FIFTH INVESTOR CONFERENCE
Valencia. May 25th - 26th. Ciudad de las Artes y las Ciencias
Valencia - May 25, 2006

**THE BEST COMBINATION OF GROWTH AND RETURNS**

**Antonio Viana-Baptista**
Executive Chairman, Telefónica Móviles

**FIFTH INVESTOR CONFERENCE**
Valencia. May 25 th - 26 th.
Ciudad de las Artes y las Ciencias

Valencia - May 25, 2006

Telefónica Móviles, S.A.
Disclaimer

This presentation contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document 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. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Although Telefónica believes that these statements are based on reasonable assumptions, such forward-looking statements, by their nature, 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, most of which are difficult to predict and are generally beyond Telefónica’s control.

Analysts and investors 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 as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator.

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). Telefónica may present financial information herein that is not prepared in accordance with IFRS. This non-GAAP financial information should be considered in addition to, but not as a substitute for, financial information prepared in accordance with IFRS. Telefónica has included such non-GAAP financial information because Telefónica's management uses such financial information as part of its internal reporting and planning process and to evaluate Telefónica’s performance. Accordingly, Telefónica believes that investors may find such information useful. However, such non-GAAP financial information is not prepared in accordance with IFRS or any other generally accepted accounting principles, and such non-GAAP financial information, as defined and calculated by us, may be different from similarly-titled financial information used by other companies. Investors are cautioned not to place undue reliance on such non-GAAP financial information.
Index

01 Consistently delivering on our commitments

02 Our management priorities to fully exploit our growth potential

03 A set of ambitious financial and operational targets
01 TEM 2005: Solid performance since Barcelona 05...

**SPAIN**
- Sustained market leadership and best-in-class margins in a highly competitive market
- Successful launch of new initiatives to contain churn & stimulate usage
- Deployment of a high-quality UMTS network

**LATIN AMERICA**
- Rapid integration of 10 companies acquired from Bell South
- Roll-out of 6 new GSM networks
- Delivering high growth in very competitive markets
- Launch of a unified brand across Spanish-speaking markets

Solid local performance enhanced by delivery of synergies, leveraging Group expertise and know-how in mature markets
... with strong growth and cash flow generation...

Unique growth profile

- Customers: +27%
- Service revenues: +40%

Strong profitability and cash generating businesses in all geographies

- OIBDA: +27%
- OpCF\(^1\): +25%

\(^1\) OpCF: OIBDA–Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.
01 ... achieving very demanding targets

<table>
<thead>
<tr>
<th></th>
<th>2005A</th>
<th>Barcelona 2005 CAGR 04-08¹</th>
<th>Guidance 2005¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>37.4%</td>
<td>12%-16%</td>
<td>33%-36%</td>
</tr>
<tr>
<td>OIBDA growth</td>
<td>23.4%</td>
<td>14%-17%</td>
<td>23%-26%</td>
</tr>
</tbody>
</table>

¹ Growth rates in constant exchange rates as of 2004 and excluding changes in consolidation other than assets acquired from BellSouth in Argentina & Chile in 2005. Growth rates based on 2004 preliminary data under IFRS: Revenues €11,744 MM; OIBDA adjusted for guidance €4,678MM In terms of guidance calculation, OIBDA exclude other exceptional revenues/expenses not foreseeable in 2005. These exceptional amounted to -100.2MM€ in 2004.
Spain in 2005: Strong growth in a highly competitive environment...

2005 y-o-y market growth

Penetration 2005

Market Gross Adds in Spain (MM lines)

Source: Merrill Lynch “4Q05 European Wireless Matrix”.

Source: TEM Spain
... where TEM Spain delivered superior results vs. peers

2005E Market Share¹

<table>
<thead>
<tr>
<th></th>
<th>Customer</th>
<th>Revenues</th>
<th>OIBDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEM Spain</td>
<td>46%</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>European Average²</td>
<td>7.0%</td>
<td>1.2%</td>
<td></td>
</tr>
</tbody>
</table>

Service revenue growth (2005/04)

<table>
<thead>
<tr>
<th></th>
<th>TEM Spain</th>
<th>European Average²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Gap between first 2 operators in European local markets (2005)¹

<table>
<thead>
<tr>
<th>Market Share</th>
<th>OIBDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>#2</td>
</tr>
</tbody>
</table>

1. Source: Merrill Lynch “4Q05 European Wireless Matrix”.
LatAm 2005: Once more, customer growth beat market expectations ...

**2005 Penetration (%)**
- Argentina: 50/55
- Brazil: 43/47
- Chile: 23/64
- Colombia: 43/47
- Mexico: 38/44
- Venezuela: 31/48

**2005 y-o-y customer growth (%)**
- Argentina: 58
- Brazil: 31
- Chile: 19
- Colombia: 108
- Mexico: 22
- Venezuela: 49

*Source: Pyramid*
... and TEM LatAm turned around OpCF despite high growth and strong CapEx

- Integration of BS operations in 10 countries
  - Mergers in 4 countries
  - Deployment of 6 new GSM networks
  - Successful launch of a unified brand

- Significant opex & capex savings from regional management & scale economies

### 04-05 growth\(^2\) (%)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Serv. Rev.</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>OIBDA</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>CAPEX</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

### OpCF\(^2\) (€MM)

- €790MM turnaround
  - 301

Only operator in the region with positive OpCF outside its home market

---

1. For comparisons 2004 figures include TM Chile and operations acquired from BellSouth from January 1st, 2004. Growth rates excluding forex.
2. OpCF: OIBDA–Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.
In summary, a track record of strong top line growth with outstanding cash generation

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OpCF (€MM)</strong></td>
<td><strong>OpCF (€MM)</strong></td>
</tr>
<tr>
<td>TIM Italia</td>
<td></td>
</tr>
<tr>
<td>TEM Spain</td>
<td>3,400</td>
</tr>
<tr>
<td>T-Mobile (G)</td>
<td></td>
</tr>
<tr>
<td>Orange (F)</td>
<td></td>
</tr>
</tbody>
</table>

**OIBDA margin (%)**

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TEM Spain</strong></td>
<td>47</td>
<td>23</td>
</tr>
<tr>
<td><strong>Peers avg¹</strong></td>
<td>42</td>
<td>17</td>
</tr>
</tbody>
</table>

**OpCF margin (%)**

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TEM Spain</strong></td>
<td>38</td>
<td>3</td>
</tr>
<tr>
<td><strong>Peers avg¹</strong></td>
<td>33</td>
<td>-9</td>
</tr>
</tbody>
</table>

¹ Includes T-Mobile Germany, TIM Italy, Orange France, KPN Netherlands (ex-Telfort) & TMN.
² Includes America Movil ex-Mexico & TIM Brazil.

Source: Co. press releases & analysts estimates.
Index

01 Consistently delivering on our commitments

02 Our management priorities to fully exploit our growth potential

03 A set of ambitious financial and operational targets
Our strategy for the coming years

Foster Top Line Growth
- Capture of remaining penetration potential in our markets
- Deeper customer segmentation to enhance customer value
- Stimulation of voice usage
- Innovation in new data services
- Reinforcement of our brand equity
- Leverage of our competitive position

Enhance Operational Excellence
- Sustain best in class operating efficiency in Spain
- Continue improving efficiency in Latam
- Leverage Telefónica’s unique scale and diversity

Maximizing cash flow generation while continuing to invest in our sound growth platform

What makes us unique
- A tailored and segment based approach in each market building on Telefónica’s capabilities to innovate

A distinct profile to extract synergies leveraging Telefónica
A segment-based approach to extract further growth in a highly diversified portfolio...

"The mobile as the main communications & entertainment personal device"

"A mobile in every pocket"

Enhancing customer value leveraging experience from our European operations

Source: TEM estimates for total market.
### Global Scale
- Handset procurement
- Network equipment
- Content development/purchasing
- Transfer of knowledge & best practices

### Regional Scale
#### TEM LATAM
- Complete BellSouth integration
- Further development of 2005 initiatives
  - Regional management
  - Single brand
  - Mundo Movistar

#### TEM Spain – O2
- Roaming
- Corporates & MNCs
- Transfer of knowledge & best practices (VAS, new services...)
- Joint process development

### TEM/TdE/T. LATAM
- Distribution channels
- Corporate & SMEs accounts management
- Integrated F/M services
- Infrastructure sharing
- Transfer of knowledge & best practices
- Back office services: Common systems & processes

---

While extracting further synergies from our unique profile...
Global Scale: advertising, an area that is already delivering material savings

**Costeffectiveness**

- Unified advertising campaigns with lower production costs
- 6%-10% of total marketing expenses managed globally

<table>
<thead>
<tr>
<th>Cost of global sponsorships/managed customer¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% 59%</td>
</tr>
<tr>
<td>2004² 2005</td>
</tr>
</tbody>
</table>

**Improved quality**

- Unified advertising campaigns with higher quality
- Improved awareness & perception through global sponsorships

Brand awareness: 86%  
+10 p.p. vs. March 05

Brand awareness in Latam: #3 brand

5th most valuable wireless brand³:  
>US$15Bn

¹ Excludes customers from Vivo & Meditel.
² Excludes customers from Vivo, Meditel and BellSouth assets acquired in 4Q04.
³ Source: Millward Brown.
Global Scale: further handset and equipment procurement synergies leveraging scale and joint negotiation

**TEM**

- **Scale:**
  - > 40MM handsets per year
  - GSM networks in 13 countries

  **GSM handsets average cost**

<table>
<thead>
<tr>
<th>Year</th>
<th>100</th>
<th>82</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009E</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 25%-30% of savings due to joint negotiation with suppliers\(^1\)

**TEF**

- Increased scope for economies of scale (O2)
- Reinforced relationship with suppliers
  - Strategic alliance with top vendor to develop and enhance retail distribution channel in México
  - Priority launching of handsets from top vendors

- Savings on 2G/UMTS/HSDPA/HSUPA capex
- Acceleration of UMTS deployment

**Commercial vendor management:**
- Joint negotiation, price alignment & harmonization
- Reduced time to market
- Exclusivity agreements
- Handset customization to target specific segments
- Integrated technical specification and testing for network equipment, handsets and SIM cards
- Sharing of best operational practices

\(^1\) Cum. 06-09E
Spain outlook: strong growth potential in a tough competitive environment

**Macro economic environment**
- Growing population (CAGR 05/09E: +1%)
- Superior GDP growth (CAGR 05/09E: +3%)

**Competition**
- Further competition from existing players
- Change of control of #3 player
- Entry of MVNOs

**Regulation**
- Cuts in interconnection rates
- Potential regulation of roaming charges (EC)

**TOTAL MARKET**

Index

CAGR 05-09E 7%-9%

2005 Customer revenues
Increase in penetration
Increase in Voice ARPU
Increase in Data ARPU
2009 Customer revenues

Source: TEM Spain

1 Source: Consensus Forecast, April 06

“The mobile as the main communications & entertainment personal device”
Further penetration increases from new personal connections and data lines

**Total market lines**
- 2005: 43
- 2009E: 54
- CAGR: 6%

**Market lines penetration**
- Total: 96% in 2005, 116% in 2009E
- Second lines\(^1\): 17% in 2005, 29% in 2009E

**Consumer segments**
- Higher penetration from new lines and PC Cards

**Business & corporate segments**
- Higher penetration of e-mail devices and PC Cards due to increased number of employees connected on the move

Additional potential from M2M market: cars, vending machines, homes (~5MM lines in the market in 2009E)

---

\(^1\) Second voice lines, business & data only

Source: CMT, TEM Spain
Expansion of voice ARPU to be driven by strong growth in usage

05-09 Spanish outbound minutes on mobile
Billion Minutes

CAGR: >15%

2005 46
2009E 80-90

Mobile MOU Index

Spain
European Average

Source: TEM Spain
Source: Pyramid
Increase in Data ARPU foreseen from higher penetration and usage

New devices
- Smartphones/BlackBerry
- New platforms: PC card
- Entertainment-specific devices: music, TV...
- M2M

Network
- Higher broadband speed
- Enhanced 3G coverage
- All IP Networks, IMS

Better value proposition
- Better usability (easier to use software)
- New services and transparent prices schemes
- Potential to mobilize adjacent industries (entertainment, advertising, betting...)

Data revenues (Spanish market)
- €1.9Bn
- 2x

Source: TEM Spain
02 Strategic initiatives to capture expected revenue growth

- **Further segmentation** to provide customized solutions & contain churn
- **Voice initiatives** to boost usage
- **Innovative data offer** to foster data lines penetration
- **Technological leadership** to promote new sources of growth
- **Leverage Telefónica** and collaborate with TdE and O2

Focused customer approach
Further segmentation: leveraging our strong position and segment knowledge to expand customer base

**Consumer segments**

- **2005-09E**
- **Penetration (%)**
- **POPs (MM)**
- **Seniors**
- **Settled**
- **Juniors**
- **Emergent**
- **Immigrants**

**Business & corporate segments**

- **Companies (000)**
- **Professional**
- **SMEs**
- **Large Corps**

**Customer Market Share (2005E)**

- **Total customer base**

Source: PRM, Omnibus.
Source: TEM Spain
## Further segmentation: consumer market

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market share</th>
<th>Opportunity</th>
<th>TEM’s approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juniors</td>
<td></td>
<td>High usage of SMS, VAS &amp; content services</td>
<td>Innovative P&amp;S to trigger remaining elasticity</td>
</tr>
<tr>
<td>Emergents</td>
<td></td>
<td>Low fixed line penetration</td>
<td>Advanced P&amp;S bundles to increase data ARPU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High internet usage</td>
<td></td>
</tr>
<tr>
<td>Settled</td>
<td></td>
<td>No control of peak-off peak tariffs /on-net traffic</td>
<td>Bundles to offset price cuts &amp; increase loyalty</td>
</tr>
<tr>
<td>Seniors</td>
<td></td>
<td>High customer loyalty</td>
<td>Specific plans: family plans, location based services,...</td>
</tr>
<tr>
<td>Inmigrants</td>
<td></td>
<td>Family/friends prescription</td>
<td>Global community effect</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seek for economical international tariffs</td>
<td>Specific destination tariffs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Presence in Latam, O2 territories &amp; Morocco</td>
</tr>
</tbody>
</table>

Telefónica Móviles S.A.
### Further segmentation: business and corporate market

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market share</th>
<th>Opportunity</th>
<th>TEM’s approach</th>
</tr>
</thead>
</table>
| Professionals | ![Others](image) | - High value  
- Business & individual usage          | - Differentiated offer through network (on-net pricing) and convergence advantages |
| SMEs        | ![Others](image) | - Low mobile penetration per company             | - Advanced P&S bundles to promote VAS usage  
- Capitalize on TdE sales force |
| Large Corps | ![Others](image) | - Roaming offer key  
- Demand for fixed-mobile solutions | - Bundles to increase new data services & services usage  
- Enhance value of existing customers  
- Capitalize TdE sales force  
- Leverage collaboration with O2 |
## Sustain world-class churn

### Churn (2005)

<table>
<thead>
<tr>
<th></th>
<th>Blended</th>
<th>Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.3% excluding churn within network&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.9% excluding churn within network&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>TEM Spain</td>
<td>1.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>European Average&lt;sup&gt;2&lt;/sup&gt;</td>
<td>2.0%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

### Our actions to contain churn:

- **Exploit on-net effect: 45-50% lower** churn in customers with on-net products
- **Promote long term contracts:** 56% of commercial actions in 1Q06 vs. 23% in 1Q05
- **Prepaid to contract migrations**
- **Quality of service and customer care**

---

sup 1 Source: Ideas Originales

sup 2 Includes T-Mobile Germany, T-Mobile UK, T-Mobile Austria, Vodafone Italy, Vodafone Spain, Vodafone Germany, Vodafone UK, Orange France, Orange UK, Amena, KPN Mobile NL, E-Plus
Voice initiatives to boost usage

2005 MOU Growth

- 16%
- 2005/2004 Billable traffic: +19%
- On-net traffic: +30%

2005 ARPU Growth

- 3%

Further initiatives to stimulate voice elasticity

- Aggressive on-net prices
- Prepaid to Contract migrations
- Customized bundles based on the new segmentation
- Attractive roaming prices (O2)

Source: Merrill Lynch "4Q05 European Wireless Matrix" & Co. press releases.
**02 Innovative data offer to foster data lines penetration**

### 2005

- **Users of data services**
  - P2P Comm. 56%
  - Content 27%
  - Connectivity 11%

- Promising results...
  - >18MM game downloads & ring back tones (1st European player in number of in 2005)
  - €10MM from ring back tones

- But still large untapped potential...
  - 38% of our customer base do not use data services

### 2006

- **Growing contribution from non P2P SMS data revenues**
  - 2004: 29%
  - 2005: 38%
  - 1Q06: 43%

- Innovative /simpler pricing schemes to drive usage
  - €0.30 flat rate per session

---

Telefónica Móviles S.A.
Capture of new revenue sources enhanced by 3G higher speed access

**Browsing/Content**
- 1st Spanish mobile portal to integrate Google search engine
- Increasing penetration of personalization services

**Messaging**
- 1st mobile portal with real time access to webmail
- Instant messaging
- Multimedia messaging
- Mobilising business customers (e-mail)

**PC connectivity**
- Wireless broadband for residential and business customers:
  - >25% mobile-enabled laptops by 2009E
- Launch PCs with embedded HSDPA modules

Capture of new revenue sources enhanced by 3G higher speed access

Telefónica Móviles S.A.
Launch of innovative services to capture new revenue streams and enter adjacent industries

- Mobile TV
  - DVB-H pilot showed promising results:
    - 75% would recommend this service
    - >55% would pay for this service (5€)
    - ~15-20 min of use per day

- Music
  - Exclusive anticipated launch of new hits on mobile to strengthen brand image
  - Extensive music library and agreements with major record companies.
  - Launch of special handsets (i.e. mobile enabled iPod)

- Business applications
  - Mobilization of business applications (horizontal, vertical)
  - “Development ecosystem” to foster innovation
  - Potential to leverage on-net effect through community services

- New businesses
  - Potential opportunities in advertising and betting

- F2M Integrated Services
  - Video services from/to fixed/wireless, Imagenio móvil, “Wireless Internet anywhere” …

45% of our customer base will use advance data services in 2009E vs. 19% in 2005
Pace of implementation to be driven by handset prices and features

<table>
<thead>
<tr>
<th>Year</th>
<th>UMTS</th>
<th>HSDPA</th>
<th>HSDPA/HSUPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009E</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bandwidth
- UMTS: 384 kbps
- HSDPA: 1.2 Mbps
- HSDPA/HSUPA: 13,000

Number of Nodes B
- UMTS: 3,800
- HSDPA: 5,000
- HSDPA/HSUPA: 6,000

Handset price
- UMTS: 480€
- HSDPA: 275€
- HSDPA/HSUPA: >60% of our customers with a UMTS device by 2009E
Leverage Telefónica-O2 collaboration

**Roaming**
- Joint New value proposition for roammers: “My Europe”
  - European holiday makers: free-opt plan offering reduced tariffs when roaming in any network
  - High roamers: reduced rate for calls made and no charge for calls answered when abroad
- Traffic internalization (higher revenues & lower costs)

**MNCs & Corporates**
- Joint sales team
- Enriched proposition:
  - ‘One stop’ shop
  - Specialized P&S offering
  - Enhanced after sales support

**Handsets & Equipment Procurement**
- Joint procurement of network equipment and handsets
- Exclusive handsets from top vendors

**Technical**
- Common network quality indicators within the Group
- Common technical tests for equipment certification

---

Telefónica Móviles S.A.
Leverage Telefónica-TdE collaboration

**Ongoing initiatives**

- **Corporate**: Global Account management resulting in increased loyalty
- **SMEs**: Sales force collaboration to increase penetration
- **Individuals**:
  - Indirect channel: Leverage TEM know-how to sell TdE products
  - Online channel: Evolution towards a single access
  - TEF own shops¹
  - Call centers: 310,000 calls transferred in 1Q06

- Already in place:
  - Wireless Internet anywhere, Video Services from/to fixed/wireless, Loyalty Plan
- Upcoming launches:
  - Voice solutions for Groups, Imagenio móvil
  - Further developments of integrated services already in place

- **Network**
  - Common Backbone
  - Common IMS. Towards a single network

¹ Managed by TEM Spain
TEM Spain summary: superior revenue growth in a mature but growing market...

Outstanding customer revenue growth despite aggressive proactive price reductions

Revenues (€MM)

CAGR 05-09E

2005 2009E

3%-5%

Data ARPU/ARPU

Non P2P SMS data revenues/total data revenues

2005 2009E

13% 20-25%

38% >80%
O2 ... with best in class operating efficiency

OIBDA (€MM)

- Ongoing **high commercial costs** due to strong activity in a very competitive market
- Steady **focus on non commercial costs**:
  - Improved CRC efficiency
  - Billing reengineering
  - Logistic cost reduction
  - Network Opex reduction (IP Solutions)

CAGR 05-09E:

- 0%-2%

Capex (€MM)

- **2006/07 are peak network capex years**:
  - UMTS deployment
  - Marginal capex in GSM from 2008
- **Total network capex 06-09E: €1.7Bn**
  - UMTS: <€1.2Bn

Guidance at ID, Analysts consensus after ID, Reported

OpCF CAGR 05-09E: 1%-3%
02 LatAm outlook: strong growth prospects backed by a positive macro scenario

Macro economic environment
- Growing addressable population:
  - CAGR 05-09E: +1%
- Strong GDP growth¹
  (CAGR 05-09E: +4%)

Competition
- Towards a rational competitive environment in most markets led by 2 global players

Regulation
- Cuts in termination rates:
  - 26% of TEM Latam revenues in 2005

TOTAL MARKET²

Source: TEM assuming constant exchange rates

¹ Source: Consensus Forecast, April 2006. (Constant exchange rates)
² Total Market in countries where TEM operates

“ar mobile in every pocket”

Source: TEM assuming constant exchange rates
Increase in penetration driven by solid customer growth prospects across the region

**Total LatAm**

- 2005: 46%
- 2009E: ~70%

**Northern Region**

- Mexico: #2
- Guatemala: #3
- El Salvador: #2
- Panama: #2
- Nicaragua: #2

- 2005: 41%
- 2009E: >60%

**Andean Region**

- Venezuela: #1
- Colombia: #2
- Ecuador: #2
- Peru: #1

- 2005: 47%
- 2009E: ~70%

**Brazil**

- #1

- 2005: 50%
- 2009E: ~70%

**Southern Cone**

- Chile: #1
- Argentina: #1
- Uruguay: #2

- 2005: 58%
- 2009E: ~80%

Vivo’s areas of operations
ARPU increase underpinned by very strong voice and data usage growth forecasts

05-09 LATAM outbound minutes on mobile Index

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>100</td>
<td>222-252</td>
</tr>
</tbody>
</table>

Source: TEM

Total SMS users in LatAm (MM)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>105</td>
<td></td>
</tr>
</tbody>
</table>

Source: Pyramid

Advanced data services users\(^1\) in LatAm (MM)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>22</td>
<td></td>
</tr>
</tbody>
</table>

Source: Pyramid

\(^1\) Users of Ringtones, Graphics/Images, Games, Information Services, Music, Video, & Mobile Data/Remote access
02 Strategic initiatives to capture expected revenue growth...

- **Deeper unified segmentation** to provide customized solutions
- **Leading Innovation in the region**
- **Regional presence and management** to enhance competitive position and efficiency
- **Sharing service development and platforms to accelerate time-to-market**
- **Mundo Movistar**: capitalize on our unique global footprint
- **Leverage Telefónica** and collaborate with T. Latam
02 ... leveraging our know-how in markets with different maturity

### Phases in the wireless market

**Y-o-y Customer base growth rate**

- **Expansion**
  - Mexico
  - Peru
  - Uruguay
  - Nicaragua
- **Development**
  - Brazil
  - Argentina
  - Venezuela
  - Colombia
  - Ecuador
  - Panama
  - Guatemala
  - El Salvador
- **Maturity**
  - Chile

#### Time

<table>
<thead>
<tr>
<th>Penetration:</th>
<th>25%</th>
<th>50%</th>
<th>71%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Y-o-y Customer base:</td>
<td>+52%</td>
<td>+48%</td>
<td>+11%</td>
</tr>
<tr>
<td>2005 Y-o-y Service Rev. (ex-forex):</td>
<td>+6%</td>
<td>+26%</td>
<td>+20%</td>
</tr>
<tr>
<td>2005 OIBDA margin:</td>
<td>22%</td>
<td>26%</td>
<td>36%</td>
</tr>
</tbody>
</table>

#### Key growth levers
- Capture new clients
- Increase ARPU profitably
- Improve Profitability

**Leverage of TEM Spain know-how to continuously capture opportunities as markets evolve**
02 Deeper segmentation: “Value for Money” in voice and data for the Top Consumer Segment

**Features**
- High-middle income
- Heavy voice users
- VAS users
- Handset is key

**Opportunities**
- Increase loyalty
- Trade up handset
- Enlarge high-end handset range
- Smart pricing to increase value proposition
- VAS development
- Promote data-only solutions
- Improve customer care

**Expanding Market**
- Customer base and market share increase

**Developing Market**
- Voice & data usage increase

**Different approach depending on competitive position & market development**

Leverage of TEM Spain expertise
02 Deeper segmentation: Mass Market, ensuring payback through right balance between SAC and churn

Features

- Middle-low income
- Low voice users
- Data usage: mainly SMS
- Value seekers: Handsets & Tariffs

Opportunities

- Exploit the “community effect”
- Leverage “Mundo Movistar”
- Develop low income business model

Different approach depending on competitive position & market development

Expanding and developing Market

- Focus on acquisition

Mature Market

- Focus on profitability
Deeper segmentation: Business and Corporate Market, capitalizing on TEF position

- Heavy voice usage
- Diversified portfolio of data usage needs with focus on BB
- Low mobile penetration per company

<table>
<thead>
<tr>
<th>Features</th>
<th>Business Users in LatAm (MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005E</td>
</tr>
<tr>
<td></td>
<td>17</td>
</tr>
</tbody>
</table>

Source: ARC

Tailored commercial approach

- MNCs
  - Global sales team
  - Customized solutions leveraging TEM Spain know-how (Movilforum)
- SMEs
  - Dedicated distribution channel & sales force
  - Dedicated call centers

- Global portfolio of P&S
- Leveraging TEF capabilities for global customers
Leading innovation in the region

<table>
<thead>
<tr>
<th>New services/concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch of common VAS across the region:</td>
</tr>
<tr>
<td>- Mail Movistar</td>
</tr>
<tr>
<td>- BlackBerry agreement for all LatAm operations</td>
</tr>
<tr>
<td>- VPN</td>
</tr>
<tr>
<td>- Vertical applications</td>
</tr>
<tr>
<td>- MMS</td>
</tr>
<tr>
<td>- Video streaming</td>
</tr>
<tr>
<td>- Ring back tones</td>
</tr>
<tr>
<td>- Location Based services</td>
</tr>
<tr>
<td>- Push to Talk</td>
</tr>
</tbody>
</table>

Innovative P&S portfolio and launch of “success stories”: on-net offer, ring back tones, ... leveraging TEM Spain know-how
Regional management: enhanced competitive position and increased efficiency

**Northern Region**
- Mexico’s core network supports Central America operations
- GSM deployments in record time:
  - 6 networks in less than 12 months
  - 3G compatible networks
- Development of IT project
- Enhancement of VAS offer
- Focus on regionalization of processes & structure

**Andean Region**
- Infrastructure sharing in GSM launch in Colombia & Ecuador
- GSM launch in Peru based on Colombia & Ecuador networks
- Further development of common infrastructures in Ecuador & Colombia

**Southern Region**
- Focus on in-market integration of operations in Argentina & Chile
- Uruguay operations supported from Chile and Argentina
- Focus on infrastructure standardization & sharing in Argentina & Chile
- Launch the regionalization of processes & structure

**2005**
- Implementing TEM Spain Prepaid Platform & Commercial System

**CONSOLIDATION OF THE REGIONALIZATION:**
**UNIQUE PROCESSES & SYSTEMS**
Sharing service development and platforms to accelerate time-to-market

- **MMS**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

- **Regional Over the Air recharges**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

- **VPN**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

- **Video streaming**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

- **Ring tones**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

- **Location based services**
  - ✔️
  - ✔️
  - ✔️
  - ✔️

To be launched during 2006

- Enhanced high quality P&S portfolio across all regions leveraging infrastructure, IT & platforms sharing
- Further development of a common roadmap of VAS
02: leverage our unique global footprint

- Roaming
- International Tariffs
- Contents & Applications
- Global movistar shop
- Global movistar customer care
- Common advertising & brand
- Contents & Applications

- Higher revenues by increasing market share in the immigrant segment
- Higher revenues by enhanced market share/penetration increase in both the origination and destination markets

Telefónica Móviles S.A.
02 Leverage Telefónica: collaboration with T. Latam

**Type of initiatives**

- Leverage T-Empresas and T. LatAm local structures
- Identify and serve new global customers
- Develop integrated services for the residential segment
- Offer convergent services for the corporate segment, mainly SMEs

**Specific examples**

- Collaboration/ integration of sale forces in all countries
- Integrated sales force for global customers
- Sale of Speedy in Movistar shops
- Call center signalling and coordination
- 3 or 4 play offers
- In-group minutes
- F-M VPNs
Northern Region: continuous building sound operations

- Regulation likely to converge
- National CPP (from October 06) should have a positive impact in traffic & revenues
- Expansion through healthier distributors resulting in better quality of customer base
- Capitalize on alliance with top vendor to develop retail channel
- New commercial offer targeted at different segments needs
- Unique value proposition to corporate clients

- New P&S offer: Quadruple play launched in El Salvador
- Enhanced efficiency capitalizing on regional management from Mexico

<table>
<thead>
<tr>
<th>Wireless Penetration</th>
<th>TEM’s market share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEXICO</strong></td>
<td><strong>CENTRAL AMERICA</strong></td>
</tr>
<tr>
<td>2005</td>
<td>2005</td>
</tr>
<tr>
<td>44%</td>
<td>14%</td>
</tr>
<tr>
<td>2009E</td>
<td>2009E</td>
</tr>
<tr>
<td>60-65%</td>
<td>~20%</td>
</tr>
</tbody>
</table>

106MM POPS
Andean Region: consolidation of market positions

VENEZUELA
Capturing growth

Wireless Penetration

- Sustaining leadership in a more competitive market:
  - Higher focus on loyalty (customer & distribution)
  - New customer care model
  - Leverage community effect through pricing
- Leading innovation in the market: EVDO

COLOMBIA
Enhancing competitive position in a fast growing market

Wireless Penetration

- Increasing market share by expanding addressable market by 10MM POPs via
  - Complete GSM coverage
  - Reshaping & expanding distribution
- Capitalize on Colombia Telecom recent acquisition by T. LatAm

ECUADOR PERU

- Strong penetration growth boosted by GSM launch
Brazil: selective approach in an overcrowded market

- Lower value of marginal subscribers requires a selective commercial approach
- Greater focus on the corporate segment and high value customers
  - Enlarge size of the sales force for the corporate segment: 2x in São Paulo
  - Accelerate handset upgrades in the premium segment: 7MM in 2006
- Capitalize on community plans to increase loyalty & promote usage
- Further VAS development
- Segmented customer care enhancement
- Exploit the advantages of being the leader in terms of network quality
- Provide nationwide coverage (roaming)
Southern Region: continuously over-performing

Argentina

Leading the growth in the market

Wireless Penetration

- Consolidate leadership position
- Complete GSM coverage in the North in 2006
- Leverage TASA’s leadership: Cross Selling

Chile

Sound service revenue growth

Wireless Penetration

- Sustain leadership: Increase focus on retention
- Enhance customer value:
  - Prepaid to contract migrations (from CDMA to GSM)
  - Smart pricing to foster usage
- Leverage Telefónica Chile leadership: Cross Selling

Uruguay

Strong performance in Uruguay capitalizing on regional management of operations in the Southern Cone
TEM LatAm summary: a highly diversified portfolio leading to robust top line growth...

Revenues 2005 (MM€)  

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue</th>
<th>CAGR 05-09E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andean R.</td>
<td>2,837</td>
<td>15%-18%</td>
</tr>
<tr>
<td>Brazil¹</td>
<td>1,889</td>
<td>1%-4%</td>
</tr>
<tr>
<td>Southern R.</td>
<td>1,714</td>
<td>8%-11%</td>
</tr>
<tr>
<td>Northern R.</td>
<td>1,264</td>
<td>18%-21%</td>
</tr>
<tr>
<td>Total LatAm</td>
<td>7,705</td>
<td>11%-14%</td>
</tr>
</tbody>
</table>

CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation.

¹ 50% of VIVO
02 ... reaping the benefits of a profitable growth model and economies of scale

**OIBDA (€MM)**

- **Growth by region:**
  - Andean R: 871, 21%-26%
  - Brazil: 507, 3%-8%
  - Southern R: 393, 20%-24%
  - Northern R: -2
  - Total LATAM: 1,770, 23%-28%

**Capex (€MM)**

- Further expansion of GSM coverage
- Preparing the path to 3G with marginal additional capex requirements, leveraging existing 3G compatible networks

**Opex & Capex synergies from regional management:**

- +€1.8Bn OpCF (06E-09E)

**TEM LATAM: >40% of TEM 2009E OpCF**

---

CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation. In terms of guidance calculation, Operating Income before D&A excludes other exceptional revenues/expenses not foreseeable in 2006-2009. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2005 are also deducted from reported figures.

1 50% of VIVO
2 Growth in absolute terms at constant exchange rates as of 2005.
Index

01 Consistently delivering on our commitments

02 Our management priorities to fully exploit our growth potential

03 A set of ambitious financial and operational targets
03 In summary, a growth promise with tangible Cash Flow generation

Sound top line growth via a segmented approach to capture upside in penetration & enhance customer value

Increased profitability leveraging our skills & the unique set of synergies opportunities within Telefónica

Strong track record in delivering on commitments

<table>
<thead>
<tr>
<th>€ in Millions</th>
<th>FY 2005</th>
<th>CAGR 2005-09E(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>16,514</td>
<td>7%-10%</td>
</tr>
<tr>
<td>Operating Income before D&amp;A(^2)</td>
<td>5,834</td>
<td>8%-12%</td>
</tr>
<tr>
<td>Operating Income(^2)</td>
<td>3,460</td>
<td>11%-17%</td>
</tr>
<tr>
<td>CAPEX(^3)</td>
<td>2,185</td>
<td>&lt;€9Bn Cum 06-09E</td>
</tr>
</tbody>
</table>

\(^1\) CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation.

\(^2\) In terms of guidance calculation, Operating Income before D&A and Operating Income excludes other exceptional revenues/expenses not foreseeable in 2006-2009. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2005 are also deducted from reported figures.

\(^3\) Capex excluding licenses.
Telefonica