This presentation to analysts contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base. estimates regarding future growth in the different business lines and the global business. market share. financial results and other aspects of the activity and situation relating to the Company.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties. and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts are cautioned not to place undue reliance on those forward looking statements. which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation. including. without limitation. changes in Telefónica’s business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts are encouraged to consult the Company’s Annual Report on Form 20-F as well as periodic filings made on Form 6-K. which are on file with the United States Securities and Exchange Commission.
1 TELEFONICA HAS WORKED HARD TO ANTICIPATE AND ADAPT TO SECTOR TRENDS...

2 ...AND CONTINUES TO ACTIVELY MANAGE ITS CURRENT BUSINESS CHALLENGES...

3 ...WITH A FOCUS ON IMPROVING CASH FLOW GENERATION

4 CONCLUSIONS
1 TELEFÓNICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS

- Regulation
- Competition
- Weakness of demand
- Expectations have failed to materialized
- Unstable macro picture

- Our markets are fully liberalized
- Price decreases have already been done
- Higher pressure on wireline & Latam
- Poor results of green-field operations

A VERY DEMANDING ENVIRONMENT

WITH ITS EFFECT ON TEF

WE FOCUS ON THREE AXES TO STRENGTHEN OUR POSITION AS Nº1-Nº2 PLAYER IN OUR MARKETS

CLIENTS EFFICIENCY CASH FLOW

- Focus on core businesses and natural markets
- Tight management of Opex & Capex
- Stop losses from non-performing businesses
- Commitment to financial discipline
FOCUS ON CORE BUSINESSES AND NATURAL MARKETS

TELEFONICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS

WE HAVE STRENGTHEN OUR Nº1/Nº2 POSITION IN ALL LATAM MARKETS

✓ Mexico: Pegaso acquisition executed, building the unique nationwide alternative to the incumbent with 2.2 Million clients

✓ Brazil: Legal incorporation of JV with PT just pending final regulatory clearance, reaching 13 Million clients and 70% of the country’s GDP

CLOSE TO 87 MILLION CLIENTS UNDER MANAGEMENT

WIRELINE

SPAIN

21.2 Million LIS
0.7 Million ADSL

LATAM

24.2 Million LIS
0.4 Million ADSL

WIRELESS

18.1 Million clients

22.1 Million clients *


**TELEFÓNICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS**

A TIGHT MANAGEMENT OF OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>TEM Spain 1998</th>
<th>TEM Spain 2001</th>
<th>Sector 2001 **</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1998</strong></td>
<td>1,536</td>
<td>3,653</td>
<td>1,651</td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td>+138%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SUBSCRIBERS PER EMPLOYEE**

<table>
<thead>
<tr>
<th></th>
<th>TdE 1998</th>
<th>TdE 1Q02</th>
<th>T.Latam 1Q02</th>
<th>EU 1Q02 **</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1998</strong></td>
<td>313</td>
<td>517</td>
<td>712</td>
<td>370</td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td>+65%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LINES PER EMPLOYEE**

<table>
<thead>
<tr>
<th></th>
<th>TdE 1Q02</th>
<th>T.Latam 1Q02</th>
<th>EU 1Q02 **</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1998</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ANNUAL % CHANGE OPERATING EXPENSES***

- **2000** 29.3
- **2001** 12.4
- **March 02** 5.1
- **June 02** 4.5

EFFICIENCY HAS PLAYED A KEY ROLE

CONSISTENTLY KEEPING GROUP EBITDA MARGIN ABOVE 41%

* Excluding Foreign Exchange effects.
** Includes FT, TI, DT and BT. Source: company reports as of 03/31/02, except FT (FY 2001). For Mobile: Orange (France & UK), Sonera, Vodafone España and Amena.
A SIGNIFICANT REDUCTION EXPECTED IN 2002

1H01 1H02 2001 2002E

> -30%

-52.3% 1,815.5 7,922.8

DRIVEN BY...

...LATAM

Telesp Tasa CTC TdP

-63.2% -74.2% -20.8% -43.5%

...AND TdE

-5%

1,883.0

2001 2002E

TELEFONICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS

AN EFFORT ON CAPEX RATIONALIZATION...

% chg Jun02/Jun01 Local Currency

TELEFONICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS

AN EFFORT ON CAPEX RATIONALIZATION...
### TELEFONICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS

...LINKING CAPEX TO FUTURE REVENUE SOURCES

<table>
<thead>
<tr>
<th>DOMESTIC WIRELINE</th>
<th>DOMESTIC WIRELESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPEX BREAKDOWN (%)</strong></td>
<td><strong>TOTAL CAPEX REVENUES</strong></td>
</tr>
<tr>
<td>TRADITIONAL</td>
<td>TRANSFORMATION</td>
</tr>
<tr>
<td>2001</td>
<td>60%</td>
</tr>
<tr>
<td>2005 E</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>BROADBAND PENETRATION</strong></th>
<th><strong>DATA ARPU</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Germany</strong></td>
<td><strong>Spain</strong></td>
</tr>
<tr>
<td>4.6%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

** December 2002, 12 Month Rolling
*** Total households as of end year 2000
**** Average of VOD Germany, VOD UK, mmO2 UK, Orange France, TIM Italy
Concerns over Telefónica

UMTS outside Spain

Data green-field operations

Traditional Media portfolio

Latam exposure in a crisis scenario

Stop Losses

Business Initiatives

✓ Freeze all UMTS operations outside Spain
  ✓ saving 1.8 Bn.€ of EBITDA losses in 2002-2005
  ✓ saving 2.4 Bn.€ of net losses in 2002-2005

✓ Data green-field operations: non-core in the medium term

✓ Via Digital/Sogecable merger agreement

✓ Traditional media: explore alternatives to divest Admira

Asset Sales

✓ Azul TV

✓ ETI

CF GENERATION AND LIQUIDITY PROTECTION

WE ARE ACTIVELY IMPROVING THE OUTLOOK OF OUR BUSINESSES
**TELEFÓNICA HAS WORKED TO ANTICIPATE & ADAPT TO SECTOR TRENDS**

**COMMITMENT TO FINANCIAL DISCIPLINE**

**DEBT CAPACITY POSITION**

<table>
<thead>
<tr>
<th>Company</th>
<th>Net Debt / EBITDA 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telefónica</td>
<td>2.3</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>4.1</td>
</tr>
<tr>
<td>France Telecom</td>
<td>5.0</td>
</tr>
<tr>
<td>BT</td>
<td>2.4</td>
</tr>
<tr>
<td>Telecom Italia*</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**CREDIT RATING (Moody’s/S&P)**

<table>
<thead>
<tr>
<th></th>
<th>CURRENT</th>
<th>AS OF 12-31-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT</td>
<td>Baa1/A-</td>
<td>Aa1/AA+</td>
</tr>
<tr>
<td>DT</td>
<td>Baa1/BBB</td>
<td>Aa2/AA-</td>
</tr>
<tr>
<td>FT</td>
<td>Baa3/BBB</td>
<td>Aa2/AA</td>
</tr>
<tr>
<td>KPN</td>
<td>Baa3/BBB-</td>
<td>Aa1/AA</td>
</tr>
<tr>
<td>TEF</td>
<td>A2/A</td>
<td>A2/A</td>
</tr>
</tbody>
</table>

**TEF IS THE ONLY INTEGRATED TELCO TO KEEP ITS RATING AT “A” LEVEL**

**WE ARE COMMITTED TO MAINTAINING OUR CURRENT CREDIT RATING TO REDUCE LIQUIDITY RISK AND ENHANCE STRATEGIC FLEXIBILITY**

* Including Olivetti net debt
Source: Companies Reports.
2 AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

- **WIRELINE SPAIN**
  - Pressure on traditional traffic business
  - F2M substitution
  - ADSL cannibalization
  - Competition
  - Concern over ADSL economics

- **WIRELESS SPAIN**
  - Uncertainty over ARPU recovery
  - Decrease of voice ARPU
  - Slow data take-up
  - Margins sustainability

- **LATAM**
  - Depreciation of local currencies
  - Slowdown of regional economies
  - Economic crisis in Argentina

- **DATA**
  - Price decreases
  - Sluggish demand

- **TEF focus**
  - PROFITABLE ADSL ROLL OUT
  - PROTECT ACCESS
  - PROTECT MARGINS THROUGH COST CONTROL
  - LINK CAPEX TO SALES

- **TEF focus**
  - PROMOTE HIGH-END PREPAID MIGRATION TO CONTRACT
  - PROMOTE MOU
  - CONTROL SAC & SRC

- **TEF focus**
  - HEDGE AGAINST FOREX
  - MAXIMIZE CASH FLOW

- **TEF focus**
  - CLOSER INTEGRATION WITH FIXED OPERATIONS
  - NEW ENTRANT AS NON CORE IN MEDIUM TERM
  - OPTIMIZE INTERNATIONAL TRAFFIC & LEASED CIRCUITS

* March-June 02 vs March-June 01
GETTING THE ADSL BUSINESS MODEL RIGHT

CLIENT SEGMENTATION

TODAY’S ADOPTERS

EARLY ADOPTERS

LATE ADOPTERS

TYPE OF MIGRATION

Automatic

Marketing driven

Need to build demand

DRIVER OF MIGRATION

Price

Speed & connectivity

Products & services

KEY TO SUCCESS

Timely provisioning

Optimize sales force

Quality content

MANAGEMENT FOCUS

First Capex, then Opex

First Opex, then Capex

SAC, ARPU & Churn

IMPACT ON P&L

Dilutive

Accretive & margin improvement

AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

(II) ACCRETIVE ON REVENUES
Previous Narrowband expenditure LOWER than ADSL price

(II) DILUTIVE ON REVENUES
Previous Narrowband expenditure HIGHER than ADSL price

EQUILIBRIUM POINT

A = B

Basic ADSL retail price

% IP Traffic

Clients

Monthly Narrow Band Revenues

€39

(I) (II)
2 AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

TWO KEY ACTIONS TO DRIVE THE ADSL BUSINESS MODEL

SELECTIVE MARKETING STRATEGY

- 31% NEW ADSL CUSTOMERS IN 2002 DID NOT HAVE IP TRAFFIC AT ALL
- NO ACTIVE MIGRATION OF NARROWBAND HIGH USAGE CLIENTS

WORKING TO INCREASE ADSL ARPU

- FOSTER SPEED UPGRADES
- RESIDENTIAL SERVICES (games, videoconferencing, Imagenio)
- BUSINESS SOLUTIONS (Soluciones ADSL and eBA)
- ADSL FORUM

RESULTING IN

IN 1H02, EACH NEW ADSL CLIENT IS GENERATING, ON AVERAGE, AN ADDITIONAL ARPU OF 25,5€/month COMPARED TO ITS PREVIOUS NARROWBAND SPENDING
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

FIXED TO MOBILE SUBSTITUTION: IMPACT ON TdE WIRELINE REVENUES...

ACCESS LINES
✓ 1.3 Mill. ACCESSES WITHOUT A FIXED CONNECTION
   13% Households only have a mobile access
✓ CAPACITY AND CIRCUITS LEASED TO MOBILE OPERATORS

TRAFFIC
✓ DECREASE IN TRAFFIC: TRAFFIC COMING FROM LOST ACCESSES
   15% Reduction DLD in 2001
   21% Reduction ILD in 2001
✓ INCREASE IN TRAFFIC: FIXED TO MOBILE AND MOBILE TO FIXED

...IS PARTLY OFFSET BY OUR LEADING POSITION IN WIRELESS
✓ OVER 55% MARKET SHARE
✓ MARGINS ABOVE WIRELINE INCUMBENT

45.6%  49%
TESA 2001  TME
46.3%  51.5%
TESA 1H02  TME

HAVING A STRONG DOMESTIC MOBILE OPERATOR IS KEY TO MINIMIZE F2M SUBSTITUTION FOR THE GROUP, IN THE LONG RUN
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

WORKING TOWARDS ARPU STABILIZATION...

CONTRACT NET ADDS (000’S)

3Q01: 110 (x 3) 3Q02: 329

60% rise in prepaid to contract migrations

BLEND MOU (minutes/month)

3Q01: 108 2Q02: 105 3Q02: 109

+5% in contract MOU vs 3Q01

PREMIUM SMS/REVENUES (%)

3Q01: 3.6% 3Q02: 14.1%

Data: 12% of ARPU in 3Q02

ARPU EVOLUTION (€/month)

1Q01: 31 1Q02: 28 3Q01: 32 3Q02: 30

-11% 3Q02 vs 1Q01

-2% 3Q02 vs 3Q01, excluding monthly fee removal

ARPU is improving despite:

✓ Full effect of monthly fee elimination
✓ Further tariff decreases
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

...TO DEFEND DOMESTIC WIRELESS PROFITABILITY

SAC+SRC (%)

-28%

9M01 9M02

SAC+SRC: 10% of adjusted revenues in 3Q02 *

CAPITAL EXPENDITURES **

(€ in Millions)

479 -22% 374

9M01 9M02

Capex: 7% of revenues in 9M02

QUARTERLY EBITDA (%)

53.1% 52.5%

2Q02 3Q02

CASH FLOW *** (€ in Millions)

+38% 2,233

1,620 9M01 9M02

* Net of loyalty points.
** Excluding capitalized UMTS license fee.
*** CF = EBITDA- CAPEX.
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

MANAGING LATAM EXPOSURE WITH A FOCUS ON CASH FLOW

<table>
<thead>
<tr>
<th>WIRELINE</th>
<th>LIS '000 (Jun 02)</th>
<th>FCF (*) 1H02 (Mill. Euros)</th>
<th>% Aprec/(Deprec.) local currency vs Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>4,447</td>
<td>231</td>
<td>-63.0%</td>
</tr>
<tr>
<td>Brasil</td>
<td>12,512</td>
<td>797</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Chile</td>
<td>2,760</td>
<td>213</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Peru</td>
<td>1,764</td>
<td>282</td>
<td>0.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>21,483</td>
<td>1,523 (+63.0%)</td>
<td>-16.9% (**)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WIRELESS</th>
<th>Customers '000 (Jun 02)</th>
<th>FCF (*) 1H02 (Mill. Euros)</th>
<th>% Aprec/(Deprec.) local currency vs Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1,662</td>
<td>21</td>
<td>-63.0%</td>
</tr>
<tr>
<td>Brasil</td>
<td>6,035</td>
<td>228</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Chile</td>
<td>1,710</td>
<td>41</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,281</td>
<td>-1</td>
<td>-9.6%</td>
</tr>
<tr>
<td>Peru</td>
<td>1,181</td>
<td>48</td>
<td>0.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,868</td>
<td>337 (+20.4%)</td>
<td>-12.9% (**)</td>
</tr>
</tbody>
</table>

(*) FCF = EBITDA before management fee - CAPEX.
(**) Weighted by FCF.
(***): Includes TeleLeste in 2001.
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

MANAGING LATAM EXPOSURE

KEY ACTIONS IN ARGENTINA

WIRELINE

COST OPTIMIZATION

 ✓ 1H02 costs* down 18% y-o-y in local currency

 ✓ 1H02 local currency Capex reduced by 74%

 ✓ Bad debt under control at 9% of revenues

 ✓ Prepay represented 34% of gross adds in 1H02

 ✓ No cash injection by TEF Group: we have set a cap on our exposure

COST OPTIMIZATION

CAPEX REDUCTION

CASH CONTROL

DEBT RESTRUCTURING

TELEFÓNICA EXPOSURE TO ARGENTINA (€ in Billion)

Before devaluation 12/31/01 03/31/02 06/30/02

6.0 3.6 1.7 < 1.0

(*) Excluding bad debt and taxes.
AND CONTINUES TO MANAGE CURRENT BUSINESS CHALLENGES

MANAGING LATAM EXPOSURE
PROTECTING AGAINST EXCHANGE RATE DEPRECIATION

$US in Millions (Data as of 06/30/02)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DEBT (LOCAL CURRENCY) *</th>
<th>EXTERNAL NET DEBT $US &amp; OTHERS **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brasil</td>
<td>1,154</td>
<td>-105</td>
</tr>
<tr>
<td>Chile</td>
<td>700</td>
<td>4</td>
</tr>
<tr>
<td>Peru</td>
<td>693</td>
<td>-120</td>
</tr>
</tbody>
</table>

TOTAL EXPOSURE FOR $US EXTERNAL DEBT AS OF 06/30/02 WE HAD ADDITIONAL HEDGES AT THE HOLDING LEVEL

-221

EXCLUDING ARGENTINA, HEDGES GO BEYOND $US EXTERNAL DEBT

* Proportionate to Telefónica stakes. After hedges at the operating companies level.
** Net of Intercompany loans and Cash.
19

TELEFONICA IS COMMITTED TO CASH FLOW GENERATION...

Core businesses and natural markets
Stop losses from non-performing businesses
Tight control of Opex & Capex
Financial discipline

TO

DRIVE CASH FLOW AHEAD OF THE INDUSTRY
WITH A CLEAR COMMITMENT TO IMPROVE SHAREHOLDER´S RETURN
...AND WE HAVE THE FLEXIBILITY...

2H02 MATURITIES FULLY FINANCED WITHOUT ASSET SALES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP</td>
<td>1,572</td>
</tr>
<tr>
<td>Bonds</td>
<td>796</td>
</tr>
<tr>
<td>Bank Lines</td>
<td>1,683</td>
</tr>
<tr>
<td>Total 2H02</td>
<td>4,051</td>
</tr>
<tr>
<td>CP Renewal / Committed Back-up Lines</td>
<td>1,572</td>
</tr>
<tr>
<td>2H02 Free Cash Flow</td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>1,656</td>
</tr>
</tbody>
</table>

TOTAL 2H02 MATURITIES FULLY FINANCED WITHOUT ASSET SALES

CAPACITY TO REPAY DEBT BEFORE ITS MATURITY, IN JUST 5 YEARS *

<table>
<thead>
<tr>
<th>Year</th>
<th>BT</th>
<th>FT</th>
<th>DT</th>
<th>TI</th>
<th>KPN</th>
<th>PT</th>
<th>TEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>10,380</td>
<td>11,728</td>
<td>19,808</td>
<td>26,448</td>
<td>6,115</td>
<td>3,388</td>
<td>25,877</td>
</tr>
<tr>
<td>2003</td>
<td>20,228</td>
<td>69,365</td>
<td>65,176</td>
<td>35,933</td>
<td>15,124</td>
<td>4,992</td>
<td>25,822</td>
</tr>
</tbody>
</table>

...TO INCREASE SHAREHOLDER’S RETURN

A PRIVILEGED POSITION AMONGST THE PEER GROUP*


** EBITDA - Capex

** Best financial position among incumbents
** Capex rationalization, compatible with organic growth

 violate treasury stock up to 2% of capital
** Reinsaate cash dividend in 2003
** Further reduce debt
Telefónica has worked hard to anticipate and adapt to sector trends

We continue to actively address sector & company challenges to improve business outlook

Our strong credit profile gives us the flexibility to concentrate all our efforts on managing day to day operations

We are focused on running core operations in our natural markets

We are actively hedging our Latam exposure to minimize its impact

We have the flexibility to focus on shareholder returns