Morgan Stanley 7th Annual TMT Conference
Telefónica O2 Europe

Peter Erskine
Barcelona, November 15th 2007
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Telefónica O2 Europe: maintaining momentum and positioned to exploit opportunities as an integrated operator

Revenues\(^1\)
(€ in millions)

<table>
<thead>
<tr>
<th></th>
<th>9M06</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,434</td>
<td>10,776</td>
</tr>
</tbody>
</table>

\(+14.2\%\)

OIBDA\(^1\)
(€ in millions)

<table>
<thead>
<tr>
<th></th>
<th>9M06</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,798</td>
<td>2,855</td>
</tr>
</tbody>
</table>

\(+2.0\%\)

OIBDA Margin\(^1\)
(\(\%\))

<table>
<thead>
<tr>
<th></th>
<th>9M06</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29.7%</td>
<td>26.5%</td>
</tr>
</tbody>
</table>

\(-3.2\ p.p.\)

- UK: managing growth / margin balance
- Germany: segmented approach to capture growth in mobile and fixed BB market
- Czech Republic: maintaining top line growth

\(^1\) 9M07 corresponds to the January-September period and excludes Airwave capital gain. 9M06 corresponds to the February-September period
O2 UK: managing growth / margin balance

Mobile customer growth (y-o-y)

- Total: 17.9M
- Contract: 6.5M
  - +7.4%
  - 36.5% of base (+14 p.p.)

ARPU (in £)

- Q3 06: 23.1%
- Q3 07: 24.3%
  - +5.2%

Revenues (Organic¹, £ in millions)

- 9M06: 3,393
- 9M07: 3,738
  - +10.2%

- MoU²: +10.3% y-o-y to 193 minutes
- Data ARPU²:+4.2% y-o-y to 7.5 £ (non-SMS data +20.6%)

Contract churn (%)

- Q3 06: 1.9%
- Q3 07: 1.7%
  - -0.2 p.p

OIBDA margin (Organic¹)

- Q1 07: 24.0%
- H1 07: 25.2%
- 9M07: 26.0%
  - 25.7%

- Ex €14.8 m restructuring charge

New business opportunities:
- iPhone
- O2 Broadband

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(1) On a comparable basis (January-September for both 9M06 and 9M07)
(2) Quarterly Monthly Average
iPhone launched 9th November...

✓ **A Win for Customers**
  - 3 products in 1
    - A Revolutionary Mobile Phone
    - The best iPod
    - The real internet
  - Three postpay tariffs with unlimited data
  - Turning customers into fans

✓ **A Win for O2**
  - Network exclusivity
  - Attracts high value customers in key target segments
  - No subsidy
  - A market leading mobile data proposition
  - Delivers customer growth and loyalty
O2 broadband launched 15th October...

Targeting:
- > 1 million customers by 2010E
- CapEx <£100m 2007E – 2010E

Further opportunities:
- Wholesale
- Network sharing
- Traffic management, QoS
- Femtocells
O2 Germany: segmented approach to capture growth in mobile and fixed BB market

Mobile customer growth (y-o-y)

**Total**
- 12.2M
  - +14.5%

**Pre-pay**
- +15.6%
  - 49.2% of base

**Contract**
- +13.3%

Mobile Net additions (in thousands)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>330</td>
<td>159</td>
</tr>
<tr>
<td>Q2</td>
<td>236</td>
<td>293</td>
</tr>
<tr>
<td>Q3</td>
<td>610</td>
<td></td>
</tr>
</tbody>
</table>

ULL lines (in thousands)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>75</td>
<td>473</td>
</tr>
</tbody>
</table>

Revenues (Organic¹, € in millions)

<table>
<thead>
<tr>
<th>Period</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M06</td>
<td>2,680</td>
<td></td>
</tr>
<tr>
<td>9M07</td>
<td>2,612</td>
<td></td>
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</tbody>
</table>

Revenue growth (y-o-y)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 07</td>
<td>-3.0%</td>
<td></td>
</tr>
<tr>
<td>Q2 07</td>
<td>-2.9%</td>
<td></td>
</tr>
<tr>
<td>Q3 07</td>
<td>-1.8%</td>
<td></td>
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OIBDA margin

<table>
<thead>
<tr>
<th>Period</th>
<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td>Q1 07</td>
<td>19.1%</td>
<td></td>
</tr>
<tr>
<td>H1 07</td>
<td>20.9%</td>
<td></td>
</tr>
<tr>
<td>9M07</td>
<td>21.1%</td>
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Note: O2 Germany consolidates Telefónica Deutschland
(1) On a comparable basis (January-September for both 9M06 and 9M07)
(2) Quarterly Monthly Average
Genion S/M/L customers...

Genion S/M/L minutes of use development

Genion S/M/L Customer Base development

Genion (S/M/L) ARPU development
FONIC launched 3rd September...

- No contract, No basic fee, No minimum spend
- Easy payment via direct debit
- Full cost control
- Money-back guarantee on your credit!

- 9.9 cents per minute / SMS
- Sim card 9.99 Euro
- Available online (www.fonic.de)
- Over 2,700 Lidl stores
Strong wholesale partnerships will support Germany’s growth story

**Leverage wholesale models (fixed & mobile)**
- Primary ULL provider of all major alternative ISPs
- AOL/Alice launched
- First products with freenet launched
- United Internet ULL

**Further expand retailer business**
- Tchibo gross adds growth accelerated
- 1.1 million customers end of Q3

**FONIC - 2nd brand**
- Own discount brand launched
- Distribution via online and Lidl (+2,700 stores)
**T.O2 Czech Republic: Healthy growth based on solid fundamentals**

### Fixed Telephony Access

(QQuarterly net adds, in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Q1 07</th>
<th>Q2 07</th>
<th>Q3 07</th>
</tr>
</thead>
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<tr>
<td><strong>Fixed line losses contention trend</strong></td>
<td></td>
<td></td>
<td></td>
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<td><strong>Focus on bundling and value proposition to defend access base</strong></td>
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### Retail Internet BB connections and Pay TV clients

(in thousands, y-o-y)

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<tr>
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### Operating revenues

(CZK in billions)

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### Mobile Contract customers

(in million, y-o-y)

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<th></th>
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### Fostering growth on BB & TV adoption

**Improved BB portfolio via speed upgrades and bundles (O2 Duo and O2 Trio)**

**Content proposition enhancement**

### Contract customers up 21.3% y-o-y

**Improving customer mix** (43.5% of base on contract vs. 37.4% in Sep-06)

**Q3 07 Data ARPU up 4.6% y-o-y driven by CDMA and UMTS** (Full availability of data connection on all O2 networks)
Highlights – Q3 Results

O2 Ireland

- Q3 total revenue ↑ 4.3%
  - Mobile service revenue ↑ 7%
- Margin 35.2%
- Customer base ↑ 2% to 1.632 million
  - 21,000 net adds on postpay
- ARPU €47.0 ↑ 4% year on year
  - Data ARPU €11.6 ↑ 17% year on year
- MoU ↑ 4% to 250 minutes

- Mobile broadband launch
  - 14,000 customers
  - Speeds up to 3.6Mbps - a viable alternative to fixed broadband in the home
  - O2 contract customers get €10 discount (€30 per month, all others €40)
Summary

- Telefónica O2 Europe growth has exceeded that of our combined local markets
- We see continued growth ahead, despite challenging markets, building on our strong position
- UK continues its momentum, iPhone and broadband offer new growth opportunities
- We see a clear path back to growth in Germany, as an integrated operator with a segmented approach
- We are making real improvements on efficiency and leveraging the scale of the Telefónica Group

A winning mindset