



Telefónica



A woman with dark hair, wearing a white off-the-shoulder top, is seen from the back, sitting on a boat and looking out over a blue body of water. Her right arm is extended forward. The background is a bright blue sky and water. The image is partially obscured by a large yellow curved shape on the left and a dark blue curved shape on the right.

January - June 2002 Results

This presentation is being broadcast live on the internet

SAFE HARBOUR

This presentation to analysts contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company.

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

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telefónica undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

A STEP FORWARD IN OUR SEVILLE STRATEGY

STRATEGIC INITIATIVES

**Maximize FCF through tight
control of Opex & Capex**

**Focus on shareholder
returns**

**Unlock value from non-core
assets**

**Analyze selective
M&A opportunities**

BUSINESS INITIATIVES

**Accelerate performance of
core businesses**

**Capture natural
growth potential**

**Turn around non-performing
businesses**

**WE ARE STRENGTHENING
OUR FOCUS ON TWO TOP PRIORITIES**



⇒ **MAXIMIZE CASH FLOW**
⇒ **OPTIMIZE CASH FLOW USES**

WORKING TOWARDS IMPROVING CASH FLOW

BUILD CASH FLOW GENERATION

Restructure non-performing businesses

UMTS IN EUROPE

- ⇒ Soft launch in Germany
- ⇒ Financial cap 2002-2003
- ⇒ Freezing Italy, Austria & Switzerland

DATA OPERATIONS

- ⇒ 249 Million € write-down of Mediaways in 2001
- ⇒ Sale of ETI in July 2002

MEDIA ASSETS

- ⇒ Vía Digital/Sogecable merger agreement in 1Q02
- ⇒ Onda Cero integration in Antena 3
- ⇒ Sale of Azul TV
- ⇒ Spin-off of activities in Admira & Telefónica Contenidos

Focus on core businesses

Focus on natural markets

Financial discipline

A STEP FORWARD

- ⇒ Freezing operations in Germany
- ⇒ Write-down UMTS assets for 4,837.5 Million €
- ⇒ Maintenance of licenses

A STEP FORWARD

- ⇒ Additional write-downs of European new entrant ventures in 2Q02 for 530.0 Million €
- ⇒ New entrant markets:
 - ✓ Non-core in the medium term
 - ✓ Low speed development in the short term
- ⇒ Closer integration Data/Fixed where incumbents

A STEP FORWARD

- ⇒ Look for opportunities to monetize our stakes

FINANCIAL IMPACT OF WRITE-DOWNS

PROFIT AND LOSS ACCOUNT IMPACT

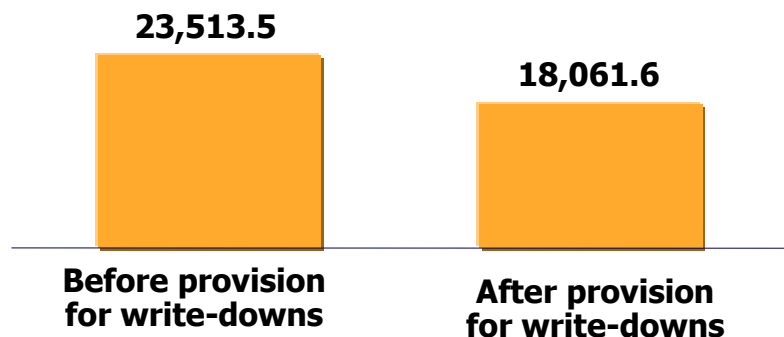
<i>€ in Million</i>	Provision for Write-down	Estimated Restructuring Costs
UMTS ASSETS	4,550.3	287.2
MEDIAWAYS	530.0	-
TOTAL	5,080.3	287.2



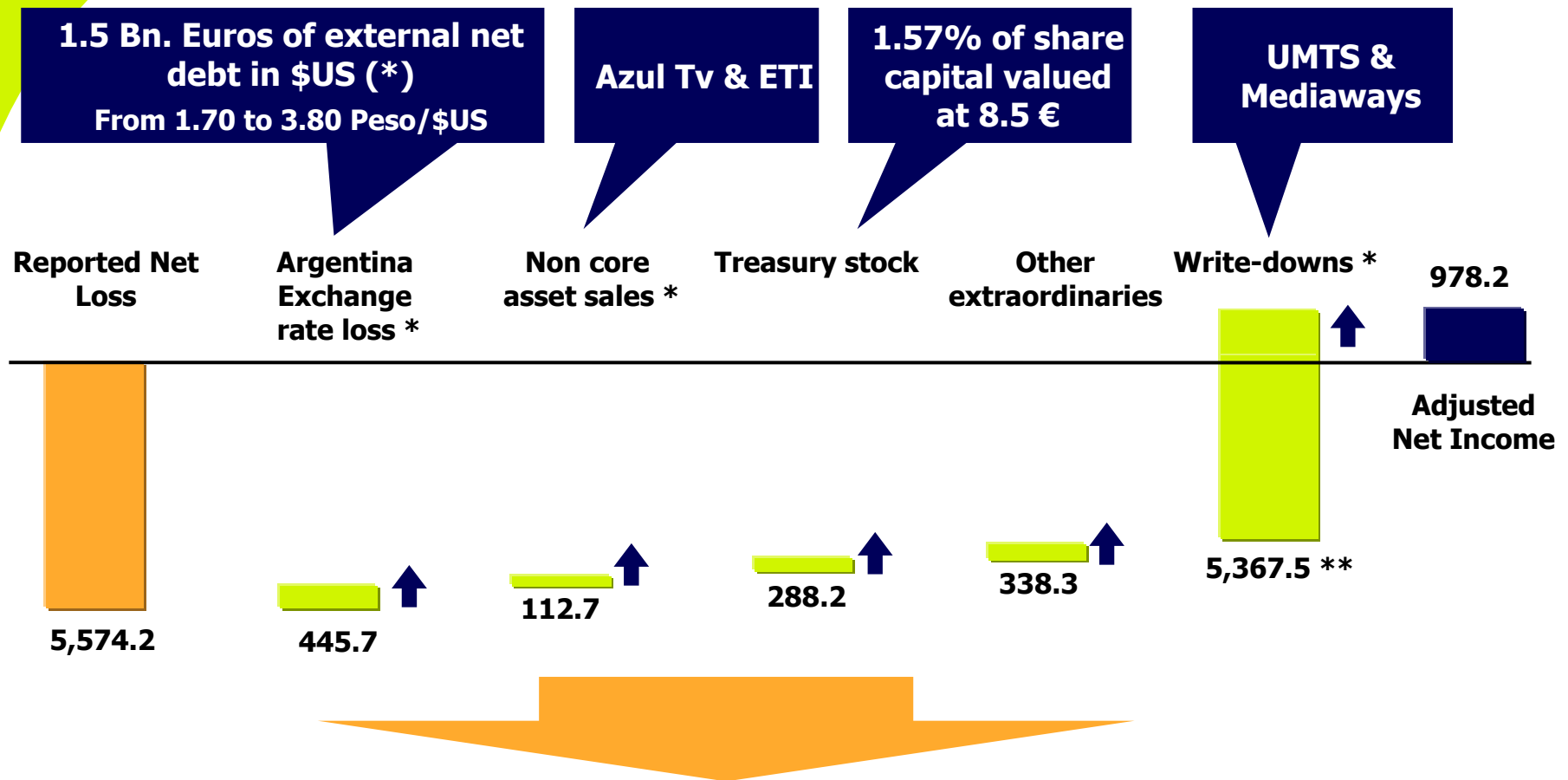
Telefónica records a net loss of 5,574.2 Million € in 1H02.
Excluding write-downs, net loss would have been 206.7 Million €

BALANCE SHEET IMPACT

Net Worth (€ in MM)



1H02 NET INCOME PENALIZED BY EXTRAORDINARIES



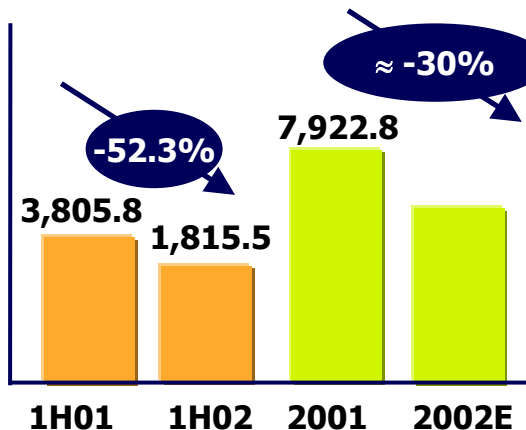
SETTING THE PACE FOR NET INCOME & ROIC IMPROVEMENT

* Net of taxes

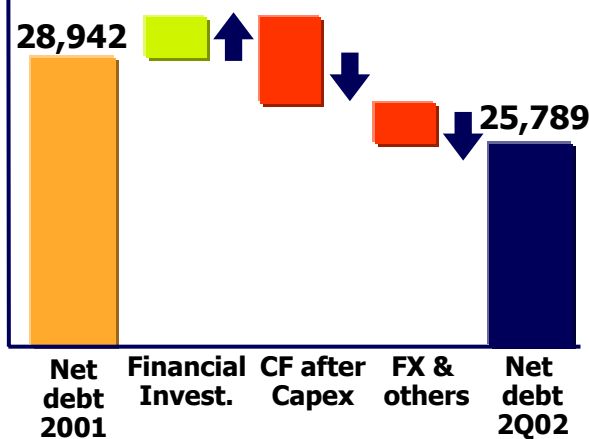
** Provision for write-down + estimated restructuring cost

WORKING TOWARDS OPTIMIZING CASH FLOW USES

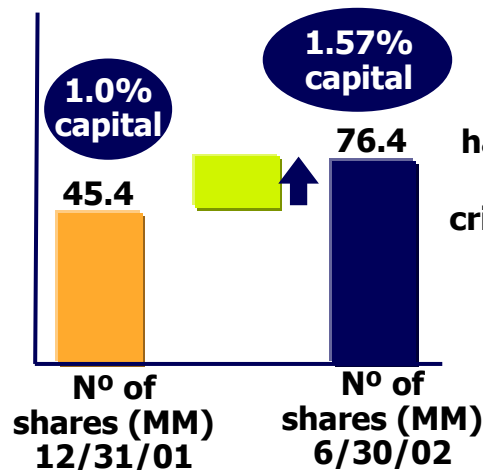
**CAPEX COMPATIBLE
WITH PROFITABLE
ORGANIC GROWTH**



**PROGRESS ON DEBT REDUCTION
WITHOUT DIVESTING.
COMMITMENT TO SINGLE A
RATING**



**TREASURY
STOCK**



**M&A
ACTIVITY**

No targets have fulfilled our M&A criteria except Pegaso

**A STEP
FORWARD**

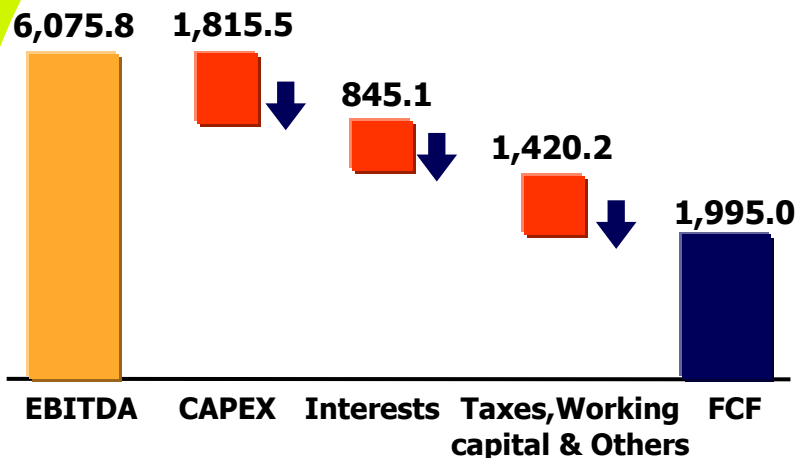
**PROPOSAL TO THE BOARD OF
DIRECTORS TO BE SUBMITTED
TO THE 2003 GENERAL
SHAREHOLDERS MEETING**

- ⇒ Amortize all treasury stock
- ⇒ Reinstate cash dividend policy

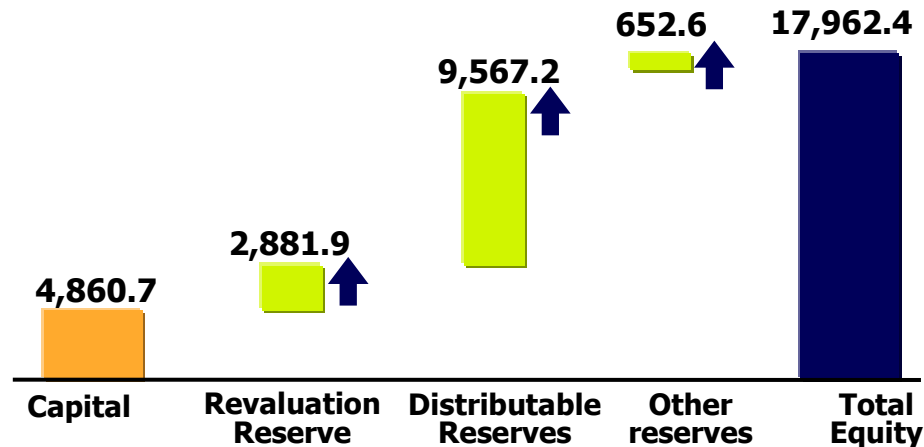
WITHOUT PUTTING AT RISK OUR CREDIT PROFILE

CASH DIVIDEND PAYMENT: WE HAVE THE CAPACITY

2Q02: DELIVERING ON FCF TO SHAREHOLDERS

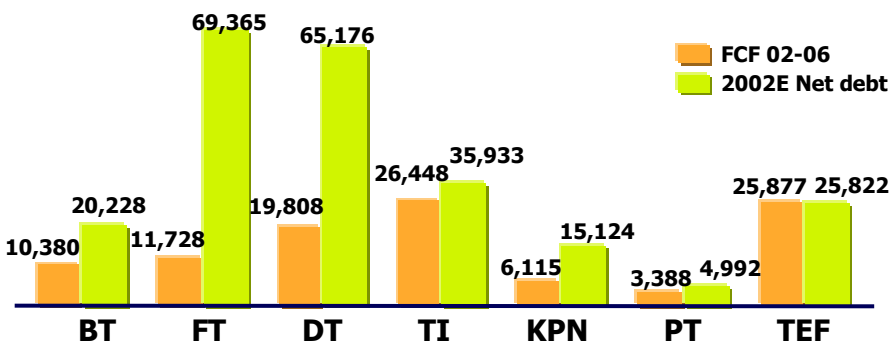


TELEFÓNICA S.A.: DISTRIBUTABLE RESERVES IN EXCESS OF 9.6 Bn.€ AS OF JUNE 2002



A PRIVILEGED POSITION AMONGST THE PEER GROUP

FCF vs Net debt *



FCF Yield *

	2002	2003	2004	2005
TEF	7.1%	8.7%	9.7%	11.1%
BT	4.8%	5.6%	6.4%	7.2%
FT	1.7%	5.3%	9.1%	10.1%
DT	3.0%	7.6%	8.3%	11.3%
TI	5.2%	6.5%	7.7%	7.9%
KPN	6.0%	6.2%	9.4%	11.3%
PT	6.7%	5.0%	6.1%	8.8%

* SSSB estimates: Industry Report, June 10th 2002. TI includes Olivetti net debt as of 3/31/02. FCF yield = (EBITDA-Capex-Interests-taxes)/Market Cap. adjusted by minorities and associates.

SETTING A SOLID BASE FOR BUILDING VALUE

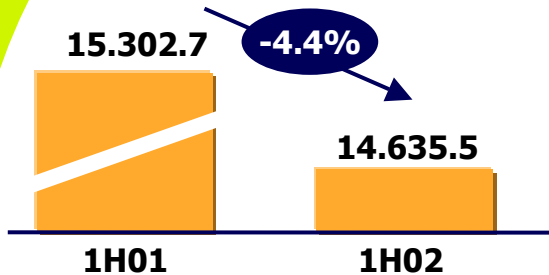
- ⇒ **We have decided to freeze our European mobile operations.**
- ⇒ **We are downsizing data business in new markets and bringing operations closer to fixed where incumbents.**
- ⇒ **We are actively restructuring our Media assets to unlock its value.**
- ⇒ **We have restated assets, improving our healthy asset base.**
- ⇒ **We are showing our commitment to the generation and best use of cash flow, while keeping our financial strength.**



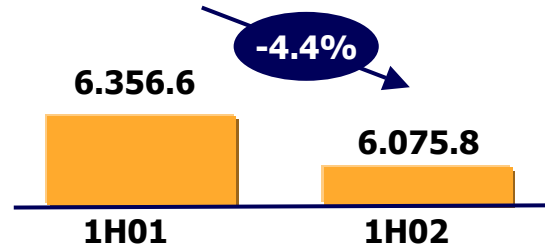
- ⇒ **Freezing UMTS operations out of Spain will save Telefónica:**
 - ✓ **1,802 Million € of EBITDA losses for the period 2002-2005**
 - ✓ **2,374 Million net losses for the period 2002-2005**

FINANCIAL HIGHLIGHTS (I)

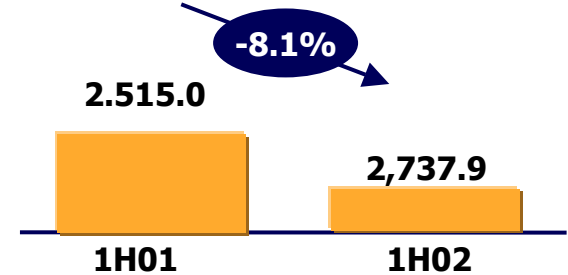
REVENUES (€ in millions)



EBITDA (€ in millions)

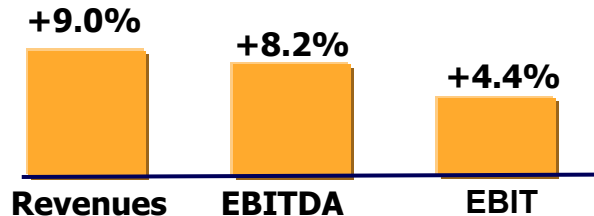


EBIT (€ in millions)

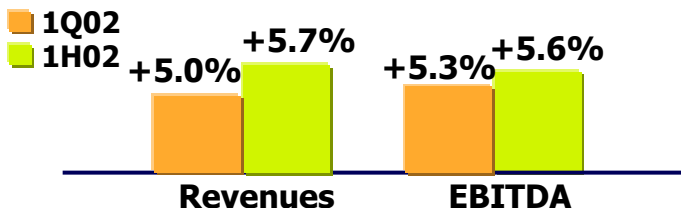


RESULTS AFFECTED BY ARGENTINA & Fx

GROWTH RATES EXCLUDING ARGENTINA & FOREX



GROWTH RATES EXCLUDING Fx



1H2002 KEY DRIVERS

⇒ ARGENTINA

TASA: -12.2% in revenues and -15.4% in EBITDA. In local currency.

Peso exchange rate loss: 445.7 mill. Euros in net income.

⇒ FOREX

Fx drags close to 10 p.p. to revenues & EBITDA growth.

⇒ TELEFÓNICA DE ESPAÑA: IMPROVING 1Q02 TREND

-0.6% in revenues and -6.3% in EBITDA.

⇒ TELEFÓNICA MÓVILES: SOLID PERFORMANCE

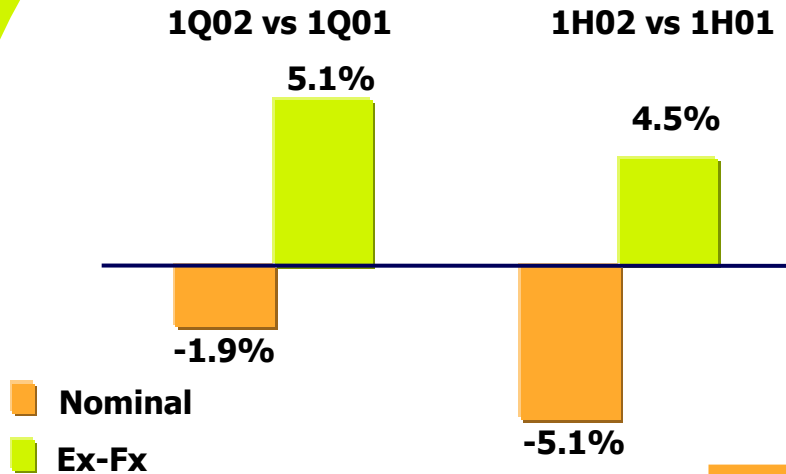
+20.5% in revenues and +33.1% in EBITDA in Spain.

⇒ EFFICIENT COST MANAGEMENT

Reducing operating costs by 4.2%y-o-y.

FINANCIAL HIGHLIGHTS (II)

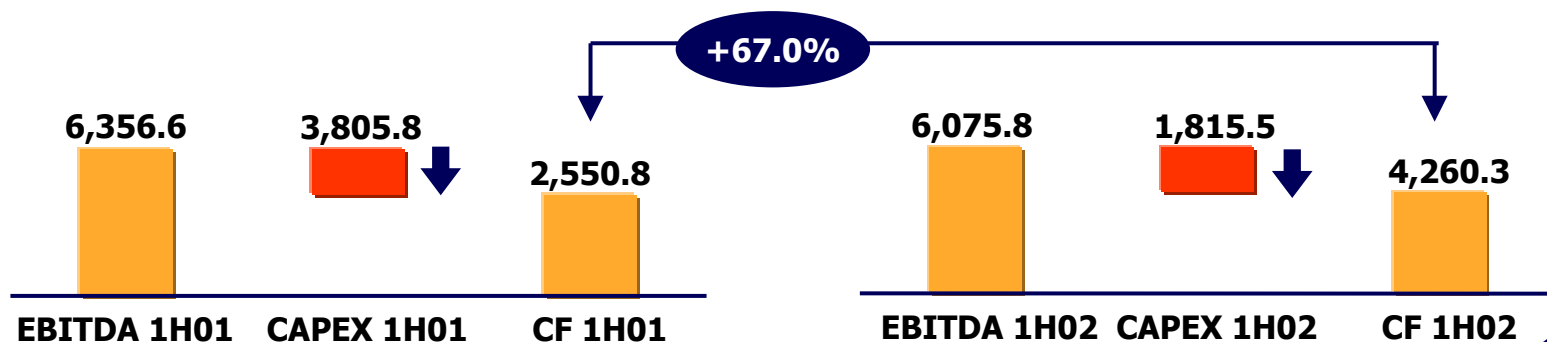
CONSOLIDATED OPEX *



CONSOLIDATED CAPEX

€ in Million	1H02	% Change 1H02/1H01
TdE	748.3	-13.9%
Cell. Business	462.8	-42.7%
T. LATAM	405.7	-75.0%
TOTAL GROUP	1,815.5	-52.3%

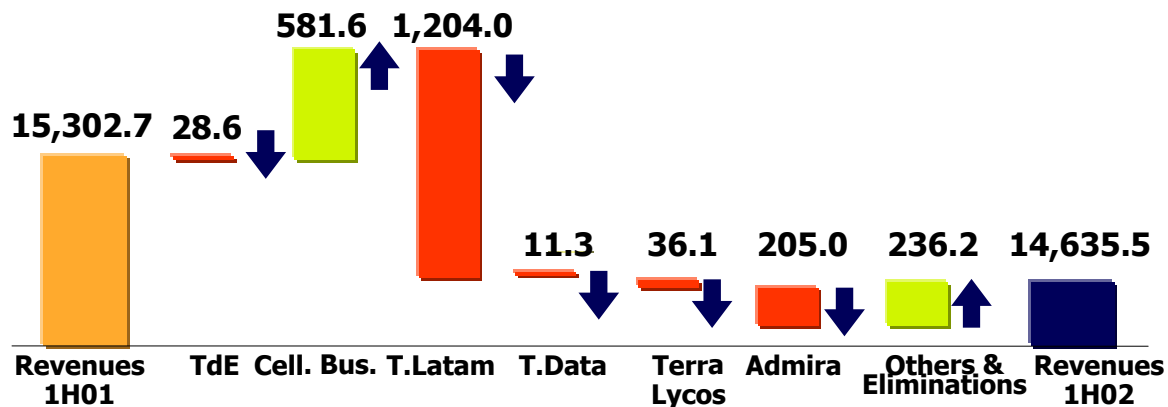
OPERATING CASH FLOW GENERATION (Million Euros)



* Operating & Other expenses

CONTRIBUTION BY BUSINESS LINE

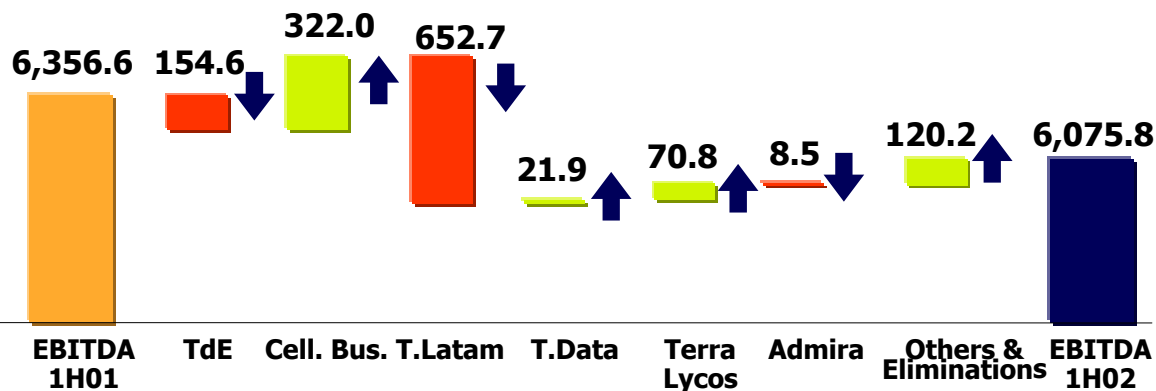
REVENUES (€ in millions)



CONTRIBUTION TO GROWTH*

Cell. Bus.: + 3.3 p.p.
TdE: + 0.1 p.p.
T.Latam: - 7.2 p.p.

EBITDA (€ in millions)



CONTRIBUTION TO GROWTH*

Cell. Bus.: + 5.5 p.p.
TdE: -2.4 p.p.
T.Latam: -10.3 p.p.

* Net of inter-company eliminations

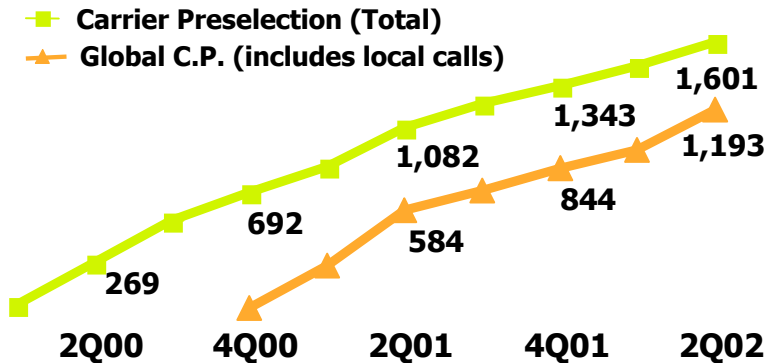
TELEFONICA DE ESPAÑA: OPERATING DRIVERS AMID INTENSIVE COMPETITIVE & REGULATORY FRAMEWORKS

ADSL PERFORMANCE

	2Q02
Net adds (thousands)	133.3
Broadband market share in Spain	50.3%
Cumulative Plug&Play retail additions	56.6%
Mean daily installation rate	2,800

CARRIER PRESELECTION EVOLUTION

(thousand lines)

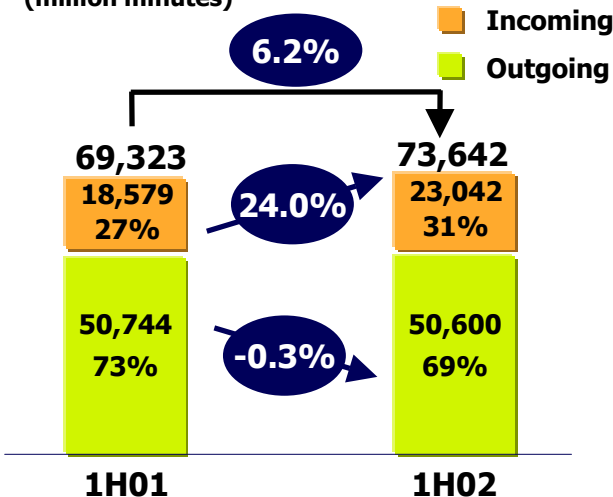


2ND QUARTER INCREASES:

⇒ CARRIER PRESELECTION	146,182
⇒ GLOBAL CARRIER PRESELECTION	245,108

9% OF LINES ALREADY PREASSIGNED

(million minutes)



TRAFFIC EVOLUTION*

	1H02 vs. 1H01 (% CHANGE)	1Q02 vs. 1Q01 (% CHANGE)
Metropolitan	-7.8%	-10.1%
Internet	4.5%	5.6%
Provincial	23.4%	25.2%
DLD	-4.0%	-5.7%
ILD	-22.3%	-20.4%
Fixed to Mobile	4.3%	3.1%
Other Outgoing	2.2%	2.6%

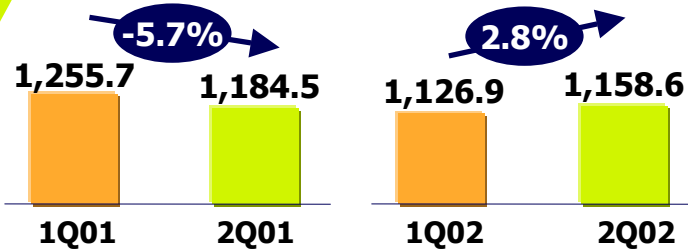
* Estimated traffic for 1H02

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TELEFONICA DE ESPAÑA GROUP: EBITDA ANALYSIS

EBITDA

(euros in millions)

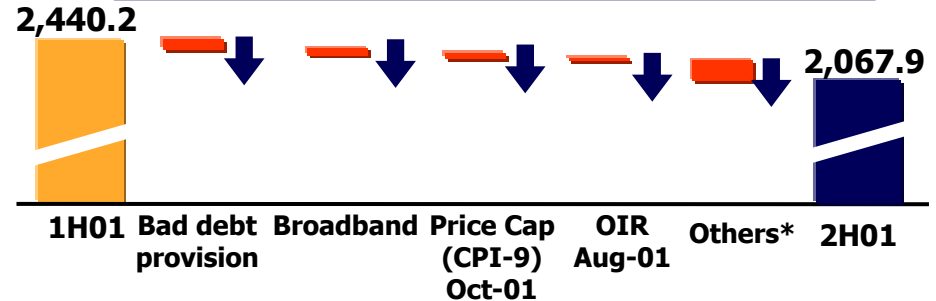


2Q02 EBITDA IMPROVEMENT

2001 EBITDA TREND TURNED AROUND

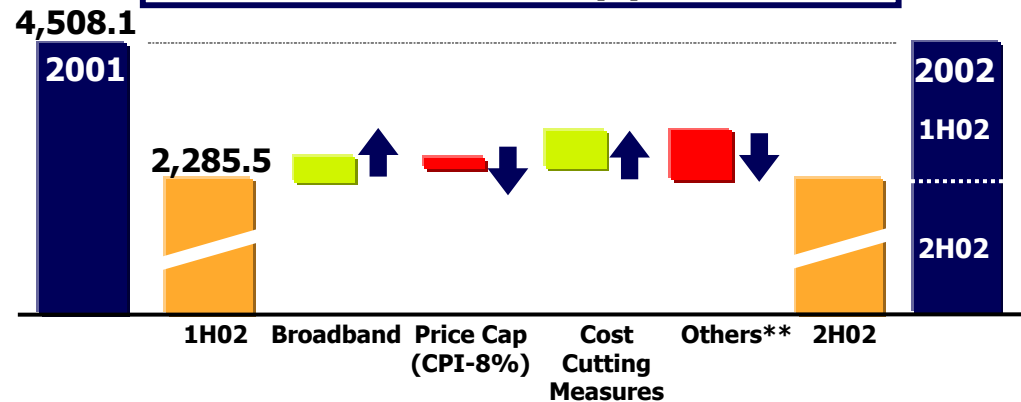
- ⇒ High performance of 1Q01 (48.5% EBITDA margin).
- ⇒ Timing of application of Price-Cap scheme in 2002 vs. 2001.
- ⇒ ADSL contribution.

2ND HALF 2001 EBITDA EVOLUTION



* Others includes the following effects: market share loss. summer effect

2ND HALF 2002 EBITDA(E) EVOLUTION



** Others includes the following effects: market share loss and others.

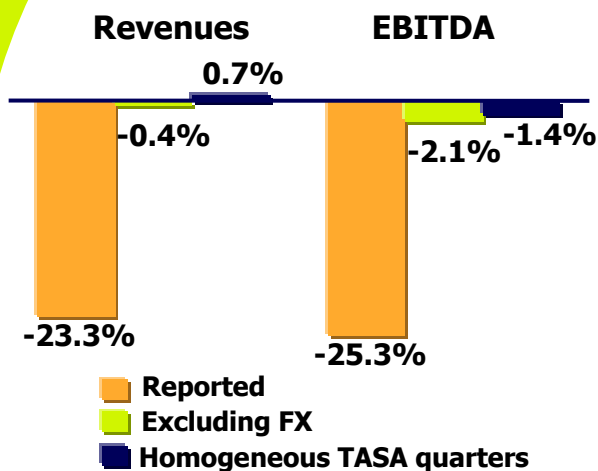
FLAT 2002 EBITDA vs. 2001

2ND HALF IN LEVELS OF 1ST HALF

- ⇒ Broadband business EBITDA Improvement
- ⇒ Effect of March and June cost cutting measures taking place

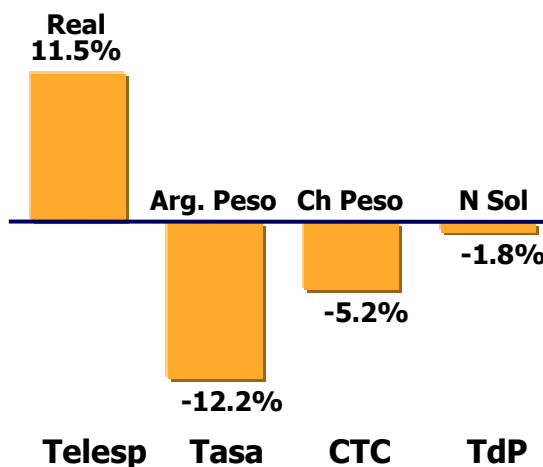
T. LATAM: WIRELINE PERFORMANCE

T. LATAM REV / EBITDA EX FOREX



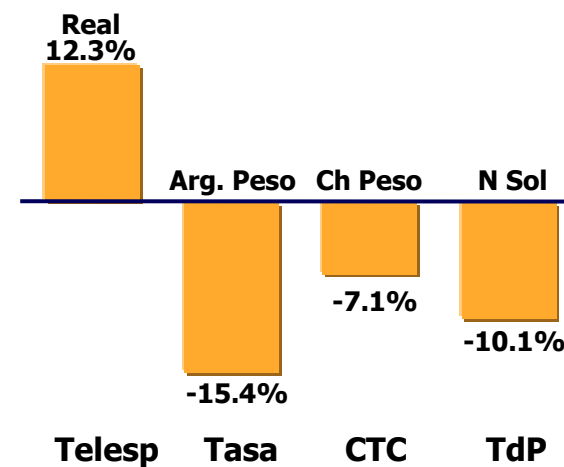
OPERATING REVENUES

% change Jun02 / Jun01
Local Currency



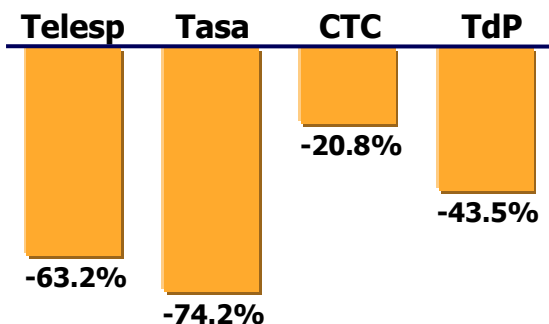
EBITDA

% change Jun02 / Jun01
Local Currency



CAPEX

% change Jun02 / Jun01
Local Currency



1H02 FREE CASH FLOW

€ in millions	Telesp	Tasa	CTC	TdP	AGGREGATE*
EBITDA	1,117	244	258	308	1,930
- Financial charges & Taxes	-280	-83	-48	-53	-465
- CAPEX	-320	-13	-45	-26	-406
FCF	517	148	165	229	1.060

YoY growth **+136.3%**

* Including TLD

Note: TASA refers to the period January-June 2001 and 2002. CTC includes Sonda and TdP includes Cablemágico.

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BRAZIL: COUNTRY PERFORMANCE

SELECTED FINANCIALS (€ in MM)

	€ in MM	% Change vs. 1H01	% Change vs. 1H01 ex-FX
Revenues	3,063.8	1.7%	15.4%
EBITDA	1,373.3	0.9%	14.5%

**AFFECTED
BY CURRENCY
DEPRECIATION**

- ⇒ Brazil: close to 23% of Group EBITDA, 1 p.p. higher than in 1H01
- ⇒ 12% depreciation 1H02 average exchange rate vs. 1H01 average exchange rate

- ⇒ TELES P as growth engine with double digit growth in local currency.
- ⇒ Data operations reaching EBITDA breakeven, with still solid growth potential from development of nationwide operations.
- ⇒ Positive operating performance of wireless assets, with 19% annual growth in clients and a stability of average market shares in the 64% range.

ARGENTINA: COUNTRY PERFORMANCE

SELECTED FINANCIALS

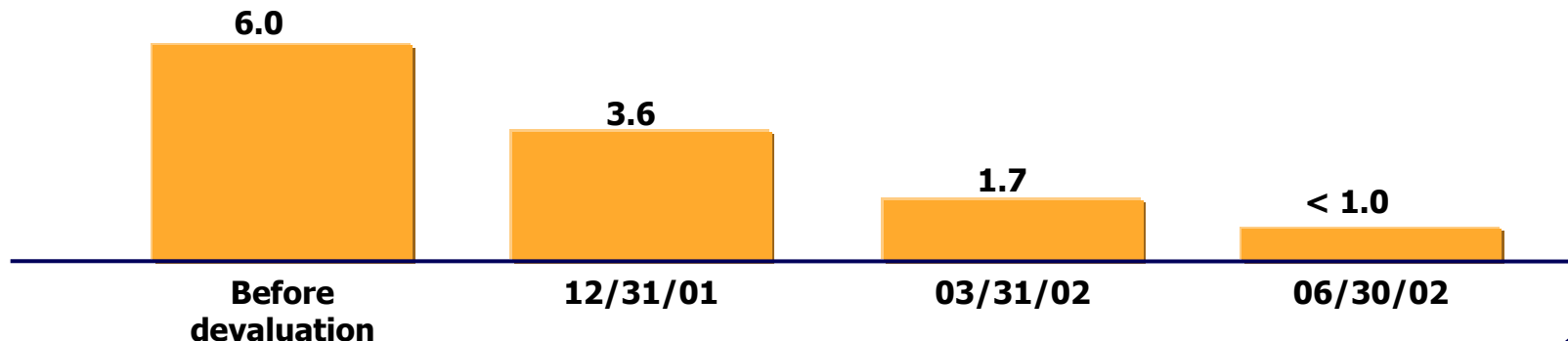
(€ in MM)

	€ in MM	% Change vs. 1H01	% Change vs. 1H01 ex-FX
Revenues	612.5	-68.9%	-16.0%
EBITDA	233.1	-67.7%	-12.7%

**IMPACTED BY
ECONOMIC
CRISIS & PESO
DEVALUATION**

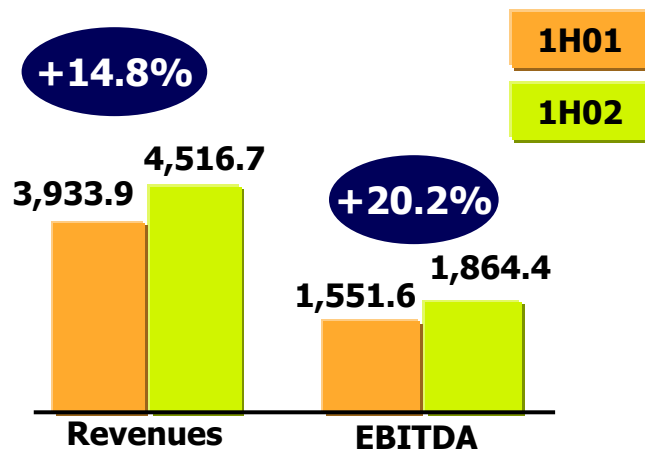
- ⇒ Argentina: close to 4% of consolidated EBITDA, a drop of 7 p.p. vs. 1H01 contribution
- ⇒ 63% peso depreciation since devaluation

TELEFÓNICA EXPOSURE TO ARGENTINA (€ in Billion)



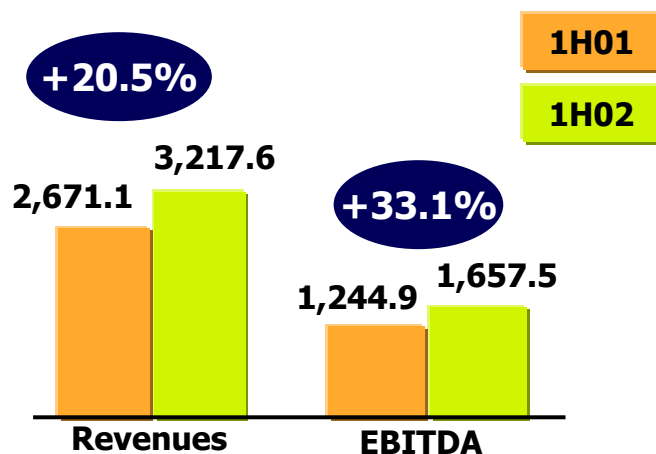
T. MÓVILES GROUP CONTINUES ITS STRONG PERFORMANCE

TEM GROUP



- ⇒ Strong organic growth *: +12.9% in revenues and +21.9% in EBITDA
- ⇒ Forex is dragging 7 p.p. and 5p.p. to revenues and EBITDA growth
- ⇒ Close to 2 p.p. EBITDA margin improvement to reach 41.3%

T. MÓVILES ESPAÑA

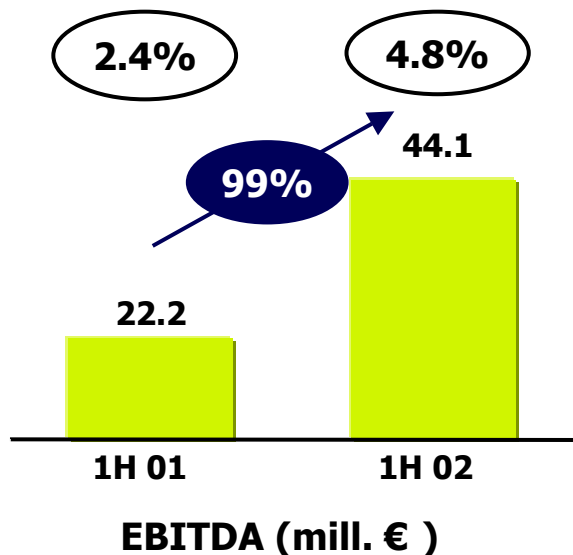


- ⇒ EBITDA margin of 53.1% in 2Q02 (49.8% in 1Q02)
- ⇒ Client base grew at a 19% rate to over 17.6 Mill. Contract accounts for 32.9% of total (+1.4 p.p. vs 1Q02)
- ⇒ ARPU decline smoothing: -7% 2Q02 vs 2Q01 (-11% 1Q02 vs 1Q01)
- ⇒ Commercial initiatives starting to pay:
 - x2 contract net adds 2Q02 vs 1Q02
 - 22% y-o-y data ARPU growth
- ⇒ 47% y-o-y SAC+SRC reduction

* Excluding acquisitions and changes in consolidation to fiscal accounts and forex.

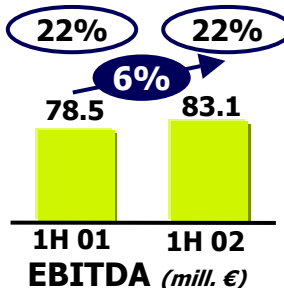
DATA BUSINESS: FOCUSING ON OPERATING FCF

TELEFONICA DATA GROUP



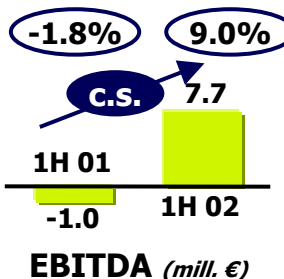
... DRIVING EBITDA IN INCUMBENT OPERATIONS

T. DATA SPAIN



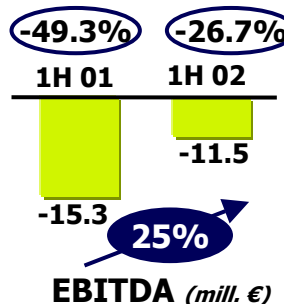
- ⇒ Hosting services (5% of Revenues, +81% yoy growth)
- ⇒ OpFCF(*) y-o-y growth of 148% from 30% in 1Q02

T. DATA BRAZIL



- ⇒ Investing for future growth (26% of 1H01 T. Data Capex)
- ⇒ Current Revenue growth (+56% in €, +77% in Reais) leveraged on ADSL (more than 100% growth in installed plant)

T. DATA INTERNATIONAL



- ⇒ Focus on cost-cutting and efficiency initiatives in Staff and International areas
- ⇒ Weakness on Global Corp. Services partially offset by positive wholesale performance

(*) OpFCF= EBITDA-Capex

NET FINANCIAL EXPENSES (*)

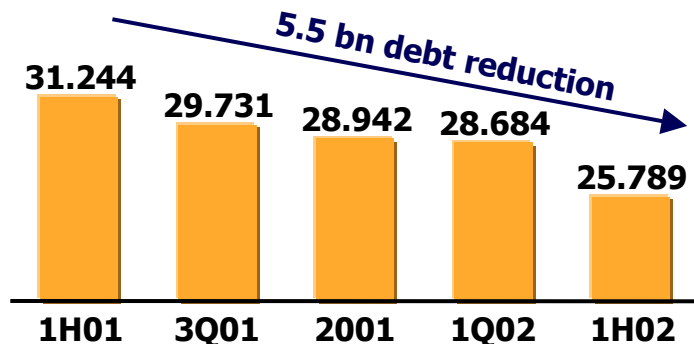
Euros in millions	Jun02	Jun01	% Change
Debt financial expense	(874.8)	(1,109.8)	(21.2%)
Other financial expenses	(20.9)	(28.6)	(26.9%)
Financial Income	185.8	235.4	(21.1%)
Net interest	(709.9)	(903.1)	(21.4%)
Financial provisions and net forex (1)	(899.0)	(23.7)	n.m.
Net financial results	(1,608.9)	(926.8)	73.6%
Net financial results excluding ARS devaluation	(929.4)	(926.8)	0.3%

(*) Global consolidation

(1) Non cash

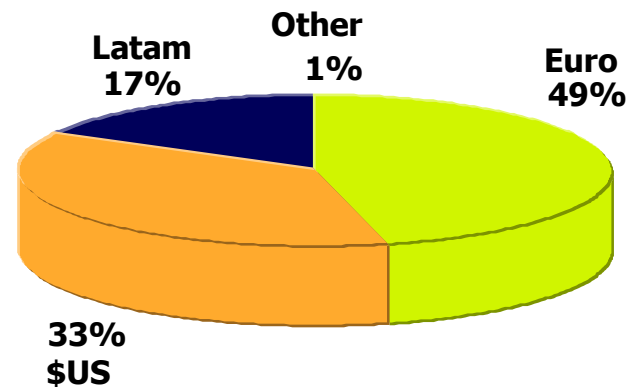
DEBT MANAGEMENT: STRONG CREDIT PROFILE

CONSISTENT DEBT REDUCTION AT THE GROUP LEVEL (CONSOLIDATED DEBT. € IN MM)



Ability to repay debt in 5 years with free funds *

DEBT BREAKDOWN BY CURRENCY



⇒ 2002 FUNDING NEEDS LARGELY COVERED BEFORE ASSET SALES

⇒ EXCLUDING ARGENTINA, EXTERNAL US\$ DEBT OF LATIN AMERICAN SUBSIDIARIES IS FULLY HEDGE

* EBITDA - Capex - Interest - Taxes - Working Capital & Others

SENIOR MANAGEMENT REORGANIZATION

- ⇒ **Mr. Luis Lada appointed General Manager of Corporate Strategy and Regulation, including Regulation, Corporate Strategy, Corporate Development and Institutional Relations departments.**
- ⇒ **Mr. Antonio Viana-Baptista will be proposed to the Telefónica Móviles Board of Directors as CEO of Telefónica Móviles**
- ⇒ **Mr. José María Álvarez-Pallete has become new CEO of Telefónica Latinoamérica**
- ⇒ **Mr. Santiago Fernández Valbuena has been appointed as CFO of Telefónica Group**

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