

## Telecinco Annual General Meeting 2009

### Paolo Vasile's Speech

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Good morning, dear shareholders.

Last year we held the first ever AGM in Telecinco's buildings. Today, we are going a step further into the heart of Telecinco, to the "content factory" that brings the Spanish public their daily dose of television.

I am not sure if it is any indication of our destiny that the set available for the presentation of these results today is actually the one from "Supervivientes" (Survivor). Our profession has become a reality show where the winner is the person who can stick it out for longest. Telecinco has won yet again. We have led the market for five years in a row, in an environment where survival is increasingly difficult.

2008 has been a year of two parts. The first three months went "slowly, slowly", a horrible feeling after years of strong, rapid growth. We saw our 2% increase in GDP and 1% rise in advertising as pathetic, given that we were used to the pace seen in previous years. What was to come later, however, would soon make us long for that slow growth.

In April, once the distraction of the Spanish elections had passed, we could see the real state of the market and country, and since that point only further problems have followed. The emerging Spanish crisis compounded the international one. All this affected the television industry, a sector that was already riddled with regulatory confusion and technological changes.

Throughout 2008 we have seen the natural growth of the audiences of the new television channels that are in their second year of existence, but we have also seen their effect on costs and in the audiovisual purchase rights market in general. Just to make it really challenging, we have also witnessed the vintage effect of Televisión Española (TVE).

The state-run television channel has returned to the aggressiveness they showed at their worst, competing viciously and unfairly. They may have succeeded in improving their audience share, but again at significant cost to the Spanish public. They have done this despite the fact that there is no hope of improving advertising revenues during a plainly bearish phase in the advertising market.

TVE is making Spanish taxpayers' money push up the price of rights, at the same time that it is lowering advertising prices while the crisis is worsening. Unfortunately, the difficulties created by TVE in the sector are affecting us all.

Despite the Government's commitment to not generating any more shortfalls in state-run television's budget, in the second quarter of the year, TVE increased its costs instead of lowering them, and the result is plain to see.

Even though at first the press reported that TVE would register losses of €100 million, not including subsidies, TVE eventually admitted that losses would amount to more than €70 million. They have broken their promise to not generate any more deficits. What's more, they have actually increased the shortfall with 2008 losses of around €600 million before subsidies, more than double the nearly €280 million registered in 2007. Regional channels are on a similar path, if not worse.

Despite all of these negative events, in 2008 Telecinco once again became the television station with most viewers, registered the greatest turnover and obtained the highest profits. By way of comparison, our results triple those of our most direct private competitor, while the rest of the sector has actually lost large amounts of money.

Having said all that, let's take a look at our numbers. As I mentioned before, in 2008 Telecinco led the day total for the fifth year in a row with an 18.1% audience share. This compares to TVE's 16.9% and Antena 3 with 16%, which places it in third position. Telecinco also leads the sector on all other platforms - analogue, Digital Terrestrial Television and cable.

With a 19.6% share, Telecinco also led the commercial target in 2008, with a 3-point lead on Antena 3 and a 6-point lead on TVE. We are the favourite television channel of women and people aged 25 to 64 years, advertisers' ideal target.

We have also come out on top in 204 days of the year, which means that we were in leading position for more than half the year, compared to TVE's 24.9% and Antena 3's 19.1%. It's no coincidence that our prime time programmes lead the ratings seven nights a week.

If we analyse television genres, our entertainment programmes are winners. Prime time reality show hits like “Gran Hermano” (Big Brother), “Operación Triunfo” (Star Academy) and “Supervivientes” (Survivor) all led their time slots. They belong to a television genre that the other television channels have never had much success in.

The same can be said for our fiction series. "Aida" accounted for most viewers this year, while CSI has most followers for an American fiction series. “Hospital Central” is the leading television classic, while "Sin tetas no hay paraíso” turned out to be the surprise hit of the year. We even reached a point where we were able to fill Madrid's Palacio de los Deportes during an innovative action designed

to bring us closer to the public. It was an initiative that caught the attention of competing television channels.

To understand just how solid our programming line is, it's worth mentioning that we were the station that most efficiently broadcast new series in 2008. 40% of our new products have beaten our average ratings, compared to TVE's 15% and Antena 3's 7%. Another notable figure is that in-house production hours increased again in 2008, and now account for 85.8% of our programming. The lion's share of Telecinco production is done in-house with the collaboration of the most important Spanish production companies, in some of which we also a shareholder.

DTT slowly continues on its path to the shutdown scheduled for April of next year, bringing with it all of the great unknowns of a market that is difficult for large television stations and even more complicated for the emerging ones.

By way of example, in the autonomous regions that will shut down analogue broadcasting on the 30th June this year, only 38.3% are ready for the new system.

Although it is important to highlight our business' television audience results, internet data shows the growing importance of Telecinco in the new world of the internet.

In January 2008, Telecinco re-launched its innovative website. The website combines a strong audiovisual component with new interactive resources and image downloads as well as new sections that create synergies with television and encourage the active participation of web users.

The station has once again confirmed its success on the internet, with an important lead on its audiovisual competitors. In just one year we have gone from 2.8 to 5 million unique visitors every month, an increase of around 80%. Since the middle of the year, Nielsen and OJD have measured our data and place us as the fourth largest media outlet in Spain, while we come tenth in the general ranking.

One of last year's big stories was the transfer of television content to the web. Our web users are able to follow our top series, reality show catch-up sessions and information services. Apart from our television products, Telecinco.es has been able to develop exclusive content. One example is "Becarios" (Interns), the first series created specifically for the internet. It later reversed that milestone by making the jump to television on Telecinco's DTT channel, Factoría de Ficción.

Users are able to view repeats of our main live events and every day follow more than 30 blogs that are exclusive to telecinco.es. This offer is completed with games, participative activities and exhaustive 24-hour news.

This promising activity offers interesting business opportunities as it provides advertisers with the most interesting targets and new advertising formats adapted to their needs, a perfect example of the total integration of advertising and content.

In the multimedia product line, Telecinco has strengthened its teletext service with important improvements to design, content and organisation, as well as two notable additions for mobile telephones: a selection of the best series and entertainment content and an exclusive current affairs news service that coincided with the launch of the iPhone in Spain.

Our agency, Atlas, has also confirmed its leadership in the audiovisual news market, becoming the reference point for the main national dailies' online editions. In 2008, Atlas obtained its best-ever results in the sale of images for the television market, internet, companies and institutions.

From a commercial point of view, we registered 75 million interactive actions via telephone calls and text messages. More than 1.5 million Telecinco series were downloaded from the digital television platforms Ono, Imagenio, Digital Plus and Orange, while the "Gran Hermano" and "Operación Triunfo" channels are now part of the main satellite, cable and mobile telephone platforms.

We were also pleased with 2008's results in the area of cinema. The fact that we are legally obliged to subsidise another industry does not prevent us from looking to collaborate with the most internationally important Spanish directors, such as Amenábar, Fresnadillo, Bayona and Urbizu. We are also backing a new generation of directors such as Óskar Santos and Gabe Ibáñez.

Working alongside these successful professionals has allowed us to reap results that position us as the number-one cinema producer in Spain by box office sales. In 2008 we released ten films for the big screen. One release was *The Oxford Murders*, the best-selling Spanish film of the year and recent winner of three Goya awards. *Che*, the super-production directed by American Steven Soderbergh, meanwhile, earned almost €7 million. The film won a Goya award, while star Benicio del Toro was named best actor at the Cannes Film Festival.

Elsewhere in 2008, we began the filming of *Ágora*, Alejandro Amenábar's new project and probably the most spectacular production in the history of Spanish cinema. It will be released this autumn. "Celda 211", "Rabia" and "Imago Mortis" are still waiting to be released, while titles such as "Hierro" and "El mal ajeno" are awaiting production.

In Spain, the best directors in the country choose Telecinco Cinema to work towards the same objective: to produce Spanish films for the international market.

The recent years of brilliant leadership have not just been dedicated to the product and the best returns for our partners, however. We have also worked to improve our company and make it more efficient, controlled and, above all, transparent.

Thanks to this work, we can confirm that Telecinco is in an excellent position with regard to Corporate Governance, and ranks at the top of the Ibex 35. This, more than just a source of pride, also gives our shareholders peace of mind and, of course, for us too.

This recognition is not just an opinion, but a fact, as accredited by our recent tax inspection, which was finalised without a single instance of note.

2008 was a long year in which the whole world began a journey towards an unknown destination. From this bridge in the middle of the mist we can clearly explain where we have come from and what we had, but not what lies on the other side of the river.

We mustn't lose faith; in fact, we should feel the opposite, stronger and energetic. This situation is a test of our management capacity and imagination. We cannot complain about things beyond our control. We must focus our efforts on opportunities and solutions, not on making excuses. We cannot change the fortunes of the world economy, but we can lay the foundations for the Telecinco of the future. We can't give in to the temptation of crying over spilt milk, whether it was our fault or not. We must focus on our basis for the future instead.

The best is yet to come.