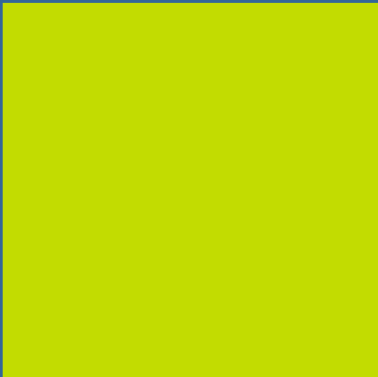
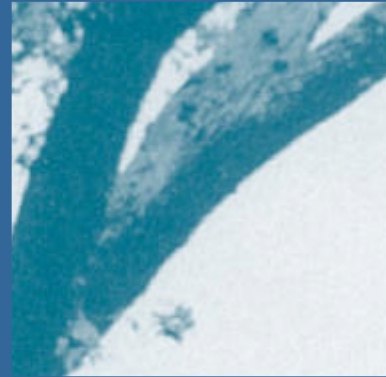


José María  
Alvarez-Pallete  
CFO  
Telefónica Group

M a r c h  
2 0 0 1  
Rio de Janeiro



*Telefonica*

# Telefónica's Financial Profile and Prospects

**Investor Conference**  
March 2001, Rio de Janeiro.

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*Telefonica*

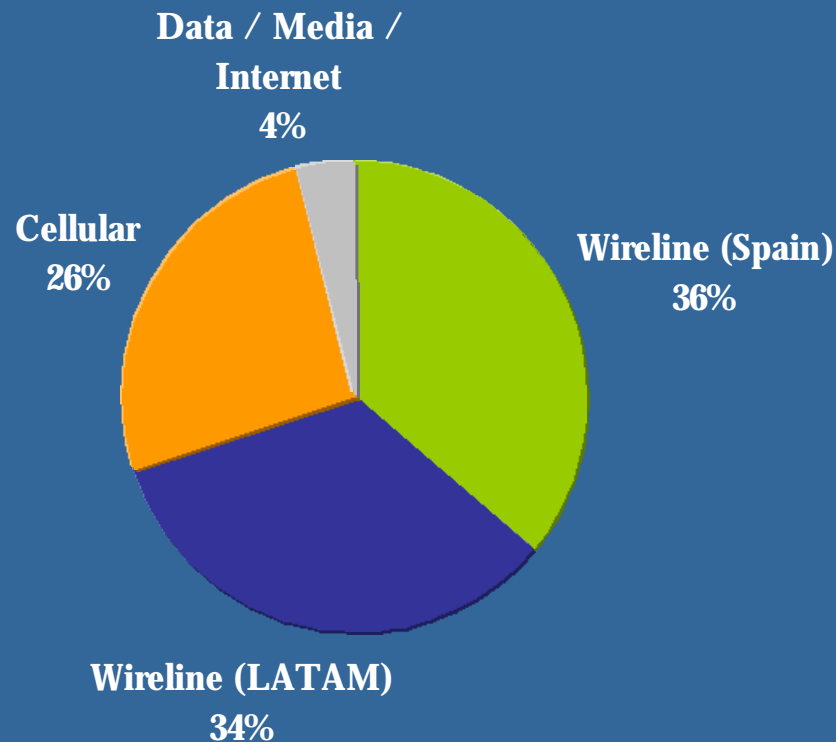
# Telefónica's financial profile: Y2k

- **Ebitda: Profitability, growth and diversification**
- **A milestone year in terms of assets growth**
- **Strong balance sheet**
- **Stable Financial strategy and timely execution**

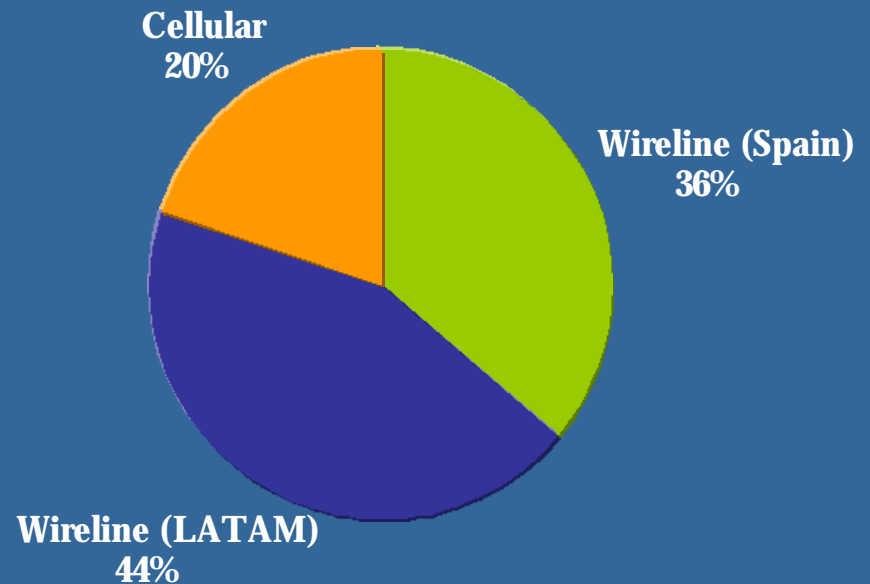
# Steady growth record

<b>Euro Mill.</b>	<b>1999</b>	<b>2000</b>	<b>YoY Growth</b>
<b>TURNOVER</b>	<b>22,957</b>	<b>28,485</b>	<b>24%</b>
<b>EBITDA</b>	<b>10,885</b>	<b>11,919</b>	<b>9.5%</b>
<b>NET INCOME</b>	<b>1,805</b>	<b>2,505</b>	<b>38.8%</b>
<b>E.P.S. (Euros)</b>	<b>0.57</b>	<b>0.67</b>	<b>18.5%</b>

# EBITDA: Growth + diversification



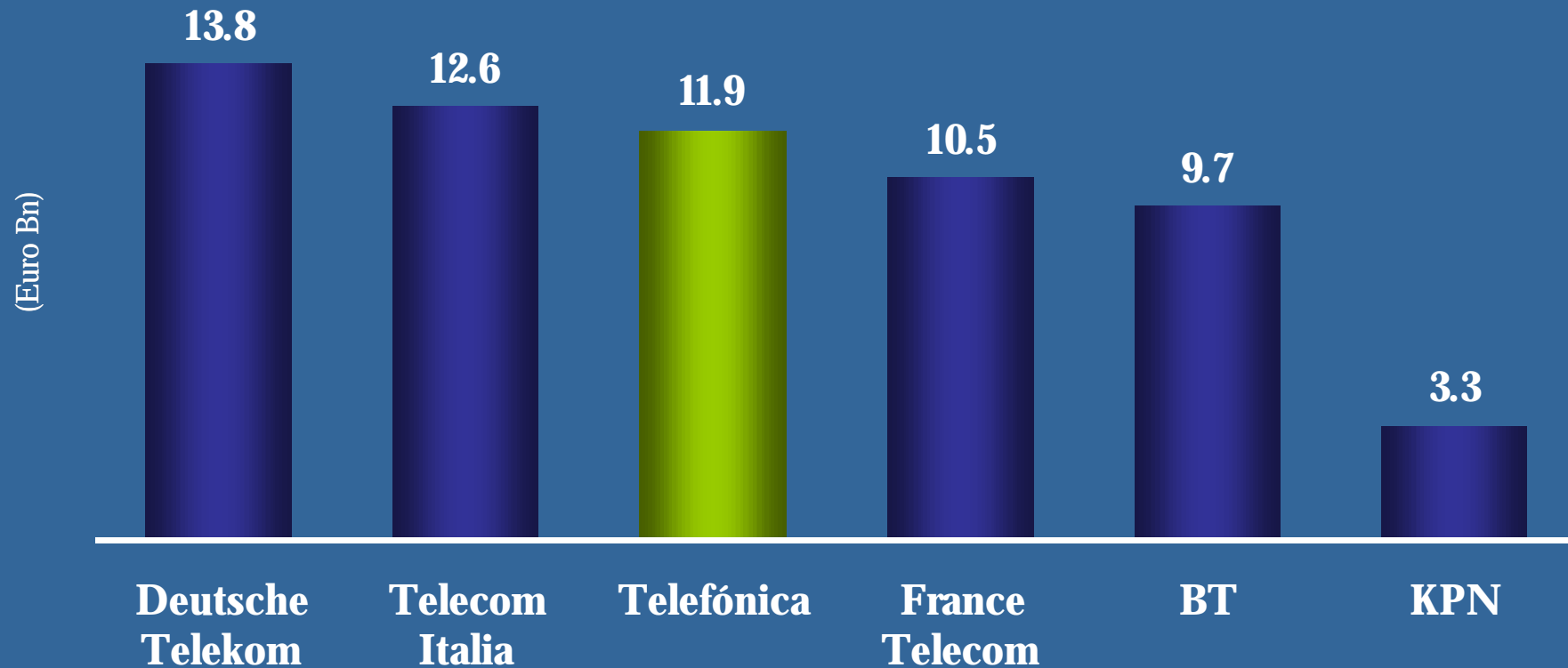
Revenue 2000: 28,485 Millions Euro



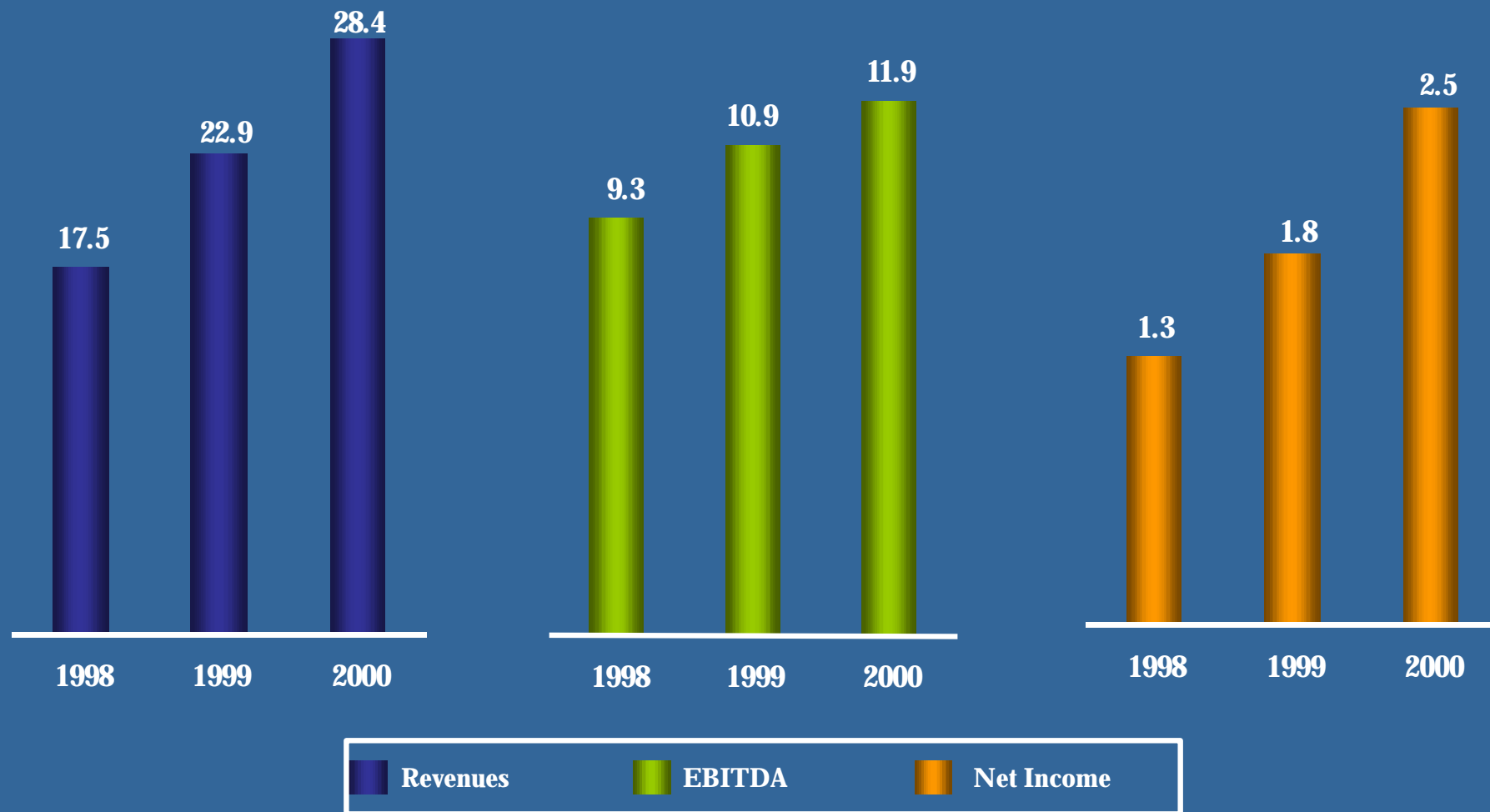
EBITDA 2000: 11,919 Millions Euro

# EBITDA: SIZE

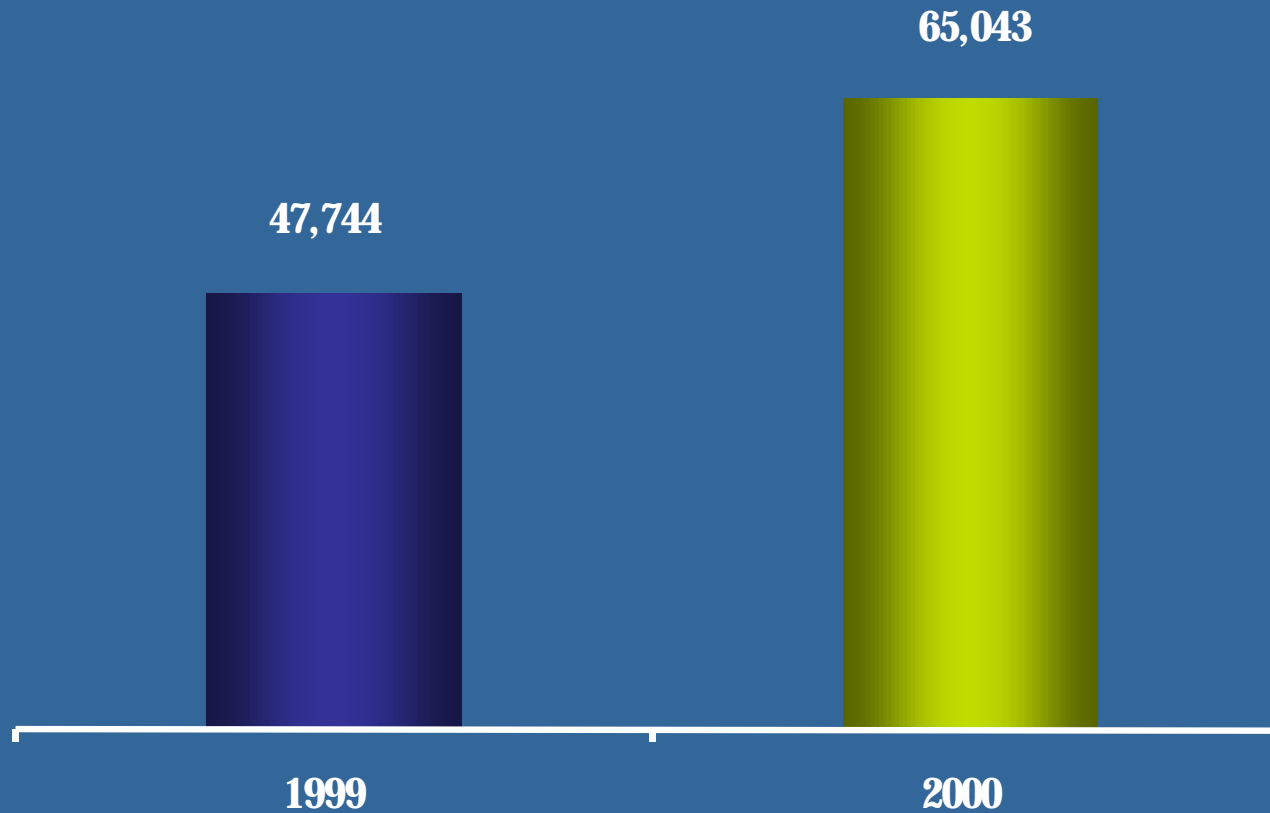
## 2000E EBITDA



# Strong historical growth (Euro Bn)



# A milestone year: Asset growth ...



Consolidated Net Assets (Euro Mill.) YoY



# ... while preserving a strong balance sheet

	1999	2000
<b>Net Debt</b>	<b>20,472</b>	<b>26,951</b>
<b>Minority Interest</b>	<b>10,614</b>	<b>9,330</b>
<b>Shareholders' Equity</b>	<b>16,658</b>	<b>28,762</b>
<b>Total Capital Employed</b>	<b>47,744</b>	<b>65,043</b>

**Net Debt / Total Capital Employed**

**Net Debt / EBITDA (x)**

**EBITDA / Net financial expenses (x)**

# With a clear financial strategy and

- **Equity funding**
- **Full access to LATAM's cash flows**
- **Optimising WACC and credit rating**
- **Financial flexibility**
- **Enhancing stability of a growing cash flow**
- **Efficiency and transparency in capital allocation**

# Equity funding: now and before ...

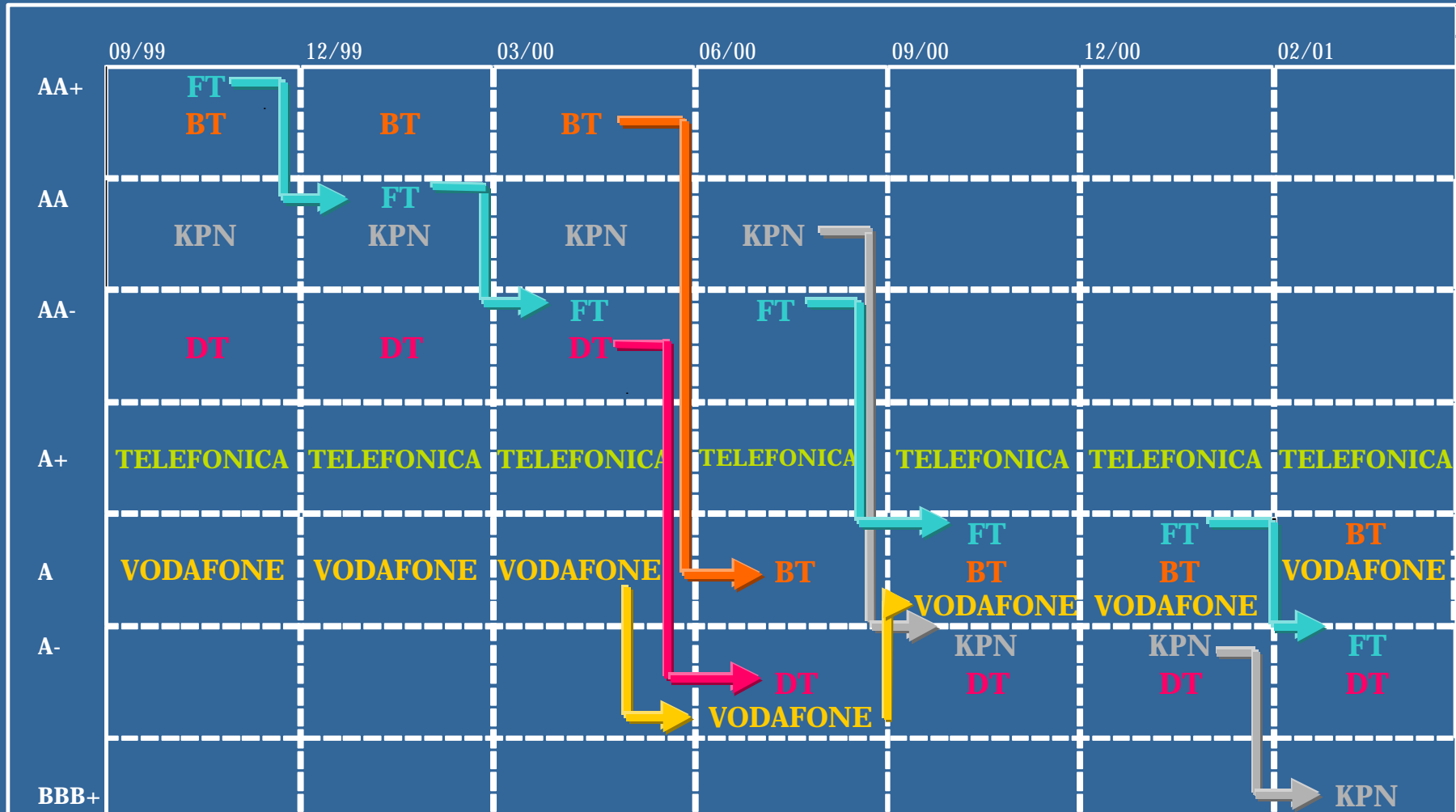
<u>2000 Equity issues</u>	<u>Bn Eur</u>
Verónica	21
Endemol	5
New equity	
• Mobile IPO	3.3
• TPI 3% sale	0.1
• Motorola Assets	2
<b>Total Equity</b>	<hr/> <b>31.4</b>

**New equity: 82% of attributable UMTS licenses costs**

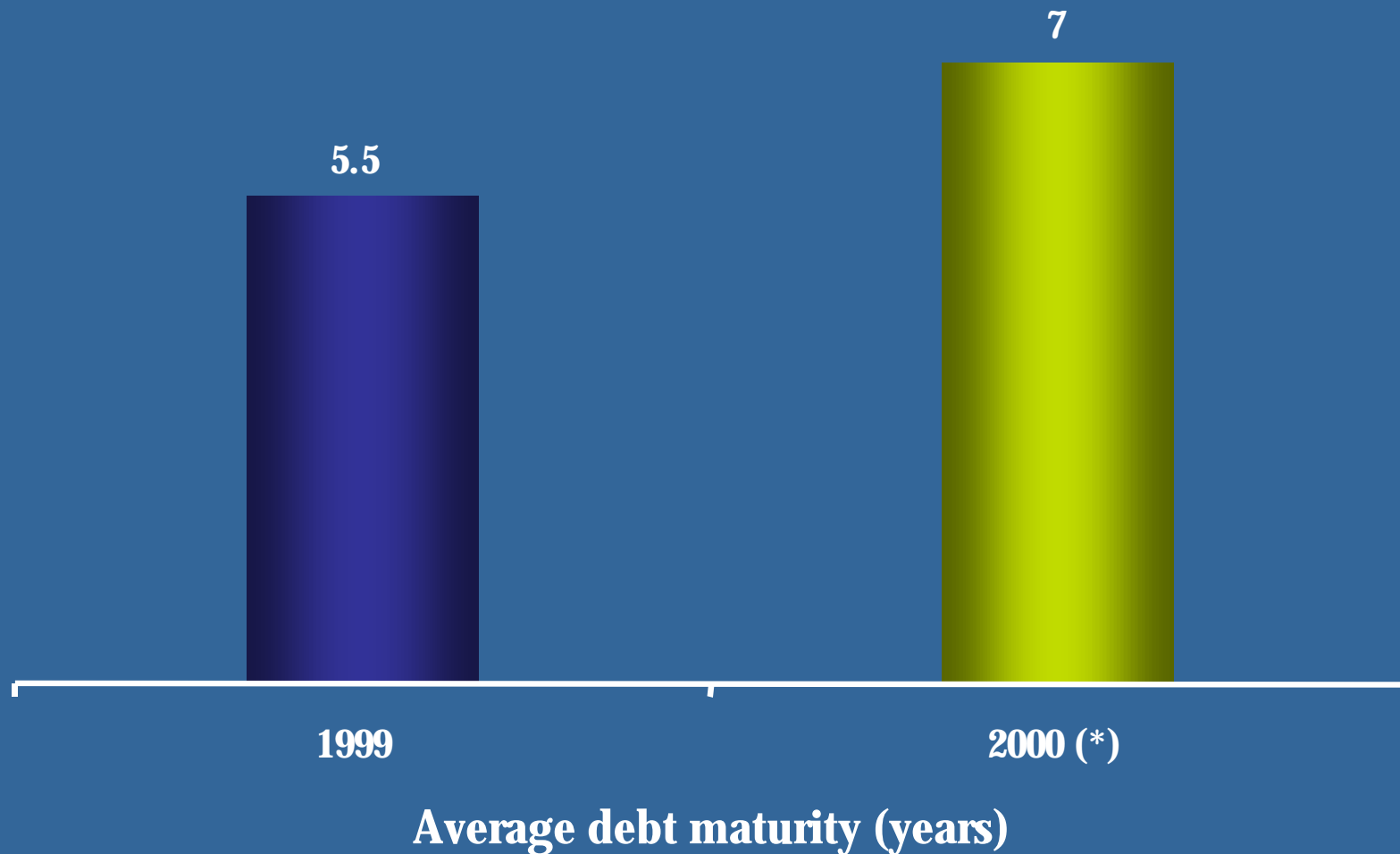
**Verónica: EPS accretive by 29.7% (\*)**

(\*) Before extraordinary income; after extraordinary income EPS

# Rating stability

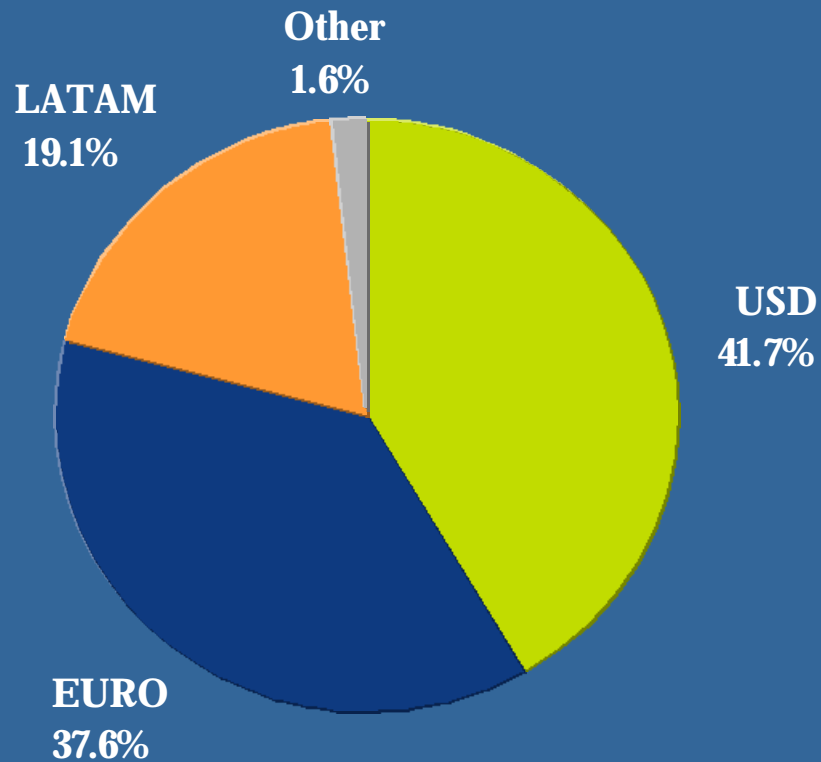


# ... Enhancing financial flexibility

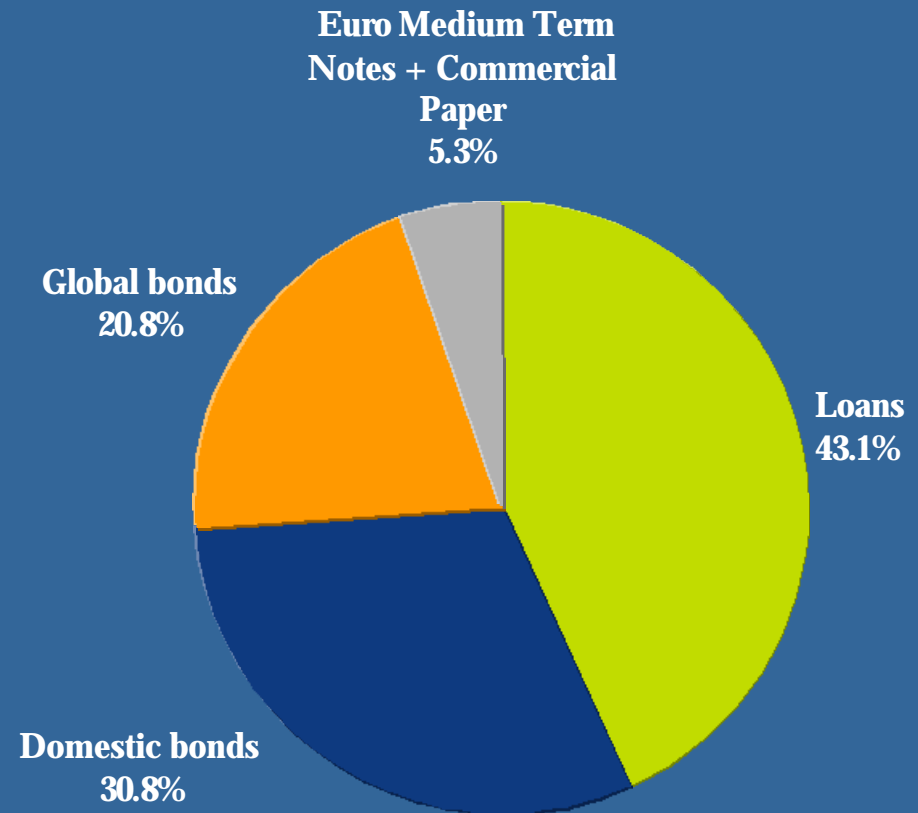


(\*) Average life global bond: 12.5 years / Amortisation of short term debt

# ... and diversifying risk



By currency (\*)

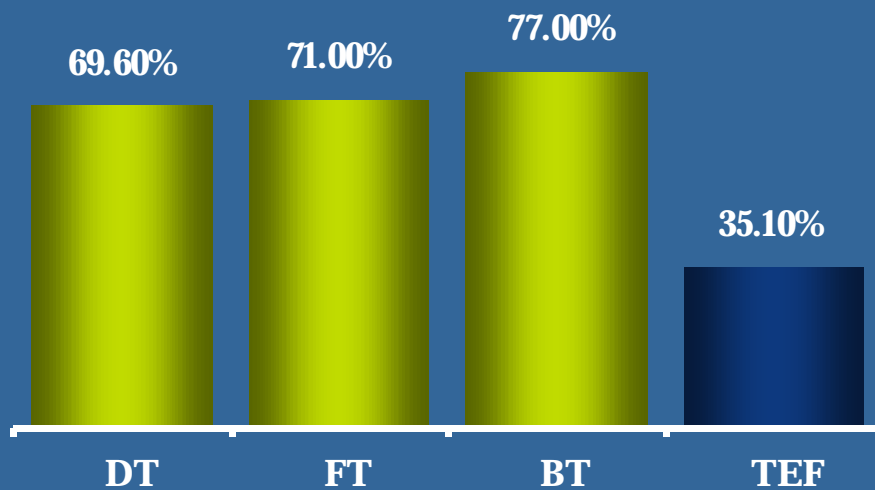


By instrument (\*)

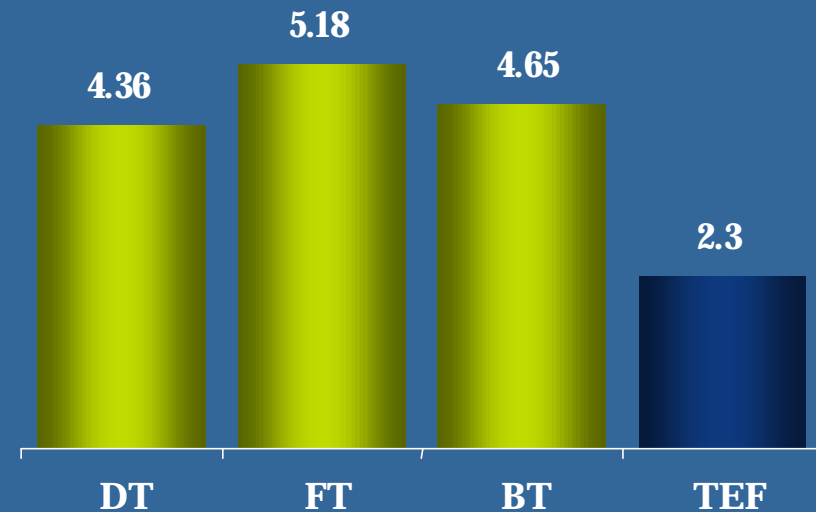
(\*) Net Debt breakdown (31/12/00)

# Financial Profile above European peers

Net Debt/Market Cap 20/02/01



Net Debt/ EBITDA



Source: analyst estimates

# Cash - flows accretion

**Verónica: 3.6 billion Euro additional cash - flow**

**Avoiding intrinsic subordination**

**Internal loans (\*):**

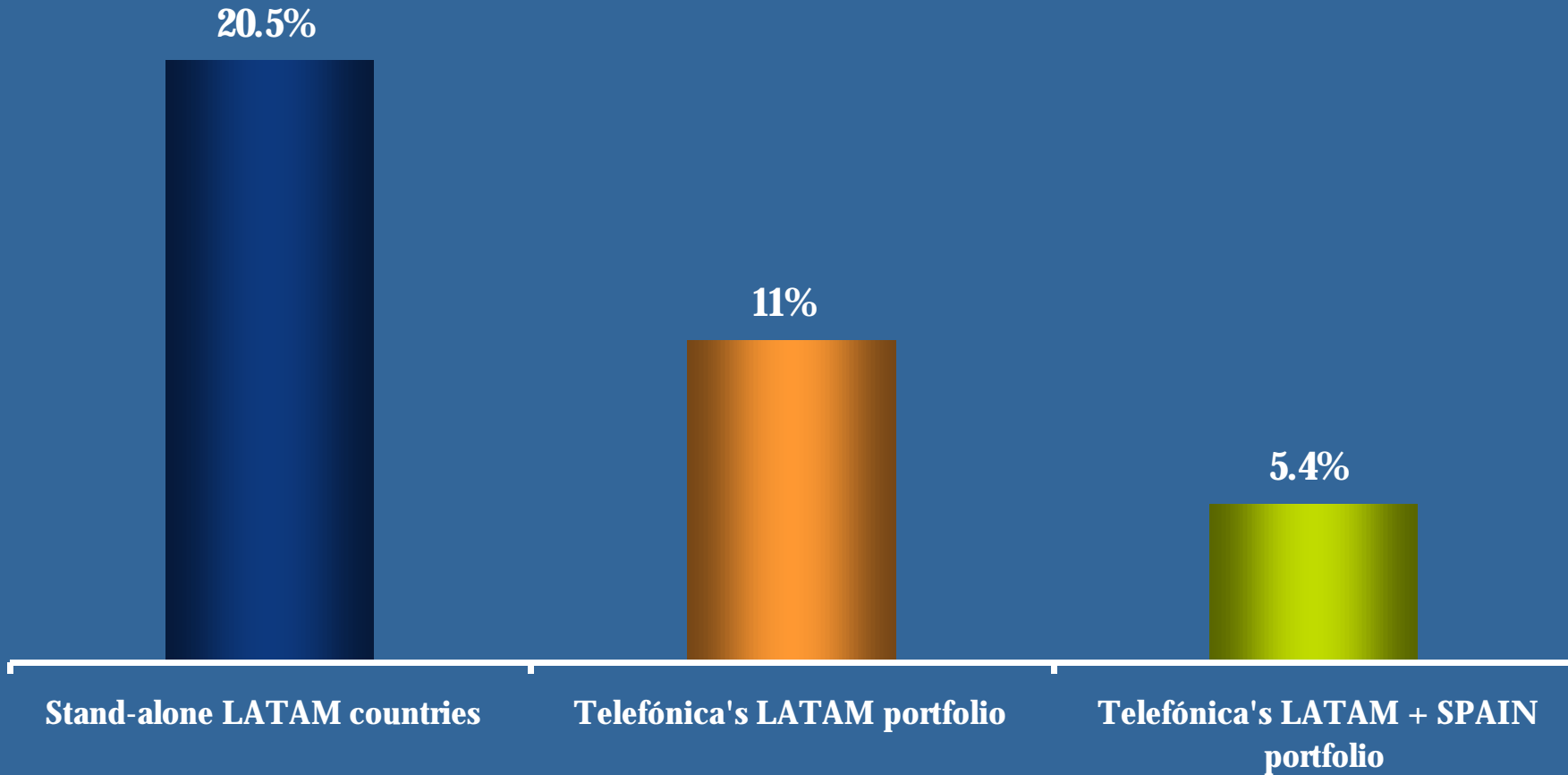
- **TEM : 4.9 Billion Euro**
- **TISA : 585 M USD**
- **T. Media : 945 M USD**

**Enhanced financial flexibility**

**(\*) Market prices**

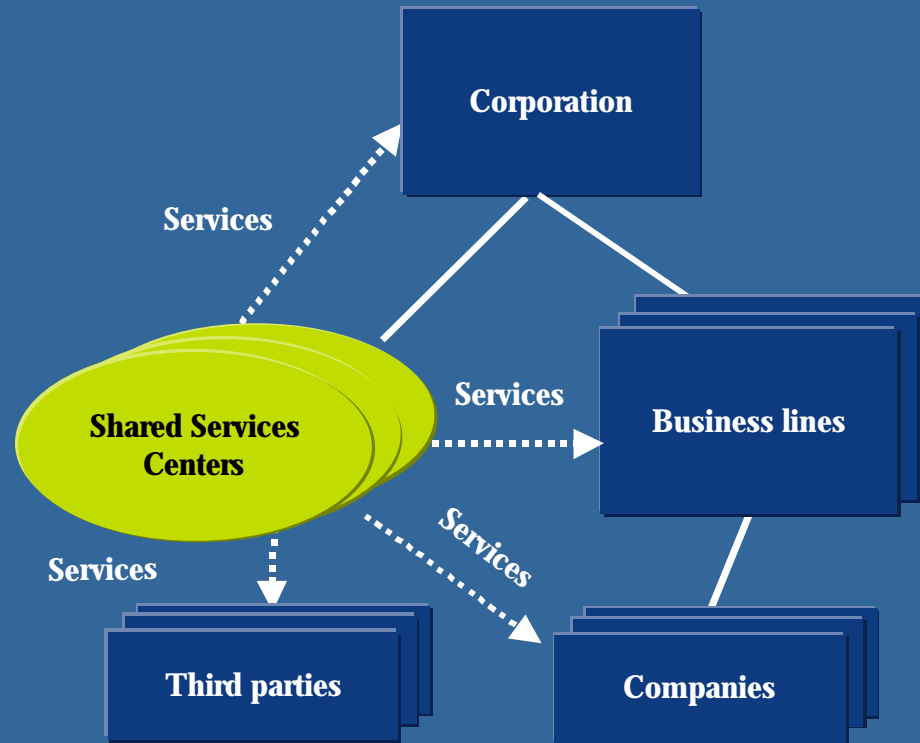


# Improving cash - flow quality



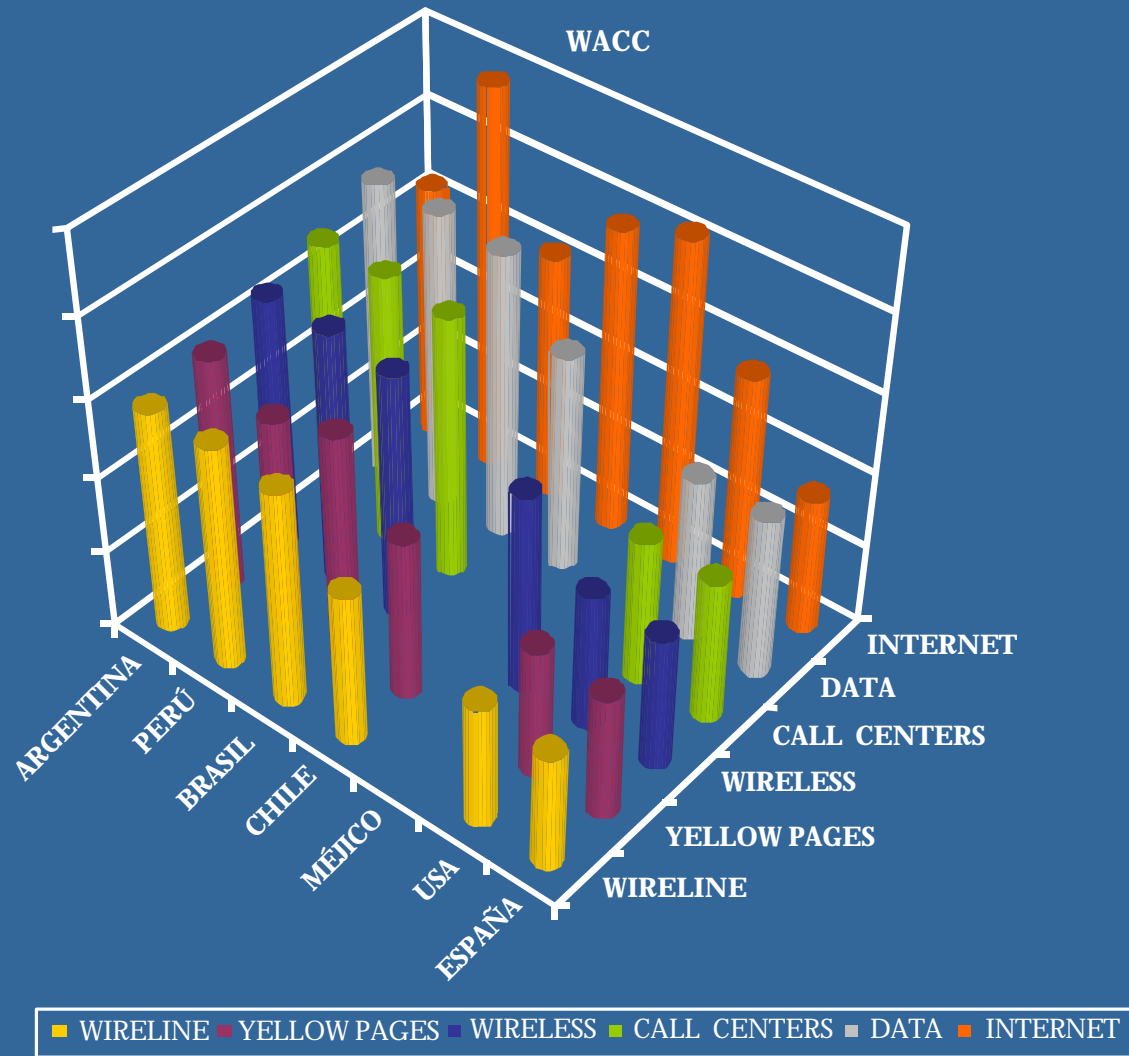
US\$ EBITDA Average Standard Deviation

# Looking for more efficiency



Expected NPV of USD 850 millions

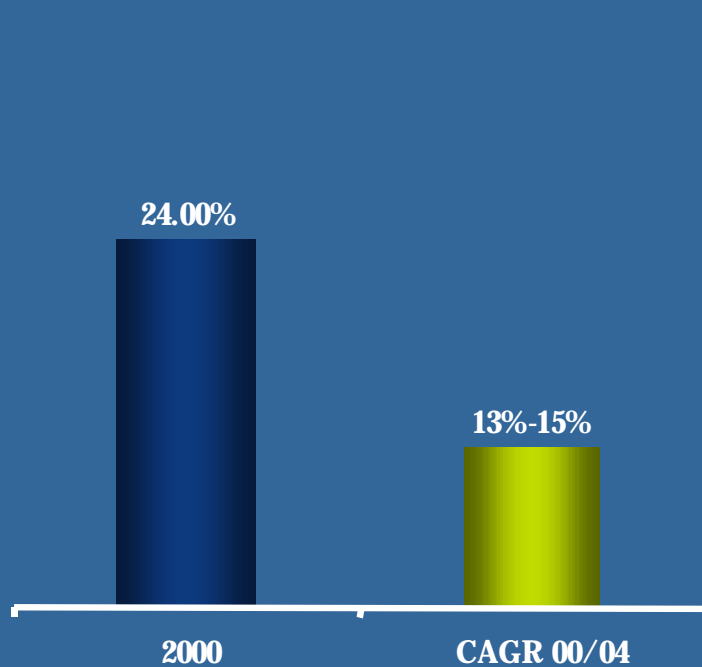
# Improving capital allocation



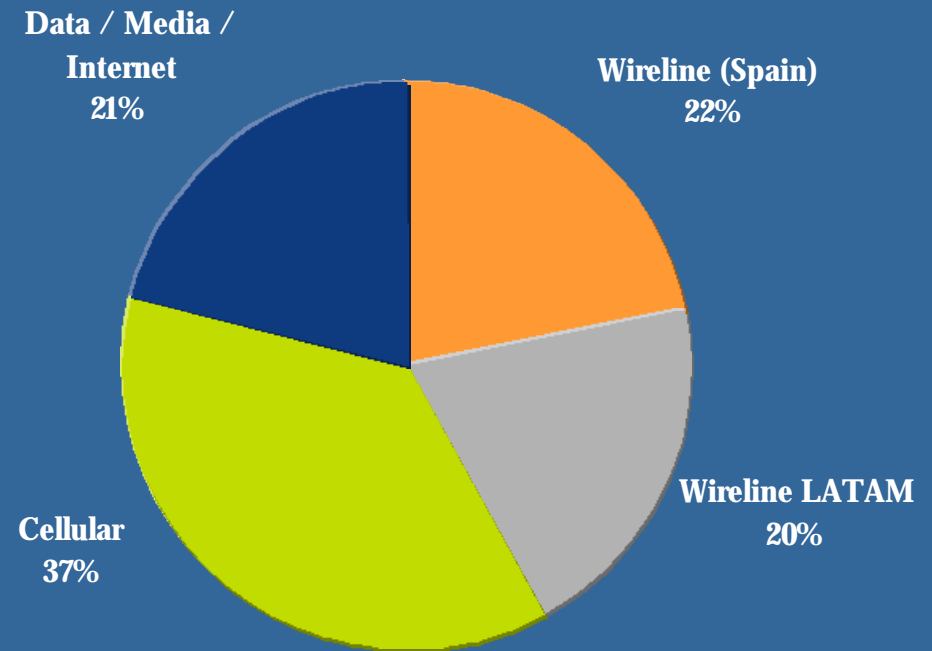
# What's next

- **Solid and well diversified revenue growth**
- **Reinforcing capital discipline:  $\text{CapEx} / \text{Operating Revenue}$**
- **Improving asset turnover:  $\text{Revenue} / \text{Capital employed}$**
- **Well balanced and growing EBITDA margin:  $\text{EBITDA} / \text{Revenue}$**
- **Enhancing Free cash flow margins**

# Solid and well diversified revenue growth



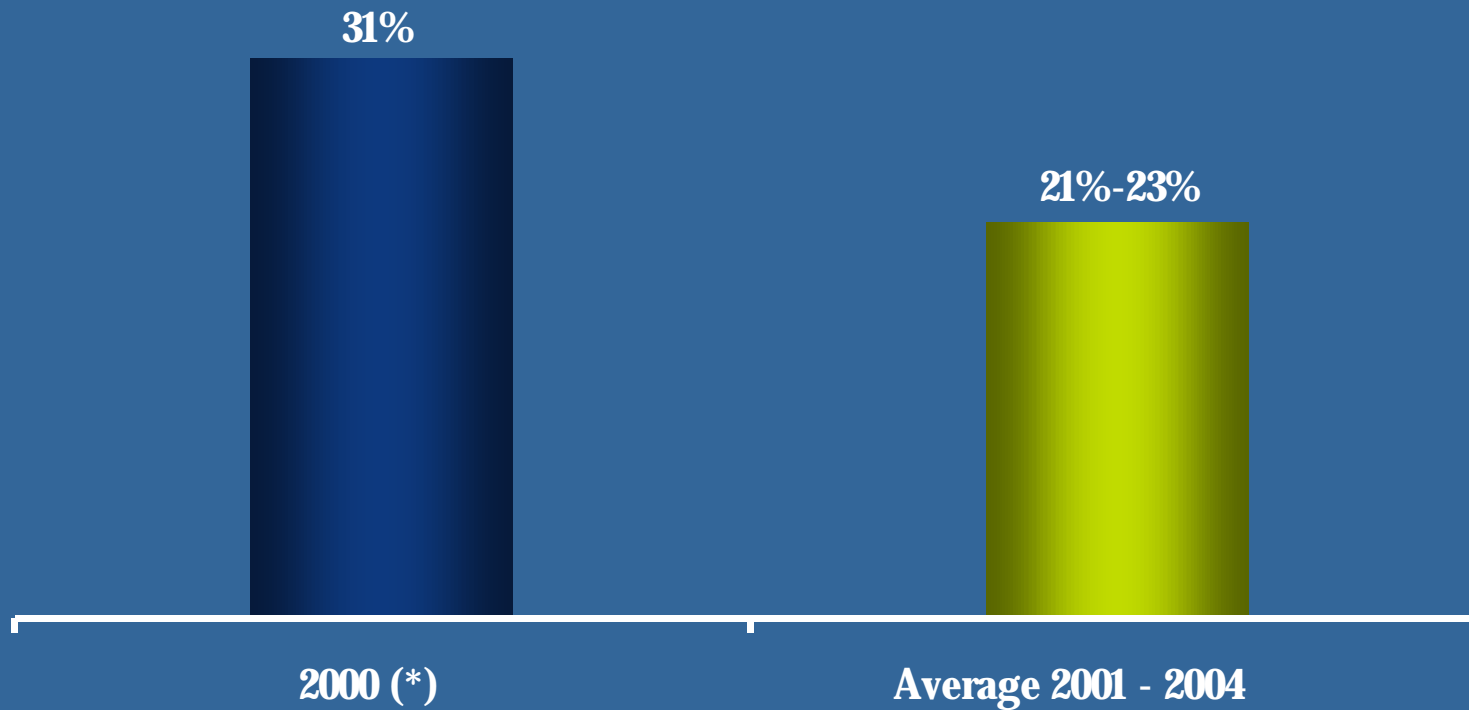
Revenue growth



Revenue Breakdown 2004

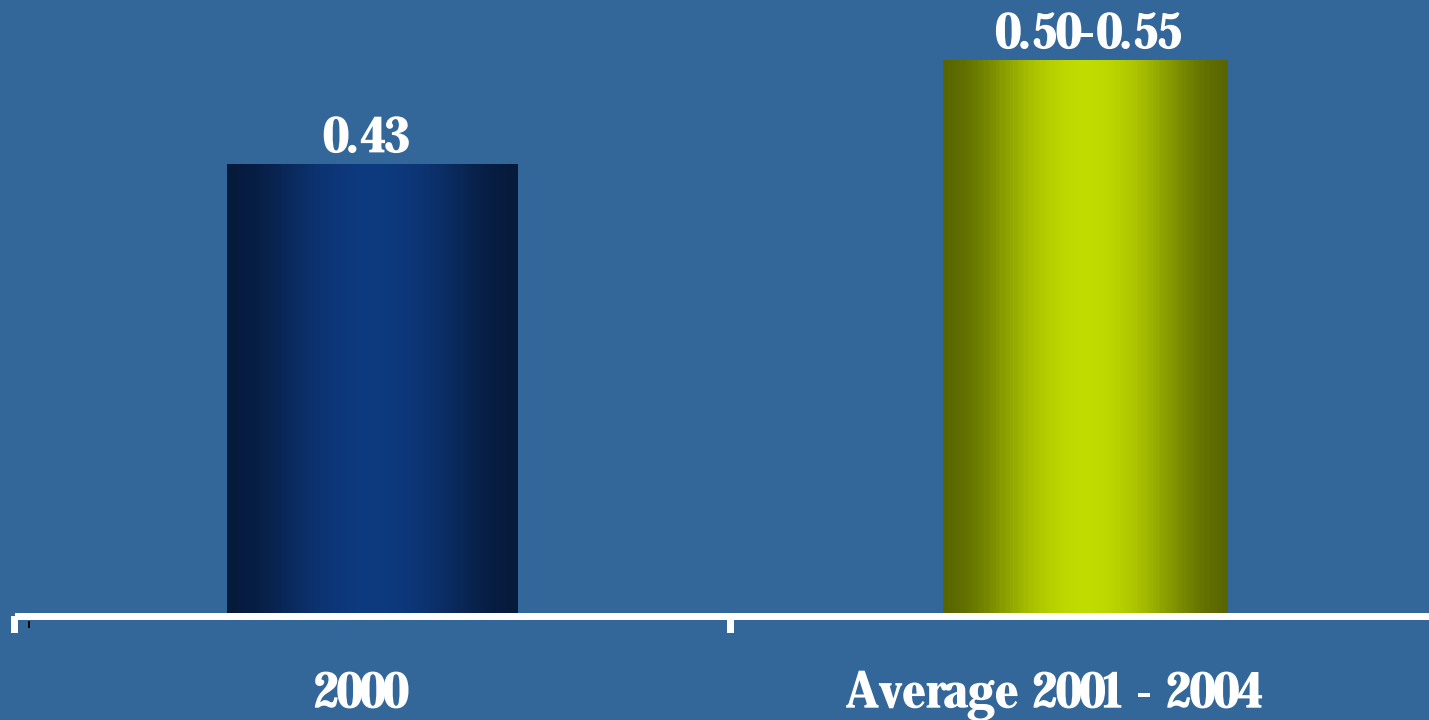
# Reinforcing Capital discipline

(Capex / Op. Revenue)



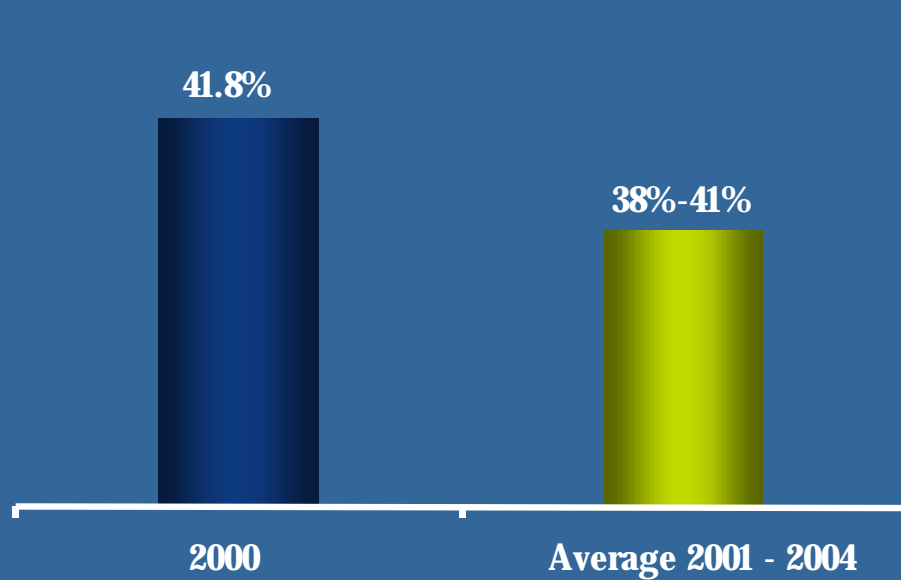
(\*) 2000 : UMTS Licenses / Op. Revenue = 41%

# Improving Asset turnover (\*)

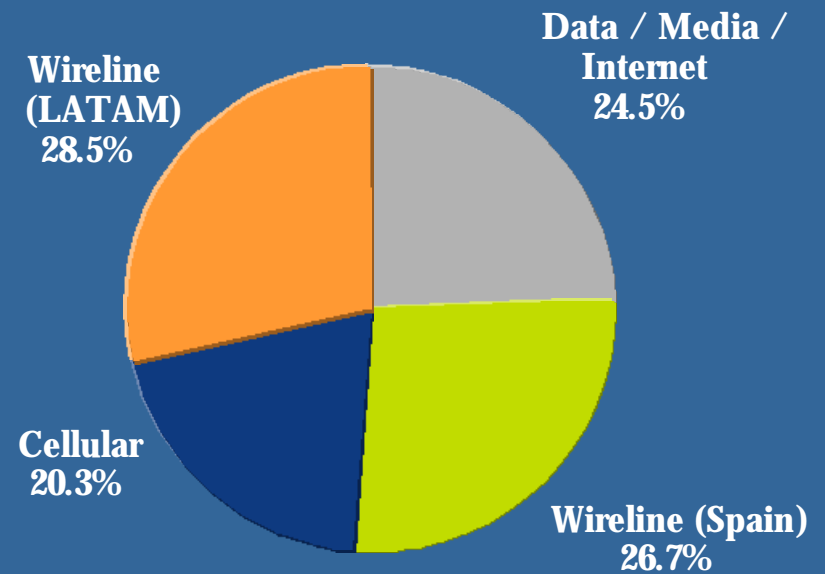


(\*) Asset turnover: Revenue / Capital employed

# Well balanced and growing EBITDA



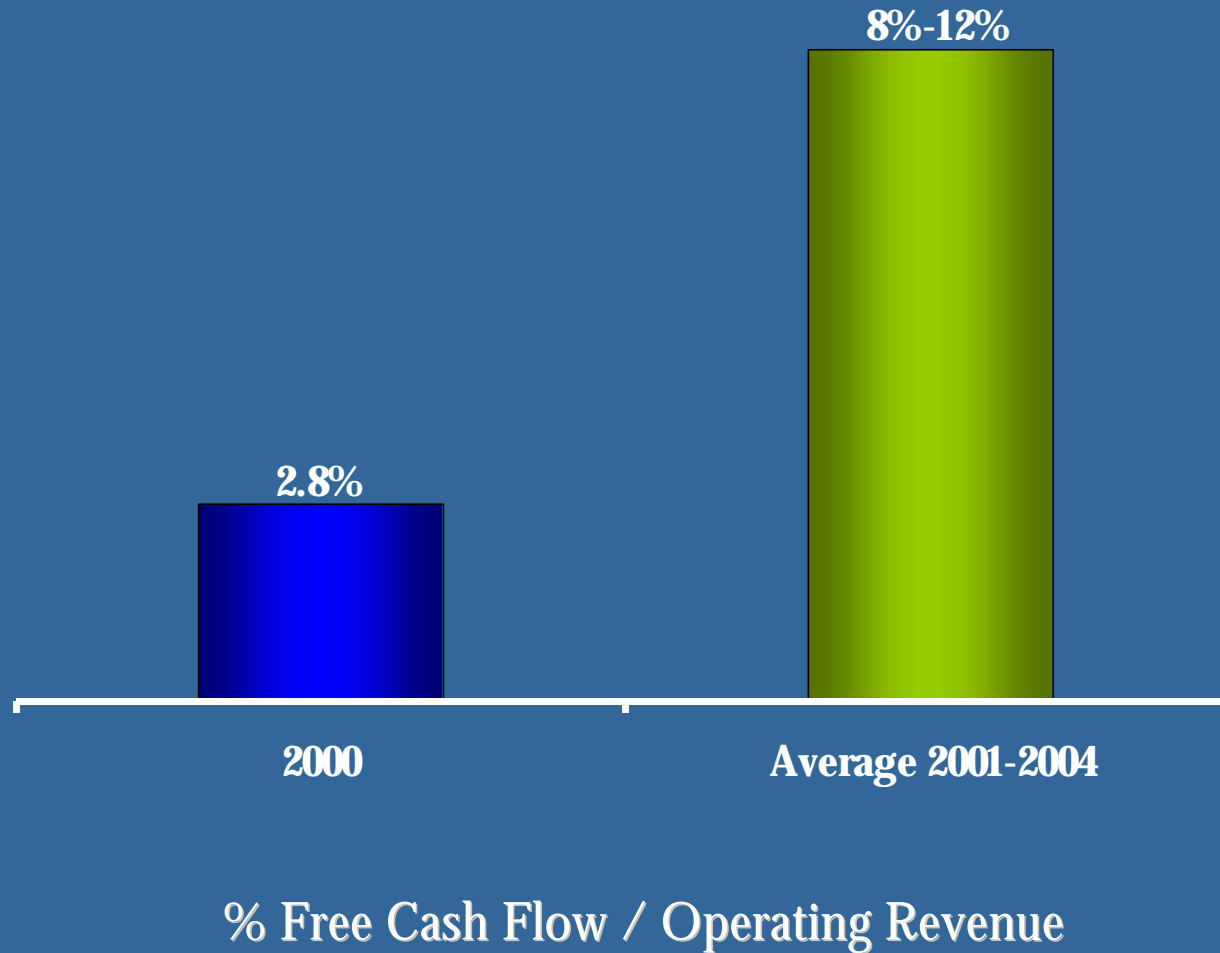
EBITDA / Operating Revenue



EBITDA breakdown 2004



# Enhancing Free Cash Flow margins



# Messages

- **Proven management execution capability**
- **Accountability and transparency**
- **Diversification and growth**
- **Capital allocation discipline**
- **A value creating group with a focused strategy**
- **Unique position to take advantage of the market environment**

*Telefónica*

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