

# Consolidation of leadership in Latin America



March 8, 2004

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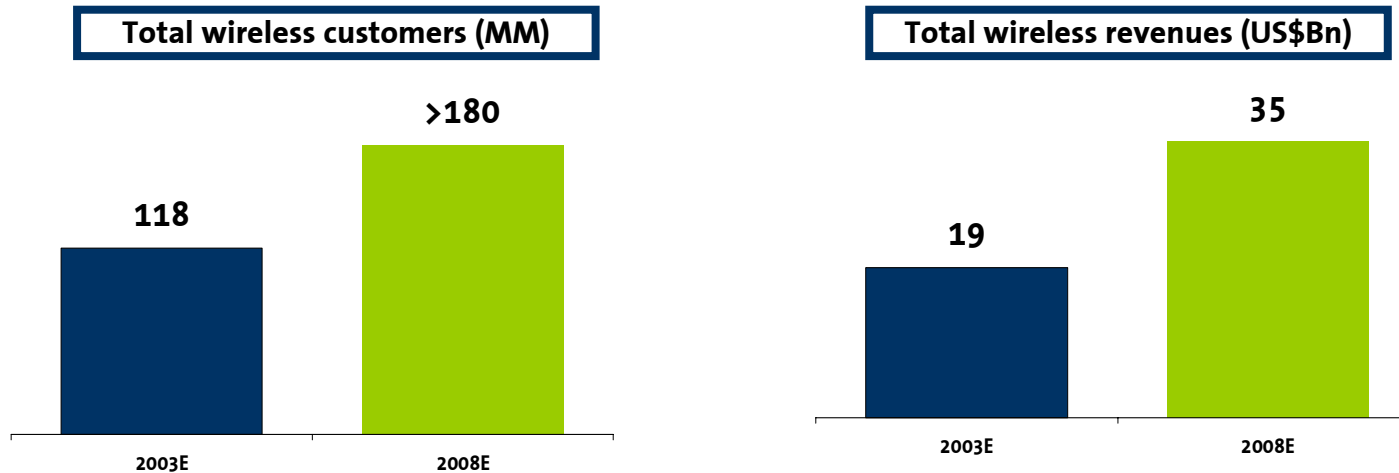
- **Latin America: a region with an outstanding growth potential**

- **Strategic fit of the transaction**

- **Key terms**

- **Back-up**

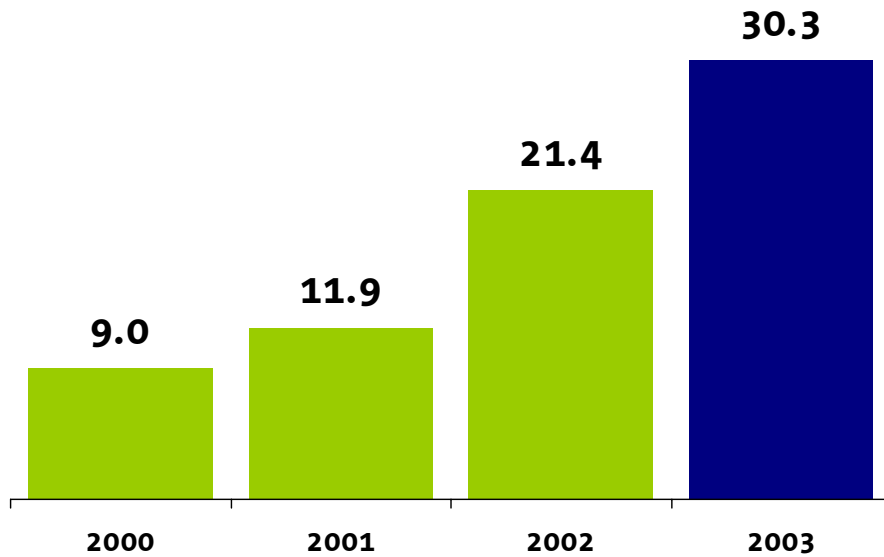
## *The wireless industry in Latin America continues to show robust growth prospects*



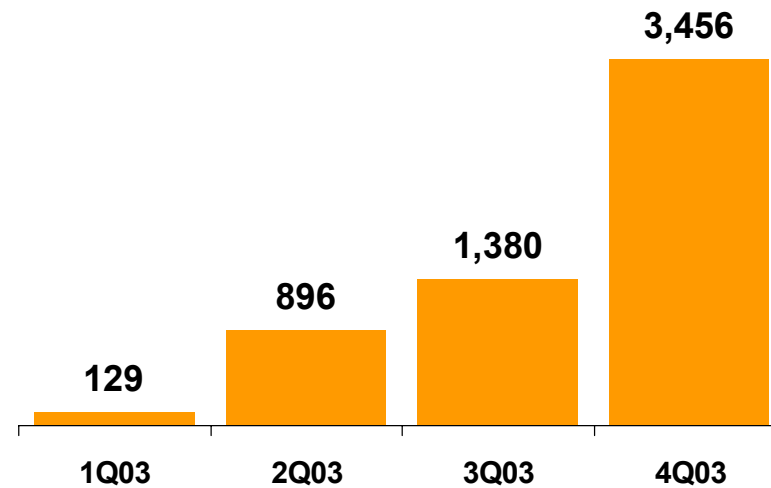
- **Low wireless penetration in a 500+ million inhabitants area**
- **Healthy wireless growth**
- **Growth in the wireless industry is outpacing that of other consumer industries**
- **Improving competitive environment**
- **Opportunity to enhance EBITDA margins due to further market consolidation**
- **Strong potential for increased FCF generation**

## TEM knows how to exploit growth opportunities

TEM's managed customers  
in Latin America (MM)<sup>1</sup>



TEM's net adds  
in Latin America in 2003 (000)<sup>2</sup>



<sup>1</sup> 2003 figures includes the acquisition of TCO.

<sup>2</sup> Includes TCO since January 1<sup>st</sup>. Managed net adds.

## A “natural” strategic move for TEM

### Leadership & consolidation in Chile, Argentina & Peru

- Consolidation enhances markets fundamentals & brings compelling benefits for end-customers while benefits operations in Uruguay



### Acquiring critical mass operations in large markets

- # 1 in Venezuela
- # 2 in Colombia & Ecuador



### Consolidating operations in Central America

- 27% share in the region
- Enhanced competitive position in Guatemala & entry as #1 players in Panama & Nicaragua

- Enhancement of TEM’s diversified growth profile:
  - Entry in 6 new countries with an addressable market of >85MM pops
- Important savings in relation to new-entrant approach
- Economies of scale & benefits from synergies

## We are consolidating our leadership across the region

**TEM's assets:  
30.3 MM customers**



**Bell South's assets:  
10.5 MM customers**



+

**40.8 MM managed customers representing 35% of the total Latin American market**

## While reinforcing regional & local scale



Strengthen competitive positions in key markets & entry in relevant markets as #1 or #2



## Combined portfolio at a glance

Country	Pop's (Millions)	Wireless Penetration	Subs (000's)	Market Share	Market Position
Chile	15.4	49%	3,571	48%	#1
Argentina	36.9	21%	3,311	42%	#1
Peru	27.3	11%	2,149	74%	#1
Uruguay	2.1	23%	146	30%	#2
Venezuela	24.0	31%	3,307	45%	#1
Colombia	40.3	15%	1,915	32%	#2
Ecuador	13.2	18%	816	35%	#2
Panama	2.8	27%	420	55%	#1
Guatemala	11.5	16%	409	22%	#3
El Salvador	6.6	13%	248	25%	#2
Nicaragua	2.9	11%	229	69%	#1
Brazil <sup>1</sup>	130.1	35%	20,656	56%	#1
Mexico	103.9	30%	3,454	11%	#2
Puerto Rico	3.9	34%	175	12%	#4
	<b>421.0</b>		<b>40,804</b>		

2003 figures

<sup>1</sup>Average market share in areas of operations

***Telefónica Móviles is the best positioned player to capture the significant growth potential of the region***

- **Single wireless player operating in all key markets**
- **Significant economies of scale**
- **Market knowledge & local management expertise**
- **Proven track record of successfully integrating companies**
- **Leading innovator in the region & technological leadership**
- **Financial strength & positive OpCF generation in most markets**
- **Limited capex needs in most operations**

*We are acquiring growing & profitable operations*

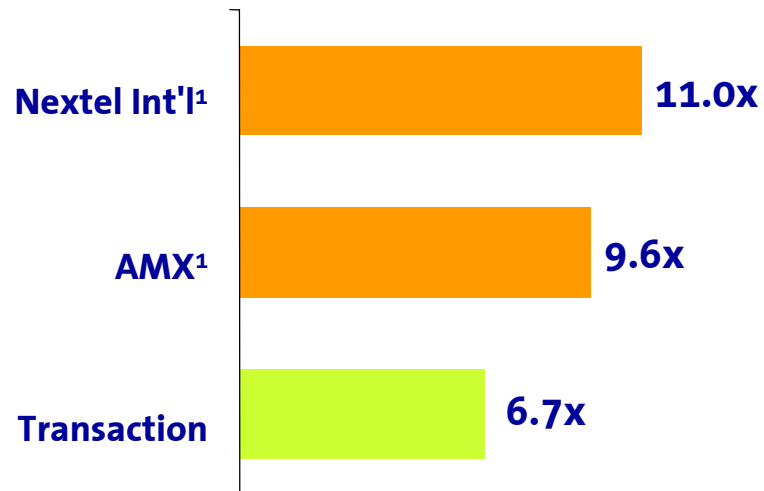
2003 (MMUS\$)	Customers (000)	Revenues	EBITDA	Margin
Chile	1,301	215	48	22%
Argentina	1,487	315	101	32%
Peru	642	146	33	23%
Uruguay	146	29	8	29%
Venezuela	3,307	894	356	40%
Colombia	1,915	374	127	34%
Ecuador	816	293	91	31%
Panama	420	129	74	57%
Guatemala	252	60	15	24%
Nicaragua	229	46	15	33%
<b>TOTAL</b>	<b>10,515</b>	<b>2,501</b>	<b>867</b>	<b>35%</b>

Source:BS. Audited figures. 100% of properties

## Favourable conditions & attractive valuation

### Comparable multiples

#### EV/EBITDA references 2003



+

Opex & capex synergies > US\$1Bn

- Acquisition of 10 assets in 10 countries in a single transaction

<sup>1</sup> Source: MSDW; 27/02/04

<sup>2</sup> Assuming the acquisition of a 100% of the assets.

## Transaction key terms & financing

### Assets

- Acquisition of 100% of BellSouth's properties in Latin America<sup>1</sup>
- Available to buy out all minorities stakes in equal terms

### Price & payment consideration

- Total enterprise value (100% equity + net debt): **US\$5,850MM; €4,731MM**
- All Cash

### Approvals Needed

- Transaction subject to satisfactory regulatory & governmental approvals where required
- Transaction expected to close in 2004

### Financing

- Debt and internal cash-flow generation
- TEF & TEM will maintain strong credit metrics

## *Outstanding potential to increase revenues along with operating & capex efficiency*

### Revenue synergies

- Market rationalization in Chile, Argentina, Peru & Guatemala

### Opex synergies

- Network opex (energy, rentals...), G&A, branding & advertising, handsets purchases, reduced time to market, transfer of P&S, best practices, integrated management of Central American operations

### Capex synergies

- Network rationalization (phase-out). Common procurement & scale economies

**Achievable Opex & capex synergies >US\$1Bn<sup>1</sup>**

(do not include any revenue synergies)

## *Value enhancing transaction from year 1*

- **Even considering initial costs from integration of operations in year 1, derived from customer migration & capex needs to increase TEM's network capacity in Argentina & Chile**
- **And assuming constant exchange rates and debt financing in Euros, the transaction would be EPS & CFPS accretive from year 1 (final financing will be a combination of local currency, dollar & euro debt)**

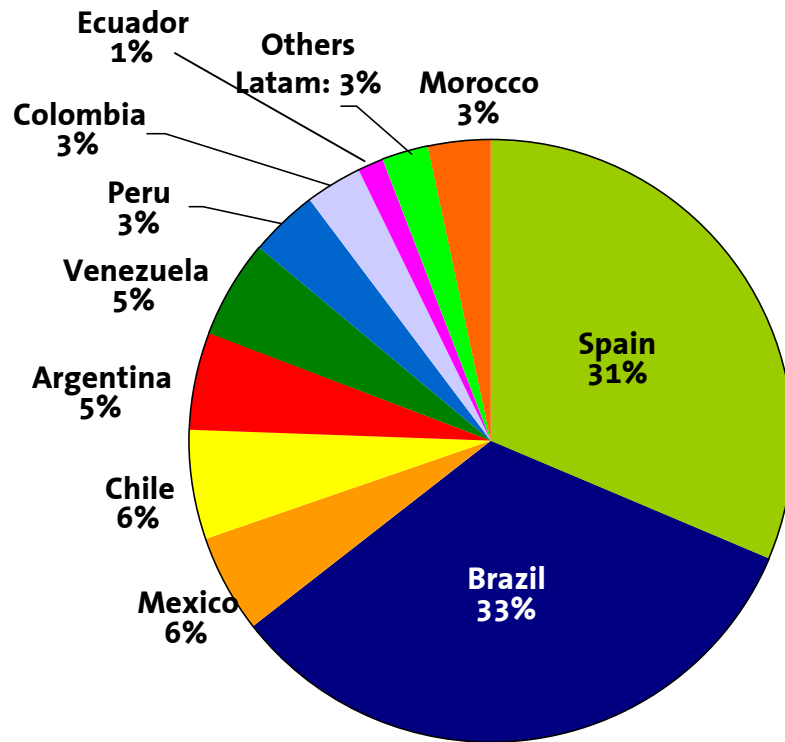
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**Enhancement of TEM's future growth platform**

# Reinforcing TEM's position within the wireless industry

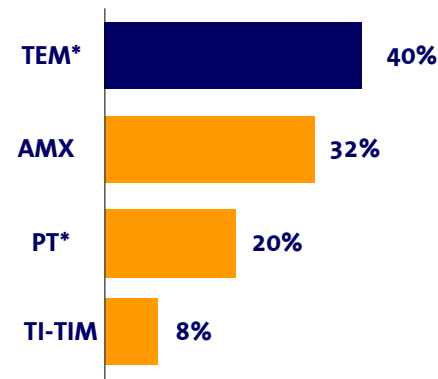
**62.5MM managed customers**

**40.8 MM in Latin America**

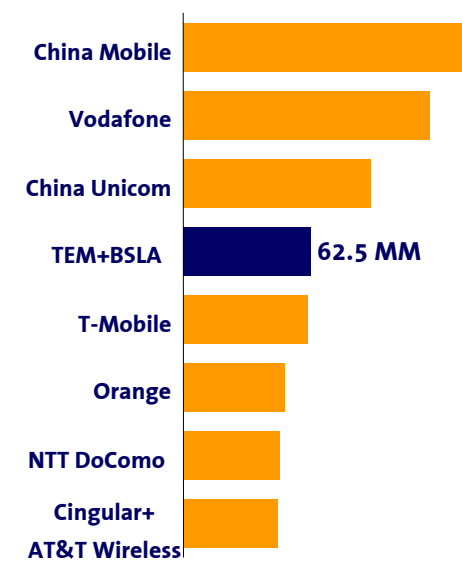


**A clear leading company**

Market share in Spanish & Portuguese speaking markets



Worldwide ranking



Source: 2003 data. Companies' press releases and analysts reports.  
\* Includes VIVO's customer base.



## ***Summary***

- **Consolidates leadership position in Latin America**
- **Enlarges local scale in major countries (Argentina, Chile & Peru)**
- **Expands footprint in a high growth region**
- **Enhances market fundamentals due to the reduction in the number of players**
- **Substantial benefits from economies of scale and synergies through integration with existing operations in the region, leading to compelling benefits for end-customers**
- **Strengthens TEM's diversified growth profile**
- **EPS & CFPS accretive from year 1 assuming constant exchange rates and Euro denominated financing**
- **Manageable execution risk & proven management track record**

Country	BSLA stake <sup>1</sup>	Other shareholders	Technology	Competitors
Chile	100%	-	TDMA-CDMA	TEM, TIM, Smartcom
Argentina	86.7%	BGHI:13.3%	CDMA	TEM, CTI-AMX, T.Personal, Nextel
Peru	97.4%	Free-float: 2.6%	TDMA-CDMA	TEM, TIM & Nextel
Uruguay	46.0%	Motorola:32% Curtiembre:11% Leminconx: 11%	CDMA	Ancel (State)
Venezuela	78.2%	G.Cisneros: 21.8%	CDMA	CANTV, TIM & Infonet (regional)
Colombia	77.6%	G. Bavaria: 22.4%	TDMA-CDMA	AMX & Ola (new entrant)
Ecuador	89.4%	Latininvestment: 10.6%	TDMA-CDMA	AMX
Panama	43.7%	Multiholding: 56.3%	TDMA-CDMA	Cable & Wireless
Guatemala	60.0%	Multiholding: 40.0%	CDMA	TEM, AMX, Milicom
Nicaragua	89.0%	Lacayo Brothers: 11.0%	TDMA-CDMA	AMX, Teleglobo

*Telefonica*

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*Móviles*