

Telefonica



January - March 2002 Results

This presentation is being broadcast live on the internet

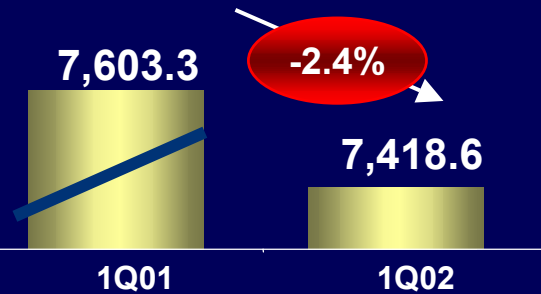
This presentation to analysts contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations 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.

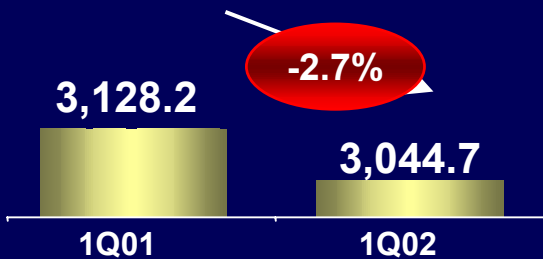
Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and 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.

Telefonica FINANCIAL HIGHLIGHTS (I)

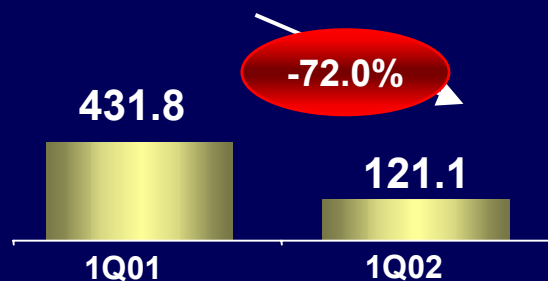
REVENUES (€ in Millions)



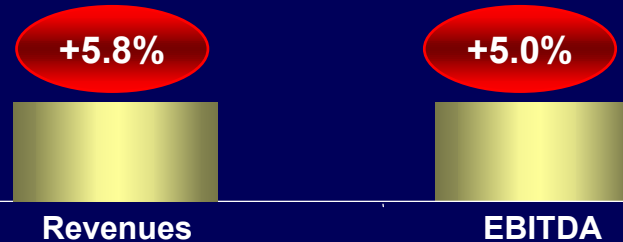
EBITDA (€ in Millions)



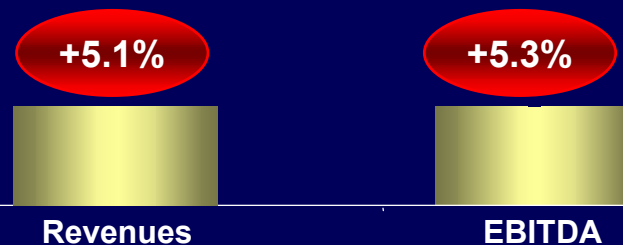
NET INCOME (€ in Millions)



GROWTH RATES EXCLUDING ARGENTINA



GROWTH RATES EXCLUDING Fx



✓ ARGENTINA

TASA: -7.5% in revenues and -7.0% in EBITDA, ex-Fx.
Peso exchange rate loss: 254 mill.Euros in net income.

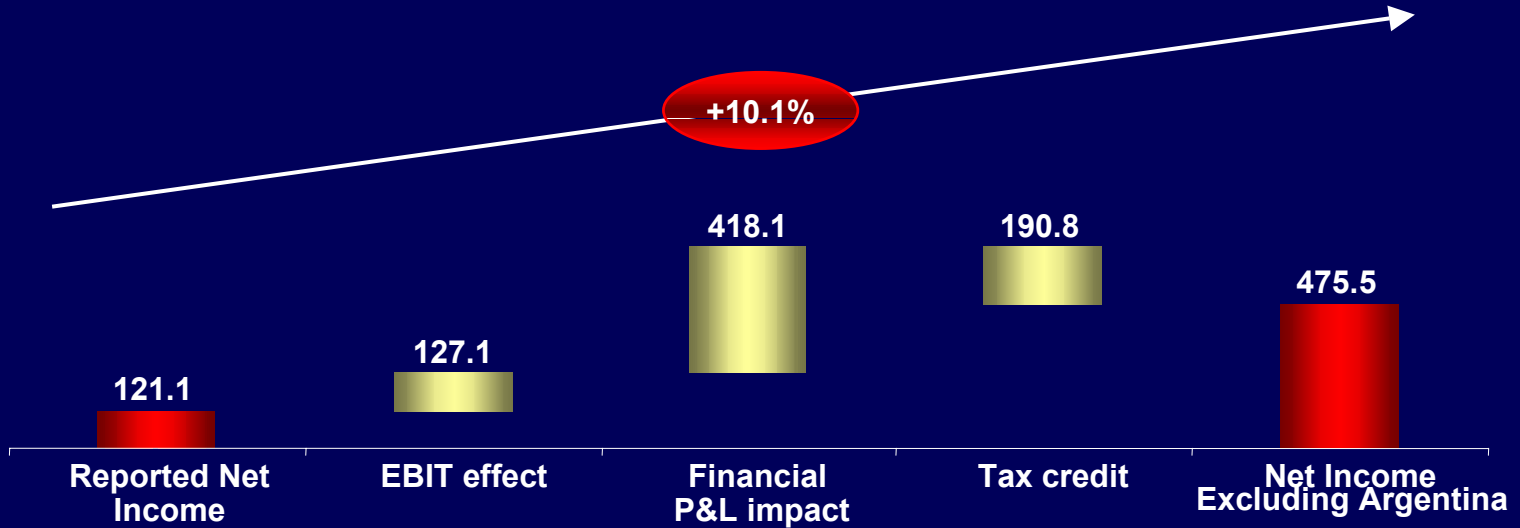
✓ LATAM EXCHANGE RATES

Close to -8 p.p. to both revenues and EBITDA growth.

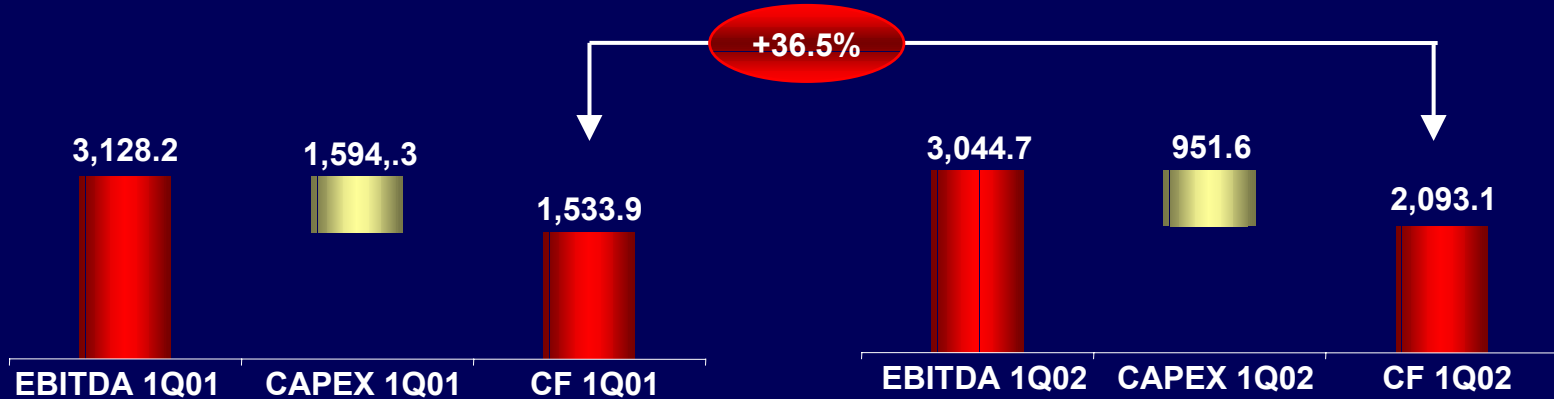
✓ SLOWER REVENUES IN SOME BUSINESS AREAS

TdE rev. and EBITDA: -2.7% and -10.3%, as anticipated.

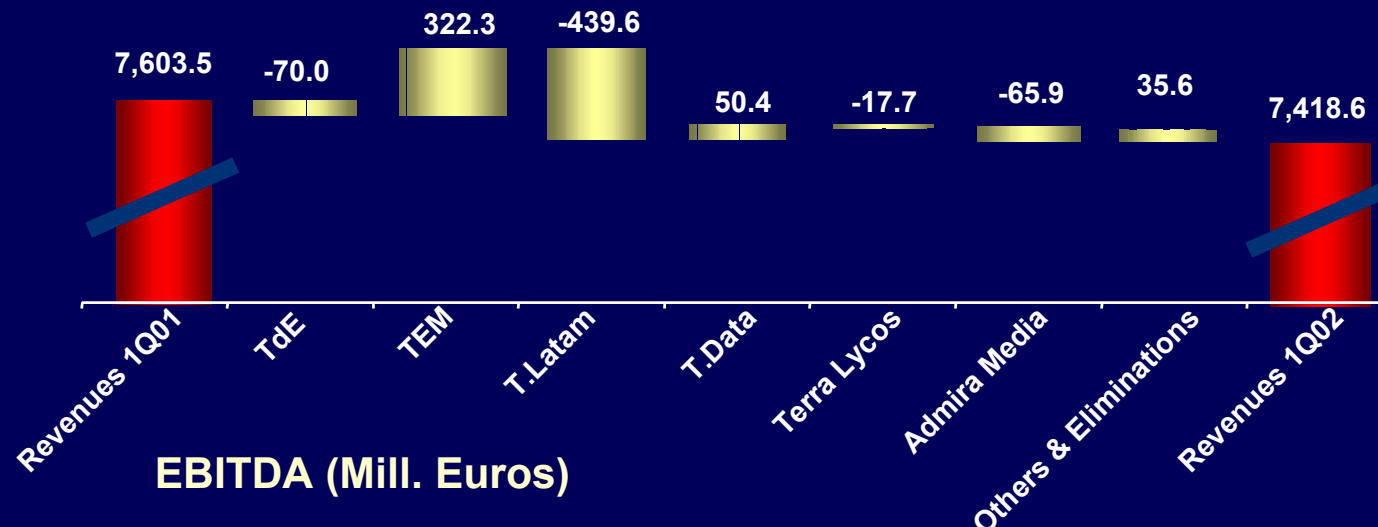
RECONCILED NET INCOME EXCLUDING ARGENTINA (Million Euros)



CASH FLOW GENERATION (Million Euros)



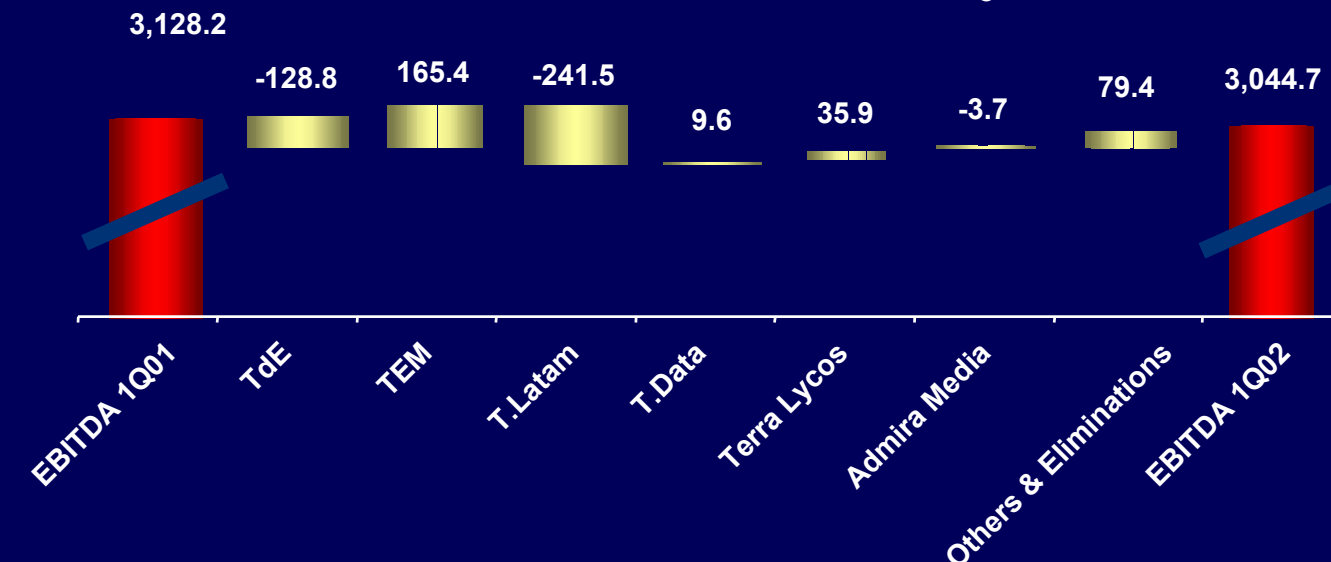
REVENUES (Mill. Euros)



Contribution to Growth

TEM: +4.2 p.p.
TdE: -0.9 p.p.
T.Latam: -5.8 p.p.

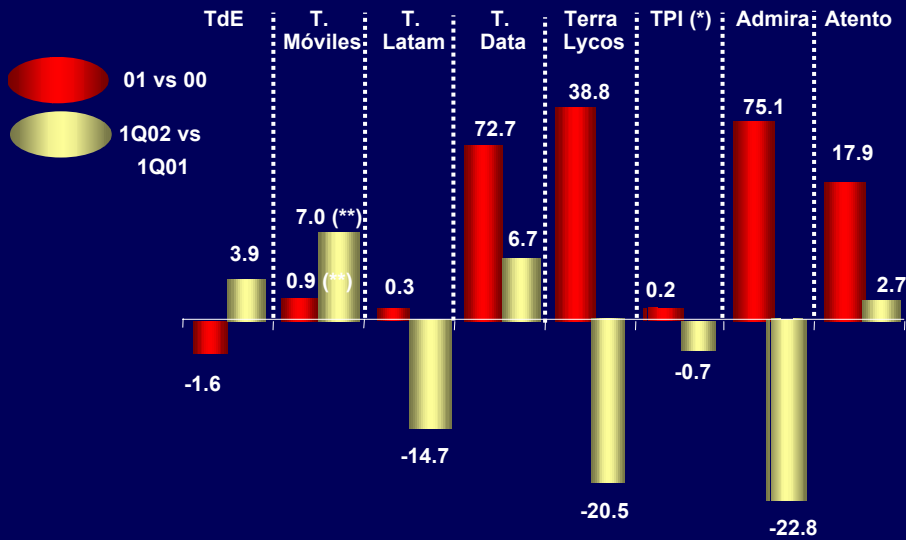
EBITDA (Mill. Euros)



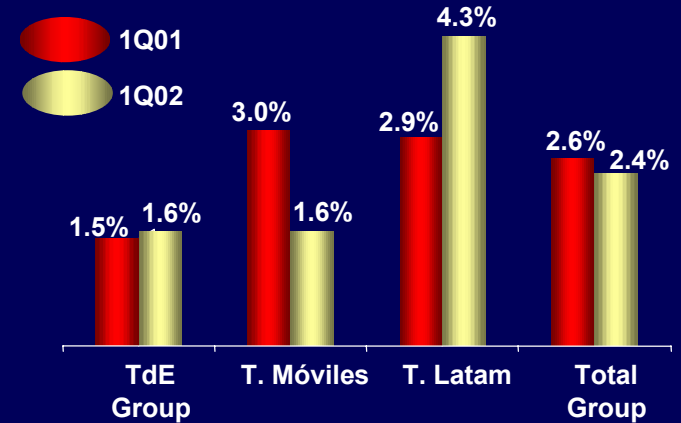
Contribution to Growth

TEM: +5.3 p.p.
TdE: -4.1 p.p.
T.Latam: -7.7 p.p.

COST RATIONALIZATION (%) (*)



BAD DEBT (as a % of revenues)



- ✓ All subsidiaries are managing costs successfully
- ✓ TdE was affected by the ADSL roll-out
- ✓ T. Móviles was affected by the centralized handset model

- ✓ Strong management of T. Móviles client base
- ✓ TdE provisions are stabilizing
- ✓ Argentina and the application of more conservative criteria have impacted Latam provisioning

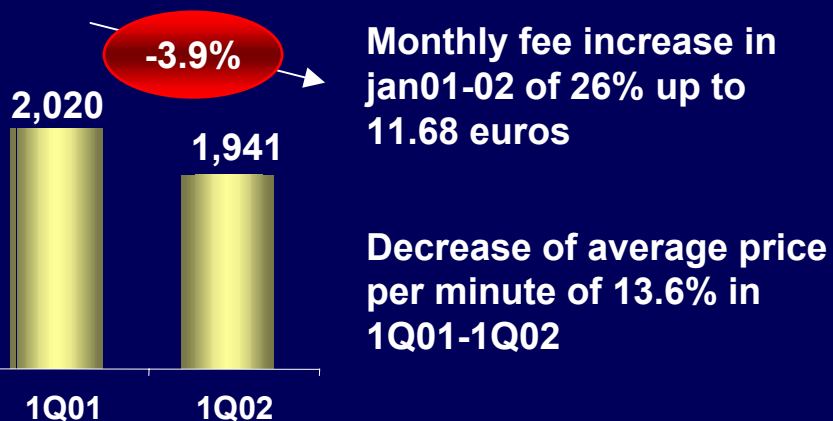


Group EBITDA margin at the 41% level

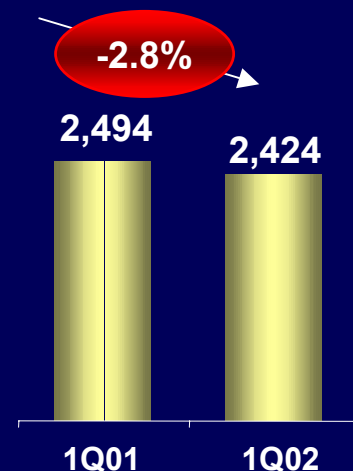
(*) Operating expenses, including bad debt provisions.

(**) Excluding Handset Costs

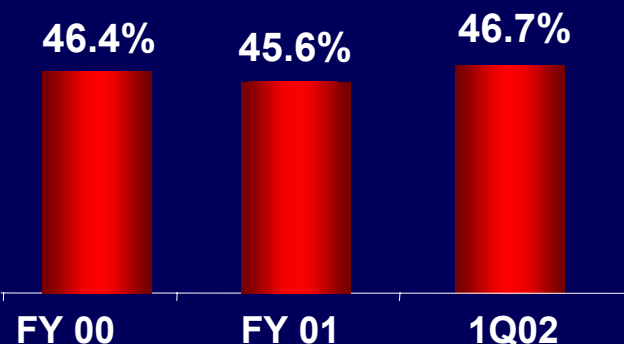
VOICE REVENUES (€ in millions)



OPERATING REVENUES (Parent Company)



CUMULATIVE EBITDA MARGIN



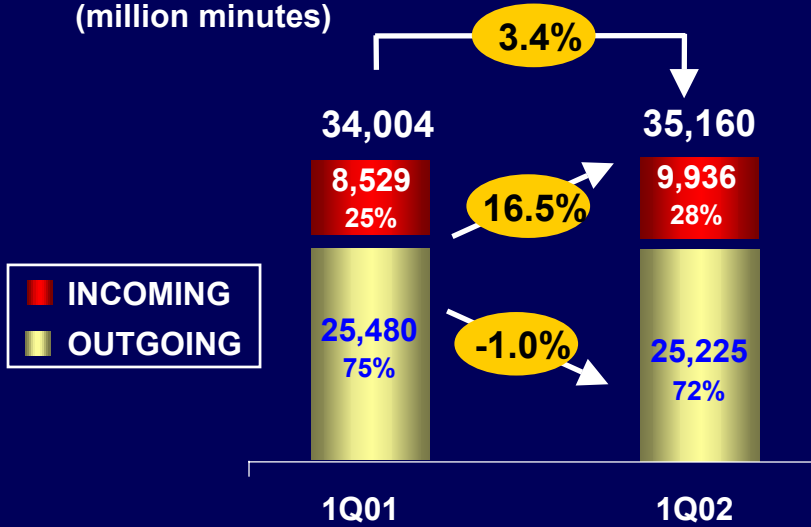
OPERATING COMPANY COST STRUCTURE

(million Euros) Jan.-Mar. 02 % Change

OPER. EXPENSES	1,309.1	3.6%
Personnel	511.2	-0.2%
Supplies	525.8	4.1%
- Interconnection	388.6	-4.5%
Other oper.expenses	229.1	13.3%
Taxes	43.0	-2.9%

TRAFFIC EVOLUTION

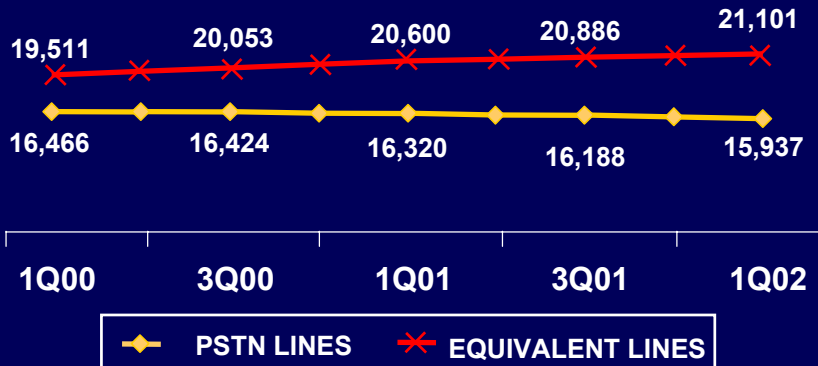
(million minutes)



- Low elasticity of Local traffic
- Internet minutes substituted by ADSL
- Less ILD share to avoid bad debt y.o.y.

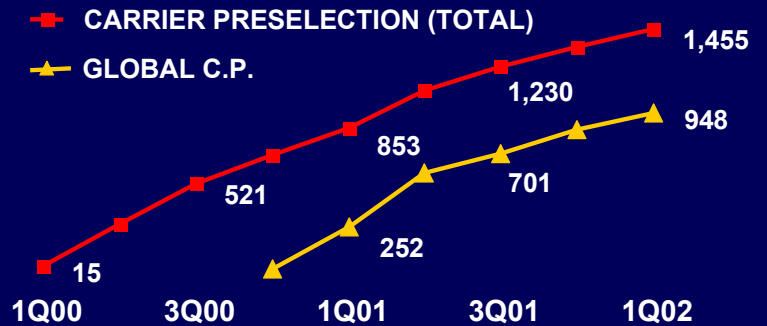
LINES EVOLUTION

(thousand lines)



CARRIER PRESELECTION EVOLUTION

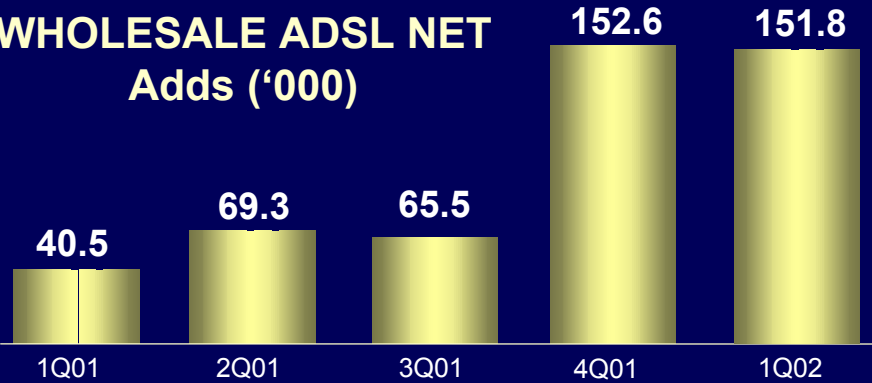
(thousand lines)



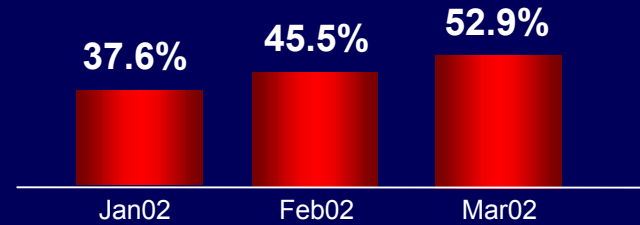
TACIT EXTENSION OF LOCAL TRAFFIC OF CARRIER PRE-SELECTION SINCE 1Q01

BROADBAND: FULFILL ECONOMIC TARGETS AND INTENSIFY COMMERCIAL COORDINATION

WHOLESALE ADSL NET Adds ('000)

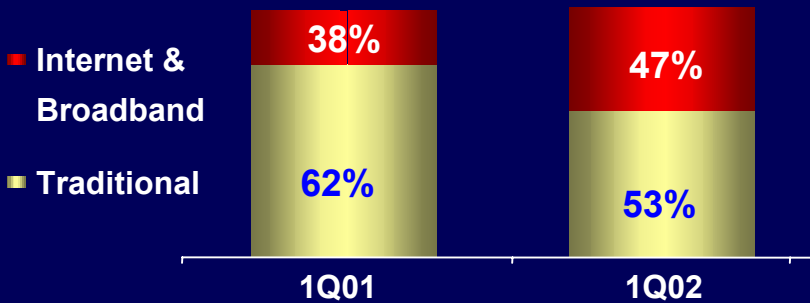


CUMULATIVE PLUG&PLAY RETAIL ADDITIONS

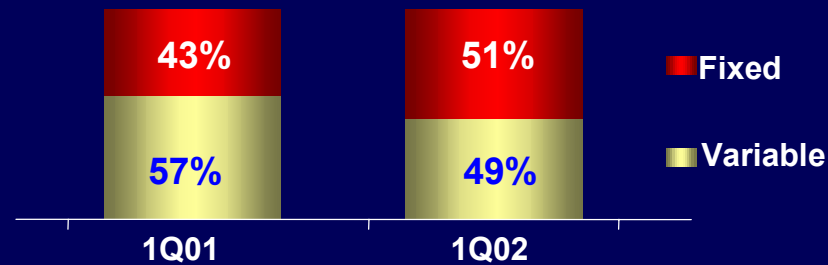


BROADBAND	Dec-00	March-01	June-01	Sept-01	Dec-01	Mar-02
ADSL wholesale	47,950	88,448	157,702	223,158	375,816	527,604

CAPEX BREAKDOWN

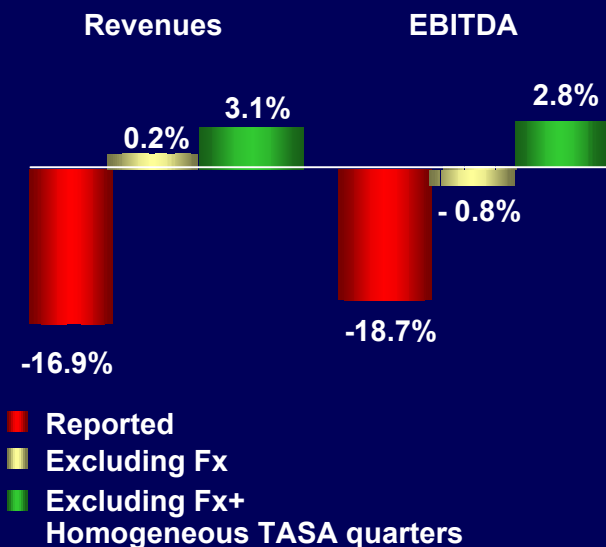


FIXED REVENUES vs VARIABLE REVENUES

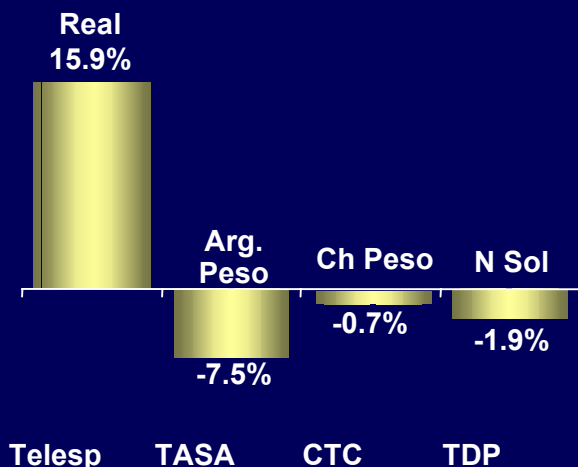


MARCH 4, 2002: e-BA (Broadband e-Solution) FOR CORPORATE CUSTOMERS LAUNCHED JOINTLY WITH TERRA-LYCOS

T. LATAM REV. / EBITDA



OPERATING REVENUES % change Mar02/Mar01 Local Currency

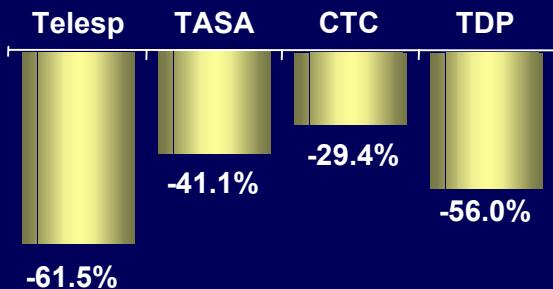


EBITDA % change Mar02/Mar01 Local Currency



CAPEX

% change Mar02/Mar01 Local Currency



	<u>T Latam</u>	<u>Telesp</u>	<u>TASA</u>	<u>CTC</u>	<u>TDP</u>
LIS growth	7.9%	12.3%	3.5%	0.8%	1.9%
LIS/Employee	712	1,191	525	812	480
Bad debt/Revenues	4.3%	3.6%	9.4%	1.7%	2.9%
Local currency/Euro	-	-10.8%	-48.0%	-9.7%	7.1%

* TASA refers to the period January-March 2001 and 2002.

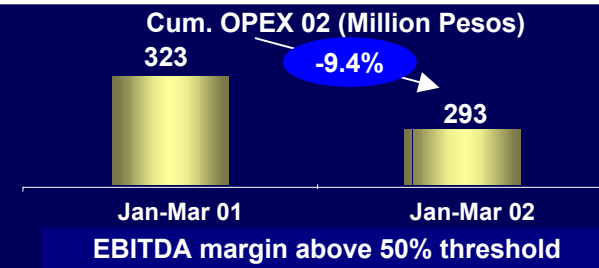
ACTIONS

DESCRIPTION

RESULTS

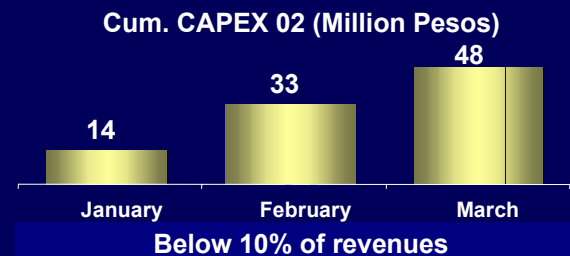
Cost optimization

- ✓ Supplier contracts renegotiation
- ✓ Strict fixing of opex priorities
- ✓ Reduction of structural costs in Network and Infrastructure



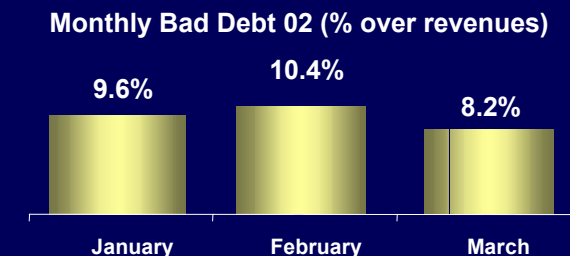
CAPEX reduction

- ✓ “Zero investment model”
- ✓ Keeping projects linked to sales



Cash Control

- ✓ Manage payments vs collections
- ✓ Strict local bonds management
- ✓ Bad debt control

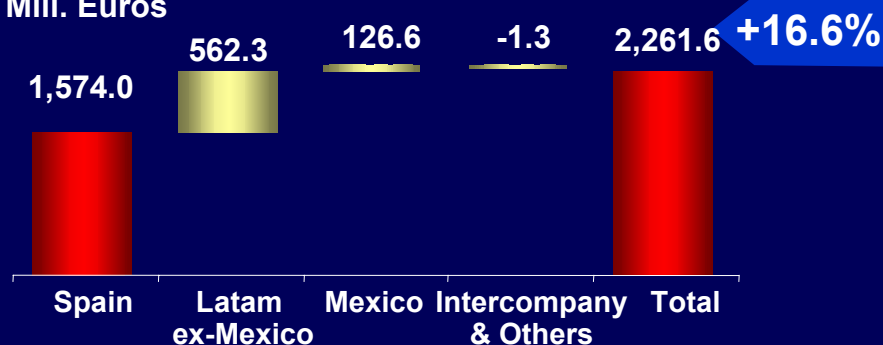


Protect FCF in Pesos

We continue to post solid results driven by...

REVENUES

Mill. Euros

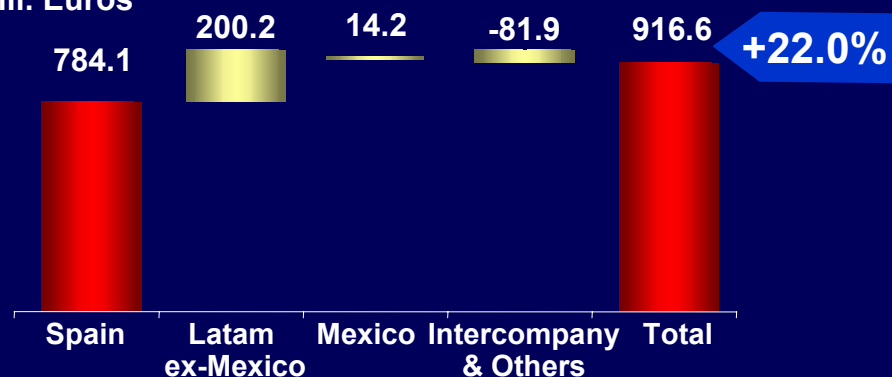


The performance of Spain...

- ✓ +21% in revenues and +34% in EBITDA, y-o-y
- ✓ EBITDA margin of 49.8% (+5 p.p.)
- ✓ Client base grew at a 21.5% to over 17.3 Mill.
- ✓ ARPU declined by 11%y-o-y (close to 27.7 Euros)
- ✓ Data revenues increased by 55%, y-o-y
- ✓ Drop in churn to 12% per year
- ✓ Reduction in SAC+SRC of 51%

EBITDA

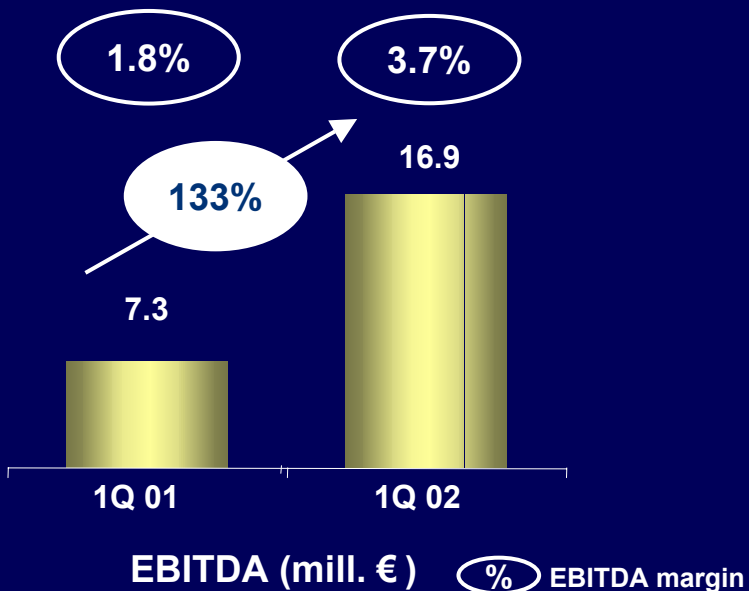
Mill. Euros



...and Latam operations

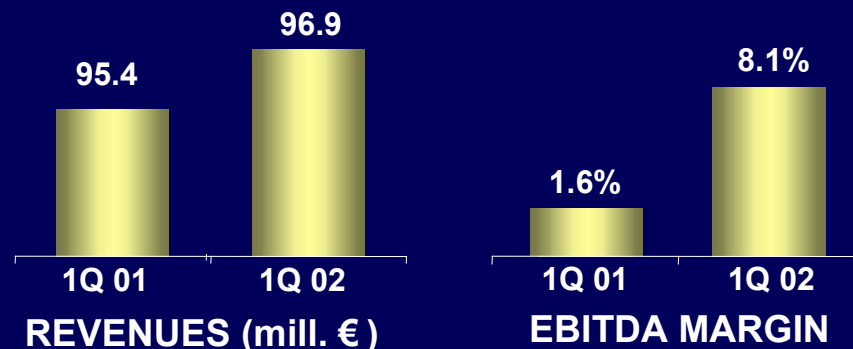
- ✓ Positive performance of Brazil:
 - ⇒ Around 1 Mill. net adds, reverting downward trend in contract growth (+20.2%vs 1Q01)
 - ⇒ Market share above 64% on average
- ✓ Profitable growth model in Mexico:
 - ⇒ Increase weight of contract subs. to 21% of client base
 - ⇒ Loyalty actions to drive down churn

TELEFONICA DATA GROUP



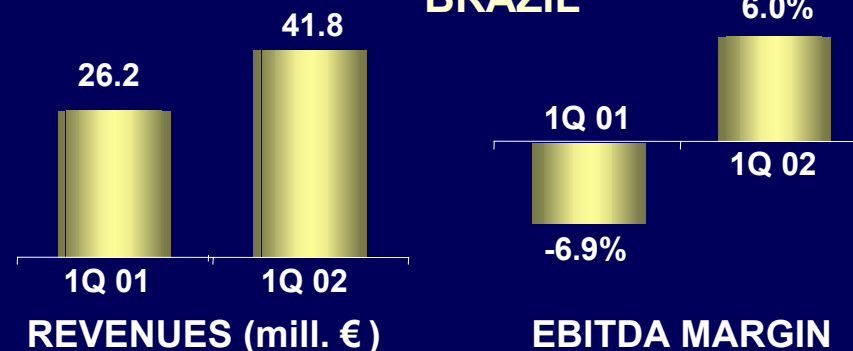
- ✓ Efficiency in overhead costs
- ✓ International Services
- ✓ Latam Incumbent operations

INCUMBENT OPERATIONS IN LATAM



- ✓ Contribution to Telefonica Data's Revenues growth: 0.4 p.p. (-51% Argentina, +60% Brasil in €)
- ✓ More than 5 p.p. EBITDA margin enhancement in Brazil, Chile and Peru

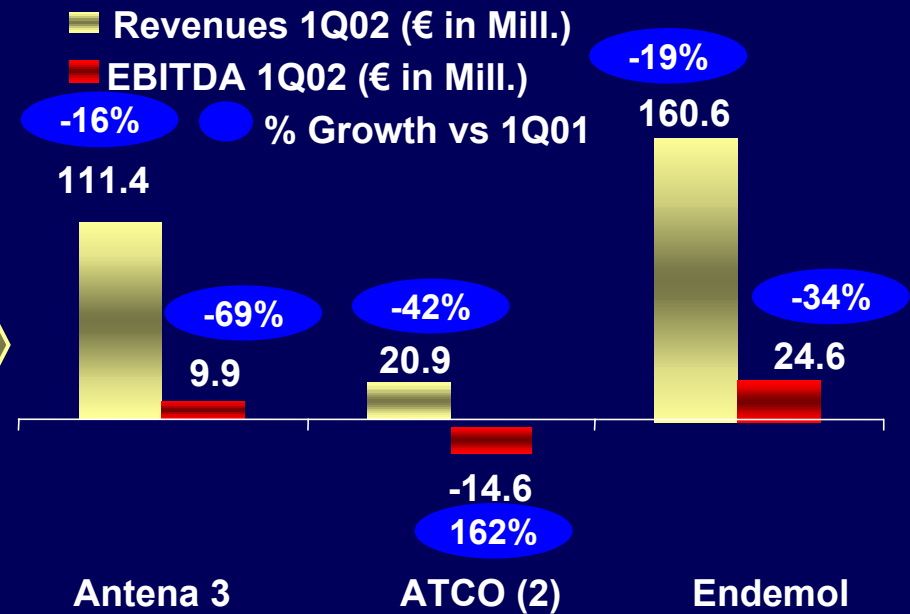
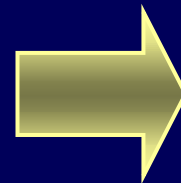
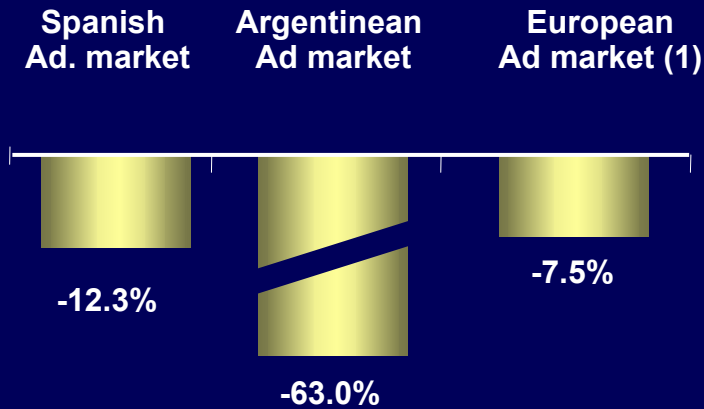
BRAZIL



- ✓ Top line growth of 80% in \$R
- ✓ Success in costs reduction programs

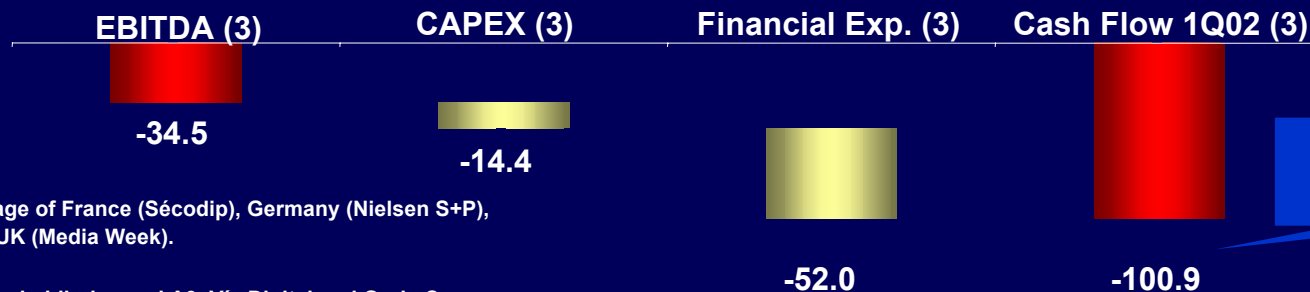
A business affected by the advertising crisis...

An adverse advertising market
1Q02 vs 1Q01 growth



...and we have the priority to reduce its cash-out for the Group

€ in millions



>60%
Vía Digital

(1) 2001 vs 2000. Average of France (Sécodip), Germany (Nielsen S+P), Italy (ACNielsen) and UK (Media Week).

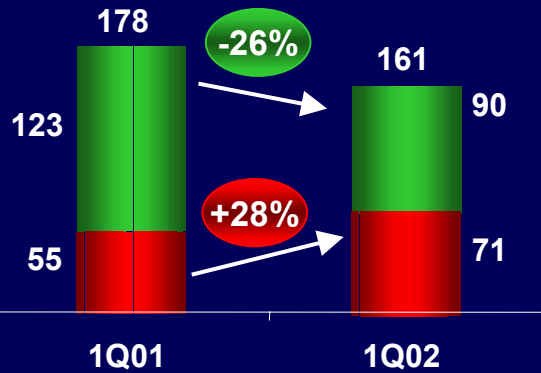
(2) Millions of Pesos.

(3) Fully consolidated subsidiaries and A3, Vía Digital and Onda Cero.

CONSOLIDATED REVENUES

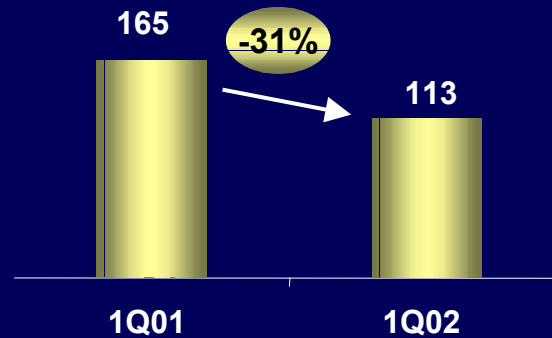
■ Access & Services
■ Media

Mill. Euros



CONSOLIDATED EXPENSES (*)

Mill. Euros

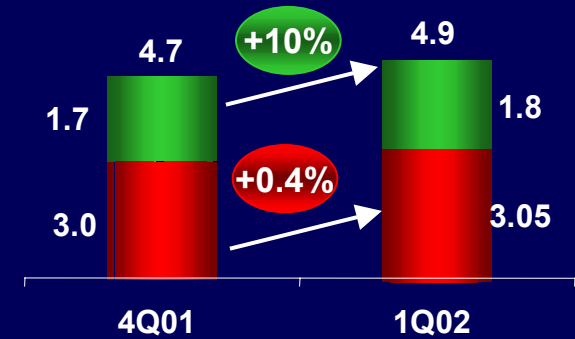


(*) G&A+S&M+R&D.

TOTAL SUBSCRIBERS (**)

■ Free
■ Pay

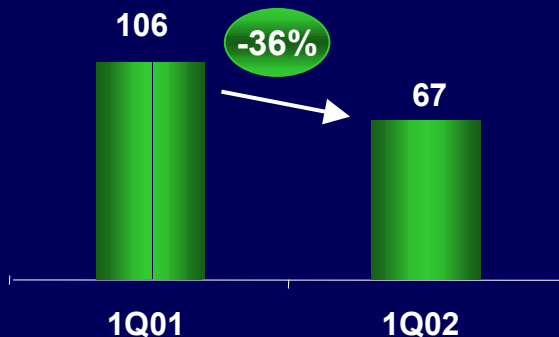
Million



(**) Access+Communication Services+Portal

US MEDIA REVENUES

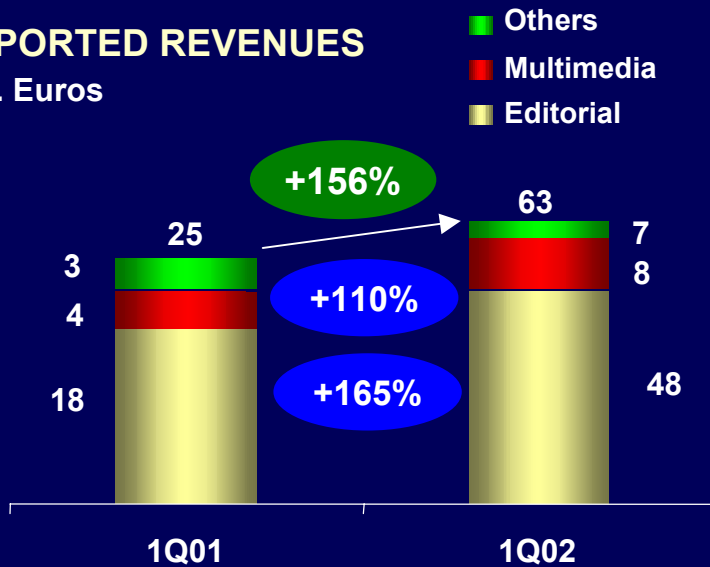
Mill. Euros



- ✓ 4.9 Million subscribers.
- ✓ +21% in paid access subs 1Q02 vs 1Q01. 272,000 ADSL clients (+17% over 4Q01).
- ✓ Paid access subs equivalent to 30% of total base (24% in 1Q01).
- ✓ 1Q02 subscription based rev. equal to 47% of total rev.
- ✓ Cost control: -31% 1Q02 vs 1Q01
- ✓ -25% EBITDA Margin (-43% 1Q01)

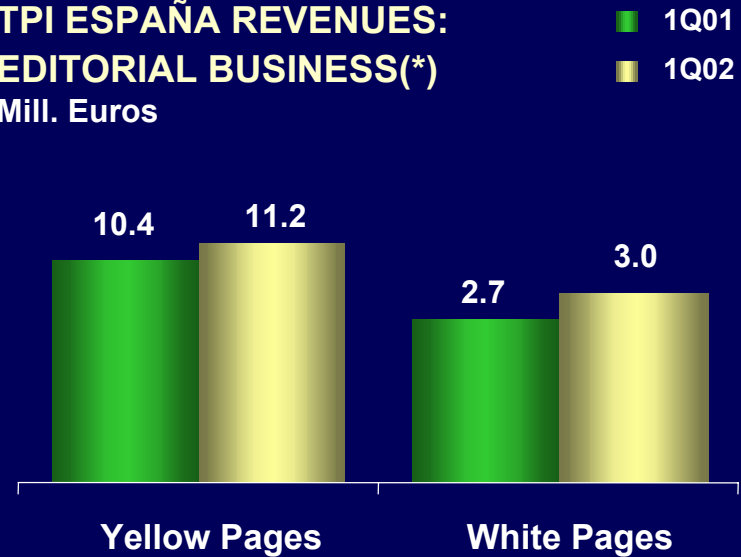
REPORTED REVENUES

Mill. Euros



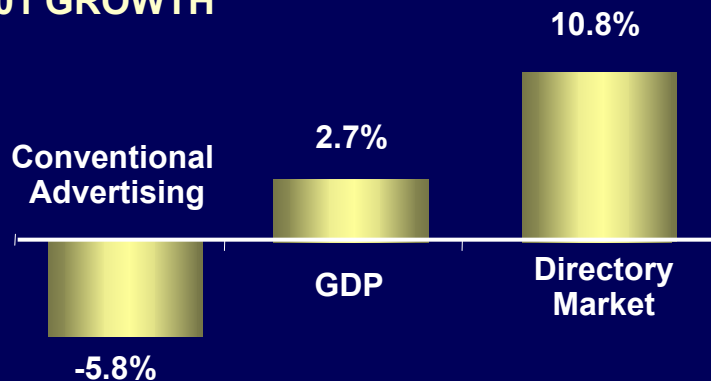
TPI ESPAÑA REVENUES: EDITORIAL BUSINESS(*)

Mill. Euros



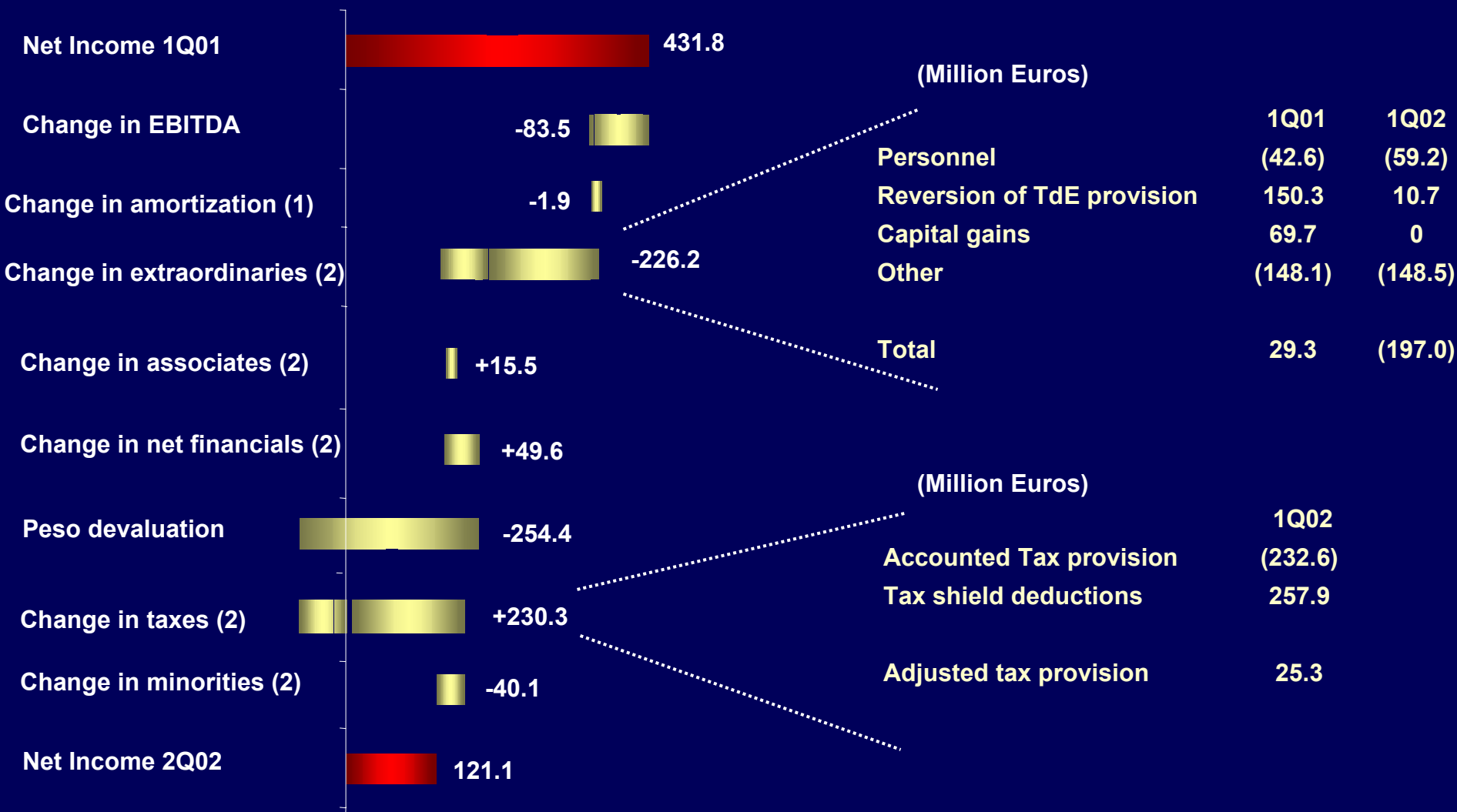
(*) Like for like comparison

SPANISH AD MARKET: 2001 GROWTH



- ✓ Organic Growth in revenues (**): 33%.
- ✓ Multimedia rev. : 12.7% of total.
- ✓ In Spain, YP and WP rev. increased by 7% and 16% on a like for like comparison.
- ✓ Latam: 65% of total rev. (48% TPI Perú, which accounted for 124 p.p. of reported growth).

(**) Excluding TPI Perú.

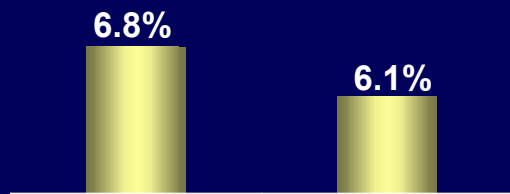


(1) Fixed assets + goodwill (2) Excluding the effect of the Peso devaluation.

RECONCILED NET INCOME NET FINANCIAL EXPENSES (*)

Euros in millions	Mar02	Mar01	% Change
Debt financial expense	(483.5)	(594.1)	(18.6%)
Other financial expenses	(10.4)	(13.9)	(25.3%)
Financial Income	91.6	145.0	(36.8%)
Net interest	(402.3)	(463.1)	(13.1%)
Financial provisions and net forex (1)	(453.8)	(24.6)	n.m.
Net financial results	(856.1)	(487.7)	75.5%
Net financial results excluding ARS devaluation	(438.1)	(487.7)	(10.2%)

AVERAGE FINANCIAL COST



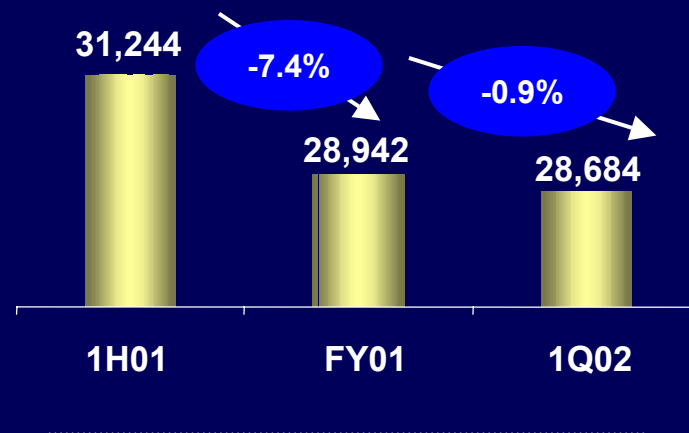
(*) Global consolidation 1Q01

1Q02

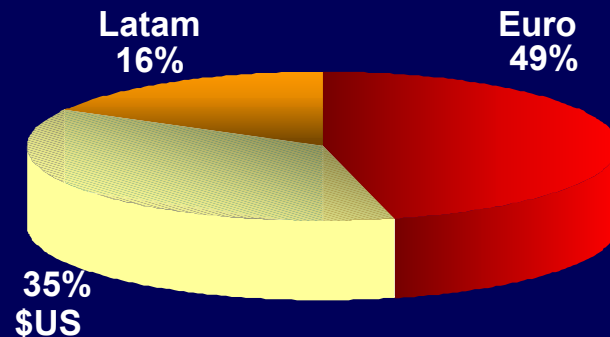
(1) Non cash

NET DEBT

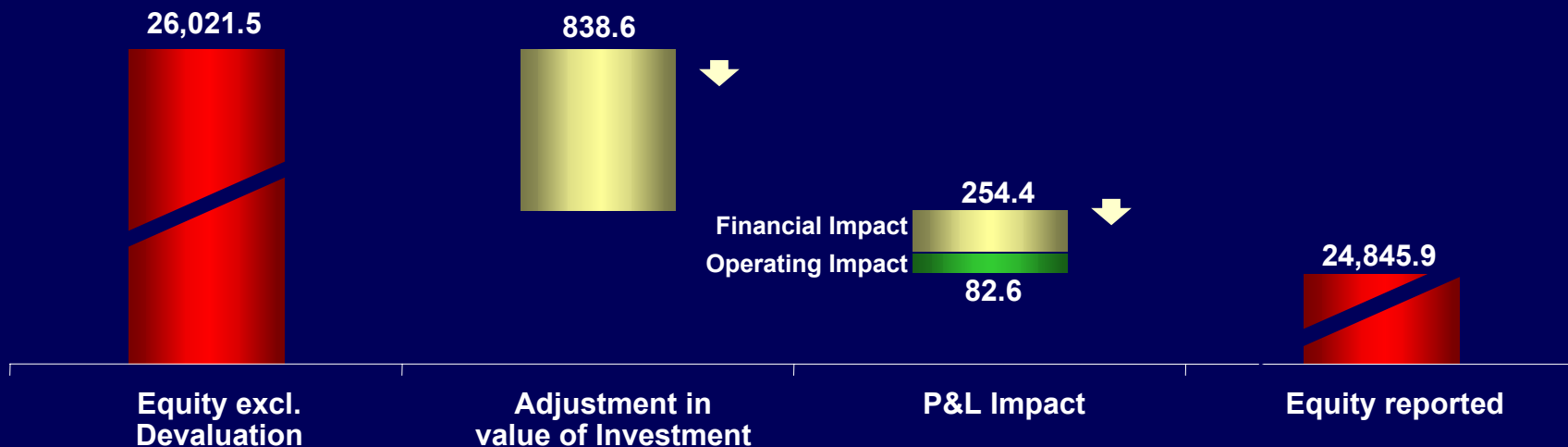
(Million Euros)



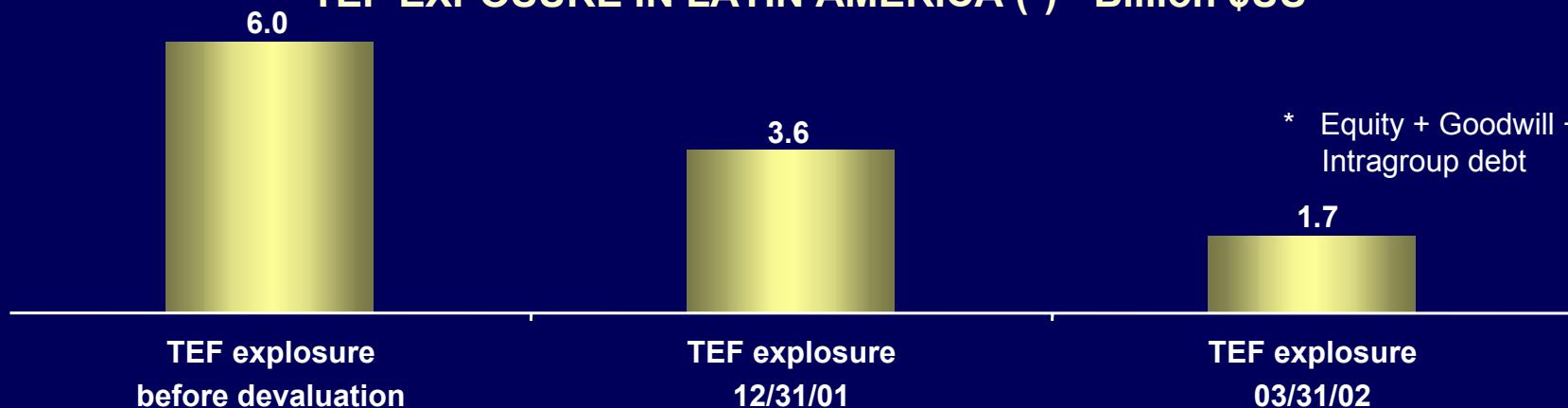
DEBT BREAKDOWN BY CURRENCY



TOTAL BALANCE SHEET IMPACT: 1,176.0 Million Euros



TEF EXPOSURE IN LATIN AMERICA (*) - Billion \$US



We are starting to deliver on some of our operational imperatives...

- ✓ **Implement Group initiatives for resource management to reduce future cost pressures**
- ✓ **Fulfill ADSL economic targets and intensify commercial coordination in Broadband and Internet to drive revenue growth**
- ✓ **Ensure that T. Data delivers in the countries where we are incumbents**
- ✓ **Refocus our media assets to maximize value and minimize cash-out for Telefónica**

...Amid a highly demanding environment

- ✓ **Pressure on Wireline Incumbents due to mobile cannibalization, stronger competition, and weaker fixed voice traffic demand**
- ✓ **Argentine crisis**
- ✓ **Downturn of the advertising market**

Telefonica
