



Second Investor Conference

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Telefonica



What to expect from Telefónica?

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Telefónica S.A.

Safe harbour

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Our Dual Strategic Position

Continued emphasis on management

- Our operational and financial performance are not accidental
- They are the result of years of work and focus on doing things right
- We will cultivate our strong fundamentals and will improve them on a daily basis
- We reaffirm our commitment to profitable growth, based on:
 - developing our existing customer relationships and geographies
 - a fundamental understanding of our business
 - maximizing FCF through tight control of Operating Cost and Capex
- Additionally we will continue to explore growth opportunities that leverage our strength and skill set

A bias for growth, a will to lead

We are Excited about the Future

The Digital Revolution



A strategic opportunity to develop our 78 million customer relationships into additional revenues and profits within a 500 MM pops potential market

We have the necessary requirements

- Track record
- Core skills
- Financial flexibility

Sector revolution

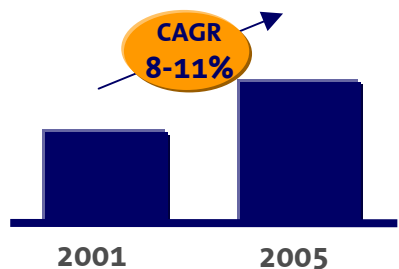


Disparities in performance will accelerate a redefinition of industry borders that will translate into new non organic growth opportunities

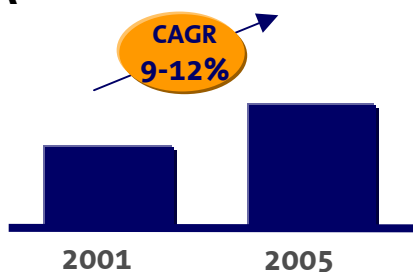
Medium Term Outlook

(Constant FX)

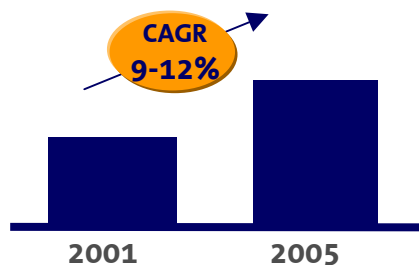
REVENUES



EBITDA

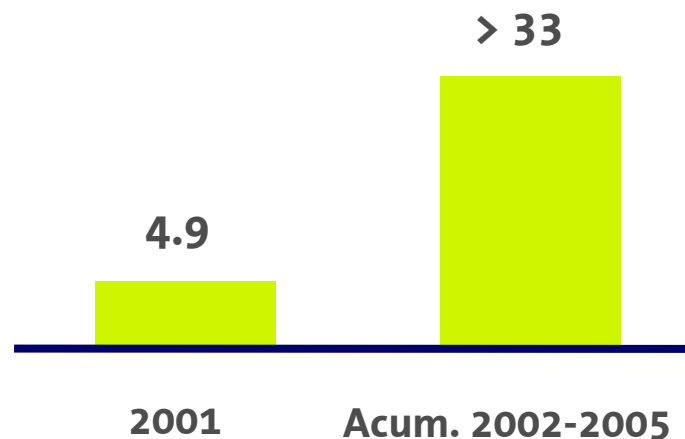


EBIT



Operating Cash Flow (*)

Eur bn



CAPEX / Revenues	2001	2005
	25.5%	12-16%

(*) EBITDA-CAPEX

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