

Consolidation of leadership in Latin America



March 8, 2004

Safe harbour

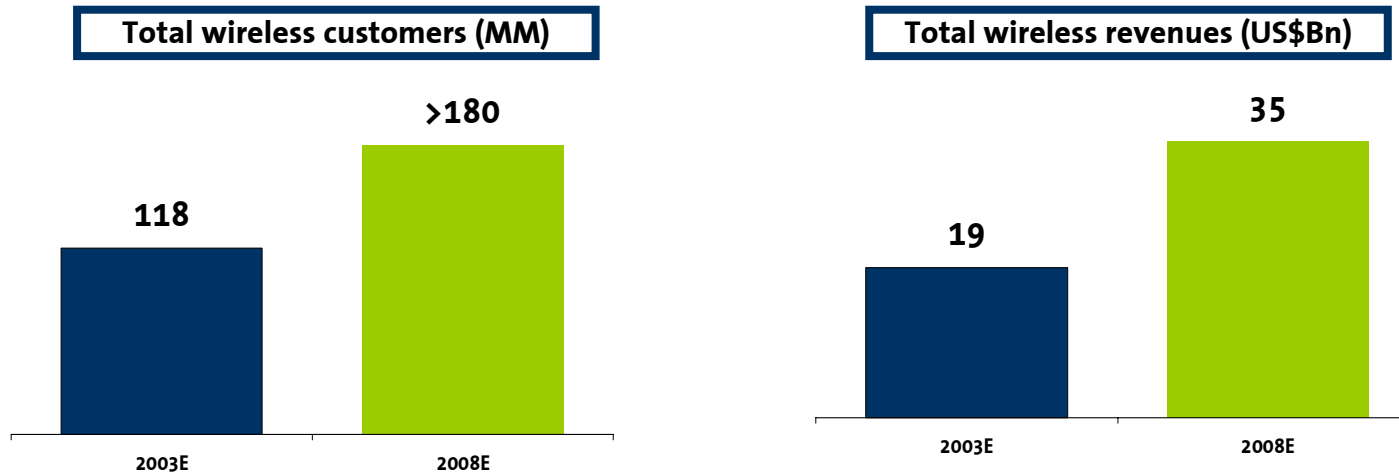
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- **Latin America: a region with an outstanding growth potential**
- **Strategic fit of the transaction**
- **Key terms**
- **Back-up**

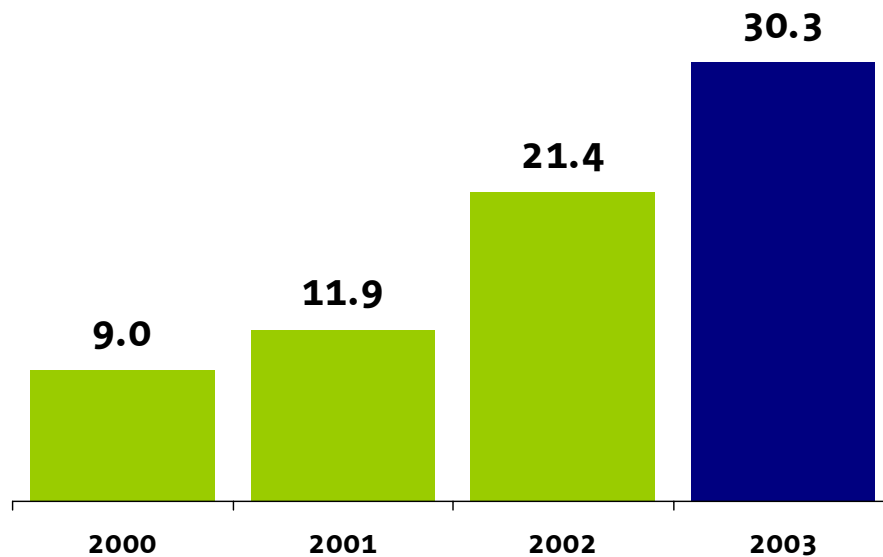
The wireless industry in Latin America continues to show robust growth prospects



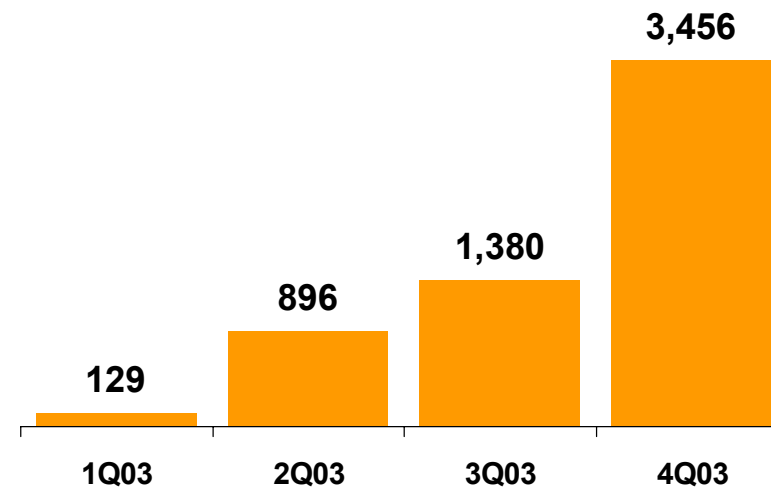
- Low wireless penetration in a 500+ million inhabitants area
- Healthy wireless growth
- Growth in the wireless industry is outpacing that of other consumer industries
- Improving competitive environment
- Opportunity to enhance EBITDA margins due to further market consolidation
- Strong potential for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

TEM knows how to exploit growth opportunities

TEM's managed customers
in Latin America (MM)¹



TEM's net adds
in Latin America in 2003 (000)²



¹ 2003 figures includes the acquisition of TCO.

² Includes TCO since January 1st. 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

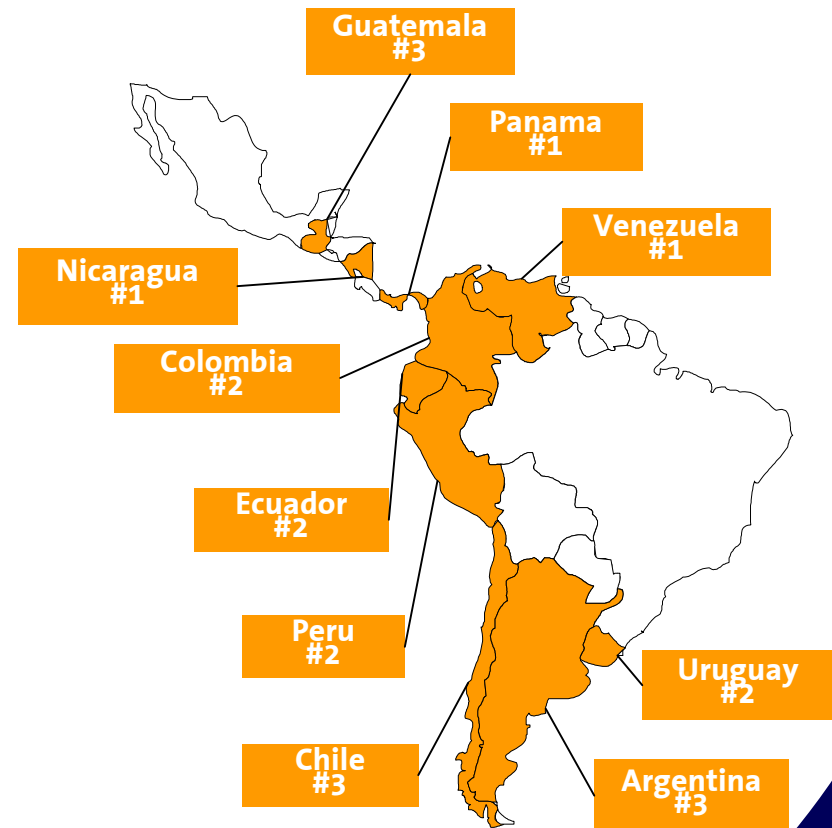
- Enhancement of TEM’s diversified growth profile:
 - Entry in 6 new countries with an addressable market of >85MM pops
- Important savings in relation to new-entrant approach
- Economies of scale & benefits from synergies

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 ¹	130.1	35%	20,656	56%	#1
Mexico	103.9	30%	3,454	11%	#2
Puerto Rico	3.9	34%	175	12%	#4
421.0		40,804			

2003 figures

¹ 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

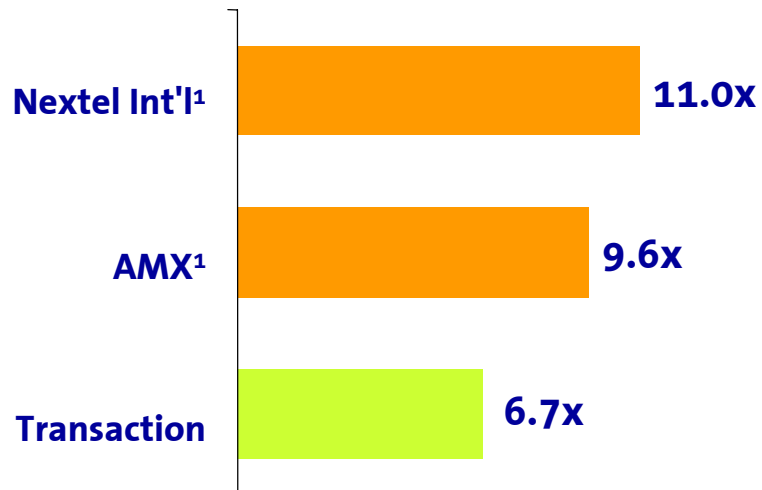
2003 (MMUS\$)	Customers (000)	Revenues	EBITDA	Margin
Chile	1,301	215	48	22%
Argentina	1,487	315	101	32%
Peru	642	146	33	23%
Uruguay	146	29	8	29%
Venezuela	3,307	894	356	40%
Colombia	1,915	374	127	34%
Ecuador	816	293	91	31%
Panama	420	129	74	57%
Guatemala	252	60	15	24%
Nicaragua	229	46	15	33%
TOTAL	10,515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

Source:BS. Audited figures. 100% of properties

Favourable conditions & attractive valuation

Comparable multiples

EV/EBITDA references 2003



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Opex & capex synergies >US\$1Bn

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

¹ Source: MSDW; 27/02/04

² Assuming the acquisition of a 100% of the assets.

Transaction key terms & financing

Assets

- Acquisition of 100% of BellSouth's properties in Latin America¹
- 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\$1Bn¹

(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)

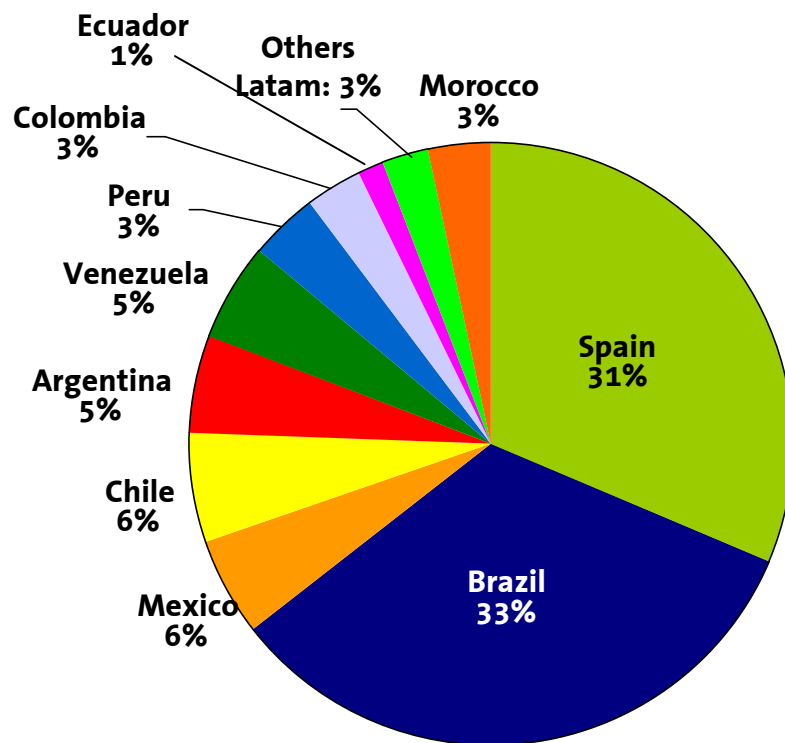
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Enhancement of TEM's future growth platform

Reinforcing TEM's position within the wireless industry

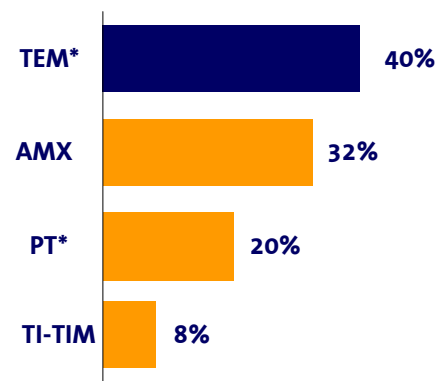
62.5MM managed customers

40.8 MM in Latin America

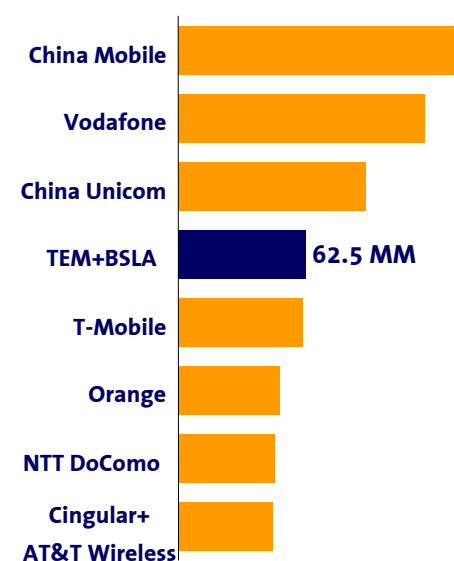


A clear leading company

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 ¹	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

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Móviles