The New TEM: premium growth and cash generation

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Telefónica Móviles

ACCELERATE TO INCREASE OUR LEADERSHIP

Barcelona, April 26th, 2005
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Telefónica Móviles, a unique profile for investors

- We can encompass a strong rhythm of **growth** with a solid **cash flow** generation

- We have a highly diversified business portfolio
  - Balanced between Spain and Latin America...
  - ...and also within Latin American countries, with favourable prospects from a macro stand-point

**TEM offers a premium growth performance**
01 Starting point: The “New”

02 Our global priority: consolidating competitive position while sustaining operating excellence

03 Leveraging strategic business initiatives

04 Key market highlights

05 Key take-aways and guidance for our future performance
Progress since Madrid 2003

- Penetration rates in Latam are boosting and beating expectations
  - 2004A: 34% vs. 25% forecasted in 2003¹

- Usage in Spain continues to grow, driving TME’s revenue growth
  - 2004 (TME)
    - Billable traffic: +12%
    - Service revenue: +9%

- UMTS deployment in Spain on track, ahead of competitors
    - 3,800
    - TM Spain #2E #3E

- Acquisition of Bell South’s Latam assets has been successfully completed
  - 10 assets transferred
  - Approvals obtained in less than 10 months after the announcement

¹ Source: Analysts reports

The “new” TEM

- 15 countries
- Leading position in key markets
- Solid operating efficiency
- Strong CF generation
We are well positioned to lead the growth in our markets

2004

Northern Region
- 133MM POPS
- 33% penetration

Southern Cone
- 57MM POPS
- 41% penetration

Andean Region
- 112MM POPS
- 23% penetration

Spain
- 44MM POPS
- 89% penetration

Morocco
- 30MM POPS
- 30% penetration

Brazil
- 131MM POPS
- 40% penetration

#1/#2 in key markets

Figures for 2004 wireless penetration.
01 TM Spain continues delivering superior performance

**TM Spain (2004)**
- **18.98MM** customers
- **€8,192MM** revenues\(^1\)
- **€4,158MM** Operating Income before D&A\(^1\)

**Service Revenues growth (2004/03)**
- **TM Spain\(^3\)** 9.2%
- **European Average\(^3\)** 6.0%

**Operating margin (2004)**
- **TM Spain\(^4\)** 51.3%
- **European Average\(^4\)** 41.4%

**Higher revenue share (2004E)**
- **Service revenue share\(^2\)** 54%
- **Customer market share** 48.5%

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1. Figures reported under IFRS, 2004
2. Service revenues as defined by CMT. Estimated data. Source: company press releases.
4. Figures in local GAAP. European average including TIM Italy, Orange France, Orange UK & TMN. Source: Company press releases.
VIVO is the only solid operator in an overcrowded market

**VIVO (2004)**
- 26.54 MM customers
- €1,511MM revenues\(^1\)
- €488MM Operating Income before D&A\(^1\)

**Share in areas of operations (2004E)**
- Share of Customers: 51%
- Share of Revenues: 56%
- Share of EBITDA: 89%

*Only operator with positive cash flow in 2004*

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\(^1\) Figures reported under IFRS, corresponding to 50% of Vivo.
01 Our other three regions in Latin America: critical mass to support performance

<table>
<thead>
<tr>
<th>Region</th>
<th>Markets (#)</th>
<th>POPs</th>
<th>TEM’s customer base</th>
<th>TEM’s market share (E)</th>
<th>Revenues²</th>
<th>Operating Income before D&amp;A²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Region</td>
<td>5</td>
<td>132.8MM</td>
<td>7.7MM</td>
<td>17%</td>
<td>€1,078.7MM</td>
<td>-€37.8MM</td>
</tr>
<tr>
<td>Andean Region</td>
<td>4</td>
<td>112.3MM</td>
<td>11.6MM</td>
<td>43%</td>
<td>€2,042.1MM</td>
<td>€616.5MM</td>
</tr>
<tr>
<td>Southern Cone</td>
<td>3</td>
<td>57.2MM</td>
<td>10.7MM</td>
<td>45%</td>
<td>€1,221.6MM</td>
<td>€249.2MM</td>
</tr>
</tbody>
</table>

- Market share figures include only cellular customers.
- Proforma figures under IFRS.

- Leveraging Mexico to operate other 4 countries: aggregate 28MM POPs.
Starting point: The “New” TEM

Our global priority: consolidating competitive position while sustaining operating excellence

Leveraging strategic business initiatives

Key market highlights

Key take-aways and guidance for our future performance
We’ll exploit growth prospects in our markets, adding almost 50MM customers.

Managed customers (MM)

**2004 Proforma**

- Andean Region: 15%
- Southern Cone: 14%
- Northern Region: 10%
- Morocco: 3%
- Brazil: 34%
- Spain: 24%

**2008E**

- Andean Region: 20%-25%
- Southern Cone: 11%-15%
- Northern Region: 13%-17%
- Morocco: 2%-7%
- Brazil: 25%-30%
- Spain: 15%-18%

78.2MM

>125 MM
### We are already capturing growth

#### 1Q05 Net Adds

<table>
<thead>
<tr>
<th>1Q05</th>
<th>Managed Customers (000s)</th>
<th>Net Adds (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>19,077</td>
<td>100</td>
</tr>
<tr>
<td>Morocco</td>
<td>3,221¹</td>
<td>297</td>
</tr>
<tr>
<td>Brazil</td>
<td>26,959</td>
<td></td>
</tr>
<tr>
<td>Northern Region</td>
<td>8,294</td>
<td>609</td>
</tr>
<tr>
<td>Andean Region</td>
<td>12,583</td>
<td>968</td>
</tr>
<tr>
<td>Southern Cone</td>
<td>11,303</td>
<td>613</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>81,438</strong></td>
<td><strong>3,003</strong></td>
</tr>
</tbody>
</table>

1. From 1st January 2005 TEM’s Latam criteria for accounting customers have been applied to Medi Telecom.
Strong top line growth

Operating Revenues

2004 Proforma

Andean Region 14%
Spain 58%
Brazil 11%
Southern Cone 9%
Northern Region 8%

2008E

Andean Region 18%-22%
Spain 48%-52%
Brazil 10%-11%
Southern Cone 8%-11%
Northern Region 12%-13%

CAGR 04-08E: 12%-16%

1% over total Group figure before others & intragroup eliminations
All figures under IFRS. Projections refer to constant exchange rates as of 2004.
Critical mass and synergies will boost profitability

Operating profit before D&A\(^1\)

### 2004 Proforma

- **Spain**: 76%
- **Andean Region**: 11%
- **Brazil**: 9%
- **Southern Cone**: 5%
- **Northern Region**: -1%

### 2008E

- **An demonstrative region**: 21%-23%
- **Spain**: 52%-56%
- **Brazil**: 7%-9%
- **Southern Cone**: 7%-10%
- **Northern Region**: 8%-10%

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\(^1\) over total Group figure before others & intragroup eliminations

All figures under IFRS. Projections refer to constant exchange rates as of 2004. In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005-2008.
Increases in demand and traffic drive our capex efforts

- Leading the UMTS deployment in Spain
- Enhancing GSM coverage in Mexico, Argentina & Chile
- Launching GSM in Colombia, Ecuador, Nicaragua, Panama & Uruguay
- Leading the path to 3G in CDMA countries with EV-DO

Cumulative capex 2005-08E
<€7.7Bn

1 All projections refer to constant exchange rates as of 2004.
Our priorities

- Sustain leadership in Spain and leading transition to 3G
- Drive penetration increases in Latin America and Morocco
- Boost profitability, capitalising on:
  - Regional management of operations
  - Integration of operators acquired to BS in Latam
  - Group skills

\[
\begin{array}{|c|c|c|}
\hline
\text{Managed customers (MM)} & \text{2004 Reported} & \text{2008E} \\
\hline
74.4 & \text{>125} & \text{>125} \\
\hline
\end{array}
\]

\[
\begin{array}{|c|c|c|}
\hline
\text{Operating CF}^1 (\text{Bn€}) & \text{2004 Reported} & \text{2008E} \\
\hline
2.96 & \text{>2x} & \text{>2x} \\
\hline
\end{array}
\]

All projections, under IFRS, refer to constant exchange rates as of 2004.
1. Operating Income before D&A-Capex
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02 Our global priority: consolidating competitive position while sustaining operating excellence

03 Leveraging strategic business initiatives

04 Key market highlights

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<th>Business initiative</th>
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<td>Single brand</td>
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<td>Customer retention</td>
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<td>Global solutions for the corporate segment</td>
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<td></td>
<td>Integrated commercial offerings</td>
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<td></td>
<td>Low income segment</td>
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<tr>
<td><strong>Innovation</strong></td>
<td>Content &amp; Data services</td>
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<td></td>
<td>UMTS</td>
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<td>Voice services</td>
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<tr>
<td><strong>Excellence</strong></td>
<td>Handset procurement</td>
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<td></td>
<td>Regional integrated management in Latam</td>
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<td></td>
<td>Synergies from integration of operators acquired to BS in Latam</td>
</tr>
</tbody>
</table>
Brand: single brand for all operations in 13 Spanish-speaking markets

**Timing rationale**
- Integration of operators acquired to BS in Latam
- Increased marketing of UMTS services in Spain
- Regional integrated management of operations in Latam

**Benefits**
- Synergies & savings in advertising costs
- Leverage on best practices & share resources from regions/countries

€50MM annual savings from 2006

“Intangible” benefits
03 Customer retention: key to achieve our growth targets

**Our targets**

- Reduce churn rate to best-practices levels within the Group, retaining high value customers
- Optimise retention costs leveraging scale & best practices
- Increasing customer satisfaction

**Key drivers:**
- Customer focused pricing plans
- Innovative service offer
- 3G handsets in Spain
- Reinforced customer retention plans

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*1 Including from January 1st, 2004 TM Chile & 10 companies acquired to BS in Latam.*
Corporate segment: capitalize on Group strengths

TEM: Strong starting position

- Sustained leadership as major provider for the largest Spanish corporations: >80% market share (E)
- Leadership position in key Latam markets except Mexico
- Expertise in developing customised solutions to increase client’s productivity

Telefónica Group competitive advantages

Group alliances (Freemove)

Group footprint
Corporate segment: Lead 3G development to enhance customers experience & grow revenues

- Increasing data ARPU
- Consolidating market shares
  - Lower churn rate
  - Capturing new customers
  - Increasing penetration within existing customers
03 Integrated offerings: an additional growth opportunity in Spain ...

Capture synergies with our wireline operation

Integrated solutions with TdE to cover each customer segment needs, mainly focused on the corporate segment

Already launched:
- Video telephony from/to Fixed Wireline
- Domotic and Home-Control via Handsets
- SMS / MMS from/to Fixed Wireline
- Prepaid recharges (top-ups) associated to Fixed billing

Main opportunities of future synergies
- Unified customer management (call centre)
- Integrated data connectivity solutions based on different access technologies: Wi-Fi/3G/GPRS
- 4-Mode handsets: GSM / GPRS / UMTS / WiFi
- Combined voice mail
- Bundling of fixed & mobile products: voice + data + video

Capturing cost synergies (Network, distribution channels)
Capture additional growth in countries where the Group does not have wireline operations

- Developing existing initiatives: Venezuela, Ecuador...
- Targeting new revenue streams: Mexico, Colombia...
Low income segments: another growth opportunity

- Current entry barriers are too high
- Access only to prepaid
- ARPU ~ US$4

Profile

- Lower entry and usage barriers fostered by decline in handset costs to encourage penetration
- Sustain profitability & customer value within the segment:
  - New standard of services
  - Different distribution channel

Pilot project in Peru

Pyramid estimates for 2008 penetration in Latam

- Estimates made in 2004: 30%-35%
- Estimates made in 2005: 40%-45%

Medium-term penetration rate could exceed the 50% level if penetration in this segment increases
Data services: leading innovation to capture growth prospects

Data ARPU / Total ARPU

<table>
<thead>
<tr>
<th></th>
<th>TM Spain</th>
<th>LatAm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>13.2%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2008E</td>
<td>20%-25%</td>
<td>&gt;10%</td>
</tr>
</tbody>
</table>

Capitalise on Group “Best practices” to grow data revenues in Latam

<table>
<thead>
<tr>
<th></th>
<th>2004 TEM Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data revenues (MM€)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>100</td>
</tr>
<tr>
<td>Venezuela</td>
<td>86</td>
</tr>
</tbody>
</table>

TM Spain
Downloads, browsing & data transmission revenues/total data revenues

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.5%</td>
<td></td>
<td>11.7%</td>
</tr>
</tbody>
</table>
Content: Leverage scale & centralised procurement

Strong growth potential from content revenue:
Games, news, ringtones, video, quiz, audio ...

3G will foster content revenue growth

Revenues from games downloads

<table>
<thead>
<tr>
<th></th>
<th>TM Spain (MM€)</th>
<th>Vivo (MM Reais)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>6.8</td>
<td>1.8</td>
</tr>
<tr>
<td>2004</td>
<td>17.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Revenues from downloads

<table>
<thead>
<tr>
<th></th>
<th>1Q04</th>
<th>2Q04</th>
<th>3Q04</th>
<th>4Q04</th>
</tr>
</thead>
<tbody>
<tr>
<td>TM Spain</td>
<td>6.8</td>
<td>17.8</td>
<td>17.8</td>
<td>17.8</td>
</tr>
<tr>
<td>Vivo</td>
<td>1.8</td>
<td>2.8</td>
<td>4.6</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Content revenues (in local currency)

- TM Spain: x2 growth from 2005 to 2008E

Innovation

Las Motos en tu móvil

e nadie: “La venganza de los Sith”
Handsets: leveraging our scale

Total handsets volume (MM units)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Cost (€)</td>
<td>107</td>
<td>78</td>
<td>70</td>
</tr>
</tbody>
</table>

Average cost for low-end handsets (US$)

- **GSM**
  - 2003: 62
  - 2004: 74
- **CDMA**
  - 2003: >20%

TEM represents around 6% of the total market.
Handsets: Benefits from partnerships & alliances with suppliers & other operators

- Lower costs
- Additional pressure on suppliers

**CDMA**
- Low-end
- High-end

**GSM**
- Low-end
- High-end

Other partnerships with suppliers will allow for further reductions in GSM and CDMA prices
- GSMA
- TEM-VIVO-ZTE-Reliance

- €30MM savings in 2004
- UMTS handset <200€
Regional management of LatAm: the next wave of efficiency, already under way

1. We have defined 4 regions with critical mass

2. Identified activities region-based
   - Network & IT infrastructure; VAS
   - Customer management
   - Commercial process
   - Back-up

3. “Project Plan” by region
   - Project Plan Region I
   - Project Plan Region II
   - Project Plan Region III

4. In parallel, we will leverage Telefónica Group’s transmission assets to support these Plans
Regional integrated management of LatAm operations: savings

- **Lower operating costs:**
  - Commercial (including prepaid recharge costs & handset logistics costs)
  - Infrastructure
  - Customers (call centers, billing ...)
  - Structure

- **Savings on:**
  - Transport/ infrastructure (e.g. VAS platforms),
  - IT platforms

- **Time to market advantage**
  - Best in class commercial offer in smaller operations

**EBITDA margin growth:**

**5%-10% cumulative capex savings**

**A competitive edge**
Regional integrated management of LatAm operations: a real example - Northern Region

**Platforms**
- Prepaid: 1 per country
- VAS advanced platforms: Mexico
  (e-center): PAN +NIC (1)

**IT**
- Commercial systems: 1 per country

**Network**
- Network operation center: MEX, PAN, NIC
  GUAT+SAL

**Operations**
- Customer care (call centers): Local
- Commercial back-office: processes

Running the assets from Mexico and maximising synergies between the five operations

Single one for 5 countries
Unified processes

Shared resources
Integration of operators acquired to BS in Latam: already ahead of initial estimates in time and value captured

Opex Synergies
- Network opex (energy, rentals...)
- SACs
- Workforce rationalisation
- Advertising

Capex synergies
- Network rationalization
- Savings in CDMA

Revenue Synergies
- Market rationalization

Immediate savings from revisited capex and opex plans

Progressive synergies to capture in the near term
“Immediate” savings

- No additional CDMA capex in Argentina, Chile & Guatemala due to migration to GSM
- Migrating BLS’s TDMA customers only leads to anticipate network capacity with marginal capex
- Network deployment using BLS’s sites

- Lower advertising costs post Movistar launch
- Unified Call Centers with lower cost
- Streamline distribution channels
Workforce rationalisation to achieve best-in-class productivity ratios (~TM Spain’s ratios)
  - Process front-loaded (2005-06)
Lower network opex:
  - Closing of TDMA networks in 4 countries & CDMA networks in Argentina, Chile & Guatemala
Rationalised structures & systems:
  - Real Estate rationalisation
  - Integration of IT systems & platforms
Lower SACs (dealers commissions & handset subsidies)
Annual flows (US$ MM)

<table>
<thead>
<tr>
<th></th>
<th>2005E</th>
<th>2006E</th>
<th>2008E</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Immediate”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Progressive”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integration costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total OPEX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synergies minus Integration costs</td>
<td>~100</td>
<td>~150</td>
<td>~250</td>
</tr>
</tbody>
</table>

Opex & capex synergies will exceed >US$1Bn NPV\(^1\) initial estimates + Additional benefits from revenue synergies

\(^1\) NPV 2003.
Starting point: The “New” TEM

Our global priority: consolidating competitive position while sustaining operating excellence

Leveraging strategic business initiatives

Key market highlights

Key take-aways and guidance for our future performance
Spain: sustained leadership in a growing but increasingly competitive market

Remaining growth in the market

- Further increase in population: 46MM in 2008E vs. 44MM in 2004
- Growth of total traffic
- UMTS to accelerate take up of data

More intense competitive environment

- Fierce expensive competition in number portability as subs growth slows down
- Pressure on pricing, mainly in the corporate segment
TM Spain’s initiatives to preserve revenue leadership

1. In-depth market segmentation
2. Smart pricing to stimulate usage
3. Leveraging UMTS to develop new services

...leading to increased commercial efforts
Leadership through segmentation: focus on value, understanding of behaviours

- Sustaining market share in high-value segments
- Preserving leading position share in large corporations
- Reinforced efforts in call centers & sales force for SMEs
  - Younger, more innovative and more competitive

1Q05 Net Adds (000)

<table>
<thead>
<tr>
<th>Contract</th>
<th>Prepaid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>219</td>
<td>-119</td>
<td>100</td>
</tr>
</tbody>
</table>

Customer Market Share (2004E)

- Total Market Share
- Residential
- SoHo
- Corporate & SMEs

Weight of contract segment (% over total customer base)

- 2003: 40.3%
- 2004: 48.8%
- 2008E: >50%
1. Our approach to Corporates: Helping our customers to obtain the best experience in terms of time & money

- Personalised approach from corporate sales teams
- On-line billing
- Simple-to-use interfaces

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Technical functionalities
- Mobility solutions
- Connection manager
- Cost control
- Usage restrictions

Management facilities

Specific pricing

Key product: MOVISTAR CORPORATIVO
- Vertical applications
- Tailor-made applications

Handset portfolio

- MOVILFORUM
Customized solutions are already a growing reality:

**large corporations**

- Major company in Spain: 50,000 connections/day
- Fleet management
- Oficina Movistar (TSM400 & PDAs) helps to organise sales support activities

**Transport**

- Major bank in Spain: POS network. 15,000 lines & 8,000 transactions/day

**Finance**

- On-line lottery: 300 MB/day & 200 transactions/device/day
- City transport: buses and taxi networks

**Others**
…and SMEs

**Customer profile**
- IT systems repair company, with ~80 employees
- Management of customer service: On Site Call Center, Help Desk...

**Customer needs**
- Optimised transport routes
- Cost control

**Solution offered**
- Mobility services: SMS + LBS

**Company savings**
- Increased efficiency
- Cost savings (communications, personnel, software...)
- Cost control
- Higher profitability
2. Smart pricing to stimulate usage

- Segmented packages
- Innovative tariff options
  - Shaping TM Spain’s price perception (1 cent per minute)
  - Increasing value for money (e.g. weekend plans)
  - Loyalty plans (e.g. attractive frequent number prices)
Leverage UMTS to reinforce our leadership

3G brings
- Bandwidth
- Speed
- Capacity

New & enhanced services:
- Increasing customer experience & customer loyalty
- Fostering usage of voice & data
- Enhanced operating efficiency

We are leading UMTS deployment ahead of competitors:
Superior coverage & differentiation
3. TM Spain at full speed towards becoming a 3G company

- **2004** Launch
  - Cities with more than 100,000 POPS covered
  - 3,800 base stations

- **2005** Consolidation
  - Interior coverage
  - >5,000 base stations
    - (6,000-7,000 in H106)

- **2008** Mass market
  - Outstanding coverage in major urban areas
  - 13,000 base stations

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**Speeding up network roll-out**

- 2005-08E total network capex: €1.7Bn (UMTS=€1.2Bn)
- >40% of customers with UMTS handsets by 2008
…with an increased range of services aimed at different user needs…
...and an enhanced handset portfolio

- Low handset range
  - Handset prices ≈ 500€
- Wider handset range
  - Handset prices <200€
- Critical mass
  - Handset prices <145€

Current handset portfolio (1H05)

- LG U8150
- Samsung Z105
- Samsung Z130
- Motorola V975
- Motorola E1000
- LG U8210
- Samsung Z500
TM Spain: solid CF generation in a mature market

**Revenues (MM€)**
- **CAGR 04-08E: 4%-6%**
- 2004: 8,192
- 2008E: 8,192

**Operating margin**
- 2004: 50.8%
- 2008E: >45%

**Total Capex (MM€)**
- Cheaper network deployment due to lower equipment prices
- 2004: 3,530
- 2008E: 3,530

**Operating CF**
- CAGR 04-08: 1%-3%
- 2004: 3,530
- 2008E: 3,530

---

*All figures under IFRS.*

1 Operating Income before D&A/ revenues
2 Operating Income before D&A-Capex
Brazil: high growth potential but very competitive market

- Overcrowded market
- Further increases in penetration
- Sustained strong commercial activity
- Pressure on margins will continue

Brazilian penetration (areas of operations)

VIVO will maintain leadership following a twofold strategy

- In-depth market segmentation
  - High-quality geographical areas & high-quality segments
    - Strong customer retention to preserve high-value customers
  - Selective growth in low-end segments
    - Leveraging on global handset initiatives to achieve lower prices
    - Building on low income projects
04  VIVO: the only “3G option” in Brazil ... with a differentiated service portfolio ...

**vivo ao vivo**
- Customization
- Develop new services
- User experience

**vivo ENCONTRA**
- “vivo Localiza”: LBS
- “vivo aqui perto”: restaurant guide
- “vivo onde estou?”: Positioning

**vivo direto / vivo empresas**
- Corporate segment
- VPN
- High-end handsets

**vivo escritório móvel**
- “Mobile Office: e-mail, intranet
- Compatible with Microsoft Outlook and Lotus Notes

- ...with room for further innovation

**Multimedia services - Video & Music**
- Video Conference
- Music & Video Streaming
- Music & Video Downloads
- Video Messaging
- Video Monitoring
- Video Download

**Network evolution**
- 1xRTT
- EV-DO
...and building on its top of mind brand positioning
Vivo: scale & focus on innovation leads to improving operating efficiency

**Revenues (MM Reais)**
- **CAGR 04-08:** 6%-10%
- 2004: 10,973
- 2008E: (Bar graph)

**Operating margin**
- 2004: 32%
- 2008E: Mid 30s

**Capex (MM Reais)**
- 2005-08 Average: >1.5x
- 2005E: 2,000
- 2008E: 1,539

**Operating CF**
- 2004: 1,539
- 2008E: (Bar graph)

All figures under IFRS.
1. Operating Income before D&A / revenues.
2. Operating Income before D&A - Capex
**Mexico: ready to profit from market growth**

- **High growth remaining in the market**
- **Consolidated competitive position**
  - Strong GSM coverage
  - Expanded distribution channel
- **Accelerated growth to reach >20% market share by 2008 in a growing market**
- **Progressive focus on contract segment and corporates**
- **Launch of new products and services**

---

**Total Market Penetration**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>36%</td>
<td>50%-55%</td>
</tr>
</tbody>
</table>

**TM Mexico in 4Q04**

<table>
<thead>
<tr>
<th></th>
<th>Share of Net Adds</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>34%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Leverage vast expertise of GSM & enhanced competitive position to target the corporate segment

**Product**
- Customised solutions for global accounts & large corporations
- Integrated solutions for medium sized companies

**Pricing**
- Innovative pricing in the Mexican market

**Sales force**
- TEM
- Telefónica Data
- Partnerships
The right pace: accelerate now to capture long term value

**Revenues**

MM Mexican Pesos

- **CAGR 04-08E:** 28%-30%
- Already positive Operating income before D&A in some months in 2005
- 28%-32% Operating margin by 2008E

**Capex**

MM Mexican Pesos

- **2005-08 Average**

**Operating CF**

MM Mexican Pesos

- 2004: -6,000
- 2008E: 6,000

All figures under IFRS.

1. Operating Income before D&A - Capex
Argentina and Colombia: focus on strong growth

- Extraordinary growth in the markets, based on current low penetration rate
- Sustaining leadership, with a higher revenue share than our customer market share
  - Aggressive commercial effort
  - Preserve share on high-value segments
- Deployment of GSM networks

**Sound business in Argentina**

- Wireless Penetration: 35% (2004), 55%-60% (2008E)
- Normalised Operating margin\(^1\): >35% (2005E), >50% (2008E)

**Sacrificing margin for growth in Colombia**

- Wireless Penetration: 23% (2004), 55%-60% (2008E)
- Normalised Oper. margin\(^1\): 40%-45% (2005E), >50% (2008E)

---

1. Operating Income before D&A excluding commercial & advertising costs/ Service Revenues
04 Venezuela, Chile & Peru: strong cash generation

**Significant cash will be generated**

- Strong potential for Operating Income before D&A growth
- Sustain operational efficiency
- Reduced capex needs

**Operating Income before D&A**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008E</th>
</tr>
</thead>
<tbody>
<tr>
<td>TM Chile¹ (MM€)</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>TM Peru¹ (MM€)</td>
<td></td>
<td>82</td>
</tr>
<tr>
<td>TM Venezuela (MM€)</td>
<td>353</td>
<td></td>
</tr>
</tbody>
</table>

¹ Including from January 1st, 2004 TM Chile and assets acquired to BS in Chile and Peru.

**Preserving our positioning while maintaining outstanding efficiency**

- Improved customer retention, focused on high value segments
Morocco: additional growth

- **Penetration**
  - 30MM POPS
  - 2004: 30%
  - 2008E: 45%-50%

- **Operating Margin**
  - 2004: 47%
  - 2008E: >50%

- **Develop the market:**
  - Accelerating customer growth
  - Leading product & service innovation
  - Increasing market share from current 30%: customer acquisition and retention
  - Sustaining operating excellence
Index

01 Starting point: The “New” TEM

02 Our global priority: consolidating competitive position while sustaining operating excellence

03 Leveraging strategic business initiatives

04 Key market highlights

05 Key take-aways and guidance for our future performance
### Guidance

<table>
<thead>
<tr>
<th>€ in Millions</th>
<th>Reported 2004 under IFRS</th>
<th>CAGR 2004-08E (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>11,743.7</td>
<td>12%-16%</td>
</tr>
<tr>
<td>Operating Income before D&amp;A (2)</td>
<td>4,577.7</td>
<td>14%-17%</td>
</tr>
<tr>
<td>Operating Income (2)</td>
<td>3,054.7</td>
<td>15%-19%</td>
</tr>
</tbody>
</table>

(1) All projections refer to local currency (constant exchange rates as of 2004) and exclude changes in consolidation other than assets acquired to BellSouth in Argentina & Chile in 2005.

(2) In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005-2008. These exceptional amounted to -100.2 MM€ in 2004 and are therefore also excluded, meaning a calculation base for guidance of 4,677.9 MM€ for OIBDA and 3,154.9 MM€ for OI, respectively. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses.
In a very conservative scenario, TM Spain will keep on being a powerful cash generator.

Even if operating margins are in the mid 30s in 2008, the boost in customers/revenue growth will drive strong cash generation.

Even setting "moderate ambitions" for TM Mexico (50%-55% penetration by 2008; >20% market share; 28%-32% operating margin), huge shift in cash generation.

Solid growth platforms

Strong cash generators

Argentina, Chile & Peru, major beneficiaries of synergies from integration.
The “New TEM” offers a premium growth performance

- Strong growth
- Highly diversified business portfolio
- Synergies & economies of scale

Lead globally and locally
Strong CF generation