

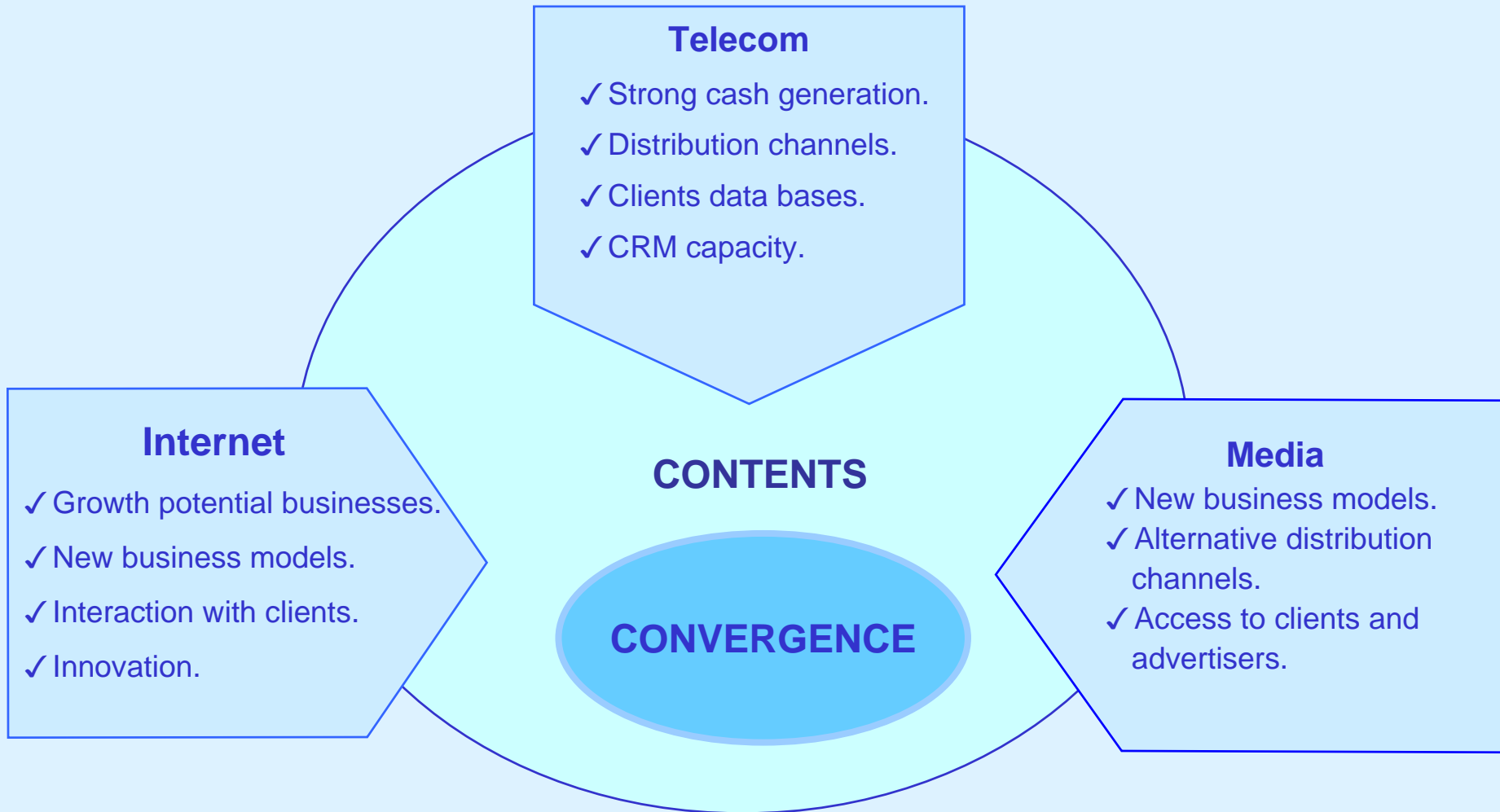
Telefonica Media



Barcelona, 3rd of April

“To create consumer habits through multiplatform contents and leading brands for Telefonica’s clients in the Spanish and Portuguese speaking world”.

WHY MEDIA IN TELEFONICA ? : TELECOM, MEDIA & INTERNET ... CONVERGENCE

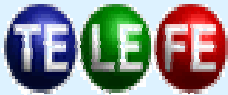


Convergence of these industries ensures the leading position of players focused in an integrated relationship with clients

TELEFONICA MEDIA: SELECTED COMPANIES



- ✓ 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 has been the number one player over the last ten years in Argentina.
- ✓ Excellent brand recognition.
- ✓ Potential for cross-fertilization with Antena 3.



- ✓ Number 2 radio company in Spanish market.
- ✓ Consolidation play on Spanish market.
- ✓ Re-structuring plans of new management recently in place.

TELEFONICA 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).

Telefónica Servicios Audiovisuales, S.A.

- ✓ Core part of Via Digital business. Leading position with Spanish and international clients.

STRATEGY: MANAGE AS AN INTEGRATED GROUP TO CAPTURE SINERGIES

TARGETS

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.

ACTIONS IN PLACE

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

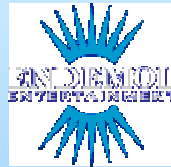
- Creation of new units:
 - > New Media and Broadband.
 - > Alliances and Music.
 - > Integration and synergies.

STRATEGY: CREATE VALUE IN TELEFONICA MEDIA'S THREE BUSINESS LINES

Free-to-air-TV and Radio



Contents



Pay TV & Distribution



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

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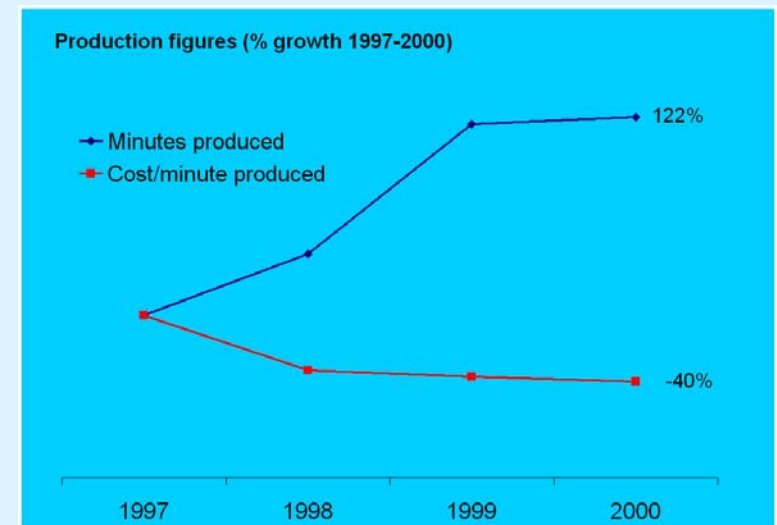
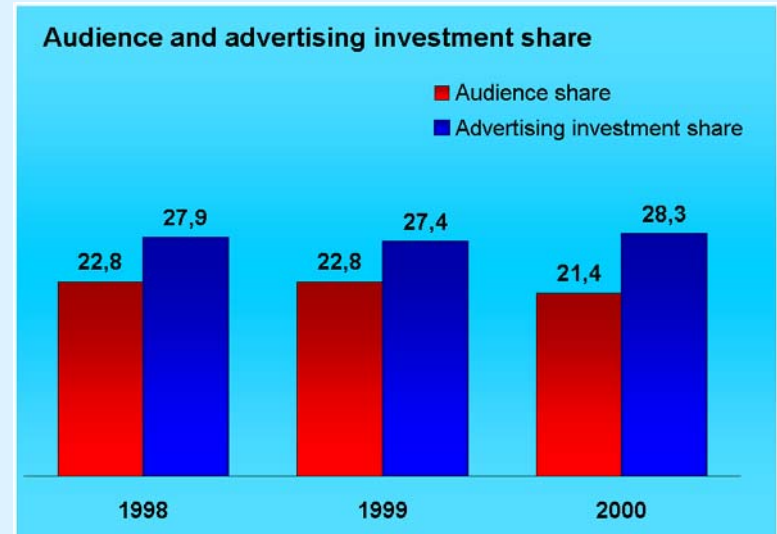
Management challenges

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.



MAIN MANAGEMENT CHALLENGES IN ANTENA 3 (cont'd)



Management challenges

Diversify into new media activities.

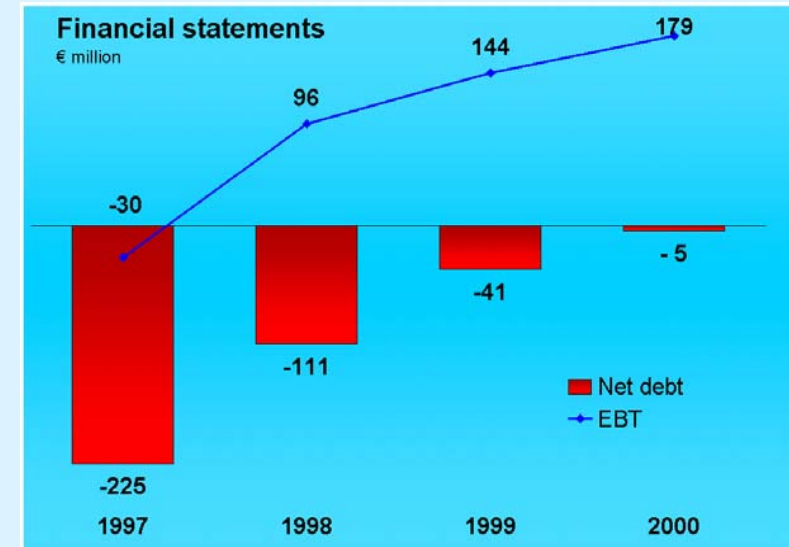
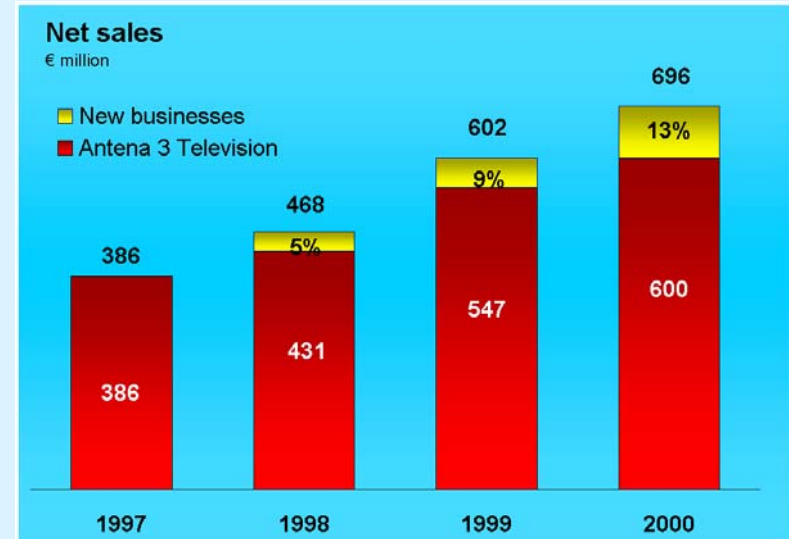
- ✓ Identify new business opportunities to leverage value of the brand, content and promotional capabilities.
- ✓ Optimise sale of advertising services through different delivery platforms (TV, cinema, internet, etc).

Strict control of operating expenses

- ✓ Consolidate as a cash generating company.

€ million	<u>2000</u>
Sales	696
EBITDA	200
Net Debt (Cash)*:	5

* as of 31/12/2000



MAIN MANAGEMENT CHALLENGES IN TELEFE AND AZUL

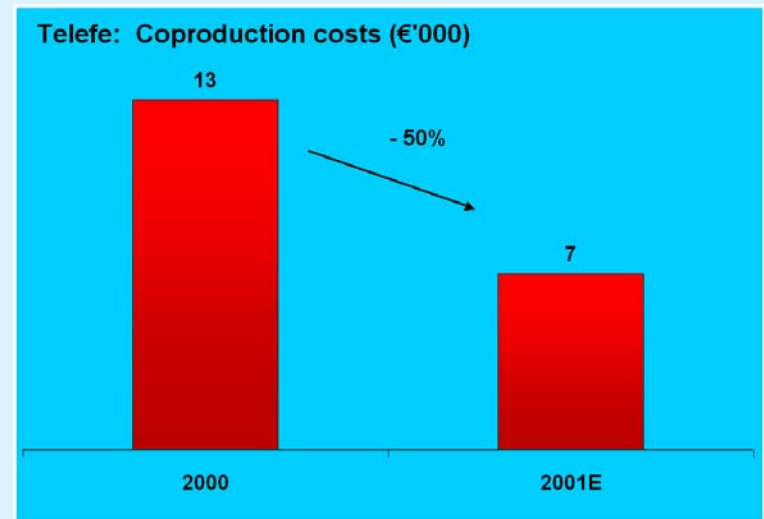
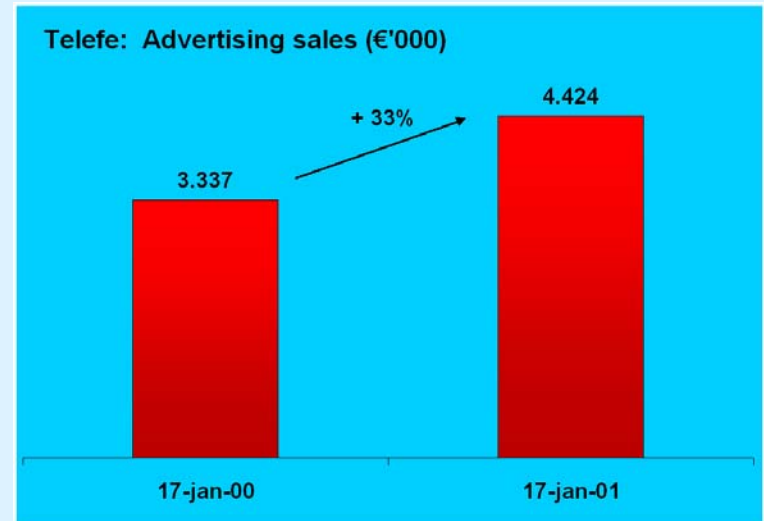


Management challenges

- ✓ 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.

TELEFE (€ mill)	2000	CAGR 00-04
Sales	296	8%-13%
EBITDA	5	20%-30%
Net Debt (Cash)*:	428	

* as of 31/12/2000



MAIN MANAGEMENT CHALLENGES IN ONDA CERO

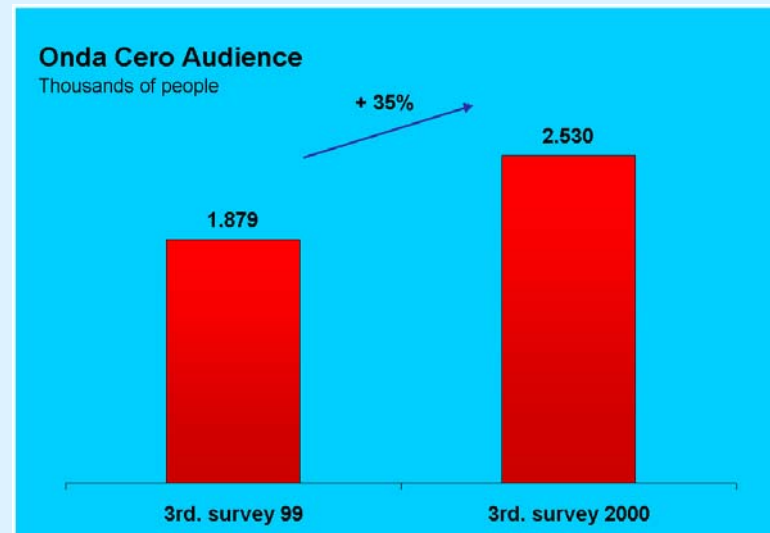
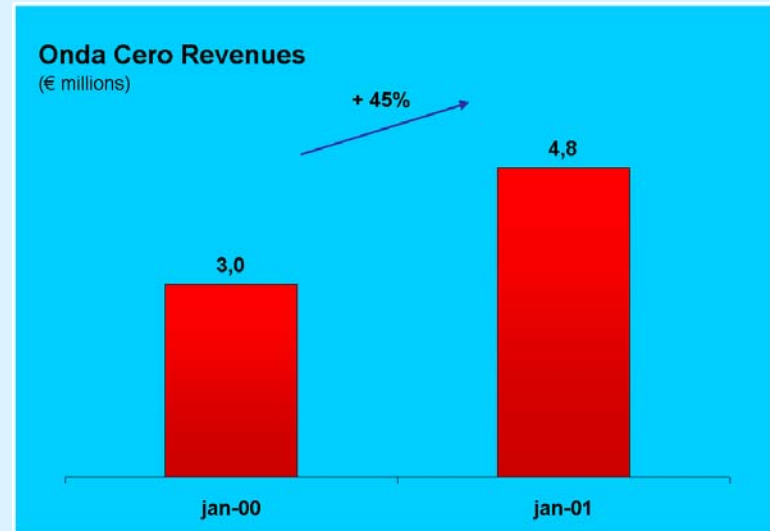


Management challenges

- ✓ 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	<u>2000</u>
Sales	52
EBITDA	-12
Net Debt (Cash)*:	26

* as of 31/12/2000

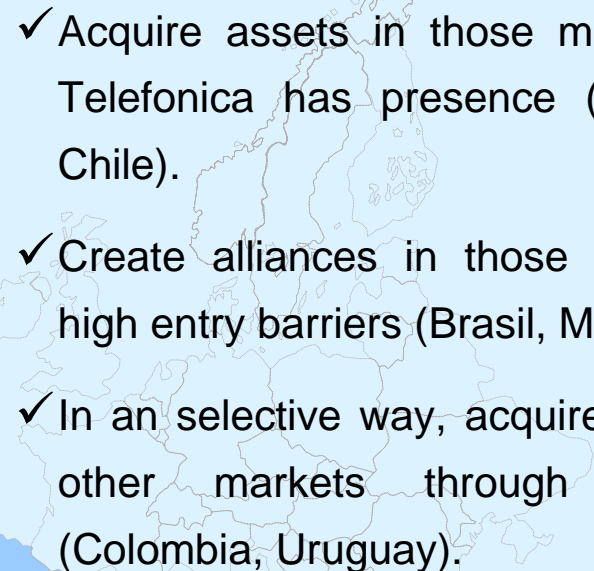


REINFORCE PRESENCE IN LATINAMERICA

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.
- 
- A map of Latin America, including Mexico, Central America, and South America, is shown in a light blue color. The map is positioned behind the text on the left side of the slide.

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 an selective way, acquire presence in other markets through acquisitions (Colombia, Uruguay).
- 
- A map of Latin America, including Mexico, Central America, and South America, is shown in a light blue color. The map is positioned behind the text on the right side of the slide.

REPLICATE SUCCESSFUL DIVERSIFICATION MODELS IN OTHER MARKETS

Successful model in Spain

Free-to-air-TV



Children



Cinema advertising



Artists' management

FAMA

Events



Direct marketing



New Media



Argentina



Megatrix Argentina



FAMA Argentina

Battres Argentina

Sprayette



Peru



Chile



Brasil



Mexico



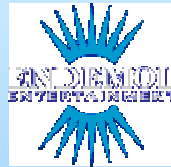
Colombia

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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.

<i>€ million</i>	<u>2000</u>
Sales	519
EBITDA	88
Net Debt (Cash)*:	9

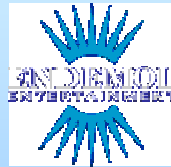
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MAIN MANAGEMENT CHALLENGES IN VIA DIGITAL

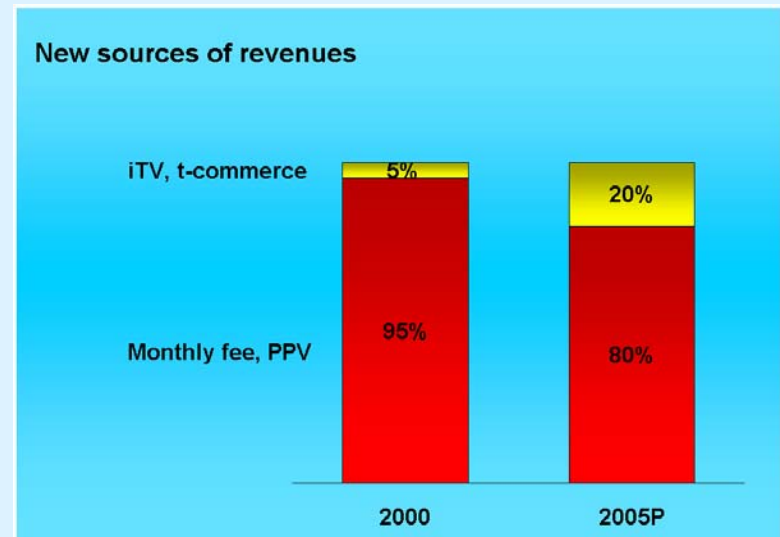


Management challenges

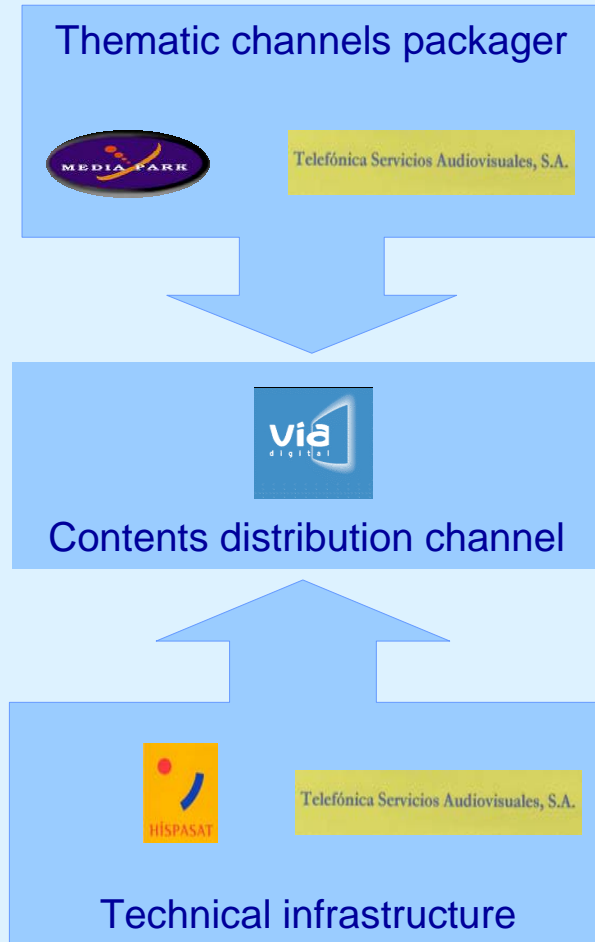
- ✓ Non recourse bank financing, already in place, to compete in a highly competitive market with low operating margins and high fixed costs.
- ✓ Improve market position and financial risk via strategic international alliances.
- ✓ Focus on short and medium term results:
 - Increase number of subscribers and their average fee on a profitability basis.
 - Increase revenues of interactive TV and t-commerce.

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

* as of 31/12/2000

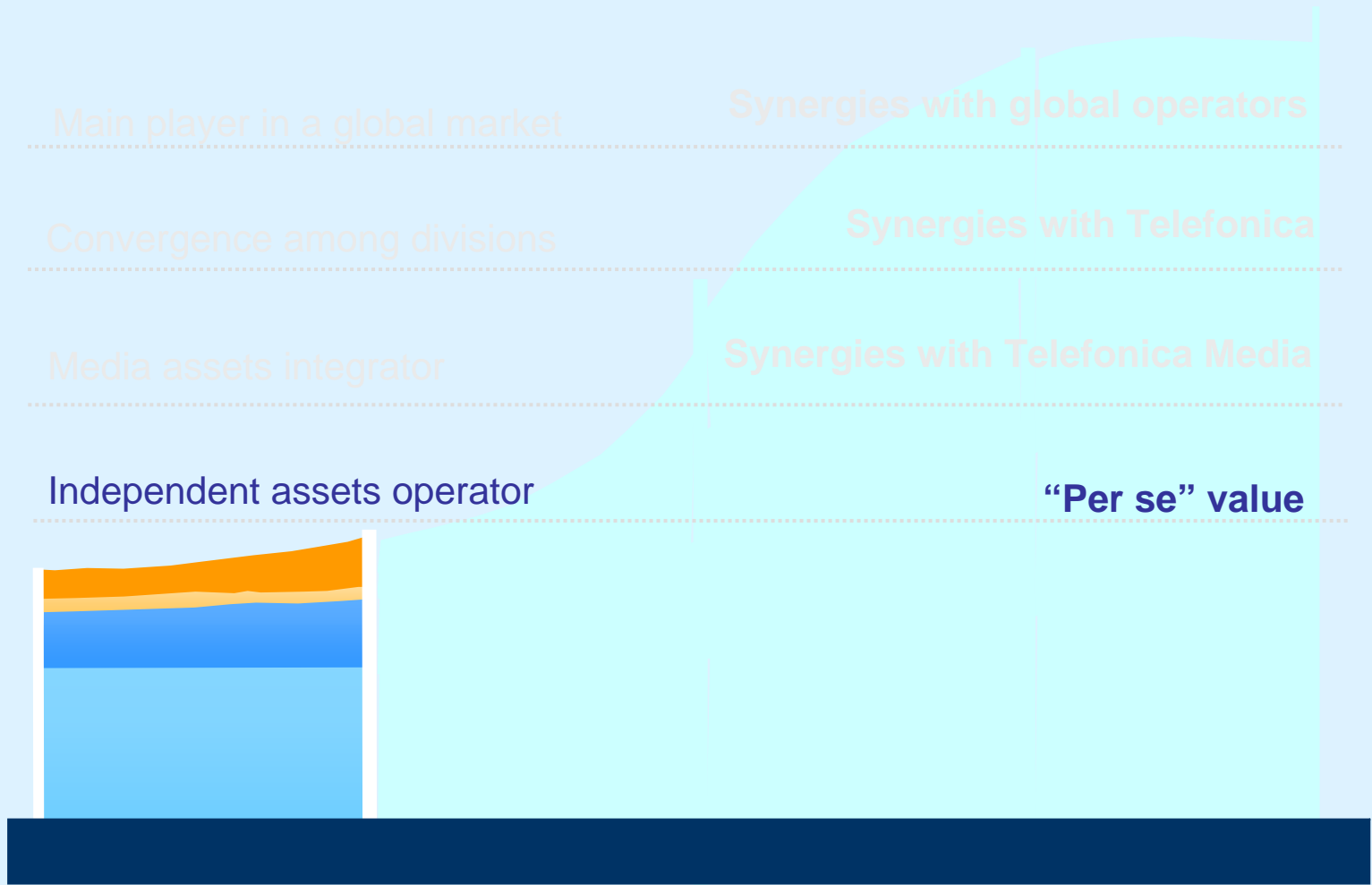


Consolidate Telefonica Media's position in Pay TV



- ✓ 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.

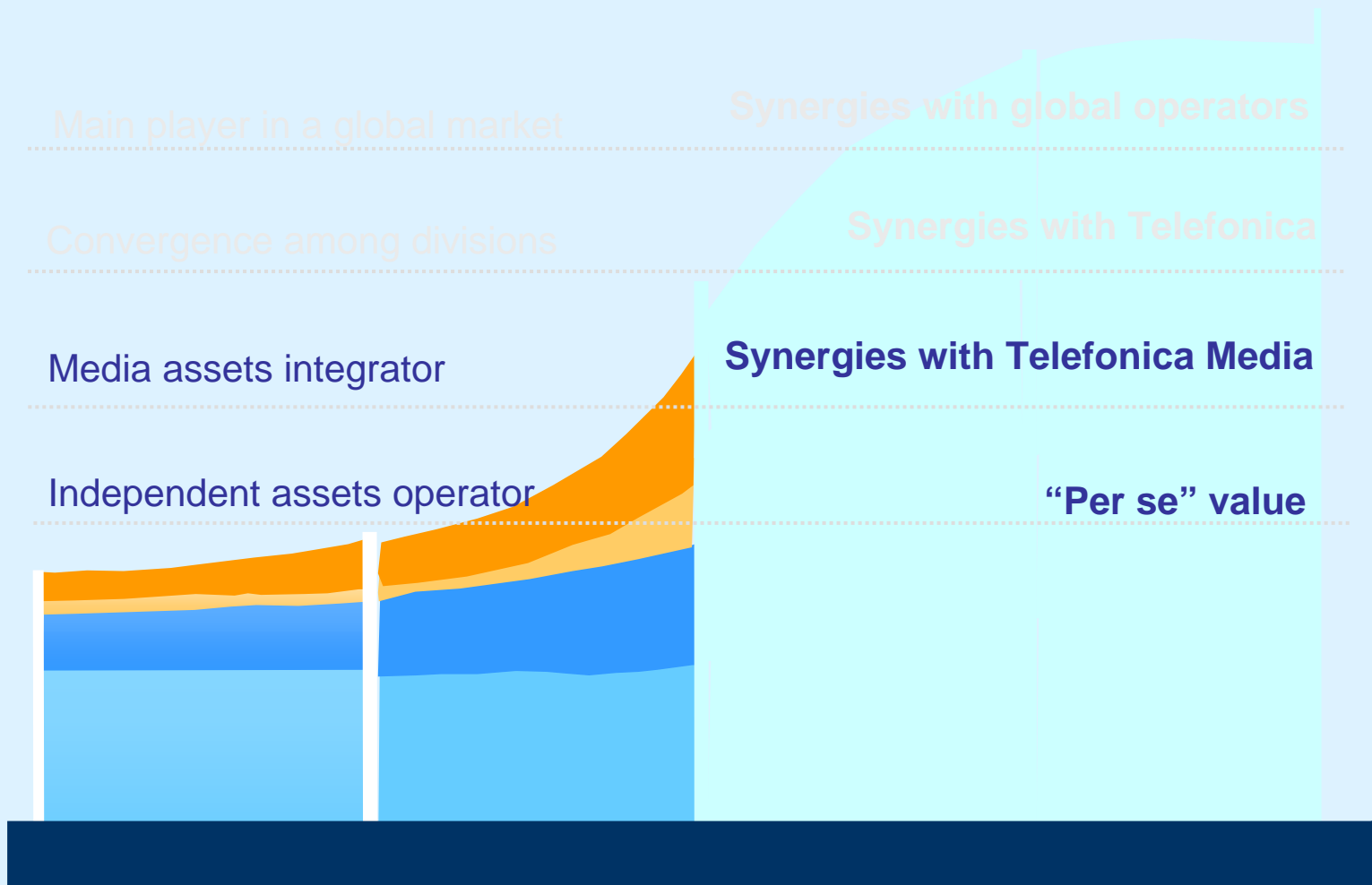
CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (I)



EXAMPLES



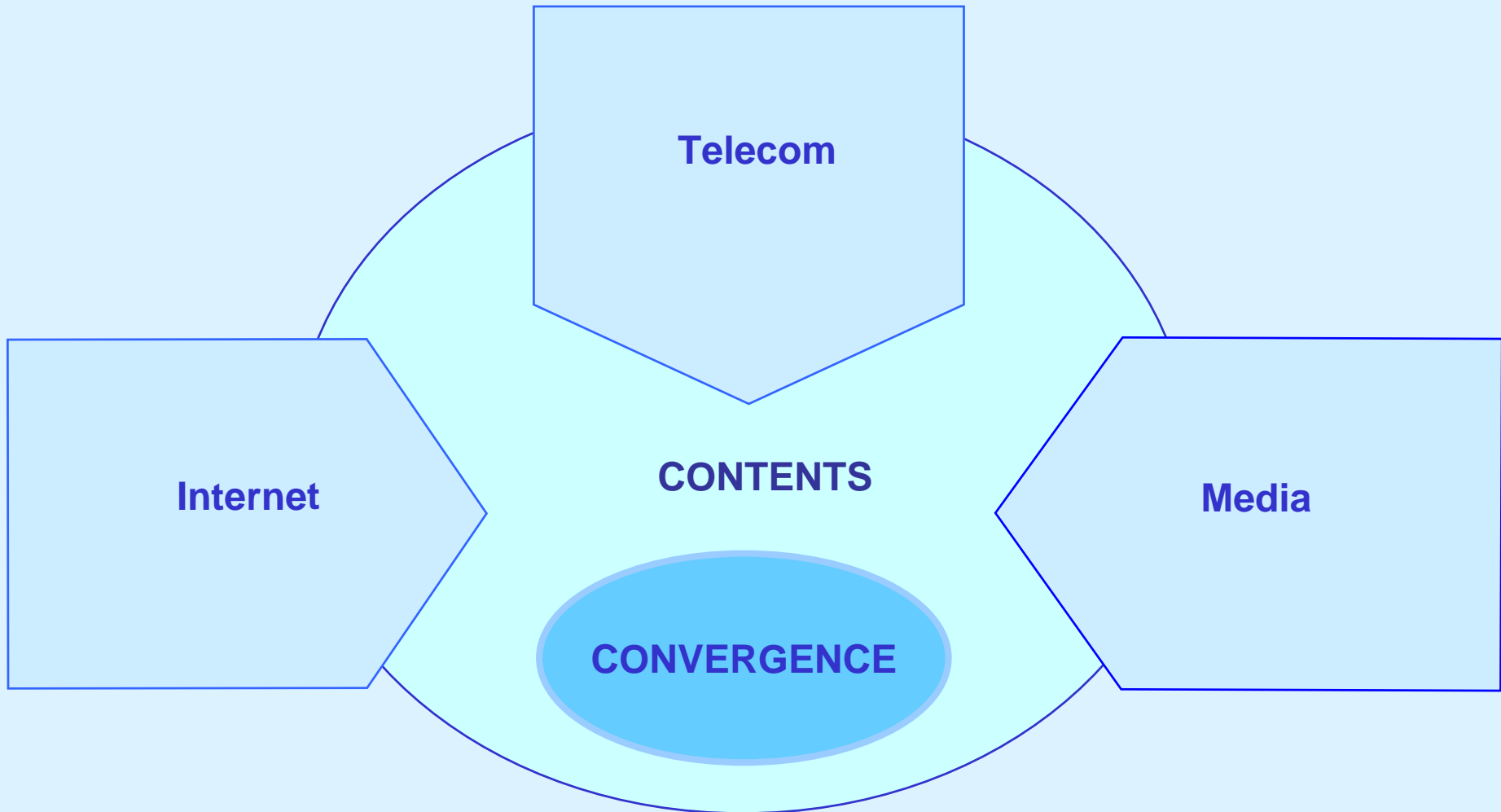
CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (II)



EXAMPLES

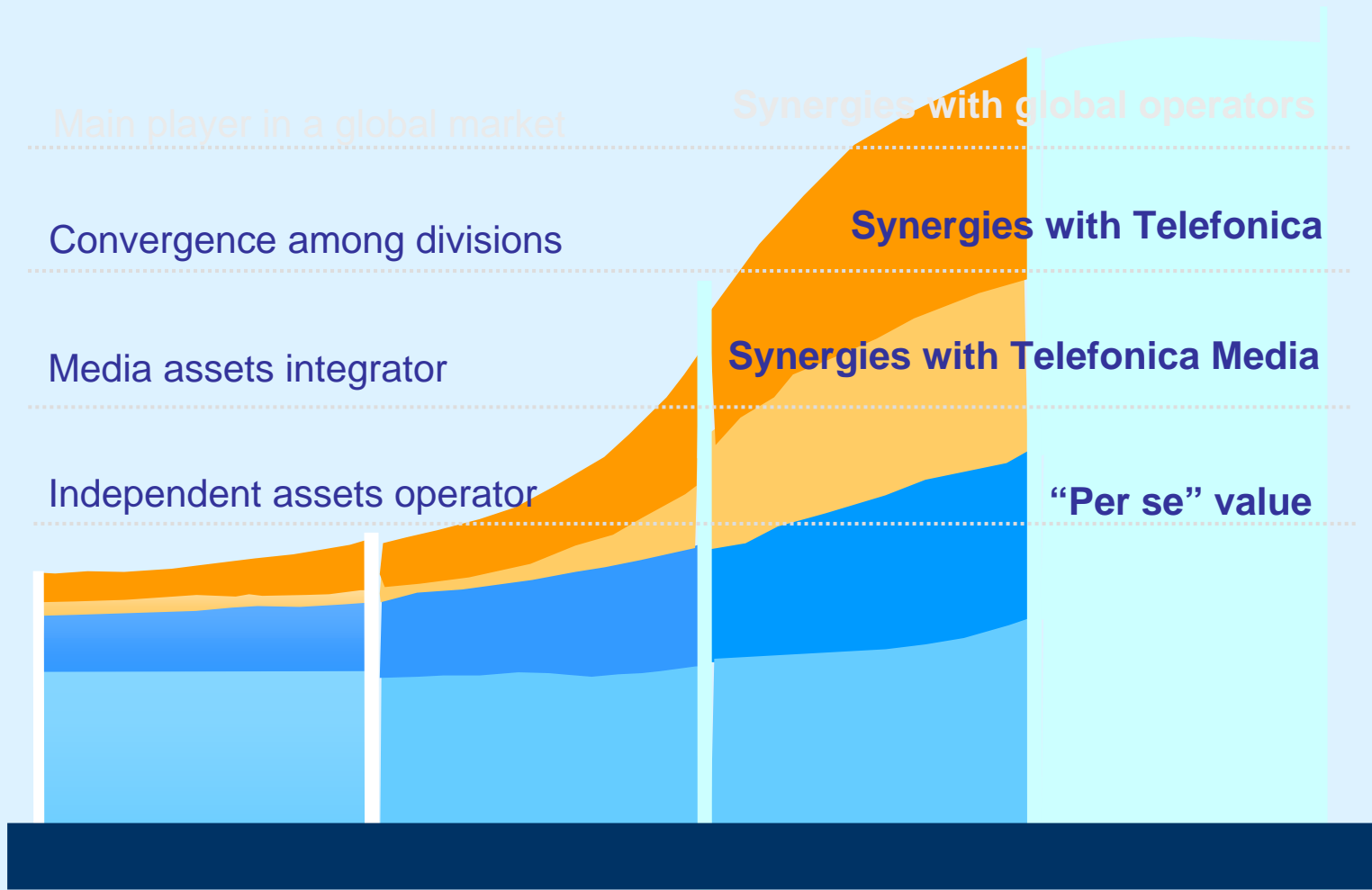


MEDIA IN TELEFONICA : TELECOM, MEDIA & INTERNET ... CONVERGENCE



**Integrated management of these industries
maximises value towards the final client**

CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (III)



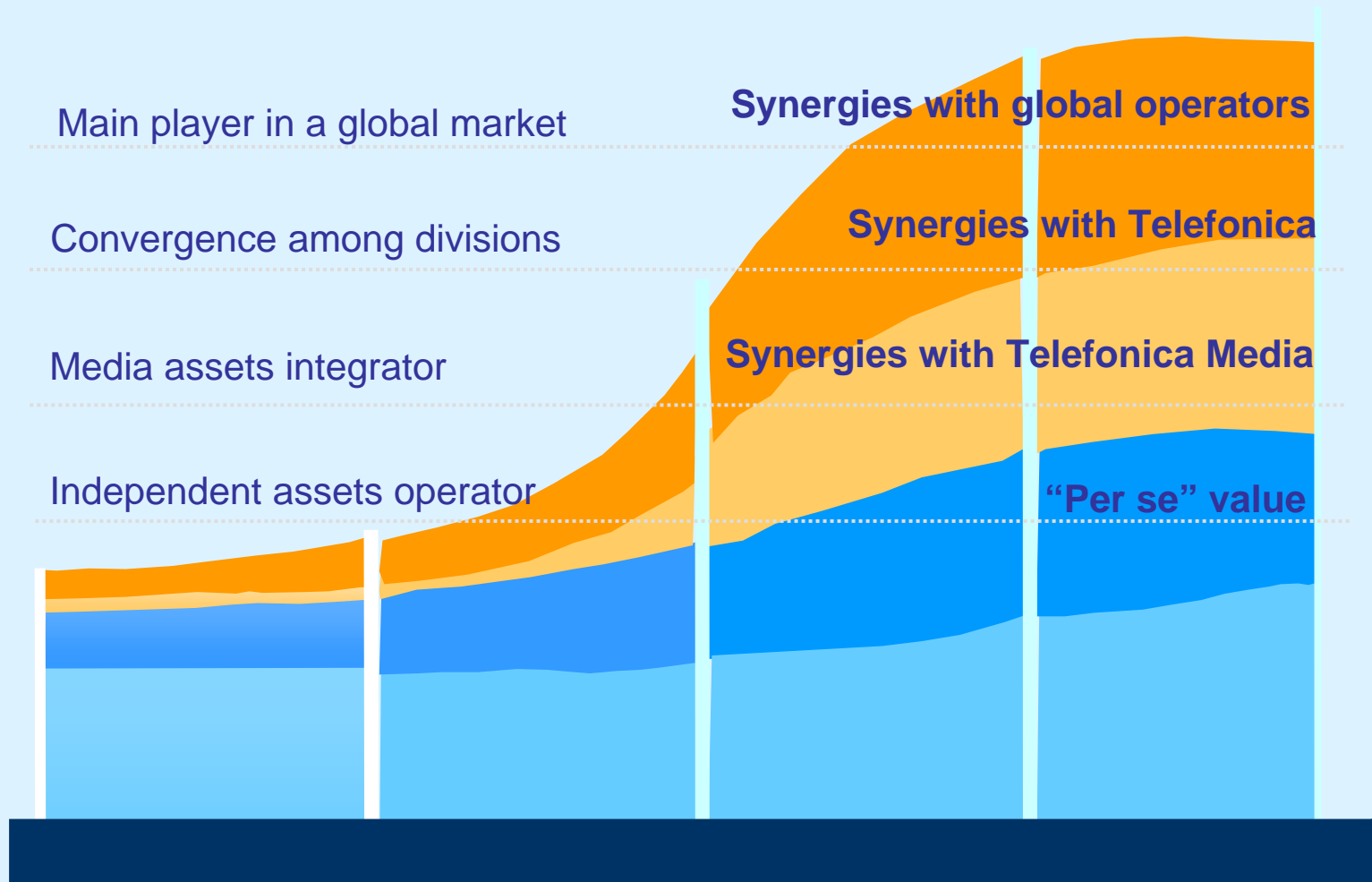
EXAMPLES



Barcelona, 3rd of April



CAPTURE SYNERGIES WITH TELEFONICA AND TELEFONICA MEDIA (IV)



TELEFONICA MEDIA'S STRATEGY AND CHALLENGES IN THE SHORT AND MEDIUM TERM

Value creation in the short term

- ✓ Focus on operations' management and consolidate "turnaround" of Telefe, Azul and Onda Cero.
- ✓ Create an active process of synergies between the operating business parameters of Telefonica Media.
- ✓ Promote synergies in advertising sales, based on the know how of Antena 3.
- ✓ Active management of Via Digital, reinforcing customers' growth and migration to interactivity.
- ✓ Create a solid brand, supported on successful and integrated management of the assets.
- ✓ Develop an educational project.

Strategy

- ✓ Synergies with other divisions of Telefonica.
- ✓ Enhance customers' relationship management.
- ✓ Brands and contents consolidation focused on the development of new businesses.
- ✓ 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).
- ✓ Development of new business models based on the potential growth of broadband.
- ✓ Alliances with key players.
- ✓ Ongoing reassessment of our investment in order to maximise value and divest from non-core assets.