



JAZZTEL

JAZZTEL

**Capturing the Spanish
broadband opportunity**

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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. Proven execution capabilities

III. Main financial and operational forecasts

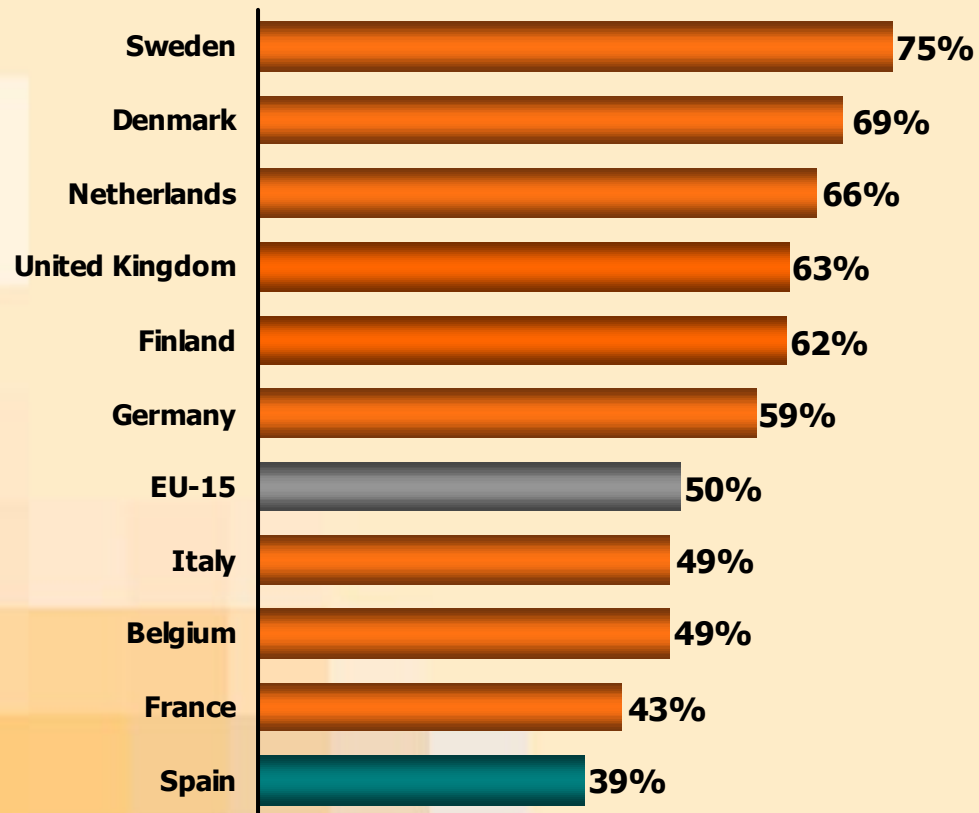
IV. Conclusion

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Spain is an under-penetrated Internet country...

Internet penetration December 2005

% of total population



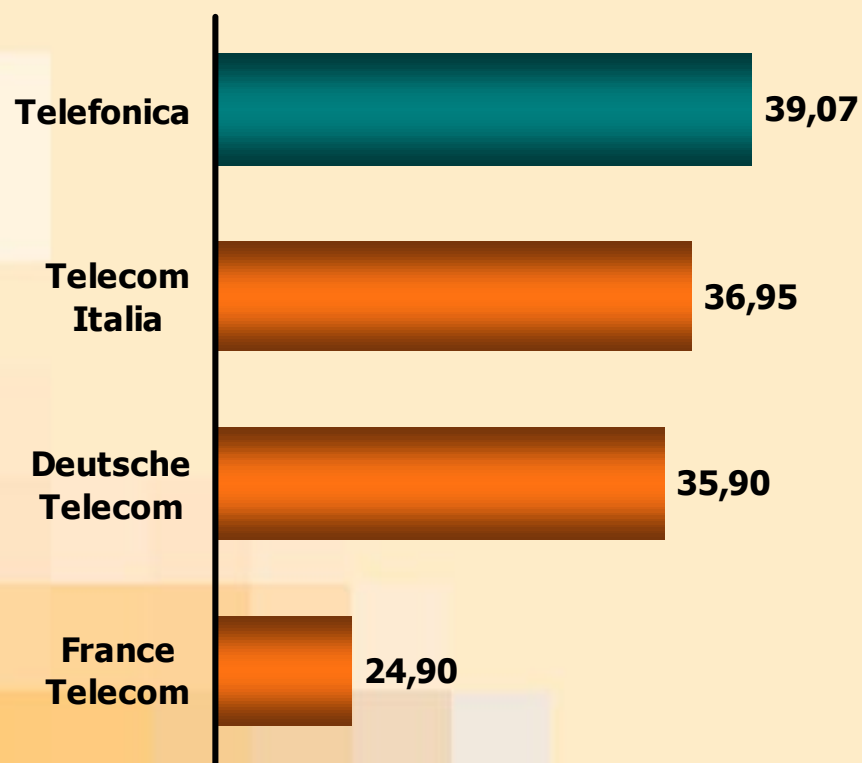
Room for growth

Source: Eurostat

... with broadband prices* above average

Incumbent ADSL prices

Euros/month (VAT not included)



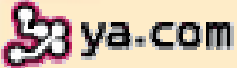




Opportunity for
infrastructure
based ULL
operators

Source: Company's web pages

* Incumbent ADSL prices. Excludes line rental fees

... where prices are converging with those of Europe...

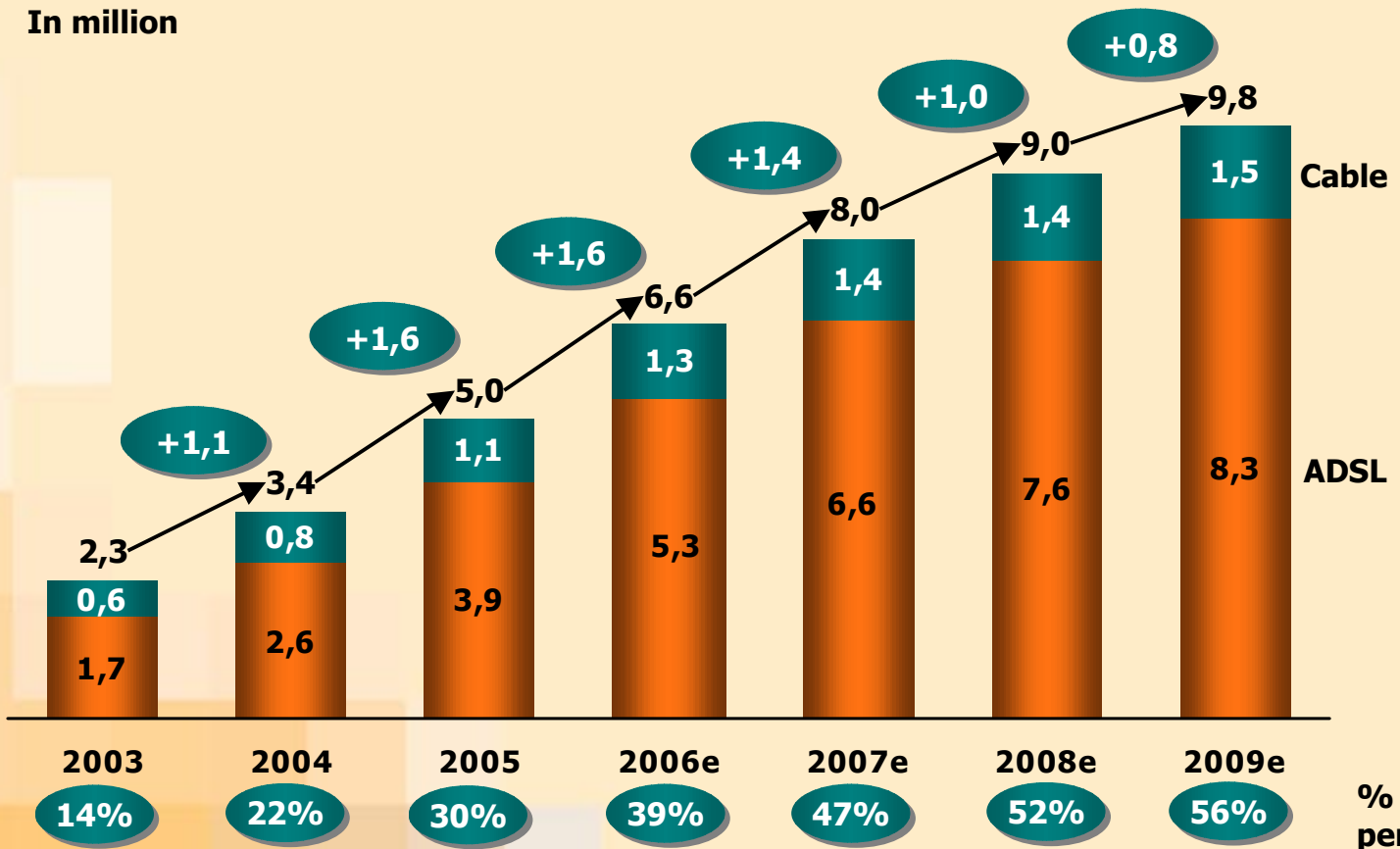
	Voice	ADSL	TV	ARPU 2 Play*	ARPU 3 Play
	Flat fee	1 Mb	60 channels	€53,33	€71,83
	Flat fee	20 Mb	n.a.	€49,42	n.a.
	Flat fee	20 Mb	n.a.	€49,37	n.a.
	Flat fee	4 Mb	85 channels	€44,90	€56,39
	Flat fee	20 Mb	35 channels	€42,90	€51,40

* Includes line rental fee

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

Total lines

In million



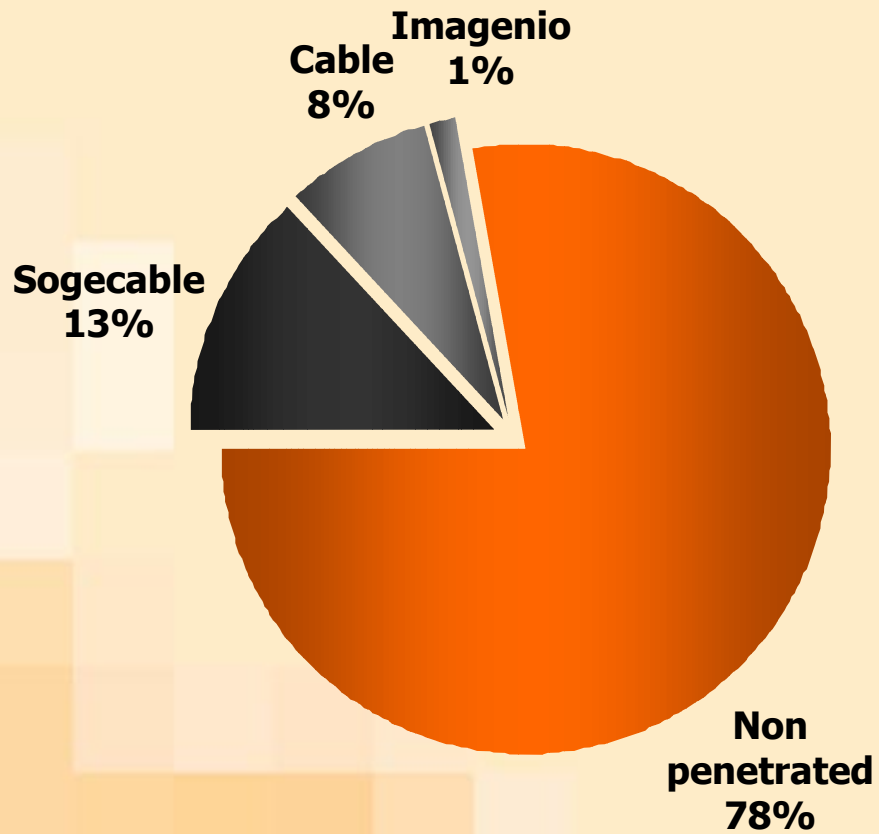
- The broadband market will start to decrease its growth rate in 2008
- ADSL increases its share in the market



* Assumes 13,3 million households and 3,1 million active businesses as of 2005
 Source: JAZZTEL's estimation



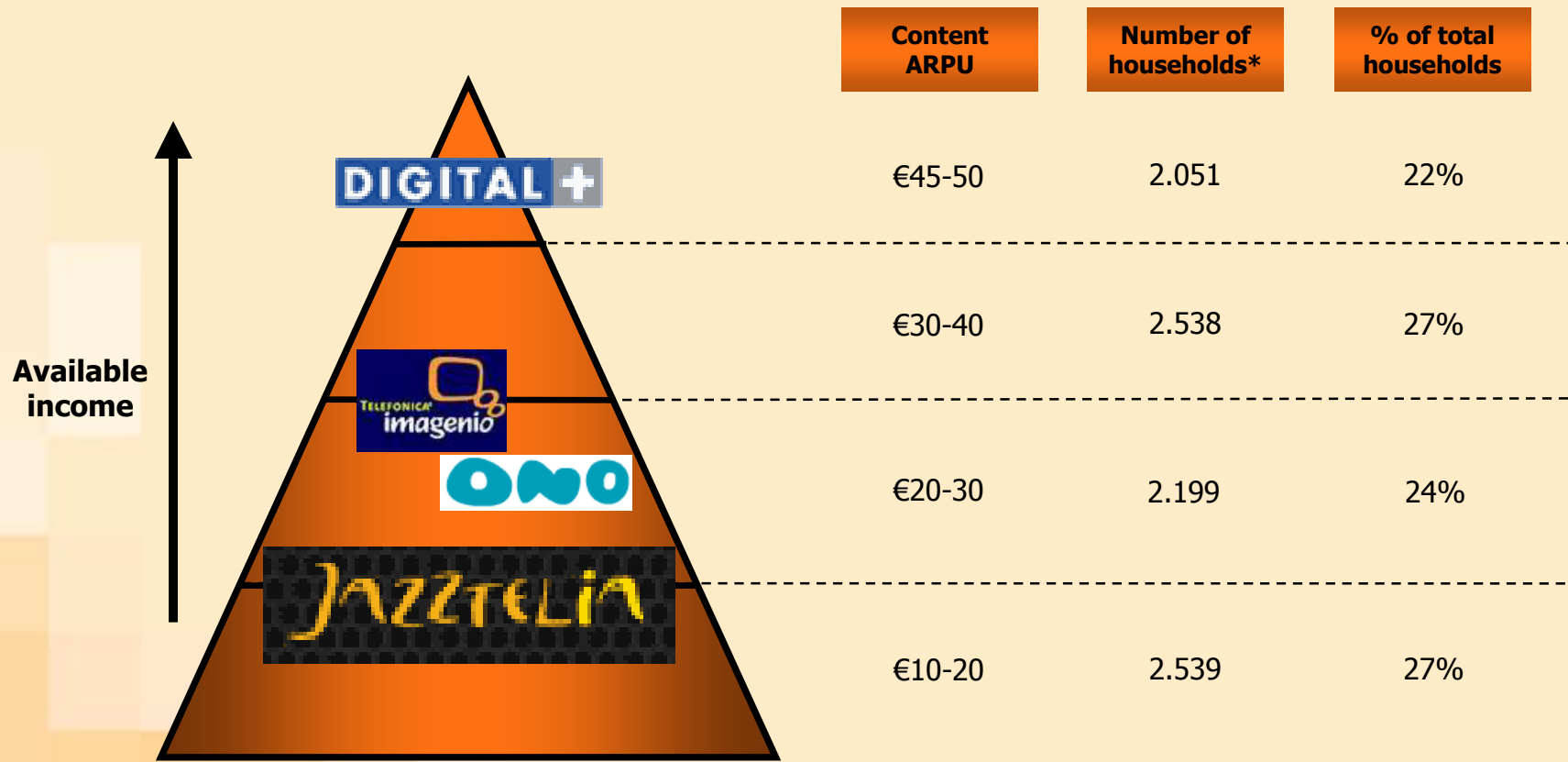
Spanish Pay TV market has not matured yet...



No. of households: 15.3 mill.
Pay TV penetration: 22%

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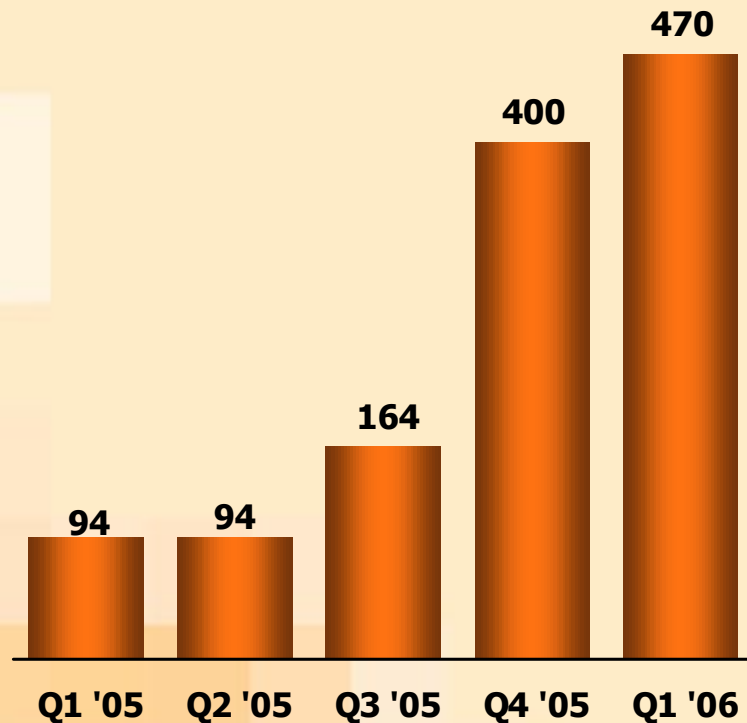
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JAZZTEL has deployed heavily its ULL fiber connected infrastructure...

CO's deployment

Central Offices with JAZZTEL's equipment in co-location



Backbone km.

5.753

7.367

18.329

18.929

19.159

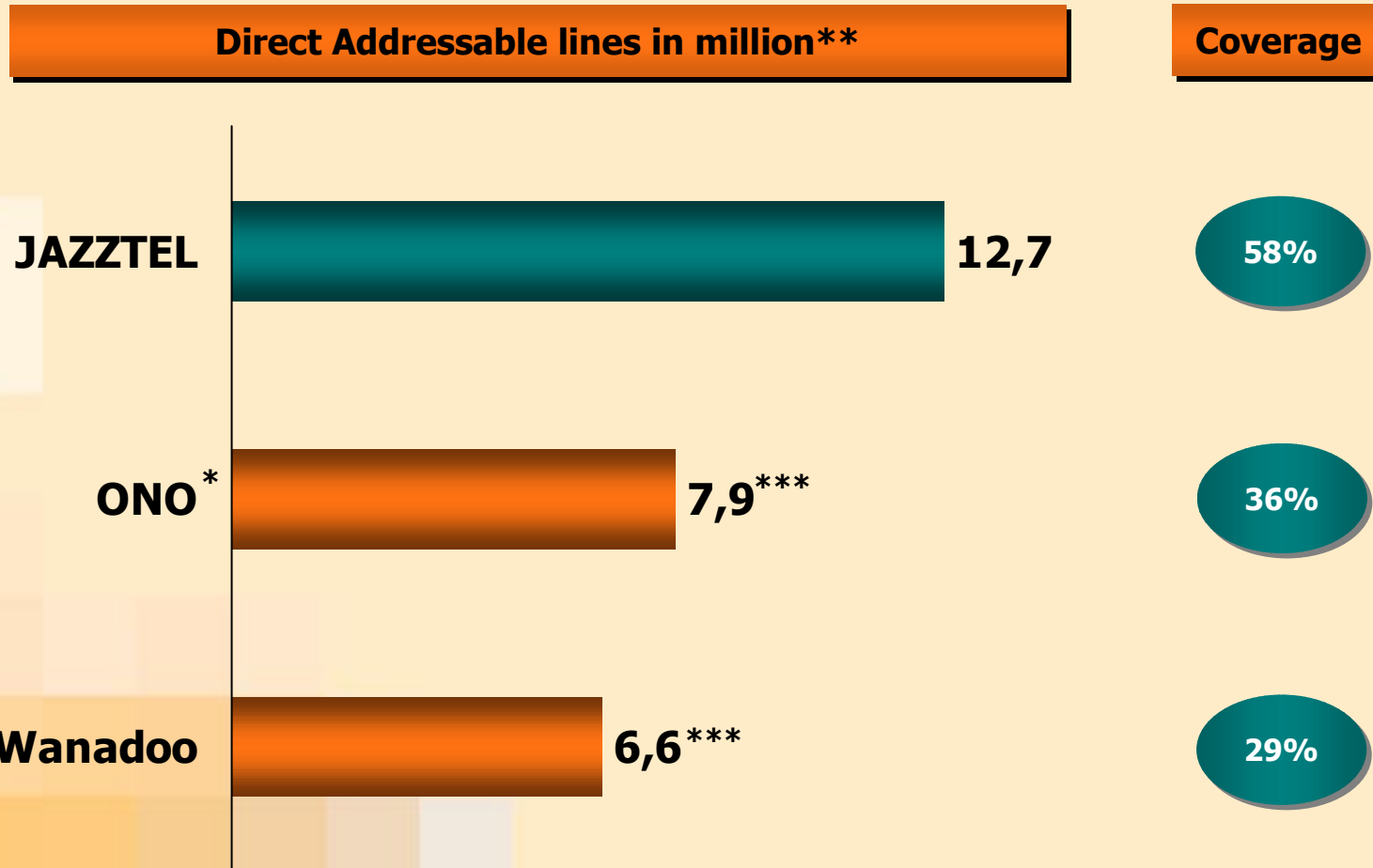
High execution capacity once Telefonica was forced to give access to COs

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...

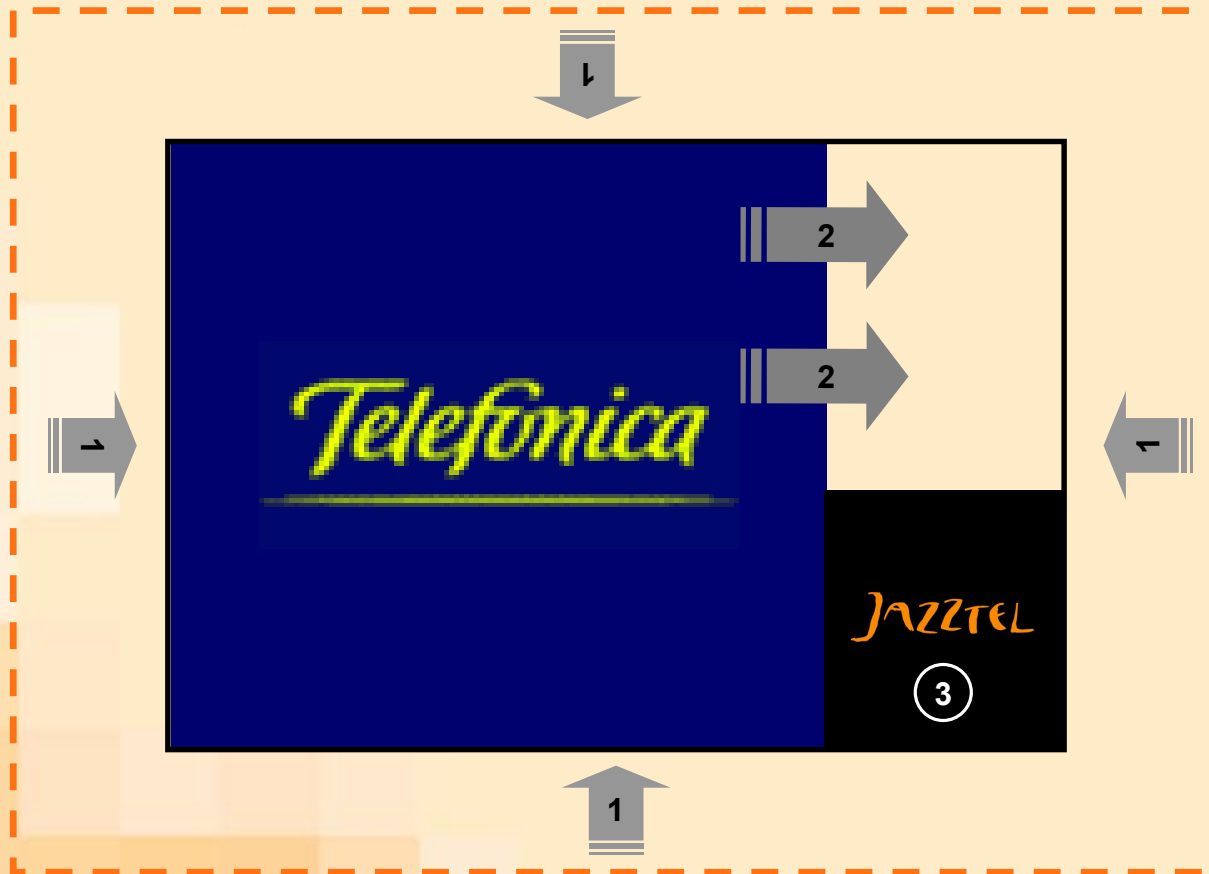


* Assuming same coverage of businesses and residentials

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

*** Latest disclosed figures Q4 2005

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



1. Telefónica is reducing the total available space
2. Telefónica 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

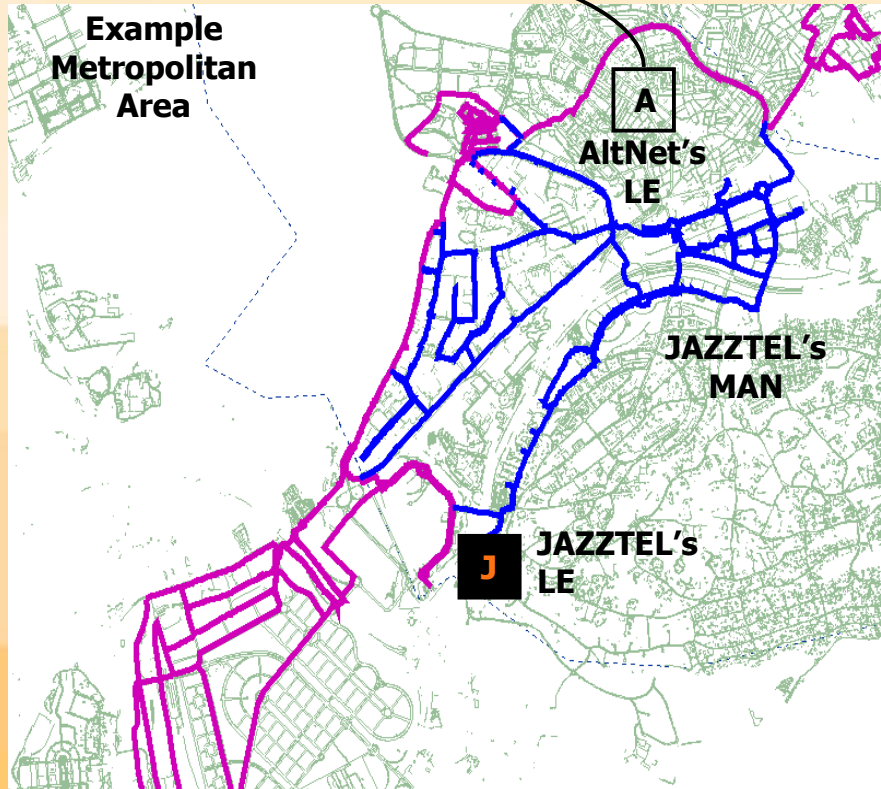
JAZZTEL is no longer dependent on Telefónica for this service while there is limited available space that constrains ULL growth opportunities for other alternative players



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

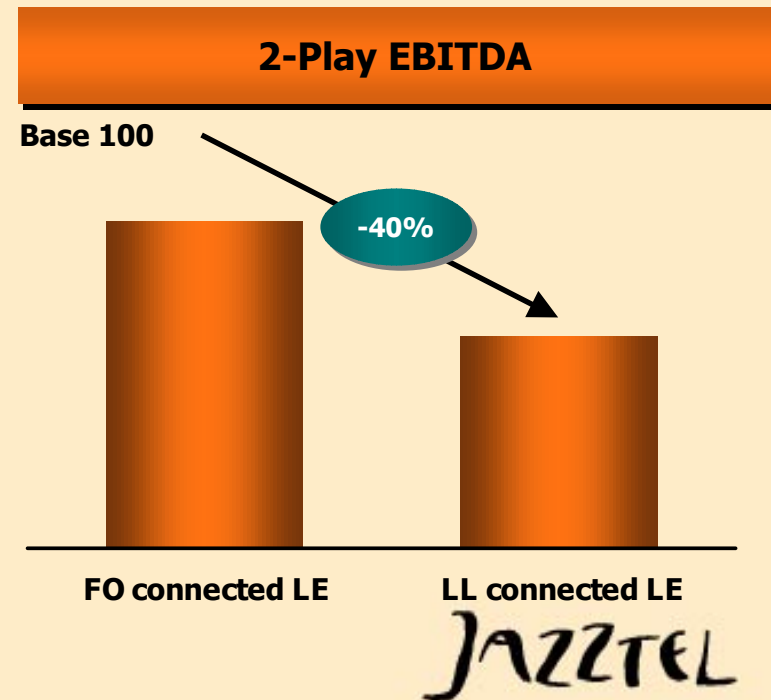
AltNet's Network

Leased capacity:
app. €6.000/month*



Without a fiber network, product economics are constrained:

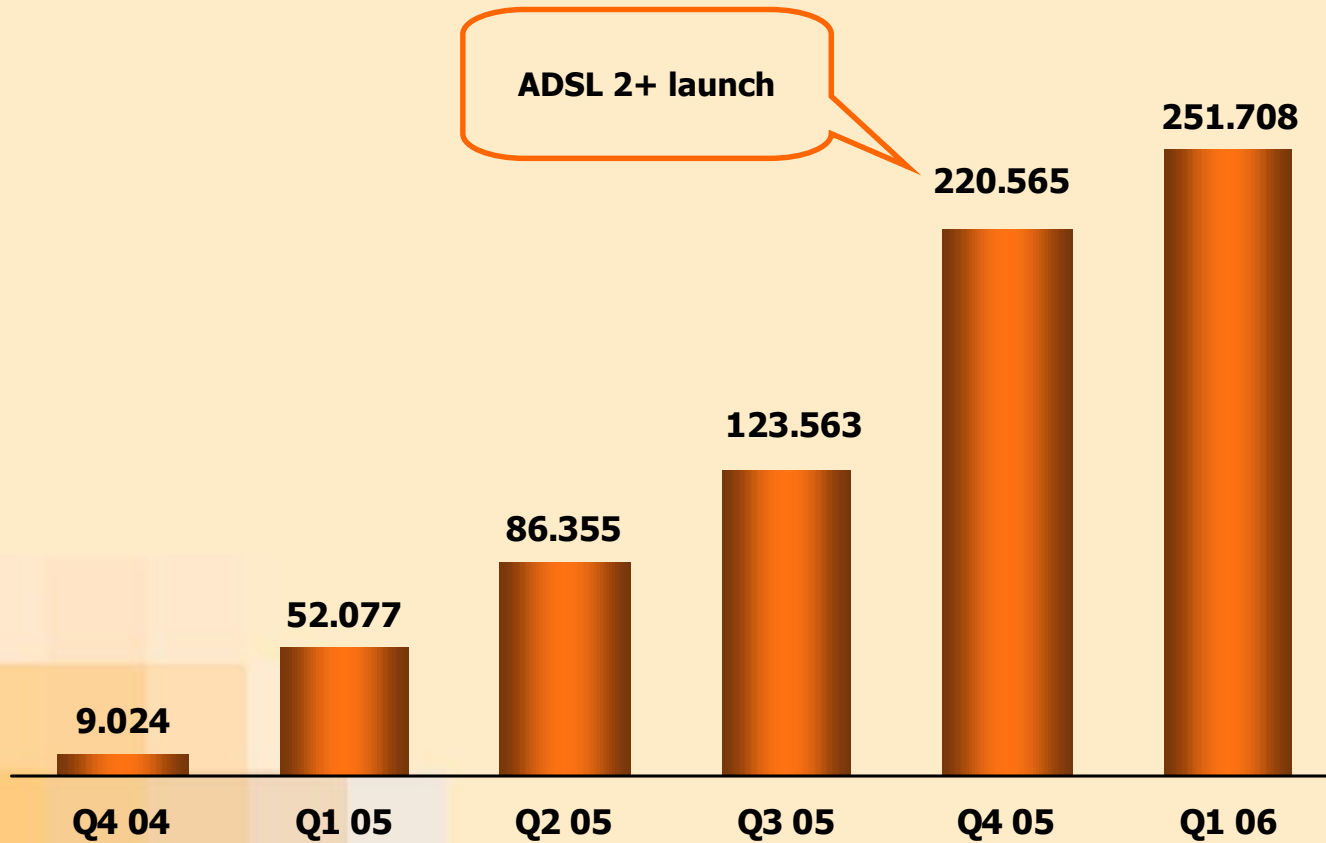
- 3-Play EBITDA is negative
- 2-Play EBITDA is reduced by a 40%



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

JAZZTEL has aggressively expanded its customer base...

Total number of ADSL customers



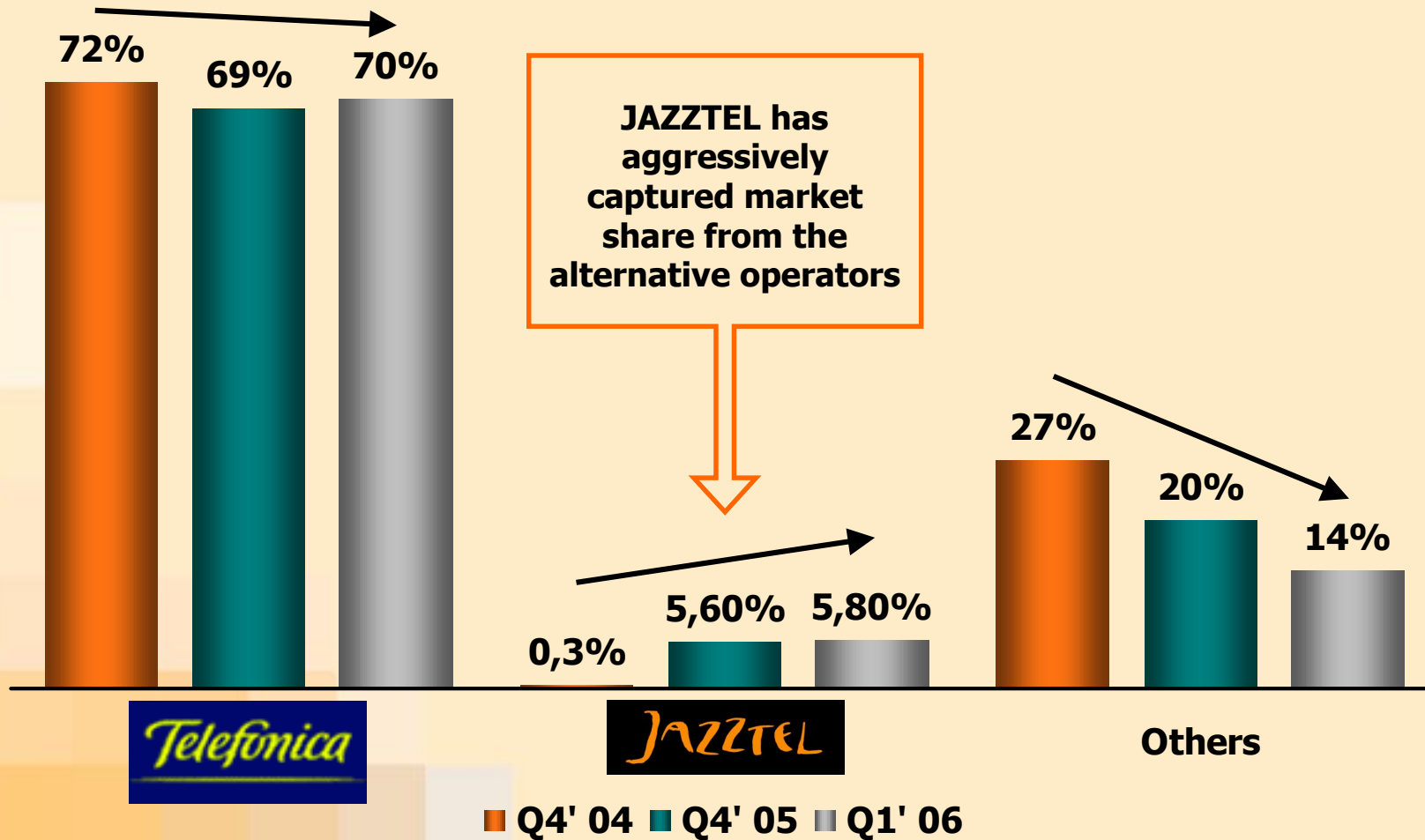
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... hindered on Q1 2006 by high cancellation levels due to delays in provisioning in spite of strong customer demand

- **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 Telefónica of regulated provisioning times
 - Saturation of the reference entity caused by the number portability
 - Complete substitution of the CRM system

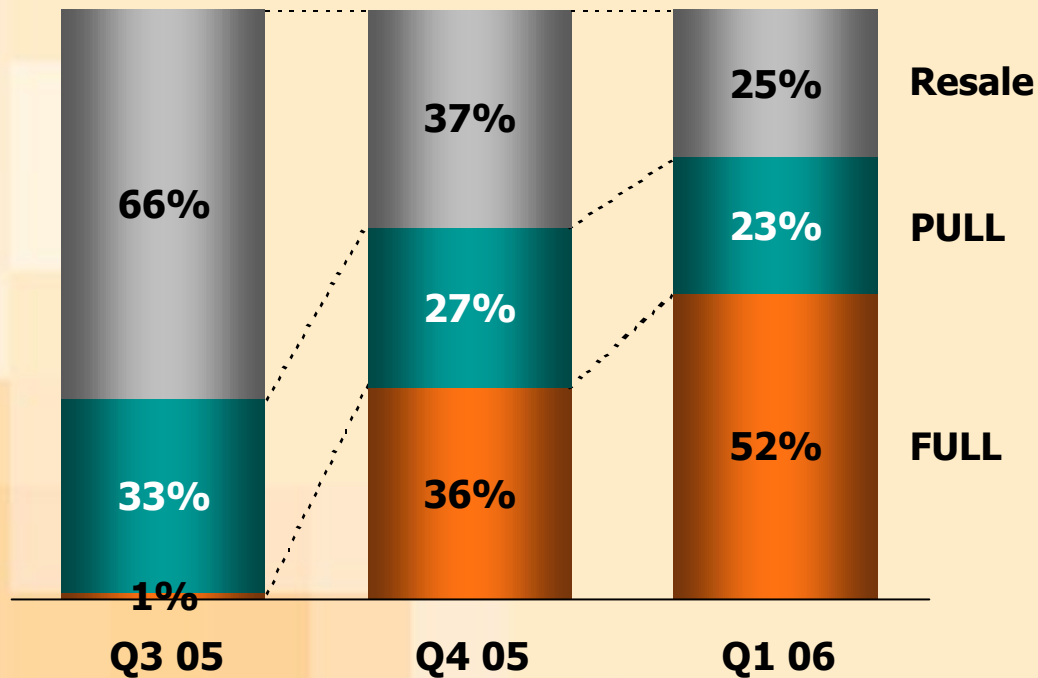
... growing at the expense of alternative DSL players...

As % of total DSL lines

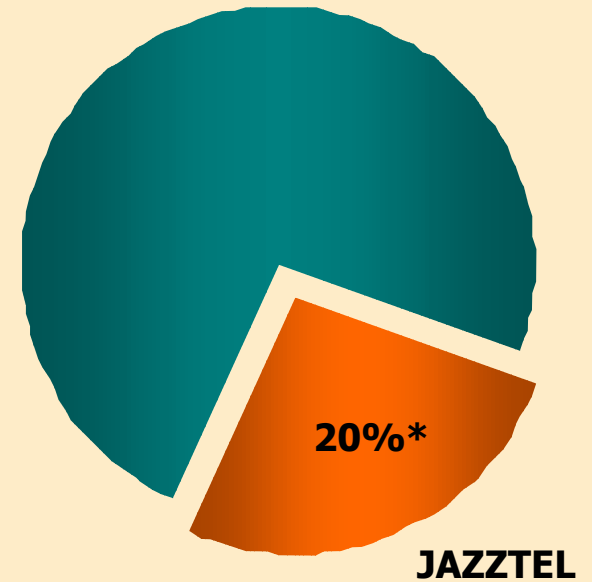


... with a strong focus on direct access through unbundling

ADSL customer base evolution

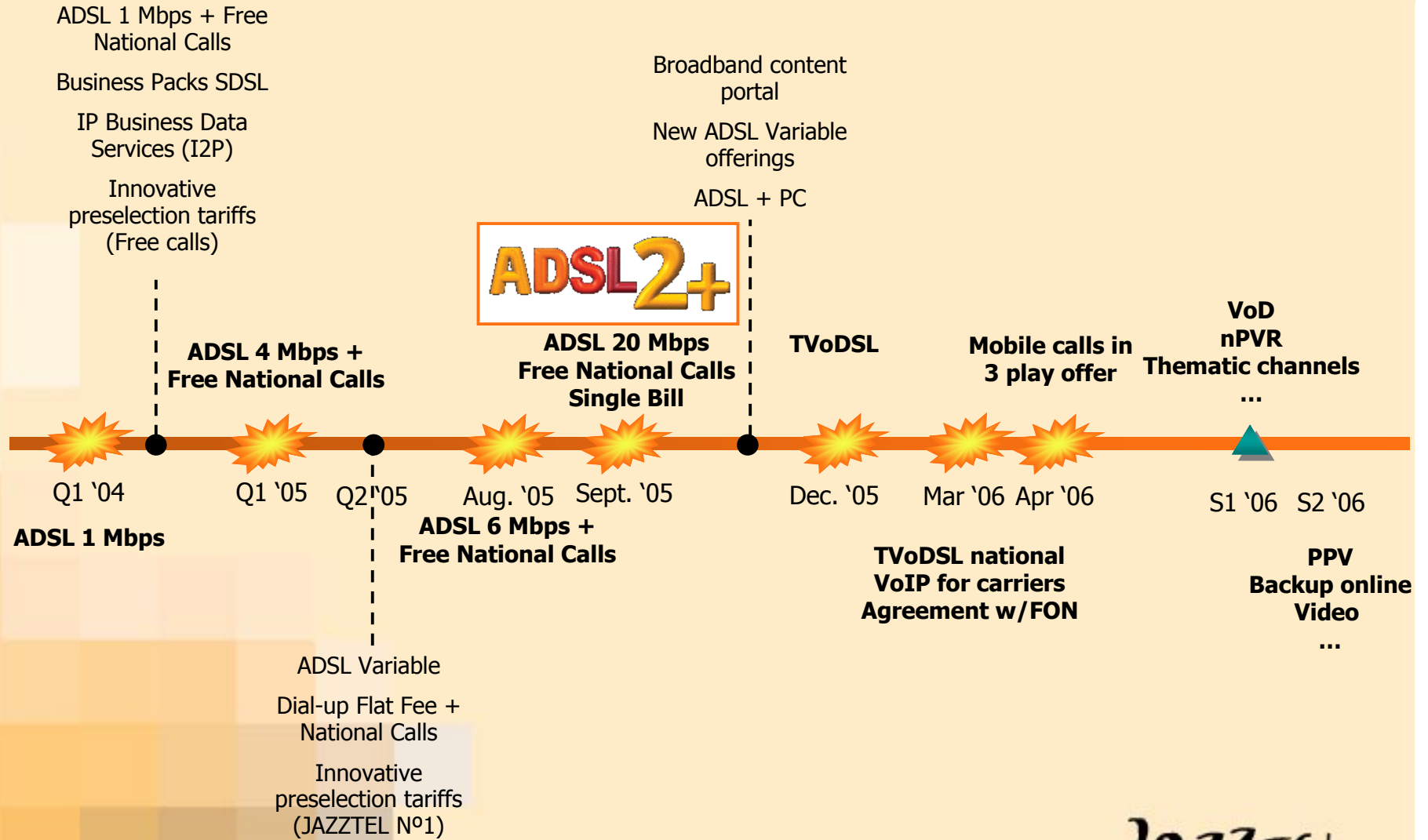


ULL market share



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

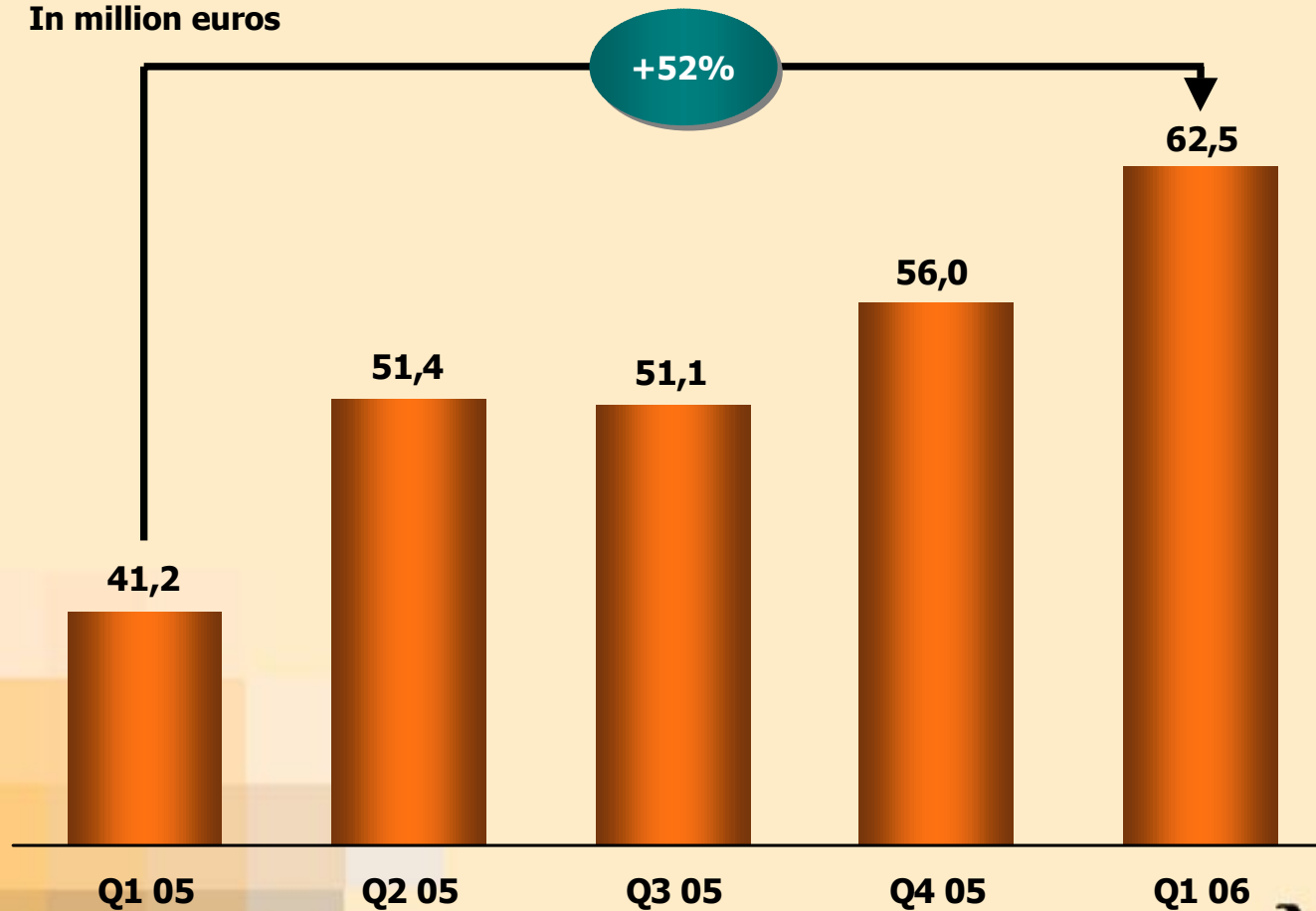
JAZZTEL has demonstrated the fastest time-to-market in Spain...



... 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 duet

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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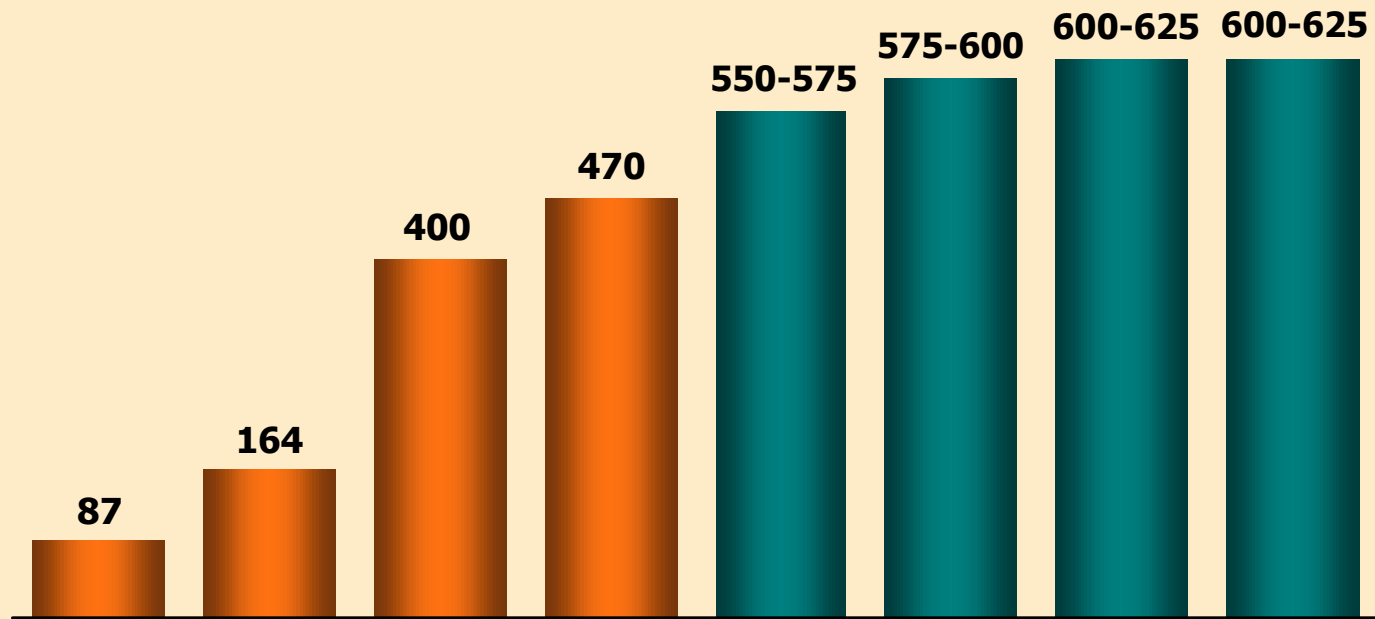
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COs deployment

Number of COs deployed

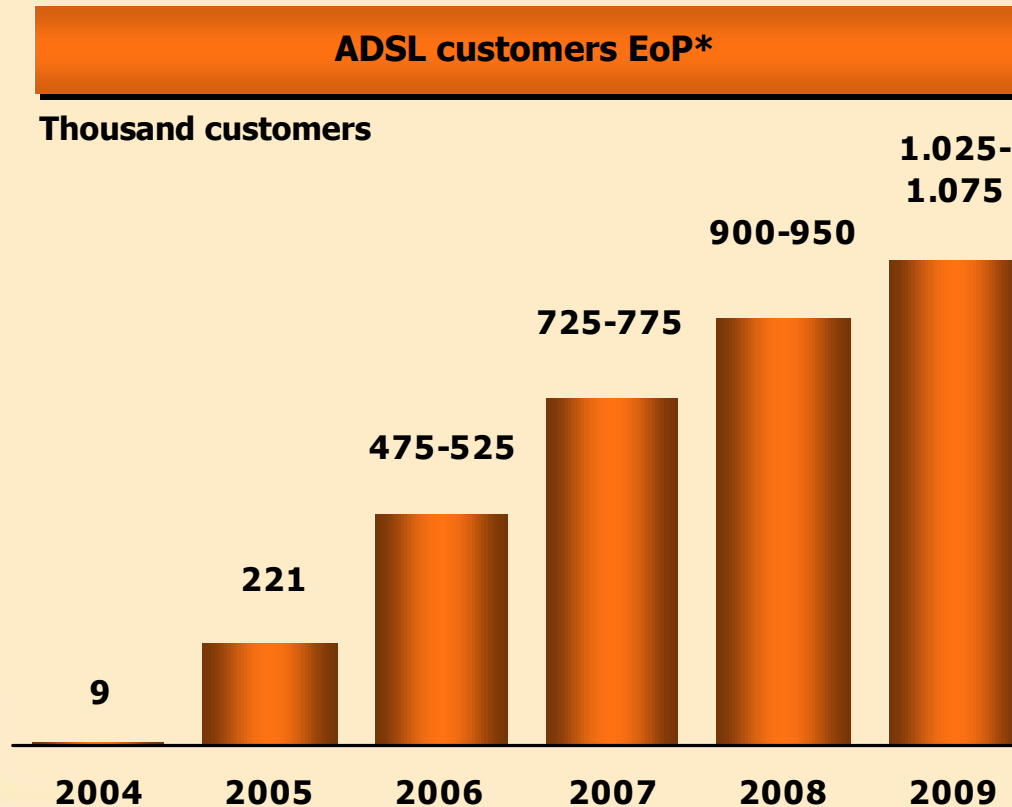


% coverage of total lines
% market coverage in Euros
% connected with Fiber

	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



JAZZTEL share of ADSL market growth

JAZZTEL's ADSL market share

% content penetration

	2005	2006	2007	2008	2009
JAZZTEL share of ADSL market growth	16%	20%	19%	19%	18%
JAZZTEL's ADSL market share	6%	9%	11%	12%	13%
% content penetration		11%	16%	21%	21%

24

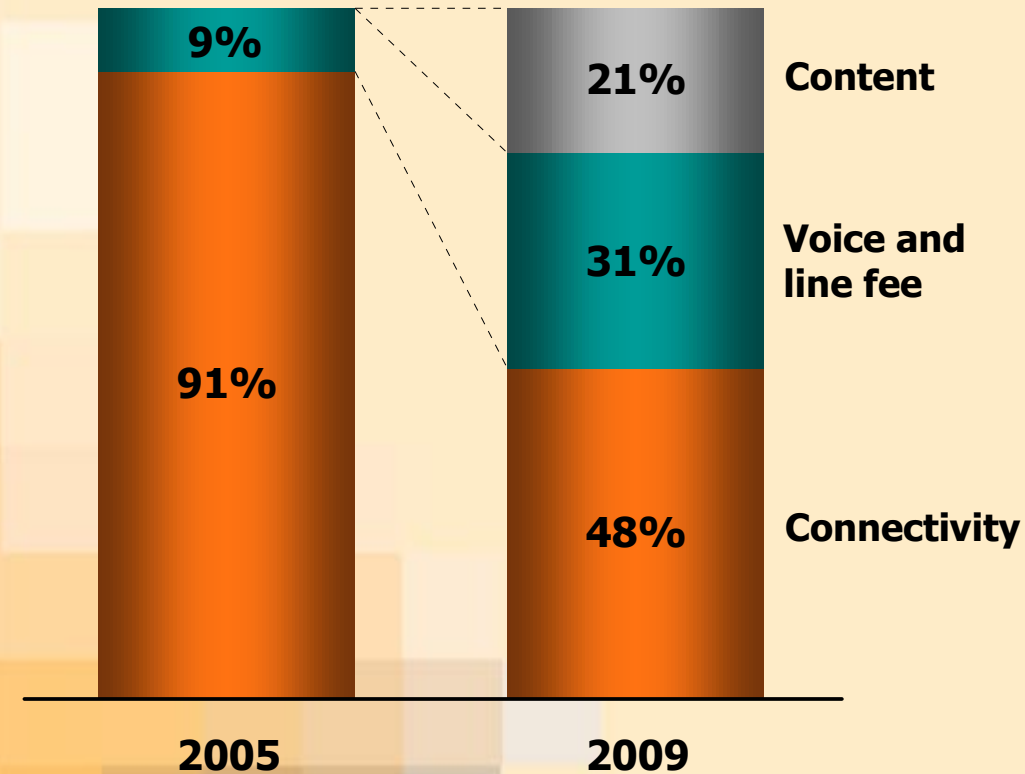
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* Q4 05 share of ADSL was 5.6%

Sustaining ARPU with additional services

ARPU evolution*

Base 100

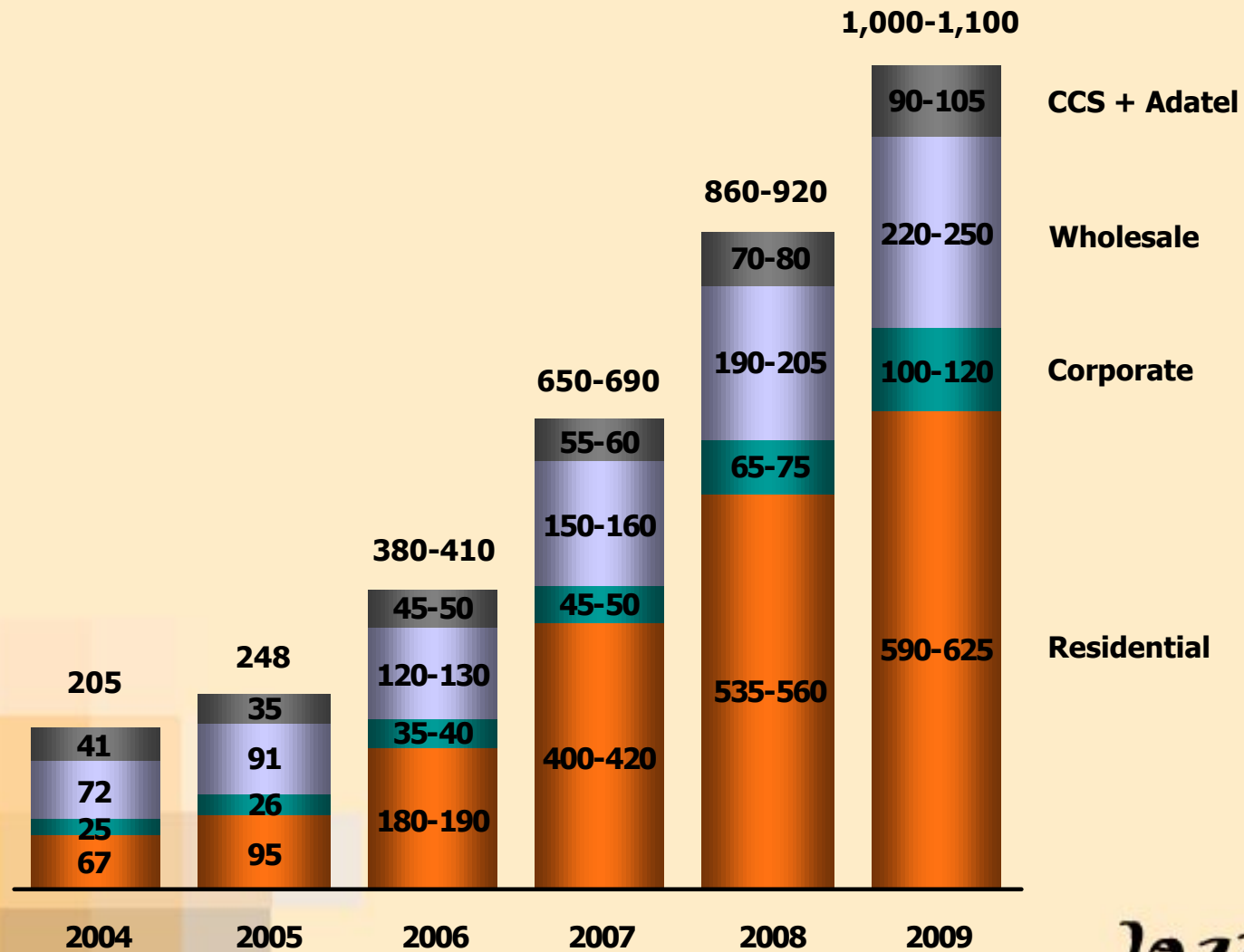


JAZZTEL will be able to offset broadband price declines with increased services

* normalised

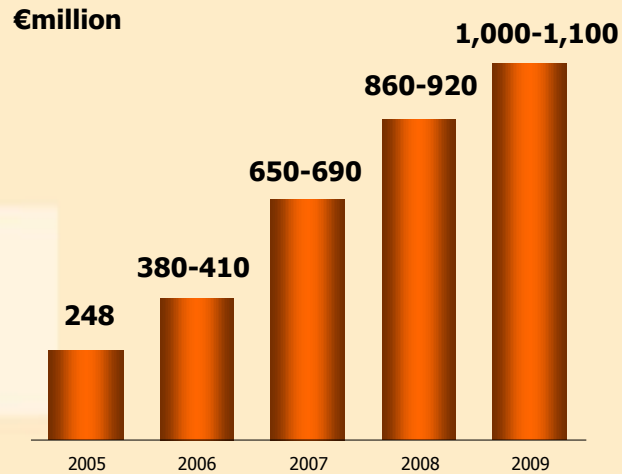
Revenue breakdown

In million euros

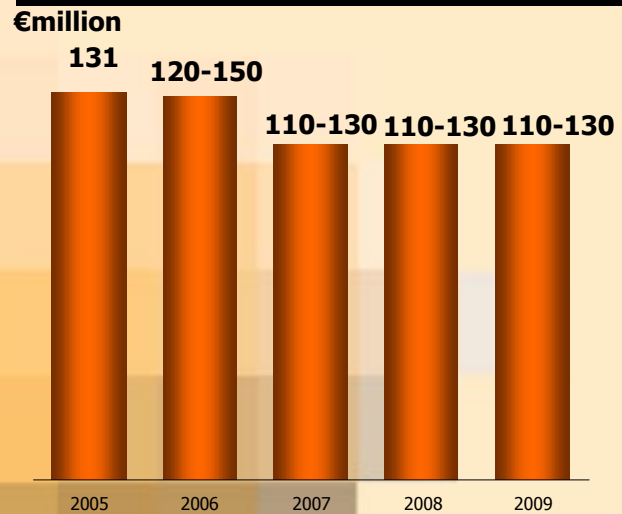


Main financial magnitudes

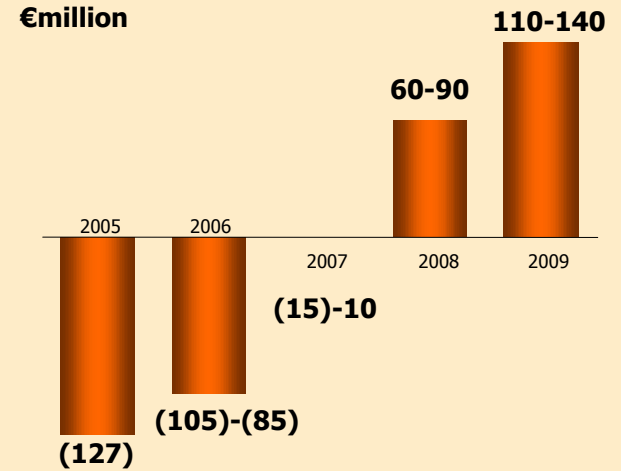
Revenues



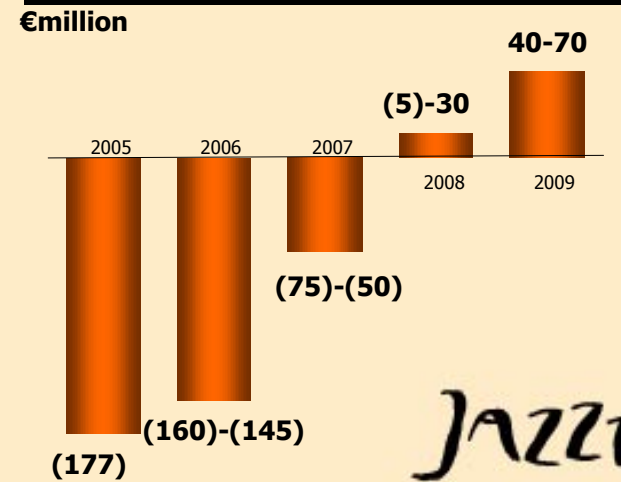
Capex



EBITDA



Net Income



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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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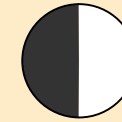
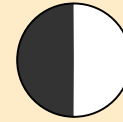
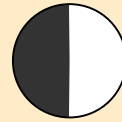
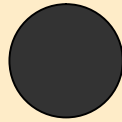
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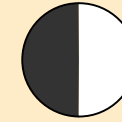
Competitive assessment according to JAZZTEL



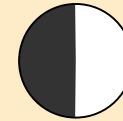
Deployment



Connectivity



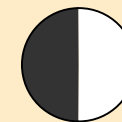
Product



Price



Innovation

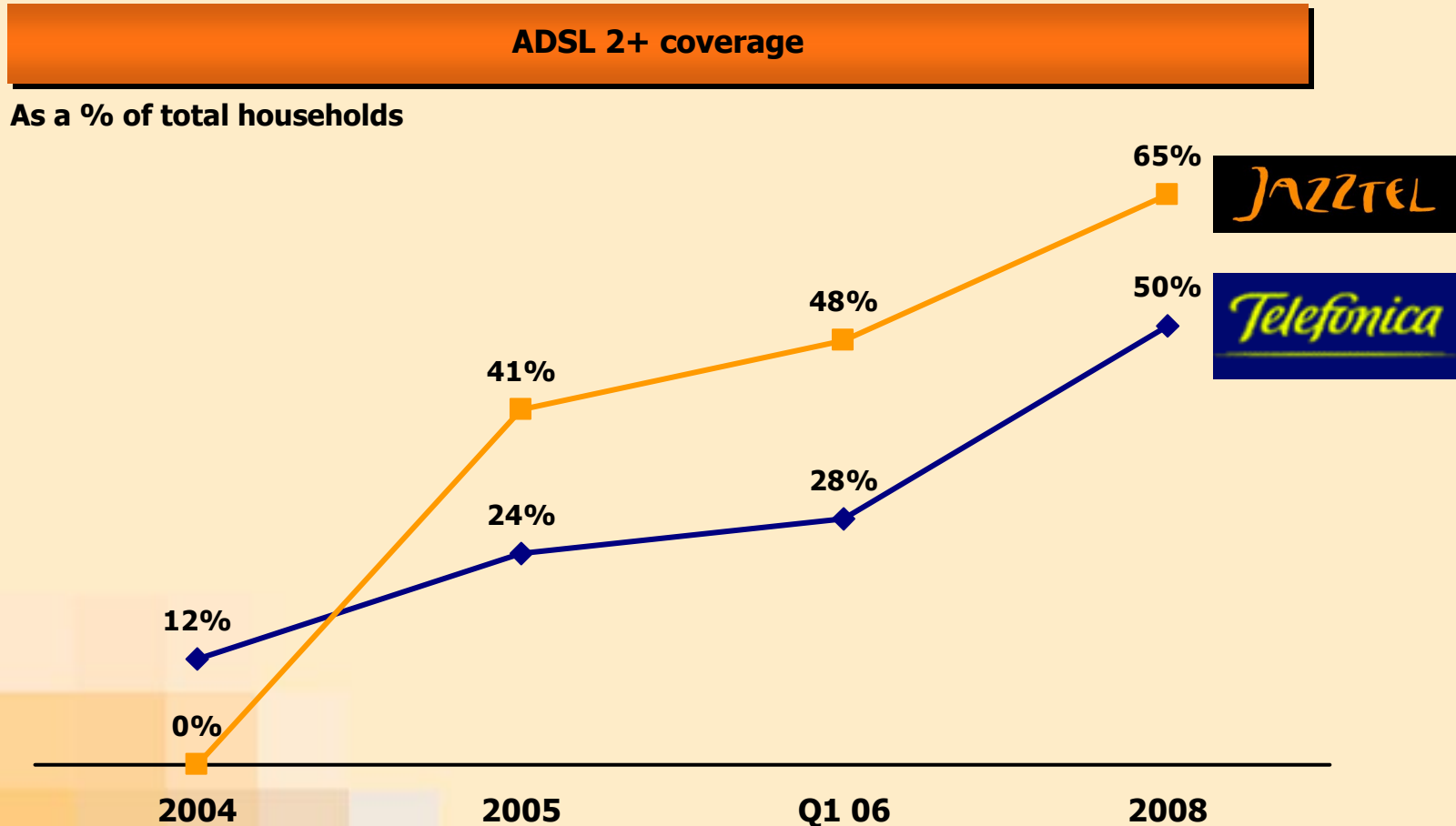


Time to market



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Jazztel ADSL 2+ coverage exceeds that of Telefónica



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 s

- Increased interconnexion 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)

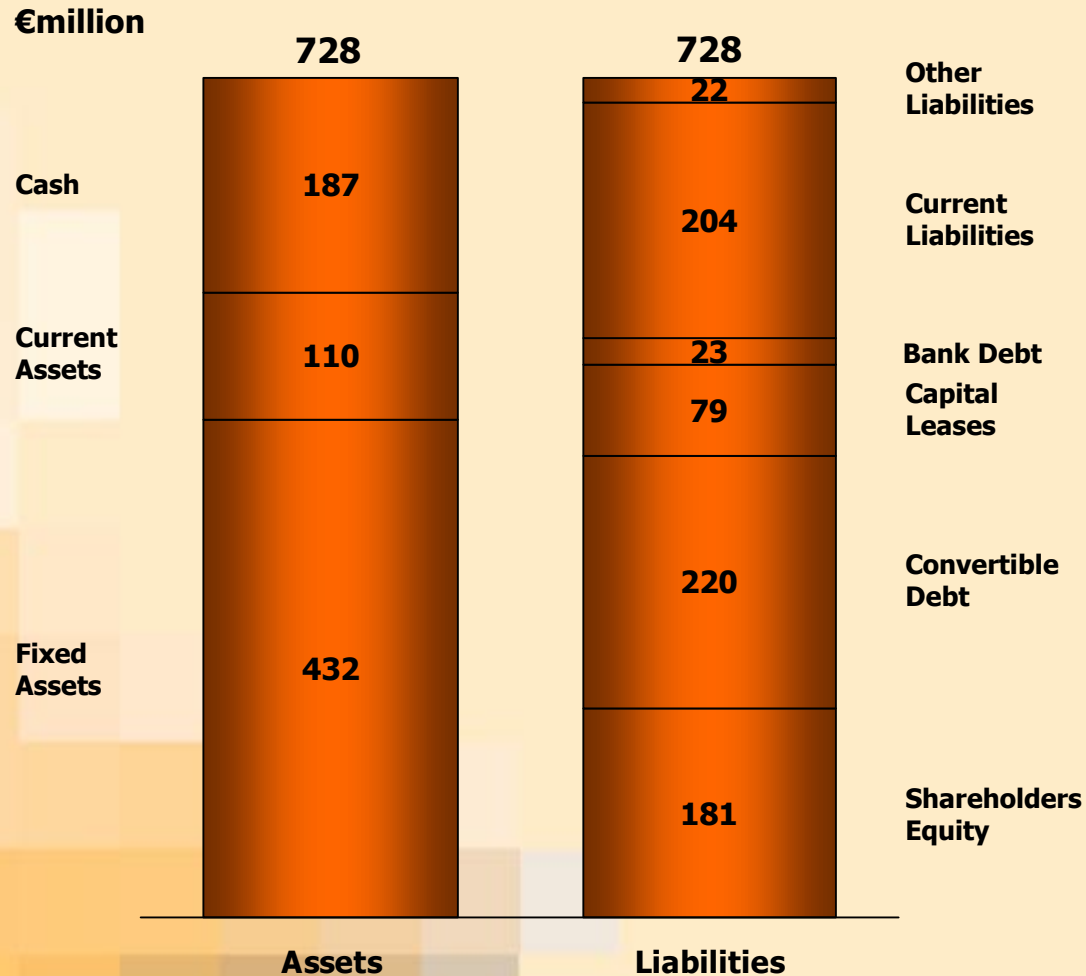
Mr. Fernández García has joined JAZZTEL as CEO

- 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.

JAZZTEL has a solid and flexible financial structure

Balance Sheet proforma¹ as of March 2006



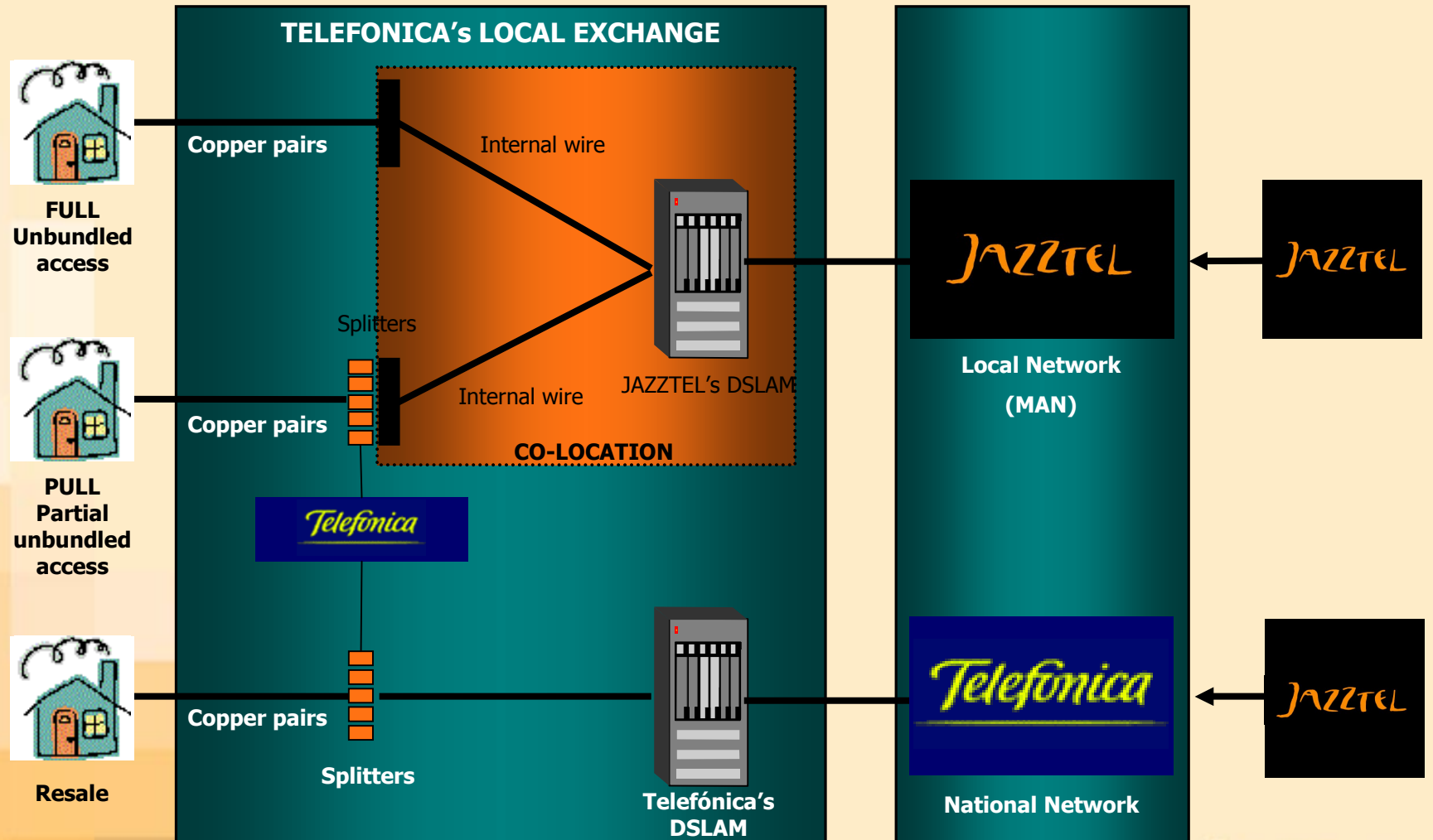
- Market Capitalisation²: €744 million
- Gearing³: 44%

¹ proforma including 2nd tranche of PACEO financing

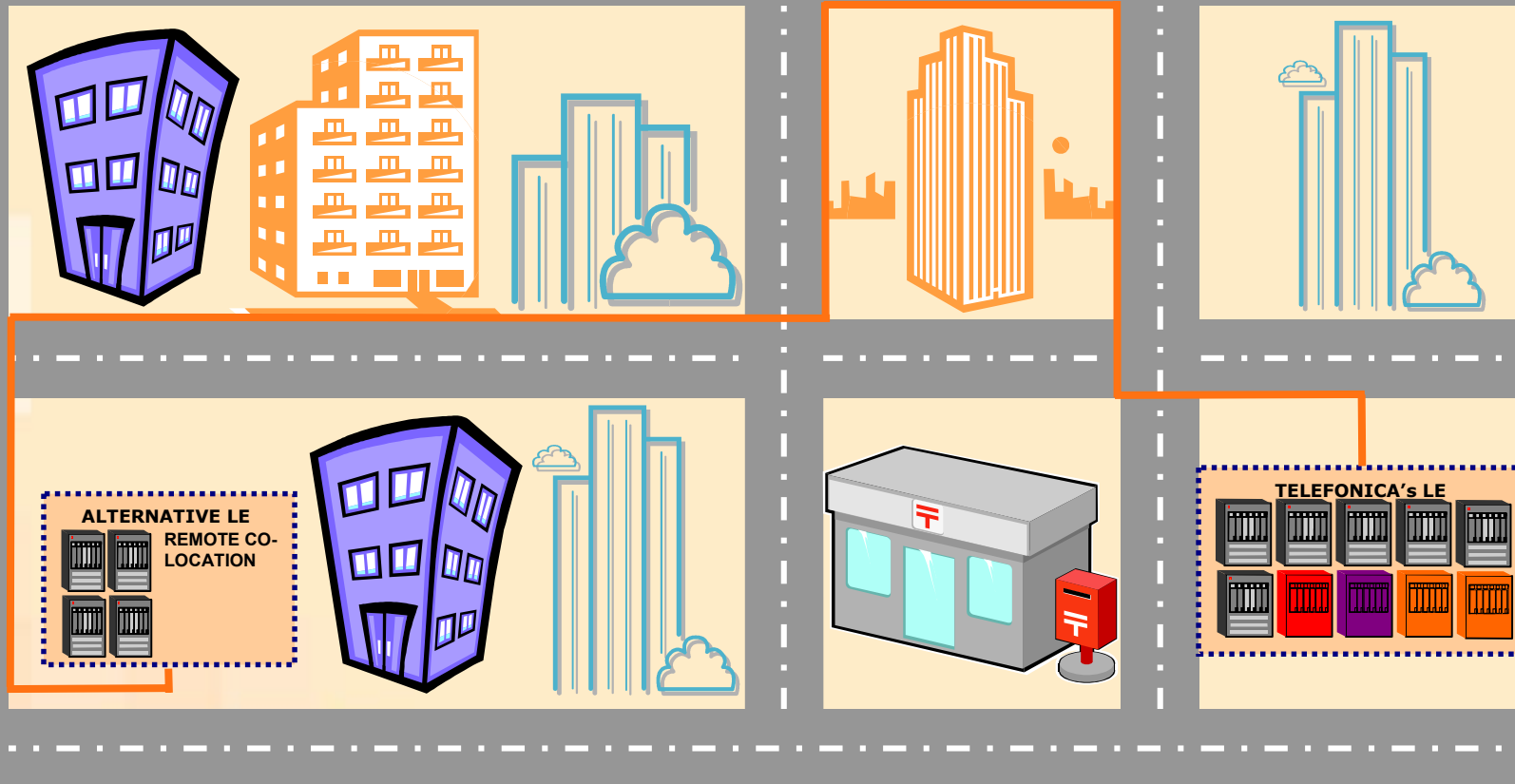
² closing share price as of May 15th, 2006 (€0.70).

³ calculated as Net Debt / (Shareholders equity + Net debt)

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

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Thank You