“To create consumer habits through multiplatform contents and leading brands for Telefonica’s clients in the Spanish and Portuguese speaking world”.
Convergence of these industries ensures the leading position of players focused in an integrated relationship with clients.
# TELEFONICA MEDIA: SELECTED COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>Key Points</th>
</tr>
</thead>
</table>
| **Antena 3** | ✓ Top channel in terms of TV-advertising in 2000.  
✓ The most attractive audiences for advertisers  
✓ Successful turnaround track record of management team.  
✓ Outstanding profitability and high growth.  
✓ Excellent non-advertising growth potential (i.e.: New Media, theme channels, events, etc.). |
| **Telefe** | ✓ Telefe has been the number one player over the last ten years in Argentina.  
✓ Excellent brand recognition.  
✓ Potential for cross-fertilization with Antena 3. |
| **Cero Radio** | ✓ Number 2 radio company in Spanish market.  
✓ Consolidation play on Spanish market.  
✓ Re-structuring plans of new management recently in place. |
TELEFÓNICA MEDIA: MAIN COMPANIES

- Leading content provider with some of the most successful TV formats worldwide.
- Potential leverage of Endemol content through traditional and new media networks of Telefónica (Europe - UMTS).
- Attractive content for convergence as demonstrated by Big Brother success.
- UMTS applicable content under development.

- Significant current market share of around 38%.
- Over with 675,000 subscribers already.
- Good access to leading Spanish movies and key agreements with majors.
- Developing a wide range of interactive services.

- Leading provider of satellite services in fastest growing DTH markets in Europe and Latam.
- Potential for new services (i.e. mobile, broadband, DAB).

- Core part of Via Digital business. Leading position with Spanish and international clients.
### ACTIONS IN PLACE

- New management team in Argentina and Onda Cero.
- Top executives appointed.
- Control process coordinated by the Corporate Unit.

### MANAGEMENT

- Highly professional management teams to improve companies’ results and implement a growth strategy.
- Well defined business plans and operational control processes.

### CORPORATE UNIT

- Lead strategic development of each of the three divisions (free-to-air-TV, contents and pay TV).
- Identify and capture economies of scale among businesses and markets.

### TARGETS

- Creation of new units:
  - New Media and Broadband.
  - Alliances and Music.
  - Integration and synergies.
STRATEGY: CREATE VALUE IN TELEFONICA MEDIA’S THREE BUSINESS LINES

Free-to-air-TV and Radio

- Consolidate as a leading player in free-to-air-TV in Spanish speaking countries

Contents

- Create a leading content manager

Pay TV & Distribution

- Consolidate Telefonica Media’s position in Pay TV
STRATEGY: CREATE VALUE IN TELEFONICA MEDIA’S THREE BUSINESS LINES

**Free-to-air-TV and Radio**
- Antena 3
- Telefe
- Azor
- CERO
- SINTA
- CONTINENTAL

**Contents**
- CONTENTS

**Pay TV & Distribution**
- MEDIA PARK
- Vía
- TELEFÓNICA SERVICIOS AUDIOVISUALES, S.A.

**Consolidate as a leading player in free-to-air-TV in Spanish speaking countries**

**Create a leading content manager**

**Consolidate Telefonica Media’s position in Pay TV**

*Barcelona, 3rd of April*
Management challenges

Maintain strong audience share in segments attractive to advertisers.

☑ Continue pursuing on the commercial target audience (under 55 years, from cities with more than 10,000 inhabitants, middle to upper income brackets).

☑ Ensure a stable audience share throughout the day, reducing dependence on prime time.

Improve efficiency of fixed cost structure.

☑ Maximize the level of in-house production, reducing dependence on majors.
Management challenges

**Diversify into new media activities.**

- Identify new business opportunities to leverage value of the brand, content and promotional capabilities.
- Optimise sale of advertising services through different delivery platforms (TV, cinema, internet, etc).

**Strict control of operating expenses**

- Consolidate as a cash generating company.

**€ million**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>696</td>
</tr>
<tr>
<td>EBITDA</td>
<td>200</td>
</tr>
<tr>
<td>Net Debt (Cash)*</td>
<td>5</td>
</tr>
</tbody>
</table>

* as of 31/12/2000

**Financial statements**

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>-225</td>
<td>-111</td>
<td>-41</td>
<td>-5</td>
</tr>
<tr>
<td>EBT</td>
<td>96</td>
<td>144</td>
<td>179</td>
<td></td>
</tr>
</tbody>
</table>

**Net sales**

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>New businesses</td>
<td>386</td>
<td>468</td>
<td>547</td>
<td>600</td>
</tr>
<tr>
<td>Antena 3 TV</td>
<td>431</td>
<td>9%</td>
<td>602</td>
<td>13%</td>
</tr>
</tbody>
</table>

Barcelona, 3rd of April
MAIN MANAGEMENT CHALLENGES IN TELEFE AND AZUL

Management challenges

✓ New management team in place with strong focus on return and cash generation.
✓ Improvement of the commercial division with the hiring of executives focused on profitability.
✓ Cost-control policy: renegotiation of contracts with key artists.
✓ Preliminary results of turnaround on both assets.

<table>
<thead>
<tr>
<th>TELEFE (€ mill)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>296</td>
<td>8%-13%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5</td>
<td>20%-30%</td>
</tr>
<tr>
<td>Net Debt (Cash)*</td>
<td>428</td>
<td></td>
</tr>
</tbody>
</table>

* as of 31/12/2000
Main management challenges

✓ New management in place with focus in:
  - Internal operations: strict cost cutting policy and improvement of advertising sales.
  - External operations: national third party alliances (Radio Blanca, Europa FM, Radio Marca) and international (Planeta Radio, Brasil).
✓ New programme portfolio with the hiring of solid talents with a view to increase audience share consolidating as the 2nd option.

€ million

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>52</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-12</td>
</tr>
<tr>
<td>Net Debt (Cash)*</td>
<td>26</td>
</tr>
</tbody>
</table>

* as of 31/12/2000

Barcelona, 3rd of April
**REINFORCE PRESENCE IN LATINAMERICA**

**Main trends**

- Attractive growth market:
  - Advertising investment above US$ 50,000 mill. in 2000.
  - 500 mill. inhabitants.
- Industry deregulation.
- Absence of a global main player due to the high number of family owned companies.
- Higher segmentation and a more sophisticated audience.

**Growth strategy**

- Acquire assets in those markets where Telefonica has presence (Peru, Brasil, Chile).
- Create alliances in those markets with high entry barriers (Brasil, Mexico).
- In a selective way, acquire presence in other markets through acquisitions (Colombia, Uruguay).
REPLICATE SUCCESSFUL DIVERSIFICATION MODELS IN OTHER MARKETS

**Successful model in Spain**
- Free-to-air-TV
- Children
- Cinema advertising
- Artists’ management
- Events
- Direct marketing
- New Media

**Argentina**
- Megatrix Argentina
- FAMA Argentina
- Battres Argentina
- Sprayette

- Peru
- Chile
- Brasil
- Mexico
- Colombia

*Barcelona, 3rd of April*
STRATEGY: CREATE VALUE IN TELEFONICA MEDIA’S THREE BUSINESS LINES

Free-to-air-TV and Radio
- Antena 3
- Telefe
- AZ游
- Senda
- Continental

Contents
- Televisión Española
- Senda

Pay TV & Distribution
- Via
- Telefonica Servicios Audiovisuales, S.A.

Consolidate as a leading player in free-to-air-TV in Spanish speaking countries
Create a leading content manager
Consolidate Telefonica Media’s position in Pay TV
MAIN MANAGEMENT CHALLENGES IN ENDEMOl

Management challenges

Maximise synergies with Telefonica
✓ Leverage Endemol as main content provider of Grupo Telefonica.
✓ Monitor and transfer creative skills among the companies.

Reinforce management and pursue new projects
✓ Enhance coordination with Telefonica Media and Telefonica.
✓ Optimise e-business resources to pursue new projects.

Consolidate leading position in a convergence context.
✓ Support Endemol’s growth strategy of entering into new markets (Latam, USA) through acquisition of leading local players or through organic growth in a convergence and interactive context.

Leverage European footprint
✓ Vehicle to explore alliances with European media players.

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>519</td>
</tr>
<tr>
<td>EBITDA</td>
<td>88</td>
</tr>
<tr>
<td>Net Debt (Cash)*</td>
<td>9</td>
</tr>
</tbody>
</table>

* as of 31/12/2000
STRATEGY: CREATE VALUE IN TELEFONICA MEDIA’S THREE BUSINESS LINES

Free-to-air-TV and Radio

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Barcelona, 3rd of April
Management challenges

✓ Non recourse bank financing, already in place, to compete in a highly competitive market with low operating margins and high fixed costs.

✓ Improve market position and financial risk via strategic international alliances.

✓ Focus on short and medium term results:
  • Increase number of subscribers and their average fee on a profitability basis.
  • Increase revenues of interactive TV and t-commerce.

€ million  2000
Sales  227
EBITDA  -287
Net Debt (Cash)*:  831

* as of 31/12/2000

Barcelona, 3rd of April
STRATEGY IN PAY TV AND DISTRIBUTION

Consolidate Telefonica Media’s position in Pay TV

Thematic channels packager

✅ Strategic defense asset for Telefonica Media in the DTH and ADSL platform (full positioning of Telefonica Media in UMTS, DTH, ADSL, TDT and Broadcasting).

✅ Powerful distribution channel integrated with Telefónica (i.e. package of ADSL and Via Digital).

✅ Consolidate TSA as the thematic channel packager within Telefonica.

✅ Examine synergies and economies of scale that might potentially arise from close cooperation with other European DTH platforms.

Barcelona, 3rd of April
CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (I)

Main player in a global market
Convergence among divisions
Media assets integrator
Independent assets operator

Synergies with global operators
Synergies with Telefonica
Synergies with Telefonica Media
“Per se” value

EXAMPLES

Antena 3

Barcelona, 3rd of April
CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (II)

Main player in a global market
Convergence among divisions
Media assets integrator
Independent assets operator
Synergies with global operators
Synergies with Telefonica
Synergies with Telefonica Media
“Per se” value

EXAMPLES

Barcelona, 3rd of April
Integrated management of these industries maximises value towards the final client
CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (III)

Main player in a global market

Convergence among divisions

Media assets integrator

Independent assets operator

Synergies with global operators

Synergies with Telefonica

Synergies with Telefonica Media

“Per se” value

EXAMPLES
Synergies with Telefonica Media

Main player in a global market

Synergies with global operators

Convergence among divisions

Synergies with Telefonica

Media assets integrator

“Per se” value

Independent assets operator
<table>
<thead>
<tr>
<th>Value creation in the short term</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>✅ Focus on operations’ management and consolidate “turnaround” of Telefe, Azul and Onda Cero.</td>
<td>✅ Synergies with other divisions of Telefonica.</td>
</tr>
<tr>
<td>✅ Create an active process of synergies between the operating business parameters of Telefonica Media.</td>
<td>✅ Enhance customers’ relationship management.</td>
</tr>
<tr>
<td>✅ Promote synergies in advertising sales, based on the know how of Antena 3.</td>
<td>✅ Brands and contents consolidation focused on the development of new businesses.</td>
</tr>
<tr>
<td>✅ Active management of Via Digital, reinforcing customers’ growth and migration to interactivity.</td>
<td>✅ Asset acquisition in those markets where Telefonica has presence (Perú, Brasil, Chile) and creation of alliances in those markets with high entry barriers (Brasil, Méjico).</td>
</tr>
<tr>
<td>✅ Create a solid brand, supported on successful and integrated management of the assets.</td>
<td>✅ Development of new business models based on the potential growth of broadband.</td>
</tr>
<tr>
<td>✅ Develop an educational project.</td>
<td>✅ Alliances with key players.</td>
</tr>
<tr>
<td></td>
<td>✅ Ongoing reassessment of our investment in order to maximise value and divest from non-core assets.</td>
</tr>
</tbody>
</table>