EUROPEAN TELECOMS FORUM

ODDO PINATTON

EQUITIES

Francisco Blanco

Deputy General Manager, Head of Investor Relations

Paris, September 21st, 2001

Telefónica

Safe Harbour

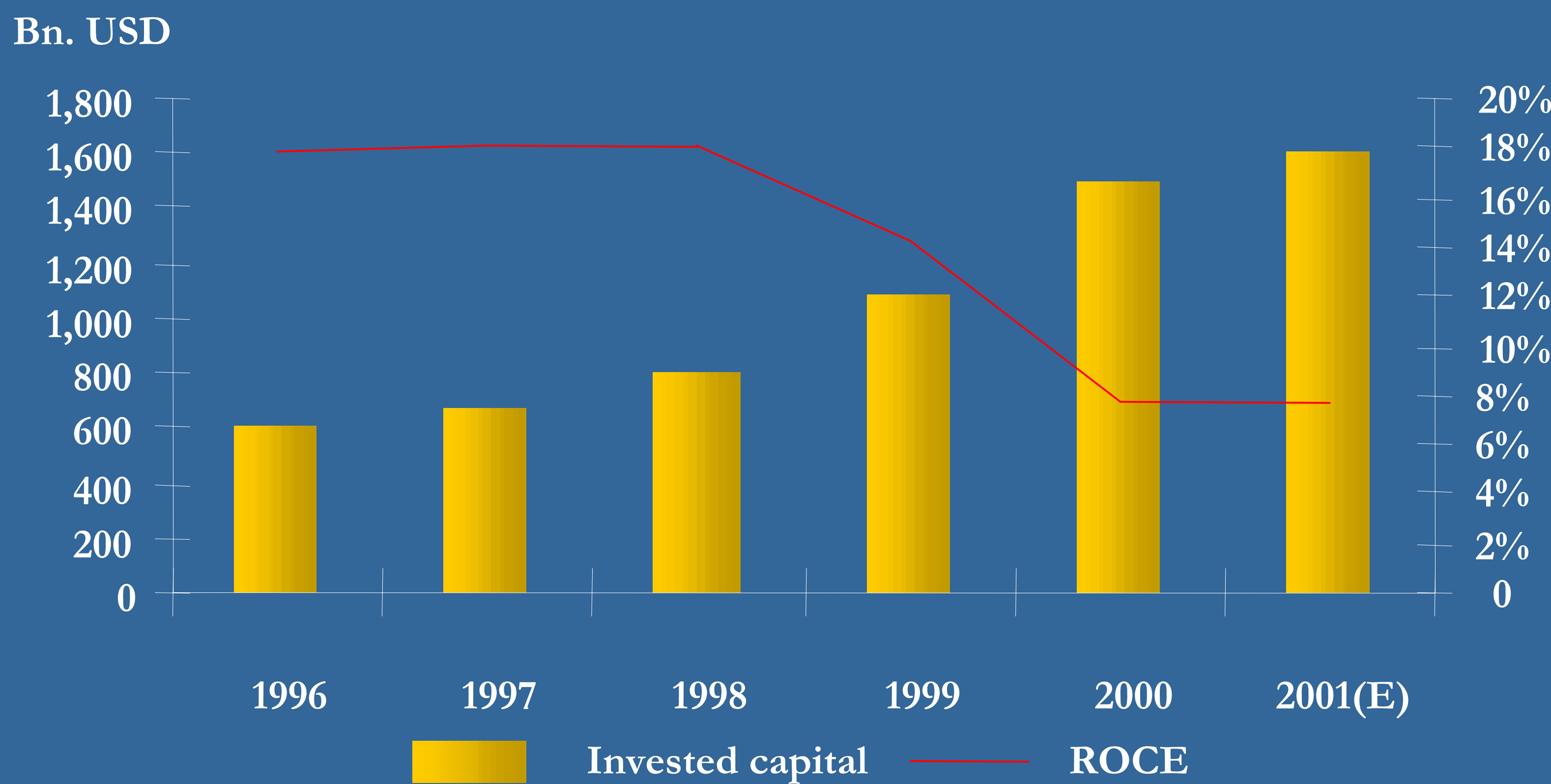
This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of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

INDEX

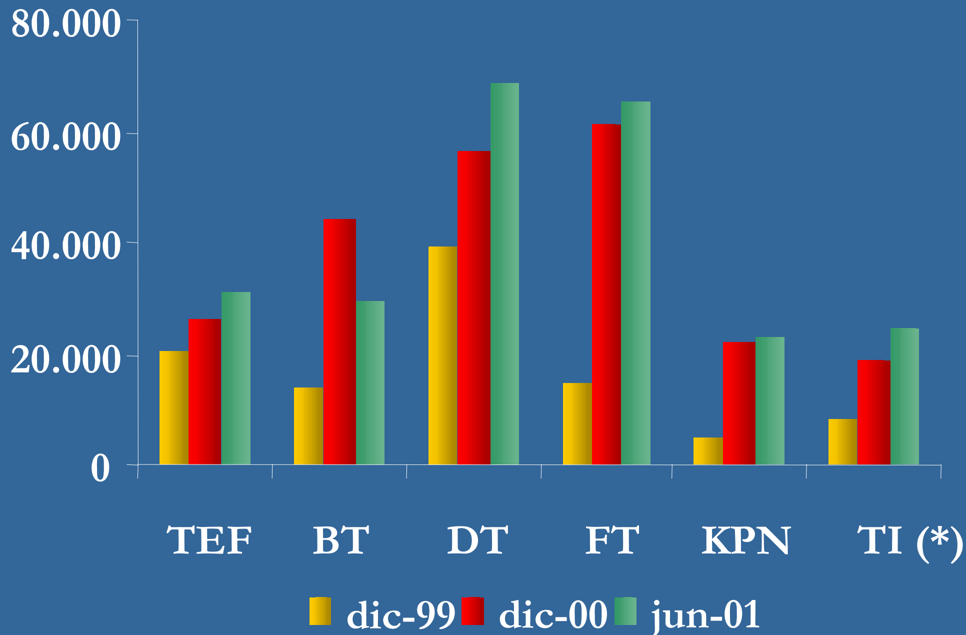
INVESTED CAPITAL vs RETURNS IN TELECOMS



- ✓ Increasing concern on returns over invested capital
- ✓ Increasing cost of capital (lower cost of debt vs higher equity risk premium)
- ✓ Different investment cases across the sector

FUNDING DILEMMA: DEBT OR EQUITY

Net Debt (MM Euros)

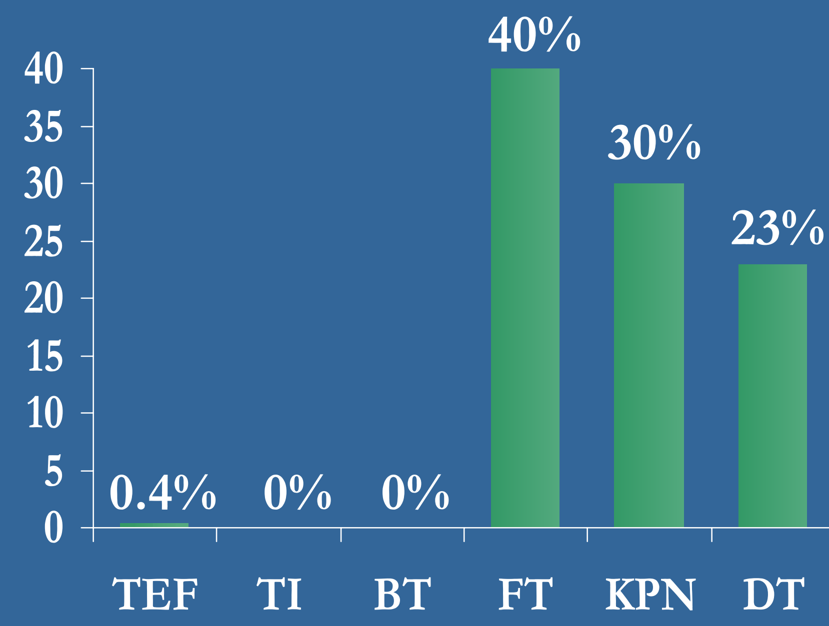


	TEF	TI	BT	FT	KPN	DT
Net debt/ MKT.CAP	65%	58%	62%	202%	665%	110%

(*) Excluding Olivetti´s debt

Reported net debt as of June 01 and market cap as of 19 September 2001

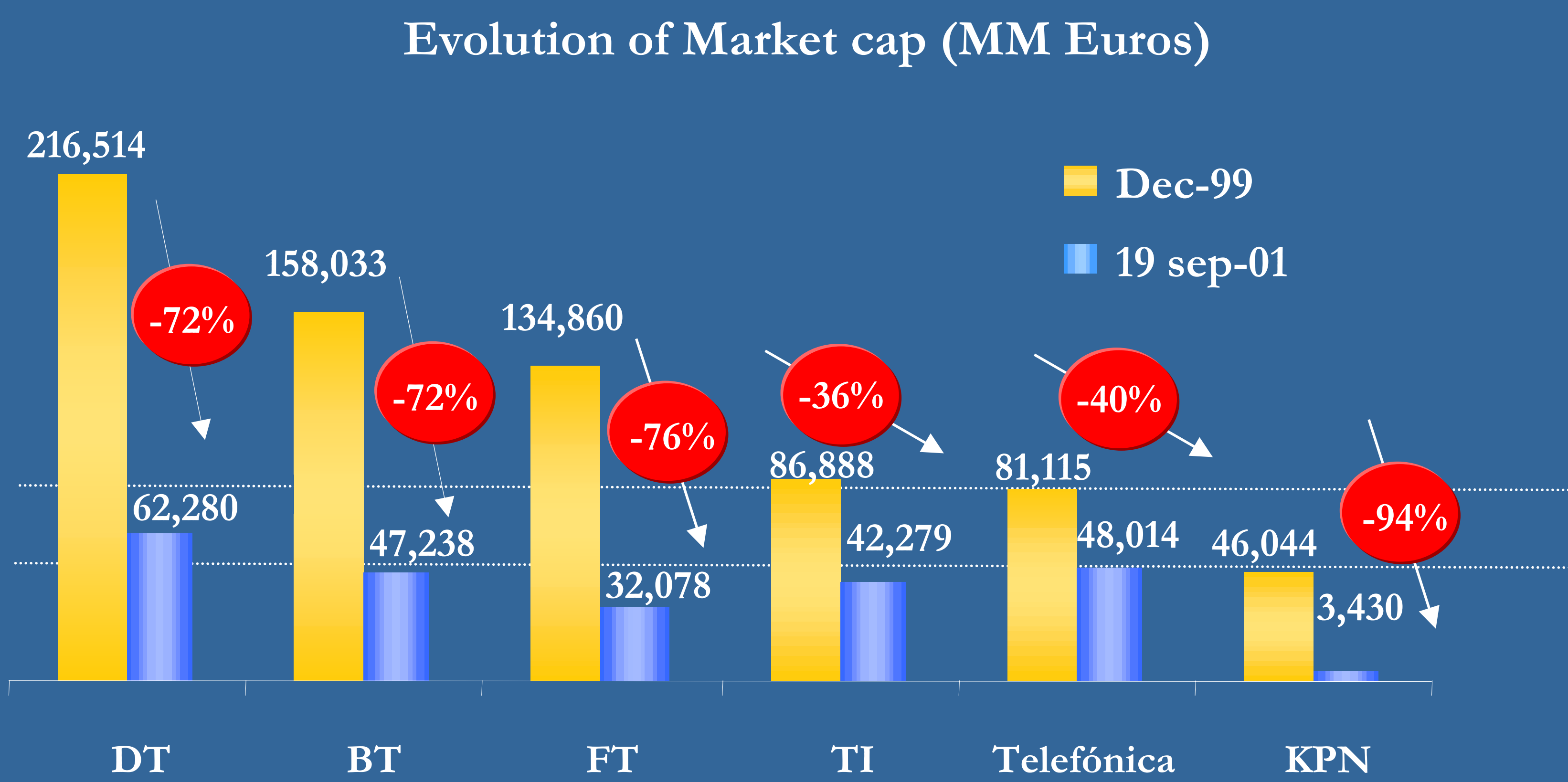
Maximum estimated overhang on total free float



Source: Credit Suisse First Borton, 30 August 2001

	TEF	TI	BT	FT	KPN	DT
Gov. stake	0%	3%	0%	55.7%	34.7%	43%

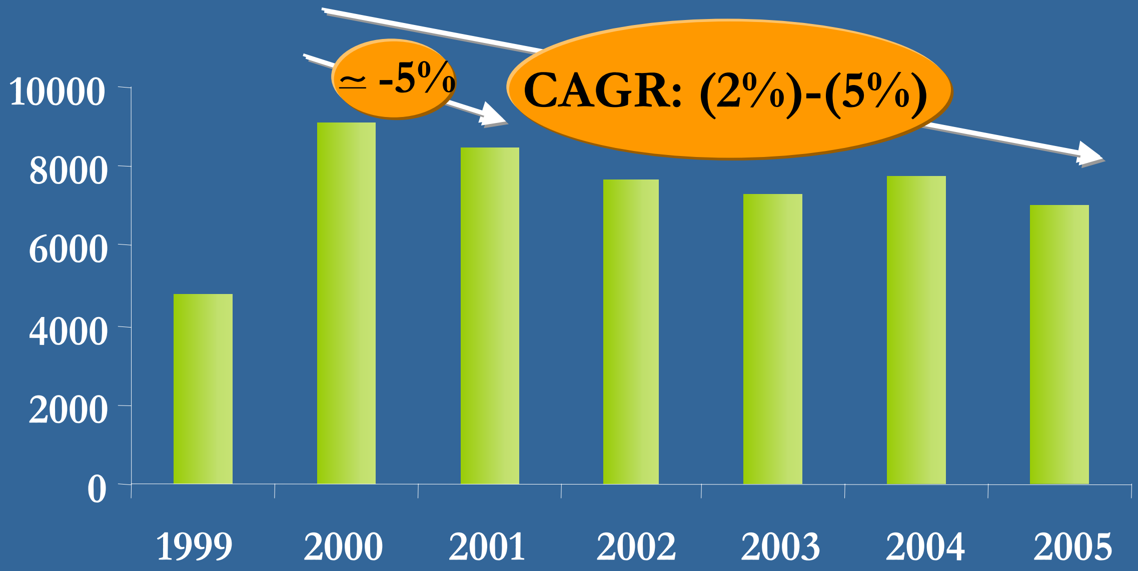
QUALITY BALANCE SHEET vs MARKET CAP. PERFORMANCE



✓ Best rated company within the sector (S&P and Moody's)

PROACTIVE MANAGEMENT OF INVESTED CAPITAL

REDUCING CAPEX



Target 2005:
15%-17% of revenues

- ✓ Decreasing CAPEX: around - 5% CAGR in the period 2000-2005
- ✓ TESA: Reviewed upwards for the period 2000-2005 due to the aggressive broadband roll out in Spain, but below 20% over revenues on a long term basis
- ✓ T.Móviles: Lower than expected due to network sharing agreements and UMTS delay.
- ✓ T.Latam: Peak in 2000. Decreasing significantly to levels close to 12% of revenues in 2005

PROACTIVE MANAGEMENT OF INVESTED CAPITAL
NEW ACTIONS IN PLACE

NON-CORE ASSET DISPOSALS

- ✓ 5% in Pearson
- ✓ 14% in Infonet
- ✓ Selected T. Media assets (Hispasat, TyC, Azul Tv)

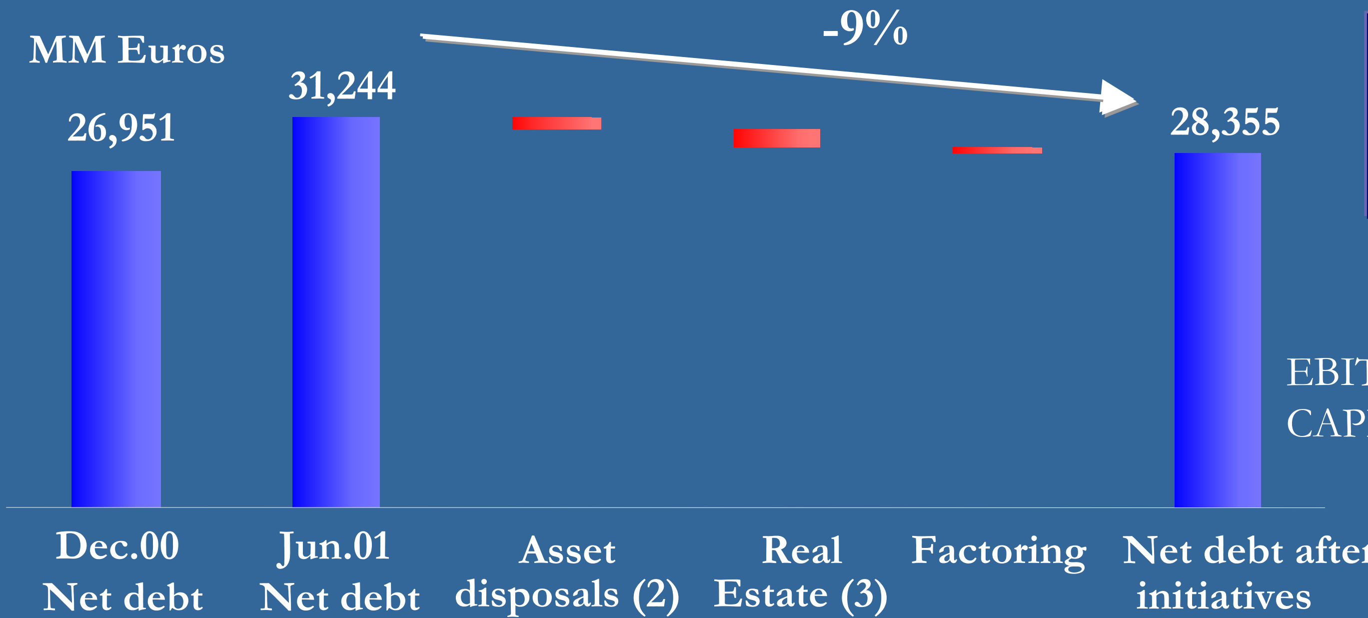
REAL ESTATE INITIATIVES

- ✓ First private owner in our natural markets
- ✓ Business Unit set up to unlock between 3 and 5 Bn. Euros of value
- ✓ Program for efficient management of space and orderly sale process

FACTORING

- ✓ 25% of Spanish fixed + mobile receivables: 550 MM Euros
- ✓ 85% non-recourse

PROACTIVE MANAGEMENT OF INVESTED CAPITAL COMMITTED TO DELEVERAGE OUR BALANCE SHEET



+option to use operating FCF >2 Bn Euros 2000 (1)

EBITDA CAGR 00-05: +9%-12%
CAPEX CAGR 00-05: (2%)-(5%)

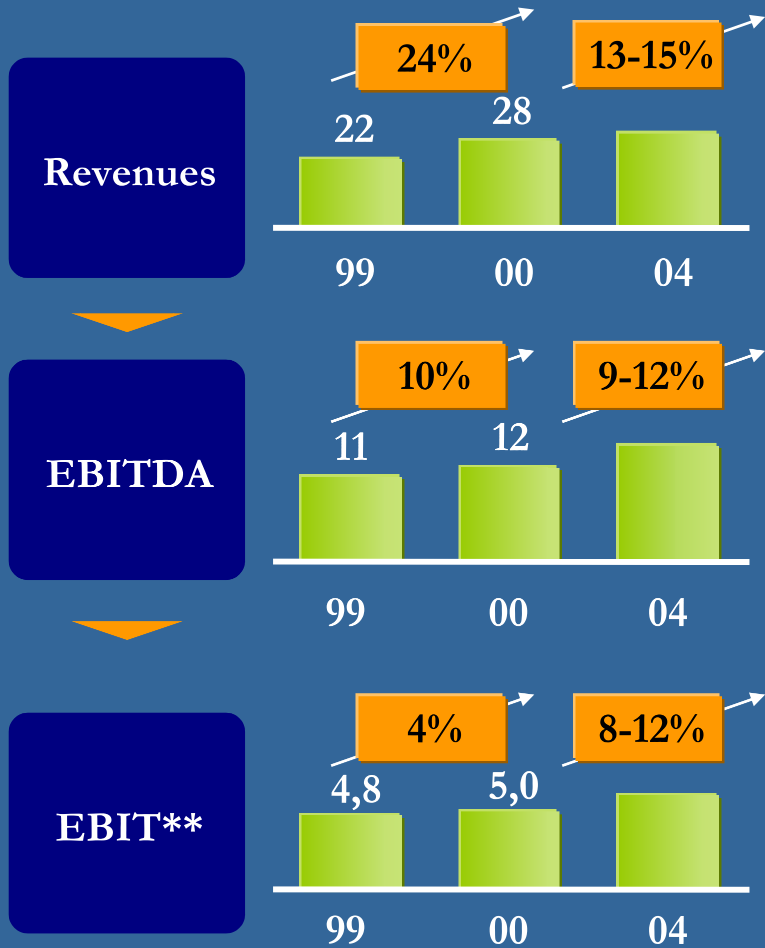
	December 00	June 01	Ratio after initiatives
Net Debt/EBITDA	2.26	2.40	2.18

Excluding effects of exchange rates fluctuations
(1) Excluding Intangible assets and LT financial Investments
(2) Excluding non quoted subsidiaries
(3) Funds raised net of the PV of future rents

BENEFITS FROM AN INTEGRATED BUSINESS STRUCTURE

- ✓ Promote cross selling activities within the Group
- ✓ Efficiency on shared services centers: expected NPV of 960 million Euros
- ✓ Efficiency in logistics: personnel, warehouses, and inventories
- ✓ Integrate billing & customer care systems for all wireline businesses in Latam
- ✓ Increase efficiency in cash management
- ✓ Internal financial circuit to reduce funding costs and to potential impact of currency devaluations

ASSURING GROWTH AND QUALITY OF THE P&L (*):



✓ Increasing growth in traditional business through new services and products

✓ Increasing positive performance of start-up businesses

✓ Efficiency

✓ Cost control policy

✓ Materializing synergies

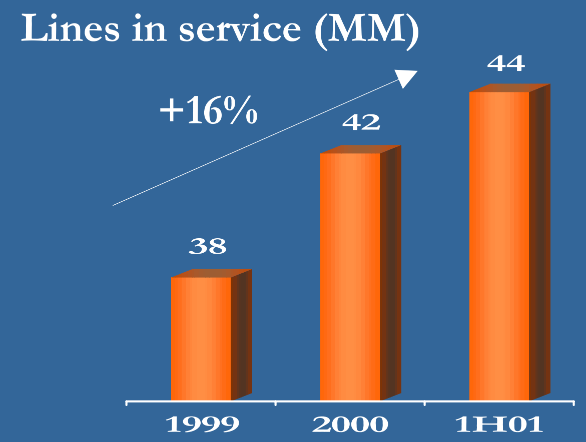
✓ Asset turnover

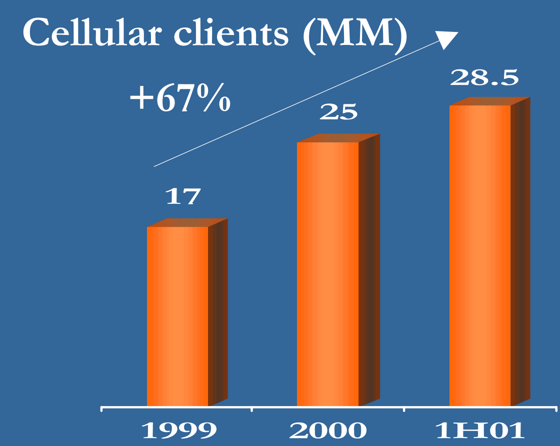
✓ Reducing CAPEX

✓ Reducing invested capital

* Data in millions of Euro., considering constant currency
** Excluding amortization of goodwill

OUR STRATEGY: FOCUS ON CLIENT NEEDS





✓ Leverage our position in our natural markets (Latam)

✓ Take advantage of new interactive communication channels (broadband)

100 MM clients in 2004

MEDIA-DRIVEN APPLICATIONS: THE VALUE CHAIN

- ✓ Multiplatform businesses
- ✓ Promotion power
- ✓ Financial flexibility

Telefónica endemol

- ✓ Presence in 19 countries
- ✓ 419 formats in its catalog
- ✓ 6,000 content creators

MEDIA-DRIVEN APPLICATIONS

TV/iTV	MOBILE-GPRS/UMTS	INTERNET-DSL
Antena 3, Vía Digital, Telefe	Telefónica Móviles, iobox, terra mobile	TPI, terra lycos, Telefónica Net

SOLID POSITION ACROSS THE BROADBAND VALUE CHAIN

ACCESS	BACKBONE	CONTENT
TRANSPORT		APPLICATIONS & SERVICES
Telefónica Wireline in Spain; Telefónica Wireline in Latam; Telefónica Data	Telefónica Wireline in Spain; Telefónica Wireline in Latam; Telefónica Data; emergia	terra lycos; Telefónica Media; TPI

ACCESS

- ✓ 20.6 million lines in Spain
- ✓ 20.9 million lines in Latam
- ✓ 3 million Km of optical fibre in Spain and Latam
- ✓ 90% market share of corporate customers where we are incumbents

BACKBONE

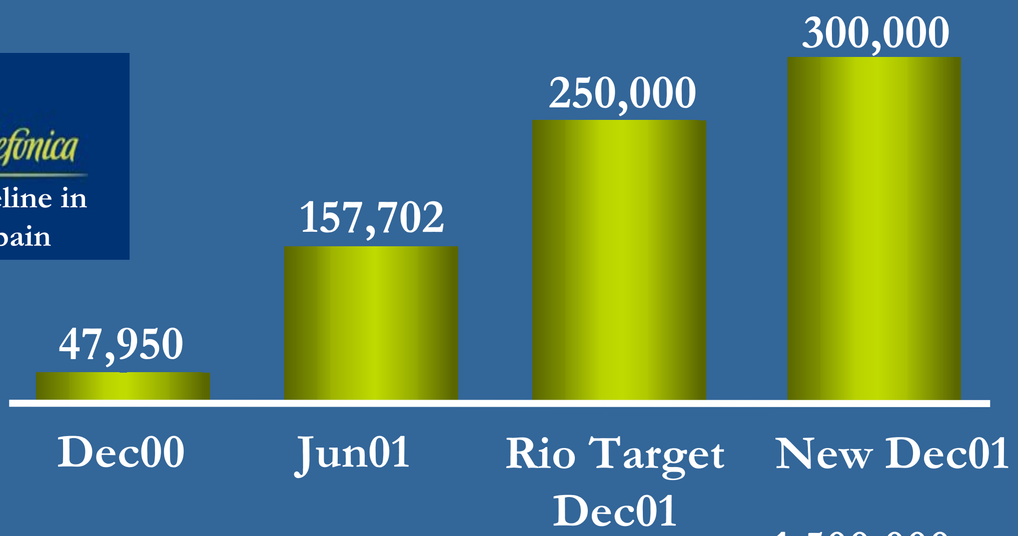
- ✓ Emergia's 25,000 Km optical fibre network with 40 Gbps capacity scalable to 1.92 Tbps
- ✓ Spanish IP network with 170,000 switched ports and 7 Gbps transport capacity
- ✓ 67% of Spanish homes with fibre to the curb
- ✓ 10 Internet Data Centers

CONTENT

- ✓ Over 4.3 million Internet clients
- ✓ 460 Mill. Terra-Lycos average daily page views in June 01
- ✓ More than 600,000 directory business SME unique customer
- ✓ Endemol as the first TV producer worldwide with more than 419 formats

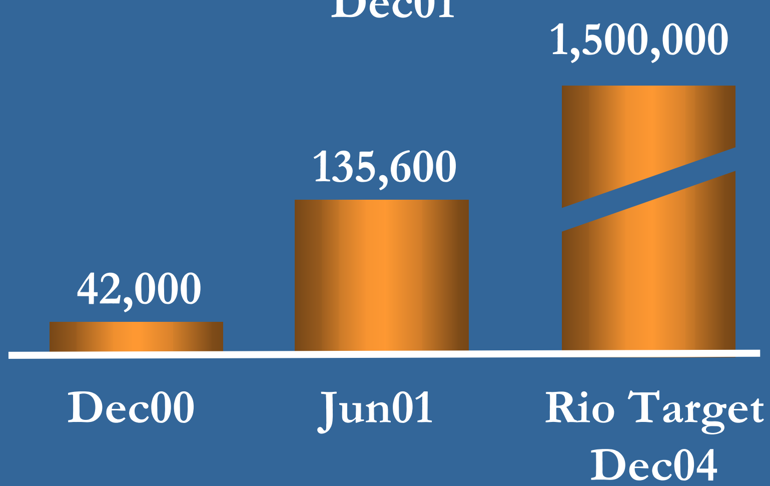
ACCESS: FAST DEPLOYMENT OF OUR ADSL COMMITMENTS

Wireline in Spain



- ✓ Up to 1,800 ADSL lines installed daily
- ✓ ADSL over ISDN and plug & play launched
- ✓ Penetration of 1%, ahead of its peers in Europe

Wireline in Latam

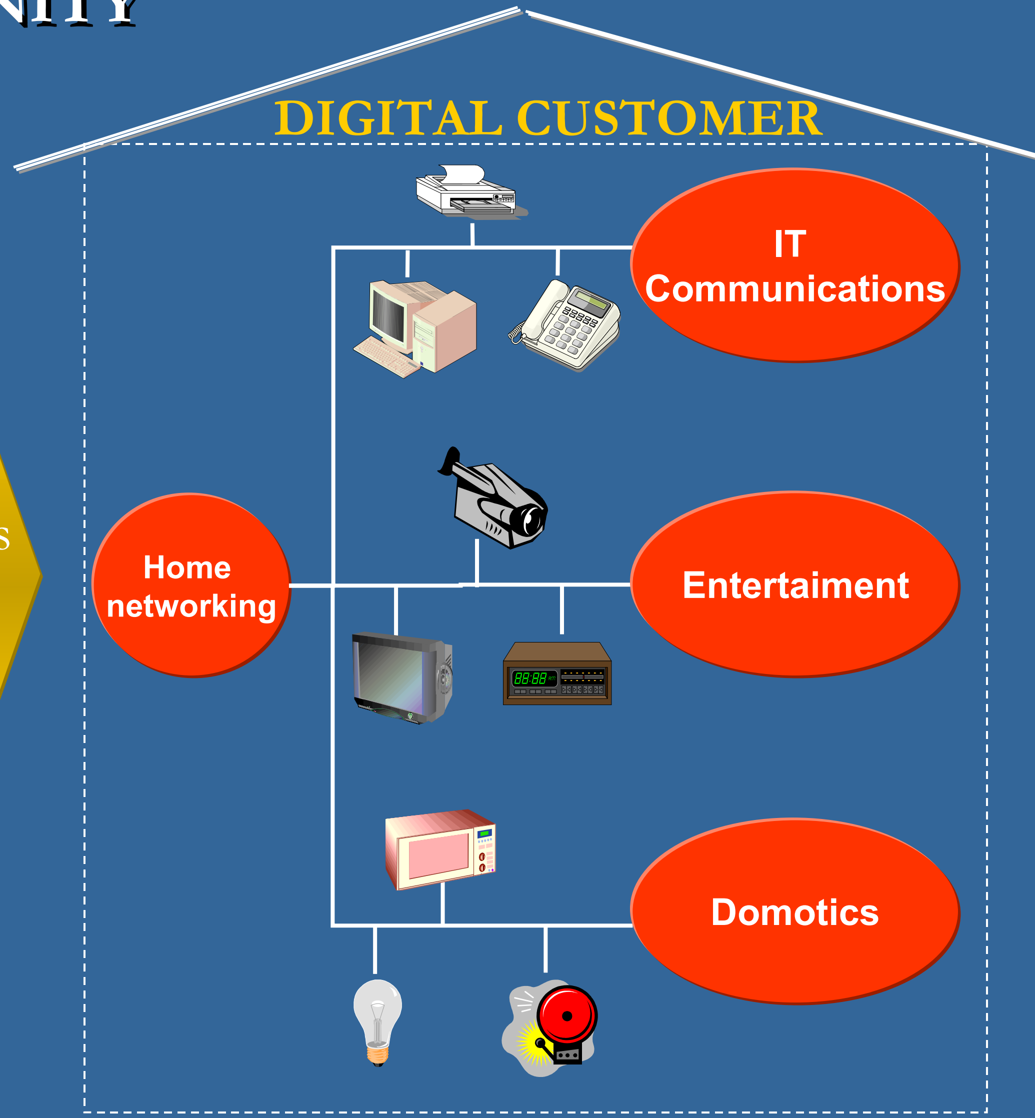


- ✓ 21% increase on ADSL lines Jul01 over Jun01 in Telesp

✓ 70% of ADSL coverage reached for 40 million lines in Telefónica Group

ADSL CREATES THE DIGITAL CUSTOMER BUSINESS OPPORTUNITY

ADSL provides interactivity



Video download
Audio download
Unified messaging
Interactive games
IP videoconference

TV channels
Video on-demand
e-commerce
interactive adds

Internal comms.
security
comfort

BROADBAND CONTENT FACTORY: BEYOND CONNECTIVITY

Broadband portal based on our content factory…

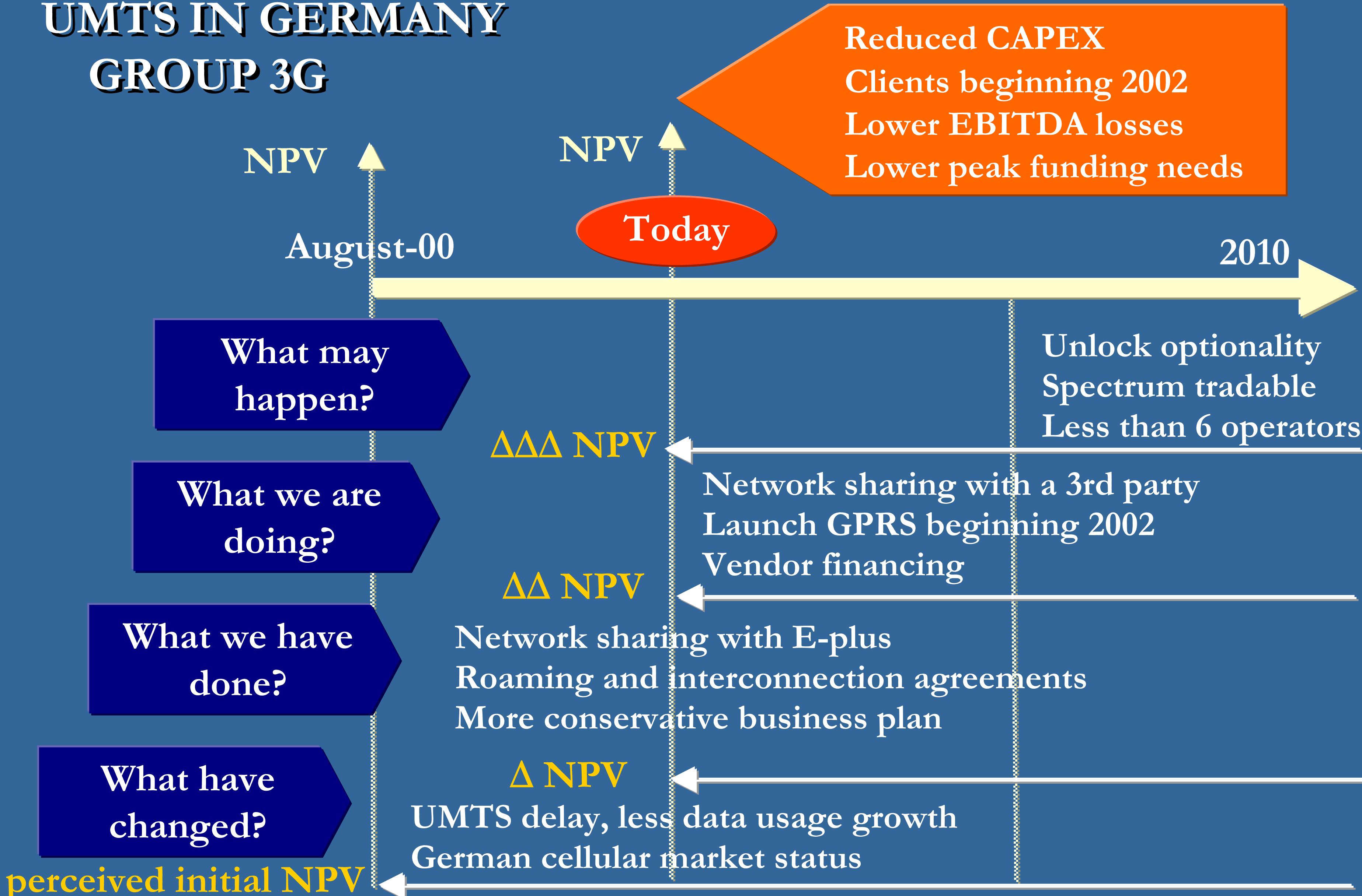
…easily scalable to natural markets…. …with other content and formats

3.- STRATEGY: BROADBAND CONTENT

BROADBAND CONTENT FACTORY

BROADBAND FORMATS

UMTS IN GERMANY
GROUP 3G



LATIN AMERICA: PROVEN EXPERTISE

TeleSP (acquisition in Aug´ 98)
3 year management

	As of take over	As of 06/30/01	% Change
• LIS ('000)	6.407	12.006	87%
• Lines per employee	338	979	190%
• Avg. Waiting time (months)	105	2	-98%
• EBITDA ($US MM)	2,046	2,213 (1)	8%
• EBITDA margin (2)	58%	64%	6 p.p.

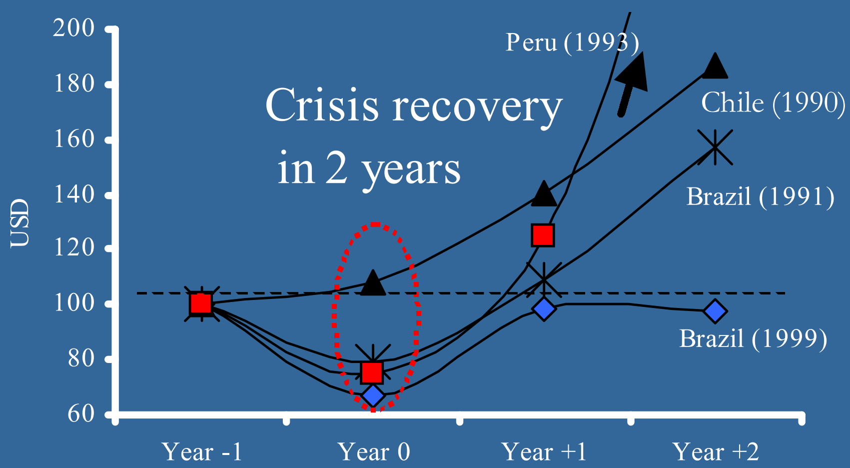
TASA (acquisition in Nov´ 90)
11 year management

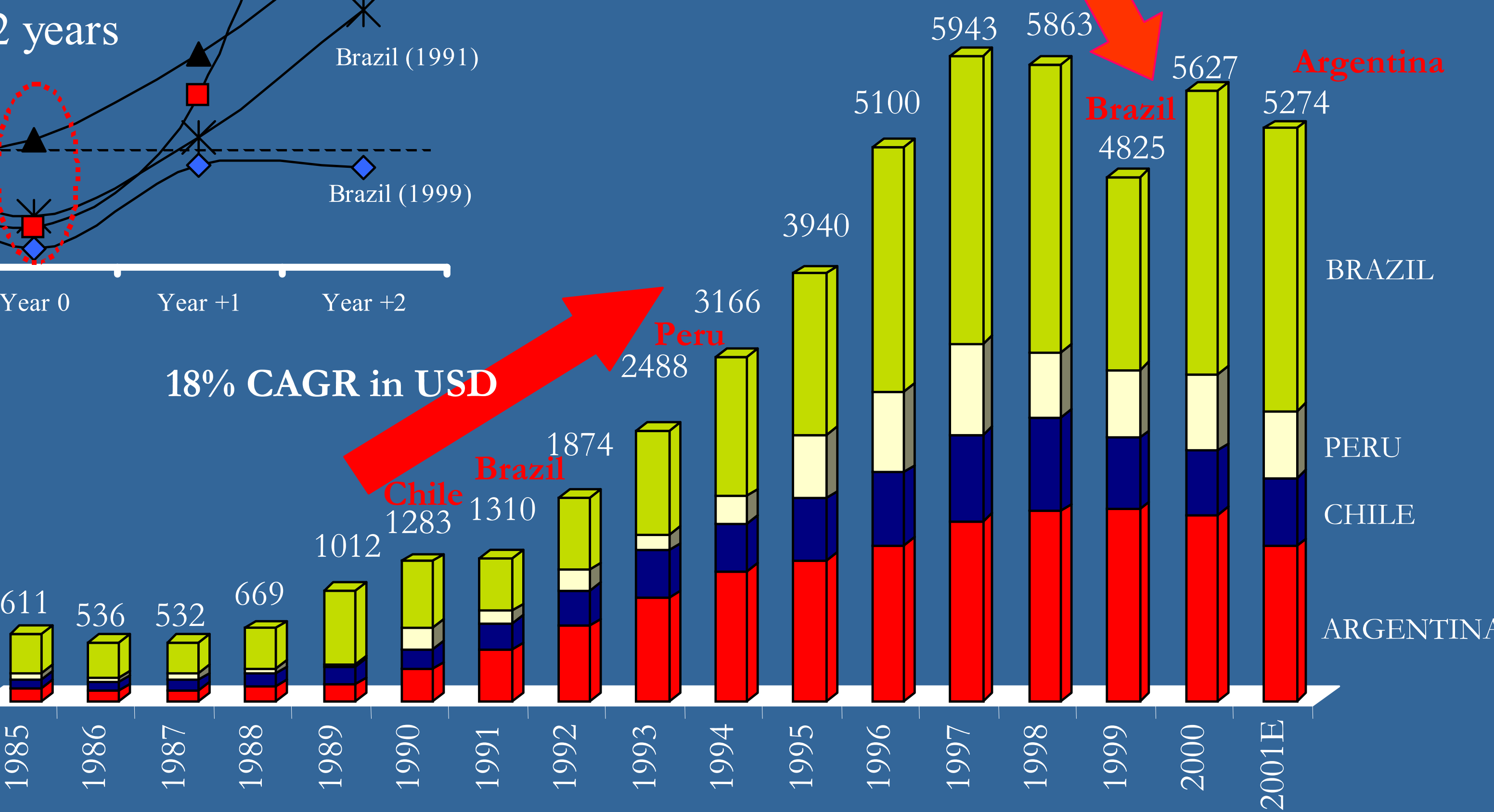
	As of take over	As of 06/30/01	% Change
• LIS ('000)	1.696	4.450	162%
• Lines per employee	78	504	546%
• Avg. Waiting time (months)	49	0.3	n.m.
• EBITDA ($US MM)	1,389	3,613 (1)	160%
• EBITDA margin	38%	53%	15 p.p.

(1)Latest FY.
(2)Net of interconnection

SKILLED TEAMS WITH UNIQUE TRACK RECORD ON TAKE OVERS

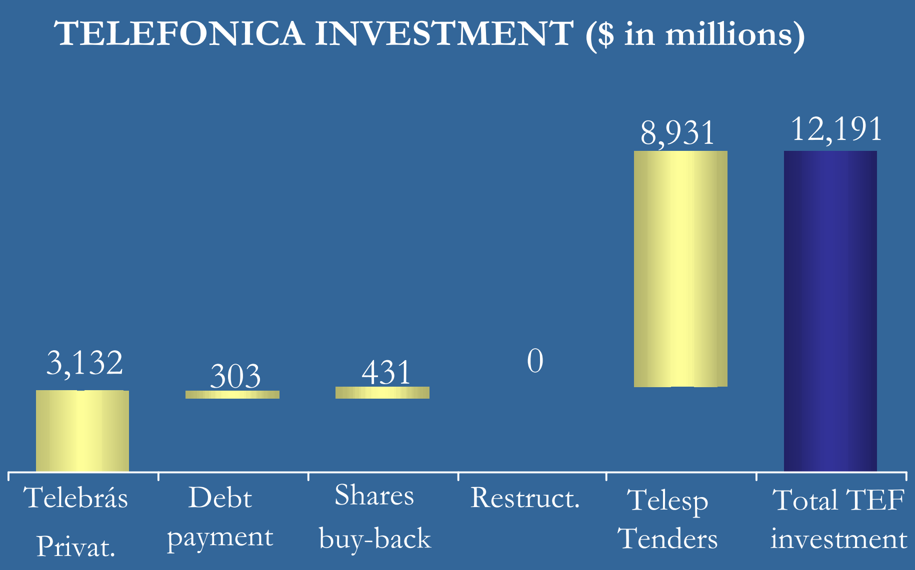
LATAM WORST YEAR EQUIVALENT TO LOSING 1 YEAR OF AVERAGE GROWTH

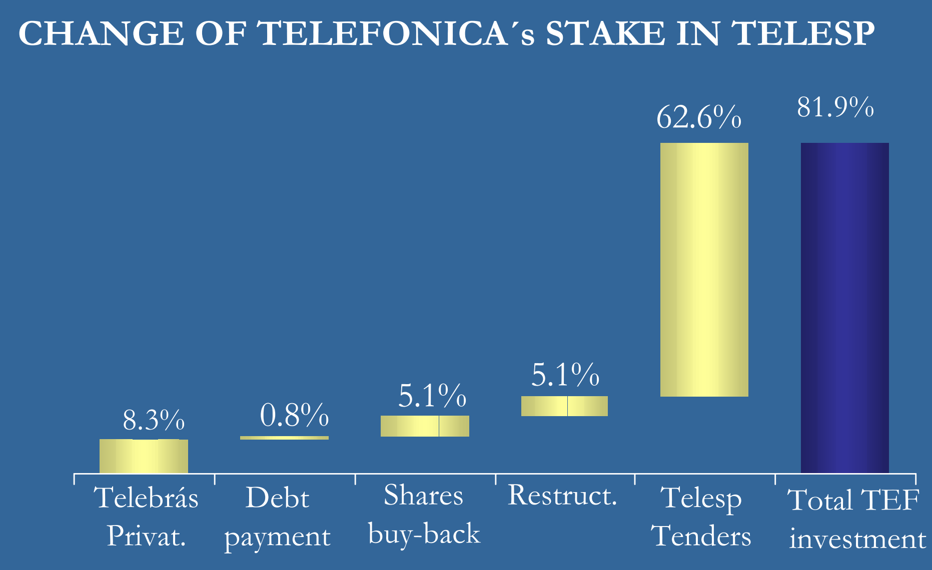




Proxy for EBITDA in million USD from main LatAm subsidiaries
2001E: 1H01 multiplied by 2

MANAGING ACQUISITION COSTS: THE TELESP CASE





- ✓ **Multiplying our stake by 10x while increasing our total investment by just 4x**
- ✓ **Reducing implied FV/EBITDA: from 18x to 8x**
- ✓ **Reducing avg. price per 1,000 shares: from 77 $US to 30 $US**

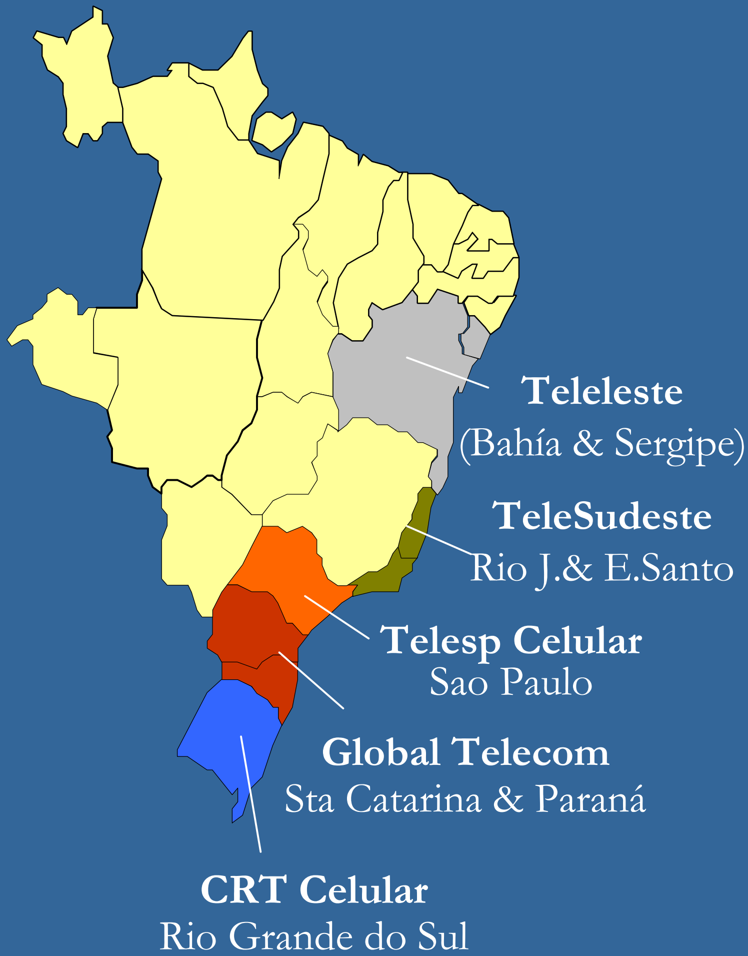
OPENING NEW GROWTH OPPORTUNITIES: BRAZIL 2002

BUSINESS OPPORTUNITIES	COMPETITIVE POSITION
Creation of a leading Long Distance Carrier	12 Million LIS Sao Paulo: 40% of DLD+ILD Telesp: >80% Intra-State mkt. share
Developing data & VAS businesses to corporations	Sao Paulo: 80% of top 250 corporations 90% of those serviced by Telesp Itaú national data network acquired (4,000 POPs)
Complete Brazilian broadband network	Capacity swaps through Emergia Group bandwith needs

- ✓ Tap a 10 Bn. Euros market
- ✓ Leverage Group position

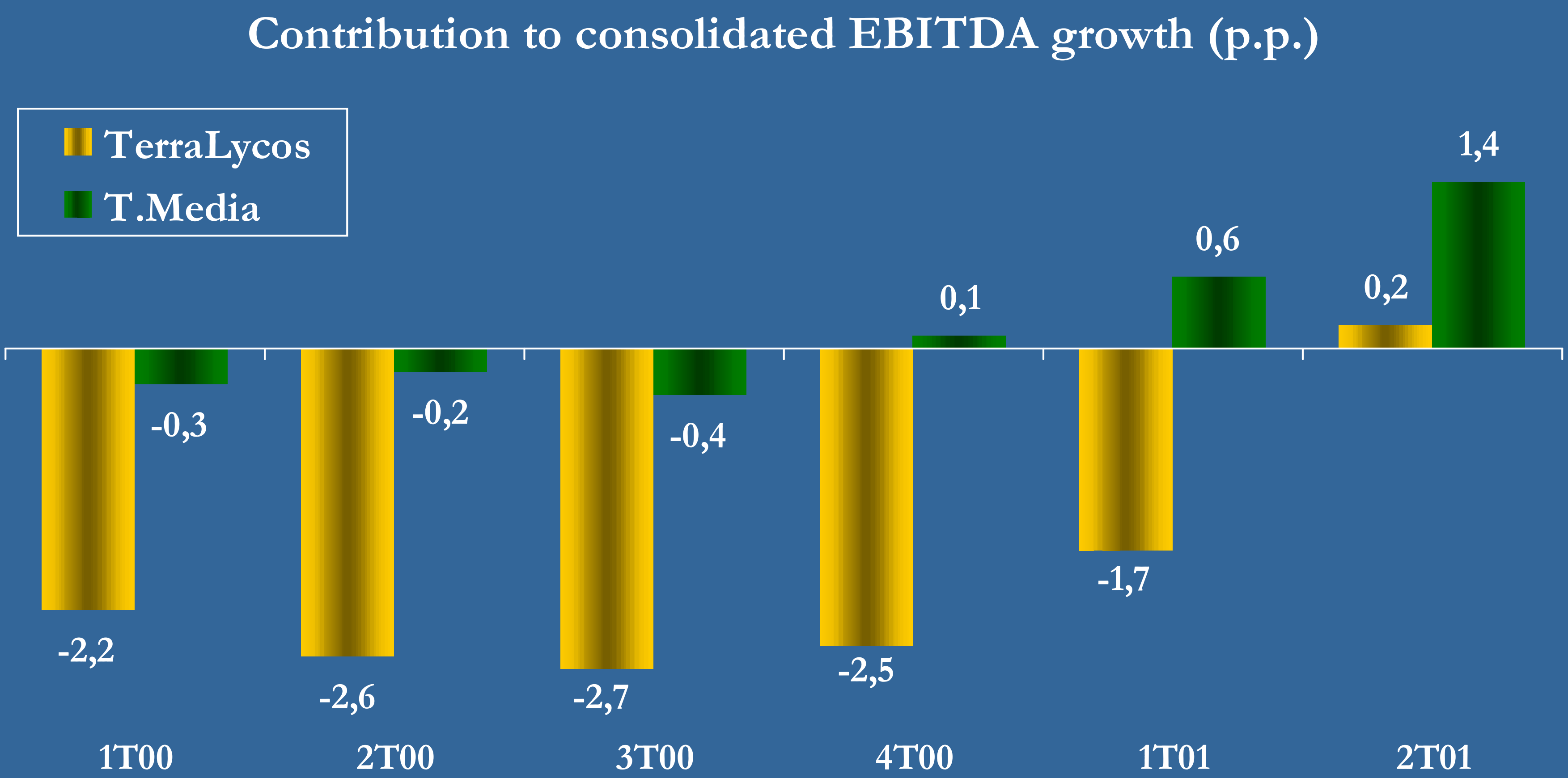
- ✓ Marginal CAPEX
- ✓ EBITDA>0 from year one

OPENING NEW GROWTH OPPORTUNITIES: JV WITH PT



- ✓ 10.3 MM controlled customers as of 06/30/01
- ✓ Potential market over 95 MM POPs (56% of Brazil)
- ✓ 60% market share in areas of operation
- ✓ Leadership in 5 of the 6 richest areas in Brazil (71% of GDP)
- ✓ Unique cellular player operating in Sao Paulo and Rio de Janeiro
- ✓ 2000 aggregated revenues: 3 Bn $US
- ✓ 2000 aggregated EBITDA: 890 MM $US

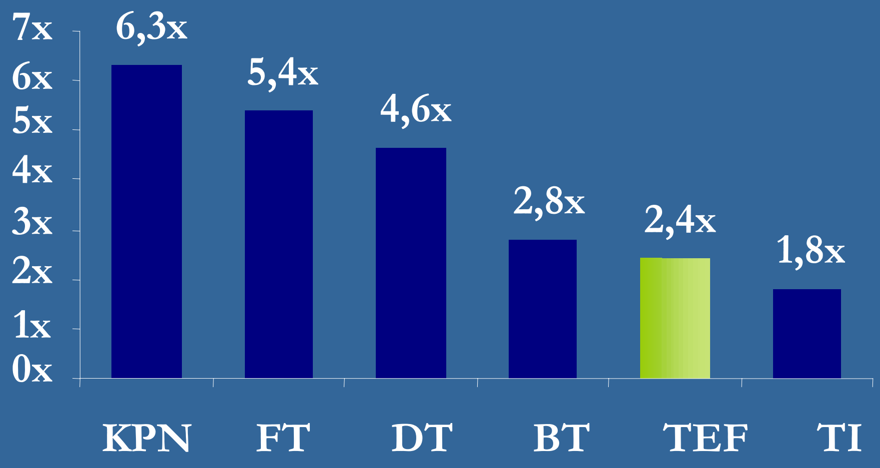
START-UP BUSINESSES



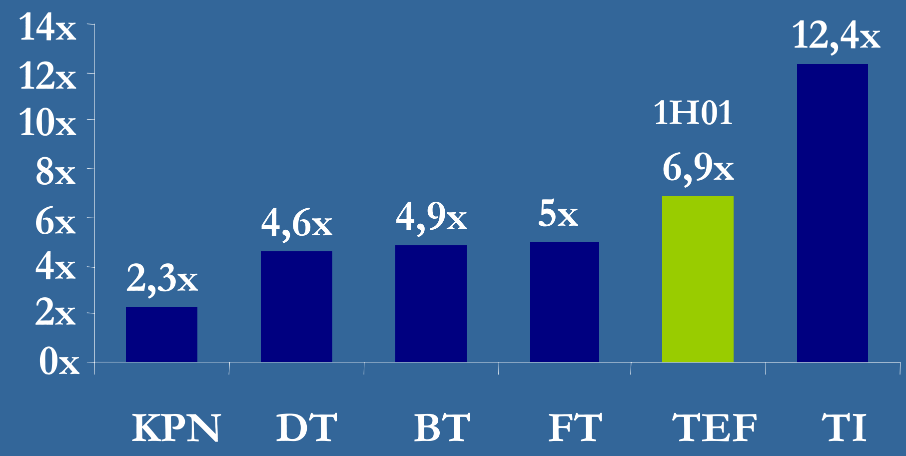
- Acquisitions and improved management practices have enabled Terra Lycos and T. Media to positively contribute to consolidated EBITDA growth

FINANCIAL STRENGTH: PEER COMPARISON

Net Debt / EBITDA 01E

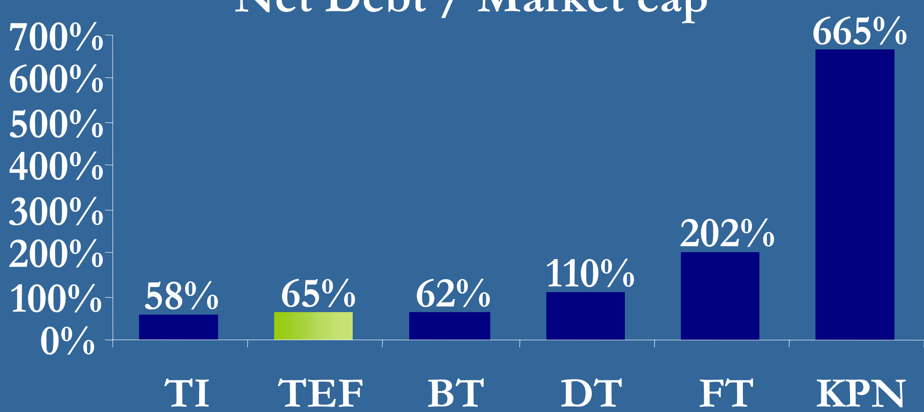


EBITDA 01E / Net Interest Expense



Source: Salomon Smith Barney

Net Debt / Market cap

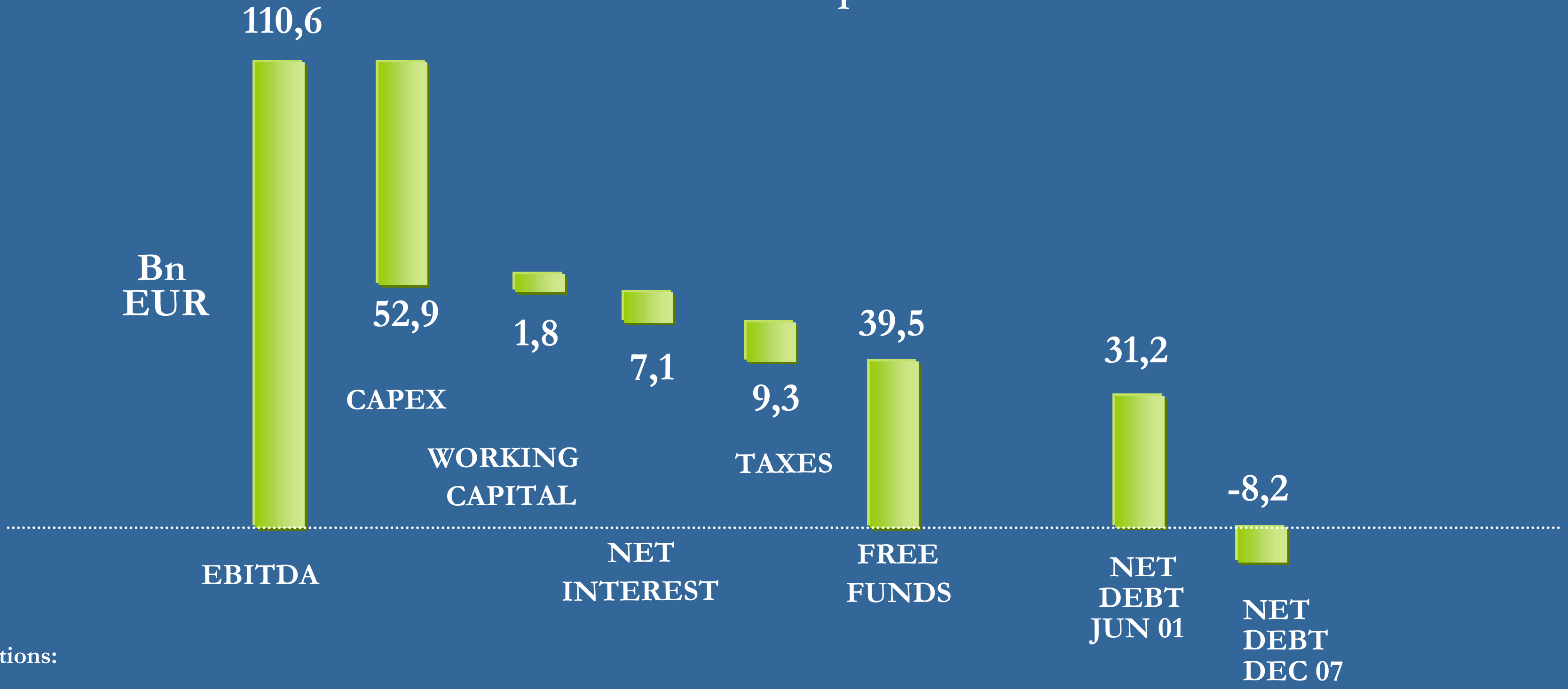


Source: Net debt as of June 2001, EBITDA 01e from consensus estimates (Goldman Sachs, JP Morgan, MSDW, Lehman Brothers, SBC Warburg)

TELEFÓNICA COULD PAY OFF ITS DEBT IN LESS THAN 6 YEARS

✓ Cash flow generation capacity would allow fully debt repayment before current average maturity (5.9 years).

Cumulative Cash Flows in period 2H01-07



Assumptions:

- EBITDA: 9%annual growth
- Capex: Average of analysts forecasts *(recent reports by Lehman Brothers, Merril Lynch, Credit Suisse and BSCH)*
- Working capital requirements: 20% of EBITDA increase,effective tax rate of 30%, and average debt cost estimated from current market interest and FX rates
- Net debt as of Dec 07 would be around 0.9 bn EUR higher if assumption about average debt cost increases by 100 bp.

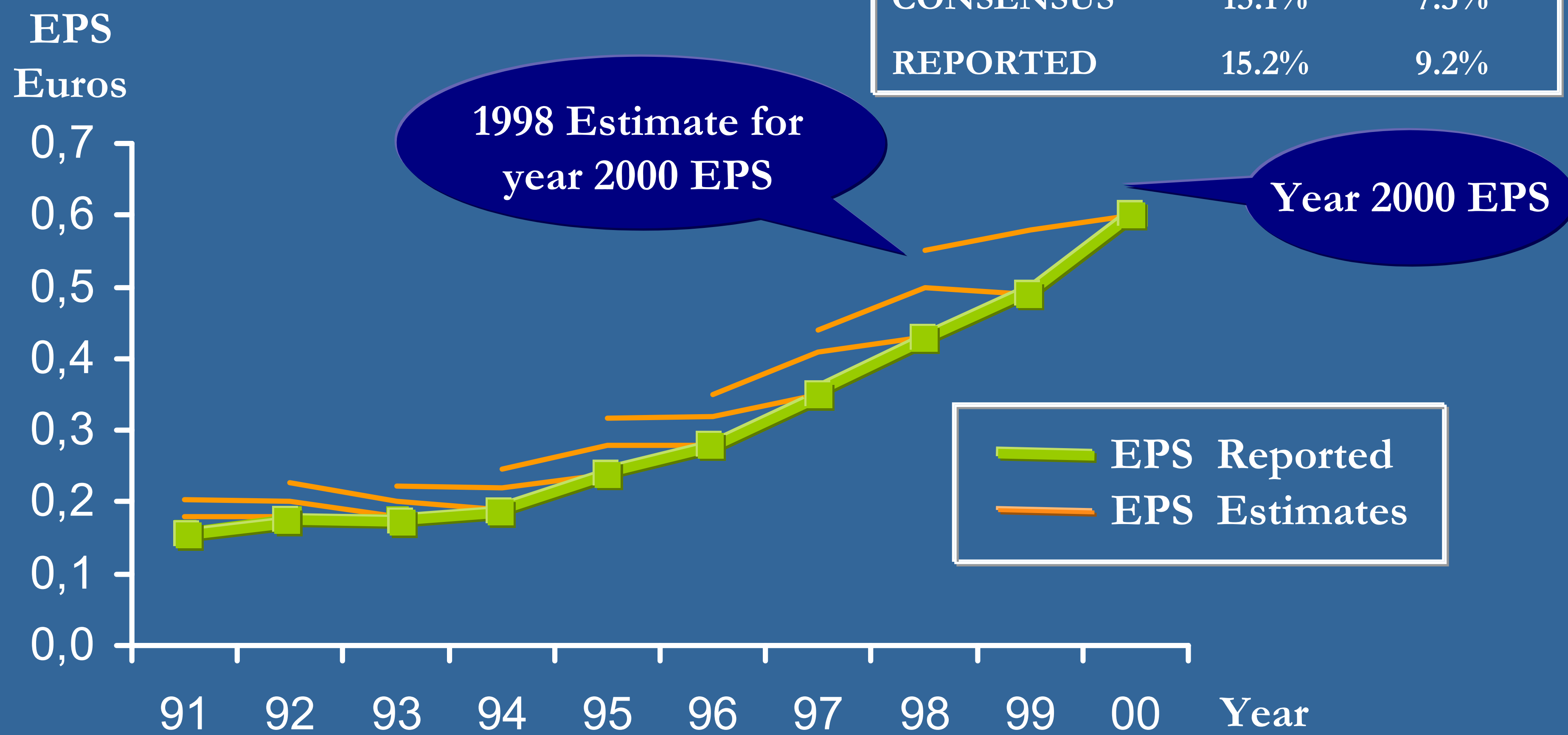
STRONG FINANCIAL PERFORMANCE

Million Euros	2000	% change	1H01	% change
Revenues	28,485.5	24.1	15,302	15.2
EBITDA	11,918.8	9.5	6,356.6	9.2
EBIT	4,958.0	3.8	2,737.9	8.5
Reported Net inc.	2,504.8	38.8	1,148.6	16.1
Net inc. excl. Goodwill (*)	3,005.4	50.3	1,631.8	41.6
EPS excl. Goodwill (*)	0.81	28.3	0.36	7.6

(*) Consolidated goodwill.

… ONCE AGAIN DELIVERING RESULTS IN LINE WITH ANALYSTS' ESTIMATES …

RESULTS 1H01	%REV CHANGE	%EBITDA CHANGE
CONSENSUS	15.1%	7.3%
REPORTED	15.2%	9.2%



SOURCE: DATASTREAM

CONCLUSIONS

OUR STRENGTH

OPTIONALITY

- ✓ The only telco with all options open
- ✓ Our future returns are not jeopardized by short term debt repayment
- ✓ Strategic flexibility: currencies, horizontal organization, diversification

OUR COMMITMENT

FINANCIAL DISCIPLINE

- ✓ Monitoring additions to Invested Capital
- ✓ Capital allocation based on profitability
- ✓ Keep a balance between average Debt maturity and time to pay back debt with FCF

Telefonica