

media and content



Admira Media Group. Consolidated Results¹

(figures in millions of euros)

	january-december		
	2002	2001	% Change
Operating revenues	1,076.2	1,403.1	(23.3)
Work on fixed assets ²	0.5	0.3	43.8
Operational Expenditure	(964.4)	(1,258.0)	(23.3)
Other net revenues (expenditure)	2.2	7.1	(68.7)
EBITDA	114.5	152.5	(24.9)
Amortization/Depreciation	(49.6)	(75.4)	(34.3)
Operating results	64.9	77.1	(15.8)
Income associated companies	(191.3)	(184.5)	3.7
Antena 3 TV	(17.1)	22.8	c.s.
Vía Digital	(116.6)	(162.6)	(28.3)
Others	(57.7)	(44.7)	29.0
Financial income	(133.5)	(113.6)	17.6
Amortization Goodwill	(94.5)	(114.8)	(17.7)
Extraordinary income	(530.2)	(69.6)	n.s.
Income before taxes	(884.7)	(405.4)	118.2
Tax provision	217.0	58.0	274.2
Income prior to minority shareholders	(667.7)	(347.4)	92.2
Income from minority shareholders	(1.5)	0.2	c.s.
Net profit (loss)	(669.2)	(347.2)	92.7

(1) Includes all of Grupo Telefónica's media business

(2) Includes work in progress

During 2002 Admira, Telefónica's media subsidiary, was restructured. On May 30, its Board of Directors agreed to start the process of dividing the company in two, with the new companies currently being called Corporación Admira Media (Admira Media Corporation) and Telefónica Contenidos (Telefónica Content), although this process had not been formalised at the time of drawing up this Report.

This division was undertaken in response to two clearly-defined objectives:

Firstly, to configure the Admira Media Corporation as a media group dedicated to free-to-air broadcasting; solid, profitable, with a clear vocation for growth and leadership striving to optimise resources, and integrated by virtue of its shares in Antena 3, Onda Cero, the Taco Group (Telefé and Radio Continental, both in Argentina) and the Pearson Group.

Secondly, to participate in Telefónica's firm decision to develop Broadband networks and to function as a multi-platform operator, placing it in a privileged position to lead the process of convergence between content and applications. Telefónica Content is formed by shareholdings in Endemol, Vía Digital and the remaining media assets not included in the new Admira.

Admira Media Corporation

Antena 3

During the first quarter of the year, Antena 3 acquired 100% of Onda Cero Radio's (UNIPREX)

shares; as a result of this operation, the Admira Media Corporation and Antena 3 have promoted and supported a project to integrate and take full advantage of synergies, derived from the operational, commercial and business processes existing between both Companies.

Furthermore, during 2002, Antena 3 set up, in record time, a considerable technical and human infrastructure for the free-to-air transmission of the first football World Cup transmitted by a private network in Spain. The five matches played by the Spanish national team had the highest audience share during the event, with an average of 8,461,000 viewers, 79.1% of the share in its morning slot.

Over the year, Antena 3 maintained the highest audience share of any private network, an average of 20.3%, retaking the lead over its competitors.

During the same year, Antena 3 also became the first «multi-platform» channel in Spain, with multimedia programmes including «El Gran Test» («The Big Test») and its news website «a3n.tv». It also produced for Telefónica de España the news channels for Telefónica.net and Imagenio, as well as the a3n24channel for Vía Digital, Spain's only interactive TV news channel.

Antena 3 is responsible for running the «Servicio 303» news service, with Telefónica Móviles. Its international programmes are already broadcast in sixteen countries and recently started to be broadcast in the United States.

Onda Cero Radio grew during 2002 and established itself as the second general-interest radio station with more than 2 million listeners



On 7 January 2003, Telefónica exercised its right to purchase a further 11.72% of Antena 3's share capital, held by Banco Santander Central Hispano, of which the Admira Media Corporation became holder.

In terms of results, income decreased by 1.6%, with EBITDA at 52.9 million euros, a decrease exceeding 51.9%, significantly affected by having purchased the rights to the 2002 World Cup.

Onda Cero

Onda Cero Radio has grown and firmly established itself as the second most popular general-interest radio station in the country, with more than two million listeners, a technological investment of five million euros and net sales of virtually seventy million euros.

At the end of the year, the station had an income of 76.5 million euros, an increase of 8.1% over the previous year, mainly due to sales at local level rather than for the station as a whole with the latter being more sensitive to economic cycles.

Grupo Atco

In the area of media services in Argentina, Telefé reaffirmed its position as market leader in 2002 with an audience share of more than 32%, and a 35% rate of winning new advertising accounts.

Radio Continental, one of Argentina's leading radio stations, also increased its audience share.

Finally, in 2002 Admira withdrew its shares from the Argentinean television network Azul TV, as a result of Argentinean regulatory guidelines pre-

venting the same group from having a presence in more than one television station.

Telefónica Contenidos

One of the most important events in 2002 was the approval by the Spanish Government on 29 November to integrate the digital platforms Canal Satélite Digital and Vía Digital which was agreed between both companies on 8 May, subject to compliance with 34 conditions. On 29 January 2003, Sogecable and Telefónica signed an agreement to continue with this integration process, although an appeal was lodged before the Spanish High Court requesting the annulment of some of the conditions regarding price capping and commercial or strategic agreements between both Companies. The final agreement states that Telefónica may have a majority interest in the capital of the other two partners involved (Grupo Prisa and Groupe Canal +) which, on completion of the operation, will each hold 16.38% of the shares, with Telefónica renouncing any political rights over participation exceeding the individual percentage of the other two partners.

Endemol

As of 17 September 2002, Endemol increased its share holding from 60% to 100% in Gestmusic, the Spanish production company that created the «Operación Triunfo» format.

At the end of 2002, the Endemol Group had registered a consolidated revenues of 868.8 million euros, a decrease of 5% compared to the previous year.



During 2002, Antena 3 set up a considerable human and technical infrastructure for the free-to-air transmission of the first football World Cup to be broadcast by a private network in Spain

With respect to EBITDA, the Endemol Group obtained results of 151.1 million euros, a figure similar to that of the previous year.

Vía Digital

Throughout 2002, Vía Digital has developed a strategy based on improving quality for its client portfolio.

At the end of the year, the number of its client portfolio stood at 775,000, a 4% decrease compared to the previous year, precisely as a result of the strategy to improve the quality of its programming and to fight against piracy.

Vía Digital's income rose to 335.8 million euros, a growth of 23.3% compared to the previous year, due to the combined effect of the increased quality of its client portfolio and improved product configuration.

The Company's EBITDA at the end of 2002 stood at -222.5 million euros, an improvement of 15.3% over the previous year, as a result of applying a strict policy of cost rationalisation.

Admira Media Group Results

The results obtained for the group at the end of 2002 have the same level of consolidation as at the beginning of the year, since its assets had not yet been segregated at the time of closing the accounts.

The Admira Media Group (Corporación Admira Media + Telefónica de Contenidos) therefore

obtained a consolidated income of 1,076.2 billion euros, 23.3% lower than the previous year. This decrease was mainly due to ATCO, the crisis in Argentina and the devaluation of the Peso. Onda Cero also contributed to this situation by changing its consolidation criteria after being acquired by Antena 3 and Endemol, mainly as a result of the crisis in its traditional European markets.

With regard to EBITDA, the Admira Group maintains a positive consolidated result of 114.5 million euros, 24.9% lower than 2001. However, it was possible to maintain the consolidated EBITDA margin at 11%, the same level as in 2001, mainly thanks to the increased profitability obtained by Endemol in the marketing of its television programme formats.

The negative impact of the extraordinary results obtained at the end of the year amounts to 530.2 million euros. A particularly important individual contribution made during the last quarter of 2002 was the writedown of the consolidated Goodwill from the investment in the Pearson Group, subsequent to the process of segregating Telefónica Group's media assets. The accumulated financial results for the year were affected by the negative impact from the sale of Azul TV for 162.8 million euros.

Telefónica's dedicated commitment to developing Broadband, and its vocation as a multi-platform operator, place it in a privileged position for leading the process of convergence in content and applications.