

Telefonica



January - September 2001 Results

This presentation is being broadcast live on the internet

FINANCIAL HIGHLIGHTS

Euros in Mill. Business Lines	REVENUES		EBITDA	
	Jan-Sep 01	% Annual Change	Jan-Sep 01	% Annual Change
T. de España (Operating C.)	7,398.6	3.7 %	3,492.9	3.0%
T. Móviles	6,168.5	12.7 %	2,529.3	35.5%
T. Latam	7,605.7	1.0 %	3,856.4	-2.3%
Total Group	23,083.4	11.2%	9,641.2	8.5%

✓ STRONG RESULTS AT ALL LEVELS

⇒ Slight slowdown in revenues and EBITDA growth due to negative Fx contribution, although EBITDA margin remains stable vs 1H01

⇒ EBITDA growth of 11.9% (Jan-Sep) versus 9.9% (Jan-Jun) on a proforma basis excluding Fx

✓ T.MOVILES: EBITDA margin improvement vs 1H01 & acceleration of business

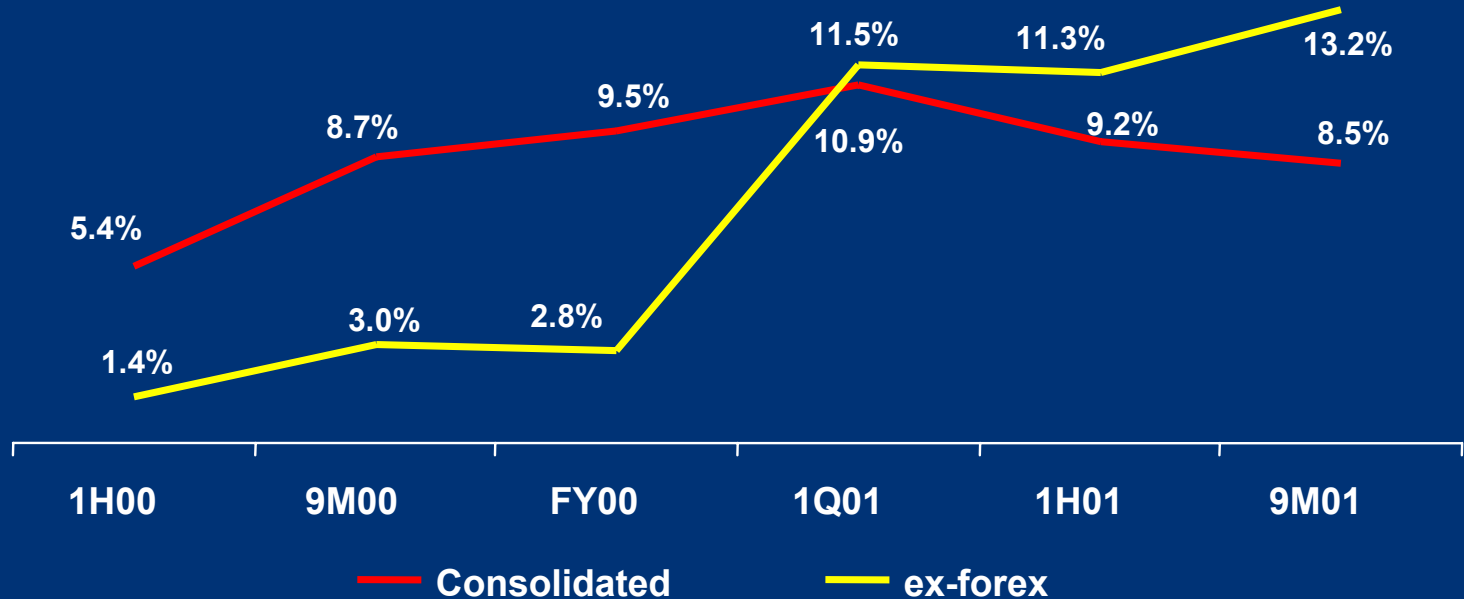
✓ T.LATAM: + 9.8% in revenues and +6.3% in EBITDA, excluding Fx, in Euro terms

✓ SOLID PERFORMANCE OF SPANISH BUSINESSES

✓ LOWER NET DEBT AND CAPEX

EVOLUTION OF EBITDA AND NET INCOME

ACCUMULATED EBITDA GROWTH

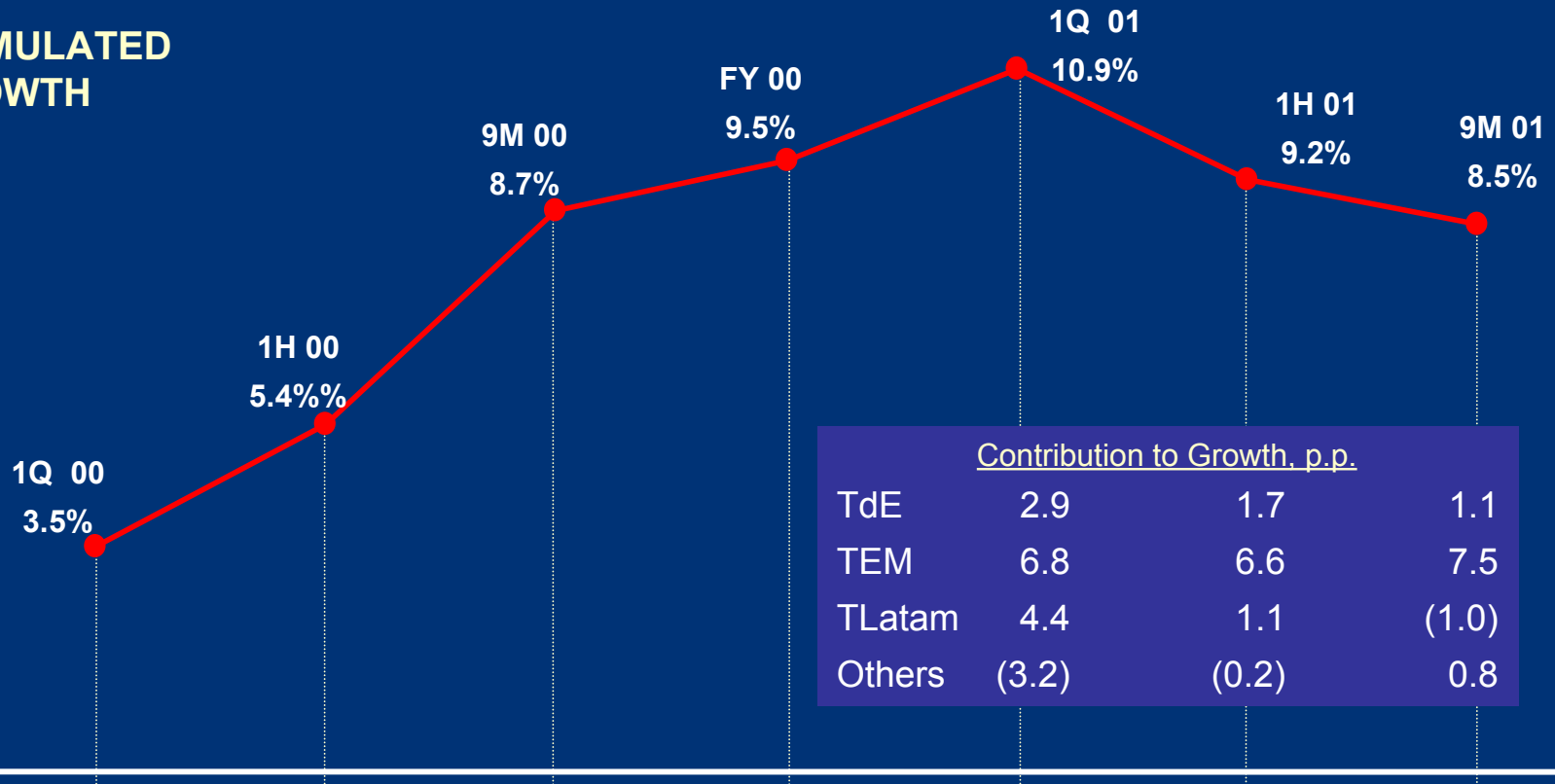


<i>Euros in millions</i>	Jan-Sep 01	%Change 9M01/9M00
Reported Net Income (*)	1,591.0	7.2%
Net income (ex-goodwill) (*)	2,236.7	26.1%
Net income (ex Extraordinary) (*)	1,498.1	40.1%
Net income (ex-goodwill & Extraordinary) (*)	2,143.8	57.7%

(*) Without considering minorities

MAIN CONTRIBUTORS TO EBITDA GROWTH: THE VALUE OF DIVERSIFICATION

**% OF ACCUMULATED
EBITDA GROWTH**



	1Q 00	1H 00	9M 00
TdE	2.9	1.7	1.1
TEM	6.8	6.6	7.5
TLatam	4.4	1.1	(1.0)
Others	(3.2)	(0.2)	0.8

Structure of EBITDA	1Q 00	1H 00	9M 00	FY 00	1Q 01	1H 01	9M 01
TdE	42%	40%	38%	37%	40%	38%	36%
TEM	20%	20%	21%	21%	24%	24%	26%
TLatam	41%	43%	44%	45%	41%	41%	40%
Others (*)	(3%)	(3%)	(3%)	(3%)	(5%)	(3%)	(2%)

(*) Include eliminations

TELEFONICA DE ESPAÑA : OPERATING DRIVERS AND COST STRUCTURE

Operating Company

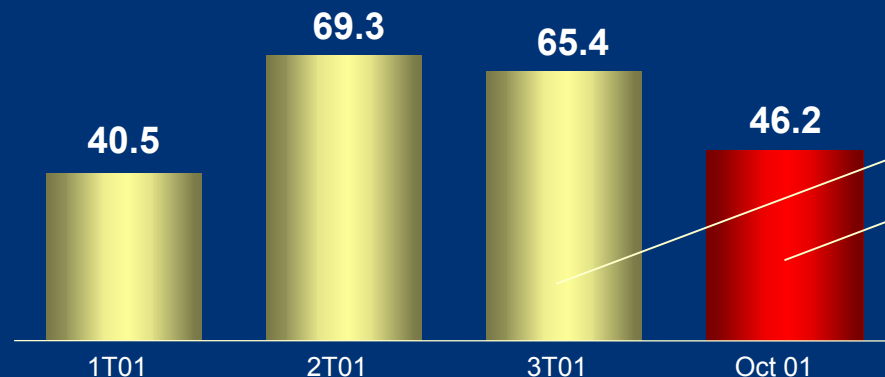
<i>Selected Operating Data</i>	<i>Jan.-June 01</i>	<i>% Change</i>	<i>Jan.-Sep 01</i>	<i>% Change</i>
Total eq. lines in service (mill.)	20.6	4.1%	20.7	3.0%
Total traffic (mill. min.)	68,940	38.2%	102,308	33.5%
Minutes/line/day	21.13	35.3%	20.78	30.8%
Franchised products (thousands)	2,943.6	340%	3,235.9	273.8%
Productivity (lines per employee)	502.8	15.9%	504.6	13%

Operating Company

<i>Cost structure (million Euros)</i>	<i>Jan.-June 01</i>	<i>% Change</i>	<i>Jan.-Sep 01</i>	<i>% Change</i>
OPER. EXPENSES	2,585.2	0.8%	3,930.8	0.0%
Personnel	1,019.0	-6.3%	1,526.7	-7.1%
Supplies	1,060.1	7.9%	1,627.2	3.5%
- Interconnection	846.9	9.1%	1,298.8	2.9%
Other oper.expenses	417.9	2.8%	647.7	10.1%
Taxes	88.1	0.4%	129.2	1.3%
EBITDA	2,455.5	4.4%	3,492.9	3.0%

TELEFONICA DE ESPAÑA: BROADBAND

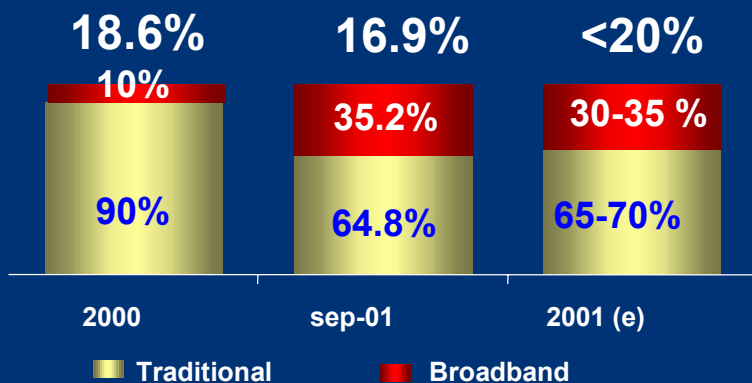
ADSL NET ADDS ('000)



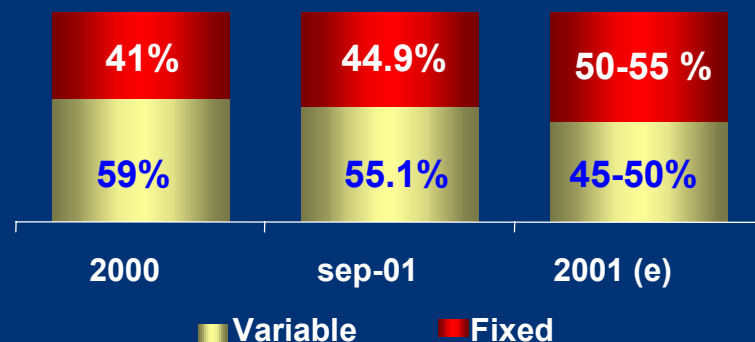
Retail TdE (Telefónica.net):
14,624 net adds in September and
22,573 in October

BROADBAND	Dec-00	March-01	June-01	Sept-01	Oct-01	Dec-01 (e)
ADSL wholesale	47,950	88,448	157,702	223,158	269,237	300,000

CAPEX/REVENUES

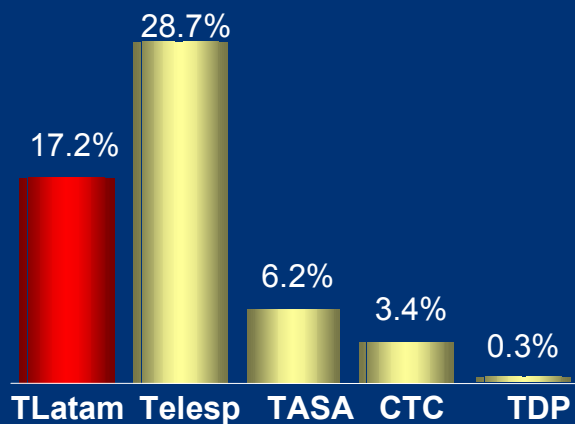


FIXED REVENUES vs VARIABLE REVENUES

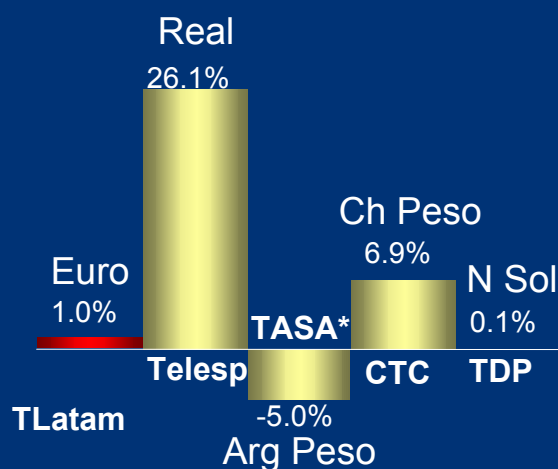


LATAM WIRELINE

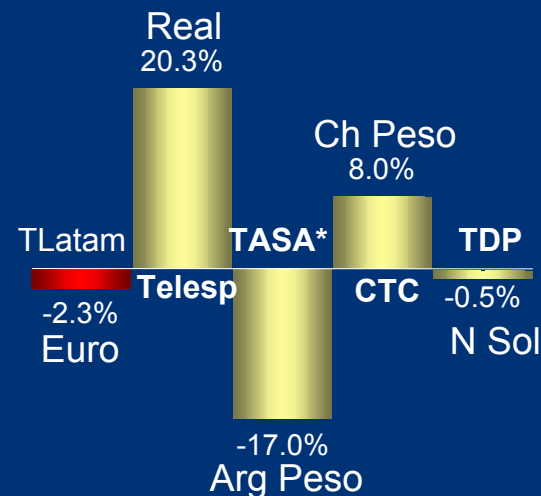
Lines in Service
% change Sep01/Sep00



Operating Revenues
% change Sep01/Sep00



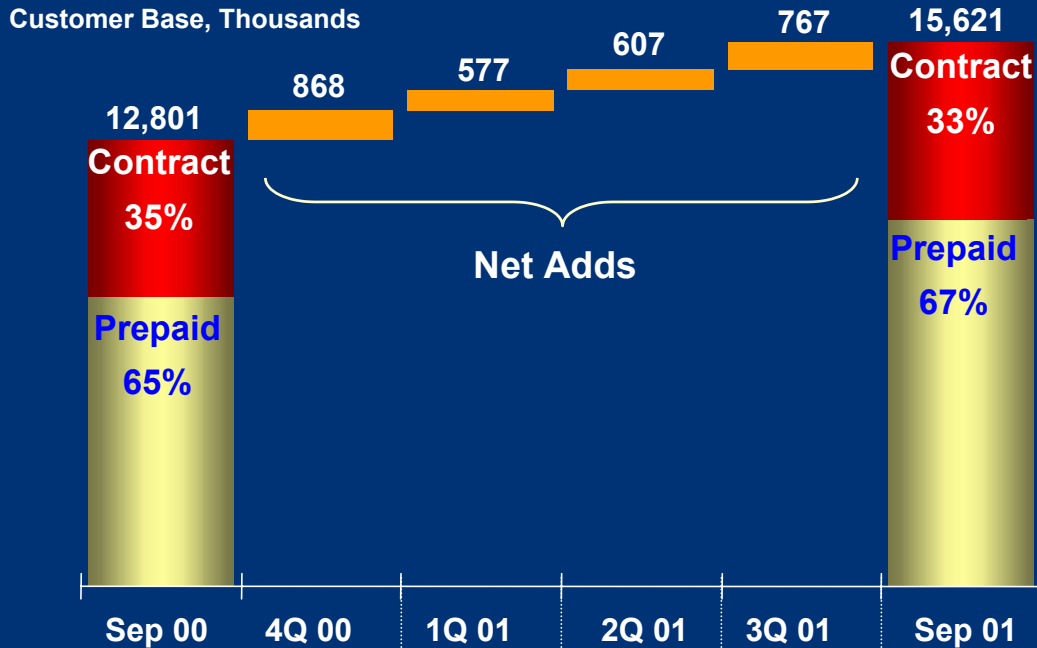
EBITDA
% change Sep01/Sep00



	<u>T Latam</u>	<u>Telesp</u>	<u>TASA</u>	<u>CTC</u>	<u>TDP</u>
Lines in Service	21,610	12,612	4,521	2,752	1,725
LIS/Employee	867	1,028	514	744	468
Bad debt/Revenues	3.8%	3.1%	5.3%	2.5%	3.0%
Local currency/Euro	-	-17.1%	5.3%	-14.6%	6.0%

* Nine months of the fiscal year in Argentina: October 2000/June 2001

TELEFONICA MOVILES SPAIN: CUSTOMER MIX IS INCREASING PROFITABILITY



- Lower ARPU and lower SAC
- No bad debt risk and money collected in advance
- Higher average revenue per minute
- Lower loyalty costs & similar churn rate



- ✓ Higher per minute margins
- ✓ Higher per new customer margins
- ✓ Higher EBIT margins

Blended MOU, %q-o-q	-1.6%	4.0%	1.5%
Blended ARPU, %q-o-q	-0.6%	-0.9%	2.7%

- Decreasing Blended SAC, 40% y-o-y
- Decreasing Blended Churn, 49% y-o-y

% EBITDA, quarterly	44.9%	48.3%	55.2%
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TELEFONICA MOVILES LATAM

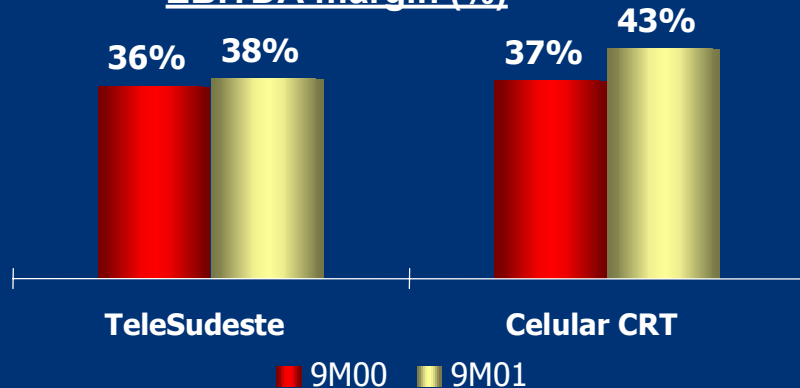
	9M01 (MM€)	% change 9M01/9M00	
		Euros	Ex-forex
Revenues	1,951.4	4.3%	11.9%
EBITDA	525.3	(1.2%)	14.0%

BRAZIL

9M01/9M00 Change (%)

(Real)	Revenues	EBITDA
TeleSudeste	+13.5%	+17.8%
Celular CRT	+8.6%	+26.3%

EBITDA margin (%)

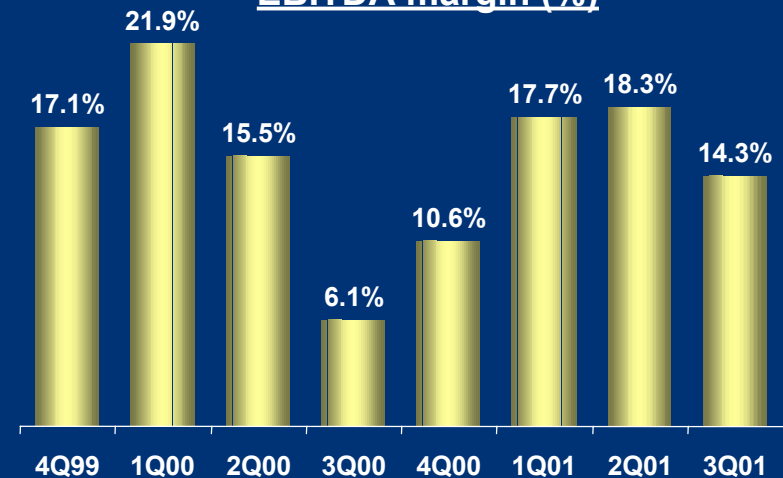


ARGENTINA

9M01/9M00 Change (%)

(Arg Peso)	Revenues	EBITDA
Unifon	-5%	-31.3%

EBITDA margin (%)



Different business models for different market conditions

Incumbent Data Operator

Alternative Carrier

Clients

Corporations, NEPs (*),
TEF Group

Selective on Corporations,
SMEs & SOHO

Infrastructure

Own Data Network
Efficient use of
incumbent infrastructure

Selective deployment
Lease third party
infrastructure

Services

VAS, Internet &
Corporate data services

Global portfolio
based on IP

**Growth
Strategies**

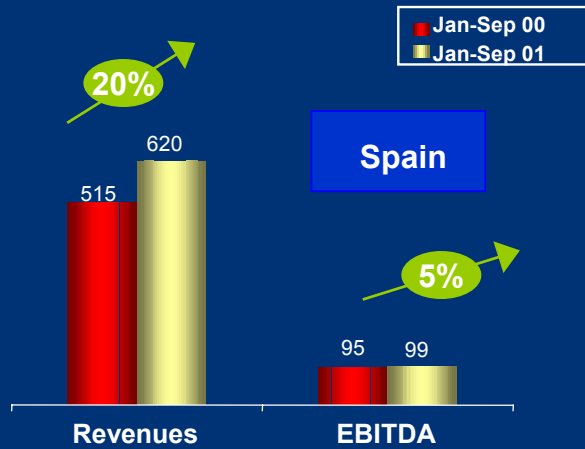
Loyalty based on VAS
(Hosting, ASP, e-Consulting)

Focus on Scale

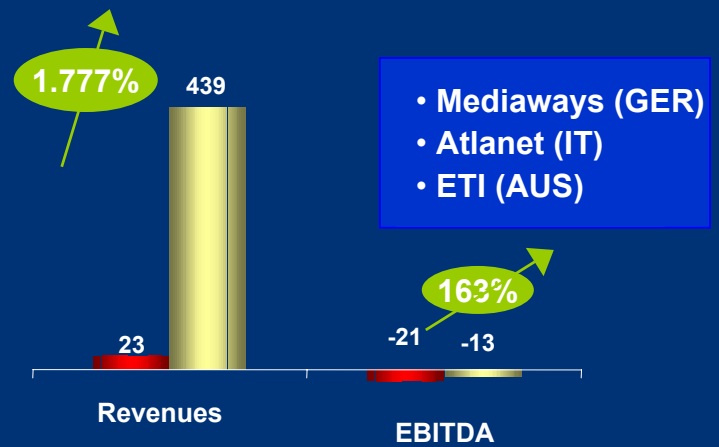
(*) NEP: New Economy Player

DATA BUSINESS: STRATEGIC REPOSITIONING

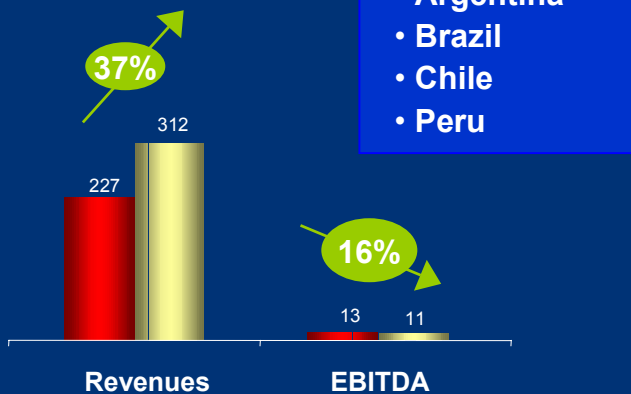
Incumbent Europe



New Entrant Europe



Incumbent America



EBITDA
MARKET SHARE

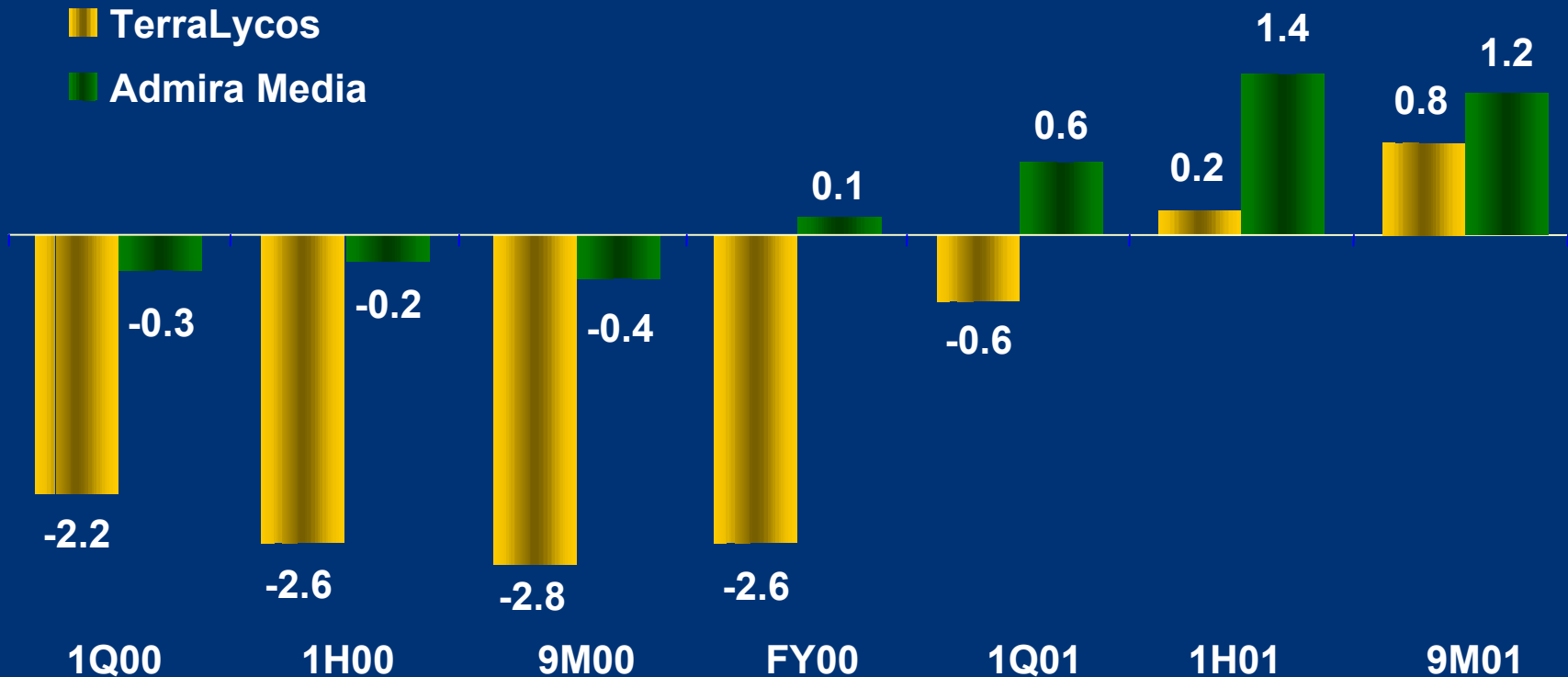
New Entrant America



(*) Including obtained margin by incumbent fixed telephony operator on leased circuits

START-UP BUSINESSES' PERFORMANCE

Contribution to consolidated EBITDA growth (p.p.)



- Acquisitions and improved management practices have enabled Terra Lycos and Admira Media to positively contribute to consolidated EBITDA growth

NET FINANCIAL EXPENSES (*)

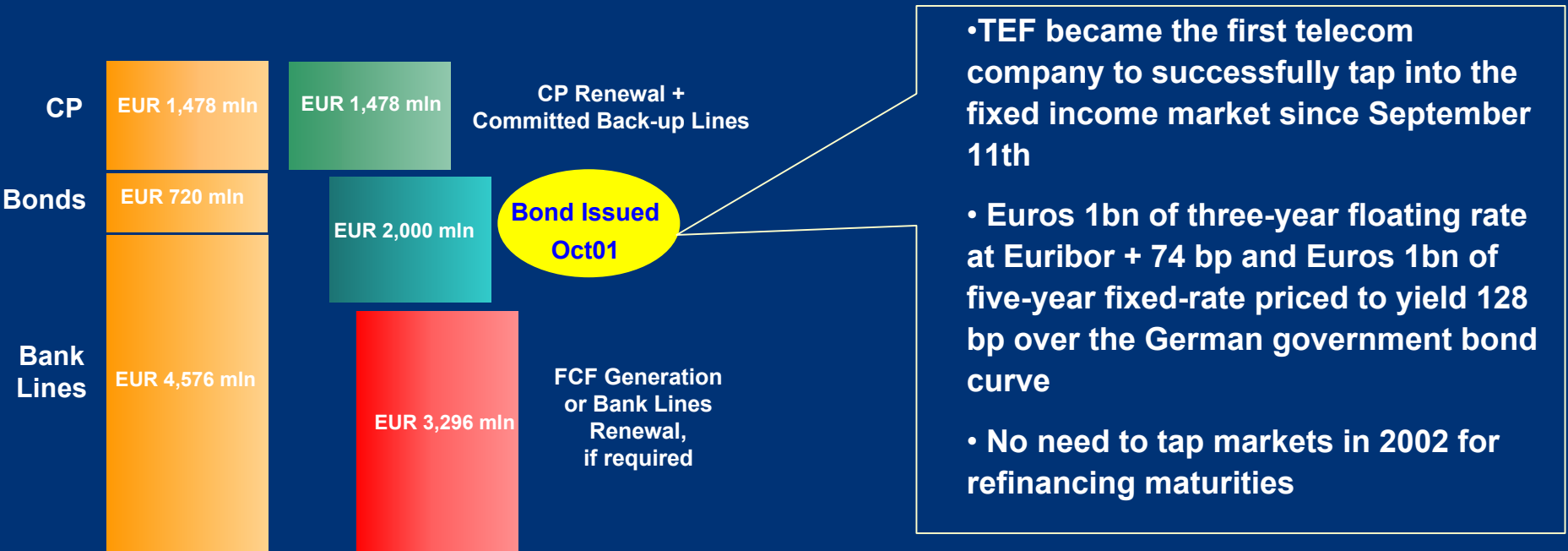
Euros in millions	Sep01	Sep00	% Change
Debt financial expense	(1,490)	(1,529)	(4.1%)
Other financial expense	(45)	(26)	76.2%
Financial Income	326	281	48.1%
Net interest	(1,209)	(1,274)	(4.2%)
Financial provisions and net forex	(138)	(27)	366.9%
Net financial results	(1,347)	(1,301)	3.5%

(*) Global consolidation

NET DEBT EVOLUTION AND MATURITY SCENARIO FOR 2002

Million Euro	<u>December 00</u>	<u>March 01</u>	<u>June 01</u>	<u>September 01</u>
Net Debt	26,951	29,581	31,244	29,731

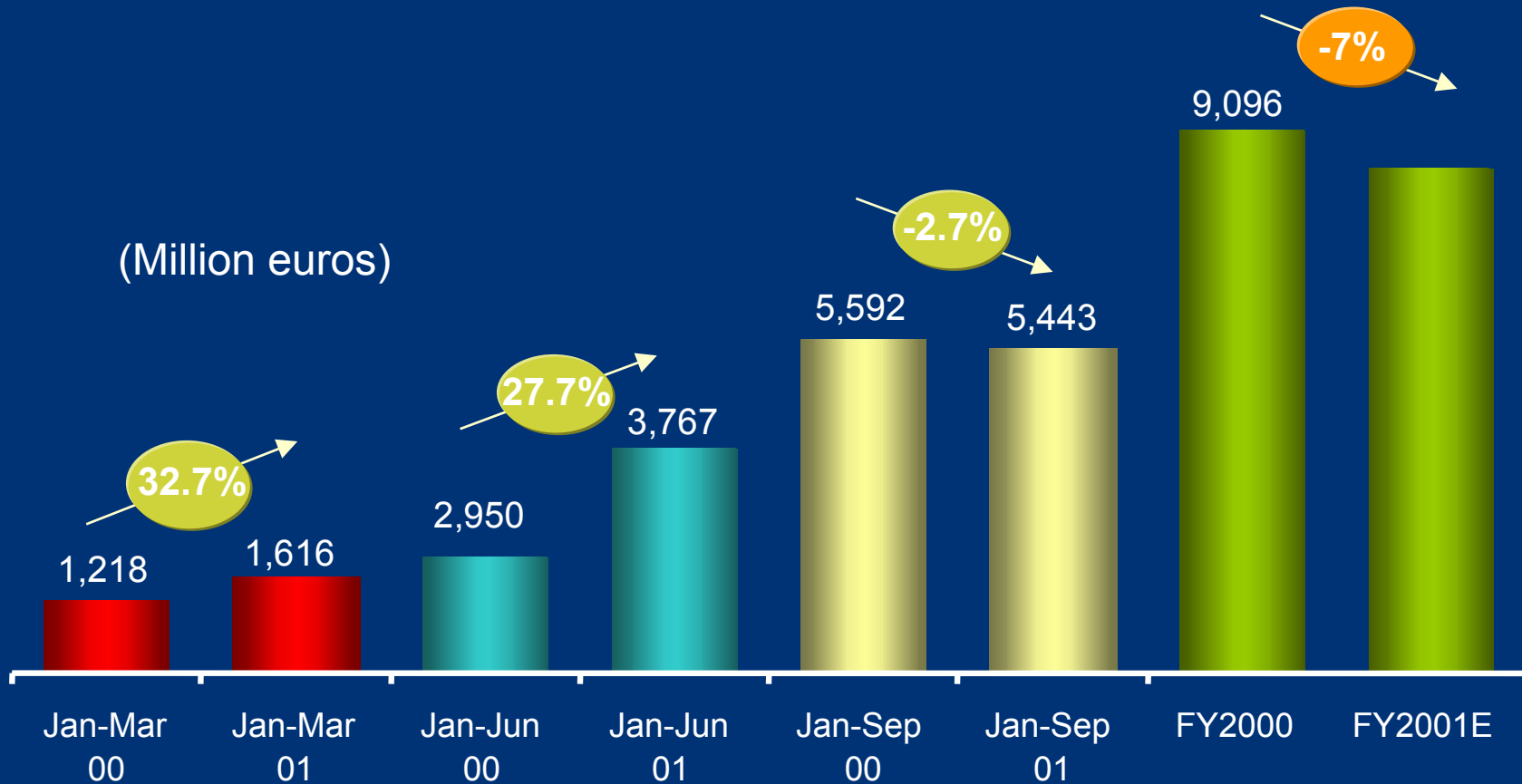
2002 Total maturities: EUR 6,774 mln (*)



(*) Tranche A of Aug-00 Syndicated Loan maturing in Aug-02 could be refinanced with Tranche B maturing in 2003

CAPITAL EXPENDITURE

YEAR OVER YEAR CAPEX EVOLUTION



- ✓ **STRONG RESULTS AT ALL LEVELS**
- ✓ **T.MOVILES: EBITDA margin improvement vs 1H01 & acceleration of business**
- ✓ **T.LATAM: + 9.8% in revenues and +6.3% in EBITDA, excluding Fx, in Euro terms**
- ✓ **SOLID PERFORMANCE OF SPANISH BUSINESSES**
- ✓ **LOWER NET DEBT AND CAPEX**

MANAGEMENT PRIORITIES CONTINUE TO BE

- **Improve free cash-flows**
- **Tap all growth opportunities**
- **Ensure a proper return on capital**

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