



FIFTH **INVESTOR** CONFERENCE

Valencia. May 25 th - 26 th. Ciudad de las Artes y las Ciencias

Telefónica

movistar : Growth with cash returns

Antonio Viana-Baptista

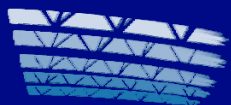
Executive Chairman, Telefónica Móviles



THE BEST COMBINATION OF
GROWTH AND RETURNS

Telefónica

Valencia - May 25, 2006



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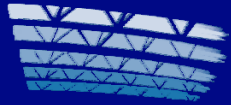
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01 Consistently delivering on our commitments

02 Our management priorities to fully exploit our growth potential

03 A set of ambitious financial and operational targets



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01 TEM 2005: Solid performance since Barcelona 05...

SPAIN

- Sustained market **leadership** and best-in-class margins in a highly competitive market
- Successful launch of new initiatives to **contain churn & stimulate usage**
- Deployment of a **high-quality UMTS network**

LATIN AMERICA

- **Rapid integration** of 10 companies acquired from Bell South
- Roll-out of **6 new GSM** networks
- Delivering **high growth** in very competitive markets
- Launch of a **unified brand** across Spanish-speaking markets

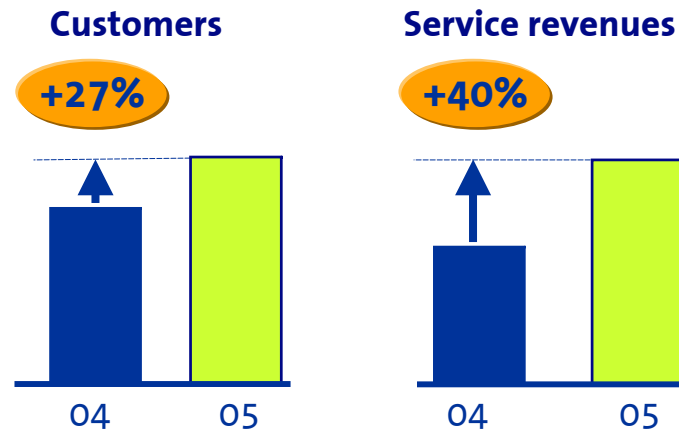
Solid local performance enhanced by delivery of synergies, leveraging Group expertise and know-how in mature markets



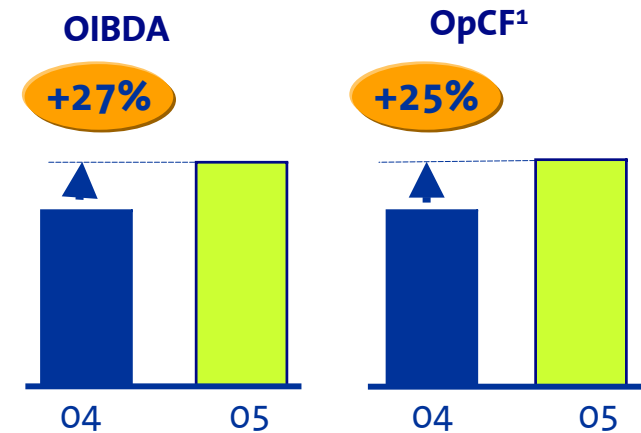
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01 ... with strong growth and cash flow generation...

Unique growth profile







Strong profitability and cash generating businesses in all geographies



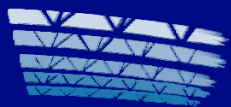
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¹ OpCF: OIBDA-Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.

01 ... achieving very demanding targets

	2005A	Barcelona 2005 CAGR 04-08 ¹	Guidance 2005 ¹
Revenue growth	37.4%	12%-16% 	33%-36% 
OIBDA growth	23.4%	14%-17% 	23%-26% 

¹ Growth rates in constant exchange rates as of 2004 and excluding changes in consolidation other than assets acquired from BellSouth in Argentina & Chile in 2005. Growth rates based on 2004 preliminary data under IFRS: Revenues €11,744 MM; OIBDA adjusted for guidance €4,678MM In terms of guidance calculation, OIBDA exclude other exceptional revenues/expenses not foreseeable in 2005. These exceptional amounted to -100.2MM€ in 2004.

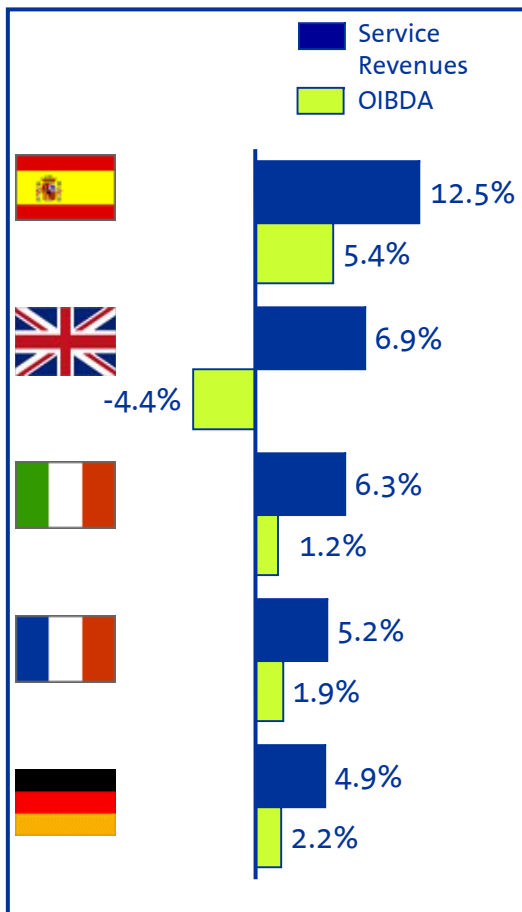


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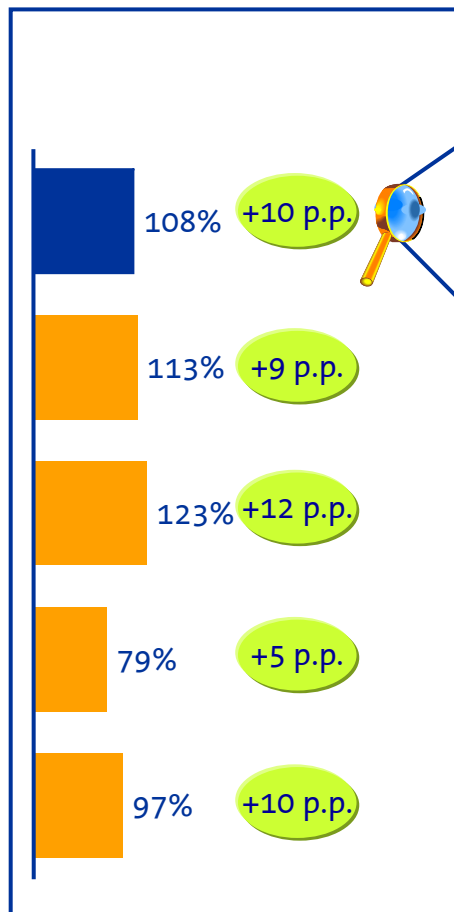
01 Spain in 2005: Strong growth in a highly competitive environment...

2005 y-o-y market growth

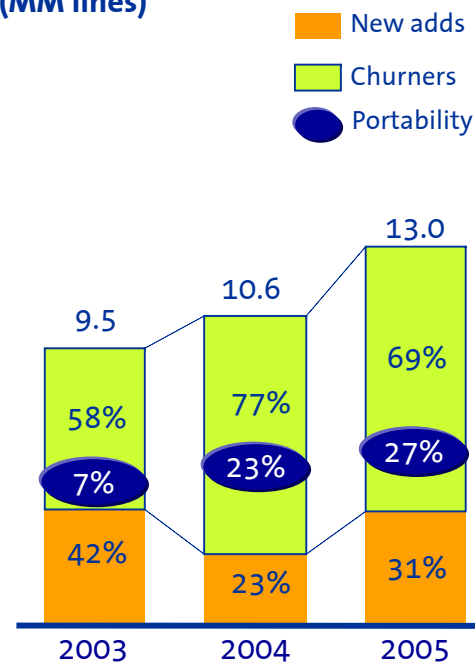


Source: Merrill Lynch "4Q05 European Wireless Matrix".

Penetration 2005

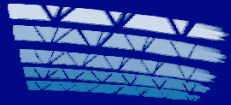


Market Gross Adds in Spain (MM lines)



New adds boosted by growth in POPs (immigrants) & competitive environment

Source: TEM Spain

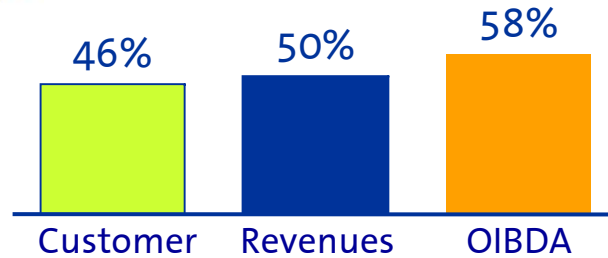


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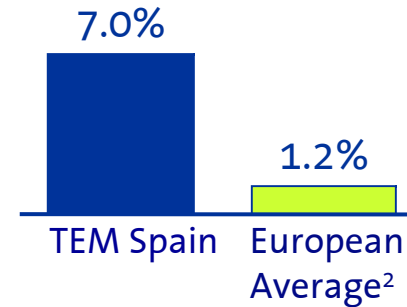
01 ... where TEM Spain delivered superior results vs. peers



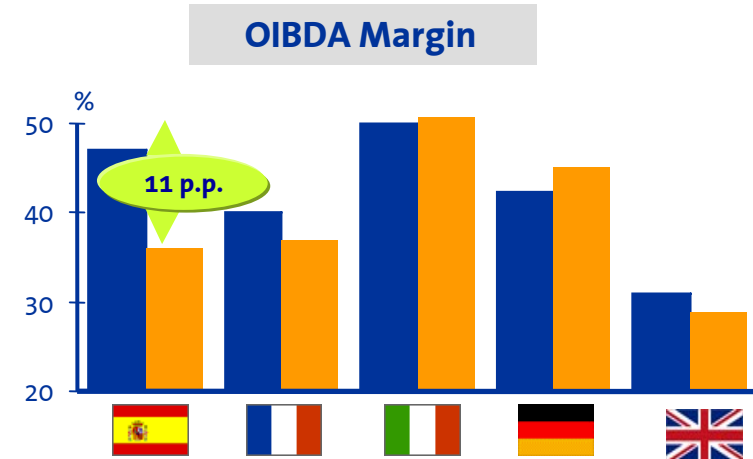
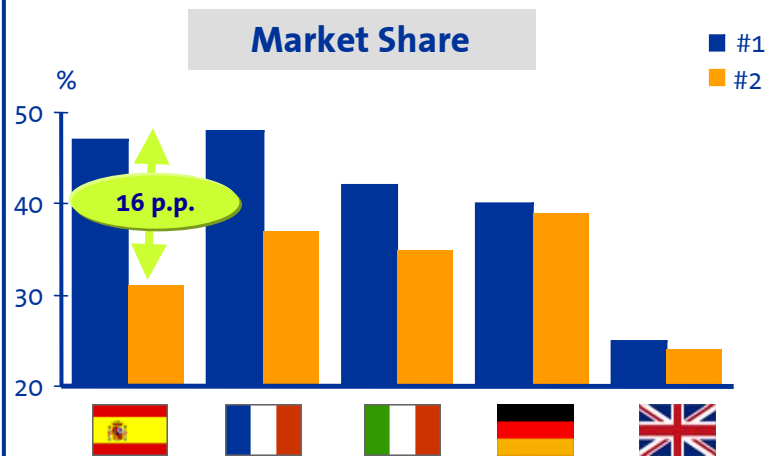
2005E Market Share¹



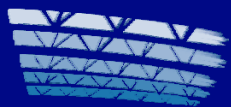
Service revenue growth (2005/04)



Gap between first 2 operators in European local markets (2005)¹



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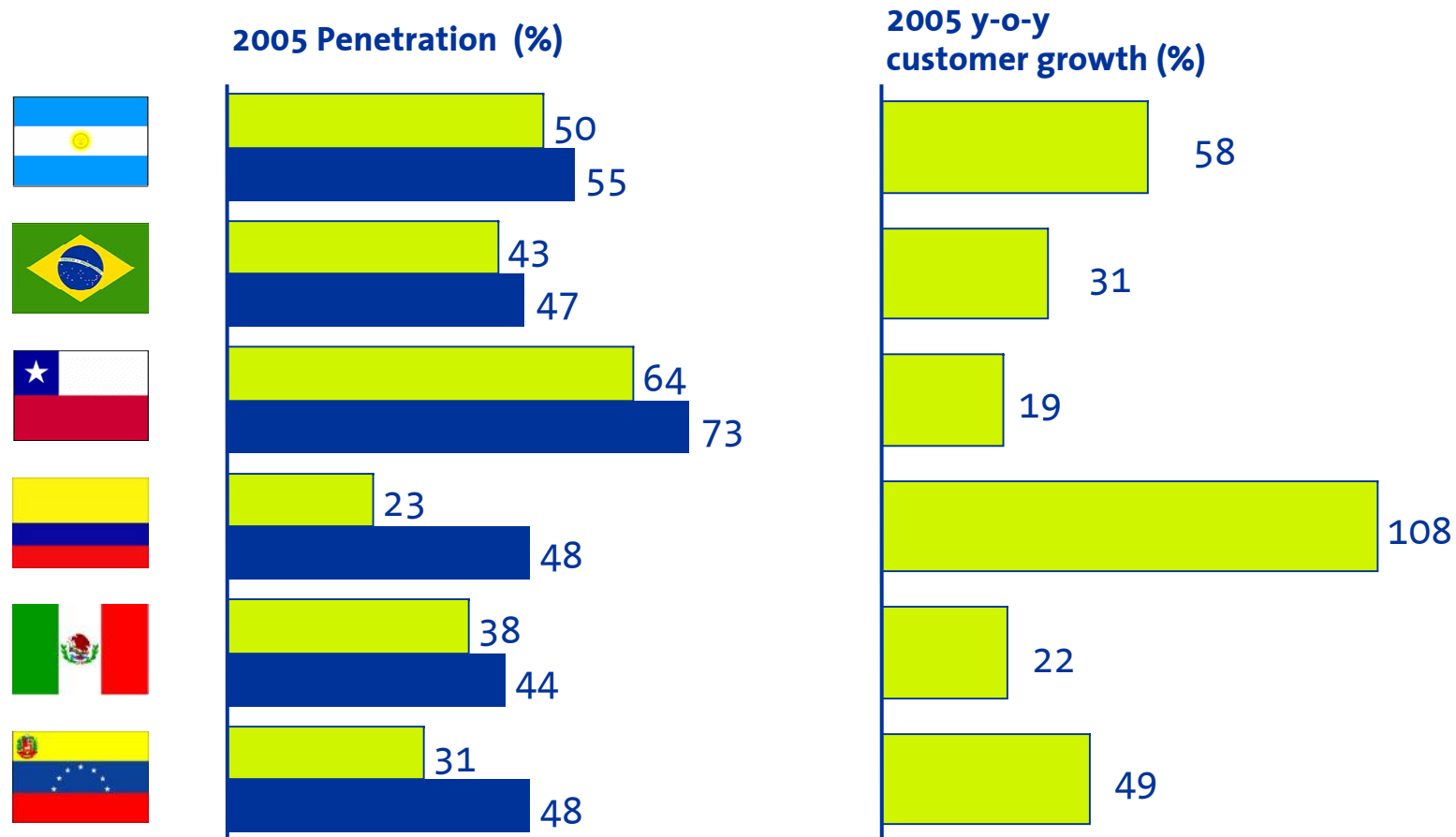


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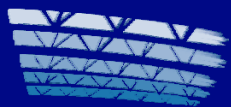
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01 LatAm 2005: Once more, customer growth beat market expectations ...

■ 2005 penetration estimated one
year before
■ 2005 actual penetration



Source: Pyramid



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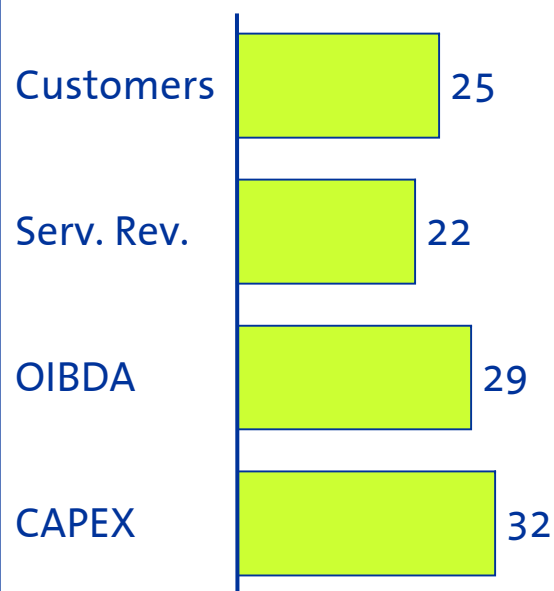
01 ... and TEM LatAm turned around OpCF despite high growth and strong CapEx

■ Integration of BS operations in 10 countries

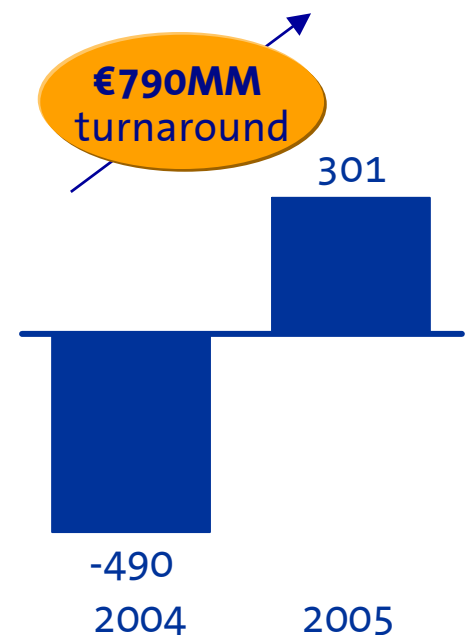
- Mergers in 4 countries
- Deployment of 6 new GSM networks
- Successful launch of a unified brand

■ Significant opex & capex savings from regional management & scale economies

04-05 growth¹ (%)



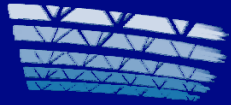
OpCF² (€MM)



Only operator in the region with positive OpCF outside its home market

¹ For comparisons 2004 figures include TM Chile and operations acquired from BellSouth from January 1st, 2004. Growth rates excluding forex.

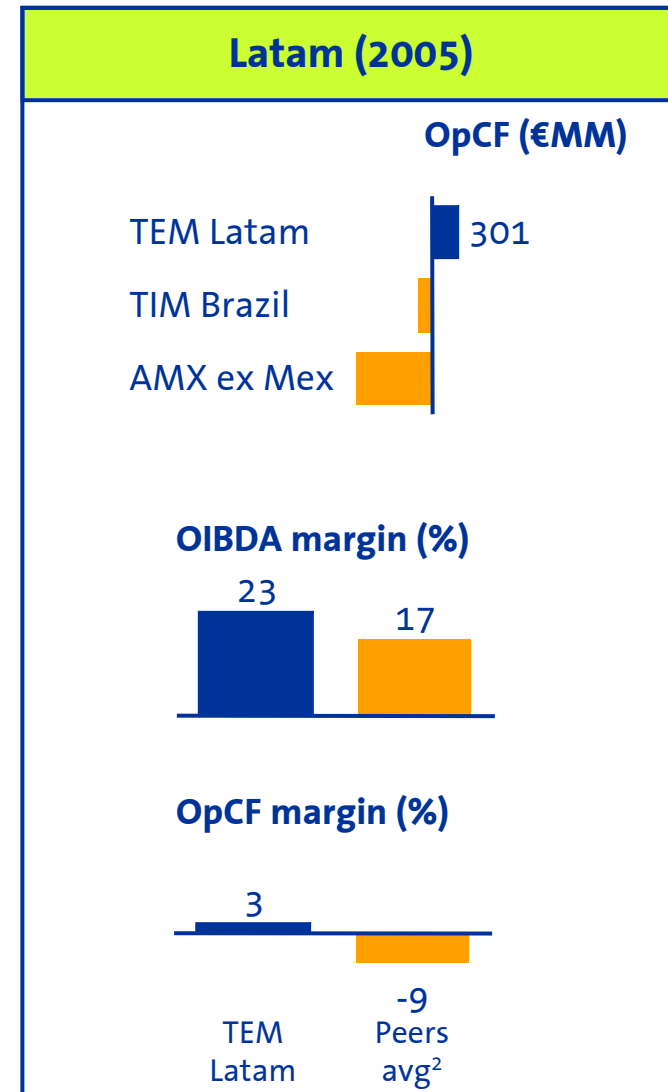
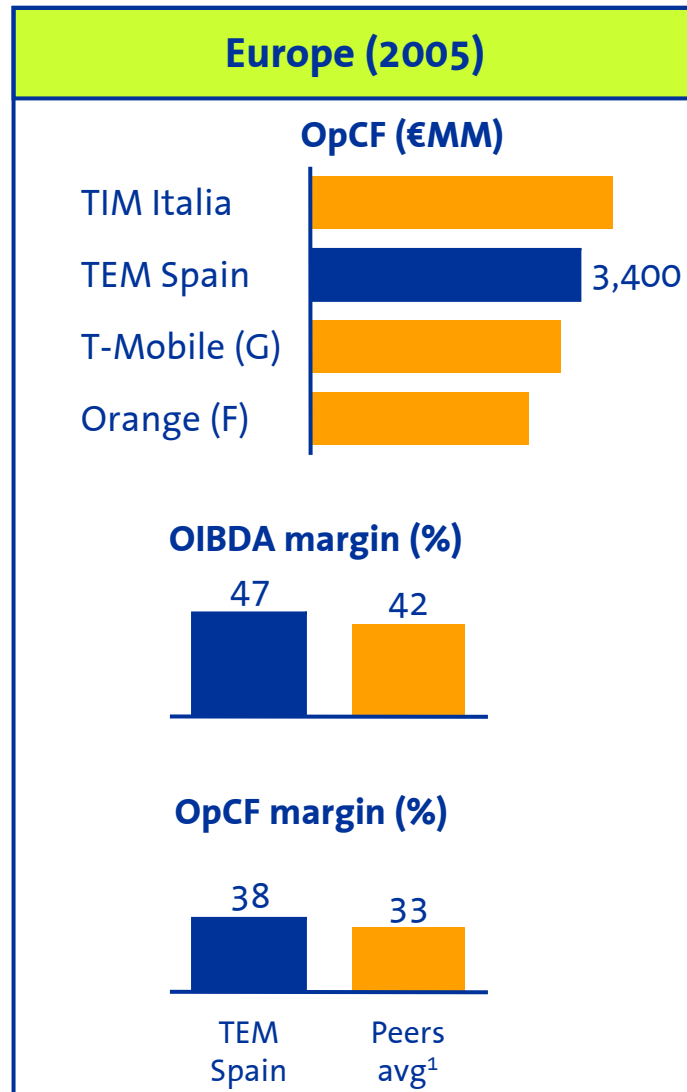
² OpCF: OIBDA-Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.



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01 In summary, a track record of strong top line growth with outstanding cash generation



¹ Includes T-Mobile Germany, TIM Italy, Orange France, KPN Netherlands (ex-Telfort) & TMN.

² Includes America Movil ex-Mexico & TIM Brazil.

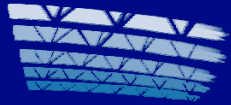
Source: Co. press releases & analysts estimates.

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01 Consistently delivering on our commitments

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02 Our strategy for the coming years

Foster Top Line Growth

- Capture of remaining **penetration** potential in our markets
- Deeper customer segmentation to **enhance** customer value
- Stimulation of voice usage
- **Innovation in new data services**
- Reinforcement of our **brand** equity
- Leverage of our **competitive position**

What makes
us unique

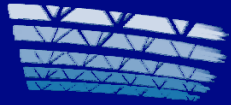
A **tailored and segment based approach** in each market building on Telefónica's capabilities to **innovate**

Enhance Operational Excellence

- Sustain **best in class** operating efficiency in Spain
- Continue **improving efficiency** in Latam
- **Leverage** Telefónica's **unique scale and diversity**

A **distinct profile** to extract **synergies** leveraging Telefónica

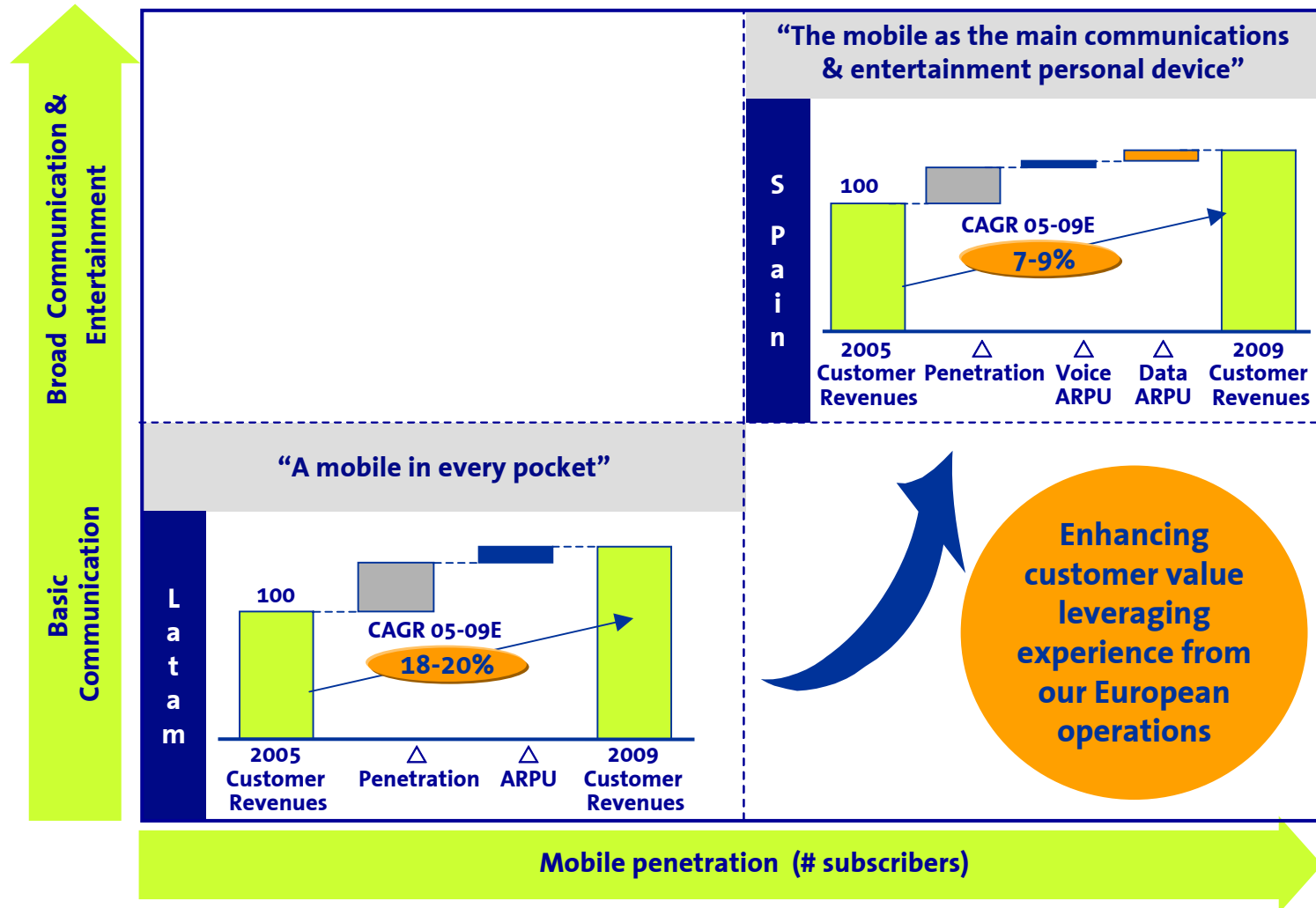
Maximizing cash flow generation while continuing to invest in our sound growth platform



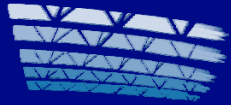
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02 A segment-based approach to extract further growth in a highly diversified portfolio...



Source: TEM estimates for total market.



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02 ... while extracting further synergies from our unique profile



Wireless scale economies & synergies

Global Scale



- Handset procurement
- Network equipment
- Content development/purchasing
- Transfer of knowledge & best practices

Regional Scale

TEM LATAM



- Complete BellSouth integration
- Further development of 2005 initiatives
 - Regional management
 - Single brand
 - Mundo Movistar

TEM Spain – O2

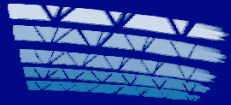


- Roaming
- Corporates & MNCs
- Transfer of knowledge & best practices (VAS, new services...)
- Joint process development

Synergies from collaboration with TEF fixed line business units

TEM/TdE/T. LATAM

- Distribution channels
- Corporate & SMEs accounts management
- Integrated F/M services
- Infrastructure sharing
- Transfer of knowledge & best practices
- Back office services: Common systems & processes



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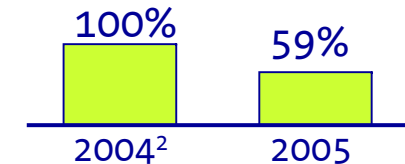
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02 Global Scale: advertising, an area that is already delivering material savings

Cost effectiveness

- Unified advertising campaigns with lower production costs
- 6%-10% of total marketing expenses managed globally

Cost of global sponsorships/ managed customer¹



Improved quality

- Unified advertising campaigns with higher quality
- Improved awareness & perception through global sponsorships



**Brand awareness: 86%
+10 p.p. vs. March 05**

**Brand awareness in
Latam: #3 brand**

**5th most valuable
wireless brand³:
>US\$15Bn**

¹ Excludes customers from Vivo & Meditel.

² Excludes customers from Vivo, Meditel and BellSouth assets acquired in 4Q04.

³ Source: Millward Brown.

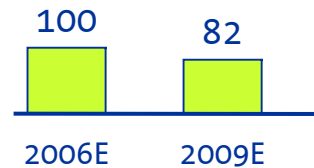
02 Global Scale: further handset and equipment procurement synergies leveraging scale and joint negotiation

TEM

■ Scale:

- > 40MM handsets per year
- GSM networks in 13 countries

GSM handsets average cost



- 25%-30% of savings due to joint negotiation with suppliers¹

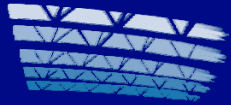
+

TEF

- Increased scope for economies of scale (O2)
- Reinforced relationship with suppliers
 - **Strategic alliance with top vendor to develop and enhance retail distribution channel in México**
 - **Priority launching of handsets from top vendors**
- Savings on 2G/UMTS/HSDPA/HSUPA capex
- Acceleration of UMTS deployment

¹ Cum. 06-09E

- Commercial vendor management:
 - Joint negotiation, price alignment & harmonization
- Reduced time to market
- Exclusivity agreements
- Handset customization to target specific segments
- Integrated technical specification and testing for network equipment, handsets and SIM cards
- Sharing of best operational practices



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02 Spain outlook: strong growth potential in a tough competitive environment



Macro economic environment

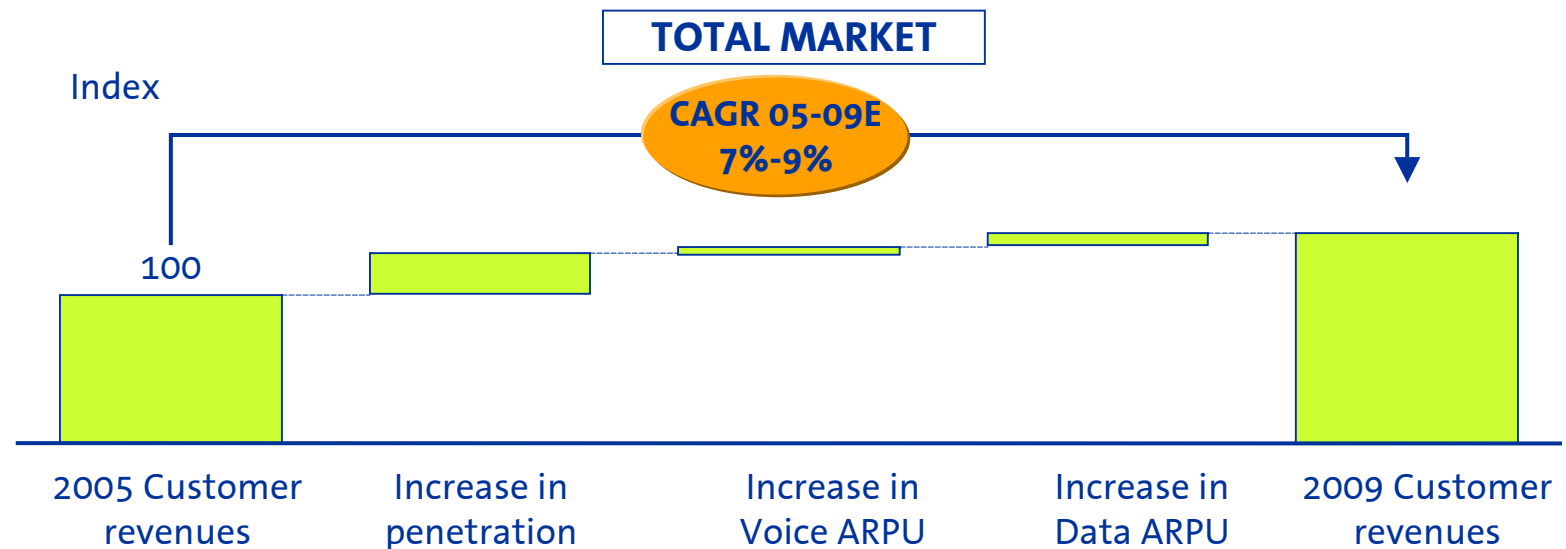
- Growing population (CAGR 05/09E: +1%)
- Superior GDP growth (CAGR 05/09E: +3%)¹

Competition

- Further competition from existing players
- Change of control of #3 player
- Entry of MVNOs

Regulation

- Cuts in interconnection rates
- Potential regulation of roaming charges (EC)

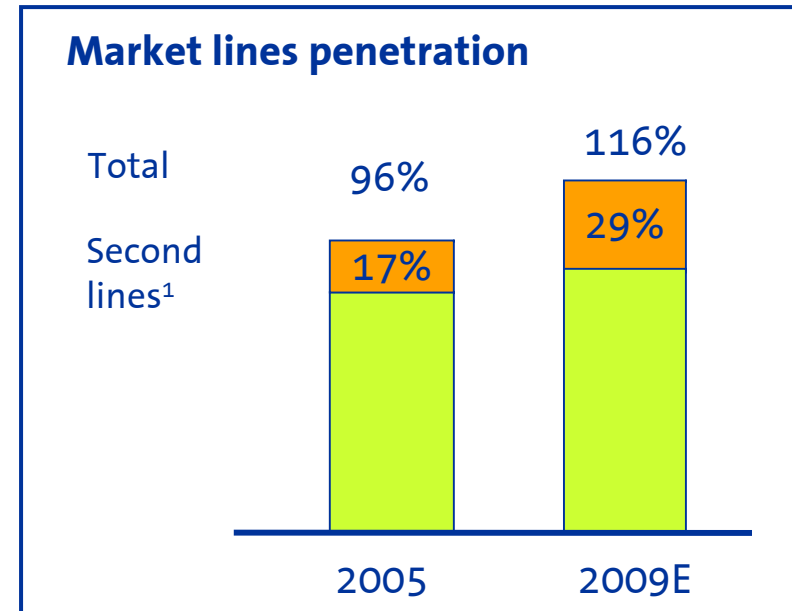
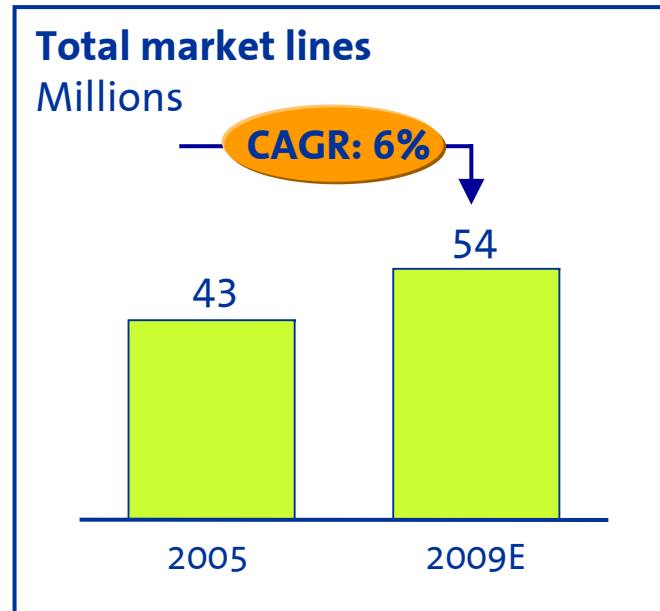


Source: TEM Spain

“The mobile as the main communications & entertainment personal device”

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02 Further penetration increases from new personal connections and data lines



Consumer segments

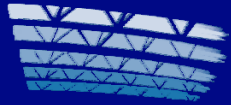
- Higher penetration from new lines and PC Cards



Business & corporate segments

- Higher penetration of e-mail devices and PC Cards due to increased number of employees connected on the move

+ Additional potential from M2M market: cars, vending machines, homes (~5MM lines in the market in 2009E)

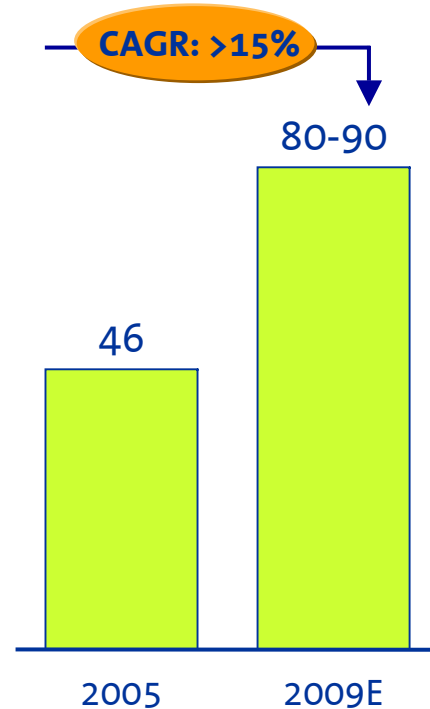


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02 Expansion of voice ARPU to be driven by strong growth in usage

05-09 Spanish outbound minutes on mobile

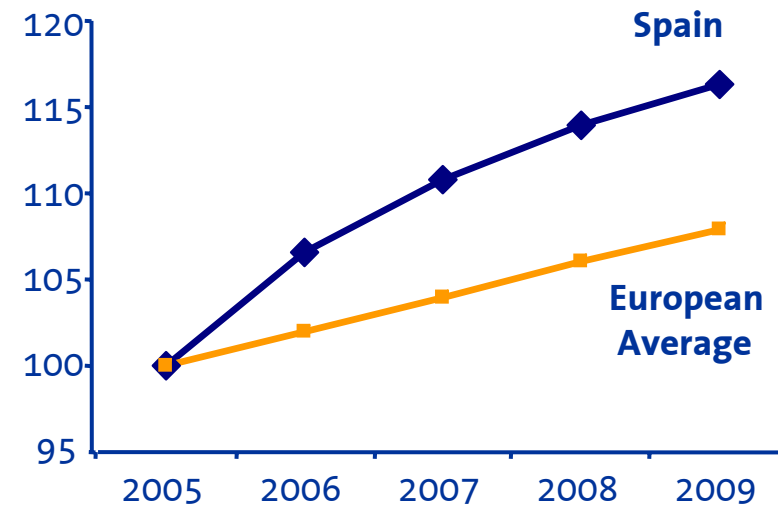
Billion Minutes



Source: TEM Spain

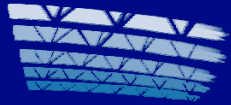
Mobile MOU

Index



Source: Pyramid

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02 Increase in Data ARPU foreseen from higher penetration and usage

New devices

- Smartphones/ BlackBerry
- New platforms: PC card
- Entertainment-specific devices: music, TV...
- M2M



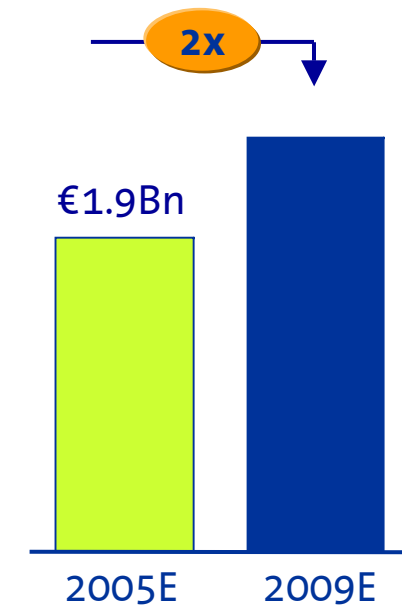
Network

- Higher broadband speed
- Enhanced 3G coverage
- All IP Networks, IMS

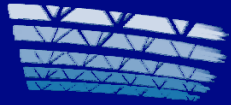
Better value proposition

- Better usability (easier to use software)
- New services and transparent prices schemes
- Potential to mobilize adjacent industries (entertainment, advertising, betting...)

Data revenues (Spanish market)



Source: TEM Spain



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02 Strategic initiatives to capture expected revenue growth

Further segmentation to provide customized solutions & **contain churn**

Voice initiatives to boost usage

Innovative data offer to foster data lines penetration

Technological leadership to promote new sources of growth

Leverage Telefónica and collaborate with TdE and O2

**Focused
customer
approach**

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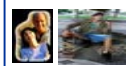


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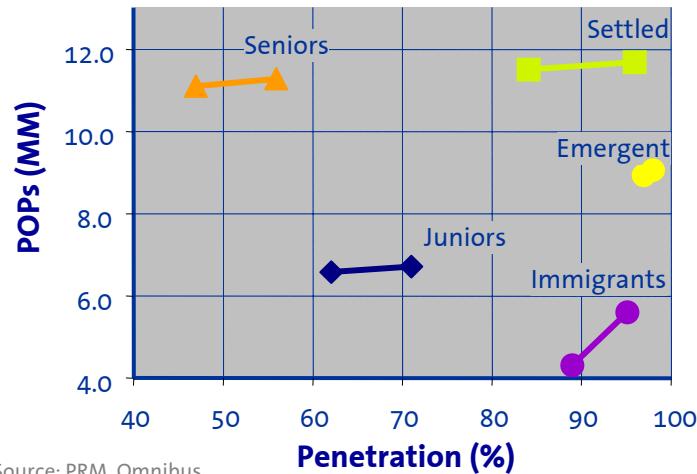
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02 Further segmentation: leveraging our strong position and segment knowledge to expand customer base

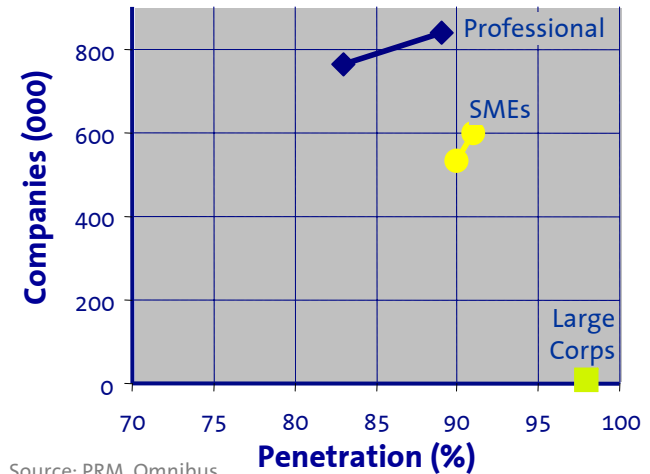
2005-09E



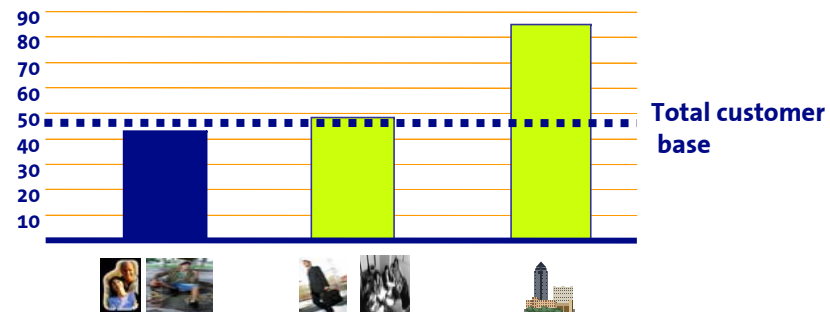
Consumer segments



Business & corporate segments

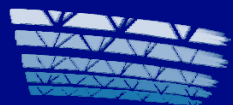


Customer Market Share (2005E)



Source: TEM Spain


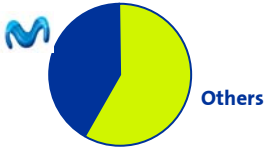
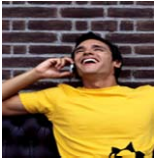


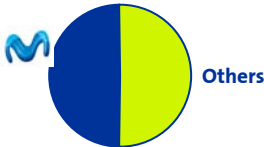

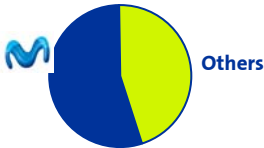

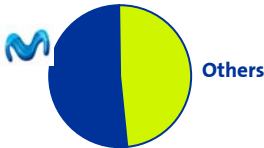
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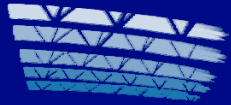


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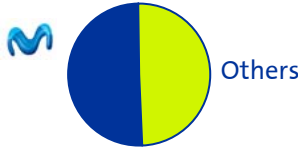

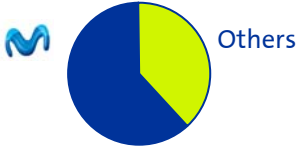

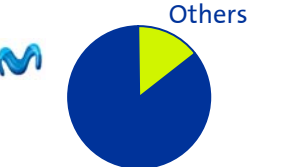
02 Further segmentation: consumer market

Segment	Market share	Opportunity	TEM's approach
 Juniors		<ul style="list-style-type: none"> High usage of SMS, VAS & content services 	<ul style="list-style-type: none"> Innovative P&S to trigger remaining elasticity
 Emergents		<ul style="list-style-type: none"> Low fixed line penetration High internet usage 	<ul style="list-style-type: none"> Advanced P&S bundles to increase data ARPU
 Settled		<ul style="list-style-type: none"> No control of peak-off peak tariffs /on-net traffic 	<ul style="list-style-type: none"> Bundles to offset price cuts & increase loyalty
 Seniors		<ul style="list-style-type: none"> High customer loyalty 	<ul style="list-style-type: none"> Specific plans: family plans, location based services,...
 Immigrants		<ul style="list-style-type: none"> Family/friends prescription Seek for economical international tariffs 	<ul style="list-style-type: none"> Global community effect Specific destination tariffs Presence in Latam, O2 territories & Morocco

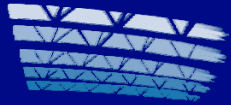


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02 Further segmentation: business and corporate market

Segment	Market share	Opportunity	TEM's approach
 Professionals		<ul style="list-style-type: none"> ■ High value ■ Business & individual usage 	<ul style="list-style-type: none"> ■ Differentiated offer through network (on-net pricing) and convergence advantages
 SMEs		<ul style="list-style-type: none"> ■ Low mobile penetration per company 	<ul style="list-style-type: none"> ■ Advanced P&S bundles to promote VAS usage ■ Capitalize on TdE sales force
 Large Corps		<ul style="list-style-type: none"> ■ Roaming offer key ■ Demand for fixed-mobile solutions 	<ul style="list-style-type: none"> ■ Bundles to increase new data services & services usage ■ Enhance value of existing customers ■ Capitalize TdE sales force ■ Leverage collaboration with O2

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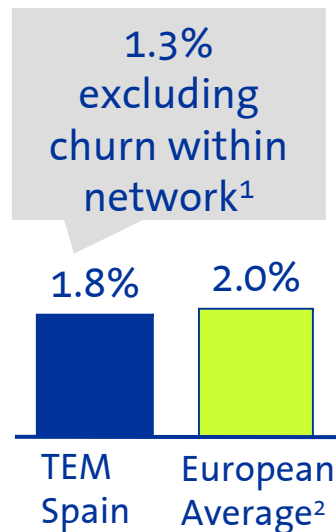


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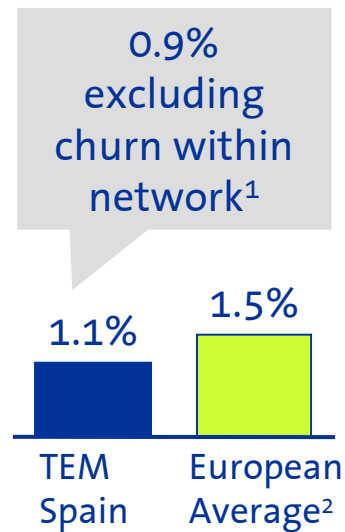
02 Sustain world-class churn

Churn (2005)

Blended



Contract



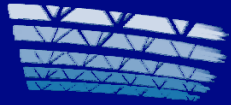
Our actions to contain churn:

- Exploit **on-net effect**: **45-50% lower** churn in customers with on-net products
- Promote **long term contracts**: 56% of commercial actions in 1Q06 vs. 23% in 1Q05
- Prepaid to contract **migrations**
- Quality of service and customer care

Telefonica

¹ Source: Ideas Originales

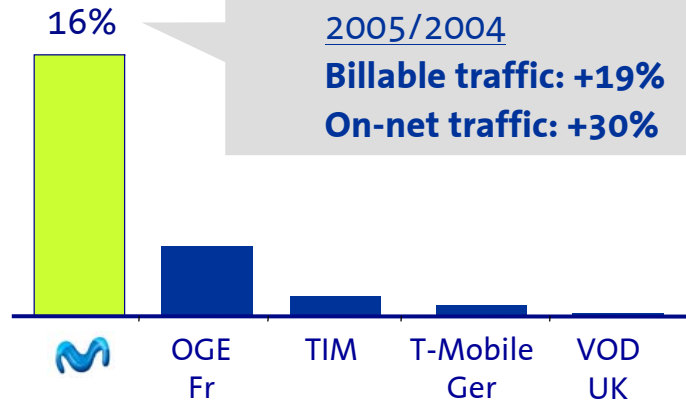
² Includes T-Mobile Germany, T-Mobile UK, T-Mobile Austria, Vodafone Italy, Vodafone Spain, Vodafone Germany, Vodafone UK, Orange France, Orange UK, Amena, KPN Mobile NL, E-Plus



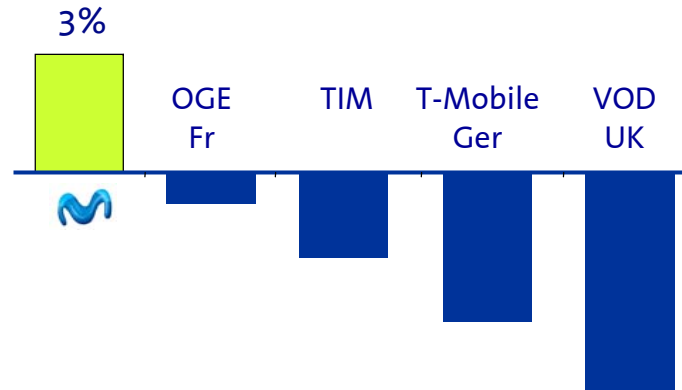
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02 Voice initiatives to boost usage

2005 MOU growth



2005 ARPU Growth



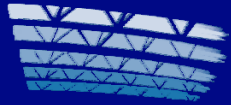
Further initiatives to stimulate voice elasticity

- Aggressive on-net prices
- Prepaid to Contract migrations
- Customized bundles based on the new segmentation
- Attractive roaming prices (O2)



Telefonica

Source: Merrill Lynch "4Q05 European Wireless Matrix" & Co. press releases.



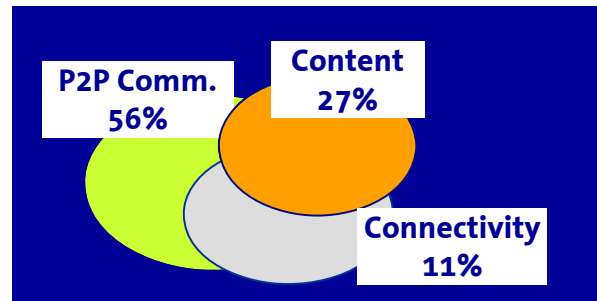
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02 Innovative data offer to foster data lines penetration

2005

Users of data services



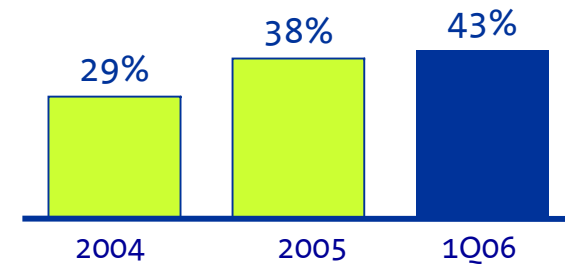
- Promising results...
 - >18MM game downloads & ring back tones (1st European player in number of in 2005)
 - €10MM from ring back tones

- But still large untapped potential...

38% of our customer base do not use data services

2006

Growing contribution from non P2P SMS data revenues



Innovative /simpler pricing schemes to drive usage



100K customers in 1 month

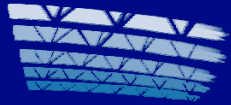


emoción

May 06

- €0.30 flat rate per session





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02 Capture of new revenue sources enhanced by 3G higher speed access

Browsing/ Content

- 1st Spanish mobile portal to integrate Google search engine
- Increasing penetration of personalization services



Messaging

- 1st mobile portal with real time access to webmail
- Instant messaging
- Multimedia messaging
- Mobilising business customers (e-mail)

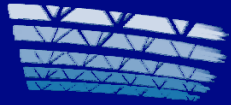


PC connectivity

- Wireless broadband for residential and business customers:
→ 25% mobile-enabled laptops by 2009E
- Launch PCs with embedded HSDPA modules



>1MM
connected PCs
by 2009E



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02 Launch of innovative services to capture new revenue streams and enter adjacent industries

Mobile TV

- DVB-H pilot showed promising results:
 - 75% would recommend this service
 - >55% would pay for this service (5€)
 - ~15-20 min of use per day

Music

- Exclusive anticipated launch of new hits on mobile to strengthen brand image
- Extensive music library and agreements with major record companies.
- Launch of special handsets (i.e. mobile enabled iPod)

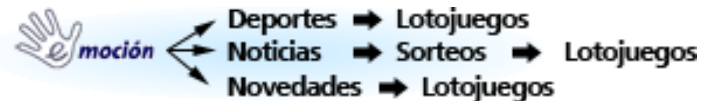


Business applications

- Mobilization of business applications (horizontal, vertical)
- “Development ecosystem” to foster innovation
- Potential to leverage on-net effect through community services

New businesses

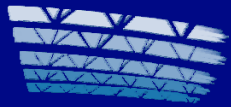
- Potential opportunities in advertising and betting



F2M Integrated Services

- Video services from/to fixed/wireless, Imagenio móvil, “Wireless Internet anywhere” ...

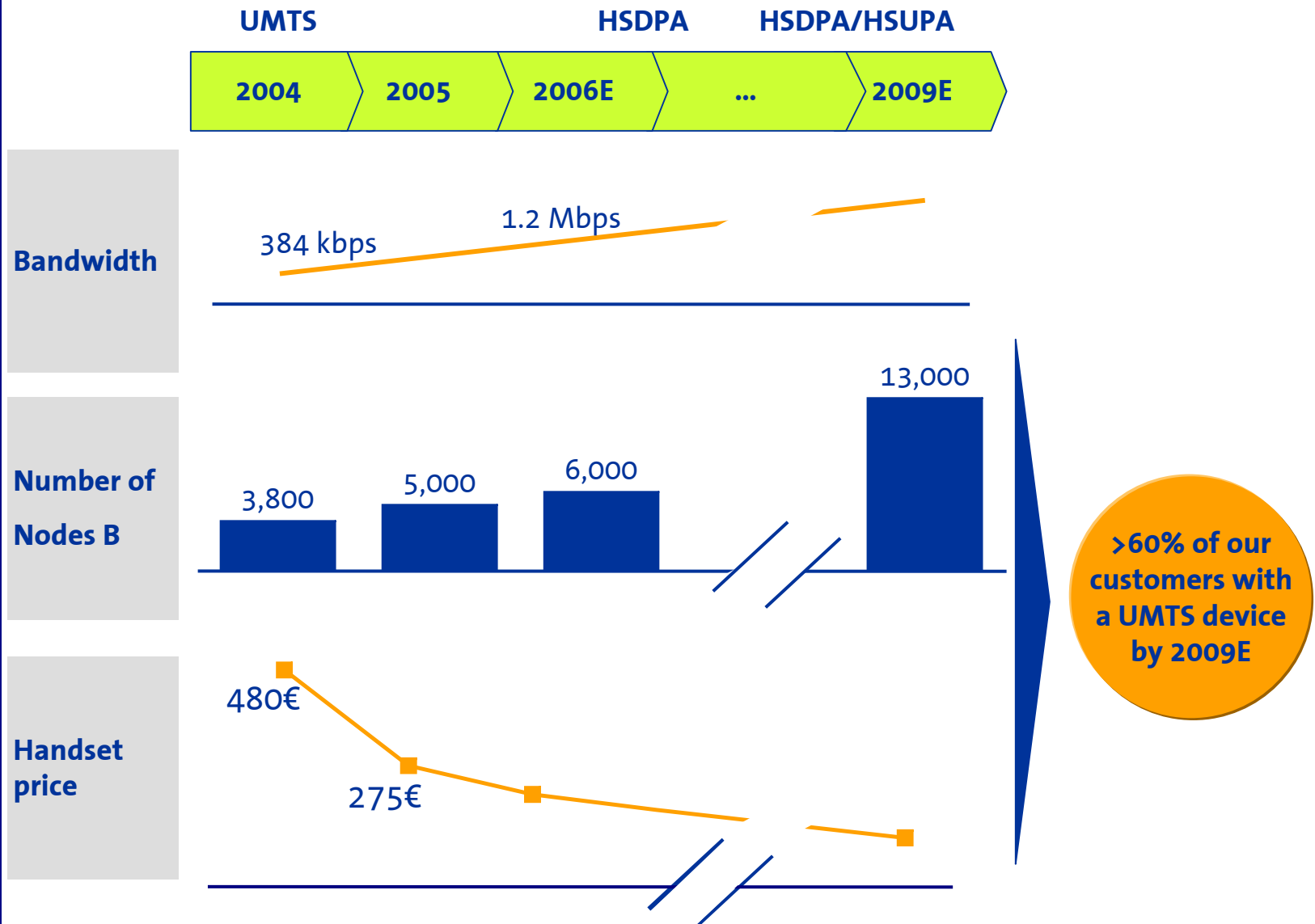
45% of our customer base will use advance data services in 2009E vs. 19% in 2005

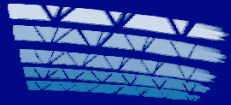


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02 Pace of implementation to be driven by handset prices and features





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02 Leverage Telefónica-O2 collaboration



Roaming

- Joint New value proposition for roamers: **“My Europe”**
 - European holiday makers: free-opt plan offering reduced tariffs when roaming in any network
 - High roamers: reduced rate for calls made and no charge for calls answered when abroad
- Traffic internalization (higher revenues & lower costs)

Summer
06

Autumn
06

MNCs & Corporates

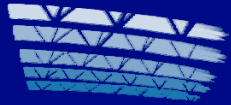
- Joint sales team
- Enriched proposition:
 - ‘One stop’ shop
 - Specialized P&S offering
 - Enhanced after sales support

Handsets & Equipment Procurement

- Joint procurement of network equipment and handsets
- Exclusive handsets from top vendors

Technical

- Common network quality indicators within the Group
- Common technical tests for equipment certification



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02 Leverage Telefónica-TdE collaboration



Ongoing initiatives

Distribution channels

- **Corporate:** Global Account management resulting in increased loyalty
- **SMEs:** Sales force collaboration to increase penetration
- **Individuals:**
 - Indirect channel: Leverage TEM know-how to sell TdE products
 - Online channel: Evolution towards a single access
 - TEF own shops¹
 - Call centers: 310,000 calls transferred in 1Q06

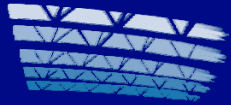
Integrated services

- Already in place:
 - Wireless Internet anywhere, Video Services from/to fixed/wireless, Loyalty Plan
- Upcoming launches:
 - Voice solutions for Groups, Imagenio móvil
 - Further developments of integrated services already in place

Network

- Common Backbone
- Common IMS. Towards a single network

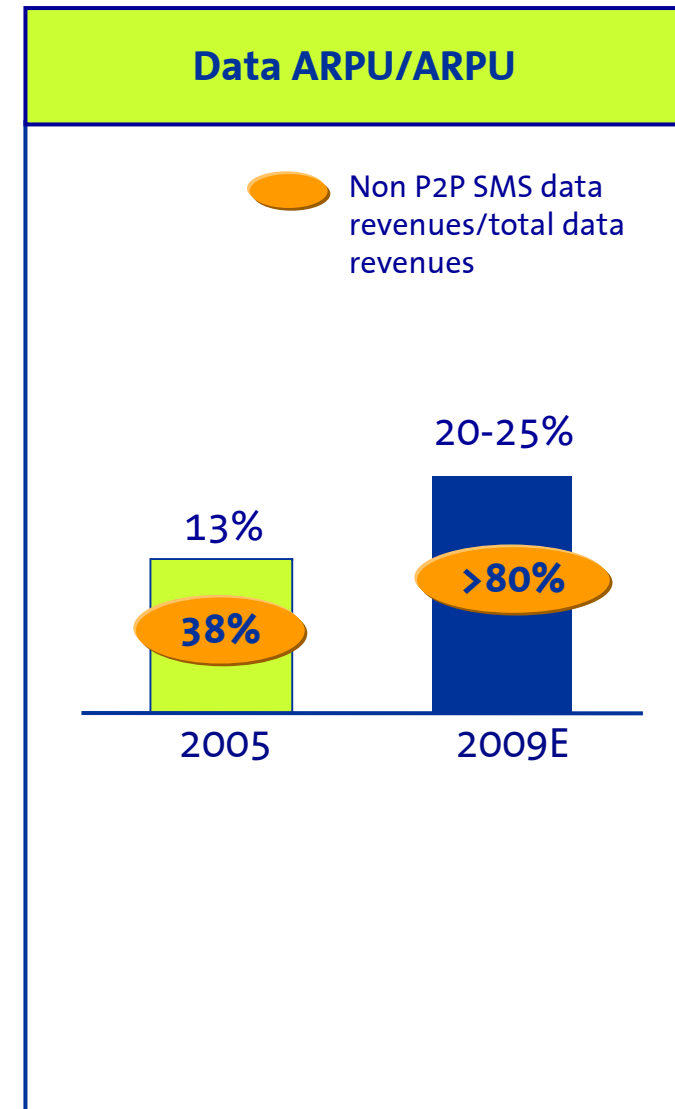
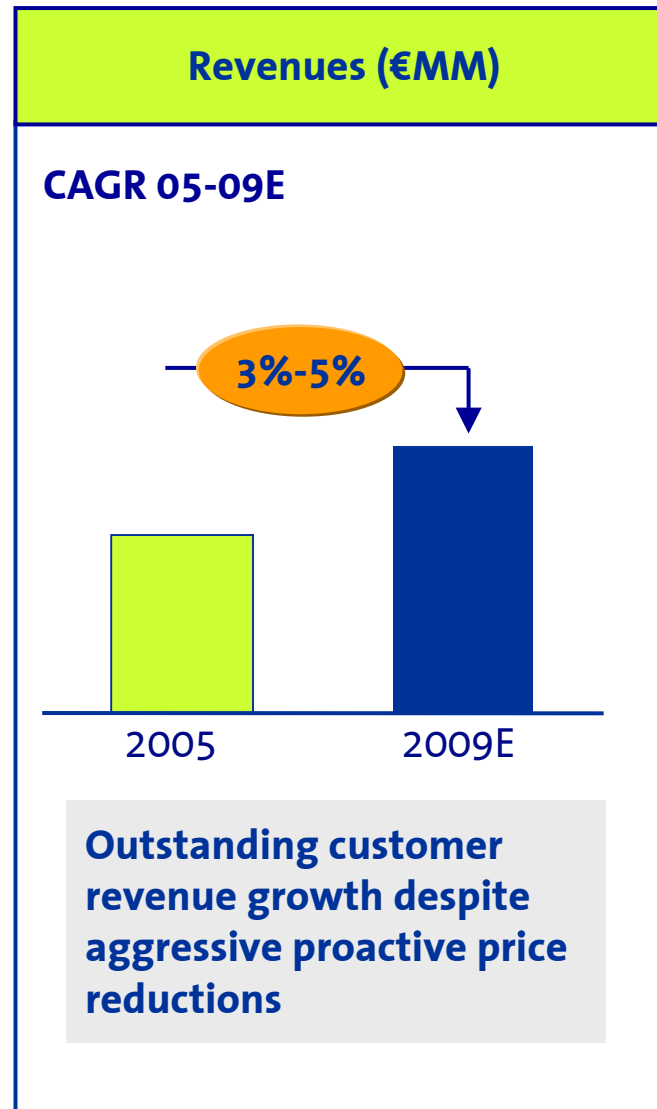
¹ Managed by TEM Spain

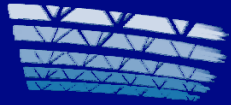


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02 TEM Spain summary: superior revenue growth in a mature but growing market...





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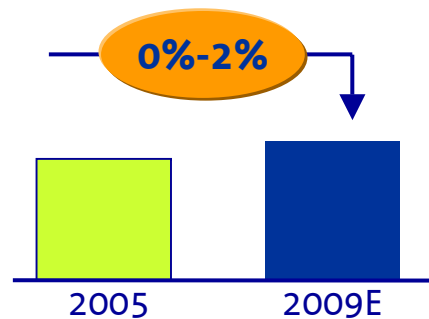
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02 ... with best in class operating efficiency

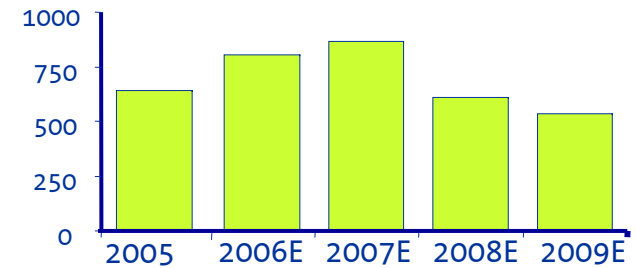
OIBDA (€MM)

- Ongoing **high commercial costs** due to strong activity in a very competitive market
- Steady **focus on non commercial costs:**
 - Improved CRC efficiency
 - Billing reengineering
 - Logistic cost reduction
 - Network Opex reduction (IP Solutions)

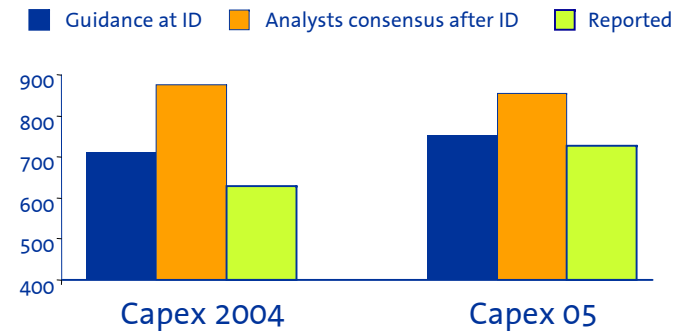
CAGR 05-09E



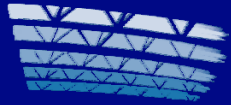
Capex (€MM)



- **2006/07 are peak network capex years:**
 - UMTS deployment
 - Marginal capex in GSM from 2008
- **Total network capex 06-09E: €1.7Bn**
 - UMTS: <€1.2Bn



OpCF CAGR 05-09E: **1%-3%**



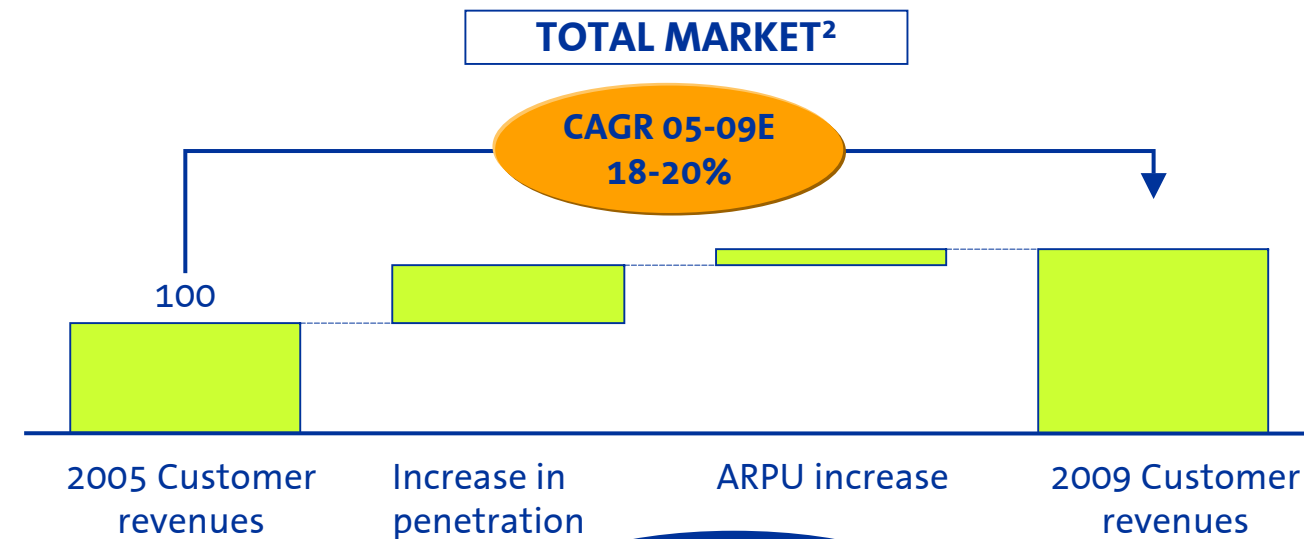
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02 LatAm outlook: strong growth prospects backed by a positive macro scenario



Macro economic environment	Competition	Regulation
<ul style="list-style-type: none">■ Growing addressable population:<ul style="list-style-type: none">■ CAGR 05-09E: +1%■ Strong GDP growth¹ (CAGR 05-09E: +4%)	<ul style="list-style-type: none">■ Towards a rational competitive environment in most markets led by 2 global players	<ul style="list-style-type: none">■ Cuts in termination rates:<ul style="list-style-type: none">■ 26% of TEM Latam revenues in 2005



Source: TEM assuming constant exchange rates

"A mobile in every pocket"

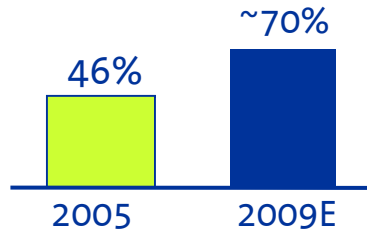


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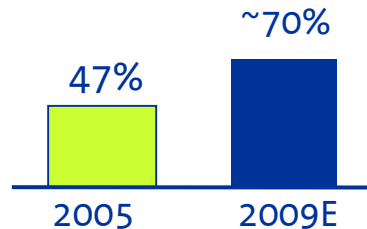
02 Increase in penetration driven by solid customer growth prospects across the region

Total LatAm



Andean Region

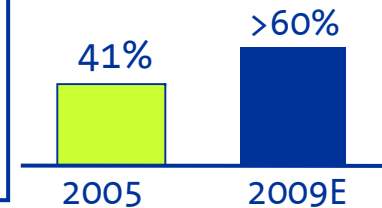
- Venezuela: #1
- Colombia: #2
- Ecuador: #2
- Peru: #1



Northern Region

- Mexico: #2
- Guatemala: #3
- El Salvador: #2
- Panama: #2
- Nicaragua: #2

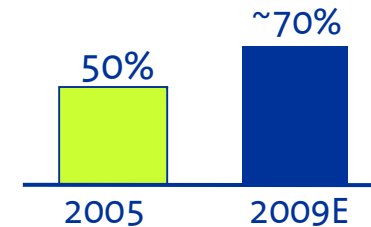
135MM
POPs



Brazil¹

- #1

136MM
POPs

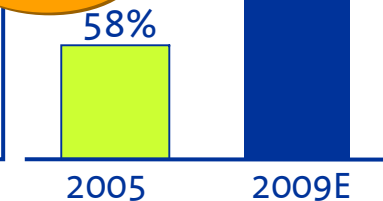


¹ Vivo's areas of operations

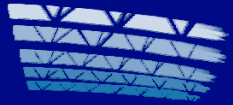
Southern Cone

- Chile: #1
- Argentina: #1
- Uruguay: #2

58MM
POPs



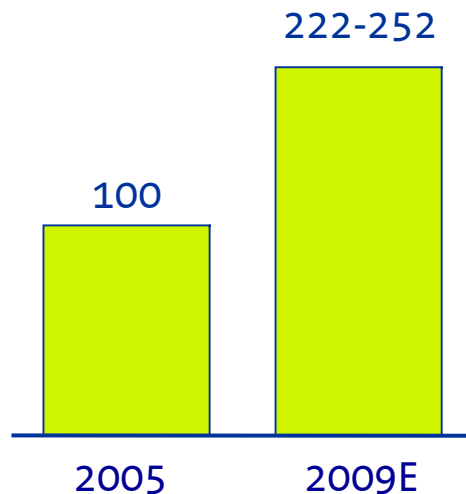
Wireless Penetration



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CONFERENCE

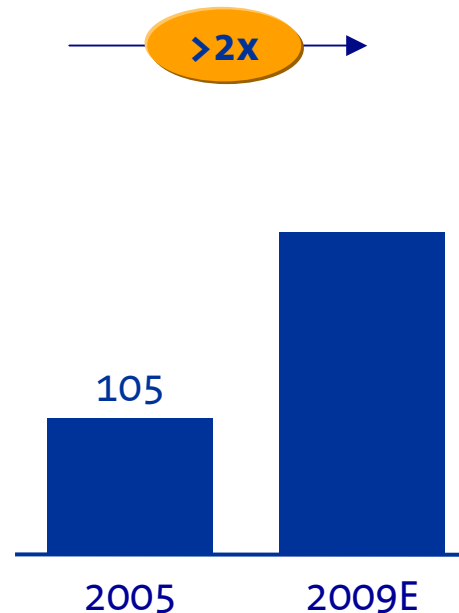
02 ARPU increase underpinned by very strong voice and data usage growth forecasts

**05-09 LATAM outbound
minutes on mobile**
Index



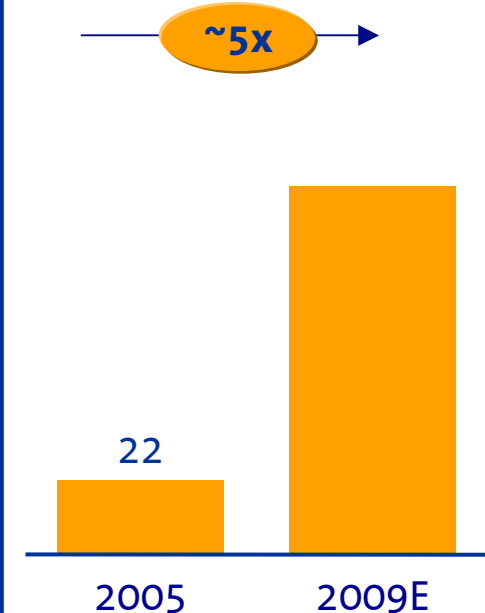
Source: TEM

**Total SMS users
in LatAm (MM)**



Source: Pyramid

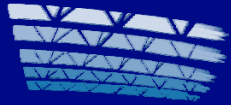
**Advanced data services
users¹ in LatAm (MM)**



Source: Pyramid

¹ Users of Ringtones, Graphics/Images, Games, Information Services, Music, Video, & Mobile Data/Remote access

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02 Strategic initiatives to capture expected revenue growth...

Deeper unified segmentation to provide customized solutions

Leading Innovation in the region

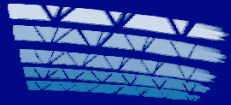
Regional presence and management to enhance competitive position and efficiency

Sharing service development and platforms to accelerate time-to-market

Mundo Movistar: capitalize on our unique global footprint

Leverage Telefónica and collaborate with T. Latam

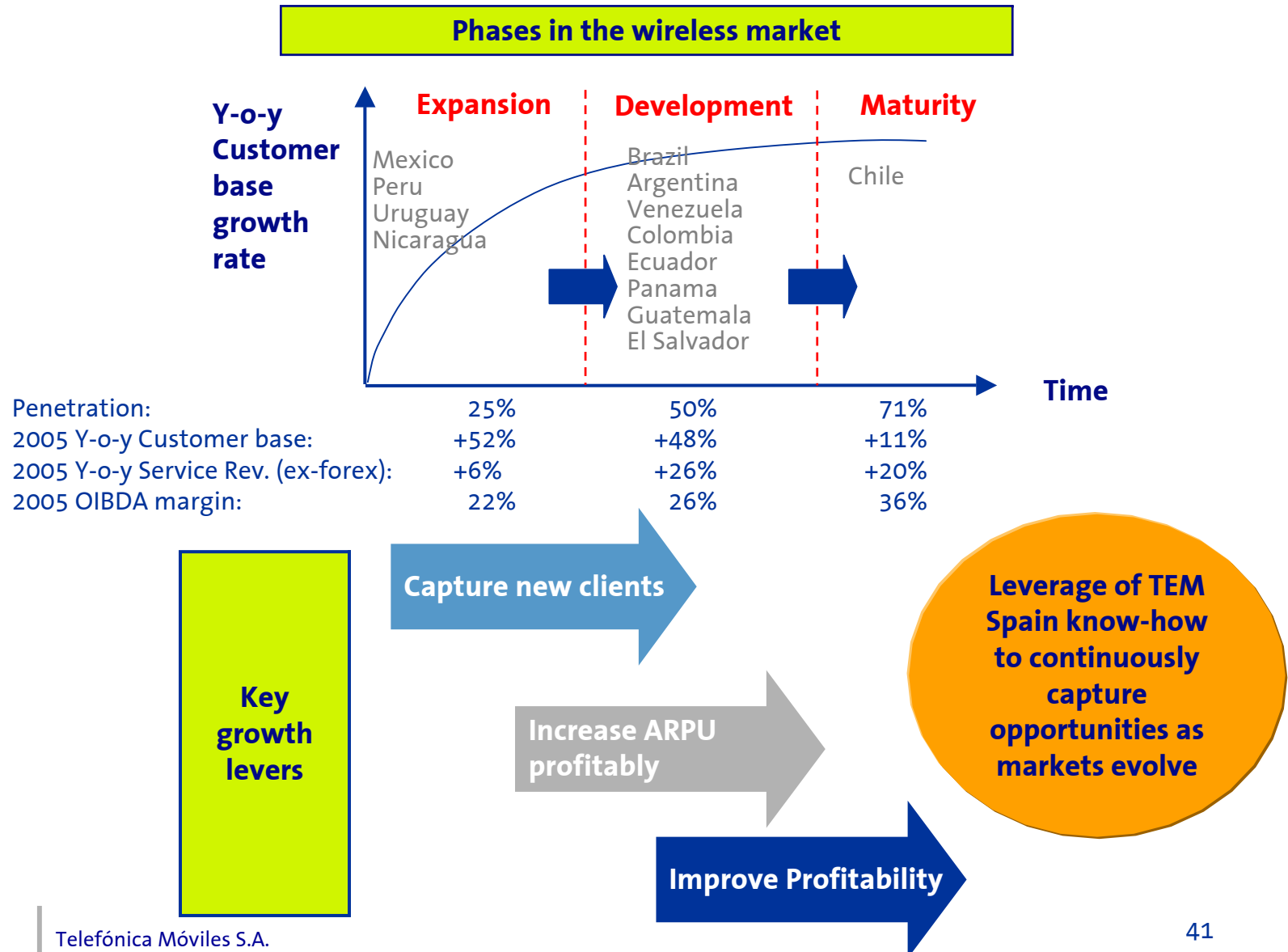
Focused customer approach

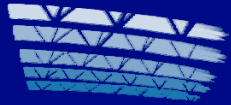


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02 ... leveraging our know-how in markets with different maturity

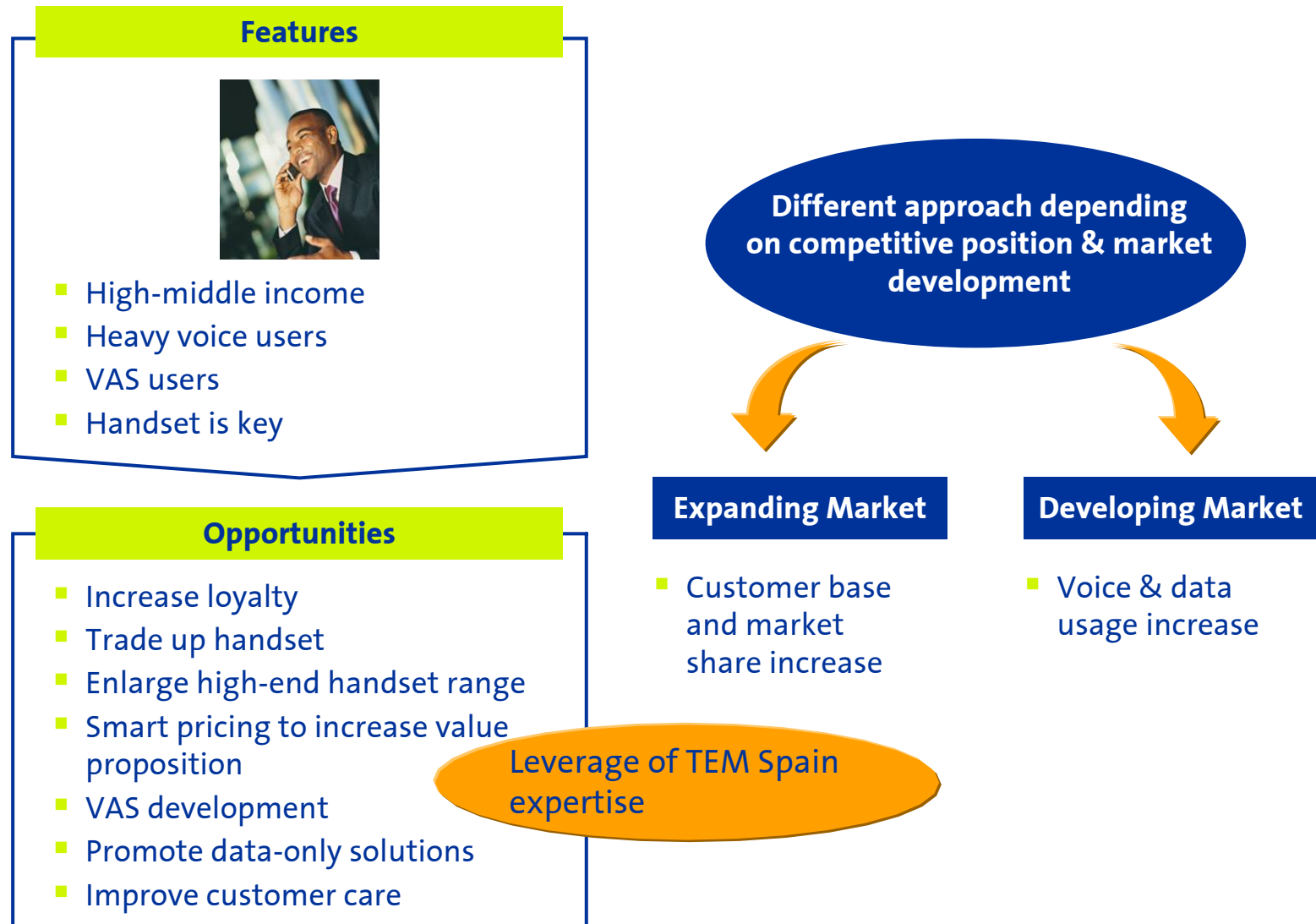




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02 Deeper segmentation: “Value for Money” in voice and data for the Top Consumer Segment



02 Deeper segmentation: Mass Market, ensuring payback through right balance between SAC and churn

Features



- Middle-low income
- Low voice users
- Data usage: mainly SMS
- Value seekers: Handsets & Tariffs

Opportunities

- Exploit the “community effect”
- Leverage “Mundo Movistar”
- Develop low income business model

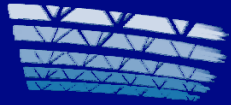
Different approach depending
on competitive position & market
development

Expanding and
developing Market

- Focus on
acquisition

Mature Market

- Focus on
profitability



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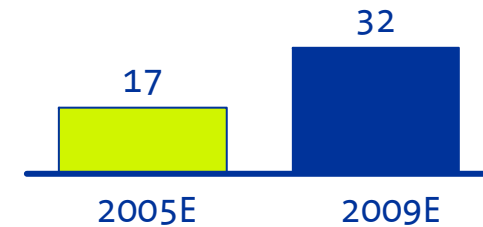
02 Deeper segmentation: Business and Corporate Market, capitalizing on TEF position

Features



- Heavy voice usage
- Diversified portfolio of data usage needs with focus on BB
- Low mobile penetration per company

Business Users in LatAm (MM)



Source: ARC



Tailored commercial approach

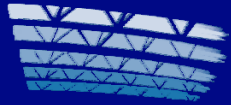
MNCs

- Global sales team
- Customized solutions leveraging TEM Spain know-how (Movilforum)

SMEs

- Dedicated distribution channel & sales force
- Dedicated call centers

- Global portfolio of P&S
- Leveraging TEF capabilities for global customers



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02 Leading innovation in the region

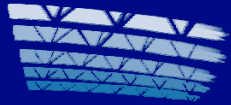
New services/concepts

- Launch of common VAS across the region:
 - Mail Movistar
 - BlackBerry agreement for all LatAm operations
 - VPN
 - Vertical applications
 - MMS
 - Video streaming
 - Ring back tones
 - Location Based services
 - Push to Talk



Innovative P&S portfolio and launch of “success stories”: on-net offer, ring back tones, ... leveraging TEM Spain know-how

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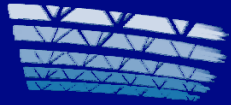
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02 Regional management: enhanced competitive position and increased efficiency



	Northern Region	Andean Region	Southern Region
2005	<ul style="list-style-type: none"> Mexico's core network supports Central America operations 	<ul style="list-style-type: none"> Infrastructure sharing in GSM launch in Colombia & Ecuador 	<ul style="list-style-type: none"> Focus on in-market integration of operations in Argentina & Chile Uruguay operations supported from Chile and Argentina
2006	<ul style="list-style-type: none"> GSM deployments in record time : <ul style="list-style-type: none"> 6 networks in less than 12 months 3G compatible networks Development of IT project Enhancement of VAS offer Focus on regionalization of processes & structure 	<ul style="list-style-type: none"> GSM launch in Peru based on Colombia & Ecuador networks Further development of common infrastructures in Ecuador & Colombia 	<ul style="list-style-type: none"> Focus on infrastructure standardization & sharing in Argentina & Chile Launch the regionalization of processes & structure
2009	<p>Implementation of TEM Spain Prepaid Platform & Commercial System</p> <p>CONSOLIDATION OF THE REGIONALIZATION:</p> <p>UNIQUE PROCESSES & SYSTEMS</p>		



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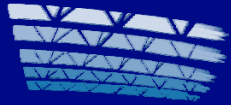
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02 Sharing service development and platforms to accelerate time-to-market

	Northern Region	Andean Region	Southern Region	Brazil
MMS	✓	✓	✓	✓
Regional Over the Air recharges	✓	✓	✓	✓
VPN	✓	✓	✓	✓
Video streaming	✓	✓	✓	✓
Ring tones	✓	✓	✓	✓
Location based services	✓	✓	✓	✓

✓ To be launched during 2006

- Enhanced high quality P&S portfolio across all regions leveraging infrastructure, IT & platforms sharing
- Further development of a common roadmap of VAS

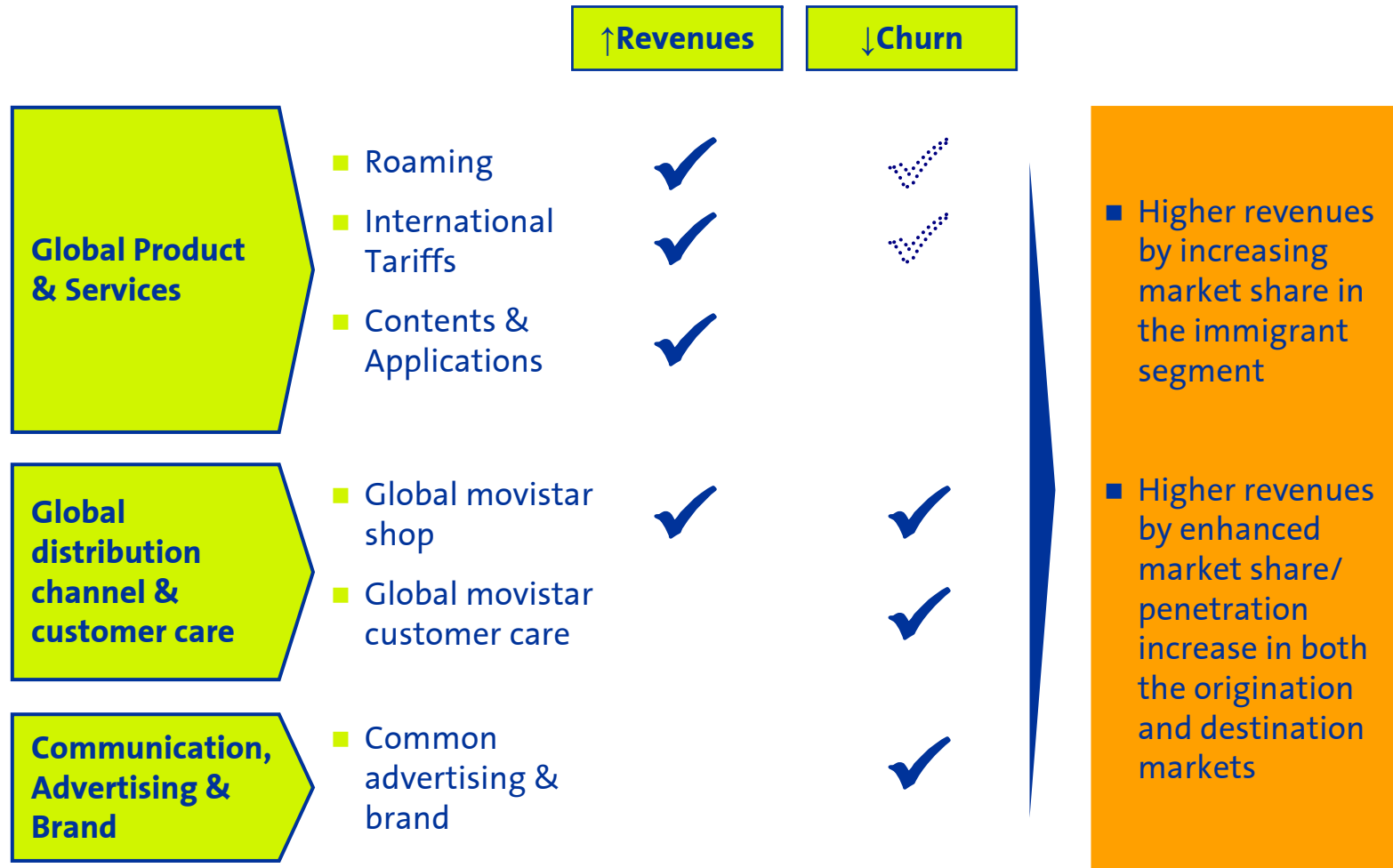


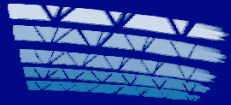
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02

mundo **movistar** : leverage our unique global footprint





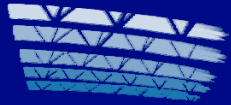
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02 Leverage Telefonica: collaboration with T. Latam



	Type of initiatives	Specific examples
Corporate segment	<ul style="list-style-type: none">■ Leverage T-Empresas and T. LatAm local structures■ Identify and serve new global customers	<ul style="list-style-type: none">■ Collaboration/ integration of sale forces in all countries■ Integrated sales force for global customers
Distribution Channels	<ul style="list-style-type: none">■ Cross sale of P&S in all channels	<ul style="list-style-type: none">■ Sale of Speedy in Movistar shops■ Call center signalling and coordination
Integrated offers & Convergent P&S	<ul style="list-style-type: none">■ Develop integrated services for the residential segment■ Offer convergent services for the corporate segment, mainly SMEs	<ul style="list-style-type: none">■ 3 or 4 play offers■ In-group minutes■ F-M VPNs



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02 Northern Region: continuous building sound operations

MEXICO



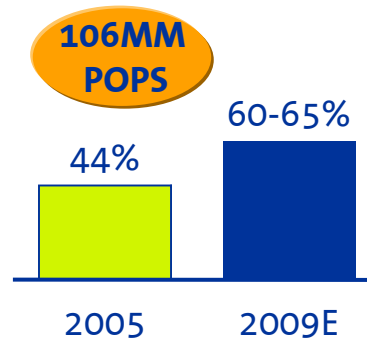
**Building a
sound #2
player in a high
growth market**



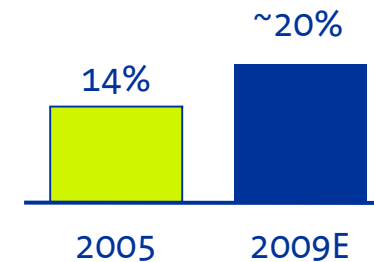
**CENTRAL
AMERICA**

Telefonica

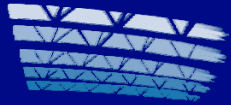
Wireless Penetration



TEM's market share



- Regulation likely to converge
 - National CPP (from October 06) should have a positive impact in traffic & revenues
 - Expansion through healthier distributors resulting in better quality of customer base
 - Capitalize on alliance with top vendor to develop retail channel
 - New commercial offer targeted at different segments needs
 - Unique value proposition to corporate clients
-
- New P&S offer: Quadruple play launched in El Salvador
 - Enhanced efficiency capitalizing on regional management from Mexico



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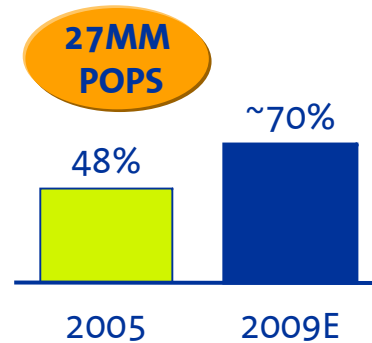
02 Andean Region: consolidation of market positions

VENEZUELA



Capturing
growth

Wireless penetration



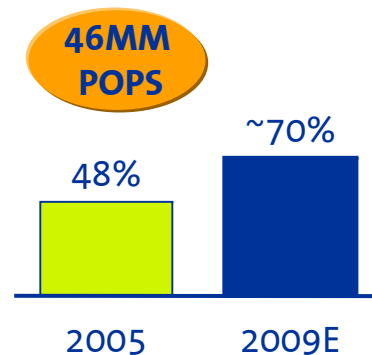
- Sustaining leadership in a more competitive market:
 - Higher focus on loyalty (customer & distribution)
 - New customer care model
 - Leverage community effect through pricing
- Leading innovation in the market: EVDO

COLOMBIA



Enhancing
competitive
position in a
fast growing
market

Wireless Penetration

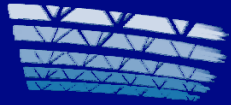


- Increasing market share by expanding addressable market by 10MM POPs via
 - Complete GSM coverage
 - Reshaping & expanding distribution
- Capitalize on Colombia Telecom recent acquisition by T. LatAm



ECUADOR
PERU

- Strong penetration growth boosted by GSM launch



FIFTH INVESTOR
CONFERENCE

Telefonica

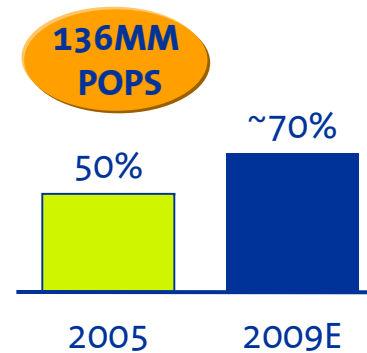
02 Brazil: selective approach in an overcrowded market

BRAZIL

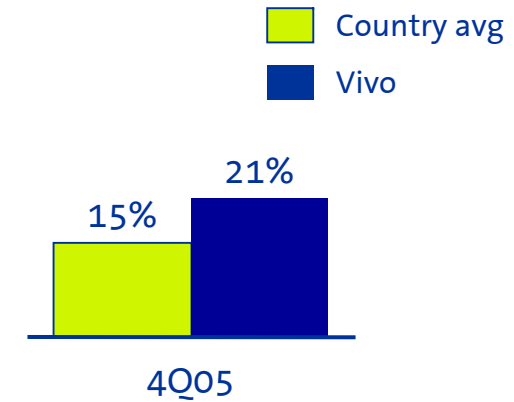


**Sustaining
market
leadership in a
overcrowded
market with
positive OCF
generation**

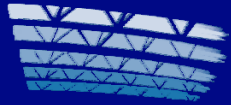
**Wireless Penetration
in areas of operations**



OIBDA margin



- Lower value of marginal subscribers requires a selective commercial approach
- Greater focus on the corporate segment and high value customers
 - Enlarge size of the sales force for the corporate segment: 2x in Sao Paulo
 - Accelerate handset upgrades in the premium segment: 7MM in 2006
- Capitalize on community plans to increase loyalty & promote usage
- Further VAS development
- Segmented customer care enhancement
- Exploit the advantages of being the leader in terms of network quality
- Provide nationwide coverage (roaming)



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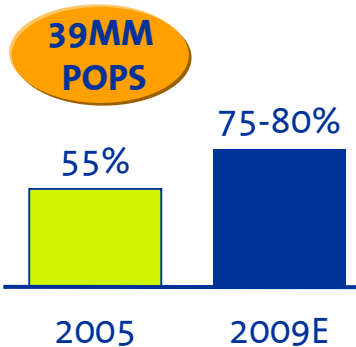
02 Southern Region: continuously over-performing

ARGENTINA



Leading the
growth in the
market

Wireless Penetration



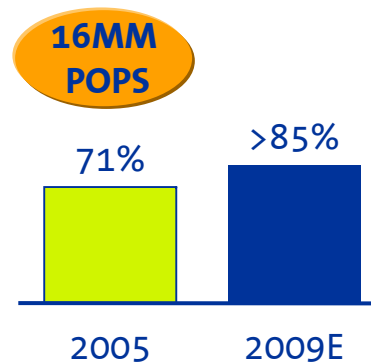
- Consolidate leadership position
- Complete GSM coverage in the North in 2006
- Leverage TASA's leadership: Cross Selling

CHILE



Sound service
revenue
growth

Wireless Penetration

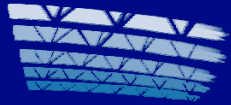


- Sustain leadership: Increase focus on retention
- Enhance customer value:
 - Prepaid to contract migrations (from CDMA to GSM)
 - Smart pricing to foster usage
- Leverage Telefónica Chile leadership: Cross Selling

URUGUAY



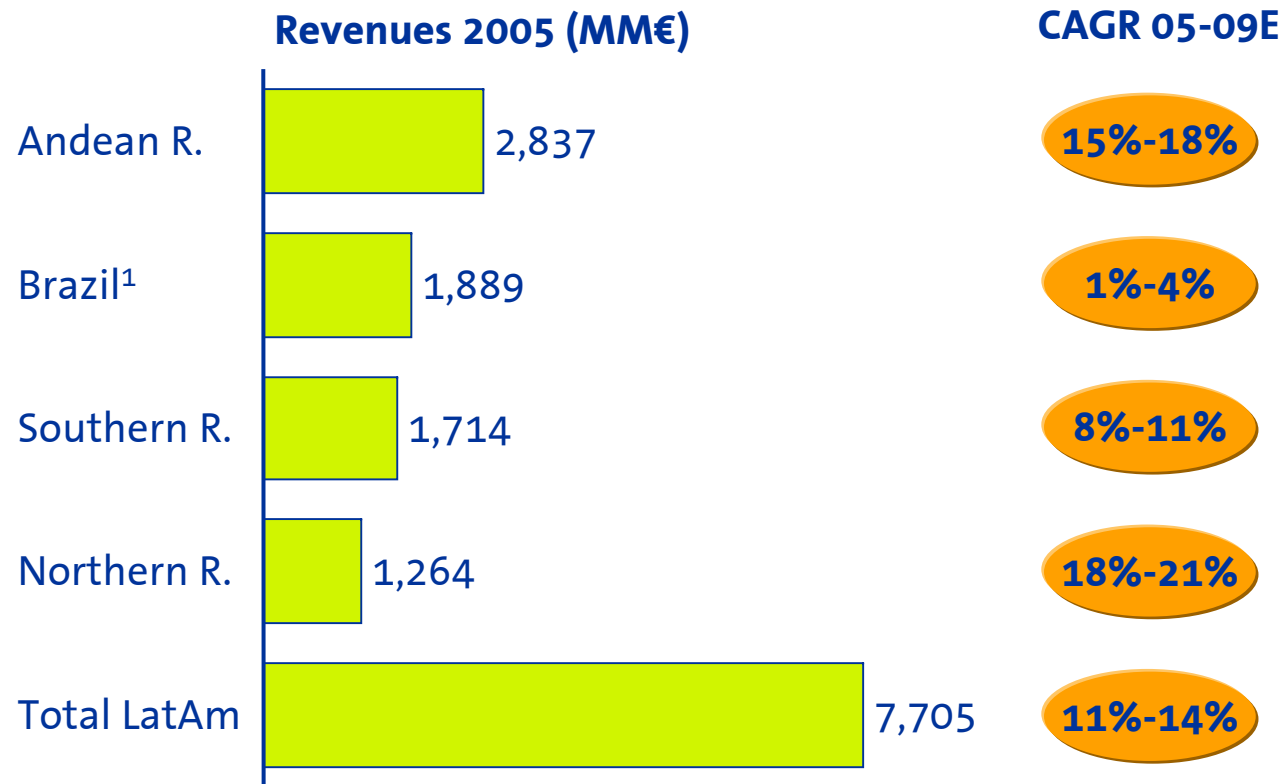
- Strong performance in Uruguay capitalizing on regional management of operations in the Southern Cone



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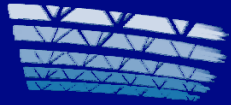
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02 TEM LatAm summary: a highly diversified portfolio leading to robust top line growth...



CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation.

¹ 50% of VIVO

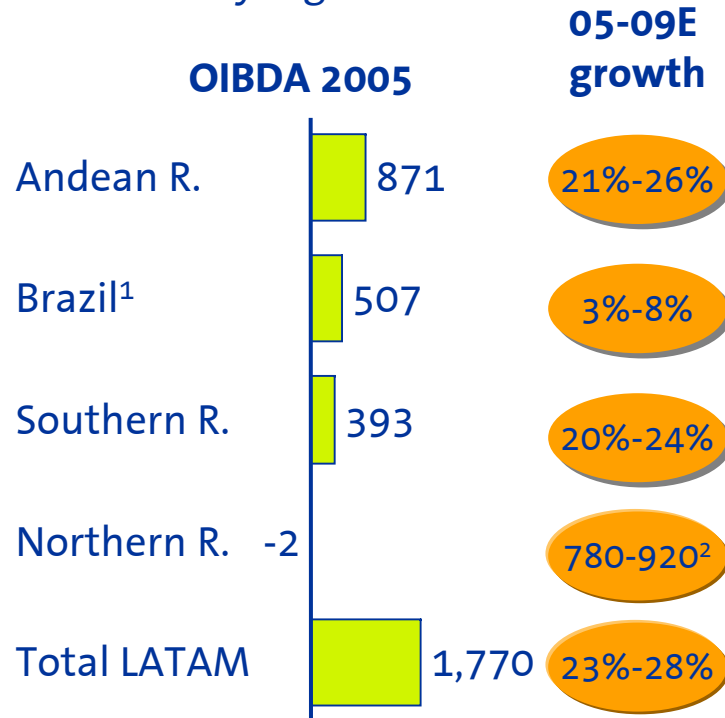


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02 ... reaping the benefits of a profitable growth model and economies of scale

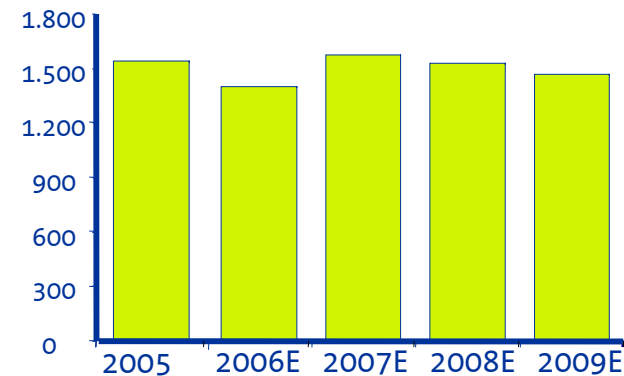
OIBDA (€MM)

- Growth by region:



Capex (€MM)

- Further expansion of GSM coverage
- Preparing the path to 3G with marginal additional capex requirements, leveraging existing 3G compatible networks



**Opex & Capex synergies from regional management:
+€1.8Bn OpCF (06E-09E)**

TEM LATAM: >40% of TEM 2009E OpCF

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CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation. In terms of guidance calculation, Operating Income before D&A excludes other exceptional revenues/expenses not foreseeable in 2006-2009. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2005 are also deducted from reported figures.

Telefónica Móviles S.A.

¹ 50% of VIVO

² Growth in absolute terms at constant exchange rates as of 2005.

Index

- 01 Consistently delivering on our commitments
- 02 Our management priorities to fully exploit our growth potential
- 03 A set of ambitious financial and operational targets**

03 In summary, a growth promise with tangible Cash Flow generation



€ in Millions	FY 2005	CAGR 2005-09E ¹
Revenues	16,514	7%-10%
Operating Income before D&A ²	5,834	8%-12%
Operating Income ²	3,460	11%-17%
CAPEX ³	2,185	<€9Bn Cum 06-09E

¹ CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation.

² In terms of guidance calculation, Operating Income before D&A and Operating Income excludes other exceptional revenues/expenses not foreseeable in 2006-2009. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2005 are also deducted from reported figures.

³ Capex excluding licenses.

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