



JAZZTEL

**Capturing the Spanish
broadband opportunity**

**Santander Telecommunications Conference
Marbella. June 2006**

Disclaimer

This information does not constitute or form part of an invitation to acquire securities nor to engage in any investment activity.

Certain statements in this document are forward-looking and are subject to material risks and uncertainties. Actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with JAZZTEL's business, which include among others, competitive developments, risks associated with the Company's growth, the development of the Company's markets, regulatory risks, dependence on its major customers and their spending patterns and other risks which are presented in the Company's filings with certain European regulatory authorities.

Any statement regarding past performance in relation to securities can not be relied on as a guide to future performance.

Agenda

I. Analysis of the opportunity

II. Strategic Roadmap and Execution

III. Main financial and operational forecasts

IV. Financing Analysis

– **Rights issue**

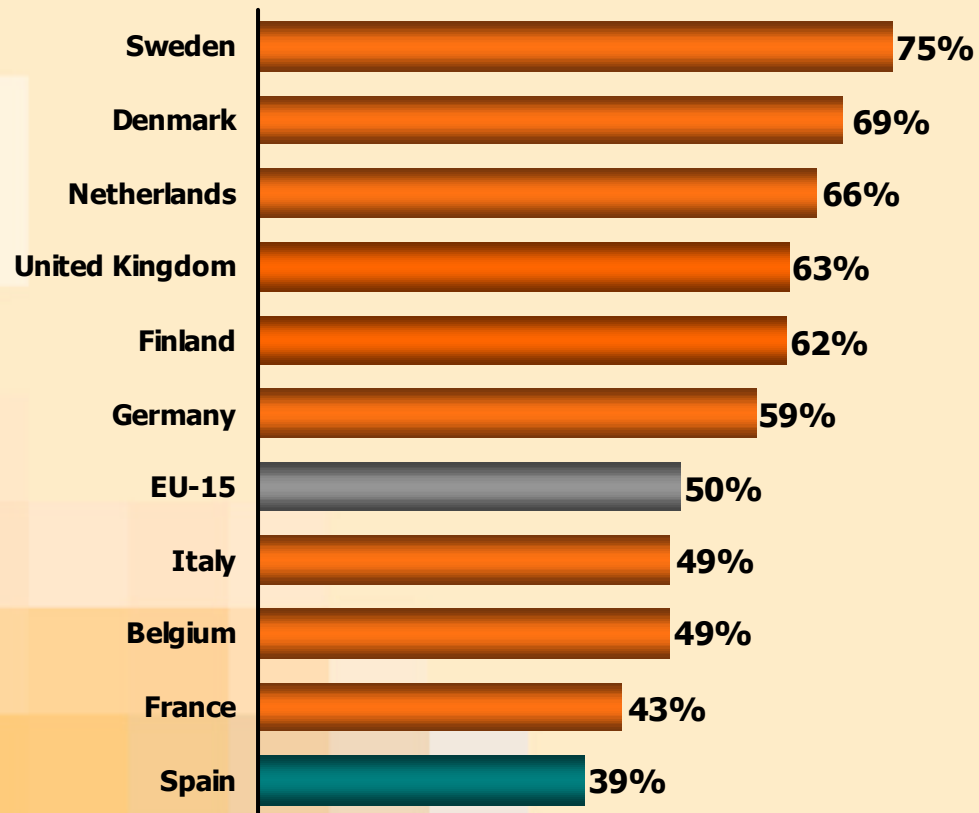
IV. Conclusion

Annex

Spain is an under-penetrated Internet country...

Internet penetration December 2005

% of total population



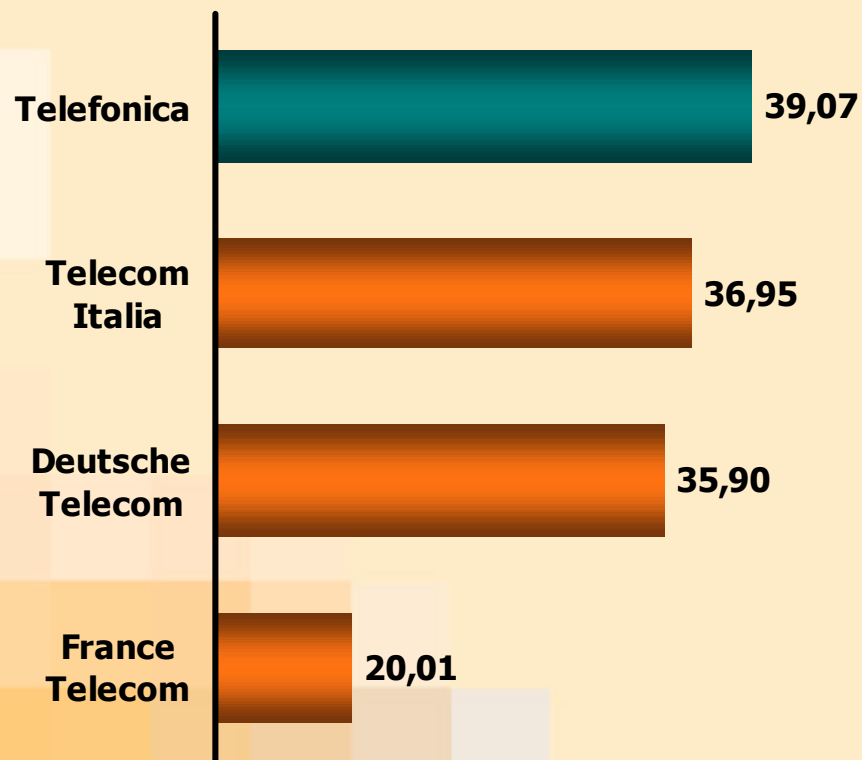
Room for growth

Source: Eurostat

... with broadband prices* above average

Incumbent ADSL prices

Euros/month (VAT not included)



Opportunity for
infrastructure
based ULL
operators

Source: Company's web pages

* Incumbent ADSL prices. Excludes line rental fees

... where prices are converging with those of Europe

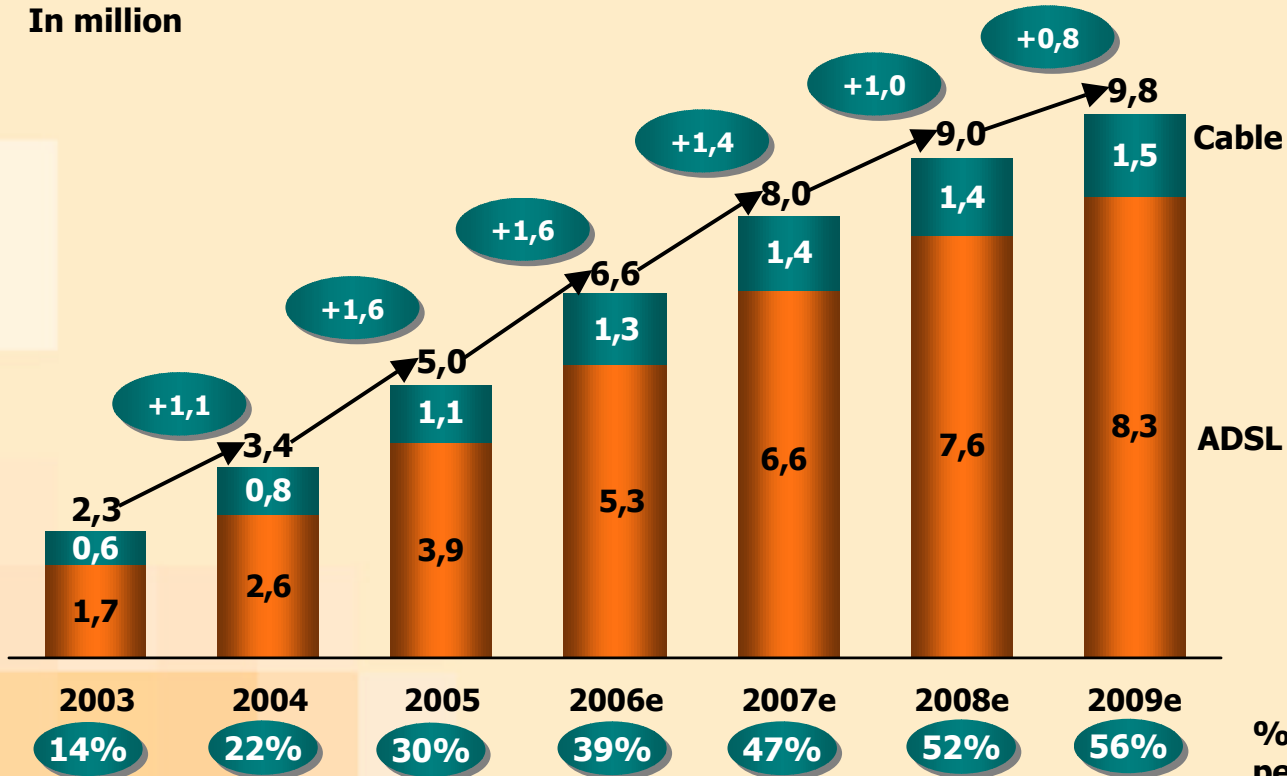
	Voice	ADSL	TV	ARPU 2 Play*	ARPU 3 Play
Incumbent Operator	Flat fee	1 Mb	60 channels	€53,33	€71,83
Wanadoo	Flat fee	20 Mb	33 channels	€49,43	€ 60,43
Ya.com	Flat fee	20 Mb	n.a.	€49,37	n.a.
Ono	Flat fee	4 Mb	85 channels	€44,90	€56,39
JAZZTEL	Flat fee	20 Mb	35 channels	€42,90	€51,40

* Includes line rental fee

Broadband market has grown sharply in 2005 and will maintain this growth rate in 2006

Total Lines

In million



- The broadband market will start to decrease its growth rate in 2008
- ADSL increases its share in the market

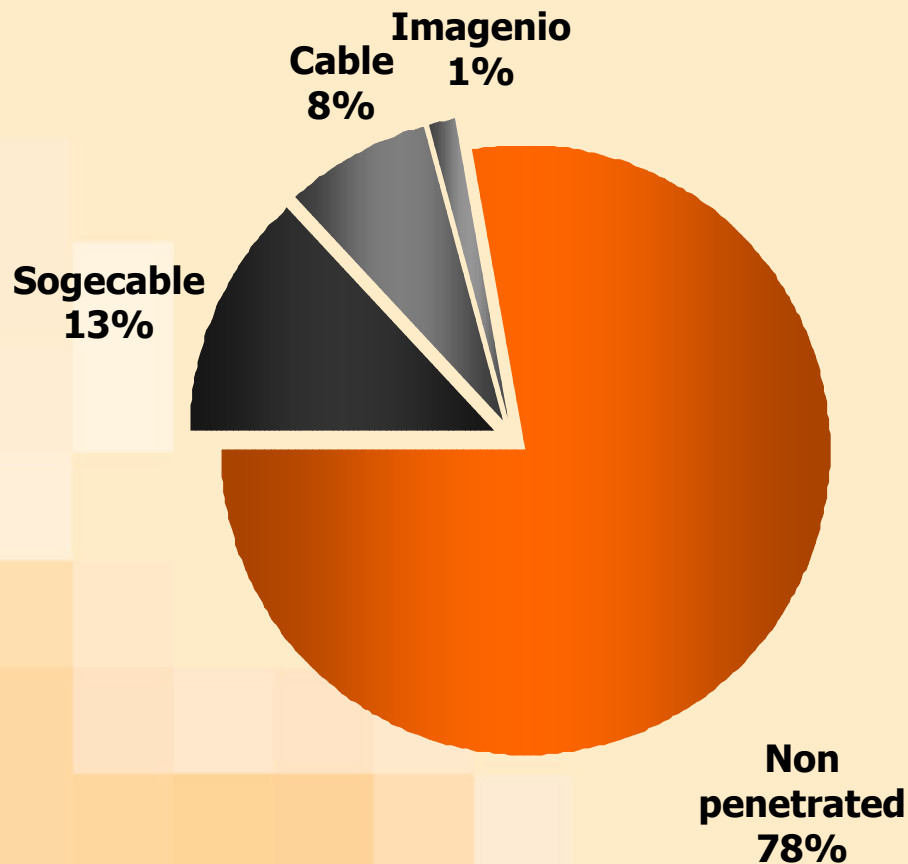


* Assumes 13,3 million households and 3,1 million active businesses as of 2005

Source: JAZZTEL's estimation



Spanish Pay TV market has not matured yet...

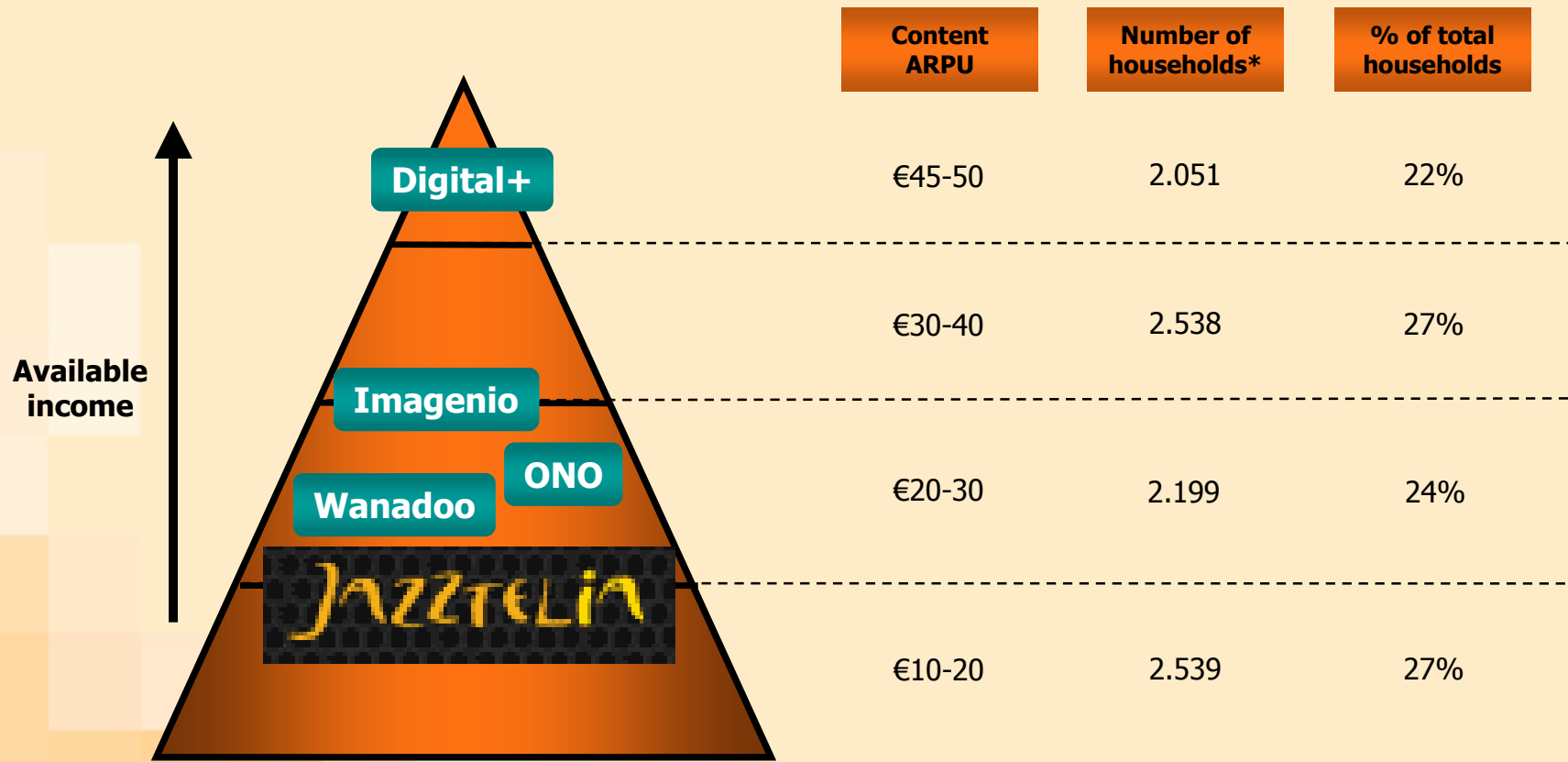


Pay TV penetration: 22% → Too low in comparison with other European Countries.

Low penetration due to high current market price.

Total number of homes: 15.3 million
Source: Red.es; INE; as of December 31st, 2005

... due to high prices



JAZZTEL will be focused on the mid-low segment of the market which is under-penetrated through the offer of TV services together with an ADSL connection at affordable prices

*number of households that can afford that content ARPU level, I.e. that ARPU represents less than 2% of their available income
 Source : INE; JAZZTEL's Analysis



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JAZZTEL Strategic Roadmap

2004

Secure Assets

- NGN deployment
- COs space
- Metropolitan Fiber
- Other Network Deployment
- Systems Deployment
- Human Resources

2006

Focus on core competence – ULL operations

- Improve Telco Efficiency
- Enhance Scalability
- Customer Excellence
- Upgrade Product Portfolio
- EBITDA Positive

2008

Profit

- Cash Flow Positive
- Net Income Positive

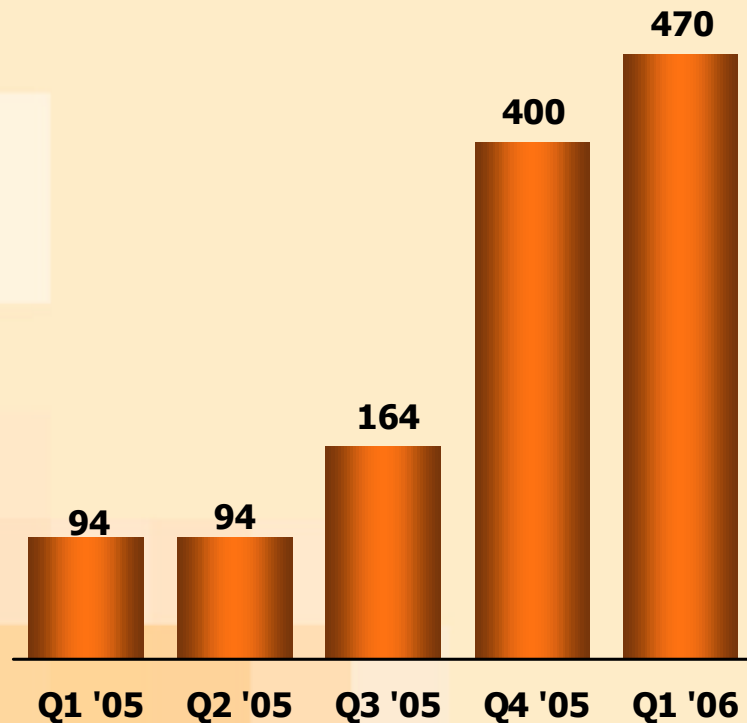
2009

JAZZTEL has already secured the core assets to seek profit and cash flow generation through “telco efficient” operations and focus on the ULL core competence

JAZZTEL has deployed heavily its ULL fiber connected infrastructure...

CO's deployment

Central Offices with JAZZTEL's equipment in co-location



Backbone km.

5.753

7.367

18.329

18.929

19.159

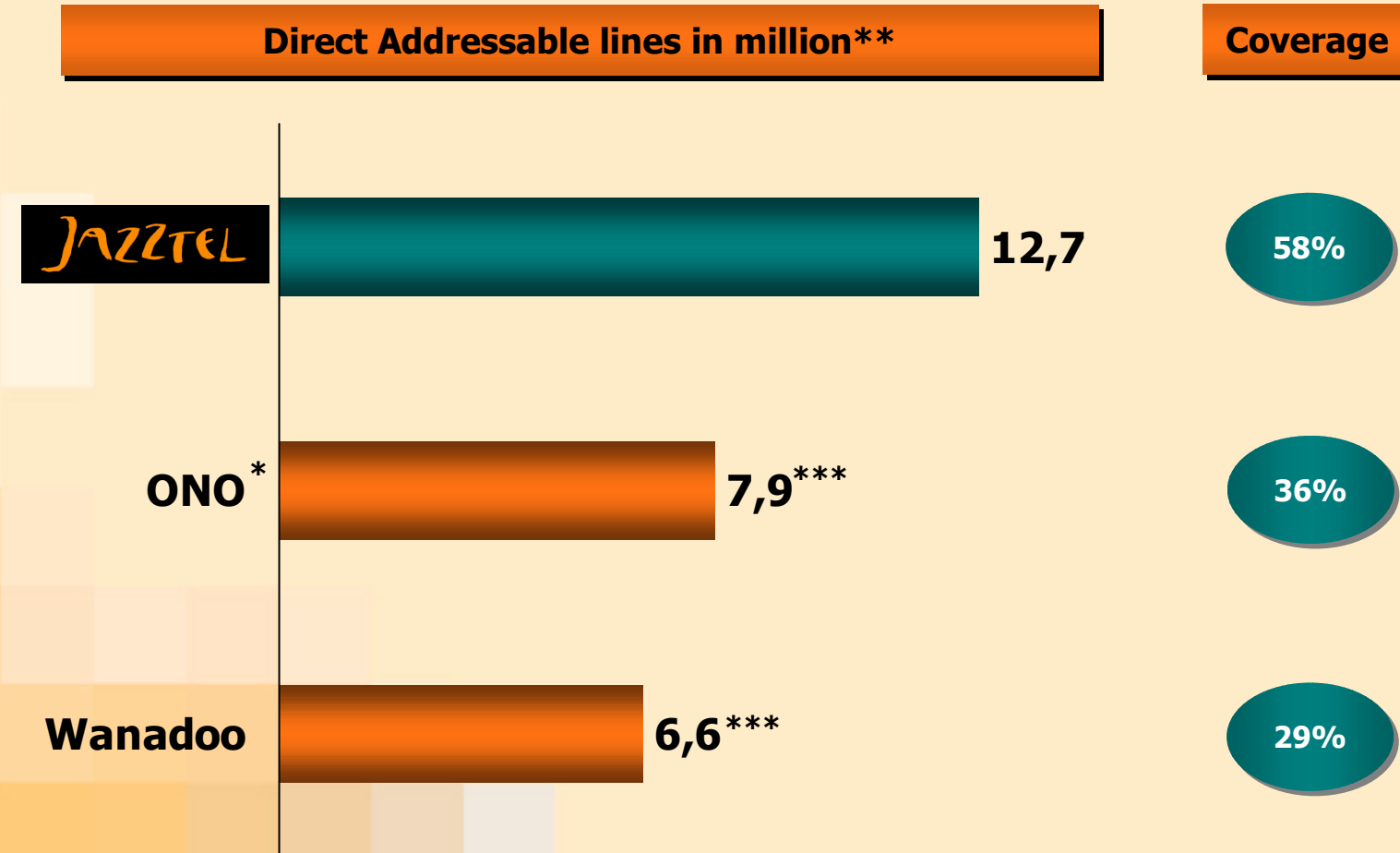
High execution capacity once the incumbent was forced to give access to COs

Space reserved at the COs and the technology ready to reach 2.0 million subscribers

2.718 km. of MAN fiber network in operation

Increased coverage of the market (in Euros) from 19% to 64%

... and has the broadest addressable market of alternative telcos...

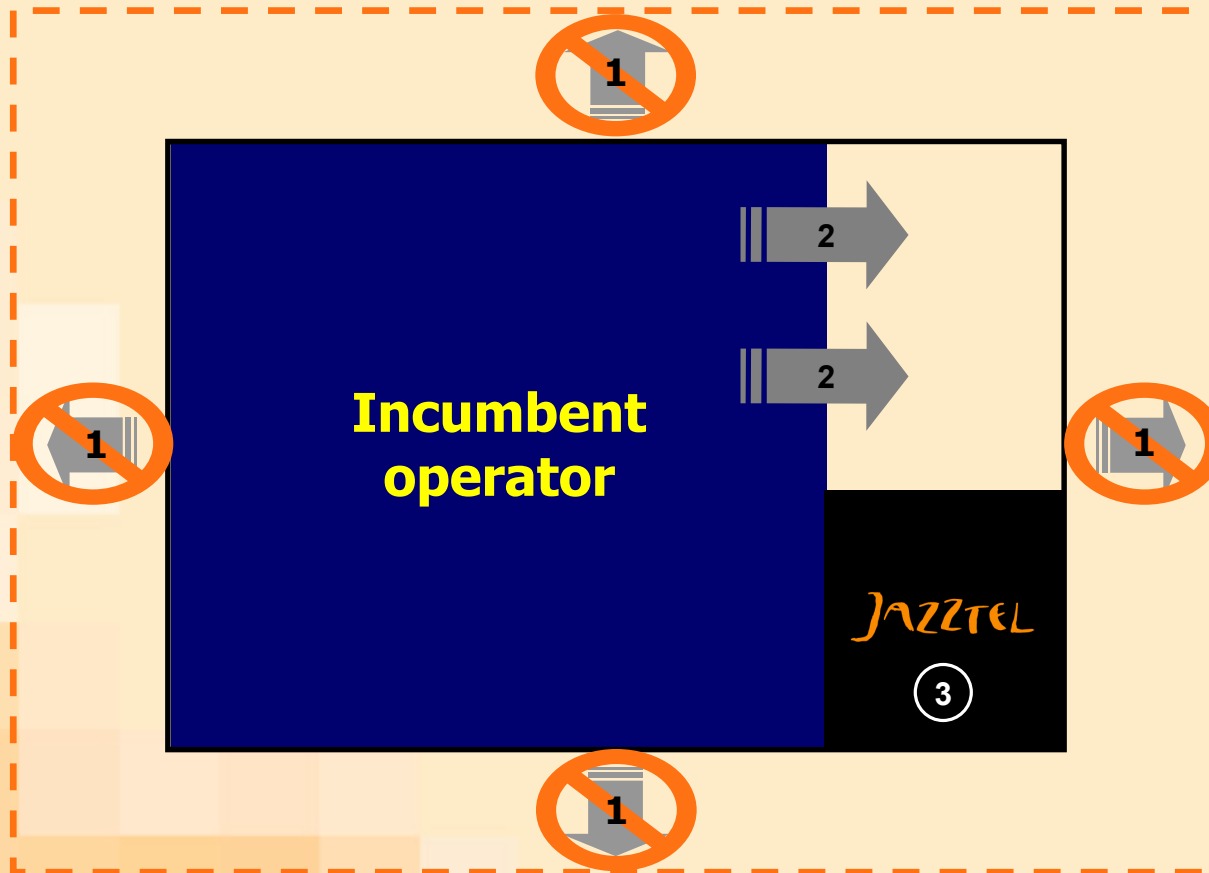


* Assuming same coverage of businesses and residentials

** JAZZTEL's estimation based on range of LEs and coverage

*** Latest disclosed figures Q4 2005

... with infrastructure secured to service its customer growth...



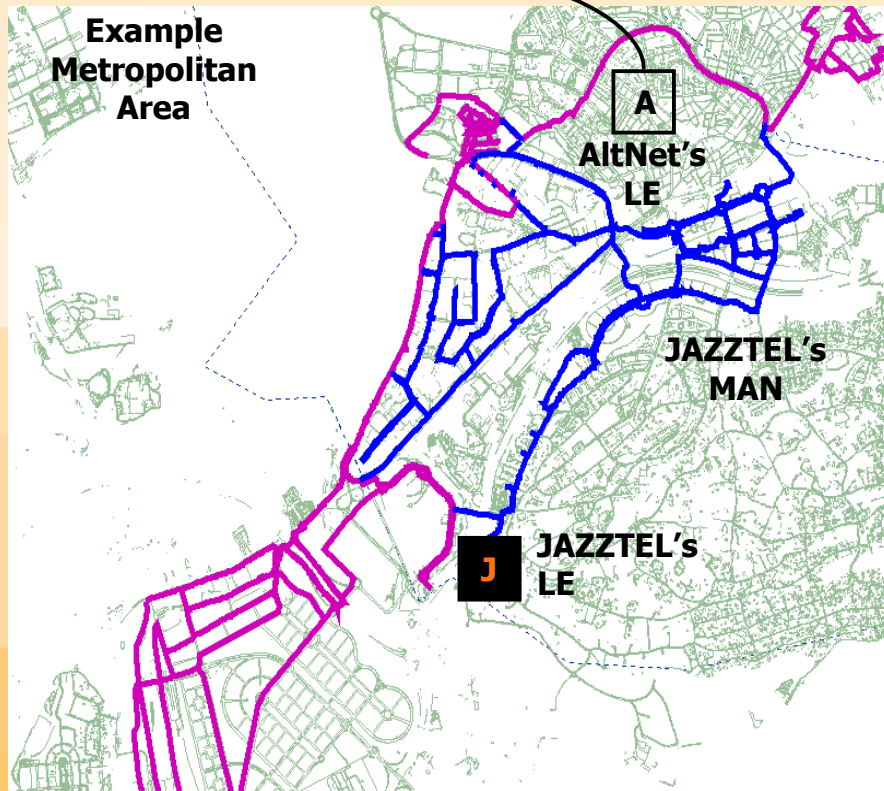
1. The incumbent operator is not obliged to increase the CO available space for competitors
2. The incumbent operator is growing its customer base
3. JAZZTEL, after having filed more than 40 claims with the CMT, has already all the space needed to execute its Business Plan

JAZZTEL is no longer dependent on incumbent for this service while there is limited available space that constrains ULL growth opportunities for other alternative players

JAZZTEL's extensive ULL/fiber infrastructure allows for higher customer margins

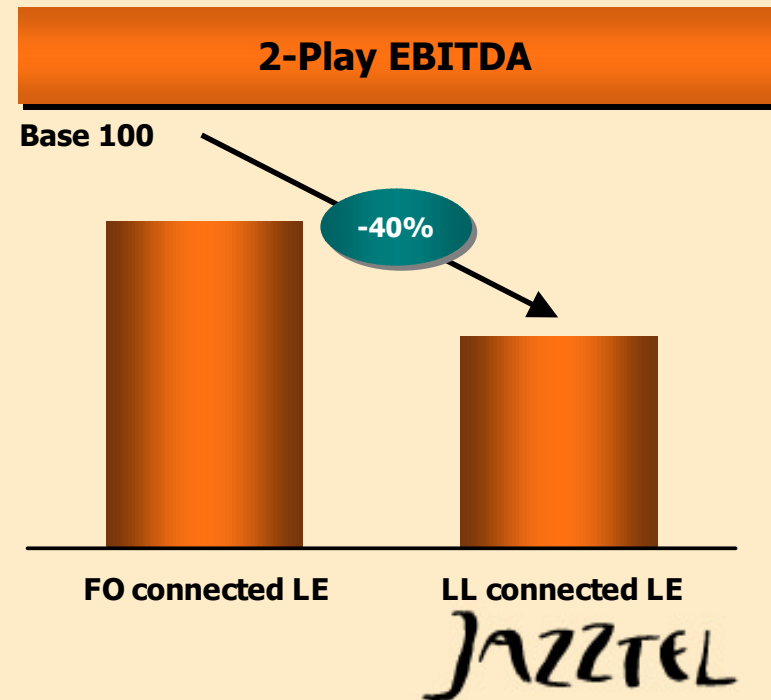
AltNet's Network

Leased capacity:
app. €6.000/month*



Without a fiber network, product economics are constrained:

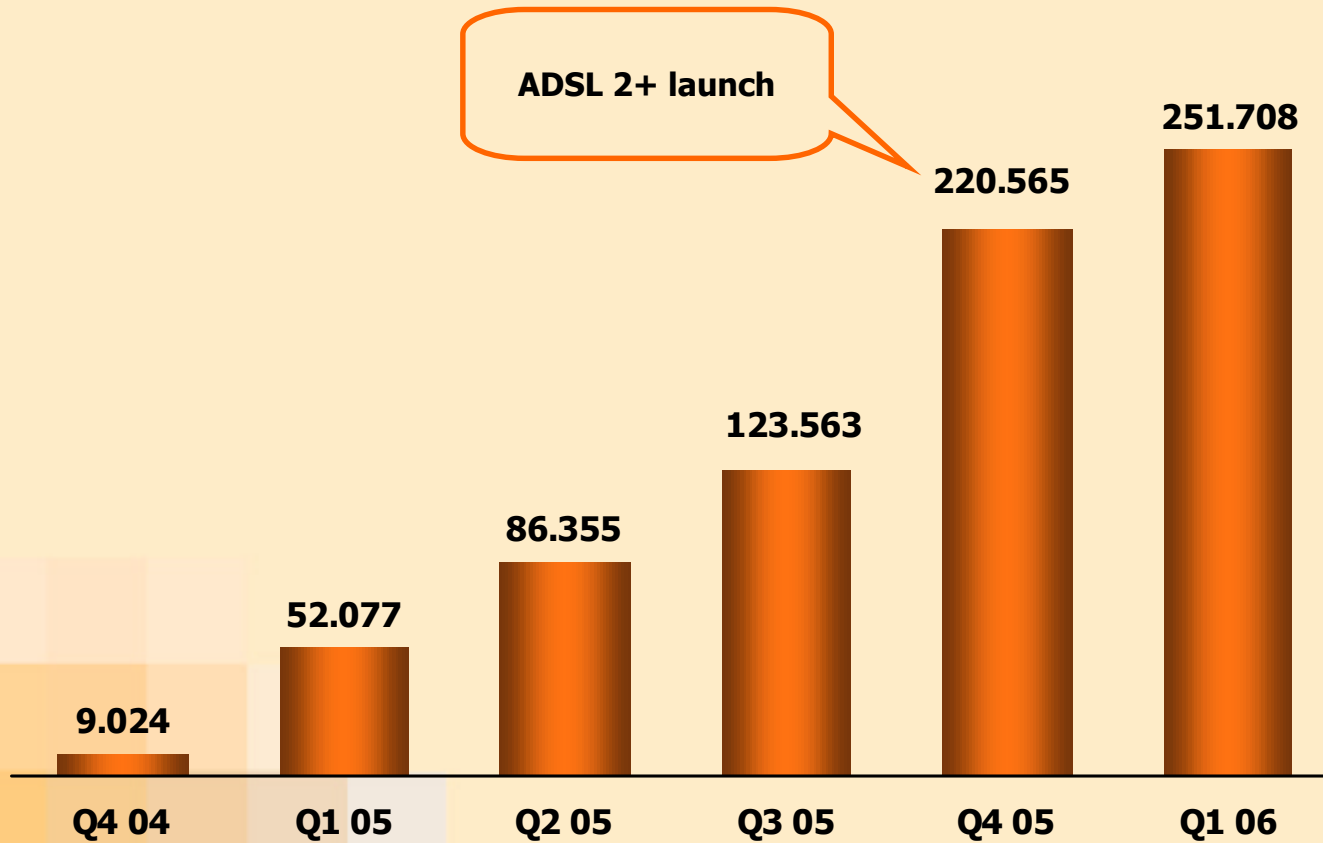
- 3-Play EBITDA is negative
- 2-Play EBITDA is reduced by a 40%



*provincial 155 Mbits/s circuit of less than 100 km.

JAZZTEL has aggressively expanded its customer base...

Total number of ADSL customers



JAZZTEL

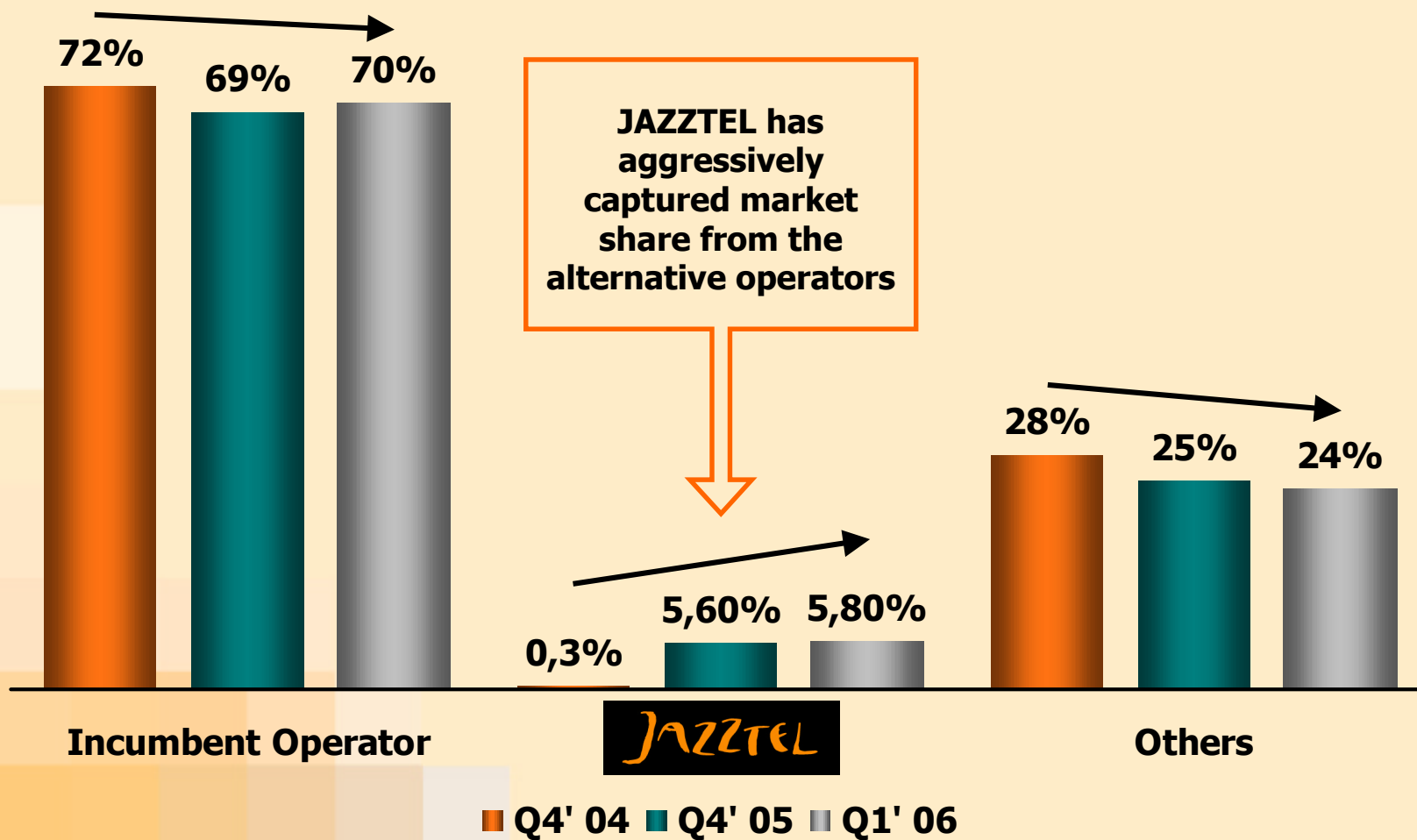
... hindered on Q1 2006 by high cancellation levels due to delays in provisioning in spite of strong customer demand...

- **Customer demand remained strong during the first three months of the year**
- **Customer cancellations levels were high due to the lengthening of the provisioning process, caused by several reasons:**
 - Non-compliance by the incumbent operator of regulated provisioning times
 - Saturation of the reference entity caused by the number portability
 - Complete substitution of the CRM system

- **Jazztel decreased its marketing pressure in the beginning of Q2 06 to enable provisioning issues to be re-addressed**
- **Preliminary results are encouraging and have enabled JAZZTEL to re-launch its marketing in June**

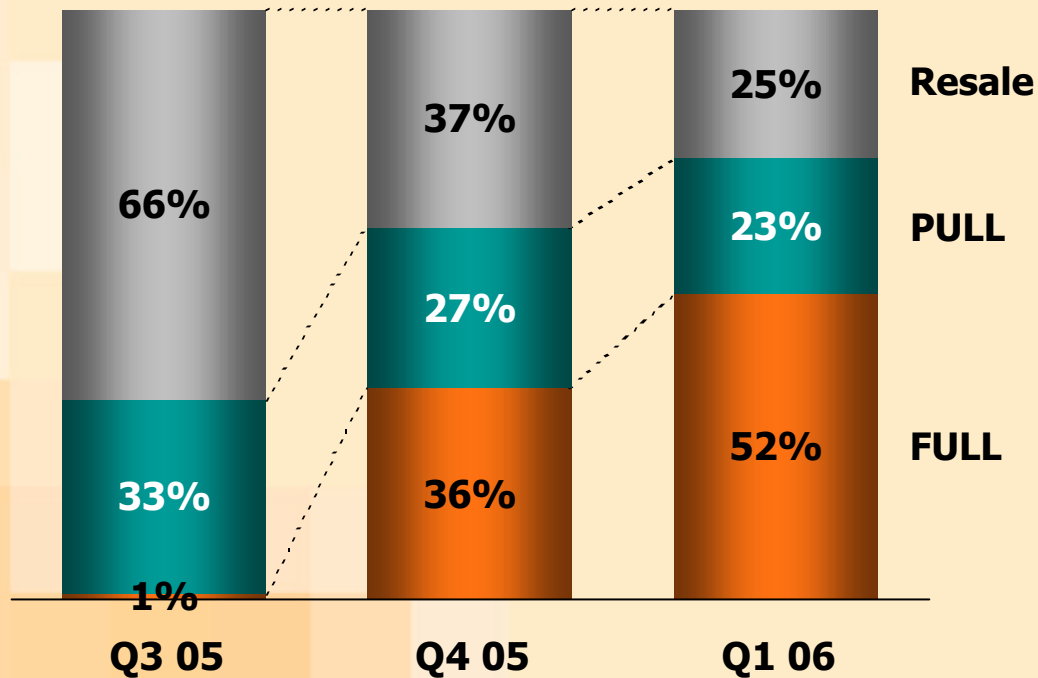
JAZZTEL has grown at the expense of alternative DSL players...

As % of total DSL lines

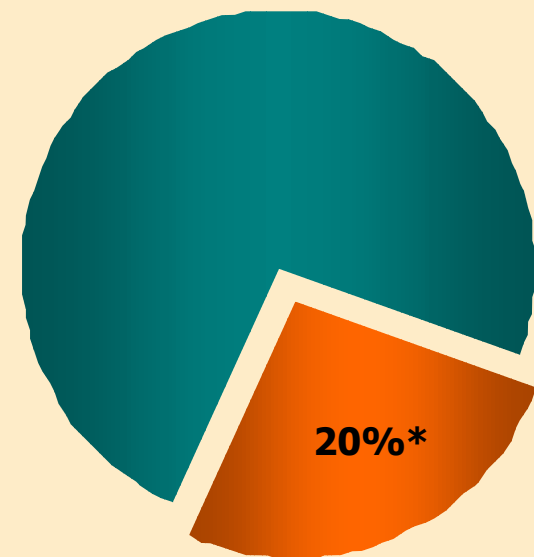


... with a strong focus on direct access through unbundling

ADSL customer base evolution



ULL market share



JAZZTEL

*as a % of total unbundled lines as of March 31st, 2006; Source: CMT

JAZZTEL

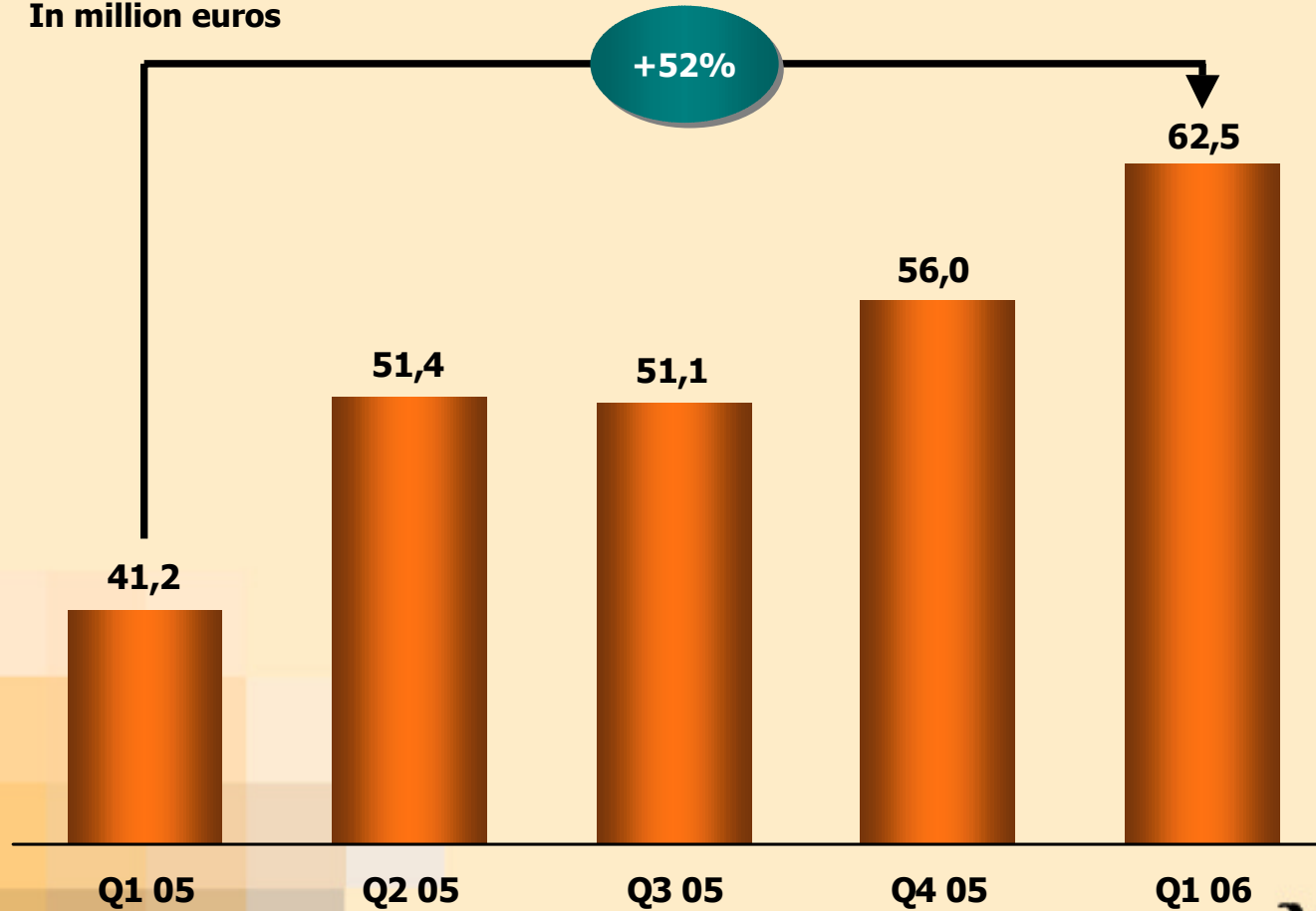
JAZZTEL has been an innovator and it has been the fastest operator to respond to market demand

- **JAZZTEL has constantly been ahead of its competitors in every front:**
 - 1st ADSL 2+ deployment in Spain
 - 1st to launch ADSL 20 Mb in the residential market
 - 1st to launch a single invoice product in the residential market
 - 1st alternative operator to launch TVoDSL
- As a result, JAZZTEL has been able to capture a 6% ADSL market share in its first year

... therefore enabling a telecom revenues ramp up

JAZZTEL telecom recurrent revenues*

In million euros



*telecom revenues excluding CCS, Adatel.

Mr. Fernández and Mr. García: a powerful team

Entrepreneur

Executive

**Leopoldo
Fernández
Pujals -
Chairman**

Vision

- Founder and Chairman of TELEPIZZA and took it to the IBEX-35 (Spanish blue chip index)

- Various management positions in Procter & Gamble and Johnson & Johnson

**José Miguel
García
Fernández -
CEO**

Execution

- Founder of Case Technology, a top ranked Systems Integration Company sold finally to Cable & Wireless

- Adviser to the C&W Group CEO
- CEO – C&W UK and Ireland
- Executive Chairman and CEO – C&W Panama
- VP Enterprise Markets (Europe) – C&W Global

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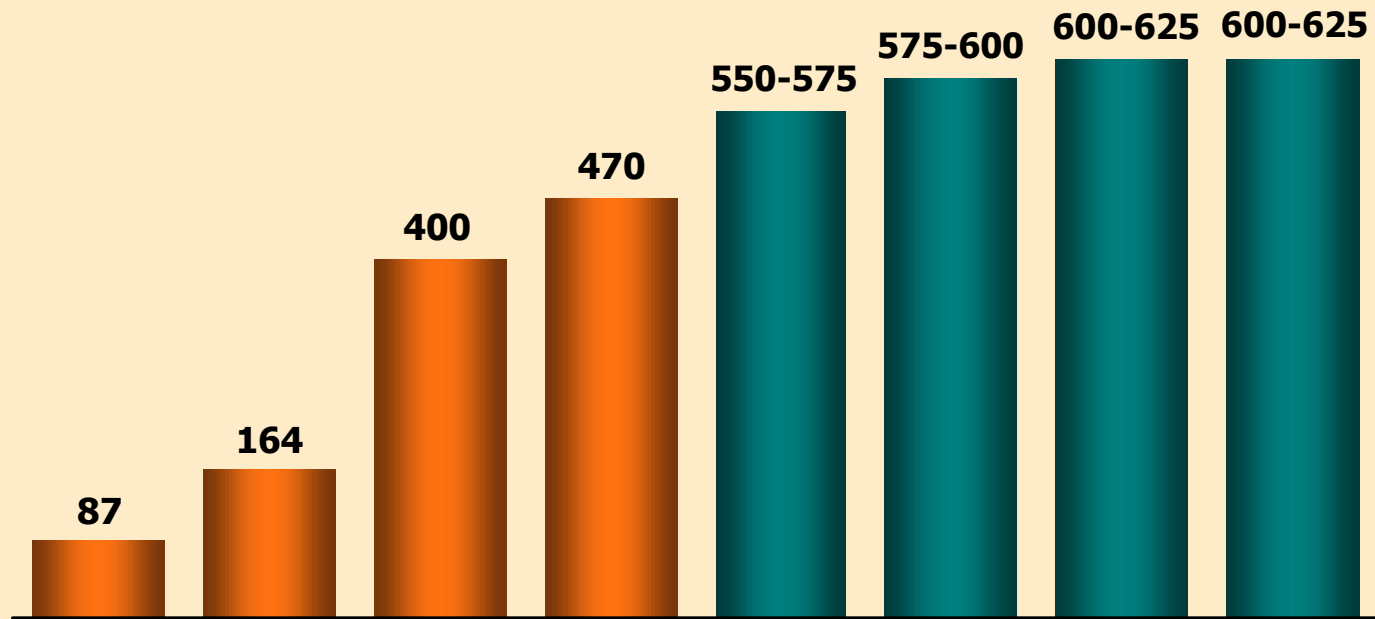
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COs deployment

Number of COs deployed



% coverage of total lines
% market coverage in Euros
% connected with Fiber

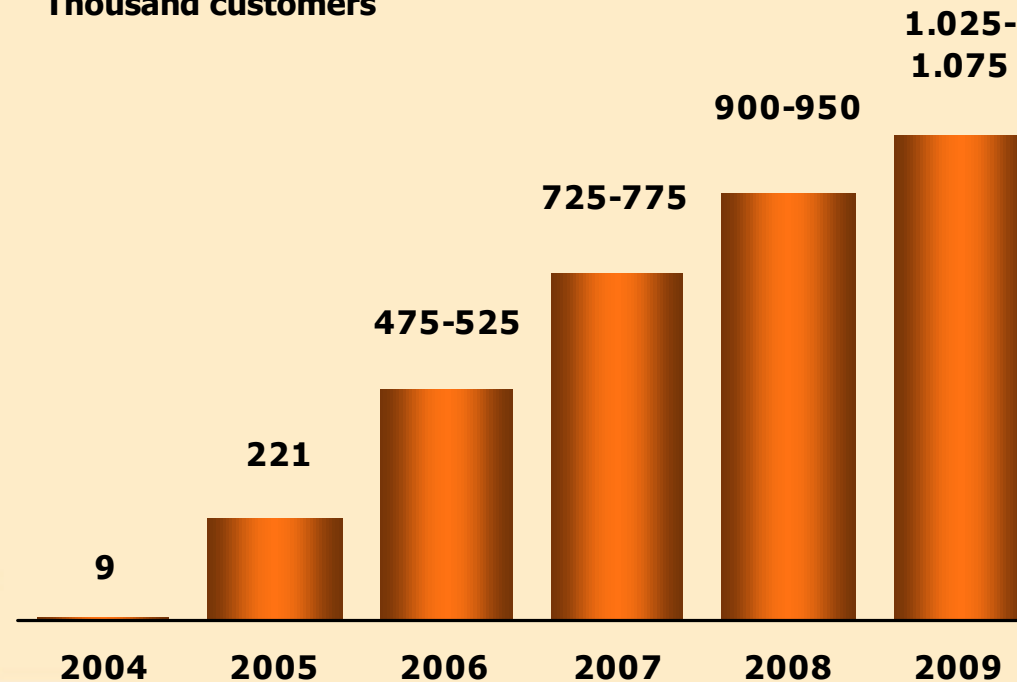
	Q4 '04	Q3 '05	Q4 '05	Q1 '06	2006	2007e	2008e	2009e
% coverage of total lines	14%	26%	53%	58%	65%	70%	75%	75%
% market coverage in Euros	17%	31%	61%	64%	70%	75%	80%	80%
% connected with Fiber	71%	53%	35%	44%	85%	85%	85%	85%

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Broadband customers

ADSL customers EoP*

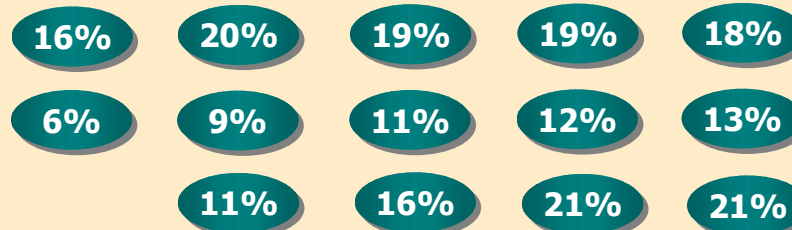
Thousand customers



JAZZTEL share of ADSL market growth

JAZZTEL's ADSL market share

% content penetration

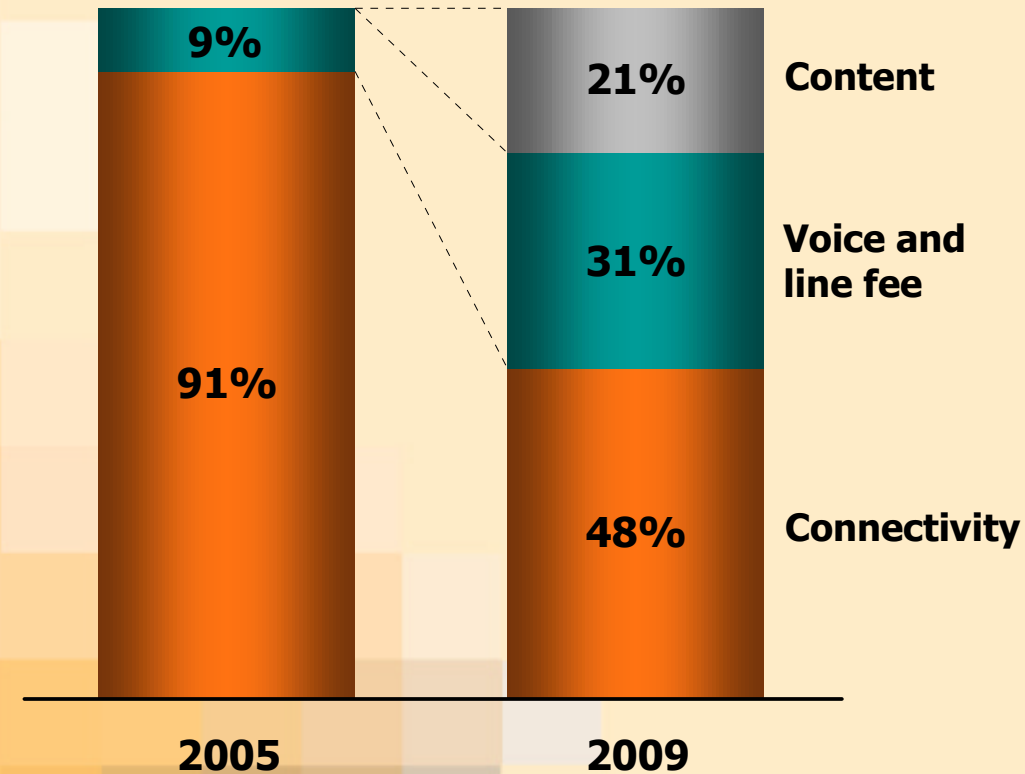


* Q4 05 share of ADSL was 5.6%

Sustaining ARPU with additional services

ARPU evolution*

Base 100

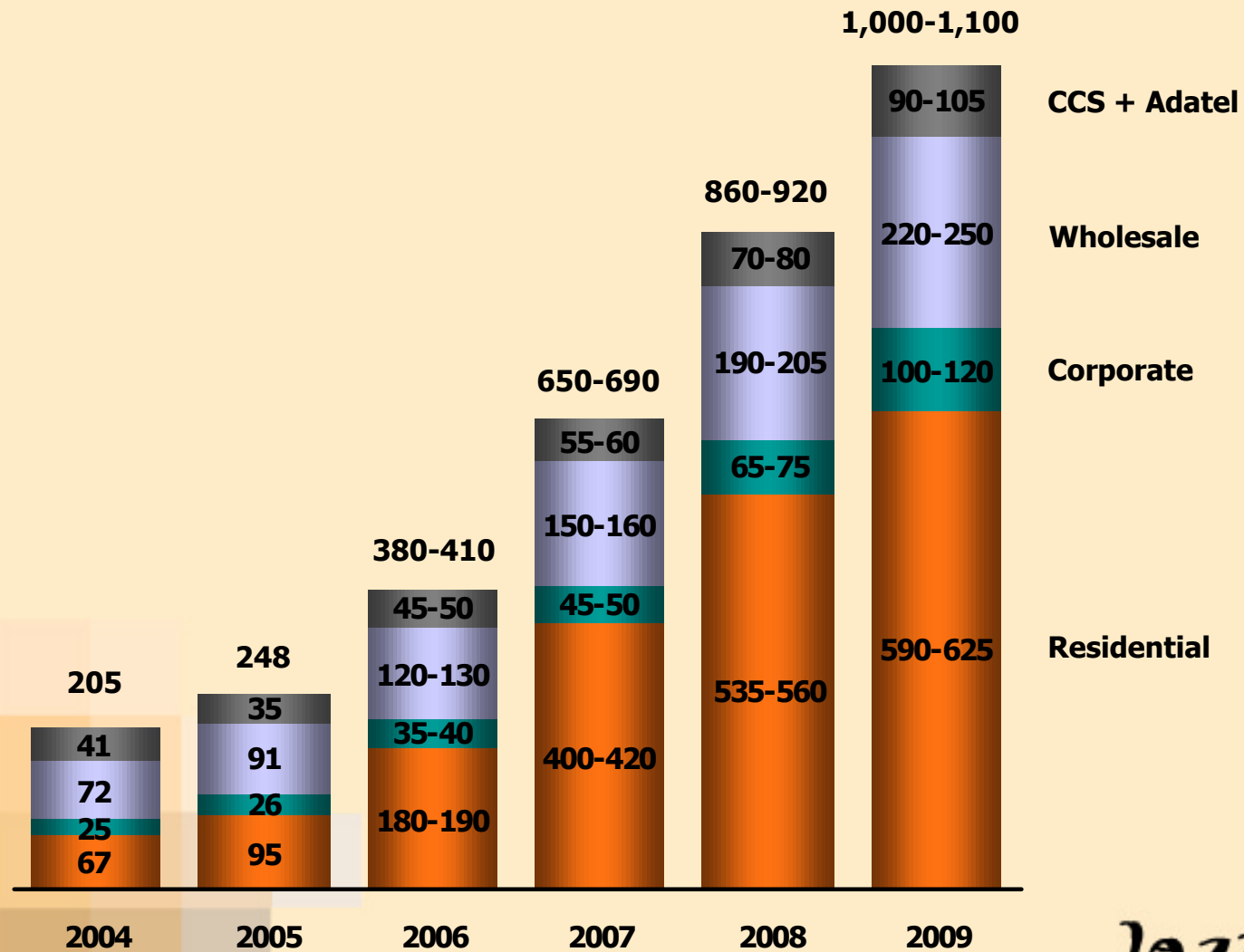


JAZZTEL will be able to offset broadband price declines with increased services

* normalised

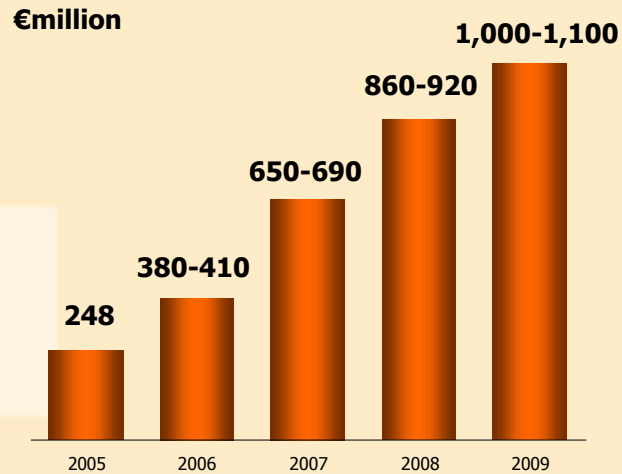
Revenue breakdown

In million euros

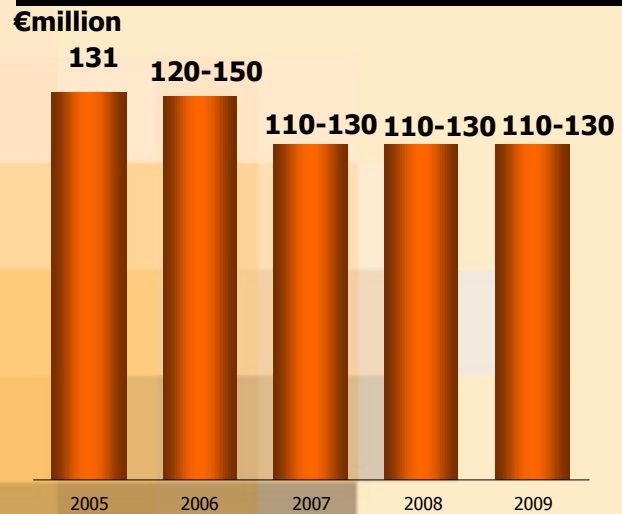


Main financial magnitudes

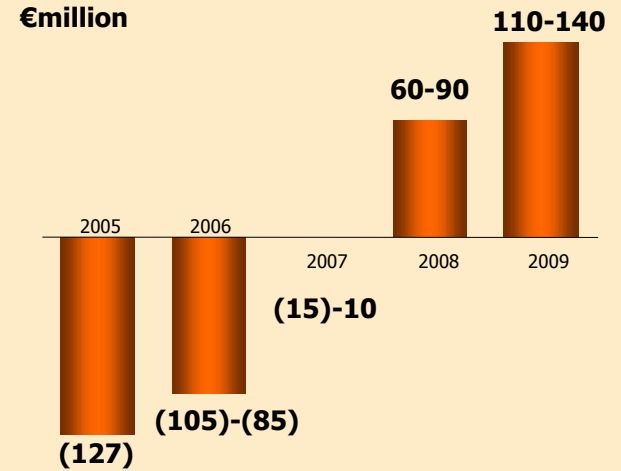
Revenues



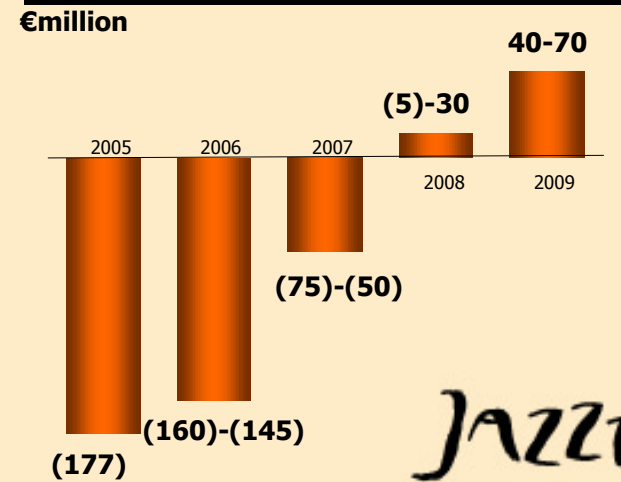
Capex



EBITDA



Net Income



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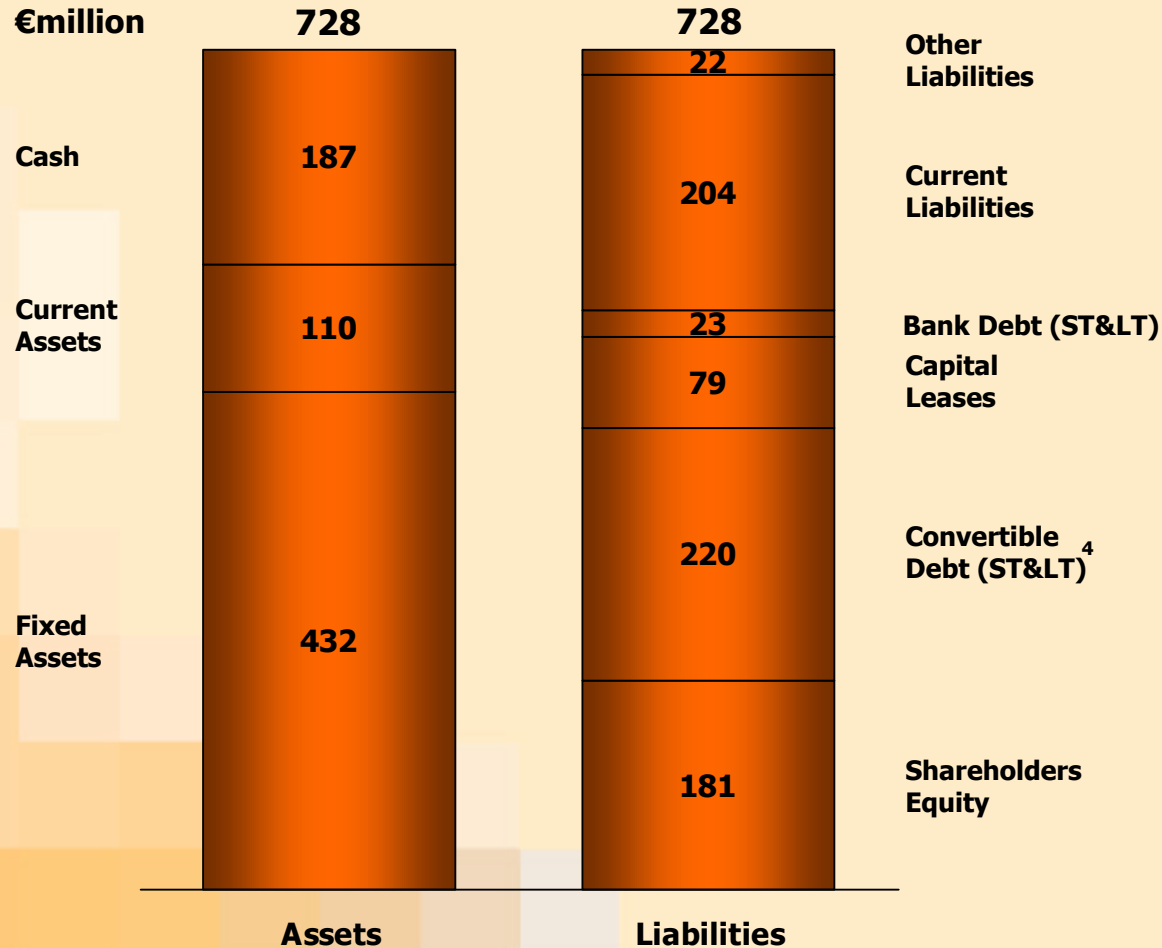
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JAZZTEL has a solid and flexible financial structure...

Balance Sheet proforma¹ as of March 2006



- Market Capitalisation²: €618 million
- Gearing³: 44%

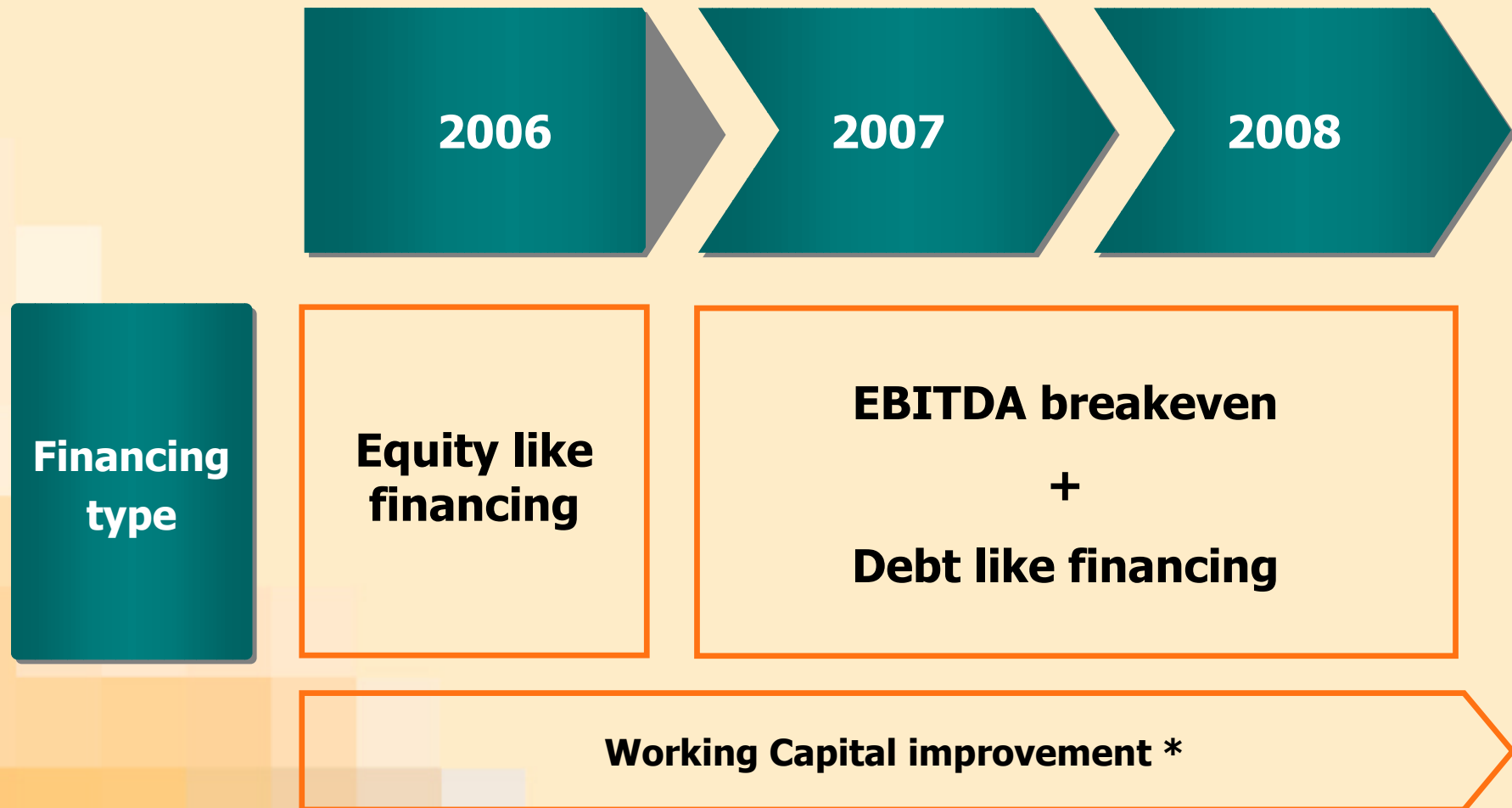
¹ proforma including 2nd tranche of PACEO financing

² closing share price as of June 9th, 2006 (€0.58).

³ calculated as Net Debt / (Shareholders equity + Net debt); convertible bond at face value + accrued coupon

⁴ face value €275 million; including €13 million of accrued coupon not paid

... and a clear financial plan



* i.e. VAT facilities, DSO improvements, etc.

The rights issue is part of this financing plan...

- In order to fully fund its business plan, JAZZTEL is seeking additional funding in 2006
- With a solid balance sheet and a reasonable gearing, a rights issue has been deemed as the most appropriate solution

Rights issue conditions

Nr. Shares (000s)	266,291
Stock Price (€/Share)	0.45
Gross Proceeds	€119.8 Mn.
Right Value	0.03 Euros
Discount (ex-right) ¹	18.2%

¹ calculated with June 9th closing share price; implied right value €0.03

... at an attractive price...

Euro million unless otherwise stated

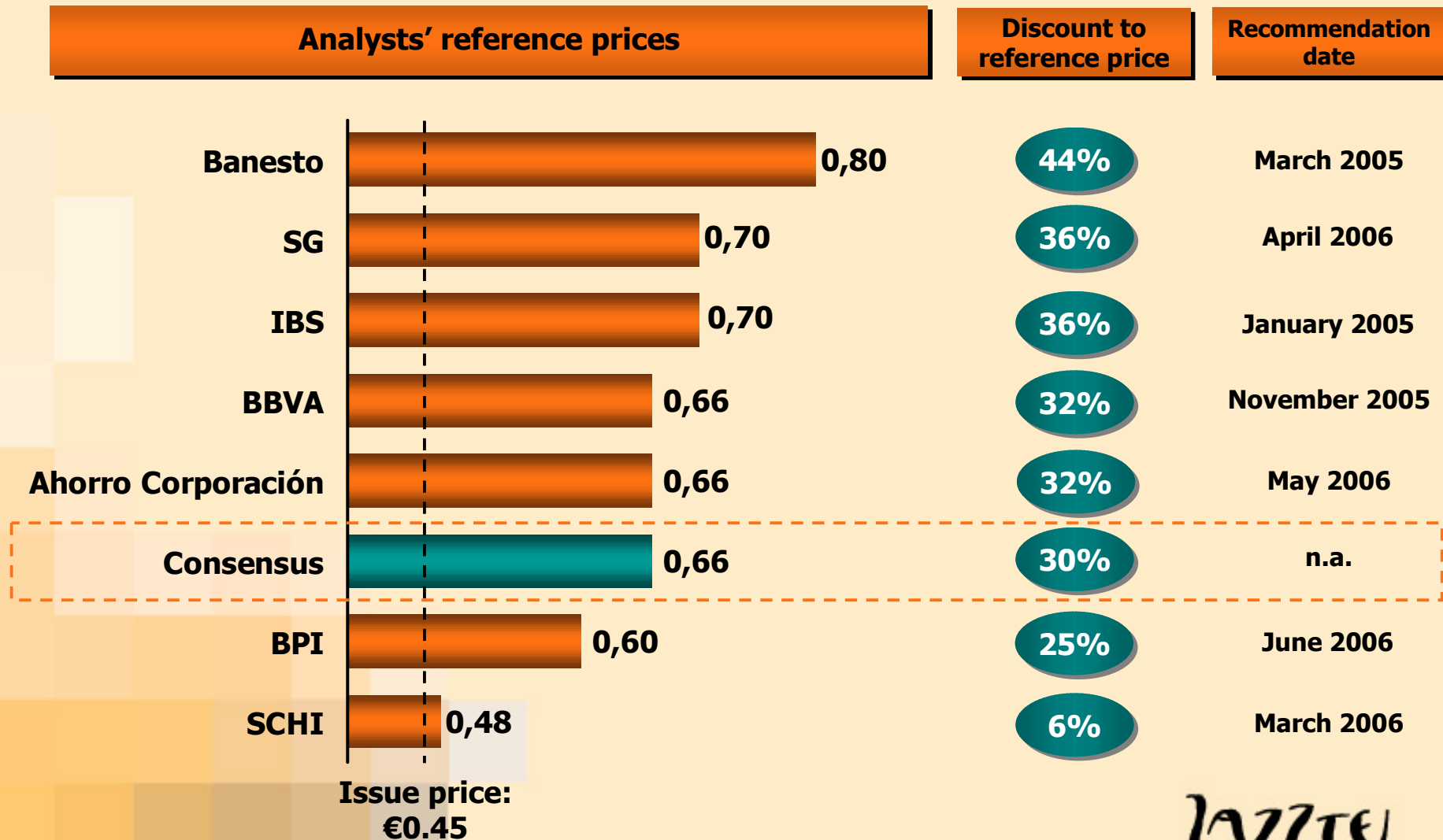
	Q1 2006 proforma	Rights issue implied value analysis
Number of shares (million)	1.065	1.331
Share price*	0,58	0,45
Equity value	618	599
Convertible bond	275	275
Coupon	13	13
Bank debt	23	23
Non-restricted cash	169	289
Net debt**	141	22
Entreprise value	759	621
Multiples 2005*** (xRevenues)	3,1x	2,5x
Multiples 2006*** (xRevenues)	1,9x	1,6x

* as of market close June 9th, 2006

** assumes €275 million convertible bond issue is accounted for as debt. Unrestricted cash only

*** as compared to Iliad/Fastweb aggregate of 5,0x 2005 and 3,8x 2006e

... backed by analyst recommendations



JAZZTEL

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Conclusions

- **JAZZTEL is on top of the opportunities arising from underdeveloped broadband and content markets**
- **Up to date, execution is encouraging and has enabled JAZZTEL to step on the market window of opportunity**
- **There are still challenges to face but JAZZTEL has the network resources, marketing expertise and management team to surpass them and meet the operational and financial targets**
- **The milestones presented represent an excellent opportunity to invest in the 3-Play opportunity in Spain through JAZZTEL**

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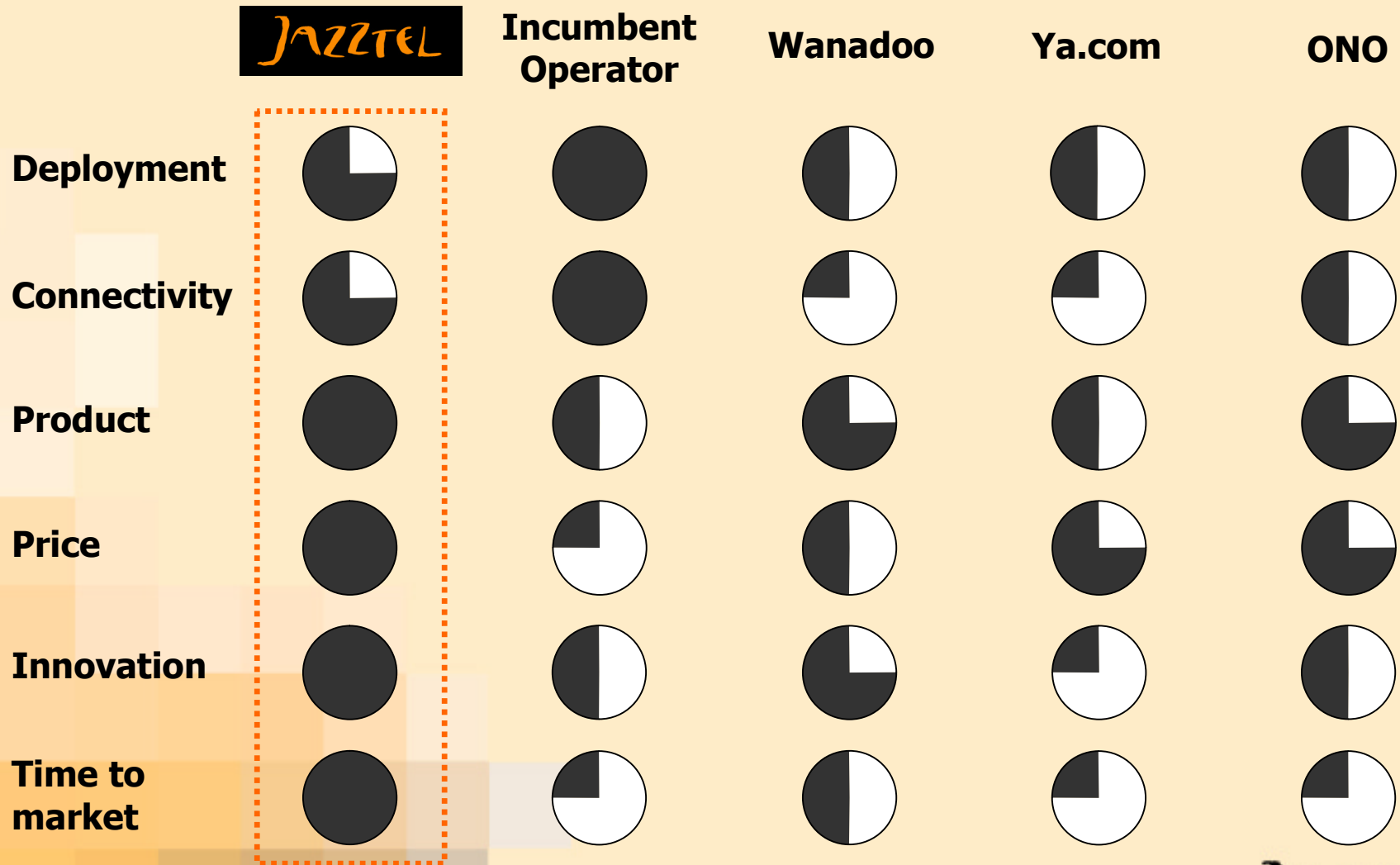
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Competitive assessment according to JAZZTEL



JAZZTEL

JAZZTEL's positioning in the corporate market*

Employees

Target customers

>499

BT

Large
Corporates

COLT

20-499

Mid-size
Corporates

JAZZTEL

Uni2

<20

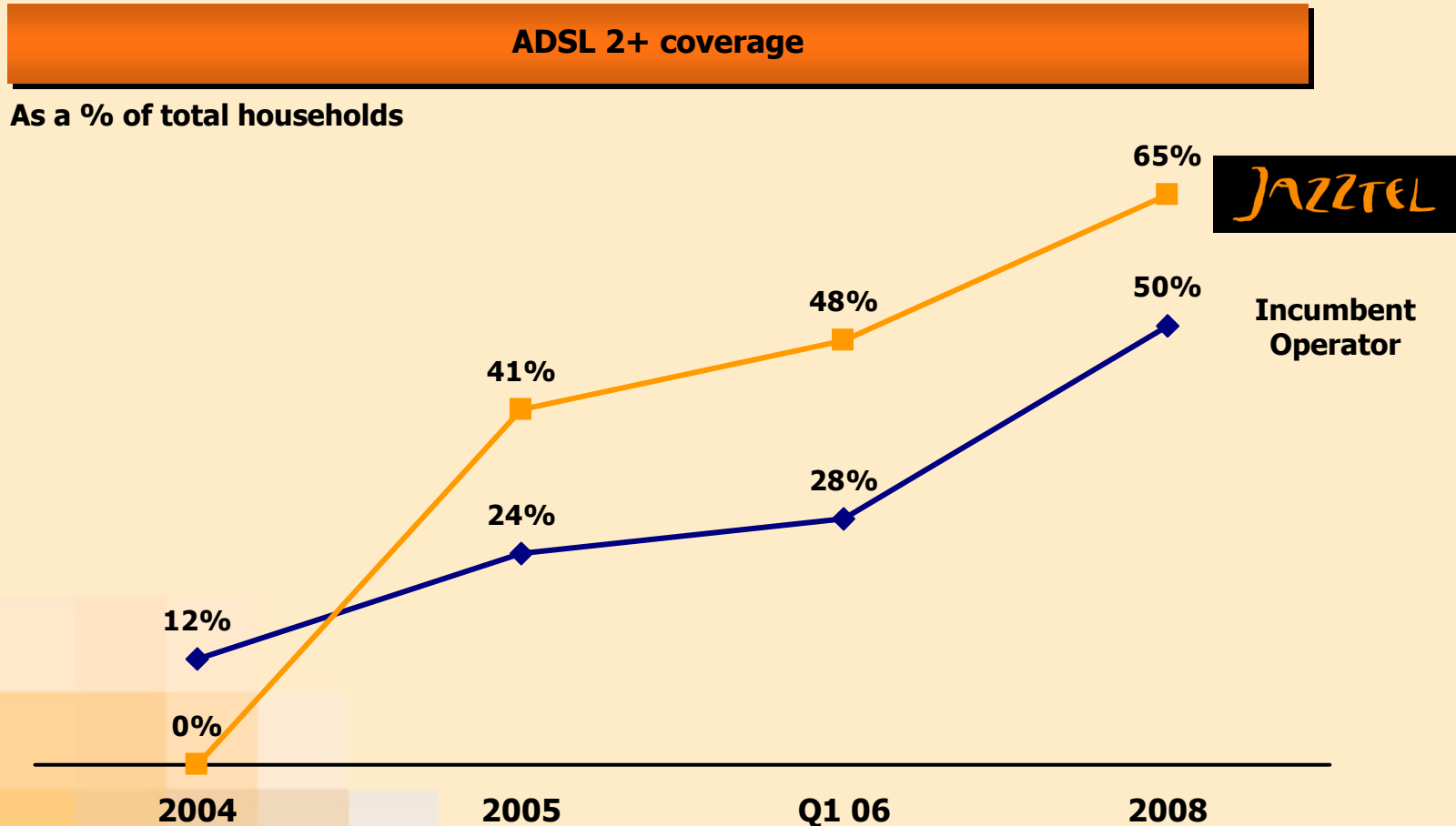
Tele2

Small Corporates
and SOHOs

ONO

*Incumbent is excluded of the analysis as is present in all business segments

JAZZTEL ADSL 2+ coverage exceeds that of the incumbent operator



Source: Telefonica Goldman Sachs IPTV Conference

Q1 results show strong revenue growth...

Million Euros
(Unaudited figures)

	Q1 2005	Q1 2006	Annual Growth (%)
Revenues	51.0	72.0	41%
Gross Margin <i>as % of sales</i>	22.7 44%	27.2 38%	20%
SG&A <i>as % of sales</i>	(38.5) (76%)	(72.6) (101%)	88%
EBITDA <i>as % of sales</i>	(16.4) (32%)	(45.4) (63%)	176%
Net Profit/(Loss) <i>as % of sales</i>	(25.2) (49%)	(64.0) (89%)	154%
CAPEX	10.2	28.4	178%

... offset by a decline in gross margin and an increase in SG&A costs in the telecom business

Concept

Causes

Gross Margin

- Increased interconnection costs due to inclusion of voice revenues in ADSL + voice packs
- Increased recurrent ULL fees due to the high number of resale ADSL customers
- Increased number of promotions due to a more aggressive product offering

SG&A costs

Selling Costs

- Set-up of the Jazzplat platform in Argentina

Provisioning and acquisition costs

- Set-up fees of new customers
- Preselection and number portability fees of new customers
- Human resources (internal and external) dedicated to single invoice provisioning

Customer care costs

- Customer care costs of customers that are waiting for provisioning

Staff Costs

- Total telecom business headcount from 661 in Q1 2005 to 852 in Q1 2006

Network Costs

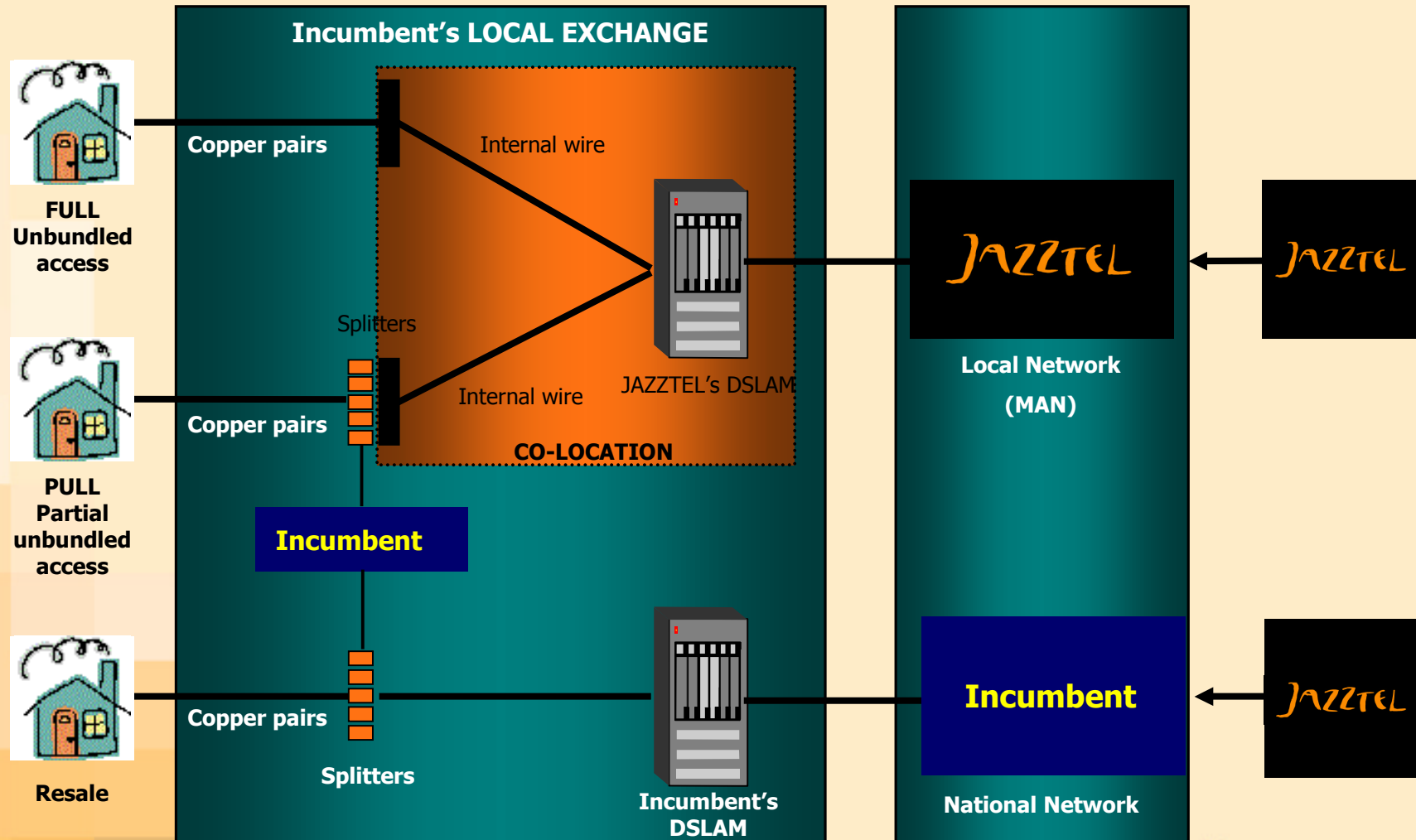
- Recurrent co-location costs of an expanded LE network (number of LEs multiplied by more than 4 times)
- Leased capacity costs of LE not yet connected with FO (number of LEs multiplied by more than 4 times)
- Recurrent costs of an expanded backbone network (backbone km. multiplied by more than 3 times)

Mr. García Fernández has joined JAZZTEL as CEO

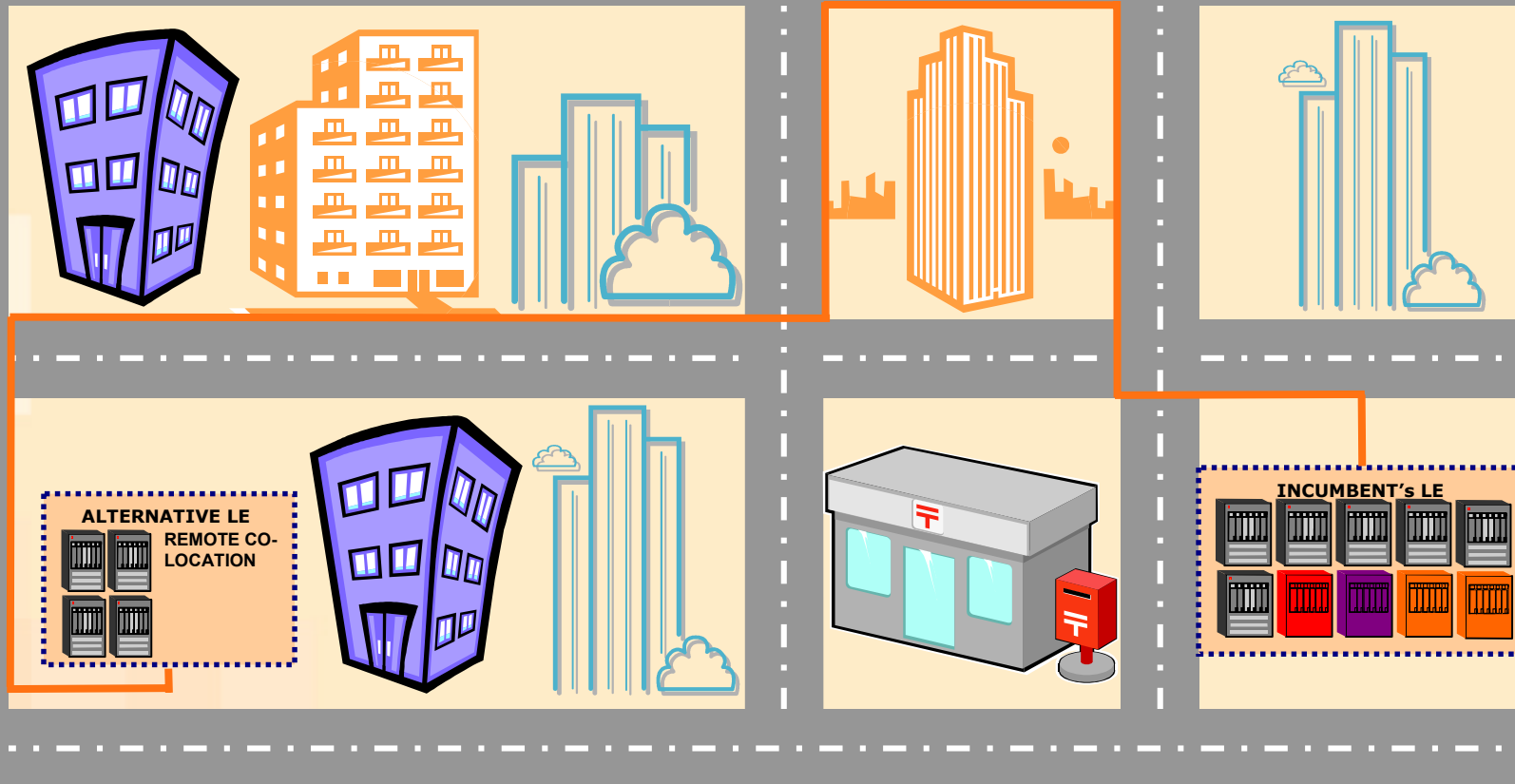
- Born in Madrid in 1962, Mr. García is a Spanish national.
- He holds a BSC in Electric & Electronic Engineering and Postgraduate in Digital Communications (Monash C.I.T University of Melbourne -Australia) and other degrees of INSEAD and the David Symmes Business School (Melbourne- Australia)
- Until he joined JAZZTEL, he served as the Cable & Wireless p.l.c. adviser to the Group CEO.
- Previously he was the CEO of Cable & Wireless U.K. & Ireland where he formed part of the leadership team in the Energis acquisition and cost cutting initiatives.
- Mr. García served as the Head of Sales and Marketing (Cable & Wireless U.K. and Ireland) where he lead the business management for Global accounts Enterprise and SME markets. Throughout that phase he reduced significantly the cost base and achieved a 30% improvement in productivity improvement through an adequate segmentation and organizational re-shaping as well as a relentless focus on performance.
- From 2002 to 2004 he served as the Executive President & CEO of Cable & Wireless Panamá.
- From 2001 to 2002 he was the Vice President Enterprise Markets Europe, where he integrated 24 different companies acquired by C&W and developed a Europe-wide enterprise sales and marketing channel.
- Mr. García served as the Vice President Cable & Wireless Spain and Portugal where he integrated 4 companies acquired by C&W.
- Prior to his Cable and Wireless phase, Mr. García served as the CEO and founder to Case Technology Spain/Portugal until he sold it to Cable & Wireless p.l.c.

The logo for JAZZTEL, featuring the word "JAZZTEL" in a stylized, handwritten-style font.

Access alternatives



Remote co-location



50 meters (theoretically feasible)

Remote DSL LE >in practice 200 meters

REMOTE CO-LOCATION IS NOT A SHORT TERM OPTION

JAZZTEL

Thank You