Morgan Stanley 7th Annual TMT Conference

Telefónica O2 Europe

Peter Erskine
Barcelona, November 15th 2007

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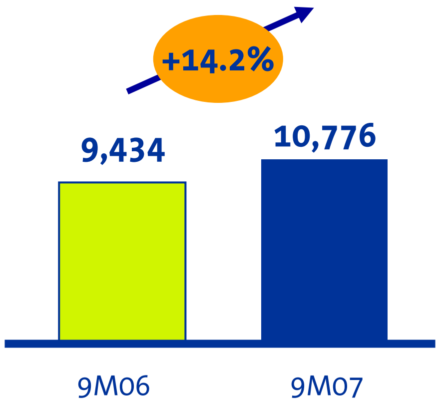
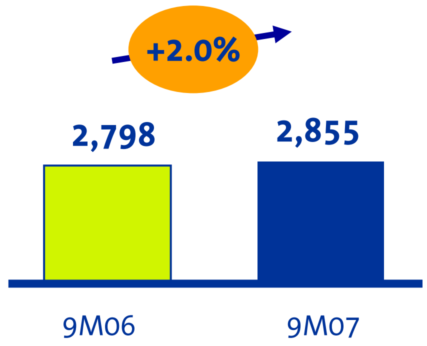
Telefónica O2 Europe: maintaining momentum and positioned to exploit opportunities as an integrated operator

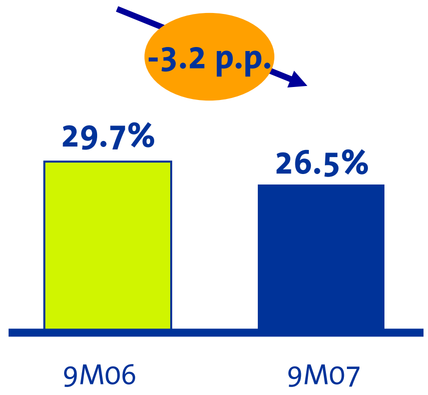
Revenues[1]
(€ in millions)



OIBDA[1]
(€ in millions)



OIBDA Margin[1]
(%)

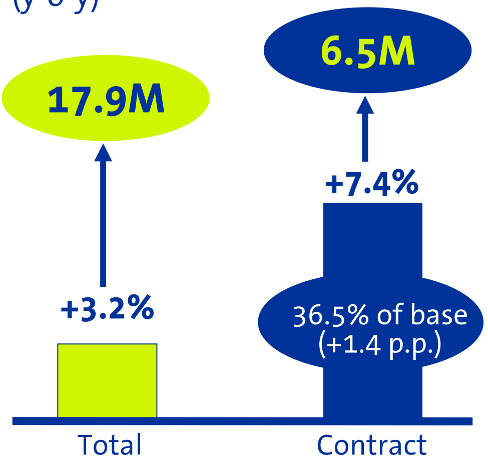


- **UK: managing growth / margin balance**
- **Germany: segmented approach to capture growth in mobile and fixed BB market**
- **Czech Republic: maintaining top line growth**

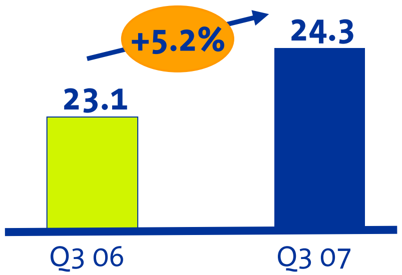
(1) 9M07 corresponds to the January-September period and excludes Airwave capital gain. 9M06 corresponds to the February-September period

O2 UK: managing growth / margin balance

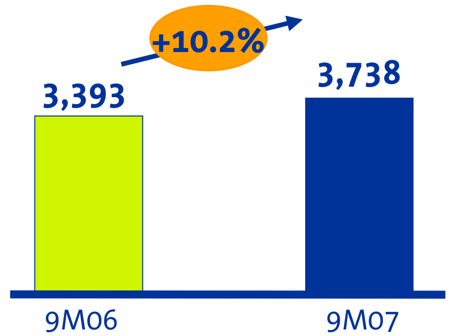
Mobile customer growth
(y-o-y)



ARPU
(in £)

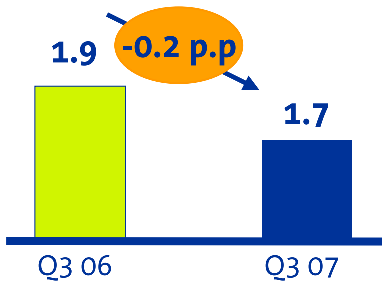


Revenues
(Organic[1], £ in millions)

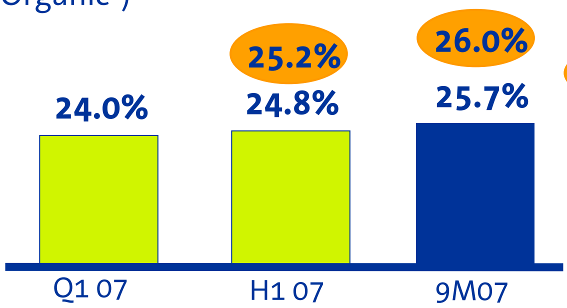


- **MoU[2]: +10.3% y-o-y to 193 minutes**
- **Data ARPU[2]:+4.2% y-o-y to 7.5 £ (non-SMS data +20.6%)**

Contract churn
(%)



OIBDA margin
(Organic[1])



% Ex €14.8 m restructuring charge

New business opportunities:
- **iPhone**
- **O2 Broadband**

(1) On a comparable basis (January-September for both 9M06 and 9M07)
(2) Quarterly Monthly Average

iPhone launched 9th November...

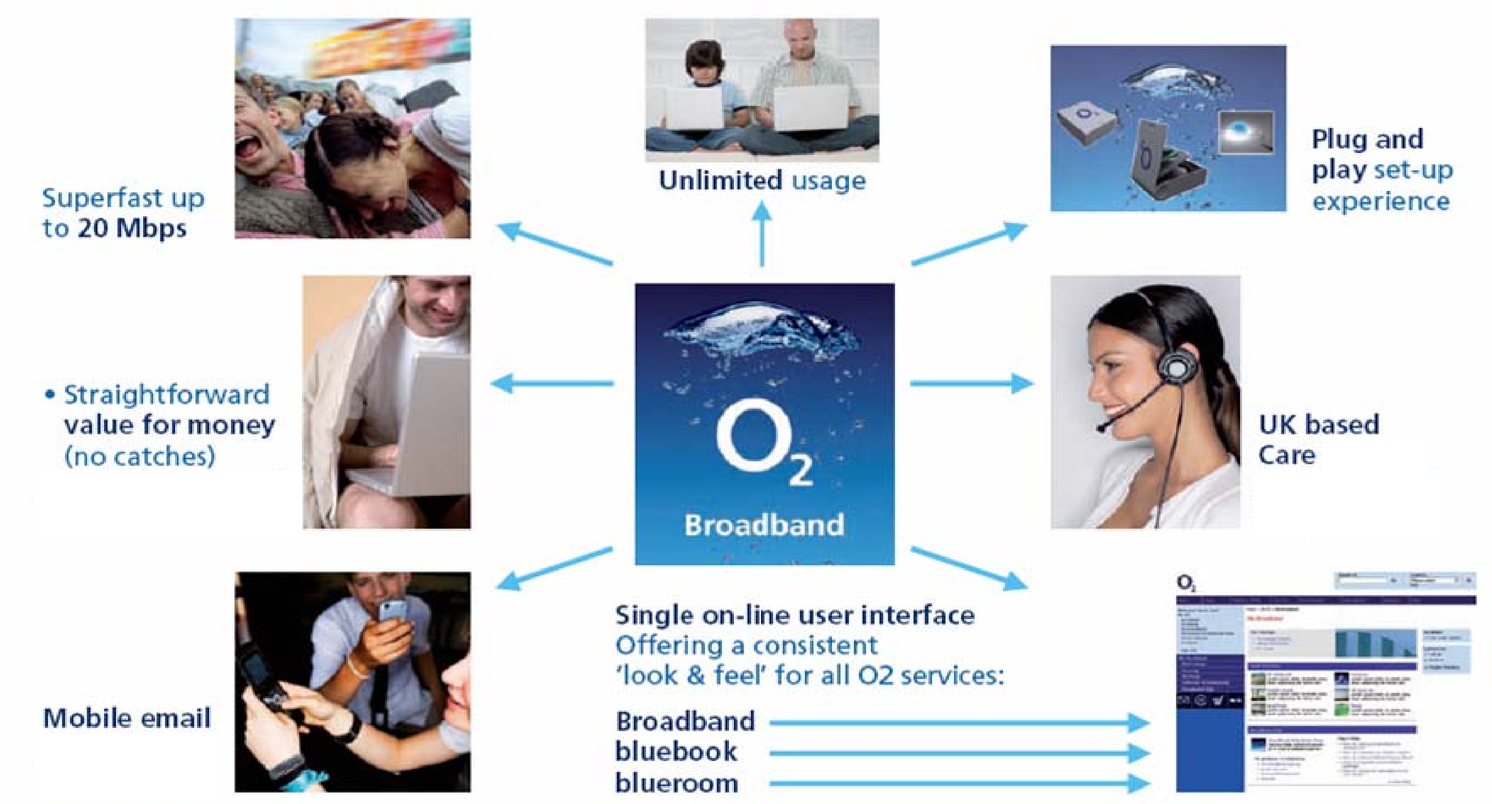
✓ A Win for Customers

- 3 products in 1
  - A Revolutionary Mobile Phone
  - The best iPod
  - The real internet
- Three postpay tariffs with unlimited data
- Turning customers into fans

✓ A Win for O2

- Network exclusivity
- Attracts high value customers in key target segments
- No subsidy
- A market leading mobile data proposition
- Delivers customer growth and loyalty

O2 broadband launched 15th October...



Targeting:

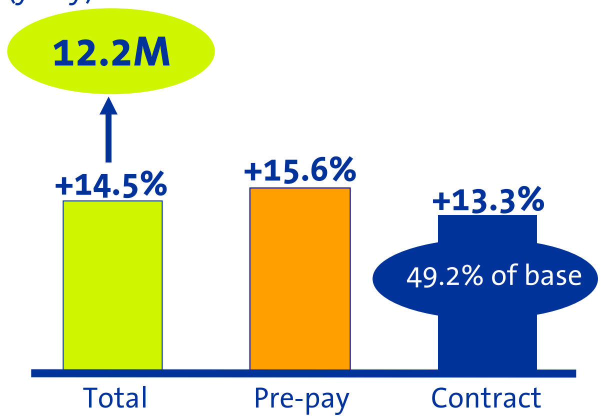
- > 1 million customers by 2010E
- CapEx <£100m 2007E – 2010E

Further opportunities

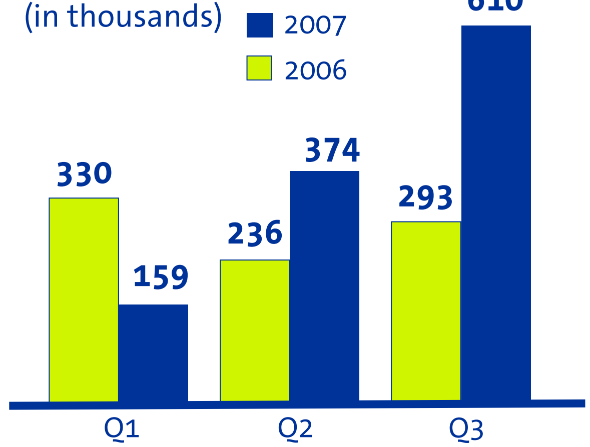
- Wholesale
- Network sharing
- Traffic management, QoS
- Femtocells

O2 Germany: segmented approach to capture growth in mobile and fixed BB market

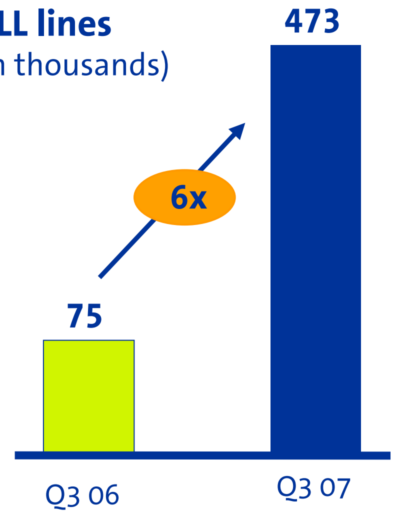
Mobile customer growth
(y-o-y)



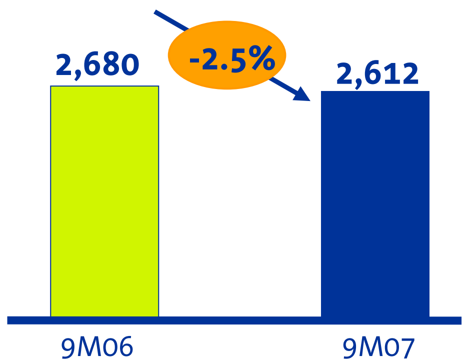
Mobile Net additions
(in thousands)



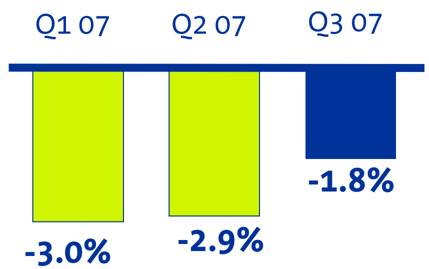
ULL lines
(in thousands)



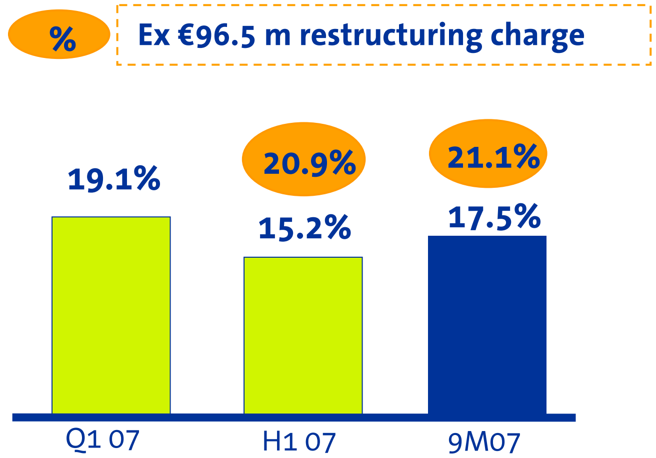
Revenues
(Organic[1], € in millions)



Revenue growth
(y-o-y)



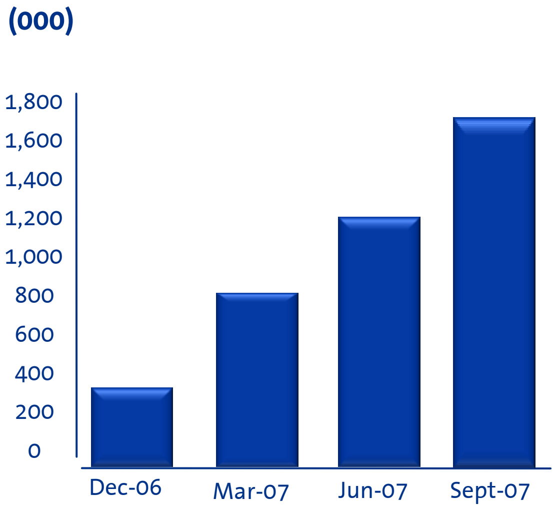
OIBDA margin



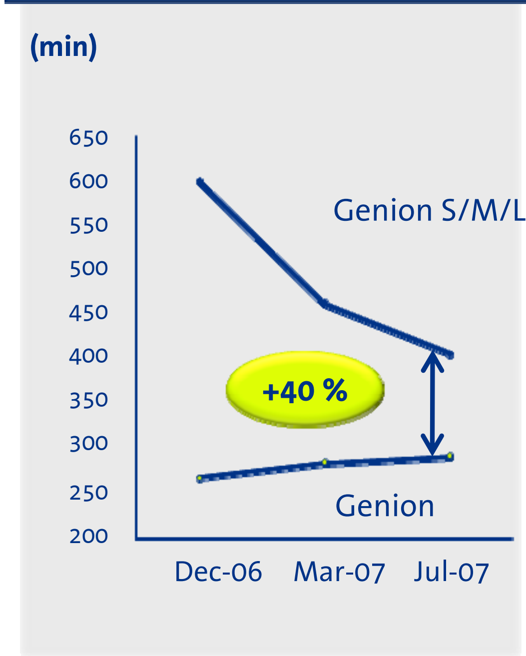
Note:O2 Germany consolidates Telefónica Deutschland
(1) On a comparable basis (January-September for both 9M06 and 9M07)
(2) Quarterly Monthly Average

Genion S/M/L customers...

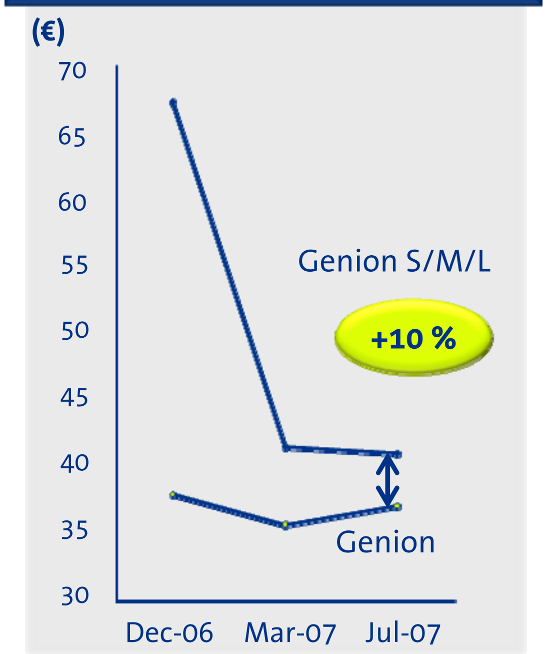
Genion S/M/L
Customer Base development



Genion (S/M/L)
minutes of use development



Genion (S/M/L)
ARPU development



FONIC launched 3rd September...

- No contract, No basic fee, No minimum spend
- Easy payment via direct debit
- Full cost control
- Money-back guarantee on your credit!

FONIC
Das ist die Wahrheit

- 9.9 cents per minute / SMS
- Sim card 9.99 Euro
- Available online (www.fonic.de)
- Over 2,700 Lidl stores

Strong wholesale partnerships will support Germany´s growth story

Leverage wholesale models (fixed & mobile)

- Primary ULL provider of all major alternative ISPs
- AOL/Alice launched
- First products with freenet launched
- United Internet ULL

Further expand retailer business

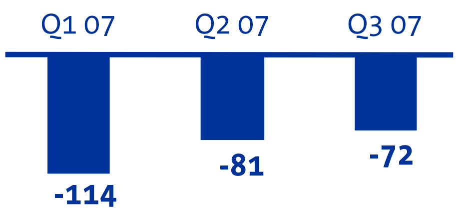
- Tchibo gross adds growth accelerated
- 1.1 million customers end of Q3

FONIC - 2nd brand

- Own discount brand launched
- Distribution via online and Lidl (+2,700 stores)

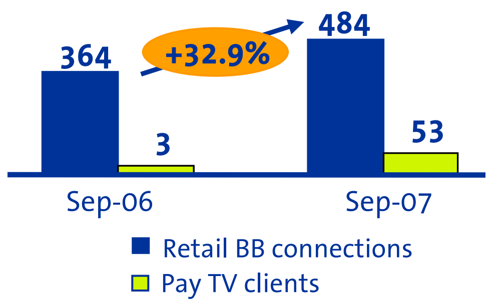
T.O2 Czech Republic: Healthy growth based on solid fundamentals

Fixed Telephony Access
(Quarterly net adds, in thousands)



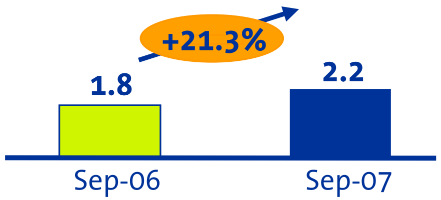
- **Fixed line losses contention trend**
- **Focus on bundling and value proposition to defend access base**

Retail Internet BB connections and Pay TV clients
(in thousands, y-o-y)



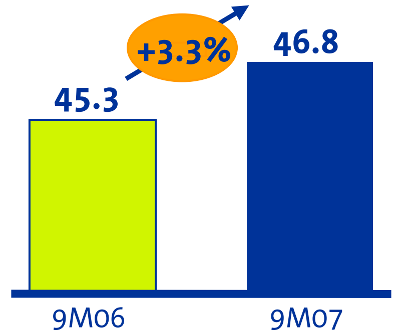
- **Fostering growth on BB & TV adoption**
- **Improved BB portfolio via speed upgrades and bundles (O2 Duo and O2 Trio)**
- **Content proposition enhancement**

Mobile Contract customers
(in million, y-o-y)

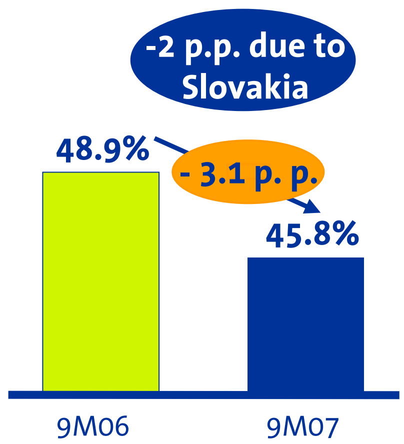


- **Contract customers up 21.3% y-o-y**
- **Improving customer mix** (43.5% of base on contract vs. 37.4% in Sep-06)
- **Q3 07 Data ARPU up 4.6% y-o-y driven by CDMA and UMTS** (Full availability of data connection on all O2 networks)

Operating revenues
(CZK in billions)



OIBDA margin



Highlights – Q3 Results

O2 Ireland

- Q3 total revenue ↑ 4.3%
  - Mobile service revenue ↑ 7%
- Margin 35.2%
- Customer base ↑ 2% to 1.632 million
  - 21,000 net adds on postpay
- ARPU €47.0 ↑ 4% year on year
  - Data ARPU €11.6 ↑ 17% year on year
- MoU ↑ 4% to 250 minutes

- Mobile broadband launch
  - 14,000 customers
  - Speeds up to 3.6Mbps - a viable alternative to fixed broadband in the home
  - O2 contract customers get €10 discount (€30 per month, all others €40)

Summary

- Telefónica O2 Europe growth has exceeded that of our combined local markets
- We see continued growth ahead, despite challenging markets, building on our strong position
- UK continues its momentum, iPhone and broadband offer new growth opportunities
- We see a clear path back to growth in Germany, as an integrated operator with a segmented approach
- We are making real improvements on efficiency and leveraging the scale of the Telefónica Group

A winning mindset

Telefonica