Safe harbor

"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.

Such forward-looking statements 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.

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"
Capturing LatAm’s opportunity
• **Telefónica: the right partner to exploit Latam’s opportunity**
  Latam is a large market with relevant growth opportunities. T Latam’s solid track record and demonstrated management flexibility will allow us to extract the most from them.

• **Overall Latam priorities**
  T Latam operators share common objectives based on three pillars: commercial excellence, operational flexibility and efficiency and regulatory management.

• **Operators priorities and key parameters**
  Operators are applying these strategic thrusts to respond to the challenges and capture specific opportunities in each country.

• **Our commitment for the future**
  As a result of this effort T Latam is committing to deliver continuous growth and quickly progress on key transformation parameters.
**Telefónica is the right partner to exploit Latam’s opportunity**

**T Latam’s opportunity**

- **A large market:** more than 240 million people in the four T Latam’s countries

- **Significant economic growth:** GDP to grow at a yearly average rate of 3.5% until 07

- **New businesses** (e.g. Internet and VASs) are already a growing reality

- **Growth in core businesses with low CAPEX**

---

**Key requirements**

- **Market knowledge:** Telefónica has had a very significant presence in the region since 1990

- **Management flexibility:** Telefónica has shown a solid record of anticipating market changes and adapting management priorities

- **Leadership:** Telefónica is the leading Latin America wireline Telco
Latin America is a large market with still significant opportunities for growth.

Market about 240 million people in 2003

Remaining growth in core businesses
- Leverage vacancy to grow in lower income segments
- Extend product expertise to niche markets (e.g., Payphones)
- Increase penetration of VASs
- Increase traffic through new products (e.g., voice chat)

New businesses are already growing
Thousands of Broadband accesses in T Latam

Good economic perspectives
Estimated Latam’s GDP CAGR 04-07*

<table>
<thead>
<tr>
<th>Region</th>
<th>Dec/00</th>
<th>Jun/01</th>
<th>Dec/01</th>
<th>Jun/02</th>
<th>Dec/02</th>
<th>Jun/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>41</td>
<td>112</td>
<td>246</td>
<td>357</td>
<td>456</td>
<td>567</td>
</tr>
<tr>
<td>Europe</td>
<td>3.1%</td>
<td>2.1%</td>
<td>3.3%</td>
<td>3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The Economist Intelligence Unit
Market knowledge developed through a long history of presence in the Region

- **Operación Verónica**: acquisition of total control in Argentina, Peru and Brazil
- **New tariff decree in Chile**: price decrease and strong liberalization
- **Changes in the regulatory framework in Peru**
- Argentina's crisis: “pesification”, tariff freeze and 70% devaluation
- 30% devaluation in Brazil
- Participation increases in Argentina and Peru
- Acquisition of TeleSP in Brazil
- **Acquisition of ENTEL Peru (32%)** and CPT, later merged into TdP
- Participation increases in Argentina and Peru
- **First tariff decree in Chile**: focused on line growth
- **Telefónica acquires ENTEL Chile**, later sold after acquiring 43.6% CTC in 1990
- **Change of tariff framework in Argentina**
- **Launch of the privatization process in Latam**

**Telefónica has developed flexible management capabilities to deal with a changing environment**
Management flexibility: When we had to grow... we grew

First operator to achieve Brazil “metas” in 2001

Lines in service
Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Lines in Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>6.4</td>
</tr>
<tr>
<td>99</td>
<td>8.3</td>
</tr>
<tr>
<td>00</td>
<td>10.6</td>
</tr>
<tr>
<td>01</td>
<td>12.6</td>
</tr>
</tbody>
</table>

CAGR 25%

Net operating revenues
R$ Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Operating Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>4,496</td>
</tr>
<tr>
<td>99</td>
<td>5,296</td>
</tr>
<tr>
<td>00</td>
<td>7,310</td>
</tr>
<tr>
<td>01</td>
<td>9,049</td>
</tr>
</tbody>
</table>

CAGR 26%

Source: TeleSP annual reports
Management flexibility:
When we faced a dramatic crisis... we overcame it

Argentine economic indicators
2001-02 change

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2001</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>P$MM</td>
<td>%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Investment</td>
<td>P$MM</td>
<td>%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Imports</td>
<td>P$MM</td>
<td>%</td>
<td>48.2%</td>
</tr>
<tr>
<td>Retail</td>
<td>P$MM</td>
<td>%</td>
<td>29.3%</td>
</tr>
</tbody>
</table>

Key levers

Opex:
Strong expense control and efficiency improvement, maintaining employment

Bad debt /Revenues: New products, scoring systems

EBITDA Margin

Op. FCF**:
Strong capex discipline, reutilization of spare capacity and disconnections

* Inverse of CPI
** EBITDA – CAPEX
Management flexibility: When our commercial environment changed... we transformed it into a growth opportunity

New lines (Accumulated)

~118,000

Migration of existing lines (Accumulated)

~474,000

Launch of TdP’s new plans

592,000 new lines or plans captured in 6 months with special focus on social lines

Correo, February 22nd, 2003
In any environment Telefónica has achieved compelling results and a growing cash flow in local currency...

<table>
<thead>
<tr>
<th>Year</th>
<th>TELESIP (Million reais)</th>
<th>TASA (Million pesos)</th>
<th>CTC (Billion pesos)</th>
<th>TdP** (Million Soles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4,046</td>
<td>1,611</td>
<td>258</td>
<td>2,249</td>
</tr>
<tr>
<td>2001</td>
<td>4,849</td>
<td>1,362</td>
<td>329</td>
<td>2,026</td>
</tr>
<tr>
<td>2002</td>
<td>5,237</td>
<td>1,174</td>
<td>312</td>
<td>1,955</td>
</tr>
</tbody>
</table>

* EBITDA – CAPEX
** Including Cable Mágico
...and despite currency and economic volatility, flexible management has also allowed positive results in euros

Evolution of T Latam currency portfolio*
US$. Base 100 year 2000

Operative hedging
*Weighted based on T Latam revenues 2001 in US$ (44% TeleSP, 30% TASA, 13% CTC, 13% TdP)

Simultaneous devaluation vs. US$:
- Brazilian Real -34.3%
- Argentinean Peso -70.3%
- Chilean Peso -8.9%
- Peruvian Sol -2.0%

Financial hedging
**EBITDA – CAPEX- Finance costs- Taxes

EBITDA
Million euros

Free Cash Flow**
Million euros

* Exchange rate €’00
* Current €
Δ 00-02 current €

** EBITDA – CAPEX- Finance costs- Taxes
As a result we met Seville’s FCF commitments even in the worst year and in 2003 we have recovered the promised growth path.

<table>
<thead>
<tr>
<th>Seville’s commitments</th>
<th>Delivery to date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong>*</td>
<td></td>
</tr>
<tr>
<td>2001-2002</td>
<td>2002-2005</td>
</tr>
<tr>
<td>9-11%</td>
<td>7-9%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong>*</td>
<td></td>
</tr>
<tr>
<td>2001-2002</td>
<td>1H02-1H03</td>
</tr>
<tr>
<td>5-7%</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capex/revenues</strong></td>
<td></td>
</tr>
<tr>
<td>2001-2002</td>
<td>1H02-1H03</td>
</tr>
<tr>
<td>13-15%</td>
<td>11-13%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td></td>
</tr>
<tr>
<td>2002: Between</td>
<td>2002: €2.1 Bn</td>
</tr>
<tr>
<td>€2.1 Bn and €2.4 Bn</td>
<td></td>
</tr>
</tbody>
</table>

• 2002 crisis tougher than expected
• Back on track in 2003
• Further Capex reduction in 2002 to preserve FCF goal even in the toughest year

* Constant euros. Exchange rates as of 2001, except figures for 1H02-1H03 (exchange rates as of 1H02).
And we now face the future from a #1 position in the region
2002

### Market leadership

<table>
<thead>
<tr>
<th>Company</th>
<th>Lines in service (Million)</th>
<th>Market share (% LIS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telefónica</td>
<td>21</td>
<td>24%</td>
</tr>
<tr>
<td>Telemar</td>
<td>15</td>
<td>17%</td>
</tr>
<tr>
<td>Telmex</td>
<td>14</td>
<td>16%</td>
</tr>
<tr>
<td>Brasil Telecom</td>
<td>9</td>
<td>11%</td>
</tr>
<tr>
<td>Verizon</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Telecom Argentina</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>21</td>
<td>23%</td>
</tr>
</tbody>
</table>

### Solid operational base

#### Strong OPEX improvement

<table>
<thead>
<tr>
<th>Year</th>
<th>OPEX (Million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5,214</td>
</tr>
<tr>
<td>2001</td>
<td>5,247</td>
</tr>
<tr>
<td>2002</td>
<td>3,715</td>
</tr>
<tr>
<td>2003E</td>
<td>3,300</td>
</tr>
</tbody>
</table>

#### Significant Asset reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets (Million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>25,263</td>
</tr>
<tr>
<td>2001</td>
<td>23,971</td>
</tr>
<tr>
<td>2002</td>
<td>15,206</td>
</tr>
<tr>
<td>2003E</td>
<td>15,000</td>
</tr>
</tbody>
</table>

Source: Company Reports; ITU 2002
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All T Latam operators share several key priorities

1. Commercial excellence
   - Commercial excellence
   - Operational flexibility and efficiency
   - Continue current efficiency effort in all areas to capture regional synergies, roll out best practices and keep local focus to reduce operational costs
   - Develop an active institutional presence
   - Participate in developing a new regulatory paradigm more coherent with Telecom Sector development needs

2. Operational flexibility and efficiency
   - Continue current efficiency effort in all areas to capture regional synergies, roll out best practices and keep local focus to reduce operational costs

3. Regulatory management
   - Develop competitive intelligence
   - Segmented approach to customers
   - Rebuild sales force and rebalance channel mix
   - Improve customer service
   - Develop an active institutional presence
   - Participate in developing a new regulatory paradigm more coherent with Telecom Sector development needs

- Customer-oriented organization
  - Develop competitive intelligence
  - Segmented approach to customers
  - Rebuild sales force and rebalance channel mix
  - Improve customer service

- Defend and grow traditional business
  - Retain customer base: bundling and segmentation
  - Increase ARPU through new value added services
  - Increase value of fixed lines to avoid churn
  - Maximize penetration by income level segments

- Develop new businesses leveraging customer base

- Capture Internet opportunity
  - Accelerate penetration both in NB and BB
  - Competitive BB offers leveraging TdE’s know-how
1. Commercial Excellence: our key to capturing existing growth opportunities and succeeding in a complex environment

The traditional growth model in lines is running out of steam...

- Achievement of privatization targets (i.e. “metas” in Brazil)
- Markets open to competition in all countries
- Mobile boom

...and demands a new commercial focus and a new approach to leverage customer base

Four T Latam markets
Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed Lines in service</th>
<th>Mobile subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>'00</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>'01</td>
<td>50</td>
<td>70</td>
</tr>
<tr>
<td>'02</td>
<td>60</td>
<td>80</td>
</tr>
<tr>
<td>'03E</td>
<td>70</td>
<td>90</td>
</tr>
<tr>
<td>'06E</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Increasing ARPU
T Latam. Base 100 year 02

<table>
<thead>
<tr>
<th>Year</th>
<th>Internet, VAS and others</th>
<th>Traditional business</th>
</tr>
</thead>
<tbody>
<tr>
<td>'02</td>
<td>100</td>
<td>87%</td>
</tr>
<tr>
<td>'03E</td>
<td>~110</td>
<td>~84%</td>
</tr>
<tr>
<td>'06E</td>
<td>120-140</td>
<td>~77%</td>
</tr>
</tbody>
</table>

✓ Protect current customer base
✓ Exploit new opportunities in traditional business: SVAs, LD, low income households...
✓ Lead Internet business (NB and BB): ISPs, Internet Kiosks, BB content...
✓ Develop new businesses: Tele-emergency, BLEC, Wi Fi, Cartao,...

Source: Morgan Stanley, Yankee Group, Pyramid Research
2. **Flexible and efficient operations: a lean company prepared for uncertainty**

### CAPEX regional management
- CAPEX management
- 2001-2004
- Process homogenization across the Region
- Single Country Committees to approve any investment
- Single Regional Committee to approve high investments or cross initiatives
- Strong relation with Purchasing

### COMEX, Commercial Excellence
- Sales & Marketing management
- 2003-2004
- Process homogenization
- Roll out best practices
- Joint development of new products and adaptation of Spanish services
- Improve customer knowledge

### ATIS
- Commercial operations
- 2002-2005
- Single regional platform for commercial service, invoicing and payments
- Client data standardization

### Technological harmonization
- Network planning & design
- 2004
- Integration of technology areas across operators
- Unification of network design criteria
2. Flexible and efficient operations: anticipating market trends

OPEX, Operational Excellence

*Improve network operation and maintenance:
  - Process homogenization and automation
  - Roll out best practices
  - Outsourcing
  - Resources management (GAUDI)

OPEX

---

**Work force costs vs. Lines in service**
Percentage. Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Lines in service</th>
<th>Personnel cost</th>
<th>External Services cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>19.3%</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>2001</td>
<td>21.6%</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>2002</td>
<td>21.2%</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>2003</td>
<td>21.0%</td>
<td>71%</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Employees**
Thousands

- 2000: 30.4
- 2001: 26.9
- 2002: 24.1
- 2003E: 22.7

---

**Objectives for 2005**
- 24% reduction in per line network cost
- 437 M€ of annual cost reduction and 10,252 FTEs*

**Results to date**
- 21% direct per line cost reduction
- 383 M€ of annual cost reduction and 5,082 FTEs*

---

* FTE: Full-time equivalent employees
** Fixed Telephony Operators
### 2. Flexible and efficient operations: leverage remaining capacity of existing network

**A modern plant...**

% of equipment installed in the last 10 years

<table>
<thead>
<tr>
<th></th>
<th>Telesp</th>
<th>TASA</th>
<th>CTC</th>
<th>TdP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commuted accesses*</td>
<td>88%</td>
<td>32%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>SDH Transmission*</td>
<td>100%</td>
<td>68%</td>
<td>100%</td>
<td>83%</td>
</tr>
<tr>
<td>Optical fiber</td>
<td>91%</td>
<td>99%</td>
<td>78%</td>
<td>99%</td>
</tr>
<tr>
<td>Local loop</td>
<td>64%</td>
<td>61%</td>
<td>43%</td>
<td>64%</td>
</tr>
</tbody>
</table>

**...with remaining capacity**

% vacancy. July 2003

<table>
<thead>
<tr>
<th></th>
<th>Telesp</th>
<th>TASA</th>
<th>CTC</th>
<th>TdP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telesp</td>
<td>86%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TASA</td>
<td>69%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTC</td>
<td>87%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TdP</td>
<td>92%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Installed in the last 7 years

* Significant opportunities to increase penetration in new lines and DSL leveraging existing optical fiber capacity
3. Regulatory management: actively participate in building a new regulatory and social environment

Regulatory models are being reviewed in all countries...

- Regulators are increasingly recognizing the importance of Telecommunications for the development of their countries:
  - Direct impact in telecommunications
  - Indirect impact in other sectors
- Additional development requires further investments
  - Remaining opportunities for growth in traditional business
  - Internet penetration
  - Broadband deployment
- Regulators still have important challenges to face
  - Investment vs. competition
  - Short-term tariff reduction vs. penetration or deployment of new services

...and a new approach is emerging

✓ New scope:
  - Not only the regulator, but society as a whole
  - Not only telcos but all platforms that fulfill similar needs
  - Not only traditional business but the Information Society

✓ New objectives
  - Less focus on: retail prices, traditional penetration measures, number of competitors...
  - More focus on: quality, investments, growth of new services, regulatory stability...

✓ A strong commitment with the development of the telecommunications sector
Telefónica has led the development of the wireline sector in Sao Paulo

Illustrative achievements

Form 1998 to 2001 TeleSP invested 8,054 million euros to install 6.2 million new lines.

Increased penetration especially in low income level households.

TeleSP was the first operator in Brazil to achieve privatization “goals”.

New line installation fee down to US$30, from US$ 1,200 in 1997.

Sao Paulo is the No. 1 region in Latin America in broadband penetration, ahead of other developed countries.

### Lines in service. Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>TeleSP. Millions. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>6.45</td>
</tr>
<tr>
<td>2000</td>
<td>10.60</td>
</tr>
<tr>
<td>2002</td>
<td>12.51</td>
</tr>
</tbody>
</table>

### Penetration by income level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>1998</th>
<th>2000</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>94</td>
<td>75</td>
<td>35</td>
</tr>
<tr>
<td>B</td>
<td>99</td>
<td>94</td>
<td>8</td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>D/E</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### New line provisioning lead time

<table>
<thead>
<tr>
<th>Year</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>40</td>
</tr>
<tr>
<td>2001</td>
<td>0.4</td>
</tr>
</tbody>
</table>
**Telefónica has led the development of the wireline sector in Argentina**

**Illustrative achievements**

- 8,655 million euros invested up to 2001 to double penetration from 12% in 1990 to 24%

- 100% of the network digitalized in 1998, enabling the richest service offering

- New line installation fee down to US$50 from US$2,500 in 1990

- As of 2000, all villages over 80 inhabitants have access to the telephone network

**Lines in service. Penetration TASA, Millions. %**

<table>
<thead>
<tr>
<th>Year</th>
<th>1990</th>
<th>1995</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>TASA</td>
<td>1.7</td>
<td>3.0</td>
<td>4.2</td>
</tr>
<tr>
<td>%</td>
<td>12%</td>
<td>19%</td>
<td>24%</td>
</tr>
</tbody>
</table>

**Penetration by income level %**

<table>
<thead>
<tr>
<th>Level</th>
<th>Dec 91</th>
<th>Dec 96</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/B/C1</td>
<td>94</td>
<td>100</td>
</tr>
<tr>
<td>C2/C3</td>
<td>59</td>
<td>83</td>
</tr>
<tr>
<td>D1/D2/D3</td>
<td>17</td>
<td>43</td>
</tr>
</tbody>
</table>

**New line provisioning lead time Months**

<table>
<thead>
<tr>
<th>Year</th>
<th>1990</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Time</td>
<td>49</td>
<td>0.2</td>
</tr>
</tbody>
</table>
**Telefónica has led the development of the wireline sector in Chile**

### Illustrative achievements

<table>
<thead>
<tr>
<th>Line in service. Penetration</th>
<th>CTC. Millions. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>0.6</td>
</tr>
<tr>
<td>1999</td>
<td>2.4</td>
</tr>
<tr>
<td>2002</td>
<td>2.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Penetration by income level %</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/B/C1</td>
</tr>
<tr>
<td>C2/C3</td>
</tr>
<tr>
<td>D1/D2/D3</td>
</tr>
</tbody>
</table>

- CTC invested 3,832 million euros from 1989 to 1999 to boost penetration from 6% to 16%
- Chile was the first country in the world to digitalize 100% of the network in 1991
- New line provisioning lead time has decreased from 540 to 10 days

CTC has played a key role in developing new telecom businesses:
- Strong competition in LD
- Internet has achieved 20% penetration
- Mobile has 34% penetration, the highest in Latin America

<table>
<thead>
<tr>
<th>New line provisioning lead time Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
</tr>
<tr>
<td>1999</td>
</tr>
</tbody>
</table>
Illustrative achievements

Total investment of 2,790 million euros up to 2001 to install almost 800 thousand new lines

94 thousand new payphones:
- Covering the entire country and allowing communications in rural areas
- Offering internet access, reaching penetration of 8%

Continuous price reductions: up to 33% to 2002 and new significant decreases in 2003 with the new plans

Network digitalization increased from 38% in 1994 to 96% in 2001

Lines in service. Penetration
TdP. Millions. %

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1998</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.76</td>
<td>1.55</td>
<td>1.81</td>
</tr>
</tbody>
</table>
| Penetration by income level %
| A/B   | 89   | 90   |      |
| C     | 19   | 52   |      |
| D/E   | 1    | 9    |      |

New line provisioning lead time
Months

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72</td>
<td>0.3</td>
</tr>
</tbody>
</table>
• **Telefónica: the right partner to exploit Latam’s opportunity**
  Latam is a large market with relevant growth opportunities. T Latam’s solid track record and demonstrated management flexibility will allow us to extract the most from them.

• **Overall Latam priorities**
  T Latam operators share common objectives based on three pillars: commercial excellence, operational flexibility and efficiency and regulatory management.

• **Operators priorities and key parameters**
  Operators are applying these strategic thrusts to respond to the challenges and capture specific opportunities in each country.

• **Our commitment for the future**
  As a result of this effort T Latam is committing to deliver continuous growth and quickly progress on key transformation parameters.
Priorities for Telesp
Key priorities for TeleSP

Traditional wireline business
- Sustain customer base and market shares in key segments
- Increase traffic and maximize VAS penetration
- Consolidate LD leadership

Broadband and new services
- Lead the NB internet access
- Accelerate Internet mass penetration
- Exploit TdE know-how and third-party agreements in design of new offers
- Develop new businesses, exploiting current customer base

Operational efficiency
- Further reduction in non-commercial costs to support new marketing needs
- Improve outsourcing costs through new contractor agreements
- Develop specific products to reduce bad debt

Operational flexibility and efficiency

Regulation and institutional presence
- Renegotiation of new contracts for 2006
- Resolution of open issues (tariff adjustments, traffic sinks, ...)

Regulatory management

CAPEX
- Change investment mix from traditional business to broadband
- Keep CAPEX under control, maximizing possibilities of recently built network
Retain high-value customers and increase revenues in the local business

A segmented approach based on client knowledge

Retain key customers

- Product bundling
- Cross selling
- Anticipate high-value/high-risk customers churn
  - ...

Increase revenues

- Increase VAS penetration
- “Caixa Postal”/ Secretaria Digital
- Information services
- Low-income products (Línea Control)
  - ...

- Modular offer
- Specific B2B solutions
- Contain churn
  - ...

- Traffic bundling/Flat rates
- Segmented SVAs
- Additional lines
  - ...

- Customized offer: global telecommunications needs
- Service coverage outside Sao Paulo
  - ...

- PABX/LAN
- Virtual Private Network
- Centrex IP
  - ...
Maintain positions gained in LD

“Super 15”: 45% NLD and 40% ILD market share in one year

Leverage our recognized brand “Super 15” to slightly increase our market share:

- Segmented approach launching traffic bundles and intensive marketing
- Complete offer inside and outside SP
- Competitive offer to manage VoIP
- Special products for SMEs in LD
- Tailored offers to specific needs

Source: Consumers’ Panel
Increase revenues, reducing dependence on regulation

Tele-emergency
- Strong demand for household security solutions
- Forecast of 400 M in 2006 (less than 10% of A/B/C HHs)

Project BLEC
- Integrated telecom solutions for commercial buildings
- Forecast of 100 million R$ of new revenues in 2 years

Ki-Cartao
- Stimulate traffic participating in events (lottery, etc) in alliance with content providers

WiFi
- Leading position in Wi Fi services in all segments
- 500 public hot spots in 2005
- Business plan in progress

SVAs and new businesses revenues
Million R$. Estimation

<table>
<thead>
<tr>
<th></th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>VASs</td>
<td>~215</td>
<td>~330</td>
</tr>
<tr>
<td>New businesses</td>
<td>~115</td>
<td>x2</td>
</tr>
</tbody>
</table>

x2, x4, x7
Lead narrowband Internet access in Sao Paulo

Narrowband ISP’s market share

- Pay ISPs
- Free ISPs

iteléfonica has the objective to achieve and retain a 50% of total market share in SP by 2006

- Internet penetration is limited by PC penetration. Telefónica is working to develop and commercialize alternative access devices
- In the medium term, iteléfonica will develop a full and competitive content offer adapted to NB to retain and increase revenues from customers reluctant to migrate to broadband

iteléfonica: 12% of ISP market share in 2 months

- A free ISP in Sao Paulo:
  - Promote internet penetration
  - Facilitate BB migration
  - Increase local traffic (good trend shown after launch)
Number one ADSL provider in the Region...

We have managed to make Sao Paulo the most advanced area in the region...

...and plan to continue this trend in the future, with special focus on profitability.

ADSL lines
Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,400-1,600</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAPEX/new access
Base 100 year 02

<table>
<thead>
<tr>
<th>Region</th>
<th>2002</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>100</td>
<td>~85</td>
<td>~40</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin-america</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
...tailoring our offer to each segment

**Business segment**

- Develop a complete and competitive BB offer adapted to SMEs: B2B, accounting on-line, etc.
- Leverage TdE experience and Telefonica’s third-party agreements
- Include BB as part of the base offer in SME campaigns

**ADSL lines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Final. Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>96</td>
</tr>
<tr>
<td>2003E</td>
<td>~120</td>
</tr>
<tr>
<td>2006E</td>
<td>340-350</td>
</tr>
</tbody>
</table>

**ARPU**

<table>
<thead>
<tr>
<th>Year</th>
<th>Reais/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>~100</td>
</tr>
<tr>
<td>2003E</td>
<td>100-110</td>
</tr>
</tbody>
</table>

**Residential segment**

- Reduce access cost:
  - Modular access for low income HHs
  - “Dynamic band width“
- Maintain or increase ARPU through new BB services
- Leverage TdE experience
- Leverage multiple channels to support marketing effort

**ADSL lines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Final. Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>237</td>
</tr>
<tr>
<td>2003E</td>
<td>~390</td>
</tr>
<tr>
<td>2006E</td>
<td>1,100-1,200</td>
</tr>
</tbody>
</table>

**ARPU**

<table>
<thead>
<tr>
<th>Year</th>
<th>Reais/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>~60</td>
</tr>
<tr>
<td>2003E</td>
<td>60-65</td>
</tr>
<tr>
<td>2006E</td>
<td></td>
</tr>
</tbody>
</table>
Rebalancing CAPEX while maintaining low investment ratios

Clear CAPEX reduction from 2001 to 2002 (from 4,552 to 1,658 million R$) after “metas” achievement

- Reduce investments in traditional business, leveraging network modernity
- Exploit scale economies to reduce marginal CAPEX/ADSL line (50% reduction from 2003 to 2006)
- Increase flexibility to face potential risks of currency devaluation

CAPEX evolution
Millions of reais. Percent

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>64%</td>
<td>59%</td>
<td>~43%</td>
</tr>
<tr>
<td>ADSL and new services</td>
<td>22%</td>
<td>24%</td>
<td>~39%</td>
</tr>
<tr>
<td>Systems</td>
<td>14%</td>
<td>17%</td>
<td>~18%</td>
</tr>
<tr>
<td>CAPEX/revenues</td>
<td>16.3%</td>
<td>~12%</td>
<td>~11%</td>
</tr>
</tbody>
</table>
We face the future from a strong position

2002

Revenues/lines in service
R$/LIS. End of year

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
</tr>
</thead>
<tbody>
<tr>
<td>814</td>
<td>759</td>
<td>747</td>
<td></td>
</tr>
</tbody>
</table>

EBITDA margin
Percentage

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.4%</td>
<td>48.8%</td>
<td>47.4%</td>
<td></td>
</tr>
</tbody>
</table>

Net income/revenues
Percentage

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.6%</td>
<td>6.0%</td>
<td>6.2%</td>
<td></td>
</tr>
</tbody>
</table>

% lines with ADSL
Percentage

<table>
<thead>
<tr>
<th></th>
<th>TeleSP</th>
<th>Telemar</th>
<th>Brasil Telecom</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.7%</td>
<td>0.3%</td>
<td>1.5%</td>
<td></td>
</tr>
</tbody>
</table>
Priorities for TASA
**Key priorities for Argentina**

### Traditional wireline business
- **✓** Defend traditional voice business:
  - Increase traffic with new products
  - Increase ARPU (VAS)
  - Selective growth program focused on prepaid lines and cards

### Operational efficiency
- **✓** Be aware of crisis development and maintain current efficiency effort
- **✓** Obtain further improvements as some external restrictions disappear (e.g. outsourcing)

### Wireline Internet
- **✓** Lead ADSL market growth with investment deployment adapted to growth in demand, ensuring profitability
- **✓** Boost paid dial-up Internet through new models (flat rates and pay-per-minute rates)

### CAPEX
- **✓** Maintain low Capex ratios
- **✓** Prioritize capex based on:
  - FCF maximization
  - Ensure quality of service
  - Internet growth

### Commercial excellence
- **Traditional wireline business**
  - Households
  - Corporations & Government
  - Individuals

### Operational flexibility and efficiency
- **SMEs**
- **CAPEX**

### Regulation and institutional presence
- **✓** New agreement with the Government to guarantee tariff recovery and regulatory stability
**Tariff recovery continues to be the main regulatory issue**

**TASA tariffs evolution**
Base 1 (Index 1 = Dec. 01)

- **Current gap**
- **TASA tariffs** (fixed pricing since macroeconomic downturn)

**Existing contract** (Expected tariffs evolution according to transfer contract)

- Government froze TASA tariffs in Jan. 02
- Current gap relative to transfer contract over 100%
- Progressive tariff updates are key to ensuring industry recovery and allowing new investments

Source: Ministerio de Economía y Producción. Argentina
Defend traditional business and capture Internet growth opportunity

Main activities

- **Segmented value propositions:**
  - *High-value segments:* Loyalty offers **adding value to fixed line** and increase of usage (voice flat rates, VAS and loyalty programs),
  - *Low segments:* Selective growth based on **prepaid lines** and cards
- Consolidate leading TASA position as comprehensive telecom **service provider in corporate segment**

- **Reinforce Broadband leadership** with investment deployment adapted to ensure a profitable growth
- **Promote dial-up Internet through paid models** (flat rates and paid per minute)
- **Develop new value propositions** in order to boost ADSL demand (contents, VAS, innovative pricing schemes)
High discipline on operational and capital expenditures

• Opex and Capex growth conditioned by demand and revenue evolution to ensure profitable growth

• Special focus on bad debt control

• Top-notch efficiency as a major company goal:
  – Improve operational efficiency (centralization, outsourcing, insourcing)
  – Leverage regional programs (Comex, Opex, Atis)

OPEX*/Line
P$

<table>
<thead>
<tr>
<th>Year</th>
<th>OPEX/Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>279</td>
</tr>
<tr>
<td>2002</td>
<td>250</td>
</tr>
<tr>
<td>2003E</td>
<td>~250</td>
</tr>
</tbody>
</table>

Bad debt/Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Bad debt/Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>9.2%</td>
</tr>
<tr>
<td>2002</td>
<td>6.9%</td>
</tr>
<tr>
<td>2003E</td>
<td>~2%</td>
</tr>
</tbody>
</table>

CAPEX/Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX/Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>15.2%</td>
</tr>
<tr>
<td>2002</td>
<td>5.6%</td>
</tr>
<tr>
<td>2003E</td>
<td>~7%</td>
</tr>
</tbody>
</table>

Inflation

- Annual P$/$ variation
- Without interconnection cost
- Data of August 2003

CAGR
Our operating trend is getting better after tariff freezing negative impact

Million pesos

Revenues

- 2000: 2,908
- 2001: 2,668
- 2002: 2,338
- 2003: 1,314

Annual Variation: 12.5%

EBITDA

- 2000: 1,611
- 2001: 1,362
- 2002: 1,174
- 2003: 788

Annual Variation: 33.0%

Net profit

- 2000: 336
- 2001: 221
- 2002: 1,110

Note: Fixed Telephony Business, including payphones

* "Speaking" lines: lines that generate traffic
Priorities for TCTC
### Key priorities for CTC

#### Traditional wireline business
- **Intensive users:** adding value to fixed line through flat rates, VAS and innovative handsets
- **Low income segments:** growth based on prepaid line offer to enhance competitive position vs. mobile

#### Operational efficiency
- Maintain current effort in network efficiency
- Leverage network cost efficiency to strengthen marketing and commercial areas

#### Wireline Internet
- Lead the Internet business
- Leverage leading position in narrowband
- Exploit ADSL potential to compete with cable
- Develop comprehensive NB and BB content and service offering

#### CAPEX
- Reduce capex/revenues ratio to under 10%
- Reduce BB CAPEX per access
- Optimize preventive maintenance
- Exploit vacancies to grow in low-income segments
- Shift the investment mix towards growth businesses

#### Regulation and institutional presence
- Achieve a viable regulatory framework in 2004:
  - Regulated tariffs increase
  - Symmetric interconnection scheme
  - Higher commercial flexibility
  - Favorable environment for long term investments and IS development
Defend local business through new products and services tailored to different customer needs

Intensive traffic users

- Sustain and extract more value through a loyalty program focused on adding value to fixed line:
  - Voice flat rates (e.g. FullVoz):
    - Increase percentage of fixed revenues
  - Increase VAS penetration
  - Innovative handsets

Low income segments

- Capture growth opportunity in low-income segments through prepaid line offers (e.g. TLP):
  - Enables on access of this segment to fixed telephony
  - Guarantees control of bad debts
  - Enhances competitive position against mobile substitution

More than 300 thousand lines with “heavy users” plans by 2006

New prepaid lines activated
Thousands

- 15
- ~130
- ~370

2002 2003 2006
Reinforce our current effort in operating efficiency improvement and CAPEX reduction

We have already achieved significant goals...

- Efficiency improvement translated into workforce reduction

...and we keep improving

- Maintain current effort in network efficiency through regional program OPEX (4-5 $Ch MM of savings by end 2005)
- Enhance Commercial and Marketing effectiveness leveraging cost network and commercial support efficiency

Operating efficiency

OPEX*/line
$Ch thousand

<table>
<thead>
<tr>
<th>Year</th>
<th>OPEX*</th>
<th>Percentage of OPEX*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>93</td>
<td>~90</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>~90</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>~90</td>
</tr>
</tbody>
</table>

-2/-3%

Capex/Revenues
Percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex/Revenues</th>
<th>Percentage of Capex/Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>15.1%</td>
<td>~90%</td>
</tr>
<tr>
<td>2002</td>
<td>10.0%</td>
<td>~85%</td>
</tr>
<tr>
<td>2003</td>
<td>~11%</td>
<td>~70%</td>
</tr>
</tbody>
</table>

-4,4 pp.

Capex/Revenues ratio under 10%
- Advanced network already in place
- BB capex reduction
- Preventive maintenance optimization achieved in OPEX program

* Without interconnection cost
The Chilean telecom industry needs a new regulatory environment that ensures innovation and investment

Regulatory decree of 1999 has been very unfavorable to overall telecom industry and consumers

<table>
<thead>
<tr>
<th>Industry net profit</th>
<th>US$ MM</th>
<th>Total traffic</th>
<th>Billions of minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mobile</td>
<td>1998</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
<td>1998</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2002</td>
</tr>
</tbody>
</table>

Note: All figures include Fixed and Mobile

The new “tariff decree” in 2004 must change profoundly to ensure industry viability and the development of Information Society

- Regulated tariff increases (connection and rental fee, traffic prices, …)
- Symmetric interconnection scheme between CTC and other operators
- Higher commercial flexibility in terms of product, geography, segment, …
Priorities for TdP
**Key priorities for TdP**

**Traditional wireline business**
- ✓ Increase penetration in low-income segments
- ✓ Retain current customer base
- ✓ Strengthen leadership in payphone market

**Operational efficiency**
- ✓ Increase operations outsourcing and automation

**Wireline Internet**
- ✓ Reinforce narrowband internet penetration
- ✓ Accelerate migration to broadband services
- ✓ Increase Broadband ARPU in high-income segments

**Regulation and institutional presence**
- ✓ Assume proactive role in developing the regulatory framework

**Operational flexibility and efficiency**

**Commercial excellence**
- Traditional wireline business
- Wireline broadband

**CAPEX**
- Select and prioritize investments by profitability

**Corporations & Government**
- SMEs
- Individuals

**Households**

**Operations**

**Telefónica Latam**
**Penetration driven by prepaid offers**

- Significant growth of expense control and prepaid line offers specially addressed to low-income HHs (more than 50% of total):
  - **6 tailored prepaid offers** (line rental + bundle minutes included)
  - selective marketing
- Capture of telephone penetration potential while **controlling bad debt** and ensuring profitability

### Fixed telephony penetration

Lines/100 habitants

<table>
<thead>
<tr>
<th></th>
<th>Chile</th>
<th>Brazil</th>
<th>Argentina</th>
<th>Mexico</th>
<th>Peru</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>23.0</td>
<td>22.3</td>
<td>21.9</td>
<td>14.7</td>
<td>7.8</td>
</tr>
<tr>
<td>2006E</td>
<td>~40%</td>
<td>~40%</td>
<td>~40%</td>
<td>60%</td>
<td>60%</td>
</tr>
</tbody>
</table>

*Including payphones

### Lines in service*

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-paid lines</td>
<td>1,816</td>
<td>~1,980</td>
<td>2,200 - 2,300</td>
</tr>
</tbody>
</table>

* Including payphones

700,000 low-income lines by June 2003
**TdP: Maintain leadership in payphone market**

**Main activities**

- Enable public telephones to support SMS and e-mail features
- Launch loyalty programs to stimulate traffic
- Increase the number of selling points for pre-paid cards

**Payphone revenues**

<table>
<thead>
<tr>
<th>Year</th>
<th>Payphone revenues (S$Million)</th>
<th>% of total revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>707</td>
<td>5.6%</td>
</tr>
<tr>
<td>2006E</td>
<td>~870</td>
<td>~18%</td>
</tr>
</tbody>
</table>

**Number of PTs (’000)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of PTs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>104</td>
</tr>
<tr>
<td>2006E</td>
<td>~141</td>
</tr>
</tbody>
</table>

**Increase revenues per phone**

- Launch a second brand (SERTEL) to gain tariff flexibility
- Collaborate with the Government in the deployment of public Internet Access points in low-income regions

CAGR

- 16.7%
- ~870
**TdP: Accelerate migration to broadband services**

### Pricing
- Develop a modular offer to stimulate BB growth

### Content**
- A Broadband portal and local content servers (Game Zone, Streaming)
- SME-oriented contents (virtual hard disk, virtual office services)
- Broadband VAS

### High speed DSL
- Target to heavy users
- Stimulate customer migration towards high-speed ADSL

### Clients with Broadband access/total lines*

<table>
<thead>
<tr>
<th>Year</th>
<th>Households</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>2003E</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2006E</td>
<td>~14%</td>
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</tbody>
</table>

* Broadband includes ADSL and Cable Modem. Excluding payphones
** Jointly with Terra
**Select and prioritize investments by profitability**

**Upgrade our network based on market needs...**

- Increasing capacity up to 482 thousand new lines
- Reduction of marginal investment per line using selective growth method (Carolina-Peru project)
- Network upgrading and NGN development
- Mandatory investments (Radio-links and rural network replacement)
- National extension of ADSL services
- Deployment of new DSL technologies (VDSL and G.SHDSL)
- Upgrading of national IP backbone

**... by rebalancing Capex towards more profitable businesses**

<table>
<thead>
<tr>
<th>Year</th>
<th>BB* Transmission and new lines</th>
<th>Others</th>
<th>2001</th>
<th>2002</th>
<th>2003E</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12%</td>
<td>5%</td>
<td>14%</td>
<td>16%</td>
<td>~11%</td>
<td>~11%</td>
</tr>
<tr>
<td>2002</td>
<td>21%</td>
<td>8%</td>
<td>14%</td>
<td>21%</td>
<td>~18%</td>
<td>~19%</td>
</tr>
<tr>
<td>2003E</td>
<td>~18%</td>
<td>~11%</td>
<td></td>
<td>53%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>~19%</td>
<td>~11%</td>
<td></td>
<td></td>
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<td></td>
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* Broadband includes ADSL and Cable Modem

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</tbody>
</table>

* Broadband includes ADSL and Cable Modem
• **Telefónica: the right partner to exploit Latam’s opportunity**
  Latam is a large market with relevant growth opportunities. T Latam’s solid track record and demonstrated management flexibility will allow us to extract the most from them.

• **Overall Latam priorities**
  T Latam operators share common objectives based on three pillars: commercial excellence, operational flexibility and efficiency and regulatory management.

• **Operators priorities and key parameters**
  Operators are applying these strategic thrusts to respond to the challenges and capture specific opportunities in each country.

• **Our commitment for the future**
  As a result of this effort T Latam is committing to deliver continuous growth and quickly progress on key transformation parameters.
**Telefónica Latam**

**T Latam 2003: results to date**

*Million euros. Constant exchange rates as of 2002*

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>6,954</td>
<td>7-9%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>3,347</td>
<td>6-8%</td>
</tr>
<tr>
<td><strong>Op. FCF</strong>*</td>
<td>2,659</td>
<td>10-12%</td>
</tr>
</tbody>
</table>

* EBITDA - CAPEX

02-03 annual variation
**T Latam: Transformation commitments (1/2)**

**Percent**

### Strong commercial focus

**More customer oriented**

% of commercial employees

- **2003E**: 30%
- **2006E**: ~38%

### Maximize value

**Increase share of wallet**

Total ARPU. Constant € ‘03/month

- **2003E**: 22
- **2006E**: 27-28

**% commercial expenses/operating expenses***

- **2003E**: ~34%
- **2006E**: ~39%

**% non-regulated revenues**

- **2003E**: ~36%
- **2006E**: ~42%

---

**Fixed revenues**

- **2003E**: 41%
- **2006E**: 48-50%

---

* Not including bad debt provision and interconnection
** Other than line rental, local traffic and interconnection
Note: Constant exchange rates as of 2002
**Telefónica Latam:** Transformation commitments (2/2) Percent

**Reduce assets**

2003 assets = Index 100

- **Asset light and selective investment**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>100</td>
<td>~80</td>
</tr>
</tbody>
</table>

- **OPEX/Revenues**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEX</td>
<td>~53%</td>
<td>~50%</td>
</tr>
</tbody>
</table>

- **% CAPEX in ADSL and new services**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>~800</td>
<td>~25.5%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>~2,100-2,400</td>
<td>~35.0%</td>
</tr>
</tbody>
</table>

- **Decrease operating leverage**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsource</td>
<td>~70%</td>
<td>~75%</td>
</tr>
</tbody>
</table>

- **Total employees**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003E</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>~22.7</td>
<td>~19.3</td>
</tr>
</tbody>
</table>

* Employees of Fixed Telephony Operators. Thousands.

**External services expenses over personal + external services expenses**

56
**Telefónica Latam**

**T Latam: economic commitments**

*Million euros. Constant exchange rates as of 2002*

---

### Revenues
- **2002:** 6,954 million euros
- **2006E:** ~22 million euros

---

### EBITDA
- **2002:** 3,347 million euros
- **2006E:** 50-52% margin

---

### Lines in Service (millions)
- **2002:** 21.2
- **2006E:** ~22

---

### CAPEX/revenues (%)
- **2002:** 9.8
- **2006E:** 10-11

---

### Operating free Cash Flow*
- **2002:** 2,659
- **2006E:** 8-11%

---

* EBITDA – CAPEX

Note: Constant exchange rates as of 2002
From our privileged starting point, we commit to:

- Continue delivering attractive financial and operating results
- Quickly progress towards the transformation of the group