

The New TEM: premium growth and cash generation

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Telefónica Móviles*



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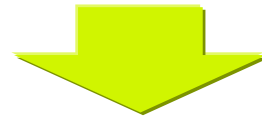
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This presentation contains financial results and estimates reported under IFRS. These results and estimates are preliminary, as only full compliance with International Financial Reporting Standards issued at 31/12/2005 is required, and unaudited, being potentially not final and subject to future modifications. This financial information has been prepared based on the principles and regulations known to date, and on the assumption that IFRS principles presently in force will be the same as those that will be adopted to prepare the 2005 consolidated financial statement and, consequently, does not represent a complete and final adoption of these regulations.

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

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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

01 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

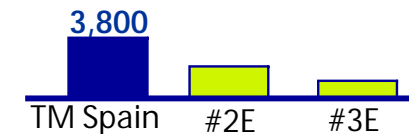


2004 (TME)
Billable traffic: +12%
Service revenue: +9%

- UMTS deployment in Spain on track, ahead of competitors



UMTS base stations (2004)



- Acquisition of Bell South's Latam assets has been successfully completed



10 assets transferred
Approvals obtained in less than 10 months after the announcement

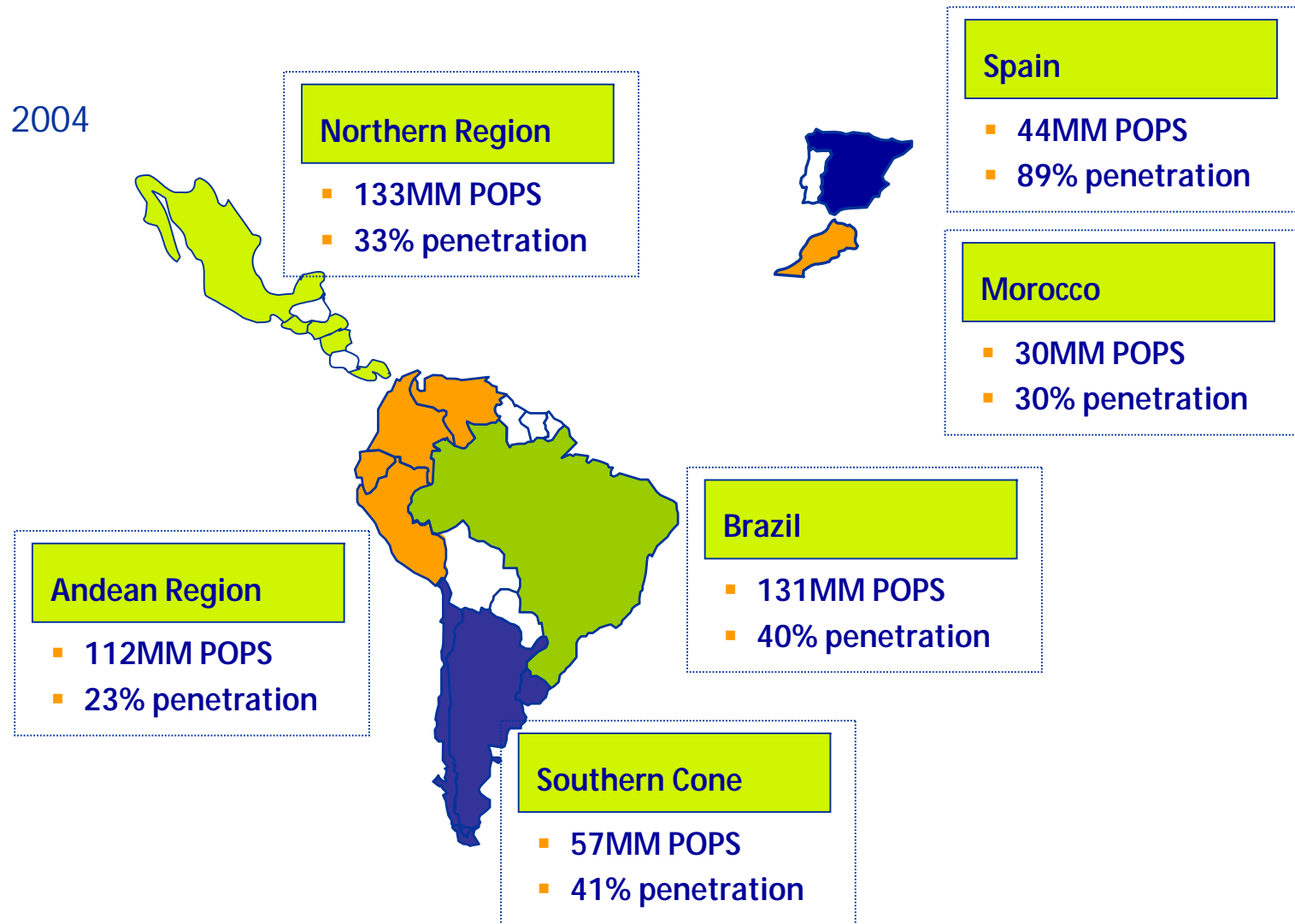
¹ Source:
Analysts reports

The "new" TEM

- 15 countries
- Leading position in key markets
- Solid operating efficiency
- Strong CF generation

01 We are well positioned to lead the growth in our markets

2004

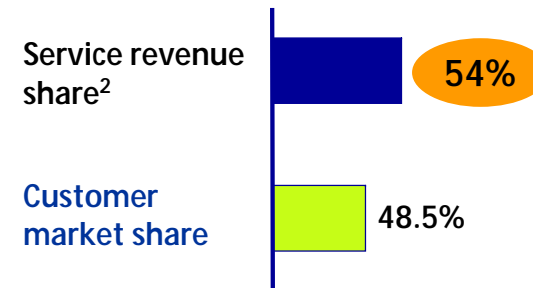


01 TM Spain continues delivering superior performance

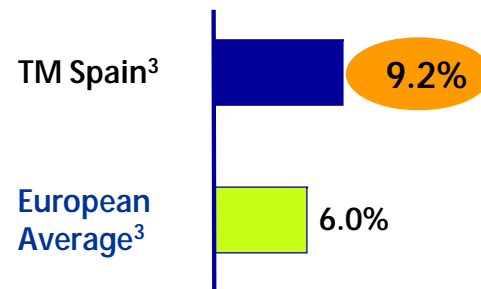
TM Spain (2004)

- 18.98MM customers
- €8,192MM revenues¹
- €4,158MM Operating Income before D&A¹

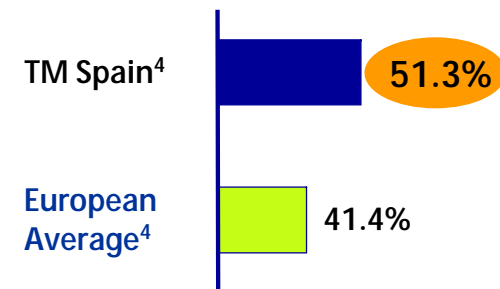
Higher revenue share (2004E)



Service Revenues growth (2004/03)



Operating margin (2004)



1 Figures reported under IFRS. 2004

2 Service revenues as defined by CMT. Estimated data. Source: company press releases.

3 Figures in local GAAP. European average including TIM Italy, T-Mobile UK, T-Mobile Germany, Orange France, Orange UK, TMN & KPN-Mobile. Source: Company press releases

4 Figures in local GAAP. European average including TIM Italy, Orange France, Orange UK & TMN. Source: Company press releases.

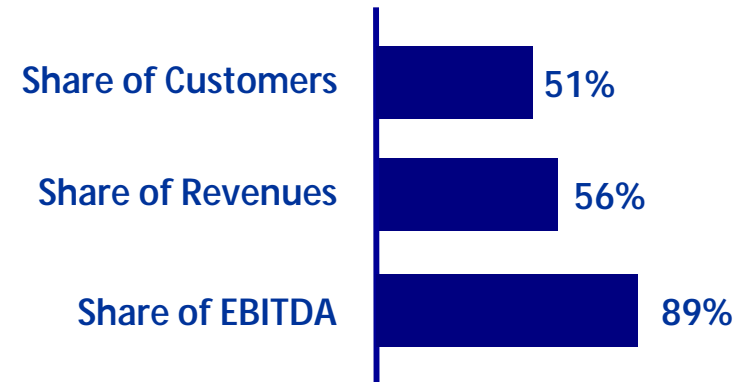
01 VIVO is the only solid operator in an overcrowded market

VIVO (2004)

- 26.54 MM customers
- €1,511MM revenues¹
- €488MM Operating Income before D&A¹



Share in areas of operations (2004E)



Only operator with positive cash flow in 2004

01 Our other three regions in Latin America: critical mass to support performance

2004

Markets (#)

POPs

TEM's customer base

TEM's market share (E)¹

Revenues²

Operating Income before D&A²

Northern
Region

Andean
Region

Southern
Cone

5

132.8MM

7.7MM

17%

€1,078.7MM

-€37.8MM

4

112.3MM

11.6MM

43%

€2,042.1MM

€616.5MM

3

57.2MM

10.7MM

45%

€1,221.6MM

€249.2MM

Achieving critical
mass in Mexico

Same dimension
as Mexico or
Brazil

Merger of
operations in
Argentina & Chile

Leveraging
Mexico to
operate other 4
countries:
aggregate
28MM POPs

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01 Starting point: The “New” TEM

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

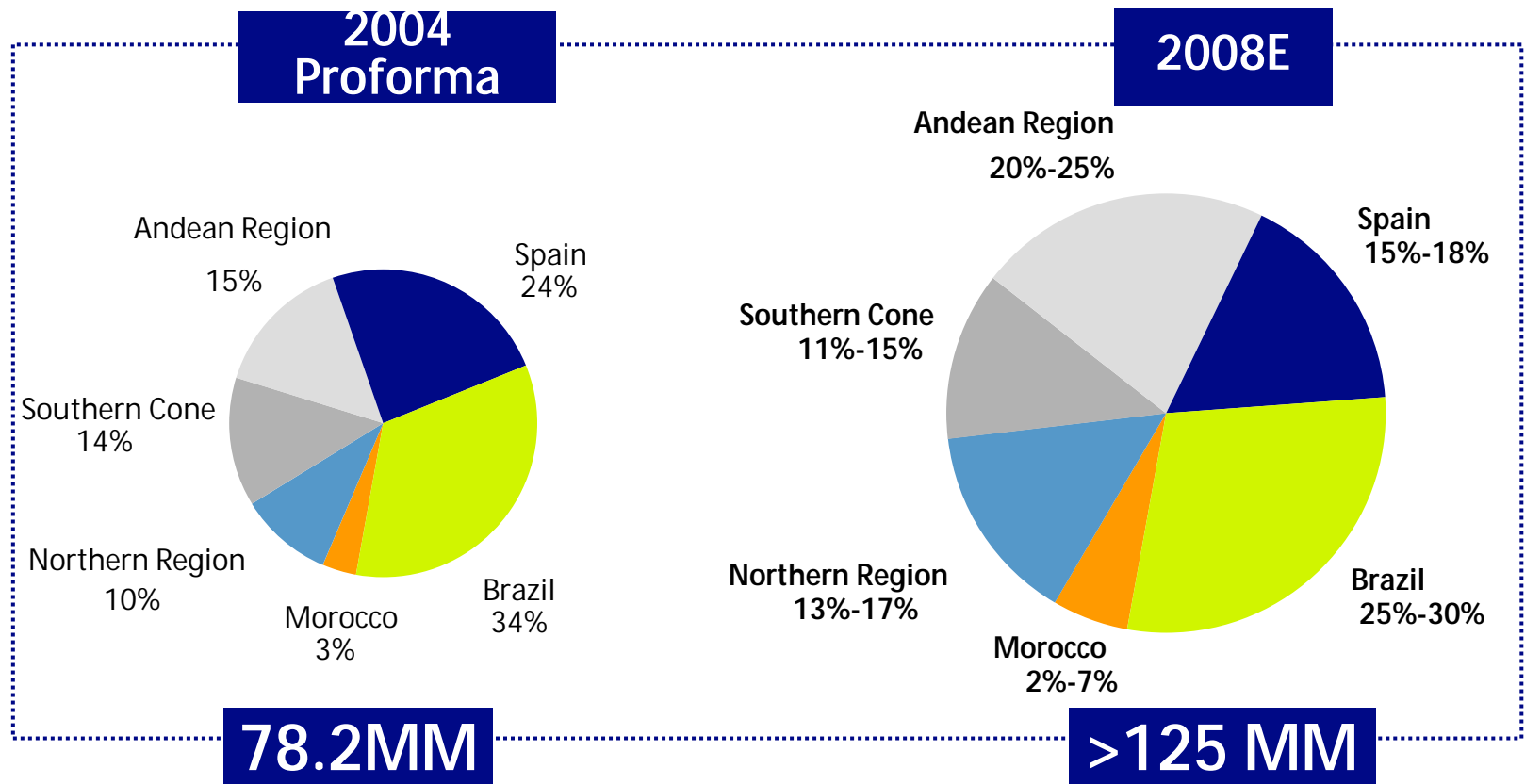
03 Leveraging strategic business initiatives

04 Key market highlights

05 Key take-aways and guidance for our future performance

02 We'll exploit growth prospects in our markets, adding almost 50MM customers

Managed customers (MM)



02 We are already capturing growth 1Q05 Net Adds

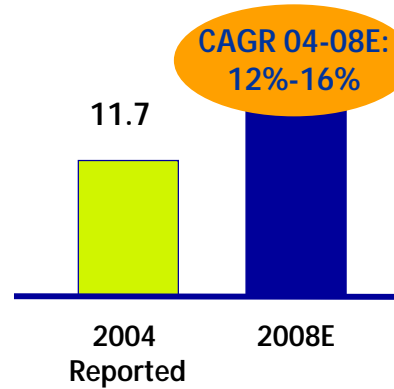
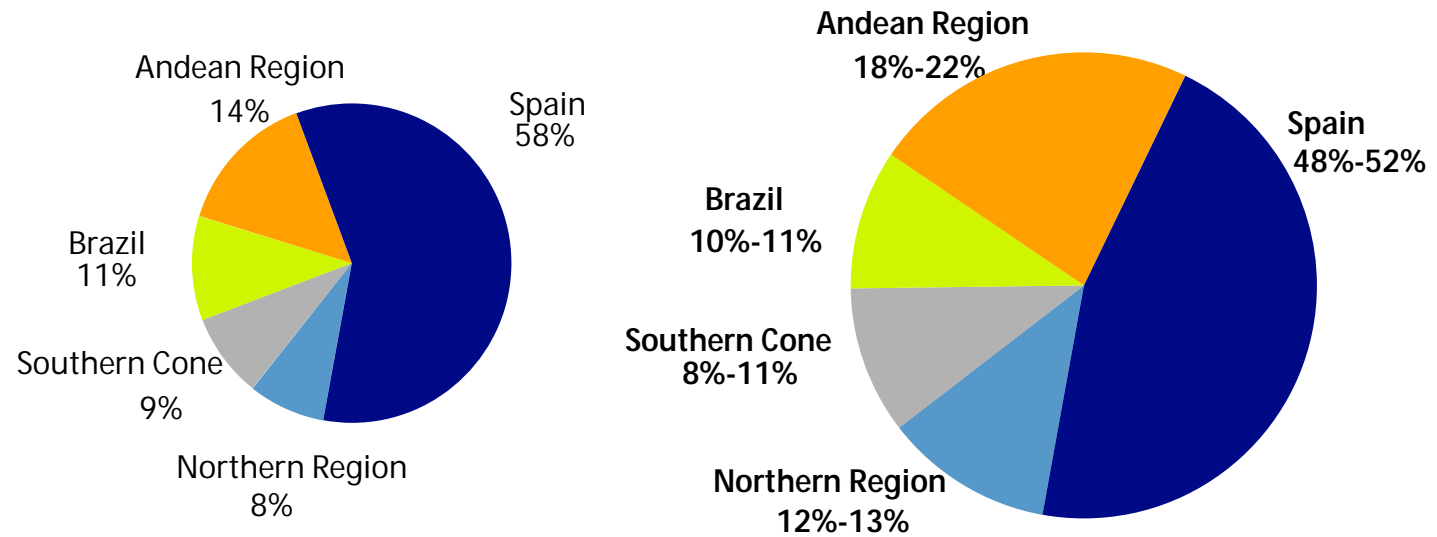
1Q05	Managed Customers (000s)	Net Adds (000s)	
Spain	19,077	100	
Morocco	3,221 ¹	297	
Brazil	26,959		Brazil: 416
Northern Region	8,294	609	Mexico: 422
Andean Region	12,583	968	Colombia: 402
Southern Cone	11,303	613	Argentina: 419
Total	81, 438	3,003	

02 Strong top line growth

Operating Revenues¹

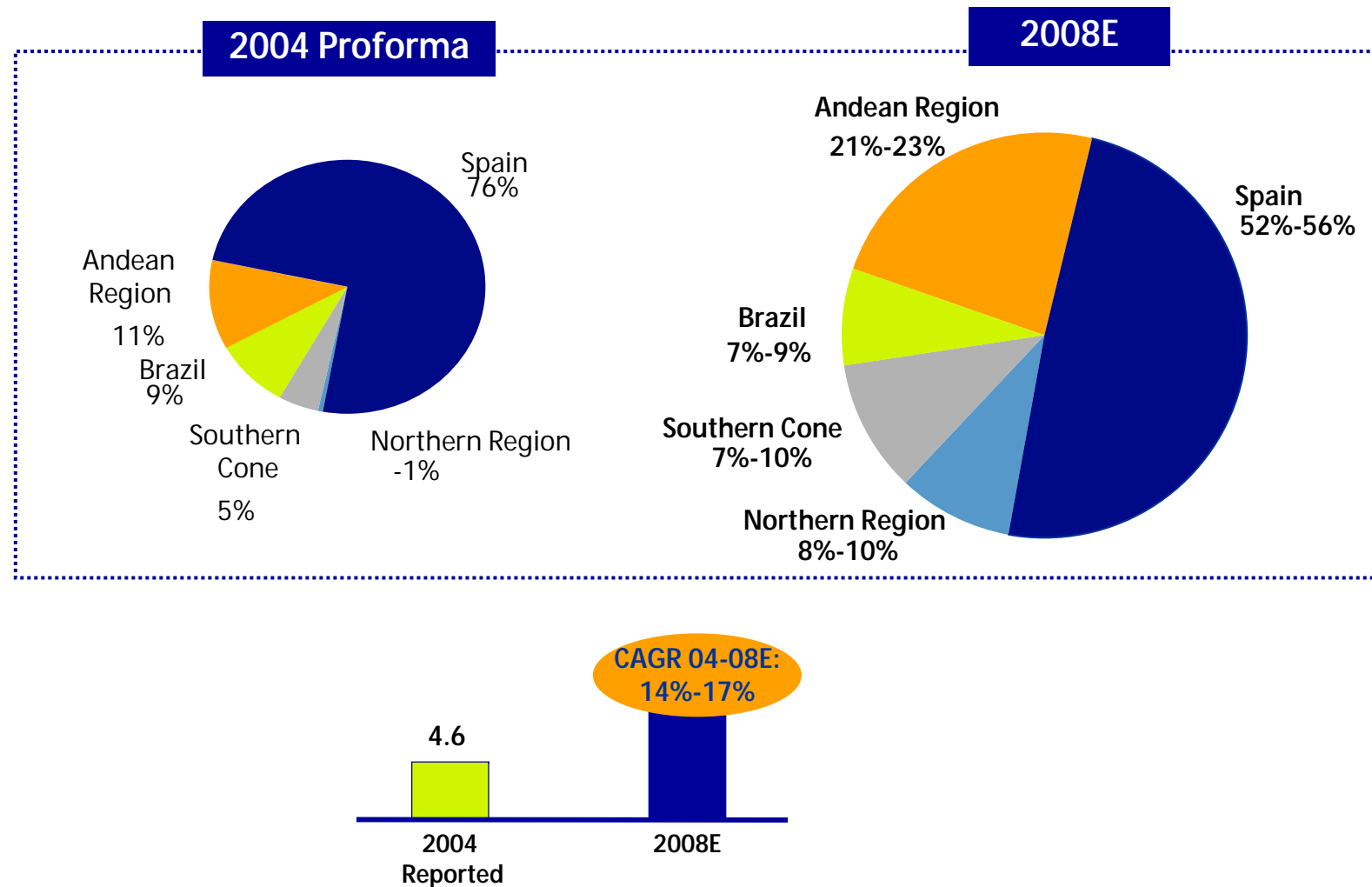
2004 Proforma

2008E



02 Critical mass and synergies will boost profitability

Operating profit before D&A¹



¹ 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

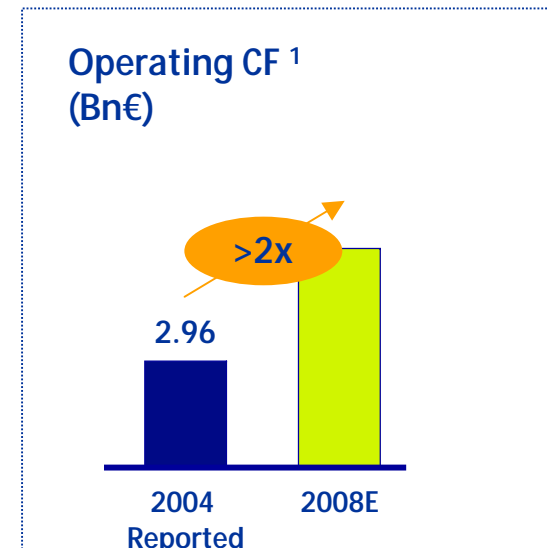
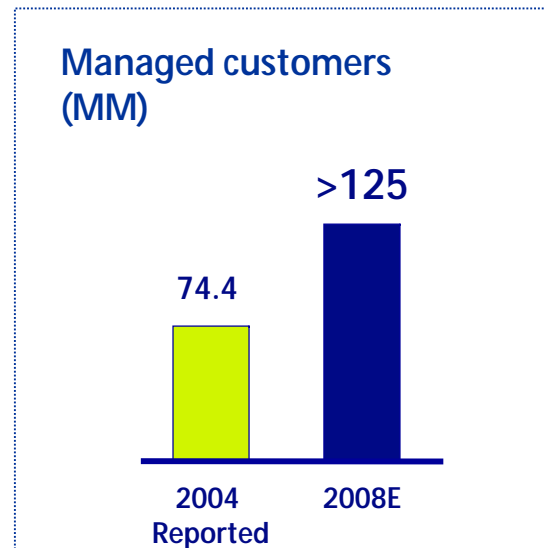
02 Increases in demand and traffic drive our capex efforts

Cumulative
capex
2005-08E¹
<€7.7Bn

- 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

02 Our priorities

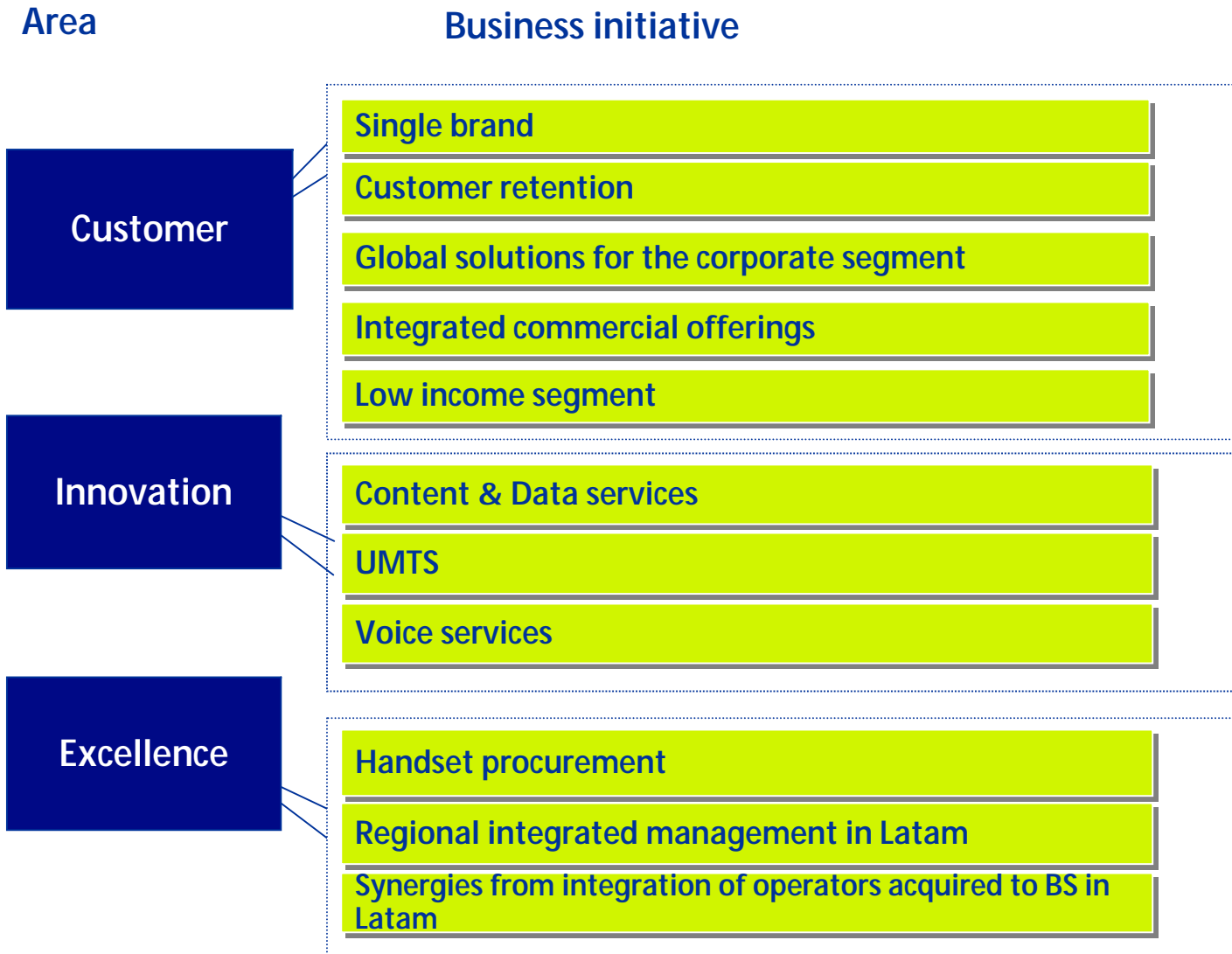
- Sustain leadership in Spain and leading transition to 3G
- Drive penetration increases in Latin America and Morocco
- Boost profitability, capitalising on:
 - Regional management of operations
 - Integration of operators acquired to BS in Latam
 - Group skills



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- 04 Key market highlights
- 05 Key take-aways and guidance for our future performance

03 Strategic business initiatives to leverage scale & know-how across the Group



03 Brand: single brand for all operations in 13 Spanish-speaking markets

Customer

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

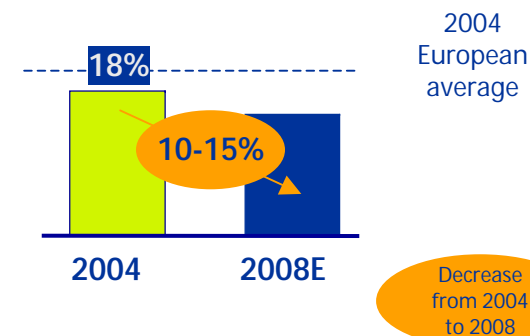
- Reduce churn rate to best-practices levels within the Group, retaining high value customers
- Optimise retention costs leveraging scale & best practices
- Increasing customer satisfaction

Key drivers:

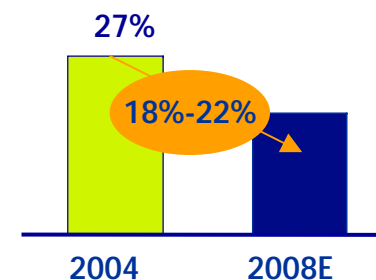
- Customer focused pricing plans
- Innovative service offer
- 3G handsets in Spain
- Reinforced customer retention plans

Annual churn rate

TM Spain



TM Latam¹



¹ Including from January 1st, 2004 TM Chile & 10 companies acquired to BS in Latam.

03 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

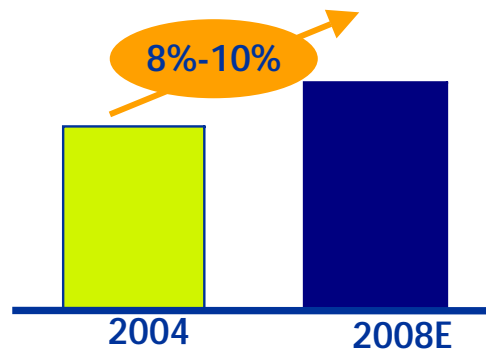
Group alliances
(Freemove)

Group
footprint

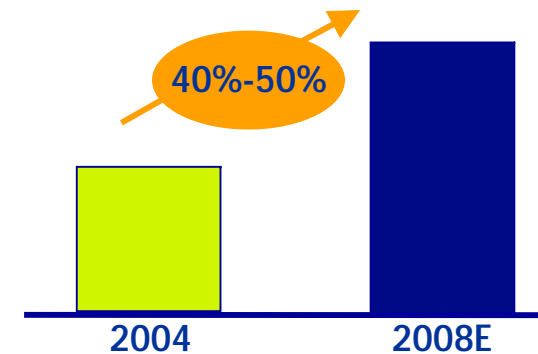
03 Corporate segment: Lead 3G development to enhance customers experience & grow revenues



TM Spain 's corporate lines



Total corporate lines in Latam (MM)



- 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 ...

Customer

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)

03 ... And in Latin America

Customer

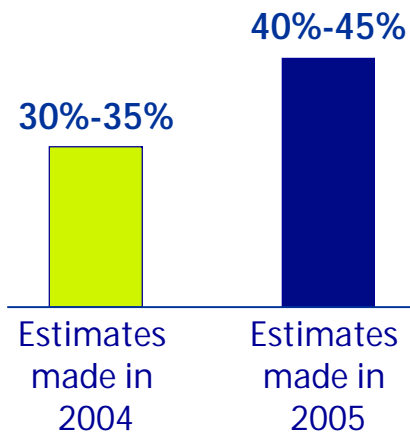
Capture additional growth in countries where the Group does not have wireline operations

- Developing existing initiatives: Venezuela, Ecuador ...
- Targeting new revenue streams: Mexico, Colombia...



03 Low income segments: another growth opportunity

Pyramid estimates for 2008 penetration in Latam



Medium-term penetration rate could exceed the 50% level if penetration in this segment increases

Profile

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

Further potential possible through differentiated business model

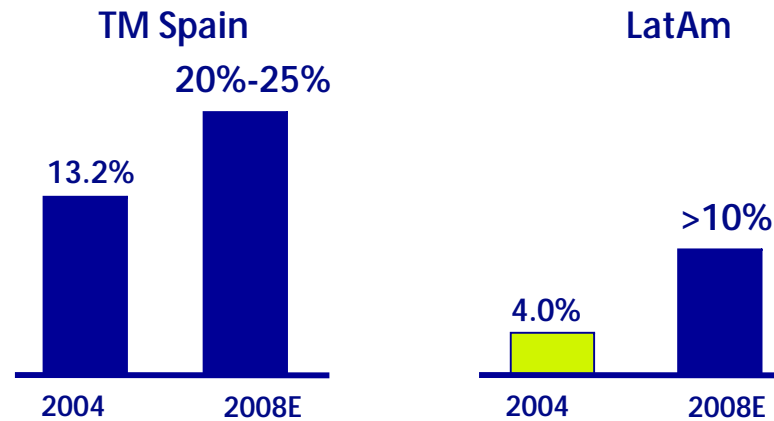
- Lower entry and usage barriers fostered by decline in handset costs to encourage penetration
- Sustain profitability & customer value within the segment:
 - New standard of services
 - Different distribution channel

Pilot project in Peru

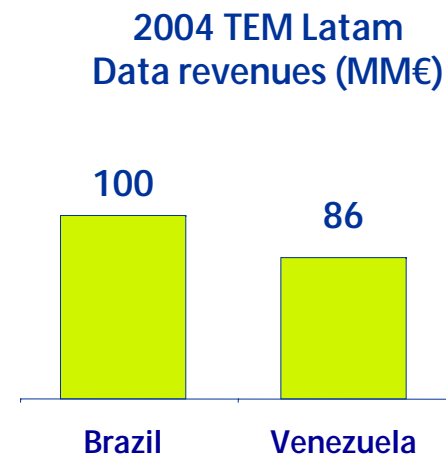
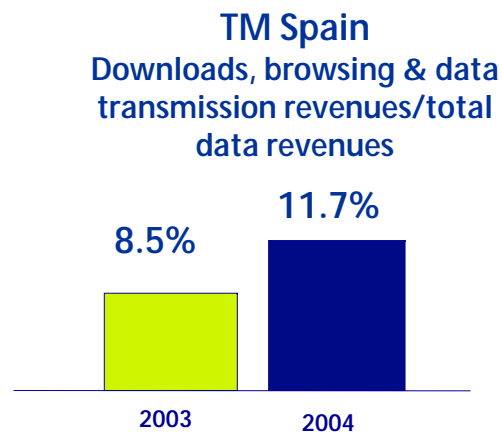
03 Data services: leading innovation to capture growth prospects



Data ARPU / Total ARPU



Capitalise on Group "Best practices" to grow data revenues in Latam



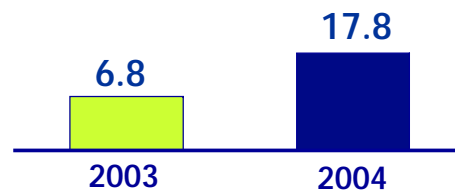
03 Content: Leverage scale & centralised procurement

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

3G will foster
content revenue
growth

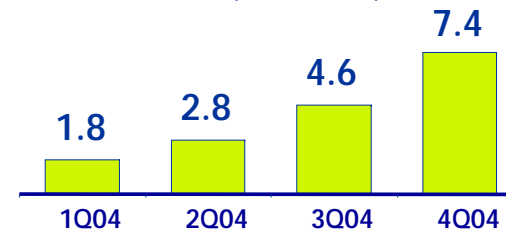
Revenues from
games downloads

TM Spain (MM€)



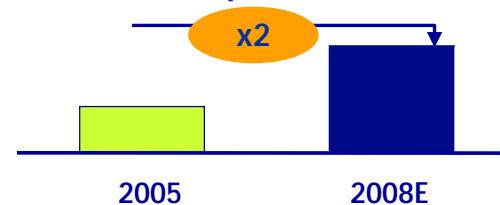
Revenues from
downloads

Vivo (MM Reais)

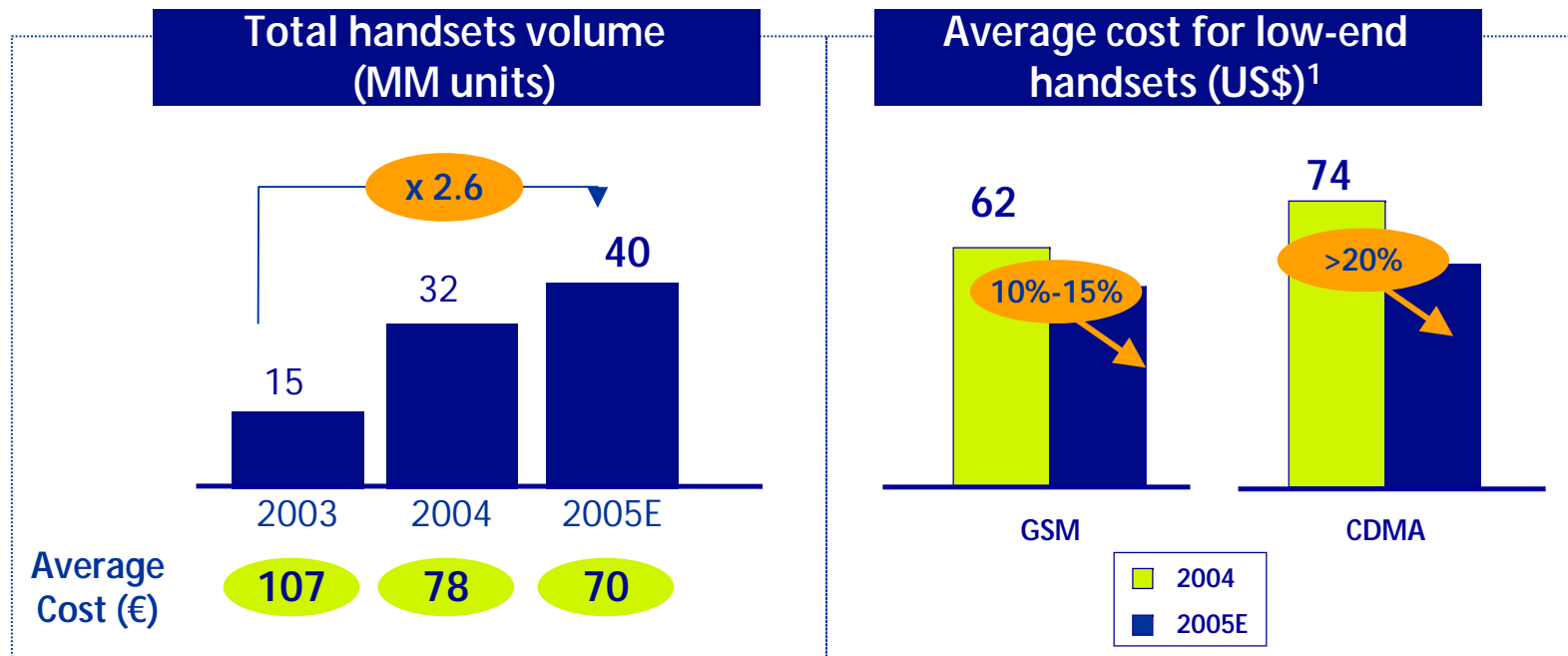


Content revenues (in local currency)

TM Spain



03 Handsets: leveraging our scale



TEM represents
around 6% of the
total market

03 Handsets: Benefits from partnerships & alliances with suppliers & other operators

Own-branded handsets

- Lower costs
- Additional pressure on suppliers

CDMA Low-end High-end



GSM Low-end High-end

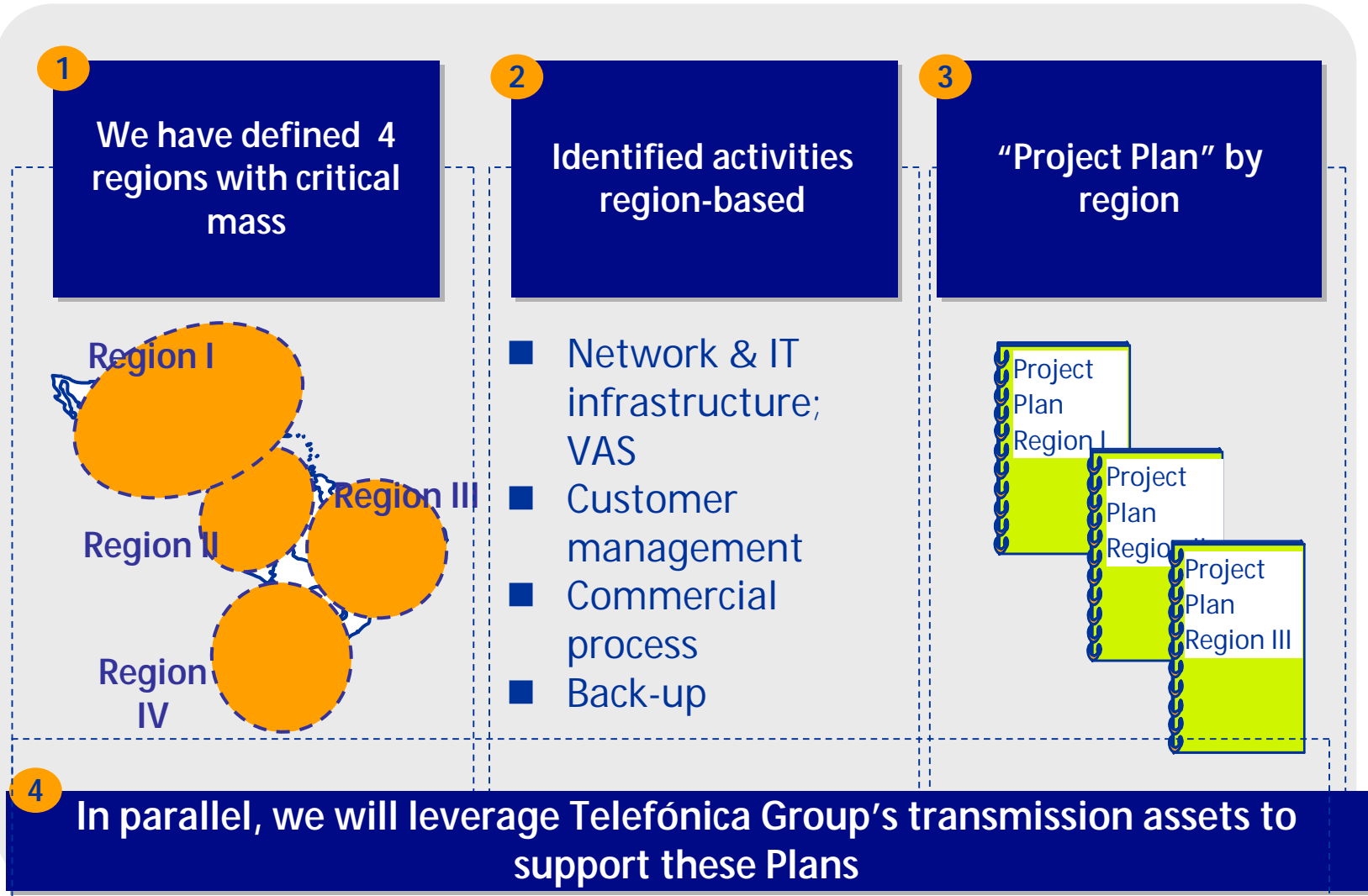


- €30MM savings in 2004
- UMTS handset <200€



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

03 Regional management of LatAm: the next wave of efficiency, already under way



03 Regional integrated management of LatAm operations: savings



■ Lower operating costs:

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

**EBITDA margin
growth:
+4/5 p.p.**

■ Savings on:

- Transport/ infrastructure (ej. VAS platforms),
- IT platforms

**5%-10%
cumulative capex
savings¹**

+

■ Time to market advantage

- Best in class commercial offer in smaller operations

**A competitive
edge**

03 Regional integrated management of LatAm operations: a real example - Northern Region



Platforms

Status before regional management

Shared resources

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

IT

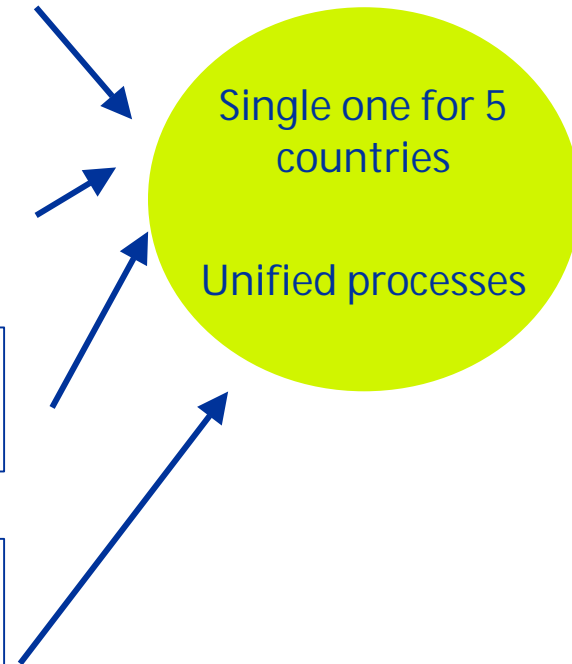
- Commercial systems 1 per country

Network

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

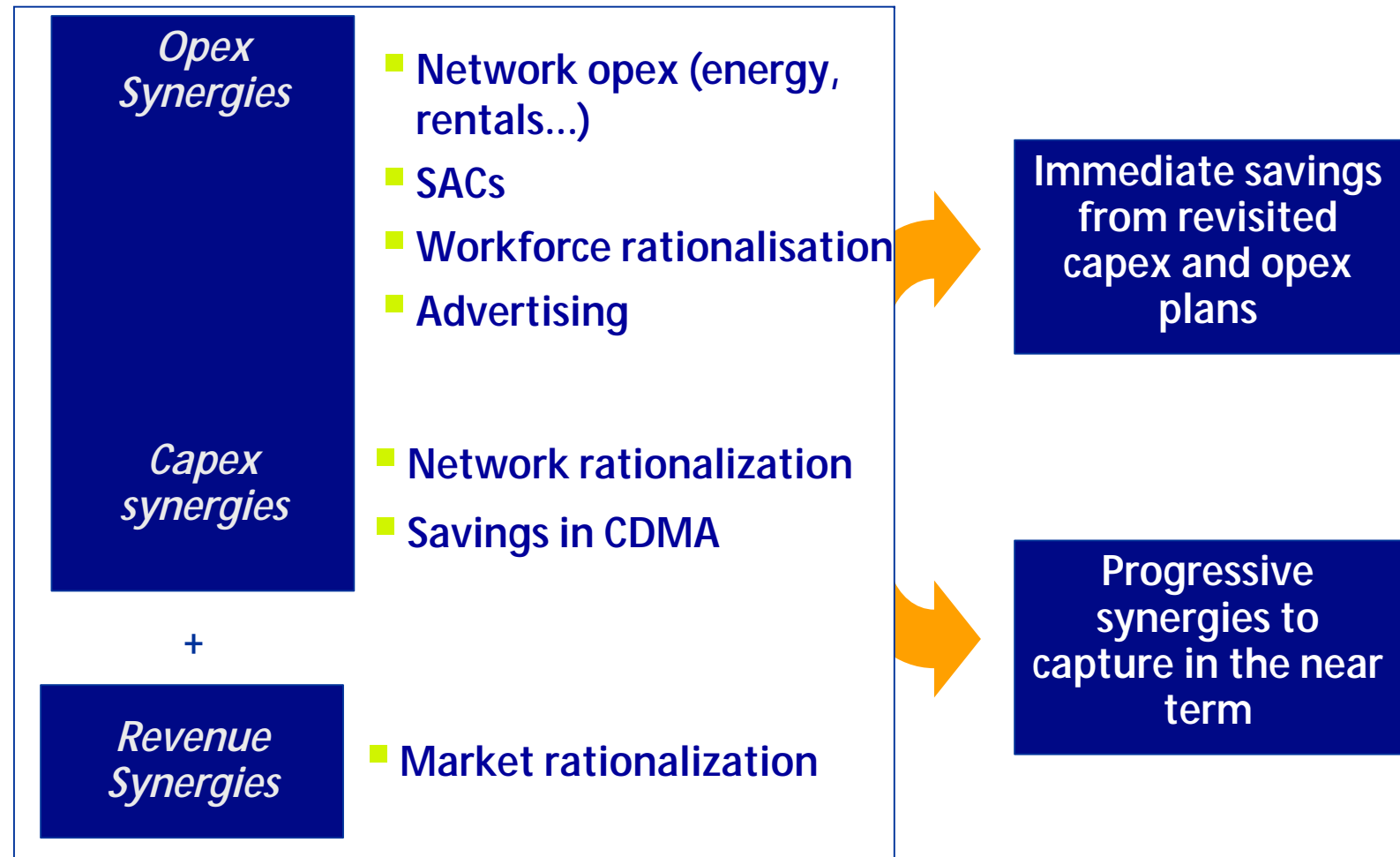
Operations

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



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

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



03 “Immediate” savings



Capex Synergies

- 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

Opex Synergies

- Lower advertising costs post Movistar launch
- Unified Call Centers with lower cost
- Streamline distribution channels

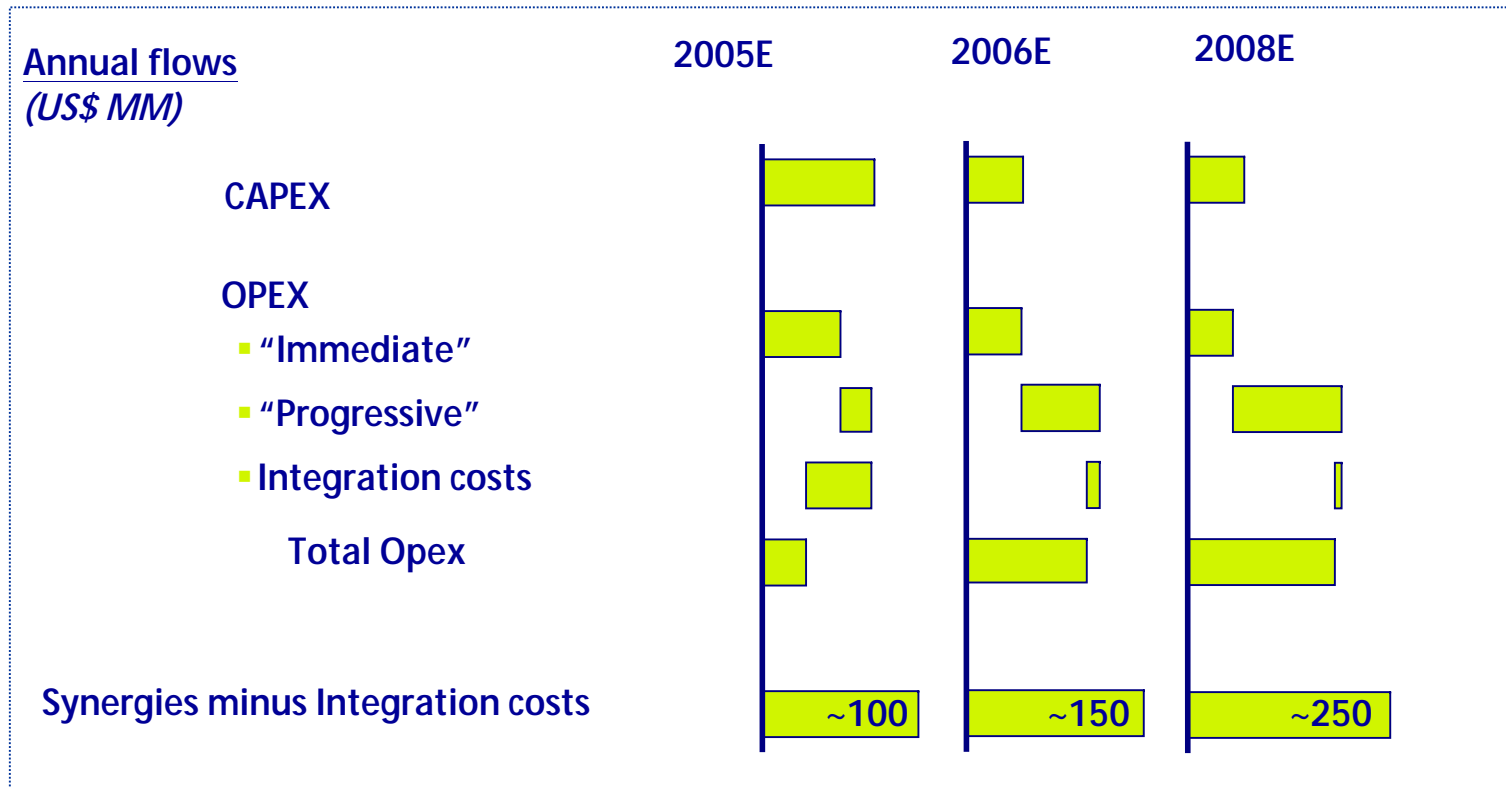
03 “Progressive” synergies



Opex synergies

- 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)

03 We are already delivering on the execution



Opex & capex synergies
will exceed >US\$1Bn NPV¹
initial estimates

+

Additional benefits
from revenue synergies

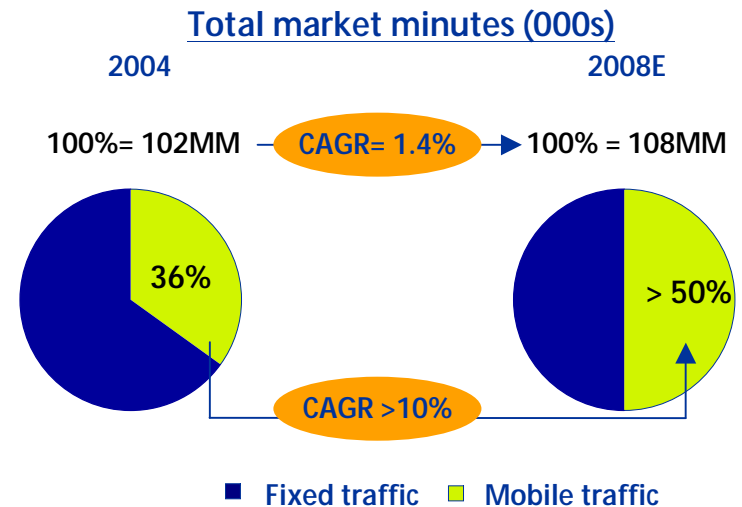
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04 Spain: sustained leadership in a growing but increasingly competitive market

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

04 TM Spain's initiatives to preserve revenue leadership

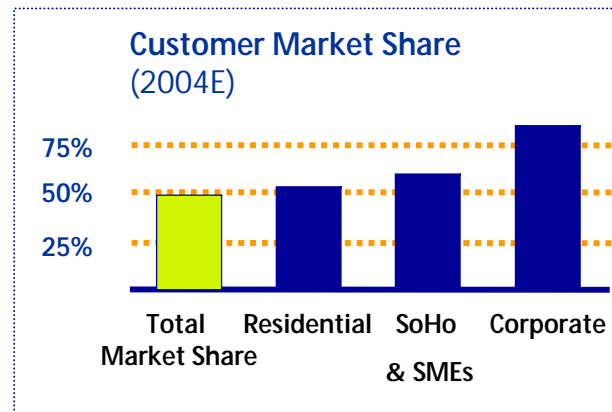
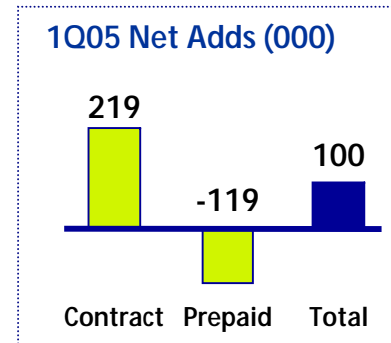
- 1 In-depth market segmentation
- 2 Smart pricing to stimulate usage
- 3 Leveraging UMTS to develop new services



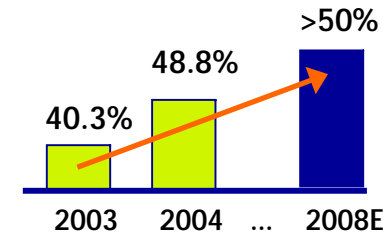
...leading to increased commercial efforts

1 Leadership through segmentation: focus on value, understanding of behaviours

- Sustaining market share in high-value segments
- Preserving leading position share in large corporations



Weight of contract segment
(% over total customer base)



- Reinforced efforts in call centers & sales force for SMEs
- movistar refocus
 - Younger, more innovative and more competitive



1 Our approach to Corporates : Helping our customers to obtain the best experience in terms of time & money

CRM

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



Technical functionalities

Management facilities

Specific pricing

VPN

Mobility solutions

Connection manager

Cost control

Usage restrictions



Key product: MOVISTAR CORPORATIVO

Vertical applications
Tailor-made applications



Handset portfolio



1 Customized solutions are already a growing reality: large corporations

EXAMPLES



Transport

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



Finance

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



Others

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

**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)



3 Leverage UMTS to reinforce our leadership

3G brings

- Bandwidth
- Speed
- Capacity



■ New & enhanced services:

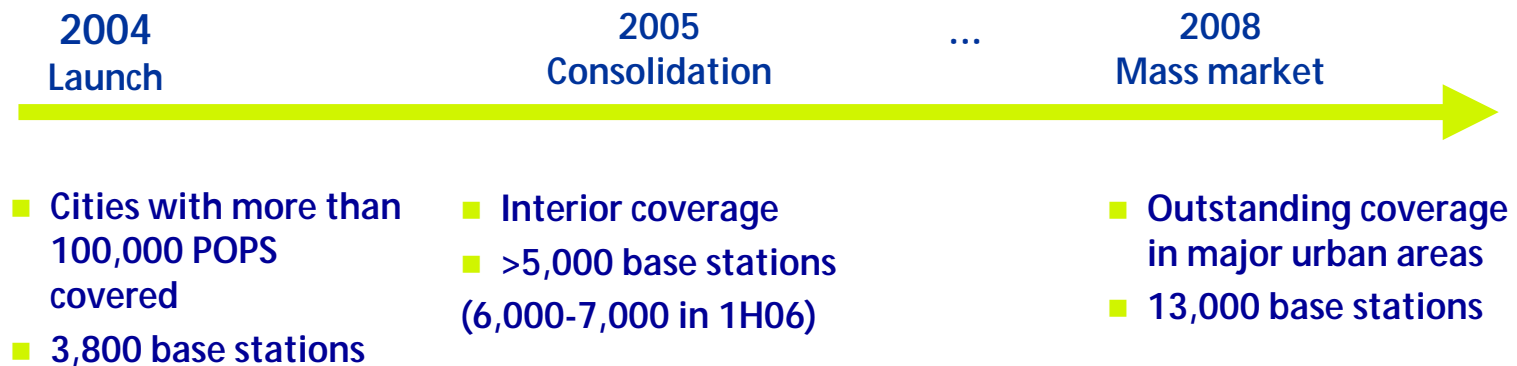
- Increasing customer experience & customer loyalty
- Fostering usage of voice & data
- Enhanced operating efficiency

We are leading UMTS deployment ahead of competitors:
Superior coverage & differentiation

04

3

TM Spain at full speed towards becoming a 3G company



Speeding up network roll-out

- 2005-08E total network capex: €1.7Bn (UMTS=€1.2Bn)
- >40% of customers with UMTS handsets by 2008

04

3 ... with an increased range of services aimed at different user needs ...

Enhanced services

Movistar *emoción* +



mplay: vibra con tu móvil



Ruta movistar
(GPS service)



OFICIN@ movistar



3G

New services

Video calls



Video messages



Video streaming



Movicam



3 ... and an enhanced handset portfolio

2004
Launch

2005
Consolidation

...

2008
Mass market

- Low handset range
- Handset prices \approx 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



Nokia
6680



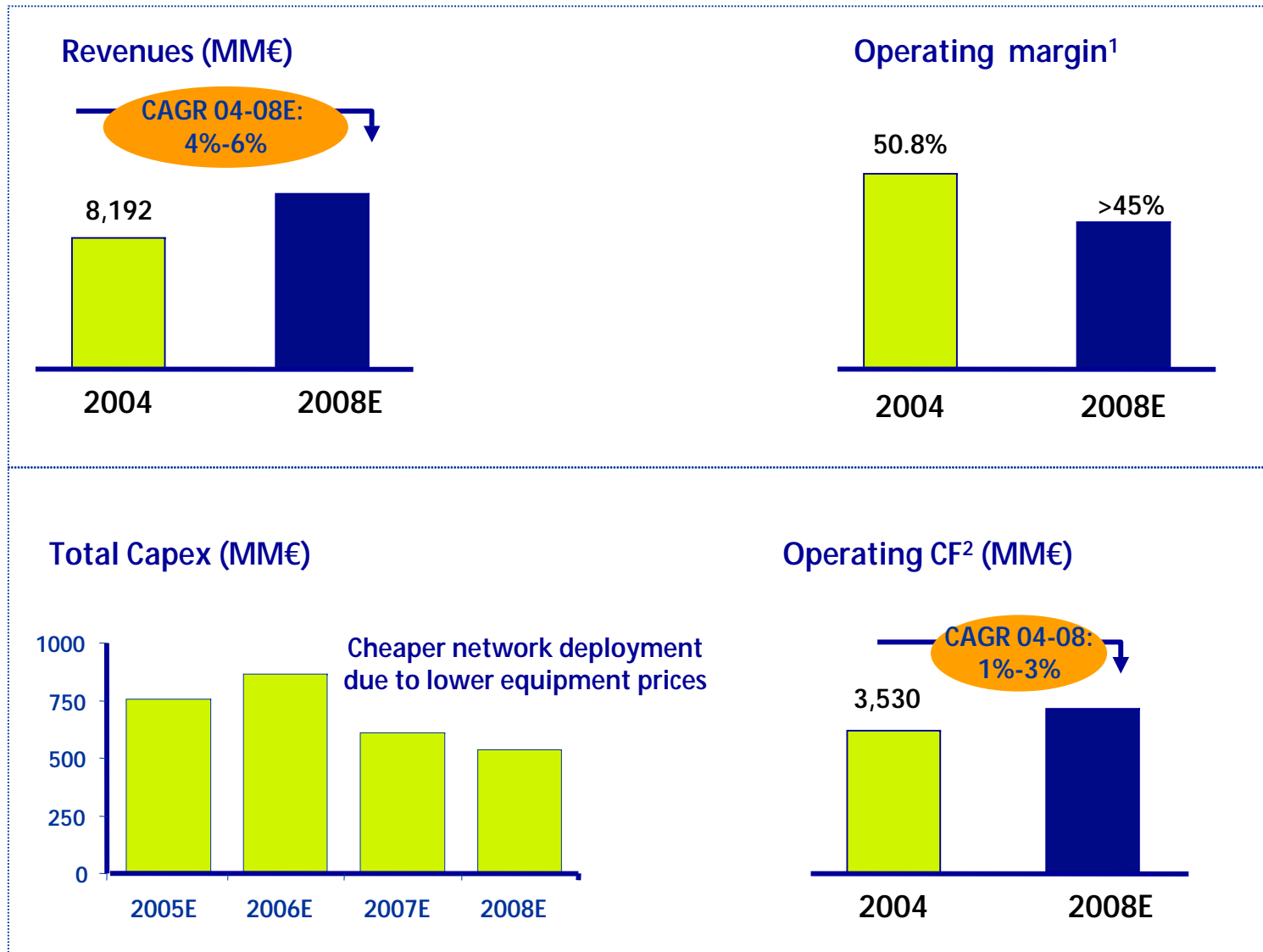
LG
U8210



Samsung
Z500



04 TM Spain: solid CF generation in a mature market



• All figures under IFRS.

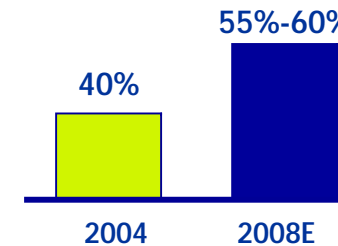
1 Operating Income before D&A / revenues

2 Operating Income before D&A -Capex

04 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 ...

Residential

vivo AO vivo

Customization
Develop new services
User experience

vivo ENCONTRA

“vivo Localiza”: LBS
“vivo aqui perto”: restaurant guide
“vivo onde estou?": Positioning

Corporate

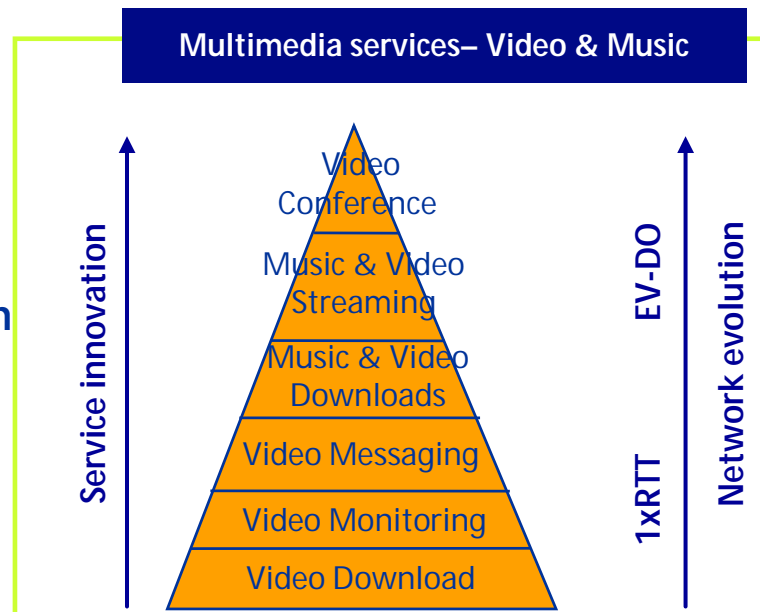
vivo DIRETO / vivo EMPRESAS

Corporate segment
VPN
High-end handsets

vivo ESCRITÓRIO MÓVEL

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

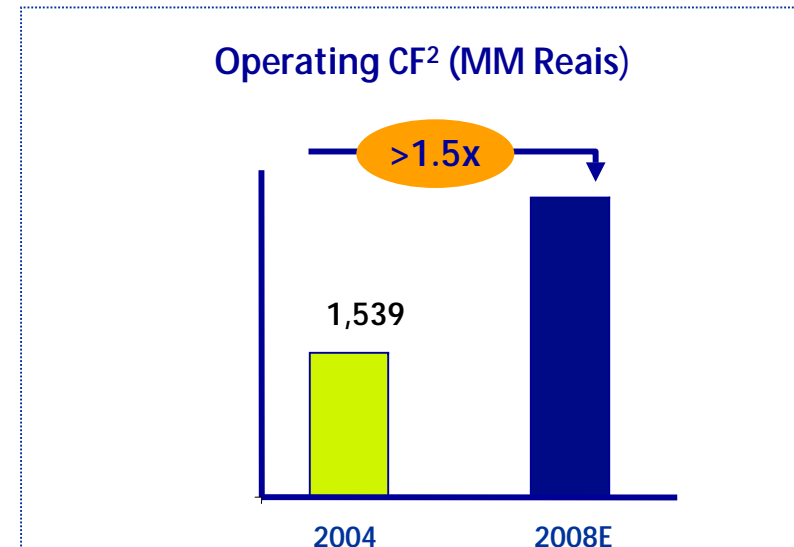
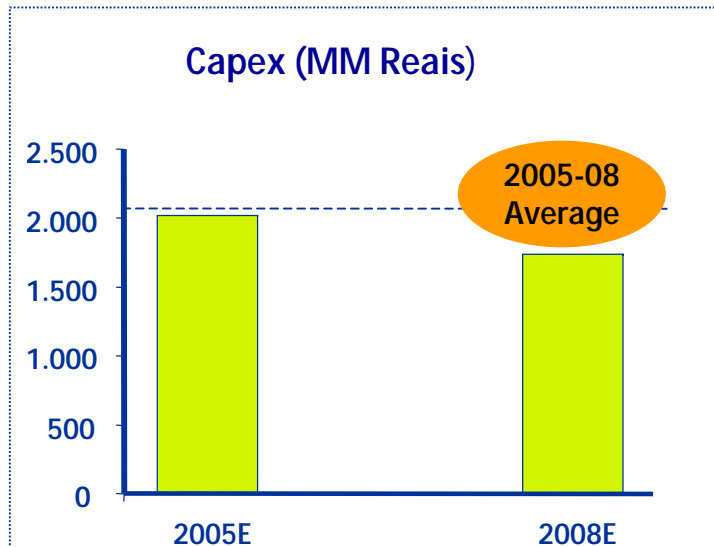
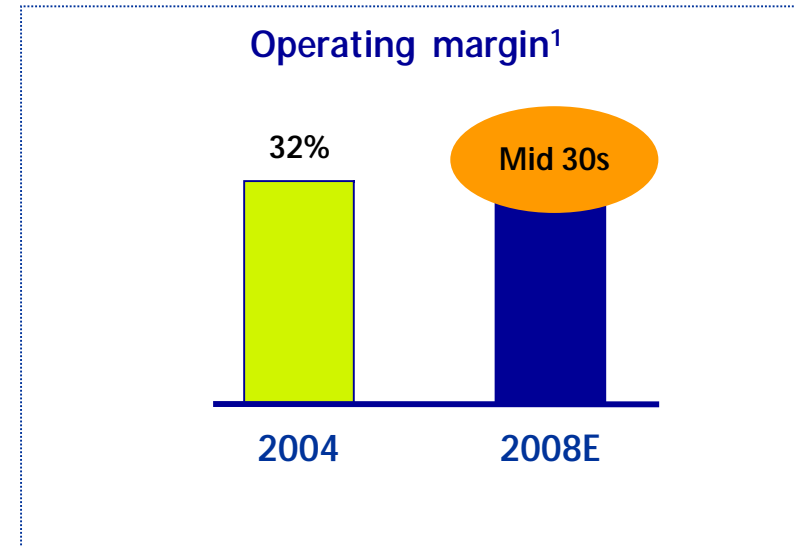
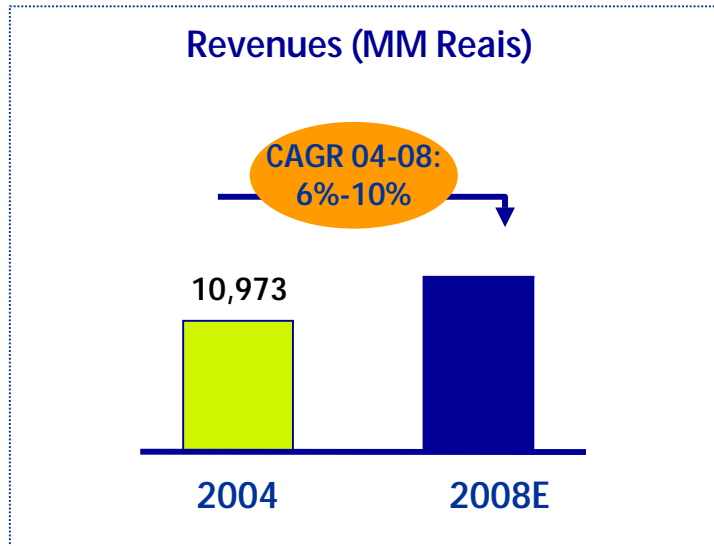
■ ... with room for further innovation



04 ... and building on its top of mind brand positioning



04 Vivo: scale & focus on innovation leads to improving operating efficiency



All figures under IFRS.

¹ Operating Income before D&A / revenues.

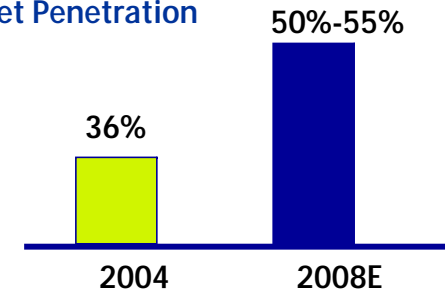
² Operating Income before D&A -Capex

04 Mexico: ready to profit from market growth

- High growth remaining in the market



Total Market Penetration

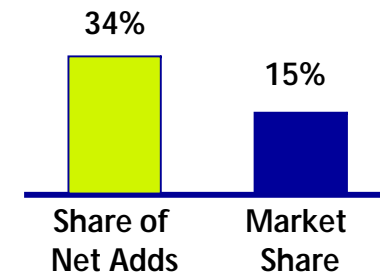


- Consolidated competitive position

- Strong GSM coverage
- Expanded distribution channel



TM Mexico in 4Q04



TM Mexico will consolidate its position as the second-largest player the market while achieving profitability

- 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

04 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

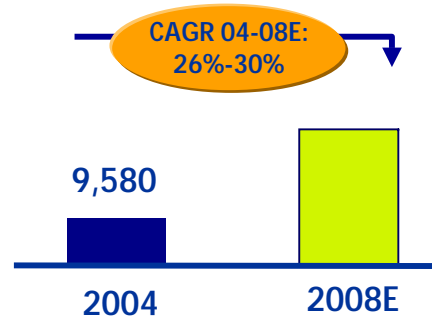
- Innovative pricing in the Mexican market

Sales force

- TEM
- Telefónica Data
- Partnerships

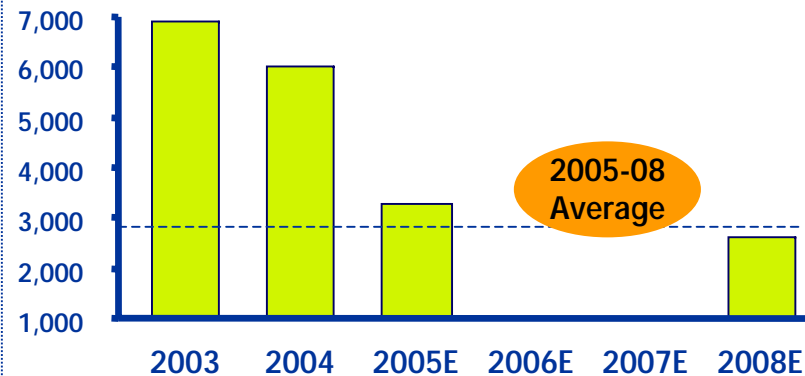
04 The right pace: accelerate now to capture long term value

Revenues
MM Mexican Pesos

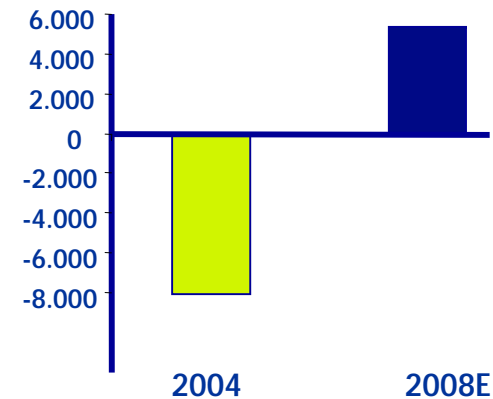


- Already positive Operating income before D&A in some months in 2005
- 28%-32% Operating margin by 2008E

Capex
MM Mexican Pesos



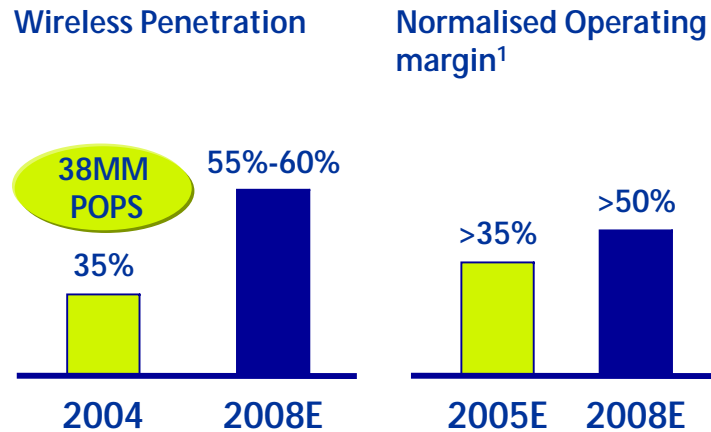
Operating CF¹
MM Mexican Pesos



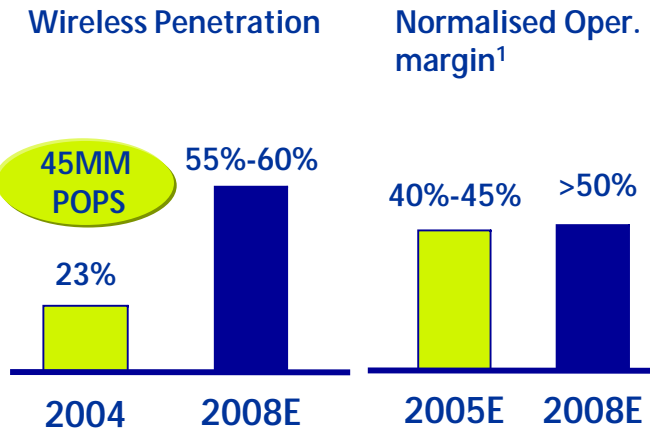
All figures under IFRS.
1 Operating Income before D&A -Capex

04 Argentina and Colombia: focus on strong growth

Sound business in Argentina



Sacrificing margin for growth in Colombia

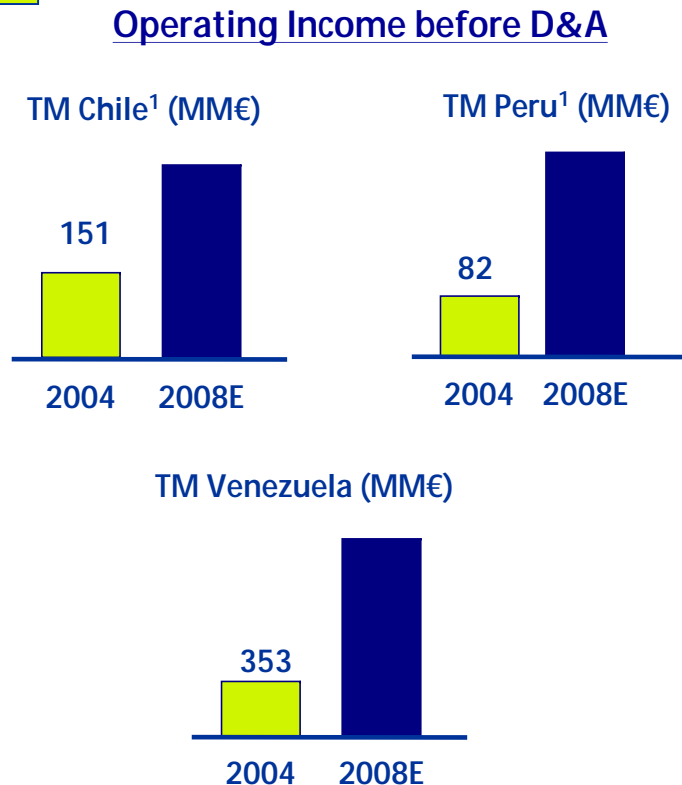


- Extraordinary growth in the markets, based on current low penetration rate
- Sustaining leadership, with a higher revenue share than our customer market share
 - Aggressive commercial effort
 - Preserve share on high-value segments
- Deployment of GSM networks

04 Venezuela, Chile & Peru: strong cash generation

Significant cash will be generated

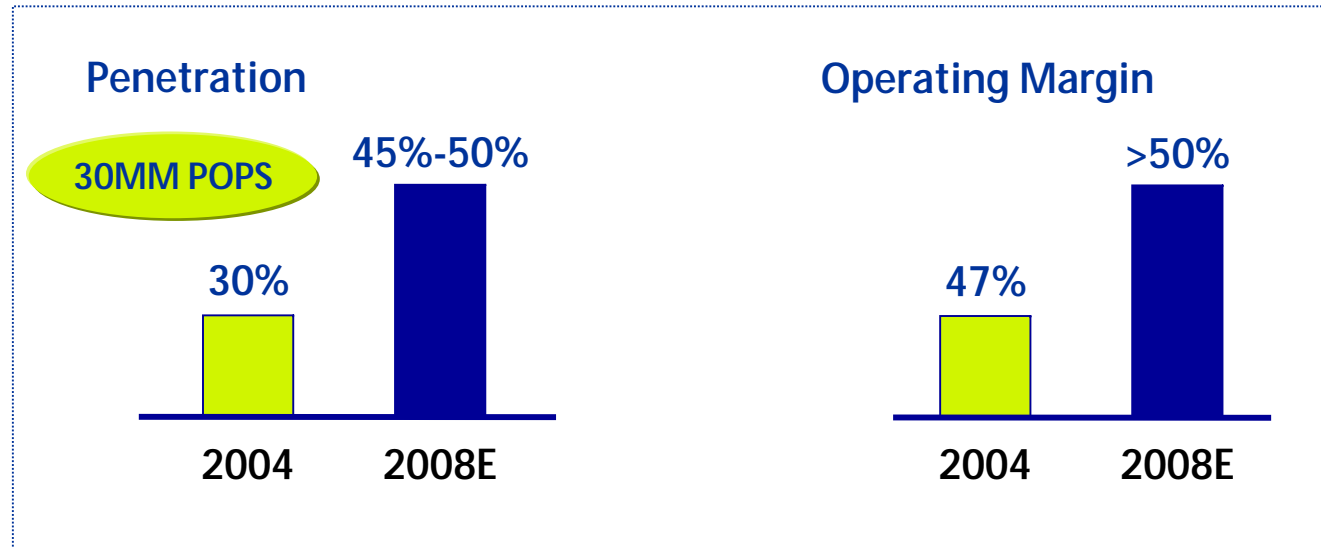
- Strong potential for Operating Income before D&A growth
- Sustain operational efficiency
- Reduced capex needs



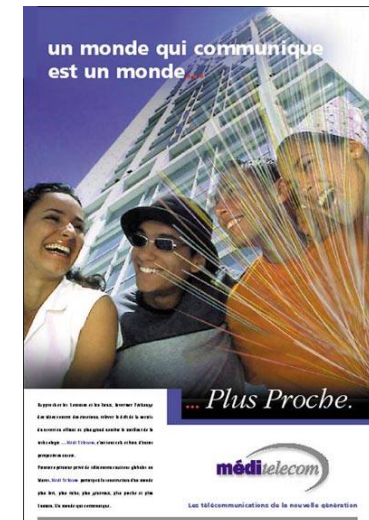
Preserving our positioning while maintaining outstanding efficiency

- Improved customer retention, focused on high value segments

04 Morocco: additional growth



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



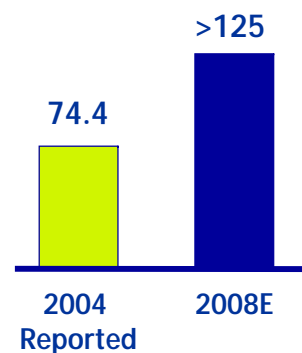
Index

- 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

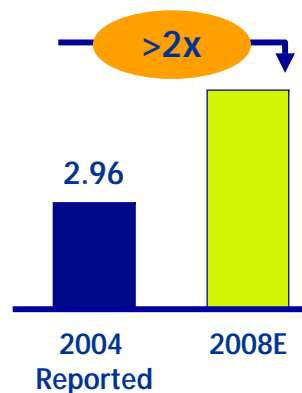
05 Guidance

€ in Millions	Reported 2004 under IFRS	CAGR 2004-08E (1)
Revenues	11,743.7	12%-16%
Operating Income before D&A (2)	4,577.7	14%-17%
Operating Income (2)	3,054.7	15%-19%

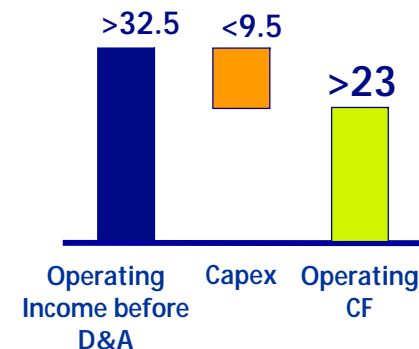
Managed customers
(MM)



Operating CF
(Bn€)



OCF. Cumulative figures
2004-08E (Bn€)



(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 MME in 2004 and are therefore also excluded, meaning a calculation base for guidance of 4,677.9 MME for OIBDA and 3,154.9 MME for OI, respectively. Personnel Restructuring and Real Estate Programs are included as operating revenues/expenses.

05 Key messages:

SPAIN

- In a very conservative scenario , TM Spain will keep on being a powerful cash generator

BRAZIL

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

MEXICO

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

ARGENTINA & COLOMBIA

- Solid growth platforms

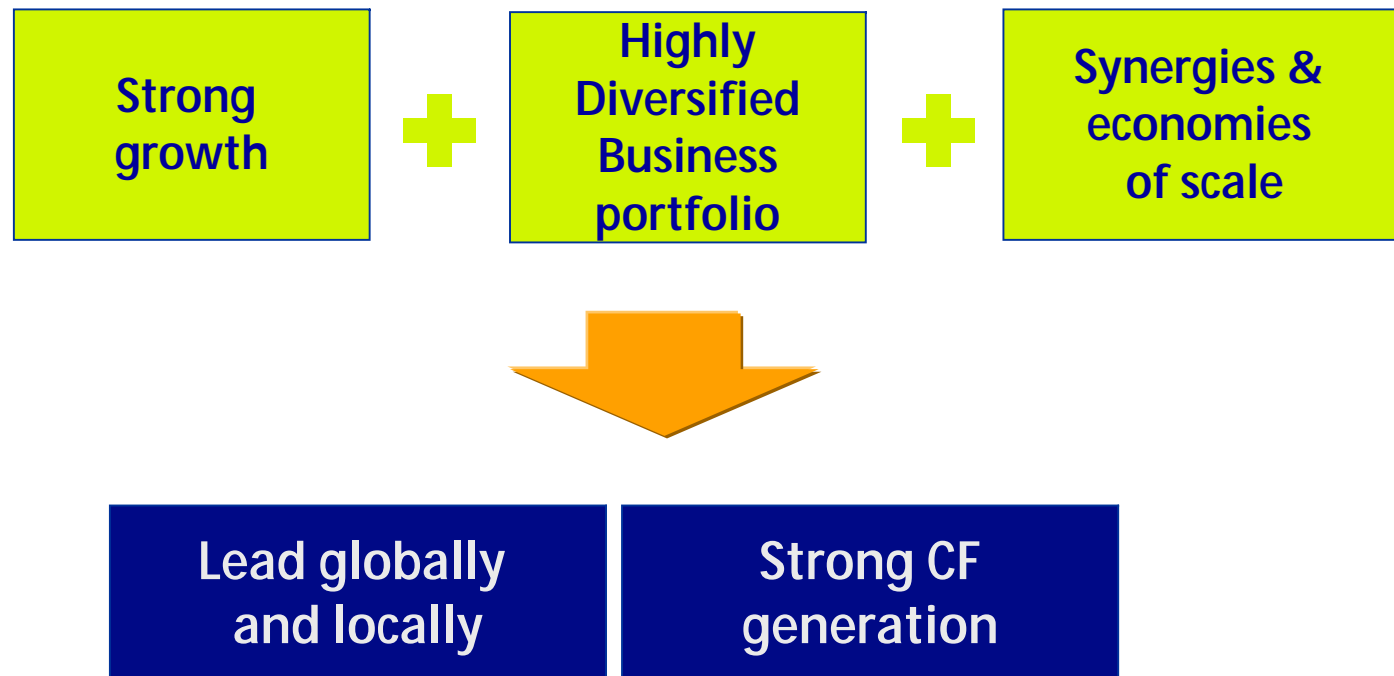
VENEZUELA CHILE, PERU

- Strong cash generators

Argentina, Chile & Peru,
major beneficiaries of
synergies from
integration

05 Wrap up:

The “New TEM” offers a premium growth performance





Investor Conference