Telefónica Latam: Are you missing this growth potential?

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General Manager
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Telefónica

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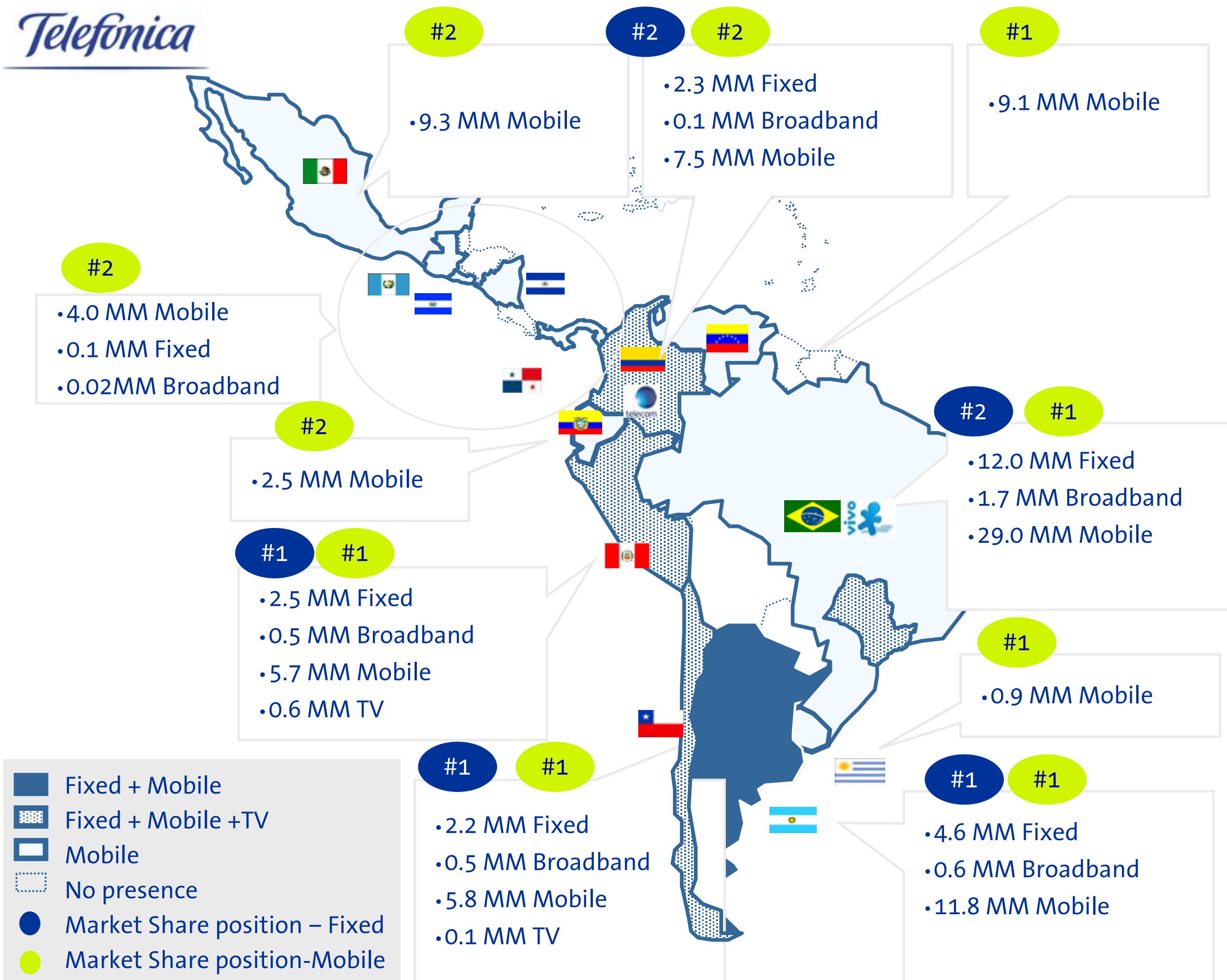
01 "New TLatam" geographically managed, with operations in 15 countries

Telefónica



Sound competitive environment with promising macro prospects

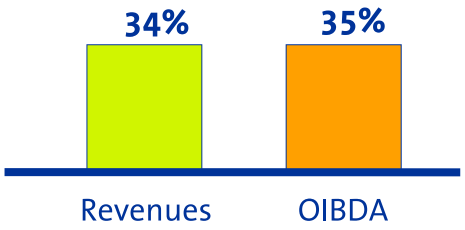
March 2007

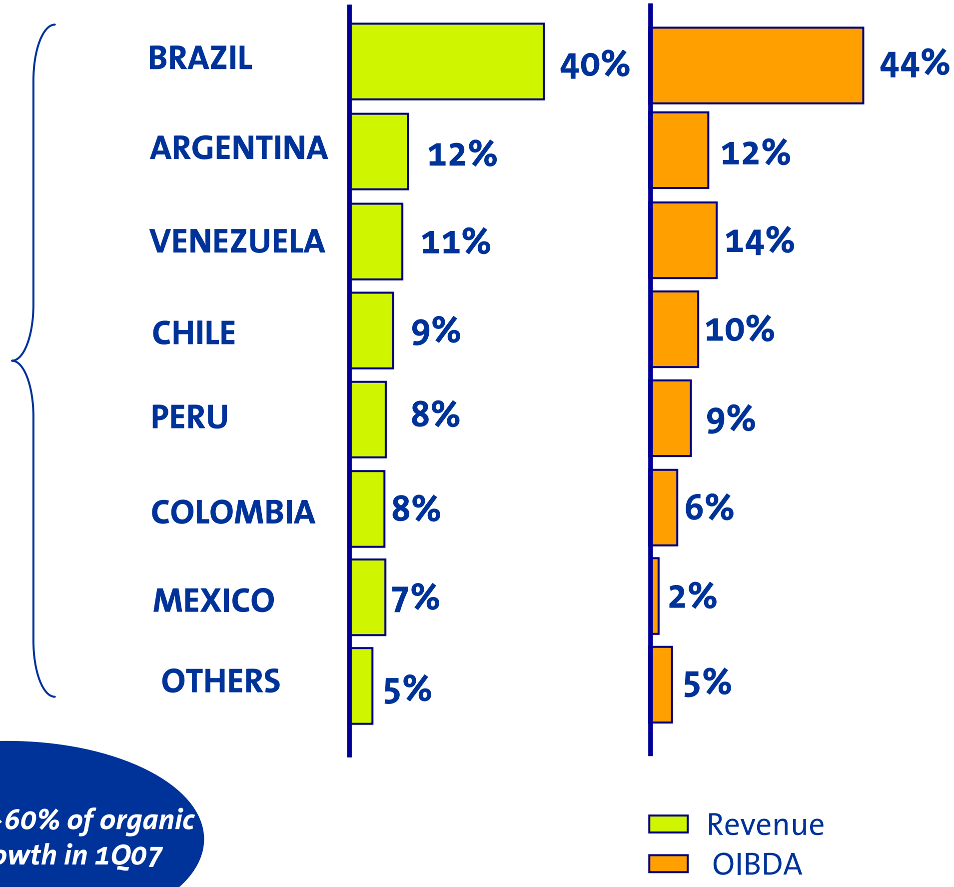
- **23.8 MM Fixed**
- **85.6MM Mobile***
- **4.0 MM Broadband**
- **0.7 MM TV**

* Includes FW

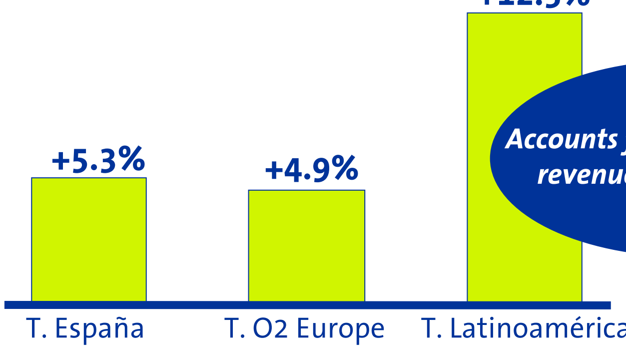
01 TLatam is the main growth lever of the group and it is fully diversified across countries...

1Q07 TLatam weight in TEF





Revenue growth by region
(Organic[1])

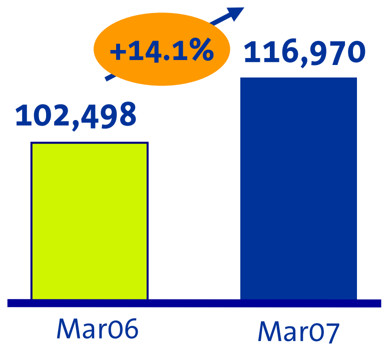


Accounts for >60% of organic revenue growth in 1Q07

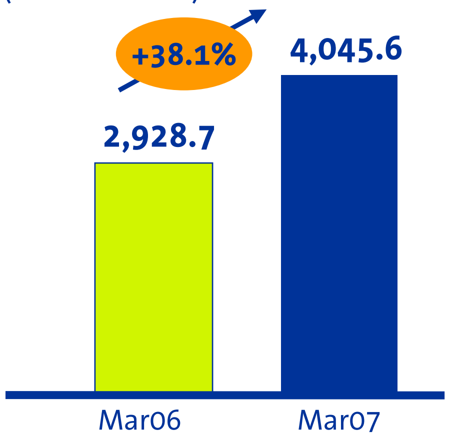
(1)Assuming constant exchange rates as of 1Q06. Incorporating O2 (consolidated since Feb 2006), Telefónica Telecom in Colombia (consolidated since May 2006 in Telefónica Latinoamérica), and Iberbanda (consolidated since July 2006 in Telefónica España) from January 1st 2006. Excluding Telefónica O2 Slovakia (start-up in 4Q06) in 1Q07.

01 ...with solid fundamentals driven by mobile and broadband...

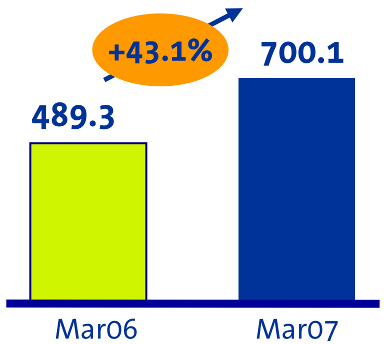
Total Accesses
(in thousands)



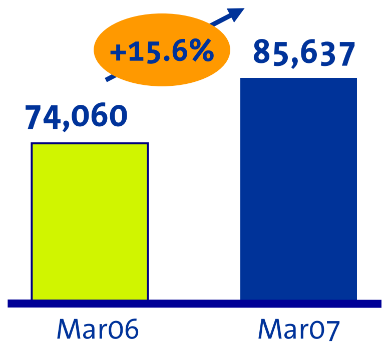
Retail Internet BB connections[1]
(in thousands)



Pay TV clients
(in thousands)



Wireless clients[2]
(in thousands)

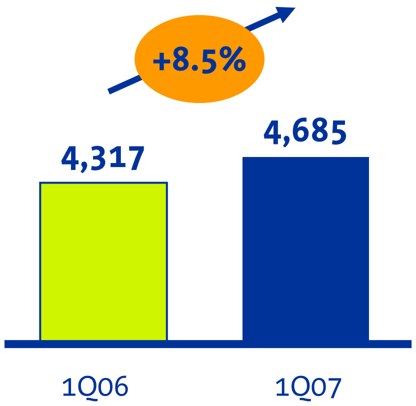


(1)Including Terra Latam and Telefónica Telecom since May 2006
(2)Including Fixed Wireless

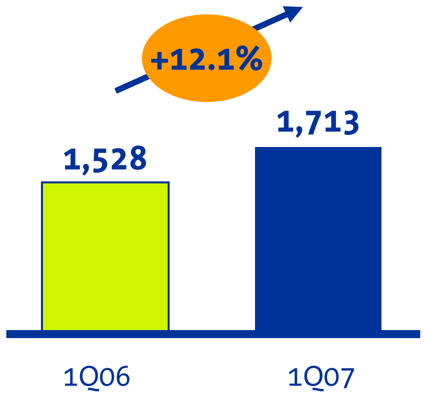
01 ... fully flowing to sound top line growth and margin expansion

in €

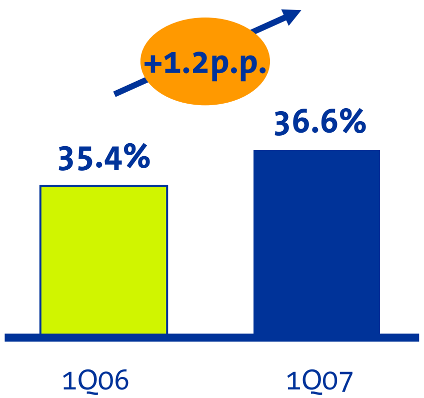
Revenues
(€ in millions)



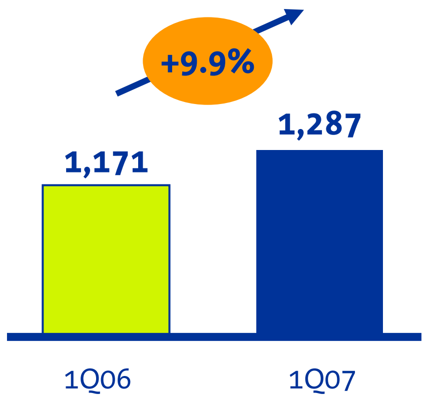
OIBDA
(€ in millions)



OIBDA Margin
(%)



Operating CF
(€ in millions)



- **Healthy profitability across countries**
- **Maintenance of mobile momentum in major markets**

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02 T Latam´s is well positioned to continue its growth profile

What makes us unique?

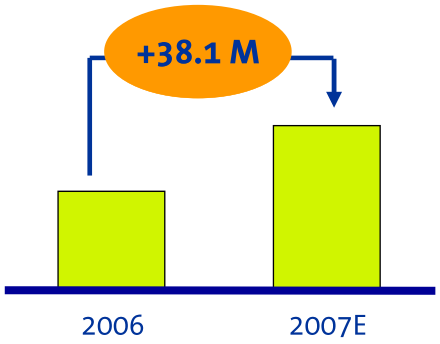
- Well positioned to capture growth: #1/#2 position in all markets
- Integrated organization per country and region to maximize synergies
- Group presence in Europe backs 3G experience & scale. New GSM networks are UMTS compatible
- Unique brand across markets
- Rapid GSM migrations: 6 networks in less than 12 months

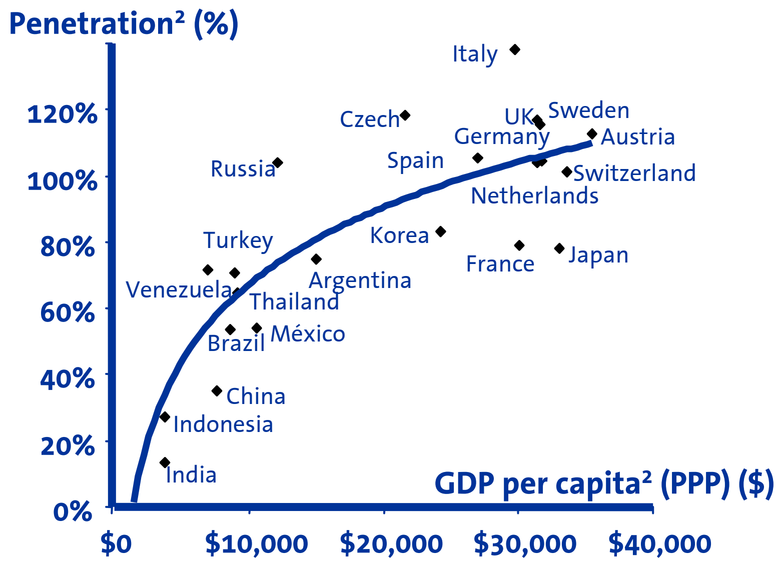
STRONG GROWTH PROSPECT IN OUR MOBILE OPERATIONS, BROADBAND AND PAYTV

With a promising macro outlook in the region

02 High growth potential in mobile...

- **Strong penetration** growth of **mobile market** (in T.Latam areas of operations)[1]





- **Targeting a strong share of net adds** in 2007 by:
  - ✓ Capitalizing on our **GSM footprint in all the region** after Brazil & Venezuela GSM deployment to end 2007 with a significant proportion of GSM customers
  - ✓ Pushing **Fixed/Mobile integration** and collaboration to capture growth potential (sharing of sales channel)

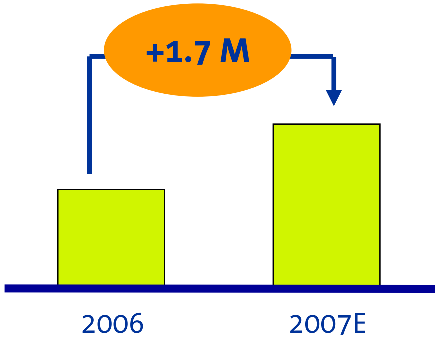
LEVERAGING REGIONAL MANAGEMENT OF OPERATIONS

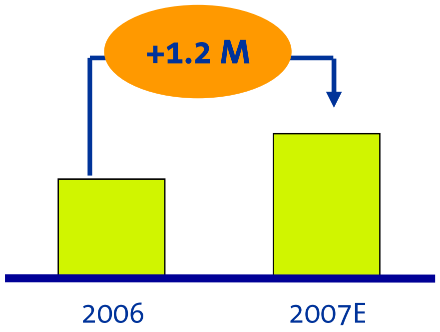
(1) Source: Pyramid. T Latam area of operations includes for Brazil only Vivo´s areas.
(2) CIA World Factbook, May 2007; Merrill Lynch "Global Wireless Matrix 4Q06', 28 march 2007

02 ...and high growth in BB & PayTV

STRONG GROWTH PROSPECTS

- **Strong growth of broadband[1] and PAY TV[2]**





STRENGTHEN OUR POSITION IN BROADBAND

- **Targeting a strong share of net adds** in 2007 by:
  - ✓ Pushing **Fixed/Mobile integration** and collaboration to capture growth potential (sharing of sales channel and additional offers)

DEVELOP OUR PAYTV MODEL

- **PayTV model** segmented by different platforms: DTH, IPTV, CABLE
  - ✓ Broader market than just with IPTV
  - ✓ Lower time to market (IPTV network and regulation)
- PayTV will help us to **improve churn and ARPU**

Following Chile´s experience

(1) Source: Pyramid. T Latam area of operations includes Sao Paulo, Argentina, Chile, Peru and Colombia.
(2) Source: Pyramid. T Latam area of operations includes Brazil, Chile, Peru and Colombia.

02 To achieve our goals, we have structured our operations ...

- ✓ **Capture growth opportunity and drive mobile growth in the region**
- ✓ **Increase operating efficiency**
- ✓ **Ensure response capabilities in key markets**

NEW COMPETITIVE ENVIRONMENT

- Operations in markets with different growth rates and competitive pressures
- Customer as change driver and growth in the TIC Hypersector (Technology, Information and Communications)
- Continuous changes with new competitors entering the market

NEW ORGANIZATIONAL MODEL

A **regional** model

...with an **integrated** business focus, clearly **customer oriented** to capture **convergence** value...

...with a **dynamic and flexible** structure

02 ...on an integrated basis per country to add value and to differentiate us from our competitors

	Main identified opportunities...	...actions taken
P&S	✓ Capture value of a regional brand ✓ Value of an integrated vision of client base	✓ Movistar & Speedy ✓ Sales force collaboration in SMEs & Large Corps ✓ Dedicated B.U. for top clients (F & W)
Systems	✓ OPEX & CAPEX optimization ✓ More agile launch of new P&S	✓ ATIS: Regional Customer Care, Billing & Collecting Platform ✓ Data centers unification ✓ Common applications and processes map
Network	✓ OPEX & CAPEX optimization ✓ Improve quality of service	✓ CRSO: Regional Control Center for Network maintenance, monitoring and management ✓ Unified network & common network design ✓ Standardized SLA´s

02 A sound macro environment supports our operations...

Favourable macro context

		2007E
Highest GDP growth in 04-06 since the early 80´s	5.5%	4.7%
Lowest inflation in 2006 since 1980	5.4%	4.9%
Current account still positive	1.5%	0.9%

- Lower **external debt/exports halved** in 04-06
- Peru and Brazil approaching investment grade

Improved Social Indicators

		2007E
Highest historical GDP per capita in 06 and growing in near future	6,300 US$	6,825 US$
Highest ever GDP per capita growth in 04-06	4.0%	3.0%

- **21% decline in poverty ratio** (<2US$/day) reaching the lowest level since early 90´s

Structural reforms ongoing since 90

- **Continued financial liberalization** is boosting consumer credits
- **Lower protection tariffs** & free trade agreements to drive exports
- **Improved debt management** towards L/T sustainability

Source: Consensus Forecasts, May 2007. IMF, April 07. CEPAL.

02 ...with stable outlook expected across all countries

	GDP Growth		Inflation Growth	
	2006	2007E	2006	2007E
Brazil	3.7%	4.2%	3.1%	3.6%
Argentina	8.5%	7.6%	9.8%	9.1%
Chile	4.0%	5.7%	2.6%	3.0%
Peru	8.0%	7.0%	1.1%	1.8%
Colombia	6.8%	5.7%	4.5%	4.9%
Venezuela	10.3%	7.0%	17.0%	18.9%
Mexico	4.8%	3.1%	4.1%	3.6%

Source: Consensus Forecasts, May 2007.

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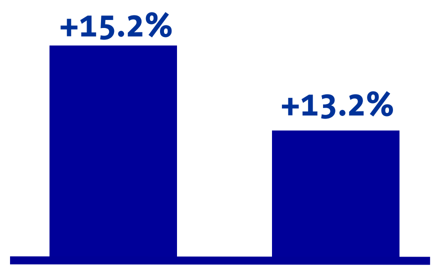
03 Our financial profile in 1Q07 has already shown tangible progress

	Revenues		OIBDA	
	1Q07 (€ in millions)	% change[1]	1Q07 (€ in millions)	% change[1]
Integrated				
Brazil [2]	1,801	+2.8%	749	+2.8%
Argentina	561	+21.0%	217	+29.7%
Chile	423	+10.0%	164	+22.5%
Peru	370	+9.7%	144	+0.3%
Colombia	352	n.m.	100	n.m.
Mobile				
Venezuela	520	+25.4%	242	+39.3%
Mexico	315	+66.2%	22	c.s.
Central America[3]	147	+25.1%	47	+26.5%
Ecuador	67	-4.9%	16	-2.3%
Uruguay	24	+50.0%	6	+66.6%

(1) Excluding forex effect
(2) Includes 50% of VIVO
(3) Guatemala, El Salvador, Panama and Nicaragua

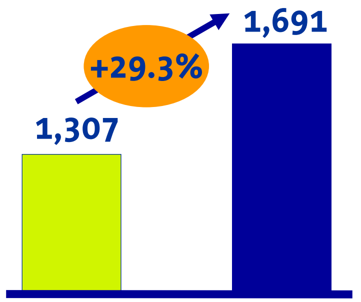
03 Brazil: Revenue & OIBDA underpinned by BB and mobile

Growth of revenue drivers
(1Q07/1Q06, local currency)

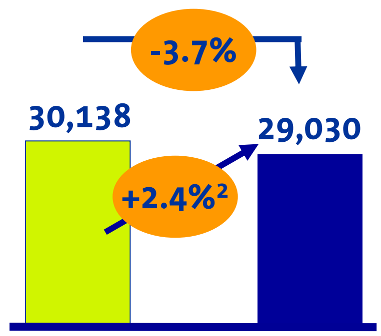


1Q07: 56% penetration[3]

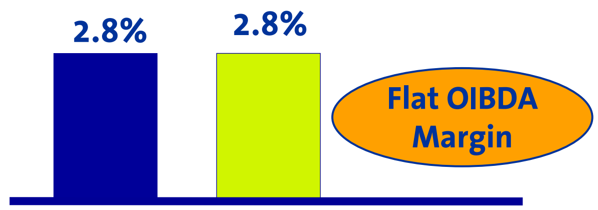
BB connections
(in thousands)



Mobile clients
(in thousands)



1Q07/1Q06 growth
(change in local currency)



(1) Reported service revenues, including B&K effect
(2) Ex-adjustment 1.8MM inactive pre-pay lines at the end of 1H06
(3) Area of operations

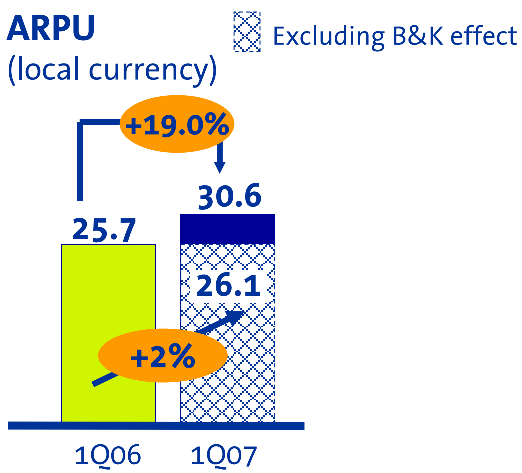
03 Brazil: efforts in mobile operation already showing positive signs

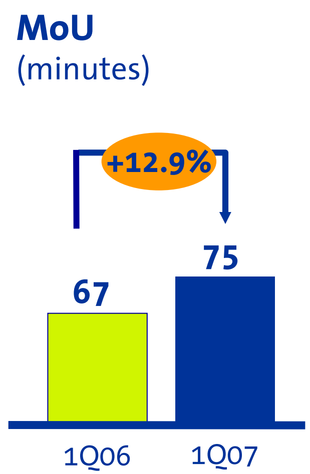
MANAGING CURRENT OPERATIONS TO IMPROVE OUR COMPETITIVE POSITIONING

- Focus on value clients
- Strong reduction of fraud
- New pricing plans drive MoU & ARPU increases
- Highest number of points of sale

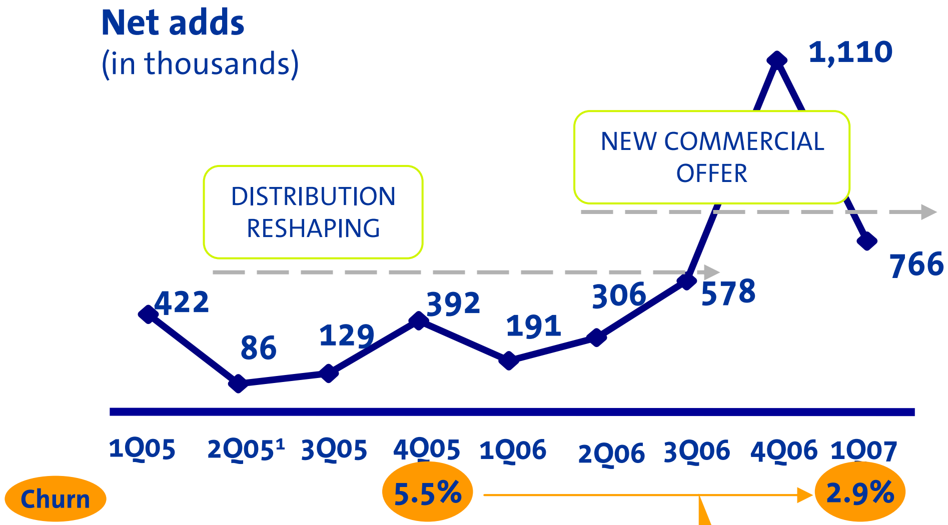
FAST EXECUTION OF MIGRATION TO GSM

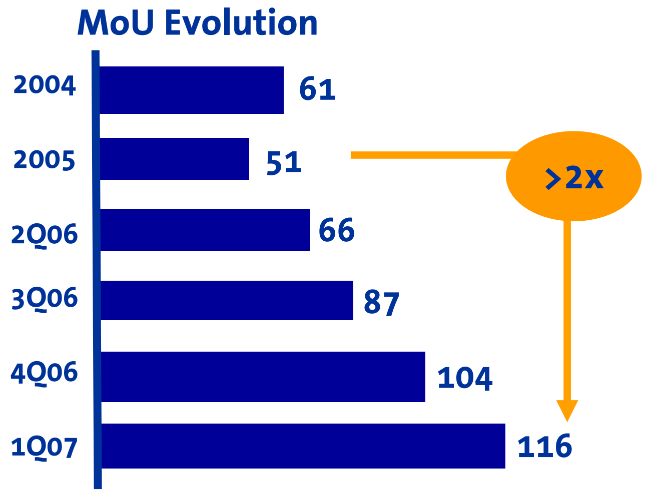
- ***Network deployed in a record time***
- 960,000 GSM customers in April
- 17% net adds share in April from negative net adds in 1Q07
- Superior GSM coverage due to launch in **850MHz**
- On track within announced ***investment*** (400 M € 1:1 overlay)
- New GSM network is **UMTS compatible**

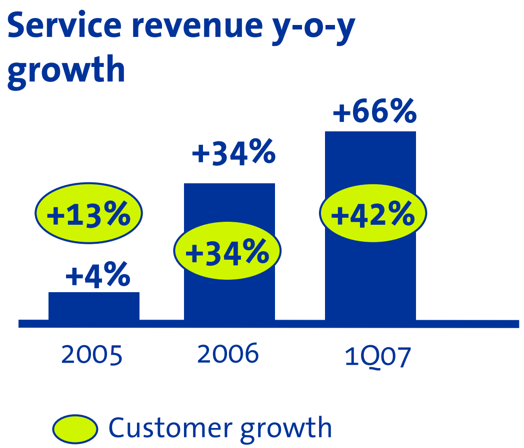




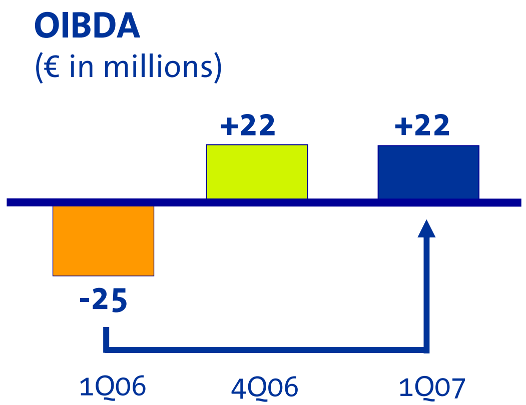
03 Mexico wireless: strong commercial momentum leads to very healthy revenue & OIBDA growth







- **Incoming service revenues positively impacted by national CPP**
- **Early sign of regulatory advances** (national CPP, portability)
- 28%E net adds share in 1Q07

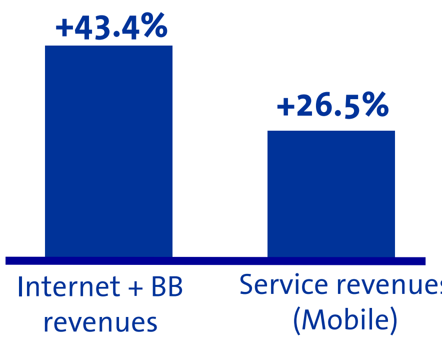


PRIORITIZE QUALITY GROWTH RATHER THAN SPEED OF GROWTH

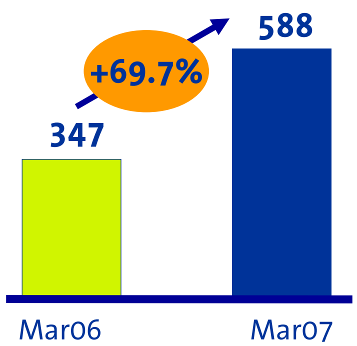
(1) Ex-adjustment of 300,000 pre-pay lines

03 Argentina: strong performance in BB and mobile allows margin expansion

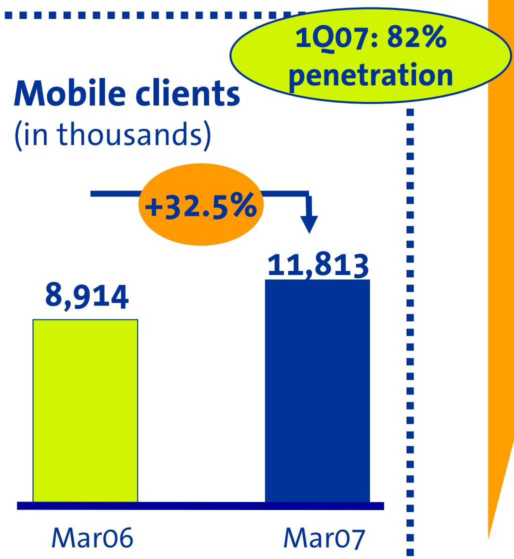
Growth of revenue drivers
(1Q07/1Q06, local currency)



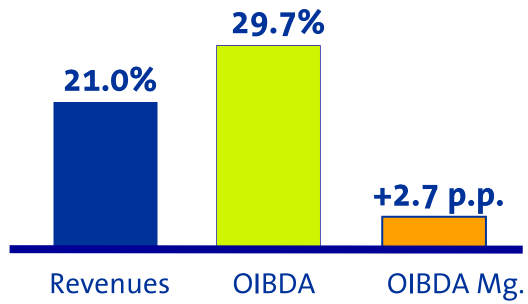
BB connections
(in thousands)



Mobile clients
(in thousands)



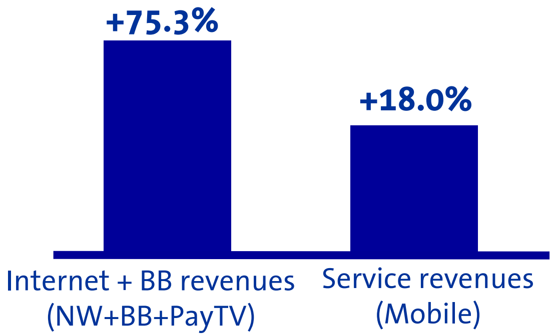
1Q07/1Q06 growth
(change in local currency)



- **Further BB deployment** to strengthen our leadership in the market
- **Maintain leadership in wireless**, while improving financials

03 Chile: improving margins supported by BB and mobile

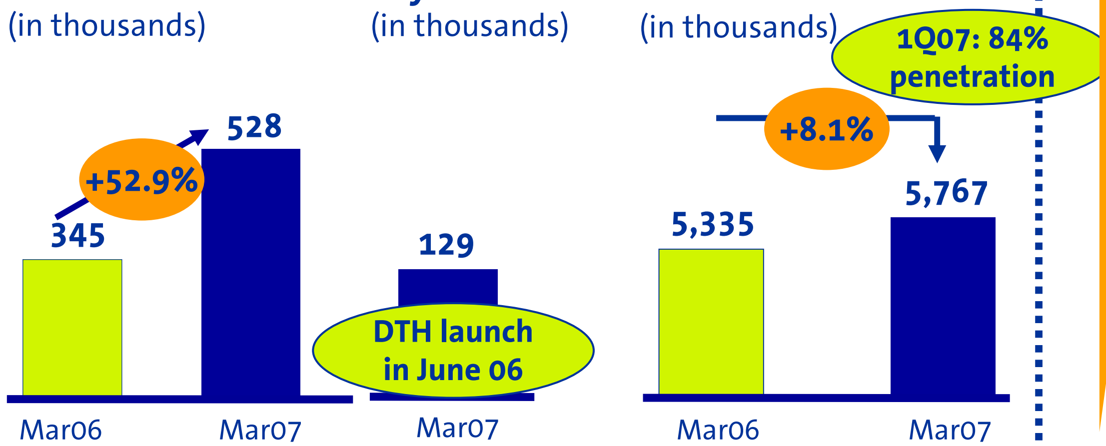
Growth of revenue drivers
(1Q07/1Q06, local currency)



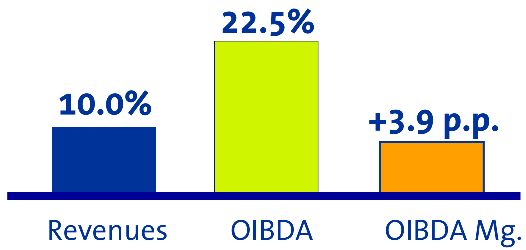
BB connections
(in thousands)

PayTV
(in thousands)

Mobile clients
(in thousands)



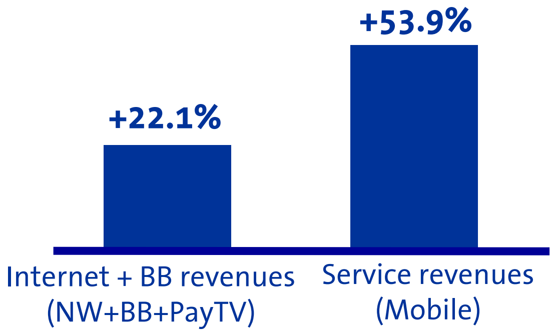
1Q07/1Q06 growth
(change in local currency)



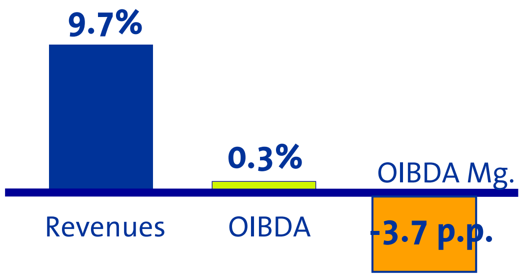
- **Broader launch of Voice/BB/TV bundles** to keep leadership in high value segment
- Customers with 3P have lower churn than only voice clients
- **Maintain leadership in wireless**, while improving profitability

03 Peru: customer growth underpins top line growth

Growth of revenue drivers
(1Q07/1Q06, local currency)

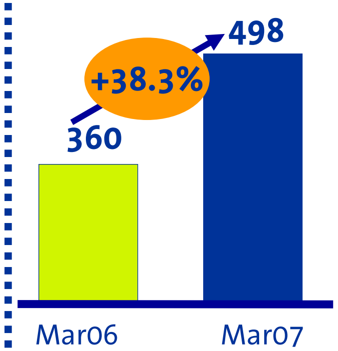


1Q07/1Q06 change
(change in local currency)

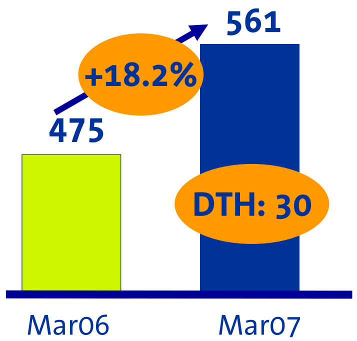


- **Project IRIS:** fixed wireless telephony

BB connections
(in thousands)

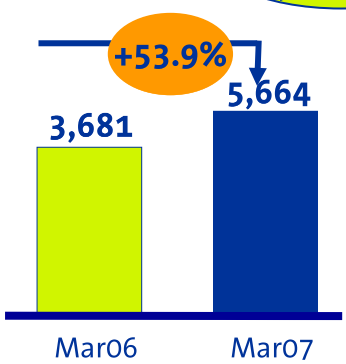


PayTV
(in thousands)

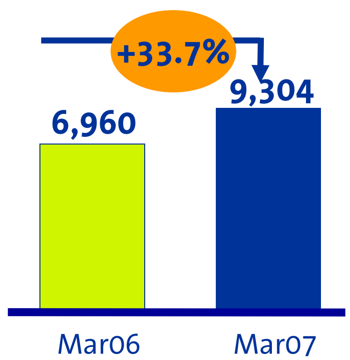


Mobile clients
(in thousands)

1Q07: 35% penetration (+13 p.p.)

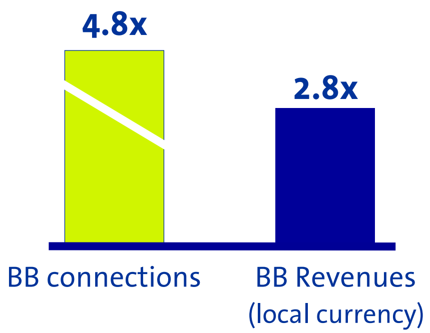


Total Accesses
(in thousands)

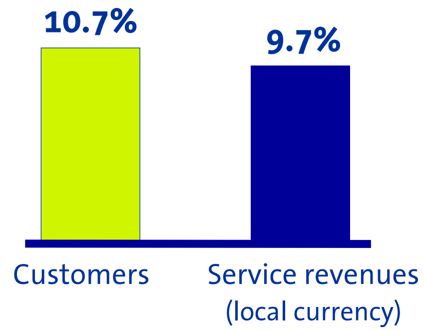


03 Colombia: Focus on BB opportunity since T. Telecom acquisition and mobile top line growth

1Q07 BB y-o-y organic growth



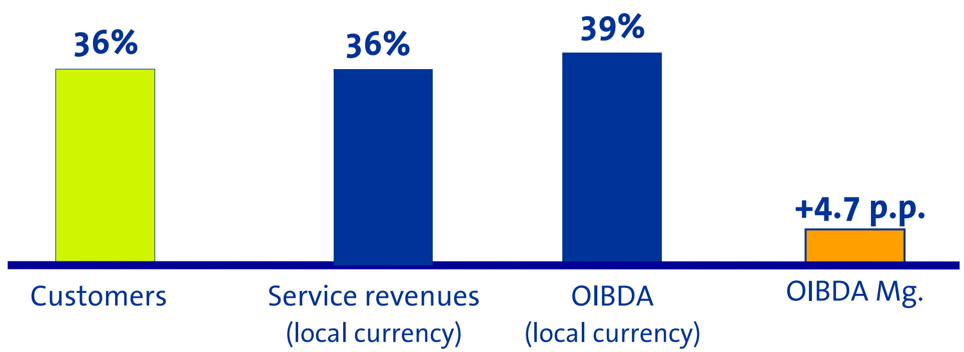
1Q07 mobile y-o-y growth



SATELLITE TV LAUNCHED IN 1Q07

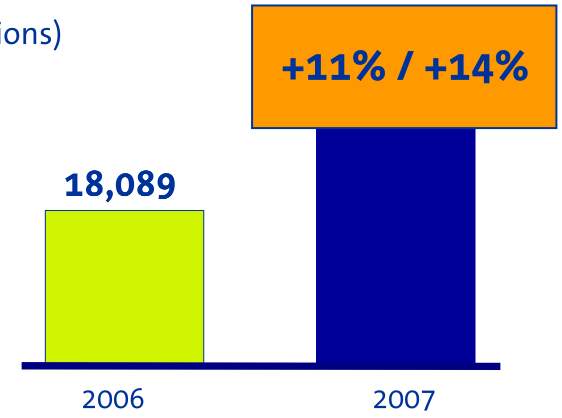
Venezuela: Customer expansion drives underlying financials upwards

1Q07 y-o-y growth

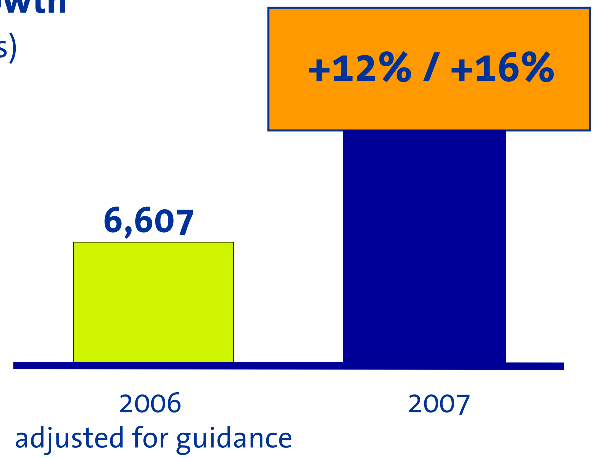


03 An ambitious guidance for 2007

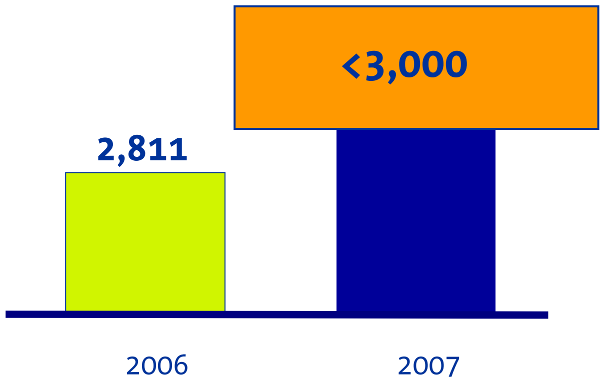
Revenue Growth
(€ in millions)



OIBDA Growth
(€ in millions)



CapEx
(€ in millions)



T. Latam base reported figures include eight months of Telefónica Telecom (consolidated since May 2006). 2007 guidance assumes constant exchange rates as of 2006. All figures exclude changes in consolidation. In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses not foreseeable in 2007. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses. For comparison the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures.

Conclusions

- ***Sound macro outlook*** expected after succesful structural reforms
- ***T LatAm*** is the ***main growth driver*** in the Group
  - Contribution over ***60% of the group growth*** in 1Q07
- Fully ***diversified*** operations across ***15 countries*** in the region
- ***Strong growth potential***, supported by ***mobile, broadband*** and ***PayTV***
- Keeping the ***focus on efficiency***, helped by ***integrated management***
- 1Q07 results on track to ***meet high growth 2007 guidance***

Telefonica