Sogecable

# Analyst Presentation

February 19, 2003

This presentation contains forward-looking statements subject to risks, uncertainties and assumptions. Statements about beliefs and expectations are not guarantees of future performance. Please note that our results could differ materially from those shown in the following forward-looking statements.

| | |
|---|---|
| **Section I** | **Review of Sogecable 2002 Results** |
| **Section II** | **Vía Digital Transaction Update** |
| **Section III** | **The New Sogecable** |

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**Section III** **The New Sogecable**

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# 2002A Summary P&L

| | 2002A | Growth | Margin |
|---|---|---|---|
| *Revenue* | 981.8 | -2.1% | NM |
| *EBITDA* | 122.8 | -21.3% | 12.5% |
| *EBIT* | 0.8 | -86.3% | 0.1% |
| *Extraordinary* | -52.0 | NM | -5.3% |
| *Net Income* | -54.2 | NM | -5.5% |

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# 2002: A Challenging Year for Sogecable

- **Acquisition of Vía Digital announced May 2002. EU / Spanish anti-trust review process through November 2002**
- **Successful eradication of piracy (April 2002)**
- **Turbulent Spanish and European pay-TV market**
  - **Kirch Media bankruptcy**
  - **Closure of DTT TV:**
    - **Quiero TV in Spain**
    - **ITV Digital in UK**
  - **Stream / Telepiu acquisition**

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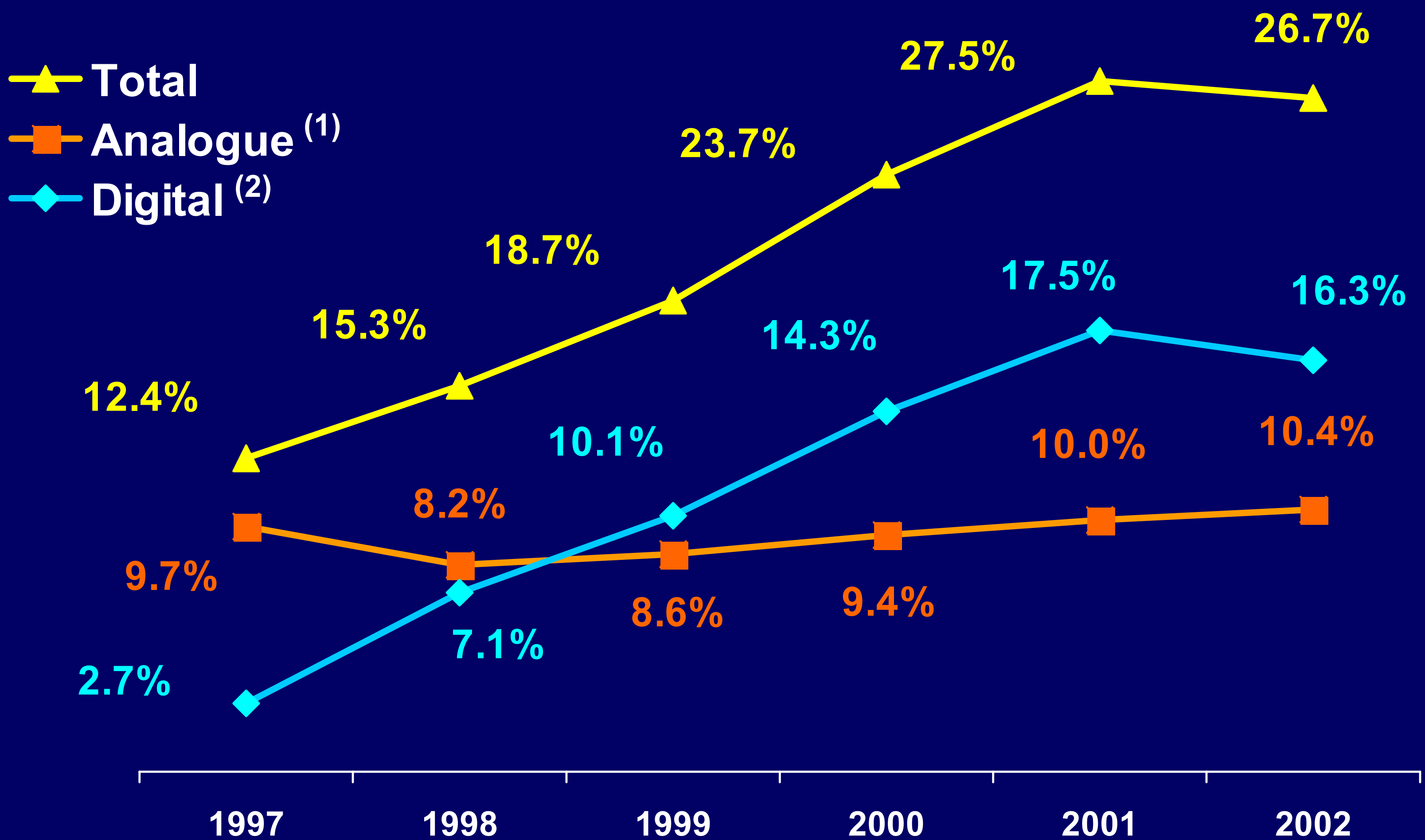
# Temporary Disruption of Subscriber Growth Trend




Notes:

1. Analogue includes Canal+ and cable subscribers
2. Digital includes CSD and Vía Digital plus Quiero TV in 2000 & 2001

Source: Press Releases, Sogecable internal data

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# End to Smart Cards Piracy

- **During April - May 2002 Sogecable invested €9 MM in replacing all existing smart cards and implementing new encryption technology**

- **Benefits from such initiative:**

  - **Shift subscriber mix towards premium product: 96% vs 88% (4Q 02 vs 4Q 01)**

  - **Boost subscriptions and PPV ARPU: 10% increase 4Q vs 3Q 2002**

  - **Subscriber base fraud clean up, churn concentrated in basic subscriptions**

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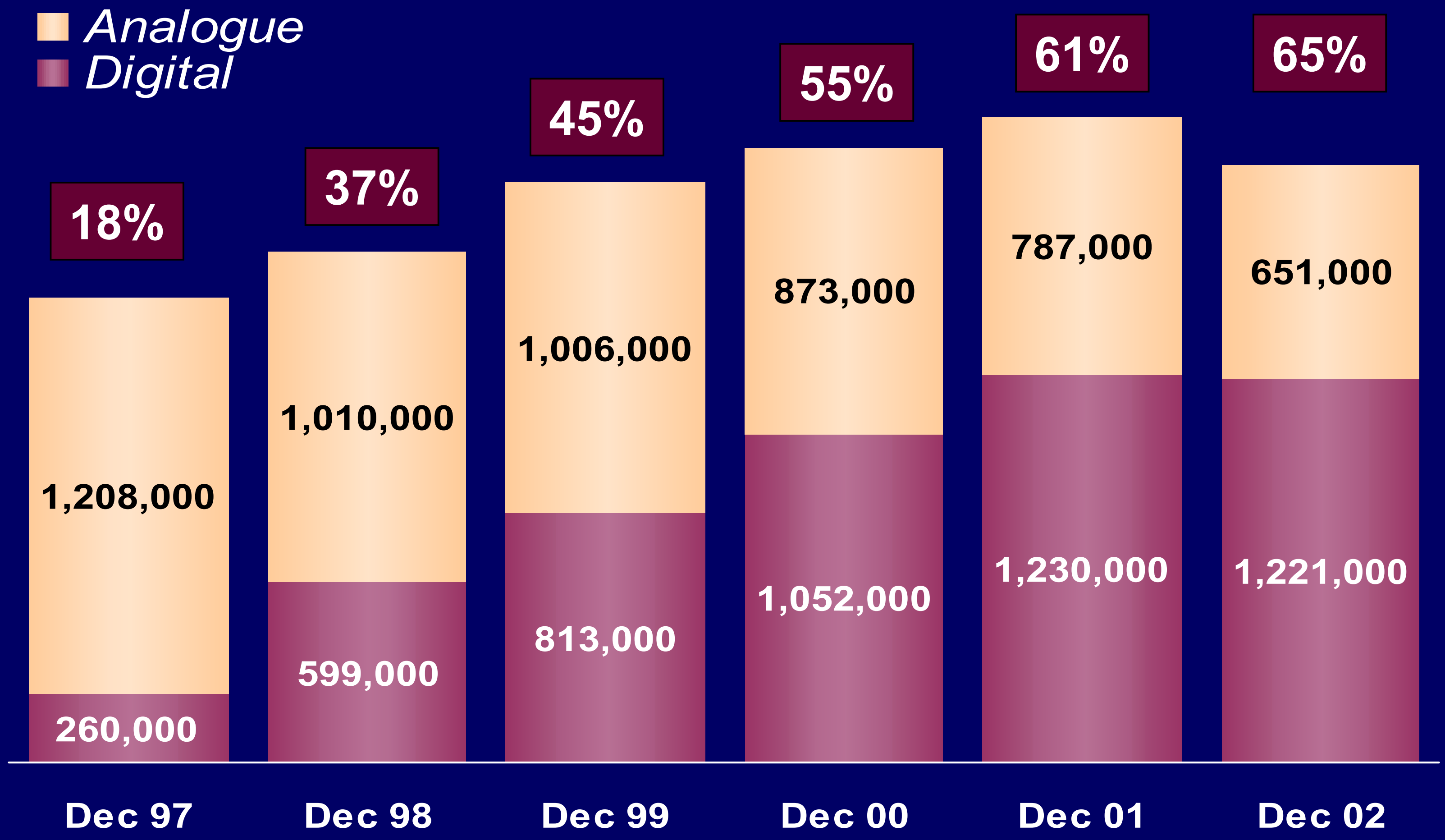
# A Solid, Stable Subscriber Base to Grow from




% Digital subscribers

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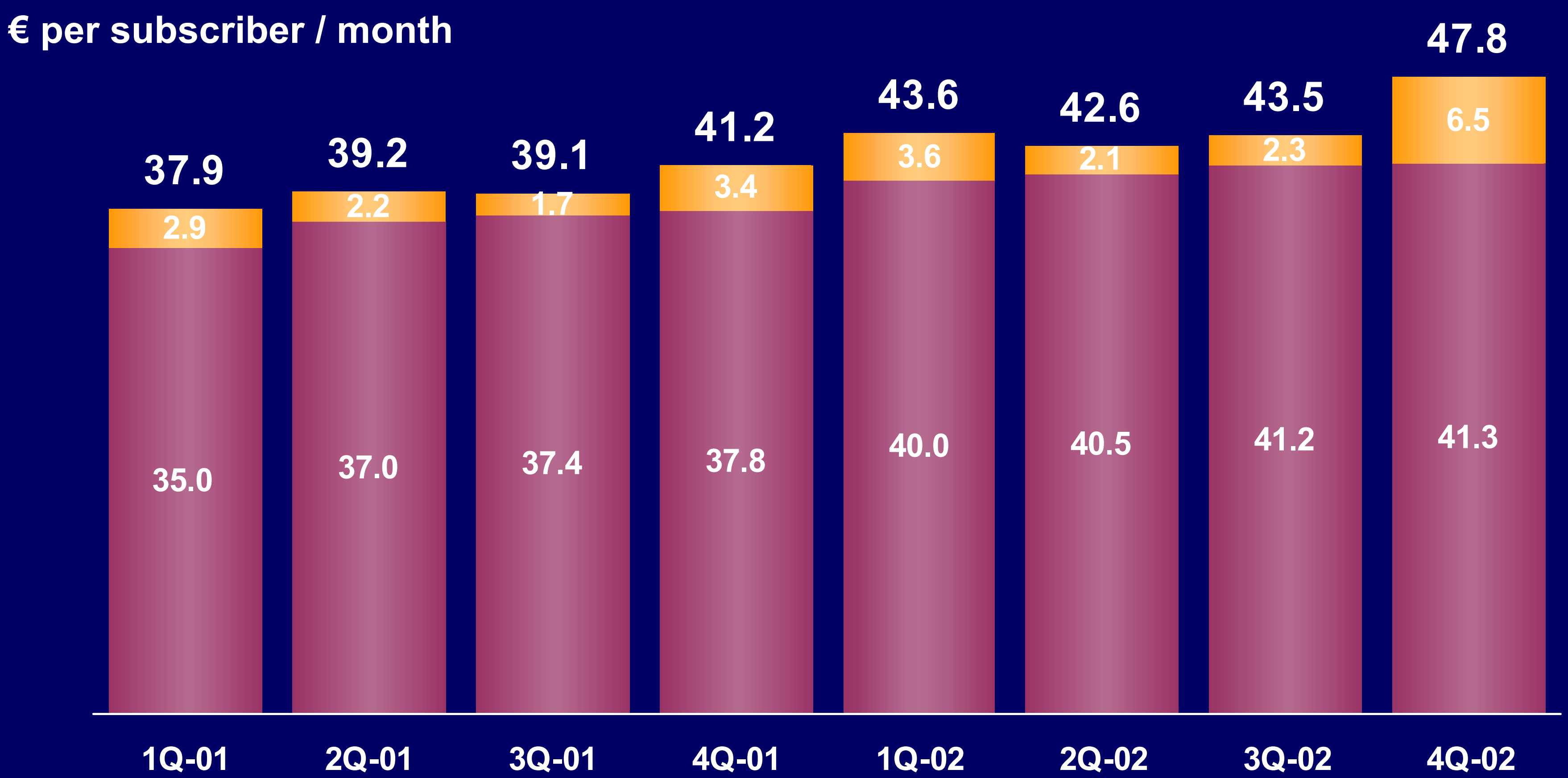
# Strong ARPU Growth




**Premium subs**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 83% | 84% | 85% | 88% | 90% | 93% | 94% | 96% |

PPV Subscriptions

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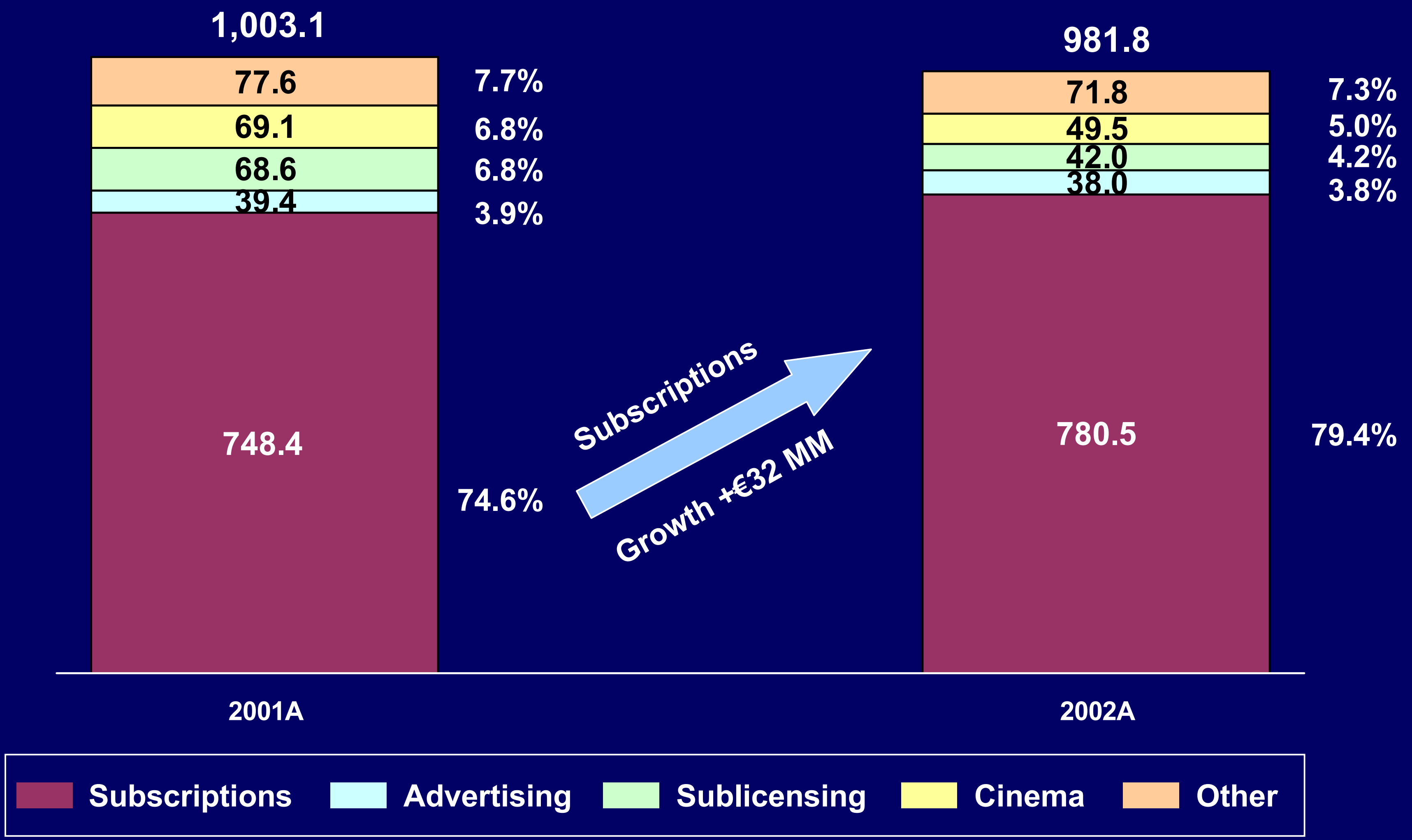
# Continuous Growth in Total Subscription Revenues

*Amounts in € MM*



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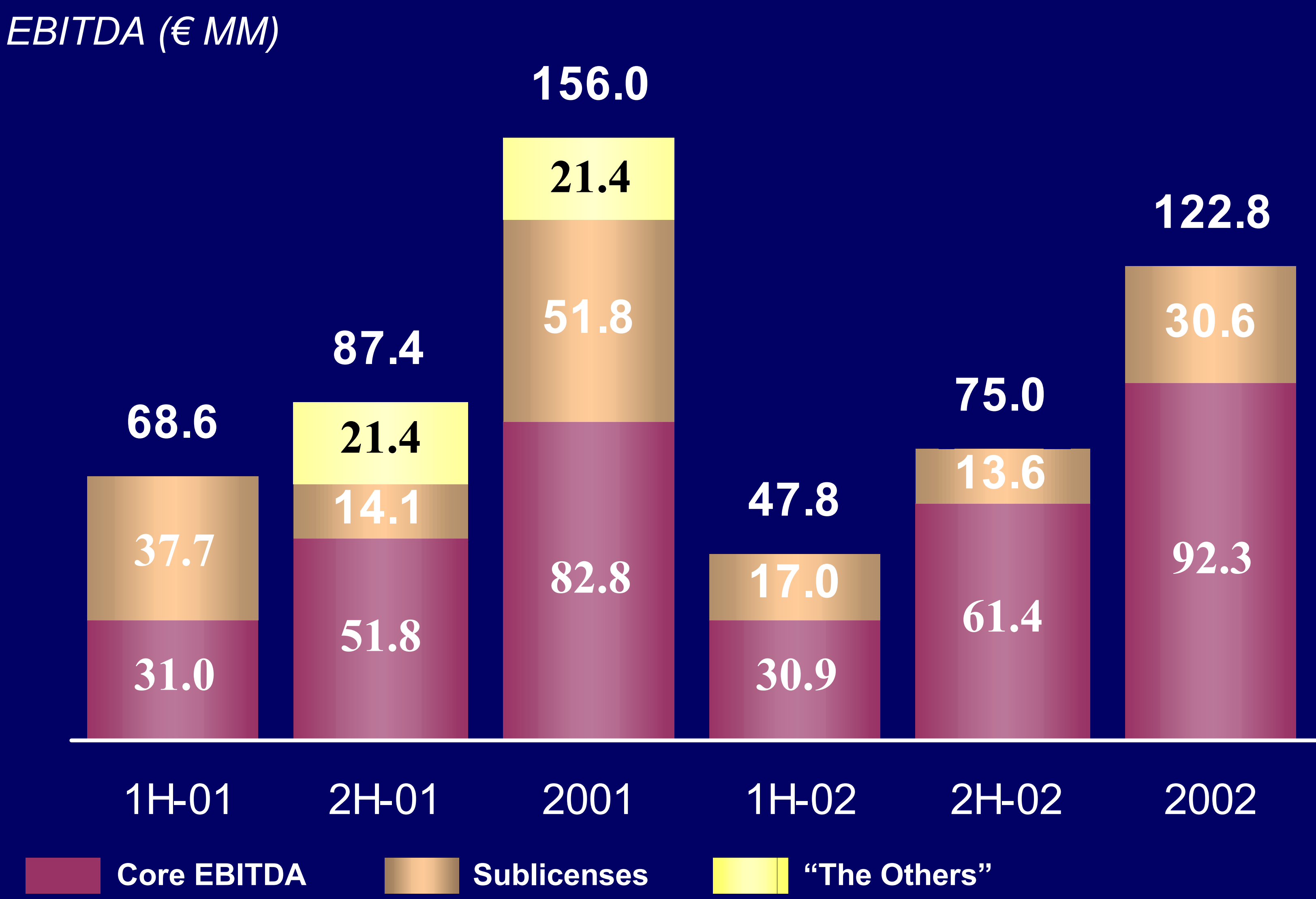
# Strong Recovery during Second Half of 2002



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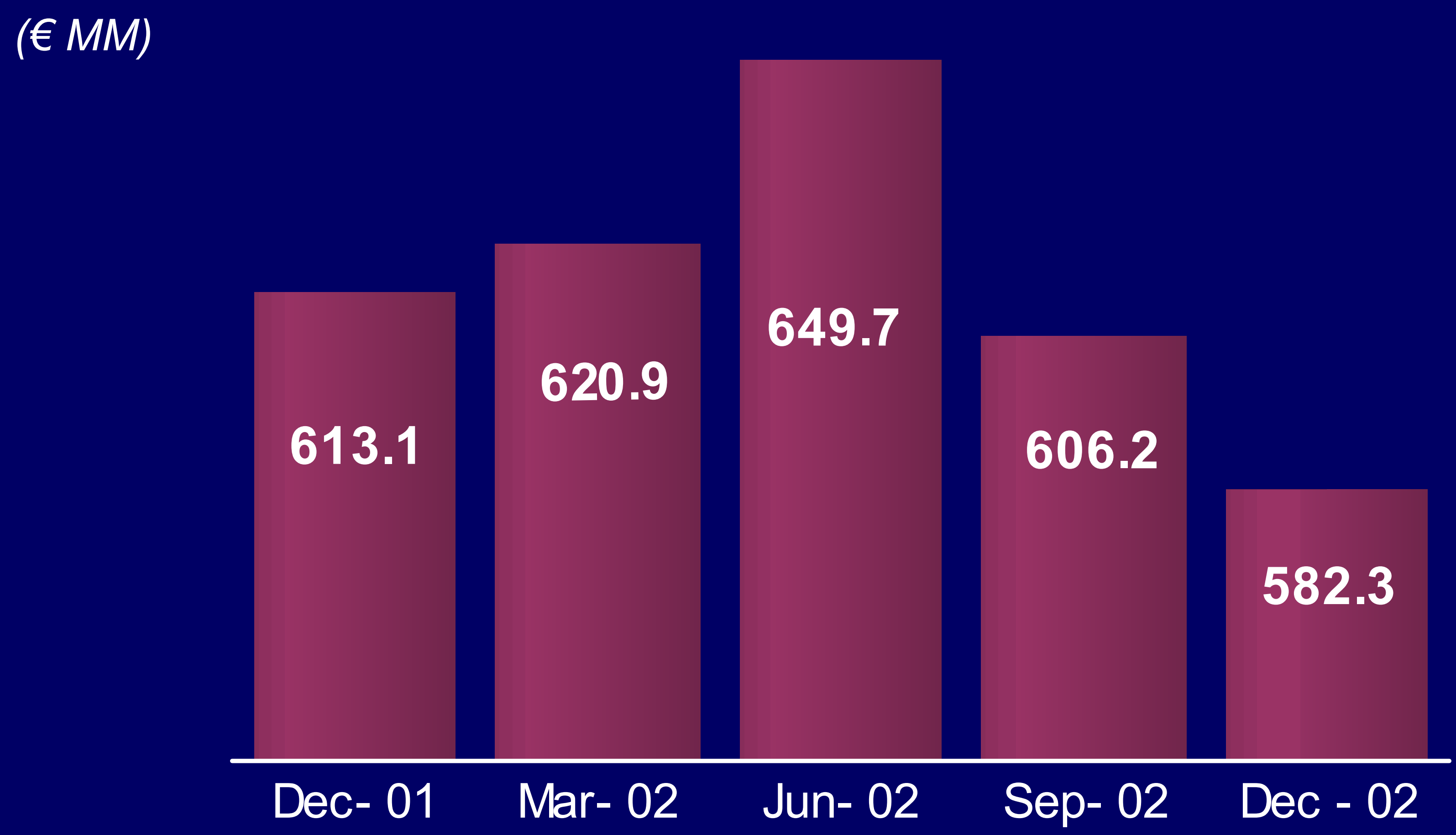
# 5% Reduction of Net Debt




**€31 MM Debt Repayment in 2002**

| | |
|---|---|
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# Revised Terms of the Agreement (I)

- **Sogecable and Telefónica agree to complete transaction**
- **Capital increase of up to 23% of new share capital in exchange for 100% of Vía Digital shares**
  - **Acquisition of Telefónica's 40% in AVS for €1**
- **Maximum debt contribution as of April 30, 2003:**
  - **Sogecable: €705 MM**
  - **Vía Digital: €425 MM**

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# Revised Terms of the Agreement (II)

- **Telefónica political rights capped at 16.38% of share capital and to appoint same number of board members as Prisa and Groupe Canal+**
- **Telefónica commitment to remain as core shareholder minimum of three years**
- **Prisa, Telefónica and Groupe Canal+ to subscribe €150 MM shareholder loan**
- **Sogecable to offer shareholders €175 MM subordinated debt (subscription guaranteed by Telefónica)**

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# Significant Progress made since Announcement

| Date | Event |
|---|---|
| May 8, 2002 | Sogecable announces acquisition of Vía Digital |
| August 16, 2002 | EU Commission returns anti-trust file to Spanish authorities |
| November 13, 2002 | Spanish Anti-trust Court recommends approval subject to 10 conditions |
| November 29, 2002 | Spanish Government authorises transaction subject to 34 conditions |
| January 29, 2003 | Sogecable and Telefónica agree to complete proposed transaction and submit action plan to Spanish Government as requested |
| | Sogecable and Telefónica appeal in court 5 conditions to transaction |

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# Remaining Steps

| Date [1] | Event |
|---|---|
| Feb-Mar 2003 | Spanish Authorities to approve action plan |
| May 2003 | Sogecable General Shareholders Meeting to approve transaction |
| 1H June, 2003 | Share exchange period |
| June 30, 2003 | Closing of transaction / financing |
| Summer 2003 | Launching of the Combined Offering |
| TBD | Resolution of EU anti-trust review of AVS |

Note:
1. Expected dates; subject to change

Section I Review of Sogecable 2002 Results

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# "A Quantum Leap"

### Critical Mass

- 2.4 million subscribers
- Operating leverage
- New framework for rights negotiation

### Subscriber Growth Potential

- Stable competitive environment
- Re-launch of pay-TV product
- Lower churn expected

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### Cost Rationalization / Economies of Scale

- Programming costs
- Reduction in marketing expenditure and SAC
- Rationalization of other operating costs

# The New Sogecable

## DTH

CANAL SATÉLITE DIGITAL

Vía digital

## Terrestrial

CANAL+

## Premium Rights

Columbia TriStar Films

Paramount

MGM

WB

DreamWorks Studios

Universal

Audiovisual Sport

20th Century Fox

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## Thematic Channels

Cine Manía

Fox Kids

CNN+

Realmadrid Televisión

## Film

SOGECINE

SOGEPAQ

## Other

plus.es

CATSA

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# Undisputed Pay-TV Leadership in Spain

| | |
|---|---|
| **Leading Spanish Pay TV Operator** | • Canal+: Leading premium channel (1.8 MM subscribers[1])<br>• Sole DTH platform in Spain (1.8 MM subscribers) |
| **Exclusive, top quality content** | • US studios<br>• All key sports |
| **High Brand Recognition** | • Canal+, CNN+, Cinemanía<br>• Canal Satélite Digital – Vía Digital |
| **Strong Growth Potential** | • Favourable competitive environment<br>• Commercial strategy rationalization |
| **High Management Capacity** | • Highly qualified and experienced management team |
| **Solid Shareholder Support** | • Grupo Prisa<br>• Telefónica<br>• Groupe Canal+ |

Note:
1. Includes analogue and digital subscribers

# Accounting Impact of Transaction

## Effect of full consolidation of Vía Digital and AudioVisual Sport

| | Vía Digital | AudioVisual Sport |
|---|---|---|
| **Revenues** | • Integration of VD subscriber revenues | • Sale of football rights to free-to-air operators, cable, international |
| **Costs** | • New cost structure post-restructuring | • Full consolidation of total Football League & Cup cost and elimination of current Canal+ (Pay-TV) and CSD/VD (PPV) costs |
| **Debt[(1)]** | • €425 MM | • €200 MM |

Note:
1. As of April 30, 2003

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# Significant Subscriber Growth Opportunity

| Subscribers ('000) | 2003 PF[1] | Target 2005E | Target 2008E |
|---|---|---|---|
| DTH | 1,750 | 2,300 - 2,400 | 2,700 - 2,800 |
| Terrestrial[2] | 651 | 575 - 625 | 550 - 600 |

- **2003 target assumes high initial churn and moderate gross additions**
- **Expected average annual net additions below historical combined performance**

Notes:
1. Starting point
2. 2003PF reflects figure as of 31/12/2002. Upside potential if DTT is reactivated in Spain not accounted for in targets

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# New Commercial Offering Next Summer

- **Offering structured to cover all consumer segments**
  - **Basic offering**
  - **Premium packages**
  - **Optional channels (“à-la-carte”)**
  - **PPV football and movies**
- **Main building blocks remain**
  - **Exclusive content**
  - **US studios: movies and channels**
  - **Premium sports**

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# Challenge: Upgrade Blended ARPU

| DTH ARPU (€ / subscriber / month) | 2003PF[1] | 2005E | 2008E |
|---|---|---|---|
| Subscriptions | 33.0 – 35.0 | 37.5 – 40.0 | 40.2 – 42.2 |
| PPV | 4.5 – 5.0 | 4.5 – 5.0 | 4.8 – 5.3 |
| TOTAL | 37.5 – 40.0 | 42.5 – 45.0 | 45.0 – 47.5 |

**CSD 4Q02 ARPU = €47.8 (€41.3 subscriptions + €6.5 PPV)**

**Note:**

1. Starting point

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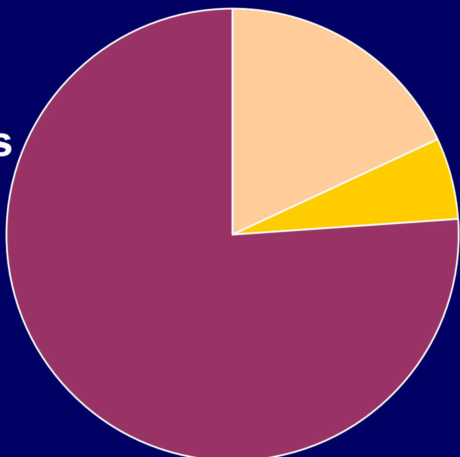
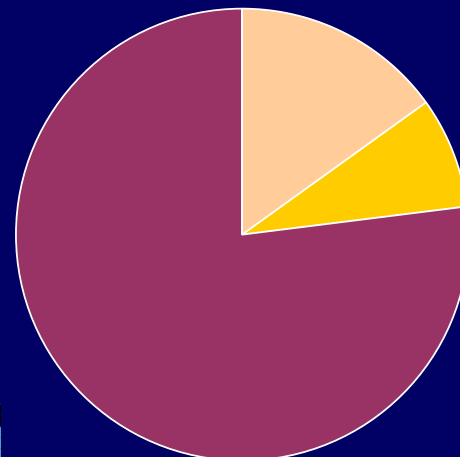
# Expected Revenue Breakdown by Concept

**2003E PF[1]**




**2005E**




**Notes:**

1. Assumes full consolidation as of January 1, 2003
2. Includes AVS film, sale of rights to third parties and other

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# Rationalization of Programming Cost Structure

| Movies | Sports | Channels |
|---|---|---|

**Programming costs as % of Total Revenues expected to be below 50% once restructuring is completed (2005)**

# Streamline Other Operating Costs

**Transmission**

- Currently contracts with Astra and Hispasat
- Goal is to reduce cost to equivalent to 1 satellite system
- Simultaneous use of existing decoders in CSD and VD

**Other**

- Reduce marketing costs / SAC
- Benefit from economies of scale

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# Significant Restructuring Costs During 2003E - 2004E

**Programming**

**Transmission**

**Other**

**Expected Pre-tax Restructuring Costs: €300 - 400 MM (2003E – 2004E)**

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# Tax Losses Carried Forward

- **New Sogecable estimated total tax credit of €900 MM as of 31/12/2002[1]**
  - **Including AVS, tax shields would amount to €1Bn**
- **New Sogecable expected to benefit from tax credit until 2009 - 2011**

**Note:**

1. AVS not included

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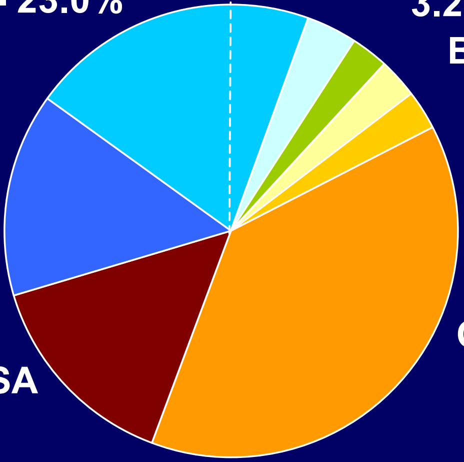
# Solid Shareholder Base




- Prisa, Groupe Canal+, BBVA, Caja Madrid, Bankinter and Eventos have been shareholders of Sogecable since it was founded in 1989

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# Proforma Capital Structure

| Sources | Amounts in € MM |
|---|---|
| Shareholders Equity[1] | 650 |
| Subordinated Debt | 175 |
| Senior Bank Debt | 1,300 |

**Note:**

1. Estimated as of closing (June 30, 2003); includes €150 MM Shareholder Loan

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# Target Capital Structure

| Tranche | Source | Amount | Maturity | Rate | Other |
|---|---|---|---|---|---|
| Senior Debt | Domestic and International Banks | €1,300 MM plus revolver credit facility | 6 years | TBD | Includes €80 MM guarantee by Telefónica |
| Subordinated Debt | New Sogecable Shareholders | €175 MM | 9 years | 10.28% + warrants equivalent to 1% dilution | Subscription guaranteed by Telefónica |
| Shareholders Loan | 1/3 Grupo Prisa<br>1/3 Groupe Canal+<br>1/3 Telefónica | €150 MM | 10 years | 11.0% | |

**Senior bank debt currently under negotiation**

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# Financial Targets

| | 2002A[1] | 2005E | 2008E |
|---|---|---|---|
| ***EBITDA Margin*** | 12.5% | 26% - 28% | 34% – 36% |
| ***EBIT margin*** | 0.1% | 15% - 18% | 26% - 28% |
| ***Free Cash Flow[2] / Revenue*** | 3.1% | 11% - 14% | 27% - 30% |

**Positive FCF in 2003 before restructuring**

**Significant Net Profit in 2005**

**Note:**

- Sogecable 2002 Results
- FCF after interest paid and Capex

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