A value growth company
A VALUE GROWTH COMPANY

Solid value based on fundamentals: large client base, strong operational skills, unmatched intangibles, balanced and flexible business structure

Superior EBITDA and strong financial position

Addressing major open issues: UMTS, Regulation, Acquisitions

Management priorities that translate into superior earnings growth
A MARKET WITH MORE THAN 500 MILLION POTENTIAL CUSTOMERS...

**MEXICO**
- Wireless:
  - Bajacel: 100%
  - Movitel: 90%
  - Norcel: 100%
  - Cedetel: 100%
- Internet:
  - Access: n° 2
  - Portal: n° 1

**VENEZUELA**
- Wireless: CANTV 6.4%

**PERU**
- Wireline:
  - T de Perú: 93.2%
- Wireless: TdPerú: 91%
- Internet:
  - Access: n° 1
  - Portal: n° 1

**BRAZIL**
- Wireless: TeleSP 86.6%
- Wireless:
  - Teleleste Cel: 10.8%
  - TeleSudeste: 81.6%
  - CRT 43.4%
- Internet:
  - Access: nº 2
  - Portal: nº 2

**SPAIN**
- Wireline: TdE: 100%
- Wireless: TME
- Internet
  - Access nº 1
  - Portal: nº 1

**CHILE**
- Wireline and wireless:
  - CTC: 43.6%
- Internet
  - Access: nº 1
  - Portal: nº 1

**ARGENTINA**
- Wireline: TASA: 97.9%
- Wireless: TASA Móviles 96%
- Internet
  - Portal: nº 3

- More than 65 million customers currently being served
- Positive growth outlook
- Strong cultural and economic links
### GDP Growth (%)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>Average 2002-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>4.9</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>EURO</td>
<td>3.4</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Spain</td>
<td>4.1</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.2</td>
<td>4.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Argentina</td>
<td>-0.2</td>
<td>2.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>6.9</td>
<td>4.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Chile</td>
<td>5.4</td>
<td>5.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Peru</td>
<td>4.0</td>
<td>2.5</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: Telefónica estimates; OVUM; Pyramid; Forrester; IDC; US Census Bureau
LATIN AMERICA REMAINS A LARGE GROWTH OPPORTUNITY
USD billion

Telecoms market growth opportunity 2001-2005
Latin America*

24

Telecoms market current size 2000 Spain

19

* Current GDP Latam aprox. 1,790 USD billion x 34% GDP growth in 5 years x 4% of GDP in telecoms
Source: IDC; Dataquest; WEFA-WMM
EVERY GROWTH PROJECT MUST BE BASED ON CLIENTS...

Dimensions of growth

- Growth in customer base
- Growth in usage of current services
- Growth in new services
AND TELEFONICA IS UNIQUELY POSITIONED: STRONG GROWTH IN OUR CUSTOMER BASE AND EXCELLENT PROSPECTS

<table>
<thead>
<tr>
<th>2000 penetration</th>
<th>LatAm</th>
<th>USA</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireline penetration</td>
<td>13%</td>
<td>68%</td>
<td>61%</td>
</tr>
<tr>
<td>Wireless penetration</td>
<td>13%</td>
<td>41%</td>
<td>63%</td>
</tr>
<tr>
<td>Internet penetration</td>
<td>3%</td>
<td>50%</td>
<td>23%</td>
</tr>
</tbody>
</table>

- Managed fixed clients (millions)
  - 1999: 35.8
  - 2000: 39.7
  - Growth: 10.8%

- Managed cellular clients (millions)
  - 1999: 15.5
  - 2000: 23.0
  - Growth: 48.8%

- Internet access clients (millions)
  - 1999: 1.3
  - 2000: 6.1
  - Growth: 370%
WE HAVE ACHIEVED STRONG OPERATIONAL SKILLS...
Productivity

Europe

Lines/employee

<table>
<thead>
<tr>
<th>Year</th>
<th>TdE</th>
<th>TI</th>
<th>DT</th>
<th>BT</th>
<th>FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>180</td>
<td>250</td>
<td>262</td>
<td>289</td>
<td>362</td>
</tr>
<tr>
<td>1997</td>
<td>260</td>
<td>340</td>
<td>360</td>
<td>390</td>
<td>420</td>
</tr>
<tr>
<td>1998</td>
<td>340</td>
<td>420</td>
<td>450</td>
<td>480</td>
<td>500</td>
</tr>
<tr>
<td>1999</td>
<td>420</td>
<td>500</td>
<td>530</td>
<td>560</td>
<td>590</td>
</tr>
<tr>
<td>2000</td>
<td>500</td>
<td>590</td>
<td>620</td>
<td>650</td>
<td>680</td>
</tr>
</tbody>
</table>

Latam

Lines/employee (year 2000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TeleSp</td>
<td>493</td>
<td>582</td>
<td>653</td>
<td>716</td>
<td>790</td>
</tr>
<tr>
<td>CTC</td>
<td>362</td>
<td>516</td>
<td>573</td>
<td>623</td>
<td>690</td>
</tr>
<tr>
<td>Brasil Telecom</td>
<td>289</td>
<td>469</td>
<td>516</td>
<td>573</td>
<td>653</td>
</tr>
<tr>
<td>Tdp</td>
<td>262</td>
<td>416</td>
<td>469</td>
<td>516</td>
<td>573</td>
</tr>
<tr>
<td>TASA</td>
<td>250</td>
<td>385</td>
<td>469</td>
<td>516</td>
<td>573</td>
</tr>
<tr>
<td>Telecom Argentina</td>
<td>248</td>
<td>238</td>
<td>248</td>
<td>238</td>
<td>238</td>
</tr>
<tr>
<td>CANTV</td>
<td>238</td>
<td>238</td>
<td>238</td>
<td>238</td>
<td>238</td>
</tr>
<tr>
<td>Telmex*</td>
<td>238</td>
<td>238</td>
<td>238</td>
<td>238</td>
<td>238</td>
</tr>
</tbody>
</table>

* As of June 2000
** As of July 2000
Source: Telefónica

Investor Conference
March 2001, Madrid.

A value growth company
...AND A STRONG COMPETITIVE POSITION

93.7% combined market share in wireline operations

50.4% combined market share in wireless operations

90% total market share of corporate customers where we operate as incumbents
A SUCCESSFUL TRACK RECORD OF “TURN AROUNDS”

<table>
<thead>
<tr>
<th></th>
<th>From date of acquisition</th>
<th>To date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TeleSP (acquired Aug. 98)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• LIS (’000)</td>
<td>6,407</td>
<td>10,596</td>
</tr>
<tr>
<td>• Number of lines/employee</td>
<td>338</td>
<td>790</td>
</tr>
<tr>
<td>• EBITDA/revenues</td>
<td>58%</td>
<td>66%</td>
</tr>
<tr>
<td><strong>TASA (acquired Nov. 90)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• LIS (’000)</td>
<td>1,696</td>
<td>4,327</td>
</tr>
<tr>
<td>• Number of lines/employee</td>
<td>78</td>
<td>408</td>
</tr>
<tr>
<td>• EBITDA/revenues</td>
<td>38%</td>
<td>60%</td>
</tr>
</tbody>
</table>
UNMATCHED INTANGIBLES

Knowledge
- Market knowledge
- Operational knowledge
- Successfully applied in different geographies

Brand
- Strong image, high awareness everywhere
- One umbrella brand in natural markets

Reputation
- Credibility
- Recognized execution capabilities

Relationships
- Government, regulatory bodies, administrations
- Corporate distribution, suppliers

Talent
- Competent, experienced and action oriented management team
TELEFÓNICA HAS A BALANCED BUSINESS STRUCTURE...

<table>
<thead>
<tr>
<th>BUSINESS</th>
<th>TELEFÓNICA’S POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic service</td>
<td></td>
</tr>
<tr>
<td>Mobility</td>
<td></td>
</tr>
<tr>
<td>Broadband</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td></td>
</tr>
<tr>
<td>Content</td>
<td></td>
</tr>
</tbody>
</table>

- Large, addressable client base: >500 M in our core markets + 300M elsewhere
- Broad offering provides flexibility to better serve customer demands

Investor Conference
March 2001, Madrid.

A value growth company
... AND A FLEXIBLE ORGANIZATION

- Natural owner of the businesses
- Operating flexibility to better serve customer demands
- Increased management accountability
- High potential for capturing synergies
- Not considering pure spin-offs
- Further IPO’s based on strategic opportunities to unlock value

Investor Conference
March 2001, Madrid.

A value growth company
A VALUE GROWTH COMPANY

Solid value based on fundamentals: large client base, strong operational skills, unmatched intangibles, balanced and flexible business structure

Superior EBITDA and strong financial position

Addressing major open issues: UMTS, Regulation, Acquisitions

Management priorities that translate into superior earnings growth
TELEFONICA ACHIEVED STRONG PERFORMANCE IN YEAR 2000...

### 2000 Financial Highlights

<table>
<thead>
<tr>
<th>Million</th>
<th>2000</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (€)</td>
<td>28,485.5</td>
<td>24.1</td>
</tr>
<tr>
<td>EBITDA (€)</td>
<td>11,918.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Net income (€)</td>
<td>2,504.8</td>
<td>38.8</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.67</td>
<td>18.5</td>
</tr>
<tr>
<td>Wireline customers</td>
<td>42.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Wireless customers</td>
<td>24.9</td>
<td>48.9</td>
</tr>
<tr>
<td>Internet access customers</td>
<td>6.1</td>
<td>370.0</td>
</tr>
</tbody>
</table>
BEST FINANCIAL BALANCE AMONG PEERS...

- euro 12 Bn. EBITDA 2000
- euro 87 Bn. Market Cap. 5/03/2001

… with full control and access to the highest diversified cash flow in the industry

1999 EBITDA breakdown
- TdE: 47
- T. Móviles: 12
- T. Latam: 40
- T.Data: 10.9

2000 EBITDA breakdown
- TdE: 36
- T. Móviles: 19
- T. Latam: 44
- T.Data: 11.9
EBITDA WILL CLEARLY EXCEED CAPEX REQUIRED FOR ORGANIC GROWTH

1999 2000 2004

EBITDA

Total Capex
Capex (ex-UMTS)
WE HAVE FOLLOWED A RATIONAL AND CONSERVATIVE FINANCIAL POLICY

- Equity-funded acquisitions (€30.4 bn in 2000)
- New organization optimizes cost of capital

<table>
<thead>
<tr>
<th>Telefónica</th>
<th>Net debt/EBITDA</th>
<th>Net debt (euro Bn)</th>
<th>EBITDA (euro Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.4</td>
<td>26.9</td>
<td>12.0</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>4.5</td>
<td>65.3</td>
<td>14.5</td>
</tr>
<tr>
<td>France Telecom</td>
<td>5.2</td>
<td>56.5</td>
<td>10.9</td>
</tr>
<tr>
<td>British Telecom</td>
<td>4.7</td>
<td>47.0</td>
<td>10.1</td>
</tr>
<tr>
<td>KPN</td>
<td>7.1</td>
<td>23.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Analysts consensus estimates
## A SOLID FINANCIAL POSITION

**Evolution of ratings (S&P)**

<table>
<thead>
<tr>
<th></th>
<th>09/99</th>
<th>12/99</th>
<th>03/00</th>
<th>06/00</th>
<th>09/00</th>
<th>12/00</th>
<th>03/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA+</td>
<td>FT</td>
<td>BT</td>
<td>BT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA</td>
<td>KPN</td>
<td>KPN</td>
<td>KPN</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA−</td>
<td>FT</td>
<td>BT</td>
<td>BT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A+</td>
<td>Telefónica</td>
<td>Telefónica</td>
<td>Telefónica</td>
<td>Telefónica</td>
<td>Telefónica</td>
<td>Telefónica</td>
<td>Telefónica</td>
</tr>
<tr>
<td>A</td>
<td>Vodafone</td>
<td>Vodafone</td>
<td>Vodafone</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A−</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pursue an upgrade in rating from current levels of A+
Current market environment forces management more than ever to focus on key metrics and on delivery of results.

**OUR STRONG FUNDAMENTALS AND SOLID STRATEGIC POSITION PUT US IN A SUPERIOR SITUATION TO CAPTURE PROFITABILITY AND GROWTH**

- **Strong fundamentals**
  - Large client base
  - Strong operational skills
  - Unmatched intangibles
  - Balanced and flexible business structure

- **Strong strategic position along growth engines**
  - Internet
  - Broadband
  - Mobility
  - Content

- **Telefónica is in a good position to simultaneously capture profitability and growth**
A VALUE GROWTH COMPANY

Solid value based on fundamentals: large client base, strong operational skills, unmatched intangibles, balanced and flexible business structure

Superior EBITDA and strong financial position

Addressing major open issues: UMTS, Regulation, Acquisitions

Management priorities that translate into superior earnings growth
UMTS IN GERMANY

We are working hard to deliver

1. Customers from day 1
   - We are emphasizing the commercial front: negotiating with potential partners, exploring options

2. An efficient network
   - Negotiating shared infrastructure arrangements and roaming and interconnection agreements

3. An effective organization
   - CEO and management team appointed. Remaining ramp-up process on track

- We remain confident that there is an opportunity for value creation in Germany, the market with the largest growth potential in Europe
- We commit to update you on our progress
OUR REGULATORY APPROACH

- **First objective:** maintain open communication and active dialog with regulators in every country where we operate

- **Spain:**
  - Wireline: last building blocks of regulatory model settled (unbundling of local loop and price cap) and tariff rebalancing will follow
  - Wireless: likely review of unsustainable spectrum fee in light of industrywide implications

- **Brazil:** accelerated compliance with ANATEL objectives as a mean to capture other growth opportunities

- **Argentina and Chile:** We have weathered major regulatory crises. We learned the lessons and we are committed at the highest level to manage situation (ULL, number portability)
ACQUISITIONS AND VENTURES

Selective
- Complementing our competitive position

Accretive
- Increasing EBITDA

JV with Portugal Telecom in Brazilian mobile market

Acquisition of Motorola’s wireless assets in Mexico

Consolidation at parent level
- No to “merger of equals”

Consolidation at Business Line level
- Receptive, if strategically complementary

Will not turn our backs to opportunities to absorb underperforming complementary assets
A VALUE GROWTH COMPANY

Solid value based on fundamentals: large client base, strong operational skills, unmatched intangibles, balanced and flexible business structure

Superior EBITDA and strong financial position

Addressing major open issues: UMTS, Regulation, Acquisitions

Management priorities that translate into superior earnings growth
MANAGEMENT PRIORITIES

1. Continue improving results in consolidated businesses

2. Continue expansion in Latin America

3. Drive developing businesses towards profitability leveraging the Group

4. Continue business building

Capture inter-business and Group synergies

“Achieve sustained superior earnings growth”
MANAGEMENT PRIORITIES

1. **Continue improving results in consolidated businesses**
   - Telefónica de España
   - Telefónica Móviles España
   - TeleSP and other Latam wireline operators

2. **Continue the expansion in Latin America**
   - Brazil
   - Mexico
   - Argentina
   - Rest of Latam

3. **Drive developing businesses towards profitability leveraging the Group**
   - Terra Lycos
   - Telefónica Data
   - Telefónica Media
   - Europa UMTS

4. **Continue business building**
   - Atento
   - Katalyx
   - Develop related businesses leveraging our franchise

**Capture inter-business and Group synergies**

**Leverage existing client bases and maximize cash generation short and long term: we cannot fail**

**Profit from a natural extension of our leadership**

**Anticipate break-even leveraging the overall group position**

**Push current businesses under development and open new options**

**Manage across businesses**

**Assist to and demand strong business performance**

**Achieve functional articulation for effectiveness and efficiency**

**Shape the development of the group**

---

**Investor Conference**
March 2001, Madrid.

**A value growth company**
**ESTIMATED FORECAST**
8 billion, in constant exchange rates. Current business perimeter

- **TOP LINE**
  - 1999: 22%
  - 2000: 24%
  - 2004: 13-15%
  - CAGR: 24%

- **EBITDA**
  - 1999: 11%
  - 2000: 12%
  - 2004: 9-12%
  - CAGR: 10%

- **EBIT***
  - 1999: 4.8%
  - 2000: 5.0%
  - 2004: 8-12%
  - CAGR: 4%

---

**Focus on key aspects**
- Manage customer profitability and market share
- Marketing effectiveness to enhance usage
- Cross-selling

**Leverage client base**
- Cost efficiency
- Operational leverage
- Quality

**Operational excellence**
- Asset turnover
- Capex allocation and control
- Reducing asset base

**Focus on ROCE**

---

* Calculated exc. goodwill

**Investor Conference**
March 2001, Madrid.

**Telefonica**
A value growth company
WHAT WE’VE SAID SO FAR

• Telefónica’s performance is based on solid, lasting business fundamentals
• This fundamentals underpin our financial results
• Building on our fundamentals and our solid financial position, we are confident that we will deliver on profitability and growth
• We focus on four management priorities to crystallize our value
• Our group model is a key enabler that puts us at an advantage to deliver value and growth