

TELEFONICA S A
Form 6-K
October 22, 2003

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of October, 2003

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

Gran Vía, 28

28013 Madrid, Spain

3491-459-3050

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Edgar Filing: TELEFONICA S A - Form 6-K

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Telefónica, S.A.

TABLE OF CONTENTS

Item		Sequential Page Number
1.	Information Statement relating to the distribution of ordinary shares of Antena 3 de Televisión, S.A.	401

INFORMATION STATEMENT

for Shareholders of

TELEFÓNICA, S.A.

Relating to the Distribution of Ordinary Shares of

ANTENA 3 DE TELEVISIÓN, S.A.

Currently Held by Telefónica to Telefónica Shareholders

October 17, 2003

Edgar Filing: TELEFONICA S A - Form 6-K

This Information Statement consists of a notice to Telefónica shareholders regarding the pro rata distribution by Telefónica of shares of Antena 3 de Televisión (Antena 3), as well as a copy of materials prepared by Antena 3 for the information of its shareholders. The materials prepared by Antena 3 include: (i) an unofficial English language translation of the Spanish *folleto informativo*, or Listing Prospectus, prepared by Antena 3 and registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or CNMV) on October 17, 2003 and (ii) an unofficial English language translation of the consolidated financial statements of Antena 3 for the years ended and at December 31, 2001 and 2000.

This document is provided for informational purposes only. No person is authorized to give any information or to make any representation in connection with the distribution of Antena 3 shares other than as contained in the Listing Prospectus and, if given or made, any information or representation not so contained must not be relied upon as having been authorized by or on behalf of Antena 3 or Telefónica. Telefónica does not have independent knowledge of the matters relating to Antena 3 set forth in this Information Statement, and is not responsible for its contents.

This Information Statement does not constitute an offer to sell or a solicitation of an offer to buy Antena 3 shares in the United States or any other jurisdiction. If you are interested in effecting a transaction in securities of Antena 3, you should consult your own advisors, as well as information made public by Antena 3 with the relevant regulatory authorities and stock exchanges in Spain, the primary trading market for Antena 3 securities.

The shares of Antena 3 have not been and will not be registered under the US Securities Act of 1933, as amended. Antena 3 has filed an application with the US Securities and Exchange Commission (the SEC) pursuant to Rule 12g3-2(b) under the US Securities Exchange Act of 1934, as amended (the Exchange Act), for an exemption from the reporting requirements of Section 12(g) of the Exchange Act. Pursuant to the terms of such exemption, Antena 3 will furnish to the SEC certain information in accordance with Rule 12g3-2(b).

The distribution of the Information Statement in certain jurisdictions may be restricted by law. Persons into whose possession this Information Statement may come are required to inform themselves about and to observe any such restriction. The Information Statement may not be used in connection with any offer to, or solicitation by, anyone in any jurisdiction or any circumstances where such offer or solicitation is not authorized or is unlawful.

Copies of this Information Statement are available upon request to Telefónica's investor relations department at Telefónica, S.A., Relaciones con Inversores, Gran Vía, 28, 3º planta, 28013 Madrid, tel: 34 91 584 4713.

No document other than the Spanish language Listing Prospectus, verified and registered by the CNMV shall have any legal effect or be relied upon.

**NOTICE CONCERNING THE DISTRIBUTION OF ANTENA 3 SHARES
TO TELEFÓNICA SHAREHOLDERS**

The purpose of this notice is to inform you of the details relating to the pro rata distribution of 16,666,800 ordinary shares of Antena 3 de Televisión SA (Antena 3) currently held by Telefónica SA, representing approximately 30% of the share capital of Antena 3, to Telefónica shareholders. This extraordinary distribution in-kind to Telefónica shareholders of Antena 3 shares (the Spin-off) was adopted by resolution of the Annual General Meeting of Shareholders of Telefónica held on April 11, 2003 and approved by the Board of Directors of Telefónica on September 24, 2003. The shareholders' resolution was conditional upon the verification by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, or CNMV) of the admission of Antena 3 shares for trading prior to November 29, 2003. The verification of admission of Antena 3 shares for trading on the Spanish stock exchanges occurred on October 17, 2003.

For information regarding the business of Antena 3, please refer to the accompanying materials prepared by Antena 3 for the information of its shareholders.

1. Shares of Antena 3 to be Distributed

The shares of Antena 3 currently held by Telefónica to be distributed represent approximately 30% of the share capital of Antena 3. Pursuant to the resolution adopted by the General Meeting of Shareholders of Antena 3 held on August 29, 2003 modifying the nominal value of Antena 3 shares from one euro to three euros each, the total number of Antena 3 shares to be distributed by Telefónica is 16,666,800.

2. Shareholders Entitled to Participate in the Distribution

The right to receive shares of Antena 3 will be attributed to individuals or legal entities who appear as holders of Telefónica shares as of the close of business on October 21, the day following the publication by Telefónica of an official notice in the Official Bulletin of the Commercial Registry (*Boletín Oficial del Registro Mercantil*) that the CNMV has granted verification of admission of Antena 3 shares for trading on the Spanish stock exchanges (the Record Date).

3. Exchange Ratio

Pursuant to the resolution adopted by the shareholders of Telefónica at the General Meeting of Shareholders held on April 11, 2003, the exchange ratio is equal to the number of shares of Antena 3 to be distributed (16,666,800 shares) by the number of Telefónica shares entitled to participate in the distribution (4,955,891,361 shares). Furthermore, in accordance with the provisions of article 79.1 of the Spanish Law of Corporation (*Ley de Sociedades Anónimas*), after Antena 3 shares which would correspond to Telefónica's own shares held as treasury stock are proportionately distributed to the rest of the Telefónica shares, the exchange ratio is set at one share of Antena 3 for every 295.60802997576 shares of Telefónica. Antena 3 shares received in the distribution by Citibank, N.A., the depository of the Telefónica American Depository Receipt (ADR) program, will be sold in the local market, and the proceeds will be distributed to ADR holders as of the record date.

4. Settlement of Fractional Shareholdings

Telefónica shareholders entitled to receive a fraction of an Antena 3 share upon application of the exchange ratio will receive a cash payment in lieu of such fraction. The payment will be arranged by two financial institutions, Banco Bilbao Vizcaya Argentaria, S.A. y Caja de Ahorros y Pensiones de Barcelona, S.A. who shall settle in cash the fractional shares. For the purpose of the settlement of fractional shareholdings, the Antena 3 shares have been given a value equal to the value of the Antena 3 shares on Telefónica's balance sheet, or 25.20 euros per Antena 3 share.

5. Rationale for the Spin-off

Telefónica currently has ownership interests in Antena 3 and Sogecable, S.A., both of which are Spanish private television service concession holders. The Spanish Private Television Law establishes that individuals or legal entities with holdings in the capital in one private television service concession holder cannot own interests in any other private television service concession holder. Pursuant to a resolution of the Spanish Council of Ministers dated November 29, 2002, Sogecable shareholders (including Telefónica) have been given a maximum period of one year as from November 29, 2002 to comply with this requirement of the Spanish Private Television Law. Telefónica is making this distribution of Antena 3 shares for the purpose of complying with the Spanish Private Television Law.

ANTENA 3 DE TELEVISIÓN, S.A.

October 17, 2003

The attached materials consist of (i) an unofficial English language translation of the Spanish *folleto informativo*, or listing prospectus which has been prepared by Antena 3 de Televisión (Antena 3) and registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or CNMV) on October 17, 2003 (the Listing Prospectus) in connection with the listing of the shares of Antena 3 on the Spanish stock exchanges and (ii) an unofficial English language translation of the consolidated financial statements of Antena 3 for the years ended and at December 31, 2001 and 2000.

This document is provided for information purposes only. No document other than the Spanish language Listing Prospectus, verified and registered with the CNMV shall have any legal effect or be relied upon. No person is authorized to give any information or to make any representation in connection with the listing of the shares of Antena 3 other than as contained in the Listing Prospectus and, if given or made, any information or representation not so contained must not be relied upon as having been authorized by or on behalf of Antena 3.

These materials do not constitute an offer to sell or a solicitation of an offer to buy Antena 3 shares in the United States or any other jurisdiction. If you are interested in making a transaction in securities of Antena 3, you should consult your own advisors, as well as information made public by Antena 3 with the relevant regulatory authorities and the Spanish stock exchanges, the primary trading market for Antena 3 securities.

The shares of Antena 3 have not been and will not be registered under the US Securities Act of 1933, as amended. Antena 3 has filed an application with the US Securities and Exchange Commission (the SEC) pursuant to Rule 12g3-2(b) under the US Securities Exchange Act of 1934, as amended (the Exchange Act), for an exemption from the reporting requirements of Section 12(g) of the Exchange Act. Pursuant to the terms of such exemption, Antena 3 will furnish to the SEC certain information in accordance with Rule 12g3-2(b).

The distribution of these materials in certain jurisdictions may be restricted by law. Persons into whose possession these materials may come are required to inform themselves about and to observe any such restriction. These materials may not be used in connection with any offer to, or solicitation by, anyone in any jurisdiction or any circumstances where such offer or solicitation is not authorized or is unlawful.

SPANISH LISTING PROSPECTUS

**LISTING OF ANTENA 3 DE TELEVISIÓN, S.A. SHARES
ON THE SPANISH STOCK EXCHANGES**

English language translation of the Spanish Folleto Informativo registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV) on October 17, 2003.

CHAPTER 0

SIGNIFICANT CIRCUMSTANCES TO BE CONSIDERED

IN RELATION TO THE ADMISSION TO TRADING REQUESTED

CONTENTS

- 0.1. IDENTIFICATION OF THE ISSUER ENTITY WHICH REQUIRES ADMISSION TO LIST THEIR SHARES**
- 0.2. CONSIDERATIONS ON THE SHAREHOLDER STRUCTURE OF ANTENA 3 TELEVISIÓN**
- 0.3. CONSIDERATIONS ON ADMISSION TO LISTING AND PRICE FORMATION**
- 0.4. RISK FACTORS**

0- 1

CHAPTER 0

SIGNIFICANT CIRCUMSTANCES TO BE CONSIDERED

IN RELATION TO THE REQUESTED ADMISSION TO LISTING

The main circumstances that are described below, inter alia and without prejudice to the remaining information contained in this Prospectus, should be taken into account in order to understand the operation consisting in the admission to listing on the Spanish stock exchanges of all the shares of ANTENA 3 de Televisión, S.A.

0.1 IDENTIFICATION OF THE ISSUING ENTITY

The Issuer which requires admission to trade their shares is ANTENA 3 de Televisión, S.A. (ANTENA 3 TELEVISIÓN), which was incorporated on June 7, 1988, and has its registered office in San Sebastián de los Reyes, Madrid, Avenida de la Isla Graciosa nº 13. The Company's taxpayer identification number is CIF A-78839271 and it is registered at the Madrid Mercantile Registry in Volume 8788, Sheet 125, Page 71592-3, Registration no. 1.

At the date of registration of this Prospectus the capital stock of ANTENA 3 TELEVISIÓN, which was fully subscribed and paid and amounted to ONE HUNDRED AND SIXTY-SIX MILLION SIX HUNDRED AND SIXTY-EIGHT THOUSAND EUROS (166,668,000), consisted of FIFTY-FIVE MILLION, FIVE HUNDRED AND FIFTY-SIX THOUSAND (55,556,000) shares of THREE EUROS (3) par value each, all of the same class and series and conferring identical rights and obligations on their holders. The shares of ANTENA 3 TELEVISIÓN do not confer any additional benefit.

ANTENA 3 TELEVISIÓN submitted a bid in the public call for tenders launched pursuant to Private Television Law 10/1988 and was awarded a concession for the indirect management of the public television service. This concession was awarded for a 10-year period by a resolution of the Spanish Council of Ministers dated August 25, 1989. It has been renewed for a further 10-year period by another resolution of the Spanish Council of Ministers dated March 10, 2000.

0.2 CONSIDERATIONS ON THE SHAREHOLDER STRUCTURE OF ANTENA 3 TELEVISIÓN

At the date of registration of this Prospectus, Telefónica, S.A., Planeta Coporación, S.R.L. (through the company Kort Geding, S.L.), Banco Santander Central Hispano, S.A. (directly and through Macame, S.A.) and RTL Group, S.A. (through the company RTL Group Communication, S.L.) are the only companies with a significant stake in the capital stock of ANTENA 3 TELEVISIÓN.

The main shareholders of ANTENA 3 TELEVISIÓN and the percentage of ownership of each one are as follows as off the date of registration of this Prospectus. In addition, below there is a different table with the share distribution of the main shareholders once the listing has been completed.

Edgar Filing: TELEFONICA S A - Form 6-K

<u>Shareholder</u>	<u>N° of direct shares</u>	<u>N° of indirect shares.</u>	<u>Total N° of shares</u>	<u>% capital stock</u>
TELEFÓNICA, S.A	18,964.50		18,964,650	34.14%
Planeta Corporación, S.R.L.		15,333,456 (through Kort Gedding, S.R.L.)	15,333,456	27.60%
RTL GROUP, S.A.		9,593,125 (through RTL Group Communications, S.R.L.)	9,593,125	17.27%
BSCH	3,161,000	5,720,100 (through MACAME, S.A.)	8,881,100	15.99%
OTHER SHAREHOLDERS	2,783,669		2,783,669	5%
TOTAL	24,909,319	30,646,681	55,556,000	100%

0-2

Edgar Filing: TELEFONICA S A - Form 6-K

As the date of listing and once the distribution of 30% of ANTENA 3 TELEVISION capital stock among TELEFONICA S.A. shareholders has been completed, the shareholder composition will be as follows (not taking in account the possible acquisition of ANTENA 3 TELEVISION shares that TELEFONICA S.A might undertake to liquidate the shares fractions):

Shareholder	N° of direct shares	N° of indirect shares.	Total N° of shares	% capital stock
Planeta Corporación, S.R.L.		15,333,456 (through Kort Gedding, S.R.L.)	15,333,456	27.60%
RTL GROUP, S.A.		9,593,125 (through RTL Group Communications, S.R.L.)	9,593,125	17.27%
BSCH	3,161,000	5,720,100 (through MACAME, S.A.)	8,881,100	15.99%
TELEFÓNICA, S.A	2,297,850		2,297,850	4.14%
OTHER SHAREHOLDERS	19,450,469		19,450,469	35%
TOTAL	24,909,319	30,646,681	55,556,000	100%

Once that ANTENA 3 TELEVISION shares has been admitted to listing, any Company will have the right to control ANTENA 3 TELEVISION in the sense of the article 4 of the Securities Market Law.

The Shareholders Meeting of TELEFÓNICA, S.A. held on April 11, 2003 resolved to distribute among its shareholders, in kind, the Additional share premium Reserve through the delivery of shares representing up to 30% of the capital stock of ANTENA 3 TELEVISION. On September 24, 2003, the Board of Directors Meeting of TELEFÓNICA, S.A., with the authorization of the aforementioned Shareholders Meeting, resolved to set at 30% the percentage to be distributed among the shareholders. Accordingly, once the shares of ANTENA 3 TELEVISIÓN have been distributed among the shareholders of TELEFÓNICA, TELEFÓNICA shall have a maximum stake of 4.14% in the capital stock of ANTENA 3 TELEVISIÓN. Chapter III of this Prospectus refers to TELEFÓNICA, S.A.'s situation regarding the limitations imposed upon it as a shareholder of two concession-holder companies of the Spanish state television service (Sogecable, S.A. and ANTENA 3 TELEVISIÓN).

The other shareholders of ANTENA 3 TELEVISIÓN have stakes of less than 3% in the capital stock.

At the date of presentation of this Prospectus the main shareholders of ANTENA 3 TELEVISIÓN have entered into certain shareholders agreements (between Kort Geding Planeta Corporation S.L. and Banco Santander Central Hispano and between Kort Geding and RTL Group Communications), which are summarized in Chapter VI of this Prospectus and of which the CNMV has been notified. Pursuant to Article 112 of the Securities Market Law, these agreements must be filed with the Madrid Mercantile Registry.

Taking into account the agreements reached between the main shareholders (described in Chapter IV), and for the purposes of Article 2.1 of Royal Decree 1197/1991 It is considered that any of the agreements described in Chapter VI does not constitute a collusion dated July 26 regarding a public tender offer for the purposes of legislation on public share purchase offers.

0.3 CONSIDERATIONS ON ADMISSION TO TRADING AND PRICE FORMATION

Edgar Filing: TELEFONICA S A - Form 6-K

The Shareholders Meeting and Board of Directors Meeting of ANTENA 3 TELEVISIÓN on April 28, 2003, and July 29, 2003, respectively, resolved to request the admission to trading of all the shares of ANTENA 3 TELEVISIÓN on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, and their inclusion in the Spanish computerized trading system (continuous market).

The capital stock of ANTENA 3 TELEVISIÓN under the application for the admission to listing consists of 55,556,000 registered shares of 3 par value each, all of the same class and series.

In view of the nature of the transaction referred to in this Prospectus (the admission to listing of shares without a prior public offering for the sale or subscription of shares), there is no flotation price and, accordingly, from the outset it will be the market that will determine the share price through adjustment of the offer of and demand for securities.

In this sense, Circular 1/2001 dated May 10 of the Spanish Stock Exchange Company on the rules governing the operation of the Spanish computerized trading system establishes that when a security is included in the Spanish computerized trading system without previously being listed on national stock exchanges, the reference price will be taken to be that relating to certain purchase or demand positions. If difficulties arise in relation to price formation, the reference price can be based on other parameters, with due notification to the CNMV (Comision Nacional del Mercado de Valores). For the listing of shares of ANTENA 3 TELEVISIÓN, the Spanish Stock Exchange Company, according to the provisions of the above-mentioned Circular, has fixed a reference price per share of 25,20 euros, The opening public auction will be based on such price, in the way described in the above-mentioned circular and Chapter II of this Prospectus.

Prior to the resolutions adopted by the Shareholders Meeting of ANTENA 3 TELEVISIÓN for the admission to trading of its shares, the transfer of these shares was subject to certain restrictions.

For information purposes, below are details of three different valuations of the Company's shares of which the Company had knowledge, on the occasion of a purchase and distribution of shares carried out prior to the admission to listing of ANTENA 3 TELEVISIÓN's shares:

The sale by TELEFÓNICA, S.A. to Kort Geding, S.L. of 25.1% of the company. For the purpose of this sale, the Company was valued at 1,450 million, which resulted in a price of 26.10 per share (bearing in mind that pursuant to a resolution of ANTENA 3 TELEVISIÓN's Shareholders Meeting the par value of the shares was increased from 1 each to 3 each).

The Board of Directors of TELEFÓNICA, S.A. based its valuation of the portion of the Additional-Paid-in Capital Reserve to be distributed among its shareholders on the book value of ANTENA 3 TELEVISIÓN's shares (420,003,360). Accordingly, the whole of the Company's capital stock was valued at 1,400 million (25.20 per share).

On September 16, 2003, Kort Geding S.L. acquired from Macame S.A. (subsidiary of Grupo Santander Central Hispano) 2.5% of Antena 3 Television stock. This was done exercising a purchase option granted by Banco Santander Central Hispano S.A.. The price of the afore-mentioned acquisition was 3,000 thousand Euros, which gives a price per share of approximately 21.60 Euros. This price may be subject to an adjustment in such case as the seller decides to acquire ANTENA 3 TELEVISION shares during the 135 days following the admission to trade. This adjustment will refer to the higher price that the seller should in any case pay to buy an equal number of shares in the market during the aforementioned 135-day period.

It should be noted in relation to the above that the valuation methods used in these transactions are not necessarily the same as those generally used in a secondary securities market such as the stock exchanges to which admission to trading has been requested.

0.4 RISK FACTORS

ANTENA 3 TELEVISIÓN carries out its ordinary business activities in accordance with the principles of prudence and professionalism governing the conduct of business of any corporate group. However, there are certain specific risks that, if they arose on an extraordinary basis, could adversely affect the Group's business lines.

1. Business Plan

Edgar Filing: TELEFONICA S A - Form 6-K

In April 2003 TELEFONICA sold 25.10% of ANTENA 3 capital stock to Kort Geding (Grupo Planeta). As a result of the entrance of new shareholders in the group, the Board of Directors and Managing Committee has been changed. As date of today, the new managing team has started designing a new structure for the group that will affect the group strategy, cost controls, and labor force restructure. Nevertheless, as of date of registration of this Prospectus, the Board of Directors hasn't approved the Business plan. The commitment to approve a Business Plan for the forthcoming years before year-end already exists. As soon as this Business plan is approved, its content will be promptly communicated as Relevant Notice (Hecho relevante), as well as the variances, if appropriate, in relation with the information given in the present prospectus.

0- 4

2. Risk factors relating to the operations of the ANTENA 3 Group

Special legal regime

According to the current legal regime TELEFÓNICA, S.A. cannot hold a participation in the capital stock of two television concession-holder companies (ANTENA 3 TELEVISIÓN and Sogecable, S.A.). Taking in account the special situation of Sogecable S.A., a resolution of the Council of the Ministers Cabinet dated 29 November 2002 resolves that Sogecable S.A. and its shareholders must fulfill the obligation of participating in the stock or more than one Public sector license-holder for 1 year since the validation of the resolution. This deadline applies to TELEFÓNICA S.A. since the date of the aforementioned resolution, consequently, TELEFÓNICA, S.A. resolved to make a distribution in kind among its shareholders in the form of shares of ANTENA 3 TELEVISIÓN representing 30% of its capital stock. Until November 29, 2003 TELEFÓNICA, S.A. must fulfill the obligation to not hold participation in ANTENA 3 TELEVISIÓN capital stock. Failure to fulfill the above-mentioned condition, according to the Private Television Law when it is done by a majority shareholder, may cause termination of the concession, unless, in a month term since the concession-holder company has received notice from the Spanish administration, the concession-holder company amends such default.

When the failure is committed by a non-majority shareholder, or by shareholders that don't have control over the company, the infraction would be still consider as a very serious failure. The sanctions deriving from this behavior are contemplated in the article 25 of the Private Television Law and they might be fines, temporal cancellation of broadcasting, or the extinction of the concession.

ANTENA 3 TELEVISIÓN's concession was renewed on March 10, 2000, for a 10-year period from April 3, 2000. The revocation or non-renewal of the concession would have a material adverse effect on the financial conditions and results of the Group's operations. At the date of this Prospectus, the Company cannot assure futures renewals of the above-mentioned concession.

On the other hand, the revocation or non-renewal of the concessions held by UNIPREX or other subsidiaries would have a material adverse effect on the financial conditions and results of the ANTENA 3 Group's operations. At the date of this Prospectus, the Company cannot assure futures renewals of all of its concessions.

Income concentration. Nature of the advertising industry in Spain.

Approximately 87% of the revenues of the ANTENA 3 Group relate to advertising sales. Consequently, its revenues are directly related to the evolution of the advertising industry. In this connection, it should be noted that the Spanish advertising market has historically been cyclical in nature, increasing in periods of general economic growth and decreasing in periods of recession. This cyclical factor, which has more effect on national than local advertising, exposes the Group to the crises of the advertising industry in general, which would affect the Group's financial situation and results of operations. To this respect, advertising investment has developed as follows in recent years: in 2000 advertising investment rose by 10.8%, in 2001 and 2002 it decreased by 5.5% and 1.2% respectively, and during the first semester of 2003 it increased by 1.3% (source: Infoadex)

Additionally, advertisement income is very closely related to the audience levels that the programmes of Antena 3 Group may reach on Television or radio. If one can't acquire or retain higher audience levels, the income, and consequently the group's results, may be adversely affected.

Edgar Filing: TELEFONICA S A - Form 6-K

One of the main characteristics of television is the cyclical nature of publicity investments. During the second and fourth quarters, the greatest publicity investment is made (55.2% on Television and 52.1% on radio of the annual total), whilst in the first and third quarters this investment is reduced correspondingly. A significant decrease in publicity investment during the high-investment quarters could have a significant impact in the results of the Society.

On the other hand, 80% of ANTENA 3 Group income comes from television. In the accounting year between 2000 and 2002, the audience share of ANTENA 3 TELEVISION has fallen 1.3 percentage points, whilst their market share has fallen 2.4 percentage points and the EBITDA

margin has dropped from 31.8% to 9.9%. Although this audience and market share retain significant levels, it is impossible to guarantee that they will remain the same or improve and consequently, this may again impact negatively on the Group's results.

Rapidity of technological changes.

The media are experiencing rapid technological development leading to changes in standards in the industry and in customers' demands, requiring the constant launching or development of new products. The ANTENA 3 Group must adapt swiftly to these technological changes if it is to compete effectively. The Group companies may have to devote a significant part of their management and financial resources to adapting to these challenges. The changes may create new competitors in several of the Group's business lines and offer current competitors the opportunity of increasing their market share to the detriment of the Group companies. The ANTENA 3 Group's failure to adapt effectively to technological developments could adversely affect its business, financial situation and results of operations.

Competition

Antena 3 Group is faced by increasing numbers of competitors in the markets in which it operates (local televisions, cable operators, digital platforms, etc.). An competitors increase could reduce ANTENA 3 Group market share, or reduce the income generated through advertisement sales.

In respect of television market offering will foreseeable be increased at autonomous community level and reorganized at local level.

The audience share of other types of television, distinct from generalist open television, has risen from 6.9% in 2000 9.5% 2002. In general, these types of television get their income through their subscribers or via local market publicity and as such they do not compete directly in income. An accelerated development of this trend in audience share could affect the results of the Group.

Lastly, the emergence and development of new communication media, such as the Internet, might lead to a reduction in the Antena 3 Group's television and radio audiences, causing a fall in advertising revenues which might have an adverse effect on the Company's results.

Earnings of television, radio and other activities

In 2002 UNIPREX incurred losses before taxes of 23,982 thousand. Additionally, as disclosed by its consolidated financial statements as of June 30, 2003, the ANTENA 3 Group incurred losses of 98,848 thousand. As a result, inter alia, of the activities involved in Antena 3 Group's restructuring of business lines, the television, radio and other business lines whose success it is impossible to guarantee might not give rise to income in the coming years.

Dependence on suppliers for the provision of the radio and television service

In order to provide the public television and radio service offered by it, the ANTENA 3 Group, like the other public television and radio operators, requires technological infrastructures and systems owned by third parties. Noteworthy in this connection is the service provided by RETEVISIÓN I, S.A. as a support carrier and broadcaster of the television signal. Accordingly, any failure in the services provided by these suppliers could lead to an interruption of the services, which would have an adverse affect on the ANTENA 3 Group's business operations.

Supply of television and radio content

The publicity income obtained through television and radio, as has already been mentioned, has a very close relationship with audience share. This audience is sustained by the programmes. The success of these programmes is related to access to the content of these programmes (rights to broadcast and contents) and to the artists and performers that participate in those programmes (announcers and presenters have a special importance in radio). Lack of programs or rights or agreements with communicators or artists would have a knock-on effect to the success of the programmes, which in turn might affect the earnings of Antena 3 Group.

0- 6

In addition, the costs relating to the consideration that must be paid to the content suppliers for programs could go up and could subsequently have a significant adverse affect on the Group's financial results.

Cost reduction

One of the main objectives of the new management of ANTENA 3 TELEVISIÓN is cost reduction. Cost reduction plans may cause, on a first stage, an increase of costs. In this regard, the company has proceeded to create an endowment for extraordinary provisions that has negatively affected first semester earnings of 2003. The extraordinary negative results amount to 174,8 million euros. The objective of the new management team is to reduce costs in approximately 6% for the year 2004. Should the cost reduction measures not lead to the desired result; this might affect the conditions and financial results of the Group's operations.

Labor force restructuring

On September 4, 2003, ANTENA 3 TELEVISIÓN submitted to the workers' representatives and the Directorate-General of Employment a Labor Force Restructuring Plan for the termination of 390 jobs, which is in the consultation phase as of the date of registration of this Prospectus and therefore it is not possible to ascertain the total final cost of the Plan and its final impact on the financial statements of ANTENA 3 TELEVISIÓN. Nevertheless, the company has estimated the cost of the above, creating an endowment for an appropriate provision as of June 30, 2003.

The planned restructuring of the labor force has in the past and may in the future give rise to further employee terminations, or to strikes or disputes with employees that might affect the ANTENA 3 Group's financial situation.

Litigation

At the date of registration of this Prospectus certain lawsuits had been filed against ANTENA 3 TELEVISIÓN and certain Group companies, some of which are detailed in section IV.5.4 below. Since this litigation is still in process, ANTENA 3 TELEVISIÓN cannot definitely foresee the outcome thereof, and is unable to evaluate the consequences of the possible enforcement of a court decision or arbitral award the possible content of which is as yet unknown. As of June 30, 2003, ANTENA 3 TELEVISIÓN had recorded a provision of 30,878,477.20 for litigation and arbitration expenses and for contingencies. An outcome of any of the proceedings described in Chapter IV unfavorable to the interests of the ANTENA 3 Group companies might have a significantly adverse impact on the Group's financial situation.

Main shareholders of ANTENA 3 TELEVISIÓN

After distribution by Telefónica S.A. of the additional paid-in capital among its shareholders, the Company's main shareholders will be Kort Geding with 27.60% (some of the ANTENA 3 TELEVISIÓN shares owned by Kort Geding have been pledged to a financial institution as security for the loan granted for the acquisition of the shares; the related voting rights are held by Kort Geding), the Santander Central Hispano Group with 15.99% and RTL Group Communications S.L.U with 17.27%. These shareholders, with which there are certain agreements described in Chapter VI (one between Kort Geding, Planeta Corporation S.P.L. and Banco Santander Central Hispano and another between Kort Geding and RTL Group Communication). The company directors designated individually by the aforementioned shareholders constitute a majority of the Board of Directors and may have considerable influence in the Company's management and decision-making, as regards both the decisions to be adopted by the Shareholders' Meeting (dividends, changes in capital stock, appointment of directors, amendment of bylaws, mergers and other important company transactions) and those adopted by the Board of Directors. In addition, it is not currently possible to foresee whether there will be any conflicts of interest among the shareholders that might have an adverse effect on the Company's results.

3. Risk factors relating to shares

Market for the shares

ANTENA 3 TELEVISIÓN's shares have not been formerly traded on any securities market and, accordingly, the Company cannot be sure that its shares will be listed at a price equal to or similar to the flotation price. There are no guarantees regarding the volume of trading to be reached by the shares or their effective liquidity.

Price of the shares as a result of future sales

The market price of the shares might be adversely affected as a result of numerous transfers of shares after admission to listing, or by the perception that such transfers might be carried out as a result of the distribution among the shareholders of TELEFÓNICA, S.A. of 30% of the capital stock of ANTENA 3 TELEVISIÓN. In addition, the market price of the shares may be adversely affected as a result of share trading by a significant shareholder.

The Company significant shareholders has made public the following information relating to the intention of remaining in the Company, and the intention of increasing their stake in the Company.

Kort Geding has stated that they are willing to increase their stake in the Company in light of providing a stronger shareholder structure to it. However, the timetable or the conditions that might apply to such increase, haven't been decided yet. In any case, any increase of the stake will be carried out in compliance with securities market regulations.

RTL Group hasn't expressed publicly their intentions over a potential increase of their stake in the Company, or the compromise to keep the shares for a long period, further to what it is stated in the contract agreed with Planeta and Kort Geding

Banco Santander Central Hispano hasn't expressed publicly their intentions over a potential increase of their stake in the Company, or the compromise to keep the shares for a long period, further to what it is stated in the contract agreed with Planeta and Kort Geding.

Regarding TELEFONICA S.A, and as mentioned in this Prospectus, the company will distribute away its shareholders allocate an additional premium share reserve to its shareholders, as a distribution in kind, by delivering shares representing 30% of the capital stock of ANTENA 3 TELEVISIÓN. TELEFONICA S.A. keeps the ownership or the remaining 4.13%, and of the fraction shares that derives from the application of the exchange ratio. As of November 29,2003 TELEFONICA S.A. will not be able to hold the ownership of shares of ANTENA 3 TELEVISION due to legal requirements, hence, TELEFONICA S.A. has stated that it will act accordingly, getting involved in appropriate financing transactions such a selling the shares directly on the market (if demand allows), or keep an economic exposure to share price variation.

It's not expected that any Company would undertake stabilizing activities.

CHAPTER I

**PERSONS ASSUMING RESPONSIBILITY FOR THE CONTENTS OF THE
PROSPECTUS AND SUPERVISORY AGENCIES FOR THE PROSPECTUS
CONTENTS**

- I.1 PERSONS ASSUMING RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS**
- I.2 SUPERVISORY AGENCIES**
- I.3 VERIFICATION AND AUDIT OF THE FINANCIAL STATEMENTS**

I -1

CHAPTER I

**PERSONS ASSUMING RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS AND
SUPERVISORY AGENCIES FOR THE PROSPECTUS**

I.1 PERSONS ASSUMING RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS

Maurizio Carlotti, holder of Italian passport no. 673591-W, as Managing Director of ANTENA 3 DE TELEVISIÓN, S.A. (ANTENA 3 TELEVISIÓN or the Company) domiciled in San Sebastián de los Reyes, at Avenida Isla Graciosa 13, Madrid, with Employer Identification Number A-78839271, and holding a special authority for these purposes, assumes, for and on behalf of ANTENA 3 TELEVISIÓN, responsibility for this Prospectus and for all of the **Exhibits**, and confirms that their contents are true and that no material information has been omitted or leads to error.

I.2 SUPERVISORY AGENCIES

I.2.1

This full prospectus (Prospectus) was registered in the official registers of the Spanish National Securities Market Commission (the CNMV) on October 17, 2003 and relates to the admission of all the shares of ANTENA 3 TELEVISIÓN to listing on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and to their inclusion in the Unified Computerized Trading System.

Registration of this Prospectus by the CNMV does not imply any recommendation to buy the securities referred to in this Prospectus, or any representation as to the solvency of the issuer or the return on the securities issued or offered.

I.2.2

Admission to listing of the shares of the Company referred to in this Prospectus does not require a prior administrative authorization or ruling other than verification and registration of the Prospectus with the CNMV.

I.3 VERIFICATION AND AUDIT OF THE FINANCIAL STATEMENTS

The financial statements of ANTENA 3 TELEVISIÓN and the consolidated financial statements of ANTENA 3 TELEVISIÓN and Subsidiaries comprising the balance sheets as of December 31, 2002, and the related statements of operations and notes to financial statements for the year then ended were audited by Deloitte & Touche España, S.L., with Employer Identification Number B-79104469, registered office in Madrid, at

Edgar Filing: TELEFONICA S A - Form 6-K

calle Raimundo Fernández Villaverde 65 and registered in the Official Auditors Register (ROAC) under number S-0692.

The financial statements of ANTENA 3 TELEVISIÓN and the consolidated financial statements of ANTENA 3 TELEVISIÓN and Subsidiaries comprising the balance sheets as of December 31, 2001 and 2000, and the related statements of operations and notes to financial statements for the years then ended were audited by Arthur Andersen y Cía., S. Com., with Employer Identification Number D 79104469, which changed its name to Deloitte & Touche España, S.L.. on October 18, 2002. The auditors issued unqualified opinions on the financial statements referred to above.

The aforementioned audit firm issued auditors reports on the interim individual and consolidated financial statements for the six-month period ended June 30, 2003 comprising the balance sheet as of June 30, 2003, and the related statement of operations for the six-month period ended June 30, 2003. Following is a literal transcription of the contents of these auditors reports, which gave rise to the qualifications reflected therein:

a) Auditors report on the individual interim financial statements as of June 30, 2003:

To the Board of Directors of ANTENA 3 DE TELEVISIÓN, S.A.:

1. *We have audited the interim financial statements of ANTENA 3 DE TELEVISIÓN, S.A. as of June 30, 2003, comprising the balance sheet as of June 30, 2003, and the related statement of operations and notes to financial statements for the six-month period ended June 30, 2003. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.*
2. *For comparison purposes the directors present, in addition to the figures for the six-month period ended June 30, 2003, for each item in the balance sheet and statement of operations, the figures for 2002. Our opinion refers only to the interim financial statements as of June 30, 2003. Our auditors' report dated February 21, 2003, on the 2002 financial statements contained an unqualified opinion.*
3. *As indicated in Notes 3-d and 6 to the financial statements referred to above, the Company has controlling interests in several companies and prepared separate interim consolidated financial statements as of June 30, 2003, on which we issued our auditors' report on August 30, containing a qualified opinion. The effect of consolidation, which was performed on the basis of the accounting records of the companies composing the Group, with respect to the individual financial statements referred to above, is described in Note 3-d.*
4. *As a result of the resolutions adopted by the Board of Directors based on its estimates and on the analysis performed of program rights inventories and commitments, as indicated in Note 7, the Company decided to record a provision of 101 million with a charge to the Extraordinary Expenses caption in the statement of operations for the six-month period ended June 30, 2003.*
5. *UNIPREX, S.A., a wholly-owned subsidiary of ANTENA 3 DE TELEVISIÓN, S.A. (through PUBLICIDAD 3, S.A), entered into an association agreement with the Radio Blanca Group on July 27, 2001. In relation to this contract, in May 2003 arbitration proceedings were initiated by UNIPREX, S.A regarding the interpretation of certain aspects of the content of the contract and by the Radio Blanca Group for breach of contract, the right to request the termination of the contract and the payment by UNIPREX, S.A of the contractually stipulated amounts, in addition to the damage and losses caused (see Note 15-b).*

As of the date of this report it was not possible to objectively evaluate the possible impact on the interim financial statements referred to above of the final outcome of the arbitration proceedings, for which the Company, based on the opinions of its legal advisers, did not record any provision on the liability side of its balance sheet as of June 30, 2003.

6. *In our opinion, except for the effects of any adjustment that might be required if the final outcome of the uncertainty described in paragraph 5 above were known, the interim financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of ANTENA 3 DE TELEVISIÓN, S.A. as of June 30, 2003, and of the results of its operations and of the funds obtained and applied by it in the six-month period then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.*

DELOITTE & TOUCHE ESPAÑA, S.L.

Registered in ROAC under no. S0692

Manuel Terme

August 30, 2003

b) Auditors' report on the consolidated interim financial statements as of June 30, 2003:

To the Board of Directors of

ANTENA 3 DE TELEVISIÓN, S.A.

I-3

1. *We have audited the interim consolidated financial statements of ANTENA 3 DE TELEVISIÓN, S.A. AND SUBSIDIARIES as of June 30, 2003, comprising the consolidated balance sheet as of June 30, 2003, and the related consolidated statement of operations and notes to consolidated financial statements for the six-month period ended June 30, 2003. The preparation of these consolidated financial statements is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.*
2. *For comparison purposes the directors present, in addition to the figures for the six-month period ended June 30, 2003, for each item in the consolidated balance sheet and consolidated statement of operations, the figures for 2002. Our opinion refers only to the interim consolidated financial statements as of June 30, 2003. Our auditors' report dated February 21, 2003, on the 2002 consolidated financial statements contained an unqualified opinion.*
3. *As a result of the resolutions adopted by the Parent Company's Board of Directors based on its estimates and on the analysis performed of program rights inventories and commitments, as indicated in Note 9, the Company decided to record a provision of 101 million with a charge to the Extraordinary Expenses caption in the statement of operations for the six-month period ended June 30, 2003.*
4. *UNIPREX, S.A., a Group company indirectly wholly-owned by the Parent Company, entered into an association agreement with the Radio Blanca Group on July 27, 2001. In relation to this contract, in May 2003 arbitration proceedings were initiated by UNIPREX, S.A regarding the interpretation of certain aspects of the content of the contract and by the Radio Blanca Group for breach of contract, the right to request the termination of the contract and the payment by UNIPREX, S.A of the contractually stipulated amounts, in addition to the damage and losses caused (see Note 18-b).*

As of the date of this report it was not possible to objectively evaluate the possible impact on the interim consolidated financial statements referred to above of the final outcome of the arbitration proceedings, for which the Group, based on the opinions of its legal advisers, did not record any provision on the liability side of its consolidated balance sheet as of June 30, 2003.

5. *In our opinion, except for the effects of any adjustment that might be required if the final outcome of the uncertainty described in paragraph 4 above were known, the interim consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of ANTENA 3 DE TELEVISIÓN, S.A. AND SUBSIDIARIES as of June 30, 2003, and of the results of their operations in the six-month period then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.*

DELOITTE & TOUCHE ESPAÑA, S.L.

Registered in ROAC under no. S0692

Manuel Terme

August 30, 2003

The following documents are attached to this Prospectus as **Exhibit 1:**

The 2002 financial statements of ANTENA 3 TELEVISIÓN and the related Management Report and Auditors' Report.

Edgar Filing: TELEFONICA S A - Form 6-K

The 2002 consolidated financial statements of ANTENA 3 TELEVISIÓN and Subsidiaries and the related Management Report and Auditors Report.

The financial statements of ANTENA 3 TELEVISIÓN as of June 30, 2003, and the related Auditors Report.

Consolidated financial statements of ANTENA 3 TELEVISIÓN and Subsidiaries as of June 30, 2003, and the related Auditor s Report.

I -4

CHAPTER II

THE MARKETABLE SECURITIES FOR WHICH ADMISSION TO TRADING IS SOUGHT

CONTENTS

II.1. CORPORATE RESOLUTIONS

II.1.1 Resolutions for the application for admission to trading

II.1.2 Information on the requirements and resolutions for admission to official trading

II.1.3. Distribution of shares by TELEFÓNICA, S.A. between its shareholders

II.2 PRIOR ADMINISTRATIVE AUTHORIZATION

II.3 EVALUATION OF THE RISK INHERENT IN THE SECURITIES OR THEIR ISSUER

II.4 VARIATIONS IN THE TYPICAL LEGAL REGIME FOR THE SECURITIES FOR WHICH ADMISSION TO TRADING IS SOUGHT, AS PROVIDED FOR IN THE APPLICABLE LEGISLATION

II.5 CHARACTERISTICS OF THE SECURITIES

II.5.1 Nature of the securities

II.5.2 Form of representation of the securities

II.5.3 Aggregate par value of the shares for which admission to trading is sought

II.5.4 Number of shares and proportion of capital stock

II.5.5. Valuation of the shares

II.6 FEES FOR REGISTRATION AND MAINTENANCE OF ACCOUNTS IN THE BOOK ENTRIES REGISTRIES FOR THE SHARES

II.7 ABSENCE OF TRANSFER RESTRICTIONS ON THE SECURITIES

II.8 OFFICIAL TRADING ON STOCK EXCHANGES

II.9 RIGHTS AND OBLIGATIONS OF THE HOLDERS OF THE SECURITIES

II.9.1 Right to share in the distribution of income and in the surplus on liquidation

II.9.2 Preemptive right of subscription on the issue of new shares or convertible bonds

II.9.3 Right to attend and vote at Shareholders Meetings

II.9.4 Right to information

II.9.5 Mandatory nature of ancillary obligations

II - 1

II.10 TRANSACTION EXPENSES

II.10.1 Allocation of expenses

II.10.2 Estimated expenses

II.11 TAX REGIME

II.12 PURPOSE OF THE TRANSACTION

II.13 DATA ON TRADING IN ANTENA 3 TELEVISIÓN SHARES

II.13.1 Number of shares admitted to official listing

II.13.2 Earnings and dividends per share in the last three years

II.13.4 Tender offers

II.14 PERSONS WHO PARTICIPATED IN THE DESIGN OF, AND ADVICE ON, THE APPLICATION FOR ADMISSION TO LISTING

II.14.1 Participants in the design of and/or advice on the transaction

II.14.2 Absence of relationships or economic interests

CHAPTER II

THE MARKETABLE SECURITIES FOR WHICH ADMISSION TO TRADING IS SOUGHT

II.1 CORPORATE RESOLUTIONS

II.1.1. Resolutions for the application for admission to trading

The Shareholders Meeting and the Board meeting of ANTENA 3 TELEVISIÓN held on April 28, 2003 and July 29, 2003, respectively, resolved to apply for the admission of all the shares of ANTENA 3 TELEVISIÓN to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and for their inclusion in the Unified Computerized (Continuous Market) Trading System. A copy of the resolutions is attached to this Prospectus as **Exhibit 2**.

II.1.2. Information on the requirements and resolutions for admission to official trading

The prerequisites for admission to trading on the aforementioned stock exchanges and for inclusion in the Unified Computerized (Continuous Market) Trading System are basically as follows:

1. The CNMV must verify fulfillment of the statutory requirements for admission to listing, verify Prospectus and make it publicly available for inspection at the registered offices of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, applying to the Stock Exchange Governing Companies in question for admission of the shares to official trading.
2. A notarial or authorized copy of the Company's deed of incorporation and subsequent deeds of capital increase, as well as supplementary documentation, must be deposited at the Governing Company of the Madrid Stock Exchange, the principal stock exchange for the CNMV, ahead of the Barcelona, Valencia and Bilbao Stock Exchanges, and operating as a one-stop shop in the admission to trading procedure.
3. The relevant Stock Exchange Governing Company must resolve to admit all the shares representing the capital stock of ANTENA 3 TELEVISIÓN to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.
4. Subject to a favorable report from the Stock Exchange Governing Company, the CNMV must make the decision to include the shares in the Unified Computerized (Continuous Market) Trading System.

As of the date of registration of this Prospectus, ANTENA 3 TELEVISIÓN met the minimum conditions for admission to listing imposed in securities market legislation and, in particular, the Article 32 of the Stock Exchange Regulations. As a result of TELEFONICA, S.A's share distribution among its shareholders, the number of shareholders of ANTENA 3 DE TELEVISION will be significantly increased.

Besides, ANTENA 3 TELEVISIÓN meets the requirement that sufficient income has been obtained in the last two years, or in three nonconsecutive years within a five-year period, to distribute a dividend of at least 6% of paid-in capital stock, after recording provisions for taxes and legal reserves, as attested to in the certificate from Deloitte & Touche España, S.L. attached to this Prospectus as **Exhibit3**.

Edgar Filing: TELEFONICA S A - Form 6-K

The Company is aware of, and agrees to submit to, stock exchange rules and, particularly, the rules on admission, trading, and maintenance of and suspension from trading, and will also submit to any regulations that may be made in the future.

It is intended that the shares be admitted to trading on October 29, 2003 and, therefore, the decisions and acts mentioned above must have been completed prior to that date.

II -3

II.1.3. Distribution of shares by TELEFÓNICA, S.A. between its shareholders

The Shareholders Meeting of TELEFÓNICA, S.A. resolved, at the meeting held on April 11, 2003, to make a distribution in kind among the company's shareholders of part of the share premium reserve in the form of shares of ANTENA 3 TELEVISIÓN representing up to 30% of its capital stock. In implementing the resolution, TELEFÓNICA, S.A. has communicated that on September 24, 2003 its Board of Directors resolved to distribute among its shareholders 30% of the capital stock of ANTENA 3 TELEVISIÓN, i.e., 16,666,800 shares each with a par value of three euros.

According to the information made public by TELEFÓNICA, S.A., the right to receive ANTENA 3 DE TELEVISIÓN shares in conformity with the resolution adopted by the Shareholders Meeting of TELEFÓNICA, S.A. will be held by shareholders of TELEFÓNICA, S.A. who are such, in accordance with Article 62 of the Stock Exchange Regulations of June 30, 1967, on the day after the date on which the company publishes the relevant official notice in the Official Mercantile Registry Gazette that the CNMV has verified admission of ANTENA 3 TELEVISIÓN shares to trading on the stock exchange.

TELEFÓNICA, S.A. must detail in the notice the requirements and procedures for the distribution of the share premium. It is envisaged that TELEFÓNICA, S.A. will publish in the Official Mercantile Registry Gazette the notice of verification of admission on October 20, 2003 and, therefore, the shareholders of TELEFÓNICA, S.A. who are such at close of trading on October 21, 2003 will be entitled to receive ANTENA 3 TELEVISIÓN shares. It is envisaged that the ANTENA 3 TELEVISIÓN shares will be delivered to those shareholders of TELEFÓNICA, S.A., after the relevant formalities to check their identities on October 29 2003 through IBERCLEAR and its participating entities.

Pursuant to the communication by TELEFÓNICA, S.A. to the CNMV, the exchange ratio is one share of ANTENA 3 TELEVISIÓN for every 297.351102851177 shares of TELEFÓNICA, S.A. The exchange ratio is the result of dividing the number of ANTENA 3 TELEVISIÓN shares to be distributed (16,666,800) by the number of TELEFÓNICA, S.A. shares with a right to participate in the distribution (4,955,891,361 shares). The shareholders of TELEFÓNICA, S.A. who would be entitled, as a result of applying the exchange ratio, to receive a fraction of an ANTENA 3 TELEVISIÓN share will receive payment for the relevant fraction through two Financial Institutions which will act as Agents in charge of handling such fractions and which will pay for those fractions in cash. To such end, bearing in mind the valuation included in the proposal to the Shareholders Meeting of TELEFÓNICA, S.A. by reason of the aforementioned distribution, TELEFÓNICA, S.A. ascribes a value to the ANTENA 3 TELEVISIÓN shares of 25.20 per share (equal to the value of those shares per the books of TELEFÓNICA, S.A.). If TELEFÓNICA, S.A. holds any treasury stock when determining the distribution of the ANTENA 3 TELEVISIÓN shares, the provisions of Article 79.1 of the Spanish Corporations Law will be complied with so that any ANTENA 3 TELEVISIÓN shares being distributed that might correspond to the shares of treasury stock will be allocated pro rata to the other issued TELEFÓNICA, S.A. shares, thereby giving rise in such a case to an adjustment in the exchange ratio to be announced in an official notice in the Official Mercantile Registry Gazette.

II.2 PRIOR ADMINISTRATIVE AUTHORIZATION

The admission of the shares to listing does not require prior administrative authorization, and is only subject to the general rules on verification by the CNMV.

II.3. EVALUATION OF THE RISK INHERENT IN THE SECURITIES OR THEIR ISSUER

No evaluation of the risk inherent in the shares whose admission to listing is sought or in the issuer of those shares has been performed by any rating agency.

II.4. VARIATIONS IN THE TYPICAL LEGAL REGIME FOR THE SECURITIES FOR WHICH ADMISSION TO TRADING IS SOUGHT, AS PROVIDED FOR IN THE APPLICABLE LEGISLATION

There are no variations in the typical legal regime provided for in the applicable legislation on Spanish corporations. However, the specific provisions described in section III.2.2 of Chapter III, and section II.9.3 of Chapter II must be taken into account.

II -4

II.5. CHARACTERISTICS OF THE SECURITIES

II.5.1. Nature of the securities

The securities referred to in this Prospectus are common fully paid-in registered shares of ANTENA 3 TELEVISIÓN, each with a par value of THREE EUROS (3).

II.5.2. Form of representation of the securities

The shares of ANTENA 3 TELEVISIÓN are represented by book entries and are recorded in the Central Register of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR), a company domiciled in Madrid at calle Pedro Teixeira, 8, which, together with its participating entities, keeps the accounting record of the shares.

II.5.3. Aggregate par value of the shares for which admission to trading is sought

The aggregate par value of the shares for which admission to listing is sought is ONE HUNDRED SIXTY-SIX MILLION, SIX HUNDRED SIXTY-EIGHT THOUSAND (166,668,000) EUROS.

II.5.4. Number of shares and proportion of capital stock

The shares for which admission to trading is sought represent all of the capital stock of ANTENA 3 TELEVISIÓN, i.e., FIFTY-FIVE MILLION, FIVE HUNDRED FIFTY-SIX THOUSAND (55,556,000) registered shares, each with a par value of three (3) euros.

II.5.5. Valuation of the shares

II.5.5.1. Reference price and auction

Given the characteristics of the transaction referred to in this Prospectus, namely, the admission of shares to listing without previously making a public primary/secondary offering or an initial public offering, there will be no initial pre-fixed price and therefore, the market will determine from the outset the price through demand and supply.

Accordingly, Stock Exchange Company Circular 1/2001 on the operating rules of the Unified Computerized Trading System establishes that when a security is included in the System without having been previously listed on a Spanish stock exchange, the price for real purchase or demand situations will be used as the reference price. In cases where it is difficult to set the price, the reference price may be set having regard to

Edgar Filing: TELEFONICA S A - Form 6-K

other parameters, subject to notification to the CNMV.

The Stock Exchange Company will set 25.20 as a reference price per share in order to get the admission of the shares to listing, and conduct the opening auction over this reference price

In view of the orders introduced in the auction period, the resulting price will be one which allows a larger number of blocks to be traded. However, pursuant to Article 6.2.4.1 of Circular 1/2001; if two or more prices allow the same number to be traded, the auction price shall be the one that causes the smallest disequilibrium, where disequilibrium means the difference between offer and bid volumes at the same price. If there is no disequilibrium or if the disequilibriums are the same, the price of the side with the larger volume shall be chosen. If the foregoing three conditions are the same, of the two possible auction prices, the auction price nearest the last traded price shall be the auction price subject to the following exceptions:

II -5

If the last traded price is within the range of the two possible auction prices, then this last executed price shall be the auction price.

If there is no last traded price or the last traded price falls outside the static range of prices, the auction price shall be the price nearest to the static price.

If, at the end of the auction period:

a) supply and demand do not match, the security may be traded during the session as soon as the sell and buy prices match and,

b) the resulting price is within the limits of the static range or the volume of Market or Market to Limit orders (as defined in the Circular itself) and is not covered by the total volume to be traded, the system will not make an allocation for the security and the auction period will be extended, during which, once the auction price has been set, Market and Market to Limit orders will be executed first (regardless of when they were put on the market), followed by limit orders with prices that better the auction price and, lastly, other limit orders at the auction price, where possible in the order in which they were included in the System.

II.5.5.2. Stabilization

Any financial entity is expected to take part into stabilization activities, since there is not a stabilization provision.

Regarding the possible sales and purchasers relating to the Companies' shares made by significant shareholders:

Kort Geding has stated that they are willing to increase their stake in the Company in light of providing a stronger shareholder structure to it. However, the timetable or the conditions that might apply to such increase, haven't been decided yet. In any case, any increase of the stake will be carried out in compliance with securities market regulations.

RTL Group hasn't expressed publicly their intentions over a potential increase of their stake in the Company, or the compromise to keep the shares for a long period, further to what it is stated in the contract agreed with Planeta and Kort Geding

Banco Santander Central Hispano hasn't expressed publicly their intentions over a potential increase of their stake in the Company, or the compromise to keep the shares for a long period, further to what it is stated in the contract agreed with Planeta and Kort Geding.

Regarding TELEFONICA S.A., and as mentioned in this Prospectus, the company will distribute away its shareholders allocate an additional premium share reserve to its shareholders, as a distribution in kind, by delivering shares representing 30% of the capital stock of ANTENA 3 TELEVISIÓN. TELEFONICA S.A. keeps the ownership or the remaining 4.13%, and of the fraction shares that derives from the application of the exchange ratio. As of November 29, 2003 TELEFONICA S.A. will not be able to hold the ownership of shares of ANTENA 3 TELEVISION due to legal requirements, hence, TELEFONICA S.A. has stated that it will act accordingly, getting involved in appropriate financing transactions such a selling the shares directly on the market (if demand allows), or keep an economic exposure to share price variation.

II.5.5.3. Operations of the Company's shares prior to admission to listing

For information purposes, there are set forth below three different valuations, of which the Company is aware, for the shares of the Company on the occasion of two shares sale and a shares distribution taking place prior to the admission to listing of the shares of ANTENA 3 TELEVISIÓN:

Sale of 25.1% of the capital of the Company by TELEFÓNICA, S.A. to Kort Geding, S.L. For the purposes of the sale, the Company was valued at 1,450 million, resulting in a price of 26.10 per share (taking into account the increase in the par value of the shares from 1 to 3 each resolved by the Shareholders Meeting of ANTENA 3 TELEVISIÓN).

The Board of Directors of TELEFÓNICA, S.A. took into account, for the purposes of distributing among its shareholders part of the share premium reserve, the book value of the shares of

ANTENA 3 TELEVISIÓN, i.e., 420,003,360, which implies valuing 100% of the Company at 1,400 million and, thus, 25.20 per share.

On September 16, 2003, Kort Geding S.L. acquired from Macame S.A. (subsidiary of Grupo Santander Central Hispano) 2.5% of ANTENA 3 TELEVISION stock. This was done exercising purchase by Banco Santander Central Hispano S.A.. The price of the afore-mentioned acquisition was 30,000,000 Euros, which gives a price per share of approximately 21.60 Euros. This price may be subject to an adjustment in such case as the seller decides to acquire ANTENA 3 TELEVISION shares during the 135 days following the admission to listing. This adjustment will refer to the higher price that the seller should in any case pay to buy an equal number of shares in the market during the aforementioned 135 day period.

In relation to the foregoing, it should be pointed out that the valuation methods used in those transactions are not necessarily the same as those usually used in a secondary securities market or in a stock exchange on which admission to trading is sought.

II.6 FEES FOR REGISTRATION AND MAINTENANCE OF ACCOUNTS IN THE BOOK ENTRIES REGISTRIES FOR THE SHARES

The participating entities of IBERCLEAR may, pursuant to the legislation in force, charge securities management fees and expenses at their discretion as a result of maintaining the securities in the related book entries registries.

II.7. ABSENCE OF TRANSFER RESTRICTIONS ON THE SECURITIES

There are no Bylaw restrictions on the transfer of ANTENA 3 TELEVISIÓN shares and, therefore, the shares for which admission to listing is sought are freely transferable in accordance with the provisions of the Spanish Corporations Law, the Securities Market Law, and other legislation in force.

However, the specific provisions described in section III.2.2. of Chapter III on the restrictions imposed by the legislation on private television must be taken into account.

II.8. OFFICIAL LISTING ON STOCK EXCHANGES

The shares into which the capital stock of ANTENA 3 TELEVISIÓN is divided are not currently admitted to official listing on any stock exchange. Verification of this Prospectus implies that the CNMV has verified the fulfillment of the requirements for admission to listing of ANTENA 3 TELEVISIÓN shares on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, and for their inclusion in the Unified Computerized (Continuous Market) Trading System, although admission must be approved by the Governing Companies of those stock exchanges.

It is envisaged that listing of the Company's shares will commence on October 29, 2003. However, it must be noted that the actual date of admission to listing cannot be wholly assured given that, in the last instance, admission to listing is subject to the decision of the respective Stock Exchange Governing Companies. If admission to listing is postponed, the Company will make such circumstance and the reasons for the delay public by sending the appropriate communication to the CNMV and publishing a notice in at least one Spanish national daily newspaper.

Edgar Filing: TELEFONICA S A - Form 6-K

ANTENA 3 TELEVISIÓN is aware of, and agrees to fulfill, the requirements and conditions for the admission, maintenance and exclusion of the securities in the aforementioned secondary markets, pursuant to the legislation in force and the requirements of their regulatory agencies.

II -7

II.9. RIGHTS AND OBLIGATIONS OF THE HOLDERS OF THE SECURITIES

The shares of ANTENA 3 TELEVISIÓN confer upon their holders the following voting and economic rights established in the Spanish Corporations Law and in the Bylaws:

II.9.1. Right to share in the distribution of income and in the surplus on liquidation

The shares of ANTENA 3 TELEVISIÓN confer the right to share in the distribution of corporate income and in the surplus on liquidation, but do not give right to the right to receive a minimum dividend since all of the shares are common shares.

Earnings from the shares may be paid in such manner as may be announced for each case, and the prescription for the right to collect dividends is as established in Article 947 of the Commercial Code, i.e., five years. The beneficiary of the prescription will be ANTENA 3 TELEVISIÓN.

II.9.2. Preemptive right of subscription on the issue of new shares or convertible bonds

All of the shares of ANTENA 3 TELEVISIÓN confer upon their holders, on the terms established by law, a preemptive subscription right (Article 158 of the Spanish Corporations Law) in capital increases with the issuance of new (common or preferred) shares and in convertible bonds issues, unless the preemptive subscription right is excluded.

The shares also confer on their holders the right to be allotted shares at no charge as acknowledged in by the Spanish Corporations Law in the event of a capital increase with a charge to reserves.

II.9.3. Right to attend and vote at Shareholders Meetings

The holders of ANTENA 3 TELEVISIÓN shares will be entitled to attend and vote at Shareholders Meetings and to contest corporate resolutions, pursuant to the general rules established in the Spanish Corporations Law.

In conformity with the provisions of the Bylaws, all shareholders may attend and vote at Shareholders Meetings if they own shares representing at least a par value of 300, provided that they have those shares recorded in their name in the relevant book-entry register five days prior to the date on which the Shareholders Meeting in question is to be held and that they evidence this by means of the relevant attendance card or certificate issued by one of the participating entities of IBERCLEAR, or by any other means admitted under current legislation.

Shareholders who do not possess the number of shares indicated may group together and grant a proxy to another shareholder, and the shares held by each person in his own right and by way of representation may be accumulated.

Edgar Filing: TELEFONICA S A - Form 6-K

Shareholders with the right to attend may be represented at the Shareholders Meeting by another person who need not be a shareholder, by way of a special proxy for each Shareholders Meeting, without prejudice to the provisions of Article 107 of the Spanish Corporations Law.

Each share will give the right to one vote and the Bylaws do not impose any restrictions on the maximum number of votes that may be cast by each shareholder or by companies belonging to the same group.

II -8

II.9.4. Right to information

All of the shares of ANTENA 3 TELEVISIÓN confer upon their holders the right to information set forth, in general, in Article 48.2.d) of the Spanish Corporations Law and in the Bylaws, and, in particular, in Article 112 of the Spanish Corporations Law. They also carry rights which, as specific manifestations of the right to information, are set forth in detail in the Articles of the Spanish Corporations Law when dealing with: Bylaw amendments; capital increases and reductions; approval of financial statements; issuance of convertible and nonconvertible bonds; alteration of legal form, merger and spin-off; dissolution and liquidation of the company; and other corporate acts or transactions.

II.9.5. Mandatory nature of ancillary obligations

The shares of ANTENA 3 TELEVISIÓN are not subject to any ancillary obligation. Similarly, the Bylaws of ANTENA 3 TELEVISIÓN do not contain any provision on special privileges, powers or duties flowing from ownership of the shares.

II.10 TRANSACTION EXPENSES

II.10.1. Allocation of expenses

The admission of the shares of ANTENA 3 TELEVISIÓN to listing will be free of charge for the holder of the shares.

II.10.2. Estimated expenses

Due to the difficulty in specifying the expenses incurred as of the date of preparing this Prospectus, for purely information purposes, the estimated expenses of the admission to listing of all the shares of ANTENA 3 TELEVISIÓN are as follows:

<u>EXPENSES</u>	<u>EUROS</u>
1. CNMV fees	5,000.04
2. IBERCLEAR fees	24,372
3. Stock Exchange Company fees	166,668
4. Mercantile Registry, Notary, legal and other fees	300,000
TOTAL	496,040.04

This amount represents 0.3% of the capital stock of the Company.

II.11 TAX REGIME

Edgar Filing: TELEFONICA S A - Form 6-K

A brief description follows of the tax regime applicable as a result of the ownership and, if appropriate, subsequent transfer of the shares for which admission to listing is sought, for which purpose regard will only be had to current central government legislation and the general aspects that may affect investors. The foregoing is considering any special provisions that may have been enacted by the provincial governments in the Basque Country and Navarra or by the autonomous community governments which, in exercising their legislative powers, have made specific legislation on certain aspects that are not addressed in the summary below.

It must be borne in mind that this analysis does not specify all the possible tax implications of the transactions mentioned, or the regime applicable to all categories of shareholder, some of whom (e.g., financial institutions, collective investment institutions, cooperatives, tax residents of Ceuta and Melilla, etc.) may be subject to special rules.

Therefore, it is advisable that investors consult their lawyers or tax advisers, who will be able to provide them with personalized advice having regard to their specific tax circumstances and the legislation in force on the date on which the relevant income or gains are obtained and reported.

Transfer of the securities:

The transfer of ANTENA 3 TELEVISIÓN shares is exempt from transfer tax (ITP/AJD) and value added tax (IVA), pursuant to Article 108 of the Securities Market Law and other legislation governing those taxes.

Tax regime applicable to income from securities and to transfers of securities:

1. Investors resident in Spain:

1.1. Personal income tax:

In the case of personal income taxpayers, dividends, Shareholders Meeting attendance fees, income from the creation or assignment of rights or the use or enjoyment of the securities hereunder, and any other benefit received from the entity by virtue of being a shareholder are deemed to constitute income from movable capital.

For the purposes of its inclusion in taxable income, the income will be calculated pursuant to Article 23 of Personal Income Tax (and Other Tax Provisions) Law 40/1998, dated December 9, at 140% of the gross income received. However it will be calculated at 100% if the income is derived from shares acquired within two months before the date on which such income was paid if, within two months after that date, securities of a uniform nature are transferred. To calculate the net income, expenses for the management and deposit of shares will be deductible, in the manner provided for in Article 24 of the Personal Income Tax Law, unlike discretionary and personalized portfolio management expenses.

Shareholders will be entitled to deduct 40% of the gross income received in this connection from the total net personal income tax payable. This tax credit will not apply to income from shares acquired within two months before the date on which such income was paid if, within two months after that date, a transfer of securities of a uniform nature takes place.

Transfers of shares by personal income taxpayers and other changes in personal wealth as provided for in Article 31 of the Personal Income Tax Law will give rise to capital gains or losses that will be included in taxable income and taxed in accordance with the general rules for gains of this type.

1.2. Corporate income tax:

Corporate income taxpayers will include in their tax base the gross amount of dividends, shares in income and other gains obtained from the transfer of shares or any other transaction, as well as the expenses inherent in the holding, in the manner provided for in Articles 10 et seq. of Corporate Income Tax Law 43/1995, dated December 27.

Edgar Filing: TELEFONICA S A - Form 6-K

Corporate income taxpayers will be entitled to take a tax credit equal to 50% of the gross tax payable on taxable income derived from dividends or shares in income as established in Article 28 of the Corporate Income Tax Law, for which purpose the taxable income will be deemed to be the gross amount of the dividends or shares in income.

This tax credit will not be applicable, among the other cases provided for in that Article, where the dividends or shares in profits relate to shares acquired within two months prior to the date on which such income was paid if, within two months from that date, a transfer of securities of a uniform nature occurs.

II-10

Corporate income taxpayers will also be entitled to the other double taxation tax credits provided for in Article 28 of the Corporate Income Tax Law

1.3 Tax withholdings:

In general, personal income tax or corporate income tax will be withheld at 15% from gross income distributed to a taxpayer liable for either of those taxes, in the manner provided for in Royal Decrees 214/1999, dated February 5, 2717/1998, dated December 18 and 537/1997, dated April 14. Tax will not be withheld from corporate income taxpayers if they qualify for a double taxation tax credit for 100% of the dividends received. Tax withholdings will be deductible from the net personal income tax payable or the gross corporate income tax payable and, if there is insufficient tax payable from which to deduct the withholdings, the excess withholdings will be refunded pursuant to Article 85 of the Personal Income Tax Law and Article 145 of the Corporate Income Tax Law.

1.4. Wealth Tax:

Individuals who hold Antena 3 TELEVISIÓN shares and must file a wealth tax return, must report the shares they hold as of December 31 each year at their average market price in the fourth quarter of the year in question.

The Ministry of Finance will publish the average market price each year.

1.5. Inheritance and gift Tax:

Transmissions of shares through death or by donation to individuals are subject to the general inheritance and gift tax rules. In the case of a transfer for no consideration to a corporate income taxpayer, any related gain will be taxed in accordance with corporate income tax provisions.

2. Investors not resident in Spain for tax purposes

2.1 Nonresident income tax

Income in the form of dividends or gains from transfers of shares obtained by shareholders who are nonresident income taxpayers will be treated as income or gains obtained in Spain through, or other than through, a permanent establishment as provided for in Nonresident Income Tax Law 41/1998, dated December 9.

The tax regime described below is general in nature and, therefore, consideration must be given to the specific circumstances of each taxpayer and of any tax treaties between Spain and other countries.

2.1.1. Income obtained through a permanent establishment

Edgar Filing: TELEFONICA S A - Form 6-K

Income from shares obtained by a permanent establishment in Spain will be taxed in accordance with the provisions of Chapter III of Law 41/1998, subject to any provisions of tax treaties signed by Spain that could establish that such income is nontaxable or is taxable at reduced rates.

Nonresident income tax will be withheld from such income in the same cases and on the same conditions as those described for corporate income taxpayers.

II - 11

2.1.2. Income obtained other than through a permanent establishment

Income from shares obtained by individuals or entities not resident in Spain and operating, for such purposes, without a permanent establishment, will attract nonresident income tax in accordance with Chapter IV of the Nonresident Income Tax Law. The most noteworthy features of the regime are as follows, subject to any provisions of tax treaties signed by Spain that could establish that such income is nontaxable or is taxable at reduced rates:

- (a) The taxable income relating to dividends and other income from movable capital will be quantified as the gross amount of the income obtained, calculated in accordance with the provisions of the Personal Income Tax Law. In this case, neither the 140% multiplier nor the 40% tax credit mentioned earlier would apply since the investors are resident in Spain and are not eligible for the reductions established in that Law.

The payor will withhold nonresident income tax at the time of payment at 15% or at the applicable rate pursuant to a statutory provision or a tax treaty where the requirements for eligibility are substantiated. Where the income is tax exempt or qualifies for a tax rate below 15% by virtue of special rules or a tax treaty, a refund of the excess withholding may be obtained from the tax authorities if the claim is made in due time and form.

- (b) Capital gains will be taxed, in principle, at 35%, subject to the provisions of tax treaties signed by Spain, in a self-assessment to be prepared by the taxpayer, its tax representative, the depository or the manager of the shares held by the nonresident in Spain, subject to the procedure and form established in the Ministerial Order dated December 22, 1999 or the procedure or form applicable from time to time.

Gains will be tax exempt if obtained from the transfer of securities on official Spanish secondary securities markets by nonresident individuals or entities other than through a permanent establishment in Spain, if they are residents of a country with which Spain has signed a tax treaty that includes an exchange-of-information provision.

Gains from shares will also be tax exempt if obtained by residents of other EU Member States, subject to the provisions of Article 13 of the Nonresident Income Tax Law. The exemption will not apply to gains obtained through countries or territories classed by regulations as tax havens.

II.12. PURPOSE OF THE TRANSACTION

The purpose of submitting this Prospectus is to seek admission to stock exchange listing for all of the shares of Company with a view to significantly increasing the diversity of ownership of its capital stock through a larger number of shareholders taking up a stake in the capital stock of ANTENA 3 TELEVISIÓN, thereby giving the Company a shareholder base in keeping with customary practice in securities markets.

II.13. DATA ON TRADING IN ANTENA 3 TELEVISIÓN SHARES

II.13.1 Number of shares admitted to official listing

As of the date of registration of this Prospectus, the shares of ANTENA 3 TELEVISIÓN had not been admitted to official listing, and the purpose of this Prospectus is to have them admitted to listing on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, and included in the Unified Computerized Trading (Continuous Market) System.

II.13.2 Earnings and dividends per share in the last three years

ANTENA 3 TELEVISIÓN	2002	2001	2000
Income for the year (thousands of euros)	(31,293)	39,416	128,478
Capital (thousands of euros)	166,668	166,668	166,668
Underlying book value per share	2.7482	3.0549	2.8184
Number of shares	166,668,000	166,668,000	166,668,000
Earnings per share	(0.19)	0.24	0.77
Payout (%)	0	50	0
Dividends (thousands of euros)	0	20,000	0
Dividend per share (euros)	0	0.12	0

ANTENA 3 CONSOLIDATED GROUP	2002	2001	2000
Consolidated income for the year (thousands of euros)	(29,907)	48,005	123,310
Capital (thousands of euros)	166,668	166,688	166,688
Underlying book value per share	2.7591	3.0672	2.7751
Number of shares	166,668,000	166,668,000	166,668,000
Earnings per share	(0.18)	0.29	0.74
Payout (%)	0	41.38	0
Dividends (thousands of euros)	0	20,000	0
Dividend per share (euros)	0	0.12	0

II.13.3 Capital reductions and increases in the last three years

The capital stock of ANTENA 3 TELEVISIÓN was not modified in 2000, 2001 or 2002.

The Shareholders Meeting held on August 29, 2003 resolved to adjust the par value of the shares, based on a ratio of 3 old shares for 1 new share, and, consequently, the capital stock has been modified from 166,668,000 shares, each with a par value of one euro, to 55,560,000 shares, each with a par value of three euros.

II.13.4 Tender offers

The shares issued by ANTENA 3 TELEVISIÓN have not been the subject of a tender offer by way of purchase or exchange.

II.14 PERSONS WHO PARTICIPATED IN THE DESIGN OF, AND ADVICE ON, THE APPLICATION FOR ADMISSION TO LISTING**II.14.1 Participants in the design of and/or advice on the transaction**

Edgar Filing: TELEFONICA S A - Form 6-K

The following entities participated in the design of and/or advice on the transaction under this Prospectus:

Garrigues Abogados y Asesores Tributarios: legal advisers to ANTENA 3 TELEVISIÓN in the application for admission to listing of its shares.

Deloitte & Touche España, S.L.: auditor of ANTENA 3 TELEVISIÓN.

II -13

II.14.2. Absence of relationships or economic interests

There is no evidence of any relationship or significant economic interest between ANTENA 3 TELEVISIÓN and the entities mentioned in section II.14.1 above, other than the strictly professional relationship arising from the provision of tax, legal and financial advisory services.

II - 14

CHAPTER III

THE ISSUER AND ITS CAPITAL

CONTENTS

III.1 IDENTIFYING PARTICULARS AND CORPORATE PURPOSE

III.1.1. Company name and registered office

III.1.2. Corporate purpose

III.2 LEGAL INFORMATION

III.2.1. Incorporation, registration, and term of the Company

III.2.2. Legal form and applicable legislation

III.2.2.1. Specific legislation applicable to television

III.2.2.2. Specific legislation applicable to radio broadcasting

III.2.2.3. Intellectual property

III.3 INFORMATION ON CAPITAL

III.3.1. Par amount subscribed and paid in

III.3.2. Calls on capital

III.3.3. Classes and series of shares

III.3.4. Changes in capital stock in the last three years

III.3.5. Issues of convertible or exchangeable bonds, or bonds with warrants

III.3.6. Securities representing advantages for founders and promoters

III.3.7. Authorized capital

III.3.8. Bylaw conditions for altering capital stock and the respective rights attaching to the shares

III.4 TREASURY STOCK

III.5 INCOME AND DIVIDENDS

III.6 GROUP OF COMPANIES

III.6.1. Main subsidiaries and investees of ANTENA 3 TELEVISIÓN

III.6.2. Corporate transactions at ANTENA 3 Group companies since January 1, 2003

III - 1

CHAPTER III

THE ISSUER AND ITS CAPITAL

III.1 IDENTIFYING PARTICULARS AND CORPORATE PURPOSE

III.1.1 Corporate name and registered office

The corporate name of the issuer of the securities offered is ANTENA 3 DE TELEVISIÓN, S.A. (ANTENA 3 TELEVISIÓN or the Company). ANTENA 3 TELEVISIÓN has its registered office in San Sebastián de los Reyes, Madrid, at Avenida de la Isla Graciosa 13.

Its Employer Identification Number is A-78839271.

III.1.2 Corporate purpose

Article 2 of the Bylaws of ANTENA 3 TELEVISIÓN establishes the following:

The purpose of the Company is to:

1. Indirectly manage a public television service, pursuant to the terms and conditions of its concession.
2. Operate any form of television broadcasting service.
3. Operate any form of radio broadcasting service.
4. Operate any form of printed media.
5. Operate any form of media on computer and interactive mediums, and on the Internet.
6. Produce, purchase, sell, rent, publish, reproduce, import, export, distribute, exhibit, and finance of all kinds of audiovisual work in any form regardless of the technical medium, capable of being broadcast by cinematographic, television, video or other audiovisual means.

Edgar Filing: TELEFONICA S A - Form 6-K

7. Organize, produce and broadcast news, sports, bullfighting, musical, cultural or other shows or events, and acquire and market all kinds of rights in them.
8. Carry on activities and provide services, studies, analyses, promotions, programming, data processing and reports by any procedure and relating to any communication activity including, in all cases, activities referring to any form of television.
9. Prepare studies, reports or analyses of any kind in relation to enterprises, media and communication systems, particularly on television, video, cinema and multimedia.
10. Act as an intermediary in markets for all kinds of intellectual or industrial property rights as well as in any activities directly or indirectly related to advertising, marketing, merchandising and other commercial activities.
11. Perform and execute advertising projects and tasks related to buying, acting as intermediary in and broadcasting any form of advertising.
12. Engage in distance promotion and sales of any goods or services, under a club arrangement, by mail, telephone, television or any computer or audiovisual means and on any type of medium.
13. Acquire and operate for its own or another s account all types of equipment, apparatus, items, facilities and technical procedures related to the foregoing activities including patent licensing or technological assistance.

The activities listed may be carried on by the Company in whole or in part indirectly through interests in other companies with an analogous corporate purpose.

The corporate purpose excludes activities the pursuit of which is subject to special statutory requirements that cannot be met by the Company.

Within the Spanish National Classification of Economic Activities, ANTENA 3 TELEVISIÓN falls within industry code no. 92.20.

III.2 LEGAL INFORMATION

III.2.1 Incorporation, registration, and term of the Company

ANTENA 3 TELEVISIÓN was incorporated on June 7, 1988 pursuant to a deed executed in the presence of Madrid notary José Machado Carpenter under number 2302 of his protocol, and registered at the Madrid Mercantile Registry, in Volume 8788, Sheet 125, Page 71592-3, Registration no. 1.

In accordance with Article 3 of its Bylaws, ANTENA 3 TELEVISIÓN was incorporated in perpetuity and commenced operations on the date on which it was registered at the Mercantile Registry.

The Bylaws of ANTENA 3 TELEVISIÓN were adapted to the current Spanish Corporations Law under a deed executed on July 15, 1991 in the presence of Madrid notary José Machado Carpenter under number 2108 of his protocol, and registered at the Madrid Mercantile Registry in Volume 1924, Sheet 108, Page M-34473, leading to entry no. 27.

The Shareholders Meeting on August 29, 2003 approved the revised Bylaws, which are registered at the Madrid Mercantile Registry.

The Bylaws may be consulted at the registered office of ANTENA 3 TELEVISIÓN in San Sebastián de los Reyes, Madrid, at Avenida de la Isla Graciosa no. 13, or at the Madrid Mercantile Registry, by applying for an uncertified extract or certificate, or at the CNMV.

III.2.2 Legal form and applicable legislation

The legal form of ANTENA 3 TELEVISIÓN is a Spanish Corporation (*Sociedad Anónima*) and, consequently, is subject to the regime established in Legislative Royal Decree 1564/1989 approving the Revised Spanish Corporations Law.

Among the various industries in which ANTENA 3 TELEVISIÓN operates directly or through investees, the television and radio broadcasting industries are subject to a special legal regime.

III.2.2.1. Special legislation applicable to television

The provision of a television service in Spain is subject to various legal regimes depending on the medium used to carry the signal, the area of coverage, or the technology used in the service. In summary, the regulatory situation is as follows:

Edgar Filing: TELEFONICA S A - Form 6-K

- a) Depending on the medium used for carrying the television signal a distinction can be drawn between:
 - (i) Satellite television: Satellite Telecommunications Law 37/1995, dated December 12.
 - (ii) Cable television: Cable Telecommunications Law 42/1995, dated December 22.
 - (iii) Terrestrial or hertzian television (see section b) below).

- b) Within hertzian television, depending on the area of coverage, a distinction can be drawn between:
 - (i) State television:
 - Public television (directly managed by the Spanish State): Law 4/1980, dated January 10, approving the Radio and Television Charter.
 - Private television (indirectly managed by private concession-holders): Private Television Law 10/1988, dated May 3.
 - (ii) Autonomic community television: Law 46/1983, dated December 26, regulating the Third Channel.
 - (iii) Local television: Terrestrial Local Television Law 41/1995, , dated December 22.

- c) A further distinction can also be made within hertzian television, based on the technology used:
 - (i) Analogical television (see b) above).
 - (ii) Digital television: Additional Provision 44 of Law 66/1997, dated December 30, on Tax, Administrative, Labor and Social Security Measures.

For information purposes in this Prospectus, below is a description of the legal regime applicable to the private television service provided by ANTENA 3 TELEVISIÓN (analog and digital hertzian television), which has public-service status, as well as the aspects of the legal regime that may be relevant to ANTENA 3 TELEVISIÓN in this transaction.

1. Legal regime applicable to the private television service

Private Television Law 10/1988, dated May 3, as currently worded, establishes the legal regime applicable to the indirect management of the essential public television service owned by the Spanish State.

a) Enabling instrument

The service is indirectly managed by Spanish corporations under the administrative concession system. ANTENA 3 TELEVISIÓN was awarded one of the three concessions granted by the State pursuant to the Decision of the Council of Ministers dated August 25, 1989, published in the Official State Gazette on August 31, 1989 pursuant to a Decision of the Office of the Secretary-General of Communications dated August 28, 1989.

Under clause three of the administrative agreement for the provision of the public service dated October 3, 1989 between the Ministry of Transportation, Tourism and Communications and ANTENA 3 TELEVISIÓN, the administrative concession was granted for a term of ten years from April 3, 1990, renewable for ten-year periods at the request of the concession-holder and pursuant to a decision from the Council of Ministers. Under the provisions of the concession agreement and Article 11 of Private Television Law, ANTENA 3 TELEVISIÓN applied to renew its concession on October 19, 1999 for another of ten years, and was granted a ten-year extension under a Decision of the Council of Ministers on March 10, 2000, which was made public pursuant to a Decision of the same date by the Office of the Secretary-General of Communications (Official State Gazette of March 11, 2000). The renewal of the concession became effective on April 3, 2000, for a period of ten years, i.e., through April 3, 2010.

b) Concurrent ownership of interests in more than one concession-holder

Article 19.1 of the Private Television Law, as amended by Law 53/2002 on Tax, Administrative, Labor and Social Security Measures, dated December 30, establishes that individuals or legal entities with interests in the capital of the holder of one concession for a public State television service cannot own interests in any other public television service concession-holder, whatever the area of coverage.

Edgar Filing: TELEFONICA S A - Form 6-K

It must be noted that, pursuant to Article 19.3 and .4, the provisions of Article 19.1 will apply to any form of ownership interest in the capital of public television service concession-holders, be it direct, indirect or through one or more interposed individuals or legal entities, and regardless of the size of ownership interest in those companies, and that the provisions of Antitrust Law 16/1989, dated July 19 will apply in all cases.

Article 17.1.b) of the Private Television Law provides that a breach of the requirements in Article 19 (bar on concurrent ownership of interests in more than one private television concession-holder, as described) is cause for termination of the concession if the breach is attributable to the majority shareholder or a shareholder otherwise controlling the concession-holder, unless the breach is remedied within one month from the authorities serving the relevant requirement to do so on the concession-holder.

Otherwise, the enforcement rules provided for in Chapter IV of the Private Television Law will apply. According to Article 24.2.h) of the Private Television Law, contravention of Article 19 by shareholders of concession-holders that are not majority shareholders or do not control the concession-holder in any way, will be deemed to constitute a very serious infringement. The penalties established in Article 25 of the Private Television Law for very serious infringements take the form of a fine, temporary suspension of broadcasting, or termination of the concession.

As of the date of this Prospectus, TELEFÓNICA, S.A. owned interests in the capital stock of ANTENA 3 TELEVISIÓN and SOGECABLE, S.A., both of which are public television service concession-holders. In order to bring Telefónica, S.A.'s ownership interests in various concession-holders into line with the provisions of Article 19 of the Private Television Law,

TELEFÓNICA, S.A. has resolved to distribute its 30% holding in the capital stock of ANTENA 3 TELEVISIÓN among its shareholders. In the particular case of SOGECABLE, S.A. and its shareholders, the conditions imposed by the Government in the decision resulting from the procedure to control the concentration between SOGECABLE and DTS Distribuidora de Televisión Satélite (Via Digital) (Decision of the Council of Ministers dated November 29, 2002, published in the Official State Gazette of January 14, 2003), included a requirement that SOGECABLE and its shareholders comply with Article 19.1 of the Private Television Law within a maximum of one year from the date of notification of the Decision to SOGECABLE, should the limits imposed by Article 19.1 be exceeded as a result of the notified concentration approved in the Decision of November 29, 2002.

The maximum one-year period starts running in TELEFÓNICA, S.A.'s case from the date of the Decision of the Council of Ministers, i.e., November 29, 2002, while it remains a shareholder of SOGECABLE and of ANTENA 3 TELEVISIÓN.

c) Acquisition of significant holdings in a concession-holder

Article 21 of the Private Television Law establishes that the competent administrative authority (the Ministry of Science and Technology) must receive prior notice of any direct or indirect acquisition of a significant holding in the capital of a private television concession-holder, where significant holding means a holding that directly or indirectly reaches at least 5% of the capital or of the voting rights attaching to the shares of the concession-holder. Prior notice must also be given of any direct or indirect increase in the holding that leads to the holding reaching or exceeding the following percentages of ownership of the capital stock, or of the voting rights attaching to the shares, of the concession-holder: 5, 10, 15, 20, 25, 30, 35, 40 and 45 per cent. The competent administrative authority has a maximum of 3 months to notify acceptance or, as the case may be, rejection of the proposed acquisition. Rejection may be based on a lack of transparency in the structure of the group to which the acquirer may ultimately belong, or on the existence of ties between the person or entity planning the acquisition and another concession-holder of the essential television service, which could contravene the principle of avoidance of concentration in the media that underpins the Private Television Law.

d) Ownership by non EU foreigners of interests in a concession-holder

Until the recent amendment by Law 53/2002 to the Private Television Law, Article 19 of the Private Television Law stated that individuals or legal entities that were nationals or residents of third countries could only own interests in the capital stock of a private television concession-holder based on the principle of reciprocity.

Subsequent to the amendment, Article 19 does not include such limitation and, therefore, there is currently no restriction in the industry-specific regulations on the ownership interests of non EU foreigners in concession-holders.

2. Legal regime applicable to the digital terrestrial television service

The legal regime for this service is established by Additional Provision 44 of Law 66/1997 on Tax, Administrative, Labor and Social Security Measures, Royal Decree 2169/1998 approving the National Technical Plan for Digital Terrestrial Television, and the Ministry of Development Order of October 9, 1998 approving the Technical and Digital Terrestrial Television Service Provision Regulations. Digital terrestrial television will be subject to the provisions of the Private Television Law where they have not been amended by the Additional Provision.

Edgar Filing: TELEFONICA S A - Form 6-K

In accordance with the aforementioned legislation, concessions for the indirect management of this service by private entities will be granted by the State if the service is of a national nature, or by the autonomous community governments, if it is of a autonomous community or local nature.

Royal Decree 2169/1998 established that each of the then public television service concession-holders, including ANTENA 3 TELEVISIÓN, would have access, subject to renewal of their respective concessions, to a program on a digital multiple channel with a view to their being able to broadcast content simultaneously and for the term of the concession renewal, using analog and digital technology, thereby giving rise to access to the aforementioned program for a period equal to the renewed term of the concession.

III - 5

Furthermore, Additional Provision 2 and Transitional Provision 1 of the Royal Decree established that concession-holders whose concessions were renewed: (i) had to begin broadcasting with digital technology before April 3, 2002, (ii) had to abide by the same conditions as those established in their existing concession agreements, and (iii) were each entitled to exploit a program within a certain multiple channel.

ANTENA 3 TELEVISIÓN started digital broadcasting on April 3, 2002, and since then it has simultaneously used analog and digital technology for free-to-air broadcasting on the same conditions as those stipulated for in the concession agreement for the provision of the public television service.

Simultaneous analog and digital broadcasting is expected to end, in principle, on December 31, 2012, and thereafter all broadcasting must use digital technology (analog switch-off), although the current legislation envisages that this date may be put back if the digital technology coverage established in the Technical Plan has not been achieved.

When the current concession-holders for the three private analog television channels stop analog broadcasting, they will be entitled, if there are more competitors in the market and the nature and characteristics of their enabling instruments and their rights and obligations are respected, to continue using the frequencies being used by them or any other frequencies established by the Government, so that each of them can operate a multiple channel using digital technology (each digital multiple channel can contain at least four programs/channels).

3. Other legislation applicable to the provision of television services

Apart from the foregoing, the provision of the television service is subject, inter alia, to the specific legislation on programming and content, broadcasting and live broadcasting of sports competitions and events, and advertising.

III.2.2.2. Special legislation applicable to radio broadcasting

ANTENA 3 TELEVISIÓN engages in radio broadcasting activities basically through UNIPREX, S.A. (UNIPREX) and ANTENA DE RADIODIFUSIÓN, S.A. (Antena de Radiodifusión) (formerly CADENA VOZ DE RADIODIFUSIÓN, S.A.)

The State has sole power to establish the basic rules for the public radio broadcasting service, notwithstanding the authority of autonomous community governments with competence in mass media matters to implement those rules, including enforcement powers in certain cases.

These basic rules are mainly in Articles 25 (Subarticles 1, 2, 3 and 6), 26, and 36.2 and Additional Provision 6 of Telecommunications Law 31/1987, following successive amendments thereto, in force pursuant to General Telecommunications Law 11/1998.

Apart from the basic rules established in the Telecommunications Law, concessions for the provision of the public FM radio broadcasting service and concessions for the public digital terrestrial radio broadcasting service with less-than-national coverage (i.e., autonomous community or local coverage), are regulated by the legislation made by autonomous community governments with competence in mass media matters.

Edgar Filing: TELEFONICA S A - Form 6-K

The following Autonomous Communities have FM radio broadcasting legislation in force: Andalucía, Aragón, Asturias, Baleares, Canarias, Cantabria, Castilla y León, Castilla La Mancha, Cataluña, Extremadura, Galicia, Madrid, Murcia, Basque Country, La Rioja and Valencia.

As regards renewals of concessions, the Decision of the Council of Ministers dated October 31, 2002, made public pursuant to a Decision on November 29, 2002 by the Office of the Secretary of State for Telecommunications and for the Information Society, the MW radio concessions previously granted to UNIPREX were renewed through 2012. As regards the FM radio broadcasting concessions held by UNIPREX and Antena de Radiodifusión, the concessions held by a group of radio stations in Asturias (Gijón) and Madrid (Alcalá de Henares) will be up next for renewal between September and December 2003.

1. Legal regime applicable to the radio broadcasting service: MW and FM

Pursuant to Article 26 of the Telecommunications Law:

MW radio broadcasting services can be operated competitively under either of the following formats: (i) direct management by the State or its public entities; or (ii) indirect management by individuals or legal entities under State administrative concessions granted by the Government; and

FM radio broadcasting services can be operated competitively under either of the following formats: (i) directly by the public authorities or their competent public entities pursuant to the legislation on mass media, or indirectly by local corporations under an administrative concession; or (ii) indirectly by individuals or legal entities under administrative concessions granted by autonomous community governments if they have competence in mass media matters.

These public radio broadcasting services must always be established in accordance with the National Technical Plans approved by the Government, while the State, in turn, has authority to approve technical projects for facilities and to inspect them, as well as approve the Technical and Service Provision Regulations. Accordingly, Royal Decree 169/1989 approved the National Technical Plan for FM Radio Broadcasting, which was then amended by Royal Decree 1388/1997.

Additional Provision 6 of the Telecommunications Law establishes most notably the following requirements that must be met by the holder of any radio broadcasting service concession:

No individual or legal entity can ever hold more than one concession for the operation of MW radio broadcasting services or more than two concessions for the operation of FM radio broadcasting services if the areas covered are substantially the same. In the latter case, more than one concession may only be granted to the same individual or legal entity if, having regard to the concessions already granted, diversity in the radio services on offer is sufficiently ensured.

No individual or legal entity can have a majority stake in more than one concession-holder, if the areas covered by his or its radio broadcasting services are substantially the same.

Individuals or legal entities that are nationals or residents of non EU countries cannot own an interest of more than 25 percent in a concession-holder, except where the principle of reciprocity is applicable. Individuals or legal entities resident in EU Member States or countries that have signed the European Economic Area Agreement and Protocol, are treated as Spanish nationals for these purposes. The principle of reciprocity means applying the same rights to a foreigner as those that would apply to a Spanish citizen in the foreigner's home country with respect to investment in radio broadcasting service providers.

Any change in the ownership of shares, equity interests or equivalent securities of concession-holders, and any capital increases where the shares or equivalent securities are not subscribed in the same proportions by the owners of the capital stock, must receive prior authorization from the public authority that granted the concessions.

In addition, the main obligations of concession-holders include most notably the obligation to maintain the technical characteristics of the concession (location, power, frequency and other technical requirements) and the continuous provision of the service (minimum time established in the various pieces of legislation approved by autonomous community governments).

In accordance with State and autonomous community radio broadcasting legislation, a breach of the requirements will be subject to penalties, even including the revocation of the concession.

Additional Provision 6 also establishes that (i) concessions for managing a public radio broadcasting service are granted for a term of ten (10) years and are renewable successively for equal periods of time, unless the concession-holder is in breach of any of the essential obligations of the concession or has been found liable in a final judgment for the violation of a fundamental right (it should be borne in mind that the implementing legislation in certain autonomous communities includes additional conditions such as encouragement of the vernacular and cultural values of the territories in question); and (ii) concessions are transferable, provided that the transferee meets the statutory requirements and, in all cases, subject to prior administrative authorization.

2. Legal regime applicable to the digital terrestrial radio broadcasting service

The legal regime is established in Additional Provision 44 of Law 66/1997 on Tax, Administrative, Labor and Social Security Measures, Royal Decree 1287/1999 establishing the National Technical Plan for Digital Terrestrial Radio Broadcasting, and the Order of July 23, 1999 approving the Technical and Digital Terrestrial Radio Broadcasting Service Provision Regulations. Additionally, digital terrestrial radio broadcasting must conform to Additional Provision 6 of the Telecommunications Law insofar as it applies, in general, to the radio broadcasting service.

The aforementioned legislation provides that the power to grant enabling instruments (administrative concessions) for the provision of this public service lies with the State if the service covers the whole of Spain, or with autonomous community governments if the service covers an autonomous community or local area.

In relation to indirect management of the service by private entities, the Order of July 23, 1999 provides that an individual or legal entity can only hold one concession to operate services where their areas of coverage are substantially the same unless, having regard to the number of concessions granted, the diversity of sources of news is sufficiently assured by the radio broadcasting services on offer. Furthermore, no individual or legal entity can hold a majority interest in several concession-holders where they operate digital terrestrial radio broadcasting services which are substantially the same in the territory covered.

Concessions are awarded for a term of ten years from the date of execution of the administrative agreement, and are renewable successively for equal periods of time by the body that granted them, subject to the same conditions as those established in section 1 above.

On March 10, 2000, ten administrative concessions for the establishment of nationwide frequency networks under indirect management were awarded, one of which was to UNIPREX. A further two concessions were then awarded on November 24, 2000.

III.2.2.3. Intellectual property

The television and radio businesses are subject to Legislative Royal Decree 1/1996 approving the revised Intellectual Property Law (**Intellectual Property Law**)regulating matters concerning intellectual property rights in, inter alia, audiovisual works. The Intellectual Property Law is structured into two very distinct sets of rules: those relating to the declaration of substantive rights and those regulating the protection of those rights. The first set of rules defines, on the one hand, copyright corresponding to authors (the creators of the work) and, on the other hand, related rights acknowledged to certain individuals or legal entities whose involvement is indispensable for the performance, production or dissemination of works created by authors.

As regards the protection of intellectual property rights, the Intellectual Property Law establishes rules on the jurisdictional safeguards for those rights and the legal framework applicable to entities authorized to collectively manage the rights established in that Law.

III.3 INFORMATION ON CAPITAL

III.3.1 Capital stock. Par amount subscribed and paid in

As of the date of registration of this Prospectus, the capital stock of ANTENA 3 TELEVISIÓN was ONE HUNDRED SIXTY-SIX MILLION SIX HUNDRED SIXTY-EIGHT THOUSAND EUROS (166,668,000) and was fully subscribed and paid in.

III.3.2 Calls on capital

There are no outstanding calls on capital.

III.3.3 Classes and series of shares

As of the date of registration of this Prospectus, the capital stock of ANTENA 3 TELEVISIÓN was divided into FIFTY-FIVE MILLION, FIVE HUNDRED FIFTY-SIX THOUSAND (55,556,000) SHARES, each with a par value of THREE EUROS (3), and of one class and series, and conferring the same rights and obligations on their holders. The shares of ANTENA 3 TELEVISIÓN are not subject to any ancillary obligations.

The Bylaws of ANTENA 3 TELEVISIÓN do not contain any provisions on special privileges, powers or duties derived from ownership of the shares.

The shares are represented by book entries and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) and its participating entities are responsible for keeping an accounting record of the shares.

III.3.4 Changes in capital stock over the last three years

The capital stock of ANTENA 3 TELEVISIÓN was not modified in 2000, 2001 or 2002.

The Shareholders Meeting on August 29, 2003 resolved to adjust the par value of the shares by a ratio of 1 to 3 for all of the shares of ANTENA 3 TELEVISIÓN and, consequently, it was resolved to multiply the par value of the shares by three, as a result of which the par value per share was increased from ONE EURO (1) to THREE EUROS (3) while, at the same time, the number of shares was divided by 3, thereby not giving rise to any variation in the amount of the capital stock.

In light of the foregoing, the capital stock is divided into FIFTY-FIVE MILLION, FIVE HUNDRED FIFTY-SIX THOUSAND (55,556,000) shares, each with a par value of 3, and all belonging to the same class and series.

III.3.5 Issues of convertible or exchangeable bonds or of bonds with warrants

As of the date of registration of this Prospectus, ANTENA 3 TELEVISIÓN had not issued convertible or exchangeable bonds or bonds with warrants,

Additionally, as of the date of verification of this Prospectus, no authority had been given to the Board of Directors by the Shareholders Meeting to issue such bonds.

III.3.6 Securities representing advantages for founders and promoters

ANTENA 3 TELEVISIÓN has not issued any securities that represent advantages for the founders or promoters, or founder s shares.

III.3.7 Authority from the Shareholders Meeting. Authorized capital

As of the date of verification of this Prospectus, there was no authority from the Shareholders Meeting for the Board of Directors to increase capital stock.

III.3.8 Bylaw conditions for altering capital stock and the respective rights attaching to the shares

The Bylaws of ANTENA 3 TELEVISIÓN do not impose any special conditions for capital increases other than those generally provided for in the Spanish Corporations Law.

III.4 TREASURY STOCK

As of the date on which this Prospectus was prepared, the treasury stock held by ANTENA 3 TELEVISIÓN amounted to 481,502 shares, with a total par value of 1,444,506, representing 0.866% of its capital stock, and at a cost of 2,933,063.70, which is an amount equal to the restricted reserve recorded by the Company.

In 2000, 2001 and 2002, and between January 1, 2003 and the date of verification of this Prospectus, no transactions involving treasury stock were performed other than the acquisition of six (6) old shares from certain shareholders of the Company in order to facilitate the process of adjusting the par value of the shares.

On August 29, 2003, the Shareholders Meeting granted the Board of Directors of the Company an authority, in conformity with Article 75 of the Spanish Corporations Law, to proceed between the date of the Meeting and the date of the next Annual Shareholders Meeting with the derivative acquisition, whether directly or through any of its subsidiaries and whether by way of purchase or by any other legally accepted means, of a number of shares of treasury stock which, when added to those held from time to time by the Company and its subsidiaries, does not exceed 5% of the capital stock of ANTENA 3 TELEVISIÓN, at a price ranging from the par value of the shares and an amount equal to the average market price of the shares in the five days immediately before the purchase, subject to a maximum increase of 5% in such average value, market price meaning for these purposes the highest price achieved on each of the five days, all subject to the statutory limits and requirements.

III.5 INCOME AND DIVIDENDS

Section II.13.2. of Chapter II sets forth data on the income obtained and distributed by ANTENA 3 TELEVISIÓN.

III - 10

III.6 GROUP OF COMPANIES

III.6.1. Main subsidiaries and investees of ANTENA 3

As of the date of verification of this Prospectus, the ANTENA 3 Group comprised the following companies:

III - 11

III - 12

As of the date of verification of this Prospectus, ANTENA 3 TELEVISIÓN does form part of any group of companies.

III.6.2. Basic information on the subsidiaries of ANTENA 3 TELEVISIÓN

The following pages contain tables setting forth basic information on the investees of ANTENA 3 TELEVISIÓN as of December 31, 2002, indicating, inter alia, their name, registered office, the direct or indirect holding of the Company, their capital stock, reserves, and the net value of the holding per the books of the parent company.

Companies included in the scope of consolidation

Holdings of ANTENA 3 TELEVISIÓN, S.A. (Data as of December 31, 2002)

Thousands of Euros

Corporate Name	Registered Office	Consolidation Method	Business	Holding of ANTENA 3 TELEVISIÓN		Net Income (Loss)	Capital Stock	Reserves / Other Equity	Underlying Book Value of Holding	Cost per Books of ANTENA 3	Net Book Value of Holding as of December 31, 2002 (Euro)
				Direct	Indirect						
Antena 3 Directo, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Full	TV home shopping	100%		(9,961)	17,580	(2,693)	4,926	18,138	5,000
Comvierecord, S.A.	Calle Martires de Alcalá 4, Madrid	Full	Advertising in cinemas	100%		(3,788)	801	5,513	2,526	18,006	7,000
Versiones Valores Muebles, S.L.	Calle Gran Capitan 2-4, Edificio Nexus ,planta 1º Barcelona	Full	Portfolio company	84.60%		(606)	5	(2)	(605)	9,534	5,000
Antena 3 Producciones, S.A.	JR Nazca 704, Jesús María, Lima 11	Full	Audiovisual productions	99.96%	0.04%	240	2,922	227	3,389	6,343	5,000
Antena 3 Temática, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Full	Audiovisual productions	100%		146	998	1,231	2,375	2,784	2,000
Empunet Servicios Temáticos, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Full	Internet	34%	66%	(213)	6	(728)	(936)	2,404	
Magatrix, S.A.	Avda. Isla Graciosa s/n San Sebastián de los Reyes	Full	Audiovisual productions	100%		98	2,250	(1,324)	1,024	2,250	1,000
Sueño Films, S.L.	Avda. Isla	Full	Audiovisual productions	100%		(1,262)	1,804	(345)	196	1,803	

Edgar Filing: TELEFONICA S A - Form 6-K

tena 3 Internacional, Inc.	Graciosa s/n San Sebastián de los Reyes	Not included in scope of consolidation	Portfolio company	100%	n/a	2,321	(1,839)	n/a	1,676	4
	1200 Brickell Ave. Suite 16020 Delaware. Miami									

Edgar Filing: TELEFONICA S A - Form 6-K

Antena 3 Castilla-León, S.A.	Edi. Multimedia Promecal c/Los Astros s/n Valladolid	Full	Audiovisual productions	60%	(28)	2,100	(627)	1,445	1,260	867
Publicidad 3, S.A.	Avda. Isla Graciosa s/n San Sebastián de los Reyes	Full	Advertising and radio broadcasting services	100%	(23,074)	60	148	(22,866)	505	0
Antena 3 Peru, S.A.	JR Nazca 704, Jesús María, Lima 11	Full	Television	99.99%	0.001	(12)	3,016	(264)	2,740	3,128 2,745
Nova Televisió, S.A.	Calle Gremi Salleters i Basters, 14	Full	Audiovisual productions	51%	108	481	292	881	245	245
Guadiana Producciones, S.A.	Palma de Mallorca Fuerteventura 12, San Sebastián de los Reyes	Full	Audiovisual productions	100%	72	60	1,036	1,168	66	66
Antena 3 Editorial, S.A.	Avda. Isla Graciosa s/n San Sebastián de los Reyes	Full	Management of rights	100%	607	60	376	1,043	60	60
Total holdings in group companies									68,202	26,170
Canal Factoría de Ficción, S.A.	Crta. Fuencarral-Alcobendas Km 12.450	Not included in scope of consolidation	Production of fiction programs	40%	n/a	600	548	n/a	240	240
Total holdings in associated companies									240	240
Canal Satélite Digital, S.L.	Ad. De los Artesanos, 6. Tres Cantos Madrid	Not included in scope of consolidation	Digital television	2.25%	(10,106)	285,885	(83,420)	192,359	11,145	3,430
T.V.I. Televisão Independente, S.A.	Rua Mario Castelhana, 40 Queluz de Baixo, 2749-502. Barcarena	Not included in scope of consolidation	Television	0.001	n/a	65,810	n/a	n/a	2,016	0
Media Park, S.A.	Pol. Industrial 1, c/Bullido s/n, Sant Just Desvern	Not included in scope of consolidation	Thematic producer	0.944%	(27,913)	45,245	27,237	44,569	1,142	421

Total other holdings	14,303	3,851
SUM OF THE COSTS AND NET VALUES OF HOLDINGS IN GROUP COMPANIES PER THE BOOKS OF ANTENA 3 TELEVISIÓN	82,745	30,261

The net value of holdings in the Group Companies in the above tables, per the books of ANTENA 3 TELEVISIÓN (30,261 thousand euros), matches the amount per the individual financial statements of ANTENA 3 TELEVISIÓN under the caption Long-Term Investments : 237,909 net of Long-Term Loans : 207,512 and Long-Term Guarantees Given : 137.

Holdings of ANTENA 3 DIRECTO, S.A. (Data as of December 31, 2002)

Thousands of Euros

Corporate Name	Registered Office	Consolidation Method	Business	Holding of ANTENA 3 DIRECTO		Net Income (Loss)	Capital Stock	Reserves / Other Equity	Underlying Book Value of Holding	Cost per Books of ANTENA 3 DIRECTO	Net Book Value of Holding as of December 31, 2002 (Euros)
				Direct	Indirect						
A3D Chile Holdings, S.A. (*)	Av. Presidente Eduardo Frei Montalva, 6001. Santiago	Full	Portfolio company	99.9%		(230)	2,462	(243)	1,989	2,326	1,806
A3D Chile, S.A. (*)	Av. Presidente Eduardo Frei Montalva, 6001. Santiago	Full	TV home shopping		69.93%	(78)	2,322	(185)	2,060	1,999	1,999
Trading Team, S.L.	Parque Industrial Do Batel, lote 1-A, Frequesia de Alcochete	Full	TV home shopping	80%		854	30	153	1,037	1,596	1,062

Holdings of PUBLICIDAD 3, S.A.

(Data as of December 31, 2002)

Corporate Name	Holding of <u>PUBLICIDAD 3</u>						Reserves /	Underlying	Cost per books of PUBLICIDAD 3	December 2002	
	Registered	Consolidation	Business	Direct	Indirect	Net Loss	Capital	Other			Book Value of
	Office	Method					Stock	Equity			Holding
, S.A. (*)	Calle Ortega y Gasset 22- 24 Madrid	Full	Radio broadcasting services	100%		(23,982)	43,391	(26,503)	(7,094)	153,964	
le Radiodifusión, S.A. (*)	Calle Ortega y Gasset 22- 24 Madrid	Full	Radio broadcasting services	100%		(225)	601	(874)	(498)	9,272	

Main Holdings of UNIPREX, S.A. and ANTENA DE RADIODIFUSIÓN, S.A.

(Data as of December 31, 2002)

Corporate Name	Holding of UNIPREX <u>GROUP</u>						Reserves /	Underlying	Cost per	December 2002
	Registered	Consolidation	Business	Direct	Indirect	Net Income	Capital	Other	Books of	
	Office	Method				(Loss)	Stock	Equity	Holding	
Universal Emisoras de manecer, S.A.	C/ Jose Ortega y Gasset 22- 24- Madrid	Not included in scope of consolidation	Radio station	100%		(4)	3,846	(2,922)	920	0
ción Radiofónica Castilla A.	C/ Francisco Hernández Pacheco, 14. Valladolid	Not included in scope of consolidation	Radio station	50%		(23)	60	3	40	30
ero Ramblas, S.L.	Av. Diagonal, 441. Barcelona	Not included in scope of consolidation	Radio station	40%		291	601	580	1,472	2,104

Holdings of ANTENA 3 TELEVISIÓN Group in dissolution

(Data as of December 31, 2002)

Corporate Name	Registered Office	Consolidation Method	Business	Holding of		Net Income (Loss)	Capital Stock	Reserves / Other Equity	Underlying Book Value of Holding	Cost per Books of ANTENA 3	Net Book Value of Holding as of Decem ber 31, 2002 (Euro)
				ANTENA 3							
				Direct	Indirect						
ANTENA 3 Interactiva, S.A.	Fuerteventura San Sebastián de los Reyes	Not included in scope of consolidation	Internet	100%		(2,508)	8,415	(9,541)	(3,634)	8,415	
ANTENA 3 Comunicación Interactiva, S.A.	Fuerteventura San Sebastián de los Reyes	Not included in scope of consolidation	Organization and management of events	100%		(582)	301	(873)	(1,154)	3,652	
ANTENA 3 Iniciativas Económicas, S.A.	Fuerteventura San Sebastián de los Reyes	Not included in scope of consolidation	TV sales management	100%		(127)	3,516	(1,129)	2,260	3,516	
ANTENA 3 Imagen, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Not included in scope of consolidation	Merchandising	100%		(407)	60	110	(237)	90	
ANTENA 3 Media, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Not included in scope of consolidation	Sale of technology		100%	(49)	60	(17)	(6)	60	
ANTENA 3 Max Emisiones Visuales, S.A.	Fuerteventura 12, San Sebastián de los Reyes	Not included in scope of consolidation	Audiovisual productions		100%	178	60	(67)	171	3,636	

III.6.2. Corporate transactions at Group companies since January 1, 2003

The following table outlines the main corporate transactions performed since January 1, 2003, and describes in further detail the transactions in the table as well as other transactions still underway.

ANTENA 3 TELEVISIÓN

<u>Corporate Transaction</u>	<u>Since January 1, 2003</u>
Acquisition of holding, or capital increase	Nova Televisió, S.A.
Sale of holding	Usandizaga Canal y Asociados, S.A.
	Sprayette
Dissolution/Liquidation	Gestión de Telecomunicaciones 20002, S.L.U.
	Productora de Televisión de Aragón, S.A.U.
	Traherpa, S.L.U.
	Battres Comunicación Alternativa, Canarias, S.A.U.
	Cinemagazine, S.A.U.
	Producciones Below the Screen, S.L.U.
	Antena 3 Iniciativas Comerciales, S.A.U.
	Antena 3 Interactiva, S.A.U.
	Arbatax Emisiones Audiovisuales, S.A.U.
	Licencias e Imagen, S.A.U.
	Megamundi, S.A.
	Equalia Turf, S.A.
	Digimedia Extremadura, S.A.
	Antena 3 International, Inc.

UNIPREX

<u>Corporate Transaction</u>	<u>January September 2003</u>
------------------------------	-------------------------------

Edgar Filing: TELEFONICA S A - Form 6-K

Acquisition of holding, or capital increase	Corporación Radiofónica Información y Deporte, S.L.
	Canal Media Radio, S.A.
Dissolution/Liquidation	Corporación Radiofónica Castilla-La Mancha
	Cadena Voz de Burgos, S.L.
	Corporación Radiofónica Regional de Murcia, S.A.
	Corporación Radiofónica de Castilla y León, S.A.

ANTENA 3 TELEVISIÓN

Corporate transactions since January 1, 2003

Nova Televisió, S.A.

A deed was executed on May 13, 2003, recording a resolution to increase its capital stock by 420,714, by issuing and allotting 700 new registered shares, each with a par value of 601.02.

Gestión de Telecomunicaciones 2000, S.L., Sole-Shareholder Company

A deed was executed on December 19, 2002, recording a resolution to dissolve the company and transfer en bloc its assets and liabilities to ANTENA 3 TELEVISIÓN. The deed was registered at the Mercantile Registry on January 29, 2003.

Productora Televisión de Aragón, S.A., Sole-Shareholder Company

A deed was executed on December 17, 2002, recording a resolution to simultaneously dissolve and liquidate the company. The deed was registered at the Mercantile Registry on March 10, 2003.

Traherpa, S.L., Sole-Shareholder Company

A deed was executed on December 11, 2002, for the dissolution of the company and the transfer of en bloc its assets and liabilities to ANTENA 3 TELEVISIÓN. The deed was registered at the Mercantile Registry on February 21, 2003.

Equalia Turf, S.A.

A deed for the liquidation of the company was executed on May 10, 2002. The deed was registered at the Mercantile Registry on July 25, 2003.

Battres Comunicación Alternativa, Canarias, S.A., Sole-Shareholder Company

A deed was executed on January 23, 2003, for the simultaneous dissolution and liquidation of the company. The deed was registered at the Mercantile Registry on April 5, 2003.

Cinemazine, S.A., Sole-Shareholder Company

A deed was executed on December 19, 2002, for the simultaneous dissolution and liquidation of the company. The deed was registered at the Mercantile Registry on January 30, 2003.

Producciones Below the Screen, S.L., Sole-Shareholder Company

A deed was executed on April 1, 2003, recording a resolution to simultaneously dissolve and liquidate the company. The deed was registered at the Mercantile Registry on April 22, 2003.

Antena 3 Iniciativas Comerciales, S.A., Sole-Shareholder Company

A deed was executed on December 17, 2002 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on January 30, 2003.

Antena 3 Interactiva, S.A., Sole-Shareholder Company

A deed was executed on December 17, 2002 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on January 30, 2003.

Arbatax Emisiones Audiovisuales, S.A., Sole-Shareholder Company

A deed was executed on December 17, 2002 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on January 30, 2003.

Licencias e Imagen, S.A., Sole-Shareholder Company

A deed was executed on March 6, 2003 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on April 2, 2003.

Megamundi, S.A.

A deed was executed on October 4, 2002 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on January 17, 2003.

Digimedia Extremadura, S.A.

A deed was executed on July 15, 2003 for the dissolution of the company. The deed is pending registration at the Mercantile Registry.

Antena 3 Internacional, INC

The Company has started the procedures for the dissolution and liquidation of this US company.

Furthermore, in 2002 and 2003 ANTENA 3 TELEVISIÓN made short-term investments in the following companies:

Usandizaga Canal y Asociados, S.A.

Under a deed of sale dated April 25, 2003, ANTENA 3 TELEVISIÓN sold its holding (15%) in this company for 6,000, resulting in a capital loss of 535,000.

Sprayette

Under an agreement dated May 14, 2003, ANTENA 3 DIRECTO, S.A., Sole-Shareholder Company sold its entire holding in the Argentinean company for 875,505, resulting in a capital loss of 11,950,256.

Corporate transactions by investees

UNIPREX

Corporación Radiofónica Información y Deporte, S.L.

A public deed was executed on December 16, 2002 for a capital increase of 471,480 by way of debt capitalization, through the issuance of 47,148 shares, each with a par value of 10, and additional paid-in capital of 1,885,898.46. UNIPREX subscribed and paid in full the par value and additional paid-in capital relating to 23,574 shares by capitalizing all of its financial claims against the company.

Canal Media Radio, S.A.

A share purchase agreement was executed on September 19, 2002 whereby UNIPREX, S.A. acquired all the capital stock of Canal Media Radio, S.A. (formerly Canal Mundo Radio, S.A.) and Radio Media Galicia, S.L. The acquisition was subject to the authorization by the Central Government and the Autonomous Community Government as the case may be.

Canal Media Radio, S.A. wholly owns Canal Radio Valencia, S.A. and has entered into a number of commitments to wholly acquire Canal Radio Madrid, S.A., Canal Radio Baleares, S.A., Canal Radio Castilla-León, S.A. and Canal Radio Aragón, S.A. for a total amount of euros 12,000.

Corporación Radiofónica de Castilla- la Mancha, S.A.

On May 19, 2003, the Special Shareholders Meeting of the company resolved to dissolve the company, effective May 31, 2003. A public deed recording this resolution was executed on September 5, 2003 but has yet to be registered at the Mercantile Registry.

Corporación Radiofónica de Castilla-León, S.A.

Pursuant to an agreement between the shareholders of the company dated July 16, 2002, the shareholders agreed to adopt a resolution to dissolve and liquidate the company, effective August 31, 2002. Any such resolution has yet to be adopted by the Shareholders Meeting.

Cadena Voz de Burgos, S.L.

A public deed was executed on February 11, 2002 for the dissolution of the company and the appointment of a liquidator. The deed was registered at the Mercantile Registry on April 30, 2002.

Corporación Radiofónica Regional de Murcia, S.A.

On February 19, 2002, it was resolved to dissolve the company.

CHAPTER IV

MAIN BUSINESS ACTIVITIES OF THE ISSUER

CONTENTS

IV.1. GENERAL POSITIONING

- IV.1.1. General description of the businesses in which the ANTENA 3 Group operates
- IV.1.2. The advertising market in Spain
- IV.1.3. Organizational structure
- IV.1.4. Main financial aggregates for 2000, 2001 and 2002
- IV.1.5. Terminology and information sources

IV.2. ANTENA 3 TELEVISIÓN

- IV.2.1. Background
- IV.2.2. The television market in Spain. Competitors
- IV.2.3. Commercial activities of ANTENA 3 TELEVISIÓN
- IV.2.4. Programming and production of ANTENA 3 TELEVISIÓN
- IV.2.5. Broadcasting and transmission system
- IV.2.6. Description of the main items making up the cost of ANTENA 3 TELEVISIÓN products
- IV.2.7. Main commercial, industrial and services centers

IV.3. RADIO

- IV.3.1. Introduction and background
- IV.3.2. Organization of the radio business
- IV.3.3. Market and competitors
- IV.3.4. Commercial activities of UNIPREX
- IV.3.5. Radio programming
- IV.3.6. Transmission and broadcasting of radio signals
- IV.3.7. Description of the main items making up the costs of UNIPREX products
- IV.3.8. Main operating centers

IV.4. OTHER BUSINESS ACTIVITIES

- IV.4.1. Movierecord Cine, S.A.
- IV.4.2. ANTENA 3 Directo Group
- IV.4.3. ANTENA 3 Producciones
- IV.4.4. Guadiana Producciones

IV.4.5. Ensueño Films, S.L.

IV.4.6. Other companies

IV.5. CONDITIONING CIRCUMSTANCES

IV.5.1. Seasonality of the business

IV.5.2. Dependence on suppliers

IV.5.3. Dependence of the ANTENA 3 Group on intellectual property rights, patents and trademarks

IV.5.4. Litigation and arbitration

IV.5.5. Interruption of the business activities of the ANTENA 3 Group

IV.5.6. Special regulations

IV.5.7. Dependence on administrative concessions

IV.5.8. Subsidies

IV.5.9. Insurance policy

IV.6. LABOR INFORMATION

IV.6.1. Average number of employees

IV.6.2. Collective bargaining

IV.6.3. Personnel incentives policy

IV.6.4. Training

IV.7. INVESTMENT POLICY

CHAPTER IV

MAIN BUSINESS ACTIVITIES OF THE ISSUER

IV.1. GENERAL POSITIONING

IV.1.1. General description of the businesses in which the ANTENA 3 Group operates

Antena 3 de Televisión, S.A. (ANTENA 3 TELEVISIÓN) was incorporated on June 7, 1988, and its then sole corporate purpose was the indirect management of a public television service.

ANTENA 3 TELEVISIÓN submitted a bid in response to the public call for tenders made in accordance with Private Television Law 10/1988, and was awarded a concession for the indirect management of the public television service. This concession was awarded for a term of ten years pursuant to a resolution of the Spanish Council of Ministers on August 25, 1989.

ANTENA 3 TELEVISIÓN started broadcasting in December 1989, although it officially commenced operations in January 1990. It was the first private network to go on air.

On October 19, 1999, ANTENA 3 TELEVISIÓN applied for the renewal of the concession for a further ten years. The concession was renewed for this period of time pursuant to a resolution of the Spanish Council of Ministers on March 10, 2000, which was made public through a Resolution of the Secretariat-General of Communications dated March 10, 2000. The renewal of the concession gave rise, inter alia, to the obligation to commence digital broadcasting from April 3, 2002. In this connection, ANTENA 3 TELEVISIÓN made the necessary investments and started digital broadcasting by that date.

Apart from its television activities, since 1993 ANTENA 3 TELEVISIÓN has been implementing a diversification strategy, either directly or through companies in its Group (the ANTENA 3 Group), aimed at providing it with additional sources of growth. This diversification strategy was intensified in 1998 in view of the prospects offered by the pay TV and Internet businesses and the strength of the advertising market.

Thus, in addition to its television business in the strict sense, the business activities in which the ANTENA 3 Group engages may be grouped together as follows:

Radio

On September 10, 2002, the purchase and sale agreement whereby Publicidad 3, S.A., a subsidiary of ANTENA 3 TELEVISIÓN that owns several radio stations, acquired all the shares of UNIPREX, S.A. (UNIPREX) and Cadena Voz de Radiodifusión, S.A. (now ANTENA de

Edgar Filing: TELEFONICA S A - Form 6-K

Radiodifusión, S.A.), which operate under the ONDA CERO trade name, was executed in a public deed. As a result, the ANTENA 3 Group now holds various concessions to provide public radio broadcasting services. As in the case of television, the radio business unit makes most of its revenues by managing the advertising inserted in its broadcasts.

Advertising in cinemas

This business, which is carried on through the subsidiary Movierecord Cine, S.A., manages the advertising shown in cinemas before each film showing.

Telesales and telemarketing

Antena 3 Directo, S.A. (in Spain), Trading Team, S.L. (in Portugal) and Antena 3 Directo Chile, S.A. (in Chile) engage mainly in the sales of a large number of products via television.

Film production and advertising

Through Ensueño Films, S.L. and Guadiana Producciones, S.A. the ANTENA 3 Group produces and manages feature films and advertising spots.

Other investments

These investments include equity investments in other companies such as Canal Satélite Digital, S.L. (2.25%), Televisao Independiente de Portugal (0.001%) and Mediapark (0.94%).

As can be seen, the ANTENA 3 Group's main business activities are very closely tied to the trend in advertising expenditure, from which the Group companies obtain the greatest proportion of their revenues.

IV.1.2. The advertising market in Spain

In 2002 total advertising expenditure in Spain amounted to approximately 11,708 million.

Following is a detail of the trend in advertising expenditure in Spain and of the percentages of total advertising expenditure represented by each medium:

(Amounts in Millions of Euros)	2002	%	2001	%	2000	%	1999	%	1998	%
Daily newspapers	1,531.2	28.3%	1,593.8	29.1%	1,692.1	29.2%	1,529.9	29.3%	1,327.1	30.2%
Sunday supplements	106.8	2.0%	111.3	2.0%	116.6	2.0%	108.6	2.1%	103.4	2.4%
Magazines	590.1	10.9%	619.9	11.3%	618.4	10.7%	566.8	10.9%	526.5	12.0%
Radio	484.9	9.0%	489.5	9.0%	501.8	8.7%	465.9	8.9%	411.2	9.4%
Cinema	45.3	0.8%	44.6	0.8%	55.2	1.0%	42.4	0.8%	35.4	0.8%
TV	2,184.6	40.4%	2,150.9	39.3%	2,323.6	40.1%	2,107.7	40.4%	1,789.4	40.8%
Billboards	408.7	7.6%	406.5	7.4%	426.4	7.4%	386.2	7.4%	198.0	4.5%
Internet	52.2	1.0%	51.6	0.9%	53.4	0.9%	15.0	0.3%	0.0	0.0%
Conventional media subtotal	5,403.8	100.0%	5,468.1	100.0%	5,787.5	100.0%	5,222.7	100.0%	4,391.0	100.0%
Subtotal as a % of total advert. expenditure		46.2%		46.8%		49.1%		48.7%		48.2%
Non-conventional media subtotal and subtotal as a % of total advert. expenditure	6,303.9	53.8%	6,211.6	53.2%	6,009.6	50.9%	5,492.6	51.3%	4,716.4	51.8%
Total advertising	11,707.7	100.0%	11,679.7	100.0%	11,797.1	100.0%	10,715.3	100.0%	9,107.5	100.0%

Source: Infoadex

Advertising expenditure grew steadily in the period from 1996 to 2000, recovering after the recession at the beginning of the nineties. This growth was due to various factors, such as the economic situation in Spain and Spain's progressive Europeanization, the deregulation of certain industries (telecommunications), the development and spread of new technologies (the Internet) and the emergence of new types of television (cable, digital, local, etc.). This trend was broken in 2001, with a slight fall of 1% and a slight increase of 0.24% in 2002 to give total advertising expenditure of 11,708 million in that year.

It should be noted that the television sector grew constantly in the period from 1989 to 1990, a period in which certain regional (autonomous community) and private television channels commenced operations. However, in 2001 and 2002 television advertising expenditure dropped. Between 1999 and 2000 television grew as a receiver of advertising expenditure by 10.7% between 1999 and 2000, only to drop back by 7.43% between 2000 and 2001, going on to grow by 1.6% between 2001 and 2002. According to Sofres, Spain has one of the highest rates of television watching in the European Union and, accordingly, the use of television as an advertising medium is highly attractive (source: Infoadex).

Edgar Filing: TELEFONICA S A - Form 6-K

Historically, the radio's role as a means of entertainment and social communication has been more significant in Spain than in other European countries. This was due, among other factors, to the relatively late introduction of television and the slow deployment of its national coverage. Today, the role of the radio has changed significantly and currently tends to be listened to while people are engaged in other daily activities, whereas the television is the most widely consumed medium. Radio advertising expenditure grew by 7.7% between 1999 and 2000, fell by 2.45% between 2000 and 2001 and then fell slightly by 0.94% between 2001 and 2002 (source: Infoadex).

Advertising in cinemas has been consolidated and has increased in recent years, benefiting from the general rise in consumption of cinema and other leisure products in Spain. Advertising expenditure increased by 30.1% between 1999 and 2000, dropped by 19.3% between 2000 and 2001 and then rose by 1.66% between 2001 and 2002 (source: Infoadex).

IV-4

IV.1.3. Organizational structure

As mentioned above, the ANTENA 3 Group is structured in various business units in which the Group companies are included on the basis of the business activities carried on by them.

The organizational structure of the ANTENA 3 Group's various business units at the date on which this Prospectus was approved is as follows:

The full corporate structure of the ANTENA 3 Group's investments, showing the percentage of ownership of the capital of each of the companies, is shown in Chapter III of this Prospectus.

IV.1.4. Main financial aggregates for 2002, 2001 and 2000

In this section the main consolidated financial data of the ANTENA 3 Group for the last three fiscal years are analyzed. The audited information relating to 2002 is shown in **Exhibit I** to this Prospectus. Chapter V contains an extract of the most significant aspects of the following information:

STATEMENTS OF OPERATIONS

(thousands of euros)	2002	2001	2000
Net sales	636,688	584,366	667,282
Gross sales	697,890	644,928	720,023
Sales discounts	(61,202)	(60,562)	(52,741)
Increase in inventories	0	530	2,636
Other revenues	33,964	51,182	33,363
Net revenues	670,652	636,078	703,281
Program and other amortization	308,627	232,256	280,135
Personnel expenses	141,123	118,399	105,831
Rent and royalties	40,335	25,766	27,672
Other current operating expenses	130,291	146,272	90,866
Taxes other than income tax	1,263	3,088	662
Depreciation and amortization expense	28,131	20,967	16,792
Variation in operating allowances	6,050	3,541	1,058
Total operating expenses	655,820	550,289	523,016
Operating income	14,832	85,789	180,265
Financial income (loss)	(5,273)	149	(1,757)
Exchange differences	1,108	(2,723)	577
Amortization of goodwill	14,568	7,881	3,474
Income from (Loss on) ordinary activities	(3,901)	75,334	175,610
Extraordinary loss	(41,596)	(13,631)	(234)
Consolidated income (loss) before taxes	(45,497)	61,703	175,376
Corporate income tax	(15,590)	13,698	52,065
Consolidated income (loss) for the year	(29,907)	48,005	123,311
Income (Loss) attributed to minority interests	130	(48)	67
Income (Loss) for the year attributed to the Parent Company	(30,037)	48,053	123,244

Edgar Filing: TELEFONICA S A - Form 6-K

BALANCE SHEETS <i>(thousands of euros)</i>	2002	2001	2000
Start-up expenses	21,678	1,431	1,092
Intangible assets	15,323	14,551	9,386
Tangible fixed assets	137,412	127,106	128,328
Long-term investments	21,448	12,418	6,593
Treasury stock	2,933	2,933	2,933
Prepaid taxes	7,183	5,498	7,440
Total fixed and other noncurrent assets	205,977	163,937	155,772
Consolidation goodwill	144,743	24,913	30,400
Deferred charges	1,847	12	10
Inventories	304,950	317,568	303,156
Accounts receivable	221,158	195,003	210,407
Short-term investments	28,220	27,689	18,176
Cash	7,471	23,805	13,206
Accrual accounts	3,535	3,827	7,504
Total current assets	565,334	567,892	552,449
TOTAL ASSETS	917,901	756,754	738,631
Capital stock	166,668	166,668	166,668
Reserves	291,178	342,506	294,951
Total shareholders equity	457,846	509,174	461,619
Minority interests	1,989	1,745	877
Deferred revenues	0	1	29
Provisions for contingencies and expenses	18	282	0
Long-term payables to credit institutions	128,721	3,062	67
Other long-term payables	4,863	7,105	3,933
Total long-term debt	133,584	10,167	4,000
Short-term payables to credit institutions	21,724	2,645	19,648
Trade accounts payable	168,106	151,436	182,725
Payable to Group and associated companies	45,769	12,066	15,536
Customer advances	2,090	2,664	809
Taxes payable	12,304	10,238	16,913
Other nontrade payables	10,285	15,278	4,800
Other provisions	63,469	39,559	28,830
Accrual accounts	717	1,499	2,845
Total current liabilities	324,464	235,385	272,106
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	917,901	756,754	738,631

Edgar Filing: TELEFONICA S A - Form 6-K

The detail of net revenues by business unit is showed in the following tables:

	2002			2001			2000	
	Revenues	% of Revenues	% Variation 2002/2001	Revenues	% of Revenues	% Variation 2001/2000	Revenues	% of Revenues
Television	534,081	79.64%	(2.93)%	550,210	86.50%	(10.67)%	615,962	87.58%
Radio	76,546	11.41%						
Other activities	60,025	8.95%	(30.10)%	85,868	13.50%	(1.66)%	87,319	12.42%
Total consolidated revenues	670,652	100.00%	5.44%	636,078	100.00%	(9.56)%	703,281	100.00%

The radio business (UNIPREX and Antena de Radiodifusión) became part of the ANTENA 3 Group in 2002. In 2001 and 2000 the radio business was carried on exclusively by Publicidad 3, which did not generate any income, due that its six concessions were assigned to UNIPREX, being conditioned to the payment of the consideration of the stations results.

The detail of consolidated EBITDA for 2002, 2001 and 2000 is as follows:

	2002			2001			2000	
	EBITDA	% of EBITDA	% Variation 2002/2001	EBITDA	% of EBITDA	% Variation 2001/2000	EBITDA	% of EBITDA
Antena 3 Televisión	52,874	123.07%	(51.17)%	108,288	101.44%	(44.70)%	191,236	97.05%
RADIO	(3,601)	(8.38)%	n.a.	(7)	(0.01)%	-40%	(5)	0
Other activities	(6,310)	(14.69)%	n.a.	(1526)	(1.43)%	(24.17)%	5,826	2.96%
Total consolidated EBITDA	42.963	100%	(59.56)%	106.755	100%	(45.83)%	197.057	100%

The detail, by line of business (Television, Radio AND Other Activities), of the variations in 2000, 2001 and 2002 in the ANTENA 3 Group's various sources of revenues is as follows:

	2002			2001			2000	
	Income	Income %	% Variation 2002/2001	Income	Income %	% Variation 2001/2000	Income	Income %
Net Advertising Sales	582,327	86.83%	9.97%	529,509	83,25%	(12,92)%	608,068	
Television	507,249	75.64%	(2.59)%	520,736	81.87%	(10.53)%	582,027	86,46%
Radio	71,323	10.63%	100,00%		n.a.	n.a.		82,76%
Other activities	3,755	0.56%	(57.20)%	8,773	1,38%	(66,31)%	26,041	n.a.
Other sales	54,361	8.11%	(0.90)%	54,856	8,62%	(7,36)%	59,215	3,70%
Other activities	54,361	8.11%	(0.90)%	54,856	8,62%	(7,36)%	59,215	8,42%
Other revenues	33,964	5.06%	(34.32)%	51,713	8,13%	43,65%	35,999	8,42%

Edgar Filing: TELEFONICA S A - Form 6-K

Television	26,832	4.00%	(8.96)%	29,474	4,63%	(13,15)%	33.936	5,12%
Radio	5,223	0.78%	100.00%		n.a.	n.a.		4,83%
Other activities	1,909	0.28%	(91.42)%	22,238	3,50%	977,94%	2.063	n.a.
Total sales	670.652	100.00%	5.44%	636,078	100,00%	-9,56%	703,281	0,29%

IV-8

ANTENA 3 Group develops its activities in the advertisement industry. The source of income of the main business lines (television, radio and cinema) is the selling of advertisement space.

The selling of advertisement space represents 87% of ANTENA 3 Group total income. From this figure, Television is the major player with a contribution of 75,6%, followed by Radio which contributes with 10,6%. The remaining activities generate only 0,56% of the total income.

In addition to advertisement sales, ANTENA 3 Group income comes from the sales generated by another activities such as catalogue sales and Teletienda, both developed by Antena 3 Directo. These activities have generated 8,1% of the total income. Additionally, ANTENA 3 Group obtains other income through the television business line that represents 4% of the total income, such as audiotext, teletext, direct marketing, and the sales of own productions.

The above mentioned income, depend in great deal of the audience share of the media (specially television and radio) and the advertisement expenses that advertisers expect in connection to expenditure figures. Therefore, total income is very sensitive to changes in the Spanish economy, since it has a major influence in the advertisement business.

In this sense, Spanish Economy positive outlook, added to a remarkable evolution of the advertisement industry have meant that advertisement sales have been increasing constantly up to 2000. In 2001, the upward trend came to a halt due to the general economic crisis, that advertisement industry suffered especially, and as a result ANTENA 3 audience share got significantly reduced. This situation got slightly better in 2002, with the recovery of the advertisement industry, although ANTENA 3 market share remains in line with the audience levels.

IV.1.5. Terminology and information sources

a) Terminology

AUDIENCE: Number of individuals who view/listen to/read a given medium.

AUDIENCE (Television): Number of persons over four years of age who watch television at a given time.

AUDIENCE (Radio): Number of listeners on an average day specifying on a half-hourly basis, starting at 6 a.m. one day and ending at 6 a.m. the following day.

CUMULATIVE AUDIENCE (Radio): Number of individuals, expressed in absolute terms or as a percentage of all listeners, who state that they listen to a given station for at least half an hour.

Edgar Filing: TELEFONICA S A - Form 6-K

AVERAGE AUDIENCE (Radio): Average number of individuals (expressed in absolute terms or as a percentage of all listeners) who have listened to a given station for a specific period of time. This is calculated by weighting each listener by his or her listening time.

ADVERTISING COVERAGE: Percentage of the target audience that has seen an advertisement at least once in a given period of time.

SPOTS (Radio): Advertisements that are broadcast during programs.

SHARE OF ADVERTISING EXPENDITURE: Percentage of advertising expenditure earmarked for a given medium.

ENG: (Electronic News Gathering). Portable equipment consisting of a camera, microphone and videotape recorder to cover news outside the studios.

TTS (Mobile Satellite Transportable Terrestrial Station): Mobile unit for the transmission of satellite signals.

GRP (Gross Rating Point): Parameter for measuring the effectiveness of advertising on the television used by the television companies, the media buyers and advertising agencies. It reflects the percentage of the audience who has seen a TV spot and a potential market determined beforehand by the parties, which is then compared subsequently with the information provided by Sofres, over a given period of time. GRPs are measured per minute, although spots usually last 20 seconds.

GRPs are also calculated by multiplying net coverage by the frequency of a spot.

ACKNOWLEDGMENTS: Acknowledgement-comments, usually made by the announcer or presenter.

PROMOTIONAL PROGRAMS: Sponsorship of one minute (usually) included as part of a program and with advertising content.

MINUTES OF LISTENING: Refers to a specific station and period of time and reflects average consumption per person on a minute basis. Consumption may be per capita (referring to the total population) or per listener (limited to the portion of the public who have stated that they sometimes listen).

MPEG: (Motion Picture Experts Group). System of compressing motion pictures, ISO Standard, founded in 1988 and working on defining the standards for compressing motion pictures.

MULTIPLEX: Transmission system whereby the signal is broadcast to various destinations simultaneously by the same physical channel.

PROFILE: Percentage distribution of the cumulative audience through various categories of one or more variables.

TARGET AUDIENCE: Group of people to whom the advertising message is addressed.

SHARE: Reflects the distribution of listening per station over a given period of time. For each station share is calculated as the percentage quotient between its average audience and the medium's total average audience or, equally, between the per capita consumption of the station and the per capita consumption of the medium.

Television SPOT: 20-second advertisement.

b) Information sources

Infoadex: Infoadex, S.A. conducts independent surveys of expenditure in the advertising market as a whole, detailed by media and station, but not by advertising editors and recipients. On a daily basis Infoadex controls, files and analyzes all advertising insertions made in all the conventional media.

Sofres: Sofres Audiencia de Medios, S.A. (Sofres A.M.) gathers daily television audience information. The Sofres A.M. information constitutes the standardized information through which the industry and advertising customers assess the success of specific programs in specific audience segments and carries a statistical margin of error, according to Sofres A.M., of approximately 1%.

EGM: The Estudio General de Medios (General Media Survey), prepared by AIMC (Association for Media Research), an association in which all areas of the industry are represented (media, agencies, advertisers and media buyers), analyzes media audiences (press, radio, television, etc.) through interviews with Spaniards of over 14 years of age. The surveys are conducted three times a year and relate to periods known as waves :
Wave 1, from January to March; Wave 2, from April to June; and Wave 3, from September to November. The information provided shows average daily audiences, the people using a given medium, their profile, distribution, etc.

ARCE: System for measuring advertising occupancy on the radio and the level of saturation at network level. ARCE also analyzes advertising insertions and campaigns by advertiser and makes it possible to include information on advertising expenditure in the press.

Noticias de la Comunicación: Monthly journal reporting on media developments.

IV.2. ANTENA 3 TELEVISIÓN

IV.2.1. Background

The ANTENA 3 Group carries on its business activities in the television industry through ANTENA 3 TELEVISIÓN, which holds the concession for the indirect management of a public television service. ANTENA 3 TELEVISIÓN started broadcasting in December 1989, although it officially commenced operations in January 1990 and was the first private network to go on air. Also, ANTENA 3 TELEVISIÓN applied for and was granted an extension to the content of the public television services to encompass a program within a digital multiple channel, enabling it to manage a digital program. ANTENA 3 TELEVISIÓN, together with the other two private television public service concession-holders, was granted the right to commence broadcasting from October 30, 1999. In April 2002 ANTENA 3 TELEVISIÓN started its terrestrial digital television broadcasts.

Edgar Filing: TELEFONICA S A - Form 6-K

The detail of the net revenues and earnings, relating exclusively to the television business carried on by ANTENA 3 TELEVISIÓN, for 2002, 2001 and 2000 is as follows:

	<u>2002</u>	<u>% Variation</u>	<u>2001</u>	<u>% Variation</u>	<u>2000</u>
Net revenues	534,081	(2.93)%	550,210	(10.67)%	615,962
EBITDA	52,874	(51.17)%	108,288	(44.70)%	191,236
Net revenues as a % of the ANTENA 3 Group s revenues	79.64%		86.50%		87.58%
EBITDA as a % of the ANTENA 3 Group s EBITDA	123.07%		101.44%		97.05%

The previous table show the fall by 10% of the net revenues, from years 2001 to 2000, and a further 2,93% from 2002 to 2001, due to market environment significative fall in ANTENA 3 TELEVISION audience share. Following the abovementioned income decrease, the EBITDA falls, noting adversely the effects of the Japan and Korea Football World cup.

IV.2.2. Television market in Spain. Competitors

The television industry in Spain is made up of the following players:

- a) Two public, estate general-content programming, free to air television channels managed by Ente Público Radio Televisión Española (Televisión Española).
- b) Two private general-content programming, free to air channels with Spain-wide coverage: ANTENA 3 TELEVISIÓN and Telecinco.
- c) 12 regional (autonomous community) general-content programming, free to air channels.
- d) One terrestrial analog pay television channel: Canal +.
- e) One satellite digital pay television platform: Digital +.
- f) A broad range of local free to air broadcasters.
- g) Cable pay television operators.

Edgar Filing: TELEFONICA S A - Form 6-K

The following table shows the trend in the audience of the various television channels in the period from 1990 through 2002:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
PUBLIC	50.1%	49.6%	49.3%	49.3%	50.9%	51.4%	51.3%	52.2%	52.6%	55.0%	62.0%
RTVE	32.4%	32.6%	32.4%	33.0%	34.4%	34.0%	35.9%	36.8%	37.4%	39.4%	45.5%
TVE	24.7%	24.8%	24.5%	24.9%	25.6%	25.1%	26.9%	27.6%	27.6%	29.8%	32.6%
La 2	7.7%	7.8%	7.9%	8.1%	8.8%	8.9%	9.0%	9.2%	9.8%	9.6%	12.9%
Regional	17.7%	17.0%	16.9%	16.3%	16.5%	17.4%	15.4%	15.4%	15.2%	15.6%	16.5%
PRIVATE	49.9%	50.4%	50.7%	50.7%	49.1%	48.6%	48.7%	47.8%	47.4%	45.0%	38.0%
Antena 3 TV	20.2%	20.4%	21.5%	22.8%	22.8%	22.7%	25.0%	26.0%	25.7%	21.1%	14.7%
Tele 5	20.2%	21.0%	22.3%	21.0%	20.4%	21.5%	20.2%	18.5%	19.0%	21.4%	20.8%
Canal +	2.0%	2.3%	2.1%	2.4%	2.4%	2.7%	2.2%	2.3%	1.9%	1.9%	1.7%
Other	7.5%	6.7%	4.8	4.5%	3.5%	1.7%	1.3%	1.0%	0.8%	0.6%	0.8
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Sofres A.M.

It should be noted in relation to the foregoing table that initially the private networks started broadcasting in certain geographic areas, but not throughout Spain and that they gradually increased their coverage to give them a penetration that is currently only slightly below that of TVE-1. The table shows that ANTENA 3 TELEVISIÓN's audience share increased in the first few years of broadcasting until it peaked in 1995. From that year onwards, as a result of the entry into the television market of new operators, its audience share fell to 20.2% in 2002.

The foregoing table also shows, on the one hand, that the public television channels have seen their audience shares increase and, on the other, that the development of pay TV (which accounts for 9.5% of the total audience in 2002) has significantly eroded the viewing figures of the private free-to-air TV channels.

The following table shows the trend over the last ten years in the average time that each Spaniard dedicates to watching the television each day:

DAILY TELEVISION VIEWING TIME (MINUTES)

Year	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Minutes	210	208	210	213	210	209	214	211	210	204	194

Total for the whole of Spain in 2001 and 2002, mainland Spain and Balearic Islands for the other years. Source: Sofres, A.M.

It can be seen that as a result of the emergence of the private networks there was an increase in the time spent watching television, which peaked in 1996. In recent years, annual television consumption in Spain appears to have leveled out at around 210 minutes per day per individual. This makes Spain one of the countries in Western Europe and the world where television is most watched, since, according to local institutes (Sofres A.M. in Spain), in 2002 the greatest television consumer was the U.K., with 241 minutes per person per day, followed by the U.S. (238), Italy (230), Japan (222), Greece (219) and Spain (210). After Spain come Southern Belgium (209), Germany (201), France and Ireland (197), Denmark (169) and the Netherlands (168), with German-speaking Switzerland and Luxembourg taking the last two places with 131 and 112 minutes/day, respectively.

According to Infoadex, the annual television advertising expenditure share of each of the Spanish television networks in the period from 1997 to 2002 was as follows:

Share of advertising expenditure	2002	2001	2000	1999	1998	1997
ANTENA 3 TELEVISIÓN	25.5%	27.0%	27.9%	27.5%	26.9%	28.1%
Telecinco	27.3%	28.2%	28.1%	26.7%	26.2%	25.9%
TVE (*)	31.4%	28.3%	27.4%	28.6%	30.3%	29.7%
REGIONAL	14.5%	15.1%	15.2%	15.9%	15.5%	15.0%
CANAL +	1.3%	1.4%	1.3%	1.3%	1.1%	1.3%

Source: Infoadex.

(*) It is not possible to provide a breakdown for TVE.

Between 2001 and 2002 ANTENA 3 TELEVISION reduces its investment share within the publicity market, mainly due to the fallen of the audience share and the aggressively direct competition of other television channels. A comparison of share of expenditure and audience share of ANTENA 3 TELEVISIÓN shows that the Company has a higher share of expenditure than audience share (efficiency ratio). This is due mainly, on the one hand, to the type of viewers, who are closer to what the advertisers are looking for, and, on the other, ANTENA 3 TELEVISIÓN's commercial strategy of trying to maximize audience share in order to obtain the highest possible advertising revenues.

IV.2.3. Commercial activities of ANTENA 3 TELEVISIÓN

A) Market players

The players involved in the advertising market are as follows:

advertisers;

advertising agencies; and

media buyers.

The average profile of a Spanish advertiser is a multinational company using the television on a permanent daily basis and maintaining average expenditure throughout the year of around 33 million. In 2002 the 20 largest advertisers accounted for 32% of the Company's advertising revenues.

IV-12

As regards the advertising agencies and media buyers, the usual process is as follows: the advertisers reach an agreement with the advertising agencies on the creative aspects of the campaign and receive advice on the various possible advertising vehicles so that, subsequently, the media buyers/advertisers negotiate the purchase conditions with each medium individually, wielding their negotiating power on the basis of their purchase volumes. However, there are also numerous cases on the market of vertically-integrated media buyers offering their customers advisory and creativity services and also, to a lesser degree, of agencies that negotiate agreements with the media and then monitor the results.

Both the media buyers and the agencies accrue an agency fee to the medium, based on total contracted volumes plus a volume rebate depending on the purchase volume, which is established in the general contracting conditions for the year's transactions.

Advertisers can also contract directly with ANTENA 3 TELEVISIÓN without involving agencies. ANTENA 3 TELEVISIÓN enters into a direct agreement with the advertiser, establishing the content in all cases, irrespective of whether or not the media buyers are billed when the purchase has gone through.

In 2002 90% of ANTENA 3 TELEVISIÓN's advertising revenues arose from media buyers intermediating between the medium and advertising agencies/advertisers.

In addition to the revenues generated by the broadcasting of conventional advertising, ANTENA 3 TELEVISIÓN generates other revenues, which are detailed in section C) below.

B) Sale of advertising space

The Company's main source of revenues is from broadcasting advertisement spots. There are two basic types of advertising sales: discount sales and audience-dependent sales. In the first case a discount is applied to the published rate so that the price of the spot is always the same, regardless of the audience attained. In the second case the price (cost) is negotiated on the basis of the audience achieved.

Substantially all the advertising sales are of the cost/audience type. To gauge the effectiveness of a television spot, Gross Rating Point (GRP) concept (see definitions section) is generally used.

The following table shows the variations in the GRP cost in the last few years:

<u>GRP cost</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	762	723	759	846

The foregoing table shows that prices fell by 10.2% in 2001 and by 4.7% in 2002, in line with the negative performance of the advertising market in recent years and the drop in audience share of ANTENA 3 TELEVISIÓN. However, the improved situation of the advertising market in 2003 pushed prices up by 5.4%.

Edgar Filing: TELEFONICA S A - Form 6-K

As a complement to above, the following table shows the GPR cost of every promotion that has been tested with adults (older than 16 years old), housewives and youngsters (13 to 24 age range). The evolution of the figures runs in parallel to the above table.

	2002	2001	2000
Adults	711	755	853
Housewives	565	592	669
Youngsters	863	877	968

The geographical detail of the advertising expenditure at ANTENA 3 TELEVISIÓN in 2002 is as follows:

National: 92%

Regional and local: 8%

Most discount sales relate to regional and local advertising.

ANTENA 3 TELEVISIÓN, through simultaneous breaks in national broadcasting at various times of the day, offers advertising in various local broadcasts, which enables smaller advertisers to advertise on the television and gives larger advertisers an opportunity to strengthen their campaigns on a regional basis.

Broadcasting in the Canary Islands is independent from national broadcasting and also has two local broadcasting breaks, namely those of Tenerife and Las Palmas.

In addition to conventional advertising (advertising spots), ANTENA 3 TELEVISIÓN offers other types of advertising formulas such as sponsorship, telepromotions, etc., which are grouped together under the heading of Special Advertising.

The following table shows the trend in conventional and special advertising revenues in 2002, 2001 and 2000:

	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>	<u>2000</u>	<u>%</u>
Conventional advertising	511,609	100.86%	513,612	98.63%	584,108	100.36%
- National	470,034	92.66%	477,666	91.73%	538,703	92.56%
- Regional and Local	41,575	8.20%	35,946	6.90%	45,405	7.80%
Special advertising	40,739	8.03%	55,134	10.59%	45,363	7.79%
Discounts and Rebate over sales	(45,099)	(8.89)%	(48,010)	(9.22)	(47,444)	(8.15)%
Total	507,249	100.00%	520,736	100.00%	582,027	100.00%

It can be seen that national advertising revenues have fallen in the last two years as a result of, on the one hand, the weakness of the advertising market in general and, on the other, the drop in the audience share of ANTENA 3 TELEVISIÓN in recent years.

Regional and local advertising have, in general terms, been less affected by the downturn in advertising. However, in 2001, in order to boost national advertising in the face of the crisis in the advertising market, there were fewer breaks in national broadcasts, giving rise to a decrease in local and regional advertising.

C) Other revenues

In addition to advertising, ANTENA 3 TELEVISIÓN generates other revenues, such as those from the sale of advertising on the Internet (through its websites), teletext, audiotext (through telephone lines with the 906 prefix), telephony (through SMS messages) and network product merchandising.

Revenues are also obtained from the sale of content produced by the network, to both Spanish and international customers, and from the provision of production services to third parties.

Lastly, revenues are also obtained from the marketing of thematic channels produced by ANTENA 3 TELEVISIÓN (Canal Internacional broadcasted through several operators in some American countries and Canal Noticias 24 horas, broadcasted through digital platforms -).

In total, in 2002 all these revenues accounted for 4.63% of total gross sales.

Edgar Filing: TELEFONICA S A - Form 6-K

The detail of the Other Revenues caption in 2002, 2001 and 2000 is as follows:

<i>Thousands of euros</i>	2002	2001	2000
Commercial revenues	8,027	14,718	14,704
Content and production services	10,130	7,463	7,377
Other revenues	8,675	7,293	11,855
TOTAL	26,832	29,474	33,936

IV-14

D) Advertisers by industry

The table below shows a percentage breakdown, by industry, of television advertising expenditure at ANTENA 3 TELEVISIÓN in 2002, 2001 and 2000:

<u>INDUSTRY</u>	<u>2002</u> %	<u>2001</u> %	<u>2000</u> %
CULTURE, EDUCATION, MEDIA	11.40%	12.60%	12.50%
AUTOMOTIVE	10.50%	11.50%	11.30%
COMPUTERS, TELECOM AND INTERNET	7.80%	9.20%	13.70%
BEAUTY, HYGIENE AND HEALTH	11.80%	12.20%	13.10%
FOOD	16.20%	15.60%	15.00%
DISTRIBUTION AND CATERING	5.50%	5.20%	5.30%
DRINKS	8.60%	7.50%	5.70%
PUBLIC AND PRIVATE SERVICES	2.90%	2.80%	2.60%
FINANCE AND INSURANCE	5.30%	5.40%	4.60%
OTHER INDUSTRIES	20.00%	18.00%	16.20%
TOTAL	100.00%	100.00%	100.00%

Source: ANTENA 3 TELEVISIÓN.

E) Broadcasting of advertising

The Company's policy is to maintain a constant advertising occupancy rate throughout the year. However, due to the seasonality of the industry, in the summer months advertising occupancy drops sharply. Prices are adjusted on the basis of the aforementioned seasonality of demand in order to seek the highest possible occupancy within the current legal limits.

The following table shows the trend in the advertising occupancy of ANTENA 3 TELEVISIÓN and of certain of its competitors in the last three years:

SATURATION OF TELEVISION BY CHANNEL

<u>CHANNEL</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
TVE1	15.97	14.40	14.00
La 2	12.92	10.80	10.18
Telecinco	27.53	23.90	24.30
ANTENA 3 TELEVISIÓN	27.12	28.33	27.99

Source: INFOADEX

Edgar Filing: TELEFONICA S A - Form 6-K

This advertising saturation is measured in terms of the time dedicated to broadcasting advertising as a percentage of the total broadcasting time of each network. In 2002 ANTENA 3 TELEVISIÓN reduced its advertising saturation by 4%, whereas that of the other networks increased by between 11% and 20%. ANTENA 3 TELEVISIÓN decided to reduce the saturation in order to improve the quality of its publicity space.

IV-15

IV.2.4. Programming and production of ANTENA 3 TELEVISIÓN
(A) Breakdown of programming time:

The time assigned to each type of program in the last three years has been as follows:

<u>TIME (%)</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Programs	30.68%	28.00%	29.50%
Fiction	3.71%	4.20%	5.76%
News	15.05%	12.20%	11.24%
Outside production	35.46%	45.40%	39.85%
Live broadcasts	1.01%	0.00%	0.05%
Other	14.09%	10.20%	13.60%
TOTAL	100%	100%	100%

In the last three years there has been an increase in entertainment programming (Program) and in news to the detriment of outside production. These programs (entertainment and news) identify the network more clearly while at the same time allowing better use of the available resources.

(B) Types of program

ANTENA 3 TELEVISIÓN offers a broad range of television products, which are habitually grouped into six large categories: Programs, Fiction, Outside Production, News, Live Broadcasts and Other.

B.1. Programs

This section includes entertainment productions, game shows, magazines, talk shows, galas and other special productions.

Depending on the extent to which ANTENA 3 TELEVISIÓN is involved in the production, Programs are classified in three categories: (i) In-house productions: using only ANTENA 3 TELEVISIÓN resources; (ii) Mixed production programs: a portion of the resources are provided by ANTENA 3 TELEVISIÓN and the remainder by the supplier, although all the expenses are borne by ANTENA 3 TELEVISIÓN; and (iii) Outside productions: produced entirely by independent producers with their own resources, as commissioned by ANTENA 3 TELEVISIÓN.

In recent years the program grid has changed, with a sharp increase in in-house productions (in-house and mixed) to the detriment of outside productions, as a means of strengthening the network's programming identity while enhancing the use of the available human and technical resources. In 2002 in-house productions accounted for 30.68% of ANTENA 3 TELEVISIÓN programming.

B.2. Fiction

All products whose basic purpose is not to inform or re-create reality, but are essentially to invent a *possible new world* with a view to entertaining and/or involving viewers emotionally are classified within the fiction genre. However, the fiction concept defines, on television, only products of this genre produced by or for the television network and, therefore, it does not include other products with a fiction content produced outside, i.e. feature films, series and other outside productions, which are included in the Outside Productions category even if they relate to fiction. Generally, this fiction is made by a third party by order of ANTENA 3 TELEVISION, which normally is the legal producer of the program, and as such is the owner of all or most of the exploit rights. This ownership allows ANTENA 3 TELEVISION to broadcast the programs themselves or license this right to a third party.

In 2002 fiction programming accounted for 3.71% of ANTENA 3 TELEVISIÓN's total broadcasting, habitually at prime viewing times.

B.3. News

As in the case of Programs and Fiction, news programs constitute one of the basic types of programming for a television network. ANTENA 3 TELEVISIÓN produces all its news programs, which in 2002 accounted for 15.05% of its broadcasting.

It should be noted in this connection that ANTENA 3 TELEVISIÓN has regional centers and correspondents in Andalucía, the Balearic Islands, the Canary Islands (Las Palmas and Tenerife), Cataluña, the Basque Country, Aragón, Castilla y León, Valencia, Galicia, Asturias and Navarra, as well as in the most important cities in the world.

In recent years a significant technological drive has been made whereby a single news desk can provide support for the various news products at the same time (integrated system).

B.4. Outside productions

The programs in this category are feature-films, TV movies, documentaries, mini-series, 30-minute series and 60-minute series, and the common denominator is the fact that they are produced by a third party without any participation by the television network in the production process. All television companies wishing to include films in their grid need a sufficient margin of time to embark on the negotiations for a given product in order to ensure any chance of making a successful buy because the lack of titles in stock makes the market price go up.

These productions are owned by the cinema or television production company or by the distributor to which the rights have been assigned. ANTENA 3 TELEVISIÓN acquires the television broadcasting rights for various screenings over a given period of time, in some case with the possibility of sub-licensing the product. These are finished products, which cannot be altered or modified.

It is not unusual for products to be bought at the production or even design phase. In these cases, between 24 and 36 months will pass from the signing of the contract until ANTENA 3 TELEVISIÓN, in view of its free-to-air and free status, is entitled to screen the product, a time known as commencement of the license period or availability date. Until that time, the product will have been shown at cinemas, released on video and screened through the various pay-TV systems (pay per view, pay basic, etc.), as dictated by the market. Usually, the signing date of the contracts coincides with the commencement of payment and with the day that broadcast rights begin.

In 2002 35.46% of ANTENA 3 TELEVISIÓN's programming grid related to outside productions.

At the date of filing of this Prospectus, ANTENA 3 TELEVISIÓN had entered into commitments with various producers and distributors (Fox, Columbia, Universal, Paramount, Aurum, Manga Films, LaurenFilms, Saban, Lolafilms, etc.) guaranteeing outside production broadcasting through 2007. The productions and the number of screenings to which these commitments relate are as follows: feature films: 2,949; TV movies: 1,732; 30-minute series: 17,578; 60-minute series: 4,908; mini-series: 139; and documentaries: 131.

B.5. Live broadcasts

This section consists of live coverage or delayed broadcasting of sports events, concerts, and etc. the most significant of which have been soccer matches. In 2002 live broadcasts accounted for 1.01% of ANTENA 3 TELEVISIÓN's broadcasting. The increase with respect to 2001 was due to the acquisition of the rights to broadcast the Soccer World Cup in Korea and Japan.

B.6. Other

This category groups together the other types of content that are not included in any of the others and relates, inter alia, to telesales programs, promotional programs, etc. In 2002 these productions accounted for 14.09% of total broadcasts.

IV.2.5. Broadcasting and transmission system

ANTENA 3 TELEVISIÓN has an agreement with Retevisión, I, S.A.U. for the distribution of its terrestrial analog and digital broadcasting signals.

The agreement with Retevisión I, S.A.U. for the analog television carrier support service will expire on April 3, 2005, whereas that for the terrestrial digital television (TDT) support service will expire on April 3, 2007. However, the agreements for each of the services will be impliedly renewed for one-year periods upon expiry, unless they are expressly terminated by the parties.

Under the aforementioned agreement, the analog service has a coverage of 93.91% of the Spanish population, calculated on the basis of the 1991 population census. The transmission of video and audio and the insertion of the teletext signal are also included.

On April 3, 2002, ANTENA 3 TELEVISION commenced digital broadcasting, as provided for in Royal Decree 2169/1998, dated October 9, approving the National TDT Technical Plan. The signal coverage for this service provided for in the agreement with Retevisión I, S.A.U. is 80% of the Spanish population and includes the encoding of a video signal in MPEG, eight monophonic audio signals, teletext and a data channel.

For the provision of the carrier support service for analogical and digital television, ANTENA 3 TELEVISIÓN has to pay Retevisión I, S.A.U. a fixed sum, revised annually. In 2002 the cost of carrying ANTENA 3 TELEVISIÓN's signal, including the fee for the distribution of the digital channel and the cost of the separate signal in the Canary Islands was 19,027 thousand.

In the case of Canal Internacional, the signal is being transmitted by Telefónica Servicios Audiovisuales, S.A. using the Hispasat satellite and provides coverage in the Americas. The signal is captured by cable companies in the Americas and is currently received by 4.5 million households in 17 countries.

IV.2.6. Description of the main items making up the cost of ANTENA 3 TELEVISIÓN products

(A) Detailed description of expenses in the statements of operations

The following table shows the trend in the main items making up the costs of ANTENA 3 TELEVISIÓN in 2002, 2001 and 2000, the percentage of total costs represented by them and the percentage variations therein with respect to the preceding year.

(thousands of euros)	% of		% of		% of			
	2002	Total Costs	2002-2001	2001	Total Costs	2001-2000	2000	Total Costs
Program amortization	269,447	53.83%	14%	237,335	51.74%	4%	228,953	52.21%
Personnel expenses	95,882	19.16%	4%	92,192	20.10%	6%	87,373	19.92%
Rent and royalties	25,207	5.04%	12%	22,519	4.91%	-10%	25,137	5.73%
Other current operating expenses	87,298	17.44%	2%	85,932	18.73%	4%	82,713	18.86%
Taxes other than income tax	907	0.18%	-58%	2,149	0.47%	290%	551	0.13%
Depreciation and amortization Expense	19,351	3.87%	15%	16,780	3.66%	21%	13,836	3.15%
Variation in operating allowances	2,466	0.49%	39%	1,775	0.39%	100%	0	0.0%
Total	500,558	100%	9%	458,682	100%	5%	438,563	100%

In the comparison of 2001 with 2000, the most significant variation in operating expenses was the decrease of 10% in Rent and Royalties, due to the renegotiation with Retevisión of the amount of the signal distribution fee. Program Amortization, Personnel Expenses and Other Current Operating Expenses increased by between 4% and 6%.

The variations in 2002 included most notably the 14% rise in Program Amortization as a result of the broadcasting of the Soccer World Cup and the increase of 12% in Rent and Royalties as a result of the commencement of terrestrial digital broadcasting in April 2002.

1.- Program and other amortization

ANTENA 3 TELEVISIÓN's most significant expense item is program amortization, which accounted for nearly 54% of total operating expenses in 2002, a percentage that was slightly higher than that of the two previous years. This item includes the amortization of outside production broadcasting rights and external expenses relating to in-house productions broadcast during the year.

Evolutions of the sales expenditures

	2002	2001	2000	2002/01	2001/00
Broadcasting rights	112,169	99,024	91,894	13.3%	7.8%
Outside Broadcasting	123,246	122,919	139,625	0.3%	(12.0)%
Live broadcasting rights	34,205	391	751	8,648.1%	(47.9)%
Outside production services	105,013	105,533	117,767	(0.5)%	(10.4)%
Performances and artists collaborations	11,115	12,107	12,532	(8.2)%	(3.4)%
Other consumes	12,145	25,844	15,139	(53.0)%	70.7%
Stock incorporations	(128,446)	(128,463)	(148,755)	0.0%	(13.6)%
Sales expenditures	269,447	237,355	228,953	13.5%	3.7%

It should be noted in connection with the evolutions of the cost of sales the grown for the year 2002 regarding broadcasting rights and specially the right to broadcast the Soccer World Cup in Korea and Japan and friendly soccer matches.

2.- Personnel expenses

Personnel expenses account for approximately 19.2% of total expenses and include salary expenses, including bonuses, and training and other employee welfare expenses. Personnel expenses rose by 4% in 2002, by 5.5% in 2001 and by 11.2% in 2000.

The average permanent workforce has remained stable and the number of temporary employees increased by 25% in 2002.

	2002	2001	2000
Permanent	1,572	1,570	1,526
Temporary/For project work or services	323	257	330
Total	1,895	1,827	1,856

Except in certain very specific cases, contracts with the network s announcers have either a very short term (one year or least) or cover a given number of programs. Usually the Company has the right to renew the contracts. If the Company decides to terminate early these contracts, it must pay on a general basis, to the announcer the full amount of his/her salary for the period of time agreed on or the number of programs provided for in the contract. Currently there are not rescission clauses in the contracts regarding early termination that could result in a single amount of material importance for the Company. If ANTENA 3 TELEVISIÓN decides the simultaneous early termination of every single above-mentioned contracts and pay all the amounts stipulated in such contracts is would result in an amount equal to 4.40% of personal expenses accounting in 2002.

In certain cases the compensation received by the announcers or artists is stipulated in the contracts entered into with the producer for the production of these programs. In these cases, the contract term is generally set on the basis of a given number of programs. If the Company decides to early terminate the contract, it must pay an amount based on a minimum number of programs or on the total number of programs, as the case may be. Such amounts include the artist or announcers remunerations.

3.- Rent and royalties

Rent and royalties account for approximately 5% of total expenses. The main item under this caption is the communication network cost, particularly that relating to the distribution of the television signal, which in 2002 amounted to 19,027 thousand, accounting for 75% of this expense caption.

IV-19

This caption also includes the cost of leasing premises, facilities and equipment, mainly for the production of programs when the equipment of ANTENA 3 TELEVISIÓN is not sufficient to cater for the related production level.

4.- Other current operating expenses

Other current operating expenses, which together account for around 18% of total operating expenses, relate to differing items.

<u>(thousands of euros)</u>	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>	<u>2000</u>	<u>%</u>
Copyright	15,244	17.5%	11,567	13.5%	10,739	13.0%
Advertising and publicity	7,370	8.4%	10,626	12.4%	11,203	13.54%
Communication expenses	9,001	10.3%	10,645	12.4%	10,223	12.4%
Work performed by other companies	14,385	16.5%	13,831	16.1%	14,834	17.9%
Other expenses	41,298	47.3%	39,263	45.7%	35,714	43.2%
Total	87,298	100.0%	85,932	100.0%	82,713	100.0%

The copyright expenses reflect expenses paid to the entities managing these rights for the use of their works. In general, the compensation consists of a percentage of ANTENA 3 DE TELEVISIÓN s advertising revenues.

The expenses related most notably to the agreement with Sociedad General de Autores y Editores (SGAE) for permission to use, on a non-exclusive basis, works managed by SGAE in exchange for a percentage of advertising revenues (to serve as a guide, the amount paid in this connection in 2002 was 13,045,336). The agreement with SGAE expires in 2015, but is renewable annually from then on.

Also significant, accounting for 10% of the total expenses, are the communications expenses, which relate to both conventional communications (fixed and wireless telephony) and the commissioning of occasional broadcasting services for sending and receiving audio and video signals as part of the process of designing news items and other programs.

The Other Expenses include:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Other expenses	41,298	39,263	35,714
Cost of sales	19,859	14,184	12,786
Contributors	3,741	3,771	2,893
Per diems and accommodation expenses	6,763	6,591	6,579
Repair and upkeep expenses	2,001	2,345	1,683
Independent professional services	2,815	5,154	4,379
Insurance premiums	389	574	362
Utilities	1,665	1,367	1,367
Transport expenses	8	27	23
News agencies	2,312	2,601	2,565
Other sundry expenses	1,745	2,649	3,077

IV.2.7. Main commercial, industrial and services centers

ANTENA 3 TELEVISIÓN's tangible fixed assets consist mainly of broadcasting, administrative and production facilities, most of which are in Spain (Madrid, Barcelona, Seville, Valencia, Bilbao, Santiago de Compostela, Zaragoza, Las Palmas, Tenerife, etc). The Company's registered office is in San Sebastián de los Reyes (Madrid).

IV-20

The land owned by ANTENA 3 TELEVISIÓN in San Sebastián de los Reyes has a buildable area of 120,298.61 square meters, of which the present built area measures 55,057.62 square meters.

The television production facilities are in San Sebastián de los Reyes. ANTENA 3 TELEVISIÓN owns other assets that it uses to carry on its activities, such as training centers, facilities for technical activities and offices in Santiago de Compostela and Las Palmas. The Company is also leasing offices in Bilbao, Barcelona, Valencia, Zaragoza, Seville, La Coruña, Madrid and Tenerife.

IV.3. RADIO

IV.3.1. Introduction and background

The ANTENA 3 Group has a presence in the Spanish radio market through the investments it holds in Publicidad 3, S.A. (PUBLICIDAD 3), (which is wholly owned by ANTENA 3 TELEVISIÓN), in UNIPREX, S.A. and Antena de Radiodifusión, S.A., formerly Cadena Voz de Radiodifusión, S.A.

The ANTENA 3 Group's broadcasting activities are coordinated through UNIPREX. As shown in the following section on the organizational structure, the relationship between UNIPREX and Antena de Radiodifusión and the organization of their radio stations in separate networks are achieved through the management of the two companies by UNIPREX. Therefore, merely for the purposes of giving a better understanding of this section, the joint references to the two companies will hereinafter be made in this section as UNIPREX. It should also be noted that based on the organizational structure of the radio line of business, the other companies making up this line of business are of scant importance, and the most significant figures are included under UNIPREX.

The following table shows the detail of the net revenues and earnings, relating exclusively to the radio business carried on by UNIPREX, for 2002 and of the percentage of the ANTENA 3 Group's revenues that they account:

	<u>2002</u>
Net revenues	76,546
EBITDA	(3,601)
Net revenues as a % of total revenues of the ANTENA 3 Group	11.41%
EBITDA as a % of the total EBITDA of the ANTENA 3 Group	(8.38)%

Income generated by UNIPREX has been incorporated for first time in the year 2002 representing a 11.41% over the total income of Group ANTENA 3. On the other hand EBITDA subtracts 3,601 thousand euros of Group ANTENA 3.

IV.3.2. Organization of the radio business

Edgar Filing: TELEFONICA S A - Form 6-K

To clarify the current inter-relations between UNIPREX, S.A. and Antena de Radiodifusión, S.A. (and their respective subsidiaries) and to be able to place them in the Spanish radio market, a description is provided below of the present operating structure.

The radio stations broadcasting in a given network belong to different companies, of which there are different kinds, depending on the entity owning them:

Own radio stations: these are owned by UNIPREX, S.A., PUBLICIDAD 3 or Antena de Radifusión, S.A. and their subsidiaries.

Own radio stations associated with third-party stations: these stations, owned by UNIPREX, are assigned to a third party, for a financial consideration, to be operated in connection with radio products associated with UNIPREX (ONDA CERO Ramblas or Europa FM).

Third-party radio stations associated with and managed by UNIPREX: these radio stations are owned by a third party with whom UNIPREX has an agreement whereby it manages the stations in question in exchange for a financial consideration.

Radio stations of third affiliated parties: these radio stations are owned by third parties and are not managed by UNIPREX but they do broadcast its programming, in exchange for a financial consideration.

UNIPREX, S.A. (either directly or through its subsidiaries) owns 119 radio stations (local or provincial radio broadcasting centers) covering practically the whole of Spain.

Antena de Radiodifusión, S.A. owns 7 radio stations, while Publicidad 3 owns 6.

UNIPREX, S.A. has entered into association, participation or cooperation agreements with the radio stations of La Voz de Galicia Radio, S.A., PUBLICIDAD 3, Medipress, S.A., Unión Ibérica de Radio, S.A., Grupo Onda Rambla, S.A. and 45 other stations, including associated companies and subsidiaries, through which its programming is broadcast.

UNIPREX currently broadcasts its programming through 5 different products comprising a total of 231 stations, 119 of which are directly or indirectly owned by UNIPREX, while 112 belong to independent companies linked with the Company on a temporary basis through programming agreements. Of the radio stations, 6 broadcast on Medium Wave and the rest on FM.

IV.3.3. Market and competitors

A) Radio advertising market in Spain

According to Infoadex, radio advertising expenditure accounts for approximately 9% of the conventional advertising market in terms of estimated actual expenditure. Radio advertising expenditure experienced annual growth of 7.7% in 2000, but fell back by 2.5% in 2001 and 0.94% in 2002, respectively.

Following is a detail of the trend in total advertising expenditure in the radio industry in recent years:

<u>Year</u>	<u>Millions of Euros</u>
1999	465.9
2000	501.8
2001	489.5
2002	484.9

Source. Infoadex 2003.

The main source of revenues in the radio business is the sale of advertising slots broadcast during programming hours. Advertising expenditure in the radio business is regarded as a back-up or supplement for advertising in other media, and radio advertising often serves as a reminder of

Edgar Filing: TELEFONICA S A - Form 6-K

the advertising in other media.

The detail of the share of the three large Spanish radio networks (excluding RNE) of the annual radio advertising expenditure in 2001 and 2002 is as follows:

		<u>Audience Share</u>	<u>Share of Expenditure</u>	<u>Effectiveness Ratio</u>
UNIPREX	2001	14.60%	22.40%	1.53
	2002	12.40%	23.80%	1.92
	1st half of 2003	12.80%		
SER Group	2001	50.80%	41.60%	0.82
	2002	50.50%	42.90%	0.85
	1st half of 2003	49.70%		
COPE Group	2001	13.40%	20.70%	1.54
	2002	12.40%	20.40%	1.65
	1st half of 2003	11.80%		

Source: EGM XXI. Infoadex Estimated actual expenditure.

The structure of UNIPREX broadcasting network in 2002, 2001 and 2000 has not suffered significant changes, so the data from the table are comparables.

The detail of the audience of UNIPREX in terms of the number of listeners and of its share of the total audience is as follows:

<u>Year</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total number of listeners	2,518	2,836	2,114
% of total	12.4%	14.6%	10.8%

UNIPREX's share of advertising expenditure is higher than its audience share (effectiveness ratio) for the following reasons:

The effectiveness ratio is the ratio of the share of advertising expenditure to the audience share and measures each network's capacity to generate advertising revenues.

UNIPREX's effectiveness ratio improved in 2002 because the drop in audience share did not affect the volume of expenditure, i.e. despite the fact that in 2002 UNIPREX had a smaller audience share than in 2001, its net sales increased.

It should also be noted that radio advertising is less influenced by changes in economic cycles, due mainly to the fact that local and regional advertising tends to remain stable regardless of the prevailing economic cycle.

It is important to bear in mind that radio advertising is not subject to the advertising-per-hour or product-related restrictions that affect other media. Furthermore, since each radio station has different coverage, the advertising slots inserted in its programs are tailored both to the region and to the population covered by the station.

B) UNIPREX's positioning in the radio market in Spain

The detail, by type of programming, of the audience levels in the last three years is shown in the table below. The total number of listeners does not coincide with the sum of the listeners by type of program because listeners tend to listen to more than one type of program:

<u>Thousands of listeners</u>	<u>2nd Wave 03</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General-content programming	11,989	11,334	11,423	11,409
<i>% of total listeners</i>	55.3%	56.0%	58.7%	58.4%
<i>Year-on-year variation (%)</i>	5.8%	-0.8%	0.1%	-0.8%
Thematic programming	10,788	9,560	9,065	9,228
<i>% of total listeners</i>	47.9%	47.2%	46.5%	47.2%
<i>Year-on-year variation (%)</i>	12.8%	5.5%	-1.8%	0.7%
Total listeners	21,622	20,235	19,475	19,543
<i>Year-on-year variation (%)</i>	6.9%	3.9%	-0.3%	0.7%

Source: EGM, year-to-date (comprising the three waves conducted each year), except for 2003 (average of the first two waves).

Edgar Filing: TELEFONICA S A - Form 6-K

Also, thematic radio in Spain is dominated by thematic music radio, which currently attracts over 9 million listeners daily.

In Spain there are about 2,965 controlled and non-controlled radio stations. The EGM groups them into around 59 networks, 20 of which have national coverage and the remainder are regional or local.

The current radio broadcasting map in Spain is split into two large groups: public radio and private radio. Public radio comprises the national, regional and municipal radio stations. It should be noted that Radio Nacional de España does not broadcast any commercial advertising as this is expressly forbidden by the Radio and Television Charter.

UNIPREX's main competitors are Cadena SER, Cadena de Ondas Populares Españolas (COPE) Radio Nacional de España, which compete both in conventional and thematic radio. However, it should be noted that since Radio Nacional de España does not broadcast any advertising in its programming is not regarded as a competitor for these purposes.

Edgar Filing: TELEFONICA S A - Form 6-K

The following table shows the aggregate audience of each of the four main groups in the various radio program types. As regards UNIPREX's competitors, it should be noted that RNE only competes in terms of audience, but not of advertising, since this group is almost entirely financed by public funds.

Group	Main Shareholder	Product	Type of Programming	Aggregate Audience in Thousands of Listeners			
				Jan.-Jun.-			
				03	2002	2001	2000
Uniprex	Antena 3 TV	Onda Cero	Conventional	2,230	2,340	2,686	1,981
		Europa FM	Music	248	118	150	133
		Radio Marca	Sport	86	60		
		Dance FM	Music	15			
		Hit Radio	Music	187			
Total listeners				2,766	2,518	2,836	2,114
% of total				12.8%	12.4%	14.6%	10.8%
Unión Radio Group	PRISA Group	Cadena SER	Conventional	5,092	4,424	4,286	4,295
		Godó Group	40 Principales	Music	2,867	2,841	2,725
		Cadena Dial	Music	1,717	1,644	1,559	1,652
		M-80	Music	503	721	852	881
		Radiolé	Music	415	440	462	487
		Máxima FM	Music	142	146		
Total listeners				10,736	10,216	9,884	10,221
% of total				49.7%	50.5%	50.8%	52.3%
COPE Group (Radio Popular)	Spanish	Cadena Cope	Conventional	1,685	1,728	1,784	2,330
		Catholic	Cadena 100	Music	874	783	823
	Church						
Total listeners				2,559	2,511	2,607	3,267
% of total				11.8%	12.4%	13.4%	16.7%
RNE Group (*)	RTVE (Public)	RNE 1	Conventional	1,834	1,925	1,938	2,153
		RNE 3	Music	228	316	276	329
		RNE 4 Cataluña	Music	7	9	16	14
		RNE 5 TN	News	806	733	806	786
		Radio Clásica	Music	145	113	158	117
Total listeners				3,020	3,096	3,194	3,399
% of total				14%	15.3%	16.4%	17.4%
TOTAL LISTENERS OF THE 4 GROUPS				19,081	18,341	18,521	19,001
TOTAL LISTENERS				21,622	20,235	19,475	19,543

(*) 2nd wave data for 2003 of the EGM not available. Only 1st wave- data for 2003 included, due to RNE leave the EGM.
Source: EGM.

It can be seen in the foregoing table that in the conventional radio format, in 2002 UNIPREX had an audience of 2,340,000 listeners and an audience share of conventional or general-content radio of 22.46%, making it the second radio network in Spain. Its main competitors are

Edgar Filing: TELEFONICA S A - Form 6-K

Cadena SER, RNE 1 and COPE. The 2003 data relating to RNE relate to the first wave of 2003, since this Group had left AIMC.

IV-24

IV.3.4. Commercial activities of UNIPREX
(A) Market players

The players in the radio market are the same as those involved in the television market, namely advertisers, advertising agencies and media buyers.

(B) Sale of advertising space

The radio business in Spain consists of the broadcasting of radio programs through radio stations spread over the entire country. The revenues from the radio business are basically earned from the marketing of advertising spaces or spots, promotional programs and acknowledgements, which are broadcast during programs.

A distinction should be drawn between national advertising and local/regional advertising.

The next table shows the detail of UNIPREX's advertising revenues in 2002:

<u>(thousands of euros)</u>	<u>2002</u>	<u>%</u>
National Advertising	35,968	46.99%
Network advertising	34,933	45.64%
Realizations	1,035	1.35%
Local Advertising	35,236	46.03%
Local advertising	29,195	38.14%
Distributed advertising	6,041	7.89%
Regional Advertising	2,015	2.63%
Sales discounts and Rebate	(1,896)	(2.48)%
Total net sales	71,323	93.18%
Other Operating Income	5,223	6.82%
Total Income	76,546	100.00%

Network advertising and distributed advertising are marketed through UNIPREX's Commercial Department.

UNIPREX's commercial policy and advertising revenue generation process are implemented through a structure that covers the whole of Spain, with parallel management for conventional and thematic radio. It should be noted that UNIPREX's sales force covers all its own and associated radio stations, and in the latter case the sales policy is managed under the responsibility and at the decision of UNIPREX. The marketing of advertising at local level by all the radio stations making up UNIPREX, with the exception of Madrid, which is conducted in the same way as national marketing, is performed by the Company's own network, currently staffed by 119 own salespersons and 176 commercial agents.

Edgar Filing: TELEFONICA S A - Form 6-K

Advertising sales are made by radio broadcasting product.

The advertising rates applied are basically set on the basis of the level at which the program broadcasting the advertisement is broadcast (national, regional or local network), of the time of the broadcast and the audience. Discounts may be applied to the established rates at the time of sale. These discounts are arranged with customers at national level or on an individual basis and are related to the volume of the related expenditure and the type of customer involved.

Advertising revenues depend basically on two variables:

A) The number of advertising spots sold.

B) The price of the advertising spots.

IV-25

Depending on the consumption and seasonal factors of demand, the advertising rates are set on the basis of audience, programs, time segments and days of the week. The main types of advertising sold are spots (usually lasting 30 seconds, although there are other durations), one-minute promotional programs and acknowledgements.

The following table shows the evolutions of the price of the advertising spots of the products that UNIPREX commercialized during 2002, 2001 and 2000.

PRICE OF THE ADVERTISING SPOTS

(Euros per second)

CONVENTIONAL

<u>NETWORK</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Protagonistas	139.75	135.68	129.22
Herrera en la onda (Sep-2001/Dec-2002)	86.77		
A toda radio (until Agu-2001)		63.11	60.10
La Brújula	65.00	63.11	60.10
La Brújula del deporte			60.10
Supergarcía (Sep-2000 / Agu-2002)	149.81	145.44	
Radioestadio	149.81	138.83	27.05
Hoy es Domingo	55.25	53.64	51.09

LOCAL	2002	2001	2000
MADRID			
General	7.96	7.73	7.36
Protagonistas	11.94	11.59	11.05
Herrera en la onda	10.63		
Supergarcía	16.40	15.93	
SEVILLA			
General	2.58	2.50	2.38
Protagonistas	3.86	3.75	3.57
Herrera en la onda	3.44		
Supergarcía	5.74	5.58	
VALENCIA			
General	2.85	2.77	2.64
Protagonistas	4.28	4.15	3.96
Herrera en la onda	3.81		
Supergarcía	4.95	4.81	
BILBAO			
General	2.50	2.43	2.31
Protagonistas	3.75	3.64	3.47
Herrera en la onda	3.34		
Supergarcía	4.95	4.81	
CASTELLÓN			
General	0.91	0.88	0.84
Protagonistas	1.37	1.33	1.26
Herrera en la onda	1.21		
Supergarcía	1.46	1.42	
ZARAGOZA			
General	2.24	2.15	2.04
Protagonistas	3.35	3.22	3.07
Herrera en la onda	2.79		
Supergarcía	3.35	4.62	
MÁLAGA			
General	1.28	1.24	1.18
Protagonistas	1.91	1.86	1.77
Herrera en la onda	1.70		
Supergarcía	2.49	2.42	

EUROPA FM

<u>NETWORK</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
From 07:00 to 10:00	33.45	31.85	15.03
From 10:00 to 24:00	29.82	28.40	27.05
From 24:00 to 07:00	9.94	9.47	9.02
<u>LOCAL</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<u>MADRID</u>			
General	3.94	3.76	3.97
From 07:00 to 10:00	4.42	4.21	
<u>VALENCIA</u>			
General	0.95	0.90	0.99
From 07:00 to 10:00	1.04	0.99	
<u>CASTELLÓN</u>			
General	0.63	0.60	0.66
From 07:00 to 10:00	0.69	0.66	
<u>ZARAGOZA</u>			
General	1.16	1.11	1.05
From 07:00 to 10:00	1.22		
<u>MÁLAGA</u>			
General	0.73	0.70	0.66
From 07:00 to 10:00	0.77		

UNIPREX has other operating revenues that relate mainly to the rebilling of expenses to subsidiaries, fees for the assignment of frequencies to associated companies, commissions for marketing the products of associated companies and other revenues not directly related to advertising sales, such as the marketing of advertising on the radio station Kiss FM owned by the Radio Blanca Group that in 2002 amounted to 5,223 thousand Euros.

The following table shows an estimation of the advertising occupation in the different radio network:

<u>MINUTES</u>	<u>TOTAL (Network+Local)</u>			<u>TOTAL MIN.</u>	<u>TOTAL MIN.</u>
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>YEAR 525,600</u>	<u>YEAR 525,600</u>
<u>TOTAL RADIO</u>	335,778	323,615	224,516	63.88%	61.57%
<u>SER</u>	50,227	48,549	43,347	9.56%	9.34%
<u>COPE</u>	61,680	59,278	53,022	11.74%	11.28%
<u>ONDA CERO</u>	67,168	58,952	40,084	12.78%	11.22%
<u>TOTAL GENERAL-CONTENT RADIO</u>	179,075	166,779	136,452	34.07%	31.73%
<u>DIAL</u>	32,347	35,128	20,181	6.15%	6.68%
<u>C100</u>	59,353	54,802	29,179	11.29%	10.43%
<u>M80</u>	28,093	29,788	17,095	5.34%	5.67%
<u>C40</u>	36,909	37,117	21,608	7.02%	7.96%

Edgar Filing: TELEFONICA S A - Form 6-K

<u>TOTAL THEMATIC RADIO</u>	<u>156,703</u>	<u>156,836</u>	<u>88,063</u>	<u>29.81%</u>	<u>29.84</u>
------------------------------------	-----------------------	-----------------------	----------------------	----------------------	---------------------

Source: ARCE from Monday to Sunday (except for self-advertising and micro-programs.)

IV-28

(C) Advertisers by industry

The following table shows the percentage breakdown of total radio advertising expenditure in 2002:

Code	Industry	% 2002
1	Culture, education and the media	3.73%
2	Automotive	9.97%
3	Office equipment, commerce and telecom.	9.07%
4	Beauty, hygiene and health	4.89%
5	Food	2.59%
6	Distribution and catering	15.51%
7	Drinks	2.78%
8	Public and private services	18.58%
9	Finance and insurance	8.41%
10	Other	24.47%
	Total	100%

IV.3.5. Radio programming

The vast majority of the programs broadcast by UNIPREX is produced by the Company's personnel in studios located in the radio stations, with the participation of outside contributors in some programs. The type of listener (and, therefore, the type of advertising generating the revenues) is different for each type of radio format. This differentiation by format is used by the other radio networks operating in Spain. The programming of the Spanish radio networks is produced in-house.

UNIPREX has 231 radio stations grouped together in networks. The networks can be identified by their different brand names.

UNIPREX currently broadcasts its programs through five different products:

- i. ONDA CERO Radio: this network broadcasts conventional programming (news, magazines, sports programs, etc.) targeted at the general public, adults of over 25 years of age and the middle and upper classes, based on large programming time blocks, at national and local level, with well-known professionals.
- ii. Europa FM: broadcasts music aimed at persons of between 20 and 44 years of age. It is based on the concept of the best European music and combines current and avant-garde European hits with other music from the past. It provides a mixture of music and news.
- iii. Radio Marca: thematic channel with a sports content, 24 hours live sports coverage, with a reputation for reporting excellence and the prestige of Marca. Everything about soccer and sports, from the viewpoint of information, leisure and entertainment, targeted mainly at middle- to upper class males of between 20 and 44 years of age.

Edgar Filing: TELEFONICA S A - Form 6-K

- iv. Dance FM: stations broadcasting music aimed at young listeners of between 16 and 30 years of age.

- v. Hit Radio: stations broadcasting of music in Cataluña. Musical thematic radio based on the pop music most played in Spain over the last four decades. Spanish and international music that has reached the first three positions in the pop charts. Aimed at middle-class listeners of between 20 and 44 years of age.

In addition, through two owned radio stations located on the Costa del Sol, UNIPREX broadcasts OCR Internacional with conventional programming targeted at foreign residents on the Costa del Sol and the Costa Blanca. It offers a mixture of programming in English and German. It also has an interest in Onda Cero Ramblas, which combines the principal programs of the Onda Cero network with its own conventional programming.

Also, as provided for in the cooperation agreement dated January 1999 entered into UNIPREX and the Radio Blanca group, UNIPREX provides marketing services to stations in the Radio Blanca Group through which it operates the musical formula KISS FM.

The *conventional radio format*, broadcast by approximately 70% of the radio stations (through the Onda Cero Radio, OCR Internacional, Onda Rambla, Hit Radio and, to a lesser extent, Radio Voz and Radio España networks) is characterized by being largely spoken, with programming including items such as news, opinion and entertainment, current affairs magazines and sport, with particular attention being given in all the programs to listener participation.

Also, the *formula radio format* relates to radio stations or networks whose programming is given over to a given theme (music and within this category, one or several specific types (dance, jazz, classical music, techno music, etc) news, sport, bullfighting, health, etc.). In the case of UNIPREX, the formula radio format is broadcast basically through the Europa FM, Radio Marca, Dance FM and Hit Radio networks and focuses mainly on music. The programming of the two music channels (differentiated because they target public of different ages) includes specialized updates on topics of current interest during different time blocks.

According to the EGM for 2003, the average profile of ONDA CERO listeners is as follows: typically middle/upper or middle/middle class (these two categories account for 66.1% of the network's total audience, compared to the industry average of 64.1%). The bulk of the audience (57.2%) is between 25 and 54 years of age, while the men/women percentage is close to 50% (44.8%/55.2%).

IV.3.6. Transmission and broadcasting of radio signals

The sounds a listener hears from his/her radio set are brought to it by a radio signal, called a carrier, on MW or FM, which makes it possible to receive stereo signals with a wider bandwidth (higher fidelity), although coverage is more restricted than on MW.

Generally speaking, the local station produces the program that is sent to the broadcasting center. To do so, it uses the following sources:

National leading production (national or network program)

Regional production (regional program)

The station's in-house production (local program)

National program: produced in the network's main studios and normally received, in digital form, via satellite through a satellite dish and the associated receiver equipment.

Regional program: produced in the studios of the head regional radio station on the basis of contributions from the region's various stations and received through a contribution and distribution network.

Edgar Filing: TELEFONICA S A - Form 6-K

Local program: produced in the radio station's studios with the equipment installed therein. It may include outside broadcasts through specific microphone lines (soccer stadiums, for example) telephone lines, ISDN lines (using the necessary encoders/decoders) and mobile units.

Through the appropriate programming of each satellite receiver each local radio station can opt for the program it wishes to receive.

Should the satellite broadcasting system be interrupted, programs can be broadcast through the permanent terrestrial network (contribution and interconnection network) or through ISDN lines.

When the local radio station is to intervene in the programs broadcast from the head regional or national stations, the permanent terrestrial network or ISDN lines are used.

There are three different ways of broadcasting programs:

1.- National network broadcasting. All the stations simultaneously broadcast the same program, which is produced by the channel leader.

2.- Regional network broadcasting. All the stations of the same autonomous community simultaneously broadcast the same programming, which is produced by the autonomous community's main station (head regional radio station).

3.- Local broadcasting. Each station produces and broadcasts its own programming within its own coverage area.

UNIPREX's entire radio station network is linked via satellite. The networks produce programs through digital production systems and the radio stations broadcast their programming mainly on FM with stereo sound, but also through MW stations, with mono sound, and all the stations are equipped with leading-edge broadcasting technologies.

In broadcasting its different products, each with a different coverage, UNIPREX covers practically the whole of Spain through its technical network made up of its Program Production Centers (where the audio signal is produced) and broadcasting centers (which transmit the signal). At present, UNIPREX has 136 Production Centers (95 owned and 45 leased) and 172 broadcasting centers, (119 owned and 53 leased), and its central studios are in Madrid.

Depending on the standard of their equipment, the Program Production Centers are divided into three categories: those at national level (mainly Madrid, Barcelona and Seville), where national programs are produced, those at regional or autonomous community level, where programs at these levels are produced, and those at provincial or local level. The difference lies in the type of program produced in the studio, since the more important the station, the better its equipment and the greater number of studios it has.

IV.3.7. Description of the main items making up the costs of UNIPREX products

The detail of the main operating costs of UNIPREX is as follows:

<u>(thousands of euros)</u>	<u>2002</u>	<u>%</u>
Personnel expenses	28,627	36.0%
Services provided by radio professionals	21,389	26.9%
Rent and royalties	13,320	16.8%
Advertising and publicity	4,281	5.4%
Repair and upkeep expenses	1,833	2.3%
Communication expenses	5,255	6.6%
Other expenses	4,792	6.0%
Total	79,497	100.0%

The average number of employees at UNIPREX was 918 in 2002, and the average cost per employee was 31.2 thousand in 2002.

Services provided by radio and other professionals. This caption includes the cost of contracts with major presenters, the cost of contributors to the various programs and the costs of other independent professionals. Currently there are not rescission clauses for the afore-mentioned contracts which total amount (in the case that it have to be paid) it could results of material importance for the Company. Currently early termination rescission clauses in these contracts if UNIPREX decides the early termination and if the

Edgar Filing: TELEFONICA S A - Form 6-K

resulting amount has to be simultaneous paid, if appropriate, would result in an amount equal to 20% of personal and professional services expenses accounting in 2002.

Rent and royalties include the rent paid for the radio stations where buildings housing them are not owned by UNIPREX and the fees paid to associated broadcasters for the assignment of their frequencies and their management by UNIPREX.

Communication expenses include satellite communication expenses, telephone costs (wireline and wireless) and permanent microphone and data lines.

Other expenses. These include, amounts other, royalties paid to SGAE/AGEDI, travel expenses, insurance premiums, fees and commissions paid to associated companies.

In this regard, under the agreements with SGAE and AGEDI, the latter grant non-exclusive authorization for UNIPREX to use the works managed by SGAE/AGEDI.

The main variations in the last three years have been as follows:

- 1) Increase in personnel expenses due to the increase in the headcount to cater for the operation and marketing of the new radio stations managed.
- 2) The cost of services of radio professionals increased in 2001 due to the hiring of a new team of professionals in the second half of 2000 to handle the evening programming and the sports programs. In the second half of 2002 the sports programming was modified again in order to cut the related costs.
- 3) Rent and royalties have increased due to the new radio stations now managed by UNIPREX.

IV.3.8. Main operating centers

UNIPREX's headquarters are in Madrid, at calle José Ortega y Gasset, 22-24, where the related premises are leased by UNIPREX. Also, UNIPREX has a presence in substantially all Spain's provincial capitals, where the Company's own radio stations, through which its channels programming is broadcast, are located. UNIPREX also owns 119 broadcasting centers.

IV.4. OTHER BUSINESS ACTIVITIES

ANTENA 3 TELEVISIÓN's business in the audiovisual industry is supplemented by other media business activities, through which it has increased its presence in the audiovisual value chain so as to provide advertisers with alternative vehicles for exhibiting their products (cinemas, the Internet, satellite, cable, etc.). These other business activities provide ANTENA 3 TELEVISIÓN with additional operating platforms for showing and marketing its products.

The variations in the net revenues from these business activities in 2000, 2001 and 2002 were as follows:

	2002	%	2001	%	2000
	<u>2002</u>	<u>Variation</u>	<u>2001</u>	<u>Variation</u>	<u>2000</u>
Net revenues	60,025	(30.10)%	85,867	(1.66)%	87,319
EBITDA	(6,310)		(1,526)		5,826
Net revenues as a % of the ANTENA 3 Group's revenues	8,95%		13,50%		12,42%
EBITDA as a % of the ANTENA 3 Group's EBITDA	(14,69)%		(1,43)%		2,03%

OTHER BUSINESS ACTIVITIES

NET SALES IN 2000-2001-2002						
(thousands of euros) COMPANY	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
	Movierecord	30,599	50.98%	28,240	32.89%	36,147
Antena 3 Directo Group	16,625	27.70%	20,166	23.48%	28,189	32.28%
Antena 3 Producciones	3,997	6.66%	4,277	4.98%	3,432	3.93%
Ensueño Films	1,801	3.00%	0	0.00%	0	0.00%
Guadiana Producciones	3,052	5.08%	4,336	5.05%	3,359	3.85%
Other companies	3,951	6.58%	28,849	33.60%	16,192	18.54%
TOTAL	60,025	100.00%	85,868	100.00%	87,319	100.00%

Since 1993 ANTENA 3 TELEVISIÓN has been implementing a diversification strategy aimed at providing it with additional sources of growth. This strategy was intensified in 1998 in view of the prospects offered by the pay TV and Internet businesses, as well as the buoyancy of the advertising market.

The other main businesses are as follows:

- i) Movierecord: advertising in cinemas;
- ii) ANTENA 3 Directo: direct marketing, mainly through free-to-air TV;
- iii) ANTENA 3 Producciones: production and management of thematic channels in Peru;
- iv) Guadiana: production of advertising spots;
- v) Ensueño; co-production of feature films.

In 2002 around 12% of ANTENA 3 TELEVISIÓN s total billings arose from these other business activities.

The business activities of the various ANTENA 3 Group companies are summarized below:

IV.4.1. Movierecord Cine S.A.

The following table shows the detail of the main net sales-related aggregates of Movierecord Cine, S.A. in 2002, 2001 and 2000:

Thousands of euros

MOVIERECORD	2002	2001	2000
NET SALES	30,599	28,420	36,147
EBITDA	(4,087)	(2,219)	6,221

ANTENA 3 TELEVISIÓN owns all the shares of Movierecord Cine, S.A. (Movierecord). With this holding ANTENA 3 TELEVISIÓN entered the cinema advertising market, where the various cinema advertising operators billed 45.36 million in 2002, as compared to the 44.56 million billed in 2001. As regards the number of insertions, 799,971 advertisements were shown in this market in 2002, an increase of 22.62%. with respect to 2001 (source: Infoadex).

Movierecord operates as an exclusive advertising agent, i.e. as an intermediary between the cinemas and the advertisers. Exclusive agents are granted exclusive contracts with the cinema owners, permitting a given number of minutes of advertising in each film screening. In Spain there are three major exclusive operators: Movierecord, RMB España Multimedia, S.A. (a joint venture in the Screen Vision Holdings Group set up by the U.K. company Carlton Communications PLC and the French company Thomson Multimedia, S.A.) and Discine, Gestión de Cine Publicitario, S.L.

Edgar Filing: TELEFONICA S A - Form 6-K

The contracts entered into by Movierecord with the cinemas include an annual fixed consideration, which, in general, has to be paid regardless of whether the related advertising screening contracts are ultimately signed. This consideration is the main expense of Movierecord, since it accounted for approximately 66% of its expenses in 2002.

The following table shows the proportion between screens, seats and cinemas of the three main exclusive operators in Spain in the first half of 2003:

Exclusive Operators	Screens		Seats		Cinemas	
	Number	%	Number	%	Number	%
MOVIERECORD	1,651	46.69%	426,164	50.43%	380	50.20%
DISCINE	653	18.47%	150,505	17.81%	183	24.17%
RMB	1,232	34.84%	268,391	31.76%	164	21.66%
No advertising					30	3.96%
TOTAL	3,536	100%	845,061	100%	757	100%

Source: AIMC.

Advertising in cinemas differs in various aspects from advertising in other media: no advertising saturation or channel-hopping and, in particular, an impact rate (advertising recall) that is 7.1 times higher than that of television advertising (source: Nielsen Media).

In 2002 the number of cinema-goers fell by 2.14%, while box office takings rose by 3.4% to 627.35 million in 2002 (source: 2003 Annual Report of SGAE on dramatic, musical and audiovisual arts).

Movierecord, which has been operating in this industry for over 25 years, managed advertising on 1,628 screens in 2002, as compared with the advertising on 1,202 and 609 screens managed by RMB and Discine, respectively (source: AIMC, Cinema Census. March 2003). Movierecord is therefore the exclusive operator with the highest number of screens managed.

The main advertisers during 2002 by economic areas has been as follows (amount in millions of euros);

<u>Industry</u>	<u>2.002</u>	<u>2.001</u>	<u>2.000</u>
	%	%	%
Culture, education and the media	9.25%	8.82%	9.97%
Automotive	10.23%	8.08%	9.89%
Office equipment, commerce and telecom.	18.29%	12.60%	25.13%
Beauty, hygiene and health	6.73%	4.87%	4.55%
Food	10.43%	11.38%	6.36%
Distribution and catering	3.33%	4.59%	5.13%
Drinks	8.15%	18.55%	9.28%
Public and private services	10.88%	11.15%	4.88%
Finance and insurance	1.82%	2.92%	3.33%
Other	20.90%	17.02%	21.47%
Total	100%	100%	100%

Source: Movierecord Cine, S.A.

Regarding commercial policy, most of the sales are made to Spanish advertisers through the Company's own commercial network and campaigns with an average duration of two weeks are contracted for. Also, there is a local advertising market with a lower volume of business that is handled by free agents.

IV.4.2. ANTENA 3 Directo Group

The following tables shows the detail of the main net sales-related aggregates of the Antena 3 Directo Group in 2002, 2001 and 2000:

(Thousands of euros)

Edgar Filing: TELEFONICA S A - Form 6-K

A3 DIRECTO GROUP	2002	2001	2000
NET SALES	16,625	20,166	28,189
EBITDA	(2,472)	(2,243)	203

The Antena 3 Directo Group comprises four companies: ANTENA 3 Directo, S.A. (in Spain), Trading Team Ltda. (in Portugal) and A3D Chile S.A., in which A3D Chile Holdings, S.A. has an ownership interest (in Chile).

All these companies engage mainly in the direct sale of products by television, backed by other direct marketing, mail order, outbound and Internet businesses, which broaden the possibilities of distributing telesales products.

The strategy of these companies consists of launching new products on the market on an exclusive basis through spots and infomercials.

The companies comprising the Antena 3 Directo Group are involved in the full commercial cycle, from the purchase of the product through its distribution and the collection of the related amount from the end customer at his/her home.

The sales channels are as follows:

CHANNEL	DESCRIPTION	RECEIPT OF ORDERS	DISTRIBUTION
Telesales	Marketing of products through ANTENA 3 TELEVISION S spots and infomercials		
Mail order	Marketing of products by sending catalogs to customers	Orders are received through call centers, which is sized on the basis of the anticipated volume of calls	The packing and delivery service (distribution) is outsourced to logistic operators
Outbound	Marketing of products through telephone calls to customers		
Internet	On-line shopping		

This business activity has been adversely affected by the drop in the number of available space for the broadcasting of telesales and infomercial spots, as a result of the need to maximize the use of the available time with conventional advertising in a weak advertising scenario.

IV.4.3. ANTENA 3 Producciones, S.A.

The detail of the main net sales-related aggregates of Antena 3 Producciones, S.A. in 2002, 2001 and 2000 is as follows:

Thousands of euros			
ANTENA 3 PRODUCCIONES	2002	2001	2000
NET SALES	3,997	4,402	3,432

Edgar Filing: TELEFONICA S A - Form 6-K

EBITDA

916 1,128 1,213

ANTENA 3 Producciones, S.A. was incorporated in July 1998 through the acquisition of Telefónica Producciones by ANTENA 3 Perú, S.A. (ANTENA 3 TELEVISIÓN had been operating in Peru since 1995 when ANTENA 3 Perú, S.A. was incorporated to manage the Peruvian television channel Global TV, which has not been managed since 1999.

In 2002 Antena 3 Producciones carried on four lines of business:

Production of three thematic channels for the cable operator Cablemágico owned by Telefónica del Perú: Canal Antena Informativa (news), Canal de Deportes (sport) and Canal Cultural (culture).

Sale of advertising of Canal Antena Informativa and Canal Cultural.

IV-35

Production of advertising, becoming, in less than two years, the second largest advertising producer in Peru. The revenues obtained in this connection account for 31% of the total. As of December 31, 2002, it had a market share of 24%.

Production services; coverage of conferences, institutional videos, multimedia presentations.

IV.4.4. Guadiana Producciones, S.A.

The following table shows the detail of the main net sales-related aggregates of Guadiana Producciones, S.A. in 2002, 2001 and 2000:

Thousands of euros			
GUADIANA	2002	2001	2000
NET SALES	3,052	4,336	3,359
EBITDA	79	243	124

Guadiana Producciones is the ANTENA 3 Group's advertising films producer. It produces between 25 and 30 spots a year for a broad range of advertisers.

The company operates by offering advertisers the possibility of filming spots under the guidance of directors of national or international renown, who it represents on an exclusive basis, and contracting the technical equipment and resources required to make these productions.

This flexible business structure, with only seven employees, means that the company can tailor its size to demand at any given moment.

IV.4.5. Ensueño Films, S.L

The detail of the main net sales-related aggregates of Ensueño Films, S.L. in 2002, 2001 and 2000 is as follows:

Thousands of euros		
ENSUEÑO	2002	2001
NET SALES	1,801	
EBITDA	759	

Ensueño Films, S.L. (Ensueño) is ANTENA 3 TELEVISION S cinema films producer, operating on a co-production (normally 50%/50%) basis.

The projects selected are analyzed by Ensueño from the following viewpoints: profitability, technical feasibility and co-production alternatives. Once the suitable projects have been chosen, the company starts negotiating with other producers.

Ensueño s investments comply with the 5% of net revenues established by the current wording of the Television without Frontiers Law that ANTENA 3 TELEVISIÓN must earmark for the advance financing of European feature films, short films and made-for-television films. 60% of this percentage must be used for productions in any of the official languages in Spain.

IV.4.6. Other companies

In addition to the aforementioned activities, there are other ANTENA 3 Group companies that are either currently inactive or whose effect on the results of the ANTENA 3 Group is virtually nonmaterial. These companies include most notably:

Compunet: Internet advertising and content

Nova Televisió: Territorial center in the Balearic Islands

Antena 3 Castilla y León: Territorial center in Castilla y León

Megatrix: Inactive

Antena 3 Temática, S.A.: This company produces the thematic channels Campero and Punto de Venta. Following the merger of the digital platform, the resulting platform was not interested in broadcasting these thematic channels and, accordingly, this company is currently inactive.

Edgar Filing: TELEFONICA S A - Form 6-K

Antena 3 Editorial, S.A.: This company manages the publishing rights of ANTENA 3 TELEVISIÓN.

IV.5. CONDITIONING CIRCUMSTANCES

IV.5.1. Seasonality of the business

a) Television

One feature that differentiates the television from other media is its seasonality, which has been less marked in recent years but is still clearly noticeable. In some cases this is for historical reasons, such as the fact that the first quarter of the year, despite the high television audiences, has traditionally been a period of low advertising demand, while in other cases it is due to market reasons, such as lower private consumption in Spain over the summer months (third quarter).

This seasonality applies to both expenditure and the time taken up by advertising.

SEASONALITY OF TELEVISION IN 2002 (percentage of total)

<u>Month</u>	<u>January-March</u>	<u>April-June</u>	<u>July-September</u>	<u>October-December</u>
Expenditure	24.07%	27.52%	20.73%	27.67%

Source: Infoadex.

As can be seen, April-June and October-December are the periods when there is most television advertising expenditure.

The situation of ANTENA 3 TELEVISIÓN is in line with that of the market it receives most of its advertising revenues in the aforementioned periods.

b) Radio

Advertising revenues in the radio market reveal seasonal sensitivity that differs slightly from that of other media. Specifically, the May-June and November-December periods are when the highest billing levels are reached, although the differences with respect to the rest of the year are fairly minimal. Also, radio audiences drop notably at the weekend. It should be noted that this is also the case for the other Spanish networks.

<u>RADIO</u>	<u>January-March</u>	<u>April-June</u>	<u>July-September</u>	<u>October-December</u>
Expenditure	26.15%	26.72%	21.78%	25.35%

c) Cinema

One characteristic of Movierecord market is its seasonality accumulated on the last quarter of the year. The following table shows the rate of advertising expenditure on a quarterly base:

	<u>January-March</u>	<u>April-June</u>	<u>July-September</u>	<u>October-December</u>
Expenditure	14.30%	18.69%	21.59%	45.42%

Advertising expenditure on cinemas is conditioned by the atypical seasonality of this market, where summer is significant due to the increase of the cinema consume in this period, and the last quarter of the year where the most important movies are released as well as the Christmas campaign.

IV.5.2. Dependence on suppliers

As regards concentration, there are no providers who individually account for more than 25% of the Group's purchases and expenses.

The public television service provided by ANTENA 3 TELEVISIÓN requires the use of a carrier support service for both the analog and digital television signals it broadcasts throughout Spain. Because at the date of this Prospectus the only entity with the infrastructure required to provide this carrier support service throughout Spain was RETEVISIÓN I, S.A.U., the term and conditions of the contract with RETEVISIÓN I, S.A.U. are of major importance to ANTENA 3 TELEVISIÓN.

IV.5.3. Dependence of the ANTENA 3 Group on intellectual property rights, patents and trademarks

ANTENA 3 TELEVISIÓN's assets include its intellectual property rights for its ordinary activities and it also has copyright protection in all material respects and in all the relevant markets. Of particular importance are the ANTENA 3 TELEVISIÓN brand name and the network's logo, together with variations thereon. Also, Movierecord has registered the MOVIERECORD brand name, the related logo and variations thereon. UNIPREX also has sufficient copyright protection to be able to carry on its business activities and, in particular, it has registered the ONDA CERO brand name, the related logo and variations thereon. It should also be noted that the "Protagonistas" brand name is owned by Luis del Olmo, and UNIPREX only has right to use this name during the term of the contracts between UNIPREX and Luis del Olmo.

IV.5.4. Litigation and arbitration

ANTENA 3 TELEVISIÓN and its Group companies are involved in various lawsuits that have arisen as a result of the business activities carried on by the Group. Although the outcome of each of these proceedings cannot be determined, the ANTENA 3 Group considers that both individually and as a whole, they will not have a material adverse effect on consolidated earnings or on the net worth equilibrium and solvency of ANTENA 3 TELEVISIÓN, except in relation to the proceedings and arbitration described below. Also, it should be noted that as of June 30, 2003, ANTENA 3 TELEVISIÓN had recorded a provision of 30,878,477.20 for litigation, arbitration and contingencies.

ANTENA 3 TELEVISIÓN

- 1) The following proceedings have been instituted against ANTENA 3 TELEVISIÓN by entities managing intellectual property rights:

Large-claims complaint filed by the collection societies AIE (*Artistas, Intérpretes o Ejecutantes Sociedad de Gestión de España*) and AISGE (*Artistas Intérpretes Sociedad de Gestión*) and conducted at Alcobendas (Madrid) Court of First Instance number 5 under case number 280/98, seeking payment of the remuneration stipulated in Article 108.3 of the Intellectual Property Law. No decision has yet been handed down in the cassation appeal filed by ANTENA 3 TELEVISIÓN at the Supreme Court against the judgment rendered in the October 2000 appeal, which substantially upheld AIE/AISGE's claims against ANTENA 3 TELEVISIÓN. The provisional execution of that judgment, the quantum of which has not yet been determined, is being conducted at the same time at Alcobendas Court of First Instance number 5.

Complaint in an ordinary lawsuit filed by the collection society AGEDI (*Asociación de Gestión de Derechos Intelectuales*) at Alcobendas (Madrid) Court of First Instance number 7 under case number 82/2003, seeking payment of the remuneration stipulated in Article 116 of the Intellectual Property Law. In the complaint, AGEDI applied for injunctive relief in the form of ANTENA 3 TELEVISIÓN ceasing and desisting from the broadcast of phonograms or, in the alternative, the payment into court of the amounts corresponding to AGEDI's general charges. While the Court of First Instance granted the application for injunctive relief in the form of the payment into court of said amounts, ANTENA 3 TELEVISIÓN unilaterally chose to cease broadcasting phonograms on its network. At present, judgment is pending in this proceeding and the quantum has yet to be determined.

- 2) Large-claims complaint filed by the LIGA NACIONAL DE FÚTBOL PROFESIONAL (LNFP) (the Spanish national professional soccer league) against ANTENA 3 TELEVISIÓN, AUDIOVISUAL SPORT, S.L. (AVS) and GESTORA DE MEDIOS AUDIOVISUALES, S.A. (GMA), conducted at Madrid Court of First Instance number 20 under case number 331/2000, seeking the soccer broadcast rights for the 1996/1997 and 1997/1998 seasons. The amount claimed is 38,464,774.68 (half of which is for the 1996/1997 season and the other for the 1997/1998 season) plus the related interest. Any sums that ANTENA 3 TELEVISIÓN evidences as having paid to the relevant soccer clubs and /or sports corporations (sociedades anónimas deportivas) have to be subtracted from that amount. The Company produced documentary evidence in the proceeding that it had paid 30,291,010.06 for the matches that were actually broadcast by ANTENA 3 TELEVISIÓN. It was also argued in the proceeding that GMA and AVS had been subrogated to ANTENA 3 TELEVISIÓN and were liable for the latter's payment obligations, and that the LNFP did not have standing to sue since the financial rights to broadcast live the matches were held by the sports entities organizing the soccer games rather than the LNFP. The soccer clubs and sports corporations in the proceeding stated that they had received the sums due to them for the exploitation of their audiovisual rights for the 1996/1997 and 1997/1998 seasons. No judgment has yet been handed down on this proceeding.
- 3) Large-claims complaint filed by Compañía Europea De Ideas Para el Éxito, S.A. (CEDIPE) against ANTENA 3 TELEVISIÓN, and conducted at Madrid Court of First Instance number 60, under case number 684/2000, for breach of contract in connection with the production of a television program. The plaintiff sought damages of 19,184,306.37, plus taxes, for termination of agreement without just cause. The main issue at stake in this proceeding is whether or not an agreement exists between the parties and, thus, whether the indemnity clause is applicable. At First Instance, judgment was given partly upholding the complaint on the ground that a contractual relationship had existed between the parties, but partly dismissing the plaintiff's claim for damages, which was limited to such costs as CEDIPE could evidence that it had incurred in preparing the program under contract and also to such income CEDIPE could reasonably evidence that it had foregone by not producing the program. The Court did not assess any net amount in its judgment, and postponed the quantification of damages until the judgment execution phase. The judgment was appealed against by the two parties, although the plaintiff did not request its provisional execution. In a judgment notified on October 2, 2003, the Madrid Provincial Appellate Court wholly dismissed the complaint filed by CEDIPE and ordered the latter to pay all the costs of the case at First Instance and those incurred on appeal. CEDIPE has announced that it will be filing a cassation appeal against that judgment.

- 4) Complaint in an ordinary lawsuit filed by Compañía Europea De Ideas Para el Éxito, S.L. (CEDIPE), and conducted at Madrid Court of First Instance number 11, under case number 277/2003, in relation to termination of agreement without just cause. The plaintiff is seeking damages of an amount of 2,283,845.99. The lawsuit is currently pending the preliminary hearing phase. The Company expects the complaint to be dismissed by reason of there having been objective grounds for contractual termination, with full and final settlement with the consent of the plaintiff.
- 5) Complaints filed by AZ Construcciones, S.A. and by Elena García del Vado, minority shareholders of ANTENA 3 TELEVISIÓN, conducted at Alcobendas (Madrid) Court of First Instance number 6, under case number (172/2002) against ANTENA 3 TELEVISIÓN, contesting the resolutions adopted by the Special Shareholders Meeting of ANTENA 3 TELEVISIÓN held on March 5, 2002, particularly the resolution ratifying the acquisition of 100% of the capital stock of UNIPREX and Cadena Voz de Radiodifusión. In an order of April 26, 2002 the Court directed the joinder of the two complaints. ANTENA 3 TELEVISIÓN does not expect these proceedings to have any effect on the validity of the purchase made by PUBLICIDAD 3.

UNIPREX

- 1) Complaint in an ordinary lawsuit filed by MARGUS COMUNICACIÓN, S.L., and conducted at Madrid Court of First Instance number 43, under case number 1060/2002, seeking an unliquidated amount from UNIPREX due to the termination of an agreement for services. The plaintiff seeks a declaration of its rights as a Sports Manager since, when the former Manager left the station, it argues that it took on the former Manager's duties. Leave to proceed with the complaint filed by MARGUS COMUNICACIÓN, S.L. was given on December 15, 2002. The proceeding is in the evidential phase.
- 2) Complaint in an ordinary lawsuit (number 512/2003) filed on May 23, 2003 by MEDIPRESS, S.A. against UNIPREX, and conducted at Madrid Court of First Instance number 64 seeking damages for breach of the agreement signed between the parties for the broadcast of radio programming (Europa FM). MEDIPRESS, S.A. seeks damages of 13,611,014.66 for breach of contract (nonperformance of the promotional investment obligation provided for in the agreement for 2002 and for the first four months of 2003, as well as nonperformance of the obligation to pay annually in advance for 2003). The plaintiff is also seeking an order that UNIPREX pay MEDIPRESS, S.A. and MEDIPRESS VALENCIA, S.A. 590,450 and 63,140, plus the related taxes as a payment on account of the settlement of 2003 advertising revenues. In response, UNIPREX has filed an answer and counterclaim. On October 9, it was notified of an order made in the ancillary proceeding for injunctive relief. The terms of the order were that, subject to MEDIPRESS, S.A. posting a surety bond of 60,000, UNIPREX make the payments on account, pursuant to the agreement in force between the parties, as they accrued in the course of the proceeding before June 30 of each year and immediately in the case of the payment for 2003 in the amount sought by the other side, unless UNIPREX disagreed, in which case an auditor would be appointed by the court to set the amount. Although UNIPREX is contractually bound to pay the advance, as it has admitted in the prayer for relief in the counterclaim, it disputes the amount and, accordingly, will request that an auditor be appointed, and appeal against the order.
- 3) Arbitration initiated by UNIPREX on May 24, 2003 against the RADIO BLANCA Group over the interpretation of certain clauses in a cooperation agreement dated July 27, 2001, entered into by the parties to market the programming of the RADIO BLANCA Group (Kiss FM) and various other obligations and technical services. The dispute concerns: (i) what is to be used as the indicator in proportion to which certain payment obligations of UNIPREX to the RADIO BLANCA Group are to be determined: whereas the agreement defines this indicator as the average audience of Cadena Radio Blanca per the EGM, the RADIO BLANCA Group adopts a different interpretation which tends to make the indicator in question comparable to the concept of cumulative audience, which would increase UNIPREX's payment obligations if this interpretation prevailed; (ii) the concept of spots; (iii) the adequacy and economic feasibility of the format prepared by the RADIO BLANCA Group is in comparison with the practice in the music radio broadcasting market in Spain; and (iv) the position of the RADIO BLANCA Group as regards fulfillment of UNIPREX's obligation to provide certain RADIO BLANCA stations with equipment and infrastructure, rendering the performance of the agreement in this connection impossible.

On May 21, 2003, the RADIO BLANCA Group also initiated an arbitration against UNIPREX, for breach of the agreement dated July 27, 2003 contract and seeking recognition of the right to terminate the agreement and receive the amounts established by way of penalty in the agreement, plus the related damages. The Radio Blanca Group quantifies the penalty at 258 million and the damages at 328 million, approximately, plus the related interest at the statutory rate. It also seeks the difference resulting from the application of the cumulative audience indicator and the application of the average audience indicator, which is used in the agreement by UNIPREX, an amount which was approximately 5 million in the first half of 2003.

IV-40

By agreement between the parties, the two arbitrations have been joined and are being heard simultaneously.

The view of UNIPREX's legal advisers acting as counsel in the arbitration, and of reputable law firms pursuant to the legal opinions delivered by them in this connection is that the arbitration proceeding instituted by the Radio Blanca Group will not give rise to substantial costs or disbursements for the Company other than the expenses of the arbitration proceeding itself. Accordingly, the directors have not considered it necessary to record any allowance on the liabilities side of the balance sheet as of June 30, 2003.

However, since as of today's date there has not yet been any arbitral ruling (envisaged for March 15, 2004), the auditors of UNIPREX have considered that it is not possible to objectively assess the impact that the final outcome of these arbitrations may have on the interim financial statements as of June 30, 2003, and, accordingly, have included the relevant uncertainty in the audit opinion on those financial statements.

- 4) Appeal for judicial review number 504/2000 filed by UNIPREX, and conducted at the Andalucía High Court, Panel 3, against two decisions by the Andalucía Autonomous Community Government on November 8, 1999 and February 9, 2000, fining UNIPREX Ptas. 5,000,000 (approximately \$30,050) for its failure to comply with the essential conditions of the Huéscar (Granada) broadcasting license on the 98.1 Mhz frequency. In an order of October 20, 2000 the High Court decided not to stay execution of the disputed decisions. UNIPREX filed an appeal against the High Court order on November 22, 2001. The proceeding is in the evidence-taking phase.
- 5) Appeal for judicial review number 509/2000 filed by UNIPREX, and conducted at the Andalucía High Court, Panel 1, against a decision by the Andalucía Autonomous Community Government on February 18, 2000, fining UNIPREX Ptas. 3,000,000 (approximately \$18,030) on for its unauthorized relocation of the studios of the broadcaster in the town of Montilla (Córdoba), on the 92.7 Mhz frequency. The High Court stayed the execution of the disputed decision. UNIPREX posted a bond of Ptas. 3,600,000 (\$21,636). The proceeding is awaiting judgment.

In addition, given the nature of their business, ANTENA 3 TELEVISIÓN and UNIPREX are parties to various proceedings relating to the rights of honor, personal and family privacy and self-image, although none of these proceedings is of any particular financial relevance, either as regards the sums claimed or the damages currently being awarded by the courts for proceedings of this type in Spain. Furthermore, the possibility of ANTENA 3 TELEVISIÓN and UNIPREX being able to file third-party complaints against the presenters and producers of certain programs, depending on the contracts signed with them, should also be taken into account.

Lastly, ANTENA 3 TELEVISIÓN is involved in an administrative proceeding and two judicial review proceedings relating to the legislation on advertising and content, which are typical of the industry and involving regulatory issues that in many cases are subject to disparate interpretations and/or are difficult to comply with in practice. None of these proceedings has a material financial impact, or, in the Company's opinion, could have other adverse implications.

IV.5.5. Interruption of the business activities of the ANTENA 3 Group

Neither ANTENA 3 nor its Group companies have experienced any interruption to their business activities that has had a material effect on their financial position.

IV.5.6. Special regulations

Edgar Filing: TELEFONICA S A - Form 6-K

The special regulatory framework applicable to the activities carried on by the ANTENA 3 Group is summarized in section III. 2.2. of this Prospectus.

IV.5.7. Dependence on administrative concessions

The activities carried on by the ANTENA 3 Group in the television and radio lines of business are subject to the special legal regimes described in section 2.2. of Chapter III. As stated in that section, the failure to comply with certain requirements may be penalized with the loss of the concessions or authorizations held by the radio concession-holder companies. The renewal of the licenses or authorizations and the award of new licenses or authorizations have to be approved by the relevant administrative authorities.

IV-41

As regards the renewal of the public sound radio broadcasting service concessions held by UNIPREX to date, so far renewals have been applied for to the relevant authority in accordance with the applicable legislation when the concessions were about to expire. In some cases the concessions were expressly renewed, while in others they were renewed on the basis of the authorities' failure to reply after the relevant administrative appeal to a higher administrative body had been filed, as envisaged in Article 43 of the Public Authorities and Common Administrative Procedure Law.

In addition, UNIPREX is, or has been, involved in specific lawsuits relating to possible infringements of basic rights and conditions arising from some of its concessions, although none of these proceedings should have any relevant impact, in general, on the renewal of its radio broadcasting concessions.

IV.5.8. Subsidies

The ANTENA 3 Group companies do not receive any significant subsidies for carrying on their core business activities. In carrying on its feature film production business, mainly through its subsidiary Ensueño Films, S.L., it receives subsidies for the production of European feature films.

IV.5.9. Insurance policy

ANTENA 3 TELEVISIÓN attempts to cover most of the identifiable risks to which its business is exposed by taking out the appropriate insurance policies. The main types of insurance policy arranged by the ANTENA 3 Group companies are: all risks physical damage policies (covering damage, and losses and loss of profit); comprehensive policies for its vehicles and executives' vehicles, general and integral third-party liability policies, policies for loss of profit due to acts of terrorism; health insurance for the executives of ANTENA 3 TELEVISIÓN; life insurance (covering death and disability) for executives and employees, travel assistance with or without dispute; assistance for trucks.

The total amount paid in 2002 for ANTENA 3 TELEVISIÓN's insurance premiums was 598,000.

Like ANTENA 3 TELEVISIÓN, UNIPREX attempts to cover most of the risks involved in its business activities by taking out the appropriate insurance policies. The main types of insurance policy arranged by the Company are: life insurance for employees, policies covering physical damage and loss of profit (comprehensive in the case of physical damage, loss of profit due to accidents, loss of profit due to acts of terrorism, coverage for the national transportation of goods), civil liability insurance and vehicle insurance.

The total amount paid in 2002 for the insurance premiums of UNIPREX and its Group companies was 213,215.59.

IV.6. LABOR INFORMATION

IV.6.1. Detail, by category and type of contract, of the average number of employees and the variations therein in the last three years

IV-42

During 2002, 2001 and 2000 the detail of the ANTENA 3 Group employees has been as follows:

**ANTENA 3 TELEVISIÓN GROUP HEADCOUNT IN
2002, 2001 AND 2000**

	ANTENA 3			REST OF THE GROUP			ANTENA 3 + GROUP		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Senior management	24	11	12	120	66	39	144	77	51
Operations and program personnel	1,167	1,193	1,168	523	387	230	1,690	1,580	1,398
Commercial personnel	189	166	158	175	224	15	364	390	173
Management personnel	192	200	188	173	116	115	365	316	303
Other temporary employees				38			38		
Interns	34	33	42	10	3		44	36	42
Specific-project contracts	289	224	288	344	107		633	331	288
Total	1,895	1,827	1,856	1,383	903	399	3,278	2,730	2,255

* The 2002 figures include the employees of UNIPREX, whereas those for 2001 and 2000 do not.

In 2002 there was a reduction in the number of employees at ANTENA 3 Group, although this was less evident as numerous employees from Group companies were taken on by ANTENA 3 TELEVISIÓN, and the employees of ONDA CERO were included.

ANTENA 3 Group does not have any contract that contain indemnizatory clauses with relevants amounts, if such contract are early terminated, a part from those mentioned for ANTENA 3 TELEVISIÓN and UNIPREX.

Chapter VII of this Prospects refers to the status of the labor force reduction plan that was being negotiated at the date of filing of the Prospectus.

IV.6.2. Collective bargaining

Except for management, the rest of ANTENA 3 TELEVISIÓN s employees are covered by a three-year collective labor agreement signed in 2002 (VI Collective Labor Agreement).

Also, UNIPREX also has a Collective Labor Agreement, applicable to all the employees except management. The Agreement has a term of two years from January 1, 2000, and is automatically renewable for successive one-year periods unless notice of termination is given three months in advance by either of the parties. This Agreement is currently under negotiation, since notice of its termination has been given.

IV.6.3. Personnel incentives policy

The compensation paid to the employees of ANTENA 3 TELEVISIÓN is basically that set under the Collective Labor Agreement.

ANTENA 3 TELEVISIÓN does not have any pension commitments to its employees. The Collective Labor Agreement provides for the creation of a committee to study, during the term of the Agreement, the possibility of implementing a pension plan in the future.

Also, the aforementioned Collective Labor Agreement of UNIPREX envisages the hiring of disabled employees. There is a life insurance policy for all the employees, for which the premiums paid in 2002, 2001 and 2000 amounted to 58,153.72, 59,964.36 and 57,112.37, respectively. The premiums paid under the life insurance policy for executives amounted to 18,422.40 in 2001 and to 15,071.10 in 2000. In addition, UNIPREX grants its employees assistance for school fees, which amounted to 53,081.75, 72,553.92 and 60,371.62 in 2002, 2001 and 2000, respectively.

IV.6.4. Training

Over the last three years various training courses have been given, of which the following were the most significant:

Production of content for interactive television

Adaptation to new technologies and the new market

ENG reporting

Digital television and video

New technologies for news programs

Finance for decision-taking, etc.

The detail of the hours and cost of training courses in the last three years is as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Hours taught	41,103	71,621	71,334
Cost in	743,123	1,227,110,08	931,823,39

IV.7. INVESTMENT POLICY

The detail, by business line, of the investments made by the Company in 2002, 2001 and 2000 is as follows:

<u>Thousands of Euros</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
AMORTIZABLE EXPENSES	1,522	24,327	141
Television	0	0	0
Radio	371	23,439	1
Other business activities	1,151	888	140
INTANGIBLE ASSETS	23,077	4,718	6,110
Television	18,748	2,318	2,263
Radio	979	1,126	658
Other business activities	3,350	1,274	3,189
TANGIBLE FIXED ASSETS	20,158	26,136	40,544
Television	10,475	11,998	21,766
Radio	6,341	4,619	8,149
Other business activities	3,342	9,519	10,629
FINANCIAL INVESTMENTS	216,993	28,296	38,743
Television	209,479	27,170	34,870
Radio	6,916	128	2,196
Other business activities	598	998	1,677
TOTAL	261,750	83,476	85,539

The additions include most notably the 23,439 thousand relating to the amortizable expenses of the radio business in 2001, as a result of the cooperation agreement entered into by the Radio Blanca Group and UNIPREX, and the 18,748 thousand relating to the intangible assets of the television business in 2002, which relate mainly to a purchase option on the broadcasting rights for the 2006 Soccer World Cup 2006. This

Edgar Filing: TELEFONICA S A - Form 6-K

purchase option was also sold in 2002, with the concomitant retirement from Intangible Assets .

The 168 million of financial investments relating to radio include the investment made by PUBLICUDAD 3 in the acquisition of UNIPREX, which is described in Chapter VI.

IV-44

CHAPTER V

ISSUER S NET WORTH, FINANCIAL POSITION AND EARNINGS

CONTENTS

V.0 INTRODUCTION

V.1 TERMINOLOGY

V.2 SUMMARY OF ACCOUNTING PRINCIPLES

V.3 CONSOLIDATED ACCOUNTING INFORMATION ON THE ANTENA 3 GROUP AND SUBSIDIARIES

V.3.1. Consolidated balance sheet as of December 31, 2002, and comparison with the two preceding years.

V.3.2. Consolidated statement of operations as of December 31, 2002, and comparison with the two preceding years.

V.3.3. Cash flow statement as of December 31, 2002, and comparison with the two preceding years.

V.4 INDIVIDUAL ACCOUNTING INFORMATION ON ANTENA 3 DE TELEVISIÓN, S.A. (PARENT COMPANY)

V.4.1. Individual balance sheet as of December 31, 2002, and comparison with the two preceding years.

V.4.2. Individual statement of operations as of December 31, 2002, and comparison with the two preceding years.

V.4.3. Balances and transactions with subsidiaries.

CHAPTER V

ISSUER'S NET WORTH, FINANCIAL POSITION AND EARNINGS

V.0 INTRODUCTION

The aim of Chapter V is to show the evolution in the issuer's financial situation based on figures extracted from the individual and consolidated financial statements for the last three years and on other non-accounting information that can assist in understanding this evolution and the issuer's net worth situation.

In order to facilitate the proper comprehension and interpretation of the various aggregates, a terminology section is included which explains the variables used in the analysis of the financial statements and the formula used to calculate the ratios generally used in the industry.

This chapter also summarizes the main accounting principles used to prepare the financial statements necessary for the correct interpretation thereof.

The statements of operations are presented in summarized form with certain groupings of items intended to facilitate interpretation of the financial statements and bring them into line with practices in the audiovisual industry. The differences between these financial statements and those included in the annual accounts for each year are described in detail for each of them. The individual and consolidated financial statements for the fiscal year 2002 and for the first six months of 2003 are included as **Exhibit I** to this prospectus.

V.1 TERMINOLOGY

The aim of this section is to define certain terms that will be used in this chapter to facilitate interpretation of the economic and management aggregates. These definitions were prepared solely to enable comprehension of this prospectus and are in no case intended to be valid in any other context.

Net financial debt

Net financial debt is defined as the addition at a given date (usually year-end) of the current values of payables to financial institutions, net of liquid assets or assets realizable at short term at financial institutions and cash. Since the current value of the debt is used, this value is net of the debt relating to future interest that, pursuant to Spanish accounting legislation, is recorded as an addition to debt and as deferred financial expenses on financial lease transactions.

Total leverage ratio

The total leverage ratio is the result of dividing total assets by shareholders' equity at book value as of a certain date (usually year-end).

Ratio of debt to shareholders' equity

The ratio of debt to shareholders' equity is the result of dividing net financial debt by shareholders' equity at book value as of a certain date (usually year-end).

Return on equity (ROE)

Return on equity is the result of dividing net income attributed to the parent company by average shareholders' equity. Shareholders' equity is taken to be the arithmetic mean of shareholders' equity at book value at the beginning and end of the year for which the ratio is calculated.

Return on capital employed (ROCE)

Return on capital employed is defined as the ratio of EBIT to average capital employed. EBIT is obtained from the margin structure in the statement of operations presented in section V.3.2.

The average capital employed is the arithmetic mean of the initial and final values for each year of the following aggregates:

Shareholders' equity at book value

Net financial debt as defined earlier

V.2 SUMMARY OF ACCOUNTING PRINCIPLES

Summarize below the accounting principles used to prepare the accompanying financial statements, the financial statements of Antena 3 Televisión, S.A. and the consolidated financial statements of the Antena 3 Group.

a) True and fair view

The consolidated financial statements for the six-month period ended June 30, 2003 and for the preceding three years, which were prepared from the accounting records of ANTENA 3 TELEVISION and its consolidated subsidiaries, are presented in accordance with Royal Decree 1815/1991 approving the regulations for the preparation of consolidated financial statements and, accordingly, give a true and fair view of the Group's net worth, financial position and results of operations at those dates.

b) Consolidation principles

The companies over which ANTENA 3 TELEVISION exercises effective control by virtue of ownership of a majority of the voting rights in their representation and decision-making bodies were fully consolidated; where appropriate, the companies in which there is significant influence but not ownership of a majority of the voting rights or joint management with third parties are accounted for by the equity method. In the six-month period in 2003 detailed in Chapter VII *Canal Factoría de Ficción, S.A., Corporación Radiofónica de Información y Deporte, S.L. y Onda Cero Ramblas, S.L.* were accounted for by the equity method.

The equity of minority shareholders in the net worth and results of the fully consolidated companies is presented under the **Minority Interests** caption in the accompanying consolidated balance sheets.

All material balances and transactions between the fully consolidated companies, and the gains or losses on these transactions, were eliminated in consolidation.

The financial statements of the consolidated companies abroad were translated to euros at the exchange rates ruling at year-end for assets and liabilities. Shareholders' equity was translated to euros at the historical exchange rate and revenues and expenses at the average exchange rate for the year. The exchange differences arising in this process included under the **Shareholders' Equity - Translation Differences** caption in the consolidated balance sheets.

The financial statements of companies located in countries with high inflation rates (Chile and Peru) were adjusted before they were translated to euros, in accordance with the related legislation in these countries.

The consolidated financial statements do not include the tax effect of transferring the reserves of the consolidated subsidiaries to the Parent Company's accounts, since it is considered that no reserves not taxed at source will be transferred and that these reserves will be used as self-financing resources by the respective consolidated subsidiaries.

c) Changes in the consolidation Perimeter

The analysed economic information reflects the accounts that cover the balance and transactions undertaken by the companies within the group ANTENA 3 Group as of December, 31, 2002. It also covers the transactions and balances of the above-mentioned companies with the companies from Telefónica Group. The latter information is not reflected in the accounts as of June 30, 2003.

d) Inventories

Program rights

Rights and program inventories are valued, based on their nature, as follows:

Inventoriable in-house productions (programs produced to be rerun, such as series) are recorded at acquisition and/or production cost, which includes both external costs billed by

third parties for program production and for the acquisition of resources, and internal production costs, which are calculated by applying preset internal rates on the basis of the time during which operating resources are used in production

The costs incurred in producing the programs are recorded on the basis of their nature under the appropriate captions in the statement of operations and are included under the Inventories - In-House Production and Production in Process caption on the asset side of the balance sheet with a credit to the Inclusion in Inventories revenue account.

Amortization of these programs is recorded under the Program Amortization and Other Supplies caption in the consolidated statement of operations on the basis of the number of showings, in accordance with the following percentages:

	Percentage of Amortization	
	2002 and Prior Years	2003
1st showing	70	90
2nd showing	25	10
Residual value	5	

Given their special nature, the series which are broadcast daily are amortized in full when the first showing of each episode is broadcast.

Until December 31, 2002, the residual value of the series was recorded as an expense in the consolidated statement of operations on the basis of the sales of broadcasting rights to other operators, both in Spain and abroad. In any event, after the sixth year from the date when production of the program was completed, the unamortized cost is written off in full (the third year from January 1, 2003).

Non-inventoriable in-house productions (programs produced to be shown only once) are valued by the same methods and procedures as those used to value inventoriable in-house productions. Programs produced and not shown are recorded at year-end under the Program Rights In-House Production and Production in Process caption in the consolidated balance sheet. The cost of these programs is recorded under the Program Amortization and Other Supplies caption in the consolidated statement of operations at the time of the first showing.

Rights on outside productions (films, series and other similar productions) are recorded at acquisition cost. These rights are deemed to be acquired when the term of the right commences for the Group. Payments to outside production distributors made prior to commencement of the term of the right are recorded under the Advances to Suppliers caption in the consolidated balance sheet. The amortization of the rights is recorded in the consolidated statement of operations under the Program Amortization and Other Supplies caption on the basis of the number of showings, in accordance with the following percentages, which are set on the basis of the number of showings contracted:

Films	Number of Showings Contracted		
	1	2	3 or more
1st showing	100%	50%	50%
2nd showing		50%	30%
3rd showing			20%

Edgar Filing: TELEFONICA S A - Form 6-K

<u>Series</u>	<u>Number of Showings Contracted</u>	
	<u>1</u>	<u>2 or more</u>
1st showing	100%	50%
2nd showing		50%

V - 4

The Group's thematic television channels include rights acquired from third parties and programs produced for showing or sale and are valued at acquisition cost and production cost, respectively.

These channels and rights are amortized as follows:

In-house productions: 50% when the first showing is broadcast. Subsequent showings of the programs take place over a period of approximately three months and 40% of the cost is allocated to the consolidated statement of operations after the end of the third month from the date of the first showing. The effect on the consolidated statement of operations for the year with respect to the first straight-line allocation of the cost in the aforementioned three-month period is not material. The residual value remains in inventories for the following four years. After the fourth year the unamortized cost is written off.

In-house documentary productions: 90% when the first showing is broadcast. The residual value remains in inventories for the following four years. After the fourth year the unamortized cost is written off.

Documentaries acquired from third parties: amortization is recorded on the basis of the number of showings contracted.

Consumables and other

Dubbings, sound tracks, titles and tunes of outside productions are recorded at acquisition or production cost. The amortization of rights is recorded under the Program Amortization and Other Supplies caption in the consolidated statement of operations at the time of the showing, by the same method as that used for outside productions.

Other inventories are recorded at acquisition cost and are allocated to income by the effective or actual amortization method over the usage period.

Allowances

The Group records provisions to allowances to reduce the unamortized portion of the value of in-house productions and of the rights on outside productions which it considers will not be shown. When the rights expire, the allowances recorded are used to write off the cost of the rights

The Group records the appropriate allowances for the decline in value of the rest of its inventories to reduce them to realizable market value.

Classification of programs

Program inventories are classified as current assets in accordance with the Spanish National Chart of Accounts and standard practice in the industry in which the Group operates. However, programs are used over several years.

e) **Recognition of revenues and expenses.**

General method

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Advertising revenues

The consolidated companies, mainly the Parent Company, obtain basically advertising revenues, which are recognized in the consolidated statement of operations when the advertising spot is broadcast.

TV home shopping revenues

These revenues are recorded in the consolidated statement of operations at the time when title to the goods sold is transferred.

Thematic television channel revenues

Two types of revenues are currently obtained from thematic television channels:

Revenues from subscribers to the thematic channel signal are recorded each month in the consolidated statement of operations based on the contractual agreements established with the signal distribution platforms if there is an established minimum number of subscribers. If a minimum number of subscribers is not established or the number of subscribers is above the established minimum, revenues are estimated based on projected business plans. Every month the signal distribution platforms report on the billable number of subscribers and the Group adjusts its revenue estimate, although the adjustment is never material with respect to the final amount to be billed.

Revenues from advertising on the thematic television channel are recorded in the consolidated statement of operations when the advertising spot is broadcast.

Sale of in-house production and other audiovisual rights

The Group records these sales as period revenues when the broadcasting rights for the in-house production or the audiovisual rights are sold. The advances received on sales of broadcasting rights are not taken to income until the rights are transferred.

V.3 CONSOLIDATED ACCOUNTING INFORMATION ON THE ANTENA 3 DE TELEVISION, S.A. AND SUBSIDIARIES GROUP

This section contains the consolidated financial statements of the Group and an analysis of the differences and variations in the last three years. As additional information, **Exhibit IV** contains the balance sheets and statements of operations for the last five years (in thousands of euros).

V.3.1. Consolidated balance sheet as of December 31, 2002, and comparison with the two preceding years

Below are the consolidated balance sheets of the Group for the last three years, an explanation of the breakdown of the main items and an analysis of the main year-on-year variations.

ANTENA 3 TELEVISIÓN Group

CONSOLIDATED BALANCE SHEETS

Thousands of euros

	Balance at	% of total	Balance at	% of total	Balance at	% of total	Variation	Variation
	12/31/02	assets	12/31/01	assets	12/31/00	assets	2002/2001	2001/2000
ASSETS								
DUE FROM SHAREHOLDERS FOR								
UNCALLED CAPITAL	0	0.00%	0	0.00%	0	0.00%	0	0
FIXED AND OTHER NONCURRENT ASSETS								
Start-up expenses	21,678	2.36%	1,431	0.19%	1,092	0.15%	20,247	339
Intangible assets	15,323	1.67%	14,551	1.92%	9,386	1.27%	772	5,165
Tangible fixed assets	137,412	14.97%	127,106	16.80%	128,328	17.37%	10,306	(1,222)
Land and structures	64,226	7.00%	60,907	8.05%	59,347	8.03%	3,319	1,560
Plant	149,280	16.26%	117,144	15.48%	101,211	13.70%	32,136	15,933
Other tangible fixed assets	50,609	5.51%	39,090	5.17%	40,885	5.54%	11,519	(1,795)
Accumulated depreciation	(126,703)	(13.80)%	(90,035)	(11.90)%	(73,115)	(9.90)%	(36,668)	(16,920)
Long-term investments	21,448	2.34%	12,418	1.64%	6,593	0.89%	9,030	5,825
Treasury stock	2,933	0.32%	2,933	0.39%	2,933	0.40%	0	0
Taxes receivable	7,182	0.78%	5,498	0.73%	7,440	1.01%	1,684	(1,942)
TOTAL FIXED AND OTHER NONCURRENT ASSETS	205,976	22.44%	163,937	21.66%	155,772	21.09%	42,039	8,165
CONSOLIDATED GOODWILL	144,743	15.77%	24,913	3.29%	30,400	4.12%	119,830	(5,487)
DEFERRED CHARGES	1,847	0.20%	12	0.00%	10	0.00%	1,835	2lizex
CURRENT ASSETS								
Inventories	304,950	33.22%	317,568	41.96%	303,156	41.04%	(12,618)	14,412
Program rights	246,083	26.81%	244,737	32.34%	236,861	32.07%	1,346	7,876
Consumables and other inventories	11,425	1.24%	11,525	1.52%	13,958	1.89%	(100)	(2,433)
Advances to suppliers	47,442	5.17%	61,306	8.10%	52,337	7.09%	(13,864)	8,969
Accounts receivable	221,158	24.09%	195,003	25.77%	210,407	28.49%	26,155	(15,404)
Trade receivables for sales and services	185,956	20.26%	164,797	21.78%	187,690	25.41%	21,159	(22,893)
Receivable from Group and associated companies	14,160	1.54%	22,721	3.00%	13,222	1.79%	(8,561)	9,499
Taxes receivable	30,100	3.28%	12,257	1.62%	15,014	2.03%	17,843	(2,757)
Sundry accounts receivable	11,575	1.26%	10,143	1.34%	7,358	1.00%	1,432	2,785
Allowance for bad debts	(20,633)	(2.25)%	(14,915)	(1.97)%	(12,877)	(1.74)%	(5,718)	(2,038)
Short-term investments	28,220	3.07%	27,689	3.66%	18,176	2.46%	531	9,513
Cash	7,471	0.81%	23,805	3.15%	13,206	1.79%	(16,334)	10,599
Accrual accounts	3,535	0.39%	3,827	0.51%	7,504	1.02%	(292)	(3,677)
TOTAL CURRENT ASSETS	565,334	61.59%	567,892	75.04%	552,449	74.79%	(2,558)	15,443
TOTAL ASSETS	917,900	100.00%	756,754	100.00%	738,631	100.00%	161,146	18,123

ANTENA 3 TELEVISIÓN Group

CONSOLIDATED BALANCE SHEETS

Thousands of euros

	Balance at 12/31/02	% of total assets	Balance at 12/31/01	% of total assets	Balance at 12/31/00	% of total assets	Variation 2002/2001	Variation 2001/2000
SHAREHOLDERS EQUITY AND LIABILITIES								
SHAREHOLDERS EQUITY								
Capital stock	166,668	18.16%	166,668	22.02%	166,668	22.56%	0	0
Legal reserve	33,334	3.63%	33,334	4.40%	23,090	3.13%	0	10,244
Other reserves	277,026	30.18%	257,437	34.02%	139,202	18.85%	19,598	118,235
Reserve for treasury stock	2,933	0.32%	2,933	0.39%	2,933	0.40%	0	0
Reserves at fully consolidated companies	(775)	(0.08)%	(8,804)	(1.16)%	(3,230)	(0.44)%	8,029	(5,574)
Retained earnings	9,366	1.02%	9,366	(1.24)%	9,366	1.27%	0	0
Translation differences	(669)	0.07%	187	0.02%	346	0.05%	(856)	(159)
Income (loss) attributable to the Parent Company	(30,037)%	(3.27)%	48,053	6.35%	123,244	16.69%	(78,090)	(75,191)
Consolidated income (loss)	(29,907)	(3.26)%	48,005	6.34%	123,311	16.69%	(77,912)	(75,306)
Income (Loss) attributed to minority interests	(130)	(0.01)%	48	0.01%	(67)	(0.01)%	(178)	115
TOTAL SHAREHOLDERS EQUITY	457,846	49.88%	509,174	67.28%	461,619	62.50%	(51,328)	47,555
MINORITY INTERESTS	1,989	0.22%	1,745	0.23%	877	0.12%	244	868
PROVISIONS FOR CONTINGENCIES AND EXPENSES	18	0.00%	282	0.04%	0	0.00%	(264)	282
DEFERRED REVENUES	0	0.00%	1	0.00%	29	0.00%	(1)	(28)
LONG-TERM DEBT								
Payable to credit institutions	128,721	14.02%	3,062	0.40%	67	0.01%	125,659	2,995
Other payables	743	0.08%	1,604	0.21%	2,925	0.40%	(861)	(1,321)
Payable to Group companies	3,999	0.44%	5,381	0.71%	618	0.08%	(1,382)	4,763
Uncalled capital payments payable	120	0.01%	120	0.02%	390	0.05%	0	(270)
TOTAL LONG-TERM DEBT	133,583	14.55%	10,167	1.34%	4,000	0.54%	123,416	6,167
CURRENT LIABILITIES								
Payable to credit institutions	21,724	2.37%	2,645	0.35%	19,648	2.66%	19,079	(17,003)

Edgar Filing: TELEFONICA S A - Form 6-K

Trade accounts payable	168,106	18.31%	151,436	20.01%	182,725	24.74%	16,670	(31,289)
Payable to Group and associated companies	45,769	4.99%	12,066	1.59%	15,536	2.10%	33,703	(3,470)
Customer advances	2,090	(0.23)%	2,664	0.35%	809	0.11%	(574)	1,855
Taxes payable	12,304	1.34%	10,238	1.35%	16,913	2.29%	2,066	(6,675)
Other nontrade payables	10,285	1.12%	15,278	2.02%	4,800	0.65%	(4,993)	10,478
Other provisions	63,469	6.91%	39,559	5.23%	28,830	3.90%	23,910	10,729
Accrual accounts	717	0.08%	1,499	0.20%	2,845	0.39%	(782)	(1,346)
TOTAL CURRENT LIABILITIES	324,464	35.35%	235,385	31.10%	272,106	36.84%	89,079	(36,721)
TOTAL PASIVO	917,900	100.00%	756,754	100.00%	738,631	100.00%	161,146	18,123

V - 8

ANALYSIS OF BALANCE SHEETS AND YEAR-ON-YEAR VARIATIONS

In this section we analyze the breakdown and structure of the balance sheets as of December 31, 2002, and for the preceding two years.

The proportion of each of the main aggregates in the balance sheet for each year is as follows:

S.E.L. C.L. (Shareholders' equity and liabilities except for current liabilities) includes the balances of the Minority Interests, Deferred Revenues, Provisions for Contingencies and Expenses and Long-Term Debt captions in the balance sheets for each year.

Noteworthy is the higher relative importance of current assets with respect to fixed assets. The inventories and accounts receivable captions are the most significant with respect to total assets.

As can be seen, the main variations are due to goodwill arising in the acquisition of UNIPREX. The control of this company was acquired in September 2002.

In 2002 there was an increase of 123,416 thousand (1,011.85%) in long-term debt with respect to the previous year, due mainly to a syndicated loan and credit line arranged with various credit institutions on October 28, 2002, to finance the acquisition from Grupo Admira Media, S.A., through the subsidiary Publicidad 3, S.A., of all its shares in UNIPREX and Cadena Voz de Radiodifusión, S.A.

Fixed assets

Fixed assets represent approximately 22% of the Group's total assets as of December 2002.

The main variations in fixed assets are as follows:

R & D expenses: the balance as of December 2001 comprises R & D expenses of Compunet Servicios Telemáticos, S.A. (1) and Sprayette, S.A. (72). In 2002 Sprayette, S.A. was excluded from consolidation due to its sale to the minority shareholders and the expenses relating to Compunet were amortized in full in 2002.

Administrative concessions: the balance of this account includes the radio broadcasting concessions. In 2002 there was a significant increase in the balance of this caption due to the inclusion in consolidation of the Uniprex Group due to the acquisition of this group on September 10, 2002.

Plant and machinery. In 2002 there was a 25% increase with respect to 2001, due to the inclusion of the high- and low-frequency studios and facilities of the Uniprex Group.

The same applies to the Other Plant and Tools caption.

Depending on the purpose for which they are used, fixed assets can be classified as assigned to television (Antena 3 Televisión), radio (Uniprex) or cinema (Movierecord) activities and others. The approximate distribution of the gross fixed assets used in the Group's various activities as of December 31, 2002, are as follows:

As can be seen, most of the assets are concentrated in the television activity, i.e. in the assets of ANTENA 3 TELEVISIÓN, due to the fact that the average cost of the infrastructure, material and equipment needed to record the audiovisual programs and broadcast the television signals is much higher than those needed

Long-term investments

The long-term investments caption as of December 31, 2002, includes 21,448 thousand, equivalent to 10.4% of total fixed assets and 2.3% of total assets. As of December 31, 2002, investments in Group companies amounted to 13,013 thousand, the most significant being Canal Media Radio, S.A., Canal Media Radio Galicia, S.L. and Ipar Onda, S.A. Investments in associated companies as of the same date amounted to 2,374 thousand and other equity investments, which amounted to 14,303 thousand, included, inter alia, the investment in Canal Satélite Digital, S.L. The investment valuation allowance amounted to 11,694 thousand. Lastly, the increase in long-term investments in 2002 and 2001 was 73% and 88%, respectively.

Acquisition of Uniprex

On September 10, 2002, the agreement for the sale and transfer of credits, effective for accounting purposes from January 1, 2002, whereby Publicidad 3, S.A. (a wholly-owned investee of Antena 3 Televisión, S.A.) purchased from Grupo Admira Media, S.A.U. (now Telefónica de Contenidos, S.A.U.) all its shares in UNIPREX. and Cadena Voz de Radiodifusión, S.A. (now Antena de Radiodifusión, S.A.), was executed in a public deed.

This transaction gave rise to goodwill for the two companies amounting to approximately 146,622 thousand, which is being amortized by Publicidad 3, S.A. on a straight-line over 20 years.

In Chapter VI of this Prospectus the above-mentioned operation is described in detail.

Consolidation goodwill

Edgar Filing: TELEFONICA S A - Form 6-K

The breakdown of this caption in the accompanying balance sheets, by the company whose acquisition originated the goodwill, is as follows:

V - 10

BREAKDOWN OF CONSOLIDATED GOODWILL (Thousands of Euros)

Company	Amount Arising	% of		Saldos		
		Ownership as of 12/31/02	Year Acquired	12/31/02	12/31/01	12/31/00
Antena 3 Directo, S.A.	600	100.00%	1999	120	240	360
Antena 3D Chile, S.A.	653	69.93%	2001	523	653	0
Comunet Servicios Telemáticos, S.A.	2,413	86.00%	2000	0	1,609	2,413
Inversiones Valores Inmuebles, S.L.	8,744	84.60%	2000 and 2001	0	6,091	7,962
Sprayette, S.A.	9,036	71.00%	2000	0	7,982	8,886
Traherpa, S.A.	959	100.00%	2001	0	639	0
Antena de Radiodifusión, S.A.	9,545	100.00%	2002	9,068	0	0
Movierecord Cine, S.A.	15,399	100.00%	1999	4,620	7,699	10,779
Trading Team, S.L.	753	80.00%	2001 and 2002	188	0	0
Uniprex, S.A.	137,077	100.00%	2002	130,224	0	0
TOTAL GOODWILL				144,743	24,913	30,400

The goodwill is being amortized over the estimated periods in which it will contribute to the obtainment of income for the Group. The detail is as follows:

Companies	Amortization Period (Years)
Antena 3 Directo, S.A.	5
Movierecord Cine, S.A.	5
Trading Team, S.A.	4
Antena 3D Chile, S.A.	5
Uniprex, S.A.	20
Antena de Radiodifusión, S.A.	20

As a result of an analysis performed by Company management on the capacity of certain companies to contribute to Group income, in 2002 early amortization was taken on the goodwill relating to Inversiones Valores Inmuebles, S.L. and Comunet Servicios Telemáticos, S.A. for a total of 3,980 thousand, which is recorded under the Extraordinary Expenses caption in the 2002 consolidated statement of operations. 8,621 thousand of unamortized goodwill relating to Sprayette, S.A. and Traherpa, S.A., which have been excluded from consolidation, was also recorded under this caption.

Inventories

The detail of inventories in each year is as follows:

Thousands of euros		
12/31/02	12/31/01	12/31/00

Edgar Filing: TELEFONICA S A - Form 6-K

Rights on outside production	189,755	184,635	167,361
In-house productions and programs in process	77,680	78,436	84,200
Sports broadcasting rights	3,214	3,214	3,214
Allowance for inventory obsolescence	(24,566)	(21,548)	(17,914)
Program rights, net	246,083	244,737	236,861
Dubbing, sound tracks and titles	2,944	2,657	3,384
Other materials	8,481	4,190	2,636
Consumables and other	11,425	6,847	6,020
Merchandise inventories	0	8,123	7,400
Allowance for inventory depreciation	0	(3,445)	(748)
	0	4,678	6,652
Other inventories	0	0	1,286
Advances to suppliers	47,442	61,306	52,337
Total	304,950	317,568	303,156

In 2001 and 2000 the products sold directly by Antena 3 are were recorded as merchandise inventories. In 2002 they were recorded at net book value in the Other Materials account.

As of December 31, 2002, inventories had decreased by 4% with respect to the previous year. However, they were in line with 2000 inventories. Inventories represented 33% of total assets in 2002, compared with 42% in 2001. The main item was the purchase of program rights, the net amount of which as of December 2002 was substantially unchanged from the figure for the previous year-end.

The Advances to Suppliers caption includes basically prepayments in connection with commitments to purchase outside production rights.

At the end of each period the Parent Company had the following commitments, mainly for the purchase of audiovisual property rights:

<u>Year/Period</u>	<u>Thousands of Euros</u>
2000	110,051
2001	123,000
2002	157,500

Variations in consolidated shareholders equity

In 2000 Antena 3 Televisión, S.A. obtained consolidated income of 123,244 thousand, bringing consolidated shareholders equity to 461,619 thousand as of December 31, 2000. In 2001 the Company, which through the aforementioned date had systematically reinvested the income obtained, continued to implement this policy and appropriated income in full to reserves.

Of the 123,244 thousand, 10,244 thousand were used to bring the legal reserve up to the minimum required balance (20% of capital stock) and the remaining 113,000 thousand, in line with the policy of reinvesting any surplus, were appropriated to other voluntary reserves.

The consolidated net income for 2001 amounted to 48,053 thousand, which, if we add the variations in the scope of consolidation and the translation differences, which in 2001 had a combined negative effect of 498, increased shareholders equity to 509,174 thousand.

19,829 thousand of income for 2001 (41.25% of total income) were paid as dividends to shareholders and 28,224 thousand remained at the Company as self-financing funds.

In 2002 Antena 3 de Televisión, S.A. incurred consolidated losses of 30,037 thousand, which, together with the dividend distributed out of 2001 income and negative translation differences of 1,462 thousand, reduced shareholders equity to 457.846 thousand as of December 31, 2002, representing a reduction of 10.1% in shareholders equity with respect to 2001.

Edgar Filing: TELEFONICA S A - Form 6-K

The financial leverage ratio as defined in *V.I. Terminology* is as follows:

CALCULATION OF FINANCIAL LEVERAGE RATIO

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Total assets	917,900	756,754	738,631
Shareholders' equity	457,846	509,174	461,619
FINANCIAL LEVERAGE RATIO	2.0	1.5	1.6

This ratio indicates that since 2002 approximately half the Group's assets have been financed by shareholders' equity. The financial leverage has increased due mainly to a growth in total assets due to the purchase of Uniprex (21% with respect to 2001 total assets) and a decrease in shareholders' equity (10% with respect to 2001).

Working capital

The Group's working capital and variations therein in recent years, taking working capital to be the difference between current assets and current liabilities and distinguishing operating assets and liabilities from financial assets and liabilities, is as follows:

STRUCTURE OF CONSOLIDATED WORKING CAPITAL (Thousands of Euros)

	12/31/02	12/31/01	12/31/00
Inventories	304,950	317,568	303,156
Accounts receivable and asset accrual accounts	224,693	198,830	217,911
Nonfinancial current liabilities	(302,740)	(232,740)	(252,458)
Operating working capital	226,903	283,658	268,609
<i>% of net sales</i>	33.8%	44.6%	38.2%
Short-term investments and cash	35,691	51,494	31,382
Short-term financial debt	(21,724)	(2,645)	(19,648)
Financial working capital	13,967	48,849	11,343
<i>% of net sales</i>	2.1%	7.7%	1.7%
TOTAL WORKING CAPITAL	240,870	332,507	280,343
<i>% of net sales</i>	35.9%	52.3%	39.9%

The attached tables show positive working capital, since current assets exceed current liabilities:

STRUCTURE OF CONSOLIDATED WORKING CAPITAL (Variations)

	2002/2001		2001/2000	
	Amount	% Var.	Amount	% Var.
Inventories	(12,618)	-4.0%	14,412	4.8%
Accounts receivable and asset accrual accounts	25,863	13.0%	(19,081)	-8.8%
Nonfinancial current liabilities	(70,000)	30.1%	19,718	-7.8%
Capital circulante operativo	(56,755)	-20.0%	15,049	5.6%
Short-term investments and cash	(15,803)	-30.7%	20,112	64.1%
Short-term financial debt	(19,079)	721.3%	17,003	-86.5%
Financial working capital	(34,882)	-71.4%	37,115	316.3%
TOTAL WORKING CAPITAL	(91,637)	-27.6%	52,164	18.6%

The main changes in 2002 with respect to the previous year in the working capital aggregates were in the Accounts Receivable and Asset Accrual Accounts captions, with an increase of 13%, and in nonfinancial current liabilities, with an increase of 30.1%. The main increases in Nonfinancial Current Liabilities were in: trade accounts payable (with an increase of 16,096 thousand), payable to Group and associated companies (with an increase in 33,703 thousand) and other provisions (with an increase of 18,300 thousand in other provisions for contingencies and expenses).

There was a reduction of 71.4% in financial working capital in 2002 with respect to the previous year. The increase in Financial Debt is due to the acquisition of the radio station through the purchase of Uniprex, S.A., which was financed with borrowed funds. As of December 31, 2002, this caption included the first installment maturing at short term, amounting to 15,550 thousand, of the syndicated loan arranged.

The average periods for payment to suppliers and for collection from customers are calculated as follows:

CALCULATION OF AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Trade accounts payable (ending balance)	168,106	151,436	182,725
Payable to Group and associated companies (ending balance)	21,729	12,066	15,536
Total short-term trade accounts payable	189,835	163,502	198,261
Program and other amortization	308,627	232,256	280,135
Other current operating expenses	35,691	146,272	90,866
Total expenses giving rise to trade accounts payable	438,918	378,528	371,001
Expenses divided by suppliers balance	2.3	2.3	1.9
Average payment period (days)	158	158	195

CALCULATION OF AVERAGE PERIOD FOR COLLECTION OF TRADE RECEIVABLES

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Accounts receivable for sales (ending balance)	197,531	174,940	195,048
Receivable from Group and associated companies (ending balance)	14,160	22,721	13,222
Total short-term trade accounts receivable	211,691	197,661	208,270
Net sales	670,652	635,548	700,645
Net sales divided by receivables for sales	3.2	3.2	3.4
Average collection period (days)	115	114	108

Of the ending balance of Payable to Group and Associated Companies as of December 31, 2002, amounting to 45,769 thousand, 24,040 thousand were deducted relating to the deferred payment to Telefónica de Contenidos, S.A.U. for the purchase of the shares of Uniprex, S.A. and Antena de Radiodifusión, S.A. which cannot be considered to be trade accounts payable, leaving a balance of 21,729 thousand.

As can be seen, the average collection period has remained unchanged from 2002, while the average payment period has increased with respect to 2002.

Financial debt, total indebtedness and net financial debt

The breakdown of financial debt (as defined in V.I., Terminology), of total indebtedness and of the net financial debt of the Group as of December 31, 2002, and at the end of each of the preceding two years, is as follows:

CONSOLIDATED TOTAL DEBT, FINANCIAL DEBT AND NET FINANCIAL DEBT

(Thousands of Euros)

<u>(Positive balances)</u>	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Long-term payables to credit institutions	(128,721)	(3,062)	(67)
Short-term payables to credit institutions	(21,724)	(2,645)	(19,648)
Total financial debt (1)	(150,445)	(5,707)	(19,715)
Short-term investments and cash	35,691	51,494	31,382
Total net financial debt (2)	(114,754)	45,787	11,667
Short-and long-term payables to Group and associated companies	(49,768)	(17,447)	(16,154)
Other long-term payables	(743)	(1,604)	(2,925)
Due from shareholders for uncalled capital	(120)	(120)	(390)
Trade accounts payable	(168,106)	(151,436)	(182,725)
Customer advances	(2,090)	(2,664)	(809)
Other short-term nontrade payables	(22,589)	(25,516)	(21,713)

Edgar Filing: TELEFONICA S A - Form 6-K

Total nonfinancial debt (3)	(243,416)	(198,787)	(224,716)
TOTAL DEBT (1) + (3)	(393,861)	(204,494)	(244,431)

On October 28, 2002, the Parent Company arranged a long-term syndicated loan with various credit institutions, with JP Morgan Bank, S.A. as the agent bank, to enable it to purchase through its subsidiary Publicidad 3, S.A. all the shares of Uniprex, S.A. and Antena de Radiodifusión, S.A. (formerly Cadena Voz de Radiodifusión, S.A.) held by Grupo Admira Media, S.A., Sole-Shareholder Company (now Telefónica de Contenidos, S.A., Sole-Shareholder Company). The financing transaction is divided into two tranches: a loan of 140,000,000 and a credit line with a limit of 90,000,000

The detail of the payables to credit institutions maturing at long term and the estimated financial burden as of December 31, 2002, is as follows:

FINANCIAL DEBT MATURING AT LONG TERM

AS OF DECEMBER 31, 2002 (Thousands of Euros)

MATURING IN:

2003	2004	2005	2006	2007	2008	2009	Total
22,645	32,456	31,895	31,508	31,517	277	147	150,445

The calculation of the financial debt servicing, taken to be the estimated future financial burden that will be generated by the current financial debt, is as follows:

ESTIMATED FINANCIAL BURDEN

AS OF DECEMBER 31, 2002 (Thousands of Euros)

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
7,034	4,815	4,345	3,483	2,072	21,749

The detail of the debt ratios calculated on the basis of the information contained in the tables above, consolidated shareholders' equity and total assets, is as follows:

VARIATIONS IN CONSOLIDATED DEBT, FINANCIAL DEBT AND NET FINANCIAL DEBT RATIOS

<u>RATIOS TO TOTAL FINANCIAL DEBT</u>	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Ratio of total financial debt to shareholders' equity	32.86%	1.12%	4.27%
Ratio of total long-term debt to total debt	33.92%	4.97%	1.64%
Ratio of financial indebtedness to total debt	38.20%	2.79%	8.07%
Ratio of net financial debt to shareholders' equity	25.06%	(8.99)%	(2.53)%

Since 2001 there has been an increase in indebtedness ratios due to the syndicated loan granted to Antena 3 de Televisión, S.A. in October 2002 to finance the purchase of the radio stations from Uniprex, S.A.U.

The breakdown, by type of transaction and maturity, of the financial debt as of December 31, 2002 and the preceding two years is as follows:

BREAKDOWN, BY TYPE OF TRANSACTION, OF CONSOLIDATED FINANCIAL DEBT

(Thousands of Euros)

	<u>12/31/02</u>		<u>12/31/01</u>		<u>12/31/00</u>	
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>
Syndicated loan	124,450	15,550	0	0	0	0
Loans	3,350	549	1,130	236	43	12,822
Credit lines	0	3,617	63	1,086	0	3,499

Edgar Filing: TELEFONICA S A - Form 6-K

Other debts	0	1,816	1,869	0	24	2,631
Interest payable	921	192	0	1,323	0	696
TOTAL FINANCIAL DEBT	128,721	21,724	3,062	2,645	67	19,648

Warranties agreed by Third parties:

The inter-group companies have the obligation of give guarantees, warrants or collateral in the following cases:

To fullfill the legal requirements regarding the Public administration regarding the warranties linked to the concessions granted. As an example, the Sciences and Technology Governmental department has granted a 5 million euro license and the C.C.A.A: a 6.01 million License for the use of radiophonic frequencies and the management of T.V. services.

Warrants granted to Sporting Companies, in relation to contracts regarding the assignment of TV sporting rights for the years 1998 to 2003. The aforementioned rights have been assigned to the companies Sport, S.A. and G.M.A.F. S.A., although the warrant has been kept until the payment date in June 2003. The guaranteed amount is 15,352 thousand euros.

To warrant processes and temporal exports (recording and transmission equipment). This warrant amounts to 12,564.6 thousand of euros.

V.3.2. Consolidated statement of operations as of December 31, 2002, and comparison with the preceding two years.

In this section we present the consolidated statement of operations as of December 31, 2002, and comparison with the preceding two years, explain the breakdown of the main items and analyze the main variations.

GRUPO ANTENA 3 de TELEVISIÓN, S.A.**Multiple-step statement of operations**

Thousands of Euros and % of net sales

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Net sales	670,652	635,548	700,645
Cost of sales	308,627	231,726	277,499
Gross margin (Gross profit)	362,025	403,822	423,146
Gross margin	54.0%	63.5%	60.4%
Operating expenses	319,062	297,066	226,089
Operating cash flow (EBITDA)	42,963	106,756	197,057
Ebitda margin	6.4%	16.8%	28.1%
Depreciation and amortization expenses	28,131	20,967	16,792
Amortization of goodwill	14,568	7,881	2,474
Results of operations (EBIT)	264	77,908	176,791
Ebit margin	0.04%	12.3%	25.2%
Net financial burden	4,165	2,574	1,181
Ordinary income (loss)	(3,901)	75,334	175,376
Ordinary margin	(0.6)%	11.9%	25.1%
Extraordinary income (loss)	(41,596)	(13,631)	(234)
Income before taxes (EBT)	(45,497)	61,703	175,376
EBT margin	(6.8)%	9.7%	25.0%
Taxes	(15,590)	(13,631)	(234)
Consolidated income (Net income)	(29,907)	48,005	123,311
Net income margin	(4.5)%	7.6%	17.6%
Income (loss) attributed to minority interests	130	(48)	67
Income (loss) for the year attributable to the Parent Company (Net income before minority interests)	(30,037)	48,053	123,244
Net income before minorities margin	(4.5)%	7.6%	17.6%

Sales Income

Income distribution for the activity of the group is as follows:

Edgar Filing: TELEFONICA S A - Form 6-K

<u>(Thousand)</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>% Growth</u>	
				<u>2002/01</u>	<u>2001/00</u>
Publicity Sales	643,529	590,072	(660,808)	9.1%	(10.7)%
Other Sales	54,361	54,857	(59,215)	(0.9)%	(7.4)%
Commercial discounts	(61,202)	(60,,562)	(52,741)	1.1%	14.8%
Other Income	33,964	51,780	3,5999	-34,%	43.6%
Total Income	670,652	636,078	703,281	5,4%	-9.6%

V - 16

Publicity sales income had a 9,1% growth in 2002, derived from the UNIPREX Buy Out. In 2001, the total income decreased 10,7% due to the Spanish publicity market fall and ANTENA 3 TELEVISIÓN's low levels of audience in 2001 and 2000.

The income produced by Other sales mainly covers the income of the ANTENA 3 Group companies such as Movierecord, A3 Directo,. In comparison with 2002, this income decreased by 0,9%; in respect to 2001, by 7,4% between 2001 and 2000 due to the general negative trend in the publicity market..

Other Income includes the income generated by publicity from Internet, teletexto, audiotexto, SMS, merchandising, plus the income generated by other companies from the group. (Uniprex o Movierecord, decreased 33,6 % between 2002 and 2001 and increased 54% between 2001 and 2000 due to the acquisition of Sprayette and some auditors reclassification of headings).

Commercial discounts remain at the same levels (8-10%) on publicity sales in the above period.

Cost of sales and gross margin

The heading related to Cost of sales for the accounting years corresponding to 2000,2001 and 2002 is detailed as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002/01</u>	<u>2001/00</u>
Broadcasting rights.	116,936	88,118	91,949	32.7%	(4.2)%
Broadcasting of ih-house programmes	123,246	122,941	134,048	0.2%	(8.3)%
Retransmission rights.	34,205	391	752	8648,1%	(48.0)%
Services of external production	105,955	105,533	131,090	0.4%	(19.5)%
Performances, and artist collaboration.	11,656	12,107	12.540	(3.7)%	(3.4)%
Other uses.	45,075	45,166	55.965	(0.2)%	(19.3)%
Incorporation to inventories.	(128,446)	(142,530)	(148,844)	(9.9)%	(4.2)%
Costs of Sales	308.627	231.726	277.499	33.2%	(16.5)%

The cost of sales mainly includes the broadcasting costs, which cover own productions, productions by third parties and other costs directly related to broadcasting.

The cost of sales increased by 33% in 2002 in comparison to 2001 due to the increase of the rights to broadcast films and the rights to broadcast the 2002 Football World cup. Between 2001 and 2002 th cost of sales decreased due to the lower consumption of broadcasting rights, own productions and external services.

The account incorporation to Inventories covers expenses due to the making of programs that according to the parent company are activated and later on consumed. In order to calculate this cost of sales , it takes into account the programs or rights effectively broadcast.

The table bellows shows the variations in the consolidated gross margin, regarding amounts and rates over consolidated net sales:

The consolidated gross margin as of December 31, 2002, was down 10.3% with respect to the previous year. This decrease is due mainly to the 33% increase in the cost of sales (program and other amortization), due mainly to the purchase of the rights to broadcast the Soccer World Cup in 2002, which is partially offset by the 5.4% increase in net sales.

The consolidated gross margin on net sales decreased by 9.5 percentage points in 2002 with respect to 2001 and by 6.4 percentage points with respect to 2000.

Operating cash flow (EBITDA)

The variations in EBITDA (taken to be the result of deducting the operating costs from the gross margin) as of December 31, 2002, and in the preceding two years, are as follows:

EBITDA decreased by 59.75% in 2002 with respect to 2001 due to the effects on the advertising market of the economic recession (decrease in the conventional advertising market of 1.17% and 5.5% in 2002 and 2001, respectively) and to the losses incurred as a result of the Japan and Korea Soccer World Cup.

The impact of the Soccer World Cup on the results of the Parent Company as of December 31, 2002, is as follows:

Impact of the Soccer World Cup on 2002 results

	Millions of Euros		
	12/31/02	Effect of World Cup	12/31/02 Net of World Cup
	<u>12/31/02</u>	<u>World Cup</u>	<u>of World Cup</u>
Net sales	534,10	9,60	524,50
Operating expenses	(481,20)	(29,90)	(451,30)
EBITDA	52,90	(20,30)	73,20
% margin	9.9%	N/A	14.0%

The main items included in operating costs in the consolidated statement of operations are as follows:

DETAIL OF OPERATING EXPENSES (thousands of euros and % with respect to total

consolidated expenses)

	<u>12/31/02</u>	<u>%</u>	<u>12/31/01</u>	<u>%</u>	<u>12/31/00</u>	<u>%</u>
Personnel expenses:						
Wages, salaries and similar expenses	115,859	17.7%	99,943	18.2%	87,332	16.7%
Employee welfare expenses	25,264	3.9%	18,456	3.4%	18,499	3.5%
Total personnel expenses	141,123	21.5%	118,399	21.5%	105,831	20.2%
Other operating expenses	177,939	27.1%	178,667	120.258	120,258	23.0%
Total	319,062	48.7%	297,066	54.0%	226,089	43.2%

The distribution of the personnel costs is as follows:

Thousand euros	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002/01</u>	<u>2001/00</u>
Wages and Salaries	111642	93203	84,607	19.8%	10.2%
Social insurance and other social charges	25,264	18,456	18,499	36.9%	(0.2)%
Other personnel costs.	4,217	6,740	2,724	(37.4)%	147.4%
Total	141,123	118,399	105,831	19.2%	11.9%

Edgar Filing: TELEFONICA S A - Form 6-K

Personnel costs have increased by 19.2% in 2002 in comparison to 2001, going from 118,4 million Euros to 141.1 million Euros in 2002. The reason for this increase has been the purchase of Uniprex with the added effect of the results of the collective agreement - general salary increases - and the hiring of an additional 548 employees - going from 2,730 employees in 2001 to 3,278 in 2002.

Personnel costs increased by 11.9% in 2001 in comparison to 2000, going from 105,8 million Euros to 118,4 million Euros in 2000. The reason for this increase was diversification activities (Sprayette, Megatrix, etc.) with the added effect of the results of the collective agreement - general salary increases - and the hiring of an additional 475 employees - going from 2,255 employees in 2000 to 2.730 in 2001.

The distribution of Other Operating costs is broken down as follows:

<u>(thousand euros)</u>	<u>% Growth</u>				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002/01</u>	<u>2001/00</u>
Rents and charges	40,335	25,766	27,672	56.5%	(6.9)%
Author rights	15,312	11,568	14,838	32.4%	(22.0)%
Publicity and promotions	14,888	14,639	14,318	1.7%	2.2%
Communications	15,069	11,374	12,126	32.5%	(6.2)%
Work undertaken by another companies	38,103	14,232	12,481	167.7%	14.0%
Other expenses	46,919	94,459	37,104	(50.3)%	154.6%
Taxes	1,263	3,088	662	(59.1)%	366.5%
Changes for business trafic contingencies	6,050	3,541	1,058	70.9%	234.7%
Total other operating Costs	177,939	178,667	120,258	(0,4)%	48,6%

Other operating costs have decreased slightly in 2002, down 0.4% since 2001, falling from 178,700 thousand euros in 2001 to 177,900 thousand euros in 2002. This is due to:

An increase under the heading Rents and charges (which comprises the most significant heading as paid by the dominant Company as a rate of rental for the distribution of the audiovisual signal), of 56.5%, mainly due to the effect of the UNIPREX purchase, and the incorporation of the expenses derived from transmission of the digital signal.

Increase of 32.4% in Author's Rights (paid by ANTENA 3 TELEVISIÓN and UNIPREX to the Spanish Author's Rights management companies SGAE, AGEDI, etc.) due to the expenses derived from the purchase of UNIPREX, representing in 2002 2.2% over the sales income

Increase of 32.5% in standard communications (including Fixed lines and mobiles) and in some services such as video and audio signals for programmes (i.e. news). As per above, the purchase of UNIPREX has increased the expenses heading.

Increase of the works undertaken by external companies, going from 14,200 thousand Euros to 38,100 thousand euros due to an increase of external agents working for the company and the aforementioned acquisition of UNIPREX.

Decrease of other expenses of by 50.3%. This heading groups together several headings such as contributors, expenses, repairs and maintenance, independent professional services, news management agents, etc.. This decrease is due to Spareyette and Megatrix's exit from the consolidation perimeter (with a value of 2,000 thousand Euros) and the new account classification undertaken by Movierecord and ANTENA 3 TELEVISIÓN that includes as cost of sales the expenses generated by the exploitation of the aforementioned companies (with a value of 29,000 thousand Euros).

Other operating costs increased by 41.6% in 2001 in comparison with 2000, changing from 12,000 thousand euros in 2000 to 178,700 thousand euros in 2001. This was due to:

Increase in other expenses of 154.6%. This is explained by the introduction of Sprayette and Megatrix in the consolidation perimeter and also because of the transitional account classification undertaken by Movierecord and ANTENA 3 TELEVISIÓN that includes as operating costs the expenses generated by the exploitation of the aforementioned companies.

Increase of 14% in works undertaken by external companies

Fall of 6.9% under the heading Rents and charges

Author's rights decreased by 22%, representing 1.8% of the sales income.

Reduction of 6.2% in Communications

Fixed assets depreciation and intangible assets.

Fixed assets depreciation has increased 34% in 2002 in comparison to 2001 as a result of the depreciation of the UNIPREX purchase. It also decreased in 2000-2001 because of the investment derived from the company's digitalization process.

Edgar Filing: TELEFONICA S A - Form 6-K

Goodwill depreciation has increased 85% in 2002 in comparison to 2001 as a result of the depreciation of the UNIPREX purchase. It also decreased in 2000-2001 by 127% due to the increase of Goodwill derived from investments in the companies Valores Inmuebles, S.L., Compunet Servicios Telemáticos, S.A. and Sprayette.

V - 20

Operating income (EBIT)

The variations in operating income (EBIT, taken to be the result of deducting the depreciation and amortization expense and provisions from EBITDA) as of December 31, 2002, and the preceding two years are as follows:

Consolidated operating income as of December 31, 2002, decreased by 99% with respect to the previous year. This decrease is due mainly to the reduction in consolidated cash flow, which fell by 59.75% with respect to 2001, due to the reduction of 10.3% in the gross margin and the increase of 6.6% in operating expenses.

Ordinary Income (Loss)

The variations in the Group's ordinary income (loss) as of December 31, 2002, and the preceding two years are as follows:

Consolidated ordinary income (loss) as of December 31, 2002, fell by 105% with respect to the previous year. This decrease was due mainly to the drop in consolidated operating income referred to above.

The breakdown of financial income (loss) as of December 31, 2002, and the preceding two years is as follows:

DETAIL OF FINANCIAL REVENUES AND EXPENSES

(thousands of euros)

(Expenses and losses shown as negative figures)	12/31/02	12/31/01	12/31/00
Exchange differences			
Exchange gains	1,137	10	580
Exchange losses	(29)	(2,733)	(3)
Total exchange differences	1,108	(2,723)	577
Other financial expenses and revenues			
Other financial revenues	2,176	2,659	1,452
Financial and similar expenses	(7,449)	(2,510)	(3,210)
Total other financial expenses and revenues	(5,273)	149	(1,759)
FINANCIAL INCOME (LOSS), NET	(4,165)	(2,574)	(1,181)

The effective interest rate paid by the Group in the last three years is as follows:

REFERENCE RATE

2002	2001	2000
4.37%	3.45%	10.24%

The ratio of financial expenses and the financial burden to operating income, financial expenses to average financial indebtedness and average net debt is as follows:

RATIOS RELATING TO FINANCIAL EXPENSES AND REVENUES

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Financial and similar expenses (thousands of euros)	7,449	2,510	3,210
Financial expenses/Operating income	n/a	3.2%	1.8%
Net financial burden	4,165	2,574	1,181
Net financial burden/Operating income	n/a	3.3%	0.7%

The variations in these aggregates are due to the fluctuations in exchange rates in the three years and the timing of the related transactions (basically purchases of audiovisual productions denominated in US dollars). The US dollar's parity with the euro was the currency variation that had most impact on positive and negative exchange differences.

These variations are also due to the variations in the amounts drawn down in each of the years in relation to financing transactions, in the balances receivable under the Cash and Short-Term Investments captions and in interest rates. The increase in net financial expenses from 2002 is due chiefly to the syndicated loan arranged to finance the purchase of UNIPREX and Cadena Voz de Radiodifusión S.A (now Antena de Radiodifusión, S.A.).

The hedging transactions arranged by the Group in the last three years are as follows:

EXCHANGE RISK HEDGING TRANSACTIONS PERFORMED EACH YEAR (amounts in U.S. dollars)

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Number of hedges in place	84	55	61
Amount in US\$ of the hedges	51,978,470	37,614,880	49,235,963
Number of exchange hedges	5	2	20
Amount in US\$ of the exchange hedges	5,235,420	2,076,997	8,955,230
TOTAL	57,213,890	39,691,877	58,191,193

Income before taxes (EBT)

The variations in income (loss) before taxes as of December 31, 2002, and in the preceding two years are as follows:

The Group incurred consolidated loss before taxes as of December 31, 2002, whereas in the previous year it obtained income.

V - 23

The breakdown of the main extraordinary revenues and expenses in the preceding three years is as follows:

DETAIL OF EXTRAORDINARY REVENUES AND EXPENSES

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Extraordinary revenues			
Gains on fixed asset disposals	247	4,611	329
Extraordinary revenues	<u>6,746</u>	<u>5,267</u>	<u>15,216</u>
	6,723	10,238	15,545
Extraordinary expenses			
Losses on fixed asset disposals	1,628	629	364
Variation in investment valuation allowances	1,650	1,453	3,706
Prior years extraordinary expenses and losses	<u>45,041</u>	<u>21,787</u>	<u>11,709</u>
	48,319	23,869	15,779
EXTRAORDINARY LOSS	<u>(41,596)</u>	<u>(13,631)</u>	<u>(234)</u>

The Gains on Fixed Asset Disposals caption in 2001 includes most notably a gain of 4,447 thousand on the sale by ANTENA 3 TELEVISIÓN of Famosos Artistas Músicos y Actores, Sole-Shareholder Company to Telefónica Media, Sole-Shareholder Company.

The Extraordinary Revenues caption includes mainly the reversal of provisions for contingencies and expenses, recorded in prior years, that proved to be overstated, and other extraordinary revenues. Antena 3 de Televisión, S.A. has the most relative weight with respect to the consolidated figures. The main item for 2000 is an overstatement of 14,471 thousand of the provision for contingencies and expenses, recorded at ANTENA 3 TELEVISIÓN.

The Extraordinary Expenses caption includes the estimated amount for probable or certain third-party liability arising from collateral and other similar guarantees provided by the Company, litigation, outstanding indemnity payments and obligations of undetermined amount, and for other possible estimated losses. Over 90% of the expenses included in this caption relate to ANTENA 3 Televisión.

Net Income (loss)

The variations in consolidated net income (loss) as of December 31, 2002, and in the preceding two years are as follows:

Edgar Filing: TELEFONICA S A - Form 6-K

In 2002 the Group incurred consolidated loss with a significant decrease with respect to 2001, due, inter alia, to the decrease in the gross margin (operating costs increased by 33% and net sales by 9%), the increase in the amortization expenses and the increase in extraordinary losses.

V - 24

The calculation of the tax expense as of December 31, 2002, and in the preceding two years is as follows:

CONSOLIDATED TAX RATE

	12/31/02	12/31/01	12/31/00
Consolidated income (loss) before taxes	(45,497)	61,703	175,376
Corporate income tax	(15,590)	13,698	52,065
TAX RATE	(34.3)%	22.2%	29.7%

Contribution to earnings of ANTENA 3 GROUP subsidiaries.

The following table shows the contribution of ANTENA 3 Group subsidiaries to the consolidated earnings of each fiscal year.

<i>(thousands)</i>	2002	2001	2000	2002	2001	2000
ANTENA 3 TELEVISIÓN	18,759	62,321	131,294	(62.7)%	129.8%	106.5%
PUBLICIDAD 3	8,463			(28.3)%	0.0%	0.0%
UNIPREX	(30,834)			103.1%	0.0%	0.0%
A3 Directo	(9,255)	(853)	(301)	30.9%	(1.8)%	(0.2)%
Inv. Valores Inmuebles	(7,845)	(2,658)	-1	26.2%	(5.5)%	0.0%
Movierecord	(6,867)	(4,732)	853	23.0%	(9.9)%	0.7%
Antena 3 Temática	146	2,744	445	(0.5)%	5.7%	0.4%
Antena 3 Interactiva		(3,856)	(5,341)	0.0%	(8.0)%	(4.3)%
Otras sociedades	(2,474)	(4,961)	(3,638)	8.3%	(10.3)%	(3.0)%
Contribution to consolidated results.	(29,907)	48,005	123,311	100.0%	100.0%	100.0%

Return on equity and efficiency ratios

The returns on the book value of shareholders' equity are as follows:

RETURN ON EQUITY

	12/31/02	12/31/01	12/31/01
Income (Loss) attributed to the Parent Company	(30,037)	48,053	123,244
Equity at the beginning of the year	509,174	461,619	338,327
Equity at the end of the year	457,846	509,174	461,619
Average equity	483,510	485,397	399,973
RETURN ON EQUITY	N/A	10%	31%

RETURN ON EQUITY

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/01</u>
EBIT	264	77,908	176,791
AVERAGE CAPITAL EMPLOYED			
Average equity	483,510	485,397	399,973
Average net financial debt	34,484	(28,727)	16,945
Total average capital employed	517,994	456,670	416,918
RETURN ON CAPITAL EMPLOYED	0%	17%	42%

Return on equity measures the net return on the book value of shareholders' equity. Return on capital employed measures the operating return before taxes with respect to the capital employed (both shareholders' equity and debt financing).

Return on equity has decreased gradually over the last three years, falling from 31% in 2000 to 10% in 2001, due to the 61% decrease in the Group's earnings due mainly to the fall of 4.5% in the gross margin and to the increase of 31.4% in operating expenses.

In 2002 the return on equity was negative, due largely to the decrease of 10.3% in the gross margin as a result of the 33.1% increase in the cost of sales, which was partially offset by the increase of 5.5% in net sales. Operating cash flow fell by 59.75% with respect to the previous year due to the increase of 6.6% in operating expenses.

The decrease in the Group's return on capital employed in the last three years is due to the combined effect of the increase in net financial debt due to the loan arranged by ANTENA 3 TELEVISIÓN, and to the decrease in EBIT.

V.3.3. Cash flow statement as of December 31, 2002, and comparison with the preceding two years.

The breakdown of the main items in the consolidated Group's cash flow statements for the last three years and the analysis of the main year-on-year variations is as follows:

STATEMENT OF CASH FLOWS (thousands of euros)

	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>
Income (Loss) attributable to the Parent Company	(30,037)	48,053	123,244
Adjustments to income (loss)			
Depreciation and amortization expense	28,131	20,967	16,792
Amortization of consolidation goodwill	14,568	7,881	3,474
Variation in investment valuation allowances	1,650	1,453	3,706
Provisions for contingencies and expenses	0	282	0
Net gains on fixed asset disposals	(247)	(4,611)	(329)
Losses on fixed asset disposals	1,628	629	364
Other adjustments	166	(38)	32
Extraordinary expenses	12,600	0	0
Provision for program rights	0	0	0
Provisions for contingencies and expenses used	(264)	0	(10,865)
Income (Loss) attributable to minority interests	130	(48)	67
Variations in deferred tax assets (Long- and short-term taxes)	(1,685)	1,942	9,399
Cash flows generated	<u>26,640</u>	<u>76,510</u>	<u>145,884</u>
Variation in asset and liabilities (net of new investment purchases)			
Inventories	12,618	(14,412)	(69,491)
Accounts receivable	(26,155)	15,403	(9,548)
Accrual accounts	292	3,677	(1,735)
Current liabilities	70,000	(19,718)	58,279
Variation in financing operating needs	<u>56,755</u>	<u>(15,050)</u>	<u>(22,495)</u>
Cash flow generated by operations	<u>83,395</u>	<u>61,460</u>	<u>123,389</u>

Edgar Filing: TELEFONICA S A - Form 6-K

Intangible asset additions	(12,175)	(8,138)	(5,562)
Tangible fixed asset additions	(34,339)	(21,928)	(33,022)
Start-up expenses	(22,817)	(888)	(140)
Additions to consolidation goodwill	(146,998)	(2,393)	(19,534)
Long-term investment additions	(15,809)	(7,111)	(4,977)
Disposal and retirement of tangible fixed assets, intangible assets and long-term investments	13,623	9,250	3,293
Cash flows arising from investment activities	(218,515)	(31,208)	(59,942)
Increase in long-term financial debt	124,122	3,062	0
Decrease in long-term debt	(299)	(67)	(13,376)
Variation in long-term financial debt (other accounts payable)	(860)	(1,321)	2,153
Variation in accounts payable to Group and associated companies	(1,382)	4,763	(243)
Dividends	(19,829)	0	0
Other financing activities	(1,514)	426	(8,133)
Repayment/Increase in short-term financial debt	19,079	(17,003)	(17,174)
Cash flows employed in financing activities	119,317	(10,140)	(36,773)
Net variation in cash and short-term investments	(15,803)	20,112	26,674
Variation in cash of companies included in consolidation	0	0	0
Cash and liquid short-term investments at the beginning of the year	51,494	31,382	4,708
Cash and short-term investments at year-end	35,691	51,494	31,382

The comments on the above cash flow statements are as follows:

The cash flows generated by the Group's transactions in the last three years were used for investment, the main amounts in 2001 and 2000 being those invested in tangible fixed assets, since in those years ANTENA 3 TELEVISIÓN made a significant investment in the technical resources needed for digital broadcasting. In 2002 the main cash flow items arising from investment activities relate to the purchase of UNIPREX, and Antena de Radiodifusión (formerly Cadena Voz de Radiodifusión, S.A.) and the flows arising from the sale of the preemptive option on the free-to-air television broadcasting rights on the 2006 Soccer World Cup in Spanish territory by ANTENA 3 TELEVISIÓN a Corporación Admira Media, S.A.

In 2002 the differences between flows generated and investment flows were covered mainly by variations in financial indebtedness (syndicated loan of \$230,000,000 arranged by ANTENA 3 TELEVISIÓN to finance the purchase of UNIPREX and Antena de Radiodifusión through its subsidiary PUBLICIDAD 3) and cash. In 2000 the differences between flows generated and investment flows were used mainly in variations in financial indebtedness.

The flows deriving from working capital needs were negative in 2001 and 2000. In 2001 this effect was due to the increase in the volume of program rights (under Inventories) and the decrease in current liabilities. In 2000 there was also an increase in inventories; however, there was an increase in accounts receivable and current liabilities compared with the decrease in 2001.

The main variations in financing activities in 2002 were due mainly, inter alia, to the variations in long-term financial indebtedness due to the syndicated loan arranged to finance the purchase of UNIPREX, and Antena de Radiodifusión mentioned earlier.

V.4 INDIVIDUAL ACCOUNTING INFORMATION ON ANTENA 3 DE TELEVISIÓN, S.A. (PARENT COMPANY).

This section contains the individual financial statements of Antena 3 de Televisión, S.A., and an analysis of the differences and variations arising in 2002 and the preceding two years.

V.4.1. Individual balance sheet as of December 31, 2002 and comparison with the preceding two years

The individual balance sheets as of 2002 year-end and the preceding two year-ends, the breakdown of the main items and the analysis of the main variations are as follows:

ANTENA 3 TELEVISIÓN**BALANCE SHEETS**

Thousands of euros

	Balance at 12/31/02	% of total assets	Balance at 12/31/01	% of total assets	Balance at 12/31/00	% of total assets	Variation 2002/2001	Variation 2001/2000
ASSETS								
FIXED AND OTHER NONCURRENT ASSETS								
Start-up expenses	53	0.01%	180	0.02%	307	0.04%	(127)	(127)
Intangible assets	9,028	1.04%	7,695	1.05%	6,965	0.97%	1,333	730
Tangible fixed assets	104,244	12.01%	111,481	15.28%	113,926	15.89%	(7,237)	(2,445)
Land and structures	56,993	6.57%	57,725	7.91%	56,551	7.89%	(732)	(1,174)
Plant	77,992	8.99%	74,667	10.23%	69,072	9.63%	3,325	5,595
Other tangible fixed assets	67,255	7.75%	62,019	8.50%	56,539	7.88%	5,236	5,480
Accumulated depreciation	(97,996)	(11.29)%	(82,930)	(11.37)%	(68,236)	(9.51)%	(15,066)	(14,694)
Long-term investments	237,909	27.42%						