



**TELECINCO**

**RESULTS  
THIRD QUARTER 2005  
(January – September)**

**Madrid – 26 October, 2005**

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## **0. Presentation format of financial results**

The consolidated financial results for the first nine months of 2005 are presented in accordance with **International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)**, applied to Telecinco as of 1 January, 2005, as well as the combined results for the first nine months of 2004, included for comparative purposes. The combined format includes the results for Publiespaña and Subsidiary Companies, while the consolidated format only includes the last three quarters of 2004, after Gestevisión Telecinco took full ownership of Publiespaña. Therefore, the consolidated format excludes the results of Publiespaña and its subsidiaries corresponding to the first three months of 2004.

The financial results presented in IFRS and IAS shall be considered as preliminary according to IAS 1 as the quantification of the impact of IFRS is subject to the IFRS and its interpretation, valid at date of closure of the Balance Sheet on first-time adoption, December 31<sup>st</sup> 2005.

The main accounting principles introduced by IFRS and IAS that affect Telecinco are the following:

- Presentation of assets and liabilities in the balance sheet separating current and non-current assets (IAS 1)
- Recording of deferred tax assets as non-current asset (IAS 12)
- Adoption of IAS, 32 and 39 in financial statements as of 1 January, 2005



## 1. Financial and operating highlights

Consolidated financial highlights for the year to September, include:

1. **Net operating revenues** grew by 22.7% compared with the first nine months of 2004 to €671.54 million. This is, fundamentally, due to the increase of net TV advertising revenues (+23.8%), which stood at €625.88 million.

The notable increase of revenues was driven by the increase in audience share and the excellence of Publiespaña's commercial strategy, as well as the positive performance of Spain's advertising market, and the elimination in commissions paid to media buyers.

The average 22.5% **audience share** during the nine-month period in terms of total-individuals (total day) represents an increase of 0.4 points over the same period last year that places, once again, Telecinco as the leading television network ahead of TVE-1 (19.4%) and Antena 3TV (21.0%). Total-individuals prime time audience share<sup>1</sup> was 23.7%, confirming Telecinco as the undisputed leader among Spain's television networks. With regard to commercial target<sup>2</sup>, Telecinco's audience share was 24.9% in terms of total-day audience and 26.3% in the prime time slot, further consolidating its traditional leadership.

Telecinco's **programming** continued demonstrating its solidness and stability with high audience share figures across all slots. Notable audience shares were reported<sup>3</sup> for Formula 1 (47.2%), "Operación Triunfo" (37.1%), the Spanish fiction series "Hospital Central" (31.7%), "Aída" (30.8%) and "Los Serrano" (30.8%), as well as the talk-show "El Programa de Ana Rosa" (25.9%).

2. **Operating costs** were €366.31 million and grew by 4.7%, despite increased variable costs due to higher revenues. The cost growth is higher than the guidance given for the entire year 2005, as indicated in the previous results presentation. Nevertheless, the Company continues having its cost control target for 2005, which foresees growth of costs in line with inflation.
3. **Adjusted EBITDA**<sup>4</sup> grew by 52.2% to €312.72 million, and **EBIT** totalled €305.23 million (+54.4%). The resulting operating margins were 46.6% for EBITDA (adj.)/total net revenues and 45.5% for EBIT/total net revenues.
4. **Net profit** after taxes was €212.63 million, up 52.1% vs. 9M04. Telecinco has been able to obtain in the first nine months of 2005 the same Net profit amount achieved in the full year 2004.
5. **Free cash flow** was €300.68 million, with **operating cash flow** up €59.13 million to €327.42 million.

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<sup>1</sup> Prime time: Time slot with the highest television consumption of the day, from 21:00 to 24:00.

<sup>2</sup> Commercial target: Audience group comprising individuals from 16 to 59 living in communities of over 10,000 inhabitants and across medium and upper social classes.

<sup>3</sup> January-September average audience share.

<sup>4</sup> Post-rights amortisation



6. **Net cash position** at September 30<sup>th</sup> 2005, was €361.77 million, after the distribution in May of dividends amounting to €172.64 million charged to 2004 results.

## 2. Profit and loss account

**Table 1: Consolidated Profit and Loss Account<sup>5</sup>**

<i>Millions of €</i>	<b>9M05 IFRS</b>	<b>9M04 IFRS</b>	<b>% change</b>
<b>TOTAL NET REVENUES</b>	<b>671.54</b>	<b>547.43</b>	<b>22.7%</b>
Personnel costs	(54.05)	(50.66)	6.7 %
Rights amortisation	(101.00)	(110.75)	(8.7%)
Other operating costs	(203.76)	(180.60)	12.8 %
<b>Adjusted EBITDA</b>	<b>312.72</b>	<b>205.42</b>	<b>52.2 %</b>
Other amortizations, provisions	(7.49)	(7.73)	(3.1%)
<b>EBIT</b>	<b>305.23</b>	<b>197.69</b>	<b>54.4 %</b>
Equity consolidated results	0.66	0.38	73.2 %
Financial results	3.99	2.57	55.1%
<b>Pre-tax profit</b>	<b>309.88</b>	<b>200.64</b>	<b>54.4 %</b>
Income taxes	(97.22)	(60.83)	59.8 %
Minority interests	(0.03)	0.02	--
<b>Net profit</b>	<b>212.63</b>	<b>139.83</b>	<b>52.1 %</b>

### 2.1. Revenues

**Table 2: Revenues**

<i>Millions of €</i>	<b>9M05 IFRS</b>	<b>9M04 IFRS</b>	<b>% change</b>
<b>Gross TV advertising revenues</b>	<b>655.36</b>	<b>539.25</b>	<b>21.5 %</b>
- Commissions and discounts	(29.48)	(33.81)	(12.8 %)
<b>Net TV advertising revenues</b>	<b>625.88</b>	<b>505.44</b>	<b>23.8 %</b>
<b>Other revenues</b>	<b>45.66</b>	<b>41.99</b>	<b>8.7 %</b>
<b>TOTAL NET REVENUES</b>	<b>671.54</b>	<b>547.43</b>	<b>22.7 %</b>

<sup>5</sup> Combined format for 9M2004  
[www.inversores.telecinco.es](http://www.inversores.telecinco.es)



**Gross advertising TV revenues** (of Publiespaña and Publimedia) for the nine-month period grew by 21.5% to €655.36 million.

**Net advertising TV revenues** after commissions and allowances climbed by 23.8% to €625.88 million. The elimination of agency commissions, which in the first nine months of 2004 amounted to 2% of gross revenues, has contributed to the revenue growth.

“**Other revenues**” grew by 8.7% to €45.66 million, thanks among other, to the excellent performance of revenues from sales of SMS services.

Finally, **total net revenues** grew by 22.7% to €671.54 million compared with the same period last year.

## 2.2. Operating costs

**Total operating costs**, which totalled €366.31 million and include amortizations of audiovisual rights and fixed assets, grew by 4.7% or €16.57 million in 9M05. Of this increase, €5.56 million stem from costs related to rights associations expenses and €3.5 million due to an increase in revenues.

**Table 3: Operating costs**

Millions of €	9M05 IFRS	9M04 IFRS	% change
Personnel costs	54.05	50.66	6.7%
Rights amortisation	101.00	110.75	(8.7%)
Other operating costs	203.76	180.60	12.8 %
Other amortisation and provisions	7.49	7.73	(3.1%)
<b>TOTAL OPERATING COSTS</b>	<b>366.31</b>	<b>349.74</b>	<b>4.7 %</b>

In terms of broadcasting hours, the weight of Telecinco's own productions has increased relative to external productions in the network's programming. In the first nine months 2005, 81% of programmes were own productions and the remaining 19% was external productions (compared with a 77-23 ratio in 9M04). For this reason, production costs increased and amortizations of external production rights decreased.



### 2.3 Operating profit and operating margins

**Adjusted EBITDA** (EBITDA post-rights amortisation) reached €312.72 million, up 52.2% by €107.30 million vs. 9M04.

**Net operating profit (EBIT)** was €305.23 million, representing an increase of 54.4% or €107.54 million vs. 9M04.

The resulting operating margins are as follows:

**Table 4: Operating margins**

Millions of €	9M05 IFRS	9M04 IFRS	% change
Total net revenues	671.54	547.43	22.7 %
Adjusted EBITDA	312.72	205.42	52.2 %
EBIT	305.23	197.69	54.4 %
Net profit	212.63	139.83	52.1 %
Adj. EBITDA / Total net revenues	46.6 %	37.5 %	-
EBIT / Total net revenues	45.5 %	36.1 %	-
Net profit / total net revenues	31.7 %	25.5 %	-

### 2.4. Financial result, equity consolidated companies and extraordinary result

Given the almost absence of financial debt, the company obtained **financial income** of €3.99 million, most of which being interests obtained through cash investments.

Positive results were also recorded from **equity consolidated companies**<sup>6</sup> totalling €0.66 million.

### 2.5. Profit for the first nine months of 2005

**Pre-tax profit** for 9M05 was €309.88 million, up by €109.24 million compared with €200.64 million in 9M04 (+54.4%).

After recording the €97.22 million provision for the corporate income tax expense (applying tax rules in place), compared with €60.83 million in 9M04, the **net profit after minority interests** for the first nine months of 2005 was €212.63 million, an increase of €72.80 million or 52.1% over the same period of previous year.

<sup>6</sup> Companies consolidated by the equity method are: Premiere Megaplex S.A. (50% shareholding), Multipark Madrid S.A. (35%), Canal Factoría Ficción S.A. (40%), Europortal Jumpy España S.A. (50%), Aprox Imagen S.L. (40% indirect shareholding) and Publici Televisión S.A. (50% indirect shareholding).



### 3. Cash flow generation

Cash flow generation was boosted by the strong performance of revenues and the positive contribution of the change in working capital. **Operating free cash flow** amounts to €300.68 million, increasing by €86.81 million compared to 9M04.

**Table 5: Cash Flow**

<i>Millions of €</i>	<i>9M05 IFRS</i>	<i>9M04 IFRS</i>	<i>Change in millions of €</i>
Net profit	212.63	139.83	72.80
Amortisations:	107.69	117.77	(10.08)
- Rights	101.00	110.75	(9.75)
- Other	6.69	7.02	(0.33)
Provisions	0.80	0.71	0.09
Other	6.30	9.98	(3.68)
<b>OPERATING CASH FLOW</b>	<b>327.42</b>	<b>268.29</b>	<b>59.13</b>
Investment in rights	(124.21)	(100.60)	(23.61)
Investments, other	(3.29)	(2.99)	(0.30)
Change in working capital	100.75	49.17	51.58
<b>OPERATING FREE CASH FLOW</b>	<b>300.68</b>	<b>213.87</b>	<b>86.81</b>
Change in Equity	(9.71)	(9.63)	(0.08)
Financial investments	(1.98)	(0.02)	(1.96)
Dividends received	1.07	0.90	0.17
Dividend payments	(172.64)	(250.00)	77.36
Net cash increase	117.42	(44.88)	162.30
<b>INITIAL CASH POSITION</b>	<b>244.35</b>	<b>252.53</b>	<b>---</b>
<b>FINAL CASH POSITION</b>	<b>361.77</b>	<b>207.65</b>	<b>---</b>



#### 4. Balance Sheet

Table 6: Summary Balance Sheet

Millions of €	September 2005 IFRS	September 2004 IFRS
Tangible assets	65.53	65.64
Audiovisual rights and Pre-payments	255.44	240.17
Rights:	192.23	186.00
- Third parties	156.28	154.23
- Fiction	26.54	20.64
- Co-production/Distribution	9.41	11.12
Pre-payments:	63.21	54.18
- Third parties	17.64	48.66
- Fiction	5.70	0.00
- Co-production/Distribution	39.86	5.52
Pre-paid taxes	15.70	17.79
<b>TOTAL NON-CURRENT ASSETS</b>	<b>336.67</b>	<b>323.60</b>
Current assets	144.26	129.33
Financial investments and cash	366.36	211.23
<b>TOTAL CURRENT ASSETS</b>	<b>510.62</b>	<b>340.56</b>
<b>TOTAL ASSETS</b>	<b>847.29</b>	<b>664.16</b>
Shareholders' equity	508.37	394.27
Non-current provisions	66.61	53.06
Non-current payables	1.48	1.65
Non-current financial liabilities	3.27	2.60
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>71.36</b>	<b>57.31</b>
Current payables	266.24	211.60
Current financial liabilities	1.32	0.98
<b>TOTAL CURRENT LIABILITIES</b>	<b>267.56</b>	<b>212.59</b>
<b>TOTAL LIABILITIES</b>	<b>847.29</b>	<b>664.16</b>

The evolution of the **library** reflects the containment strategy for the acquisition of external productions' rights and the significant increase in co-production pre-payments due to higher investment obligations in European film production.

As for **current assets**, an increase was recorded reflecting the growth of receivables as a result of increased sales. **Current liabilities** increase, among other, because of higher corporate income tax provisions and a higher provision for sales discounts related to increased revenues as well as to an increase in amounts due to suppliers.

The **net cash position** of €361.77 million in the first nine months 2005, reached after the distribution of the dividend of €172.64 million charged to 2004 results, is also worthy of mention.



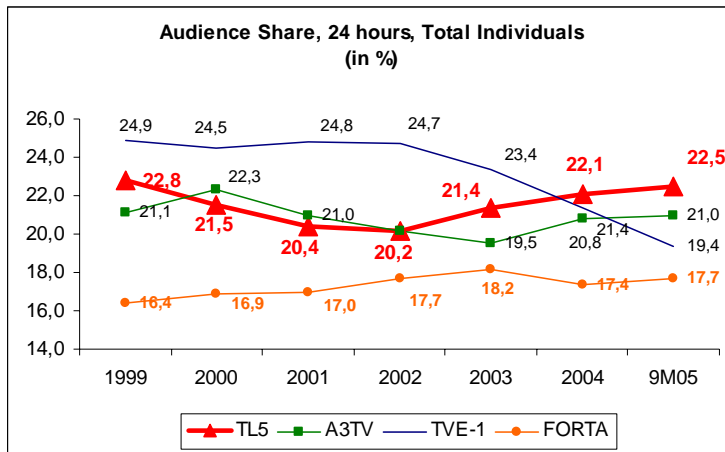


## 5. Audience share performance

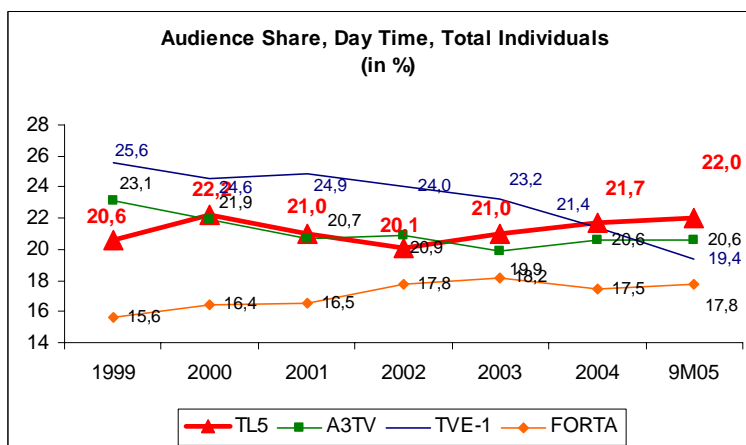
**Table 7: January-September average audience share**

Share	9M05	9M04
Total-day	22.5 %	22.1%
Day Time	22.0 %	21.7 %
Prime time (21:00h-24:00h)	23.7 %	23.2 %
Total-day, Commercial target	24.9 %	25.3 %
Day time, Commercial target	24.3 %	24.6 %
Prime Time, Commercial target	26.3 %	26.7 %

Telecinco, after being ranked first in 2004 for the first time in its history in terms of audience share-total individuals ahead of TVE-1, not only maintains, but also improves its leadership in total-individuals 24 hours audience share.

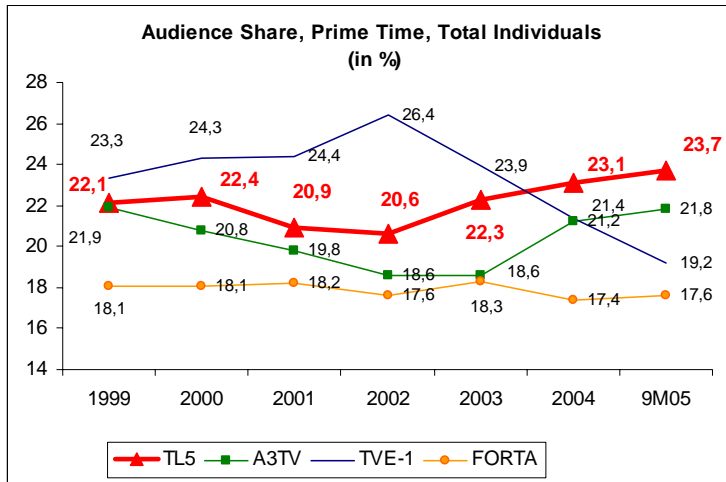


With regard to “day time” audience share Telecinco also leads the market since 2004 and has continuously increased its share.





Telecinco's prime time total-individuals audience share also beats TVE-1 and Antena 3TV, consolidating the leadership far ahead its competitors.



As for commercial target audience share for 24 hours, day time and prime time, Telecinco consolidated its undisputed leadership.

