2002 RESULTS

OCTOBER-DECEMBER 2002

February 20th, 2003

Key Highlights

Solid growth story

- Expansion of the customer bases & higher traffic lead to increasing results
- Leadership position in major markets, reinforcing profitability
    - Strong performance in Spain
    - Reinforcing TEM-PT JV positioning in Brazil
    - Number 2 operator in Mexico
- Substantial increase in net income excluding the net impact of extraordinary items
- Strong free cash-flow generation

	2002	2001	02/01 growth	02/01 without forex effect
Operating revenues (MM€)	9,139.8	8,411.1	+ 8.7%	+18.7%
EBITDA (MM€)	3,735.8	3,333.7	+ 12.1%	+19.1%
EBITDA margin	40.9%	39.6%	+1.3 p.p	
Recurring Net income [1] (MM€)	1,405.8	957.0	+ 46.9%	
Net Income (MM€)	-3,724.5	893.4	c.s.	

[1] In 2002 excludes the impact of extraordinary accounts associated with the write-downs of assets and the cost for restructuring activities in Germany, Austria, Italy and Switzerland. In 2001 excludes the impact of net extraordinary provisions associated with the write-downs of assets and the homogeneization of TCP fiscal year with the rest of the TEM Group.

Margins as a percentage of operating revenues

Dividend policy

	2002	2001	02/01 growth
Capex [1] (MM€)	919.3	1,695.8	- 45.8%
FCF [2]	1,805.8	770.4	+134.4%
Proposed Dividend/Share	0.175€		

Very strong FCF generation

+

Financial flexibility

1. **Ability to invest in key growth projects: Mexico plus data services**
2. **Maintain solid balance sheet**
3. **Implement a dividend stream**

Increased financial flexibility allows introduction of the dividend policy

[1] Capexex licences and capitalized financial costs.
[2] Consolidated Free Cash Flow = EBIT (1-t) + Amortization – Capex – Capitalized opex

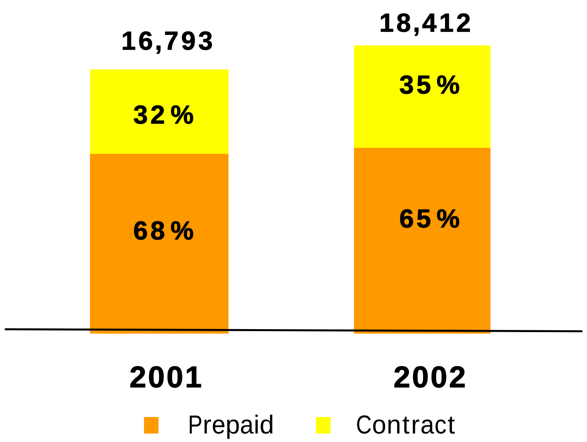
TME's commercial strategy: foundation for profitable growth

2002 Christmas campaign

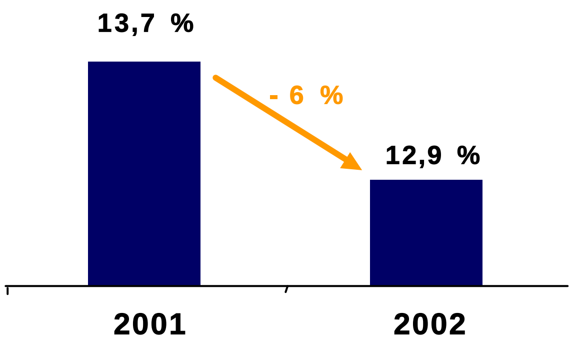
Selective acquisition & retention

- **Setting bases for future traffic growth**
- **Reinforcing relationship with customer base**
- **Growth in EBITDA / user**

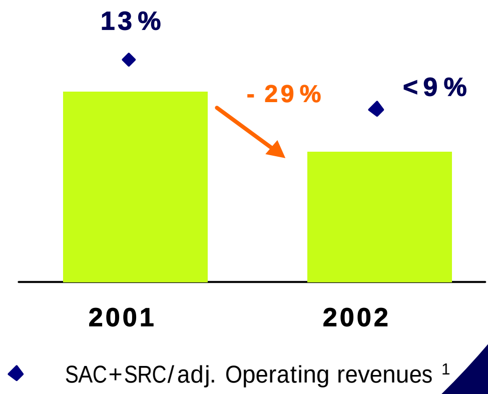
Customer base (000)



Reduced churn rate

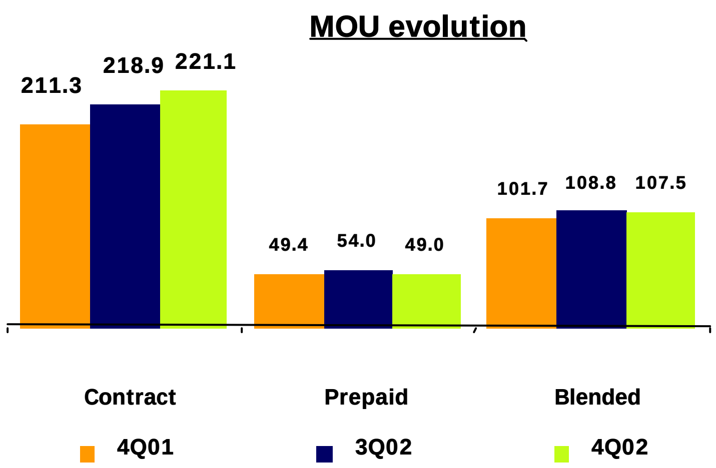


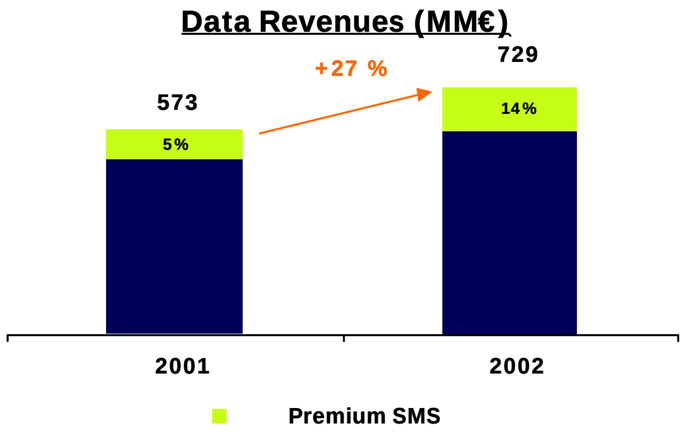
SAC & SRC (MM€)



1 Operating Revenues excluding loyalty points and handset revenues

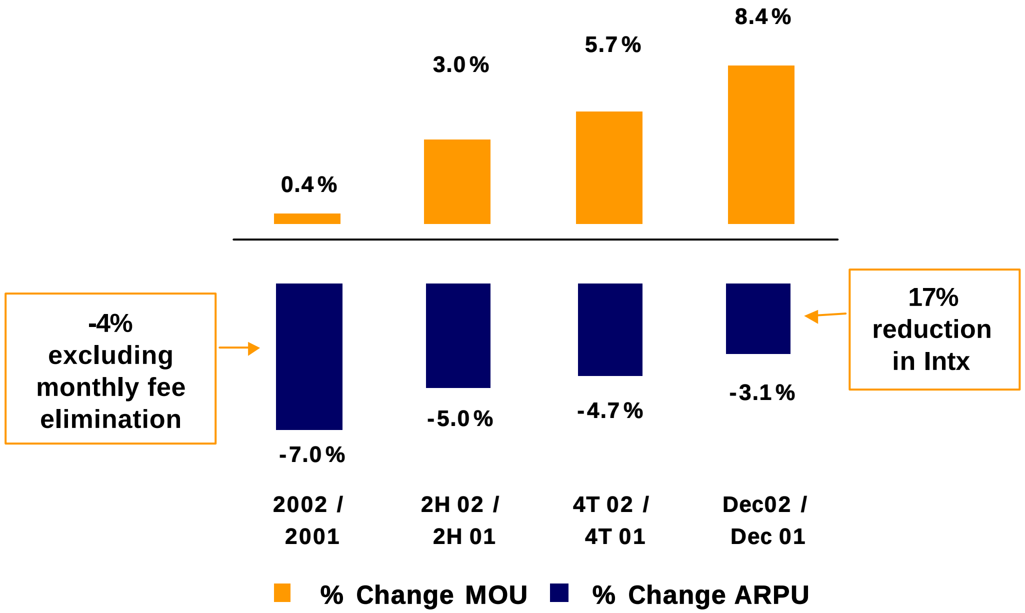
TME: Increase on usage performance





- **High quality customer base: only operator in Spain with positive differential between outgoing traffic share and customer share**
- **Inflection point in MOU trend**
  - **2002 MOU > 2001**
  - **Growth key driver: Contract MOU**
- **2nd consecutive quarter with y-o-y increase on quarterly MOU**
- **Fourth quarter MOU growth of 5.7%**
- **January and February 2003 confirm the trend (6% – 7%)**
- **Data services: Increasing contribution of Premium SMS**

TME: Accelerating ARPU improvement



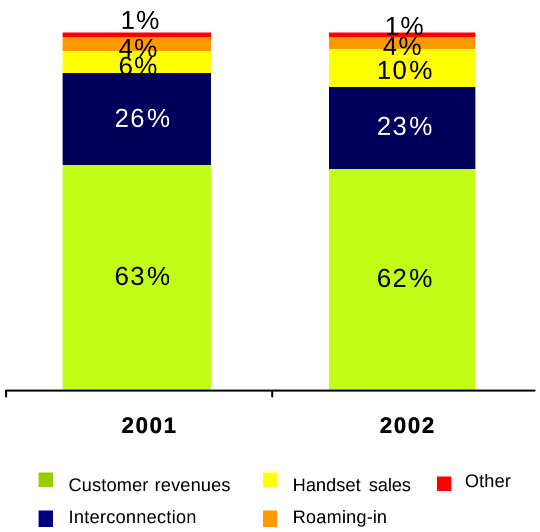
- MOU growth and ARPU decline deceleration showing positive trend
- MOU increases boosting ARPU stabilization.
- Reverse in negative ARPU trend:

  2H02 ARPU > 1H02, despite interconnection cuts

- We expect ARPU growth in 2003: 1%-3%

TME's financial highlights : Revenues analysis

Operating revenues:
€6,770MM (+18% y-o-y)

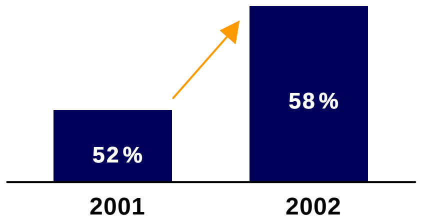


Traffic Evolution (+19 y-o-y)

Mobile-Mobile traffic: Growth key driver

On net M-M : +24% y-o-y

% M-M over total traffic



- **We expect TME revenues to grow in 2003 >10%**

- **Increasing on-net traffic reduces risks linked to interconnection**
- **Decreases in interconnection prices don't flow directly into EBITDA**

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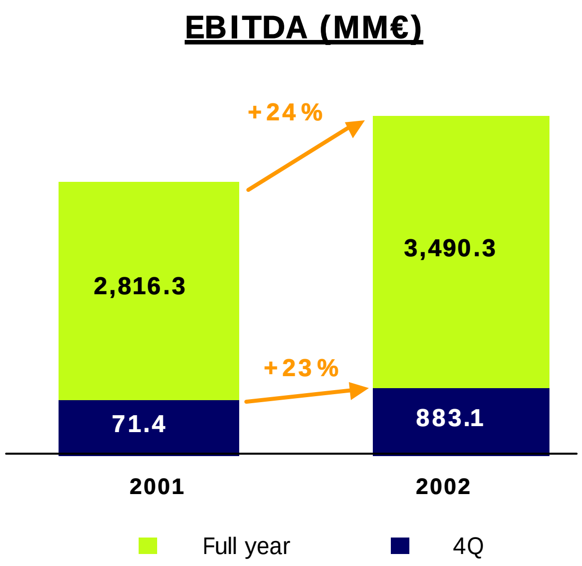
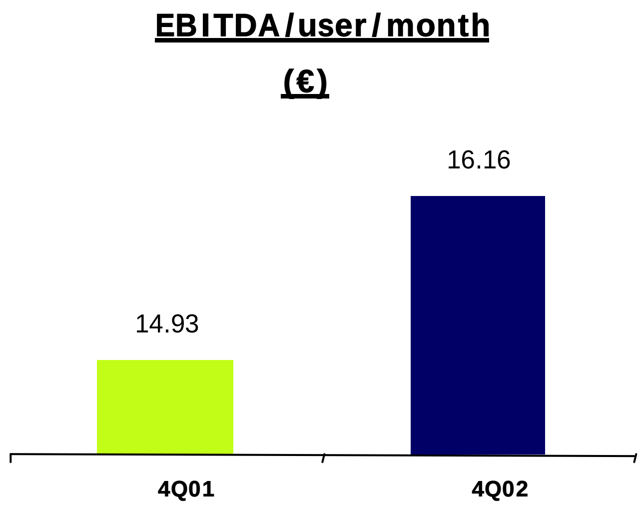
TME: From ARPU to profitability

EBITDA per user shows improved optimization





- **Sustainable capex/revenues ratio:**
  - **7.7% in 2002**
  - **7% - 9% expected 2003 - 05**

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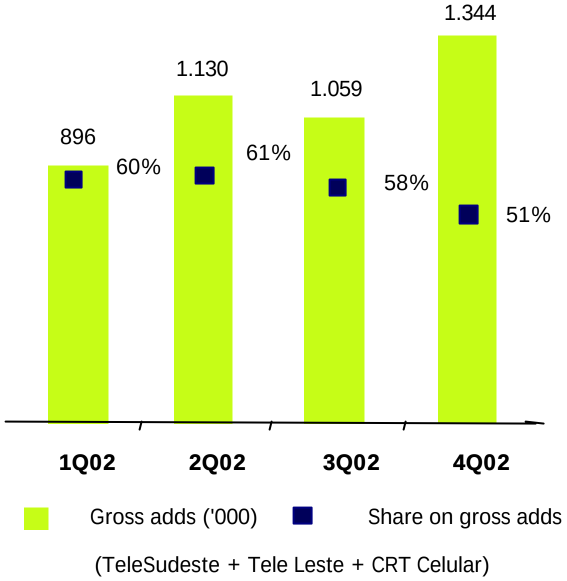
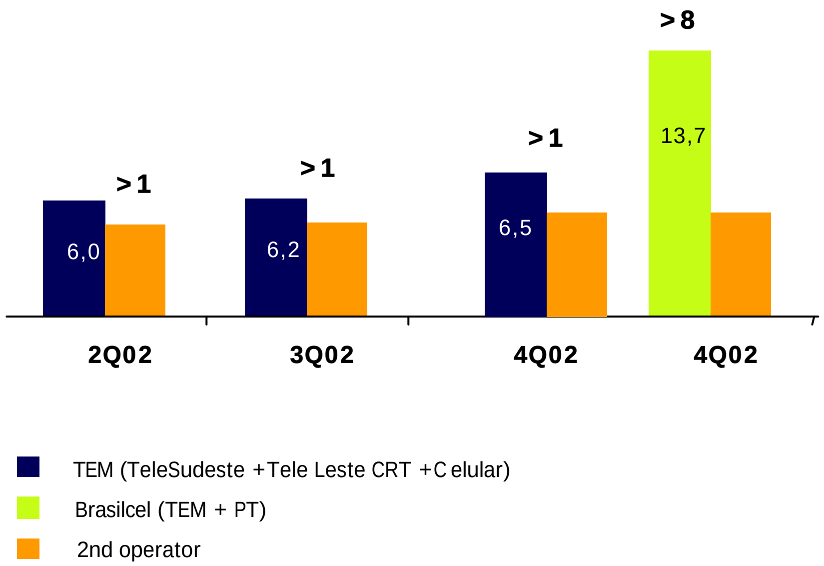
Brazil: Existing operations

Share in growth
(TeleSudeste + Tele Leste + CRT Celular)



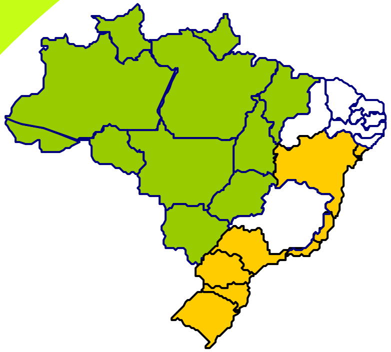
Significant differential with 2nd operator (Million customers)



- **Steady customer growth despite increased competition**
- **45.1 % average share of net adds in 2002**
- **Healthy growth rates in local currency:**
  - **Revenues: + 21.81%**
  - **EBITDA: + 20.83%**

[1] Aggregated figures in local GAAP. EBITDA figures after management fees.

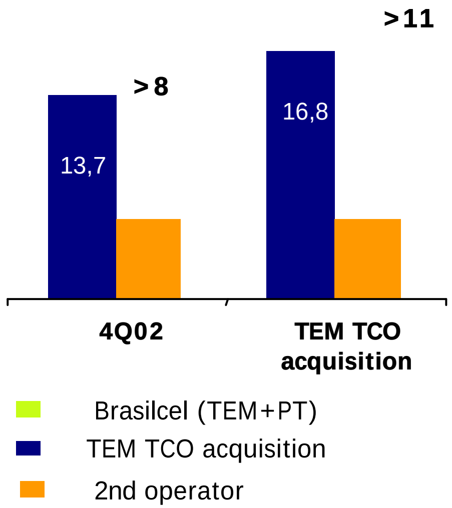
Brazil: Brasilcel, the JV betweenTEM-PT .



Consolidation of JV leadership position:

- **JV constitution**
- **Acquisition of TCO**

<u>Strong increase of our differential with 2nd operator (Million Customers)</u>

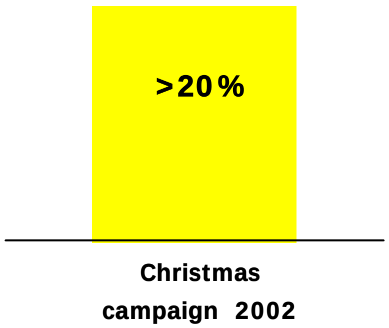


- **Only operator with positive FCF**
- **Estimated average market share of JV's markets of operations of 60.9%**
- **Leader in Sao Paulo, Rio de Janeiro and Brasilia**
- **Expected growth: EBITDA increase of 18% - 22% in 2003**

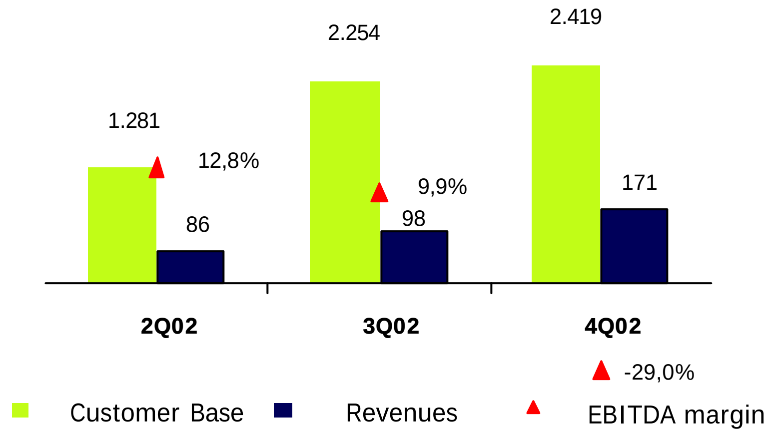
[1] Aggregated figures in local GAAP. EBITDA figures after management fees.

Mexico: Integration of Northern Mexico's subsidiaries & Pegaso PCS

Share of net adds



Customer Base, Revenues & EBITDA margin



- **#2 wireless operator in Mexico**
- **Increased participation of net adds in Q4**
- **Reshaping of distribution channels: Increased quality of POS**
- **Integration completed, with additional synergies to be realised in the year**

- **GSM roll-out: estimated capex 2003: 500-600 MM€**
- **Platform and System integration towards corporate standards**
- **Launching MoviStar brand during 2003**

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Operations in Argentina

We have managed the change…

- **Average life of debt > 9.5 years**
- **Cash position 2 times higher than debt maturities in 2003**
- **Raised tariffs in line with inflation**
- **Market share stable**

… and the business outlook improves

- **EBITDA in local currency showing year on year growth**
- **Full CPP (FM + MM) already in place**
- **Usage of our networks improving in line with economic activity**

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Asset write downs

- Independent valuations in June 2002 led to a net provision of 4.902MM€ that included 310MM€ net restructuring costs.

Values implied in June 2002 for the assets:

Germany	400MM€
Italy	300MM€
Switzerland	5MM€
Austria	5MM€

During these months:

- Expectations regarding commercial feasibility of technology have been delayed.
- License conditions in Germany, Switzerland and Austria allow no flexibility in spectrum management.

- Write off in Germany, Switzerland and Austria net effect: 148MM€
- Total net effect: 4.902MM€ + 148MM€ = 5.050MM€

Financial results

MM€	4Q02	% Change 4Q02/3Q02	2002	% Change 2002/01
Debt financial expense	(140.1)	+30.4%	(419.8)	+13.9%
Financial Income	**32.7**	+24.9%	124.1	(10.2%)
Net interest	**(107.4)**	**+32.2%**	**(295.7)**	**+28.5%**
Financial provisions & net forex	**(7.5)**	**c.s.**	**(20.5)**	**(79.1%)**
Net financial results	**(114.9)**	**c.s.**	**(316.2)**	**(3.6%)**
Net financial results excluding ARS devaluation	**(114.6)**	**c.s.**	**(276.2)**	**+8.35%**

Net financial results excluding non capitalization of UMTS financial costs of 127MM€

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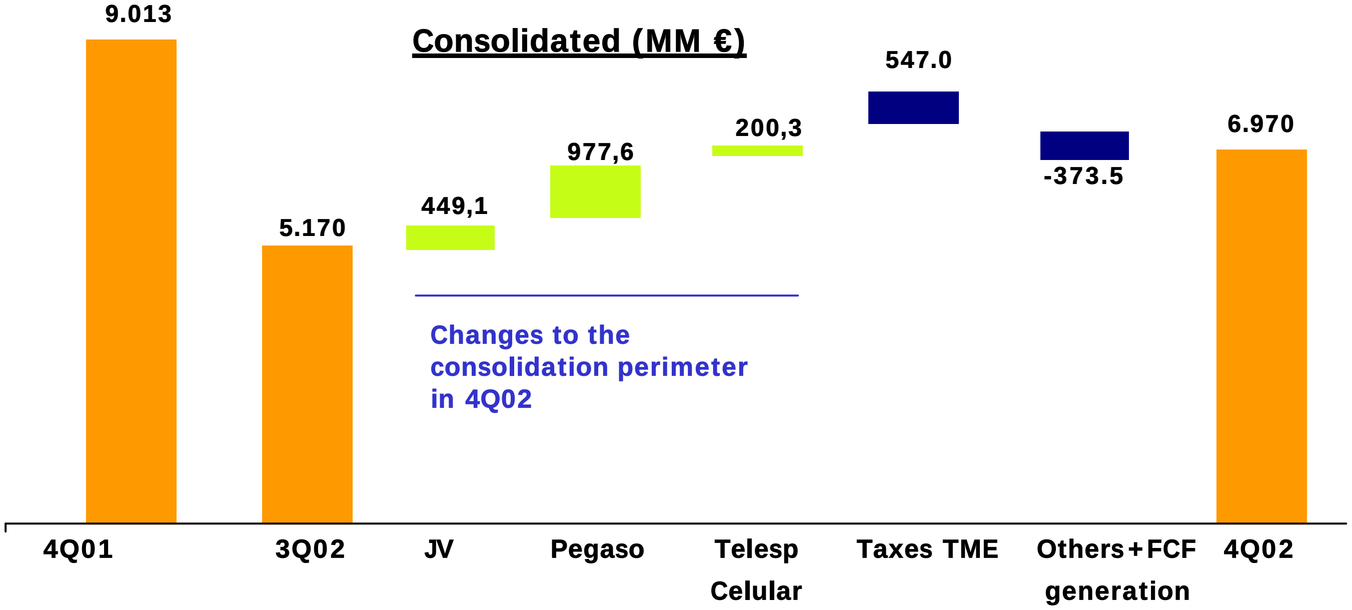
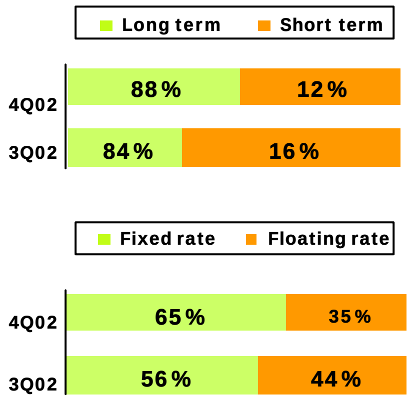
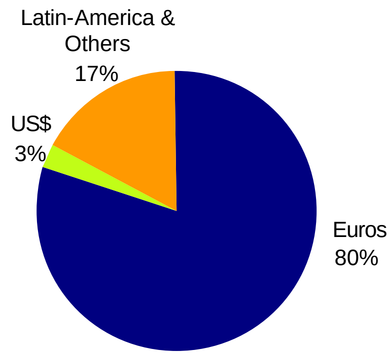
Net debt



Net Debt / EBITDA ratio < 2





- **External US$ debt of Latin American subsidiaries –except Argentinean TCP- hedged (>90%)**

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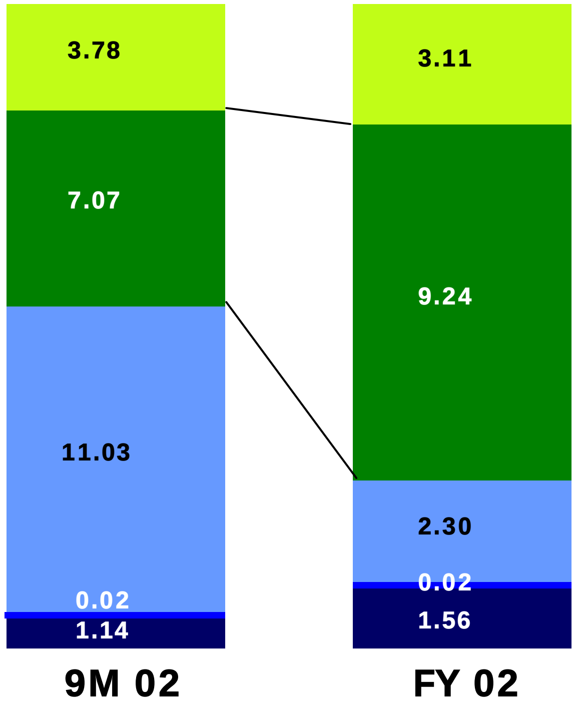
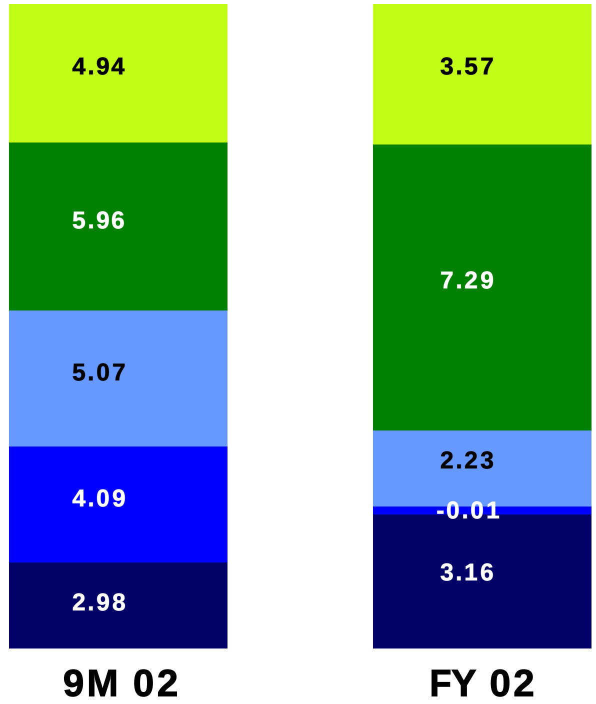
Solid balance sheet structure

Assets (€ bn)



Liabilities & equity (€ bn)



High quality balance sheet

Intangible assets over total assets: 26.1% in 2002 vs 49.7% in 2001

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Safe harbour

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