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Telefonica



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Executive Chairman, Admira

Safe harbour

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**“Refocusing Admira to capture the value
of our media assets”**

Admira Today

Solid positions built in three key media businesses: Broadcast, Content and Pay-TV / Distribution

2001 Results

Mixed performance on top of a complex industry environment: Still disappointing for Telefónica

Management focus and strategic priorities

Maximum priority on performance and business restructuring to unlock value for Telefónica

Since 1997, Telefónica has taken positions along the media value chain ...

X% Admira's stake

1997

	47%
	70%
	100%
	20%
	49%
	23%
	100%
	40%

1998- 1999

	100%
	100%
	30%
	100%
	5%
	100%
	50%
	100%
	100%

2000-2001

	100%
	100%
	51%
	25%

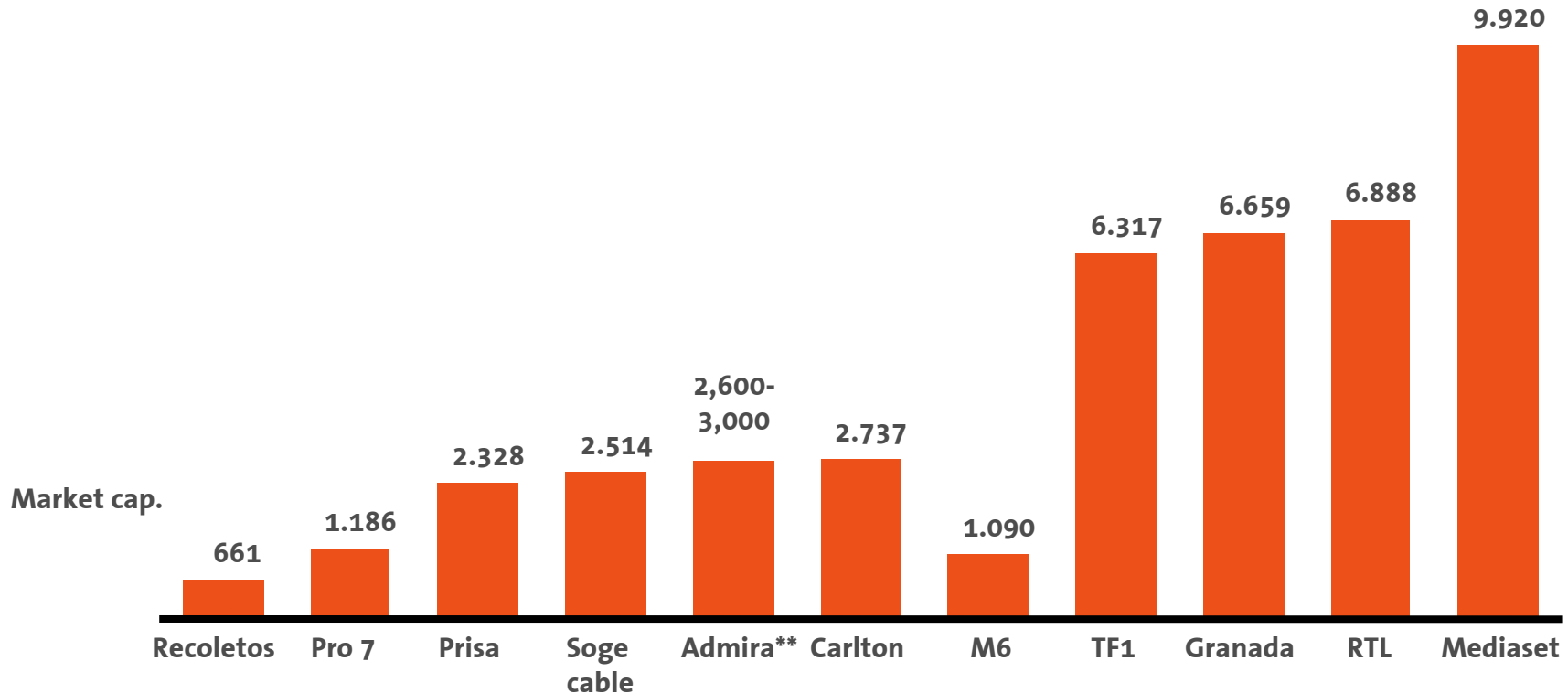
... and has assembled a portfolio of media assets along three business lines



- 27.3% of the Spanish TV ad market
- Telefé: Highest audience share in Argentina (38%)
- Second private radio broadcaster in Spain

Our free-to-air TV and radio business could currently be one of the top seven European media groups by market capitalization*

€ Million



* Estimated from EBITDA 2002 for Admira

** Free-to-air TV and radio business

... and has assembled a portfolio of media assets along three business lines

Free-to-air TV and radio



Content



Admira Sport



- 27.3% of the Spanish TV ad market
- Telefé: Highest audience share in Argentina (38%)
- Second private radio broadcaster in Spain
- Systematic development of new formats
- Subsidiaries and joint ventures in 20 countries

... and has assembled a portfolio of media assets along three business lines

Free-to-air TV and radio



- 27.3% of the Spanish TV ad market
- **Telefé:** Highest audience share in Argentina (38%)
- **Second private radio broadcaster in Spain**

Content



Admira Sport



- Systematic development of new formats
- Subsidiaries and joint ventures in 20 countries

Pay-TV and distribution



- Subscriber growth from 450,000 in 1999 to 806,000 in 2001
- 19% ARPU increase

Admira Today

Solid positions built in three key media businesses: Broadcast, Content and Pay-TV / Distribution

2001 Results

Mixed performance on top of a complex industry environment: Still disappointing for Telefónica

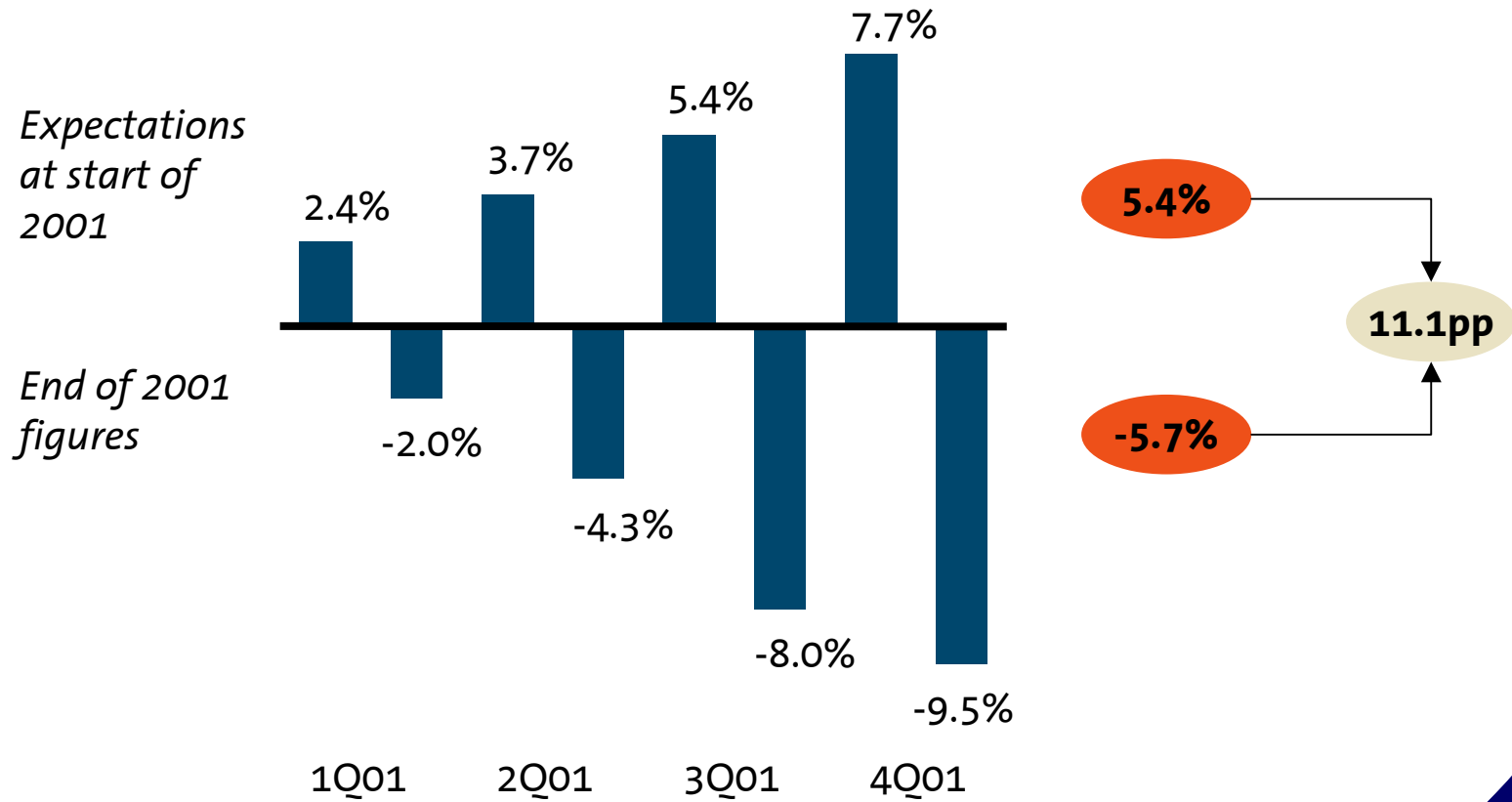
Management focus and strategic priorities

Maximum priority on performance and business restructuring to unlock value for Telefónica

Complex industry environment: a sharp fall in the advertising market...

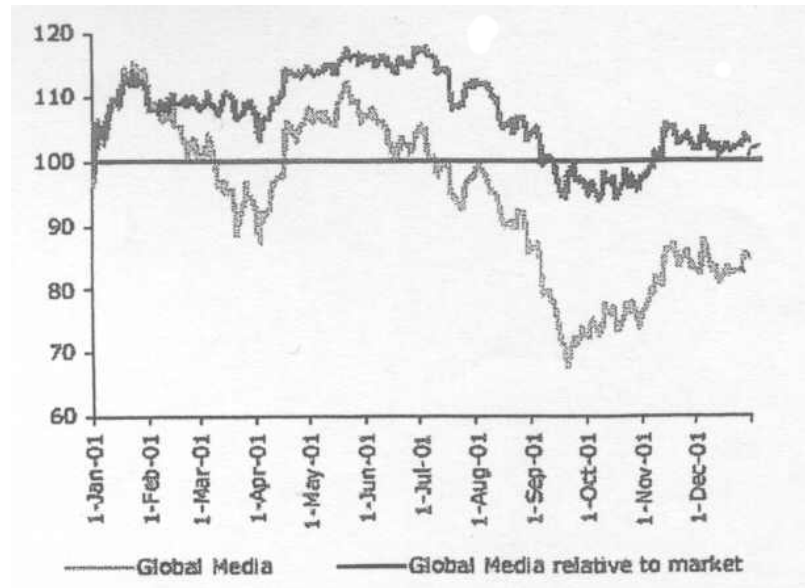
Annual growth

Global ad growth 2001 forecast



...affecting the industry as a whole

Global media sector performance



2001 price performance by region

US	-8.7%
Europe	-31.5%
Asia	2.1%

2001 price performance by subsector

Professional publishing	-28.6%
Magazines	-20.2%
Broadcasting	-32.3%
Pay-TV	-22.9%
Music&Entertainment	-6.2%
Advertising	-14.2%

- The global media sector fell 16% in 2001 despite strong performance in the final quarter
- Europe ended the year with a 31% fall being the worst performing region
- Broadcasting suffered the biggest share price declines falling by an average of 32%

Admira's 2001 results have shown mixed performance still disappointing for Telefónica

	<u>2001</u>	<u>2000</u>
Revenues	1,403.1	723.9
EBITDA	152.5	13.6
Results from affiliates	(184.5)	(86.1)
Net income	(347.3)	(627.4)

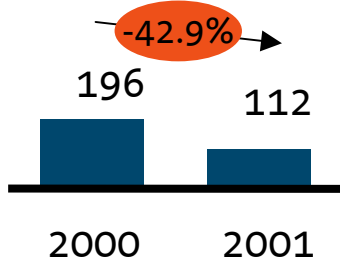
- Improved EBITDA performance on certain units (primarily Endemol)
- Change in consolidation perimeter (full year for Endemol and ATCO)
- Worse than expected performance of affiliates (Vía Digital, A3TV)
- Substantial reduction in the negative contribution of extraordinary (from €-607 M to €-70 M)

Broadcast business Antena 3 highlights

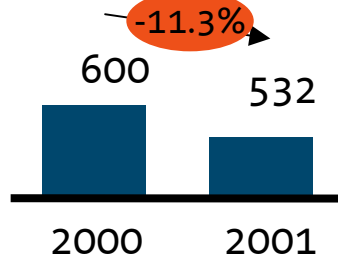


Antena 3

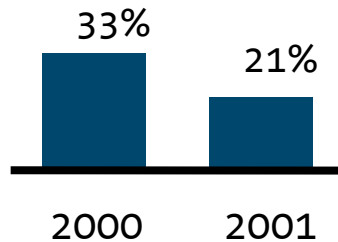
EBITDA (€ million)



Revenues (€ million)



EBITDA Margin

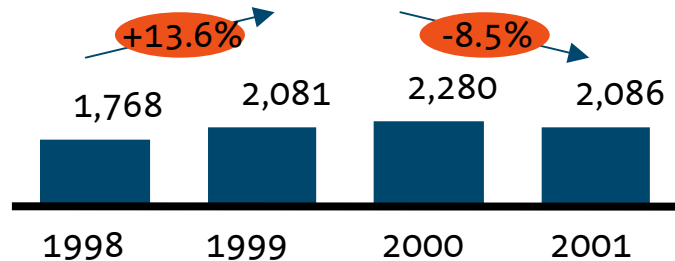


- Difficult advertising environment in Spain (down ~10% from 2000)
- Aggressive competition from public TV and loss of audience share from 21.5% to 20.4%
- Continued focus on high value audiences: 1.34 power ratio (advertising share/audience share)
- Efficiency initiatives in place but results still to come and further efforts will be required during 2002

Antena 3: disappointing performance in a difficult advertising environment

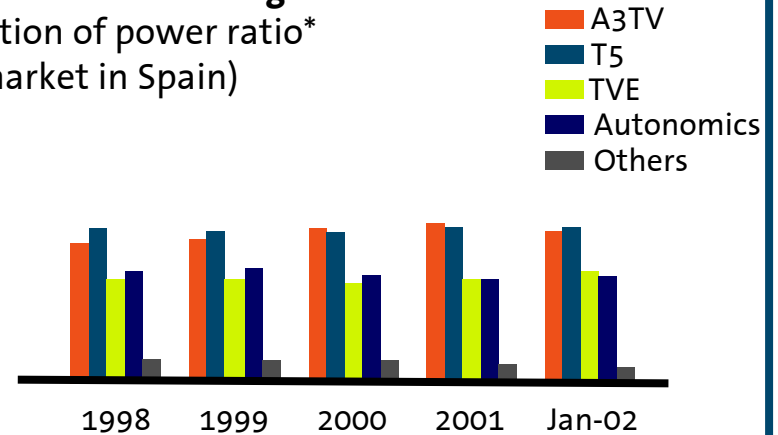
Difficult advertising environment in Spain

Evolution of TV advertising market in Spain



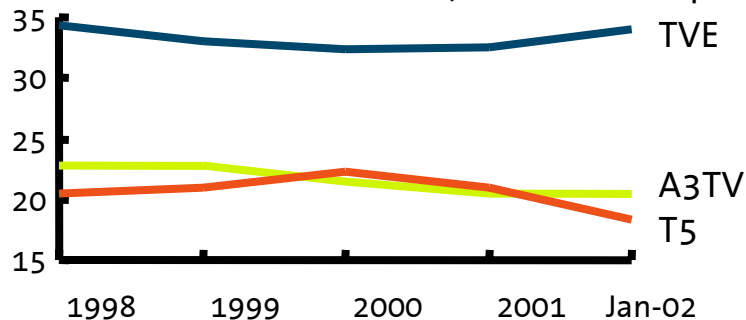
Continued focus on high value audiences

Evolution of power ratio* (TV market in Spain)



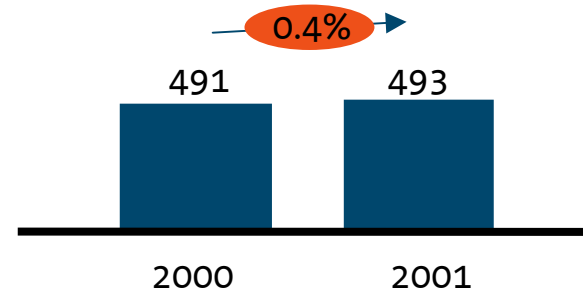
Aggressive competition from public TV and loss of audience share

% audience share evolution (TV market in Spain)



Further efforts required in the efficiency front

Evolution of operating costs in A3 Group (€ Millions)

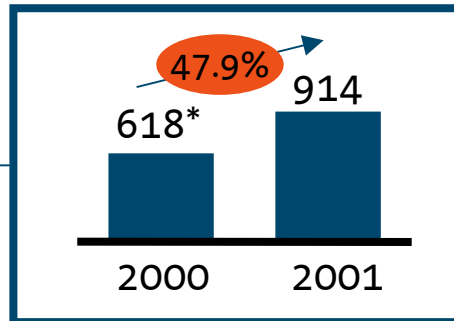


* Advertising share/audience share

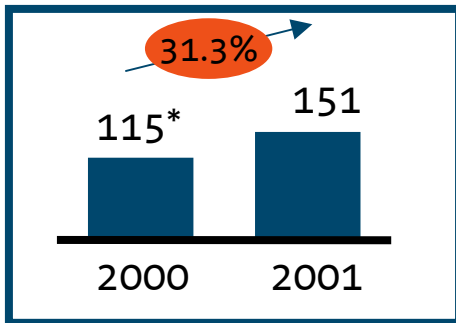
Content business Endemol highlights



Revenues (€ million)

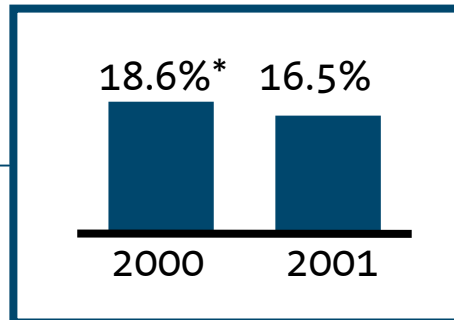


EBITDA (€ million)



X

EBITDA Margin



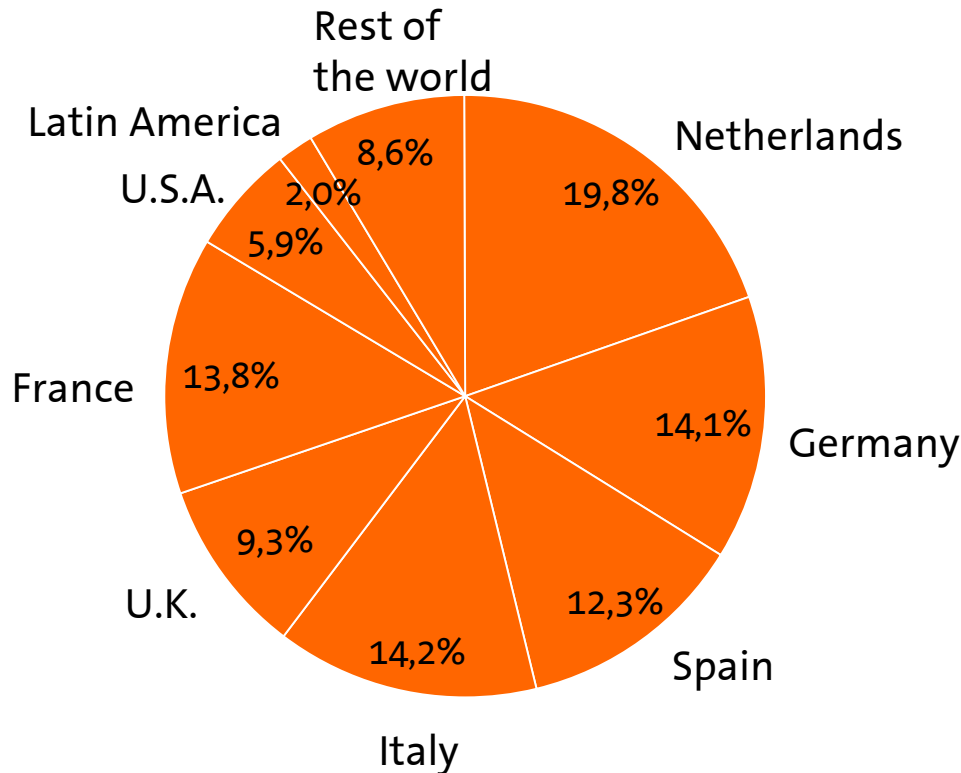
- Positive revenue and EBITDA margin performance coming from geographical expansion and numerous new successful formats
- Proven scalability: able to deliver growth while sustaining margins
 - Systematic creativity
 - Flexible local structures

* Real for February to December 2000. January 2000 annualized

Endemol: A diversified client base and flexible local structures

Client base

%Revenues 2001

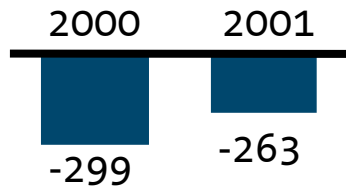


- **Systematic creativity has enabled successful formats consistently year after year**
- **Ability and skills to adapt different formats to local culture attributes**

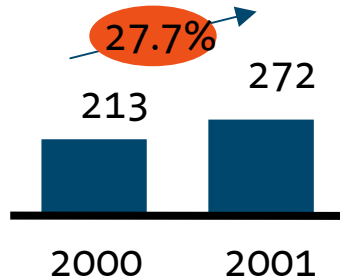
Pay TV and distribution business Vía Digital highlights



EBITDA (€ million)

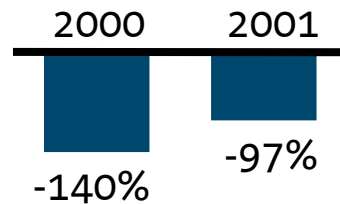


Revenues (€ million)



X

EBITDA Margin



- Positive but insufficient revenue evolution due to:
 - Increased subscriber base: 806,000 subscribers by year-end 2001 (173,000 net adds during 2001)
 - Increased average revenue per subscriber (of €32/month)
- Reduction of EBITDA losses but still far from break-even
- Deterioration in Net Income (€ 80M) due to extraordinary
- Increased leverage of intra-group synergies

* Real for February to December 2000. January 2000 annualized

Admira Today

Solid positions built in three key media businesses: Broadcast, Content and Pay-TV / Distribution

2001 Results

Mixed performance on top of a complex industry environment: Still disappointing for Telefónica

**Management focus
and strategic priorities**

**Maximum priority on performance and business
restructuring to unlock value for Telefónica**

We will refocus Admira improving efficiency and capturing the strategic value for Telefónica

**Focus on
efficiency**

**Unlock
strategic
value**

- **Consolidate a coherent traditional media, advertising-based group**



- Assess potential asset restructuring, or divestitures when Telefónica is not the natural owner
- Develop Admira's content business to support and benefit from broadband development in Telefónica



Consolidate a coherent traditional media, advertising-based group focusing on efficiency

Adjust cost structure to new economic environment

- Add flexibility to cost structure
- Aggressively reduce overheads
- Monetize existing assets (content, studios, ...)

Retain commercial emphasis on high value audiences

- Recover leadership in advertising efficiency
- Selective growth, adapting value proposition to target segments

Leverage the Group's position

- Capture new business opportunities with Telefonica's other units and partners
- Economies of scale and transfer of best practices
- Capture synergies and economies of scale by the combination of A3TV and Onda Cero

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- Develop Admira's content business to support and benefit from broadband development in Telefónica



**New
Multiplatform
Content
Unit**



Assess potential asset restructuring, or divestitures when Telefónica is not the natural owner: economic viability

Assess potential restructuring of certain assets

- **Non-performing assets**
- **Businesses that could benefit from entry of new partners**
- **Businesses having synergies with other Group's assets**



Selectively consider divestitures

- **Businesses where Telefónica is not the natural owner**
- **Non-core businesses**
- **Regulatory obligations**

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**Focus on
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**Unlock
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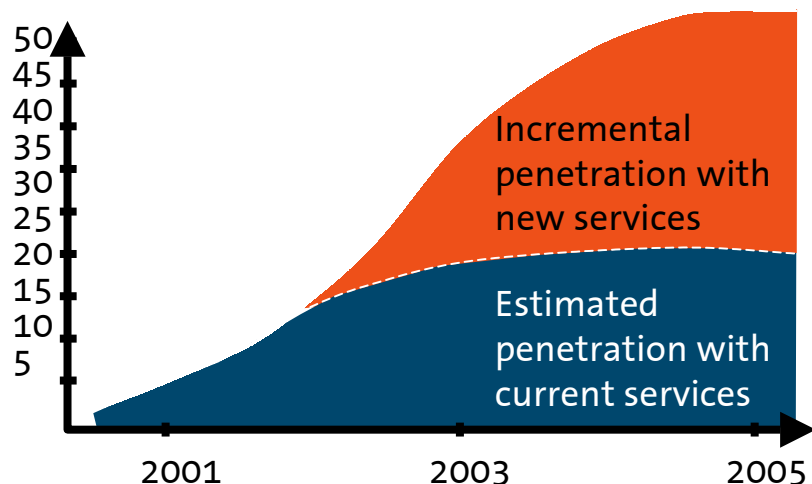


**New
Multiplatform
Content
Unit**



Market forces drive the strategic importance of multiplatform content to foster broadband penetration

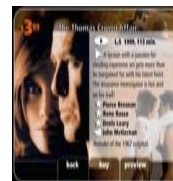
Estimated broadband penetration in Europe Broadband penetration*



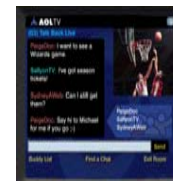
Virtual models and tours



VOD and NVOD



Email, chat, and instant messaging



Walled Gardens



Video/audio streaming



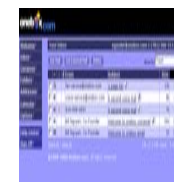
"Click and talk" audio/video



Enhanced advertising



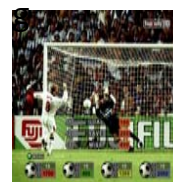
Unified messaging



On-line gaming



Enhanced programming



PC- and cable-based telephony



Video conferencing



Multiplatform content

***The strategic importance of content for Telefónica,
lead us to take two major initiatives***

**① Press on with the
development of our key
content asset**



**② Create a new Unit
responsible for the
management and
generation of
multiplatform Broadband
content**

**New
Multiplatform
Content Unit**

Endemol: a growth story with significant potential going forward

Multi-national

- Europe
- USA
- Latin America
- Rest of World



A leading global developer, producer and exploiter of creative and market driven entertainment, focusing on television and interactive content

Multipatform

- TV
- Internet/BB
- Mobile
- PDA's

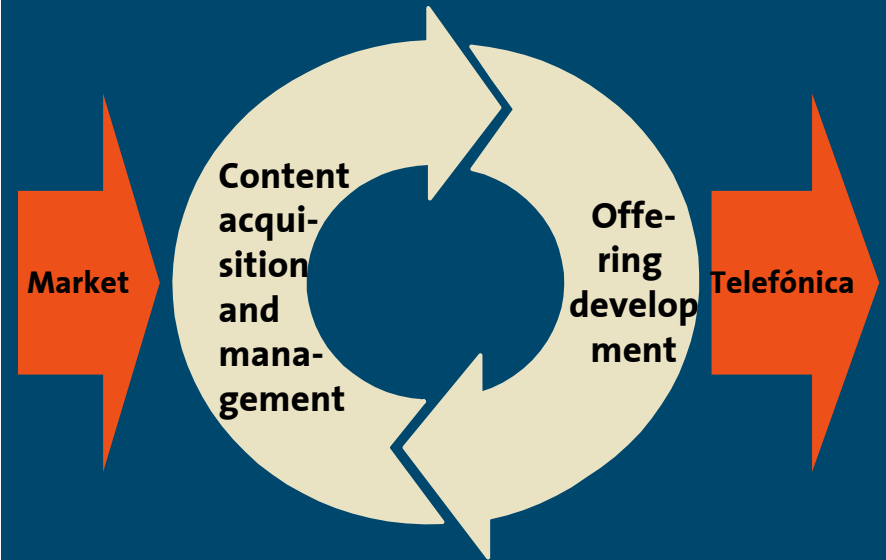
Multi-exploitation

- Formats
- Books
- Ready Made
- Video/DVD/CD

A new unit will be created with a focus on developing multiplatform broadband content to extract all the value from the group's assets and capabilities

- Reorganize and focus the management of the Group's content assets
- Centralize content acquisition, maximizing Group's bargaining power and acquisition know-how to obtain the best available content
- Identify opportunities for intragroup synergies, developing new multiplatform content suitable for different networks and platforms

New Multiplatform content unit



In conclusion

- **Our 2001 results show a disappointing performance in many of our units albeit an increasingly complex industry environment**
- **We will refocus Admira improving efficiency and capturing the strategic value for Telefónica**
 - **Consolidate a coherent traditional media, advertising-based group**
 - **Assess potential asset restructuring, or divestitures when Telefónica is not the natural owner**
 - **Develop Admira's content business to support broadband development in Telefónica**
- **We commit to set these initiatives in motion and report back to you on its progress**



ADMIRA