

Jazztel 2010

Focus on growth,
committed to profitability

Madrid,
April 16th, 2008



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Introduction to the 2008-2010 Business Plan

Mr. Leopoldo Fernández Pujals – Chairman

Jazztel's growth opportunity

Mr. José Miguel García – CEO

Jazztel's delivery strategy to achieve growth

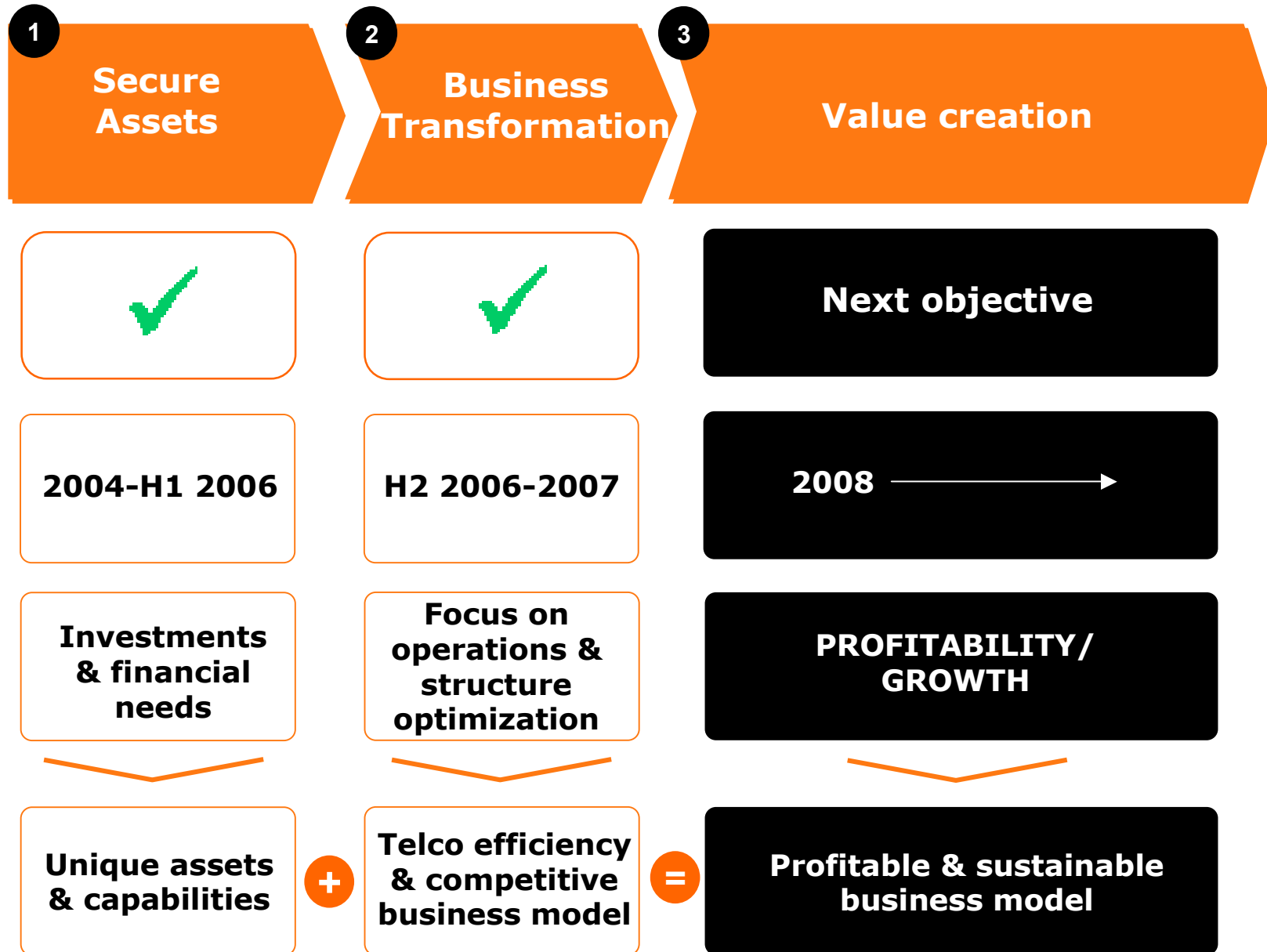
Mr. Luis del Pozo – Residential Unit Director

Financials

Mr. Ramón Quintero – CFO



Jazztel's strategy has been designed from fundamentals, built from a "standing-start" and shaped to succeed



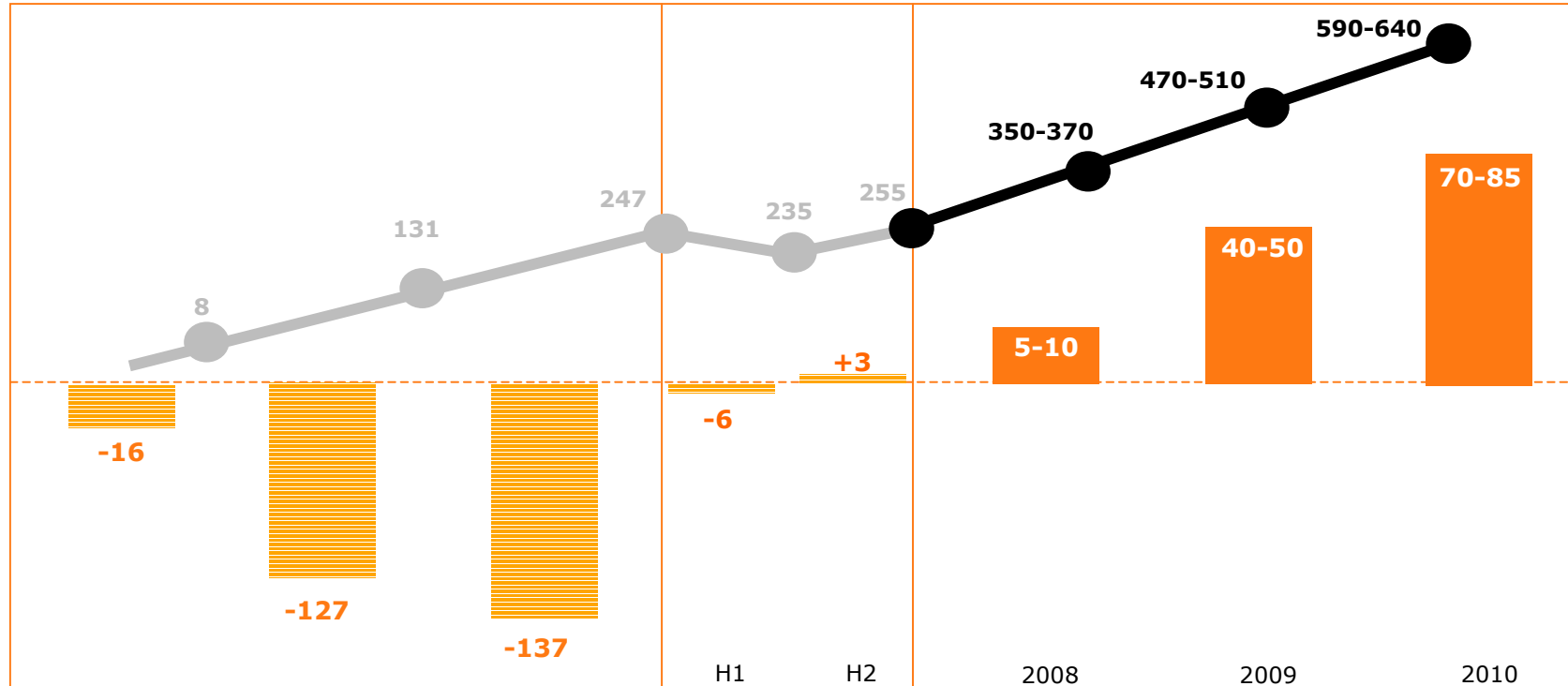


Jazztel's strategic roadmap objectives for 2008-2010 are growth & profitability combined...

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Active customers (000) ●—●

EBITDA (€ mm) ■



2004

2005

2006

2007

2008-2010

Assets and brand building

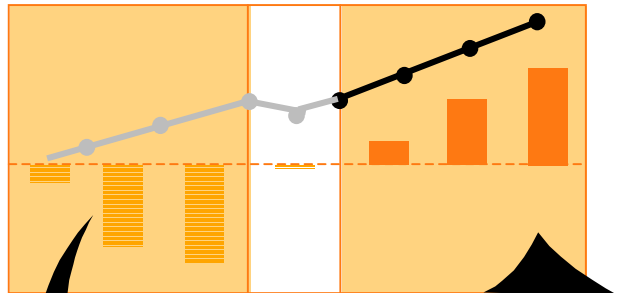
Focus on telco efficiency

Focus on profitable growth



...and are based on unique assets and acquired expertise...

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Building assets

To achieve growth

Built assets:

- 1- Are the appropriate for the upcoming market**
- 2- Are ready to allocate our expected growth**
- 3- Allow differentiation, competitiveness and a profitable business model**

Built assets

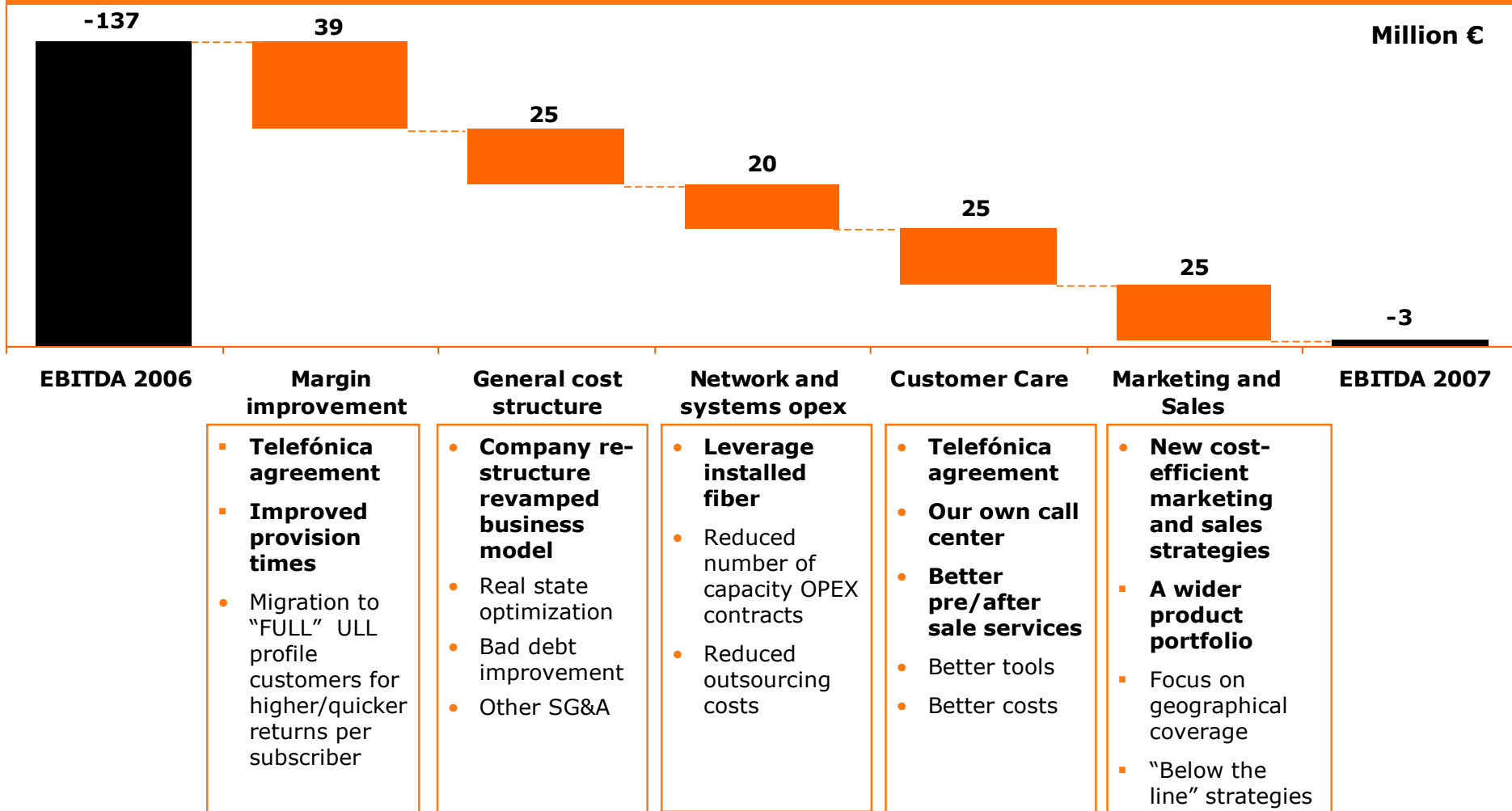
- **ULL local exchanges deployment:** DSLAMs, ports, wiring, engineering,..
- **Metropolitan fiber network**
- **Extended National Backbone**
- **"In house" call center**
- **Key systems and platforms:** CRM, Data center, TV Plataform
- **International interconnection network**
- **Brand re-building**
- **Single invoice and FULL ULL expertise and provisioning know how**



...and on key business transformation achievements and credible results...



2007 value creation achievements

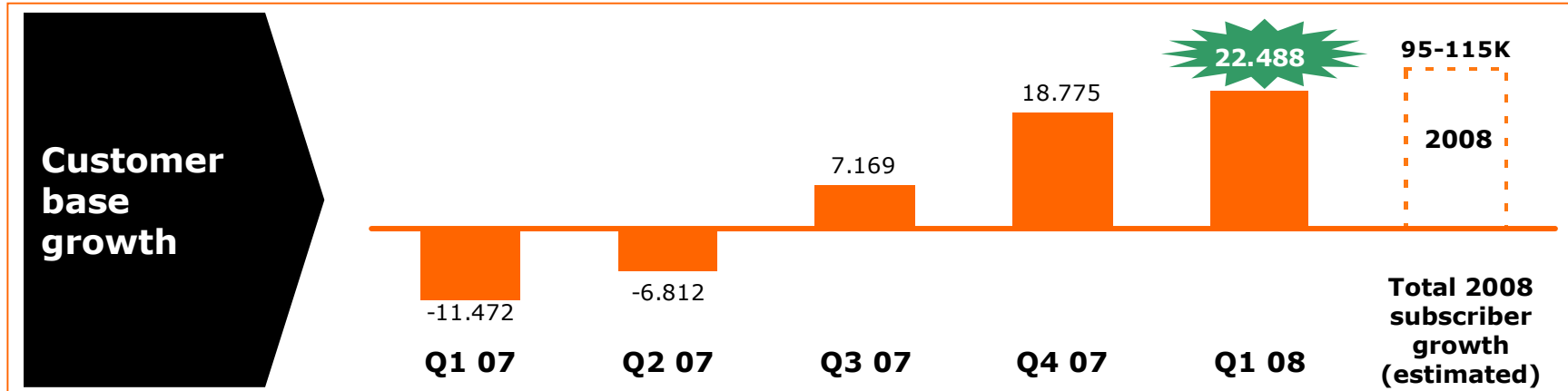


Jazztel has delivered EBITDA>0 in the last three quarters of 2007



...and in continuing business improvements and strong organic growth...

Contracted ADSL customer base growth (quarterly view)



Key performance indicators - Sanity check

	Q1 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	2008 EoY
FULL ULL (% base)	45%	72%	76%	77%	79%	81%	85%
Provisioning time (Avg. days/line)	>50	29,8	25,4	22,9	23,8	20	18



Jazztel delivers strong customer growth in the 1st quarter of 2008 with 22.488 ADSL customers

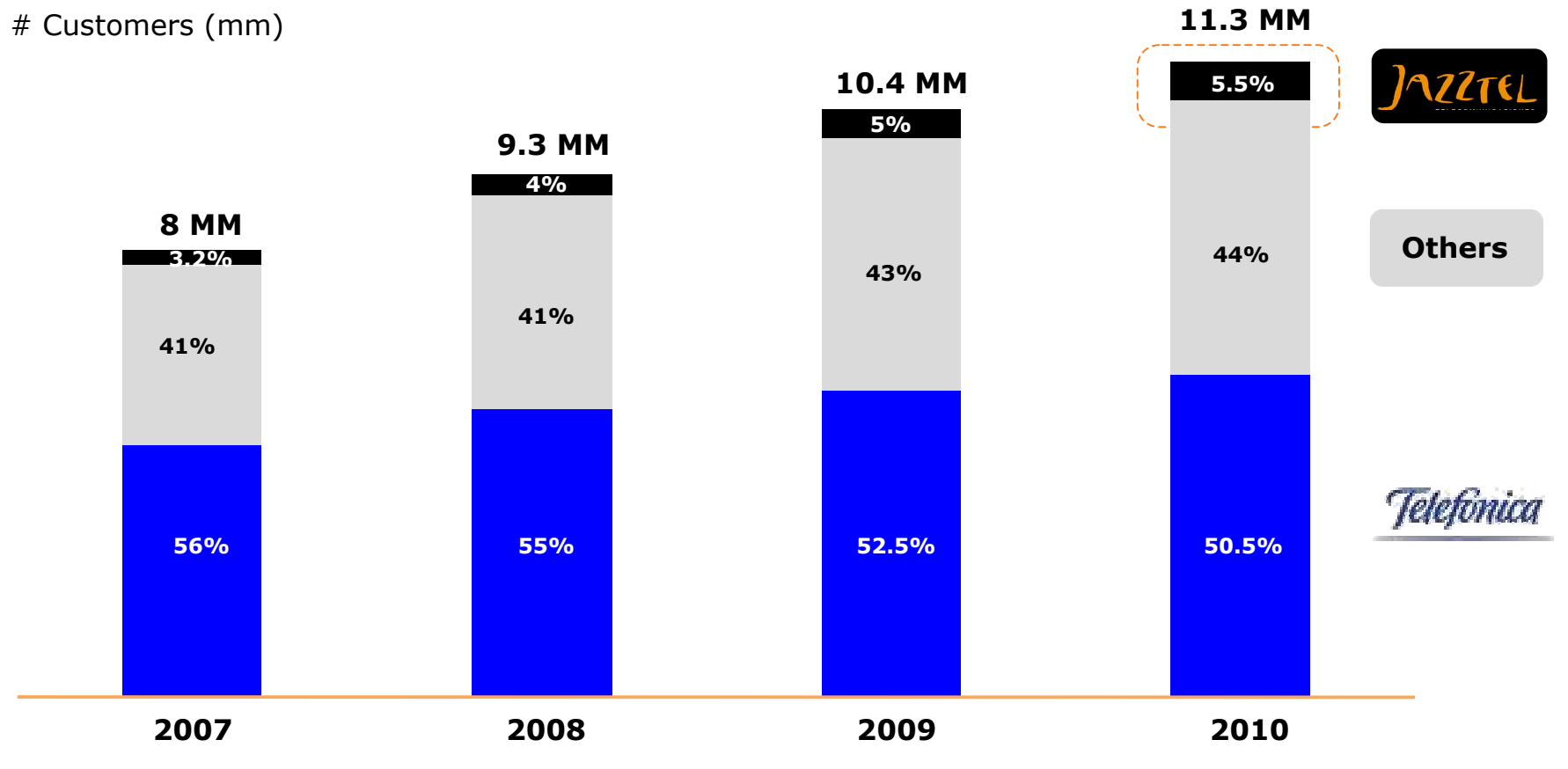


Jazztel has a clear strategy to grow its broadband market share from 3.2% to 5.5% by 2010

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Jazztel's forecast: fixed broadband market

Customers (mm)



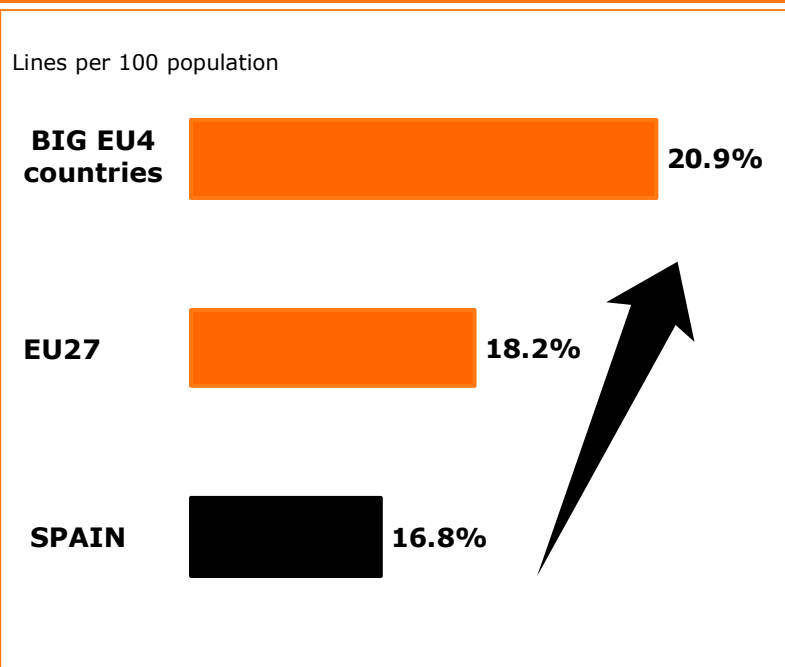


The Spanish broadband market is lagging behind Europe. Catch up is expected in the next three years

Spain is behind Europe in Broadband penetration

Regulation is improving for ULLADSL operators

Fixed Broadband penetration (%)



Source: Broadband access in the EU: situation at 1 July 2007, European Commission (October 2007)

Quality improvement expectations

- The CMT has recently established its commitment to improve the quality of the wholesale products through a Resolution
- The new OBA to be developed through Y2008 should reinforce this commitment in order to get a more competitive framework.

Provisioning improvement expectations

- The CMT has recently reinforced the principle which obliges Telefónica to offer the alnets the same conditions enjoyed by themselves. This should improve among others the provisioning conditions for the alnets

Price improvement expectations

- New resale regulation (OIBA) reduces wholesale prices...
- ..which sets the environment for overall set of prices reductions in the upcoming OBA review

(1) OBA: regulation and offer regarding ULL



The regulatory environment is improving, to increase competitiveness and accelerate broadband penetration.

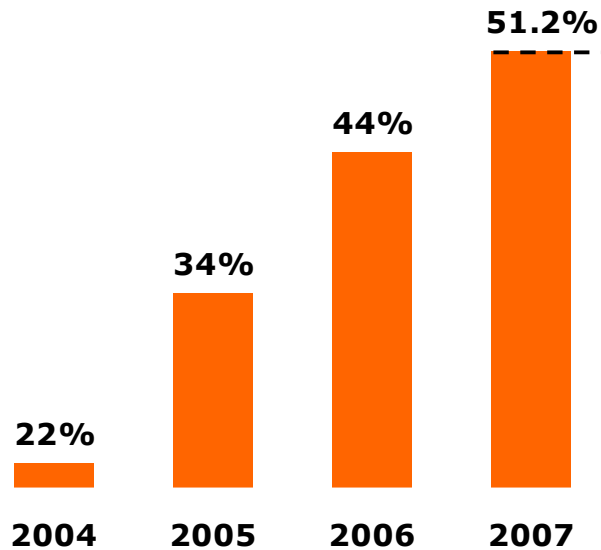


As a result, broadband penetration will increase to almost 70% of households by 2010



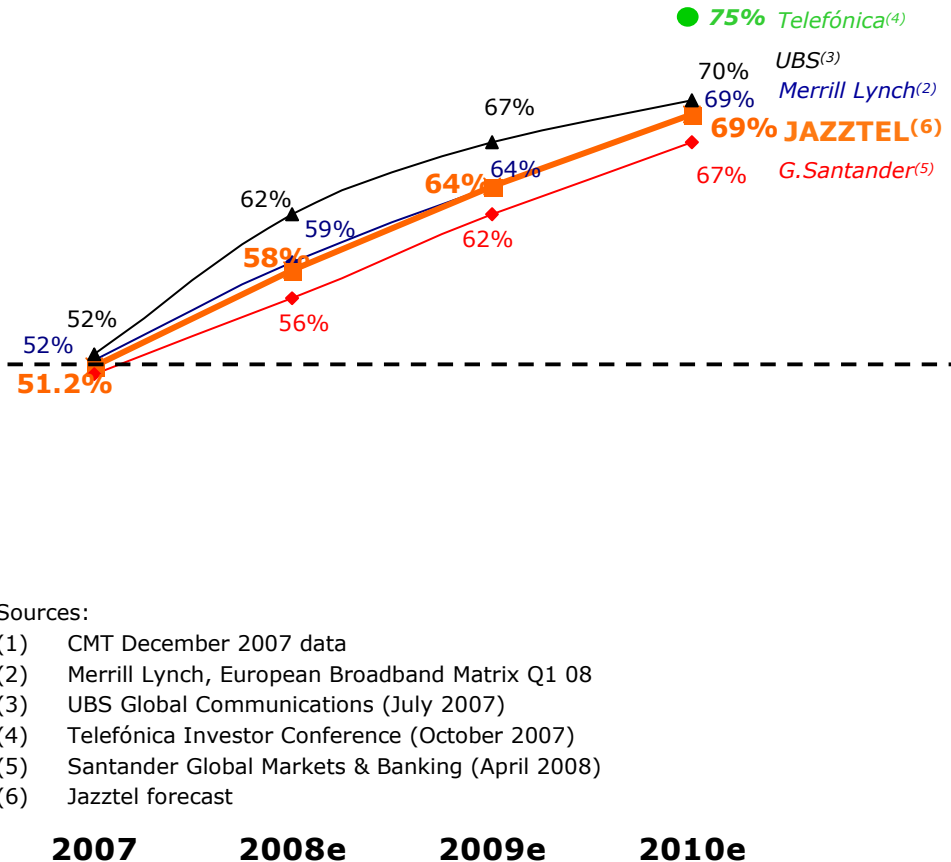
Broadband penetration (1)

% Households



Forecasts

% Households



Sources:

- (1) CMT December 2007 data
- (2) Merrill Lynch, European Broadband Matrix Q1 08
- (3) UBS Global Communications (July 2007)
- (4) Telefónica Investor Conference (October 2007)
- (5) Santander Global Markets & Banking (April 2008)
- (6) Jazztel forecast



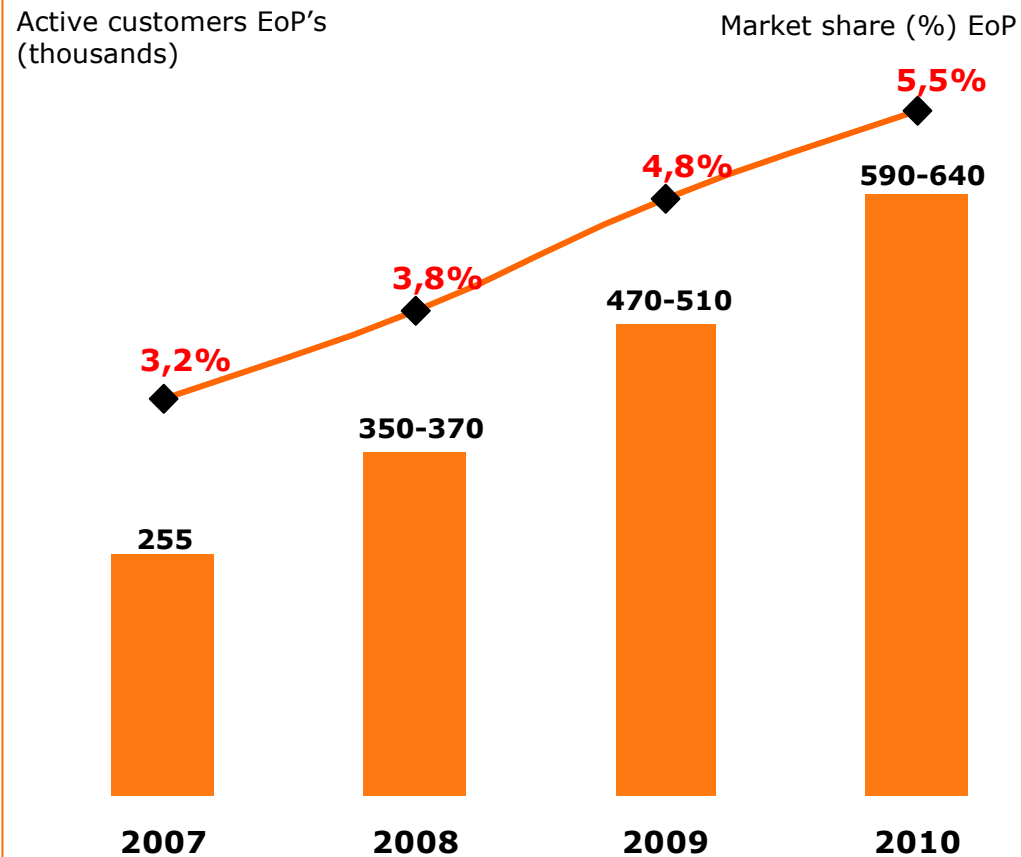
Jazztel's market expectations are in-line with market consensus



Jazztel growth will continue to be driven by its core FULL ADSL product

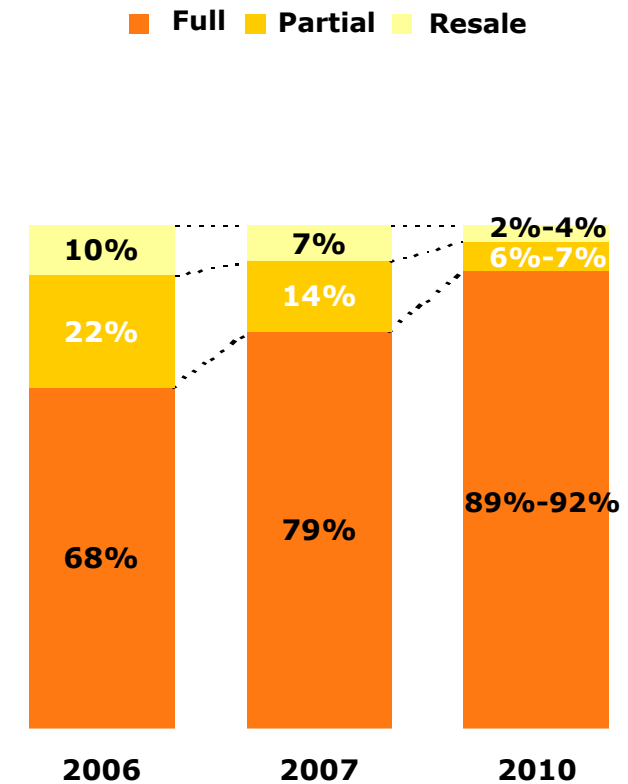


Jazztel's ADSL and resulting market share (%)



EOP: at the end of each period

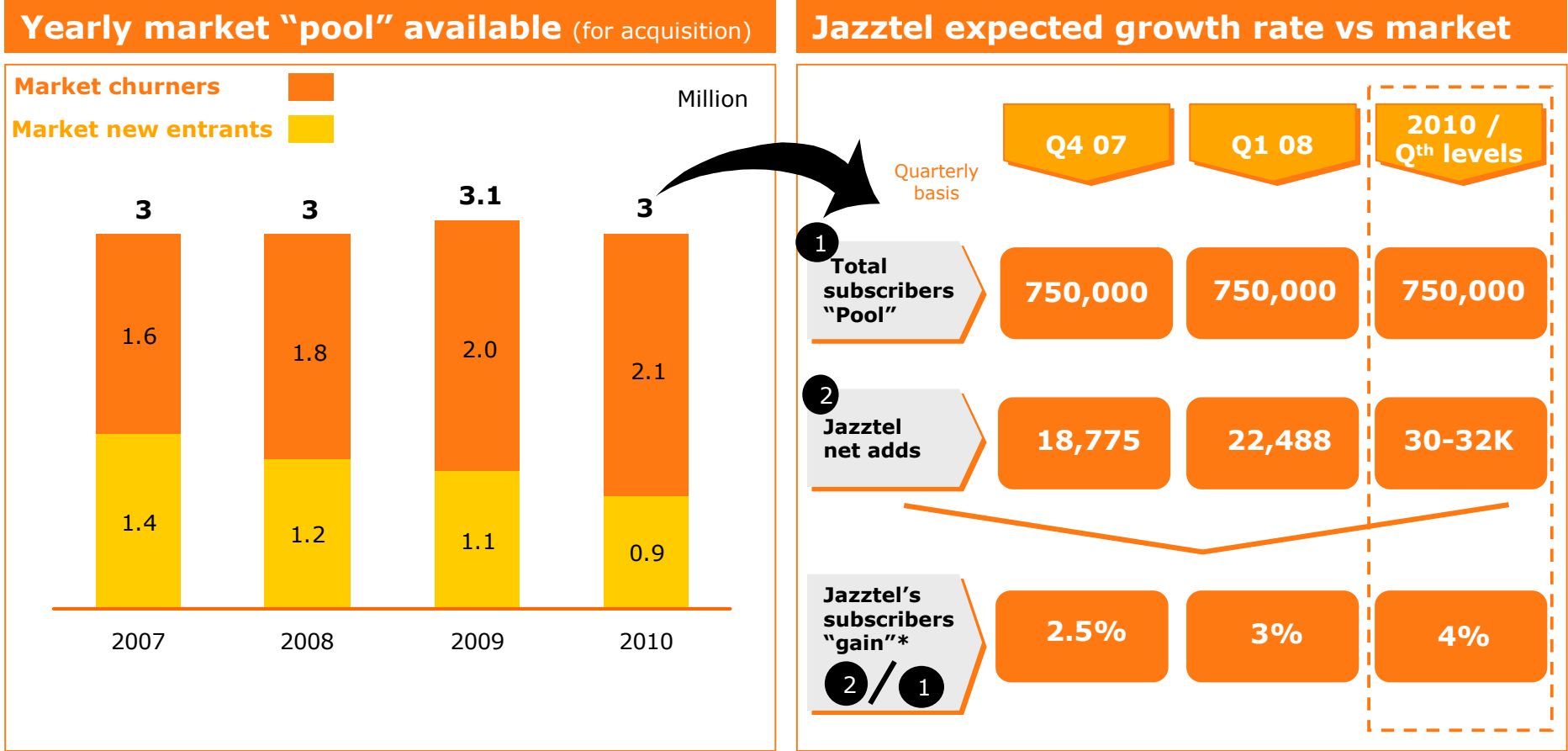
Customer type mix



Jazztel will almost double its market share and over 90% of its customers will be FULL ADSL.



Market trend favors Jazztel's subscriber acquisition strategy



Note: Market churn level assumed: 22% for 2007, 21% for 2008, and 20% for 2009-2010

*"Gain rate": (Jazztel increase of base per quarter) / (available subscribers at the pool per quarter)



Jazztel current subscribers sources:

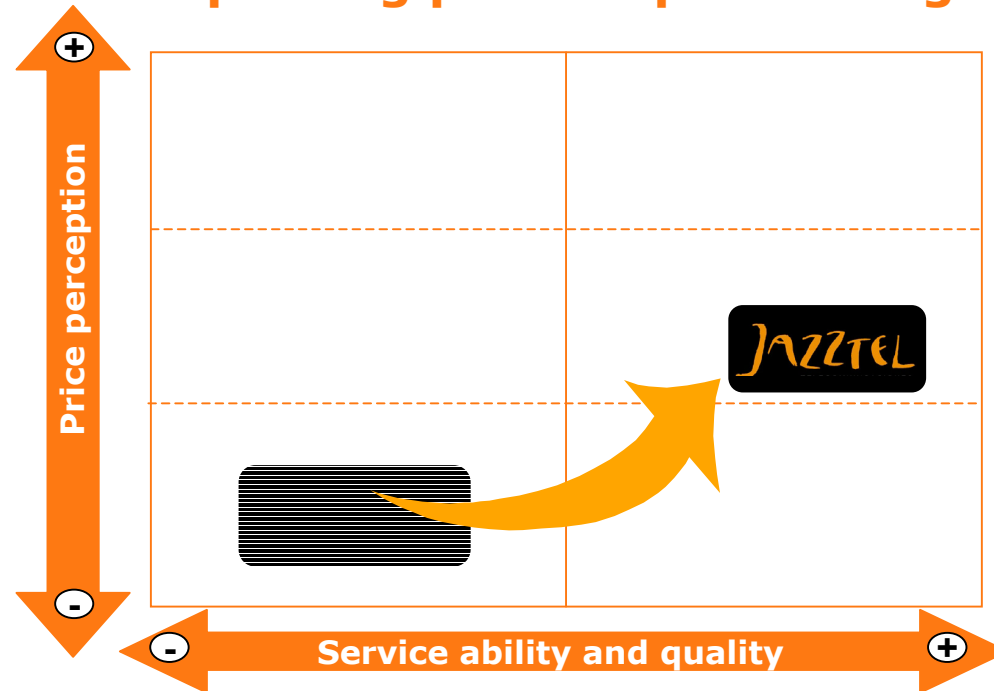
- 65% churners
- 35% new entrants



Our achieved positioning will drive our growth...

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Improving product positioning...



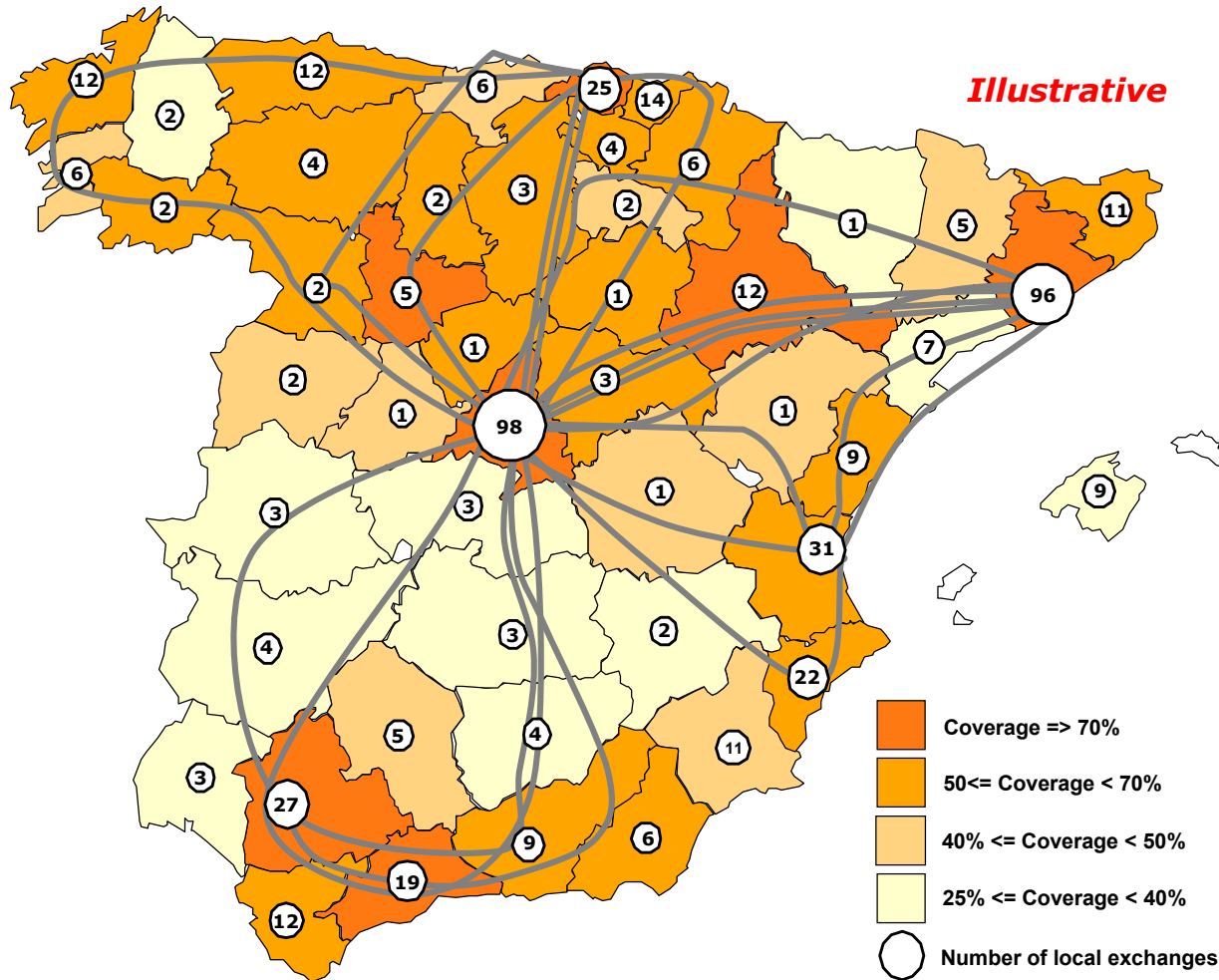
...Spanish customers' first priority is Quality & Service

- We have achieved 'best-in-class' provisioning
- Our in-house call center is delivering 'best-in-class' service
- Our targeted approach and very high coverage level permit us to focus on FULL ADSL product
- We have a wider product portfolio to cover different customer needs



... leveraging on a unique network,
ready to allocate this growth

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- Backbone km: 21.569
- Local access fibre km: 4.302
- ULL local exchanges: 530
- ULL local exchanges connected with fibre: 451 (85% of total)
- Spanish provinces coverage: 48/50
- Fixed-line coverage: 62%
- Coverage in excess of 70%: major economic hubs (Madrid, Barcelona, Seville, Malaga, Zaragoza and Bilbao)



Jazztel has the largest ULL ADSL Network and coverage in Spain



Spain is not ready for FTTX yet...

Current ULL model

New FTTx models

Regulation

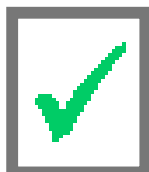


- **Already regulated under the OBA**
- **The CMT has expressed its commitment to maintain and improve the current OBA** (ULL regulation)

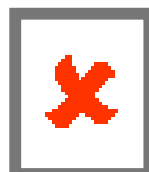


- **Legal & regulatory vacuum**
 - Regulation will take some years to be fully defined and ratified (CMT)

Market demand

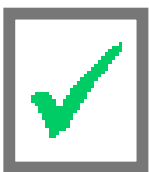


- **Meets current customer needs:**
 - Connection speed
 - Price



- **Other bandwidth-hungry services are yet to be developed**
 - Only 6% of connections are faster than 10Mb (CMT Q407)
 - Pay TV penetration is among the lowest in EU15
 - HD content lagging behind

Business Case / Profitability



- **Proven profitable and competitive**
 - specially FULL ADSL



- **FTTH penetration in Europe is still extremely low:**
 - Only at Scandinavian countries penetration of FTTH among broadband connections is higher than 3% (3-6%) (Source: Fibre to home council, July 07)
- **Non profitable business case**

"... but, to date, there is no identified mass-market demand for a 'paid for' high-speed service and alternative HDTV platforms are more cost-effective",

Dr Elspeth MacFadyen, Programme Director BT Group CTO – March 2007

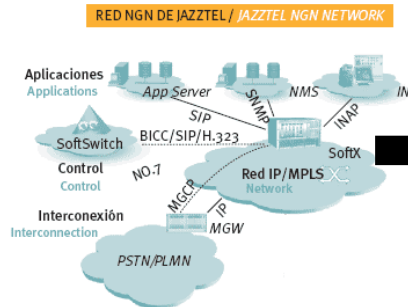


...however, Jazztel is well positioned to take advantage of the evolution to FTTx in the future



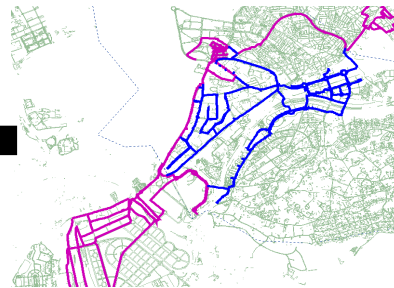
Jazztel is the largest ULL player in the Spanish market

1. NGN IP network



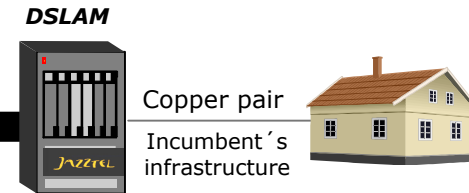
- Single platform to support a wide range of applications
- NGN management, operations and maintenance

2. Metropolitan fibre network



- >4.300 km of metropolitan fibre network in the main Spanish cities
- >250,000 buildings within 100m of fibre network

3. Access network



- Largest Spanish unbundled LE deployment (451 out of 530 connected with fibre)
- Over 3 years experience in fully unbundling and single invoice processing



Jazztel's fully operational IP-based NGN backbone and the large metropolitan fibre network in the main Spanish cities will allow Jazztel to carry out selective FTTx deployment minimizing investments



Meanwhile, Jazztel will continue to exploit its core ADSL FULL ADSL business and convergence strategy...



ADSL, voice, mobile and TV on a single invoice

Complete "Telecom basket"

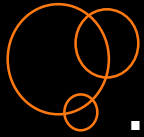
Leverage on Jazztel customer base and the complete "telecom basket"

Subscriber acquisition and Customer retention based on "value for money"

Guaranteed competitiveness in the long-run

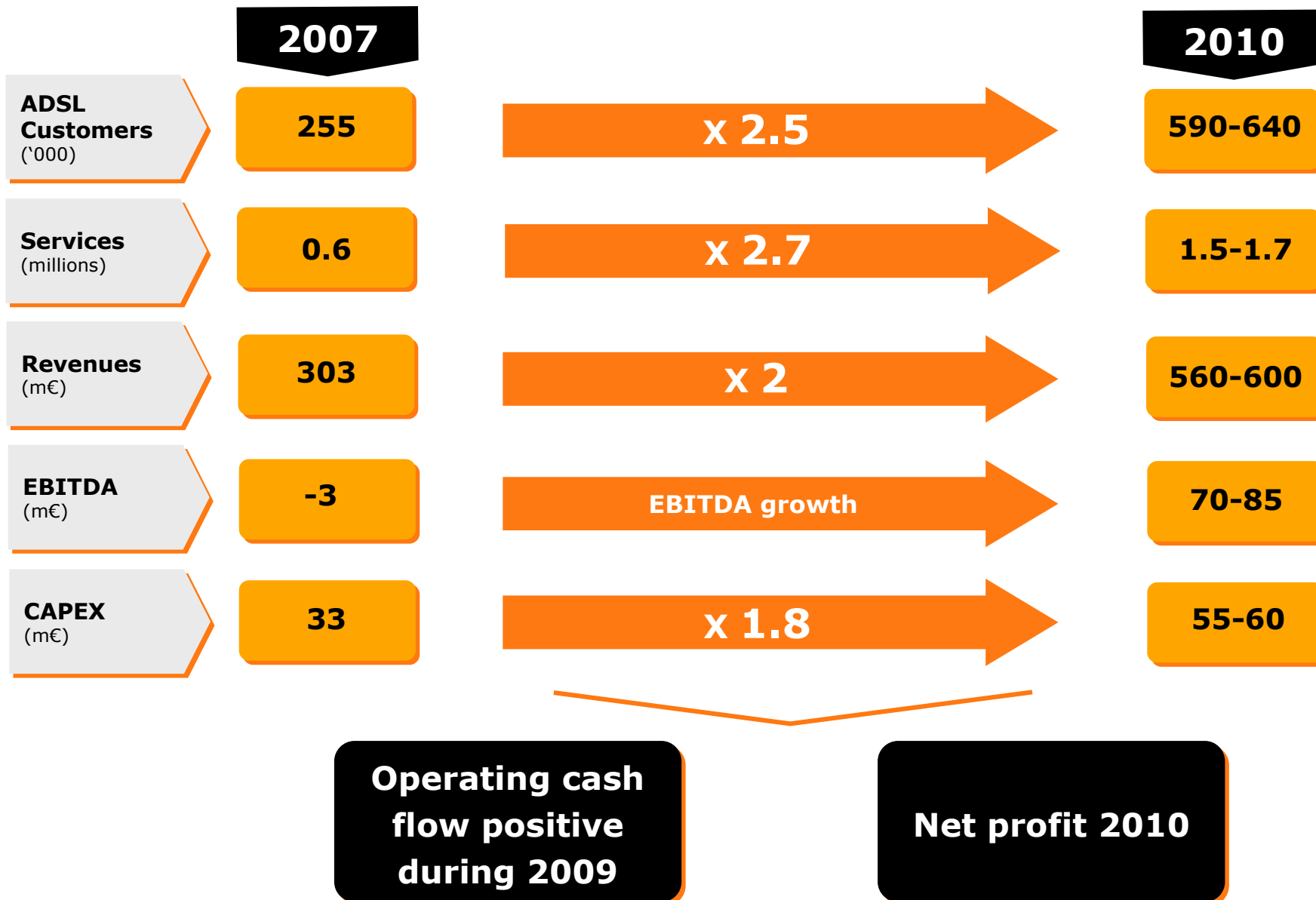


Jazztel will launch and offer mobile services with its single invoice product in June 08



...to deliver growth and profitability

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II-Jazztel's delivery strategy to achieve growth

Mr. Luis del Pozo

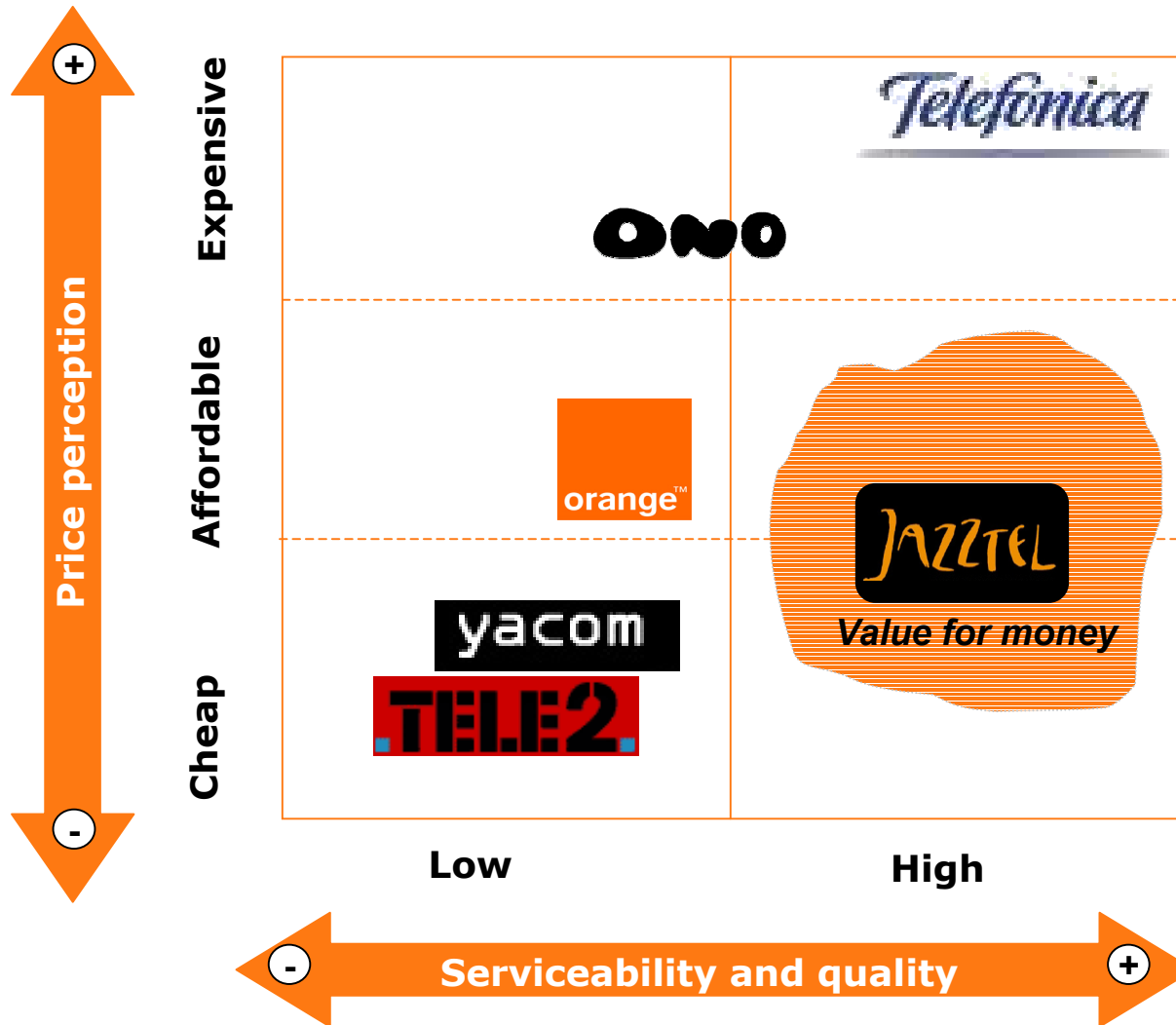
JAZZTEL Residential Unit Director

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We are committed to achieve the best “value for money” product and service offering in the market

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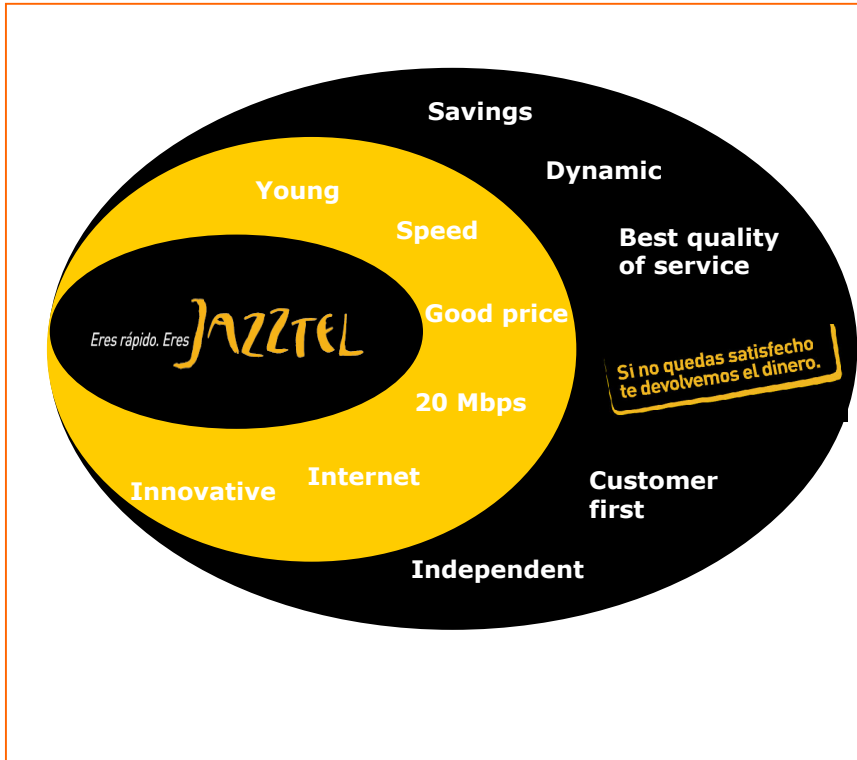




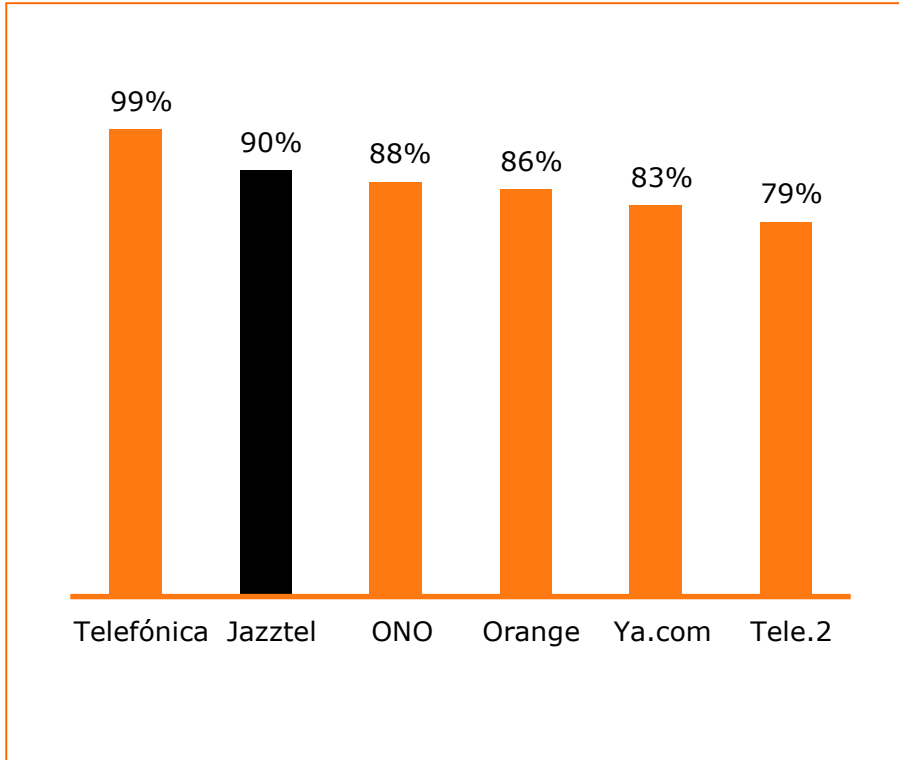
...our commercialization strategy includes leveraging on our strong brand

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Brand positioning



Brand awareness (spontaneous and suggested)



Source: June 2007 brand tracking - Análisis e investigación



Jazztel brand attributes are clearly identified by customers and Jazztel enjoys a high brand awareness in the Spanish broadband market



We have a range of initiatives to achieve an excellent experience across the customer's life cycle



Customer's life cycle

Acquisition

Product usage

Churn

Convergence

1

Distribution

3

Reliability and QoS during usage

5

Problems are efficiently solved when they occur

7

MVNO

2

Successful and fast service provisioning

4

Good connection speed

6

Value increase to avoid churn

8

Convergent bundled offer

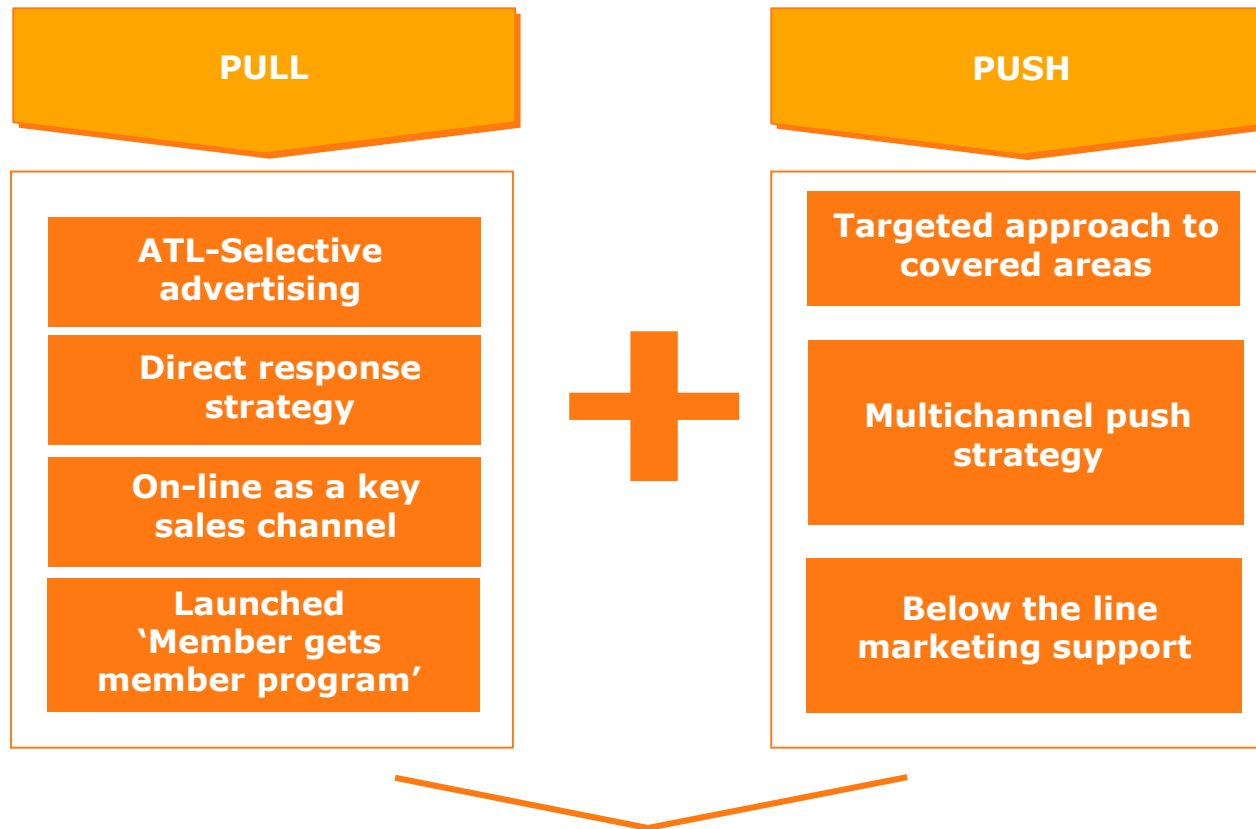


Jazztel is focusing on two initiatives: improving the customer's life cycle and mobile and fixed convergence



1 We have refocused our commercial strategy, increasing our customer base at a lower cost

Jazztel's balanced strategy between pull and push



Effective usage of marketing resources and sales channels

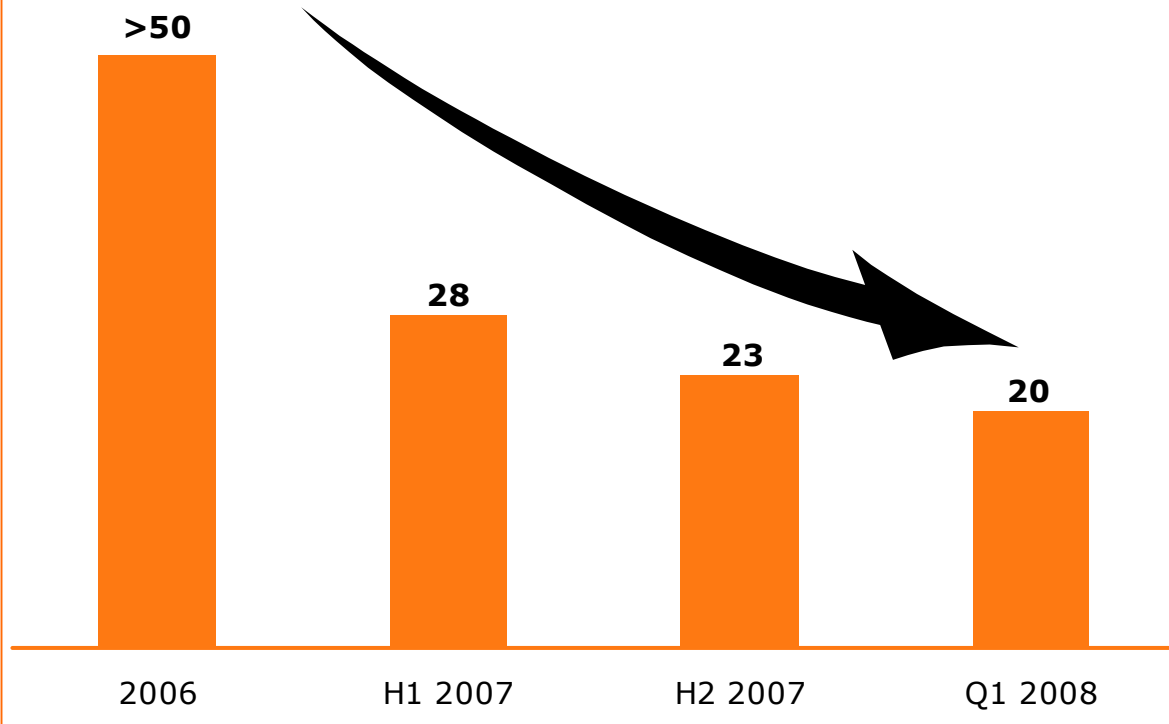


2 We offer "best in class" provisioning

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Jazztel's provisioning improvement

Average provisioning time (days/ADSL line)



*Jazztel's internal reporting



Jazztel is so confident on its provisioning capabilities that:

the customer gets 1€ back per day if its provisioning time exceeds 35 days

we ANNOUNCE we reduce this commitment to 30 days!! ✓

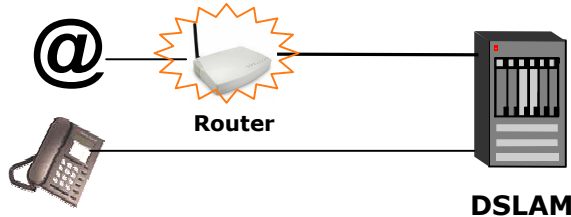


Jazztel's expertise in the provisioning of "Full ULL product" is still unmatched by competitors. Even under a growth period like current quarter, provisioning time is being reduced

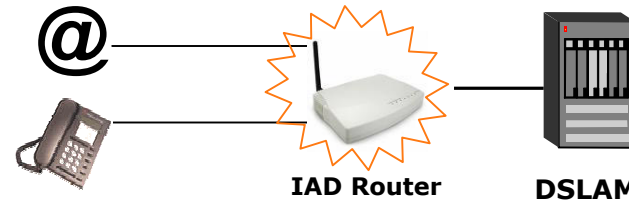


3 Our offering is focused on providing the best-quality voice technology ...

Premium voice solution



VoIP-ULL voice solution

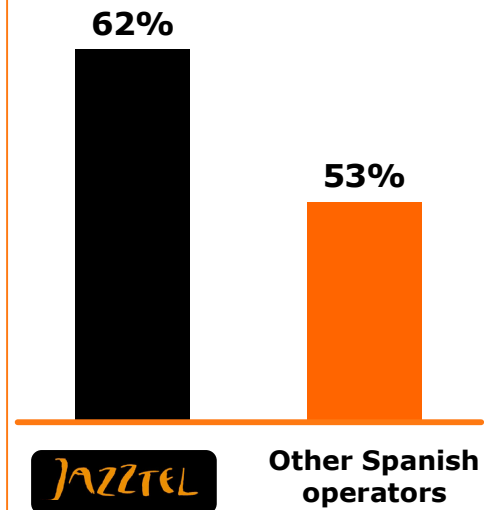


Customer perspective: Orange and Vodafone solutions shortcomings

- **Lower voice quality**
- **Voice service is lost if: Internet or CPE issues, no electricity**
- **Limitations connecting several telephones and faxes**
- **Incompatibilities with other services like alarms, payment systems, etc.**

Voice services customer satisfaction

% of customers satisfied or very satisfied with quality of their voice services



Source: Execution Research (2007); Jazztel analysis



4

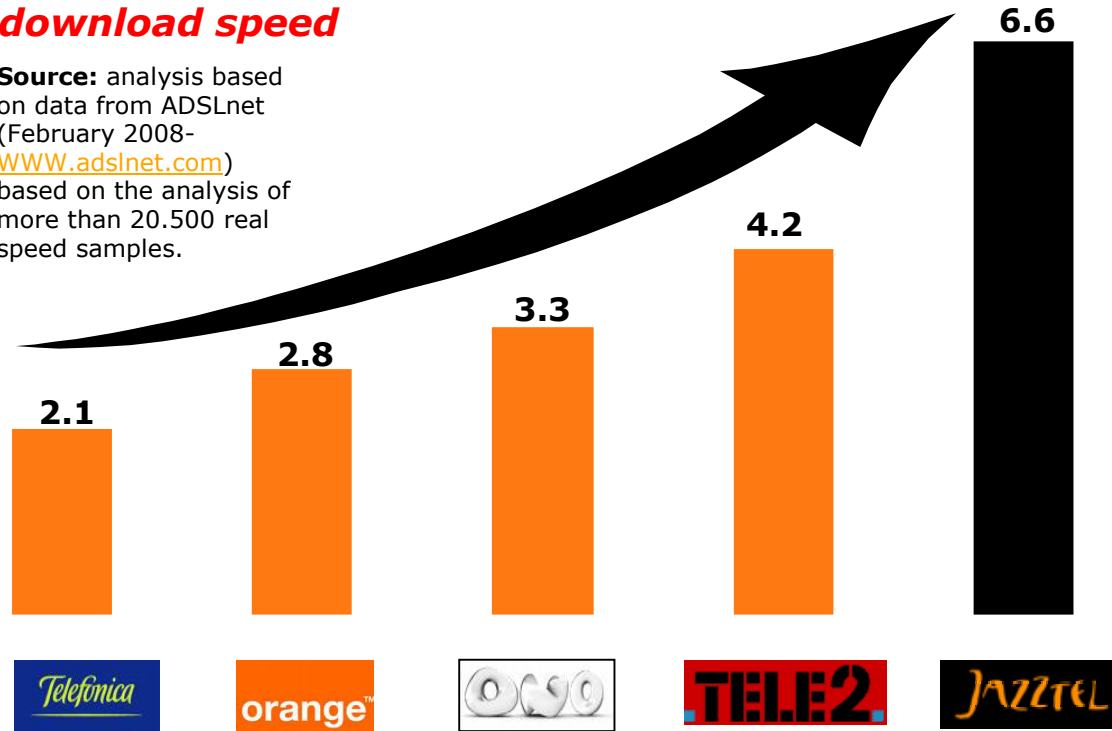
..and the fastest internet connection ...



Spanish Market Average customer speed (download Mbps) ⁽¹⁾

Tested real download speed

Source: analysis based on data from ADSLnet (February 2008-WWW.adslnet.com) based on the analysis of more than 20.500 real speed samples.



Zoom on 20 Mb speed

REAL TESTED SPEED	Download (Mbps)	Upload (Mbps)
Jazztel	9.3	0.7
Telefónica	8.5	0.6
Ya.com	7.4	0.6
Orange	7	0.6
Tele2	6.2	0.4

Source: adslzone.net, adslnet.es, based on 1.2 MM tests. http://www.adslzone.net/IIestudio_de_velocidad_2007.html



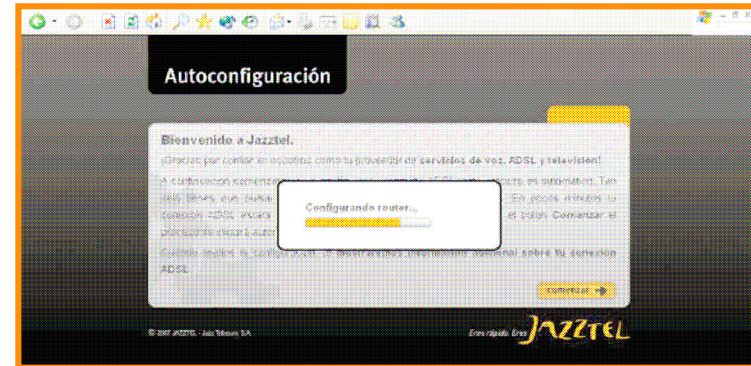
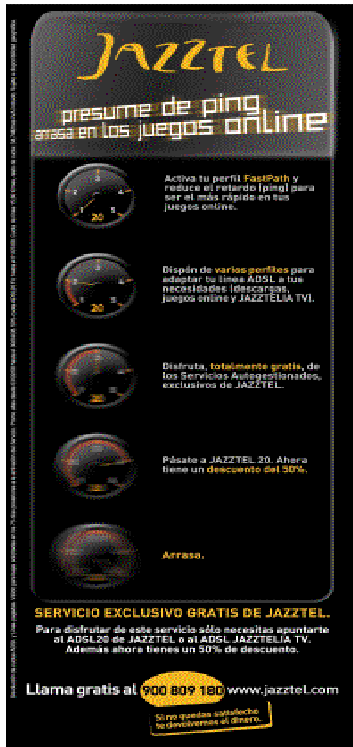
Jazztel's customers enjoy the fastest connection. Our average customer downloads from the Internet more than three times faster than the incumbent's

4...with the most innovative services in the market for all types of customers

Innovative services in SPAIN

Capability to configure own ADSL service settings by customers: 'Portal autogestionado'

Capability to automatically install the ADSL service/WiFi with no manipulation/configuration: 'Zero touch'



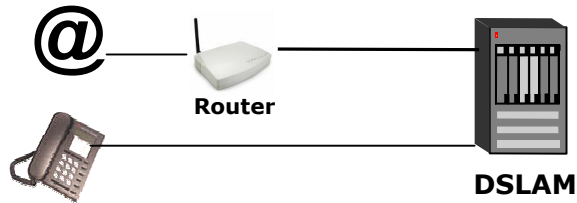
Jazztel is the first Spanish operator covering the demand from sophisticated users ...

... and is also a pioneer in reducing entry barriers to technology-averse users



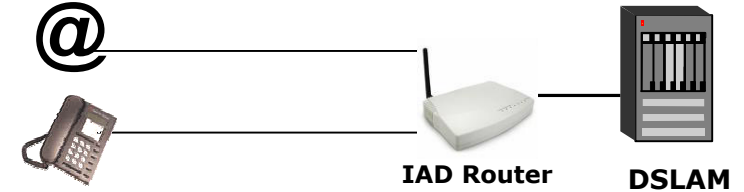
4 ...at the most competitively priced offer in our market ...

Premium voice solution



VS

VoIP-ULL solution



2P offer



Non-comparable products

3 Mbps 29.95€	3 Mbps 32.90€
20 Mbps 34.95€ ⁽¹⁾	20 Mbps 39.90€

(1) Access to basic TV offer

Medium speed

**3 Mbps
53.87€**

**3 Mbps
35.40€**

+52%

High speed

**10 Mbps
58.87€**

**20 Mbps
43.40€**

+36%

Incumbent is 36% more expensive at half the speed

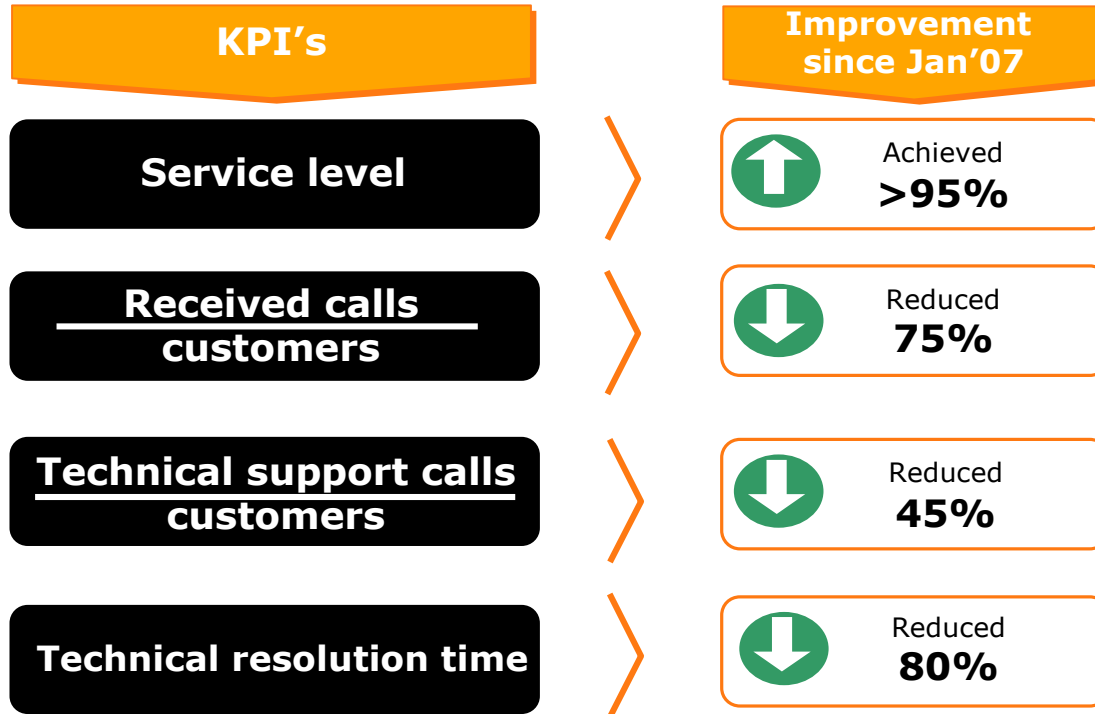


5 ... complemented with a professional 'in-house' customer care

In-house customer care division: Jazzplat



- Service migration started in mid06 and has been completed
- Jazzplat occupies about 5.100 m², with more than 1.000 employees (sales, customer service, technical support, retention,..)



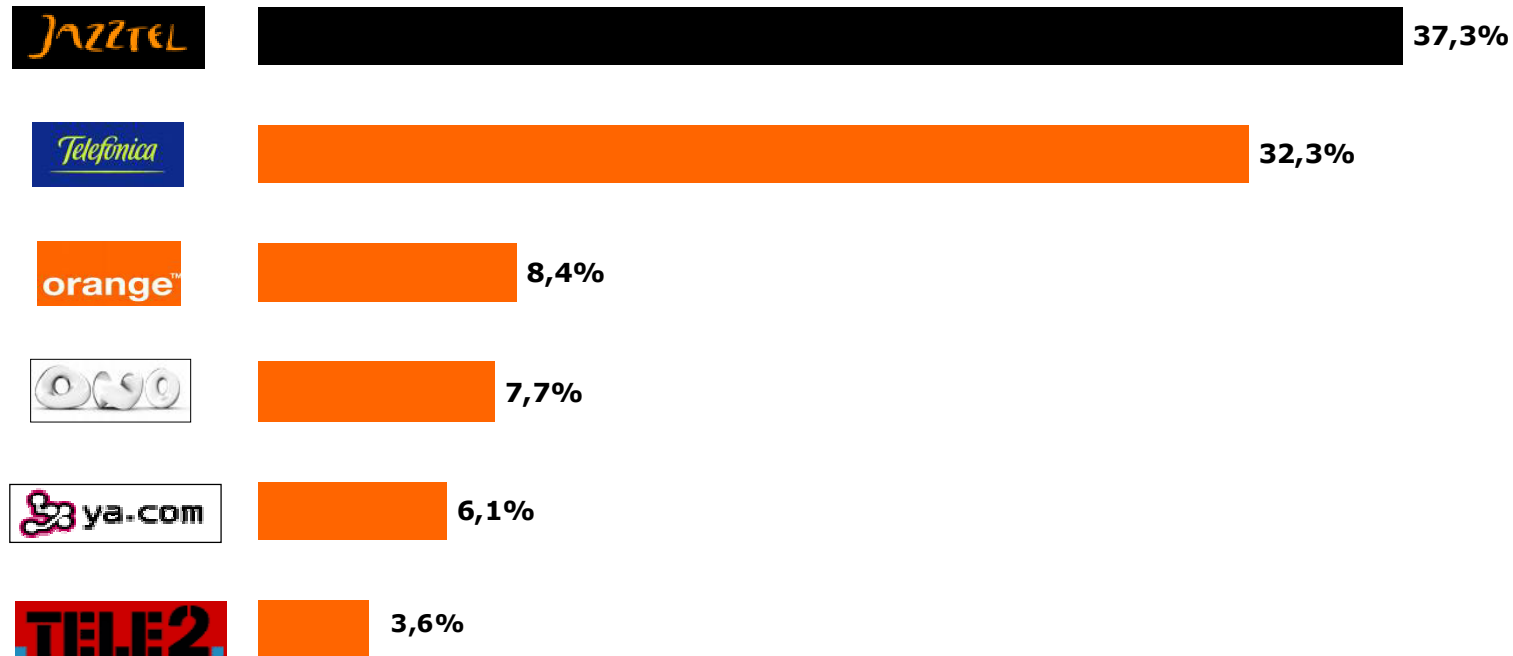
- **The only alternative operator with an 'in-house' call center**
- **Dynamic and flexible platform**
- **Integrated customer care, with all services at hand**
- **'On-the-field' own training and supervision**
- **Excellence – top-quality service** (high customer satisfaction, Low response time, High resolution ratio)



The most demanding users are recognizing the goodness of our product

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“Which operator do you value the most in 2008?”



Source: adsizone.net

<http://www.adsizone.net/article1952-jazztel-es-el-operador-mas-valorado-en-2008-por-los-internautas.html>

(1) Number of votes: >5.000, April 08



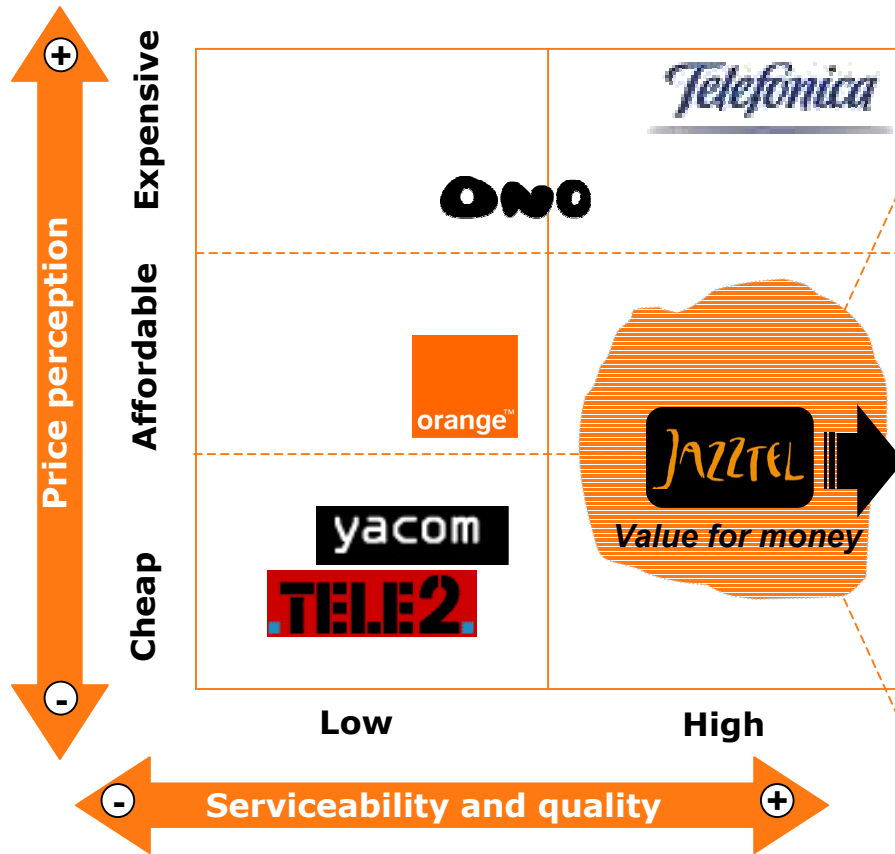
Most advanced users appreciate our product and customer service offer, placing Jazztel as number 1





And our own customers are very satisfied with our "value for money" product offering

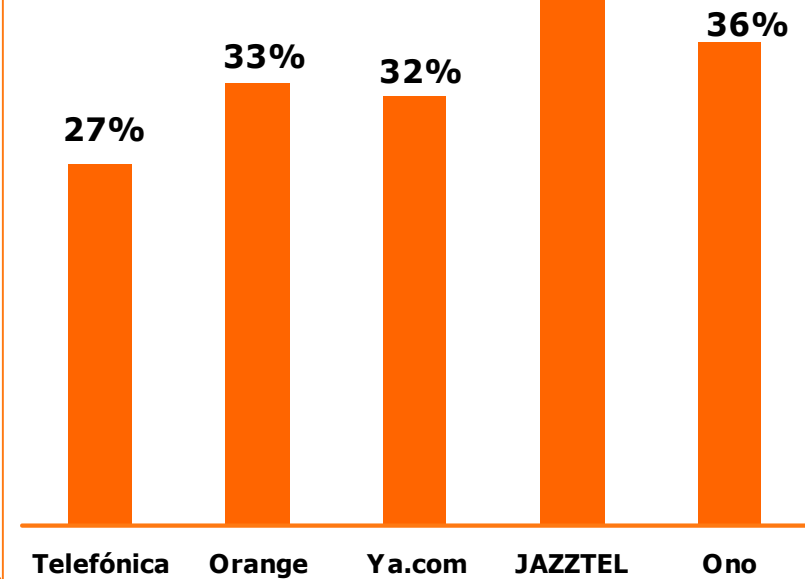
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Optimum quality for a reasonable price: 'the smart choice'

"My operator offers me the best combination of price and quality for what I need"-

% of respondents selecting it as the reason for staying at his operator



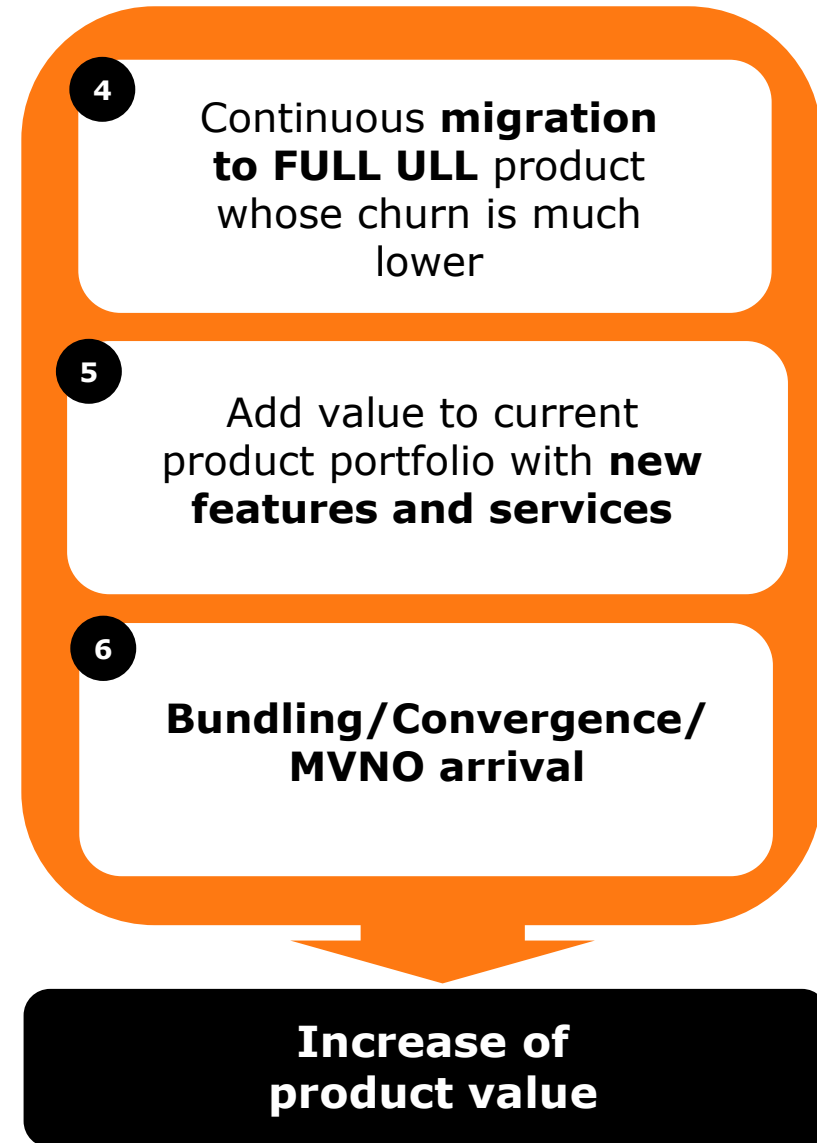
Source: Execution Limited Research. 2.000 Interviews conducted in Spain in July 07



6 Value added and operational excellence will reduce churn

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Jazztel initiatives toward churn reduction





7 The bundled mobile offer will create customer loyalty and should reduce our churn

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View of wireless as complement, not as an independent business by itself

- **Churn improvement for broadband customers**
 - The mobile as a retention tool adding loyalty elements which are highly valued by the customer
- **The mobile as a key element to enhance Jazztel acquisition offering**
- On top of that, additional value creation with the mobile gross margins

"Single invoice" concept for Jazztel customers

- **Single provider of telecom services**, creating "value" for our customers
- **Very competitive price for a complete telecom services offering...**
- ...with special focus on **wireless data broadband**

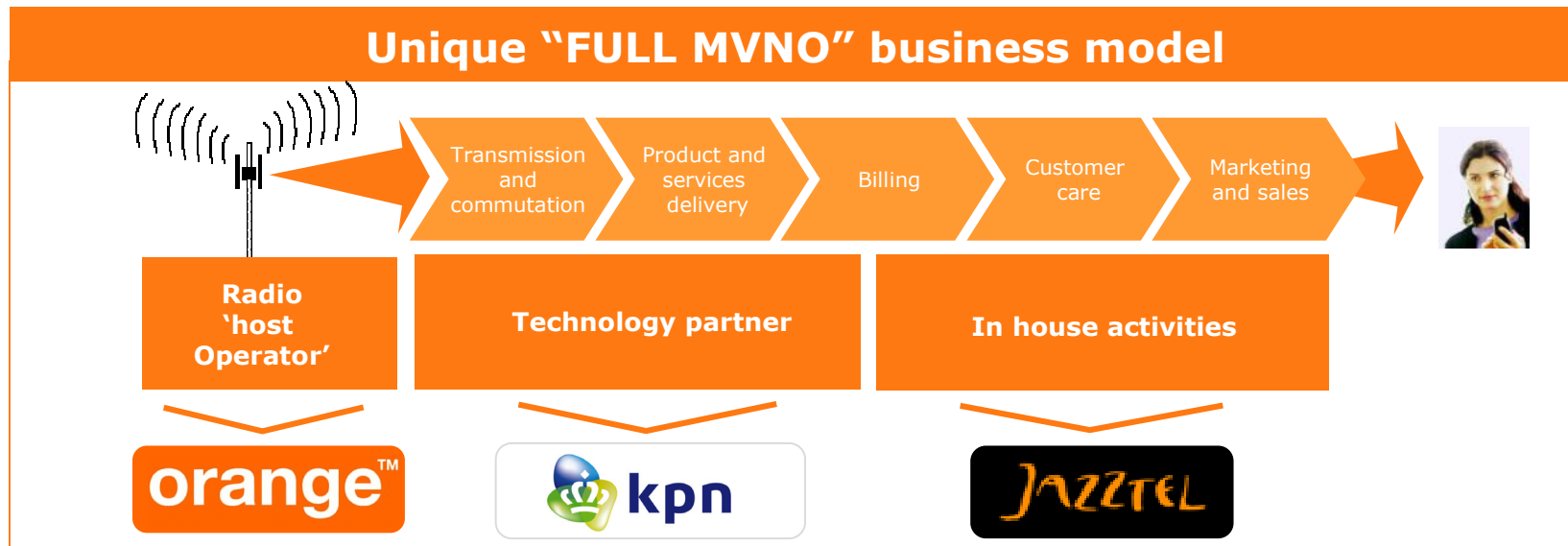
Jazztel Key Success Factors for launching a MVNO

- Commercialization and operational synergies
- Leverage on base, on Telecom expertise and human resources and on a strong telecom brand
- The investment required for Jazztel is minimal
- Capability to offer strong, bundled and innovative offers



7 .. with the optimal business model for Jazztel

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- Advantages of "Full model" without the need of incurring big upfront investments
 - On a "Per customer" basis variable investment model
- KPN strong knowledge on mobility secures a strong operation allowing Jazztel to focus on marketing specification and core business.
- Despite main mission of wireless is to create value at fixed broadband (churn improvement, enhance acquisition offering), its gross margin is also very healthy.

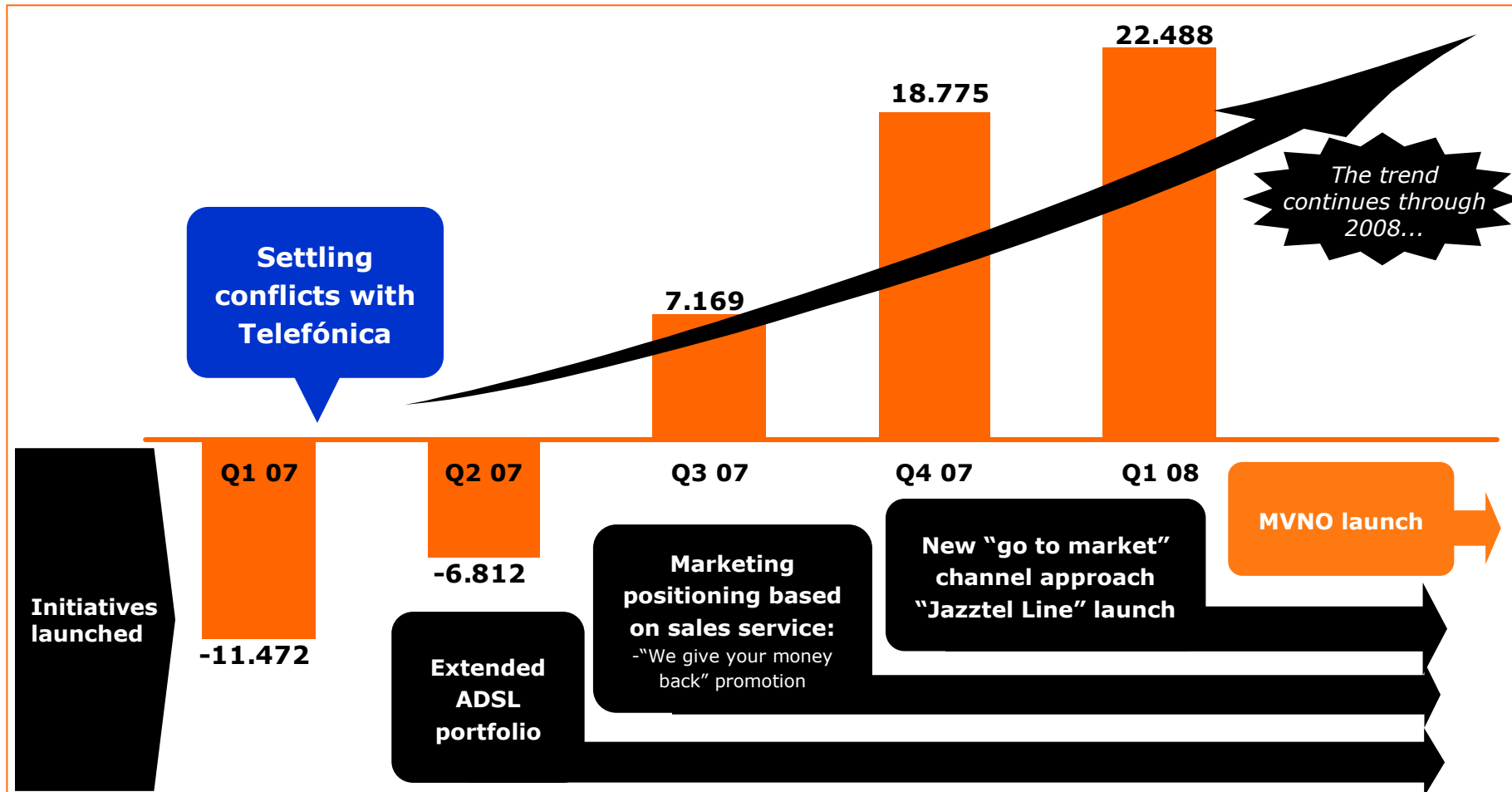
Total 2008-2009 CAPEX needs linked to this mobile BP will be only € 13 million



Our current customer base growth trend is driven by key initiatives

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Contracted ADSL customer base growth (quarterly view)

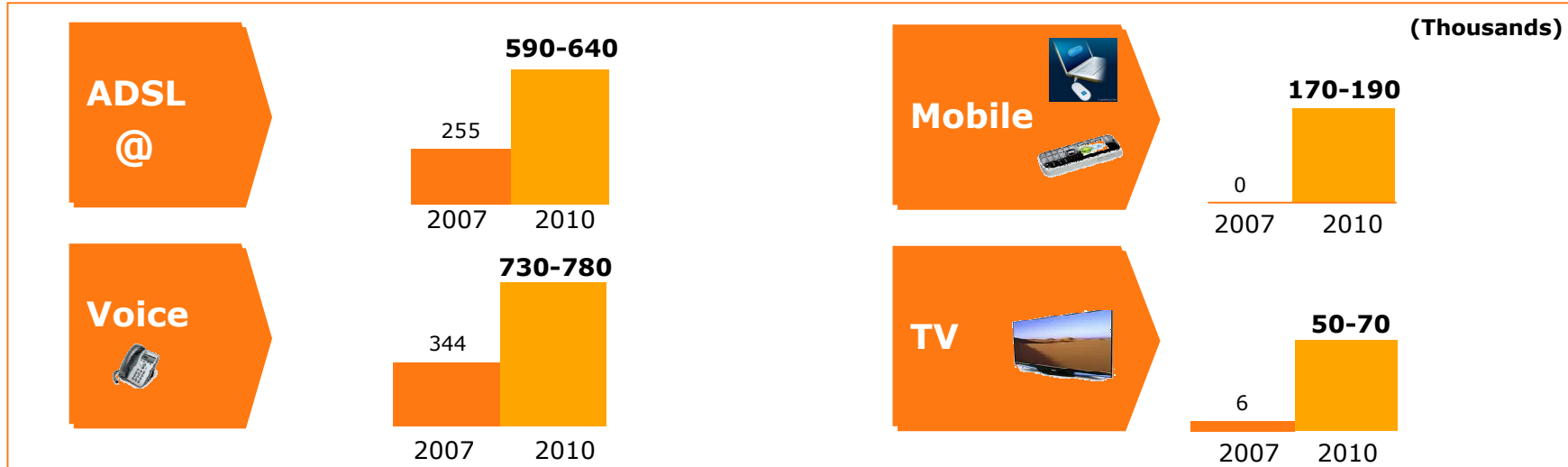


The overall customer's life cycle improvement and launch of new "go to market strategies" are paying dividends to Jazztel.

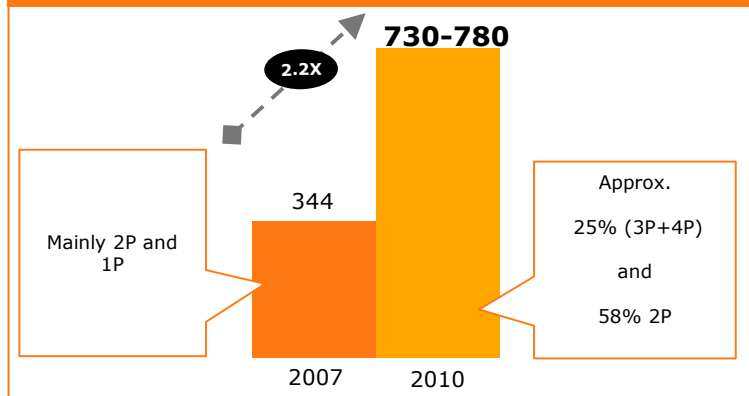


8 We expect a direct impact on the increase in number of services per customer

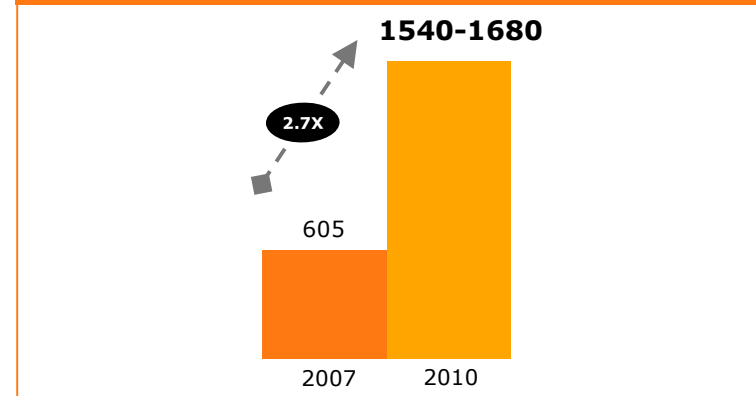
Target in terms of services (RGUs)



Total customers



Total services-Total RGUs



RGUs: "Revenue Generating units"



RGUs/client ratio will increase from 1.7 (2007) up to 2.1 (2010)

III-Financials

Mr. Ramon Quintero
JAZZTEL CFO

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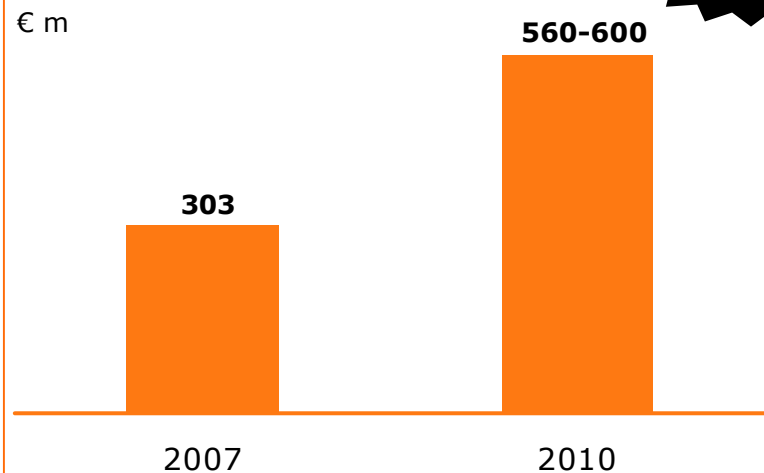


Our operating cost and revenue projections imply reaching operational CF positive in 2010

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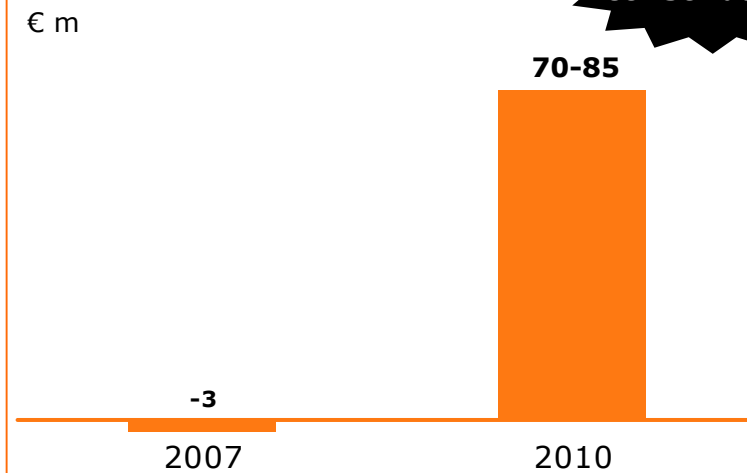
Revenues

2X



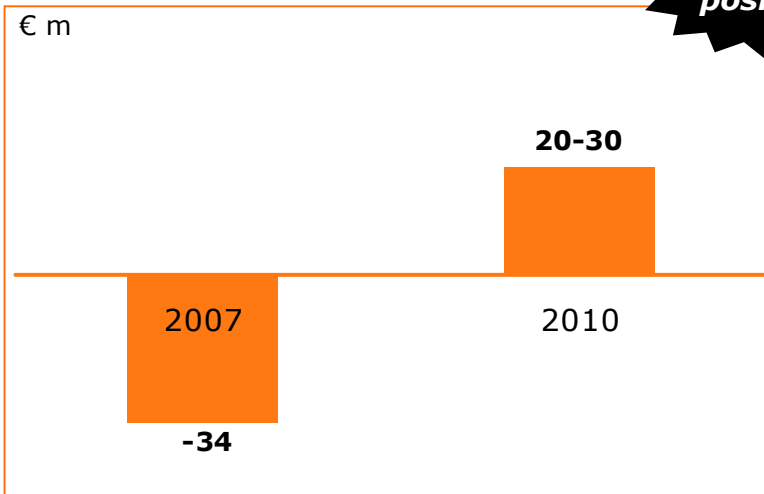
EBITDA

EBITDA consolidation



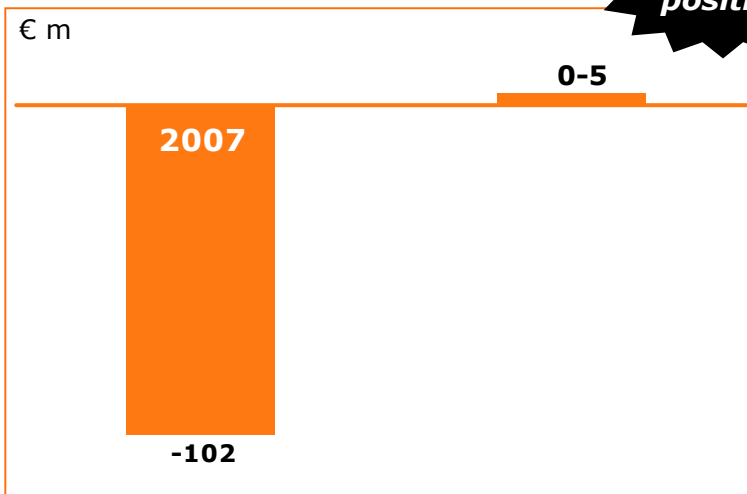
Operating cashflow

Cashflow positive



Net income

Net income positive

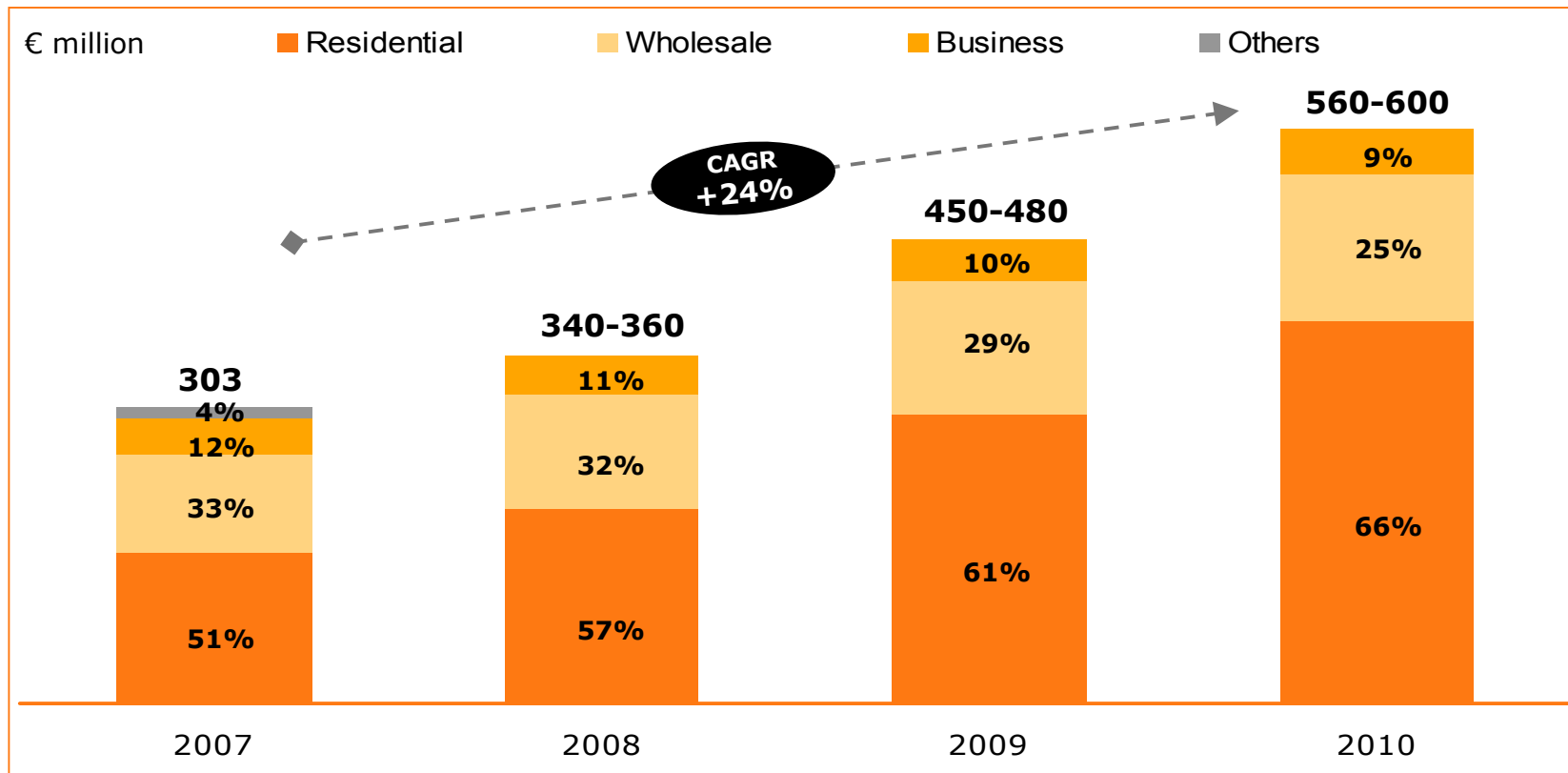




We expect total revenues to grow from €303 million in 2007 to ~ €600 million in 2010

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Jazztel's total revenues (residential, business and wholesale)



Jazztel's revenues will grow at a CAGR of 24% during the next three years, doubling 2007 revenues by 2010



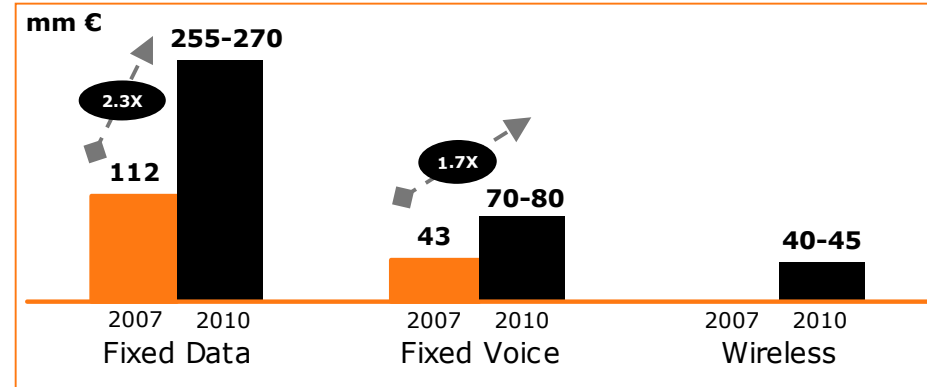
We expect residential revenues to grow at a CAGR of 35%, reaching ~ €400 million in 2010

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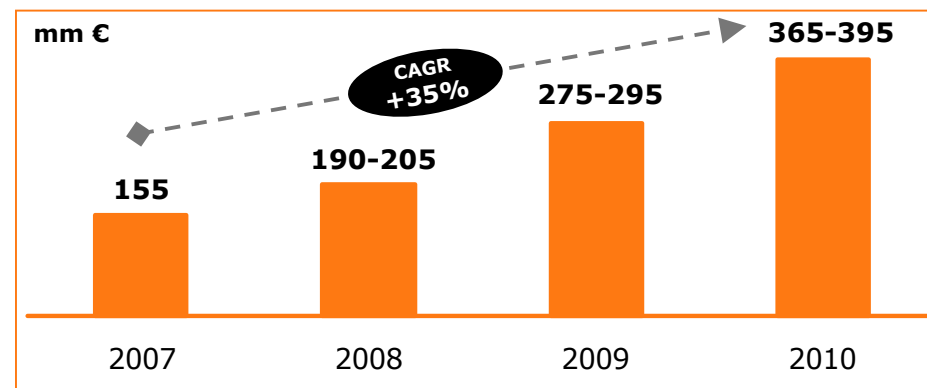
Residential revenue summary

- **Main growth will come from fixed data** due to considerable growth in the customer base
- A **significant increase in voice revenues** is expected despite erosion in voice ARPU since total voice services (including new 'only voice' full lines) will offset that impact
- In addition to the indirect impact on the fixed broadband business (loyalty and acquisition), **wireless services will contribute to the residential unit with approximately €40 million revenues in 2010**

Residential revenue split



Residential revenues





Positive drivers

- Progressive migration to Full product which ARPU is the highest at the portfolio
- Increase of line fee (from 12.95 to 13.45) following incumbent trend
- More customers migrating to value added services and increase of RGUs/customer (TV and wireless)
 - RGUs/customer will increase from 1.7 in 2007 up to 2.1 in 2010

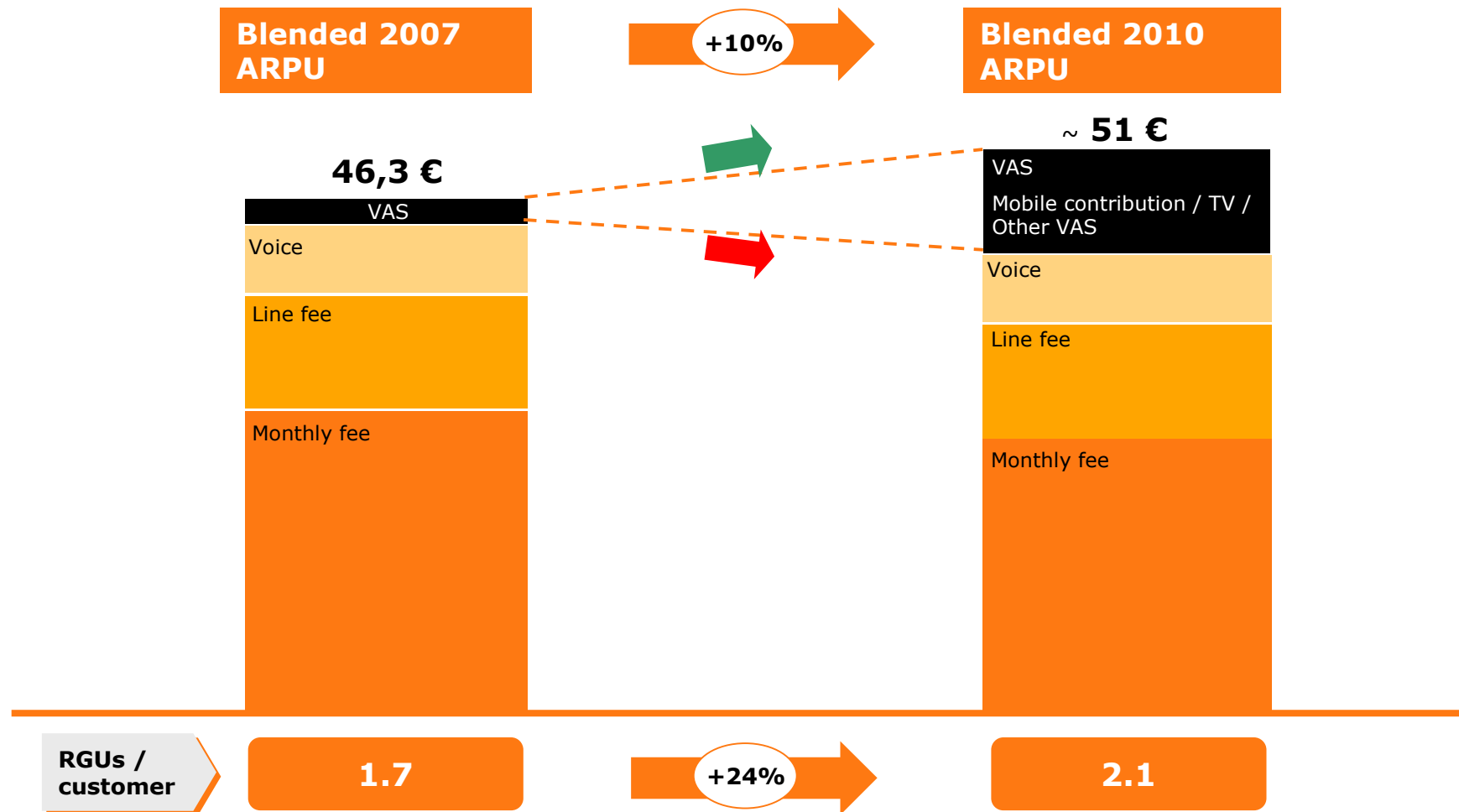


Negative drivers

- Overall ARPU erosion due to market competitiveness following European trends
- Increase of the relevance of <20Mb speed products within the base, which price is cheaper



Convergence and VAS will overcome traditional ADSL fees erosion



Jazztel's ADSL ARPU will suffer some erosion which will be mitigated by fix/mobile convergence



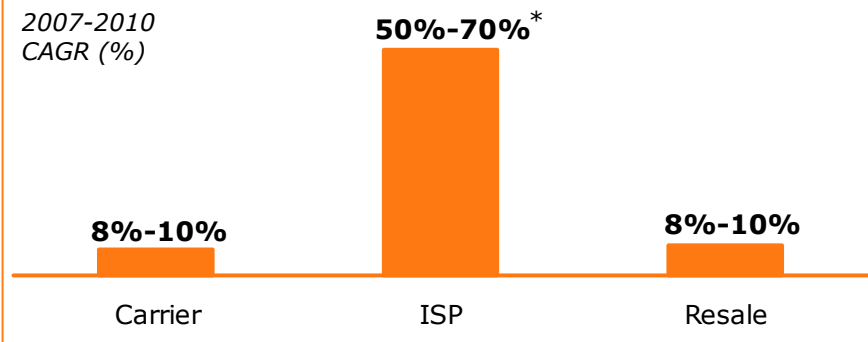
We expect wholesale revenues to grow at a CAGR of 14%, reaching ~ €150 million in 2010...

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Wholesale revenue overview

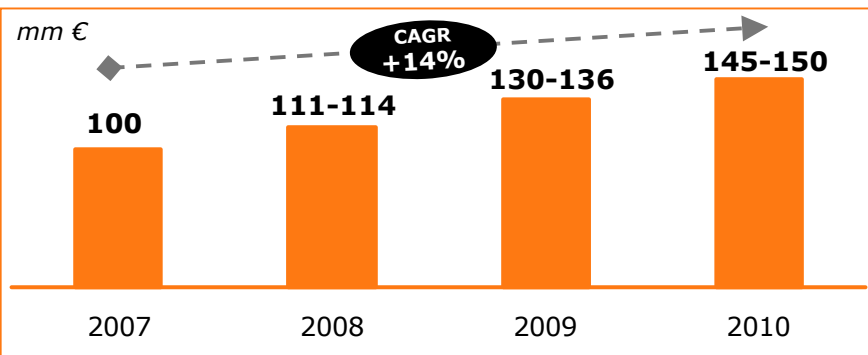
- Carrier and resale business lines price erosion will be offset by a **significant increase in traffic volumes** (current trend)
- The resale business unit is also expecting to **significantly increase the number of prepaid calling cards** due to the strong popularity of such service among the immigrant community
- The ISP division will largely contribute to the growth of wholesale revenues due to the bet of the company on **the resale of DSL white label, and resale of MAN spare capacity**

Wholesale units growth



*ISP CAGR is affected by a very low starting point

Wholesale revenues



White label DSL and prepaid cards will drive Wholesale Business Unit growth.



...most of this growth will come from the DSL white-label service offering included in the ISP division **JAZZTEL**

Voice services offering

Access services: toll free, local and premium access

TDM & VoIP interconnection available over Internet

Voice Gold Termination Service based in premium quality routes

Prepaid cards

Data services offering

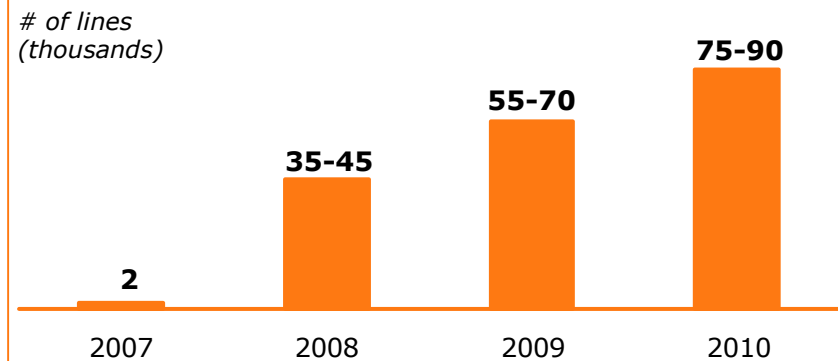
DSL white-label product

ATM/IP technology (DSL) with a full range of products

IP transit / capacity resale

TDM & VoIP interconnection available over Internet

DSL white-label expectations



We have already signed some white-label contracts in 2007 and Q1-2008, and we are confident about the future



Jazztel's wholesale unit is a very active player constantly delivering growth. We will leverage our 150 international interconnection contracts and our international PoPs



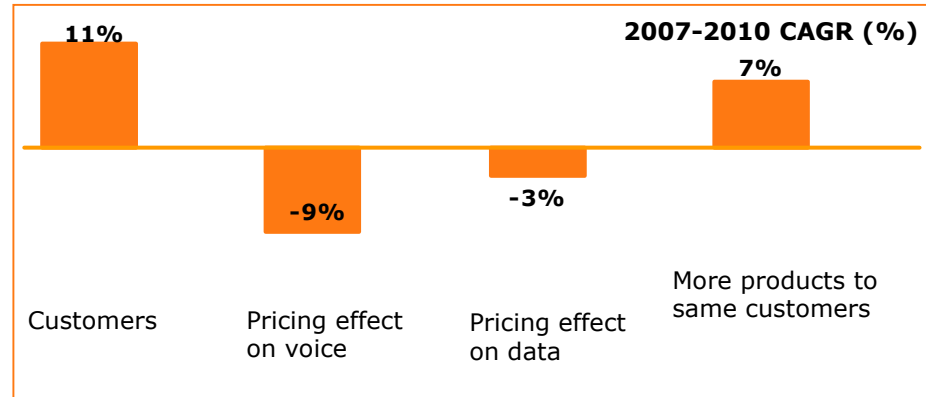
We expect Jazztel's Corporate revenues to grow at a CAGR of 12%, reaching ~ €54 million in 2010



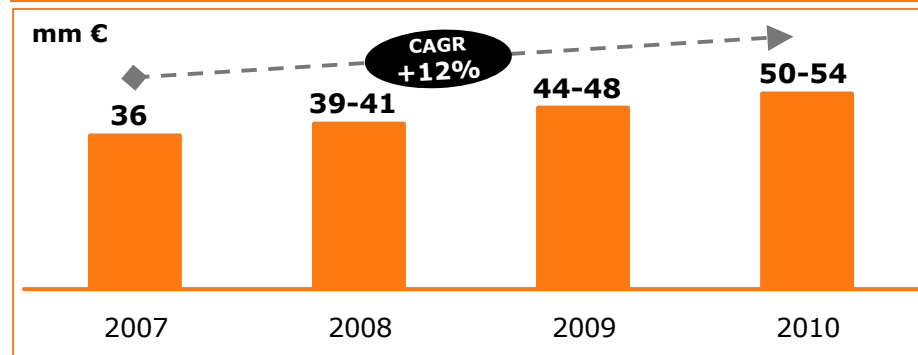
Corporate revenue overview

- **Voice and data price erosion is expected** throughout the period: voice (-9% CAGR) and data (-3% CAGR)
- This will be compensated by **significant growth (+11% CAGR) in Jazztel's core segment** (SMEs of 20-500 employees)
- **Jazztel is adopting a competitive multi-product growth strategy based on**
 - broadband Internet, VPN and corporate voice (IP and traditional)

Corporate revenue drivers



Corporate revenues

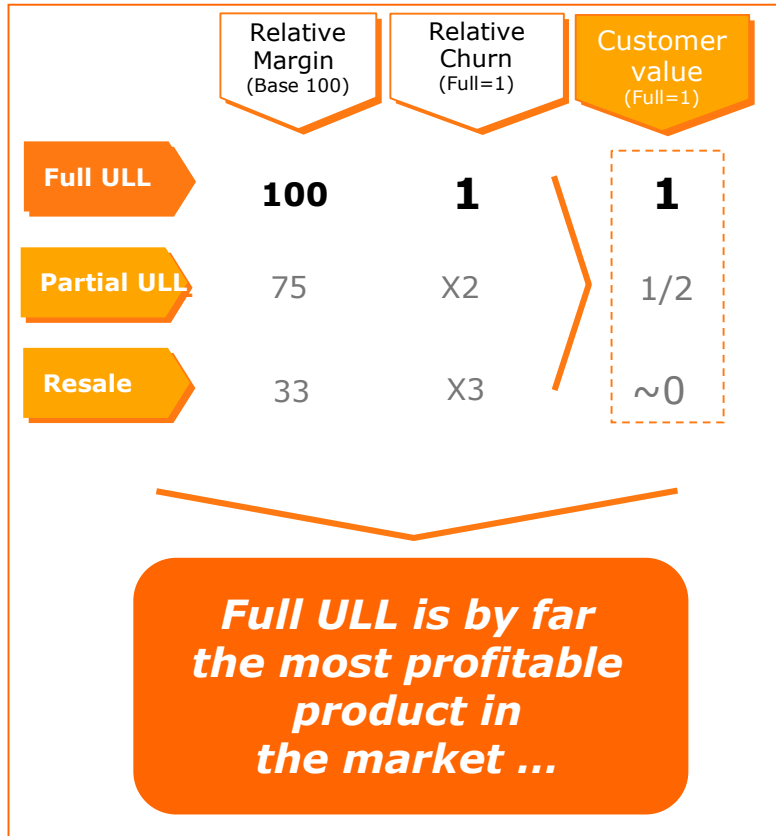




Migration to full ULL will offset margin-squeeze drivers...

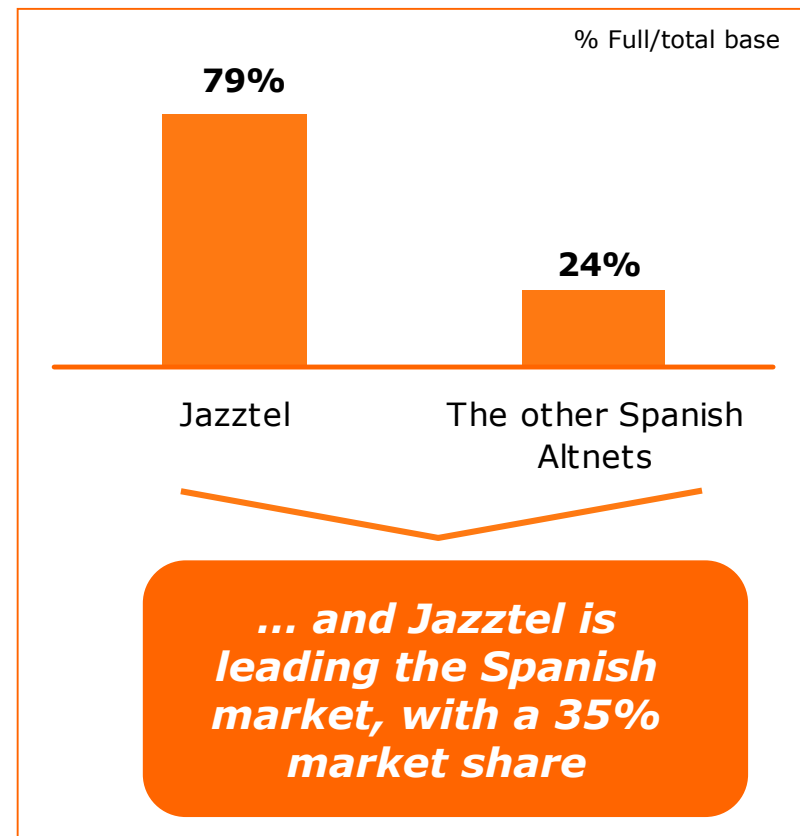
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Full ULL versus other products



Source: Jazztel's internal data

% Full ULL customers



Source: CMT data, January 2008



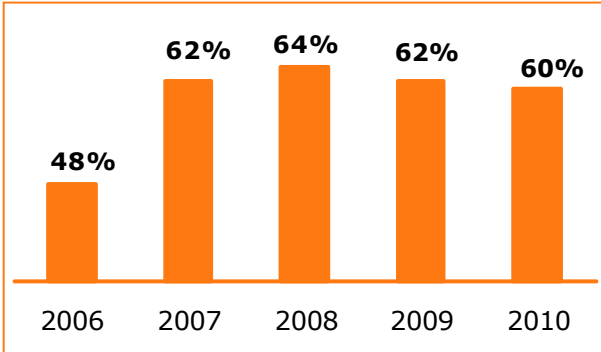
Jazztel's leadership in the 'Full model' delivers better margins and profitability than its competitors



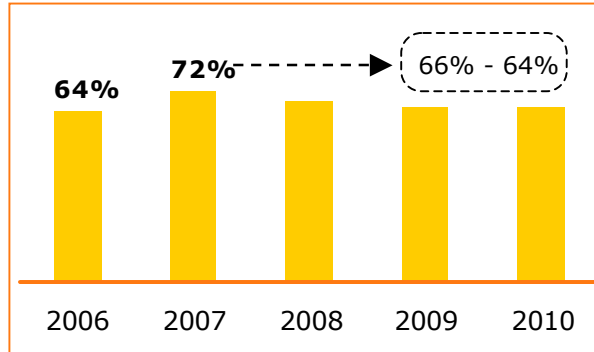
... and will keep delivering a steady growth margin from 48% in 2007 to 50% by 2010



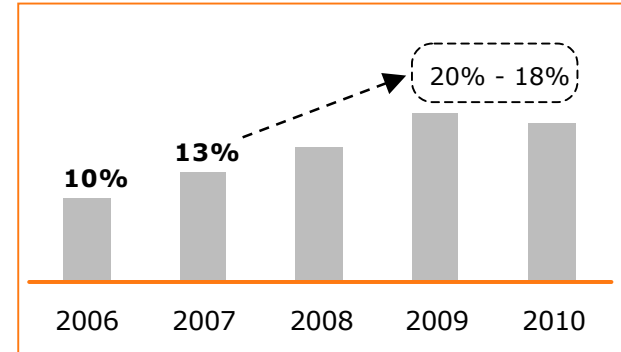
Residential gross margin (%)



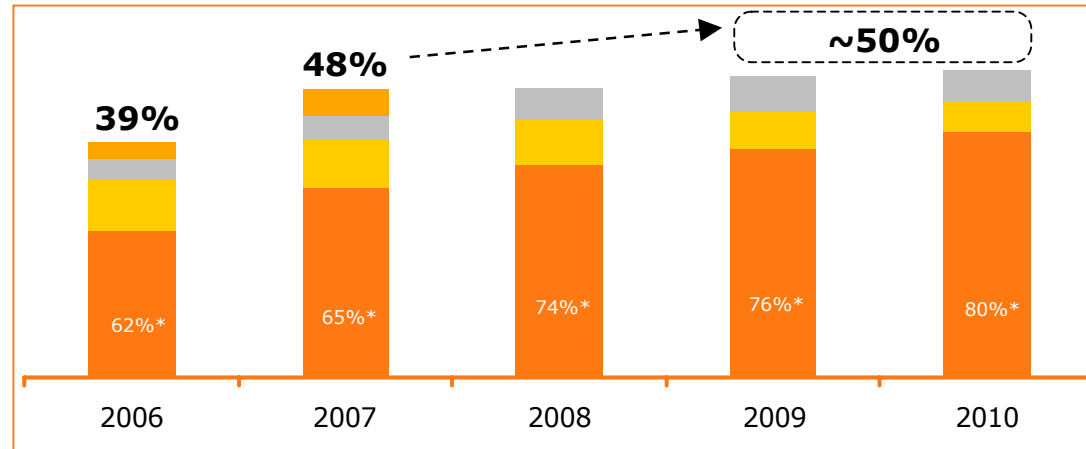
Corporate gross margin (%)



Wholesale gross margin (%)



Jazztel's total gross margin (%)



*Weight of total margin coming from residential unit

• **Jazztel's FULL model will keep delivering very healthy margins**

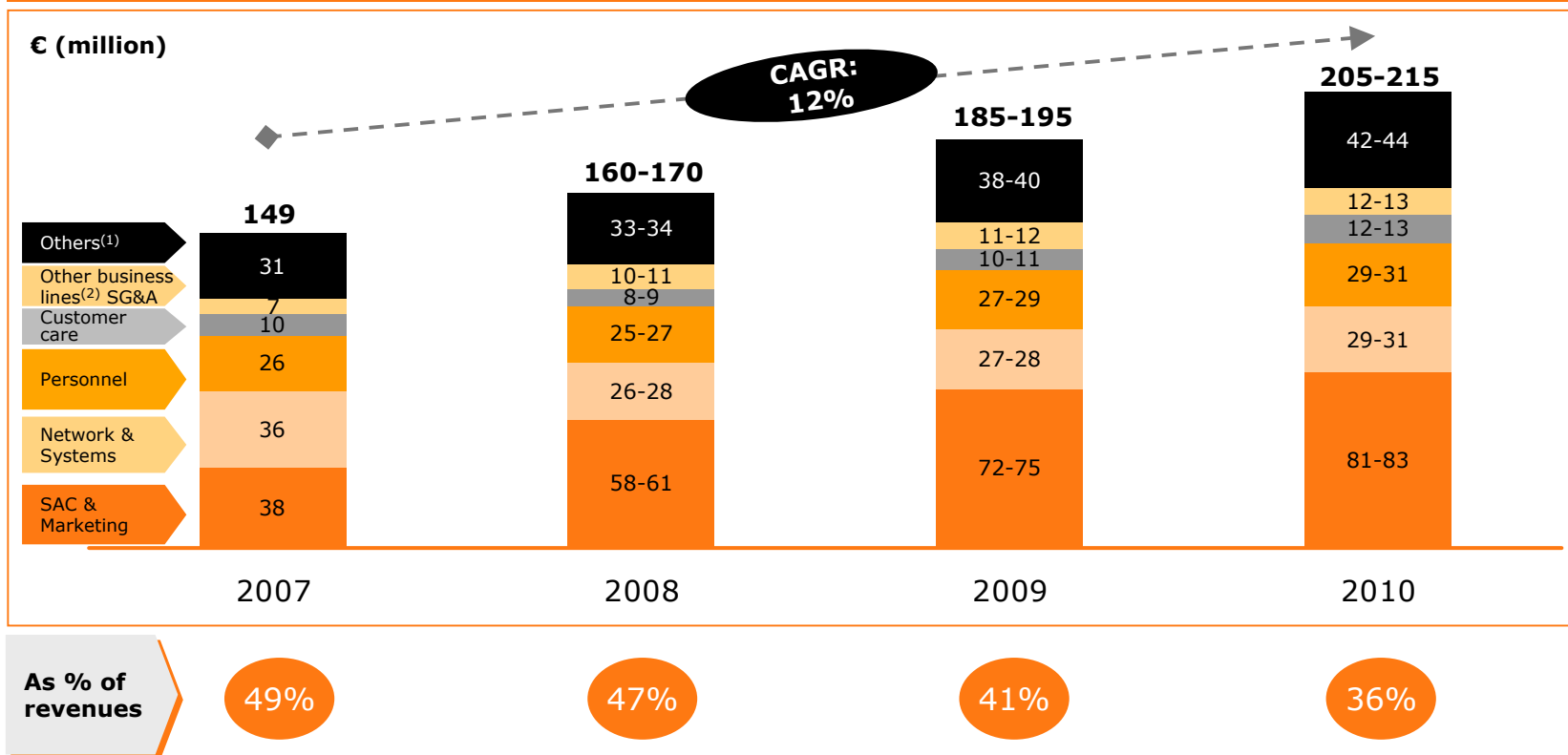
Jazztel's gross margin forecasts are in line with some European operators delivering through own network

	2006	2007
Iliad (80% ULL)	49%	49%
Neuf (68% ULL)	40%	41%
Fastweb (own technology)	46%	46%



SG&A costs will reduce to 36% of revenues by 2010 due to Jazztel's commitment to operational efficiency

Evolution of total SG&A costs



- The company is ready to gain scale at both, operational and infrastructure levels
- 2007 SG&A cost which includes all year expenses does not reflect cost reduction achieved by Q4 07 at some items. This Q4 structural run rate has been included when forecasting SG&A expenses
- Slight increase of SAC levels along the period
- Increase of total marketing costs/year

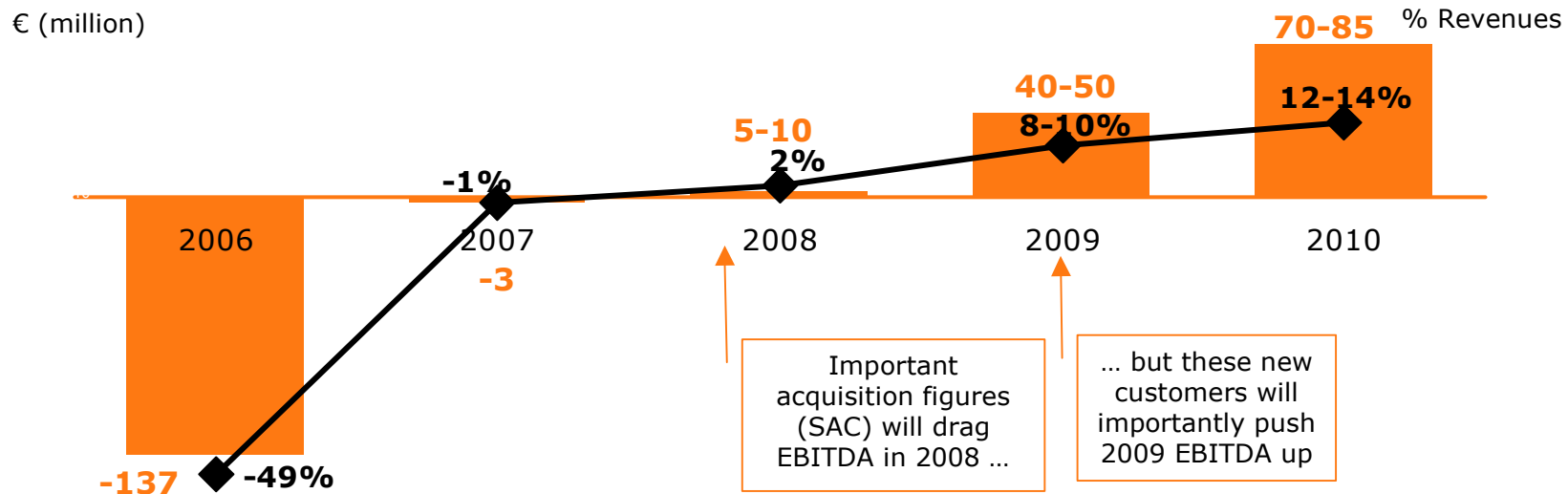
(1) Others includes: Billing, bad debt, real estate, Security, PLC costs.
 (2) Wholesale & Corporate business lines



We expect Jazztel's EBITDA to significantly improve and grow to ~ 13% of revenues by 2010



Expected EBITDA



EBITDA levels benchmark- Sanity check

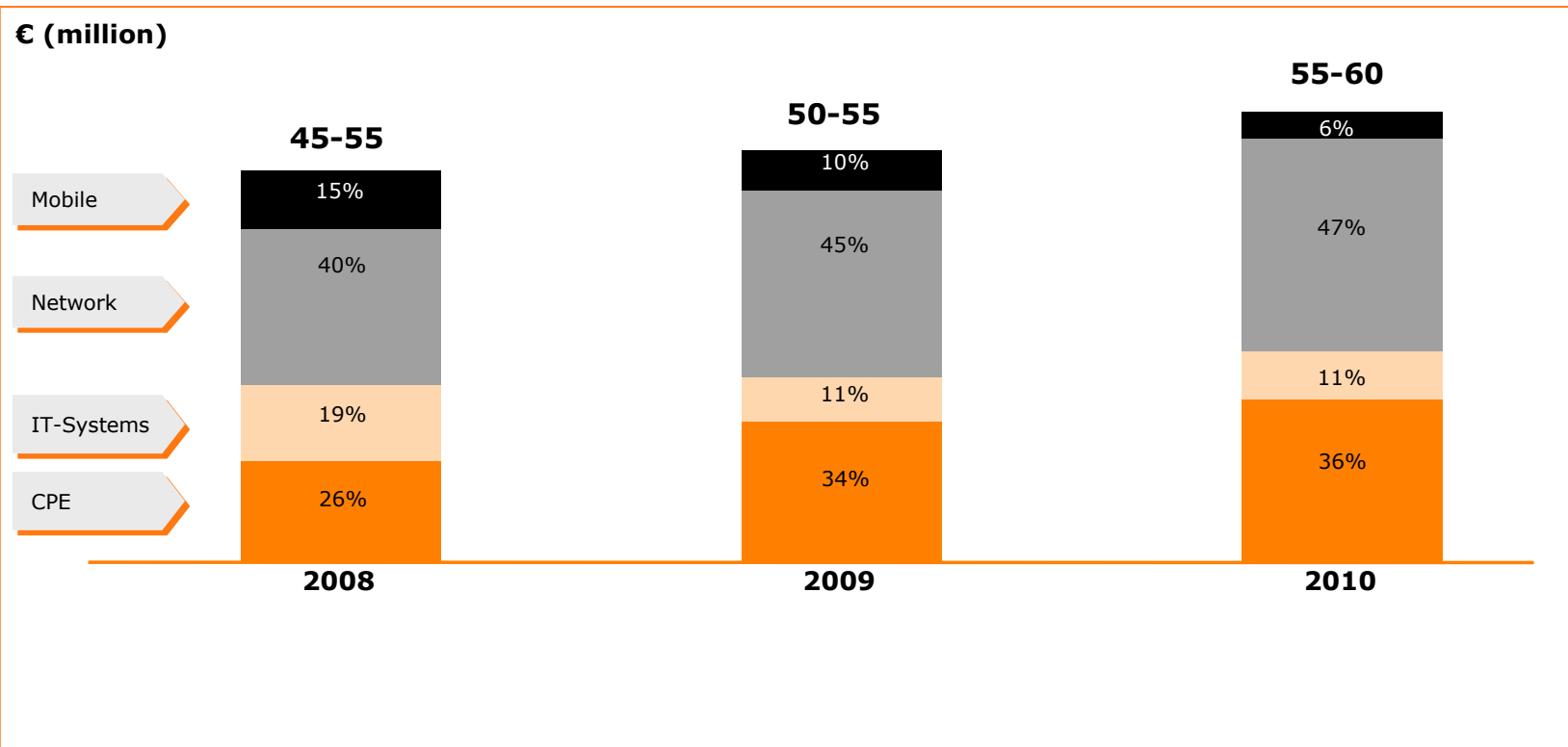
	Revenue (year)- MM€	Ebitda/Revenue (%)
Jazztel	560-600 (2010)	~13%
Tiscali (UK)	609 (2007)	~16%
Versatel	701 (2007)	~27%
Iliad	724 (2005)	~31%
United Internet	802 (2005)	~16%



As the network is almost fully deployed, capex as a proportion of revenues will decrease to 10% by 2010

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Expected capex



CPE: Equipment at customer premises



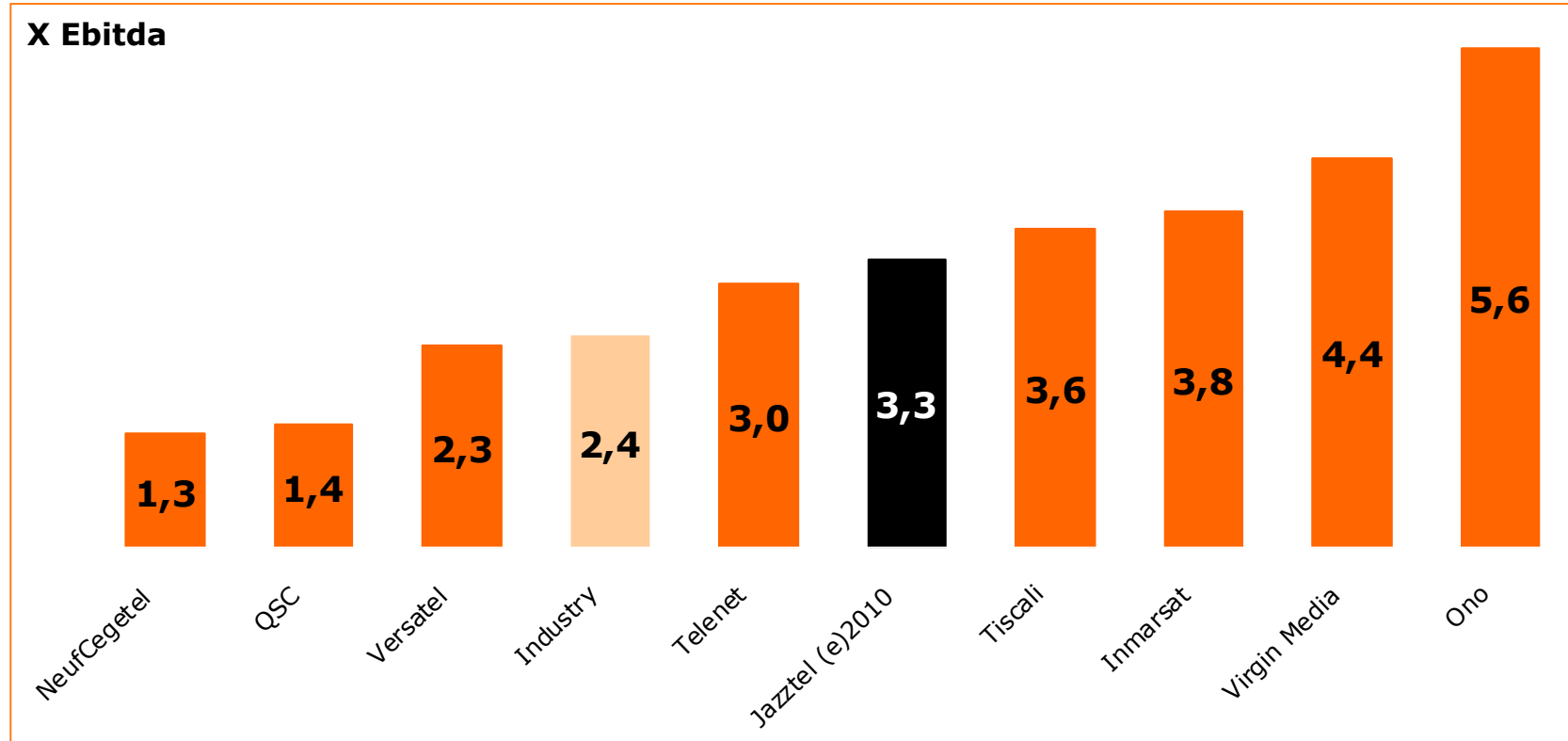
Due to the completion of network roll-out, customer-driven capex is becoming the main component of overall investments



Our 2010 net debt/EBITDA ratio will be appropriate, and in line with current industry levels



Leverage: Net debt/EBITDA



Source: Merrill Lynch European Telecoms report, 10th of April 2008.
Comparables ratios based in 2007 results

Industry average 2.4x, based on average Main European Alternative Operators

*Based in Jazztel BP 2010 forecast



Jazztel's 2010 net debt/EBITDA ratio is in line with current industry levels

IV-Conclusion

Mr. José Miguel García
JAZZTEL CEO

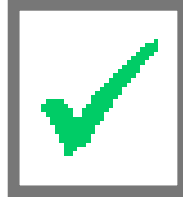
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Conclusion: balanced score card

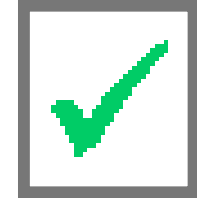
1

Healthy working relationship with Telefónica



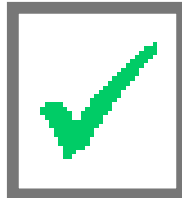
2

Best in class Network with extended coverage



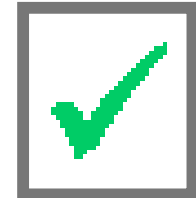
3

Convergent top quality product at a very competitive price



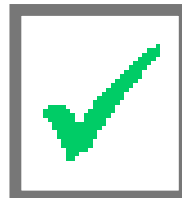
4

Lean, agile, and scalable company



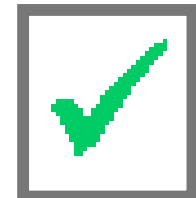
5

Our own quality customer service platform



6

Strong brand and targeted marketing&sales strategy



Jazztel is growing and committed to create value