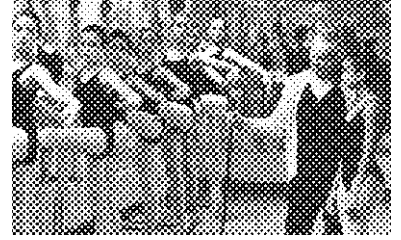


*The purchases of the
Argentinean television
station Telefé and the
Dutch producer
Endemol
Entertainment NV were
completed in 2000*

Media



Telefónica Media will repeat the Antena 3 management model in the other geographical areas where it has established a presence

Telefónica Media

The Telefónica Group and particularly Telefónica Media S.A., its media subsidiary, made significant acquisitions during 2000 with a view to completing its project to become the leading communications and entertainment media holding in the Spanish and Portuguese language market. The main transactions carried out in 2000 were the purchase of the Argentinean television station Telefé and the acquisition of the Dutch production company Endemol Entertainment NV. Telefónica Media also acquired a 25% interest in the Catalan production company Media Park and a 51% stake in the Venezuelan company Rodven.

The strategic plan approved at the end of 2000 envisages a structure for Telefónica Media designed to obtain greater management cohesion and comprising three business units: Open Television and Radio, Content and Pay Television.

In the area of Open Television and Radio, Telefónica Media intends to replicate the successful management model of the Spanish television station Antena 3 in the geographical areas in which it has established a presence.

The Content business unit is the main asset of companies operating in the audiovisual sector. In this area, activity is centred around Endemol, which is set to become the keystone for Telefónica Media's content production, carrying out its business in a converging, interactive environment and co-ordinating all of the Telefónica Group windows.

The creation of the third business unit implied the redesign of Telefónica Media's position in the pay TV market. From now on, pay TV assets, distribution systems and production for theme channels will be brought together within a single business unit.

Open Television and Radio

During 2000, Telefónica Media completed the series of acquisitions planned in the open television and radio sector, absorbing significant assets in Argentina (Telefé, Radio Continental, and 50% of Azul Televisión). The holding's presence in Spain is represented by the Telefónica Media shareholdings in Antena 3TV and Onda Cero Radio.



Bienvenido
al servicio de envío de
mensajes cortos a móviles.



Antena 3

Antena 3 achieved excellent results in 2000, posting operating profits of 30,281 million pesetas and consolidated net profits of 21,377 million pesetas. These results have been achieved as a consequence of revenue growth combined with the rationalization of costs, making Antena 3 one of Europe's most profitable European private television stations.

The financial consolidation of Antena 3 since Telefónica took over management of the station has been reflected, inter alia, in the development of new areas of activity, clearly oriented to generating value added, such as content production, interactive television, telesales, the organisation of events and advertising production. Further progress has been made with the diversification of the traditional business with the purchase of the leading cinema advertising distributor, Movierecord.

The audience share maintained by Antena 3 in the open television sector remained in line with other private Spanish television stations at an average of 21.6%.

Antena 3 has the highest share of the female audience (59.8%) out of all the private Spanish broadcasters, with a predominance of middle class women under 44 years of age. This audience profile has

enabled Antena 3 to capture 27.9% of the total television advertising market, thereby improving its efficiency ratio (the relationship between advertising market share and total audience share) to 1.3.

Telefé

During 2000, Telefónica Media completed the purchase of a significant shareholding in ATCO, a holding company owning important assets in the Argentinean television sector.

One of these assets, Televisión Federal, S.A. (Telefé) is the main open television station broadcasting in the Federal capital and the Greater Buenos Aires area, as well as being Argentina's leader in the generation of advertising revenues. In 2000 Telefé achieved an average audience share of 38.2%, capturing over 32% of advertising expenditure in the Argentinean television sector.

One of the key features of Telefé is its high content production capacity, both for television programs and film. A significant part of Telefé's productions are commercialized internationally in almost 50 countries in Latin America, the USA, Europe and Asia. Telefé also owns seven open television stations in Argentina, known by the general term "Televisoras del Interior" (Provincial TV stations). Each of these channels is the leader in terms of audience share in the respective areas where

Telefónica Media has a significant presence in the Argentinean and Spanish radio markets. In Spain this presence is maintained through Uniprex, S.A., Onda Cero and Cadena Voz de Radiodifusión, S.A. At the beginning of 2001, ondacero.es became the first Spanish language on-line radio station.



they broadcast. Telefé reaches over 12 million homes in the Republic of Argentina.

Canal Azul TV

Telearte, S.A, which operates under the commercial name Canal Azul, is the third open television channel in the Republic of Argentina with an average share of 18.92% during the year. This station also broadcasts in the Federal Capital and Greater Buenos Aires area.

The station's programming is based on comedy, sports entertainment shows and news. Canal Azul has been highly innovative within the general Argentinean television model and has been a pioneer of TV distance learning.

Radio

Telefónica Media also has a significant presence in the Spanish and Argentinean radio markets. In Spain, this presence is maintained through Telefónica Media's wholly owned subsidiaries Uniprex, S.A. (Onda Cero) and Cadena Voz de Radiodifusión, S.A. These two companies operate in the radio market through a network of almost 300 own and associated broadcasting stations carrying programming for Onda Cero

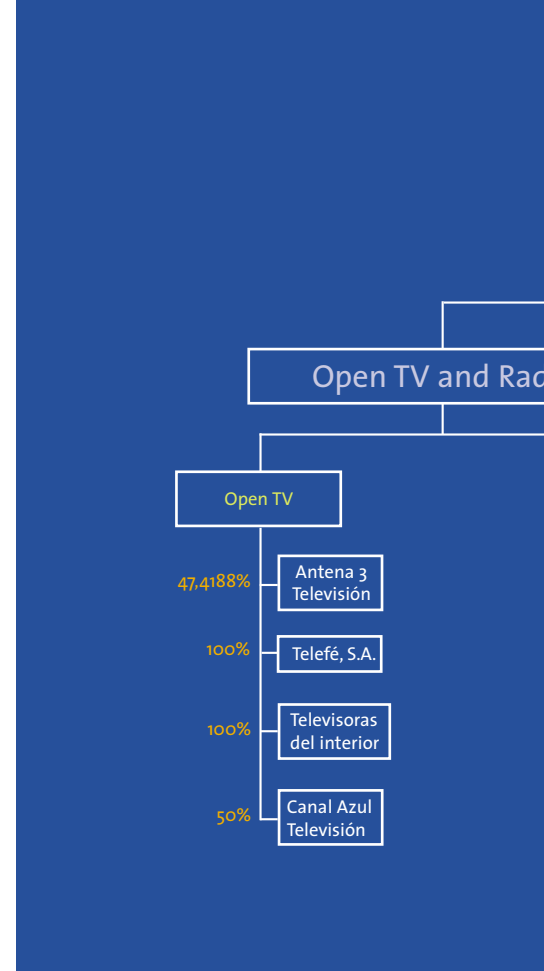
Radio, Europa FM, Onda Melodía, Onda Cero Radio Internacional, Radio Voz and Onda Rambla.

At the end of 2000, Onda Cero Radio was the second conventional Spanish radio station by audience share. In Argentina, Telefónica Media acquired the AM and FM channels of Radio Continental, the country's third largest radio station for conventional programming (AM) and the leader for formula radio (FM). Both of these radio stations form part of the ATCO holding.

Content (Endemol)

Telefónica S.A. acquired Endemol at the end of July 2000. Endemol is a leading independent developer and producer of content for open television, pay TV and internet.

The open television business area offers a wide range of content, with a clear commercial orientation. The pay TV business line is centered on packages for theme and "premium" channels in order to offer customers imaginative solutions to their leisure and entertainment needs. In the internet area, Endemol designs specific content based on interactive solutions, 24-hour reality shows, etc., as well as generating additional revenues from the commercialization of products related to its programs.



Endemol is a market leader in the production of television programs and maintains a special presence in the Netherlands, Germany, Spain, the United Kingdom, Italy, Portugal and Scandinavia. Endemol is one of the top three companies in all of these countries.

Endemol has traditionally considered Europe to be its natural market, controlling local producers which have a high profile and market share in each country. Its objective is to become a global leader in markets with strong growth in on-line services. Key products for television are its entertainment, fiction, free time information and sports programs.

In the field of on-line services, key products comprise television-related reality content, current affairs and leisure. Endemol also develops entertainment and information content for corporate clients, consumers and end users.

The key points of its strategy are as follows:

- Creativity as a core competence, since this is the basis for copyrights.
- Ownership of copyright over formats permitting sales in all markets.
- Growth oriented business focussing on organic growth in the markets where it has an established presence and geographical

growth through acquisitions in new markets (Latin America, USA and Australia).

Other Content Products

Telefónica Media is present in the area of content production through the activities carried out by Antena 3, Via Digital, Telefé, Canal Azul and Televisoras del Interior. These activities take the form of production for theme channels, the creation of program formats and content, and creation of interactive content, as well as holding and operating audiovisual rights.

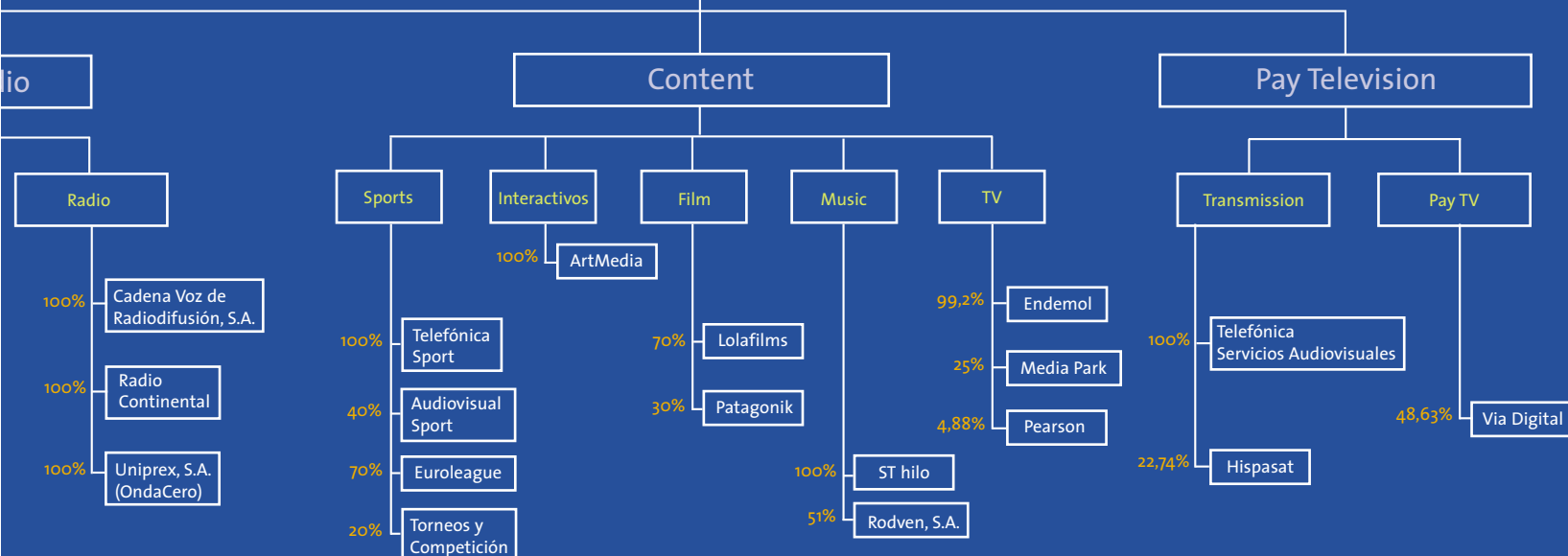
Telefónica Media's presence in this part of the audiovisual sector also includes its participation in ST-Hilo, which produces and broadcasts specialized background music audio channels, and Lola Films, one of Spain's two leading film producers.

During 2000 Telefónica Media purchased a 25% stake in the Spanish producer Media Park and 51% of the Venezuelan company Rodven, S.A., which includes the Líderes record label and has a significant concerts promotion business.

These acquisitions have boosted the Telefónica Group's capacity to provide content for the various broadcasting and audiovisual distribution "windows" owned by the Group.

Telefónica Media

Business Lines
at 31 December, 2000



Pay Television

Vía Digital

Vía Digital commenced its activities in the satellite pay per view (PPV) sector in September 1997. Since then, it has seen solid growth in the number of subscribers.

Vía Digital distributes 65 TV channels, and 30 audio and interactive services channels. At 31 December 2000 it had 633,000 subscribers.

Vía Digital's programming was strengthened during 2000 with the addition of the PPV rights to the Champions League, the 2002 Football World Cup and the Spanish Football League and King's Cup until the 2008-2009 season, as well as the PPV rights to the European basketball competition.

Vía Digital also offers a very attractive film channel, including award-winning titles from the main film festivals, as a result of the acquisition of rights from the US majors and Spanish producers.

During 2000, Vía Digital included interactive banking, ticket sales, stock market information and weather services in its programming. This represents a new channel through which to attract advertising revenues.

Telefónica Servicios Audiovisuales, Hispasat

Telefónica Media channels activities for the provision of audiovisual systems and services through the wholly-owned subsidiary Telefónica Servicios Audiovisuales (TSA) and its participation in Hispasat, the management entity for the eponymous satellite communications system. TSA concentrates its activity in three areas of business: audiovisual services (technical digital TV platforms, contribution and distribution networks, business TV, etc.), audiovisual systems (design, engineering, integration and operation of teleports, technical platforms, mobile units, etc.), and production services. TSA has commenced the process of expansion in the Peruvian, Argentinean, and Brazilian markets as a bridgehead for a future roll-out in the whole of Latin America. TSA is now ready to offer Terrestrial Digital Television broadcasting services.

Telefónica Sport

The Telefónica Group plans to concentrate all sports rights in Telefónica Sport. This will include Euroleague Marketing, the owner of the rights to all European Basketball League windows, and GMAF, a company through which it holds a 40% interest in Audiovisual Sport, the owner of the rights to televise various major football competitions.

Telefónica Servicios Audiovisuales has commenced the process of expansion in Peru, Argentina and Brazil as a bridgehead for its future roll-out in the whole of Latin America. The company is now ready to provide Terrestrial Digital Television broadcasting services