FIFTH INVESTOR CONFERENCE
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T-Latam: a story of transformation, growth and delivery

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Executive Chairman, Telefónica Latinoamérica

Valencia - May 25, 2006
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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
### T-Latam: consistent delivery on commitments

**CAGR in fixed exchange rates**

We have met the commitments made in 2003 ...

<table>
<thead>
<tr>
<th>Actual(^{(1)}) 2002–05</th>
<th>Commitment(^{(2)}) 2002–06</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6%</td>
<td>6-9%</td>
</tr>
<tr>
<td>7.9%</td>
<td>7-10%</td>
</tr>
<tr>
<td>9.0%</td>
<td>8-11%</td>
</tr>
<tr>
<td>9.9%</td>
<td>10-11%</td>
</tr>
</tbody>
</table>

... and we are on the right track to continue doing so

<table>
<thead>
<tr>
<th>Actual(^{(1)}) 2004–05</th>
<th>Commitment 2004–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2%</td>
<td>4-7%</td>
</tr>
<tr>
<td>8.1%</td>
<td>5-9%</td>
</tr>
<tr>
<td>6.7%</td>
<td>5-9%</td>
</tr>
<tr>
<td>13.2%</td>
<td>6-10%</td>
</tr>
</tbody>
</table>

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1. Aggregated figures for fixed telephony operators, T.Empresas and TIWS
2. Aggregated figures for fixed telephony operators
3. OIBDA for 2004 and 2005
4. Adjusted OIBDA-CAPEX for 2004 and 2005

Note: Excluding Terra Latam

Telefónica Latinoamérica

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ROCE increased by 2.7 p.p. in 2005
A year ago we committed to transforming the company and we are making good progress

2005 figures

- 100% customer focus
- Leaner and flexible
- One regional company
- Over 700,000 new DSL accesses
- 30% of revenues from non-voice businesses*
- 3.5 p.p. increase in customer satisfaction
- Stabilization of DSL churn
- 1.1 p.p. increase in OIBDA margin
- 1.5 p.p. reduction of non-commercial/total expenses**
- 4.8 p.p. increase in asset turnover
- 11% of managers rotated regionally
- All household clients under the same billing & collection system

* Including Terra Latam
** Only fixed telephony operators
01 100% customer focus: reinventing the traditional business ...

We have captured population growth ...
2003-05 CAGR. Percentage

T-Latam fixed telephony accesses
2.0

Number of households*
1.9

... despite the significant increase in mobile users
2003-05 CAGR. Percentage

Evolution of mobile users*
41.0

T-Latam fixed telephony accesses mix
Millions. Percentage

Postpaid and traditional
87 78 74

Prepaid and control
13 22 26

* Includes Sao Paulo, Argentina, Chile and Peru
Source: Yankee, EMC, Anatel, Teleco

Telefónica Latinoamérica
... and driving the broadband market to increase ARPU

Evolution of DSL accesses**

<table>
<thead>
<tr>
<th>Year</th>
<th>Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>770</td>
</tr>
<tr>
<td>2004</td>
<td>1,423</td>
</tr>
<tr>
<td>2005</td>
<td>2,165</td>
</tr>
</tbody>
</table>

DSL accesses quarterly net gain**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2003</td>
<td></td>
</tr>
<tr>
<td>2Q 2003</td>
<td></td>
</tr>
<tr>
<td>3Q 2003</td>
<td></td>
</tr>
<tr>
<td>4Q 2003</td>
<td></td>
</tr>
<tr>
<td>1Q 2004</td>
<td></td>
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<tr>
<td>2Q 2004</td>
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<td>3Q 2004</td>
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<td>4Q 2004</td>
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<td>1Q 2005</td>
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<td>2Q 2005</td>
<td></td>
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<tr>
<td>3Q 2005</td>
<td></td>
</tr>
<tr>
<td>4Q 2005</td>
<td></td>
</tr>
</tbody>
</table>

ARPU Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>105</td>
</tr>
<tr>
<td>2005</td>
<td>111</td>
</tr>
</tbody>
</table>

* Fixed exchange rate 2003
* Includes retail and wholesale accesses
Note: Figures excluding Terra Latam

% CAGR 2003–05*
Leaner and flexible: improving our efficiency ...

Balance sheet key parameters

Millions of current euros

- Shareholders’ equity
- Net debt

2003 2004 2005*

CAPEX and depreciation evolution**

Index

- Depreciation
- CAPEX

2003 2004 2005

Asset turnover increased by 14.2 p.p. since 2003

Unitary CAPEX for DSL

Index

2003 2004 2005

Unitary network cost

Constant euros per line***

2003 2004 2005

* Includes T.Empresas, TIWS and Terra Latam
** Depreciation 2004 according to IFRS
*** Fixed exchange rate 2004
01 ... through regional operational projects

From: Many local systems with multiple databases...

To: ... a “world class” regional system and database (ATIS)

ATIS’ competitive advantage ...

- **Commercial intelligence**: all client and product information in one database
- **Improved time-to-market**: flexibility to sell/bill new products in all countries
- **Process homogenization** and exchange of best practices through the new platform
- **Reduced IT cost** leveraging regional scale

Billing & collection of 100% of residential clients under new system
Additionally, we have entered Colombia to leverage Telefónica’s success model

*2005 figures*

**Colombian Telecom: a solid platform for growth ...**

- **The market leader ...**
  - Revenues: EUR 731 millions
  - EBITDA margin: 46%
  - 2.6 million fixed telephony accesses in services
  - National coverage with high capillarity

- **... in a large market with significant potential**

  **Broadband penetration**

  **Percentage**

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>7.2</td>
</tr>
<tr>
<td>Chile</td>
<td>16.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>6.2</td>
</tr>
<tr>
<td>Peru</td>
<td>5.7</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.1</td>
</tr>
</tbody>
</table>

**... with clear levers for value creation**

- Develop new products tailored to each client and region
- Develop access network
- Upgrade systems to support commercial efforts
- Enhance coverage
- Install advanced switching technology
- Increase international interconnection capacity
- Capture regional/global best practices and economies of scale
- Leverage fixed-mobile initiatives

**Source:** Pyramid

**Telefónica Latinoamérica**
Despite strong competition, we have increased our regional leadership

Market consolidation ...

... stronger presence of cable operators through duo/trio packages

T-Latam’s leadership

Regional market share in revenues

Percentage

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>19 24.2</td>
<td>742</td>
</tr>
<tr>
<td>2003</td>
<td>21 20.9*</td>
<td>651</td>
</tr>
<tr>
<td>2004</td>
<td>23</td>
<td>1,400**</td>
</tr>
<tr>
<td>2005</td>
<td>25</td>
<td>742</td>
</tr>
</tbody>
</table>

* Includes estimated number of 64KB lines
** Includes Net Brazil
Source: Pyramid

T-Latam

Colombia Telecom

Growth DSL 2004–05 in thousands

Telefónica Latinoamérica
Index

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03 A set of ambitious financial and operational targets
LATAM: solid macroeconomic fundamentals and higher stability ...

**Latam real GDP growth**
Percentage. 2003-05

- 2003: 1.7%
- 2004: 6.4%
- 2005: 4.6%
- 2006-09E: 3-4%

**Country risk**
Basis points

- Argentina
- Brazil
- Peru
- Colombia
- Chile

**International reserves**
USD millions

- Brazil
- Argentina
- Chile
- Colombia
- Peru

**Foreign Direct Investment in Latam**
USD billions

- 2003: 41
- 2004: 61
- 2005: 66

Source: Global Insight; EIU; Bloomberg
## Total Households

### Millions

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sao Paulo</td>
<td>11.6</td>
<td>12.4</td>
<td>1.7%</td>
</tr>
<tr>
<td>Southern Argentina</td>
<td>5.1</td>
<td>5.3</td>
<td>1.0%</td>
</tr>
<tr>
<td>Chile</td>
<td>4.3</td>
<td>4.6</td>
<td>1.5%</td>
</tr>
<tr>
<td>Peru</td>
<td>7.5</td>
<td>7.8</td>
<td>1.0%</td>
</tr>
<tr>
<td>Colombia</td>
<td>11.6</td>
<td>12.5</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

### Source
- Pyramid; National Institutes for Statistics of each country; internal estimates
- **Telefónica Latinoamérica**

### Observations
- **13 million** Latin Americans climbed out of poverty in 2004 and 2005.
- Higher income segments growing twice as fast as lower income.
- Over **1 million new ABC-segments households** by 2009.

### Favorable Demographics
- Higher income segments growing twice as fast as lower income.
- Over 1 million new ABC-segments households by 2009.
... where we have a clear competitive advantage being part of Telefónica

By leveraging Group synergies, our companies outperform competitors in all markets.

1 Adjusted OIBDA, in constant 2004 euros
2 Includes Net Brazil
3 Reported OIBDA in local currency
4 Wholesale and retail DSLs included. Terra not included
T-Latam: a transformed company uniquely positioned to consolidate growth

“Key themes”

- Grow access lines and ARPU through an enhanced offer
- Improve efficiency by leveraging scale
- Ensure business sustainability

- Sub-segment based value proposition
- F-M joint offers
- Innovation
- Regional operations
- F-M synergies
- Talent
- Public positioning
- Customer satisfaction

T-Latam’s competitive advantages
- Regional scale
- Part of an integrated Group
- World-class efficiency
- Diverse/large pool of talent

Grow in revenues while increasing profitability (ROCE) and cash flows

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T-Latam’s competitive advantages
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Households: a sub-segment based strategy already in place...

Different client needs ... requiring a tailored strategy ...

- Develop and retain premium customers
  - Bundles (voice, broadband, TV, mobile)
  - Differentiated customer service levels

- Develop traditional customers
  - Massive deployment of broadband and VAS
  - New price plans
  - Joint fixed-mobile offers

- Serve low-income customers profitably
  - Tailored pricing strategy
  - Reduced service costs and CAPEX requirements
  - Prepaid products penetration

... already providing good results

Call center cross-selling effectiveness

Direct sales force effectiveness

* Example of TASA

Telefónica Latinoamérica
Boosting DSL deployment

- Reinforce Speedy brand and develop aggressive marketing campaigns
- Develop value-added service as a differentiating factor
- Launch high/impact retention actions
- Promote PC penetration

Renovating the traditional business

- Deepen customer knowledge and homogenize segmentation criteria
- Optimize channel mix by transferring best practices in each country
- Extend product offer to increase ARPU

Clients with prepaid/control and traffic packages

Percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>~35</td>
<td>60-65</td>
<td></td>
</tr>
</tbody>
</table>

0-1% annual growth in fixed telephony accesses
02  ... leveraging Terra’s unique assets to reinforce Speedy value proposition ...

Strong cross-selling potential ...

- **Top 3 player in all countries** in ISP and portal businesses with revenues of EUR 267 million

- **Strong brand** in the region and “top of mind” in Brazil and Chile

- ~3 million **VAS subscribers** *

- ~35 million **unique visitors**

---

... and complementary commercial strategy

- Offer **bundles** with Terra’s VAS in every Speedy access (Terra TV, e-mail, etc.)

- Implement an integrated **channel** management strategy and launch **joint promotions**

- Leverage Terra’s **innovation** capacity/ **know-how**

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*Terra’s goal: the leading audiovisual portal and internet service provider in Latam*  

* Does not include access subscribers

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Telefónica Latinoamérica
... and strengthening our offer with pay TV

A regional strategy ...

- Initial launch in Chile and roll-out to other countries leveraging regional synergies
- Implement dual satellite and IPTV strategy to:
  - Reduce time-to-market
  - Increase coverage
  - Increase CAPEX efficiency
- Focus on commercialization of duo and trio packages

... leveraging Telefónica’s experience ...

Telefónica is already successful in pay TV...

- Cable Mágico:
  - 450,000 + subscribers
  - 15% of revenues from ads and shopping channel
- Imagenio: 250,000 subscribers in Spain

... which gives us a clear advantage to deploy the service

- Proven technological platform
- Deep market knowledge
- Strong relationships with content suppliers
- Some exclusive content

... to become a leading player in the region

Regional target
Thousands of customers

2005 2009

Regional target
Thousands of customers

22–35%

1,000-1,500

450

Satellite product launched in May in Chile with a time to market of less than 5 months

Cable Mágico:
- 450,000 + subscribers
- 15% of revenues from ads and shopping channel

Imagenio: 250,000 subscribers in Spain

Proven technological platform
Deep market knowledge
Strong relationships with content suppliers
Some exclusive content

CAGR 2005–09
**02 SMEs: grow faster than the market by tailoring the offer to client sub-segments ...**

A heterogeneous client base ... ... requiring a sub-segmented commercial approach ... ... already providing good results

- Deepen **customer knowledge** to increase the rate of sales per contact
  - Advanced **segmentation** (propensity models)
  - Strengthened **commercial intelligence** (regional customer database)

- **Expand channels** to interact with clients (indirect channels, internet, technicians visits, etc.)

- Increase penetration of alternative **traffic plans** to increase ARPU

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* Telesales inbound Brazil
** Telesales outbound Brazil

---

**Sales conversion –**

<table>
<thead>
<tr>
<th>Fixed Telephony*</th>
<th>Sub-segmented</th>
<th>Not seg-mented</th>
</tr>
</thead>
<tbody>
<tr>
<td>+70%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sales conversion – Traffic plans**

<table>
<thead>
<tr>
<th>Sub-segmented</th>
<th>Not seg-mented</th>
</tr>
</thead>
<tbody>
<tr>
<td>+27%</td>
<td></td>
</tr>
</tbody>
</table>
... and by boosting broadband and new services

Key initiatives

- Accelerate **DSL penetration** through new packages, bundles, and PC services
- Expand **product offer** by moving up the customer’s **value chain** into desktop management (equipment, PC support, Speedy business, etc.)
- Leverage DSL platform to increase adoption of **value-added services** (antivirus, virtual disk, etc.)
- Work closely with **T. Móviles** to foster **cross-selling**

![Graphs showing DSL accesses and revenues from non-voice services](image)
Corporations: transforming the segment...

Customer needs are changing...

- Higher demand for integrated solutions...
- ...tailored to specific needs of each sector
- Need for advice and agility...
- ...more regionalization/globalization in managing their businesses

...which requires a commercial transformation

- Integrated solutions
- Sector-specific product offering
- Role as advisor/consultant
- Hybrid execution developing alliances/partnerships
... to provide advanced and integrated telecommunications solutions

Key initiatives

- Continue to **move up the value-chain:**
  - Providing regional portfolio of IT solutions
  - Offering sector-specific solutions
  - Leveraging Group infrastructure and alliances

- **Manage customer relationship jointly** with T. Móviles
  - Channels
  - Shared incentives/objectives
  - Market intelligence

- **Consolidate Global Clients** management model
  - Homogenized processes
  - Increased share of wallet with VASs

- Increase market share of **International Services**

---

Revenues by product

<table>
<thead>
<tr>
<th>Percentage</th>
<th>IT</th>
<th>Data and internet</th>
<th>Voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100</td>
<td>36</td>
<td>57</td>
</tr>
<tr>
<td>2009</td>
<td>100</td>
<td>17</td>
<td>44</td>
</tr>
</tbody>
</table>

ARPU

<table>
<thead>
<tr>
<th>Index</th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Fixed exchange rate 2005
02  TIWS: reinforcing our value proposition

Key initiatives

- Reinforce **value proposition for corporations** by providing global solutions
- Manage wholesale international business globally by **leveraging Group scale:**
  - Rationalization of interconnections and investments
  - Increased bargaining power for termination call costs
  - Switching optimization
- Lead **international broadband development** through **global reach expansion**
- Innovate and deploy **new convergent services** around a centralized platform (roaming Wi-Fi, VoIP, etc.)

Submarine cable maximum capacity of 1.92 Tbps with marginal investment

### CAGR 2005–09*

- **Revenues Index**
  - 17-20%
  - 2005: 100  2009: 100

- **International IP traffic**
  - 50-55%
  - 2005: 100  2009: 100

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* Fixed exchange rate 2005

Telefónica Latinoamérica
02 Develop innovative fixed-mobile solutions ...
New initiatives for 2006

Commercial synergies

Products & Services

Channels

Households

SMEs

Corporations

- Last mile “optimization”
- Bundled offers
- Integrated fixed-mobile services

- All Telefónica products available at all points of customer contact

Building on a proven track record:

- Corporations:
  - Collaboration/integration of sales forces in all countries
  - Integrated management for global customers

- Distribution channels:
  - Speedy sales in Movistar shops
  - Call center signaling and coordination

- Convergent offers:
  - In-group minutes
  - F-M Virtual Private Networks

20+ joint initiatives launched in 2005
... and foster innovation to consolidate leadership and growth

Many projects being implemented ...
- Attitudinal segmentation
- Pay TV
- Internet TV
- GICS
- VASs
- Low-income
- Dr. Speedy
- FCR
- Atl@s
- Gaudi
- VoIP SMEs

... and many new opportunities being explored
- House-holds
  - Entertainment
  - New channels
  - Home support
  - ...
- SMEs
  - Professional services
  - Electronic payment
  - ...
- Corporations
  - Mobility
  - ITC on demand
  - ...

Target: EUR 350 million in revenues from innovation by 2009
T-Latam: a transformed company uniquely positioned to consolidate growth

“Key themes”

- Sub-segment based value proposition
- F-M joint offers
- Innovation

- Regional operations
- F-M synergies

- Talent
- Public positioning
- Customer satisfaction

T-Latam’s competitive advantages

- Regional scale
- Part of an integrated Group
- World-class efficiency
- Diverse/large pool of talent

Grow in revenues while increasing profitability (ROCE) and cash flows

Grow access lines and ARPU through an enhanced offer

Improve **efficiency** by leveraging scale

Ensure business **sustainability**
02 Improve operational efficiency...

- Leverage our modern network to support new services (DSL, pay TV, entertainment, etc.)

- Homogenize and consolidate operations to benefit from economies of scale

- Capture synergies with other Telefónica businesses

- Increase flexibility through a higher proportion of variable costs

- Foster best practice exchange

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**Unitary CAPEX for DSL**

<table>
<thead>
<tr>
<th>Index</th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%-(-1)%</td>
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<td></td>
</tr>
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</table>

**OPEX/line**

<table>
<thead>
<tr>
<th>Commercial</th>
<th>Non-commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2009</td>
</tr>
<tr>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>70</td>
<td>65</td>
</tr>
</tbody>
</table>

0-1%
... through a regional operational model

Regional operations

Network
- Regional supervision center
- Homogeneous network equipment
- Regional planning/design

IT
- Regional IT strategy based on a common application map
- Regional datacenters
- Centralized purchasing

Support functions
- Shared services: Finance, HR, logistics, real estate, etc.

Different service level agreed based on customer’s value and needs
- Homogeneous business processes

Client segments

Households

SMEs

Corporations

- EUR ~40 million of regional synergies (OPEX+CAPEX) captured in 2005
- Plus EUR ~400 million in cumulative Operating Cash Flow expected for 06-09

EUR ~40 million of regional synergies (OPEX+CAPEX) captured in 2005
Plus EUR ~400 million in cumulative Operating Cash Flow expected for 06-09
CAPEX management will maximize the value of investments

- Regionally optimize CAPEX by:
  - Continuing the rigorous approval process
  - Leveraging regional synergies

- Increase CAPEX allocation to broadband, pay TV and new services to fuel growth

**CAPEX breakdown**

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-traditional</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>~40</td>
<td>~60</td>
</tr>
<tr>
<td>2009</td>
<td>~60</td>
<td>~40</td>
</tr>
</tbody>
</table>

**CAPEX and depreciation evolution**

- Fixed exchange rate 2005

Telefónica Latinoamérica
T-Latam: a transformed company uniquely positioned to consolidate growth

“Key themes”

- Sub-segment based value proposition
- F-M joint offers
- Innovation

Grow access lines and ARPU through an enhanced offer

Improve efficiency by leveraging scale

- Regional operations
- F-M synergies

Ensure business sustainability

- Talent
- Public positioning
- Customer satisfaction

T-Latam’s competitive advantages

- Regional scale
- Part of an integrated Group
- World-class efficiency
- Diverse/large pool of talent

Grow in revenues while increasing profitability (ROCE) and cash flows
02 Business sustainability will be driven by employee and customer satisfaction ...

Our high employee satisfaction ...

- TeleSP/TASA selected in the top 50 ranking by the “Great Place to Work”
- Over 15 senior executives transferred to other Telefónica business lines
- 11% of managers rotated regionally in 2005

Employee satisfaction Percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>62</td>
</tr>
<tr>
<td>2004</td>
<td>67</td>
</tr>
<tr>
<td>2005</td>
<td>71</td>
</tr>
</tbody>
</table>

... will be the basis for outperforming our competitors in customer satisfaction

Customer satisfaction Percentage

- Better than competitors in all markets
- Increase in all countries from 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>
02 … and by strengthening our public positioning

- A strong public positioning is critical to ensure the sustainability of the business by...
- ... getting support/aligning all stakeholders ...
- ... reinforcing our reputation/brand

**Llaqt@red**
“Reaches more than 140,000 people in rural areas”

**Educared**
“More than 45,000 registered users”

**Alianza Brasil-España**
“Proposal for the creation of a permanent operational structure”

**crecePERÚ**
“10 proposals for stability in process”

**Engine for the development of the Society of Information**

- We are the main investor in the region
- We have developed the market for D/E segments
- We stayed in the region through economic crisis while many others left

Commitment with the countries
02 All in all, we are uniquely positioned to continue capturing the regional growth opportunities

Being part of the Telefónica Group

Regional scale

Anticipation, transformation and synergies ...
... always focusing on the customer

Operational efficiency

Best talent
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 goal: accelerate growth ...

Fixed telephony accesses
Thousands

- 2005: 21,675
- 2009: ~5,500
- Growth rate: 2–4%

DSL accesses*
Thousands

- 2005: 2,165
- 2009: ~5,500
- Growth rate: 26%

* Only fixed telephony operators; includes retail and wholesale accesses
... in all countries ...
Average annual growth 2005-09
Percentage

<table>
<thead>
<tr>
<th>Country</th>
<th>Fixed telephony accesses growth</th>
<th>DSL accesses growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0-1</td>
<td>15-18</td>
</tr>
<tr>
<td>Argentina</td>
<td>0-1</td>
<td>34-37</td>
</tr>
<tr>
<td>Chile</td>
<td>0-1</td>
<td>29-32</td>
</tr>
<tr>
<td>Peru</td>
<td>0-1</td>
<td>13-15</td>
</tr>
<tr>
<td>Colombia</td>
<td>2-4</td>
<td>140-150</td>
</tr>
</tbody>
</table>

* Includes retail and wholesale accesses
... with a focus on profitability

- Higher ARPU
- Leaner OPEX/line
- Stable CAPEX

ARPU**
Index 2-3%

2005 2009

OPEX/line
Index 0-1%

2005 2009

Capex/revenues
Percentage 11.9 12-13.5

2005 2009

ROCE

1-3 pp

CAGR 2005–09*

* Fixed exchange rate 2005
** Only fixed telephony operators

Telefónica Latinoamérica
### T-Latam financial commitments

**EUR millions**

<table>
<thead>
<tr>
<th></th>
<th>FY 2005 (1)</th>
<th>CAGR 2005-09E (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>8,352</td>
<td>5-8%</td>
</tr>
<tr>
<td>Operating Income before D&amp;A(3)</td>
<td>3,638</td>
<td>6-9%</td>
</tr>
<tr>
<td>Operating Income(3)</td>
<td>1,839</td>
<td>10-15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2005(1)</th>
<th>Cumulative 2006-09E(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>991(4)</td>
<td>5,000-5,500</td>
</tr>
</tbody>
</table>

1. T-Latam fiscal year numbers are pro-forma, including Terra’s Latam unit since January 2005.
2. Assumes constant exchange rates as of 2005 and excludes changes in consolidation other than Colombia Telecom, which starts to be consolidated in May 2006.
3. In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2006-2009. For comparison purposes, the equivalent other exceptional revenues/expenses registered in 2005 are also deducted from reported figures (EUR 128 million from Infonet and Telinver).
Key messages

- We have a consistent track record of meeting commitments by continuously anticipating the market and transforming the business.

- We pioneered the international expansion of Telefónica and proved that being part of a global and integrated leader gives us an unrivalled advantage.

- Looking forward, we expect a bright future for the region rooted in solid fundamentals.

- We are uniquely positioned to capture the growth opportunities by deepening our transformation as a regional company within the Telefónica Group.
Telefonica