

**OTRAS COMUNICACIONES**  
**TELEFÓNICA MÓVILES, S.A.**

**Madrid, 29 de marzo de 2005**

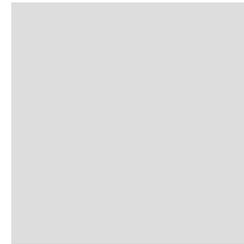
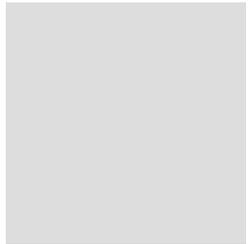
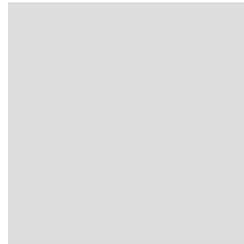
En cumplimiento de lo dispuesto en el artículo 82 de la Ley 24/1988, de 29 de julio, del Mercado de Valores y disposiciones concordantes, y para su puesta a disposición del público, como OTRAS COMUNICACIONES, adjunto se remiten pantallas explicativas de los principales impactos de la nueva normativa contable internacional (IFRS) en los estados financieros consolidados de Telefónica Móviles así como de las perspectivas financieras para el año 2005 bajo estos nuevos principios contables.

Y para que así conste a los efectos oportunos, realizo la presente comunicación en el lugar y fecha arriba indicados.

**Antonio Hornedo Muguero**

Vicesecretario del Consejo de Administración y  
Secretario General  
TELEFÓNICA MÓVILES, S.A.

# Transition to IFRS & 2005 guidance



March 29, 2005

This presentation is being broadcasted live on the Internet  
[www.telefonicomoviles.com/investors](http://www.telefonicomoviles.com/investors)



## Safe harbour

This presentation contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. Telefónica Móviles undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica Móviles's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator.

*Telefónica*

Móviles

# Index



1. **Scope of presentation**
2. **IFRS legal framework and implementation**
3. **Key messages**
4. **IFRS 1: Basis of Opening Balance Sheet**
5. **Analysis of material accounting changes**
  - Reconciliations of relevant balance sheet and P&L items
6. **2005 Guidance**
7. **Detailed description of main impacts: Spanish GAAP vs. IFRS by accounting change**

*Telefónica*

Móviles

# 1 Scope of the IFRS presentation

The objective of this presentation is to describe the main changes identified in the transition from Spanish GAAP to IFRS.

Impacts contained herein are:

- Preliminary, as only full compliance with International Financial Reporting Standards issued at 31/12/2005 is required. This financial information has been prepared based on the principles and regulations known to date, and on the assumption that IFRS principles presently in force will be the same as those that will be adopted to prepare the 2005 consolidated financial statement and, consequently, does not represent a complete and final reconciliation to these regulations,
- Un-audited, based on restated 2004 results. Therefore, this financial information is a quantitative and summarized approximation, which is not final and may be subject to future modifications.
- And related to consolidated accounts only.



## 2 IFRS legal framework and implementation

EU approved in 2002 the transition to the IFRS standards issued by the IASB

### Scope

- Quoted companies: 1/1/05
- Non quoted companies: option local GAAP/IFRS
- Separate financial statements: local GAAP

### Deadlines

- First IFRS reporting: 31/12/05. Full compliance with IFRS issued at 31/12/05 (Obligation to present year-end 2004 Balance Sheet, P&L and reconciliations for comparative purposes).
- Date of transition: 1/1/04 (opening Balance Sheet)
- Comparing periods: 1 year
- 2005 Interim results: Based on IFRS

### Telefónica Móviles Group will:

- Provide 2004-2008 guidance under IFRS in April, 2005 (Investors Conference)
- Release 1Q05 results under IFRS in May, providing comparable data for 1Q04.
- Provide comparable 2004 full year P&L & closing balance sheet in July.

# 3 Key messages



## IFRS do not impact:

- TEM Group's cash flow generation
- TEM Group's commitment on dividend
  - Dividend payment is dependent on Telefónica Móviles, S.A. results and distributable reserves, which are not subject to IFRS application
- TEM Group's value
- TEM Group's future cash tax payments
  - Tax is paid on statutory separate accounts, not IFRS accounts



## 4 IFRS 1: Basis of Opening Balance Sheet

### First-time adoption rules, exemptions and options

#### General principle

- Full retrospective application of all IFRS accounting policies in force at 31/12/05 to prepare its opening Balance Sheet at the date of transition: January 1, 2004.
- All adjustments required shall be recognised in Equity:
  - Recognise assets & liabilities that IFRS requires
  - Derecognise assets & liabilities that IFRS does not allow
  - Classify and measure all assets & liabilities in accordance with IFRS

#### IFRS1 Exemptions and Options

- TEM has used some of the exemptions in IFRS1 to prepare the opening Balance Sheet. The most significant are:
  - Date of transition to IFRSs: 1/1/2004
  - Past Business Combinations
  - Revaluation as deemed cost
  - Cumulative Translation Differences
  - Share-based payment transactions

*Telefónica*

Móviles

# 4 IFRS 1: Basis of Opening Balance Sheet

## Selected exemptions and options

### First time adoption of IAS 32, 39 & IFRS 4

- Transition date for all standards, including IAS 32, 39 & IFRS4, is 1/1/2004.

### Business Combinations

- TEM has chosen not to apply IFRS3 retrospectively to business combinations that occurred before the date of transition. No restatement and goodwill is tested for impairment at the date of transition.
- TEM elected to apply IAS 21 retrospectively to fair value adjustments and goodwill arising in all business combinations that occurred before the date of transition. Fair value adjustments and goodwill in foreign subsidiaries are accounted for in local currency and translated into € at closing fx.

### Revaluation as deemed cost

- TEM has chosen to use previous GAAP revaluations(i.e, inflation adjustments) as deemed cost for Property, Plant and Equipment, Investment Properties and those Intangible Assets that meet the revaluation criteria. Previous carrying amounts remain unchanged opening Balance Sheet under IFRS.

### Cumulative translation differences

- TEM has elected not to apply IAS 21 to cumulative translation differences existing at the date of transition. Cumulative translation differences are deemed to be zero in the opening Balance Sheet under IFRS.

### Share-based payment transactions

- TEM has decided not to apply IFRS2 to equity instruments granted on, or before, November 7, 2002.



*Telefónica*

Móviles

## 5 Analysis of material accounting changes

Transition to IFRS leads to two types of adjustments:

1. **Measurement adjustments:** as the recognition and measurement requirements set out by IFRSs differ in some aspects from previous Spanish GAAP.
2. **Presentation adjustments:** related to changes in classification between line items within the Balance Sheet or the Income Statement.





## 5 Analysis of material accounting changes Reconciliation of Equity under IFRS

MM€

As of December 31, 2004

<b>Consolidated Shareholder's equity under Spanish GAAP</b>	<b>4,719.9</b>
Goodwill and fair value adjustments in business combinations	(733.6)
Capitalised costs (start-up costs & cost associated to the issue of capital)	(220.4)
Income taxes	(121.0)
Inflation adjustment (Hyperinflation economies)	(99.8)
Financial instruments (measurement & recognition)	(6.5)
Revenue recognition	(30.8)
Others	13.8
<b>Total adjustments</b>	<b>(1,198.4)</b>
<b>Parent shareholder's equity under IFRS</b>	<b>3,521.5</b>
<b>Minority interests</b>	<b>(86.1)</b>
<b>Consolidated shareholder's equity under IFRS</b>	<b>3,435.4</b>

*Telefónica*

Móviles



## 5 Analysis of material accounting changes Reconciliation of Net Debt under IFRS

MM€

<b>Consolidated 2004 Net debt under Spanish GAAP</b>	<b>8,176.4</b>
Financial instruments measurement	159.0
<b><i>Total adjustments</i></b>	<b>159.0</b>
<b>Consolidated 2004 Net debt under IFRS</b>	<b>8,335.4</b>

# 5 Analysis of material accounting changes

## Reconciliation of 2004 P&L metrics under IFRS



← Measurement adjustments →

FY 2004 MME	Spanish GAAP	Goodwill & Business Combinations	Financial Instruments	Income Taxes	Revenue Recognition	Capitalised costs	Inflation Adjustm.	Others	Presentation adjustments	IFRS
Revenues	11,828	-	-	-	(35.3)	-	(48.7)	-	-	11,744
Operating Income before D&A	4,701	-	2.6	-	(9.0)	(8.3)	(3.9)	(4.6)	(100.2)	4,578
Operating income	3,090	(32.0)	2.6	-	(9.0)	77.8	28.6	(3.1)	(100.2)	3,055
Net income	1,634	51.5	14.2	27.2	(7.1)	53.7	(60.0)	(13.9)	0.0	1,700

- Higher amortization due to the straight-line amortisation of Administrative concessions
- Goodwill is no longer amortized

Lower D&A

From extraordinary income/expense below Operating Profit to ordinary income/expense above Operating Profit

Deferred taxes under IFRS

Mexico, Chile & Peru are not qualified as hyperinflationary under IFRS.

## 6 Strategic priorities for 2005



### SPAIN (TME)

- Preserving leadership in terms of quality, new services & profitability, fostered by a UMTS differentiated deployment in a high competitive market

### LATAM

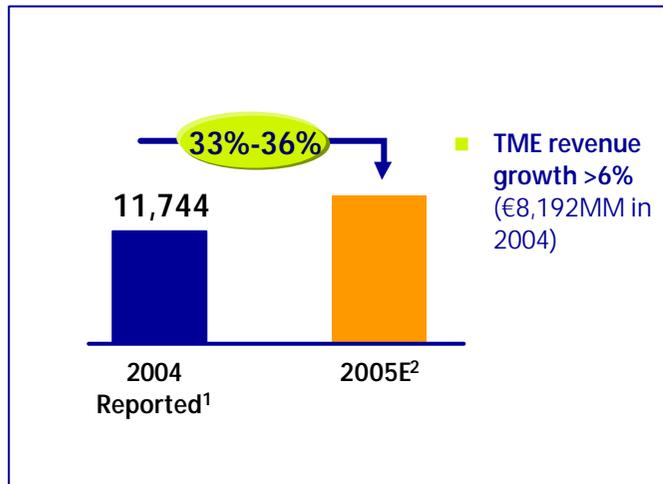
- Brazil: capture best-quality growth opportunities, both geographically and by segments while defending market share from aggressive competition
- Mexico: reinforcing #2 position in the market by capturing strong customer growth
- Other key markets: Argentina & Colombia focused on growth, Venezuela & Chile focused on increasing profitability
- Integration of BS operations

**Capturing strong growth opportunities & preserving competitive positions in our markets while improving cash-flow generation**

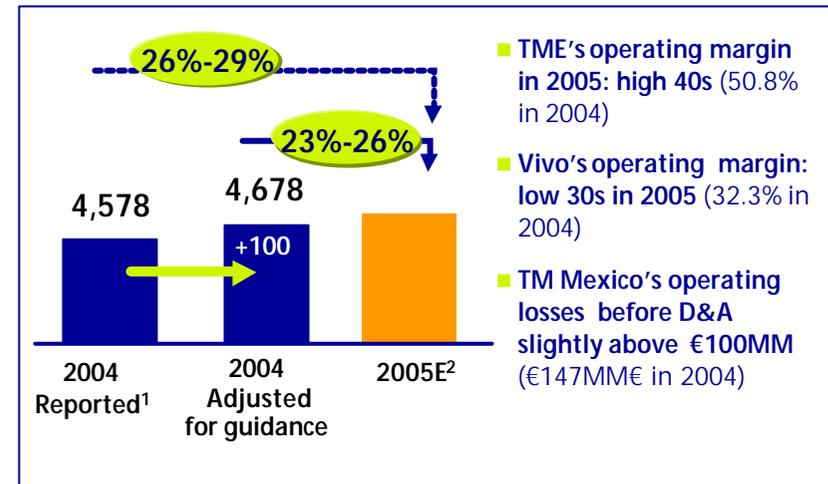
# 6 TEM Group 2005 guidance under IFRS

In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005.

Group Revenues (MM€)



Group Operating income before D&A (MM€)



<sup>1</sup> 2004 Reported figures under IFRS. Includes TM Chile from August 2004 and Bellsouth's Latam operations in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay & Venezuela from November 2004.

In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses, amounting to 100MM€ in 2004. Personnel restructuring costs and Real Estate are included as operating revenues/expenses.

Operating margin: operating income before D&A/Revenues.

<sup>2</sup> All projections refer to local currency (constant exchange rates) and exclude changes in consolidation other than assets acquired to BellSouth in Argentina & Chile in 2005.

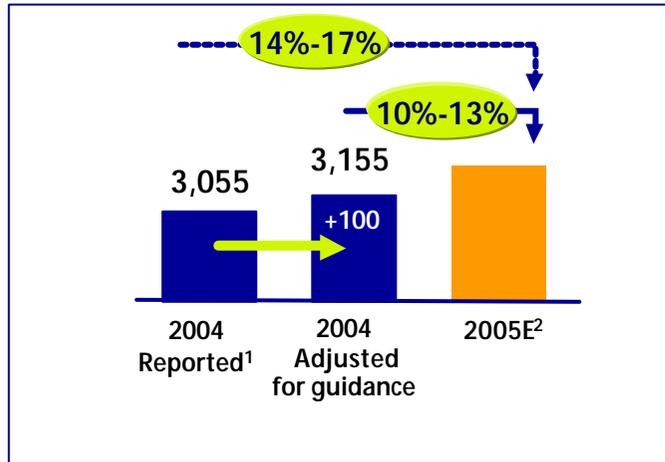
**Guidance does not imply linear growth during the year. Based on last year's performance and on different growth patterns by region expected in 2005, quarterly growth rates during the year will not be uniform.**



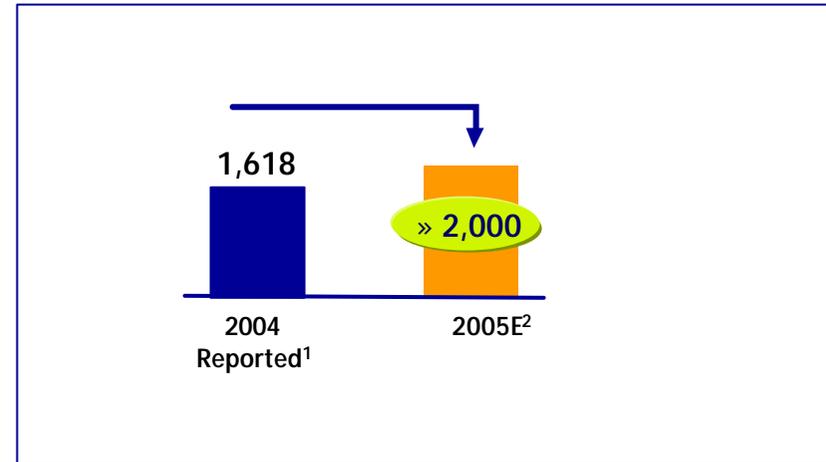
# 6 TEM Group 2005 guidance under IFRS

**In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses not foreseeable in 2005.**

Group Operating income (MM€)



Group Capex (MM€)



<sup>1</sup> 2004 Reported figures under IFRS. Includes TM Chile from August 2004 and Bellsouth's Latam operations in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay & Venezuela from November 2004.

In terms of guidance calculation, Operating Income before D&A and Operating Income exclude other exceptional revenues/expenses, amounting to 100MM€ in 2004. Personnel restructuring costs and Real Estate are included as operating revenues/expenses.

<sup>2</sup> All projections refer to local currency (constant exchange rates) and exclude changes in consolidation other than assets acquired to BellSouth in Argentina & Chile in 2005.

**Guidance does not imply linear growth during the year. Based on last year's performance and on different growth patterns by region expected in 2005, quarterly growth rates during the year will not be uniform.**



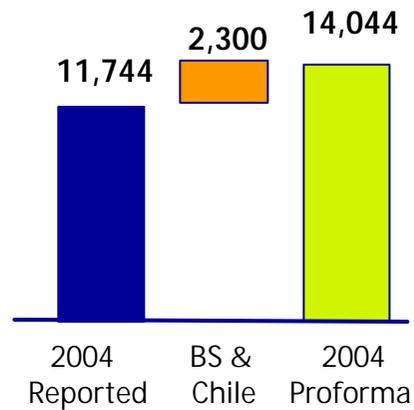
# 6 TEM Group 2004 Proforma under IFRS



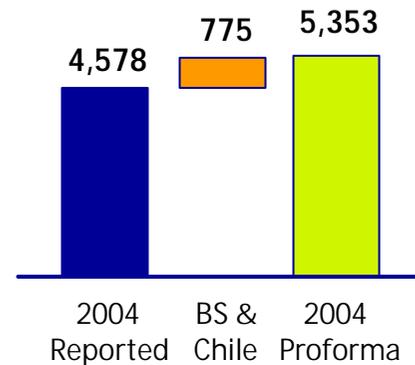
TEM  
GROUP  
PROFORMA

- Includes from January 1<sup>st</sup>, 2004:
  - Telefónica Móvil Chile (acquired in July, 2004)
  - 8 companies acquired to BS in October 2004 and incorporated in November 2004 (Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay & Venezuela)
  - Companies acquired to BS in Argentina & Chile in January, 2005

Revenues  
(MM€)



Operating income before  
D&A (MM€)





## Appendix:

### Detailed description of main impacts: Spanish GAAP vs. IFRS by accounting change

*Telefónica*

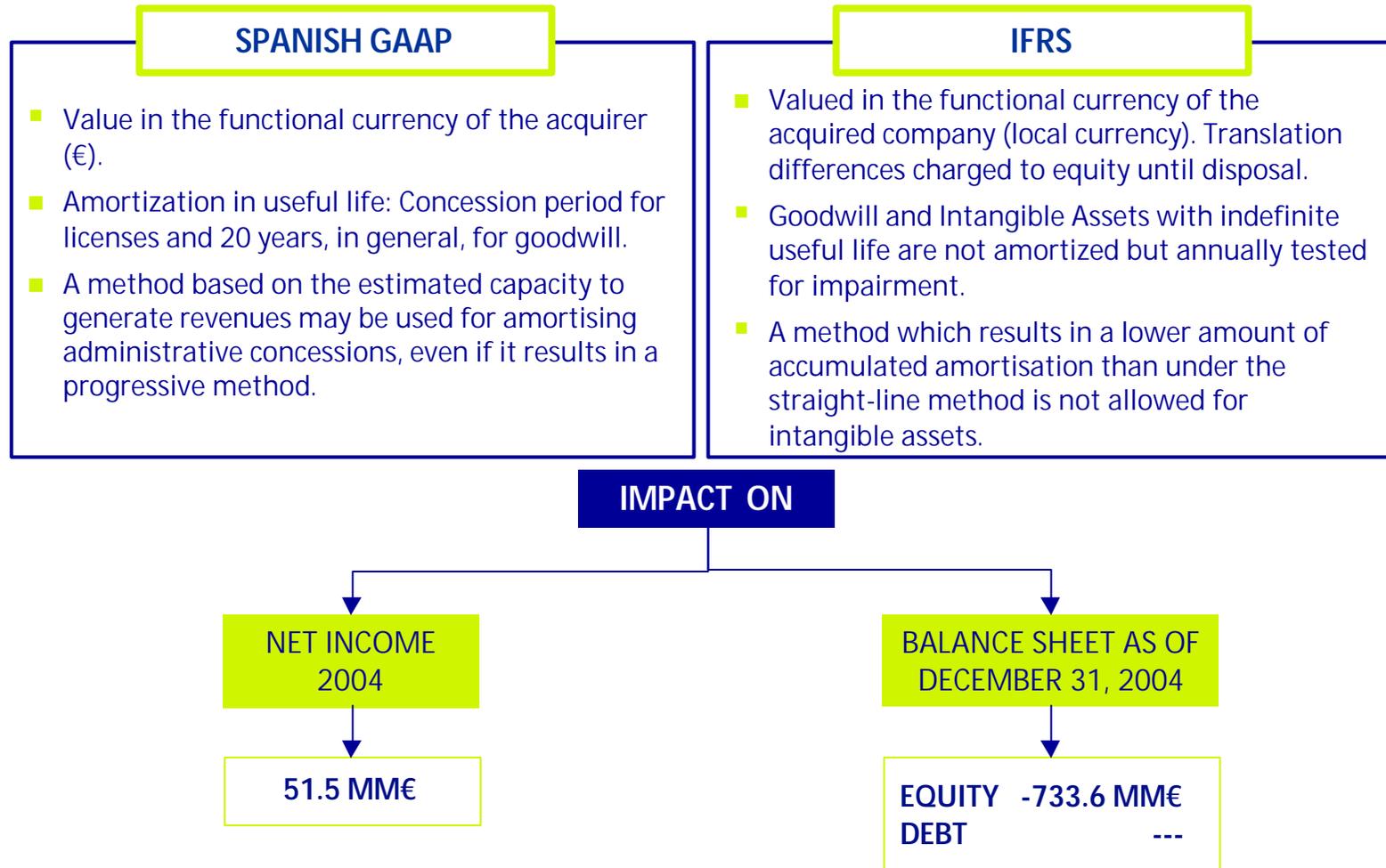
Móviles



# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (I)

### ■ GOODWILL AND FAIR VALUE ADJUSTMENTS IN BUSINESS COMBINATIONS

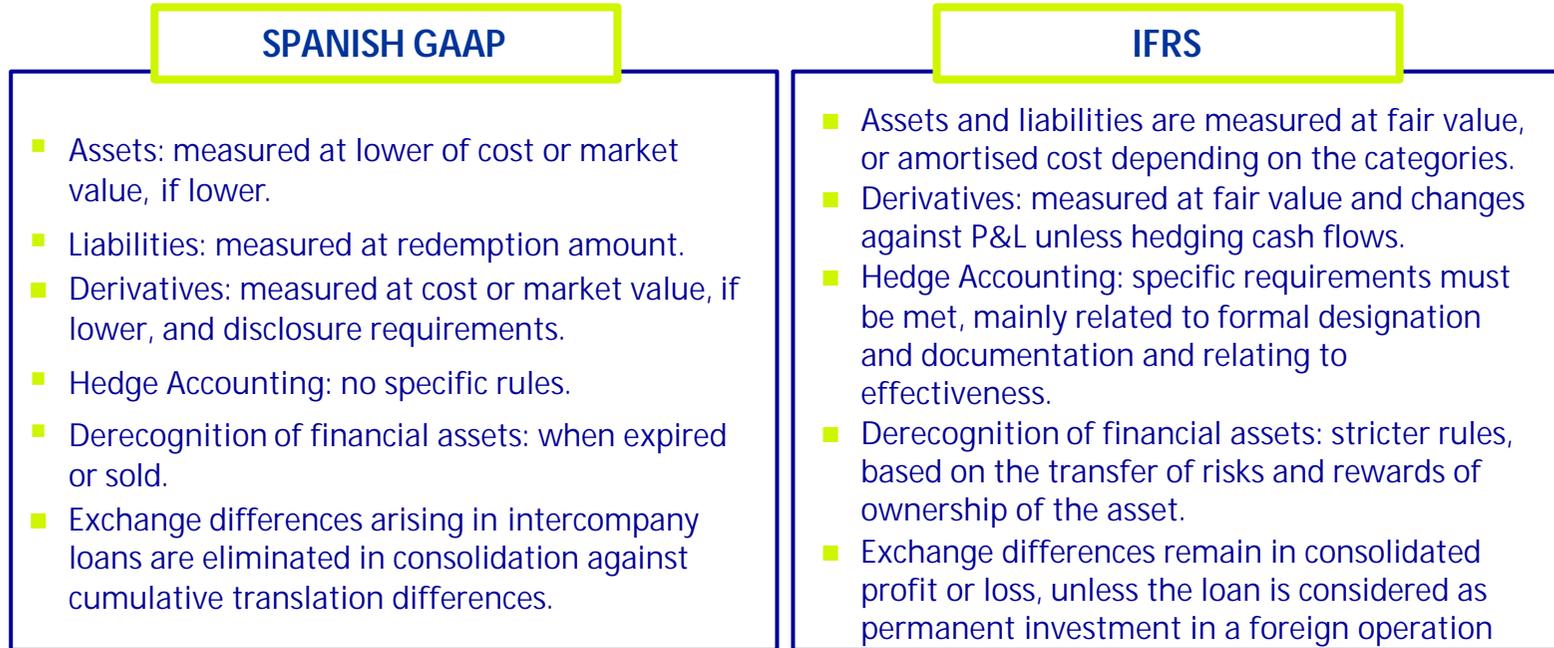




# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (II)

### ■ FINANCIAL INSTRUMENTS



### IMPACT ON

NET INCOME  
2004

14.2 MM€

BALANCE SHEET AS OF  
DECEMBER 31, 2004

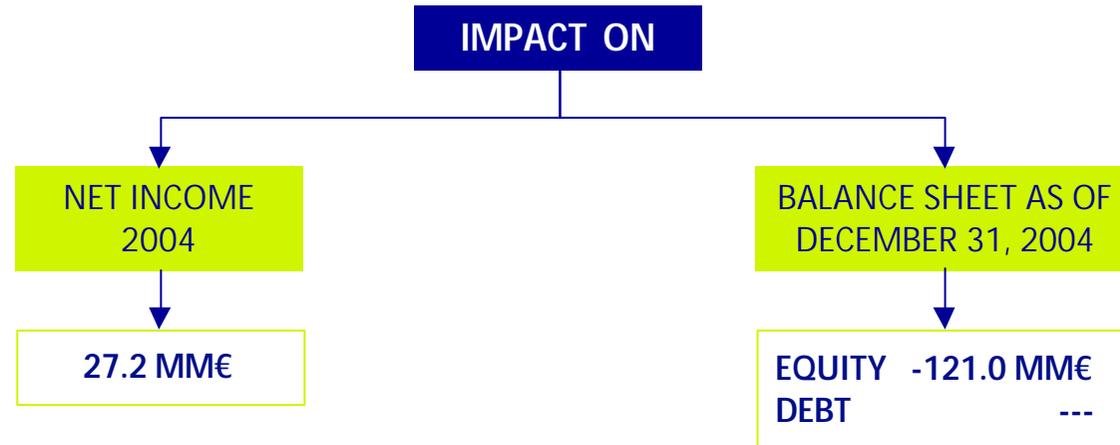
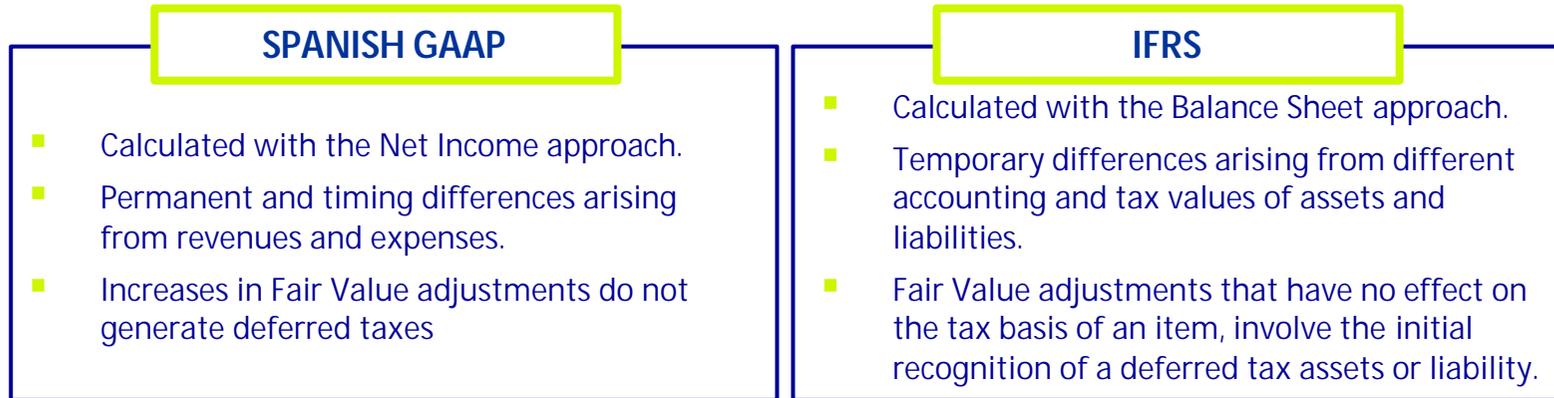
EQUITY	-6.5 MM€
DEBT	159.0 MM€



# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (III)

### ■ INCOME TAXES

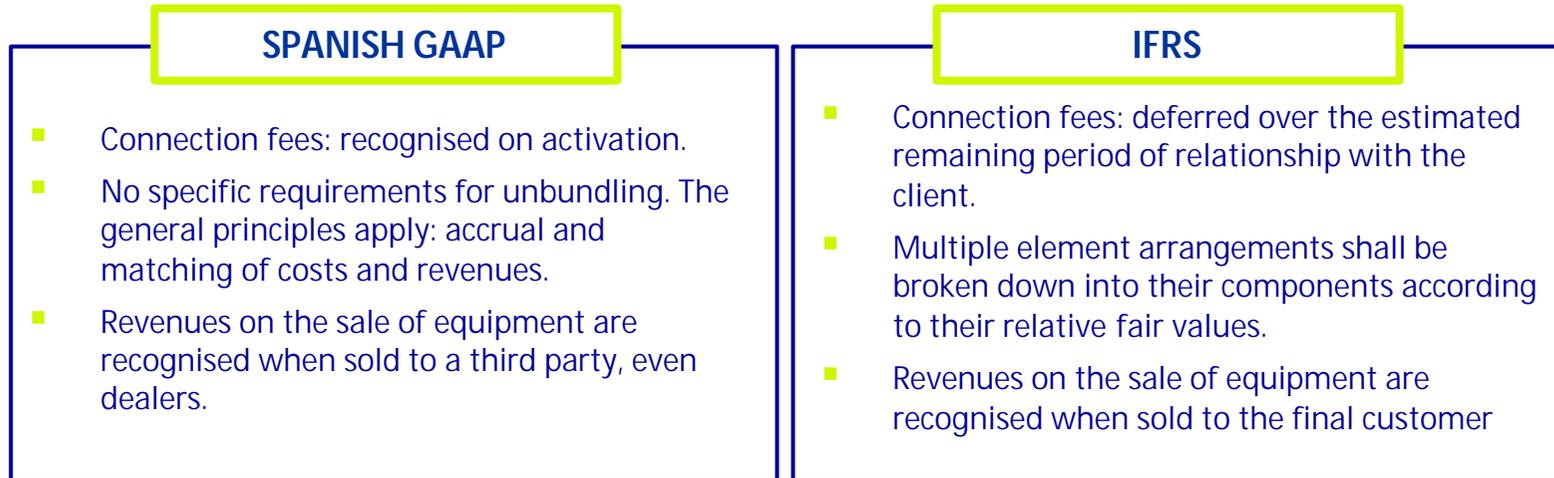




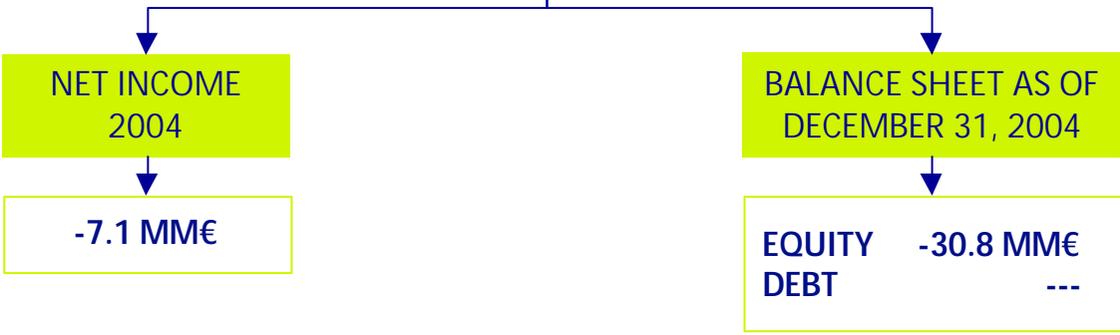
# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (IV)

### ■ REVENUE RECOGNITION AND MULTIPLE ELEMENTS ARRANGEMENTS



### IMPACT ON

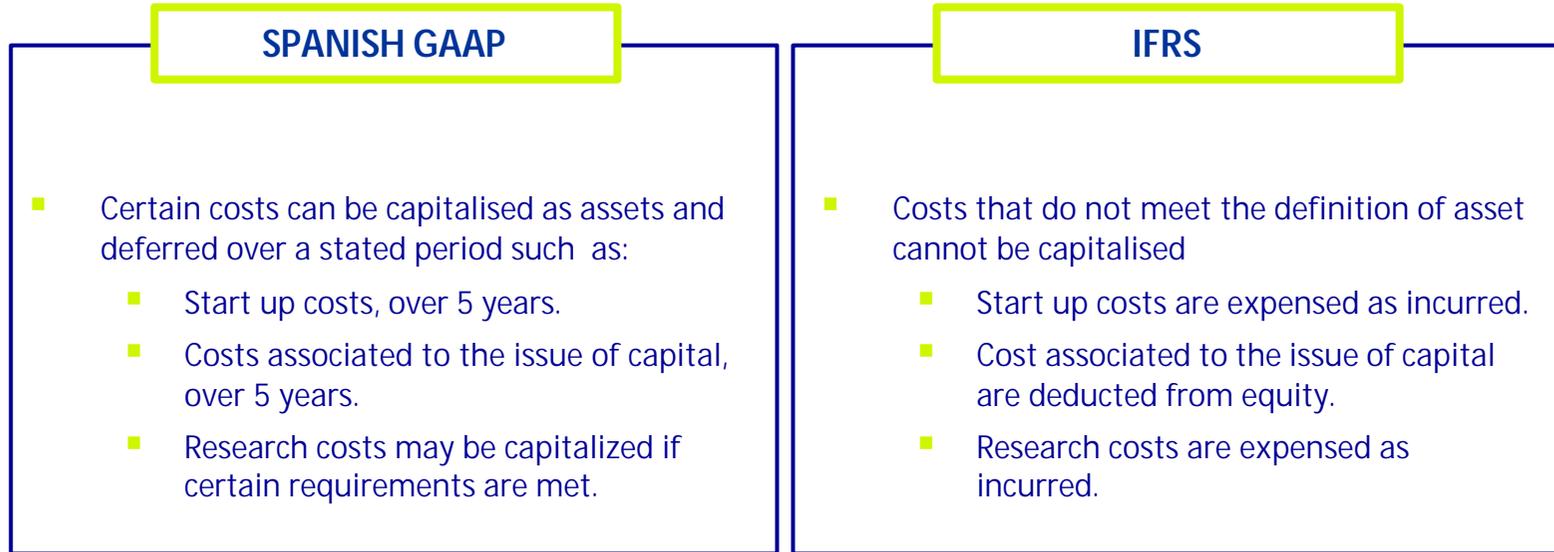




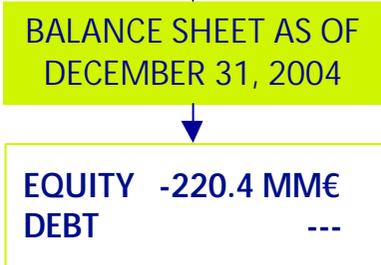
# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (V)

### ■ CAPITALISED COSTS



### IMPACT ON

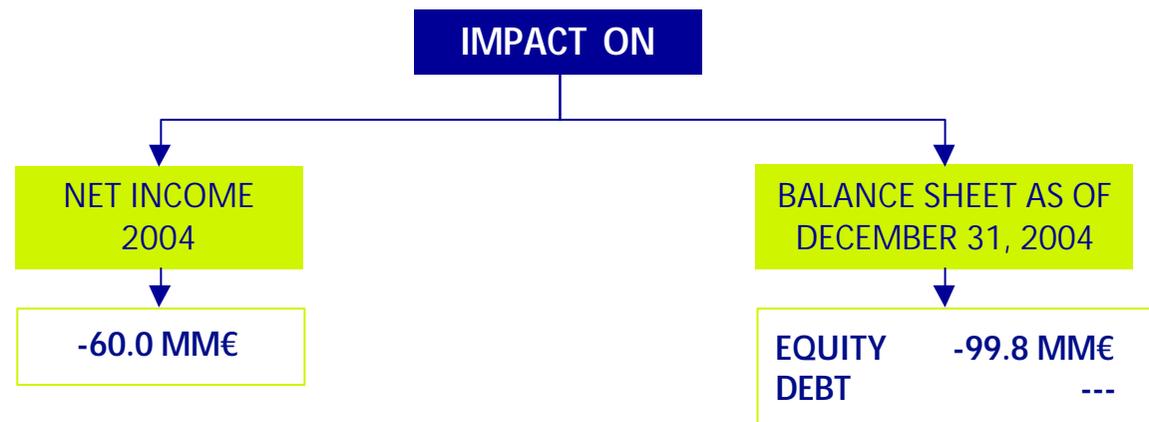
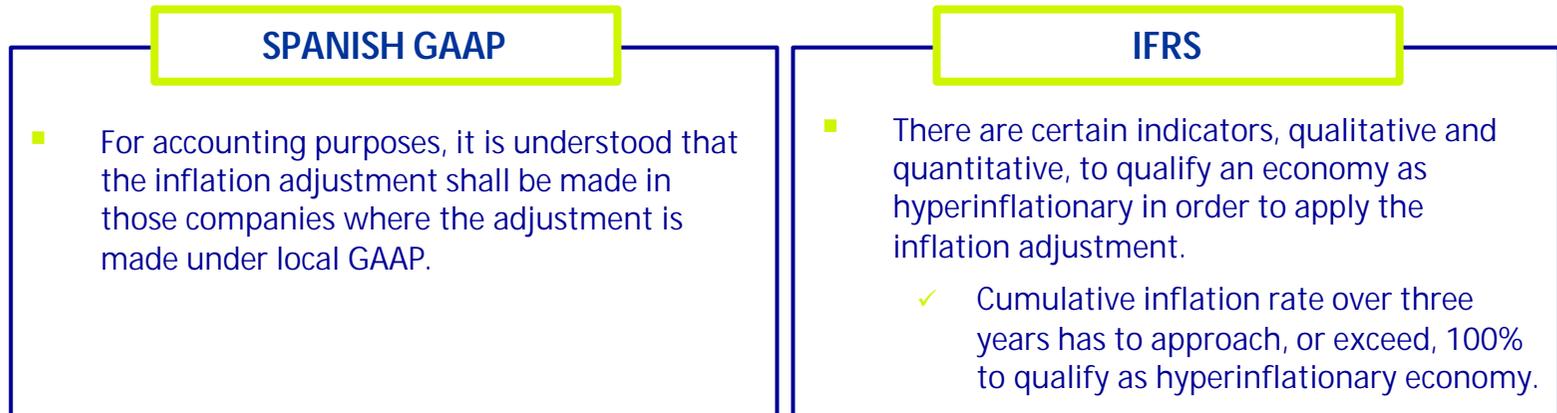




# 7 Spanish GAAP vs. IFRS by accounting change

## 1. Measurement adjustments (VI)

### ■ INFLATION ADJUSTMENT (HYPERINFLATION ECONOMIES)

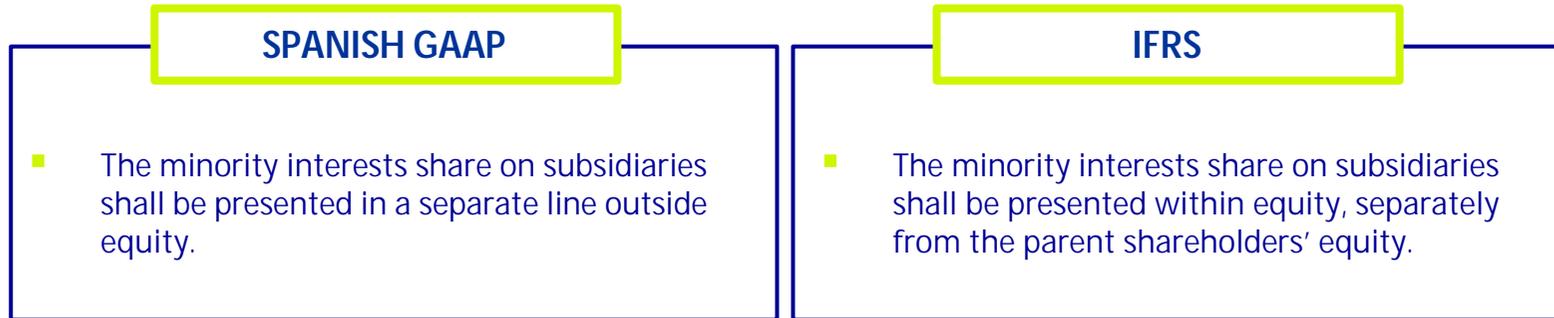




# 7 Spanish GAAP vs. IFRS by accounting change

## 2. Presentation adjustments (I)

### ■ MINORITY INTERESTS





# 7 Spanish GAAP vs. IFRS by accounting change

## 2. Presentation adjustments (II)

### ■ EXTRAORDINARY ITEMS

#### SPANISH GAAP

- Gains and losses which are of a nature different from those of the ordinary course of business and are not expected to occur frequently, shall be classified as "extraordinary" items in the Income Statement.
  - ✓ Restructuring personnel costs are classified as extraordinary

#### IFRS

- No items can be classified as "extraordinary" in the Income Statement and in notes. All items of income and expense are deemed to arise from an entity's ordinary activities.
  - ✓ Restructuring personnel costs are classified as operating under the personnel expenses caption

NO IMPACT IN NET INCOME OR EQUITY

*Telefonica*

---

***Móviles***

[www.telefonicamoviles.com/investors](http://www.telefonicamoviles.com/investors)