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INVESTOR
CONFERENCE

MADRID 2003

Telefonica

Safe harbor

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***Leveraging performance excellence and
building growth***



- **A global perspective: capitalizing on performance excellence & existing growth prospects**
- **Responding to local challenges & opportunities:**
 - **Spain: sustainable leadership with world class performance**
 - **Brazil: consolidating leadership & shaping the market**
 - **Mexico: agile management to support rapid growth**
 - **Other markets: capture additional growth**
- **Guidance for our future performance**

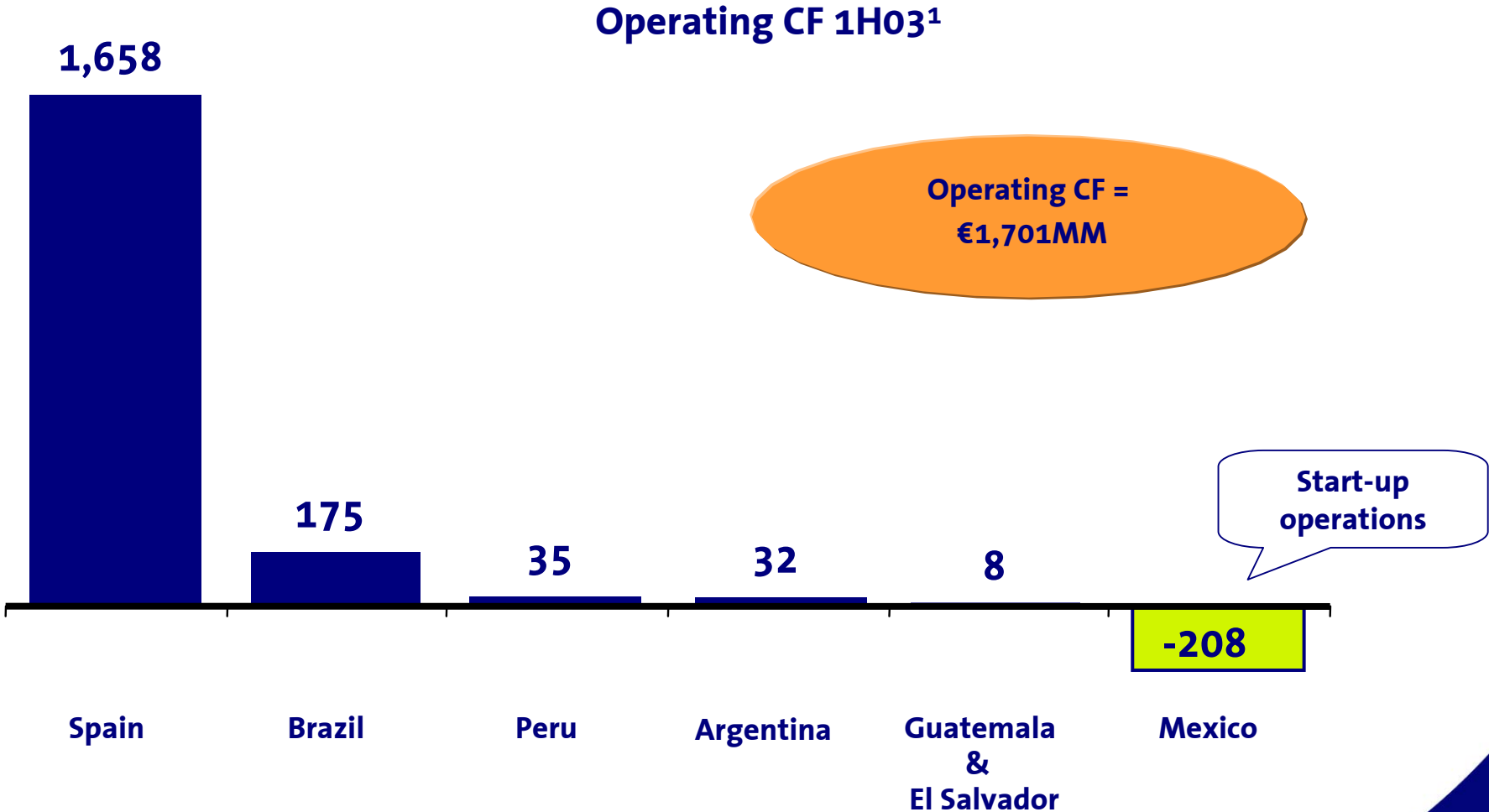


Telefónica Móviles has earned the right to grow

- **Continuing strong cash flow generation in our established markets provides strategic flexibility**
- **World-class operational capabilities are being leveraged to extract maximum potential from existing growth opportunities**
- **Positions developed in key markets provide outstanding organic growth prospects**



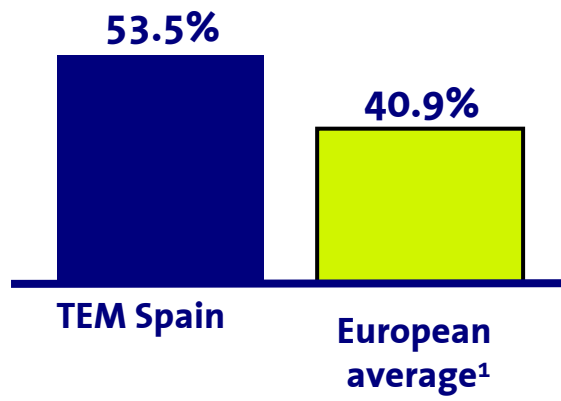
Positive CF generation in every single market with established operations providing strategic flexibility



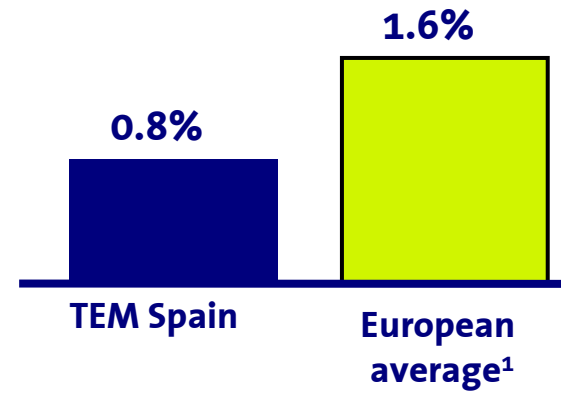
¹ Operating CF: EBITDA-Capex. Aggregate figures

World-class operational capabilities: TEM Spain is the soundest mobile operator in the industry

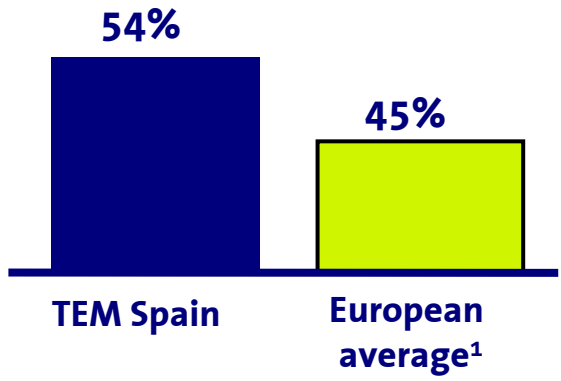
Market share 1H03



Monthly churn 1H03



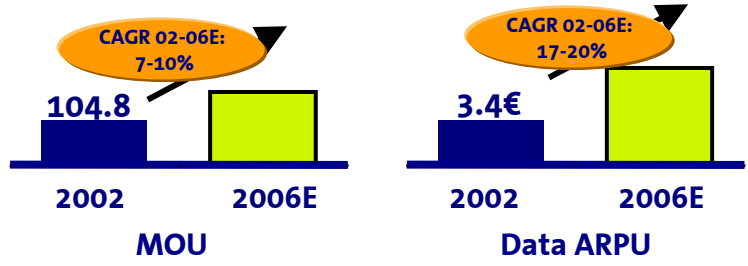
EBITDA margin 1H03



¹ Average performance for Vodafone in UK, T-Mobile in Germany, TIM in Italy, Orange in France. Source: Companies' annual reports. Vodafone figures refer to March 2003 reported information.

Outstanding organic growth prospects

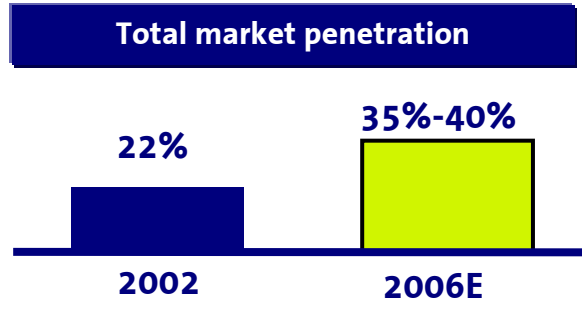
Spain



TEM's Market position

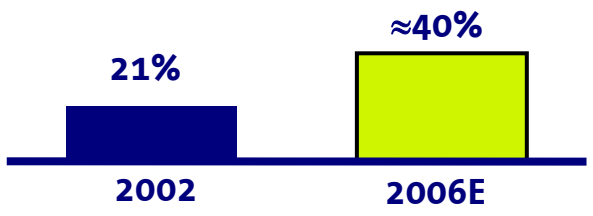
#1

Brazil
(Vivo's areas of operations)



#1

Mexico



#2

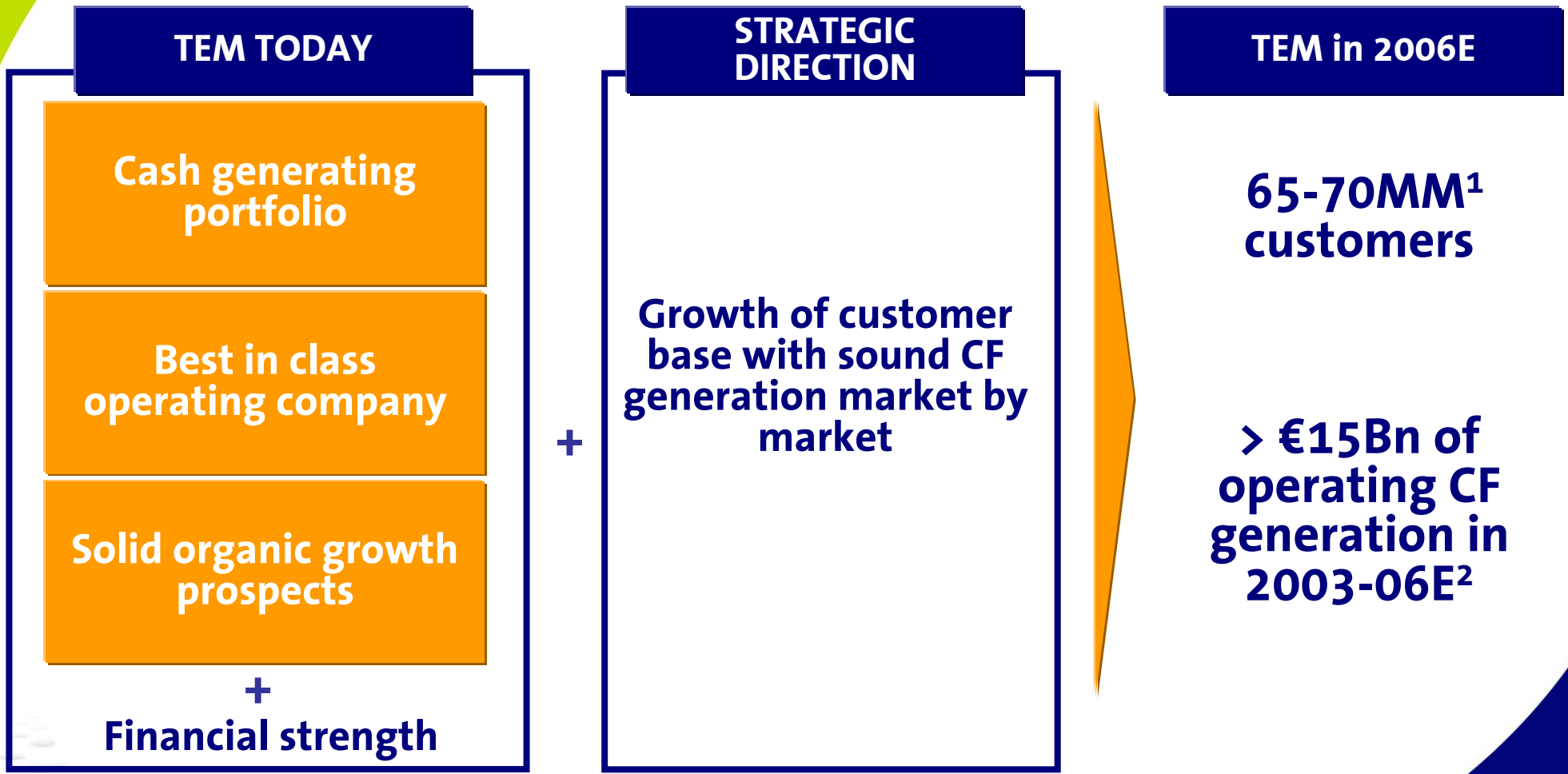
Argentina, Chile, El Salvador, Guatemala, Morocco, Peru & P.Rico

#1/#2 position in major markets with expectations of 14MM new subscribers by 2006E

- Opportunity to leverage our #1/#2 position to capture a large share of the >55MM new customers coming to the market¹
- Further market consolidation could decrease competition and increase margins

¹ Includes Brazil, Mexico, Argentina, Peru, Guatemala, El Salvador, Chile, Puerto Rico & Morocco

Unique business case



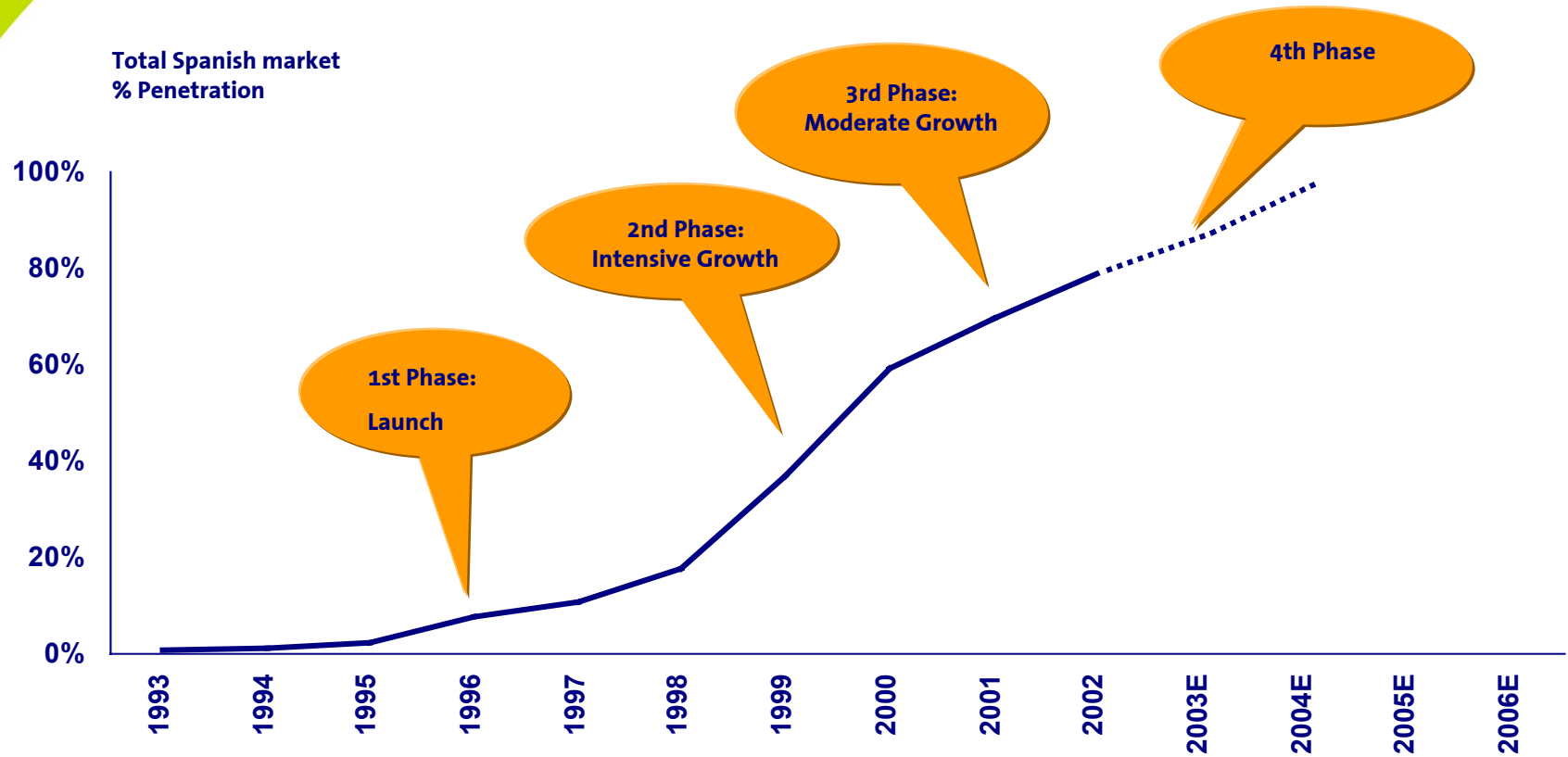
¹ Managed customer base. Includes Chile and Puerto Rico.

² Operating CF: EBITDA-Capex. Aggregate figures. Constant exchange rates as of 2002.

- **A global perspective: capitalizing on performance excellence & developed growth prospects**
- **Responding to local challenges and opportunities:**
 - **Spain: sustainable leadership with world class performance**
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We have anticipated & benefited from each major development in the Spanish market



July 1995	Dec 1996	1997-1999	March 2000
Launch of GSM	Launch of prepaid	Mass market campaigns	Launch of loyalty program

Main Milestones

Focus on

Subscriber base

Market share

Control churn rate & Enhance usage

Increase usage 3G-based services



Spain: sustainable leadership with world class performance

KEY CHALLENGES & OPPORTUNITIES

Maintain market leadership

Boost usage

Sustain operational efficiency

- **Grow selectively**
- **Maximize customer loyalty**

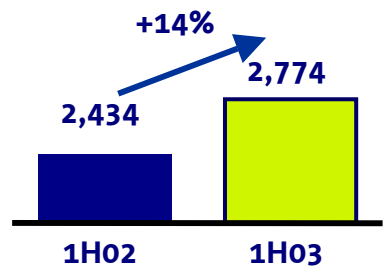
- **Sustain traffic growth rate above European average**
- **Promote data services**

- **Enhance operating profitability**
- **Maintain controlled capex/sales while investing in 3G deployment**

Selective customer base growth will be achieved through targeted initiatives

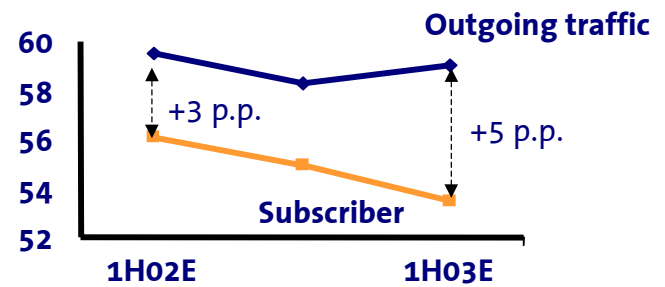
- Focus on specific segments with high growth potential
- Increase penetration among residential & corporate existing customers
- Attract customers by leveraging on our community

Corporate, SME & SoHo customers '000

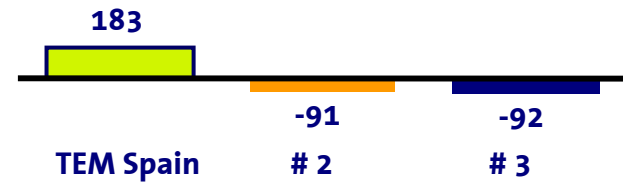


Major provider for the 2,300 largest Spanish corporations with more than 85% of their wireless lines

Gap between outgoing traffic & subscriber market share



Number portability: Net customer movements¹ '000. Nov-00 to June 03

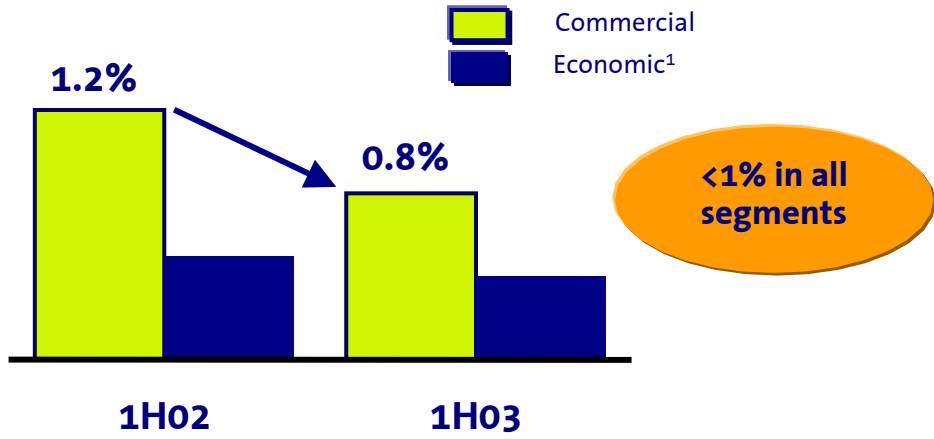


¹ Source: CMT data & company estimates. Customers we capture through portability have usage patterns similar to TME's

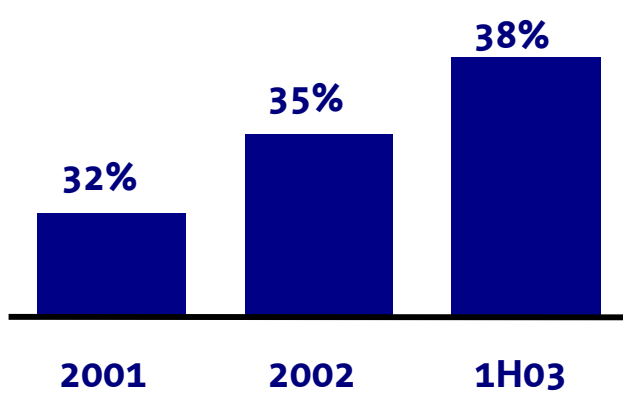
Our customer loyalty strategy will contribute to maintain a best in class churn rate

- Unique loyalty programs for contract & prepaid customers launched in March 2000
 - 10% customer base already upgraded handsets in 1H03
- Selective prepaid to contract migrations
 - 1.1 million migrations to date
- Leverage on being the largest wireless community in Spain
- Detailed operational segmentation

TEM Spain's Monthly Churn Rate



Increasing contract weight



¹ Lower economic churn indicates our competitors are capturing our low-end customers

Proactive growth of voice usage ...

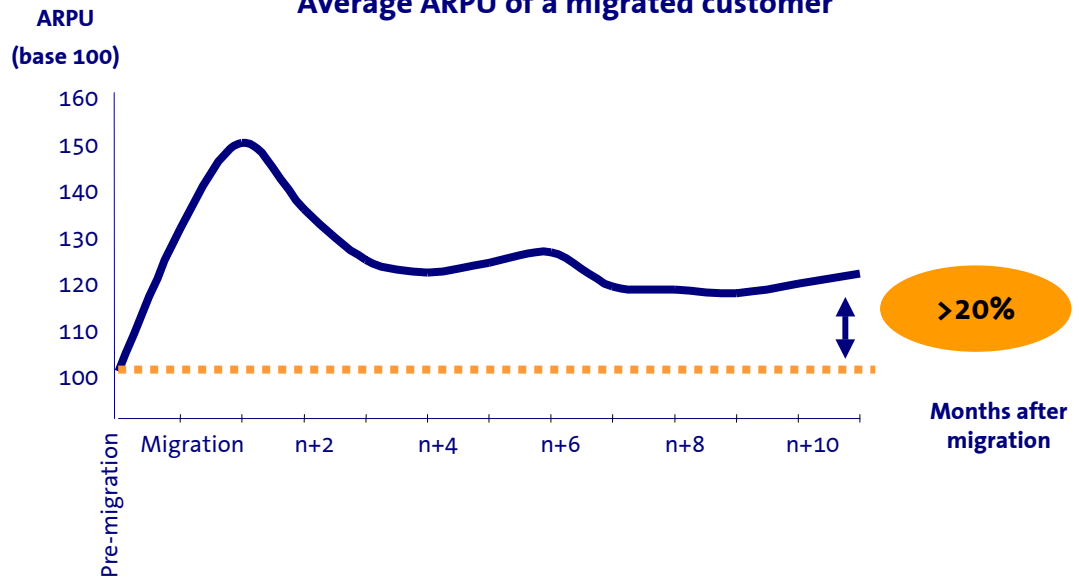
- Migrate prepaid to contract
- Increase on-net traffic, capitalising on our high market share
- Increase off-peak traffic
- Develop usage commitment
- Increase penetration of VAS



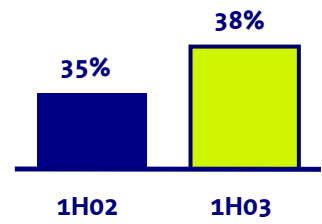
- Benefit from natural market trend to migrate fixed traffic to mobile



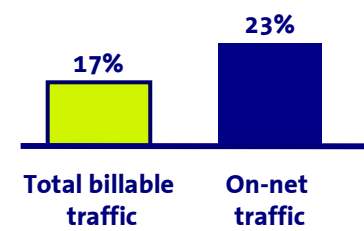
Average ARPU of a migrated customer



On-net traffic over total billable traffic

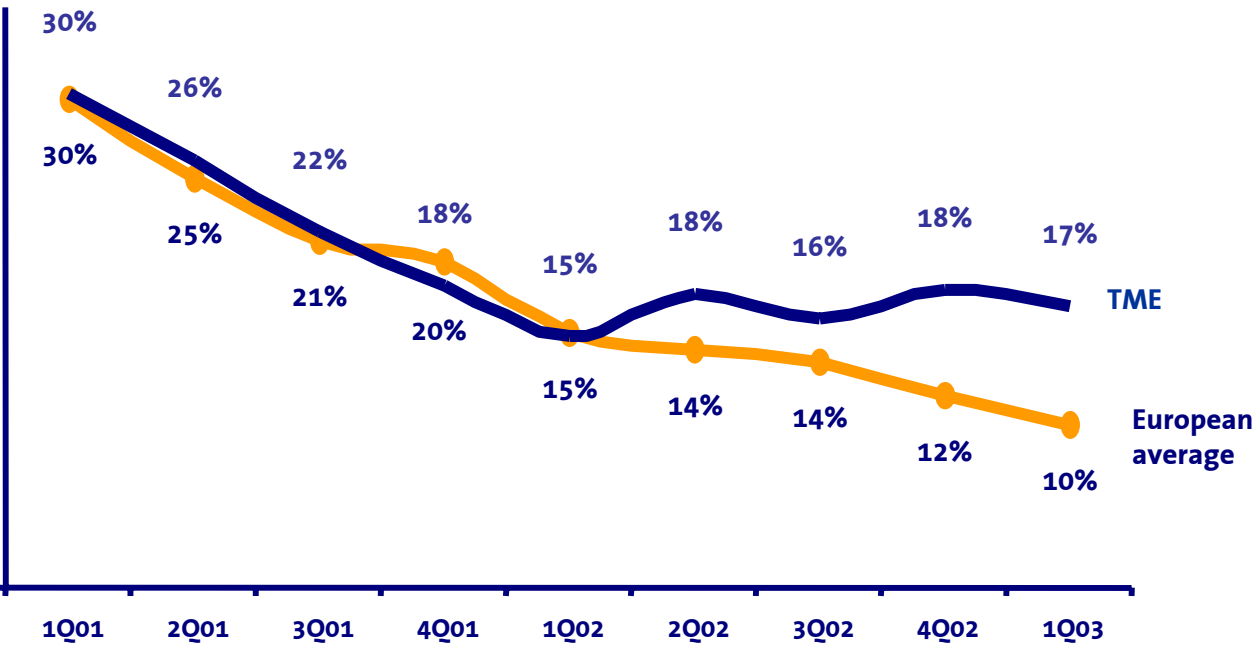


Traffic growth rates (1H03 vs. 1H02)

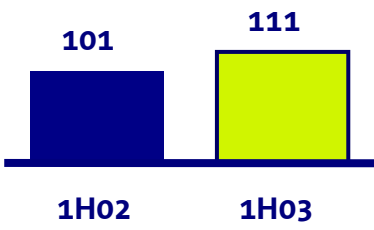


... that make our traffic growth higher than that of other European operators

Total billable traffic: y-o-y growth rates



TEM Spain's Blended MOU

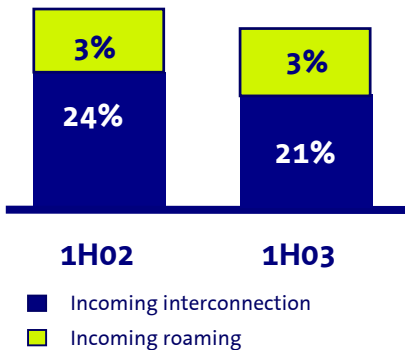


Source: Goldman Sachs, "A walk on the wireless side", June 2003
European average includes: Cosmote, KPN Be, KPN Ge, KPN Ne, Panafon, Portugal Telecom, TIM, TEM, Tele2, Telenor, Telia Sweden

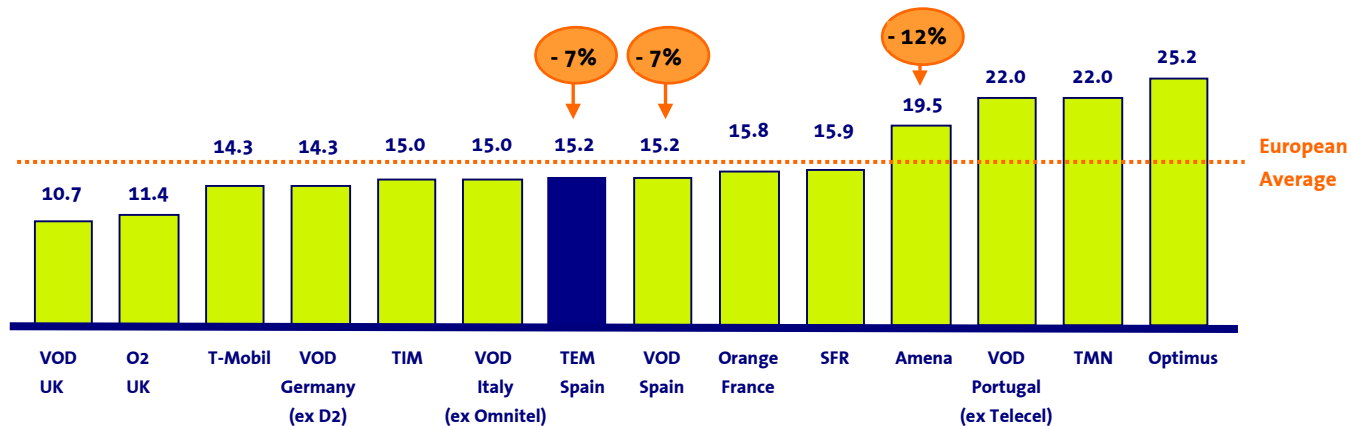
... with contained regulatory risk

Termination fees & roaming prices in line with European average

Revenues' exposure to interconnection & incoming roaming



Average termination fee per minute – Post 2003 Reductions
(Euro cents/minute)



- Least interconnection-dependent operator in Spain
- Rational evolution of prices
 - # 3 player declared dominant in the termination market
 - Current asymmetry to be progressively reduced
 - Unlikely pressure from pure 3G new entrant

Enhanced & segmented data offering

Offer customized data oriented to all our customers

- Prepaid
- Contract individuals
- SME & Corporate

SMS + MMS

MoviStar  Emoción

Oficin@ MoviStar

Blackberry

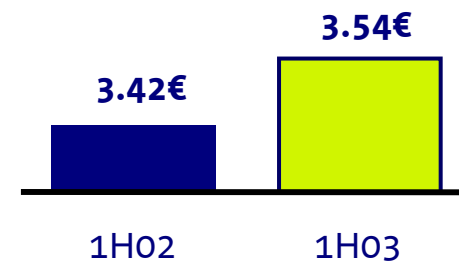
Enhance customer experience

- Content
- Ease of use
- Pricing

Guarantee access to affordable handsets

- Able to use new services
- Easy to use

Increased data ARPU



Our integrated offer will help to:

- Accelerate the penetration of data services
- Improve our market position

MoviStar *offers a wider range of contents than our main competitor in Spain*

MoviStar  +



<p>Access / Handsets</p>	<ul style="list-style-type: none"> SMS, MMS, wap, i-mode™, voice portal 	<ul style="list-style-type: none"> SMS, wap
<p>Content providers</p>	<ul style="list-style-type: none"> Wide content offer. >300 content providers. Various exclusive agreements Open focus to attract plenty of high quality providers i-mode facilitates collaboration with providers & enlarges content offer 	<ul style="list-style-type: none"> ~ 100 content providers
<p>Content downloads</p>	<ul style="list-style-type: none"> Download of JAVA applications & games Java2ME, Exen, Doja 	<ul style="list-style-type: none"> Java2ME
<p>Pricing scheme</p>	<ul style="list-style-type: none"> No fixed fee Event-based tariffs, subscription, plans ... i-mode™ offers premium content at additional price 	<ul style="list-style-type: none"> Event-based tariffs

Only operator in Spain offering i-mode™ & first European player to offer it to prepaid customers & to integrate it with SMS & MMS



New handsets enhance user-friendly navigation in



Old e-moción
Menu

New e-moción
Menu launched in
February 03

Handsets specially
adapted for
e-moción



- e-moción embedded in handset menu
- i-mode™ allows for higher navigation speed

Direct access to e-moción

Icon-driven menu

- Integrated menu
- Minimised number of clicks
- Intuitive navigation: Icon-driven
- Increased interactivity



Our wide range of own brand handsets encourages the penetration of new technologies to foster data usage

TSM handsets at very competitive prices

Today's offer ...

TSM 5	TSM 100	TSM 400
Price range: 80-100 €	Price range: 120-160 €	Price range: 600-800 €
<ul style="list-style-type: none"> • Colour screen (4,096 colours) • GPRS v.8 • Infusio games • MMS • Tri-band • 80 g. 	<ul style="list-style-type: none"> • Large colour touch screen (36,000 colours) • Java • GPRS v.10 • MMS • MP3 • Camera- embedded • USB • Multi-memory card • Personal organizer • Tri-band • 125 g. 	<ul style="list-style-type: none"> • Colour touch screen (4,096 col.) • Java • MMS • Pocket PC • PDA • Microsoft Office • Multi-memory card • Oficina Movistar • Direct access to internet • Tri-band • 200 g.

Coming soon ...

TSM 30
Price range: 100-120 €
<ul style="list-style-type: none"> • Colour screen (65,000 colours) • Java • i-mode™ • GPRS v.10 • MP3 • MMS • Camera-embedded • USB • Multi-memory card • Tri-band • 110 g.



We will maintain focus on operational efficiency

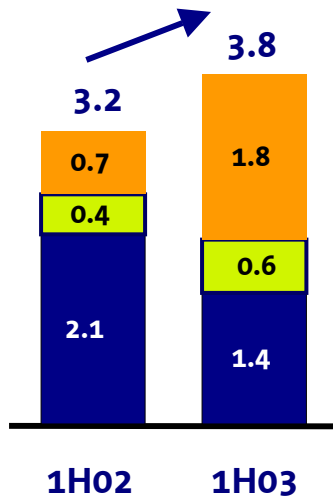
Commercial costs

- Increasing focus on loyalty programs, building on sound results from initiatives launched in March 2000
- Keeping (SAC+SRC)/operating revenues <8%

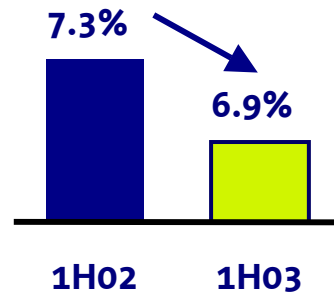
Non-commercial costs

- Lower network and operational costs per minute leveraging scale economies
- Efficiency improvements in:
 - Radio transmission
 - Billing
 - Call centre
- Lower interconnection costs
 - Least dependent on termination rates

Gross adds, migrations & handset upgrades (MM)



(SAC+SRC)/
Oper. revenues



■ Gross adds
■ Migrations
■ Handset upgrades

Our investment program will support our growth platform

2003–2006: Preparing the future & leading the UMTS deployment

- **Progressive UMTS roll-out:**
 - Gradual network deployment to steadily migrate customers to a high quality UMTS metropolitan coverage/service once attractive handsets are available
 - 750 Base stations EOY 2002
 - 1,000 Base stations EOY 2003E
 - 7,000–8,000 base stations EOY 2005E
- **High UMTS efficiency for voice & data**
- **Seamless strategy for data services development in GPRS/UMTS**

€1 bn UMTS capex in 03-06E

Optimised GSM, GPRS & UMTS capex

- **UMTS is the optimal solution for the increase in traffic we will experience**

TME commercial & operational strategies will be enhanced through the alliance with TIM, T-Mobile & Orange

TEM Spain's strategic direction

- Maximize customer base
- Boost voice & data usage
- Enhance operating efficiency
- Rationalize capex

Alliance's 4 areas of cooperation



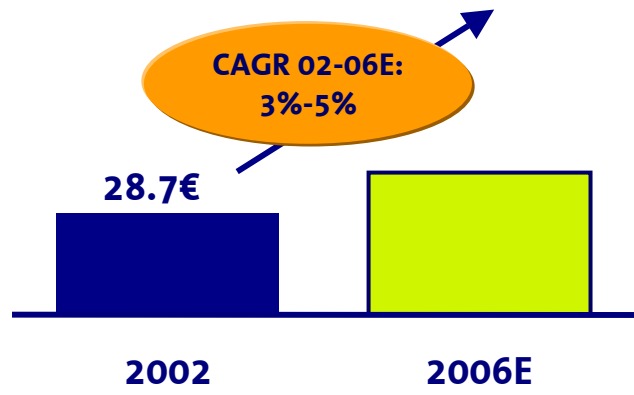
First common initiatives ALREADY launched (TEM)

- "Virtual Home Environment":
 - Caller Line ID
 - Seamless Dialling
 - Short Codes
 - Virtual Private Network
 - GPRS & MMS roaming
- Common procurement for 2003 Xmas campaign handsets
- Projects for development of common VAS

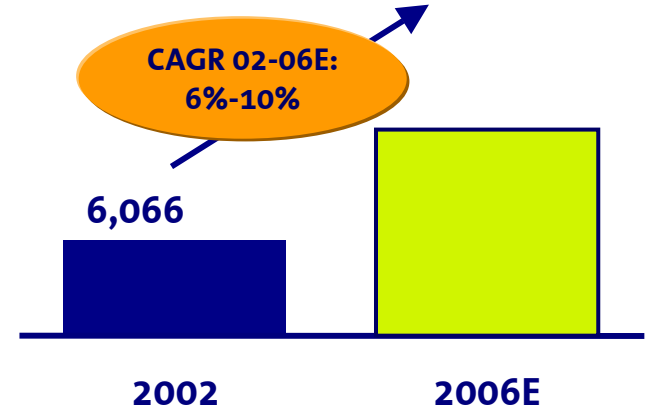
Strong commitment from partners to enhance customers offering through seamless customer experience across its combined geographical footprint

We will deliver sustained revenue growth ...

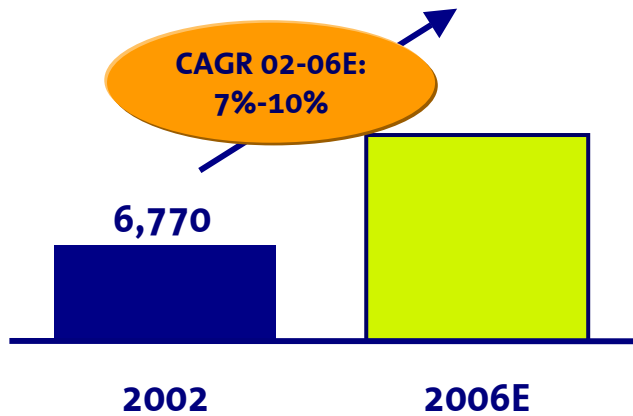
Year-on-year ARPU growth



Service revenues
MM€

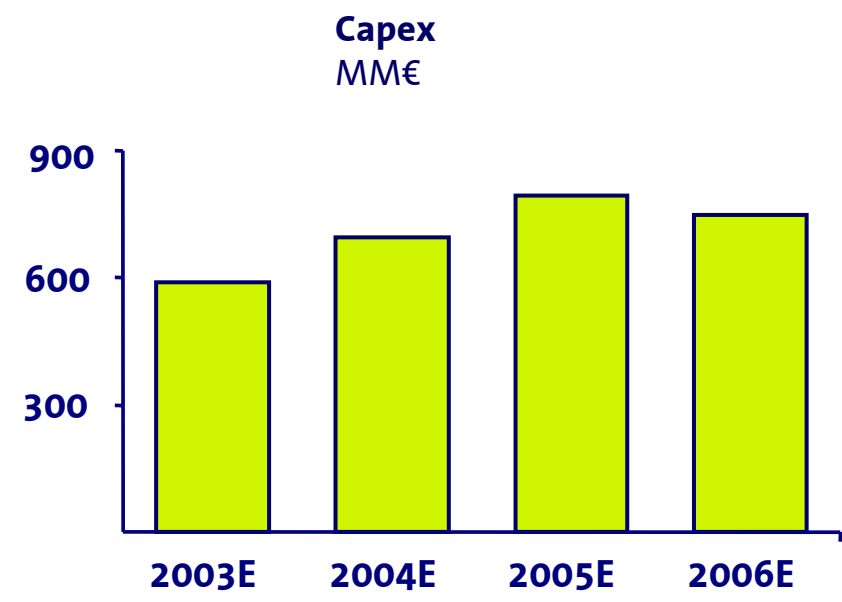
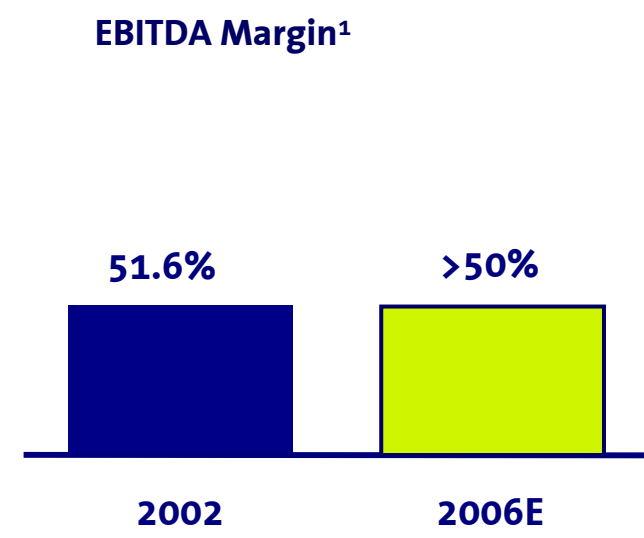
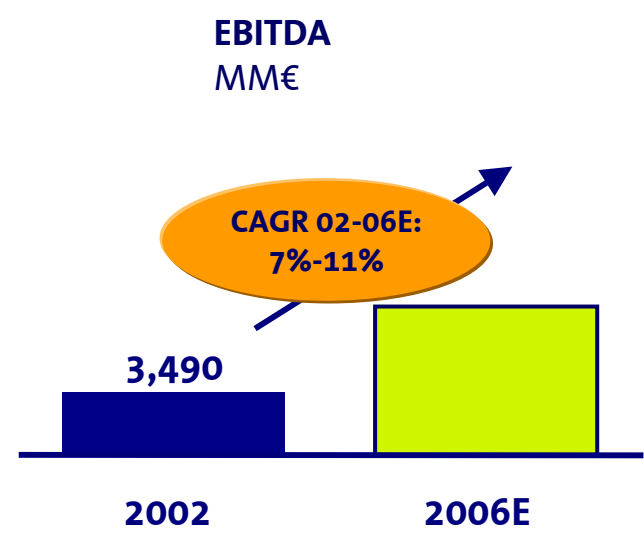


Operating revenues¹
MM€



¹Operating revenues: Service Revenues + Handset Sales

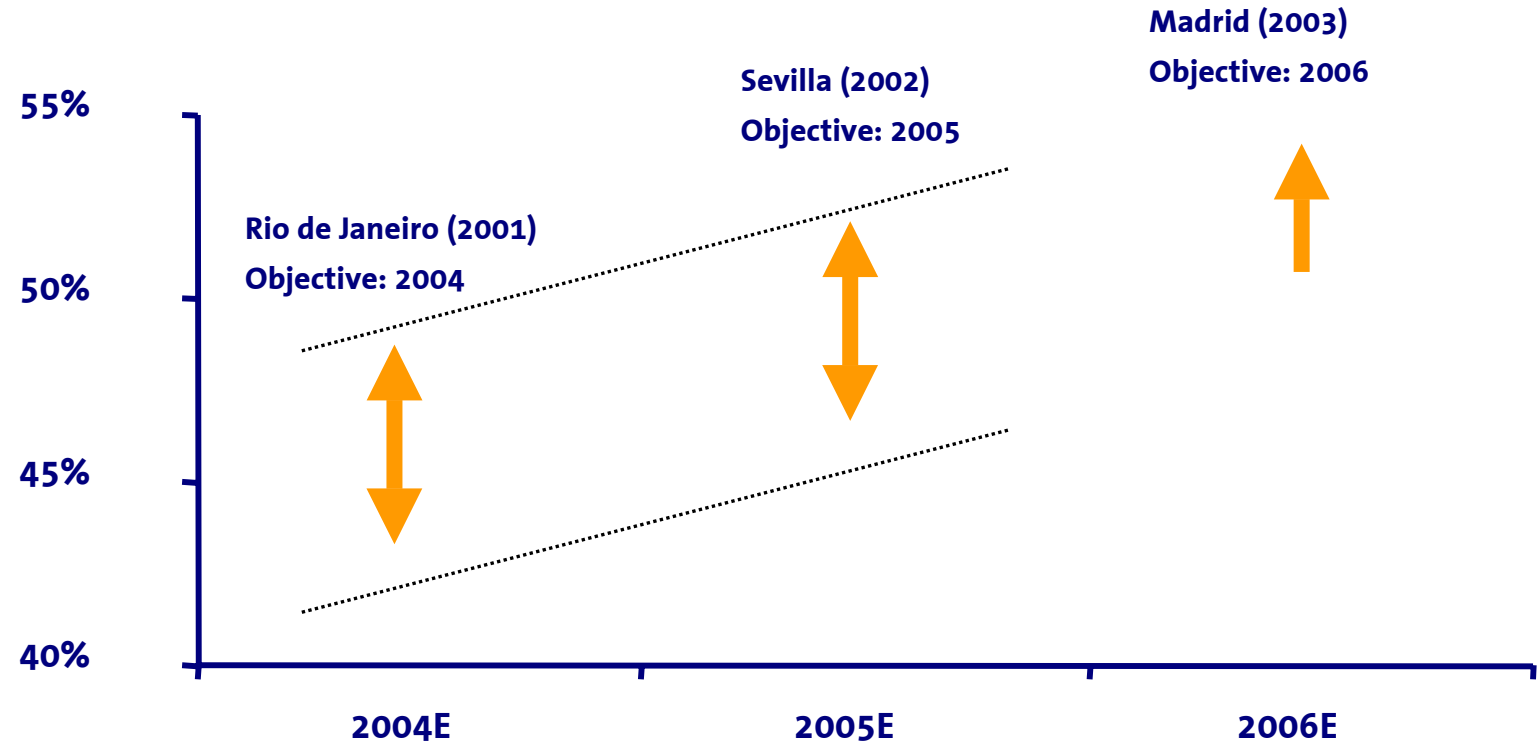
... and continue improving our profitability ...



¹ EBITDA Margin = EBITDA/Operating Revenues

... to carry on increasing our estimates year over year

TEM Spain EBITDA margin¹



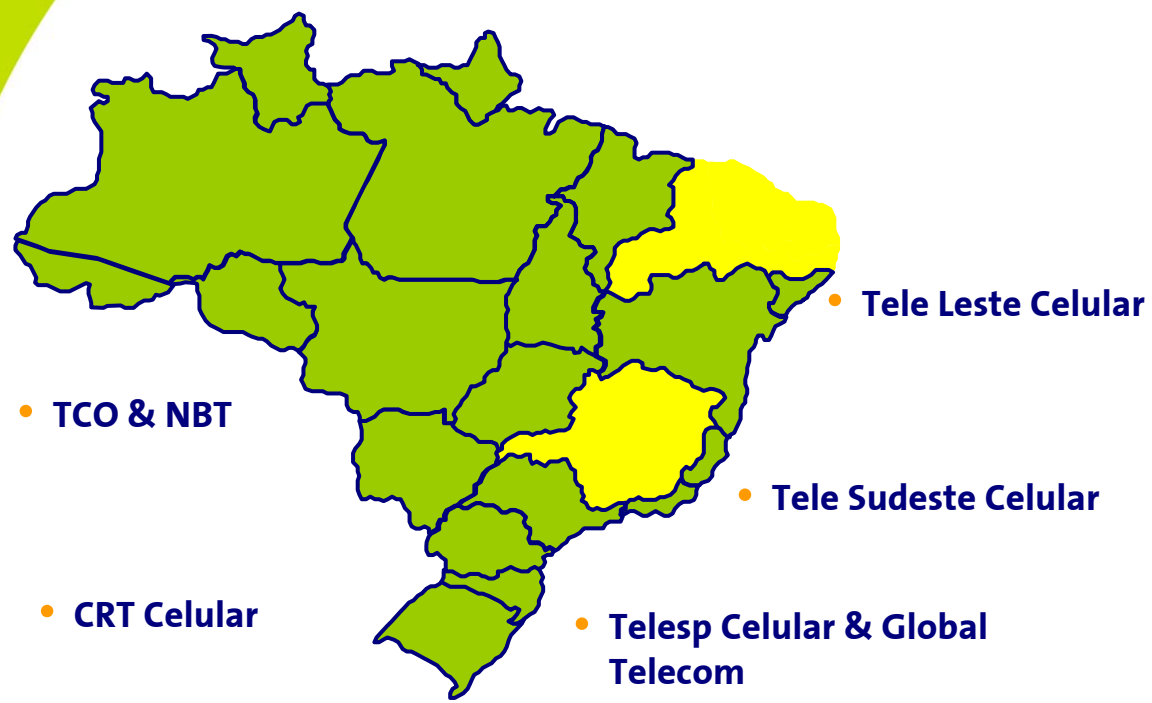
◄—► TEM's guidance at Investors Day

¹ EBITDA Margin = EBITDA/Operating Revenues

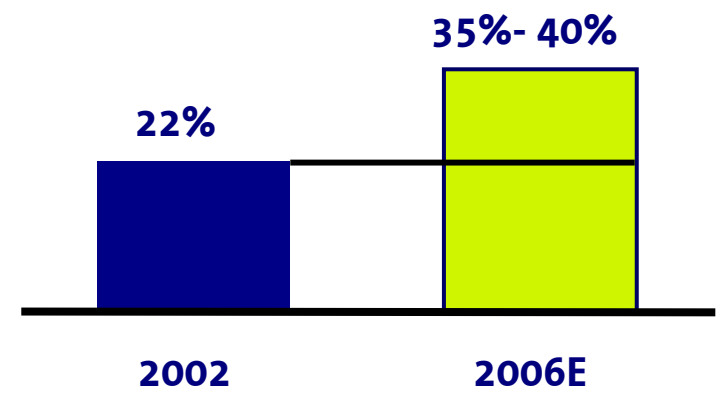
- **A global perspective: capitalizing on performance excellence & existing growth prospects**
- **Responding to local challenges and opportunities:**
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The Brazilian market has a vast potential



Mobile penetration in Vivo's markets



- 177 MM POPs
- 13th largest economy worldwide
- Wireless accesses (40MM) already above fixed lines (39MM)



We have led consolidation in Brazil & we are the only player to deliver significant progress in the integration of operations



- Single management structure
- Single procurement process
- Single nationwide brand launched in April 2003

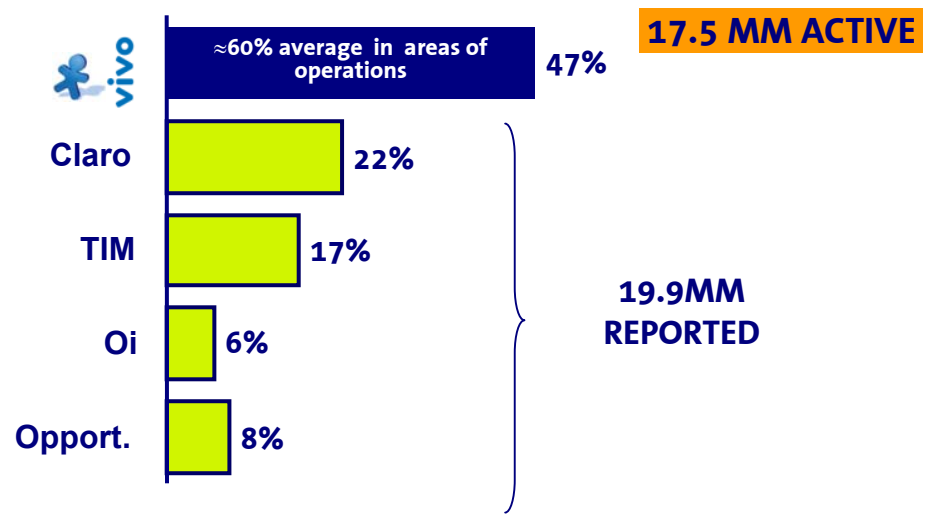


VIVO is the soundest wireless player in Brazil with a unique position to capture the significant growth potential of the market

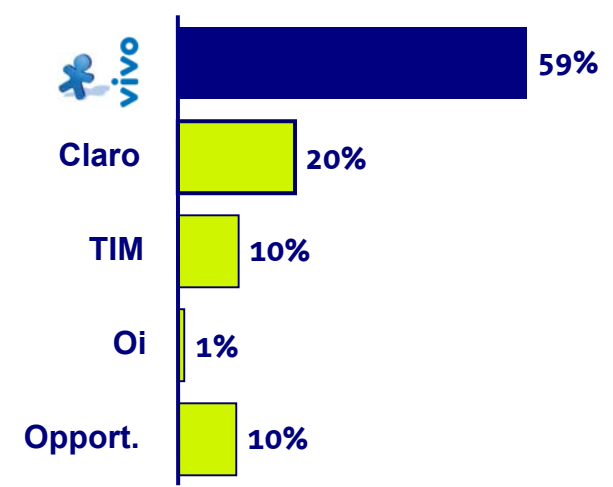
- We maintain our national & local leadership

- We lead profitability

Subscriber share (1H03E)



EBITDA share (1H03E)



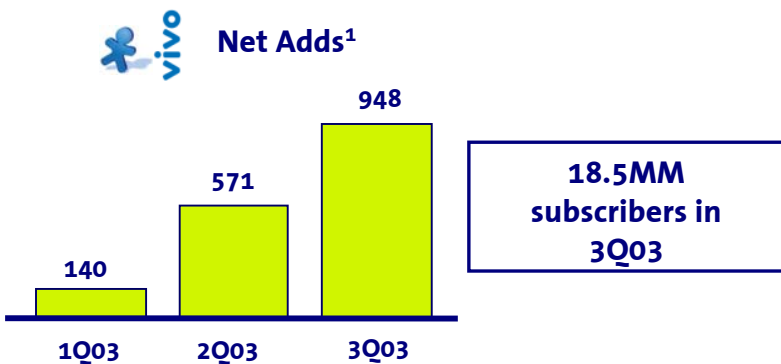
- #1 position in 6 areas & in 3 main markets, with high concentration of corporate: Rio de Janeiro, Sao Paulo & Brazilia
- #2 in 2 others

Source: press releases from companies & analysts reports. Figures according to Brazilian GAAP. Claro's figures are proforma with BCP. VIVO's aggregated figures, including TCO

We will capitalize on our current strengths & expertise to grow our customer base ...

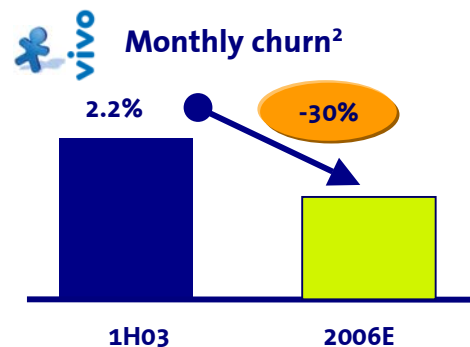
- Leverage on “being part of the largest mobile community” in Brazil
- Deeper market segmentation with growing focus on customer loyalty
- Capitalise on TME’s track record in loyalty initiatives

Capture customer growth



¹ 1Q03 and 2Q03 figures including TCO.

Increase customer loyalty

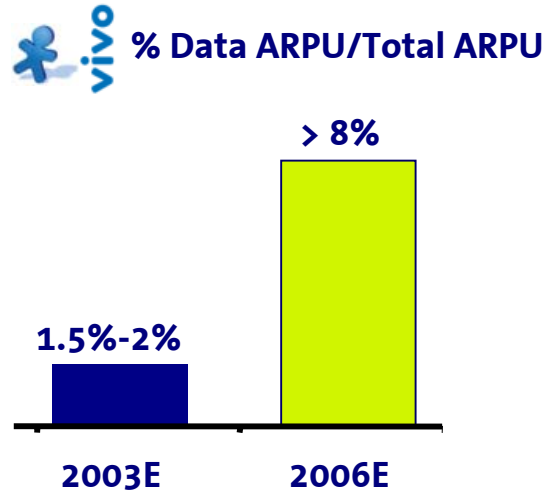


² Vivo aggregate information, including TCO.

We have a nationwide market approach to maintain our national & local leadership

... and to enrich their usage profile

- Leverage on a high-quality customer base to drive usage
- Service differentiation & comprehensive offer to residential and business customers
- Increasing contribution from data services:
 - Data services & VAS leadership
 - Increased penetration of existing VAS & launch of new P&S
 - Leverage on 1XRTT for packet data transmission at higher speed than GSM/ GPRS
 - Handset upgrades to promote usage



Launch of Vivo's own icon based service interface in 4Q03

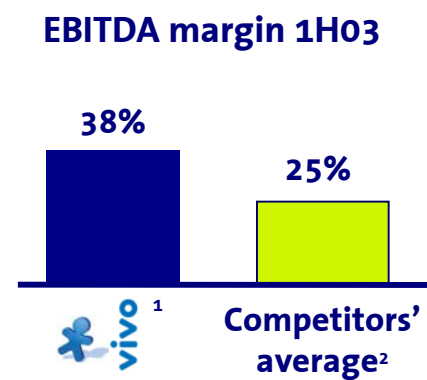
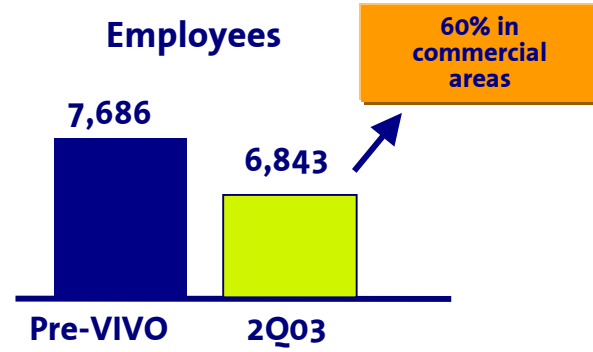
Integration of operations enables us to improve operating performance, taking full competitive advantage of our size & scale

New customer oriented organization

- Single management structure
- Workforce rationalization & increased productivity

Focus on reduction of non-commercial costs

- Unified/Aligned P&S, procurement process & call centre management
- National client management
- Single services platform & same technology



Annual savings >R\$50MM in non commercial costs

¹ Vivo aggregate information, including TCO. Figures according to Brazilian GAAP.

² Includes AMX+BCP, Telemar Oi, TIM, Telemig & Tele Norte Celular. Figures according to Brazilian GAAP. Source: Companies' press releases & analyst reports

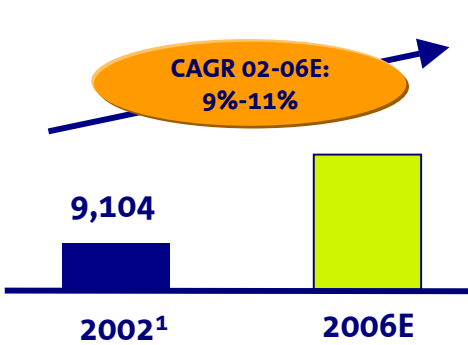
While our commitment to offer superior customer experience does not jeopardise capex optimisation

- **Major network roll-out has already been made. Controlled capex to increase capacity in key cities**
- **Selective CDMA overlay in main cities: Rio Grande do Sul & Brasilia**
- **Leading technology to 3G evolution:**
 - **1XRTT enhances voice quality & enables packet data transmission at higher speed than GPRS**
 - **Expansion of 1XRTT coverage in the current CDMA 2G networks with marginal capex**

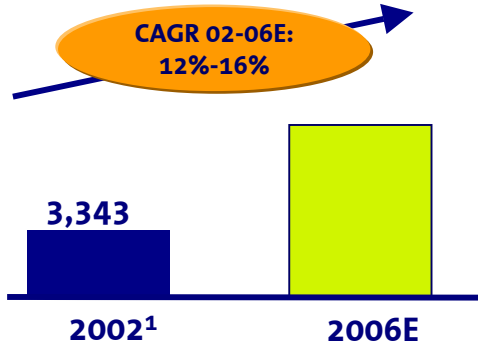


In summary, our solid leadership allows us to capture the significant upside potential of the market while increasing profitability

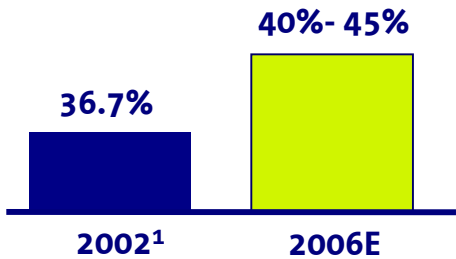
Operating revenues
MM Reais



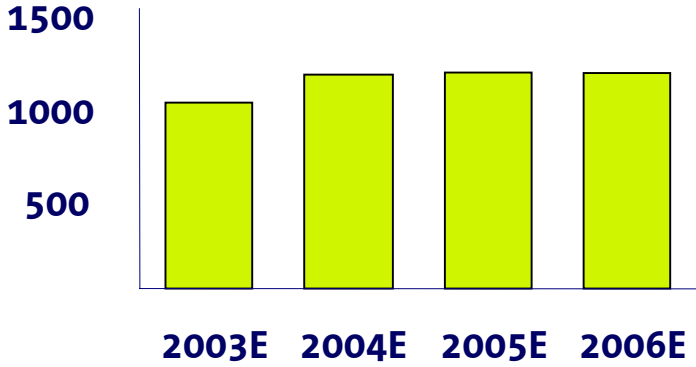
EBITDA
MM Reais



EBITDA margin²



Capex
MM Reais



¹ 2002 aggregate figures, including TCO. EBITDA after management fees
² EBITDA/Operating revenues

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Mexico is a fast growing market....

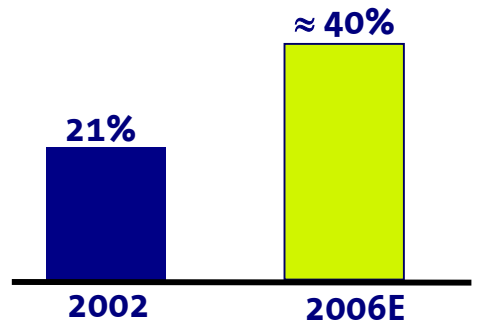
#10 world economy

~1.4 x Brazil's GDP

	Penetration 2002	GDP/Capita 02 (US\$)
Sao Paulo	24.0%	5,713
Chile	40.0%	4,414
Mexico	20.0%	6,257

1,4 x GDP/Capita of Chile with 1/2 the penetration in 2002

Total market penetration

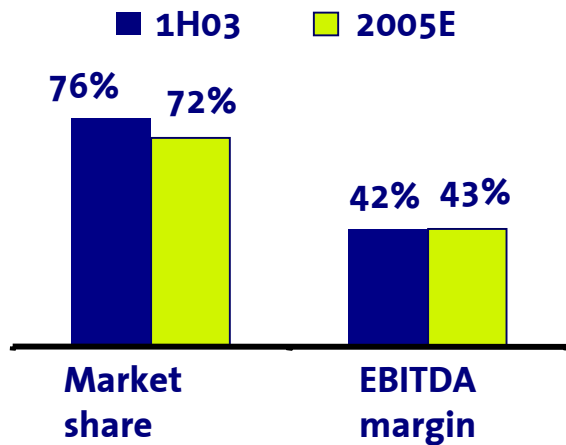


Penetration in 2006 lower than today in Chile

Attractive market with high growth potential due to low penetration, attractive tariffs & competitive environment

.. with room for a 2nd profitable player

Analysts estimates for #1 player



- **We are committed to profitable growth.**
We aim to capture a reasonable market share, refraining from direct pricing competition
- **Only alternative to AMX with international experience**

Achieving a market share north of 20% by 2006 is reasonable under a rational scenario

Our performance is better than originally anticipated ...

- **Launch of GSM in 17 cities, coverage in areas with 38MM POPs**
- **Nationwide single brand launched**
- **Implementation of TEM's commercial system**

Accelerating GSM build-up

2003 Initial plans

- **46 cities covered**
- **Additional coverage in cities where GSM already launched**



2003 New plans

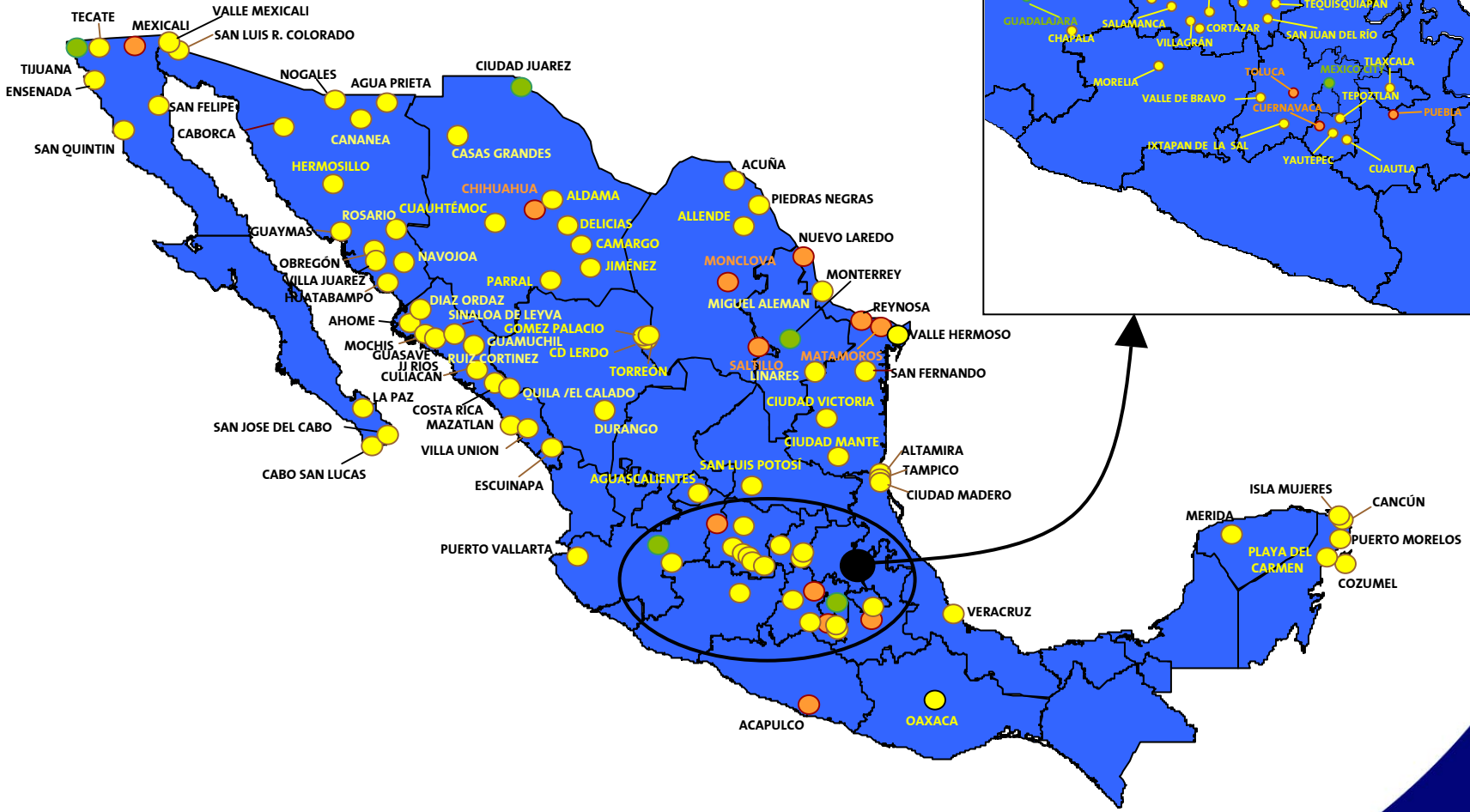
- **Coverage in >80 cities**
- **Capex: €600MM**



... with a record-time GSM network build up...

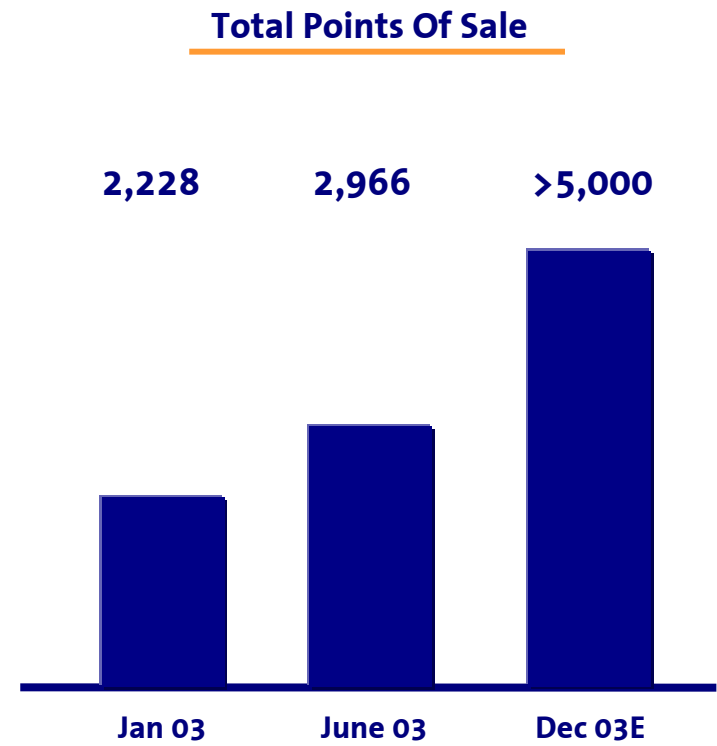
2003

- May 2003
- September 2003
- December 2003



... at the same time that we expand our distribution channel...

- **Deployment of a controlled distribution strategy:**
 - Reinforcement of Retail channel
 - Streamlining of Direct channel (own stores)
 - Reinforcement of Specialised and Mixed channels
 - Creation of SME Dealer & Corporate channel
 - Refurbishing of points of sale



... and launch an innovative GSM service offering...

Leverage on TEM's in-depth knowledge & expertise of GSM technology & services, accelerating time to market

Launch date (May 2003)

- **Basic services:**
 - **Call Waiting**
 - **Call forwarding**
 - **Conference call**
 - **Caller ID**
- **2424 (info services)**
- **Voice mail**
- **SMS**
- **Balance check (prepaid)**

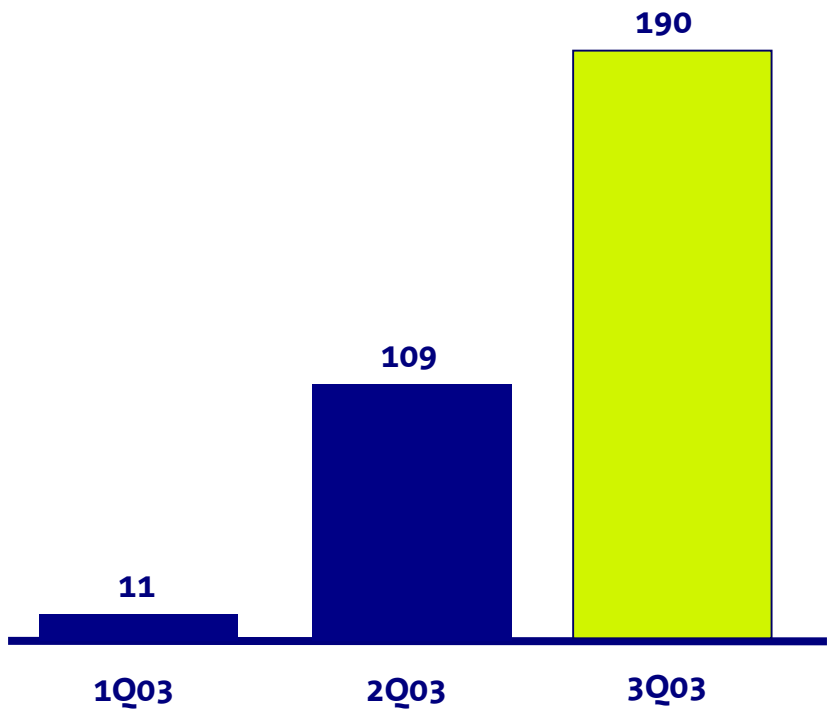
October

- **International SMS**
- **WAP**
- **GPRS**
- **Ringling tones**
- **Icons**
- **Content via SMS**
- **Televoting**
- **Fun greetings**
- **Direct roaming, roaming broker**
- **Balance check (contract)**



... which have supported the subscriber base growth

Net adds (000)



3Q03 number of subscribers has reached 2.7MM



These initiatives allow us to accelerate customer growth & reach profitability in the medium term

Building a platform to capture growth

2003

- Nationwide single brand launched and integration of Companies
- Expansion of distribution channels (5,000 vs. 2,228 end 2002)
- Innovative GSM offer
- GSM deployment, covering >80 cities
- CAPEX of 600MM€
- EBITDA losses under 100MM€

Obtaining critical mass

2004- 05

- GSM deployment, covering >150 additional cities in 2004
- EBITDA break-even during late 2004 with the flexibility to speed up customer growth if market conditions are adequate

Reaching profitability

2006

- >20% market share
- 22%-26% EBITDA margin by 2006E
- Cumulative capex¹ 2003–2006E: €1.8bn
- Operating CF break-even

**We are facing our key challenges with a prudent cash management/
financial discipline**

¹ Constant exchange rates as of 2002. Operating CF: EBITDA-Capex.

- **A global perspective: capitalizing on performance excellence & existing growth prospects**
- **Responding to local challenges and opportunities:**
 - **Spain: sustainable leadership with world class performance**
 - **Brazil: consolidating leadership & shaping the market**
 - **Mexico: agile management to support rapid growth**
 - **Other markets: capture additional growth**
- **Guidance for our future performance**



Other operations offer additional growth prospects

Argentina

TCP is best positioned to overcome the crisis

- 38% y-o-y EBITDA growth in Euro terms (1H03)
- Self sustainable operation with cash flow generation
- Capture growth opportunities due to extremely low mobile penetration while continuing to enhance operating efficiency
- Growth & capex will evolve according to market conditions

Peru

- Market share > 52% & 37% EBITDA margin in 1H03
- Lead customer growth
- Ongoing focus on customer loyalty
- Maintain high operating efficiency

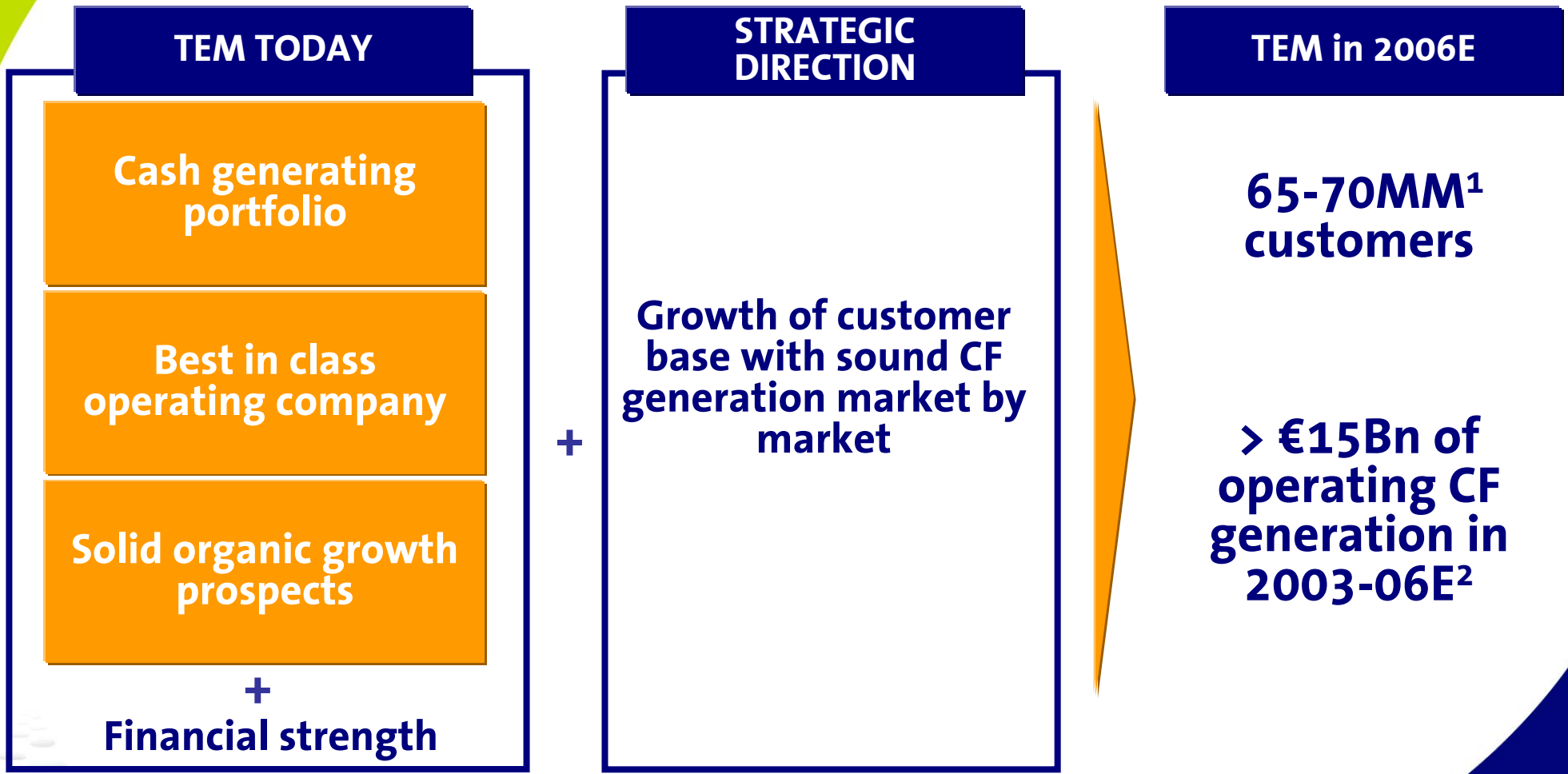
Morocco

- Market share > 41% & 29% EBITDA margin in 1H03
- Capture additional growth potential
- Customer loyalty initiatives
- Promote usage of SMS & foster roaming

- **A global perspective: capitalizing on performance excellence & existing growth prospects**
- **Responding to local challenges & opportunities:**
 - **Spain: sustainable leadership with world class performance**
 - **Brazil: consolidating leadership & shaping the market**
 - **Mexico: agile management to support rapid growth**
 - **Other markets: capture additional growth**
- **Guidance for our future performance**



Unique business case



¹ Managed customer base. Includes Chile and Puerto Rico.

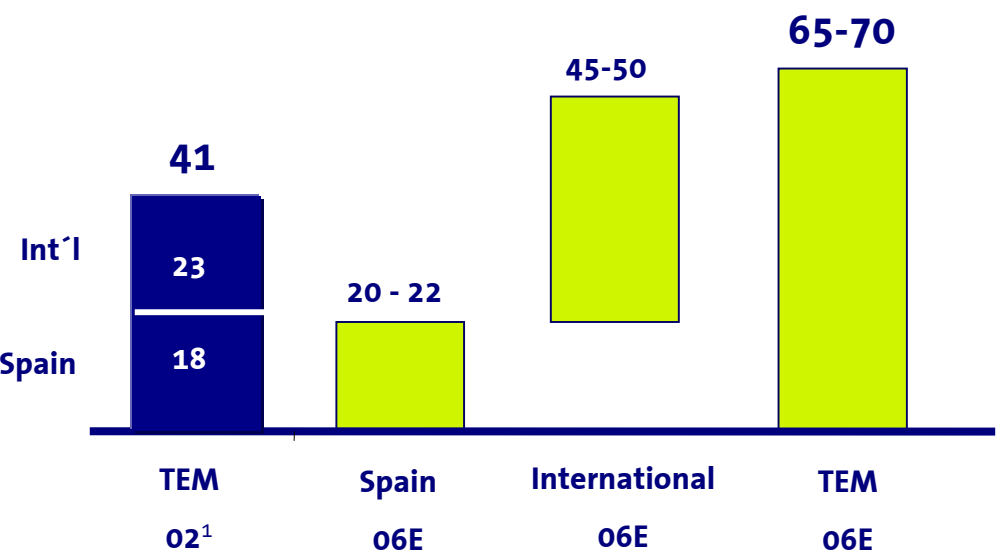
² Operating CF: EBITDA-Capex. Constant exchange rates as of 2002.

We offer a premium performance derived from a combination of solid organic top line growth ...

Strong customer expansion in Latin America

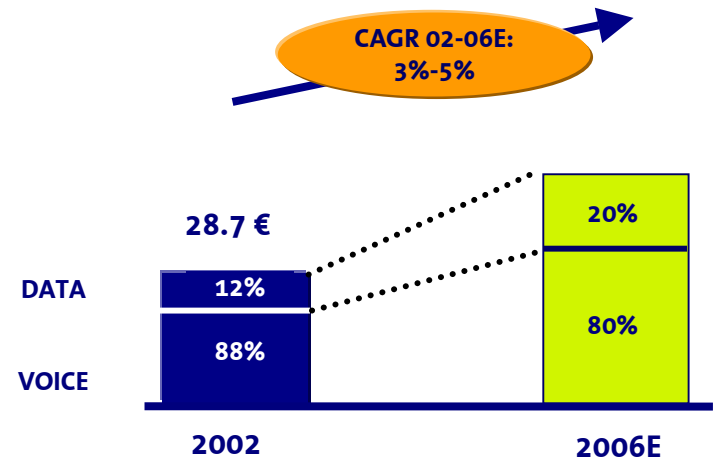
Managed Customers by 2006E

MM



Usage growth in Spain

TEM Spain's ARPU



**Consolidated operating revenues CAGR 02-06E²:
11% - 15%**

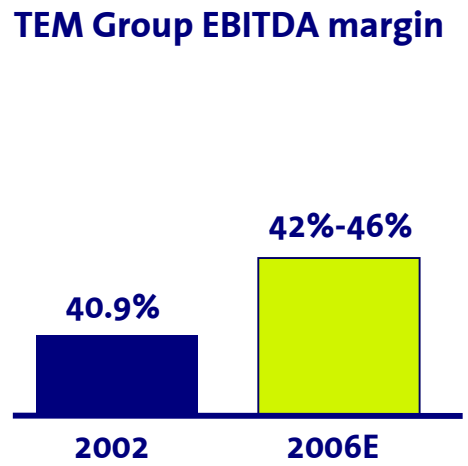
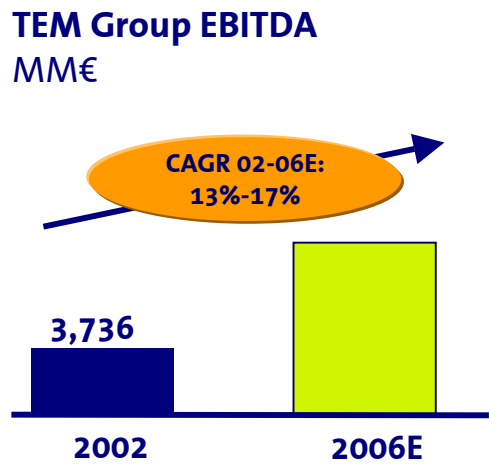
¹ 2002 Customer base does not include TCO customers

² Constant exchange rates as of 2002

... high level of operating efficiency ...

Operating excellence across all regions of operations

- TEM Spain is the most efficient operator in its European Home Market
- EBITDA margins >40% in Brazil
- Continue improving margins in other countries



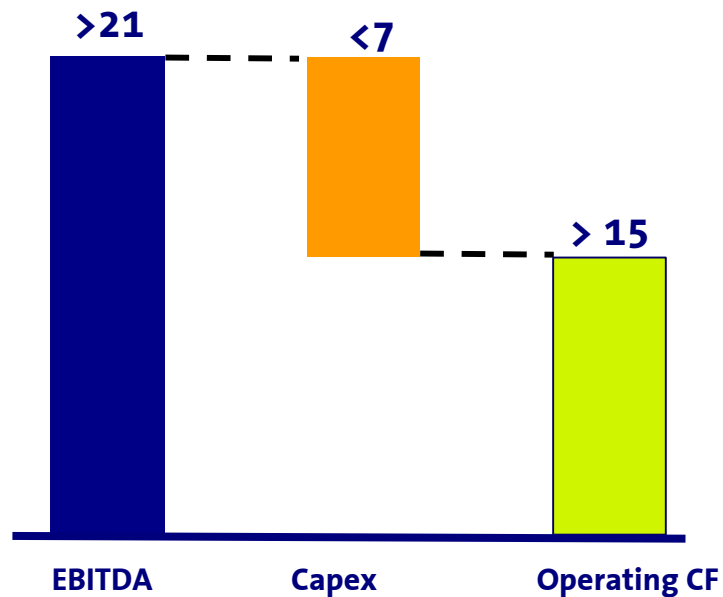
Constant exchange rates as of 2002

... and capex optimisation that lead to a strong cash flow generation

Operating cash-flow

Cumulative figures 2003-2006E

Bn€



- Invest in growth projects with reduced risk & control of operations
- Maintain solid balance sheet
- Healthy dividend stream, increasing above inflation

Wrap-up

10 reasons for being optimistic about TEM

Spain

- Strong usage growth
- ARPU CAGR 02-06E: 3%-5%
- Sustained EBITDA margin >50%
- Controlled capex budget at €600-850MM/year while leading UMTS deployment
- Competitive scenario & regulatory environment

Brazil

- Leader in a 60-70MM subscribers market by 2006-07
- EBITDA margins > 40%
- Strong operating cash flow

Mexico

- Faster and cheaper than expected network deployment
- Market share > 20% in a \approx 40% penetration market by 2006-07

Telefónica

Móviles