Reinforcing our undisputed leadership in the wireless sector in Brazil through the acquisition of

January 16\textsuperscript{th}, 2003
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TCO’s Acquisition Underpins TCP and the JV’s Position as #1 Brazilian Wireless Operator

- **Significantly reinforces TCP’s leadership position**
  - Clear #1 position in São Paulo and now in Brasília, with two highly success B Band properties in Paraná/Santa Catarina and Amazonia (NBT) and an aggregate number of 9.6 million subscribers

- **Perfect geographic fit with TCP**
  - Center West highly attractive area contiguous to São Paulo, Paraná and Santa Catarina
  - Rich and under-penetrated, with faster GDP growth than the country average
  - North region operated through NBT

- **Large scale operation with excellent performance**
  - TCO is a well managed company with a solid balance sheet (net cash position* of R$105 million** vs EBITDA of R$481 million**), excellent operating margins (EBITDA margin of 43.1%**) and positive free cash flow (EBITDA – CAPEX of R$373 million**)
  - Large scale operation, with over 3 million subscribers***
  - Strong subscriber growth (29% from 2001 to 2002) with well established sales and distribution network and coverage in approx 400 cities

- **Commitment to CDMA**
  - Provides TCP with full array of options for its technological decision thus eliminating fully any uncertainties regarding its commitment to CDMA and allowing TCP to maintain a low CAPEX to revenues ratio

* Does not consider the derivative’s positive effect of R$93 million
** As of September 2002
*** As of December 2002
TCO Enhances TCP’s Value

• TCO is a well managed and profitable company (EBITDA margin of 43%*), with a net cash position (R$105 million*) and sizeable free cash flow

• TCP will be able to draw on its strengths to capture significant synergies:
  • Leverage on strong management skills and solid “know-how” of the region
  • Coordinate new product development
  • Maximise profitability through technical and operational synergies
  • Improve negotiating position with suppliers as a result of increased scale

• TCO’s incorporation in TCP will increase its scale and further enhance TCP’s position to cope with an increasingly more competitive environment

• Extended footprint will allow fully digital roaming in Brasilia improving TCP’s ability to retain corporate and high ARPU clients

• Acquisition price and transaction structure are attractive bearing in mind multiples being offered and limited cash outflow over the next few quarters

• Increases market cap of TCP and liquidity of shares thus reinforcing TCP as the bell weather stock on Bovespa

* As of September 2002
TCO’s Main Characteristics

- **TCO**
  - A band cellular operator in the states of MS, GO, MT, TO, RO, AC and DF (region 7), region with a high per capita GDP growth rate (39% versus 27% Brazilian average between 1990 and 1999)
  - Penetration of 20.3%*
  - Highest market share in Brazil with 75%*

- **NBT**
  - B band operator in the states of AM, RR, PA, AP, MA (region 8), region with a high per capita GDP growth rate (55% versus 27% Brazilian average between 1990 and 1999)
  - Penetration of 9.2%*
  - 37% market share*
  - First Band B operator to reach positive net income, even though it was the last to start operations

* As of September 2002
TCO has a Sizeable and Rapidly Growing Subscriber Base

- Leading market share position and growing faster than Brazilian average
  - Market share of total clients:
    - Area 7: 75%
    - Area 8: 37%
    - Brazil total: 9.0%
  - Market share of net additions during 3Q02 in Brazil: 14.3% (74% in Area 7 and 58% in area 8)
  - Subscriber growth (1997-3Q02 yoy): 54%
- Low wireless penetration provides significant scope for growth
  - Penetration: 14.6%
    (20.3% in Area 7 and 9.2% in Area 8)
- Increased focus on retaining the most profitable clients, with consistent ARPU improvements throughout 2002
  - Blended ARPU: 1Q02: R$ 39.7
    2Q02: R$ 41.3
    3Q02: R$ 42.6
- Aprox. 400 covered cities
- Well established sales and distribution network
  - 54 own stores
  - Aprox. 1,700 unit resellers
  - Aprox. 22,000 pre-paid card resellers
TCO has Solid Fundamentals

**P&L (R$ million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>3Q02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues</td>
<td>$579</td>
<td>$903</td>
<td>$1,248</td>
<td>$1,117</td>
</tr>
<tr>
<td>EBITDA</td>
<td>245</td>
<td>318</td>
<td>460</td>
<td>481</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>42%</td>
<td>35%</td>
<td>37%</td>
<td>43%</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>107</td>
<td>91</td>
<td>208</td>
<td>230</td>
</tr>
<tr>
<td>Net Earnings Margin</td>
<td>18%</td>
<td>10%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>$242</td>
<td>$234</td>
<td>$190</td>
<td>$109</td>
</tr>
<tr>
<td>% of net revenues</td>
<td>42%</td>
<td>26%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA - CAPEX</td>
<td>$2.5</td>
<td>$84</td>
<td>$270</td>
<td>$372</td>
</tr>
</tbody>
</table>

**Balance Sheet (R$ million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>3Q02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$1,473</td>
<td>$2,086</td>
<td>$2,052</td>
<td>$2,318</td>
</tr>
<tr>
<td>Total Debt</td>
<td>131</td>
<td>509</td>
<td>517</td>
<td>696</td>
</tr>
<tr>
<td>Net Debt*</td>
<td>-30</td>
<td>83</td>
<td>-172</td>
<td>-198</td>
</tr>
<tr>
<td>Share. Equity</td>
<td>1,014</td>
<td>1,067</td>
<td>1,010</td>
<td>1,178</td>
</tr>
</tbody>
</table>

**ARPU Evolution (R$)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q01</th>
<th>2Q01</th>
<th>3Q01</th>
<th>4Q01</th>
<th>3Q02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area 7</td>
<td>43.3</td>
<td>42.9</td>
<td>41.6</td>
<td>41.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Area 8</td>
<td>51.0</td>
<td>45.0</td>
<td>45.0</td>
<td>42.0</td>
<td>42.3</td>
</tr>
</tbody>
</table>

**EBITDA Evolution (R$ million)**

- 1999: $245
- 2000: $318
- 2001: $460
- 3Q02: $481

**ARPU Evolution (R$)**

- 1Q01: 43.3
- 2Q01: 42.9
- 3Q01: 41.6
- 4Q01: 45.0
- 3Q02: 43.0

**Transaction Structure**

- TCP to acquire TCO ON shares from Fixcel, representing 61.1% of the voting and 20.4% of the total capital of TCO*.
- Total purchase price of R$1,408 million (“Price”), which may be adjusted based on the outcome of due diligence to be undertaken by TCP.
- Payment structured as follows:
  - TCP to assume Seller’s indebtedness (“Debt”) which amounted to approximately R$1,045 million as of January 15, 2003 as follows:
    - R$732 million in debt issued by Fixcel and currently owned by TCO, with the following breakdown:
      - R$207 million due on June 27, 2003
      - R$525 million due on August 8, 2003
    - R$313 million in other debt with financial institutions, paid at their respective maturities.
  - R$238 million will be paid in Brazilian currency upon closing, accruing interest at CDI (Brazilian Interbank Deposit Rate) plus 2% a.a. from January 15, 2003.
  - The balance payment, or approximately R$125 million as of January 15, 2003 will be adjusted until closing, and paid in Brazilian currency on a pre-agreed payment schedule with maturities ranging from 12 months to 24 months accruing interest at CDI plus 2%.

* TCO has 5,791.4 million treasury shares. Taking this figure into account, the proportion increases to 64.0% of voting shares and 20.7% of total capital.
Transaction Structure (cont’d)

Tag Along

- TCP to tender for the remaining voting (“ON”) TCO shares as per article [254-A] of the Brazilian Capital Markets Law
  - Shares to be acquired at 80% of the price and same consideration

Merger (“Incorporação de ações”)

- TCP to merge with TCO through a merger of TCP and TCO through a merger of shares (“Incorporação de Ações”)
  - Exchange ratio of 1.27 TCP shares for each TCO share
    - Ratio may be adjusted based on the results of the due diligence until closing
    - Exchange ratio based on the analysis prepared by investment banks (“Laudo de Avaliação”)
      - Represents a 15% premium to last 30 trading days exchange ratio
  - TCP PN shares offered to minority TCO shareholders, diluting its ownership to 51.1% of the economic interest of TCP and will take the necessary actions to preserve the same ON:PN proportion in TCP and as such it will maintain voting control of TCP
## Total Price and Payment Conditions

### TCO's Acquisition Consideration

<table>
<thead>
<tr>
<th></th>
<th>Controlling Stake*</th>
<th>Tag-along ON minorities</th>
<th>&quot;Incorporação de ações&quot;***</th>
<th>TOTAL consideration</th>
<th>TCP shares</th>
<th>TCO's net cash</th>
<th>Impact on TCP’s net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>R$ Million</td>
<td>1,408</td>
<td>633</td>
<td>1,417</td>
<td>3.458</td>
<td>1,417</td>
<td>198</td>
<td>1.843</td>
</tr>
</tbody>
</table>

### Assumption of Debt

- 1,045***
- 469

### Deferred Capital

- 125
- 56

### Cash

- 238
- 107

### Estimated Pro-Forma Net Debt

- R$6,305 million as of September 30, 2002

### Implied 2002E Multiples

- EV / EBITDA = 5.1x
- EV / Subs. = R$1,057

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* Based on 01/15/02 debt figures. Deferred capital components will decrease with increase in debt until closing to keep a constant total price paid to seller.
** Based on TCO PN price of R$5.12 as of January 15, 2003 plus 9.5% premium (15% premium over last 30 days’ average exchange ration between TCP and TCO PN shares).
*** Includes the R$732 million Fixcel’s debentures held by TCO that will be cancelled through the consolidation of TCO on TCP.
**** Based on annualized EBITDA of R$ 641 million and year end estimated subscribers of 3,083 thousand.
Key Conclusions

- TCP (and the JV) reinforces its leadership in Brazil, reaching more than 10 million subscribers*, with a fully digital roaming offering including the key cities of Sao Paulo, Rio de Janeiro and now Brasilia.
- This transaction enhances TCP and the JV’s growth prospects and cash flow generation in the medium and long terms.
- TCP strengthens its position as the bell weather stock on Bovespa.
  - Pro-forma market cap of R$6,597 million**
- TCP will create value by deriving synergies from larger scale and centralized management of contiguous operation just as shown in proven track record at Global Telecom.
- Transaction structure and valuation of TCO are in line with the market with initial cash outflow from TCP of R$654mm***
- Post closing of transaction, the net debt to EBITDA multiple is less than 3.0 times with increased operating cash flows - TCP=R$ 830mm plus TCO=R$ 372mm**** being used principally to pay-down TCP’s net debt.
- Full support of controlling shareholders: Portugal Telecom and TEM.

* December 2002
** As of January 15, 2003
*** In the first one month and a half after closing
**** Accumulated Jan-Sep 2002
### Key Drivers Pro-Forma*

**September 2002, R$ Million**

<table>
<thead>
<tr>
<th></th>
<th>TCP</th>
<th>TCP + GT</th>
<th>TCP + GT + TCO</th>
<th>Change***</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subscribers</strong></td>
<td>5.755</td>
<td>6.782</td>
<td>9.649</td>
<td>42%</td>
</tr>
<tr>
<td>Market share of brazilian market</td>
<td>18,0%</td>
<td>21,3%</td>
<td>30,3%</td>
<td>9,0 pp</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>2.463</td>
<td>2.815</td>
<td>3.932</td>
<td>40%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1.024</td>
<td>1.090</td>
<td>1.571</td>
<td>44%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>41,6%</td>
<td>38,7%</td>
<td>40,0%</td>
<td>1,2 pp</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>193</td>
<td>305</td>
<td>414</td>
<td>36%</td>
</tr>
<tr>
<td>Capex as % of net Revenues</td>
<td>7,8%</td>
<td>10,8%</td>
<td>10,5%</td>
<td>-0,3 pp</td>
</tr>
<tr>
<td><strong>EBITDA - CAPEX</strong></td>
<td>831</td>
<td>785</td>
<td>1.157</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Net Debt</strong>**</td>
<td>3.687</td>
<td>4.462</td>
<td>6.305</td>
<td>41%</td>
</tr>
<tr>
<td>Adjusted Net Debt**</td>
<td>1.936</td>
<td>2.314</td>
<td>4.157</td>
<td>80%</td>
</tr>
<tr>
<td>Adjusted Net Debt to EBITDA</td>
<td>1,9</td>
<td>2,1</td>
<td>2,6</td>
<td>0,5</td>
</tr>
</tbody>
</table>

* Includes the acquisition debt as of January 15, 2003

** Net debt does not include derivatives; Adjusted net debt = net debt + derivatives; Does not consider TCO’s derivatives impact on debt

*** Change from TCP + GT to TCP + GT + TCO
The JV will reach a 50% subscriber market share, 11 million more subscribers than the next competitor, and cover 80% of Brazilian GDP without being exposed to the risks of greenfield operations.