Sixth Investor Conference
Telefónica Latinoamérica: A winning mindset

Mr. José María Álvarez-Pallete
London, October 11th 2007
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Four key 2006-2010 figures

1. **Historical opportunity**
   - Top 7 Latin American countries
   - Growing simultaneously
   - Expected as “Investment Grade” >75% GDP

2. **+€35-40bn**
   - Latin America telecom market growth

3. **>60m**
   - New Telefónica Latin America accesses

4. **~€22-25bn**
   - Cumulative operating cash flow*

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* OpCF = OIBDA - CapEx
Our aspiration: continued delivery of profitable growth
Telefónica LatinoAmerica consolidated

<table>
<thead>
<tr>
<th>FROM 2006 TO 2010E</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESSES¹ (in millions)</td>
</tr>
<tr>
<td>x 1.5/1.6</td>
</tr>
<tr>
<td>REVENUES (€ in millions)</td>
</tr>
<tr>
<td>x 1.5/1.6</td>
</tr>
<tr>
<td>OIBDA (€ in millions)</td>
</tr>
<tr>
<td>x 1.6/1.9</td>
</tr>
<tr>
<td>OpCF² (€ in millions)</td>
</tr>
<tr>
<td>x 1.8/2.2</td>
</tr>
</tbody>
</table>

1: Does not include others (wholesale, Terra)
2: OpCF = OIBDA– CapEx

Base 2006 reported numbers include eight months of Telefónica Telecom (consolidated since May 2006). In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses not foreseeable in 2007E-2010E. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures. CAGR 06-10E guidance assumes constant exchange rates as of 2006 and excludes changes in consolidation, other than Telemig acquisition (50% through TEF stake in Vivo) and TVA.
T-Latam: Growth on Growth

1. What we have accomplished: continuous growth and leadership

2. Latin America: much more than you imagine

3. The new T-Latam: uniquely positioned for further growth

4. Walking the talk

5. Our commitments
Sustained growth since 1998

Over 100 million additional accesses

>70% organic growth

A key contribution to Telefónica
- 57% of accesses
- Over 1/3 of the OpCF
1 Stronger operational platform

**Commercial**
- Single mobile brand
- Integration of Fixed-Mobile account management for Corporates
- Homogeneous P&S development process
- Improvement of capillarity and quality of point of sales
- Migration to GSM proceeding well

**Network operations and IT**
- Completed deployment of GSM network
- DSL coverage over 93%
- Centralization of fixed network supervision
- Homogenization of commercial and network IT systems
- Consolidation of IT infrastructures (Data-centers)

- T-Latam incorporates aprox. 120,000 mobile gross adds per day in 2007
- T-Latam commercial network has more than 650,000 points of sale
- T-Latam installs aprox. 6,000 BB accesses per day in 2007
- International Traffic increased: 2006 vs. 2002 X 15
A leader and shaper: the only integrated regional player in the region

- Only telco with truly integrated and regional management
- Long-standing presence in the region (17 years)
- New Organization by customer segment/country
- #1 in 4 of top 7 Latin American countries*
- Strongest brands in the region
- Being part of a global telecom leader

* share of revenues
The benefits of our model are already visible

**Strong Results**

<table>
<thead>
<tr>
<th></th>
<th>REVENUES</th>
<th>OIBDA</th>
<th>OIBDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 06</td>
<td>+15.5%</td>
<td>+17.8%</td>
<td>+0.7 p.p.</td>
</tr>
<tr>
<td>H1 07</td>
<td></td>
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</tbody>
</table>

**2007 Guidance Upgrade**

<table>
<thead>
<tr>
<th></th>
<th>REVENUES</th>
<th>OIBDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>From ...</td>
<td>+11%/+14%</td>
<td>+12%/+16%</td>
</tr>
<tr>
<td>To ...</td>
<td>+13%/+16%</td>
<td>+14%/+17%</td>
</tr>
</tbody>
</table>

Base 2006 reported figures include eight months of Telefónica Telecom (consolidated since May 2006). 2007E 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 2007E. 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.
The New T-Latam: Growth on Growth

1. What we have accomplished: continuous growth and leadership

2. Latin America: much more than you imagine

3. The new T-Latam: uniquely positioned for further growth

4. Walking the talk

5. Our commitments
**Unique macroeconomic momentum**
GDP Growth Rates, constant currency

**First time in the last 40 years that top 7 Latin American countries grow steadily and simultaneously**

Source: World Bank World Development Indicators & Consensus Forecasts
Unique financial markets outlook
Country risk evolution (Emerging market bond index)

Expected investment grade countries in 2010E

Latin America GDP
100% = €3,200 bn

Other countries
>75%

Historical opportunity

Source: JP Morgan, the Economist Intelligence Unit
Additionally, the telecom sector will benefit from improving demographics ...

- A growing potential telecom users base in the next 10 years
  - Additional 58 million workers
  - Additional 74 million people living in urban areas

Source: United Nations World population prospects – Latin America and the Caribbean
... and from better socioeconomic indicators

Higher purchasing power due to growth of middle classes in Latin America:
- 15 million additional middle class households during 2006-2010E
- ABC households will surpass DE households by 2010E

Adiós to poverty, hola to consumption
Aug 16th 2007 | SÃO BERNARDO DO CAMPO
From The Economist print edition
Faster growth, low inflation, expanding credit and liberal trade are helping to create a new middle class
As a result, Latin America will turn into the fastest growing telecom region in the world.

**TELECOM MARKET GROWTH EXPECTATIONS**

<table>
<thead>
<tr>
<th>Region</th>
<th>CAGR 06-10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>7.8%</td>
</tr>
<tr>
<td>Emerging Asia *</td>
<td>7.1%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>6.9%</td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td>5.8%</td>
</tr>
<tr>
<td>US &amp; Canada</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**LATIN AMERICA TELECOM MARKET**

€ in billion

FY 2006

FY 2010E

+€35-40 bn growth in the revenue pool

* Excluding Japan, Korea, Hong Kong, Singapore and Taiwan

Source: IDC

Source: Telefónica
The New T-Latam: Growth on Growth

1. What we have accomplished: continuous growth and leadership

2. Latin America: much more than you imagine

3. The new T-Latam: uniquely positioned for further growth

4. Walking the talk

5. Our commitments
Clear action plan for the upcoming 4 years

Capture **growth**
- Strong mobile growth
- Capture BB and bundling opportunities to reinforce access base
- Segmented approach

Leverage **integrated delivery and regional scale**
- Network evolution through a segmented investment approach
- Regionalization of Technology, Operations and Systems

Ensure business **sustainability**
- Customer satisfaction increase
- Partnership with Latin America
- Talent management
Mobile: over 50 million additional Telefónica mobile customers

<table>
<thead>
<tr>
<th>Mobile penetration</th>
<th>Dec-06</th>
<th>Dec-10E</th>
<th>Population 2010E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>55%</td>
<td>~80%</td>
<td>~198 m</td>
</tr>
<tr>
<td>Mexico</td>
<td>53%</td>
<td>~80%</td>
<td>~113 m</td>
</tr>
<tr>
<td>Argentina</td>
<td>78%</td>
<td>~97%</td>
<td>~41 m</td>
</tr>
<tr>
<td>Chile</td>
<td>82%</td>
<td>~97%</td>
<td>~17 m</td>
</tr>
<tr>
<td>Peru</td>
<td>32%</td>
<td>~71%</td>
<td>~29 m</td>
</tr>
<tr>
<td>Colombia</td>
<td>67%</td>
<td>~91%</td>
<td>~44 m</td>
</tr>
<tr>
<td>Venezuela</td>
<td>69%</td>
<td>~90%</td>
<td>~29 m</td>
</tr>
<tr>
<td>Total Latam</td>
<td>56%</td>
<td>~83%</td>
<td>~519 m</td>
</tr>
</tbody>
</table>

Latin American Expected evolution similar as other countries in the last 4 years (from 2002 to 2006)

<table>
<thead>
<tr>
<th>Country</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>41%</td>
<td>78%</td>
</tr>
<tr>
<td>Argentina</td>
<td>18%</td>
<td>78%</td>
</tr>
<tr>
<td>Hungary</td>
<td>49%</td>
<td>92%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>43%</td>
<td>106%</td>
</tr>
<tr>
<td>France</td>
<td>65%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Source:
1 Telefónica estimates
2 United Nations World population prospects – Latin America and the Caribbean
3 Euromonitor and Global Insight

* Including Telemig acquisition
**Mobile: drive ARPU based on stimulation of consumption**

**We are successfully stimulating ARPU, both in ...**

**... growing markets**
- Mexico
  - Customer growth: 49%
  - ARPU increase: 24%

**... and mature markets**
- Chile
  - Customer growth: 8%
  - ARPU increase: 10%

**T-LATAM MOBILE ARPU INCREASE (Ex fx)**
- 10.2%
- 1-3%

**Already a growth path ...**
- MoU increased 18% in T-Latam last year
- Data ARPU increased 22% in T-Latam last year
- 82% prepaid mobile accesses in T-Latam

**... with room for further improvement**
- Latam MoU is 74% of Western European's MoU *
- Western European's Data ARPU is 4 times Latam's Data ARPU *
- Western Europe’s postpaid mobile accesses are almost 45% *

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* Source: Pyramid, June 2007
Mobile: growing, maintaining commercial expenditure and leveraging higher scale

- **OIBDA margin improvement**: +4p.p. for Chile, +4p.p. for Argentina.
- **Churn reduction**: -25p.p. for H1 06 to +11p.p. for H1 07 in Chile, +0.6p.p. for Argentina.

**Total Commercial cost over revenues**: *
- FY 2006: 25%
- FY 2010E: 15%

- **Already captured synergies in Q1 07 in marketing and sponsorships**
- **Higher bargaining power in handsets purchasing**
- **Loyalty programs**

**FY 2006 FY 2010E**
- **2.7%**
- **<2%**

*Mobile commercial costs (SAC + SRC + Loyalty programs + advertising + logistics + call center + commercial network) over mobile service revenues*
**Fixed: over 4 million additional Telefónica BB clients**

<table>
<thead>
<tr>
<th>BB Penetration 1</th>
<th>Dec-06</th>
<th>Dec-10E</th>
<th>Households 2010E 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil (SP)</td>
<td>15%</td>
<td>~27%</td>
<td>~15 m</td>
<td>10%</td>
</tr>
<tr>
<td>Argentina</td>
<td>15%</td>
<td>~37%</td>
<td>~11 m</td>
<td>~23%</td>
</tr>
<tr>
<td>Chile</td>
<td>23%</td>
<td>~38%</td>
<td>~5 m</td>
<td>~12 m</td>
</tr>
<tr>
<td>Peru</td>
<td>7%</td>
<td>~13%</td>
<td>~7 m</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>6%</td>
<td>~17%</td>
<td>~12 m</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10%</strong></td>
<td><strong>23%</strong></td>
<td><strong>~140 m</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Latin American Expected evolution similar as other countries in the last 4 years (from 2002 to 2006) 3**

<table>
<thead>
<tr>
<th>Country</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1%</td>
<td>15%</td>
</tr>
<tr>
<td>Mexico</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Poland</td>
<td>1%</td>
<td>20%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source:
1 Telefónica estimates
2 United Nations World population prospects – Latin America and the Caribbean
3 Euromonitor and Global Insight
Fixed residential: accelerating the transformation of the fixed business based on a segmented value proposition

- Premium
- Traditional
- Basic

**BROADBAND GENERALIZATION**

**VOICE BUNDLING (FLAT RATES, MINUTES BUNDLES)**

**INTEGRATED OFFER 3-PLAY (VOICE, BB, TV) + F-M CONVERGENCE IN SERVICES AND CHANNELS**

**LOW-COST INNOVATIVE SOLUTIONS**

**ADAPTING THE CUSTOMER EXPERIENCE**

**ARPU Index**
- Premium: 250
- Traditional: 100
- Basic: 50

**CUSTOMER distribution**
- Premium: 25%
- Traditional: 45%
- Basic: 30%

**Growth**
3 Fixed residential: broad adoption of bundled offers

Bundle strategy is delivering strong results

Chile example: impact of bundled offers

- Broadband market share
  - H1 06: 46%
  - H1 07: 50%
  - Increase: +3.9p.p

- Churn reduction
  - Index 100
  - 1P: 100
  - 2P: 88
  - 3P: 41
  - Decrease: 12% → 53%

Objectives going forward

- 85-90% will have bundled services in 2010
- 40-45% of 2010 customers will have “dúos” or “tríos”
- More than 2.0 million additional TV customers
- Fixed access lines erosion will be contained

- Terra will continue to grow at above 6%* (capture 25% of on-line ad share)
  - 33 million unique visitors per month
  - Terra TV
  - Communities

* constant exchange rates as of 2006
3 Fixed SMEs: broadband and workstations bundles

Integrated Solutions for SME’s

- Full service integration: fixed, mobile, broadband, PC
- Complete set of traffic bundles (F, M, LD, FM..)
- Equipment plus maintenance
- Regional replication of successful products: Speedy Duo, Speedy business portfolio
- New business opportunities:
  - ‘Puesto Trabajo Informatico’ (workstation)
  - ‘Kit Automación Comercial’
  - Traditional and advanced voice bundling

More than 1 million additional SMEs in the region*

>300,000 workstation accesses¹

>70% SMEs BB market share¹

76% of T-Latam’s revenues from new business opportunities¹

* Source: Pyramid

¹ 2010E
Fixed Corporates: a winning global offer with integrated solutions

Examples

- **INTEGRATED AND REGIONALLY REPLICATED SOLUTIONS**
  - Global account manager, design engineers, service managers
  - Regional P&S portfolio
  - International/regional network, centrally managed

- **COMPLETE OFFER OF COMMUNICATION AND ITC SERVICES**

- **GLOBAL PRESENCE**

- **SPECIALIZED PROFESSIONAL TEAM**

- **Data T-Latam Revenues CAGR 06-10E**
  - +7% *

- **IT T-Latam Revenues CAGR 06-10E**
  - +23% *

- **Leveraging TIWS capabilities and assets**

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* constant exchange rates as of 2006
Segmented network transformation will support growth

**Fixed access**
- **Traditional services:** Increase coverage and reduce CapEx through low cost solutions: “Fixed” services through wireless access
- **BB services:** Upgrade of DSL bandwidth and selective fiber deployment
- **TV services:** Pragmatic and flexible combination of IPTV, DTH and cable

**Mobile access**
- **Traditional services:** Increase coverage through low cost solutions (“Blue shadow”)
- **3G:** Network deployment focused on urban areas

**High capacity international backbone**
- **TIWS:**
  - More than 45,000 Km of optical fiber
  - Tier1 IP Backbone

---

Total 2007-2010E CAPEX: €14 bn - €16 bn

€240-€260 per additional access *

* Total CapEx / Total Net Adds (Mobile + Traditional + BB + TV)
Leveraging integrated delivery and regional scale

**WHAT WE HAVE ALREADY ACHIEVED**

- Single fixed network operating regional center in Sao Paulo
- Single commercial system (ATIS)
- Completed GSM network deployment
- 20% reduction in data centers costs
- Regional competence centers for new P&S
- Homogeneous P&S development process (e.g. launching TV offer in Chile, Colombia, Brazil in less than 6 months)

**OUR NEXT OBJECTIVES**

- Incorporate mobile networks into regional center
- Integration of fixed and mobile networks
- Reduce the number of data centers (from 44 to 2/3)
- Single provisioning and dispatching system
- Single pre-paid platform

Captured synergies in:

- Sales channels integration
- Branding and commercial campaigns regionalization
- Shared service platforms
- Regional Handsets and SIMs purchases

CAGR 06-10E

Non Commercial OpEx

/Accesses evolution*

-2% / -3%

Over €420 million of OpCF synergies in H1 07

*Non Commercial OpEx: Technology + Operations + Systems

Accesses: Traditional + Broadband + TV + Mobile

FY 2006

FY 2010E
3 Beyond performance: building a healthy company

- **COMMITTED TO OUR CLIENTS**
  - Customer satisfaction Index
  - + 5%
  - Jun-06, Sep-06, Dec-06, Mar-07, Jun-07

- **DEVELOPING OUR TALENT**
  - 33% of T-Latam top executives have international working experience

- **COMMITTED TO OUR SOCIETY**
  - More than 80% of our suppliers are local
  - The social initiatives in the region have contributed to the inclusion of Telefonica in the Dow Jones Sustainability Index
  - Our social program is increasingly relevant (e.g. Proniño will count with 50,000 children at the end of 2007E)

- **Sustainability**
  - BEAT OUR COMPETITORS IN CUSTOMER SATISFACTION
  - BEST PLACE TO WORK IN THE LATIN AMERICAN TELECOM INDUSTRY
  - STRATEGICALLY

- **Employees satisfaction index**
  - Index change 2007E vs 2006
As a result, sound growth and cash generation platform

Rapid growth
Additional customers 2007E-2010E
Millions

Mobile +55/60
Broadband + 4/5
TV + 2/3

Improving margins
- Sustain margins in fixed
- Increase margins in mobile leveraging growing scale

High Operating CF generation*
OpCF over revenues

FY 2006 21%
FY 2010E >25%

*OIBDA-CapEx

3 > 60 million

4 ~€22-25 bn
T-Latam: Growth on Growth

1. What we have accomplished: continuous growth and leadership

2. Latin America: much more than you imagine

3. The new T-Latam: uniquely positioned for further growth

4. Walking the talk

5. Our commitments
Brazil - Mobile: reinforcing leadership (1/2)

Current situation: Mobile
- Revenues 2006: €2.0 bn
- OIBDA 2006: €0.4 bn
- OIBDA Margin 2006: 21.9%
- Customer base 2006 and market share:
  - Mobile: 29.1 million (29%)

Future opportunities
- GDP growth CAGR 06-10E: 4.2%
- Mobile penetration 2006: 55% → 2010E: ~80%

Strong fundamentals
- Best brand perception
- #1 in network quality in Sao Paulo *
- Largest commercial network
- GSM migration proceeding very well (>20% accesses already migrated)
- Improved competitive position after acquisition of Telemig and 6 GSM licenses in the Northeast of Brazil (roaming, coverage)

* Source: Anatel, July 2007
GDP: Consensus Forecast
Brazil - Mobile: reinforcing leadership (2/2)

### Changing Trend Already Visible

<table>
<thead>
<tr>
<th>SHARE OF NET ADDS 1</th>
<th>MoU</th>
<th>ARPU 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. 24%</td>
<td>14%</td>
<td>23%</td>
</tr>
</tbody>
</table>

- **May-07**
- **Jun-07**
- **Jul-07**
- **Aug-07**

- **H1 06**
- **H1 07**

### Objectives and Key Strategic Actions

- Increase coverage and network quality (e.g. Minas Gerais and North East)
- Launch 3G in the main cities
- Reinforce competitive position in the SMEs segment
- Increase customer satisfaction
- Drive consumption through price elasticity
- Increase market share by the integration of Telemig and the construction of a GSM network in the North East

---

1 Before Telemig Operation
2 ARPU increase H1 07 considering no changes in B&K: 7.5%
Brazil - Fixed: develop a bundling strategy (1/2)

Current situation

**Current situation: Fixed**
- Revenues 2006: €5.6bn
- OIBDA 2006: €2.6bn
- OIBDA Margin 2006: 47.3%
- Customer base 2006 and market share:
  - Fixed: 12.1 million (95.3%)
  - BB: 1.6 million (70%*)

Future opportunities

- GDP growth CAGR 06-10E: 4.2%
- BB penetration:
  - 2006: 15%
  - 2010E: ~27%

**Strong fundamentals**

- Broadband market leadership: Market share ~70% *
- Compelling 2P/3P offer
  - Content agreement with GLOBO and TVA
  - Selective deployment of Fiber Optic to serve premium customers
Brazil - Fixed: develop a bundling strategy (2/2)

**BB ADOPTION IS SUSTAINING ACCESS BASE**

**FIXED ACCESS BASE**
- -2.5%

Jun-06  Jun-07

**TELESP BB USERS**
- 31%

Jun-06  Jun-07

**OBJECTIVES AND KEY STRATEGIC ACTIONS**

- Increase fixed coverage through low cost wireless solutions
- Foster 3-Play commercialization: from 150,000 customers in 7 months to 1 million in 2010E
- Fiber optic deployment in high income areas of Sao Paulo
- Develop special entry level offers for the mass market

**TV Accesses > 1 m**

* Sao Paulo
4 Mexico: gaining share in a high growth market (1/2)

**Current situation**
- Revenues 2006: €1.0bn
- OIBDA 2006: €-0.0bn
- OIBDA Margin 2006: -1.1%
- Customer base and market share 2006:
  - Mobile: 8.6 million (15%)

**Future opportunities**
- GDP growth CAGR 06-10E: 3.7%
- Mobile penetration 2006: 53% → 2010E: ~80%

**Strong fundamentals**
- GSM network quality improvement
- Shared technological infrastructures with Central America
- Increased quality of dealers and number of POS
- Successful stimulation of price elasticity
- Improved customer satisfaction (“Alfombra Roja” campaign)

GDP: Consensus Forecast
### Mexico: A strong momentum (2/2)

#### Changing Trend Already Visible

<table>
<thead>
<tr>
<th>SHARE OF NET ADDS</th>
<th>CUSTOMER SATISFACTION</th>
<th>ARPU</th>
<th>CHURN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 06 15%</td>
<td>Q2 06 71%</td>
<td>Q2 06 22%</td>
<td>Q2 06 -1.1 p.p.</td>
</tr>
<tr>
<td>Q2 07 33%</td>
<td>Q2 07 73%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Objectives and Key Strategic Actions

- Continue with price elasticity approach
- Target aggressively post-paid segment
- Develop mobile applications for SME’s (e.g. email, connectivity)
- Integrated solutions (fixed, mobile, IT) for Corporate segment
- Deployment of 3G network
- Enhance coverage of GSM network
- Continue improving operating margins and retaining high value clients
Central America

**Current situation**
- Revenues 2006: €0.6bn
- OIBDA 2006: €0.2bn
- OIBDA Margin 2006: 36.8%
- Customer base 2006 and market share:
  - Mobile: 3.8 million (30.0%)

**Future opportunities**
- Mobile penetration 2006: 44% → 2010E: ~75%
- GDP growth CAGR 06-10E: 5.1%

**Key strategic actions**
- Create a distinctive and segmented offer through exclusive handsets and new VAS
- Drive data service use (eg. SMS, mobile email)
- Develop a convergent offer on a mobile infrastructure (Home-zone, office-zone)
- Be the leading provider of integrated telecommunication services for SME’s and Large Corporates

Mexico & Central America 2010E
Accesses: ~ 30 m

GDP: Consensus Forecast
4 Argentina: maximize mobile growth and strengthen BB leadership

**Current situation**
- Revenues 2006: €2.2bn
- OIBDA 2006: €0.8bn
- OIBDA Margin 2006: 35.1%
- Customer base and market share:
  - Fixed: 4.6 million (49%)
  - BB: 0.5 million (33%)
  - Mobile: 11.2 million (36%)

**Future opportunities**
- Mobile penetration: 78% ~97%
- BB penetration: 15% ~37%
- GDP growth CAGR 06-10E: 5.4%

**Key strategic actions**
- Maintain market leadership
- Reinforce position in the north
- Migration to post paid
- Launch loyalty programs
- Foster adoption of attractive on-net tariffs
- Drive data service usage (e.g. SMS, mobile email)
- Launch of 3G in main cities
- Improve margins
- Achieve F-M synergies
- Increase ADSL coverage
- Voice up selling (flat tariffs)
- Launch 2P offers to increase customer loyalty

500,000 customers joined the flat fee voice offer this year
Chile: winning offer with our bundled strategy

Current situation
- Revenues 2006: €1.7bn
- OIBDA 2006: €0.7bn
- OIBDA Margin 2006: 41.7%
- Customer base 2006 and market share:
  - Fixed: 2.2 million (66%)
  - BB: 0.5 million (49%)
  - Mobile: 5.7 million (44%)

Future opportunities
- Mobile penetration 2006: 82% → 2010E: ~97%
- BB penetration: 23% → 38%
- GDP growth CAGR 06-10E: 5.1%

Key strategic actions
- Improve margins
- Continue with post-paid migrations
- Drive data service usage (e.g. SMS)
- Launch of 3G with focus on premium clients
- Ensure leadership
- Target medium ADSL market with plug&play and entry-level bandwidth solutions
- Foster adoption of bundled offers

More than 600,000 customers with 2P/3P
More than 200,000 PayTV customers in 8 months (15% market share)

GDP: Consensus Forecast
4 Colombia: Regain mobile market share and accelerate broadband

Current situation

- Revenues 2006: €1.2bn
- OIBDA 2006: €0.3bn
- OIBDA Margin 2006: 27.7%
- Customer base 2006 and market share:
  - Fixed: 2.4 million (30%)
  - BB: 0.07 million (0%)
  - Mobile: 7.8 million (28%)

Future opportunities

- Mobile penetration: 2006 67% → 2010E ~91%
- BB penetration: 2006 6% → 2010E ~17%
- GDP growth CAGR 06-10E: 5.0%

Key strategic actions

- Foster adoption of attractive on-net tariffs
- Drive data service use (e.g., SMS, mobile email)
- Drive migration to GSM
- Focus in high value clients
- Enhance commercial network
- Improve customer retention
- Achieve synergies with Telecom (commercial network, corporates)

Future opportunities

- Foster corporate market
- Reach over 90% BB coverage in Bogota
- Market leader in net adds for Colombia broadband

GDP: Consensus Forecast

- US$100 m lingering in the pipeline for Corporates
- More than 40,000 Pay TV customers in 4 months
## Peru: consolidation of leadership

### Current situation
- **Revenues 2006:** €1.4bn
- **OIBDA 2006:** €0.6bn
- **OIBDA Margin 2006:** 40.6%
- **Customer base 2006 and market share:**
  - Fixed: 2.5 million (96%)
  - BB: 0.5 million (96%)
  - Mobile: 5.1 million (58%)

### Future opportunities
- **GDP growth CAGR 06-10E:** 5.9%
- **Mobile penetration:** 32% → 71%
- **BB penetration:** 7% → 13%

### Key strategic actions
- **Mobile**
  - Foster adoption of attractive price elasticity approach
  - Drive data service usage (eg. SMS, mobile email)
  - Launch loyalty program
  - Capture market growth and maintain revenues market share
  - Increase network capacity
  - Improve customer retention
- **Fixed**
  - Launch of low entry level BB offers (eg: prepaid)
  - Increase market penetration in TV focusing in middle/low segments with a DTH-based offer
  - New low cost voice services based on wireless solutions

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**Investor Conference**

500,000 additional fixed accesses in 2010E
4 Venezuela: Sustain cash flow generation

Current situation
- Revenues 2006: €2.0bn
- OIBDA 2006: €0.8bn
- OIBDA Margin 2006: 39.9%
- Customer base 2006 and market share:
  - Mobile: 8.8 million (43.4%)

Future opportunities
- Mobile penetration: 69% → ~90%
- GDP growth CAGR 06-10E: 3.0%
  (GDP: Consensus Forecast)

Key strategic actions
- Focus on maintaining margins
- Improve customer retention
- UMTS/HSPA-based BB solutions
- Drive new GSM applications for SMEs
- Launch F-M solutions for SMEs and develop a commercial network focus on this segment
- Target high value and corporate clients
T-Latam: Growth on Growth

1. What we have accomplished: continuous growth and leadership

2. Latin America: much more than you imagine

3. The new T-Latam: uniquely positioned for further growth

4. Walking the talk

5. Our commitments
<table>
<thead>
<tr>
<th></th>
<th>FY2006 (1)</th>
<th>FY2006 (Adj.) (2)</th>
<th>CAGR 06-10E (3)</th>
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</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>18,089</td>
<td>18,089</td>
<td>10 – 13 %</td>
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<tr>
<td><strong>OIBDA</strong></td>
<td>6,571</td>
<td>6,607</td>
<td>12 – 17 %</td>
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<tr>
<td><strong>CAPEX</strong></td>
<td>2,811</td>
<td>2,811</td>
<td>14,000 – 16,000</td>
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</table>

1) Base 2006 reported numbers include eight months of Telefónica Telecom (consolidated since May 2006)
2) In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses not foreseeable in 2007E-2010E. For comparison purposes the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures.
3) CAGR 06-10E guidance assumes constant exchange rates as of 2006 and excludes changes in consolidation, other than Telemig acquisition (50% through TEF stake in Vivo) and TVA.
In summary, a new Latin-America by 2010 ...

- **GDP per capita**
  - GDP per capita (PPP)
  - CAGR 06-10E ~ +5.7%
  - $11,600

- **Population & Households**
  - +58 million workers
  - +74 million people in urban areas
  - >620 million people
  - >140 million households

- **Telecom Market**
  - +8% market growth
  - Fastest growing region in the world
  - +€35-40 bn
.. and a new Telefónica Latin-America

<table>
<thead>
<tr>
<th>Category</th>
<th>Multiplier</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accesses</td>
<td>x 1.5/1.6</td>
<td>&gt; 170 million</td>
</tr>
<tr>
<td>Revenues</td>
<td>x 1.5/1.6</td>
<td>€26-29bn</td>
</tr>
<tr>
<td>OIBDA</td>
<td>x 1.6/1.9</td>
<td>€10-12bn</td>
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<tr>
<td>OpCF</td>
<td>x 1.8/2.2</td>
<td>&gt; €7bn</td>
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