

TELEFONICA MOBILE INC  
Form 6-K  
February 19, 2003

**FORM 6-K**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

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

**under the Securities Exchange Act of 1934**

***February 19, 2003***

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):

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Yes: q No: x

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: q No: x

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.

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. presents its quarterly results corresponding to October-December 2002.***



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**TELEFÓNICA MÓVILES RESULTS**

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**KEY HIGHLIGHTS: PRO-FORMA RESULTS**

**Sharp growth in the Company's total customer base.**

**41.4** managed customers<sup>1</sup> at the end of 2002, an increase of 39% from the 29.8 million reached in 2001.

**21.4** million managed customers in Latin America, including Brasilcel, the Joint Venture with Portugal Telecom in Brazil.

**18.4** million active clients in Spain, with a 10% annual increase.

**Leadership position maintained in the major markets of operations**

**55%** estimated market share in Spain at the end of 2002, remaining as one of the leading operators in the major European markets.

Market share in Brazil **over 50%**, after the agreement to buy TCO, with clear leadership in Sao Paulo, Rio de Janeiro and Brasilia markets. With this operation, Brasilcel will reach 16.8 million customers, 11 million more customers than the second Brazilian operator.

**High quality customer base in Spain**

Only operator with an **estimated outgoing traffic market share higher than market share.**

**Strong rise in the weight of contract segment:** 35% of total customer base vs. 32% in 2001

**MOU grew in 2002** for the first time in the history of the company

**4Q02 positive outgoing ARPU year-over-year variation**, although total ARPU has been negatively affected by the elimination of the monthly subscriber fee, and by the fall in outgoing tariffs and interconnection fees in 2002, despite which it shows an important deceleration in its y-o-y decline.

**1% monthly churn in 2002.** We would also point out that economic churn is even lower than commercial churn, as the average usage of disconnections lines is considerably lower than the average usage of the Company's customer base.

**Growth in revenues and significant increase in EBITDA**

EBITDA growth of 19.1% assuming constant exchange rates, although due to the exchange rate impact, in euros they show a 12.1% growth. Consolidated EBITDA in 2002 grew to a total of 3,736MM

Revenues in 2002 18.7% higher than in 2001, assuming constant exchange rates, and 8.7% in Euros.

**40.9% of consolidated EBITDA margin in 2002**, 1.2 p.p. higher than that recorded in 2001, with Telefónica Móviles remaining as one of the more efficient operators of the European.

**51.6% of EBITDA margin in TME**, vs. 49.1% in 2001, remaining as a benchmark sector operator.

**Favourable evolution of net income**

**Cumulative net loss of -3,724MM** , an improvement from the loss registered in the first nine months of 2002, despite the full write-off of the assets in Germany, Austria and Switzerland, the provision for restructuring costs in these countries and in Italy, as well as the write off the goodwill from Terra Mobile due to the company's concentration of activities in Spain. Elimination of the exposure to the carrying values of the assets in the first three countries, which amounted to 410MM after the adjustment to their valuation made in July, being the only exposure related to the assets in Italy, which amounts to 136MM .

**Excluding the impact of these non-recurring items, net income would have amounted to 1,405.8MM** , a year-over-year increase of 46.9% compared to 2001<sup>2</sup>.

#### **Optimization of the use of resources**

919MM of cumulative capex<sup>3</sup> in 2002, a **10.1% capex to revenues ratio in 2002**.

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<sup>1</sup> Total subscribers including Brasilcel customers plus the subscribers of managed companies in Chile and Puerto Rico.

<sup>2</sup> In 2001, it is excluded the impact of extraordinary provisions, asset write-offs and the homogeneization of TCP's fiscal year with the rest of Group TEM

<sup>3</sup> Capex ex licences and capitalized financial costs.

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## TELEFÓNICA MÓVILES RESULTS

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### Significant increase in free cash-flow generation<sup>4</sup>

**More than 1,805MM** in 2002, a 134% increase from 2001.

### Dividend payment

Telefónica Móviles Board of Directors will propose the **payment of a dividend of 0.175 per share, charged to Additional paid-in capital**, for approval at its Annual General Shareholders Meeting. Such dividend would be payable along June 2003.

This decision involves a change in the shareholder remuneration policy announced by the Company at the time of its initial public offering in 2000.

### Increase in the Group's financial flexibility

**More than 2,000MM** reduction in consolidated financial net debt in 2002, in spite of the changes to the Group's consolidation perimeter, which have been more than offset by internal cash flow generation.

Ratio of **financial net debt to EBITDA of 1.9x at the end of 2002**, vs. 2.7x in 2001.

### High quality balance sheet

**26.1% weight of intangible assets<sup>5</sup> over the Group's total asset base at the end of 2002**, vs. a 49.7% in 2001, after the write down of assets carried out in 2002.

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<sup>3</sup> Capex ex licences and capitalized financial costs.

<sup>4</sup> Consolidated Free Cash Flow = EBIT (1-t) + Amortization - Capex - Capitalized opex

<sup>5</sup> Start-up expenses, intangible net assets and goodwill.

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## TELEFÓNICA MÓVILES RESULTS

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The financial statements and management discussions appearing in this report refer to pro-forma data (Combined Pro-forma Financial Statements), which could give rise to differences with respect to the corresponding information submitted on a regular basis to the CNMV (the Spanish SEC). For a correct understanding of this report, a reconciliation of the pro-forma financial information and that included in the public information submitted on a regular basis to the CNMV has been carried out.

The financial statements and management discussions appearing in this report refer to the financial performance of Telefónica Móviles Group, considering that all companies in which Telefónica Group held a stake as of 1 January 2001, and that as of 31 December 2001 had been transferred and/or sold to Telefónica Móviles, are included in Telefónica Móviles financial statements from the moment of its incorporation to Telefónica Group. Such criteria has been followed also in the recording of 2002 financial statements.

The four operators in the north of Mexico, which were transferred to the Group in July 2001, have been fully consolidated through the full integration method from 3Q01. Telefónica Móviles stake in the share capital of Grupo Pegaso Telecomunicaciones, acquired in September 2002, has been consolidated in 4Q02 results through the full integration method, retroactively registering its results from September 10, 2002, the date of acquisition.

Due to the merger of the four operators in the north of Mexico and Grupo Pegaso Telecomunicaciones into one single company Telefónica Móviles México, in the final quarter of 2002, this company has been consolidated for the first time, and thus results are presented including the corresponding eliminations related to intragroup operations. Until their integration within Telefónica Móviles México, the financial statements of the four northern Mexican operators included aggregate results, without reflecting the adjustments resulting from operations among these companies. Intragroup transactions affect mostly operating revenues. In order to make a straight comparison with previous quarters, we present the figures for 2001 and 2002 from the first quarter of the year-applying the same criteria, in other words, presenting the results of the Mexican operators net of intra-group eliminations.

To avoid possible distortions from the increase of Telefónica Móviles economic stake in TeleLeste Celular, which took place in 2Q02, as of January 1, 2002, this company has been fully consolidated. Until 4Q01, TeleLeste Celular was consolidated by the equity method.

The financial statements do not include the mobile operators of Chile and Puerto Rico managed by Telefónica Móviles.

On 27 December 2002, Brasilcel, the Joint Venture with Portugal Telecom in which each of the partners has a 50% stake, was constituted by transferring 100% of both groups direct and indirect shareholdings in various Brazilian cellular operators TeleSudeste Celular, CRT Celular and TeleLeste Celular by Telefónica Móviles and Telesp Celular Participações and an additional stake in CRT Celular by Portugal Telecom. As a result, Telefónica Móviles 2002 year-end proforma consolidated balance sheet includes the consolidation of Brasilcel<sup>6</sup> by the proportional integration method. The transfer of the stakes to Brasilcel has had no significant impact on the income statement, given the date of its recording.

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.

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<sup>6</sup> And accordingly all operators transferred : Tele Sudeste Celular, CRT Celular y Tele Leste by Telefónica Móviles, and Telesp Celular Participações and an additional stake in CRT Celular by Portugal Telecom



## TELEFÓNICA MÓVILES RESULTS

## Economic ownership

	Dec	Dec	Consolidation method	
	2002	2001	Dec 2002	Dec 2001
T. Moviles España	100.00%	100.00%	Full consolidation	Full consolidation
Brasilcel <sup>1</sup>	50.00%		Proportional method	
TCP Argentina	97.93%	97.93%	Full consolidation	Full consolidation
TEM Perú	97.97%	97.97%	Full consolidation	Full consolidation
T. Móviles México <sup>2</sup>	92.00%		Full consolidation	
TEM El Salvador	90.26%	46.05%	Full consolidation	Full consolidation
TEM Guatemala	100.00%	51.00%	Full consolidation	Full consolidation
Group 3G (Germany)	57.20%	57.20%	Full consolidation	Full consolidation
IPSE 2000 (Italy)	45.59%	45.59%	Equity method	Equity method <sup>(3)</sup>
3G Mobile (Austria)	100.00%	100.00%	Full consolidation	Full consolidation
3G Mobile AG (Switzerland)	100.00%	100.00%	Full consolidation	Full consolidation
Medi Telecom	31.34%	30.50%	Equity method	Equity method
Terra Mobile	80.00%	80.00%	Full consolidation	Full consolidation <sup>(4)</sup>
M-Solutions	100.00%	100.00%	Full consolidation	Full consolidation
Mobipay España	13.33%	13.33%	Equity method	Equity method
Mobipay International	36.00%	38.00%	Equity method	Equity method
TmAs	100.00%		Full consolidation	

(1) Joint Venture which consolidates by full integration the assets transferred by TEM (TeleSudeste, Celular CRT and TeleLeste Celular) and by Portugal Telecom (Telesp Celular Participacoes and an additional stake in CRT Celular).

(2) Telefónica Móviles México consolidates the North Mexican operators (Norcel, Bajacel, Movitel and Cedetel) and Grupo Pegaso Telecomunicaciones.

(3) Full consolidated up to September 2001.

(4) Consolidated through the Equity method up to September 2001.

## Telefónica Móviles Group

## Conciliation with the Consolidated Proforma Income Statement

Audited figures

	Consolidated Proforma Figures		Statutory Figures		Differences	
	January-December		January-December		January-December	
	2002	2001	2002	2001	2002	2001
Operating revenues	9,139.8	8,411.1	9,061.1	8,473.2	78.7	(62.1)
EBITDA	3,735.8	3,333.7	3,709.3	3,321.1	26.5	12.6
Operating profit	2,419.4	2,075.5	2,411.4	2,076.5	8.0	(1.0)
Net income before minority interests	(8,088.5)	845.0	(8,093.8)	945.7	5.3	(100.7)
Net income	(3,724.5)	893.4	(3,730.7)	992.8	6.2	(99.4)
Recurring Net income <sup>1</sup>	1,405.8	957.0	1,399.6	1,056.4	6.2	(99.4)

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- (1) In 2002 excludes the impact of extraordinary accounts associated with the write-downs of assets and the cost for restructuring activities in Germany, Austria, Italy, Switzerland as well as the write-down of Terra Mobile's goodwill. In 2001 excludes the impact of net extraordinary provisions, write-downs of assets and the homogeneization of TCP fiscal year with the rest of the TEM Group.

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**TELEFÓNICA MÓVILES RESULTS**


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**Telefónica Móviles Group**


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**Consolidated Proforma Income Statement**

Audited figures

In million Euros

	January-December		% Change	October-December		% Change
	2002	2001 <sup>6</sup>		2002	2001 <sup>6</sup>	
Operating revenues	9.139,8	8.411,1	8,7	2.310,8	2.242,6	3,0
EBITDA	3.735,8	3.333,7	12,1	897,0	804,4	11,5
Operating profit	2.419,4	2.075,5	16,6	569,4	491,8	15,8
Income before taxes	(10.219,3)	1.473,7	c.s.	(6.800,3)	330,9	c.s.
Net income before minority interests	(8.088,5)	845,0	c.s.	(4.062,1)	197,5	c.s.
Net income	(3.724,5)	893,4	c.s.	198,7	223,2	(11,0)
Recurring Net income <sup>1</sup>	1.405,8	957,0	46,9	426,9	221,4	92,8
Free Cash Flow <sup>2</sup>	1.805,8	770,4	134,4	209,7	(60,7)	c.s.
Outstanding shares (million) <sup>3</sup>	4.330,6					