“Time to harvest or to fuel growth?”

José María Álvarez-Pallete, Executive Chairman
Telefónica Latinoamérica

Barcelona, April 25th, 2005
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Index

01 The partner of choice in Latam

02 A brighter future for the region

03 Management priorities

04 Commitments
In the last three years, we have transformed the company

**Commercial**
...regaining growth by renewing our traditional business, and leading DSL deployment in the region

**Operational and technological**
...becoming leaner, more flexible and consolidating a high quality network

**Financial**
...reducing asset intensity, turning around the cash flow generating profile
Our commercial transformation

Recovering growth in the traditional business,

...driving broadband development,

...changing the nature of our access plant,

...increasing share of wallet,

...and holding churn

Traditional Lines
Million

21.2
20.9
21.4

DSL Lines
Thousand

456
769
1,421

Access lines
Percent

Other*

14%
20%
31%

Postpaid

86%
80%
69%

Traditional

69%
31%

Postpaid Traditional

ARPU
Constant Euros 2004

21.6
24.2
25.7

Churn
Percent

2002
2003
2004

1.2%
1.6%
1.1%

2.1%
2.6%
2.6%

2.5%
84.8%
6.0%

Note: Does not include TEA and TIWS

*DSL, Prepaid traditional, TUPS, other
We have created the market...

**Basic telephony penetration**
Total lines/100 households, 2004

- Sao Paulo: 95.1
- Argentina: 83.0
- Chile: 77.9
- Colombia: 64.7
- Mexico: 71.4
- Rest of Brazil: 64.8
- Venezuela: 60.7
- Peru: 39.3
- Bolivia: 28.2

**Broadband penetration**
Total lines/100 households, 2004

- Bolivia: 0.4
- Peru: 3.6
- Venezuela: 3.7
- Rest of Brazil: 3.1
- Mexico: 3.3
- Colombia: 0.9
- Chile: 11.9
- Argentina: 4.0
- Sao Paulo: 8.0

Source: Pyramid
...growing ahead of other players in our markets...

<table>
<thead>
<tr>
<th></th>
<th>Traditional lines increase 2003-04 Thousand</th>
<th>DSL increase 2003-04 Thousand</th>
<th>Households in area of operations 2004 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-Latam</td>
<td>523</td>
<td>652</td>
<td>26.7</td>
</tr>
<tr>
<td>Telemar</td>
<td>100</td>
<td>279</td>
<td>25.9</td>
</tr>
<tr>
<td>Brazil Telecom</td>
<td>12</td>
<td>254</td>
<td>12.5</td>
</tr>
<tr>
<td>Telecom Argentina</td>
<td>134</td>
<td>55</td>
<td>5.5</td>
</tr>
<tr>
<td>Cable operators*</td>
<td>n.a.</td>
<td>383</td>
<td>n.a.</td>
</tr>
<tr>
<td>All other players</td>
<td>246</td>
<td>971</td>
<td>70.6</td>
</tr>
</tbody>
</table>

*Includes all cable operators in the region (Brazil, Argentina, Chile and Peru)
Source: Pyramid
...and reinforcing our leadership position

2004

Regional...

Traditional business
Million lines

<table>
<thead>
<tr>
<th></th>
<th>T-Latam</th>
<th>Telmex</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-Latam</td>
<td>21.4</td>
<td>17.2</td>
</tr>
<tr>
<td>Percent</td>
<td>27%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Market share
Percent

...and local leadership

Traditional lines. Million

<table>
<thead>
<tr>
<th></th>
<th>2nd in Traditional lines and 1st in DSL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TeleSP</td>
</tr>
<tr>
<td></td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td>9.5</td>
</tr>
</tbody>
</table>

DSL lines. Thousand

<table>
<thead>
<tr>
<th></th>
<th>1st in Traditional lines and DSL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TASA</td>
</tr>
<tr>
<td></td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>3.8</td>
</tr>
</tbody>
</table>

Broadband
Thousand lines

<table>
<thead>
<tr>
<th></th>
<th>T-Latam</th>
<th>Telmex</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-Latam</td>
<td>1,421</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>560</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Telefónica, Company data

2nd in Traditional lines and DSL

1st in Traditional lines and DSL

1st in Traditional lines and DSL

1st in Traditional lines and DSL
**Commercially: on the right track**

**Strong commercial focus**

- More customer-oriented: % of commercial employees
  - 2003: 29%
  - 2004: 33%
  - Score: ~38%

- Commercial / operating expenses: Percent
  - 2003: 29%
  - 2004: 32%
  - Score: ~39%

**Maximize value**

- Increase share of wallet: Total ARPU Constant Euros '04/month
  - 2003: 24.2
  - 2004: 25.7
  - Score: 27-28%

- Non-regulated revenues: Percent
  - 2003: 35%
  - 2004: 41%
  - Score: ~42%

---

*Excluding bad debt provision and interconnection
**Other than line rental, local traffic and interconnection
Note: Does not include TEA and TIWS
Reducing our operational costs...

**Unitary Network Direct Costs**
Constant Euros per LIS 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>50.0</td>
<td>38.4</td>
<td>31.4</td>
<td>28.6</td>
</tr>
</tbody>
</table>

-17%

...carefully managing our capital expenditures...

**CAPEX**
Constant Euro Million 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003*</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,054</td>
<td>1,203</td>
<td>1,142</td>
<td>1,447</td>
</tr>
</tbody>
</table>

...and being more flexible

**Operating leverage**
Fixed Costs/Total Costs. Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003*</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>47.0%</td>
<td>46.0%</td>
<td>43.6%</td>
<td>41.6%</td>
</tr>
</tbody>
</table>

-5.4 pp

*Includes TEA and TIWS
Our network is ready for the future

- **Lines with DSLAM in central office/Total lines**
  - Percent:
    - 2001: 60%
    - 2004: 88%
    - Increase: 28 pp

- **Backbone bandwidth/user**
  - Kb/second/user:
    - 2001: 15
    - 2004: 37.5
    - Increase: 22.5 pp (35.7%)

- **Managed IP traffic/Total traffic**
  - Percent:
    - 2001: 10%
    - 2004: 45%
    - Increase: 35 pp
We enjoy a leading operational efficiency
2004

<table>
<thead>
<tr>
<th>Region</th>
<th>EBITDA/Revenues</th>
<th>Operating CF/Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TeleSP</td>
<td>45.8%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Telemar</td>
<td>41.2%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Brasil Telecom</td>
<td>39.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TASA</td>
<td>59.8%</td>
<td>46.6%</td>
</tr>
<tr>
<td>Telecom Argentina</td>
<td>45.5%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Latam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T-Latam</td>
<td>45.6%</td>
<td>34.7%</td>
</tr>
<tr>
<td>Telmex</td>
<td>48.0%</td>
<td>35.1%*</td>
</tr>
</tbody>
</table>

*JP Morgan estimates
Source: Company data
**Efficiency: on the right track**

**Asset efficiency**
- 2003 assets = Index 100
- 2003: 100  
- 2004: 96

**CAPEX in DSL and new services**
- Percent
- 2003: 25.5%  
- 2004: 31.1%

**OPEX/Revenues**
- Percent
- 2003: 52.9%  
- 2004: 53.5%

**Improve operating leverage**
- Percent outsourcing*
- 2003: 69%  
- 2004: 72%

---

*External services expenses over personal + external services expenses
Note: Does not include TEA and TIWS. Spanish GAAP
Investment
Constant Euro million 2001*

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Investment</th>
<th>Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>17,885</td>
<td>3,581</td>
</tr>
<tr>
<td>2001</td>
<td>14,304</td>
<td>3,054</td>
</tr>
<tr>
<td>2002</td>
<td>3,478</td>
<td>424</td>
</tr>
<tr>
<td>2003**</td>
<td>1,203</td>
<td>1,142</td>
</tr>
<tr>
<td>2004**</td>
<td>1,447</td>
<td></td>
</tr>
</tbody>
</table>

Operating CF (EBITDA-CAPEX)
Constant Euro million 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating CF (EBITDA-CAPEX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>~2,109</td>
</tr>
<tr>
<td>2002</td>
<td>~3,781</td>
</tr>
<tr>
<td>2003**</td>
<td>~4,542</td>
</tr>
<tr>
<td>2004**</td>
<td>~4,654</td>
</tr>
</tbody>
</table>

Increasing profitability of our assets base

ROCE
1.4 pp

Turning around cash flow generation

Financials: sound evolution

~4,654~4,542
~3,781
~2,109

*Except for 2000 (current Euro million)
** Includes TEA and TIWS
All in all, we have met the commitments made in Madrid in 2003
Million Constant Euros

<table>
<thead>
<tr>
<th>Revenues</th>
<th>6-9%</th>
<th>9.8%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>6,954</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>7-10%</th>
<th>9.0%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>3,347</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPEX/revenues (%)</th>
<th>10-11%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>9.8%</td>
</tr>
<tr>
<td>2004</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating CF</th>
<th>7-10%</th>
<th>11.2%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2,695</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Calculated including aggregated figures for TEA and TWs both in 2002 and 2004
Note: Figures for 2002 only for TFOs; figures for 2004 includes TEA and TWs
Index

01 The partner of choice in Latam

A brighter future for the region

03 Management priorities

04 Commitments
Macroeconomic prospects for the region are encouraging...

### Expected GDP growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>5.2%</td>
<td>3.8%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Argentina</td>
<td>9.0%</td>
<td>5.0%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Chile</td>
<td>6.1%</td>
<td>5.5%</td>
<td>5.0%</td>
<td>4.7%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Peru</td>
<td>5.1%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

### Expected inflation evolution

- **Brazil**: 9.0%, 6.1%, 5.1%
- **Argentina**: 5.0%, 5.5%, 4.4%
- **Chile**: 3.4%, 5.0%, 4.3%
- **Peru**: 3.4%, 4.2%, 4.1%

Source: Euromonitor, Feri and Global Insight
02 ...with solid fundamentals

2004 has shown historical positive macroeconomic performance...

- Highest GDP growth since 70s (>3%) in 6 main countries
- Highest GDP per capita growth in the region since 1979
- Highest employment growth in the last 10 years (3.8%)
- Historical surplus in the balance of trade and payments

...as a platform for future growth

<table>
<thead>
<tr>
<th>Private Consumption Growth 04-08 Percent</th>
<th>Gross Fixed Investment Growth 04-08 Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1%</td>
<td>11.0%</td>
</tr>
<tr>
<td>9.1%</td>
<td>16.4%</td>
</tr>
<tr>
<td>6.1%</td>
<td>11.6%</td>
</tr>
<tr>
<td>8.4%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Source: EIU Viewswire
### Demographics are favourable

<table>
<thead>
<tr>
<th>Country</th>
<th>Growing Population</th>
<th>Growing GDP per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sao Paulo</td>
<td>39.0</td>
<td>41.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>38.7</td>
<td>40.3</td>
</tr>
<tr>
<td>Chile</td>
<td>15.4</td>
<td>16.1</td>
</tr>
<tr>
<td>Peru</td>
<td>27.6</td>
<td>29.3</td>
</tr>
</tbody>
</table>

#### Segments growth

<table>
<thead>
<tr>
<th>Segment</th>
<th>Growth 2004-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/B</td>
<td>1.3%</td>
</tr>
<tr>
<td>C</td>
<td>1.1%</td>
</tr>
<tr>
<td>D/E</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

#### Better income distribution

<table>
<thead>
<tr>
<th>Segment</th>
<th>Growth 2004-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/B</td>
<td>1.7%</td>
</tr>
<tr>
<td>C</td>
<td>1.5%</td>
</tr>
<tr>
<td>D/E</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

In 2008, there will be ~800,000 additional households in segments A, B and C.

Source: Pyramid, Telefónica
Market analysts expect an increase in consumption of telecom products

**Traditional lines growth**
Percent. 2004-2008

- **Sao Paulo**: 0.7%
- **Argentina**: 2.1%
- **Chile**: 0.1%
- **Peru**: 4.5%

- Local and LD traffic remains stable in the traditional business
- Slight ARPM increase, specially in local traffic
- ARPU remains stable

**Broadband lines growth**
Percent. 2004-2008

- **Sao Paulo**: 24.6%
- **Argentina**: 24.7%
- **Chile**: 14.6%
- **Peru**: 18.4%

- Penetration level 5-10 pp increase by 2008
- Access price decrease compensated by growth of VAS
- Expected ARPU decrease as DSL reaches mass market

Source: Pyramid
We expect products, services and platforms evolution to follow international trends

General market trends...

- Evolution towards Triple Play offerings
- Increased backbone capacity
- Evolution towards IP traffic

...will force operators to renew their technical platforms (e.g. Telefónica)

Households with enough bandwidth to support quality video

<table>
<thead>
<tr>
<th>Percent</th>
<th>&lt;20%</th>
<th>&gt;60 pp</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;80%</td>
<td></td>
<td>&gt;80%</td>
</tr>
</tbody>
</table>

- Backbone bandwidth/user
  - Kb/second/user
  - 90% ~500
  - 37.5

- Managed IP traffic/Total traffic
  - Percent
  - 45% ~90%

CAGR
The competitive landscape will show different kinds of players

Regional market consolidating around two players

A number of local competitors

Niche competitors focusing on SMEs and Corporations
We expect regulatory models to favor infrastructure owners.

- Increasing government awareness of the role of Information Society in economic growth
- Still large infrastructure investment needed to sustain economic growth and expand telecommunications in Latin American countries

We expect a better regulatory environment in our day-to-day business.

- More stable regulatory environment
- Pending regulatory issues in the short term
  - Brazil: New contract negotiation (Jan 06)
  - Argentina: Rebalancing regulatory situation
  - Chile: Unbundling VoIP and tariff decree claims
  - Peru: Implementation of productivity factor

We will monitor the regulatory environment.

We will rebalance our investments accordingly.

We will monitor the regulatory environment.
Telefónica: the winning model

We have been able to lead the market in a tough environment...

...and we will further drive the market in a more stable macroeconomic situation.

We have strengthened our position through the different crisis in the region...

...and now we are in the best possible starting point towards the future.

We have built a solid-high-performing management team...

...that will drive T-Latam to the next level of operational and financial performance.
Our management priorities

One regional company

100% Customer Focus

Leaner and flexible
100% customer oriented company

A larger and more valuable customer base

- Number of total lines*
  - Million
  - 2004: 22.8
  - 2008: 23.0
  - Growth: 2-3% by 2008***

- ARPU**
  - Constant Euros 2004
  - 2004: 25.7
  - 2008: 27.5
  - Growth: 3-4%

- Annual DSL Churn
  - Percent
  - 2004: 30%
  - 2008: 20%
  - Decline: (5)-(7) pp

A healthier profile

- Customer satisfaction
  - Index
  - 2004: 10 pp
  - 2008: 20 pp
  - Improvement: 10 pp

- Revenues from Internet and new services/total revenues**
  - Percent
  - 2004: 9.0%
  - 2008: 20-22%
  - Growth: 11-13 pp

*Includes traditional and DSL lines
**Does not include TEA and TIWS
***Includes wholesale lines (<100,000 lines)
A segment-based strategy

- **Number of clients**
  - Households: ~17,000,000
  - SMEs: ~2,500,000
  - Corporations: ~8,700
  - Wholesale: ~

- **Percent of revenues**
  - Households: ~58%
  - SMEs: ~17%
  - Corporations: ~13%
  - Wholesale: ~12%

*Approximate number of individual clients (more than one line per customer in average)
**Households: management priorities**

1. Commercial mechanisms of identifying opportunities and generating targeted campaigns
2. Upselling/cross-selling
3. Capturing the value from VAS
4. Expanding our reach through new channels
5. Collaborating with third-parties

We are evolving towards a consumer goods model
03 Households: renewing the traditional business

Grow our traditional business…

- **Lines Index**
  - 2004: 100
  - 2008: 100
  - Growth rate: 1-2%

- **ARPU Index. Constant Euros 2004**
  - 2004: 100
  - 2008: 100
  - Growth rate: 3-4%

- **SVAs Index**
  - 2004: 100
  - 2008: 100
  - Growth rate: 12-14%

...combining attack and defense

- **Growing in accesses**
- **Defending traffic**
- **Offering additional value added services**

- **Leverage population growth**
- **New devices and functionalities**
- **Capture “the value from VAS” penetration and monetization**
  - Caller ID (Detecta)
  - Voice Mail (Digital assistant)

**Offering** additional value added services

- **Customized offer for low income segments** (e.g., control lines)
- **Segmented product offerings** (e.g., minute packages)
Leading DSL deployment

- Aggressive deployment with greater coverage and more speed
- More frequent and focused campaigns
- Presence in new channels
- New VAS (parental control, firewalls, ..)
- Expansion of DSL use in new areas (education, entertainment), through Triple Play offers

**DSL lines Index**
- 2004: 100
- 2008: 30-32%

**DSL revenues/total Percent**
- 2004: 9.0 pp
- 2008: 9.0 pp (CAGR)

Supporting DSL massive development

Developing new value added services
We will continue leveraging our segment knowledge.

- Increasing penetration through products that cover specific customer needs
- New payment methods
- New products to capture potential from low income segment
- New and more aggressive commercial campaigns
- Packages to increase traffic
- More DSL enabled services
SMEs: sustaining the traditional business and driving DSL and new services penetration

New commercial strategies and products, deepening our SME customer knowledge through a more advanced segmentation

Business model evolution promoting long term deals with customers to increase loyalty

Specific value proposition in DSL for SMEs through customized products (Speedy Business, Telesupervision)

Innovative solutions in DSL with good response times and reliability as key differentiators
Key operational drivers for SMEs

"Industrialize" commercial campaigns

- Increase number of commercial campaigns per year x5

Channels optimization: interaction = opportunity

- Cross-selling to all incoming calls with potential
- Direct sales improvement through better customer management
- Indirect channels management through better indicators

Customer service for churn reduction

- First call resolution improvement in 10 pp
- 90% compliance with agreed response times
- Specialized customer service per segment
- Customer service platform dedicated to retention
- SLA technical guarantee

Channels optimization:

- Channels optimization: interaction = opportunity
- Campaign evaluation and planning
- Execution planning
- Execution
- Commercial campaign generation
- Follow-up and continuous learning
Corporations: growing the market

**Key initiatives**

- Defending voice revenues
- Managing VoIP migration
- Leading our customers in their migration to broadband
- Moving up the value chain and growing the outsourcing business
- Increasing our market share of international services

**Revenues**

Constant Euros 2004

<table>
<thead>
<tr>
<th>Service</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>(5%)</td>
<td>(3%)</td>
</tr>
<tr>
<td>Data and Internet</td>
<td>10%</td>
<td>10-11%</td>
</tr>
<tr>
<td>IT and Intl. Services</td>
<td>25-27%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

CAGR: 6-7%
03 Big companies rely on Telefónica to manage their IT+C needs

Moving up the value chain: Success Examples

- Puerto Rico
- Colombia
- Peru
- Argentina
- Ecuador
- Chile

* Business Processes Outsourcing


**03 TIWS: growing support to our regional leadership**

- **Wholesale Revenues Index**
  - 2004: 100
  - 2008: 27-28%

- **International IP traffic growth**
  - Average annual Mb
  - 2004: 100
  - 2008: 50-60%

- **Capturing all the incoming international traffic into the region**
- **Being the Group’s interprovider to finalize international calls**
- **Leveraging our broadband growth strategy**
- **Maximizing return on international assets capturing Group’s synergies**
Our management priorities

100% Customer Focus

One regional company

Leaner and flexible
03 Increasing regional efficiency

A single infrastructure

- Common infrastructure development
- Network management systems integration
- Shared platforms for specific services

Centralized operations

- Traditional business
- Broadband and new services
- Excellence in customer service in Corporations and SMEs

Regional support functions

- Process improvement
- Additional outsourcing
- Regionalization

Regional systems

- Simplify systems management and gain flexibility
- Improve service levels
- Reduce cost through increased scale

Regional synergies will yield annual savings of ~100 Euro million in Opex plus CAPEX by 2008
Sustained operational efficiency

- Control over operational cost with a total increase below expected inflation led by:
  - Increased operational flexibility through a higher proportion of variable costs
  - Regional synergies
- Increased commercial costs to support new products and DSL services

Opex/Revenues*

<table>
<thead>
<tr>
<th>Percent</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>81%</td>
<td>77%</td>
</tr>
</tbody>
</table>

*Does not include TEA and TIWS
CAPEX control will reduce asset intensity

CAPEX, amortization and depreciation evolution

Index

- Rigorous capex approval process
- Leverage in regional synergies

Change in Capex mix (up to 40-45% broadband and new services related investments in 2008)

CAPEX significantly below amortization and depreciation levels

*Include property plant and equipment and other long term assets related to business requirements (software, R&D expenses, ...)

CAGR
In summary, one regional company

**Commercial**

- Sharing commercial best practices among operators
- Developing products, services and commercial campaigns regionally

**...innovation**

- Regional Innovation Unit
- Regional prioritization of innovation portfolio
- Joint development of key innovation initiatives

**...operations**

- Homogenization of operations and processes
- Integration of infrastructures
- Centralization of key decisions

**...and public positioning**

- An integrated way of thinking about public issues
- An integrated way of interacting with Latam countries
- A proactive and systematic way of managing public positioning
**TeleSP: stable growth**

- Macroeconomic stability with GDP growth around 3.5%
- Regulatory environment
  - Open VU-M negotiations between wireline and mobile operators
  - Contract renewal in 2006
- TVoDSL and VoD services commercialization due to massive DSL deployment
- Global voice offers and sophisticated data and internet products for corporations and SMEs

**Traditional lines**
- Million
  - 2004: 12.5
  - 2008: 12.5

**DSL lines**
- Thousand
  - 2004: 826
  - 2008: 826

**Total Monthly ARPU**
- Reais
  - 2004: 91.3
  - 2008: 91.3

**CAGR**
- 1-2%
- 23-26%
- 5-7%
TASA: riding the wave of recovery

- Further macroeconomic recovery and social stability
- Improved regulatory environment
- Higher technological and market competitive pressure
- DSL consolidation with the introduction of new services (TVoDSL, VoD) and customers (low income segments) with expected increase in lines and ARPU in the traditional business

<table>
<thead>
<tr>
<th>Traditional lines Million</th>
<th>DSL lines Thousand</th>
<th>Total Monthly ARPU Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>189</td>
<td>57.9</td>
</tr>
</tbody>
</table>

CAGR

2-3% 40-45% 5-7%
**CTC: regaining the path for growth**

- Economic growth and political stability
- Increasing regulatory pressure for incumbent in order to motivate competition
- Sustained competition with aggressive offering from cable and telecom players
- Growth in corporations and SMEs through global and high value offers

### Chart

#### Traditional lines
- Million
  - 2-3%
  - 2004: 2.4
  - 2008: 2.4

#### DSL lines
- Thousand
  - 26-28%
  - 2004: 201
  - 2008: 201

#### Total Monthly ARPU
- Thousand Pesos
  - 1-2%
  - 2004: 22.4
  - 2008: 22.4
Stable economic growth in spite of political uncertainty

Tariff decrease due to the increase in productivity factor

Dual growth
- DSL rapid development for SME’s and A, B, C segments
- Further prepaid penetration for lower income segments

Traditional lines
Million

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.2</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
</tbody>
</table>

DSL lines
Thousand

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>205</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
</tbody>
</table>

Total Monthly ARPU
Soles

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>171.0</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
</tbody>
</table>
- Maintain stable growth in traditional lines through a segment-based strategy.
- Lead DSL deployment increasing the number of connected households that widely use DSL applications.
- Increase ARPU through specific offers for different segments oriented to cover their needs.
Index

01 The partner of choice in Latam

02 A brighter future for the region

03 Management priorities

04 Commitments
More customer-oriented

% of commercial employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33%</td>
<td>39-41%</td>
</tr>
</tbody>
</table>

Commercial / operating expenses

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32%</td>
<td>35-37%</td>
</tr>
</tbody>
</table>

Increase share of wallet

Total ARPU Constant Euros '04/month

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.7</td>
<td>28-30</td>
</tr>
</tbody>
</table>

Non-regulated revenues

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>41%</td>
<td>43-45%</td>
</tr>
</tbody>
</table>

*Excluding bad debt provision and interconnection

**Other than line rental, local traffic and interconnection

Note: Does not include TEA and TIWS
04 T-Latam transformation commitments (2/2)

**Asset efficiency**
2004 assets = Index 100
- 2004: 100
- 2008: 83-85

**CAPEX in DSL and new services**
- 2004: 31.1%
- 2008: 40-45%

**OPEX/Revenues**
- 2004: 53.5%
- 2008: 52-54%

**Decrease operating leverage**
- 2004: 72%
- 2008: 75-77%

*External services expenses over personal + external services expenses
Note: Does not include TEA and TIWS
### T-Latam financial commitments

<table>
<thead>
<tr>
<th>€ in Millions</th>
<th>Reported 2004 under IFRS</th>
<th>CAGR 2004-08E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>6,748.4</td>
<td>4-7%</td>
</tr>
<tr>
<td>Operating Income before D&amp;A**</td>
<td>3,294.9</td>
<td>5-9%</td>
</tr>
<tr>
<td>Operating Income**</td>
<td>1,716.1</td>
<td>11-16%</td>
</tr>
<tr>
<td>OpCF (OIBDA-CapEx)</td>
<td>2,541.6</td>
<td>5-9%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>753.3</td>
<td>6-10%</td>
</tr>
</tbody>
</table>

* All projections refer to local currency (constant exchange rates as of 2004) and exclude changes in consolidation except the acquisition of Atrium

** In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005-2008. These exceptionals amounted to 354.4 MM€ in 2004 and are therefore also excluded, meaning a calculation base for guidance of 2,940.5 MM€ for OIBDA and 1,361.7 MM€ for OI, respectively. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses.
In summary

We expect a brighter future for the region.

We will reinforce our leadership in the region deepening in our transformation as a regional company.

We are the best positioned to capture the growth opportunities we have ahead.

**Time to harvest**

- Operating CF growth 05-08: 5-9%
- ROCE increase 05-08*: 4-5 pp

**Time to fuel the growth**

- Revenue growth: 4-7%
- OIBDA growth: 5-9%

*Estimated Spanish GAAP not including IFRS effects