

TELEFONICA MOBILE INC
Form 6-K
March 03, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

28th, February 2006

Commission File Number []

Telefónica Móviles, S.A

(Exact name of registrant as specified in its charter)

Telefónica Mobile, Inc

(Translation of registrant's name into English)

Goya, 24

28001 Madrid, Spain 3491-423-4004

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F: Form 40-F:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes: No:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes: No:

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes: q No: x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Enclosures: **Telefónica Móviles S.A. quarterly results (October-December 2005)**

Telefónica Móviles Group

Telefónica Móviles posted the highest net income in its history in 2005, reaching 1,919MM an increase of 13.4% over 2004. The Board of Directors will submit a proposal for approval at the General Shareholders Meeting, to pay a gross dividend of 0.205 per share charged to 2005 earnings and reserves:

Excluding the impact of the write-down of the remaining value of the UMTS license of IPSE 2000 (89MM in net terms), net income would have been more than 2,000 MM in 2005, an increase of 18.7% over 2004.

The proposed dividend implies a total payment of 888MM, 6.2% higher than that of 2004.

The proposed payment date is 21 July 2006.

Telefónica Móviles achieved all its growth targets in a year that featured the integration of the 10 operators acquired from BellSouth, technological migration in 8 countries and intense competition in its main markets. Assuming constant exchange rates compared to 2004 and excluding changes to the Group's consolidation perimeter, except for the acquisitions of BellSouth Chile and BellSouth Argentina in January 2005:

Consolidated revenues¹ showed 37.4% growth vs. 2004, surpassing the Company's guidance of 33%-36%.

Year-over growth of consolidated OIBDA¹ in 2005 reached 23.4%, in line with the Company's targets (+23%-26%).

Year-over-year growth in consolidated operating income¹ in 2005 was 10.8%, within the forecast range (+10%-13%).

Consolidated capex, excluding licenses, stood at 2,023MM, in line with the guidance (around 2,000MM).

The managed customer base reached 94.4MM, an increase of 27% from 2004:

Net adds in 4Q05 totalled 5.4MM, driven by the Christmas campaigns. For the whole of 2005, Telefónica Móviles Group operators added more than 16.3MM² new customers.

Telefónica Móviles España (TME) ended the year with nearly 20MM customers (+5% vs. 2004).

The managed customer base in Latin America stood at over 71MM (+34% vs. 2004).

Consolidated revenues rose 40.5% vs. 2004 to 16,514MM:

Service revenues were the main driver of total revenue growth, with an increase of 40.4% over 2004.

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Organic growth³ of consolidated revenues was 14.2% vs. 2004.

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- ¹ 2005 revenue growth is based in 11,744MM revenues for 2004. In calculating our forecasts, operating income and operating income before depreciation and amortisation (OIBDA) excluded other unforeseen extraordinary charges and extraordinary revenues for 2005. In 2004, these totalled 100.2MM, and are therefore also excluded. Therefore, operating income and operating income before depreciation and amortisation used as a basis for the Company's forecasts are 4,677.9MM and 3,154.9MM, respectively. Personnel and real estate restructuring costs are included as operating costs/revenues. Group targets were set assuming inflation adjustments in Venezuela.
- ² Excludes the adjustment for 300,000 inactive lines in Mexico, no longer considered in the reported customer base as of 2Q05.
- ³ Organic growth including the consolidation of Telefónica Móvil Chile and the Latin American assets acquired from BellSouth in Argentina, Colombia, Chile, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela from 1 January 2004; and assuming constant exchange rates.

2005 October-December

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Telefónica Móviles Group

Consolidated OIBDA in 2005 reached 5,817MM, 26.8% higher than in 2004.

Year-over-year growth of consolidated OIBDA in 4Q05 of 45%, marking a sharp acceleration from previous quarters (+21% in 9M05).

Consolidated OIBDA margin of 35.6% in 4Q05 (+3.9 p.p. vs. 4Q04) and 35.2% in 2005.

Organic growth³ in OIBDA of 7.5%, reflecting the strong commercial activity carried out by the operators.

Consolidated operating cash flow⁴ in 2005 was 3,532MM, 19% higher than in 2004 despite the increase in capex in 2005.

Strong cash flow generation led to a reduction in net financial debt, from a maximum of 9,487MM after the acquisition of the BellSouth operators in Argentina and Chile to 8,659 MM at year-end, having paid a dividend of 836MM in June.

TME delivered a solid set of results, which stand out in the European context, and in an increasingly competitive market:

19% growth in commercial activity in 2005 vs. 2004.

Despite the increasing maturity of the market, TME recorded net adds of close to 1MM in 2005, and around 260 thousand in 4Q05 (401 thousand in the contract segment).

New pricing plans and campaigns to promote usage drove the growth in traffic (+20% vs. 2004). On-net traffic rose at an even faster pace (+30% vs. 2004).

Increase in the customer base and in ARPU (+3.3%) led to a solid service revenues growth (+7% vs. 2004).

OIBDA remained practically unchanged from 2004, with an increase of more than 4% in 4Q05. OIBDA margin reached 46.7% in 2005.

Sharp growth (+16% vs. 2004) in the contract segment, in line with the Company's focus on high-value customers. The contract segment already represents 54% of the total customer base (+5 p.p. vs. 2004).

Control of churn rate, thanks to retention efforts and despite competitors' aggressive commercial activity.

Sharp growth in the usage of non-SMS data services. Revenue from these services reached 38% of data revenues in 2005 (vs. 29% in 2004). Data ARPU increased 7.6% from 2004.

Further progress in the rollout of a high quality UMTS network, with over 5,000 base stations at the end of 2005.

In a transition year for our operations in Latin America, companies in the region made a much larger contribution to Group results than in 2004, reinforcing the Group's diversified growth profile:

Revenues from the consolidated Latin American operators represented 47% of the Group's total revenues (30% in 2004), an increase of 116.9% vs. 2004.

Sharp growth rate in OIBDA⁵ of these operators continued through 4Q05, with a contribution to consolidated OIBDA of 554MM in 4Q05 and 1,755MM in 2005 (+218.4% vs. 2004).

OIBDA margin of these operators of 22.8% in 2005 (+7.3 p.p. vs. 2004; +11.9 p.p. year-over-year in 4Q05).

Major positive contribution from these operators to Group Operating cash flow of 198MM in 2005 (vs. - 435MM in 2004).

Faster than anticipated progress in the integration of the operators acquired from BellSouth, with integration synergies exceeding initial estimates. Furthermore, the regional management model of the operations in Latin America produced material savings in 2005.

⁴ OIBDA - capex.

⁵ Consolidated revenues before Rest and intragroup eliminations

Telefónica Móviles Group

Highlights regarding comparative information and changes in the consolidated Group:

On 23 July 2004, the company acquired 100% of Telefónica Móvil Chile. Since that date, Telefónica Móvil Chile has been integrated within Telefónica Móviles' consolidation perimeter, through the full consolidation method.

Following the voluntary tender offers for Tele Sudeste Celular (TSD), Tele Leste Celular (TBE), Celular CRT (CRT) and Tele Centro Oeste (TCO) carried out by Brasilcel, directly and indirectly through its subsidiary Telesp Celular Participações (TCP) in October 2004, Brasilcel's stakes in the mentioned companies' share capital have increased.

The capital increase carried out by TCP in January 2005 was fully subscribed for an amount of approximately 2,054MM reais. The stake held by Brasilcel in TCP stands at 66.1%.

In July 2005, Brasilcel capitalized the tax credits used by TCO, CRT, TSD and TBE resulting from the tax utilization of the goodwill in those companies. This capitalization did not entail any cash outflow for Brasilcel, but it has caused an increase in Brasilcel's shareholdings in those companies. Brasilcel's stakes in the companies' share capital have increased to: 91.0% in TSD, 50.7% in TBE, 66.4% in CRT and 34.7% in TCO.

Following the acquisition of 100% of BellSouth Group's stake in the mobile operators in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela, these companies have been integrated within the Telefónica Móviles' consolidation perimeter since November 2004 through the full consolidation method.

In January 2005 the acquisition of 100% of BellSouth Chile and BellSouth Argentina (Movicom) was completed. Since January 2005, these companies are integrated within the Group's consolidation perimeter through the full consolidation method.

Following the tender offer launched for 0.1516% of Comunicaciones Móviles del Perú, S.A.'s share capital in April 2005, and concluded in May, Telefónica Móviles' stake in the company increased to 99.89%.

In June 2005 the merger between Comunicaciones Móviles Perú, S.A. and Telefónica Móviles Perú, S.A.C. was carried out. Telefónica Móviles' stake in the resulting company, Telefónica Móviles Perú, S.A., stands at 98.03%.

During 2005, TES Holding, S.A., fully-owned by Telefónica Móviles, S.A., has acquired an additional stake in Telefónica Móviles El Salvador, S.A. Following the acquisition, TES Holding, S.A.'s stake increased to 99.03%.

Following the acquisition of an additional 0.40% stake in Telefónica Móviles Panamá in 2005, as a result of the tender offer launched in 2004, Telefónica Móviles' stake increased to 99.98%.

In November 2005 the company acquired 2.07% of Telefónica Móviles Argentina, S.A., increasing Telefónica Móviles, S.A.'s stake to 100%.

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In December 2005, Telefónica Móviles acquired 8% of Telefónica Móviles México, S.A. de C.V. for 177.3MM, raising its stake to 100%.

The financial statements for fiscal year 2004 and 2005, and the corresponding comments regarding our operations included herein, reflect the current composition of Telefónica Móviles Group at each point in time. As a result, given the changes in the consolidation perimeter over the last 12 months, the consolidated results and those of some of our operators are not comparable between each period.

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Telefónica Móviles Group

As a consequence of the performance of the Venezuelan economy throughout the year, Telefónica Móviles has suspended the inflation adjustment of its subsidiary Telcel's financial statements, with retrospective application since January 1, 2005. This decision is in line with the consensus reached by the main auditing firms indicating that Venezuela should not be considered as a hyperinflationary economy.

For an easier understanding of Telefónica Móviles' financial statements, the economic stakes held by the Company in each of its subsidiaries, along with the consolidation method used in its consolidated financial statements in each period, are provided below.

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Telefónica Móviles Group

Economic ownership

	December		Consolidation method	
	2005	2004	4Q 2005	4Q 2004
T. Moviles España	100.00%	100.00%	Full consolidation	Full consolidation
Brasilcel ¹	50.00%	50.00%	Proportional method	Proportional method
T. Móviles México	100.00%	92.00%	Full consolidation	Full consolidation
TEM Panamá ²	99.98%	99.57%	Full consolidation	Full consolidation
TEM Guatemala	100.00%	100.00%	Full consolidation	Full consolidation
TEM Guatemala y Cía. ²	100.00%	100.00%	Full consolidation	Full consolidation
TEM El Salvador ³	99.03%	91.75%	Full consolidation	Full consolidation
Telefonía Celular Nicaragua ²	100.00%	100.00%	Full consolidation	Full consolidation
Telcel (Venezuela) ²	100.00%	100.00%	Full consolidation	Full consolidation
TEM Colombia ²	100.00%	100.00%	Full consolidation	Full consolidation
TEM Perú	98.03%		Full consolidation	
TM Perú SAC		97.97%		Full consolidation
Comunicaciones Móviles del Perú ²		99.85%		Full consolidation
Otecel (Ecuador) ²	100.00%	100.00%	Full consolidation	Full consolidation
TCP Argentina	100.00%	97.93%	Full consolidation	Full consolidation
Radiocomunic. Móviles SA (Argentina) ²	100.00%		Full consolidation	
TM Chile ⁴	100.00%	100.00%	Full consolidation	Full consolidation
Telefónica Móviles Chile ²	100.00%		Full consolidation	
Abiatar (Uruguay) ²	100.00%	100.00%	Full consolidation	Full consolidation
Medi Telecom	32.18%	32.18%	Equity method	Equity method
Group 3G (Germany)	57.20%	57.20%	Full consolidation	Full consolidation
IPSE 2000 (Italy)	45.59%	45.59%	Equity method	Equity method
3G Mobile AG (Switzerland)	100.00%	100.00%	Full consolidation	Full consolidation
TM Interacciona ⁵		100.00%		Full consolidation
Mobipay España	13.36%	13.36%	Equity method	Equity method
Mobipay International	50.00%	50.00%	Proportional method	Proportional method
TmAs	100.00%	100.00%	Full consolidation	Full consolidation
Tempos 21 ⁶	38.50%		Equity method	

¹ Joint Venture which fully consolidates Tele Sudeste Celular Participações, Celular CRT Participações, Tele Leste Celular Participações, Telesp Celular Participações. Telesp Celular Participações fully consolidates Global Telecom Participações and Tele Centro Oeste Participações.

Stakes that Brasilcel consolidates in subsidiaries: Tele Sudeste Celular Participações 91.0%; Telesp Celular Participações Participações 66.1%; Global Telecom Participações 66.1%; CRT Celular Participações 66.4%; Tele Leste Celular Participações 50.7% and Tele Centro Oeste Participações 34.7%.

² After the acquisition of BellSouth's mobile operators in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela, these companies are included within Group's consolidation perimeter by full consolidation from November 2004, and Argentina y Chile from January 2005.

³ After the acquisition of additional stake in 2005, TEM Group has increased its stake up to 99.03%.

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- 4 After the acquisition of 100% of TM Chile, this company is fully consolidated from July 23rd.
- 5 In September 2005, Telefónica Móviles approved the merger between TM España and TM Interacciona, being TM España the surviving Company.
- 6 In June 2005, with effect from January 2005, Tempos 21 is integrated within Telefónica Móviles consolidation perimeter through the equity method.

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Telefónica Móviles Results

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, is subject to potential future modifications. 2004 financial results were originally prepared under Spanish GAAP and have been translated into IFRS for comparison purposes only.

Consolidated Income Statement

Unaudited figures

	January - December			October - December		
	2005	2004	% Change	2005	2004	% Change
Revenues	16,513.5	11,753.9	40.5%	4,463.5	3,458.7	29.1%
Operating income before D&A (OIBDA)	5,817.0	4,587.9	26.8%	1,590.5	1,097.6	44.9%
Operating income (OI)	3,443.0	3,064.9	12.3%	896.3	629.7	42.3%
Income before taxes	2,829.7	2,544.9	11.2%	593.6	381.8	55.5%
Income from continuing operations	1,883.7	1,676.4	12.4%	357.1	255.2	39.9%
Net income	1,918.9	1,691.7	13.4%	376.2	273.3	37.7%
Operating Cash Flow ¹	3,531.7	2,970.3	18.9%	727.8	508.9	43.0%
Outstanding shares (million)	4,330.6	4,330.6		4,330.6	4,330.6	
Net basic income per share	0.45	0.39	13.4%	0.09	0.06	37.7%
OpCF per share ²	0.82	0.69	18.9%	0.17	0.12	43.0%
Dividend per share ³	0.205	0.193	6.2%	0.205	0.193	6.2%

¹ Operating Cash Flow = OIBDA - Capex

² Operating Cash Flow per share

³ 2005 figure: Proposed dividend per share. 2004 figure: Dividend per share paid in 2005.

For the basic Net income per share and Operating Cash Flow per share calculation purposes, the weighted average number of ordinary shares outstanding during the period have been obtained applying IAS rule 33 Earnings per share. Thereby, there are not taking into account as outstanding shares the shares assigned to the stock options plan for employees Programa MOS.

In a year marked by the integration of the 10 operators acquired from BellSouth in Latin America, technological migration in 8 countries and stiff competition in main markets of operation, Telefónica Móviles posted the highest net income in history in 2005 of 1,919MM, a year-over-year increase of 13.4%. **Excluding the impact of the writedown of the remaining value of the UMTS license of IPSE 2000, net income would have been over 2,000MM in 2005, an increase of 18.7% over 2004.**

At the same time, the Company has consolidated its position as one of the leading operators in the industry worldwide, with over 94.4MM managed customers by December 2005 (+26.9% vs.2004).

With over 5.4MM new customers in 4Q05, Telefónica Móviles obtained net adds of 16.3MM in 2005, driven primarily by the sharp growth in the Latin American markets.

By geographical areas, 19.9MM of the total customer base corresponded to TME (+5% vs. 2004), 71MM to Latin American operators (+34%) and over 4MM corresponded to the Moroccan operator, Médi Telecom (+47%).

Among the key aspects of the full year 2005 results, we would highlight that **all the growth targets established for the Group for the year were met**. We would point out:

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Solid growth in revenues of 40.5% vs. 2004 to 16,514MM. Organic growth of consolidated revenues stood at 14.2%.

⁶ Organic growth includes the consolidation of Telefónica Móvil Chile and Latin American assets acquired from BellSouth in Argentina, Colombia, Chile, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela since 1 January 2004; and assuming constant exchange rates.

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Telefónica Móviles Results

By components, service revenues in 2005 rose 40.4% to 14,354MM, while handset sales rose 41.4% to 2,160MM.

Consolidated revenues registered year-over-year growth of 29.1% in 4Q05, compared to 45.3% in 9M05, affected by the consolidation of 8 of the operators acquired from BellSouth since November 2004.

By geographical areas, **TME registered a 7.6% year-over-year growth in revenues in 2005, making it one of the European operators with the highest growth in its domestic market.** Service revenues grew by 7% vs. 2004 (+8.2% excluding impact of loyalty points).

The consolidated Latin American operators recorded 116.9% growth in revenues vs. 2004, representing 47% of the Group's total revenues (30% in 2004). Organic growth⁸ of these operators' revenues was 23.5%.

Consolidated OIBDA in 2005 of 5,817MM, 26.8% higher than in 2004. Year-over-year growth of consolidated OIBDA in 4Q05 of 45%, with sharp acceleration from previous quarters (+21% in 9M05). Year-over-year organic growth⁸ in consolidated OIBDA in 2005 was 7.5%.

Year-over-year growth of OIBDA at TME rebounded in 4Q05 (+4.4% vs. 2.3% in 9M05), driven by the positive performance of service revenues and control over commercial costs. OIBDA at TME in 2005 stood at 4,128MM, virtually unchanged vs. 2004, despite the increased commercial activity and the costs related to the rebranding. The OIBDA margin for 2005 stood at 46.7%, in line with the Company's targets.

The consolidated Latin American operators contributed 554MM to Group OIBDA in 4Q05 and 1,755MM in 2005 (+218.4% vs. 2004). In organic terms⁸, OIBDA from these operators increased 28.6% vs. 2004 and represented 30% of total OIBDA for the Group⁷ (12% in 2004).

We would point out the sharp improvement in OIBDA margin at these operators in 4Q05 (+11.9p.p. vs. 4Q04), mostly due to lower SACs. The OIBDA margin in 2005 stood at 22.8% vs. 15.5% in 2004.

In all, the consolidated OIBDA margin stood at 35.6% in 4Q05 (+3.9p.p. vs. 4Q04) and 35.2% in the full year 2005.

Regarding the rest of the main items, we would highlight:

The 56% year-over-year increase in depreciation, primarily due to changes to the Group's consolidation perimeter and to the impact of 298MM of amortisation of allocated intangible assets related to the acquisition of Telefónica Móvil Chile and the 10 Latin American operators acquired from BellSouth in 2004 and early 2005.

Allocated intangible assets from these acquisitions related to customers and software pending amortization stood at 164MM and 21MM, respectively at the end of the year.

Increased losses at companies consolidated by the equity method, impacted by the write-down of the remaining value of the UMTS license of IPSE 2000 in 4Q05. Excluding this effect, the contribution of these companies to Group results would have improved, with a decline of 54% in their losses compared to 2004, due to the improved results of Médi Telecom.

It should be noted that this asset write-down does not imply any cash outflow.

⁷ Consolidated revenues before Rest and intergroup eliminations

⁸ Organic growth includes the consolidation of Telefónica Móvil Chile and Latin American assets acquired from BellSouth in Argentina, Colombia, Chile, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela since 1 January 2004; and assuming constant exchange rates.

Telefónica Móviles Results

The 5% year-over-year decrease in negative net financial results, despite the larger increase in the average net debt balance for the period (+59%).

At the end of 2005 consolidated net debt stood at 8,659MM (vs. 8,442MM in 2004), 8% lower than at the end of September, thanks to cash flow generation in the period.

Proportionate net debt at the end of the year stood at 8,759MM.

As has been indicated in previous communications, if IPSE were forced to disburse the deferred payments related with the acquisition of its UMTS license, consolidated net debt would increase by the amount of the deposits made by Telefónica Móviles to guarantee a part of IPSE's deferred payments with the Italian government. This amount totalled 335MM at the end of 2005.

33.4% effective tax rate in 2005, mainly affected by the application of certain allowances for export activities in 2Q05, although the fact that there is no tax consolidation in various countries in Latin America detracts from this benefit, increasing the marginal rate. In this regard, the Brazilian companies have begun a corporate restructuring process (see significant events post closing) which will reduce this impact.

Consolidated capex, excluding licenses, of 2,285MM in 2005. 45.2MM were recorded in 2005 for the acquisition of licenses in Mexico.

Assuming constant exchange rates compared to 2004, total capex would have been 2,023MM, in line with the Company's guidance.

Telefónica Móviles Results

The following significant events have taken place in the past few months:

On 22 February 2006 the respective Shareholders Meetings of Telesp Celular Participações S.A. (TCP), Tele Centro Oeste Celular Participações S.A., (TCO), Tele Sudeste Celular Participações S.A. (TSD), Tele Leste Celular Participações, S.A. (TBE) and Celular CRT Participações S.A. (CRTPart) approved the merger of shares of TCO in order to convert it into a wholly-owned subsidiary of TCP; and the merger of the companies TSD, TBE and CRT Part into TCP (Corporate Restructuring).

On 31 January 2006, the Italian government informed Ipse 2000 Spa, in which Telefónica Móviles indirectly holds a 45.59% stake, of its decision to withdraw the UMTS license granted to this company in 2000. Telefónica Móviles, S.A. is analyzing the convenience of taking the appropriate legal actions against this decision.

In January 2006, Antonio Viana Baptista, Chairman and CEO of Telefónica Móviles, S.A. was appointed as a member of the Board of Directors of O2 plc.

Market Size

	Total ¹			In thousands Equity ²		
	December			December		
	2005	2004	% Change	2005	2004	% Change
Spain and Mediterranean Basin Subscribers	23,913	21,707	10.2%	21,185	19,856	6.7%
Latin América Subscribers	70,535	52,735	33.8%	49,919	33,781	47.8%
TOTAL Subscribers	94,448	74,442	26.9%	71,103	53,636	32.6%

¹ Total customers from all operators in which Telefónica Móviles holds an economic participation.

² Total subscribers weighted by the economic interest held in each company.

Telefónica Móviles Results

Results by geographic regions

Unaudited figures

	In million Euros											
	REVENUES						OPERATING INCOME BEFORE D&A					
	January - December			October - December			January - December			October - December		
	2005	2004	% Change	2005	2004	% Change	2005	2004	% Change	2005	2004	% Change
Spain	8,834.2	8,213.8	7.6%	2,212.8	2,091.9	5.8%	4,127.9	4,158.2	-0.7%	1,038.0	994.3	4.4%
Latin America	7,704.5	3,552.4	116.9%	2,258.9	1,377.7	64.0%	1,754.6	551.2	218.4%	553.9	174.2	218.0%
Brazil	1,889.3	1,502.3	25.8%	557.6	401.2	39.0%	496.5	491.0	1.1%	117.3	108.9	7.8%
Northern Region	1,263.6	912.3	38.5%	354.0	315.7	12.1%	-1.2	-118.7	-99.0%	22.6	-30.5	c.s.
Andean Region	2,837.4	607.7	n.c.	827.5	431.8	n.c.	866.2	116.4	n.c.	282.3	70.3	n.c.
Southern Cone	1,714.2	530.1	n.c.	519.7	229.1	n.c.	393.1	62.5	n.c.	131.8	25.5	n.c.
Rest and intragroup sales	-25.3	-12.3	n.c.	-8.1	-10.9	-25.4%	-65.5	-121.5	-46.1%	-1.4	-70.9	-98.0%
TOTAL	16,513.5	11,753.9	40.5%	4,463.5	3,458.7	29.1%	5,817.0	4,587.9	26.8%	1,590.5	1,097.6	44.9%

The comparison is affected by the incorporation of TM Chile from August 2004, of BellSouth's Latam mobile operators in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela from November 2004 and Argentina and Chile from January 2005.

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Business Performance by Geographic Region

Spain

	December		
	2005	2004	% Change
Total subscribers (thousands)	19,890	18,977	4.8%
Prepaid	9,186	9,717	-5.5%
Contract	10,704	9,260	15.6%

Unaudited figures (million Euros)

	January - December			October - December		
	2005	2004	% Change	2005	2004	% Change
Revenues	8,834	8,214	7.6%	2,213	2,092	5.8%
Operating income before D&A (OIBDA)	4,128	4,158	-0.7%	1,038	994	4.4%
OIBDA margin	46.7%	50.6%	-3.9 p.p.	46.9%	47.5%	-0.6 p.p.
Capex	727	628	15.8%	221	189	16.7%

Split of Revenues (% over total)

	January - December		October - December	
	2005	2004	2005	2004
Customer revenues	67%	66%	70%	67%
Interconnection	17%	19%	17%	18%
Handset sales	12%	11%	11%	12%
Roaming-in	3%	3%	2%	2%
Other	1%	1%	0%	0%

In a year marked by stiffer competition, the Spanish wireless market reached over 43MM lines, equivalent to 97% penetration rate.

In this context, TME recorded net adds of nearly 260 thousand in 4Q05 and almost one million lines in 2005 (+48% vs. 2004). As a result, the Company ended December with nearly 20MM customers, a 4.8% year-over-year growth.

We would point out the strong commercial activity carried out in 2005. Including gross adds, migrations and handset upgrades, TME carried out 2.7MM commercial initiatives in 4Q05 (+9.4% vs. 4Q04) and 10.7MM in the full year 2005 (+19% vs. 2004), marking the highest figures in the Company's history.

Against a competitive backdrop featured by a large volume of number portability actions, TME's gross adds grew 23% vs. 2004, with a 41% year-over-year increase in number portability gross adds.

In line with the Company's focus on value, especially noteworthy is the increase in contract gross adds (+30% vs. 2004). As a result of this and with ongoing efforts to encourage prepaid to contract migrations (nearly 1MM in 2005), the contract segment represented nearly 54% of TME's total customer base (+5p.p vs. 2004).

The commercial initiatives targeting high-value customers were also reflected in number portability. TME recorded a positive net balance of 71 thousand lines in the contract segment in 4Q05 (+22% vs. 4Q04) and 180 thousand lines in the full year 2005. In all, including prepaid and contract, the accumulated net balance in number portability in 2005 was a loss of 116,000 lines. This was also the result of TME's greater focus on acquiring prepaid clients through generic commercial campaigns, rather than through number portability.

Also worth highlighting are the efforts made in retention activities. The Company launched campaigns to reward customer loyalty and offered favourable conditions for handset upgrades to encourage greater commitment from our customers. Handset upgrades reached nearly 1.1MM in 4Q05 and more than 4.5MM in 2005 (+23.2% vs. 2004).

These activities and commercial initiatives such as 'Ya te llamo yo' or the '100x1' promotion have proven to be important loyalty tools, enabling TME to contain the

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churn rate at a 1.8% level in 2005 despite competitors' commercial aggressiveness.

The new commercial offers have also boosted customer usage. TME carried more than 13,000MM minutes of traffic in 4Q05 (+21.5% vs. 4Q04) and more than 50,000MM minutes in the full year 2005 (+20.3% vs. 2004). Despite the increase, TME networks' quality indices improved relative to previous years.

Particularly significant is the growth of on-net traffic (+30% vs. 2004), which now represents 43% of total traffic. MOU reached 152 minutes in 4Q05 (+12.6% vs. 4Q04) and 150 minutes in the full year 2005 (+15.9% vs. 2004).

We would also highlight the launch in December 2005 of Mundo Movistar (Movistar world), the first multi-country product and service distribution scheme. It complements the Mi Favorito Internacional (My favourite international number) and Mis Cinco Internacional (My five international numbers) products already offered by the Company. The Mundo Movistar service, which sets TME apart from competitors, allows customers to buy a handset and a prepaid card at any sales point in the movistar network in Spain and have them available for pickup by a customer in Ecuador or Colombia the following day. Plans are to extend this service gradually to other markets in Latin America and Morocco.

Thanks to the positive performance of MOU and despite price cuts and lower termination rates, TME posted voice ARPU (excluding the impact of promotions) of 28.5 in 4Q05 (+0.8% vs. 4Q04) and 28.7 for the full year 2005 (+2.6% vs. 2004).

Moreover, throughout 4Q05 TME introduced new data transmission price schemes, with concepts similar to flat rate plans, enabling the Company to boast the most comprehensive and competitive offer in the data transmission market, with prices of 30/month for 1 Giga and 58/month for 5 Gigas.

TME's data ARPU (excluding the impact of promotions) stood at 4.7 in 4Q05 (+7.1% vs. 4Q04) and 4.4 in 2005 (+7.6% vs. 2004). Non-traditional SMS data services were the main growth driver. Revenues from these services increased to represent 38% of the Company's total data revenues vs. 29% in 2004.

As a result, TME's total ARPU stood at 33.2 in 4Q05 (+1.6% vs. 4Q04) and 33.1 in 2005 (+3.3% vs. 2004).

Highlights of TME's financial results include:

Revenues of 2,213MM in 4Q05 (+5.8% vs. 4Q04) and 8,834MM in the full year 2005 (+7.6% vs. 2004).

The sharp growth in revenues, which should be seen in the European context and despite substantial cuts in prices, was driven by the positive performance of service revenues, which totalled 1,975MM in 4Q05 (+6.8% vs. 4Q04) and 7,794MM in the full year 2005 (+7.0% vs. 2004).

Revenues from handset sales totalled 1,040MM in 2005, up 11.8% year-over-year vs. 2004 and to represent 11.8% of total revenues.

Given the sharp increase in TME's commercial activity throughout the year, the weight of commercial costs (including SAC, SRC and advertising) over service revenues ex-loyalty points stood at 15.4% in 2005 (11.7% in 2004). These figures include the rebranding costs incurred in 2Q05.

Year-over-year growth of OIBDA at TME rebounded in 4Q05 (+4.4% vs. 2.3% in 9M05), driven by the positive performance of service revenues and control over commercial costs. OIBDA for the full year 2005 stood at 4,128MM, virtually unchanged vs. 2004 despite the increased commercial activity and the costs related to rebranding. The OIBDA margin in 2005 stood at 46.7%, in line with the Company's targets.

TME continued with the deployment of its UMTS network and investment to increase network capacity in order to

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meet the sharp growth in usage during 2005. Capex in 2005 totalled 727MM (+15.8% vs. 2004). At the end of 2005, TME's UMTS network had more than 5,000 base stations, providing coverage to areas in which over 70% of the population lives.

Morocco

At the end of 2005 Medi Telecom's customer base stood at 4.023MM (+47.4% vs. 2004). Net adds in 4Q05 stood at 185 thousand, 17% more than in 4Q04.

Regarding financial results, revenues in 2005 totalled 397MM (+21% vs. 2004), driven by growth in the customer base throughout the year.

OBIDA stood at 153MM while the OIBDA margin for the year was 39% (46% in 2004), impacted by the higher commercial activity (+40.4% vs. 2004). OIBDA increased by 2% vs. 2004.

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Latin America

	December		
	2005	2004	% Change
Total subscribers (thousands) ¹	70,535	52,735	33.8%
Prepaid	56,460	42,545	32.7%
Contract	13,066	9,487	37.7%
Fixed Wireless	1,009	703	43.5%
Unaudited figures (million Euros)			

	January - December			October - December		
	2005	2004	% Change	2005	2004	% Change
Revenues	7,705	3,552	116.9%	2,259	1,378	64.0%
Operating income before D&A (OIBDA)	1,755	551	218.4%	554	174	218.0%
OIBDA margin	22.8%	15.5%	7.3 p.p.	24.5%	12.6%	11.9 p.p.
Capex	1,557	986	57.9%	642	398	61.4%

¹ 2005 figures include the adjustment of 300,000 inactive prepaid lines in Mexico not longer considered in the reported customer base. The year-over-year comparison is affected by the incorporation of TM Chile from August 2004 and the operators acquired from BellSouth in Colombia, Ecuador, Guatemala, Nicaragua, Panama, Peru, Uruguay and Venezuela in November 2004 and Argentina and Chile in January 2005.

Brazil

	December		
	2005	2004	% Change
Total subscribers (thousands)	29,805	26,543	12.3%
Prepaid	24,061	21,357	12.7%
Contract	5,744	5,186	10.8%
Unaudited figures (million Euros)			

	January - December			% Change in local currency	October - December		
	2005	2004	% Change		2005	2004	% Change
Revenues	1,889	1,502	25.8%	4.0%	558	401	39.0%
Operating income before D&A (OIBDA)	496	491	1.1%	-16.4%	117	109	7.8%
OIBDA margin	26.3%	32.7%	-6.4 p.p.	-6.4 p.p.	21.0%	27.1%	-6.1 p.p.
Capex	400	278	43.9%		150	109	38.0%

In the last quarter of the year, the Brazilian market continued showing a solid performance despite slowing its pace of growth. At the end of 2005 the total market stood at 86.2MM customers (+31.4% vs. 2004), equivalent to a penetration rate of 46.6% (49.6% in Vivo's areas of operation).

In 4Q05, against a backdrop of intense competition, less commercial pressure was seen in the prepaid segment, with the main operators targeting their commercial initiatives at high-value segments. In this context, Vivo's customer base stood at 29.8MM at the end of December (+12% vs. 4Q04), with net adds in 4Q05 of nearly 1MM.

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Vivo continues to target its commercial initiatives at the acquisition and retention of high-value customers and fostering prepaid to contract migration.

In terms of customer usage and traffic, MOU in 4Q05 was 74 minutes, while ARPU in 4Q05 was 29.0 reais, an increase of 2.5% compared to 3Q05, driven by higher contract ARPU.

Regarding Vivo's financial results, service revenues grew 5% in local currency vs. 2004, fuelled by higher outgoing revenues (+17%) in both the prepaid and contract segments, which in part offset the decline in incoming revenues (-7%).

The decrease in commercial activity led to a 2% year-over-year fall in revenues from handset sales vs. 2004, leading to a 4% increase in total revenues.

2005 October-December

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Higher entry barriers compared to the 2004 Christmas campaign and the decrease in commercial activity led to lower commercial costs (SAC, SRC and advertising) in 4Q05 compared to 4Q04, although higher provisions related to communications not attributable to customers (33MM in 4Q05) caused the OIBDA margin after management fees to fall to 21.0% in 4Q05 and to 26.3% in 2005. The Company is implanting detection systems in the short term to limit this risk. Excluding the impact of these provisions in 2005, the OIBDA margin would be 26.9% in 4Q05 and 28.8% in the full year 2005.

Finally, capex in 2005 totalled 400MM, driven primarily by the increased capacity of Vivo s networks.

Northern Region

	December		% Change
	2005	2004	
Total subscribers (thousands) ¹	9,168	7,686	19.3%
Prepaid	8,439	6,994	20.7%
Contract	582	555	4.8%
Fixed Wireless	146	136	7.4%

Unaudited figures (million Euros)

	January - December			October - December		
	2005	2004	% Change	2005	2004	% Change
Revenues	1,264	912	38.5%	354	316	12.1%
Operating income before D&A (OIBDA)	-1	-119	-99.0%	23	-31	c.s.
OIBDA margin	-0.1%	-13.0%	12.9 p.p.	6.4%	-9.7%	16.1 p.p.
Capex	306	431	-29.0%	145	113	28.1%

¹ 2005 figures include the adjustment of 300,000 inactive prepaid lines in Mexico not longer considered in the reported customer base. The year-over-year comparison is affected by the incorporation of the operators acquired from BellSouth in Guatemala, Panama and Nicaragua in November 2004.

Mexico

	December		% Change
	2005	2004	
Total subscribers (thousands) ¹	6,368	5,639	12.9%
Prepaid	6,048	5,338	13.3%
Contract	320	301	6.1%
Fixed Wireless	1	0	n.c.

Unaudited figures (million Euros)

	January -December			% Change in local currency	October - December		
	2005	2004	% Change		2005	2004	% Change
Revenues	779	683	14.0%	9.9%	216	219	-1.7%
Operating income before D&A (OIBDA)	-159						