

Telefonica

**January - March
2001 Results**

This presentation is being broadcast live on the internet

January-March 2001

Euros in millions

	Total Group	% Change 1Q01/1Q00	% Change 1Q00/1Q99
Operating Revenues	7,603.3	17.9%	22.3%
Reported EBITDA	3,128.2	10.9%	3.5%
Reported EBITDA excluding Terra contribution	3,238.2	12.4%	5.7%
Reported Operating Income	1,355.6	14.5%	(5.3%)
Reported Net income	431.8	24.8%	34.2%
Net Income before specific non-recurring items	376.7	31.5%	18.6%

FINANCIAL HIGHLIGHTS BY BUSINESS LINES

Euros in Mill. Business Lines	REVENUES		EBITDA	
	Jan-Mar 01	% Annual Change	Jan-Mar 01	% Annual Change
T. de España	2,588.7	4.4 %	1,255.7	6.4%
T. Móviles	1,939.5	17.4 %	751.2	28.6%
T. Latam	2,594.7	12.9 %	1,291.5	11.0%
T. Data	406.4	55.2 %	7.2	(68.2%)
Terra - Lycos	177.2	395.7 %	(76.7)	26.0 %
T. Media	283.7	n.m.	10.5	n.m.
Directories Business	51.6	(13.0 %)	(10.9)	n.m.
Others and Eliminations	(438.5)	29.2 %	(100.3)	46.7 %
Total Group	7,603.3	17.9 %	3,128.2	10.9 %

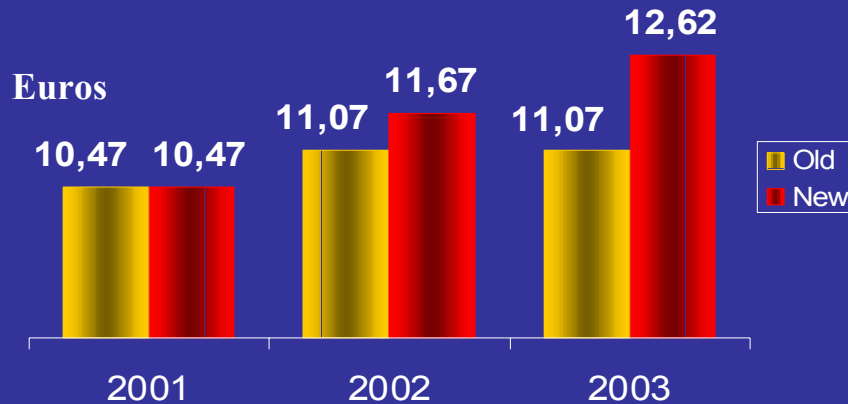
OPERATING HIGHLIGHTS

<i>Thousands</i>	Managed March-01	Absol.chg Mar01/Mar00	%Change Mar01/Mar00
Lines in service	40,536	3,827	10.4%
Cellular customers	25,343	7,947	45.7%
Pay TV customers	1,025	191	23.0%
<i>Total Connections</i>	66,905	11,965	21.8%

- ✓ Proportionate fixed and mobile clients grew at rates close to 55%, reflecting the Latam tender offers
- ✓ Nearly 900,000 LIS and more than 1 million wireless subs added in the first 3 months of the year, purely organic
- ✓ LIS growth driven by Brazil, wireless growth driven by Spain

- **TELEFONICA DE ESPAÑA: tariff rebalancing issue solved**

- *Increase in monthly fee*



- *Other measures*

- Settlement of 2003 price cap: CPI-4%
 - Commercial flexibility on discount schemes and price changes

- **TELEFONICA MOVILES:**

- **SPAIN: regulation reduced uncertainty**

- No additional GSM licenses to be granted unless market conditions allow it
 - UMTS launch delay until June 2002

- **GERMANY: Group 3G's network sharing proposal already submitted**

- Final decision to be announced by the Regulator in June

<i>Parent Company</i> <i>Selected Operating Data</i>	<i>Jan.-March 01/00</i>	
	<i>Jan.-March.01</i>	<i>%Change</i>
Total eq. lines in service (mill.)	20.5	5.1%
Total traffic (mill. min.)	33,737	39.0%
Internet Traffic	8,910	89.5%
Minutes/line/day	20.8	36.5%
Provincial effective price(Euro/100)	6.0	(24.5%)
DLD effective price (Euro/100)	9.0	(17.8%)
% new services/total revenues ⁽¹⁾	27.7%	8.0p.p.
Productivity		
Employees	41,095	(12.5%)
Lines/employee	499.1	20.2%

(1) Internet access, ISDN, Intelligent Network, VPN, Centrex, Broadband services

Broadband	Dec-00	March-01	Today	Dec-01 (e)
ADSL connections	47,950	88,448	112,868	250,000

TELEFONICA DE ESPAÑA GROUP: REVENUES, MARGINS & COST STRUCTURE

GROUP <i>Euros in millions</i>	<i>Jan.-March.01/00</i>	
	<i>Jan.-March 01</i>	<i>%Change</i>
Operating Revenues	2,588,7	4.4%
Operating Expenses before interc.	948.7	-6.0%
Operating Expenses	1,355.6	-0.9%
EBITDA	1,255.7	6.4%

Parent Company <i>Operating Expenses</i>	<i>Jan.-March 01/00</i>	
	<i>Jan.-March 01</i>	<i>%Change</i>
Personnel	512.2	-6.2%
Supplies (ex. interconnection)	97.9	0.9%
Other Operating expenses	202.2	5.3%
Taxes	44.3	1.6%
TOTAL OP. EXPENSES (ex.interc)	856.7	-2.5%
Interconnection	406.9	13.7%
TOTAL OP. EXPENSES	1,263.6	2.2%
EBITDA	1,241.2	4.8%

TELEFONICA DE ESPAÑA GROUP: CUMULATIVE REVENUE AND EBITDA GROWTH EVOLUTION

Expected annual evolution at
Telefónica de España

**CUM. YoY REVENUE
CHANGE (%)**

**CUM. YoY EBITDA
CHANGE (%)**

Peak

1Q01/1Q00

2001/2000 (e)

2001 (e)

1Q00/1Q99

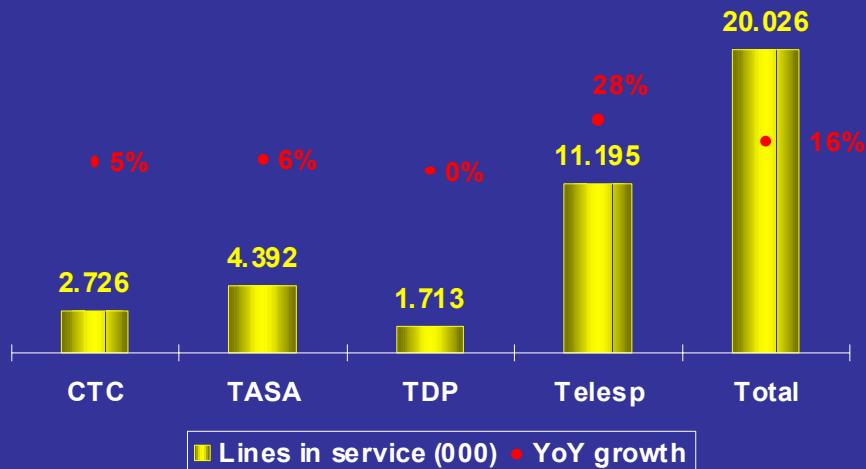
2000/1999

2001 WILL EVOLVE ACCORDING TO ESTIMATES

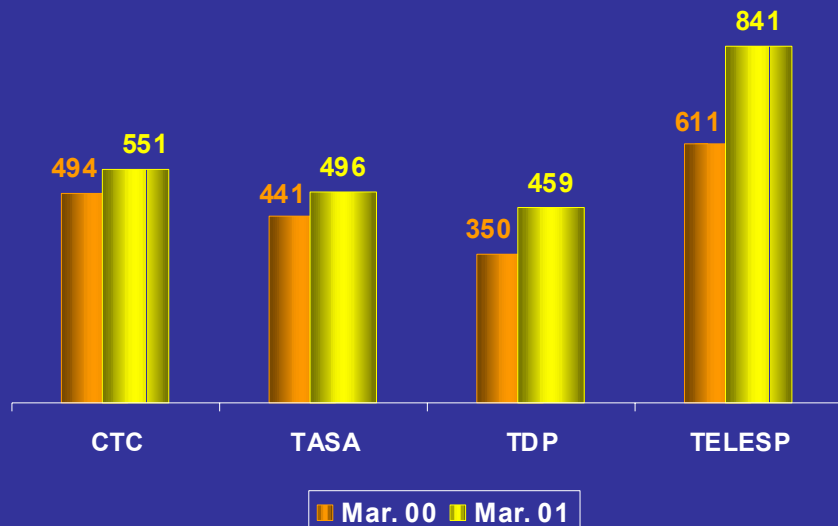
- Impact of last liberalisation measures (ULL, local traffic,...)
- Aggressive price cuts: (Price cap: CPI-9%) and additional discounts
- Intensification on competition
- Commercial efforts on broadband deployment and market share retention

NOTE: Revenues and EBITDA presented on different axes

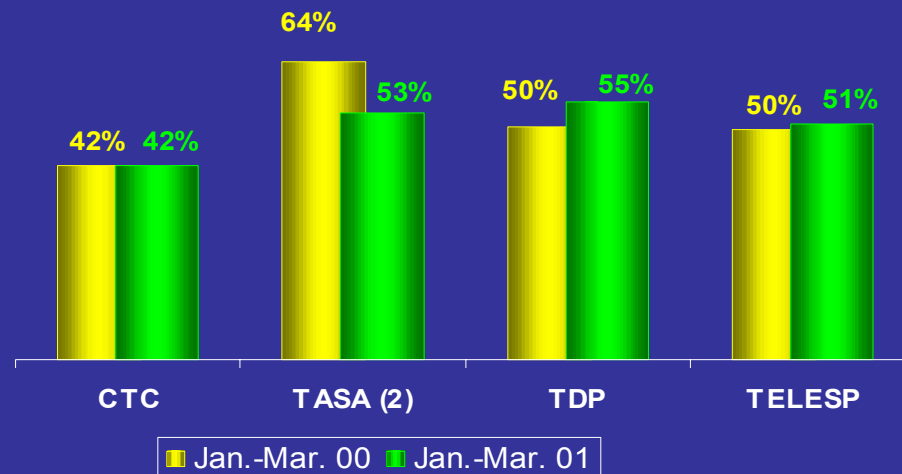
MANAGED LINES IN SERVICE (Mar. 01)



EFFICIENCY (LIS/EMPLOYEE)



EBITDA MARGIN (%) (1)



(1) Only fixed line business. After management fee.

(2) October00 - December00

- Main objective for 2001: achieving regulatory requirements established for 2003 ahead of schedule
- Already completed with the review of the quality of the waiting list



TOTAL CUSTOMERS ('000)	Managed	% Growth	Weighted (*)
T.MOVILES ESPAÑA	14,246	38.9%	13,192
LATAM & MOROCCO	11,097	55.5%	5,941
others not managed	-	-	126
TOTAL	25,344	45.7%	19,134

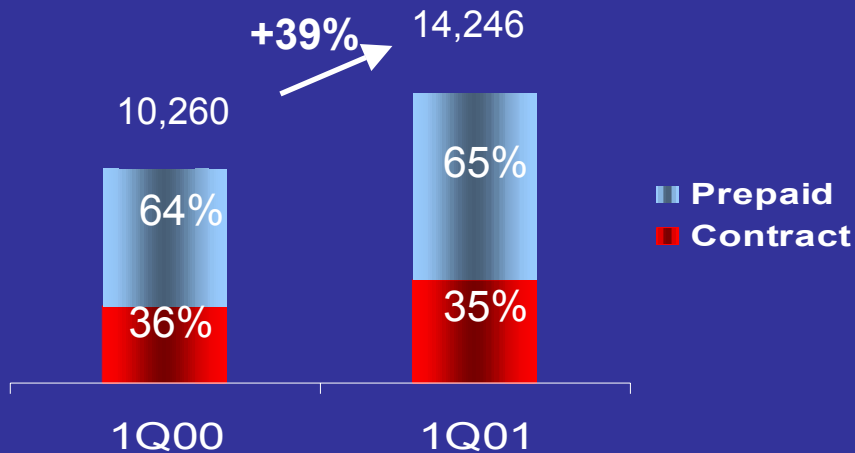
(*) Weighted customers for the economic interest held by Telefónica Group in each company

REVENUES (M Euros)	1Q01	1Q00	% Growth
T.MOVILES GLOBAL (1)	1,939.3	1,651.7	17.4%
T.MOVILES ESPAÑA	1,299.9	1,067.1	21.8%

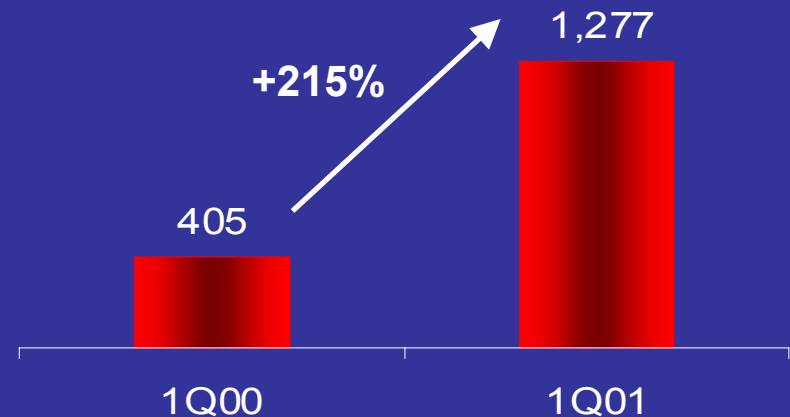
EBITDA (M Euros)	1Q01	1Q00	% Growth
T.MOVILES GLOBAL (1)	751.2	584	28.6%
T.MOVILES ESPAÑA	583.3	388.1	50.3%

(1) Combined Pro-forma figures. Includes T.Móviles España, Tele Sudeste, CRT, TCP (Argentina), T. de Perú, T. Guatemala y T. del Salvador by full consolidation, and Tele Leste, MediTelecom, MoviPay International and Terra Mobile by the equity method

Active customers ('000)



Short Messages ('000)



	1Q01	1Q00	Annual change
Market share	55.9%	58.6%	-2.7 p.p.
Net Adds market share	51.2%	48.3%	2.9 p.p.
Estimated traffic share	61%	64%	-2.8 p.p.
SMS/customer/month	31	15	107%
VAS & content SMS/total	26%	6%	20 p.p.
% Data revenues (1)	11.5%	6.8%	5.5 p.p.
SAC + SRC (2)	-	-	-21%

(1) Data revenues over customer revenues

(2) SAC: Subscriber Acquisition Costs SRC: Subscriber Retention Costs

MOBILE TELEPHONY IN LATAM: PROFITABLE GROWTH

BRAZIL

	<i>Tele Sudeste C.</i>	<i>Celular CRT</i>	<i>Tele Leste C.</i>
Customers ('000)	2,601.6	1,542.9	714.4
Annual change	30%	46%	25%
Market share	63%	72%	62%
EBITDA margin	46.2%	44.6%	43.8%
Annual change	10.0 p.p.	9.5 p.p.	19.9 p.p.

ARGENTINA, CHILE AND PERU

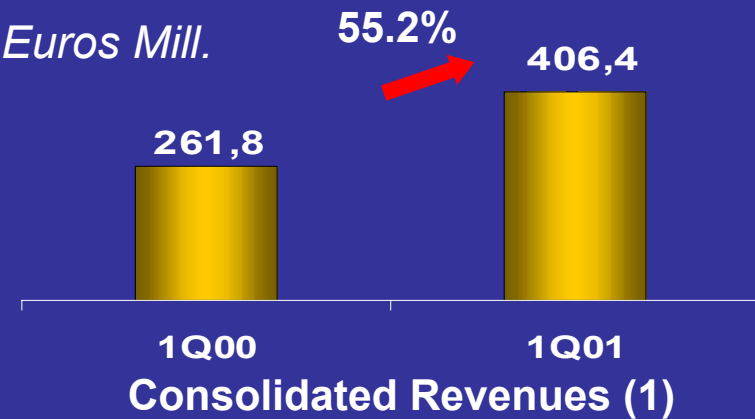
	<i>Unifon</i>	<i>Startel</i>	<i>T.Móviles Perú</i>
Customers ('000)	1,851.7	1,295	921
Annual change	52%	8%	23%
Market share	26%	36%	68%
EBITDA margin	9.5%	30%	28.1%

MEXICO: 1,032,032 customers according to TEM's conservative criteria

GUATEMALA & EL SALVADOR: 390,000 customers (+59%)

PUERTO RICO: 172% increase in the customer base (> 169,500)

Telefónica Data




- Telefónica has completed the acquisition of MediaWays, which is included on a proforma basis since January 1st for Q1 01.
- All the segregated Latin-American companies are included in the proforma figures.
- New TIC in Lima (Perú).
- Agreement with Akamai Technologies leader in content replication, content delivery and streaming.

Emergia

- In March 01, Emergia has concluded the 25,000 km. fiber optic submarine ring with an investment of 1.3 bn. US\$
- The initial capacity is 40 Gbps with the possibility to upgrade up to 1.92 Tbps.
- In the coming years growth in the bandwidth market of between 60% - 100% year over year is foreseeable.

(Euros Mill.)	January-March 2001	
	REVENUES	EBITDA
ENDEMOL	198.6	37.5
ATCO	39.4	(5.6)
ONDA CERO	16.0	(3.2)
OTHERS	29.7	(18.2)
TOTAL	283.7	10.5

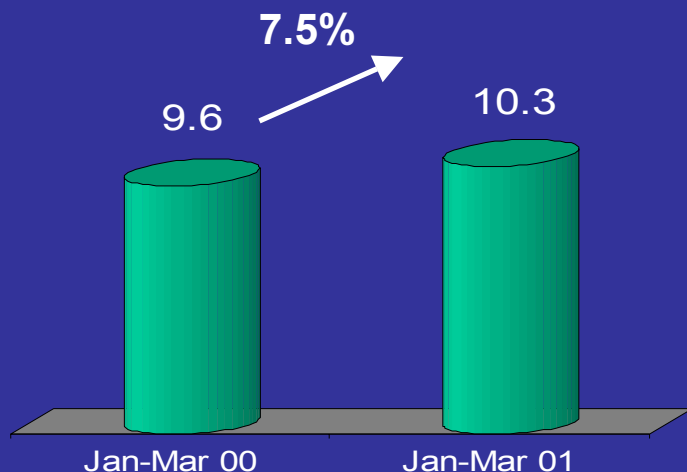
- ✓ Vía Digital: 674,000 subscribers, 34.7% growth over March 2000
- ✓ Antena 3, highest ratio of Market share/Audience share (1.35) in Spain
- ✓ Onda Cero, consolidated as the 2nd radio station in Spain with an audience exceeding 2,775,000

(Euros Mill.)	<u>1Q01</u>	<u>4Q00</u>	<u>1Q00</u>	<u>%1Q01/1Q00</u>
REVENUES (*)	178	188	111	60%
<p>1Q01 REVENUE MIX</p>  <p>Media 69% Access 31%</p> <p>US 56% Spain Latam 40% Others 4%</p>				
(Euros Mill.)	<u>1Q01</u>	<u>4Q00</u>	<u>3Q00</u>	<u>%1Q01/3Q00</u>
EBITDA margin (*)	-43%	-54%	-71%	+28 p.p.

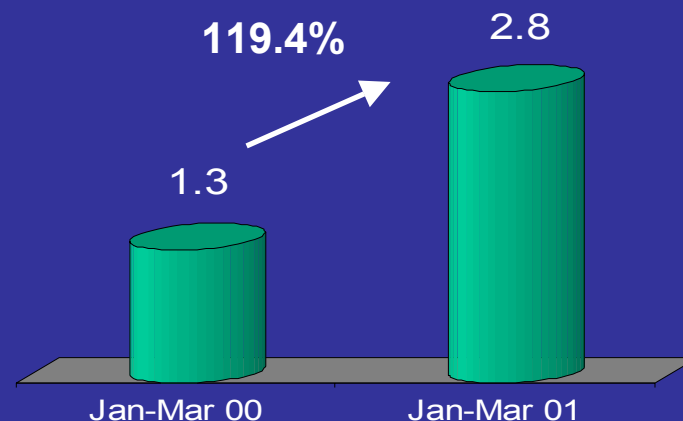
- ✓ 23% average daily page views growth during the last quarter
- ✓ More than 5% increase in the number of unique users over previous quarter
- ✓ 7 million access subscribers, 15% increase over 4Q00
- ✓ Stable and diversified revenue generation
- ✓ Process driven cost reductions; synergies paying-off

(*) Proforma

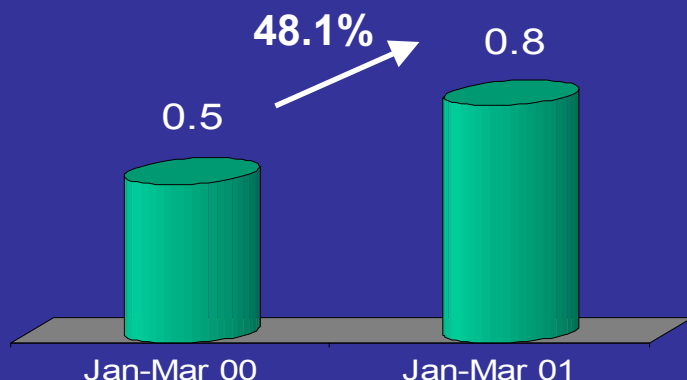
Yellow pages revenues (Euros MM) (*)



Internet revenues (Euros MM)



Talking pages revenues (Euros MM)



Operating Highlights

<i>Thousands</i>	1Q01	%Change
Nº visits	5,391	177.7%
Page views	96,836	141.6%
Talking Y.Pages	419	33.0%

(*) Book to Book comparison.

NET FINANCIAL EXPENSES (*)

Euros in millions	Mar01	Mar00	% Change
Debt financial expense	(594.1)	(437.6)	35.8%
Other financial expense	(13.9)	(7.8)	79.4%
Financial Income	280.5	105.4	166.3%
Net interest	(340.0)	(327.5)	(3.7%)
Financial provisions and net forex	(160.2)	(38.8)	312.4%
Net financial results	(487.7)	(378.8)	31.4%

(*) Global consolidation

ASSETS

- ✓ Natural hedges, corporate restructurings

- ✓ Operating companies debt restructuring

- ✓ Efficient internal financing circuit

- ✓ Hedges

FINANCIAL DEBT

OPERATING FLOWS

- ✓ Short term impact, recovery of economic growth in medium term

- ✓ Management of the environment: rationalize CAPEX, focus on bad debt expense and cost control



⇒ Controlled impact from Balance Sheet exposure

⇒ Controlled impact on cash-flows

CONCLUSIONS: PROGRESSING ON MANAGEMENT PRIORITIES

- ✓ **CONTINUE IMPROVING RESULTS IN CONSOLIDATED BUSINESSES**
 - ✓ Substantial growth on wireline and wireless operating figures
 - ✓ Increased contribution to profitability
 - ✓ T.Latam main contributor to EBITDA in absolute terms
 - ✓ T.Móviles main contributor to EBITDA growth
- ✓ **TOP QUALITY OF RESULTS: MANAGING KEY PERFORMANCE METRICS**
 - ✓ Achieved diversification by business and by geography
 - ✓ Organic EBITDA growth
 - ✓ Operating profits increase higher than EBITDA growth
- ✓ **DRIVE DEVELOPING BUSINESSES TOWARDS PROFITABILITY**
 - ✓ T.Media improved operational performance.
- ✓ **CURRENCY RISK MANAGEMENT ASSURES CONTROLLED IMPACT ON
POTENTIAL LATAM RISK**

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Telefónica
