

Telefonica



January - September 2002 Results

This presentation is being broadcast live on the Internet

SAFE HARBOUR

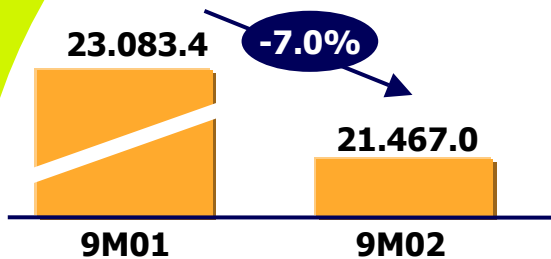
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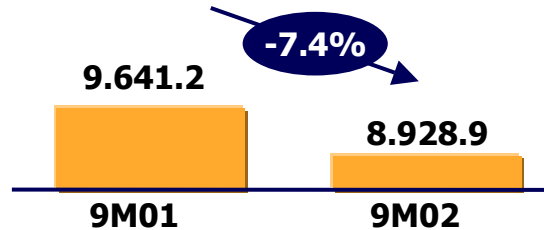
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FINANCIAL HIGHLIGHTS...

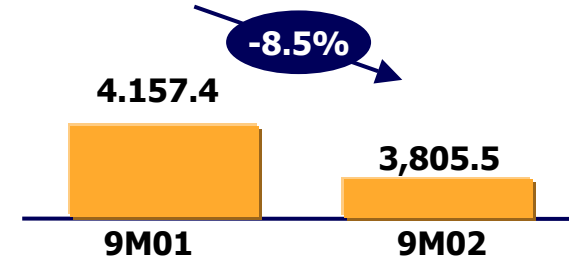
REVENUES (€ in millions)



EBITDA (€ in millions)



EBIT (€ in millions)



JANUARY-SEPTEMBER 2002 KEY DRIVERS

✓ FOREX

Fx drags close to 12.5 p.p. to revenues & EBITDA growth

✓ FOCUS ON MANAGING RESOURCES

Optimizing operating costs (+1.7% in external services vs +5% for total costs, in constant terms)

Rationalizing capital expenditures (-51.7% y-o-y)

✓ TELEFONICA DE ESPAÑA

Improvement of revenues & EBITDA in 2002: +1.7% and +4.0% in 3Q02 vs 3Q01, respectively

✓ TELEFONICA MOVILES

Solid performance, driven by Spain with annual growth in revenues & EBITDA of 19.2% and 24.2%

✓ LATIN AMERICA

All operators are showing a slowdown in local currency, except CTC

Telesp local operations remain solid, with revenues & EBITDA growing at a 10.6% and 9.4% rates

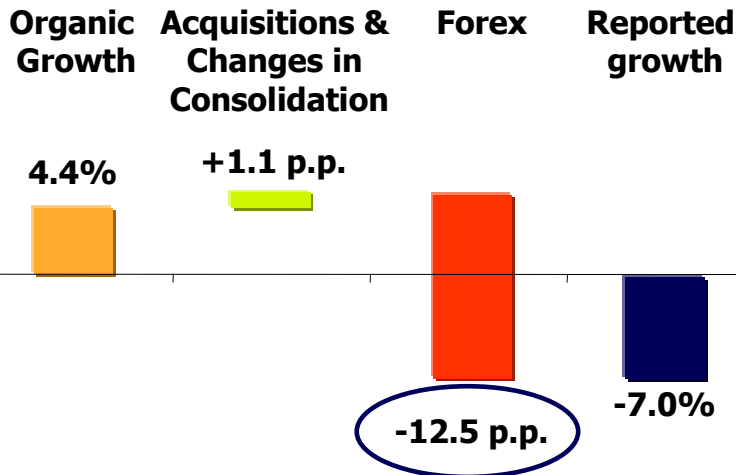
✓ TELEFONICA DATA

Improving consistently margins driven by incumbent operations (Group EBITDA margin of 8.5%*)

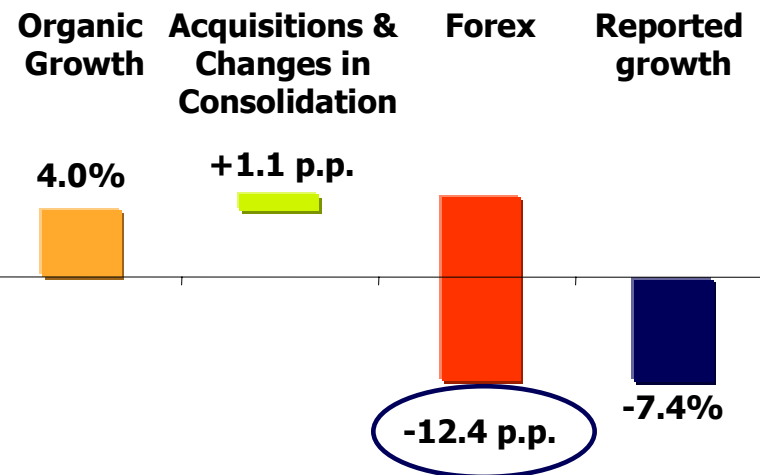
...AFFECTED BY LATAM FOREX AND ARGENTINA

ORGANIC GROWTH

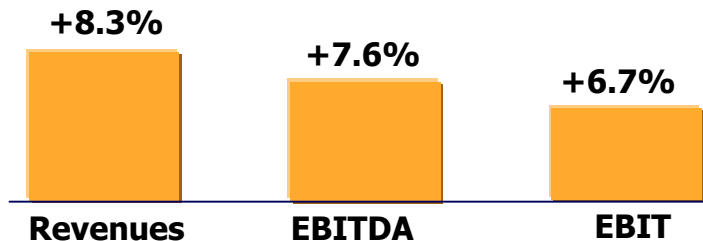
REVENUES BREAKDOWN



EBITDA BREAKDOWN



GROWTH RATES EXCLUDING ARGENTINA & FOREX*



* Excluding ARS depreciation. EBITDA and EBIT before Management Fee.

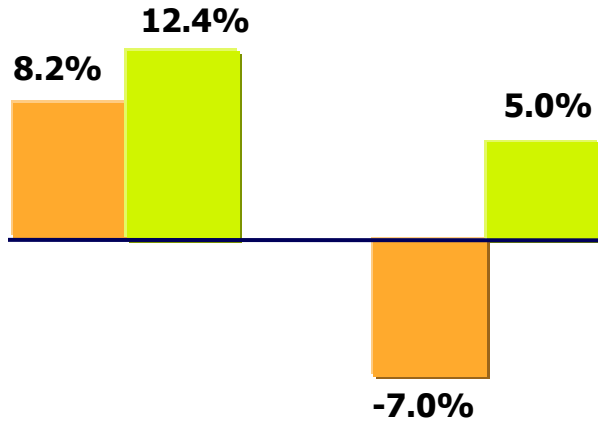
STRONG MANAGEMENT OF COST STRUCTURES...

CONTROL OF OPEX... *

2001 vs 2000

9M02 vs 9M01

Nominal
Ex-Fx

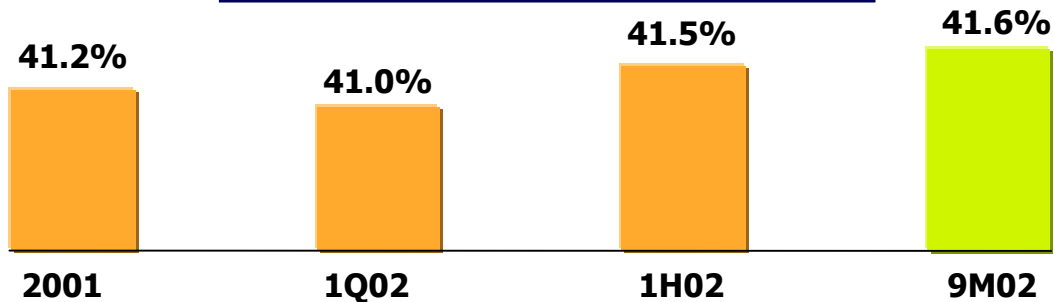


...AT ALL LEVELS *...

	% Change 1H02/1H01	% Change 9M02/9M01
TdE Group	+3.9%	+2.9%
Cell. Business	+9.4%	+8.2%
T. LATAM	-22.0%	-26.5%
T. Data	-6.1%	-12.3%
Terra Lycos	-20.6%	-21.0%
Admira Group	-31.9%	-30.2%

KEEPING EBITDA
MARGIN STEADY

CUMULATIVE EBITDA MARGIN



...AND CAPEX OPTIMIZATION...

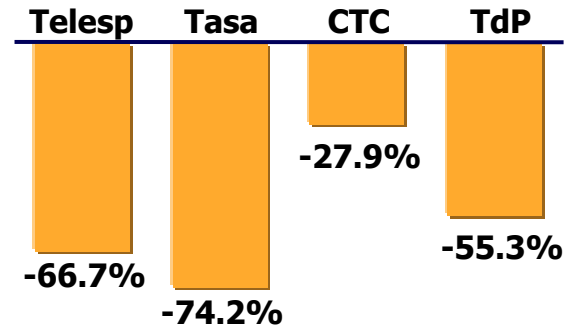
CONSOLIDATED CAPEX

€ in Million	9M02	% Change 9M02/9M01
TdE Group	1,146.5	-9.2%
T.Móviles	661.8	-45.7%
T. LATAM	439.4	-77.9%
T.Data	134.0	-50.6%
TOTAL GROUP	2,503.7	-51.7%

DRIVEN BY
LATAM

T.LATAM BREAKDOWN *

% change Sep02 / Sep01
Local Currency



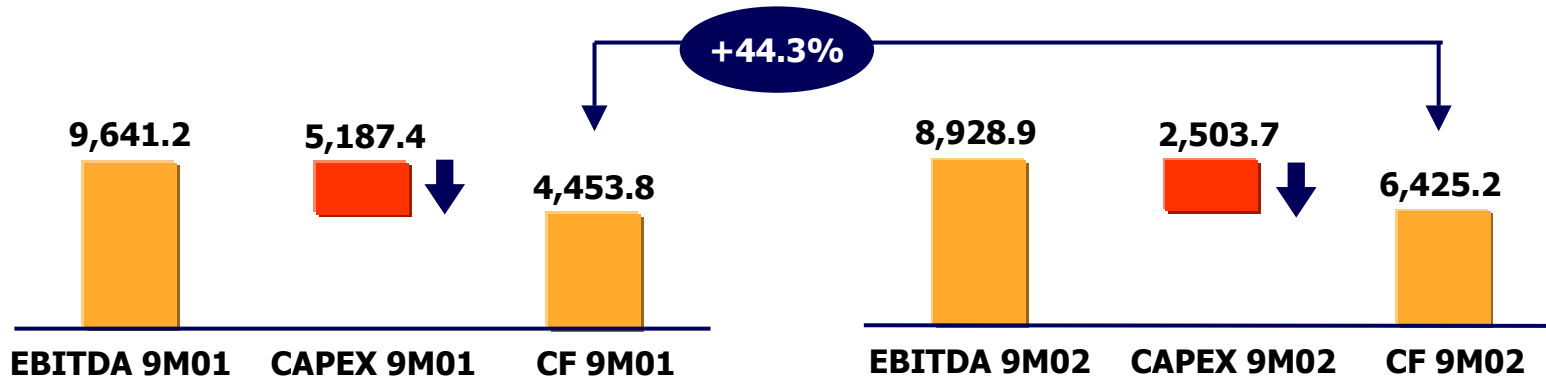
- ✓ **TELEFONICA DE ESPAÑA PARENT**
24% annual drop in traditional Capex.
17% annual growth in broadband Capex (>45% of total).
- ✓ **TELEFONICA MOVILES**
New technologies/services scalable to demand.
Adapting to Latin American macro picture.
- ✓ **TELEFONICA LATINOAMERICA**
Metas compliance in Brazil.
Adapting to the regional macro scenario (below 22 Million € in Argentina).

Note: TASA refers to the period January-September 2001 and 2002.

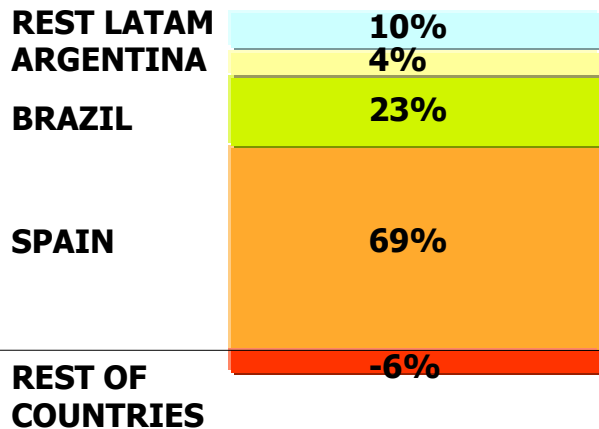
* CTC includes Sonda and TdP, Cablemágico.

...LEADING TO CASH FLOW GENERATION

OPERATING CASH FLOW (Million Euros)



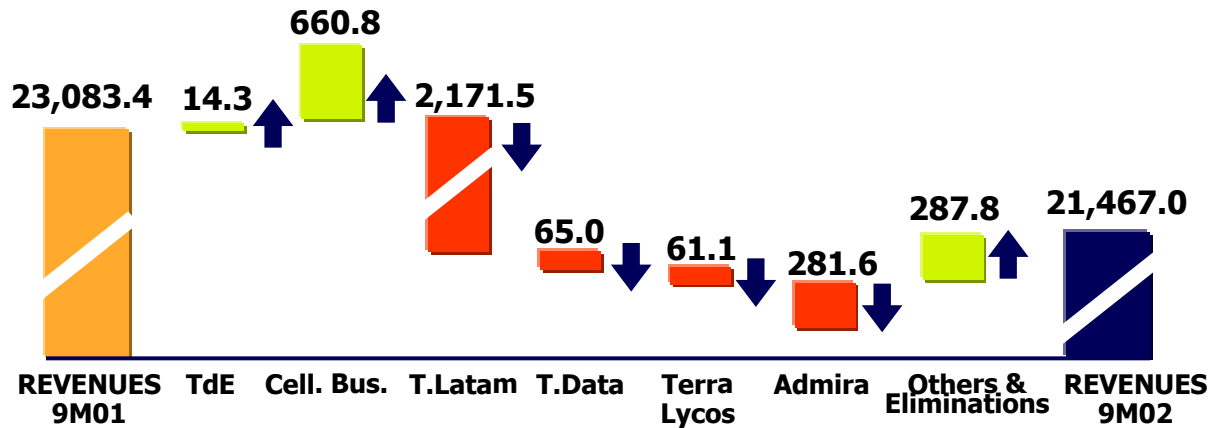
CONTRIBUTION TO 9M02 OPERATING CASH FLOW BY COUNTRY



**2/3 COMING FROM SPAIN
1/3 COMING FROM LATAM**

CONTRIBUTION BY BUSINESS LINE

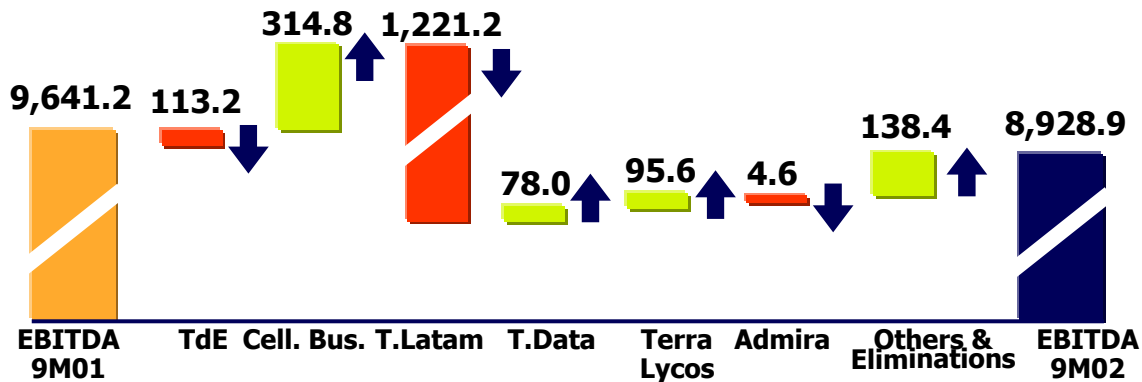
REVENUES (€ in millions)



CONTRIBUTION TO GROWTH*

Cell. Bus.: + 2.1 p.p.
TdE: + 0.3 p.p.
T.Latam: - 8.9 p.p.

EBITDA (€ in millions)



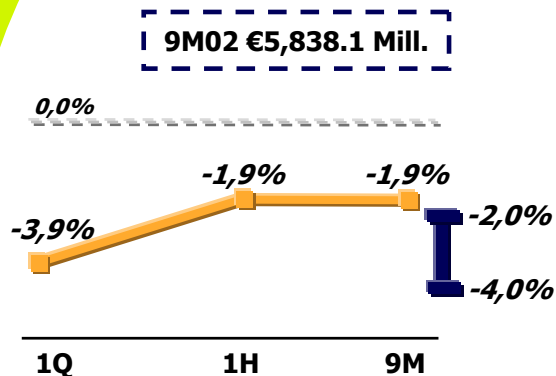
CONTRIBUTION TO GROWTH*

Cell. Bus.: + 3.3 p.p.
TdE: -1.2 p.p.
T.Latam: -12.7 p.p.

TELEFONICA DE ESPAÑA: TRADITIONAL AND BROADBAND

TRADITIONAL REVENUES

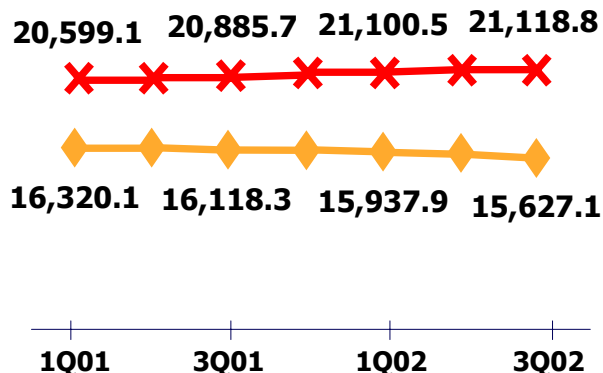
(Cumulative YoY variation)



2002 vs. 2001 | 2002 Target

ACCESS

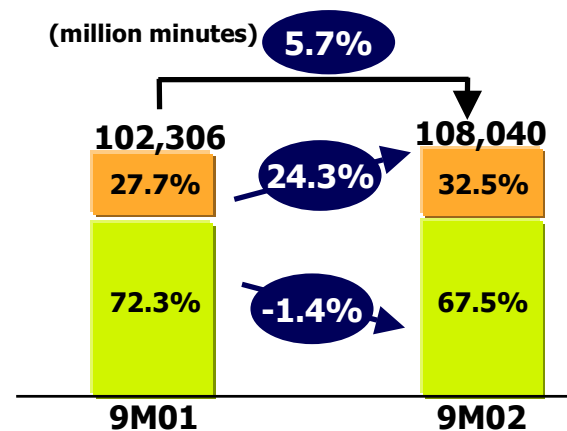
(lines in thousands)



EQUIVALENT LINES | PSTN LINES

TRAFFIC

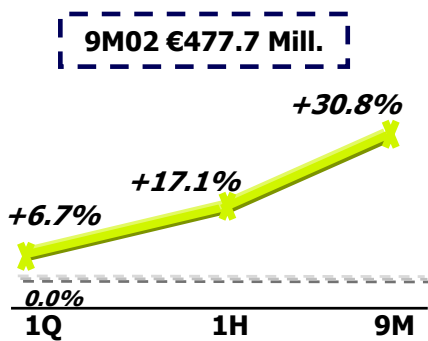
(million minutes)



INCOMING | OUTGOING

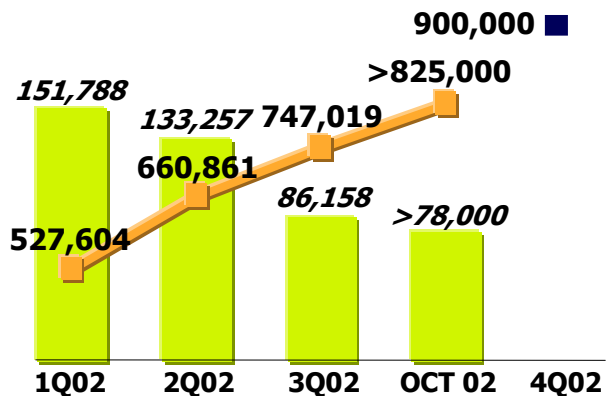
INTERNET & BB REVENUES

(Cumulative YoY Change)



2002 vs. 2001

ADSL EVOLUTION



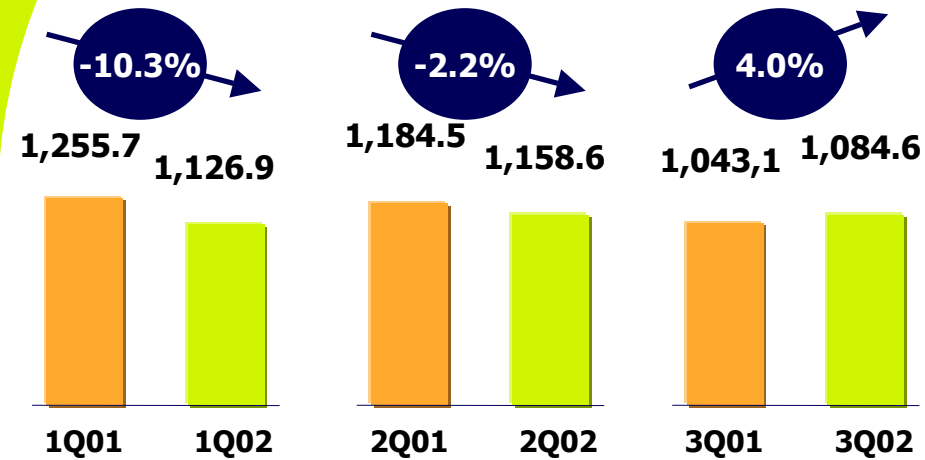
NET ADDS | ADSL PLANT | TARGET

ADSL HIGHLIGHTS

- ✓ CLOSE TO 40% OF NEW ADSL CUSTOMERS IN 2002 DID NOT HAVE IP TRAFFIC AT ALL
- ✓ PLUG & PLAY REPRESENTS 58.0% OF TOTAL RETAIL ADDITIONS IN SEPTEMBER

TELEFONICA DE ESPAÑA : GROUP EBITDA EVOLUTION

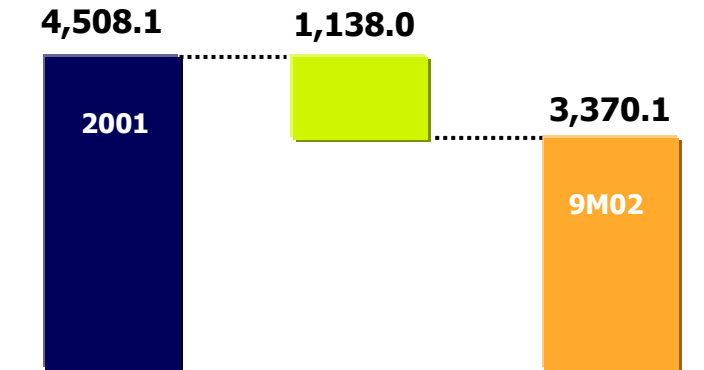
QUARTERLY EBITDA (euros in millions)



EBITDA KEEPS IMPROVING YoY

- ⇒ -10.3% JAN-MAR 02 vs 01
- ⇒ -6.3% JAN.-JUNE 02 vs. 01
- ⇒ -3.3% JAN.-SEP. 02 vs. 01

TO REACH 2002 FLAT EBITDA (euros in millions)

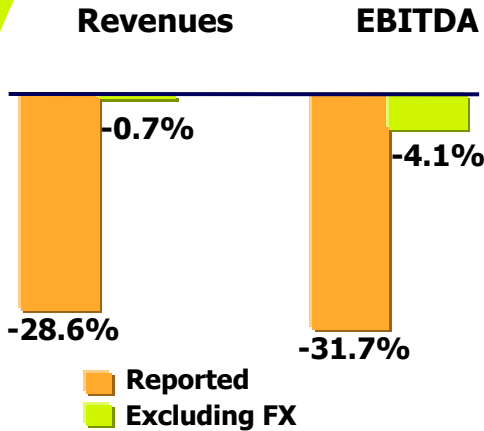


€ 1,138.0 Mill. TO REACH FLAT EBITDA

- ⇒ +11.0% OVER 4Q01 EBITDA

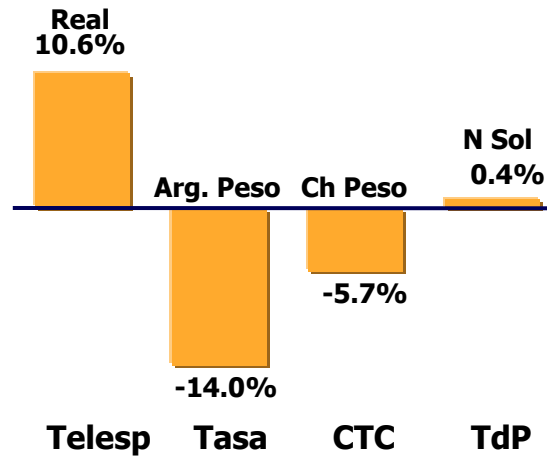
T. LATAM: WIRELINE PERFORMANCE...

T. LATAM REV / EBITDA EX FOREX



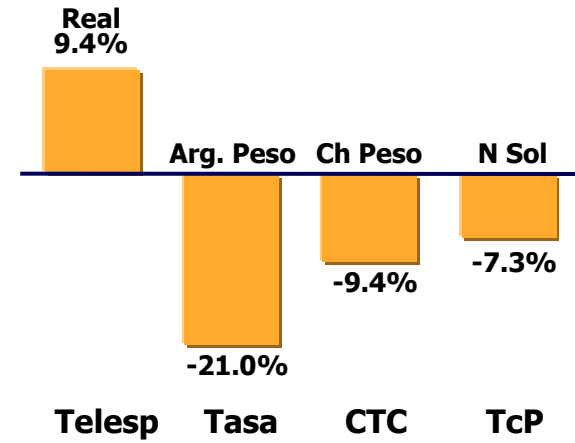
OPERATING REVENUES

% change Sep02 / Sep01
Local Currency

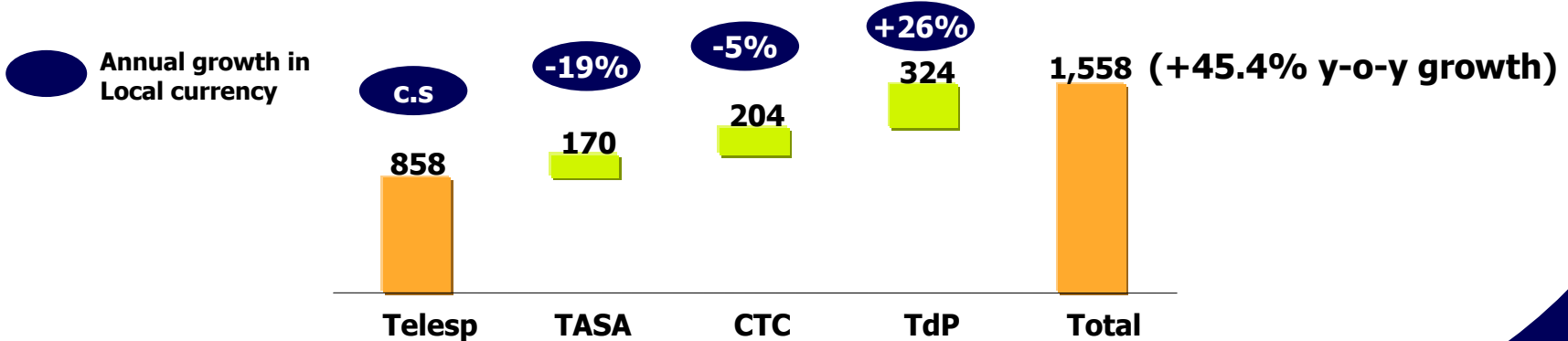


EBITDA

% change Sep02 / Sep01
Local Currency



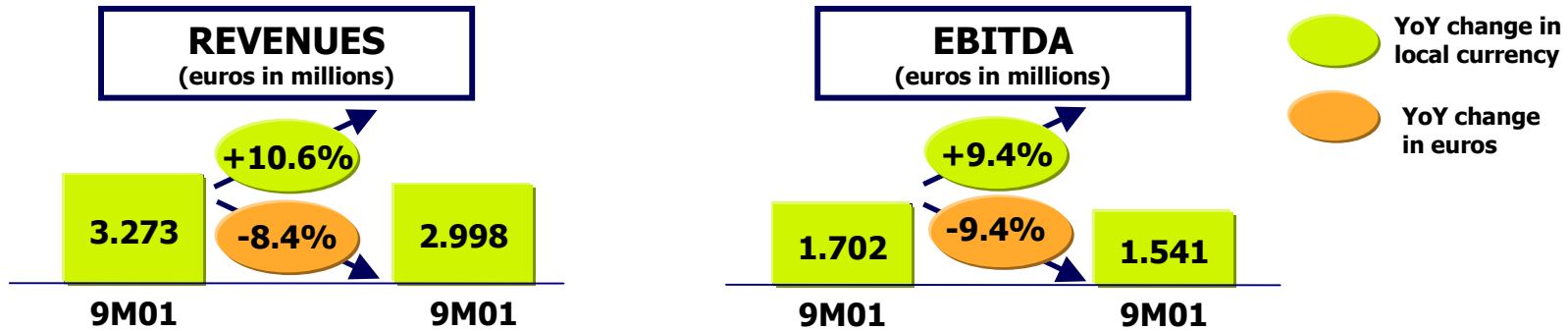
T. LATAM 9M02 CASH FLOW GENERATION * (€ in Million)



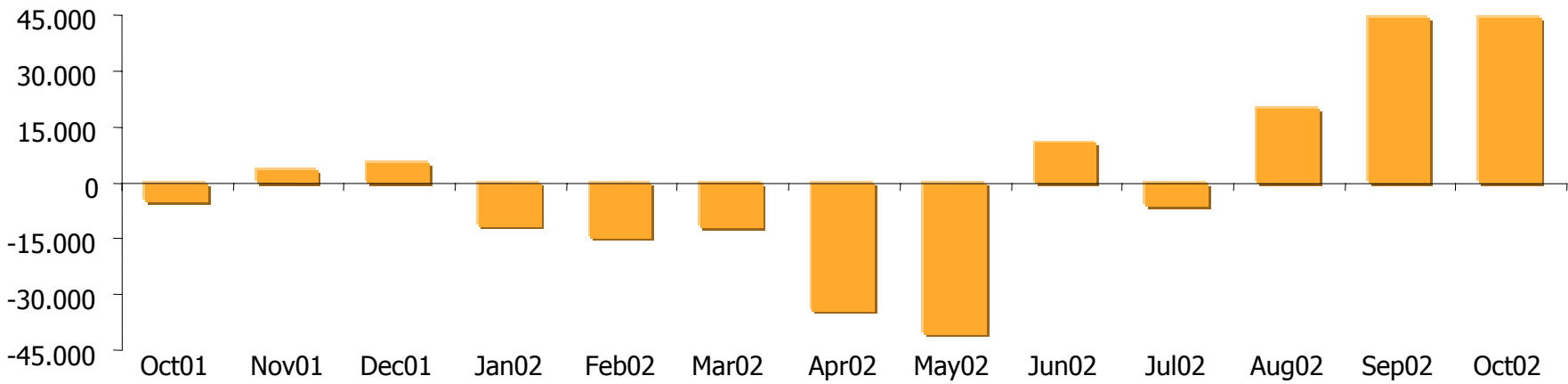
* CF=EBITDA-Interests-Taxes-Capex

Note: TASA refers to the period January-September 2001 and 2002.

...WITH TELESP KEEPING ITS SOLID UNDERLYING PERFORMANCE



MONTHLY NET ADDS (lines)



% cumulative bad debt provision over revenues

3.5%

3.6%

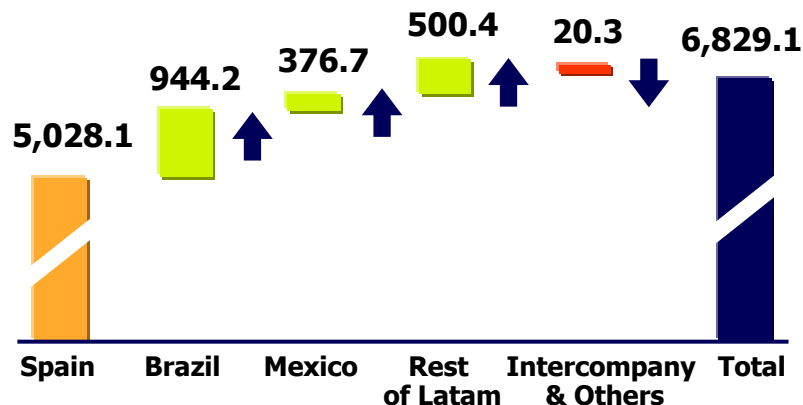
3.8%

3.7%

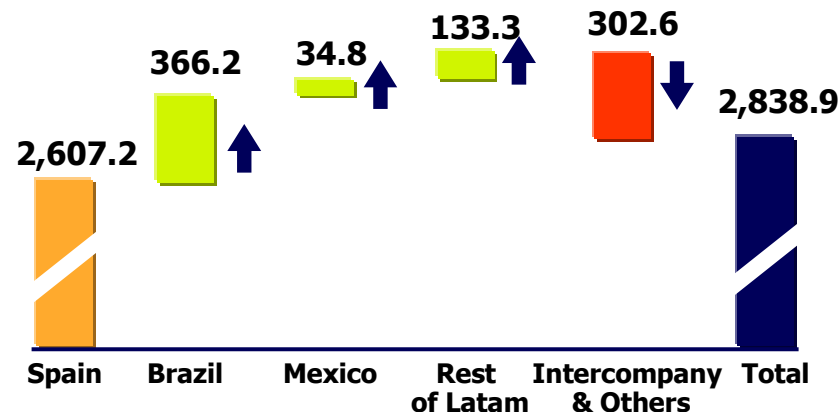
- ✓ 26% market share in ILD in less than 5 months of operations
- ✓ 24.8% market share in interstate LD in less than 3 months of operations
- ✓ 306,539 ADSL customers (+115.5% YoY)

T. MOVILES GROUP SHOWS STRONG RESULTS...

REVENUES (€ in millions)



EBITDA (€ in millions)



SPAIN

- ✓ Major contributor to Revenues and EBITDA, which grew at a 19% & 24%
- ✓ A solid operating performance that translates into high quality financials

BRAZIL

- ✓ EBITDA margin improvement (3 p.p. 3Q02/3Q01 to 37%)
- ✓ Legal incorporation of JV with PT just pending final regulatory clearance, reaching 13 Million clients and 70% of the country's GDP

MEXICO

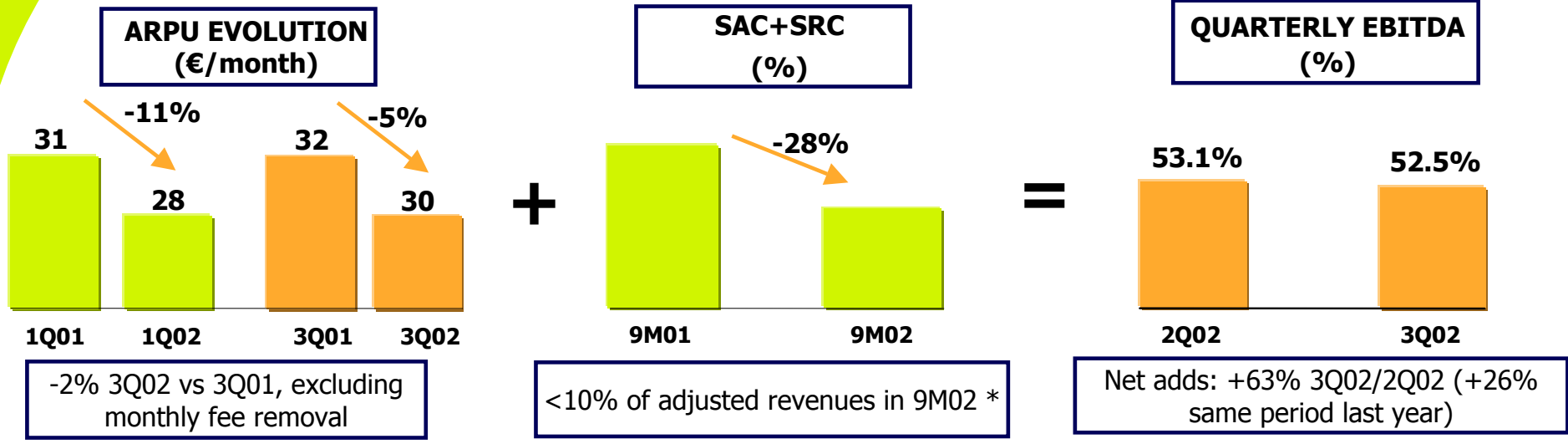
- ✓ + 19% in local currency revenues 3Q02/2Q02, with EBITDA pressured by a higher commercial activity
- ✓ Management team to integrate operations already in place

EUROPE

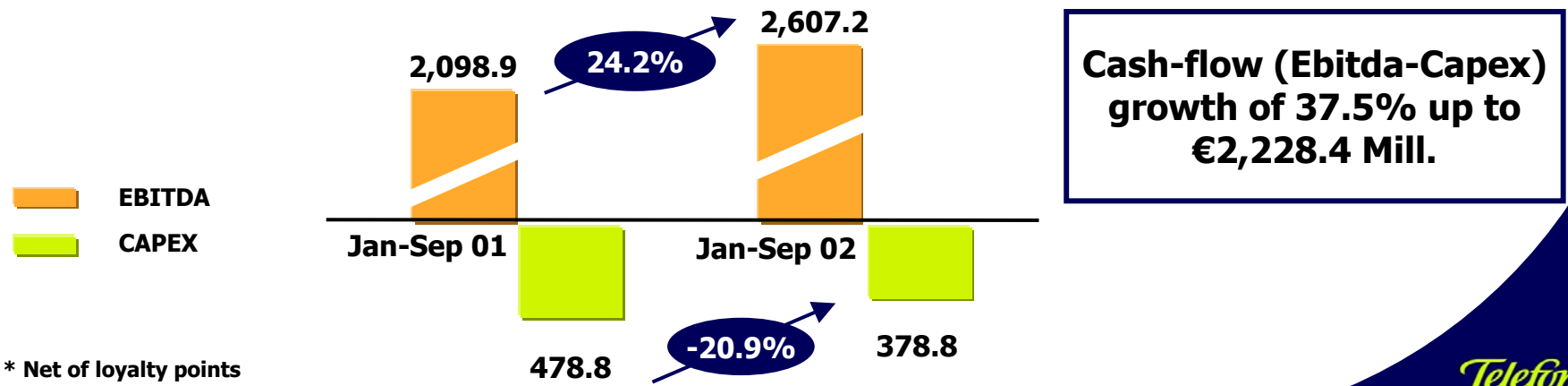
- ✓ Reduction of EBITDA losses, as commercial activity is being stopped
- ✓ Speed-up of the restructuring, to be completed by year-end

...WITH SPAIN POSTING A SOLID UNDERLYING PERFORMANCE

A SOUND UNDERLYING BUSINESS...



...ORIENTED TO PROFITABILITY



* Net of loyalty points

T.DATA: MORE FOCUS AND STEADY IMPROVEMENT

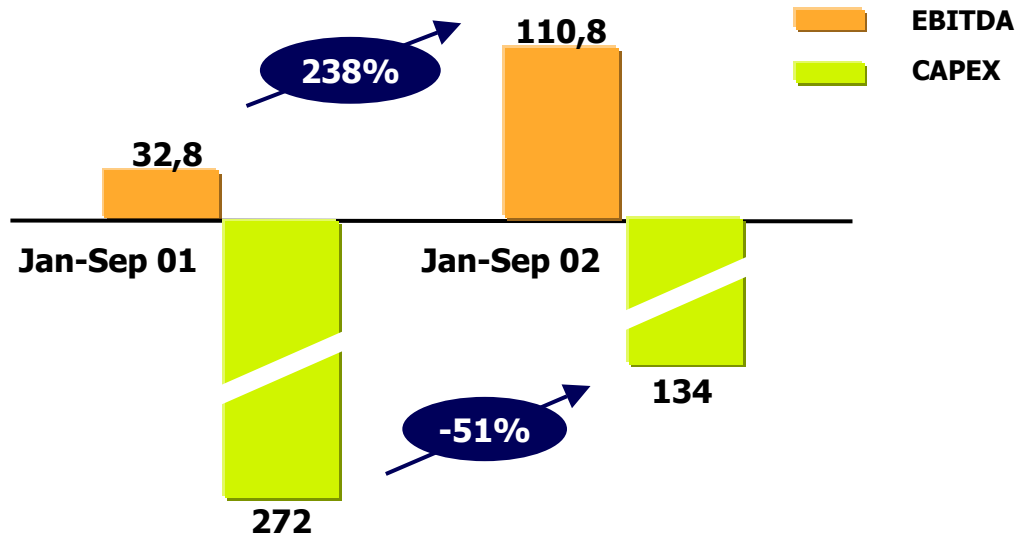
3Q02 RESULTS AFFECTED BY CHANGES IN CONSOLIDATION & FX EFFECTS

	9M02/9M01 Revenue Growth (%)
Reported	- 5 %
Changes in Consolidation	- 1 %
FX Effect	10 %
Adjusted	9 %

SHOWING OPERATIONAL EFFICIENCY THROUGHOUT 2002

Cum. EBITDA Margin (%)	3Q01	1Q02	2Q02	3Q02
T. Data Spain	21.7	20.6	22.3	24.0
T. Data Brazil	-2.6	6.0	9.0	13.6
T. Data Intl.	n.a.	-31.5	-26.7	-3.7
T. Data Group	2.4	3.7	4.8	8.5

WHILE FOCUSING ON OPFCF GENERATION



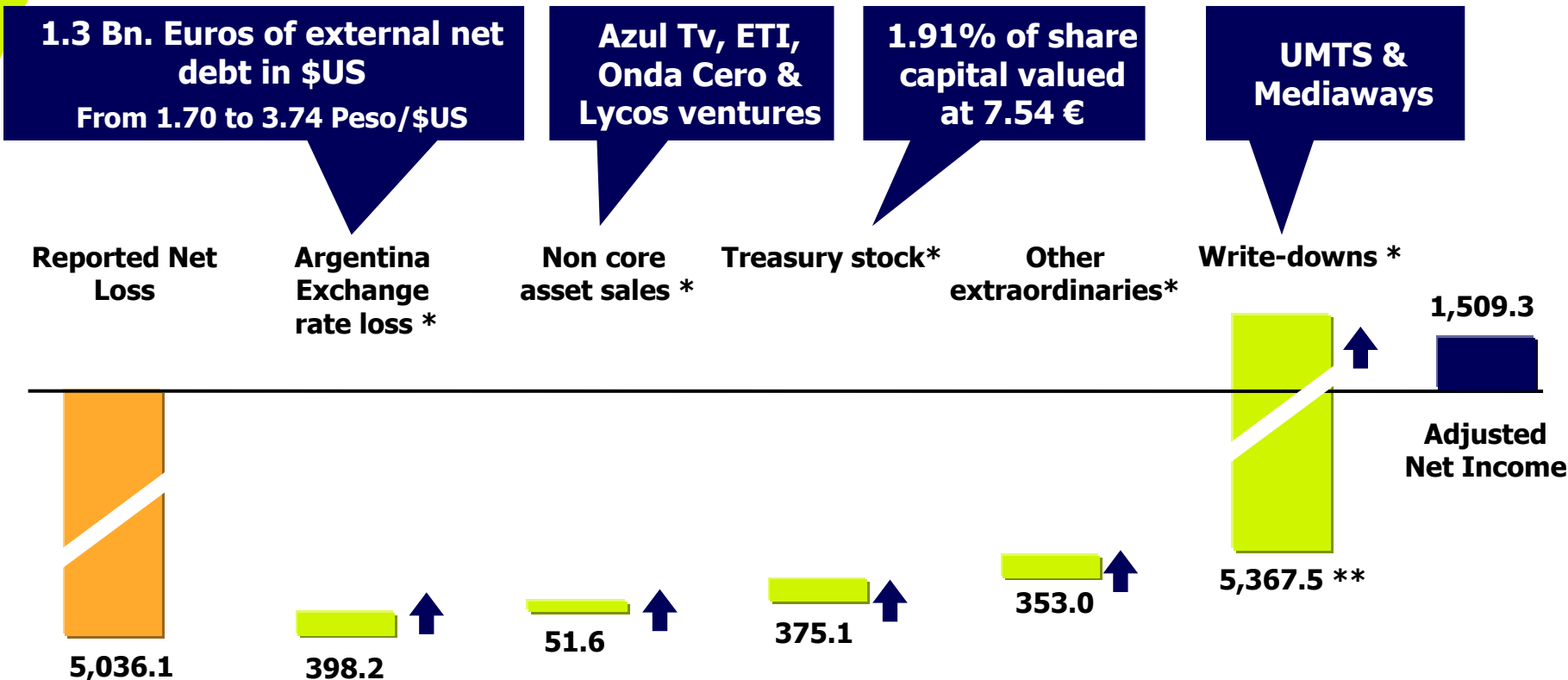
NET FINANCIAL EXPENSES (*)

Euros in millions	Sep02	Sep01	% Change
Debt financial expense	(1,330.2)	(1,490.4)	(10.7%)
Other financial expenses	(32.6)	(45.2)	(27.9%)
Financial Income	251.6	326.4	(22.9%)
<hr/>			
Net interest	(1,111.2)	(1,209.2)	(8.1%)
Financial provisions and net forex (1)	(899.6)	(137.6)	n.m.
<hr/>			
Net financial results	(2,010.8)	(1,346.8)	49.3%
<hr/>			
Net financial results excluding ARS devaluation	(1,402.6)	(1,346.8)	4.1%

(*) Global consolidation

(1) Non cash

IMPACT OF EXTRAORDINARIES ON NET INCOME



1.3 Bn. Euros of external net debt in \$US
From 1.70 to 3.74 Peso/\$US

Azul Tv, ETI, Onda Cero & Lycos ventures

1.91% of share capital valued at 7.54 €

UMTS & Mediaways

Reported Net Loss

Argentina Exchange rate loss *

Non core asset sales *

Treasury stock*

Other extraordinaries*

Write-downs *

1,509.3

Adjusted Net Income

5,036.1

398.2

51.6

375.1

353.0

5,367.5 **

* Net of taxes. Argentina and write-down effect are also net of minorities

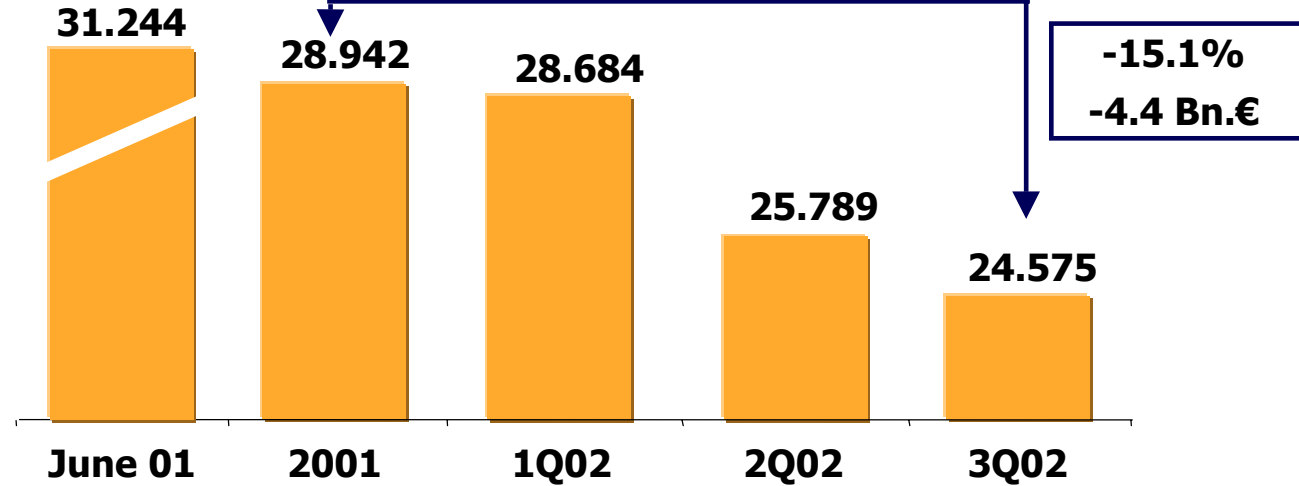
** Provision for write-down + estimated restructuring cost

TELEFONICA STRONG CREDIT PROFILE...

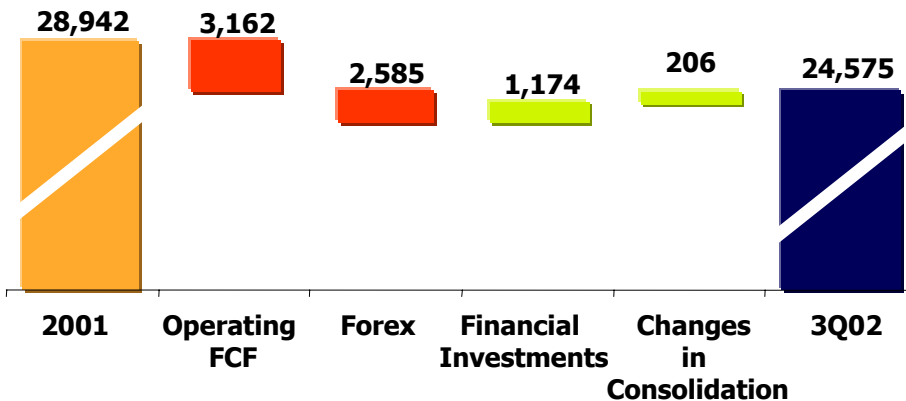
CONSISTENT DEBT REDUCTION AT THE GROUP LEVEL

(CONSOLIDATED DEBT. € IN MM)

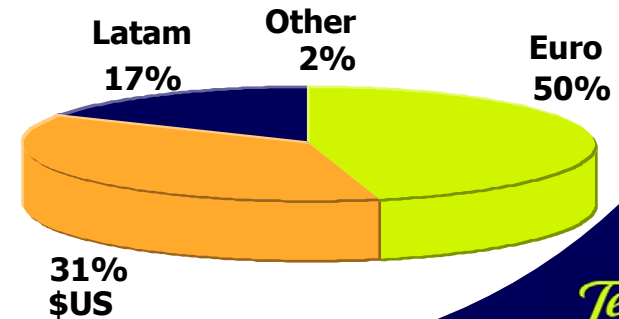
Highest historic level



COMPONENTS OF 2002 DEBT REDUCTION



DEBT BREAKDOWN BY CURRENCY



...WITH AN ACTIVE MANAGEMENT OF LATAM EXPOSURE

MANAGING LATAM EXPOSURE PROTECTING AGAINST EXCHANGE RATE DEPRECIATION

\$US in Millions (Data as of 09/30/02)

COUNTRY	DEBT (LOCAL CURRENCY) *	EXTERNAL NET DEBT \$US & OTHERS **
Brasil	1,186	-265
Chile	603	2
Peru	591	-149

**TOTAL EXPOSURE FOR \$US EXTERNAL DEBT
AS OF 09/30/02 WE HAD ADDITIONAL HEDGES
AT THE HOLDING LEVEL** -412

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.

CONCLUSIONS

- ✓ **Latin America continues to have a significant negative impact on Telefónica's results**
- ✓ **We are managing our exposure to the Latin American region prudently:**
 - ⇒ **protecting liquidity and cash flow at the operating level**
 - ⇒ **actively hedging debt positions at the financial level**
- ✓ **Domestic businesses remain strong:**
 - ⇒ **a solid wireless operating performance that translate into positive financials**
 - ⇒ **Telefónica de España is sequentially improving its EBITDA performance**
- ✓ **We are efficiently managing all subsidiaries cost bases, keeping the Group's EBITDA margin steady**
- ✓ **We are optimizing Capital Expenditures, scaling them to demand**
- ✓ **We remain a top cash flow generator in the industry**

Telefónica
