

The top half of the slide features a background of wood grain with concentric growth rings, transitioning from light tan to dark brown.

Second Investor Conference

March, 2002, Seville

The logo for Telefonica Data, with 'Telefonica' in a yellow script font and 'Data' in a white sans-serif font below it, set against a dark blue background.

Telefonica
Data

The bottom half of the slide features a background of blue water ripples, with concentric circles of varying shades of blue.

Eduardo Caride

Executive Chairman of Telefónica Data

Telefónica Data

**Creating value for our
Corporate Customers**

Safe harbour

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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**

- Achievements to date and strategic priorities looking forward
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Moving forward we have repositioned our strategic focus

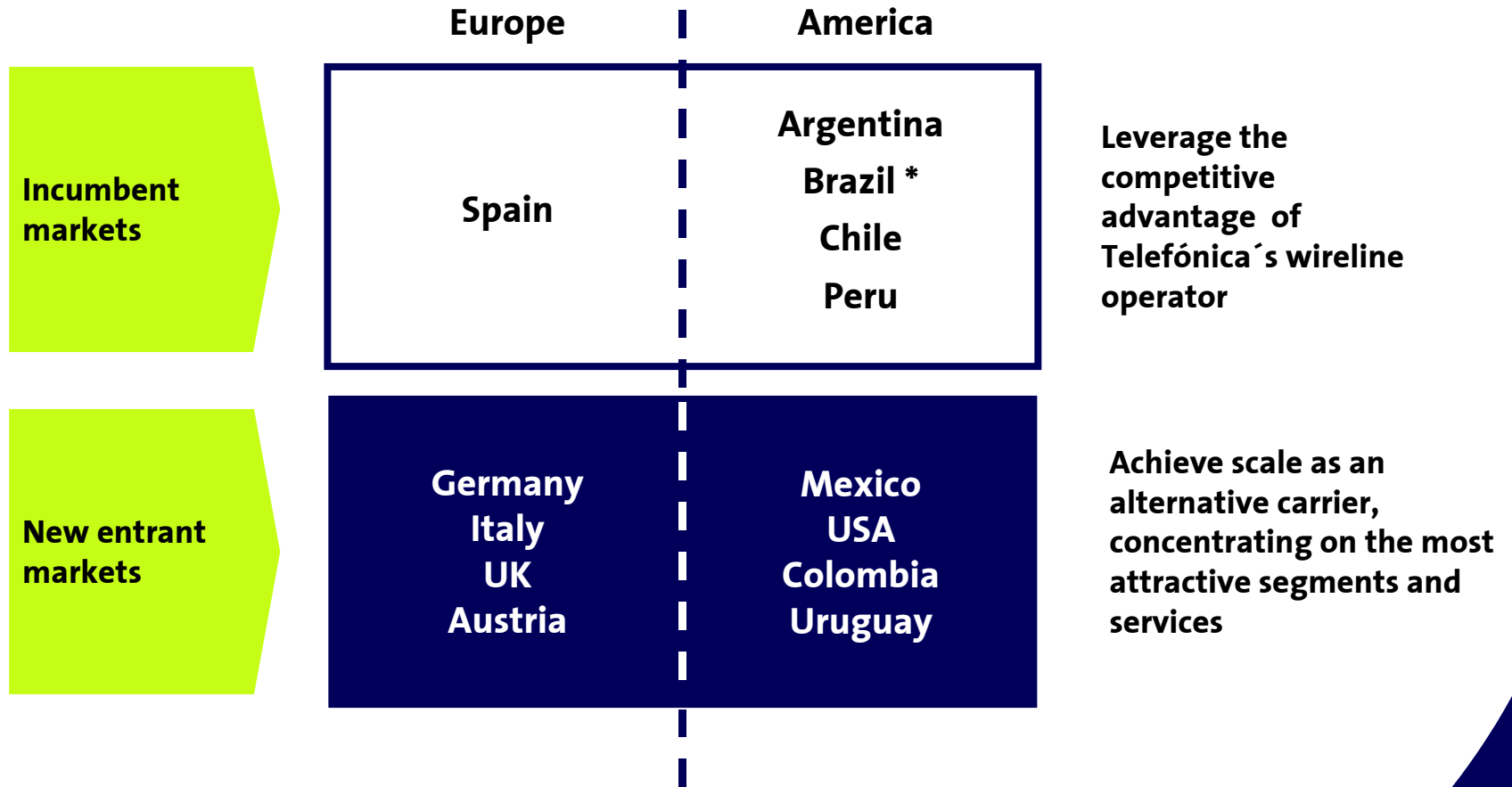
Situation at Río

- 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



* In Brazil Telefónica is new entrant out of Sao Paulo

Business model

Clients

- Large corporations and ISPs

Services

- One stop Shopping
- Customized solutions to large corporations

Infrastructure

- Own data networks and hosting centers
- Use of Telefonica's incumbent backbone and access infrastructure

Growth focus

- **Cross-sell new services (VAS) to current client base**

Incumbent markets

- Multinationals within current portfolio
- SMEs/ISPs
- Telefonica companies

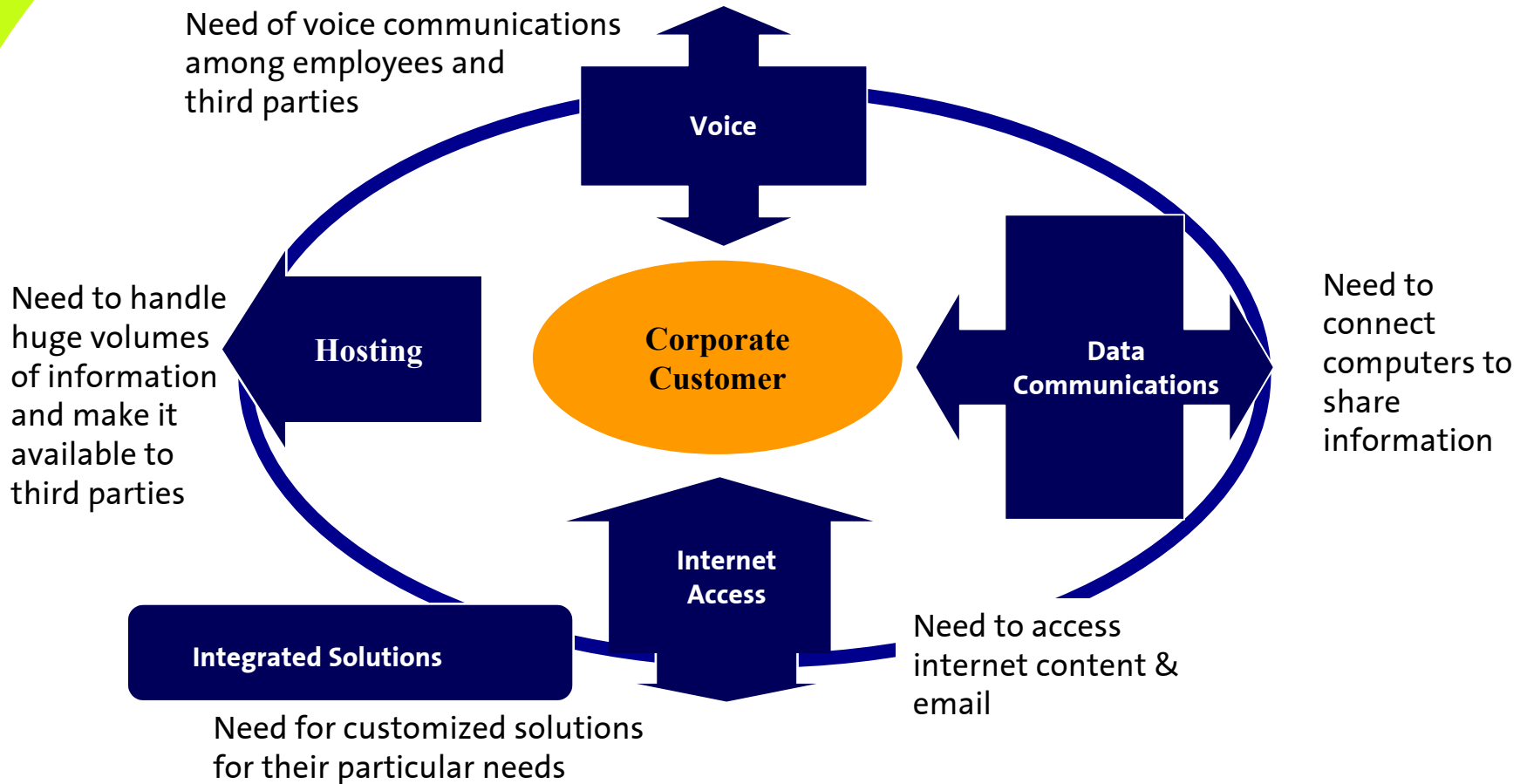
- Complete portfolio of IP services
- Packaged solutions (xDSL, VoIP, IP-VPN)

- Own IP networks and hosting centers
- Basic infrastructure:
 - By default, use others
 - Selectively deploy or acquire depending on managed traffic/interconnection conditions

- **Acquire new clients**
- **Increase revenues per client**

New entrant markets

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

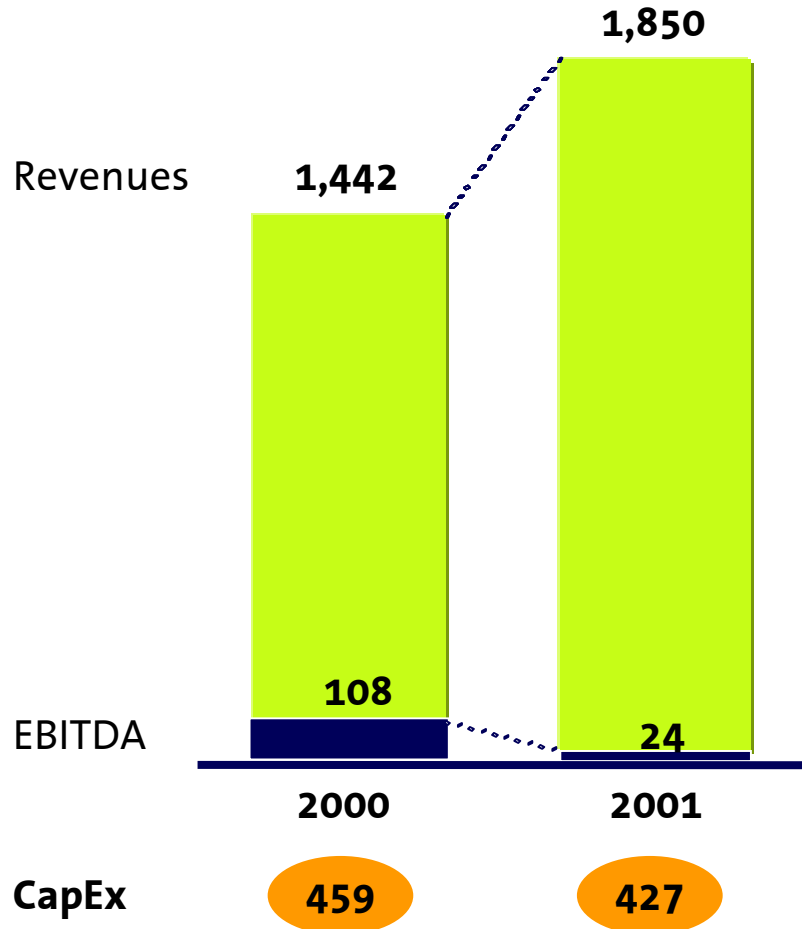
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2001 pro forma financials

€ Millions

CAGR

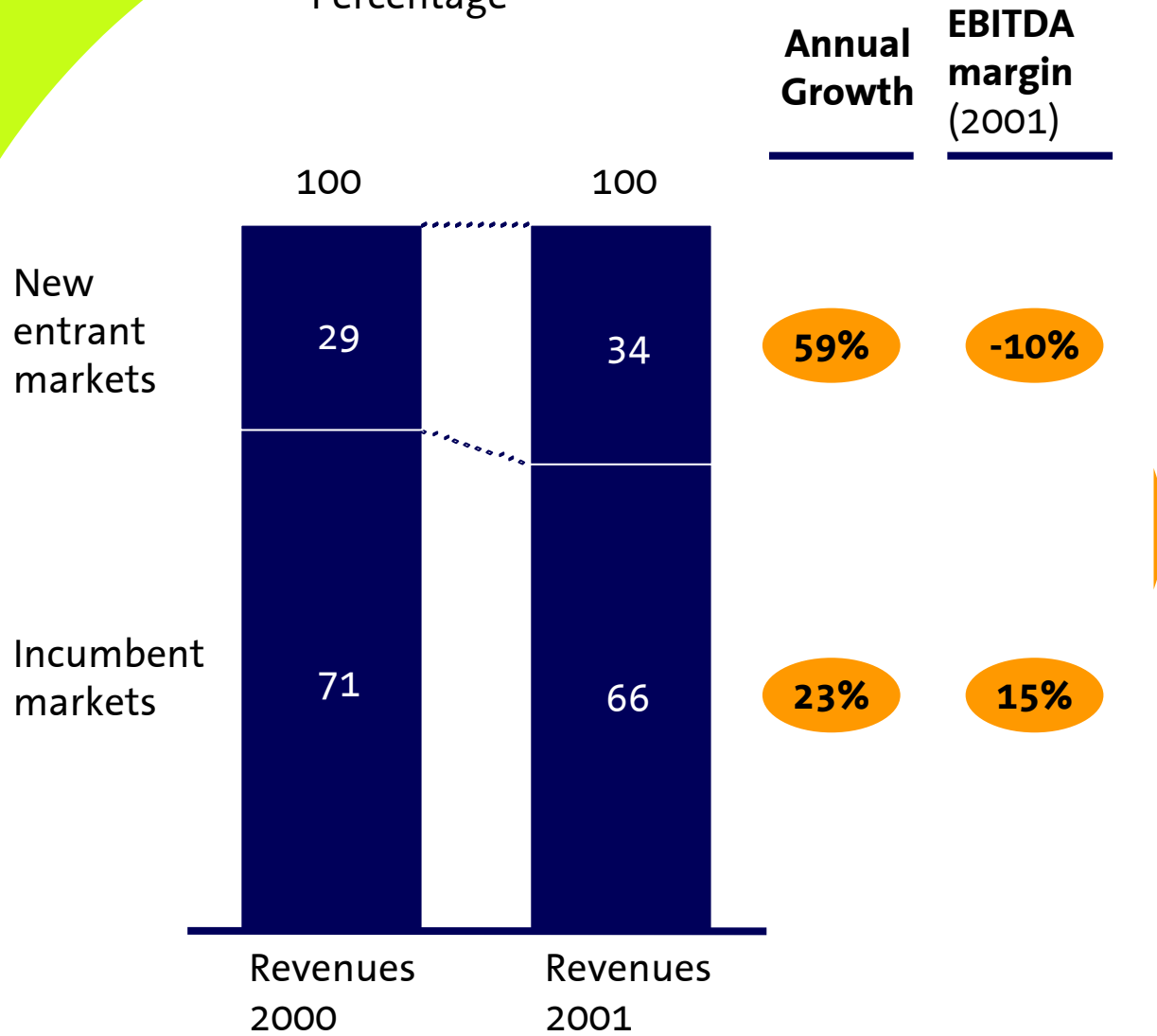
28%



- 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

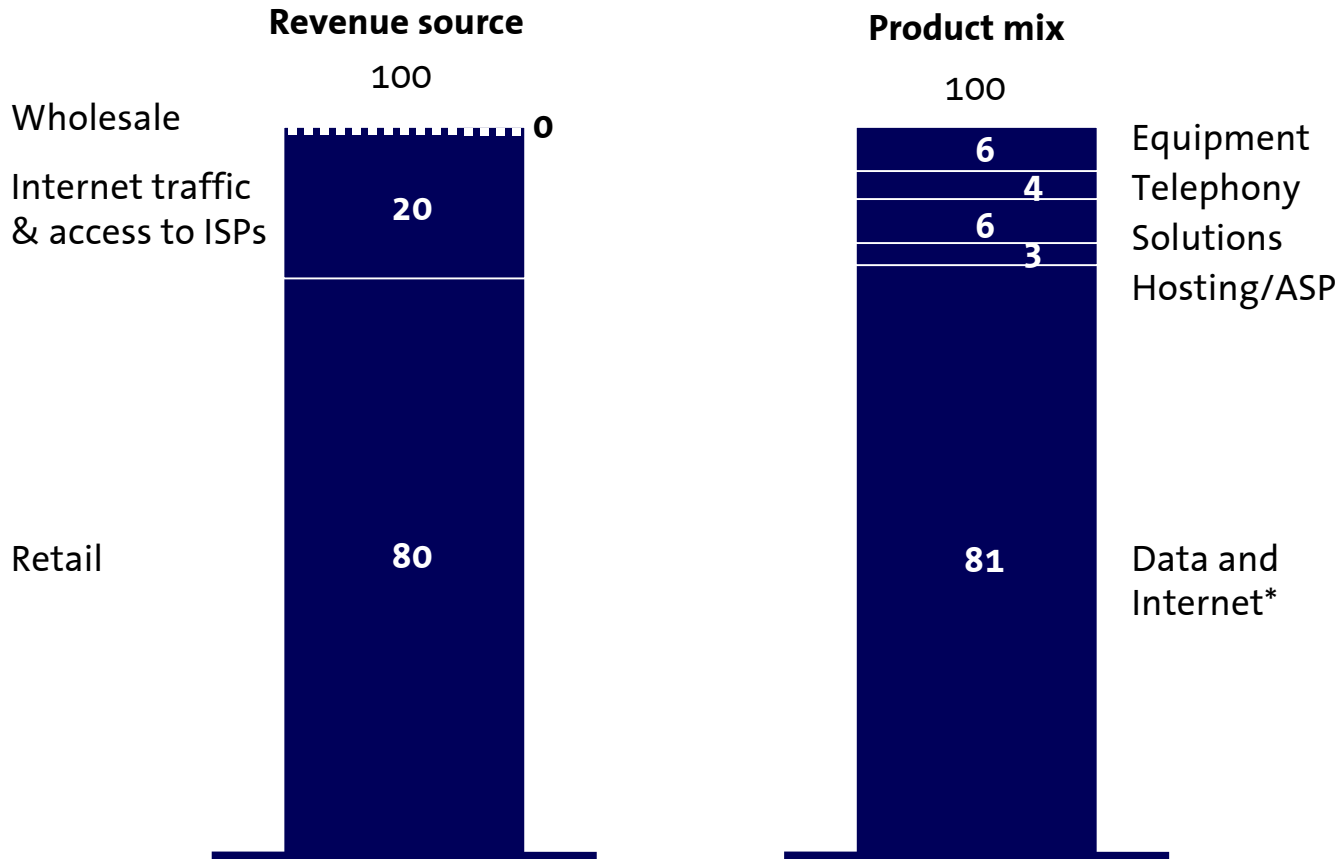
Percentage



- 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

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

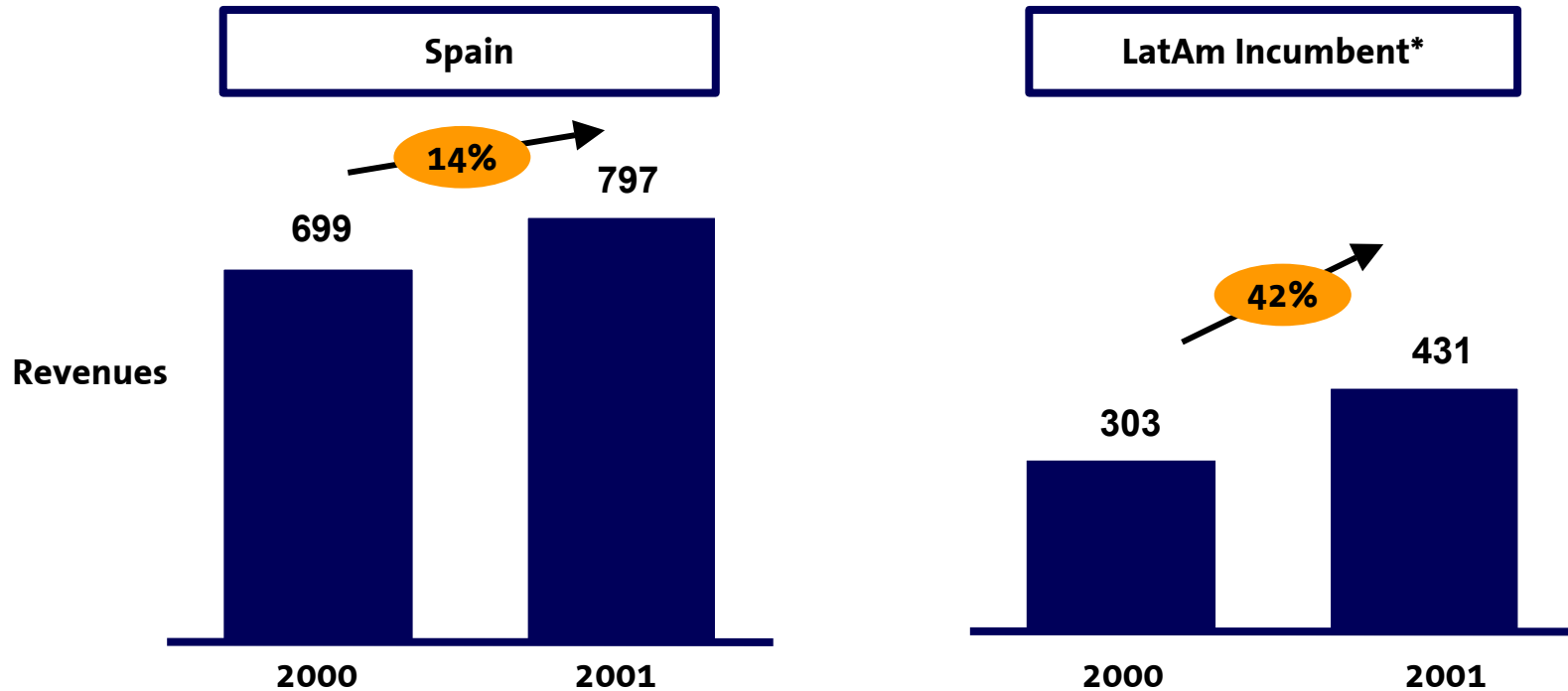
4 Ascend in the value chain into higher margin and stronger loyalty impact services

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

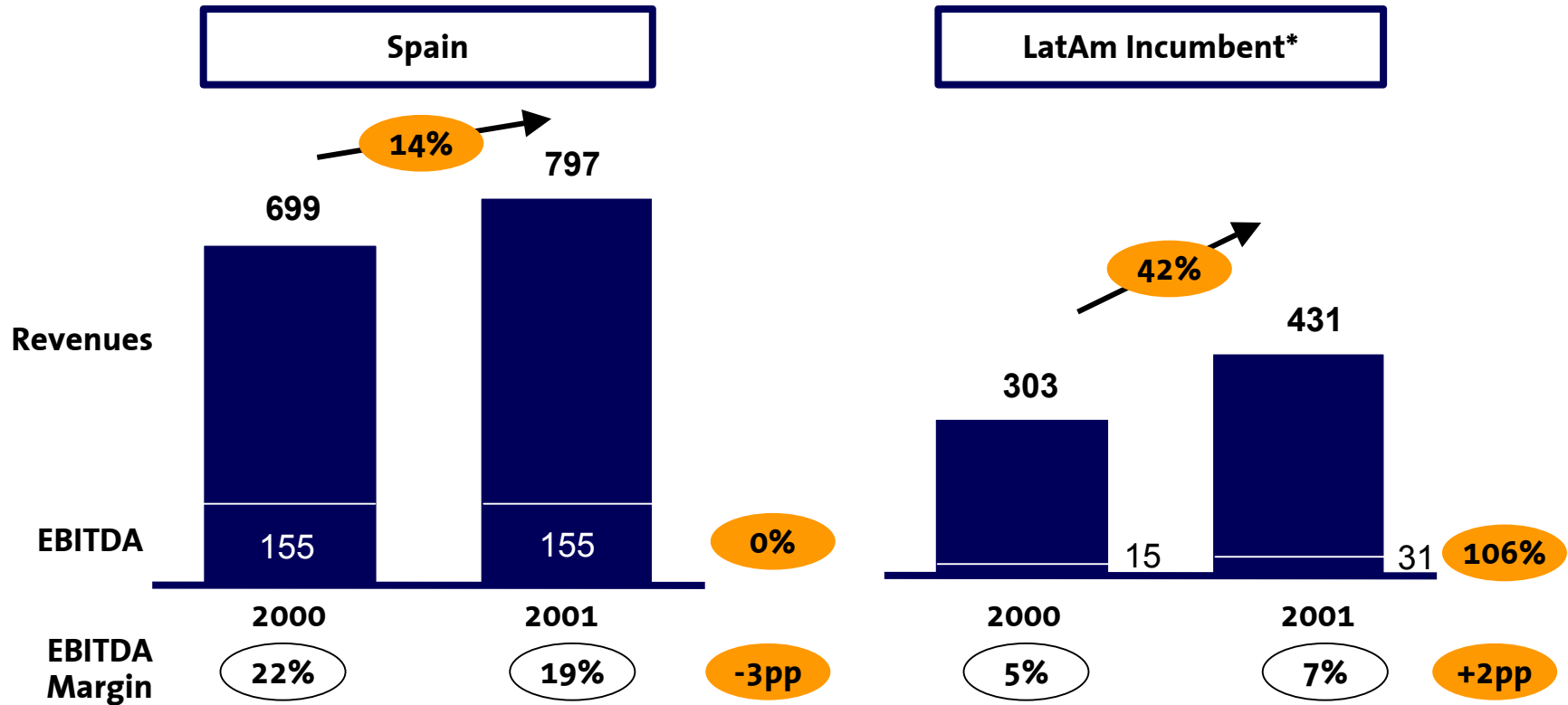
€ Millions



- 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)

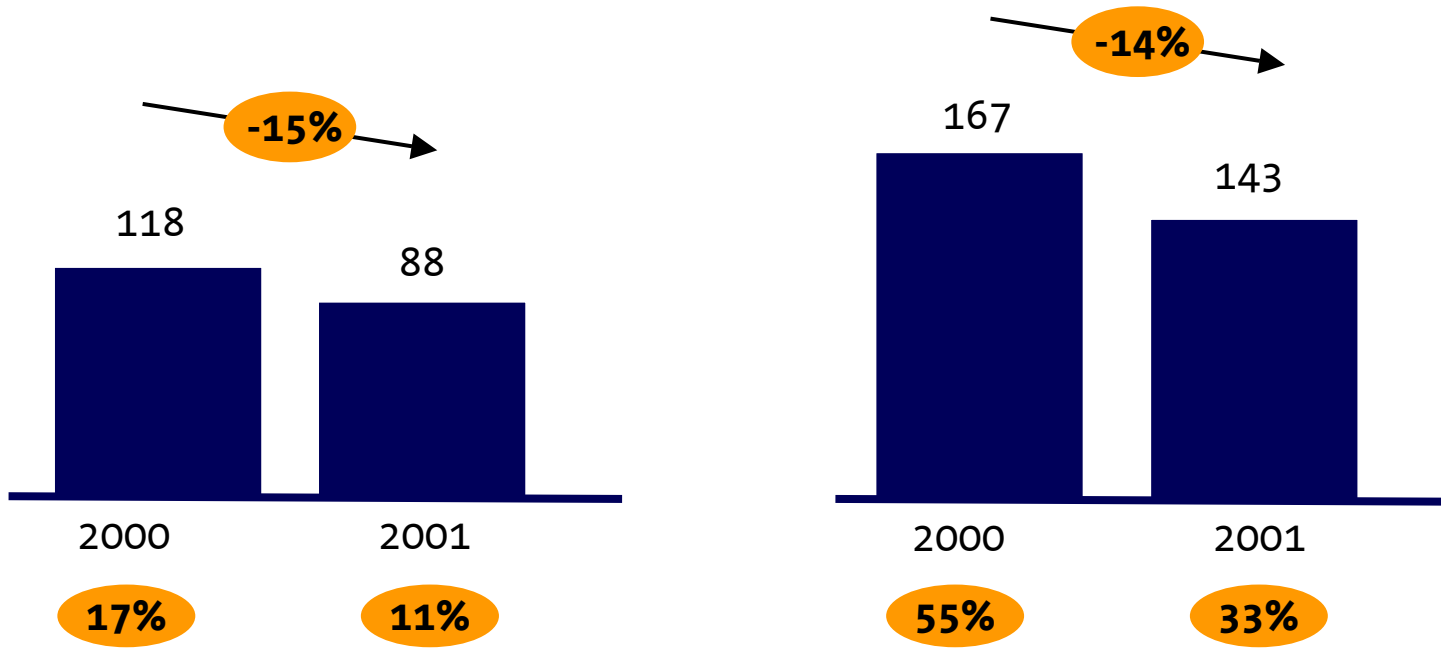
Capex adjustments in incumbent markets

€ Millions



Spain

LatAm Incumbent*



CapEx/
Revenues

Significant CAPEX rationalization under way

Strategic objectives in Brazil



Competitive platform

In Sao Paulo

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

Out of Sao Paulo

- 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

Strategic objective

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

- **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



Revenues

EBITDA

EBITDA Margin

	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

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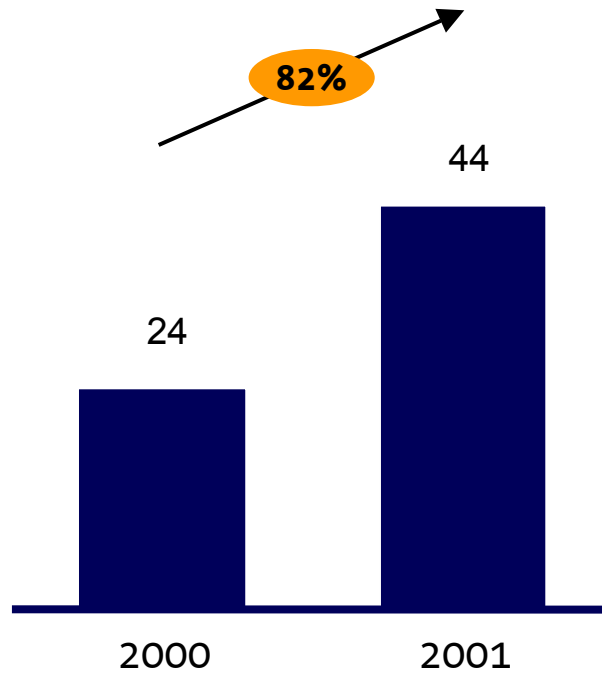
Focus on profitability through operating efficiency, CapEx management and effective know-how transfer among geographies

Pro forma results in Latam new entrant markets*

€ Millions



Revenues



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

EBITDA Margin

9%

-70%

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 Telefónica's Latin-America operations over the Telefónica's international backbone
- Interconnection agreements in the US

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

Mexico

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

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 Telefónica Companies
- International traffic to US and Miami remote hosting

Financial projections: Latam new entrant markets*



2001- 2005 projections

Revenues	50-60% CAGR
EBITDA	Break even by 2003
EBITDA Margin	12-16% by 2005

Strategic priorities

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

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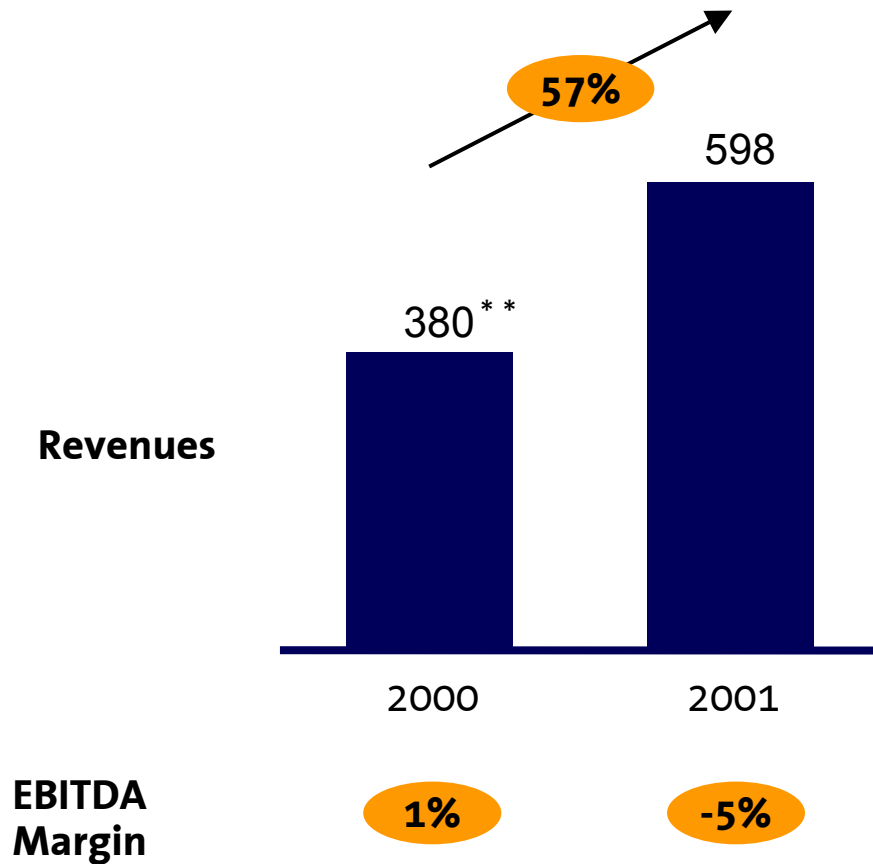
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Pro forma results in Europe's new entrant markets*

€ 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

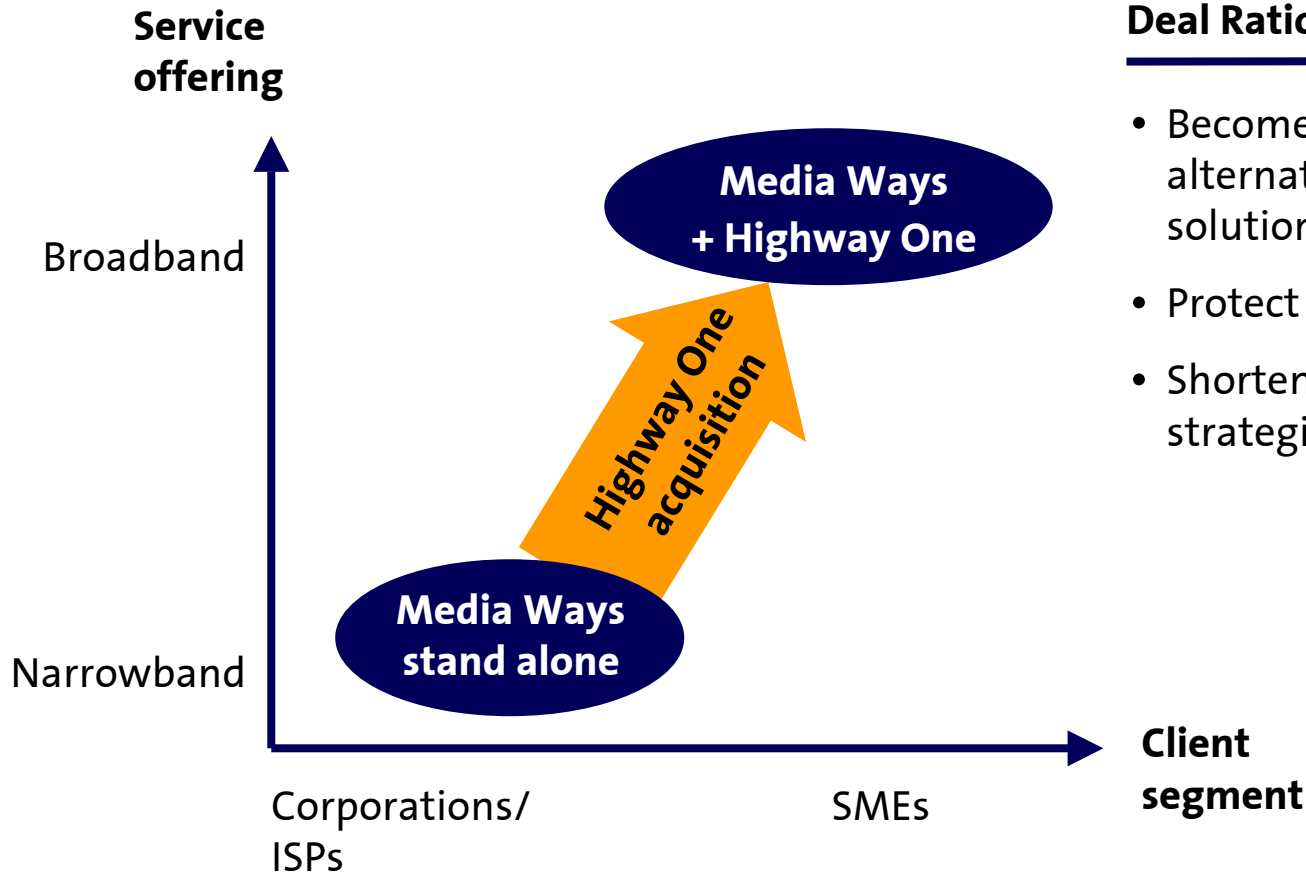


- **IP infrastructure providing broad coverage and latest value added services for a small investment**
 - 2nd Nationwide IP Network
 - No fiber hauls owned
 - 270 Pops (planning to go up to 475) ensuring most favorable interconnection rates
 - ~250,000 ports
- **One-stop solutions for ISPs**
- **Complete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



	<u>2001- 2005 projections</u>
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**

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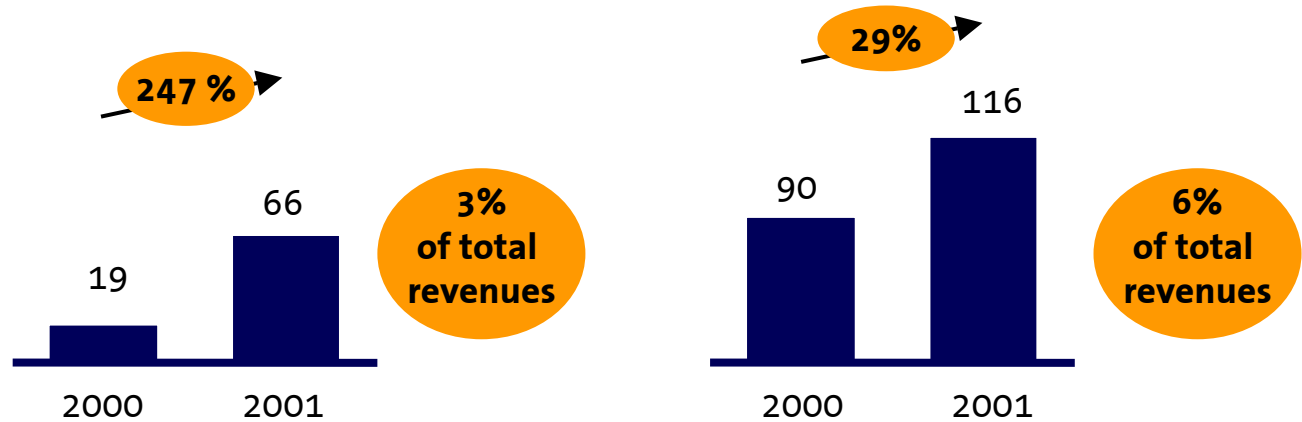
Significant progress to date has been achieved



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 | • Iberia |
| • Ahold | • Pixelpark |
| • AOL | • PriceWaterHouse
Coopers |
| • Banco Popular | • Mc Donald's |
| • Barclays Bank | • RTVE |
| • BBVA | • RTL |
| • Bradesco | • RBA Ediciones |
| • Canon | • Scopus |
| • Compuserve | • UPS |
| • Der Spiegel | • Varig |
| • Eli Lilly | • Versum |
| • Eroski | • Visanet |
| • Fiat | |
| <hr/> | |
| • Admira | • Katalyx |
| • Atento | • Terra-Lycos |
| • Telefónica | • 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

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



- Boost high-capilarity 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

Hosting/ASP

70 – 80 %

13 – 17%

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

Solutions

20 – 25 %

6 - 10%

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

Revenues
CAGR 2001-
2005

Share of
total 2005
Revenues

Strategic
priorities

Our strategic priorities moving forward

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



Commercial Focus

Progress to date

Objectives 2005

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

Interna- tional 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

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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

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