

Telefónica Latam: Are you missing this growth potential?

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General Manager
London, June 7th-8th, 2007



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01 T. Latam as the main growth driver in the Group

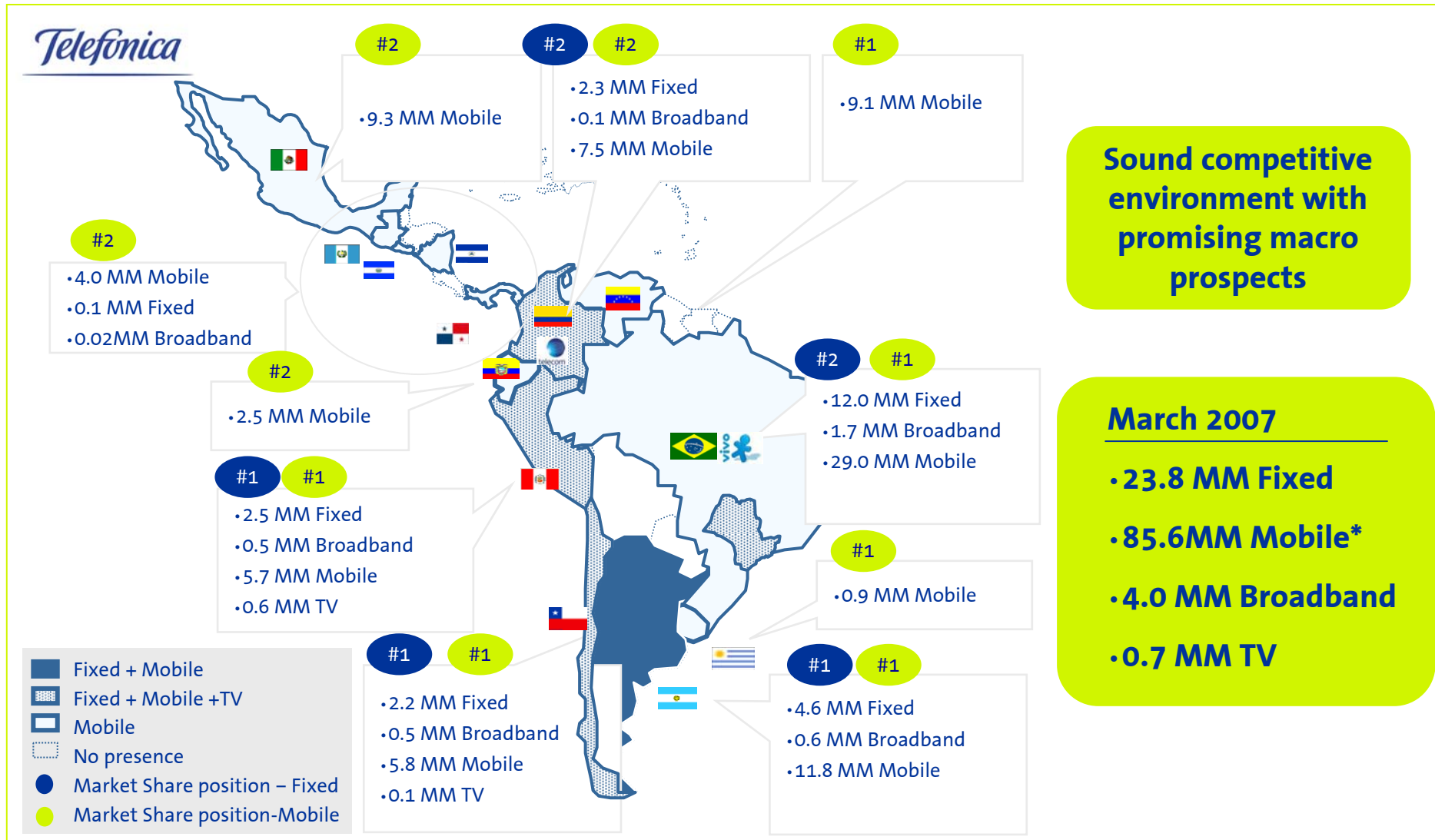
1. Our presence
2. Group growth lever fully diversified
3. Solid fundamentals in BB and mobile flowing to high growth revenue & OIBDA

02 T. Latam is uniquely positioned to strengthen its growth profile

- + High growth in mobile
- + High growth in BB & Pay TV
- + A regional model by country to add value and differentiate from our competitors
- + A sound and promising macro environment across all markets

03 Results are already showing up

01 “New TLatam” geographically managed, with operations in 15 countries



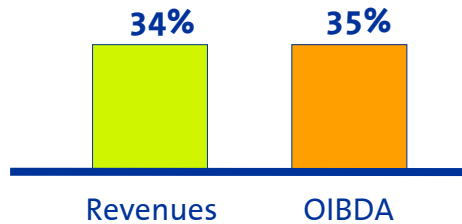
Sound competitive environment with promising macro prospects

March 2007

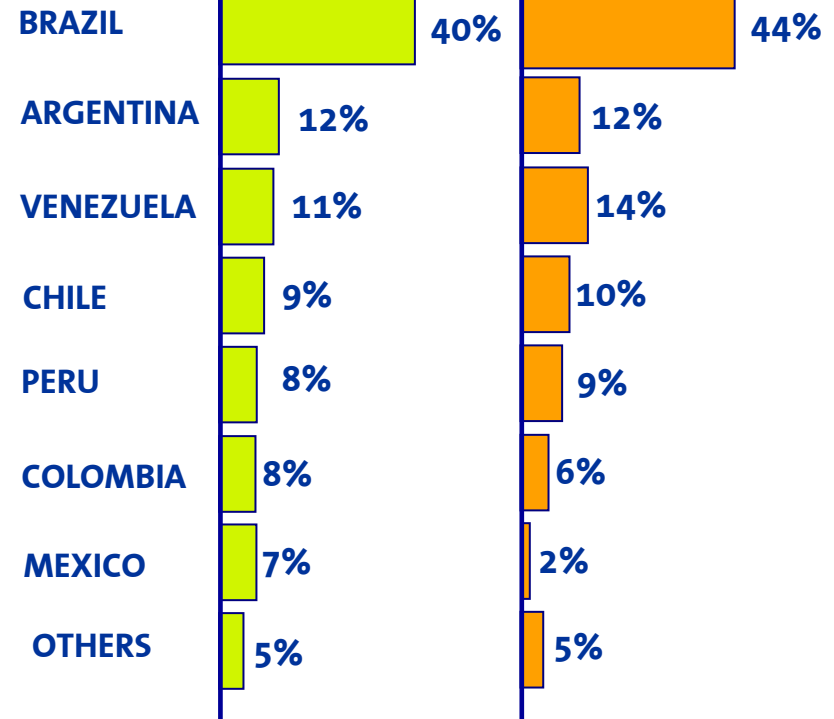
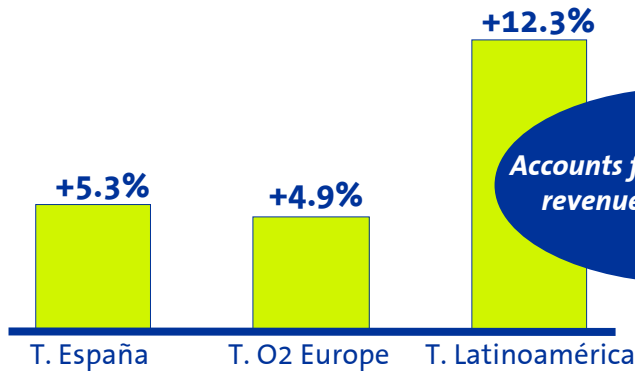
- 23.8 MM Fixed
- 85.6MM Mobile*
- 4.0 MM Broadband
- 0.7 MM TV

01 TLatam is the main growth lever of the group and it is fully diversified across countries...

1Q07 TLatam weight in TEF



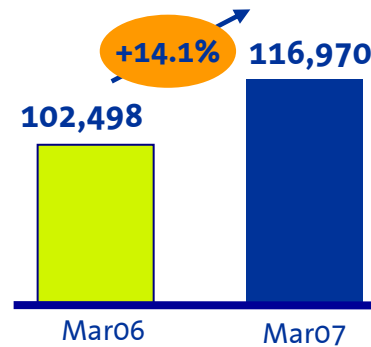
Revenue growth by region (Organic¹)



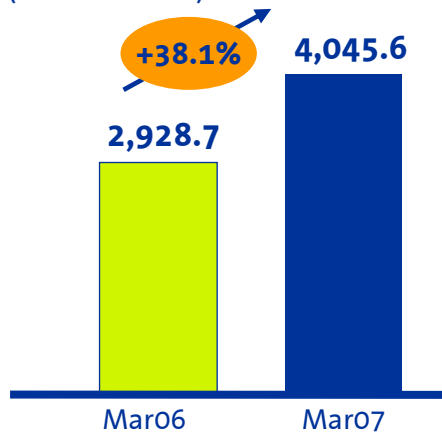
Legend:
█ Revenues
█ OIBDA

01 ...with solid fundamentals driven by mobile and broadband...

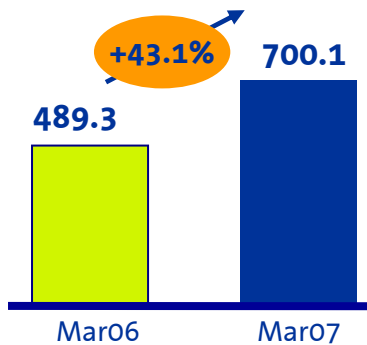
Total Accesses
(in thousands)



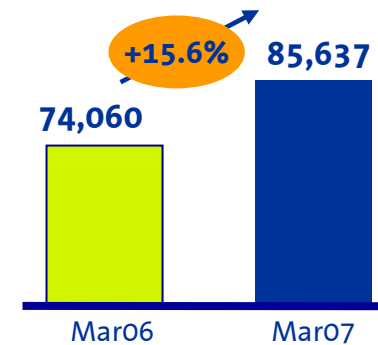
Retail Internet BB connections¹
(in thousands)



Pay TV clients
(in thousands)



Wireless clients²
(in thousands)

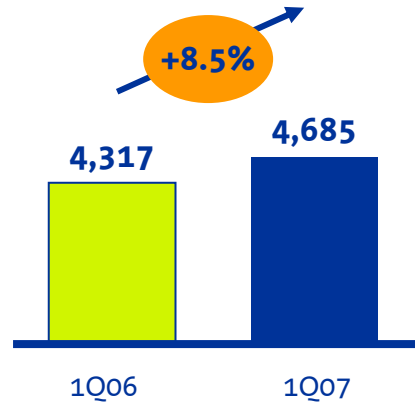


TELEFONICA LATINOAMERICA (1)Including Terra Latam and Telefónica Telecom since May 2006
(2)Including Fixed Wireless

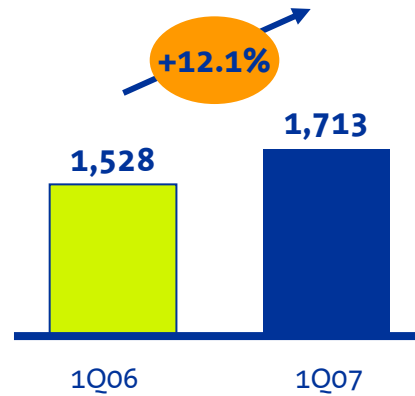
01 ... fully flowing to sound top line growth and margin expansion

in €

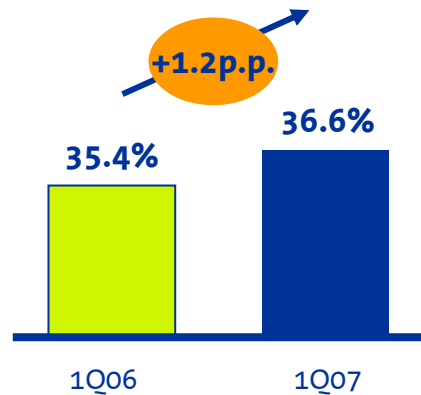
Revenues
(€ in millions)



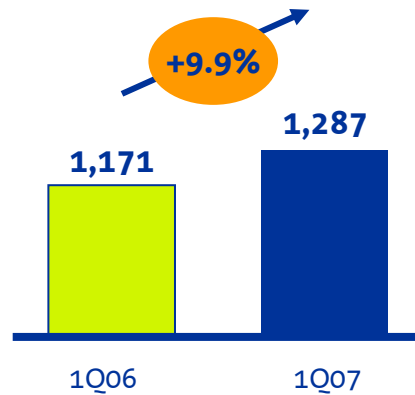
OIBDA
(€ in millions)



OIBDA Margin
(%)



Operating CF
(€ in millions)



- Healthy profitability across countries
- Maintenance of mobile momentum in major markets

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01 T. Latam as the main growth driver in the Group

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02 T. Latam is uniquely positioned to strengthen its growth profile

- + High growth in mobile
- + High growth in BB & Pay TV
- + A regional model by country to add value and differentiate from our competitors
- + A sound and promising macro environment across all markets

03 Results are already showing up

02 T Latam´s is well positioned to continue its growth profile

What makes us unique?

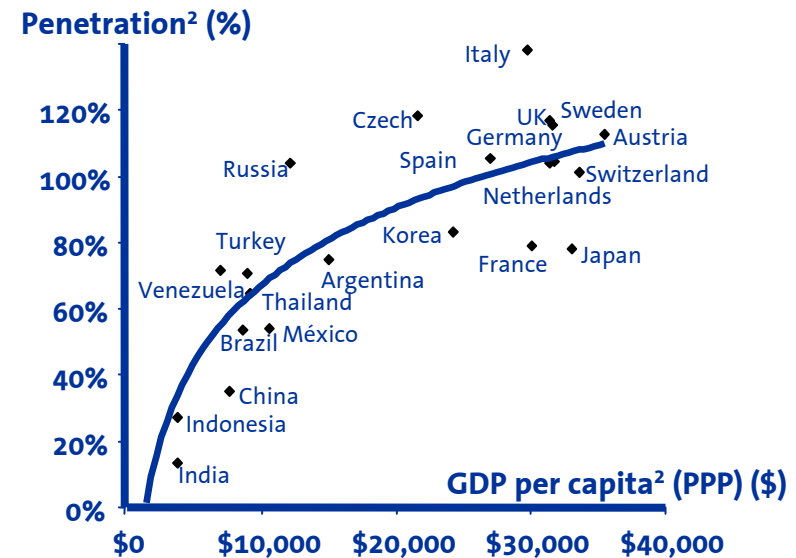
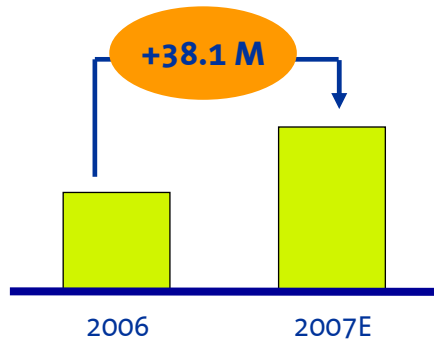
- Well positioned to capture growth: #1/#2 position in all markets
- Integrated organization per country and region to maximize synergies
- Group presence in Europe backs 3G experience & scale. New GSM networks are UMTS compatible
- Unique brand across markets
- Rapid GSM migrations: 6 networks in less than 12 months

STRONG GROWTH PROSPECT IN OUR MOBILE OPERATIONS, BROADBAND AND PAYTV

With a promising macro outlook in the region

02 High growth potential in mobile...

- Strong penetration growth of mobile market (in T.Latam areas of operations)¹



- Targeting a strong share of net adds in 2007 by:

- ✓ Capitalizing on our **GSM footprint in all the region** after Brazil & Venezuela GSM deployment to end 2007 with a significant proportion of GSM customers
- ✓ Pushing **Fixed/Mobile integration** and collaboration to capture growth potential (sharing of sales channel)

LEVERAGING REGIONAL MANAGEMENT OF OPERATIONS

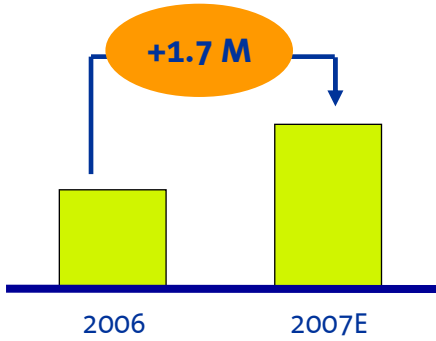
02 ...and high growth in BB & PayTV

STRONG GROWTH PROSPECTS

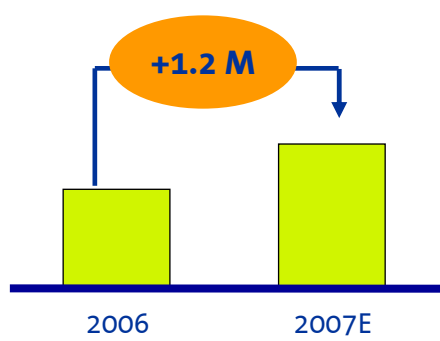
STRENGTHEN OUR POSITION IN BROADBAND

DEVELOP OUR PAYTV MODEL

■ Strong growth of broadband¹



and PAY TV²



■ Targeting a strong share of net adds in 2007 by:

- ✓ Pushing **Fixed/Mobile integration** and collaboration to capture growth potential (sharing of sales channel and additional offers)

■ **PayTV model** segmented by different platforms: DTH, IPTV, CABLE

- ✓ Broader market than just with IPTV
- ✓ Lower time to market (IPTV network and regulation)

Following Chile's experience

■ PayTV will help us to **improve churn and ARPU**

(1) Source: Pyramid. T Latam area of operations includes Sao Paulo, Argentina, Chile, Peru and Colombia.
 (2) Source: Pyramid. T Latam area of operations includes Brazil, Chile, Peru and Colombia.

02 To achieve our goals, we have structured our operations ...

- ✓ **Capture growth opportunity and drive mobile growth in the region**
- ✓ **Increase operating efficiency**
- ✓ **Ensure response capabilities in key markets**

NEW COMPETITIVE ENVIRONMENT

- Operations in markets with different growth rates and competitive pressures
- Customer as change driver and growth in the TIC Hypersector (Technology, Information and Communications)
- Continuous changes with new competitors entering the market

NEW ORGANIZATIONAL MODEL

A **regional** model

...with an **integrated** business focus, clearly **customer oriented** to capture **convergence** value...

...with a **dynamic and flexible** structure

02 ...on an integrated basis per country to add value and to differentiate us from our competitors

Main identified opportunities...	...actions taken
<p>P&S</p> <ul style="list-style-type: none"> ✓ Capture value of a regional brand ✓ Value of an integrated vision of client base 	<ul style="list-style-type: none"> ✓ Movistar & Speedy ✓ Sales force collaboration in SMEs & Large Corps ✓ Dedicated B.U. for top clients (F & W)
<p>Systems</p> <ul style="list-style-type: none"> ✓ OPEX & CAPEX optimization ✓ More agile launch of new P&S 	<ul style="list-style-type: none"> ✓ ATIS: Regional Customer Care, Billing & Collecting Platform ✓ Data centers unification ✓ Common applications and processes map
<p>Network</p> <ul style="list-style-type: none"> ✓ OPEX & CAPEX optimization ✓ Improve quality of service 	<ul style="list-style-type: none"> ✓ CRSO: Regional Control Center for Network maintenance, monitoring and management ✓ Unified network & common network design ✓ Standardized SLA´s

02 A sound macro environment supports our operations...



02 ...with stable outlook expected across all countries

	GDP Growth		Inflation Growth	
	2006	2007E	2006	2007E
■ Brazil	3.7%	4.2%	3.1%	3.6%
■ Argentina	8.5%	7.6%	9.8%	9.1%
■ Chile	4.0%	5.7%	2.6%	3.0%
■ Peru	8.0%	7.0%	1.1%	1.8%
■ Colombia	6.8%	5.7%	4.5%	4.9%
■ Venezuela	10.3%	7.0%	17.0%	18.9%
■ Mexico	4.8%	3.1%	4.1%	3.6%

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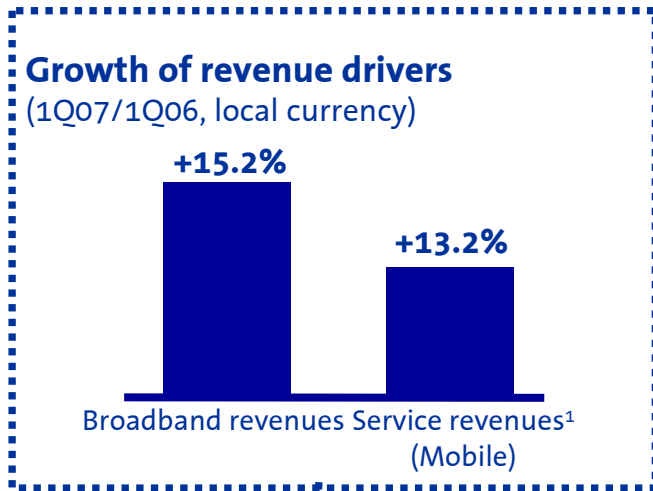
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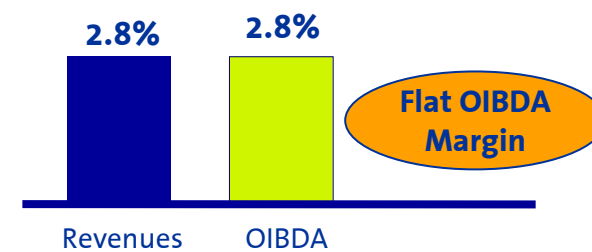
03 Our financial profile in 1Q07 has already shown tangible progress

	Revenues		OIBDA	
	1Q07 (€ in millions)	% change ¹	1Q07 (€ in millions)	% change ¹
Integrated				
■ Brazil ²	1,801	+2.8%	749	+2.8%
■ Argentina	561	+21.0%	217	+29.7%
■ Chile	423	+10.0%	164	+22.5%
■ Peru	370	+9.7%	144	+0.3%
■ Colombia	352	n.m.	100	n.m.
Mobile				
■ Venezuela	520	+25.4%	242	+39.3%
■ Mexico	315	+66.2%	22	c.s.
■ Central America ³	147	+25.1%	47	+26.5%
■ Ecuador	67	-4.9%	16	-2.3%
■ Uruguay	24	+50.0%	6	+66.6%

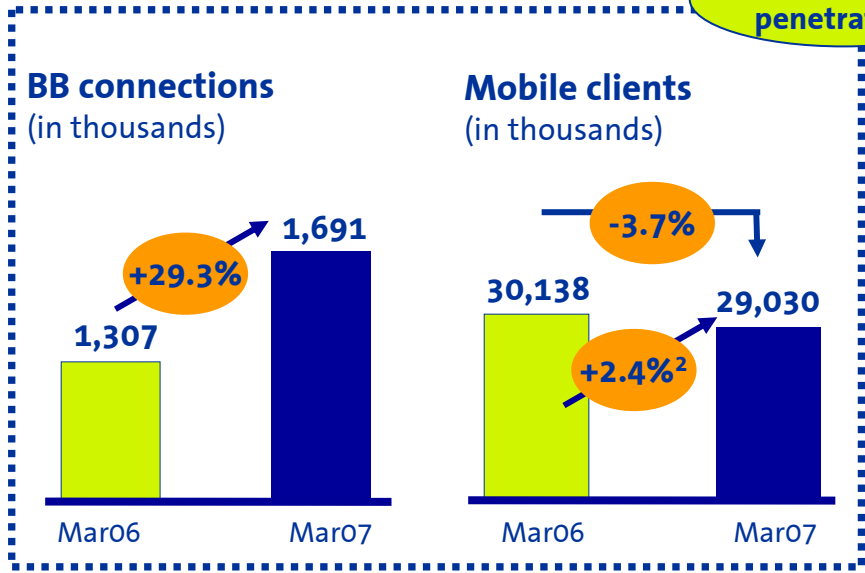
03 Brazil: Revenue & OIBDA underpinned by BB and mobile



1Q07/1Q06 growth
(change in local currency)



1Q07: 56% penetration³



TELEFONICA LATINOAMERICA

- (1) Reported service revenues, including B&K effect
- (2) Ex-adjustment 1.8MM inactive pre-pay lines at the end of 1H06
- (3) Area of operations

03 Brazil: efforts in mobile operation already showing positive signs

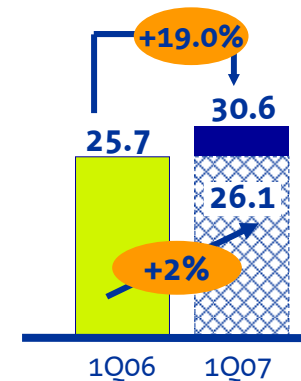
MANAGING CURRENT OPERATIONS TO IMPROVE OUR COMPETITIVE POSITIONING

- Focus on value clients
- Strong reduction of fraud
- New pricing plans drive MoU & ARPU increases
- Highest number of points of sale

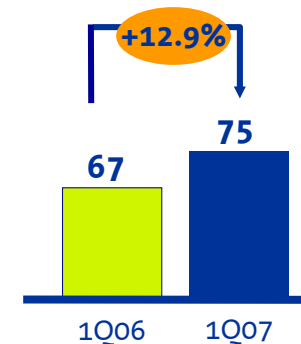
FAST EXECUTION OF MIGRATION TO GSM

- **Network deployed in a record time**
- 960,000 GSM customers in April
- 17% net adds share in April from negative net adds in 1Q07
- Superior GSM coverage due to launch in **850MHz**
- On track within announced **investment** (400 M € 1:1 overlay)
- New GSM network is **UMTS compatible**

ARPU
(local currency) Excluding B&K effect



MoU
(minutes)



03 Mexico wireless: strong commercial momentum leads to very healthy revenue & OIBDA growth

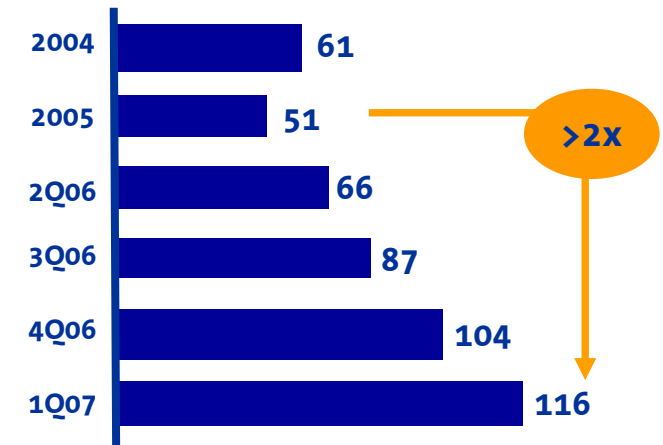
Net adds
(in thousands)



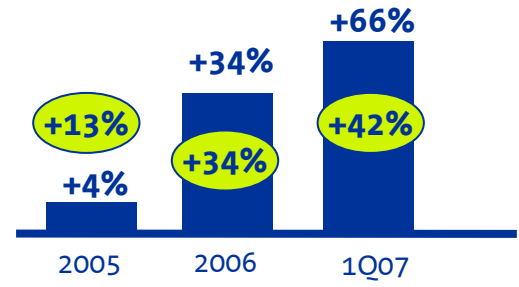
Churn

5.5% → 2.9%

MoU Evolution



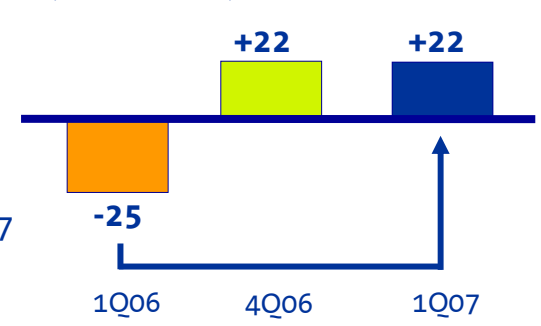
Service revenue y-o-y growth



Customer growth

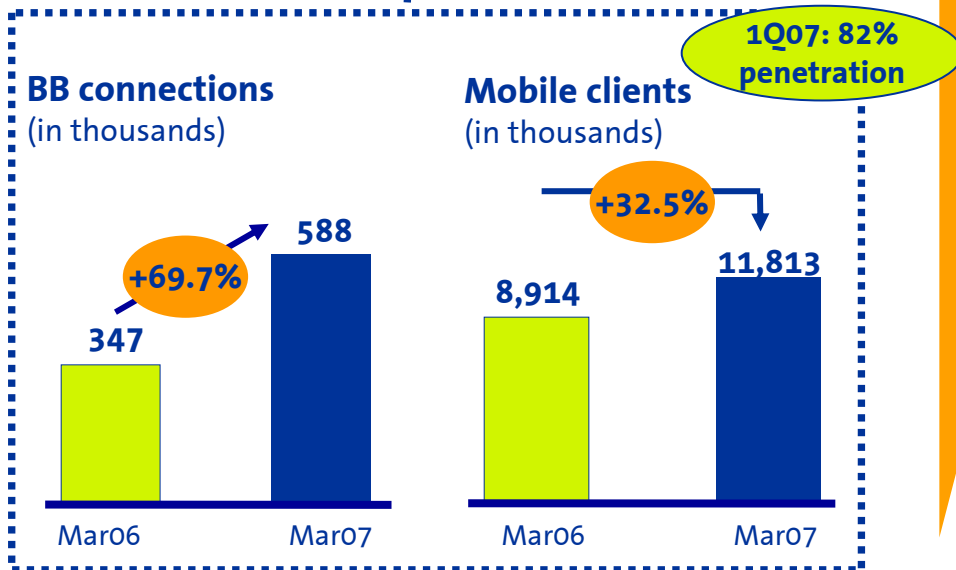
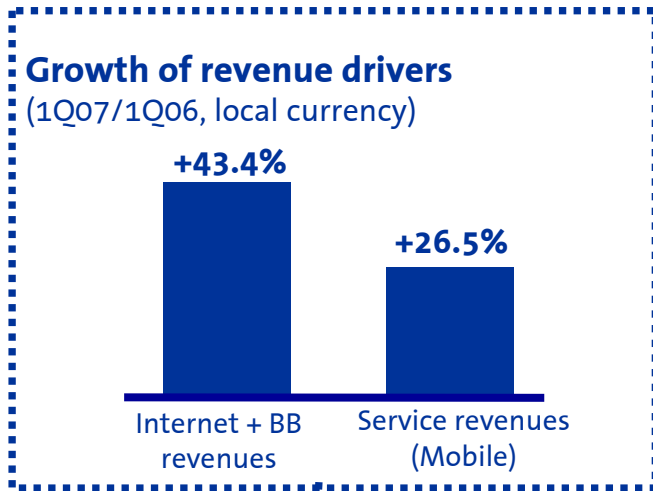
- Incoming service revenues positively impacted by national CPP
- Early sign of regulatory advances (national CPP, portability)
- 28%E net adds share in 1Q07

OIBDA
(€ in millions)

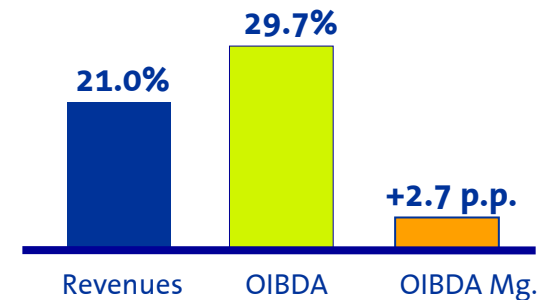


PRIORITIZE QUALITY GROWTH RATHER THAN SPEED OF GROWTH

03 Argentina: strong performance in BB and mobile allows margin expansion

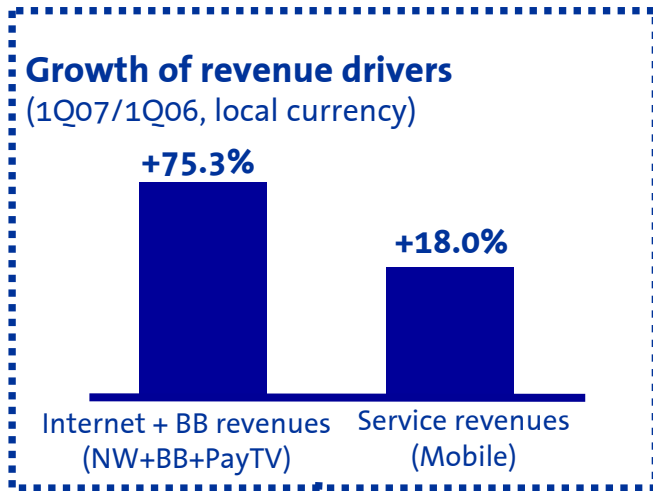


1Q07/1Q06 growth
(change in local currency)

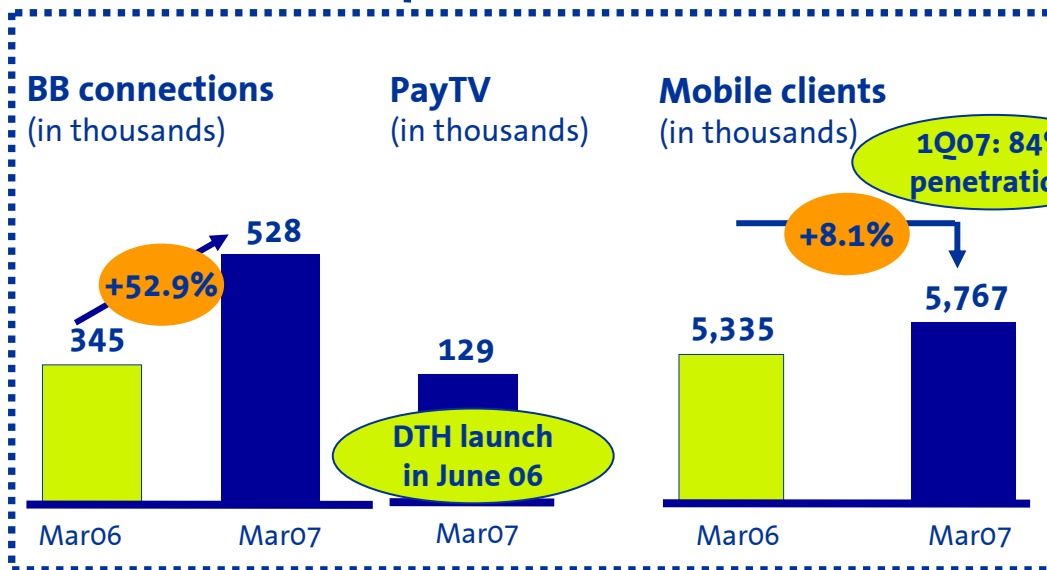
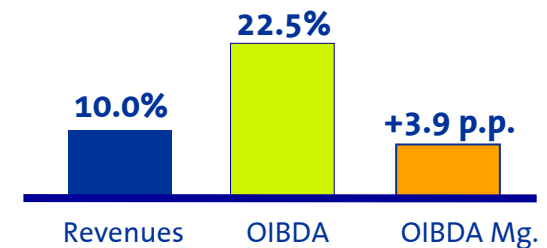


- **Further BB deployment** to strengthen our leadership in the market
- **Maintain leadership in wireless**, while improving financials

03 Chile: improving margins supported by BB and mobile

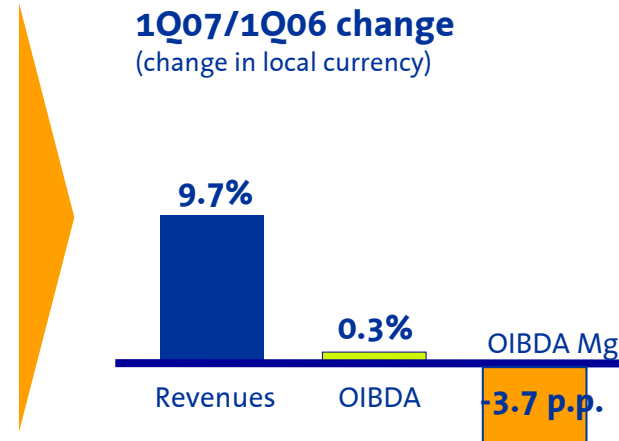
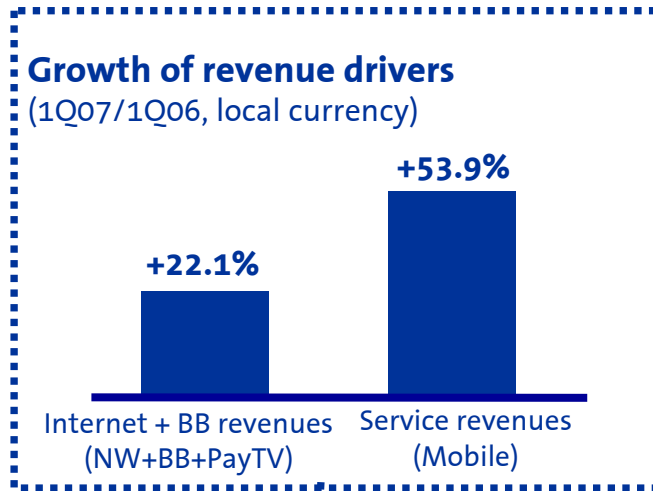


1Q07/1Q06 growth
(change in local currency)

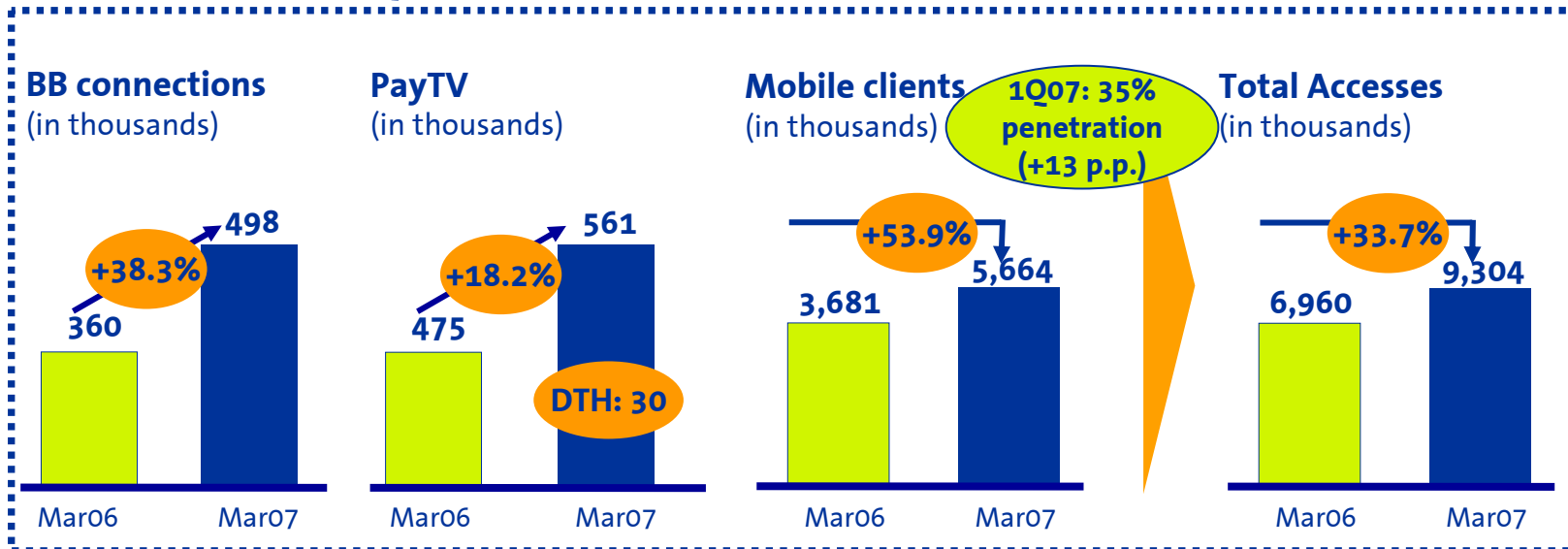


- **Broader launch of Voice/BB/TV bundles** to keep leadership in high value segment
- Customers with 3P have lower churn than only voice clients
- **Maintain leadership in wireless**, while improving profitability

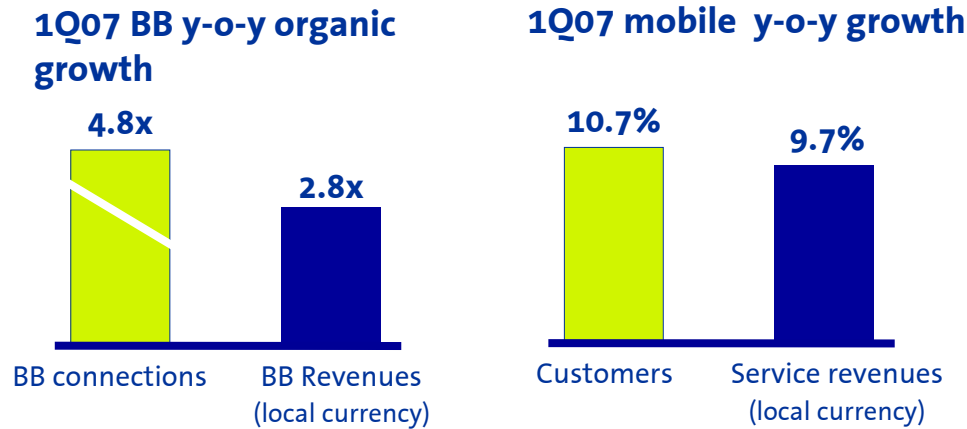
03 Peru: customer growth underpins top line growth



■ **Project IRIS:** fixed wireless telephony

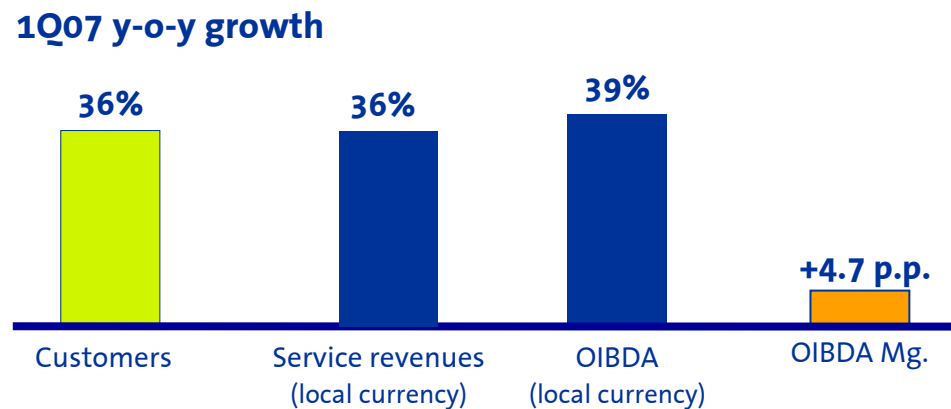


03 Colombia: Focus on BB opportunity since T. Telecom acquisition and mobile top line growth



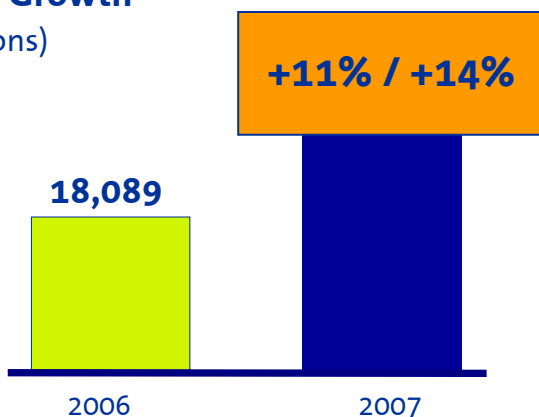
**SATELLITE TV
LAUNCHED IN 1Q07**

Venezuela: Customer expansion drives underlying financials upwards

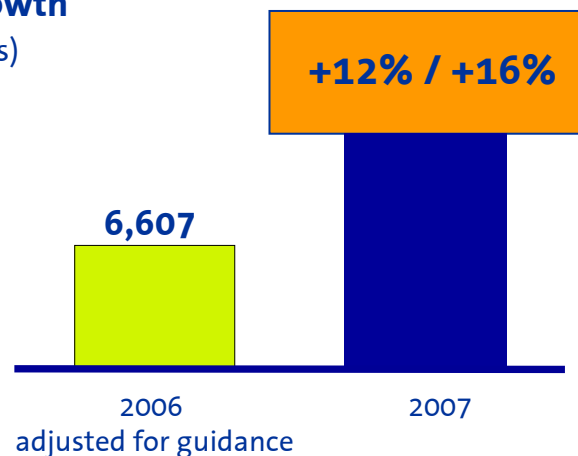


03 An ambitious guidance for 2007

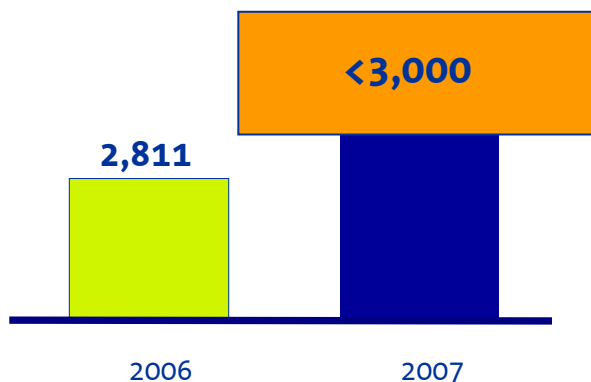
Revenue Growth
(€ in millions)



OIBDA Growth
(€ in millions)



CapEx
(€ in millions)



Conclusions

- **Sound macro outlook** expected after successful structural reforms
- **T LatAm** is the **main growth driver** in the Group
 - Contribution over **60% of the group growth** in 1Q07
- Fully **diversified** operations across **15 countries** in the region
- **Strong growth potential**, supported by **mobile, broadband** and **PayTV**
- Keeping the **focus on efficiency**, helped by **integrated management**
- 1Q07 results on track to **meet high growth 2007 guidance**

Telefonica
