos G	526.5	139.0	278.9	(190.3)	(259.6)	(26.7)	(321.3)	(310.4)	3.5
TPI G.	375.3	264.1	42.1	92.6	79.5	16.6	76.4	72.1	6.0
Admira Media G.	1,005.8	332.9	202.1	82.2	(23.8)	c.s.	24.1	(55.5)	c.s.
Atento G.	471.5	361.5	30.5	36.9	26.9	37.3	(22.7)	(4.6)	n.s.
Other affiliates	940.3	1,155.7	(18.6)	(146.6)	(170.3)	(13.9)	(265.1)	(173.0)	53.2
Eliminations	(3,046.5)	(2,927.7)	(4.1)	(135.4)	(36.8)	n.s.	(97.7)	(73.2)	33.4
GROUP	23,083.4	20,754.6	11.2	9,641.2	8,886.8	8.5	4,157.4	3,838.5	8.3

Telefónica Group Results

Telefónica Group

TELEFÓNICA, S.A. CONSOLIDATED INCOME STATEMENT FULL CONSOLIDATION

Unaudited Figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	23,083.4	20,754.6	11.2	7,780.7	7,476.6	4.1
Internal expend cap. in fixed assets (1)	483.8	657.7	(26.4)	160.2	217.0	(26.2)
Operating expenses	(13,326.6)	(12,177.5)	9.4	(4,411.8)	(4,467.4)	(1.2)
Supplies	(5,116.5)	(4,229.9)	21.0	(1,663.5)	(1,589.1)	4.7
Personnel expenses	(3,969.0)	(3,737.4)	6.2	(1,282.5)	(1,352.3)	(5.2)
Subcontracts	(3,841.4)	(3,891.2)	(1.3)	(1,319.6)	(1,424.8)	(7.4)
Taxes	(399.8)	(319.0)	25.3	(146.2)	(101.3)	44.4
Other operating income (expense) net	(599.4)	(348.0)	72.2	(244.5)	(162.6)	50.4
EBITDA	9,641.2	8,886.8	8.5	3,284.6	3,063.7	7.2
Depreciation and amortization	(5,483.8)	(5,048.3)	8.6	(1,865.1)	(1,749.1)	6.6
OPERATING PROFIT	4,157.4	3,838.5	8.3	1,419.4	1,314.6	8.0
Profit from associated companies	(278.1)	(91.9)	202.6	(97.8)	(38.5)	154.1
Financial income (expense) net	(1,346.8)	(1,300.9)	3.5	(420.0)	(528.8)	(20.6)
Amortization of goodwill	(645.7)	(290.2)	122.5	(162.5)	(126.6)	28.4
Extraordinary income (expense) net	92.9	414.5	(77.6)	(110.4)	108.5	(201.8)
INCOME BEFORE TAXES	1,979.8	2,570.1	(23.0)	628.8	729.1	(13.8)
Income taxes	(655.0)	(657.8)	(0.4)	(195.9)	(203.7)	(3.8)
NET INCOME BEFORE MINORITY INTERESTS	1,324.8	1,912.3	(30.7)	432.9	525.4	(17.6)
Minority interests	266.2	(428.6)	c.s.	9.5	(30.8)	c.s.
NET INCOME	1,591.0	1,483.7	7.2	442.4	494.7	(10.6)
OUTSTANDING SHARES (MILLION) (2)	4,586.7	3,716.9	23.4	4,586.7	3,716.9	23.4
NET INCOME PER SHARE	0.35	0.40	(13.1)	0.10	0.13	(27.5)

(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.

Telefónica Group Results

Telefónica Group

TELEFÓNICA, S.A. CONSOLIDATED BALANCE SHEET

Unaudited Figures	(Euros in Millions)		
	SEPTEMBER		% CHG. 01/00
	2001	2000	
Subscribed shares not paid-in	391.8	3.8	N.S.
Long-term assets	65,224.8	59,094.8	10.4
Start up expenses	654.5	317.8	105.9
Intangible net assets	20,409.5	7,222.8	182.6
Fixed net assets	36,520.6	39,667.2	(7.9)
Investments	7,640.2	11,887.1	(35.7)
Goodwill on consolidation	9,320.2	6,455.0	44.4
Deferred expenses	829.8	1,163.6	(28.7)
Current assets	15,798.9	17,282.8	(8.6)
Inventories	824.8	866.6	(4.8)
Accounts receivable	10,139.6	9,674.1	4.8
Short-term investments	3,043.3	6,017.5	(49.4)
Cash and banks	580.0	351.7	64.9
Other	1,211.2	372.9	224.8
ASSETS = LIABILITIES	91,565.4	84,000.0	9.0
Shareholders' equity	26,208.7	24,468.0	7.1
Minority interests	8,214.2	5,400.6	52.1
Badwill on consolidation	23.5	0.0	N.S.
Deferred income	1,252.6	1,145.5	9.3
Provisions for risks and expenses	6,386.1	6,797.6	(6.1)
Accrued taxes payable	2,470.3	1,237.7	99.6
Long-term debt	22,526.4	23,162.4	(2.7)
Short-term debt including current maturities	10,827.4	11,242.3	(3.7)
Interest payable	332.1	398.7	(16.7)
Other creditors	13,324.2	10,147.3	31.3
FINANCIAL DATA			
Consolidated net debt (1)	29,731	28,035	6.0
Consolidated debt ratio (2)	43.9%	46.5%	(2.6 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)

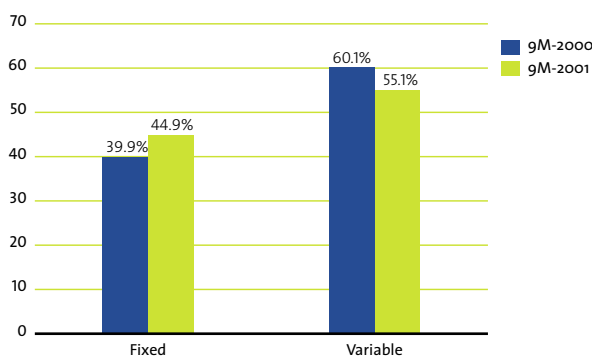
Fixed Line Business

Telefónica de España Group

The accumulated earnings of the Telefónica de España Group as of September 2001 reflect the steady growth of the fixed line business in Spain, already noted in the first half of the year.

Last August, the monthly fee rose to 10.47 euros, an increase of 1.8 euros since July 2000. This increase, which was offset by reductions in the long-distance traffic, has resulted in a general tariff reduction of 3.5% as of September for the basket of products defined within the price-cap model. This reduction together with the monthly fee increase leads to a breakdown of fixed revenues to variable revenues of 44.9% versus 55.1%, respectively (In year 2000 this breakdown was 39.9% versus 60.1%, respectively).

BREAKDOWN OF REVENUES - TELEFÓNICA DE ESPAÑA



In order to achieve a 7% overall average reduction in 2001, rate cuts of 15.7%, 14.1% and 9.3% in Provincial, Domestic Long Distance and International traffic, were implemented by the end of October.

The Operating Revenues of the Telefónica de España Group in the first nine months of the year totaled 7,670.6 million euros, a year-on-year increase of 0.9%. The parent company revenues represented 96.5% of the total and grew by 3.7% as of September with respect to the comparable previous year. This growth was mainly the result of the good performance of ISDN revenues, the positive evolution in the interconnection and leased circuits, and the increase in the monthly fee. Usage revenues remained at the same level as in the previous year, due to a solid increase in minutes which offset the price/rate reductions and the market share loss.

Traffic in terms of minutes per line per day was 20.78, up 30.8% over the previous year, primarily due to the growth of the Internet and the interconnection services of fixed line operating companies.

The total number of minutes were 102,308 million, which represents a 33.5% increase as of September. Traffic generated by the Group's customers grew 16.6% for a total of 73,933 million minutes, mainly driven by the growth of Internet traffic (57.5%) and Provincial and Domestic Long Distance traffic (23.9% and 26%, respectively). Local traffic continued the downward trend started at the beginning of the year, with a 4.3% drop by the end of the third quarter as a result of the evolution of the market as a whole and the market share loss. Fixed to Mobile traffic increased 11.1%, consistent with the slowdown in the growth of the cellular market in Spain in comparison to the growth registered in the previous year. Incoming traffic continued its strong upward trend (114.2% accumulated till September), particularly reflecting the rapid growth of Fixed to Fixed interconnections.

Usage revenues rose 0.8% as a result of the increased number of lines in service and the higher volume of minutes per line per day. The success of packaged minutes is boosting telephone usage. Accordingly, subscribers of Bonos Ciudad and Bonos Ciudad Plus (packages of local minutes) totaled 764,189 and 1,436,657, respectively, while the Flat Rate product exceeded initial expectations, with 398,121 subscribers (including the TerraLycos flat rate product). The USA 15 Plan, targeted towards International traffic with the United States, and the Bono Elección, offering multi-range packaged minutes, were launched last August. At the end of September, there were 2,351 USA 15 subscribers and 558 Bono Elección subscribers.

On the other hand, there were 9,728,155 active voice mailboxes as of the month of September, while the Caller I.D. Service had 3,052,413 subscribers, which is 132.9% more than in the previous year.

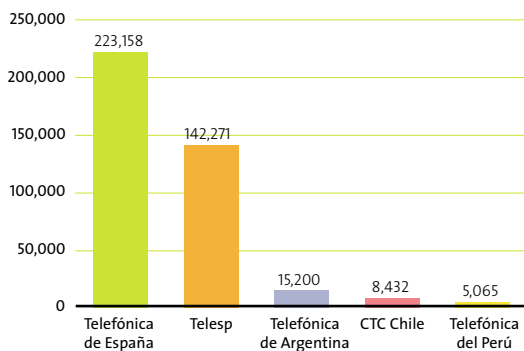
Aiming to lead the broadband market through ADSL, the Company's efforts were reflected in the increased number of customers at the end of the third quarter, with a total of 223,158 customers, or 89.3% of the goal initially set for the end of the year. The average installation rate as of the last week in September was 1,609 lines per day. It should be noted that, in

Fixed Line Business

Telefónica de España Group

the month of October, there was a daily peak of 2,903 installations. The ADSL coverage reached 16.1 million lines (equivalent to 87.6% of the total plant).

ADSL CUSTOMERS - SEPT 2001



It is worth noting that, since August 13, Telefónica de España was licensed to market ADSL on a retail basis. In September the Company launched its first campaign targeted at end users, resulting in 14,624 new customers on that month. In the first four weeks of October, there were 22,573 new subscribers.

Operating expenses of the Telefónica de España Group totaled 4,183.1 million euros, a decrease of 4.8%, due in large part to a 7.6% reduction in personnel expenses, a decrease in total supplies (6.5%) and control of discretionary expenses. Operating expenses before interconnection during the first nine months of the year totaled 2,632.0 million euros, a year-on-year decrease of 1.4%.

Telefónica de España's interconnection expenses rose by 2.9% and continued showing a slowed rate of growth (+13.7% in the

first quarter and +9.1% in the first half of the year), due to price cuts implemented over the current fiscal year in both fixed to fixed and fixed to mobile interconnections.

At September 2001, supplies and external services expenses of the parent company rose by 10.1%, due to the reduced level of quarterly expenses in the prior year and to the expenses associated with the deployment of broadband and outsourcing costs arising from staff reductions and increased customer service.

The reduction in Telefónica de España's personnel expenses is due, in part, to the 11.2% cut in average headcount as well as to the impact of the deviation in the 2000 CPI and anticipated wage revision in the previous year. In September, Telefonica de España had a staff of 40,948, enabling it to achieve a productivity ratio of 504.6 lines per employee.

The entry "Other operating costs" showed a 69.9% increase, as a result of the increase in bad debt provisions made during the year, intended to restructure and write-down the Public Phones resellers business.

The EBITDA of the Telefónica de España Group totaled 3,483.3 million euros, which represents a slower growth rate in relation to that posted for the first six months, which is in line with the Company's initial expectations. Accordingly, the EBITDA margin was 45.4% for the period, up 1p.p. compared to the previous year.

Operating Results, totaling 1,368.6 million euros, increased 13.6% with respect to the comparable previous year, due to the positive EBITDA performance and a 2.9% decrease in the depreciation of fixed assets as part of the write-down of circuits in service implemented over the recent years, particularly in December 2000.

Fixed Line Business

Telefónica de España Group

TELEFÓNICA DE ESPAÑA SELECTED OPERATING DATA

Unaudited Figures	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
Lines in service (thousands) (1)	20,662.6	20,052.7	3.0%
ISDN basic access	773,985	539,020	43.6%
ISDN primary access	15,666	12,652	23.9%
Lines in service / 100 inhabitants (1)	51.8%	50.3%	1.5 p.p.
ADSL connections	223,158	25,314	n.s.
% ADSL coverage	87.6%	60.6%	27.0 p.p.
Traffic (million of minutes)	102,308	76,663	33.5%
Employees	40,948	44,919	(8.8%)
Lines/employees (1)	504.6	446.4	13.0%

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

TELEFÓNICA DE ESPAÑA OPERATING REVENUES (INDIVIDUAL)

Unaudited Figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% VAR.	2001	2000	% VAR.
REVENUE DERIVED FROM USAGE	4,372.3	4,339.6	0.8	1,405.3	1,407.5	(0.2)
Local	1,359.5	1,309.5	3.8	459.9	406.4	13.2
Provincial	423.7	418.3	1.3	140.4	129.3	8.6
Domestic long distance	700.1	754.8	(7.3)	222.0	232.3	(4.4)
International long distance (outgoing) (1)	509.4	413.4	23.2	172.2	149.1	15.5
Fixed to mobile	1,117.5	1,157.0	(3.4)	375.7	418.3	(10.2)
Interconnection International (Incoming)	224.1	178.1	25.9	83.8	66.8	25.5
Interconnection National Operators (1)	402.0	302.0	33.1	139.8	110.7	26.2
Others	(364.0)	(193.6)	88.1	(188.4)	(105.4)	78.8
Monthly fee	2,461.3	2,297.5	7.1	822.8	781.5	5.3
Connection fee	200.0	215.8	(7.3)	69.4	71.3	(2.6)
Customer equipments	200.6	111.1	80.6	64.5	41.8	54.6
Others (2)	164.3	172.3	(4.6)	51.0	48.8	4.4
TOTAL OPERATING REVENUES	7,398.6	7,136.3	3.7	2,413.0	2,350.8	2.6

(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 Figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	7,670.6	7,601.1	0.9	2,510.8	2,552.3	(1.6)
Telefonica de España	7,398.6	7,136.3	3.7	2,413.0	2,350.8	2.6
Others and eliminations	272.0	464.8	(41.5)	97.8	201.4	(51.4)
Internal expend cap. in fixed assets (1)	130.3	186.6	(30.2)	41.4	57.2	(27.7)
Operating expenses	(4,183.1)	(4,395.2)	(4.8)	(1,432.4)	(1,558.3)	(8.1)
Other operating income (expense) net	(134.6)	(10.4)	n.s.	(76.7)	(11.7)	557.9
EBITDA	3,483.3	3,382.0	3.0	1,043.1	1,039.5	0.3
Depreciation and amortization	(2,114.7)	(2,176.8)	(2.9)	(733.3)	(703.6)	4.2
OPERATING PROFIT	1,368.6	1,205.3	13.6	309.8	336.0	(7.8)
Profit from associated companies	(1.3)	0.1	c.s.	(0.7)	(0.2)	325.9
Financial income (expense) net	(299.7)	(378.6)	(20.8)	(95.6)	(114.2)	(16.3)
Amortization of goodwill	(0.5)	(0.2)	123.7	(0.4)	(0.1)	361.5
Extraordinary income (expense) net	164.8	39.6	316.2	35.2	(79.1)	c.s.
INCOME BEFORE TAXES	1,231.9	866.1	42.2	248.4	142.5	74.3
Income taxes	(330.4)	(232.0)	42.4	(67.3)	(25.6)	163.1
NET INCOME BEFORE MINORITY INTERESTS	901.6	634.1	42.2	181.1	116.9	54.9
Minority interests	0.0	0.2	c.s.	0.0	0.0	c.s.
NET INCOME	901.5	634.3	42.1	181.0	117.0	54.8

(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

Following the completion of the segregation process by business lines of activity of the Telefónica Group's, Telefónica Latinoamérica consolidates as the company that manages the fixed-telephone business in Latin America (Brazil, Argentina, Chile, Peru, Puerto Rico and Venezuela), as well as the societies Advance (ISP for Argentina), Cable Mágico (Cable TV of Peru), and Sonda (information technology services in Chile) businesses. The acquisition of the carrier CTI in November 2000 to manage on an integrated basis the international traffic of the Telefónica Group's Latin American operators to and from the U.S is also included.

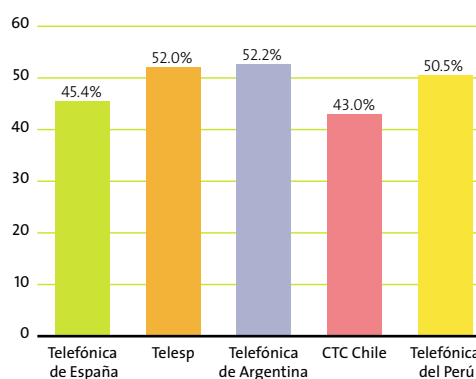
From the financial point of view, the company's accumulated earnings at the third quarter were affected by the depreciation of the Brazilian real (17.1% since the beginning of the year) and the Chilean peso against the euro, particularly in the third quarter of the fiscal year, as the economic troubles in Argentina spilled over into neighboring countries. Nonetheless, it should be noted that the companies' earnings in local currencies continued their satisfactory performance. Furthermore, the positive performance of the Brazilian real since the end of October, along with the most recently published macroeconomic indicators of the Brazilian economy, seems to indicate that Brazil's economic cycle is not linked to the Argentine situation.

Consolidated revenues in the first nine months totaled 7,605.7 million euros, for a year-on-year growth of 1.0%. Excluding exchange rate effects, this figure would increase to 9.8%, which is consistent with the 9.5% growth in constant currency recorded in the first half of the year. Noteworthy is the positive trend in the revenues of Telesp expressed in local currency (26.1%) and Telefónica CTC Chile (6.9%). Moreover, Telefónica del Perú has maintained steady sales (0.1%) in spite of the increasing competition, thus offsetting the drop in sales of TASA (-5%), due to the competition, particularly in the long distance business, and the country's economic situation.

The consolidated EBITDA of Telefónica Latinoamérica showed a year-on-year decline of 2.3% as a result of the aforementioned exchange rate problems, as well as the drop in the EBITDA of TASA caused by the competitive and difficult economic environment. In terms of constant currency, however, consolidated EBITDA showed a 6.3% growth. Likewise, the EBITDA was also impacted by the increase in the interconnection expenses of Telesp (due to an increase in tariffs and traffic), as well as a

new provision for bad debt policy implemented (in line with the guidelines followed by the Group). Finally, the higher bad debt linked expenses in Telefónica de Argentina (caused by the difficult macroeconomic environment in the country) also affected.

ACCUMULATED EBITDA MARGIN - FIXED TELEPHONY



Telefónica Latinoamérica's net income for the first nine months of the year totaled 851.3 million euros, representing a year on year increase of 181.1%. This positive performance was due to a reduction in financial expenses (-23.2%) caused by from less debt and lower financing costs, and by the positive change in extraordinaries (+13.9 million euros, compared to a loss of 101 million euros in the same period of the previous year). This occurred despite Telefónica CTC Chile's restructuring plan and the non-recurring losses registered for Telefónica del Perú, which were offset by the non-recurring revenue from the sale of Cablevisión (256 million euros). In addition, the year-on-year reduction of minority interests in the amount of 387.3 million euros represented a further positive contribution.

With respect to operating results, at the end of September, Telefónica Latinoamérica managed 21.6 million lines. This represents a year on year increase of 17.2%, driven by the growth of Telesp, which, at an average rate of over 340,000 new subscribers/month, surpassed 12.6 million lines. In addition, although not officially certified yet, at the end of September the company succeeded in meeting the Brazilian regulatory agency requirement of being able to install a telephone line in less than 15 days. Thus, the company remains on track in its goal of achieving in 2001 the targets set by Anatel for December 2003. TASA also recorded significant growth in

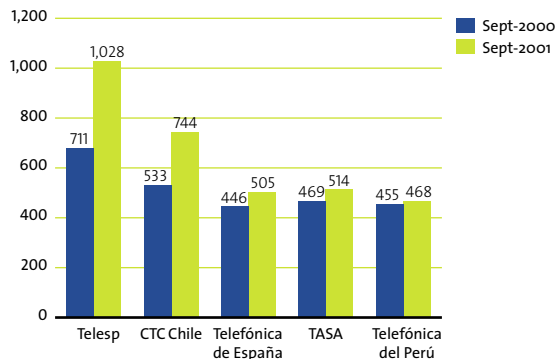
Fixed Line Business

Telefónica Latinoamérica Group

terms of lines in service (+6.2%), thanks to the marketing of pre-paid and usage control products aimed at maximizing the profitability of the existing network and minimizing the risk of bad debt. Likewise, Telefónica CTC Chile recorded a year-on-year increase of 3.4% in lines in service.

The growth in the number of lines serviced by the company, as well as the ongoing efforts to streamline and control costs, have resulted in a significant rise in productivity for Telefónica Latinoamérica, i.e., 867 lines per employee, a 32.4% year-on-year increase (18.4% compared to last June). Staff restructuring plan implemented last June at Telefónica CTC Chile (1,584 fixed-line business employees) adapt the company to an increasingly competitive environment. These efforts are reflected in the significantly better margins of the Chilean operator.

LINES PER EMPLOYEE



In line with the Telefónica de España Group's strategy to lead the broadband market, Telefónica Latinoamérica had 170,968 ADSL customers at the end of September, up 52% with respect to the customer base recorded in the first half of the year, with 83% of ADSL customers concentrated in Brazil (Sao Paulo).

Brazil

In accordance with its goal of achieving by September 2001 the targets set by Anatel for December 2003, Telesp eliminated its waiting list, which means that it should meet any new installation request within a maximum period of two weeks.

Once Anatel certifies that Telesp has met the targets, all of the companies of the Telefónica Group in Brazil may apply for

new licenses, thereby extending their coverage and offer services to the rest of the country. It must be pinpointed that such targets were met two year ahead of time thus giving to the Group an important competitive advantage in relation to the other operating companies in the country.

As of September, ADSL customers numbered more than 140,000, representing an increase of 248% compared with the end of the previous fiscal year.

The steady gains in productivity is remarkable, reaching about 1,028 lines per employee (a year on year increase of 44.5%), making this one of the companies with the highest productivity rates in the world. In this aspect, the Company continues in its efforts, as illustrated by the announcement in early October of a Headcount Adjustment Plan that aims to be accepted by 10% of the workforce.

The 20% increase in the company's local currency EBITDA as of September (-0.3% in euros) is mainly derived from the expansion in the number of lines in service (year on year increase of 28.7%) as well as the 10.4% average increase in tariffs in local currency from June 2001. These two factors have enabled the company to post revenues of 3,273.1 million euros, a year on year increase of 26% in local currency (4.5% in euros), offsetting higher interconnection expenses (due to higher tariffs and traffic), bad debt (stemming from a more conservative provisioning policy), and taxes (new taxes applicable since January 2001 and accounting for 1.5% of net revenues).

The growth in net profits amounted to just 4% in local currency (-14% in euros), despite the 23% increase in operating profit. This is due to an increase in financial expenses as investment efforts were made in order to meet the ANATEL targets, and to the extraordinary expenses recorded in the third quarter related to contingencies for unmatching measurement of traffic with other operators in previous years.

Argentina

TASA's earnings performance was impacted by the difficult economic situation of the country. Thus, EBITDA before management fees in local currency was 17.0% lower than for the comparable prior-year period (-11.1% in euros). This decrease mainly stems from lower long distance revenues as rates fell caused by increased competition, and from higher operating expenses. The

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Telefónica Latinoamérica Group

most significant changes in operating expenses are in reserves for bad debt (with the economic recession leading to a longer average collection period) and in higher sales-related expenses (as the implementation of multi-carrier dialing was delayed, with more resources used for pre-subscription of lines). In addition, supply costs rose with the increase in the sale of equipment and a new tax that was introduced effective January 2001 (Universal Service charge), accounting for 1% of revenues.

TASA posted net earnings of 254 million euros, representing a year-on-year decline of 25% (19.7% in euros). This is a result of the smaller in EBITDA and of higher financial results brought on by higher interest rates and higher non-recurring expenses due to lay-offs.

In terms of operating results, there was a 6% increase in local traffic per line due to the growth in Internet traffic, and an increase in the number of lines (+6%) driven by products designed to minimize the risk of bad debts (130% increase in the plant of consumption control capability, usage control and prepaid).

Chile

At the end of the third quarter, EBITDA increased 8% in local currency compared to the same period in the previous year (-7.8% in euros). There was a notable increase in long distance revenues, due to the positive performance in traffic, which offset lower revenues from the leasing of international circuits due to lower tariffs. Regarding the operating expenses, it is noteworthy that there was a reduction in personnel expenses as the restructuring plan resulted in a 25% decrease in the number of employees in September.

In August, Telefónica CTC Chile signed a new agreement with Publiguias, retroactively effective from July 2001 to June 2006 and providing terms more in line with the market. This has generated positive non-recurring revenues (18 million euros) from the early termination of the current agreement.

There was a 3.4% increase in the number of lines in service in relation to the same period last year. In addition, there was a significant drop in the percentage of unused capacity (-2.0 p.p. compared to 2000). The company has a significant leadership position in the domestic long-distance market, with a market share of 38.1% (+2.5 p.p. in relation to the year 2000), caused by

to the successful launching of semi-flat rates in September 2000 for domestic long distance, and in March 2001 for international long distance.

Perú

In the third quarter, Telefónica del Perú showed a slight decrease (0.5%) in the local currency EBITDA (+5% in euros), while gross operating revenues in local currency remained steady (+6.2% in euros). The most significant increases in revenues occurred in the installation charge, public telephones and interconnection, which offset the poor performance of long distance revenues as increased competition reduced the domestic and international long distance market share of the Company.

Since September the company started to implement the new price cap (CPI-6% annual), with rates adjusted on a quarterly basis. The productivity factor will have repercussions on the generation of revenues for the company over the next three years.

As part of the continuous review of the internal procedures and information systems, the company decided to conduct this year an in-depth analysis of its balance sheet. This in-depth analysis, aimed at applying accounting principles more consistent with the current environment, led to adjustments in the financial statements of the Company thus recognizing higher extraordinary expenses in the amount of 243 million new soles (77 million euros).

It should be noted that despite the aforementioned adjustments, which resulted in negative net income of 48 million new soles (15 million euros), the company has once again demonstrated this quarter its ability to generate cash flow. This, along with the low level of investment, allowed for a year-to-date reduction of financial debt of over 112 million euros. Telefónica del Perú has maintained a very competitive investment to revenue ratio, which hovers around 11%.

With regard to operations, the ADSL product was launched on August 8, joining the cable modem service already in the market. The ADSL product is one of the linchpins in the operator's plan for developing the broadband segment, which calls for expanding the range of Internet access products, with 5,065 lines in service covering ADSL and cable modem.

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Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP COMPANIES FINANCIAL DATA

Unaudited Figures	(Euros in Millions)		
	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
TELESP			
Operating revenues	3,273.1	3,130.8	4.5
EBITDA	1,701.6	1,706.7	(0.3)
EBITDA margin	52.0%	54.5%	(2.5 p.p.)
TELEFÓNICA DE ARGENTINA (1)			
Operating revenues	2,286.3	2,245.9	1.8
EBITDA	1,203.9	1,353.6	(11.1)
EBITDA margin	52.7%	60.3%	(7.6 p.p.)
TELEFÓNICA CTC CHILE			
Operating revenues	988.2	1,083.4	(8.8)
EBITDA	425.3	461.5	(7.8)
EBITDA margin	43.0%	42.6%	0.4 p.p.
TELEFÓNICA DEL PERÚ			
Operating revenues	1,009.5	951.0	6.2
EBITDA	510.2	485.8	5.0
EBITDA margin	50.5%	51.1%	(0.6 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-June 2001.

Fixed Line Business

Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP SELECTED OPERATING DATA

Unaudited Figures	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
LINES IN SERVICE (THOUSANDS)	21,610	18,439	17.2%
Telesp	12,612	9,799	28.7%
Telefónica de Argentina	4,521	4,259	6.2%
Telefónica CTC Chile	2,752	2,661	3.4%
Telefónica del Perú	1,725	1,720	0.3%
ADSL CONNECTIONS	170,968	16,447	939.5%
Telesp	142,271	16,447	765.0%
Telefónica de Argentina	15,200	-	-
Telefónica CTC Chile	8,432	-	-
Telefónica del Perú (1)	5,065	-	-
% ADSL COVERAGE			
Telesp	66%	-	-
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	48,455	44,329	9.3%
Telefónica de Argentina	28,053	25,559	9.8%
Telefónica CTC Chile	12,423	12,894	(3.65%)
Telefónica del Perú	6,347	6,827	(7.0%)
EMPLOYEES	28,456	31,626	(10.0%)
Telesp	12,270	13,775	(10.9%)
Telefónica de Argentina	8,800	9,079	(3.1%)
Telefónica CTC Chile	3,700	4,996	(25.9%)
Telefónica del Perú	3,686	3,776	(2.4%)
LINES/EMPLOYEES (3)	867	655	32.4%
Telesp	1,028	711	44.5%
Telefónica de Argentina	514	469	9.5%
Telefónica CTC Chile	744	533	39.7%
Telefónica del Perú	468	455	2.7%

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-June 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 and decreased 11% compared to January-September 2000
- (3) This ratio excludes Sonda employees in the case of Telefónica CTC Chile, Cable Mágico employees in the case of Telefónica del Perú and Assist employees in the case of Telesp. The number of employees in 2000 for Telesp doesn't include Data Brasil.

Fixed Line Business

Telefónica Latinoamérica Group

TELEFÓNICA LATINOAMÉRICA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited Figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	7,605.7	7,531.0	1.0	2,427.7	2,683.5	(9.5)
Internal expend cap. in fixed assets (1)	143.4	156.9	(8.6)	54.8	46.6	17.5
Operating expenses	(3,575.5)	(3,590.7)	(0.4)	(1,098.2)	(1,231.7)	(10.8)
Other operating income (expense) net	(317.2)	(149.8)	111.7	(107.7)	(66.6)	61.8
EBITDA	3,856.4	3,947.4	(2.3)	1,276.6	1,431.9	(10.8)
Depreciation and amortization	(1,943.2)	(1,897.3)	2.4	(648.0)	(641.1)	1.1
OPERATING PROFIT	1,913.2	2,050.1	(6.7)	628.6	790.8	(20.5)
Profit from associated companies	7.5	6.2	21.1	6.2	0.0	n.s.
Financial income (expense) net	(597.0)	(777.9)	(23.2)	(173.4)	(286.6)	(39.5)
Amortization of goodwill	(59.6)	(38.7)	53.9	(19.4)	(12.3)	58.2
Extraordinary income (expense) net	13.9	(101.0)	(113.7)	(78.2)	(34.2)	128.6
INCOME BEFORE TAXES	1,277.9	1,138.6	12.2	363.8	457.7	(20.5)
Income taxes	(319.6)	(341.5)	(6.4)	(118.5)	(203.7)	(41.8)
NET INCOME BEFORE MINORITY INTERESTS	958.3	797.1	20.2	245.3	254.0	(3.4)
Minority interests	(107.0)	(494.3)	(78.4)	(47.2)	(84.2)	(43.9)
NET INCOME	851.3	302.8	181.1	198.1	169.7	16.7

(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.

Cellular Business Telefónica Móviles Group

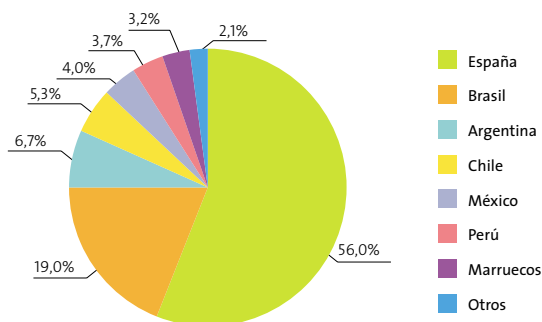
In the first nine months of 2001, Telefónica Móviles had combined pro-forma net earnings of 670.2 million euros, for a year-on-year increase of 37.6%. The growth recorded in the third quarter (+30% vs. 2Q01; +71% vs. 3Q00) shows that 2001 net earnings continue to rise at a faster rate along the first three quarters of 2001. In addition, the increase in net earnings was accompanied by a significant increase in cash flow, which totaled 1,072 million euros at the end of September.

The solid results obtained in this period are further noted for their quality, reflecting the efforts made to improve the profitability of the businesses despite the adverse impact of Latin American exchange rates on the income statement. In this respect, it should be noted that although the third quarter 2001 results included for the first time the Mexican companies acquired in the month of July (whose earnings for the July-September 2001 period were consolidated using the global integration method), the year-on-year growth rates of the main income statement items reflect the natural growth of operations, since the changes that occurred in the pro-forma consolidation perimeter over the last twelve months have not had a significant impact on those figures.

In terms of the operating and financial performance of Telefónica Móviles over the first nine months of 2001, it is worth highlighting the following:

- Steady growth of operating revenues, with a year-on-year increase of 12.7% and a 10.1% quarter-to-quarter (3Q01 versus 3Q00)

DISTRIBUTION OF MANAGED CUSTOMERS IN MOBILE TELEPHONY - SEPT 2001



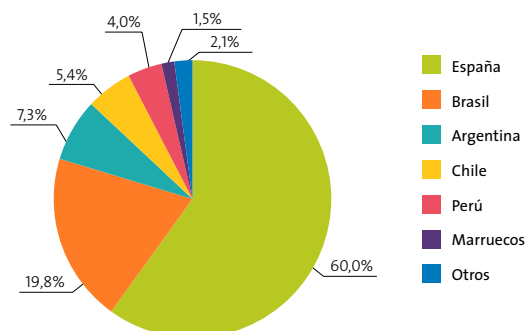
increase, despite the adverse effects of exchange rates. Excluding the effect of exchange rate fluctuations, consolidated year-on-year revenues would have grown by 15.3%. Excluding as well the effects of accounting for the rewards programs, the Group's year-on-year revenues would have grown by approximately 18%.

In terms of geographical areas, Spain accounted for 68% of the Group's revenues, with an 18% increase in sales compared to September 2000. The revenues of the Latin American operating companies, which were consolidated in euros using the global integration method, reflected an increase of 4% compared to September 2000. Excluding exchange rate fluctuations, the year-on-year increase in revenues would reach 12%.

Revenue performance stems from the increase in the customer base of the fully consolidated operators (+28%; +22% excluding the Mexican companies) and the higher traffic handled by such operators (+30.4%). Such growth rates were partly reduced by lower ARPUs (average -14% in euros), and by the aforementioned exchange rate effects.

The upward trend in net additions in both Spain and Latin America in the third quarter of 2001 should be noted. This illustrates the positive results of customer management policies implemented by the companies and the simultaneous decrease in the churn rate in all regions. Thus, at the end of September 2001 the operators in which Telefónica Móviles held an interest had 26.2 million active customers.

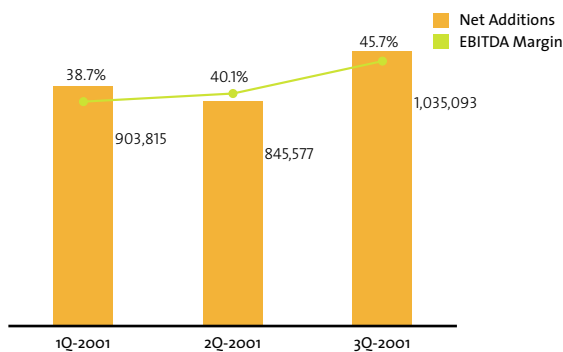
DISTRIBUTION OF MANAGED CUSTOMERS IN MOBILE TELEPHONY - SEPT 2000



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Including the customers of the operating companies in Chile and Puerto Rico, the customer base serviced by Telefónica Móviles at the end of September 2001 totaled 27.9 million active customers, an increase of 6.5 million over the last twelve months.

NET ADDITIONS AND EBITDA MARGIN TELEFÓNICA MÓVILES

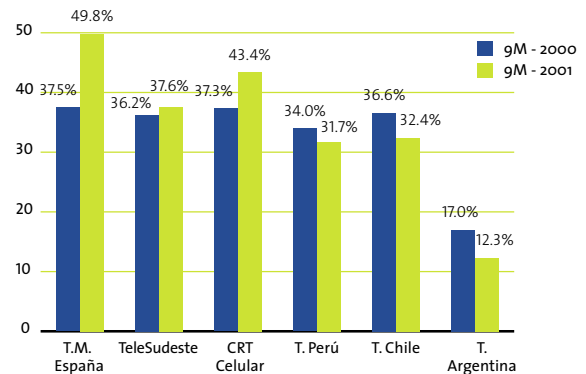


The results of serious cost control efforts are reflected in the performance of the operating expenses, that remained at September 2000 levels (+0.3%) and dropped 5.7% in the third quarter of 2001 compared to the same period of the previous year. Thus, operating expenses fell by more than 7 p.p. with respect to September 2000.

This performance is even more remarkable considering that the 2001 expenses include the cost of expanding operations in the four European countries, in addition to Spain, where Telefónica Móviles has obtained third-generation licenses.

- Improvement in all margins, reflects the Company's ongoing efforts to increase the profitability of its operations. Noteworthy is the performance of EBITDA, with a year on year increase of 35.5% (over 22 p.p. higher than the increase in operating revenues) and accounting for 41% of sales. This figure represents an increase of nearly 7 p.p. with respect to September 2000. In the third quarter of 2001, the EBITDA margin grew by more than 9 p.p. with respect to the similar prior-year period (43.8% vs. 34.3%), and 3.6 p.p. with respect to the previous quarter.

ACCUMULATED EBITDA MARGIN TELEFÓNICA MÓVILES



Telefónica Móviles España contributed with 755 million euros to the growth of the consolidated EBITDA, achieving an EBITDA margin of 49.8%. The combined EBITDA of the globally consolidated Latin American companies, in euros, fell 1.2% compared to September 2000, despite the adverse effect of exchange rates. Excluding such effect, the combined EBITDA of these operators would have increased 14%, while the Group's EBITDA would have grown 39%. Combined operations in the rest of Europe during the launching stage contributed a negative EBITDA of 58 million euros.

In addition, there was an improvement in the EBIT margin, which increased (as a percentage of operating revenues) by more than 5 p.p., reaching 25.7%, despite higher allowances for the depreciation of fixed assets. In absolute terms, the EBIT totaled 1,583.7 million euros, which represents a year-on-year increase of 40.8%.

- Year on year increase in net income of 37.6%, surpassing in the first nine months of 2001 the net earnings for the entire year 2000 (590.6 million euros).

With regard to non-operating results, the performance of net financial expenses (+7.6% compared to September 2000) can mainly be accounted for by fluctuations in Latin American exchange rates, partially offset by adjusting the debt structure to an environment of falling interest rates. The fact that most of the debt is tied to variable exchange rates resulted in a 36.5% decrease in net financial expenses in the third quarter of

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2001 in relation to the same period last year. It should be noted that the balance of the net consolidated financial debt (10.377 billion euros), fell slightly related to June 2001 despite the acquisition of the Mexican operators in the third quarter, which together contributed 211 million euros. The proportional net debt at the end of September totaled 6.9 billion euros, practically unchanged in relation to the second quarter.

The goodwill amortization increased by 39.5%, reflecting for the first time the goodwill accounting entry resulting from the global consolidation of the four Northern Mexican operators.

The higher non-recurring negative results stem primarily from special reserves created in the first quarter of the year, and the writedown of assets of certain Latin American subsidiaries in the third quarter.

Capitalized expenses for the period January-September 2001 are including the spectrum fee related to the frequencies allocated to Telefónica Móviles España for the provision of services under UMTS technology, being 122 Million Euros the amount due for the first nine months of the year. In addition, a range of operating and financial costs linked to the commercial launch of services in Germany, Italy, Austria and Switzerland, have also been capitalized. On aggregate, these costs amounted to 319 Million Euros, from which the share of Telefónica Móviles was 148 Million Euros.

PERFORMANCE OF BUSINESSES BY GEOGRAPHIC AREA

EUROPE AND THE MEDITERRANEAN BASIN

Spain

Telefónica Móviles España ended September with slightly more than 15.6 million active customers (17 million registered customers), presenting a year-on-year growth rate of 22%. Of these, 10.5 million are prepaid and 5.1 million are contract customers. Mobile telephony penetration is at 68.7% in Spain, representing 40.5 million residents.

Net adds for the third quarter, 767,238 active customers, represents a 26.4% increase over the prior quarter as a result

of the seasonal nature of the business, associated with the vacation period. Nonetheless, a certain degree of renewed market activity has been detected since the last quarter, now that the initial impact of subsidy elimination in prepaid has been absorbed. Despite the seasonal nature of the summer period, the increase in net gain in Spain compares favorably to the performance of the major European operators in the same period. This same seasonal component has a positive effect on traffic and on financial performance, since traditionally the summer months see the heaviest use of mobile phone services, additionally affected by the increase in the number of roamers on our network.

Once again, as in the previous quarter, it is important to emphasize the effect that the change in cycle is causing to the business. After the significant growth of recent years, the current challenge to all operators lies on successfully managing the customer base and continuously increasing customer satisfaction. Both aspects act as ways of keeping the level of customer confidence in the company and encouraging use without relinquishing the significant potential for profitable growth that still exists.

In this context, the quarter-to-quarter results show that Telefónica Móviles España is appropriately managing such change in the environment. Our customer churn levels, on a year-on-year basis, were 12.6% during the third quarter. This is one of the best records in the industry despite the use of strict criteria to account for disconnections. It is also important to point out two aspects of this indicator: (i) there are no significant differences in the degree of our customers' loyalty regardless the method of payment chosen, due to the excellent performance of our prepaid customer base, even taking into account the improvements in postpaid churn in recent months, and (ii) the economic impact of disconnections (economic churn) is still lower than the usual ratio measured in client terms, because the average quality of the disconnected customers is notably lower than the average quality of the Telefónica Móviles España customer base.

To achieve these levels, the company has focused on improving satisfaction and quality of service by various means, notably the Points or Rewards Programs. The company does not expect the impact of these Programs, in relative terms, to increase significantly in the future, being a variable cost dependent on the value of each customer and much

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more efficient and controllable than the usual subscriber acquisition costs prevalent in the industry.

In this respect, Telefónica Móviles España has considerably reduced its unitary subscriber acquisition costs (SAC) in order to ensure a profitable and sustainable model without renouncing to growth in any way. This indicator has dropped almost 40% in comparison to the previous year.

A more stable customer base, combined with the increase in the use of new services and applications, is reversing the downward trend in minutes of use (MOU). This is becoming noticeable in the comparisons between quarters: From the levels noted at the end of the previous fiscal year, which were affected by the high percentages of relative growth of the customer base, we are seeing increases of five minutes per user per month in the MOU as compared to the fourth quarter of last year. Overall, the number of air minutes reached 19,455 million, about 30% more than in the first nine months of the year 2000.

The traditional measurement of use based on traffic must be supplemented with the new opportunities for communication arising from the data business, the best indicator of which is the short message service or SMS, now used regularly by 6 out of every 10 customers. The number of billable SMS per month for the average TME customer is 26.7 messages, and the total number of messages per customer – comparable to the figures reported by the other operators (which include non-billable messages associated with certain services, such as chat services) is 32.7, representing an increase of 115% over the previous year. During the first nine months of the year, total billable SMS were 4,351 million, 192% more than in the first nine months of 2000, which means that out of every 100 times our customers use their mobile phones for any type of communication, they use short messaging some 40 times.

This trend can be extrapolated to the Wireless Internet Service Provider (WISP) “e-moción,” whose registered customers exceeded a million and a half last August, up from 225,000 at the start of the year, thanks to the most varied and complete offering in the Wireless Application Protocol (WAP) services market (180 content providers at the end of September). The service has logged more than 165 million page views during the current fiscal year, with the first Premium services being offered last June. These involve a payment to content providers in

addition to the payment for traffic. The applications that provide higher added value to customers will be segmented.

Total data services revenues represented slightly more than 13% of total customers revenues during the quarter, while twelve months ago this percentage was just 8%.

As a consequence of all these factors, and in view of the seasonal nature of the business, we can say that there are signs of recovery in ARPU (Average Revenues per User). For the first time in the recent history of the company, ARPU has grown (approximately 3%) as compared to the prior quarter. Over a longer time span, the reduction in ARPU, as compared with the third quarter of 2000, is 8%, when just twelve months ago the reductions were approximately 23%.

A general improvement in the main management indicators, along with strict cost control, have resulted in a general improvement in earnings, the best indicator of which is operating margins, which make Telefónica Móviles España one of the most efficient and productive European operators:

- Operating revenues in the first nine months of 2001 reached 4,217.3 million euros, equivalent to a 17.6% increase over the same period last year. Third quarter revenues (1,546.3 million euros) exceeded second quarter revenues by approximately 13%. It is important to recall that the amounts accrued by customers as “points” in the reward programs are posted as lower revenues. Thus, excluding the effects of that accounting procedure, revenues would have grown by 21%.
- Operating expenses, which do not include UMTS fees, came to 2,186.2 million euros, which is lower than the operating expenses for the same period last year (2,279.8 million euros). This highlights the company’s strong cost control efforts, along with the decrease in the rate of market growth throughout the fiscal year.

EBITDA was 2,098.9 million euros, some 56.2% higher than in the first nine months of 2000, with a growth rate much higher than that of revenues or the customer base because of the higher operating efficiency and the significant reduction in subscriber acquisition costs. This is reflected in third quarter EBITDA growth of 29.1% compared to second quarter, which

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compares with the previously-cited 12.8% for revenues. The EBITDA margin for the fiscal year to date is 49.8%, as compared to 55.2% for the third quarter of 2001.

Rest of Europe

In recent months, Telefónica Móviles and Sonera have continued to make progress in revising the Group 3G business plan in order to improve the company's financial projections. In this context, Group 3G signed an agreement with E-Plus to share UMTS infrastructures. This provides for the sharing of locations and third generation radio network equipment, and for geographic distribution of the network to areas with lower population density, with significant savings in terms of the initially anticipated investment and operating expenses. Furthermore, Group 3G is in talks with other German operators. These talks may result in their inclusion in the agreements, which would pave the way for an additional reduction in investments and operating expenses associated with network deployment, and would also reduce the company's financing needs.

In view of these factors, which involve a significant reduction in initially estimated investment and operating losses, Telefónica Móviles and Sonera have agreed that the loans provided by shareholders to finance the acquisition of the license are to be deemed equivalent to capital and become permanent Company funds, thus reinforcing Group 3G's capital structure.

In early October, Group 3G presented the brand under which it will provide services in Germany: Quam. With respect to the distribution network, the company plans to open several stores of its own before the end of the year, and has already finalized agreements with various distributors who will provide more than 1500 points of sale when the services are launched. Once the GSM/GPRS services are launched, in the coming weeks, most of the expenses that until now were capitalized as start-up expenses will be considered current expenses.

In Italy, IPSE 2000 signed, in August, a preliminary nationwide roaming agreement with Omnitel for GSM/GPRS services, supplementing the interconnection agreement reached with Telecom Italia in June. Talks are ongoing with other operators to study the possibility of sharing UMTS network infrastructures.

In Austria and Switzerland, where interconnection agreements have been signed with other operators, Telefónica

Móviles will limit its investment until the roaming and infrastructure sharing agreements with other operators, currently being negotiated in both countries, are concluded.

Telefónica Móviles will continue to manage operations in Austria and Switzerland to achieve improvements over these companies' initial business plans, significantly reducing the commitment of resources and maintaining the flexibility needed to face potential changes in the regulatory and competitive fronts. The objective is to improve the options in connection with the positions taken in these countries.

Morocco

At the end of September 2001, Médi Telecom had a client base of 892,146 active customers, for a year-on-year increase of more than 170%. With cumulative net adds for the fiscal year of more than 377,000 new customers, the Company has exceeded, in the first nine months, the customer base anticipated for the entire year 2001.

With respect to Medi Telecom's economic performance, the trend toward positive EBITDA has continued over the last three months. For the first time since it began operations, it has achieved a positive quarterly EBITDA, thus making progress toward the objective of closing out fiscal year 2001 – its second year of operation – having reached the break-even point.

LATIN AMERICA

At the end of the third quarter of 2001, the customer base managed by Telefónica Móviles in the region totaled 11.4 million customers, a year-on-year increase of 38%. In quarterly terms, the total customer base, not including operators in Chile and Puerto Rico, has grown by approximately 345,000 compared to the second quarter, in spite of the region's macroeconomic situation.

The strategy followed by the companies under management is focused on improving profitability, with special emphasis on investment and cost containment, and on selective expansion of customer bases while reducing the churn rate. This has made it possible to increase EBITDA in local-currency for all operators, except in Argentina, in comparison with the same period last year, both in absolute terms and with respect to margins.

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Brazil

At the end of September 2001, the combined customer base of TeleSudeste Celular, Celular CRT and TeleLeste Celular—operators managed by Telefónica Móviles in Brazil—totaled 5.3 million customers, with a year-on-year increase of 26% and net adds of approximately 1.1 million new customers within the last twelve months. During the third quarter, the three operating companies added 247,000 new customers, entailing a 28% increase as compared to the second quarter of 2001, due essentially to the promotional campaigns normally undertaken in the third quarter.

In the third quarter, the operating companies launched the “Mundo de Vantagens MoviStar Top” rewards program, based on accumulating points for usage that can be exchanged for handsets and accessories. In this regard, the companies recorded an improvement in the churn rate within the contract segment, which on average fell 0.7 p.p. during the first nine months of the year. This new model is reflected in the fact that the three operating companies have maintained their leadership in their respective markets, with an average market share similar to that of June 2001 (65%), despite heavy competition.

With respect to financial performance, it is important to note the excellent results recorded in local currency by the companies consolidated by the global integration method—TeleSudeste Celular and Celular CRT. Thus, operating revenues of these companies showed increases of 13.5% and 8.6%, respectively, collectively rising by 11.9% compared to the first nine months of 2000. This growth is due to the increased number of customers, partially offset by lower ARPUs (-11% on the average, in local currency). However, it should be noted that average ARPU levels were maintained during the third quarter of the year compare to the previous quarter, driven by an increased focus on contract customers. Thus, the contract ARPU and MOU of both companies showed a growth trend during the last months, despite the country's economic slowdown.

The combined EBITDA of the two operators shows year-on-year growth in reais of 20.7%, or 8.8 p.p. higher than the growth in revenues. This places the EBITDA margin at 39.5%, with a year-on-year increase of 2.9 p.p., despite the negative effect of the real depreciation on unitary subscriber acquisition costs, partially offset by the operators' cost containment efforts. Excluding acquisition costs, the operating companies

EBITDA margin is around 50%. In quarterly terms, the EBITDA of both companies was 34.4%, slightly below the percentage reached in the second quarter. This figure reflects higher additions in the third quarter of the year and increased SAC due to the depreciation of the real, which intensified during the last quarter.

In line with cost reduction policies, investment by company decreased as compared to September 2000.

On the other hand, intensive work continues to be conducted with Portugal Telecom, aimed at obtaining the greatest amount of synergies between the Brazilian operating companies before the announced joint venture can be legally established.

Mexico

The effective transfer of the northern Mexico operators (Bajacel, Movitel, Norcel and Cedetel) to Telefónica Móviles was implemented in July, making it possible to bring these operators under full management.

As of September 2001, the total active customer base of Telefónica Móviles México, which represents the four Mexican operators, totaled 1,103,314 active customers, with the contract segment having reached 19% of the total active customer base. Net adds continue to show a positive trend when compared to previous quarters in all market segments, increasing by 53% in the third quarter with respect to the second quarter of the year. The contract segment represents 44% of cumulative net additions.

From a commercial perspective, it is important to highlight the increase in the estimated market share of new adds between June and September, particularly in the contract segment. Telefónica Móviles México's increased share in market growth is essentially due to a deepening and development of current distribution channels and improvements in the commercial offering. It is likewise noteworthy that the acquisition of more valuable customers and the reconsidering of customer base accounting criteria have made it possible to attain an ARPU in the third quarter exceeding that of the same period in 2000.

Furthermore, business initiatives aimed at retaining customers have been reflected in a significant 38% decrease in dis-

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connections in September as compared to March, when management of the northern Mexico operators began, positively impacting churn rate figures. This performance is especially relevant in a market in which other operators are assumed to be using far less strict accounting criteria for quantifying their customer bases, with inactive rates that may reach 25%. These different criteria are reflected when comparing prepaid ARPUs published by the two market leaders in Mexico, with the Telefónica Móviles México ARPUs being higher by 22% and 39%, respectively.

With regard to developing the commercial offering, the initial launching of the “producto ahorro”, aimed at increasing ARPU and improving customer retention, is already showing positive results. This product, which is unique in the Mexican market, makes it possible to be differentiated from the other competitors. Furthermore, in recent months, the range of handsets being commercially offered to clients has been appreciably completed for both prepaid and contract customers.

During the third quarter, the following steps were taken in preparation for the launching of the Movistar brand, under which the four operators' services will be marketed: positioning was defined, the new offering of products and services was designed, the points of sale in both direct and indirect channels were adapted, advertising elements were created, etc. The launching of the brand, which occurred in late October, will improve the positioning of operating companies in Northern Mexico and will be a key milestone in the commercial development of operations.

The financial results of Telefónica Móviles México are consolidated for the first time in the Group's financial statements using the global integration method. Operating revenues, according to Mexican accounting principles, grew by 4% in pesos compared to the previous quarter, due to a higher customer base. Pursuant to Mexican accounting principles, local-currency EBITDA posted a 33% increase compared to the previous quarter, reaching 11% of operating revenues. This performance is primarily the result of a focus on improving returns, paying particularly attention to the streamlining of costs. With this objective, various actions have been taken in recent months to optimize the cost structure, including headcount reduction (by 1,515 since the beginning of the fiscal year); out-

sourcing activities, such as call center services, thus changing fixed costs to variable costs; or implementing the Advanced Purchasing System, which make significant savings possible. Moreover, customers can now pay their bills over the Internet, which should help maintain the currently low level of customer bad debts.

Argentina

In 2001, the cellular market in Argentina was affected by the country's macroeconomic situation. The result was a slowdown in total market growth, with total market remaining practically unchanged at the end of the last fiscal quarter (ending September) with respect to June 2001 figure. Within this context, the growth in TCP's customer base during the last twelve months has reflected the one of the Argentine market. Having reached 1.87 million active customers at the end of September 2001 (+19.5% compared to September 2000), TCP maintained its position as the second largest operator in the market.

Between July and September 2001, the customer base increased by 9,275 customers, in line with previous quarter net adds. This was due to the implementation of a new commercial strategy adapted to the operating environment, involving a very selective policy for acquiring new subscribers and a greater emphasis on managing the company's customer base. Thus, the number of disconnected customers in the last quarter decreased by 10% compared to the second quarter. Also noteworthy is the August 2001 launch of the “Primer Programa de Recompensas” rewards program for the contract segment (Unifón Top). This program allows customers to accumulate points based on their bill amounts, which they can exchange for last generation handsets.

The growth in the customer base is driven by the prepaid segment which, at the end of September, accounted for 65% of the total customer base compared to 60% twelve months earlier, thus reducing the risk of bad debt.

In recent months, TCP has maintained a strict cost control policy initiated at the beginning of the year, significantly reducing subscriber acquisition costs, encouraging the decrease and/or elimination of handsets subsidies throughout the fiscal year, and reducing traffic promotions and distributor commissions. In addition, from the beginning of the year until the end

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of September, headcount has been reduced by 30% and the number of connections per employee has increased 48% from the prior year. Furthermore, advertising efforts have been substantially scaled back while network costs and other general expenses have been tightly restricted, thereby drastically slowing the expansion of coverage. In line with these policies, the company has adapted investment to the level of demand, resulting in a 65% decrease in investment during the fiscal year compared to 2000.

Within this context, TCP's operating revenues in local currency during the first nine months of the 2001 fiscal year (October 2000/June 2001) posted a 4.8% decrease compared to the previous year. This performance is primarily due to decreased revenues from the sale of handsets reflecting lower demand than the previous fiscal year, and to decreased ARPU during the last twelve months, offsetting the increase in the customer base.

During the third quarter, TCP continued to improve its EBITDA margin compared to previous months, reflecting the company's ability to react to changes in the economic environment. In particular, it is worth mentioning that operating expenses in local currency fell by 16% for the October 2000-June 2001 period. Compared to the same quarter last year, operating expenses decreased more than 32%, showing the company's commitment towards improving the profitability of operations within the current Argentine market scenario. Thus, in the third quarter of the 2001 fiscal year (ended in June), the EBITDA margin reached 17.3%, having improved by 8.3 p.p. with respect to the comparable prior-year quarter and by 6.8 p.p. with respect to the previous quarter.

In the coming months, the company will continue to implement measures aimed at mitigating the impact of the country's current situation, moving ahead in the personnel adjustment process initiated several months ago.

Peru

At the end of September 2001, Telefónica Móviles Perú surpassed the one-million active customer mark (1,028,262), posting year-on-year growth of 21%. In the third quarter of the year, net adds exceeded 55,000 new customers, a 7% higher than the previous quarter and a 34% higher than the same period last

year. This enabled the Company to maintain its leading position in terms of market share of net adds for the second consecutive quarter since a new competitor entered the market early in the year.

It is important to consider the growth in customer base within the contract segment during the third quarter, as this reflects the positive results being obtained in customer management and the introduction of more competitive tariffs. These steps have made it possible to reduce contract churn by 34% during the first nine months of the year compared to the similar period in 2000.

During the first three quarters of 2001, Telefónica Móviles Perú posted an 8% increase in revenues compared to the same period last year. This increase was due to the growth in the customer base and higher revenues from interconnection, partially offset by lower ARPUs resulting from a larger number of prepaid customers (80% versus 75% in September 2000), from the country's macroeconomic situation, and from greater market competition. However, it is important to note the slowdown in ARPU reductions compared to previous quarters.

During the third quarter of 2001 the EBITDA margin improved significantly, by 2.6 p.p. with respect to the comparable prior-year quarter, for a cumulative margin of 32%. In absolute terms, EBITDA showed a slight improvement with respect to September 2000, despite the increase in resources allocated for customer retention activities.

Chile

At the end of the third quarter of 2001, Telefónica Móvil, an subsidiary of Telefónica CTC Chile managed by Telefónica Móviles, had a base of 1.48 million active customers, with year-on-year growth of 28%. The third quarter of the fiscal year has witnessed a slowdown in the cellular market growth rate in Chile. During this period, the Telefónica Móvil customer base increased by 5%. Net adds growth was higher in the contract segment (+70% compared to 2Q01), as a result of a focus on acquiring more valuable subscribers within this and the corporate segments.

Financial performance was highly positive, with significant increases in all margins. The EBITDA margin rose to 38% in the

third quarter, compared to 8% in the third quarter 2000 and 24% in the second quarter of 2001.

Guatemala and El Salvador

At the end of September 2001, the Telefónica Móviles operators in Guatemala and El Salvador had a combined client base of 395,012 active customers, showing a 20% increase compared to September 2000, and keeping practically unchanged previous quarter figures. This is due to a policy of selectively expanding the customer base within a climate of moderate market growth resulting from structural economic factors and the impact of the natural disasters that affected El Salvador early in the year.

Gross operating revenues generated by the two Telefónica Móviles affiliates in this region have remained practically unchanged in euros as compared to September 2000. This is primarily the result of increased mobile telephony revenues being partially offset by diminished sales in other telecommunications activities carried out by the operators.

Combined EBITDA improved, yielding positive figures in both companies during the third quarter as well as in cumula-

tive terms since the beginning of the year. For the January-September 2001 period, the EBITDA margin rose to 11%, having reached 33.4% in the quarter ended September 2001.

HORIZONTAL BUSINESSES

Terra Mobile ended September with over 5.5 million registered users, posting an increase of over 2.5 million registered users since December 2000. By country, the United Kingdom accounts for 38% of total users while Germany, which already has approximately 1.5 million registered users, accounts for 27% of the total. Sweden and Finland combined account for 21%. It is important to note the significant growth recorded in Spain, where Terra Mobile had nearly 800,000 registered users at the end of September, having grown nearly 60% since last June.

As for Mobipay, Mobipay España was established at the end of July. Each mobile telephone operator in Spain holds a 40% equity interest in this company, while 80% of Spanish financial institutions collectively hold 40%, and the country's large payment processors (Sermepa, Sistema 4B and Euro 6000) hold 12% each. This company started the test phase of operations in September and plans to begin commercial service in December this year.

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TELEFÓNICA MÓVILES GROUP COMPANIES FINANCIAL DATA

Unaudited figures	(Euros in Millions)		
	JUNE		% CHG.
	2001	2000	
TELEFÓNICA MÓVILES ESPAÑA			
Operating revenues	4,217.3	3,586.9	17.6
EBITDA	2,098.9	1,343.5	56.2
EBITDA margin	49.8%	37.5%	12.3 p.p.
BRAZILIAN COMPANIES (1)			
Operating revenues	911.0	982.6	(7.3)
EBITDA	359.4	359.2	0.1
EBITDA margin	39.5%	36.6%	2.9 p.p.
TELEFÓNICA MÓVILES MÉXICO			
Ingresos por operaciones	124.0	n.s.	n.s.
EBITDA	14.1	n.s.	n.s.
Margen EBITDA	11.3%	n.s.	n.s.
TCP ARGENTINA (2)			
Operating revenues	562.9	561.8	0.2
EBITDA	69.1	95.5	(27.7)
EBITDA margin	12.3%	17.0%	(4.7 p.p.)
TELEFÓNICA MÓVILES PERÚ			
Operating revenues	211.7	185.9	13.9
EBITDA	67.2	63.3	6.2
EBITDA margin	31.7%	34.0%	(2.3 p.p.)
T. MÓVILES GUATEMALA Y EL SALVADOR			
Operating revenues	141.7	141.3	0.3
EBITDA	15.6	13.8	13.2
EBITDA margin	11.0%	9.7%	1.2 p.p.

Cellular Business

Telefónica Móviles Group

TELEFÓNICA MÓVILES GROUP SELECTED OPERATING DATA

Unaudited figures	(Thousands)		
	CELLULAR CUSTOMERS		
	SEPTEMBER - 2001	% CHG 01/00	WEIGHTED % PARTIC. (1)
T Móviles España	15,621	22.0%	14,552
Celular CRT	1,661	29.5%	591
TeleSudeste Celular	2,862	23.5%	2,187
TeleLeste Celular	775	25.1%	77
TCP Argentina	1,869	19.5%	1,705
T Móviles Perú	1,028	20.8%	930
TEM Guatemala	239	13.6%	74
TEM El Salvador	156	29.9%	99
NewCom Wireless Puerto Rico (2)	186	65.4%	-
Telefónica Móviles México	1,103	n.s.	1,028
Medi Telecom	892	171.4%	254
Telefónica Móvil Chile (3)	1,481	28.3%	646
TOTAL MANAGED	27,873	30.5%	22,142

(1) Number of lines weighted for the Telefónica Group's stake in each company.

(2) Managed by TEM

(3) Managed by TEM and part-owned by the Telefónica Group.

TELEFÓNICA MÓVILES ESPAÑA SELECTED OPERATING DATA

Unaudited figures	(Thousands)		
	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
Cellular subscribers	15,621	12,801	22.0
Contract	5,098	4,501	13.3
Prepaid	10,523	8,301	26.8
Subscribers net adds in year to date (a)	1,952	3,750	(47.9)
Contract	331	954	(65.3)
Prepaid	1,621	2,796	(42.0)
TME Penetration (b)	38.6%	32.0%	6.6 p.p.
Total airtime minutes, in millions (a)	19,455	15,134	28.6
Employees	4,140	3,854	7.4

(a) January-September accumulated data.

(b) Telefónica Móviles España cellular lines / 100 inhabitants.

Cellular Business

Telefónica Móviles Group

TELEFÓNICA MÓVILES GROUP: PARTICIPATED COMPANIES SELECTED OPERATING DATA

Unaudited figures	(Thousands)		
	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
Europe and Mediterranean area customers	16,513	13,130	25.8
Contract	5,153	4,523	13.9
Prepaid	11,359	8,607	32.0
Latin America customers (1)	9,694	6,995	39.2
Contract	3,232	2,908	11.1
Prepaid	6,462	4,057	59.3
TOTAL MINUTES	23,960	18,477	29.7

(1) Includes only Telefónica Móviles participations.

TELEFÓNICA MÓVILES GROUP COMBINED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	6,168.5	5,475.3	12.7	2,234.6	2,029.9	10.1
Internal expend cap. in fixed assets (1)	83.6	47.4	76.5	28.2	18.5	52.1
Operating expenses	(3,605.2)	(3,538.1)	1.9	(1,261.0)	(1,313.5)	(4.0)
Other operating income (expense) net	(117.6)	(117.5)	0.1	(24.0)	(39.4)	(38.9)
EBITDA	2,529.3	1,867.1	35.5	977.7	695.6	40.6
Depreciation and amortization	(945.5)	(742.4)	27.4	(317.4)	(261.4)	21.4
OPERATING PROFIT	1,583.7	1,124.8	40.8	660.3	434.1	52.1
Profit from associated companies	(96.0)	(68.0)	41.1	(25.2)	(35.2)	(28.3)
Financial income (expense) net	(236.5)	(219.9)	7.6	(51.4)	(81.0)	(36.5)
Amortization of goodwill	(30.4)	(21.8)	39.5	(14.3)	(7.9)	80.5
Extraordinary income (expense) net	(77.9)	(8.6)	n.s.	(50.4)	(1.7)	n.s.
INCOME BEFORE TAXES	1,142.9	806.3	41.7	519.0	308.3	68.3
Income taxes	(495.4)	(289.0)	71.4	(232.6)	(138.0)	68.5
NET INCOME BEFORE MINORITY INTERESTS	647.5	517.3	25.2	286.4	170.3	68.2
Minority interests	22.7	(30.1)	c.s.	5.0	(0.2)	c.s.
NET INCOME	670.2	487.2	37.6	291.4	170.1	71.2

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. Telefónica Móviles México is only consolidated in the third quarter of 2001

(1) Including works in process

Data Business

Telefónica Data Group

Telefónica Data Group revenues during the first nine months of 2001 totaled 1,365.4 million euros, a 66% increase year over year.

EBITDA rose to 32.8 million euros during the same period, representing 2.4% of revenues. This performance reflects the efforts made to expand the Group geographically as well as introduce new services.

Analysis of Telefónica Data Group results for the first nine months of 2001 is affected by the addition of acquisitions and start ups, namely Mediaways, Atlanet and Optel, to the Group's consolidation perimeter in early 2001. Excluding this effect, Telefónica Data Group's revenues would have increased by 14.2% and its EBITDA would have reached 58.3 million euros, a 31.5% decrease over January-September 2000 figure.

The Telefónica Data Group has a portfolio of businesses located in various markets, at different stages of development and with different competitive positions. Thus, in terms of the geographic regions in which the Group operates and its respective market shares, operations in the countries in which the Group maintains a presence can be grouped into four categories, two in Europe and two in the Americas:



This broad coverage and geographical presence, combined with international network service agreements, allow Telefónica Data to serve its customers at both domestic level as well as regional and international level. As a result, 203 multinational customers have been identified which receive with one stop shopping, global coverage through a GAM (Global Account Manager) network.

As a result of the decision to expand into new markets, 55% of revenues originate in operations conducted outside Spain

and approximately 35% originate in countries in which Telefónica Data acts as a new entrant. In these countries, EBITDA is still negative due to the recent date of entry into the market and the small degree of penetration achieved to date.

INCUMBENT MARKETS

In the markets in which Telefónica Data operates as a leader, revenue growth stems primarily from developing loyalty among existing customers, serving multinational customers, introducing new services making it possible to move up in the value chain and providing one-stop shopping international services. Currently, more than 3,000 corporate customers are served by the company's own sales force and more than 9,000 business customers are served by the indirect sales force of the Telefónica Group fixed-telephony operator.

In Spain, the increase in revenues has been based on migrating traditional data services to more advanced solutions, and on launching new hosting and other services aimed at the ASPs (Application Service Providers), which this year have reached 16 million euros, representing a more than 170% increase compared to the same period last year.

With respect to America, it is worth mentioning Brazil, a country for which Telefónica Data has great expectations for its future performance. Thus, during the first nine months of the fiscal year, sales increased by 33.6% year over year. New business ventures include participating in a consortium that has been awarded a contract for providing network, voice and multimedia services to Empresa de Correos y Telégrafos (ECT).

The EBITDA margin achieved in these countries ranges from 19% for Telefónica Data España to 4% for Telefónica Data Argentina. In the case of Brazil, the EBITDA margin of -3% is still the result of network expansion efforts and of a relatively small market share due to Brazilian regulatory constraints to be satisfied before services may be offered outside the State of Sao Paulo. These constraints would probably be overcome in year 2002, once satisfy Anatel targets.

EXPANDING MARKETS

In the markets in which Telefónica Data has entered most recently, revenue growth results from aggressive customer acquisition by introducing the most advanced Internet and data

Data Business

Telefónica Data Group

services technologies and by providing hosting services. Consequently, during this fiscal year, significant investment has been made in deploying IP networks and Data Centers.

In its strategy of expanding into new markets, considered to be the base of future revenue growth, Telefónica Data has the full support and commitment of the Telefónica Group.

Among European operations during the first nine months of 2001, the most significant contribution is from mediaWays, with 335.7 million euros in revenues. The main revenue contribution comes from mediaWays, related to Internet services provided to corporate customers, notably America Online (AOL) in Germany and, in the United Kingdom since June 2001. Throughout this year, mediaWays has consolidated its position in the German market as the second-largest IP network, with a 30% market share in Internet services.

Revenues in the Americas, in those countries in which Telefónica Data operates as a new entrant, have risen to 26.7 million euros during the first nine months of 2001, representing a 39% increase year over year. Mexico and the US have shown the most relevant annual revenue increases.

The EBITDA margin is still negative, the result of an intense capex and cost related program that is initially generated,

by among other things, customer acquisition, network expansion, the launching of services, the establishment of brand awareness, etc. In Germany and Colombia, where the companies have been in operation for more than four years, EBITDA margins are clearly positive.

Services provided by the TData Internet Centres stand out among new services aimed at adding new customers and gaining the loyalty of existing customers. In September 2001, the Miami center ("KeyCenter") was officially opened. It will be used primarily for serving large companies and New Economy Players. This innovative KeyCenter is directly connected by optical fiber to the other nine Telefónica Data TData Centers in Latin America and Europe, offering exceptional opportunities for conducting business within these regions. With an initial investment of 35 million dollars, the KeyCenter provides one of the fastest and most reliable Internet connections in the market.

In summary, the financial performance of the Telefónica Data business portfolio during the first nine months of the 2001 fiscal year is consistent with the degree of maturity and scale achieved in the various markets in which it operates, as well as with the development phase of new value-added services.

Data Business

Telefónica Data Group

TELEFÓNICA DATA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	1,365.4	821.7	66.2	442.8	296.3	49.5
Internal expend cap. in fixed assets (1)	8.9	6.0	47.7	(1.4)	(4.9)	(71.8)
Operating expenses	(1,337.5)	(747.2)	79.0	(428.3)	(268.2)	59.7
Other operating income (expense) net	(4.0)	(6.1)	(34.0)	(2.5)	(2.6)	(2.3)
EBITDA	32.8	74.4	(55.9)	10.6	20.5	(48.1)
Depreciation and amortization	(134.9)	(71.3)	89.3	(49.5)	(31.4)	57.9
OPERATING PROFIT	(102.1)	3.2	c.s.	(38.9)	(10.8)	259.1
Profit from associated companies	0.6	1.1	(45.2)	1.4	3.8	(61.7)
Financial income (expense) net	(36.3)	(2.5)	n.s.	(12.8)	0.3	c.s.
Amortization of goodwill	(63.4)	(3.9)	n.s.	(22.7)	(1.1)	n.s.
Extraordinary income (expense) net	(0.7)	4.2	(116.7)	(0.1)	(2.0)	(97.3)
INCOME BEFORE TAXES	(201.9)	2.1	c.s.	(73.1)	(9.9)	634.4
Income taxes	10.6	(10.3)	c.s.	13.8	(4.7)	(392.2)
NET INCOME BEFORE MINORITY INTERESTS	(191.3)	(8.2)	n.s.	(59.3)	(14.7)	304.7
Minority interests	44.3	7.0	531.4	16.4	8.3	97.2
NET INCOME	(146.9)	(1.2)	n.s.	(42.9)	(6.3)	578.1

(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

Admira Media Group

The Admira Media Group was formerly known as the Telefónica Media Group. The new name was created to facilitate the consolidation of a group culture and identity. Acting as a link between the different Group media companies and promoting synergies among them and Telefónica, Admira is positioning itself as market leader in creating, bundling and distributing content for traditional and multiplatform media.

During the first three quarters of the fiscal year, the Admira Media Group obtained consolidated revenues of 1,005.8 million euros, tripling the Group's revenue figure for the same period 2000. This performance has permitted to read a cumulative EBITDA of 82.2 million euros, compared to a negative EBITDA of 23.8 million euros during the period January-September 2000. The third quarter has witnessed a confirmation of the trend toward positive EBITDA begun in the final quarter of 2000, with EBITDA of 13.0 million euros compared to a loss of 14.1 million euros 3Q00. This performance is significant considering the seasonal nature of the media business during the summer, especially in August, when advertising activity is practically nonexistent and adversely affects television productions, which are a substantial portion of Admira's consolidated business revenues. Moreover, it is also significant that this performance was achieved in a difficult environment a result of both the negative economic situation in Latin America and the crisis in the Spanish advertising market.

These results make possible to more forward in the anticipation of self-financing Group operations.

The Group's operating results amounted to 24.1 million euros, compared to a loss of 55.5 million euros in the first nine months of 2000.

Analysis of the Admira Media Group's results for the first three quarters is affected by the Group's dramatic increase in size during the 2000 fiscal year, which significantly altered its consolidation perimeter. The most noteworthy components are the addition of ATCO, with the equity interest in this company growing over the course of the fiscal year from 26.8% to 100% and being effectively consolidated by the global integration method since as of May 2000 (thus incorporating operations for the last two months), and the addition of Endemol, which was consolidated by the global integration method since August 2000. However, if we focus solely on the July-September period, the only differences from an accounting perspective are

Endemol's activities in July 2000 and the minorities (26.8% in ATCO's results).

Integrating the aforementioned companies has significantly changed the revenue and consolidated EBITDA profile of the Admira Group, from the perspective of both revenues and EBITDA.

CONTENT BUSINESS

Endemol

During the third quarter of the fiscal year, Endemol's consolidated revenues grew to 648.5 million euros, increasing 62.8% year over year. This increase, below the one recorded during the second quarter 2001, can be considered very positive, taking into account the difficult economic situation in most of the countries in which Endemol operates and the seasonal factor of the summer period in the countries in which the company maintains a presence (the Netherlands, Spain, France, the United Kingdom, Italy and Germany).

Owing to the positive revenue performance, cumulative nine months EBITDA rose to 107.6 million euros, representing a 68.4% increase year over year and exceeding the company's own expectations at the beginning of the fiscal year.

From a strategic perspective, Endemol has continued to expand with a view to becoming the leader in countries that constitute a natural market for the Telefónica Group and where it has yet to establish a presence. Thus, in early October, Endemol reached an agreement with the Televisa Group to form a combined company to produce television content for the Mexican market. The agreement includes buying formats from Endemol over the next 5 years. This and a similar agreement signed with TV Globo during the second quarter significantly increased Endemol's presence in the major Spanish- and Portuguese-speaking markets.

BROADCAST TELEVISION AND RADIO

Antena 3

The television advertising market has progressively declined during the third quarter, falling cumulatively year-on-year by 7.1%. The increased advertising time and the aggressive price

Media Business

Admira Media Group

strategy adopted by RTVE, aimed at increasing market share, are additional significant factors to be considered.

Within this context, Antena 3 has focused its efforts on offering a premium, high-quality programming grid by way of differentiation from the other competitors. These efforts have made it possible to maintain the best advertising market share to audience share ratio, which reached 1.33 at the end of 3Q01 compared to a 1.29 ratio 3Q00. In spite of these efforts, the advertising revenues of Antena 3 were affected, falling to 372.3 million euros, equivalent to a 9.5% drop on a year-on-year basis.

In turn, third quarter EBITDA amounted to 67.8 million euros, 41.3% less than for 3Q00, reflecting the aforementioned poor market conditions for advertising.

In the coming quarters, Antena 3 will continue to focus its strategy on offering premium, high-quality programming, with special emphasis on its own production content. This policy is aimed at improving audience shares and thereby confronting the aggressive attitude of certain competitors, particularly RTVE.

ATCO

Argentina's macroeconomic instability has caused the Argentine advertising market to continue on its downward trend through the third quarter, falling 14% cumulatively year-on-year.

Despite these circumstances, Telefé remains the leading network within the Argentine market, with an average audience share of 40.8%, 1.5 p.p. larger than during third quarter 2000. This performance is reflected in the advertising market share, which rose even higher—to 43.7%.

Notwithstanding Telefé's good performance in terms of market share, the country's difficult economic conditions has led to a drop in revenues compared to the previous year period (18.5%). Yet this decline has been more than offset by a cutback in operating expenses (23.1%), which has been intensified during the third quarter as a means of dealing with these tough economic conditions. This cutback in expenses has made it possible to generate positive EBITDA for the second consecutive quarter (2.6 million euros) and positive year-to-

date EBITDA, which grew to 2.8 million dollars from a negative 8.2 million dollars for the nine months ending September 2000.

Onda Cero Radio

Like Antena 3, Onda Cero has been very much affected by the problems in the Spanish advertising market, brought about by the country's economic slowdown and RTVE's aggressive commercial policy. Therefore, the radio advertising market has had a 1% year-on-year growth compared to the 8% growth it experienced during the same period last year.

Nonetheless, Onda Cero has strengthened its position as Number Two national radio station, with more than 2,537,000 listeners, becoming the channel with the greatest proportional growth of all.

As a result of this growth in the number of listeners, Onda Cero's revenues at the end of the third quarter reflect a 32.2% increase at September 2000, which translates into an improved third-quarter EBITDA loss of 7.1 million euros, compared to a loss of 11.7 million euros for the January-September 2000 period.

It is worth mentioning the increase in the broadcasting network during the quarter, due to agreements with Radio Blanca and Radio España.

PAY TELEVISION AND DISTRIBUTION

Vía Digital

The pay-TV market has continued to be characterized during the third quarter by aggressive competitors in terms of acquisition promotions. This fact has been exacerbated throughout the fiscal year by the as yet unresolved problem that Canal Satélite Digital has with card pirating, the aggressiveness of new competitors, and the increased activity of cable companies.

Within this context, Vía Digital ended the third quarter with 752,722 subscribers (180,537 subscribers more than in the third quarter of 2000), representing year-on-year growth of 31.55%.

Media Business

Admira Media Group

In financial terms, operating revenues grew 34% with respect to the third quarter of the previous year, increasing to 196.2 million euros. On the other hand, cost control efforts have limited the growth of operating expenses to 6.5%, thus

allowing a 10.7% improvement in EBITDA as compared with the same period of the previous year (-209.5 million euros, compared to -234.4 million euros).

ADMIRA MEDIA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	1,005.8	332.9	202.1	322.2	211.7	52.2
Internal expend cap. in fixed assets (1)	0.2	0.2	(27.0)	(0.4)	0.1	c.s.
Operating expenses	(924.6)	(350.6)	163.7	(307.9)	(221.3)	39.1
Other operating income (expense) net	0.8	(6.3)	c.s.	(0.9)	(4.6)	(80.9)
EBITDA	82.2	(23.8)	c.s.	13.0	(14.1)	c.s.
Depreciation and amortization	(58.0)	(31.8)	82.7	(18.5)	(13.7)	35.4
OPERATING PROFIT	24.1	(55.5)	c.s.	(5.5)	(27.7)	(80.1)
Profit from associated companies	(112.4)	(58.6)	92.0	(55.5)	(20.1)	176.2
Antena 3TV	16.4	33.9	(51.4)	(5.1)	0.6	c.s.
Via Digital	(102.8)	(98.0)	4.9	(34.1)	(32.6)	4.5
Others	(26.1)	5.6	c.s.	(16.4)	12.0	(236.7)
Financial income (expense) net	(73.1)	(42.7)	71.4	(24.3)	(28.4)	(14.6)
Amortization of goodwill	(81.9)	(60.5)	35.3	(18.3)	(28.6)	(36.1)
Extraordinary income (expense) net	(59.3)	41.8	c.s.	(16.6)	50.5	c.s.
INCOME BEFORE TAXES	(302.7)	(175.5)	72.5	(120.2)	(54.4)	121.1
Income taxes	31.2	49.8	(37.2)	15.1	27.2	(44.6)
NET INCOME BEFORE MINORITY INTERESTS	(271.4)	(125.7)	115.9	(105.1)	(27.2)	287.1
Minority interests	11.6	23.0	(49.5)	1.8	12.0	(85.3)
NET INCOME	(259.8)	(102.7)	153.0	(103.4)	(15.1)	582.9

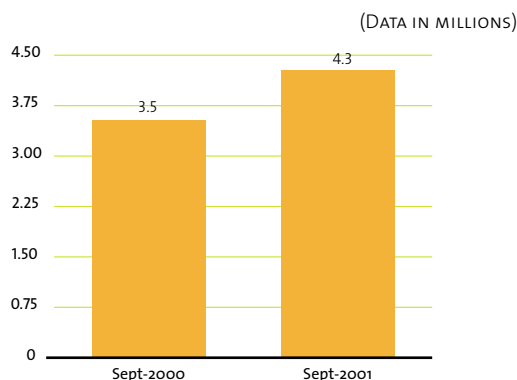
(1) Including works in process

Internet Business Terra-Lycos Group

The economic slowdown taking place throughout 2001 in most of the economies where Terra-Lycos is present has proved to be a determining factor in analyzing the Company's performance in a developing industry such as the Internet.

In this unfavorable macroeconomic climate, where one of the company's main sources of revenues -online advertising- is experiencing a significant decline due to its extreme sensitivity to economic cycles, Terra Lycos is developing its business model toward obtaining more stable sources of revenues to complement the revenues from online advertising. This business model is essentially based on an OBP (Open, Basic, Premium) strategy, which is aimed at generating revenues based on a subscription and pay per view/pay per use model in both the access and the portal components of the business.

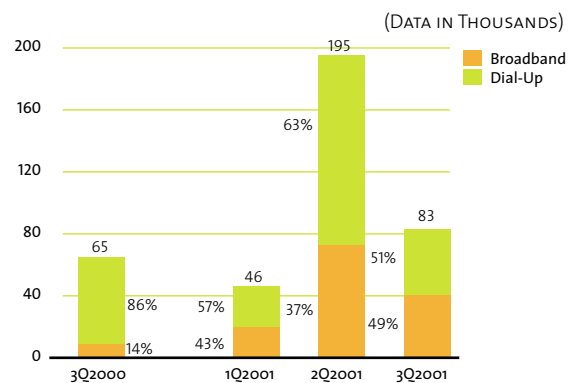
ISP CUSTOMERS



This strategy and the Telefónica Group's commitment to expand the market in broadband business have led to Terra-Lycos' October launch of ADSL Plus in Spain, offering a package that combines pure connectivity (128 K upstream and 256 K downstream) with value-added services (virtual hard disk, domain and plug and play package), along with a multimedia area on the portal reserved exclusively for Terra-Lycos customers. This model, which will be replicated in other countries, is proving its strength. Terra-Lycos has captured 10,000 new customers in 15 days, contributing, as Telefónica de España is doing, to the development of the total broadband market. This total fast broadband market growth will benefit Terra-Lycos.

Operating figures accumulated through at the end of the 2001 third quarter show that the total number of subscribers in Spain and Latin America totalled 4.3 million, 29% of which are pay customers. Terra Lycos is focusing its strategy on acquiring pay customers, particularly broadband customers, and on migrating users from the free access service to pay products. Since December 2000, 240,000 new pay customers have been signed up, 134,000 of them on ADSL. More specifically, the number of ADSL clients increased by 42,000 during the quarter, totaling 174,000 by the end of September.

NET ADDITIONS ON PAY ISP CUSTOMERS



The audience for all our portals measured by page views came to 481 million per day, an increase of 4.6% over the previous quarter and 78.8% in twelve months. In addition, the unique users figure for the Group as a whole was 109 million in the month of September.

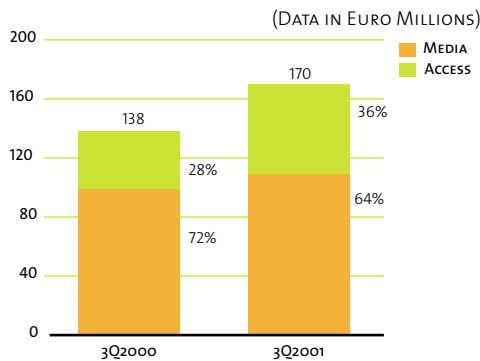
Total revenues for the third quarter achieved 170 million euros, a 24% increase from the comparable proforma prior-year period, showing that despite the unfavorable global economic situation, the Internet continues to be a growth sector. The quarterly revenue figure is within the estimated range forecast announced by the Company.

There continues to be geographical and functional diversification in revenue source, making it possible to temper the negative effects of adverse economic cycles. Thus, the media business accounted for 64% of revenues, while the remaining 36% came from the access business.

Internet Business

Terra-Lycos Group

REVENUES PER BUSINESS (PROFORMA DATA)



Media business revenues totalled to 109 million euros, in line with the figures reported in the previous quarter. Media revenues for the quarter by geographic area were also very similar to those of the previous quarter, despite the conditions in the advertising market and the typical seasonality of the summer months in the U.S. market.

Revenues from access achieved 61 million euros, 12% below those reported in the previous quarter, again essentially due to the seasonality of the business associated with the summer season in Spain. However, in year-on-year terms, revenues from the access business grew by 56%.

From a geographical viewpoint, 47% of total revenues comes from the USA, with the rest generated in Spain and Latin America, mainly Spain, Brazil and Mexico, which bring in 95% of the revenues for this region.

Analyzing the first nine months of the year, Terra Lycos reported revenue figures of 526.5 million euros, exceeding the figures for all of 2000 proforma basis, with a 38% increase over

the first nine months of 2000. It is worth to mention that access revenues grew by 103% in this period, while media revenues increased by 18%.

On the other hand, the Company is also making progress on one of its primary goals, which is to improve profitability along with growth. Accordingly, the procedures put in place to reduce and control costs and improve the Company's efficiency are all producing positive results. This effort is best evidenced by the fact that, while initial published estimates for the quarter placed the Company's EBITDA margin in the -30% to -34% range, finally, the margin came in at -29%.

New products and strategic alliances continued to be rolled out during the quarter. It is worth highlighting the creation of a multimedia zone within the portal, aimed at broadband users, offering over 12,000 video clips with more than 500 hours of audio and video content. Following the OBP strategy, this zone remained Open through mid-October and is now accessible only to ADSL customers.

Among most relevant strategic agreements is the one signed with TPI, which offers the small to medium-size business market advertisement on Terra Lycos sites that supplement TPI's sales network. In addition, an agreement was made with VISA to integrate the VISA platform for secure e-commerce transactions. Also of note is the founding of Atrea, a vertical real estate portal, with BBVA, each partner holding a 50% equity interest.

With regard to acquisitions, during the quarter Terra Lycos has entered into the "financial supermarket" Uno-e, which to date has captured over 110,000 customers and 640 million euros. It is important to mention the acquisition of the e-commerce leader in Mexico, De Compras, which had over \$7 million in sales in 2000.

Internet Business

Terra-Lycos Group

TERRA-LYCOS GROUP OPERATING DATA

	SEPTEMBER - 2001	SEPTEMBER - 2000
ISP Customers, in millions (1)	4.3	3.5
Average daily page views (mill.)	481	269
Unique Visitors (mill.)	109	91

(1) Without Lycos-Europe.

TERRA-LYCOS GROUP CONSOLIDATED INCOME STATEMENT

<i>Unaudited figures</i>	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	526.5	139.0	278.9	169.9	58.3	191.4
Internal expend cap. in fixed assets (1)	0.4	1.8	(78.2)	0.1	0.8	(87.3)
Operating expenses	(700.0)	(396.0)	76.8	(212.2)	(161.9)	31.1
Other operating income (expense) net	(17.2)	(4.4)	290.2	(6.6)	(2.9)	126.0
EBITDA	(190.3)	(259.7)	(26.7)	(48.8)	(105.7)	(53.8)
Depreciation and amortization	(131.0)	(50.8)	157.9	(43.1)	(23.9)	80.5
OPERATING PROFIT	(321.3)	(310.5)	3.5	(91.9)	(129.6)	(29.1)
Profit from associated companies	(173.0)	(17.7)	878.3	(46.7)	(12.9)	262.3
Financial income (expense) net	96.6	7.1	n.s.	27.7	6.8	305.6
Amortization of goodwill	(320.3)	(88.5)	261.8	(49.2)	(30.7)	60.2
Extraordinary income (expense) net	(31.4)	(5.7)	447.4	(24.7)	(5.3)	370.2
INCOME BEFORE TAXES	(749.4)	(415.4)	80.4	(185.0)	(171.7)	7.7
Income taxes	275.0	129.2	112.8	101.7	53.0	91.7
NET INCOME BEFORE MINORITY INTERESTS	(474.4)	(286.0)	65.9	(83.3)	(118.7)	(29.8)
Minority interests	1.1	0.5	108.0	0.4	(1.2)	c.s.
NET INCOME	(473.3)	(285.5)	65.8	(82.9)	(119.9)	(30.8)

(1) Including works in process

Note: Operating leases not included in EBITDA

Directories Business

Telefónica's Directories Business

As we indicated in previous quarters, to facilitate an overview of the Telefónica Group Directory business, this heading includes companies already consolidated within the TPI Group as well as those currently in the process of integration: Telinver in Argentina and Guitel in Peru.

In addition, the TPI Group's quarterly results are not comparable on quarterly basis, primarily due to differences in the publication calendar of telephone directories between periods, and to a greater concentration emphasis on publishing the directories in the second half of the year. Accordingly, during the January – September 2001 period, there were four more Yellow Pages and seven more White Pages directories published than in the same period in 2000. In Brazil, in addition to changes made to the publication calendar for the yellow pages, the street directory and the LTOG (white pages) by publisher Listel, TPI published its Yellow Pages for the first time in Sao Paulo City, Guarulhos, Riberão Preto and Curitiba.

Moreover, there were other events in this period that make comparison with the comparable prior-year period even more complex. These include: the absence for TPI Spain of advertising revenues from Telefónica in the White Pages, which amounted to 21.5 million euros in the first nine months of 2000; TPI Brazil's start-up of commercial activities and its effect on operating expenses; and incorporation of the Publiguías income statements as part of the Group's consolidated accounts as of January 1, 2001.

Even taking into account all these factors, revenues for the TPI Group grew by 42.1% as compared to the first nine months of 2000. The most relevant item in the growth in revenues has been the publishing business, which has brought in 353.9 million euros, 39.5% more than in the first nine months of the prior year.

In Spain, the publishing business grew by 9.3%. Excluding revenues from the sale of Telefónica White Pages advertising in the comparable prior-year period, the publishing business in Spain experienced growth of 20%. On a book-on-book basis, revenues from Yellow Pages grew by 8.5% and White Page revenues grew by 8.6%.

Particularly noteworthy in the international context were the publication of the first edition of GuiaMais in Sao Paulo, Guarulhos, Riberão Preto and Curitiba, -which added revenues totalling 23.4 million euros-, and the incorporation of the Publiguías publishing business revenues, which amounted to 56.6 million euros.

The Internet business continues to experience strong growth, with 14.9 million euros, 200.1% more than a year ago. Páginas Habladas, the talking yellow pages, rose by 75.9% to reach 3.7 million euros, 76% of which are from TPI Spain, 19% from TPI Brazil and 4% from Publiguías.

The Group's EBITDA grew by 16.6%, despite the absence of revenues from Telefónica White Pages advertising. It is worth noting that these revenues from Telefónica had practically no associated costs and were therefore reported directly to the Group's EBITDA. In the January–September 2000 period, it accounted a total of 21.5 million euros. Publiguías contributed positive EBITDA of close to 20.5 million euros, reflecting the impact of the new contractual framework negotiated with Telefónica CTC Chile.

Consolidated revenues for all Telefónica Group directory businesses grew by 16% during the first nine months of the current fiscal year, contributing net earnings of 30.4 million euros.

Directories Business

Telefónica's Directories Business

TPI - PÁGINAS AMARILLAS GROUP SELECTED OPERATING DATA (SPAIN)

Unaudited figures	JANUARY - SEPTEMBER		
	2001	2000	% CHG.
Books (published)			
Páginas Amarillas (Yellow pages)	47	43	9.3
Páginas Blancas (White pages)	46	39	17.9
Advertising revenues			
Páginas Amarillas (Yellow pages) (1)	200.5	184.8	8.5
Páginas Blancas (White pages) (1)	42.2	38.9	8.6
Revenues On-Line	12.8	4.9	158.1
Páginas Amarillas Habladas	2.9	2.1	34.7

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

TPI - PÁGINAS AMARILLAS GROUP CONSOLIDATED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	375,3	264,1	42,1	222,5	149,3	49,1
Operating expenses	(282,7)	(184,6)	53,1	(142,0)	(103,4)	37,3
EBITDA	92,6	79,5	16,6	80,5	45,9	75,6
Depreciation and amortization	(16,2)	(7,4)	120,4	(8,1)	(2,7)	205,7
Operating profit	76,4	72,1	6,0	72,5	43,2	67,8
Profit from associated companies	(0,8)	(0,1)	636,4	(0,3)	(0,1)	181,8
Financial income (expense) net	(8,6)	(0,6)	n.s.	(2,9)	(0,6)	381,7
Amortization of goodwill	(1,6)	(0,0)	n.s.	(0,5)	(0,0)	n.s.
Extraordinary income (expense) net	0,3	0,3	23,1	(0,5)	0,1	c.s.
Income before taxes	65,7	71,7	(8,4)	68,3	42,6	60,3
Income taxes	(24,2)	(25,5)	(5,1)	(22,7)	(14,9)	52,4
Net income before minority interests	41,6	46,2	(10,0)	42,7	27,6	54,7
Minority interests	4,9	1,5	230,4	(3,9)	0,7	c.s.
Net income	46,5	47,7	(2,5)	38,7	28,4	36,3

Directories Business

Telefónica's Directories Business

DIRECTORIES OF TELEFÓNICA GROUP CONSOLIDATED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	421.4	363.4	16.0	228.6	186.6	22.5
Internal expend cap. in fixed assets (1)	13.5	17.8	(24.3)	13.2	(9.1)	c.s.
Operating expenses	(327.7)	(279.2)	17.3	(154.8)	(115.4)	34.1
Other operating income (expense) net	(24.6)	(16.4)	50.7	(13.6)	(7.4)	82.3
EBITDA	82.6	85.7	(3.6)	73.4	54.7	34.1
Depreciation and amortization	(19.6)	(10.2)	91.5	(9.7)	(1.0)	n.s.
Operating profit	63.1	75.5	(16.4)	63.7	53.7	18.7
Profit from associated companies	(0.8)	(0.5)	48.4	(0.6)	(0.5)	8.9
Financial income (expense) net	(12.4)	(6.1)	103.7	(3.9)	(0.9)	353.1
Amortization of goodwill	(1.8)	(0.0)	n.s.	(0.7)	0.0	c.s.
Extraordinary income (expense) net	0.2	0.4	(52.5)	(1.9)	0.0	c.s.
Income before taxes	48.3	69.2	(30.3)	56.6	52.3	8.3
Income taxes	(24.3)	(27.4)	(11.6)	(25.0)	(14.9)	68.5
Net income before minority interests	24.0	41.7	(42.4)	31.6	37.6	(15.9)
Minority interests	6.3	0.8	694.0	(3.0)	(8.0)	(62.9)
Net income	30.4	42.5	(28.5)	28.6	29.6	(3.2)

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

(1) Including works in process.

Call Center Business

Atento Group

Atento's business activity in the third quarter of 2001 has continued to focus on the development of long term relationships with strategic customers in foreign market and on improving relationships with companies of the Telefónica Group.

From an operating standpoint, at September 30, 2001, the Atento Group had 29,559 positions, 3.2% more than three months earlier, and filled to by 47,482 persons, 713 phone operators more than in the second quarter of 2001.

From the standpoint of financial performance, the Atento Group's revenues in the first nine months of the year came to 471.5 million euros, 30.5% more than in the comparable prior-year period. Significantly contributing to this growth were revenues from clients out of Telefónica Group, which came to 148.5 million euros (31.5% of total revenues as compared to 30.6% in the similar prior-year period), resulting from agreements with new clients such as DirecTV, AT&T, BSCH, Hewlett Packard, Jointex, Yahoo BB and Warrantech. Another source of contribution was new business development in countries such as Japan, Mexico and Venezuela. Moreover, this revenue growth is expected to increase as a result of the agreement reached with BBVA for the provision of CRM services.

Also of note is the growing geographic diversification of the Group's revenues, reducing the Company's exposure to economic slowdown in any given region. From this perspective, the countries that continue to bring in the highest proportion

of revenues are Brazil and Spain (79% of total figures), although, quarter-on-quarter, the remaining countries (Chile, Peru, Argentina, Japan, Mexico, Morocco, Venezuela, Central America, Puerto Rico and Colombia) continue to increase their weighting.

As a result of the growth in revenues, Atento's accumulated EBITDA for the first nine months of the year stood at 36.9 million euros, 37.4% higher than the comparable prior-year period and slightly lower than the second quarter of this year, due to the seasonality of the business during the vacation period in Spain.

The company remains focused on becoming a benchmark for the industry and is attaining this goal on the strength of:

- Development of long-term relationships with high-potential customers
- Implementation of actions aimed at continuing improvement in the critical areas of the business (global positioning of Atento in the CRM industry, development of solutions, pricing strategies, optimization of operating and quality metrics)
- Meeting business goals while strictly controlling investment needs

Call Center Business

Atento Group

ATENTO GROUP CONSOLIDATED INCOME STATEMENT

Unaudited figures	(Euros in Millions)					
	JANUARY - SEPTEMBER			JULY - SEPTEMBER		
	2001	2000	% CHG.	2001	2000	% CHG.
Operating revenues	471.5	361.5	30.5	154.5	166.5	(7.2)
Internal expend cap. in fixed assets (1)	0.0	(0.1)	c.s.	0.0	0.0	n.s.
Operating expenses	(432.7)	(333.7)	29.7	(141.6)	(155.4)	(8.9)
Other operating income (expense) net	(1.9)	(0.8)	150.0	(1.5)	(2.6)	(40.6)
EBITDA	36.9	26.9	37.3	11.4	8.6	32.8
Depreciation and amortization	(59.6)	(31.5)	89.3	(23.2)	(12.8)	81.8
Operating profit	(22.7)	(4.6)	392.8	(11.9)	(4.2)	181.2
Profit from associated companies	0.0	0.0	n.s.	0.0	0.0	n.s.
Financial income (expense) net	(43.7)	(25.8)	69.2	(15.6)	(10.5)	48.5
Amortization of goodwill	(6.3)	(2.9)	120.3	(2.1)	(2.5)	(16.6)
Extraordinary income (expense) net	(18.6)	(3.5)	424.2	(17.8)	(2.2)	720.2
Income before taxes	(91.2)	(36.8)	147.8	(47.4)	(19.4)	143.9
Income taxes	16.2	4.1	290.6	9.8	3.4	186.1
Net income before minority interests	(75.0)	(32.7)	129.7	(37.6)	(16.0)	134.9
Minority interests	1.7	0.0	c.s.	0.6	0.1	723.1
Net income	(73.4)	(32.7)	124.2	(37.0)	(15.9)	132.0

(1) Including works in process.

Broadband Capacity Management Business

Emergia

Emergia continues to be the only carrier in Latin America with a 100% operational high capacity closed broad-band loop.

During the third quarter, deals have been closed with first tier multinational customers, with some circuits having already been activated.

Continuing with the strategy for expanding the number of routes, agreements for swapping capacity were signed with various carriers that will allow Emergia to offer connections in such cities as London, Madrid and Lisbon. Similarly, the network in Rio de Janeiro was expanded under the same capacity swap procedures, making it possible to reach different points within the city and improving service for customers within the area. These agreements were reached with carriers who already have a presence in Latin America, and thus do not involve an increase in the number of competitors in the region.

During the month of September, in collaboration with the Argentine company Telefe S.A., Emergia successfully completed

the first tests for transmitting TV signals from country to country over its state of the art fiber optic ring. With this, it demonstrated that not only television signals can be carried over this medium with optimum quality but that this provides an opportunity for media companies to reduce their broadcasting costs through the use of submarine cable. The quality and reliability of Emergia's ring, as well as its capacity for point-to-point connections, were the key factors leading to the positive results.

In addition, installation of the Customer Relations Management System (CRM) began in the third quarter. With this system in place, Emergia customers will have access to valuable information from their activated circuits, as well as traffic out of service alerts, statistics, etc. This investment comes as part of the company's policy of improving customer services by offering greater added value. The system is expected to become fully operational by mid-November.

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.

Key Holdings of the Telefónica Group and its Subsidiaries

TELEFÓNICA, S.A.

	% PARTICIPATION
TELEFÓNICA DE ESPAÑA	100.00%
TELEFÓNICA MÓVILES	93.16%
TELEFÓNICA DATACORP	100.00%
TELEFÓNICA LATINOAMÉRICA	100.00%
TPI	59.90%
TERRA LYCOS	37.63%
ADMIRA MEDIA	100.00%
EMERGIA	93.99%
ATENTO	100.00%
TELEFÓNICA B2B	100.00%

TELEFÓNICA 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	44.22%
TEM GUATEMALA	51.00%
BAJACEL	100.00%
NORCEL	100.00%
CEDELTEL	100.00%
MOVITEL	100.00%
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	20.41%
TELEFÓNICA DATA URUGUAY	100.00%
TELEFÓNICA DATA COLOMBIA	50.01%
REY MORENO	50.00%
TELEFÓNICA DATA BRASIL	99.00%
TELEFÓNICA DATA VENEZUELA	99.99%
TELEFÓNICA DATA PERU	93.22%
TELEFÓNICA DATA ARGENTINA	97.92%
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	86.66%
TELEFÓNICA DEL PERÚ	93.22%
TELEFÓNICA ARGENTINA	97.92%
TLD	98.00%
TELEFÓNICA CTC CHILE	43.64%
CANTV	6.91%

ADMIRA MEDIA

	% PARTICIPATION
ANTENA 3 TV	47.51%
ONDA CERO	100.00%
RADIO VOZ	100.00%
TELEFE	100.00%
AZUL TELEVISIÓN	50.00%
ENDEMOL	99.34%
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%
ADMIRA SPORT	100.00%
VIA DIGITAL	48.63%
ADMIRA SERVICIOS AUDIOVISUALES	100.00%
PEARSON	4.87%
MEDIAPARK	25.00%
TICK-TACK TICKET	47.50%
HISPASAT	22.74%

TERRA-LYCOS

	% PARTICIPATION
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%
UNO-E BANK	49.00%
INVERDIS VALORES Y BOLSA	10.00%

Significant Events

- On October 30, Telefónica de España announced a reduction in rates effective as of October 31, this being the fifth reduction for the year. The 7% global decline in rates satisfies price cap regulations. With this last decrease, the per minute price during daytime hours (from 8:00 a.m. to 8:00 p.m.) for provincial and interprovincial calls will be 23.43% and 18.64% lower, respectively, while rates for international calls will drop by 9.28% for all rate zones.
- On the same date, Telefónica Móviles España renewed GPRS services offer with a new rate schedule and expanded service to include the prepaid segment. The new rate is based on a usage charge of 0.025 euros per Kb. A GPRS package will also be marketed; it includes connection plus a handset at a price of 179.70 euros. For contract customers, in addition to usage charges, bonus plans will be offered that will allow each user to choose his plan based on the type of usage.
- On October 23, Telefónica Móviles consolidated the brands of the Mexican companies Cedetel, Norcel, Movitel and Baja Celular under the trade name of Telefónica Móviles México. At the same time, Telefónica Movistar became the new image for marketing products and services in its stores, service centers and points of sale in the retail network. Two days later, Javier Zorrilla was named CEO of Telefónica Móviles México, having served as Director of the Division of Sales and Territories at Telefónica Móviles España.
- On October 18, Terra Lycos announced the acquisition of the trademark, domains and principal assets of Decompras.com from El Sitio, the Internet platform of Claxson Interactive Group, Inc., with a view to establishing the largest market for e-commerce in Mexico and Latin America. Decompras.com is the leading e-commerce company in Mexico and Latin America, with sales of nearly \$7M in 2000. With this purchase, Terra Lycos consolidate its expansion in the Internet market for that continent by strengthening its line of e-commerce products and services.
- On October 17, Terra España rolled out its new ADSL product, known as ADSL Plus, the only product offering services and content tailored to users of this technology. The monthly fee for the service is 42 euros. From the standpoint of content, Terra ADSL customers will have exclusive access to the Multimedia Zone (which has more than 220,000 page views and nearly 50,000 video clips served up per day, in addition to offering a video catalog with over 12,000 titles classified by subject), benefiting from the streaming media possibilities available with ADSL, taking advantage of its higher capacity, throughput, always-on connection, etc. Since this technology was launched, more than 10,000 new users have been added, with up to 1,500 new subscribers in a single day. All told, the number of Terra Lycos ADSL customers has surpassed the 100,000 mark.
- On the same day, Terra Lycos and the BBVA Group announced the founding of a company (Iniciativas Residenciales en Internet, S.A.-I.R.I.S.A.-), with each partner holding a 50% interest, for the development and management of a vertical portal devoted to real estate, which will operate under the trade name Atrea.
- On October 11, Group 3G, a Telefónica Móviles subsidiary in Germany, introduced the trade name it will use to offer telecommunications services in that country (Quam), with the commercial rollout date expected before year's end. An advertising campaign on both TV and print media was launched on October 15 to introduce the name on the market.
- On September 27, Telefónica was selected to enter to the Dow Jones Sustainability World Index, effective as of October 5. This index

Significant Events

includes 312 international companies from 62 different industries in 26 nations, each of which stands out for its achievements in the economic, environmental and social spheres, and it has a combined market capitalization of 6.2 trillion euros. Apart from Telefónica, 10 other telecommunications companies are on this index (Sonera, Vodafone, Telecel, Telstra, Telus, Deutsche Telekom, BT, Cable&Wireless, Telia and Swisscom).

- On September 14, Telefónica Móviles announced its decision to cancel the tender offer for 54.32% of Celular CRT initiated this past February 27. This decision was made as consequence of market volatility, heightened by the events of September 11 in the U.S., placed at risk the efficient execution of the transaction.
- Pursuant to the agreement reached between Telefónica and IBERDROLA on April 9, 2001, providing for Telefónica to acquire IBERDROLA's entire equity interest in the Brazilian telecommunications companies of which both are shareholders (Telesp, Celular CRT Participações, Tele Sudeste Celular Participações, Tele Leste Celular Participações), on September 11 the Brazilian telecommunications regulatory agency (ANATEL) approved without restrictions the transfer of stock of either the holding companies or the cellular carriers Celular CRT Participações, TeleSudeste Celular Participações, and Tele Leste Celular Participações. Once the approval is finalized, the shares will be transferred as agreed, subject to Brazilian legal provisions and to approval from the Central Bank of Brazil or other agencies as needed.
- On September 7, Telefónica de España rolled out its retail line of ADSL services aimed at home users and businesses, adding to the package already available to phone carriers and Internet service providers (wholesale offer). This new service will allow flat rate Internet access 24 hours a day with no limit on the size of downloads, as well as access to the TelefónicaNet portal, bit rates of up to 2 Mbps, a permanent connection and simultaneous telephone usage. It is available over basic telephone lines as well as over ISDN and allows for auto-installation. Depending on bit rate, prices are as follows: for 256 Kbps: 39 Euros, for 512 Kbps: 75 Euros and for 2000 Kbps: 150 Euros. The possibility of an ADSL line is available to 86% of phone lines throughout the country, and Telefónica de España has plans to achieve 90% coverage by year's end.
- Telefónica Móviles S.A. and Mesotel de Costa Rica S.A. have signed an equity swap agreement, pursuant to which Mesotel agrees to transfer to Telefónica Móviles S.A. all its holdings in selected Central American companies on the 10th of January 2002. As a result of this agreement, Telefónica Móviles S.A. will indirectly increase its stake in Telefónica del Salvador, S.A. de C.V. up to 100%, and in Telefónica Centro América S.A. up to 87%.

Changes to the Sphere and Accounting Criteria of Consolidation

TELEFÓNICA GROUP

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 nine months 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 97.92% of the Argentine company Advance, S.A. and 93.22% 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 386,211,253,813 shares representing 61.96% of the capital of the Brazilian company Telesp.

These contributions have not modified the consolidation sphere as compared to the first nine months of the previous fiscal year.

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.

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% 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 Mejiçana, 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.

Changes to the Sphere and Accounting Criteria of Consolidation

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 in the month of July to Telefónica Móviles, S.A., which increased its capital stock by 203 million shares that were fully subscribed by Telefónica, S.A. These companies have been fully consolidated.

In the month of September, Telefónica, S.A. acquired 114,500 shares of the affiliate company Telefónica Publicidad e Información, S.A. (T.P.I.) for the amount 0.36 million euros, a transaction that generated a consolidated goodwill of 0.32 million euros. With this transaction, Telefónica now holds a stake of 59.9% in the capital of T.P.I. The company continues to be consolidated in the financial statements of the Telefónica Group by the global integration method.

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 (TERRA NETWORKS, S.A.)

During the first nine months 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.

To establish an online financial services site, through agreements reached with BBVA, in the month of August of the current fiscal year, Terra Networks, S.A. acquired 49% of the capital of Uno-e Bank, S.A., for a total of 160.43 million euros. The transaction generated a consolidated goodwill of 130.25 million euros in the consolidated accounts of the Telefónica Group. The company has been included in the consolidation sphere of the Telefónica Group by the equity method.

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 255.8 million euros. The company was eliminated from the sphere of consolidation of Telefónica Group.

Telefónica Internacional, S.A. acquired an additional 10% of the capital of Telefónica Perú Holding,

Changes to the Sphere and Accounting Criteria of Consolidation

S.A., at a cost of 220.76 million euros. The transaction generated a consolidation goodwill of 46.27 million euros. With this acquisition, Telefónica Internacional becomes the only shareholder of the aforementioned company. The company continues to be consolidated in the financial statements of the Telefónica Group by the global integration method.

During the course of the current fiscal year, Telefónica Internacional executed a share purchase option with BBVA for the stake holding in Sao Paulo Telecomunicações Holding, S.A., a company which in turn holds shares of Telesp Participações, S.A. This transaction has increased the stake in the capital of SPT Holding by 0.5292%, at a transaction cost of 80.10 million euros. The company continues to be consolidated in the financial statements of the Telefónica Group by the global integration method.

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 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.

ADMIRA MEDIA GROUP

In January, Grupo Endemol acquired the remaining 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.

In the month of September, Telefónica Media, S.A. acquired 47.5% of Tick Tack Ticket, S.A., at a transaction cost of 6.01 million euros. The transaction generated a consolidation goodwill of 4.15 million euros for the Telefónica Group. The company has been included in the consolidation sphere of the Telefónica Group by the equity method.

TELEFÓNICA DATACORP GRUP

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., 100%-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 Ingeniería de Productos, 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

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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.

GRUPO ATENTO

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 com-

pany 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 0.82 million euros, reflected in the consolidated financial statements of Telefónica Group 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.

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