

Telecinco Annual General Meeting 2009

Alejandro Echevarría's Speech

1.- OPENING

Good morning, Telecinco Shareholders.

I would like to thank you for attending our Annual General Meeting once again.

This is the fifth Annual General Meeting since we went public and the fifth time that I can begin by saying that Telecinco has, for yet another year, been the Spanish public's favourite television station, the leading TV channel in terms of advertising revenues and the number one station in earnings.

The current economic context is obviously not the most ideal, while the economic crisis, the first indications of which were felt in the year that we are bringing to a close today, has not yet taken its full effect. It is also true, however, that five years of market leadership show that our success is no mere chance but in fact irrefutable proof of the efficiency of our business model and management. It is these mainstays that guarantee that we will know how to tackle any situation in the future, however negative it may be.

2.- ECONOMIC AND FINANCIAL CONTEXT.

It is difficult to describe the economic carnage that has ravaged the global economy in 2008. The tremors in the banking system, which first began to be felt at the end of 2007, soon gave way to an earthquake that has sent shock waves through long-established banks, some of which found themselves incapable of continuing to support the unlimited leveraging they had carried out over previous years.

Above all, the generalised lack of liquidity that this provoked has required the massive intervention of monetary and financial authorities to facilitate the financing of families and companies and maintain the minimum levels of consumption needed to support national economies.

Nonetheless, we are still witnessing an across-the-board recession. In the United States, GDP fell by 0.5% in the third quarter of 2008, while in the final quarter of the year, the drop was no less than 3.8%. In Europe, the last quarter of 2008 closed with falls of 1.5% in the UK, 2.1% in Germany and 1.5% in the rest of the European Union.

Things are no better in emerging economies. Growth in the Chinese economy has fallen by more than 30% in 2008 and is expected to drop by 50% in 2009. Similar situations can be seen across Latin America.

Spain is also in outright recession, as evidenced by GDP data from the last two quarters of 2008, with both figures in negative numbers.

The particulars of the Spanish economy are acting as a magnifier of this sudden, rapid recession, causing such widespread destruction of employment that in just one year the unemployment rate has increased by some 65%.

Within this context, the fall of inflation for the whole of 2008 to just 1.5%, far from being a good sign, is actually a reflection of a severe drop in domestic demand and is leaving us on the brink of deflation. Worst of all, there is still no way of knowing whether or not the crisis has reached its peak.

3. TELECINCO RESULTS

Unfortunately, Telecinco has not been able to escape this bleak economic situation. The adverse economic conditions that we have just mentioned have affected and will continue to affect the advertising market, which is particularly sensitive to macroeconomic variations.

Despite all this, Gestevisión Telecinco's 2008 financial results still position it among the most profitable television stations in the world.

1. As can be seen in the annual accounts that we will soon submit for your approval, Gestevisión Telecinco's **advertising revenues** have fallen by 11.1% and total around €934.8 million. This drop should be understood as a reduced demand for advertising that became more acute from the second quarter of 2008 onwards. From that point on, it was accompanied by an unavoidable and across-the-board fall in average prices.

2. **Net operating revenues** reached €981.8 million, a 9.2% drop on 2007.

3. The **evolution of costs** is very satisfactory, with only a 0.2% increase on 2007. This is due to our long-established business model which is largely based on in-house production. This allows the effect of external factors to be absorbed and valuable content to be retained and exploited at a reasonable cost over long periods of time.

4. 2008's **operating profit** reaches €386.7 million, 39.4% of the operating revenues and a truly excellent result.

5. Finally, the year's **net profit** reached €212 million, 40% less than in 2007. Apart from everything already mentioned, this was partly due to results from subsidiary companies once they were consolidated under the equity method.

6. With regards to the **performance** of Telecinco shares, it must be reiterated that 2008 was devastating for the stock market in general and for the media sector in particular. The first effect of the financial crisis was panic among investors and a consequent stock market crash. This was not helped by the poor performance of the advertising market and it could continue until an obvious change in trends is visible.

With regard to the specific details of our stock performance over 2008, the most pertinent points are below.

- Shares are down 56.9%, from €17.51 to €7.55.
- The company's market value, taken on the last trading day of 2008, reached €1,862.1 million,
- while trading volume reached €4,350.2 million.

Nonetheless, and although it may be of little comfort, this graph shows that our main competitors' market performance was worse than ours.

7. With regard to **dividends**, the Company's Board of Directors is proposing that an ordinary dividend of €0.87 per share is distributed.

The amount to be distributed totals €210.3 million or 100% of the consolidated net profit of the Group in 2008, in line with the shareholder remuneration policy established and implemented since the company went public, in other words, the distribution of the funds that are not necessary for the company's operating requirements.

Let's keep in mind that the percentage of net profit set aside for dividends was 80% in 2004, 100% in 2005, 100% in 2006, and 90% in 2007, figures which have established Telecinco as a company with one of the highest dividend yields on the Ibex 35. Specifically, this year's dividend yield lies at 16.7%.

4.- CORPORATE GOVERNANCE.

Following the publication of the Unified Code by the Comisión Nacional del Mercado de Valores, Telecinco's Board of Directors firmly committed to immediately adopting its recommendations. This task was carried out throughout 2007, during which all of the appropriate modifications were made to the Articles of

Association, Annual General Meeting Regulations and Regulations of the Board of Directors and its Committees.

In this sense, 2008 has been partly dedicated to the consolidation and further development of the changes that were adopted with the aim of strengthening the rights and degree of influence of our shareholders, reinforcing the obligations of the Board of Directors and its control and, in short, moving towards a management model that integrates and furthers best practice in relation to corporate governance.

As a result, 2008 has seen the reorganisation of the composition of the Audit and Compliance and Appointments and Remuneration Committees. These committees have increased the number of independent directors and reduced the number of directors representing substantial shareholders. Both Committees are still presided over by Independent Directors Mr. Borja Prado and Mr. José Ramón Álvarez-Rendueles.

In the area of transparency, one of this year's highlights is the publication of remuneration policy, including an individual and detailed description of remuneration received by directors throughout 2008, in the Annual Corporate Governance Report, the Report on the Annual Accounts and, of course, in the Remuneration Policy Report, which, for the second time, will be presented to the Annual General Meeting.

In addition, for the first time ever, Telecinco will present its Annual Corporate Governance Report after it has been reviewed by an independent entity, PricewaterhouseCoopers, making it the first listed company in Spain to submit its Annual Report to outside verification.

Conscious of the fact that gender diversity is an area that still needs attention, the Board of Directors and the Appointments and Remuneration Committee will submit the appointment of a new independent Director, Ms. Helena Revoredo Delvecchio, to the Annual General Meeting for approval, once the necessary internal measures have been adopted,

These efforts have been positively viewed by experts in the matter and have allowed Telecinco to move towards the top of the Ibex-35's Corporate Governance ranking.

5.- CORPORATE RESPONSIBILITY.

Telecinco has taken various important steps in the area of Corporate Responsibility in 2008.

Following its inclusion in the well-known international ranking, the FTSE4Good Global Index, this year it topped that achievement with its inclusion in the FTSE4Good IBEX Index, the first Spanish sustainability index.

2008 was also the year in which we launched the book "Responsabilidad Corporativa y Televisión Comercial: una primera aproximación sectorial" (Corporate Responsibility and Commercial Television: a first look at the sector) at the Alcalá de Henares University. The publication, which is sponsored by the Chair of Corporate Responsibility, aims to make a humble contribution, both doctrinal and practical, to the issue, attempting to adapt the requirements of corporate responsibility to the particularities of the television sector.

There have also been notable advances in the broadcasting of responsible content thanks to agreements signed with various NGOs such as Greenpeace, Amnesty International and UNHCR. And, of course, there have been the activities carried out by our flagship CR initiative, the "12 MESES 12 CAUSAS" (12 MONTHS 12 CAUSES) campaign, something that is proving very positive for society in general and us in particular.

With regards to the drafting of the Corporate Responsibility Report that you have before you, the process followed the guidelines laid out in the Global Reporting Initiative (GRI) G3 Guidelines. This means that the Report can be included in the A + category. What's more, this year, for the first time ever, Telecinco decided to verify the content of this report externally through an independent company.

6.- POLITICAL AND LEGAL CONTEXT.

As is unfortunately becoming a tradition in this section, I am sorry to have to tell you that none of our expectations have been met in the political and legal arena.

a. Last year, it was said that the appearance of two new analogue channels, CUATRO and LA SEXTA was causing a greater dispersal of advertising revenues, accompanied by the increasing price of television products given the aggressiveness with which both channels were acting.

This situation has been significantly aggravated by the critical economic situation that Spain is experiencing, a situation which, naturally, has worst affected those with the weakest structures, among them the new operators. Paradoxically, these new operators have already started to voice the traditional complaint in the sector – namely, the surfeit of existing channels.

As a consequence, the Government has drawn up an urgent Decree that includes the deregulation of the sector for the purpose of encouraging business concentration among television companies.

But this is not the solution either. If the sector needs urgent measures, it is to reduce the presence of the public sector by reducing either the number of channels or the public sector's share of the content and advertising markets. Nonetheless, this structural reform does not really get to the heart of the matter. The situation

contrasts with what is happening in other countries around us, countries that find themselves in situations that are far less problematic than ours.

In all, it makes absolutely no sense that in times of severe crisis, public television stations, far from moderating their actions, reveal themselves to be fierce competitors, making the highest bids for the most attractive content, and, at the same time offering their advertising at the lowest possible price.

Because of this, we are urging the Government to immediately honour the commitments it made to the sector and specifically, this company, long ago.

b. We are also demanding an efficient tool for the resolution of conflicts between entities that manage intellectual property rights and users, among them television stations. We continue to maintain that these monopolistic entities cannot be allowed total freedom to unilaterally fix their own fees.

We would also ask the Government to act on this issue and honour the commitments it has made in the past.

c. A General Broadcasting Act is no less urgent. Various former governments have promised such an act but here we are, still without it, although it is obvious that the need for it is becoming more urgent. It is not only essential to have a common law for all forms of television, regardless of the type of broadcaster, but it is equally necessary to regulate the presence of the public sector in the area of television, clarifying once and for all what role public television should play in a sector that is as overpopulated as ours. It is necessary to push forward a new television directive and ensure that the conditions it imposes are as untaxing as possible for the sector, given that things are bad enough as they are without voluntarily making them worse. In short, legislation is necessary to support a newly-emerging sector that has evolved this far without any type of order, simply progressing according to the particular conditions of the given moment.

It would seem as if the current Government has finally set about rectifying this situation, and it must be admitted that it has taken important steps in the area, but it still needs to finish off the work that has been done so far.

d. A good example of the disorder that I am referring to is the situation surrounding Digital Terrestrial Television. There is just one year left before analogue television is phased out. We still believe that the changeover is premature: firstly, the percentage of homes that are prepared for the reception of digital signal is still very low; secondly, the planned model, which would give rise to more than forty channels in each Autonomous Region, makes no sense, much less so in business terms; and finally, it is not the best moment to demand such efforts from Spanish consumers and companies. This is something that other countries around us

understand, and some, like the United States, have not hesitated to postpone the digital switchover.

e. The last point I should mention is television operators' obligation to donate 5% of our gross revenues to the financing of European and Spanish cinema. We have complained heartily about the fact that we are forced to finance cinema production, a sector that is just as private as ours. But what is even worse is that we have to do it in a moment of widespread crisis, where most television operators are actually losing money, particularly when experience has shown that this multi-million subsidy of cinema producers is useless, with Spanish cinema at its lowest point. Let the Government reflect on this situation, because if it does not, it may well be the television sector that ends up needing subsidies.

Let's hope that in my speech next year we'll be able to tick off some of the issues that I have just mentioned.

FAREWELL.

Having said all this, it is now time to bid you goodbye. Once more, it is essential to thank all of the staff at Telecinco and its business group, because without them we would not be able to celebrate the results we are able to present, results that position us as the leading television channel in Spain for another year.

I would also like to thank Telecinco's shareholders for their confidence. We hope we continue to deserve it.

Madrid, 1st April 2009.