Oct-Dec 05
Results

4Q 2005 Results presentation
October-December 2005

February 28, 2006

This presentation is being broadcasted live on the Internet
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Safe harbour

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The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, is subject to potential future modifications. 2004 financial results were originally prepared under Spanish GAAP and have been translated into IFRS for comparison purposes only.

Oct-Dec 05
Results

A strong set of results during a year marked by our efforts to integrate the 10 Bell South assets

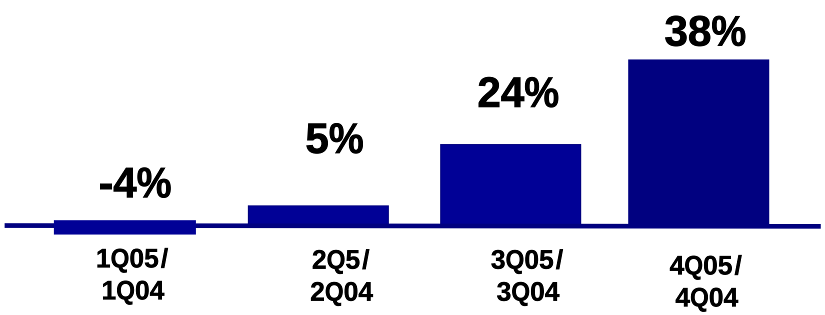
- Sound growth in customer base
- Superior top line growth
- Capex effort to foster growth
- Faster than anticipated & stronger results from BS's LatAm assets integration
- Strong OpCF generation, both in Spain & LatAm
- Healthy FCF
- Increased shareholder remuneration

Oct-Dec 05 Results

An outstanding performance enhanced throughout the year…

2005A	2005/2004[1]	4T05/4T04[1]
94.4MM Managed customers	+27%	+27%
€16.5Bn Revenues	+40%	+29%
€14.4Bn Service revenues	+40%	+32%
€5.8Bn OIBDA	+27%	+45%
€1.9Bn Net income	+13%	+38%
€0.205 DPS (proposed)	+6.2%	

Net income (y-o-y growth)



2005/2004:

+19% ex IPSE write-down

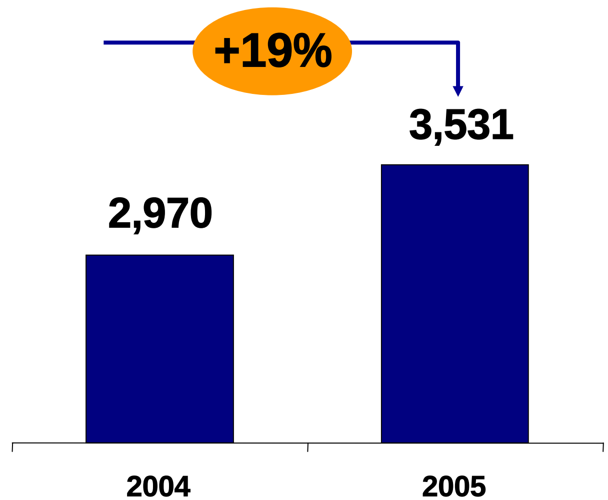
+13% reported

[1] y-o-y comparison is affected by the incorporation of TM Chile from August 2005, of BellSouth's Latam mobile operators in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela from November 2004 and Argentina and Chile from January 2005

Oct-Dec 05
Results

...combined with a healthy OpCF generation despite a strong capex effort

Consolidated OpCF (€MM)



Capex (MM€)	2005	05/04
SPAIN	727	16%
LATAM	1,557	58%
TOTAL	2,285	41%

- **SPAIN: Enhanced capacity in GSM network and further deployment of a high quality UMTS network , with focus on urban areas:**
  - >5,000 UMTS base stations already installed
- **LATAM: Capacity upgrades & Roll-out of 6 new GSM networks**

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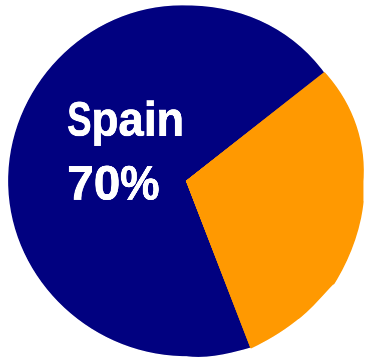
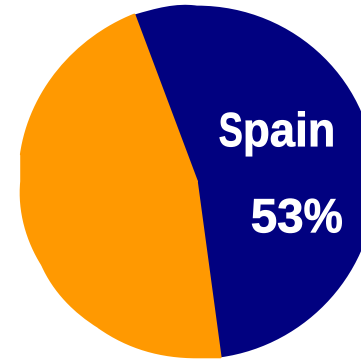
Leveraging our highly diversified portfolio ...

Revenues

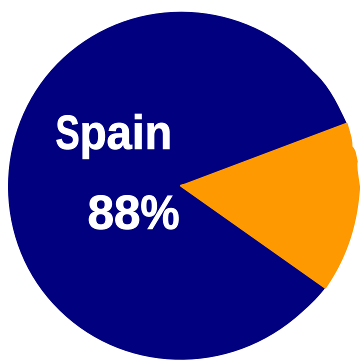
2004[1]	LATAM REGION	2005[1]
8%	Northern	8%
5%	Andean	17%
13%	Brazil[2]	11%
5%	Southern	10%

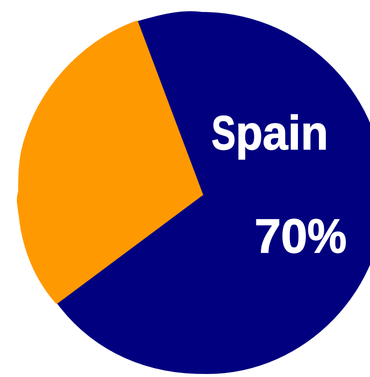




OIBDA

2004[1]	LATAM REGION	2005[1]
-3%	Northern	0%
2%	Andean	15%
10%	Brazil[2]	8%
1%	Southern	7%



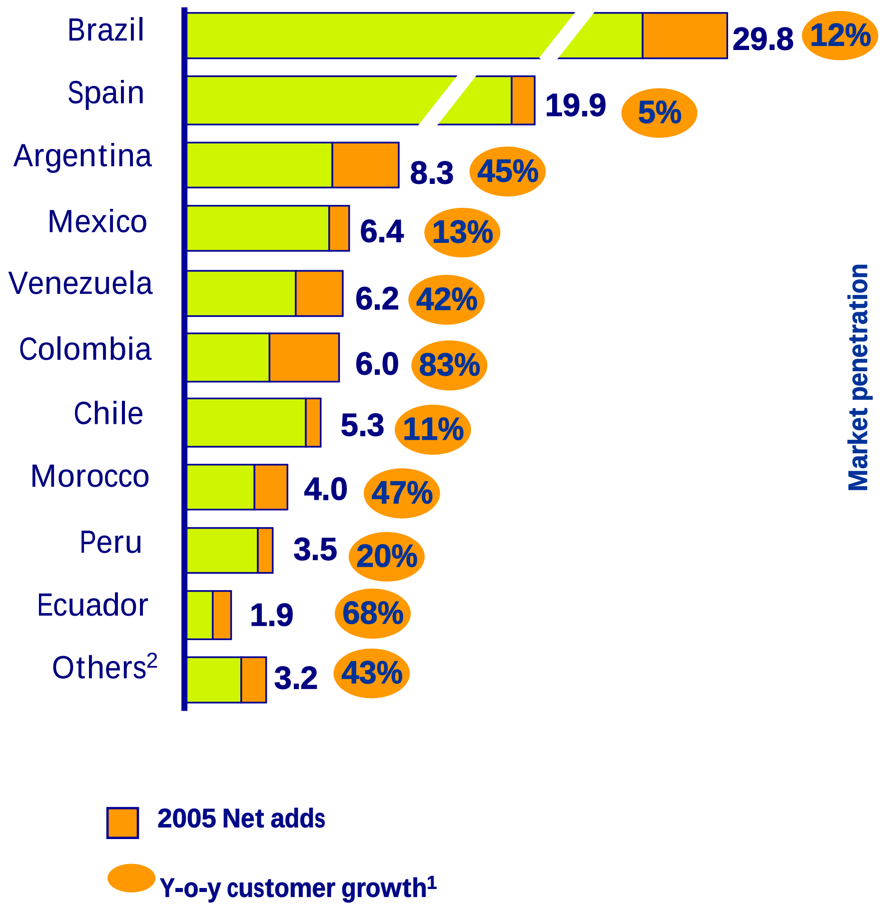


[1] % over total Group figure before others & intragroup eliminations
[2] 50% of VIVO

Oct-Dec 05 Results

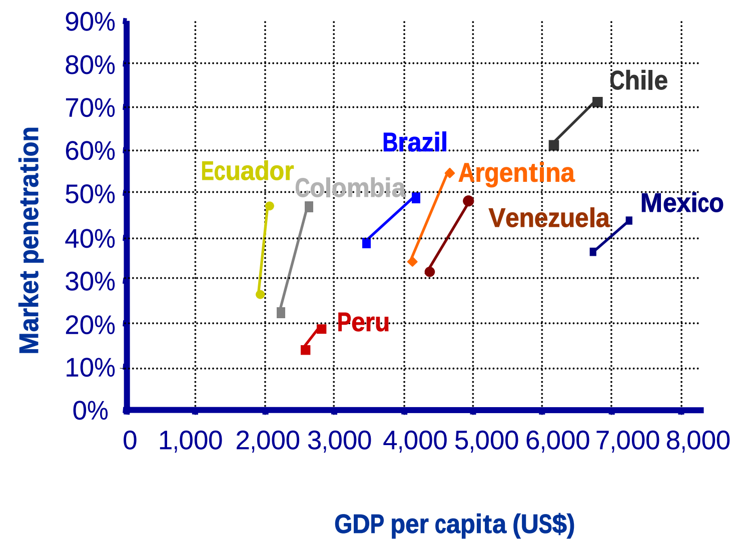
... in markets that are growing above expectations

Managed customers (MM)



Wireless penetration (E)

2004 - 2005 evolution

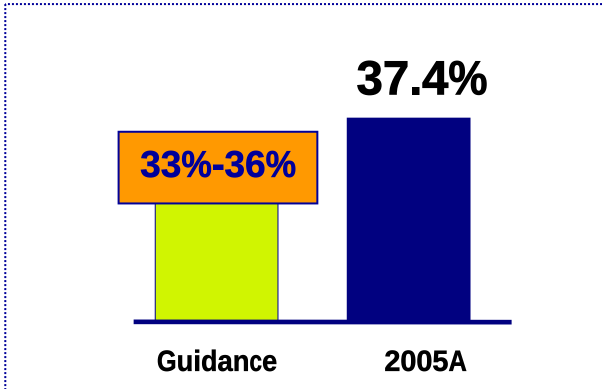


[1] 2004 figures include 10 operations acquired from BellSouth.
[2] Includes Uruguay, Guatemala, El Salvador, Nicaragua and Panama

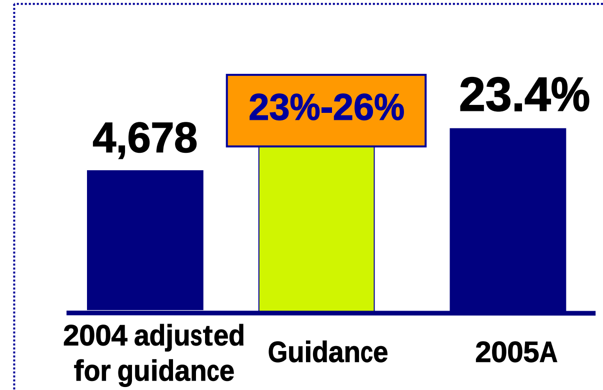
Oct-Dec 05
Results

We have met our guidance, despite tougher competition in our markets

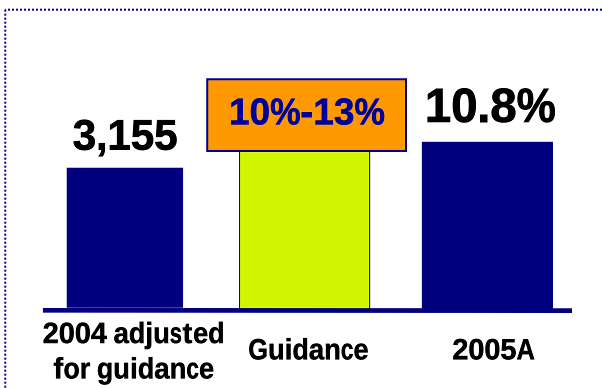
Revenues (y-o-y growth)



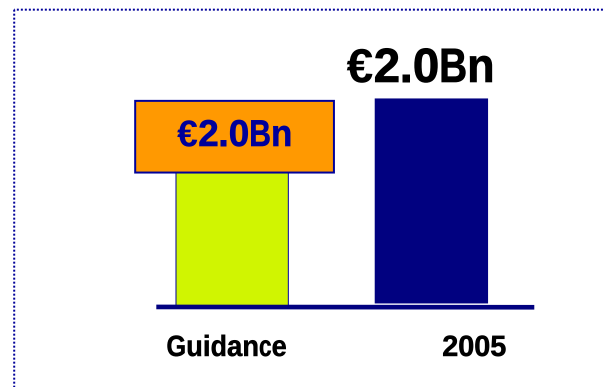
OIBDA (y-o-y growth)



OI (y-o-y growth)



Capex (2004 constant exchange rate)



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 and OI adjusted for guidance €3,155MM. 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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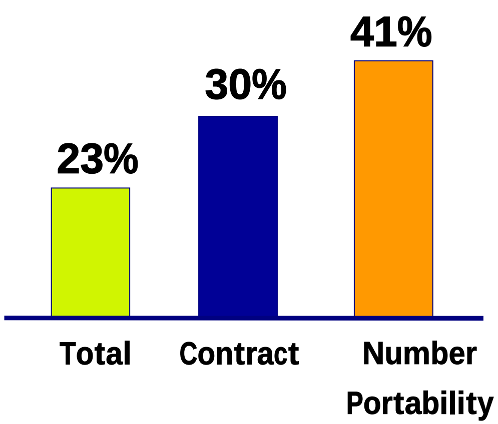
Results

Strong commercial activity in a growing & increasingly very competitive market ...

2005 figures

5MM Gross adds

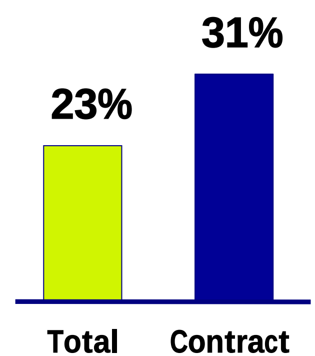
Y-o-y growth



+

4MM handset upgrades

Y-o-y growth



+

1MM prepaid to contract migrations

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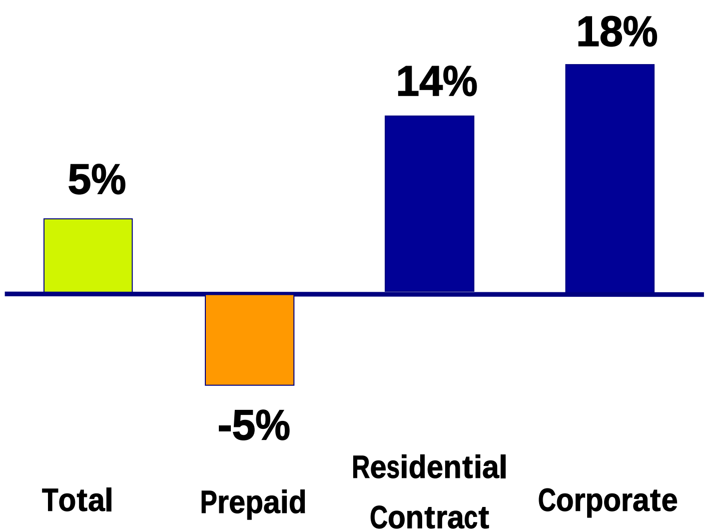
Results

... leading to a high quality customer base expansion ...

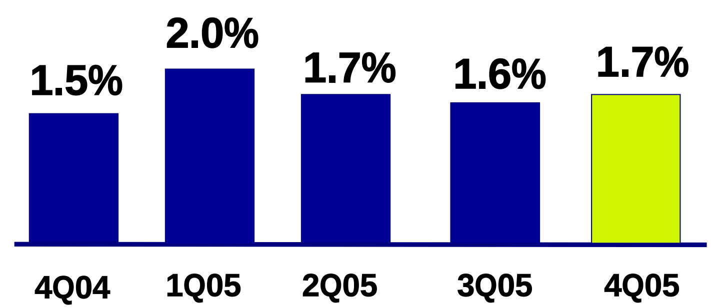
2005 figures

19.9MM customers

Y-o-y growth



Churn



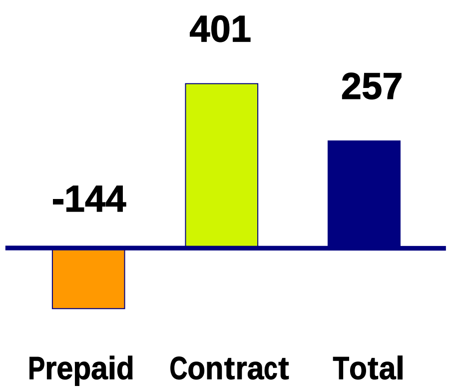
- 54% contract weight (+5 p.p. vs. 2004)

- Contained churn rate
- 45%-50% lower churn in customers with on-net products

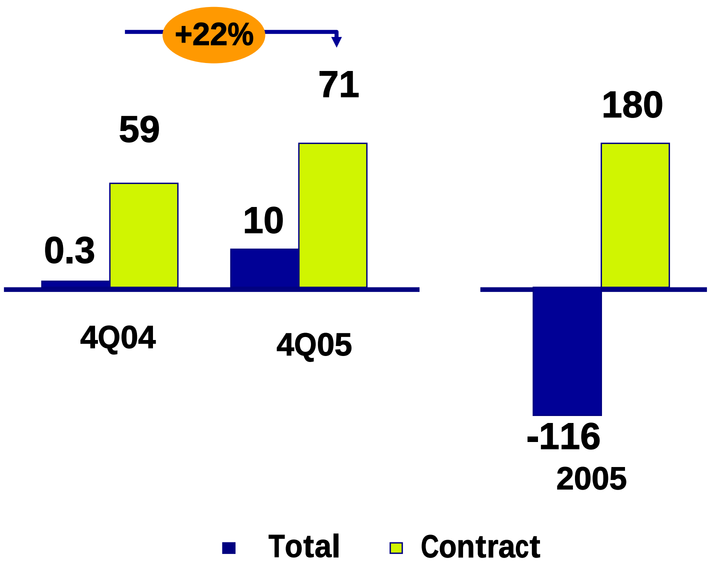
Oct-Dec 05 Results

... With ongoing focus on contract customers during the Xmas campaign

4Q05 net adds (000)



Number Portability (000s)

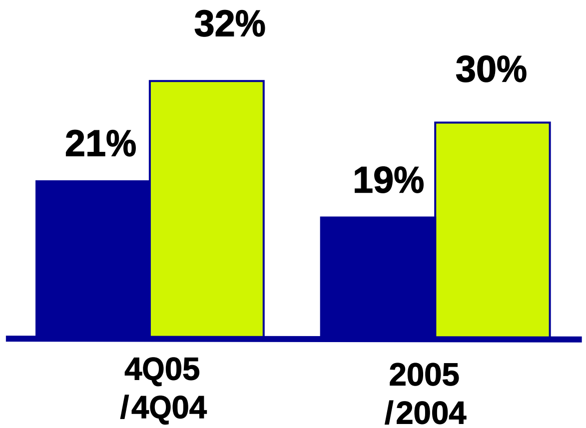


- +17% in corporate net adds vs. 4Q04
- 1.1MM handset upgrades (+11% vs. 4Q04)
- ~260,000 prepaid to contract migrations (flat vs. 4Q04)

Oct-Dec 05
Results

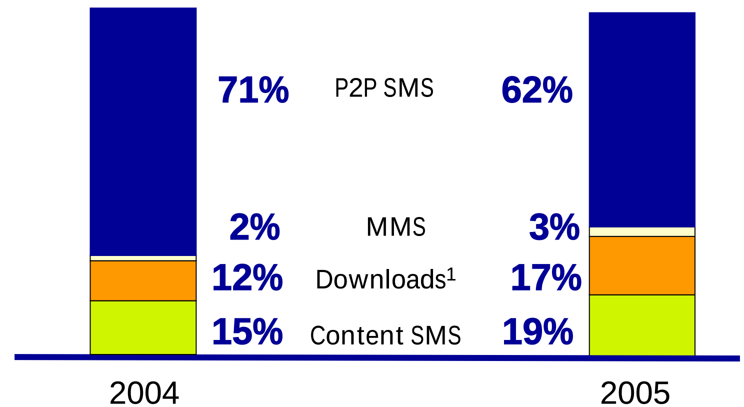
Smart pricing packages continue to boost usage...

Voice Usage



- Billable Traffic growth
- On-net Traffic growth

Data Revenues Split



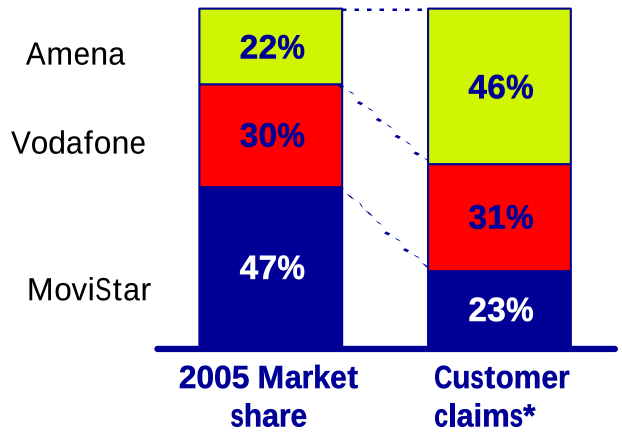
- 6MM Downloads (+15% vs. 2004, 3x vs. 4Q04)
- €10MM revenues from Ringback tones in 2005
- 4.7MM GPRS Users in 2005 (+23% vs. 2004)
- ~260,000 3G customers

... more than offsetting price cuts...

[1]Includes Downloads, Browsing & Data Transmission

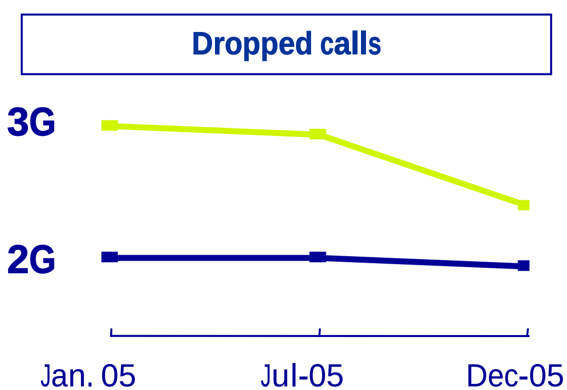
Oct-Dec 05
Results

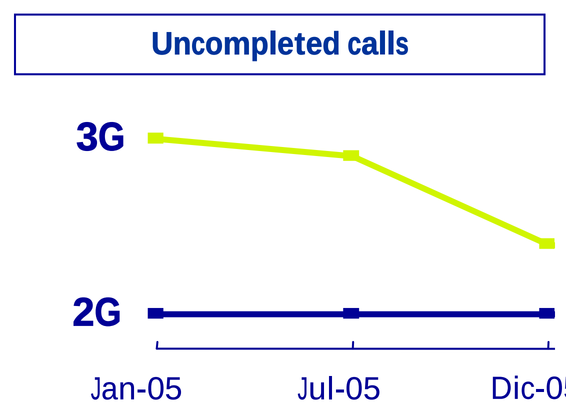
We have a track record of high quality services in 2G....



Source: Survey from Facua. January 2006.
Europa Press 2006

... To be maintained in 3G





Oct-Dec 05
Results

... while 3G commercial uptake is also driven by handset portfolio availability and handset prices

UMTS handsets availability

2004 Xmas campaign | **1H05** | **2H05**

A835

137x56x26
155gr

Mot E1000

114x52x22
100gr

Samsung Z130

112x46x20
115gr

Sam Z500

90x44x25
95 gr

Mot V3x

99x53x20
118gr

G 600i

85x45x25
95gr

- **Handset costs >650€**
- **Handset costs >300€**
- **Handset costs: 200€-300€**

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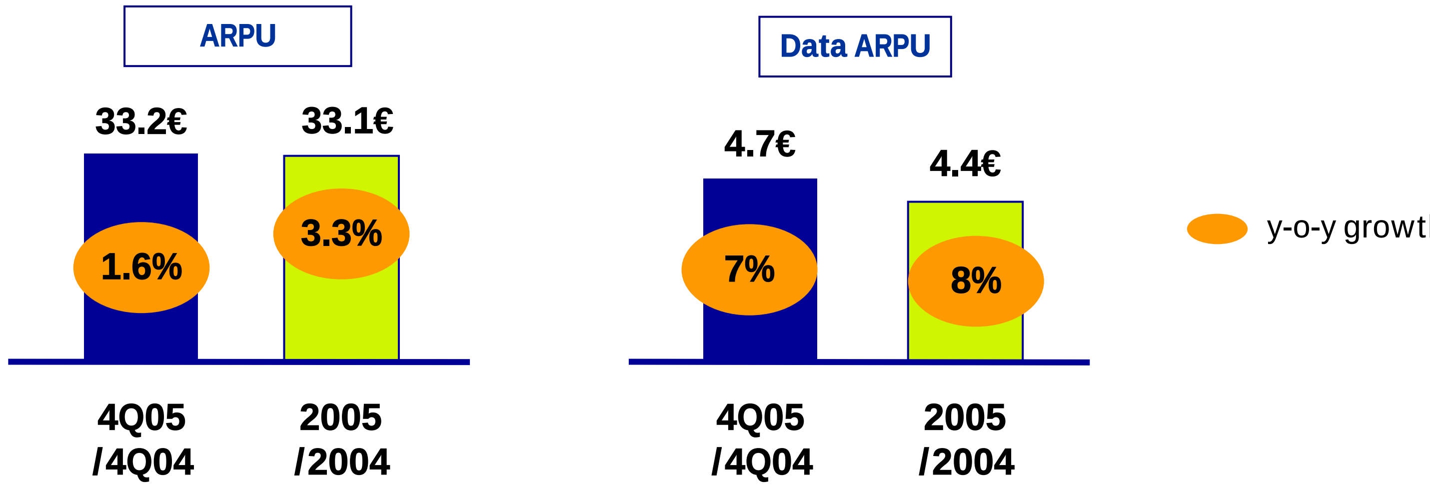
Results

Healthy ARPU growth…



	Prepaid	Contract
4Q04	17.3	49.2
4Q05	16.7	47.7
y-o-y growth in Customer base	-5.5%	+15.6%

	Prepaid	Contract
2004	17.2	49.6
2005	17.4	48.2

Oct-Dec 05
Results

... and an outstanding customer revenue performance...

		4Q05/4Q04	2005/2004	
Revenues		+5.8%	+7.6%	Guidance >6%
Handset Revenues		-1.9%	+11.8%	
Service Revenues		+6.8%	+7.0%	
Service Revenue Drivers	Customer revenues	+9.8%	+9.3%	
	(ex-loyalty points)	*+11.6%*	*+10.8%*	
	Interconnection revenues	-2.3%	-0.5%	
	Roaming-in revenues	-5.5%	+2.7%	

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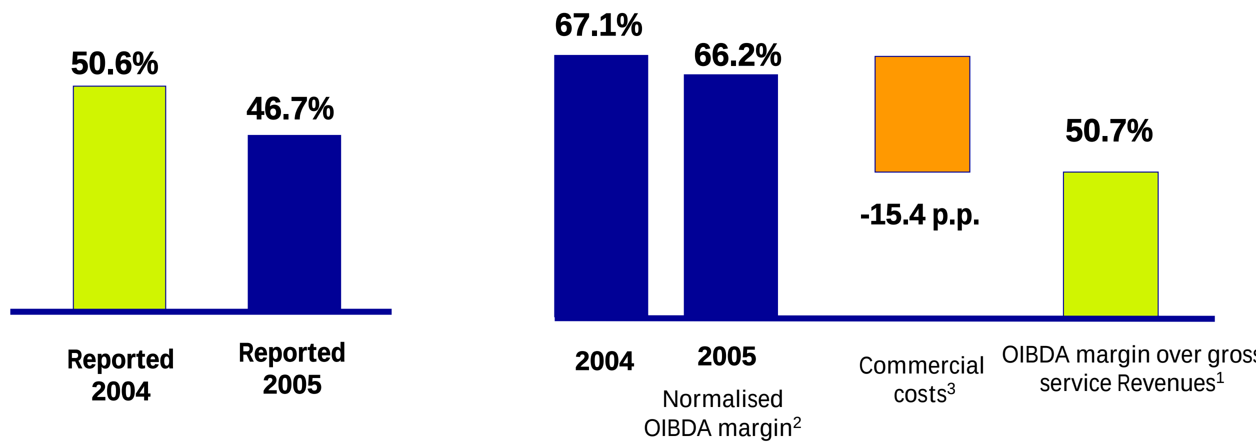
Oct-Dec 05
Results

... while achieving strong operating profitability within the industry

OIBDA margin



- **19% y-o-y increase in commercial activity**
- **+3.7 p.p. increase in commercial costs vs. 2004**

[1] Excluding impact of loyalty points

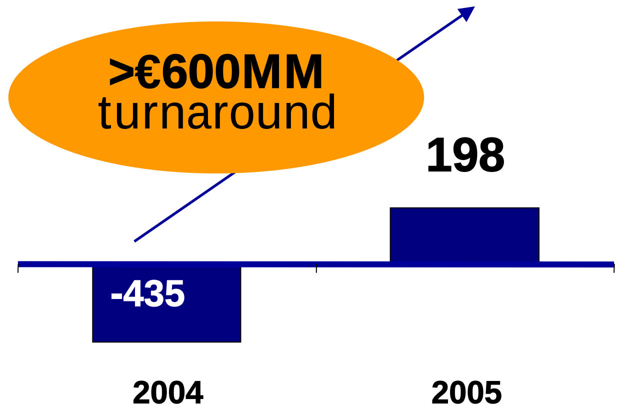
[2] OIBDA margin excluding commercial costs/service revenue ex-loyalty points

[3] Total commercial cost including advertising.

Oct-Dec 05
Results

Our Latam operation is coming of age

OpCF from LatAm operations (€MM)



OPTIMIZATION OF RESOURCES

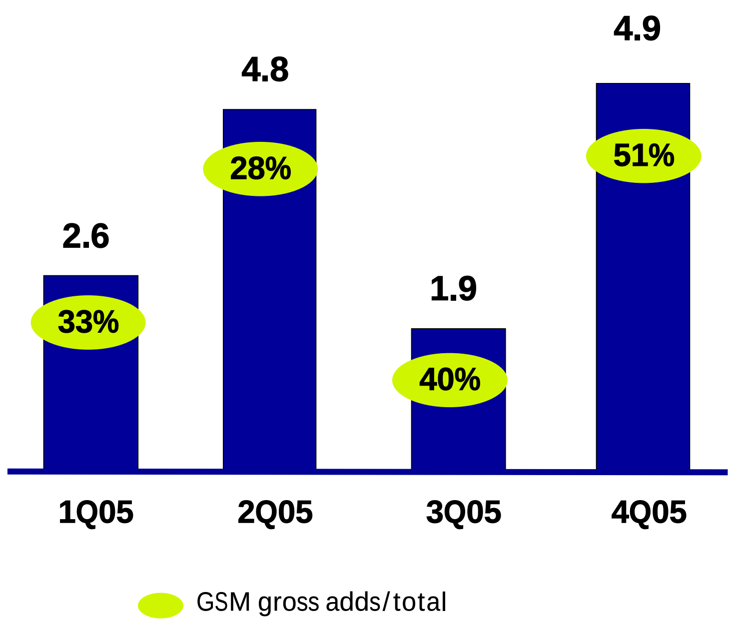
Self sustained strong growth in a year of transition & very strong capex effort

- Capacity upgrades, CDMA 1xRTT/EVDO deployment in Brazil & Venezuela
- Enhanced GSM capacity/coverage in Mexico, Argentina & Chile
- Roll-out of GSM networks in Colombia, Ecuador, Nicaragua, Panama, Peru & Uruguay (95MM POPs) in record time

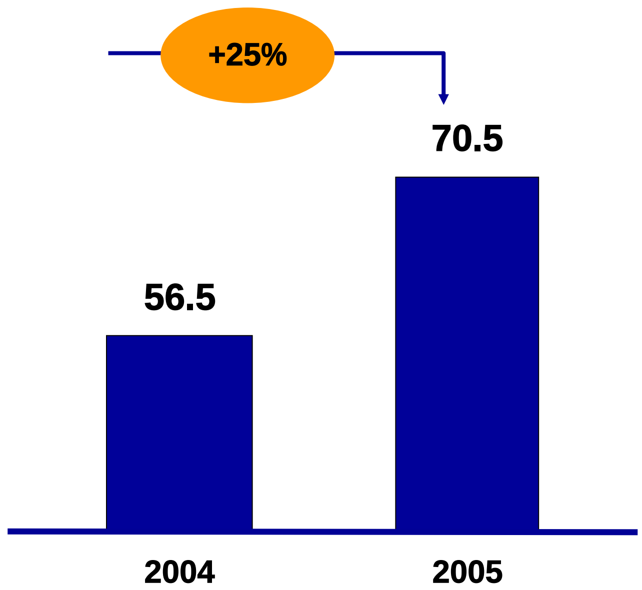
Oct-Dec 05
Results

Strong customer growth …

Net adds (MM)



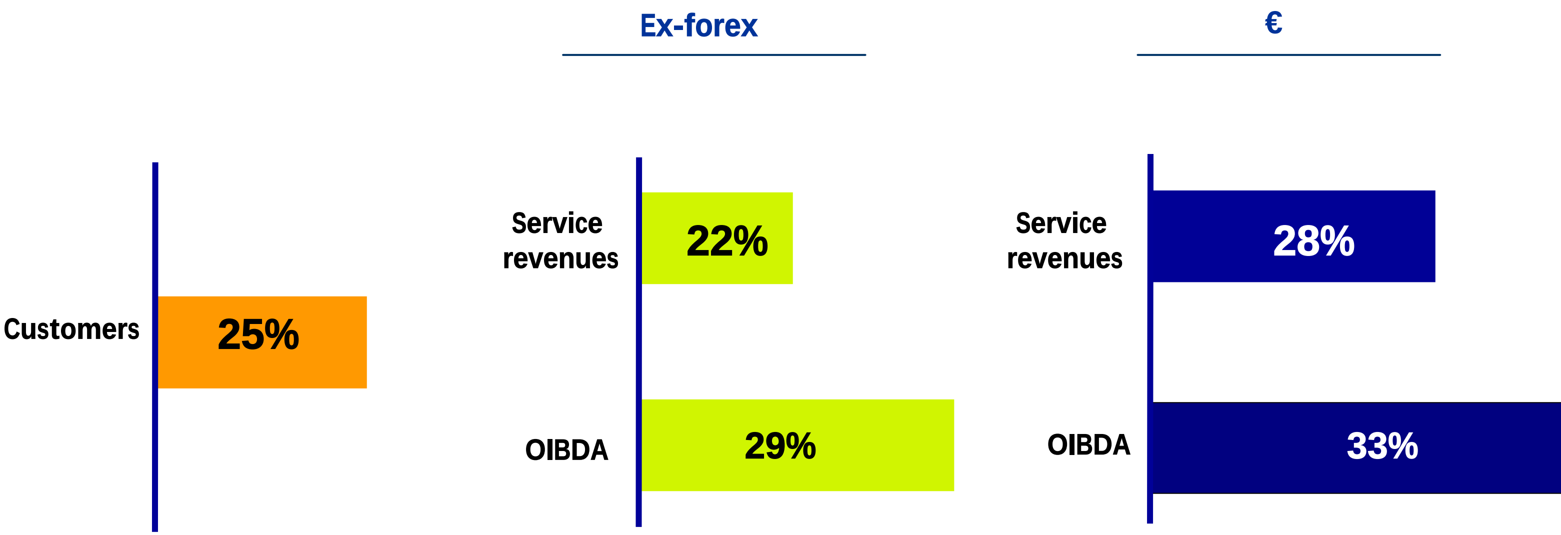
Managed Customers (MM)



2004 figures including operations acquired from BellSouth from January 1st, 2004

...with robust top line performance ...

2005 y-o-y growth



... encompassed with margin expansion throughout the year...

2004 figures including operations acquired from BellSouth from January 1st, 2004

Oct-Dec 05
Results

… leveraging regional management of operations, economies of scale & integration synergies…

Bell South integration synergies[1]

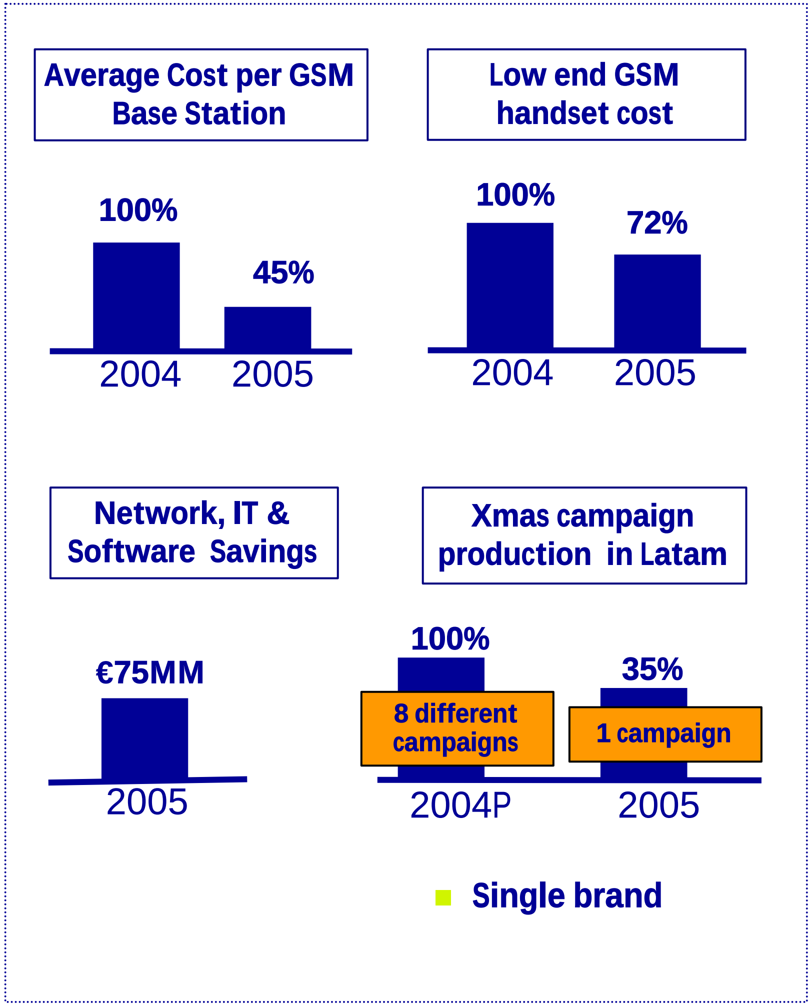
- Ahead of plans >US$ 170MM in 2005 vs $100MM estimated
- Further synergies to flow in the near-term from integration of IT systems & platforms

Regional management & scale economies

- Global management of network equipment & handset purchasing
- Software development, IT operations & network infrastructure sharing
- HQ rationalization
- Lower advertising cost
- Time to market

[1] Opex + Capex Synergies minus integration costs for 4 overlapping operations

... already achieving material savings



GSM networks roll-out in record times

	Commercial launch
Uruguay	April 05
Colombia	July 05
Panama	August 05
Ecuador	September 05
Nicaragua	September 05
Peru	February 06

2004 figures including operations acquired from BellSouth from January 1st, 2004.

Oct-Dec 05 Results

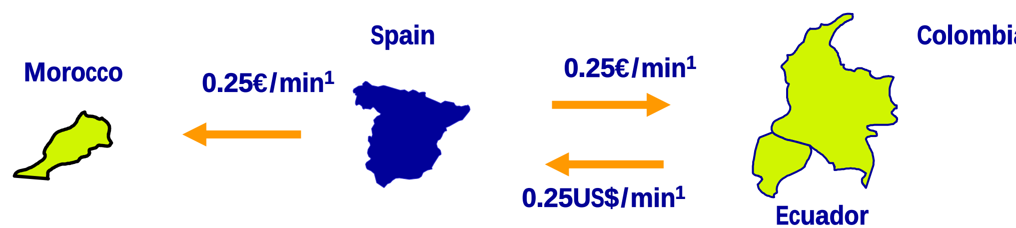
Delivering to our customers the advantages of being part of one of the largest wireless communities in the industry

mundo movistar

“Wireless services without borders between different countries”

First initiatives already launched (December 05)

International on-net tariffs



Global point of sales

- Sale of prepaid packages (handset + SIM card) of TEM Colombia & TEM Ecuador through TEM Spain’s distribution channel:
  - Paid in Spain
  - Delivered in Colombia/Ecuador
- Recharge of prepaid cards of TEM Colombia & TEM Ecuador from Spain from March 06

Largest BLACKBERRY community in LatAm

- 13 countries of operations
- Very attractive prices derived from TEM’s global management of operations

[1] in any time slot

Oct-Dec 05
Results

Key highlights per country

MEXICO	Progressive improvement in the service quality & distribution
CENTRAL AMERICA	Strong OpCF generation, leveraging regional management
COLOMBIA	Strong momentum after GSM launch & enhanced profitability
VENEZUELA	Robust performance in a growing market & OpCF generation
BRAZIL	Selective commercial approach & rational cash management
CHILE	A benchmark of performance for operations in Latin America
ARGENTINA	High customer growth & enhanced OIBDA margin

On the right track to enhance our competitive position...

IDENTIFIED PROBLEMS	ACTIONS TAKEN IN 4Q05	RESULTS ALREADY ACHIEVED
Customer Service	■ Business process reengineering	✓ Improving to best practice levels: ⇩ Average attended call per client: -14% Jan-06 vs. Sep-05 ✓ Close to 100% call center attendance in less than 30' ' ✓ In Dec-05 >90% claims solved in less than 24h vs. 40% in Sep-05
Network Quality & Customer Perception	■ Network & VAS Platform improvements	⇩ Claims: -36% Dec-05 vs. Sep-05 ⇧ Completed calls: over 99% in Dec-05 ⇧ Total National Traffic: +40% Dec-05 vs. Sep-05 ⇧ SMS volume: +60% Dec-05 vs. Sep-05
Distribution Channel	■ Reshaping process to enable healthy gross adds	✓ Cleanup of specialist distribution channel based on performance (190 discontinued vs. 47 new incorporations) ✓ Increased weight of retail distribution channel ✓ New agreements with larger & financially stronger local entrepreneurs

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... with first signs of turnaround operations

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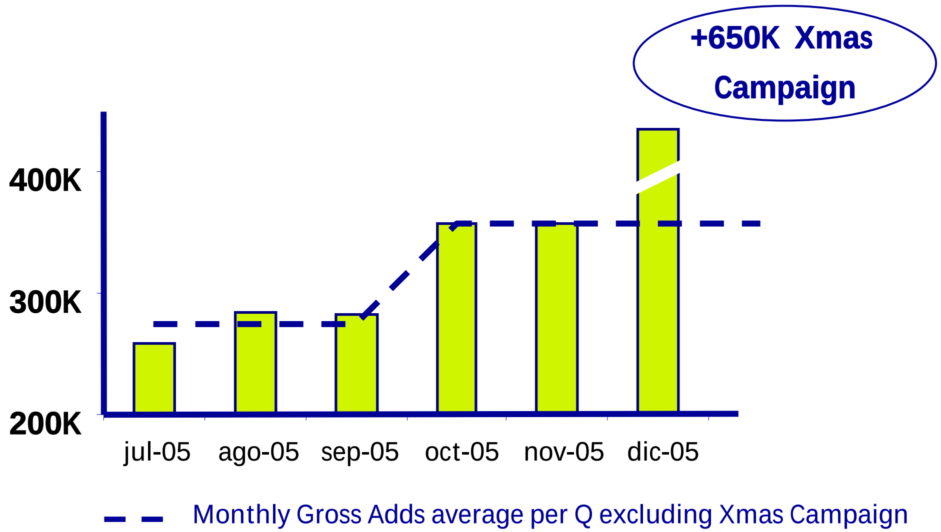
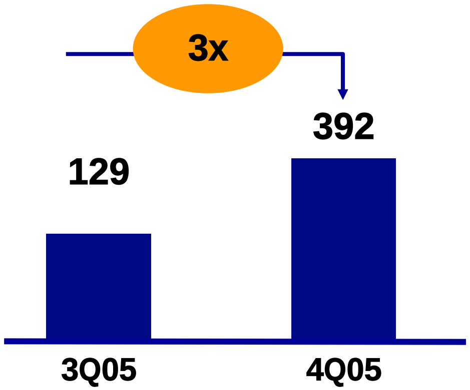
Gross Adds (000)



Net Adds (000)



- Progressive increase in gross adds pace of growth
- Better quality of gross adds in recent months

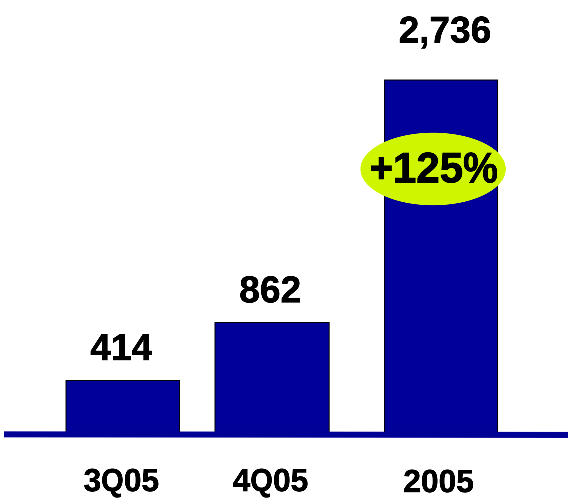
Oct-Dec 05 Results

Strong momentum after GSM launch while enhancing profitability

6.0MM customers **+83%**

- **+30% y-o-y growth in service revenues (local currency)**

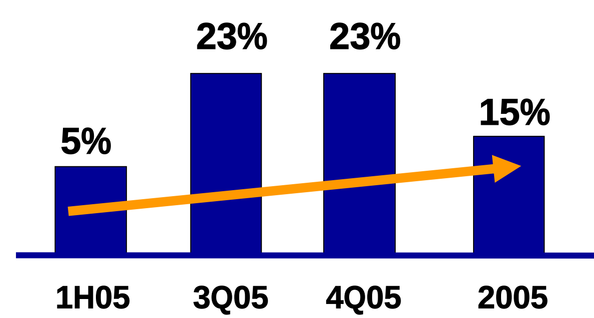
Net adds (000)



Y-o-y growth

OIBDA margin

- **>48% normalised margin/service revenues in 2005**



- **GSM customers already represent 27% of the total base**

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2004 figures including operations acquired from BellSouth from January 1st, 2004.

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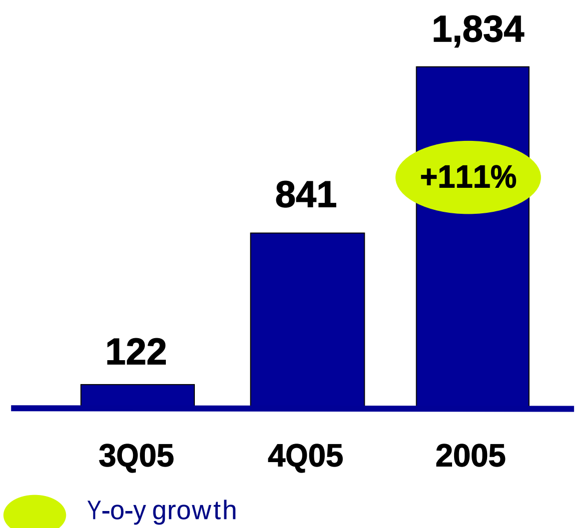
Capturing growth with a strong profitability & sound OpCF

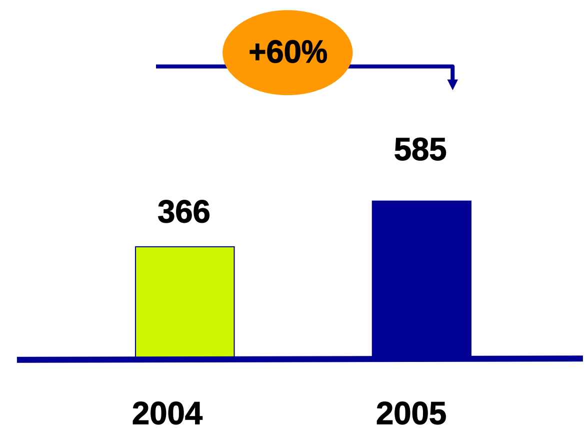
6.2MM customers +42%

- +36% y-o-y growth in service revenues (euro terms)

Net adds (000)



OIBDA (MM€)



- Increased focus on customer care
- Introduction of most advanced & innovative services in the country:
  - Launch of EV-DO & new E-mail services

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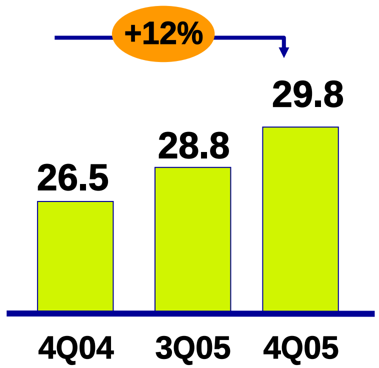
Oct-Dec 05 Results

Ongoing focus on key customers & key markets, with increased efforts on retention



- More rational competition in prepaid & stronger pressure in contract during the Xmas campaign
- Increased weight of contract net adds: 17% vs. 6% in 2004
- +35% growth in Sao Paulo net adds vs. 4Q04 (vs. +3% for Vivo)

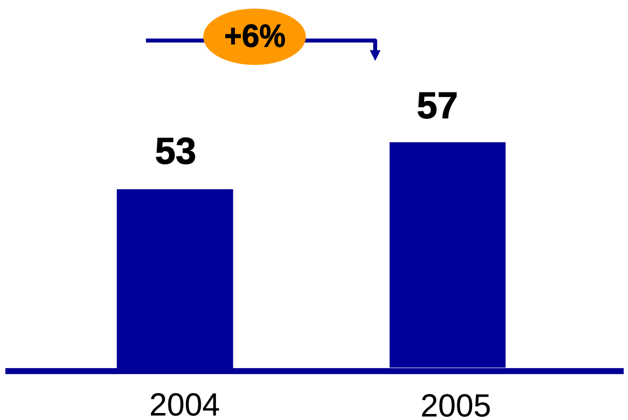
Strong leadership in key areas of operations

2005	Total customers in the marlet (MM)	Vivo's market share (E)
Brazil	86.2	35%
Sao Paulo	21.3	49%
Rio Janeiro	11.1	43%
Centro Oeste	10.1	50%
Rio Grande Sul	6.9	49%

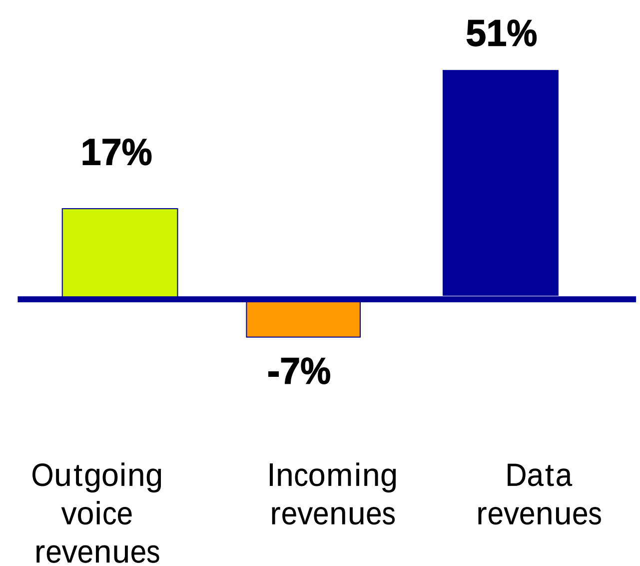
Revenue growth impacted by incoming revenues...

Oct-Dec 05
Results

Outgoing Contract ARPU
(in Reais)



2005 Service revenues **+5%**
(y-o-y change in Reais)



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…while OIBDA margin reflects tough conditions in the market

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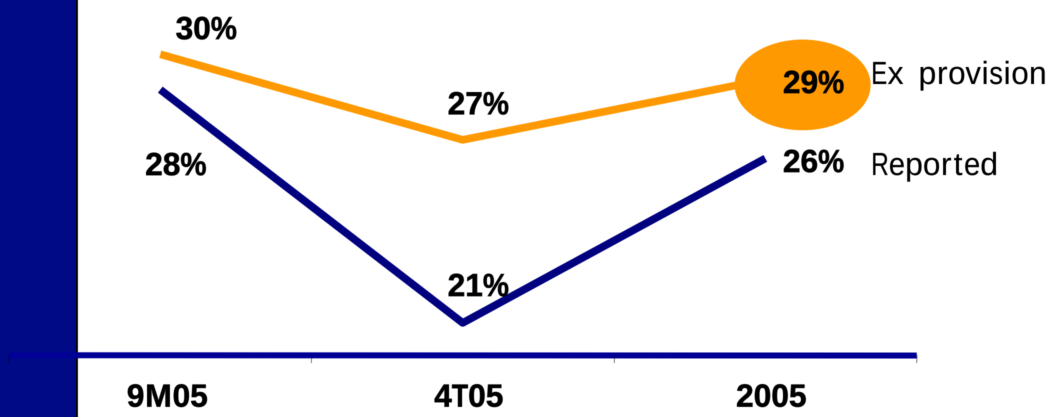
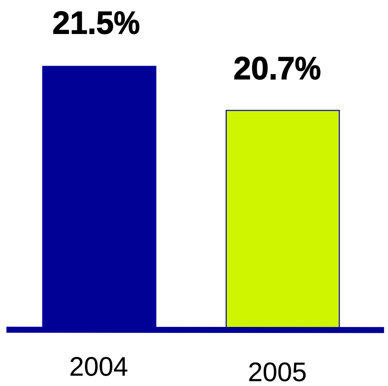
Results

Reported OIBDA margin



Commercial cost/Service revenues



- Scope to enhance operating efficiency from integration of IT systems & platforms
- €194MM OpCF despite strong capex effort

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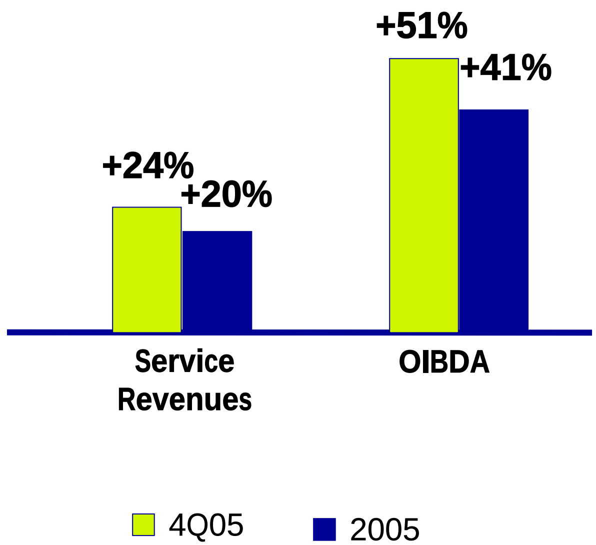
Results

Sound service revenue with strong profitability

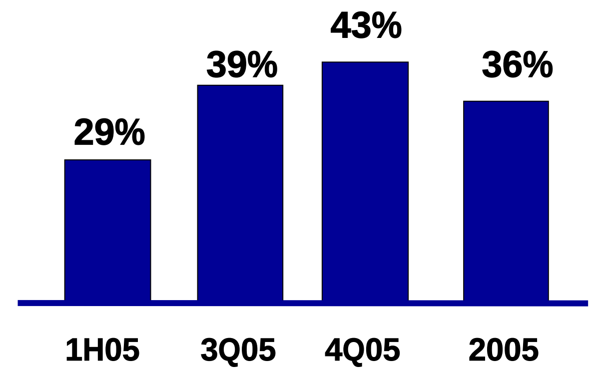
71% penetration

5.3MM customers **+11%**

y-o-y growth in local currency



OIBDA margin



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2004 figures including operations acquired from BellSouth from January 1st, 2004.

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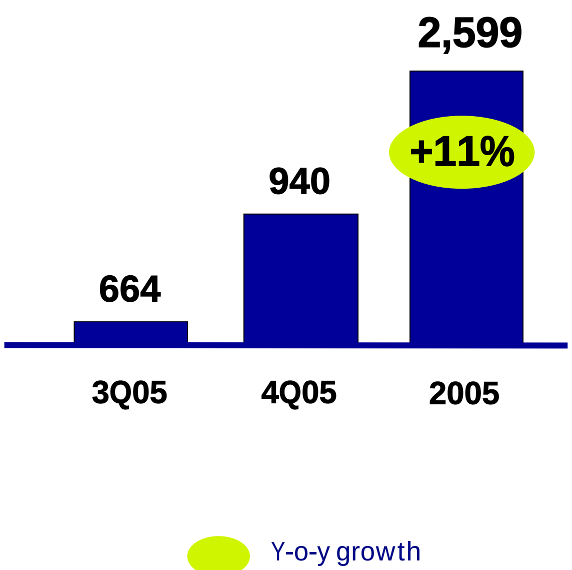
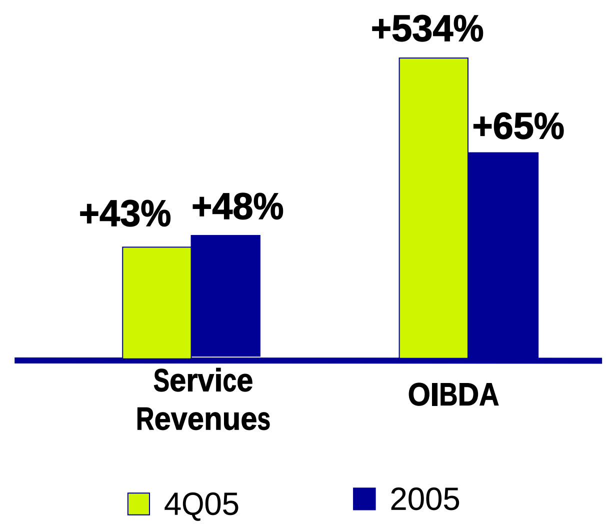
Robust customer growth with enhanced margins

8.3MM customers **+45%**

Net adds (000)



y-o-y growth in local currency



- **15% OIBDA margin in 2005 (+2 p.p. vs. 2004)**

2004 figures including operations acquired from BellSouth from January 1st, 2004.

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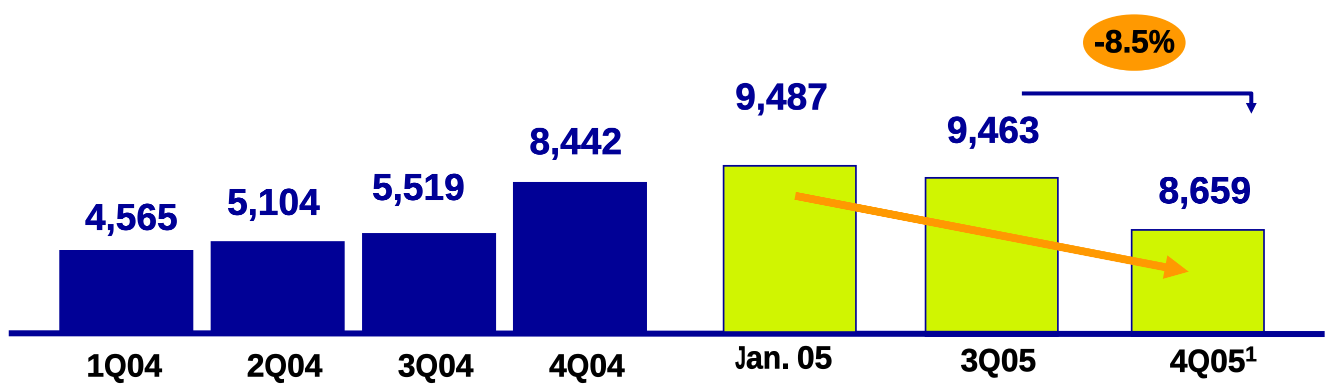
Financial results

MM€	2005	2004	%Change 2005/2004
Financial results	**(459)**	**(482)**	**-5%**
Debt financial expense	(872)	(580)	50%
Financial Income	287	174	65%
Net interests cost	**(585)**	**(406)**	**44%**
Financial provisions, net forex & others	**125**	**(76)**	**c.s.**

- Higher net interests cost due to 59% y-o-y increase in average net debt mainly explained by acquisitions

Financial Net Debt (MM €)



[1] Looking forward, consolidated net financial debt might increase reflecting TEM's commitment with respect to the deferred payment of IPSE's license in favour of the Italian Ministry of Treasury .

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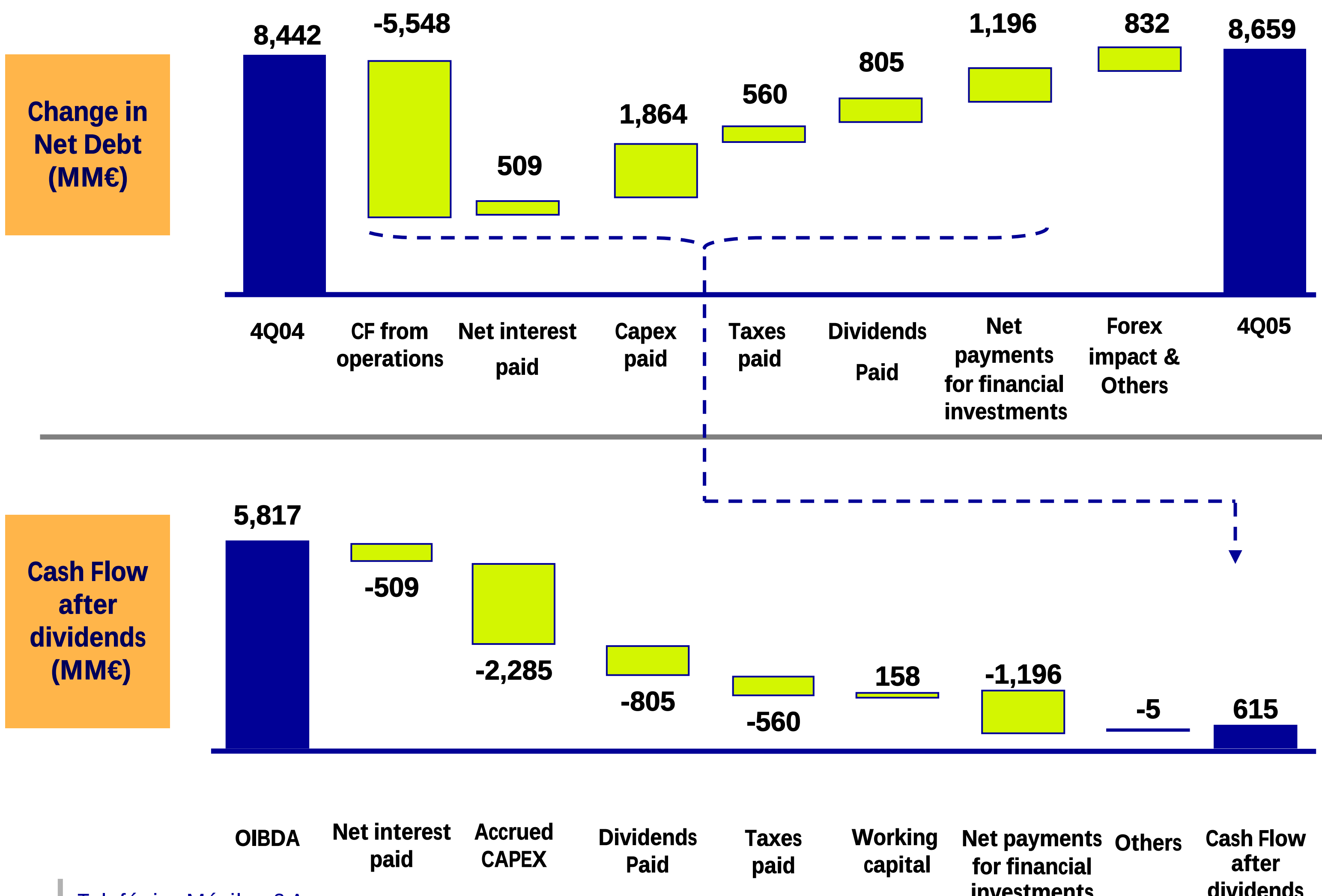
Results

Net Debt evolution

2005: 8,659 MM€ vs. Jan'05 : 9,487 MM€



Net income

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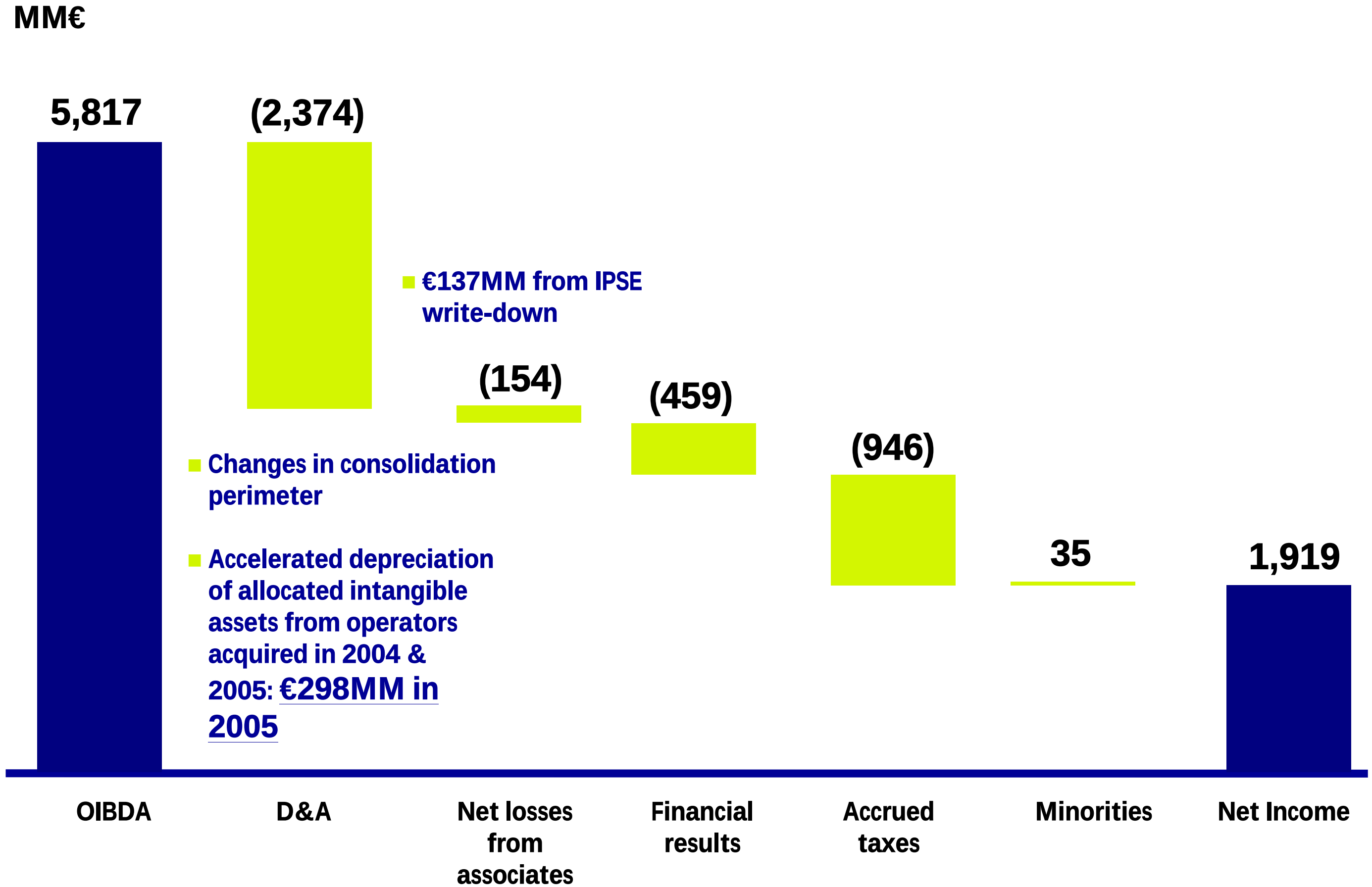

	OIBDA	D&A	Net losses from associates	Financial results	Accrued taxes	Minorities	Net Income
2005 y-o-y change	26.8%	55.9%	n.s.	-4.7%	+8.9%	n.s.	13.4%

+19% ex IPSE write-down

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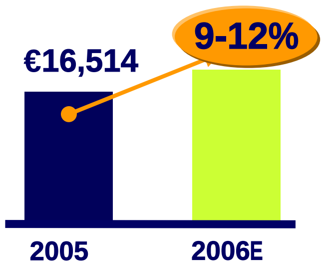
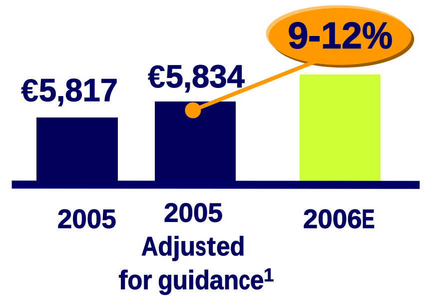
2006 Guidance: TEM Group

Assuming 2005 constant exchange rates & excluding changes in consolidation

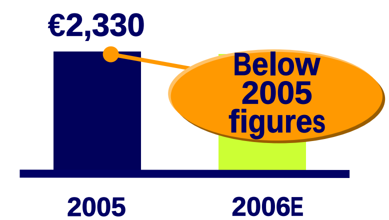
REVENUE GROWTH



OIBDA GROWTH



CAPEX Ex-licences



- Strong operational performance in increasingly competitive markets
- Superior top line & OIBDA growth while maintaining a healthy OIBDA margin, reaping the benefits of a highly diversified portfolio of operations in growing markets (Spain & Latam)
- Exploiting enhanced competitive position in Latin America (integration process & GSM network rollouts in 2005)
- Leverage scale & integrated management of operations In Latin America while capturing synergies with other Telefónica Group companies

SOLID OPERATING CASH-FLOW GENERATION WITH A STRONG GROWTH VS. 2005

[1] In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses, amounting to 17MM€ in 2005.

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Results

2006 Guidance: TEM Spain

- Tough competitive environment due to competition from existing players and potential entry of new players
- Progressive 3G uptake based on a wider handset portfolio availability and handset price reductions
- Exploit scale economies/synergies with other Telefónica Group Companies:
  - O2/Cesky Telecom: handsets & infrastructure procurement, roaming ...
  - TdE: sales force for the corporate segment

- **Revenue growth 2006/2005E:** **3%-6%**
  - Strong customer revenue growth, partially offset by cuts in termination rates and pressure in roaming revenues

- **OIBDA margin:**
  - Lower than 2005 due to competitive pressure

- **Capex:** below €800MM

TEM Spain's results should continue to outperform its European peers (top line growth & OIBDA margin)

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2006 Guidance: Latin America

- **Strong revenue growth**
- **OIBDA margin improvement**, leveraging on:
  - Expected slowdown in penetration growth
  - Further integration of operations acquired from Bell South: IT systems & platforms
  - Benefits of regional management of operations
  - Enhanced competitive position from migration to GSM & network coverage improvement in Colombia, Argentina, Peru …

Strong combination of top line growth and significant increases in OpCF

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Results

Conclusions

- Strong set of results in 2005 on every line, with robust CF generation
  - Meeting demanding 2005 guidance
  - High quality bottom line
  - Self-sustained operations in Spain & Latin America
  - TEM Spain outperforms its peers
  - Delivering execution capabilities: synergies from integration & regional management of operations ahead of plans
  - LatAm is coming of age
- TEM 2006 sound growth prospects stand out within the industry in challenging competitive environments

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