

Telefonica

**January - December
2001 Results**

This presentation is being broadcast live on the internet

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Telefonica FINANCIAL HIGHLIGHTS

<i>Euros in millions</i>	Group Reported	% Change 2001/2000
Operating Revenues	31,052.6	9.0%
EBITDA	12,804.2	7.4%
Operating Income	5,430.3	9.5%
Net income	2,106.8	(15.9%)

✓ A SOLID UNDERLYING BUSINESS:

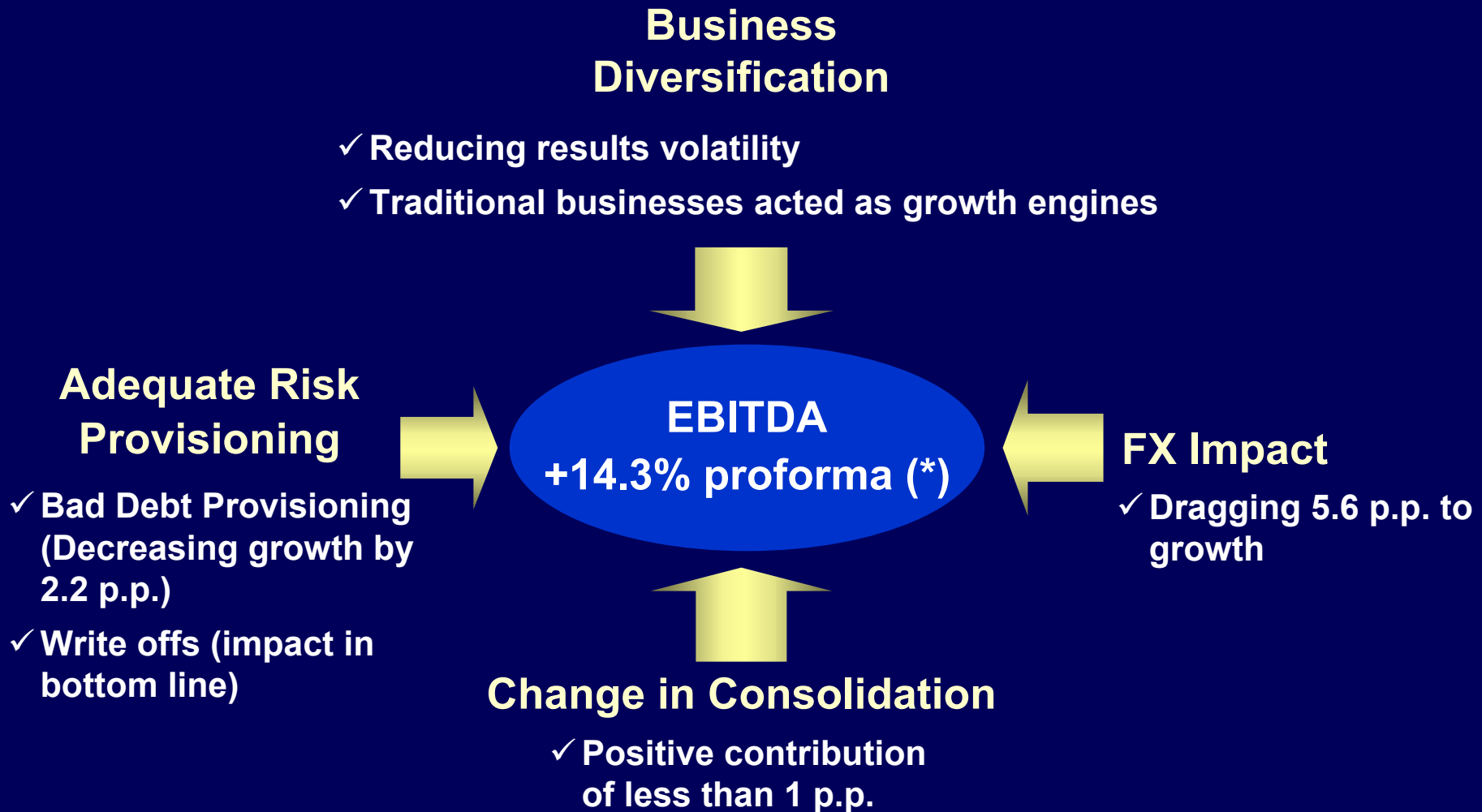
- ⇒ Consolidated Revenues and EBITDA: +13.8% and +13.0%, excluding Fx.
- ⇒ TdE EBITDA growth: +1.3%, growing for the first time since 1997.
- ⇒ T.MOVILES EBITDA margin: close to 40% (+6.5 p.p.), with EBITDA growing at 36%.
- ⇒ T.LATAM: + 7.8% in revenues and +6.5% in EBITDA, excluding Fx, in Euro terms.

✓ PARTIALLY AFFECTED BY FOUR KEY NON-RECURRING NEGATIVE IMPACTS:

- ⇒ Bad debt Provisions: -2.2 p.p. to the Group's EBITDA growth.
- ⇒ Fx: -5.6 p.p. of consolidated EBITDA growth (Real dragged 5.7 p.p.).
- ⇒ Devaluation in Argentina: -369 mill.Euros in net income and a direct -1.4 Bn Euros to Equity
- ⇒ Reduction in extraordinaries by 219 Million Euros

✓ WITH FOCUS ON FCF: estimated 1.8 bn. Euros (*) generated in year 2001.

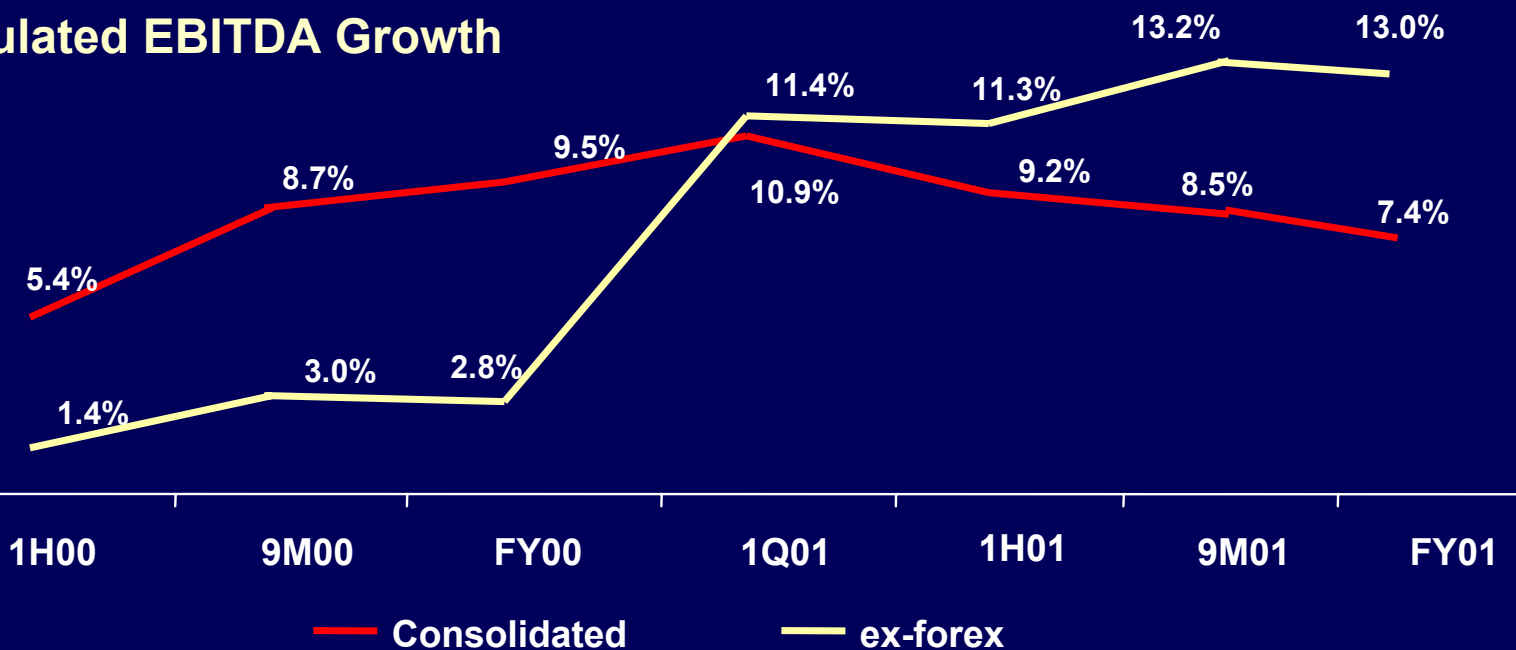
(*) EBITDA-CAPEX-Financial Result-Effective Taxes



(*) Excluding Fx, Change in consolidation and bad debt effects

Telefonica EVOLUTION OF EBITDA

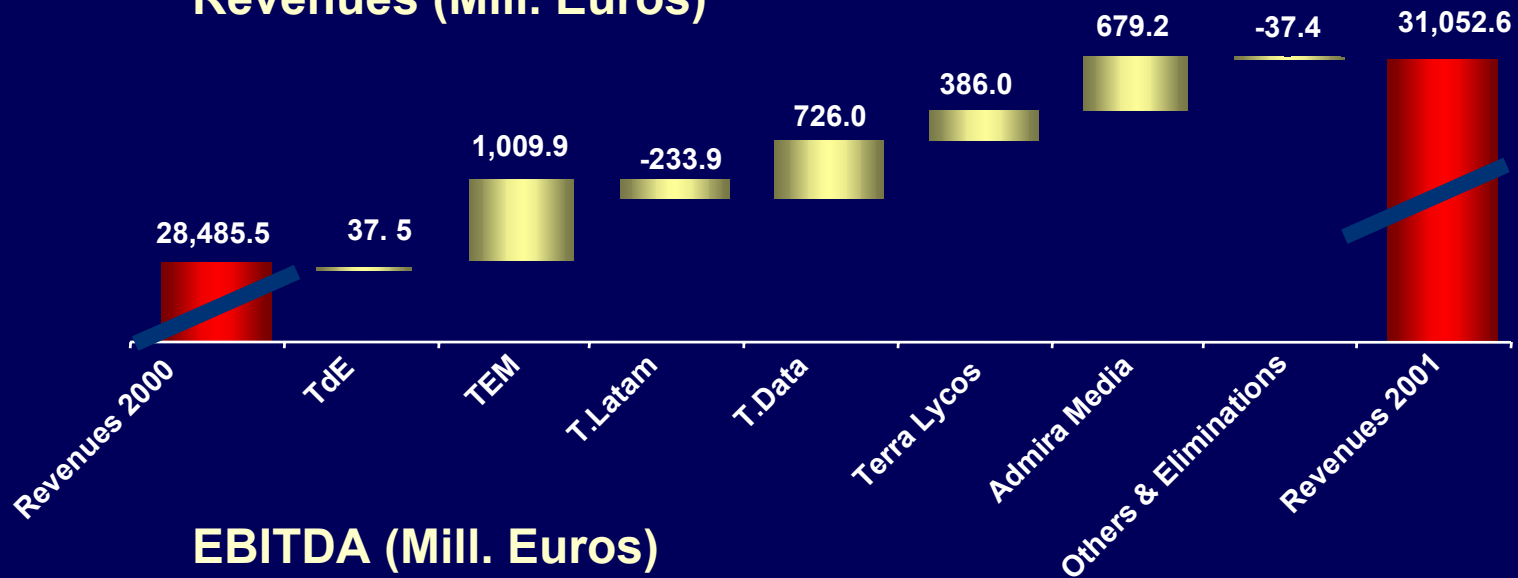
Accumulated EBITDA Growth



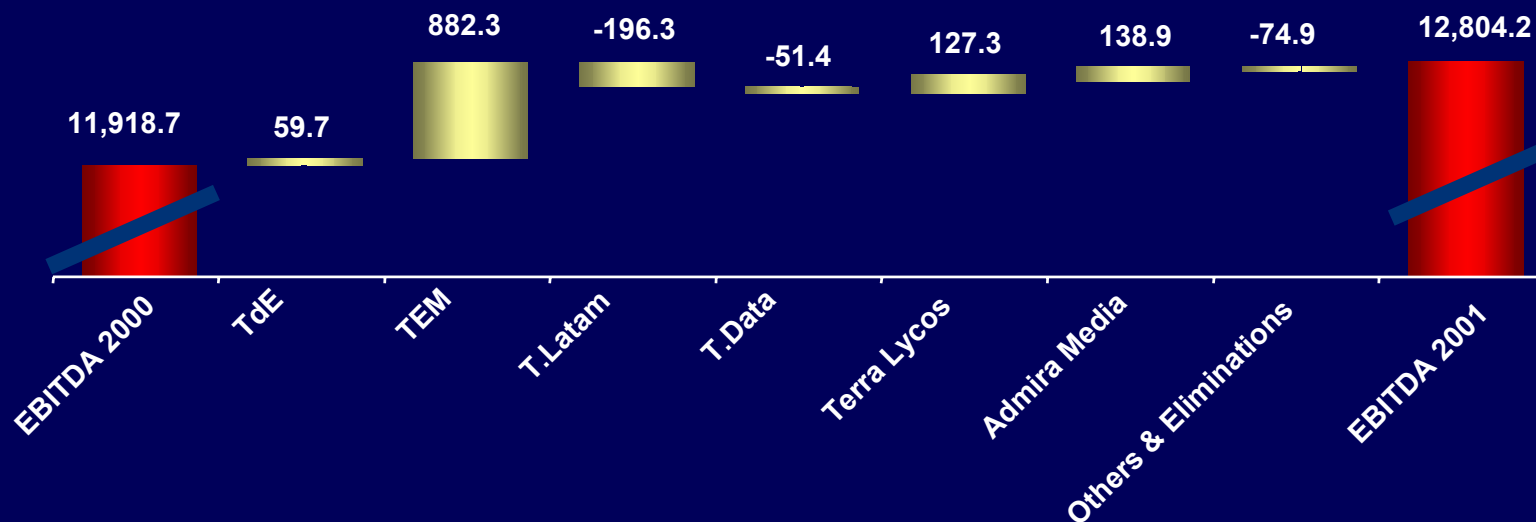
	FY00	1Q01	1H01	9M01	FY01
EBITDA growth	9.5%	10.9%	9.2%	8.5%	7.4%
Change in consolidation	0.4 p.p.	1.3 p.p.	1.5 p.p.	1.3 p.p.	0.9 p.p.
Foreign Exchange	6.7 p.p.	-0.5 p.p.	-2.1 p.p.	-4.7 p.p.	-5.6 p.p.
Bad Debt Expense	-1.7 p.p.	-3.0 p.p.	-3.2 p.p.	-3.0 p.p.	-2.2 p.p.
EBITDA growth adjusted	4.1%	13.1%	13.0%	14.9%	14.3%

Telefonica CONTRIBUTION BY BUSINESS LINE

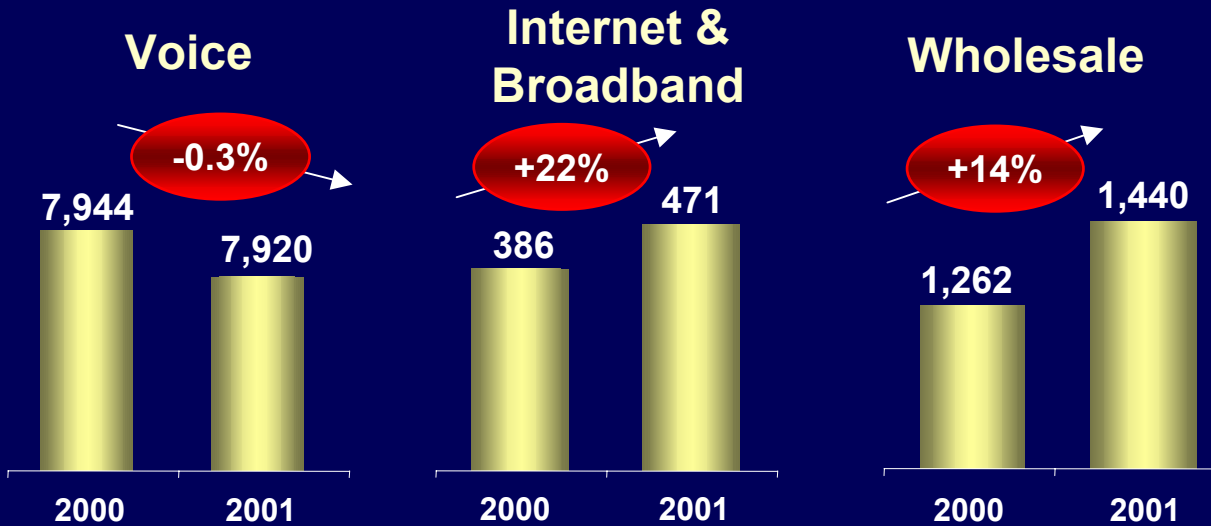
Revenues (Mill. Euros)



EBITDA (Mill. Euros)



Telefonica TELEFONICA DE ESPAÑA: EFFICIENT MANAGEMENT



OPERATING COMPANY REVENUES
9,831.5 Million Euros
+2.5% growth

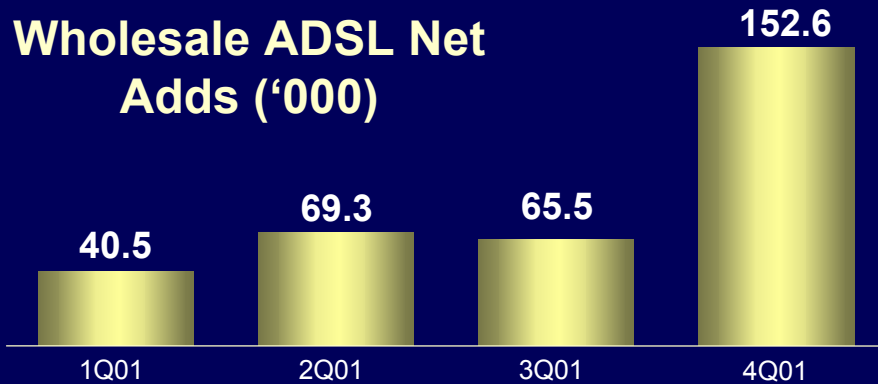
Operating Company Cost Structure

(million Euros)	Jan.-Dec 01	% Change
OPER. EXPENSES	5,347.4	0.2%
Personnel	2,039.9	-5.3%
Supplies	2,226.9	2.8%
- Interconnection	1,722.7	0.5%
Other oper.expenses	908.4	7.3%
Taxes	172.0	3.0%

OPERATING COMPANY EBITDA
4,485.3 Million Euros
+0.7% growth
46% margin

Telefonica TELEFONICA DE ESPAÑA: BROADBAND

Wholesale ADSL Net Adds ('000)

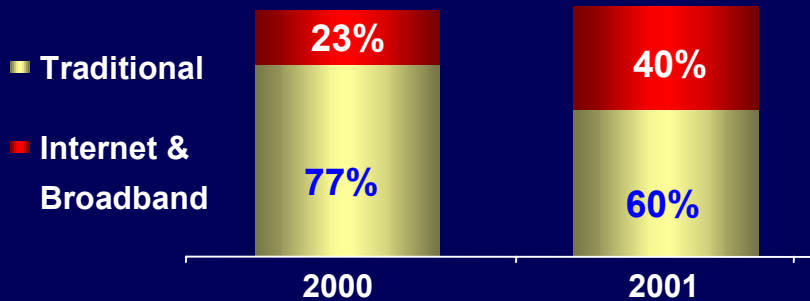


✓ Retail TdE (Telefónica.net): 187,000 clients

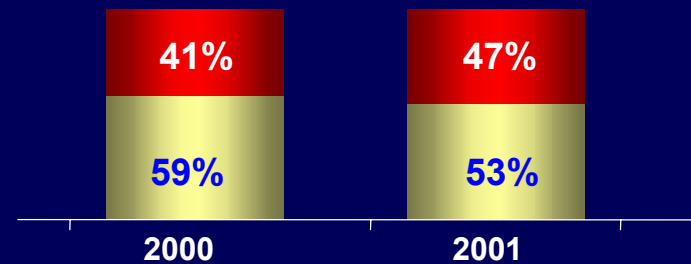
✓ 2,600 average daily installations in Q4 01 (+ 1,600 vs Jan-Sep average)

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

Capex Breakdown



Fixed Revenues vs Variable Revenues

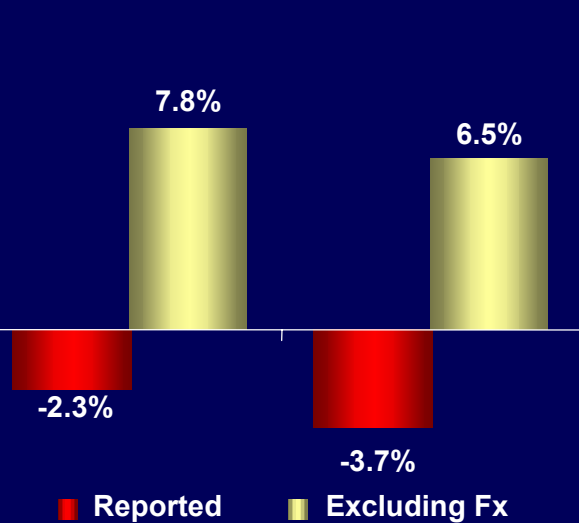


Capex/Revenues	2000	2001
	18.6%	18.9%

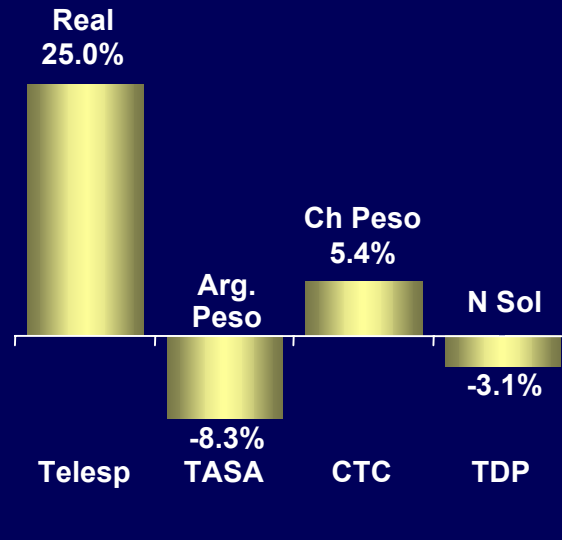
Variable Fixed

Telefonica LATAM WIRELINE

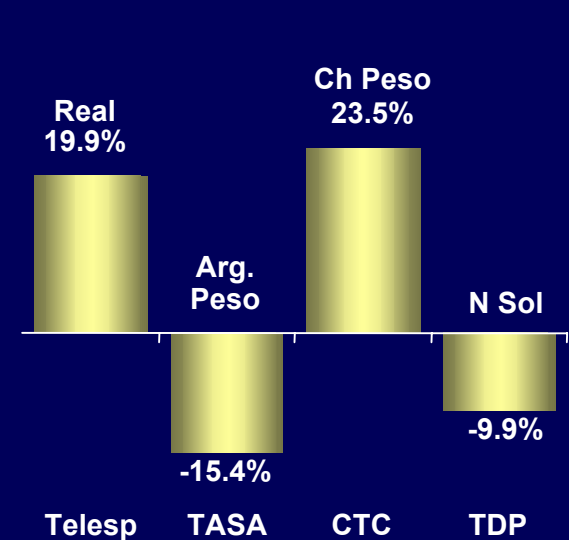
T.Latam Rev. / EBITDA ex forex



Operating Revenues % change Dec01/Dec00 Local Currency



EBITDA % change Dec01/Dec00 Local Currency

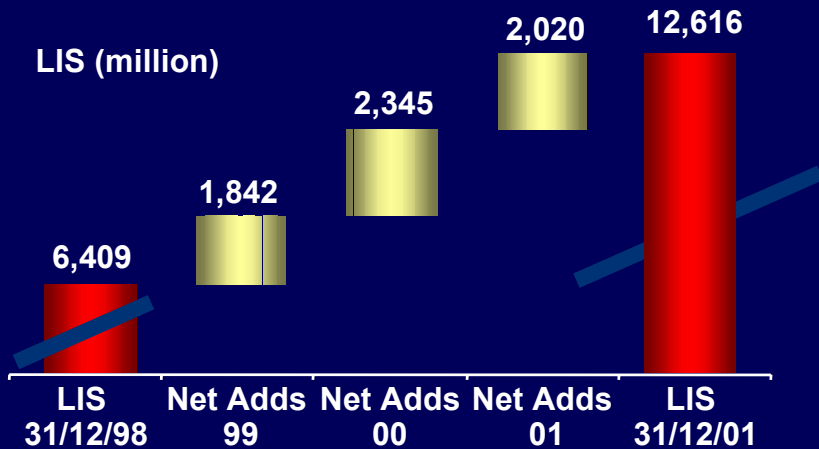


	<u>T Latam</u>	<u>Telesp</u>	<u>TASA</u>	<u>CTC</u>	<u>TDP</u>
LIS growth	11.8%	19.1%	5.7%	0.8%	-0.1%
LIS/Employee	804	1,198	526	803	471
Bad debt/Revenues	4.2%	3.5%	9.2%	1.9%	3.3%
Local currency/Euro	-	-19.7%	3.1%	-12.4%	2.6%

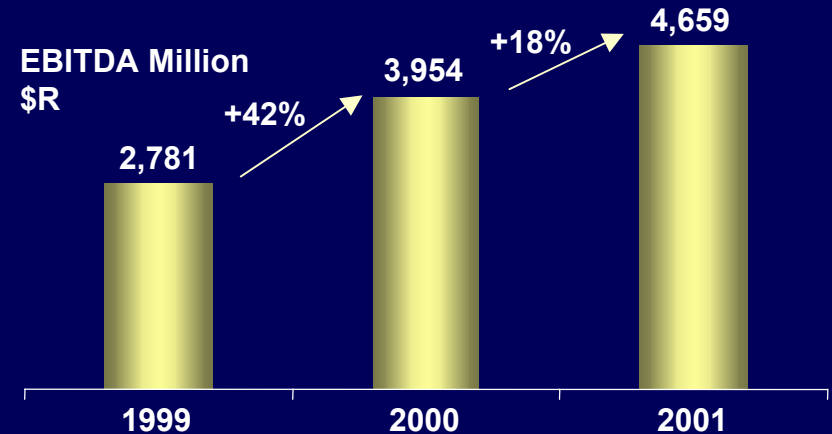
* TASA refers to the period January-December 2001.

Telefonica ...WITH TELESP A SOLID OPERATION

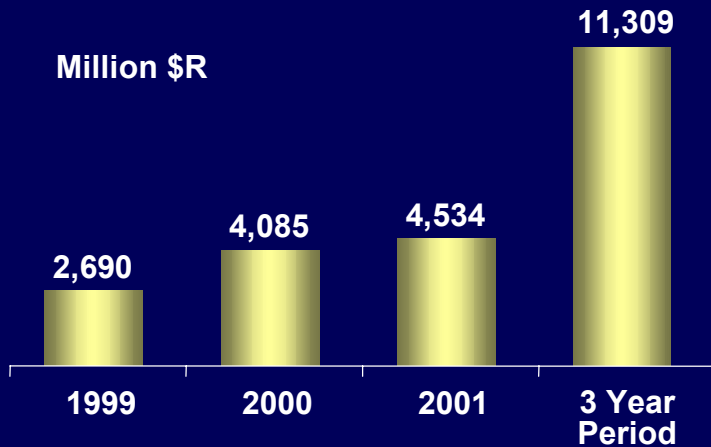
Line provisioning...



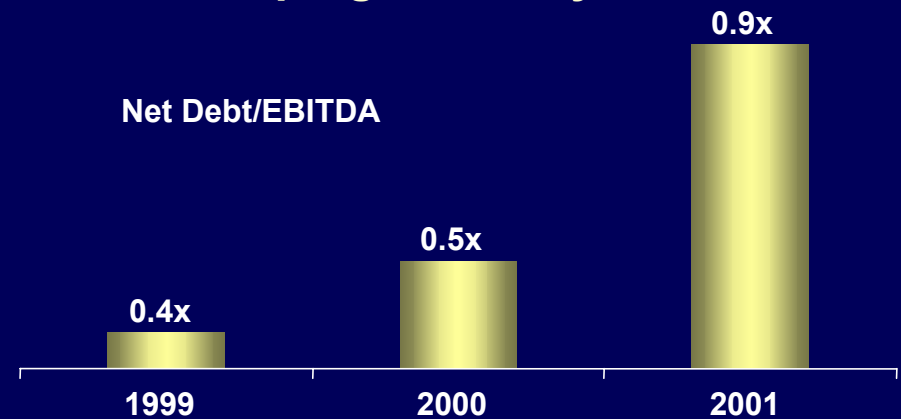
...but with a Focus on Profitability



Capex Intensity ...



...while keeping a healthy Balance Sheet

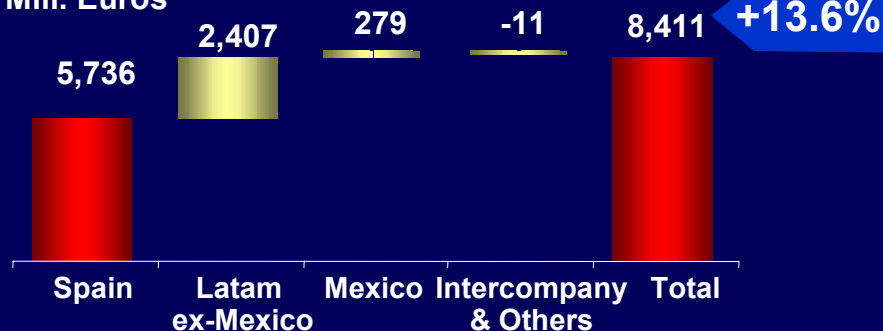


Net Debt/Equity equal to 26%

Positive financials at all levels driven by...

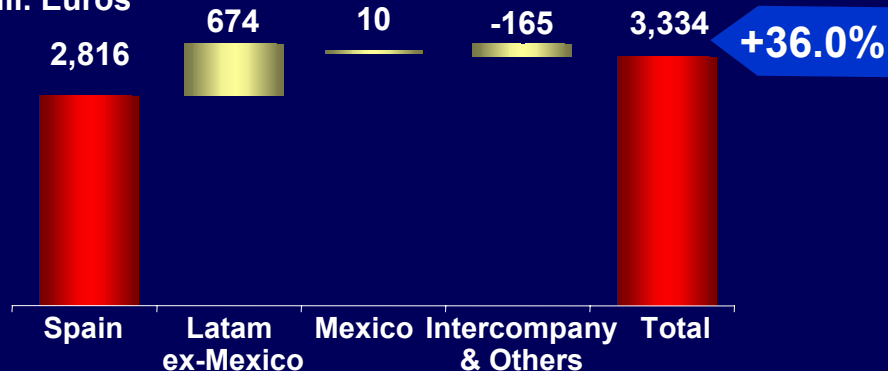
REVENUES

Mill. Euros



EBITDA

Mill. Euros



Sound performance of Spain...

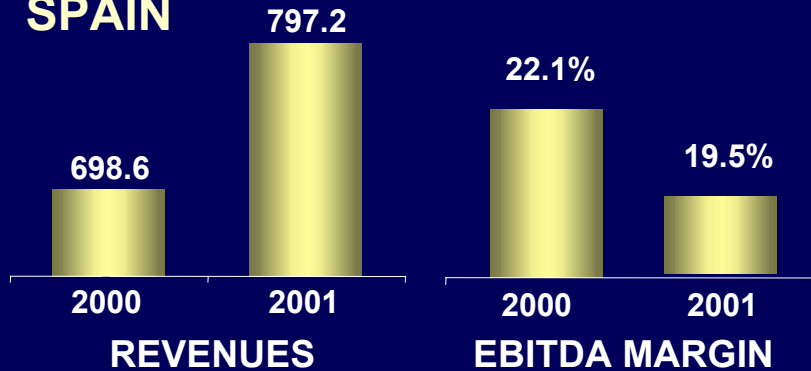
- ✓ +20% in revenues and +57% in EBITDA
- ✓ EBITDA margin of 49.1% (+12 p.p.)
- ✓ Client base grew at a 22.9% to close to 16.8 Mill.
- ✓ ARPU declined by 9.5% (31 Euros)
- ✓ Data revenues represented 15% of revenues
- ✓ Drop in churn (-54%) to below 14% per year
- ✓ Reduction in SAC+SRC of 41%

...and a positive trend in Latam

- ✓ Positive performance of Brazil:
 - ⇒ More than 1 Mill. net adds, while improving EBITDA margin in local currency (>35% level)
- ✓ Take over starting to pay in Mexico:
 - ⇒ +152% in net adds 4Q01 vs 3Q01
 - ⇒ +10% in MOU and +6% in ARPU

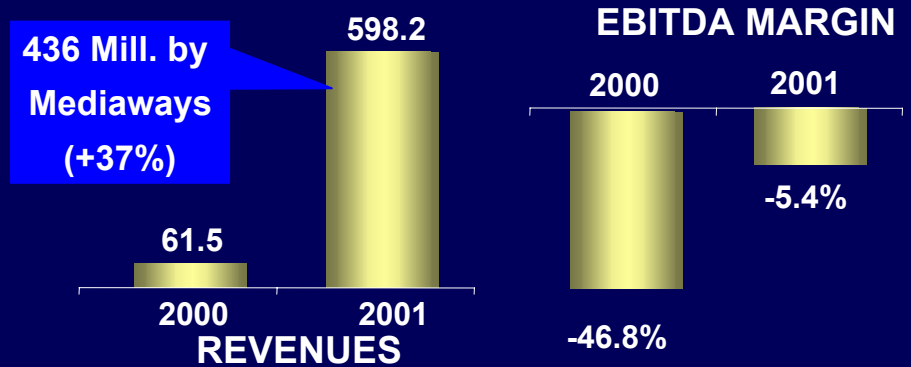
Telefonica DATA BUSINESS

SPAIN



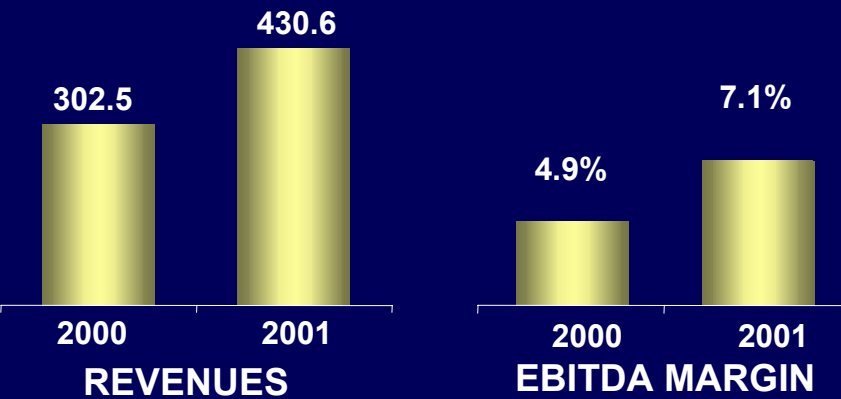
- ✓ Focus on large Corporates
- ✓ Maturity of business and development of new services

EUROPE New Entrant



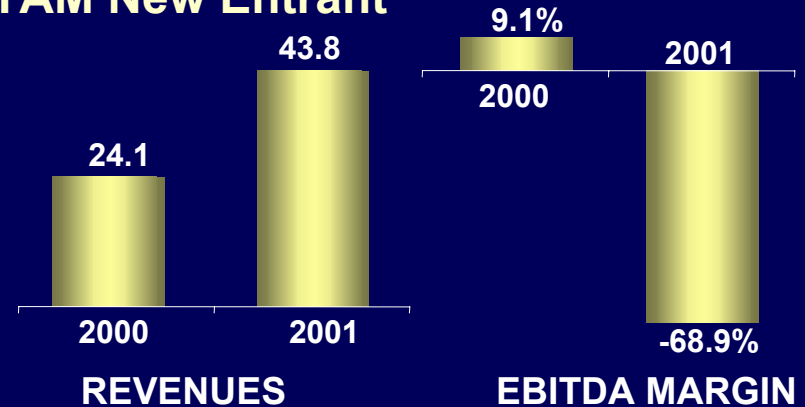
- ✓ Network expansion
- ✓ Commercial effort (capturing market share)

LATAM Incumbent



- ✓ Brazil, growth engine

LATAM New Entrant



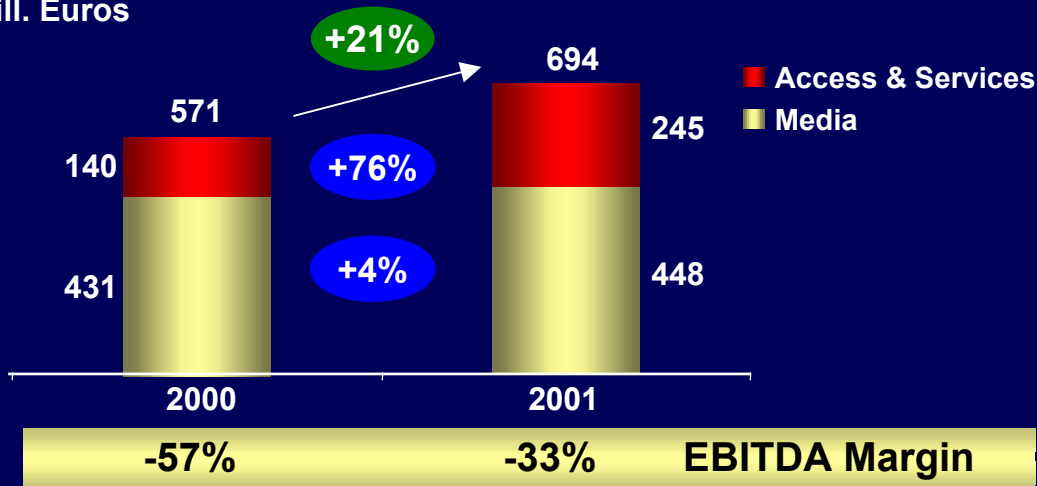
- ✓ Lower economic and Internet activity in US
- ✓ Commercial efforts

Telefonica TERRA LYCOS AND TPI

REVENUES (Proforma)

Mill. Euros

TERRA LYCOS



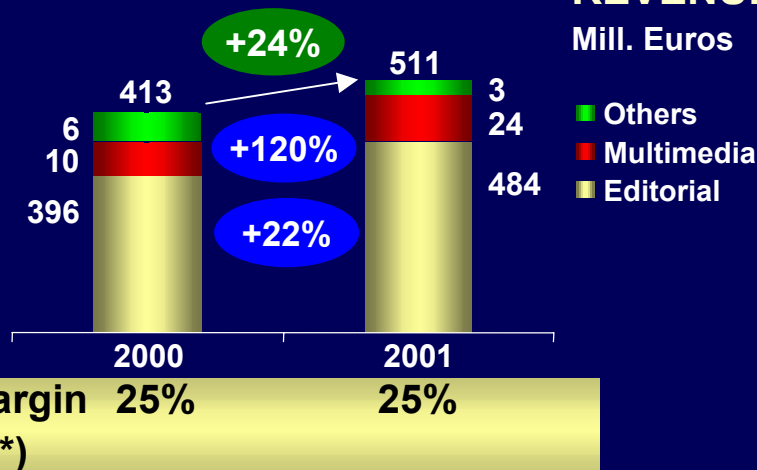
- ✓ 4.4 Million subscribers.
- ✓ 305,000 new paid subscribers, of which 192,000 broadband.
- ✓ Paid subs equivalent to 30% of total base (24% in 2000).
- ✓ Cost control: -5.5% 4Q01 vs 3Q01

TPI-PAGINAS AMARILLAS

REVENUES

Mill. Euros

- ✓ Proforma (*) growth rates in revenues & EBITDA of 31%.
- ✓ Multimedia rev. equaled 4.7% of total, and Latam nearly 25%.
- ✓ Spain proforma (*) EBITDA grew at a 20.5% rate, driven by Ad. Rev. (+10%).



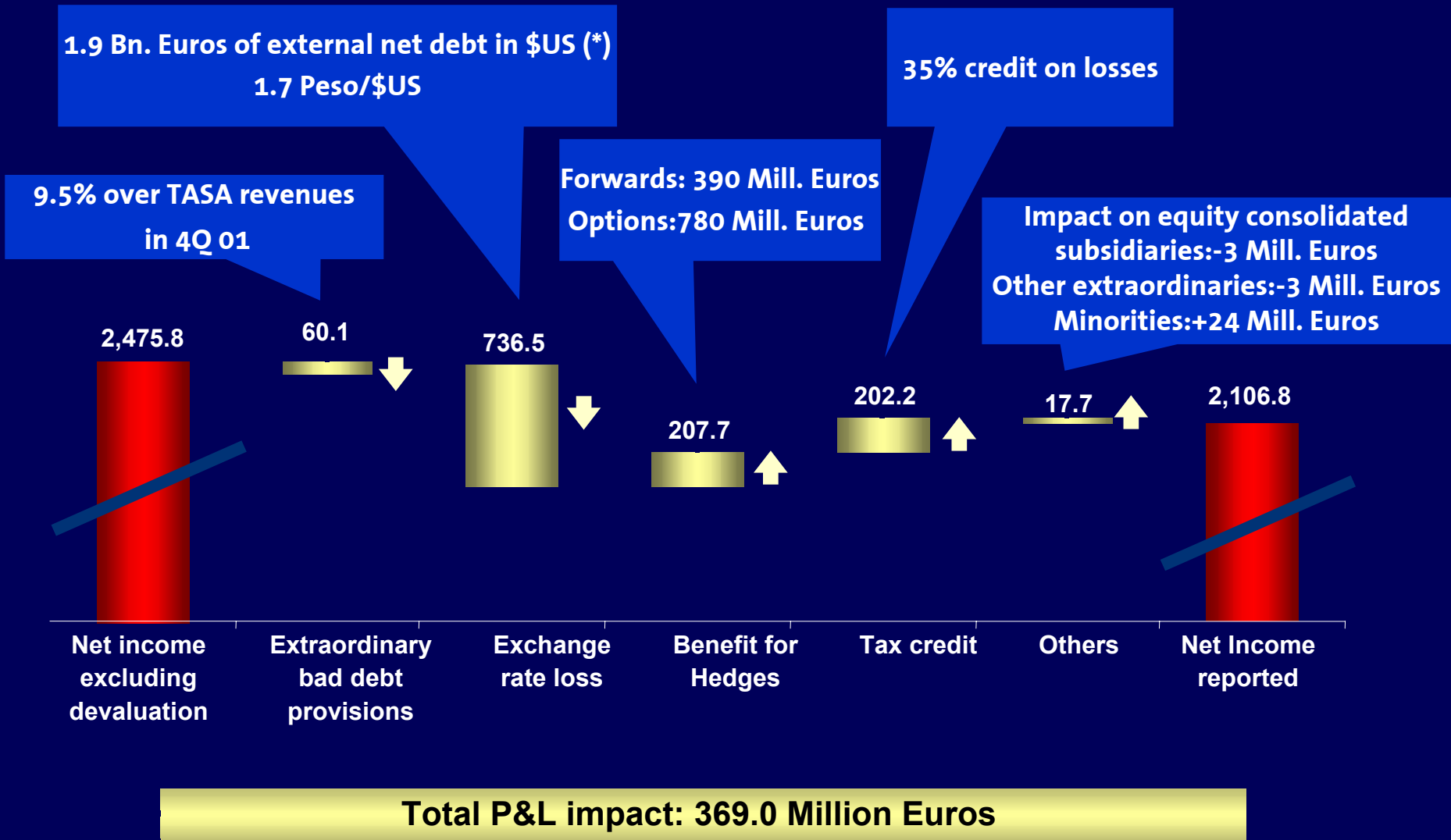
(*) Excluding White Pages Ad. revenues

Telefonica NET FINANCIAL EXPENSES (*)

Euros in millions	Dic01	Dic00	% Change
Debt financial expense	(2,016.8)	(2,143.5)	(5.9%)
Other financial expense	(55.4)	(75.2)	(26.3%)
Financial Income	506.3	456.6	(9.8%)
Net interest	(1,586.9)	(1,712.4)	(7.3%)
Financial provisions and net forex (1)	(775.3)	(147.9)	424.3%
Net financial results	(2,391.1)	(1,860.3)	28.5%
Net financial results excluding ARS devaluation	(1,862.3)	(1,860.3)	0.1%

Active interest rate management

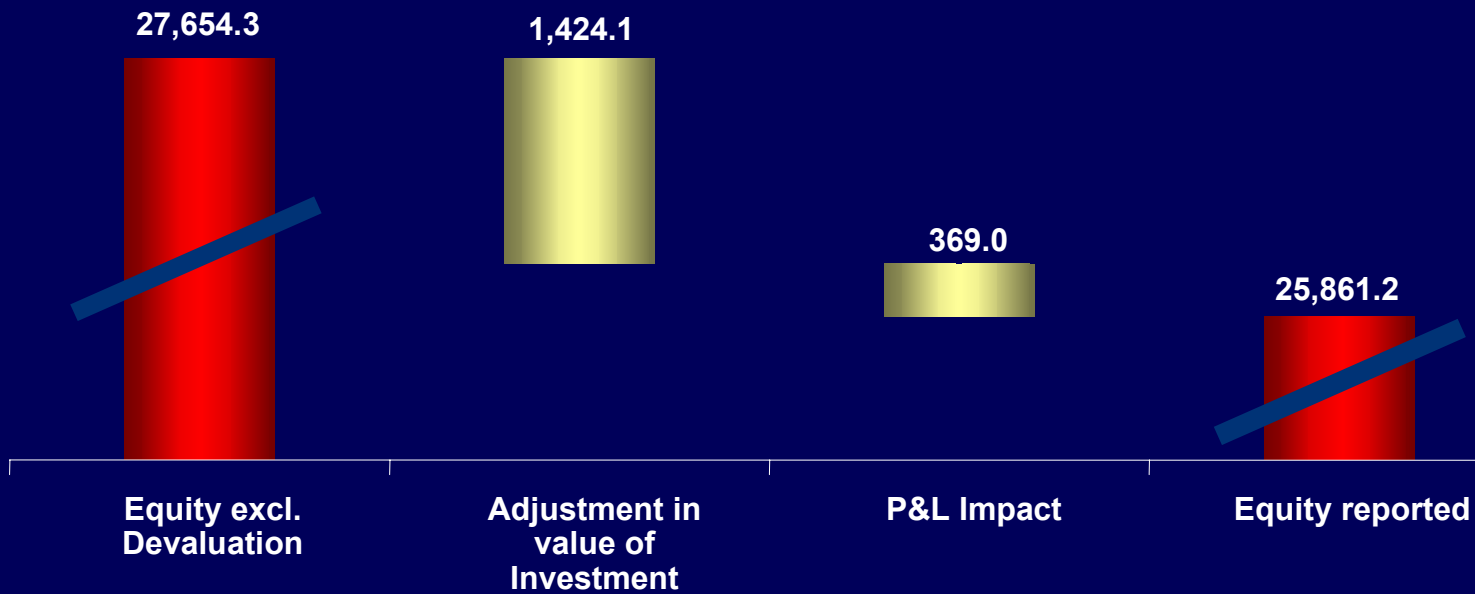
(*) Global consolidation



(*) Financial + Non Financial

Telefonica ...AND THE BALANCE SHEET

Adjusted assets: 5.1 Bn. Euros (*)
1.7 Peso/\$US



Total Balance Sheet impact: 1,793.1 Million Euros

(*) Financed with internal loans and equity

Telefonica ...WHICH WE HAVE ACTIVELY COVERED

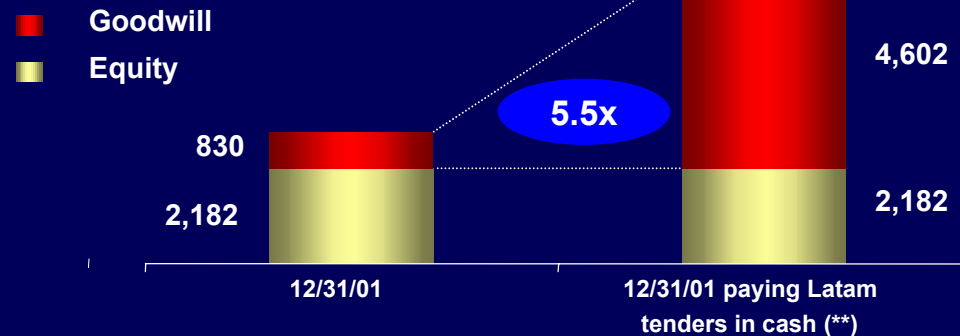
FROM THE OPERATING SIDE AT TASA LEVEL

- ✓ Bad debt control & growth through prepaid: 20% of LIS are prepaid as of 31/12/01
- ✓ Reducing Costs : -5% 2001 vs 2000
- ✓ Optimizing cash management
- ✓ Limiting Capex: -9% annual decrease

- ✓ Control EBITDA deterioration: from -21% 1Q01 vs 1Q00 to -11% for the full year
- ✓ Protect positive FCF: + 705 Million pesos for the full year (*)

FROM THE FINANCIAL SIDE AT HOLDING LEVEL

Book value of Argentina (Mill. Euros)

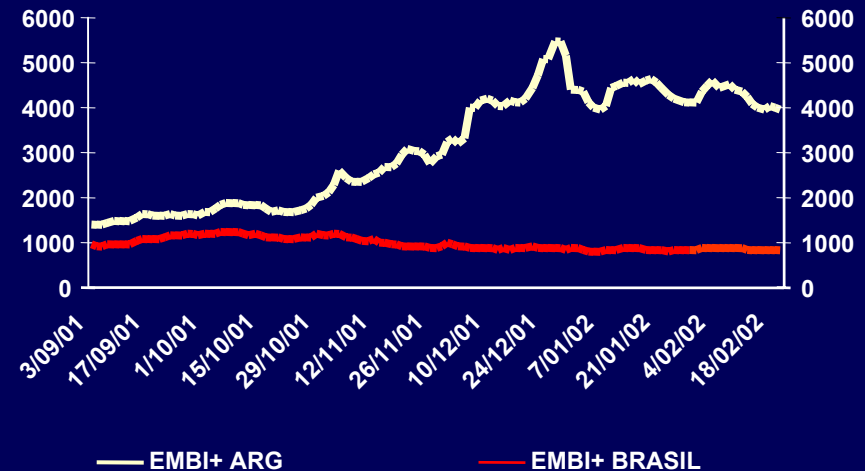
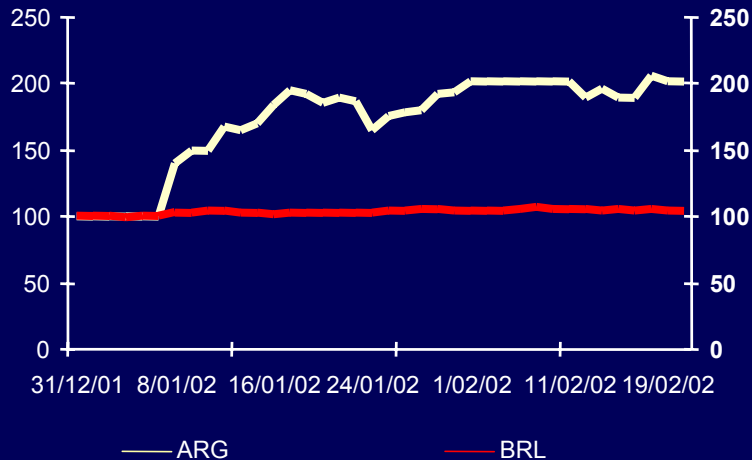


(*) EBITDA after M.fee -capex -effective taxes
-net financial results

(**) Excluding amortization of additional goodwill

- ✓ Minimum goodwill from Latam tenders: no goodwill impairment
- ✓ Financial Income of 208 Million Euros from hedges executed in 2001

Telefonica ...AND MARKETS DO BELIEVE IN DECOUPLING



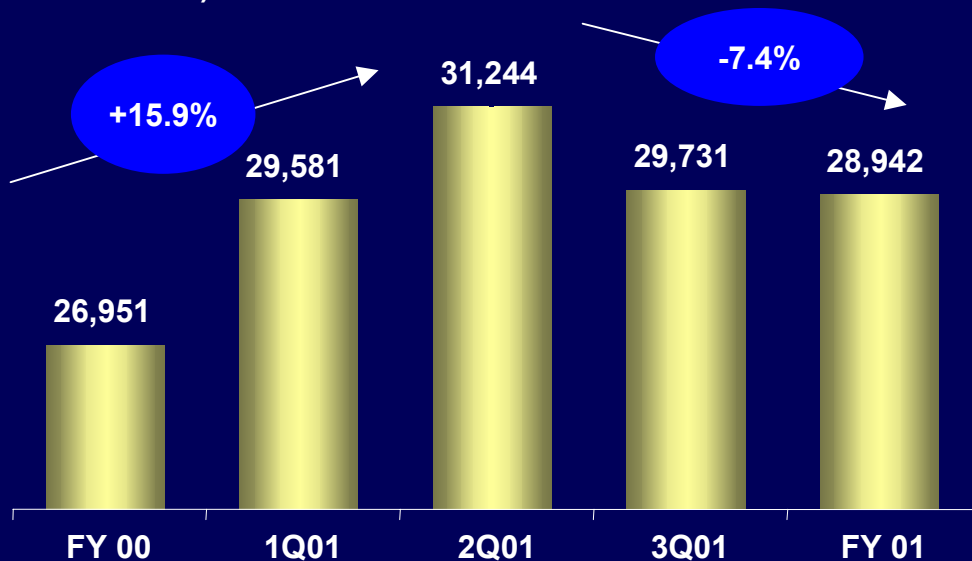
	2000	2001	2002	2003
Real GDP growth (%)	4.4	1.7	2.0	3.6
CPI (%)	6.0	7.7	5.0	4.0
Fiscal accounts (%GDP)	-4.7	-6.6	-4.8	-3.8
External accounts (% GDP)	-4.1	-4.6	-4.2	-3.7
External debt (% GDP)	40.7	42.8	43.5	43.0
Reserves (Bn. \$US)	33.0	35.9	37.1	35.1
Fx rate (\$R/\$US)	1.95	2.31	2.57	-

Source: Market consensus for 2001, 2002, 2003.

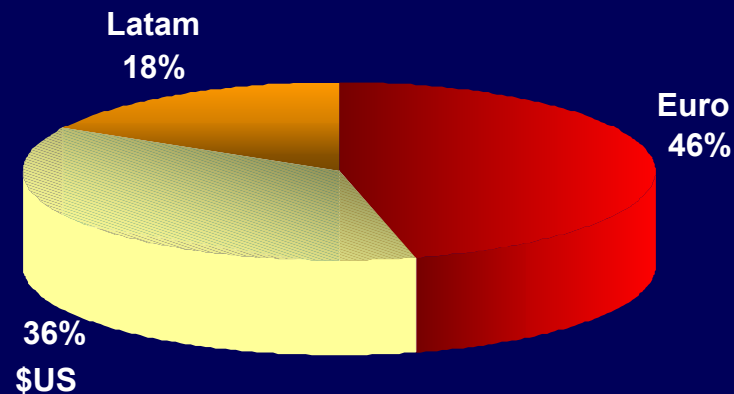
Telefonica NET DEBT

Net Debt

(Million Euros)



Debt Breakdown by currency

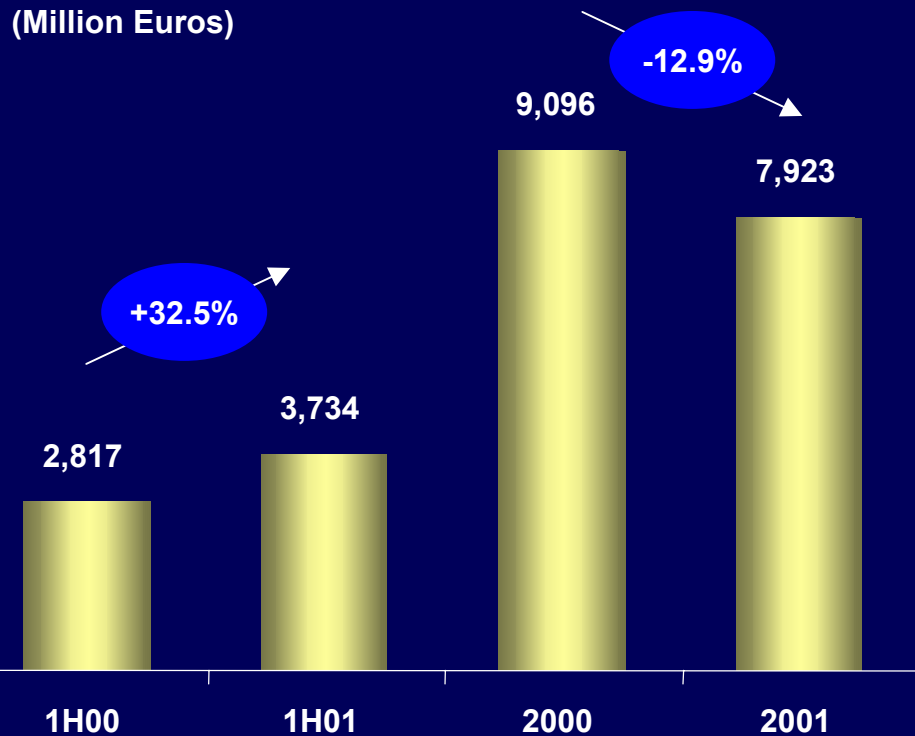


2002 financing needs covered
Net Debt/EBITDA of 2.3x as in 2000

Telefonica CAPITAL EXPENDITURES

Cumulative Capex (*)

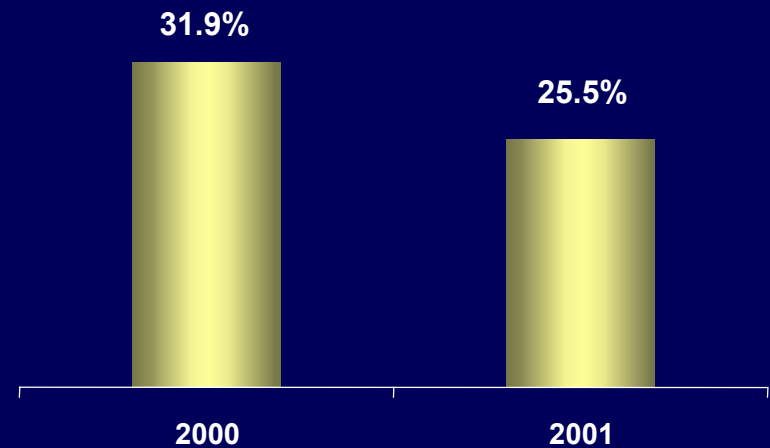
(Million Euros)



Capex breakdown (Mill. Euros)

	2001	2000	% Change
TdE	1,883	1,804	4.4%
T.Latam	3,055	3,280	-6.9%
T. Móviles	1,960	2,203	-11.0%

Capex/Revenues



(*) Excluding UMTS related costs.

Telefonica CONCLUSIONS

✓ SOLID UNDERLYING OPERATING ACTIVITY BASED ON EFFICIENCY

⇒ Consolidated EBITDA: +12.1% proforma (*).

✓ TRADITIONAL BUSINESSES HAVE BEEN KEY DRIVERS

⇒ TdE EBITDA growth of +1.3%.

⇒ T.MOVILES EBITDA margin close to 40%, with EBITDA growing at 36%.

✓ SIGNIFICANT CASH FLOW GENERATION CAPACITY

⇒ 1.8 Billion Euros in 2001

✓ STRONG BALANCE SHEET

⇒ 7.4% reduction in net debt from its peak in June

⇒ Net Debt to EBITDA of 2.3x

✓ ADEQUATE RISK POLICIES

⇒ International and Spanish accounting institutions recommendations followed for Argentina devaluation

⇒ Significant write-offs

✓ DEVALUATION IN ARGENTINA

⇒ -369 Mill. Euros in the P&L

⇒ 1.4 Bn. Euros direct impact in the Balance Sheet

(*) Excluding changes in consolidation, and forex

Telefónica
