



Telefónica Móviles

Q4 2003 Results presentation

Madrid, 20th February 2004

Telefonica

Móviles

Safe harbour

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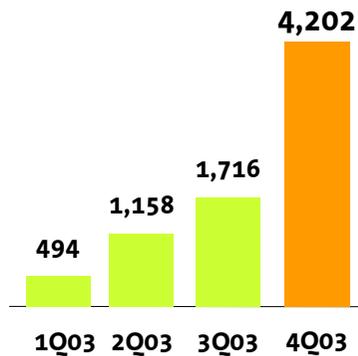
2003 Key Highlights

- Strong customer growth & successful Xmas campaigns: 52MM customers¹
- Steady revenue growth boosted by sound service revenues: +10.2%
- High operating efficiency with increased commercial activity: 44.3% EBITDA margin
- Solid FCF generation: €2.2Bn; +21.0% y-o-y
- Growing dividend stream

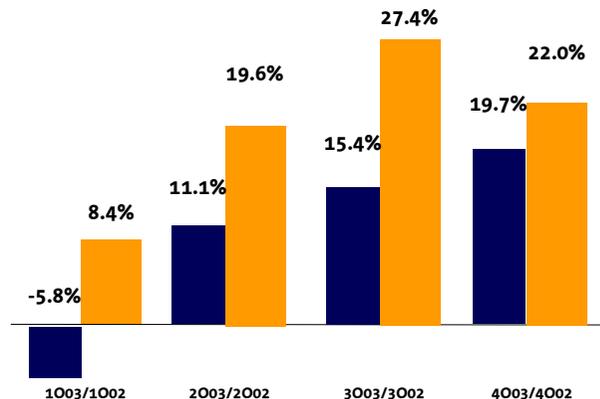
2003 results at a glance

MM€	2003	Y-o-y change	4Q03	4Q03/4Q02 change
Managed subs. ¹	52.0	25.7%	52.0	25.7 %
Operating revenues	10,070.3	10.2%	2,766.5	19.7%
Service revenues	8,872	8.5%	2,280	12.6%
Handset sales	1,199	24.8%	487	70.3%
EBITDA	4,462.9	19.5%	1,094.2	22.0%
EBITDA margin	44.3%	+3.4 p.p.	39.6%	+0.7 p.p.
Recurrent net income²	1,607.9	14.4%	350.3	(17.9%)
Free Cash Flow ³	2,184.4	21.0%	266.1	26.9%

Group Net adds (000)⁴

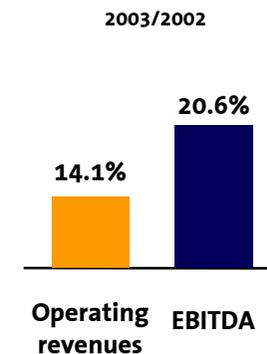


Annual growth rates

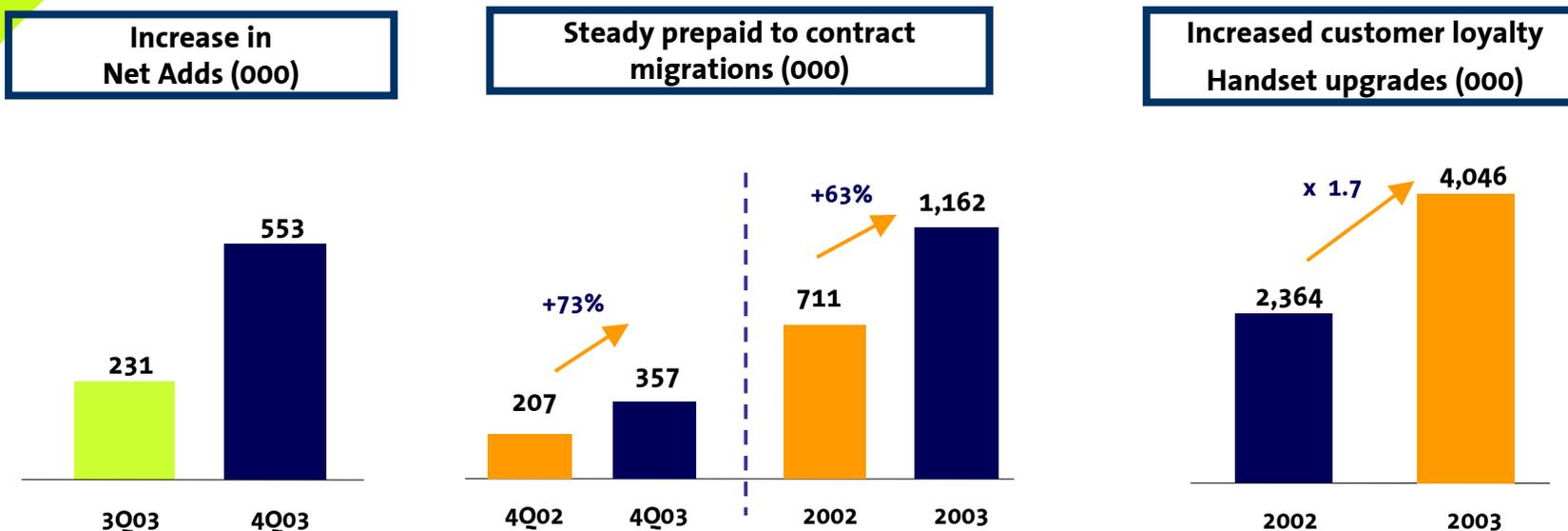


■ Operating Revenues ■ EBITDA

Growth rates excluding forex & TCO consolidation

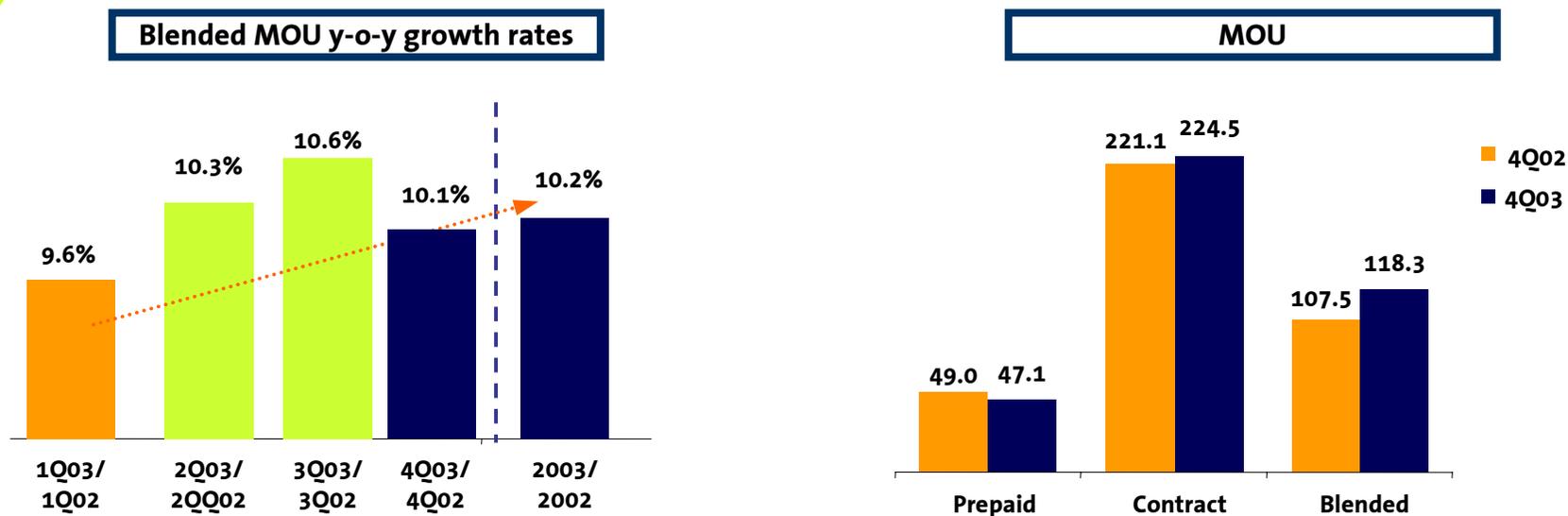


TME: Increased commercial activity



- Performance boosted by Xmas campaign:
 - Increased level of net adds, record level in migrations & ongoing handset upgrades
- +7% y-o-y growth to 19.66MM customers:
 - +13% y-o-y growth in Corporate, SME & SoHo lines
 - Positive net adds from number portability
 - 5.2 p.p. advance in contract weight to 40.3%
 - Increased number of SIMs/per user in the prepaid segment
 - All prepaid customers have positive cash balance
 - 94% of our total customer base has made/received calls in the last 3 months

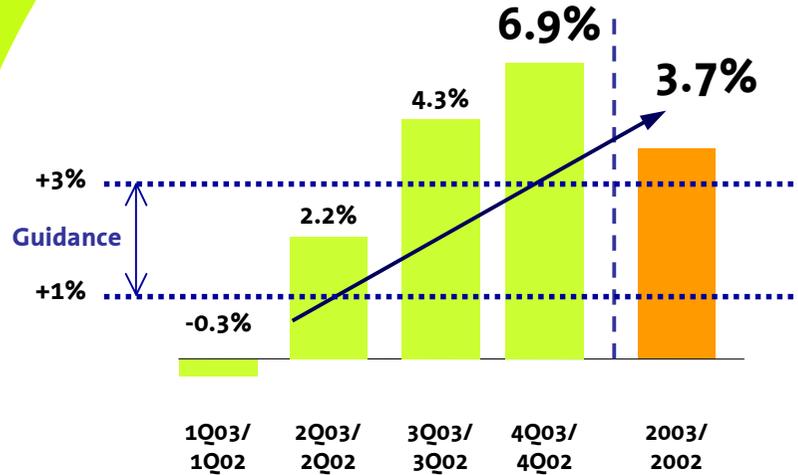
TME: Consolidation of growth trend in voice usage patterns



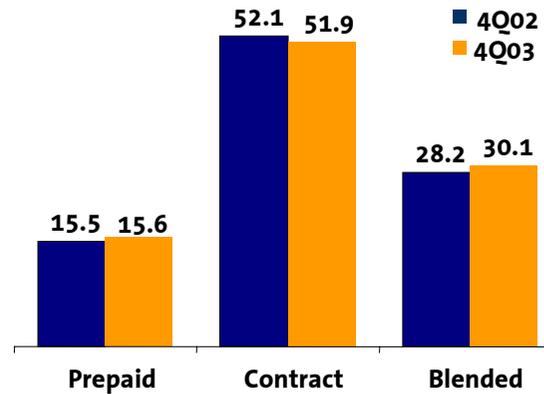
- Stable annual MOU in prepaid despite impact from migrations
- **16.2%** growth in total billable traffic vs. 2002
- **22.7%** annual growth in on-net traffic

TME: Solid ARPU growth above guidance

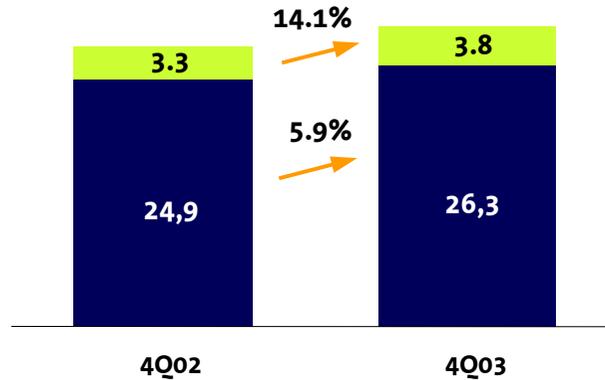
Blended ARPU y-o-y growth rates



ARPU (€)



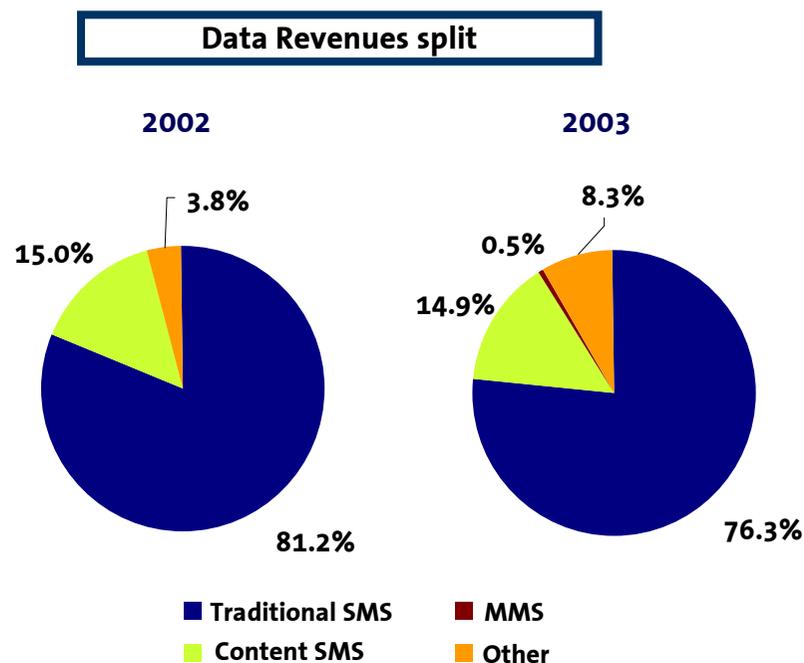
ARPU components (€)



- Voice ARPU
- Data ARPU

• Significant growth in data ARPU

TME: Increased usage of data services

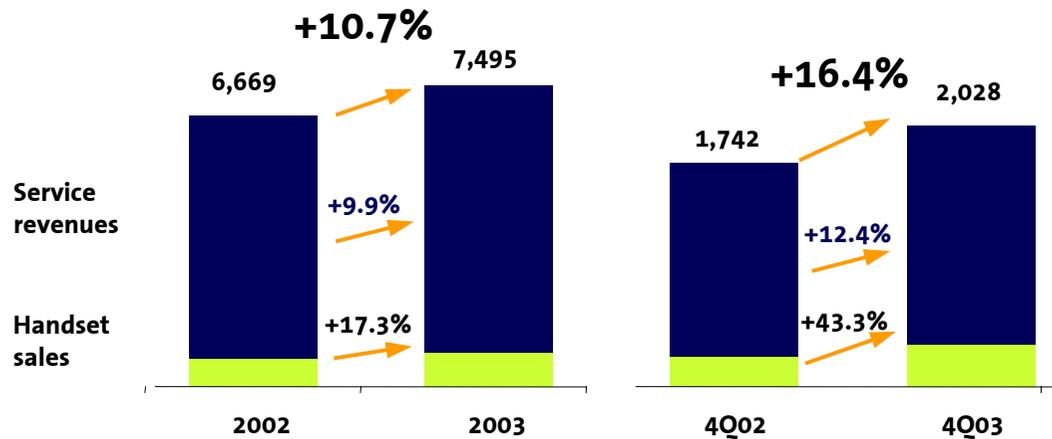


- Xmas season: 52% of our customers used data services
- 9,302MM SMS sent in 2003 (+10.2%). Traditional SMS revenues y-o-y increase of 8%
- Increased weight of non-SMS services:
 - 500,000 MMS active users
 - 170,000 active i-mode users (250,000 at the end of January)
 - 1.4MM GPRS active users
 - 5.6MM game downloads
- February 04: UMTS *Oficina Movistar* commercial launch, after the pre-commercial launch in October 03

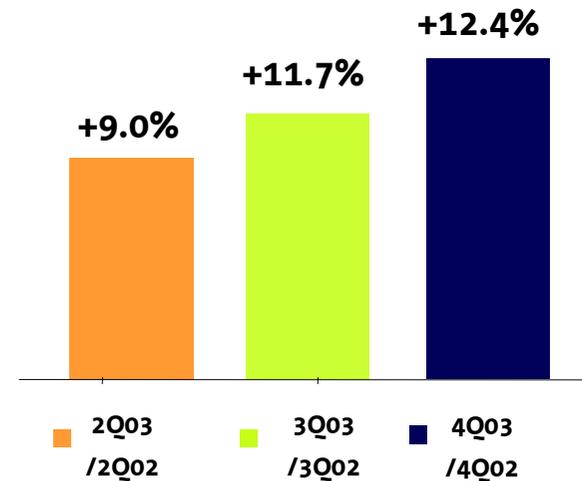
TME: Steady top line growth

Operating revenues (MM€)

Guidance >10%



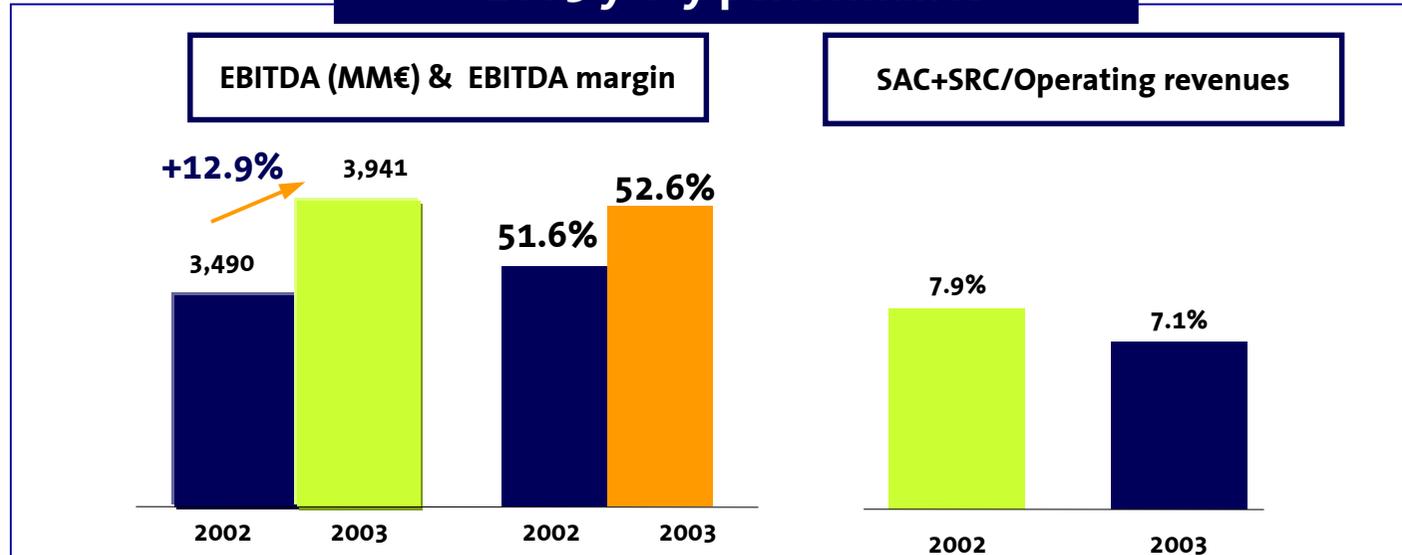
Accelerating service revenues growth rate



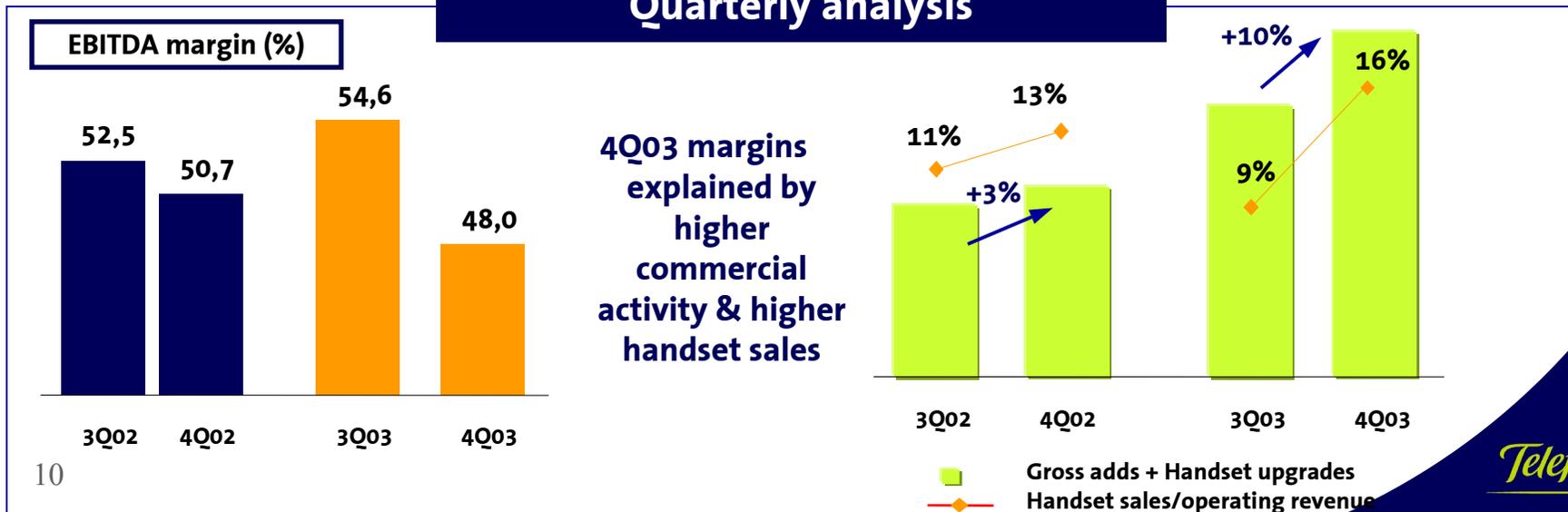
- Sustained service revenue growth
- Increased handset sales, driven by Christmas campaign
- +18% growth in outgoing roaming revenues in 2003 vs. 2002

TME: Outstanding operating efficiency

2003 y-o-y performance

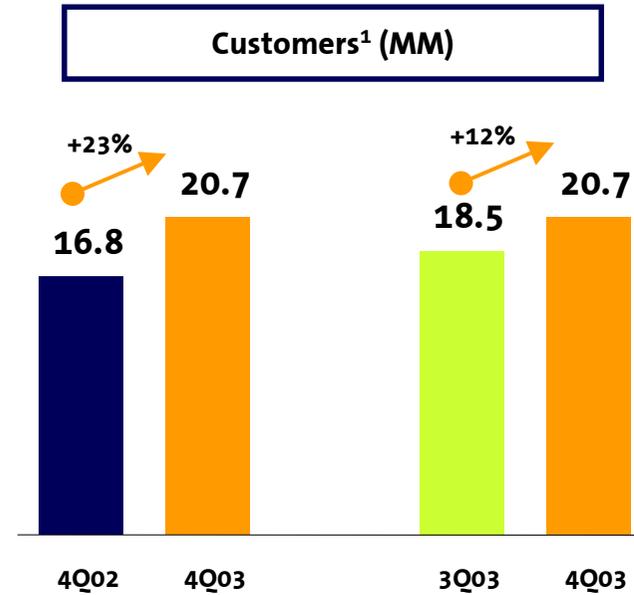
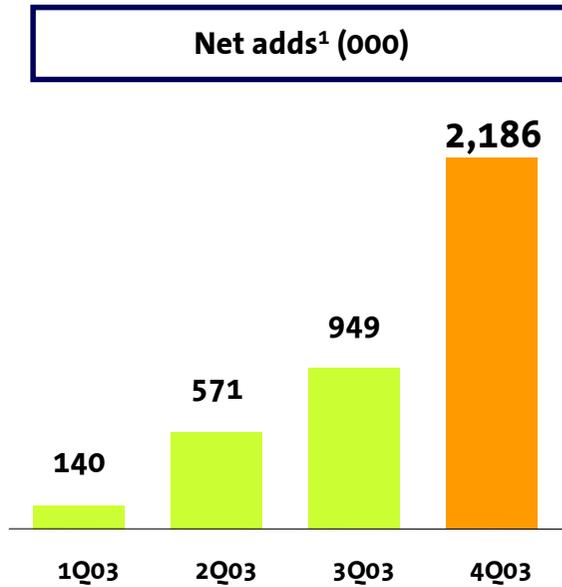


Quarterly analysis





Leading market growth acceleration in Brazil

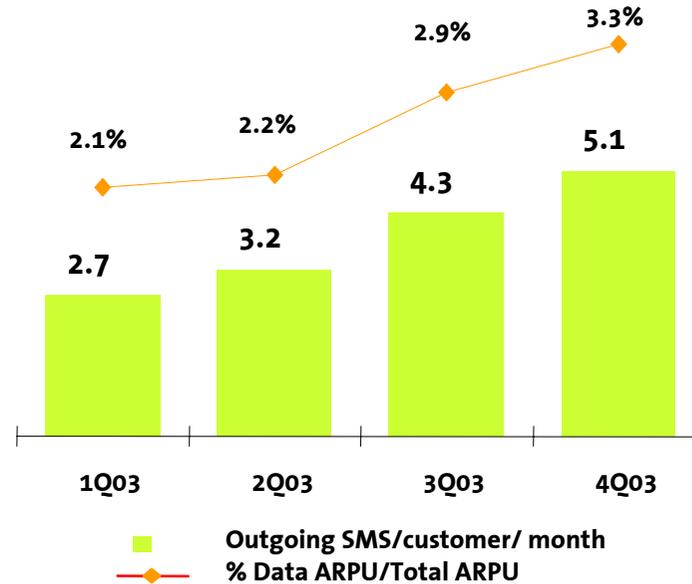


- Sustained nationwide & local leadership despite increasingly competitive environment:
 - >50% average share of net adds in 4Q03 (E)
 - >56% average market share in areas of operations (E)
 - 45% market share in Brazil (E)



Strong data usage performance

Positive contribution from data services¹

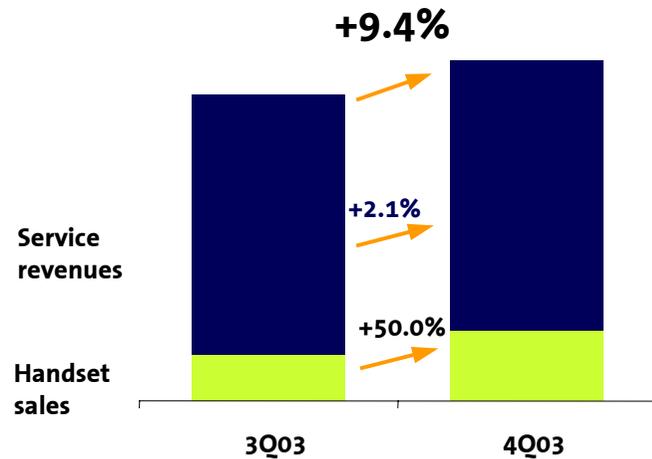


- Increasing penetration of data enabled handset with growing contribution to revenue, beating forecasts
- CDMA 1xRTT coverage in 101 cities. Speed of 144Kbps
- CDMA 1XRTT overlay in key TDMA areas already deployed: Porto Alegre, Brasilia, Goiâneas and more than 55 municipalities of Rio Grande do Sul & Goiás.

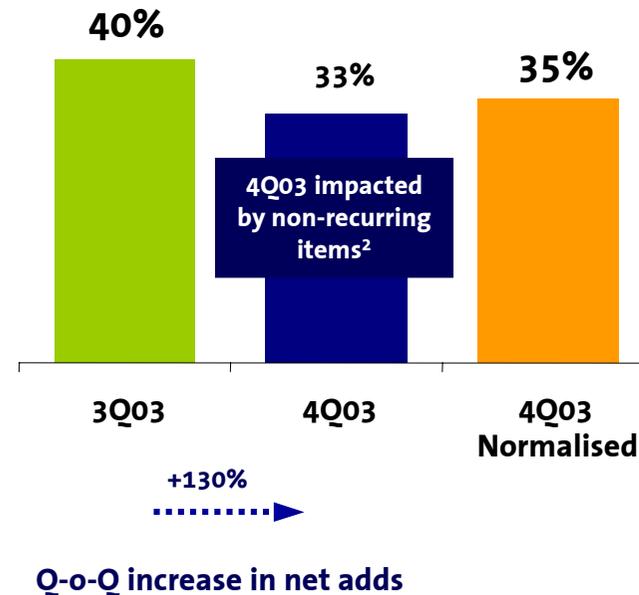


Growing revenue generation & short term pressure on margins due to higher than expected customer growth

Operating revenues (q-o-q change in local currency)



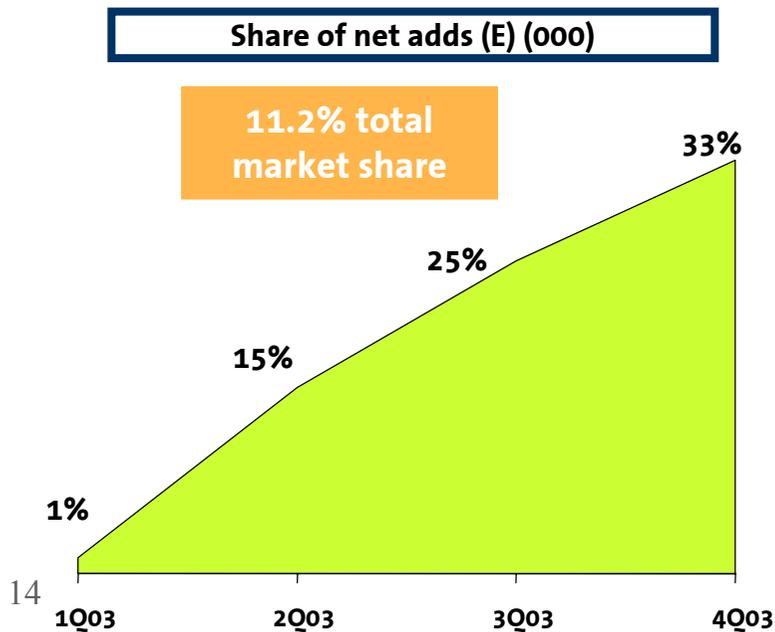
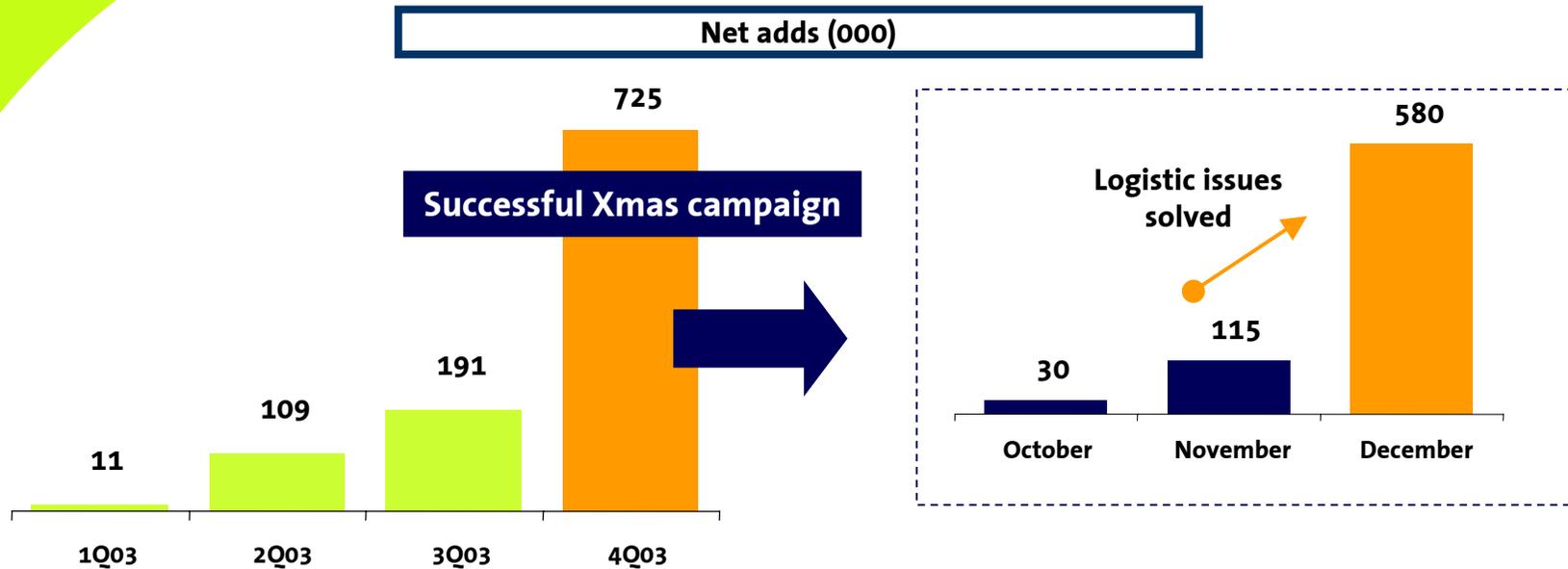
EBITDA margin¹



¹ Margins after management fees

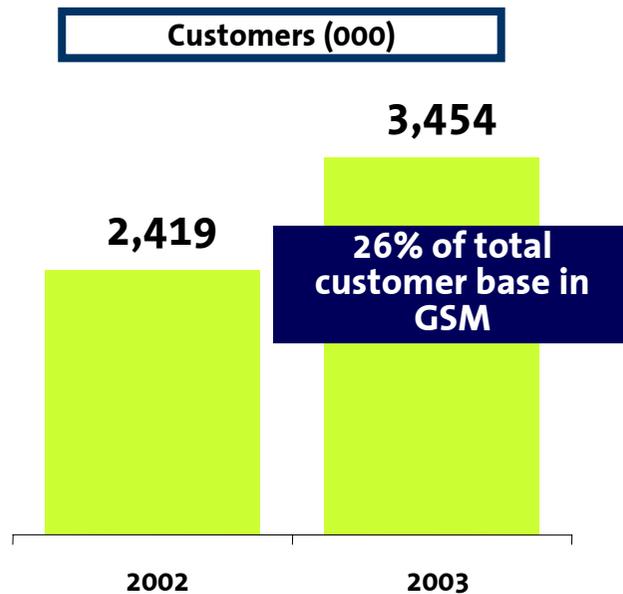
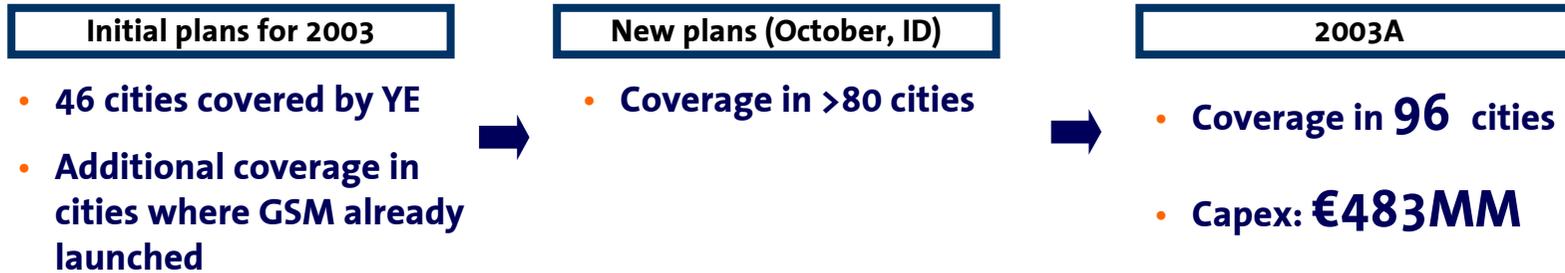
² The most important one being a provision at TCP for federal taxes PIS/COFINS.

TM Mexico: ready to capture strong growth potential



- **Steady expansion of distribution network:**
 - >**6,200** POS in 2003 vs. 5,000 forecasted & 2,000 in 2002
 - +70% in POS vs. 3Q03
- **Strong commercial activity has continued in January 04**

TM Mexico: Expanded GSM coverage

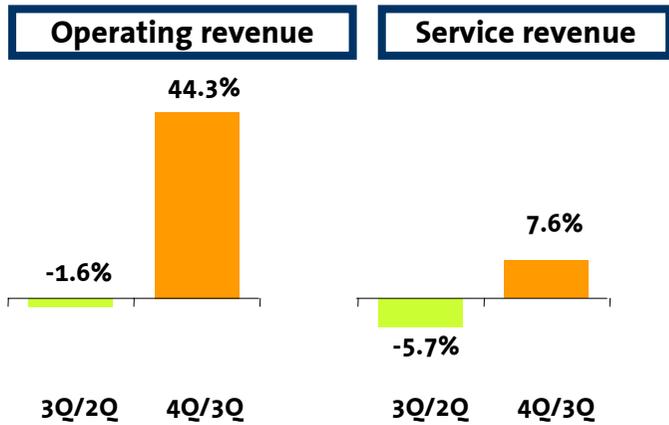


2004-06E

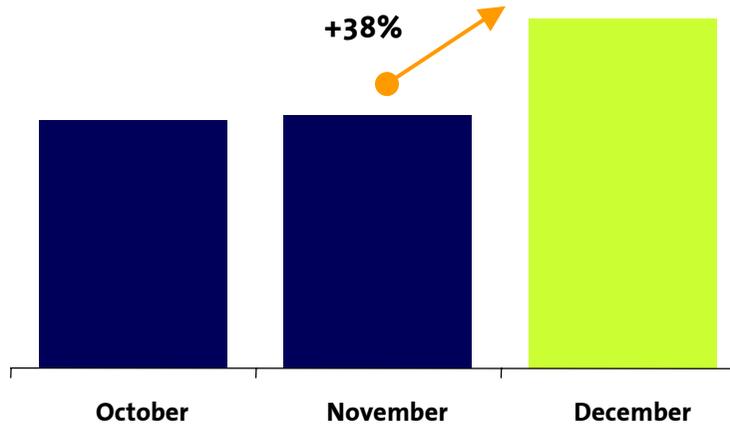
- Continue to accelerate GSM build-up, improving competitive position
- Cheaper network deployment:
 - 2003-06E capex guidance: €1.200MM
 - 20% more cities covered than initially planned

TM Mexico: Enhanced revenue stream

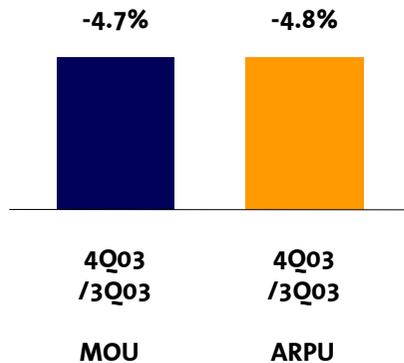
2003 revenue performance
(in local currency)



Monthly prepaid recharges
(000)



Q-o-q MOU & ARPU¹ evolution



- Growing contribution from prepaid recharges
- Rational MOU & ARPU dilution from new customers
- Ongoing recovery of usage patterns in January 2004

¹As a result of the homogenisation to TEM Group's methodology of MOU & ARPU calculation, past quarters' TMM MOU & ARPUs have been recalculated in 4Q03.

Group Capex

MM€	2003	% Change 2003/2002
Spain	521	+0.3%
Brazil	153	+ 7.9%
Mexico	483	n.s.
Others	57	(65.0%)
Total ¹	1,214	+32.1%

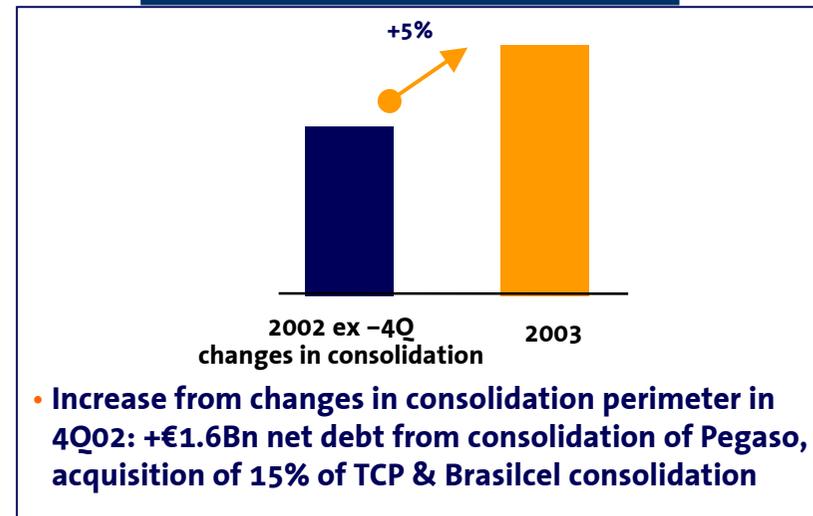
- **Spain:**
 - Increasing GSM/GPRS capacity in main cities.
 - Progressive expansion in UMTS network
- **Brazil:**
 - Increasing capacity.
 - CDMA 1xRTT overlay
- **Mexico:**
 - Deployment of GSM

Net debt & financial results

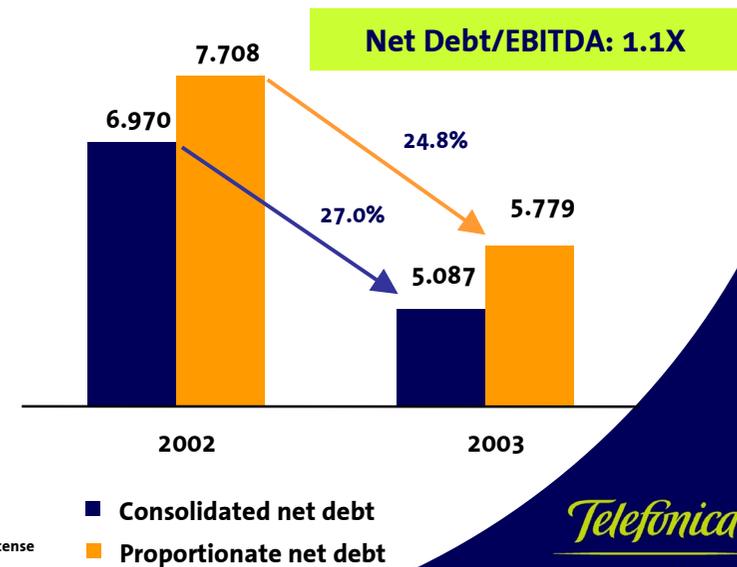
MM€	2003	%Change 2003/2002
Net financial results	(378)	20%
Debt financial expense	(642)	+53%
Financial Income	164	+32%
Net interests	(478)	+ 62%
Financial provisions & net forex	100	c.s.

- **Higher expenses from changes in consolidation in 4Q02:** +€14MM from Pegaso; +€177MM from Brasilcel
- **Capitalization of UMTS financial costs in 1H02:** €59.5M. Ex-capitalized expenses on our debt in 2002, net financial results would have remained stable
- **One-off items:** €12.4MM derived from accrued interests on contingencies provisioned²
- **Net forex gain from Argentinean peso appreciation vs. the €**

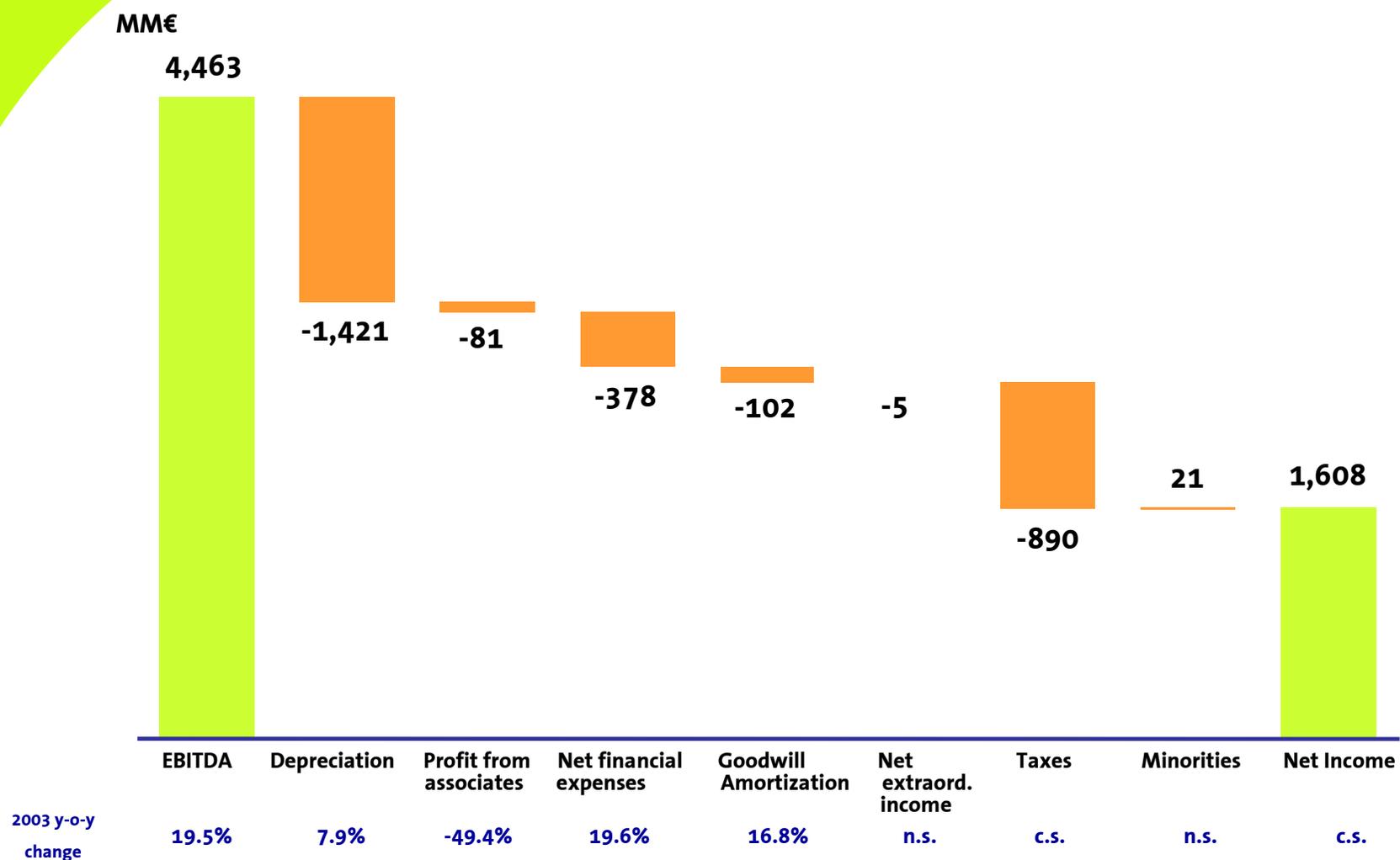
Average consolidated net debt (€Bn)



Net debt¹ (€Bn)



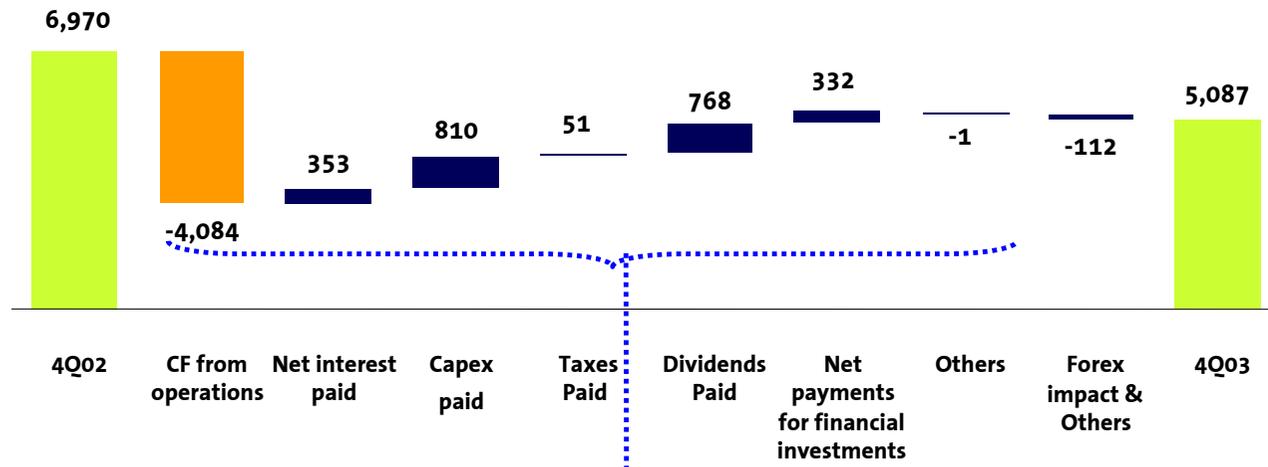
Net income growth



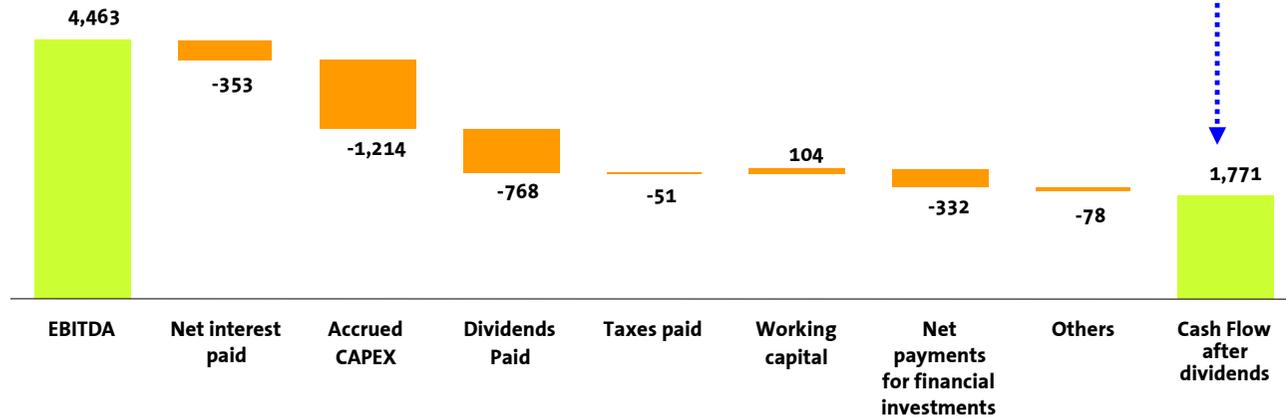
Net income y-o-y growth ex-2002 UMTS provisions: 14.4%

Net Debt evolution

Change in Net Debt (MM€)



Cash Flow after dividends (MM€)



Dividend policy

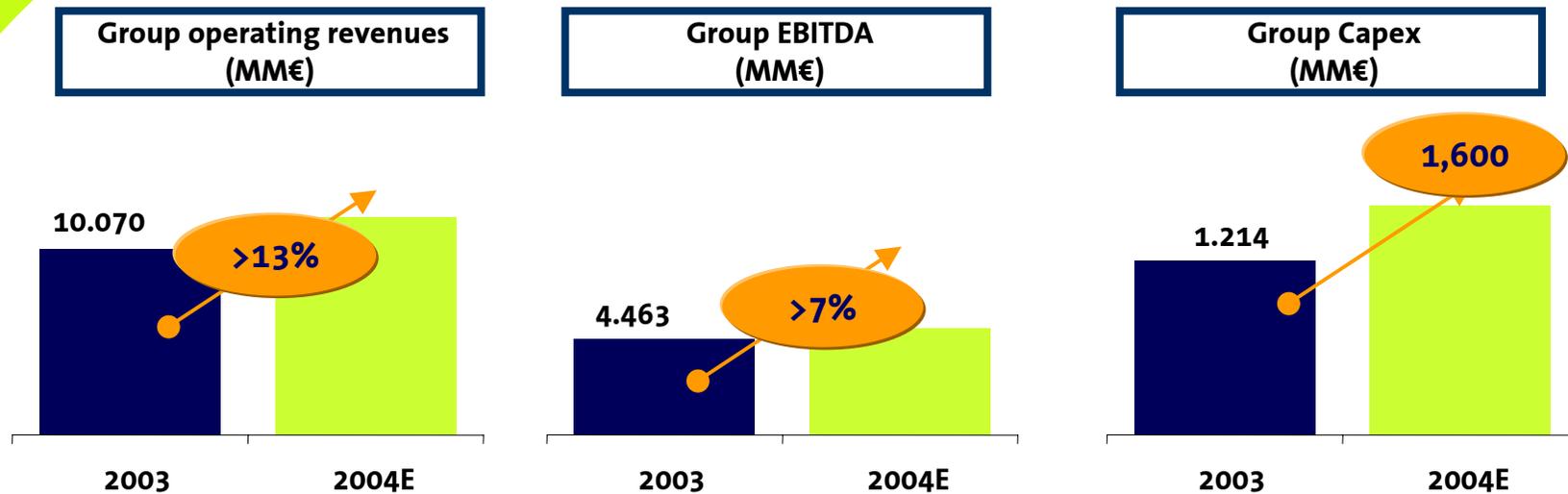
	2003	2002	03/02 growth
Recurrent net income ¹ (MM€)	1,607.9	1,405.8	14.4%
Proposed dividend (MM€)	795.7	757.8	5%
Proposed Gross Dividend/Share	0.1838	0.1750	5%
Proposed dividend payment date	June 2004		

- **Strong FCF generation allows to:**
 - **Propose dividend policy according with Company's guidance**
 - **Maintain flexibility to speed up organic growth if suitable & to selectively address potential growth projects**
 - **Sustain solid balance sheet**

Conclusion

- **Sound set of results derived from:**
 - **Strong commercial activity & increased usage across markets**
 - **Maintained leadership in major markets**
 - **Enhanced competitive position in Mexico to capture a significant part of the potential growth of the market**
 - **Continued commercial & technology innovation**
 - **Robust profitability despite strong customer growth**
 - **High cash-flow generations & solid balance sheet**

2004 Outlook: Robust top line growth & solid operating efficiency



- TME's 2004 operating revenues growth above 9% while maintaining an EBITDA margin above 50%, in line with ID guidance.
- VIVO's 2004 EBITDA margin slightly below 40% due to strong commercial activity. Reiterated medium term goal (EBITDA margin 40-45% by 2006).
- Investing in Mexico, at the expense of short term EBITDA for profitable customer growth. Cheaper GSM network deployment.
- Increased capex needs vs. 2003 due to UMTS network roll-out in Spain & GSM deployment in Argentina, with stable capex in Mexico.

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