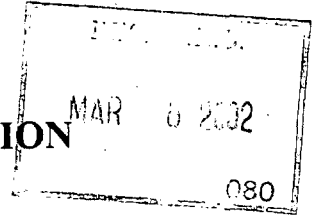




FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR MARCH 8, 2002 PE

Telefónica, S.A.

(Exact name of Registrant as specified in its charter)

The Spanish Telephone Company

(Translation of Registrant's name into English)

Gran Via 28

28013 Madrid, Spain 3491-459-3050

(Address of principal executive offices)

PROCESSED

MAR 11 2002

THOMSON
FINANCIAL

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:]

FORM 20-F X FORM 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.]

YES NO X

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):] Not applicable

TELEFÓNICA, S.A.

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Item 1

Second Investor Conference

March 2002, Sevilla

Telefonica

Building Value

César Allieria
Chairman & CEO
Telefónica S.A.

Objectives for these two days

- **Review the progress since Río, during a difficult year**
- **Update Group's strategy**
- **Understand why our strengths and strategic plan make us different**
- **Communicate a clear picture of divisional performance and outlook**
- **Have an opportunity to meet Telefónica's senior management**
- **Provide you with an updated outlook for the medium term**

Contents

- **Progress since Río 2001**
- **Telefónica's strengths**
- **Telefónica's Strategic Vision**

**Progress since Río 2001 -
Telefónica performance during a difficult year**

Telefónica today

Scale & breadth

- **78 Million clients**
- **Operating in 17 countries**
- **Participating in all key businesses (Wireline, wireless, data, internet, media/ content)**

Performance

- **One of the most efficient Telcos in the world**
- **Best credit rating among European incumbent Telcos**
- **Outperforming European sector in ROCE during 2001**

- **Eur 67 bn (Equity Value) Company* with Eur 31 bn in revenues and Eur 13 bn in EBITDA**
- **2nd European incumbent Telco by Market cap**

* 67 bn Equity Value as of March 6th.

Our Challenge - Building Value

**Organic
growth**

- **Improve returns from core assets**
 - **Focus on customer innovation, service and quality to drive top line**
 - **Continue efficiency improvements to drive bottom line**

**Non organic
growth**

- **Strengthen Business Lines by leveraging all group assets across the customer base**
- **Selectively invest in/acquire new assets as a source of additional profitable growth**
- **Unlock value from non core assets**

Balance sheet strength and cash flow remains key differentiator

Highlights 2001 (I):

Wireline

SPAIN

- **TdE:** Return to EBITDA growth (+1.3%)
- **Successfully defended market share and margins (EBITDA margin: 44%)**
- **Regulatory mgmt. progress: tariff rebalancing**
- **Operational excellence:**
 - OPEX reduced by 3.1% yoy
 - Execution of Commercial Strategy
- **Leading broadband offer in Spain (375,816 ADSL)**
- **Minimized growth in Capex (+4%) despite broadband expansion**

35% of consolidated EBITDA

20.6 MM LIS

LATAM

- **Largest EBITDA contributor even in difficult macroeconomic environment**
- **Top level EBITDA margin (51%)**
- **Significant cost cutting and conservative bad debt provisioning policies**
- **Capex peak in 2001**
- **Telesp:** anticipate regulatory goals & significant revenue & EBITDA growth: 25% & 20% (\$R)
- **CTC:** return to profitability thanks to cost control
- **TASA:** efficiency measures implemented to minimize crisis impact
- **TdP:** manage regulatory transition in a low growth environment

40% of consolidated EBITDA

21.6 MM LIS*

Exceeding
Market
Expectations

Telefonica

* CANTV lines not included

Highlights 2001 (II):

Wireless

26% OF CONSOLIDATED EBITDA

29.8 MM CLIENTS*

Spain

Becoming the European benchmark on business execution:

- Record EBITDA margin (49%; + 12pp)
- Strong increase in customer base (+23%) coupled with reductions in SAC+SRC & churn rates
- Expanding market share gap with 2nd operator

LatAm

Sound results, despite adverse economic environment:

- 32% increase customer base
- Healthy growth based on conservative customer accounting criteria
- TEM-PT JV on track to lead Brazilian mobile market

Europe

Strategy aligned with market conditions:

- Network sharing agreements already closed and CAPEX efforts minimized
- GPRS operations launched in Germany; reduced activity in Italy

Rationalize Capex & Opex with focus on FCF per customer

Highlights 2001 (III):

Other businesses

Terra Lycos (Internet)

- Delivering proforma revenue growth (+22% yoy) and improving profitability (24 pp improvement in EBITDA margin)
- Record 55% growth in pay subs (1.7 MM pay subs as of Dec'01)

T Data (Data)

- Incumbent data operations met Rio expectations
- Finalised repositioning of T-Data non incumbent operations

TPI (Directories)

- Strong increase in revenues and EBITDA (23.9% and 6.2% yoy)
- Progress on footprint expansion (Chile, Brazil, Peru)

Admira (Media)

- Mixed performance on top of a complex industry environment: still disappointing for Telefonía
- Endemol strong increase in Revenues and EBITDA (62.8% and 51.1% respectively)

Atento (Call Centers)

- Improved operating efficiency, with 22% growth in revenues and 113% in EBITDA
- Revenue diversification: 42% of revenue growth from external clients

On track Towards Profitability

2001 - Financial Highlights

Eur mn	2001	Change
--------	------	--------

CASH & RETURNS		
FCF *	2,292	218%
CAPEX **	7,923	(12.9%)
ROCE ***	7.9%	0.6 pp

P&L		
Revenues	31,053	9.0%
EBITDA	12,804	7.4%
Operating Income	5,430	9.5%
Net Income	2,107	(15.9%)

- Significant FCF growth
 - Top ROCE among major European Incumbent Telcos
 - Lowest Intangible assets to total asset ratio
-
- Growth rates on track with Rio targets
 - 13% EBITDA growth excluding FX
 - FX losses from AR\$ devaluation included

* FCF = EBITDA - Financial Expenses - Capex (ex-UMTS) - Taxes

** Excluding UMTS licences

*** ROCE= Operating Income x (1-Taxes)/(YearEnd Stockholders' Equity+Minority Interests+ Net Debt)

Telefónica Operations in Argentina

Impact of crisis

- Devaluation effects:
 - Total 2001 P&L effect (Eur 369 mn)
 - Additional Shareholder Equity impact in 2001 (Eur 1.4 bn)
 - No write off needed on Telefonica's Balance Sheet as of Dec. 31st 2001
 - Potential additional impact in 2002
- Economic slowdown:
 - Reduction in demand
 - Increase in Bad-debt

Action taken

- Actively working towards renegotiation of the regulatory framework
- Drastic Efficiency Measures
 - Active negotiations with suppliers to reduce costs
 - Radical process redesign to lower structural costs
 - Strict bad debt control
 - Frozen CAPEX
- Monitor sector developments closely to improve competitive position in the recovery process



Telefónica's strengths

A solid base for *Building Value*

A solid base for *Building Value*

Telefónica has all of the assets required to maintain “momentum” and will take advantage of its strong position to selectively seize available opportunities in the sector

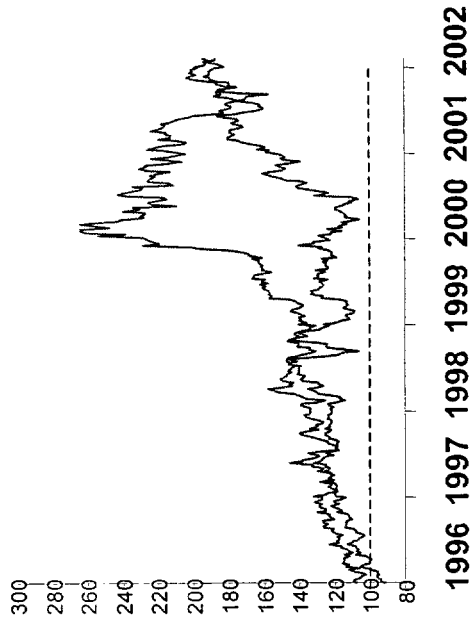
- **Good track record**
- **Powerful core skill set**
- **Solid financial position**

Building Shareholder Value through Solid Growth

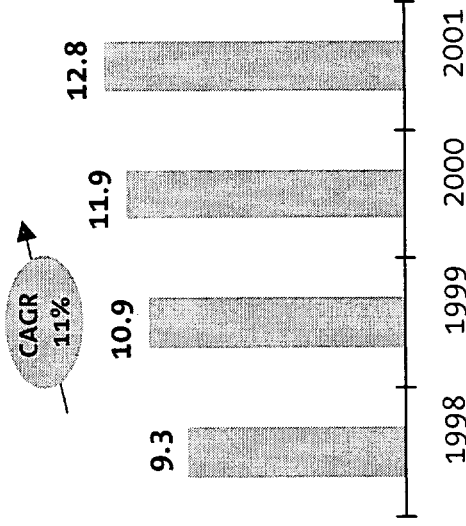
Good Track Record

- Consistently outperformed stock market and Telecom sector
- Increased and broadened sources of revenue and EBITDA
- Balance sheet strength maintained to reduce costs and keep flexibility
- Created credibility in capital markets

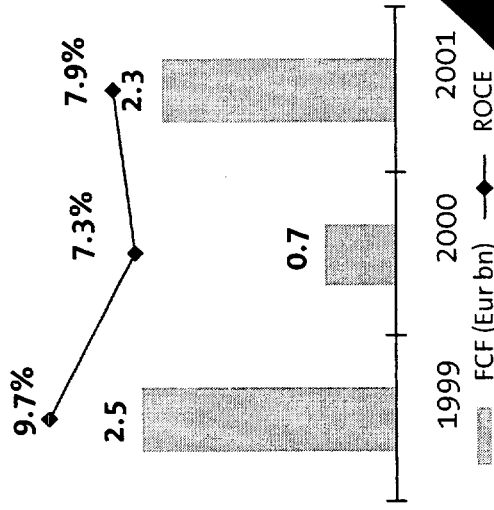
Relative Share Price Performance



Sustainable Operating Growth



FCF & ROCE Evolution *

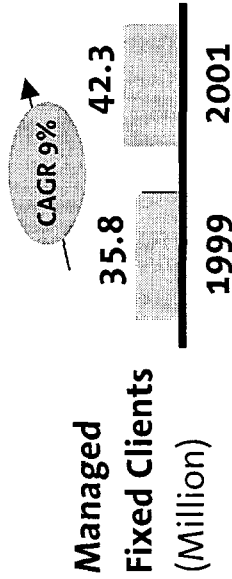


— TEF / IBEX 35 — TEF / DJ Telecom CONSOLIDATED EBITDA (Eur bn)

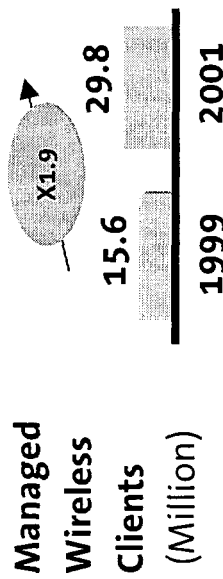
* FCF=EBITDA-Financial Expenses-Capex (ex-UMTS)-Taxes

Powerful Core Skill Set

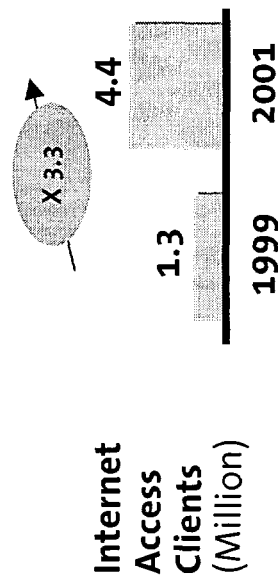
Strong Skills to Manage Growth and Strengthen Leadership



Ranking*	
Spain	#1
Brazil	#1
Argentina	#1
Peru	#1
Chile	#1



Ranking*	
Spain	#1
Brazil	#1
Argentina	#2
Peru	#1
Chile	#2
Mexico	#2



Ranking*	
Spain	#1
Brazil	#3
Mexico	#2
Chile	#2

Best Talent, Know-how and Assets

- Strong management team broadly recognised in the sector
- Successful track record in LatAm, gives us credibility to enter new markets
- Most efficient wireline operator in terms of LIS/employee (505 Spain, 804 LatAm)
- TME, setting a new performance benchmark in the European wireless market
- Strong brand equity
- Strong Sales and Distribution Network (>13,000 points of sale in Spain, >8,000 in LatAm)
- Extensive network providing access to our 78 million clients**

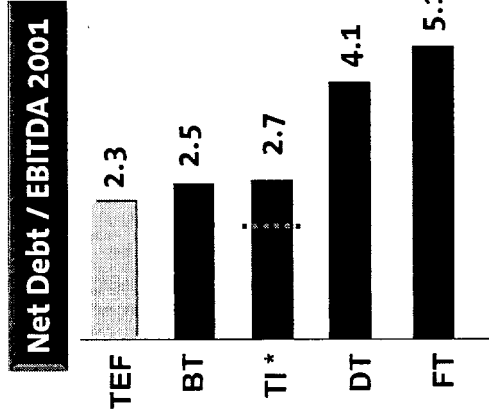
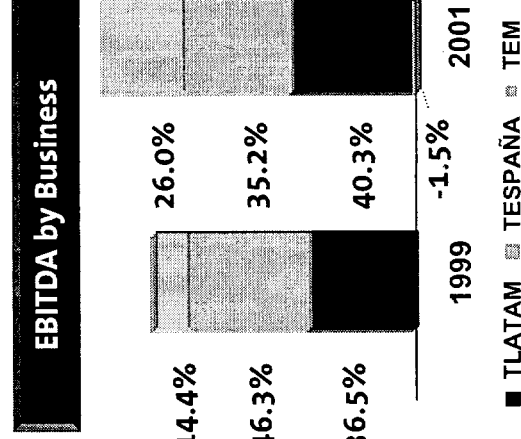
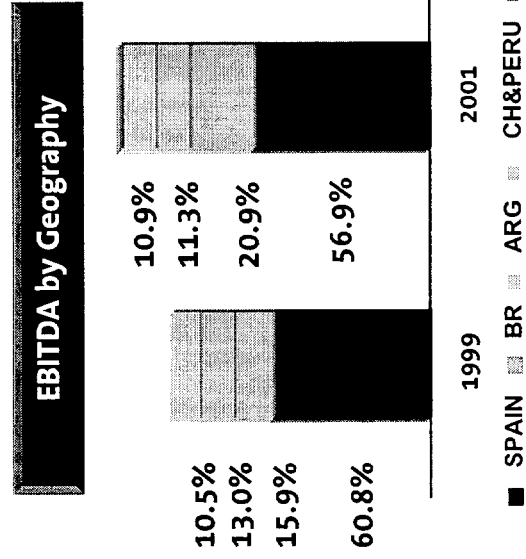
* In the region of presence in each country
 ** Including CANTV



Strong Financial Position (I)

- Conservative investment strategy leading to the strongest balance sheet in the sector
- Diversified cash flow resulting in reduced volatility and superior credit rating
- Lower cost of debt : enhanced returns for equity investors
- Increased flexibility from strong cash generation & Balance sheet

“Telefónica is ready to capitalise on the sector’s weaknesses”



* Including Olivetti's net debt; Source: Company's Reports SSSB, ABN Amro



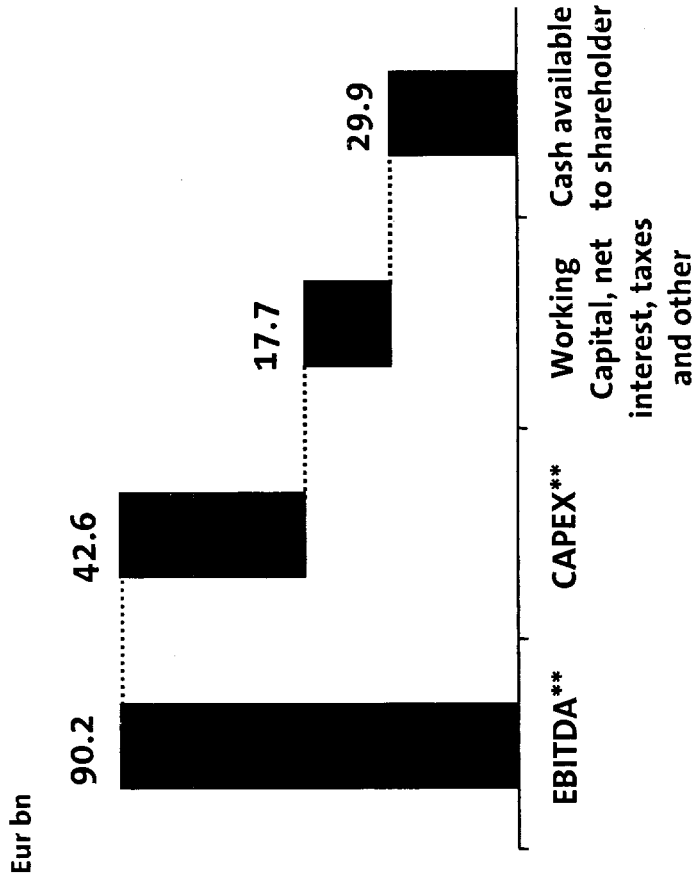
Strong Financial Position (II)

Cash Flow provides Flexibility

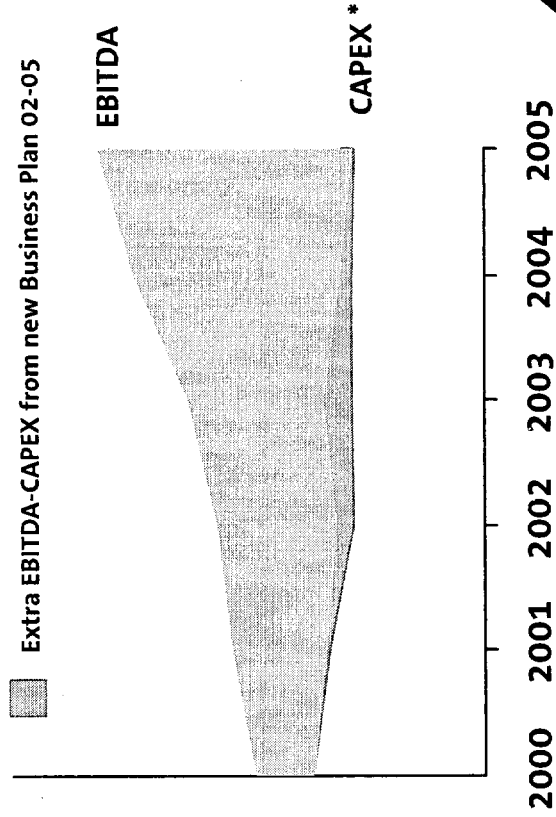
Cash Flow generation capacity would allow full debt repayment before maturity (6 years)

Capacity to invest in new opportunities

2002-2007 Accumulated cash flow

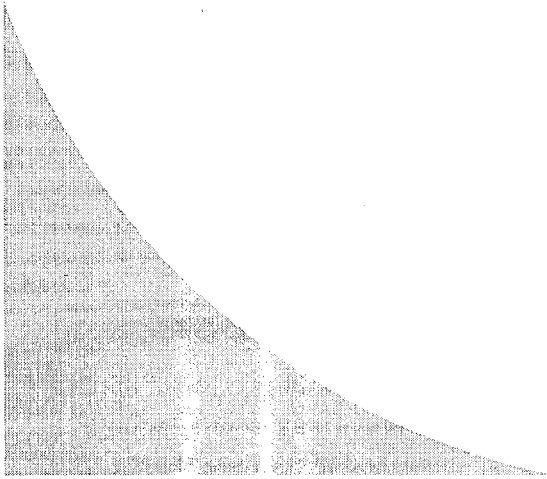


Improving Rio targets (Constant FX, 2ARS/US\$)



* Capex excluding UMTS licenses

** Source: Analysts estimates



Telefónica's Strategic Vision: Current Focus

Corporate Strategy Drivers

RECENT DRIVERS

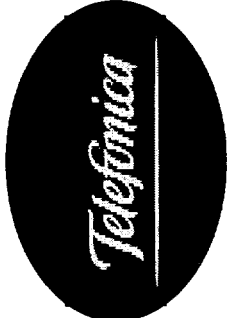
CURRENT FOCUS

• Focus on profitable quality customers

• Build advanced commercial and marketing platforms for deeper segmentation and customer care

• Individual Business Line aggressive capture of customer base

Customers



Financial

Services

Geographic Footprint

• Accelerated Growth Model

• Unlock value through disaggregation of Business Lines

• Profitable Growth Model

• Focus on ROCE and FCF

• Fast build up of an Internet and Media/Content Franchise

• Lead the digital revolution through our Broadband Strategy leveraging on core Network and Content Assets

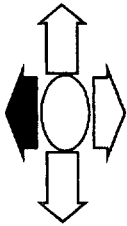
• Lead Spanish and Portuguese speaking markets

• Build European presence

• Selective and results oriented multi-regional approach

- Complete LatAm footprint
- Opportunistic European participant
- Selective expansion in Mediterranean Basin

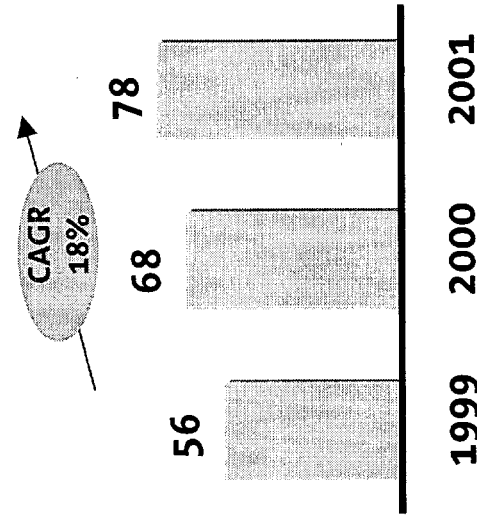
Customer satisfaction: our priority



RECENT DRIVERS

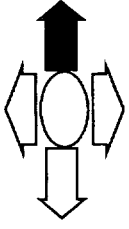
- Individual Business Lines encouraged to rapidly expand customer base

MILLION CUSTOMERS*

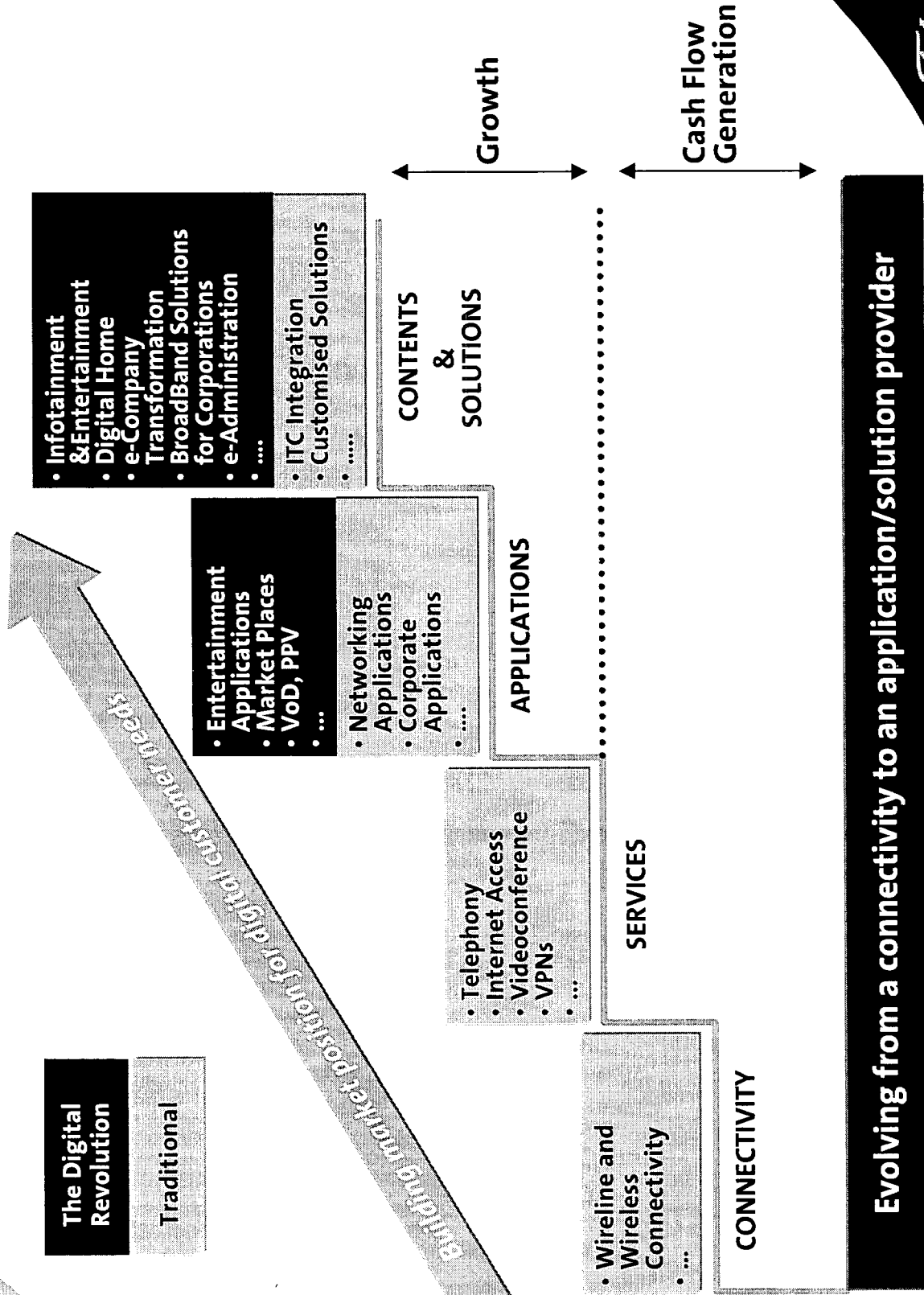


CURRENT FOCUS

- Focus on profitability and quality services for customers
- Build advanced commercial and marketing platforms for deeper segmentation and customer care

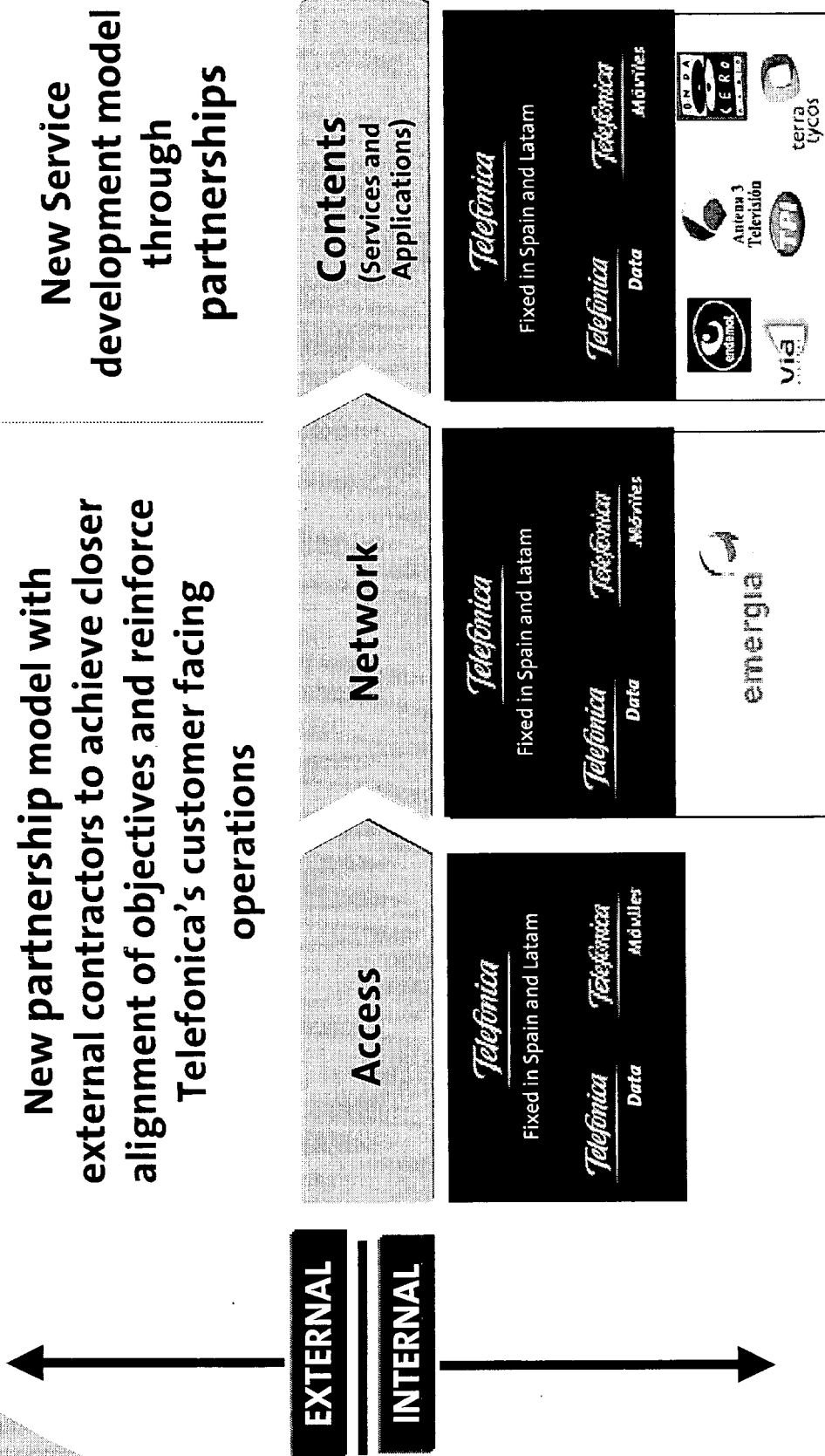


Services: Embracing the Digital Revolution





Services: Leveraging on Internal and External Skills

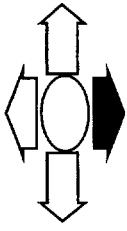


New partnership model with external contractors to achieve closer alignment of objectives and reinforce Telefonica's customer facing operations

New Service development model through partnerships

Set up a new Corporate Content Unit leveraged on Endemol and other assets





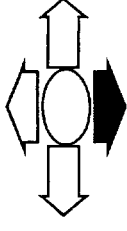
Geographic Footprint: LatAm

Deepen Telefonica's position in Latam and increase its contribution to the Group's EBITDA

- **Expand in new high growth potential markets where we are not incumbent (e.g., Brazil beyond Sao Paulo and Mexico):**
 - ✓ **Organic growth (e.g., Brazil 2002)**
 - ✓ **JVs (e.g., Mobile JV with PT in Brazil)**
 - ✓ **Acquisitions**
- **Constant improvements in efficiency through Active Regional Management**
- **Regional offering is a key competitive advantage**

Geographic Footprint: Europe

- **Spain: Maximising Cash Flow from existing businesses and defending competitive position by enriching the current portfolio with new Broadband Services**
- **The restructuring process of the European telecom sector will create new opportunities for Telefónica in the next few years**
- **Selective investments will allow Telefónica to capitalise on this restructuring process**
- **Leverage proven skills and current assets to enter new markets**
- **UMTS position outside Spain - minimise investment and open to options based on achieving attractive returns**



Financial:

Profitable Growth



✓ **INCREASE OPERATING EFFICIENCY**

✓ **EXCELLENCE IN CAPEX EXECUTION**

✓ **CLEAR INVESTMENT CRITERIA**

✓ **GROWTH IN CUSTOMER BASE**

✓ **GROWTH IN USAGE OF CURRENT SERVICES**

✓ **GROWTH IN NEW SERVICES**

Financial:



Profitable Growth

Key business priorities to deliver profitable growth

2001 Results * (Eur mn)

EBITDA

Net Income

T. LATAM	5,163	1,275
TdE	4,508	1,078
TEM	3,334	893
TPI	129	65

- Strengthen core business performance
- Capture growth opportunities profitably (particularly increasing penetration in LatAm and Broadband strategy)

TERRA LYCOS	(232)	(566)
T.DATA	24	(486)
ADMIRA	153	(347)
ATENTO	54	(110)

- Crystallize the value of the positions Telefonía has developed
- Broadband as a contributor to continued improvement in results

* Results from individual Business Lines

Financial:



Profitable Growth

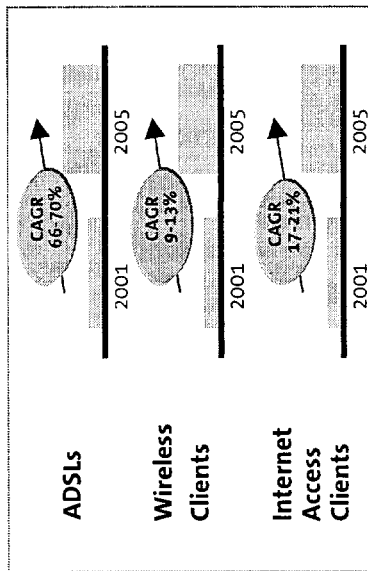
Increase Customer Revenues

Growth Customer Base

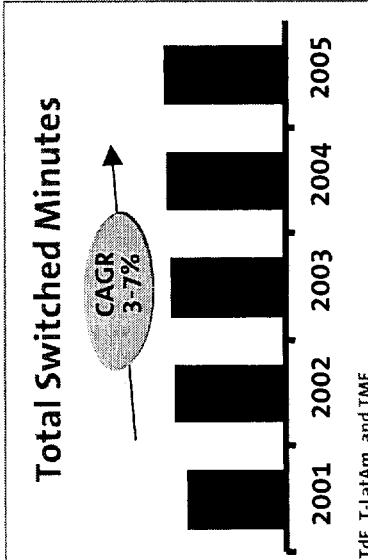
Growth in Usage of Current Services

Growth in new Services

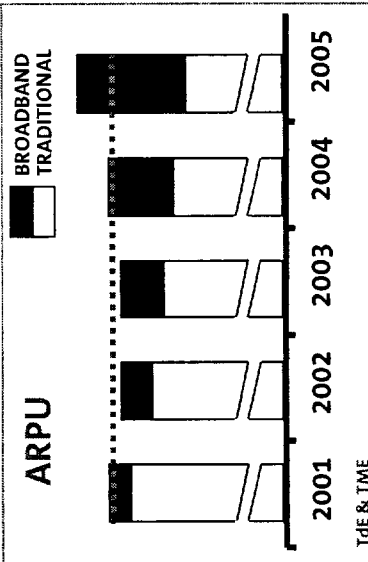
- Around 100MM Clients in 2004 Total
- Over 13 MM BB Clients
 - > 4.5 MM ADSL
 - > 8.5 MM GPRS/UMTS



- Proactive commercial initiatives to encourage growth in traditional services



- Rising ARPU mainly through our Broadband strategy



Financial:

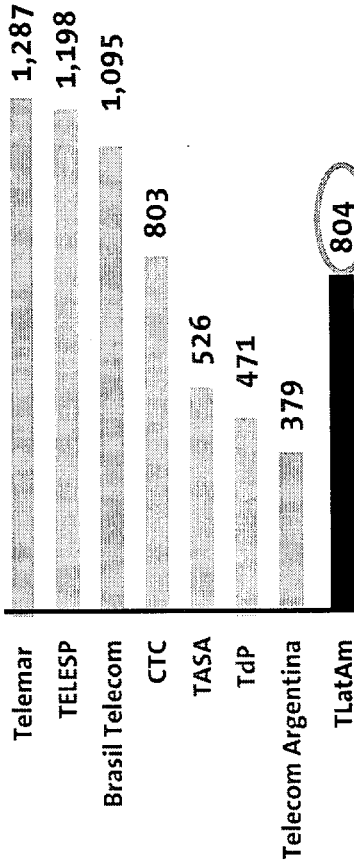
Profitable Growth

Increase Operating Efficiency

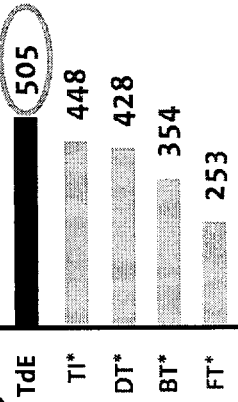


2001 LIS/EMPLOYEE

LATAM



EUROPE



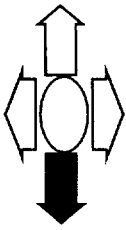
• Still room for improvement in LIS/Employee

• Improve OPEX to add efficiency gains

* As of September'01

Financial:

Profitable Growth



INVESTMENT PRINCIPLES

- Standalone risk adjusted returns required to be above the cost of Capital
 - Seek control in acquired assets
 - Clear opportunity to own the customer and sell expanding service portfolio
 - Opportunity to leverage existing skills, assets and presence
- Focus on extension of Latin American and European Markets with special attention to Brazil, Mexico, Western Europe and Mediterranean Basin
 - Broadband connectivity key to expansion of service
 - Improves competitive position, opens new growth markets, stimulates customer interest
 - Own customers from day one - seek early cash generation
 - Maximise return on capital through efficient operation
 - Disposing assets with no strategic fit

In summary,

- Since we last met in Rio, **we have delivered** against an ambitious set of performance targets. The performance gap with our peers has widened
- We will continue **building value** by improving returns from our core assets and seeking and developing new sources of profitable growth
- Our track record, skills and financial strength give us **confidence for the future**
- You can expect a **continued emphasis on superior management** from us and a **will to develop and grow our business**
- Over the next two days we will have the opportunity to prove that our ambitions are **based on solid fundamentals, a clear set of performance priorities** and a **talented management team**

Telefonica

Safe Harbour

This presentation 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 activities 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 and investors 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 and investors 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.

Item 2



Second Investor Conference

March, 2002, Seville

Telefónica

Julio Linares

Executive Chairman of Telefónica de España

Safe harbour

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Telefónica de España: Focus On Earnings And Profitable Broadband Growth

Contents

- **2001 results: fulfilling Rio de Janeiro commitments and reversing the downward trend**

- Traditional and wholesale businesses: extracting the maximum value
- Broadband: capturing the opportunity
- Forecasts and commitments: continuing our profitable growth

We have fulfilled the commitments announced in Rio for 2001 ...

	Target 2001	Actual 2001
Operational Targets		
ADSL lines in service in 2001	250,000 with 90% coverage (84% effective)	375,800 with 88% coverage (82% effective) ✓
Installation rate (ADSL/day)	1,000	3,000 ✓
Voice mail boxes	10 million	10.1 million ✓
Lines with caller ID	2 million	3.5 million ✓
Semi Flat rate packages	5 million	3 million ✓
Financial Targets		
Fixed revenues*	50% to 55%	47% ✓
Operating expense growth	0% to -4%	-3.1% ✓
Personnel costs	-4% to -5%	-5.8% ✓
Capex over revenues*	<20%	18.9% ✓
Capex in broadband*	30% to 35%	39.8% ✓
Operating cash flow*	3 bn Euro	3.5 bn Euro ✓
		(Free Cash Flow: 1.6 bn Euro)

... and have advanced toward our objectives for 2004

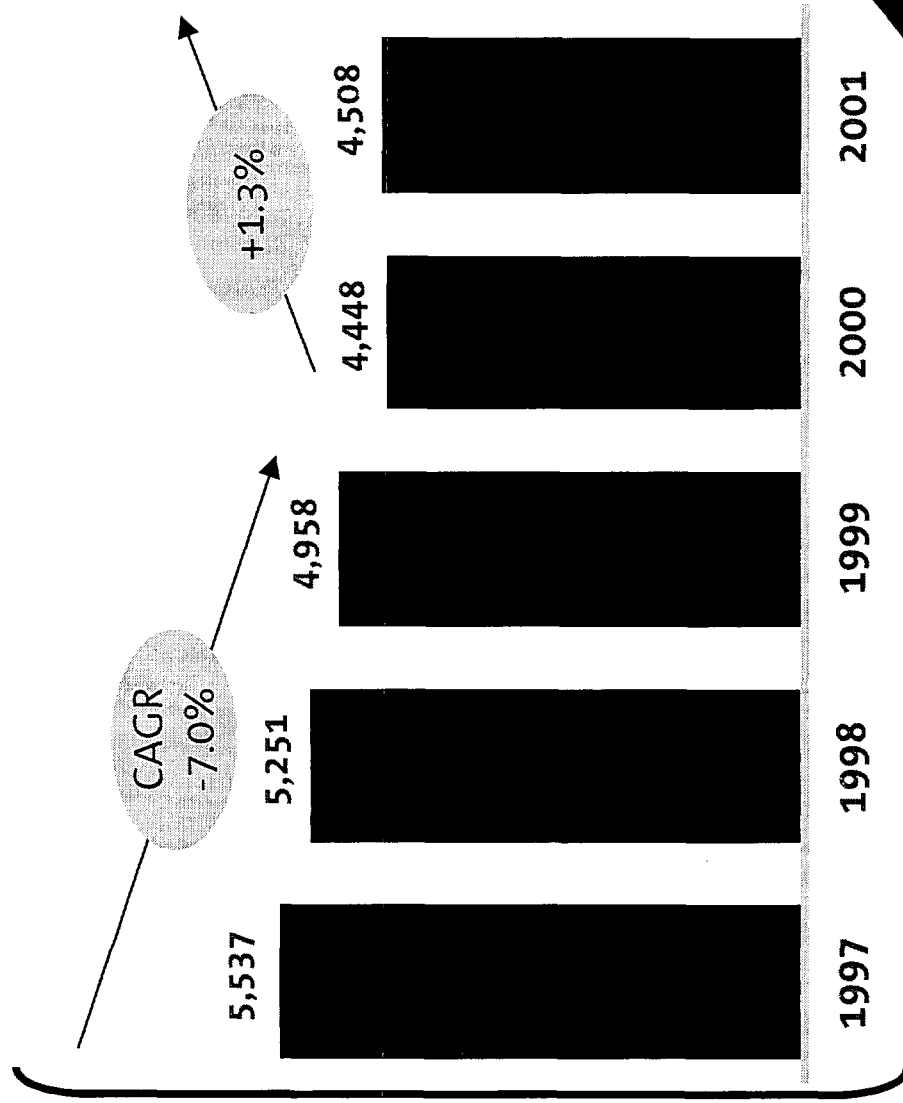
	Objective 00-04 Percent	Actual 2001	
Operational objectives*	• Lines per employee	+15 to 20%	+2.5% ✓
	• Network cost per minute	-40 to -50%	-35% ✓
	• I+M+C cost per line	-15% to -20%	-5% ✓
	• Sales cost per unit	-15%	-6% ✓

	CAGR 00-04	Actual 2001	
Financial objectives	• Operating revenues	-1 to +3%	0.4% ✓
	• EBITDA margin	42 to 45%	44% ✓

* Parent Company

In 2001 we continued to deepen our transformation process and are starting to capture its results

EBITDA
Million Euro



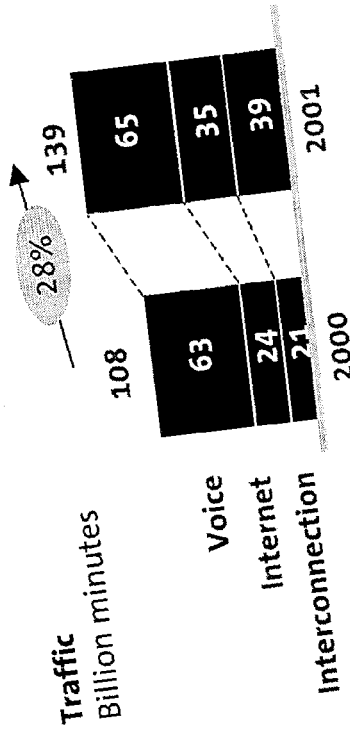
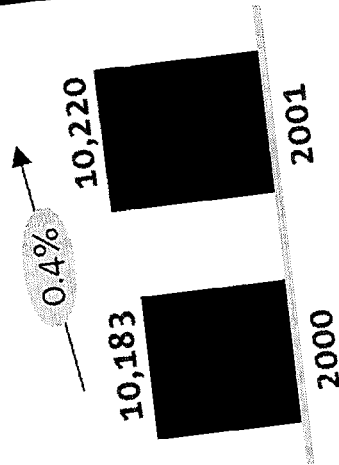
Reversing a 3 year downward trend achieving EBITDA growth by:

- Commercial strategy:
 - Traffic growth through packages
 - Price and discount management
- Efficiency improvement:
 - Reduction of operating expenses
- Regulatory context:
 - Tariff rebalancing through monthly fee increases

We defended our business in a mature environment achieving revenue increase...

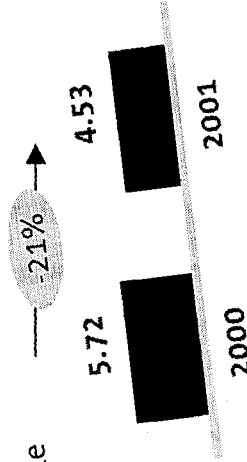
Telefónica de España

Operating revenues
Million Euro



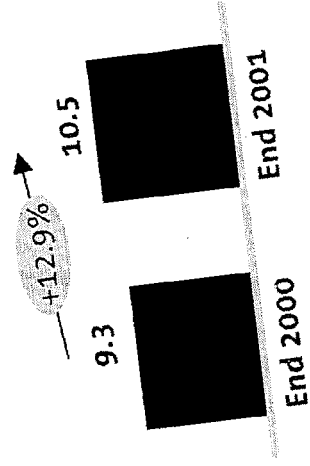
- Selective commercialization of semi-flat voice packages
- ISDN high growth
- Interconnection traffic contribution

Effective prices
Euro Cents/minute



- Management of price-cap and competitive pressure

Monthly fee
Euro/Month

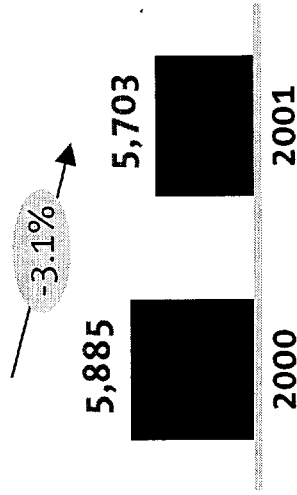


- Reduction of current access deficit

Telefónica

... and strictly controlling costs

Operating Expenses
Million Euro



Personnel costs
-5.8%

- Average headcount reduction of 9.9% partially offset by salary increases

Interconnection costs
+0.5%

- Slowdown of interconnection costs growth due to tariff reduction

External supplies, outsourcing and other costs
-3.2%

- Decrease of external supplies
- Significant effort in commercial costs
- Increased outsourced activities to offset:
 - headcount reduction
 - needs generated by ADSL

As a result of this effort, we outperformed our peers and maintained operational leadership

Profitability and growth

EBITDA growth
2000-01

0.2%

EU peers*

1.3%

TdE

EBITDA margin
2000-01

40.8%

EU peers*

44.1%

TdE

Operational efficiency

Lines per employee
2001

505

448

428

354

253

TdE**

TI

DT

BT

FT

Personnel expenses/revenues
2001

21%

25%

26%

26%

27%

TdE**

TI

DT

BT

FT

* DT, BT, FT, TI

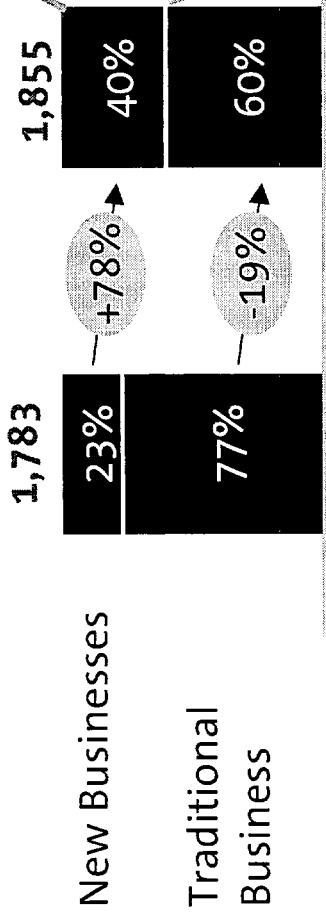
** Parent company

Source: Morgan Stanley, Operators' September results

We controlled CAPEX in our traditional business to address broadband requirements

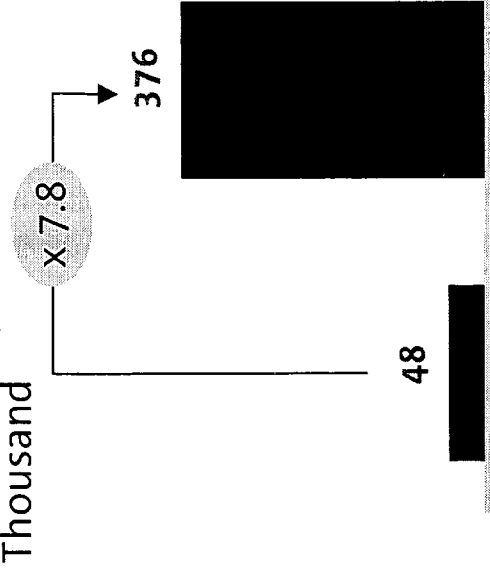
CAPEX*

Million Euro



TdE ADSL connections

Thousand



We have built a state-of-the-art IP network in 8 months

CAPEX/Revenues	18.6%	18.9%
ROCE	8.5%	9.9%
Asset turnover	74.6%	78.7%

* Parent company

These results were accomplished within a highly demanding regulatory environment

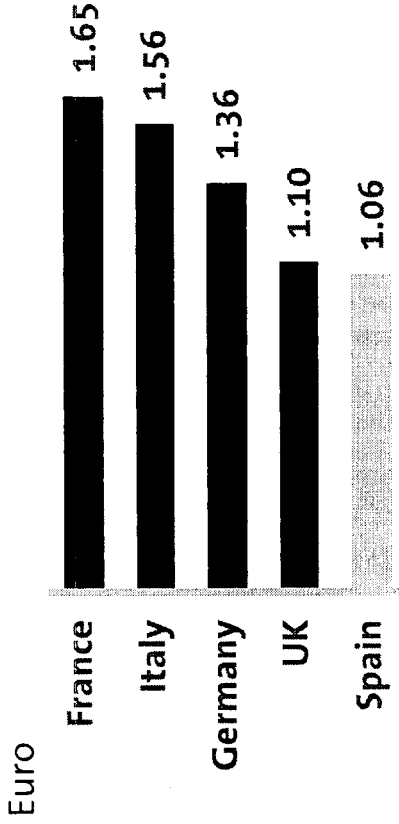
Most significant facts

- Tacit extension to local traffic of carrier pre-selection since 1Q2001
- Number portability with strict delivery periods
- All possible alternatives for ULL offered (74 central offices available and 2.6 million accessible loops)
- Capacity-based voice interconnection since 4Q2001
- Regulated retail and wholesale flat-rate Internet access
- Regulated retail and wholesale ADSL prices ("retail minus" scheme)

Retail Price Cap evolution

	2001	2002	2003
Nominal price	-7%	-6%	-2%
Monthly fee Euro	10.47	11.67	12.62

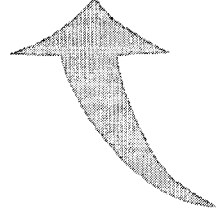
Wholesale: lowest effective* interconnection price



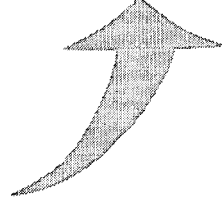
11 * Effective interconnection price for single transit calculated in regular time (including mandatory volume discounts and fixed costs associated to the establishment of interconnection points)

Based on our current results we believe we are on the right track and we confirm our strategy to transform the Company

Extract maximum value from the traditional business
“managing for cash flow optimization”



Continue transformation process with a dual effort



Capture the broadband opportunity
“ensuring profitable growth”

Going forward we will:

- Leverage our 2001 results
- Take an additional step to higher aspirations

Contents

- 2001 results: fulfilling Rio de Janeiro commitments and reversing the downward trend

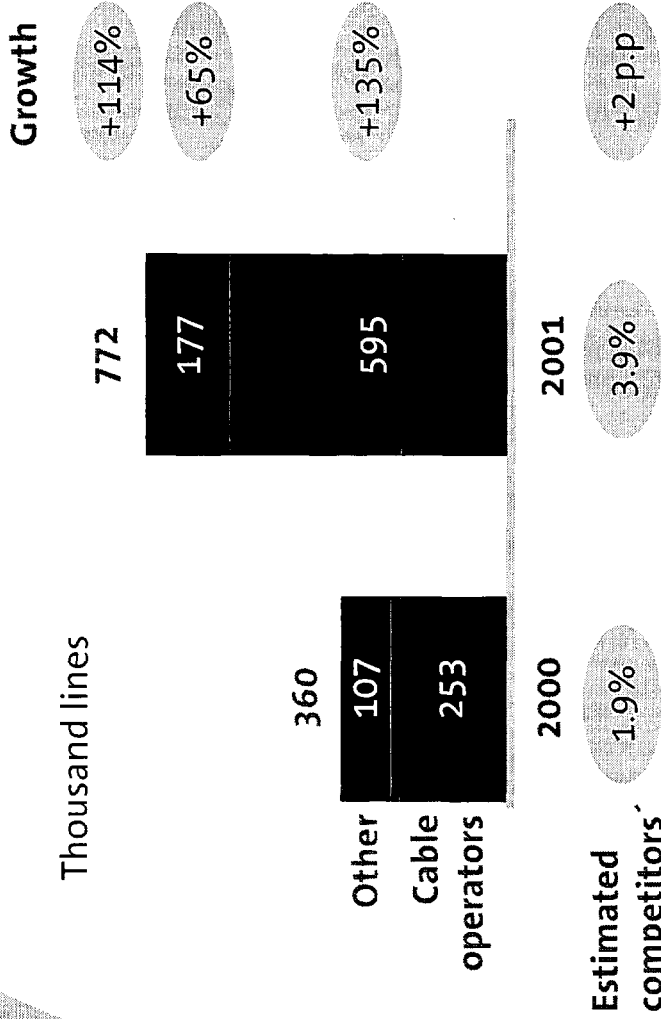
• **Traditional and wholesale businesses: extracting the maximum value**

- Broadband: capturing the opportunity
- Forecasts and commitments: continuing our profitable growth

Our traditional business is facing an increasingly competitive environment

ACCESS

• Direct access competitors:



• Mobile access:

- More than 1 million homes use only mobile phones

TRAFFIC

• Direct access competitors:

- Grew their traffic by 158%

• Indirect access competitors:

- More than 1.3 million customers with carrier preselection
- 83% traffic growth in 2001

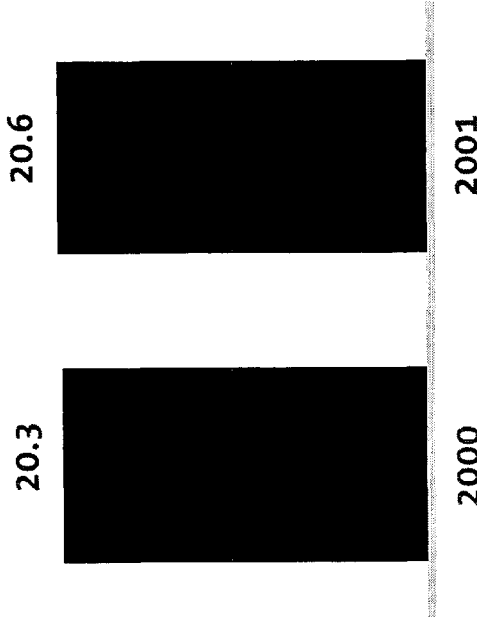
• Mobile:

- ~22% originated voice traffic
- Estimated 20% voice market cannibalization
- Impact on public telephone business

We have, however, managed to grow access lines and voice traffic

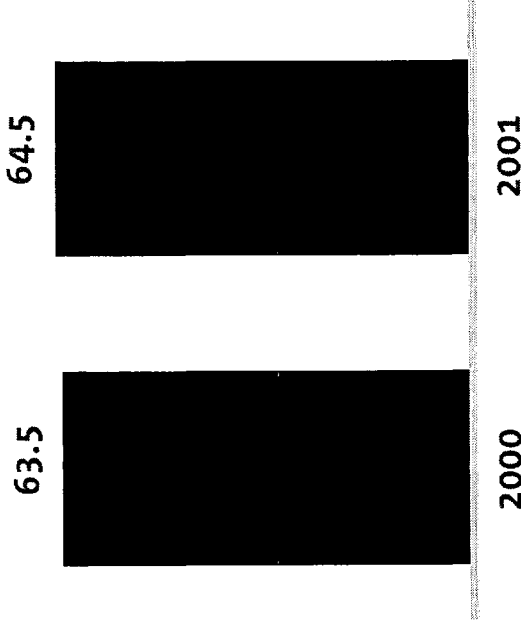
ACCESS LINES
Million lines

+1.6%



VOICE TRAFFIC
Billion minutes

+1.6%

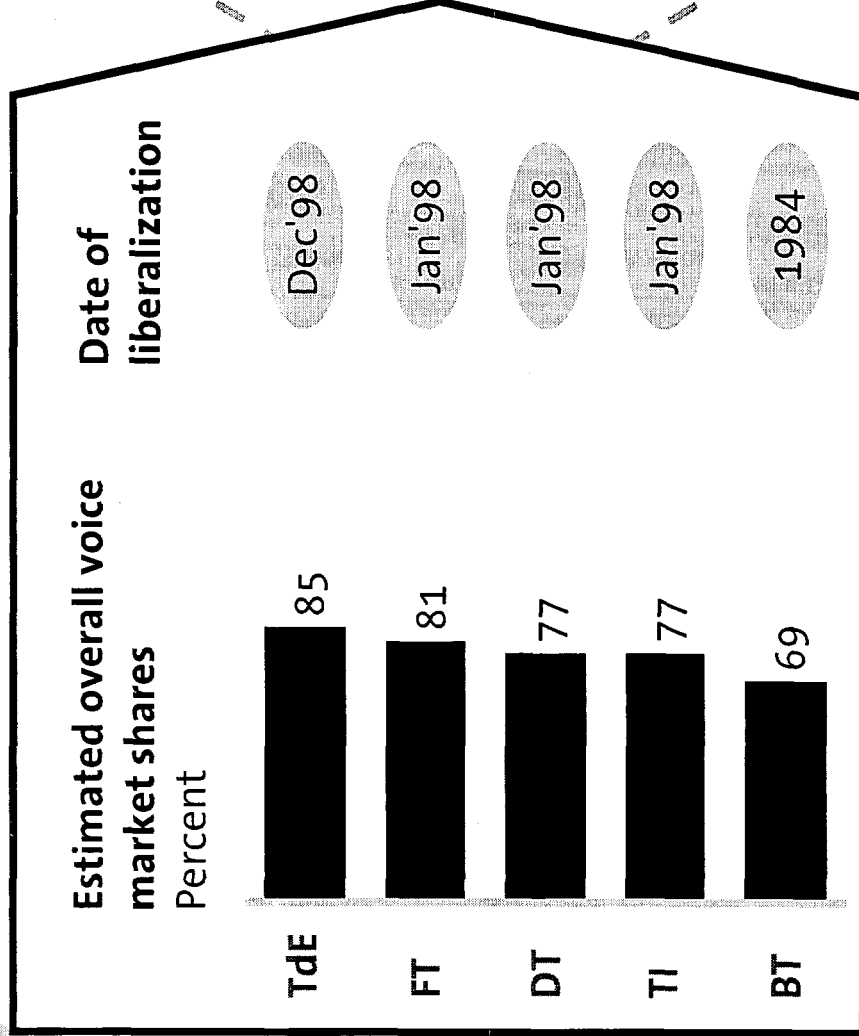


Total market growth

+2.7%

+5.7%

In particular, we have defended our overall market share, strategically managing our market share loss



Won back 3 p.p. in DLD for SMEs

Lost 8 p.p. in local traffic

Estimated market share in ILD down to 70%

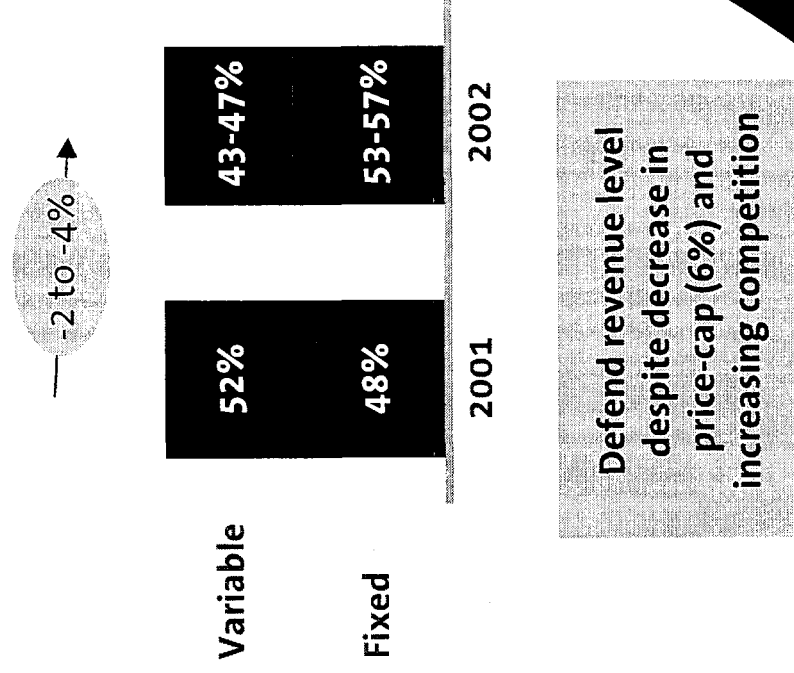
Note: Year end figures for TdE
Source: Country Regulators at Jun 01 and Dec 01; Analysis; Dataquest

We have obtained these results through a proactive commercial effort that we will continue in 2002

Commercial Strategy for 2002

- Voice + Internet + TV packages (in collaboration with Admira)
 - IBERCOM-type solutions (VPN) for SMEs
 - IP-based VAS over IBERCOM for corporations
- Retain clients**
- Achieve traffic growth
 - New traffic generating products (SMS, 098 IS)
 - Higher VAS penetration (caller ID, voice mail)
 - Defend traffic market share
 - New semi-flat voice packages for residential
 - New prepaid plans for SMEs
- Maintain ARPU**
- Selective commercialization through CRM
 - Win-back effort
 - Focused campaigns for micro-segments
 - Specific actions leveraging on-line channel
- Pursue targeted commercial effort**

Operating Revenues in Traditional Business



In 2002, we will significantly increase our efforts to improve efficiency, and the results will fully materialize in the mid term

Estimated 2002 results in traditional business

Main levers

Key Activities

Control Expenses

-2 to 0% in operating costs

- Transform major processes
- Focus on core activities
- Optimize support functions
- Apply 6σ methodology
- Extend usage of e-business applications
- Reduce inventory levels

Increase controls to reduce bad debts

-40 to -35%

- Improve monitoring of higher risk customers
- Implement a strict credit check system

Reduce Capex

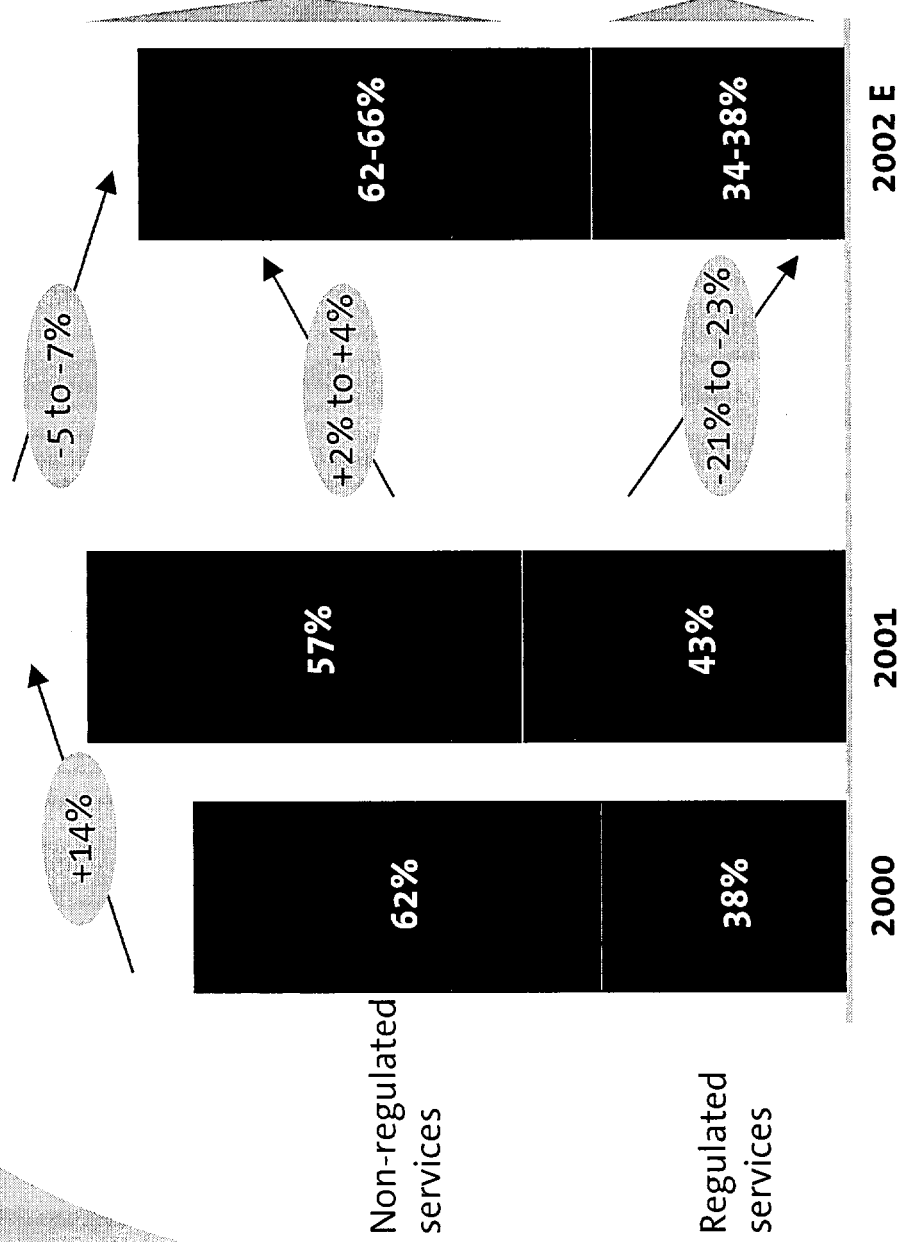
-15 to -10%

- Prioritize investments along segment, geography and profitability
- Optimize idle network capacity
- Increase asset rationalization

In wholesale we have grown our business and in 2002 we will implement a differentiated strategy

Operating Revenues in Wholesale

2002 Strategy



Segmented approach:

- Turnkey solutions for niche operators
- Actively negotiate to capture incoming international traffic (Telefónica Wholesale)
- Capture growth from mobile and data operators

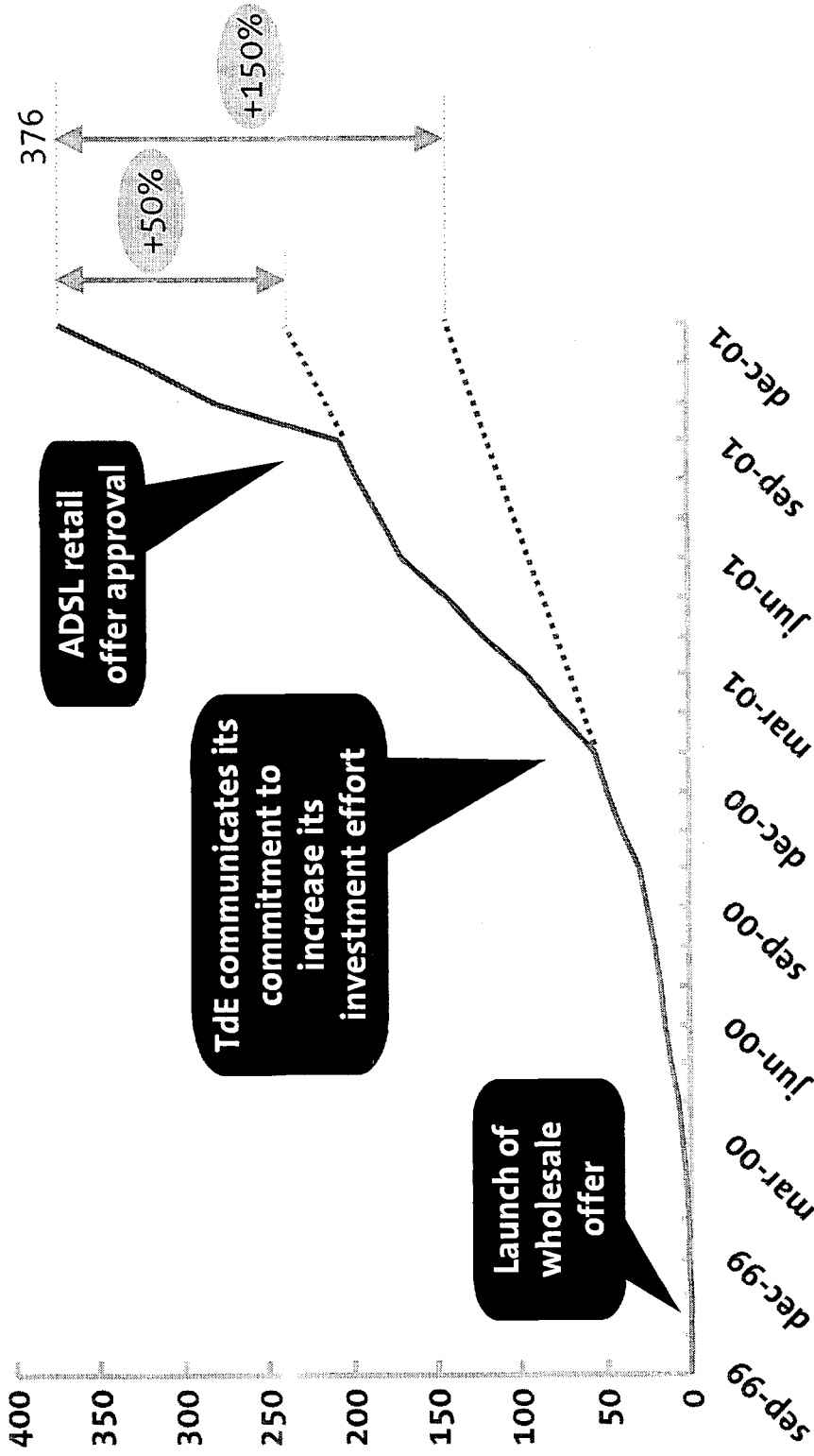
Focus on efficiency to minimize regulatory impact of capacity-based interconnection

Contents

- 2001 results: fulfilling Rio de Janeiro commitments and reversing the downward trend
- Traditional and wholesale businesses: extracting the maximum value
- **Broadband: capturing the opportunity**
- Forecasts and commitments: continuing our profitable growth

Telefónica's effort has fostered the broadband market in Spain

ADSL Connections. Total market
Thousand



**... And we are now in the leading European
ADSL group**

Broadband households **DSL penetration over total lines**

• Deutsche Telekom 6% 4.3%

• **TdE** **2%** **2.2%**

• Telecom Italia 1% 1.5%

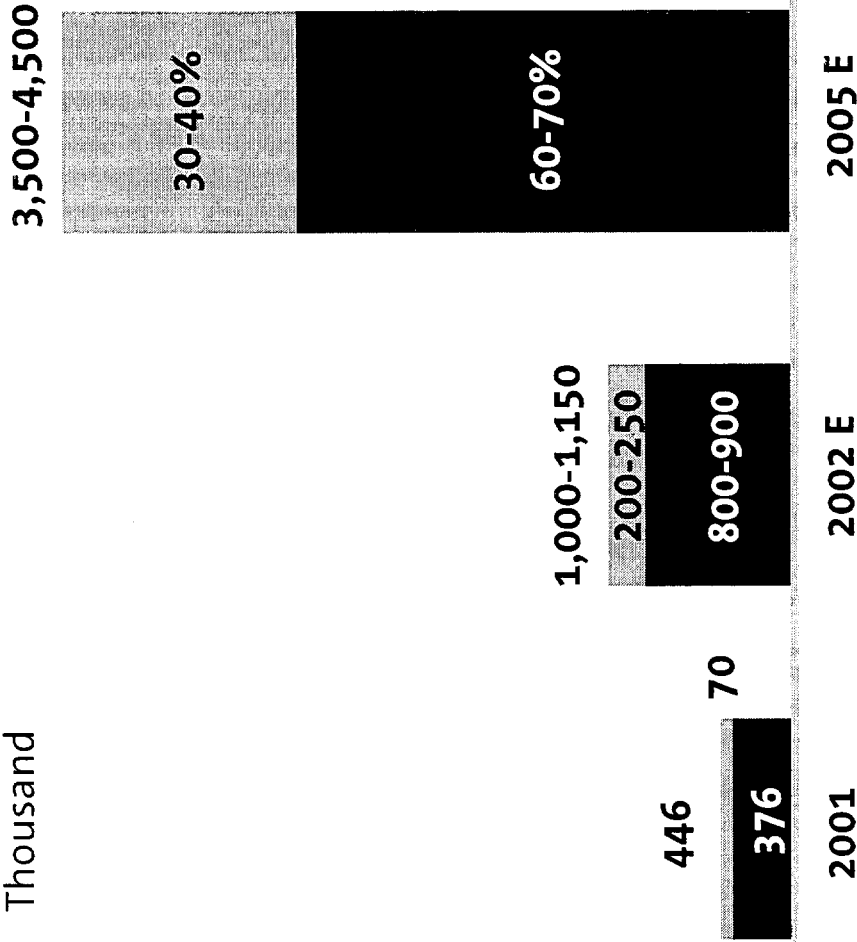
• France Telecom 2% 1.2%

• BT 1% 0.5%

Source: ECTA 2001, OVUM 2001; Company data for TdE

Looking forward, our goal is to contribute to enlarge the broadband market

Broadband connections in Spain
Thousand



Potential broadband penetration in 2005:

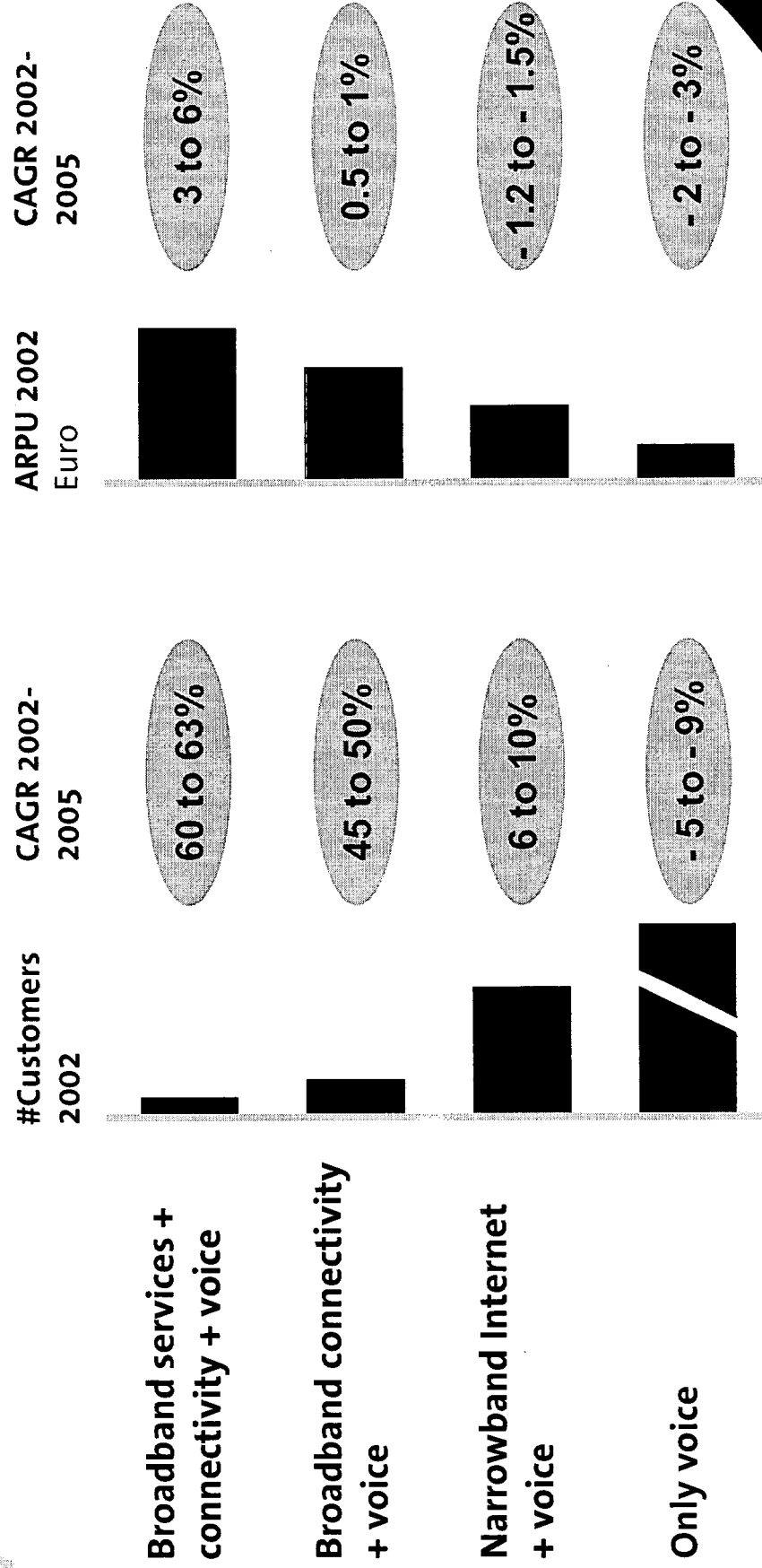
- 15 to 25% (residential)
- 50 to 70% (business)

We will actively address the demand for new services to meet different customer needs

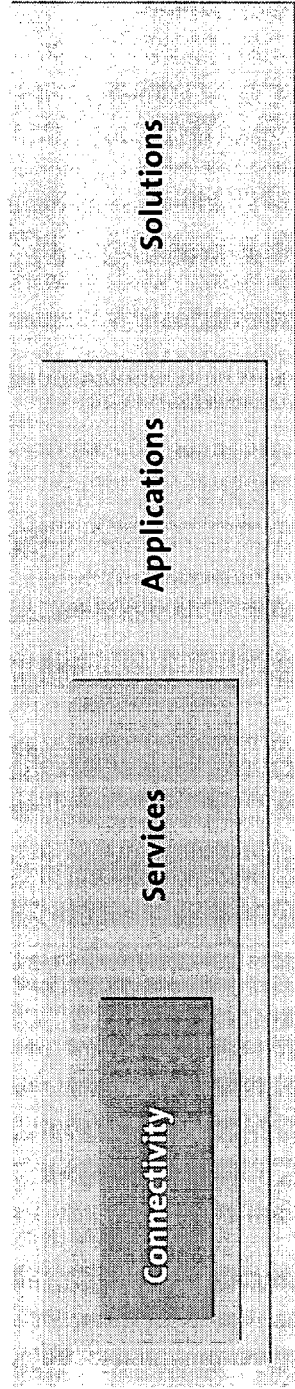
... and this will translate into higher ARPUs

Customer demand is migrating to Broadband ...

Types of customers



In order to serve this demand we are developing a compelling offer for the digital market



Digital Offer

For households

- 256 Kbps
- 512 Kbps
- 2 Mbps
- Access devices (Homegateways and networking)
- Wireless access (802.11)

For businesses

- Bandwidth on demand
- VPN

- On-line gaming
- Video conferencing
- Domotic
- Video Streaming

Key projects

- Imagenio:
- Broadband Internet
 - Digital TV
 - Video over DSL
 - Other (games, music, etc)

eBA:

- Large accounts
- e-Government
- Packages for SMEs

Group partners

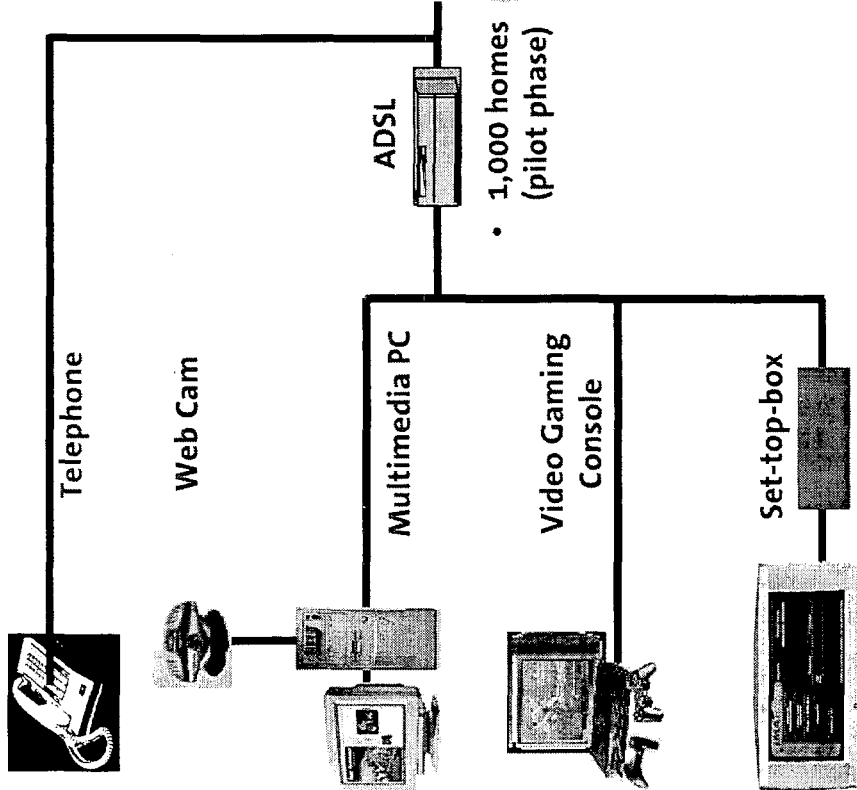
Terra,
Admira,
T-Cable

T-Data
Terra

For households we are already working on a full service offer through ADSL with Imagenio



- Telephony
- Videoconferencing
- High speed Internet access
- Multimedia messaging
- 4 TV channels for PC
- Multi-player games
- Games on demand
- Digital TV (22 channels)
- Stereo digital audio (15 ch.)
- Video and music on demand
- Internet access on TV



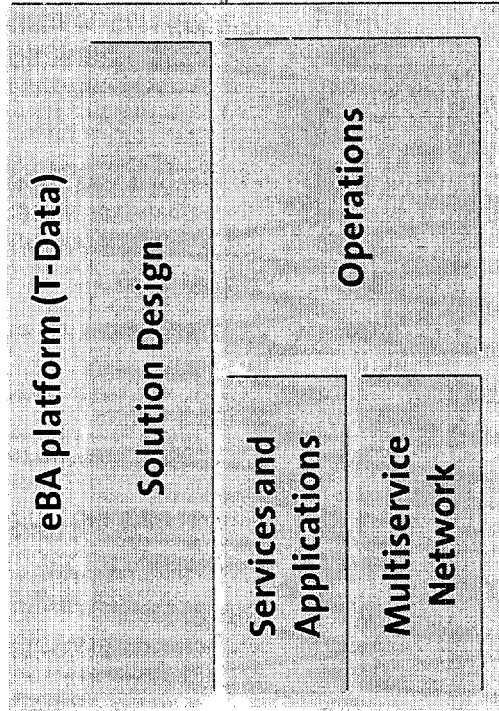
• 1,000 homes (pilot phase)

... and we have achieved these results by leveraging group capabilities

- TdE: project management
- Terra: PC content/services
- Admira: audio visual contents for PC/TV
- Telefónica Cable: TV/Radio channel aggregator

For businesses, we are launching an offer for SMEs within eBA

eBA | e-Soluciones de Banda Ancha



Solución **ADSL**[®]
e-gestión

- ERP and CRM applications
- ASP

Solución **ADSL**[®]
e-commerce

- Virtual shop design (e-commerce)

Solución **ADSL**[®]
Web

- Web design and hosting

Solución **ADSL**[®]
Intranet

- Content
- Intranet

"Try and Buy"
commercialization scheme

In order to support this wide offer we are already transforming our business model

Internal transformation

Enhance Products & Services Factory:

Redesigning processes to increase quality, reduce TTM, integrate third parties and reposition brand

Upgrade Infrastructure and IT:

Deploying state-of-the-art IP network and upgrading IT for Broadband

Innovate Sales Force and Distribution:

Evolving from "sales people" to "consultants", and fostering usage of online channel

New Business Model

- Focused on the "Digital Customer"
- Leveraging 3rd party capabilities, particularly Group companies, with a new relationship model

External transformation

New Service Development Model: "Partners Farm"

Joint ventures, Shared projects, Joint solutions, ADSL Forum

New I+M+C Model:

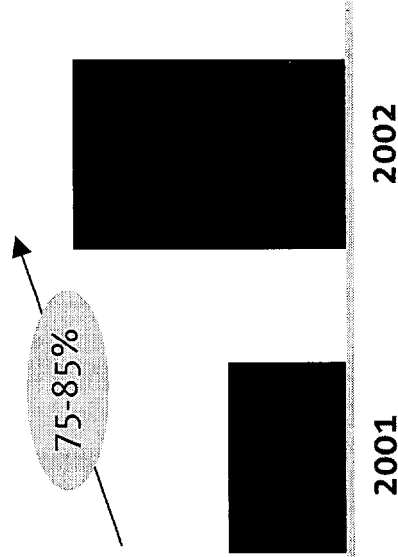
Certifying and aligning objectives with contractors

New Distribution Model:

Expanding independent distributors role and opening new distribution channels

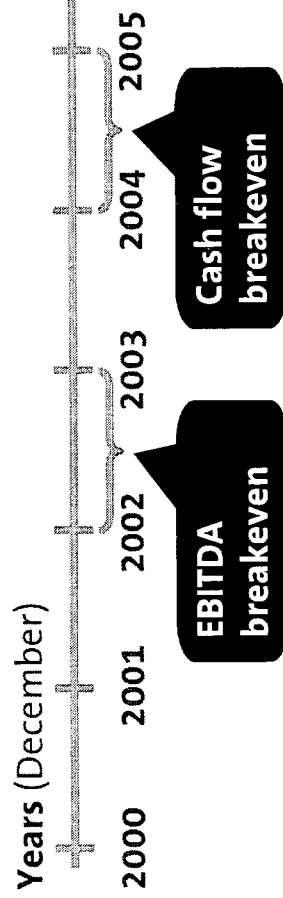
Based on this strategy we believe it will be possible to achieve growth and reasonable levels of profitability

IP/Broadband revenues



Profitable business after reaching and maintaining 1 million ADSL lines

Economics of Telefónica ADSL Business Plan*

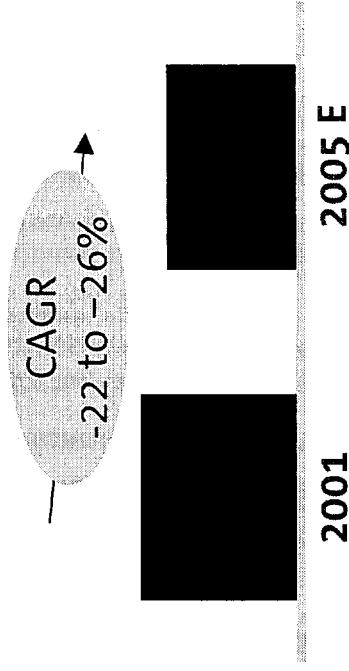


* Incremental over other businesses

We are working on improving key variables to assure profitability

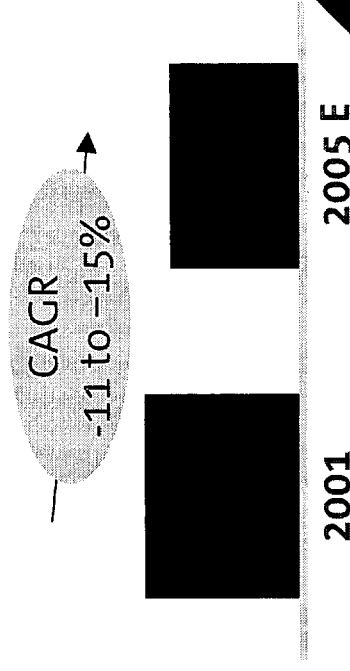
Opex/line

- Increase plug-and-play up to 85% of new lines
- Reduce IP international termination fees
- Improve customer care and network O+M processes
- Capture economies of scale



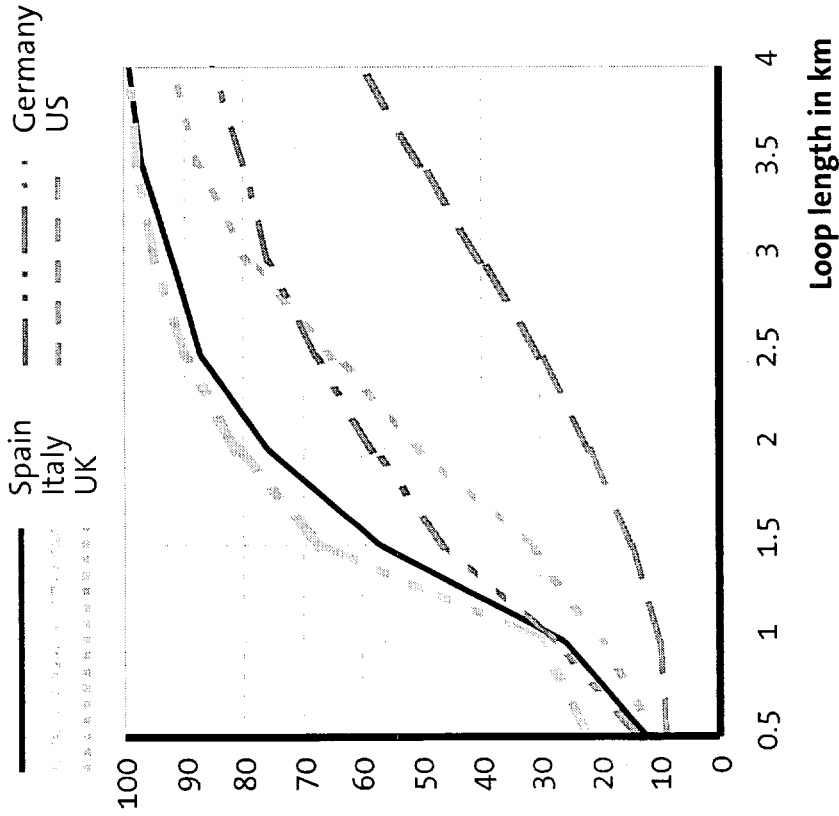
Capex/new line

- Capture economies of scale
- Take advantage of technology improvements
- Reduce IP network investments
- Leveraging our local loop quality

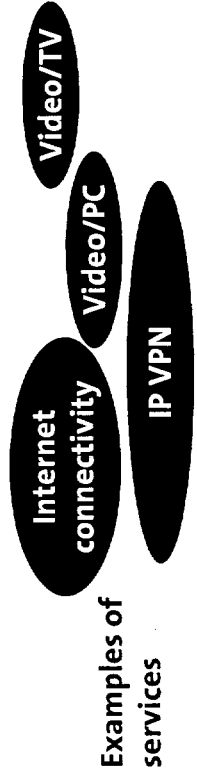
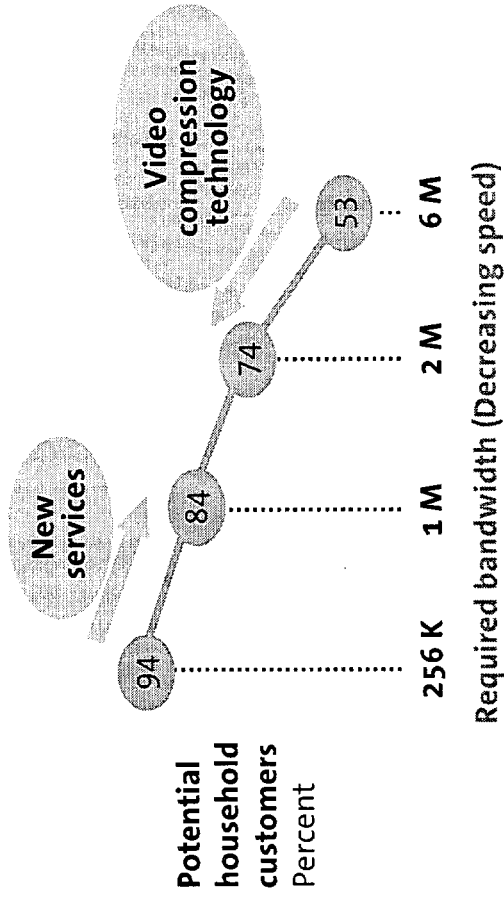


Our local loop quality and technology evolution will facilitate CAPEX reduction

Percentage of customers reached



Bandwidth supported by TdE's access (local loop)



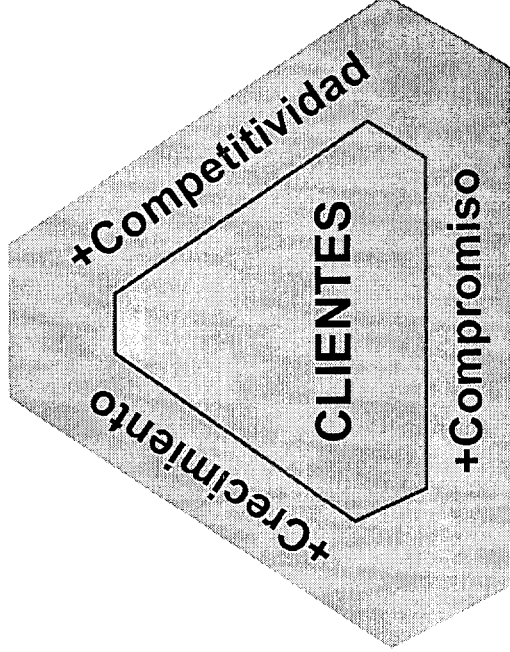
Contents

- 2001 results: fulfilling Rio de Janeiro commitments and reversing the downward trend
- Traditional and wholesale businesses: extracting the maximum value
- Broadband: capturing the opportunity
- **Forecasts and commitments: continuing our profitable growth**

Today our highest priority is to lead the whole organization to go deeper in the transformation process to achieve profitable growth

+Growth

- Traditional Business
 - Retain clients
 - Increase usage
- IP/Broadband
 - Foster penetration
 - Increase ARPU
- Wholesale
 - Grow in non regulated services



+Competitiveness

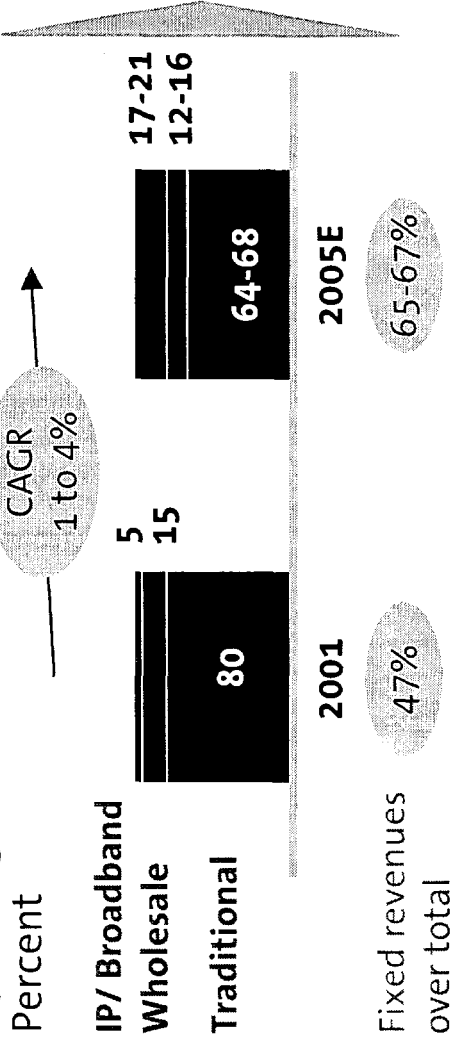
- Control OPEX
 - Rationalize processes
 - Focus on core activities
 - Extend 6 σ driven quality
 - Intensify e-business use
 - Increase self-install ADSL
 - Reduce inventories
- Reduce bad debt
- Control CAPEX
 - Reduce CAPEX in traditional business
 - Reduce CAPEX/line in broadband

+Commitment

- To transform our business model
 - Renew internal skills
 - Open to third parties cooperation

As a result, we will grow operating revenues reducing volatility and maintaining our EBITDA margins

Operating revenue*

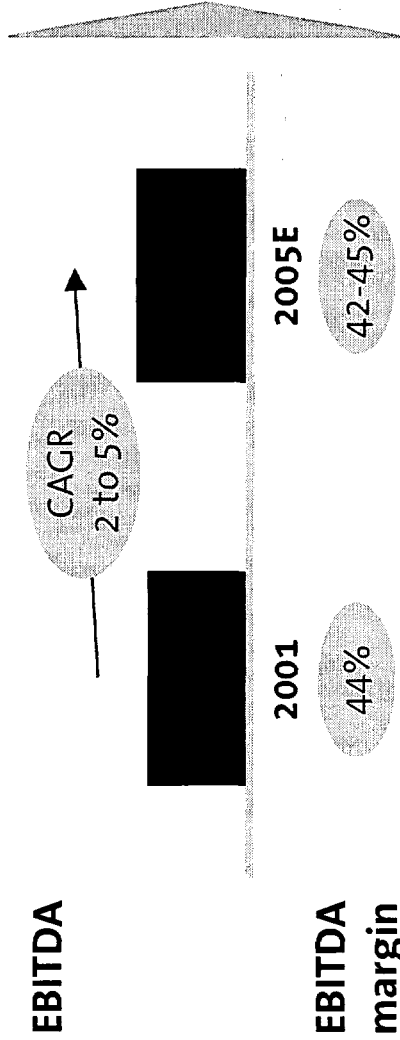


Fixed revenues over total 47%

65-67%

- Achieving revenue growth
- Shifting revenue mix towards IP/broadband
- Transforming variable revenues into fixed revenues

EBITDA



- Accelerating efficiency effort
- Growing EBITDA
- Maintaining EBITDA margins in current levels despite increased competitive pressure

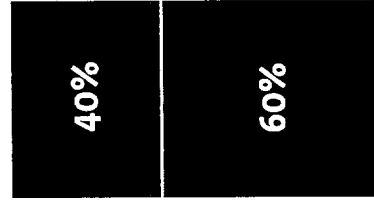
* Parent company

At the same time, we will control CAPEX and will ensure free cash flow growth

CAPEX

Parent Company

CAGR
-2 to 0%

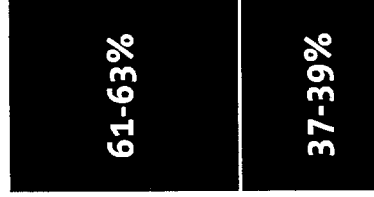


IP/Broadband

Traditional business

2001

2005 E



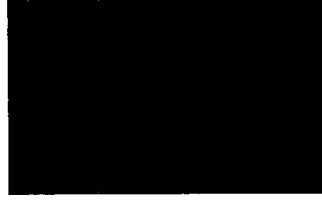
CAPEX / Revenues

19%

<18%

Free Cash Flow*

CAGR
4 to 6%



2001



2005 E

* Free Cash Flow = EBITDA - CAPEX - Net Financial Expenses - Taxes

In summary

- We achieved good performance on Rio commitments and **managed to reverse a downward trend in results.**
- Based on these results, we **confirm our strategy for business transformation** with a dual effort; increasing our aspirations for the future.
- In the **traditional business**, during 2001, we reduced Opex and Capex. Going forward, we will continue to manage the business to **maximize cash flow**, increasing our efforts to **improve efficiency** and maintaining our leadership among European operators
- In **broadband**, during 2001, we built a significant client base and improved our knowledge of this new business. Going forward, we will focus on **capturing this opportunity for profitable growth** by further expanding our customer base, broadening our offer of services (leveraging Group capabilities) and advancing in the transformation of our business model.
- Our strategy will assure profitable growth to maintain TdE as a **solid contributor to Telefónica Group.**

Telefonica

Item 3

Second Investor Conference

March, 2002, Seville

Telefónica

Antonio Viana - Baptista

Executive Chairman of Telefónica Latinoamérica

Safe harbour

This presentation 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 activities 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 and investors 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 and investors 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.

Key messages

- The clear leader in the region
- Good results in 2001 despite the economic turmoil
- Fit to manage the crisis in Argentina
- Strong position to capture growth potential in Brazil
- Continuing regional efforts to improve efficiency
- Solid FCF generator

Content

- **T-Latam: delivering solid performance in our four operators**
- Priorities for 2002
 - Manage Argentinean crisis
 - Capture growth in Brazil
 - Consolidate performance through active regional management
- Financial projections: strong cash performance
- Summary

T Latam is the clear wireline leader in the region

Telefónica
Latinoamérica

LIS('000)	21,612
Employees	26,738
Revenues '01 Mill €	10,137
EBITDA '01 Mill €	5,163


SAO PAULO

37 Million

12.6 Million

4,645

GDP/ capita (\$) (Brazil: 2,915)




ARGENTINA

37 Million

4.6 Million

3,626**

GDP/ capita (\$)




PERU

26 Million

1.7 Million

2,030

GDP/ capita (\$)




CHILE

15 Million

2.7 Million

4,203

GDP/ capita (\$)



Management control in Puerto Rico's TLD and 6.9% stake in CANTV

** After devaluation; exchange rate 1 USD= 2.0 Argentinean Pesos

Telefónica

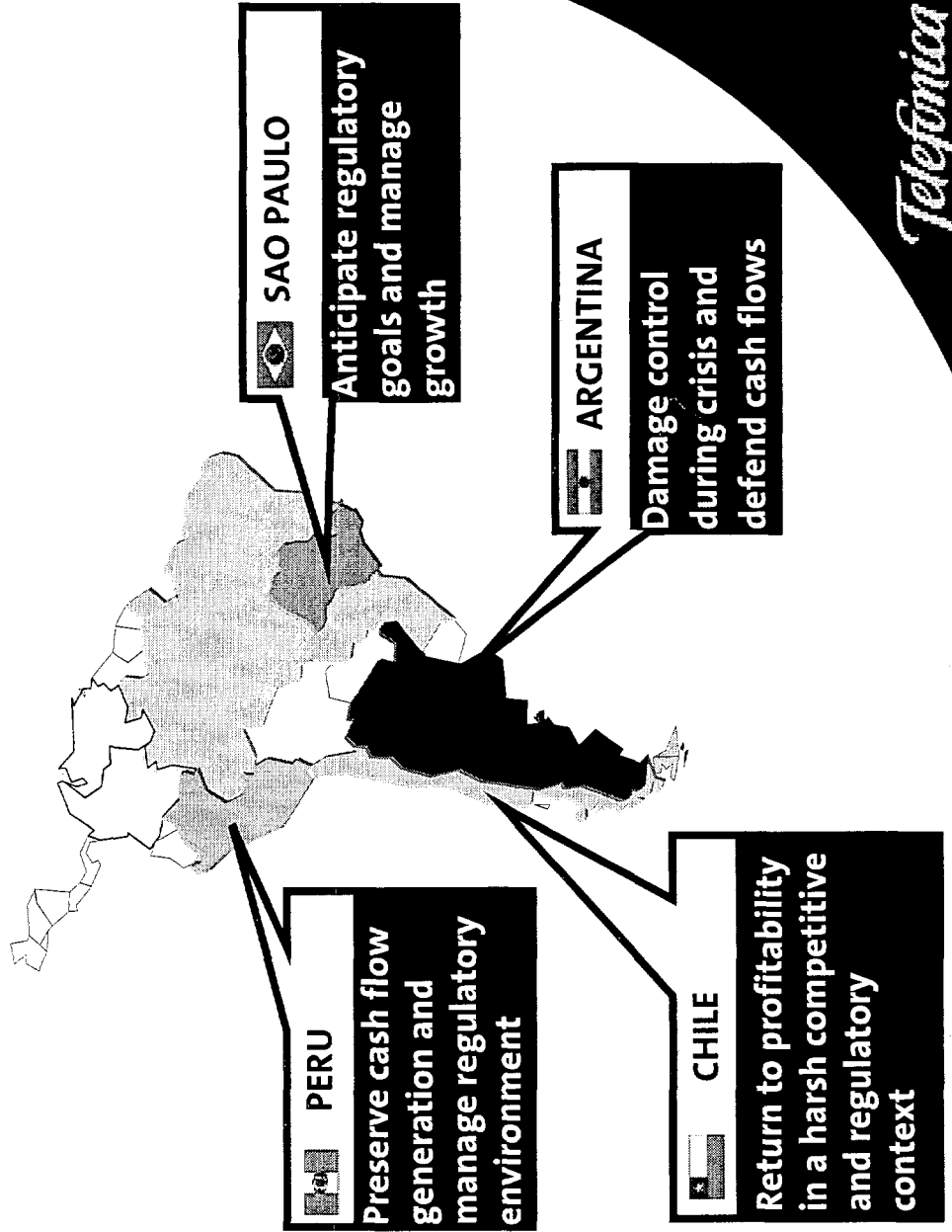
Common regional management priorities combined with attention to local context

Common management principles
for volatile environment ...

... with specific policies to face different local realities

**Profitable
Growth**

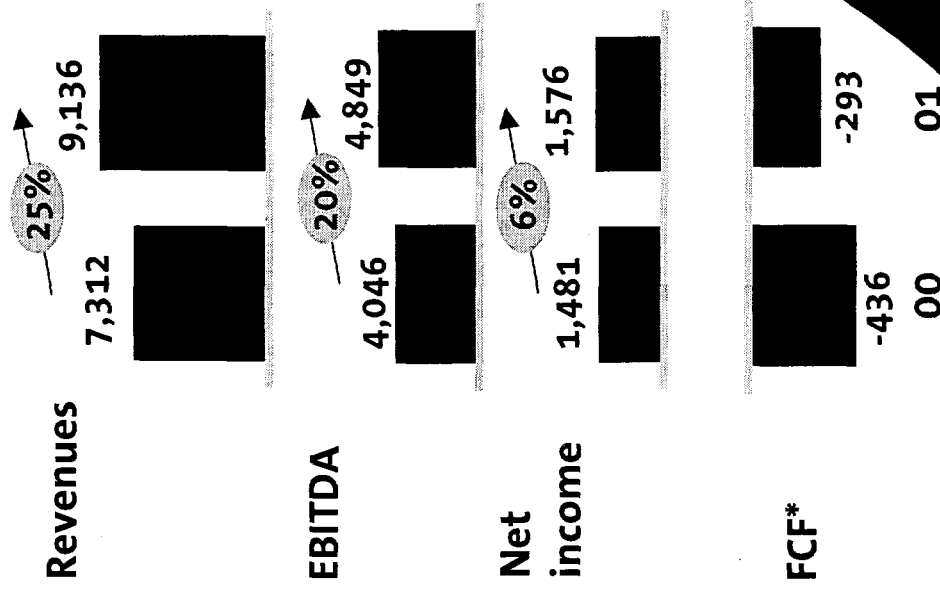
**Tight
cash control**



Telesp: anticipation of goals (“metas”) and achievement of significant growth



Results, Million R\$



Key management actions

Profitable growth

- Important effort to **anticipate regulatory goals**: 10,000 new lines installed every day
- **ARPU maintained** despite increase in penetration
- Productivity increased to **1,198 lines/employee** (23% average line growth and 18% employee reduction)
- Active **control of bad debt** (3.4% vs. 8.0% Telemar, 5.3% Brazil Telecom and 16.0% Embratel)
- 200,000 ADSL LIS

Tight cash control

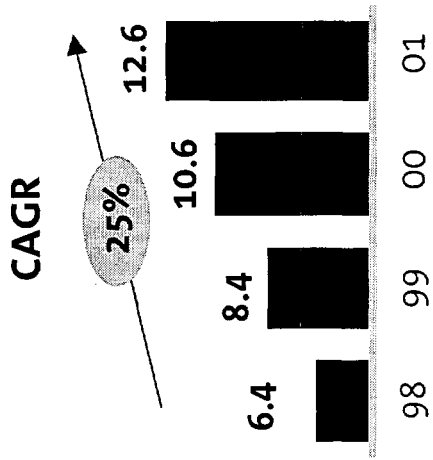
- **High CAPEX** (R\$ 4.6 Billion) to anticipate “metas”, but nearly **self financed**, maintaining a very low debt level (0.9x EBITDA)

(*) FCF= EBITDA-Net financial expense-taxes-CAPEX

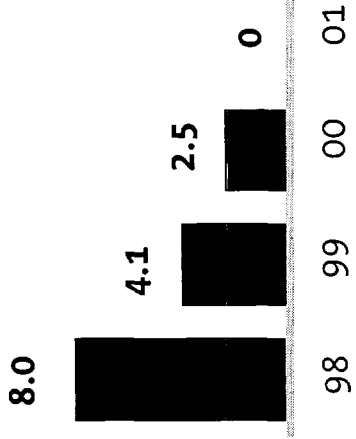
Only player achieving "metas" two years in advance



Number of lines
Million

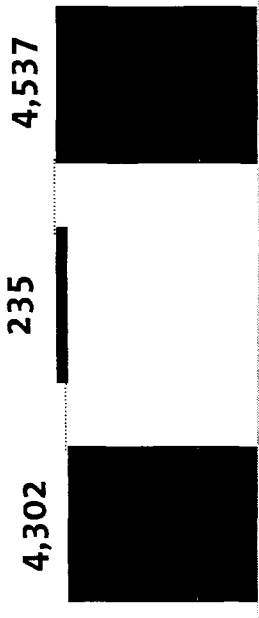


Waiting list
Million



CAPEX
Million R\$

Only 5% additional CAPEX to anticipate goals



CAPEX 01 to achieve 2001 goals

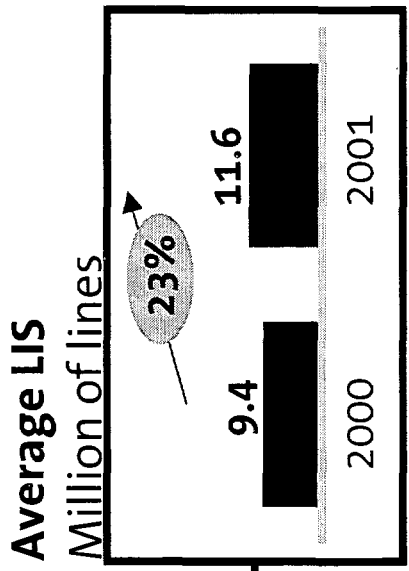
Increase of CAPEX to anticipate 2003 goals

CAPEX 01 to achieve goals

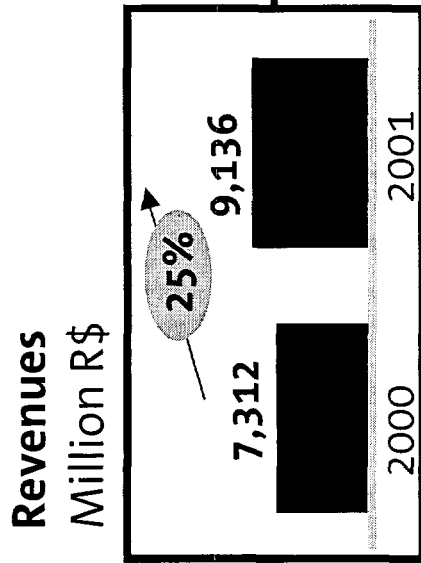
After the accomplishment of "metas", Telesp will be able to:

- Provide full product range (voice and data) to all Sao Paulo clients
- Offer long distance service outside Sao Paulo
- Serve corporate clients nationwide with T Data

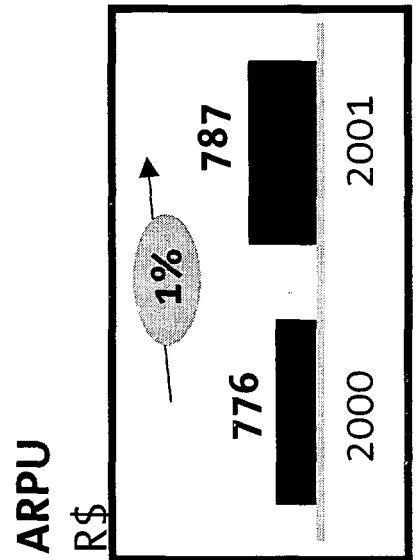
ARPU maintained even with a 23% growth in lines



Remarkable growth in
customer base ...



X



... without reducing the
average line
profitability

TASA: damage control and cash-flow protection



Key management actions

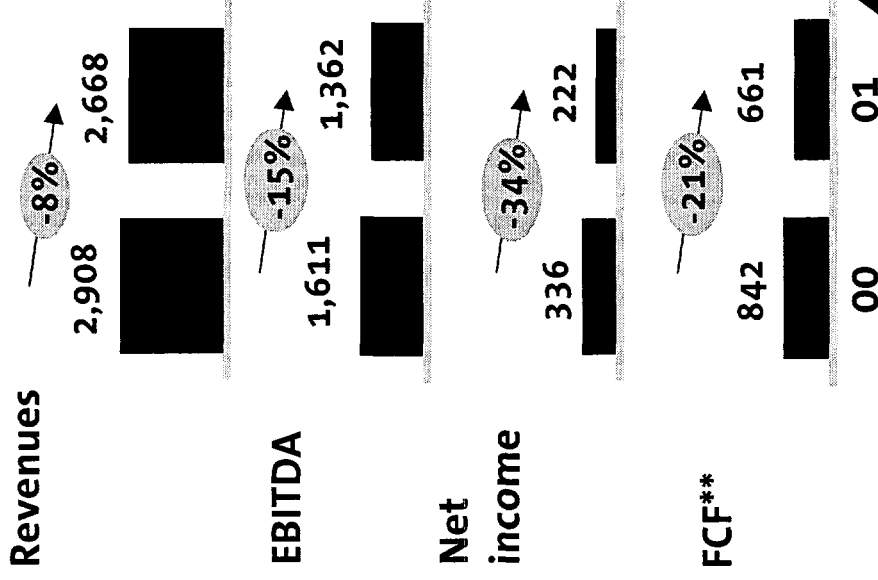
Tight cash control

- **Management for cash:** preserve cash-flow generation (€739 Mill., including management fee)
- **Close control of bad debt** (6.4%*)
- **Supplier contract renegotiation**

Profitable growth

- **Cost control:** manageable costs down 9%
- **Freeze expansion** in Northern Argentina
- **Retention of profitable customers**
- **Promotion of traffic generating products:** 35% increase in voice mail services to 1.8 Mill.
- **Adjusted growth strategy** according to very high cost of capital (e.g. selective ADSL deployment)

Results, Million Pesos



(*) Excluding extraordinary provision for end-of-year devaluation

(**) FCF= EBITDA-Net financial expense-taxes-CAPEX

Management anticipated crisis and took measures early-on



Cash control

- Daily monitoring of cash movements and cash position
- Net Debt reduction of 12%, resulting in Net Debt / Net Assets of 35.7%

Bad debt control

- Strict policy of telephone disconnection after 120 days
- Extra recovery of 19% of debt through external agencies
- Expand payment methods: bonds (Patacones, LECOPS)
- Co-billing in Northern Argentina (bill collection up from 72% to 94%)

Cost reduction

- Personnel expenses reduced by 9%
- Costs/line reduced by 9%
- Special committee focused on defining expense priorities and approving cash outflows

CTC: return to positive results in a harsh competitive and regulatory context



Key management actions

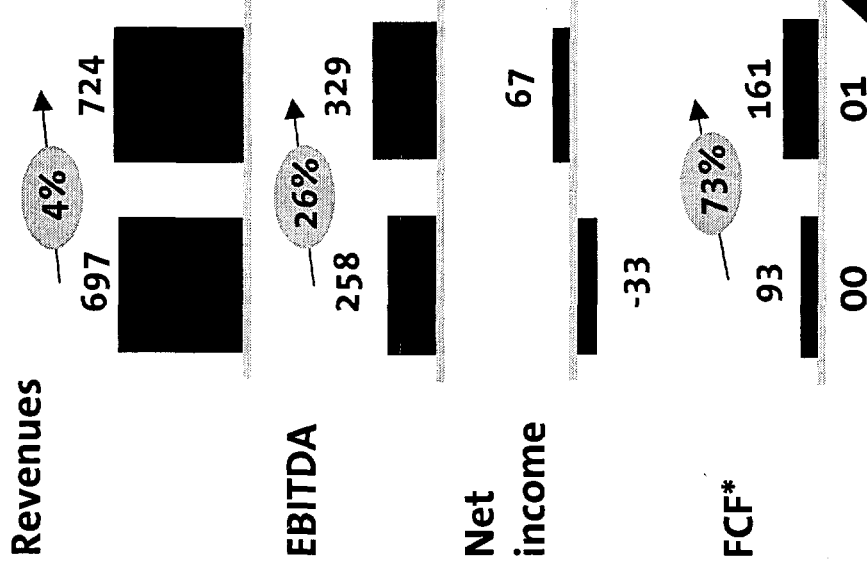
Profitable growth

- Focus on **cost reduction** (e.g. 21% staff reduction)
- **Bad debt** expense down to 2.2%
- Recovered **LD market share leadership** and increased LD revenues in a tough competitive environment
- 6.2% revenue **growth in corporate segment** compensating stable residential market

Tight cash control

- Even in tough economic and regulatory environment, generation of **large and growing cash flow** (274 million € in 2001)
- **Strong debt reduction** (USD -272Mill), resulting in Net Debt/Net Assets of 28%

Results (excluding SONDA) '000 Million Pesos



(*) FCF= EBITDA-Net financial expense-taxes-CAPEX

TdP: preserving cash flow generation and managing regulatory environment



Key management actions

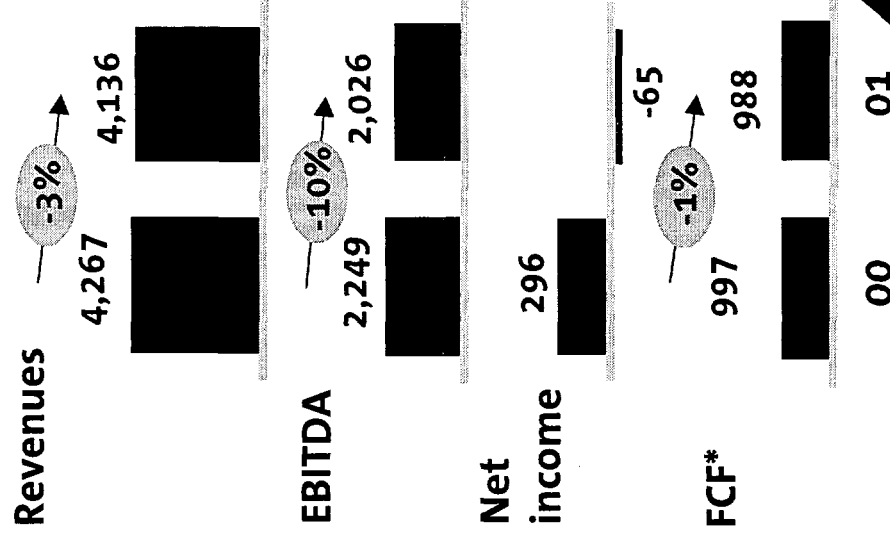
Tight cash control

- Strict CAPEX control (13% reduction)
- Maintain strong cash flow generation (€318 Mill., including Management Fee)

Profitable growth

- Negotiation with regulator to settle interconnection rates and price cap (-6%)
- Active restructuring of operations: Balance Sheet adjustment, CSC's, Yellow Pages
- Defense of market share leadership (over 94% in DLD and 86% in ILD)
- New products for lower-income market segments controlling bad debt

Results, Million Soles



(*) FCF= EBITDA-Net financial expense-taxes-CAPEX

Other subsidiaries*

CANTV

- Adequate perspective on Venezuela
- 75.3 million € in cash received
- 6.9% ownership maintained (directly in CANTV shares)
- Direct participation in management

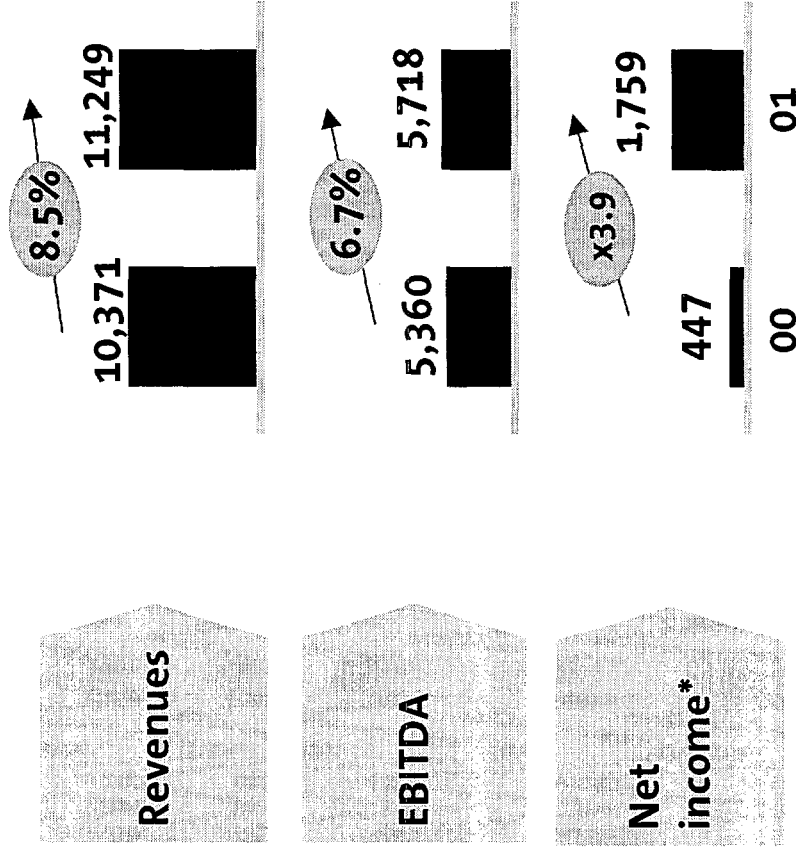
TLD

- First year with positive results (+3.3 vs. -9.1 million €)
- New portfolio of products (Pre-paid cards, flat-fee tariff, internet services)
- Strict OPEX control

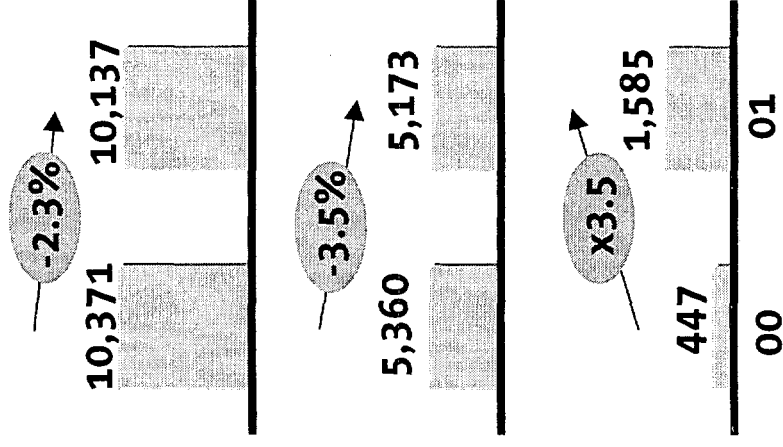
(*) Management control in Puerto Rico's TLD and 6.9% stake in CANTV

T Latam's good operating results have been reduced by exchange rate evolution ...

Results before exchange rate and Argentinean devaluation adjustments
2000 € Million (constant)



Results excluding Argentinean devaluation adjustments
€ Million (current)**



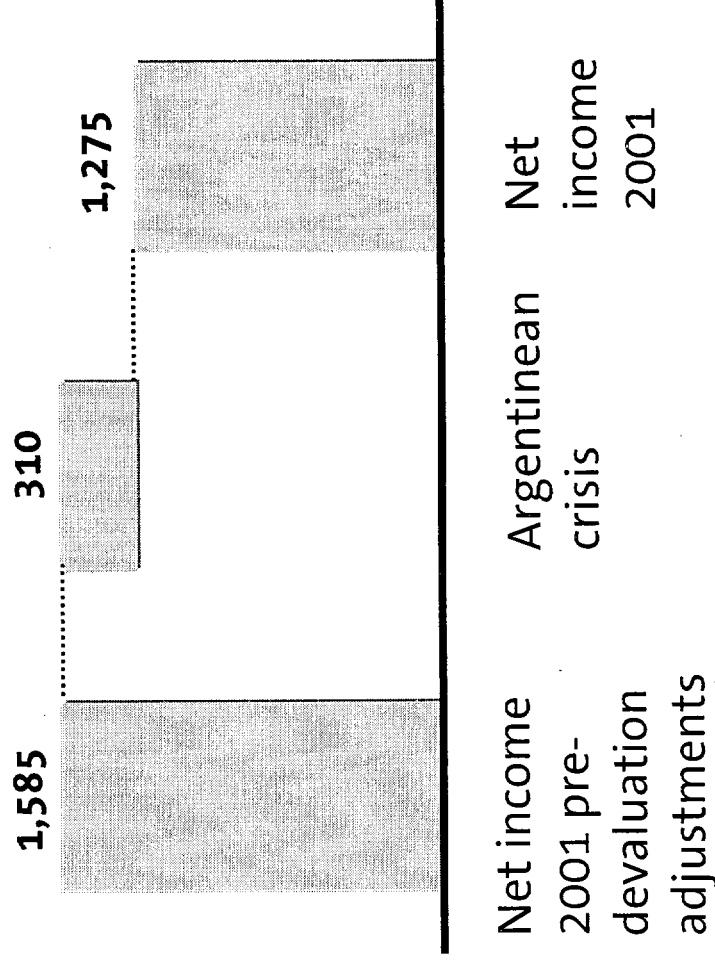
* During year 2000 percentage of ownership was increased (Veronica)
 ** 2000-2001 Local currency/€ depreciation: (-) depreciation / (+) appreciation ...
 Brazil -19.5%, Argentina +3.1%, Chile -9.7%, Peru +5.5%

... and the end of the year devaluation in Argentina

Impact in 2001 financial results (following ICAC rules):

- Debt restatement at 1.7 peso/dollar
- Increase provision for uncollectibles (51 million €)

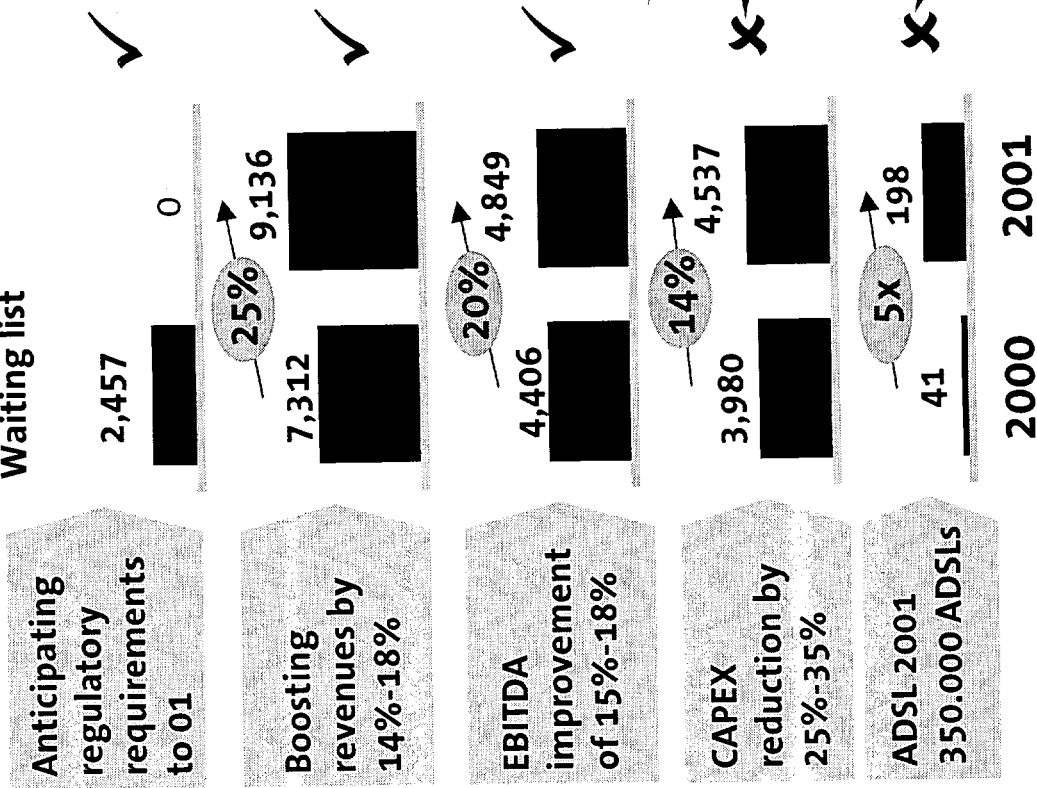
T Latam's net income
Million € (current)



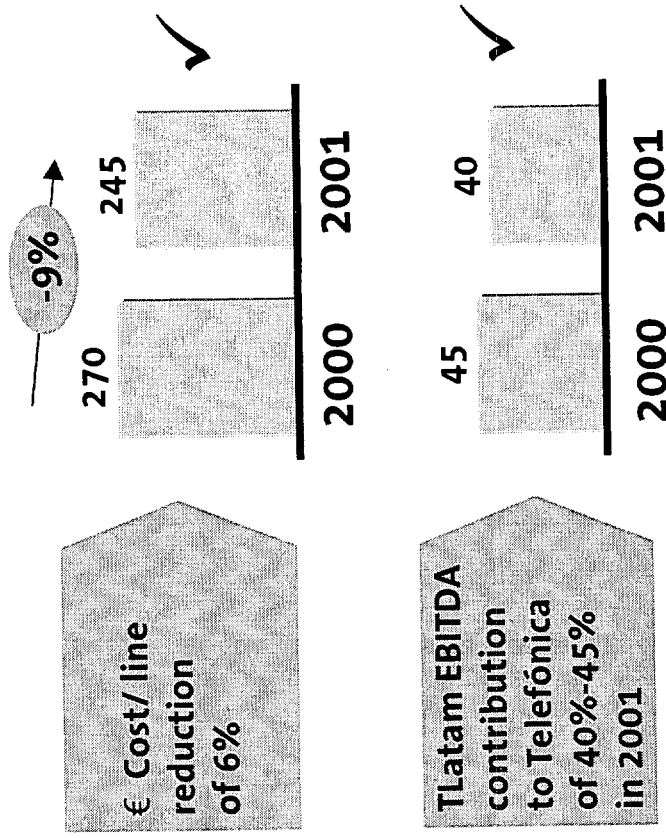
Even in this context, most of the Rio de Janeiro commitments for 2001 have been met

TeleSP 2001 Million R\$

Waiting list



T Latam



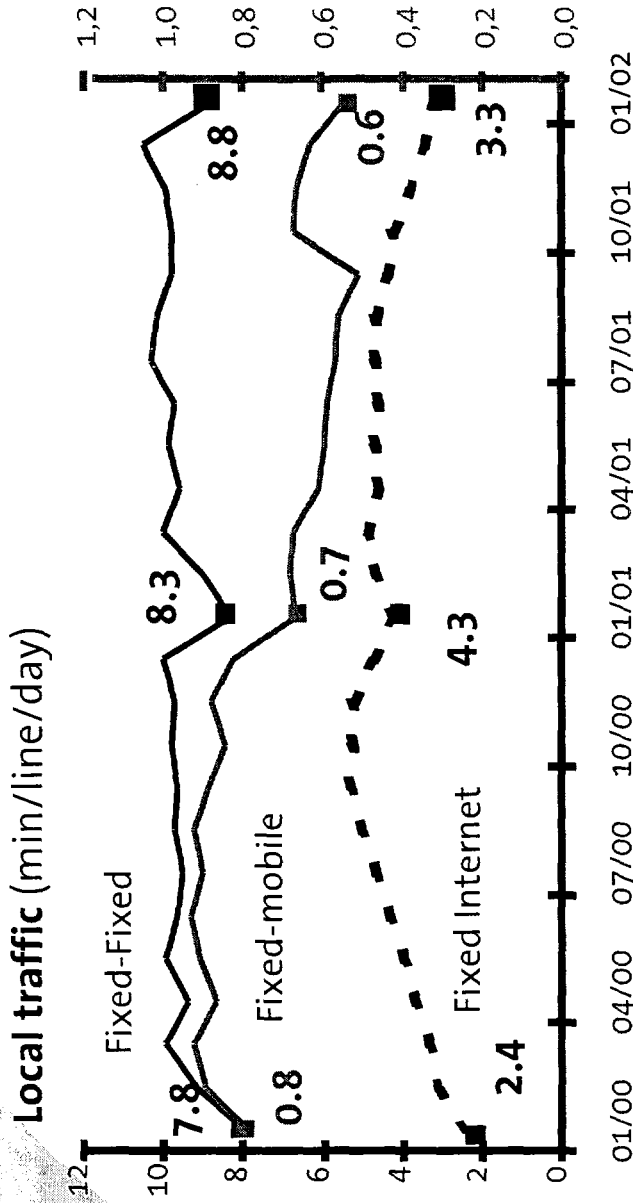
Increased to satisfy growth in demand and allow revenues larger than expected

As the regional perspective worsened expansion plans were moderated/postponed

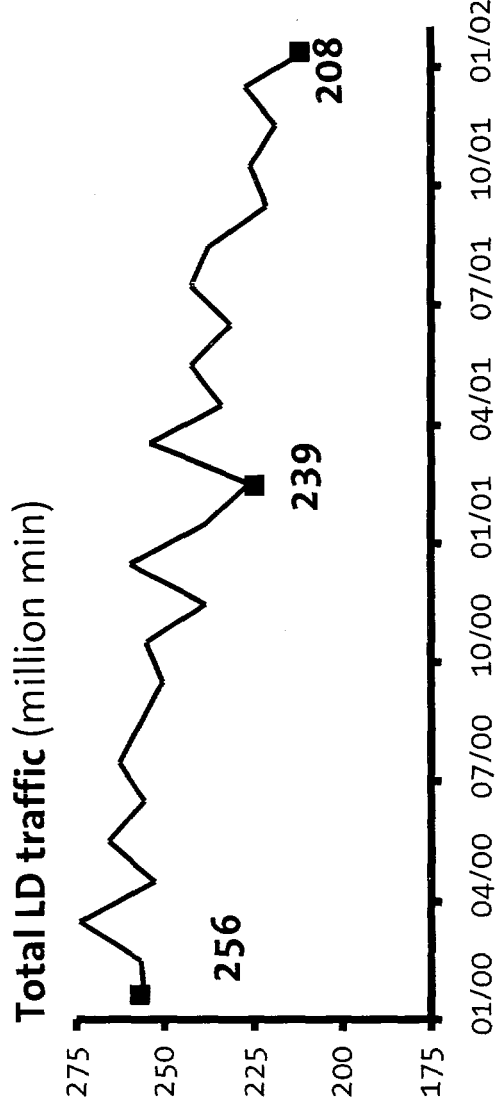
Content

- T-Latam: delivering solid performance in our four operators
- Priorities for 2002
- **Manage Argentinean crisis**
- Capture growth in Brazil
- Consolidate performance through active regional management
- Financial projections: strong cash performance
- Summary

Effect of economic crisis in TASA



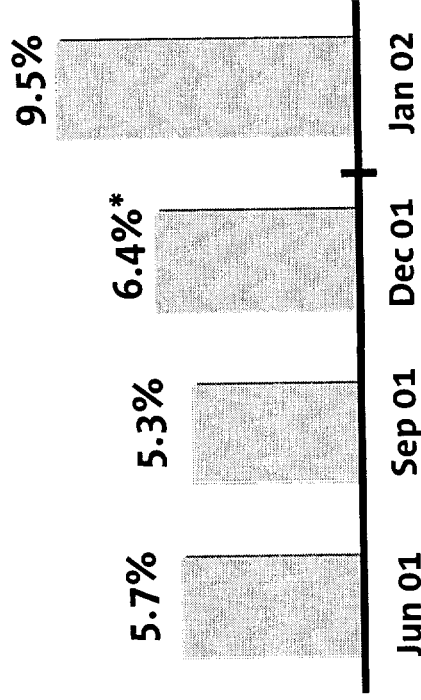
- In local traffic, the slight increase in fixed-fixed traffic has partially mitigated the important fall in fixed-mobile and internet traffic



- LD traffic (Domestic and International) suffering a strong decrease despite maintaining market share

Bad debt to remain at high levels

Bad debt expense



- **Conservative accounting policy** for uncollectible accounts:
 - Receivables **above 120 days** old are **fully (100%) provisioned**
 - Progressive provision for uncollected receivables in residential segment, amounting to **approximately 75% of debt aged 30-120 days**
 - Provision for corporations according to **risk profile**
- Acceptance of **local bonds as payment method** (Patacones, LECOPs)

* Does not include devaluation adjustments (totals 9.2% with extra devaluation provisioning)

Key actions in course to face crisis...

Actions	Description
<ul style="list-style-type: none">• Cash control	<ul style="list-style-type: none">• Daily cash control• Strict local bonds management• Focus on bad debt management
<ul style="list-style-type: none">• CAPEX reduction	<ul style="list-style-type: none">• “Zero investment plan”
<ul style="list-style-type: none">• Negotiation with the regulator	<ul style="list-style-type: none">• New regulatory agenda with the government• Fiscal compensations
<ul style="list-style-type: none">• Cost optimization	<ul style="list-style-type: none">• Suppliers’ contracts renegotiation• Strict prioritization of operating expenses• Reduction of structural costs in Network and Infrastructure

Maximize
OpFCF

Preserve
EBITDA

Maintaining significant positive FCF in local currency

Hypothesis

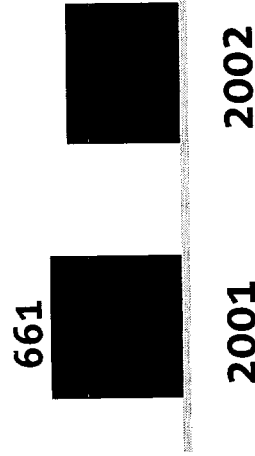
- 1st tariff adjustment in July (33% of cumulative inflation)
- Monthly tariff adjustment thereafter
- Regulation: Price cap eliminated in 2002 and unbundling postponed until 2003
- Dividends and management fee suspended during 2002

Limit decrease
of revenues

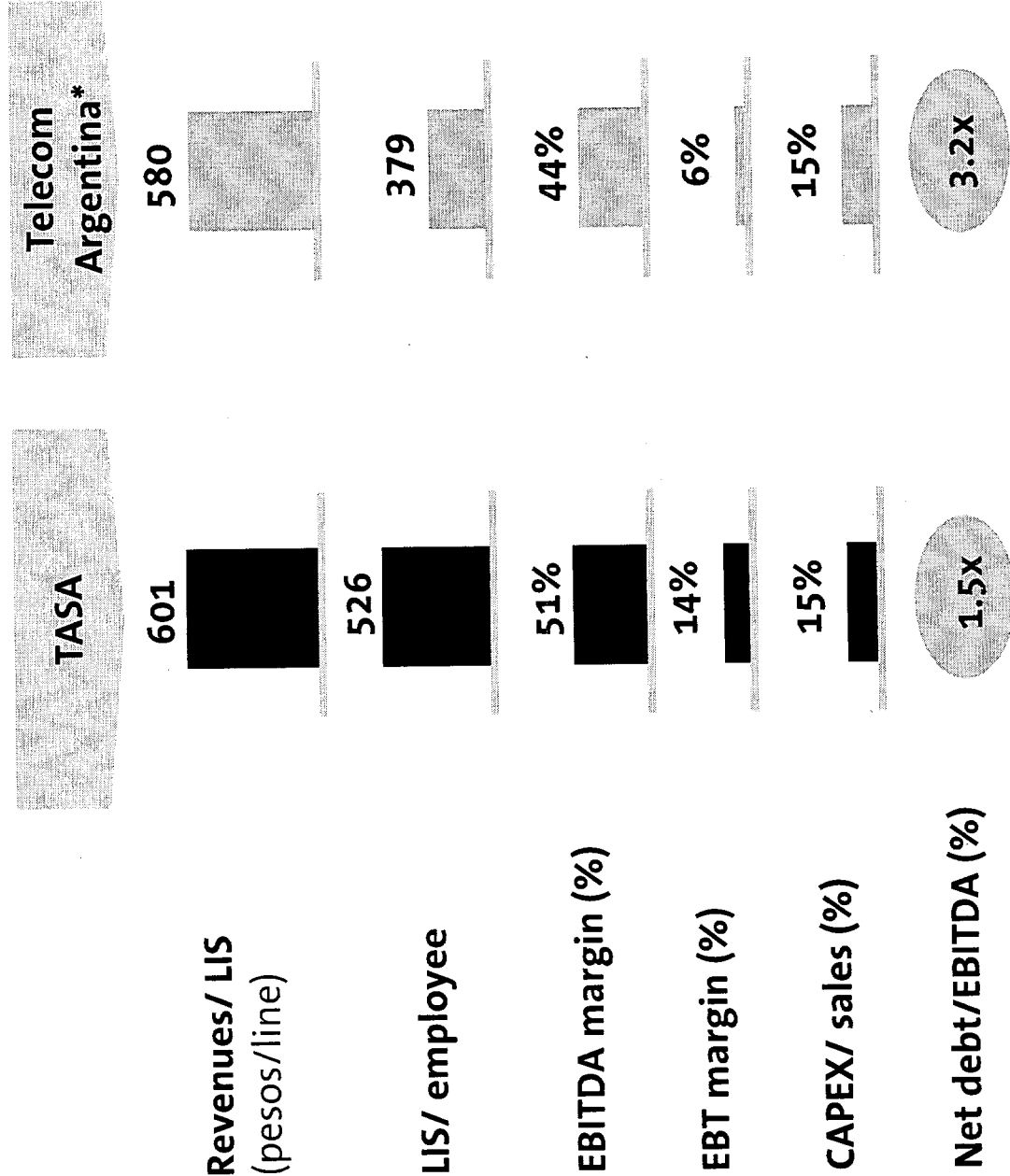
Contain EBITDA
reduction

Reduce CAPEX

FCF in local currency
Million Pesos



TASA is best positioned to overcome the crisis



Higher operational efficiency

More solid financial situation

(*) September 2001 data

Content

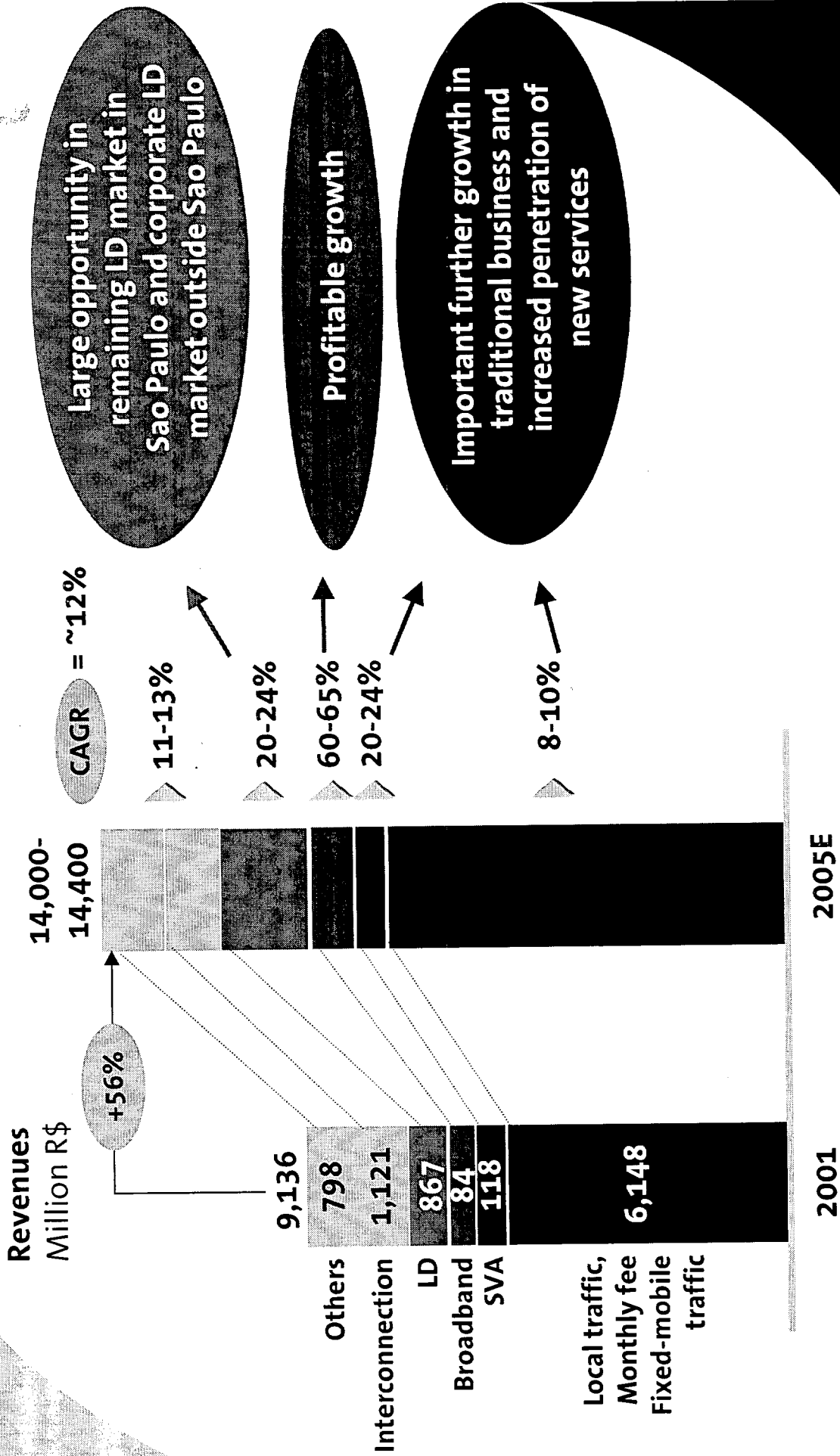
- T-Latam: delivering solid performance in our four operators
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Brazilian economy presents positive outlook

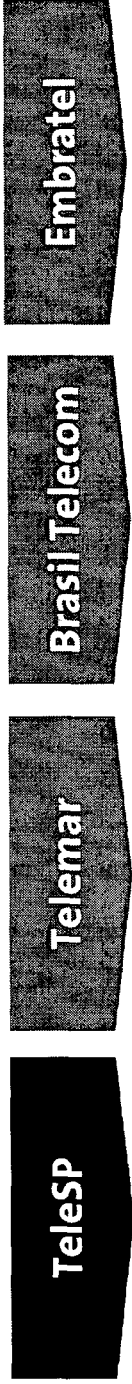


- Good GDP prospects
- Solid public accounts
 - Brazil's 2001 primary surplus: 3.5% of GDP (IMF's target: 2.2%)
 - International reserves maintained around \$35 billion dollar since 1999
 - Strong Foreign Direct Investment for 2002, guaranteeing external financing needs
- Low exposure to Argentina
 - Exports and imports to Argentina in 2001 were only 1.3% and 1.5% of GDP respectively
 - Total Brazil's investments in Argentina: ~0.3% of Brazil's GDP

There are three main growth opportunities in Brazil



Telefónica is better positioned to capture growth opportunities in the operational side...



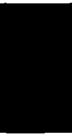
Achievement of "metas"



788

742

724



-

Revenues/ LIS (R\$)

53%

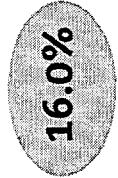
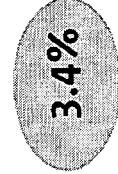
34%

43%

14%

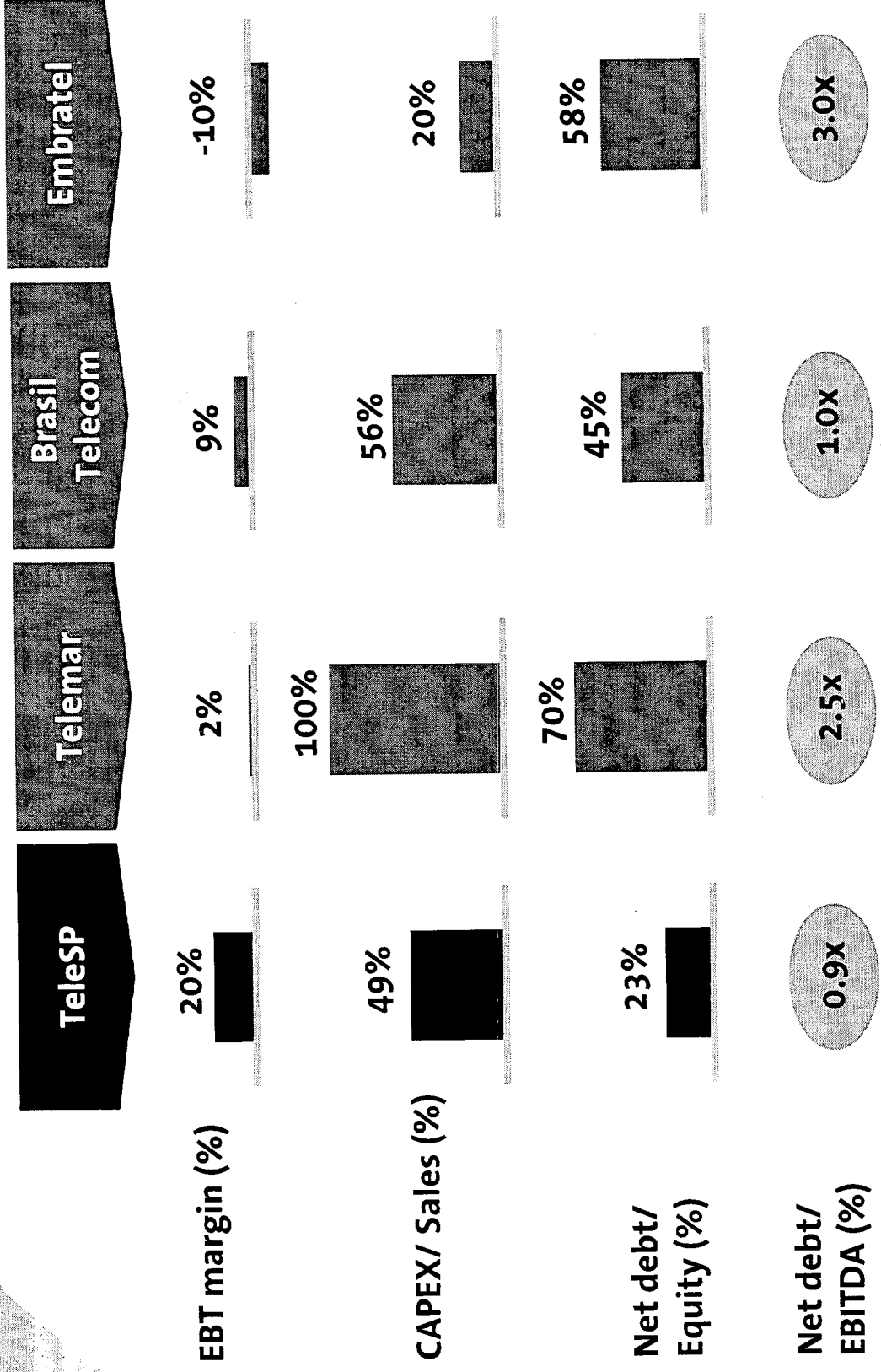
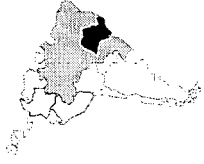


EBITDA margin (%)



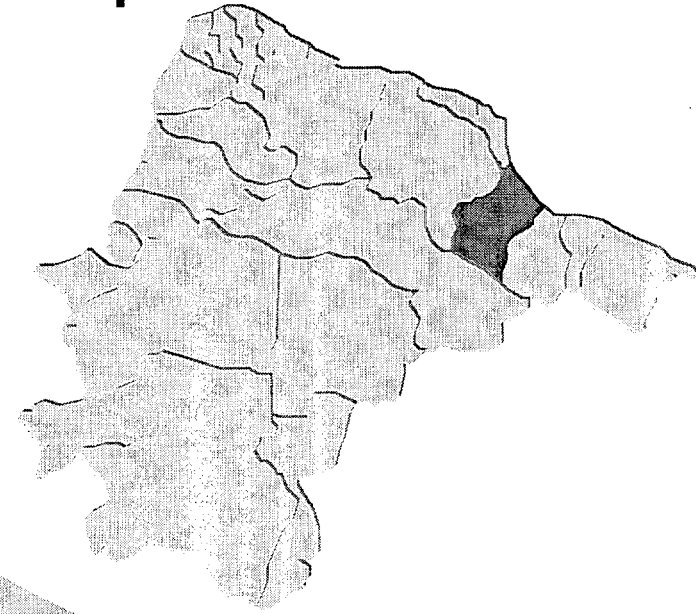
Uncollectibles/ net revenues (%)

... As well as in the financial side



Note: 2001 Results

The anticipation of "metas" has opened new growth opportunities



Sao Paulo Mill R\$

Total	2,992
Intra-state	1,766
Inter-state	1,005
International	221

Outside Sao Paulo Mill R\$

Total	6,340
Intra-state	3,380
Inter-state	2,507
International	453

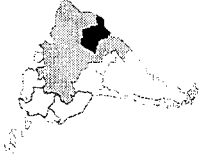
Include in product offering, interstate and international traffic service

- 100% of the businesses in Sao Paulo are Telefonica's clients
 - 70,000 SME's
 - 1,500 corporations through T Data
- Corporate segment represents 50% of LD market

New available markets for Telefonica

- 33% of Sao Paulo corporations have operations outside the state
- 80% of the top 250 largest Brazilian companies have their headquarters in Sao Paulo

TeleSP´ s will leverage its client base and the Group´s assets in the region



Sao Paulo

- Provide **comprehensive offer** to residential and business customers
- Leverage **customer knowledge and distinctiveness of offer** (only player with a complete product range)
- **Direct, targeted marketing to most profitable clients** (top 20% generates 80% of revenues) leveraging T Data
- **Bad debt control**
- **Avoiding downward pressure on prices**

Outside Sao Paulo

- Focus on **current Sao Paulo customers operating nationwide** (corporate and business segments): establish national negotiations mainly through T Empresas sales force
- Leverage **Telefonica´s brand image**
- Target the **JV cellular clients** (40% of the total Brazilian cellular market)

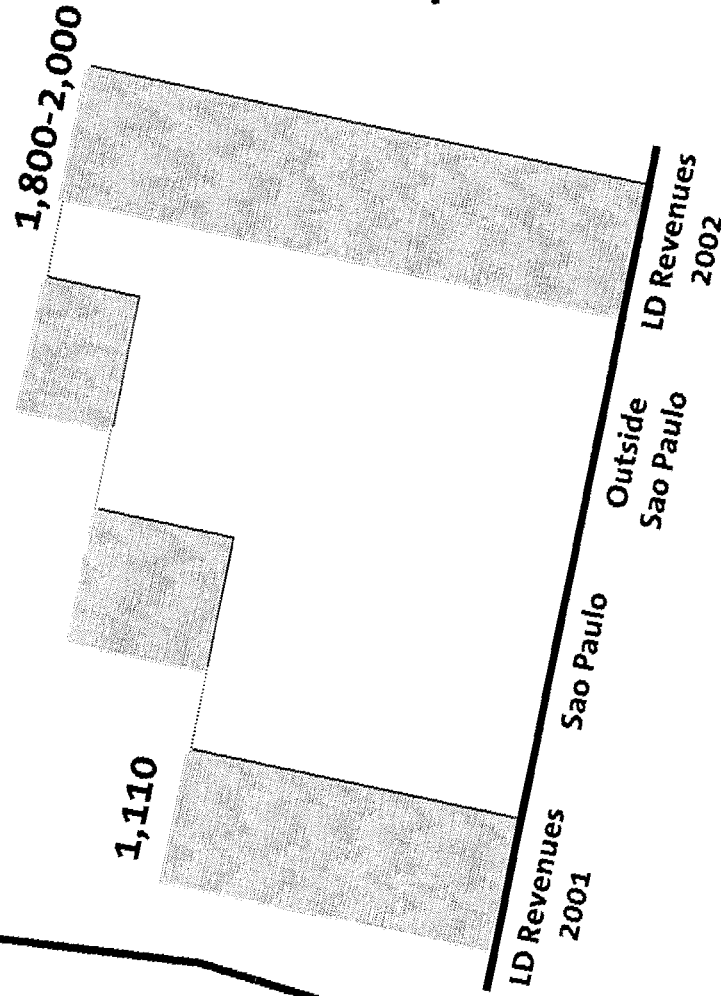
Significant contribution to TeleSP's growth can be expected from Brazil 2002 opportunity

If TeleSP were to capture:

- **Sao Paulo:** 15-18% of the interstate and international market (vs. 79% market share in intrastate '01)
- **Outside Sao Paulo:** 4-6% of the LD market

... this would mean nearly doubling LD revenues in 2002

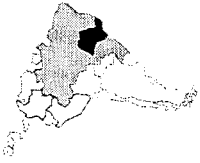
Total LD revenues
R\$ Million



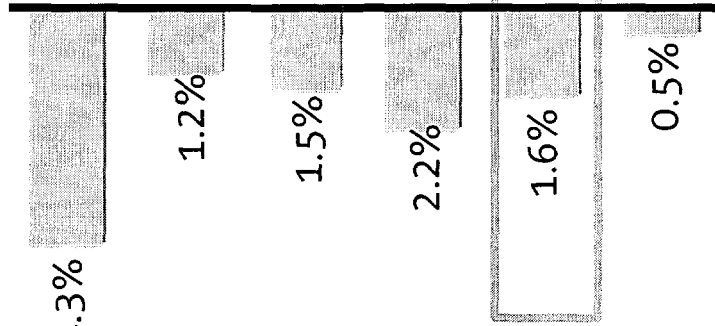
- New long distance opportunity will be EBITDA positive already in 2002, with an EBITDA margin of ~20%
- The total CAPEX requirements for 2002 are ~ R\$ 90 million

Note : Market Share figures related to 2002 average

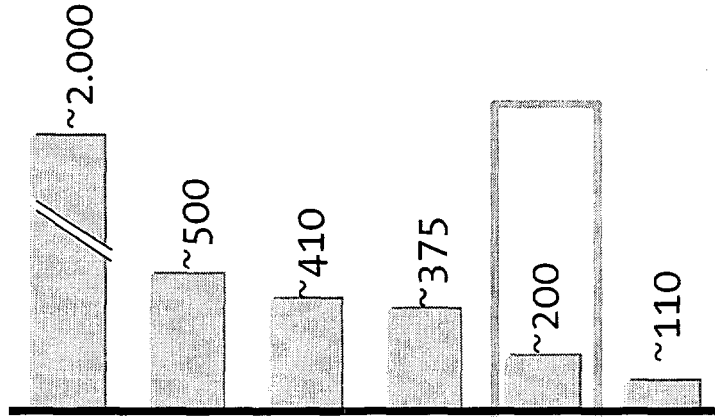
TeleSP will also continue its profitable broadband growth



ADSL lines/LIS (%)



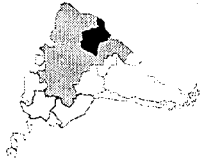
ADSL lines ('000)



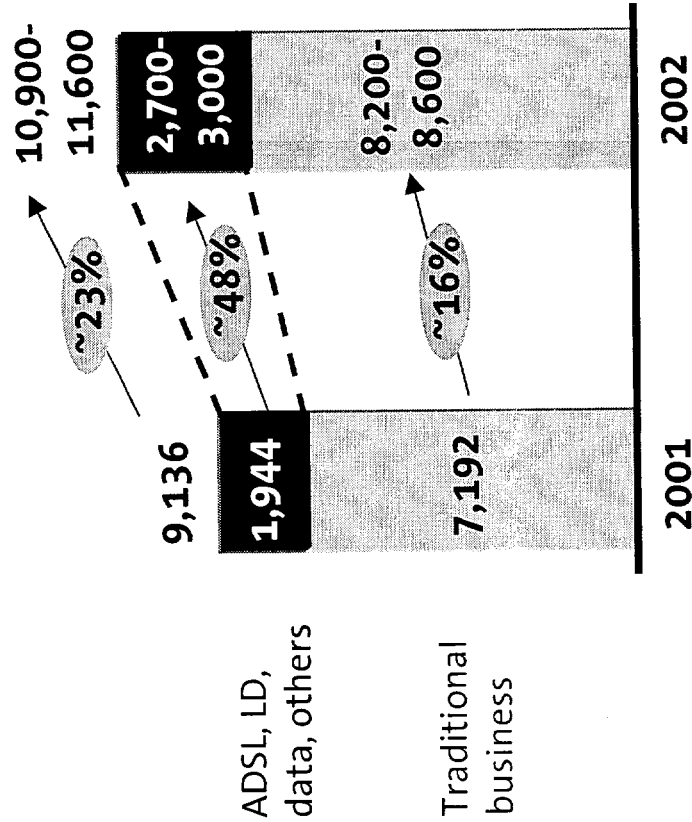
2002 priorities

- Current TeleSP's **target market** includes:
 - ✓ 850,000 SMEs and SoHos
 - ✓ 1.2 million high-income homes
- Emphasize **self-installation kits** (reducing OPEX)
- Promote **upgrades to faster speeds**, particularly in SME segment (increasing ARPU)
- **Evolve Speedy from "access" to "solution"** providing complete set of content and services
- **Focus on SME segment** with specific products (Viacorp, VPN, hardware, ...)

In addition, traditional business will also experience remarkable growth



Total revenues
R\$ Million

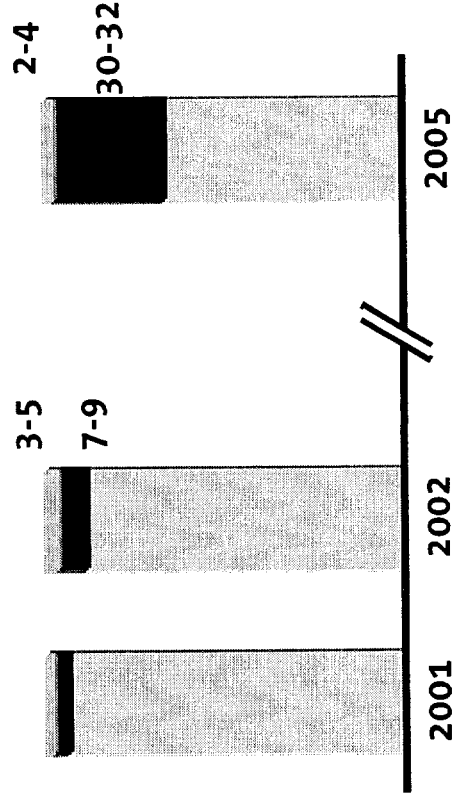


- Full contribution of 2001 new adds
- Contractually established tariff rebalancing
- Increase in **fixed to mobile traffic** (15-20% expected growth in mobile customer base)
- 36% increase in **VAS revenues** in 2002 (call forwarding, conference call, caller ID ...)
- Increased commercial effort in **SMEs**

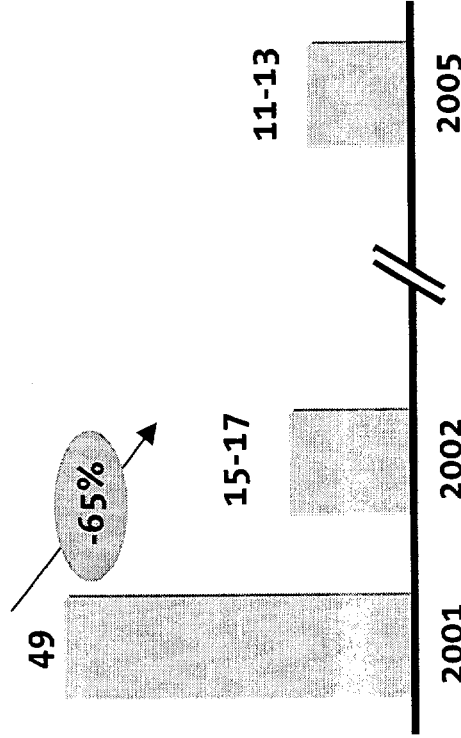
... while CAPEX gets significantly reduced



CAPEX distribution
(Percentage of total CAPEX)



TeleSP CAPEX/sales
(Percentage)



- Important reduction in overall CAPEX after achievement of "metas"
- Broadband CAPEX gradually assuming an important share of the investments
- Very moderate CAPEX for long distance services, leveraging Telefónica's existing assets (Emergia)

FCF change from
€ -139 Million in 2001 to
~€ +1,200 Million in 2002

Content

- T-Latam: delivering solid performance in our four operators
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T- Latam's management structure provides both flexibility and tight control

Local management

- Empowered CEOs and local managers
- Local perspective on market and on evolution of competitive environment
- Focus on local level performance

T Latam management

Corporate Center

- Lean corporate staff (67 people in 2001)
- Tight control on critical elements, e.g. CAPEX
- Integrated perspective
- Definition of regional agenda

Regional initiatives

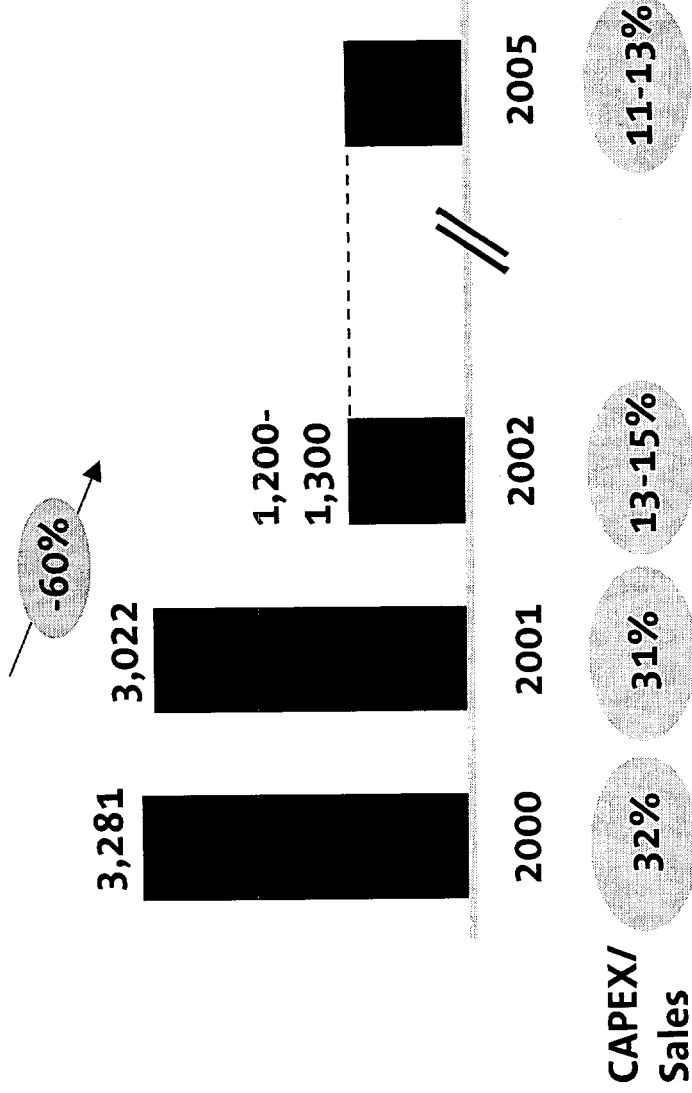
- Local and corporate managers
- Driver for capturing regional synergies
- Task-force, initiative oriented
- Forcing device for local managers to adopt regional mindset

Group initiatives

- CSCs
- Broadband/ADSL product development
- T Data vs wireline
- Purchasing
- Systems

Priorities going forward are: (1) preserve CASH through a strict CAPEX discipline

T Latam Capex*
Million € 2001



- Continue with a strict, centralized **CAPEX discipline** defined by:
 - **homogeneous evaluation criteria,**
 - **tight top management control** and
 - **flexibility** to respond to economics shifts
- **Maintain CAPEX/Sales** level in the long term
- Increasing CAPEX devoted to **broadband**

*Considering devaluation of Argentinean pesos (Exchange rate after devaluation 1USD = 2.0 Pesos)

...(2) continue aggressively reducing costs...

Comprehensive regional projects...

- **Network cost optimization** setting a common model base on:
 - Extension of best practices
 - Processes redesign and automation
 - Productivity improvement
 - Outsourcing
- Network OPEX / line down by 24% in 3 years

Network OPEX

- Initiatives launched during 2002 will already achieve reduction in network OPEX/line of 7-9% in 2002

...already delivering results

- Implementation of a **common billing, collection and customer care system**
- Direct savings from
 - IT development and maintenance
 - Billing, back-office and call center cost-efficiency
- Enabled benefits in marketing and sales activities

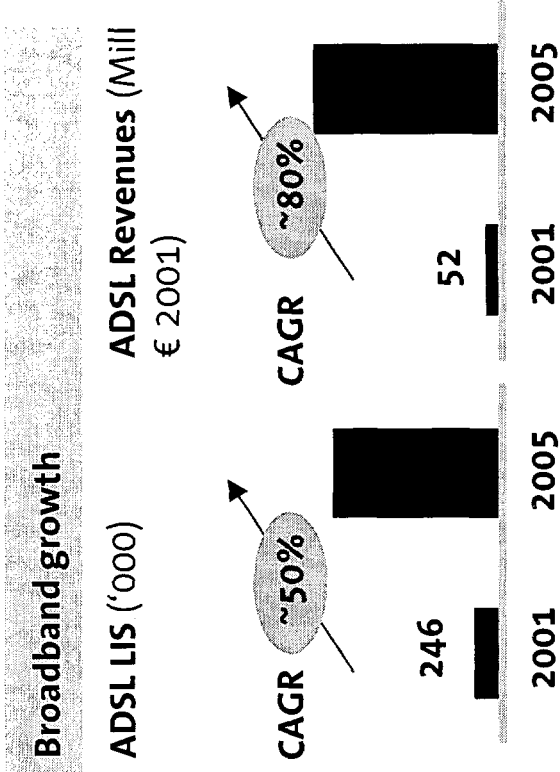
ATIS

- Basic version of billing and client service already working in CTC
- Successive updates throughout the year incorporating full functionality

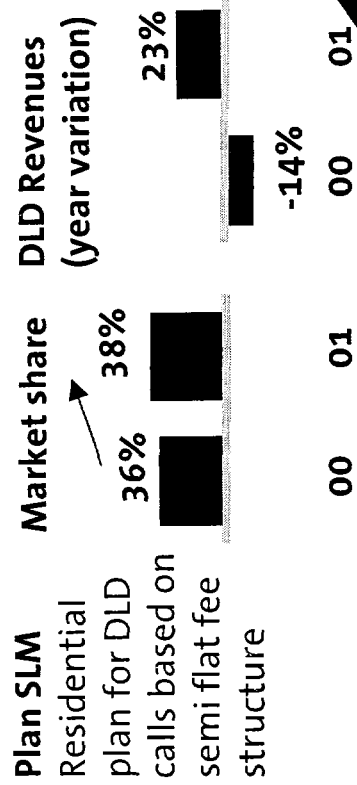
.. (3) preserve leadership with focused commercial efforts

- Conduct focused, profitable ADSL expansion
- Extend successful products/practices
- Leverage customer knowledge for product/service development
- Improve sales force and call center effectiveness
- Leverage presence, brand and services from other Telefónica's affiliates

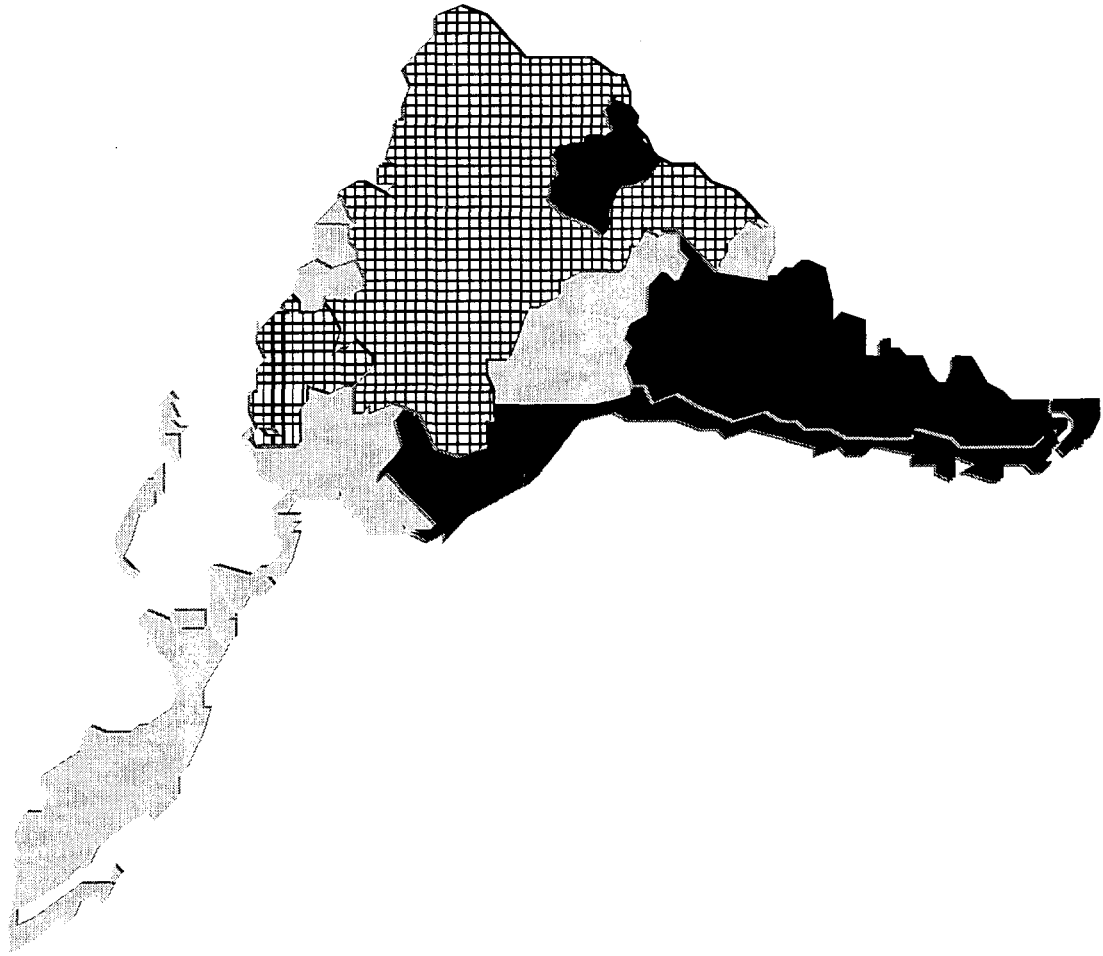
Maintain market share leadership



Example of practices to extend: growth in LD market share in Chile through new products



.. (4) capture further growth opportunities in the region



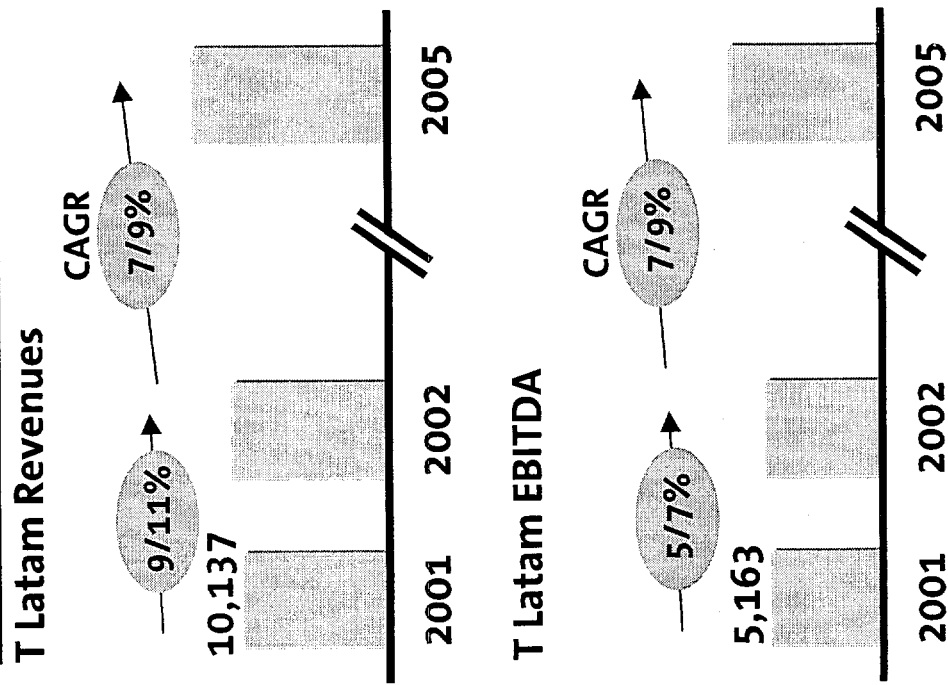
- Expand to other regions/countries in Latin America
- Leverage scale in increased wireline and Internet penetration

Content

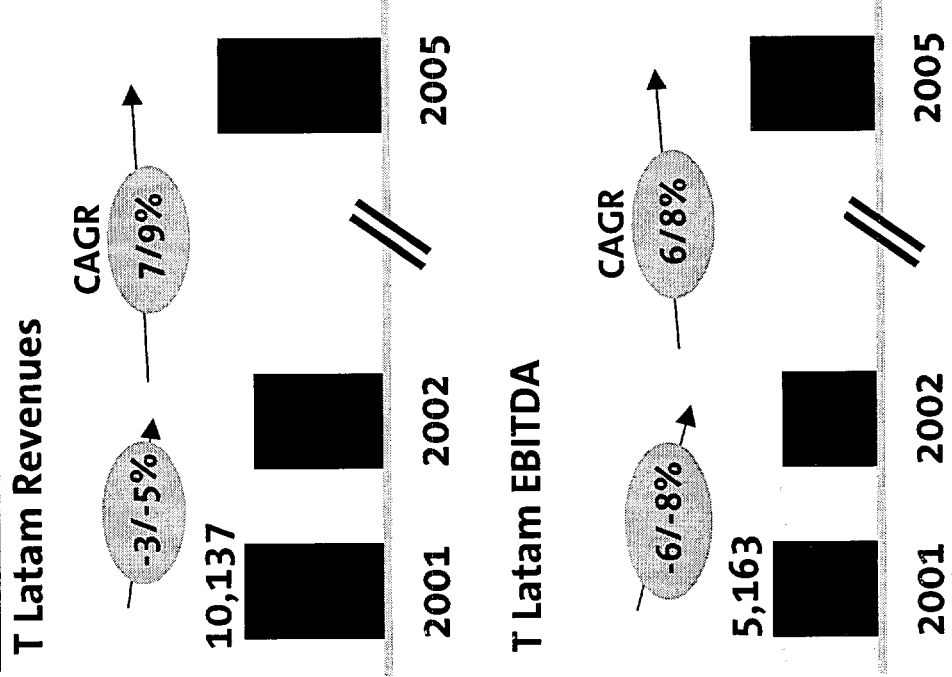
- T-Latam: delivering solid performance in our four operators
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Good aggregated operational prospects for 2002

Million €2001
(Argentinean peso 1:1)



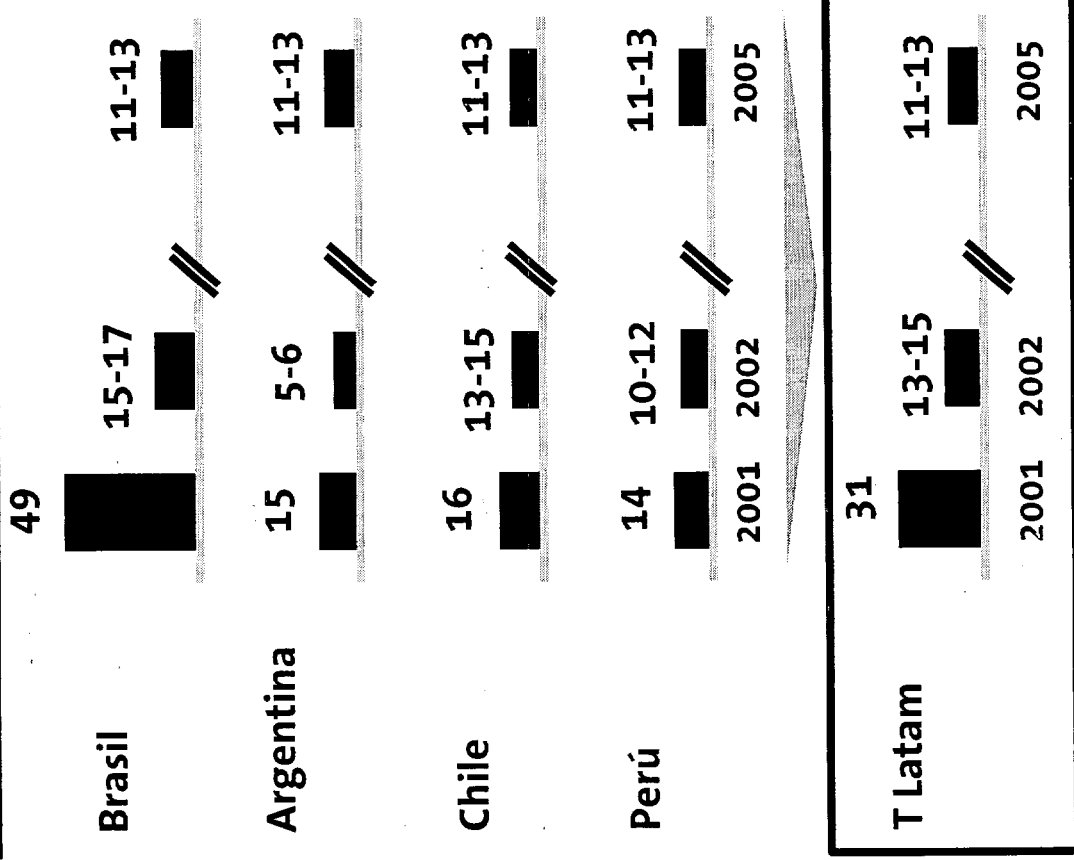
Million €2001 except for
Argentinean peso (2:1)



- 2002 financial perspectives hurt by devaluation of Argentinean peso
- However beyond 2002, T Latam's results are expected to grow

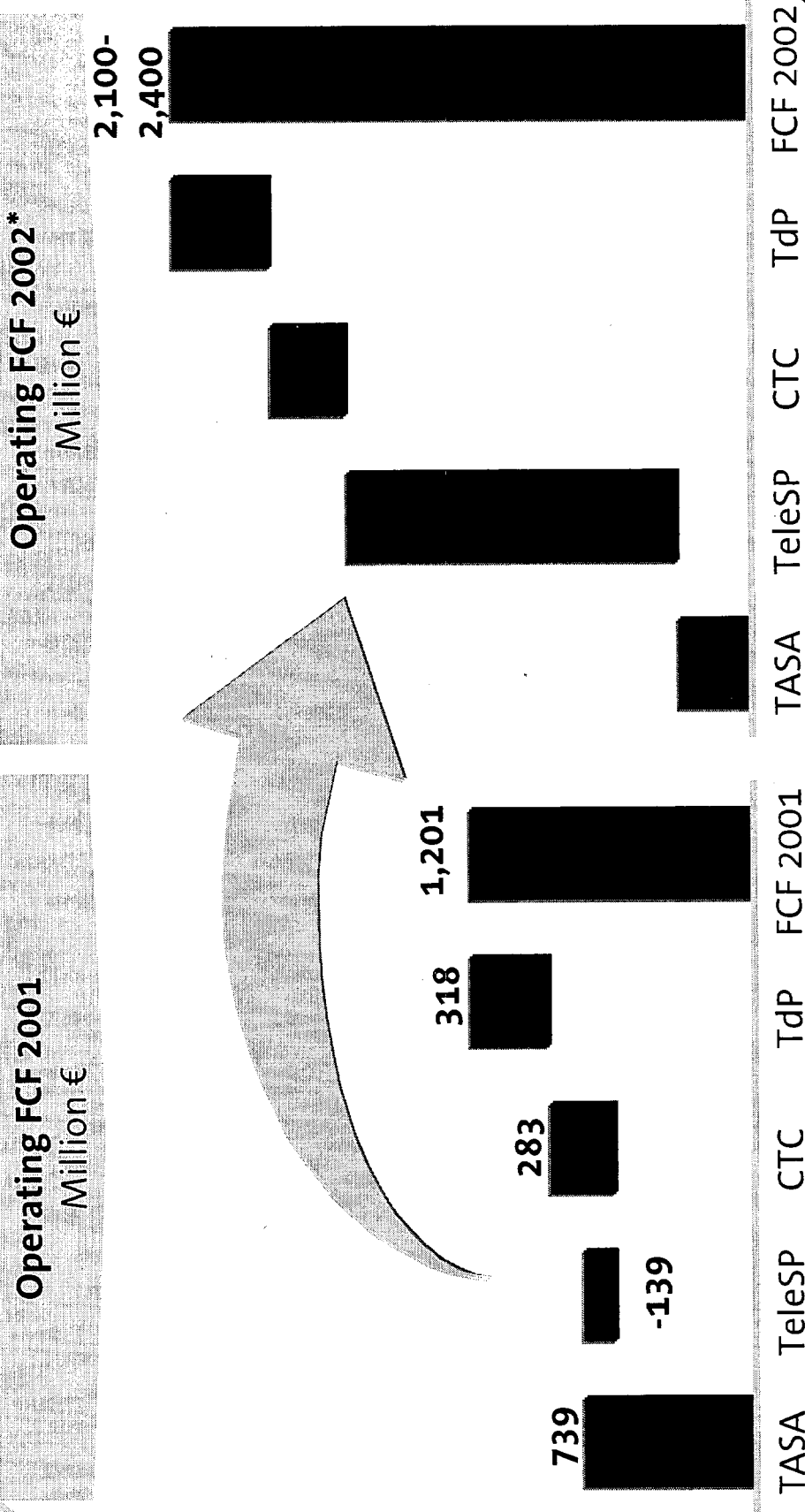
CAPEX will decrease significantly from this year on

CAPEX/sales (%)



- Major investments in infrastructures have already been made
- Marginal investments required for growth except for broadband
- Encompass CAPEX level with local cost of capital
- Improve ROIC

As a result, we see FCF nearly doubling in 2002



*Considering devaluation of Argentinean pesos (Exchange rate after devaluation 1USD=2.0 Pesos)

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Summary

- The clear leader in the region
- Good results in 2001 despite the economic turmoil
- Fit to manage the crisis in Argentina
- Strong position to capture growth potential in Brazil
- Continuing regional efforts to improve efficiency
- Solid FCF generator

Telefonica

Item 4



Second Investor Conference

March, 2002, Seville

Telefónica

Data

Eduardo Caride

Executive Chairman of Telefónica Data

Telefónica Data

**Creating value for our
Corporate Customers**

Safe harbour

This presentation 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 activities 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.

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Content

- **2001 Commitment's in a challenging environment**

- Reorientation of our Business Model
- Achievements to date and strategic priorities looking forward
- Summary of commitments moving forward

Financial results for 2001 were below expectations

	RIO 2001 (E)	2001	%
Revenues			
Incumbent Spain + LatAm	1,226 M€	1,228 M€	100% ✓
New Entrant LatAm	64 M€	43 M€	67% X
New Entrant Europe	807 M€	598 M€	74% X
EBITDA	176 M€	24 M€	11% X

- Strong focus on launching:

- Startup businesses in Brazil (out of Sao Paulo), Mexico, USA, Italy and an International Network ✓
- Value Added Services : Hosting & ASP and Consulting ✓

Slowdown in demand has reduced growth expectations

During 2001, the market has strongly reduced its expectations on the business growth for the coming years recognizing ramp up for demand will take longer than expected

- **Steep decline in demand from New Economy Players, last year's most promising segment**
- **Lower telecom expenditure growth and lengthening of sales cycles due to economic slowdown**
- **Distressed alternative carriers cut-off from financing**
- **"Need to sell anything at any price" reduced market prices**
- **"Flight to Quality" by customers to most sustainable providers**

Content

- 2001 Commitment's in a challenging environment

• Reorientation of our Business Model

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Moving forward we have repositioned our strategic focus

Situation at Río

- Capture the Data Services / VAS growth opportunity leveraging on massive client base in domestic markets

- Strengthen position from selective expansion in new markets: attractive customer bases and focus on Corporate and NEPs

- Leverage infrastructure / presence to serve multinational customers

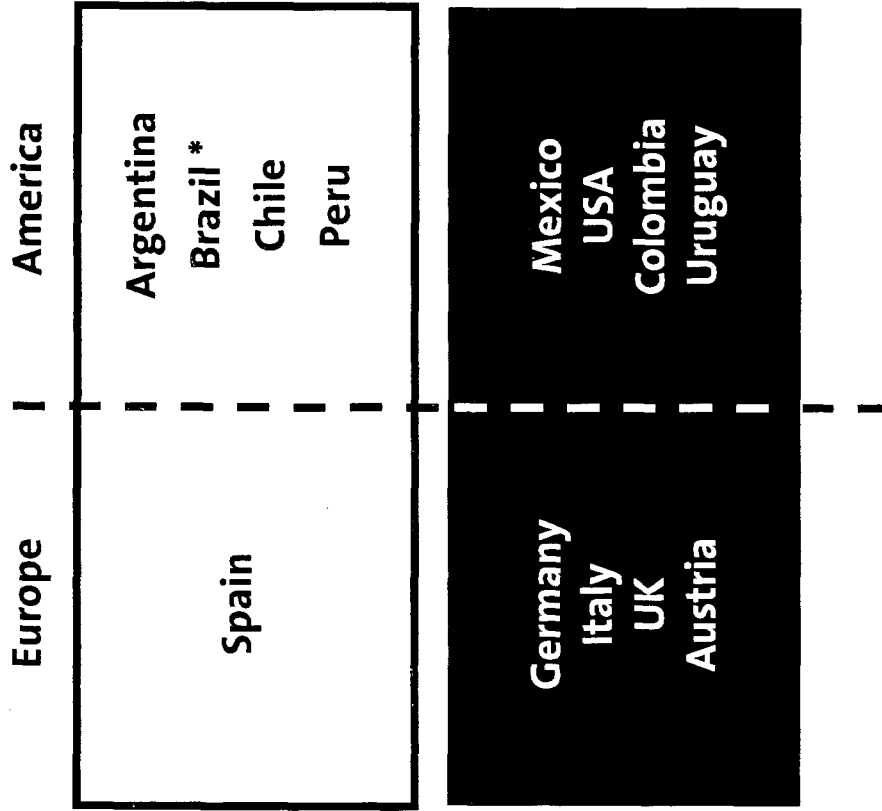
Current focus

- Serve Corporate Customers offering customized solutions through specialized sales force in our domestic markets

- Turn profitable the businesses in new markets by achieving necessary scale, offering packaged solutions to targeted segments

- Leverage our distinctive regional position to better serve multinational corporations and boost our international services

Markets presence



Leverage the competitive advantage of Telefónica's wireline operator

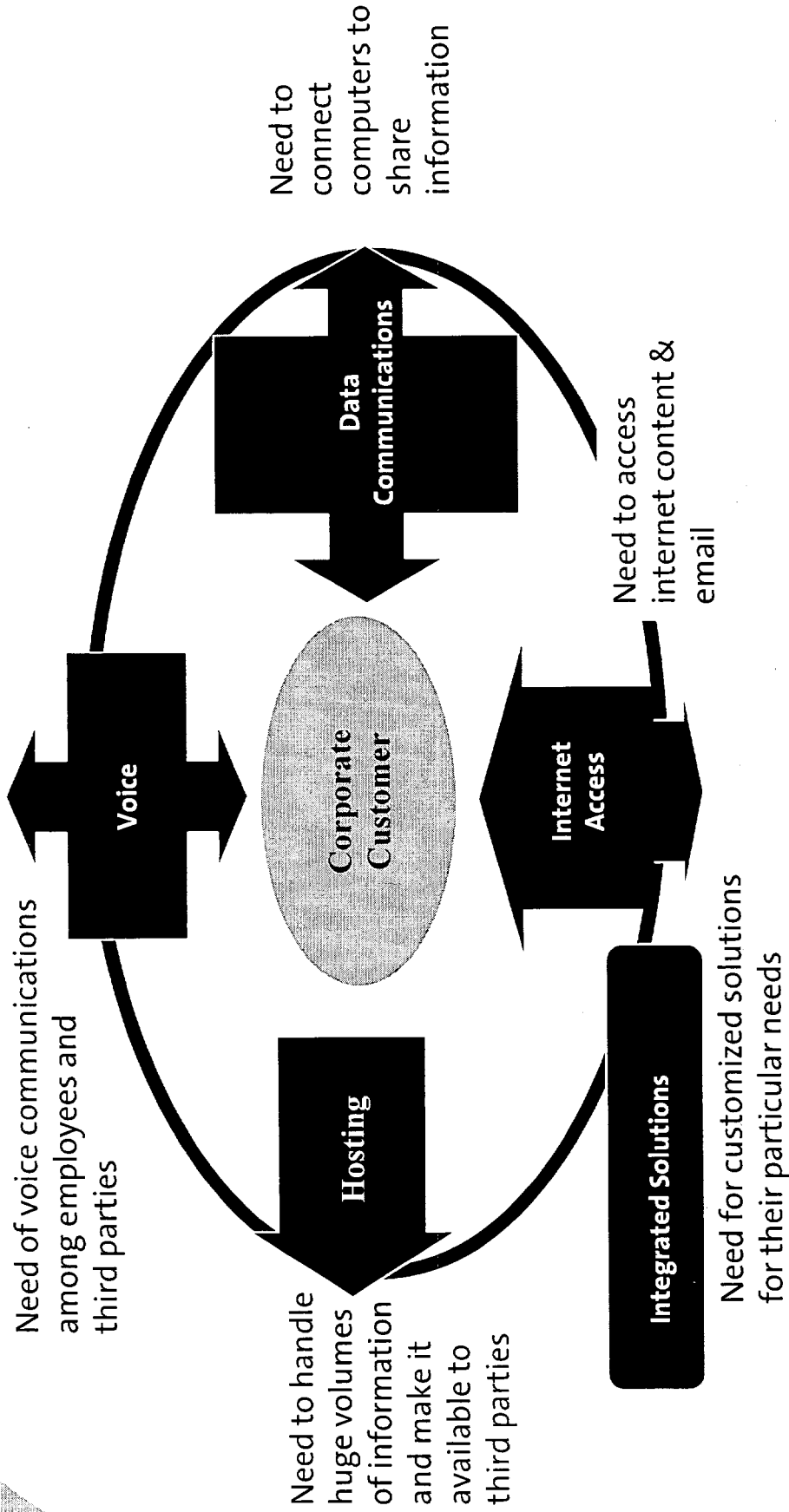
Achieve scale as an alternative carrier, concentrating on the most attractive segments and services

* In Brazil Telefónica is new entrant out of Sao Paulo

Business model

	Clients	Services	Infrastructure	Growth focus
Incumbent markets	<ul style="list-style-type: none"> • Large corporations and ISPs 	<ul style="list-style-type: none"> • One stop Shopping • Customized solutions to large corporations 	<ul style="list-style-type: none"> • Own data networks and hosting centers • Use of Telefonica's incumbent backbone and access infrastructure 	<ul style="list-style-type: none"> • Cross-sell new services (VAS) to current client base
New entrant markets	<ul style="list-style-type: none"> • Multinationals within current portfolio • SMEs/ISPs • Telefonica companies 	<ul style="list-style-type: none"> • Complete portfolio of IP services • Packaged solutions (xDSL, VoIP, IP-VPN) 	<ul style="list-style-type: none"> • Own IP networks and hosting centers • Basic infrastructure: <ul style="list-style-type: none"> - By default, use others - Selectively deploy or acquire depending on managed traffic/interconnection conditions 	<ul style="list-style-type: none"> • Acquire new clients • Increase revenues per client

Corporate customers require integrated solutions for their various needs



We are a "One Stop Shopping" solution provider for our customers to deal with the IT and Telecom technological convergence

Repositioning of our focus in the new environment

Incumbent markets

- Focus on large corporate customers
- Reputation of high-quality advanced solutions
- Increased emphasis on efficiency
- Close relationship with Telefonica's Wireline Operators

New entrant markets

- Focus on achieving critical scale in most attractive segments and markets
- "Pragmatic" growth based on local market environment
- Speed-up of "path to profitability"

- Increased focus on efficiency
 - Lean Corporate Center
 - Leverage shared services from Telefonica's Group
- +
- Unification of IT platform
- Leverage regional footprint to serve global/regional accounts

Content

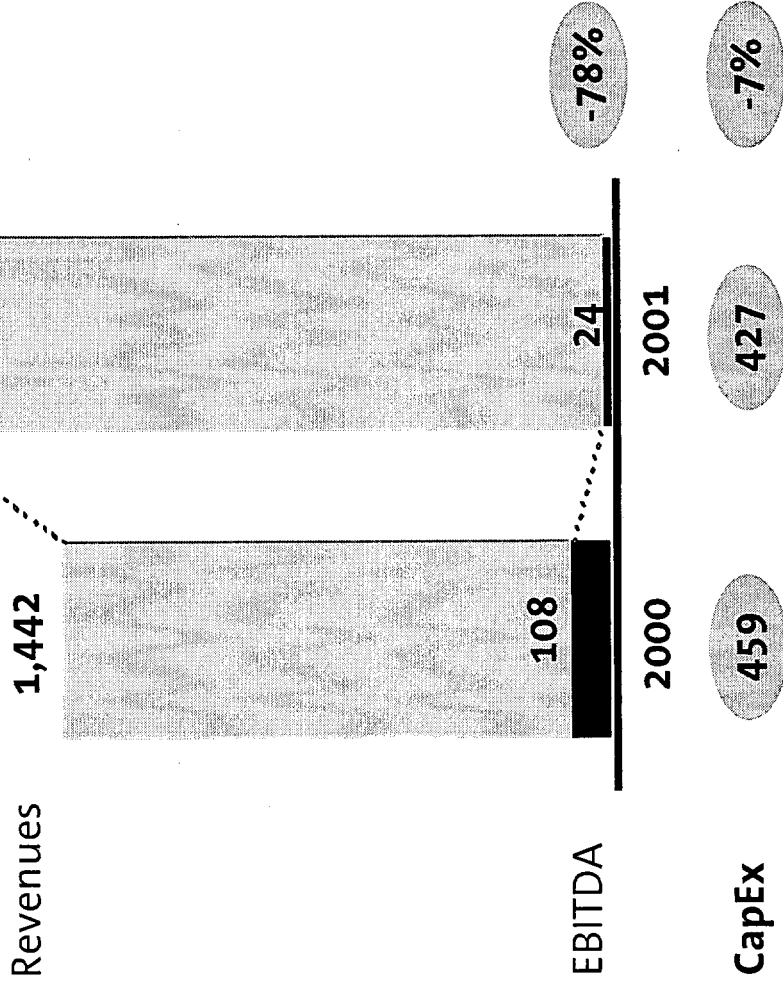
- 2001 Commitment's in a challenging environment
- Reorientation of our Business Model
- **Achievements to date and strategic priorities looking forward**
- Summary of commitments moving forward

2001 pro forma financials

€ Millions

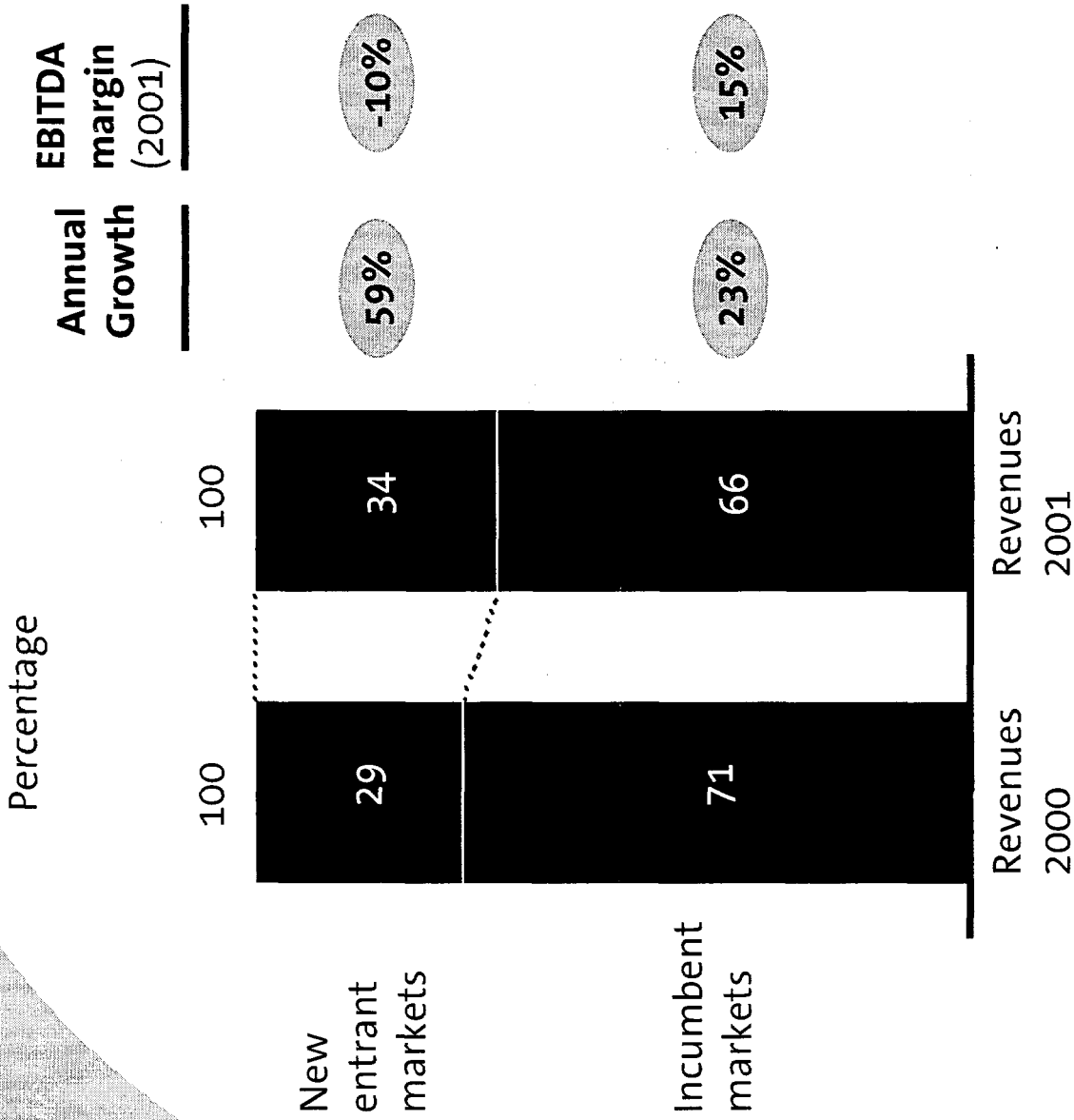
CAGR

28%



- Significant revenue growth
- Growth efforts in start-up operations significantly impacted EBITDA
 - Italy
 - Mexico
 - US data center
 - International Network
- Overall containment of CapEx

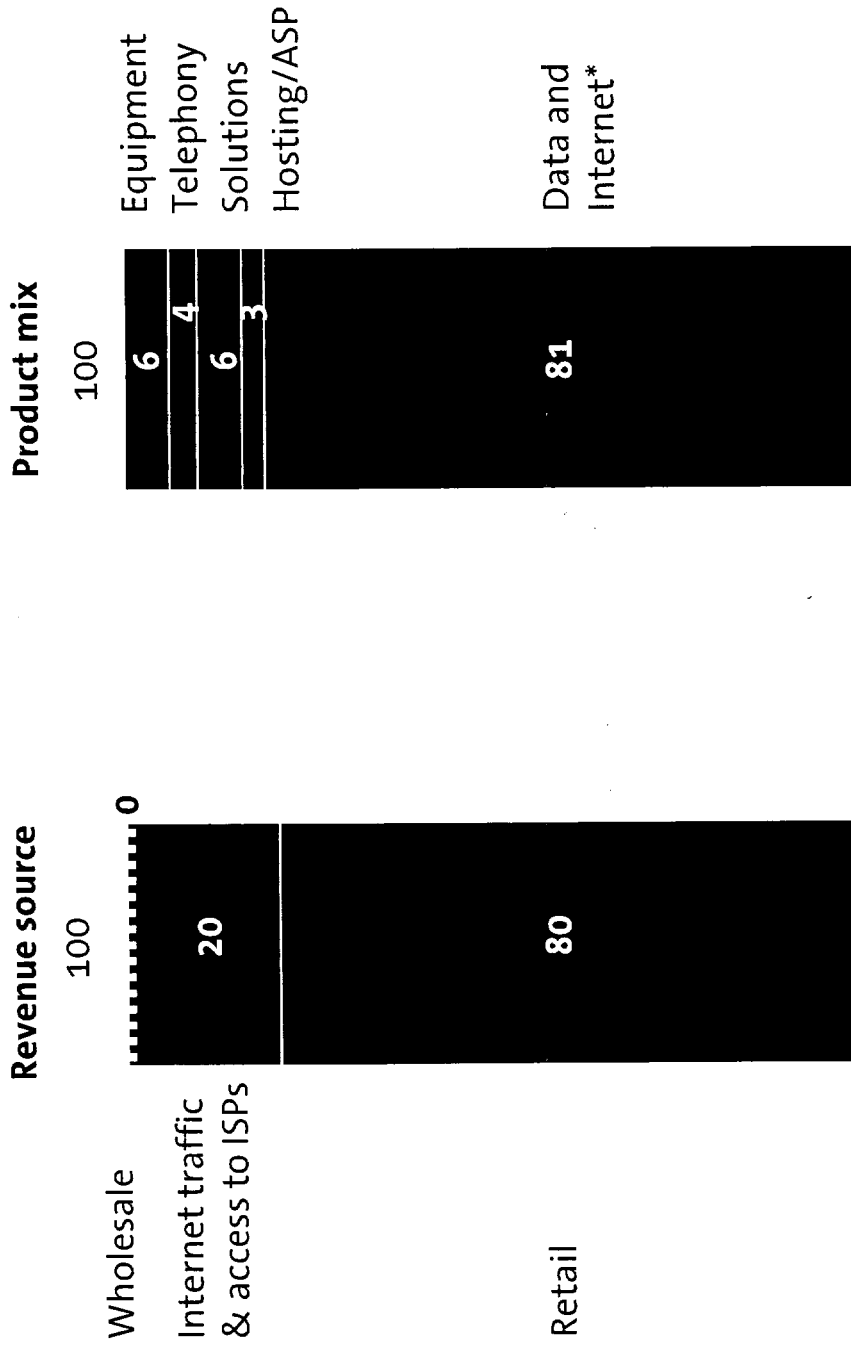
Contribution to results by market type



- Significant revenue growth
 - Steady growth in incumbent markets (especially LatAm)
 - Increase in new markets contribution to the total revenue
- Overall EBITDA impacted by increasing share of revenues from new entrant markets where operations are in start-up phase

High quality revenues

2001. Percentage



High quality of revenue mix

- Portfolio based on managed services
- Retail client focus
- Low exposure to voice revenues

* No Voice nor leased lines

Our strategic priorities moving forward

1 Strengthen leadership in incumbent markets by increasing share of wallet

2 Complete expansion to main Latin-American markets

3 Make profitable the European expansion ventures

4 Ascend in the value chain into higher margin and stronger loyalty impact services

5 Capitalize our distinctive regional position to better serve multinational corporations and boost our international services

Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Pro forma results in incumbent markets

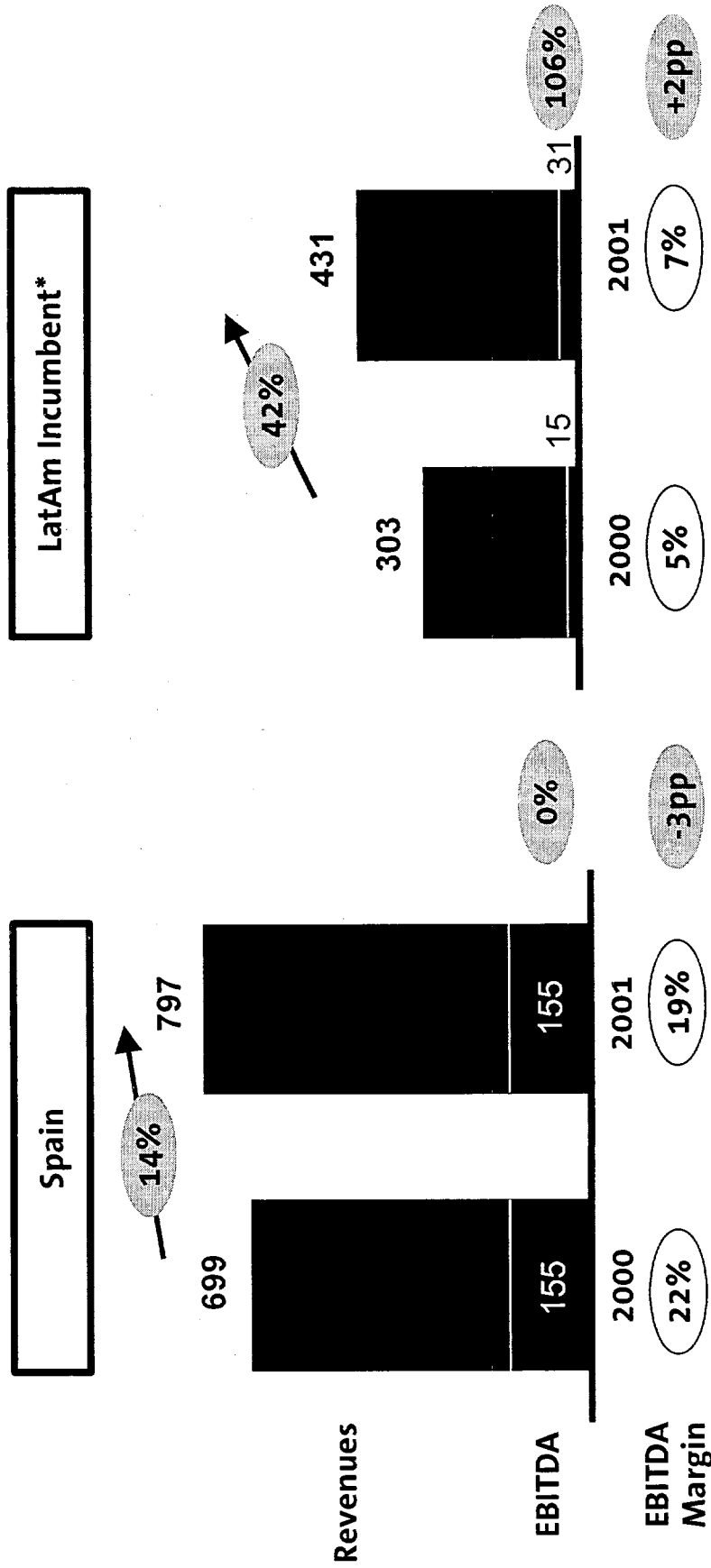
€ Millions



- Substantial revenue growth even in most mature markets (Spain)
- Sustained leadership/market share in corporate data services in Spain (~75%) and increasing market share in Brazil/Sao Paulo (30%)

Pro forma results in incumbent markets

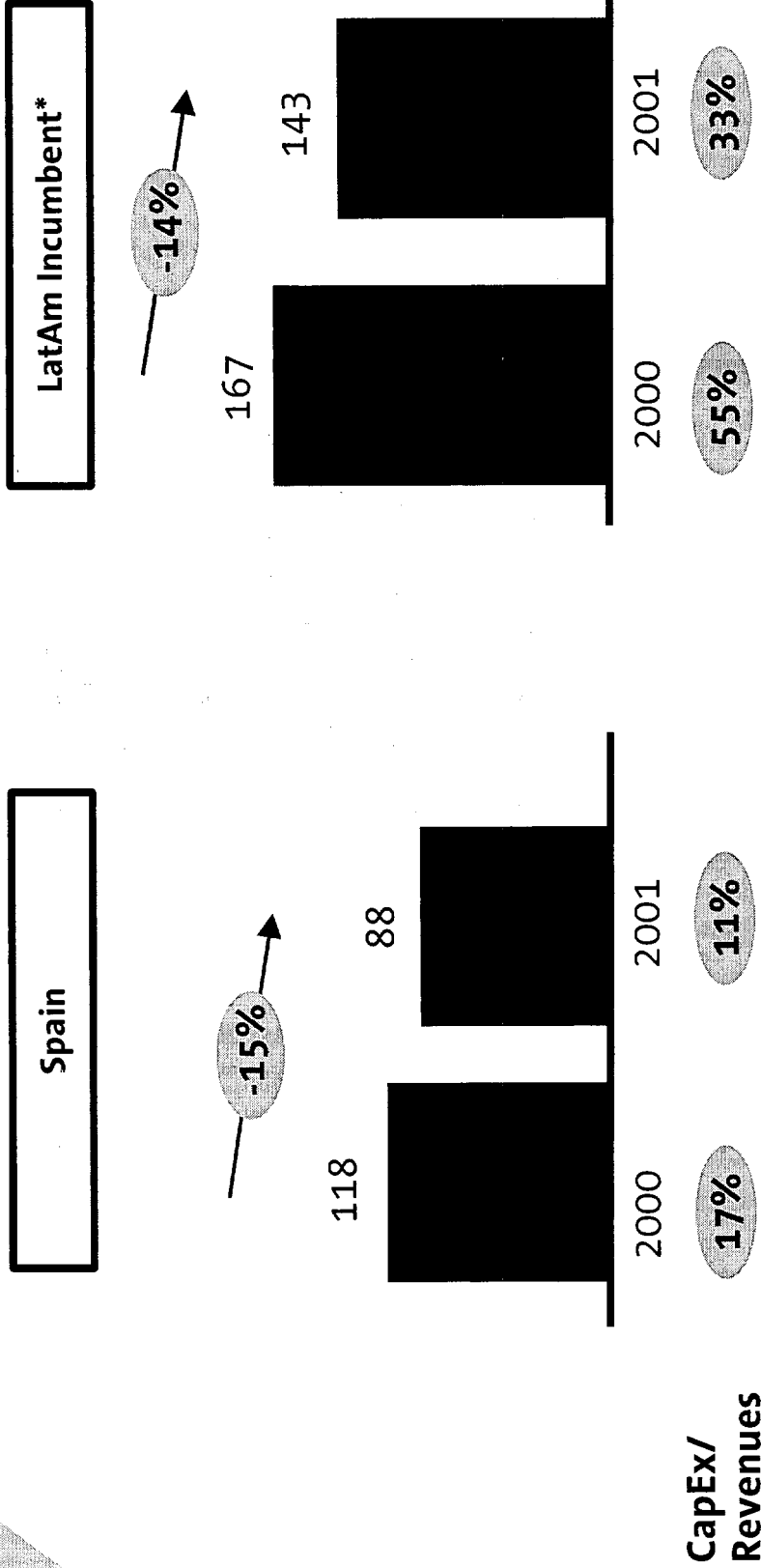
€ Millions



- Flat EBITDA in Spain due to pricing pressure and launch of new businesses (hosting/ASP)
- Expansion of EBITDA margins in Latin America
- Significant wholesale revenues generated to Telefónica's fixed line operators (2nd largest wholesale client)

Capex adjustments in incumbent markets

€ Millions



Significant CAPEX rationalization under way

Strategic objectives in Brazil

Competitive platform

- 30% market share:
 - Retail revenues coming from data products
 - Top corporations
- Complete portfolio of services
- Broad commercial capillarity

In Sao Paulo

Strategic objective

- Achieve leadership in all corporate segments
- About 45% market share by 2005

- National license since March 2002
- ITAU national infrastructures and business
- 1 PoP deployed in Rio and 7 additional PoPs in installation phase in 7 other cities

Out of Sao Paulo

- Serve the global needs of Sao Paulo corporations and capture additional business on SMEs
- About 25% market share by 2005

2001-2005 financial projections in incumbent markets

	Spain	LatAm Incumbent
Revenues	9-13% CAGR	15-19% CAGR
EBITDA	10-14% CAGR	35-40% CAGR
EBITDA Margin	18-22% by 2005	11-15% by 2005

Strategic priorities

- Reinforce leadership in all incumbent markets
- Increase loyalty and revenues per client through :
 - Integrated advanced solutions leveraging broadband access (eBA)
 - Specialized sales force by industry
- Reduce operating expenses and CapEx to improve ROIC
- Leverage incumbent wireline operator network and commercial activity

Our strategic priorities moving forward

1 Strengthen leadership in incumbent markets by increasing share of wallet

2 Complete expansion to main Latin-American markets

3 Make profitable the European expansion ventures

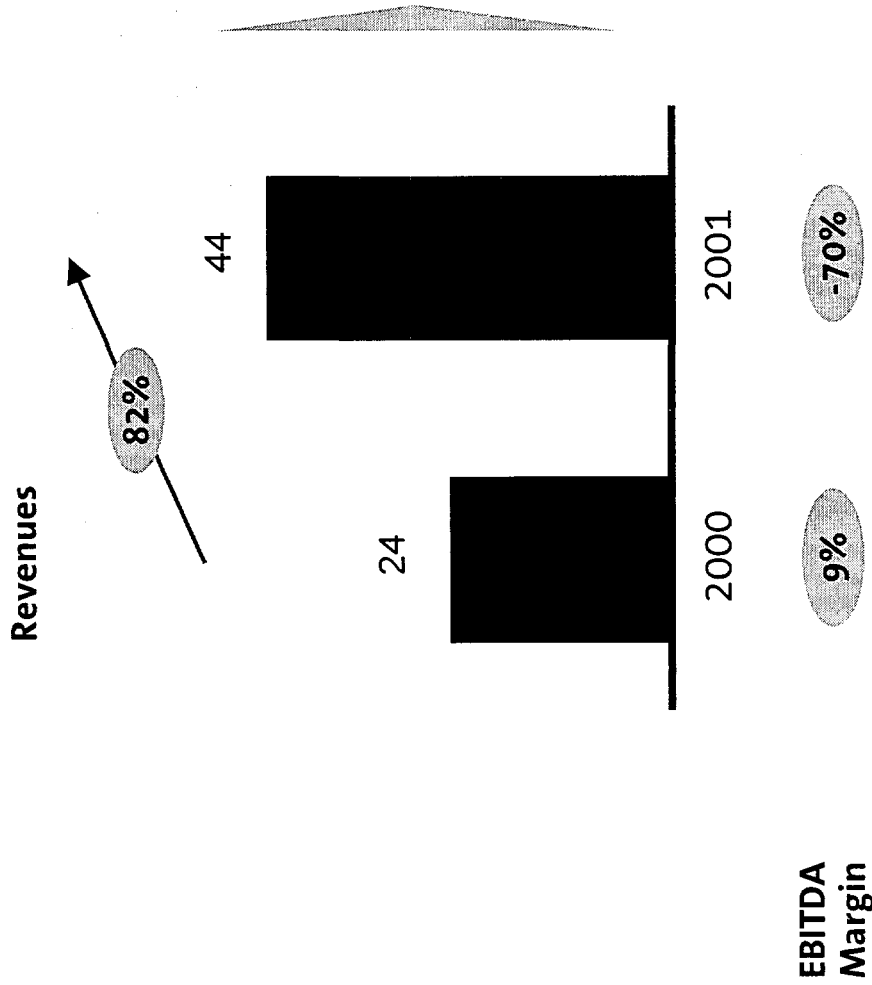
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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Pro forma results in Latam new entrant markets*

€ Millions



- Strong revenue growth
- Negative impact on EBITDA of launch of new ventures
 - Mexico
 - USA
- Slump of Colombia's overall profitability

* Colombia, Mexico, Uruguay and USA

Complete expansion to main Latin-American markets to consolidate regional player role

Competitive platform

Strategic objective

US based operations

- Mission critical data center in Miami interconnected to Telefonía's Latin-America operations over the Telefonía's international backbone
- Interconnection agreements in the US

Mexico

- Network upgrade to multi-service level and IP protocol
- Value Added Services over IP
- Initial portfolio of large customers of T-Data

Capture Latin-American multinational business of US corporations

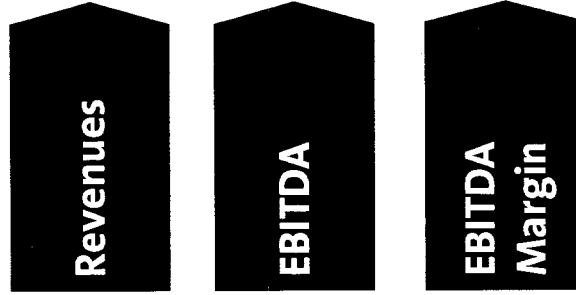
- Target large corporations requiring integrated advanced telecom solutions in diverse Latin American countries
- Provide remote hosting services for Latin American companies

Capture large accounts and strongly reduce interconnection costs to achieve positive returns

- VPN solutions to outsource the private networks of large corporations
- Leverage business opportunities with/from other Telefonía Companies
- International traffic to US and Miami remote hosting

Financial projections: Latam new entrant markets*

2001- 2005 projections



50-60% CAGR

Break even by 2003

12-16% by 2005

Strategic priorities

- Complete regional footprint
- Compete aggressively in selected markets
- Expand aggressively in value added services (especially hosting)

Our strategic priorities moving forward

1 Strengthen leadership in incumbent markets by increasing share of wallet

2 Complete expansion to main Latin-American markets

3 Make profitable the European expansion ventures

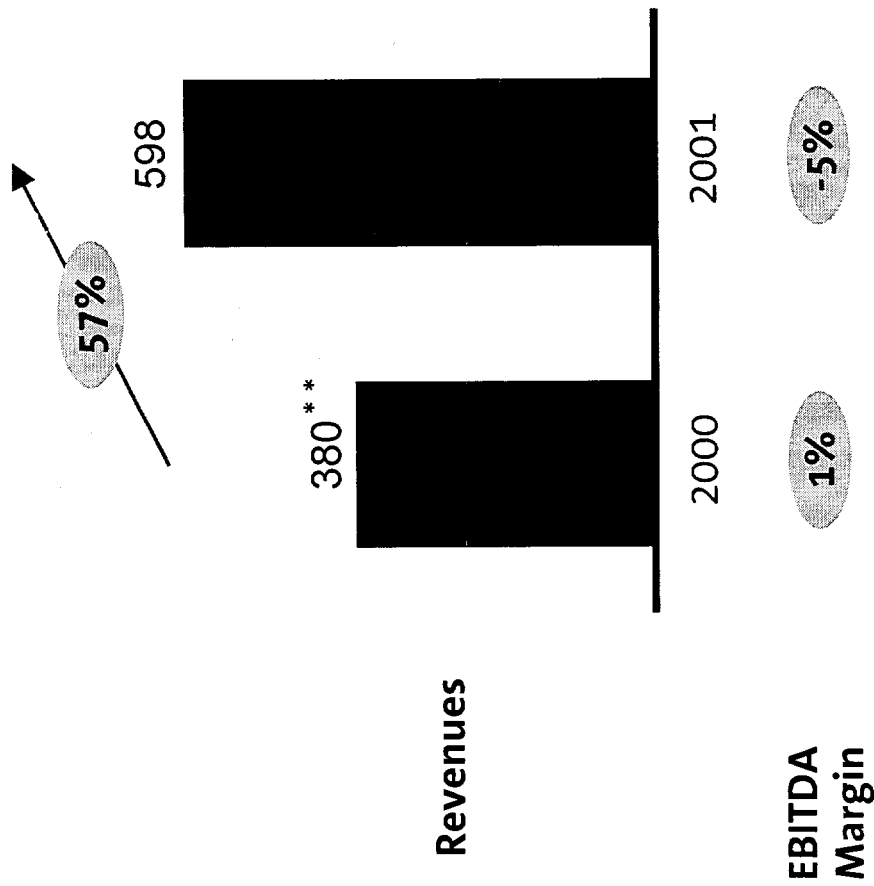
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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Pro forma results in Europe's new entrant markets*

€ Millions



- Strong revenue growth
- Negative impact on EBITDA due to launch of Italian operations

* Germany, Italy, UK and Austria
 ** Includes € 318 M from Mediaways 2000 pro forma

Priorities for Germany, our major new entrant initiative in Europe

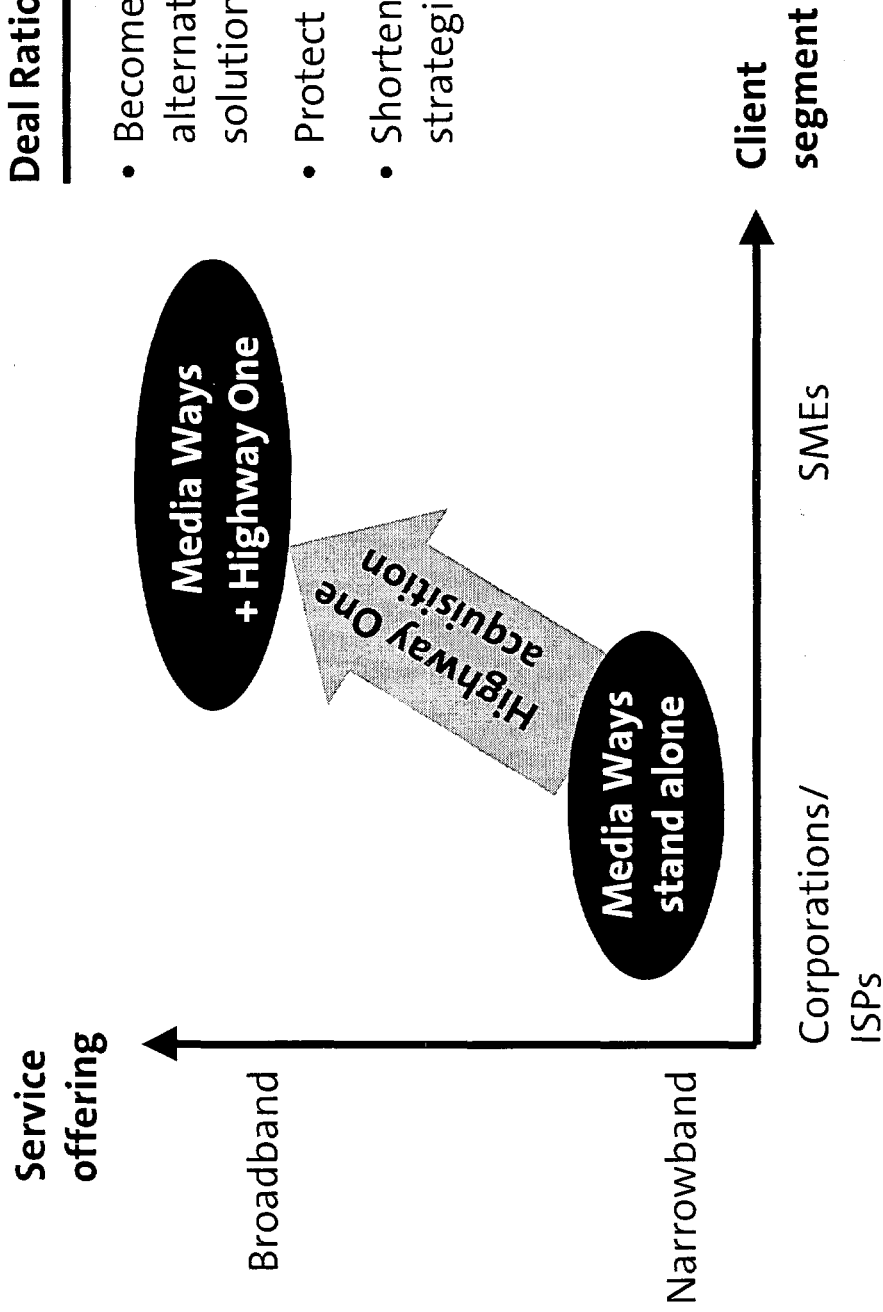
- **IP infrastructure providing broad coverage and latest value added services for a small investment**
 - 2nd Nationwide IP Network
 - No fiber hauls owned
 - 270 Pops (planning to go up to 475) ensuring most favorable interconnection rates
 - ~250,000 ports
- **One-stop solutions for ISPs**
- **Complete portfolio of corporate services**

By end 2001, 2nd largest narrow-band access provider and carrier of switched online minutes (35% market share) ...
...but requiring to achieve broadband capabilities to sustain its competitiveness in the near future

Achieved broadband capabilities through HighwayOne acquisition

Deal Rationale

- Become most attractive alternative to DT for broadband solutions to corporate segments
- Protect Internet traffic business
- Shorten time to market in strategic service



Financial projections: Europe new entrant markets*

2001- 2005 projections

Revenues

25-30% CAGR

EBITDA

Break even by 2003

**EBITDA
Margin**

11-15 % by 2005

Strategic priorities

- Selectively attack customer segments and geographies using cost competitive IP infrastructure
 - Concentrate on profitable bundling of voice and data products
 - Focus on SMEs and ISP
 - Capture corporations as second growth lever (IP-VPNs)
 - Leverage indirect channels
 - Selectively deploy/acquire infrastructure
- Capture significant market share in each country to achieve positive returns

Our strategic priorities moving forward

1 Strengthen leadership in incumbent markets by increasing share of wallet

2 Complete expansion to main Latin-American markets

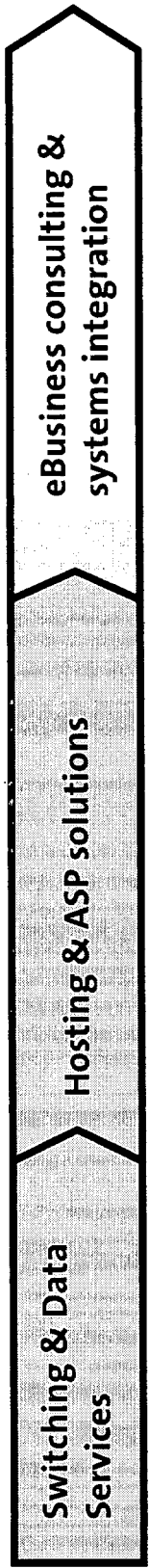
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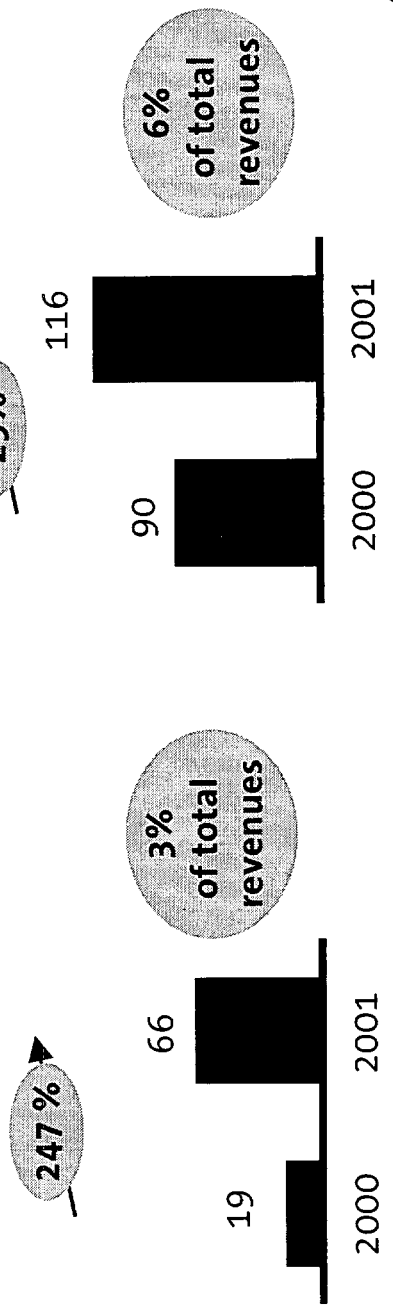
Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Significant progress to date has been achieved



- Status**
- 10 data centers and 16 collocation sites interconnected by Telefónica backbone
 - Complete service portfolio
 - Blue chip customer base
 - Outsourcing and consulting services in several countries
 - Leverage internal resources from Telefónica Sistemas

Revenues



Increasing presence in high value added services (9% of total 2001 revenues)

Competitive hosting – ASP offering

Partnership agreements

- Service Providers
 - Akamai
 - Globix
 - Verisign
- Systems integrators
 - Accenture
- Technology providers
 - Cisco Systems
 - HP
 - Microsoft
 - Oracle
 - Sun

Deployed services

- Housing
- Storage
- Shared hosting
- Dedicated hosting
- Remote hosting
- Digital certificates
- Content streaming
- Content delivery
- Managed services
- Application services platforms

Main reference clients

- Addeco
- Ahold
- AOL
- Banco Popular
- Barclays Bank
- BBVA
- Bradesco
- Canon
- Compuserve
- Der Spiegel
- Eli Lilly
- Eroski
- Fiat
- Iberia
- Pixelpark
- PriceWaterHouse
- Coopers
- Mc Donald's
- RTVE
- RTL
- RBA Ediciones
- Scopus
- UPS
- Varig
- Versum
- Visanet
- Admira
- Atento
- Telefónica
- Katalyx
- Terra-Lycos
- T Móviles

Systems integration capabilities



Telecom and hosting components become increasingly important as corporations externalize their IT solutions

Deployed services

- Telecom-IT networks
- Outsourcing
- Call centers
- Internet applications design and development
- Intranets/extranets
- Application services hosting and management
- CRM
- ePayments
- E-Procurement
- E-Learning
- Security and certification

Integrated solutions

Main Reference Clients

- Adquiria
- Aena
- Banco Popular
- BBVA
- CaixaCataluña
- Cruzcampo
- Falabella
- Fiat
- Iberia
- Itaú
- Renault
- Spanish Defense Ministry
- SCH
- Terra
- Visanet

Telefonica

Data

Providing integrated solutions across the entire value chain to increase share of wallet



- Boost high-capability broadband communications and usage of Data Centers
- Develop high value added services
- Reassure reliable solutions and high quality management
- Industry specific solutions

Development of complete, customized, “end-to-end”, industry-specific solutions for corporations

- To help customer increase efficiency in their own businesses
- To capture larger part of corporate communication expenditures

Financial projections: value added services

**Revenues
CAGR 2001-
2005**

**Share of
total 2005
Revenues**

Hosting/ASP

70 - 80 %

13 - 17%

Solutions

20 - 25 %

6 - 10%

**Strategic
priorities**

- Consolidate value added services product offering to increase loyalty of our customers
- Ensure quick adoption of value added services by clients
- Optimize infrastructure utilization

- Increase sector/vertical market focus
- Become the “one stop shopping” solution for our customers to deal with the IT and Telecommunication convergence

Our strategic priorities moving forward

1 Strengthen leadership in incumbent markets by increasing share of wallet

2 Complete expansion to main Latin-American markets

3 Make profitable the European expansion ventures

4 Ascend in the value chain into higher margin and stronger loyalty impact services

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Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Strategic priorities and progress to date in global customers and international services

Objectives
2005

Commercial Focus Progress to date

Global customers

- Provide first class service to multinational accounts requiring integrated management of their diverse local and international solutions

- Global Account Teams ensure one stop shopping for large multinationals across all geographies
- Active accounts generate annual revenues close to 470M Euros

Reach a portfolio of 120-150 global accounts generating annual revenues of € 650 to 700 M

International services

- Develop international services

- Channel management model with representatives at each local Business Unit
- Centralized product development and presale/post-sale engineers unit
- 300 customers generating about 35M Euros

23 - 27% expected CAGR on revenues over international services to 2005

Content

- 2001 Commitment's in a challenging environment
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- Achievements to date and strategic priorities looking forward
- **Summary of commitments moving forward**

Summary of our financial projections

2001 Results	00-01 Change	2001-2005 growth projections
-----------------	-----------------	---------------------------------

Revenues	1850	28%	18-22% CAGR
EBITDA	24	- 69%	over 90% CAGR
EBITDA Margin	1%	- 6 p.p.	13-17% by 2005
CapEx	€ 427 M	- 7 %	€ 300-350 M*

* Annual average

Note: Financial highlights presented for the four geographies don't add-up to the financials presented for the Telefonica Data line of business due to operating costs of the corporate center and adjustments & inter-company operations

Our levers to accomplish these objectives

- Focus on specific market segments
- Improve quality of revenues by offering higher margin value added solutions
- Capitalize on our distinctive regional positioning to multinationals in Spain and LatAm
- Increase operating efficiency
- Reduce learning curve experience by efficiently transferring know-how across borders
- Benefit from Telefonica Group's financial strength

Telefónica Data

**Creating value for our
Corporate Customers**

Telefonica

Data

Item 5



Second Investor Conference

March, 2002, Seville

Telefónica

Eduardo Caride

Executive Chairman of Telefónica International Wholesale Services

Telefónica International Wholesale Services

**Generating value by leveraging Telefónica
Group's international assets and strengths**

Safe harbour

This presentation 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 activities 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 and investors 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 and investors 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.

Content

- **A new initiative**
- Context and market approach
- Emergia results during 2001
- Financial commitments and summary

Telefónica International Wholesale Services

**Become one of
the world
leaders in the
telecom
wholesale
business,
particularly
Spanish &
Portuguese
speaking
countries**

- Will manage all international voice, data, and capacity services and the networks that support them
- A new initiative to compete actively in the carriers' carrier market
- Manages every element of the business: commercial, network, legal & regulatory, finance, and administrative
- Concentrates Telefónica's international resources of Spain, Argentina, Brazil, Chile, Perú, Central America and USA
- Handles internationally 7.8bn minutes of voice, 25 Gbps of IP traffic and 35 Gbps of capacity
- A "virtual" business unit, not a legal entity

Telefónica

Global objective translated into management priorities for 2002

2002 priorities

- Increase the business volume with carriers
 - broader set of products and services
 - wider geographical coverage
- Improve return on assets
 - operative efficiency
 - rationalize overlapped or obsolete
- Reduce cash out
 - minimize capex
 - increase interchange of products



€ 40MM



€ 20MM



€ 40MM

Content

- A new initiative
- **Context and market approach**
- Emergia results during 2001
- Financial commitments and summary

2001 has been a tough year for the telecom sector, especially for the data transmission business

Short term prices plunge...	...but growth continuous due to broadband and IP	...and the situation varies across geographies
<ul style="list-style-type: none"> • Lower growth: <ul style="list-style-type: none"> - Steep decline in demand from NEPs - Telecom expending decline and cutback from corporations due to economic slowdown • Distressed global carriers cut-off from financing • Desperation for cash 	<ul style="list-style-type: none"> • Definitive take-off of residential and SMEs BB demand (xDSL) • Growing IP services demand: VPN-IP, VoIP • Reassurance of hosting/ASP services long-term growth potential 	<ul style="list-style-type: none"> • Demand/supply balance • City-to-city connectivity

- Capacity can be differentiated, especially on service quality
- Need to focus on operating efficiency and asset management
- Financial stability becomes an important commercial asset

Telefónica Wholesale is based on Telefónica's strengths

- **Leading operator in Spain and Latin America**
- **Existing customers base (more than 78 millions) generating large amounts of international traffic (voice and IP) from countries where Telefónica is present**
- **Telefónica's financial strength**
- **Emergia:**
 - Leading provider in Latam
 - Technologically advanced high-capacity network
 - City-to-city connectivity

..., such as voice volume

WORLD RANKING 2000						
Million of minutes						
Rnk	Rnk	Carrier	2000	1999	Var 00/99	
2000	1999				(%)	
1	2	WorldCom	14,811	9,795	51.2%	
2	1	AT&T	11,204	11,929	-6.1%	
3	3	Sprint	5,368	4,844	10.8%	
4	4	Teleglobe	5,282	4,646	13.7%	
5	7	BT	4,559	4,029	13.2%	
6	6	Deutsche Telekom	4,525	4,385	3.2%	
7	5	France Telecom	4,393	4,390	0.1%	
8	8	Telecom Italia	3,735	3,528	5.9%	
9	10	C&W	3,487	2,529	37.9%	
10	11	Telefónica	3,067	2,354	30.3%	
11	9	Reach	2,732	2,714	0.7%	
12	12	Swisscom	2,050	2,259	-9.3%	
13	13	China Telecom	2,050	1,950	5.1%	
14	14	KPN	1,636	1,625	0.7%	
15	15	Singapore Telecom	1,440	1,350	6.7%	
16	16	Belgacom	1,278	1,288	-0.8%	
17	18	Saudi Telecom	1,195	1,060	12.7%	
18	17	Telmex	1,183	1,063	11.3%	
19	19	Etisalat (EAU)	1,124	963	16.7%	
20	22	Primus	1,083	868	24.8%	

Rank expected in 2002
4,479 MM minutes
+17.0%

Estimated rank 2001
3,828 MM minutes
+24.8%

Source: Telegeography 2002 & TdE

Telefónica

Telefónica International Wholesale Services' market approach

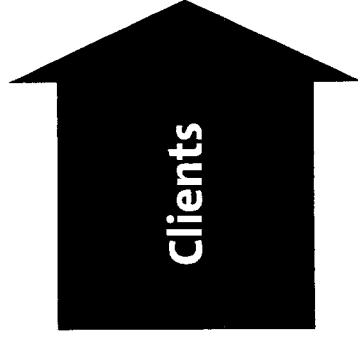
- Voice
- IP/Data
- International capacity



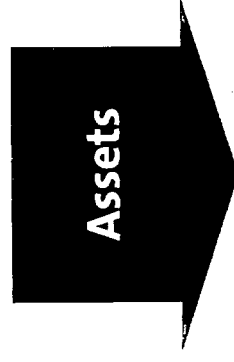
**Telefónica
International
Wholesale
Services**



- Focus on Latam and Spain



- 150 International carriers



- Latinamerican international backbone (Emergia)
- Telefónica Data international service infrastructure
- International wholesale business of Telefónica's wireline operators

Telefónica

Leveraging Telefónica's comprehensive set of products and services, unique in Latam,...

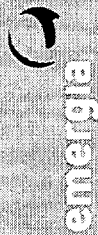
	VOICE	IP / DATA	CAPACITY
Products	<ul style="list-style-type: none"> Termination services Transit services VoIP 	<ul style="list-style-type: none"> IP transit 	<ul style="list-style-type: none"> City-to-City capacity Access network Co-location
2001 Revenues (1)	€501MM	€32 MM	€ 14 MM
2001 Sales	7.8bn minutes	25 Gbps	35 Gbps

Estimated Mkt Shares

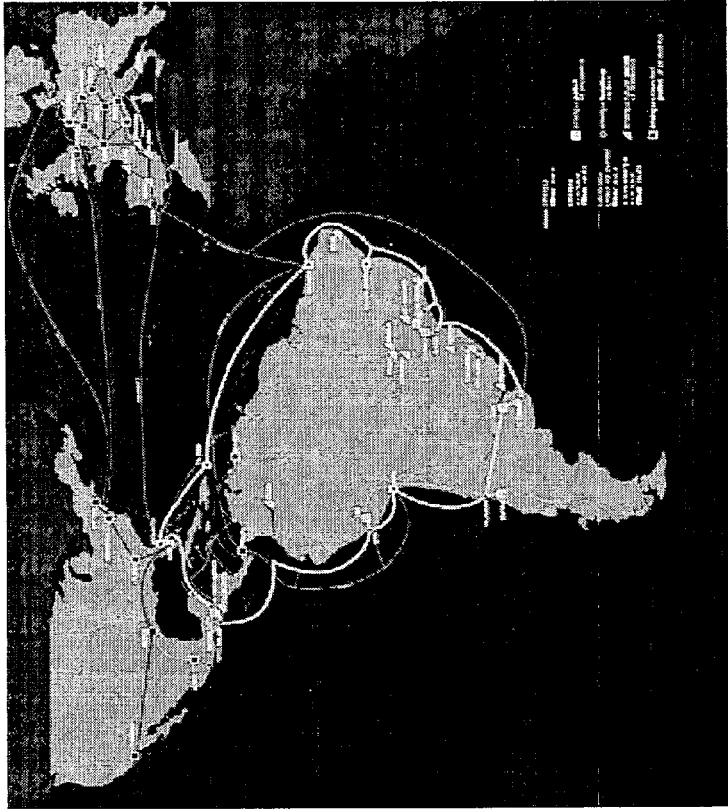
• Europe	4 %	5 %	1 %
• Latam	18 %	14 %	25 %

- All figures are actually included in the Income Statement of every wireline incumbent operator, T-Data, and Emergia

...and its international assets



- Significant client base
- High standard of service recognized by clients and competitors
- Benefits Telefónica Group's companies by providing top quality broadband capacity at highly competitive prices
- Established and recognized brand name



SATELLITE

- Communication centers: 5
- Antennas: 54

NODES

- Voice: 24 (7 VoIP)
- Data: 30
- Capacity: 13

SUBMARINE CABLES

- TEF's countries: 17 cables
- Not TEF's countries: 45 cables
- Energia represents 93% of total cable capacity

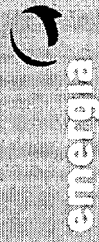
Telefónica

Content

- A new initiative
- Context and market approach
- **Emergia results during 2001**
- Financial commitments and summary

In this context, Emergia has been able to deliver financial results better than expected

2001. Millions of Euros



Million euros	2001	2001/05 CAGR
REVENUES (1)	14	90/100%
EBITDA (1)	- 60	Positive 2004
NET INCOME (1)	- 182	Positive 2005/06
CASH SALES	110	40/50%
OPERATING CASH FLOW	40	70/80%
CAPEX	195	-5/-10%

- Network ready for service on April 1st, 2001
- 100% availability for customers on submarine segments
- 46% of occupancy by third parties
- 13% less Capex

(1) US GAAP

Content

- A new initiative
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- Emergia results during 2001
- **Financial commitments and summary**

Financial commitments

2001 – 2005 CAGR.

Telefónica International Wholesale Services (1)	
REVENUES (2)	9/13%
voice	2/3%
IP/data	18/22%
Emergia	90/100%

(1) All figures are actually included in the Income Statement of every wireline incumbent operator, T-Data, and Emergia

(2) US GAAP

In summary,

We will leverage Telefónica's international assets and strengths to fully capture the potential of the international wholesale business by

- Increasing business with carriers by an integrated management of international wholesale services
- Concentrating the buy-and-sell of capacity, voice and IP
- Minimizing capex and reducing cash out
- Capturing network and commercial synergies of every Telefónica's international wholesale unit
- Taking advantage of Telefónica's strong retail presence in the region

Become one of the world leaders in the telecom wholesale business, particularly Spanish and Portuguese speaking countries

Telefónica



Telefónica International Wholesale Services

Generating value by leveraging Telefónica Group's international assets and strengths

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Telefónica

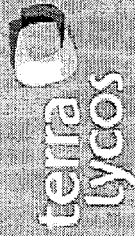
Telefonica

Item 6

Second Investor Conference

March 2002, Sevilla

Telefnica



Joaquim Agut

Executive Chairman of Terra Lycos



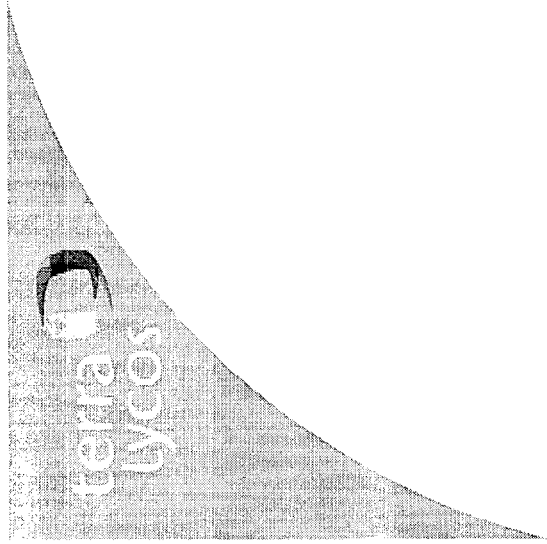
Safe harbour

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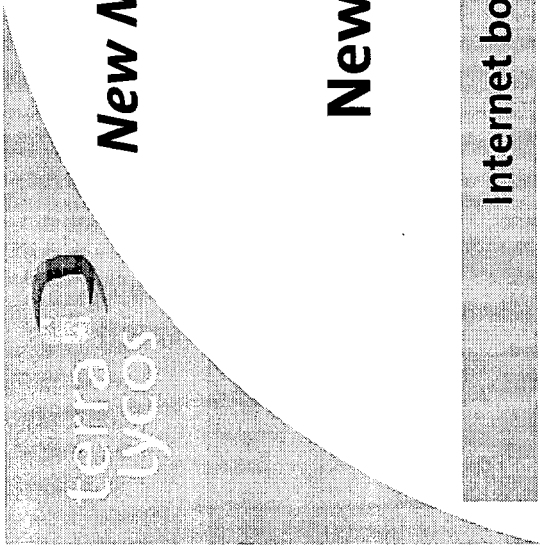
Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

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- **New Market Environment**
- **Business Model and Strategy**
- **Financial Section**



New Market Environment



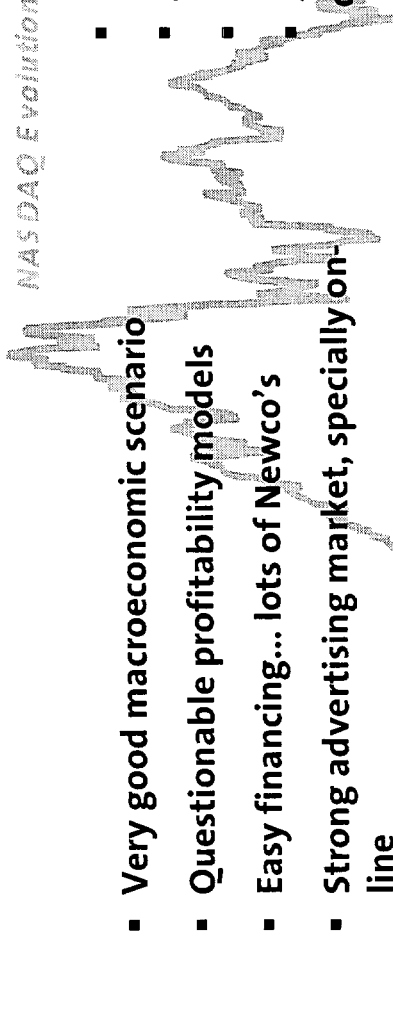
New Market Environment

Market has changed ! New things are happening very fast...

Internet boom

Face reality

NASDAQ Evolution



- Very good macroeconomic scenario
- Questionable profitability models
- Easy financing... lots of Newco's
- Strong advertising market, specially on-line
- Huge e-Commerce growth expectations
- Focus on growth through free services (page views, subscribers, users,...)
- Weak management processes

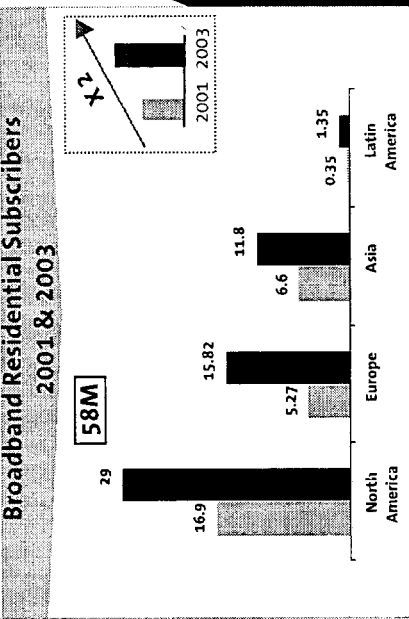
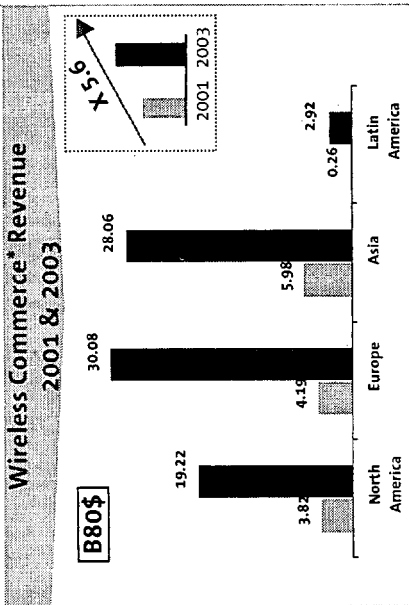
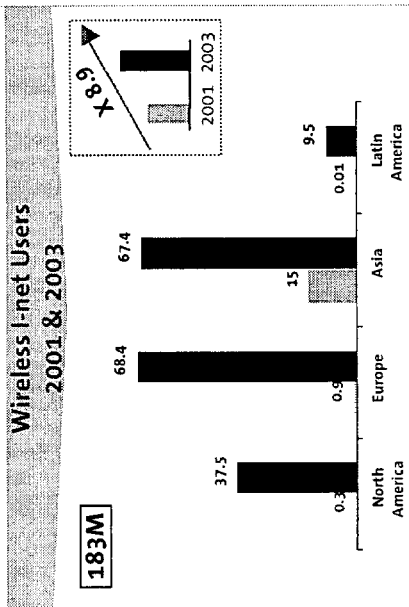
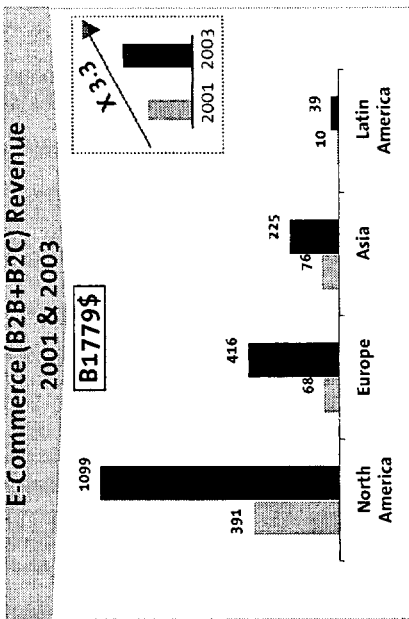
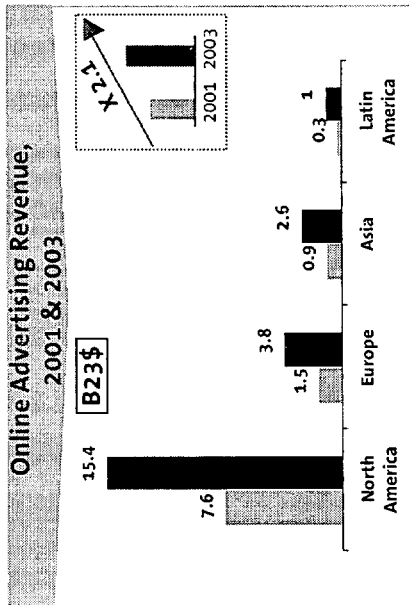
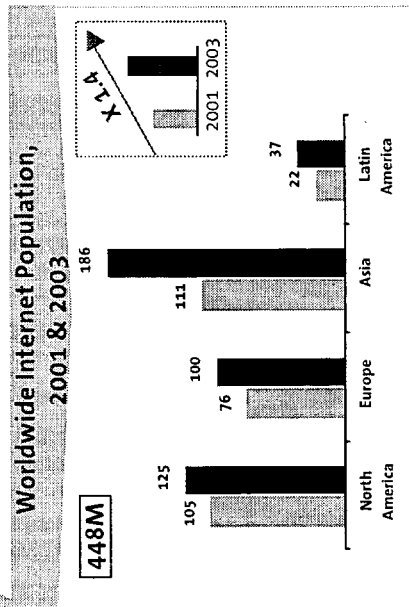
- Difficult macroeconomic scenario
- Migration from free to pay
- Focus on customer needs to drive growth
- Achieve profitability through revenue diversification and cost management... \$ adv. not enough
- Consolidation of "big players"
- M&A: from pure geography expansion to product/technology/market niches
- Solid "old economy" management processes

... a new approach is needed to achieve profitability

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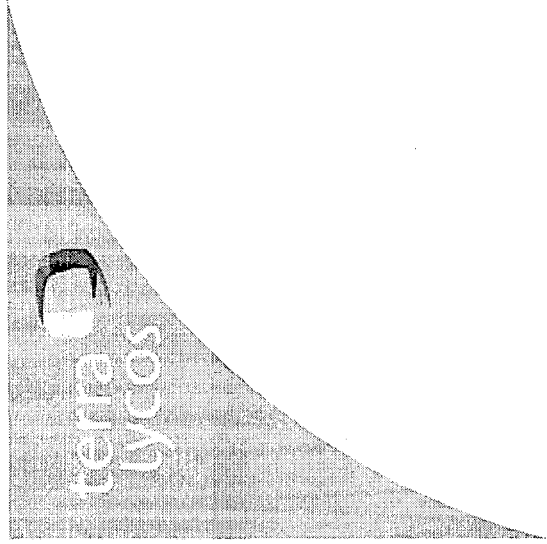
2001-03 Internet market overview

- Internet Population will grow to **448 Million**
- Wireless Internet Population will reach **183 Million**
- Broadband subscribers will reach **58 Million**
- Online Advertising revenue will reach **US\$ 23 Billion**
- Wireless Commerce revenue will reach **US\$ 80 Billion**
- E-commerce revenue will reach **US\$ 1,779 Billion**



Sources: Emarketer, Ovum and analysts estimates

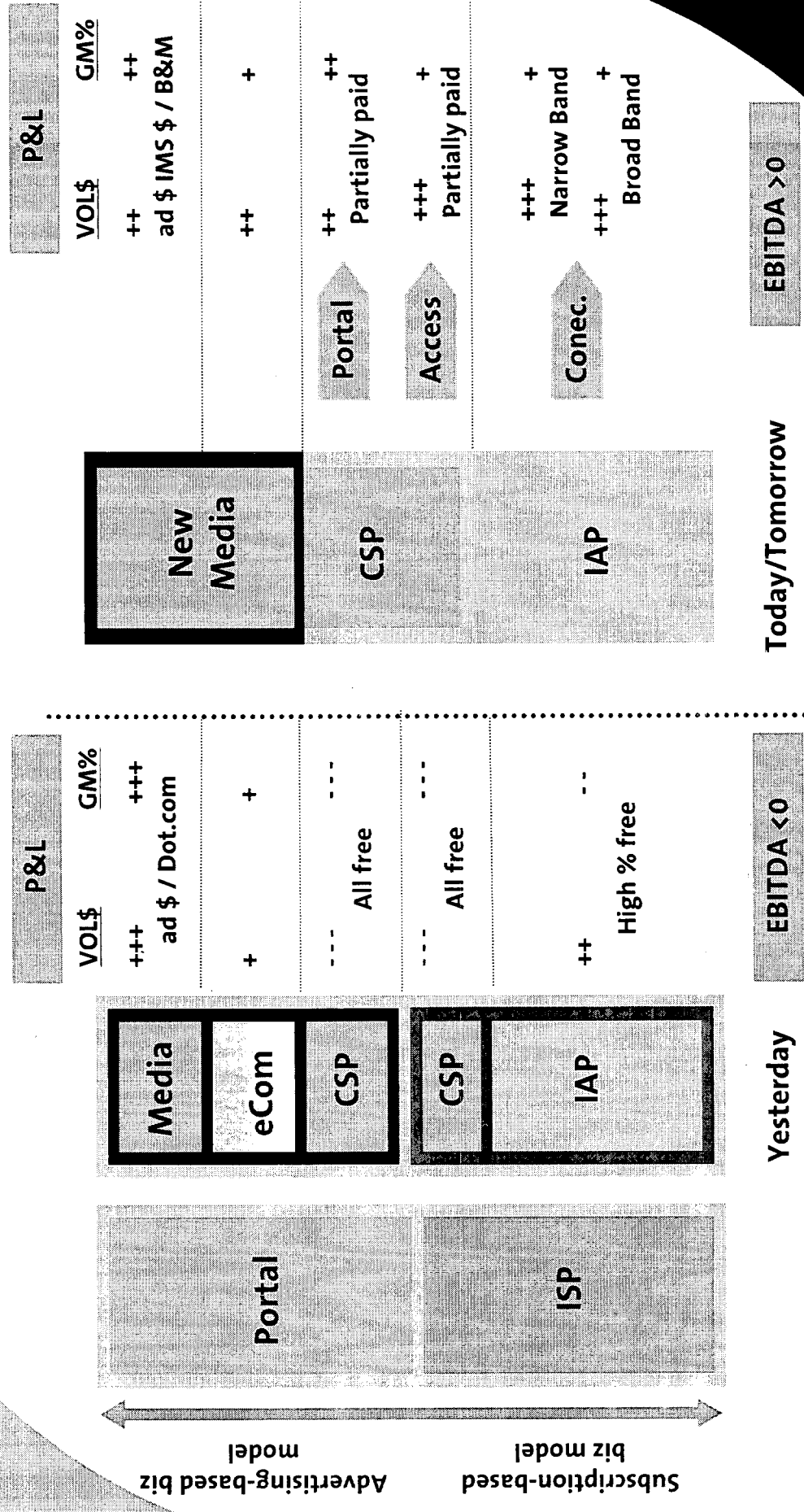
All numbers showing a very attractive market



Business Model and Strategy



Internet evolution: business model enhancement



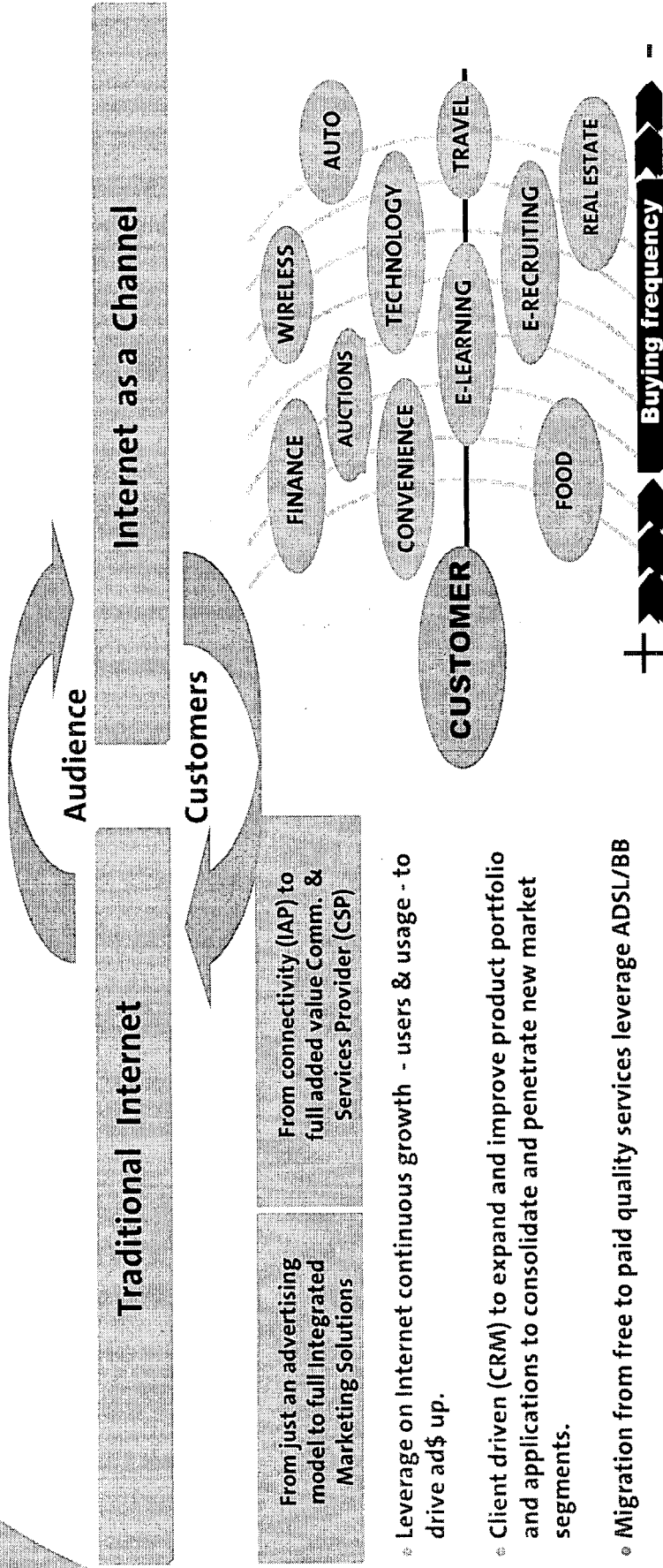
ISP: Internet Service Providers, CSP: Communication Service Providers, IAP: Internet Access Provider

From free to pay: achieving profitability



A new approach was needed: leading to our strategy

Our goal is to combine client success, profitability and growth together with being the most visited internet site in the world



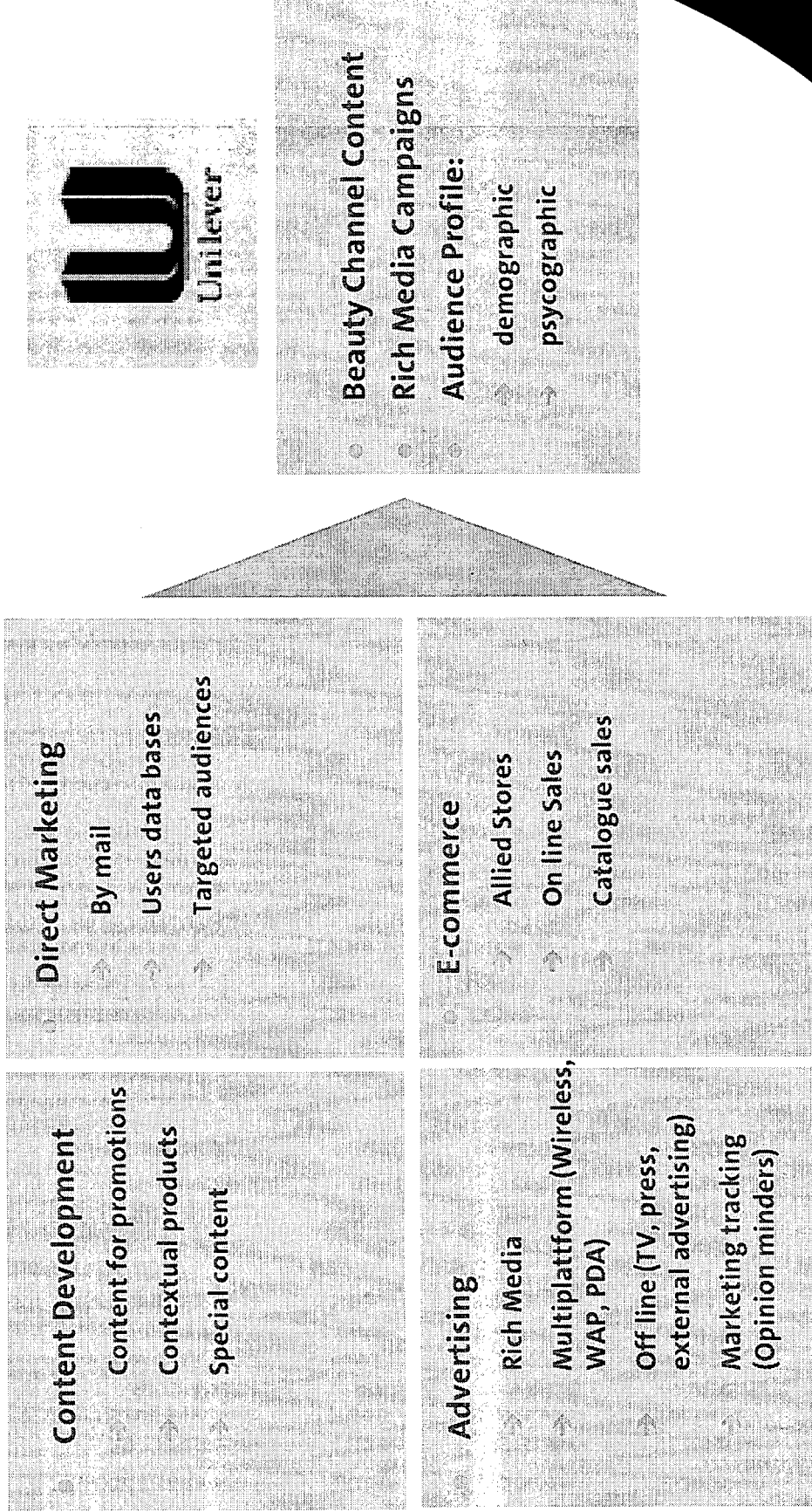
- Leverage on Internet continuous growth - users & usage - to drive ad\$ up.
- Client driven (CRM) to expand and improve product portfolio and applications to consolidate and penetrate new market segments.
- Migration from free to paid quality services leverage ADSL/BB
- Righth global and local balance to achieve efficiency: revenues - costs - profitability

Leverage TL users base and strategic partners know-how and infrastructure

Focus on profitability through quality services

Strategy focused on profitability suiting client needs through services and content monetization

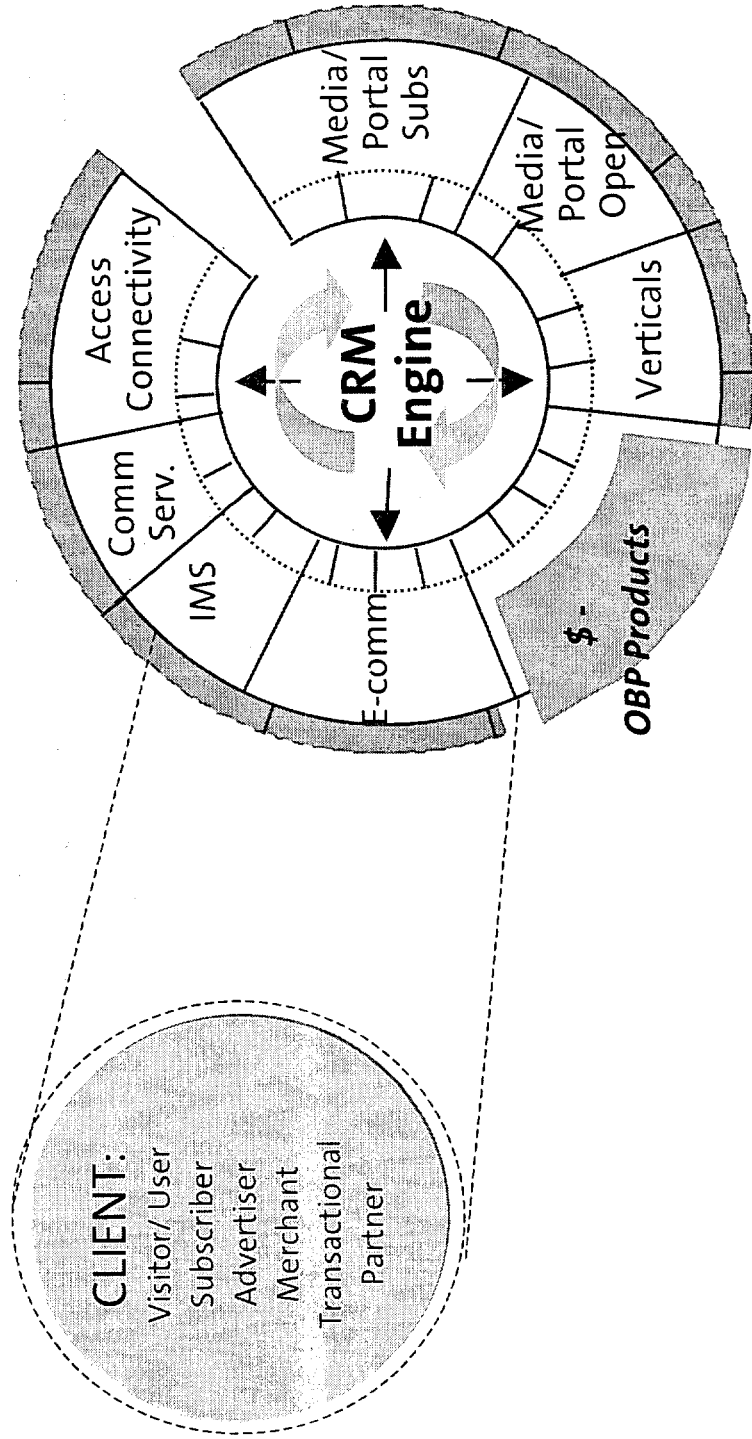
Integrated Marketing Solution (IMS): \$ Advertising market focus



Satisfying clients through a complete and efficient integrated marketing solutions offer

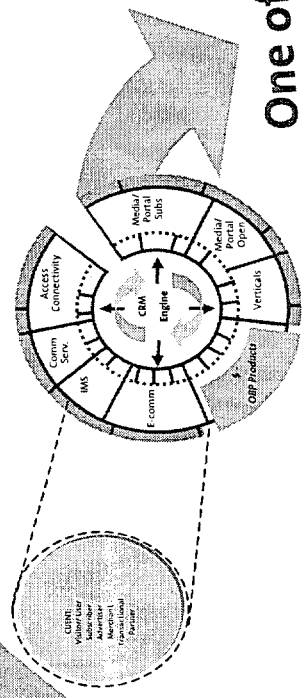
Client driven

- Launching new and redesigned products matching client expectations
- Maximize revenues through OBP Model (products and bundlings)
- Standard process across geographies and Business Units



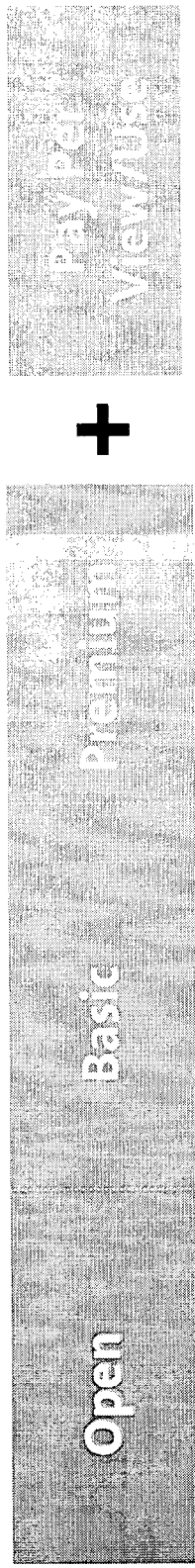
Ongoing CRM process to know client expectations to deliver right product offering

The OBP Model: evolve from free to paid



One offering strategy across

PROFITABILITY



Free Trial

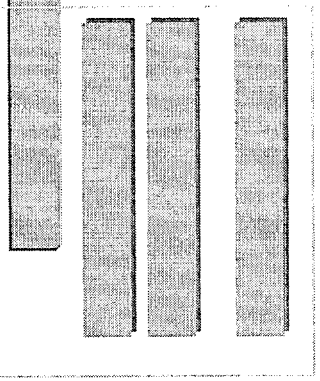
- DESCR. The content/service is open to every single user
- GOAL Facilitate trial to generate traffic and get ad & e-com revenue

Subscription Based

- The content/service is only for TL customers who have signed-up
- Generate a subscription-based business

Subscription Upgrade

- The content/service is only for TL users who have signed-up and pay
- Generate a profitable user relationship (leverage on CRM) and a higher ARPU

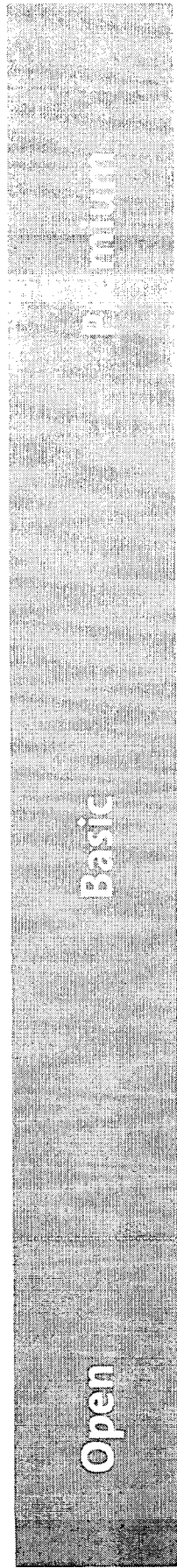


Pay-per-use or Pay-per-view or more subscription or registration across offering

Every service component is designed according to CRM to respond to different levels of service and profitability

An OBP example: ADSL Plus in Spain

One offering strategy across



Free Trial



Subscription-based

€42

CSP

IAP

VIRTUAL DISK

DOMAIN

5 E-MAIL ADDRESSES

10 Mb. PERSONAL PAGES



128 k upstream

256 k downstream

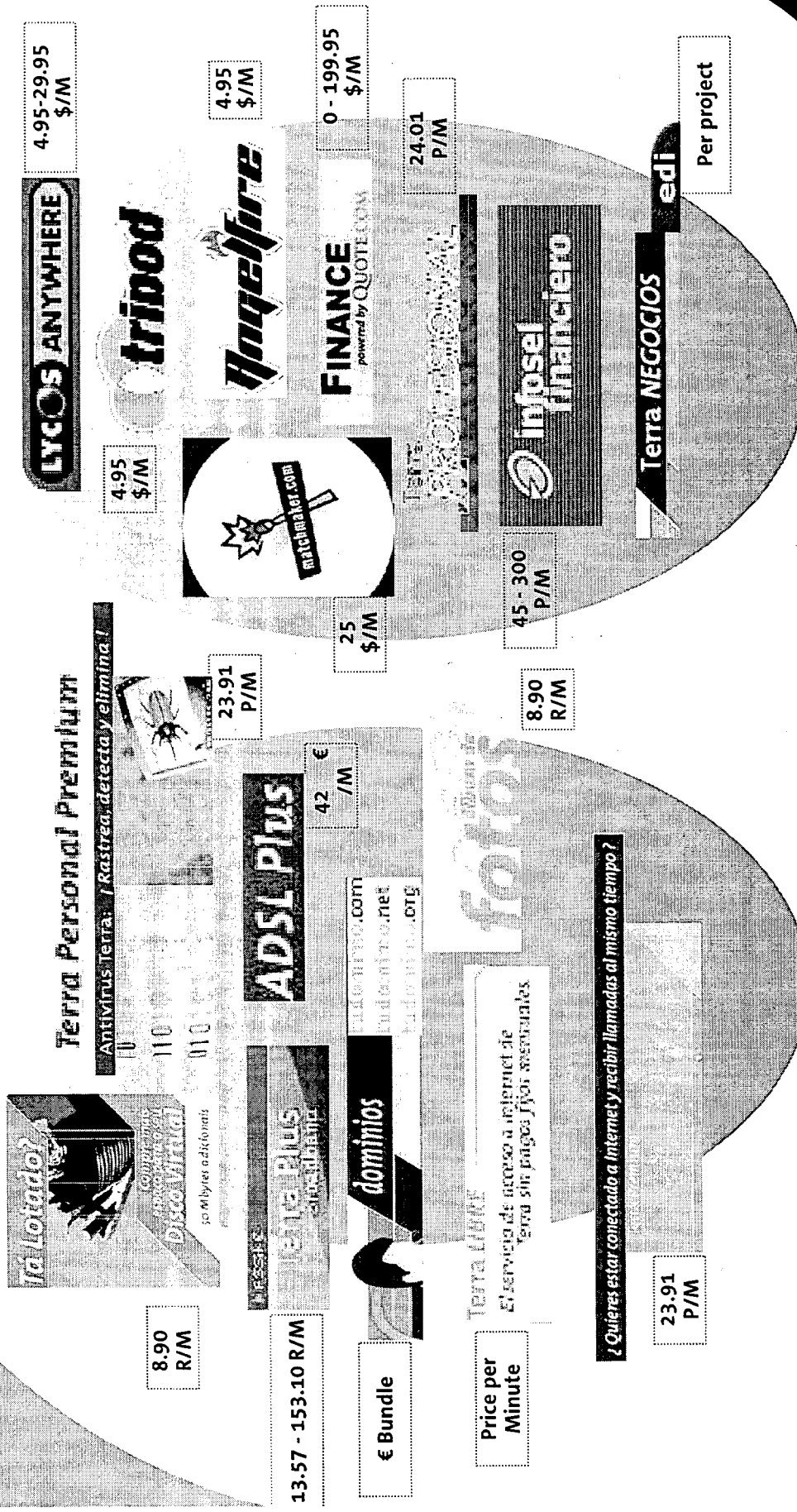
Subscription upgrade

OTHER CSP'S

- Voice over IP
- Videoconferencing
- Dataconferencing
- Voice chat
- Photo album
- Dating
- Financial
- etc...

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OBP products: subscription based examples



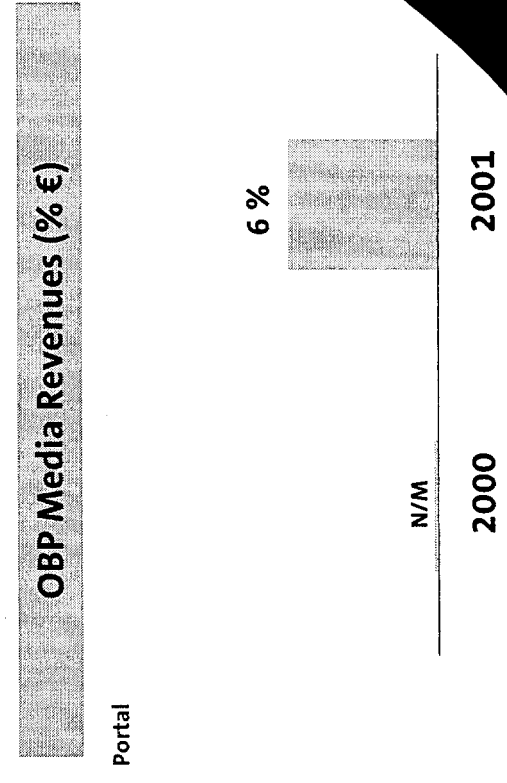
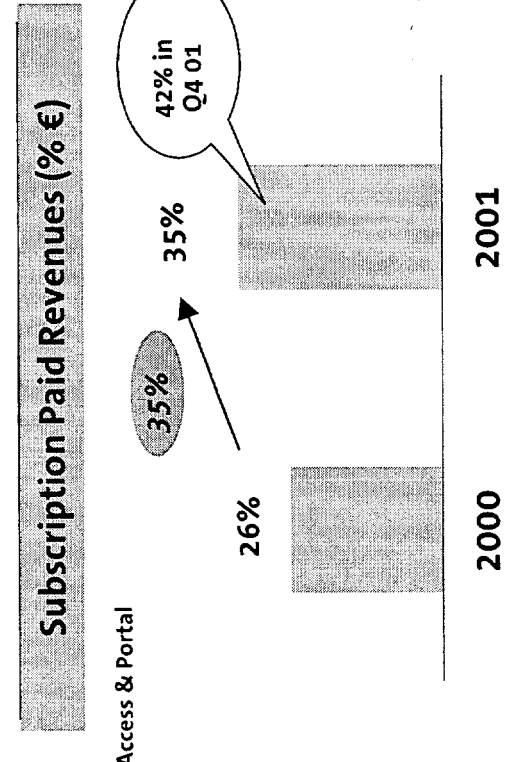
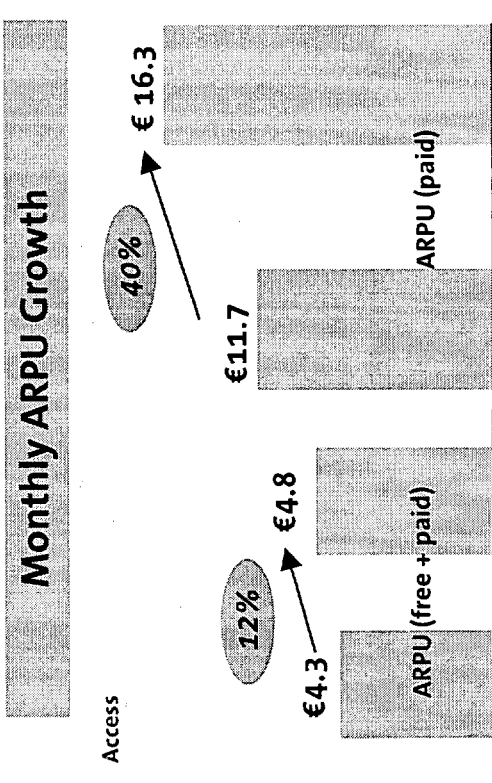
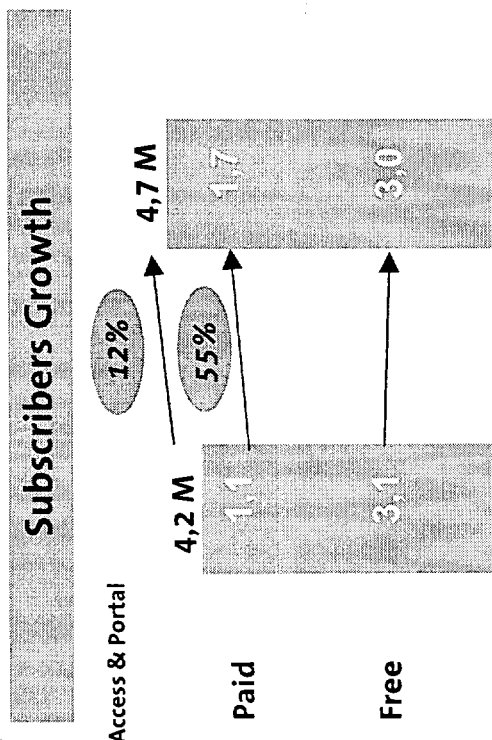
P - Mexican Peso, R - Brazilian Real, € - Spain, \$ - USA

In addition to today's reality, there is a clear and defined product roadmap plan by country (cross selling & globalization)

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The OBP Model: 2001 performance

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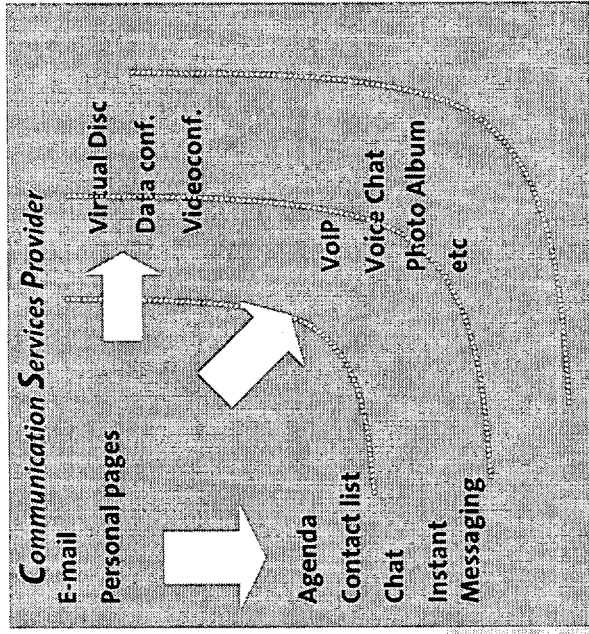
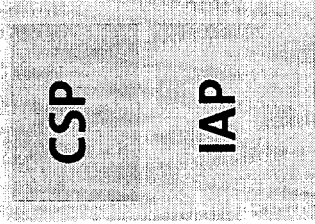


OBP Model started paying off



The OBP Model: 2002 access and services priorities

Components of
ISP offer

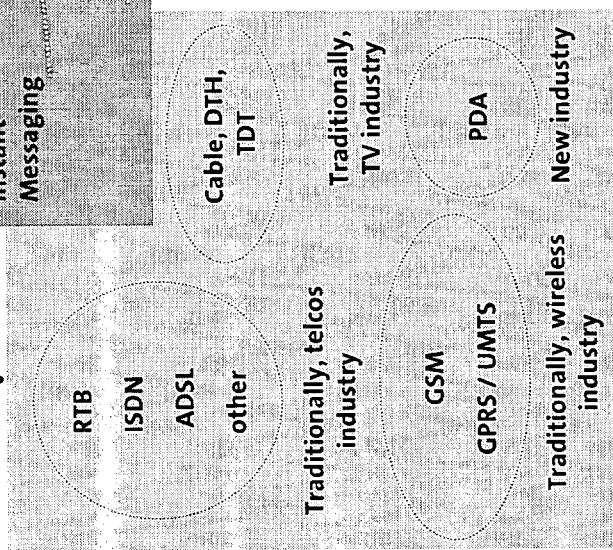


New Access Product Strategy

- Transition from connectivity to “get connected”
- CSP’s recurring revenue growth
- Access connectivity bundling with CSP’s (NB/BB) and Media (BB) to drive monetization \$ up
- Keep improving cost to grow GM %

New Segments and Markets

- SOHO, SME & Corporations
- CSP for U.S. and other non ISP countries

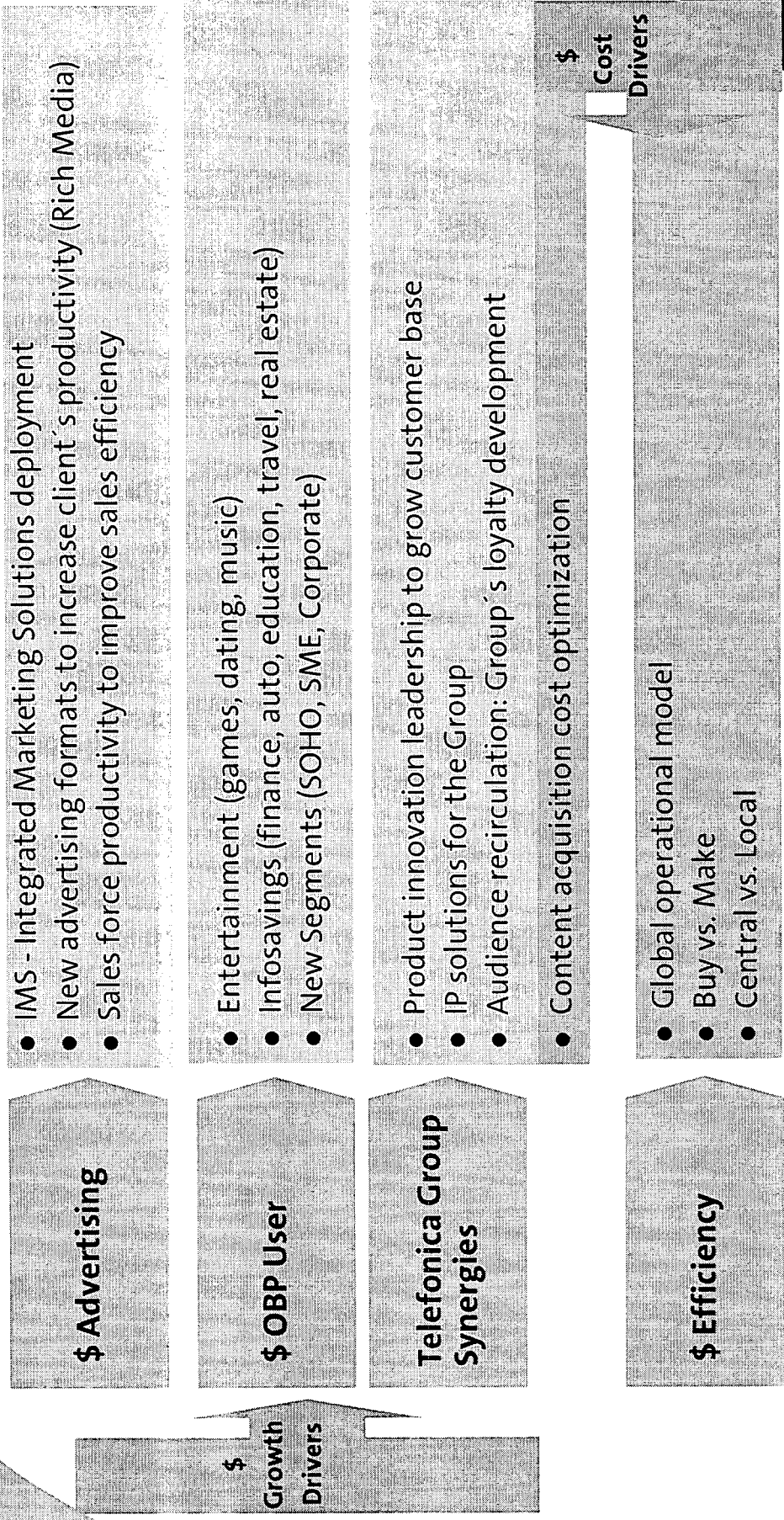


High Innovation & Quality CSP’s to gain, retain and develop clients loyalty





The OBP Model: 2002 media priorities



High Innovation & Quality are the critical differentiating success factors



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Strategic partners and alliances

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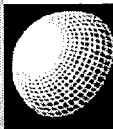
BBVA

Ben ActivMedia

lycos Europe

Singtel

Mirae BI



amadeus

Welcome to
Sumitomo Corporation

Bertelsmann

W
Unilever

WISA

FOX.com

ebay
The World's Online Marketplace

Check M8
Dynamic Web Solutions

NET

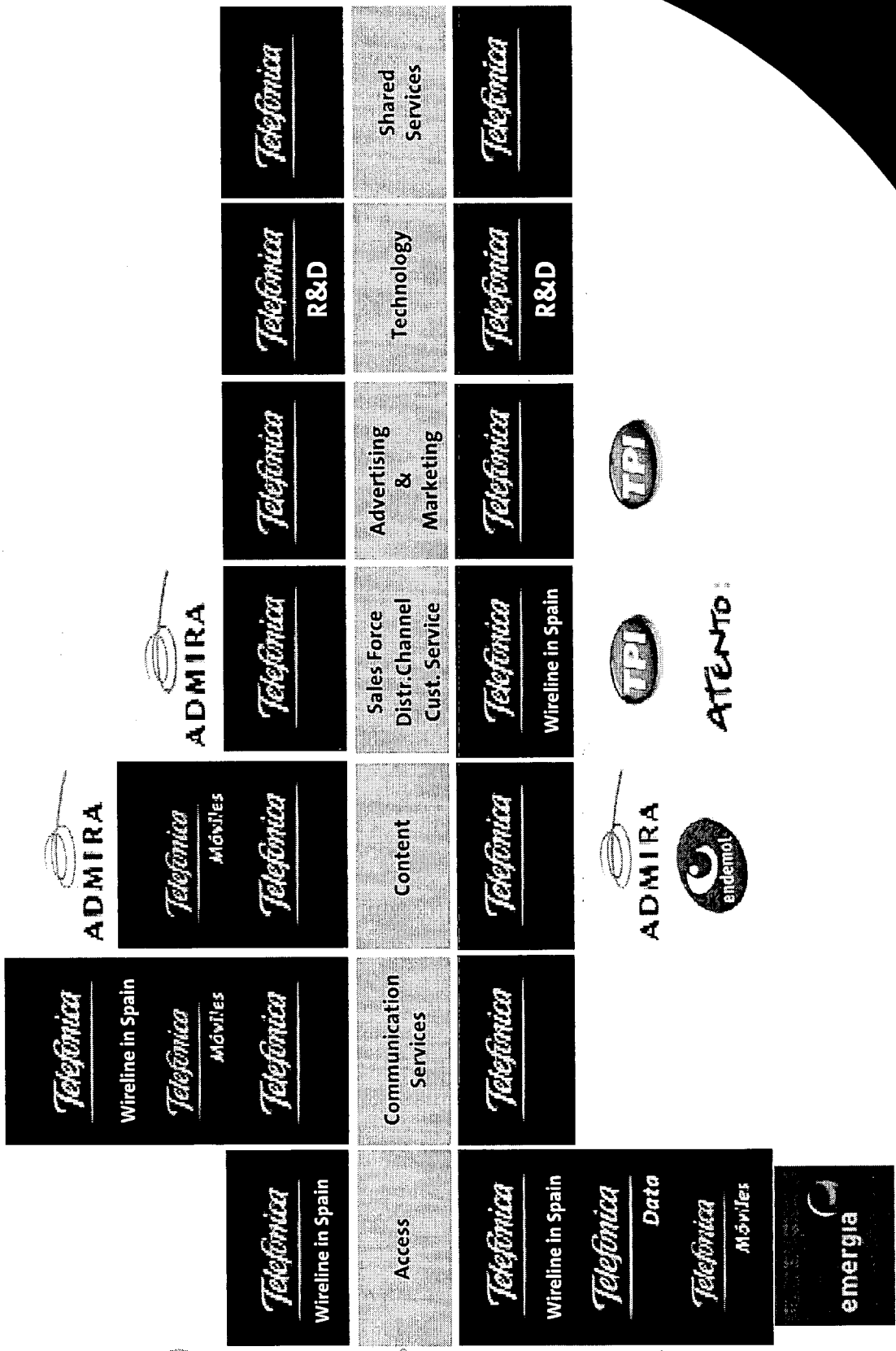
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Strategy empowered through Telefónica Group synergies

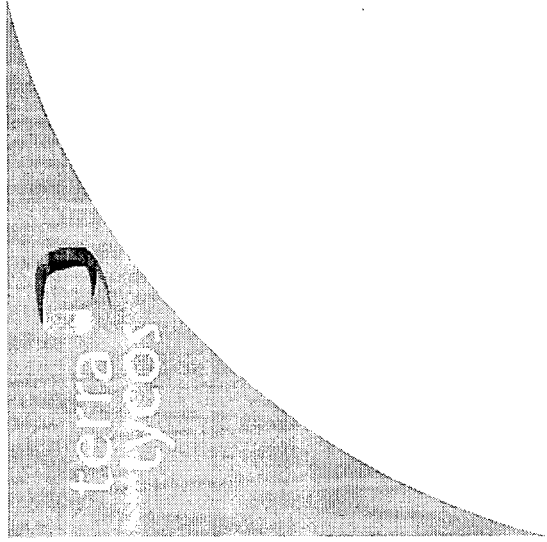
TRLY as
supplier of
the Group

Business
Drivers

TRLY as
client of
the
Group



Group synergies providing outstanding growth and cost efficiency opportunities



Financial Section



Terra Lycos franchise: I.D.

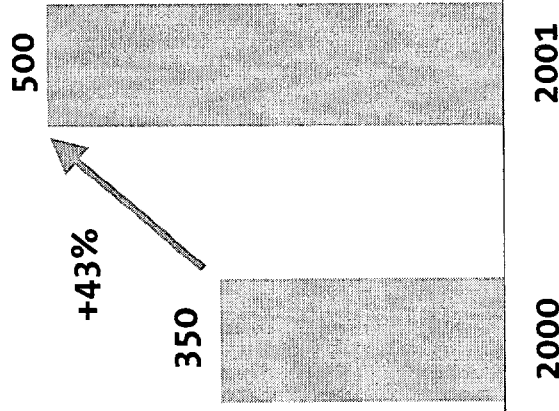


- Leading presence in 43 countries - 20 languages
- € 2.2 billion in cash, no debt
- 4.7 million access & portal subscribers; 1.7 million paid
- More than 111 million unique visitors
- Over 500 million page views per day
- Unique powerful strategic partners

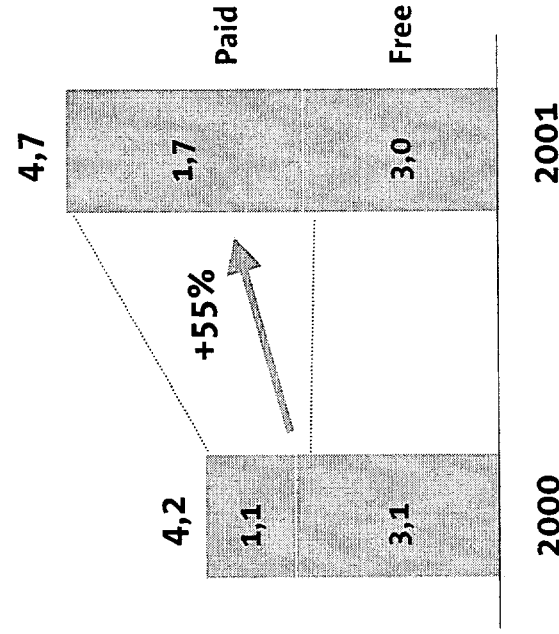
2001
Source: Mediamatrix, Nielsen

**Operational data:
strong performance**

Page Views per day (MM)

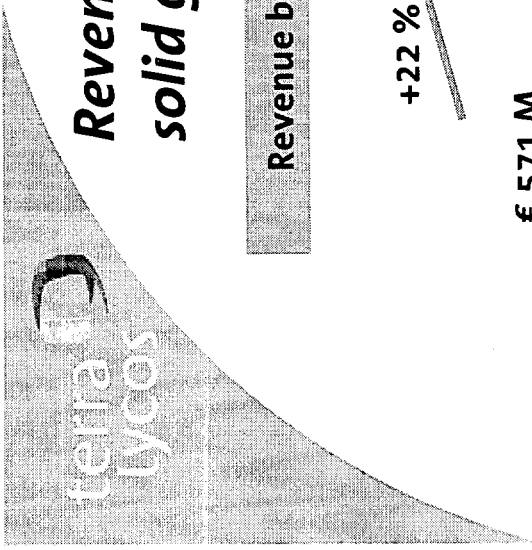


Subscribers (MM)

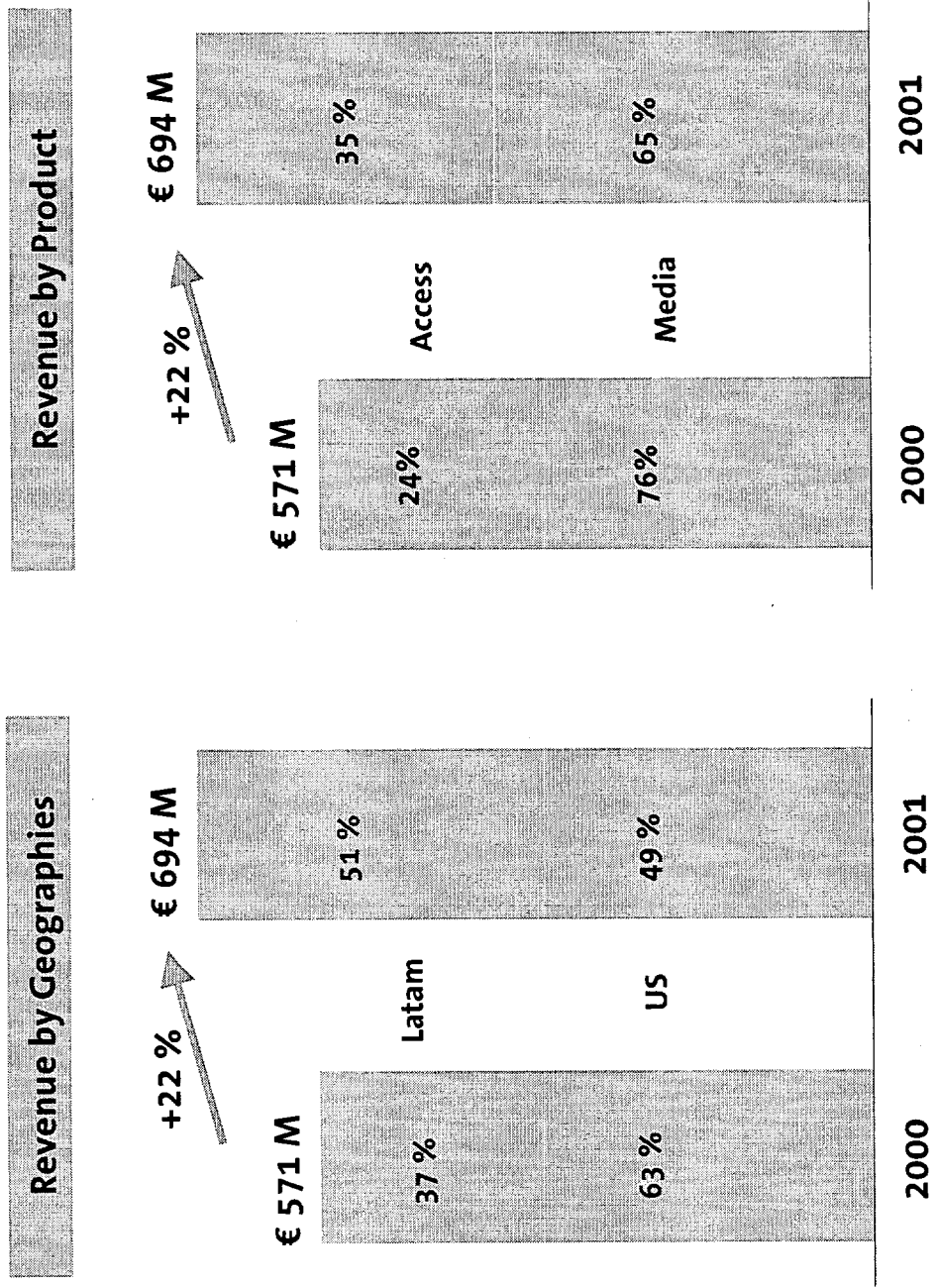


**Powerful inventory to support
advertising growth**

**Growth driven
by paid Access and Portal
subscribers**



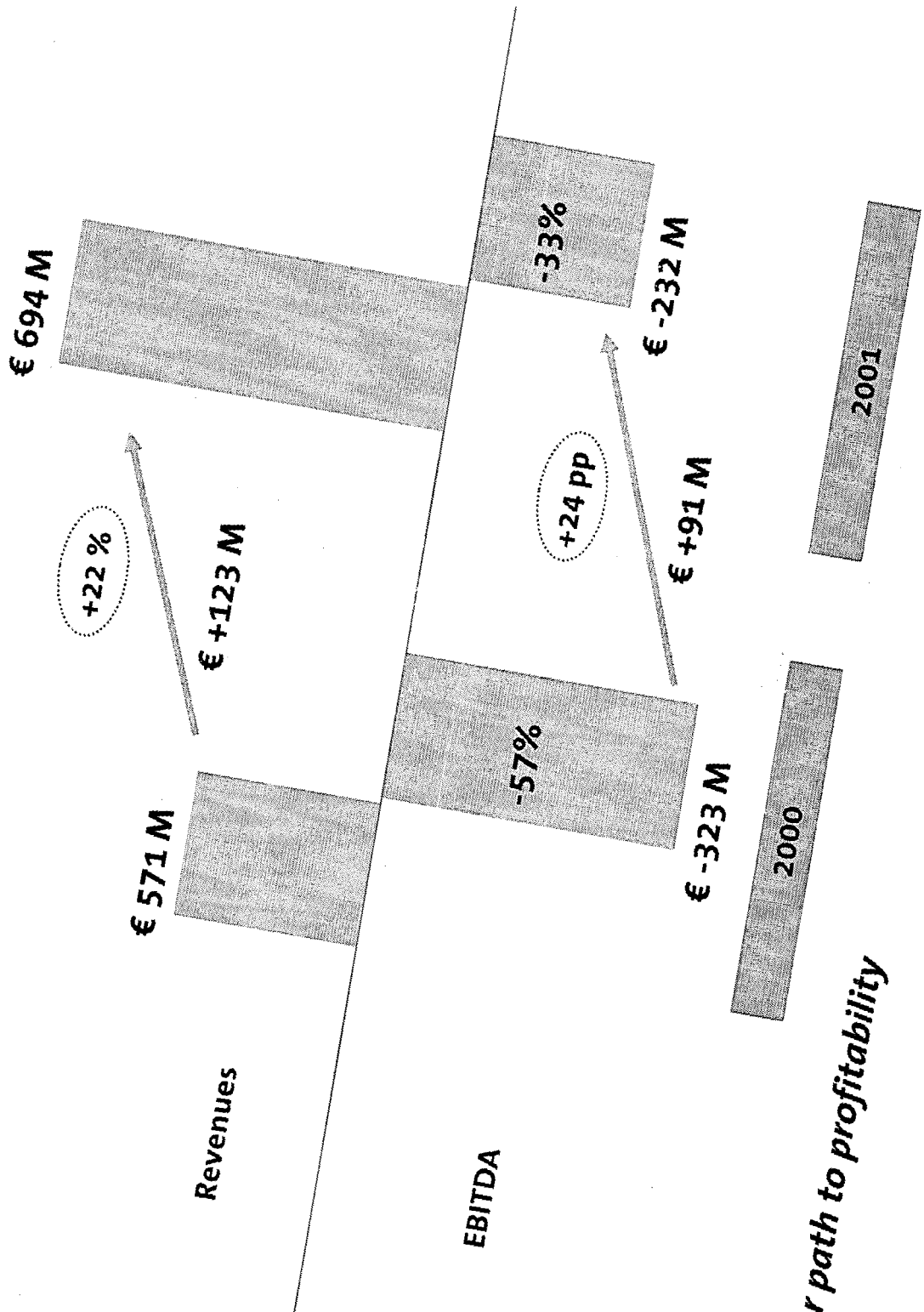
Revenue performance: solid geographic and product mix



Geo-diversification with faster growth in Latam and Spain **Product diversification with access driving growth**



Growth and profitability: EBITDA performance



Clear path to profitability

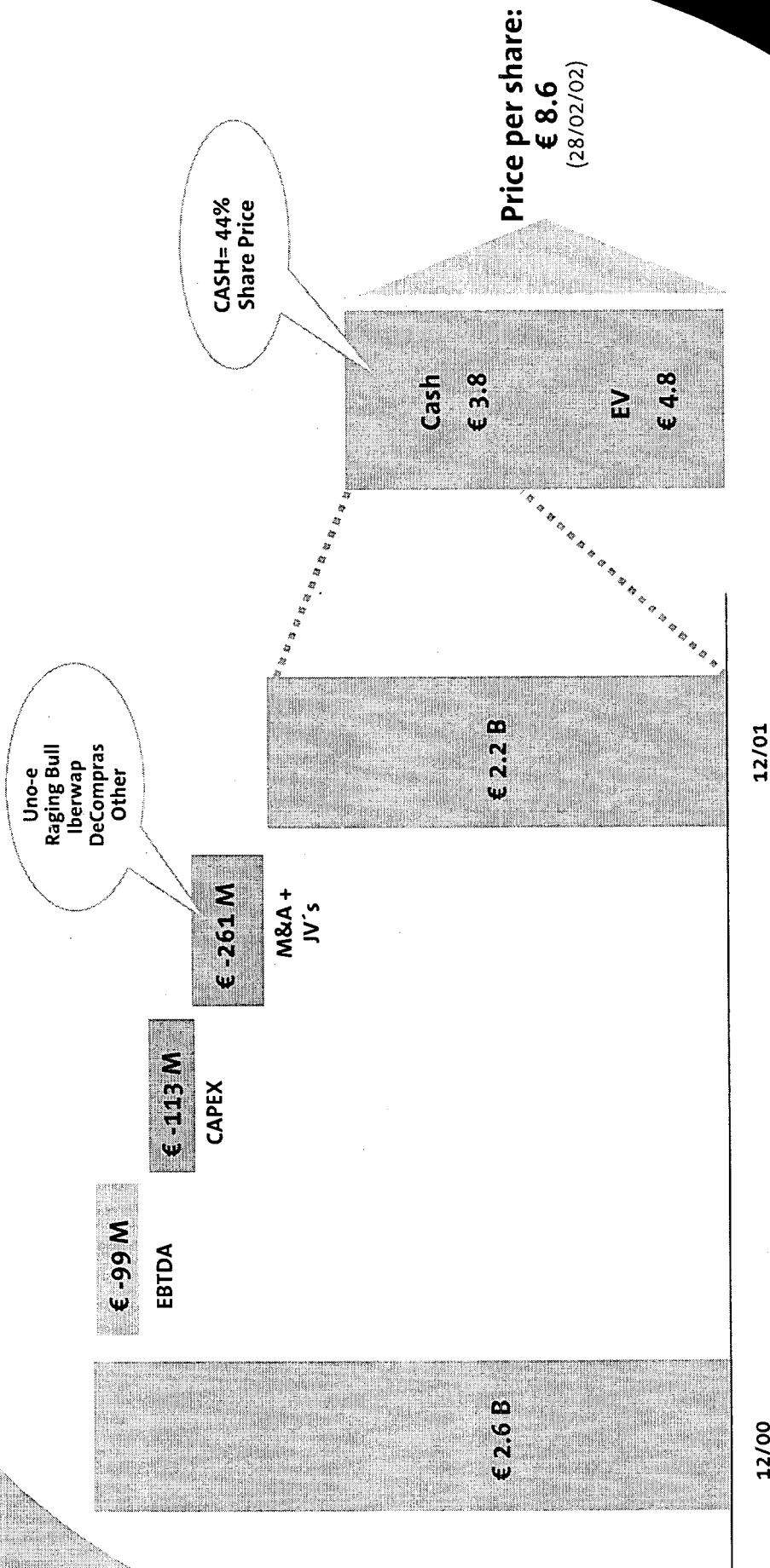
Performance since IPO (11/99): growth and profitability

	1999 ⁽¹⁾	2000	2001	Δ 01/99
Revenues (M€)	78.5	571	694	x 8.8
EBITDA %	-109%	-57%	-33%	+76 bp
Subscribers (M)	0.8	4.2	4.7	x 5.3
Page Views (M/Day)	10	350	500	x50
Countries	8	43	43	+35

(1) Non proforma figures

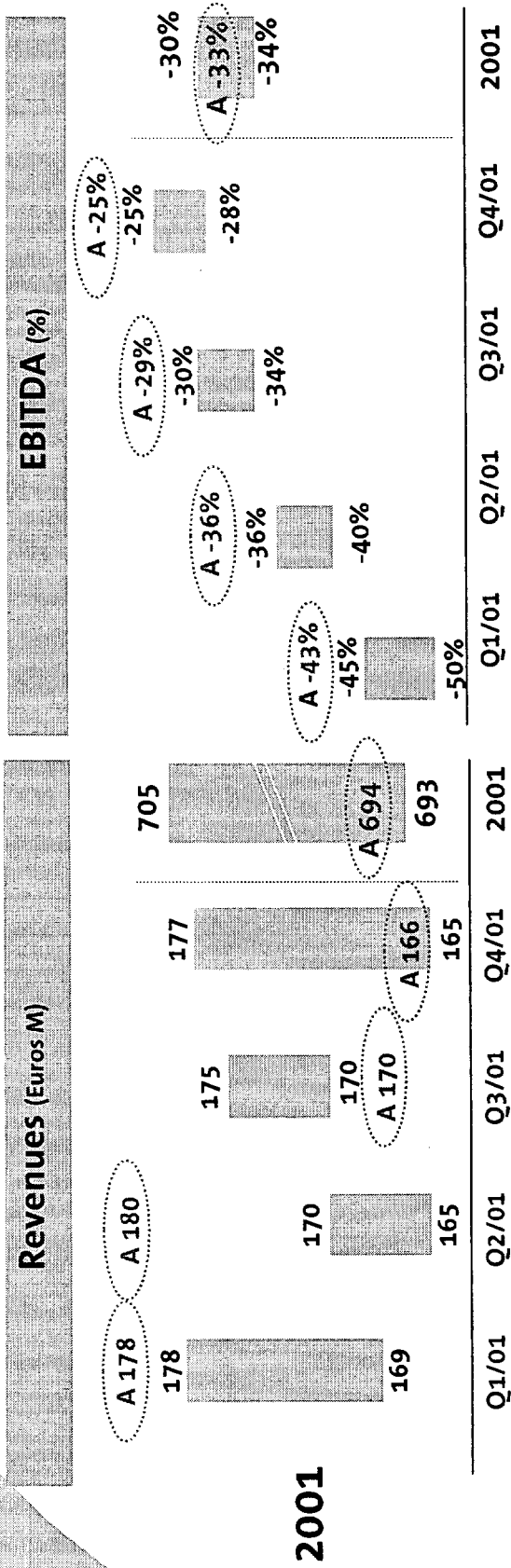
Numbers showing promising progress towards the future

Use of cash 2001: accurate cash management



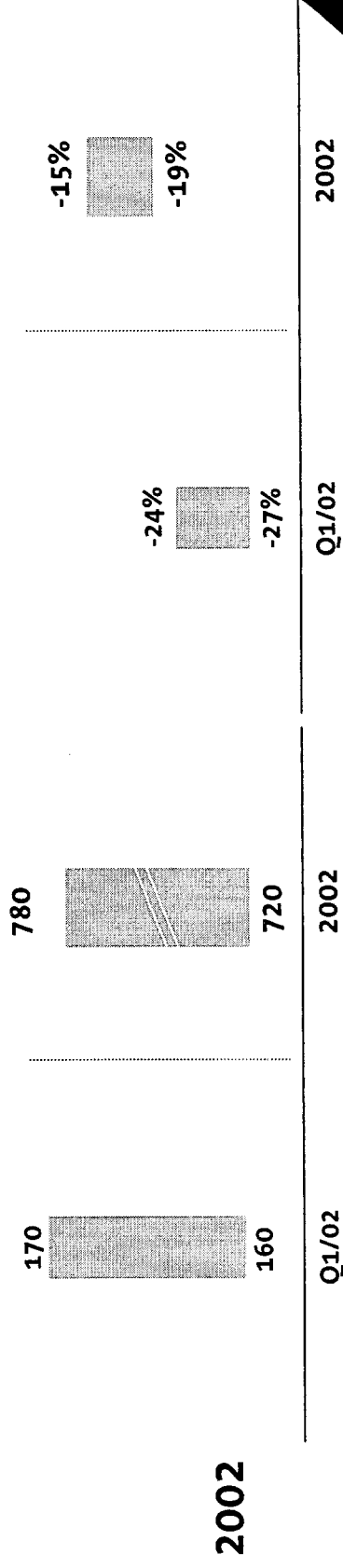
Strong cash position to facilitate future growth opportunities

Stock market guidance



- Growth not helped by market environment
- 2001: Achieved market guidance revenues

- Improving path to profitability
- 2001: Achieved market guidance EBITDA



Commitment to continue delivering expectations



Terra Lycos: The choice, solid fundamentals

- **Consistently delivering growth (+22 YoY) and improving profitability (+24pp YoY) in a difficult 2001 market**
- **New diversified revenue streams (IMS, OBP products, Geographical diversification, multiple market segments)**
- **Cost management efficiency (€ 103 M cost out in 2001)**
- **Solid financial position: € 2.2 bn (Dec 01)**
- **Strong organization: management team and processes**
- **Global Company with strong local presence**
- **Telefónica: a unique strategic partner**

A key profitable long term player in the industry



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lycos

Item 7

Second Investor Conference

March, 2002, Seville

Telefonica

Luis Furnells

Chief Information Officer of Telefónica Group

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atis

**A key initiative of the
Telefónica Group's
commitment to Operational
Excellence**

Key messages

Telefónica Group IT strategy is fully aligned with the Group business strategy. It is based on three key elements:

Focalization on high-value added activities and outsourcing others

Outsourcing has created a **NPV of \$219 - 240 million** over five years

Identification / development of "horizontal" group-wide initiatives

ATIS is a single, common billing and customer care platform that will **homogenize business and systems** platforms across LatAm and T-Data

ATIS will create an additional benefit in the region: a **NPV of \$210 - 275 million** over five years

Definition of a unified IT management model

ATIS creates the basis for future **consolidation of business processes and IT** platforms

ATIS is not a project on paper, it is a reality

Telefónica Group IT strategy is fully aligned with business strategy



Group strategy

Telefónica, is an integrated Group with:

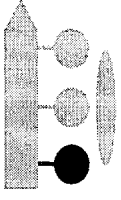
- **Lines of Business (LoB)** focused on homogenous activities
- **Corporate center with executive, high value functions** (e.g. group-wide strategic value, “horizontal” initiatives)
- **Regional model in Telefónica’s LatAm wireline operators** facilitated after the reorganization into LoBs

IT strategy

Based on three key elements:

- Focalization on high-value activities:
 - **Outsourcing low-value tasks**
 - **Leveraging on core services** of the Group’s LoBs
- Identification / development of “horizontal”, group-wide initiatives:
 - **Establishing shared / common IT and processes platforms**
- Definition of a unified management model
 - **Enabling global team-working & exchanging IT best-practices**
 - **Achieving the best Consolidation Model**

All these elements enable Telefónica Group to achieve excellence through efficient IT management

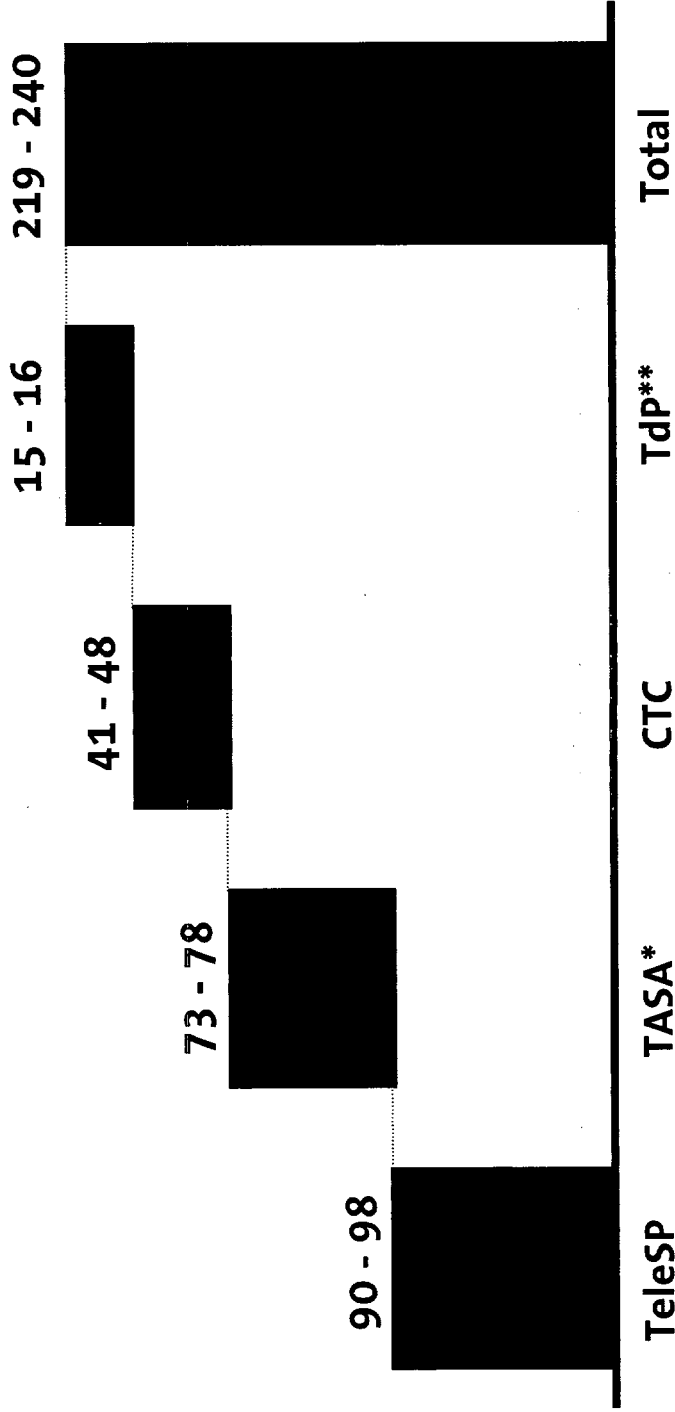


Besides the savings already captured by outsourcing in LatAm ...

NPV 2001 - 2005. USD million

Savings already captured

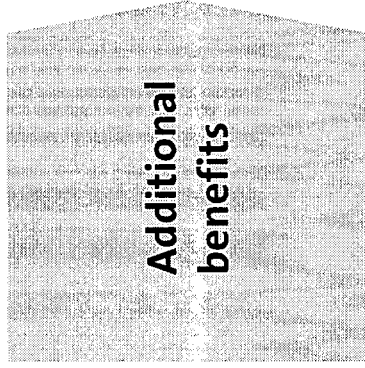
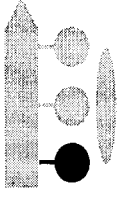
The LatAm data centers outsourcing (low-value added tasks) has created a NPV of \$219 - 240 million over five years due to IT costs reduction



(*) Considering the economic impact due to Argentine devaluation

(**) In Final Rush

... *additional benefits have been identified*



- Those additional opportunities are based on:
 - **Business processes and systems platforms homogenization.** This homogenization will establish the foundation for next steps
 - **Business platforms consolidation** on a single location from where providing common services to all operators



**To allow business processes and systems homogenization and, later on, consolidation, a single common solution is needed.
ATIS is the solution**

Why is ATIS a key initiative?

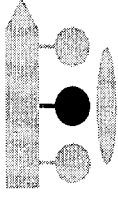
Telefónica is an integrated Group with a clear group-wide, sustained-growth & profitability strategy and its IT strategy is aligned with it

LatAm operators needed to renew their systems as they had different landscapes with country-specific processes and system platforms

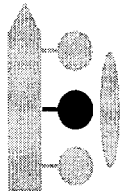
Beyond the opportunities already captured by the Group's reorganization into Lines of Business, there is room for additional efficiency improvements

atis

a homogeneous processes and systems platform for customer care, billing and collections, is a key initiative that meets operating excellence strategy of the Telefónica Group

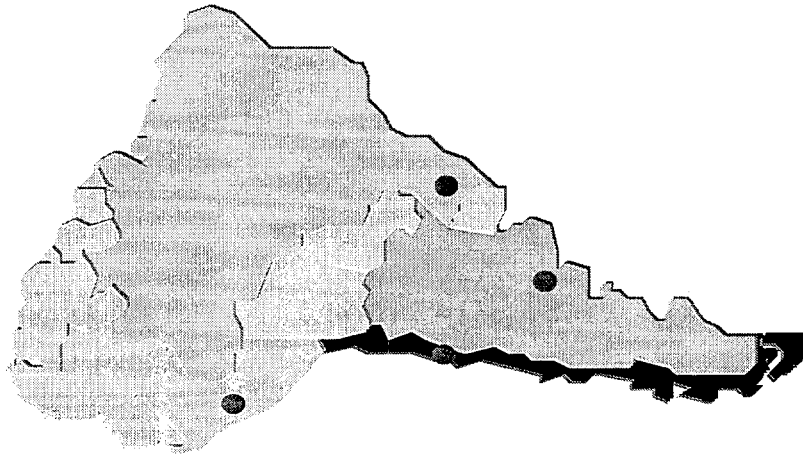


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In this context, what does ATIS mean?

Pre-ATIS situation



Post-ATIS situation

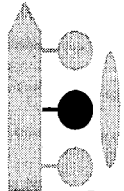


ATIS will...

... homogenize business processes and systems platforms across LatAm, both wireline and T-Data operators

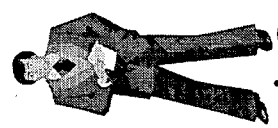
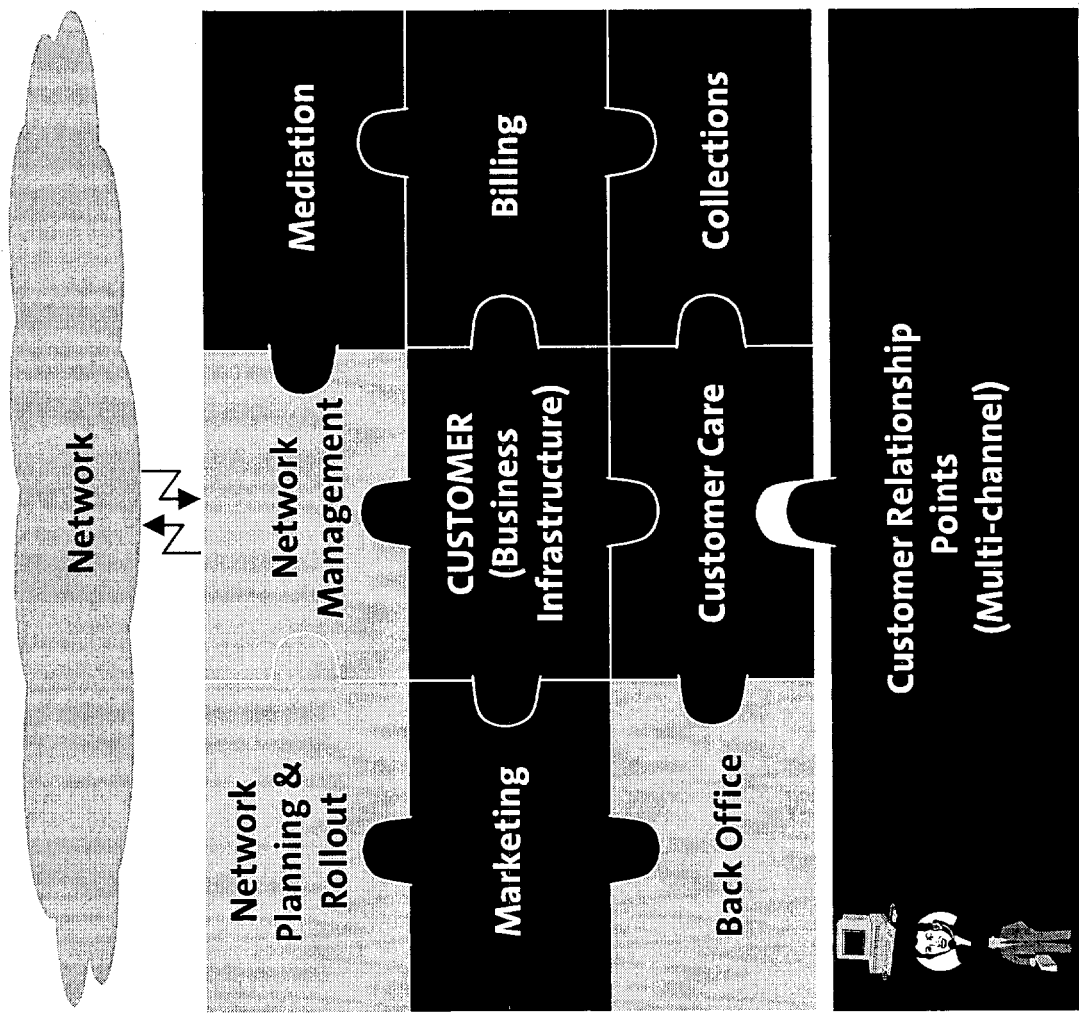
... support more than 30 million customers

... have direct influence in the efficiency of day-to-day activities of more than 13,000 people (more than 40% of total LatAm staff)

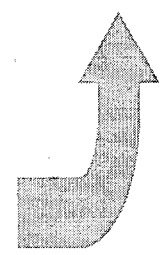


ATIS increases customer value proposition and reduces time to market

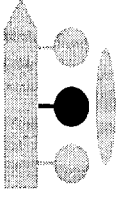
■ ATIS



Telefonica's Customer



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ATIS' IT and business benefits that have been identified ...

Direct IT benefits

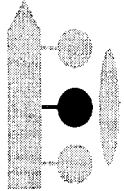
- Reduction of IT spending
- Increased bargaining power

Direct business benefits

- Increased back-office and call center efficiency
- Improved billing processes
- Reinforced income streams

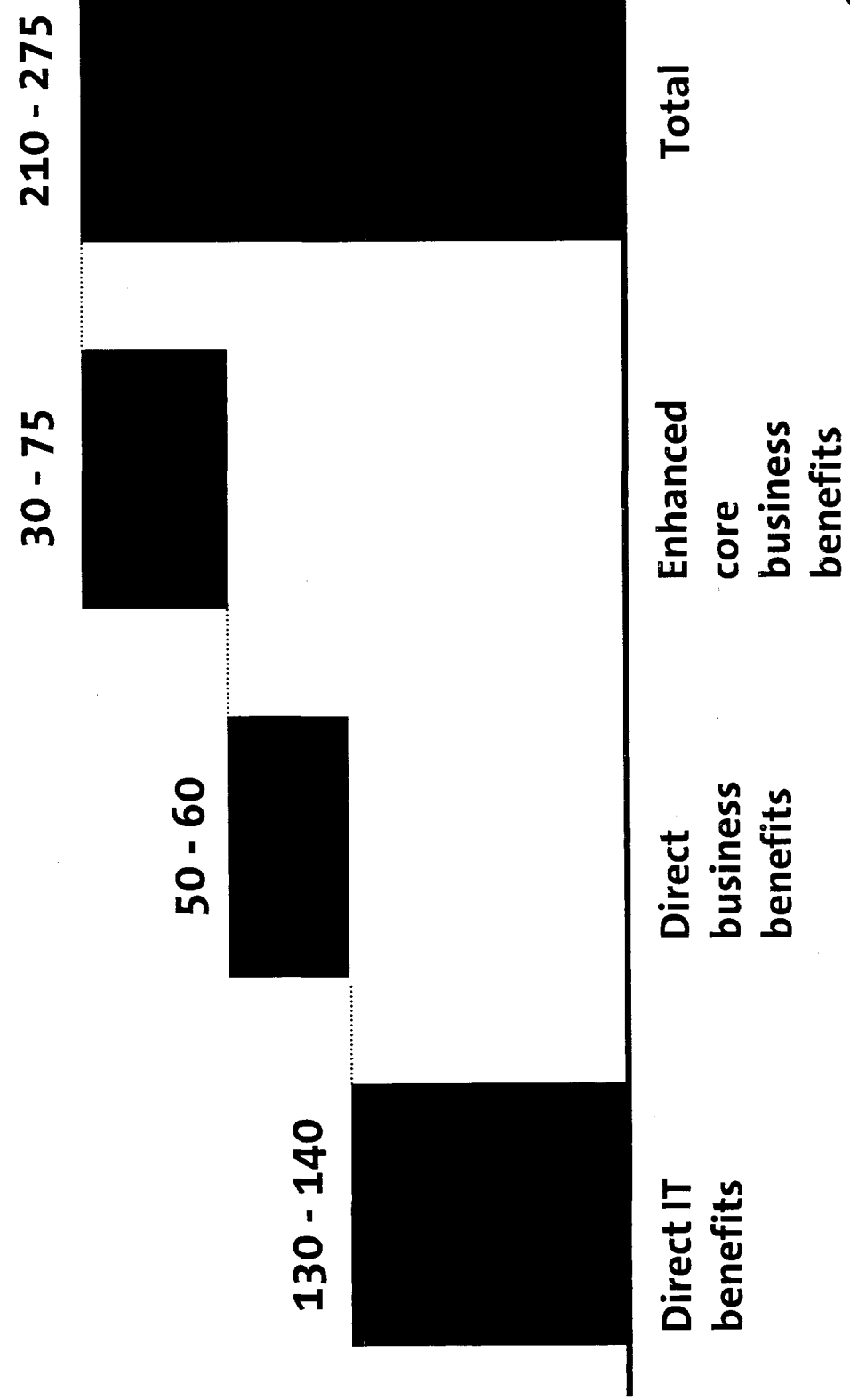
Enhanced core business benefits

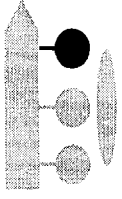
- Reduced time-to-market
- Increased cross-selling and up-selling
- Reduced bad debt



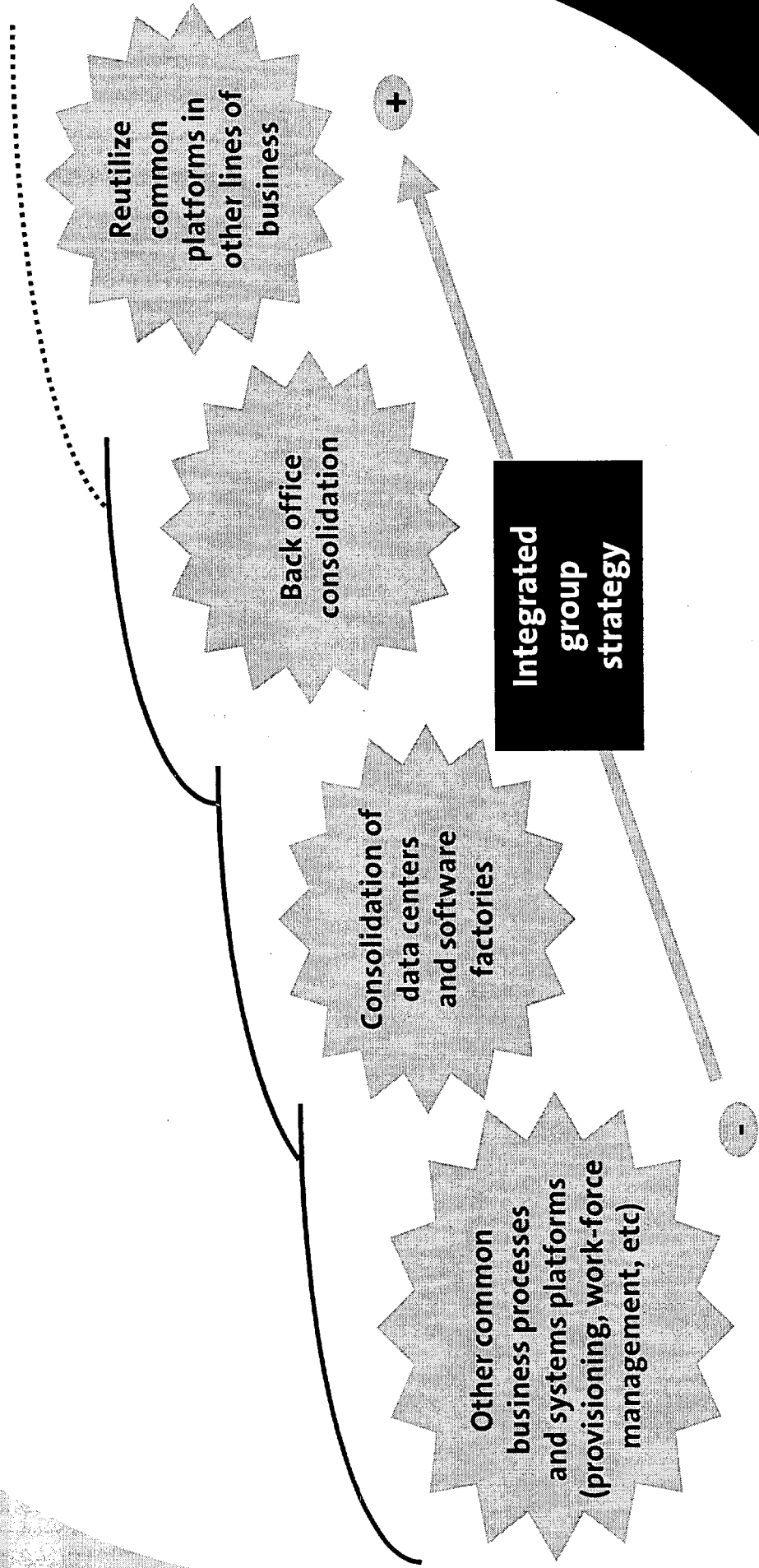
... will be captured as additional benefits in Latam

NPV 2001 - 2005. USD million

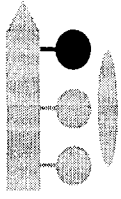




Furthermore, ATIS creates the basis for more aggressive Group savings



The consolidation of data centers, software factories and back office operations



Post-Consolidation situation

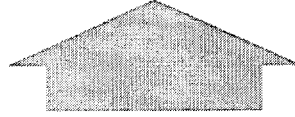
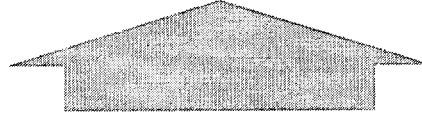


Serving
One Region
from a
Single Location
with a
Single Platform
for
Wireline and
T-Data
operations

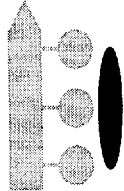
Post-ATIS situation



Pre-ATIS situation

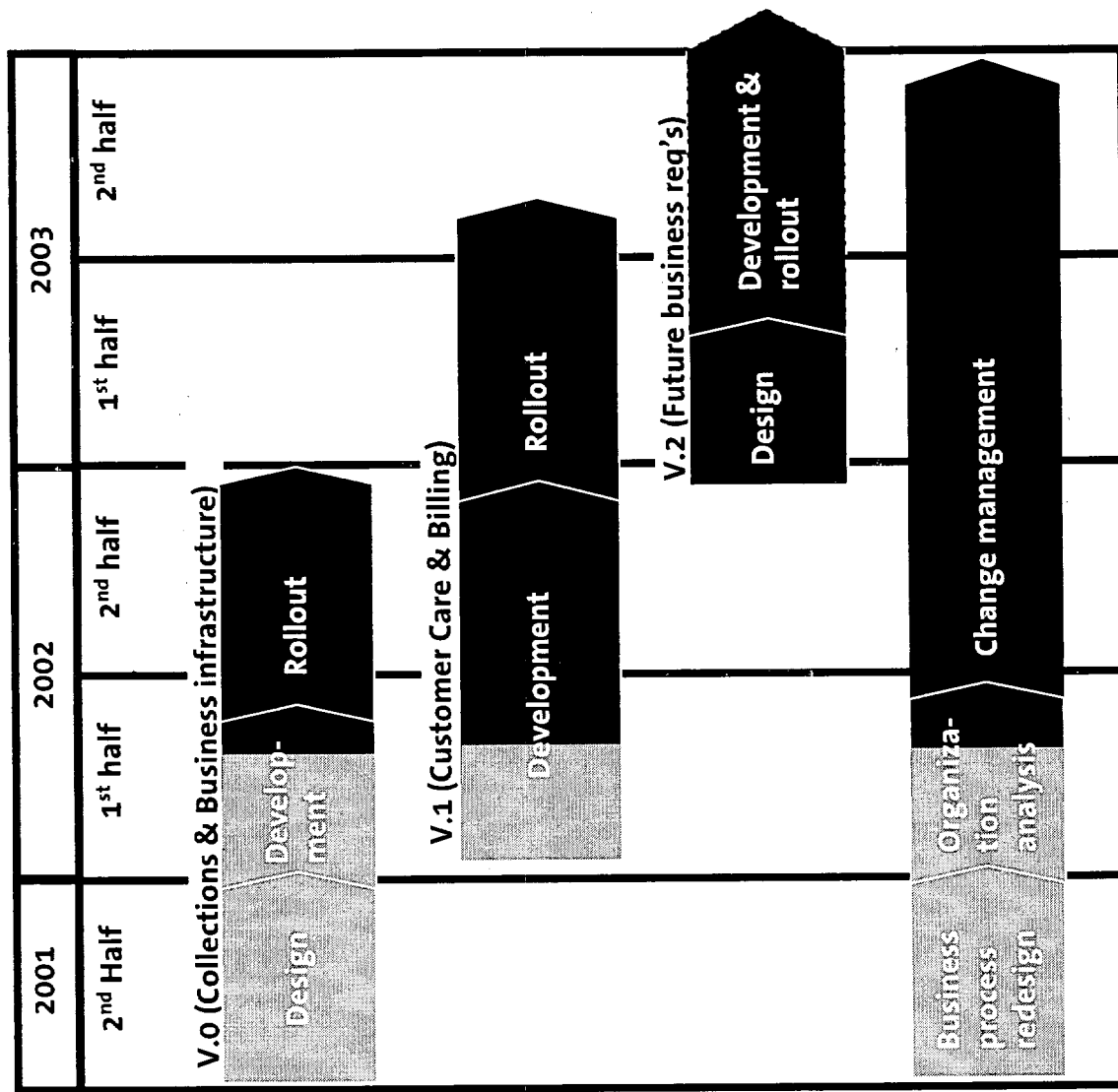


- Developing a Regional/Group mindset, sharing common processes & systems
- Creating a single “think tank” for product development
- Facilitating the capture of synergies in potential M&A operations



ATIS, more than a project, a reality

■ Current status



Systems

(V.0, V.1, V.2,.....)

ATIS

Telefónica
LatAm and
T-Data

Business processes

Core application already in service in CTC

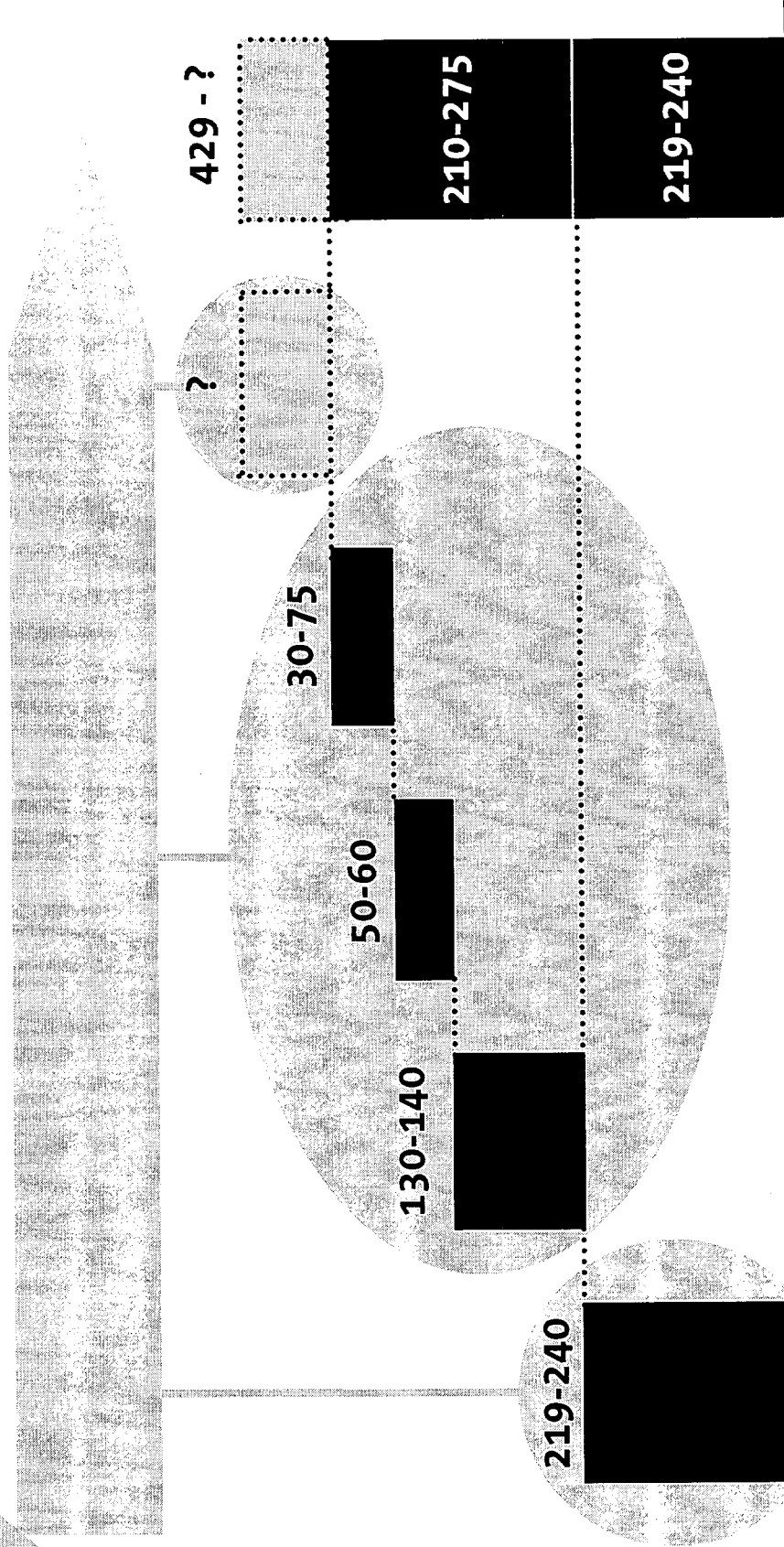
First deliverables (functional and technical design) are available today

During 2002 ATIS will be ready for a progressive rollout in all four countries

Telefónica

Global benefits in LatAm

NPV 2001 – 2005. USD million



Outsourcing	ATIS	ATIS	ATIS	Consolidation Potential	GLOBAL BENEFITS
Direct	Direct	Enhanced	Potential		
IT	Business	Core	Benefits		
Savings	IT	Business	Business		
	Benefits	Benefits	Benefits		



Telefonica

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELEFÓNICA, S.A.



Date: *March 8, 2002*

By: _____
Name: Antonio Alonso Ureba
Title: General Secretary and Secretary to
the Board of Directors