XFERA MOVILES SA

Corporate Valuation Case Study

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XFERA Valuation

An estimate of Xfera value has been made based upon the review and analysis of the financial projections, history and business profile of Xfera.

We used our own revenue and cost assumptions in order to value Xfera, along with our own valuation methodology, financial model and analysis to produce an estimate of Xfera's business value.

Our assumptions are based on our convictions with regards to the particular industry and the position of the company as a greenfield mobile operator. Our valuation assumptions are a combination of assumptions from the exhibits of the case and of our own ones, to derive a reasonable valuation of Xfera. Our analysis included the base, optimistic and pessimistic scenario for valuing Xfera from 2000 up to perpetuity.

Our income-based valuation methodology assumes that Xfera starts with only the license as the main intangible asset and some equipment in place. Startup costs and investments include the "building" of all other intangible and tangible assets, such as workforce, building and the brand value. The assumptions on which our analysis is based are the following.

Valuation Assumptions

Timing

-- Valuation date is 1 September 2000

-- The company will start operating in August 2001

-- Valuation period starts from 2000 to 2010 and then we extract the terminal value and the enterprise value by discounting the future free cash flows of the company.

Market Estimates

-- Population of Spain: 40 mil. in 2000, growing by 0.3% per annum to reach 41.22 mil. in 2010, a growth stimulated mainly by GDP growth and immigration.

-- Mobile penetration rising from 60% in 2000 to 107% in 2010, given that the Spanish penetration was in the area of 18% and 38% in 1998 and 1999 respectively. We assumed a growth of 10% per annum from 2001-2002 and 5% from 2003-2010. Mobile penetration is expected to soar to above 100% levels by the next decade, given the innovative nature of mobile telecommunications, along with the increased sophistication of users over time (including younger and elderly people who enter the market) and the broader technology boom that boosts the demand for mobile services, handsets and applications.

-- Xfera market share rising from 0.8% in 2001 to 10% in 2010. As the fourth mobile operator in Spain, we assume that Xfera's market share will continue to be lower than that of Amena (18% projected by 2010), but we assume that over perpetuity the market shares will tend to converge. However, with the introduction of UMTS, there will be more players in the Spanish market and the competition will rise. We believe that this will affect the big incumbent operators Telefonica and Airtel, but we think that Xfera will not be affected significantly because it will offer voice services through its UMTS network, whereas the incumbent operators will offer GSM services in the beginning.

-- Customer churn rates to be in the area of 17% over the long run, starting from 38% for Xfera in 2000 and gradually decreasing to 17%, given that customers will be less willing to terminate their services if they keep up having a decent perception of Xfera's services.

P&L Assumptions

-- Annual revenues were calculated by multiplying annual ARPU by the number of the projected Xfera subscribers, after taking into consideration the churn rates. Revenues from subscribers = Inhabitants * Mobile penetration * ARPU * market share * (1 – churn rate). The ARPU will increase with the UMTS business compared to the GSM business because of more services and revenue streams. In 2000, the operators almost get revenues only from voice and SMS services, but with the advent of UMTS, the operators can get more revenues from various services, such as data services, web surfing, email and multimedia applications. As for the prices, they will probably continue to decrease in the following years as more companies enter the market to compete. The important point is that, although pricing pressures will be extremely significant in the mobile telecommunications sector, lower prices

will boost the demand, volume and usages of UMTS services and the voice ARPU will not decrease by a great magnitude. Thus, data services will contribute significantly to the operator's revenues and will yield an increased ARPU. However, in the case of Spain there will be intense pressure from consumer associations, regulators and the government on prices, but this will be smoothed by the fact that in the Spanish market there are categories of customers such as under-15 and over-65 that will offer profitability, although they will "dilute" the ARPU of the company.

-- Monthly ARPU (data + voice) to start at 32 euros in 2001, rising to 41 euros by 2010 in the base case, accounting for the fact that over the next years, the percentage of data revenue coming from 3G technology will increase significantly. Moreover, we assumed a 3% increase of the Spanish GDP per capita from 2000, which follows the average revenues per user. We believe that the main factor behind this is not only the increasing market penetration, but also the fact that 3G technology since 2001 becomes more attractive for the broad Spanish customer base because of the increasing sophistication of the citizens and the increasing availability and supply of 3G handsets in the market. In general, greenfield operators will have less revenues over the medium term as compared to incumbents, because of their lower market share. Moreover, the greenfield operators have to offer lower prices, better services or a combination of both in order to attract new customers from the incumbents or from the new entrants. Otherwise, greenfields are bound to collapse if they do not provide good reasons for the customers to change their mobile operator. Telefonica had an average EBITDA margin of 29% in 1998-99 and according to the case expected a 40% margin in 2010 as big incumbent operator. In 2000, we assume that Xfera's revenues would amount to 0, since the company will begin to operate in the 3rd quarter of 2001. During the second year of our projections on Xfera there is an increase in revenues by approximately 188%, which we find completely reasonable because greenfield operators can offer voice services over the UMTS network, as compared to the incumbents that will continue to use the GSM network. The average annual revenue growth from 2007 to 2010 is 25%, down from 76% in the initial years (2002-2006). We assume such high growth because smaller firms are normally more likely to earn excess returns and maintain these returns than otherwise larger firms such as Vodafone or Telefonica. Moreover, we believe that the license granted to Xfera to operate in the Spanish market gives the company a competitive advantage in a market with significant barriers to entry. As for our EBITDA projections, we assume a 5% EBITDA margin in 2004, the year when the company reaches breakeven earnings, rising to 32.5% in 2010. From 2004-2010 we derive our EBITDA as a percentage of revenues, whereas from 2000 to 2003 we project EBITDA as Revenues – (OPEX+COGS).

-- Cost assumptions: we assume high initial operating expenditures for a greenfield operator like Xfera, since it is urgent for the company to attract market share by increasing its marketing costs in order to market its brand more aggressively during the initial stages of the UMTS market. Xfera will

invest more in the set-up costs than its already established competitors. We assumed 250% operating expenditures over revenues for the first year, 100% for the second year and from 55% to 30% in the last year, converging gradually to EBITDA margins. They are high also because UMTS business, contrary to 2G which involves mainly voice and SMS, involves operating costs that have to do with content development or content acquisition from other companies. Cost of goods sold is in the area of 35%-40% from 2002-2010. In 2010, out of the 67.50% cost contribution (1-32.5% EBITDA margin), 37.5% are cost of sales, whereas 30% are operating expenses.

Balance Sheet and Cash Flow Items

-- We assume Spanish tax rate at 30% from 2000 to 2010.

-- Capital expenditures, which come mainly from the construction of 3G base stations, antennas and expansions of these stations fade out after 2004, because of the lower needs for investment, as compared to the first 3 years, during which we assume capex of 2.35 bn. As for the calculation of the perpetual capital expenditures, we believe that depreciation should not exceed capital expenditures over perpetuity because current depreciation is based on past capex. For this reason, we assumed capex to exceed depreciation by a small amount over perpetuity. Total capital expenditures amount to 4.2 bn. Euros from 2000-2010. Moreover, total investments (without adjusted for time value of money) from 2001 to 2010, including capital and operating expenditures will be 6.9bn. euros, slightly less than those announced by the company.

-- We assume that the annual change in gross fixed assets is coming totally from capital expenditures.

-- Annual depreciation is calculated as a percentage of the sum of the previous years' capital expenditures and is stable at 7% annually.

-- We separated working capital from the "gross fixed assets and WC" component provided in the case and calculated the possible structure of Xfera's current assets and current liabilities according to its industry peers (Telefonica, Vodafone), as a percentage of sales. According to our research, both Telefonica and Vodafone had considerably negative working capital from 1997 to 1999. Although there were significant fluctuations in their CA/sales and CL/sales, we will assume that Xfera's working capital will also be negative on an annual basis, as shown in the calculations we made of the components of the working capital (receivables, inventories, payables etc.).

Discounted Cash Flow

-- A technology like UMTS offered a lot of uncertainties regarding its availability, its range of applications and services to be offered, as well as the customer's acceptance of these new services according to his disposable income. WACC depends on the cost of equity, cost of debt capital and the share from debt and equity. Xfera's debt to capital ratio is 50%. The company's cost of equity is equal to 15.6%, derived from the CAPM. The risk-free rate we used was that provided from the case, at 6%. Cost of debt is 7%. The cost of equity is higher for the green field operators, since these companies enter a new market and are bearing a higher risk than matured incumbent operators, who have already an established market share and the required expertise. A discount rate of 11.25% was used. Our WACC is 10.25%, but we included a risk premium for Xfera of 1%. In order to confirm our estimations about which discount rate to use in this case, we made a research with regards to the greenfield operators in Sweden. According to a study from Chalmers University of Technology [1], the two incumbent operators in the UMTS business of Sweden, HI3G and Europolitan, had a WACC of 13% and 12% respectively in 2001, which was higher than Tele 2 (11%) and Telia (11%), two of the incumbent operators in Sweden.

-- The beta we used is 2, accounting for the fact that high growth firms and especially start ups tend to be more exposed to market risk and have normally higher betas than stable growth firms.

-- As for the tax shields associated with the use of the debt, we believe that they can be discounted also by the cost of equity since only equity investors profit from the debt tax shield. Hence it would be appropriate to use the cost of equity.

Terminal Values and WACC

-- With regards to the calculation of the Terminal Value we used 4.5% as the nominal perpetuity growth rate (g), taking into consideration firstly the long-term growth of the Spanish real GDP per capita and secondly the “erosion” of the growth rates of matured Western economies since the new millennium. We also took into account the fact that Xfera is purely a domestic company which cannot operate multi-nationally. The 4.5% GDP growth rate is composed of a 2.5% real GDP growth and a 2% expected annual inflation, which is the average historical annual inflation for Spain. Terminal value multiple amounts to 9.41x and was calculated by dividing 1+g by the sum of cost of equity minus g. As for the calculation of the terminal return on Capital Employed, we divided the EBIT of year 2010 without applying the tax rate by

[1] J. Bjorkdahl, E. Bohlin, “Financial Analysis of the Swedish 3G Licensees, Where are the profits?”, Department of Innovation Engineering and Management, Chalmers University of Technology.

the sum of gross fixed assets and working capital (as the capital employed) and came up with a ROCE of 14.4%.

Multiples

-- ROCE was calculated by dividing EBIT by capital employed, which in our case is net fixed assets plus net working capital. We did not use taxed EBIT because we did not want taxes to skew our earnings negatively. Our ROCE for 2010 amounts to 11.62% compared to the discount rate (WACC after the addition of the risk premium) of 11.25%.

-- FCF margin is positive from 2007, reaching 12.41% in 2010, meaning that Xfera converted around 13% of its sales into FCF. EV/EBITDA is on a declining trend since annual EBITDAs are growing significantly, reaching 2.95x in 2010.

EV/Sub

-- As shown in exhibit 15, we estimated Xfera's EV/Sub by calculating the average estimated EV/Sub multiple by the analysts in the case of Telefonica, Airtel and Amena in 2005. Taking an average 2,186 euros of EV/sub for the three Spanish mobile telecom operators and applying a discount factor for Xfera's lower market penetration rate and lower revenues, we estimated Xfera's value at 1.4bn. euros. Of course this value is for the year 2005, but it is not far away from the enterprise value of 1.732 bn. in our base model.

Combination of Bear / Bull / Base Cases

-- In exhibit 14 we arrive at an integrated enterprise value by estimating the probabilities of the base, bull and bear scenarios. These scenarios are based on the most important parameter of all, market share. Market share has a great impact on revenues and reflects competitive pressures, challenges in terms of a possible delay of the 3G services and other factors. We think that the base scenario is the most probable, given its conservatism and moderate assumptions. We have assigned a 70% probability for the base case, given the company has the opportunity to exploit the new technology of UMTS in the future and build its brand further by providing modern and fast mobile 3G voice and data services. The base scenario assumes that no new imminent competitive threat takes place from a major mobile company in the next years and that the company starts to operate in August 2001. We assigned a 25% probability to the bear scenario, given the fact the following factors:

- UMTS is a new technology with limited established customer base and incorporates many challenges in terms of the uncertainty of its tech development calendar
- Competition intensifies causing EBITDA margins to shrink further
- There is always the likelihood that customers will prefer to use substitute services such as Wifi, EDGE or simply GPRS instead of UMTS. The bear scenario is based on a penetration that is half of the penetration in the base case scenario. We also decreased operating expenses in the last years. Breakeven EBIT takes place in 2009.

-- As for the bull case, we think it is highly improbable (5% probability) given that the challenges ahead for Xfera outweigh any possible positive surprises. Our bull case implied an increase in Xfera's market share by 1.5x as compare to the base scenario.

Conclusion

-- With the introduction of UMTS a lot of analysts and experts assume that the profitability of the operators will increase substantially. Our analysis suggests that this is not the case, since the ARPUs will not increase significantly from today's (2000) levels, but there will be a high burdens for operators in terms of startup, operating and capital costs. Moreover, it is important that we do not see positive free cash flow until 2007. This means that investors in Xfera should wait 7 years to get their money back, which is not an ignorable period of time.

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Appendix: Exhibits

Exhibit 1: Assumptions of the Base Case Scenario

XFERA	2000E	2001E	2002E	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E
Gross fixed assets and WC	150	1150	2350	2446	2606	2843	2971	3120	3266	3379	3492
WC	0	0	0	0	0	0	0	0	0	0	0
Gross fixed assets	150	1150	2350	2446.36	2605.82	2842.73	2971.03	3119.87	3266.17	3378.93	3491.84
Net fixed assets	140	1059	2095	2032	2111	2194	2262	2167	2064	2043	2088
Population	40.00	40.12	40.24	40.36	40.48	40.60	40.73	40.85	40.97	41.09	41.22
Penetration	60.00%	66.00%	72.60%	76.23%	80.04%	84.04%	88.25%	92.66%	97.29%	102.16%	107.26%
Market subscribers	24.00	26.48	29.21	30.77	32.40	34.12	35.94	37.85	39.86	41.98	44.21
Xfera share	0.00%	0.80%	2.00%	2.50%	3.50%	5.00%	6.50%	7.50%	8.00%	9.00%	10.00%
Xfera subscribers	0.00	0.21	0.58	0.77	1.13	1.71	2.34	2.84	3.19	3.78	4.42
% growth from previous y.			1.76	0.32	0.47	0.50	0.37	0.22	0.12	0.18	0.17
Xfera subscribers after churn	0.00	0.14	0.39	0.52	0.79	1.19	1.68	2.04	2.36	2.80	3.67
ARPU (monthly)	32	32	33	35	36	36	36	37	37	39	41
ARPU (annual)	384	384	396	420	432	432	432	444	444	468	492
Revenues	0	53	153	220	343	516	727	907	1048	1308	1805
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Revenues	0	53	153	220	343	516	727	907	1048	1308	1805
growth			188.82%	43.85%	56.11%	50.45%	40.82%	24.89%	15.46%	24.88%	37.98%
cogs	0	15.86209997	53.44851453	81.280927	137.179358	206.38634	290.63573	362.98306	419.08734	510.287338	677.00955
cogs % sales		30.00%	35.00%	37.00%	40.00%	40.00%	40.00%	40.00%	40.00%	39.00%	37.50%
Gross margin		0.70	0.65	0.63	0.60	0.60	0.60	0.60	0.60	0.61	0.63
opex	0	132.1841664	152.7100415	120.823	188.621617	232.18464	290.63573	317.61018	335.26987	392.528721	541.60764
opex % rev		250.00%	100.00%	55.00%	55.00%	45.00%	40.00%	35.00%	32.00%	30.00%	30.00%
Opex and COGS	0	148.0462664	206.158556	202.10393	325.80	438.57	581.27	680.59	754.36	902.82	1218.62
EBITDA margin		-180.00%	-35.00%	8.00%	5.00%	15.00%	20.00%	25.00%	28.00%	31.00%	32.50%
EBITDA	0.00	-95.17	-53.45	17.57	17.15	77.39	145.32	226.86	293.36	405.61	586.74
capex	150	1000	1200	110	270	295	300	149	150	250	340
capex % rev		1891.30%	785.80%	50.07%	78.73%	57.17%	41.29%	16.40%	14.32%	19.11%	18.83%
capex % dep		1242.24%	729.48%	63.88%	141.29%	139.32%	128.89%	61.21%	59.13%	92.19%	115.27%
EBIT	0	-175.67	-217.95	-154.63	-173.95	-134.36	-87.43	-16.30	39.69	134.44	291.77
Depreciation	11	81	165	172	191	212	233	243	254	271	295
Depreciation % FA	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
opex and cogs	0	148.0462664	206.158556	202.10393	325.800974	438.57098	581.27145	680.59324	754.35721	902.816059	1218.6172
opex and cogs % rev	0.00%	280.00%	135.00%	92.00%	95.00%	85.00%	80.00%	75.00%	72.00%	69.00%	67.50%
EBITDA + costs (100%)	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Exhibit 2: DCF

DCF Assumptions	
Unlevered beta	**1.5**
Estimated Beta (Used for WACC)	**2.00**
Expected Return on Market	10.8%
Risk-free rate	6.0%
Current Equity Risk Premium	4.8%
LR Average Equity Risk Premium (Used for WACC)	4.8%
Cost of Equity	15.60%
Cost of LT Debt	7.0%
Tax Rate	30.0%
After-Tax Cost of Debt	4.9%
Debt/Capital Ratio	50.0%
WACC	**10.25%**
Discount rate	**11.25%**
Terminal Growth Rate	4.500%
Terminal Value Multiple	9.414414414
Terminal ROCE	13.98%

Exhibit 3: Free Cash Flow Analysis

FY	1	2	3	4	5	6	7	8	9	10	11
Free Cash Flow Analysis	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	0	53	153	220	343	516	727	907	1048	1308	1805
Operating Income (EBIT)	0	-176	-218	-155	-174	-134	-87	-16	40	134	292
EBIT (1-t)	0	-122.97082	-152.5639602	-108.238	-121.766806	-94.04858	-61.2025	-11.41307	27.784635	94.1109485	204.24097
+ Depreciation & Amortization	11	81	165	172	191	212	233	243	254	271	295
- Capital Expenditures	-150	-1000	-1000	-150	-270	-295	-300	-148.84	-150	-250	-340
+ Change in Working Capital	0	7	13	9	16	22	27	24	18	34	65
Discounting											
Free Cash Flow	-140	-1036	-975	-77	-185	-155	-101	106	150	149	224
Discount factor	0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.38	0.34	0.31
NPV of FCF	-125	-837	-708	-50	-108	-82	-48	45	57	51	69

Exhibit 4: Value of the Company

DCF Valuation	Per Shr	% Total
Sum of NPV of FCF	**1,730**	100.0%
Excluding Terminal Value	-1,735	-100.3%
Terminal Value Only	3,465	200.3%

Exhibit 5: CAGR

CAGR		Revenue	FCF
10 Year	2000E to 2010E	42%	-205%

Exhibit 6: Sensitivity Analysis of the Discount Rate and Growth

	EV	Growth					
	1,730	**1%**	**3%**	**4%**	**5%**	**6%**	**7%**
	8%	1397	2778	3986	6001	10029	22359
	9%	1023	2039	2852	4072	6105	10232
	10%	871	1759	2444	3434	4990	7831
Discount	**10%**	739	1520	2106	2927	4158	6237
Rate	**11%**	518	1139	1582	2174	3002	4260
	12%	342	848	1197	1644	2241	3087
	13%	201	622	903	1254	1706	2315
	14%	85	442	674	958	1312	1773
	15%	-9	297	492	726	1012	1373

Exhibit 7: Net Working Capital Calculation

Working Capital		2000E	2001E	2002E	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E
	% of sales*											
Accounts Receivable	20%	0.00	10.57	30.54	43.94	68.59	103.19	145.32	181.49	209.54	261.69	361.07
Inventory	2%	0.00	1.06	3.05	4.39	6.86	10.32	14.53	18.15	20.95	26.17	36.11
Other Short Term Assets	1%	0.00	0.53	1.53	2.20	3.43	5.16	7.27	9.07	10.48	13.08	18.05
Accounts and Trades payable	30%	0.00	15.86	45.81	65.90	102.88	154.79	217.98	272.24	314.32	392.53	541.61
Other Operating Liabilities	6%	0.00	3.17	9.16	13.18	20.58	30.96	43.60	54.45	62.86	78.51	108.32
Net Working Capital		0.00	-6.87	-19.85	-28.56	-44.58	-67.08	-94.46	-117.97	-136.20	-170.10	-234.70
Δ in WC		0	-6.87	-12.98	-8.71	-16.03	-22.49	-27.38	-23.51	-18.23	-33.89	-64.60

*Average in the European telecoms industry

Exhibit 8: Assumptions in Bear Case

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E
Penetration	60.00%	66.00%	72.60%	76.23%	80.04%	84.04%	88.25%	92.66%	97.29%	102.16%	107.26%
Market subscribers	24.00	26.48	29.21	30.77	32.40	34.12	35.94	37.85	39.86	41.98	44.21
Xfera share	0.00%	0.40%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%	4.50%	5.00%

Exhibit 9: Cash Flows in Bear Case

FY	1	2	3	4	5	6	7	8	9	10	11
Free Cash Flow Analysis	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	0	26	76	110	171	258	363	454	283	654	925
Operating Income (EBIT)	0	-127	-191	-164	-183	-173	-160	-130	-175	-69	5
EBIT (1-t)	0	-88.6718296	-134.0131147	-114.5451	-127.924538	-121.2929	-112.2199	-91.15667	-122.4085	-48.194665	3.5491158
+ Depreciation & Amortization	11	81	165	172	191	212	233	244	254	272	295
- Capital Expenditures	-150	-1000	-1000	-150	-270	-295	-300	-152.614	-150	-250	-340
+ Change in Working Capital	0	7	13	9	16	22	27	24	18	34	65
Discounting											
Free Cash Flow	-140	-1001	-956	-83	-191	-182	-152	23	0	7	24
Discount factor	0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.38	0.34	0.31
NPV of FCF	-125	-809	-695	-54	-112	-96	-72	10	0	3	7

Exhibit 10: Valuation in Bear Case

DCF Valuation	Per Shr	% Total
Sum of NPV of FCF	**-1,578**	100.0%
Excluding Terminal Value	-1,943	123.2%
Terminal Value Only	365	-23.2%

Exhibit 11: Assumptions in Bull Case

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E
Penetration	60.00%	66.00%	72.60%	76.23%	80.04%	84.04%	88.25%	92.66%	97.29%	102.16%	107.26%
Market subscribers	24.00	26.48	29.21	30.77	32.40	34.12	35.94	37.85	39.86	41.98	44.21
Xfera share	0.00%	1.20%	3.00%	3.75%	5.25%	7.50%	9.75%	11.25%	12.00%	13.50%	15.00%

Exhibit 12: Cash Flows in Bull Case

FY	1	2	3	4	5	6	7	8	9	10	11
Free Cash Flow Analysis	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	0	77	229	330	514	774	1090	1361	850	1963	2774
Operating Income (EBIT)	0	-219	-245	-147	-166	-96	-15	96	-17	336	605
EBIT (1-t)	0	-153.315489	-171.739344	-102.5554	-116.233613	-67.42878	-10.80965	66.966298	-12.08907	235.052326	423.60367
+ Depreciation & Amortization	11	81	165	173	192	212	233	245	255	273	296
- Capital Expenditures	-150	-1000	-1000	-150	-270	-295	-300	-160.1619	-150	-250	-340
+ Change in Working Capital	0	7	13	9	16	22	27	24	18	34	65
Discounting											
Free Cash Flow	-140	-1066	-994	-71	-178	-128	-50	175	111	292	445
Discount factor	0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.38	0.34	0.31
NPV of FCF	-125	-861	-722	-46	-105	-67	-24	75	43	100	138

Exhibit 13: Valuation in Bull Case

DCF Valuation	Per Shr	% Total
Sum of NPV of FCF	**5,289**	100.0%
Excluding Terminal Value	-1,595	-30.2%
Terminal Value Only	6,884	130.2%

Exhibit 14: Final EV considering the Probabilities of the Three Scenarios

	EV	Probabilities
Base	1,732	0.7
Bear	-1,578	0.25
Bull	5,289	0.05
W. average	1082.35	

Exhibit 15: Ev/sub Calculation to derive the Value of Xfera in 2005

2005	EV/SUB
Telefonica	2647
Airtel	2420
Amena	1493
average	2186.666667
Discount for low market penetration	40%
estimated ev/sub for xfera	874.6666667
xfera subscribers (mil.)	1.706236305
EV	1492.388022

Exhibit 16: Multiples of Xfera

Multiples	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Capital employed (net fixed assets + net WC)	140	1059	2095	2032	2111	2194	2262	2167	2064	2043	2088
ROCE	0.00%	-16.59%	-10.41%	-7.61%	-8.24%	-6.12%	-3.87%	-0.75%	1.92%	6.58%	13.98%
Free Cash Flow Margin		-1958.63%	-638.52%	-35.20%	-53.84%	-30.00%	-13.91%	11.73%	14.29%	11.40%	12.40%
EBIT margin		-332.25%	-142.72%	-70.39%	-50.72%	-26.04%	-12.03%	-1.80%	3.79%	10.28%	16.16%
EBIT/FA	0	-0.165885363	-0.104058	-0.07608411	-0.082395	-0.061225	-0.038658	-0.007523	0.01923356	0.0658223	0.1397671
EV/EBITDA		-18.17267784	-32.35901	98.4133355	100.86305	22.346969	11.901778	7.6236769	5.89560369	4.2640175	2.9477047

NOTES

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