ICT’s: THE GREAT OPPORTUNITY

Towards an economic and social growth sustainability in Latin America

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Index

01 Latin America: Much more than a promise: A reality

02 Telefónica: Key Player in Latin America

03 ICT’s: The Great Opportunity
Latin America is going through an outstanding economic transformation …

GDP per capita Growth. Base 100

- Highest GDP per capita growth since the 70’s

- Highest GDP per capita growth since the 70’s
... with a dramatic social improvement....

Wealth Distribution Change in Latin America. 2002-2006
(GDP per capita)

-51 million people
+52 million people
+22 million people

Less than 2000$ 2000$ - 5000$ More than 5000$

Note: 2006 constant US$
... based upon a stable macroeconomic panorama...

Unique macroeconomic momentum
GDP Growth Rates, constant currency

First time in the last 40 years that top 7 Latin American countries grow steadily and simultaneously

Source: World Bank World Development Indicators & Consensus Forecasts
... well perceived by the financial community....

Unique financial markets outlook
Country risk evolution (Emerging market bond index)

Latin America GDP
100% = €3,200 bn

Expected investment grade countries in 2010E

Source: J.P. Morgan, the Economist Intelligence Unit
...in a process in which the Information and Communication Technologies have been, are and will be crucial for the economic growth.

Exists a positive correlation between Economic Growth and ICT’s Penetration

UNO includes ICT’s access as part of the “Millennium Objectives”

“To ensure that the benefits of new technologies, especially information and communication technologies, in conformity with recommendations contained in the ECOSOC 2000 Ministerial Declaration, are available to all”

as a result, Latin America has turned into the fastest growing telecom region in the world...

**Mobile Telephony accesses** (millions)

- **Latin America**: 30% growth from 98 to 361
- **North America**: 12% growth from 153 to 270

**Broad Band Accesses** (thousands)

- **Latin America**: 68% growth from 1,414 to 19,134
- **North America**: 28% growth from 21,252 to 74,314

**Internet Users** (millions)

- **Latin America**: 23% growth from 44 to 126
- **North America**: 6% growth from 174 to 237

Sources: ITU, IDATE, Internet Worldstats, Wireless Intelligence
Index

01 Latin America: Much more than a promise: A reality

02 Telefónica: Key Player in Latin America

03 ICT´s: The Great Opportunity
Telefónica is one of the largest integrated telecom’s operators in the world…

And, in Latin America…

- Acceses Latam (Dic’07)
  - 134,1 Mill. / 13 countries
- Revenues 2007: 31 Bn US$
- OIBDA 2007: 11 Bn US$
- CAPEX 2007: 5 Bn US$
Telefónica has been committed to Latin America for the last 17 years...

INVESTMENT Latam 1990-2007: >80,000 Mill. €

avg ≈ 1.5% GDP’s

DIRECT EMPLOYMENT GENERATION: >145,000 Jobs

INDIRECT EMPLOYMENT GENERATION: > 120,000 Jobs

8,000 local suppliers

* Inversiones a precios de mercado en el momento de la compra
... deploying the necessary infrastructure for regional development...

Interconnecting Latin American countries and expanding them to the world

Next investments 2007-2010E
14-16.000 Mill €

Interconnection with 230 countries

+45,000 km fiber

Telefónica: The biggest international network in America
... bringing telecommunications to every socioeconomic segment...

By early 90’s when Telefónica started operations in the Region most population in D/E segments were excluded from access to telecommunications
... bridging the social gap in the region..

Geographic Inclusion

- Mobile population coverage

Social Inclusion

- Educational Internet. Chile
  > 59% coverage of schools (Dec 07)

Digital Inclusion

- Llaqt@red. Perú
  Creative and innovative solution por sustained Internet Access in Peruvian rural areas.

- Campus Party. Brasil and Colombia
  Worldwide event integrating technology, content, and digital entertainment.
02 ... fostering the educational use of ICT’s within the educational community

- **Educared**: Leader in Educational Innovation
- Gathering point for the educational community

- +35 million participants
- + 60.000.000 visits
- 400.000 training hours
- + 50.000 trained teachers

EducaRed is a programme promoted by Fundación Telefónica pursuing innovation and excellence in educational processes, in a equal opportunities approach by means of utilization of ICT’s

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**TELEFÓNICA S.A.**
Dirección General de Relaciones Institucionales y Corporativas
... and a transparent and firm commitment to promote schooling as a means to eradicate child labor: The programme Proniño

Fundación Telefónica constitutes the corporate initiative with utmost social impact using schooling and digital inclusion in Latin America
Index

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02  Telefónica: Key Player in Latin America

03  ICT’s: The Great Opportunity
Latin America is to be the Region with the highest relative growth till 2010

**TELECOM SECTOR GROWTH**
CAGR 06-10E

- Latin America: 7.8%
- Emergent Asia*: 7.1%
- Central and East Europe: 6.9%
- Africa: 5.8%
- EE.UU and Cánada: 1.2%

**TELECOMMUNICATIONS IN LATIN AMERICA**

- Total Acceses*: (Millions)
  - 2006: 420
  - 2010E: 641
- CAGR 06-10E: 11%
- Additional Acceses: >220 Millions
- Total Latin America
- Higher purchasing power due to growth of middle classes in Latin America
  - 15 million additional middle class households during 2006-2010E
  - ABC households will surpass DE households by 2010E

*Excluding Japan, Corea, Hong Kong, Singapoore and Taiwán

Source: IDC

TELEFÓNICA S.A.
Dirección General de Relaciones Institucionales y Corporativas
Latin America: with an astonishing Mobile penetration

By year end 2011 87% of Latin America population will dwell in countries with a mobile penetration > 85%

1 Source: The Yankee Group + Telefonica

2 Source: Telefonica
Latin America: Broadband penetration perspectives...

<table>
<thead>
<tr>
<th>Region</th>
<th>BB Penetration 1</th>
<th>Dec-06</th>
<th>Dec-10E</th>
<th>Households 2010E 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil (SP)</td>
<td>15%</td>
<td>~27%</td>
<td>~15 m</td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>15%</td>
<td>~37%</td>
<td>~11 m</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>23%</td>
<td>~38%</td>
<td>~5 m</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>7%</td>
<td>~13%</td>
<td>~7 m</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>6%</td>
<td>~17%</td>
<td>~12 m</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10%</td>
<td>~23%</td>
<td>~140 m</td>
<td></td>
</tr>
</tbody>
</table>

≈ 7,5% penetration 2010

Source: Pyramid Research July 2007
...Telefónica envisions an interconnected Region with an ICT’s progressive intensive use, to foster bridging the social divide and promoting economic development.
The Region is aware of the need to articulate public policies to close the digital divide

Several Institutions are promoting ICT´s policies at all levels

IDB Programs to strengthen ICT’s use in public administrations

e-Government

eLAC 2010
Maximizing the benefits of TIC´s deployment requires a joint and continuous effort among the various social and political players.

We consider the ICT´s an engine of progress and welfare through their contribution to the economic growth and to the social and territorial integration process.

- **Commitment**
- **Firm Decisions**
- **Follow Up**

**Goals**

- Intensive Investment
- Macroeconomic Stability and sustained growth
- Clear rules and legal framework compliance

**Metrics**

**Initiatives**
ITC’s in Latin America represent a history of success

Yet, much remains to be done. A joint effort, a convergence of the private and public sector is unavoidable to maximize the ICT’s economic and social impact and to enable a truly developed Information Society.

This is an endeavour no player can be left aside.
THANK YOU