



# FIFTH **INVESTOR** CONFERENCE

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

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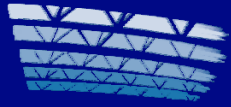
# **MOVISTAR : Growth with cash returns**

**Antonio Viana-Baptista**

Executive Chairman, Telefónica Móviles



Valencia - May 25, 2006



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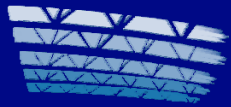
# Index

**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

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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**

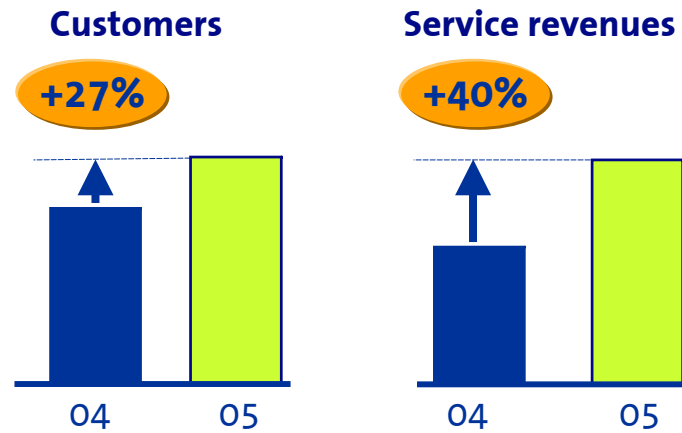
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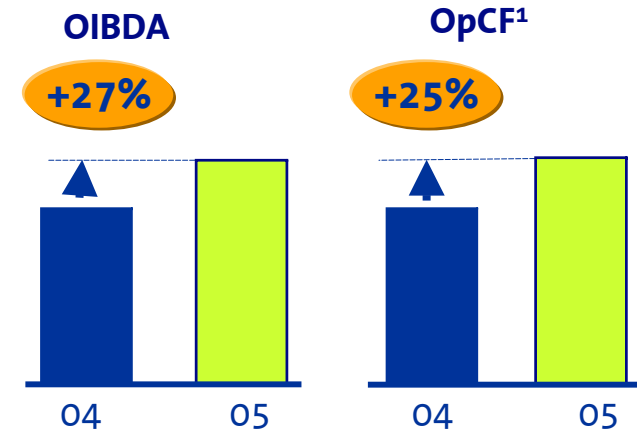
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# 01 ... with strong growth and cash flow generation...

## Unique growth profile







## Strong profitability and cash generating businesses in all geographies



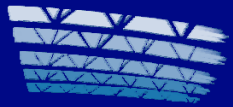
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<sup>1</sup> OpCF: OIBDA-Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.

# 01 ... achieving very demanding targets

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

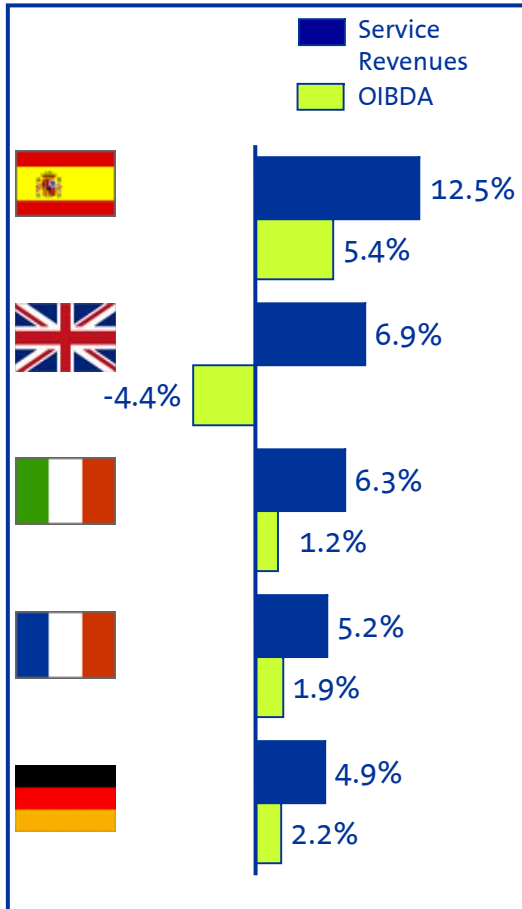
<sup>1</sup> Growth rates in constant exchange rates as of 2004 and excluding changes in consolidation other than assets acquired from BellSouth in Argentina & Chile in 2005. Growth rates based on 2004 preliminary data under IFRS: Revenues €11,744 MM; OIBDA adjusted for guidance €4,678MM In terms of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



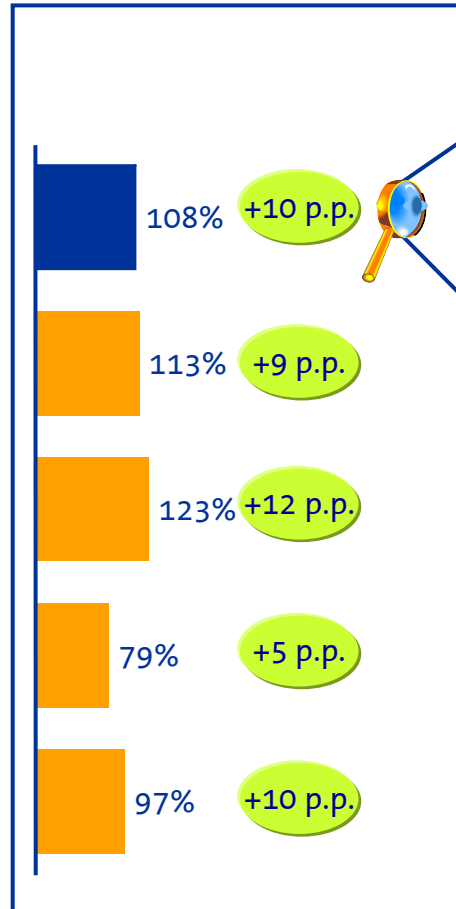
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# 01 Spain in 2005: Strong growth in a highly competitive environment...

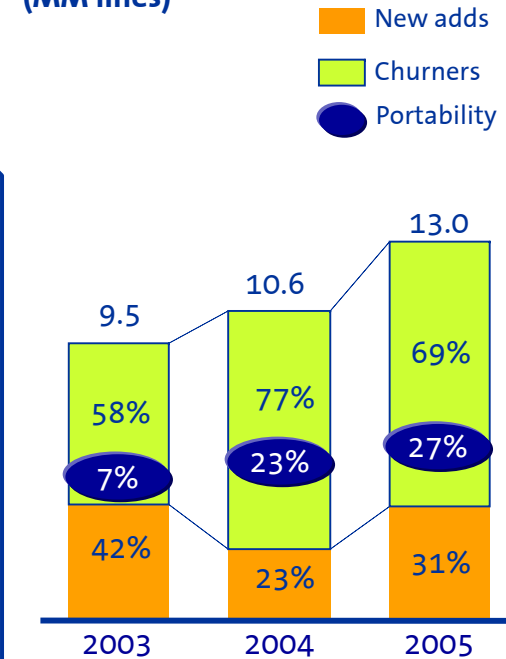
2005 y-o-y market growth



Penetration 2005



Market Gross Adds in Spain (MM lines)



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

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

Source: TEM Spain

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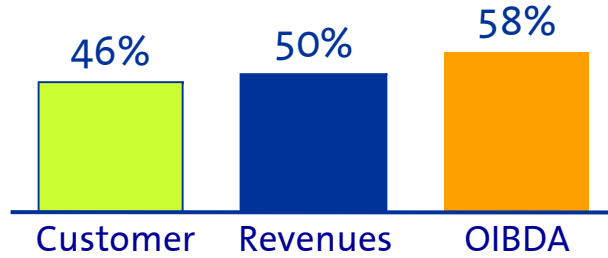


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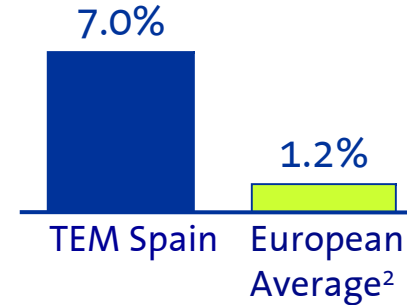
# 01 ... where TEM Spain delivered superior results vs. peers



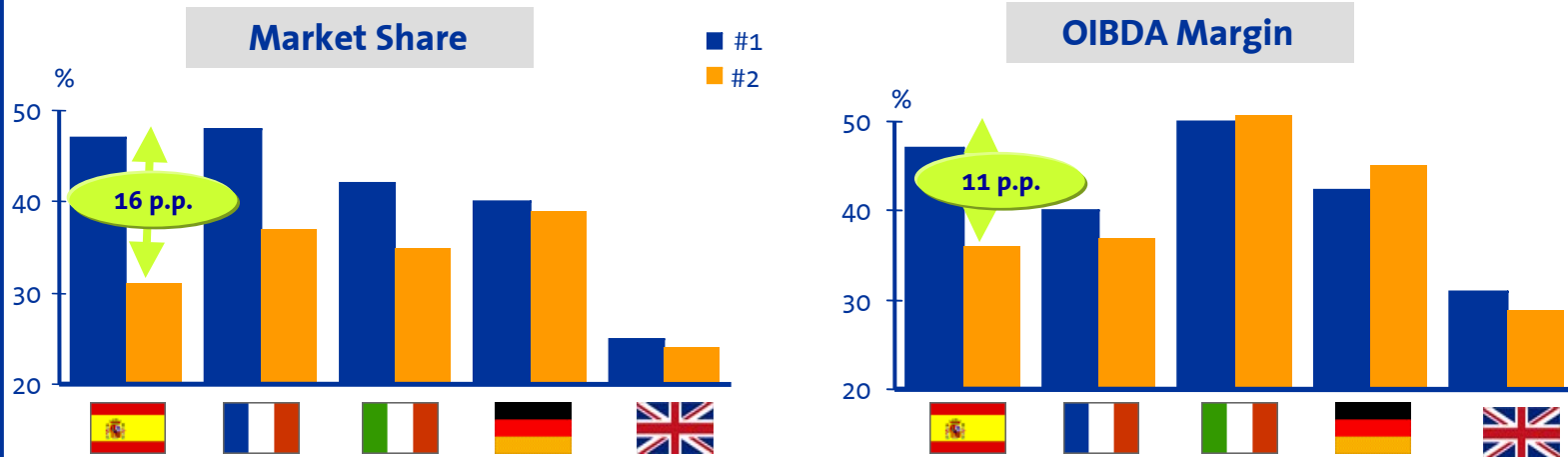
### 2005E Market Share<sup>1</sup>



### Service revenue growth (2005/04)



## Gap between first 2 operators in European local markets (2005)<sup>1</sup>



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<sup>1</sup> Source: Merrill Lynch "4Q05 European Wireless Matrix".

<sup>2</sup> Includes TIM IT, T-Mobile GER, OGE FR (proforma), TMN & KPN-Mobile NL (excluding Telfort). Source: Company press releases.

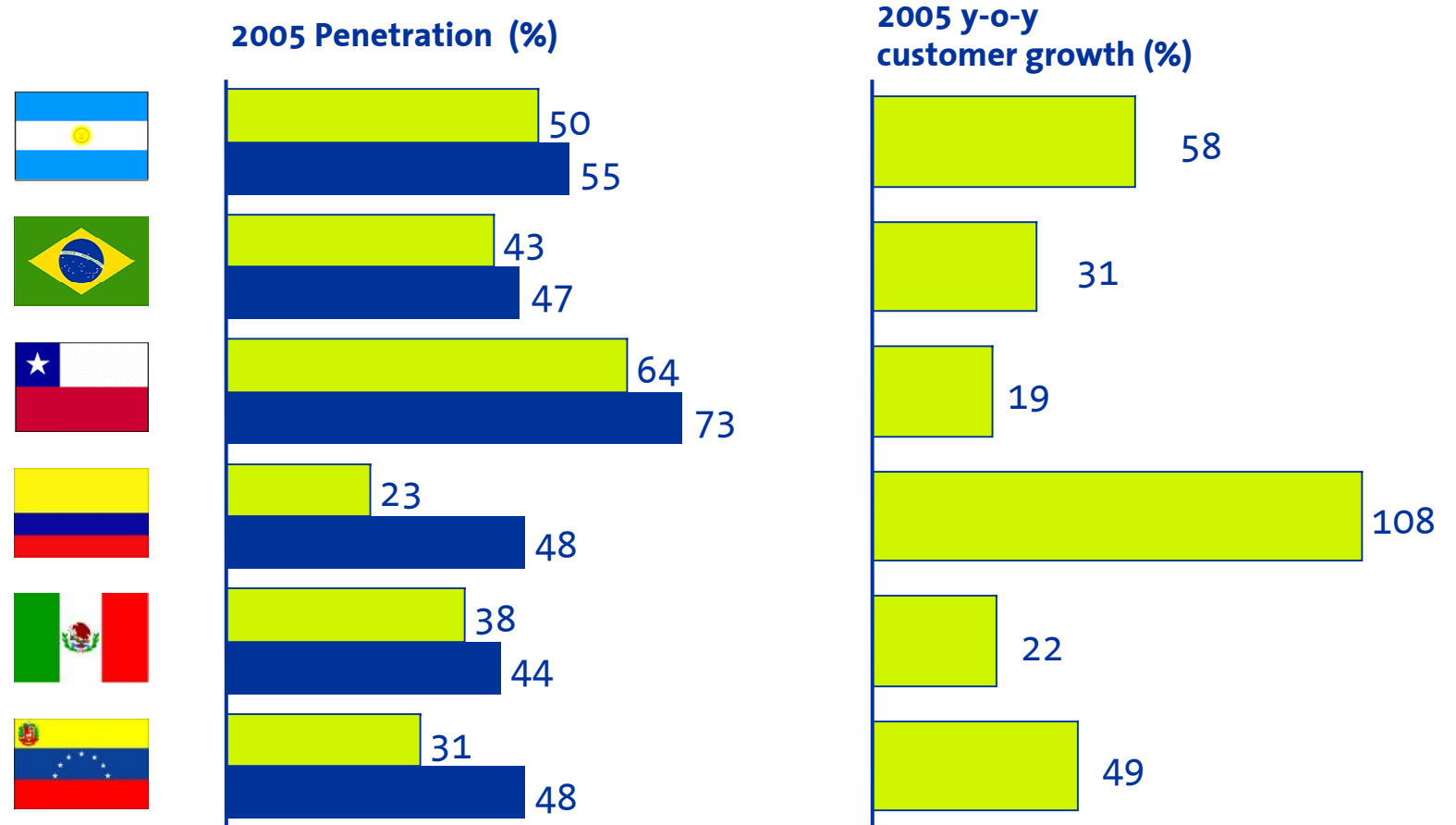


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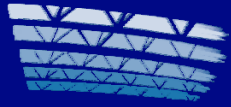
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# 01 LatAm 2005: Once more, customer growth beat market expectations ...

■ 2005 penetration estimated one  
year before  
■ 2005 actual penetration



Source: Pyramid

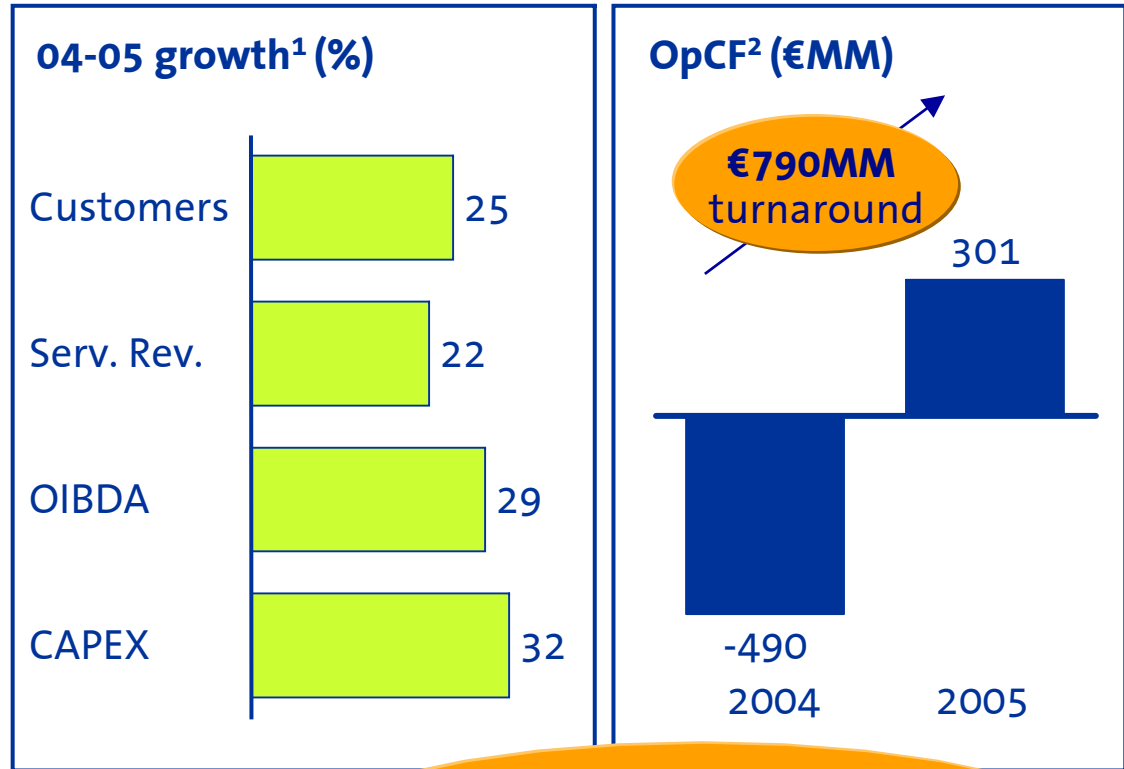


# 01 ... and TEM LatAm turned around OpCF despite high growth and strong CapEx

## ■ 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



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

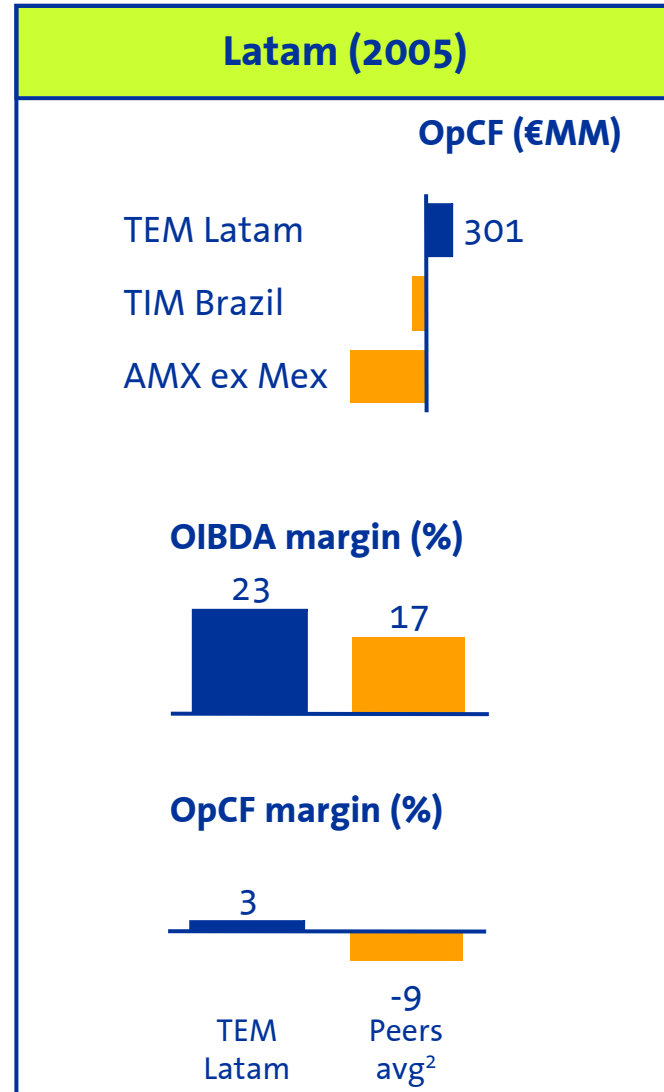
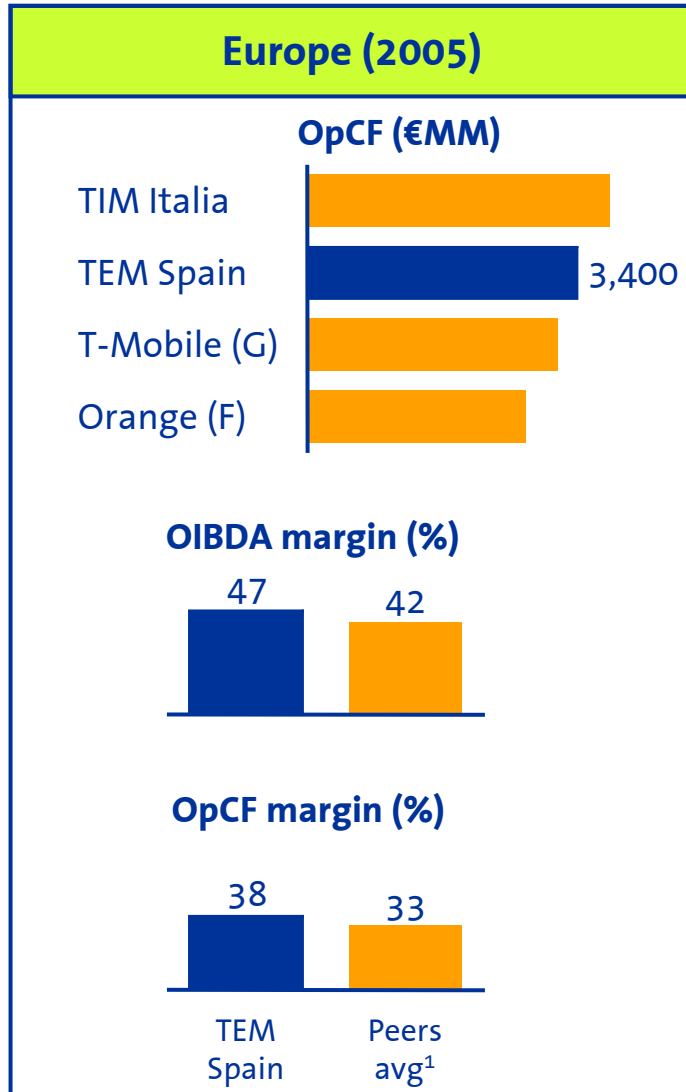
<sup>1</sup> For comparisons 2004 figures include TM Chile and operations acquired from BellSouth from January 1st, 2004. Growth rates excluding forex.  
<sup>2</sup> OpCF: OIBDA-Capex. Figures in euros, at the cumulative average exchange rate for the corresponding period.



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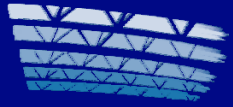
# 01 In summary, a track record of strong top line growth with outstanding cash generation



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

<sup>2</sup> Includes America Movil ex-Mexico & TIM Brazil.

Source: Co. press releases & analysts estimates.



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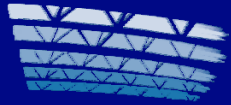
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# Index

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



## 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

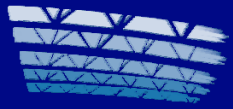
A **tailored and segment based approach** in each market building on Telefónica's capabilities to **innovate**

### Enhance Operational Excellence

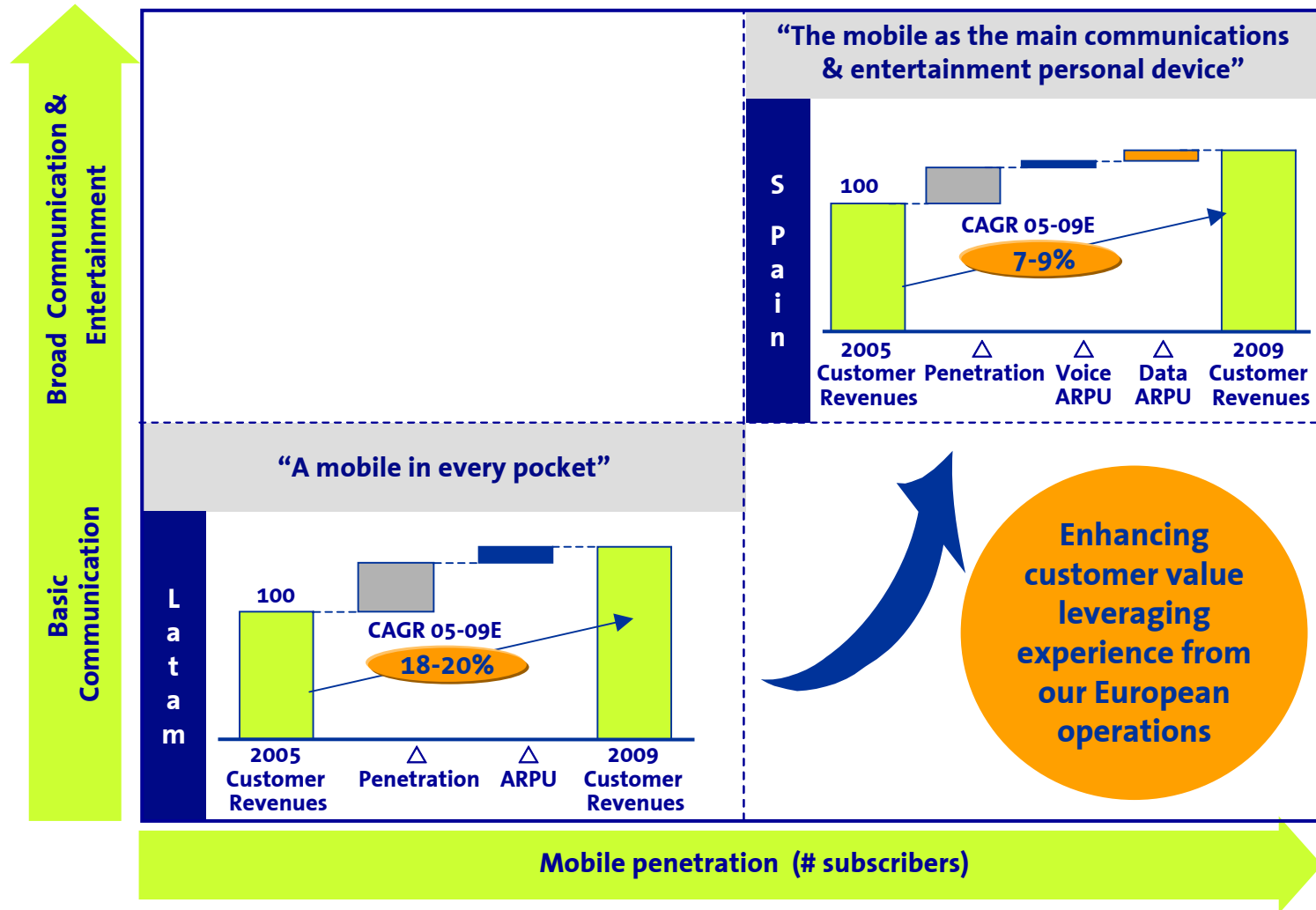
- Sustain **best in class** operating efficiency in Spain
- Continue **improving efficiency** in Latam
- **Leverage** Telefónica's **unique scale and diversity**

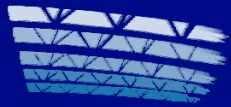
A **distinct profile** to extract **synergies** leveraging Telefónica

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



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





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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

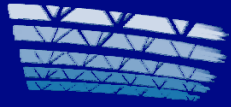
**Synergies from collaboration with TEF fixed line business units**

## 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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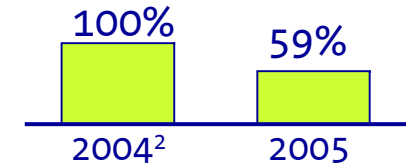


# 02 Global Scale: advertising, an area that is already delivering material savings

## Cost effectiveness

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

## Cost of global sponsorships/ managed customer<sup>1</sup>



## 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**

**5<sup>th</sup> most valuable  
wireless brand<sup>3</sup>:  
>US\$15Bn**

<sup>1</sup> Excludes customers from Vivo & Meditel.

<sup>2</sup> Excludes customers from Vivo, Meditel and BellSouth assets acquired in 4Q04.

<sup>3</sup> 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

Year	Average Cost
2006E	100
2009E	82

- 25%-30% of savings due to joint negotiation with suppliers<sup>1</sup>

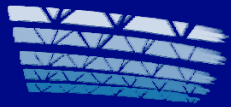
+

**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

<sup>1</sup> Cum. 06-09E

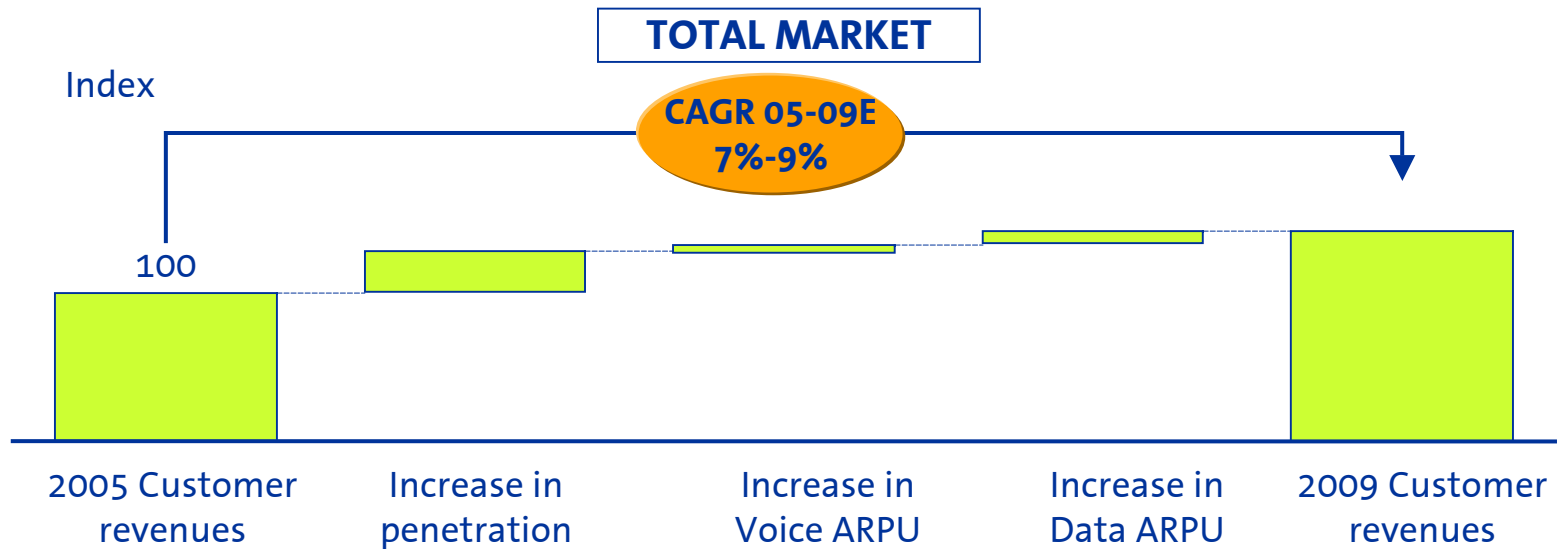
- Commercial vendor management:
  - Joint negotiation, price alignment & harmonization
- Reduced time to market
- Exclusivity agreements
- Handset customization to target specific segments
- Integrated technical specification and testing for network equipment, handsets and SIM cards
- Sharing of best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



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



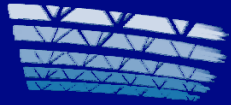
Macro economic environment	Competition	Regulation
<ul style="list-style-type: none"> <li>Growing population (CAGR 05/09E: +1%)</li> <li>Superior GDP growth (CAGR 05/09E: +3%)<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Further competition from existing players</li> <li>Change of control of #3 player</li> <li>Entry of MVNOs</li> </ul>	<ul style="list-style-type: none"> <li>Cuts in interconnection rates</li> <li>Potential regulation of roaming charges (EC)</li> </ul>



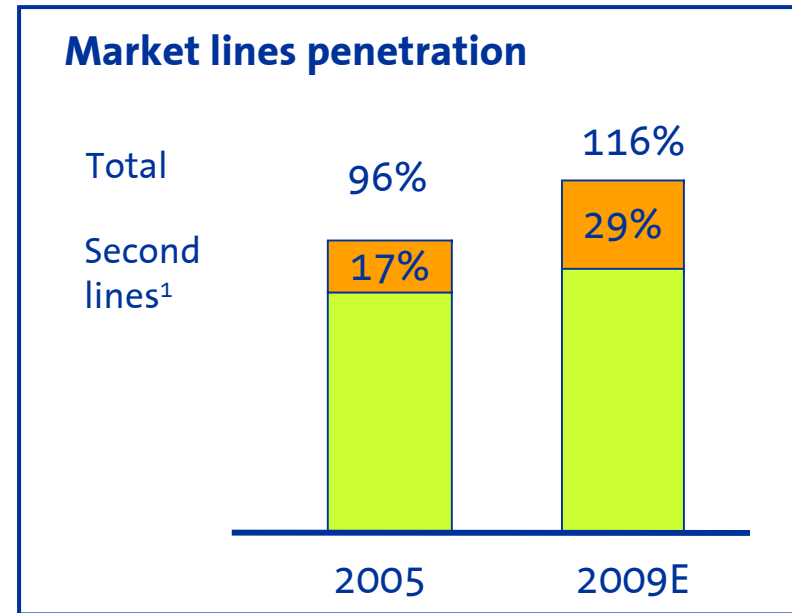
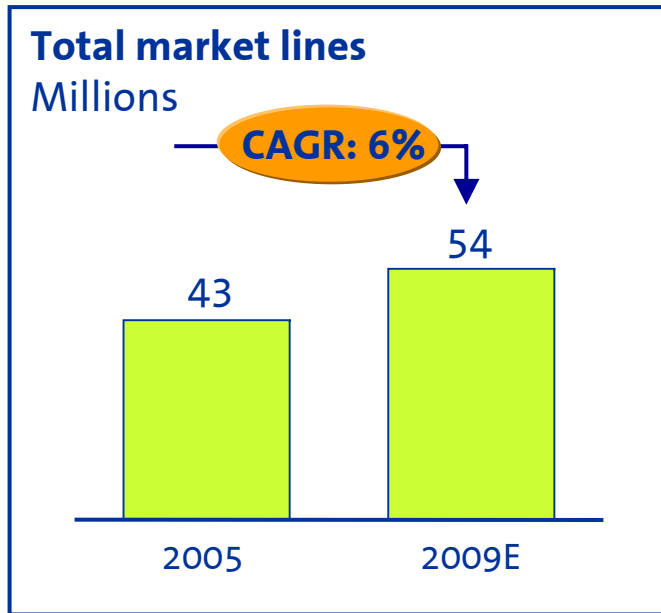
Source: TEM Spain

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





# 02 Further penetration increases from new personal connections and data lines



### Consumer segments

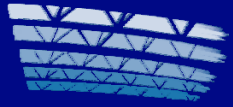
- Higher penetration from new lines and PC Cards



### Business & corporate segments

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

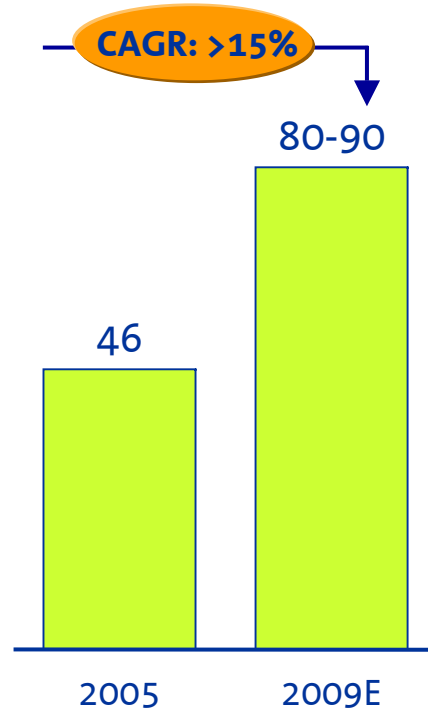
**+** Additional potential from M2M market: cars, vending machines, homes (~5MM lines in the market in 2009E)



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

### 05-09 Spanish outbound minutes on mobile

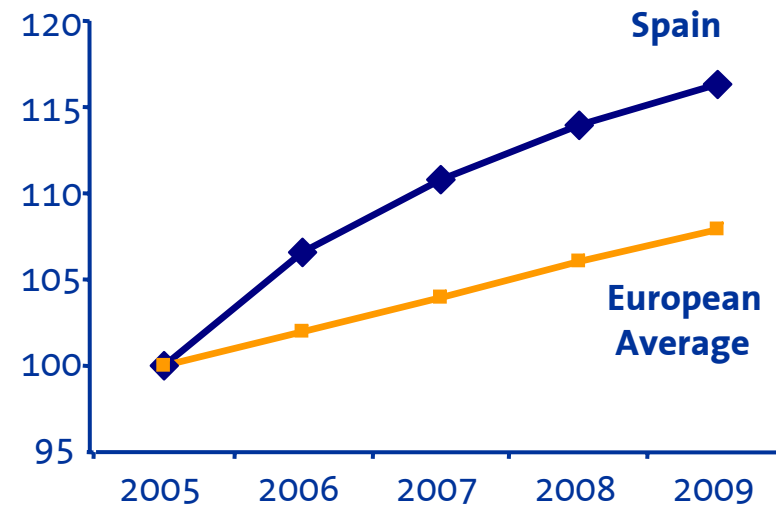
Billion Minutes



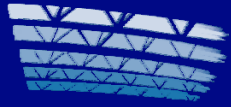
Source: TEM Spain

### Mobile MOU

Index



Source: Pyramid



## 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



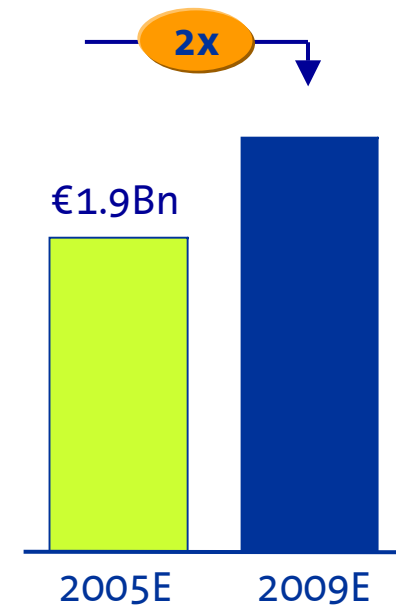
### Network

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

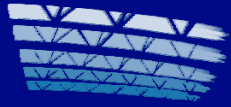
### Better value proposition

- 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



## 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

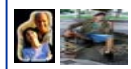
**Focused customer approach**



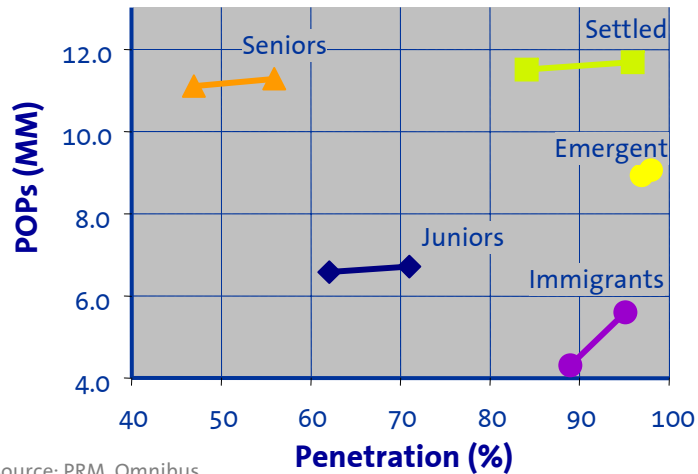
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# 02 Further segmentation: leveraging our strong position and segment knowledge to expand customer base

2005-09E



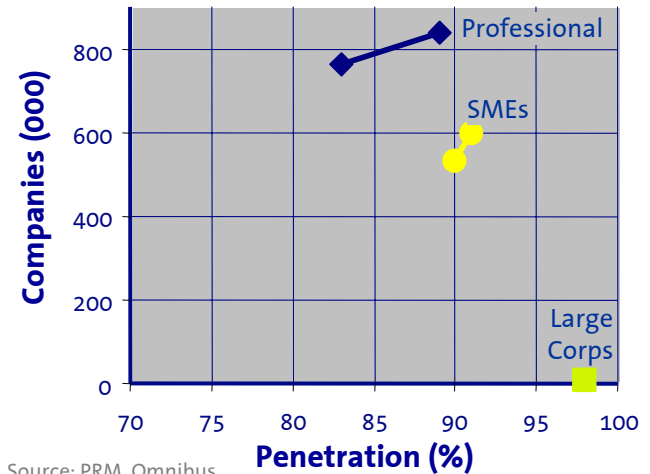
Consumer segments



Source: PRM, Omnibus.

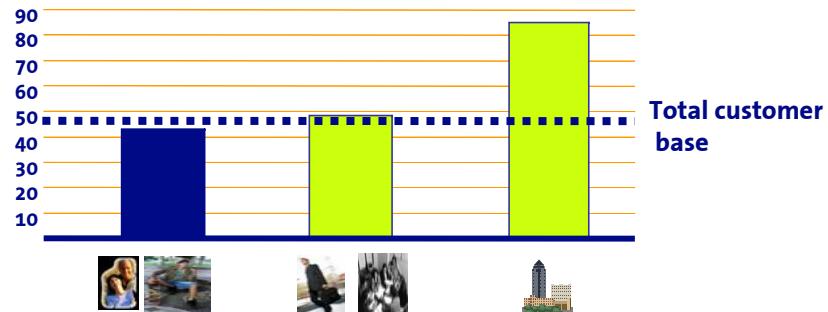


Business & corporate segments



Source: PRM, Omnibus.

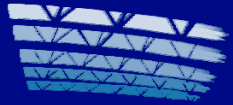
Customer Market Share (2005E)








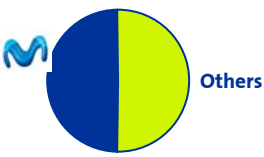

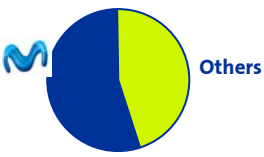

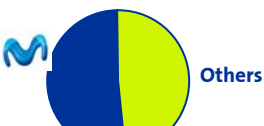
Source: TEM Spain

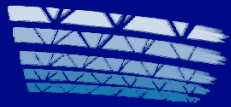
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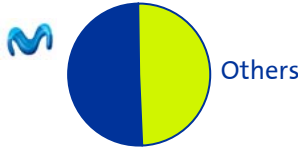



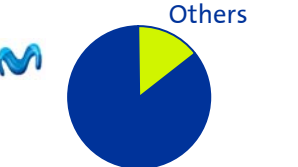


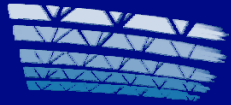
## 02 Further segmentation: consumer market

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



## 02 Further segmentation: business and corporate market

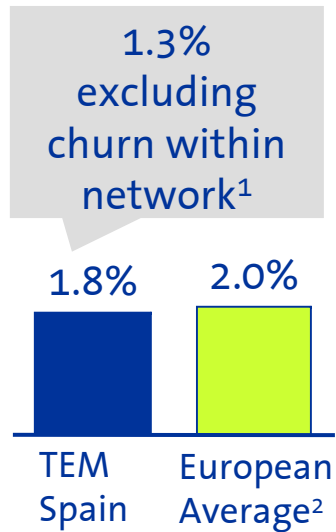
Segment	Market share	Opportunity	TEM's approach
 <b>Professionals</b>		<ul style="list-style-type: none"><li>■ High value</li><li>■ Business &amp; individual usage</li></ul>	<ul style="list-style-type: none"><li>■ Differentiated offer through network (on-net pricing) and convergence advantages</li></ul>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



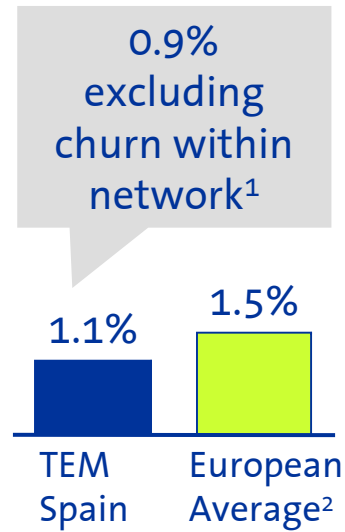
## 02 Sustain world-class churn

### 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

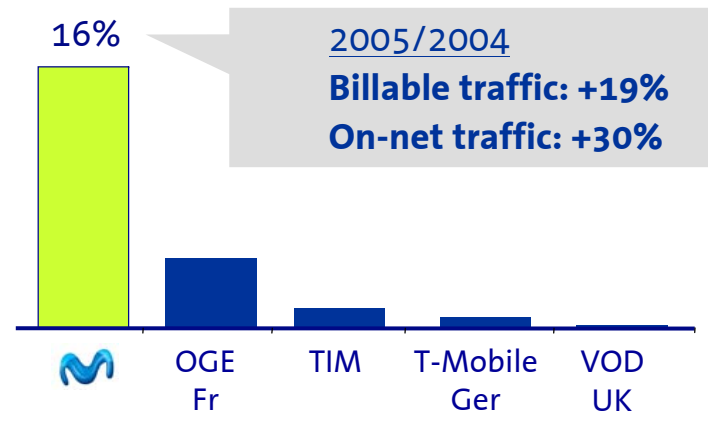
<sup>1</sup> Source: Ideas Originales

<sup>2</sup> 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

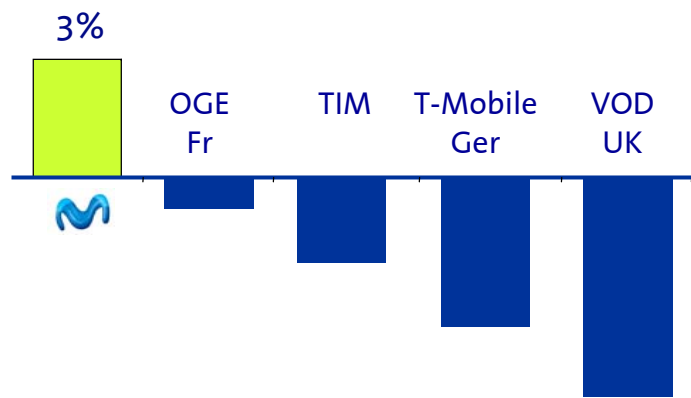


# 02 Voice initiatives to boost usage

## 2005 MOU growth



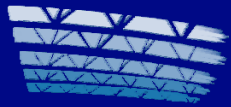
## 2005 ARPU Growth



## 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)

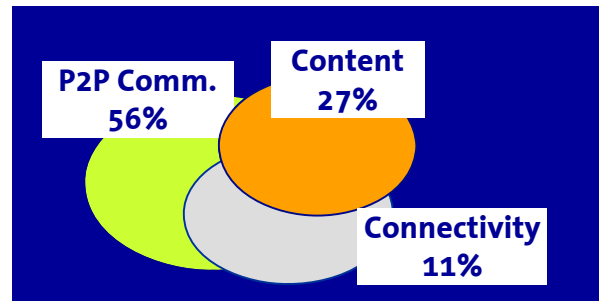




## 02 Innovative data offer to foster data lines penetration

2005

### Users of data services



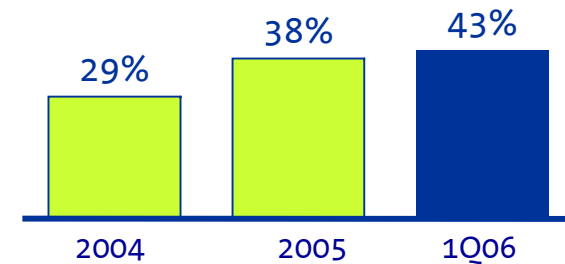
- Promising results...
  - >18MM game downloads & ring back tones (1<sup>st</sup> European player in number of in 2005)
  - €10MM from ring back tones

- 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

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



Messaging

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

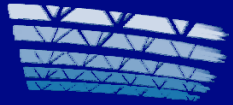


PC  
connectivity

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

>1MM  
connected PCs  
by 2009E





## 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



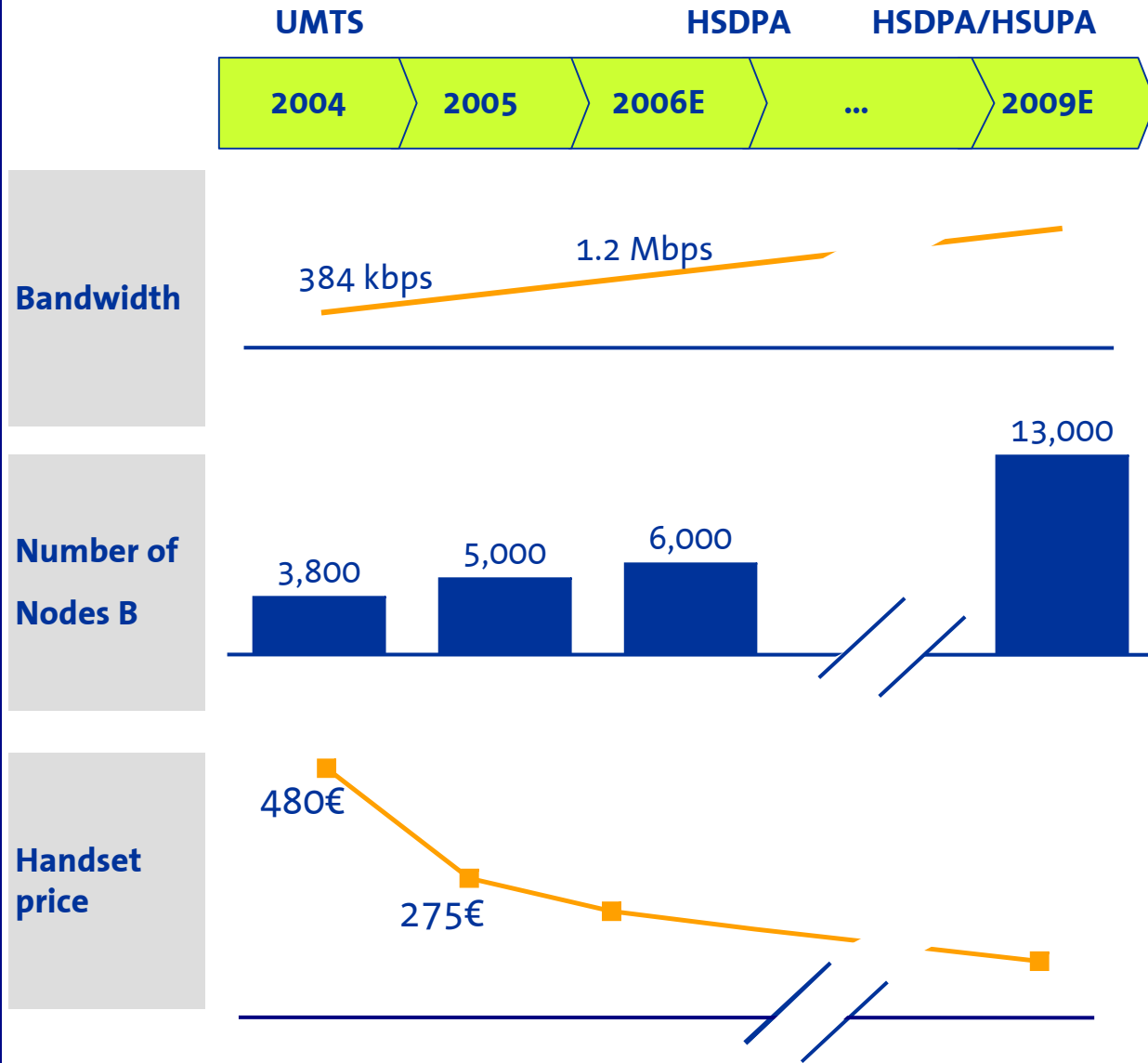
### F2M Integrated Services

- 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**

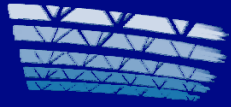


## 02 Pace of implementation to be driven by handset prices and features



>60% of our customers with a UMTS device by 2009E





## 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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*Telefonica*

## 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 shops<sup>1</sup>
  - 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

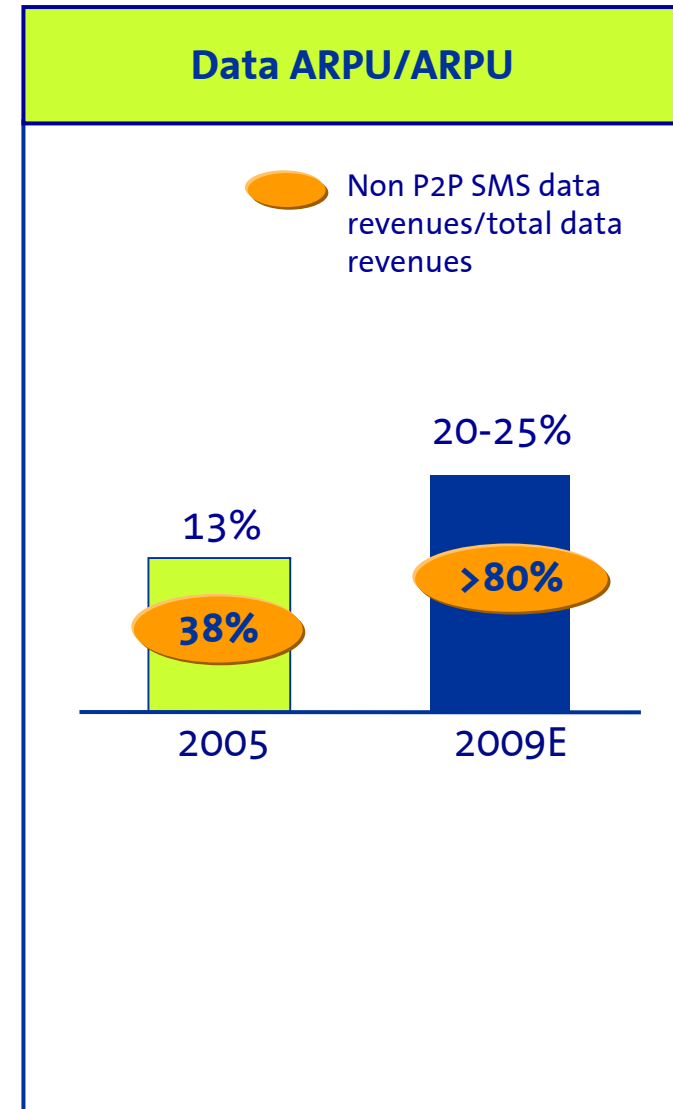
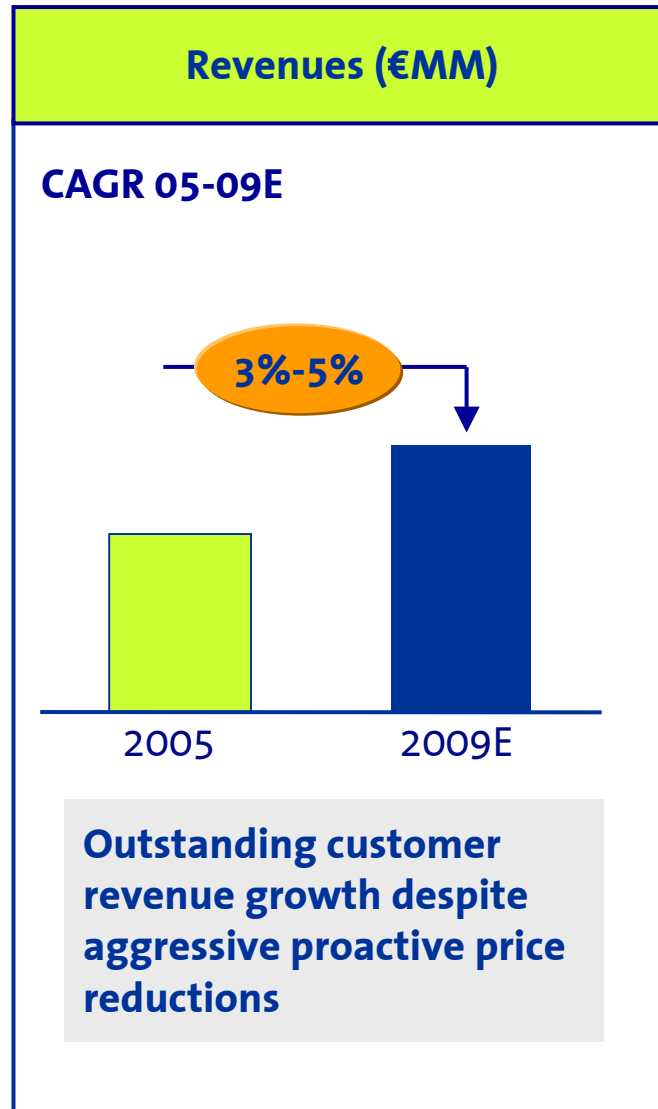
#### Network

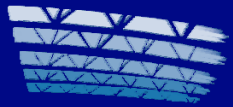
- **Common Backbone**
- **Common IMS. Towards a single network**

<sup>1</sup> Managed by TEM Spain



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





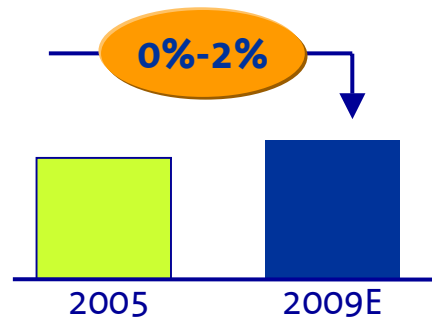
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## 02 ... with best in class operating efficiency

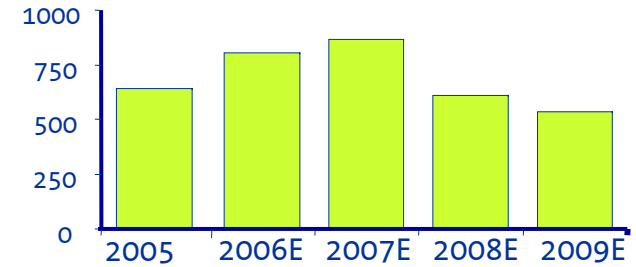
### OIBDA (€MM)

- 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

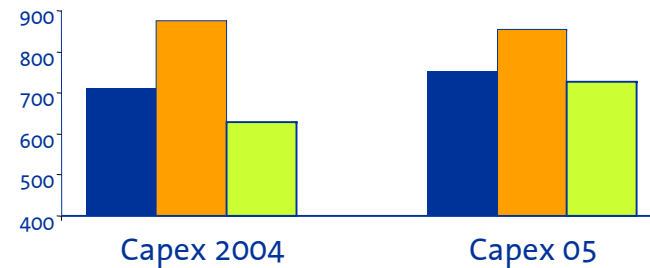


### Capex (€MM)



- **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

■ Guidance at ID ■ Analysts consensus after ID ■ Reported



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

*Telefonica*

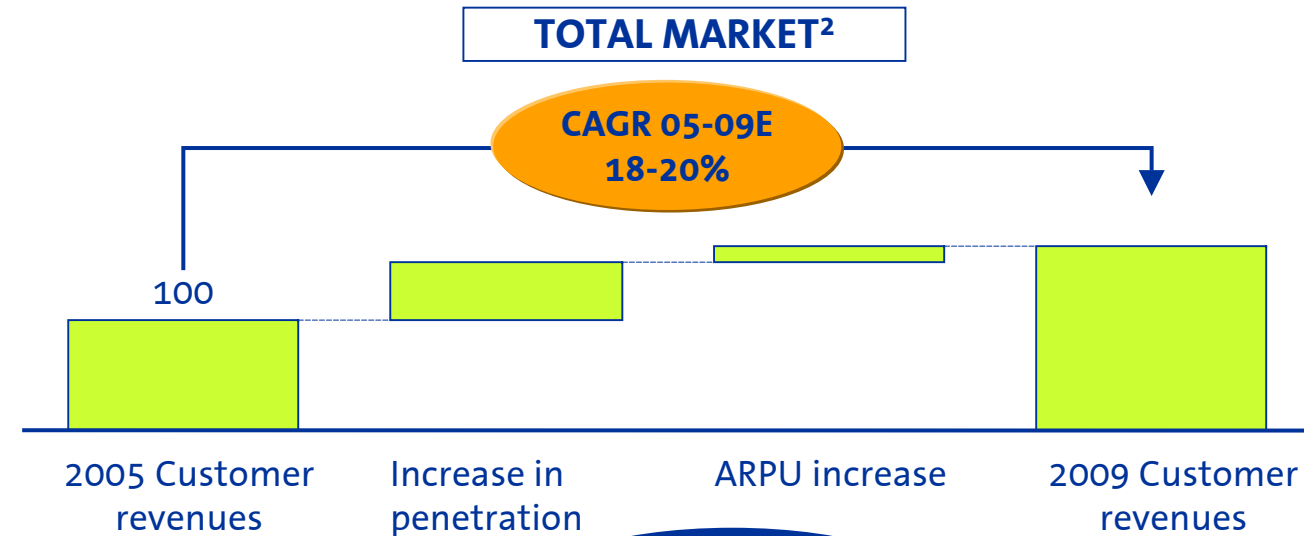


# 02 LatAm outlook: strong growth prospects backed by a positive macro scenario



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



Source: TEM assuming constant exchange rates

**"A mobile in every pocket"**



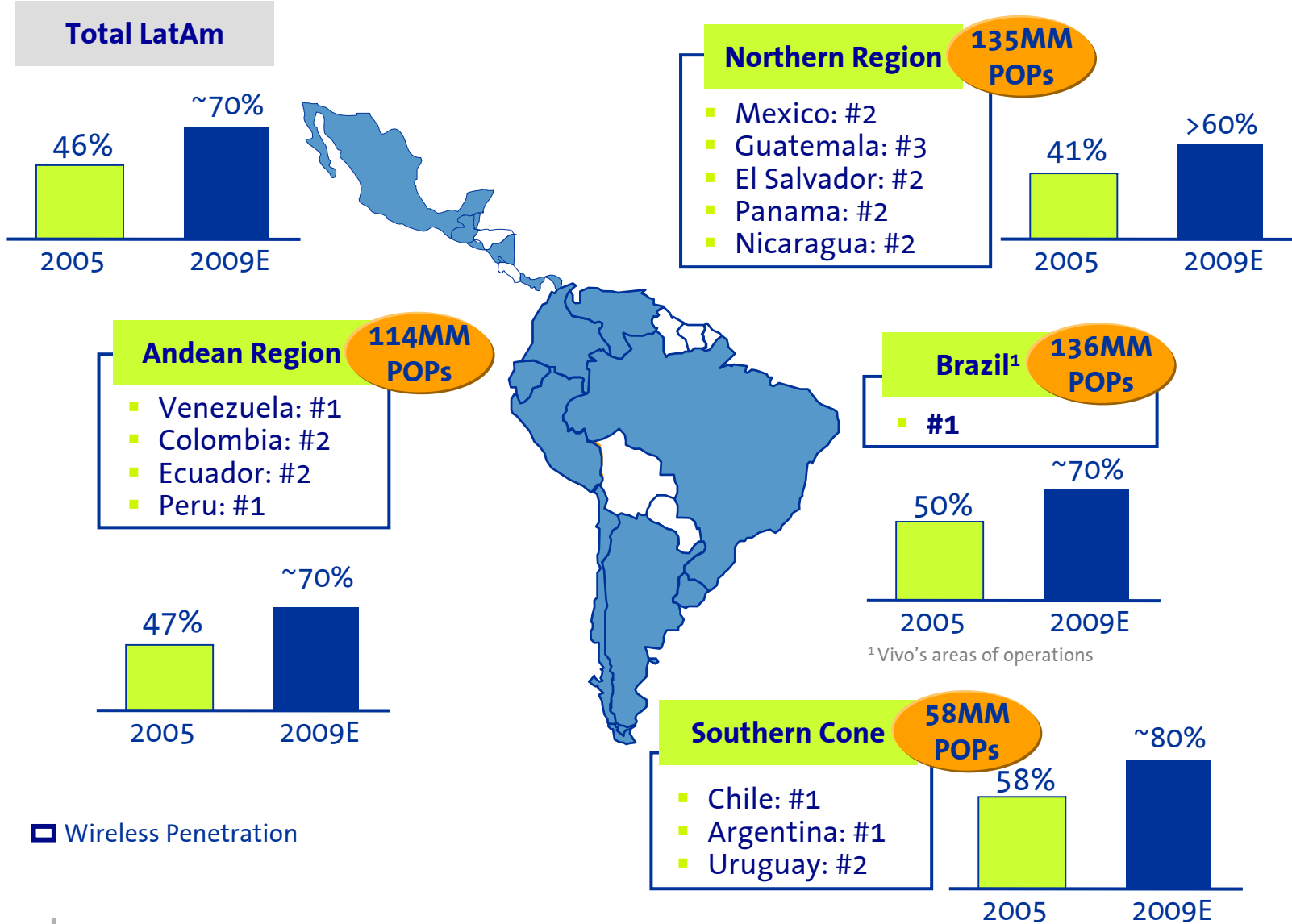
<sup>1</sup> Source: Consensus Forecast, April 2006. (Constant exchange rates)

<sup>2</sup> Total Market in countries where TEM operates



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



<sup>1</sup> Vivo's areas of operations

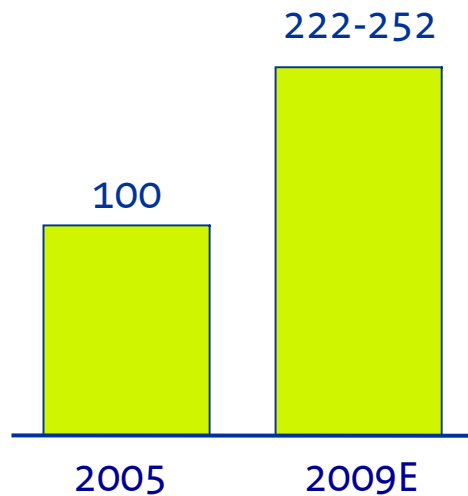
Wireless Penetration





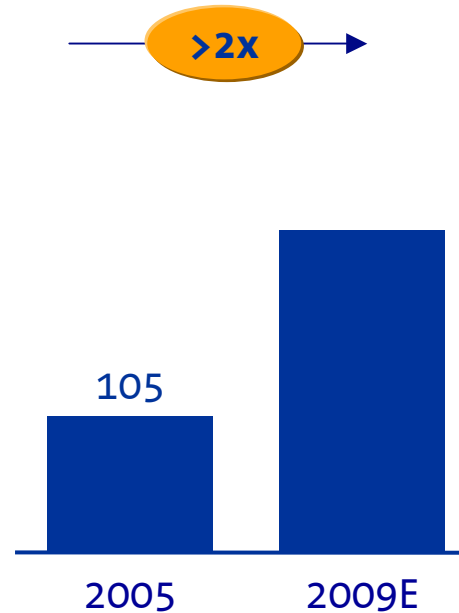
## 02 ARPU increase underpinned by very strong voice and data usage growth forecasts

05-09 LATAM outbound  
minutes on mobile  
Index



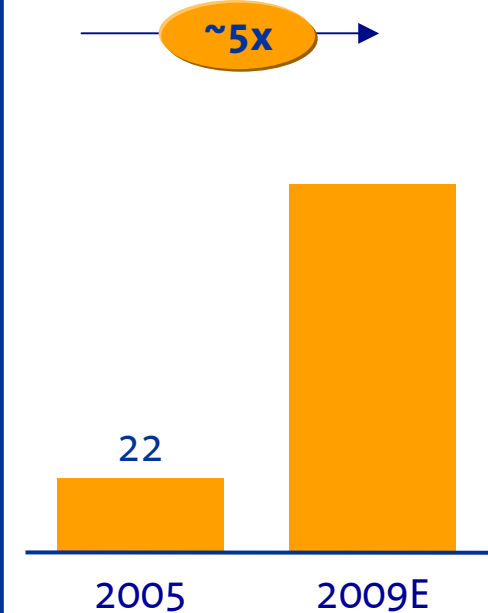
Source: TEM

Total SMS users  
in LatAm (MM)



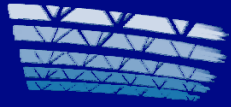
Source: Pyramid

Advanced data services  
users<sup>1</sup> in LatAm (MM)



Source: Pyramid

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



## 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

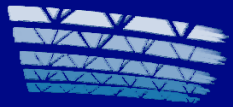
**Sharing service development and platforms to accelerate time-to-market**

**Mundo Movistar:** capitalize on our unique global footprint

**Leverage Telefónica** and collaborate with T. Latam

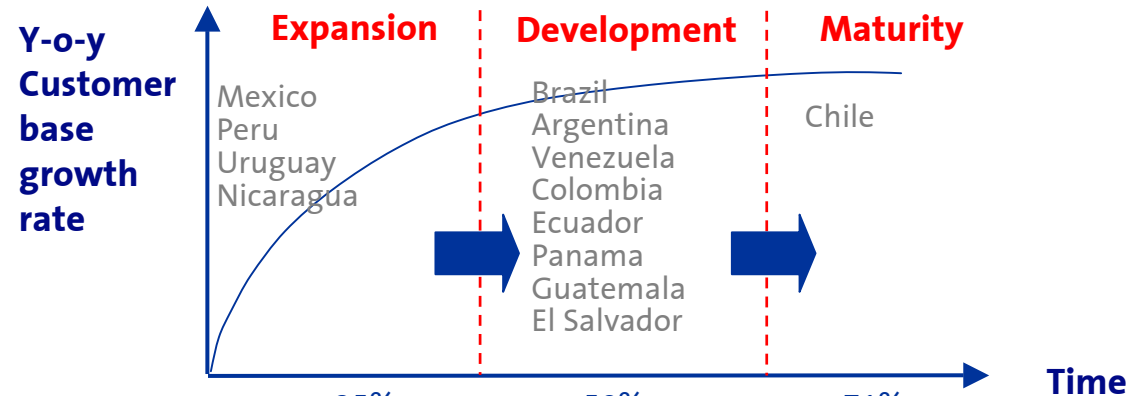
**Focused customer approach**





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

## Phases in the wireless market



Penetration:	25%	50%	71%
2005 Y-o-y Customer base:	+52%	+48%	+11%
2005 Y-o-y Service Rev. (ex-forex):	+6%	+26%	+20%
2005 OIBDA margin:	22%	26%	36%

Key growth levers

Capture new clients

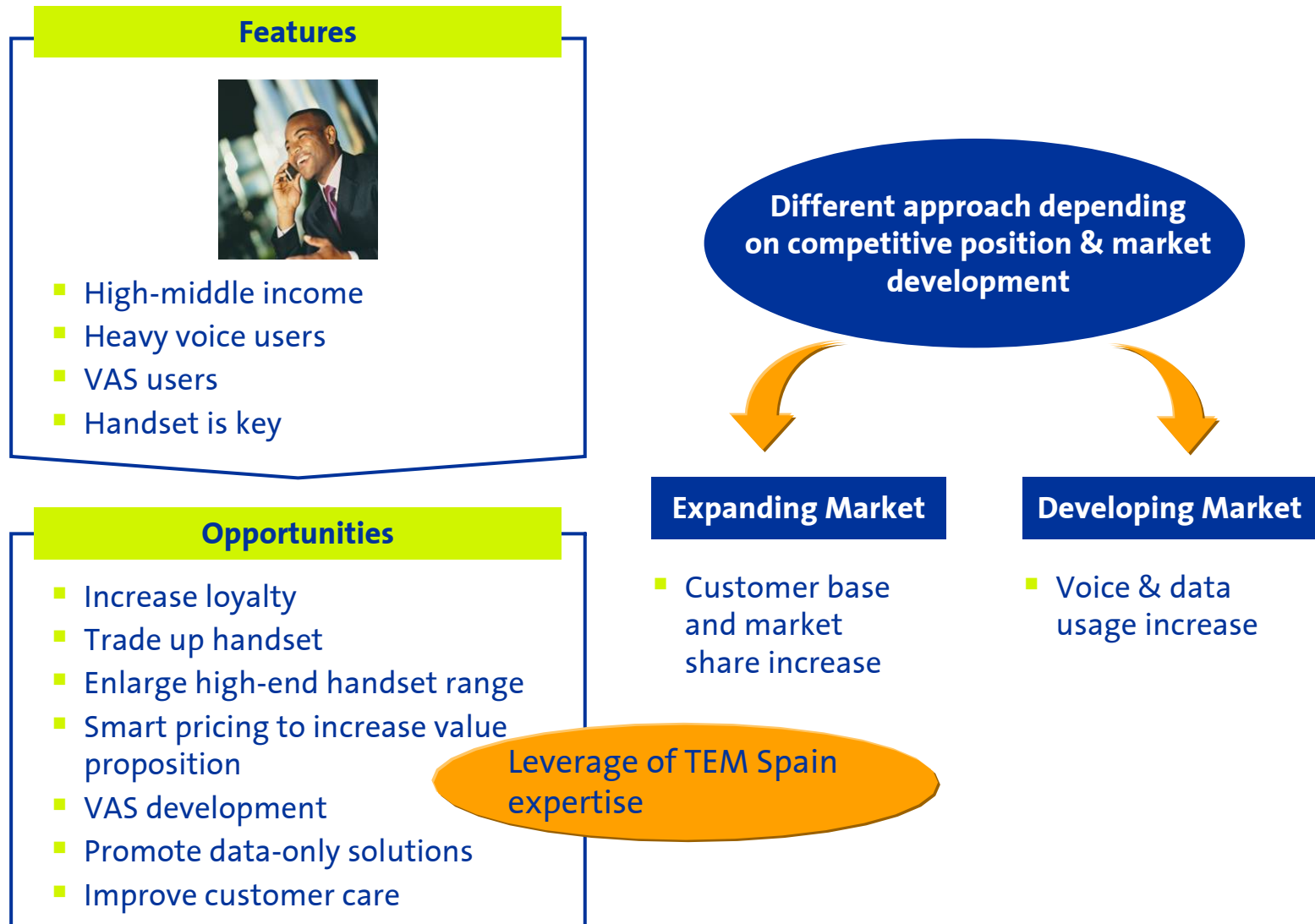
Increase ARPU profitably

Improve Profitability

Leverage of TEM Spain know-how to continuously capture opportunities as markets evolve



## 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

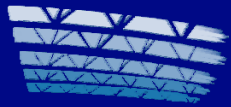
Different approach depending on competitive position & market development

Expanding and developing Market

- Focus on acquisition

Mature Market

- Focus on profitability



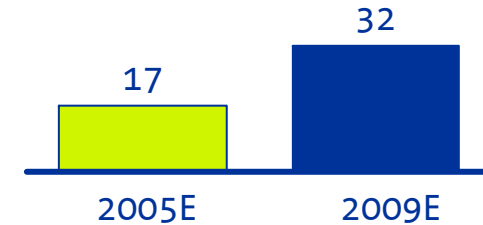
## 02 Deeper segmentation: Business and Corporate Market, capitalizing on TEF position

### 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

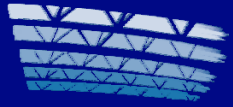
#### MNCs

- 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



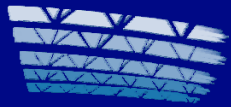
## 02 Leading innovation in the region

### 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



# 02 Regional management: enhanced competitive position and increased efficiency



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

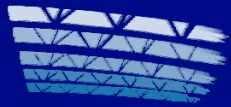


## 02 Sharing service development and platforms to accelerate time-to-market

	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

↑ Revenues

↓ Churn

## Global Product & Services

- Roaming
- International Tariffs
- Contents & Applications



## Global distribution channel & customer care

- Global movistar shop
- Global movistar customer care



## Communication, Advertising & Brand

- Common advertising & brand

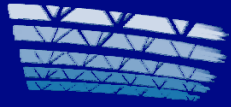


■ Higher revenues by increasing market share in the immigrant segment

■ Higher revenues by enhanced market share/ penetration increase in both the origination and destination markets

*Telefonica*





## 02 Leverage Telefónica: collaboration with T. Latam



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



# 02 Northern Region: continuous building sound operations

**MEXICO**

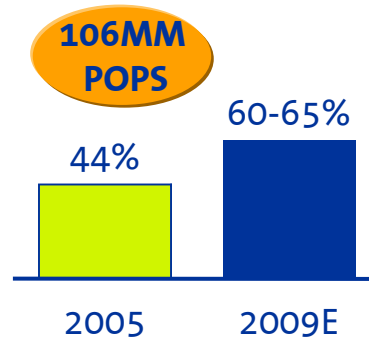


**Building a sound #2 player in a high growth market**

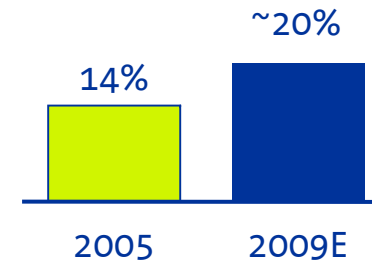
**CENTRAL AMERICA**



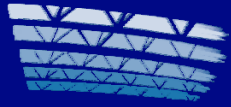
Wireless Penetration



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



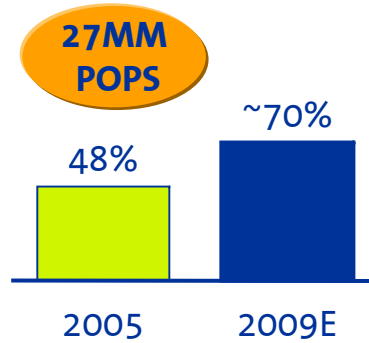
# 02 Andean Region: consolidation of market positions

## VENEZUELA



Capturing growth

### Wireless penetration



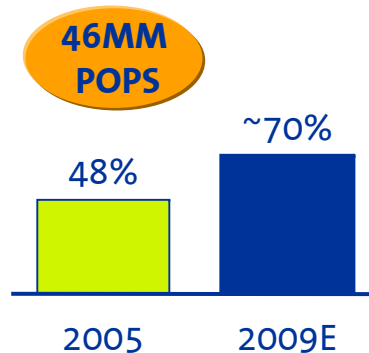
- Sustaining leadership in a more competitive market:
  - Higher focus on loyalty (customer & distribution)
  - New customer care model
  - Leverage community effect through pricing
- Leading innovation in the market: EVDO

## COLOMBIA



Enhancing competitive position in a fast growing market

### Wireless Penetration

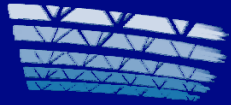


- Increasing market share by expanding addressable market by 10MM POPs via
  - Complete GSM coverage
  - Reshaping & expanding distribution
- Capitalize on Colombia Telecom recent acquisition by T. LatAm

## ECUADOR PERU

- Strong penetration growth boosted by GSM launch





# 02 Brazil: selective approach in an overcrowded market

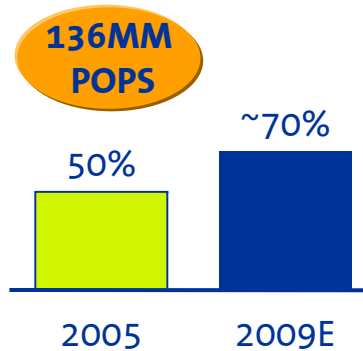
BRAZIL



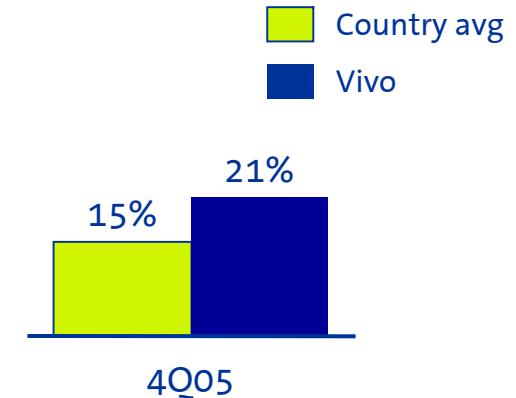
Sustaining market leadership in a overcrowded market with positive OCF generation



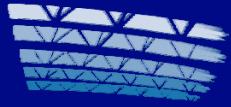
Wireless Penetration in areas of operations



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)



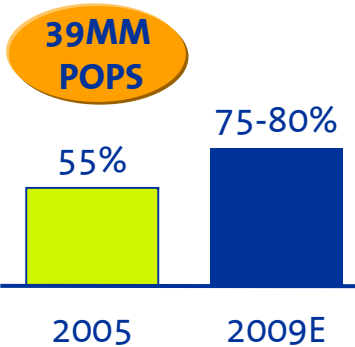
# 02 Southern Region: continuously over-performing

## ARGENTINA



Leading the growth in the market

### Wireless Penetration



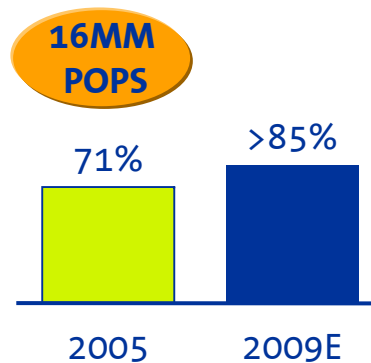
- Consolidate leadership position
- Complete GSM coverage in the North in 2006
- Leverage TASA's leadership: Cross Selling

## 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



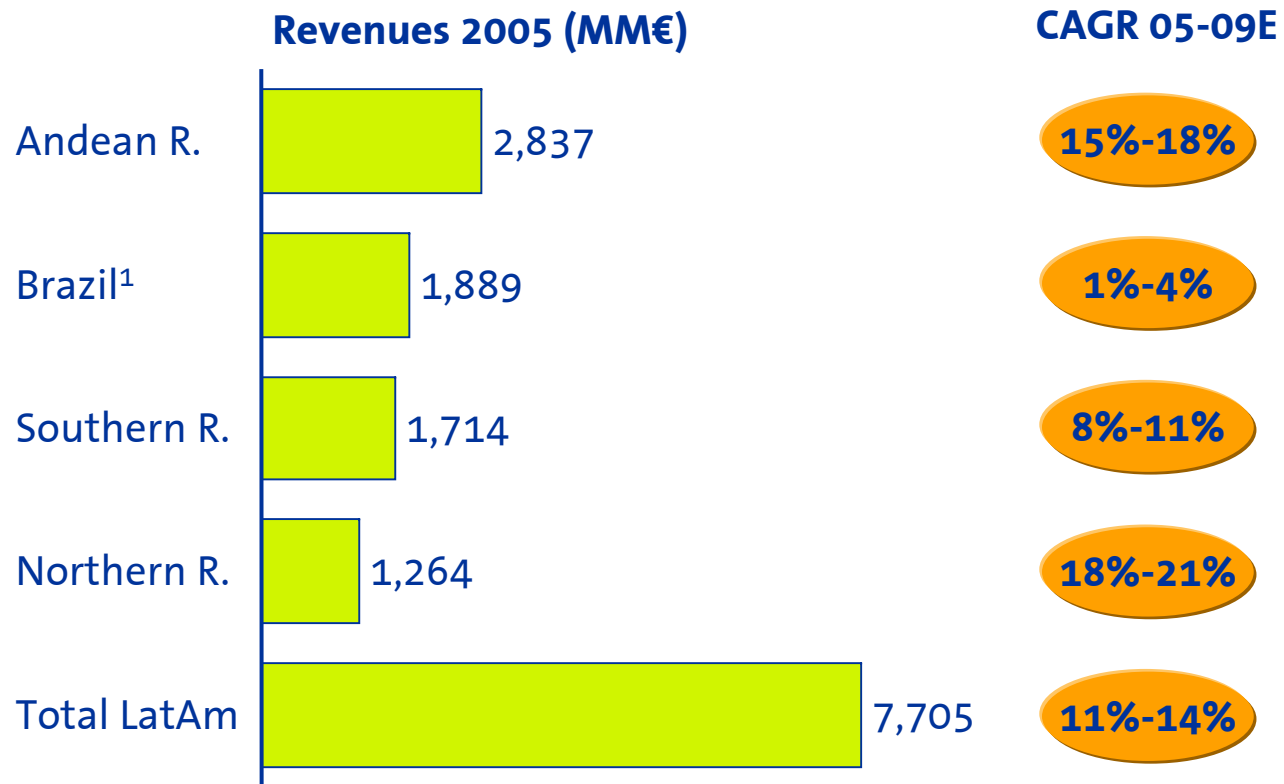
- Strong performance in Uruguay capitalizing on regional management of operations in the Southern Cone



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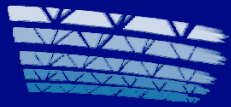
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## 02 TEM LatAm summary: a highly diversified portfolio leading to robust top line growth...



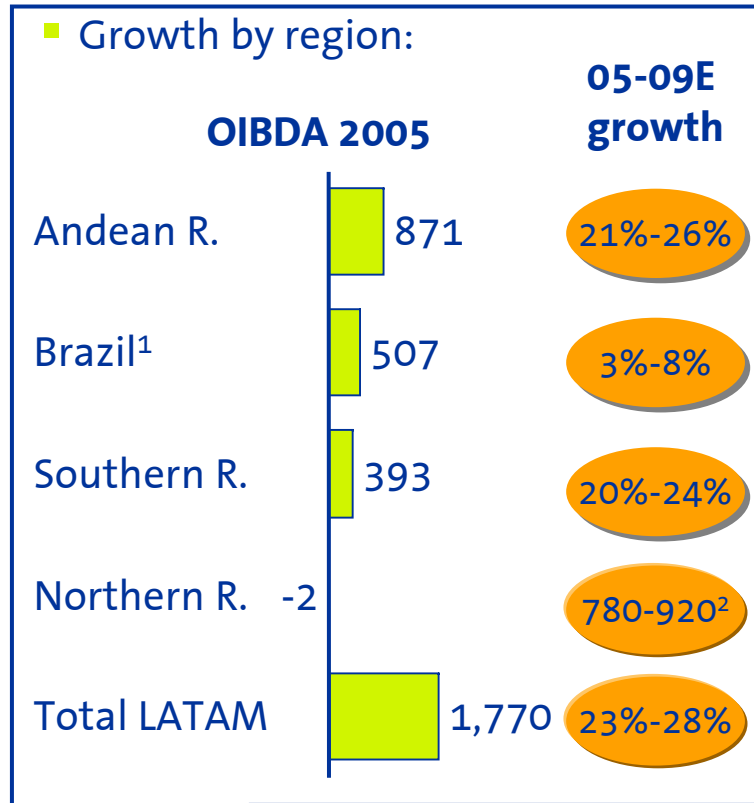
CAGR 2005-2009E guidance assumes constant exchange rates as of 2005 and excludes changes in consolidation.

<sup>1</sup> 50% of VIVO

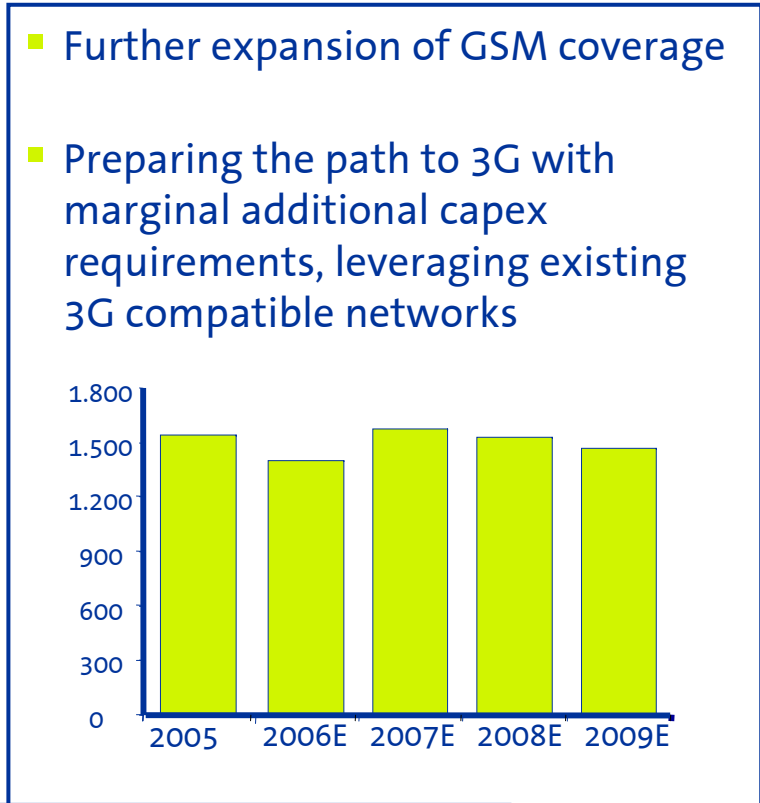


# 02 ... reaping the benefits of a profitable growth model and economies of scale

## OIBDA (€MM)



## Capex (€MM)



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

**TEM LATAM: >40% of TEM 2009E OpCF**



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.



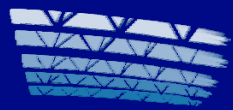
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# Index

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

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

<sup>2</sup> 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.

<sup>3</sup> Capex excluding licenses.

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